Aare-Tessin Group

114. Financial Report 2008

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Key Figures 2008

Aare-Tessin 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	13 452	12 894	8 187	8 125
Energy	–6.9	11 505	10 712	7 002	6 750
Energy Services	14.4	1 959	2 242	1 192	1 413
Earnings before interest, tax, depreciation and amortisation (EBITDA)	2.2	1 255	1 282	764	808
Depreciation	–12.5	–248	–279	–151	–176
Earnings before interest and tax (EBIT)	–0.4	1 007	1 003	613	632
as % of net revenue		7.5	7.8	7.5	7.8
Group profit	–6.2	795	746	484	470
as % of net revenue		5.9	5.8	5.9	5.8
Net investments	78.2	592	1 055	360	665
Total equity	5.0	3 855	4 047	2 329	2 725
as % of total assets		41.3	38.5	41.3	38.5
Total assets	12.6	9 334	10 513	5 640	7 079
Employees*	7.1	9 033	9 671	9 033	9 671
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

* Average number of full-time equivalent employees

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Review of the Years 2004 – 2008 for the Aare-Tessin Group

Income statement

CHF million	2004	2005	2006	2007	2008
Net revenue	6 867	8 580	11 334	13 452	12 894
Variance in % over prior year	29.9	24.9	32.1	18.7	– 4.1
Variance in % over prior year in same scope of consolidation	31.2	24.4	31.2	15.9	– 6.8
Other operating income	211	216	254	246	392
Total operating result	7 078	8 796	11 588	13 698	13 286
Operating expenses before depreciation	– 6 343	– 8 059	– 10 537	– 12 443	– 12 004
Earnings before interest, tax, depreciation and amortisation (EBITDA)	735	737	1 051	1 255	1 282
Depreciations	– 242	– 196	– 202	– 248	– 279
Reversal of impairment on assets	–	–	257	–	–
Earnings before interest and tax (EBIT)	493	541	1 106	1 007	1 003
Finance income	– 49	– 33	5	7	– 76
Income taxes	– 103	– 95	– 212	– 219	– 181
Net profit Aare-Tessin Group	341	413	899	795	746
Variance in % over prior year	25.4	21.1	117.7	– 11.6	– 6.2
as % of net revenue	5.0	4.8	7.9	5.9	5.8
Minority interests in net profit	– 24	– 8	– 13	– 10	– 10
Net profit attributable to Aare-Tessin shareholders	317	405	886	785	736
Employees*	7 872	8 368	8 461	9 033	9 671

* Average number of full-time equivalent employees

Balance sheet

CHF million	2004	2005	2006	2007	2008
Total assets	6 186	7 317	9 288	9 334	10 513
Assets					
Fixed assets	3 868	4 074	4 791	5 315	5 846
Current assets	2 318	3 243	4 497	4 019	4 667
Equity and liabilities					
Total equity	2 123	2 464	3 506	3 855	4 047
as % of total assets	34.3	33.7	37.7	41.3	38.5
Liabilities	4 063	4 853	5 782	5 479	6 466

Good annual results achieved

The Aare-Tessin Group again achieved an encouraging operating result for the 2008 financial year. Despite the loss in the value of the waste disposal fund for nuclear installations, EBITDA increased by 2 % to CHF 1282 million. With CHF 1003 million, the operating profit (EBIT) reached the very high level of prior year. The consolidated profit of the Group of CHF 746 million remained 6 % below the record level of prior year.

In particular the high availability of the power plants, the successful activity in specific market niches and the extraordinary performance of the Energy Services segment had a positive impact on the results, whereas the lower liquidity of the energy markets, a suboptimal positioning of the trading and influences from the financial markets crisis had a negative impact on the results. Adjustments to the sales strategy, restructuring of trading positions as well as restrictions in cross-border capacities lead to a decrease in the consolidated revenue of the Group by 4 % to CHF 12.9 billion. With 5.8 %, the net margin was held at the prior year level.

As a consequence of the investments and their financing as well as unsettled financial trading positions, total assets increased by CHF 1.2 billion to CHF 10.5 billion. The related balance sheet key figures remained stable on a high level. The Group continues to have considerable liquidity and a strong equity base.

Consolidated results

Slightly lower consolidated revenues

The consolidated net revenue of the Aare-Tessin Group decreased by 4 % to CHF 12.9 billion compared to prior year. Adjusted by first consolidations and in local currencies, the decrease in revenues was 7 %.

The revenue from the Energy segment approximated CHF 10.7 billion, representing a decrease of 7 % to prior year. Sales volume decreased by 25 % to 96 TWh compared to prior year. The decrease in sales and volumes were mainly caused by adjustments to the sales strategy, restructuring of trading positions and reduced cross-border capacities. The revenue from trading of financial forward transactions with standard products amounted to CHF 11.6 billion (– 27 %) with a volume sold of 141 TWh (– 36 %). The trading result from these products of CHF – 28 million (prior year: CHF + 63 million) is included in net revenues.

The Energy Services segment generated a significant rise in revenues with an increase of 14.4 % to CHF 2.2 billion. The growth was mainly achieved by the GAH group in the sector of industrial facilities and power plants. The GAH group generated around two thirds of the total revenue of the Energy Services segment. In addition to the organic growth, the AIT group achieved a considerable expansion through the integration of newly acquired companies. Excluding the effects of the acquisitions in local currency, the segment recorded an increase in revenue of around 11.5 %.

Encouraging operating results

The consolidated EBITDA exceeded the very high prior year value by around 2 % and reached CHF 1 282 million. This is even more remarkable considering the negative result from investments of the decommissioning and waste disposal fund for nuclear installations through the annual costs of the nuclear power plants Gösgen and Leibstadt which impacted EBITDA by around CHF 60 million. The consolidated operating profit (EBIT) of CHF 1 003 million is almost at the prior year level (CHF 1 007 million). The encouraging result is mainly based on the contributions from the production units in Switzerland, Italy and Central Europe, the successful utilisation of specific market niches in the different regions and an outstanding performance of the Energy Services segment. On the other side, the mentioned loss on investments of the waste disposal fund for nuclear installations, the reduced liquidity of the energy markets as well as a suboptimal positioning of the trading have had a negative impact on the operating results.

Lower financial result

The net finance expense of CHF 76 million (prior year: finance income of CHF 7 million) reflects the development of the financial markets. On one side, the prior year had benefited from earnings of the evaluation of quoted financial investments, which significantly decreased in the reporting period. In addition, the weakness of the relevant Group currencies (EUR, CZK, HUF) against the Swiss franc had a negative effect on the result. Compared to the development of the profit, the tax expense decreased. The weighted, effective income tax rate of 19.5 % is significantly lower than the prior year (21.6 %). This development is mainly due to the optimisation of the Group structure as well as the changing of the individual country companies contributions to the consolidated Group result.

The reported Group profit of CHF 746 million is CHF 49 million or 6 % below prior year. Excluding the effects of acquisitions and foreign currency, the decrease was CHF 58 million or 7 %.

High growth-related investments

In the reporting period, the Aare-Tessin Group invested CHF 1.2 billion net (prior year: CHF 0.3 billion) in fixed assets including time deposits and securities. This amount includes investments for the renewal of operating and other fixed assets as well as intangible assets of CHF 180 million (CHF 140 million). Expansion and growth related investments amount to around CHF 630 million (CHF 390 million). They mainly relate to the planned increase of the participation in Edipower and the acquisition of shares in A2A S.p.A. as well as in Italian companies for the generation of renewable energies. In addition, CHF 260 million were invested in the power plant projects San Severo in southern Italy, Bayet in France and other expansion projects relating to the generation of electricity. The remaining cash outflow is due to the net change of financial positions.

Solid structure of the balance sheet

Since the last annual financial statements, total assets have increased by around CHF 1.2 billion to CHF 10.5 billion. The growth is mainly due to the investment activity in fixed assets as well as to open financial energy trading positions: The replacement values stated in the balance sheet positions “Derivative financial instruments” within current assets and current liabilities increased by around CHF 0.5 billion based on the cumulated volumes as at balance sheet date. On the asset side, fixed assets increased by another CHF 0.5 billion as a consequence of the mentioned investment activity in tangible fixed assets and investments. The amount of cash including time deposits and securities reached around CHF 1.2 billion as of 31 December 2008 (CHF +0.15 billion compared to prior year). The liquidity is available for strategic investments planned in 2009 and for the repayment of a bond due in March 2009.

On the liabilities side, long- and short-term financial liabilities increased by around CHF 780 million net. In the reporting period, repayments were made amounting to around CHF 470 million and new borrowings of around CHF 1 210 million were raised. A highlight was the successful issuance of a cost-saving bond of CHF 250 million in March 2008. The remaining amount of the variance is due to exchange rate differences of financial liabilities stated in foreign currencies.

The minority interests stated within equity increased by around CHF 190 million to CHF 4.0 billion. The foreign currency translation of foreign subsidiaries charged to equity amounted to around CHF 330 million. On the up side, around CHF 490 million net remained in equity from the net profit for the year less the dividend paid in 2008. Despite the strong growth in total assets, the equity ratio remains strong at around 38.5 % (prior year: 41.3 %).

Western Europe: Growth of the activities as planned

Despite regulatory changes, the business division Western Europe maintained revenues and results on a high level and further expanded its different market positions.

The market region Italy generated an outstanding contribution to results. Positive impacts came from the successful activities in the balancing energy market, lower costs for green certificates and the improvement of margins in the business with end customers. The revenue in the region decreased slightly, mainly caused by a regulatory based reduction of the autonomous import quotas from Switzerland. In addition, the intended concentration of the sales activities on customer segments with a strong margin lead to a decrease in revenues.

The power plants in Italy once again reached a high technical availability. In line with the worldwide development, the fuel costs continued to increase significantly compared to 2007. At the same time the market prices increased, the spark spreads ranged on a high level during the major part of the year, which in turn increased the volumes generated, especially at Edipower. For the own power plant units generating electricity and industrial steam, the reduced need for steam recorded in the fourth quarter lead to a decrease in generation. As planned, the new wind farm in Sicily delivered electricity to the grid for the first time during the year.

The sales activities in France and Italy were further strengthened on a profitable basis. Despite the regulated tariff scheme in France, Atel achieved a significant growth in revenues and earnings. After its market entry in prior year, the market unit Spain strongly expanded its business with end customers and reached break even.

The construction work of the two projects for gas-fired power plants in Italy (San Severo) and in France (Bayet) progressed as planned. The commissioning is expected during the fourth quarter of 2010 respectively at the beginning of 2011. In addition, a participation of an important Italian company for the generation of renewable energies was acquired in the course of the year.

In the Nordic market the good results of the prior year were no longer achieved. Especially the local trading showed a significant decline in revenues and earnings, whereas the traditional service business generated stable results. In addition, the integration of the sales company Energiakolmio Oy in Finland had a positive impact on the result. The setup of hydroelectric generation facilities is in arrears due to delays in the development and realisation of projects.

Central Europe: Successful expansion of trading and sales

The business division Central Europe continued its previous growth. Despite difficult general conditions, revenues in the central and eastern European market region increased, whereas in Germany revenues decreased as expected due to the restructuring of the trading portfolio. The operating result remained stable at a high level.

Thanks to excellent performances in the wholesale business, the market region Central Europe further expanded its market position. The high level of diversification of the portfolio proved to be a significant driver for revenues and results. Additional growth came from the integration of the Romanian sales company acquired at the end of 2007. The volumes in northern Eastern Europe remained below prior year. The long-term contract between Poland, Slovakia and Hungary concluded in 1997 for a duration of 17 years could no longer be executed in compliance with the contract, due to changes in legal regulations and missing cross border capacities. The negotiations for alternative solutions are ongoing. The related emerging risks were already considered in previous periods. The successful management of the regional wholesale portfolio allowed the market region North / East to partially compensate the missing margin from the long-term contract.

The region South / East continued its successful development of the previous years with an increase in volumes and earnings. The main contributions came from the utilisation of arbitrage opportunities in the international wholesale business, the commercialisation of existing long-term contracts and the optimisation of the regional portfolio. An additional positive effect came from the already mentioned successful integration of the sales company in Romania.

The central European power plants once again exceeded the excellent operating results of prior year. The increased power generation and tight cost management were the main basis for the success of the Hungarian power plant portfolio of Csepel. The production units of Kladno and Zlin in the Czech Republic also achieved an improvement of their results compared to prior year. The main reasons were the good availability of the generating facilities, increased earnings from grid services, the higher market prices and the efficient management of the power plants.

To enlarge its generation portfolio, Atel acquired in the reporting period an older gas-fired power plant in Germany. The plant is currently being modernised and will restart generation by mid 2009 with a capacity of 56 MW. In addition, Atel is currently realising a wind farm in Bulgaria with a capacity of 50 MW as well as replacing and expanding a part of the existing capacities in Kladno.

The market region Germany further expanded its customer portfolio. Thanks to a good mix of structured electricity supplies and portfolio services the results improved on a sustainable basis. However, sales and revenues decreased significantly. This development is mainly due to the intended shift from businesses with physical delivery to portfolio services with a corresponding shift of the relating revenues.

Switzerland: Expansion of sales and increased generation

The business division Switzerland significantly increased sales and revenues thanks to the expansion of sales activities, better market prices and an overall higher generation. Due to additional costs for the procurement of electricity and charges in relation with the market opening, the operating result, however, remains below prior year level.

Switzerland achieved a significant growth in sales and revenues, thanks to the expansion of the business activities with sales partners and in the retail business. Also, the traditional sales partners in north-western Switzerland and the local supply companies benefited from a higher demand caused by the low temperatures. In addition, the growth of revenues was driven by the higher price level in Switzerland during the first half-year.

The production units in Switzerland recorded a higher power generation than in 2007. The rise is mainly based on the generation output of the run-of-river and storage power stations in the first three quarters. In the fourth quarter, the utilisation of the storage power stations was reduced in view of the demand situation. At the thermal power stations, longer overhaul periods influenced both generation and costs. As a consequence, the energy generated remained below prior year level. As expected, the contributions to the results coming from the grid area are below prior year. The reasons are related to additional costs for the setup of the national grid operator swissgrid ag and preparing for the market opening in Switzerland. The projects for the expansion and renewal of own transmission facilities proceeded as planned.

The current opinion is that the gas-fired combined cycle power station (55 MW) in Monthey, currently in the construction phase, will start power generation in the second semester of 2009. The pumped storage power station Nant de Drance in the canton of Valais has received the legally binding construction permit. According to the planning, the power plant, projected together with Swiss Federal Railways (SBB), will deliver high-value peak energy to the market starting in 2015.

Trading: Decrease in the result in a difficult market environment

In the western European trading business, the market environment in the reporting period was marked by a high volatility of the electricity prices and the market exit of significant counterparties. As a consequence, both the trading with electricity and derivatives as well as the asset trading suffered an important loss of volume and earnings. In the first half-year, the trading achieved encouraging results in an environment of continuously rising market prices. In the second half-year, the financial market crisis and the abrupt collapse of the prices for commodities caused an important drop in electricity prices and margins. The situation deteriorated with a declining demand for energy during the fourth quarter and a high, uncertainty driven volatility of the energy markets. The spot prices dropped much lower and faster than expected, which caused significant losses in margins due to a suboptimal positioning. Besides the volatile prices in an uncertain market environment and the related restrictions of trading and credit risk limits, trading with electricity derivatives also recorded a negative impact from an unfavourable positioning and a lower market liquidity caused by the loss of counterparties. This development was reflected in significantly lower revenues for traded standard products and a negative trading result. A positive aspect is that the trading teams weakened by leavings were completed and reinforced in the meantime. In addition, a new very flexible and modern trading system was put into operation at the end of 2008. Finally, the merger of Atel and EOS in 2009 under a common management team is expected to create synergies and a stable basis for a successful trading activity.

Energy Services: Results on record level thanks to investment boom

After various reorganisations and continuing operating progress in the previous years, the Energy Services segment generated a record breaking result in 2008. In addition to the significant increase in revenues, operating margin nearly doubled. The main part of the success was generated by the German GAH group. The growth in this area is based on the European investment boom for the construction of conventional major power plants and the successful activities in the areas of nuclear technology and incineration plants. In addition, outstanding project management and efficient cost structures have contributed to the success. The Swiss AIT group also grew above expectations. Thanks to the acquisition of various major orders in the building and railway technology, AIT recorded an overall good order situation. However, at the end of the year, the downturn in the economy in Germany and Switzerland was notable. Even if the order situation still shows good perspectives at the end of the year, a decrease in growth and the earnings is expected in the medium term.

Outlook

On the Extraordinary General Meeting of 27 January 2009 of Atel Holding Ltd, the shareholders have decided on the combination of the operating activities of Atel and EOS as well as the bringing-in of the energy purchase rights of the 50 % participation of EDF in Emosson SA. Furthermore, the change of the company name from Atel Holding Ltd to Alpiq Holding Ltd. was approved.

The combination of Atel and EOS to Alpiq will open additional business and growth opportunities in the medium term. The new group possesses significantly higher production capacities and new sources for procurement. It benefits from additional customer relations and extended competences and experiences. The company can use profitable synergies, which will have a positive impact on the business and the results in the medium term. Given the economic and regulatory uncertainties, it is too early to give a forecast on revenues and results for financial year 2009.

Consolidated Income Statement

CHF million	Note	2007	2008
Net revenue	27	**13 452**	**12 894**
Proportionate earnings of associates		74	96
Capitalised cost	1, 8	19	68
Other operating income		153	228
Total operating result		**13 698**	**13 286**
Energy and goods purchased	2	– 11 265	– 10 724
Materials and external services		– 78	– 71
Personnel expenses	3	– 784	– 814
Other operating expenses		– 316	– 395
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**1 255**	**1 282**
Depreciation	4	– 248	– 279
Earnings before interest and tax (EBIT)		**1 007**	**1 003**
Finance income	5	7	– 76
Earnings before income tax		**1 014**	**927**
Income tax	6	– 219	– 181
Net profit Aare-Tessin Group		**795**	**746**
Minority interests in net profit		– 10	– 10
Net profit attributable to Aare-Tessin shareholders		**785**	**736**
Earnings per share in CHF	7	**267**	**252**

Consolidated Balance Sheet

Assets

CHF million	Note	31.12.2007	31.12.2008
Tangible fixed assets	8	2 484	2 676
Intangible assets*	9, 10	634	656
Investments in associates	11	1 784	2 396
Long-term financial assets	12	304	39
Deferred income tax assets	6	109	79
Fixed assets		**5 315**	**5 846**
Inventory	13	104	102
Trade and other receivables	14	2 187	2 106
Time deposits		91	263
Cash	15	967	942
Securities under current assets	16	3	3
Derivative financial instruments		616	1 160
Accrued assets		51	91
Current assets		**4 019**	**4 667**
Total assets		**9 334**	**10 513**

Equity and Liabilities

CHF million	Note	31.12.2007	31.12.2008
Share capital	17	304	304
Share premium		14	14
Treasury shares		–214	–211
Retained earnings		3 644	3 794
Equity attributable to Aare-Tessin shareholders		**3 748**	**3 901**
Equity attributable to minority interests		107	146
Total equity		**3 855**	**4 047**
Provisions	18	588	361
Deferred income tax liabilities*	6	512	520
Long-term financial liabilities	19	1 410	1 971
Other long-term liabilities	20	155	78
Non-current liabilities		**2 665**	**2 930**
Current income tax liabilities		43	61
Short-term financial liabilities		99	318
Other short-term liabilities	21	1 694	1 601
Derivative financial instruments		580	1 158
Accrued liabilities		398	398
Current liabilities		**2 814**	**3 536**
Total liabilities		**5 479**	**6 466**
Total equity and liabilities		**9 334**	**10 513**

* Carrying amounts 31.12.2007 adjusted; for explanations see note 28 on page 73

Statement of Changes in Equity

CHF million	Share capital	Share premium	Unrealised gains and losses from IAS 39	Treasury shares	Translation differences	Retained earnings	Equity attributable to Aare-Tessin share-holders	Equity attribu-table to minority interests	Total equity
Equity 31.12.2006	**304**	**14**	**178**	**–46**	**87**	**2 848**	**3 385**	**121**	**3 506**
Change in currency translation					67		67	1	68
Change in market value			79				79		79
Reclassification of securities				–423			–423		–423
Reclassification of unrealised gains on Atel Holding shares exchanged			–255	255			0		0
Total recorded earnings and expenses within equity			**–176**	**–168**	**67**		**–277**	**1**	**–276**
Profit for the year						785	785	10	795
Total profit			**–176**	**–168**	**67**	**785**	**508**	**11**	**519**
Dividend payment						–120	–120	–4	–124
Change in minority interests						–25	–25	–21	–46
Equity 31.12.2007	**304**	**14**	**2**	**–214**	**154**	**3 488**	**3 748**	**107**	**3 855**
Change in currency translation					–328		–328	–6	–334
Discharge due to realisation			–2				–2	–1	–3
Recording of cash flow hedge			–24				–24		–24
IAS 39 effects from equity of associates			16				16		16
Total recorded earnings and expenses within equity			**–10**		**–328**		**–338**	**–7**	**–345**
Profit for the year						736	736	10	746
Total profit			**–10**		**–328**	**736**	**398**	**3**	**401**
Dividend payment				3		–248	–245	–7	–252
Change in minority interests								43	43
Equity 31.12.2008	**304**	**14**	**–8**	**–211**	**–174**	**3 976**	**3 901**	**146**	**4 047**

* For explanations see note 17

The Board of Directors proposes to the Annual General Meeting 2009 for the financial year 2008 a dividend of CHF 130 per registered share (for financial year 2007 a dividend of CHF 85 per registered share was paid). This represents a total payment of CHF 380 million (prior year: CHF 248 million). For further details, please refer to page 92 "Appropriation of Retained Earnings".

Consolidated Cash Flow Statement

CHF million	Note	2007	2008
Earnings before interest, tax and depreciation (EBIT)		**1 007**	**1 003**
Adjustments for:			
Capitalised costs	1, 8	–19	–68
Depreciation and impairments	4	248	279
Addition, appropriation and release of provisions		–51	–187
Profit/loss from sale of fixed assets		–10	–5
Other positions not affecting payments		–10	49
Proportionate earnings of associates	11	–74	–96
Dividend yield from associates and financial investments		38	48
Interest payments		–69	–53
Interest receipts		45	38
Other finance expense		–16	–15
Other finance income		29	5
Income tax paid		–179	–119
Change in net current assets (excluding short-term financial receivables/liabilities)		–15	–168
Cash flow from operating activities		**924**	**711**
Tangible fixed and intangible assets			
Investments	8, 9	–230	–443
Disposals		39	13
Subsidiaries			
Acquisitions	28	–139	–150
Disposals	29	3	
Change in shareholding proportions		–47	
Associates			
Investments	11	–203	–476
Disposals	11		5
Long-term financial assets			
Investments	12	–26	–14
Disposals/repayments	12	11	10
Change in time deposits		177	–177
Acquisition/disposal of securities		68	
Cash flow from investment activities		**–347**	**–1 232**
Dividend payments		–120	–245
Dividends paid to minority interests		–4	–7
Capital contribution of minority interests			45
Increase in financial liabilities		186	1 212
Repayment of financial liabilities		–665	–466
Cash flow from financing activities		**–603**	**539**
Change resulting from currency translation		**10**	**–43**
Change in cash and cash equivalents		**–16**	**–25**
Statement:			
Cash and cash equivalents on 1.1.		983	967
Cash and cash equivalents on 31.12.		967	942
Change		**–16**	**–25**

Free cash flow

CHF million	2007	2008
Cash flow from operating activities	924	711
Replacement investments in fixed assets	–138	–181
Sales of tangible and intangible assets	39	13
Free cash flow	**825**	**543**

Accounting Principles

Significant accounting principles

Accounting principles for the consolidated financial statements

The consolidated financial statements of the Aare-Tessin Group were prepared in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards Board (IASB) guidelines as well as the applicable Swiss statutory regulations. The financial statements give a true and fair view of the Aare-Tessin Group's financial position, results of operation and cash flows. The financial statements are based on historical costs, except for specific items such as financial instruments, as well as financial assets that are eligible for disposal. These items are reported at their market value. The Board of Directors authorised the consolidated financial statements on 16 April 2009 for approval by the Annual General Meeting on 23 April 2009.

New and revised accounting and valuation policies

Group accounting and valuation policies are essentially the same as those applied in the prior year. As of 1 January 2008, the following International Financial Reporting Standards (IFRS) became effective and were applied by the Aare-Tessin Group:

– IFRIC 12: Service Concession Arrangements (1.1.2008)
– IFRIC 14: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (1.1.2008)

The application of these new rules did not have a significant impact on the results and the financial situation of the Aare-Tessin Group.

Future IFRS and IFRIC

The following new and revised standards and interpretations were published by the IASB respectively by the IFRIC, which are applicable for future financial statements:

– IAS 1 rev.:	Presentation of Financial Statements (1.1.2009)
– IAS 23 rev.:	Borrowing Costs (1.1.2009)
– IAS 27 rev.:	Consolidated and Separate Financial Statements (1.7.2009)
– IAS 1 and IAS 32 amendments:	Puttable Financial Instruments and Obligations Arising on Liquidation (1.1.2009)
– IAS 39 and IFRS 7 amendments:	Disclosures relating to the Reclassification of Financial Assets (1.7.2008)
– IAS 39 amendments:	Eligible Hedge Items (1.7.2009)
– IAS 27 and IFRS 1 amendments:	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (1.1.2009)
– IFRS 2 amendment:	Vesting Conditions and Cancellations (1.1.2009)
– IFRS 3 rev.:	Business Combinations (1.7.2009)
– IFRS 8:	Operating Segments (1.1.2009)
– IFRIC 13:	Customer Loyalty Programmes (1.7.2008)
– IFRIC 15:	Agreements for the Construction of Real Estate (1.1.2009)
– IFRIC 16:	Hedges of a Net Investment in a Foreign Operation (1.10.2008)
– IFRIC 17:	Distributions of Non-cash Assets to Owners (1.7.2009)
– IFRIC 18:	Transfers of Assets from Customers (1.7.2009)

In addition, besides the amendments stated above the IASB and IFRIC have decided on and declared as mandatory numerous other marginal adjustments of guidelines in the standards. By the majority, they are applicable as of 1.1.2009. There was no early application of the new respectively revised standards and interpretations by the Aare-Tessin Group.

The Aare-Tessin Group is currently examining the possible consequences from the application of these new guidelines. From today's perspective, no significant consequences on the consolidated balance sheet and the consolidated income statement are expected. However, an extended disclosure for specific areas will be required for the published consolidated financial statements. This is especially applicable for IFRS 8 – Operating Segments, which is to be introduced as of 1 January 2009.

Where changes have been made in the presentation of the current reporting, comparative data taken over from prior year has been reclassified or completed as required in the consolidated income statement, balance sheet and notes to the consolidated financial statements. Where significant, explanations were provided. Changes in the presentation also include adjustments of organisational terms.

Basis of consolidation

The consolidated financial statements of the Aare-Tessin Group comprise the consolidated financial statements of Aare-Tessin Ltd. for Electricity, based in Switzerland, and its subsidiaries. The financial statements of the subsidiaries were prepared for the same reporting year as the parent company, using consistent accounting standards. All intercompany balances, transactions, income and expenses are fully eliminated.

Subsidiaries are companies controlled directly or indirectly by the Aare-Tessin Group (generally by holding more than 50 % of the voting rights). These companies are included in the scope of consolidation from the date of acquisition. Companies are deconsolidated and reported under financial assets at the end of the control over the company but not later than at the date of disposal.

Minority interests in associates in which the Aare-Tessin Group exercises a significant interest are included in the consolidated financial statements using the equity method. Joint ventures in the Energy segment, operated under common control with partner companies, are included in the consolidated financial statements on the same basis. The Aare-Tessin Group's share in the assets, liabilities, income and expenses of these companies is disclosed in note 11 of the consolidated financial statements.

Under accounting standard IAS 39, all other investments are stated at fair value as financial investments under fixed assets.

The scope of consolidation and all significant investments, including details of the consolidation method applied and further information, are listed from page 75.

Foreign currencies

The consolidated financial statements are prepared in Swiss francs, which is the Group's functional and presentation currency. The functional currency for each Group company is defined in accordance with the company's activities. Transactions in foreign currencies are accounted for at the current exchange rate of the transaction date in the company's functional currency. Monetary assets and liabilities denominated in a foreign currency are translated into the functional currency using the year-end rate. The resulting exchange differences are recorded in the income statement.

On the balance sheet date, assets and liabilities of the subsidiaries are translated into Swiss francs using the year-end exchange rates. Income statement items are translated using the weighted average exchange rate for the reporting period. The foreign exchange differences are shown as a separate position in the equity. In a disposal situation of a subsidiary, the related accumulated foreign exchange differences are recognised in the income statement of the relevant period.

The consolidated financial statements are presented in Swiss francs. The following exchange rates were applied for currency conversions:

Unit	Conversion date 31.12.2007	Conversion date 31.12.2008	Average 2007	Average 2008
1 USD	1.12	1.07	1.20	1.08
1 EUR	1.655	1.485	1.643	1.587
100 HUF	0.65	0.56	0.65	0.63
100 CZK	6.21	5.53	5.92	6.37
100 PLN	46.05	35.75	43.45	45.35
100 NOK	20.79	15.23	20.50	19.37

Intercompany transactions

Goods and services are invoiced between Group companies at the contractually agreed transfer or market prices. Shareholders are invoiced at full cost for power generated by joint ventures, on the basis of existing joint venture contracts.

Sales revenue

Sales revenue from goods and services is reported in the income statement upon performance. Energy transactions realised for purposes of trading (generally forward transactions with standard products), aiming to generate a profit from short-term market price volatility, are reported by the Group in revenue using the net method (recording of net trading result). Revenue from construction contracts is generally accounted for using the percentage-of-completion method, where income is accounted for based on the stage of completion.

Income taxes

Income taxes are calculated on the annual profits contained in the income statement at the current or soon to be announced current tax rate that is applicable to the individual companies' financial statements. Income tax expense represents the amount of current and deferred income tax.

Deferred income taxes are calculated on temporary differences arising between the treatment of certain income and expense items for financial reporting and income tax purposes. The deferred tax arising from the resulting temporary differences is calculated using the balance sheet liability method. Deferred income tax is not recorded on valuation differences on holdings in Group companies if such differences are not likely to be reversed in the near future.

Deferred tax assets are recognised if their realisation is probable. Unrecognised tax assets are disclosed.

The effects of recognising timing differences are disclosed in note 6 of the consolidated financial statements.

Borrowing costs

In principle, interest is charged to the income statement in the period for which it is due. Interest directly related to the long-term acquisition or construction of an asset is capitalised. Capitalised interest is calculated on the basis of the amount actually paid in the period from the beginning of the acquisition or construction activity up to utilisation of the facility.

Discontinued operations and disposal groups

An asset is held for disposal if its carrying amount is achieved through disposal of the asset rather than through continued use thereof. The asset must be available for disposal, and the disposal probable within the next 12 months. The same applies for a group of assets (disposal group) and the related liabilities, if they are to be disposed in a single transaction.

The Aare-Tessin Group recognises long-term assets held for disposal and disposal groups with the lower of carrying amount or fair value, less cost of disposal. These assets or group of assets are not depreciated any further as long as they are recognised for disposal. In the balance sheet, the assets and liabilities are presented separately from the other assets and liabilities of the Group.

A component of the Group that represents a separate major line of business or geographical area of operations that has been divested or is a subsidiary acquired exclusively with a view to resale is classified as a discontinued operation. The net result from discontinued operations is reported separately in the consolidated income statement.

Tangible fixed assets

Tangible fixed assets are recorded at acquisition or production cost, less any accumulated depreciation and impairment losses. Depreciation is calculated using the straight-line method over the estimated useful economic life for each category of asset, or to the end of the operating life of a power plant. Estimated useful life periods for the individual categories of tangible fixed assets are within the following ranges:

Buildings	30–50 years
Land	only in case of impairment
Power plants	25–80 years
Transmission facilities	15–40 years
Plant equipment, machinery and vehicles	3–20 years
Facilities under construction	only if impairment already identifiable

The obligation to restore land and sites once a licence has expired or a facility is no longer in use is included on an individual basis in accordance with contractual provisions. Investments in the renovation or improvement of plants are capitalised if they significantly extend their useful life, increase capacity or substantially improve the quality of production performance.

The costs of regular and major overhauls are recorded in the carrying amount of the fixed assets as replacements, if the relevant criteria for capitalisation are met. Repairs, maintenance and ordinary upkeep of buildings and operational plants are recognised as expenses.

The carrying amount of a fixed asset is written off at its disposal or if no further economic benefit is expected. Profit or loss from asset disposals is recorded in the income statement.

The residual value and the useful life of an asset are reviewed at a minimum at the end of each financial year and are adapted if necessary.

Business combinations and goodwill
Business combinations are recorded using the purchase method. Acquisition costs include the indemnification that is paid at the acquisition of assets, liabilities or contingent liabilities of a company acquired. Such indemnification includes cash payments, the market value of assets disposed of, as well as any incurred or assumed obligation on the transaction date. Acquisition costs also include any expenses that are directly attributable to the acquisition. The acquired net assets comprise identifiable assets, obligations and contingent liabilities and are recorded at their market value.

Where the Group does not acquire a 100 % ownership, the corresponding minority interests are stated as a part of the consolidated equity. Minority interests on which the Aare-Tessin Group owns options (call options) or granted options (written put options) are only recorded as minority interests if the strike price is based on fair value. Such call options are stated at fair value. Written put options on minority interests are recorded as liabilities at the present value of the expected cash outflows.

The acquisition of minority interests is considered by the Group as pure equity transaction. Any difference between purchase price and net assets acquired is charged to retained earnings.

Goodwill is the difference between acquisition costs and the market value of the Group's interest in the acquired net asset. Goodwill and fair value adjustments for net assets are recorded in the assets and liabilities of the acquired company in its local currency. Goodwill is not depreciated, but tested for impairment at least annually. Goodwill may also arise from interests in associates and represents the difference between the acquisition cost of the investment and the share of the market value of its identifiable net asset. This goodwill is recognised in the investments in associates.

Intangible assets

Intangible assets are recorded on initial recognition at acquisition and production cost, less any accumulated amortisation and impairment losses. Internally generated intangible assets are not capitalised; the costs are charged to the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over their useful economic life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at the end of each financial year. The useful life of the intangible assets currently ranges from 3 to 15 years.

Intangible assets with indefinite useful lives are not amortised, but tested for impairment annually, either individually or at the cash-generating unit level. An intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable.

Energy purchase rights

Energy purchase rights are recorded under intangible assets and are tested for impairment like all other intangible assets. They include prepayments for rights to long-term energy purchases including capitalised interest. Amortisation is charged from the beginning of power supplies on a straight-line basis over the term of the contract.

Impairment of tangible and intangible assets

Tangible and intangible assets are reviewed at least annually for evidence of impairment. In particular, this is done whenever changes in circumstances or events indicate that the carrying amounts may not be recoverable. If the carrying amount exceeds the estimated realisable value, the asset is written off to the value considered to be realisable on the basis of discounted, expected future earnings. Intangible assets with infinite useful life are tested for impairment on an annual basis.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. The value in use is calculated based on the estimated future cash flows (discounted cash flow method). If the asset does not generate cash inflows that are independent of those from other assets, the estimation of the recoverable amount for the single asset is made at level of the cash-generating unit to which the asset can be assigned.

An impairment charge from a prior period is reversed through profit and loss if the value is no longer impaired or if the impairment is reduced. Reversals are recorded only at the value which would have been realised on the basis of ordinary amortisation, without impairment.

The annual review of impairment is monitored centrally within the Group.

Impairment of goodwill

Goodwill is assigned to the relevant cash-generating units, which generally represent the Group's identifiable regional sales, service and production activities. Goodwill is tested annually for impairment. Where the recoverable amount of the cash-generating unit, which is the higher of the two amounts fair value less costs to sell and value in use, is less than the carrying amount, an impairment loss is recognised. The impairment review method for cash-generating units is described in note 10. Previously recorded impairment losses are not reversed if the recoverable value of goodwill recovers.

Investments in associates and joint ventures

An associate is a company in which the Aare-Tessin Group has significant influence by having the possibility to participate in its financial and operating policy related decision-making process and which is neither a subsidiary nor a joint venture. Where appropriate, companies are likewise consolidated as an associate using the equity method, even if the participation held is less than 20 %. This applies in particular where the Aare-Tessin Group is represented in the authoritative decision-making bodies, e.g. board of directors, and participates in the definition of business and financial policies or if there is an exchange of market-related information.

A joint venture is a company that is jointly controlled by Atel and one or more other partners under a contractual arrangement. Given this situation, joint ventures are recognised in the consolidation using the equity method independent of their investment quota. The Aare-Tessin Group currently holds investments between 9 % and 60 % in joint ventures.

The financial statements of the associates and joint ventures are prepared using consistent accounting policies. Where the local financial statements are based on other accounting principles, the companies establish a reconciliation in accordance with IFRS.

Inventory

Inventories mainly consist of fuel for power generation and materials for production of goods and services. Fuel inventories (oil, gas and coal) include all directly attributable costs of acquisition. They are accounted for using the weighted average cost method, or at a lower net realisable value. Acquisition costs include all expenses incurred for purchase and transport to the warehouse.

Inventories of material are stated at the lower cost of acquisition or production costs using the average method or net realisable value. Production costs include all direct material and manufacturing costs, as well as overhead costs incurred in bringing inventories to their current location and converting them to their current state.

Leasing

Overall, the Group's current leasing transactions are insignificant.

Construction contracts

Customer-specific construction contracts in the Energy Services segment are accounted for using the percentage-of-completion method, and the amount to capitalise is recorded in sales revenue and accounts receivable. The stage of completion is determined by progress, i.e. the amount of expenses already incurred. Contract costs are recognised as expenses in the period in which they are incurred.

If the stage of completion or the result cannot be reliably estimated for particular contracts or contract groups, revenue is only recognised to the extent that contract costs incurred are probably recoverable. Provisions cover any expected losses from construction contracts. Revenues from contracts in progress are accounted for based on written confirmations from the customers.

Provisions

Provisions cover all (legal or constructive) obligation arising from past transactions or events that are known at the balance sheet date and likely to be incurred, but uncertain as to timing and amount. The amount is determined using the best estimate of the expected cash outflow.

Provisions are recorded at the amount of the expected cash outflows discounted at the balance sheet date. Provisions are reviewed annually at the balance sheet date and adjusted considering current developments. The discount rates are pre-tax rates that reflect current market expectations in regard to the interest effect and the risks specific to the liability.

Treatment of CO_2-emission rights

The IASB had issued the interpretation IFRIC 3 for the accounting of emission rights, which should have been mandatory for financial years beginning on or after 1 March 2005. In the meantime, the IASB has decided to declare IFRIC 3 as not mandatory applicable any more. On the basis of applicable IFRS guidelines, the Aare-Tessin Group has chosen an accounting method which truly reflects the economic circumstances.

The CO_2-emission rights allocated are recorded at nominal value (zero) on initial recognition. CO_2-emission rights purchased for own generation are recorded at acquisition costs within intangible assets on initial recognition. A liability is accounted for if the CO_2-output exceeds the originally allocated emission rights. Such a liability is recognised up to the level of purchased emission rights at the corresponding costs. The part exceeding the amount of CO_2-emission rights held is recorded at fair value at balance sheet date. Variances in the liabilities are recorded in energy expense.

If emission rights are used for trading purposes, e.g. for the optimisation of the energy portfolio, those held at balance sheet date are measured at market value and recorded in inventory.

Employee benefit plans

The Aare-Tessin Group operates various employee benefit plans in line with legal requirements.

In the Energy segment, the consolidated Group companies in Switzerland are members of a legally independent collective industry welfare scheme which is based on the Swiss defined benefit plan and fulfils the characteristics of a defined benefit plan according to IAS 19.

Employees of foreign subsidiaries in the Energy segment are essentially covered by state social welfare schemes or independently defined contribution pension plans in line with the relevant country's common practice.

In the Energy Services segment, Group companies within the Atel Installationstechnik Group in Switzerland participate in a legally independent pension scheme which is fully reinsured. In accordance with IAS 19, this plan is classified as defined benefit plans.

Employees of foreign subsidiaries in the Energy Services segment of Atel Installationstechnik are covered by state social welfare schemes.

The pension scheme of the German GAH Group exclusively uses the so-called implementation method of direct commitment, i.e. there is no legally independent pension plan. Therefore, provisions are set up in the company's balance sheet. These provisions are based on annual actuarial calculations of existing pension commitments. Pension benefits are paid directly by the company. Under accounting standard IAS 19, a direct pension commitment under German law is a so-called "unfunded plan" and reported as a net liability. As there are no separately held assets to meet the obligations, the actual payments are charged against the provisions in the balance sheet.

Pension plan obligations for defined benefit plans are calculated using the projected unit credit method. This actuarial valuation method takes into account not only currently identifiable pension benefits but also anticipated future salary increases and increased retirement benefits. Actuarial gains and losses arising from the periodic revaluations are recognised as income or expense separately for each plan on a straight-line basis over the average remaining service lives of the employees if the actuarial gains or losses at the end of the reporting year exceed 10 % of the higher of the fair value of plan assets and the defined benefit obligation at that date. This method is called the corridor method.

All plans are generally financed by employee and employer contributions. Employer contributions paid or owed to pension schemes providing defined contribution plans are recognised directly in the income statement.

The interpretation IFRIC 14 "The Limit of a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" becomes effective for financial years beginning on or after 1.1.2008. The calculations performed revealed no relevant need for adjustment for the year 2008 and for prior year 2007.

Contingent liabilities
Potential or existing liabilities where a cash outflow is not regarded as probable are not recognised in the balance sheet. However, contingent liabilities existing at balance sheet date are disclosed in the notes to the consolidated financial statements.

Segment-related information
The Energy segment includes the generation, transmission, distribution and sale of energy. The Energy Services segment includes activities in the area of technical and construction services. Segments such as holding, management, property and finance companies that do not fall within the scope of the other segments are presented under "others". The segmentation is based on Group internal reporting.

Income, expenses and net earnings for individual segments arising from intersegment transactions include transactions between divisions and regions that were realised and recorded under market conditions. All transactions and inventories were eliminated in the consolidation.

Revenue in the Energy segment mainly consists of physical electricity deliveries from trading and sales. Revenue also includes the net result from energy transactions done for trading purposes. Revenues in the Energy Services segment are recognised as proceeds from construction contracts.

Financial instruments
Financial instruments include cash and cash equivalents, securities, derivative financial instruments, financial investments, receivables as well as short- and long-term financial liabilities.

Financial assets and liabilities

In accordance with the applicable rules under IAS 39, financial assets are classified as follows and are measured uniformly per category:

- Assets or liabilities measured at fair value through profit and loss,
- financial assets held-to-maturity,
- originated loans and receivables and
- financial assets available for sale.

At inception, all financial assets and liabilities are measured at fair value. The regular buying or selling of a financial asset is reported on the settlement date.

Assets or liabilities measured at fair value through profit and loss

Financial assets held for trading are acquired primarily for the purpose of earning a profit from short-term fluctuations. Derivatives are also classified as financial assets or liabilities held for trading. Furthermore, financial assets or liabilities can be allocated to this category.

At inception, energy-related financial instruments held for trading are accounted for at fair value, and any change in value is reported in net revenue of the relevant reporting period. For a few positions, where no liquid market price is available, a model price curve is taken for valuation. Other derivatives held for trading and the financial instruments assigned to this category are reported at fair value, and any change in value is recorded in finance income or expense.

Financial investments, for which decisions on investments and divestments are based on the development of fair value, are classified as "At Fair Value through Profit or Loss". Such a classification is in line with the Aare-Tessin Group's financial risk policy.

Securities include positions that are held for trading as well as available for sale. All securities are stated at their market value. Value fluctuations of securities held for trading are recorded through profit or loss in the corresponding period. In case of positions available for sale, the value adjustments are recorded directly in equity until their date of sale.

Equity instruments acquired by the Aare-Tessin (treasury shares) are deducted from equity. The purchase or sale of such instruments is not recorded in the income statement.

Financial investments held-to-maturity
Financial investments held-to-maturity are financial assets with a fixed duration which are planned to be held until final maturity. These assets are valued at amortised cost. Financial investments whose maturity is not determined are not included in this category.

Originated loans and receivables
Originated loans and receivables are created by the Group by providing loans, goods or services to third parties. These loans and receivables are valued at amortised cost using the effective interest rate method. Gains and losses are recorded in the income statement when the financial asset or liability is disposed, impaired or amortised.

Cash and cash equivalents are also assigned to the originated loans and receivables. They comprise bank and post accounts, on call deposits and other deposits maturing in a maximum of 90 days.

Receivables are recorded at nominal value less any economically necessary provision. Trade receivables from clients which are also suppliers are offset with trade payables, if netting agreements were signed.

Financial assets available for sale
All other financial assets are assigned as available for sale.

Financial liabilities
Financial liabilities comprise short- and long-term debt and are stated at the amount repayable, plus accrued expenses.

Impairment and uncollectability of financial assets
On each balance sheet date, an assessment is made as to whether there is any evidence of impairment for individual financial assets or any group thereof.

For assets stated at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate. Any loss is recorded in the income statement. A previously recognised impairment loss is reversed in the income statement if the impairment no longer exists or has decreased. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the amortised cost that would have been determined if no impairment loss had been recognised.

For assets stated at cost, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market yield of a comparable financial asset. Any loss is recorded in the income statement. Decreases in impairment losses are not reversed.

If a decrease in the fair value of available-for-sale assets has been recognised directly in equity, a loss (difference between cost and current fair value) is transferred from equity to the income statement when there is objective evidence of impairment. Whereas reversals of impairment losses on debt instruments are reversed through profit or loss, any later reversal of impairment on equity instruments is not recognised in the income statement.

Hedge accounting

Atel uses energy and interest derivatives to hedge cash flow fluctuations of highly probable forecast transactions (cash flow hedges).

Prior to applying a new hedging instrument, the risk situation is comprehensively analysed, the effect of the hedging instrument described, objectives and strategies for its undertaking designated as well as the ongoing assessment and measurement of its effectiveness documented. Also the accounting schedule is determined. The initial application of a hedging instrument is being formally authorised. The hedge relationships are assessed to determine that they actually have been highly effective throughout the entire financial reporting period.

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while any ineffective portion is recognised immediately in the income statement.

Amounts taken to equity are transferred to the income statement in the reporting period when the hedged transaction affects the result of the period.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover of the hedging instrument in another hedging instrument, or if the criteria for its designation as a hedge are no longer fulfilled, amounts previously recognised in equity remain as a separate item in equity until the hedged transaction occurs.

Estimation uncertainty

Important assumptions and sources of uncertainty in estimates

Pursuant to IFRS, in preparing the consolidated financial statements, management is required to make estimates and assumptions – particularly relating to the assessment of impairment and the calculation of provisions – with regard to factors that could potentially have an impact on reported assets, liabilities, income and expenses. These estimates and assumptions are based on historical experience and the best possible assessment of future evolutions. They serve as a basis for reporting assets and liabilities whose measurement does not derive from other sources. The actual values may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis, and any changes in them are recognised and disclosed in the period in which they are identified.

Impairment of fixed assets, intangible assets and goodwill

The carrying amount of fixed assets, intangible assets and goodwill for the Aare-Tessin Group as of the balance sheet date 31.12.2008 was approximately CHF 3.3 billion. These assets are tested annually for impairment. This assessment is made on the basis of estimated future cash flows resulting from use and from possible sale of the assets. The actual cash flows may differ significantly from these estimates. Other factors such as changes in the planned useful life of assets or the technical ageing of facilities may shorten the useful lives or result in an impairment loss.

Provisions

The balance of the provision for contractual risks and losses as shown in note 18 amounts to CHF 339 million as of balance sheet date 31.12.2008. The position includes the recognisable risks and obligations at balance sheet date from existing national and international long-term energy purchase and delivery contracts. The amount of provision required was calculated based on a probable cash outflow in relation with the fulfilment of the contracts. The valuations respectively their reviews are performed periodically using the discounted cash flow method; the term extends over the duration of the contractual obligations entered into. Important parameters for the valuations, which are subject to uncertainties and may therefore lead to significant adjustments in following periods, are mainly the assumptions regarding the development of market prices, the long-term interest rates as well as the effects from currency conversions (EUR in CHF).

Acquisitions and disposals of fully consolidated companies

Due to acquisitions and disposals, the following variances occurred compared to prior year:

Disposals	Proportion of holding	Last date of consolidation	Segment/Business unit
Kamb Elektrotechnik GmbH, Ludwigshafen/DE	74.8 %	01.01.2008	Energy Services GAH

The company disposed of in financial year 2008 recorded annual revenues of around CHF 10 million in 2007 and counted approximately 94 employees. The Group received CHF 0.3 million from the disposal.

Acquisitions	Proportion of holding	First date of consolidation	Segment/Business unit
Atel Antonini S.p.A., Verona/IT	100.0 %	01.01.2008	Energy Services AIT
Advens AG, Winterthur/CH	100.0 %	01.07.2008	Energy Services AIT
Goetz AG, Interlaken/CH	100.0 %	01.09.2008	Energy Services AIT
Unifroid SA, Cugy/CH	100.0 %	01.09.2008	Energy Services AIT
GA Hochspannung Leitungsbau GmbH, Walsrode/DE	100.0 %	01.04.2008	Energy Services GAH
Leitungsbau Linz GmbH, Linz/AT	100.0 %	23.12.2008	Energy Services GAH
Total Energi ASA, Florø/NO	100.0 %	31.05.2008	Energy Western Europe
Energiakolmio Oy, Jyväskylä/FI	100.0 %	31.05.2008	Energy Western Europe
Theon sro, Prague/CZ	100.0 %	31.07.2008	Energy Central Europe
Atel Spreetal Kraftwerk GmbH, Düsseldorf/DE	100.0 %	26.08.2008	Energy Central Europe
Vetrocom Ltd., Sofia/BG	100.0 %	12.09.2008	Energy Central Europe
Hydro Solar Energie AG, Niederdorf/CH	65.0 %	23.12.2008	Energy Switzerland

With the acquisitions, the consolidated revenue of the Aare-Tessin Group increased by CHF 103 million compared to prior year.

Financial risk management

General principles

In its operations, the Aare-Tessin Group is exposed to strategic and operational risks, especially credit, liquidity and market risks (energy prices, interest rate and foreign currency risks). During the annual business risk assessment process, all strategic and operational risks are recorded and assessed throughout the Group and then assigned to the identified risk owners for management and monitoring. The implementation of decisions taken is reviewed in internal audits. Exposure limits are allocated to the credit, liquidity and market risks (energy prices, interest rate and foreign currency risks), their compliance monitored on an ongoing basis and adjusted in the context of the company's overall risk capacity.

The basic principles of the risk management policy are set by the Board of Directors. The Executive Board is responsible for its concretion and implementation. The Risk Management Committee (RMC) monitors the compliance with principles and guidelines. The functional unit Corporate Risk Management (CRM) belonging to the functional division Financial Services is responsible for the realisation of risk management; the functional unit is subordinated to the CFO. CRM provides methods and instruments for the implementation of risk management. Furthermore, CRM supports the business divisions, the functional divisions and the business units in their risk management tasks. CRM coordinates the tasks and the reporting with the line management up to the level of the unit leader. It also assures timely reporting to the Board of Directors, the Executive Board and the RMC.

The energy risk policy sets forth the guiding principles for the risk management of the Aare-Tessin Group's energy business. They comprise guidelines for entering into, measuring, managing and limiting business risks in the energy business and lay down the organisation and responsibilities for risk management. The goal is to provide a reasonable balance between the business risks incurred, earnings and risk-bearing equity.

The financial risk policy defines the content, organisation and system for financial risk management within the Aare-Tessin Group. The responsible units manage their financial risks within the framework of the risk policy and limits defined for their area. The goal is to reduce financial risks in relation to hedging costs and risks being accepted.

Managing capital

The management of capital within the Aare-Tessin Group is aligned with the superior finance strategy of the Group. Relevant for the strategy is the reported consolidated equity of the Group. As a frame for the arrangement of the capital structure, the Board of Directors has defined an equity ratio of at least 35 %; the goal is to achieve a return on equity of at least 9 % thereon.

Furthermore, the Group is financed with interest-bearing financial liabilities. The level of those financial liabilities must be in an appropriate ratio to profitability, so that a strong credit rating in line with business requirements can be assured. The net debt to EBITDA ratio should not exceed a factor of 3.

The target values mentioned fully respect the obligations from concluded financings.

Within the planning and budgeting process, the Board of Directors acknowledges twice a year the planned development of target values set. The current medium- and long-term plan values are within these target values.

Compared to prior year, the financing strategy of the Group did not change. The investment projects planned in the current environment could lead to a higher debt-equity ratio in the long run, but they remain within the frame set by the target values.

Financial instruments

Book values and fair values of financial assets and liabilities

CHF million	Note	Book value 31.12.2007	Fair value 31.12.2007	Book value 31.12.2008	Fair value 31.12.2008
Financial assets at Fair Value through Profit or Loss					
Securities held for trading	16	3	3	3	3
Positive replacement values of derivatives					
Currency and interest rate derivatives		15	15	6	6
Energy derivatives		601	601	1 154	1 154
Total financial assets at Fair Value through Profit or Loss (without financial assets assigned to this class)		**619**	**619**	**1 163**	**1 163**
Financial assets assigned to this class					
Financial investments	12	**296**	**296**	**31**	**31**
Financial assets held-to-maturity					
Assets with fixed maturity					
Originated loans and receivables					
Cash	15	967	967	942	942
Time deposits		91	91	263	263
Trade receivables	14	1 721	1 721	1 532	1 532
Revenue prior to invoicing	14	136	136	192	192
Other financial receivables	14	249	249	290	290
Loans receivable	12	8	8	8	8
Total originated loans and receivables		**3 172**	**3 172**	**3 227**	**3 227**
Total financial assets		**4 087**	**4 087**	**4 421**	**4 421**
Financial liabilities through Profit or Loss					
Negative replacement values of derivatives					
Currency and interest rate derivatives		10	10	5	5
Energy derivatives		570	570	1 153	1 153
Total financial liabilities through Profit or Loss		**580**	**580**	**1 158**	**1 158**
Other financial liabilities					
Trade payables	21	1 210	1 210	1 059	1 059
Bonds	19	746	740	792	805
Loans payable	19	664	619	1 179	1 187
Other financial liabilities incl. put options		254	254	396	397
Total other financial liabilities		**2 874**	**2 823**	**3 426**	**3 448**
Total financial liabilities		**3 454**	**3 403**	**4 584**	**4 606**

Expenses/income related to financial assets and liabilities

CHF million	Income statement 2007	Equity 2007	Income statement 2008	Equity 2008
Net profits/losses				
On financial assets and liabilities at Fair Value through Profit or Loss	124		–9	–24
Thereof on financial assets assigned to this class	49		19	
On originated loans and receivables	–4			
On assets available for sale		2		
Interest income and interest expense				
Interest income for financial assets, that are not measured at fair value	44		37	
Interest expense for financial liabilities, that are not measured at fair value	–69		–69	
Thereof from the use of the effective interest rate method	–8		–15	

A provision of CHF 11 million (prior year: CHF 10 million) on trade receivables was recorded in the financial year 2008. No provision was recorded on other financial instruments. Further information on the change of the provisions is stated in the table "Analysis of the age of trade receivables".

Hedging activities (hedge accounting)

Futures contracts

At 31 December 2008, the Group held eight futures contracts, three coal hedges (BAFA), one oil hedge (HFO) and five crude oil hedges designated as hedges of future electricity purchases for which firm commitments exist. The futures contracts are being used to hedge the relevant indexes for the pricing of the commodities coal and oil. The parameters of the hedging instruments correspond to the indexes of the underlying electricity purchases.

The hedge strategy aims to balance value fluctuations of indexed electricity purchase contracts. The designated hedges are hedging the prices for the electricity purchases from 2009 until 2011. The reclassification of hedges from equity to the income statement is effected corresponding to the cash flows from physical electricity purchases.

The hedge relationships to hedge cash flows of contractually committed electricity purchases were assessed to be highly effective. Thus an unrealised loss of CHF 24 million considering a deferred tax asset of CHF 5 million was included in equity as of 31.12.2008 in respect of these contracts.

Interest rate swaps

At 31 December 2008, the Group held four interest rate swaps used to fix the interests of a project financing. The hedge strategy eliminates possible financial risks from the increase of variable interest rates, used as basis for the financing.

The hedge relationship to hedge the interest-related cash flows was assessed to be highly effective. The unrealised loss of CHF 7 million considering a deferred tax asset of CHF 2 million was included in equity as of 31.12.2008.

The amounts retained in equity as of 31.12.2008 are transferred to the income statement over the duration of the hedge relationship according to the underlying effective energy purchases respectively interest payments. In 2008, no positions affecting net income were removed from equity.

In the financial reporting year, the ineffective portion of hedging instruments recognised immediately in the income statement was immaterial.

CHF million	Assets 2007	Liabilities 2007	Assets 2008	Liabilities 2008
Commodity futures contracts	0	0	0	19
Interest rate swaps	0	0	0	5

Credit risk management

Potential losses from the incapacity of business partners to fulfil their contractual duties towards Aare-Tessin Group are the object of credit risk management. The energy credit risk management in the Energy segment comprises all business units and subsidiaries which have a significant trading volume with external counterparties. It includes the constant monitoring of outstandings due from counterparties, their expected future development and carries out credit-worthiness analyses of new contracting parties. Besides the energy derivatives recorded as financial instruments, contracts which were concluded for the purpose of physical receipt or delivery of energy are also considered.

The management of credit risk is primarily done through rating-based credit limits. According to their failure probability, the Aare-Tessin Group classifies the counterparties or groups of counterparties in risk categories (AAA – CCC). These ratings established as a first step are the basis for the assignment of the credit limit. Collateral securities such as guarantees, advance payments or insurances may increase the limit. The ratings of active counterparties are reviewed periodically and the credit limits adjusted, if necessary.

Mandatory minimum conditions are to be fulfilled on the selection of customers. Especially the existence of approved credit limits, according guarantees as well as legally binding contractual bases are required. As a basic principle, contracts in the Energy segment are only concluded with counterparties who fulfil the criteria of the energy risk policy. Outstanding debts are monitored and managed through a formalised process on an ongoing basis.

The credit risk in the Energy Services segment is managed and monitored on a local basis, being essentially the management of the debtors. Periodically, the local operating management receives a comprehensive report, which contains all information required for the assessment of the amounts outstanding.

According to IFRS 7, the sum of the book values of financial assets represents the maximum default risk to which the Aare-Tessin Group is exposed as at balance sheet date. The maximum credit risk resulting as of 31.12.2008 amounts to CHF 4421 million (31.12.2007: CHF 4087 million). For a detailed listing please refer to the fair values stated in table "Book values and fair values of financial assets and liabilities". The credit risk is reduced by securities held as well as through contractually agreed mutual netting of all receivables and liabilities with a counterparty, even those which are not stated on the balance sheet as in accordance with IAS 39. In return, the credit risk is increased by costs occurring to Aare-Tessin Group due to the settling of failed positions at unfavourable conditions.

The danger of risk concentrations for the Aare-Tessin Group is minimised by the quantity and large geographic spread of the customers and consolidation of the positions. As in prior year, there are no significant risk concentrations at balance sheet date.

Cash and time deposits are placed at banks which have not less than an "A" rating of an internationally accepted rating agency. The assets placed are limited by amount, dispersed widely and graded in time. The review of the limits is done on a half-year basis or at particular occasions. No write-off has had to be recorded so far.

Collateral securities

A major part of the energy businesses concluded by the Aare-Tessin Group is based on contracts which contain a netting agreement. The net presentation of receivables and liabilities in the balance sheet is only performed if there is a legal claim to offset the recorded amounts and it is intended to execute the clearing on a net basis. In addition and if deemed necessary, additional collateral securities like guarantees, margin equalisation payments or insurances are requested.

As in prior year, no collateral securities were collected and converted into financial assets.

Analysis of the age of trade receivables

CHF million	31.12.2007	31.12.2008
Carrying amount before recording of impairment losses	1 775	1 570
Thereof impaired	54	39
Provision for impairment at the beginning of the year	65	54
Change in scope of consolidation	0	2
Charge for additional impairment provision	10	11
Discharge of provision due to losses	– 2	– 14
Dissolution of unused impairment provision	– 19	– 10
Difference from currency translations	0	– 4
Provision for impairment at the end of the year	54	39
Thereof not impaired	1 721	1 532
Not due	1 465	1 345
Due for 1 – 90 days	183	136
Due for 91 – 180 days	12	10
Due for 181 – 360 days	15	8
Due for more than 360 days	46	33

In this reporting year (and prior year), an insignificant amount of trade receivables was written off based on a certificate of unpaid debts for which no impairment was recorded beforehand due to missing evidence on a decrease in value.

The Aare-Tessin Group is holding securities (bank guarantees) for impaired as well as due and not impaired trade receivables with an estimated fair value of CHF 13 million (prior year: CHF 9 million).

For the positions not impaired there exists no evidence as of the balance sheet date that the debtors would not fulfil their payment duties.

Liquidity risk

A significant part of the receivables in European energy trading are offset and balanced on fixed payment terms, reducing the maximum need of liquidity. Margin agreements are commonly used on energy commodity exchanges and among large energy traders so as to reduce the counterparty risk. Due to energy price fluctuations, substantial outstanding debts can arise in the short term. The Aare-Tessin Group manages these variable liquidity requirements by maintaining sufficient liquidity and by obtaining guaranteed credit lines from first-class banks. Under the management of the CFO, Corporate Treasury of the functional division Financial Services is responsible for Group-wide cash and liquidity management. The task comprises planning, monitoring, provisioning and optimisation of the liquidity of the entire Group.

The contractual due dates of the financial liabilities are stated further below. The counterparty's possibility for cancellation was considered, even if such cancellation is improbable from today's perspective. For loans for which a refinancing after the duration of the contract is intended but not contractually secured, a cash flow at due date is assumed. As a consequence, the effective cash flows can differ significantly from the contractually agreed due dates.

The cash flows from derivatives are shown gross if the fulfilment is actually done as a gross payment. To present the effective liquidity risk from such financial instruments, cash inflows are stated in an additional line to the cash outflows for derivatives.

2008: Maturity analysis of the financial liabilities

CHF million	Book value	Cash flows < 1 Month	1–3 Months	4–12 Months	1–5 Years	> 5 Years	Total
Non-derivative financial liabilities							
Trade payables	1 059	–707	–314	–23	–15		–1 059
Bonds	792		–14	–9	–411	–534	–968
Loans payable	1 179	–13	–2	–114	–1 127	–188	–1 444
Other financial liabilities	396	–3	–233	–90	–72	–7	–405
Derivative financial instruments							
Net carrying amount derivative financial instruments	2						
Net carrying amount energy derivatives	1						
Cash inflow gross		1 745	3 231	13 101	8 057		26 134
Cash outflow gross		–1 713	–3 221	–13 107	–8 526		–26 567
Net carrying amount interest/currency derivatives	1						
Cash inflow gross		433	114	244	228	64	1 083
Cash outflow gross		–420	–113	–260	–245	–61	–1 099

2007: Maturity analysis of the financial liabilities

CHF million	Book value	Cash flows < 1 Month	1–3 Months	4–12 Months	1–5 Years	> 5 Years	Total
Non-derivative financial liabilities							
Trade payables	1 210	–1 114	–85	–1	–10		–1 210
Bonds	746		–15	–9	–272	–599	–895
Loans payable	664		–6	–23	–342	–456	–827
Other financial liabilities	254		–8	–96	–152	–7	–263
Derivative financial instruments							
Net carrying amount derivative financial instruments	36						
Net carrying amount energy derivatives	31						
Cash inflow gross		1 430	2 624	9 750	2 945	2	16 751
Cash outflow gross		–1 410	–2 592	–9 614	–2 855		–16 471
Net carrying amount interest/currency derivatives	5						
Cash inflow gross		1	7	11	85	38	142
Cash outflow gross		–1	–6	–16	–85	–81	–189

Market risk

The market risk which Aare-Tessin Group is exposed to essentially consists of the components energy price risk, interest rate risk, currency risk and share price risk. These risks are continuously monitored and managed by using different derivative financial instruments.

Energy price risks

The energy price risk indicates potential price fluctuations that could have a negative effect on the Aare-Tessin Group. Among others, they may occur from the changing price volatility, a changing market price level or a changing correlation between markets and products. Energy liquidity risks also belong to the same area. They occur, when an open energy position may not be settled due to a lack of offers at the market or only at very unfavourable conditions.

In accordance with risk policy, derivative financial instruments are concluded for the coverage of physical underlying transactions.

The valuation of market risks for products in energy trading is based on a Group-wide risk policy. It defines the rules for incurring, measuring, limiting and monitoring of risks. The compliance with these risk limits is monitored by the Risk Management Committee on an ongoing basis, using periodic reportings issued by the functional unit Corporate Risk Management.

Interest rate risks

The Aare-Tessin Group is exposed to risks because of interest rate volatility. According to the financial policy, liquidity is invested short-term and financial requirements obtained long-term. Thus on the asset side, a change of interest rate has a direct impact on the finance income. For the liabilities, a change of interest rates does not have a direct influence on the finance expense because of the long duration of the financing. However, major differences between book value and fair value may arise.

Currency risks

The Aare-Tessin Group endeavours to reduce currency risks by offsetting operating income and expenses in foreign currencies. Any surplus is hedged by means of currency contracts (forward transactions, options) in accordance with the Group's financial risk policy.

Net investments in foreign subsidiaries are likewise subject to risks arising from currency fluctuation, although differences in inflation rates tend to cancel out these changes in the long run. For this reason, investments in foreign subsidiaries are not hedged.

Currency risks resulting from the generation or purchase of energy are contractually passed on to the counterparties wherever possible. If this is not or only partially possible, currency forward contracts and options are used in accordance with the financial risk policy for a maximum hedging period of 24 months. Generally, currency risks are supervised centrally. The Euro-related currency risk is regarded as acceptable and expected to be equalised in the long run by interest rate differences, thus it is generally not hedged.

Currency risks associated with balance sheet items in foreign currencies (translation risks) are not hedged.

Share price risks

The Aare-Tessin Group owns different financial investments that are stated at market value. They are subject to usual share price fluctuations. In general, share price risks are not hedged.

Sensitivity analysis

For the presentation of market risks, the impacts of realistic and possible fluctuations of the relevant risk variables on profit are listed as followed; in 2008 the analysis showed a possible impact on equity of CHF +/– 5 million from interest rate derivatives and CHF +/– 19 million from hedging transactions in the energy business. In 2007, the analysis showed no possible direct impacts on equity.

For currency risks, the sensitivities are based on the financial instruments stated at balance sheet date. The realistic and possible fluctuations of the relevant risk variables were determined using the values of historical fluctuations (3 years). Fluctuation of +/– 1 standard deviation point around the calculated arithmetic mean are considered as realistic and possible. The risk of price changes for shares is based on the weighted average of the 180 days volatility 2008 of the current securities portfolio. The sensitivity of the interest rate risks results from a stress test based on the 6 months Euribor.

The possible relative annual variance of market values considered for energy derivatives is based on the market price of the commodities electricity, gas, coal and oil for the past three years. The maximum variations from mean value at a confidence level of 99 % are taken for the calculation of sensitivities.

The quantification of the individual risks is based on the assumption that all other variables remain unchanged.

CHF million	+/– Changes 2007	+/– Impact on the income statement 2007	+/– Changes 2008	+/– Impact on the income statement 2008
Energy price risk	51.0 %	16.0	99.8 %	2.0
Currency risk EUR/CHF	3.0 %	4.0	9.7 %	78.9
Currency risk EUR/USD	13.3 %	12.6	16.2 %	14.4
Currency risk EUR/CZK	7.8 %	9.0	11.7 %	5.1
Currency risk EUR/HUF	12.7 %	6.7	18.2 %	1.8
Currency risk EUR/NOK	9.4 %	1.3	12.9 %	1.1
Currency risk EUR/PLN	13.4 %	0.0	15.9 %	0.5
Currency risk EUR/RON			14.9 %	0.4
Currency risk USD/CHF	8.6 %	15.0		
Currency risk USD/HUF	21.0 %	14.4	30.0 %	7.1
Interest rate risk	0.5 %	2.0	1.0 %	31.6
Share price risk	10.0 %	23.0	46.0 %	6.6

1 Capitalised costs

In 2008, capitalised costs increased based on the intensive investment activity in own power plant projects. A significant part thereof was provided by Group companies.

2 Energy and goods purchased

CHF million	2007	2008
Electricity procurement from third parties	8 725	7 733
Electricity procurement from associates (joint ventures)*	339	411
Electricity procurement from associates (other companies)	328	350
Other energy procurement	787	990
Expenditure on goods	1 086	1 240
Total	**11 265**	**10 724**

* Including effects from the reconciliation to IFRS (note 11, page 53)

3 Personnel expenses

CHF million	2007	2008
Wages and salaries	640	666
Defined benefit pension plans expense	27	27
Defined contribution pension plans expense	8	6
Payments to state insurance plans (classified under other personnel expenses in 2007)	25	28
Other personnel expenses	84	87
Total	**784**	**814**

Average number of employees

	2007	2008
Employees (full-time equivalent)	8 480	9 101
Apprentices	553	570
Total	**9 033**	**9 671**

Number of employees at balance sheet date

	31.12.2007	31.12.2008
Employees (full-time equivalent)	8 824	9 362
Apprentices	596	601
Total	**9 420**	**9 963**

In January 2008, the two corporate functional divisions Management and Financial Services were spun off into the Atel Holding subsidiary Atel Management Ltd., Olten. Since February 2009, the company operates under the name of Alpiq Management Ltd., Olten.

4 Depreciation, amortisation and impairment

CHF million	2007	2008
Depreciation of tangible fixed assets	186	185
Amortisation of energy purchase rights	51	52
Amortisation / Impairment of other intangible assets	11	42
Total	**248**	**279**

In 2008, amortisation and impairment on other intangible fixed assets includes impairment on goodwill of CHF 3 million (prior year: CHF 3 million). This impairment is related to the impairment testing of power plant projects.

Information on the impairment testing of goodwill and intangible assets is disclosed in note 10.

5 Finance income

CHF million	2007	2008
Interest income	44	38
Interest expense (including interest on provisions and other long-term liabilities)	–99	–99
Capitalised borrowing costs	–	6
Dividend income from financial holdings	3	6
Foreign exchange gains (losses) net	9	–45
Other finance income (expense) net	50	18
Total	**7**	**–76**

6 Income taxes

Income taxes recognised directly in equity

CHF million	2007	2008
Current income taxes	0	9
Deferred income taxes	10	–27
Total	**10**	**–18**

Income taxes charged to the financial statement

CHF million	2007	2008
Current income taxes	114	137
Deferred income taxes	105	44
Total	**219**	**181**

Reconciliation

CHF million	2007	2008
Earnings before income tax	1 014	927
Expected income tax rate (weighted average)	23.8 %	23.5 %
Income taxes at the expected rate	241	218
Causes for additional / reduced tax expense:		
Effect of non-tax-deductible expenses	15	14
Effect of prior periods	5	5
Effect of tax-exempt income	– 11	– 59
Effect of valuation of tax loss carryforwards	– 18	9
Effect of changes of tax rates	– 14	– 10
Other influences	1	4
Total income tax	**219**	**181**
Actual income tax rate (weighted average)	21.6 %	19.5 %

The change of the expected income tax rate from 23.8 % to 23.5 % (prior year: 23.0 % to 23.8 %) was mainly due to an optimisation of the Group structure and to the change in the relative share that the subsidiaries in different countries contribute to the total earnings of the Group.

Deferred tax assets and liabilities by origin of the temporary differences

CHF million	31.12.2007	31.12.2008
Tax losses not used yet	26	10
Tangible fixed assets	33	27
Current assets	25	21
Provisions and liabilities	25	21
Total deferred tax assets	**109**	**79**
Tangible fixed assets	120	124
Other fixed assets	192	149
Adjustment*	– 4	–
Adjusted other fixed assets	188	149
Current assets	43	65
Provisions and liabilities	161	182
Total deferred tax liabilities	**512**	**520**
Net deferred tax liabilities	**403**	**441**

* For explanations see note 28 on page 73

As of 31.12.2008, several subsidiaries have available tax loss carryforwards totalling CHF 138 million (prior year: CHF 140 million) that can be offset against taxable income in future periods.

Deferred tax assets are recorded only to the extent of the probable realisation of the related tax loss carryforwards. The Aare-Tessin Group has tax credits on tax loss carry-forwards of CHF 104 million (prior year: CHF 40 million) which are not recognised in the balance sheet.

Tax loss carryforwards can be offset in the following periods:

CHF million	31.12.2007	31.12.2008
Within 1 year	21	12
Within 2 – 4 years	3	0
After 4 years	16	92
Total	**40**	**104**

7 Earnings per share

	2007	2008
Total shares issued at a nominal value of CHF 100	3 036 000	3 036 000
Less treasury shares	– 152 299	– 114 444
Shares in circulation	2 883 701	2 921 556
Weighted average number of shares in circulation	2 940 287	2 920 504
Net income attributable to Aare-Tessin shareholders in CHF million	785	736
Earnings per share in CHF	**266.98**	**252.01**

There are no circumstances which lead to a dilution of earnings per share.

8 Tangible fixed assets

CHF million	Properties	Power plants	Trans-mission plants	Other tangible fixed assets	Plants under con-struction	Total
Gross value as of 31.12.2006	**226**	**1 968**	**1 283**	**280**	**86**	**3 843**
Change in scope of consolidation	13	27		10	– 2	48
Investments	18	22	33	48	104	225
Capitalised costs			4		15	19
Reclassifications	3	2	5	12	– 15	7
Disposals	– 8	– 12	– 43	– 39	– 10	– 112
Difference from currency translations	2	70		7		79
Gross value as of 31.12.2007	**254**	**2 077**	**1 282**	**318**	**178**	**4 109**
Change in scope of consolidation	7	8		8	6	29
Investments	13	20	40	83	277	433
Capitalised costs		2	3		63	68
Capitalised borrowing costs (interest rate 3.5 %)					6	6
Reclassifications	34	11	18	37	– 100	0
Disposals	– 4	– 5	– 20	– 30	– 2	– 61
Difference from currency translations	– 9	– 167	– 1	– 27	– 19	– 223
Gross value as of 31.12.2008	**295**	**1 946**	**1 322**	**389**	**409**	**4 361**
Accumulated depreciation as of 31.12.2006	**66**	**534**	**704**	**190**	**0**	**1 494**
Change in scope of consolidation	– 2			1		– 1
Depreciations	6	87	49	44		186
Disposals	– 1	– 14	– 32	– 36		– 83
Reclassifications	1	4	– 1	1		5
Difference from currency translations	1	18		5		24
Accumulated depreciation as of 31.12.2007	**71**	**629**	**720**	**205**	**0**	**1 625**
Depreciations	6	92	44	42	1	185
Reclassifications			– 19	19		0
Disposals	– 4	– 4	– 16	– 28	– 1	– 53
Difference from currency translations	– 2	– 54		– 16		– 72
Accumulated depreciation as of 31.12.2008	**71**	**663**	**729**	**222**	**0**	**1 685**
Net value as of 31.12.2007	183	1 448	562	113	178	2 484
Net value as of 31.12.2008	**224**	**1 283**	**593**	**167**	**409**	**2 676**

As at balance sheet date, the Group had contractual obligations for the construction and purchase of tangible fixed assets of CHF 632 million (prior year: CHF 52 million).

No borrowing costs were capitalised in the year 2007.

9 Energy purchase rights and intangible assets

CHF million	Energy purchase rights	Goodwill	Other intangible assets	Total
Gross value as of 31.12.2006	**626**	**157**	**231**	**1 014**
Change in scope of consolidation		73	57	130
Investments			5	5
Reclassification			– 4	– 4
Difference from currency translations		6	2	8
Adjustments [1]		– 12	8	– 4
Gross value as of 31.12.2007	**626**	**224**	**299**	**1 149**
Change in scope of consolidation		50	123	173
Investments			10	10
Disposals			– 13	– 13
Difference from currency translations		– 30	– 30	– 60
Gross value as of 31.12.2008	**626**	**244**	**389**	**1 259**
Accumulated amortisation as of 31.12.2006	**369**	**0**	**88**	**457**
Amortisation	51		8	59
Impairments		3		3
Reclassification			– 3	– 3
Difference from currency translations			– 1	– 1
Accumulated amortisation as of 31.12.2007	**420**	**3**	**92**	**515**
Amortisation	52		23	75
Impairments [2]		3	31	34
Disposals			– 13	– 13
Difference from currency translations		– 1	– 7	– 8
Accumulated amortisation as of 31.12.2008	**472**	**5**	**126**	**603**
Net value as of 31.12.2007	206	221	207	634
Net value as of 31.12.2008	**154**	**239**	**263**	**656**

1 For explanations see note 28 on page 73
2 Thereof CHF 15 million charged to energy expense and CHF 19 million charged to amortisation

The impairments on "goodwill" are explained in note 4. The impairments on "other intangible assets" relate to adjustments on emission rights and on a customer base.

No borrowing costs were capitalised in the years 2007 and 2008.

The carrying amount of other intangible assets with an infinite useful life was CHF 45 million on 31.12.2008 (prior year: CHF 45 million). These assets are mainly transmission rights to fixed assets held by third parties whereby the Aare-Tessin Group enjoys an unlimited period of use according to current assessments. The category of intangible assets with an infinite useful life is allocated to the cash-generating unit "Grid Switzerland" in the Energy segment.

10 Impairment testing of goodwill and intangible assets

For impairment testing purposes, goodwill and intangible assets with an infinite useful life were allocated to cash-generating units as follows:

CHF million	Discount rate 31.12.2007	31.12.2007	Discount rate 31.12.2008	31.12.2008
Energy segment				
Power generation Switzerland	5.6 %	15	6.9 %	17
Power generation Central Europe	7.8 %	104	9.2 %	94
Power generation Western Europe	8.0 %	21	8.3 %	16
Sales Western Europe	8.7 %	9	8.3 %	17
Sales Central Europe	8.8 %	52	10.3 %	38
Grid Switzerland	8.7 %	45	8.7 %	45
Energy Services segment				
Region AIT	6.6 %	26	7.6 %	40
Region GAH	8.9 %	6	8.6 %	17
Total		**278**		**284**

For all positions stated above, the recoverable amount used in 2007 and 2008 for impairment testing of goodwill and intangible assets with an infinite useful life is based on the value in use. This represents the present value of estimated future cash flows per cash-generating unit. The cash flows and growth rates are based on current business plans approved by management. The plans were prepared on the basis of historical experience and cover a planning period of 5 years. From the sixth year on, cash flows were extrapolated, assuming no growth. A lower average growth of the cash flows by 0.4 % during the planning period respectively a 0.2 % higher discount rate would cause the value in use to equal the carrying amount of the power generation Western Europe. According to the sensitivity analysis, all other units stated above are significantly exceeding the current carrying amount.

11 Investments in associates and joint ventures

CHF million	Joint ventures	Other companies	Total
Book value as of 31.12.2006	**546**	**983**	**1 529**
Investments		203	203
Dividend	–18	–17	–35
Proportional earnings	20	54	74
Effect of reconciliation to IFRS consolidation charged/credited to energy expense	–12		–12
Reclassification		1	1
Difference from currency translations		24	24
Book value as of 31.12.2007	**536**	**1 248**	**1 784**
Investments	30	446	476
Dividend	–18	–30	–48
Proportional earnings	20	76	96
IAS 39 effects recorded in equity		16	16
Effect of reconciliation to IFRS consolidation charged/credited to energy expense	–66		–66
Reclassification (see note 12)		284	284
Disposals		–7	–7
Difference from currency translations		–139	–139
Book value as of 31.12.2008	**502**	**1 894**	**2 396**

All significant associates and joint ventures are valued according to uniform IFRS principles. Where no IFRS financial statements were available, reconciliation accounts are prepared.

The annual closing date of a few associates and joint ventures differs from that of the Group. For these companies, the latest available accounts are used for the consolidated financial statements of the Atel Group. Significant transactions and events which occur between the latest accounts and 31 December are considered in the consolidated financial statements.

As of 31.12.2008, the relative share in market value of listed other companies was CHF 907 million (31.12.2007: CHF 1 288 million). The carrying amount of these companies was CHF 941 million at balance sheet date (CHF 564 million). The Aare-Tessin Group is continuously monitoring the development of the market values of the quoted companies. If the carrying amount is significantly or for a longer time period above the proportionate market value, the Group reviews the balance sheet item for impairment. An impairment test of the investments in associates as of balance sheet date 31.12.2008 indicated no impairment.

Key figures for associated companies and joint ventures (shares Aare-Tessin Group)

	Joint ventures		Other companies	
CHF million	2007	2008	2007	2008
Fixed assets	2 465	2 418	3 010	2 958
Current assets	143	215	637	703
Long-term liabilities*	1 934	1 928	1 459	1 200
Short-term liabilities	138	203	940	567
Income	372	396	1 746	1 789
Expenses*	– 352	– 376	– 1 692	– 1 713

* Including minority interests

On the basis of existing joint venture contracts, the shareholders of the joint ventures are obliged to pay the annual costs based on their investment quota (including interest on and repayment of liabilities). For the Aare-Tessin Group, the stake of regular annual costs in 2008 amounts to CHF 345 million (prior year: CHF 327 million).

In addition, owners of nuclear power plants are obliged to pay limited supplementary payments to the decommissioning and waste disposal funds to cover the eventuality of an individual primary contributor being unable to make its payments.

12 Long-term financial investments

CHF million	Financial investments	Loans receivable	Total
Book value as of 31.12.2006	**228**	**9**	**237**
Investments	20	6	26
Changes to market value	52		52
Disposals	– 4	– 7	– 11
Book value as of 31.12.2007	**296**	**8**	**304**
Investments	4	10	14
Changes to market value	19		19
Reclassifications	– 284		– 284
Disposals	– 3	– 10	– 13
Difference from currency translations	– 1		– 1
Book value as of 31.12.2008	**31**	**8**	**39**

Aare-Tessin is holding 10 % of Romande Energie Holding SA, Morges. Since 2008, the Group is represented in the board of directors and thus increased its influence on business and finance related decisions. On the basis of the changed situation, the investment was reclassified in May 2008 from the position “financial investments” to “investments in associates”.

13 Inventory

At balance sheet date, the inventory mainly consists of fuels (oil, gas, coal) with a carrying amount of CHF 66 million (prior year: CHF 71 million) as well as consumables and supplies amounting to CHF 36 million (CHF 33 million).

14 Receivables

CHF million	31.12.2007	31.12.2008
Trade receivables	1 721	1 532
Prepayments to third party suppliers	81	92
Revenue prior to invoicing	136	192
Other receivables	249	290
Total	**2 187**	**2 106**

Trade receivables from clients that are also suppliers are offset with trade payables, if netting agreements were signed with the counterparties. The receivables and liabilities offset based on netting agreements amount to CHF 1 170 million (prior year: CHF 1 784 million).

Revenue prior to invoicing of construction contracts is recorded depending on their level of completion, less advances received:

CHF million	31.12.2007	31.12.2008
Revenue prior to invoicing (gross)	650	361
Advances received from customers	– 514	– 169
Revenue prior to invoicing (net)	**136**	**192**

15 Cash

CHF million	31.12.2007	31.12.2008
Cash at hand	487	511
Time deposit with a maturity of under 90 days	480	431
Total	**967**	**942**

Cash at hand includes CHF 2 million (prior year: CHF 73 million) cash bound for scheduled maintenance work and debt service payments in relation with project financing as well as CHF 115 million (CHF 22 million) for collateral securities towards energy trading exchanges and grid operators.

16 Securities under current assets

The position exclusively includes securities held for trading purposes.

17 Equity

Share capital

The share capital of CHF 304 million (prior year: CHF 304 million) is fully paid in. The share register reports the following owners:

in %	Stakes 2007	Stakes 2008
Atel Holding Ltd	59.1	96.2
Elektra Birseck Münchenstein (EBM)	13.1	–
Elektra Baselland Liestal (EBL)	6.9	–
A2A S.p.A.	5.8	–
Canton of Solothurn (KtSO)	4.4	–
Treasury shares	5.0	3.8
Public	5.7	–

With regard to the current transaction to set up the leading Swiss energy company with European orientation, Atel Holding Ltd submitted on 12 November 2007 a public swap offer for the shares of Aare-Tessin Ltd. for Electricity. After the successful completion of the swap on 10 January 2008, Atel Holding Ltd held 99.82 % of the shares in Aare-Tessin Ltd. for Electricity. The outstanding 5 408 shares not swapped were declared void by a ruling of the Olten-Gösgen district court on 27 May 2008. To compensate the affected shareholders, Atel Holding Ltd increased its share capital on 25 June 2008 by 43 378 shares or CHF 867 560 and compensated these shareholders under the same terms and conditions as the swap offer of 12 November 2007. The shares of Aare-Tessin Ltd. for Electricity were delisted from the SWX Swiss Exchange on 28 June 2008.

Treasury shares

As of balance sheet date 31.12.2008, the Aare-Tessin Group held 114 444 treasury shares with a nominal value of CHF 11 million (31.12.2007: 152 299 shares with a nominal value of CHF 15 million). The change compared to prior year is due to the exchange of shares Atel Holding Ltd / Aare-Tessin Ltd. for Electricity performed in January 2008. No treasury shares were acquired or disposed of in the reporting period.

In addition, Aare-Tessin Ltd. for Electricity owns 314 286 shares of Atel Holding Ltd, originating mainly from the public swap offer of January 2008. As from an economic point of view the shares swapped are identical securities, they are considered as treasury shares and deducted from the equity of Aare-Tessin Ltd. for Electricity. According to the decision of the Extraordinary General Meeting of Atel Holding Ltd on 27 January 2009, these shares will be annulled in the second quarter 2009.

18 Provisions

CHF million	Contractual risks and losses	Pension provisions	Other provisions	Total
Non-current provisions as of 31.12.2007	**372**	**156**	**60**	**588**
Current provisions	110	9	49	168
Total provisions as of 31.12.2007	**482**	**165**	**109**	**756**
Change in scope of consolidation		–1	5	4
Additions		9	41	50
Interest	17	8		25
Appropriations	–55	–9	–19	–83
Released provisions not required	–105	–11	–28	–144
Difference from currency translations		–17	–7	–24
Total provisions as of 31.12.2008	**339**	**144**	**101**	**584**
Less current provisions	–184	–8	–31	–223
Non-current provisions as of 31.12.2008	**155**	**136**	**70**	**361**
Expected cash outflows				
Within 12 months	184	8	31	223
Within 1–5 years	155	42	70	267
After 5 years		94		94
Total	**339**	**144**	**101**	**584**

The provision for contractual risks and losses covers obligations and recognisable risks on the balance sheet date coming from the energy trading and sales business. The position covers expected compensation payments and obligations in relation with the long-term procurement and supply of energy.

The other provisions mainly include obligations in relation to personnel, obligations arising from restructuring programmes and general operational obligations such as warranties from providing services or potential losses from pending transactions.

Current provisions are stated as accrued liabilities.

19 Long-term financial liabilities

CHF million	31.12.2007	31.12.2008
Bonds at amount repayable	746	792
Loans payable	664	1 179
Total	**1 410**	**1 971**

Bonds outstanding on the balance sheet date

CHF million	Term	Earliest repayment date	Effective interest rate %	Book value 31.12.2007	Book value 31.12.2008
Aare-Tessin Ltd. for Electricity Nominal CHF 200 million 4 1/4 % fixed interest [1, 2]	1997/2009	06.03.2009	4.250	200	200
Aare-Tessin Ltd. for Electricity Nominal CHF 300 million 3 1/8 % fixed interest [2]	2003/2013	16.09.2013	3.125	300	300
Aare-Tessin Ltd. for Electricity Nominal CHF 250 million 2 5/8 % fixed interest	2006/2018	01.03.2018	2.790	246	246
Aare-Tessin Ltd. for Electricity Nominal CHF 250 million 3 1/4 % fixed interest	2008/2015	31.03.2015	3.547	–	246

1 Bonds stated under short-term financial liabilities as at balance sheet date 31.12.2008
2 Both bonds are valued at their nominal value; these do not differ significantly from their amortised cost. As a result, the nominal and the effective interest rates shown are identical.

As of the balance sheet date, the market value of the fixed interest rate bonds outstanding was CHF 1 006 million (prior year: CHF 740 million). The weighted interest rate paid on the bonds issued, relating to the nominal value at the balance sheet date, was 3.26 % (prior year: 3.26 %).

Loans payable

CHF million	31.12.2007	31.12.2008
Maturing within 1 – 5 years	313	1 009
Maturing after 5 years	351	170
Total	**664**	**1 179**

At the balance sheet date, the market value of loans payable was CHF 1 187 million (prior year: CHF 619 million). The weighted interest rate paid on loans payable relating to the nominal value at the balance sheet date was 4.56 % (prior year: 4.34 %). Loans maturing within 360 days amounted to CHF 118 million and are recorded under short-term financial liabilities as of balance sheet date 31.12.2008 (31.12.2007: CHF 99 million).

20 Other long-term liabilities

CHF million	31.12.2007	31.12.2008
Written put options	14	13
Liability from acquisition of associates	72	0
Other long-term liabilities	69	65
Total	**155**	**78**
Maturities		
Within 1 – 5 years	148	71
After 5 years	7	7
Total	**155**	**78**

21 Other short-term liabilities

CHF million	31.12.2007	31.12.2008
Trade payables	1 210	1 059
Other liabilities	314	360
Advances from customers	170	182
Total	**1 694**	**1 601**

Trade payables from suppliers that are also clients are offset with trade receivables, if netting agreements were signed with the counterparties. The liabilities and receivables offset based on netting agreements amount to CHF 1 170 million (prior year: CHF 1 784 million).

22 Transactions with related parties

EOS Holding and EDFAI have a significant influence on the Atel Group and hence also on the Aare-Tessin Group. EOS Holding and EDFAI are stated further below as “other related companies”. The relation to associates and joint ventures is described in the accounting policies. The transactions between the Group and the employee benefit plans are disclosed in note 23.

All transactions with related parties are based on market conditions.

2008: Transactions between the Group and related companies

CHF million	Parent company	Associates	Joint ventures	Other related companies
Operating revenues				
Energy revenue	–3	345	4	581
Other income from services	2	71	12	1
Operating expenses				
Energy expense		–350	–345	–1 349
Other services expenses		–10		–55
Finance income				
Interest income				
Interest expense	–9			

Outstanding positions with related companies at the balance sheet date

CHF million	Parent company	Associates	Joint ventures	Other related companies
Receivables				
Trade receivables	2	34	6	148
Long-term financial receivables		1		
Short-term financial receivables	9			
Other receivables	2	2		
Liabilities				
Trade payables	12	12	51	202
Long-term financial liabilities	591			
Short-term financial liabilities	9		29	
Other short-term liabilities	6			

Members of the Board of Directors and management in key positions

In financial year 2008, the Board of Directors of the Aare-Tessin Group received remunerations of CHF 2.1 million (prior year: CHF 2.2 million). As in prior year, there were no termination benefits. In the context of their dual functions as Executive Board of Atel Holding Ltd and of Aare-Tessin Ltd. for Electricity, the remuneration of the Management totalled CHF 8.3 million (CHF 7.7 million). Thereof CHF 7.2 million (CHF 6.3 million) related to current remunerations and CHF 1.1 million (CHF 1.4 million) to employee benefits. Parts thereof were borne by Aare-Tessin Ltd. for Electricity as management fees. As in prior year, no termination benefits were paid.

2007: Transactions between the Group and related companies

CHF million	Parent company	Associates	Joint ventures	Other related companies
Operating revenues				
Energy revenue		243	1	1 579
Other income from services		56	27	
Operating expenses				
Energy expense		–328	–327	–2 054
Other services expenses	–2	–10	–2	–4
Finance income				
Interest income				
Interest expense				

Outstanding positions with related companies at the balance sheet date

CHF million	Parent company	Associates	Joint ventures	Other related companies
Receivables				
Trade receivables		18	2	205
Long-term financial receivables		1		
Short-term financial receivables			3	
Other receivables				
Liabilities				
Trade payables		14	14	189
Long-term financial liabilities				
Short-term financial liabilities			4	
Other short-term liabilities		2		

23 Employee benefit plan liabilities

Employee benefit expense recognised in profit and loss

CHF million	2007	2008
Current service cost	20	18
Interest expense	25	25
Expected return on plan assets	–22	–22
Actuarial (loss)/gain recognised in current year (§ 58 A)	–23	32
Past service cost	1	0
Effect of curtailment and settlements in § 58 (b)	26	–26
Employee benefit expense	**27**	**27**

Comparison of estimated and actual return on plan assets

CHF million	2007	2008
Expected return on plan assets	22	22
Actuarial gain/(loss) on plan assets	10	–85
Actual return on plan assets	**32**	**–63**

Disclosures relating to the current and the preceding four reporting periods

CHF million	2004	2005	2006	2007	2008
Defined benefit obligation	462	636	748	757	690
Fair value of plan assets	282	462	565	633	509
Underfund/(overfund) total obligation	180	174	183	124	181
Underfund/(overfund) funded obligation only	14	–10	9	–34	37
Experience adjustments on defined benefit obligation	n.a.	1	36	3	42
Experience adjustments on fair value of plan assets	n.a.	35	18	10	86

Benefit obligations recognised in the balance sheet

CHF million	2007	2008
Present value of funded defined benefit obligation	599	546
Fair value of plan assets	633	509
Underfund / (overfund)	– 34	37
Present value of unfunded defined benefit obligations	158	144
Unrecognised actuarial gains / (losses)	3	– 51
Amounts not recognised because of § 58(b)-limitation	26	0
Liability recognised in balance sheet	**153**	**130**
thereof recognised as separate asset	– 12	– 14
thereof recognised as separate liability	165	144

Changes in the present value of the defined benefit obligation

CHF million	2007	2008
Defined benefit obligation at 1.1.	**748**	**757**
Interest expense	25	25
Current service cost	20	18
Contributions by plan participants	10	10
Past service cost	1	0
Benefits paid out	– 15	– 21
Business combinations	13	– 81
Disposal of business	0	– 1
Actuarial (gains) / losses	– 50	0
Currency translations adjustment	5	– 17
Defined benefit obligation at 31.12.	**757**	**690**

Changes in the fair value of plan assets

CHF million	2007	2008
Fair value of plan assets at 1.1.	**565**	**633**
Expected return on plan assets	22	22
Contributions by the employer	29	30
Contributions by employees	10	10
Benefits paid out	– 15	– 21
Business combinations	12	– 79
Actuarial gain / (losses)	10	– 86
Fair value of plan assets at 31.12.	**633**	**509**

Analysis of the fair value of plan assets

CHF million	2007	2008
Equity instruments of the company	0	0
Equity instruments third party	215	123
Debt instruments of the company	0	0
Debt instruments third party	272	295
Properties used by the company	0	0
Properties not used by the company	110	73
Others	36	18
Total plan assets at fair value	**633**	**509**

Long-term income is shown based on the investment strategy of the pension funds and the expected returns from the individual asset classes over the average remaining service period.

Actuarial assumptions used for the calculations

in %	2007	2008
Discount rate	3.59	4.05
Expected rate of return on plan assets	4.00	4.00
Future salary increases	1.86	2.00
Future pension increases	0.46	0.64

Estimate of employer and employee contributions for the next period

CHF million	2008	2009
Contributions by the employer	29	28
Contributions by the employees	10	10

24 Contingent liabilities and guarantee obligations

At the balance sheet date, the total amount of guarantee obligations in favour of third parties is CHF 1 240 million (prior year: CHF 1 135 million).

CHF million	31.12.2007	31.12.2008
Guarantee obligations in favour of third parties		
Commercial guarantees of banks and insurance companies	1 003	773
Commercial guarantees*	132	467
Total	**1 135**	**1 240**
Possible outflow of resources		
Within 12 months	608	423
Within 1 – 5 years	319	274
After 5 years	208	543
Total	**1 135**	**1 240**

* 31.12.2008: Including guarantee obligations in relation with the project Alp Transit Gotthard

In addition, the Group had obligations as of 31.12.2007 arising from option agreements for increasing existing ownership interests. In relation with the refinancing of Edipower, the industrial investors (A2A S.p.A. Milano, IRIDE ENERGIA S.p.A. Torino, Aare-Tessin Ltd. for Electricity and Edison) had jointly agreed to take over on a mid-term perspective the investment shares held by the financial investors. This obligation was entirely fulfilled at the end of January 2008.

For other obligations in relation to interests in joint ventures, see note 11.

25 Pledged assets

CHF million	31.12.2007	31.12.2008
Properties secured by mortgages	4	9
Participations in power plants	857	790
Total	**861**	**799**

The power plants of Novel and En Plus are funded through common project financing arrangements with banks. The related liabilities are reported in the consolidated balance sheet. The Aare-Tessin Group has pledged its participations in these power plants to the financing banks. The participation in Edipower is also pledged to the banks to secure their credits granted to Edipower.

26 Post balance sheet date events

Industrial combination of the activities of Atel and EOS

In the context of the transaction to combine Atel and EOS, Aare-Tessin Ltd. for Electricity has acquired an investment quota of 20 % of Energie Ouest Suisse (EOS) SA, Lausanne on 28 January 2009. The acquisition price for this investment amounts to CHF 800 million. Further information on this transaction as well as the financing concept is stated in the financial report 2008 of the Atel Group.

In the Energy Services segment, Atel Installationstechnik Ltd. has taken over the Italian company Rossetto Impianti S.p.A., Verona, on 27 March 2009. The company operating in the fields of mechanical systems engineering for the industrial, services and hospital sectors counts approximately 70 employees and achieved revenues of around CHF 28 million in 2008. The acquisition was paid using existing liquidity.

27 Segment reporting

2008: Information by business activity

CHF million	Energy	Energy Services	Other	Transactions between the segments and other effects	Total
Income from energy sales/order completion	10 740	2 181	1		12 922
Net profit of trading standard products financial energy transactions	–28				–28
Total revenue third parties	**10 712**	**2 181**	**1**		**12 894**
Revenue from internal transactions		61		–61	0
Total revenue	**10 712**	**2 242**	**1**	**–61**	**12 894**
Thereof with related and associated companies	927				927
EBITDA	1 085	193	5	–1	1 282
Planned depreciations	–215	–44	–1		–260
Impairment on goodwill	–3				–3
Impairment on other fixed assets*		–16			–16
EBIT	867	133	4	–1	1 003
Gross assets (total assets)	10 877	1 225	1 500	–3 089	10 513
Book values associated companies	2 396				2 396
Profit from associated companies	96				96
Liabilities	6 800	914	70	–1 318	6 466
Net investments in tangible fixed and intangible assets	415	63	10	–58	430
Number of employees as of balance sheet date	1 579	8 383	1		9 963

Information by geographic region

CHF million	Switzerland	Southern/Western Europe	Northern/Eastern Europe	Other regions	Total
External revenue	1 928	5 539	5 426	1	12 894
Gross assets (total assets)	4 386	3 343	2 628	156	10 513
Net investments in tangible fixed and intangible assets	121	240	69		430
Number of employees as of balance sheet date	3 859	535	5 568	1	9 963

* Additional CHF 15 million charged to energy expense (Energy segment)

The trading gains in the Energy segment include profits and losses of settled and the value adjustments of unsettled financial energy trading transactions valued at market value. As of balance sheet date 31.12.2008, unsettled financial energy trading transactions have a contract volume of 1.919 TWh (31.12.2007: 0.853 TWh). Replacement values are listed separately on the balance sheet.

2007: Information by business activity

CHF million	Energy	Energy Services	Other	Transactions between the segments and other effects	Total
Income from energy sales/order completion	11 442	1 946	1		13 389
Net profit of trading standard products financial energy transactions	63				63
Total revenue third parties	**11 505**	**1 946**	**1**		**13 452**
Revenue from internal transactions		13		– 13	0
Total revenue	**11 505**	**1 959**	**1**	**– 13**	**13 452**
Thereof with related and associated companies	1 823				1 823
EBITDA	1 130	121	4		1 255
Planned depreciations	– 209	– 35	– 1		– 245
Impairment on goodwill	– 2	– 1			– 3
EBIT	919	85	3		1 007
Gross assets (total assets)*	8 728	1 118	581	– 1 093	9 334
Book values associated companies	1 784				1 784
Profit from associated companies	74				74
Liabilities*	4 927	885	53	– 386	5 479
Net investments in tangible fixed and intangible assets	137	48	6		191
Number of employees as of balance sheet date	1 694	7 726			9 420

Information by geographic region

CHF million	Switzerland	Southern/ Western Europe	Northern/ Eastern Europe	Other regions	Total
External revenue	1 772	4 126	7 546	8	13 452
Gross assets (total assets)*	4 080	2 366	2 782	106	9 334
Net investments in tangible fixed and intangible assets	100	24	67		191
Number of employees as of balance sheet date	3 678	488	5 254		9 420

* Carrying amounts 31.12.2007 adjusted; for explanations see note 28 on page 73

28 Business combinations

In 2008, the following companies were acquired and integrated in the consolidated financial statements:

Energy segment:

31.05.2008: 100.0 % of Total Energi ASA, Florø/NO
31.05.2008: 100.0 % of Energiakolmio Oy, Jyväskylä/FI
31.07.2008: 100.0 % of Theon sro, Prague/CZ
26.08.2008: 100.0 % of Atel Spreetal Kraftwerk GmbH, Düsseldorf/DE
12.09.2008: 100.0 % of Vetrocom Ltd., Sofia/BG
23.12.2008: 65.0 % of Hydro Solar Energie AG, Niederdorf/CH

Energy Services segment:

01.01.2008: 100.0 % of Atel Antonini S.p.A., Verona/IT
01.04.2008: 100.0 % of GA Hochspannung Leitungsbau GmbH, Walsrode/DE
01.07.2008: 100.0 % of Advens AG, Winterthur/CH
01.09.2008: 100.0 % of Goetz AG, Interlaken/CH
01.09.2008: 100.0 % of Unifroid SA, Cugy/CH
23.12.2008: 100.0 % of Leitungsbau Linz GmbH, Linz/AT

The cost of the acquisitions amounted to CHF 171 million and was allocated in the balance sheet as follows:

				Energy segment						Energy Services segment
		Switzerland		Western Europe		Central Europe		AIT		GAH
CHF million	Carrying amounts IFRS	Fair values	Carrying amounts IFRS	Fair values	Carrying amounts IFRS	Fair values	Carrying amounts IFRS	Fair values	Carrying amounts IFRS	Fair values
Tangible fixed assets	4	8		1	7	7	8	8	5	5
Intangible assets	1	1		16	38	53		12		41
Cash			2	2			7	7		
Other current assets			3	3	1	1	43	45	13	13
Short- and long-term financial liabilities	–6	–6					–3	–3	–6	–6
Other short- and long-term liabilities	–1	–1	–2	–2	–3	–3	–35	–35	–8	–8
Deferred income tax liabilities		–1		–4		–2	–3	–7		–13
Net assets acquired	**–2**	**1**	**3**	**16**	**43**	**56**	**17**	**27**	**4**	**32**
Goodwill purchased through acquisition		1		9		6		15		14
Badwill purchased through acquisition (recorded through profit and loss in other operating income)						–6				
Net cash flow from acquisition:										
Acquired cash from subsidiaries				2				7		
Acquisition costs		–2		–25		–56		–42		–46
Liabilities not paid yet				6		8		2		7
Net cash flow		**–2**		**–17**		**–48**		**–33**		**–39**

Relating to the acquisition of a company in 2007, an earn-out of CHF 5 million was paid in the reporting period depending on the earnings generated in 2008. The payment caused an increase of the goodwill. Furthermore, a final payment of CHF 6 million was made in relation with an acquisition done in 2007. This amount was already considered in the purchase price allocation in prior year.

The goodwill acquired corresponds to expected synergies from completing existing business activities and additional benefits from the expansion into new market regions.

Since their integration within the Aare-Tessin Group, the companies acquired have contributed revenues of CHF 103 million and a result from operating activities of CHF 11 million. In the same period, impairments on intangible assets of CHF 30 million were recognised.

If the companies had been acquired at 1 January 2008, they would have increased consolidated revenue by CHF 166 million and would have increased the net profit for the Group without effect of the impairment by CHF 13 million. In the 2007 financial year, inclusion of these companies would have raised consolidated revenue by CHF 153 million and net profit for the Group by CHF 12 million.

In 2007, the following companies were acquired and integrated in the consolidated financial statements:

Energy segment:

01.01.2007: 100.0 % of Isento AG, Thal / CH
19.03.2007: 100.0 % of Cotlan AG, Rüti / CH
05.10.2007: 100.0 % of Birs Wasserkraft AG, Grellingen / CH
18.12.2007: 100.0 % of Buzmann Industries S.R.L., Bukarest / RO

Energy Services segment:

01.01.2007: 100.0 % of Bassi e Scossa SA, Lugano / CH
(merged with Atel Impianti SA, Savosa / CH)
01.01.2007: 100.0 % of FINOW Rohrsysteme GmbH, Eberswalde / DE
31.03.2007: 100.0 % of Hotz AG, Zürich / CH
(merged with Atel Gebäudetechnik AG, Zürich / CH)
01.07.2007: 100.0 % of Martin Bohsung GmbH, Landau / DE
08.08.2007: 100.0 % of WB AG, Emmenbrücke / CH
(merged with Atel Gebäudetechnik AG, Zürich / CH)
31.08.2007: 100.0 % of EMS Česká Lípa s.r.o., Česká Lípa / CZ
31.08.2007: 100.0 % of EMS Ústí nad Labem s.r.o., Ústí nad Labem / CZ
01.10.2007: 100.0 % of Atel Gebäudetechnik (FL) AG, Schaan / LI
(formerly Novintec AG)

The cost of the acquisitions amounted to CHF 167 million and was allocated in the balance sheet as follows:

	Energy segment				Energy Services segment			
	Switzerland		Central Europe		AIT		GAH	
CHF million	Carrying amounts IFRS	Fair values	Carrying amounts IFRS	Fair values	Carrying amounts IFRS	Fair values	Carrying amounts IFRS	Fair values
Tangible fixed assets	15	29	7	7	6	6	7	14
Intangible assets				57				
Adjustment				8				
Adjusted fair value				65				
Deferred income tax assets							2	2
Cash	2	2	13	13	4	4	4	3
Other current assets			22	22	22	23	14	15
Short- and long-term financial liabilities	–2	–2			–8	–8	–7	–7
Other short- and long-term liabilities	–1	–1	–28	–28	–16	–18	–15	–16
Deferred income tax liabilities	–2	–6		–14	–1	–1		–2
Adjustment				4				
Adjusted fair value				–10				
Net assets acquired	**12**	**22**	**14**	**57**	**7**	**6**	**5**	**9**
Effect of adjustments				12				
Adjusted net assets acquired				**69**				
Goodwill purchased through acquisition		15		44		10		4
Effect of adjustments				–12				
Adjusted goodwill				32				
Net cash flow from acquisition:								
Acquired cash from subsidiaries		2		13		4		3
Acquisition costs		–37		–101		–16		–13
Liabilities not paid yet		6						
Net cash flow		**–29**		**–88**		**–12**		**–10**

Adjustment of prior year values

In prior year, a part of the values stated in this table were only provisional, as the acquisition of a company was done close to the balance sheet date 31.12.2007. The final evaluation and purchase price allocation according to IFRS 3 was done in 2008. Adjustments on the following positions resulted thereof: Increase of intangible assets (in particular from the evaluation of procurement and supply contracts) and adjustment of the deferred tax liabilities including the necessary decrease of the tax rate to apply. As a result, net assets increased and goodwill stated decreased both by CHF 12 million each.

The necessary adjustments were considered in the balance sheet positions 31.12.2007 on page 13 and in the prior year values in note 6 "Income taxes" and note 9 "Energy purchase rights and intangible assets".

29 Disposal of business units

On 1 January 2008, the Energy Services company Kamb Elektrotechnik GmbH, Ludwigshafen/DE, was sold.

In the first semester 2007 the Energy Services company Franz Lohr GmbH, Ravensburg/DE, was sold.

The assets and liabilities at the date of the sale were:

CHF million	2007	2008
Tangible fixed assets	5	0
Cash	1	0
Other current assets	9	4
Short- and long-term financial liabilities	– 1	0
Other short- and long-term liabilities	– 11	– 4
Net assets disposed	**3**	**0**

The sale of these subsidiaries involved the following cash flows:

Net cash flow from disposal groups

CHF million	2007	2008
Cash of disposed subsidiaries	1	0
Disposal price	4	0
Net cash flow	3	0

In 2008, the amounts were below the materiality limit.

Scope of Consolidation

Energy segment

Trading, sales, supply and services

	Domicile	Currency	Issued capital million	Direct proportion of holdings in % (voting rights)	Consoli-dation method	Nature of busi-ness	Year-end date
Aare-Tessin Ltd. for Electricity	Olten	CHF	303.60	100.0	V	SU	31.12.
Atel Energia S.p.A.	Milano/IT	EUR	20.00	100.0	V	SU	31.12.
Energ.it S.p.A.	Cagliari/IT	EUR	1.00	100.0	V	SU	31.12.
A2A S.p.A. [1]	Milano/IT	EUR	1 629.00	5.0	E	SU	31.12.
Atel Energie AG	Düsseldorf/DE	EUR	0.50	100.0	V	SU	31.12.
ecoSWITCH AG	Crailsheim/DE	EUR	0.50	45.0	E	S	31.12.
EGT Energiehandel GmbH	Triberg/DE	EUR	1.00	50.0	E	SU	31.12.
Atel Energie SAS	Paris/FR	EUR	0.50	100.0	V	SU	31.12.
Atel Energia SA	Barcelona/ES	EUR	0.50	100.0	V	SU	31.12.
Buzmann Industries S.R.L.	Bukarest/RO	RON	4.61	100.0	V	SU	31.12.
Atel Trading AG	Olten	CHF	5.00	100.0	V	T	31.12.
Atel Derivatives S.a.r.l.	Luxembourg/LU	EUR	0.73	100.0	V	T	31.12.
Atel Versorgungs AG	Olten	CHF	50.00	96.7	V	SU	31.12.
Aare Energie AG (a.en)	Olten	CHF	2.00	50.0	E	S	31.12.
Teravis AG	Olten	CHF	0.50	100.0	V	S	31.12.
AEK Energie AG	Solothurn	CHF	6.00	38.7	E	SU	31.12.
Romande Energie Holding SA	Morges	CHF	28.50	10.0	E	S	31.12.
Romande Energie Commerce SA	Morges	CHF	15.00	12.0	E	SU	31.12.
Energipartner AS	Oslo/NO	NOK	5.00	100.0	V	S	31.12.
Energipartner Nordisk A/S	Aalborg/DK	DKK	0.50	100.0	V	S	31.12.
Energipartner Norden AB	Stockholm/SE	SEK	1.25	100.0	V	S	31.12.
Total Energi ASA [2]	Florø/NO	NOK	1.31	100.0	V	S	31.12.
Energiakolmio Oy [2]	Jyväskylä/FI	EUR	0.00	100.0	V	S	31.12.
Atel Energy AG	Niedergösgen	CHF	0.40	100.0	V	T	31.12.
Atel Austria GmbH	Wien/AT	EUR	0.24	100.0	V	SU	31.12.
Atel Polska Sp. z o.o.	Warsaw/PL	PLN	8.00	100.0	V	SU	31.12.
Atel Energia Kereskedő Kft.	Budapest/HU	HUF	600.00	100.0	V	SU	31.12.
Atel Hellas S.A.	Ambelokipi Athen/GR	EUR	0.15	76.0	V	SU	31.12.
Atel Česka republika, s.r.o.	Prague/CZ	CZK	5.42	100.0	V	T	31.12.
Atel Hrvatska d.o.o.	Zagreb/HR	HRK	0.02	100.0	V	T	31.12.
Atel Energija d.o.o.	Ljubljana/SI	EUR	0.47	100.0	V	T	31.12.
Atel Slovensko s.r.o.	Bratislava/SK	SKK	0.20	100.0	V	T	31.12.
Atel Energy Romania S.R.L.	Bukarest/RO	RON	0.00	100.0	V	T	31.12.
Atel Bulgaria Ltd.	Sofia/BG	BGN	0.20	100.0	V	T	31.12.
Atel Energija d.o.o.	Belgrad/RS	RSD	0.04	100.0	V	T	31.12.

Atel Skopje Dooel	Skopje/MK	MKD	0.30	100.0	V	T	31.12.
Atel Energy Lietuva UAB [3]	Vilnius/LT	LTL	0.01	100.0	V	T	31.12.
Theon sro [4]	Prague/CZ	CZK	0.22	100.0	V	S	31.12.
Società Elettrica Sopracenerina SA	Locarno	CHF	27.50	60.9	V	SU	31.12.
Calore SA	Locarno	CHF	2.00	50.0	E	G	31.12.
SAP SA	Locarno	CHF	2.06	99.4	V	S	31.12.
Rätia Energie AG	Poschiavo	CHF	3.41	24.6	E	B	31.12.

1 Merger of AEM Milano and ASM Brescia
2 Acquired as of 31.05.2008
3 New company established
4 Acquired as of 31.07.2008

Generation and transmission

	Domicile	Currency	Issued capital million	Direct proportion of holdings in % (voting rights)	Consoli-dation method	Nature of busi-ness	Year-end date
Atel Hydro AG	Olten	CHF	53.00	100.0	V	G	31.12.
Atel Hydro Ticino SA	Airolo	CHF	3.00	100.0	V	G	31.12.
Monthel AG	Monthey	CHF	15.00	100.0	V	G	31.12.
Csepeli Áramtermelö Kft.	Budapest/HU	HUF	4 930.10	100.0	V	G/H	31.12.
Csepeli Erőmű Kft.	Budapest/HU	HUF	756.00	100.0	V	G	31.12.
Csepeli Erőmű Földgáz Kereskedelmi Kft. [1]	Budapest/HU	HUF	100.00	100.0	V	S	31.12.
Csepel Energia Kft.	Budapest/HU	HUF	20.00	100.0	V	S	31.12.
ECK Generating s.r.o. [2]	Kladno/CZ	CZK	2 936.10	100.0	V	G	31.12.
Energeticke Centrum Kladno s.r.o.	Kladno/CZ	CZK	238.63	100.0	V	G	31.12.
Atel Energetika Zlin s.r.o.	Zlin/CZ	CZK	407.15	100.0	V	G	31.12.
Atel Havelland Kraftwerk GmbH [3]	Leipzig/DE	EUR	1.00	100.0	V	G	31.12.
Atel Spreetal Kraftwerk GmbH [4]	Düsseldorf/DE	EUR	1.00	100.0	V	G	31.12.
Vetrocom Ltd. [5]	Sofia/BG	BGN	29.34	100.0	V	G	31.12.
Vetrocom Services AD [1]	Sofia/BG	BGN	0.10	65.0	V	G	31.12.
Atel Centrale Termica Vercelli S.r.l.	Milano/IT	EUR	10.33	95.0	V	G	30.09.
Novel S.p.A.	Milano/IT	EUR	23.00	51.0	V	G	30.09.
Atel Produzione Italia S.r.l.	Milano/IT	EUR	0.25	100.0	V	G	31.12.
Biella Power S.r.l.	Milano/IT	EUR	1.00	60.0	V	G	31.12.
Gestimi S.p.A.	Milano/IT	EUR	0.62	85.0	V	G	31.12.
Idrovalsesia S.r.l.	Milano/IT	EUR	0.10	85.0	V	G	31.12.
Eolica Maridiana S.p.A	Verona/IT	EUR	0.12	49.0	E	G	31.12.
M&A Rinnovabili S.r.l. [6]	Aragona/IT	EUR	5.00	30.0	E	G	31.12.
Uno Energia S.p.A	Milano/IT	EUR	2.00	25.0	E	G	31.12.
En Plus S.r.l.	Milano/IT	EUR	25.50	60.0	V	G	31.12.
3CB SAS	Paris/FR	EUR	0.83	100.0	V	G	31.12.
3CA SAS [1]	Paris/FR	EUR	0.50	100.0	V	G	31.12.
APF SAS [1]	Paris/FR	EUR	0.10	100.0	V	G	31.12.
Ecopower Skandinavia AS	Oslo/NO	NOK	50.00	100.0	V	G	31.12.

Sevre Kraftverk AS [7]	Nesbyen / NO	NOK	0.10	36.0	E	G	31.12.
Reisaeter Kraftverk AS [7]	Ullensvang / NO	NOK	0.10	6.0	E	G	31.12.
Atel EcoPower AG	Olten	CHF	5.00	100.0	V	G	31.12.
Entegra Wasserkraft AG	St. Gallen	CHF	2.01	75.0	E	G	31.12.
Isento AG	Thal	CHF	0.25	100.0	V	G	31.12.
Cotlan AG	Rüti	CHF	0.10	100.0	V	G	31.12.
Birs Wasserkraft AG	Grellingen	CHF	0.10	100.0	V	G	31.12.
Hydro Solar Energie AG [8]	Niederdorf	CHF	0.10	65.0	V	G	31.12.
Wasserkraftwerke Weinfelden AG [9]	Weinfelden	CHF	5.00	49.0	E	G	31.12.
Hydrelec AG [10]	Untersiggenthal	CHF	0.01	40.0	E	G	31.12.
Aarewerke AG	Klingnau	CHF	16.80	10.0	E	G	30.06.
Blenio Kraftwerke AG	Locarno	CHF	60.00	17.0	E	G	30.09.
Edipower S.p.A. [11]	Milano / IT	EUR	1 441.30	20.0	E	G	31.12.
Electra-Massa AG	Naters	CHF	40.00	11.5	E	G	31.12.
Electricité d'Emosson SA	Martigny	CHF	140.00	50.0	E	G	30.09.
Nant de Drance SA [1]	Finhaut	CHF	50.00	60.0	E	G	31.12.
Engadiner Kraftwerke AG	Zernez	CHF	140.00	22.0	E	G	30.09.
Energie Biberist AG	Biberist	CHF	5.00	25.0	E	SU	31.12.
Kernkraftwerk Gösgen-Däniken AG	Däniken	CHF	350.00*	40.0	E	G	31.12.
Kernkraftwerk Leibstadt AG	Leibstadt	CHF	450.00	27.4	E	G	31.12.
Kraftwerk Ryburg-Schwörstadt AG	Rheinfelden	CHF	30.00	25.0	E	G	30.09.
Kraftwerke Gougra AG	Siders	CHF	50.00	54.0	E	G	30.09.
Kraftwerke Hinterrhein AG	Thusis	CHF	100.00	9.3	E	G	30.09.
Kraftwerke Zervreila AG	Vals	CHF	50.00	30.0	E	G	30.09.
Maggia Kraftwerke AG	Locarno	CHF	100.00	12.5	E	G	30.09.
Kraftwerk Aegina AG	Ulrichen	CHF	12.00	50.0	E	G	30.09.

* Of which CHF 290.0 million paid in
1 New company established
2 Energetika Kladno and Kladno GT merged with ECK Generating
3 Formerly Atel Generation Deutschland GmbH
4 Acquired as of 26.08.2008
5 Acquired as of 12.09.2008
6 Acquired as of 01.08.2008
7 Acquired as of 03.07.2008
8 Acquired as of 23.12.2008
9 Acquired as of 01.10.2008
10 Acquired as of 01.01.2008
11 Increase of participation from 18 % to 20 %

Grid

	Domicile	Currency	Issued capital million	Direct proportion of holdings in % (voting rights)	Consoli-dation method	Nature of busi-ness	Year-end date
Atel Transmission Ltd.	Olten	CHF	130.00	100.0	V	S	31.12.
ETRANS AG	Laufenburg	CHF	7.50	18.8	E	S	31.12.
swissgrid ag	Laufenburg	CHF	15.00	18.9	E	S	31.12.

Energy Services segment

Energy Services AIT

	Domicile	Currency	Issued capital million	Direct proportion of holdings in % (voting rights)	Consoli-dation method	Nature of busi-ness	Year-end date
Holding and Management							
Atel Installationstechnik Ltd.	Olten	CHF	30.00	100.0	V	H	31.12.
Atel Installationstechnik Management Ltd.	Zürich	CHF	0.10	100.0	V	S	31.12.
Atel Eco Services AG [1]	Zürich	CHF	0.10	100.0	V	S	31.12.
Atel Infra AG [1]	Zürich	CHF	0.10	100.0	V	S	31.12.
Transport technology							
Kummler + Matter AG	Zürich	CHF	2.50	100.0	V	S	31.12.
Mauerhofer et Zuber SA	Renens	CHF	1.70	100.0	V	S	31.12.
Elektroline a.s.	Prague/CZ	CZK	0.17	100.0	V	S	31.12.
GA Fahrleitungstechnik GmbH [2]	Leiferde/DE	EUR	0.03	100.0	V	S	31.12.
Building services/Technical facilities management							
Atel Technique du Bâtiment Romandie SA	Vernier	CHF	1.00	100.0	V	S	31.12.
Atel Gebäudetechnik AG	Zürich	CHF	7.85	100.0	V	S	31.12.
Atel Gebäudetechnik West AG	Olten	CHF	5.90	100.0	V	S	31.12.
Indumo Software & Engineering AG	Strengelbach	CHF	0.20	100.0	V	S	31.12.
Atel Gebäudetechnik (FL) AG [3]	Schaan/LI	CHF	0.05	100.0	V	S	31.12.
Atel Burkhalter Bahntechnik AG	Zürich	CHF	0.25	50.0	E	S	31.12.
Atel Impianti SA	Savosa	CHF	2.70	100.0	V	S	31.12.
Atel Sesti S.p.A.	Milano/IT	EUR	3.10	100.0	V	S	31.12.
Atel Impianti Management S.p.A.	Milano/IT	EUR	1.00	100.0	V	S	31.12.
Atel Antonini S.p.A. [4]	Verona/IT	EUR	2.00	100.0	V	S	31.12.
Advens AG [5]	Winterthur	CHF	0.10	100.0	V	S	31.12.
Goetz AG [6]	Interlaken	CHF	0.35	100.0	V	S	31.12.
Unifroid SA [6]	Cugy	CHF	0.20	100.0	V	S	31.12.

1 New company established
2 New company established; transfer of assets, employees from GAH
3 Formerly Novintec AG
4 Acquired as of 01.01.2008
5 Acquired as of 01.07.2008
6 Acquired as of 01.09.2008

Energy Services GAH

	Domicile	Currency	Issued capital million	Direct proportion of holdings in % (voting rights)	Consoli-dation method	Nature of busi-ness	Year-end date
Holding and Management							
GAH Anlagentechnik Heidelberg GmbH	Heidelberg/DE	EUR	25.00	100.0	V	H	31.12.
Energy supply and communication technology							
GA Energieanlagenbau Nord GmbH [1]	Hohenwarsleben/DE	EUR	2.00	100.0	V	S	31.12.
Energetická montázní spolecnost Česká Lípa s.r.o. [2]	Česká Lípa/CZ	CZK	20.41	100.0	V	S	31.12.
GA Energieanlagenbau Süd GmbH [3]	Fellbach/DE	EUR	2.56	100.0	V	S	31.12.
Martin Bohsung GmbH	Landau/DE	EUR	0.03	100.0	V	S	31.12.
GA Hochspannung Leitungsbau GmbH [4]	Walsrode/DE	EUR	0.60	100.0	V	S	31.12.
GA Austria GmbH [5]	Alkoven/AT	EUR	0.04	100.0	V	S	31.12.
GA-Magyarország Kft.	Törökbálint/HU	HUF	102.38	100.0	V	S	31.12.
REKS Plzeň s.r.o.	Plzeň/CZ	CZK	24.00	62.5	V	S	31.12.
GA Slovensko s.r.o. [6]	Bratislava/SK	SKK	0.01	100.0	V	S	31.12.
Frankenluk Aktiengesellschaft	Bamberg/DE	EUR	2.81	100.0	V	S	31.12.
Frankenluk Energieanlagenbau GmbH	Bamberg/DE	EUR	1.28	100.0	V	S	31.12.
GA-com Telekommunikation und Telematik GmbH [7]	Bietigheim-Bissingen/DE	EUR	1.28	100.0	V	S	31.12.
Digi Communication Systeme GmbH	Gifhorn/DE	EUR	0.77	100.0	V	S	31.12.
Elektro Stiller GmbH	Ronnenberg/DE	EUR	0.43	100.0	V	S	31.12.
Energy and technical facilities management							
Kraftanlagen München GmbH	München/DE	EUR	5.00	100.0	V	S	31.12.
ECM Ingenieur-Unternehmen für Energie- und Umwelttechnik GmbH	München/DE	EUR	0.05	100.0	V	S	31.12.
Ingenieurbüro Kiefer & Voß GmbH	Erlangen/DE	EUR	0.08	100.0	V	S	31.12.
Caliqua Anlagentechnik GmbH	Wiener Neudorf/AT	EUR	0.19	100.0	V	S	31.12.
FINOW Rohrsysteme GmbH	Eberswalde/DE	EUR	0.50	100.0	V	S	31.12.
Kraftanlagen Romania S.R.L.	Ploiesti/RO	RON	0.01	100.0	V	S	31.12.
Kraftanlagen Hamburg GmbH	Hamburg/DE	EUR	0.77	100.0	V	S	31.12.
Kraftanlagen Heidelberg GmbH	Heidelberg/DE	EUR	0.50	100.0	V	S	31.12.
Kraftszer Kft.	Budapest/HU	HUF	198.00	90.0	V	S	31.12.
Other holdings							
GAH Pensions GmbH [8]	Heidelberg/DE	EUR	0.26	100.0	V	S	31.12.
Krösus Sechste Vermögens-verwaltungs GmbH	Heidelberg/DE	EUR	0.25	100.0	V	S	31.12.

1 Formerly Gesellschaft für elektrische Anlagen Energieanlagenbau GmbH
Gesellschaft für elektrische Anlagen Leitungsbau Nord GmbH merged with GA Energieanlagenbau Nord GmbH
2 Ústi nad Labem merged with EMS Česká Lípa
3 Formerly Gesellschaft für elektrische Anlagen Leitungsbau Süd GmbH
4 Acquired as of 01.04.2008
5 Acquired as of 23.12.2008, renamed from Leitungsbau Linz GmbH
6 New company established
7 te-com Telekommunikations-Technik GmbH merged with GA-com Telekommunikations und Telematik GmbH
Eisenbahnsignalbau GmbH Röblingen merged with GA-com Telekommunikations und Telematik GmbH
8 Kraftanlagen Anlagentechnik Heidelberg GmbH merged with Kraftanlagen Heidelberg (operating) and GAH Pensions GmbH

Other companies

Holding and finance companies

	Domicile	Currency	Issued capital million	Direct proportion of holdings in % (voting rights)	Consoli-dation method	Nature of busi-ness	Year-end date
Atel Holding Deutschland GmbH	Heidelberg/DE	EUR	10.00	100.0	V	H	31.12.
Atel Finance Ltd.	St. Helier/Jersey	EUR	1.15	100.0	V	S	31.12.
Atel Finance Luxembourg	Luxembourg/LU	EUR	1.00	100.0	V	S	31.12.
Atel Management Services Ltd.	St. Helier/Jersey	EUR	0.10	100.0	V	S	31.12.
Atel Re Ltd.	Guernsey/GB	EUR	3.00	100.0	V	S	31.12.
Atel Bohemia s.r.o.	Prague/CZ	CZK	0.20	100.0	V	H	31.12.
Atel Italia Holding S.r.l.	Milano/IT	EUR	0.25	100.0	V	H	31.12.
Atel Nordic Holding AS [1]	Oslo/NO	NOK	0.10	100.0	V	H	31.12.

1 Formerly Atel Skandinavia Holding AS

Financial investments

	Domicile	Currency	Issued capital million	Direct proportion of holdings in % (voting rights)	Consoli-dation method	Nature of busi-ness	Year-end date
Energie Electrique du Simplon SA	Simplon-Dorf	CHF	8.00	1.7	F	G	31.03.
European Energy Exchange	Leipzig/DE	EUR	40.05	2.7	F	S	31.12.
Powernext SA	Paris/FR	EUR	11.74	5.0	F	S	31.12.
Capital Recovery Syndication Trust	Jersey	USD	2.66*	9.8	F	S	31.12.
VenCap9 LLC	Cayman Islands	USD	357.00*	0.9	F	S	31.12.

* Fund capital

Nature of business
T Trading
SU Sales and supply
B Power exchange company
G Generation
S Services
H Holding

Consolidation method
V Fully consolidated
E Equity method
F Fair value (current market value)

Report of the Group Auditors

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To the General Meeting of

Aare-Tessin Ltd. for Electricity, Olten

Zurich, 16 April 2009

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Aare-Tessin Ltd. for Electricity., which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes (pages 12 to 81) for the year ended December 31, 2008.

Board of Directors' responsibility

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consoli-

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dated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended December 31, 2008 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS and comply with Swiss law.

Report on other legal requirements

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

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

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

Ernst & Young Ltd

Alessandro Miolo Licensed audit expert (Auditor in charge)	Daniel Bernhard Licensed audit expert

Income Statement

CHF	Note	2007	2008
Energy sales (TWh)		100.030	74.383
Net revenue	1	**7 933 518 245**	**6 579 886 140**
Capitalised cost		7 246 295	9 400 833
Other operating income		50 313 431	197 741 430
Total operating result		**7 991 077 971**	**6 787 028 403**
Energy purchased	1	– 7 489 162 014	– 6 083 125 599
Materials and external services		– 40 995 589	– 26 909 485
Personnel expenses		– 69 331 678	– 30 860 916
Depreciation		– 55 579 483	– 86 615 219
Other operating expenses		– 176 966 522	– 148 427 961
Operating expenses		**– 7 832 035 286**	**– 6 375 939 180**
Earnings before interest and tax		**159 042 685**	**411 089 223**
Finance income		246 979 362	228 424 072
Finance expense		– 119 531 787	– 175 838 912
Non-operational income		361 121	353 643
Non-operational expenses		– 59 296	– 77 278
Taxes		– 65 207 931	– 82 435 300
Profit on ordinary activities		**221 584 154**	**381 515 448**
Extraordinary result	2	31 531 967	749 857
Profit of the year		**253 116 121**	**382 265 305**

Balance Sheet

Assets

CHF	Note	31.12.2007	31.12.2008
Tangible fixed assets	3		
Operating plants		3 145 115	3 062 936
Plants under construction		32 351 841	42 188 583
Land and buildings		10 575 620	15 349 838
Plant, equipment, machinery and vehicles		1	1
Power subscriptions rights	4	204 991 632	153 743 727
Intangible assets	4	1	1
Financial assets	5		
Investments		1 400 884 913	2 934 064 260
Loans receivable		988 496 798	425 863 000
Fixed assets		**2 640 445 921**	**3 574 272 346**
Receivables and other current assets	6		
Trade receivables		740 554 726	623 883 003
Other receivables		457 234 049	445 916 446
Accrued assets		22 057 158	23 118 173
Cash and cash equivalents		439 830 354	521 043 292
Treasury shares	7	211 550 730	165 582 360
Current assets		**1 871 227 017**	**1 779 543 274**
Total assets		**4 511 672 938**	**5 353 815 620**

Equity and Liabilities

CHF	Note	31.12.2007	31.12.2008
Share capital		303 600 000	303 600 000
Legal reserves			
General reserve		147 420 000	170 820 000
Reserve for treasury shares		211 600 000	165 600 000
Equalisation reserve		510 000 000	556 000 000
Retained earnings		273 916 671	384 909 396
Equity	8	**1 446 536 671**	**1 580 929 396**
Provisions		**956 003 644**	**869 310 732**
Bonds	9	750 000 000	800 000 000
Loans payable	10	250 000 000	753 002 487
Other long-term liabilities	11	83 438 670	67 063 670
Long-term liabilities		**1 083 438 670**	**1 620 066 157**
Short-term liabilities	12		
Trade payables		683 608 882	654 805 105
Other liabilities		93 320 067	369 591 164
Accrued liabilities		248 765 004	259 113 066
Short-term liabilities		**1 025 693 953**	**1 283 509 335**
Total equity and liabilities		**4 511 672 938**	**5 353 815 620**

Notes to the Financial Statements

1 Preliminary note

The financial statements of Aare-Tessin Ltd. for Electricity are prepared in accordance with the provisions of the Swiss stock corporation act. The following explanatory notes also contain information required under Art 663 b of the Swiss Code of Obligations. Fully consolidated subsidiaries, associates as well as other financial investments listed on page 75 are regarded as Group companies under Art 663 a of the Swiss Code of Obligations.

In 2008, the company has reviewed and redefined the presentation of net revenue and expense for energy purchases. For comparability purposes, prior year values were adjusted accordingly.

2 Extraordinary result

Extraordinary result mainly covers capital gains from a repayment of capital and from a disposal of financial investments.

3 Tangible fixed assets

The fire insurance value of operating plants and buildings as at 31.12.2008 amounted to CHF 83 868 thousand (prior year: CHF 49 786 thousand).

4 Energy purchase rights and intangible assets

Energy purchase rights include the remaining value of prepayments for the rights to long-term power purchases. The interest on the prepayments is capitalised from the due date until the time the power is actually delivered. Amortisation commences from the date of delivery over the remaining term of contract.

5 Financial assets

Investments are stated in the balance sheet at cost, less any value adjustment required.

A list of major investments can be found from page 75.

The shareholders of joint ventures are obliged to pay annual costs incurred for their proportional investment, including interest on and repayment of liabilities. At year-end, liabilities for capital contributions amounted to CHF 24 830 thousand (31.12.2007: CHF 25 102 thousand).

Loans receivable are stated at nominal value. The position contains loans to Group companies of CHF 425 703 thousand (prior year: CHF 988 491 thousand).

6 Trade receivables and other current assets

Trade receivables are stated in the balance sheet at the invoiced amount. To cover the risk of loss on receivables, a provision for bad debt is created and deducted accordingly. Other receivables mainly comprise of VAT-tax credits in Switzerland and abroad as well as time deposits at banks falling due in more than 90 days. Trade receivables (including third parties and Group companies) who act at the same time as suppliers were offset against trade payables, if netting agreements were signed. The receivables and payables offset amounted to CHF 1 174 852 thousand (prior year: CHF 1 788 561 thousand).

CHF thousand	31.12.2007	31.12.2008
Group companies	595 498	316 323
Third parties	602 291	753 476
Total	**1 197 789**	**1 069 799**

7 Treasury shares

Information on treasury shares is given in note 17 of the consolidated financial statements.

8 Changes in equity

The movements in equity were as follows:

CHF thousand	Share capital	General reserve	Reserve for treasury shares	Equalisation reserve	Retained earnings	Total Equity
Equity 31.12.2006	**303 600**	**136 920**	**46 000**	**430 600**	**396 261**	**1 313 381**
Allocations		10 500	165 600	79 400	– 255 500	0
Dividends paid					– 119 960	– 119 960
Profit for the financial year					253 116	253 116
Equity 31.12.2007	**303 600**	**147 420**	**211 600**	**510 000**	**273 917**	**1 446 537**
Allocations		23 400			– 23 400	0
Exchange of shares			– 46 000	46 000		0
Dividends paid					– 247 873	– 247 873
Profit for the financial year					382 265	382 265
Equity 31.12.2008	**303 600**	**170 820**	**165 600**	**556 000**	**384 909**	**1 580 929**

Please refer to note 17 of the consolidated financial statements for details on the shareholder structure and further details on capital.

Significant shareholders

Significant shareholders of Aare-Tessin Ltd. for Electricity are disclosed under note 17 of the consolidated financial statements.

9 Bonds

Bonds outstanding on the balance sheet date

CHF thousand	Term	Earliest repayment date	Interest rate %	Nominal value 31.12.2007	Nominal value 31.12.2008
Fixed-interest bond Aare-Tessin Ltd. for Electricity [1]	1997/2009	06.03.2009	4 1/4	200 000	200 000
Fixed-interest bond Aare-Tessin Ltd. for Electricity	2003/2013	16.09.2013	3 1/8	300 000	300 000
Fixed-interest bond Aare-Tessin Ltd. for Electricity	2006/2018	01.03.2018	2 5/8	250 000	250 000
Fixed-interest bond Aare-Tessin Ltd. for Electricity	2008/2015	31.03.2015	3 1/4	–	250 000

1 Bonds stated under short-term financial liabilities as at balance sheet date 31.12.2008

The weighted interest paid on the bonds issued, relating to the nominal value at the balance sheet date, amounts to 3.26 % (prior year: 3.26 %).

10 Loans payable

Loans payable maturing within 1 to 9 years CHF thousand	31.12.2007	31.12.2008
Group companies	0	503 002
Third parties	250 000	250 000
Total	**250 000**	**753 002**

The weighted interest paid relating to the nominal value at the balance sheet date amounts to 4.16 % (prior year: 3.10 %).

11 Other long-term liabilities

The other long-term liabilities consist of utilisation rights given to third parties and contractual long-term liabilities in relation with the purchase of power.

12 Short-term liabilities

Trade payables include liabilities in respect of joint ventures and other power suppliers as well as general creditors. Short-term financial liabilities and VAT-tax debts payable are stated in the balance sheet under other liabilities. Trade payables (including third parties and Group companies) who act at the same time as clients were offset against trade receivables, if netting agreements were signed. The receivables and payables offset amounted to CHF 1 174 852 thousand (prior year: CHF 1 788 561 thousand).

CHF thousand	31.12.2007	31.12.2008
Group companies	104 109	208 321
Third parties	672 820	816 075
Total	**776 929**	**1 024 396**

Accruals mainly consist of accruals and deferrals from interest and tax, as well as from trade invoices not received yet.

13 Risk assessment

The risk assessment of Aare-Tessin Ltd. for Electricity is performed within the context of the Group-wide risk management of the Atel Group. The Atel Group owns an implemented comprehensive risk management, which periodically assesses the risks of every subsidiary. Based on the risk identification performed each year by the Group Management, the significant risks are evaluated regarding their probability of occurrence and significance of impact. With relating measures approved by the Board of Directors of the Atel Holding Ltd, these risks are avoided, reduced or hedged. In order to be able to react flexibly to changes in the risk environment, the Group Management can ad hoc request detailed risk analyses. The latest risk assessment was approved by the Board of Directors on 11 December 2008.

14 Contingent liabilities

Guarantee statements in favour of Group companies and third parties amounted to CHF 810 476 thousand as at 31.12.2008 (31.12.2007: CHF 1 050 423 thousand).

CHF thousand	31.12.2007	31.12.2008
Guarantee obligations		
Commercial guarantees of banks	349 644	133 687
Loan commitment guarantees	420 414	223 043
Commercial guarantees	280 365	453 746
Total	**1 050 423**	**810 476**

15 Pledged assets

As of 31 December 2008, assets were pledged as security for commitments of related and associated companies amounting CHF 618 430 thousand (prior year: CHF 598 907 thousand).

Appropriation of Retained Earnings

The Board of Directors proposes to the Annual General Meeting that retained earnings, comprising

Profits for the 2008 financial year as per income statement of	382 265 305	CHF
Balance carried forward amounting to	2 644 091	CHF
Total	**384 909 396**	**CHF**

be appropriated as follows:

Dividend of CHF 130 per registered share on shares in circulation	379 802 280	CHF
Balance to be brought forward	5 107 116	CHF

Distribution of dividend

If this proposal is accepted, the gross dividend for the financial year 2008, i.e. before deduction of Swiss federal withholding tax, will amount to CHF 130 per share (prior year: CHF 85).

Report oft the Statutory Auditors

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To the General Meeting of

Aare-Tessin Ltd. for Electricity, Olten

Zurich, 16 April 2009

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Aare-Tessin Ltd. for Electricity, which comprise the income statement, balance sheet and notes (pages 84 to 92) for the year ended December 31, 2008.

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

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

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

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

ERNST & YOUNG

2

Opinion

In our opinion, the financial statements for the year ended December 31, 2008 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (Art. 728 Code of Obligations (CO) and Art. 11 AOA) and that there are no circumstances incompatible with our independence.

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

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

Ernst & Young Ltd

Alessandro Miolo
Licensed audit expert
(Auditor in charge)

Daniel Bernhard
Licensed audit expert

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 = 1000 megawatts)
MWe	electrical megawatts
MWth	thermal megawatts

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