2010

# Annual Report

Enovos International

enovos

**Enovos International S.A.**

Registered as a société anonyme
(public limited company)
under Luxembourg law with a capital of
EUR 84,450,000 (31.12.2010)
Registered office: City of Luxembourg
Luxembourg Trade and Companies' Register B11723

# Annual General Meeting of 10th May 2011

Reports presented to the annual general meeting of shareholders by the Board of Directors and the statutory auditors

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# I Introduction

## 1 Enovos International's mission and values

As a major strong energy supplier in the Luxembourg, German and European energy market, Enovos International's mission as a holding of the energy provider Enovos and the grid operator Creos, is to procure, transmit and distribute electricity, natural gas and renewable energies to municipal suppliers, industry and private households. Enovos' strength is that all these services come from one single source at reliable and competitive prices.

Enovos acts as an independent energy supplier in the heart of Europe. By its integrated energy solutions, based on an intelligent combination of energy products and services, Enovos aims to offer a true alternative to its customers.

Enovos' clients are served by an international team of highly motivated and experienced energy experts, fully dedicated to their customers' needs, with fast response times combined with effective communication. Creos is responsible for the planning, construction, extension, maintenance and operation of the entire natural gas and power grid of Enovos and ensures the regular transport and distribution of natural gas and power.

According to its guiding principle, "Energy for today. Caring for tomorrow.", the group acts in a responsible manner by integrating economic, environmental and social elements into its operations. It seeks to establish lasting and stable relations with all customers, based on the quality of its service, the development of new innovative energy products and services and its long-term safeguarding of energy provision. Enovos' work is devoted to sustainability related to both the environment and the organisation.

Enovos strives to carry out its activities in the interests of all parties concerned, namely its customers, the general public, its shareholders, the public authorities and its employees.

## 2 Group structure as of January 2011

Enovos group is headed by Enovos International S.A., an operating holding company headquartered in the Grand Duchy of Luxembourg.

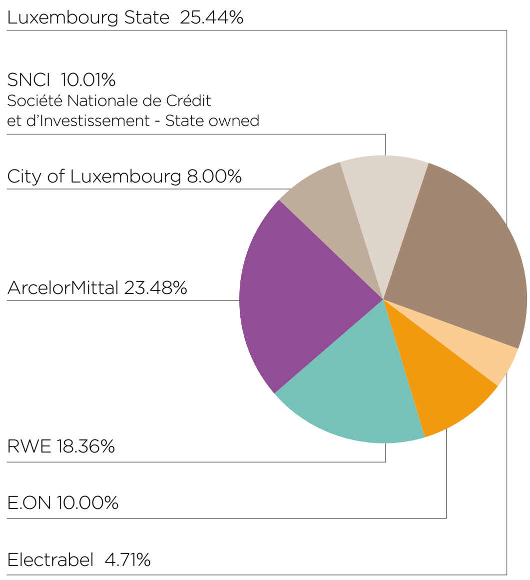
The energy supplier Enovos Luxembourg S.A. is owned 100% by Enovos International S.A. and holds several stakes in the energy generation business, including significant shareholding interests in power generation based on renewable energies.

Enovos Deutschland AG, which is holding participations in other energy supply companies (mainly German utilities - "Stadtwerke") and Enovos Energie Deutschland GmbH, the two German subsidiaries of Enovos Luxembourg S.A., provide natural gas, electricity and energy services for the entire German territory. The first subsidiary, headquartered in Saarbrucken, specialises in the segment of municipalities and public utilities, whereas the latter one, headquartered in Wiesbaden, mainly targets industrial and professional customers. In Luxembourg, Leo S.A. is the preferential contact for Luxembourg-City regarding the supply of electricity and natural gas.

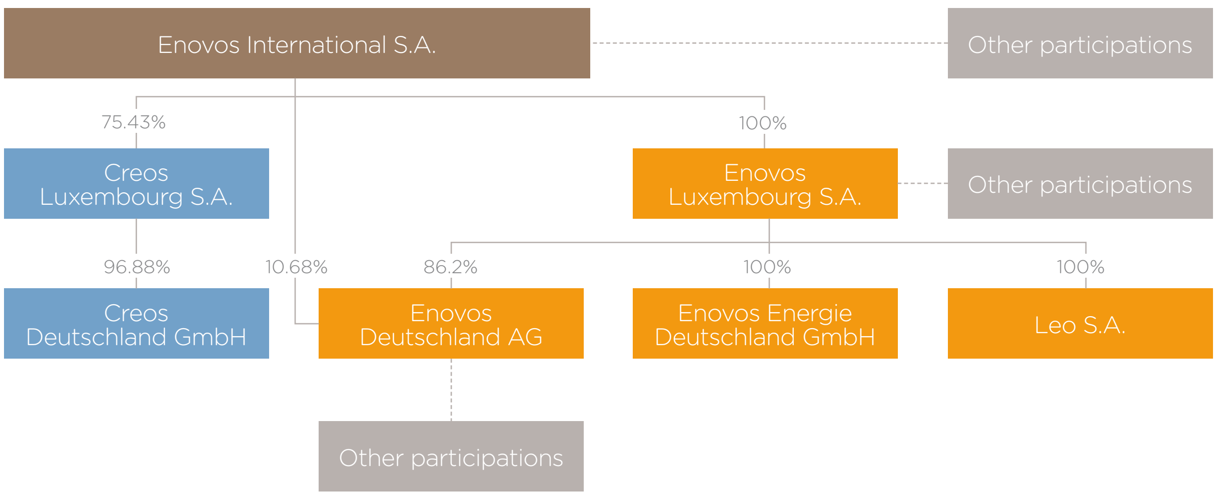
Besides the activity of energy providing, the parent company also serves as an umbrella for the management of the grid operator Creos Luxembourg S.A. networks and its German subsidiary Creos Deutschland GmbH.

Moreover, Enovos International S.A. holds stakes in companies with diversified activities such as telecommunications or facility management.

### The shareholding




### The structure



## 3 Summary of consolidated accounts (under Lux GAAP)

The scope of consolidation consists of 39 companies, out of which 20 are fully consolidated and 19 are consolidated under the equity method. The list of consolidated companies is shown in Note 5 to the consolidated financial statements.

| **Key consolidated figures (in EUR million)** | **2010** | **2009** |
|---|---|---|
| Total Assets | 1,566.7 | 1,377.8 |
| Fixed Assets | 955.5 | 786.0 |
| Shareholders' equity, group share | 686.4 | 643.6 |
| Shareholders' equity, total | 745.6 | 679.2 |
| Amounts owed to credit institutions | 197.8 | 182.9 |
| Sales (excl. Trading) | 1,534.3 | 1,572.4 |
| EBITDA | 177.5 | 189.6 |
| EBIT | 132.0 | 148.2 |
| Net profit for the year, group share | 105.6 | 145.0 |

### Financial results slightly below 2009

While 2009 was still characterized by the restructuring performed to create the new Enovos group, 2010 was the group's first full year in business. Consolidated sales (excluding trading sales which are recorded as a deduction of cost of sales) reached in 2010 EUR 1,534.3 million, compared to EUR 1,572.4 million in 2009, a decrease of 2.8%.

Group EBITDA amounted to EUR 177.5 million (2009: EUR 189.6 million) mainly as a consequence of lower margins on the German gas market. Net profit for the year, group share reached EUR 105.6 million (2009: EUR 145.0 million, including a gain on the sale of a reinsurance company to a third party for an amount of EUR 19 million).

### Continued strong balance sheet

The group's total shareholders' equity as at 31st December 2010 amounted to EUR 745.6 million (2009: EUR 679.2 million), or 48% of the total balance sheet (49% in 2009). Total fixed assets (including intangible, tangible and financial assets) increased to EUR 955.6 million (2009: EUR 786.0 million), as a consequence of the group executing its strategy to invest into gas sourcing and electricity generation based on conventional and renewable sources of energy.

At this stage, the group foresees no technical, commercial or financial developments that could jeopardize its economic stability in 2011.

## 4 Corporate governance bodies as at 31st December 2010

### Board of Directors of Enovos International S.A. (1)

| | |
|---|---|
| Etienne Schneider | Chairman of the Board |
| Fernand Felzinger | Vice-Chairman of the Board |
| Marco Hoffmann | Vice-Chairman of the Board |
| Dr. Claude Seywert | Vice-Chairman of the Board |
| Eric Bosman | Member of the Board |
| Dr. Peter Frankenberg (2) | Member of the Board |
| André Gilbertz | Member of the Board |
| Tim Hartmann | Member of the Board |
| Charles Hutmacher | Member of the Board |
| Jean-Claude Knebeler | Member of the Board |
| Pierre Rauchs (3) | Member of the Board |
| Arnold Neudeck | Member of the Board |
| Peter Pichl | Member of the Board |
| Gaston Reinesch | Member of the Board |
| Nico Wietor | Member of the Board |

### Executive Committee of Enovos International S.A.

| | |
|---|---|
| Romain Becker | Member of the Executive Committee |
| Nestor Didelot (4) | Member of the Executive Committee |
| Jean Lucius | Member of the Executive Committee |

(1) With the appointment of Dr. Uwe Leprich, representing Ville de Luxembourg starting 1st January 2011, the Board of Directors has 16 members.
(2) In BoD meeting on 19th March 2010, Dr. Peter Frankenberg replaced Dr. Stefan Vogg.
(3) In BoD meeting on 19th March 2010, Mr. Pierre Rauchs replaced Mr. Claude Lanners.
(4) In BoD meeting on 5th February 2010, Mr. Nestor Didelot replaced Dr. Hanno Dornseifer.

## Corporate Governance

The structure of the Enovos group was defined according to the new rules for the organisation of the energy markets and implements a clear separation of regulated and unregulated activities. In the deregulated European energy market, only sufficiently large companies with an international presence can thrive and, above all, maintain their independence. In this respect, trust is essential to enabling the company to maintain long-term relationships with its clients, partners and public contracts. In the regulated grid business, large entities create synergies and thus lower cost for the consumers.

As Enovos International attaches considerable importance to corporate governance principles, it has adopted a corporate governance charter. This charter, first published in 2010, will be updated over the course of the year 2011. It describes the main aspects of corporate governance at Enovos group and sets out the manner in which the group is managed and controlled.

Enovos International and its subsidiaries are governed by a Board of Directors with sixteen members nominated for periods of up to six years, as well as an Executive committee comprising three members, in charge of the daily business.

The Board of Directors of Enovos International defines the group's general policy and strategic direction, and ensures that these are implemented. In 2010, six ordinary meetings were held. The Board of Directors has set up an audit committee, a nomination and remuneration committee and a group strategy committee from among its members.

The audit committee, which consists of seven directors, is assisting the Board of Directors, in particular with respect to financial information, internal controls and risk management, the internal audit and the auditor's report on the financial statements. This committee checks that the used accounting methods are appropriate and gives its opinion on the semi-annual and annual financial statements. It is notified of the methods and resources used and the organisation of audits and internal controls. In 2010, five audit committee meetings were held.

The nomination and remuneration committee comprises six directors. It assesses the independence of the directors and submits proposals to the Board of Directors regarding the remuneration of directors and senior management. This committee held five meetings in 2010.

The group strategy committee consists of 12 members, including the members of the executive committee. It deliberates, analyses and evaluates the group's main orientations according to necessity and the overall group's policy. This committee held four meetings in 2010.

The Executive Committee, which is in charge of daily business, meets every week to ensure that the group's strategy is applied consistently and takes the necessary decisions according to delegated powers.

## 5 Message of the Chairman and the Executive Committee

Challenge met: Enovos International S.A., the operational holding company heading the Enovos group, was able to successfully conclude the merger started in 2009 in record time. The fiscal year 2010 was also marked by an ambitious and consistent consolidation, expansion and investment strategy. One also needs to stress the integration of Luxgaz Distribution S.A. and Luxembourg-City's energy networks and activities. These efforts enabled the group to position itself as the number one energy actor in the Grand Duchy of Luxembourg and in the neighbouring regions of Germany, France and Belgium.

**Increase of competitiveness**

Thanks to the dynamism of all the companies and their subsidiaries, Enovos has consolidated and improved its strategic position for its entire value chain, from energy production to sales. Enovos strives to offer an intelligent combination of energy products and services to all customer segments.

In order to diversify and secure supply in favour of all clients, Enovos significantly invests in upstream activities. For electricity, Enovos thus makes sure to offer a balanced energy mix consisting of a variety of energy sources. Concerning natural gas, Enovos plans participations in gas fields and sagely ensures supply through medium- and long-term contracts, which are completed by spot market purchases. These diverse means of energy production, purchase and stocking entail high supply security.

In 2010, Enovos group increased to a size enabling it to widen its portfolio of residential, professional and industrial clients. Hence, with the takeover of Luxgaz Distribution S.A. in May 2010, Enovos Luxembourg became the first Luxemburgish energy company to offer both electricity and natural gas supply to all customer segments on the entire national territory.

In January 2011, Enovos Luxembourg S.A. completed another considerable takeover by acquiring the shares of Leo S.A., Luxembourg-City's gas and electricity provider. The group's solid investment policy was confirmed once again through the integration of the electricity provider BKW Energie GmbH in October 2010, which strengthened Enovos' activities of the German territory.

Over the past year, Enovos has also considerably invested in renewable energies, either through the realisation or the acquisition of wind and photovoltaic energy or biogas projects.

With the establishment of a foundation under the aegis of the "Fondation de Luxembourg", Enovos has demonstrated that it takes its social responsibility seriously. The "Fondation Enovos" promotes and develops renewable energy sources. At the same time, it actively contributes to research in the areas of the environment and sustainable development by supporting science projects in the sectors of energy in general and renewable energies in particular. At the service of mankind and society, the "Fondation Enovos" also supports social projects.

**High reliability of supply**

Through its network management company Creos Luxembourg S.A. and its German subsidiary Creos Deutschland GmbH, the group managed to guarantee high reliability of supply and distribution. The takeover of Luxgaz Distribution S.A.'s natural gas networks by Creos Luxembourg S.A. has enabled the company to complete its transport network with a network for distribution to the end-customer. The integration of Luxembourg-City's electricity and natural gas networks and their teams within Creos Luxembourg S.A. aims at creating synergies, which contribute to the optimisation of the networks in favour of all customer segments. This service quality is part of Creos Luxembourg S.A.'s public service mission.

Given that all studies concerning the evolution of energy demand in Europe anticipate an increase in natural gas and, in particular, electricity consumption in the coming years, the challenges for Creos Luxembourg S.A. and Creos Deutschland GmbH consist of ensuring a secure energy supply thanks to a reinforcement of the networks with those of the neighbouring countries. The increased use of alternative energies, stemming i.a. from large wind parks in the North Sea, raises new challenges concerning electricity supply lines and requires a considerable strengthening of transport lines in Europe. Special attention will be given to the development of "smart grid" networks, "intelligent" electricity distribution networks that, based on modern information technologies, optimise distribution to better link offer and demand.

In this context, the progressive replacement of traditional metres with "smart metres" encourages end-customers to consume energy more efficiently and thus decrease their bills. Thanks to these efforts and an ambitious investment programme, Enovos group contributes to the reduction of greenhouse gas emissions while at the same time realising the electricity sector's vision of being "carbon free" in 2050.

The regulation of energy markets on European and national scale led Creos to implement significant adaptation and harmonisation processes.

These directives from the European Union aim at ensuring market transparency and secure supply at reasonable prices.

**A corporate culture at the service of the customer**

In figures, Enovos group currently represents more than 1,000 employees, more than 280,000 points of delivery, more than 8,126 km of electrical lines and more than 3,528 km of gas pipelines – impressive numbers that encourage the group to pursue its tireless future-oriented strategy. In the coming months and years, the corporate culture will continue to be oriented towards customer service. In this context, Enovos group would like to thank all of its employees, long-serving and newly arrived, for their commitment. Their efforts and skills have made the group's development and stability possible.

Enovos group will continue to look for the right balance between profitability and consumer interests since its missions and values will always be at the service of mankind and the environment, for the well-being of future generations.

**Etienne Schneider**
Chairman

**Romain Becker, Nestor Didelot, Jean Lucius**
Members of the Executive Committee

# II Management Report

## 1 The economic and energy environment

The recession in Europe has been severe, but in most nations, recovery in 2010 was quite robust too. Overall growth in the European Union is expected to reach 1.8% (European Commission) in 2010. However, this growth has essentially been fuelled by the various macroeconomic recovery plans coupled with the continuous positive developments in the emerging countries, which were less affected by the crisis. This ongoing export-driven industrial rebound is in line with the continued strong dynamics of global growth and trade.

Growth momentum within the Grand Duchy was even stronger: In total, Luxembourg's GDP should rise by about 3.2% (STATEC) in 2010 after falling by 3.7% in 2009. This strong performance has essentially been driven by higher direct investments of 13.6%. Increases in exports and imports remain almost balanced with 16.2% respectively 16.7%.

Foreseeably, real Luxembourgian GDP growth will decelerate somewhat in 2011 and will slightly reaccelerate in 2012, following the general trend of the EU, while base scenarios of main statistic institutions remain in the neighbourhood of 3%. Nevertheless, both global and European economic outlooks for the coming years remain very uncertain: existing fears of a double-dip recession and burgeoning governmental budget deficits make a medium-term outlook unusually hard to predict with confidence.

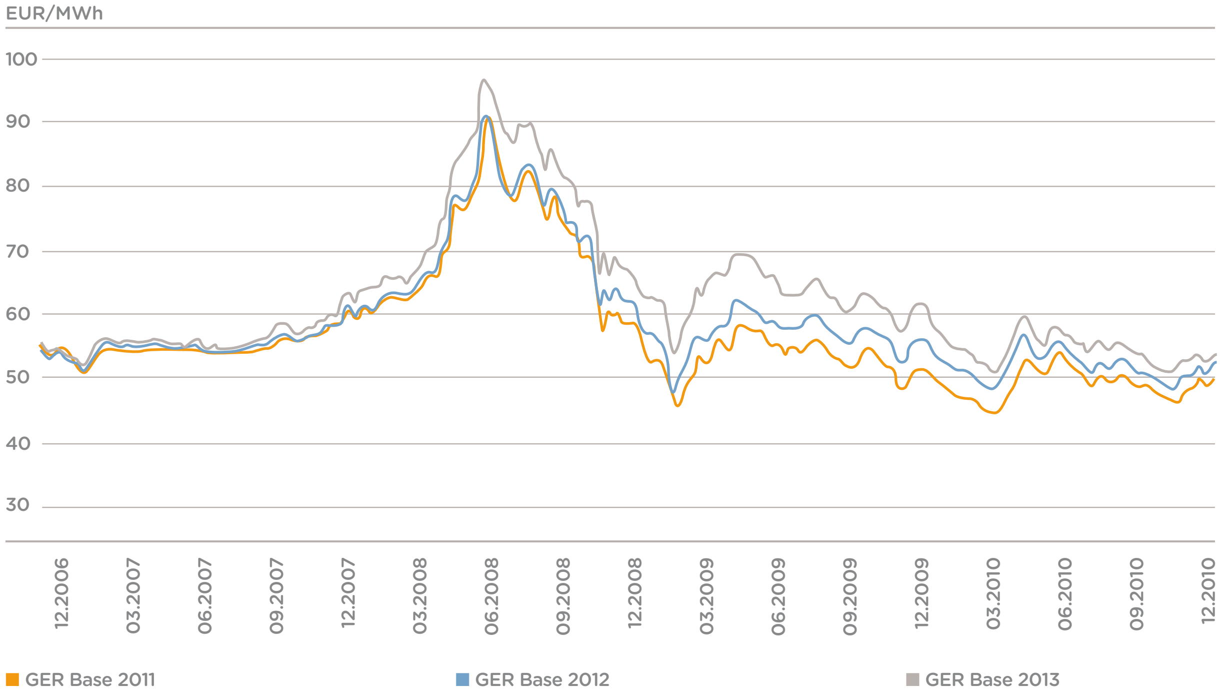
In Luxembourg, as in most countries within the Eurozone, the engaged recovery since mid-2009 has not yet allowed to reach the GDP level existing before the crisis. Industrial production has recorded five consecutive quarters of growth since the 2nd quarter of 2009, a movement shared by the majority of industrial branches. Available estimates however announce a decline in production from September 2010 onwards.

As a consequence of the industrial recovery, energy consumption has followed this same trend throughout 2010, both in electricity and in natural gas.

On the currency markets, 2010 was characterised by a high volatility of the euro versus the dollar; the exchange rate euro/dollar was 1.43 at year opening, sharply decreasing to below 1.20 in June, recovering to 1.42 in October and closing at 1.33.

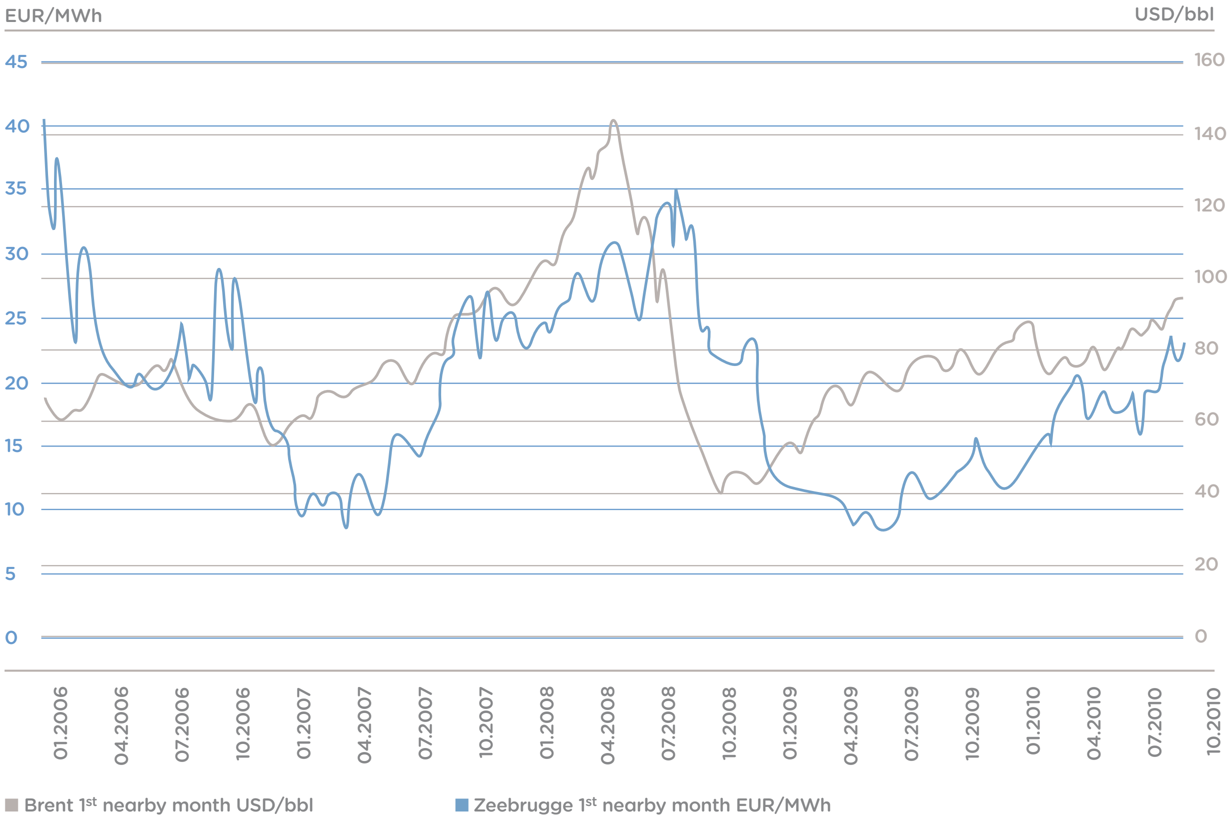
In 2010, low volatility was observed for electricity prices which remained at a low past-crisis level throughout the year, whereas oil prices continued their steady increase since 2009. The market nonetheless expects rising prices for both gas and electricity in the medium term.

Evolution of electricity base prices




Natural gas prices generally follow the trend in the moving average for oil prices over several months. Thus the changes in the oil market are reflected in a rather muted way. After a sharp decrease in prices at the end of 2008, an important decorrelation occurred in 2009 between long-term sales contracts and spot prices. Since the beginning of the economic downturn, physical gas demand has been cut back, leading to sharp falls in spot gas prices in Europe throughout 2009. Due to a reduction of overcapacities, spot gas prices have risen by about 75% in 2010, hence closing almost the gap that had opened up between long-term, oil-indexed and short-term spot gas prices. In 2011, the precarious budget situations of several European countries could weigh on the euro, and oil prices quoted in dollars could have an increasingly adverse effect on energy prices. The political instability in the Arabian World could even enhance this effect with additional pressure on oil prices and more specifically for natural gas, reopening the gap between long-term and spot gas prices.

Evolution of brent versus natural gas spot prices




In 2010, overall electricity consumption in Luxembourg totalled 6,690 GWh, an increase of 8% compared to the previous year. The annual consumption in our neighbouring countries has been: Germany +4.0%, Belgium +4.8% and France +5.5%.

For natural gas, the total consumption in Luxembourg for 2010 was 15,459 GWh, an increase of 7.5% compared to the previous year. In our neighbouring countries, the annual variations were: Germany +4.2%, Belgium +10.9% and France +11.8%.

## 2 Grid activities and regulation

Electricity and gas infrastructures are essential to a secure, competitive and sustainable future. They are also crucial for the development of integrated energy markets.

Furthermore, the electricity sector is determined to play an important role in the decarbonisation of society. In this context, additional capacities of renewable generation all over Europe will require new investments in grid infrastructures in order to increase transmission capacities. The recent incidents in the Japanese nuclear reactors following the earthquake and the tsunami will probably boost the role of renewable energy in the next decades, as a further development of nuclear power is uncertain. This increases the need for new investments in the European transmission grids in order to balance offer and demand of electricity.

There are a lot of challenges on the road to a timely implementation of these new infrastructures. Governments will play an important part and public acceptance will need to be secured. A key challenge will be to have a stable and predictable regulatory regime with sufficient financial returns on the needed investments.

In Luxembourg, as far as regulation is concerned, Creos Luxembourg S.A. has been involved in several negotiations with the national regulator in order to get approval for the general access conditions for the gas and electricity grids as well as for the associated tariffs for 2011, which are still under consultation after integration of the Luxgaz and Luxembourg-City grids.

The third internal market legislative package was published in the Official Journal of the European Union in 2009. The transposition of European Directives 2009/72/EC and 2009/73/EC concerning common rules for the internal market in electricity and natural gas into the national legislation are still pending. This may have some incidence on the organization of the national energy market. A working group has been established in order to analyze the potential implications for Enovos group.

Within Creos Luxembourg S.A., the 'Regulation Management' section of the Grid Strategy Department is responsible for monitoring the non-discrimination programme in order to guarantee a non-discriminatory treatment of all customers as requested by the Law of 1st August 2007. Annually, a report describing the taken measures is presented to the regulator.

On the technical side, studies in close cooperation with the neighbouring Transmission System Operators Elia (B), RTE (F) and Amprion (D) are ongoing in order to analyze the technical feasibility of a near-term interconnection of the 220 kV electricity grids. Based on different load scenarios that take into account the substantial increase of wind production in the northern regions of Europe, several simulations have been calculated on different grid topologies to assess the impact on the Creos grid. The group also focuses on the long-term outlook scenarios until 2020/30.

In the gas sector, a new interconnection with the French grid is studied with the French gas operator GRT-Gaz. A consultation procedure has been launched in this context.

One of the requirements of the directive for all the member states is to reach a conclusion by 2012, on the costs and benefits of an implementation of intelligent metering systems for the end customer. Smart meters are a first step towards smart grids, defined as "electricity networks that can intelligently integrate the actions of all users connected to it – generators, consumers, and those that do both – in order to efficiently deliver sustainable, economic and secure electricity supplies." The objective is to have a more efficient grid operation, a better integration of renewables and stronger demand-side participation. A study has been carried out in 2010 by the national Ministry of Economic Affairs and the regulator. A roll-out of this new generation of meters is foreseen in the next years, starting maybe in 2012.

A major event in 2010 was the integration of Luxgaz grid activities into Creos, thus expanding the activities from gas transport to gas distribution activities, i.e. delivery of natural gas to end-consumers. This evolution will be continued in 2011 following the integration of the gas and electricity grids of the City of Luxembourg after the decisions taken on 6th January 2011 to merge the activities of Creos and those of Luxembourg-City as far as energy grids are concerned.

In Germany, the activities of Creos Deutschland GmbH are organised within the framework of German regulation defined by the Bundesnetzagentur.

The revenue cap derived from the framework of the incentive regulation guidelines and supervised by the Federal Network Agency is annually adjusted.

With the 3rd EU internal market legislative package leading to extensive unbundling requirements and in case Creos Deutschland would be defined as TSO rather than DSO, a great effort has been put forth to avoid being identified as TSO. This would permit to limit the unbundling requirements and therefore the related costs.

A large component of Creos Deutschland's strategy for the coming years is its continuous reinvestment programme, which among other goals will ensure a secure supply of gas in the region. No matter what steps are necessary to achieve an ideal design of an efficient grid, it is crucial that the Federal Network Agency (BNetzA) recognizes the investment budgets annually applied to cover the capital costs in the framework of the Incentive Regulation in place.

Finally, the cooperation with VSE AG and Stadtwerke Saarbrücken AG has begun and is expected to generate synergies in the next years.

# 3 Evolution of Enovos group companies

(in Lux Gaap for companies in Luxembourg and German Gaap for companies in Germany)

## 3.1 Main group companies

### Enovos International S.A.

Enovos International S.A. is the parent company of the group, based in Luxembourg. The core activities of Enovos International S.A. are to hold financial interests in affiliated companies and to provide financing and corporate services to group affiliates.

| Key figures (in million euros) | 2010 | 2009 |
|---|---|---|
| Total assets | 849.9 | 997.2 |
| Fixed assets | 677.6 | 762.0 |
| Shareholders' equity ( incl. result for the year) | 619.1 | 609.6 |
| Amounts owed to credit institutions | 120.8 | 150.2 |
| Net profit for the year | 89.5 | 140.5 |

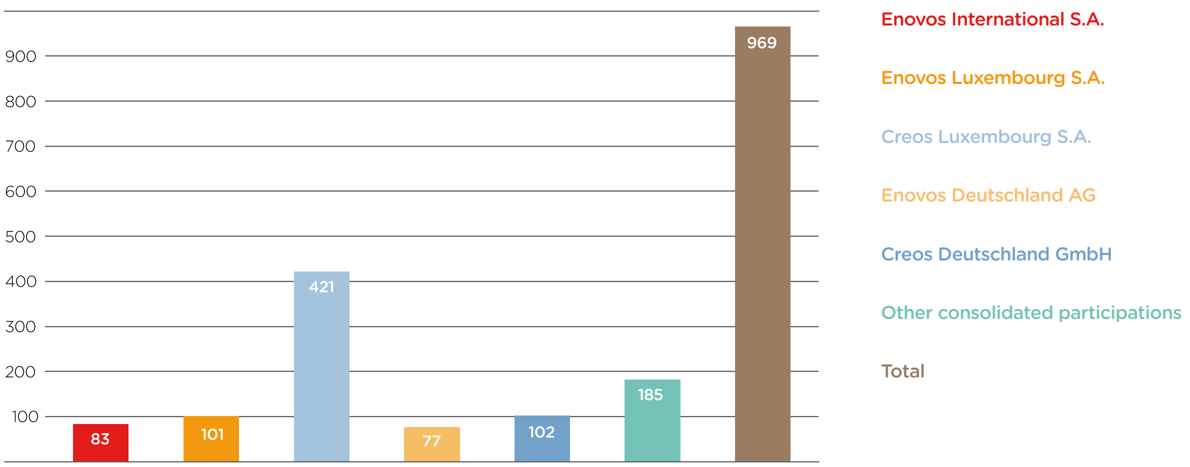
### Human resources

#### Evolution of workforce and key figures

From a Human Resources point of view, the year 2010 was marked by the consolidation of the merger's effects. The focus was put on the integration of the group's various entities. In this regard, the staff took on numerous challenges, i.a. following the takeover of Luxgaz Distribution S.A. and, starting in autumn 2010, the preparation for the integration of Luxembourg-City's energy activities and its gas and electricity networks into Enovos group.

Despite a difficult economic environment, the group remained active on the employment market and hired new employees through both internal and external recruitment channels, as well as through the participation in various events, such as the job fair organised by the University of Luxembourg.

**Average evolution of staff in 2010**



## Ongoing professional training

In order to ensure the transfer of knowledge, know-how and ability as part of the integration process, and to guarantee the development of skills and the acquisition of additional skills, the training budget remained steep in 2010.

The management and development of skills remain vital aspects of the group's human resources strategy.

To guarantee team development and to find the right balance between required competencies and everyone's desire for career advancement are two objectives that require a highly skilled Human Resources department, able to ensure the continuous development of activities while offering interesting career perspectives to the personnel.

In that respect, the network of internal trainers plays an essential role.

On top of a vast programme concerning the areas of work-related safety, the group continues to promote sustainable and responsible development. The project "Healthcare at work" focuses on the group's staff health and well-being at the workplace. This project aims at providing individual health evaluations through a scientifically certified questionnaire and customized personal feedback. In close collaboration with the "Health & Safety" service and with the help of staff representatives, studies regarding common and individual programmes to improve and preserve health are being elaborated at the moment.

The development of dialogue, transparency and constructive and responsible cooperation between management, staff representatives and personnel has been a key asset over the months following the merger and during the current integration phase.

We would like to take the opportunity to congratulate and thank all the qualified and competent employees for their commitment and contribution in 2010 and for their devotion to the implementation of the many important changes.

**Senior Management of Enovos International S.A.**

From left to right:

| | |
|---|---|
| **Marc Wagener** | Head of Facility Management |
| **Philippe Malinov** | Head of Corporate Accounting |
| **Dr. Peter Hamacher** | Head of Corporate Development & Strategy |
| **Guy Weicherding** | Deputy CFO |
| **Georges Disewiscourt** | Head of Human Resources |
| **Guy Chaves** | Head of Internal Audit |
| **Jean-Paul Wagner** | Corporate Secretary of the Board of Directors of Enovos International S.A.<br>Head of Risk Management |
| **Michel Schaus** | General Counsel |
| **Marc Schintgen** | Head of Informations Systems |

State: 1st April 2011

## Enovos Luxembourg S.A.

Enovos International S.A. holds 100% of Enovos Luxembourg S.A. whose mission as a major energy provider in the Luxembourg, German and European energy markets, is to procure and provide gas and power to municipal suppliers, industries and private households. Enovos Luxembourg S.A. has an 86.2% stake in Enovos Deutschland AG and holds several stakes in power generation companies, based on conventional and renewable energy sources.

| Key figures (in million euros) | 2010 | 2009 |
|---|---|---|
| Total assets | 537.5 | 410.2 |
| Fixed assets | 310.6 | 159.3 |
| Shareholders' equity ( incl. result for the year) | 240.2 | 232.2 |
| Amounts owed to credit institutions | - | - |
| Net turnover (excluding trading) | 772.7 | 769.7 |
| **Net profit for the year** | **68.0** | **118.1** |

Net sales remained stable compared to 2009, while net profit for the year 2010 decreased to EUR 68.0 million (2009: EUR 118.1 million). It should be noted, however, that the 2009 net profit comprised an exceptional gain of EUR 64.8 million realized from the sale of Soteg S.A. (now Enovos International S.A.) shares. At an operating level, financial results improved in 2010 compared to 2009 mainly as a result of higher sales volumes.

Furthermore, the company has invested in various projects aiming at increasing its own energy production out of conventional and renewable sources.

### Sales of Enovos Luxembourg S.A.

Overall electricity sales have been as follows:

| GWh | 2010 | 2009 | Change |
|---|---|---|---|
| **A. Final customers** | **3,335.2** | **3,170.1** | **5.2%** |
| Large enterprises | 1,126.9 | 1,007.2 | 11.9% |
| Small and medium enterprises | 1,264.3 | 1,231.1 | 2.7% |
| Residential customers | 699.7 | 690.7 | 1.3% |
| Professional customers | 244.3 | 241.1 | 1.3% |
| Power plants | 0.0 | 0.0 | 0.0% |
| **B. Wholesale customers** | **678.8** | **960.6** | **-29.3%** |
| Public utilities | 553.9 | 839.6 | -34.0% |
| Grid operators | 124.9 | 121.0 | 3.2% |
| Other counterparts | 0.0 | 0.0 | 0.0% |
| **C. Intercompany** | **276.9** | **0.0** | **>100%** |
| Total | 4,291.0 | 4,130.7 | 3.9% |

The increase in total sales of 3.9% compared to 2009 is attributed primarily to large enterprises who were hit by the economic crisis in 2009, which negatively impacted their workload resulting in short-time work. As a result of the recovery in 2010, electricity sales to this customer segment have increased by 11.9%. This increase was partially compensated by a decrease in the supply to public utilities mainly as a result of their more diversified purchasing portfolio.

Overall natural gas sales have been as follows:

| GWh | 2010 | 2009 | Change |
|---|---|---|---|
| **A. Final customers** | **10,000.5** | **7,420.0** | **34.8%** |
| Large enterprises | 3,345.2 | 3,092.8 | 8.2% |
| Small and medium enterprises | 1,453.9 | 877.3 | 65.7% |
| Residential customers | 0.0 | 0.0 | 0.0% |
| Professional customers | 0.0 | 0.0 | 0.0% |
| Power plants | 5,201.4 | 3,449.8 | 50.8% |
| **B. Wholesale customers** | **5,718.5** | **5,503.8** | **3.9%** |
| Public utilities | 5,718.5 | 5,503.8 | 3.9% |
| Grid operators | 0.0 | 0.0 | 0.0% |
| Other counterparts | 0.0 | 0.0 | 0.0% |
| **C. Intercompany** | **337.0** | **0.0** | **>100%** |
| Total | 16,055.9 | 12,923.8 | 24.2% |

The overall increase in gas sales of over 24% is a combination of different factors, besides the general economical recovery. First, the acquisition of new customers (mainly in France), then a strong demand of the company's subsidiary Twinerg which led to an increase in sales to power plants, and finally, the increase with wholesale customers mainly linked to the cold 2010 winter period.

## Outlook

In 2011, the main focus will be on the integration which was decided at the end of 2010 and which will be effective as of January 2011 (see also Note 34 to the financial statements) of two sales companies, namely Leo S.A. in Luxembourg and BKW Energie GmbH in Germany.

In addition, Enovos Luxembourg will continue its growth strategy by investing in energy generation out of renewable and conventional sources, while further expanding its sales activities into the neighbouring countries.

## Enovos Deutschland AG

The activities of Enovos Deutschland AG, a regional energy supply company based in Saarbrücken, range from energy sales and services to managing various holdings in other energy supply companies. Until 2009, Enovos Deutschland AG focused exclusively on the natural gas sales, with customers that included regional and local energy supply companies, as well as industrial businesses, power plants and German utilities (“Stadtwerke”). In 2010, the electricity sales were incorporated into its business activities for the first time. Enovos Deutschland is an 86.2% subsidiary of Enovos Luxembourg S.A., while another 10.7% are directly held by Enovos International S.A.

| Key figures (in million euros) | 2010 | 2009 |
|---|---|---|
| Total assets | 378.8 | 332.7 |
| Fixed assets | 204.1 | 182.1 |
| Shareholders’ equity ( incl. result for the year) | 157.3 | 172.8 |
| Amounts owed to credit institutions | - | - |
| Net turnover | 615.2 | 645.2 |
| **Net profit for the year** | **37.0** | **89.6** |

In 2010, 21.7 TWh (preceding year: 21.3 TWh) of natural gas were sold, of which 18.0 TWh (preceding year: 17.7 TWh) were sold to local distributors, 2.6 TWh (preceding year: 3.2 TWh) to industrial and power plant customers and 1.1 TWh (preceding year: 0.4 TWh) to other customers. Out of a total of 268.3 million kWh of electricity sales, 189.0 million kWh were sold to local distributors and 79.3 million kWh to industrial customers.

Despite the slight increase in volumes, the net turnover decreased in 2010 as a consequence of the margin pressure on natural gas in a highly competitive German market. Net profit decreased to 37.0 MEUR, compared to 89.6 MEUR in 2009. It should be noted, however, that the 2009 net profit included an extraordinary gain on the sale of Soteg S.A. shares for an amount of 33.9 MEUR.

## Creos Luxembourg S.A.

Enovos International S.A. holds a 94.29% stake in Creos Luxembourg S.A. as of 31st December 2010. Creos Luxembourg S.A. transports and distributes electricity and gas in Luxembourg. The main objective of Creos is the maintenance and development of an electricity and natural gas infrastructure, capable of meeting the energy demands of a steadily expanding population and a cutting-edge, high-tech industry requiring a high-quality energy supply.

| **Key figures (in million euros)** | **2010** | **2009** |
|---|---|---|
| Total assets | 409.2 | 425.5 |
| Fixed assets | 315.0 | 298.0 |
| Shareholders' equity ( incl. result for the year) | 296.4 | 256.6 |
| Long term liabilities | 2.4 | 88.0 |
| Net turnover | 161.2 | 157.1 |
| **Net profit for the year** | **22.8** (1) | **47.7** |

(1) Net profit for 2010 includes a net extraordinary charge of EUR 13.5 million resulting from the integration of the activities of Luxgaz Distribution S.A. in 2010 (see Note 4 to the financial statements).
In 2009 it included the proceeds from the sale of the ownership interest in the reinsurance company Watt Re S.A. amounting to EUR 19.1 million.

During the year, a special effort was made to strengthen the high-voltage infrastructure, particularly in the south-east and the south of Luxembourg, where infrastructures were adapted to suit the particular conditions of those areas. According to the 2010 investment programme, most of the projects relating to electricity and natural gas were executed on schedule and within the agreed budgets. For years, a major initiative was undertaken in order to bury electricity grids underground. At the end of 2010, the proportion of underground cabling was 55.3% of medium-voltage cables and 92.8% of low-voltage cables.

Other major investments that should be noted were the meter modernisation project, whereby load curve meters were installed for high- and medium-voltage customers, and the test programme carried out in various regions of the country with a view to installing the new generation of smart meters, which are an essential part of the smart grids of the future.

Internally, 2010 was marked in particular by the negotiations and preparatory work relating to the integration into Creos of the natural gas networks of Luxgaz, and the City of Luxembourg's electricity and natural gas networks. This entails an expansion of Creos' activities as a power grid operator and constitutes a major step towards creating a single grid operator at the national level. Since the merger with Luxgaz on 1st May 2010, Creos now also operates a major gas distribution network in 43 municipalities.

Growth in energy demand in 2010 pointed to signs of a strong revival in economic activity. The total volume of electricity fed into the grid at the national level in 2010 was 4,875.4 GWh (4,646.9 GWh in 2009), which represents a 4.9% growth in national consumption, excluding the Sotel grid.

Overall electricity demand in the Creos grids evolved as follows:

| Consumption (in GWh) | 2010 | 2009 |
|---|---|---|
| Local distributors | 1,247.5 | 1,261.2 |
| HV grid (220 / 65 kV) | 1,294.4 | 1,208.1 |
| MV grid (22 kV) | 1,190.5 | 1,103.3 |
| LV grid | 1,009.4 | 958.4 |
| Grid and other losses | 133.6 | 116.0 |
| **Creos grid total consumption** | **4,875.4** | **4,647.0** |

There was also evidence of economic recovery in the growth in demand for natural gas, up 7.5% compared to the previous year. Bad weather conditions contributed to a sharp rise in demand at local distributor level. The total volume transported to the grid from January to December was 15,459 GWh.

Overall natural gas demand in the Creos grids evolved as follows:

| Demand (in GWh) | 2010 | 2009 |
|---|---|---|
| End clients: | | |
| Industrial sector | 4,567.3 | 4,137.2 |
| Large scale electricity production | 5,223.4 | 5,153.4 |
| Local distributors: | 5,668.2 | 5,085.8 |
| including Creos (Luxgaz) | (1,366.2) | (1,182.2) |
| **Creos grid total consumption** | **15,458.9** | **14,376.4** |

## Outlook

The main challenge for Creos Luxembourg will be the integration of the electricity and natural gas grids from the City of Luxembourg (see also Note 34 to the financial statements). The company's revenues are thus set to grow by around one third in 2011 year-on-year and its headcount will increase by close to 186 as a result of the employees made available to Creos Luxembourg S.A. by the City of Luxembourg for the purpose of managing the City's grid activities.

## Creos Deutschland GmbH

Creos Luxembourg holds a 96.88% stake in Creos Deutschland GmbH, a gas transport operator in Saarland and Rhineland-Palatinate.

Gas transported through the grid of Creos Deutschland in 2010 amounted to 31.985 billion kWh which represents an increase of 11% compared to the previous year, leading to the increase in the turnover of 13.5% in 2010 compared to 2009.

| **Key figures (in million euros)** | **2010** | **2009** |
|---|---|---|
| Total assets | 91.7 | 89.0 |
| Fixed assets | 54.3 | 46.4 |
| Shareholders' equity ( incl. result for the year) | 38.5 | 29.9 |
| Amounts owed to credit institutions | - | - |
| Net turnover | 67.8 | 59.7 |
| **Net profit for the year** | **10.3** | **9.9** |

## 3.2 Other group companies

### Subsidiaries held by Enovos International S.A.

- **Consolidated subsidiaries**

artelis S.A.
(participating interest: 36.95%)

artelis holds two 100% subsidiaries, Cegecom S.A. in Luxembourg and VSE Net AG in Germany, which both offer a wide range of telecommunications services (voice, data transmission and high-speed Internet access), based on a fibre-optic network and wireless local loop technology.

2010 net profit reached EUR 3.1 million (compared to EUR 5.1 million in 2009).

Global Facilities S.A.
(participating interest: 50%)

The company offers facility management services to companies and local authorities in Luxembourg.

In 2010, the company made a profit of EUR 0.70 million, compared to EUR 0.76 million in 2009.

Enovos Re S.A.
(participating interest: 100%)

Enovos Re is a captive reinsurance company with a capital of EUR 1.24 million whose aim is to insure the group against major operational risks. Technical provisions totalled EUR 5.54 million as at 31st December 2010 (4.1 million in 2009).

In accordance with Luxembourg's insurance law of 6th December 1991 (Art 99-4), reinsurance companies are obliged to set aside an equalization provision, which means that Enovos Re's profit is zero.

- **Other companies (not consolidated)**

European Energy Exchange (EEX) AG
(participating interest: 1%)

Based in Leipzig, the European Energy Exchange (EEX) is the management company for the only German electricity exchange, the largest in Europe. EEX is active on spot and forward electricity markets as well as in natural gas, coal and $CO_2$ certificates.

## Subsidiaries held by Enovos Luxembourg S.A.

• **Consolidated subsidiaries**

### Twinerg S.A.
(participating interest: 17.5%)

Twinerg is a combined cycle gas and steam turbine that has been operating since 2002.

Total electricity sales in 2010 were 2,644 GWh (3,209 GWh in 2009). Profit for the period was EUR 10.7 million (compared to EUR 9.0 million in 2009).

### Ceduco S.A.
(participating interest: 50%)

Ceduco S.A. is jointly owned by Dupont de Nemours and Enovos Luxembourg. It operates an industrial cogeneration plant.

In 2010, its sales of steam and electricity totalled 99,652 tons and 54.47 GWh respectively, compared to 56,297 tons and 32.37 GWh in 2009. The company recorded a loss of EUR 1.48 million, compared to a loss of EUR 1.87 million in 2009.

### Cegyco S.A.
(participating interest: 50%)

Cegyco S.A. is jointly owned by Goodyear and Enovos Luxembourg. It operates an industrial cogeneration plant.

In 2010, its sales of steam and electricity totalled 219,381 tons and 61.90 GWh respectively, compared to 168,866 tons and 54.34 GWh in 2009. The company recorded a profit of EUR 0.76 million, compared to a loss of EUR 0.18 million in 2009.

### LuxEnergie S.A.
(participating interest: 60.35%)

LuxEnergie generates and supplies heat, cold air and electricity in the public, domestic and service sectors, particularly on a cogeneration basis.

Over the course of the year, the company invested EUR 5.11 million. In 2010, the company's net profit was EUR 3.5 million, compared to EUR 3.08 million in 2009. LuxEnergie operates a total of 40 power stations, which produced 287.9 GWh of heat, 31.1 GWh of cold and 126.9 GWh of electricity in 2010. The company also supplies maintenance services to third-party cogeneration stations. At the end of 2010, the company had 68 employees.

### Airport Energy S.A.
(participating interest: 30.18%)

This company operates a cogeneration plant in the Luxembourg airport zone.

Net result in 2010 amounted to EUR 0.22 million (2009: EUR 0.01 million).

### DataCenterEnergie S.A.
(participating interest: 30.18%)

This company builds and operates IT data centers in Luxembourg.

Net loss in 2010 amounted to EUR 1.9 million (2009: 0.7 million).

### Wandpark Gemeng Hengischt S.A.
(participating interest: 20%)

This company has built and operates a wind farm of eleven turbines in Heinerscheid. The total installed capacity of the farm is 12,200 kW.

In 2010, electricity production amounted to 16.9 GWh, compared to 19.7 GWh in 2009. Profit for 2010 reached EUR 0.19 million, compared to EUR 0.36 million in 2009.

## Wandpark Kehmen-Heischent S.A.

(participating interest: 20%)

This company was created to build and operate a wind farm in Kehmen, comprising seven wind turbines with a total installed capacity of 12,600 kW.

In 2010, wind power added 18.3 GWh of electricity to Creos Luxembourg S.A.'s grid, compared to 21.4 GWh in 2009. The financial year ended with a profit of EUR 0.18 million (EUR 0.52 million in 2009).

## Wandpark Burer Bierg S.A.

(participating interest: 36.25%)

This company was created to build and operate a wind farm with a total installed capacity of 7,200 kW.

In 2010, wind power added 8.9 GWh of electricity to Creos Luxembourg S.A.'s grid, compared to 10.3 GWh in 2009. The financial year ended with a loss of EUR 0.12 million (loss of EUR 0.20 million in 2009).

## Windpark Mosberg GmbH & Co KG

(participating interest: 100%)

This company was created to build and operate a wind farm in Saarland, comprising six wind turbines. The total installed capacity of the farm is 6,000 kW.

Electricity production in 2010 reached 8.3 GWh (2009: 9.4 GWh). The loss for 2010 amounted to EUR 0.35 million (loss of EUR 0.21 million in 2009).

## Soler S.A.

(participating interest: 50%)

This company was formed in response to the Luxembourg government's initiative to privatise the running of state-owned hydroelectric power stations. Its corporate purpose includes the design and creation of electricity generation facilities, based on renewable sources of energy, and the running of these facilities.

As at 31st December 2010, the company operated the hydroelectric stations of Ettelbruck, Esch-sur-Sûre and Rosport. Total electricity production in 2010 was 38.7 GWh (2009: 42.8 GWh).The company ended the year with a loss of EUR 0.11 million (compared to a profit of EUR 0.67 million in 2009).

## Luxgas S.à r.l.

(participating interest: 90%)

Luxgas S.à r.l. has been created in 2010 to take over the energy sales activities of former Luxgaz Distribution S.A. The company is operational since 1st May 2010 and finished the year with a loss of EUR 0.11 million.

## NordEnergie S.A.

(participating interest: 33.33%)

NordEnergie is owned in equal parts by Enovos Luxembourg S.A. and the cities of Ettelbruck and Diekirch. NordEnergie's purpose is to provide electricity to the supply points connected to the distribution grids of the cities of Ettelbruck and Diekirch, which continue to own their own grids. It serves 7,558 customers.

In 2010, net profit amounted to EUR 0,01 million (in 2009: EUR 0.098 million).

## Steinergy S.A.

(participating interest: 50%)

Steinfort Energy S.A. (abbreviated in Steinergy) is owned in equal parts by Enovos Luxembourg S.A. and the Steinfort municipality. The purpose of the company is to sell energy to the electricity customers in Steinfort. The company serves 2,109 customers. Net profit in 2010 totalled EUR 7,253 (loss of EUR -1,710 in 2009).

## Trelder Berg GmbH

(participating interest: 80%)

Enovos Luxembourg purchased Energie Park Trelder Berg GmbH in January 2010. Energie Park Trelder Berg is a biogas plant with a capacity of 5.1 $MW_{el}$ in the south of Hamburg (Germany).

In 2010, 43.0 GWh of electricity were produced compared to 43.4 GWh in the previous year. The company's net profit was EUR 0.917 million compared to EUR 1.15 million in 2009.

La Benâte S.à r.l.
(participating interest: 100%)

The wind farm "La Benâte" was acquired in July 2010. It consists of 6 wind turbine generators with a nominal power output of 2.0 MW each.

In 2010, a total of 9.6 GWh were produced. The company's net loss was EUR 1.05 million in 2010.

Enovos Solar Investment I S.r.l.
(participating interest: 100%)

Enovos Solar Investment I (former Avelar Solar Investments S.r.l.) was acquired in October 2010. The company consists of 3 solar parks with a capacity of 3 $MW_p$, which were completed at the end of 2010.

The company's net profit was EUR 0.28 million in 2010.

Enovos Solar Investment II S.r.l.
(participating interest: 100%)

Enovos Solar Investment II (formerly Energetic Source Solar Investments S.r.l.) was acquired in October 2010. The company consists of 8 solar parks with a capacity of 8 $MW_p$, which were completed at the end of 2010.

The company's net loss for the year 2010 amounted to EUR 0.18 million.

Aveleos S.A.
(participating interest: 59.02%)

Aveleos S.A. is a joint venture company, which was founded in May 2010 together with the Zurich based Avelar Energy Ltd. The aim is the development, operation and retail of photovoltaic power plants. At the end of the year, 15 MW were completed, another 70 MW are planned for 2011.

The company's consolidated net loss was EUR 2.11 million in 2010.

• **Other companies (not consolidated)**

Société Electrique de l'Our S.A.
(participating interest: 4.46%)

Société Electrique de l'Our (SEO) owns and operates a 1,100 MW pumping station in the Vianden region and hydroelectric power stations on the Moselle river.

The company made a profit of EUR 2.19 million in 2010, same as in 2009. Works for the extension of the Vianden pumping station by means of an eleventh 200 MW machine have continued.

Energieagence S.A.
(participating interest: 40%)

Energieagence continued its activities in 2010, most notably supplying energy consultancy services to individuals, administrations and companies and offering training in the field of energy efficiency for professionals.

As in the past, the company broke even.

Südweststrom GmbH
(participating interest: 29.3%)

Enovos Luxembourg S.A. has subscribed shares in that company, aiming to have a 30 MW stake in an offshore wind turbine project in the North Sea for of a total capacity of 280 MW. When all the shares in the company are subscribed, Enovos Luxembourg S.A. will hold a stake of 10.7% in the company.

## Subsidiaries held by Enovos Deutschland AG

**• Consolidated subsidiaries**

### Enovos Services GmbH
(participating interest: 96.88%)

The company's main activity is to offer facility management to Enovos Deutschland AG.

The sales in 2010 reached EUR 1.0 million and the net profit amounted to EUR 0.1 million.

### ESW EnergieSüdwest AG
(participating interest: 49.41%)

ESW EnergieSüdwest AG is a municipal utility company selling electricity and water to households and industrial customers in the city of Landau. For German antitrust reasons, the gas supplying branch was outsourced in 2009 into a separate company and sold to ESW EnergieSüdwest AG's shareholders, Stadtholding Landau GmbH (90%) and Enovos Deutschland AG (10%).

Over the course of the year 2010, the company invested EUR 7.0 million and the net profit reached EUR 5.6 million, compared to EUR 6.8 million in 2009. The electricity sales reached EUR 25.4 million (185.5 GWh). The water sales reached EUR 4.1 million (2,526 $Tm^3$). At the end of 2010, the company had 42 employees.

### Lantec Gebäudetechnikmanagement GmbH
(participating interest: 49.41%)

Lantec Gebäudetechnikmanagement GmbH is a 100% subsidiary of EnergieSüdwest AG and operates cogeneration plants. In 2010, turnover reached EUR 1.4 million while the net result amounted to EUR 0.1 million before profit transfer. At the end of 2010, the company had 3 employees.

### geo x GmbH
(participating interest : 24.70%)

geo x GmbH is a company jointly owned by Energie Südwest AG and Pfalzwerke AG. The company operates the first geothermic power plant (3 MW) installed in Germany, providing power to around 6,000 residents.

For 2010, the unaudited net loss amounted to EUR 0.6 million compared to a loss of EUR 1.0 million in the previous year.

### energis GmbH
(participating interest: 27.19%)

energis GmbH sells electricity, gas and water to households and industrial customers. They also hold participating interests in local municipal utilities. In the course of the year, the company invested EUR 22.3 million.

In 2010, the company's net profit was EUR 26.8 million, compared to EUR 22.7 million in 2009. The electricity sales reached EUR 209 million (1.5 TWh), sales of natural gas EUR 59 million (1.3 TWh) and sales of water EUR 9 million (8.9 million $m^3$). At the end of 2010, the company had 318 employees.

### Projecta 14 GmbH
(participating interest: 48.44%)

Projecta 14 GmbH is a joint venture between VSE AG and Enovos Deutschland AG, holding a 20% stake in Stadtwerke Saarbrücken AG, which transports and distributes electricity, natural gas and water in the city of Saarbrücken.

### Pfalzgas GmbH
(participating interest: 48.44%)

Pfalzgas GmbH is a company jointly owned by Enovos Deutschland AG and Pfalzwerke AG. The company solely sells natural gas.

Over the course of the year 2010, the company invested EUR 2.2 million and the company's net profit was EUR 6.2 million. The gas sales reached EUR 102 million (2.3 TWh). At the end of 2010, the company had 63 employees.

### Ferngas Nordbayern GmbH
(participating interest : 19.38%)

Ferngas Nordbayern GmbH solely sells natural gas to redistributors and large industrial customers.

Over the course of the year 2010, the company invested EUR 0.8 million and the company's net profit was EUR 17.7 million. The gas sales reached EUR 585 million (24.1 TWh). At the end of 2010, the company had 35 employees.

• **Other companies (not consolidated)**

### Stadtwerke Lambrecht GmbH
(participating interest: 13.69%)

Stadtwerke Lambrecht GmbH is a municipal utility selling electricity, gas and water.

In 2009, the electricity sales reached EUR 2.2 million (13.8 million kWh), sales of natural gas EUR 4.8 million (91.3 million kWh) and sales of water EUR 0.5 million (257 $Tm^3$).

Over the course of the year, the company invested EUR 1.0 million. In 2009, the company's net result before profit transfer was EUR 0.3 million.

### Stadtwerke Völklingen Vertrieb GmbH
(participating interest: 17.05%)

Stadtwerke Völklingen Vertrieb GmbH is a municipal utility selling electricity, gas, water and heat.

In 2009, the electricity sales reached EUR 20.8 million (122 million kWh), sales of natural gas EUR 10.2 million (177 million kWh) and sales of water EUR 4.5 million (3,003 $Tm^3$). In 2009, the company's net profit was EUR 1.0 million before profit transfer.

### SSG Saar Services GmbH
(participating interest: 9.69%)

The company's main activity is to offer a wide range of services: facility management, winter services etc.

Over the course of the year 2010, the sales of the company reached EUR 14.7 million and the net profit EUR 0.07 million.

### Stadtwerke Homburg GmbH
(participating interest : 10.34%)

Stadtwerke Homburg GmbH is a municipal utility selling electricity, gas and water.

In 2009, the electricity sales reached EUR 61 million (597 million kWh), sales of natural gas EUR 45.4 million (993 million kWh) and sales of water EUR 5.6 million (3,126 $Tm^3$).

Over the course of the year 2009, the company invested EUR 7.7 million and achieved a net profit of EUR 8 million before profit transfer.

### Stadtwerke Pirmasens Versorgungs GmbH
(participating interest: 12.58%)

Stadtwerke Pirmasens Versorgungs GmbH is a municipal utility selling electricity, gas, water and heat. In 2009, the electricity sales reached EUR 27.2 million (160 million kWh), sales of natural gas EUR 22.1 million (414 million kWh), sales of water EUR 4.6 million (3.1 million $m^3$) and sales of heat EUR 4.6 million (59 million kWh).

Over the course of the year 2009, the company invested EUR 3.9 million. In 2009, the company's net profit was EUR 2.2 million before profit transfer.

### Stadtwerke St. Ingbert GmbH
(participating interest: 12.16%)

Stadtwerke St. Ingbert GmbH is a municipal utility selling electricity, gas, water and heat.

In 2009, the electricity sales reached EUR 27.9 million (193 million kWh), sales of natural gas EUR 20.4 million (406 million kWh), sales of water EUR 3.8 million (1,781 $Tm^3$) and sales of heat EUR 0.9 million (10 million kWh).

Over the course of the year 2009, the company invested EUR 2.7 million, while its net profit amounted to EUR 5.4 million before profit transfer.

### Stadtwerke Sulzbach GmbH
(participating interest: 14.53%)

Stadtwerke Sulzbach GmbH is a municipal utility selling electricity, gas, water and heat.

In 2009, the electricity sales reached EUR 11 million (81 million kWh), sales of natural gas EUR 9.1 million (179 million kWh), sales of water EUR 1.6 million (871 $Tm^3$) and sales of heat EUR 1.1 million (15 million kWh).

Over the course of the year 2009, the company invested EUR 1.1 million and the net profit was EUR 2.7 million before profit transfer.

### Stadtwerke Völklingen Netz GmbH

(participating interest: 17.05%)

Stadtwerke Völklingen Netz GmbH is a municipal grid operator.

In 2009, the power grid fees reached EUR 10.1 million (140 million kWh), gas grid fees EUR 4.2 million (281 million kWh), and sales of water EUR 4.1 million (3003 $Tm^3$).

Over the course of the year 2009, the company invested EUR 2.1 million. In 2009, the company's net profit was EUR 1.3 million before profit transfer.

### Stadtwerke Trier Versorgungs-GmbH

(participating interest: 24.12%)

Stadtwerke Trier Versorgungs-GmbH is a municipal utility company, selling electricity, gas, water and heat to households and industrial customers.

Over the course of the year 2009, the company invested EUR 29.1 million, and its net profit was EUR 10.8 million before profit transfer. The electricity sales reached EUR 85.3 million (0.6 GWh), sales of natural gas EUR 76.9 million (1.6 GWh), sales of water EUR 13.5 million (7.2 million $m^3$) and sales of heat EUR 3.3 million (47 million kWh).

### ESW Gasvertrieb GmbH

(participating interest: 9.69%)

ESW Gasvertrieb GmbH solely sells natural gas. The participating share of Enovos Beteiligungsverwaltungs GmbH was taken over by Enovos Deutschland AG in 2010.

The gas sales in 2010 reached EUR 22.6 million (460 million kWh). The company's net profit was EUR 0.8 million before profit transfer.

### Stadtwerke Bliestal GmbH

(participating interest: 22.76%)

Stadtwerke Bliestal GmbH is a municipal utility company selling electricity, gas and water households and industrial customers.

Over the course of the year 2009, the company invested EUR 1.2 million, and its net profit was EUR 0.9 million before profit transfer. The electricity sales reached EUR 8.3 million (0.055 GWh), sales of natural gas EUR 5.5 million (0.102 GWh), sales of water EUR 2.9 million (1 million $m^3$) and sales of heat EUR 0.3 million (0.3 million kWh).

### Stadtwerke GmbH Bad Kreuznach

(participating interest: 23.76%)

Stadtwerke GmbH Bad Kreuznach is a municipal utility company selling electricity, gas, water and heat to households and industrial customers.

In 2009, the company invested EUR 5.3 million and its net profit in 2009 amounted to EUR 5.5 million before profit transfer. The electricity sales reached EUR 30.4 million (0.230 GWh), sales of natural gas EUR 35.9 million (0.758 GWh), sales of water EUR 8.3 million (3.7 million $m^3$) and sales of heat EUR 2.0 million (0.031 GWh).

### Solarkraftwerk Kenn GmbH

(participating interest: 24.32%)

This company operates a solar power plant in Germany. The total installed capacity of the plant is 5.8 $MW_p$. Partners in this project are Stadtwerke Trier Versorgungs-GmbH (51%) and Stadtwerke Saarbrücken AG (23.9%).

The revenue 2010 of EUR 1.7 million was generated by a provision for producing renewable energy. The net annual loss amounts EUR 0.1 million.

### prego services GmbH

(participating interest: 24.32%)

prego services GmbH is a company jointly owned by Enovos Deutschland AG (25.10%), VSE AG (37.45%) and Pfalzwerke AG (37.45%).

The company offers a wide range of IT services, personnel administration and supply management. Sales in 2010 reached EUR 68.9 million and the net profit came to EUR 2.1 million.

Solarkraftwerk Ahorn GmbH & Co. KG
(participating interest: 14.63%)

Solarkrarftwerk Ahorn GmbH & Co. KG, located in the federal state of Baden-Württemberg, was acquired by Enovos Deutschland AG during 2010 and started its production in June 2010 with a total installed capacity of 11.1 $MW_p$. Partners in this project are Stadtwerke Saarbrücken AG (39%), ESW EnergieSüdwest AG (23,9 %), Stadtwerke Homburg GmbH (10%), Stadtwerke GmbH Bad Kreuznach (10%), and the community Ahorn (2%).

The company had a net profit of EUR 0.54 million in 2010.

Bioenergie Merzig GmbH
(participating interest: 37.78%)

The Bioenergie Merzig GmbH is located near Merzig, Germany. The plant will start its production of bio methane gas mid 2011 with the total installed capacity of 550 $Nm^3/h$. Partners in this project are E.ON Bioerdgas (51%) and Stadtwerke Merzig GmbH (10%).

SWT Erneuerbare Energien GmbH & Co. KG
(participating interest: 24.21%)

The company is operating two photovoltaic power plants, which are located near the city of Trier.

The company is owned at 49% by ESW EnergieSüdwest AG and at 51% by SWT Stadtwerke Trier GmbH and realized a net loss of EUR 0.014 million in 2010.

Energiekontor Windpower GmbH & Co.
ÜWP WER II KG
(participating interest: 19.38%)

Energiekontor Windpower GmbH & Co. ÜWP WER II KG owns a wind farm in Lower Saxony (Niedersachsen) with a capacity of 10.25 $MW_p$. The farm was repowered in June 2010. Partners in this project are Stadtwerke GmbH Bad Kreuznach/Stadt Bad Kreuznach (30%), ESW EnergieSüdwest AG (20%), KEW AG, Neunkirchen (15%) and Stadtwerke Homburg GmbH (15%).

## Subsidiary held by Creos Luxembourg S.A.

CASC.EU S.A.
(Capacity Allocation Service Company.EU S.A.) - not consolidated
(participating interest: 8.3%)

This company based in Luxembourg was created on 1st October 2008 and offers stock markets and brokers a contact point with a single set of harmonized rules for the auction of power shipping capacities over the borders of Benelux, France and Germany.

Net result for the year 2009 was EUR 0.5 million.

# III Consolidated Annual Accounts Enovos group

## 1 Consolidated balance sheet as at 31st December 2010

| ASSETS | Notes | 2010<br>€ | 2009<br>€ |
|---|---|---|---|
| **Goodwill** | | | |
| Goodwill on first consolidation | Note 4 | 40,432,114 | - |
| **Total Goodwill** | | **40,432,114** | **-** |
| **Fixed assets** | | | |
| **Intangible fixed assets** | Note 6 | | |
| Licences | | 5,008,130 | 3,671,752 |
| Goodwill and trademarks | | 892,500 | 1,211,250 |
| Intangible assets in course of construction | | 81,250,139 | 25,464,485 |
| **Tangible fixed assets** | Note 7 | | |
| Land and buildings | | 79,995,366 | 75,394,293 |
| Plant and machinery | | 465,310,743 | 417,824,450 |
| Other equipment, machines and furniture | | 12,048,991 | 10,218,980 |
| Payments on account and tangible assets in course of construction | | 67,633,038 | 32,487,738 |
| **Financial assets** | | | |
| Companies consolidated under theequity method | Note 8.1 | 139,980,943 | 119,905,001 |
| Investments carried at cost | Note 8.2 | 61,291,926 | 57,435,939 |
| Loans to undertakings with which the company is linked by virtue of participating interests | | 11,854,208 | 13,008,368 |
| Securities held as fixed assets | Note 11 | 30,273,563 | 29,334,715 |
| **Total Fixed Assets** | | **955,539,547** | **785,956,971** |
| **Current assets** | | | |
| **Stocks and services in progress** | Note 9 | | |
| Raw materials and consumables | | 4,713,184 | 3,843,602 |
| Work in progress | | 7,095,789 | 6,954,923 |
| Finished goods and goods for resale | | 17,975,602 | 19,953,854 |
| Payments on account | | 2,187,729 | 1,382,721 |
| **Receivables** | | | |
| Trade receivables | Note 10.1 | | |
| - becoming due and payable within one year | | 204,922,590 | 210,751,020 |
| - becoming due and payable after more than one year | | 413 | 337,458 |
| Amounts owed by undertakings with which the company is linked by virtue of participating interests | Note 10.2 | | |
| - becoming due and payable within one year | | 75,239,758 | 39,007,261 |
| - becoming due and payable after more than one year | | - | - |
| Other receivables | Note 10.3 | | |
| - becoming due and payable within one year | | 60,995,812 | 23,181,892 |
| - becoming due and payable after more than one year | | 5,010,000 | 5,010,000 |
| **Cash at bank, cash in postal cheque accounts, cheques and cash in hand** | Note 11 | | |
| Securities | | 21,417,662 | 14,189,662 |
| Cash at bank | | 144,513,137 | 248,544,303 |
| **Total Current Assets** | | **544,071,676** | **573,156,696** |
| **Prepayments and accrued income** | Note 12 | **26,646,084** | **18,647,575** |
| **Total Assets** | | **1,566,689,422** | **1,377,761,243** |

| LIABILITIES | Notes | 2010<br>€ | 2009<br>€ |
|---|---|---|---|
| **Shareholder's equity** | Note 13 | | |
| Subscribed capital | | 84,450,000 | 84,450,000 |
| Share premium | | 255,686,349 | 255,686,349 |
| Consolidated reserves | | 240,585,899 | 158,324,843 |
| Retained earnings | | 70,562 | 205,612 |
| **Consolidated profit for the year, group share** | | **105,569,536** | **144,973,520** |
| **Total Shareholder's equity, group share** | | **686,362,347** | **643,640,325** |
| **Minority interests** | | **59,276,650** | **35,525,708** |
| Total shareholder's equity | | 745,638,997 | 679,166,033 |
| **Provisions for liabilities and charges** | | | |
| Provisions for pensions and similar obligations | Note 14.1 | 86,375,273 | 84,771,611 |
| Provisions for current income tax | Note 14.2 | 27,848,439 | 25,850,672 |
| Other provisions | Note 14.3 | 76,036,125 | 85,140,225 |
| Total Provisions | | 190,259,837 | 195,762,507 |
| **Liabilities** | | | |
| Amounts owed to credit institutions | Note 15 | | |
| - becoming due and payable within one year | | 38,371,480 | 55,005,120 |
| - becoming due and payable after more than one year | | 159,432,845 | 147,929,578 |
| Payments received on account of orders in so far as | Note 16 | | |
| - becoming due and payable within one year | | 15,496,877 | 13,903,544 |
| - becoming due and payable after more than one year | | - | - |
| Trade creditors | Note 17 | | |
| - becoming due and payable within one year | | 262,012,578 | 198,276,289 |
| - becoming due and payable after more than one year | | 114,027 | - |
| Amounts owed to undertakings with which the company is linked by virtue of participating interests | Note 18 | | |
| - becoming due and payable within one year | | 37,070,030 | 30,053,535 |
| - becoming due and payable after more than one year | | - | - |
| Tax and social security | Note 19 | | |
| Tax | | 9,002,328 | 8,122,184 |
| Social security | | 2,147,291 | 658,098 |
| Deferred income tax | Note 20 | 41,872,327 | 39,260,529 |
| Other creditors | Note 21 | | |
| - becoming due and payable within one year | | 5,967,923 | 5,859,836 |
| - becoming due and payable after more than one year | | 12,444,084 | 13,089,287 |
| Total | | 583,931,791 | 492,158,000 |
| **Accruals and deferred income** | Note 22 | **46,858,797** | **10,674,703** |
| Total Liabilities | | 1,566,689,422 | 1,377,761,243 |

## 2 Consolidated income statement for the year 2010

| From 1st January to 31th December | Notes | 2010<br>€ | 2009<br>€ |
|---|---|---|---|
| Sales | Note 23 | 1,534,134,277 | 1,572,447,773 |
| Other operating income | Note 24 | 19,790,486 | 23,174,969 |
| Own work capitalized | | 12,935,828 | 8,856,934 |
| Cost of sales | Note 25 | (1,237,400,519) | (1,256,886,396) |
| Personnel expenses | Note 26 | (88,640,168) | (80,472,041) |
| Other operating expenses | Note 27 | (63,356,374) | (77,563,283) |
| **Ordinary operating profit (EBITDA)** | | **177,463,530** | **189,557,956** |
| Depreciation | Notes 6,7 | (45,447,378) | (41,318,136) |
| **Operating profit (EBIT)** | | **132,016,152** | **148,239,820** |
| Financial income | Note 28 | 6,292,519 | 4,949,310 |
| Income from investments carried at cost | Note 28 | 10,145,171 | 14,273,153 |
| Gain on disposal | Note 29 | - | 19,077,244 |
| Share in result of companies accounted under the equity method | Note 30 | 14,201,275 | 17,006,609 |
| Financial expenses | | (9,891,367) | (5,910,735) |
| **Earnings before tax** | | **152,763,749** | **197,635,401** |
| Current income tax | Note 31 | (37,095,572) | (41,854,535) |
| Deferred income tax | Note 31 | (2,780,036) | (3,695,369) |
| **Net profit for the year** | | **112,888,141** | **152,085,497** |
| Minority interests | | (7,318,605) | (7,111,977) |
| **Net profit for the year, group share** | | **105,569,536** | **144,973,520** |

## 3 Consolidated cash flow statement for the year 2010

| From 1st January to 31th December | 2010<br>€ |
|---|---|
| Net profit for the year, group share | 105,569,536 |
| + Minority interests | 7,318,605 |
| + Amortization and depreciation | 45,447,378 |
| + / - Change in provisions | (7,500,437) |
| - Share of profit in companies accounted under the equity method | (14,201,275) |
| + Dividends received from companies accounted under the equity method | 16,476,067 |
| + Current and deferred income taxes | 39,875,608 |
| - Taxes paid | (35,097,805) |
| - Increase / (+) Decrease in current assets | (75,716,653) |
| + Increase / (-) Decrease in current liabilities | 111,367,726 |
| **Operating cash flow** | **193,538,749** |
| - Capital expenditures on intangible assets | (58,005,826) |
| - Capital expenditures on tangible assets | (86,093,570) |
| - Impact of change in scope | (49,356,023) |
| + Cash received from disposal of fixed assets | 2,536,694 |
| - Capital expenditures on financial assets | (69,603,570) |
| + / - Change in loans to participations | 1,154,160 |
| **Cash flow from investing activities** | **(259,368,137)** |
| - Dividends payed to the group shareholders | (80,007,930) |
| - Dividends payed to the minorities of consolidated companies | (8,098,988) |
| + Increase in equity | 42,263,513 |
| - Net change in financial liabilities | (21,299,658) |
| + Cash from new loans | 36,169,285 |
| **Cash Flow from financing activities** | **(30,973,778)** |
| **CHANGE IN CASH** | **(96,803,165)** |
| Situation at the beginning of the year | 262,733,965 |
| Situation at the end of the year | 165,930,800 |

# 4 Notes to the consolidated annual accounts

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## Statement of conformity and preparation base

The consolidated accounts of Enovos International S.A. (the "Enovos group") for the years ended 31st December 2009 and 2010 have been prepared in accordance with current Luxembourg legal and regulatory requirements. These principles comply with the EU 4th directive.

The group's consolidated accounts have been prepared under the historical cost convention.

### Comparability

As 2010 is the first full year of operation for the Enovos group, comparison with 2009 might be difficult for some figures.

In order to further improve the presentation of the financial statements, management has recorded some reclassification in equity and liabilities in 2010. The consolidated accounts of 2009 have been reclassified accordingly.

## Note 1 - Summary of accounting principles

### Judgement and use of estimates

The preparation of financial statements requires estimates and assumptions to a) determine the value of assets and liabilities and b) assess market trends at the closure date of the accounts, and c) estimate annual income and costs.

Due to the elements of uncertainty inherent in any valuation process, the group revises its estimates on the basis of information that is updated regularly. Future results for the operations in question may differ from estimates.

Significant estimates made by the group in drawing up financial statements are based mainly on the evaluation of provisions, in particular for litigation and as concerns pension obligations, financial instruments and net profit earned but not yet booked.

### Current/noncurrent classification

The group presents current and non-current assets and current and non-current liabilities separately on the balance sheet. As regards most of the group's activities, the key criterion for classification is the length of time before the asset is received or the liability settled: an asset or liability is classified as current if this period is less than 12 months and non-current if it is greater than 12 months.

### Scope of consolidation

The consolidated financial statements include those of Enovos International S.A. and those of its affiliates, including jointly controlled entities, and its associated companies. Together they form the group. The consolidated companies are listed in Note 5, "Scope of consolidation and list of consolidated companies".

All consolidated companies prepare their financial statements as at 31st December.

### Consolidation methods

The methods used are:

- Full consolidation in the case of those companies that the Enovos group directly or indirectly controls (generally with more than 50% of the voting rights). With this method, the assets and liabilities of the consolidated companies are incorporated into the consolidated accounts, rather than the book value of the equity interests held by the group in the companies concerned. Use of this method leads to goodwill on consolidation and minority interests being reported. Similarly, the income and expenses of these subsidiaries are consolidated with those of the parent company and their profits/losses for the financial year are apportioned between the group and the minority interests. Intercompany accounts and transactions are eliminated.

- The equity method in the case of those companies over which the Enovos group exercises either joint control with a limited number of associates or significant influence. With this method, the parent company's share of its affiliate's equity, based on its equity interest, is entered in its balance sheet, rather than the acquisition cost of the equity holding itself. The difference thus generated is posted to group shareholders' equity. Similarly, the dividends shown in the parent company's profit/loss are replaced by the parent company's share of the profit/loss of the equity-reported company. The other balance sheet and income statement items are not affected and intercompany accounts and transactions are not eliminated.

Goodwill on consolidation is calculated at the time of acquisition or consolidation of an equity interest. Goodwill represents the excess of the acquisition price over the group's interest share in the equity of the acquired entity. Negative goodwill is accounted for in profit and loss or in provisions if it relates to anticipated future losses. Positive goodwill is recorded as an asset and depreciated over 15 years. The positive and negative goodwills resulting from the restructuring process in 2009 have been recorded in 2009 against the consolidated reserves in shareholder's equity.

**Revenue recognition**

In energy supply, revenue is recognised at the time of physical delivery except for supplies of low voltage electricity from Enovos Luxembourg S.A. for which revenue recognition is based on five flat-rate advance payments and one detailed account following meter reading as invoiced annually.

**Currency translation**

With the exception of fixed assets, assets and liabilities denominated in foreign currencies are converted at the exchange rates in effect at the end of the year. Transactions denominated in foreign currencies are recorded at the exchange rates of the transaction day. Realised exchange gains and realised and unrealised exchange losses are recognised in the income statement. Unrealised exchange gains are not recognised.

All group companies use EUR as their working currency.

**Intangible fixed assets**

Computer licences are amortised over their estimated useful lives. Goodwill related to the acquisition of a customer base is amortized over a 5 year period.

Advance payments made according to long term contracts giving a right of energy supply are recorded as intangible assets and are amortized on a linear basis over the period during which the right of energy supply is granted.

Intangible fixed assets are reviewed for impairment annually.

**Tangible fixed assets**

Tangible fixed assets are valued at initial cost less accumulated depreciation.

Tangible fixed assets are booked at their acquisition price or at construction cost.

The acquisition price is made up of the purchase price, including customs due and non-refundable taxes, after deduction of commercial discounts and rebates, and any cost directly attributable to the asset's transfer to its place of operation and any adaptation needed for its operation.

Depreciation is recorded on the basis of an asset's useful life under the straight line method. The estimated useful lives of the main components of tangible fixed assets are as follows:

Electricity transformation substation buildings: 50 years
Overhead electric lines: 33 years
Underground electric cables: 25 years
Substation and electric transformer equipment: 20 years
Industrial buildings: 25 years
High pressure gas tubes: 50 years
Low pressure gas tubes: 35 years
Gas stations: 30-35 years
Meters: 10-15 years
Cogeneration plants: 20 years
Commercial vehicles: 5 years
IT equipment: 5 years

Fixed assets under construction are valued at cost, based on the direct and indirect costs incurred by the company.

Tangible fixed assets are reviewed for impairment annually.

**Shares in affiliated undertakings and participating interests**

Shares in affiliated undertakings and participating interests are recorded in the balance sheet at their acquisition cost and may be written down as required.

**Inventories**

Stocks are recorded at the lower of their historical cost and their net realisable value. Historical cost is calculated on the basis of the weighted average cost. Value adjustments are made in respect of old inventory items or items with low rotation.

Services in progress equate to services being performed and to be invoiced to third parties. These services are valued at cost, based on the direct and indirect costs incurred by the company. Instalments invoiced to customers during work are recorded in the balance sheet as Payments received on account of orders.

### Receivables

Receivables in respect of sales and services provided are recorded at their nominal value. They are written down when there is a risk of partial or total non-recovery. Amounts recorded in the balance sheet are net of any write-downs.

### Cash and cash equivalents

Cash includes liquidity, short-term investments that are considered liquid and convertible to a known cash sum and other assets held for transactions that are valued at the closing of the financial year at the lower value of cost or market value. Value changes are recognised in profit or loss.

### Provisions

A provision is booked as soon as a requirement (legal or implicit) exists whose settlement is likely to lead to an outflow of economic resources and which can be reliably estimated. The best estimate of the sum necessary to settle a current obligation is used as valuation base.

Different group companies have granted their personnel a supplementary pension scheme. The cost of the benefits granted to personnel is calculated according to the actuarial projected unit credit method. Actuarial gains and losses are recognised and booked as income or cost in the year in which they arise.

### Taxes

Provisions for current income tax include the current taxes charged. Deferred taxes are recorded on the time differences existing between the tax rules and those used for preparing the consolidated financial statements. Deferred taxes are calculated in accordance with the variable carrying forward method based on the tax rate expected at the time that the receivable or liability materialises. Active deferred taxes are recorded only if it is likely that future taxable profits will be available.

### Approval of the company financial statements

The financial statements were prepared by the Board of Directors on 15th April 2011 and will be submitted for approval to the Annual General Meeting on 10th May 2011.

### Presentation of consolidated accounts

The consolidated financial statements have been prepared under the historical cost convention in accordance with Luxembourg legal and regulatory requirements applicable to commercial companies, with the exception that the presentation of the consolidated profit and loss does not correspond to the layout prescribed by the corporate law. The Company believes that the layout adopted is more suitable to the international investor base of the Company.

## Note 2 - Creation of the new Enovos group

As of 23rd January 2009, the shareholders of Cegedel S.A and Saar Ferngas AG contributed their respective shares into Soteg S.A. Soteg S.A. launched a mandatory public offer on all Cegedel S.A. shares not yet in its possession and Cegedel S.A. was delisted after a successful squeeze-out process. A process of restructuring took place thereafter and resulted in a new energy group named Enovos consisting of the parent company, Enovos International S.A. (formerly Soteg S.A.) and its two main subsidiaries, Creos Luxembourg S.A. (formerly Cegedel S.A.) in charge of grid activities and Enovos Luxembourg S.A. (formerly Cegedel Participations S.A.) dealing with generation, sales and trading activities. This restructuring has been made with retroactive effect as of 1st January 2009. Enovos Luxembourg S.A. has a subsidiary, Enovos Deutschland AG, for the German Market and Creos Luxembourg S.A. has a subsidiary, Creos Deutschland GmbH, for the German grid.

In the context of this restructuring, former Cegedel S.A. and Soteg S.A. sales activities were contributed to Enovos Luxembourg S.A. against issuing new shares. Enovos Luxembourg S.A acquired 86.2% of Enovos Deutschland AG. Cegedel Participations S.A. was sold to Soteg S.A. and the former Cegedel S.A. sales activity has been contributed to Enovos Luxembourg S.A. in exchange for shares. Former Soteg S.A. grid activity has been contributed to Creos Luxembourg S.A. in exchange for shares.

An extraordinary dividend of EUR 100,000,750 was distributed by Creos Luxembourg S.A. as part of the buyout of Creos Luxembourg S.A. by Enovos International S.A. Cegedel Net S.A. was merged into Cegedel S.A. and Creos Luxembourg S.A. acquired Creos Deutschland GmbH, resulting from the merger of Saar Ferngas Transport GmbH with the German grid activities of Saar Ferngas AG.

## Note 3 - Authorizations

In accordance with the two European directives 2003/54 and 55 of 26th June 2003 concerning common rules for the internal markets in electricity and natural gas and the laws that transposed these directives into national laws, namely the laws of 1st August 2007 in Luxembourg regarding the organization of the electricity and natural gas markets, transport and distribution grid management activities have been legally separated from the other activities of electric or gas power generation and sale.

In the context of the restructuring, all the authorizations have been granted according to this legal framework.

## Note 4 - Goodwill on first consolidation

The restructuring process in 2009 put in place to create the new Enovos group as described in Note 2 has led to the recognition of a net goodwill amount that has been recorded in 2009 against the consolidated reserves in shareholder's equity (note 13). Goodwill (respectively badwill) represents the excess (respectively deficit) of the acquisition price over the group's share in the equity of the acquired entities as of 1st January 2009. The goodwill breaks down as follows:

| | Value participation € | Value equity equity € | Goodwill (Badwill) 2010 € | Goodwill (Badwill) 2009 € |
|---|---|---|---|---|
| **Full consolidated companies** | | | | |
| Enovos Luxembourg S.A. (100%) | 103,511,632 | 178,856,024 | (75,344,392) | (75,344,392) |
| Enovos Deutschland AG (96.88%) | 111,346,160 | 148,352,953 | (37,006,793) | (37,006,793) |
| Creos Luxembourg (100%) | 508,869,741 | 351,529,378 | 157,340,363 | 157,340,363 |
| Creos Deutschland GmbH (96.88%) | 42,000,000 | 19,375,080 | 22,624,920 | 22,624,920 |
| Luxenergie S.A. (60.35%) | 5,213,935 | 17,792,903 | (12,578,968) | (12,578,968) |
| Mosberg GmbH&CoKg (100%) | 2,860,083 | 1,913,007 | 947,076 | 947,076 |
| Cegedel International S.A. (100%) | 31,000 | 3,423,016 | (3,392,016) | (3,392,016) |
| ESW Energie Südwest AG (49.41%) | 15,245,613 | 10,572,992 | 4,672,621 | 4,672,621 |
| ESW Netz GmbH (49.41%) | 130,346 | 71,650 | 58,696 | 58,696 |
| Lantec GmbH (49.41%) | 150,855 | 75,186 | 75,669 | 75,669 |
| **Companies consolidated at equity** | | | | |
| Twinerg S.A. (17.5%) | 4,338,137 | 7,233,055 | (2,894,918) | (2,894,918) |
| artelis S.A. (27.5%) | 19,830,413 | 10,142,367 | 9,688,046 | 9,688,046 |
| Wandpark Hengischt S.A. (20%) | 636,630 | 859,073 | (222,443) | (222,443) |
| Wandpark Kehmen S.A. (20%) | 600,000 | 814,054 | (214,054) | (214,054) |
| Wandpark Burer Bierg S.A. (36.25%) | 725,000 | 625,528 | 99,472 | 99,472 |
| Global Facilities S.A. (50%) | 1,224,350 | 776,459 | 447,892 | 447,892 |
| Soler S.A. (50%) | 125,000 | 961,523 | (836,523) | (836,523) |
| Ceduco S.A. (50%) | - | 662,930 | (662,930) | (662,930) |
| Cegyco S.A. (50%) | 954,390 | 1,350,463 | (396,073) | (396,073) |
| Airportenergy S.A. (30.18%) | 25,000 | (250,035) | 275,035 | 275,035 |
| Datacenter S.A. (30.18%) | 16,000 | 1,905 | 14,095 | 14,095 |
| Steinergy S.A. (50%) | 50,000 | 87,539 | (37,539) | (37,539) |
| Nordenergie S.A. (33.33%) | 100,000 | 120,249 | (20,249) | (20,249) |
| Luxgaz Distribution S.A. (merged in 2010) | - | - | - | (8,438,394) |
| energis GmbH (27.22%) | 40,675,000 | 36,451,119 | 4,223,881 | 4,223,881 |
| Pfalzgas GmbH (48.44%) | 10,226,000 | 19,972,781 | (9,746,781) | (9,746,781) |
| Ferngas Nordbayern GmbH (19.38%) | 12,477,048 | 17,166,804 | (4,689,756) | (4,689,756) |
| Projecta 14 GmbH (48.44%) | 12,500 | 10,172 | 2,328 | 2,328 |
| geo x GmbH (24.7%) | 600,000 | 92,625 | 507,375 | 507,375 |
| **Total** | **881,974,833** | **829,040,799** | **52,934,034** | **44,495,640** |

The percentages above indicate the percentage of interest (group share in respective participations) as of 1st January 2009.

The badwills of Enovos Luxembourg S.A. and Enovos Deutschland AG result from the profit realised by both companies on the sale of their respective shares in Soteg S.A.

During 2010, the group has recognized goodwills on the following acquisitions (see also notes 5 and 8.1.):

| | Acquisition date | Goodwill € |
|---|---|---|
| Trelder Berg GmbH | 1st January 2010 | 11,698,283 |
| Surré S.A. | 1st January 2010 | 989,661 |
| Luxgas S.à r.l. | 1st May 2010 | 14,871,586 |
| Creos Luxembourg S.A. | 1st May 2010 | 9,285,305 |
| La Benâte S.à r.l. | 1st July 2010 | 1,771,954 |
| Enovos Solar Investment I | 1st October 2010 | 805,849 |
| Enovos Solar Investment II | 1st November 2010 | 3,035,199 |
| | | 42,457,837 |

In 2010, the group acquired the remaining 60.81% shares of Luxgaz Distribution S.A., resulting in a goodwill of EUR 24,156,891. This acquisition took place against issuing new shares in Creos Luxembourg S.A. subscribed by the former owners of Luxgaz Distribution S.A., thus decreasing the group's participation in Creos Luxembourg S.A. to 94.29%. Following the merger of Luxgaz Distribution S.A. with Creos and the subsequent spin-off of the sales activities into Luxgas S.à r.l., this goodwill is allocated to Luxgas S.à r.l. for EUR 14,871,586 representing the commercial activity of the former Luxgaz Distribution S.A. and to Creos S.A. for EUR 9,285,305 representing the grid activity.

Value adjustments have been recorded using a straight line depreciation method:

| | 31/12/2010 € |
|---|---|
| Gross value at beginning of year | - |
| Change in consolidation scope | 42,457,837 |
| Gross value at end of year | 42,457,837 |
| Value adjustment at beginning of year | - |
| Value adjustment for year | (2,025,723) |
| Value adjustment at end of year | (2,025,723) |
| **Net value at end of year** | **40,432,114** |

## Note 5 - Scope of consolidation and list of consolidated companies

The consolidation scope is as follows as at 31st December 2010:

**Fully consolidated group companies:**

| Name | Land | Percentage of control | Percentage of interest | Main activity |
|---|---|---|---|---|
| Enovos International S.A. | Luxembourg | 100.00% | 100.00% | Holding company and shared service provider |
| Enovos Luxembourg S.A. | Luxembourg | 100.00% | 100.00% | Supply of power and gas |
| Creos Luxembourg S.A. | Luxembourg | 94.29% | 94.29% | Transport and distribution of gas and power |
| Cegedel International S.A. | Luxembourg | 100.00% | 100.00% | Holding |
| Enovos Re S.A. | Luxembourg | 100.00% | 100.00% | Reinsurance |
| Luxenergie S.A. | Luxembourg | 60.35% | 60.35% | Production of heat and power |
| Surré S.A. | Luxembourg | 100.00% | 60.35% | Production of heat and power |
| Luxgas S.à r.l. | Luxembourg | 100.00% | 99.43% | Supply of gas |
| Windpark Mosberg GmbH & Co KG | Germany | 100.00% | 100.00% | Production of power |
| Enovos Deutschland AG | Germany | 96.88% | 96.88% | Supply of gas |
| Creos Deutschland GmbH | Germany | 96.88% | 91.35% | Transport and distribution of gas |
| ESW Energiesüdwest AG | Germany | 51.00% | 49.41% | Supply of energy |
| ESW Energiesüdwest Netz GmbH | Germany | 51.00% | 49.41% | Transport and distribution of gas, power, water and heat |
| Lan Tec Gebäudetechnik Management GmbH | Germany | 51.00% | 49.41% | Supply of heat / Provider of services in gas and power |
| Enovos Services GmbH | Germany | 100.00% | 96.88% | Facility management |
| Trelder Berg GmbH | Germany | 80.00% | 80.00% | Production of power |
| Enovos Eisenhüttenstadt GmbH | Germany | 100.00% | 100.00% | Production of power |
| La Benâte S.à r.l. | France | 100.00% | 100.00% | Production of power |
| Enovos Solar Investment I S.r.l. | Italy | 100.00% | 100.00% | Production of power |
| Enovos Solar Investment II S.r.l. | Italy | 100.00% | 100.00% | Production of power |

Movements of the year were as follows (see also note 4):

- 1st January 2010: Investment of EUR 11,900,000 for an 80% stake in Energiepark Trelder Berg GmbH in Germany, which produces electricity out of biogas.
- 1st January 2010: Investment of EUR 1,510,525 in La Benâte S.à r.l., a company which operates a wind park in France.
- 30th April 2010: Creation of Enovos Eisenhüttenstadt GmbH in Germany, whose purpose is the planning and construction of a power production facility.
- 30th September and 31st October 2010: Investment of EUR 1,069,880 and EUR 10,830,781 respectively in two Italian photovoltaic parks, Enovos Solar Investment I and II.
- 1st May 2010: Merger with Luxgaz Distribution S.A., which was consolidated at equity in 2009 and was fully taken over by the group in 2010.
- 1st January 2010: full consolidation of Surré S.A., an affiliated company of Luxenergie S.A.
- 1st January 2010: full consolidation of Enovos Services GmbH, an affiliated company of Enovos Deutschland AG.

Companies consolidated under the equity method:

| Name | Land | Percentage of control | Percentage of interest | Main activity |
|---|---|---|---|---|
| Global Facilities S.A. | Luxembourg | 50.00% | 50.00% | Facility management |
| Steinergy S.A. | Luxembourg | 50.00% | 50.00% | Supply of power |
| Soler S.A. | Luxembourg | 50.00% | 50.00% | Production of power |
| Cegyco S.A. | Luxembourg | 50.00% | 50.00% | Production of power |
| Ceduco S.A. | Luxembourg | 50.00% | 50.00% | Production of power |
| artelis S.A. | Luxembourg | 36.95% | 36.95% | Telecommunications |
| Wandpark Burer Bierg S.A. | Luxembourg | 36.25% | 36.25% | Production of power |
| Nordenergie S.A. | Luxembourg | 33.33% | 33.33% | Supply of power |
| Airportenergy S.A. | Luxembourg | 50.00% | 30.18% | Production of heat and power |
| Datacenterenergie SA | Luxembourg | 50.00% | 30.18% | Production of heat and power |
| Wandpark Hengischt S.A. | Luxembourg | 20.00% | 20.00% | Production of power |
| Wandpark Kehmen S.A. | Luxembourg | 20.00% | 20.00% | Production of power |
| Twinerg S.A. | Luxembourg | 17.50% | 17.50% | Production of power |
| Aveleos S.A. | Luxembourg | 59.02% | 59.02% | Construction of solar parks |
| Pfalzgas GmbH | Germany | 50.00% | 48.44% | Supply of energy |
| Projecta 14 GmbH | Germany | 50.00% | 48.44% | Holding |
| energis GmbH | Germany | 28.06% | 27.19% | Supply of energy |
| geo x GmbH | Germany | 50.00% | 24.70% | Production of geothermal energy |
| Ferngas Nordbayern GmbH | Germany | 20.00% | 19.38% | Supply of energy |

For the companies above where less than 20% of voting rights are held, the Enovos group exercises significant influence over them by virtue of its representation in their boards of directors and the strategic interest that their activities represent for the group.

Movements of the year were as follows:

- Total investment of EUR 18,164,976 for a 59% stake in Aveleos S.A., a joint venture to develop, operate and bring to the market photovoltaic plants in Italy and France.
- Increase in equity of EUR 13,250,000 in projecta 14, which is a joint-venture company in Germany holding a 20% stake in Stadtwerke Saarbrücken.
- Increase in equity of EUR 2,750,000 in Dataenergiecenter S.A., which produces heat and electricity for a data center facility.

## Note 6 - Intangible fixed assets

| | Licenses and projects<br>€ | Goodwill and trademarks<br>€ | Intangible assets in course of construction<br>€ | 31/12/2010<br>€ | 31/12/2009<br>€ |
|---|---|---|---|---|---|
| Gross value at beginning of year | 29,390,723 | 1,530,000 | 25,464,485 | 56,385,208 | 34,222,142 (*1) |
| Additions during year | 2,504,279 | - | 55,464,921 | 57,969,201 | 26,288,917 |
| Disposals during year | - | - | (37,210) | (37,210) | (727,338) |
| Transfer during year | 591,147 | - | (554,521) | 36,626 | (3,398,512) |
| Change in consolidation scope | 101,499 | - | 912,464 | 1,013,963 | - |
| **Gross value at end of year** | **32,587,648** | **1,530,000** | **81,250,139** | **115,367,787** | **56,385,208** |
| Value adjustment at beginning of year | (25,718,969) | (318,750) | - | (26,037,719) | (26,736,765) (*1) |
| Value adjustment for year | (1,805,159) | (318,750) | - | (2,123,909) | (2,060,523) |
| Amounts released for year | - | - | - | - | 2,759,569 |
| Change in consolidation scope | (55,390) | - | - | (55,390) | - |
| **Value adjustment at end of year** | **(27,579,517)** | **(637,500)** | **-** | **(28,217,017)** | **(26,037,719)** |
| **Net value at end of year** | **5,008,130** | **892,500** | **81,250,139** | **87,150,768** | **30,347,488** |

(*1) Note: gross value and value adjustment at the beginning of the year have been corrected. No balance sheet and profit and loss impact.

In 2009, Enovos Luxembourg S.A. acquired the customer bases of two local distributors, the municipalities of Echternach and Vianden. The acquisition price is posted as goodwill and depreciated over 5 years.

Enovos Luxembourg S.A. has acquired from SEO S.A. the right to buy 100 MW of power from the production of a new turbine to be built at the Vianden pumping station (see also note 33). A total amount of 35,177,334 EUR has thus been disbursed as of 31st December 2010.

Under a contract signed with RWE related to a long-term power contract, total advance payments for EUR 44,144,851 related to the financing of two pulverized coal fired power plants have been made by the end of 2010 by Enovos Luxembourg S.A. (see also note 33).

## Note 7 - Tangible fixed assets

| | Land and buildings € | Plant and machinery € | Other fixtures and fittings, tools and equipment € | Payments on account and tangible assets in course of construction € | 31/12/2010 € | 31/12/2009 € |
|---|---|---|---|---|---|---|
| Gross value at beginning of year | 126,366,583 | 1,099,555,824 | 68,929,321 | 32,562,285 | 1,327,414,012 | 1,284,357,293 (*1) |
| Additions during year | 1,549,138 | 15,035,552 | 4,764,064 | 20,307,106 | 41,655,861 | 48,466,386 |
| Disposals during year | (59,972) | (919,059) | (1,333,159) | (187,294) | (2,499,484) | (7,057,354) |
| Transfer during year | 5,307,825 | 48,567,292 | 1,230,097 | (4,206,352) | 50,898,863 | 1,647,687 |
| Change in consolidation scope | 2,017,668 | 26,127,276 | 1,039,823 | 19,157,294 | 48,342,061 | - |
| **Gross value at end of year** | **135,181,243** | **1,188,366,885** | **74,630,146** | **67,633,038** | **1,465,811,312** | **1,327,414,012** |
| Value adjustment at beginning of year | (50,972,291) | (681,805,919) | (58,710,341) | - | (791,488,551) | (753,794,437) (*1) |
| Value adjustment for year | (3,490,184) | (33,547,442) | (4,144,746) | - | (41,182,372) | (39,257,613) |
| Amounts released for year | (617,945) | (6,943,655) | 1,100,448 | - | (6,461,153) | 1,563,499 |
| Change in consolidation scope | (105,456) | (759,125) | (826,516) | - | (1,691,097) | - |
| **Value adjustment at end of year** | **(55,185,877)** | **(723,056,141)** | **(62,581,155)** | **-** | **(840,823,173)** | **(791,488,551)** |
| **Net value at end of year** | **79,995,366** | **465,310,743** | **12,048,991** | **67,633,038** | **624,988,139** | **535,925,462** |

(*1) Note: gross value and value adjustment at the beginning of the year have been corrected. No balance sheet and profit and loss impact.

In 2010, Creos Luxembourg S.A. acquired EUR 13,623,745 of fixed assets in the context of the merger with Luxgaz Distribution S.A.

EUR 48,342,061 of fixed assets were acquired by the investments and the subsequent full consolidation of Energiepark Trelder Berg GmbH, La Benâte S.à r.l., ESI I S.r.l. and ESI II S.r.l.

## Note 8 - Financial assets

### 8.1. Companies consolidated under the equity method

Companies consolidated under the equity method are companies in which the group has a significant interest. The undertakings consolidated accordingly break down as follows:

| | 31/12/2010<br>€ | 31/12/2009<br>€ |
|---|---|---|
| energis GmbH | 38,319,793 | 37,226,002 |
| Pfalzgas GmbH | 20,505,620 | 20,813,537 |
| Projecta 14 GmbH | 18,304,023 | 5,951,823 |
| Ferngas Nordbayern GmbH | 17,069,517 | 16,909,438 |
| Aveleos S.A. | 16,921,993 | 0 |
| artelis S.A. | 13,423,326 | 13,997,127 |
| Twinerg S.A. | 7,895,540 | 7,601,225 |
| Datacenterenergie S.A. | 2,668,265 | 1,597,522 |
| Cegyco S.A. | 1,592,485 | 1,211,359 |
| Soler S.A. | 1,240,756 | 1,298,702 |
| Global Facilities S.A. | 1,012,095 | 900,354 |
| Wandpark Hengischt S.A. | 814,999 | 853,463 |
| Wandpark Kehmen-Heischent S.A. | 811,631 | 858,597 |
| Wandpark Burer Bierg S.A. | 506,853 | 551,536 |
| Nordenergie S.A. | 136,460 | 152,917 |
| Steinergy S.A. | 74,311 | 70,685 |
| Luxgaz Distribution S.A. | 0 | 10,310,582 |
| geo X GmbH | (111,643) | 36,557 |
| Airportenergy S.A. | (179,723) | (246,425) |
| Ceduco S.A. | (1,025,357) | (189,998) |
| | 139,980,943 | 119,905,001 |

## 8.2. Investments carried at cost

Investments carried at cost are recorded at acquisition cost. This caption also includes companies which are not consolidated because of minor significance or for which no financial information is available as at 31st December 2010:

| Name | Location | Group Share of capital | Net value €|
|---|---|---|---|
| Stadtwerke Bad Kreuznach GmbH | Germany | 23.76% | 15,000,000 |
| Stadtwerke Pirmasens GmbH | Germany | 12.58% | 6,667,000 |
| Pfalzwerke AG | Germany | 1.80% | 5,206,000 |
| Stadtwerke St. Ingbert | Germany | 12.16% | 5,000,000 |
| Stadtwerke Sulzbach GmbH | Germany | 14.53% | 3,982,062 |
| Stadtwerke Trier Versorgungs GmbH | Germany | 24.12% | 3,879,926 |
| Stadtwerke Völklingen Netz GmbH | Germany | 17.05% | 3,500,000 |
| prego services GmbH | Germany | 24.32% | 2,186,915 |
| SWT Erneuerbare Energie Co&KG | Germany | 24.21% | 2,182,000 |
| GasLINE GmbH & Co. KG | Germany | 4.84% | 2,017,612 |
| SEO S.A. | Luxembourg | 4.46% | 1,971,596 |
| Stadtwerke Bliestal GmbH | Germany | 22.76% | 1,333,000 |
| Bioenergie Merzig GmbH | Germany | 37.78% | 1,277,250 |
| Stadtwerke Völklingen Vertrieb GmbH | Germany | 17.05% | 1,100,000 |
| Solar Kraftwerk Kenn GmbH | Germany | 24.32% | 833,079 |
| SüdwestStrom WP GmbH | Germany | 29.30% | 750,000 |
| EEX AG | Germany | 1.00% | 700,000 |
| Stadtwerke Homburg GmbH | Germany | 10.34% | 835,204 |
| CASC CWE S.A. | Luxembourg | 8.33% | 430,000 |
| ESW GasVertrieb GmbH | Germany | 9.69% | 386,000 |
| SK Ahorn Nord GmbH & Co. KG | Germany | 14.63% | 422,532 |
| SK Ahorn Süd GmbH & Co. KG | Germany | 14.63% | 309,168 |
| Energiekontor Windpower GmbH & Co. ÜWP WER II KG | Germany | 19.38% | 301,761 |
| ETM GmbH Erdgas-Transport-Management i.L. | Germany | 32.30% | 300,000 |
| Stadtwerke Lambrecht GmbH | Germany | 13.69% | 231,739 |
| Energieagence S.A. | Luxembourg | 40.00% | 148,736 |
| Enovos Future GmbH | Germany | 96.88% | 100,000 |
| Blue Wizzard BG GmbH | Germany | 96.88% | 50,000 |
| WP Gimpweiler&Mosb. GBR | Germany | 100.00% | 26,103 |
| SSG Saar Service GmbH | Germany | 9.69% | 32,565 |
| Windpark Mosberg Verwaltungs GmbH | Germany | 96.88% | 25,000 |
| Eisenhüttenstadt Generation GmbH | Germany | 100.00% | 25,000 |
| Eisenhüttenstadt Beteiligung GmbH | Germany | 100.00% | 25,000 |
| Windkraft Bliesgau GmbH | Germany | 96.88% | 25,000 |
| Kiowatt S.A. | Luxembourg | 30.18% | 25,000 |
| C-Gen NV | Netherlands | 5.00% | 5,400 |
| GasLINE Geschäftsführungs-GmbH | Germany | 4.36% | 1,278 |
| | | | 61,291,926 |

## Note 9 - Stocks and services in progress

Stocks and services in progress detail as follows as at 31st December 2010:

| | Raw materials and consumables € | Services in progress € | Finished goods and goods for resale € | Payments on account € | Total 2010 € | Total 2009 € |
|---|---|---|---|---|---|---|
| Gross value at 31/12/2010 | 4,713,184 | 7,095,789 | 18,277,060 | 2,187,729 | 32,273,762 | 32,109,100 |
| Value adjustment during year | - | - | (301,458) | - | (301,458) | 26,000 |
| **Net value at 31/12/2010** | **4,713,184** | **7,095,789** | **17,975,602** | **2,187,729** | **31,972,304** | **32,135,100** |

## Note 10 - Receivables

### 10.1. Trade receivables

Trade receivables are mainly related to energy sales.

| | 31/12/2010 € | 31/12/2009 € |
|---|---|---|
| Trade receivables - Gross value | 216,068,709 | 217,907,633 |
| Value adjustment | (11,145,706) | (6,819,155) |
| **Trade receivables - Net value** | **204,923,003** | **211,088,478** |

### 10.2. Amounts owed by undertakings with which the company is linked by virtue of participating interests

All receivables due by undertakings with which the company is linked by virtue of participating interests are due within 30 days.

### 10.3. Other receivables

German Tax authorities owe the group a withholding tax of EUR 23,747,759 (2009: EUR 7,957,338). EUR 357,176 are owed by the "Fonds de compensation" as part of the legal scheme to promote the use of alternative sources of energy (2009: EUR 6,425,703). Further EUR 20,752,496 are tax advances paid in Germany (2009: EUR 10,196,342).

## Note 11 - Cash at bank, cash in postal cheques, cheques and cash in hand

This caption comprises sight deposits and term deposits for investment periods of less than three months. Securities held as fixed assets relate to a portfolio of equities and bonds held at maturity whereas securities posted in cash relate to money market investments.

During 2009, Enovos International S.A. has entered into a cash pooling agreement with 10 subsidiaries. As of 31st December 2010, the cash amount managed on behalf of these companies is EUR 92,428,635 (2009: EUR 217,359,922).

## Note 12 - Prepayments and accrued income

This caption includes the payment of EUR 14,700,000 for the acquisition of BKW Energie GmbH and BKW Balance GmbH in Germany, effective 1st January 2011 (see also Note 34).

Creos Luxembourg S.A. has recorded EUR 4,298,289 in relation with a discount to future grid tariffs, following negotiations with the "Institut Luxembourgeois de Regulation".

## Note 13 - Shareholders' equity

As at 31st December 2010, the share capital of Enovos International S.A. was EUR 84,450,000. It was fully paid-up and represented by 844,500 ordinary shares, with a nominal value of EUR 100 per share and with no preferential rights.

**Consolidated shareholders' equity, group share**

| | 31/12/2009 | Distribution of dividends | Appro-priation of profit | Own shares | Change in scope | | Other | | Profit of year | 31/12/2010 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | Increase | Decrease | Increase | Decrease | | |
| | € | € | € | € | € | € | € | € | € | € |
| Subscribed capital | 84,450,000 | | | | | | | | | 84,450,000 |
| Share premium | 255,686,349 | | | | | | | | | 255,686,349 |
| Consolidated Reserves | 158,324,843 | | 65,100,640 | (86,763) | 629,720 | (25,653,091) | 42,270,550 | | | 240,585,899 |
| Legal Reserve | 2,000,000 | | 6,445,000 | | | | | | | 8,445,000 |
| Reserve of 1st consolidation | (44,495,640) | | | | | (8,438,394) | | | | (52,934,034) |
| Consolidation reserves | 190,088,332 | | 4,455,640 | (86,763) | 629,720 | (17,214,697) | 42,270,550 | | | 220,142,782 |
| Other reserves | 10,732,152 | | 54,200,000 | | | | | | | 64,932,152 |
| Retained earnings | 205,612 | | (135,050) | | | | | | | 70,562 |
| Profit for the year | 144,973,520 | (80,007,930) | (64,965,590) | | | | | | 105,569,536 | 105,569,536 |
| Total shareholder's equity group share | 643,640,325 | (80,007,930) | (0) | (86,763) | 629,720 | (25,653,091) | 42,270,550 | - | 105,569,536 | 686,362,347 |
| Minority interest | 35,525,708 | (8,098,988) | | - | 20,704,257 | (368,882) | 5,789,176 | (1,593,226) | 7,318,604 | 59,276,650 |
| Total shareholder's equity | 679,166,032 | (88,106,918) | (0) | (86,763) | 21,333,977 | (26,021,973) | 48,059,727 | (1,593,226) | 112,888,141 | 745,638,997 |

The main movements in the change in scope relate to the acquisition of 60.81% of the shares in Luxgaz Distribution S.A. and the related capital increase at Creos Luxembourg subscribed by the former own-ers of Luxgaz (see also note 4):

- The merger of Luxgaz Distribution with Creos Luxembourg S.A. leads to a decrease in 1st conso-lidation reserves of EUR 8,438,394
- The dilution of the group in the shareholding of Creos Luxembourg S.A., and consequently of Creos Deutschland GmbH, leads to a decrease in consolidation reserves of EUR 17,119,302, and to the corresponding increase in the minority interests.

## Note 14 - Provisions for liabilities and charges

### 14.1. Provision for pensions and similar obligations

This caption includes provisions relating to pen-sion commitments. Under a supplementary pen-sion scheme, Enovos International S.A., Enovos Luxembourg S.A., Creos Luxembourg S.A., Enovos Deutschland AG and Creos Deutschland GmbH have contracted defined benefit schemes. The amount reported in the balance sheet is based on the following assumptions:

- retirement age taken into account for financing: 60 years (for Luxembourg), 62 years(for Germany)
- yearly discount rate of 4.2%
- estimated pay at time of retirement based on past experience.

Actuarial profits and losses are immediately recog-nised in the income statement.

### 14.2 Provisions for taxation

Enovos International S.A. is subject to all taxes applicable to Luxembourg companies and the tax provisions have been provided in accordance with the relevant laws. Since 2009, Enovos International

S.A. is part of the fiscal unity with Enovos Luxembourg S.A., Cegedel International and Enovos Ré. In the frame of the fiscal unity, the taxes in the accounts are recorded as follows:

- Tax expenses are booked in the subsidiaries' accounts as would be the case if no tax unity existed;

- Tax savings relating to a loss-making subsidiary are reallocated to this subsidiary in the same year as the loss arises; these tax savings are recorded as income in the loss-making subsidiary;

- Enovos International S.A., as the head of the fiscal unity, books the tax provisions on the basis of the consolidated results of the companies included in the scope of the fiscal unity.

In order to benefit from the fiscal unity regime, the companies concerned have agreed to be part of the fiscal unity for a period of at least five financial years. This means that if the conditions laid down in Article 164bis LIR (Income tax law) are not met at any time during this five-year period, the fiscal unity ceases to apply, retroactively, as from the first year in which it was granted.

In accordance with paragraph 8a of the law dated 16th October 1934 as amended, Enovos International S.A. will opt for the reduction of the net wealth tax due for the year 2009 by setting up a special reserve equal to five times the amount of the net wealth tax reduced. As of the financial year 2010, Enovos International S.A. has decided to set up and maintain in its accounts the special reserve for the companies included in the scope of the fiscal unity.

### 14.3 Other provisions

The caption "Other provisions" comprises provisions to cover following risks:

| | **31/12/2010 €** | **31/12/2009 €** |
|---|---|---|
| Provisions for regulatory and environmental risks | 36,424,010 | 44,882,187 |
| Provisions for purchases | 10,332,163 | 11,283,551 |
| Provisions for staff costs | 6,537,162 | 7,962,074 |
| Provisions for sales risks | - | 5,283,677 |
| Provisions for derivatives | 5,369,771 | 4,347,649 |
| Provisions for litigation | 118,938 | 3,263,977 |
| Provisions for maintenance costs | 1,718,762 | 3,263,535 |
| Other provisions | 15,535,318 | 4,853,575 |
| | **76,036,125** | **85,140,225** |

## Note 15 - Amounts owed to credit institutions

Financial payables break down into current and non-current payables as follows:

| | 2010 constant scope | 2010 scope change | **31/12/2010 €** | **31/12/2009 €** |
|---|---|---|---|---|
| Non-current financial liabilities due to financial institutions | | | | |
| due within one to five years | 111,874,085 | 9,451,165 | 121,325,250 | 129,286,307 |
| due in more than five years | 6,163,567 | 31,944,028 | 38,107,595 | 18,643,271 |
| Non-current financial liabilities due to financial institutions | | | | |
| due within one year | 37,067,959 | 1,303,521 | 38,371,480 | 35,005,120 |

## Note 16 - Payments received on account of orders

Are recorded under this item payments made by customers for services rendered.

## Note 17 - Trade creditors

Trade creditors are mainly related to energy sales and trading activities.

## Note 18 - Amounts owed to undertakings with which the company is linked by virtue of participating interests

Amounts owed to undertakings with which the company is linked by virtue of participating interests are usually due within 30 days, and related largely to commercial activities.

## Note 19 - Tax and social security liabilities

This caption includes value added tax (VAT) liabilities, taxes on gas and electricity sales, and social taxes on pensions and salaries.

## Note 20 - Deferred income tax

The deferred income tax liability is mainly related

- to the different depreciation methods used in consolidated accounts (linear) compared with the companies' accounts (degressive)

- to the different calculation method of the pension obligations in consolidated accounts compared with companies accounts

- to a provision reversal at Enovos Re in consolidated accounts.

## Note 21 - Other creditors

Other creditors are short-term debts due mostly within a year. The group has a long-term liability to the city of Landau of MEUR 11,783,000 (2009: EUR 12,750,000) in the context of the acquisition of ESW AG.

## Note 22 - Accruals and deferred income

This caption comprises advance payments in relation with the acquisition of LEO S.A. from Ville de Luxembourg in 2011 (see also note 34), derivatives which are to hedge operations to be settled in subsequent years and other advance payment by customers.

## Note 23 - Sales

Sales break down as follows:

| | 2010<br>€ | 2009<br>€ |
|---|---|---|
| Sales electricity | 388,906,218 | 425,140,907 |
| Sales gas | 989,639,275 | 977,673,047 |
| Other energy sales | 24,490,233 | 23,366,960 |
| Grid sales electricity | 31,321,826 | 49,655,723 |
| Grid sales gas | 63,220,906 | 59,413,978 |
| Other sales | 38,087,348 | 38,649,269 |
| Rebates & discounts | (1,531,529) | (1,452,112) |
| **Total sales** | **1,534,134,277** | **1,572,447,773** |

Other sales include sales to customers in the course of traditional energy supply activities. Sales relating to gas and electricity trading on the international market are shown net of purchases under “cost of sales”.

Geographical sales break down as follows:

| | | | 2010<br>€ | 2009<br>€ |
|---|---|---|---|---|
| Luxembourg | 967,504,753 | 55.1% | 961,512,530 | 55.72% |
| Germany | 765,335,335 | 43.6% | 763,526,491 | 44.25% |
| France | 22,635,746 | 1.3% | 0 | 0.00% |
| Other countries | 239,676 | 0.01% | 516,390 | 0.03% |
| **Total sales** | **1,755,715,510** | **100%** | **1,725,555,411** | **100%** |
| Intercompany sales | (221,581,233) | | (153,107,638) | |
| **Total net sales** | **1,534,134,277** | | **1,572,447,773** | |

## Note 24 - Other operating income

The caption “Other operating income” includes mainly the activities unrelated to the supply of gas and electricity.

## Note 25 - Cost of sales

| | 2010<br>€ | 2009<br>€ |
|---|---|---|
| Electricity supplies | 895,111,006 | 913,299,140 |
| Trading sales | (654,655,512) | (645,834,630) |
| Gas supplies | 882,259,509 | 893,545,051 |
| Other supplies | 101,130,606 | 65,143,291 |
| Derivatives | 13,554,910 | 30,733,544 |
| **Total cost of sales** | **1,237,400,519** | **1,256,886,396** |

This caption includes energy procurement and electricity trading costs. Electricity and gas trading sales are shown net of cost of sales, since they were made partly to reduce procurement costs.

The margin achieved on trading activities is therefore included under "Cost of sales", as well as the realised profit or loss and the unrealised loss on derivative financial instruments.

## Note 26 - Personnel expenses

The group had on average 969 employees in 2010 (2009: 897). Personnel expenses break down as follows:

| | 2010<br>€ | 2009<br>€ |
|---|---|---|
| Salaries | 70,434,758 | 64,397,378 |
| Social security | 8,407,773 | 7,700,831 |
| Pensions | 9,780,470 | 8,285,254 |
| Miscellaneous social costs | 17,167 | 88,577 |
| **Total personnel expenses** | **88,640,168** | **80,472,041** |

## Note 27 - Other operating expenses

This caption includes operating expenses, value adjustments on current assets (Notes 9 and 10), taxes other than income tax and allowances for provisions for liabilities and charges (Note 14), excluding pensions. This caption includes in 2009 in particular the consultancy costs related to the development of the group.

## Note 28 - Financial income and income from investments

Financial income is mostly interest received on short-term bank deposits. Income from investments relates to dividends received from unconsolidated entities.

## Note 29 - Gain on disposal

In 2009, gain on disposal included the revenue realised on the disposal of the participation in Watt Re, a reinsurance company.

## Note 30 - Share in the result of companies consolidated under the equity method

The share in the result of companies consolidated under the equity method breaks down as follows:

| | 2010<br>€ | 2009<br>€ |
|---|---|---|
| energis GmbH | 7,279,320 | 6,194,455 |
| Ferngas Nordbayern GmbH | 3,426,190 | 3,266,111 |
| Pfalzgas GmbH | 2,985,842 | 3,328,312 |
| Twinerg S.A. | 1,867,884 | 1,576,289 |
| artelis S.A. | 1,132,491 | 1,393,656 |
| Global Facilities S.A. | 381,741 | 348,896 |
| Cegyco S.A. | 381,127 | (89,105) |
| Airportenergy S.A. | 66,743 | 3,610 |
| Wandpark Gemeng Hengischt S.A. | 38,335 | 71,190 |
| Wandpark Kehmen-Heischent S.A. | 37,034 | 104,542 |
| Steinergy S.A. | 3,627 | (855) |
| Nordenergie S.A. | 3,541 | 32,669 |
| Wandpark Burer Bierg S.A. | (44,683) | (73,992) |
| Soler S.A. | (57,946) | 337,179 |
| geo x GmbH | (148,200) | (253,669) |
| Projecta 14 GmbH | (484,400) | 80,410 |
| Datacenterenergie S.A. | (589,026) | (205,227) |
| Ceduco S.A. | (835,360) | (852,928) |
| Aveleos S.A. | (1,242,984) | - |
| Luxgaz Distribution S.A. | - | 1,745,064 |
| Total | 14,201,275 | 17,006,609 |

## Note 31 - Current and deferred income tax expense

The current tax provisions have been provided in accordance with the relevant laws applicable in Luxembourg and Germany.

Deferred taxes are recorded on the time differences existing between the tax rules and those used for preparing the consolidated financial statements. Deferred taxes are calculated in accordance with the variable carrying forward method based on the tax rate expected at the time that the receivable or liability materialises. Active deferred taxes are recorded only if it is likely that future taxable profits will be available.

## Note 32 - Remuneration paid to members of the administration and management bodies

Remuneration paid to members of the administration and supervisory bodies totalled EUR 395,500 in 2010 (2009: EUR 169,866). No advances or loans were granted to members of the administration and supervisory bodies, nor was any commitment undertaken on their behalf in respect of any form of guarantee.

## Note 33 - Off-balance sheet liabilities and commitments

During 2010, the company concluded a number of forward contracts for the purchase and sale of electricity and gas as part of its usual operations. The company thus has contracted purchase commitments for electricity and gas amounting to EUR 251 million as of 31st December 2010 (2009: EUR 301 million). The amount of the above forward purchase contracts include only forward contracts signed with counterparties and not contractual purchase commitments with local producers whose prices are not known in advance. Enovos Luxembourg S.A. also committed to buy an annual 100 MW band of electricity from a local producer until 31st December 2015.

The company is further engaged in spot and forward electricity and gas trading on organised markets and by private sale. These transactions are made using different instruments. Among these instruments are forward contracts, which imply final delivery of electricity and gas, swap contracts, which entail promises of payment to and from counterparties in conjunction with the difference between a fixed price and a variable price indexed on underlying products, options or other contractual agreements. The fair values of these derivative purchases and sales amounted as of 31st December 2010 to EUR -0,4 million and to EUR -4,2 million respectively (EUR 93.5 million and 90.4 million respectively in 2009).

Enovos Luxembourg S.A. has issued a counter-guarantee for Electrabel S.A.'s benefit and in relation to the financing of the Twinerg combined turbine power plant for a total of EUR 9.9 million as at 31st December 2010 (2009: EUR 11.7 million). On 31st December 2008, Luxenergie S.A., along with Aéroport de Luxembourg S.A., signed a long-term credit agreement to finance Airport Energy S.A. In the agreement, all parties agree to act as joint and several guarantors for a total EUR 12.5 million (2009: EUR 12.5 million).

Enovos Luxembourg S.A. took over a commitment related to a Memorandum of Understanding signed with SEO S.A., RWE Power AG and the State of Luxembourg for the enlargement of the Vianden pumping station. Enovos Luxembourg S.A. will thus have the right to 100 MW on a virtual basis, which is half the production of a new turbine to be built. In addition, under a contract signed with RWE related to the financing of two pulverized coal fired power plants, two instalments will be paid in 2011 and 2012. In total for the two projects, the company has thus committed to pay EUR 92.8 million during the years 2011 to 2013.

Enovos Luxembourg S.A. and Gazprom Marketing & Trading Limited signed in 2009 a Memorandum of Understanding to study the feasibility of a tolling partnership in a 450 MW combined cycle power station in Germany. Under the proposed tolling partnership, Gazprom would buy the long-term capacity of the plant for gas tolling and would sell power to Enovos Luxembourg under a long-term contract.

There was a disagreement over the invoices that have been issued by Amprion GmbH (formerly RWE Transportnetz Strom GmbH) to Cegedel Net S.A. (merged in 2009 into Creos Luxembourg S.A.) since January 2005 corresponding to the transmission in Germany of quantities concerning electricity supply from Twinerg S.A. to Cegedel S.A. In February 2011, the two parties have concluded an agreement according to which Creos Luxembourg S.A. will pay EUR 3.8 million to settle the issue with Amprion. The management of Creos Luxembourg S.A. considers that the ultimate resolution of this issue will require further negotiations with all the parties involved. As from 1st January 2009 on, the transport costs due by Creos Luxembourg S.A. to Amprion GmbH (formerly RWE Transportnetz Strom GmbH) are re-invoiced to Twinerg S.A., according to an agreement signed on 12th November 2008.

Enovos International S.A. has given customary parent company guarantees or comfort letters to a limited number of Enovos Luxembourg S.A. energy providers and trading counterparts.

Enovos International S.A. has signed a bank guarantee for Solarkraftwerk Kenn GmbH, a 25.1% subsidiary of Enovos Deutschland AG, for an amount of EUR 7.1 million.

ESI I has leasing obligations in the context of operating its photovoltaic parks for a total amount of EUR 18.9 million maturing between 2011 and 2019. On 3rd March 2010, Enovos Luxembourg S.A. and Avelar Energy Ltd. (based in Zurich), signed a contract to form a joint venture under the name of Aveleos S.A. The objective of this new company is to develop, operate and bring to the market photovoltaic plants in Italy and France for a total capacity of up to 95 MW in 2010 and 2011.

## Note 34 - Significant events after closing of accounts

On 6th January 2011 were held extraordinary general meetings of Enovos International S.A., of Enovos Luxembourg S.A. and of Creos Luxembourg S.A. which approved the contribution of the gas and electricity networks of the City of Luxembourg into Creos Luxembourg S.A. and of the energy sales activities of the City of Luxembourg (LEO S.A.) into Enovos Luxembourg S.A. As these contributions were made by issuing new shares in the respective group companies, the ownership structure of the Enovos group companies has changed as of 6th January 2011, with the main changes being the following: the City of Luxembourg will own a total of 8% of the share capital of Enovos International S.A., all existing shareholders being diluted accordingly. Furthermore, the City of Luxembourg has become a 20% shareholder directly in Creos Luxembourg S.A., thus decreasing the stake held by Enovos International S.A. in Creos Luxembourg S.A. to 75.43%, the remaining shareholders being the State of Luxembourg (2.28%), several Municipalities in Luxembourg (2.18%) and the "Fédération des Artisans" (0.10%).

In October 2010, Enovos Luxembourg S.A. signed an agreement with Swiss energy company BKW FMB Energie AG to take over the sales activities of BKW's German subsidiaries, BKW Energie GmbH and BKW Balance GmbH. The transaction is effective as of 1st January 2011, after which the acquired companies have been renamed into Enovos Energie Deutschland GmbH and Energie Balance Deutschland GmbH respectively.

## 5 Auditor's report on the consolidated annual accounts

**Independent auditor's report**

To the Board of Directors of
Enovos International S.A.

**Report on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of Enovos International S.A., which comprise the consolidated balance sheet as at 31st December 2010, the consolidated income statement, the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Board of Directors' responsibility for the consolidated financial statements**

The Board of Directors is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the consolidated financial statements and for such internal control as the Board of Directors determines is necessary to enable the preparation and presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

**Responsibility of the "réviseur d'entreprises agréé"**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "Commission de Surveillance du Secteur Financier". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the judgment of the "réviseur d'entreprises agréé", including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises agréé" considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Enovos International S.A. as of 31st December 2010, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the consolidated financial statements.

**Report on other legal and regulatory requirements**

The consolidated management report, which is the responsibility of the Board of Directors, is consistent with the consolidated financial statements.

ERNST & YOUNG
Société Anonyme
Cabinet de révision agréé

Jeannot WEYER

Luxembourg, 15th April 2011


SECT. BARRES I
COUPLAGE
L1

# IV Summarized annual accounts of Enovos International S.A.

The main activity of Enovos International S.A., as the parent company of the Enovos group, is the holding of financial interests in affiliated companies and to provide them with financing and corporate services. The balance sheet and income statement are therefore largely influenced by the financing needs of the group subsidiaries.

During the year 2010, as a consequence of the high capital investments done by group companies, the cash managed at group level on behalf of the subsidiaries decreased significantly. Coupled with the yearly redemption of the long term loan by Enovos International of EUR 30,000,000, this leads to a decrease in cash from EUR 210,850,004 at the end of 2009 to EUR 81,203,496 at the end of 2010. Consequently, with less cash managed by the holding company on behalf of its subsidiaries, amounts owed to affiliated undertakings also decreased in the same order of magnitude (EUR 94,158 684 in 2010 compared to EUR 222,507,760 in 2009).

2010 was the company's first year of full operation; therefore a comparison with 2009 may be difficult. During 2010, operating income amounted to EUR 15,591,163 (2009: EUR 11,920,340) and related mainly to shared services invoiced to affiliated companies. Income from participating interests reached EUR 93 892 005 (2009: EUR 143,854,515). It should be noted that the 2009 figure was largely made up of an extraordinary dividend payout by Cegedel International, whereas 2010 was the first year with regular dividend payments by the various group subsidiaries.

Other interest receivable and similar income amounted to EUR 2,941,805 (2009: EUR 1,086,647), relating to revenues from the cash that the holding company invested outside the group as well as from the refinancing of its subsidiaries with the proceeds from the loans contracted. Interest payable and similar charges amounted to EUR 2,692,882 (2009: EUR 2,169,974), relating to the financing costs that the holding company incurred with credit institutions as well as with group companies.

As a consequence of the lower income from participating interests mentioned above, net profit for the year 2010 decreased to EUR 89,552,752, compared to EUR 140,517,880 in 2009.

**Annual accounts**

The company's financial year runs from 1st January to 31st December each year. The company also prepares and publishes consolidated accounts as required by law.

**General principles**

The annual accounts have been prepared in accordance with Luxembourg legislation and regulations and generally accepted accounting principles. Pursuant to article 29 paragraph 2 of the law of 19th December 2002, the presentation of the company's annual accounts takes account of the specific nature of the company.

Below is presented a summarised version of the financial statements of Enovos International S.A.:

# Balance sheet as at 31st December 2010

| ASSETS | Notes | 2010 € | 2009 € |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible fixed assets | | | |
| Concessions, patents, licences and trademarks | Note 3 | 1,664,791 | 849,406 |
| Tangible fixed assets | Note 4 | | |
| Land and buildings | | 10,705,010 | 10,925,974 |
| Other fixtures and fittings, tools and equipment | | 2,220,234 | 1,673,912 |
| Payments on account and tangible assets in course of construction | | 903,239 | - |
| Financial assets | Note 5 | | |
| Shares in affiliated undertakings | | 625,211,817 | 625,211,817 |
| Loans to affiliated undertakings | | - | 85,346,222 |
| Participating interests | | 30,670,763 | 30,670,763 |
| Loans to undertakings with which the company is linked by virtue of participating interests | | 6,241,433 | 7,283,635 |
| **Total Fixed Assets** | | **677,617,288** | **761,961,730** |
| **Current assets** | | | |
| Receivables | | | |
| Trade receivables | | | |
| - becoming due and payable within one year | | 23,345 | 1,651 |
| - becoming due and payable after more than one year | | - | - |
| Amounts owed by affiliated undertakings | | | |
| - becoming due and payable within one year | | 62,509,985 | 13,877,674 |
| - becoming due and payable after more than one year | | 17,906,000 | 8,926,000 |
| Amounts owed by undertakings with which the company is linked by virtue of participating interests | | | |
| - becoming due and payable within one year | | - | 5,510 |
| - becoming due and payable after more than one year | | - | - |
| Other receivables | | | |
| - becoming due and payable within one year | | 10,000,338 | 1,100,641 |
| - becoming due and payable after more than one year | | - | - |
| Cash at bank, cash in postal cheque accounts, cheques and cash in hand | | | |
| Securities | | - | - |
| Cash at bank | | 81,203,496 | 210,850,004 |
| **Total Current Assets** | | **171,643,164** | **234,761,480** |
| **Prepayments and accrued income** | | **610,911** | **437,881** |
| **Total Assets** | | **849,871,363** | **997,161,091** |

| LIABILITIES | Notes | 2010<br>€ | 2009<br>€ |
|---|---|---|---|
| **Shareholder's equity** | Note 6 | | |
| Subscribed capital | | 84,450,000 | 84,450,000 |
| Share premium | | 255,686,349 | 255,686,349 |
| Legal reserve | | 8,445,000 | 2,000,000 |
| Other reserves | | 180,941,164 | 126,741,164 |
| Profit or loss brought forward | | 70,562 | 205,612 |
| Profit or loss for the financial year | | 89,552,752 | 140,517,880 |
| **Total Shareholder's equity** | | **619,145,827** | **609,601,005** |
| **Provisions for liabilities and charges** | | | |
| Provisions for pensions and similar obligations | Note 7 | 7,411,048 | 7,504,383 |
| Provisions for taxation | Note 12 | 3,250,118 | 3,157,118 |
| Other provisions | | 800,000 | 300,000 |
| **Total Provisions** | | **11,461,166** | **10,961,501** |
| **Liabilities** | | | |
| Amounts owed to credit institutions | Note 8 | | |
| - becoming due and payable within one year | | 30,852,991 | 30,234,145 |
| - becoming due and payable after more than one year | | 90,000,000 | 120,000,000 |
| Trade creditors | | | |
| - becoming due and payable within one year | | 3,504,463 | 1,869,267 |
| - becoming due and payable after more than one year | | - | - |
| Amounts owed to affiliated undertakings | Note 9 | | |
| - becoming due and payable within one year | | 94,158,684 | 222,507,760 |
| - becoming due and payable after more than one year | | - | - |
| Tax and social security | | | |
| Tax | | 29,491 | 817,254 |
| Social security | | 362,097 | 253,337 |
| Other creditors | | | |
| - becoming due and payable within one year | | 356,644 | 579,648 |
| - becoming due and payable after more than one year | | - | - |
| **Total** | | **219,264,369** | **376,261,411** |
| **Accruals and deferred income** | | **-** | **337,174** |
| **Total Liabilities** | | **849,871,363** | **997,161,091** |

## Profit and loss account for the period

| From 1st January to 31st December | 2010 € | 2009 € |
|---|---|---|
| Sales | 0 | 0 |
| Other revenues | 15,591,163 | 11,920,340 |
| Operating expenses | (19,848,489) | (15,132,198) |
| EDITBA | (4,257,326) | (3,211,859) |
| Depreciation | (1,430,850) | (441,449) |
| EBIT | (5,668,177) | (3,653,307) |
| Revenues from participations | 93,892,005 | 143,854,515 |
| Financial income | 2,941,805 | 1,086,647 |
| Financial expenses | (2,692,882) | (2,169,974) |
| **Earnings before income tax** | **88,452,752** | **139,117,880** |
| **Income tax** | **1,100,000** | **1,400,000** |
| Net profit for the year | 89,552,752 | 140,517,880 |

### Proposed appropriation of net profit

The profit available for appropriation of EUR 92,423,314 includes the net profit for the year of EUR 89,552,752, the reversal of the blocked reserve (wealth tax) of EUR 2,800,000 and the profit brought forward of EUR 70,562.

The board of Directors proposes to the Annual Shareholder's Meeting on May 10th, 2011 the following appropriation of net profit:

| | € |
|---|---|
| Dividend of 88 Euros per share* | 80,047,352 |
| Allocation to the legal reserve (up to 10% of capital) | 651,290 |
| Allocation to the blocked reserve | 5,000,000 |
| Allocation to other reserves | - |
| Amount carried forward | 6,724,672 |
| | 92,423,314 |

* Number of shares 909,629

Ernst & Young has been appointed as statutory auditors for fiscal year 2010 by the annual ordinary shareholder's meeting on 11th May 2010.

Enovos International Annual Report is published in French and English.

Only the English version may be considered the original; others are simply free translations.

We would like to thank all those involved in the preparation and publication of this annual report.

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**Under the leadership of Corporate Communication Department of Enovos**

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