



1<sup>er</sup> opérateur indépendant d'électricité et de gaz

PRESS RELEASE

Paris, 18 March 2010.

## 2009 full-year results

### A year of restructuring for POWEO, following delayed French market reform and implementation of first measures by new management

- **Gross operating loss of €24.1 million, after a €23.1 million charge relating to a gas supply agreement decided in December 2009**
- **Operating loss of €85.3 million and net loss - Group share of €93.5 million, due notably to adaptation measures and one-off costs announced over past months**
- **2010 outlook: despite the delay in the electricity market reform, the Group expects to cut its operating loss by two-thirds, based on a full-year contribution from its generating capacity**
- **2011-15 business plan currently in preparation, targeting positive EBIT in 2011 and net profit for 2012; it will focus on CCGT, wind and solar technologies, and operational efficiency measures**
- **Gross available cash position in excess of €110 million at 2009-end**

POWEO, the leading independent electricity and gas operator in France, presents its key consolidated figures for the full year ended 31 December 2009:

| (€ million)                                 | 2009          | 2008   | % change |
|---|---------------|--------|----------|
| Revenue excluding Energy Management         | <b>577.3</b>  | 543.5  | +6.2%    |
| <i>o/w power generation</i>                 | <b>58.0</b>   | 8.5    | +580%    |
| Energy Management                           | <b>(12.7)</b> | 33.8   | -138%    |
| Consolidated revenue                        | <b>564.7</b>  | 577.3  | -2.2%    |
| Gross margin                                | <b>41.4</b>   | 59.4   | -30%     |
| EBITDA <sup>1</sup>                         | <b>(24.1)</b> | (3.6)  | +569%    |
| EBIT <sup>2</sup> (operating profit (loss)) | <b>(85.3)</b> | (21.7) | +293%    |
| Consolidated net profit (loss)              | <b>(93.9)</b> | (25.3) | +271%    |
| Net profit (loss) – Group share             | <b>(93.5)</b> | (20.5) | +356%    |

NB: Audit procedures on consolidated accounts have been carried out. The certification report shall be released once the management report is checked and procedures required for the financial report's release are completed.

<sup>1</sup> Earnings before interest, tax, depreciation and amortisation

<sup>2</sup> Earnings before interest and tax

In 2009, POWEO had to contend with particularly unfavourable business conditions, notably the later-than-expected start of Pont-sur-Sambre power plant and the French government's delay in implementing the electricity market reform recommended by the Champsaur Commission in April 2009.

The 2009 full-year results reflect the impact of these adverse circumstances, together with the adaptation measures introduced by the Group's new management team, appointed in August 2009 following the rights issue and the strengthening of POWEO's ownership structure.

### **Heavy losses in the Supply division but increasing contribution from the Generation division**

As announced on 18 February 2010, POWEO posted revenue, excluding Energy Management, of €577.3 million in 2009, up 6.2% from 2008. The Energy Management business made a negative contribution of €12.7 million, which includes a €23.1 million charge corresponding to the net present value of the fixed premium for a gas supply agreement covering the period 2010-13 (see press release dated 17 December 2009). Taking into account the Energy Management business, revenue for the year ended 31 December 2009 came to €564.7 million, down 2.2% year-on-year. The commissioning of the Pont-sur-Sambre power plant at the end of the third quarter of 2009 boosted full-year revenue from the Group's generation facilities to €58.0 million, including €39.8 million in the fourth quarter alone.

POWEO reported a gross margin of €41.4 million in 2009, amounting to 7.3% of consolidated revenue, compared to €59.4 million and 10.3% respectively in 2008. This substantial decrease reflects the €23.1 million charge booked for the gas sourcing agreement mentioned above. Excluding this non-recurring charge, gross profit would have risen slightly to €64.5 million, or 11.0% of revenue. Operating expenses increased only slightly from €63.0 million in 2008 to €65.5 million in 2009, Pont-sur-Sambre operating costs having been compensated for by indemnities paid by the EPC contractor for the delayed commissioning. Marketing and communication expenses were reduced by nearly 60%, from €7.9 million in 2008 to €3.3 million in 2009. POWEO generated a gross operating loss of €24.1 million in 2009, which takes also into account the €23.1 million charge relating to the gas supply agreement.

As witnessed in the first half, the expansion of POWEO's customer base was accompanied by a substantial increase in the cost of risk of receivables in 2009, resulting in an overall write-off of bad and irrecoverable debts of €11.9 million. Depreciation, amortisation and provisions for the year also include an €8.3 million write-down against acquisition costs incurred on customers that were no longer in the portfolio at 31 December 2009. In terms of the breakdown by business line, the Supply division generated in 2009 a negative EBITDA and an operating loss of respectively €16.7 million and €53.5 million, while the Generation division posted a positive EBITDA and an operating profit of respectively €15.8 million and €0.4 million.

After taking into account a net financial expense of €7.7 million and a deferred tax charge of €0.9 million, and after eliminating €0.4 million in negative minority interests, the net loss - Group share amounted to €93.5 million in 2009.

### **A gross available cash position in excess of €110 million at year-end 2009**

In terms of cash flows, POWEO's operations generated a positive net cash flow of €84.5 million in 2009, mainly driven by a €55.8 million reduction in operating working capital requirement and a €50.9 million increase in cash position owing to the release of margin calls. Net investing cash flow came to €113.4 million, while the financing cash flow amounted to €125.2 million, including €70.8 million in net proceeds from the July 2009 rights issue. Overall, the gross cash position showed a net increase of €96.3 million, reaching €179.1 million at 31 December 2009 on the balance sheet, inclusive of €13.1 million of bank overdraft and €54.6 million of restricted cash (mainly bank accounts pledged for project financings).

Debt, both current and non-current, amounted to €350.4 million at 31 December 2009. This debt mostly comprises long-term project financing for generation facilities and is held by the subsidiaries dedicated to each project. After taking into account POWEO's net loss (Group share) in 2009, consolidated shareholders' equity amounted to €279.0 million, including €95.0 million of minority interests.

### More than 400,000 active sites at end-December 2009

In 2009, the number of active customer sites increased by 51% to 411,400 at 31 December 2009, and breaks down as follows:

| Number of active customer sites | 31 December 2009 | % change since 31 December 2008 | 30 June 2009 | 31 December 2008 |
|---------------------------------|------------------|---------------------------------|--------------|------------------|
| Electricity                     | 296,300          | +59%                            | 235,600      | 186,300          |
| o/w Residential                 | 193,600          | +82%                            | 151,500      | 106,200          |
| o/w Professional                | 102,700          | +28%                            | 84,100       | 80,100           |
| Gas                             | 115,100          | +34%                            | 107,400      | 85,900           |
| o/w Residential                 | 109,100          | +38%                            | 100,800      | 78,900           |
| o/w Professional                | 6,000            | -14%                            | 6,600        | 7,000            |
| Total                           | 411,400          | +51%                            | 343,000      | 272,200          |
| o/w Residential                 | 302,700          | +64%                            | 252,300      | 185,100          |
| o/w Professional                | 108,700          | +25%                            | 90,700       | 87,100           |

This increase in the number of sites in 2009 stems primarily from growth in the residential segment (+64%). The monthly churn rate for residential customers remained within the 3-4% range in the fourth quarter, back, following spikes in the summer, at the levels seen at the beginning of the year. Meanwhile, the professional segment grew by a significant 25% in 2009, thanks to contracts signed with multi-site customers.

### Construction project for second power plant hoped to start in 2nd quarter of 2010

Since commissioning the Pont-sur-Sambre plant (Nord region) at end-September 2009, POWEO now has an installed capacity of 505 MW, of which 412 MW in innovative thermal energy and 93 MW in renewable energies, via its POWEO Production subsidiary, owned jointly by POWEO SA (60%) and Verbund (40%).

At the beginning of 2010, GRTgaz, the French gas network operator, started work on the gas connection of POWEO's future CCGT (combined cycle gas turbine) power plant located in Toul. The Group plans to make a final investment decision and sign all contracts relating to this project during the second quarter of 2010, and finalise its financing in autumn. This power plant is due to be commissioned at end-2012, after a 30-month construction period.

As regards investments in renewable energies, POWEO will notably focus in 2010 on the construction of its Auxois-Sud wind farm (12 MW) and on-the-ground solar farm at Toreilles (12 MWc).

## **2010 outlook: a year of transition towards the electricity market reform, with measures of the new management team taking impact**

In line with its commitments (see press release dated 12 November 2009), POWEO's new management team has drawn up an action plan designed primarily to equip the Group to deal with the persistently adverse conditions in the French energy supply market, caused by the French government's delay in implementing the reform it announced in September 2009.

To recap, this action plan revolves around three complementary objectives:

- Refocusing on core activities, namely power generation and energy supply in France. With this aim in mind, POWEO sold off the heating business of its POWEO Services subsidiary at the end of 2009 and may make further disposals this year;
- Adapting the Group's organisation: to reduce losses from its Supply division pending the electricity market reform, POWEO has refocused its sales organisation on more qualitative customer recruitment (for example, by terminating door-to-door sales agreements with partner companies). As no visibility on the margin potential to be set by the new regulation is expected until the 2<sup>nd</sup> half of 2010, sales organisation has also been downsized while maintaining core competencies; in total the Group will have reduced its permanent headcount by 30% at end-March 2010 compared to end-November 2009;
- Investigating and implementing optimisation and synergy measures: as part of its 'OPTIM' process, which is organised around 14 workstreams encompassing all the Group's critical functions, POWEO's teams have been rolling out a series of measures since end-2009 which are expected to cut costs, boost productivity and reduce operational risks. Based on an interim review carried out at end-March, POWEO estimates that these measures will reduce its operating costs of approximately €10 million in 2010.

After factoring in the impact of this action plan, POWEO anticipates the following for the 2010 full year:

- A substantial pick-up in revenue growth, mainly driven by the full-year operation of its generation facilities. The number of active sites is set to remain stable at end-2010, whereby the Group targets a qualitative improvement in its customer mix in order to increase margins, while reducing churn and bad debts;
- An operating loss of €20-30 million, as the Supply division is set to continue generating losses, given that the actual implementation of the electricity reform is likely to be delayed until January 2011. In this respect POWEO was involved in the consultation process on the draft 'NOME' bill (*New Electricity Market Organisation*) initiated by the French government in February. The latter aims to pass this bill by 1 July 2010 and draw up the relevant implementing legislation in the autumn.

These targets take into account current electricity prices on the wholesale market. In 2010, POWEO's estimated sensitivity to these prices will be roughly €4 million for each €1 variation in the per-MWh price. Given the uncertain outlook for future prices, POWEO is implementing a hedging policy to reduce this price sensitivity, while retaining its potential to benefit from any price rebound, after two years of significant falls.

POWEO is also drawing up a new business plan spanning the period 2011-15. This plan should be split into two distinct phases: Phase 1 aims to achieve positive EBIT in 2011 and net profit in 2012, which is a vital prerequisite for Phase 2 (2013-15), when the Group expects to significantly expand its generating capacity. During Phase 1, capital expenditure on electricity generation will be confined to the construction of POWEO's power plant in Toul and a controlled expansion of its renewable energy

capacity focusing on wind and solar, with the aim of reducing the overall equity contribution required from the Group's shareholders.

Obviously, uncertainties relating to supply margin potential coming from the NOME law are influencing the preparation works of this business plan. Multiple actions were initiated by POWEO over the past months to reduce its Supply division's losses. Measures to reduce churn rates and bad debts have already led to significant improvements. Furthermore, the quality-oriented customer acquisition strategy (dual-fuel, power-intensive, professionals) should substantially increase margins per customer. Measures are also implemented to reduce the cost-to-serve (monthly payments, electronic invoice, self-care, renegotiation of outsourced services agreements...). What POWEO now expects from the French government is to have a swift implementation of the NOME law, after subsequent delays. In addition to the margin potential that could derive from this law, POWEO aims at increasing this potential through new bilateral capacity swap agreements which could be implemented thanks to its 2<sup>nd</sup> CCGT power plant.

### **Next financial release**

POWEO's revenue for the first quarter of 2010 will be released on Wednesday 12 May 2010, before trading hours.

---

### **About POWEO**

POWEO, the leading independent electricity and gas operator in France, supplies energy and energy efficiency and environmental services to over 400,000 customer sites. POWEO also develops power generation capacity within the framework of its integrated operator strategy, with the aim of using renewable energies such as wind power, solar, hydroelectricity and biofuels to produce 25% of this capacity. POWEO currently has over 500 MW in installed capacity, including 412 MW provided by its first natural gas combined cycle power generation plant in Pont-sur-Sambre (Nord region). POWEO is listed on the Alternext compartment of the Euronext Paris Stock Exchange (ALPWO / FR0004191674). For more information, please visit the company's website: [groupe.poweo.com](http://groupe.poweo.com).

### **Press Relations**

Ivan Roussin, Communications Director - [ivan.roussin@poweo.com](mailto:ivan.roussin@poweo.com) - Tel +33 (0)1 70 60 74 69  
Nicolas Atlan, Hill & Knowlton - [nicolas.atlan@hillandknowlton.com](mailto:nicolas.atlan@hillandknowlton.com) - Tel +33 (0)1 41 05 44 54

### **Investor Relations**

Patrick Massoni - [patrick.massoni@poweo.com](mailto:patrick.massoni@poweo.com) - Tel +33 (0)1 70 60 75 09