2013
FINANCIAL REVIEW

Romande Energie Group

Units

Currencies

CHF	Swiss francs
EUR	euros
m	million
bn	billion

Power

kW	kilowatt	
MW	megawatt	1,000 kW
MWe	megawatt electrical	

Energy

kWh	kilowatt-hour	
MWh	megawatt hour	1,000 kWh
GWh	gigawatt hour	1 million kWh
TWh	terawatt hour	1 billion kWh

Voltage

kV	kilovolts	1,000 volts

Transformation capacity

kVA	kilovoltampere	
MVA	megavoltampere	1,000 kVA

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ROMANDE ENERGIE GROUP FINANCIAL OVERVIEW

Key consolidated figures

as at 31 December 2013

In CHF thousands, unless otherwise stated	**2013**	**2012**	**2011 Restated**	**2010 Restated**	**2009**
INCOME STATEMENT					
Net revenues	577'814	579'412	590'165	579'413	583'745
Gross profit	260'122	259'682	254'165	239'419	220'784
Personnel expenses	91'319	89'032	82'181	76'033	78'813
EBITDA*	122'579	121'594	120'718	107'592	98'923
EBIT**	68'917	67'789	35'155	48'825	51'530
Share of profit of associates	7'075	(343'210)	(250'812)	65'738	675'163
Net profit for the year	67'922	(278'211)	(235'180)	83'994	713'037
CASH FLOW					
Net cash provided by operating activities	186'789	168'942	166'064	174'667	233'523
Net cash used in investing activities	(175'636)	23'950	(140'650)	(171'263)	(145'326)
Net cash provided by/used in financing activities	(109'172)	(25'992)	(53'080)	59'126	(21'968)
OTHER DATA					
Earnings per share (in CHF)	62	(257)	(206)	80	650
Ordinary dividend (proposed for 2013) per share (in CHF)	30.-	27.-	25.-	25.-	22.-
Extraordinary dividend per share (in CHF)	-	-	-	-	10.-
Total dividend (proposed for 2013) per share (in CHF)	**30.-**	**27.-**	**25.-**	**25.-**	**32.-**
Equity attributable to parent company shareholders	1'958'369	1'947'441	2'279'478	2'608'065	2'608'381
Shareholders' equity as % of total assets	81%	80%	85%	85%	88%
Shareholders' equity per share (in CHF)	1'903	1'774	2'077	2'376	2'369
Romande Energie Holding SA share price as at 31 Dec. (in CHF)	1'065	1'065	1'199	1'525	1'835

*EBITDA: earnings before interest, taxes, depreciation and amortisation
**EBIT: earnings before interest and taxes

The above financial data were prepared in accordance with the International Financial Reporting Standards (IFRS).

Financial developments

Romande Energie Group has reported strongly positive results in spite of a tougher competitive backdrop and framework conditions that are still in a state of flux.
In 2013, Group EBITDA and EBIT rose to CHF 123m and CHF 69m respectively.
For the first time in two years, the share of profits from associates did not hurt the bottom line, enabling the Group to return a net profit of CHF 68m over the full year.
Consolidated equity edged up by 0.6% to just under CHF 2bn, in spite of share repurchasing that lifted the amount held in treasury to 9.95% of capital at end-2013.
In response to heavy rainfall, power generation by the Group's proprietary installations set a new record in 2013, rising by 4% to 541 GWh.

Revenues

Romande Energie Group's 2013 net revenues were virtually stable at CHF 578m, edging down by 0.3% relative to 2012.
Revenue from the marketing and distribution of electricity rose by CHF 4m, or 1.0%, to CHF 429m, compared with CHF 425m in 2012.
Energy distributed on the Group's grid rose by 43 GWh, or +1.5%, to 2,899 GWh, primarily as a result of the low-voltage segment. In contrast, revenue from power distribution was down CHF 2m (-1.4%) at CHF 146m owing to the 4.7% cut in electricity distribution tariffs handed to customers on 1 January 2013.
Power sales (kWh) edged up by 13 GWh, or 0.4%, to 3,171 GWh over the year. In monetary terms, energy revenue increased by CHF 6m (+2.2%) to CHF 283m, mainly as a result of a positive change in provisions.
Other income fell sharply in relation to 2012, dropping from CHF 78m to CHF 71m. The forced shutdown of the Forces Motrices Hongrin-Léman (FMHL SA) power plant in Château-d'Oex over several months for construction work single-handedly had a negative impact of CHF 5m on the Group's finances.

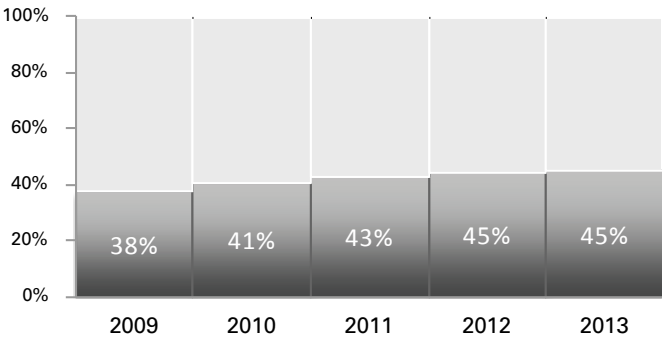
Electricity procurement

Total energy requirements in 2013, including proprietary power generation, rose by 13 GWh, or 0.4%, to 3,171 GWh. Power prices continued the decline that had begun in 2009.
Last year saw a new record in terms of generation by the Group's own installations. Helped by supportive weather conditions, proprietary power generation rose by close to 4% (+21 GWh), thus representing 17% of power requirements in 2013 (541 GWh).
Lastly, price declines on wholesale markets and the rise in proprietary power generation led to a 4.5% decline in total energy-purchasing costs to CHF 218m.

Stable gross profit

Based on these developments, gross profit was stable at CHF 260m.

Trend in gross margin (%)



Operating expenses kept under control

By keeping a grip on costs, the Group was able to keep operating expenses on an even kilter in 2013. The CHF 2m rise in personnel expenses to CHF 91m was more than offset by the CHF 3m decrease in other operating expenses, which totalled CHF 46m.
The minor increase in personnel expenses was due to recognition of a pension charge that was CHF 5m higher than in 2012, in application of IAS 19R. The discontinuation of logistics operations, which have been taken over by Spontis SA, accounted for the decrease in other operating expenses.

Increases in EBITDA and EBIT

Group EBITDA edged up by 0.8% to CHF 123m. EBIT rose by 1.7% to CHF 69m.

Financial income and expense

Financial income totalled CHF 12m after declining by 12%, or CHF 1.7m, relative to 2012. On its own, income from forward currency transactions totalled CHF 10m versus CHF 12m in 2012.

Profit from associates

Following two years of substantial impairment charges concerning the operations of Alpiq group, the share of profit of associates returned to positive territory in 2013, standing at CHF 7m (versus CHF -343m in 2012). The CHF 6m profit at EOS Holding contributed a positive CHF 2m to the Group's consolidated financial statements.

Earnings

Romande Energie Group reported a 2013 net profit of CHF 68m, compared with losses of CHF 278m and CHF 235m recorded in the financial statements of 2012 and 2011, respectively.

Consolidated equity

The shareholders' equity of Romande Energie Group edged up by 0.6% to just under CHF 2bn on the strength of the profit recorded for 2013, and in spite of the repurchasing of own shares, as described below.

Market capitalisation came to CHF 1.1bn as at 31 December 2013, which was substantially below the carrying value of equity.

The financial independence ratio rose to 81% at the end of 2013, up from 80% at the end of 2012.

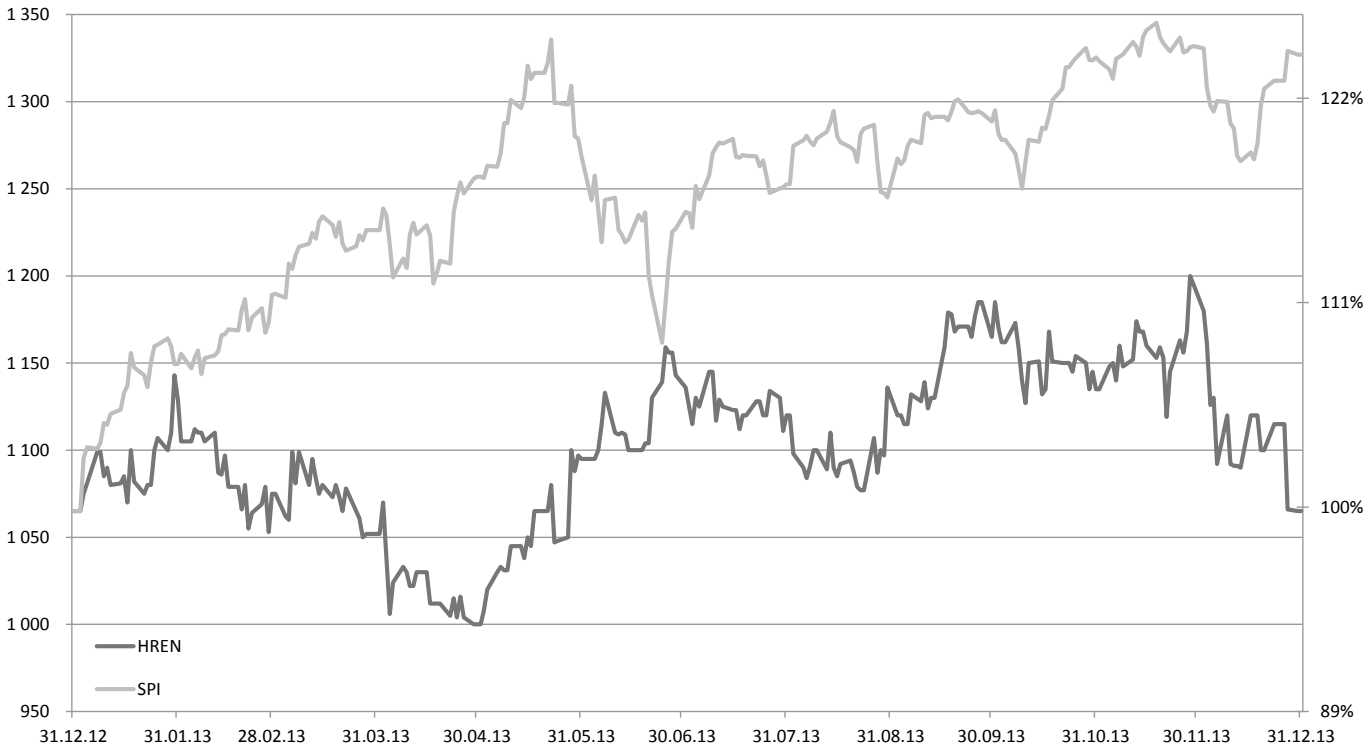
Repurchasing of own shares

Under its divestment programme, the Alpiq group sold Romande Energie Group 119,994 shares in the parent company at prices ranging between CHF 1,051 and CHF 1,100 per share, in January, May and July 2013. To avoid breaching the 10% ownership threshold in regard to the share capital, the Group beforehand sold 48,917 shares to external parties in May (20,000 shares) and to Holdigaz SA in July (28,737 shares), marking the establishment of a cross-shareholding with the latter.

As a result of these transactions, the Group held 9.95% of share capital in treasury at the end of the year, with no change to the long-standing ownership structure.

Share price in 2013

The registered share of Romande Energie Holding SA closed at CHF 1,065 on 31 December 2013, the same price as at 31 December 2012.



Rise in ordinary dividend

The Board of Directors will maintain its dividend policy, which has featured several increases over recent years. It will therefore be seeking approval from shareholders at the AGM to pay an ordinary dividend of CHF 30 per share, compared with CHF 27 for the 2012 financial year. If this recommendation is adopted, total distribution in 2014 will be CHF 30.8m, taking into account the shares held in treasury.

Enterprise value

Enterprise value, which is the total amount that shareholders and third parties have invested in the Group less cash and cash equivalents, was as follows as at 31 December 2013:

In CHF thousands	**2013**	**2012**
Market capitalisation	1'093'290	1'169'185
Non-controlling interests	26'854	26'200
Financial liabilities	115'556	115'818
Less cash and cash equivalents	(329'864)	(427'856)
Enterprise value	**905'836**	**883'347**
Enterprise value/EBITDA	**7.39**	**7.26**

Outlook for 2014

In spite of the further uncertainty arising from political and economic events in regard to liberalisation of the electricity market, Romande Energie Group is still working hard to prepare for this eventuality.

The development of new energy products and services is taking shape through the formation of the new Energy Services business unit, with effect from 1 January 2014. At the same time, the Group's generation facilities are likely to be expanded in 2014, in Switzerland or abroad, or possibly both. A first milestone was reached when the company Centrale Hydroélectrique de Meyronnes SAS (which operates a hydro-power plant) was acquired in July 2013.

Initiatives in the realm of corporate social responsibility (CSR) that began in 2013 will be extended in 2014 and in the years to come.

The lower limit on the EUR/CHF exchange rate enforced by the Swiss National Bank provides stability to transactions and business operations conducted outside Switzerland. The decline in wholesale power prices over recent months looks unlikely to be reversed in 2014, raising the prospect of a positive trend in gross margin.

ROMANDE ENERGIE GROUP CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement

as at 31 December 2013

In CHF thousands, except per share amounts	Note	2013	2012
Revenues	8	507'209	501'517
Other income	8	70'605	77'895
Net revenues		**577'814**	**579'412**
Purchases of energy, goods and services	9	(317'692)	(319'730)
Gross profit		**260'122**	**259'682**
Personnel expenses	10	(91'319)	(89'032)
Other operating expenses		(46'224)	(49'056)
EBITDA		**122'579**	**121'594**
Depreciation on property, plant and equipment	19, 20	(50'168)	(50'146)
Amortisation of intangible assets	21	(3'494)	(3'659)
EBIT		**68'917**	**67'789**
Financial income	11	12'304	13'986
Financial expenses	11	(3'402)	(3'964)
Share of profit of associates	22	7'075	(343'210)
Profit before taxes		**84'894**	**(265'399)**
Income taxes	12	(16'972)	(12'812)
Net profit for the year		**67'922**	**(278'211)**
Attributable to			
Parent company shareholders		64'302	(282'581)
Non-controlling interests		3'620	4'370
		67'922	**(278'211)**
Weighted average number of shares outstanding		1'028'964	1'097'640
Earnings per share (in CHF)	13	**62**	**(257)**
Dividend per share (proposed for 2013)		**30**	**27**

The accompanying notes form an integral part of the financial statements.

Consolidated comprehensive income statement

as at 31 December 2013

In CHF thousands	Note	2013	2012
Net profit (loss) for the year		**67'922**	**(278'211)**
Change in the fair value of hedging instruments and other changes		2'614	(698)
Fair-value adjustment to available-for-sale financial instruments		1'136	257
Taxes	12	(293)	51
Total other items reclassifiable subsequently to the income statement, net of tax		**3'457**	**(390)**
Fair-value adjustment booked to shareholders' equity of EOS Holding SA	29	13'506	(3'682)
Actuarial gains and losses relating to pension plan	26	40'780	6'831
Taxes	12	(9'518)	(1'594)
Total other items not reclassifiable subsequently to the income statement, net of tax		**44'768**	**1'555**
Comprehensive income for the year		**116'147**	**(277'046)**
Attributable to			
Parent company shareholders		112'527	(281'416)
Non-controlling interests		3'620	4'370
		116'147	**(277'046)**

The accompanying notes form an integral part of the financial statements.

Consolidated balance sheet

as at 31 December 2013

In CHF thousands	Note	31/12/13	31/12/12
ASSETS			
Current assets			
Cash and cash equivalents	14	329'864	427'856
Securities and term deposits	16	97'174	44'390
Trade accounts receivable	17	96'712	111'722
Current taxes receivable		2	2'535
Other current assets	18	18'446	6'375
Total current assets		**542'198**	**592'878**
Non-current assets			
Property, plant and equipment	19	954'482	901'839
Investment property	20	2'584	2'623
Intangible assets	21	25'076	25'716
Investments in associates	22	861'238	888'477
Other long-term financial assets	23	27'066	11'716
Deferred tax assets	12	3'965	12'796
Total non-current assets		**1'874'411**	**1'843'167**
Total assets		**2'416'609**	**2'436'045**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade accounts payable		22'399	33'215
Other short-term liabilities and derivative financial instruments	24	123'701	104'859
Short-term portion of long-term borrowings	25	262	262
Short-term provisions	27	1'980	5'062
Total current liabilities		**148'342**	**143'398**
Non-current liabilities			
Long-term borrowings	25	115'294	115'556
Deferred tax liabilities	12	148'823	145'837
Liabilities resulting from defined-benefit pension plan	26	16'988	54'826
Long-term provisions	27	1'939	2'787
Total non-current liabilities		**283'044**	**319'006**
Total liabilities		**431'386**	**462'404**
Equity attributable to parent company shareholders			
Share capital	28	28'500	28'500
Additional paid-in capital		13'111	13'111
Other reserves	29	3'707	(13'256)
Retained earnings		2'012'104	1'938'912
Own shares		(99'053)	(19'826)
Total equity attributable to parent company shareholders		**1'958'369**	**1'947'441**
Non-controlling interests		**26'854**	**26'200**
Total shareholders' equity		**1'985'223**	**1'973'641**
Total liabilities and shareholders' equity		**2'416'609**	**2'436'045**

The accompanying notes form an integral part of the financial statements.

Consolidated cash flow statement

as at 31 December 2013

In CHF thousands	Note	2013	2012
Net (loss)/income for the year		**67'922**	**(278'211)**
Non-cash items			
- Taxes	12	16'972	12'812
- Depreciation and impairment charge on property, plant and equipment	19, 20	50'168	50'146
- Amortisation and impairment charge on intangible assets	21	3'494	3'659
- Share of profit of associates	22	(7'075)	343'210
- Net profit on sale of non-current assets	8	(334)	(2'663)
- Net financial income	11	(8'902)	(10'022)
- Increase in pension-plan liability	26	(2'942)	1'805
- Other non-cash items		1'419	7'973
Dividends received from associates		53'151	61'571
Interest received and other financial income	11	865	899
Interest paid and other financial expenses	11	(3'173)	(3'503)
Taxes paid		(12'433)	(8'723)
Cash flows before change in working capital		**159'132**	**178'953**
Change in net current assets and other cash flows from operating activities	15	27'657	(10'011)
Net cash provided by operating activities		**186'789**	**168'942**
Purchase of property, plant and equipment, and intangible assets	19, 20, 21	(103'251)	(79'373)
Sale of property, plant and equipment		1'101	3'987
Acquisition of equity interests, net of cash and cash equivalents	19	(7'674)	-
Acquisition of shareholdings in associates		812	(40)
(Purchase)/Sale of investment securities		(52'410)	99'214
(Increase)/Decrease in other long-term financial assets		(14'214)	162
Net cash used in/provided by investing activities		**(175'636)**	**23'950**
Repayment of financial liabilities	5, 25	(262)	(262)
Capital paid up by minority shareholders		-	2'400
Acquisition of own shares		(78'227)	-
Dividend paid to minority shareholders		(2'966)	(684)
Dividend paid to parent company shareholders		(27'717)	(27'446)
Net cash used in financing activities		**(109'172)**	**(25'992)**
Net effect of translation differences on cash and cash equivalents		27	(179)
Net change in cash and cash equivalents		**(97'992)**	**166'721**
Cash and cash equivalents at beginning of year	14	427'856	261'135
Cash and cash equivalents at end of year	14	**329'864**	**427'856**

The accompanying notes form an integral part of the financial statements.

Consolidated statement of changes in shareholders' equity

as at 31 December 2013

Equity of parent company shareholders

In CHF thousands	Share capital	Additional paid-in capital	Other reserves	Retained earnings	Own shares	Total	Non-controlling interests	Total share holders' equity
Note	28		29					
Balance at 1 January 2012	**28'500**	**13'111**	**(9'184)**	**2'266'877**	**(19'826)**	**2'279'478**	**(661)**	**2'278'817**
Change in shareholders' equity 2012								
Dividend paid to parent company shareholders (CHF 25 per share)				(27'446)		**(27'446)**		**(27'446)**
Change in consolidation scope				(23'175)		**(23'175)**	23'175	**-**
Dividend paid to non-controlling interests						**-**	(684)	**(684)**
Net profit (loss) for the year				(282'581)		**(282'581)**	4'370	**(278'211)**
Other comprehensive income			(4'072)	5'237		**1'165**		**1'165**
Comprehensive income (loss) for the year			*(4'072)*	*(277'344)*		*(281'416)*	4'370	*(277'046)*
Balance at 31 December 2012	**28'500**	**13'111**	**(13'256)**	**1'938'912**	**(19'826)**	**1'947'441**	**26'200**	**1'973'641**
Change in shareholders' equity 2013								
Dividend paid to parent company shareholders (CHF 27 per share)				(27'717)		**(27'717)**		**(27'717)**
Acquisition of own shares				1'000	(79'227)	**(78'227)**		**(78'227)**
Change in consolidation scope				4'345		**4'345**		**4'345**
Dividend paid to non-controlling interests						-	(2'966)	**(2'966)**
Net profit (loss) for the year				64'302		64'302	3'620	**67'922**
Other comprehensive income			16'963	31'262		**48'225**		**48'225**
Comprehensive income (loss) for the year			*16'963*	*95'564*		*112'527*		*116'147*
Balance at 31 December 2013	**28'500**	**13'111**	**3'707**	**2'012'104**	**(99'053)**	**1'958'369**	**26'854**	**1'985'223**

The accompanying notes form an integral part of the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1
General information

Romande Energie Holding SA, a holding company incorporated in Switzerland with its registered office in Morges, is the direct or indirect owner of all the companies belonging to Romande Energie Group (the Group). The Group is active in four businesses related to energy: electricity distribution, energy marketing, energy management and energy efficiency.

The mission of the distribution business is to manage the electricity grid in the allotted coverage area and ensure access to the grid for end-consumers.

The marketing business covers the supply of electricity to captive customers in the coverage area and to deregulated customers in the whole of Switzerland. Administrative and energy services are also offered in association with this activity.

Energy management comprises the Group's activities relating to the development and management of power production. This unit is furthermore responsible for the Group's "energy" portfolio.

Activities relating to energy efficiency were placed temporarily under the remit of the Finance Department until 31 December 2013. On 1 January 2014, the Energy Services business unit was set up to market all of the services offered by the Group in the fields of building energy systems, lighting systems, advisory services and thermal systems.

The Group's consolidated financial statements for 2013 were adopted by the Board of Directors of Romande Energie Holding SA on 28 March 2014. They will be submitted for shareholder approval at the Annual General Meeting on 27 May 2014.

NOTE 2
Summary of accounting policies

Significant accounting policies used to prepare the Group's consolidated financial statements are described below. Unless otherwise stated, these policies have been applied uniformly to all the comparative figures shown.

Basis of presentation

The Group's consolidated financial statements are presented in CHF thousands and have been prepared under the historical cost convention, with the exception of certain property, plant and equipment, financial assets and financial instruments, which are measured at fair value. They comply with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the Reporting Standards set out below.

The preparation of financial statements under IFRS involves estimates and assumptions which affect asset and liability amounts, either reported or contingent, at the balance sheet date, and the income and expense amounts for the period. Although the estimates are based on the best knowledge available to management regarding the Group's present situation and future operations, actual reported results may differ from what has been anticipated. Cases involving a high degree of judgement or complexity, and those where the estimates and assumptions made have a significant impact on the preparation of the financial statements are described in Note 3.

Standards and Interpretations published but not yet applicable

The Group assesses the potential impact of both new and revised reporting standards, the implementation of which is scheduled for subsequent financial years:

- IFRS 10-12 & IAS 27 – Investment entities (amendment), applicable from July 2014.
- IFRS 9 – Financial instruments (hedge accounting and amendments to IFRS 7, IFRS 9 and IAS 39), applicable from 2015.
- IAS 32 – Financial instruments (amendment), applicable from 2014.
- IAS 39 – Financial instruments: recognition and measurement (amendment), applicable from July 2014. Novation of derivatives and continuation of hedge accounting (amendment), applicable from 2014.
- IFRIC 21 – Levies, applicable from 2014.

In addition, the IASB published two collections of improvements and amendments to IFRS/IAS (December 2013).
The above changes are unlikely to have a material impact on the Group's financial statements, except for the introduction of IFRS 9 - Financial instruments. IFRS 9 may have an impact on the valuation and classification of financial assets.

Standards, Amendments and Interpretations applicable as from 2013

The Group has adopted IFRS 10 – Consolidated financial statements, IFRS 11 – Joint arrangements, IFRS 12 – Disclosures of interests in other entities and IFRS 13 – Fair value measurement. The amendment to IAS 36 (subsequent to adoption of IFRS 13) and the amendment IAS 19R were adopted early. These new standards or amendments had no material impact on the Group's financial statements.

Principles of consolidation

The closing date for individual financial statements every year is 31 December.

Subsidiaries

The Group's consolidated financial statements comprise the operations of Romande Energie Holding SA and those of directly and indirectly owned subsidiaries regarding which the Group is exposed to or has a claim on returns from its equity interest and is able to influence such returns by its power over the company. In general, this power is determined by the Group controlling more than 50% of voting rights. The main subsidiaries are listed in Note 35. They are consolidated from the date on which control is transferred to the Group, but are excluded from the scope of consolidation as soon as such control ceases.
All intercompany balances, transactions and profits are eliminated on consolidation.
Non-controlling interests in shareholders' equity and net profit are shown separately.

Associates and joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.
Associates and jointly controlled entities over which the Group exerts a significant influence and of which it has joint control (normally between 20% and 50% of voting rights) are accounted for using the equity method. These holdings are carried on the balance sheet as investments in associates and are initially recognised at cost and adjusted thereafter for the Group's share of retained earnings or losses after the acquisition date and any impairment charges. If the Group does not exert a significant influence over a company despite holding more than 20% of its shares, the company is treated as a long-term financial asset.
Any impairment is recognised directly through profit and loss. Losses incurred by an associate that exceed the Group's stake in that company are not recognised.
When a change in an associate's net assets is booked directly to its equity, the Group's portion of the change is recognised under comprehensive income and shown separately.
Balances and material transactions with investees and jointly controlled entities accounted for using the equity method are shown separately as items relating to associates.
Unrealised gains arising from transactions between Group companies and associates are eliminated in proportion to the Group's stake in the associate. Unrealised losses are eliminated in the same way, unless the transaction involves a transfer of assets requiring an allowance for impairment.
Financial statements of associates are adjusted in order to ensure consistency with the Group's chosen accounting policies.

Changes in scope

The scope of consolidation pertaining to Romande Energie Group underwent the following changes in 2013:
- On 16 January 2013, the Group sold its 34% interest in Eneftech Innovation SA to a private business partner.
- On 23 January 2013, Romande Energie France SAS was founded. It is wholly owned by the Group. The purpose of this company is to buy, sell and manage equity interests in energy businesses, as well as acquire and manage power-generation assets on French soil. Share capital was EUR 0.5m at the outset but was raised to EUR 3.1m at the end of 2013 through equity financing to fund the acquisition of Centrale Hydroélectrique de Meyronnes SAS.
- On 6 June 2013, Brent Energia SA was founded. It is 65% owned by the Group; the rest is owned by a private business partner. The purpose of this company is to modernise and operate the Brent power plant, which harnesses water from the eponymous stream. It has a share capital of CHF 0.4m.
- On 3 July 2013, the Group fully acquired the company Centrale Hydroélectrique de Meyronnes SAS. The purpose of this company is to build and operate the Meyronnes hydro-power plant, situated in the Alpes-de-Haute-Provence department of France. The company has a share capital of CHF 0.15m. The acquisition was transacted based on a market price of EUR 6.2m. As the company is comprised solely of a hydro-power installation, the capital assets could be revalued to EUR 4.5m on the basis of the company's value at the acquisition date, using a capitalisation rate of 6.0%. Given the price paid, a goodwill amount of EUR 1.8m was recognised in the Group's financial statements.
- On 3 September 2013, the company VO RE-Nouvelable SA was founded, owned on a 50/50 basis alongside VO Energies Holding SA. The purpose of this company is to develop photovoltaic projects in the catchment area of the VO Energies group. The company has a share capital of CHF 0.2m.

- On 12 December 2013, DransEnergie SA was founded. It is 31% owned by the Group. The purpose of this company is to provide a full range of technical and administrative services in the water and energy industries. It has a share capital of CHF 2m.
- On 9 December 2013, the Group increased its interest in EOS Holding SA to 29.71% by means of a dividend in kind consisting of 31,761 shares representing the sum of CHF 21.5m. As at 31 December, the Group held 96,244,300 shares in this company.

Foreign currency translation

Transactions in foreign currencies are translated into the functional currency at the exchange rate in effect at the time of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the year-end exchange rate. Differences in exchange rates resulting from these operations are booked to the income statement.

The Group uses options and futures contracts to hedge against exchange rate risks.

The financial statements of foreign entities whose functional currency is not the Swiss franc are translated into Swiss francs using the following procedure:

- The balance sheets of foreign companies are converted at the exchange rate prevailing at the end of the reporting period.
- The income and cash-flow statements of these companies are converted at the average exchange rate for the reporting period.
- Any exchange differences resulting from the conversion of foreign companies' financial statements are taken to equity under "Translation differences".

	2013	2012
Exchange rates used at year-end		
1 euro	1.225	1.209
Average monthly exchange rates used for the consolidated income and cash flow statements		
1 euro	1.231	1.207

Accounting and valuation principles

Net revenues and revenue recognition

Net revenues include all income from the sale of electricity, goods and services less VAT, rebates, discounts, other agreed deductions as well as provisions for doubtful accounts and bad debt expense. Revenues are recognised when electricity is supplied, goods are delivered and services are rendered. Customers' meters are read periodically.

Many customers have their electricity consumption readings taken once a year; this applies to roughly half of all kWh supplied by the Group.

Revenues include the estimated volume of energy consumed, but not yet billed, between the date of the last meter reading and the end of the accounting period.

Investment dividends are accounted for when the right to distribution has been clearly ascertained.

Equipment charges collected from customers when they are connected to the grid are recognised as income when the connection is installed.

Personnel expenses and pension plan

The Group's liabilities arising from a defined benefits plan and the cost of services rendered during the financial year are measured using the projected unit credit method. Actuarial gains and losses arising from the pension plan are recognised in full by an entry to the comprehensive income statement in the period in which they are incurred. They are also recognised in retained earnings and are not reclassified to the income statement in subsequent years.

Costs relating to the provision of pension benefits are booked to the income statement in the period in which they are incurred. Net interest is calculated by applying the discount rate to the net pension asset (liability). Pension-related costs are divided into three categories:

- Service costs after employee contributions
- Interest
- Administrative expenses

Gains and losses arising from revised hypotheses are booked to the comprehensive income statement.

Impairment of property, plant and equipment and intangible assets

At each financial year-end, an impairment review is carried out in order to identify any factors indicating a loss in asset value. A loss in value is immediately recognised if the book value of an asset is higher than its estimated recoverable value. Goodwill is tested for impairment at least once a year.

The recoverable amount is defined as the higher of an asset's net selling price and its value in use.

Value in use is the discounted present value of estimated future cash flows expected to be derived from this asset or the smallest identifiable group of assets to which it belongs, and whose continuing use generates cash inflows which are independent of those arising from other assets or groups of assets. Consequently, the Group must assess the overall economic conditions expected

during the useful life of its assets. These estimates may diverge considerably from the actual values.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and in postal accounts, as well as money-market deposits and investments with an initial term of 90 days or less.

Trade accounts receivable

Trade accounts receivable are recorded at nominal value less an adjustment for doubtful accounts. A provision for doubtful accounts is made when there are objective signs that the Group will not be able to recover its receivable. A debtor's financial difficulties, default or overdue payment are considered as reliable indicators for booking a valuation allowance on the receivable. The Group issues a lump-sum provision for accounts which are more than 180 days overdue. This provision is based on historical loss and represents 75% of receivables overdue by more than 180 days. Losses on this position are booked to the provision account. Losses on accounts receivable are recognised on the basis of receiving orders and bankruptcy adjudications or any other document which can establish the debtor's default.

Financial instruments (incl. borrowings) and derivatives

Financial instruments are recognised as assets or liabilities on the balance sheet as soon as the Group enters into contracts involving these instruments.

Investment securities consist of marketable equities and bonds, and money-market investments with an initial term of more than 90 days. They are carried on the income statement at fair value.

Derivative financial instruments are carried at fair value; resultant profits and losses are booked to the income statement.

Forward contracts for energy purchases including physical delivery are excluded from the scope of IAS 39. These contracts are concluded within the framework of the Group's normal operations. This is the case as soon as the following conditions are met:

- Energy is physically delivered
- The contracts are not sales of options within the meaning of the standard

Conversely, forward energy-purchase contracts entered into for the purpose of energy portfolio optimisation, or which are used for optimisation at a later date, are treated as financial instruments and measured at fair value. Measurement differences are carried to the income statement at the time of recognition.

As from 1 January 2012, the Group has been using hedge accounting. Forward purchase contracts on currencies are designated as cash flow hedges and serve to protect future transactions deemed as highly likely.

Valuations of hedging instruments are documented at the inception of the hedging arrangement and continuously thereafter. The Group determines whether a hedging arrangement has properly offset fluctuations in the hedged item or not. The portion of the profit or loss realised on a hedging instrument deemed effective is taken directly to shareholders' equity. The ineffective part is booked to the income statement for the period.

Borrowings

Borrowings are initially accounted for at fair value, adjusted for directly chargeable transaction costs. Subsequently, they are valued at amortised cost using the effective interest rate method.

Borrowings or tranches of borrowings carrying an irrevocable right to defer repayment for longer than 12 months are classified under non-current liabilities; all others are booked to current liabilities.

No borrowing costs were capitalised either in 2013 or 2012.

Long-term financial assets

Investments in companies in which the Group holds less than 20% of voting rights or over which it does not exert a significant influence or have joint control, are taken to the balance sheet at cost and subsequently carried at fair value. Changes in fair value are recorded in the comprehensive income statement and reclassified to the income statement when the asset is sold or subject to impairment.

Loans issued are carried at amortised cost less any impairment due to non-recoverable amounts.

Own shares

In the case of purchases of own shares, the total amount paid and the costs directly related to the transaction (net of income tax) are deducted from the Group's equity until the cancellation or later sale of the securities. If own shares are sold, the proceeds from the sale, net of transaction costs (but including the tax effect of income tax), are allocated to the Group's equity.

Property, plant and equipment

Land, buildings, investment property, machinery and equipment are recorded at cost less accumulated depreciation. Leasehold improvements are depreciated over their estimated useful life or the remaining term of the lease, whichever is shorter. Repairs and maintenance of rented buildings are charged directly to the income statement, while major renovations and refurbishments are capitalised as property, plant and equipment and depreciated over their estimated useful economic life.

Depreciation is calculated using the straight-line method based on the shorter of the remaining term of the concessions and the estimated useful life of the asset, as follows:

	Useful life in years
Group premises	20-40
Investment property	20-40
Power plants	25-80
Electricity distribution grids	15-40
Machinery, equipment, installations and tools	6-15
Vehicles	3-8
IT hardware	3-8

Land is only depreciated in the event of a loss in value, or if it is handed back in connection with the expiry of a concession contract.
Equipment under development is treated as a fixed asset and written down in the month it is brought into service.
If the Group has to dismantle power plants or other fixed assets and recondition the property owned by third parties on which the assets are located, the estimated cost of such work is added to the initial cost at the acquisition date and written down over the useful economic life of the assets.

Investment property

Assets held with a view to obtaining a return or enhancing the value of the capital is considered as investment property.
Investment property is carried at cost after deduction of accumulated depreciation. It is written off over a period of 20 to 40 years using the straight-line method.

Goodwill and other intangible assets

The excess cost over the fair value of acquired business assets is entered on the balance sheet as goodwill. Goodwill is deemed to have an unlimited life and undergoes an impairment review every year, or more frequently if events or changes in circumstances indicate a possible loss in value. The review is based on an assessment of future economic benefits.
Other intangible assets are valued at cost and amortised using the straight-line method over their estimated useful life as follows:
- Concessions: duration of the concession
- Customers: until the electricity market is completely deregulated
- Software: 5 years

An impairment review is carried out where there are indications that the recoverable amount may be less than the carrying amount.

Provisions

Provisions consist of liabilities whose outcome, expiry or amount are uncertain. They are recorded when the Group is under a legal or implicit obligation arising from a past event, when it is probable that an outflow of funds will be necessary to discharge the obligation and when the amount of the obligation can be reliably estimated. The provision amount is estimated by Management at the balance sheet date on the basis of the best possible estimate of the expenditure required to settle the obligation.
If an outflow of funds is not likely or the amount cannot be reliably estimated, the obligation is not shown on the balance sheet but under contingent liabilities. If the impact is significant, the cash flows expected in order to discharge the obligation are discounted. The provision is discounted at the current market rate, which is increased if necessary by a rate reflecting the risks inherent in the liability.

Taxes (incl. deferred taxes)

Current taxes are determined on the basis of taxable income for the year and are charged to the income statement.
Income taxes are recorded in the same period as the revenues and expenses to which they relate.
Deferred taxes are calculated using the asset and liability method, i.e. based on the timing differences between the value of assets and liabilities recognised by the tax authorities and their book value recorded in the consolidated financial statements.
The amount of the provision for deferred taxes is determined on the basis of known tax rates at the balance sheet date which are likely to be applied when the timing differences are eliminated.
Loss carry-forwards deductible from future taxable income and other deferred tax assets are only recorded as assets if it appears probable that they will be realised later.

Earnings per share

Earnings per share are calculated by dividing net income by the weighted average number of parent company (Romande Energie Holding) shares outstanding. This indicator is shown before and after all potentially dilutive effects.

Dividends

Dividends are recorded in the consolidated financial statements once they have been approved by shareholders at the Annual General Meeting.

Related parties

Related parties are considered to be Vaud Canton, the Romande Energie Pension Fund, members of the Board of Directors and the companies with which they are affiliated, members of the Group Executive Board, and associated companies. Related parties are supplied with energy on terms comparable to those for customers who meet the same criteria. Vaud Canton collects fees for the use of hydro-power.

Discontinued operations and non-current assets available for sale

Non-current assets or asset groups available for sale are valued at the lower of carrying value or fair value less sale-related expenses. Non-current assets are classified as available for sale if their book value is recovered mainly by selling them, rather than by using them. These conditions are met if the asset is available for sale immediately and if the sale is highly likely.

Non-current assets designated as available for sale are no longer subject to depreciation or amortisation.

NOTE 3

Critical valuation factors

Estimates and working hypotheses are continuously assessed and are based on experience along with other factors, such as the likelihood that certain events will take place given the circumstances.

Occupational pensions

Pension obligations arising from defined benefit plans are calculated using actuarial assumptions that may diverge from reality and influence the Group's assets and earnings. As at 31 December 2013, liabilities arising from the pension plan totalled CHF 17.0m (2012: CHF 54.8m).

Valuation adjustment of property, plant and equipment, intangible assets and goodwill

The carrying value of property, plant and equipment, and intangible assets (including goodwill) was CHF 982.1m (2012: CHF 927.6m). An impairment review is carried out annually or whenever there are indications of a loss in value. These reviews are based on estimated future cash flows resulting from the use and probable sale of assets. However, actual cash flows may differ significantly from initial estimates.

Investments in associates

This item mainly consists of the interest in EOS Holding SA (29.7%), which in turn owns 31.4% of Alpiq. It is sensitive both to changes in the euro exchange rate and energy prices on the wholesale market. Alpiq is a company active on the international market.

Net revenues

A large proportion of energy revenues is generated by individual customers, who are invoiced annually on the basis of meter readings taken throughout the year. The revenue received between the date of the last reading and 31 December is booked based on the energy distributed and valued at an average price less the estimated grid losses. The figure thus obtained may differ from the effective values.

NOTE 4

Disposals, business combinations and other important transactions

Acquisitions in 2013

As in 2012, the Group did not make any significant acquisitions or disposals.

NOTE 5

Financial risk management

Information on risk management

The Group has appointed committees to manage specific risks such as those associated with the supply of electricity. A risk manager coordinates the work of these committees and the procedures involved in risk management, whose objective is to ensure that risks are systematically identified, assessed, controlled and monitored. The risk manager reports directly to the Group's finance executive.
Twice a year, a detailed analysis of the most significant risks is presented to the Board of Directors. This analysis comprises a description of the risks and the measures taken to mitigate them.
In 2013, the method used for identifying major risks, which has long taken a bottom-up approach, was supplemented by top-down analysis in response to work by the Board of Directors and the Executive Board in identifying and classifying perceived risks. The combination of these two approaches ensures consistency in the appreciation of risks.

Risk exposure

The Group is exposed to market risks which derive mainly from energy prices, exchange rates and interest rates, as well as credit and liquidity risks. Management monitors these risks on a regular basis.
The Group carries out derivative instrument transactions – mostly interest rate swaps and forward exchange contracts – in order to reduce the risks associated with borrowings and foreign currency transactions conducted in the course of its operations.
The Group does not enter into financial transactions if they involve risks that cannot be estimated on their expiry date. The Group therefore does not engage in transactions without holding the underlying assets and liabilities. Hedging is only used where there is a high probability that assets and existing or contingent liabilities will be realised.

Energy supply risk

The Group is exposed to market price fluctuations for all energy it does not produce itself, i.e. around 83% of total requirements. It therefore concludes long-term supply agreements on prices and volumes with selected partners. The agreement with the longest term runs until 2020. Added to the right of purchase described in Note 33, these contracts cover practically all energy requirements based on estimated 2014 consumption.
For the remainder of its supplies, the Group uses stress-testing techniques to simulate the worst-case scenario. It fixes a maximum price for supplies every year, which it hedges on the European Energy Exchange (EEX) by means of forward purchases, taking advantage of fluctuations in spot and forward prices. Given the uncertainty surrounding energy prices, the Group endeavours to hedge total estimated requirements for the next 24 months.

Higher demand for electricity on the European market has led to congestion of cross-border transmission systems. Depending on the strength of demand, interconnection capacities at national frontiers are auctioned. The amount by which these auctions can push up the cost of energy purchases is impossible to estimate and can fluctuate sharply from one year to the next. In 2013, auctions represented a cost of CHF 5m versus CHF 4m in 2012.

Exchange-rate risk

Exchange-rate risk chiefly arises from energy purchases on EEX, most of which are conducted in euros. The Group uses forward and options contracts to hedge currency risk. Until 31 December 2011, gains and losses were booked to the income statement. This method also applies to all hedging transactions performed before 1 January 2012. As from 1 January 2012, the Group has been using hedge accounting. As at 31 December 2013, a charge of less than CHF 1m (2012: CHF 1m) was recognised directly in equity. The ineffective part of hedging arrangements, charged to the income statement, was immaterial.

If a forecast transaction or firm commitment is no longer likely to be performed, sums previously booked under equity are then carried to the income statement.

Hedge accounting is no longer used if a hedging instrument lapses, is sold, is exercised or no longer fulfils conditions as a hedging arrangement. The resulting valuation differentials under equity are noted separately until the transaction connected with the hedged item is performed.

All else being equal, the impact of a +/-10% change in the exchange rate is CHF 12m for the income statement (versus CHF 15m in 2012) and CHF 3m in terms of equity.

Interest-rate risk

Exposure to interest-rate risk is essentially due to borrowings by the Group and the short- and medium-term deposits which it places with financial institutions. On a pre-tax basis, the impact on the 2013 income statement of an increase or decrease of 50 basis points was CHF 1.0m, compared with CHF 1.4m in 2012. There was no effect on equity.

Other price-related risks

The Group is exposed to price risks on securities connected with equity interests, which are held for strategic rather than for trading purposes. The Group does not have any material exposure to fluctuations in securities prices. Any such fluctuations are recognised in equity.

Credit risk

Credit risk is managed centrally for the whole Group. It concerns the possibility that counterparties may not be able to honour their commitments.

Customer-related risk is limited by the large number of customers, virtually all of whom are located in Switzerland. Receivables are monitored on a monthly basis (see Note 17). The Group does not have significant exposure to an individual counterparty. The risk associated with other financial instruments such as cash and cash equivalents, derivative financial instruments and deposits with financial institutions is managed by adhering to the Group's in-house treasury policy and regulations.

Investments are placed only with top-tier financial institutions that comply with strict selection criteria. The maximum risk on this position is equal to the carrying value of the financial instruments.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to honour its commitments as they fall due. The treasury department is responsible for cash flow and financing procedures. Liquidity and financing risks are regularly monitored by the Executive Board at Group level. The Group has sufficient cash resources to meet all commitments on their maturity dates.

The table below gives the repayment schedule for the Group's commitments (including interest).

In CHF thousands	Below 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
31 December 2013						
Financial liabilities			2'563	10'252	120'459	133'274
Trade accounts payable	17'928	4'150	174	147		22'399
Other payables	30'474	47'061	44'743	1'423		123'701
Total	**48'402**	**51'211**	**47'480**	**11'822**	**120'459**	**279'374**
Derivative financial instruments						
Forward currency purchases	5'325	4'024	36'125	63'864	37'200	146'538
31 December 2012						
Financial liabilities			2'563	10'252	123'022	135'837
Trade accounts payable	29'084	3'988	143			33'215
Other payables	32'443	35'721	35'164	1'531		104'859
Total	**61'527**	**39'709**	**37'870**	**11'783**	**123'022**	**273'911**
Derivative financial instruments						
Forward currency purchases	5'626	14'410	39'273	91'002	55'536	205'847

Information on financial assets and liabilities

Financial assets *In CHF thousands*	Note	Financial assets at fair value through income statement 2013	2012	Available for sale 2013	2012	Loans and receivables 2013	2012	Total 2013	2012
Cash and cash equivalents	14					329'864	427'856	329'864	427'856
Securities and term deposits									
- marketable bonds	16	7'174	4'390					7'174	4'390
- term deposits	16					90'000	40'000	90'000	40'000
Trade accounts receivable	17					96'712	111'722	96'712	111'722
Other current assets									
- derivative financial instruments	24	8'430						8'430	
- miscellaneous receivables	18					578	1'130	578	1'130
Other long-term financial assets									
investments	23			13'575	5'669			13'575	5'669
- loans to associates	23					13'271	5'604	13'271	5'604
- loans to third parties	23					220	443	220	443
Total		**15'604**	**4'390**	**13'575**	**5'669**	**530'645**	**586'755**	**559'824**	**596'814**

Financial liabilities		Financial liabilities at fair value through income statement 2013	2012	Other financial liabilities 2013	2012	Total 2013	2012
Trade accounts payable				22'399	33'215	22'399	33'215
Other short-term liabilities							
- derivative financial instruments	24	11'293	17'637			11'293	17'637
- current accounts with partners	24			(256)	4'323	(256)	4'323
- miscellaneous short-term liabilities				98'133	73'390	98'133	73'390
Short-term portion of borrowings	25			262	262	262	262
Long-term portion of borrowings	25			115'294	115'556	115'294	115'556
Total		**11'293**	**17'637**	**235'832**	**226'746**	**247'125**	**244'383**

Assets and liabilities not measured at fair value (loans and receivables, and other financial liabilities) can be approximately estimated to be worth their carrying value.

NOTE 6

Capital management

The principal aim of capital management is to maintain the ability to raise funds in order to ensure continuity of operations and maximise enterprise value.
The Group monitors indebtedness using the gearing ratio, which corresponds to net debt divided by equity + net debt.

In CHF thousands	**2013**	**2012**
Financial liabilities	115'556	115'818
Less cash and cash equivalents	(329'864)	(427'856)
Less securities and term deposits	(97'174)	(44'390)
Net debt	**(311'482)**	**(356'428)**
Shareholders' equity	1'958'369	1'947'441
Total shareholders' equity and net indebtedness	**1'646'887**	**1'591'013**
Gearing ratio	**-18.91%**	**-22.40%**

NOTE 7
Segment reporting

Operating segments are determined based on the business units, which are required to submit regular reports to the Management Committee.
The Group is currently organised into the following three business units:

- Marketing
- Distribution
- Energy

These units are managed as distinct entities even though they all engage in energy-related activities. As the Group operates almost exclusively in Switzerland, geographical sectors have not been taken into account.

The Marketing business unit is responsible for electricity sales, ancillary services (invoicing, call centre, etc.) as well as products and services embracing all customer categories, such as energy audits and public lighting systems. This business unit procures power from the Energy business unit. Virtually all operations in this business unit are housed within Romande Energie Commerce SA, a subsidiary in which the Group holds 66.7% of shares.

The main task of the Distribution business unit is to ensure high-quality power transmission in accordance with prevailing standards. For this purpose, it is entrusted with the maintenance and development of the electricity distribution grid. Most of the unit's activities are subject to regulation. Its revenues chiefly consist of the remuneration received for making the grid available to end-customers and resellers. This remuneration is governed by the provisions of the Electricity Supply Act. As from 1 January 2014, the Distribution business unit has been renamed as Networks.

The main tasks of the Energy business unit consist of reliable power supply to customers managed by Romande Energie Commerce SA, energy portfolio management, hydroelectric power generation, and the development and production of power using new renewable sources and gas.

Transactions between business units are carried out at a price close to market prices, except for activities where transfer prices are fixed by law.

The same accounting principles are applied in all the business units. No single customer accounts for more than 10% of the Group's revenues.

Operating assets of each business unit mainly consist of property, plant and equipment, trade accounts receivable and other receivables. Operating liabilities primarily comprise trade accounts payable and other payables.

As a result of the reorganisation of business units in 2012, activities relating to energy efficiency were temporarily placed directly under "Corporate". Expenses attributable to the corporate centre refer to costs incurred in connection with the activities of the Group's head office. Income and expenditure that cannot be allocated to a specific business unit are also booked under this heading. Assets and liabilities mostly comprise cash and cash equivalents, investments in associates, deferred tax liabilities and financial liabilities.

On 1 January 2014, Romande Energie Group set up a new business unit, Energy Services. It is responsible for marketing all of the services offered by the Group in the fields of building energy systems (heat pumps, solar thermal energy and photovoltaic energy), lighting systems (public lighting and illumination), thermal advisory services and systems (heating solutions for companies and municipalities, advisory service and energy audits). This business unit houses operations that were previously part of other business units, such as the aforementioned energy-efficiency business, alongside new services.

Segment reporting is based on IFRS.

Reporting by operating segment for 2013

In CHF thousands	Marketing	Distribution	Energy	Corporate	Eliminations	Total
Net revenues from third parties	286'166	244'478	34'390	12'780	-	577'814
Net revenues from other units	19'784	4'945	261'228	45'070	(331'027)	-
Net revenues of business units	**305'950**	**249'423**	**295'618**	**57'850**	**(331'027)**	**577'814**
Purchases of energy, goods and services	(267'108)	(78'720)	(233'427)	(4'887)	266'450	(317'692)
Gross profit	**38'842**	**170'703**	**62'191**	**52'963**	**(64'577)**	**260'122**
Personnel expenses	(11'866)	(46'030)	(7'527)	(25'896)	-	(91'319)
Other operating expenses	(15'470)	(41'968)	(23'723)	(29'640)	64'577	(46'224)
EBITDA	**11'506**	**82'705**	**30'941**	**(2'573)**	**-**	**122'579**
Depreciation and amortisation		(36'636)	(9'525)	(7'501)	-	(53'662)
EBIT	**11'506**	**46'069**	**21'416**	**(10'074)**	**-**	**68'917**
Financial income				12'304		12'304
Financial expenses				(3'402)		(3'402)
Share of profit of associates				7'075		7'075
Taxes				(16'972)		(16'972)
Net profit	**11'506**	**46'069**	**21'416**	**(11'069)**		**67'922**
Operating assets	54'650	823'811	178'342	1'315'342		2'372'145
Assets unattributable to a segment						44'464
Total assets	**54'650**	**823'811**	**178'342**	**1'315'342**		**2'416'609**
Operating liabilities	26'322	66'573	15'631	6'355		114'880
Liabilities unattributable to a segment						316'506
Total liabilities	**26'322**	**66'573**	**15'631**	**6'355**		**431'386**
Investments						
Property, plant and equipment		86'921	12'881	2'753		102'555
Intangible assets and goodwill		-	2'154	696		2'850
Total investments	**-**	**86'921**	**15'035**	**3'449**		**105'405**

Reporting by operating segment for 2012

In CHF thousands	Marketing	Distribution	Energy	Corporate	Eliminations	Total
Net revenues from third parties	284'820	238'625	22'941	33'026		579'412
Net revenues from other units	19'997	6'078	256'842	30'064	(312'981)	-
Net revenues of business units	**304'817**	**244'703**	**279'783**	**63'090**	**(312'981)**	**579'412**
Purchases of energy, goods and services	(263'356)	(68'495)	(238'298)	(10'546)	260'965	(319'730)
Gross profit	**41'461**	**176'208**	**41'485**	**52'544**	**(52'016)**	**259'682**
Personnel expenses	(11'366)	(46'394)	(6'396)	(24'876)		(89'032)
Other operating expenses	(16'409)	(42'701)	(16'260)	(25'702)	52'016	(49'056)
EBITDA	**13'686**	**87'113**	**18'829**	**1'966**	**-**	**121'594**
Depreciation and amortisation		(36'636)	(9'525)	(7'644)		(53'805)
EBIT	**13'686**	**50'477**	**9'304**	**(5'678)**		**67'789**
Financial income				13'986		13'986
Financial expenses				(3'964)		(3'964)
Share of profit of associates				(343'210)		(343'210)
Taxes				(12'812)		(12'812)
Net profit	**13'686**	**50'477**	**9'304**	**(351'678)**		**(278'211)**
Operating assets	54'153	701'843	191'153	1'373'365		2'320'514
Assets unattributable to a segment						115'531
Total assets	**54'153**	**701'843**	**191'153**	**1'373'365**		**2'436'045**
Operating liabilities	30'490	82'001	16'171	8'901		137'563
Liabilities unattributable to a segment						324'841
Total liabilities	**30'490**	**82'001**	**16'171**	**8'901**		**462'404**
Investments						
Property, plant and equipment		51'988	21'836	1'767		75'591
Intangible assets and goodwill				3'782		3'782
Total investments	**-**	**51'988**	**21'836**	**5'549**		**79'373**

NOTE 8

Net revenues

In CHF thousands	2013	2012
Energy revenues	282'620	276'477
Grid usage revenues from own distribution grid	146'161	148'164
VHV grid usage revenues and off-grid revenues	29'634	23'987
Reinvoiced dues, system services and Swissgrid	35'045	36'545
Transfers of assets and contributions from clients	13'749	16'344
Total revenues	**507'209**	**501'517**
Other income	47'958	59'208
Internally generated asset additions	20'116	20'093
Net income from disposal of fixed assets	334	2'663
Change in guarantees, losses on bad debts and provision for onerous contracts	2'197	(4'069)
Total other income	**70'605**	**77'895**
Total net revenues	**577'814**	**579'412**

NOTE 9

Purchases of energy, goods and services

In CHF thousands	2013	2012
Energy purchases	217'697	227'910
HV & VHV grid usage costs and off-grid costs	49'031	29'192
Grid dues, system services and Swissgrid	34'495	36'319
Concessions and fees	7'278	7'092
Other purchases	9'191	19'217
Total purchases of energy, goods and services	**317'692**	**319'730**

In 2013, purchases of energy comprised the change in the fair value of forward-purchasing energy contracts relating to the optimisation portfolio, reflecting a net gain of CHF 0.5m. In 2012, the amount of CHF -8.3m arising from a change in the fair value of forward energy-purchasing contracts transferred to the optimisation portfolio was included under purchases of energy.

NOTE 10

Personnel expenses

In CHF thousands	2013	2012
Compensation	68'600	69'305
Social insurance and pension costs	17'582	14'550
Other personnel expenses	5'137	5'177
Total personnel expenses	**91'319**	**89'032**
Total headcount as at 31 December (full-time equivalents)	**673**	**685**

NOTE 11

Net financial income

In CHF thousands	2013	2012
Interest income	701	827
Dividend income and income from securities	339	667
Profit on sale of securities	479	409
Exchange rate gains	195	88
Change in fair value of financial instruments	10'426	11'923
Miscellaneous financial income	164	72
Total financial income	**12'304**	**13'986**
		-
Interest on borrowings, mortgages and bank debts	(2'789)	(2'730)
Exchange rate losses	(124)	(250)
Losses on securities	(105)	(211)
Miscellaneous financial expenses	(384)	(773)
Total financial expenses	**(3'402)**	**(3'964)**
Net financial income	**8'902**	**10'022**

NOTE 12

Income taxes and deferred taxes

Income taxes

In CHF thousands	2013	2012
Income before taxes	84'894	(265'399)
Expenses for current income taxes	14'966	13'263
(Revenues)/expenses for deferred taxes	2'006	(451)
Total expenses for income taxes	**16'972**	**12'812**

Analysis of tax rate

The main differences between the weighted average tax rate and the effective tax rate are as follows:

Applicable weighted average tax rate (as %)	21.61	21.11
Effects of equity method of consolidation (as %)	(1.80)	(24.88)
Exceptional items taxed at lower rates (as %)	0.15	(1.97)
Effects due to previous years and other factors (as %)	0.03	0.91
Effective tax rate	**19.99**	**(4.83)**

Change in the average weighted tax rate stemmed from differing rates between companies.

No deferred taxes were recognised for tax-deductible losses, which totalled CHF 28m (2012 = CHF 28m). These losses can be carried over annually until 2018. However, the probability of using them is regarded as low.

Deferred taxes

In CHF thousands	Property, plant and equipment	Pension obligations	Investments in associates	Other assets, provisions and accrued and prepaid items	Total
Deferred tax assets at 1 January 2013	**-**	**12'796**	**-**	**-**	**12'796**
Deferred tax liabilities at 1 January 2013	**(123'145)**	**-**	**(12'464)**	**(10'228)**	**(145'837)**
Net deferred taxes at 1 January 2013	**(123'145)**	**12'796**	**(12'464)**	**(10'228)**	**(133'041)**
Booked to the income statement	(2'122)	687	204	(775)	**(2'006)**
Booked to comprehensive income statement	-	(9'518)	(89)	(204)	**(9'811)**
Net deferred taxes at 31 December 2013	**(125'267)**	**3'965**	**(12'349)**	**(11'207)**	**(144'858)**
Deferred tax assets at 31 December 2013		**3'965**			**3'965**
Deferred tax liabilities at 31 December 2013	**(125'267)**		**(12'349)**	**(11'207)**	**(148'823)**
Deferred tax assets at 1 January 2012	**-**	**14'812**	**-**	**-**	**14'812**
Deferred tax liabilities at 1 January 2012	**(124'642)**	**-**	**(12'711)**	**(9'408)**	**(146'761)**
Net balance of deferred taxes at 1 January 2012	**(124'642)**	**14'812**	**(12'711)**	**(9'408)**	**(131'949)**
Booked to the income statement	1'497	(422)	236	(860)	**451**
Booked to comprehensive income statement	-	(1'594)	11	40	**(1'543)**
Net deferred taxes at 31 December 2012	**(123'145)**	**12'796**	**(12'464)**	**(10'228)**	**(133'041)**
Deferred tax assets at 31 December 2012		**12'796**			**12'796**
Deferred tax liabilities at 31 December 2012	**(123'145)**		**(12'464)**	**(10'228)**	**(145'837)**

NOTE 13
Earnings per share

In CHF thousands	2013	2012
Weighted average number of shares outstanding	1'028'964	1'097'640
Earnings attributable to shareholders of Romande Energie Holding SA (in CHF 000)	64'302	(282'581)
Earnings per share (in CHF)	**62**	**(257)**

No factors led to a dilution of earnings.

NOTE 14
Cash and cash equivalents

In CHF thousands	2013	2012
Liquid assets in bank current accounts and cash in hand	319'864	427'856
Short-term deposits	10'000	-
Total cash and cash equivalents	**329'864**	**427'856**

Liquid assets in bank current accounts are remunerated at variable interest rates. Short-term deposits are placed for periods of between one day and three months in accordance with the Group's immediate cash-flow needs.
The fair value of cash and cash equivalents was equal to their book value, both at 31 December 2013 and 31 December 2012.

NOTE 15
Change in net current assets and other cash flows arising from operating activities

In CHF thousands	2013	2012
Change in trade accounts receivable	15'010	(7'161)
Change in trade accounts payable	(10'816)	(17'052)
Change in other current assets, other current liabilities and other items relating to operating activities	23'463	14'202
Total change in net current assets and other cash flows arising from operating activities	**27'657**	**(10'011)**

NOTE 16

Securities and term deposits

In CHF thousands	2013	2012
Marketable bonds	7'174	4'390
Term deposits with a maturity of more than 90 days	90'000	40'000
Total investment securities and term deposits	**97'174**	**44'390**

The following table provides an analysis of financial instruments accounted for at their fair value, classified by level according to the degree of subjectivity regarding the criteria used to determine that fair value:
- Level 1: Fair value corresponds to the prices quoted on an active market.
- Level 2: Fair value is determined in accordance with indications other than the quoted prices mentioned in level 1. These indications are mainly obtained from data observable on the market or by other means.
- Level 3: Fair value corresponds to a technical valuation comprising factors that are not based on observable market data.

	Level 1		Level 2		Level 3		Total	
In CHF thousands	2013	2012	2013	2012	2013	2012	2013	2012
Financial assets								
Marketable bonds	7'174	4'390					7'174	4'390
Derivative financial instruments (Note 18)	8'430	-					8'430	-
Total financial assets	**15'604**	**4'390**					**15'604**	**4'390**
Financial liabilities								
Derivative financial instruments (Note 24)	11'293	17'125					11'293	17'125
Total financial liabilities	**11'293**	**17'125**					**11'293**	**17'125**

NOTE 17

Trade accounts receivable

In CHF thousands	2013	2012
Trade accounts receivable	109'421	120'023
Downpayments/non-invoiced energy deliveries and grid usage	(10'210)	(5'586)
Total trade accounts receivable, gross	**99'211**	**114'437**
Provision for doubtful accounts	(2'499)	(2'715)
Total trade accounts receivable, net	**96'712**	**111'722**

As at 31 December 2013, an impairment charge was booked for receivables in the amount of CHF 2.907m (2012: CHF 3.289m) The sum of the provision relating to this line item was CHF 2.499m as at 31 December 2013 (2012: CHF 2.715m). The impairment charge for individual items concerned clients whose financial circumstances make it most unlikely that the Group will ever recover the amounts due.

Receivables covered by individual provisions	1'279	993
Receivables covered by generic provisions	1'628	2'296
Total provisions for receivables	**2'907**	**3'289**

Movement of provision for doubtful accounts

Balance as at 1 January	**(2'715)**	**(3'076)**
Allocation	(480)	(720)
Use	696	1'081
Balance as at 31 December	**(2'499)**	**(2'715)**

Credit risk

The following table shows the degree of credit risk related to trade accounts receivable:

Receivables that are neither due nor provisioned	92'948	108'120
Receivables that are due but for which no impairment charge was booked		
- Between 30 and 60 days overdue	1'781	1'366
- Between 60 and 90 days overdue	623	726
- Between 90 and 120 days overdue	456	369
- Between 120 and 180 days overdue	496	567
Total	**3'356**	**3'028**
Receivables for which provisions were issued	2'907	3'289
Total receivables	**99'211**	**114'437**

NOTE 18
Other current assets

In CHF thousands	Note	2013	2012
Prepaid expenses and accrued income		8'103	5'048
Miscellaneous receivables and miscellaneous current assets		578	1'130
Current accounts with partners		256	-
Derivative financial instruments	24	8'430	-
Taxes payable in advance, withholding taxes and other recoverable taxes		1'079	197
Total other current assets		**18'446**	**6'375**

NOTE 19
Property, plant and equipment

In CHF thousands	Land and buildings	Power generation plants	Power distribution installations	Other capital assets	Construction work in progress	Total
2013						
Acquisition cost						
Balance as at 1 January	**116'321**	**367'046**	**1'311'187**	**60'533**	**88'470**	**1'943'557**
Acquisitions - transfers	21	6'528	47'892	2'621	78'246	135'308
Change in consolidation scope		8'405				8'405
Divestitures - transfers	(9)	(2'702)	(7'804)	(2'322)	(32'864)	(45'701)
Balance as at 31 December	**116'333**	**379'277**	**1'351'275**	**60'832**	**133'852**	**2'041'569**
Accumulated depreciation						
Balance as at 1 January	**62'453**	**213'425**	**713'671**	**52'169**		**1'041'718**
Charge for the year	3'234	9'804	34'851	2'129		50'018
Change in consolidation scope		2'856				2'856
Divestitures - transfers		(303)	(5'386)	(1'816)		(7'505)
Balance as at 31 December	**65'687**	**225'782**	**743'136**	**52'482**		**1'087'087**
Net carrying value as at 31 Dec.	**50'646**	**153'495**	**608'139**	**8'350**	**133'852**	**954'482**
2012						
Acquisition cost						
Balance as at 1 January	**116'480**	**360'866**	**1'267'324**	**69'234**	**71'682**	**1'885'586**
Acquisitions - transfers	861	7'289	48'406	2'254	47'740	106'550
Divestitures - transfers	(1'020)	(1'109)	(4'543)	(10'955)	(30'952)	(48'579)
Balance as at 31 December	**116'321**	**367'046**	**1'311'187**	**60'533**	**88'470**	**1'943'557**
Accumulated depreciation						
Balance as at 1 January	**59'145**	**203'543**	**685'340**	**52'453**		**1'000'481**
Charge for the year	3'308	9'882	34'362	2'466		50'018
Divestitures - transfers			(6'031)	(2'750)		(8'781)
Balance as at 31 December	**62'453**	**213'425**	**713'671**	**52'169**		**1'041'718**
Net carrying value as at 31 Dec.	**53'868**	**153'621**	**597'516**	**8'364**	**88'470**	**901'839**

NOTE 20

Investment property

In CHF thousands	2013	2012
Acquisition cost		
Balance as at 1 January	**3'982**	**2'613**
Acquisitions - transfers	111	1'369
Balance as at 31 December	**4'093**	**3'982**
Accumulated depreciation		
Balance as at 1 January	**1'359**	**1'231**
Charge for the year	150	128
Balance as at 31 December	**1'509**	**1'359**
Net carrying value as at 31 December	**2'584**	**2'623**

Investment property is valued using the amortised cost method.

The Group estimates the fair value (level 3) of investment property at CHF 3.1m (unchanged relative to 2012). This estimate is based on market prices for similar property, not on an appraisal by a property specialist. Rental income amounted to CHF 0.3m (identical to 2012) and the direct operating expenses involved were CHF 0.2m (identical to 2012). There were no significant unrealisable commitments relating to property investments.

NOTE 21

Intangible assets

In CHF thousands	Goodwill	Other intangible assets	Total
2013			
Acquisition costs			
Balance as at 1 January	**17'746**	**21'747**	**39'493**
Acquisitions - transfers	2'154	696	2'850
Divestitures			-
Balance as at 31 December	**19'900**	**22'443**	**42'343**
Accumulated amortisation			
Balance as at 1 January	**4'460**	**9'317**	**13'777**
Charge for the year		3'494	3'494
Divestitures		(4)	(4)
Balance as at 31 December	**4'460**	**12'807**	**17'267**
Net carrying value as at 31 December	**15'440**	**9'636**	**25'076**
2012			
Acquisition costs			
Balance as at 1 January	**19'046**	**18'480**	**37'526**
Acquisitions - transfers	(1'300)	5'082	3'782
Divestitures	-	(1'815)	(1'815)
Balance as at 31 December	**17'746**	**21'747**	**39'493**
Accumulated amortisation			
Balance as at 1 January	**4'460**	**6'028**	**10'488**
Charge for the year		3'659	3'659
Divestitures		(370)	(370)
Balance as at 31 December	**4'460**	**9'317**	**13'777**
Net carrying value as at 31 December	**13'286**	**12'430**	**25'716**

Goodwill on the balance sheet as at 1 January 2013, amounting to CHF 13.3m, was allocated to the Distribution business unit. The impairment review carried out on this unit, using a capitalisation rate of 4.7%, substantiated this amount.

Acquisition on 3 July 2013 of Centrale Hydroélectrique de Meyronnes SAS by Romande Energie France SAS was conducted on the basis of a market price of EUR 6.2m. As the company is comprised solely of a hydro-power installation, the capital assets could be revalued to EUR 4.5m on the basis of the company's value at the acquisition date, using a capitalisation rate of 6.0%. Given the price paid, a goodwill amount of EUR 1.8m was recognised in the Group's financial statements.
The impairment review carried out on this company as at 31 December 2013, using a capitalisation rate of 6.0%, substantiated this amount.

The financial forecasts used in impairment reviews to determine recoverable values are based on factors inherent to the electricity market, some of which are stable and knowable. Forecasts are based on the medium/long-term business plan, with which the Board of Directors is familiar.

NOTE 22

Investments in associates

The Group has significant interests in the following associates, which are accounted for using the equity method:

	Carrying value		Impact on income statement	
In CHF thousands	**2013**	**2012**	**2013**	**2012**
EOS Holding SA	778'910	807'992	1'635	(348'415)
FMHL SA	29'229	29'814	-	520
FMA SA	11'376	10'140	1'295	1'027
SITEL SA	16'589	16'712	2'877	2'880
SEFA SA	15'369	15'016	719	147
Other	9'765	8'803	550	631
Total	**861'238**	**888'477**	**7'075**	**(343'210)**

A summary of Group holdings in associates is shown below.

	EOS Holding SA		Other associates	
In CHF thousands				
Condensed income statement of associates	**2013**	**2012**	**2013**	**2012**
Aggregate net revenues	49'149	45'427	194'053	180'965
Aggregate net profit	5'503	(1'212'945)	16'668	15'544
Share of profit or loss from associates	**1'635**	**(348'415)**	**5'440**	**5'205**
Condensed balance sheets of associates				
Current assets	355'583	841'602	114'886	126'463
Non-current assets	2'539'256	2'319'927	530'072	432'265
Current liabilities	33'283	(44'528)	69'382	(56'324)
Non-current liabilities	239'406	(304'122)	342'729	(276'584)
Aggregate net assets	2'622'150	2'812'879	232'847	225'820
Share of profit or loss from associates	**778'910**	**807'992**	**82'328**	**80'485**

Financial statements of associates that are prepared in accordance with different accounting standards from those used by the Group were adjusted for purposes of comparison.

In 2012, Alpiq was hit by a downturn in the energy market and booked valuation allowances in the amount of CHF 1.6bn to its 2012 income statement. EOS Holding, which has a stake of 31.38% in Alpiq (unchanged from 2012), charged its share of this impairment, i.e. CHF 507m, to its own 2012 income statement. EOS Holding wrote down the value of its interest in Alpiq by a further CHF 893m, reducing the carrying value of EOS Holding's interest in Alpiq to CHF 6bn.

Owing to its investment in EOS Holding (which was 28.72% as at 31 December 2012), the Group's share of this charge came to CHF 402m, recognised under share of profit of associates. Earnings from the ordinary business of Alpiq and EOS Holding reduced this impact to CHF 348m.

As at 31 December 2013, the equity interest in EOS Holding SA was 29.71%. The ordinary dividend received was CHF 49m to which a dividend in kind of CHF 22m (freely awarded EOSH shares) should be added.

NOTE 23

Other long-term financial assets

In CHF thousands	2013	2012
Miscellaneous financial investments - available-for-sale securities	13'575	5'669
Loans to associates	13'271	5'604
Loans to third parties	220	443
Total other long-term financial assets	**27'066**	**11'716**

Loans to associates
This position comprises accounts receivable totalling CHF 8.9m from Spontis, arising from the subcontracting of logistics operations, in particular the physical transfer of inventory (2012: CHF 0.8m).
These loans also comprise a receivable of CHF 3.2m relative to Forces Motrices de Sembrancher SA, bearing interest at 3%, as well as various other loans, for a total of CHF 1.2m, contracted in 2012. Loans are measured using the amortised cost method.

Miscellaneous financial investments
Miscellaneous financial investments are measured at fair value. In the case of unlisted companies for which we do not have a recent valuation, fair value is determined on the basis of EBITDA, applying a multiplier reflecting the standards used in the relevant business sector.

	Level 1		Level 2		Level 3		Total	
In CHF thousands	2013	2012	2013	2012	2013	2012	2013	2012
Available-for-sales securities								
VO Energies Holding SA					4'434	3'298	4'434	3'298
Holdigaz SA					6'770	-	6'770	-
HYDRO Exploitation SA					2'371	2'371	2'371	2'371
Total available-for-sales securities					**13'575**	**17'125**	**13'575**	**17'125**

Changes in the value of VO Energies Holding SA securities, based on an EBITDA multiple of 6x, were accounted for under other comprehensive income for 2013. Shares in Holdigaz SA feature on the balance sheet at the price agreed on at the date of the transaction, on 22 July 2013, with the establishment of the cross-shareholding.

NOTE 24

Other short-term liabilities

In CHF thousands	2013	2012
Accrued expenses and deferred income	75'172	49'325
Salaries and other social insurance costs due	11'732	12'317
Derivative financial instruments	11'293	17'637
Tax liability other than for income tax	5'013	4'714
Advances received	968	3'248
Current accounts with partners	-	4'323
Discounts payable to municipalities	9'806	9'705
Guarantees deposited	1'423	1'531
Miscellaneous short-term liabilities	8'294	2'059
Total other short-term liabilities	**123'701**	**104'859**

Derivative financial instruments reflect the valuation of forward exchange contracts as well as measurements of forward energy-purchasing contracts designated for optimisation purposes.

Derivative financial instruments

	Amount of contracts		Positive fair value		Negative fair value	
In CHF thousands	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Forward currency contracts	112'084	205'847	1'634			8'792
FX forward contracts (hedge acc.)	34'454	33'049	2'614			512
Forward power-purchasing agreements (portfolio optimisation)	47'182	24'369	4'182		11'293	8'333
Total derivative financial instruments	**193'720**	**263'265**	**8'430**	**-**	**11'293**	**17'637**

In 2013, the measurement of forward currency contracts resulted in recognition of a financial gain of CHF 10.4m (2012: CHF 11.9m).

As from 2012, the Group has been buying and selling power using forward agreements as a means of optimising its portfolio. As these transactions are not connected to deliveries to end-customers, they are measured at fair value. Any change in fair value is booked in the year of occurrence. The contract values stated at 31 December 2012 concerned only forward energy purchases.

In 2012, hedge accounting was introduced for euro-denominated transactions required for purchasing energy assigned for own use by Group customers. As at 31 December 2013, the total value of hedging instruments was CHF 34.5m (2012: CHF 33.0m). As in 2012, fair-value adjustments taken to equity were less than CHF 1m.

NOTE 25
Borrowings

In CHF thousands	**2013**	**2012**
Debts to banks and other financial institutions	113'000	113'000
Other long-term financial commitments	2'556	2'818
Total borrowings	**115'556**	**115'818**
Short-term portion of borrowings	(262)	(262)
Total long-term borrowings	**115'294**	**115'556**
The Group's exposure to risks of changes in interest rates and renewals of borrowings at the balance sheet date was as follows:		
Below 6 months	262	262
Between 6 months and 1 year	-	-
Between 1 year and 5 years	1'050	1'048
Over 5 years	114'244	114'508
Total borrowings	**115'556**	**115'818**
Credit lines		
Amount used	91	63
Amount available	67'109	67'137
Total credit lines	**67'200**	**67'200**

Borrowings have fixed due dates with no early repayment clauses. Financial liabilities with banks are contracted at market terms. The average interest rate paid on borrowings was 2.27%, identical to 2012.

NOTE 26

Pension liabilities

Basis and organisation of occupational pension provision

The workforce of Romande Energie SA is affiliated to the Romande Energie staff pension fund (hereinafter, "the pension fund"). The pension fund is a provident institution that is legally independent and which works to apply the mandatory pension regime introduced by the Swiss Federal Act on Retirement, Dependent and Disability Benefits of 25 June 1982 (hereinafter "BVG/LPP"). The employers affiliated to the pension fund are:

- Romande Energie SA
- Romande Energie Commerce SA
- Effitec SA
- Enerbois SA

Pension plans

The pension fund runs a separate pension scheme for each employer. Under the terms of the BVG/LPP, all the pension plans are defined-contribution type plans, with funding based on predetermined contributions from working insured members and employers in accordance with the insured income. Each company has a specific basic plan for covering fixed compensation. Additionally, three companies have a plan that covers variable compensation. The pension fund itself manages coverage for risks relating to old age, death and disability. Liabilities are measured using the so-called static method. As at 31 December 2013, the coverage ratio, which is fund assets relative to liabilities within the meaning of the BVG/LPP, stood at 109%. If a plan became underfunded, several remedial measures are provided by the BVG/LPP, such as modifying the conversion ratio or increasing contributions. Some features of Swiss pension plans lead to their categorisation as defined-benefit plans within the meaning of IAS 19. An IFRS-compliant actuarial report is drawn up every year.

Management of investments

The Board of Trustees, which is the highest instance of the pension fund, has responsibility over investing. It is comprised of five employee representatives and five members from the employer side. The assets of the pension fund serve solely to cover current and future liabilities. The investment policy aims to optimise the management of capital so that the stated provident goals of the pension fund can be attained. Actuarial data and requirements must be consistently represented in the investment policy objectives, which are liquidity, safety and income.

The Board of Trustees defines the strategic allocation of the pension fund's assets together with the authorised fluctuation margins that are consistent with the objectives of pension provision. Lastly, it ensures that the investment principles laid down by legislation and its own investment guidelines are respected.

In CHF thousands	**2013**	**2012**
Amount recognised on the balance sheet		
Present value of pension liabilities	(459'443)	(478'291)
Market value of plan assets	442'455	423'465
Amount recognised on balance sheet	**(16'988)**	**(54'826)**
Analysis of costs relating to financial year		
Service cost, after employee contributions	8'483	3'415
Net interest on the net liability (asset) in connection with defined benefits	940	1'314
Administrative expenses	527	515
Total charge to income statement	**9'950**	**5'244**
Change in the present value of defined benefit obligation		
Balance as at 1 January	**478'291**	**458'117**
Service cost, after employee contributions	8'483	7'361
Interest cost on pension obligations	8'866	10'066
Employee contributions	3'908	3'900
Net benefits paid	(22'765)	(20'070)
(Gain)/loss due to experience	2'655	(4'352)
(Gain)/loss due to changes in demographic assumptions	-	16'029
(Gain)/loss due to changes in financial assumptions	(19'995)	11'186
Adjustments to past service costs	-	(3'946)
Balance as at 31 December	**459'443**	**478'291**
The weighted average for the duration of pension plan liabilities is 14.2 years.		
Change in the fair value of plan assets		
Balance as at 1 January	**423'465**	**394'655**
Employer contributions	7'008	7'049
Employee contributions	3'908	3'900
Net benefits paid	(22'765)	(20'070)
Administrative expenses	(527)	(515)
Interest income	7'926	8'752
Return on plan assets, excluding amounts included in interest income	23'440	29'694
Balance as at 31 December	**442'455**	**423'465**

In thousands of CHF	2013	2012
Analysis of amounts recognised in other comprehensive income		
Loss due to changes in demographic assumptions	-	16'029
(Gain)/loss due to changes in financial assumptions	(19'995)	11'186
(Gain)/loss due to experience	2'655	(4'352)
Return on plan assets excluding amounts included in interest income	(23'440)	(29'694)
Total remeasurements recognised in other comprehensive income	**(40'780)**	**(6'831)**
Reconciliation of net defined-benefit liability		
Net liability recognised, as at 1 January	**(54'826)**	**(63'462)**
Charge recognised in income statement	(9'950)	(5'244)
Remeasurements recognised in income statement	40'780	6'831
Employer contributions	7'008	7'049
Net liability recognised, as at 31 December	**(16'988)**	**(54'826)**
%	**2013**	**2012**
Actuarial assumptions used for calculating profit and loss for 2013 and 2012 are as follows:		
Discount rate	2.25	1.90
Salary rate increase (including inflation)	2.25	2.25
Return on plan assets	2.25	1.90
Interest rate credited to account balance	2.25	2.00
Inflation	1.25	1.25
Rate of pension increases	0.00	0.00
Mortality table	LPP 2010 GEN	LPP 2010 GEN
Breakdown of plan assets by asset category		
Cash and other	4.30	5.60
Bonds	37.10	36.80
Equities	36.20	35.10
Commodities	2.80	3.20
Swiss property	19.60	19.30
Total	**100.00**	**100.00**

Estimated expenses for 2014

In thousands of CHF	**2014**

Components of profit and loss for 2014

Net service cost, after employee contributions	7'500
Net interest on pension obligations	263
Administrative expenses	539
Total charge to income statement	**8'302**

Calculation of net service cost

Normal cost	11'243
Interest on normal cost	253
Expected employee contributions	(3'996)
Net current service cost, after employee contributions	**7'500**

Employer contributions forecast for 2014 amount to CHF 7m

Sensitivity analysis to changes in principle actuarial assumptions

Impact on pension obligations (%)	**Change in assumption**	**Increase in assumption**	**Decrease in assumption**
Discount rate	0.50	-6.40	7.20
Salary rate increase (including inflation)	0.50	0.60	-0.60
Interest rate credited to account balance	0.50	1.20	-1.10

NOTE 27

Provisions

In CHF thousands	OIBT	Onerous contracts	Total
2013			
Balance as at 1 January	**3'612**	**4'237**	**7'849**
Allocations	-	1'436	1'436
Discounting effect	142	173	315
Use	(1'407)	(4'274)	(5'681)
Balance as at 31 December	**2'347**	**1'572**	**3'919**
Short-term portion of provisions	(983)	(997)	(1'980)
Total long-term provisions	**1'364**	**575**	**1'939**

2012			
Balance as at 1 January	**6'632**	**3'091**	**9'723**
Allocations	-	2'428	2'428
Discounting effect	373	50	423
Use	(3'393)	(1'332)	(4'725)
Balance as at 31 December	**3'612**	**4'237**	**7'849**
Short-term portion of provisions	(1'102)	(3'960)	(5'062)
Total long-term provisions	**2'510**	**277**	**2'787**

OIBT Provision

The Group has issued a provision to cover the costs incurred by the Ordinance on Low Voltage Installations (OIBT), which came into effect in 2002. The OIBT stipulates that inspections which should have been carried out prior to its introduction must now be made and paid for by the grid operators concerned. The transitional regulations set deadlines for these inspections and require operators to bear the cost of any inspections performed after these deadlines have expired. This provision is reviewed every year on the basis of inspection work that still has to be done. The provision is expected to be fully utilised by 2015.

Provision for onerous contracts

As in 2012, the Group entered into several contracts with customers requesting eligibility to buy power under unregulated arrangements. As the Group has already covered the quantities of energy required to perform these contracts, some of them have automatically become loss-making. This provision has been calculated on the basis of the cash flows expected for the duration of each contract. The discount rate used for this type of operation is 7.9%. The Group expects to extinguish this provision by 2016, as the contracts are basically concluded for a period of three years.

NOTE 28
Share capital

As at 31 December 2013, the issued share capital consisted of 1,140,000 fully paid registered shares with a nominal value of CHF 25 each. The amount available for dividend distribution is based on the amount shown under "Retained earnings" in the financial statements of the parent company, Romande Energie Holding SA. It is calculated in accordance with the provisions of the Swiss Code of Obligations. Consolidated equity includes legal reserves of CHF 140.4m (2012: CHF 60.7m), which are not available for distribution.

There is an agreement between the Vaud Canton, various Vaud municipalities and Banque Cantonale Vaudoise laying down reciprocal pre-emptive rights in the event of the sale of shares held by any of these parties. Signatories of this agreement owned 53.52% of the share capital as at 31 December 2013.

The Annual General Meeting of Shareholders on 25 May 2012 decided to renew the maximum authorised capital of 405,000 bearer shares with a nominal value of CHF 25 each, with authorisation valid for two years. As at 31 December 2013, none of the shares making up the authorised capital had been issued.

As %	**2013**	**2012**
Vaud Canton	38.60	38.60
Vaud municipalities	14.05	14.10
Own shares	9.95	3.70
Groupe E SA, Fribourg	5.80	5.80
BKW Energy SA, Bern	5.00	5.00
Banque Cantonale Vaudoise, Lausanne	3.41	3.41
Holdigaz SA, Vevey	2.52	-
Alpiq Holding SA, Lausanne	-	10.50
Free float	20.67	18.90

NOTE 29
Other reserves

In CHF thousands	**Valuation adjustement at EOS Holding**	**Revaluation differences**	**Total**
2013			
Balance as at 1 January	**(21'881)**	**8'625**	**(13'256)**
Translation differences and other changes	11'318	1'047	12'365
Fair-value adjustment of financial instruments	2'188	2'410	4'598
Balance as at 31 December	**(8'375)**	**12'082**	**3'707**
2012			
Balance as at 1 January	**(18'199)**	**9'015**	**(9'184)**
Translation differences and other changes	(992)	(678)	(1'670)
Fair-value adjustment of financial instruments	(2'690)	288	(2'402)
Balance as at 31 December	**(21'881)**	**8'625**	**(13'256)**

NOTE 30
Shares outstanding

	2013	2012
Total number of shares	1'140'000	1'140'000
Own shares held by the Group	(113'437)	(42'360)
Shares outstanding	**1'026'563**	**1'097'640**

NOTE 31
Related parties

In CHF thousands		Sales to related parties	Purchases from related parties	Amounts due from related parties	Amounts due to related parties
Related parties					
Entities with significant influence on the Group	**2013**	5'705	9'549	1'924	59
	2012	5'327	9'155	931	8
Associates	**2013**	6'012	36'496	1'075	2'188
	2012	13'408	25'639	8'633	4'393
Key management personnel	**2013**	48'189	265'205	2'059	6'410
	2012	33'176	202'581	5'055	15'216

Taxes paid in Vaud Canton are not included in the data on related parties

Shareholders who own 20% or more of the share capital of Romande Energie Holding SA, the parent company, are considered as entities with significant influence.

Transactions with related parties are conducted at market rates.

The amount due to the staff pension fund as at 31 December 2013 was CHF 0.4m (CHF 0.3m in 2012).

NOTE 32
Remuneration of the Executive Board and the Board of Directors

In CHF thousands	2013	2012
Basic salaries paid to Executive Board members during the year	1'470	1'413
Variable salaries paid to Executive Board	943	888
Allowances for entertainment expenses	101	93
Social insurance costs (state pension, unemployment, occupational pension, etc.)	506	454
Total remuneration, expenses and social insurance costs - Executive Board	**3'020**	**2'848**
Compensation paid to Board of Directors	679	700
Social insurance costs (state pension, unemployment, etc.)	41	44
Total remuneration, expenses and social insurance costs - Board of Directors	**720**	**744**

The Executive Board had six members, as in 2012.
The Board of Directors comprised 11 members: Laurent Balsiger succeeded Daniel Schmutz, who had reached the legal age limit at the time of the 2013 Annual General Meeting.

NOTE 33

Other future liabilities, contingent liabilities and contingent assets

In the course of its operations, Romande Energie has entered into various long-term commitments covering the supply and sale of energy.

Right of purchase

Under the agreements concluded with EOS and taken over by Alpiq, the Group may purchase electricity from Alpiq between 1 October 2007 and 31 December 2030 on the following terms: pre-defined maximum quantities 20% less than its annual consumption, at a price equivalent to the average production cost at Alpiq using the plants which previously belonged to EOS. The cumulative difference over the years between the average selling price at Alpiq and the average production cost for the quantities taken up may not exceed a mutually agreed ceiling. This possibility of obtaining energy supplies is considered as a right of purchase which will only vest when it is exercised and will only be extinguished by the physical delivery of electricity. It is therefore a future right to the purchase of energy, the exercise of which will depend on market conditions at the time when it is exercised. This right is accounted for in the Group's consolidated financial statements if and when it is exercised. It represented an amount of CHF 7m for the 2013 financial year (2012: CHF 4m). This amount is deducted from the cost of energy purchases. In view of price trends on the electricity market, the Group expects to curb the use of this right in the coming years.

Guarantees

The Group has issued a guarantee of EUR 19.7m (the same amount as in 2012) in favour of a supplier of power-generation equipment, in order to cover payments agreed between its subsidiary Romande Energie Renouvelable SA and the supplier. Further guarantees for a sum of less than CHF 0.1m have been issued.

NOTE 34

Post-balance sheet events

The consolidated financial statements of Romande Energie Group for 2013 were approved by the Board of Directors on 28 March 2014. A dividend of CHF 30 per share will be submitted for approval by shareholders at the Annual General Meeting. If this recommendation is adopted, the total dividend payment will amount to some CHF 30.8m, taking into account shares held by the Group in treasury.

NOTE 35

Subsidiaries and associates

	Main business	Currency	Share capital '000	Shareholding as %* 2013	2012
Subsidiaries					
Romande Energie SA, Morges	E	CHF	36'150	100.0	100.0
Bas-Valais Energie SA, Vouvry	E	CHF	19'898	72.0	72.0
Romande Energie Commerce SA, Morges	E	CHF	15'294	66.7	66.7
Société des Forces Motrices du Grand-St-Bernard SA, Bourg-St-Pierre	E	CHF	10'000	75.0	75.0
Eoliennes de Provence SA, Provence	E	CHF	6'000	60.0	60.0
Romande Energie Renouvelable SA, Morges	E	CHF	2'500	100.0	100.0
Enerbois SA, Rueyres	E	CHF	2'000	97.7	97.7
Tecfor SA, Troistorrents	N	CHF	560	100.0	100.0
Brent Energia SA, Brent 1)	E	CHF	400	65.0	-
Effitec SA, Morges	I	CHF	200	100.0	100.0
HC SA, Fribourg	N	CHF	100	100.0	100.0
Romande Energie France SAS, Paris 2)	D	EUR	3'100	100.0	-
Centrale Hydroélectrique de Meyronnes SAS, Meyronnes 3)	E	EUR	150	100.0	-
Associates					
EOS Holding SA, Lausanne 4)	D	CHF	324'000	29.7	28.7
Forces motrices Hongrin-Léman S.A. (FMHL), Château-d'Oex	E	CHF	30'000	41.1	41.1
Sitel SA, Morges	N	CHF	20'850	33.3	33.3
Forces Motrices de l'Avançon SA, Bex	E	CHF	7'095	28.0	28.0
Forces Motrices de Sembrancher (FMS) SA, Sembrancher	E	CHF	6'000	20.6	20.6
Société Electrique des Forces de l'Aubonne SA, Aubonne	E	CHF	5'000	36.6	36.6
DransEnergie SA, Orsières 5)	N	CHF	2'000	31.0	-
neo technologies SA, Lausanne	N	CHF	2'000	48.9	48.9
Energie Solaire SA, Sierre	N	CHF	1'600	34.0	34.0
Cisel Informatique SA, Matran 6)	N	CHF	1'200	36.0	40.0
Agrogaz Lignerolle SA, Lignerolle	E	CHF	800	40.0	40.0
VO RE-Nouvelable SA, Orbe 7)	E	CHF	200	50.0	-
Gazobois SA, Cossonay-Ville 8)	E	CHF	120	50.0	33.3
Spontis SA, Granges-Paccot	N	CHF	100	30.0	30.0
St-Gingolph Energia SA, St-Gingolph	E	CHF	100	25.0	25.0
Eneftech Innovation SA, Ecublens 9)	E	CHF	275	-	34.0

* The percentage of voting rights is systematically identical to the equity interest with the exception of Forces Motrices de l'Avançon SA, for which the equity interest is 29.29% whereas the share of voting rights is 27.98%.

Main business

E) Production, distribution and sale of energy
D) Holding company
I) Installation inspections
N) Other

Changes in scope

1) Romande Energie Renouvelable SA, in conjunction with a private business partner, on 6 June 2013 founded Brent Energia SA, which is 65% owned by the Group. The purpose of this company is primarily to modernise and operate the Brent power plant, which harnesses water from the eponymous small river. It has a share capital of CHF 0.4m.

2) On 23 January 2013, Romande Energie France SAS was founded. It is wholly owned by the Group. The purpose of this company is primarily to buy, sell and manage equity interests in energy businesses along with the acquisition and management of power-generation assets on French soil. Share capital was EUR 0.5m at the outset but was raised to EUR 3.1m at the end of 2013 through equity financing to fund the acquisition of Centrale Hydroélectrique de Meyronnes SAS.

3) On 3 July 2013, Romande Energie France SAS acquired all the equity of Centrale Hydroélectrique de Meyronnes SAS. The purpose of this company is to build and operate the Meyronnes hydro-power plant, situated in the Alpes-de-Haute-Provence department of France. The company has a share capital of CHF 0.15m.

4) On 9 December 2013, a dividend in kind in the form of 31,761 shares was received by the Group from EOS Holding SA. These shares represent a sum of CHF 21.5m. As a result, the Group held 96,244,300 shares in EOS Holding SA as at 31 December 2013, representing an equity interest of 29.71%.

5) Forces Motrices du Grand-St-Bernard SA, in association with Forces Motrices de Sembrancher (FMS) SA and the municipalities of Orsières, Liddes and Bourg-St-Pierre, on 12 December 2013 founded DransEnergie SA, which is 31% owned by the Group. The purpose of this company is to provide a full range of technical and administrative services in the water and energy industries. It has a share capital of CHF 0.4m.

6) On 11 June 2013, 48 shares in Cisel Informatique SA were sold for a sum of CHF 0.3m. As a result, the Group held 43,200 shares in Cisel Informatique SA as at 31 December 2013, representing an equity interest of 36%.

7) On 3 September 2013, Romande Energie Renouvelable SA, in conjunction with VO Energies Holding SA, founded VO RE-Nouvelable SA, which is 50% owned by the Group. The purpose of this company is to develop photovoltaic projects in the catchment area of the VO Energies group. The company has a share capital of CHF 0.2m.

8) In connection with the sale of BKW Group's interest in Gazobois SA, the other two shareholders (Holdigaz SA and Romande Energie Group) on 13 September 2013 each acquired 2,000 shares for the sum of CHF 15,800. As a result, the Group held 6,000 shares in Gazobois SA as at 31 December 2013, representing an equity interest of 50%.

9) On 16 January 2013, Romande Energie Renouvelable SA sold its 34% interest in Eneftech innovation SA to a private business partner.

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To the General Meeting of

Romande Energie Holding SA, Morges

Lausanne, 28 March 2014

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Romande Energie Holding SA, which comprise the balance sheet, income statement, cash flow statement, statement of changes in equity and notes (pages 6 to 46), for the year ended 31 December 2013.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance 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 auditor's judgment, 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 auditor considers the internal control system 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 system.

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, 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 for the year ended 31 December 2013 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS and comply with Swiss law.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Over-sight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Serge Clément
Licensed audit expert
(Auditor in charge)

Karine Badertscher Chamoso
Licensed audit expert

ROMANDE ENERGIE HOLDING SA FINANCIAL STATEMENTS

Income statement

as at 31 December 2013

In CHF thousands	**2013**	**2012**
Income		
Rents and miscellaneous income	2'615	2'615
Financial income	122'153	161'697
Total income	**124'768**	**164'312**
Operating expenses		
Other operating expenses	(458)	(496)
General administration costs	(2'021)	(1'608)
Depreciation, amortisation and provisions	(746)	(746)
Losses on receivables and provisions for doubtful accounts	-	(7'000)
Financial expenses	(2'347)	(2'816)
Profit before taxes	**119'196**	**151'646**
Income taxes	(1'836)	(1'200)
Net profit for the year	**117'360**	**150'446**

Balance sheet

as at 31 December 2013

In CHF thousands	31/12/13	31/12/12
ASSETS		
Current assets		
Cash and cash equivalents	314'934	420'004
Securities, term deposits and derivative financial instruments	196'250	50'542
Receivables from affiliates and related parties	162'282	157'022
Other current assets	1'450	2'173
Total current assets	**674'916**	**629'741**
Non-current assets		
Property, plant and equipment	12'102	12'849
Long-term financial assets	196'104	185'959
Loans to affiliates	85'471	64'104
Total non-current assets	**293'677**	**262'912**
Total assets	**968'593**	**892'653**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Payables to affiliates	17'394	25'393
Other short-term liabilities	2'684	10'065
Current taxes payable	2'344	667
Total current liabilities	**22'422**	**36'125**
Non-current liabilities		
Long-term borrowings	100'000	100'000
Long-term provisions	14'800	14'800
Total non-current liabilities	**114'800**	**114'800**
Total liabilities	**137'222**	**150'925**
Share capital and reserves		
Share capital	28'500	28'500
General reserve	5'859	5'859
Reserve for own shares	99'076	19'849
Total share capital and reserves	**133'435**	**54'208**
Retained earnings		
Income brought forward	580'576	537'074
Net income for the year	117'360	150'446
Retained earnings	**697'936**	**687'520**
Total shareholders' equity	**831'371**	**741'728**
Total liabilities and shareholders' equity	**968'593**	**892'653**

Notes to the parent company financial statements

NOTE 1
Major shareholdings

	Main business	Currency	Share capital '000	Shareholding as % 2013	2012
Romande Energie SA, Morges	1)	CHF	36'150	100	100
Bas-Valais Energie SA, Vouvry	1)	CHF	19'898	72	72
Romande Energie Commerce SA, Morges	1)	CHF	15'294	64	64
Romande Energie Renouvelable SA, Morges	1)	CHF	2'500	100	100
Romande Energie France SAS, Paris	2)	EUR	3'100	100	-
Sitel SA, Morges	2)	CHF	20'850	33	33
Forces Motrices de Sembrancher (FMS) SA, Sembrancher	1)	CHF	6'000	21	21
Société Electrique des Forces de l'Aubonne SA, Aubonne	1)	CHF	5'000	37	37
DransEnergie SA, Orsières	1)	CHF	2'000	31	-
neo technologies SA, Lausanne	2)	CHF	2'000	49	49
Energie Solaire SA, Sierre	1)	CHF	1'600	34	34
Cisel Informatique SA, Matran	2)	CHF	1'200	36	40

Main business

1) Production, distribution and marketing of energy
2) Other

NOTE 2
Borrowings

In CHF thousands	Rate	Period	Maturity	2013	2012
AVS	2.120%	2010-2020	07.07.2020	50'000	50'000
AVS	2.120%	2010-2020	07.07.2020	50'000	50'000
Total borrowings				**100'000**	**100'000**

NOTE 3

Own shares

In CHF thousands	2013 Number of shares	2013 CHF 000	2012 Number of shares	2012 CHF 000
Held by Romande Energie Holding SA				
Balance at beginning of year	**12'765**	**6'153**	**12'765**	**6'153**
Acquisition	119'994	130'761	-	-
Sale	(48'917)	(51'534)	-	-
Transfer	29'595	13'696	-	-
Balance as at 31 December	**113'437**	**99'076**	**12'765**	**6'153**
Held by Romande Energie SA				
Balance at beginning of year	**29'595**	**13'696**	**29'409**	**13'696**
Transfer	(29'595)	(13'696)	186	-
Balance as at 31 December	**-**	**-**	**29'595**	**13'696**
Total own shares	**113'437**	**99'076**	**42'360**	**19'849**

NOTE 4

Authorised capital

The authorised capital is CHF 10.125m through the issuance of a maximum of 405,000 registered shares with a nominal value of CHF 25 each, with authorisation valid until 25 May 2014.

NOTE 5

Significant shareholders

As %	2013	2012
Vaud Canton	38.6	38.6
Vaud municipalities	14.0	14.1
Groupe E SA, Fribourg	5.8	5.8
BKW Energy SA, Bern	5.0	5.0
Banque Cantonale Vaudoise, Lausanne	3.4	3.4
Holdigaz SA, Vevey	2.5	-
Alpiq Holding SA, Lausanne	-	10.5

NOTE 6

Fire insurance value

In CHF thousands	2013	2012
Fire insurance value of buildings	**33'160**	**32'333**

NOTE 7

Miscellaneous liabilities

The company is part of a VAT group and is therefore jointly and severally liable to the Swiss Federal Tax Administration for VAT debts incurred by the other members.
The company has issued a guarantee of EUR 19.7m in favour of a supplier of power-generation equipment, in order to cover payments agreed between its subsidiary Romande Energie Renouvelable SA and the supplier. In addition, the company has issued other guarantees for a total of CHF 0.1m.

NOTE 8

Compensation paid to members of the Board of Directors

In CHF		Compen-sation	Social insurance costs	Total received in 2013	Compen-sation	Social insurance costs	Total received in 2012
Mustaki Guy	Chairman	98'800	8'220	107'020	115'000	9'454	124'454
Martz Wolfgang	Vice-Chairman	80'100	6'664	86'764	81'300	6'683	87'983
Ballif Laurent	Member	46'200	-	46'200	46'200	-	46'200
Balsiger Laurent	Member	29'316	-	29'316			
Budry Christian	Member	55'800	4'643	60'443	57'000	4'686	61'686
Ghillani Paola	Member	49'800	4'143	53'943	51'000	4'192	55'192
Grobéty Bernard	Member	61'300	5'100	66'400	59'400	4'883	64'283
Leonardi Giovanni	Until 25/05/12				15'684	1'290	16'974
Miauton Jean-Jacques	Member	58'200	4'842	63'042	60'600	4'981	65'581
Pidoux Jean-Yves	Member	58'700	-	58'700	59'700	-	59'700
Schmutz Daniel	Member	17'300	744	18'044	48'600	2'264	50'864
Veuthey Alphonse-Marie	Member	77'000	6'406	83'406	68'600	5'639	74'239
Wider Michael	Member	46'200	-	46'200	36'865	-	36'865
Total		**678'716**	**40'762**	**719'478**	**699'949**	**44'072**	**744'021**

This compensation includes the remuneration paid by other Group companies (>50%).
As any (energy) transactions with the directors were executed at market prices, they are not included in the above list.

NOTE 9

Compensation paid to members of the Executive Board

In CHF	Base salaries	Variable salaries	Total salaries	Allowances for entertainment expenses	Social insurance costs
2013					
Total compensation	**1'469'901**	**942'700**	**2'412'601**	**101'400**	**506'293**
Highest compensation					
Urech Pierre-Alain, CEO	378'612	320'000	698'612	18'000	143'629
2012					
Total compensation	**1'412'884**	**887'600**	**2'300'484**	**93'000**	**453'743**
Highest compensation					
Urech Pierre-Alain, CEO	378'011	307'300	685'311	18'000	129'782

Social insurance costs are chiefly comprised of state and occupational pension contributions.

NOTE 10

Risk management

The Group has appointed committees to manage specific risks such as those associated with the supply of electricity. A risk manager coordinates the work of these commit-tees and the procedures involved in risk management. The internal control system (ICS) is thoroughly documented and adapted to business risks and the Group's sphere of activities.
The ICS is fully compliant with the law. At the same time, it enables Management to monitor the most important processes within the company, which have a significant impact on financial reporting.

Recommended appropriation of retained earnings

As at 31 December 2013

In CHF thousands	**31/12/13**
Balance carried forward from previous year	656'740
Dividend retained on own shares (Art. 659a CO)	3'063
Net profit for the year	117'360
At the disposal of the AGM	**777'163**
Dividend of CHF 30 per share	34'200
Balance carried forward	742'963
Total	**777'163**

On behalf of the Board of Directors

Guy Mustaki, Chairman

Pierre Oberson, Corporate Secretary

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To the General Meeting of

Romande Energie Holding SA, Morges

Lausanne, 28 March 2014

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Romande Energie Holding SA, which comprise the balance sheet, income statement and notes (pages 49 to 54), for the year ended 31 December 2013.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the 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 system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the 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 financial statements for the year ended 31 December 2013 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Over-sight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Serge Clément
Licensed audit expert
(Auditor in charge)

Karine Badertscher Chamoso
Licensed audit expert

Calendar

27 May 2014
112th Annual General Meeting
Morges, Théâtre de Beausobre

28 May 2014
Last trading day with entitlement to receive the dividend

30 May 2014
Ex dividend date

4 June 2014
Dividend payment

2 September 2014
Publication of Interim Report

April 2015
Publication of 2014 Management Report (in French)

May 2015
113th Annual General Meeting

Contacts

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