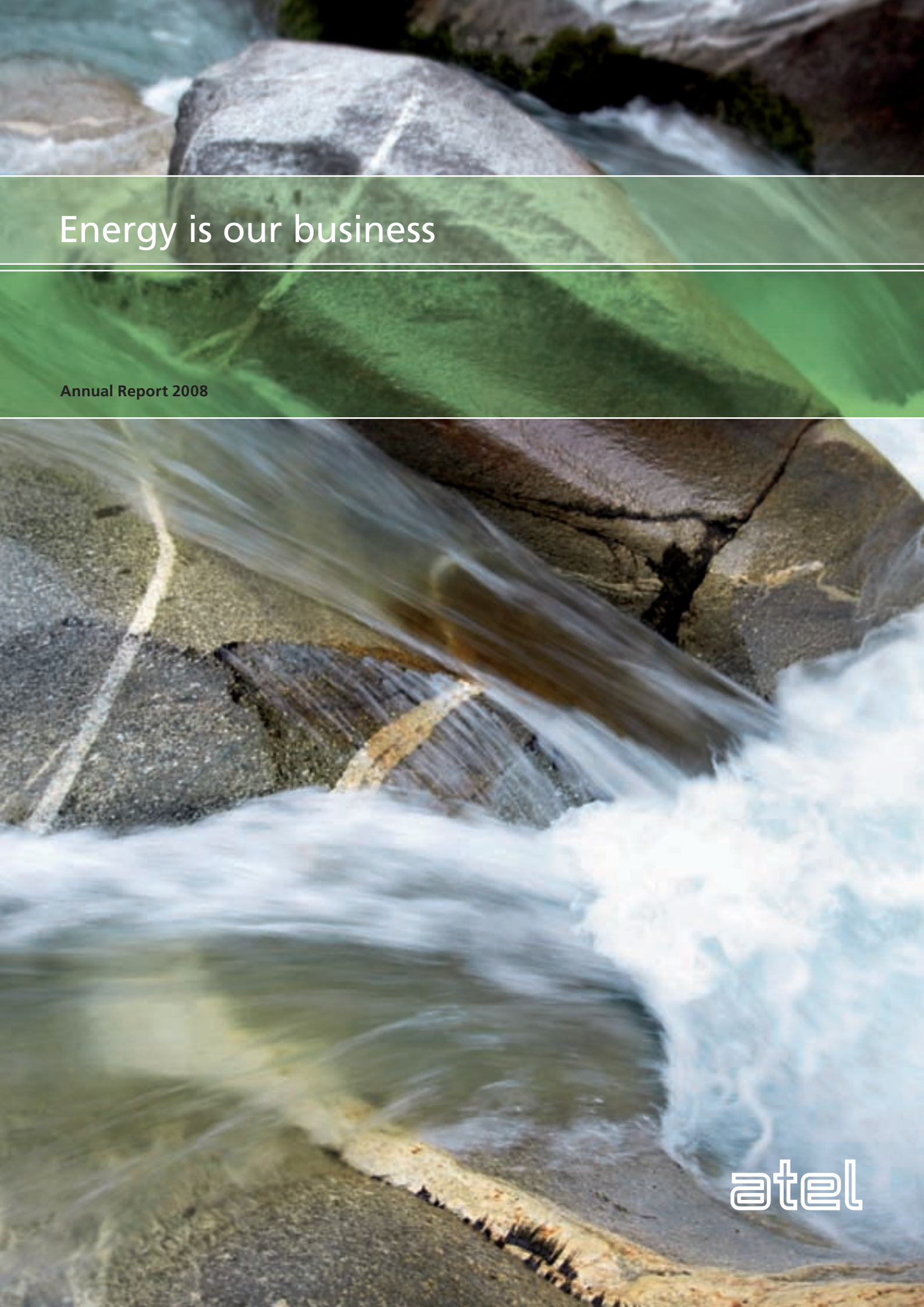
Energy is our business

Annual Report 2008



atel

As a leading energy services provider operating throughout Europe, Atel generates, trades and sells electricity, and also provides a broad range of energy services covering all aspects of energy and its applications.

Subsidiaries and branches

- Energy segment
- Energy Services segment
- Power generation
- Electricity sales and trading (exchanges/OTC market)

Atel is an energy company that is active throughout Europe with strong roots in Switzerland. Energy has been Atel's core business for more than 110 years. Its activities in the field of power generation, trading, sales and energy services are supported by pan-European partnerships built on mutual trust. Atel acts with social responsibility, ever-mindful of the needs of customers, shareholders, employees and the community alike.

Atel Group

	+/– variance 2007–2008 in % (based on CHF)	2007 CHF million	2008 CHF million	2007 EUR million	2008 EUR million
Energy sales (TWh)	–25.2	128.841	96.328	128.841	96.328
Net revenue	–4.1	13452	12897	8187	8127
Energy	–6.9	11505	10712	7002	6750
Energy Services	14.4	1959	2242	1192	1413
Earnings before interest, tax, depreciation and amortisation (EBITDA)	2.2	1253	1281	763	807
Depreciation	–12.9	–248	–280	–151	–176
Earnings before interest and tax (EBIT)	–0.4	1005	1001	612	631
as % of net revenue		7.5	7.8	7.5	7.8
Group profit	–5.8	778	733	474	462
as % of net revenue		5.8	5.7	5.8	5.7
Net investments	77.7	591	1050	360	662
Total equity	5.8	3621	3830	2188	2579
as % of total assets		38.6	36.2	38.6	36.2
Total assets	12.6	9381	10566	5668	7115
Employees*	10.1	9034	9944	9034	9944
plus trading in standardised products					
in TWh	–35.9	220.115	141.191	220.115	141.191
in CHF million or EUR million	–26.8	15885	11627	9668	7326

* Average number of full-time equivalent employees

Per share information

	+/– variance 2007–2008 in %	2007 CHF	2008 CHF
Nominal value		20	10
Share price at 31.12.	–11.6	605	535
High	26.4	605	765
Low	1.3	371	376
Net profit	–10.5	38	34
Dividend*		–	10
Reduction of nominal value		10	–

* Proposal to the Annual General Meeting of 23 April 2009

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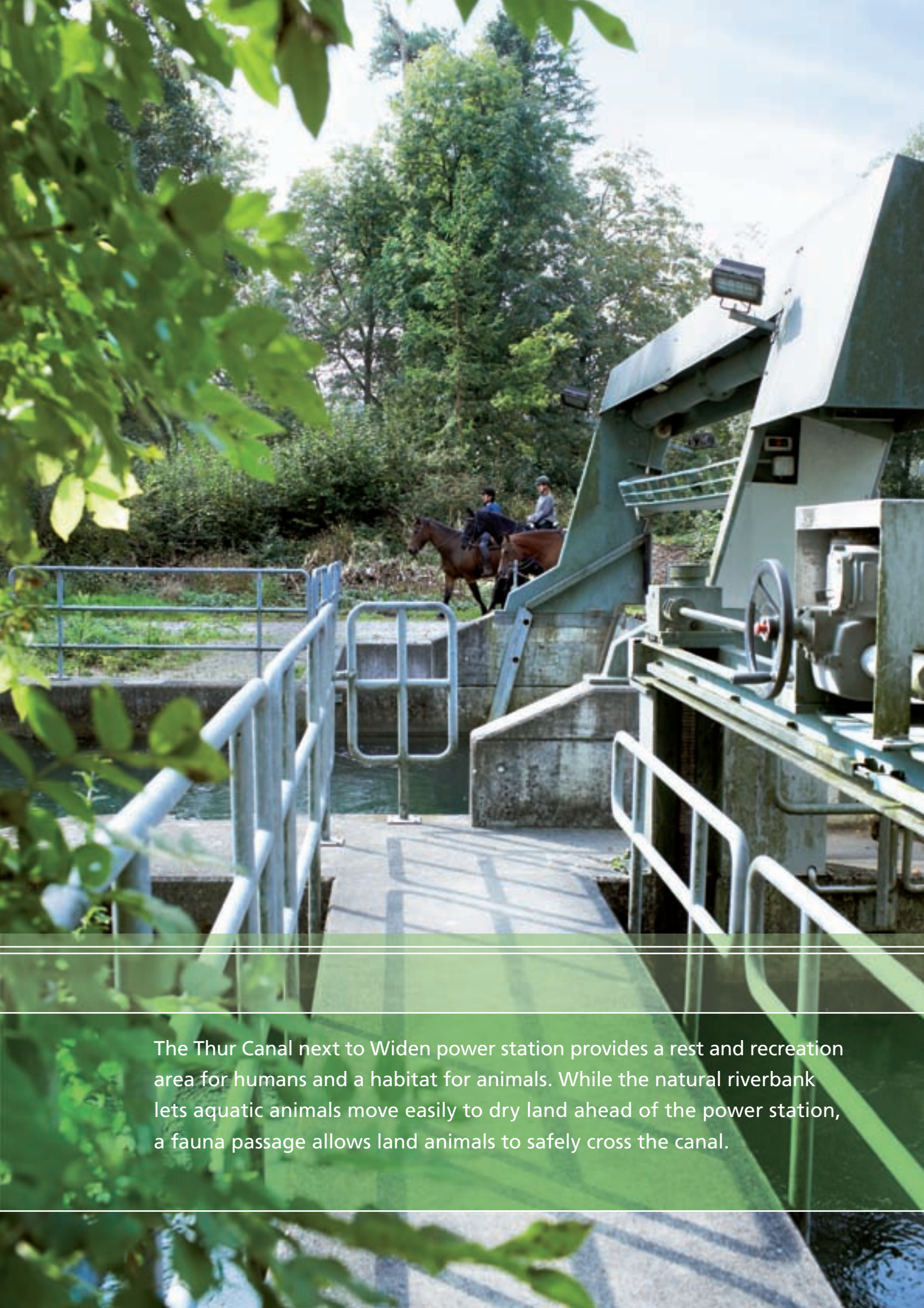
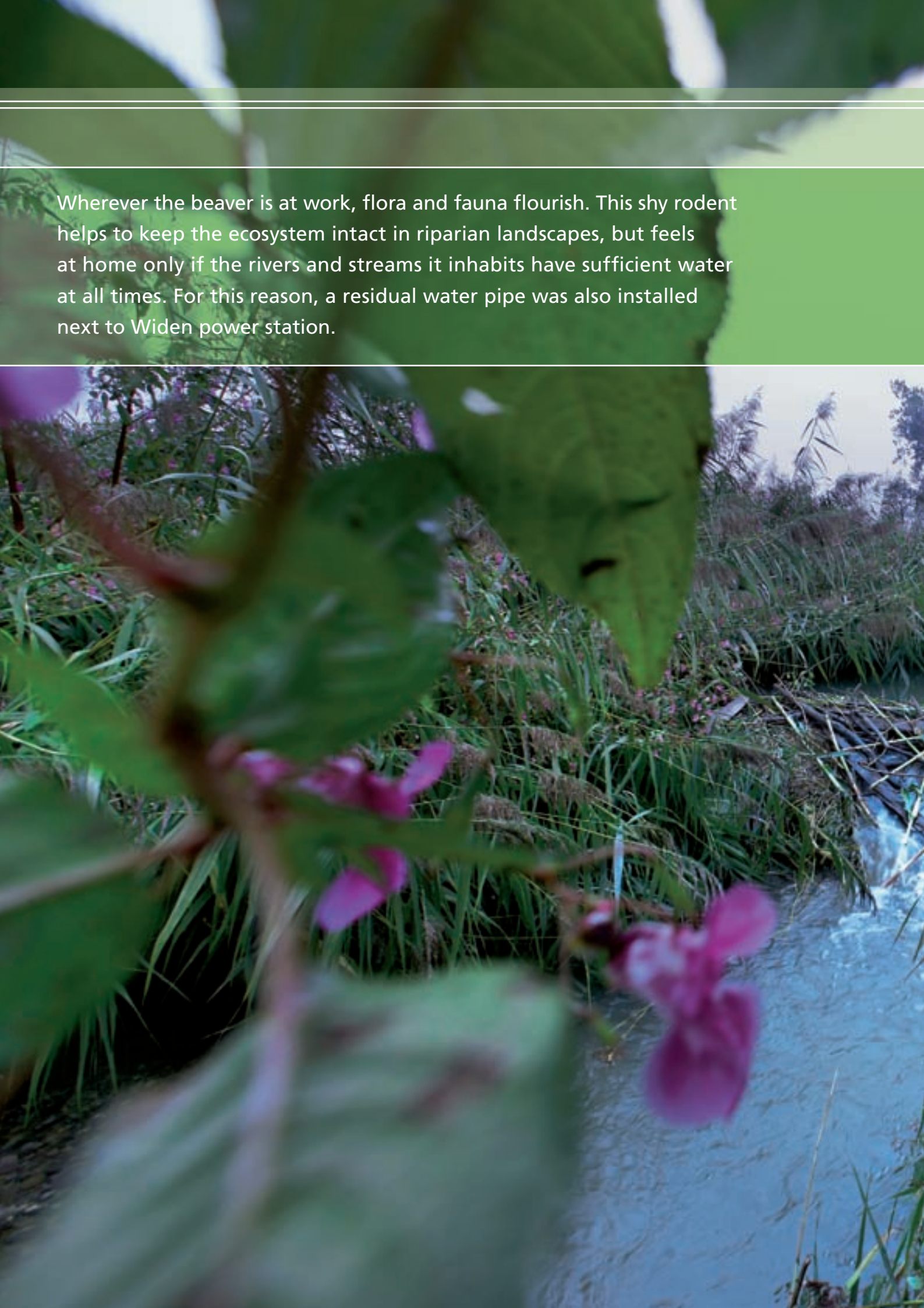
Financial Report (separate section)

Weinfelden, Switzerland

Having undergone canalisation followed by natural regeneration, the River Thur is once more accessible to the public and to the local fauna, and offers adequate protection against flooding. A broad course, well-wooded banks – some steep, some flat – and a variety of changing currents and natural gravel beds combine to create a landscape that is rich in diversity, where not only the number of wading birds has increased, but also the former riparian forests are enjoying a new lease of life. And even the beaver, which only two centuries ago was extinct in Switzerland, feels at home in Thurgau once again. The area surrounding the Thur Canal and its tributaries now provides a habitat for more than 200 beavers, whose industrious building of canals and dams clears groves, letting in more sunlight and in so doing helping to promote biodiversity. This is also Atel's aim. Through Atel EcoPower, the company has a stake in Wasserkraftwerke Weinfelden AG, which operates the three small hydroelectric power stations of Widen, Model and Mühle on the Thur Canal, harnessing the waters of what was once a wild stream to generate around 10 GWh of electricity per year: enough to meet the power requirements of 3,000 households. Three more small hydroelectric stations that Atel plans to build on the Thur will supply another 1,000 households with electricity.

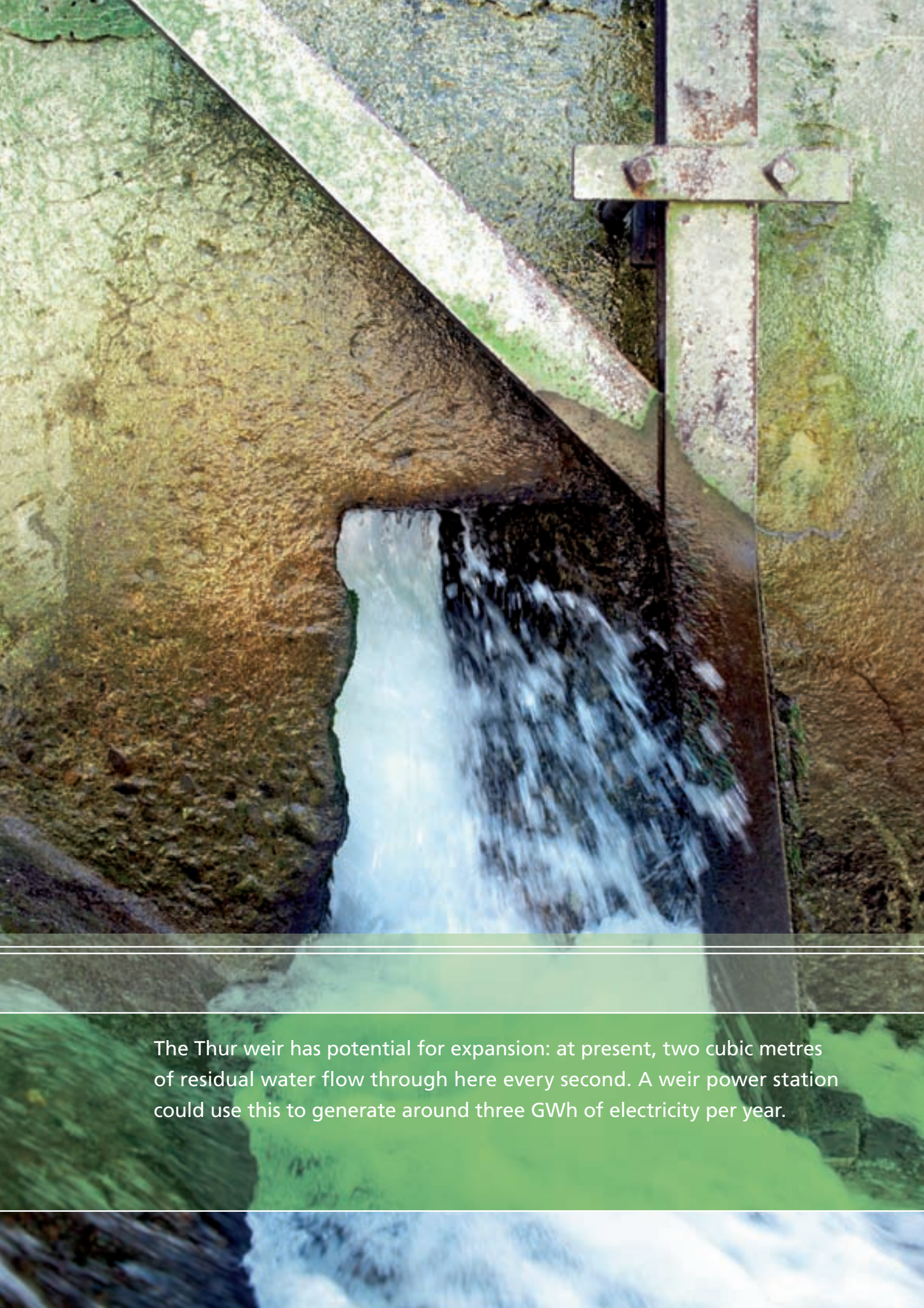


The Thur Canal next to Widen power station provides a rest and recreation area for humans and a habitat for animals. While the natural riverbank lets aquatic animals move easily to dry land ahead of the power station, a fauna passage allows land animals to safely cross the canal.



Wherever the beaver is at work, flora and fauna flourish. This shy rodent helps to keep the ecosystem intact in riparian landscapes, but feels at home only if the rivers and streams it inhabits have sufficient water at all times. For this reason, a residual water pipe was also installed next to Widen power station.

During maintenance work on the tributaries of the Thur, all fish are caught and released back into the river. Water officer Hanspeter Zwahlen (right), who is responsible for maintenance at the three power stations, helps cantonal fisheries officer Markus Grünenfelder with the “electrical catch”.



The Thur weir has potential for expansion: at present, two cubic metres of residual water flow through here every second. A weir power station could use this to generate around three GWh of electricity per year.

Dear Shareholder,

For years, Atel's business performance has been on the rise, driven by growth in revenue, profit and shareholder value, as well as satisfied customers, shareholders and employees. This gratifying trend is the result of a carefully crafted business policy and forward-looking corporate decisions. But a particularly favourable operating environment, marked by rising affluence, increasing demand for energy and booming markets, has also played its part. Unfortunately, however, this paradise was short-lived, and in 2008 financial and economic conditions took a marked turn for the worse, as massive profits turned into severe losses overnight and banks turned to the state for bailouts. Around the world, rescue packages costing thousands of billions of francs were put together. Inevitably, energy and raw materials markets were caught up in this trend as the price of crude oil plummeted from an all-time high of more than 140 dollars in July to less than 50 dollars (down to the 2004 level) at the year end.

While Atel's results for the year are slightly below expectation as a consequence of this changed situation, they nevertheless remain close to the high level recorded in the previous year. So, all things considered, the results are highly satisfactory and we are duly proud of them. The prospect of sustained long-term growth, albeit at a slower pace, remains intact. On behalf of the Board of Directors, I would like to thank the Executive Board under CEO Giovanni Leonardi and the 10,000-plus employees at Atel for their daily dedication and valuable contribution to our company and all the values it embodies.

In my letter to you in last year's Annual Report, I wrote: "Climate, shortages and competition were the core issues dominating the year under review. These three issues also dictate the boundary conditions for Atel's development over the next few years." Does this still hold true against the changed backdrop of an emerging slowdown in economic growth? I believe it does.

Climate: climate is subject to longer cycles than the economy. Hence the long-term trend towards rising greenhouse gas emissions remains unaffected by short-term financial and economic cycles. Fossil-fuel-based generation of electricity accounts for a not insignificant share of CO_2 emissions, and there is still a need for action in this area. But now, climate policy – which a year ago was still the main engine driving global politics – is

increasingly having to jostle for position with financial and economic policy priorities. As a result, ambitious climate objectives risk lagging even further behind the actual trend in greenhouse gas emissions. This is bad news not only for the climate, but also for the credibility of policymakers, who must strive to do more than merely salve a bad conscience. Hence the electricity industry's responsibility and commitment towards people and the climate is more important than ever. Mindful of this, Atel stepped up its investments in renewable energies again during the year and founded Atel Eco Services AG, reinforcing its resolve to build an even stronger position rapidly and sustainably in the growing energy efficiency market.

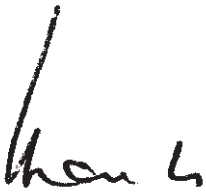
Shortages: coal, oil and gas have come down in price again, making them more cost-effective once again for use in generating electricity – with consequences that cut both ways. The long-term prospect of electricity shortages will not change. Fossil fuel resources will decline rather than increase. Electricity will also remain in short supply over the long term. At the same time, rising demand will outstrip supply as generation and transmission capacities are gradually stretched to the limit. There is one direct way of turning energy shortages into energy security. The task facing all countries is to ensure a sufficient volume of domestically produced electricity. They must have sufficient resources at their disposal to meet the demand for base load and peak energy reliably, cost-effectively and ecologically on their own. Independence from electricity imports will increase their leverage and help to keep electricity prices down.

With this in mind, the Swiss Federal Council has defined its energy policy priorities for Switzerland placing focus, among other things, on preserving hydroelectric power and building new large-scale power stations. In line with this, Atel has submitted a general licence application for a new nuclear power station in Niederamt and, together with the Swiss Federal Railways (SBB), is constructing a pumped storage station in Nant de Drance. These projects will open up new horizons for us in the medium and long term.

Competition: liberalisation has paved the way for a competitive electricity market throughout Europe. But hopes that this would result in cheap electricity prices have not been fulfilled. On the contrary, the new regulations have driven electricity prices up, also prompting political intervention here in Switzerland. But now, there are hopeful indications that legislative volatility can be constrained, and that politicians and business leaders will join forces to keep electricity prices down without compromising the fundamental principles of a free electricity market. Atel is interested in constructive, viable solutions. We are convinced that close collaboration between politicians and business leaders – a well-established tradition in Switzerland – will lead to success throughout Europe.

The merger between Atel and EOS gained further momentum during the year under review, with a simplified shareholder structure, comprehensive evaluation of both partners and a newly defined organisation paving the way for the definitive merger that took place at the beginning of 2009.

The merger of Atel and EOS to create Alpiq, the new Swiss electricity group with a consolidated home base and an outstanding European network, marks the end of my term as the last Chairman of the Atel Board. The disappearance of this tradition-rich company name after 115 successful years brings an important chapter in the history of Swiss industry to a close. But this does not mean the end of Atel, which lives on in another form. It is with a mixture of pride and sadness that I hand the keys over. I wish the new company Alpiq and my successor all the best and many successful years in the service of energy security for our country and for Europe.



Rainer Schaub
Chairman of the Board of Atel Holding Ltd

Giovanni Leonardi, CEO of Atel Holding Ltd (since 1 February 2009, CEO of Alpiq Holding Ltd.)

Pole position for Alpiq

During the year, Atel forged ahead with expanding its power generation portfolio and made further important acquisitions. Following intensive preparations, the transaction agreements for the merger with EOS were signed at the year end. Together with EOS, Atel is now ideally positioned to score yet more successes as the leading Swiss energy company geared towards Europe. Giovanni Leonardi, Atel CEO, reviews the year and takes a look ahead.

Mr Leonardi, 2008 was a turbulent year for the economy. How did Atel do against this backdrop?
Atel achieved solid results in a challenging market environment, thanks to good production performance and successful sales activities. The Energy Services segment deserves special mention in this context. 2008 was a record year in every respect for Atel Installationstechnik (AIT Group) and the GAH Group.

Group revenue was slightly down and operating profit was on a par with 2007, despite the rise in raw material and fuel prices in the first six months, followed by turbulence in the financial markets and fears of recession during the second half of the year.

How did the Central Europe division's markets fare in this increasingly challenging environment?
We were extremely successful in the German market. The markets in the north and south also chalked up positive results. Added to this, production figures were outstanding. By acquiring the Spreetal power station, Atel gained its first generation capacities in Germany. This combined cycle power station with an electrical capacity of 56 MW is currently undergoing conversion and is scheduled to resume electricity generation from as early as the summer of 2009. Capacity at the Csepel II power station in Hungary was increased by 14 MW to 403 MW. And a project is under way to upgrade the Kladno thermal power station in the Czech Republic. Finally, Atel expanded its wind power portfolio by acquiring Vetrocom, a project company which is planning to build a wind farm with 20 turbines in Bulgaria.

What about the Energy Western Europe division?
Atel is further expanding business operations in Italy and the Nordic countries. We have, for example, purchased a stake in energy company Moncada Energy Group S.r.l. The new joint venture, M & A Rinnovabili S.r.l., covers Moncada's wind and solar power plants in Italy. In Atel, Moncada now has a strong European partner for the sale of energy from renewable sources. In addition, Atel acquired Energiakolmio Oy in Jyväskylä, Finland's leading independent provider of portfolio management and energy services. And in mid-2008, construction work began on the two gas-fired combined cycle power stations in Bayet, France, (420 MW) and San Severo, Italy, (400 MW).

The liberalisation of the electricity market has provoked much discussion in Switzerland.
At the beginning of 2008, the Electricity Supply Act and Ordinance changed the framework for the Swiss power industry. For Atel this change involves higher costs and risks. So far, however, most customers with an annual consumption volume of more than 100 MWh appear to have remained with their existing suppliers, even though they are now free to choose their provider. The price discussion remained a hot topic right

up to the end of the year, and will continue to dominate the agenda in 2009.

Where does Atel stand in the electricity price debate?
We are working at various levels to find a sustainable solution that is acceptable to all parties. The Federal Council is already looking into proposals on ways to mitigate the unavoidable rise in costs. An evaluation of the electricity grids certainly offers major potential, since grid costs account for around one third of the electricity price.

In June 2008, Atel suddenly announced plans to build a new nuclear power station.
Atel supports Swiss energy security through innovation and investments. In line with this commitment, it submitted a general licence application for a new nuclear power station in Niederamt, Solothurn. There were several reasons behind this: firstly, the Federal Council's energy policy calls for existing nuclear power stations to be replaced or for new facilities to be built; secondly, Switzerland is heading inexorably for an electricity shortage; and thirdly, nuclear energy meets all the federal constitution's criteria governing energy supplies: energy security, climate protection and profitability. Preparations for the project are ongoing. At the same time we are conducting negotiations with potential partners. Atel is aiming for a broad-based partnership.

"Since the beginning of 2009, we at Alpiq have been supplying around one third of the Swiss population with electricity."

Transmission grids have been hardest hit by market liberalisation.
Yes, that's right. Added to this, responsibility for operation of the Swiss transmission grid was transferred to swissgrid in 2008. Atel is required by law to hand over ownership of the transmission system to swissgrid by the end of 2012. Until then, Atel Transmission Ltd. will continue expanding its system. At the end of November 2008, for example, the upgraded section of the 380 kV high voltage line between Lavorgo and Mettlen was put into operation on the Rigi.

How has production developed in Switzerland?
One important milestone was reached when the licences and construction permit were granted for the Nant de Drance pumped storage power station in the Valais. Preparations for construction are already under way. 2008 saw a second groundbreaking ceremony in the Valais for the Monthel combined heat and power plant.

What is Atel doing to protect the climate?
In Switzerland we aim to provide 20 per cent of the increase in new renewable energies stipulated by the Federal Council by 2030: sufficient to meet the annual electricity requirements of more than 200,000 households. With this in mind, we are focusing on the acquisition and construction of small hydroelectric power stations in Switzerland. Atel EcoPower Ltd. is currently working on around 100 projects related to renewable energies.

We have also implemented several projects in Europe. Two wind farms in Sicily were connected to the grid in 2008, and electricity generation started at small hydroelectric stations in northern Italy and Norway.

Energy efficiency is one of the cornerstones of the Federal Council's energy policy: What is Atel doing to promote this?

Demand for energy efficiency services has risen. Atel is heavily involved in this area – after all, our AIT workforce and parts of the GAH Group are specialists in energy efficiency. Last year, we formed Atel Eco Services AG, a provider of services that enhance energy efficiency in industrial plant engineering and technical facility management.

What are the priorities for the Energy Services segment?

The AIT Group has a high order backlog. During the year under review, the Group enjoyed further growth, with acquisitions in Italy, the Swiss plateau (Mittelland) and Western Switzerland.

In 2008, the GAH Group won contracts for important large projects. It was selected to install the cabling for the world's largest offshore wind farm in the North Sea off Germany. And it is responsible for installing the heliostat field and 60-metre high solar tower at Germany's first solar tower power station. Moreover, the company's high-voltage overhead line construction activities have been reinforced by the acquisition of FBG-Freileitungsbau GmbH in Germany. Added to that, the Europe-wide investment boom in conventional large power stations has continued unabated.

How severely has volatility in the financial markets affected Trading & Services?

For Proprietary Trading, erratic market movements were the order of the day. During the second half of the year, prices dropped as swiftly as they had risen in the first six months. This trend mainly affected the primary energy sources of oil, gas and coal, and subsequently electricity prices as well.

The trading strategy for Asset Trading had to be continually adjusted since this unit, too, had to contend with major price movements and abrupt reversals of direction. Despite this strong volatility, Middle Office & Operations enjoyed a successful year and, following Atel's switch to the new Murex trading system in June, Asset Trading is also ideally equipped for the future.

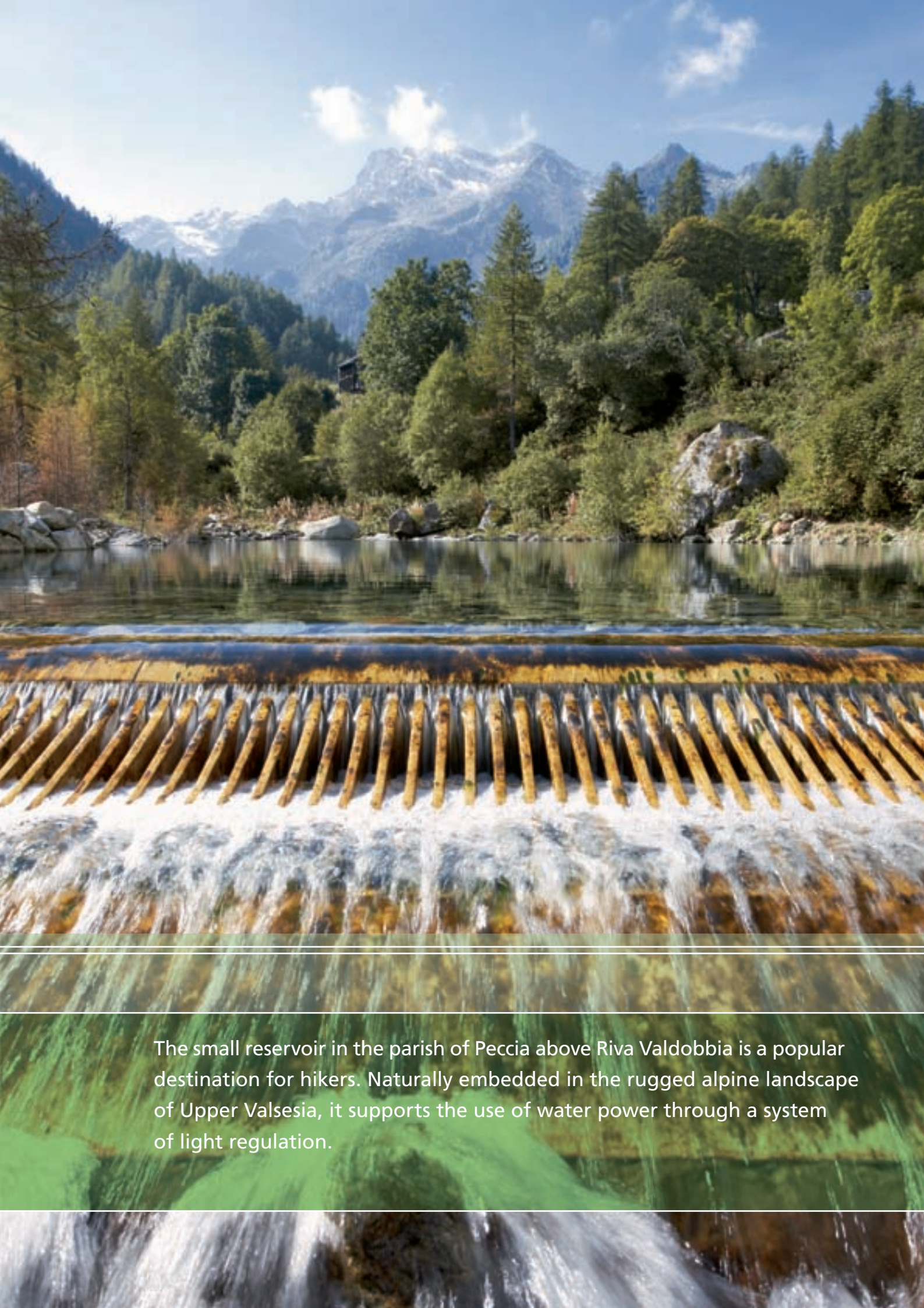
What's the focus for 2009?

In 2008, we made intensive preparations ahead of the merger with EOS. The transaction agreements were signed on 18 December 2008, following which both the public and key stakeholders were immediately informed. The merger under the umbrella of the new ALPIQ brand will continue to keep us busy in the current financial year, with focus mainly on the industrial and cultural integration of the companies.

We intend to further increase our production capacities across Europe, while promoting renewable energies and enhancing energy efficiency. In terms of electricity trading, we aim to expand the gas business. Nevertheless, in many areas we will feel the effects of the financial crisis and the economic trend.

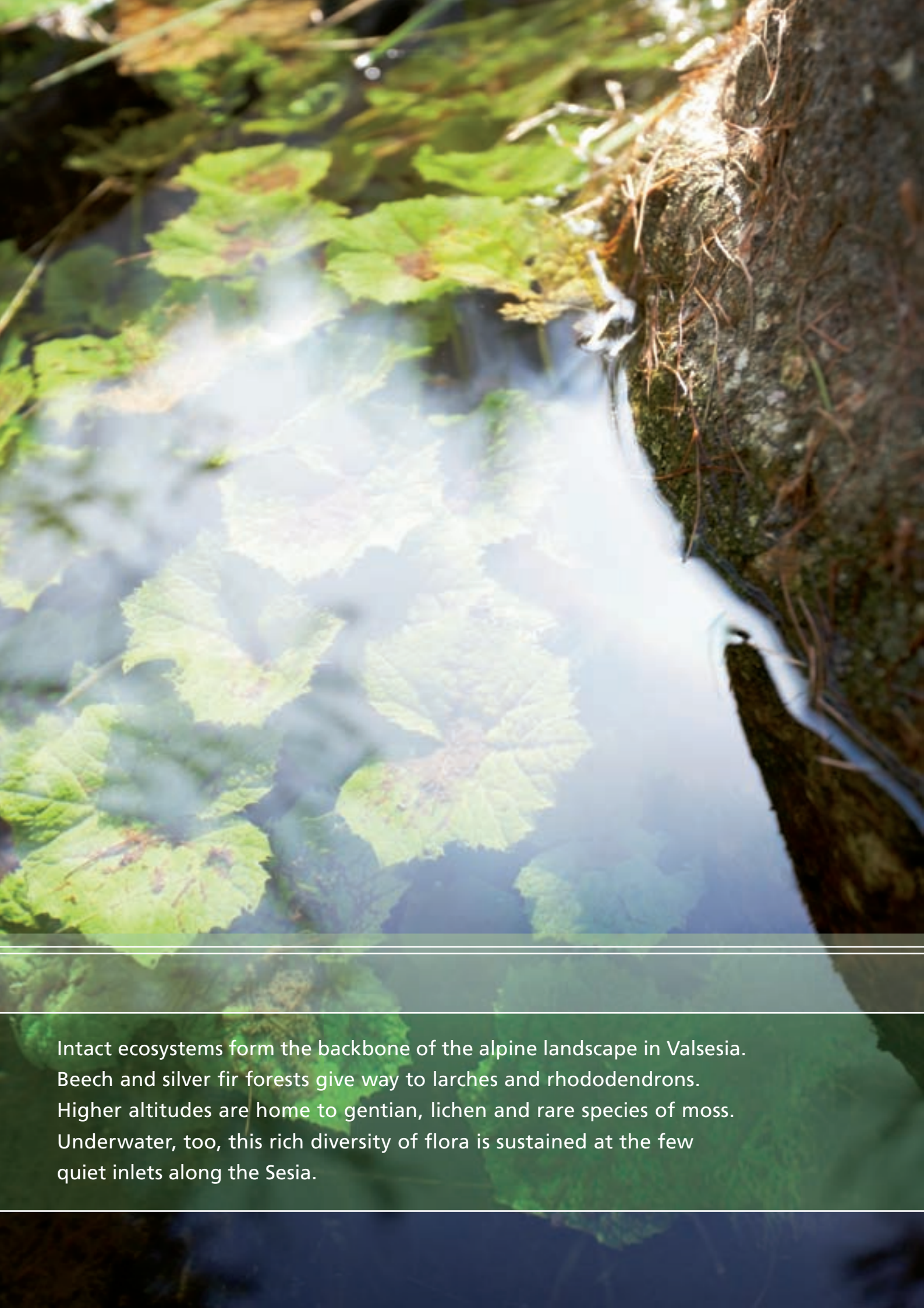
Valsesia, Italy

In northern Piedmont, below Monte Rosa and nestled in a deep cleft between the eastern peaks of the Aosta Valley, sits a forgotten part of Italy. Here the Walser – the Vallese population of German origins – once traversed the high mountains and passes and descended into the Valsesia Valley to farm this harsh alpine region. Woodcutters and cattle farmers from the Rhône Valley even settled in remote, virtually inaccessible alpine meadows, founding villages such as Rimella and Alagna. The culture and language of the Walser who migrated here 700 years ago still characterise Valsesia to this day. But the valley owes its name to the River Sesia, which flows through the alpine landscape before joining the River Po. Starting out as a glacial torrent, the clear waters of the Sesia are regarded by anglers around the world as the cradle of fly fishing. In the winter resort of Alagna, not far from the source, Atel is also harnessing the natural power of these waters. The Gestimi hydroelectric power station, with a capacity of 4 MW, produces 15 GWh of electricity per year, blending seamlessly into the landscape thanks to its typical regional architecture. Further down the valley, in Riva Valdobbia, the small recently built Idrovalsesia hydroelectric station generates around 13 GWh of electricity per year. Here, Atel is committed to sustainably managing the precious commodity of water, and in so doing helping to protect the climate and ensure economically viable use of renewable energies.

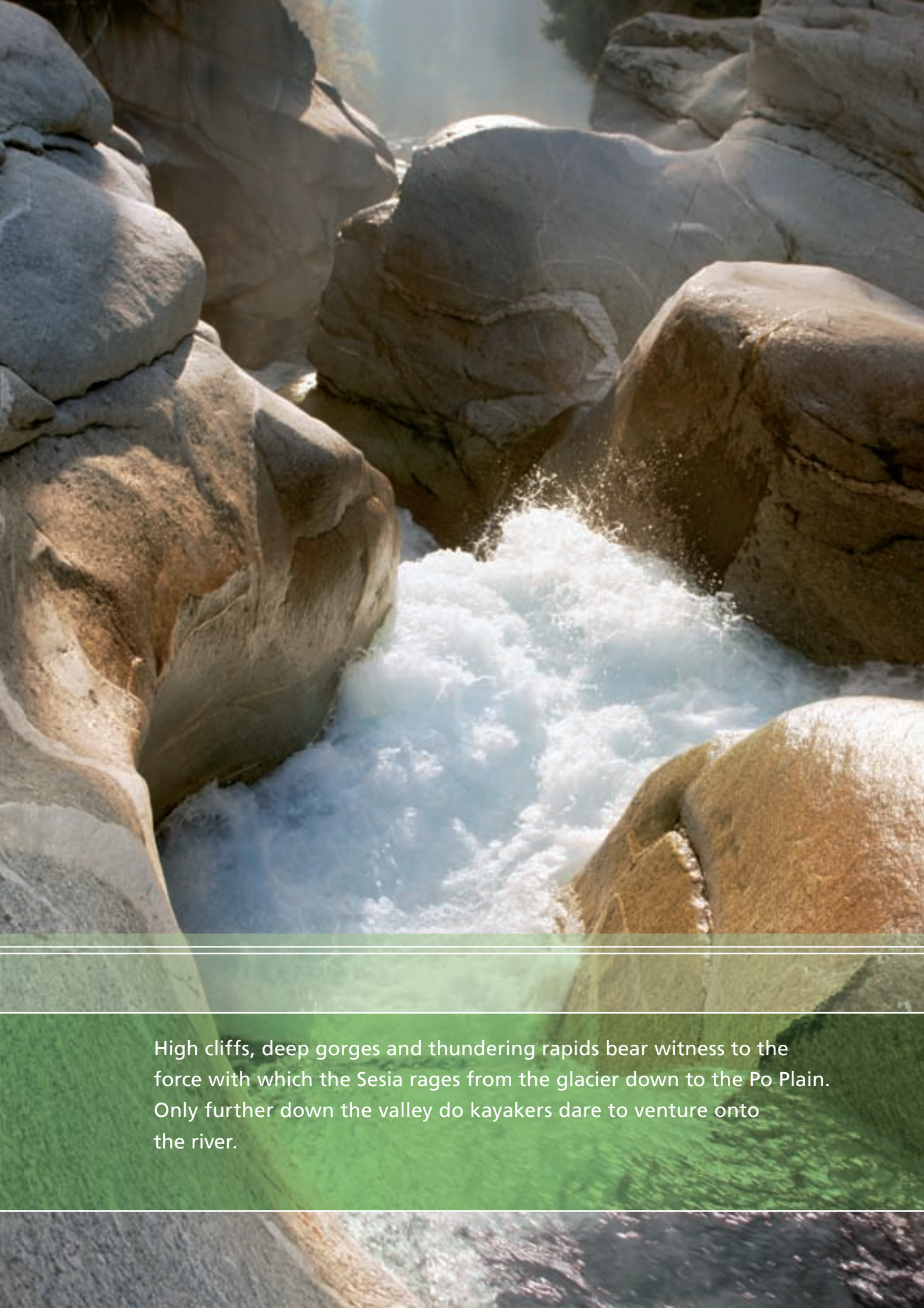


The small reservoir in the parish of Peccia above Riva Valdobbia is a popular destination for hikers. Naturally embedded in the rugged alpine landscape of Upper Valsesia, it supports the use of water power through a system of light regulation.

Ecotourism is also a feature of Varallo, the commercial centre and capital of Upper Valsesia. While Alagna serves as the gateway to one of Europe's largest ski regions, an extensive network of hiking trails attracts many a visitor to the unspoilt alpine meadows surrounding the villages along the valley floor.



Intact ecosystems form the backbone of the alpine landscape in Valsesia. Beech and silver fir forests give way to larches and rhododendrons. Higher altitudes are home to gentian, lichen and rare species of moss. Underwater, too, this rich diversity of flora is sustained at the few quiet inlets along the Sesia.



High cliffs, deep gorges and thundering rapids bear witness to the force with which the Sesia rages from the glacier down to the Po Plain. Only further down the valley do kayakers dare to venture onto the river.

Highlights of the 2008 financial year

In many ways, the 2008 financial year was dominated by the preparations for Atel's merger with EOS. A number of additional measures enabled Atel to strengthen its position in Europe, demonstrating its innovativeness in addressing customer needs and environmental issues.

New Swiss powerhouse

Mission accomplished at the year end: having signed the transaction agreements on 18 December 2008, Atel announced the merger with EOS at the beginning of 2009. The new company will operate under the ALPIQ brand. The event signals the creation of the leading Swiss energy provider geared towards Europe. Under the terms of the transaction agreements, EOS Holding will transfer its activities and assets to the new company and, in return, receive shares in Atel Holding Ltd (now renamed Alpiq Holding Ltd.) and an adjustment payment. The principal shareholders of Alpiq are a consortium consisting of EOS Holding, the consortium of minority shareholders in Atel (with a share of 31 per cent each) plus a strong international partner, EDF of France, with a 25 per cent stake. EDF's contribution to Alpiq Holding Ltd. comprises all the energy purchase rights related to its 50 per cent stake in the Emosson storage power station. The operating units – virtually all of the 200-plus subsidiaries and facilities – will be renamed in 2009 and 2010. Alpiq operates across Switzerland and Europe, with offerings ranging from electricity generation, transmission, distribution and trading to a broad portfolio of energy services. The company employs more than 10,000 people in 29 countries across Europe. As the number one provider of energy services in Switzerland, Alpiq is responsible for approximately one third of the nation's electricity supplies.

113th Annual General Meeting

At the 113th Annual General Meeting held in Olten on 24 April 2008, shareholders of Atel Holding Ltd (Atel Group) voted in favour of all the Board of Directors' proposals. The 507 shareholders who attended (representing 94 per cent of shareholder votes) approved the financial statements and discharged the Board of Directors from liability. Shareholders also voted in favour of the Board of Directors' proposal for a capital reduction of CHF 218 million in the form of a reduction in

Alpiq – the number one in Switzerland

ALPIQ

The Neumayer III polar research station in the Antarctic

© Alfred-Wegener-Institut

nominal value from CHF 20 to CHF 10 per share. This gave shareholders the benefit of double the dividend distributed in 2007.

Long-term energy security

In June 2008, Atel submitted a general licence application to the Swiss Federal Office of Energy (SFOE) for the construction of a new nuclear power station in Niederamt, Solothurn. This is an ideal location in several respects. From a technical standpoint, it offers the best conditions in terms of space, grid connectivity and cooling. Moreover, for decades Atel has enjoyed a positive working relationship with the local authorities and population. Given the emerging shortage of electricity supplies, the Atel project will make an important contribution to ensuring long-term energy security in Switzerland. This is consistent with the Swiss government's energy policy which, in addition to promoting renewable energy and enhancing efficiency, provides for the replacement of nuclear power stations or construction of new facilities. Mindful of the fact that the construction of the new nuclear power station in Niederamt will require broad-based support, Atel is committed to securing additional partners for this project.

Power plant for the Antarctic

Atel subsidiary Kraftanlagen Hamburg GmbH has won a unique contract to design, build and test a first-class unit heating power plant for Germany's new Neumayer III research station in the Antarctic. The unit heating power plant consists of three diesel engines and an emergency unit of the same type: all special designs based on marine diesel engines. In addition to reliability, the priority is on a simple, clear layout in order to facilitate servicing as far as possible. Kraftanlagen Hamburg designed the plant with a view to extremely high availability. The design of the waste heat exchangers is also a compelling solution. Small and compact, they help to optimise the use of space at the Antarctic station. The new Alfred-Wegener Research Station for Polar and Oceanic Research acts as a scientific observatory for geophysics, meteorology and atmospheric chemistry measurements as well as a base for summer expeditions. The scientists also use an infrasound measuring station as part of the international monitoring system of the Comprehensive Nuclear Test Ban Treaty Organisation.

World's largest offshore wind farm

An offshore wind farm currently being constructed in the North Sea is setting two new records: firstly, at around 120 kilometres distance from Germany's North Sea coast, it is the most remote offshore wind farm. Secondly, even in its initial 400 MW configuration, it is the world's most powerful wind farm in terms of capacity. Atel Group subsidiary GA Energieanlagenbau Nord GmbH has been awarded the contract to build a high-voltage grid connection route. Leading the cabling through sensitive embankment, nature conservation

New nuclear power station for Niederamt, Solothurn

© Kernkraftwerk Gösgen-Däniken AG

and tourist regions poses a special challenge, but GA Energieanlagenbau Nord is highly experienced in implementing such projects quickly and ecologically. The company has come up with an innovative solution for the underwater duct below the River Ems and at other locations, where state-of-the-art jet drilling techniques are being used to excavate the subterranean duct quickly and ecologically. The grid connection marks an energy milestone: for the first time an energy supplier is connecting an offshore wind farm of maximum capacity dimensions to the domestic high-voltage grid.

Expansion in Scandinavia

In May 2008, Atel acquired Energiakolmio Oy, Finland's leading independent provider of portfolio management and energy services. With a workforce of around 60, the Finnish company manages the energy portfolios of large industrial and commercial enterprises. The managed volume of around 15 TWh per year represents more than 20 per cent of the country's non-residential electricity consumption. This acquisition has expanded Atel's presence in the Nordic countries, adding the Finnish energy market to existing activities in this region and providing an effective springboard for further expansion in what is the third largest and most liquid electricity market after Germany and France.

Harnessing lake water for Swarovski

In the jewellery, fashion and design market, Swarovski is a byword for spectacular works crafted from precision-cut crystal. The growth enjoyed by Swarovski in recent years prompted the decision to build a new office/administration building for the holding company in Männedorf on Lake Zurich to accommodate 470 work stations, a canteen and an underground garage with 178 parking spaces. The architecture features an unusual horseshoe design opening onto the lake. The Daniel Swarovski Corporation commissioned Atel Installationstechnik Ltd. (AIT) to install the entire facility management system for electrical and sanitary installations in compliance with the Minergie standard. In keeping with the ecological design of the building, which uses regenerative energy sources, the water is obtained from nearby Lake Zurich: a heat pump uses lake water to heat the new Swarovski building and can also be used as a combined machine for air conditioning. AIT is proud to be delivering strong services and products that make the working world a better place.

Planning and development projects

Atel has launched an ambitious programme for the construction of new power stations throughout Europe

The world's most powerful wind farm

© Bundesverband WindEnergie e.V.

Innovative building technology for Swarovski

© Walter Oczlon

over the next few years. Ten of these projects are scheduled to become operational by 2015. In so doing, Atel is expanding its presence systematically and sustainably in the European electricity market. Upgrades and new builds in countries such as Italy and Switzerland are helping to boost and support sales. Atel is also building up a production base in "new" countries, such as France and Germany, with a view to establishing itself as an important market player in those countries over the long term.

Atel electricity from Germany

Atel acquired its first generation capacities in Germany with the purchase of the Spreetal gas-fired combined cycle power station near Cottbus. The relevant agreements with the seller, Sustec Schwarze Pumpe GmbH, were signed in June 2008. Until 2007, the 56 MW power station, built in 1996, used locally produced syngas to generate electricity and steam in the steam turbine. Sustec Schwarze Pumpe GmbH, a member of the Swiss Sustec Beteiligungs Group, discontinued production of syngas in 2007 and shut down the power plant temporarily. Upgrades and renovations are scheduled to last around one year, during which time Atel will modernise the gas and steam turbine, boilers and burners as well as the measuring and control systems. At the same time, the station will switch to using environmentally compatible gas. The plant will start generating electricity again from the summer of 2009, providing Atel with future access to its own generation reserves in Germany, too.

Minimising environmental intervention

In August 2008, the Federal Department of the Environment, Transport, Energy and Communications (DETEC) granted Atel a licence and building permit for the construction of a pumped storage power station in Nant de Drance in Valais. This marks another milestone on the way to ensuring a reliable power supply for Switzerland and for public transport. Construction work on the 600 MW project started back in September. Then in November, a construction and operating company was founded, in which Atel holds a 60 per cent stake and the Swiss Federal Railways (SBB) 40 per cent. The Nant de Drance project utilises the head between the Emosson and Vieux Emosson reservoirs to generate peak energy. The plant will be constructed entirely underground, with access to the chambers, situated at an altitude of 1,800 metres above sea level, through a five-kilometre long tunnel. The large power station will therefore be realised with minimal impact on the environment. The plant is scheduled to go into operation in 2015.

Summary of Atel projects

Operating company	Technology	Country	Commissioning date	Atel ownership in %	Atel share of capacity, MW	Generation GWh/year
Vetrocom (see p. 26)	Wind	Bulgary	2010/2011	100	50	146
Schwarze Pumpe (see above)	Gas CCGT	Germany	1997/2009	100	55	430
Bayet (see p. 37)	Gas CCGT	France	2011	100	420	1550
Moncada (see p. 26, 46)	Wind	Italy	2011	30	138	390
San Severo (see p. 47)	Gas CCGT	Italy	2011	60	245	1600
Ecopower Skandinavia (see p. 48)	Small hydro	Norway	2014	100	100	475
EcoPower Schweiz (see p. 27)	Small hydro	Switzerland	2010	100	35	120
Nant de Drance (see above, p. 43)	Pumped storage	Switzerland	2015	60	377	900
Thermatel (see p. 45)	Cogeneration CHP	Switzerland	2010	100	60	460

Committed to a sustainable future

By developing wind power facilities for electricity generation and adopting innovative approaches to electricity production using drinking water supplies, Atel is doing its bit to help achieve climate targets.

Energy efficiency enhancement

In the Energy Services segment, Atel founded Atel Eco Services AG, a new company specialising in services for energy-efficient design, planning, construction and operation of buildings and facilities. The portfolio ranges from sustainability strategies, energy checks, energy concepts and sustainable building technology to financing of energy-efficient facilities, operational optimisation and technical solutions for facility management. The market potential in this field is substantial, not only for new builds but also for existing facilities. By implementing so-called lighthouse projects, Atel Eco Services AG aims to make an active contribution to enhancing energy efficiency, while setting an example in initiatives to reach government energy targets. Atel has set up this new company in response to the Swiss government's newly aligned energy policy. Over CHF 50 million of venture capital has been invested in the company with the aim of playing a leading role in energy efficiency enhancement and making a key contribution to reducing CO_2 emissions and achieving climate targets.

New wind farm project in Bulgaria

In 2008, Atel expanded its renewable energy portfolio in Central and Eastern Europe by acquiring all the shares in Bulgarian wind farm developer Vetrocom Ltd. Vetrocom already has experience in the development of wind power facilities and is planning to build a wind farm 200 kilometres east of Sofia. With more than 3,000 hours of wind per year, conditions at the site are among the best in Europe, far in excess of those recorded at the prime locations in the Alps. The company plans to install 20 generators, with a capacity of 2.5 MW, to achieve an average annual gross production volume of 144 GWh: roughly ten times the volume of wind power generated in Switzerland during 2006. The potential for wind farm capacity in Bulgaria is approximately 2,200 MW. Supported by EU legislation, which is aiming to source 11 per cent of the energy mix from renewables by 2010 and at least 20 per cent by 2020, Atel intends to significantly increase the share of renewables in its portfolio. Additional factors favour this strategy: the Bulgarian government has undertaken to purchase all the electricity generated and is defining advantageous feed-in tariffs for the production of renewable energies. Together with Romania, Bulgaria represents a future priority region in Central Europe.

Italian activities stepped up

Atel has acquired a 30 per cent stake in the Italian operations of Moncada Energy Group S.r.l. The initial result of this commitment is a joint venture set up to develop, implement and operate a wind farm. The company already has an installed wind power capacity of 105 MW, and additional projects with a combined capacity of more than 1,000 MW are under development. By acquiring this 30 per cent interest, Atel has expanded its presence in the Italian market and stepped up its commitment to renewable energies. Promoting the increased use of renewable energies is part of Atel's strategy. At the same time, Atel has set itself the goal of meeting half of the required quotient of "green certificates" in Italy with electricity generated by its

own power stations and by acquiring shares in other power facilities. Atel already holds interests in a number of power stations in Italy, which generate electricity from conventional sources as well as renewable energies. Its total installed capacity in Italy is 1,700 MW spread over 16 facilities, 7 of which are devoted to renewables. In 2008, two wind farms with an annual output of 220 GWh went into operation in Sicily. Atel holds a 49 per cent stake in each. And in northern Italy, Atel has built and is operating the first two small hydroelectric stations in the Piedmont region to harness the power of water there.

Green electricity in the Swiss Alps

Atel EcoPower Ltd., an Atel subsidiary, is involved in an innovative electricity generation project in the Swiss Alps based on drinking water supplies. By utilising a head of 545 metres between the alp above the parish of Riein and the reservoir, the drinking water power station offers a practical way of supplementing existing water supplies, while at the same time using the turbine-fed drinking water to deliver the valuable by-product of electrical energy. The mini power station with a capacity of 15 KW and an annual production volume of 60,000 KWh can supply 15 households with green electricity. The plant will go into operation in 2009.

First solar tower power station in Germany

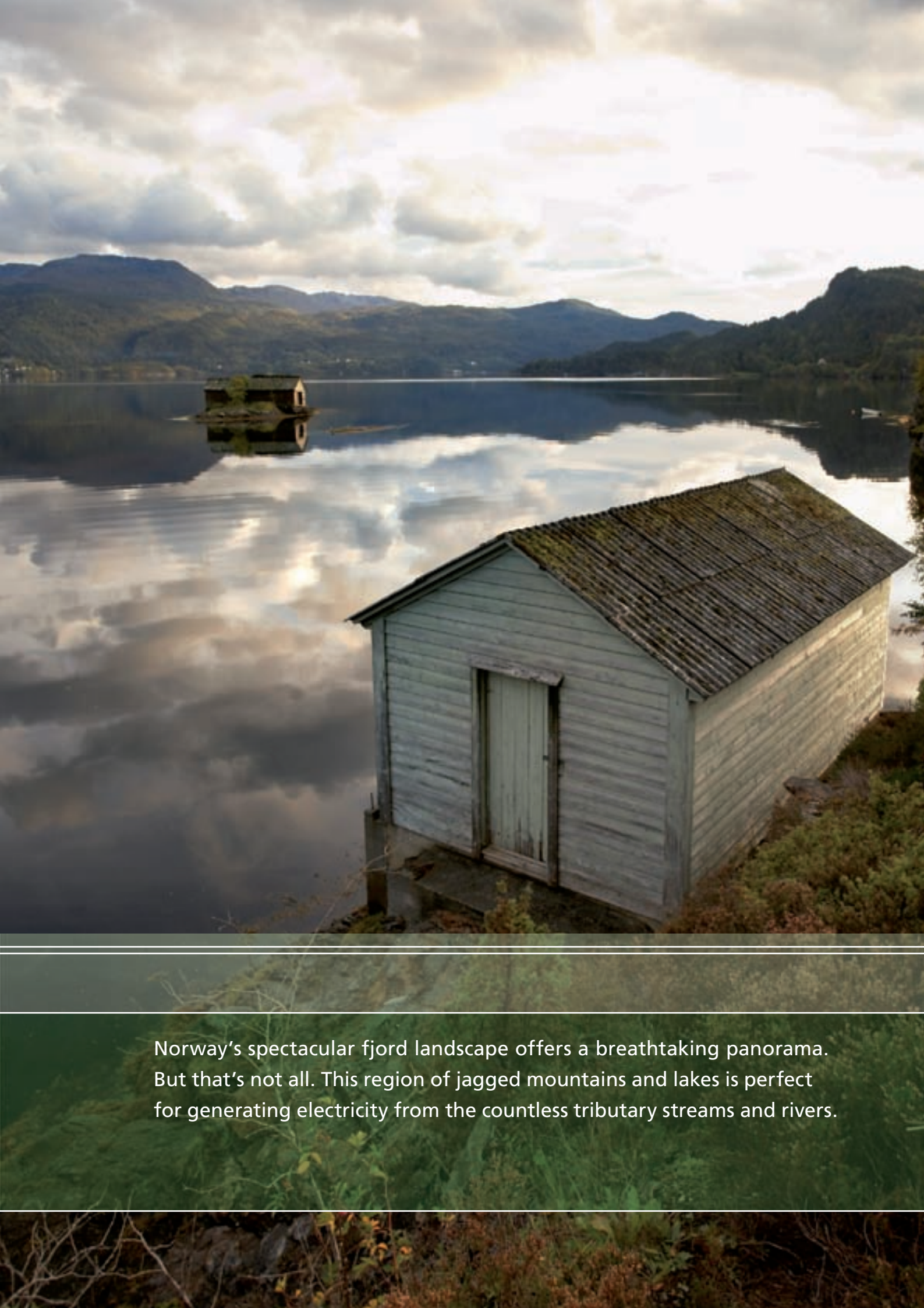
Following a two-year planning and construction phase, Kraftanlagen München GmbH – a subsidiary of Atel's GAH Group – completed Germany's first solar tower power station in Jülich at the end of 2008. The commissioning phase will last until around mid-2009. Kraftanlagen München acted as general contractor for the innovative installation, which features a 60-metre high tower at its centre. This is surrounded by some 20,000 square metres of sun-tracking mirrors (heliostats) that focus radiation on a receiver in which air is heated to around 700° C. The hot air updraft generates steam in a boiler, which in turn drives a steam turbine with a capacity of 1.5 MW. Kraftanlagen München is continuing to work with partners with a view to optimising the technology, with particular emphasis on further development of the receiver, storage technology and control strategies for all power plant components so as to maximise the use of solar radiation for power generation. In future the technology will be used in 10 to 50 MW plants in sunny countries around the world.

Atel investments in new renewable energies

- Small hydroelectric power station
- Wind power
- Solar power
- Development

Reisæter, Norway

Vertiginous cliffs, rushing torrents, roaring waterfalls: the region around the Hardanger Fjord is preordained for harnessing the power of "blue gold". And Ecopower Skandinavia AS does this ecologically and sustainably. In spring a new small hydroelectric power station, in which the Atel subsidiary has a stake, came online in Reisæter. Above the small hamlet on the Sør Fjord, a tributary of the Hardanger Fjord, tumble the babbling brooks of Bleieelva and Strutåni. At an altitude of 300 metres above sea level, they collectively generate around 6 GWh of electricity per year before irrigating apple orchards and discharging into the ice-blue fjord. Around 500 Norwegian households are supplied with energy from Reisæter. The electricity is sold on the open market by Atel sales company Energipartner AS. Thanks to careful planning, the unique vegetation in Reisæter, with its countless species of moss, junipers, blueberries, birch, alder, foxgloves and fly agarics, has remained intact. This is because the catchment area for both streams is in the middle of a large national park. A conscious effort was made to involve landowners and orchard growers in the project, with the result that they are now co-owners of the small hydroelectric power station. Atel is continually expanding its Norwegian hydropower portfolio. By 2015, Ecopower Skandinavia AS is aiming to participate in more than 20 small Norwegian hydroelectric stations, approximately half of which are to be built around Hardanger Fjord. The total investment for these sustainable projects amounts to CHF 200 million.



Norway's spectacular fjord landscape offers a breathtaking panorama. But that's not all. This region of jagged mountains and lakes is perfect for generating electricity from the countless tributary streams and rivers.

More than half a million fruit trees cling to the steep slopes surrounding Hardanger Fjord. Europe's northernmost farming region produces flavoursome, robust apples with a long storage life. The region is extremely fertile: as a renewable source of energy, water is available in abundance whatever the season.

The small hydroelectric power stations on Hardanger Fjord are being planned and built by KraftKarane AS, Atel's regional partner. David Inge Tveito is project manager of the Reisæter power station. He knows the fjord like the back of his hand, including the extensive fishing grounds.

Johannes Eisenhut, project manager of Ecopower Skandinavia, with his wife Herta during an inspection in Reisæter: good hiking boots and fitness are a must. But in return, this expert in small hydroelectric power stations and his partner get to enjoy nature at its most beguiling.

Preparations for effective market liberalisation in Switzerland, the implications of market deregulation in Central Europe and the general economic consequences of the financial crisis were the main factors influencing our sales and trading business last year. Despite growing competitive pressure and sharp movements in market prices, Atel recorded a successful financial year across all regions. In these increasingly dynamic markets, Atel was able to consolidate and in some areas even expand its position by making additional acquisitions, securing long-term access to generation capacity and establishing a new Trading & Services division.

Strong year in a highly dynamic environment

Atel scored successes in all markets despite the initial effects of the global financial crisis. It also capitalised on the opportunities and potential of market liberalisation, both in Switzerland and in the new and old EU member countries.

Market Switzerland

Customer base strengthened

During 2008, Atel once again recorded higher revenue and sales, further strengthening and consolidating the customer base and energy volumes in its established energy business by winning new customers in the reseller segment. To expand its operations even further and win pilot customers, Atel set up a new business field and sales strategy for industrial customers. In this context, Atel also took advantage of an opportunity to acquire external energy procurement options. Following a marked upturn in the first half of the year, demand for electricity trailed off in some areas during the second six months of 2008.

One notable development was the tendency for wholesale and reseller prices to drift widely apart. Movements in market prices during 2008 were characterised by massive hikes in wholesale prices until late summer, followed by a strong downward shift towards the year end, tracking oil prices. Grid capacity auctions at Switzerland's northern border resulted in an increase in prices due to the shortage of import capacities, particularly in the winter half-year.

Preparations for market liberalisation

Switzerland's energy industry used 2008 to prepare for effective market liberalisation. In the first phase of deregulation, from 2009 up to and including 2013, large customers with an annual energy consumption of more than 100 MWh are free to choose their electricity provider. However, despite this freedom of choice, the vast majority of these bulk consumers have so far opted to remain with their basic service provider on account of more economically advantageous terms.

Overview Energy segment

	+/– variance 2007–2008 in % (based on CHF)	2007 CHF million	2008 CHF million	2007 EUR million	2008 EUR million
Energy sales (TWh)	–25.2	128.841	96.328	128.841	96.328
Net revenue	–6.9	11 505	10 712	7 002	6 750
EBIT	–5.7	919	867	559	546
as % of net revenue		8.0	8.1	8.0	8.1
Net investments in tangible fixed and intangible assets	202.9	137	415	83	261
Number of employees as of balance sheet date	10.3	1 694	1 869	1 694	1 869
plus trading in standardised products					
in TWh	–35.9	220.115	141.191	220.115	141.191
in CHF million or EUR million	–26.8	15 885	11 627	9 668	7 326

Regional developments

For **Società Elettrica Sopracenerina SA (SES)**, which supplies virtually the entire northern part of the canton of Ticino with electricity, electricity sales, production and revenue for 2008 were within the long-term average. Developments in southern Switzerland were also influenced by the forthcoming liberalisation of the electricity market. The initial phase of liberalisation went off well, with customers remaining loyal to SES. In contrast to other regions in Switzerland, most of the communities in the Sopraceneri entrusted their power requirements to SES, a company organised under private law, as far back as 2007.

SES is now gearing up to defend its position in Ticino's liberalised electricity market. Among other things, it is stepping up collaboration with Aziende Industriali di Lugano (AIL), the largest supplier of electricity, gas and water in the Ticino. The company is also promoting measures to enhance energy efficiency and encourage the use of renewable energies.

2008 was also a good year for **Atel Versorgungs AG (AVAG)**, with sales and revenue both slightly above target. AVAG set up a joint venture with Städtische Betriebe Olten (SBO), named Aare Energie AG (a.en), with the aim of building effective market systems and new expertise ahead of the liberalised electricity market.

With support from Atel's Thermal Production business unit, AVAG also carried out a technical upgrade of the Niederamt district heating system. The heat generated from steam produced at the Gösgen nuclear power plant is fed to buildings in Schönenwerd and Niedergösgen. The memorandum of understanding with SBO for a shared service building was renewed as well.

Three priorities are set to dominate the new financial year. Topping the list is a programme to streamline transmission structures. The second priority is to realign the Niederamt remote heating system. Finally AVAG, represented by a.en, intends to set up a joint venture for marketing and sales with Atel, EBM (Elektra Birseck Münchenstein) and EBL (Elektra Baselland).

AEK Energie AG can also look back on a successful 2008 financial year during which it signed long-term energy supply agreements with its sales partners and numerous SME customers. The pellet business also performed well, with AEK establishing itself as Switzerland's leading provider of pellet-fuelled contracting facilities. The wood pellets are produced by the company's subsidiary, AEK Pellet AG, which has doubled its production capacity by expanding the pellet factory in Balsthal. This initiative has allowed the company to further consolidate the AEK Pellets brand and boost its leading market position across Switzerland.

Market West

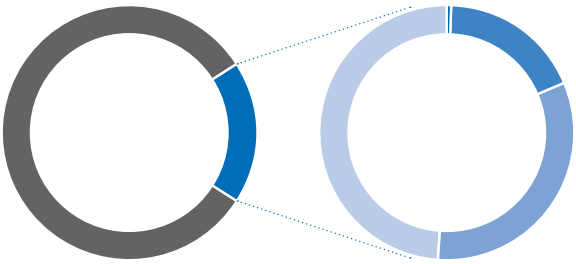
Growing competitive pressure

In the year under review Atel exceeded its sales and profit targets both in France and Spain. Supported by good sales volumes and efficient portfolio management, sales profitability improved. This result was achieved in an environment where electricity consumption initially remained stable but dropped off during the fourth quarter. Overall, electricity price volatility increased, with prices peaking in July only to tumble rapidly in the ensuing months.

Atel further consolidated its position as one of the main alternatives to established energy suppliers in the region, delivering 10 TWh of electricity to France and 2 TWh to Spain. With new contracts for 2009 totalling 13 TWh for both countries, Atel will be able to increase its market share slightly in the current financial year. Another goal for 2009 is to enlarge and diversify its customer base in the region.

Market West enjoyed further growth in an environment that saw major changes during 2008. In France, Gaz de France merged with Suez, while E.ON and ENEL entered the market, and in Spain ENEL and Acciona were taken over by Endesa. The abolition of the high-voltage tariff in Spain opened up growth opportunities, to which Atel has already responded by starting up an end-customer business on the Iberian peninsula. France, on the

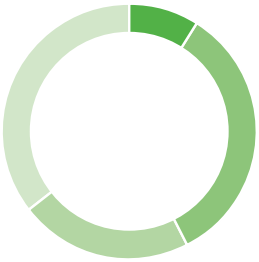
Energy procurement 2008
(excl. speculative transactions)



Procurement		
Purchased (mixed sources)	81.8 %	78,759 GWh
Generated	18.2 %	17,568 GWh
Total		**96,327 GWh**

Generation		
New renewables	0.5 %	81 GWh
Hydraulic	18.0 %	3,166 GWh
Nuclear	32.5 %	5,711 GWh
Conventional thermal	49.0 %	8,610 GWh

Energy sales 2008
(excl. speculative transactions)



Switzerland	8.9 %	8,609 GWh
Western Europe	33.6 %	32,334 GWh
Central Europe	22.2 %	21,353 GWh
Trading	35.3 %	34,031 GWh
Total		**96,327 GWh**

other hand, has extended the validity of the public tariff for electricity until 2010.

Work was started on the construction of a gas-fired combined cycle power station in Bayet (Allier) in the Auvergne region of France (see also p. 25). At the same time, the search for a suitable site for a second large power station came to an end with the decision to build in Chevalet, near Arras.

Market Italy

Good earnings situation

Atel enjoyed an excellent year in the Italian market despite the major challenges posed by higher fuel prices, the high cost of green certificates in the first nine months and falling prices in the last quarter. As a result, both sales and revenue were slightly down, although earnings were still well above expectation. Growth was recorded in particular by the private and small customer business field, which exceeded its targets, not least due to a reduction in internal costs and interest rates.

The introduction of energy futures on IDEX, Borsa Italiana's power derivatives market, in November 2008 had a positive impact on the Italian market. Firstly, this has provided an alternative to energy trading based on bilateral agreements; and secondly, futures allow greater market transparency, stability and liquidity.

The joint auctions for imports and exports of cross-border electricity capacities between Switzerland and Italy are breaking new ground. These were first held in 2008 in the run-up to the liberalisation of the Swiss electricity market, because the shortage of transmission capacities at the borders makes it impossible to cover the rise in free-market energy flows.

In 2008, further progress was made towards consolidating Atel's Italian subsidiaries Atel Energia S.p.A. and Energ.it. Having clearly positioned itself in the gas trading sector in 2007, Atel Energia strengthened its presence during the year under review. The company's new

transport organisation has provided an optimal platform for procuring gas and achieving significant savings. For 2009, Atel has set itself the goal of further reinforcing Atel Energia's market position, signing a gas storage agreement in Italy and trading on the gas exchange for the first time.

Market Nordic

New customer segments, new locations

2008 was a year of mixed results for Atel's Norwegian subsidiary, Energipartner AS. Income from portfolio management and origination grew continually throughout the year, whereas revenue from speculative trading dropped sharply in some areas due to the financial crisis. Energipartner expects to report positive results in 2009.

As in 2007, the Scandinavian market was extremely volatile in the year under review. Having remained consistently high throughout the first six months, prices finally fell in the third quarter due to the financial market crisis. Despite this highly dynamic market, Energipartner recorded good results through a strong performance.

Strategic priorities

One of the priority areas of Energipartner's activities during 2008 was expanding business through acquisitions. In Norway the company acquired and integrated Total Energi ASA, and in Finland Atel purchased the country's leading independent energy services provider, Energiakolmio Oy, which Atel successfully integrated into the Nordic business mix.

Energipartner is increasingly expanding its customer base to include small and medium-sized enterprises besides its proven large customer segments, and rolled out a new product designed specifically for this target group during the year. Two factors played a key role in its successful launch: firstly, various departments collaborated on its development. And secondly, SME customers were consistently involved in the development process.

High volatility is expected to remain a feature of the Nordic market in 2009. Two other developments will be the subject of close scrutiny in the near future: the negotiations between the industry and government with regard to long-term contracts at reduced prices, and the negotiations between Norway and Sweden on a single electricity market.

Markets North and South (Central Europe)

Energy price swings

In a challenging environment, Atel posted good results in the Central European Markets North and South. While Market South profited from price trends and recorded very good year-end results, Market North experienced more difficulties due to the growing risks associated with the raw materials boom and economic crisis. Added to this, the Polish transmission system operator failed to provide its export capacities. Thanks to efficient teamwork and outstanding expertise, Market North nevertheless ended the year with satisfactory results.

Complex integration work had to be tackled in both markets. Prague-based energy trader Entrade is now fully integrated and operates under the Atel name. The integration of Buzmann Industries S.R.L. of Bucharest, acquired at the end of 2007, is ongoing. In parallel with this work, Atel started up local operations in Bulgaria, Romania and Bosnia.

The overall market trend was very dynamic, which particularly had a noticeable impact on the end-user markets of Market North and the wholesaling business in the South. Competition was intensified by the appearance of new market entrants and new wholesale trading platforms. As a result of the raw materials boom and limited generation capacity in the Central European market, prices rose sharply in the middle of the year. Towards the year end, a recession in the market region led to a significant fall in industrial production, resulting in a decline in energy prices.

Concentration and partnerships

The impact of market liberalisation and the financial crisis were most strongly felt in the end-user market: large industries took on more and more risks to optimise purchasing. In the process, Atel lost a few customers. Meanwhile, medium-sized customers were asking their suppliers to bear the risks themselves. Against this backdrop Atel focused on the most profitable customer segments and entered into partnerships with sales companies, thereby consolidating and expanding its position.

At regulatory level, EU legislation prohibiting prioritisation in the allocation of cross-border capacities is now entering the national implementation stage. Atel has responded to this by amending or renegotiating its long-term contracts in Hungary, Poland and Slovakia accordingly. At the same time, it is developing its market position in sales to medium-sized end customers.

Atel expects to be faced with a difficult environment in 2009 as the impact of the recession starts to be felt both in the end-consumer market and at individual company level. Nevertheless, it has set itself the goal of consolidating and expanding its market presence across Central Europe. Ensuring long-term access to electricity generation capacity and developing a stable end-consumer portfolio will remain the key factors for success.

Market Germany

Success thanks to long-term, flexible agreements

Atel once again posted positive results in the highly competitive German market, boosting performance yet again and achieving its targets despite initial indications of a slowdown. To strengthen its market position, Atel signed long-term agreements and hedged its portfolio with flexible contracts. At the same time, it also developed new products based on a thorough analysis of customer requirements.

Nevertheless, the economic effects of the crisis in financial markets were unavoidable, as Atel witnessed initial signs of a drop in demand. Another consequence of the financial market crisis was the much higher volatility of energy prices, which rocketed in the first half-year and fell again in the wake of strong fluctuations.

Atel used the year under review to further expand partnerships and alliances, developing the Atel Spreetal and Atel Havelland power station sites in Germany in conjunction with Atel Central Generation. With this in mind, a 50 MW gas-fired combined cycle power station was acquired in Spreetal. The plant is currently undergoing conversion and is scheduled to come online in the second half of 2009. Atel Havelland has taken out an option on a site for a gas-fired combined cycle power station and is now aiming to apply for an operating permit in accordance with the German Federal Law on Emissions Protection (BImSchG).

On the sales front, EGT Energiehandel GmbH continued to consolidate its position as a leading supplier to multi-site customers.

Now, much rests on the outcome of political discussions on the emerging shortage of energy supplies and the construction of new power stations. At present, for example, the public debate on emissions from coal-fired power stations is impeding the spread of such facilities.

Trading & Services

Highs and lows of the first year in operation

The new Trading & Services division was established on 1 January 2008 in response to the growing importance of trading. Year one of the new division was marked by market volatility, with prices rising steadily in the first six months only to fall in the second half of the year due to the financial market crisis and a decline in demand. Electricity prices tracked the movements in those for the primary energy sources of oil, gas and coal.

Proprietary Trading

The focus at Proprietary Trading was on building up a competent trader base. In addition to the established electricity trading business, the unit primarily concen-

trated on expanding emissions trading in EU allowances at European level and in certified emission reductions (emission certificates pursuant to the Kyoto Protocol). Given the slow progress towards market liberalisation in Eastern Europe and Italy, Proprietary Trading had little opportunity to trade on these markets.

In 2009, major importance will be accorded to further expanding the commodity trading business. Strong movements in market prices can once more be expected, which may impact results. Progress towards market liberalisation has a direct influence on liquidity while offering the associated market opportunities. Due to the financial crisis, Atel expects to see an increase in its activities on key exchanges and a corresponding rise in trading volume. By contrast, over-the-counter (OTC) trading will tend to decline in volume as exchange transactions increase.

Key factors for future success will be a professional market and credit risk management system coupled with a modern trading system. Equally important are access to liquid markets with a sufficiently large number of counterparties, as well as specialised know-how on the part of traders.

Asset Trading

2008 saw the emergence of major differences in market prices for the transport of electrical power between individual countries. The habitual directions of electricity flows were reversed. It was difficult to predict developments, and trading strategies had to be continually adapted to changing conditions. Major positions had to be acquired in annual capacity auctions for electricity transport.

One dominant aspect of the year under review was the unusually high level of congestion, which led to major, lengthy generation constraints. The reason behind this was the overhaul work at many of the power stations. In the first quarter of 2008, for instance, the entire Maggia power station was shut down. Moreover, a large number of transmission system elements were deactivated. In addition to power station overhauls, the consequences of market liberalisation made themselves felt in Switzerland. swissgrid, the national grid company, began to exert more and more influence. At the same time, there was a growing trend towards monitoring and intervention throughout Europe.

While the effective number of electricity traders dropped, they behaved in an increasingly similar manner. Market niches became rarer, and electricity trading was standardised at the Swiss-Italian border. Across Europe the process towards efficient management of cross-border congestion – "market coupling" – appears to be gaining in importance and winning more support.

Since liberalised markets require more grid capacity, such management is essential, particularly when grid capacities are in short supply. This is the case at Swiss borders. So in future, extensive market coupling – combined with day-trading options for capacities – will exert a decisive influence on the operations and intensity of spot trading in electrical energy. Asset Trading prepared its power stations for liberalisation and locked in partners. The liberalised Swiss market, its integration in Europe and ecological issues such as green certificates will be key items on the agenda for this year.

In the wake of growing market volatility and transparency, risk management and transparent collaboration within business units will be accorded a high priority. In future, questions relating to market behaviour and pricing will be posed more frequently. By the same token, financial factors such as exchange rate risks, the use of venture capital, interest rates and the like will be meticulously analysed and measured.

Middle Office & Operations

Despite numerous changes of a highly dynamic nature, the 2008 financial year was satisfactory. The main focus was on preparations for market liberalisation in Switzerland, introduction of the new Murex trading system in June 2008 and a systematic risk-return portfolio evaluation as a basis for investment decisions.

A series of factors and developments triggered massive changes in the energy industry environment during the year under review. These included volatility in raw material prices, cash flow problems on the part of some business partners and the new auctions introduced by swissgrid for cross-border capacities at Switzerland's borders. Such dynamic markets call for effective analysis and strong portfolios. To conduct energy transactions swiftly and efficiently in this rapidly changing environment, system support and the daily nomination of delivery and purchasing schedules are vital.

Although the market coupling of the Benelux states and France may have indicated otherwise, the European wholesale electricity market remained fragmented by country. Switzerland introduced market-compliant auctions at its respective borders. The main factors driving this development were raw material prices and the Internal Energy Market (IEM) of the EU and Switzerland.

Key tasks in 2009 will be driven by the sharper focus on gas business and further harmonisation of the European energy market. As a result, the challenges facing Middle Office & Operations look set to increase.

Across all markets, power generation in 2008 was dictated by the rising demand for energy, deregulation and a growing demand for renewable energies, fuelled by the debate on climate change. In addition to wind farm projects, Atel is stepping up expansion of its portfolio of small hydroelectric power stations. Nevertheless, the market will remain reliant on the use of other energy sources and large power plants in order to meet the growing demand for energy. At Atel the focus is on gas-fired combined cycle power plants – optimised for energy efficiency – as well as nuclear power.

Hydro and wind power on a high

In the year under review, Atel's power generation activities were focused on the use of renewable energies, environmentally compatible, resource-efficient technologies and new market penetration. Atel Transmission Ltd. successfully won recognition in the liberalised market.

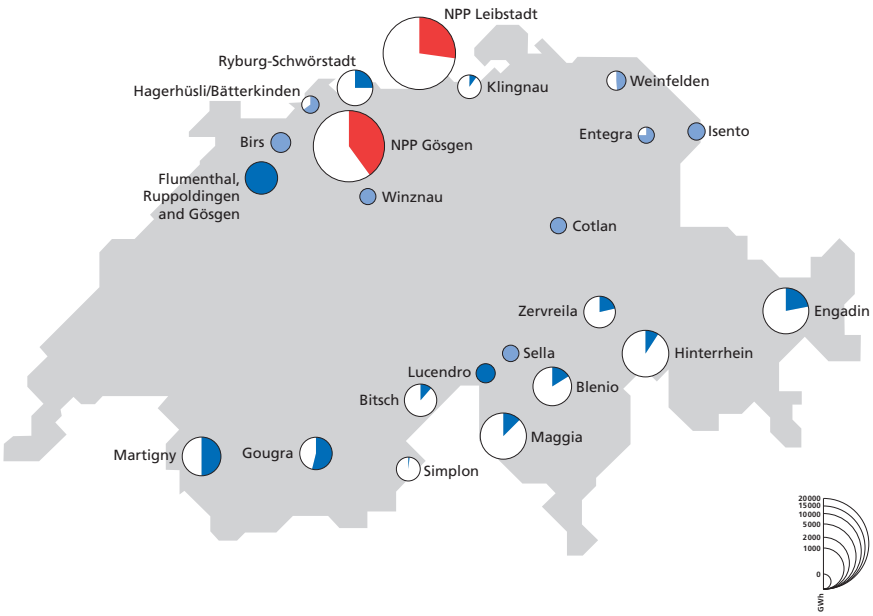
Power Generation Switzerland

Hydroelectric power: Nant de Drance under construction

All in all, 2008 was a good year for hydroelectric generation. Following several years of below-average production, the generation volumes rose once more above the long-term average. This is all the more satisfactory since facilities in some power plants were at a standstill for long periods due to major overhauls.

This positive development was further enhanced by an event of historic importance: on 25 August 2008, the Federal Department of the Environment, Transport, Energy and Communications (DETEC) granted Atel a licence and building permit for the Nant de Drance pumped storage power station in the canton of Valais (see also p. 25). Atel has a 60 per cent interest in the plant, while the remaining 40 per cent is held by the Swiss Federal Railways (SBB). Negotiations are also in progress with the canton of Valais for a share of 10 per cent. The preconstruction work is already under way. There is little visible evidence of this though, since the facilities are to be built completely underground. As a result of this non-invasive approach, the impact on the environment will be minimal. The power station will have a 600 MW turbine and pump capacity and will utilise the head between the two existing Emosson and Vieux Emosson reservoirs to pump water up during low-demand periods and generate electricity at time of peak demand. The cost of this construction project is approximately CHF 990 million.

Power generation in Switzerland
- Atel's own hydroelectric power stations
- Interests in hydroelectric joint ventures incl. purchase rights
- Atel's own small hydroelectric power stations
- Interests in small hydroelectric power stations
- Interests in thermal joint ventures



Hydroelectric power stations in Switzerland

Company	Atel ownership in %	Capacity MW	Power generation GWh average	Power generation GWh 2007/2008	Atel share MW	Atel share GWh 2007/2008
Aarewerke AG	10.1	43	221	230	4	23
Atel Hydro AG*	100.0	96	555	557	87	514
Atel Hydro Ticino SA	100.0	60	100	99	60	99
Blenio Kraftwerke AG	17.0	500	860	917	85	156
Electra-Massa AG	11.5	340	555	634	39	73
Electricité d'Emosson SA	50.0	360	865	782	180	391
Energie Electrique du Simplon SA	1.9	42	239	231	1	4
Engadiner Kraftwerke AG	22.0	410	1 338	1 406	90	309
Kraftwerke Gougra AG**	54.0	159	560	679	103	441
Kraftwerke Hinterrhein AG	9.3	651	1 400	1 593	61	148
Kraftwerk Ryburg-Schwörstadt AG	25.0	110	705	789	28	197
Kraftwerke Zervreila AG	21.6	250	527	593	54	128
Maggia Kraftwerke AG	12.5	626	1 365	1 192	78	149
Total					**870**	**2 632**

* Excl. BKW's share in Flumenthal power station
** Energy purchase right of 65%

Thermal power stations in Switzerland

Company	Atel ownership in %	Capacity MW	Power generation GWh average	Power generation GWh 2008	Atel share MW	Atel share GWh 2008
Kernkraftwerk Gösgen-Däniken AG	40.0	970	7 429	7 964	388	3 186
Kernkraftwerk Leibstadt AG	27.4	1 165	8 029	9 307	319	2 550
Total					**707**	**5 736**

Small hydroelectric power stations in Switzerland

Company	Atel ownership in %	Capacity MW	Power generation GWh average	Commissioning/ acquisition date	Atel share MW	Atel share GWh 2008
Birs Wasserkraft AG	100	2.1	11.8	2008	2.1	11.8
Cotlan AG	100	0.3	2.3	2008	0.3	2.3
Entegra Wasserkraft AG	75	0.9	2.4	2008	0.7	2.4
Hydro Solar Energie AG	65	1.0	5.2	2008	0.6	3.1
Isento AG	100	1.2	5.1	2008	1.2	5.1
WKW Weinfelden AG	49	1.6	10.0	2008	0.8	4.8
Total					**5.7**	**29.5**

The licence and permit signal the end of a lengthy application procedure for Nant de Drance. Preparations for licence applications for small hydroelectric power stations are proving equally time-consuming, despite their generally lower capacity. Such work entails intensive contacts with the official bodies involved, as well as negotiations with the licensing authorities. Atel is therefore endeavouring to simplify the procedure as far as possible. Despite these difficulties, Atel EcoPower Ltd., a wholly owned Atel subsidiary, has taken on numerous projects for small hydroelectric power stations. It is currently working on more than 100 add-on and new build projects, not least in view of the associated feed-in tariff. With an installed capacity of 5.4 MW, the company's portfolio of small hydroelectric power stations in Switzerland generates an annual output of around 30 GWh. The portfolio was augmented in 2008 with the addition of the newly built, small Murkart power station near Frauenfeld. Atel also acquired significant interests in three small hydroelectric power stations in Weinfelden by the River Thur and two facilities in Bätterkinden by the River Emme.

Admittedly, the sustained high prices paid for hydropower have led stakeholder groups to increase their demands when it comes to granting new licences or compensation for reversion waivers. Furthermore, the revival of hydropower as a renewable energy has also ushered in a trend towards greater state intervention in hydroelectric operations. Licensing authorities want to have a share of production in return for granting new permits. Added to this, communities and cantons in which such facilities are situated are demanding more market-aligned compensation for production value, as witnessed by the increase in water rates and new taxation models for generation facilities.

Large range of expansion projects

Atel has launched measures to expand and optimise a number of plants in the new financial year, including the renovation of facilities at the Hinterrhein and Bavona power stations. Work on modernising the Flumenthal power station will be completed in 2009, with outdated machine parts replaced, and the efficiency of the entire plant being improved. New build projects are planned for the Inn cooperative power station and the Navizence plant. Plans are also in place to transport water from Lugnez to the Zervreila power plants in order to increase electricity generation by up to 100 GWh. Last but not least, Kraftwerke Gougra AG is studying the feasibility of the Zinal transit project, which will feed the lower glacier water into Lac de Moiry.

Thermal production: plans for a new nuclear power station

Production at the Gösgen and Leibstadt nuclear power stations was below target due to overhaul work lasting longer than scheduled. In addition, maintenance costs were driven higher due to rising prices for materials. By contrast, the price of uranium on the spot market dropped by around 50 per cent year on year.

Last year's most important event in connection with thermal generation took place on 9 June 2008, when Atel submitted the general licence application for a new nuclear power station in Niederamt, canton of Solothurn (see also p. 23). Progress was also achieved in the area of radioactive waste storage in the year under review. On 6 November 2008, the Federal Office of Energy and the National Cooperative for the Disposal of Radioactive Waste (NAGRA) announced the locations for deep geological repositories.

Work progressed on the Monthey combined heat and power station Thermatel in the canton of Valais. Monthel SA, which is responsible for the construction and operation of the facility in which Atel is the sole shareholder, laid the foundation stone at a groundbreaking ceremony on 22 February 2008. Combined heat and power generation allows 80 per cent of the fuel energy to be utilised, with electricity produced as a secondary energy. With an industrial steam capacity of 43 MW and an electrical capacity of 55 MW, this efficient plant in the Lower Valais region is scheduled to come online in 2009.

Power Generation West

Growth in renewable energies

Taken as a whole, Atel can look back on a successful year in all countries of the region. Without doubt, one of the year's highlights was the acquisition of a 30 per cent interest in Moncada Energy Group, one of the largest players in Italy's market for renewable energies. This new joint venture, called M & A Rinnovabili S.r.l., will allow Atel to significantly increase production of renewable energies and build up its overall position in Italy. The new company covers the Italian wind, solar and biomass power facilities already operated or planned by Moncada. Moncada has a 5 per cent share of the Italian market and an installed capacity of 105 MW. It is also planning further projects with a total capacity of 850

Hydroelectric power stations in Italy

Company	Atel ownership in %	Capacity MW	Power generation GWh average	Power generation GWh 2008*	Atel share MW	Atel share GWh 2008
Edipower S. p. A., Nucleo di Mese	20	377	1 068	1 193	75	239
Edipower S. p. A., Nucleo di Tusciano	20	96	184	174	19	35
Edipower S. p. A., Nucleo di Udine	20	309	791	956	62	191
Total					**156**	**465**

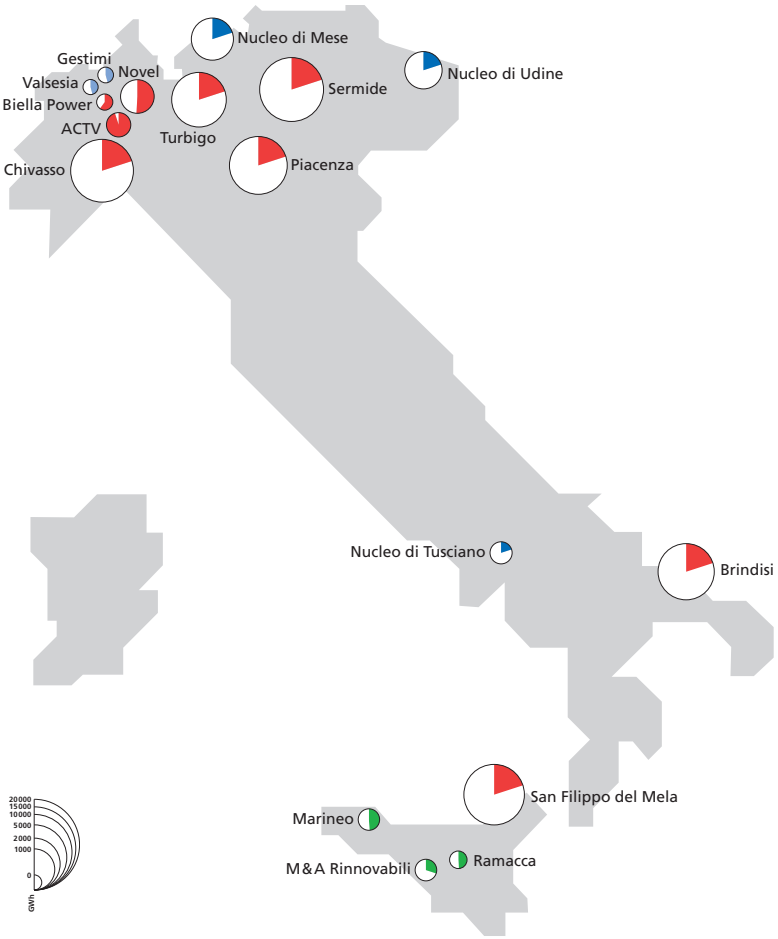
* Excl. production of CIP 6 and mini-hydro facilities

Thermal power stations in Italy

Company	Atel ownership in %	Capacity MW	Power generation GWh 2008	Atel share MW	Atel share GWh 2008
Atel Centrale Termica Vercelli S. r. l. (ACTV)	95	50	255	50	255
Biella Power S. r. l.	60	20	24	20	24
Edipower S. p. A., Brindisi	20	640	2 702	128	540
Edipower S. p. A., Chivasso	20	1 140	4 819	228	964
Edipower S. p. A., Piacenza	20	860	3 034	172	607
Edipower S. p. A., S. Filippo	20	1 280	3 664	256	733
Edipower S. p. A., Sermide	20	1 140	4 605	228	921
Edipower S. p. A., Turbigo	20	1 780	2 413	356	483
Novel S. p. A.	51	100	612	51	312
Total				**1 489**	**4 839**

Small hydroelectric power stations and wind farms in Italy

Company / technology	Atel ownership in %	Capacity MW	Power generation GWh average	Commissioning/ acquisition date	Atel share MW	Atel share GWh 2008
Eolica Maridiana S.p.A., Marineo / wind	49	22.1	164	Q1-2009	10.8	–
Eolica Maridiana S.p.A., Ramacca / wind	49	78.5	56	2008	38.5	39.5
M&A Rinnovabili S.r.l. / wind	30	104.6	168	2008	31.5	50.4
Gestimi S.p.A. / small hydro	85	4.0	15	2006	3.4	11.1
Idrovalsesia S.r.l. / small hydro	85	4.6	13	Q1-2009	3.9	–
Total					**88.1**	**101.0**



Power generation in Italy
- Atel's own thermal power stations
- Interests in thermal power stations
- Interests in hydroelectric power stations
- Interests in wind farms
- Interests in small hydroelectric power stations

MW. The partnership is an ideal fit: in Atel, Moncada has gained a strong European partner for the distribution of electricity generated from renewable energies, while Atel has gained a reliable partner for its future investments, as well as access to additional technologies for electricity generation based on renewable energies.

Alongside these auspicious developments, Atel also had to contend with several challenges in Italy. With the ongoing process of creating a legal framework for "green certificates", the price of such certificates in Italy declined sooner than planned. This impacted revenue from renewable energy projects. The two combined cycle power stations in Biella and Vercelli performed below expectation. While major damage to a gas turbine was responsible for lower output at the Biella plant, below-target sales by the Vercelli plant were due to lower steam purchases by its partner Polioli.

By contrast, the two combined cycle power stations in San Severo (Italy) and Bayet (France) are going well. Atel signed the development, procurement and construction contracts as well as a long-term service agreement (LTSA) for the two large power station projects. Financing for the San Severo project has also been finalised. Both power plants are currently under construction and are scheduled to come online in 2010 (San Severo) and early 2011 (Bayet).

Small hydroelectric power stations in Norway

Company	Atel ownership in %	Capacity MW	Power generation GWh average	Commissioning / acquisition date	Atel share MW	Atel share GWh 2008
Sevre Kraftverk AS	36	4.5	16.0	2008	4.5	13.4
Reisæter Kraftverk AS	20	1.5	6.0	Q2-2009	0.3	–
Total					**4.8**	**13.4**

Power generation in Norway
Interests in small hydroelectric power stations

Finally, Atel celebrated a premiere in Scandinavia in 2008, when the small Norwegian hydroelectric power station in Sevre – the first Scandinavian plant part-owned by Atel – came into operation delivering electricity to the market. Atel plans to acquire and build more small hydroelectric power stations in Norway over the next few years. The energy from small hydroelectric power stations is marketed by Atel's subsidiary, Energipartner AS in Oslo.

Power Generation Central

Acquisitions and renovations

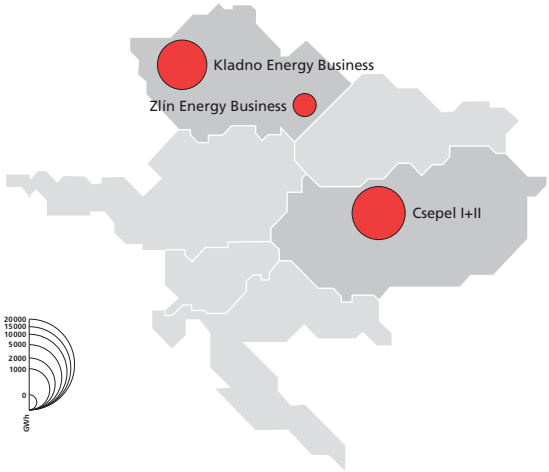
Atel's production facilities in Central Europe recorded a highly satisfactory year, meeting all targets without exception. This includes virtually 100 per cent availability of power stations, further development of new facilities, and enhanced profitability. Another positive development in 2008 was the trend in energy prices as well as electricity and heating sales. Only in the last quarter did business with several local customers decline, mainly due to the credit crisis. Extensive overhaul work in the Czech Republic and Hungary was also performed on schedule and on budget.

Thermal power stations in Hungary and the Czech Republic

Company	Atel ownership in %	Capacity MWe	Capacity MWth	Power generation GWh 2008	Heat generation TJ 2008*
Csepel I + II, Budapest	100	403	313	2 170	1 072
Kladno Energy Business	100	415	852	1 559	1 137
Zlín Energy Business	100	69	220	214	1 379
Total		**887**	**1 385**	**3 943**	**3 588**

* Heat output to the heat distribution system only
(i.e. excluding heat generated and used for power generation)

Outstanding events in the year under review included the acquisitions of the Spreetal gas-fired combined cycle power station in Germany and wind farm developer Vetrocom in Bulgaria. Atel acquired a 100 per cent interest in Vetrocom in the autumn of 2008, thereby augmenting its portfolio of renewable energies in Central/Eastern Europe. Vetrocom is planning to build a wind farm 200 kilometres east of Sofia, with 20 wind generators, each with a capacity of 2.5 MW, and an average gross annual output of 144 GWh. The facility will start production in 2010. Expansion is also on the cards in Germany. In September 2008, Atel purchased the Spreetal I gas-fired combined cycle power station with an installed capacity of 56 MW. Located near the German city of Dresden, the plant has been taken out of operation for 18 months, during which Atel has been modernising the



Power generation in Hungary and the Czech Republic
Atel's own thermal power stations

gas and steam turbines, boiler, burners and measuring/regulating systems, as well as switching the facility from syngas to more environmentally friendly natural gas. Spreetal I is scheduled to resume electricity generation from mid-2009.

In Hungary the focus was on renovation work: the gas turbines in Csepel II were overhauled at a cost of CHF 14 million, increasing the power station's capacity by 14 MW to 403 MW. The improved energy efficiency now allows Atel to make significant gas savings. Another highlight was that Atel was able to sign new electricity sales and gas agreements for Csepel. Less pleasing was the European Competition Commission's ruling that the long-term contracts of certain energy suppliers in Hungary (including Csepel II) involved so-called state aid. The Commission is now demanding reimbursement to the state of these putative subsidies, and the government is currently drawing up terms and conditions for calculating these reimbursements. The issue remains a cause for concern, but negotiations are continuing. Csepel is also taking legal steps to lodge an appeal against the EU Commission's decision with the EU's Court of First Instance.

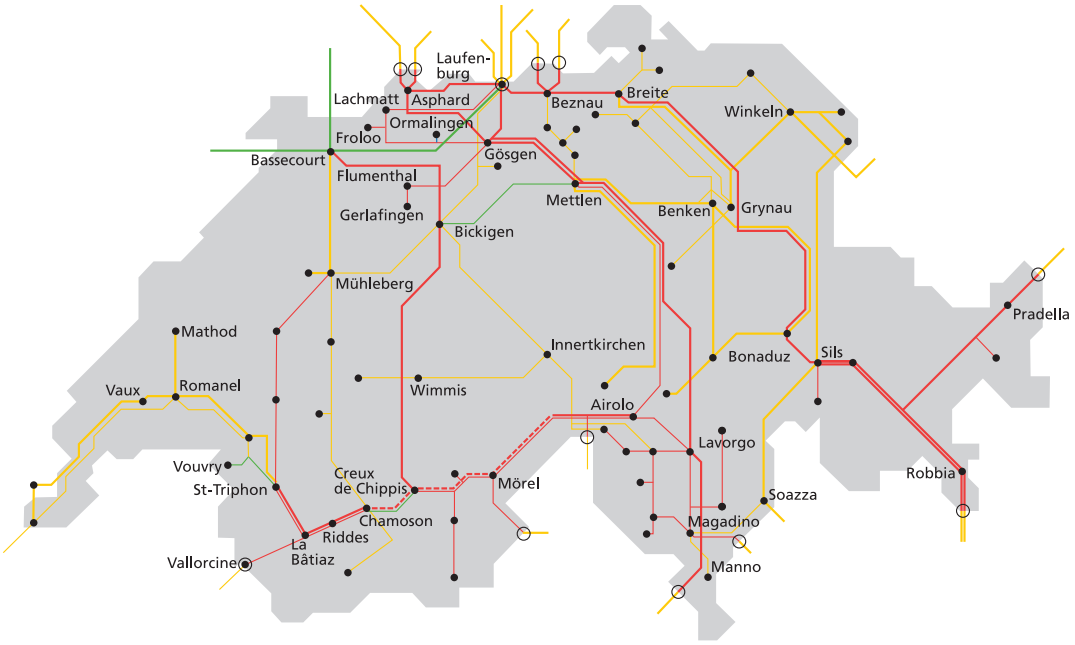
Plans to upgrade the Kladno coal-fired power station in the Czech Republic for compliance with environmental compatibility standards involved a complex public assessment process spread over the entire year. Atel intends to replace the power station's outdated components with leading-edge technologies that will increase the plant's capacity by 101 MW and substantially improve its efficiency.

Grid

Successful repositioning

The activities of Atel Transmission Ltd. revolved around the new Electricity Supply Act (StromVG) and Electricity Supply Ordinance (StromVV), which came into force in 2008 and fundamentally changed the legal framework governing Switzerland's energy sector. These changes primarily affect the grid and, in particular, transmission systems. Since 1 January 2008, formal responsibility for these systems has been borne by the national grid company, swissgrid, to which, by law, ownership of the transmission system must be transferred by the end of 2012 at the latest.

In anticipation of this, Atel founded Atel Transmission Ltd. back in 2001 in order to create the main criteria for



Atel lines in the high-voltage grid

380 kV 220 kV

- Atel's own power lines, interests, long-term rights
- Limited-duration transmission rights
- Third parties
- Upgrading
- Substations
- International connections of Atel and partners

meeting the new legal requirements. However, the situation also called for a number of other adjustments in transmission system management. Successful adjustments included the technical upgrading of Atel's power stations. After passing all the prequalification tests, nothing now stands in the way of Atel's participation in the Swiss market for balancing energy.

Atel Transmission Ltd. made significant progress with both its strategy and locations in 2008, enhancing its profile as a provider of services for transmission, interregional and railway power systems and expanding its railway and industrial business. Management was also strengthened. These changes also necessitated moving the head office from Olten to Niedergösgen. Only the system control centre and members of the central system management group will remain in Olten.

Lengthy permit procedure

On the project side, numerous construction and renovation tasks were on the agenda in 2008. Atel renovated another 8.5 kilometres of the Amsteg–Mettlen line in the canton of Schwyz, but work on renovating other sections has been provisionally blocked due to an appeal procedure. The situation is different in Ticino, where Atel laid a new section of the 220 kV San Joria line in Arbedo, freeing the Ticino community's development zone from the high-voltage line. A replacement sub-

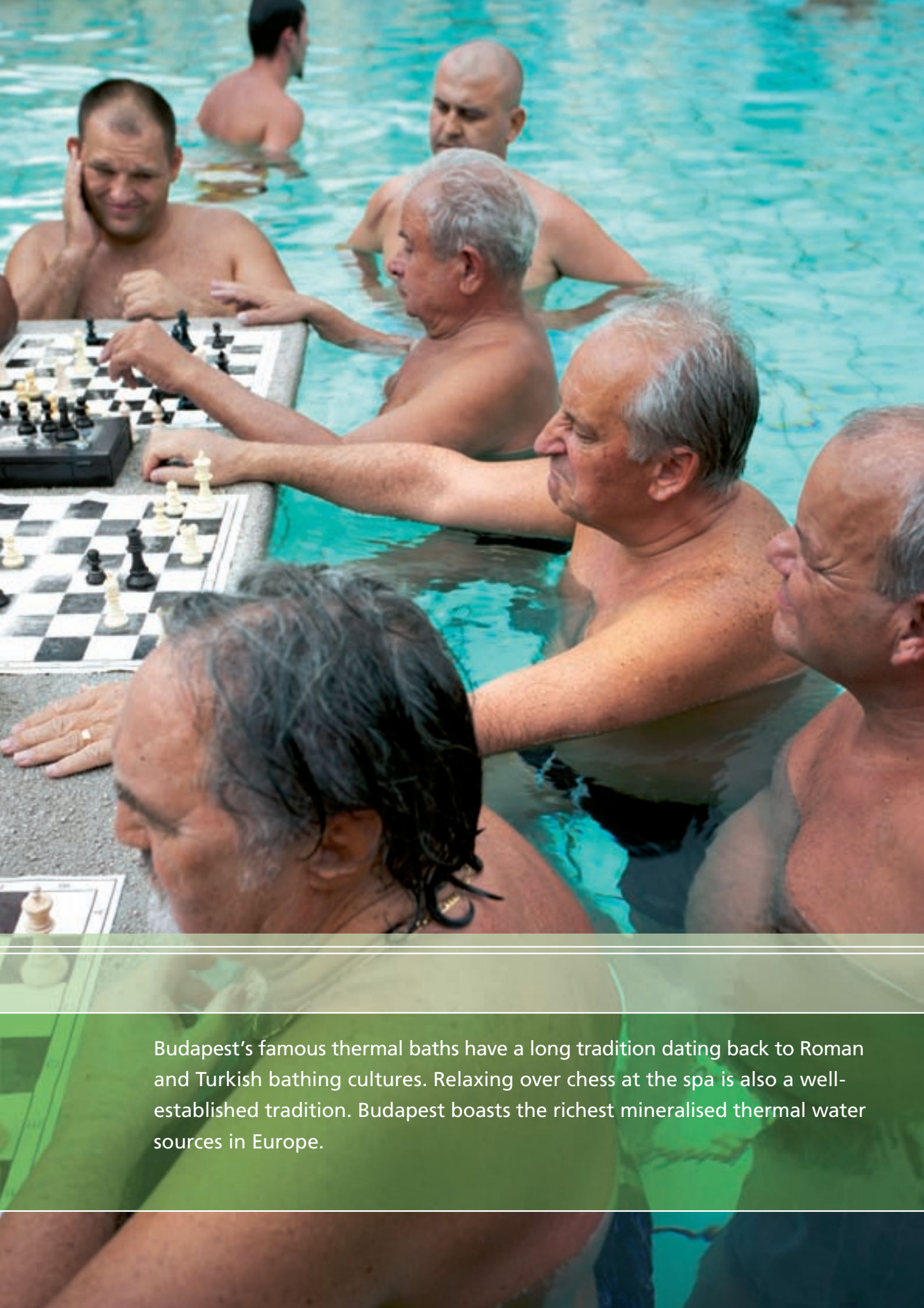
station was installed on a site in the parish of Kappel, which now boasts a replica of the Klus substation constructed in 2007. Finally, a replacement for the 380 kV / 220 kV facilities in Lavorgo is still in the planning stage. The work has gone well, but it will be virtually impossible to start operations before 2011/2012 due to long delivery times for the main components.

Construction has been impeded by the fact that all overhead line projects in the Valais are increasingly meeting with strong resistance from landscape conservationists. Objections and appeals regularly result in delays in the permit process, and Atel has now launched targeted countermeasures.

Specification of a Châtelard–Rosel line corridor under the sectoral plan for overhead power lines, which entails connection of the Nant de Drance pumped storage power station, gave rise to conflicts between the local and cantonal authorities, on the one hand, and the Federal Commission for the Protection of Nature and Cultural Heritage, on the other. This delayed the specification of the corridor by one year. In contrast, Atel has drawn up additional variants for the Airolo-Lavorgo line corridor planning procedure, and an agreement with the Federal Office for the Environment (FOEN) is now in the offing.

Budapest, Hungary

In Budapest, the water flows not only along the Danube, but also collects in huge underground thermal water chambers. The largest spa pool, situated in a 20-metre high dome-shaped cave below the city centre, has a temperature of 27 degrees Celsius. Each day, over 30,000 cubic metres of water bubble forth from more than 100 hot springs in the Hungarian capital. Hot pools are also a feature of Csepel, an island in the Danube whose northern end is part of the Hungarian capital. This is home to the country's largest free port and the first power station in Hungary to be built with private funding. Atel's modern Csepel II gas-fired combined cycle power station covers around six per cent of Hungary's energy requirements and supplies remote heating to about 20,000 households in southern Budapest. Some 600,000 cubic metres of Danube water are used every day to cool down the steam emitted from gigantic turbines. The water is meticulously cleaned, filtered and neutralised before it is returned to the river. Atel not only monitors the quality of the cooling water; it also informs the inhabitants of Csepel about the air quality via a monitor installed on the district's main square. The Hungarian Atel subsidiary publishes a detailed annual report on environmental compatibility and sustainability, of which it can be justifiably proud: in 2007, the company received the prestigious Green Frog Award for this report.



Budapest's famous thermal baths have a long tradition dating back to Roman and Turkish bathing cultures. Relaxing over chess at the spa is also a well-established tradition. Budapest boasts the richest mineralised thermal water sources in Europe.

As team leader, Csaba Csarankó is responsible for all operators and technicians who work at Csepel II during his shift. On his rounds, he enjoys an impressive view of the Danube.

A little upstream of Budapest sits the picturesque town of Visegrád. This is where Balázs Bene lives. From spring to autumn, the Group Business Director of Atel Csepel gets into his kayak at dawn and paddles for an entire hour: part of his recipe for success.

Formerly an uncontrolled dump site, now an idyllic patch of green: “Little Danube Bay” in Csepel. Since 2006 a wooden bridge, co-financed by Atel Csepel, has been providing easy access to the new nature reserve – much to the delight of László Kundráth, electrician at Csepel II and hobby angler.

Virtually stable prices coupled with the sustained rise in demand for energy-efficient facilities and buildings once again generated a high order backlog for the AIT Group. Atel Eco Services AG, a specialist in energy efficiency services established last year and already operating with success, promises to deliver major potential for the Group. Despite the economic downturn, the GAH Group's business fields recorded positive results, driven in particular by strong expansion in its conventional and nuclear power plant technologies. The Group also made further strides in high-voltage lines through a strategic acquisition and is now the third-largest provider in Germany.

Investment in expansion and consolidation

Despite violent market swings, the Atel Installationstechnik Group (AIT) saw its building technology/facility management and transport technology businesses grow in the year under review. Strong growth was also recorded by the German GAH Group in its two core business fields.

AIT Group

Still on track for growth

The positive economic situation at the start of 2008 resulted in high order backlogs both in Switzerland and in Italy, keeping the Building Services and Transport Technology units working at high capacity. Only in the second half of the year did the unease triggered by the financial crisis make itself felt, although this had no impact on incoming orders. While the business environment was subject to major fluctuations, prices remained virtually stable, albeit at a slightly lower level than a year earlier. Against this backdrop, the Atel Installationstechnik Group (AIT) performed well in the market.

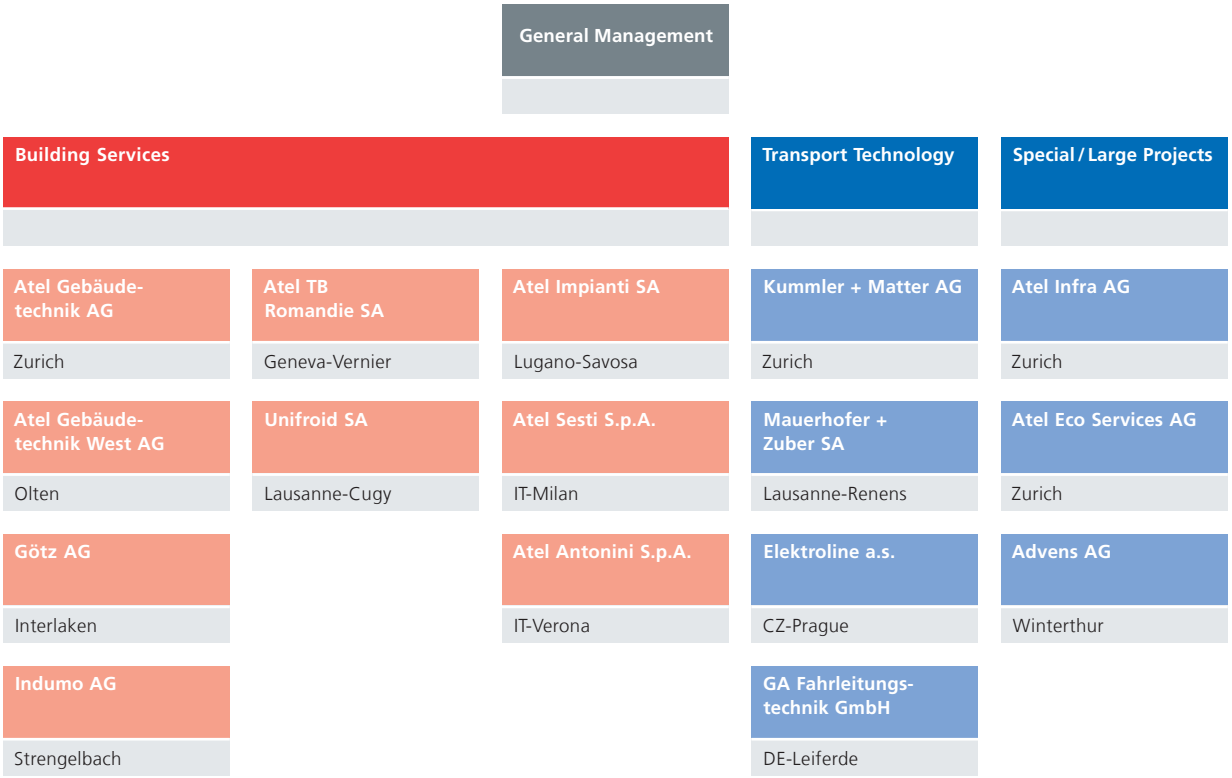
One of the most important events of the year under review was the signing of a works contract worth CHF 1.7 billion to install the railway technology in the Gotthard tunnel. The AIT Group is leading this once-in-a-century construction project and is involved in the structural work (50 Hz power supplies) as well as overhead line installations. Winning this contract underscores the leading role that Atel plays in the Swiss energy services market. The company's position was additionally strengthened through acquisitions in the Swiss plateau (Mittelland) region as well as Western Switzerland. The main driver of organic growth within AIT was the technical facility management business.

AIT also chalked up successes outside Switzerland. With the EU investing heavily in public transport in Eastern Europe, AIT was able to leverage this development to grow and strengthen its position, especially in the attractive market for tramlines. In 2009, Atel is planning to continue expanding its transport technology operations in the East and West European markets. Through acquisitions, it also gained a foothold for building services in the Veneto region of Italy.

Overview Energy Services segment

	+/– variance 2007–2008 in % (based on CHF)	2007 CHF million	2008 CHF million	2007 EUR million	2008 EUR million
Order intakes	–4.0	2 400	2 304	1 461	1 452
Net revenue	14.4	1 959	2 242	1 192	1 413
EBIT	56.5	85	133	52	84
as % of net revenue		4.3	5.9	4.3	5.9
Net investments in tangible fixed and intangible assets	31.3	48	63	29	40
Number of employees as of balance sheet date	8.5	7 726	8 383	7 726	8 383

AIT Group



In response to the sharp rise in demand for all types of services to enhance energy efficiency, Atel designed a portfolio of appropriate offerings and set up a separate company to manage them. Established in autumn 2008, Atel Eco Services specialises in energy efficiency – one of the four pillars of the Federal Council's energy policy – and delivers services designed to enhance energy efficiency in facility management and building technology, helping to reduce CO_2 emissions and promote sustainable resource management. Atel Eco Services is set to leverage the growth in demand for such services both in new builds and in existing premises, and the young company has already scored its first successes.

Outlook

There is still no clear picture of how the crisis in financial markets will impact the construction industry and public spending. Nor is there any clearly identifiable trend in raw material prices. Future conditions in the construction market can, however, be better estimated with more certainty. As has been predicted for some time, AIT expects to see construction activities flatten off in the second half of 2009, triggered by the anticipated deterioration in market conditions and a slowdown in economic growth. Experience shows that there are also opportunities to be exploited in such markets, despite any indications of a negative trend. For instance, the

AIT Group facilities
□ Atel Installationstechnik (head office)
■ Facilities

Other facilities outside Switzerland: Ede (NL), Leiferde (DE), Milan (IT), Prague (CZ), Verona (IT)

public sector can be expected to step up capital spending. Given this situation, the AIT Group's activities for 2009 focus on two objectives: consolidating acquisitions made so far and successfully implementing the Gotthard railway technology project.

GAH Group

Robust growth in a difficult environment

In the first quarter of 2008, the German economy performed very favourably, only to weaken again in the following two quarters. At the end of the 2008 financial year, the global financial crisis also took its toll on the German economy, resulting in a pronounced economic downturn. Overall, however, the GAH Group's business fields shaped up well despite these difficult conditions. While Energy Transmission and Communication Technology (ECT) enjoyed stable growth of around 10 per cent, Industrial and Plant Engineering grew by a sizeable 25 per cent.

The growth enjoyed by Industrial and Plant Engineering was primarily attributable to expansion of conventional and nuclear power plant technology, which posted a clear improvement in performance over the previous year. Another contributing factor was the industrial pipeline and construction business, which benefited from high demand from the chemical and petrochemical industries in particular. Expansion of European business, including the acquisition of the OMV oil and gas group in Romania, also drove growth. Energy Transmission Technology enjoyed brisk business, especially in high-voltage overhead line and cable installations – including

GAH Group

Industrial and Power Plant Engineering Division

Kraftanlagen München GmbH
Munich

Kraftanlagen Hamburg GmbH
Hamburg

Kraftanlagen Heidelberg GmbH
Heidelberg

FINOW Rohrsysteme GmbH
Eberswalde

ECM Ingenieur-Unternehmen für Energie- und Umwelttechnik GmbH
Munich

Ingenieurbüro Kiefer & Voß GmbH
Erlangen

Caliqua Anlagentechnik GmbH
AT-Vienna Neudorf

Kraftanlagen Romania S. R. L.
RO-Bucharest

Kraftszer Vállalkozási Kft.
HU-Budapest

Energy Transmission / Communication Technology Division

GA Energieanlagenbau Süd GmbH
Fellbach

GA Energieanlagenbau GmbH
Hohenwarsleben

Frankenluk Energie-anlagenbau GmbH
Bamberg

GA Hochspannung Leitungsbau GmbH
Walsrode

Elektro Stiller GmbH
Ronnenberg

Martin Bohsung GmbH
Landau

GA Austria GmbH
AT-Alkoven

GA-Magyarország Kft.
HU-Törökbálint

REKS Plzeň s. r. o.
CZ-Plzeň

Energetická montážní společnost, Česká Lípa s. r. o.
CZ-Česká Lípa

GA Slovenso s. r. o.
SK-Bratislava

GA-com Telekommunikation und Telematik GmbH
Gifhorn

Digi Communication Systeme GmbH
Gifhorn

power lines connecting offshore wind farms to the grid – and in transformer stations.

Having achieved the restructuring objectives of its 2007 consolidation project, the GAH Group made further progress in its strategy of concentration, with focus on its two core businesses. The 2008 consolidation project was brought to a successful conclusion with the sale of Kamb, DigiCos Poland and Kraftszer Gebäudetechnik as well as the transfer of overhead line construction to the AIT Group.

Investment boom for power plants

Large sums of money were invested in the construction of large conventional and nuclear power stations. The GAH Group took advantage of this boom to win major large-scale contracts, including the Eemshaven brown coal power plant in the Netherlands (contract volume: EUR 75 million), follow-up orders for the Olkiluoto 3 power station in Finland (EUR 33 million), Coal Block 9 at the large Mannheim AG power station (EUR 31 million) and the Mannheim waste incineration power station (EUR 21 million) in Germany. For environmental reasons, obtaining permits to build coal-fired power stations in Germany may prove increasingly problematic.

Niche markets such as biomass incineration power stations, gas-fired combined cycle power stations and waste incineration facilities remain in vogue. Demand for maintenance, servicing and dismantling services remains high in Germany and Switzerland, and the chemical and petrochemical industries are enjoying encouraging growth, from which GAH is also reaping the benefits. There is still market potential to be leveraged with Atel in European business, for example in Switzerland, Italy, France and Eastern Europe, as well as through alliances with system suppliers in indirect export business.

Consolidation in the high-voltage segment

Energy Transmission and Communication Technology (ECT) reported good performance in its overhead line and cable installation business as well as for switching stations in the high-voltage range. Conversely, earthbound pipeline construction continued to perform weakly. GAH also enjoyed stable demand for cable installations, railway technology and technical communication services. Projects such as electronic interlocking systems, motorway cabling, radio communication systems for public authorities, BWI microwave radio, municipal networks and in-house power supply technology opened up new market opportunities. To exploit such opportunities effectively going forward, ESB, te-com and GA-com and hence the cable system, railway technology and fixed-network units were combined under GA-com. In future, the new GA-com will concentrate on the more profitable and more complex communication technology business.

Without doubt, one of the highlights of last year was when ECT won a EUR 14 million contract to install cabling for the Borkum 2 offshore wind farm. This contract opens up a promising growth market, and there is a good chance that more new projects will be secured for connecting offshore facilities to the grid. In addition to contracts to install cabling for a motorway project and to connect up Berlin-Schönefeld airport (including the planning and installation of a tunnel communications system, transmission system, in-house telephone and alarm systems), high-voltage projects were another key priority. New contracts included the Lahe–Mehrum high-voltage line in Germany and the reconstruction of a 400 kV section in Slavetice, Czech Republic, by the Group's Czech subsidiary REKS.

In line with its strategic direction, the GAH Group also consolidated its high-voltage line installation activities, taking over FBG-Freileitungsbau GmbH, Walsrode, on 1 April 2008 and merging it with the high-voltage units (incl. static and ducting) and the HV cabling business field set up in 2008 by GA-Leitungsbau Süd GmbH. Established on 1 January 2009, the new company, GA Hochspannung Leitungsbau GmbH based in Walsrode, is now one of the three largest providers of high-voltage overhead line installations in Germany.

GAH Group facilities

- Company head office
- Branches, offices

Other facilities outside Germany:
Bratislava (SK), Brussels (BE), Budapest (HU), Ploieşti (RO), Schwechat/Mannswörth (AT), Törökbálint (HU), Vienna Neudorf (AT)

Outlook: opportunities and structural adjustments

The GAH Group has taken all the steps necessary to continue capitalising on market opportunities and potential in 2009. With the impact of the financial crisis and its implications for economic growth already becoming apparent towards the end of 2008, economic recession must be regarded as a real possibility in 2009. We expect to see a decline in demand from the industrial sector, in particular from the automotive and chemical/petrochemical sectors.

At present, the political framework is doing little to help promote a healthy investment climate. To exacerbate the reductions in grid transit charges ordered by the Federal Network Agency and the incentive regulation system that came into force at the beginning of 2009, the EU Commission's insistence on unbundling electricity generation and electricity distribution will have an increasingly negative impact. Back in November 2008, E.ON announced that it would be drastically cutting back capital expenditure on its distribution network in 2009. Vattenfall and E.ON are planning to sell their high-voltage systems (transmission and transit systems) so that E.ON can avoid an antitrust dispute with Brussels. And RWE has announced plans to exit from gas transmission operations.

Despite these less encouraging signs, the GAH Group is ideally equipped to leverage opportunities and to closely monitor economic developments so as to make the requisite structural adjustments in good time. There is still a need to invest in new generation capacities – both conventional and nuclear. And this demand is even set to grow in Eastern Europe and Switzerland, providing the associated opportunities for the GAH Group. Efforts to promote renewable energy also offer the potential for attractive contracts. For example, the planned construction of offshore wind farms in the North Sea and Baltic Sea will necessitate connections to the electricity grid. By the same token, there is a growing need to invest in the construction of new high-voltage sections and to upgrade existing sections along the north-south axis, although the financial crisis means that delays in implementation are to be expected.

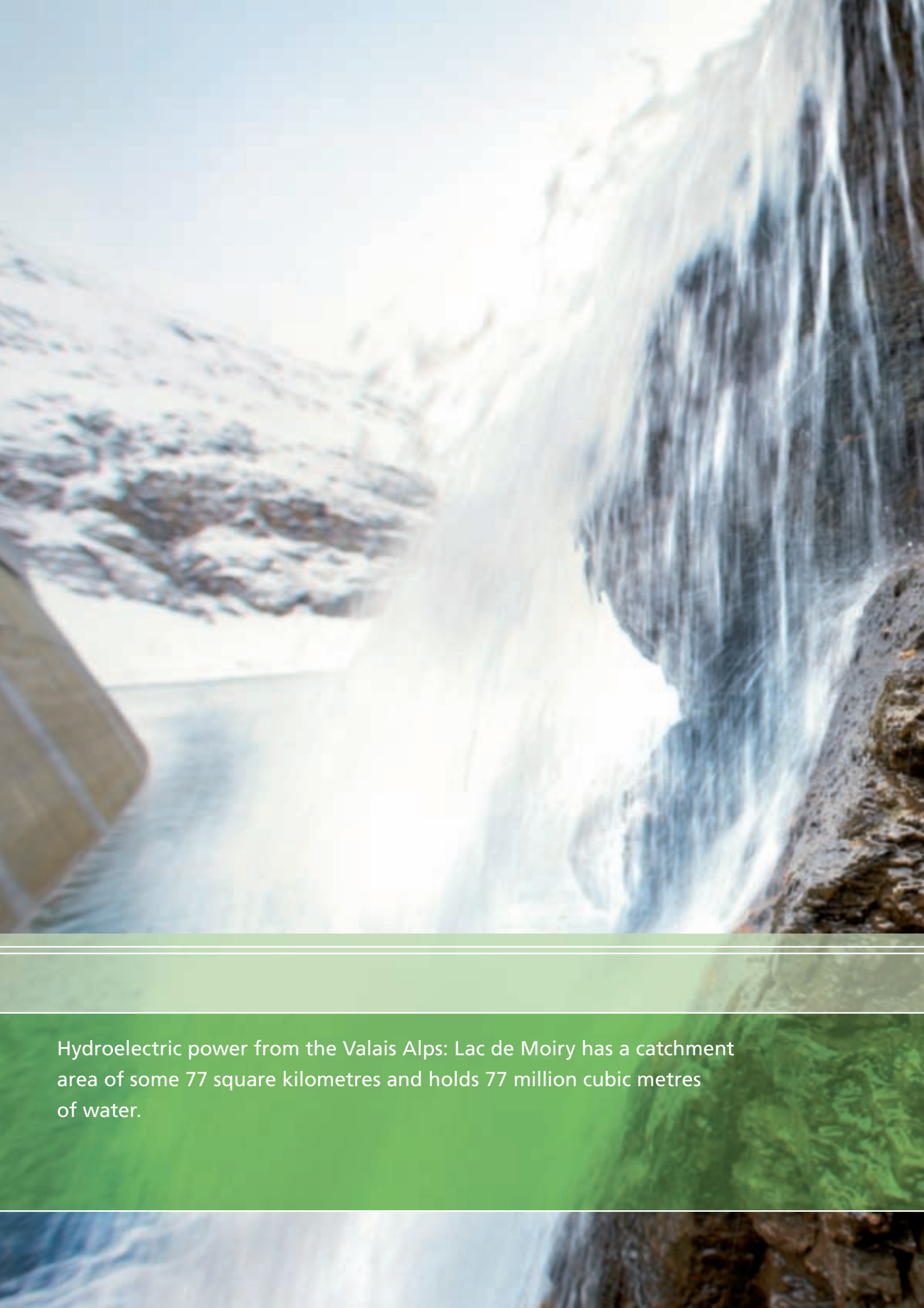
The goal for the 2009 financial year is to achieve qualitative growth in the GAH Group's core business fields, with emphasis on high voltage – overhead lines, transformer stations and cable installations – for Energy Supply and Communication Technology, both within and outside Germany. Participation in offshore wind farm projects (onshore electricity connections), further development of cable installations and railway technology, and technical communication services will also increasingly contribute to growth in this business field. In Industrial and Power Plant Engineering, the GAH Group aims to exploit the potential inherent in the market for conventional and nuclear power generation facilities. Additional opportunities for growth will be found in industrial plant engineering and pipeline construction, coupled with expansion of European business.

Both strategic business fields have research and development budgets to underpin long-term development. Closer collaboration with universities and research centres is planned, together with participation in existing projects focused on areas such as renewable energies. A model project in this context is the planning and construction of Germany's first solar tower power station in Jülich, on which the GAH Group collaborated with the German Aerospace Center and the Solar Institute of Aachen University for Applied Sciences. Additional staff training and further education programmes are also planned for 2009, along with the recruitment of young talent. The GAH Group has implemented measures to address the financial and economic crisis, and to make itself fit to master the challenges ahead and exploit emerging opportunities to the full.

Val d'Anniviers, Switzerland

High above Val d'Anniviers lies Lac de Moiry. A soaring panorama of 4,000-metre peaks surrounds the reservoir, culminating at the end of the valley in the "Emperor's Crown": the Weisshorn, Zinalrothorn, Obergabelhorn, Bishorn and Dent Blanche. Besides collecting water from the Gougra stream, the reservoir is also a depository for ice and snow. More water flowing from the upper Turtmann Valley collects in a reservoir below the glacier and is pumped into Lac de Moiry. Once the lake is full, the water table is exactly 2,249 metres above sea level. Hydropower is an important arm of the economy in Swiss alpine regions: after all, more than half the electricity produced in Switzerland is generated from water. At around 10,000 GWh per year, the canton of Valais provides no less than one-fifth of the electricity consumed in Switzerland. And Kraftwerke Gougra AG, in which Atel has a stake, contributes an annual volume of 639 GWh. The water stored in the Moiry reservoir is channelled through turbines in three downstream power stations: Mottec, Vissoie and Chippis. Since water is the most important source of renewable energy and hydroelectric generation is regarded as environmentally friendly, Atel has consistently accorded top priority to hydropower. In addition to storage power stations such as Lac de Moiry, Atel's generation assets also include various run-of-river and small hydroelectric power stations.

Reservoir keepers Stéphane Naoux (foreground) and Felix Monnet are a committed team, with almost 50 years of professional experience between them.



Hydroelectric power from the Valais Alps: Lac de Moiry has a catchment area of some 77 square kilometres and holds 77 million cubic metres of water.

Air taxi to work: once a month the two reservoir keepers give the Moiry dam a thorough check-over both inside and out. On their tour inside the dam, they have to climb up and down 1,600 steps.

A total of 89 inspection stations have to be visited within three to four hours. All measurements are carried out meticulously, using a range of instruments to check various parameters, such as the angle of the dam and the temperature of the concrete.

For a company operating throughout Europe, an inclusive natural approach to social, economic and cultural diversity is one of the keys to sustainable success. Ongoing, transparent dialogue with all stakeholder groups as well as a responsible human resources and social policy are the concrete expression of this approach. Mindful of its obligations towards the community, market and environment, Atel has from the outset engaged in a wide range of projects that promote and enhance mutual understanding and communication between people and cultures. Such involvements provide a sound foundation for a forward-looking energy policy and for Europe.

Atel promotes cultural exchange within Europe

When expanding into new markets, Atel consistently honours its social responsibility in those regions. Mindful of this obligation, Atel has supported a pioneering exhibition project to promote understanding between the nations of Eastern and Western Europe.

2008 marked a very special occasion, when around 1,200 prehistoric objects from some 40 Romanian museums left their home country for the first time. Their destination was the History Museum of Olten, where visitors to the "Stone Age Art – Romanian Neolithic Cultures" exhibition held between June and November 2008 were able to view relics that bear witness to a sophisticated Stone Age culture: elegant tools, ceramics and jewellery crafted with high precision.

In addition, the exhibition included an astounding collection of sacred artefacts. The artistic highlight was a clay statuette depicting a male figure sitting on a stool with his head in his hands. Because of its strong resemblance to the famous work by August Rodin, it has been baptised "The Thinker".

Fostering understanding between East and West

This world premiere in Olten is the result of a visionary collaboration between a number of institutions and individuals. And as the principal sponsor of this successful exhibition, Atel played a key role. After all, as a leading European energy corporation with a traditionally strong presence in various regional markets, Atel is strongly committed to fostering understanding between nations. It therefore welcomed the initiative for this exhibition project, which rescued the splendid Stone Age culture of South-Eastern Europe from obscurity and enabled a cultural exchange of unique dimensions between South-Eastern and Western Europe. The exhibition was organised under the patronage of the Swiss Federal President, the Prime Minister of Romania and UNESCO.

A combination of specific factors gave rise to this sponsorship of the exhibition of Neolithic culture. For one, Atel enjoys a special relationship with Olten, where the Romanian Stone Age collection made its first public debut. Olten has been the seat of Atel since its inception more than a hundred years ago, which is why the company has traditionally supported and sponsored a wide range of public events held in and around this small town in Solothurn. From its head office in Olten, Atel has evolved to become a European energy company that in recent years has also strengthened its presence in Eastern and South-Eastern Europe. Hosting a Romanian exhibition on its home turf was not only an extremely attractive prospect, but also reflected the European outlook and strong Swiss roots to which Atel is committed.

Olten: a cultural crossroads

This spectacular exhibition at the History Museum of Olten featured unique cultural artefacts from the oldest Neolithic culture on the European continent. These prehistoric exhibits, from the lower Danube region, date from 7000 to 6000 BC.

In view of its cultural and historical importance, Swiss President Pascal Couchepin was only too willing to open the exhibition in person in June, in the presence of many political and diplomatic VIPs. The guests were full of praise for the "Three Pines City" of Olten, which had taken on the challenge of staging a major exhibition and, in so doing, – as President Couchepin pointed out – proved its status as a cultural crossroads as well as a railway hub.

Just one month later, Olten welcomed the entire Federal Council, which visited the exhibition on its traditional annual outing. The short visit was enough to impress other members of the Swiss cabinet, too. Minister of Economic Affairs Doris Leuthard, for one, announced that she would be returning with her family. In October, members of the Swiss diplomatic corps in Berne took up the invitation to Olten, where only a month before the exhibition venue had hosted the fifth Romanian-Swiss Archaeology Congress.

The outstanding response and many requests for guided tours prompted the organisers to extend the exhibition for another five weeks. Over a five-month period, visitors from Geneva and Lausanne to Vaduz and Müstair, from Romania, Frankfurt and Liebefeld to Salisbury and London found their way to the Neolithic Art exhibition to gaze in wonder at the artefacts. The enthusiastic comments in the guestbook say it all: "excellently designed and highly informative", "brilliant presentation", "thoroughly enjoyable", and "the exhibition of the year – or the decade". For Atel the exhibition represents the achievement of an important objective: to create a common understanding across old and new borders, in the firm belief that this is the only way to master pressing economic and social challenges.

Active responsibility and engagement

Conscious of its responsibility towards society and the environment, Atel accords major importance to sustainable relations with customers, partners, shareholders, employees and the community around it. Atel utilises its regional presence throughout Europe to foster dialogue with all stakeholder groups.

With this in mind, Atel and EOS have created immergenugstrom.ch, a new Internet **platform for dialogue** on Switzerland's electricity future. The platform provides up-to-date unbiased facts and background information on the subject of energy security and addresses key issues. Aimed at a broad audience, the platform invites online visitors to take part in a subjective, open and constructive debate on energy.

In the **working environment**, quality management and occupational safety come first – particularly at facilities that use conventional technologies. For example, Atel's thermal power stations in Italy, Hungary and the Czech Republic boast state-of-the-art equipment and comply with rigorous safety standards. Csepel and the coal-fired power plant in Kladno near Prague have received several awards from the UK's Royal Society for the Prevention of Accidents for their high safety and accident prevention standards.

Atel is actively committed to **environmentally compatible** energy production, sustainable resource management and minimum emission levels. Examples of this commitment include power plants in the Czech Republic and Italy which are certified to the EU environmental management standard (EMAS II), hydroelectric power stations in Switzerland that produce officially approved renewable energy, and the Gösgen nuclear power station, which operates an environmental management system and conforms to the highest safety standards.

Mutual interest and trust characterise the relationship between Atel and its stakeholder groups and form the basis for successful partnerships. The company takes responsibility in many areas of daily life, particularly in the **regions** where it operates. For years now, Atel has systematically contributed to regional development and quality of life through targeted sponsorship and support for sports clubs, cultural events and social institutions.

Transparent remuneration

Atel is committed to remunerating members of management and employees so as to motivate them to help achieve sustainable success for the company. Equally important for Atel is to provide remuneration packages that are transparent and avoid inappropriate incentives.

One of the principles of responsible corporate management at Atel is to offer competitive salaries coupled with a performance-related and value-based bonus system that motivates managers and employees to deliver sustainable growth in shareholder value. The Swiss Code, from which Atel's remuneration policy is derived, also stipulates that remuneration should be indexed to a corporation's long-term success and the personal contribution made by management.

Accordingly, Atel's remuneration guidelines and bonus systems take into account the economic situation, results of operations and the future outlook for the company. The total remuneration packages for members of the Executive Board and business unit heads therefore consist, in equal parts, of fixed, non-performance-related components, short-term performance-related bonus payments and long-term performance-related bonus payments spread over several years. All employees in the Energy segment across Switzerland also participate in a similar graded pay system, which will also be adopted by the subsidiaries in future.

Once a year, to ensure that remuneration is commensurate with standard market rates, Atel commissions an independent external consultancy to review the total pay packages of management and employees relative to the market environment. This includes an analysis of the level and structure of salaries. The last such review was conducted in autumn 2008.

On a like-for-like basis, the positioning of the remuneration components is in line with the market average in the Swiss market. In the European context – which compares the top 15 energy providers in Europe – Atel tends to be positioned in the lower quartile of standard market remuneration bandwidths.

At Atel, executive and employee pay packages consist of a fixed, non-performance-related basic salary and variable, performance-related components. This variable pay in turn consists of a short-term component and a long-term component.

The aim of short-term bonus components is to motivate management and provide rewards for performance on the basis of annual results. To this end, a Nomination and Remuneration Committee appointed by the Board of Directors determines a nominal figure at the start of each financial year. Payment of this amount is dependent on the achievement of up to six personal performance objectives and on the financial targets achieved.

In the interests of sustainable business success, the long-term pay components are offered at all levels as an incentive to enhance Atel's value in the medium and long term. Every year the Nomination and Remuneration Committee defines Economic Added Value (EVA) as an indicator of sustainable growth in shareholder value, based on the corporate plans approved by the Atel Group. Actual payment is made only three years after the long-term components have been assigned.

Transparent, responsible corporate governance is just as important a factor in sustainable value creation as a comprehensive information policy. Atel operates an effective management and control system in the interests of ensuring a balance between legal and self-regulatory requirements. Combined with clear corporate governance regulations and ethical principles which are translated into practice, they ensure sustainable growth in shareholder value. And at the same time, they address the rising demands of the capital market and the rightful interests of shareholders and stakeholders alike.

Atel creates transparency

An open information policy, efficient collaboration based on partnership, and other core values of the Atel culture have proven their worth once more – both in day-to-day business and in paving the way for the merger between Atel and EOS under the Alpiq umbrella.

The principles and rules of corporate governance for the Atel Group are set out in the company's Articles of Association, its Organisational Regulations, the Executive Board Regulations, the Group guidelines and the organisational chart, which illustrates the relationships between affiliated companies. The Board of Directors and Executive Board regularly review these rules and principles, and revise them as and when necessary. The following statements are made in accordance with the Corporate Governance Disclosure Guidelines issued by the SIX Swiss Exchange.

Group structure and shareholders

As an energy company active throughout Europe, Atel Holding Ltd and its operating subsidiaries (Atel Group) have core competences in power generation, electricity trading and sales, and energy services. The Atel Group has important generation facilities in Switzerland, Italy, Hungary and the Czech Republic in addition to operating its own networks. The Group comprises two segments: Energy and Energy Services. In the Energy segment, Atel combines power generation and transmission operations with trading and sales. The segment is subdivided into the Energy Switzerland, Energy Western Europe and Energy Central Europe divisions, all of which have their own power stations, affiliated companies and local sales companies. The Energy segment also includes the Trading & Services division.

The Energy Switzerland division is responsible for sales in the Swiss market, thermal and hydroelectric power generation in Switzerland, and those parts of the Swiss electricity grid that belong to Atel.

The Energy Western Europe division serves its market territory through sales subsidiaries in Italy, France, Spain and the Nordic countries. Atel's own power stations, its interest in Edipower in Italy and the power station projects across France, Italy and Norway also belong to this division.

The Energy Central Europe division covers markets in Central and Eastern Europe with its sales and trading companies in Germany, Poland, Hungary, the Czech Republic, Slovakia, Slovenia, Croatia, Serbia, Bulgaria, Romania, Macedonia and Greece. These countries come under the responsibility of Atel Energy Ltd. Atel power stations in the Czech Republic and Hungary are managed from Prague, which is also the seat of the Trading business unit for Central/Eastern Europe, part of the Prague subsidiary Atel Česká republika s.r.o.

The Trading & Services division is active on all major electricity exchanges in Western Europe, trading in electricity, gas, coal and CO_2 certificates.

The Energy Services segment delivers services related to all aspects of energy generation, distribution and use. It consists principally of the companies in Switzerland, Germany, the Netherlands, Italy and the Czech Republic that belong to Atel Installationstechnik Ltd. as well as the companies in Belgium, Germany, Austria, Romania, the Czech Republic and Hungary belonging to the GAH Group in Heidelberg. The GAH Group provides services in the fields of energy supply and communications technology as well as energy technology and industrial plant engineering. Atel Installationstechnik companies are primarily engaged in building services and transport technology.

Organisation at 31 December 2008

General Management
G. Leonardi *

Financial Services
K. Baumgartner *

Management Services
H. Saner *

Energy Switzerland	**Energy Western Europe**	**Energy Central Europe**	**Trading & Services**	**Energy Services**
H. Niklaus *	A. M. Taormina *	R. Frank *	G. Leonardi a. i. *	H. Niklaus *
Market Switzerland	**Market West**	**Market North**	**Proprietary Trading**	**AIT**
H. Schranz a. i.	P. Hamamdjian	Dr. A. Stoltz	T. Ramm a. i.	P. Limacher
Thermal Power Generation	**Market Italy**	**Market South**	**Asset Trading**	**GAH**
P. Hirt	S. Colombo	Dr. A. Stoltz	T. Ruckstuhl	H. Niklaus *
Hydro Power Generation	**Market Nordic**	**Market Germany**	**Middle Office & Operations**	
J. Aeberhard	A. M. Taormina *	Dr. H. Clever	Dr. R. Schroeder	
Grid	**Power Generation West**	**Power Generation Central**	**Fuel Management**	
Dr. M. Zwicky	R. Sturani	A. Walmsley	N. N.	

- General management
- Functional division
- Functional unit
- Business division
- Business unit

* Member of the Executive Board

Financial Services
K. Baumgartner

Settlement	**Accounting & Reporting**	**Taxes**	**Treasury & Insurance**
D. Christen	M. Vögeli	G. Giglio	L. Oetiker
Planning & Controlling	**Risk Management**	**IT**	
F. Dupertuis	W. Hollenstein	A. Gebhart	

Management Services
H. Saner

Internal Audit	**Public Affairs**	**Communications**	**Legal**
W. Schmucki	S. Aeschimann	M. Bahnmüller	P. Schib
Development & Organisation	**Human Resources**	**Secretary Board of Directors**	
D. Spinnler	J. Dali	A. Moilliet	

Financial Services is a Group-level functional division consisting of Accounting & Reporting, IT, Planning & Controlling, Risk Management, Taxes, Treasury & Insurance, and Settlement. The Management Services functional division includes Human Resources, Legal Services, Corporate Development and Organisation, Public Affairs, and Communications. Internal Audit and the General Secretariat are also assigned to this division for organisational purposes.

Stock exchange listing

At 31 December 2008, the parent company Atel Holding Ltd (formerly Motor-Columbus Ltd.) domiciled in Olten had a share capital of CHF 218,379,180, divided into 21,837,918 registered shares with a nominal value of CHF 10 each. The registered shares are listed on the SIX Swiss Exchange under international securities identification number ISIN CH0034389707. At the end of 2008, the company's market capitalisation was CHF 11,683,286,130 (calculation: closing price on 31 December 2008 x number of shares = CHF 535 x 21,837,918 registered shares).

On 10 January 2008, following completion of the public exchange offer by Atel Holding Ltd for all shares in Aare-Tessin Ltd. for Electricity (Aare-Tessin Group), the share capital of Atel Holding Ltd was increased from CHF 255,625,000 to CHF 435,890,800, divided into 21,794,540 registered shares of CHF 20 each. As compensation for the cancelled shares in Aare-Tessin Ltd. for Electricity (squeeze out), the share capital of Atel Holding Ltd was increased on 1 July 2008 to CHF 436,758,360. Aare-Tessin Ltd. for Electricity was delisted from the SIX Swiss Exchange on 23 June 2008. On 4 July 2008, following the Annual General Meeting's approval of a capital reduction based on a nominal value repayment of CHF 10 per share, the share capital was reduced to CHF 218,379,180, divided into 21,837,918 registered shares with a nominal value of CHF 10 each.

Società Elettrica Sopracenerina SA, Locarno, with a share capital of CHF 27,500,000, of which Atel indirectly holds 60.9 %, is also listed on the SIX Swiss Exchange (ISIN CH0004699440). At the end of 2008, the company's market capitalisation was CHF 11,683 million.

The principal consolidated Group companies are listed in the Financial Report on pages 79 to 85. Significant shareholders of record are listed in the table on page 80 and in the Financial Report on pages 56 and 57.

Majority shareholders in Atel Holding Ltd are not required under the Swiss Stock Exchange and Securities Trading Act to take part in a public purchase offer (opting out). A consortium or shareholder agreement exists between EOS Holding (Lausanne), EDF Alpes Investissements Sàrl (EDFAI, Monthey) and the Swiss consortium of minority shareholders, consisting of EBM (Elektra Birseck, Münchenstein), EBL (Elektra Baselland, Liestal), the canton of Solothurn, IBAarau, AIL (Aziende Industriali di Lugano SA) and WWZ (Wasserwerke Zug AG). The members of the Swiss consortium of minority shareholders are mutually bound by an agreement.

The consortium agreement governs the merger of the Aare-Tessin Group with the operating assets of EOS Holding SA and possibly also the Swiss activities of EDF, together with mutual pre-emption rights and corporate governance.

Cross-shareholdings

At 31 December 2008, Atel Holding Ltd held 5.0 % of the share capital of A2A S.p.A. (formerly AEM Milan), which in turn held 6.43 % of the share capital of Atel Holding Ltd. Antonio M. Taormina, a member of the Executive Board, represents Atel Holding Ltd on the A2A Board of Directors, while Dr. Giuliano Zuccholi, Chairman of the Board of Directors of A2A, represents A2A S.p.A. on the Atel Holding Ltd Board of Directors.

Capital structure

Share capital

At 31 December 2008, the share capital of Atel Holding Ltd amounted to CHF 218,379,180, divided into 21,837,918 fully paid up registered shares with a nominal value of CHF 10 each.

Atel Holding Ltd has additional authorised capital up to a maximum of to CHF 96,901,830. The Board of Directors

is entitled to restrict or disapply shareholders' pre-emption rights and assign them to third parties, namely when the new shares are to be used in exchange for parts of companies or equity investments or to finance the acquisition of companies. The Board of Directors is authorised to set the issue price of the shares and the type of capital contribution. The Board of Directors' authority to increase share capital is valid until 7 November 2009. Atel Holding Ltd has no conditional capital.

Changes in equity

The Statements of Changes in Equity are presented in the Financial Report, on page 14 in the Atel Group's consolidated financial statements and page 92 in the year-end financial statements of Atel Holding Ltd. Statements of Changes in Equity for 2006 can be found in the 2007 Annual Report of Atel Holding Ltd, on page 12 in the Atel Group's consolidated financial statements and page 83 for Atel Holding Ltd.

Shares

Every share represented at the Annual General Meeting of Atel Holding Ltd is entitled to one vote. There are no restrictions on transferability or voting rights. The company has no participation certificates, bonus certificates or convertible bonds outstanding.

Board of Directors at 31 December 2008

The Board of Directors is responsible for the overall guidance and strategic direction of the Atel Group as well as for supervising the Executive Board.

Members of the Board of Directors

The Board of Directors consists of twelve members, none of whom exercises any executive functions within the company. Members of the Board of Directors are listed below and on pages 88 and 89 of this Annual Report.

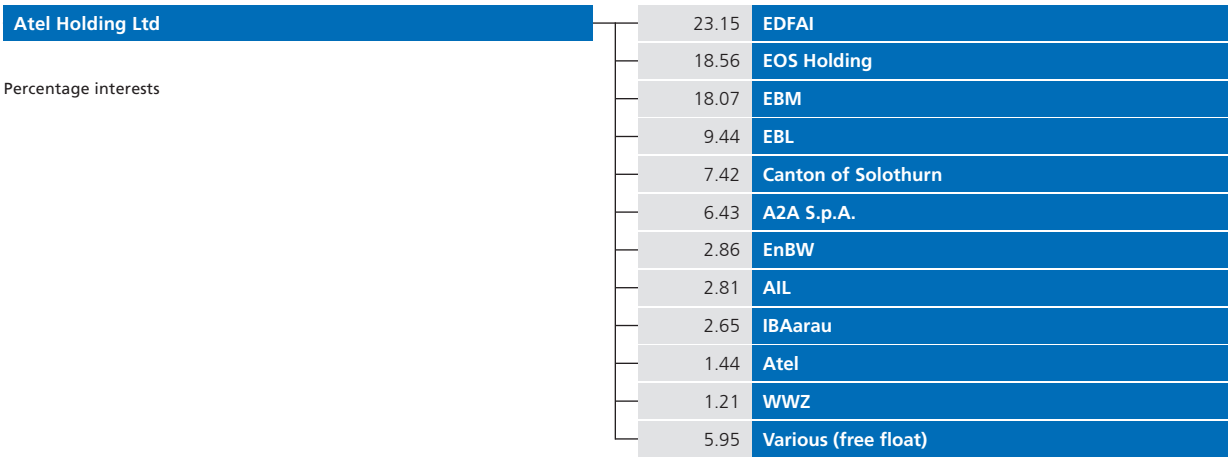
Other activities and interests

Biographical details, professional backgrounds and information about other activities of members of the Board of Directors can be found on the website at reports.alpiq.com/bod.

Members are elected to the Board for a three-year term of office and are eligible for re-election. If a member is elected mid-term, he completes his predecessor's term.

The Board of Directors constitutes itself. Every year it appoints a Chairman and two Vice Chairmen from among its members, as well as a Secretary who need not be a member of the Board.

Shareholders at 31 December 2008



The Board of Directors met ten times last year, for an average of four hours per meeting. The Chairman determines the agenda for Board meetings after consultation with the CEO. Any member of the Board may make a written request for a particular item to be included on the agenda. In advance of meetings, members of the Board of Directors receive documentation that enables them to prepare for items on the agenda.

Members of the Executive Board normally attend meetings of the Board of Directors in an advisory capacity. They leave the meeting if the Chairman so directs.

Resolutions of the Board of Directors are passed by a majority of the voting members present. In the event of a tie, the Chairman has the casting vote. Should conflicts of interest arise, the relevant Board member(s) must leave the meeting. Minutes are kept of the Board of Directors' deliberations and resolutions. These are distributed to members and approved at the following meeting. Between meetings any member may ask the CEO for information on the company's business and, with the Chairman's authorisation, on individual transactions. To the extent required for the performance of his duties, any member may ask the Chairman to arrange for him to inspect books and files.

Control and supervisory mechanisms

The Executive Board reports annually to the Board of Directors on strategic, medium-term and annual objectives and on progress towards their achievement. During the year, the Executive Board reports quarterly and at each meeting on the course of business, the progress made in achieving objectives, and other important developments. The Board of Directors also receives a short monthly report summarising the key financial figures, the risk situation and ongoing internal audits.

The external auditors submit a Management Letter to the Board of Directors and make an oral presentation on the results of their audit and the matters on which they propose to concentrate in future. Internal Audit submits an annual audit programme to the Board of Directors for its approval, and subsequently reports periodically on its findings and recommendations as well as their implementation. The Board of Directors receives an annual written report on the situation and developments in Group-wide risk management and its most important constituents. The report presents principles and limits, details compliance with them and contains information on planned expansion.

Board of Directors at 31 December 2008

	First elected	Term expires
Dr. Rainer Schaub, CH-Binningen, Chairman	2006	2009
Christian Wanner, CH-Messen, Vice-Chairman	2006	2009
Marc Boudier, FR-Sèvres, Vice-Chairman	2006	2009
Pierre Aumont, FR-Paris	2007	2010
Dr. Hans Büttiker, CH-Dornach	2006	2009
Dr. Dominique Dreyer, CH-Fribourg	2006	2009
Dr. Marcel Guignard, CH-Aarau	2006	2009
Philippe V. Huet, FR-Paris	2006	2009
Hans E. Schweickardt, CH-Neerach	2006	2009
Dr. Alex Stebler, CH-Nunningen	2006	2009
Urs Steiner, CH-Laufen	2006	2009
Dr. Giuliano Zuccoli, IT-Sesto San Giovanni	2006	2009

Since mid-2006 the Board of Directors has had two Board committees: the Audit Committee (AC) and the Nomination and Remuneration Committee (NRC).

Audit Committee (AC)

The AC consists of Marc Boudier (Chairman) and three ordinary members: Dr. Dominique Dreyer, Dr. Marcel Guignard and Urs Steiner.

The role of the AC is to support the Board of Directors in fulfilling its supervisory obligations, particularly with regard to monitoring and assessing the activity and independence of internal and external auditors, the control system, accounting, risk management, compliance and corporate governance.

The AC submits proposals to the Board of Directors for its approval and, at each meeting of the Board, reports orally on its activities, resolutions, conclusions and recommendations. The minutes of the AC are circulated among members of the Board of Directors for their information and as a basis for Board resolutions. The AC also submits an annual report to the Board of Directors summarising the AC's activities during the year.

As a rule the Chairman, CEO, CFO and Head of Internal Audit attend meetings of the AC. Depending on the agenda, other unit heads and members of the external auditors also attend. In the year under review, the AC met three times for an average of three and a half hours per meeting.

Nomination and Remuneration Committee (NRC)

The Nomination and Remuneration Committee (NRC) consists of Hans Schweickardt (Chairman) and four ordinary members: Marc Boudier, Dr. Hans Büttiker, Dr. Rainer Schaub and Christian Wanner.

The role of the NRC is to support the Board of Directors in fulfilling its supervisory duty with regard to succession planning for the Board of Directors and Executive Board, formulating the Group-wide remuneration policy and defining the contractual terms and conditions of employment for the CEO, Executive Board and heads of business units.

The NRC submits proposals to the Board of Directors for its approval and, at each meeting of the Board, reports orally on its activities, resolutions, conclusions and recommendations. The minutes of the NRC are circulated among members of the Board of Directors for their information and as a basis for Board resolutions. As a rule, the Chairman, CEO and Head of Corporate Human Resources attend meetings of the NRC. In the year under review, the NRC met four times for an average of three hours per meeting.

Division of responsibilities

The Board of Directors has delegated responsibility for the Atel Group's overall operational management to the CEO. The CEO presides over the Executive Board and has delegated some of his management responsibilities to members of the Executive Board. The Organisational Regulations and Executive Board Regulations govern the authority and division of responsibilities between the Board of Directors and the CEO/Executive Board.

The CEO is authorised, inter alia, to make autonomous decisions with regard to unbudgeted transactions up to a value of CHF 5 million. Under the Regulations, the CEO is granted a substantially higher authority limit for energy transactions.

Information and control mechanisms vis-à-vis the Executive Board

The Executive Board keeps the Board of Directors informed of important events on an ongoing basis. Financial reports are prepared quarterly. Each month the Board of Directors also receives information on the key financial figures and the current risk situation. Ongoing audits supplement the information and control mechanisms.

As a rule, members of the Executive Board attend meetings of the Board of Directors to supply any information it may require. They leave the meeting if the Chairman so directs.

Risk management considers business, market and credit risks. The Board of Directors receives an annual written report on the situation and developments in Group-wide risk management and its most important constituents. The report presents principles and limits, details compliance with them, and contains information on planned expansion. A central Risk Management Committee reporting to the CFO sets limits for individual areas based on the results of its analysis. The Executive Board is responsible for assigning the risk categories. The overall limit for the Group is set annually by the Board of Directors. The Risk Management Committee monitors adherence to the defined limits.

The Board of Directors, at the AC's request, annually approves audit planning and the summary report. Corporate Internal Audit reports directly to the Chairman of the Board. Individual audit reports are submitted to the Chairman and (in summary form) to the AC. Corporate Internal Audit engages an advisor independent of the external auditors for its work.

Internal control system (ICS)

During the year, the Atel Group completed a project to establish an ICS throughout the Group to meet the requirements of Art. 728 a of the Swiss Code of Obligations. The ICS ensures that key controls are in place to sufficiently monitor the significant risks associated with proper preparation of the annual financial statements. The ICS has been appropriately documented to allow the auditors to verify its existence. The Board of Directors approved the ICS as being commensurate with the size and operations of the business.

Executive Board

The Executive Board consists of six members. These are listed on pages 86 and 87 of this Annual Report. Information about other activities and interests can be found on the website: reports.alpiq.com/management. No management contracts exist.

Remuneration, shareholdings and loans

Members of the Board of Directors receive a fixed remuneration and a lump-sum expense allowance which is based on a graduated scale for the Chairman and other Board members. The Chairman of the Board will additionally receive a bonus for 2008; however, it has been decided to stop paying bonuses from the 2009 financial year. The amount of remuneration is determined by the Board of Directors at the request of the NRC.

The remuneration of members of the Executive Board consists of a base salary and a variable component based on the achievement of personal targets and the Atel Group's EBIT in the reporting year as well as the Group's EVA (Economic Value Added) result based on a 3-year plan. The measurement criteria as well as the amount of remuneration for Executive Board members are determined by the NRC (for additional details, see page 75).

No share award or share option schemes or loans exist for the Board of Directors or Executive Board.

Pursuant to Article 663bbis of the Swiss Code of Obligations (Transparency Act), details of remuneration for members of the Board of Directors and the total remuneration paid to the Executive Board as well as the highest paid member are listed in the Notes to the financial statements of Atel Holding Ltd on pages 94 to 97.

Shareholders' participation rights

Every share represented at the Annual General Meeting is entitled to one vote. There are no restrictions on transferability or voting rights. The only quotas applicable at the Annual General Meeting are those set out in the Swiss Code of Obligations. Annual General Meetings are convened in accordance with the rules set out in the Swiss Code of Obligations.

Agenda

Shareholders' participation rights are governed by law and the company's Articles of Association. The Articles of Association can be downloaded from the website at reports.alpiq.com/statuten.

Shareholders may request a particular item to be included on the agenda at least 50 days prior to the Annual General Meeting, provided they represent shares with a nominal value of at least CHF 1 million. Registered shares must be entered in the share register at least one week before the Annual General Meeting in order for holders to be eligible to vote.

Change of control and defensive measures

Mandatory offer

Purchasers of majority shareholdings in Atel Holding Ltd are not required to make a public tender offer pursuant to the Swiss Stock Exchange and Securities Trading Act (opting out). The Articles of Association contain no other defensive measures.

Change-of-control clauses

Directors who step down before their term of office has expired in consequence of a change of control are paid the fees to which they would be entitled as directors up to the end of their statutory term of office.

The contracts of employment of Executive Board members contain the usual change-of-control clauses: if a contract of employment is terminated within twelve months of a change of control, the person affected is paid termination benefits equal to one year's remuneration.

Auditors

Since 2002 Ernst & Young Ltd, Zurich, serve as statutory auditors of Atel Holding Ltd and as Group auditors. The statutory and Group auditors are appointed by the Annual General Meeting for a one-year term of office. Their performance and fees are reviewed annually. Ernst & Young Ltd's current lead audit partner has been in charge of the Atel audit since 2004. In the 2008 financial year, Ernst & Young Ltd received fees of approximately CHF 4.7 million as statutory and Group auditors. Fees paid for additional audit-related, tax and general advisory services totalled approximately CHF 2.5 million.

External audit information mechanisms

The Audit Committee (AC) is the supervisory body for the external auditors. The external auditors report to the AC at least once a year on the audits they have conducted and the resultant findings and recommendations. The AC agrees the audit plans with the external auditors in advance and assesses their work. The external auditors submit a Management Letter to the full Board of Directors once a year. The AC may at any time invite the external auditors to attend its meetings, and did so on one occasion during the year under review.

Information policy

Atel keeps its shareholders, potential investors and other stakeholder groups informed comprehensively, promptly and regularly through its annual, interim and quarterly reports, annual media and financial analyst conferences, and Annual General Meetings. Our communication channels also include our continually updated website as well as media releases on important events. Contact addresses are provided on page 90 of the Annual Report, and the Financial Calendar on page 91.

Significant events after the balance sheet date

The merger of the Atel Group with the assets and activities of EOS Holding AG as well as EDF's energy purchase rights to the Emosson storage power station was completed at the end of January 2009. The associated transaction agreements were signed by Atel and EOS Holding as well as the consortium of Swiss minority shareholders and EDF on 18 December 2008. The creation of this new group named Alpiq entails a number of changes:

At the Extraordinary General Meeting held by Atel Holding Ltd on 27 January 2009, the company was renamed Alpiq Holding Ltd. and the registered office moved from Olten to Neuchatel. The Extraordinary General Meeting

also voted in favour of reducing the share capital from CHF 218,379,180 to CHF 215,236,320 by cancelling 314,286 registered treasury shares which were held by Aare-Tessin Ltd. for Electricity. The share capital will be reduced by CHF 3,142,860 in May 2009.

On 28 January 2009, the Board of Directors completed two consecutively approved capital increases in return for a non-cash consideration in the form of the assets and activities of EOS Holding AG and the energy purchase rights related to EDF's 50 % stake in Emosson. The share capital of Alpiq Holding Ltd. was increased from CHF 218,379,180 to CHF 275,041,590. On completion of the capital reduction in May 2009, the share capital of Alpiq Holding Ltd. will amount to CHF 271,898,730.

The Extraordinary General Meeting on 27 January 2009 also elected the following new members to the Board of Directors: Guillaume de Forceville (Paris/FR), Claude Lässer (Marly/CH), Daniel Mouchet (Veyrier/CH), Prof. Dr. Guy Mustaki (Pully/CH) and Dr. Jean-Yves Pidoux (Lausanne/CH). At the same time, Dr. Rainer Schaub, Dr. Dominique Dreyer and Dr. Marcel Guignard stood down from the Board. The Board of Directors is now composed as follows: Hans E. Schweickardt, Chairman, Christian Wanner, Vice Chairman and Marc Boudier, Vice-Chairman. The renamed Audit and Risk Committee consists of Marc Boudier, Chairman, and ordinary members Dr. Jean-Yves Pidoux, Dr. Alex Stebler and Urs Steiner. The Nomination and Remuneration Committee consists of Prof. Dr. Guy Mustaki, Chairman, and ordinary members Marc Boudier, Dr. Hans Büttiker and Christian Wanner. With effect from 1 February 2009, the Board of Directors also augmented the Executive Board of Alpiq Holding Ltd. with the appointment of Peter Heydecker, Benoît Revaz and Michael Wider. Additional information about Alpiq management is published on the Alpiq website at www.alpiq.com/management.

Shareholders in May 2009

Alpiq Holding Ltd.

Percentage interests

31.38	EOS Holding
25.00	EDFAI
13.63	EBM
7.12	EBL
5.60	Canton of Solothurn
5.16	A2A S.p.A.
2.30	EnBW
2.12	AIL
2.00	IBAarau
0.91	WWZ
4.78	Various (free float)

Executive Board at 31 December 2008

Giovanni Leonardi
CEO
Dipl. El.-Ing. ETHZ
Swiss national
Born 1960
With Atel since 1991, CEO since 2004;
Chairman of the Board of Directors
of Società Elettrica Sopracenerina SA,
Locarno;
member of the Board of Directors of
Edipower, Milan, and Romande
Energie SA, Montreux

Kurt Baumgartner
Head of Financial Services, CFO
Lic. rer. pol.
Swiss national
Born 1949
With Atel since 1975, member of
the Executive Board since 1992;
Chairman of the Board of Directors
of PKE Pensionskasse Energie, Zurich;
member of the Board of Directors of
Rätia Energie AG, Poschiavo, and
AEK Energie AG, Solothurn

Reinhold Frank
Head of Energy Central Europe
Dipl. Ing
German national
Born 1955
With Atel since 2006 as member of
the Executive Board

Herbert Niklaus
Head of Energy Switzerland
and of Energy Services
Dipl. El.-Ing. ETHZ
Swiss national
Born 1955
With Atel since 1996, member of
the Executive Board since 2005;
member of the Board of Directors of
Società Elettrica Sopracenerina SA,
Locarno

Heinz Saner
Head of Management Services
Lic. iur., solicitor and notary
Swiss national
Born 1957
With Atel since 1988, member of
the Executive Board since 2004

Antonio M. Taormina
Head of Energy Western Europe
Dipl. Math. ETHZ
Swiss and Italian national
Born 1948
With Atel since 1999 as a member
of the Executive Board;
member of the Board of Directors of
A2A S. p. A., Milan, Rätia Energie AG,
Poschiavo, and Società Elettrica
Sopracenerina SA, Locarno

Board of Directors at 31 December 2008

Dr. Rainer Schaub
Chairman
Dr. iur.
Swiss national

Christian Wanner
Vice-Chairman
Farmer
Swiss national

Marc Boudier
Vice-Chairman
Dipl. rer. pol.
Master of law
French national

Dr. Marcel Guignard
Member
Lawyer
Swiss national

Philippe V. Huet
Member
Civil engineer
French national

Hans E. Schweickardt
Member
Dipl. Ing. ETHZ
German national

Pierre Aumont
Member
Engineer
French national

Dr. Hans Büttiker
Member
Dr. sc. techn.
Dipl. El.-Ing. ETH
Swiss national

Dr. Dominique Dreyer
Member
Attorney
Swiss national

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Member
Dr. oec.
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Urs Steiner
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Financial calendar

23 April 2009	Annual General Meeting
May 2009	Quarterly results 1/2009
August 2009	Interim Report
November 2009	Quarterly results 3/2009
February 2010	Release of 2009 annual results
17 March 2010	Annual media conference
22 April 2010	Annual General Meeting

Units

Currency

BGN	Bulgarian lev
CHF	Swiss franc
CZK	Czech koruna
DKK	Danish krone
EUR	Euro
HRK	Croatian kuna
HUF	Hungarian forint
LTL	Lithuanian litas
MKD	Macedonian denar
NOK	Norwegian krone
PLN	Polish zloty
RON	Romanian new lei
RSD	Serbian dinar
SEK	Swedish krona
SKK	Slovakian koruna
USD	US dollar

th.	thousand
mn.	million
bn.	billion

Energy

kWh	kilowatt hour
MWh	megawatt hour (1 MWh = 1000 kWh)
GWh	gigawatt hour (1 GWh = 1 million kWh)
TWh	terawatt hour (1 TWh = 1 billion kWh)
TJ	terajoule (1 TJ = 0.2778 GWh)

Power

kW	kilowatt (1 kW = 1000 watts)
MW	megawatt (1 MW = 1000 kilowatts)
GW	gigawatt (1 GW = 1 000 000 megawatts)
MWe	electrical megawatts
MWth	thermal megawatts

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