

# 2009 Annual Review

Alpiq got off to a successful start in 2009, and Atel and EOS are now well integrated into the new company. While figures fell short of the record highs posted in 2008, the results are solid and give cause for satisfaction considering the difficult economic and regulatory environment. On this basis, Alpiq can continue to make an important contribution to energy security in Switzerland and across Europe.

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Hans E. Schweickardt,  
Chairman (left), and  
Giovanni Leonardi, CEO

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## Alpiq Is a Promise for the Future

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2009 was an exciting year for our company. Alpiq developed well, mastering some major challenges and positioning itself successfully as an important player in the Swiss and European energy markets.

In economic and regulatory terms, Alpiq's first financial year was a challenging one in which we had to deal with the fall-out from the financial and economic crises, while adjusting to partial market liberalisation in Switzerland as well as other liberalisation programmes in Europe. Added to that, much of our time was taken up with the integration of Atel and EOS, two enterprises with rich traditions, to create a strong new Alpiq.

As financial and economic conditions worsened during 2009, declining sales volumes and lower prices took their toll on sales and year-end results in all European markets, making it impossible to match the record figures posted in 2008. However, thanks to our success in capitalising on emerging market opportunities, the overall results of operations are slightly above expectations. So, viewed against this backdrop, our results are solid and gratifying.

### **Market liberalisation and partial deregulation**

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Within the EU, liberalisation proceeded apace during 2009, with new rules being issued for renewable energies and new climate targets being set. In addition, Alpiq had to contend with the de facto separation of power generation and transmission operations, tighter transparency regulations and greater solidarity among EU member countries, as laid down in the EU Treaty of Lisbon. In the event of serious supply problems, energy deliveries between member countries have priority over deliveries to non-member countries. This also has implications for Switzerland.

The partial liberalisation of the Swiss market, which came into force at the beginning of 2009 with the enactment of the Electricity Supply Act, also created new conditions. Since then, the Federal Council and ElCom have been forcing prices down, while new legislative requirements and regulations are driving generation costs up. Decisions on renaturation, coupled with campaigns to promote renewable energies

“Despite the economic downturn we’re investing in new generation plant. For example, the Nant de Drance pumped storage power station, one of the most important infrastructure projects in Switzerland.”

Giovanni Leonardi

and raise water rates, are all part of this trend. The funds earmarked for such measures will deplete the capital available to invest in enhancing energy security.

### Climate change and nuclear power

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Despite high hopes ahead of the UN Climate Change Conference held in Copenhagen in December 2009, the participants merely agreed to take action aimed at restricting global warming to no more than two degrees Celsius (versus the reference year 1850) by the end of the century. It will be up to subsequent efforts to achieve a “world climate order” to formulate concrete, legally binding reduction targets. Energy generation in the EU and Switzerland therefore remains within the boundaries of the applicable CO<sub>2</sub> reduction targets.

On the other hand, the global rise in CO<sub>2</sub> emissions and the (as yet) limited potential of renewable energies have moved nuclear power even closer to the top of the political agenda. Several European countries, including Switzerland, are planning to build new nuclear power stations. At present, the authorities are evaluating three projects. Ultimately, it will be up to Swiss voters to decide on the construction of new nuclear power plants.

### More investments in the power generation portfolio

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Neither the difficult market environment, nor the challenges associated with the merger stopped us from investing in the expansion of our power generation portfolio. In 2009 we commissioned the new Monthel industrial power plant in the Swiss canton of Valais. And in summer, construction work started on the Nant de Drance pumped storage power station. January 2010 also saw the repowering of the important Cleuson-Dixence hydroelectric station, also in the Valais, which had been undergoing extensive repairs since the rupture of the penstock in 2000.

During the year, the 56 MW Spreetal gas-fired combined cycle power station in Germany came online, and last autumn the turbines were installed for the two cogeneration projects in San Severo in Italy and Bayet in France. Construction of the Vetrocom wind farm in Bulgaria, which began in 2009, is nearing completion. 2009 was also a special year for our Energy Services segment, as Germany’s first experimental solar thermal power station in Jülich went into operation. Alpiq acted as general contractor for this project via its subsidiary Kraftanlagen München.

“Alpiq has got off to a splendid start. I am proud that Atel and EOS have joined forces to create a strong Alpiq.”

Hans E. Schweickardt

## Effects of the merger

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The merger of Atel and EOS to form Alpiq has created an energy utility with enormous future potential. In the medium term, growth opportunities and profitability will significantly increase. However, the financing required for the merger and integration will weigh on the statement of financial position and income statement over the short term. At present the economic and financial crises and the resultant fall in market prices are additionally impacting our financial position. This is compounded by the negative consequences of regulation in the energy sector. To offset short-term charges and ensure growth in the medium term, Alpiq intends to implement a targeted, consistent programme of financial consolidation over the next two to three years. This programme will cover capital spending as well as earnings and cost factors with the aim of reducing debt and improving the outlook for future performance.

We have already made fundamental progress in Alpiq's first year of operation. The brand is now a brightly shining symbol that holds a promise for the future. With our activities in the Energy and Energy Services segments, we are making an important contribution to energy security in Switzerland and Europe. Our thanks go out to all our shareholders, employees and customers.

On behalf of the Board of Directors and Executive Board



Hans E. Schweickardt  
Chairman



Giovanni Leonardi  
CEO

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## Insieme – Building a New Alpiq Together

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With their different languages and cultures, the two partners will enrich the new organisation through diversity, enabling synergies to be exploited.

“The new Alpiq must be more than the sum of its parts.” This was the goal declared by Alpiq CEO Giovanni Leonardi as he explained the motto behind the merger between Atel and EOS at the launch of the Insieme project on 1 February 2009 to combine the strengths of the two companies.

Insieme means “together” – a name that says it all. This project was dedicated to shaping Alpiq’s operating structure over the eleven months up to the end of 2009, and the company successfully started operating on 1 January 2010, armed with a new organisation, a revised business model, a changed role for the Corporate Centre and the first new processes.

Teamwork within the Insieme project was constructive and goal-oriented. Employees rapidly identified with the new company, joining forces across old Atel and EOS boundaries to engage in the discussion on structuring Alpiq. With project targets achieved on schedule and within budget, the Insieme project was successfully completed at the end of January 2010.

The main content and results of the project can be summarised under the four headings of organisation, business model, Corporate Centre role, and processes. The basic task was to reorganise the Energy Switzerland and Trading & Services business divisions and the Corporate Centre, all of which were heavily affected by the integration process. Roles and responsibilities were reviewed and revised, interfaces defined and employees assigned to their new organisational units. The new business model and the Corporate Centre’s changed role also necessitated adjustments in the Energy Western Europe and Energy Central Europe business divisions.

The core objective of the Insieme project was to develop standardised business processes for the Energy segment’s asset-based activities, bringing together the best aspects of the existing Atel and EOS models and taking into account regional market attributes such as legal requirements or existing contracts and partnerships.

In future Alpiq’s Corporate Centre, comprising the three functional divisions for Financial Services, Management Services and Business Development, will be responsible for steering, coordinating and controlling Group-wide business activities, defining Group-wide guidelines and standards, implementing interdisciplinary and Group-wide processes, and providing services to support Group steering.

## Energy Segment

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Reduced industrial production in Europe drove demand for electricity down, especially at peak load times. Across Europe, demand fell by an average of 3% to 4% versus 2008, with wide disparities from country to country. The drop in Swiss demand was rather less than the average. Alpiq's electricity sales in Switzerland even outperformed the industry as a whole. Lower demand for electricity had a direct impact on spot market prices, particularly for peak load electricity. Being dependent on industrial activities, the electricity sector only saw a partial reversal of this trend spasmodically and latterly in the second half of the year. Although demand declined overall in South-Eastern and Eastern Europe, Alpiq managed to step up sales there, while performance in markets such as Italy, France and Spain exceeded expectations.

Expansion of electricity generation outside Switzerland proceeded according to plan. The Spreetal power station in Germany went into operation, and construction of more gas-fired combined cycle power stations in San Severo, Italy, and Bayet, France, is making good progress. The large-scale Cleuson-Dixence and Nant de Drance projects are also well under way. After several months of pilot operation, Cleuson-Dixence was commissioned in the first few weeks of 2010. Throughout 2009, Trading & Services felt the effects of the exceptional slowdown in demand and the ensuing fall in prices.

## Energy Switzerland

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### Market Switzerland

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Thanks to Alpiq's balanced Swiss portfolio, the economic situation had less of an impact on Market Switzerland's sales of electricity than the average seen in the industry. This portfolio allows Alpiq to make an important contribution to energy security in Switzerland, with most of the electricity being sold to customers indirectly through its Swiss shareholders, joint ventures, subsidiaries and associates.

#### Partial liberalisation so far with little impact

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The first phase of electricity market liberalisation, from 2009 to 2013, has so far brought about virtually no change in the price environment prevailing in the Swiss marketplace. For the time being, only large customers with an annual consumption volume of 100 MWh or more are free to choose their electricity supplier. Because of the high price volatility, large consumers are seeking long-term purchase contracts with reliable partners. While price remains an important criterion, it has lost some of its significance.

After reviewing its commercial positioning in Switzerland, Alpiq decided to bring its sales activities in Olten and Lausanne under one roof. These activities centre on energy business with shareholder-customers and strategically important resellers. This restructuring led to a new organisational structure specifically tailored to the new challenges.

In Switzerland, Alpiq is actively involved in the procurement of energy from waste incineration plants (WIP). In 2009, it signed energy purchase agreements with three WIPs, and agreements with other WIPs are under negotiation. Alpiq also demonstrated its innovative approach by supplying the Cartaseta paper factory with industrial steam from the Gösgen nuclear power station via a brand-new pipeline. This will reduce annual CO<sub>2</sub> emissions by more than 8,000 tonnes by doing away with the need for around 2,500 tonnes of heavy oil per year.

#### Società Elettrica Sopracenerina

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Overall, 2009 was a positive year for Società Elettrica Sopracenerina SA (SES) in Locarno, which supplies electricity to much of the northern Ticino region. The challenging capital expenditure plan was adhered to, and costs as well as profit were on target. Due to higher household consumption in the cold months of January and February, electricity sales were slightly above target.

The liberalised market is presenting major challenges to SES. The new cantonal law on electricity came into force on 1 January 2010, which means that SES needs to negotiate new licensing agreements with the local authorities by the end of 2013. SES has also renegotiated its electricity delivery agreement with Azienda Elettrica Ticinese (AET), since the current agreement expired at the end of 2009. Although selling prices still remain below the market price, the marked rise in purchase prices has forced SES to pass some of this increase on to end customers.

SES met its capital expenditure targets and those for the implementation of new tariff structures, while keeping the financial consequences of the new price structure firmly under control. Good progress was achieved in the collaboration with Aziende Industriali di Lugano on a joint service centre, and the unit went into operation on 1 January 2010.

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#### Alpiq Versorgungs AG

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In the wake of the merger between Atel and EOS to form Alpiq, Atel Versorgungs AG (AVAG) changed its name and has been operating as Alpiq Versorgungs AG (AVAG) since 3 August 2009. The administrative changes required by the Electricity Supply Act for the partially liberated market were implemented without any notable incidents.

Sales in 2009 were higher than a year earlier, since grid losses on the energy side are now charged to income too. Energy sales to end customers nearly matched the prior-year level. One of the highlights of the year was the commissioning of the Kappel substation and the Rankwaage substation in Olten. 2009 also saw the decision to dispose of the Niederamt district heating network.

AVAG devoted its efforts to building up the energy efficiency platform for the canton of Solothurn's building programme "Jetzt energetisch modernisieren" ("Put your energy into modernising now"). One important goal for the near future is to bring geographically dispersed operating facilities under one roof, in a new operations building shared with our cooperation partner, Städtische Betriebe Olten.

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#### AEK Energie AG

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AEK Energie AG can look back on a successful year of operation in 2009, in which it substantially grew its energy consulting services for private and business customers through additional offerings, while signing long-term energy delivery contracts with numerous SME customers.

AEK exceeded the targets set for pellet sales and played a key role in launching the pellet industry organisation "propellets.ch", which aims to ensure that the Swiss pellet market grows at an even stronger rate than to date. In the contracting business, which primarily specialises in district heating networks and pellet systems, AEK recorded a successful year. AEK's electrical installation business also enjoyed a high volume of incoming orders throughout the year.

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#### Thermal Power Generation

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The two nuclear power stations, Gösgen and Leibstadt, operated as planned for the year. While the annual overhaul at the Gösgen nuclear plant in June went without a hitch, the overhaul of the Leibstadt nuclear plant in August lasted longer than scheduled due to the scale of tests required. Gösgen now supplies industrial steam to the Cartaseta paper mill in Däniken/SO.

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#### Progress in the Niederamt nuclear power station project

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Alpiq invested a great deal of effort last year in developing and enhancing the Niederamt nuclear power station project, for which a general licence application was submitted to the Federal Office of Energy (FOE) in June 2008. With this project for a

new nuclear power station, Alpiq intends to make an important contribution to Switzerland's long-term energy security.

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#### Modern combined heat and power station in the Valais goes live

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One important event during the year was the inauguration of the Thermatel plant on 23 October 2009. The new industrial power station went into operation in Monthey, canton of Valais, after a 20-month construction period. The efficient combined heat and power facility has an electrical output of 55 MW and a thermal output of 43 MW in the form of industrial steam. At more than 80%, this new thermal power station has an exceptionally high efficiency level.

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#### Hydro Power Generation

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Last year, the Swiss hydroelectric power stations owned by Atel and EOS joined forces in Alpiq's Hydro Power Generation division. Now that Cleuson-Dixence has resumed operations, the division has roughly 3,000 MW of highly flexible generation capacity at its disposal. The reorganisation took up much of the business unit's time and effort during the year. Overall performance in 2009 was positive, with hydroelectric generation ending the year around 10% above the budgeted averages.

While high precipitation during the winter resulted in above-average inflows of water for some facilities, inflows for some power stations, mainly in western Switzerland, remained at average levels owing to strong snow evaporation. Historic lows were recorded by several run-of-river power stations due to the sustained dry period experienced in September 2009.

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#### Large-scale projects: Cleuson-Dixence and Nant de Drance

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Following comprehensive repairs to the penstock, the Cleuson-Dixence plant is up and running once more, and the full capacity of 1,200 MW will again be available to the partners from 2010. The hydroelectric complex consists of the water catchment area behind the Grande Dixence dam, a 15.8 kilometre long intake tunnel, a 4.3 kilometre long pressure shaft and the Bieudron underground power station where pilot operations started at the end of 2009. The cost of repairs and work to re-lay the penstock was around CHF 365 million. The plant had to be shut down for extensive repairs following an accident in December 2000 involving a nine-metre long crack in the penstock above Bieudron.

The Nant de Drance pumped storage power station, which utilises the head between the Emosson and Vieux Emosson reservoirs, is a key project for Alpiq. The power station is being built completely underground so as to minimise the impact on the environment. Alpiq has a 54% stake in Nant de Drance, with the Swiss Federal Railways holding 36% and Valais-based FMV 10%. Nant de Drance is one of the most important Swiss infrastructure projects for hydroelectric generation and, with its 600 MW turbine and pump capacity, will play a pivotal role in ensuring energy security for Switzerland. The power station is scheduled for commissioning in 2015.

## Expansion and renovation projects

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The year under review saw completion of the project to modernise the Flumenthal run-of-river power station on the banks of the River Aare near Solothurn. Work on optimising the turbines has improved energy efficiency by around 6%, enabling an additional 1,750 households to be supplied with electricity. The investment cost was around CHF 25 million.

Several projects were launched last year. The hydroelectric power station in Chippis, built in 1908, is to be comprehensively modernised between May 2009 and October 2012, following which it will boast a capacity of 24 MW. The plant will be shut down for only a short time during the construction period. The cost of the project is around CHF 70 million. Other new projects in which Alpiq has a stake include a project to divert water from Lugnez to the Zervreila power stations in Vals, total renovation of the facilities of Kraftwerke Hinterrhein AG in Thusis, a project to divert glacier water in the Val d'Anniviers to the Gougra power stations in the Valais, the Forces Motrices du Hongrin-Léman pumped storage plant, and a project to expand and upgrade the facilities belonging to Electra-Massa, Energie Electrique du Simplon, Forces Motrices du Grand St. Bernard, Salanfe and Grande-Dixence. The projects are being carried out in close collaboration with the co-owners of these joint ventures.

The mission of Alpiq EcoPower AG is to expand small hydroelectric facilities in Switzerland. With the compensatory feed-in remuneration (CFR), operators receive subsidies to cover their operating costs. The young Alpiq subsidiary is working on around 120 projects for small hydroelectric schemes across Switzerland.

## Water rates to be raised

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Starting in 2011, water rates will be significantly increased from the present level of CHF 80 per gross kilowatt. Various cantons have launched remedial implementation measures for water withdrawals. The final deadline for implementation of the provisions of the Water Protection Act is 2012.

Several cantonal tax authorities are still discussing the possibility of direct taxation for joint ventures. These justifiable calls by the communities and cantons affected for a competitive system of taxation on output value must be weighed against the need for an appropriate correction at the generation partners' site. A new rule governing joint venture taxation must be introduced to ensure clarity and planning security in this respect. Costs rose sharply during the year due to the transfer of ancillary services to large power stations.

Lengthy licensing procedures continue to dampen capital spending on hydro-power and other new renewable energies. Yet despite political assurances of a commitment to promoting hydropower, such processes are only being simplified consistently in a few cantons.

## Grid

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While the technical/operational implementation of partial market liberalisation was accomplished without any notable problems in the transmission system, recent developments are causing concern from the standpoint of Switzerland's energy security. Licensing procedures for high-voltage line projects have been slow-paced.

### Transfer of the transmission system to swissgrid at the end of 2011

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Alpiq has been building its own high-voltage electricity networks for more than 80 years and owns more than one third of the transmission grid, making it Switzerland's largest transmission system owner. So, when it comes to networks, and especially the transmission network, Alpiq is particularly affected by the consequences of market liberalisation. Since 2008, the national grid company, swissgrid, has been responsible for operation of the transmission grid, and ownership of Switzerland's entire transmission system must be transferred to swissgrid by the end of 2011.

It is therefore important for Alpiq to arrange the transfer of the transmission system and the division of responsibilities with swissgrid in good time, and to ensure that the remaining network activities as well as those transferred to swissgrid remain competitive well into the future.

### ElCom ruling before the Federal Administrative Court

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Under the regulations governing the electricity market and in accordance with official rulings on transmission charges and ancillary services, Swiss power plants with a generation capacity of 50 MW or more must bear a substantial part of the costs for ancillary services (also referred to as "system services"). Alpiq expects the additional annual costs to run into the high double-digit millions.

Alpiq has decided to ask the Federal Administrative Court to examine the individual aspects of the ElCom ruling. In particular, the Court is being asked to clarify whether the Electricity Supply Act permits a sizeable proportion of the costs for ancillary services – i.e. services that serve to ensure the stability of the high-voltage transmission system – to be imputed to power plants with a capacity in excess of 50 MW without any entitlement to pass these costs on.

### Closing line gaps

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The most important high-voltage line project is for the double-strand 380 kV line between Chamoson and Chippis in the canton of Valais. The dossier is now in the hands of the Federal Office of Energy. Implementation of this line will complete the Swiss 380 kV network from West to East and from North to South. Rather than installing a new line, an existing line will be reinforced so as to enable 120 kilometres of lines in the Rhone Valley to be dismantled. In addition, the 220 kV line section between Mettlen and Plattischachen in the Reuss Valley, canton of Uri, was re-laid.

## Optimisation

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The merger of Atel and EOS to create Alpiq made 2009 an exceptional year. Liberalisation of the energy market, with new regulations governing ancillary services and balance group management, presented additional challenges. The ancillary services market allows the grid operator to purchase electricity from generators and use this energy to top up transmission capacity and ensure grid stability at all times.

### Maximising the value of the energy portfolio: a key task

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The financial crisis had a major impact on commodity markets and sparked off severe fluctuations in electricity prices. Lower energy prices than in 2008 put pressure on the Swiss portfolio in relation to international energy prices. To address these new boundary conditions for the Swiss market, a new Optimisation business unit was created. The main task of the new organisation is to work hand in hand with the Asset Trader unit to maximise the value of the Swiss energy portfolio. Alpiq's new trading system is to be introduced in 2010, and the company will vigorously pursue its performance targets.

## Energy Western Europe

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### Market West

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Alpiq exceeded its sales and profit expectations in Spain and France, consolidating its position as the most important alternative to established energy suppliers. A series of internal and external growth projects helped Alpiq to retain and further strengthen this position. New customer acquisitions more than offset the decline in electricity consumption of some customers, especially in Spain.

Within just a few years, Alpiq's Spanish subsidiary, Atel Energia S.A. (from March 2010, Alpiq Energia España S.A.), has established a name for itself as the most important alternative electricity supplier for end customers in the industrial and service sectors. And it has done so in a market that continues to be dominated by the traditional national energy utilities. Three years after entering the market, Atel Energia is already supplying 1,000 customers throughout the country and has more than doubled its workforce. One major new customer is the Barcelona underground transport authority. Atel Energia won the bid against some big-name competitors.

#### Spain: new office in Madrid

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At the end of 2009, Alpiq took over EDF's Madrid-based sales company, Hispaelec, thereby expanding its leading position as an independent electricity supplier. Atel Energia and Hispaelec collectively sell more than three TWh of electricity per year. With the integration of Hispaelec to increase Atel Energia's geographical reach, customers are assured of optimal service from the two offices in Barcelona and Madrid.

The structure of the Spanish market changed last year. The main changes involved the takeover of Union Fenosa by Gas Natural and the abolition of all types of supply tariffs for industrial and service enterprises. On the procurement side, gas-fired combined cycle power stations played an increasingly important role in Spain's generation mix. Falling demand and increased output from wind and hydroelectric facilities resulted in a sharp drop in electricity prices compared to 2008.

#### France: regulatory uncertainty

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In the French market, Alpiq (Alpiq Energie France SAS) successfully defended its position as a leading electricity supplier alongside EDF despite the difficult regulatory environment. A new market regime looks set to replace the current market organisation in January 2011, although state-regulated tariffs will remain. Due to this regulatory uncertainty, many customers are reluctant to sign new energy delivery contracts with alternative suppliers. However, with its prudent sales and hedging strategy, Alpiq has successfully addressed this risk. Alpiq Energie France delivered 10 TWh of electricity to customers last year and won several tenders against strong competition.

## **Market Italy**

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Despite the unfavourable economic climate, Market Italy posted a positive performance last year. Although consumption across the country dropped by 7%, the business unit bucked the negative trend and delivered good results that exceeded expectations. Business with end customers and optimisation of the portfolio helped to offset the market fluctuations and low spot prices.

Wholesale energy business declined year on year due to lower demand in the wake of reduced energy consumption, coupled with a higher supply of energy provided by new power stations. Total revenue was also down due to the fall in energy prices and consumption.

## **Regulatory and market challenges**

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Besides the implications of the economic crisis, the main factor affecting the outlook for 2010 is the new legal framework and, in particular, the new decree governing a review of the energy exchange. Other challenges facing Market Italy in 2010 are consolidation of the reseller market, further development of the end customer market, alignment of the retail market, the functionality of the new sales platforms and development of services for them.

It is difficult to predict the extent to which the new legislative decree will affect the energy exchange, settlement services and green certificates. Decisions by the new energy and gas authority on quality standards such as bid transparency and billing have prompted a review of internal processes. By offering services throughout the electricity value chain and with its balanced portfolio strategy, Alpiq Energia Italia is well positioned to address these changes.

## **Market Nordic**

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The Market Nordic unit continues to expand. While the number of large customers rose, the number of household customers remained stable. In 2009, Alpiq acquired 170 new customers with an energy consumption of 450 GWh from Enteca. An important contract for more than 590 GWh was signed with the Norwegian Defence Estates Agency. Another successful move was the introduction of portfolio management in Denmark, which resulted in a number of new customers. While the customer base in Denmark is limited due to the relatively low number of large consumers, the list of customers acquired so far looks highly promising.

Dark clouds were gathering over the Scandinavian market at the beginning of 2009. The market slumped in the first quarter as a result of the financial crisis, but recovered in the second quarter. The downturn took its toll on Alpiq customers, too. Economic conditions in the Nordic market are expected to recover next year. The legal framework to achieve further harmonisation of the Nordic market is scheduled for implementation in 2011. This offers Alpiq an ideal opportunity to position itself in good time.

### Power Generation West

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Power generation in Italy experienced its most difficult year since Alpiq started generating electricity there from its own power stations. Profitability suffered particularly in areas which saw a reduction in steam supply to industrial customers. On the other hand, construction of the two gas-fired combined cycle power stations in San Severo, Italy, and Bayet, France, is progressing according to plan.

#### San Severo and Bayet soon up and running

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Since 2007, Alpiq has been building a modern 400 MW gas-fired combined cycle power station in San Severo, southern Italy, via EnPlus. A milestone was achieved in September 2009 with the delivery of a 300-tonne gas turbine, which has since been installed. The turbine was transported more than 2,000 kilometres by land and sea to the power station in southern Italy. The San Severo power station is scheduled to go into operation as early as the end of 2010.

Alpiq is implementing its first large-scale power generation project in France: a modern 400 MW gas-fired combined cycle power station to be built in the Auvergne, on a site in the small rural community of Bayet. The remote location is right next to the gas and electricity grids. Construction will be over a period of three years and involve cooperation with local businesses and around 300 local personnel. The new plant will go into operation at the beginning of 2011.

#### Renewable energies

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Alpiq is stepping up its commitment to renewable energies. Alongside its activities in Italy and acquisitions of a 10.5 MW wind farm and a small hydroelectric power station in France, Alpiq has signed several cooperation agreements with wind farm developers in Norway, Sweden and Finland. The licensing procedures are currently under way and should allow Alpiq to start building, or at least ordering, the first wind farms by 2013.

## Energy Central Europe

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### Market Central Europe North

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Despite a difficult market environment, the results for Market Central Europe North – adjusted for exceptional items – were well above expectation. While electricity consumption showed a sharp downturn in the industrial sector, household consumption dropped only slightly. Business was impeded due to the growing number of insolvencies among customers and wholesale trading partners, placing greater demands on risk management.

#### New markets in the Baltic and Ukraine

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Long-term contracts were more difficult to conclude than usual due to the uncertainty about long-term trends and the fact that many companies were preoccupied with internal matters prompted by the crisis. One very satisfactory development, however, was the expansion into new markets in the Baltic and the Ukraine.

The move to centralise administrative tasks at the Service Centre in Prague generated important synergy effects. Administrative and operational processes will be significantly simplified as a result of combining several local companies in a single EU company with effect from 1 January 2010. In addition, contact with internal partners in the neighbouring southerly region was intensified and optimised.

Sales business saw harsher competition for margins and orders. At the same time, demand rose for new non-standardised products and services for large industrial customers. This trend is being driven by new market entrants, ongoing liberalisation and further market standardisation. As a result of the economic crisis, energy suppliers throughout the sector have been keeping a more watchful eye on the creditworthiness of their customers.

### Market Central Europe South

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One of the outstanding events of the year for Market Central Europe South was the acquisition of Romanian energy services provider EHOL Distribution. By taking over this company on 1 July 2009, Alpiq advanced to become one of Romania's top three providers to end customers, thereby further enhancing its position in the South-East European electricity market. EHOL Distribution serves large industrial customers and distributors. Energy Holding, a sales company acquired in July, was successfully integrated.

#### Strong position in Romania

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Since September 2009, Alpiq has successfully established itself as one of the largest sales companies in Europe by gaining new customers. Due to its balanced customer portfolio covering small, medium-sized and large customers, there were no serious payment defaults in 2009 despite the sustained economic crisis.

Last year, the State Electricity Regulatory Commission in Bosnia-Herzegovina granted Alpiq a licence for international energy trading, as a result of which Alpiq is now the country's largest electricity exporter. In Bulgaria, Alpiq managed to acquire

its first end customer through its Bulgarian sales subsidiary. Alpiq expanded its trading business by founding Alpiq Albania and renewed the trading licence for Kosovo until 2011.

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#### Lower demand for electricity in heavy industry

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As a result of the crisis, electricity consumption dropped by up to 10%. At the same time, liquidity and the number of business partners declined sharply. Due to high availability of water, electricity prices fell in the first six months of 2009 despite a short-term gas crisis, but stabilised slightly in the dry third quarter.

One of the main causes of the massive decline in electricity consumption was the drastic cutback in production by heavy industry exporters, especially in Romania, Bulgaria, Macedonia, Serbia and Montenegro. But on a more positive note, several countries in the region consistently built up their market mechanisms, clearing the way for competition in energy procurement, sales and transmission. At the same time, market liberalisation was constrained by the protectionist measures imposed by some governments and state-run energy utilities.

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#### Carving out new markets in South Eastern Europe

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In 2010, Alpiq plans to capitalise on new business opportunities and enter new markets in South Eastern Europe and neighbouring regions. Focus will be placed on expanding sales business and wholesale trading activities since South Eastern Europe offers huge market potential due to the current liberalisation and growth of its electricity markets, coupled with increasing liquidity. However, this is dependent on an economic recovery and renewed industrial production in the region.

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#### Market Germany

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Considering the financial crisis, 2009 was a successful year. Market Germany achieved its defined targets, benefiting in particular from prices and volumes that had been contractually fixed well in advance. The small customer segment, served throughout Germany by sales partner EGT, was more directly affected by the financial crisis. In this context, a credit risk insurance policy, taken out as protection against payment default, paid off.

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#### Massive drop in prices

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The economic crisis took its toll on energy prices last year. Prices fell sharply at the beginning of the year, only to fall even further in the latter six months. The average price level is now lower than a year earlier, compounded by great uncertainty among customers regarding their future requirements. Compared to the previous year, much lower volumes have been reserved since customers, mindful of the weak economic conditions, are unsure how much energy they will need in 2010.

In addition to the fall-out from the economic crisis, the German energy market was characterised last year by a trend towards concentration and remunicipalisation. For example, RWE took over the Dutch company Essent, and E.ON sold Thüga to a municipal buyer consortium.

## Power Generation Central

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Despite the lower demand for energy due to difficult economic conditions, 2009 was an excellent year for Alpiq's power generation facilities in Central Europe. Their operating performance was outstanding, and they reached all targets, translating into near 100% availability and high profitability of the power stations. Business relations with key customers proved highly satisfactory, as a result of which the drive to expand power generation in Germany, Hungary, the Czech Republic and Bulgaria is now well under way.

### Alpiq Germany opts for gas-fired combined cycle power stations

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In Germany, work on modernising the Spreetal I gas-fired combined cycle power station in Dresden was completed on schedule and within budget. After successfully obtaining an operating licence, the power station came online in the third quarter and started to deliver its first positive contribution margins. Another German gas-fired combined cycle power station is planned in Premnitz, 70 kilometres west of Berlin. On 8 September 2009, Alpiq's German subsidiary Havelland Kraftwerk GmbH was given the go-ahead for the plant by Matthias Platzeck. The Chief Minister of the German federal state of Brandenburg made a point of visiting the future power station site in person to bring the good news from the State Environmental Agency, which has granted permission for construction of a 400 MW facility at that location. The 70,000 square metre site is now being cleared and prepared for construction.

### Expansion plans in Hungary and the Czech Republic

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In Hungary, the contract with state-run MVM, Csepel's largest electricity customer, was renegotiated and revised to cater to the changed market conditions. Preparations for expansion are currently under way, and the licensing procedure for an additional gas-fired combined cycle block (Csepel III) has been initiated.

High availability and reliability are also the hallmarks of the outstanding performance recorded by Alpiq subsidiaries Kladno and Zlín Energy in the Czech Republic. As operator and regulator, the Czech state has changed the market conditions for grid services, opening up additional opportunities for expansion. To simplify structures, three formerly autonomous companies in Kladno were successfully combined under a new organisation. Plans to expand capacity in Kladno by an additional 135 MW are progressing well, with all the necessary licences and permits in place.

### Bulgaria: wind farm to go online in late 2010

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The wind farm being built by Alpiq subsidiary Vetrocom is making good progress. A ground-breaking ceremony on 7 May 2009 marked the start of construction near the city of Kazanlak, 200 kilometres east of Sofia. Vetrocom is installing 20 wind turbines with a total capacity of 50 MW at the site in Buzludja, at a cost of EUR 80 million. The facility is scheduled to start delivering electricity to the grid by the end of 2010.

## Trading & Services

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### Power Proprietary Trading

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Traditional electricity trading closed the first quarter of 2009 on a satisfactory note, but this performance could not be sustained in the following quarters. Electricity markets moved sideways in the second and third quarters, only showing slightly more volatility again in the fourth quarter.

The economic downturn resulted in a perceptible drop in prices on the spot and futures exchanges in the first and fourth quarters of 2009. Electricity prices are heavily dependent on movements in the prices of other sources of energy, particularly gas, coal, oil and CO<sub>2</sub>. Last year's trends in the prices of these commodities were very mixed. While oil and CO<sub>2</sub> recovered from their lows, coal prices rose only slightly and gas prices fell even further. This widening gap between gas and oil prices made it difficult to predict prices for individual electricity markets. Prices for CO<sub>2</sub> certificates were affected by the uncertainty surrounding the so-called third phase, and even briefly plummeted to single-digit figures.

### Growing interest in real commodities

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The difficult economic environment briefly dampened the market players' interest, although renewed interest is expected over the medium term. Despite this, many financial institutions which found themselves in difficulties at the start of 2009 did not opt to withdraw from the energy markets. On the contrary, interest in real commodities appears to have grown precisely because of the financial crisis and should provide fresh impetus for 2010.

The market coupling initiatives resulted in stronger cooperation and a growing convergence of the spot and futures exchanges. While this led to additional operating costs during the introductory phase, it has generated benefits for day trading. On 1 January 2010, the Oslo trading activities were transferred from the Energy Western Europe business division to Trading & Services. Over the year ahead, the Power Proprietary Trading unit intends to press on with gas trading activities in Oslo in conjunction with the Olten and Lausanne facilities. Most liquid markets are already covered by electricity trading, although Spain, Italy and the UK still offer some potential for expansion. From a product-specific standpoint, one option would be to expand certain structured strategies. This would result in a closer combination of classical electricity trading with other commodities.

### Trading exchanges set to link up

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The EU Commission looks set to issue regulatory proposals on the treatment of derivatives and OTC transactions. These are expected to include detailed accounting regulations. It is also likely that the market coupling and transparency initiatives will be pursued more vigorously, resulting in a closer link-up between trading exchanges. These developments will indirectly affect the business unit's processes, organisation and IT structures.

## **Power Asset Trading**

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During 2009, activities primarily focused on efforts to merge Atel and EOS asset trading operations and on the introduction of Switzerland's ancillary services market on 1 January. Thanks to timely preparation ahead of the liberalised Swiss market, Alpiq Trading was up and running from Day 1 and played a leading role in formulating the agreements and bids of the joint venture plants. The regulatory changes have eliminated certain obligations and created a new market. The technically limited liquidity of this market for ancillary services has resulted in mandatory market participation and a completely different way of managing power plants. Moreover, certain aspects of the new regime were already changed during the first year, necessitating continual adjustments and triggering heated political and regulatory discussions, both internally and externally.

### **Benefiting from market movements**

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Prices were characterised by sharp drops in the first quarter, followed by a calmer phase and then unexpected rises in the autumn due to the absence of precipitation and an unseasonably cold spell. This was compounded by the fact that price movements among the various countries could not always be predicted accurately and were sometimes surprisingly extreme. All these factors called for a highly flexible approach. Supported by its favourable positioning, Alpiq was able to benefit from the market movements, both from the fall in prices early in the year and from the opportunity to acquire annual capacities.

### **Focus on cross-border trading**

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At European level, projects aimed at regional cooperation and market coupling will bring about major changes in the marketplace. This means it is essential for Switzerland to be optimally integrated. A degree of market harmonisation can be expected, prompted by the need to avoid further distortion on spot exchanges and to address the growing problems of wind power feed-ins. Factors which will be key to the success of operations in and out of Switzerland will be the flexibility and effective integration of cross-border trading, and the ability of the new Swiss ancillary services market to overcome its teething troubles and gain critical mass.

## **Middle Office & Operations**

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Despite experiencing some exceptionally dynamic changes, this business unit can look back on a successful year. Here, as in other areas, priority was given to planning and implementing the merger between Atel and EOS. Initial steps towards integration were made with a view to setting up a unified reporting system and complying with the provisions of the Swiss Financial Market Supervisory Authority FINMA as part of the move to bring the Lausanne and Olten trading platforms under one roof. Alpiq integrated the Oslo trading unit into the Power Proprietary Trading business unit and introduced tools for technical online market analysis. Another goal achieved in 2009 was the systematic risk/return evaluation of investment proposals.

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#### New trading system

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The bilateral negotiations on the electricity agreement between Switzerland and the EU will be followed attentively. Further developments in cross-border market mechanisms for electricity in Europe and developments in European gas markets will also be monitored closely.

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#### Multi Commodities & Fuel Management

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In its first year of operation, this business unit successfully prepared for its new tasks, focused primarily on gas, oil and coal trading, gas procurement and price risk management.

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#### Gas trading stepped up

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Alpiq rounded out its presence in the European gas markets in close coordination with gas trading. This included setting up an international team. Physical gas trading was consistently stepped up, particularly in France and Germany.

Price movements in the gas market were heavily influenced by the downturn in the spot markets in the wake of economic developments. On the procurement side, prices were driven down as new facilities for liquefied natural gas (LNG) came on-stream around the world. Conversely, demand for gas fell sharply in Europe, further widening the gap between short-term trading prices and long-term oil-related import contracts. At present, the general trend is towards a gas market that is increasingly decoupling from the oil market.

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#### A key role within the Group

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Within the Group, this business unit will play a key role in procurement, trading and market price risk aggregation.

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#### Origination & Environmental Markets

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Established in October 2009 and geared towards a successful pan-European presence, the Origination & Environmental Markets business unit is in charge of the origination activities of the Multi Commodities & Fuel Management business unit as well as parts of the Regulatory & Development business unit, which has been dissolved. The unit had a successful financial year. Alpiq is the leader in environmental markets, a position which was further underpinned through the coordination of the “green desks” of Atel and EOS.

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#### Success for green power marketing

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Last year saw the start of important work aimed at centralising the management of the Group’s CO<sub>2</sub> position. Implementation is planned for 2010. The Green Power Marketing Conference, strongly endorsed by Alpiq and held in Geneva at the beginning of October 2009, proved a huge success. More than 170 participants from all over Europe discussed the future development of the European market for renewable energies with politicians and policymakers from Brussels and Bern.

The economic downturn drove down the prices in energy markets. At the same time, trading volumes declined and the counterparty risk increased. Against this backdrop, Alpiq succeeded in exploiting various opportunities. Trading in green electricity performed well in a challenging regulatory environment. One factor worth mentioning is the new EU directive on renewable energies, which should inject fresh impetus into this market.

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#### Promising potential of green certificates

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The potential for development of green certificates will be influenced both by the aforementioned EU directive and by the trend in the voluntary market. As far as the political and regulatory environment is concerned, the following developments and projects are of relevance to Alpiq: market coupling initiatives at European level, monitoring and transparency requirements, implementation of the EU's third energy market package, the development of new gas infrastructure (storage and capacities) and related regulations governing market access.

## Energy Services Segment

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Spending on infrastructure and construction is critical to the business of the Energy Services segment. One of the main consequences of the financial and economic crisis was a tendency to postpone capital expenditure projects. Nevertheless, government incentive schemes and stimulus packages are having a direct and positive impact on such capital investments, giving rise to expectations of a rapid recovery.

As a result, German-based Alpiq Anlagentechnik saw signs of stabilisation, although Energy Supply business declined. This was compensated by the boost to demand for local and district heating systems provided by legal incentives. In Switzerland, Building Services and Transport Technology benefited from the high order backlog from 2008. Alpiq EcoServices AG, a specialist in energy efficiency, also performed well. While industrial demand dropped sharply in Italy, positive growth was seen in Central Europe. Acquisitions such as Italian-based Rossetto Impianti were seamlessly integrated.

The renaming and rebranding of the Atel Installationstechnik Group to the Alpiq InTec Group and the GAH Group to the Alpiq Anlagentechnik Group were successfully accomplished.

## Alpiq InTec Group

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### Atel Installationstechnik renamed Alpiq InTec

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The merger of Atel and EOS also dominated Energy Services activities during 2009. The reorganisation of the Atel Installationstechnik Group to create the Alpiq InTec Group (AIT Group) was accomplished within a short space of time, and the Alpiq brand was successfully established in the market, as testified by the amount of positive feedback received from customers and employees. As part of the reorganisation, all the building services companies were renamed by mid-2009.

The work to set up the new AIT Group also included the integration of the new companies acquired in 2009, which were incorporated and consolidated without any problems. The most important purchase in 2009 was the acquisition of Rossetto Impianti SpA in Italy's Verona region, which has now been integrated in Alpiq InTec Verona S.p.A. For more than 30 years, Rossetto Impianti has specialised in mechanical plant engineering for the industrial, services and healthcare sectors. This successful company boasts a wealth of experience in planning, implementing, servicing and maintaining power generation facilities and unit heating power stations.

The acquisition of Rossetto Impianti, with its workforce of more than 70 and annual revenue of CHF 28 million (EUR 18 million), ideally complements the AIT Group's established activities in the Northern Italian market. With this acquisition, Alpiq can now operate in the Triveneto region as a one-stop shop offering the full range of building services. This allowed Alpiq to expand its presence in the market during 2009 and capture a leading position in the region.

### High order intake

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The uneasy global economic conditions during 2009 had widely varying impacts on AIT's various business areas. In Switzerland, the Building Services and Transport Technology business divisions benefited from the high order backlog from 2008, which kept them working to virtually full capacity right from the start of the year. This trend continued throughout the year, with the volume of incoming orders again remaining high for 2009.

Capital spending on public transport remained strong last year, fuelled on the one hand by public-sector stimulus packages that kept demand for services high, especially for transport technology, and on the other hand by consistently low interest rates in the capital market, which additionally boosted construction activities.

Supported by these factors, capacity utilisation remained good throughout the year. This highly favourable order situation allowed a wide range of projects to be carried out simultaneously. This entailed ensuring that sufficient resources were made available for the individual projects, placing even higher demands on staff planning.

The positive trend in Central Europe continued in 2009. Here, too, the public transport segment benefited from a high appetite for investment. Conversely, in Italy, the financial and economic crisis was already taking its toll early in the year in the form of lower prices and declining volumes in building services business. The difficult economic environment inevitably affected many areas in the course of the year, with demand dropping particularly sharply in the industrial segment. In Switzerland, declining market prices – despite the high volume of construction – made for harsher competition and placed pressure on prices.

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#### **Energy efficiency in demand**

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Energy efficiency was another priority for AIT during 2009. Activities in this area were further developed and expanded, with the first related marketing measures already being implemented and generating a highly positive resonance among potential customers. In this context, efforts to build up and develop Alpiq EcoServices AG proved most successful.

This fledgling business arm of AIT offers consulting services that help customers to plan energy-efficient new buildings and sustainably operate existing buildings, with emphasis on cutting operating costs and energy consumption while retaining or even enhancing comfort and reducing CO<sub>2</sub> emissions. The popularity of energy efficiency and the related services offered by this young company is reflected in an extremely positive volume of incoming orders.

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#### **Alpiq helps Coop with its carbon footprint**

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In 2009, AIT won and implemented a number of important contracts and projects. Alpiq now supports Coop in its bid to become carbon neutral by 2023. The mass merchandiser intends to achieve this, among other things, by phasing out the use of fossil fuels, consistently using waste heat, improving insulation and converting sales outlets to the Minergie standard. As part of a pioneering project, the Refrigeration Technology Department in Interlaken installed the first trans-critical booster refrigeration system in spring 2009.

Another highlight of the year was the new waste incineration plant in the canton of Ticino, where installation work is right on track. Pilot operations commenced at the end of October 2009, and handover to the cantonal waste disposal company is scheduled for February 2010. Alpiq supplied the electromechanical systems for the waste incineration plant, which is designed not only to burn domestic waste but also, using its 20 MW turbine, to harness the steam by-product to generate electricity.

Progress on the Gotthard Base Tunnel was another important focus for AIT in 2009. Following the signing of the works contract for railway technology in 2008, the Transtec Gotthard consortium turned its attention in 2009 to implementation and detailed planning. In autumn, the consortium took over the installation site in Biasca and started construction work right on schedule.

### **Priority on AlpTransit Gotthard**

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The AlpTransit Gotthard project will continue to be an important priority for AIT in 2010. The Transtec Gotthard consortium will begin operating at the South installation site in the first six months and start to install the railway technology in the Gotthard Tunnel in mid-year. Energy efficiency continues to play a pivotal role. Alpiq is giving this issue its full attention and intends to further expand activities in this area so as to make an important contribution to cutting CO<sub>2</sub> emissions in 2010.

### **Alpiq Anlagentechnik Group**

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Following a sharp economic downturn in the first half of the year, the German economy stabilised in the third quarter. While the economy appears to have bottomed out, spending remained extremely lacklustre up to the year end. Conditions in the markets served by the two business fields of the Alpiq Anlagentechnik Group (AAT Group) – Industrial and Power Plant Engineering (IPPE) and Energy Supply Technology (EST) – differed widely last year.

Whereas spending in the IPPE area was high, especially on new power plant construction, EST's energy supply business declined. Overall, however, demand in the power generation sector remained stable. During the year, the Heidelberg-based AAT Group was negatively impacted not only by the financial and economic crisis, but also by the large number of political/regulatory interventions.

### **Political regulation in Germany**

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The central issue in Germany was the Federal Grid Agency's regulation of transmission charges. Moreover, the incentive regulations for the German electricity and gas sectors came into force on 1 January 2009, stipulating a reduction in electricity and gas transmission charges. At the same time, the EU Commission required power generation and power distribution activities to be economically separated – so-called unbundling. These official regulations had a noticeably negative impact on capital spending by energy suppliers.

Conversely, legal incentive measures to promote local and district heating networks drove demand up slightly in 2009. Nevertheless, the Energy Line Expansion Act and economic stimulus packages involving investments in transport infrastructure and modernisation of IT systems did not have the expected positive impact on incoming orders. Offshore wind farm projects were postponed, although follow-up orders are expected in 2010.

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### **Industrial and Power Plant Engineering (IPPE)**

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While benefiting from sustained stable demand for conventional new power plants in 2009, the IPPE business field came under increasing competitive and price pressure during the year. Licensing and environmental problems also fuelled greater investment uncertainty.

At present, gas-fired combined cycle power stations, combined heat and power stations, waste incineration plants, biomass projects and nuclear technology offer attractive niche markets, while demand for industrial pipeline construction, industrial plant engineering and power supply technology remains low.

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### **Energy Supply Technology (EST)**

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A general reluctance to invest led to a decline in the energy supply (energy distribution) business in 2009. One of the main reasons for this development was the Federal Grid Agency's regulations governing charges for electricity and gas grids, which dampened investments in the electricity distribution grid and increased pressure on prices. One important development was EST's entry into electrical installations for new power plants.

District and local heating projects offer the main market opportunities for EST, since demand for high-voltage overhead lines, cable systems and transformer stations has been severely inhibited due to licensing, financing and unbundling problems. Following a slow first half of the year, demand for cabling systems and railway technology showed a slight increase in the second half. During 2009, Energy Supply Technology activities were combined, and the company structure was streamlined by merging various limited liability companies.

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### **Highlight: solar thermal plant in Jülich**

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One of the highlights of AAT's year in 2009 was the commissioning of the experimental solar thermal power station in Jülich in western Germany. Kraftanlagen München, a subsidiary of the AAT Group, acted as general contractor responsible for planning and building the facility. In future, the new technology installed in Jülich will be marketed worldwide by building 10–50 MW facilities in sun-rich countries.

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### **Electricity distribution grid in need of upgrading**

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AAT's business performance is largely dependent on economic recovery in the wake of the financial and economic crisis and on capital spending by energy utilities in Germany. Following massive cutbacks in 2009, investments in the electricity distribution grid are expected to pick up again over the year ahead. With the improved and expanded European energy infrastructure, experts expect to see increased demand for high-voltage overhead lines, cable systems and transformer stations. Investment in new generation capacities in Europe is likely to remain stable.

## Strategic development

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The priority for 2010 is on further long-term strategic development of AAT's two business fields, including research and development activities. With this in mind, collaboration with partners is to be stepped up, for example by setting up working groups and cooperating with research centres and universities.

Energy Supply Technology aims to strengthen its focus on implementing a qualitative growth strategy and becoming an engineering-oriented full-service provider with the capability to act as general contractor or operator. In particular, this will require further development of transmission system activities, which is to be achieved by building a European platform for high-voltage line installation, creating the organisational framework for organic growth in the construction of high-voltage transformer stations and, where appropriate, by acquiring market players. Plans are also in place to step up high-voltage activities in neighbouring Central European countries.

The main objective for Industrial and Power Plant Engineering in 2010 is to stabilise its results and profit at the current high level, with emphasis on acquiring additional projects in order to further expand its share of key account customers in the home markets. Selective growth through cooperative ventures in new markets is also planned, as well as further expansion of activities in new target countries, for example in Central Europe.

# Corporate Centre

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## Financial Services

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Financing the newly formed Group, setting up a centralised IT architecture management system, and implementing the first joint reporting and budget process: these three examples are indicative of the challenges that Financial Services had to address last year. Given that day-to-day business also had to be conducted alongside these and other demanding projects related to the merger of Atel and EOS to establish Alpiq, capacity was often stretched to the limit. Nevertheless, Financial Services remained on track with all important projects.

The merger between Atel and EOS was predicated on secure funding, which Alpiq achieved through several bond issues and loans totalling CHF 1.5 billion. This injection of funds was used to refinance the short-term funding raised in January 2009. In future, the Group will largely be centrally financed through Alpiq Holding Ltd.

Corporate IT had a particularly heavy workload. IT management, centres of competence and IT operations were further professionalised and internationalised during 2009. As a result, Corporate IT now has a pan-European organisation and structure allowing it to effectively manage the merger between Atel and EOS as well as planned acquisitions. In addition, last year saw the beginning of the roll-out of the new Murex trading system.

Another major project was the introduction of the new management information system (MIS) designed to enhance transparency and business steering. The MIS is to be implemented gradually in the course of 2010, and the budget has already been prepared using the new system.

## Business Development

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The Business Development functional division has existed in its present form since Atel and EOS joined forces to create Alpiq in February 2009. The main objective for Business Development in 2009 was to build up the functional division and define the tasks to be assigned to the new Market Intelligence, Strategy Development, and Mergers & Acquisitions functional units and to the Project Management & Business Consulting staff function. Processes and interfaces to other units within the Group were defined as part of the “Insieme” internal integration project (see page 8).

The most important projects involved the formulation of a business model for Group-wide activities in the areas of renewable energies, analysis and prioritisation of the Alpiq investment portfolio, and preparations for the strategy project to be

launched in 2010. The aim of Business Development is to perform steering functions within the Group with a view to the Group's long-term, sustainable development.

The two key projects for 2010 and subsequent years involve revising and consolidating the Alpiq Group's strategy with the related implementation plan and reducing corporate complexity by simplifying the organisational and process structure.

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## Management Services

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The Alpiq Group's Human Resources Department was extremely busy during 2009, drawing up new common terms and conditions of employment for all staff of the Energy segment in Switzerland. Some 1,150 employees in Switzerland received a new contract of employment, and Alpiq remains a popular employer despite the many changes.

The speed with which Alpiq became an established brand is largely due to the efforts of Corporate Communications, which was responsible for the concept. The Europe-wide brand roll-out is scheduled for completion in 2010, by which time the Alpiq brand will be firmly established and appropriately positioned in Switzerland and throughout Europe.

Since May 2009, Alpiq has been supporting the Swiss Ski Association, Swiss-Ski, as its principal sponsor: a fitting partnership, since "Alp" stands for the Alps and "piq" brings to mind "peak", with its connotations of mountain tops and peak performance. Another thing that Alpiq and Swiss-Ski have in common is their close relationship with Switzerland's alpine cantons. Awareness of the young brand was significantly raised through the widespread presence of the Alpiq logo in the media and at competitions throughout Europe. The Swiss Alpine Club's new Monte-Rosa hut, a model of sustainability and innovation, was inaugurated on 25 September 2009. The project was implemented with major support from Alpiq.

In 2009, Public Affairs closely followed and monitored the definition and introduction of new regulatory provisions in Switzerland and across Europe. In Switzerland, the focus was on the Electricity Supply Act (StromVG), while in Europe the main issue was the EU's third regulatory package, which also had implications for Alpiq. In connection with the bilateral electricity trading agreement with the EU, the aim was to ensure protection of investments related to long-term contracts. The consequences of market liberalisation in Switzerland and across the EU will continue to be closely monitored in the course of 2010.

## Corporate Governance

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For Alpiq, it goes without saying that transparent, responsible management is just as essential as a comprehensive, open information policy. Mindful of this, the company – formed in the merger of Atel and EOS at the beginning of 2009 – uses effective management and control systems to comply with both legal and other requirements and to ensure the right balance between management and controls. This, in conjunction with a commitment to ethical principles, ensures sustained growth of shareholder value and, in so doing, optimally meets the growing needs of the capital market as well as addressing the rightful interests of shareholders and other stakeholder groups.

Alpiq is committed to an open information policy and a collaborative approach based on partnership. This was also the philosophy of the two founding companies, Atel and EOS, and continues to be the case with the new Group.

Alpiq's principles and rules of corporate governance are set out in the company's Articles of Association, its Organisational Regulations, the Executive Board Regulations, the Group Guidelines and the organisational chart, which illustrates the relationships between affiliated companies. The following statements comply with the structure and content of the Corporate Governance Disclosure Guidelines issued by the SIX Swiss Exchange. Unless otherwise stated, the information reflects the status at 31 December 2009.

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## Group structure and shareholders

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The merger of Atel and EOS on 1 February 2009 to create Alpiq gave birth to Switzerland's leading energy trader and service provider with European reach. The company has important generation facilities in Switzerland, France, Italy, Germany, Norway, Hungary and the Czech Republic in addition to operating its own networks.

Alpiq comprises two segments: Energy and Energy Services. The Energy segment combines power generation and transmission operations with trading and sales. It is subdivided into the Energy Switzerland, Energy Western Europe and Energy Central Europe divisions, all of which have their own power stations, ownership interests and local sales companies. The Energy segment also includes the Trading & Services division.

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

The Energy Western Europe division serves its market territory through sales subsidiaries Atel Energia S.r.l. in Milan and Rome, Energit S.p.A. in Cagliari, Italy, Alpiq Energie SAS in Paris, Atel Energia SA in Barcelona, Alpiq Denmark A/S in Aalborg and Glostrup, Alpiq Norway AS in Oslo, and Energiakolmio Oy in Jyväskylä, Finland. Alpiq's own power stations, its investment interest in Edipower in Italy and the power station projects in France, Italy and Norway also belong to this division.

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

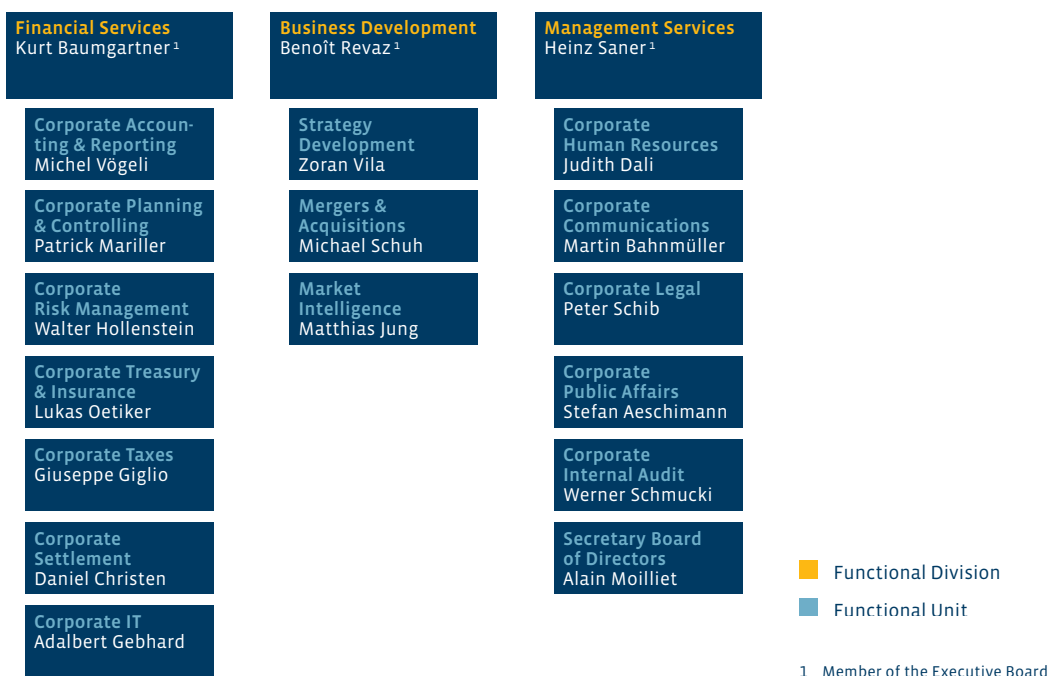
The Alpiq Trading & Services division engages in trading in electricity, gas, coal and CO<sub>2</sub> certificates on all major electricity exchanges in Western Europe.

The Energy Services segment delivers services related to all aspects of energy generation, distribution and use. It consists principally of the companies in Switzerland, the Czech Republic, Germany, Italy and the Netherlands belonging to the Alpiq InTec Group (AIT) as well as the companies in Austria, Belgium, the Czech Republic,

Organisation at 1 January 2010



Functional Divisions



Germany, Hungary, Poland and Romania belonging to German-based Alpiq Anlagentechnik GmbH (AAT). The AAT Group provides services in the fields of energy supply and communications technology as well as energy generation technology and industrial plant engineering, while the AIT Group companies primarily engage in building services and transport technology.

Financial Services is a Group-level functional division comprising Corporate Settlement, Corporate Accounting & Reporting, Corporate Taxes, Corporate Treasury & Insurance, Corporate Planning & Controlling, Corporate Risk Management und Corporate IT. The Business Development functional division is in charge of Strategy Development, Mergers & Acquisitions, Market Intelligence, and Project Management & Business Consulting. The Management Services functional division covers Corporate Internal Audit, Corporate Public Affairs, Corporate Communications, Corporate Legal, Corporate Human Resources and the General Secretariat.

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### Stock exchange listing

At 31 December 2009, the parent company, Alpiq Holding Ltd. domiciled in Neuchâtel, had a share capital of CHF 271,898,730 divided into 27,189,873 registered shares with a par value of CHF 10 each. The registered shares are listed on the SIX Swiss Exchange under international securities identification number ISIN CH0034389707. At the end of the year, the company's market capitalisation was CHF 11,684,847,922 (calculation: closing price on 30 December 2009 x number of shares = CHF 429.75 x 27,189,873 registered shares).

Società Elettrica Sopracenerina SA (SES), Locarno, with a share capital of CHF 16,500,000, of which Atel indirectly holds 60.9%, is also listed on the SIX Swiss Exchange (ISIN CH0004699440). At the end of 2009, the company's market capitalisation was CHF 253 million (230 x 1,100,000).

The principal consolidated Group companies are listed in the Financial Report on pages 139 to 145. Significant shareholders of record are listed in the Financial Report on page 120 and presented below.

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

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### Cross-shareholdings

At 31 December 2009, Alpiq Holding Ltd. held 5.0% of the share capital of A2A S.p.A., which in turn held 5.16% of the share capital of Alpiq Holding Ltd. Antonio M. Taormina, a member of the Executive Board, represents Alpiq Holding Ltd. on the A2A Board of Directors, while A2A's representative on the Alpiq Holding Ltd. Board of Directors is Dr. Giuliano Zuccholi, Chairman of the A2A Board.

## Capital structure

### Share capital

At 31 December 2009 the share capital of Alpiq Holding Ltd. amounted to CHF 271,898,730, divided into 27,189,873 fully paid up registered shares with a par value of CHF 10 each.

Alpiq Holding has no conditional or additional authorised capital.

### Changes in equity

Statements of Changes in Equity are presented in the Financial Report, on pages 72 to 73 in the Alpiq Group's consolidated financial statements and on page 155 in the company financial statements of Alpiq Holding Ltd. Statements of Changes in Equity for 2007 can be found in the 2008 Annual Report of Atel Holding Ltd, on page 14 of the Financial Report in the Atel Group's consolidated financial statements and on page 92 in the company financial statements of Atel Holding Ltd.

### Shares

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

### Shareholders at 31 December 2009

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

Percentage ownership interests.

## **Board of Directors**

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

### **Directors**

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The Board of Directors consists of 14 members, none of whom exercises any executive functions within the company. Directors are listed below as well as on pages 48 and 49 of this Annual Report.

### **Other activities and interests**

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Biographical details, professional backgrounds and information about other activities of Directors can be found on the Alpiq website at [www.alpiq.com/bod](http://www.alpiq.com/bod).

Directors are elected for a three-year term of office and are eligible for re-election. If a Director is elected mid-term, he completes his predecessor's term.

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

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

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

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

The Board of Directors will conduct a self-assessment of its performance for the first time in the course of 2010.

### Board of Directors at 31 December 2009

Name	First elected	Term expires
Hans E. Schweickardt, CH-Neerach, Chairman	2006	2012
Marc Boudier, FR-Sèvres, Deputy Chairman	2006	2012
Christian Wanner, CH-Messen, Deputy Chairman	2006	2012
Pierre Aumont, FR-Paris	2007	2010
Hans Büttiker, CH-Dornach	2006	2012
Guillaume de Forceville, FR-Sèvres	2009	2012
Philippe V. Huet, FR-Paris	2006	2012
Claude Lässer, CH-Marly	2009	2012
Daniel Mouchet, CH-Veyrier	2009	2012
Guy Mustaki, CH-Pully	2009	2012
Jean-Yves Pidoux, CH-Lausanne	2009	2012
Alex Stebler, CH-Nunningen	2006	2012
Urs Steiner, CH-Laufen	2006	2012
Giuliano Zuccoli, IT-Sesto San Giovanni	2006	2012

### Control and supervisory mechanisms

The Executive Board reports annually to the Board of Directors on strategic, medium-term and annual objectives and on progress towards their achievement. In the course of the year, the Executive Board reports quarterly and at each meeting on the course of business, progress made in achieving objectives, and other important developments. The Board of Directors also receives a short monthly report summarising the key financial figures, an assessment of the risk situation, and internal audits currently under way. The external auditors submit a Management Letter to the Board of Directors and give an oral presentation of the results and findings of their audit and of their future key audit areas. Internal Audit submits an annual audit programme to the Board of Directors for its approval, and subsequently reports periodically on its findings and recommendations as well as their implementation. The Board of Directors receives an annual written report on the situation and developments in Group-wide risk management and its most important constituents. The report presents principles and limits, details compliance with them, and contains information on planned expansion moves.

The Board of Directors also has two Board committees: the Audit and Risk Committee (ARC) and the Nomination and Remuneration Committee (NRC).

#### Audit and Risk Committee (ARC)

The ARC consists of Marc Boudier (Chairman), Jean-Yves Pidoux (member), Alex Stebler (member) and Urs Steiner (member).

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

The ARC submits proposals to the Board of Directors for its approval and, at each meeting of the Board, reports orally on its activities, resolutions, conclusions and recommendations. If the ARC fails to reach consensus on matters within its remit, the decision is made by the full Board of Directors. Minutes of ARC meetings are circulated among the Directors for their information. The ARC also submits an annual accountability report to the Board of Directors, summarising the ARC's activities during the year.

As a rule the Chairman, CEO, CFO and Head of Internal Audit attend meetings of the ARC. Depending on the agenda, other unit heads and representatives of the external auditors also attend. Last year, the ARC met six times for an average of three and a half hours per meeting. On these occasions, the ARC deliberated in depth on risk management and had the auditors draw up an "Opinion on the functioning and effectiveness of risk management within the Alpiq Group". It concluded that the risk culture was strong throughout the Alpiq Group and that the organisational structure was appropriate, despite identifying some room for improvement in individual areas. The report was accepted, and the recommendations were implemented.

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#### **Nomination and Remuneration Committee (NRC)**

The NRC consists of Guy Mustaki (Chairman), Marc Boudier (member), Hans Büttiker (member) and Christian Wanner (member).

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

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

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#### **Division of responsibilities**

The Board of Directors has delegated responsibility for the Alpiq Group's overall operational management to the CEO. The CEO presides over the Executive Board and has delegated some of his management responsibilities to members of the Executive Board.

The Organisational Regulations and Executive Board Regulations govern the authority and division of responsibilities between the Board of Directors and the CEO/Executive Board.

As part of the Group Guidelines, the CEO has issued regulations, valid throughout the Group, governing the assignment of authority and responsibilities. These regulations confer extended authority on the CEO for energy transactions.

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

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

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

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

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

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### Executive Board

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The Executive Board consists of nine members. These are listed on pages 50 and 51 of this Annual Report. Information about other activities and interests can be found on the Alpiq website at [www.alpiq.com/executive-board](http://www.alpiq.com/executive-board). No management contracts exist.

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### 2009 remuneration report

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#### Principles and objectives

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In the interests of good corporate governance, Alpiq motivates senior management by providing competitive remuneration and a performance- and value-based bonus system with a view to the sustainable enhancement of shareholder value.

Alpiq's remuneration guidelines and bonus systems provide for management salaries appropriate to the tasks and responsibilities, taking into account the economic situation, results of operations and the future outlook for the company. Accordingly, the total remuneration packages for members of the Executive Board and heads of business and functional units consist of:

1. fixed, non-performance-related components,
2. short-term performance related bonus payments based on a financial year, and
3. long-term performance related bonus payments spread over several reporting years.

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### **Market-compliant remuneration**

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To ensure that the remuneration of members of the Executive Board, heads of business and functional units, and Directors is commensurate with standard market rates, Alpiq regularly commissions an independent external consultancy to review the total pay packages relative to the market environment. This includes an analysis of the level and structure of salaries. The last such review was conducted in August/September 2009.

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### **Disclosure**

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As required by Section IV of the Swiss Code and Section 5 of the SIX Swiss Exchange Corporate Governance Disclosure Guidelines, Alpiq discloses the following information:

- Content and method of determining remuneration
- Remuneration to acting members of governing bodies
- Remuneration to former members of governing bodies
- Additional fees and remuneration
- Loans to members of governing bodies

No share award or share option schemes are provided for members of Alpiq's governing bodies.

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### **A. Executive Board members' remuneration**

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#### **Principles**

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Employment contracts, terms and conditions of employment and remuneration of members of the Executive Board are approved by the Nomination and Remuneration Committee (NRC) appointed by the Alpiq Board of Directors and reviewed at regular intervals. The NRC defines the objectives of the Chief Executive Officer (CEO) and approves those of the Executive Board as proposed by the CEO. Details of bonus payments are set down in the bonus regulations, which the NRC approves at the request of the CEO. In 2009, members of the Executive Board received remuneration in accordance with the bonus regulations that have been in force since 24 April 2008.

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#### **Bonus entitlement**

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Under the terms of the bonus regulations, the CEO and the heads of business and functional divisions are entitled to a bonus. If a member of the Executive Board performs a dual function, the bonus is based on the higher function only. At Executive Board level, Herbert Nicklaus performed a dual function as Head of Energy Services and General Manager of the Alpiq Anlagentechnik business unit, and Peter Heydecker performed a dual function as Head of Trading & Services and General Manager ad interim of the Middle Office & Operations business unit.

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### Structure of remuneration

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In 2009, Executive Board members were paid remuneration consisting of a fixed, non-performance-related base salary and a variable, performance-related salary. The variable salary, in turn, is divided into a short-term performance-related component (Short-Term Bonus, STB) and a long-term performance-related component (Long-Term Incentive, LTI). While payment of the STB is based on personal and financial objectives, payment of the LTI is indexed to the long-term increase in shareholder value.

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#### Short-Term Bonus (STB)

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The aim of this short-term bonus component is to motivate management and provide rewards for business performance on the basis of annual results.

Payment of 30% of the nominal value of the STB is based on the achievement of up to six personal performance objectives (qualitative components). These concern, for example, the fulfilment of clearly defined, measurable project targets, efficiency goals and the achievement of milestones, but not financial targets.

70% of the payment is dependent on achieving the EBIT (profit before interest and tax) targets defined by the NRC at the beginning of the financial year (quantitative/financial component).

The quantitative component is calculated by factoring in the target EBIT (100%) defined by the NRC. If the target EBIT is achieved, the financial component amounts to 100% of the defined proportion of the nominal value. No additional payment of the quantitative components is made if EBIT exceeds the EBIT cap set by the NRC. The quantitative component of the STB is also subject to a benchmark coefficient which can increase or reduce the amount paid out. To this end, the EBIT achieved is compared with the levels of Alpiq's competitors. If EBIT is below the EBIT floor defined by the NRC, no quantitative component of the STB is paid out.

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#### Long-Term Incentive (LTI)

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The aim of the LTI is to motivate members of the Executive Board to contribute to enhancing Alpiq's medium- to long-term shareholder value in the interests of sustainable corporate management. Actual payment is therefore made only three years after the LTI has been granted. Economic Value Added (EVA) is applied as an indicator of sustainable growth in shareholder value. The LTI is paid in cash.

The nominal value of the LTI is defined by the NRC at the beginning of the financial year. Payment of the LTI is based on reaching the defined EVA targets after three years. Every year the NRC determines the target EVA figures on the basis of Alpiq's corporate plans approved by the Board of Directors. If the sum of the defined EVA targets is reached after three years, 100% of the nominal value is paid out as an LTI. No additional payment is made if EVA exceeds the EVA cap set by the NRC. The amount paid out as LTI can be additionally increased or reduced by applying the EBIT benchmark coefficient. To this end, the EBIT achieved in the year in question is compared with the levels of Alpiq's competitors (see also STB).

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### Capping and other regulations

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The amount of the base salary and the two bonus components, STB and LTI, may not exceed three times the base salary of any Executive Board member. Remuneration in excess of this ceiling is not paid out.

Irrespective of this rule, however, the NRC is authorised to grant special bonuses to individuals in exceptional cases.

In justifiable exceptional cases, the NRC may also decide that the CEO (at the request of the Chairman of the Board) or the head of a business or functional division (at the request of the CEO) should be paid no bonus (STB and/or LTI).

The bonus payment constitutes taxable income and is therefore subject to all social security deductions and contributions (AHV/IV/ALV/EO) paid by Alpiq.

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### Amount of remuneration

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In 2009, remuneration paid to the Executive Board totalled CHF 9.3 million (CHF 8.3 million), of which current remuneration payments accounted for CHF 7.7 million (CHF 7.2 million) and pension benefits for CHF 1.6 million (CHF 1.1 million). The amounts in brackets refer to the prior year. Details of remuneration are provided on page 160 of the Financial Report.

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### B. Directors' remuneration

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In 2009, remuneration paid to Alpiq Directors totalled CHF 4.2 million (CHF 2.4 million), of which current remuneration payments accounted for CHF 4.0 million (CHF 2.3 million) and pension benefits for CHF 0.2 million (CHF 0.1 million). The amounts in brackets refer to the prior year.

Directors' remuneration comprises fees, expenses and ancillary payments. These components are non-performance-related. In spring 2009, the Directors received a bonus for 2008, but it was decided to stop paying bonuses from the 2009 financial year. Details of payments made to Directors are provided on pages 158 to 159 of the Financial Report.

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## Shareholders' participation rights

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

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### Agenda

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Shareholders' participation rights are governed by law and the company's Articles of Association. The Articles of Association can be downloaded from the company's website at [www.alpiq.com/statuten](http://www.alpiq.com/statuten).

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

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## Change of control and defensive measures

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### Mandatory offer

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Purchasers of majority shareholdings in Alpiq Holding Ltd. are not required to make a public tender offer pursuant to the Swiss Stock Exchange and Securities Trading Act (opting out). The Articles of Association do not provide for any other defensive measures.

### Change-of-control clauses

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The Executive Board members' employment contracts do not contain any change-of-control clauses.

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## Auditors

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Ernst & Young Ltd, Zurich, has served as statutory auditors of Atel Holding Ltd/ Alpiq Holding Ltd. and as Group auditors since 2002. The statutory and Group auditors are appointed by the Annual General Meeting for a one-year term of office. Their performance and fees are reviewed annually. Ernst & Young Ltd's current lead audit partner has performed this function since 2006. For the last financial year, Ernst & Young Ltd received fees of approximately CHF 7.61 million for serving as statutory and Group auditors. Of this amount, approximately CHF 5 million was paid for audit services, approximately CHF 1 million for audit-related services, approximately CHF 1.37 million for tax services and approximately CHF 0.24 million for transaction support.

When approving the audit fees, the Audit and Risk Committee particularly took into account that the number of companies to be audited has increased since Atel and EOS merged. Another criterion was the key audit areas that had been agreed with the auditors in advance.

### External audit information mechanisms

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

## **Information policy**

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Alpiq keeps its shareholders, potential investors and other stakeholder groups informed comprehensively, promptly and regularly through its annual, interim and quarterly reports, annual media and financial analyst conferences, and Annual General Meetings. Our communication channels also include our regularly updated website at [www.alpiq.com](http://www.alpiq.com) as well as media releases on important events. Contact addresses are listed on the website under [www.alpiq.com/contact](http://www.alpiq.com/contact). Key dates for the current financial year are listed on page 165.

## **General Meetings in 2009**

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At the Extraordinary General Meeting held on 27 January 2009, 502 shareholders voted in favour of all the proposals put forward by the Board of Directors, clearing the way for the merger between Atel and EOS to form Alpiq as resolved on 18 December 2008 and for the new company to start operating on 1 February 2009. Atel Holding Ltd was renamed Alpiq Holding Ltd. and the registered office was transferred to Neuchâtel. Hans E. Schweickardt took over as Chairman of the Board from Rainer Schaub. Guillaume de Forceville, Claude Lässer, Daniel Mouchet, Guy Mustaki and Jean Yves Pidoux were elected as new Directors, while Rainer Schaub, Dominique Dreyer and Marcel Guignard stood down.

At the Annual General Meeting of Alpiq Holding Ltd. held on 23 April 2009, the 575 shareholders present approved the 2008 consolidated financial statements of the Atel Group as well as the 2008 Annual Report and 2008 financial statements of Atel Holding Ltd. The meeting also voted in favour of the Board of Directors' proposal to pay a dividend of CHF 10 per registered share of Alpiq Holding Ltd. The acts of the Board of Directors were ratified.

# Board of Directors

**1 Hans E. Schweickardt**  
Chairman

- Dipl. Math. ETHZ
- Swiss national

**2 Marc Boudier**  
Deputy Chairman

- Dipl. rer. pol. Master of Law
- French national

**3 Christian Wanner**  
Deputy Chairman

- Farmer, Member of the Solothurn Cantonal Government
- Swiss national

**4 Pierre Aumont**  
Director

- Engineer
- French national

**5 Hans Büttiker**  
Director

- Dr. sc. tech., Dipl. El-Ing. ETHZ
- Swiss national

**6 Guillaume de Forceville**  
Director

- Graduate of ESC Bordeaux, Finance
- French national

**7 Philippe V. Huet**  
Director

- Dipl. Ing.
- French national

**8 Claude Lässer**  
Director

- Lic. rer. pol.,  
Councillor of State, Canton of Fribourg
- Swiss national

**9 Daniel Mouchet**  
Director

- Architect
- Swiss national

**10 Guy Mustaki**  
Director

- Solicitor, Professor at the University of Lausanne
- Swiss national

**11 Jean-Yves Pidoux**  
Director

- Doctor of Sociology and Anthropology,  
Lausanne City Councillor
- Swiss national

**12 Alex Stebler**  
Director

- Dr. oec.
- Swiss national

**13 Urs Steiner**  
Director

- Energy engineer, HTL
- Swiss national

**14 Giuliano Zuccoli**  
Director

- Electrical engineer
- Italian national



# Executive Board

**1 Giovanni Leonardi**  
**CEO**

- Dipl. El.-Ing. ETHZ
- Swiss national
- Born 1960
- Joined the Alpiq Group in 1991, CEO since 2004
- Chairman of Società Elettrica Sopracenerina SA, Locarno; Director of Romande Energie Holding SA, Morges

**2 Michael Wider**  
**Head of Energy Switzerland, Deputy CEO**

- Lic. iur. / MBA
- Swiss national
- Born 1961
- Joined the Alpiq Group in 2003, member of the Executive Board since 2009

**3 Kurt Baumgartner**  
**Head of Financial Services, CFO**

- Lic. rer. pol.
- Swiss national
- Born 1949
- Joined the Alpiq Group in 1975, member of the Executive Board since 1992
- Chairman of PKE Pensionskasse Energie, Zurich; Director of Rätia Energie AG, Poschiavo, and AEK Energie AG, Solothurn

**4 Reinhold Frank**  
**Head of Energy Central Europe**

- Dipl. Ing.
- German national
- Born 1955
- Joined the Alpiq Group in 2006 as a member of the Executive Board

**5 Peter Heydecker**  
**Head of Trading & Services**

- Dipl. El. Ing. HTL
- Swiss national
- Born 1966
- Joined the Alpiq Group in 2003, member of the Executive Board since 2009
- Member of the European Energy Exchange (EEX) Council

**6 Herbert Niklaus**  
**Head of Energy Services**

- Dipl. El.-Ing. ETHZ
- Swiss national
- Born 1955
- Joined the Alpiq Group in 1996, member of the Executive Board since 2005
- Director of Società Elettrica Sopracenerina SA, Locarno, and AEK Energie AG, Solothurn

**7 Benoît Revaz**  
**Head of Business Development**

- Lic. iur./MSCOM  
(Executive Master of Science in Communications Management)
- Swiss national
- Born 1971
- Joined the Alpiq Group in 2004 as a member of the Executive Board

**8 Heinz Saner**  
**Head of Management Services**

- Lic. iur., solicitor and notary
- Swiss national
- Born 1957
- Joined the Alpiq Group in 1988, member of the Executive Board since 2004

**9 Antonio M. Taormina**  
**Head of Energy Western Europe**

- Dipl. Math. ETHZ
- Swiss and Italian national
- Born 1948
- Joined the Alpiq Group in 1999 as a member of the Executive Board
- Director of A2A S.p.A., Milan, Rätia Energie AG, Poschiavo, and Società Elettrica Sopracenerina SA, Locarno

