



Hans E. Schweickhardt,  
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