

EIC Electricity SA
Investment Regulations

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INVESTMENT REGULATIONS

of

EIC Electricity SA

SECTION 1 - LEGAL AND STATUTORY BASIS

1.1 Based on Article 3 of the Articles of Association and Article 7 of the Complementary Listing Regulations for Investment Companies of October 13, 1997, issued by the Admission Board of the Swiss Exchange, the Board of Directors unanimously resolves to adopt the present Investment Regulations.

1.2 These Investment Regulations specify the Company's investment policy. They are made available to the public in Switzerland by EIC without cost.

1.3 Capitalized terms used in these Investment Regulations shall have the same meaning as defined in the Company's Listing Prospectus. More particularly, the following definitions shall apply throughout these Investment Regulations:

"Company" shall mean EIC Electricity SA.

"Investment Manager" shall mean EIC Management (Jersey) Ltd. and/or EIC Partners AG, Meilen.

"Power Company" shall mean a legal entity, enterprise, or a public law institution, or body (i) that receives some or all of its income from the Power Sector, (ii) that trades any form of electricity or heat contracts, futures and other derivatives, including options, or (iii) that services, manufactures

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| | systems or equipment, or provides other inputs for the production of electricity or heat. |
| "Power Project" | shall mean a specific project carried out in the Power Sector by one or more enterprises, whether Power Companies or not, including, but not exclusively, in the form of joint ventures, syndicates or conglomerates. |
| "Power Sector" | shall mean any sector relating directly or indirectly to the activities of production, marketing and/or directly or indirectly to the sale of electricity or heat or associated products and services. |
| "Shareholders" | shall mean holders of Shares from time to time. |
| "Shares" | shall mean Shares of the Company in bearer form of a par value of up to CHF 80 each. |

SECTION 2 - INVESTMENT OBJECTIVE AND POLICIES

2.1 The investment objective of the Company is to maximize long-term capital appreciation through investments in the Power Sector. The Company intends to achieve this objective through the investment of the Company's assets in (i) a diversified portfolio of securities issued by Power Companies, which are listed or traded on an organized market ("Listed Securities"); and/or (ii) in unlisted Power Companies or otherwise directly in Power Projects worldwide ("Private Equity"). The Company may invest in Listed Securities indirectly via other instruments, in particular open-ended investment funds in respect of which the Investment Manager acts as investment manager or investment adviser. In this event, these Investment Regulations shall apply on a transparent basis as if the Company had invested directly in the underlying Listed Securities. A preponderant part of the Company's assets will be invested in equity or equity-related securities. The Company may, within certain limits, also invest in debt instruments, privatization vouchers, sector commodities, emission rights, energy derivatives, such as electricity contracts, and/or any types of futures, swaps and options.

- 2.2 The Board of Directors will see to it that, under normal circumstances, the Company's assets are invested worldwide in a diversified portfolio, with an emphasis on securities of Power Companies or Power Projects in developed markets. The Company may also invest in Power Companies and Power Projects in emerging markets. In this case, investments in Power Companies and Power Projects which have a recognized foreign partner interested in the long term development of such Power Company or Power Project will in general be favored. Where such partner has a majority interest in such Power Company or Power Project, investments will only be made if there is a clear exit route for the Company. The Company's investment may be made either directly by the Company or indirectly through anyone of the Subsidiaries.
- 2.3 The Directors expect that the majority of the Company's investments will be long-term strategic stakes in the Power Sector. Other investments may be made with a short-term perspective in order to take advantage of specific trading opportunities. The Company will invest, as a rule, at all time a preponderant part of its assets in accordance with the investment policy set out herein. By way of exception, the Company may invest all or part of its assets in liquidities within the limits set out under "Temporary Investments" below.

SECTION 3 - EQUITY AND EQUITY-RELATED INVESTMENTS

- 3.1 To assess the various investment opportunities, the Company will use a variety of advanced financial techniques, including discounted cash flow analysis, correlation studies and option pricing models. In other areas, such as investments in emerging markets, where the data quality is poor and forecasts are less reliable, the stress will be on evaluating the qualitative factors. Factors to be taken into consideration when analyzing investments include:
- i. market positioning and competitive advantages;
 - ii. the strength, depth and commitment of the management team;
 - iii. the existence of a coherent and realistic long term strategy;

- iv. quality cash flows;
 - v. transparent presentation of financial results;
 - vi. commitment to shareholders;
 - vii. regulatory environment and political risks.
- 3.2 The Company will, where practical to do so and the size of the investment is significant, visit companies prior to making investment decisions. Although the Company will not normally seek representation on the Boards of Power Companies or Power Projects in which it invests, it may seek Board representation in smaller Power Companies or Power Projects where the Company's investment is a substantial part of the total capital issued. All investments will be actively monitored.

SECTION 4 - DEBT INVESTMENTS AND OTHER FINANCIAL INSTRUMENTS

- 4.1 Although the Company's object is to invest the majority of its portfolio in equity or equity-related investments, the Company may also, from time to time, invest in debt instruments issued by public and/or private Power Companies, such as bonds, bills, notes, certificates of deposit and other related debt instruments as well as in other financial instruments, in particular if such debt instruments and other financial instruments offer attractive means to acquire participations in companies, or where such holdings are expected to enhance the portfolio's return. Investments in debt instruments and other financial instruments will normally not exceed 25 per cent of the Company's total assets at the time of the acquisition.

SECTION 5 - TEMPORARY INVESTMENTS

- 5.1 The Company may place all or part of its assets in temporary investments for cash management purposes, pending investments of initial or subsequent subscription moneys in order to meet its operational expenses. In addition, the Company may in exceptional circumstances take a temporary defensive position when the Board determines in the Company's best interest that opportunities for capital

appreciation are limited, or that significant diminutions in value within the electricity and heat securities markets may occur. Temporary investments include cash investments as well as debt and money market instruments issued by governments, financial institutions or companies and denominated in freely convertible currency.

SECTION 6 - OTHER INVESTMENTS AND TECHNIQUES

- 6.1 **Physical Commodities.** The Company may from time to time identify opportunities with potential to enhance earnings by trading in, or financing the processing of, physical commodities used in or otherwise related to the Power Sector. Although not a physical commodity, this includes any type of electricity or heat contract in all markets. The exposure resulting from such investments will not, under normal circumstances, exceed 15 per cent of the total assets of the Company at the time of acquisition, although as a temporary measure the Company may increase its exposure to physical commodities up to 25 per cent of the total assets of the Company.
- 6.2 **Derivatives.** The Company may seek from time to time to hedge through the defensive use of derivatives (including futures, options and swaps) all or part of the risks to which it is exposed, including interest rate, currency or commodity risks, or risk relating to the fluctuation of the value of investments.
- 6.3 **Leverage.** In order to achieve its investment objectives, and within prudential standards, the Company may from time to time make use of various forms of leverage to maximize the return to Shareholders, including short or long term borrowings or the use of futures, options and/or swaps in a manner commensurate with reasonable risk management.
- 6.4 **Short Sales.** The Company may from time to time enter into short sales agreements as a defensive measure and in a manner commensurate with reasonable risk management, if deemed appropriate by the Board under the prevailing economic conditions in the Power Sector. The Company will, as a rule, not make short sales for speculative purposes.

- 6.5 Securities Lending. The Company may from time to time enter into securities lending transactions as a means of efficient financial management, provided that such securities lending transactions are made within a standardized lending system organized by a recognized securities clearing institution or by a highly rated financial institution. The Company will see to it that it receives adequate securities or guarantees until termination of the lending agreement.

SECTION 7 - INVESTMENT RESTRICTIONS

- 7.1 For the purposes of the diversification of the Company's portfolio, the Company will, under normal circumstances, not:
- i. invest more than 30 per cent of the Company's total assets at the time of their acquisition in securities issued by the same Power Company, or in the same Power Project;
 - ii. invest more than 50 per cent of the Company's total assets at the time of their acquisition in investments in which the Power Company's interest amounts to 49 per cent or more of the aggregate equity capital;
 - iii. invest more than 50 per cent of the Company's total assets at the time of their acquisition in debt investments, or in other financial instruments, which are not directly related to equities. By way of exception and on a temporary basis, the Company may (a) increase its investments in debt securities and other financial instruments up to 30 per cent of the Company's total assets, and (b) make investments without limitations by purchasing bonds, notes or other negotiable instruments issued by member states of the OECD, federal agencies thereof, the International Bank of Reconstruction and Development or other agencies of the United Nations and agencies of the European Union or any of its member states;
 - iii. invest, under normal circumstances, more than 75 per cent in the aggregate in investments referred to under (ii) and (iii) hereof.

- 7.2 If the restrictions set-out above under (i) and (vi) are exceeded as a result of the exercise of rights attached to investments or for any reason other than the purchase of investments (e.g. through capital reductions or market or currency fluctuations), no remedial action will be required.

SECTION 8 - CHANGE OF INVESTMENT POLICIES

- 8.1 The Company's Investment Policies and Restrictions may be amended by the Board of Directors at any time, in whole or in part. The Company may from time to time impose further investment restrictions, as shall be compatible with or in the interest of the Shareholders. The Shareholders will be informed of any such change in the Company's Investment Policies and Restrictions forthwith by way of publication in the Swiss Commercial Gazette as well as in one newspaper in Geneva and in Zurich. Amendments will become effective not earlier than one calendar month after the date of their publication. The Board of Directors will specify in such publications the effective date of any amendment to the Company's investment objective and policies.

SECTION 9 - EFFECTIVE DATE

- 9.1 These amended Investment Regulations shall become effective on June 2, 2003.

Geneva, April 25, 2003

EIC Electricity SA



Peter Giller
Chairman of the Board of Directors



Dr. Dominique Candrian
Chief Executive Officer