



Annual Report 2009



Creos Luxembourg S.A.

Registered as a société anonyme (public limited company) under Luxembourg law with capital of EUR 150,000,000
Registered office : Strassen (Luxembourg)
Luxembourg Trade and Companies' Register B 4513

Annual General Meeting of 11 May 2010

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

Reports and annual accounts for the 2009 financial year



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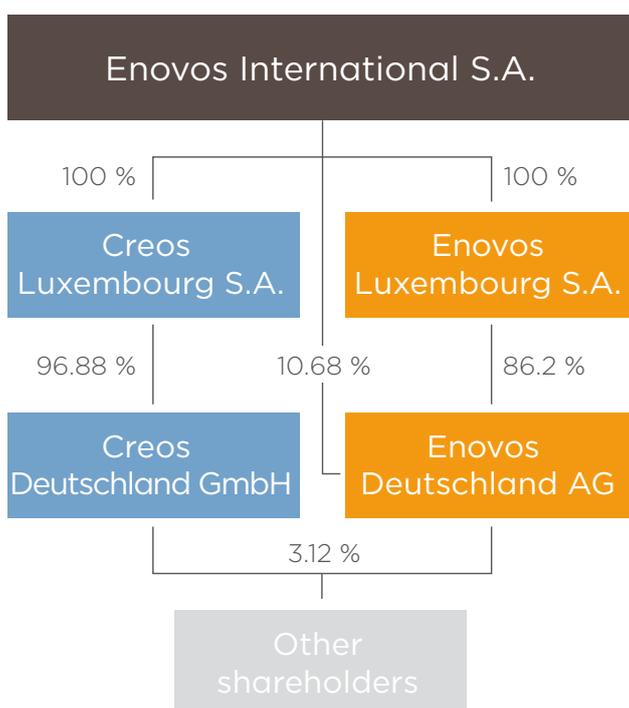
I Introduction



1 Group Structure

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

Enovos Luxembourg S.A. holds several stakes in the energy generation business, including significant shareholding interests in power generation based on renewable energies.



2 Mission and Values

The Creos mission is to transmit and distribute electricity and natural gas, both reliably and at competitive prices, through the electricity supply and distribution networks and the natural gas pipelines in the Grand Duchy of Luxembourg.

The company performs this mission in a non-discriminatory manner with respect to its public service, while also fulfilling its obligations to protect the environment.

Creos is aware that certain values are essential for accomplishing its mission. It therefore strives to foster a public image founded on the quality of the services it provides.

To that end, it calls upon the skills and efficiency of its staff for whom it endeavours to establish motivating working conditions guaranteeing their health and safety.

3 Key Figures

Key figures Creos Luxembourg S.A (under Lux GAAP)		2009
Net turnover :	€	157,117,467
EBITDA :	€	68,192,286
EBIT :	€	36,111,782
Net profit for the year :	€	47,710,524
Electricity:		
Electricity flow :	GWh	4,646.9
Electricity network peak :	MW	739.6
Total network length :	Km	7,524.5
Natural gas :		
Total gas network capacity :	Nm ³ /h	275,360
Gas network peak :	Nm ³ /h	270,996
Volume transported :	GWh	14,376.4
Network length :	Km	410.7
Average workforce (end of year) :		393

Financial year 2009 starting on 1 January 2009 and closing on 31 December 2009

4 Corporate governance bodies of the Company

As at 31 December 2009



Etienne Schneider



Romain Becker

Board of Directors of Creos Luxembourg S.A.

Etienne Schneider	Chairman and Managing Director
Nico Wietor	Vice-Chairman of the Board
Guy Arend	Member of the Board
Romain Becker	Member of the Board and CEO
Patrick Colling	Member of the Board
Fernand Felzinger	Member of the Board
Manfred Fess	Member of the Board
Stephan Kamphues	Member of the Board
Marc Leonhard	Member of the Board
Roland Michel	Member of the Board
Georges Molitor	Member of the Board
René Reiter	Member of the Board
Claude Seywert	Member of the Board
Patrick Thein	Member of the Board
François Thoumsin	Member of the Board
Tom Eischen	Government Commissioner for Energy

CEO of Creos Luxembourg S.A.

Romain Becker

5 Message by Chairman & Managing Director and CEO

For our company, the last year has naturally been shaped mainly by the merger and this has affected our organisational work in particular.

Most of our practical work has focused on technical aspects, as we must not forget that our main goal at Creos is to operate a comprehensive, high-quality electricity and gas distribution network with as few disruptions as possible, protecting our customers' interest at all times. In 2009, this remained the main focus of our technical staff, who make up

the most significant part of the Group. For these employees, work on the ground continued generally as usual.

In actual fact, the merger had the greatest effect on the management and other leading people, as the work involved naturally took up a great deal of their time. From their point of view, integration was definitely the greatest challenge.

From the first decisions in January 2009, it took until February 2010 before the definitive organisational chart was approved – a long time that occasionally caused feelings of insecurity.

Integration certainly took longer than we expected at the start, but the merging of personnel in the technical sector went very well overall. The incorporation of gas and electricity activities was not the most challenging, but there were quite a few questions to be answered.

Against this backdrop and indeed in general terms, we can nevertheless state with conviction that we were able to meet the goals that we set ourselves for the year 2009. Of course, there were a wide range of detailed questions relating to the organisational chart that still have to be discussed with personnel delegations and works council representatives. Some of these issues have not yet been defined in formal terms, as formalities always lag somewhat behind reality. This means a number of decisions have already been implemented in practice, but the corresponding formalities are still being processed at the moment.

We must also not forget that we now have an affiliate German company, Creos Deutschland, on board, implying coordination work across the border. This led to further cultural differences and language issues, which all had to be taken into consideration at every stage.

In terms of our normal business operations, the year was a fairly standard one, as all investments were carried out as planned, with a few exceptions.



Etienne Schneider, Chairman & Managing Director

Naturally, this year was also shaped particularly by the economic crisis. We felt the effects of this through the slight drop in demand for electricity and gas – the first time this has happened for decades. However, the situation has now resolved itself, as demand is already recovering again, although slowly.

When we look to the future, one of the greatest challenges will be ensuring the secure supply of energy. Given the fact that both gas and electricity consumption is likely to increase in future (particularly the latter), we must increase our network links with others, and above all with our neighbouring countries. This will probably be one of our main focuses for the next few years.

A short term focus for 2010 and 2011 will be the integration of Luxgaz. While Soteg brought in the major transport infrastructure, Luxgaz stands for the smaller distribution networks that supply gas to the end consumer. Another thirty people will need to be integrated into Creos. We then have another focus on the City of Luxembourg with, if an agreement is made, the incorporation of grid activities of the City of Luxembourg.

Overall, our development and investment programme is affected tangibly by economic development. It influences the rhythm of our investments. If demand develops strongly, expansion must be driven forward at an equally fast pace. It is expected, particularly in the power supply sector, that demand will continue to grow for energy in the coming years, not because the general demand for energy will expand over the years, but mainly because there will be a shift in the use of energy – focussing predominantly on the use of renewable energies, given that such sources offer plenty of scope for reducing CO₂ in power supplies. In global terms, the electric sector will become more significant, mainly based on ‘carbon-free’ production units. The vision is that electricity will be carbon-free by 2050 and that new sectors will open up, such as electric mobility.

For us, this means that power consumption looks set to increase in future. Even if more energy-efficient devices cause a drop in specific consumption, the addition of new sectors will still increase demand for power in the end. The extensive use of alternative energies such as wind power plants in the North Sea or power plants in Southern Europe will be accompanied by new challenges for the European interconnected transport grid.

Another challenge will be the introduction of smart meters, preparing the way for so-called ‘smart grids’ with much more communication between grid operators and customers. Tests are ongoing, and decisions in this respect, i.e. general replacement of all metres by a new generation of intelligent devices, will be taken in the next years.

In conclusion, it is fair to say that although very little has changed in the development of the power transport and distribution network over the past 50 years, there are likely to be major changes in the next few years.



Romain Becker, CEO



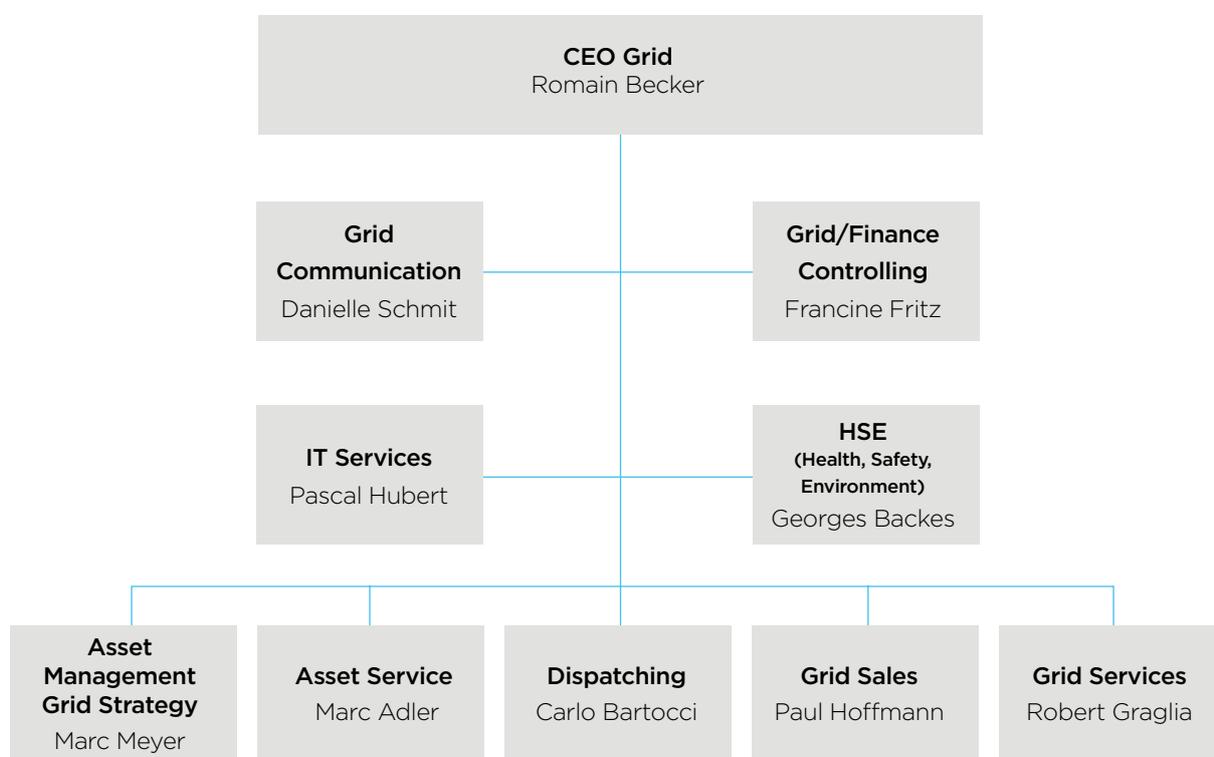


II Management Report



1 Internal Organisation

Internal Organisation as at 01.04.2010



2 Evolution of Energy Demand

Internally, the year 2009 was marked by the merger of the companies Cegeidel, Soteg and Saar Ferngas mentioned in the message introducing the present Annual Report.

Externally, it was the financial crisis in particular which had a significant impact on all the world's economies. Despite some signs of recovery, the economic context is characterised by a high degree of uncertainty and a deterioration of the public finances.

Luxembourg too was affected by the consequences of the crisis, and the growth rate to which we were accustomed will certainly not be reached again. Zero growth was recorded in 2008 and a decline of economic activity in 2009. This also had repercussions on energy demand.

There is a close correlation between the evolution of GDP and electricity demand. This was confirmed in 2008 when, for the first time in years, we noted a fall in overall demand. It is true that this results almost exclusively from a reduction of activity in the electricity sector, but in that sector it is in the order of 15 % to 20 %.

A similar trend appears in the field of natural gas, but the overall figures are influenced by the effects of climate and substitution or cessations of electricity production.



Electricity

Total electricity injected on a national basis,

- by 220 kV interconnection lines,
- with self-production recorded by clients, or
- by home production sources connected to the Cegedel networks or those of the 7 local resale distributors,

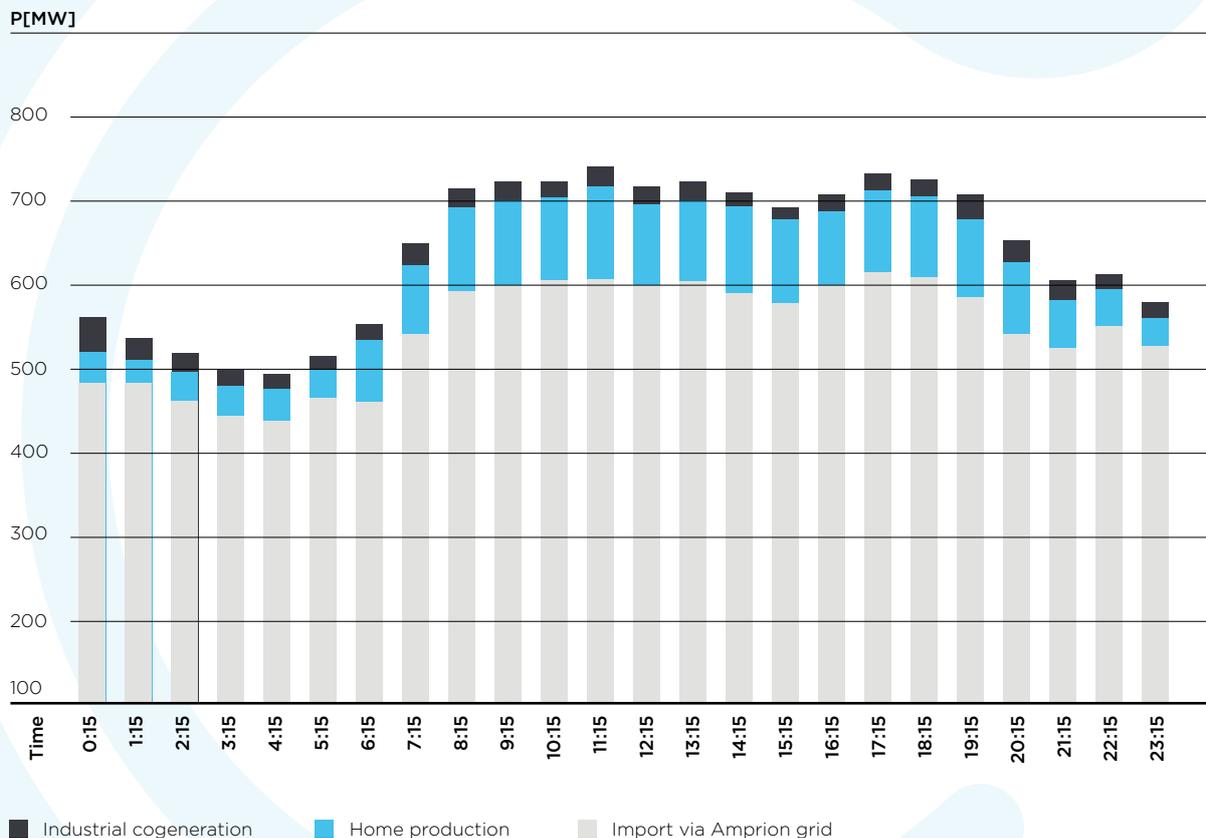
amounted in 2009 to **4,646.9 GWh** (4,773.5 GWh in 2008), representing a reduction of national consumption, excluding the SOTEL network, of **2.7 %**.

National peak

The peak calculated on a national basis was in 2009 at **739.6 MW**, against 730.7 MW in 2008. This peak was recorded on 15 December 2009 at 11:30.

The duration of utilisation for the year 2009 was **6,283 hours**. The maximum rate of use of the network was therefore **71.7 %**.

National load on 15 December 2009

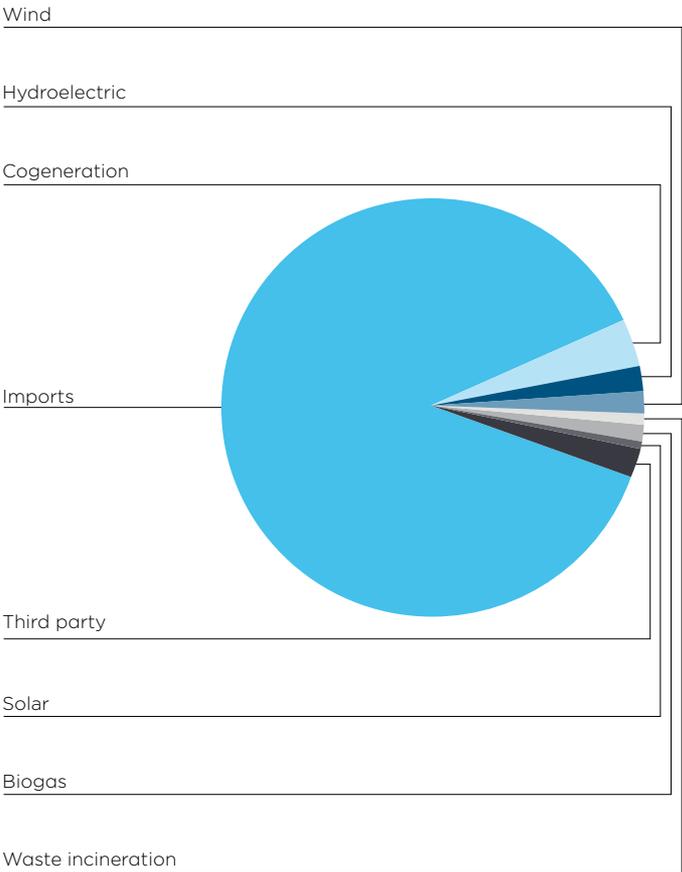


Electricity flows in the Creos Luxembourg grid (2009)

Injections into the network

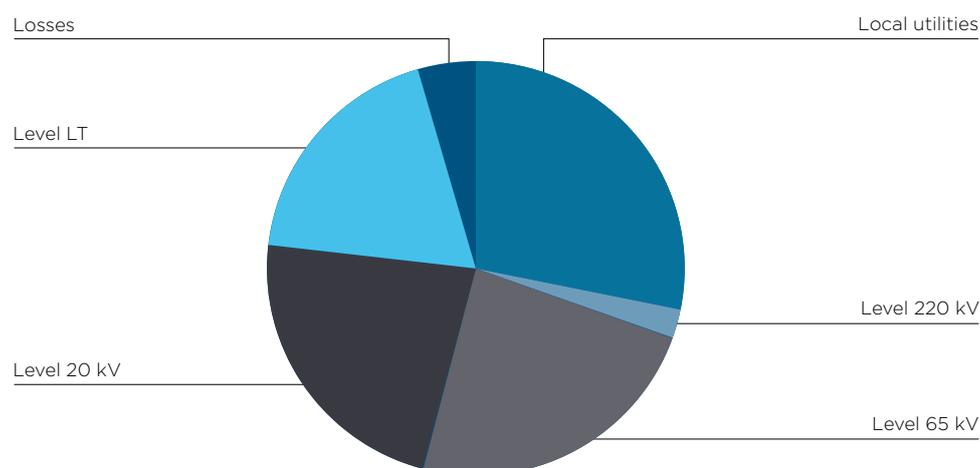
	GWh	%
Cross-border exchanges		
Imports	4,081.3	87.8
Local production		
Cogeneration	164.1	3.5
Hydroelectric	91.8	2.0
Wind	63.8	1.4
Waste incineration	36.3	0.8
Biogas	51.4	1.1
Solar	17.8	0.4
Third party network production *	140.4	3.0
Total injection	4,646.9	

(*) including the 100 MW quota provided by Twinerg via the German network



Consumption

	GWh	%
Consumption		
Creos HT network (220/65 kV)	1,261.2	27.1
Creos MT network (22 kV)	1,103.2	23.7
Creos LT network	958.4	20.6
Losses	116.0	2.5
Other local utilities	1,261.2	27.1
Total Creos network	4,646.9	



Overall electricity demand in the Creos' grids evolved as follows :

(in GWh)	2008	2009	Difference
Final customers			
Industrial sector	1,381.8	1,208.1	- 12.6 %
Commercial sector	1,079.9	1,103.2	+ 2.2 %
Residential and small business	893.3	958.4	+ 7.3 %
Local utilities	1,302.5	1,261.2	- 3.2 %
Losses	119.3	116.0	- 2.7 %
Total	4,776.8	4,646.9	- 2.7 %

The economic crisis has had an impact mainly on the demand in the industrial sector. Changes in the categories of "wholesale customers" and "residential sector" are influenced by the takeover of the commercial activities of the utilities of Echternach and Vianden by Enovos Luxembourg, the demand of those customers being accounted for as final customers.

Natural Gas

Distribution

Volumes transported:

Transport activities are subject to the imperatives of a service and routing guarantee. These activities are illustrated by the following key figures :

	2009	2008
Total capacity reserved on the transport network	275,360 Nm ³ /h	273,630 Nm ³ /h
Network peak between January and December	270,996 Nm ³ /h	251,765 Nm ³ /h
Total volume routed in the network (January and December)	14,376,441 MWh	14,118,853 MWh

Overall natural gas demand has evolved as follows :

(in GWh)	2008	2009	Difference
Final customers			
Industrial sector	4,861.9	4,137.2	- 14.9 %
Large scale electricity production	4,133.8	5,153.4	+ 24.6 %
Local utilities	5,122.9	5,085.8	- 0.7 %
Total	14,118.6	14,376.4	+ 1.8 %

Natural gas demand of industrial customers has decreased due to the economic crisis, whereas the increase in electricity production is due to planned shut downs in 2008. The demand in utilities has almost been stable.

3 Technical Activity

Electricity

Work carried out in 2009

Creos has to look after and to develop an electricity infrastructure capable of satisfying the energy demands of a constantly increasing population, as well as a state-of-the-art high technology industry which is extremely exacting when it comes to the quality of supply.

It should be pointed out that particular effort was dedicated to strengthening the high-tension infrastructure, above all in the south and south-east of the country. Infrastructures were adapted to the specific conditions of those regions.

The 220 kV network

The 3-phase 220 kV line Schiffflange - TGV - SOTEL - OxyLux

Work on the link between the TGV power station and the Sotel substation, with a view to establishing a 220 kV Schiffflange-OxyLux-Schiffflange loop, is ongoing and its completion is planned for the end of 2011.

The Schiffflange substation

At the 220 kV Schiffflange substation, work to renew low-current parts are ongoing and their completion is planned for mid-2010.

Increasing the transport capacity of 220 kV lines

Work in relation to increasing the transport capacity of the Flebour to Bauler line was completed in April 2009.

Studies are ongoing, with a view to establishing a 220 kV loop around the City of Luxembourg, into the construction of 220 kV lines from Heisdorf to Itzig/Blooren and Itzig/Blooren to Berchem.

During 2009, studies commenced with a view to installing a new 220/65 kV transformer and

distribution station at Itzig/Blooren. It is important moreover to stress that studies are ongoing with a view to reinforcing the interconnection of our network and those of neighbouring countries. Work is concentrated in particular on the analysis of flows resulting from such an interconnection and the control of the risks arising with regard to the saturation of distribution capacities.

The 65 kV network

The northern region

Work relating to the extension of the 65/20 kV substation in Roullingen by the installation of a power transformer unit is ongoing, and will continue until mid-2010.

The eastern region

Work relating to the extension and modification of the 65/20 kV substation in Potaschberg was completed in October 2009. The new 65/20 kV transformer was finally connected at the beginning of November 2009 and increases the security of the electricity feed in this region of the country.

The 65 kV and 20 kV lines over the villages of Wecker and Biver, and likewise the high tension substation at Wecker were disconnected following the connection of the 65/20 kV substation in Potaschberg. The substation will be dismantled from 2010 whilst work on dismantling the overhead lines was already commenced in 2009 and will be completed in 2010.

Studies and preparatory works continue on renewing the 65 kV line from Junglinster to Freckeisen.

The western region

Studies are ongoing into the construction of a 65 kV line between the 65/20 kV substations in Koerich and Rédange, with a view to closing the western 65 kV loop.

The south-eastern region

Work relating to the renewal of the 65 kV 3-phase line between Riedgen and Aspelt began in April 2009 and will continue until March 2010.

Work relating to the renewal of the 65 kV 1-phase line between Itzig/Blooren and Aspelt was commenced in November 2009 and will continue until the first half of 2010.

Work relating to the renewal of the 65 kV line between Aspelt and Erpeldange was completed in April 2009.

Studies are ongoing with a view to the installation of a new 65/20 kV transformer and distribution substation as part of the construction of a new 65/220 kV transformer and distribution substation at Itzig/Blooren.

The southern region

Work relating to the construction of a second 65/20 kV transformer unit at the 65/20 kV substation in Lamadelaine is ongoing, and planned to last until March 2010.

Work on the underground construction of a dual-circuit 65 kV line from Bascharge to Woiwer, from the 65/20 kV substation in Bascharge is ongoing.

Studies and preparatory works continue on the installation of a 65/20 kV transformer unit at the 65/20 kV "Galvalange" substation in Dudelange, in order to carry out that work from March 2010.

Work relating to the construction of an underground dual-circuit 65 kV line from Ehlerange to Belval/AGORA is ongoing.

Increasing the transport capacity of 65 kV lines

This work consists inter alia of raising several pylons in order to enable optimum exploitation and all

security of the line itself under load and at high exterior temperatures. This work has been ongoing since mid-June 2009 in relation to the 65 kV line from Itzig/Blooren to Erpeldange.

Replacing conductors and insulator chains on 65 kV lines

This work, enabling technical line security to be safeguarded and forming part of a programme encompassing the entire 65 kV network, continued in 2009.

Work to replace conductors and insulator chains was completed in 2009 on the following 65 kV lines:

- 220 kV line Bertrange-Bascharge, currently operated at 65 kV
- 65 kV line Roost-Colmar/Industries
- 65 kV line Dudelange/Trefiarbed-Bettembourg
- 65 kV line Heisdorf-Dommeldange
- 65 kV line Echternach-Monsanto

Studies and preparatory works began on replacing conductors and insulator chains on the 65 kV line between Potaschberg and Grevenmacher/Pietert in order to carry out that work during 2010.

The 20 kV network

The extension of the medium-tension network was continued with new loop lines and the creation of addition 20 kV outlets from 220/65/20 kV and 65/20 kV substations. These investments enable the number of clients affected by any incident to be reduced.

As part of the renewal and extension of the medium-tension network, 63 new 20.000/400 V transformer substations were constructed, including 12 replacing old substations.

These are frequently projects implemented with and on the request of communal administrations, which ask for the replacement of old substations on beams with armoured boxes in reinforced concrete or the like.

Moreover, we have noted a certain number of medium-tension incidents due to material defects or the deterioration of cables in contact with damp. That is why we proceeded to renew sections of underground cable within the villages concerned. This work falls within a specific renewal programme stretching over several years.

Creos furthermore confirms its undertaking gradually to reduce the proportion of aerial medium and low-tension lines.

All new medium-tension lines have been placed underground, the rate of medium-tension cabling amounting at present to 54.2%.

The low-tension network

Creos has reinforced and modernised its networks in many villages by placing low-tension networks underground. Globally, the network has increased by 60.4 km.

Practically all of these new lines are underground. At the end of 2009 the rate of such cabling was 92.7 %.

The collaboration between Creos and the communes is developing positively. All sites are systematically coordinated with the distributors of natural gas, the Bridges and Highways Department, the Post and Telecommunications Organisation and so on, in order to achieve a maximum reduction in the costs of burying lines and any inconvenience caused to inhabitants.

As for low tension, 3,623 new 3-phase connections were established in 2009.

Miscellaneous investments

The meter modernisation programme was continued with the aim of installing load curve meters with all high and medium-tension customers.

Tests are in progress with a view to the installation of a new generation of smart meters which can be read remotely and new client services. A systematic deployment of these new meters is planned for coming years.

Evolution of the various grids

Network evolution		01/01/2009	31/12/2009
Transformer substations of 20,000 to 400/230 V :	(number)	2,036	2,087
Low-tension lines (400/230 V) :	aerial (km)	334.9	327.4
	underground (km)	4,082.8	4,150.7
	Totals (km) :	4,417.7	4,478.1
	Underground rate :	92,4 %	92.7 %
Medium-tension lines (20 kV) :	aerial (km)	1,166.5	1,147.7
	underground (km)	1,275.8	1,358.3
	Totals (km) :	2,442.3	2,506.0
	Underground rate :	52.2 %	54.2 %
High-tension lines: 65 kV 2 circuits 1) :	aerial (km)	178.1	178.1
	underground (km)	9.5	9.5
High-tension lines: 65 kV 1 circuit :	aerial (km)	225.9	223.0
	underground (km)	2.2	2.2
High-tension lines: 220 kV 2) :	aerial (km)	122.4	122.4
	underground (km)	5.2	5.2
Total:		7,403.3	7,524.5

1) including Dudelange/Riedgen to Aspelt (1.4 km section), temporarily equipped with 1-phase

2) including Schiffflange-Bascharage-Bertrange (18.7 km) temporarily operated at 65 kV.

Underground cables

Creos has undertaken to make particular efforts to place networks underground in villages and their surroundings when renewing lines, or when carrying out new work.

As a consequence of that undertaking, the length of aerial lines has been reduced as follows in relation to the reference date of 31 December 1992.

Total length of the aerial network :	Variation compared to 31.12.1992 :
End of 1992: 2.496 km	0 km
End of 1998: 2.264 km	- 232 km
End of 2009: 1.999 km	- 497 km

Transformer and distribution substations

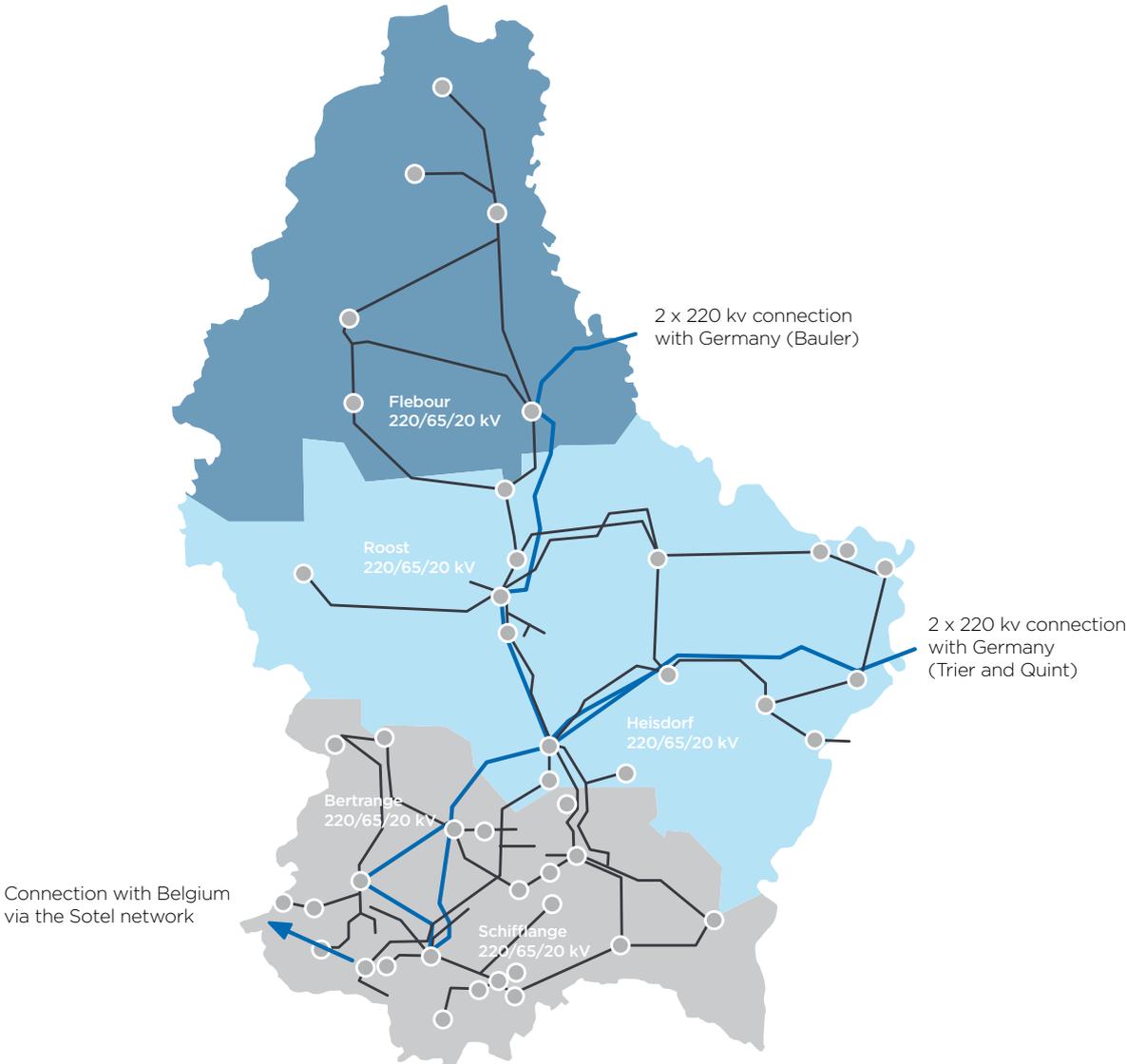
	Creos substations number	Client substations number	Total
220/65/20 kV	6	2	8
65/20 kV	33	29	62
20/0.4 kV	2,087	1,408	3,495

The number and powers of transformers installed in those substations

	Belonging to Creos		Belonging to clients		Total
	Number	Power	Number	Power	
220/65 kV	13	1,980 MVA	4	220 MVA	2,200 MVA
65/20 kV	57*	1,552 MVA	74*	1,210 MVA	2,762 MVA
20/0.4 kV	2,087	912 MVA	1,408	850 MVA	1,762 MVA

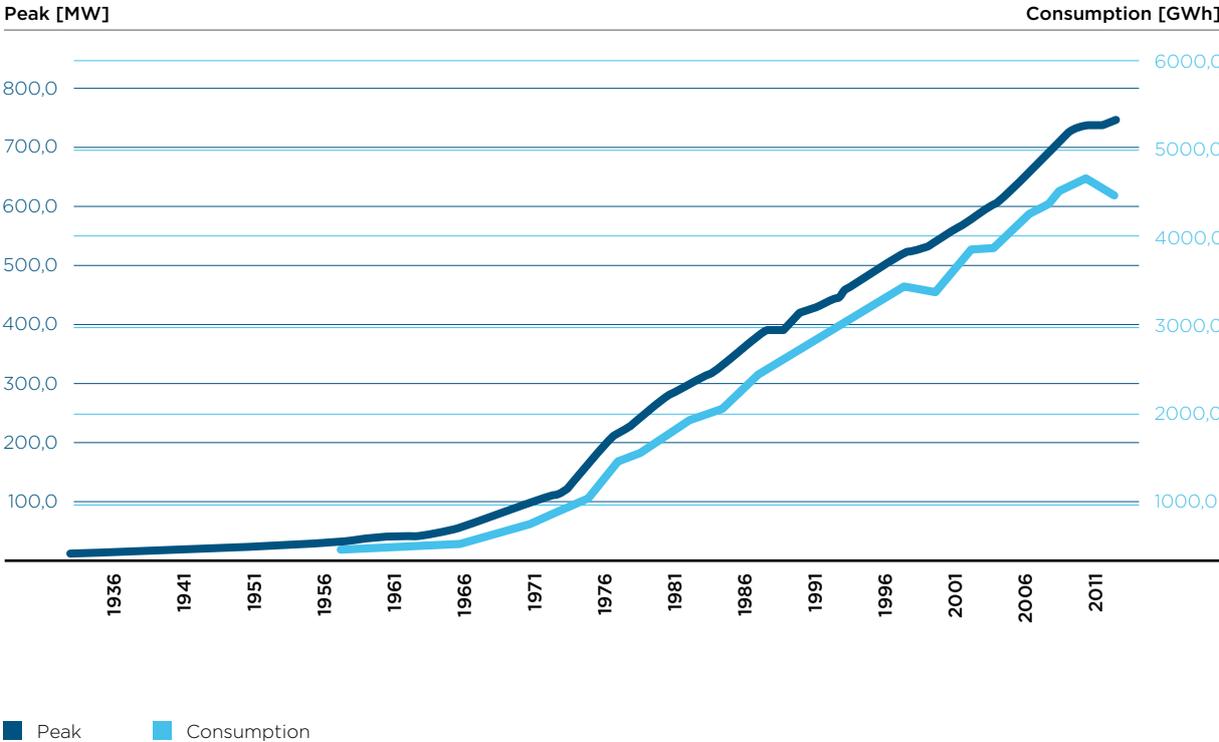
* without reserve transformers

The high-tension electricity network

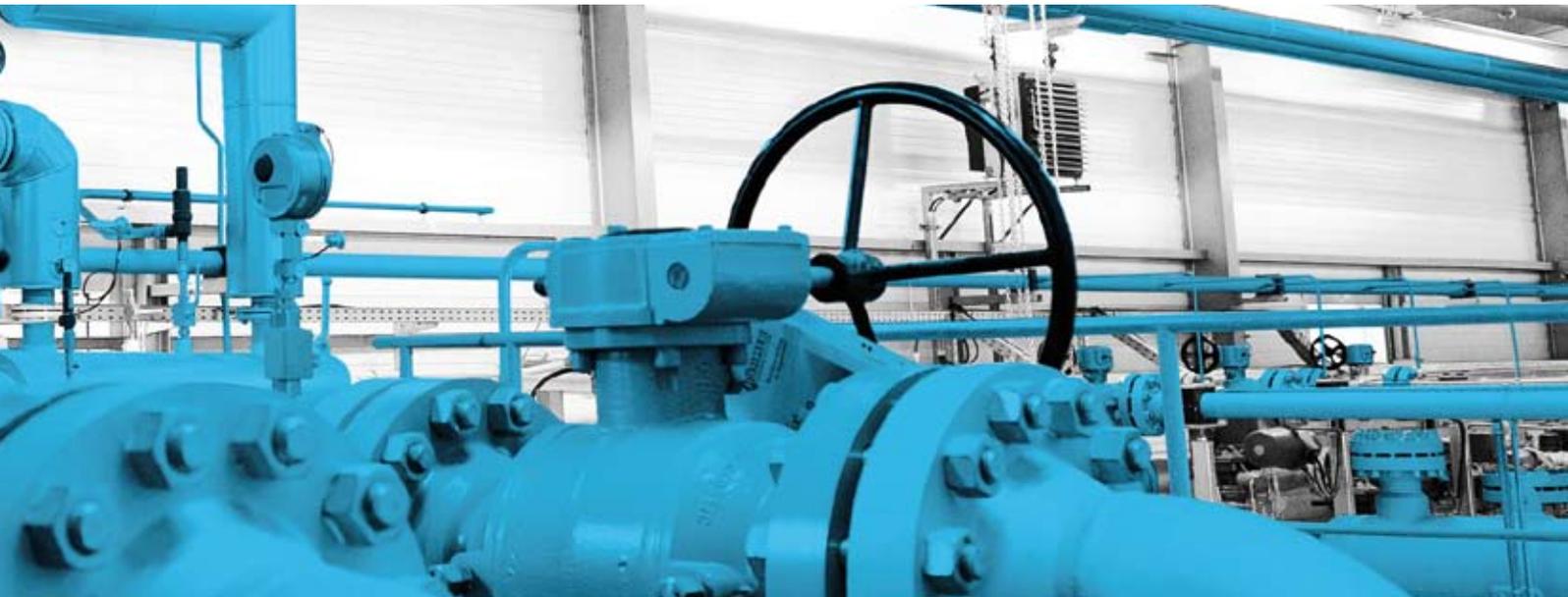
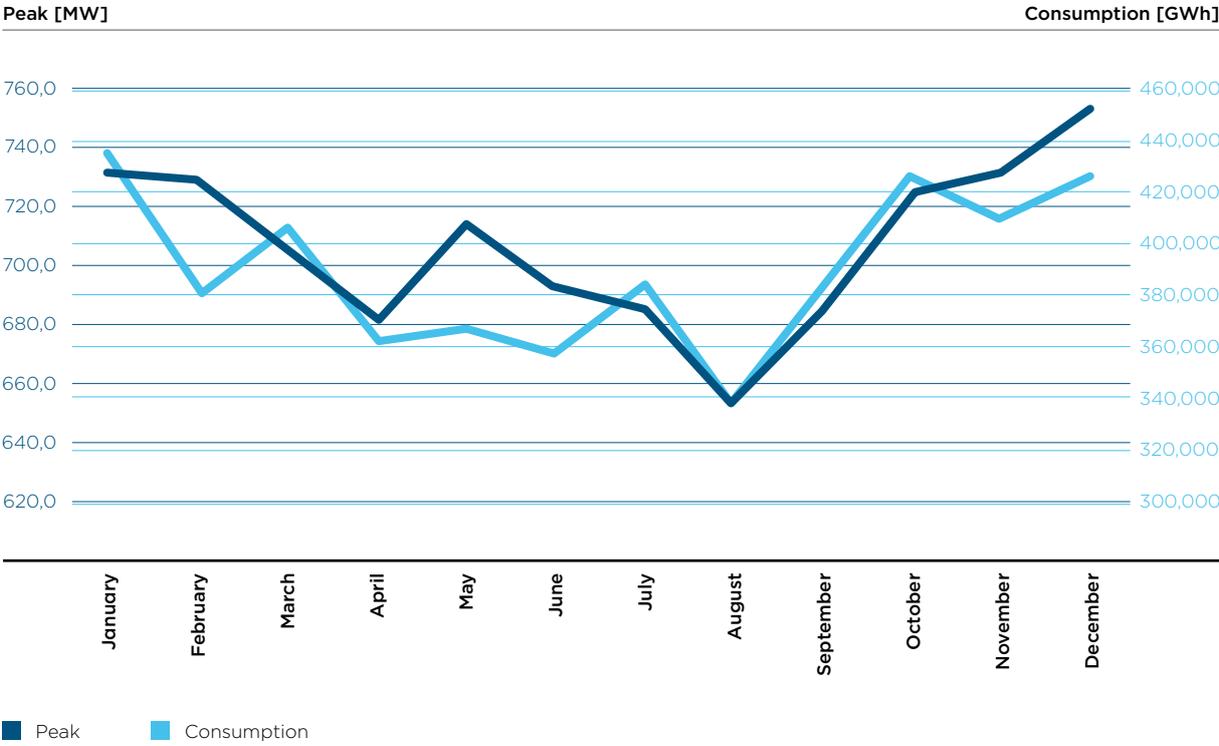


Peak load and demand in the network

Evolution from 1935 to 2009



Grid peak and demand in 2009

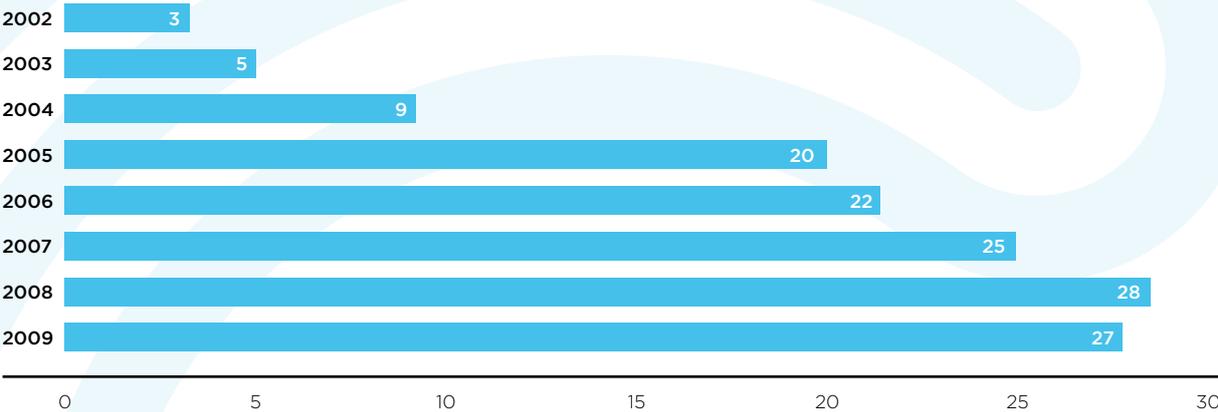


Statistics on electricity flows

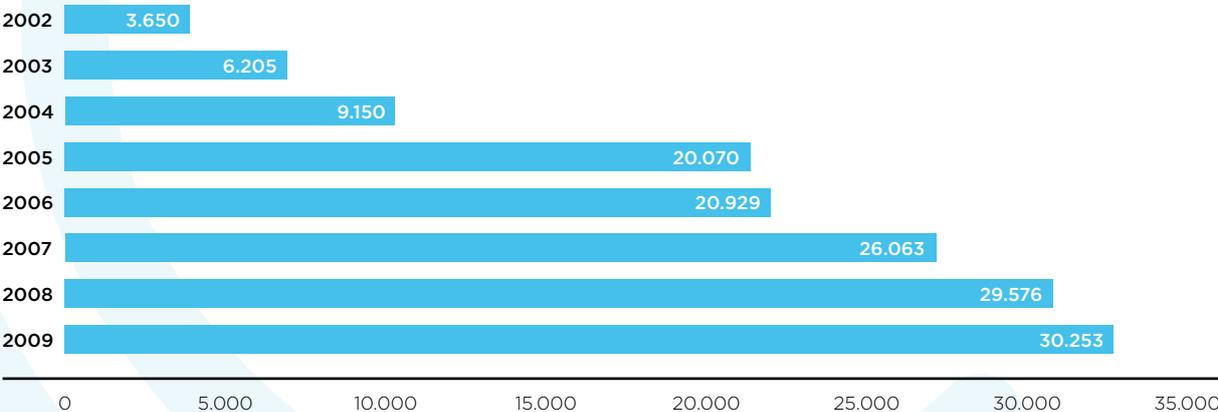
Any supplier must group together its customers in a regulation zone managed by the Creos balance coordinator in a virtual entity called the “balance perimeter”. Balance perimeters enable suppliers to profit from the simultaneity of all their customers and to ensure the supply of electricity. As a balance coordinator, Creos Luxembourg coordinates energy exchanges between balance perimeters as well as exchanges with neighbouring regulation zone.

The number of balance perimeters was **27** for the year 2009. In total, **30,253** nominations relating thereto were processed by the balance coordinator in 2009.

Evolution of the number of balance perimeters



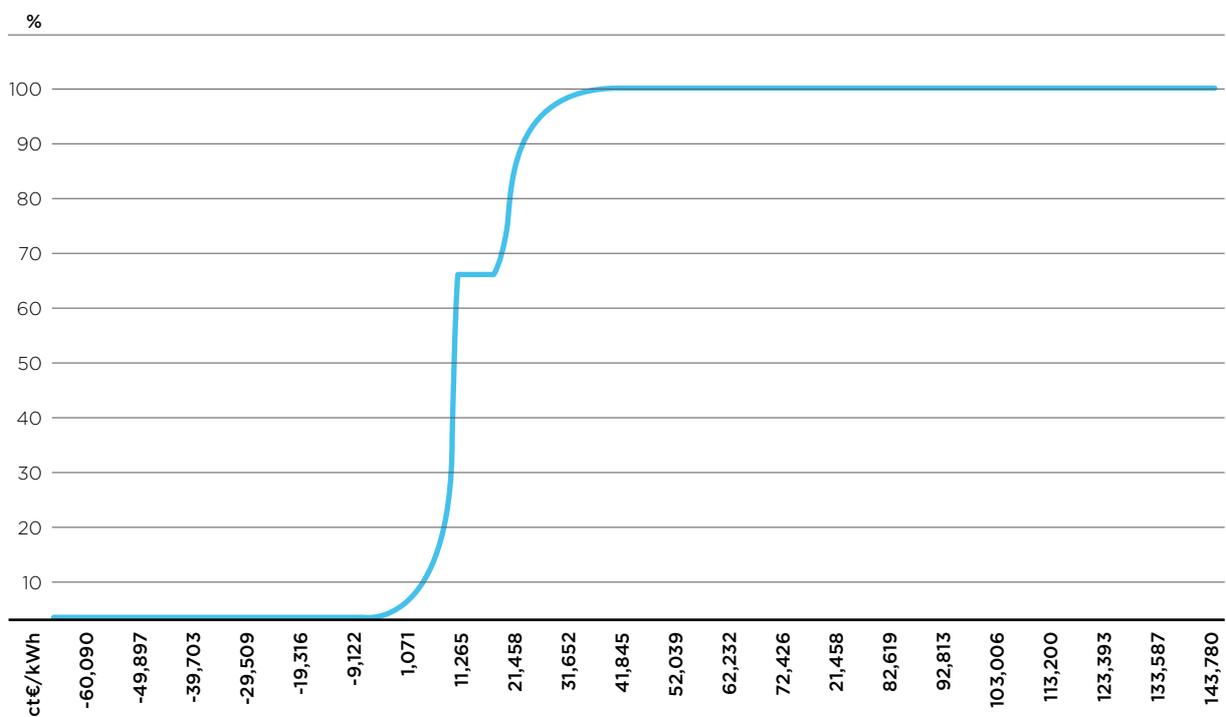
Evolution of the number of nominations



Price of balancing energy in 2009

The energy price adjustment varied between **-60.09 ct€/kWh** and **143.78 ct€/kWh** in 2009. The maximum price was recorded in **20 December 2009 at 20:45**. The average price adjustment is **3.09 ct€/kWh**.

Frequency of energy balance prices :



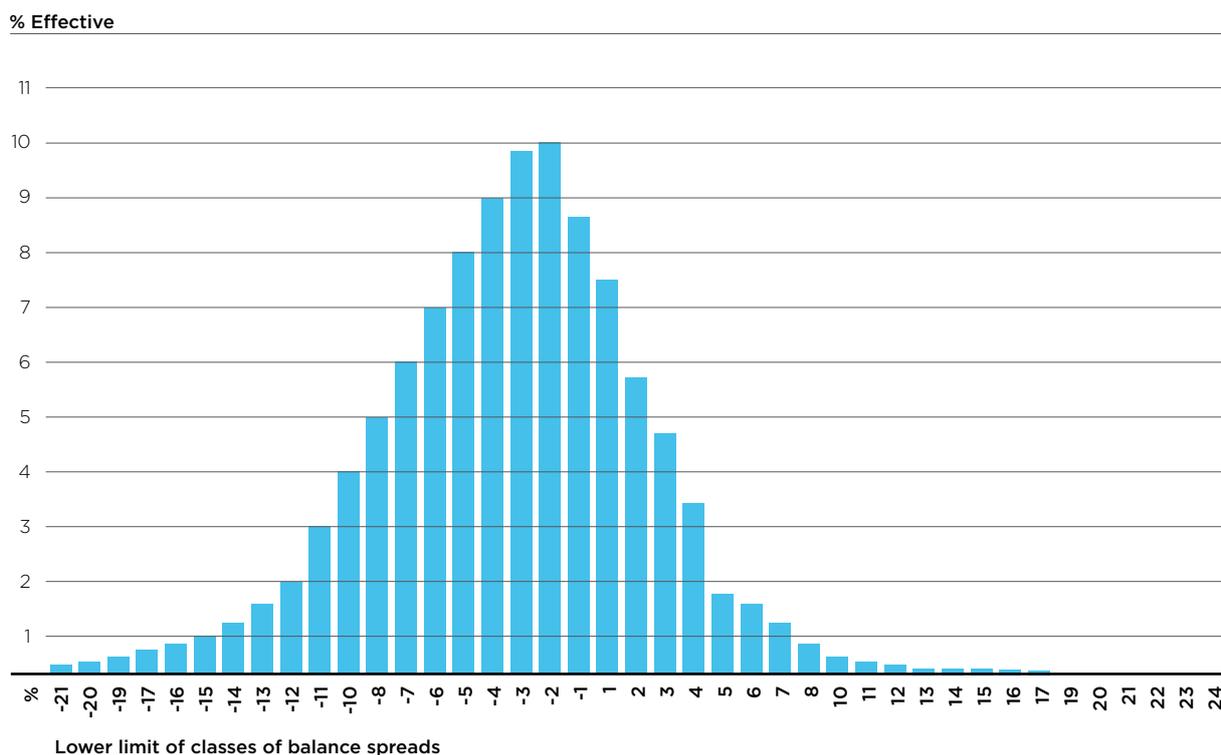
Characteristic values of the price frequency :

Frequency	Price
56 %	< 0,05 ct€/kWh
71 %	< 9,23 ct€/kWh
84 %	< 12,28 ct€/kWh
95 %	< 15,34 ct€/kWh
100 %	< 143,78 ct€/kWh

Balancing statement for Creos' control area in 2009

The combination of cross-border nominations was **4'189,3 GWh** in 2009. Real consumption measured on cross-border lines was **4'081,3 GWh** during the same period. The adjustment energy contributed to cover spreads in the regulation zone was therefore **108,0 GWh**.

Distribution of balance spreads in 2009

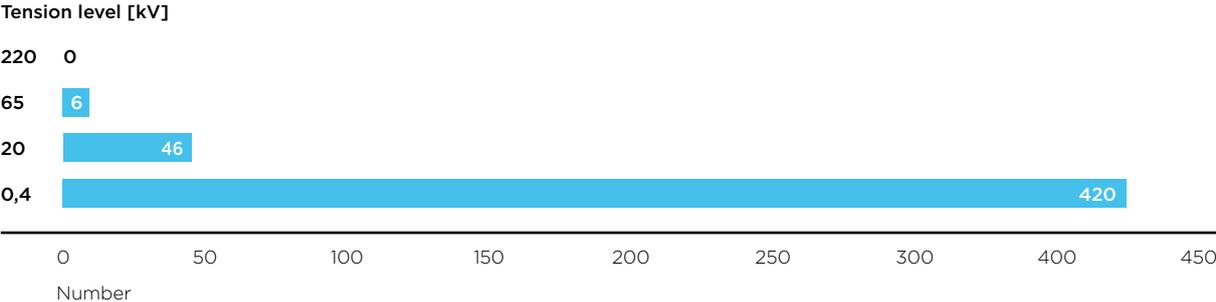


The average balance spread was **-2.77 %** compared to the cross-border nomination, for a standard spread of **5.16 %**. The extreme values were **-30.9 %** for the negative spread and **+25.4 %** for the maximum positive spread. The spread distribution shows a clear trend towards negative spreads.

Reliability of the electricity grid

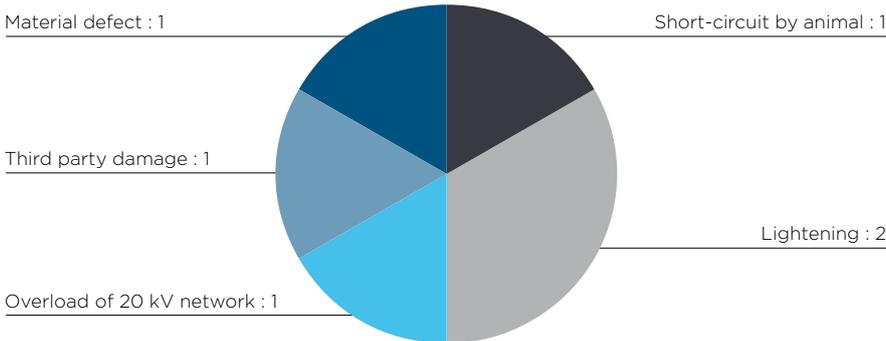
Our aim is provide our customers with a reliable and high-quality electricity network. And we endeavour to reduce any interruption of current or electrical incident to a strict minimum. The chart below represents the total number of interruptions of current occurring in 2009.

Interruptions of the network of Creos Luxembourg S.A., in 2009 (220 kV, 65 kV, 20 kV and 0,4 kV)



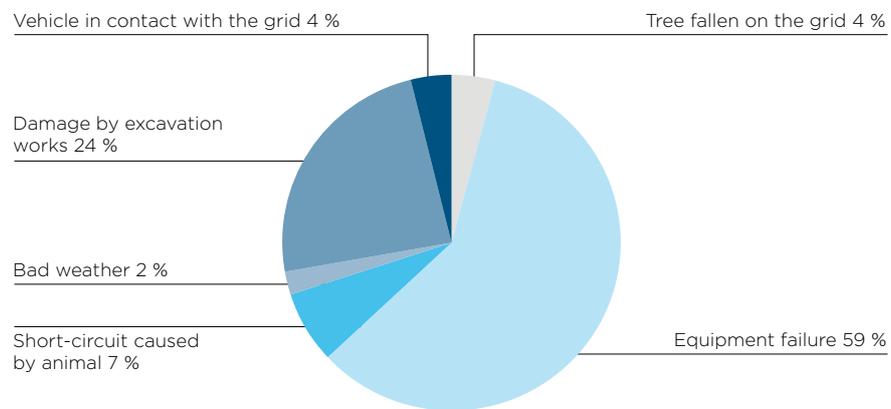
Causes of interruptions at the different tension levels

Level 65 kV:
The causes of HT interruptions in 2009



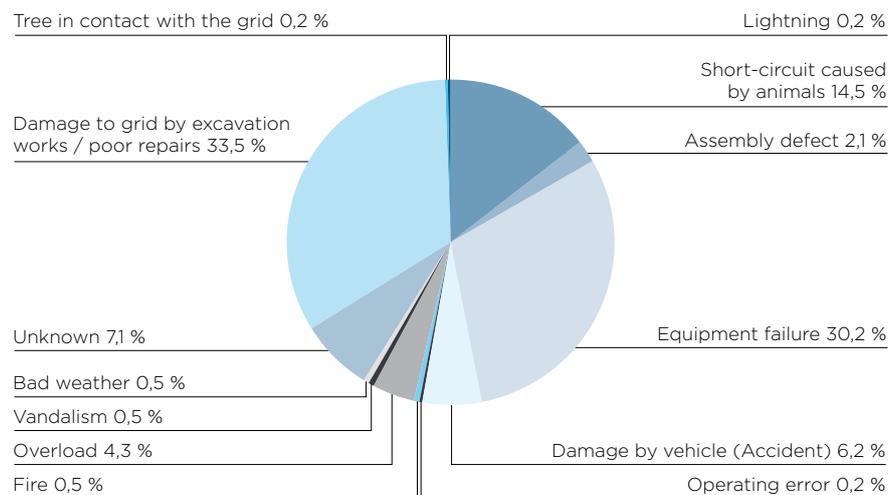
Level 20 kV :

MV breakdown causes in 2009



Level LV :

LV breakdown causes in 2009



Natural gas

Progress made on the major works planned in the investment programme 2009.



Alzingen station

Connection of the Alzingen sub-station to the MP network of the City of Luxembourg

Creos commissioned its new holding station in Alzingen, with an injection capacity of 16,000Nm³/h, to reinforce the medium-pressure network of the City of Luxembourg.



CNG (compact natural gas) station

CNG stations in Bascharage and Remerschen

Enovos Luxembourg, in collaboration with Aral and Creos Luxembourg, commissioned to additional CNG stations in Bascharage and Remerschen, delivering natural gas for cars. These installations, in addition to those in Findel, Merl and Schifflange, underline the desire of Creos Luxembourg to increase the density of its network for the distribution of this alternative fuel.



New biogas pressure reducing station in Kehlen

Connecting the Kehlen bio-methane site to the network of Creos Luxembourg S.A.

The bio-methane site managed by the cooperative "Naturgas Kielen" was connected to our network by a valve set.

Biogas production is planned to begin in May 2010.

Extending the natural gas network towards Mertzig/Grosbous

Creos has just extended its network towards the village of Mertzig. The work took place in two phases, some of which have already been concluded, in particular a part of the crossing of the village of Mertzig.

The natural gas network



4 Non-discriminatory treatment of customers

As at 1 July 2009, the Enovos group arises from the cross-border merger of the companies Cegedel S.A., Soteg S.A. and Saar Ferngas AG.

Article 32 of the Law of 1 August 2007 relating to “the organisation of the electricity market” requires that the Luxembourg network manager of that group, namely Creos Luxembourg S.A., establishes a programme of commitment which contains the measures taken to guarantee the exclusion of any discriminatory practice concerning different network users and that its application is subject to the appropriate monitoring.

A report describing the measures taken is presented annually to the regulator.

The term “discrimination” means the different treatment of identical facts without justifiable grounds.

Within Creos Luxembourg S.A., the “Regulation Management” section of the “Grid Strategy” department has been designated as the department responsible for monitoring the non-discrimination programme.

This programme determines all the measures necessary to guarantee the non-discriminatory and confidential treatment of data and the obligation of the personnel of Creos Luxembourg S.A., responsible for network management tasks :

- Creos Luxembourg S.A., as manager of the electricity and gas network in Luxembourg, is solely responsible for the management and has competent and qualified personnel numbering 395 as at 31 December 2009.
- It is guaranteed that any employee of Creos Luxembourg S.A. has no responsibility in relation to purchase, sale of production within the Enovos group.

- For all other activities, irrespective of the network (“Shared Services”), extremely restrictive confidentiality clauses have been concluded between Enovos International and Creos Luxembourg.
- The measures taken by Creos Luxembourg S.A. guarantee the confidential treatment of data relating to network customers. If the data are published, non-discriminatory treatment is guaranteed.
- Reciprocal undertakings have been made by the Enovos group and Creos Luxembourg S.A. The personnel of each of them only have access to the databases of the said companies to which they report according to the description of the function of the work stations for which the rights of access are clearly defined and delimited.
- The personnel concerned undertake to take all steps necessary to maintain the confidentiality of the data of which they gain knowledge in performing their various tasks and to protect persons with regard to the processing of personal data. Those data are in no case to be divulged to third parties.
- Any personnel hired within the said companies are subject to the fulfilment of these undertakings. Training courses are organised to guarantee observance of the non-discrimination programme.

5 The environment

Energy is a key factor in modern life. It is vital to the good operation of our economy and the well-being of our civilisation. Nevertheless, the electricity and gas industry has an impact on the environment through the consumption of energy resources and the production of waste, greenhouse gas emissions and the visual aspect of installations.

Running electricity lines underground

Since 1992, Cegedel, now Creos Luxembourg S.A. has undertaken to make a particular effort to run networks underground in villages and their surroundings when renewing lines or carrying out new work.

The burying of electricity lines has now reached 92.7 % for low tension and 54.2 % for medium tension. These and the protection of birds in several regions of the country are major projects implemented over the years.

Gradual burying of low and medium-tension lines

These days, considerations in relation to the protection of people and their environment as well as the beauty of sites are major constraints to any economic activity. Creos Luxembourg S.A. has undertaken to take even greater care in analysing the need for new work, including the study of possible alternatives, and their integration into the landscape.



Ingeldorf (HT)

Creos Luxembourg S.A. is gradually reducing the proportion of aerial low and medium-tension lines. Particular effort is being made to run those lines underground in villages and their direct surroundings. Such work is being carried out in collaboration with the communal administrations.

As a consequence of this environmental policy, the percentage of underground lines has increased since 1980 by 15.3 % to 54.2 % for medium tension and from 47.4 % to 92.7 % for low tension, and this places us in a leading position in Europe for the burying of electricity lines.

Integration of high and medium-tension substations into the environment

High-tension substations

A high-tension transformer substation does not integrate easily into an urban setting. Nevertheless, Creos Luxembourg S.A. has shown that such integration is feasible with its new generation of



Junglinster (HT)

armoured substations in Ingeldorf, Grevenmacher, Contern, Junglinster, Kayl and Rédange.

In all these projects, particular attention has been paid to the integration of these industrial sites into their local environment. As these installations are compact and discreet, the environment and the landscape are preserved. The area used for a new armoured substation represents only one fifth of that used for a classic outside substation.

The operation has been successful in all the constructions in view of the subtle harmony of the various materials and forms. Rather than hiding the substations, the choice has been taken to make them clear, thus creating a positive contact with neighbours. The surroundings of buildings will be laid out with native planting.

As for safety, Creos Luxembourg S.A. has invested in all the necessary precautionary measures to guarantee optimum protection in the case of fire, intrusion and bad weather.



Tuntange (MT)

To ensure environmental protection, transformer premises have also been soundproofed and equipped with secure tanks to capture any oil leaks.

Within villages, the installation of new medium-tension substations will be exclusively sheathed in brickwork, with substations prefabricated in concrete or steel and integrated into bus stops or post boxes inside a building.

In addition, on request from the communal administrations, Creos Luxembourg S.A. is replacing old substations on beams with armoured substations. Indeed, the number of substations on beams has been reduced from 881 in 1989 to 671 in 2009.

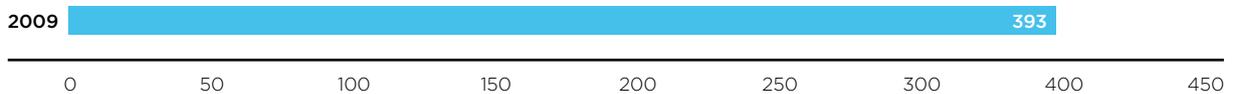


6 Human Resources

Evolution of workforce and key figures

The average workforce over the financial period from July to December 2009 was 393 for Creos Luxembourg S.A., compared to an average workforce of 565 for the Enovos group.

Creos Luxembourg S.A.

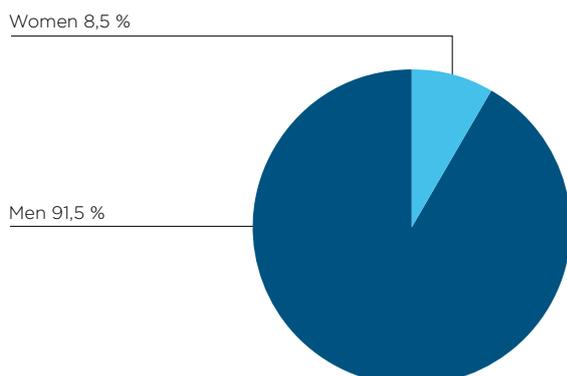


The group remains present on the labour market, despite the difficult economic context, recruiting new members of staff via internal and external searches and participation at various events such as representation at the recruitment show organised by the University of Luxembourg. In 2009, Creos Luxembourg S.A. recruited 13 people under indefinite-term contracts.

The year 2009 was marked by the merger of the three companies Cegedel, Soteg and Saar Ferngas and characterised by geographic expansion, and in the wake of that merger by a high degree of internal mobility following the reorganisation of functions and the creation of new departments.

The total percentage of people working part-time in 2009 was almost 1.5 % of the total workforce of Creos Luxembourg S.A.

The global split of the workforce between men and women is 91.50 % to 8.50 %. The average overall age is 40.2.



Ongoing professional training

In order to ensure the transfer of knowledge, know-how and ability, as part of the integration process, the development of skills and the acquisition of complementary skills, the training budget was not reduced in 2009. The management and development of skills remain vital aspects of the group's human resources strategy. The principal fields of training are IT, network and other infrastructure operation, accident prevention and safety, customer care and the aspects of tariff structure and invoicing.

Alongside a vast training programme, a new initiative, to promote sustainable and responsible development, was taken in 2009, with the project entitled 'Healthcare at Work', in order for these problems to be better understood and by which particular attention is paid to the health and well-being of our personnel at work. The concept involves individual health assessments via a questionnaire validated scientifically and by personalised feedback. Joint and specific action programmes, to improve and protect health are being studied, in relation to requirements and in close collaboration with the Health and Safety Department and the support of the staff delegation.

At the end of a turbulent year, marked by major upheavals and challenges, the importance of everyone's contribution is vital. The Executive Committee would like to express its recognition of all the efforts made on a daily basis and the professionalism shown by each and every one of us.

7 Health, Safety and Environment (HSE)

During 2009, Creos Luxembourg recorded no serious accident. 26 minor accidents were noted and 13 accidents resulting in the loss of more than three days work. The principal causes were accidents on the way to or from work, handling tools, slipping and falling on site. Only one accident at work was in relation to electrical work. The accident severity rate for Creos Luxembourg was 0.437 for 2009.

In order to prevent the contamination of members of staff on the arrival of swine flu, Creos Luxembourg partially activated its operational continuity plan, publishing recommendations for behaviour and hygiene, and providing personnel with disinfectants and cleaning substances.

In collaboration with the human resources department, a project entitled "Healthcare at Work" was launched to improve the health and well-being of members of staff at work. The project was to be implemented at the beginning of 2010.



8 Creos Deutschland GmbH

General development in 2009

The Federal Network Agency guidelines issued as part of the revenue cap regulations starting on 1 January 2009 were taken into consideration in full when calculating upper revenue limits. In terms of the benchmark based on the purely econometric procedure of the Federal Network Agency (DEA), the company was allocated an efficiency value of 86.02 %. The corresponding upper revenue limits were issued and have been in use since 1 January 2009.

At 28.87 billion kWh, the amount of gas transported over the 2008/2009 gas market year was slightly below that of the previous year (-3.6 %).

The 3rd EU internal market legislative package was published in the Official Journal of the European Union on 14 August 2009 and entered into force on 3 September 2009. In the same way as the electricity directive regulations, the gas directive also focuses on increased unbundling within the gas sector. Accordingly, all transmission system operators must be “unbundled” either as owners or at least in the form of independent system operators or independent transmission system operators. The Commission’s justification for the unbundling of the gas sector is that a high level of independence needs to be ensured, given the influence of the transmission system operators on gas flow direction and their responsibility for capacity management. The Commission differentiates here between the transmission system operators subject to unbundling and the distribution system operators who remain unaffected. The 3-tier gas supply system in Germany was not taken into consideration by the EU Commission in this regard. As a result, Creos Deutschland GmbH will investigate whether it is classified as a transmission system operator or distribution system operator in the sense of the EU Commission directive and whether the unbundling regulations of the 3rd EU internal market legislative package will thus apply to Creos Deutschland GmbH.

In this context, reference should also be made to the budget approval for the second regulation period between 2013 and 2017. In addition to the cost basis for 2010, a further decisive factor for defining the new upper revenue limit is the calculated efficiency value. This depends mainly on the companies involved in the benchmark. The question of what type of network operator Creos Deutschland GmbH is considered to be is therefore also of particular significance in this regard.

Results Creos Deutschland GmbH

The results are shown in detail below :

	€
Revenues (incl. inventories movements and capitalised assets)	60,227,000
Other operating income	11,597,000
Material costs	24,354,000
Personnel costs	8,885,000
Depreciations	5,511,000
Other operating expenses	18,471,000
Financial result	187,000
Revenue from ordinary activities	14,790,000
Taxes	4,892,000
Net profit / loss for the year	9,898,000

Personnel

The company has recorded an increase in the number of employees in the past as a result of the restructuring and consolidation of the network business on the basis of changes in statutory and official requirements. In the year under report, the average number of employees rose again and has now reached 83 people. This is largely attributable to the transfer of employees from Dispatching. A further 2 employees were employed on a temporary basis, as well as three trainees. There are also an average of eight industrial apprenticeships running at the company at any one time.

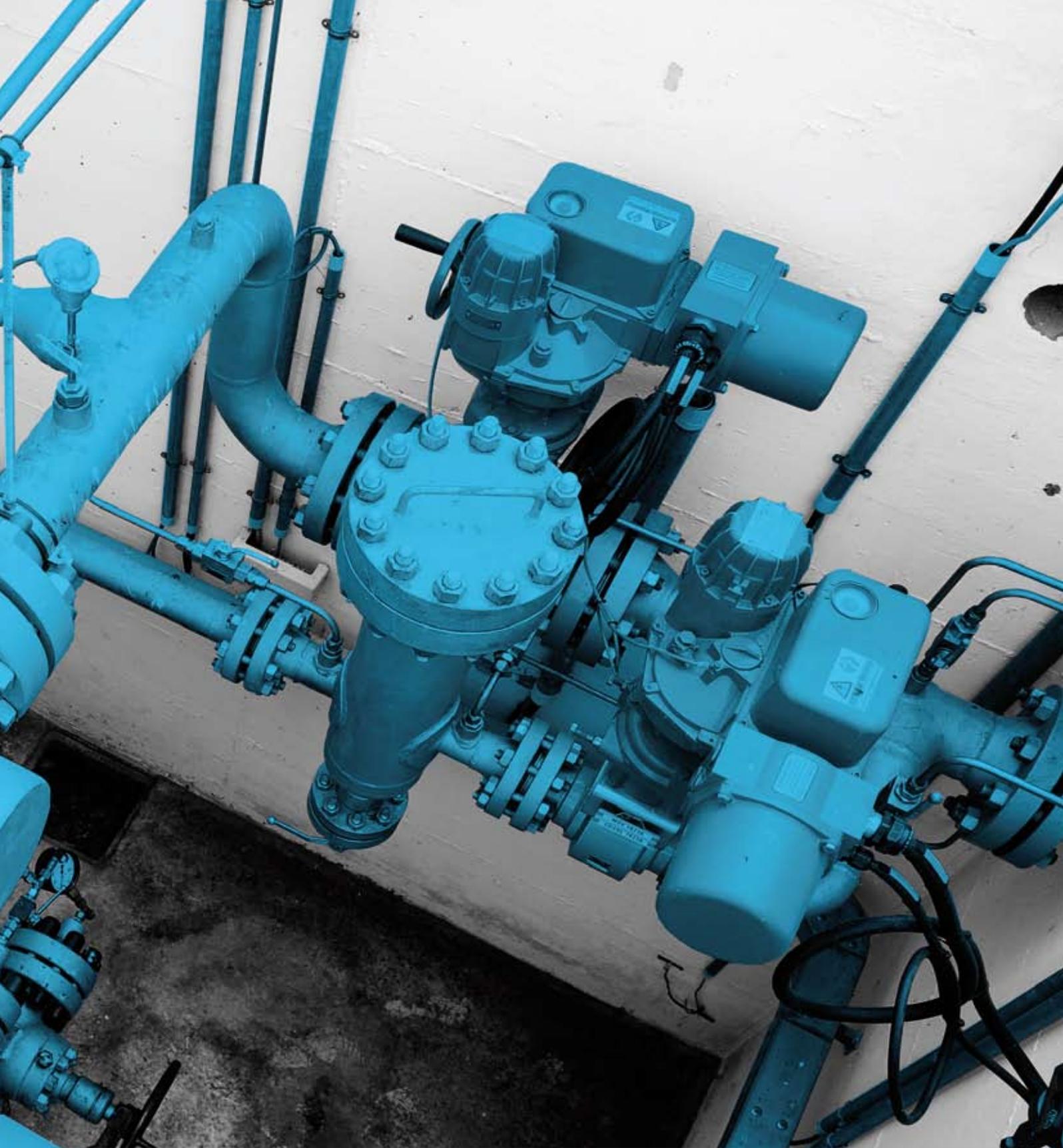
Outlook

Once the revenue cap regulations came into force on 1 January 2009 and the upper revenue limits from the Federal Network Agency took effect, our efforts have focused and will continue to focus on optimising processes, reducing costs and uncovering synergy potential. The implementation of the merger of the Saar Ferngas Group and the Luxembourg energy supply companies Cegedel S.A. and Soteg S.A. into Enovos International S.A. will create synergies for both network companies. The recent start of cooperation with VSE AG and Stadtwerke Saarbrücken AG also represents significant savings potential. We are aiming to increase revenues by expanding our services and implementing incentive regulation in our network area.

The classification of Creos Deutschland GmbH in the sense of the 3rd EU internal market legislative package will have a major impact on the further development of our business. Classification as a transmission system operator, with all the unbundling requirements that would entail, would result in 7-digit increases in costs. As Creos Deutschland GmbH cannot contribute in any way to the aim of the regulations – namely, the promotion of competition within the EU internal market – due to the lack of cross-border transfer points and transit lines, the company will be doing all it can to be released from the strict unbundling regulations.

As part of a sustainable investment program, Creos Deutschland GmbH intends to continue the major reinvestments it has already initiated over the next 15 years. Based on comprehensive analysis and advice from the engineering company Fichtner, the aim of this reinvestment project under the working title “Agenda 2020+” is to secure network integrity in the long term. At the moment, the total scope of the planned reinvestment program will cost approx. EUR 150 million in the next 10 years. Fichtner has expressly confirmed the need for this reinvestment program. In order to cover the capital costs arising as the result of the investments, it is crucial that the Federal Network Agency recognises the investment budget in accordance with § 23 of the Incentive Regulation Ordinance [ARegV].





III Annual Accounts



Balance sheet as at 31 December 2009

ASSETS	Notes	2009	2008
Fixed assets		€	€
Intangible fixed assets	note 4		
Intangible assets in course of construction		-	3,430,308
Tangible fixed assets	note 5		
Land and buildings		38,770,883	53,503,169
Plant and machinery		189,631,521	149,097,220
Reevaluation reserve		2,862,136	4,293,203
Other fixtures and fittings, tools and equipment		1,618,449	2,261,010
Payments on account and tangible assets in course of construction		22,651,922	28,054,532
Financial assets	note 6		
Shares in affiliated undertakings		42,000,000	68,524,029
Participating interests		430,000	150,000
Loans to undertakings with which the company is linked by virtue of participating interests		-	13,228,767
Total Fixed Assets		297,964,911	322,542,238
Current assets	note 7		
Inventories			
Raw materials and consumables		2,628,895	2,695,561
Work in progress for third parties		6,559,386	5,815,991
Payments on account		297,912	1,053,655
Receivables			
Trade receivables			
- becoming due and payable within one year		7,163,053	89,029,250
- becoming due and payable after more than one year		0	-
Amounts owed by affiliated undertakings			
- becoming due and payable within one year	note 8	89,166,435	5,158,191
- becoming due and payable after more than one year		858,618	-
Amounts owed by undertakings with which the company is linked by virtue of participating interests			
- becoming due and payable within one year		-	333,613
- becoming due and payable after more than one year		-	-
Other receivables			
- becoming due and payable within one year		7,565,126	-
- becoming due and payable after more than one year		-	-
Cash at bank, cash in postal cheque accounts, cheques and cash in hand			
Securities		-	1,209,000
Cash at bank		5,219,226	126,006,329
Total Current Assets		119,458,651	231,301,590
Prepayments and accrued income		8,098,130	
Total Assets		425,521,692	553,843,828

The accompanying notes form an integral part of the annual accounts.

LIABILITES	Notes	2009	2008
Shareholders' equity	note 9	€	€
Subscribed capital		150,000,000	134,500,000
Share premium		0	5,743,538
Revaluation reserve		2,862,136	4,293,203
Legal reserve		13,546,748	12,321,442
Reserves		38,750,000	232,314,094
Profit or loss brought forward		3,724,121	939,729
Profit or loss for the financial year		47,710,524	24,306,122
Total Equity		256,593,529	414,418,128
Provisions for liabilities and charges			
Provisions for pensions and similar obligations	note 10	30,411,541	38,122,892
Provisions for taxation	note 14	11,833,194	3,761,408
Total Provisions		42,244,735	41,884,300
Liabilities			
Amounts owed to credit institutions			
- becoming due and payable within one year		991,574	-
- becoming due and payable after more than one year		2,974,722	-
Payments received on account of orders in so far as			
- becoming due and payable within one year		5,091,939	4,637,119
- becoming due and payable after more than one year		-	-
Trade creditors			
- becoming due and payable within one year		9,882,402	88,561,819
- becoming due and payable after more than one year		-	-
Amounts owed to affiliated undertakings			
- becoming due and payable within one year		20,887,795	2,048,701
- becoming due and payable after more than one year	note 11	85,000,000	-
Tax and social security			
Tax		737,247	797,420
Social security		272,465	977,471
Other creditors			
- becoming due and payable within one year		845,285	485,477
- becoming due and payable after more than one year		-	-
Total		126,683,428	97,508,006
Prepayments and accrued income		-	33,394
Total Liabilities		425,521,692	553,843,828

The accompanying notes form an integral part of the annual accounts.

Profit and Loss account from 1 January to 31 December 2009

EXPENSES	Notes	2009	2008
Supplies		€	€
a) Cost of sales		32,578,839	283,766,601
b) Other external charges		21,791,348	28,249,148
Staff costs	note 12		
a) Wages and salaries		33,926,612	29,554,066
b) Social security costs		3,738,278	3,381,922
c) Pension plans		3,083,135	3,212,245
Value adjustments in respect of tangible and intangible fixed assets	note 13	32,080,505	26,319,447
Value adjustments in respect of current assets		2,282,988	582,250
Interest and similar charges			
a) with regard to affiliated undertakings		346,222	-
b) other interest payable and similar charges		350,825	103,517
Transfer to reserves under Article of Association (Cegedel S.A.)		-	22,500,000
Tax on profit from ordinary activities	note 14	9,779,619	10,224,434
Other taxes		248,985	104,661
Profit for the period		47,710,524	24,306,122
Total Expenses		187,917,880	432,304,413

The accompanying notes form an integral part of the annual accounts.

INCOME	Notes	2009	2008
		€	€
Net turnover	note 15	157,117,467	312,009,603
Work performed by the undertaking for its own purposes and capitalised		8,268,968	7,681,044
Other operating income	note 16	211,197	98,351,487
Income from participating interests			
a) with regard to affiliated undertakings	note 17	21,313,307	7,850,778
b) other income from participating interests		-	-
Other income from receivables included under fixed assets		-	50,566
Other interest and similar income			
a) with regard to affiliated undertakings		38,040	-
b) other interest and similar income		724,061	3,798,553
Write-back of value adjustments to current assets		244,839	511,560
Extraordinary income		-	2,050,822
Total Income		187,917,880	432,304,413

The accompanying notes form an integral part of the annual accounts.

Proposed appropriation of net profit

The profit available for appropriation of 58,184,645 EUR includes the net profit for the year of 47,710,524 EUR, the reversal of the blocked reserve (wealth tax) of 6,750,000 EUR and the profit brought forward of 3,724,121 EUR.

The Board of Directors, proposes to the Annual Shareholders' Meeting on 11 May 2010 the following appropriation of net profit :

Net dividend of 3 euros per share*	23,847,015
Allocation to the legal reserve	1,453,252
Allocation to the blocked reserve	8,000,000
Allocation to the special reserve	22,000,000
Amount carried forward	2,884,378
	58,184,645

* Number of shares : 7,500,000 + 449,005 = 7,949,005 shares

Notes to the annual accounts

Note 1 - General

Creos Luxembourg S.A. was incorporated in Luxembourg under the name of Cegedel S.A. on April 25, 1928. The company is registered RCS nr B4513. In the context of the below described operations, the company has been renamed in Creos Luxembourg S.A. in 2009.

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

In the context of this restructuring, Cegedel Participations S.A. was sold to Soteg S.A. and the former Cegedel S.A. sales activity has been contributed to Enovos Luxembourg S.A. in exchange for shares. Former Soteg S.A. grid activity has been contributed to Creos Luxembourg S.A. in exchange for shares. An extraordinary dividend of EUR 100 000 750 was distributed as part of the buy out of Creos Luxembourg S.A. by Enovos International S.A.. Cegedel Net S.A. was merged into Cegedel S.A. and Creos Luxembourg S.A. acquired Creos Deutschland GmbH, resulting from the merger of Saar Ferngas Transport GmbH with the German grid activities of Saar Ferngas AG.

Main activities of Creos Luxembourg S.A. are to operate in Luxembourg an electricity transport and distribution network and a gas transportation network.

Annual accounts

The company's financial year runs from 1 January to 31 December each year. The company's accounts are consolidated in the Enovos group accounts.

Note 2 - Authorisations

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

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

Note 3 - Accounting policies

General principles

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

Comparability

2009 figures relate to Creos Luxembourg S.A. 2008 figures relate to Cegeedel S.A. Due to the change in activity as described in Note 1, the comparability between the annual accounts as of 2009 with those as of 2008 is difficult. In addition, reclassifications have been done in 2008 figures.

Foreign currency conversion

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

Intangible fixed assets

Intangible fixed assets are booked at their acquisition price or at cost and are depreciated over their estimated useful life.

Tangible fixed assets

Tangible fixed assets are recorded at their acquisition price or at cost.

Value adjustments for electricity assets are made in accordance with the following principles :

- Buildings, plant and equipment that are not part of the grid : straight-line depreciation based on the coefficients laid down in Article 30 of the Concession Agreement of 11 November 1927 and in the Agreement of 8 September 1998 or, failing this, those accepted by the tax authorities.
- Buildings, plant and equipment that are part of the grid : depreciation using the declining-balance method based on coefficients equal to double those referred to above for investments completed before 1990, and to triple those referred to above for investments completed as from 1 January 1990.
- Other equipment, machines and furniture : straight-line depreciation in accordance with the estimated useful life of the asset acquired.
- Revaluation surpluses : straight-line depreciation until fiscal year 2010. The corresponding caption on the liabilities side is the revaluation reserve, which is depreciated at the same rate.

Value adjustments for gas assets are made in accordance with the following principles :

- Buildings, plant and equipment : straight line depreciation in accordance with the estimated useful life of the asset acquired.

Tangible fixed assets in the course of construction are valued at cost, based on the direct costs of the company. Tangible fixed assets are reviewed for impairment annually.

Financial assets

Shares in affiliated undertakings and participating interests are recorded in the balance sheet at their acquisition cost. Loans to affiliated undertakings and loans to undertakings with which the company is linked by virtue of participating interests are included at their nominal value. In the case of impairment that the Board of Directors considers as permanent in nature, value adjustments are recorded to these long-term investments to apply the lower value to be assigned to them at the balance sheet date. These value adjustments are not maintained when the reasons for making them have ceased to exist.

Inventories

Raw materials and consumables are valued on the lower of purchase price calculated on the basis of weighted average cost or market value. Value adjustments are recorded when the estimated realisable value of stocks is lower than the weighted average cost. The value adjustments are not maintained if the reasons for recording them have ceased to exist.

Receivables

Receivables are recorded at their nominal value. Value adjustments are recorded when there is a risk that all or part of the amounts concerned may not be recovered. These value adjustments are not maintained if the reasons for recording them have ceased to exist.

Provisions for liabilities and charges

The aim of provisions for liabilities and charges is to cover clearly defined charges and liabilities which, on the balance sheet date, are either probable or certain but for which the amount or date of occurrence cannot be determined. A review is carried out at year-end to determine the provisions to be recorded for the company's liabilities and charges. Provisions recorded in previous years are reviewed annually and those no longer needed are released.

Net turnover

Net turnover relates to transportation and distribution of electricity and gas provided as part of the company's ordinary activities, net of discounts, value-added tax and other taxes directly linked to sales.

Income from participating interests

Dividend income is recorded when dividends are declared.

Note 4 - Intangible fixed assets

Movements for the year were as follows :

	IT software licences	Advance payments made and new intangible fixed assets	TOTAL 2009
	€	€	€
Gross values at beginning of year	14,327,614	3,430,308	17,757,922
Additions during year	98,767	-	98,767
Disposals during year	-703,138	-	-703,138
Transfer of property	-1,268,471	-3,430,308	-4,698,779
Gross values at end of year	12,454,772	-	12,454,772
Value adjustments at beginning of year	-14,327,614	-	-14,327,614
Allowances for year	-121,772	-	-121,772
Amounts released for year	1,994,614	-	1,994,614
Value adjustments at end of year	-12,454,772	-	-12,454,772
Net value at end of year	-	-	-

In the context of the restructuring, the company transferred to Enovos Luxembourg S.A. the right to buy 100 MW of power from the production of a new turbine to be built at the Vianden pumping station. An amount of EUR 1,874,736 has been disbursed in 2009 as a first instalment. In the same context, the company transferred EUR 1,555,572 to Enovos International S.A.. All these movements are included in the captions "Transfer of property" (for gross amounts) and "Amounts released for year" (for value adjustments).

Note 5 - Tangible fixed assets

Movements for the year were as follows :

	Land and buildings	Machinery, plant and equipment	Revaluation surplus	Other equipment, machines and furniture	Payments on account and tangible assets in course of construction	TOTAL 2009
	€	€	€	€	€	€
Gross values at beginning of year	76,227,596	563,228,632	44,870,289	43,164,410	28,054,532	755,545,459
Additions during year	-	-2,087,970	-	702,633	29,635,322	28,249,985
Disposals during year	-	-915,492	-	-1,007,605	-3,573,478	-5,496,575
Transfer of property	-21,707,082	122,475,757	-	299,940	-31,464,453	69,604,162
Gross values at end of year	54,520,514	682,700,927	44,870,289	43,159,378	22,651,922	847,903,030
Value adjustments at beginning of year	-22,724,427	-414,131,412	-40,577,086	-40,903,400	-	-518,336,325
Allowances for year	-1,233,211	-29,256,995	-1,431,067	-1,468,527	-	-33,389,800
Amounts released for year	8,208,006	-49,680,998	-	830,998	-	-40,641,994
Value adjustments at end of year	-15,749,632	-493,069,405	-42,008,153	-41,540,929	-	-592,368,119
Net value at end of year	38,770,882	189,631,522	2,862,136	1,618,449	22,651,922	255,534,911

In the context of the restructuring, Enovos International S.A. contributed the gas grid for a net amount of EUR 42,188,095 to Creos Luxembourg S.A. against an increase in equity (see also note 8). In the same context, the company contributed its building in Strassen to Enovos Luxembourg for a net amount of EUR 14,511,405 against an emission of shares by the latter (see also note 6). All these movements are included in the captions "Transfer of property" (for gross amounts) and "Amounts released for year" (for value adjustments).

Note 6 - Financial assets

Movements for the year were as follows :

	Investments in affiliated undertakings	Participating interests	Loans to undertakings with which the company is linked by virtue of participating interests	TOTAL 2009
	€	€	€	€
Gross values at beginning of year	68,524,029	150,000	13,228,767	81,902,796
Additions during year	56,511,406 ¹⁾	430,000	-	56,941,406
Reduction of equity	-29,969,000 ²⁾	-	-	-29,969,000
Merger	-100,000 ³⁾	-	-	-100,000
Transfer	-51,726,435 ⁴⁾	-150,000	-13,228,767 ⁵⁾	-65,105,202
Disposals during year	-1,240,000 ⁶⁾	-	-	-1,240,000
Gross values at end of year	42,000,000	430,000	-	42,430,000

The movements in 2009 are mostly related to the restructuring of the Enovos group (Note 1) :

- 1) Creos Luxembourg S.A. acquired Creos Deutschland GmbH from Enovos International S.A. for EUR 42 000 000. The building in Strassen was contributed to Enovos Luxembourg against an emission of shares of EUR 14,511,406.
- 2) Cegedel International S.A. reduced its equity by EUR 29,969,000
- 3) Cegedel Net S.A. was merged with Cegedel S.A. (EUR 100,000)
- 4) Cegedel Participations S.A. and Cegedel International S.A. were sold to Enovos International S.A..
- 5) The loans to Cegedel Participations S.A, Steinerger S.A. and Nordenergie S.A. respectively were transferred to Enovos International S.A. and Enovos Luxembourg S.A..
- 6) In addition, the reinsurance company Watt Re (book value EUR 1,240,000) was sold to a third party, thus generating an extraordinary income of EUR 19,077,244 (see note 17).

The company holds at least 20 % of the capital in the following undertakings (audited figures) :

Company name	Headquarters	Proportion of capital held	Last year-end	Shareholders' equity at year-end	Of which profit for the year	Participation net value
		%		€	€	€
Creos Deutschland GmbH	Sarrebrücken (Germany)	96,88	31/12/2009	29,898,000	9,898,000	42,000,000

The company further holds a participation of 14.3 % in CASC CWE S.A. (Capacity Allocation Service Company CWE S.A.) for a book value of EUR 430,000.

Note 7 - Current assets

Trade receivables relate mainly to transportation and distribution of electricity and gas.

The value of current assets was adjusted as follows :

	Cumulative total		Of which net allocation (amounts released) for the year	
	31/12/2009 €	31/12/2008 €	2009 €	2008 €
Adjustments to the value of receivables	2,867,943	1,000,000	2,282,988	40,000
Adjustments to the value of short-term investments	0	1,330,047	-244,839	542,250

Value adjustments are recorded in the income statement under “Value adjustments in respect of current assets” for allowances and under “Write-backs of value adjustments to current assets” for write-backs.

Note 8 - Amounts owed by affiliated undertakings

Creos Luxembourg S.A. has entered a cash pooling agreement with Enovos International S.A. which, as of 31st December 2009, owed a cash amount of EUR 71,228,702 to the company. This amount is recorded under the caption “Amounts owed by affiliated undertakings”.

Note 9 - Shareholders' equity

As at 31st December 2009, the company's subscribed capital was EUR 150,000,000. The capital is fully paid-up and represented by 7,500,000 shares without designation of a nominal value.

	31/12/2008	Distribution of dividends	Appropriation of profit	Profit of year	Other		31/12/2009
	€	€	€	€	Increase	Decrease	€
Subscribed capital	134,500,000				15,500,000 ³⁾		150,000,000
Share premium	5,743,538	-27,345,538 ⁵⁾			21,602,000 ³⁾		-
Revaluation reserve	4,293,203					-1,431,068 ¹⁾	2,862,136
Legal reserve	12,321,442		1,215,306 ²⁾		10,000		13,546,748
Reserves in accordance with Cegebel S.A articles of association	166,498,878	-166,498,878					-
Investment reserve	142,998,878	-142,998,878 ⁴⁾ ⁵⁾					-
Reserve for contractual obligations	19,000,000	-19,000,000 ⁵⁾					-
Reserve for supplies of uncertain quality	500,000	-500,000 ⁵⁾					-
Reserve for commitments in the field of alternative and renewable energy and cogeneration	4,000,000	-4,000,000 ⁵⁾					-
Other reserves :	65,815,216	-30,310,216			9,500,000	-6,255,000	38,750,000
Special reserve	30,310,216	-30,310,216 ⁵⁾					-
Blocked reserve	35,505,000				9,500,000 ²⁾	-6,255,000 ²⁾	38,750,000
Profit brought forward	939,729	-15,846,118 ⁵⁾	21,875,510 ²⁾			-3,245,000	3,724,121
Profit for the year	24,306,122		-23,090,816 ²⁾	47,710,524		-1,215,306 ²⁾	47,710,524
Total	414,418,128	-240,000,750	-	47,710,524	46,612,000	-12,146,374	256,593,529

1) Amortisation of revaluation reserve (see Notes 5 and 13).

2) Decision of the Ordinary General Meeting of Shareholders of 12th May 2009.

The legal reserve comprises a mandatory allocation amounting to at least one-twentieth of the net profits for the year, up to a ceiling of one-tenth of subscribed capital. This reserve is not available for distribution.

The special reserve includes unclaimed dividends.

The amount allocated to the blocked reserve is equal to five times the wealth tax credited against the corporate income tax liability for financial years before 2004, and to the amount of the wealth tax credit for each financial year thereafter.

The total reserve amounts to EUR 38,750,000, and breaks down as follows : EUR 6,750,000 for 2004, EUR 6,500,000 for 2005, EUR 7,000,000 for 2006, EUR 9,000,000 for 2007 and 9,500,000 EUR for 2008. The amount allocated for 2003, EUR 6,255,000, was released to retained earnings as at 31 December 2009 (Note 14).

3) Decision of the Extraordinary General Meeting of Shareholders of 1st July 2009 : Integration of gas grid activities of Soteg S.A. against emission of 775,000 new shares for EUR 15,500,000 and a share premium of EUR 21,602,000.

4) Decision of the Extraordinary General Meeting of Shareholders of 13th January 2009 : distribution of an extraordinary dividend of EUR 100,000,750. The distribution of this dividend was agreed upon as part of the buyout of Creos Luxembourg S.A. by Enovos International S.A..

5) Decision of the Extraordinary General Meeting of Shareholders of 30th September 2009 : distribution of an extraordinary dividend of EUR 140,000,000.

Note 10 – Provisions for pensions and similar obligations

Under a supplementary pension scheme, Creos Luxembourg S.A. has contracted a defined benefit scheme for staff who entered service before January 1st, 2001. The company is committed to pay a lump sum on the retirement of each employee. The amount reported in the balance sheet is based on the following assumptions :

- retirement age taken into account for financing : 60 years
- yearly discount rate of 4.2 %
- estimated wage at time of retirement.

Actuarial profits and losses are immediately recognised in the income statement.

In addition, in a defined contribution pension scheme for staff who entered service after 1 January 2001, the company pays a contribution to an insurance company that is recorded under expenses for the year. For 2009, expenses for the defined contribution pension scheme amount to EUR 418,765 (2008 : 329,897).

Note 11 – Amounts owed to affiliated undertakings

Enovos International S.A. granted a loan to Creos Luxembourg S.A. of an amount of EUR 85,000,000. The loan is bearing interests at market rates.

Note 12 – Staff costs

	2009	2008
Employees	393	397

After restructuring, the company had 393 employees at the end of the year 2009.

Note 13 – Value adjustments in respect of tangible and intangible fixed assets

Value adjustments booked to the income statement break down as follows :

	2009	2008
Value adjustments in respect of intangible fixed assets(see note 4)	121,772	342,325
Value adjustments in respect of tangible fixed assets(see note 5)	33,389,800	27,408,189
Depreciation of revaluation reserve(see notes 5 and 9)	-1,431,067	-1,431,068
	32,080,505	26,319,446

Note 14 – Tax on profit from ordinary activities

Creos Luxembourg S.A. is subject to all taxes applicable to companies in Luxembourg and the tax provisions have been provided in accordance with the relevant laws. In accordance with Paragraph 8a of the Law dated October 16, 1934 as amended, Creos Luxembourg S.A. will opt for the reduction of the net wealth tax due for the year 2009 by setting up a special reserve equal to five times the amount of the net wealth tax reduced. Provisions for taxation on the liabilities side of the balance sheet cover preceding years from 2006 to 2008. For 2009, a tax receivable of an amount of EUR 215,897 is recorded under the caption “other receivables”.

Note 15 – Net turnover

Net sales for 2009 break down as follows :

	2009	2008
	€	€
Energy sales and accessories for the supply of energy	-	296,806,724
Sales grid power	113,841,884	-
Sales grid gas	14,960,779	-
Other revenue	28,314,803	15,202,879
Total	157,117,467	312,009,603

In 2008, energy sales included both energy sales and transportation fees, the latter being paid to Cege-
del Net S.A.. In 2009, as the sales activities have been transferred to Enovos Luxembourg S.A, sales grid
power and gas only include transportation fees.

Note 16 – Other operating income

Other operating income in 2008 mainly covered the provision of services to Cege-
del Net S.A..

Note 17 – Income from participating interests with regard to affiliated undertakings

This caption includes in 2009 the revenue realised from the disposal of the participation in Watt Re S.A., a
reinsurance company for an amount of EUR 19,077,244 and the dividend paid by Cege-
del Net S.A. for an amount of EUR 2,236,063.

Note 18 – Remuneration paid to members of the administration and supervisory bodies

Remuneration paid to members of the administration and supervisory bodies totalled EUR 438,094 (2008 : EUR 1,782,918). No advances or loans were granted to members of the administration and supervisory bodies, nor was any commitment undertaken on their behalf in respect of any form of guarantee.

Note 19 – Off-balance-sheet commitments

There is a disagreement over the invoices that have been issued by RWE Transportnetz Strom GmbH to Cegedel Net S.A. (merged in 2009 into Creos Luxembourg S.A.) since January 2005 corresponding to the transmission in Germany of quantities concerning electricity supply from Twinerg S.A. to Cegedel S.A.. Given that the contract concerning the supply from Twinerg S.A. to Cegedel S.A. signed on 21 January 1999 stipulates that the delivery conditions are either from the power plant terminal or free alongside the Luxembourg border, the management of Creos Luxembourg S.A. therefore believe that Creos Luxembourg S.A. does not owe the amounts invoiced by RWE Transportnetz Strom GmbH. The two parties are still debating the issue. The cumulative amount totalled EUR 9,831,351 as at 31 December 2009 (2008 : 9,831,851). These amounts were not taken into account during the respective financial years.

As from 1st January 2009, the transport costs due by Creos Luxembourg S.A. to RWE Transportnetz Strom GmbH according to an agreement signed on 12 November 2008 are reinvoiced to Twinerg S.A..

Note 20 – Post-balance sheet events

In March 2010, certain public shareholders of Luxgaz Distribution S.A. contributed their shares in Luxgaz Distribution S.A. in Creos Luxembourg S.A. . Enovos Luxembourg S.A. sold its 39.19 % participation in Luxgaz Distribution S.A. to Creos Luxembourg S.A.. It is then intended to integrate the Luxgaz Distribution grid activities in Creos Luxembourg S.A. and the Luxgaz Distribution sales activities in Enovos Luxembourg S.A.

Negotiations are currently ongoing with the City of Luxembourg regarding the integration of its grid activities in Creos Luxembourg S.A. and its energy sales activities in Enovos Luxembourg S.A.

4 Independent Auditor's report

To the Board of Directors of Creos Luxembourg S.A. (formerly Cegedel S.A.)

Report on the annual accounts

We have audited the accompanying annual accounts of Creos Luxembourg S.A. (formerly Cegedel S.A.), which comprise the balance sheet as at 31 December 2009 and the profit and loss account for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the annual accounts

The Board of Directors is responsible for the preparation and fair presentation of these annual accounts in accordance with Luxembourg legal and regulatory requirements relating to the preparation of the annual accounts. This responsibility includes : designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Responsibility of the "réviseur d'entreprises"

Our responsibility is to express an opinion on these annual accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the "Institut des Réviseurs d'Entreprises". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts. The procedures selected depend on the judgment of the "réviseur d'entreprises", including the assessment of the risks of material misstatement of the annual accounts, whether due to fraud or error. In making those risk assessments, the "réviseur d'entreprises" considers internal control relevant to the entity's preparation and fair presentation of the annual accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the annual accounts.

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 annual accounts give a true and fair view of the financial position of Creos Luxembourg S.A. (formerly Cegedel S.A.) as of 31 December 2009, and of the results of its operations for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the annual accounts.

Report on other legal and regulatory requirements

The management report, which is the responsibility of the Board of Directors, is consistent with the annual accounts.

ERNST & YOUNG S.A.
Société Anonyme
Réviseur d'entreprises

Jeannot WEYER
Luxembourg, 21 April 2010

Energy in motion



Creos Luxembourg Annual Report is published in both French and English.
Only the English version may be considered the original; others are simply free translations.

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