Atel Group

Financial Report 2007

Key figures 2007

Atel Group

	+/– variance 2006–2007 in % (based on CHF)	2006 CHF million	2007 CHF million	2006 EUR million	2007 EUR million
Energy sales (TWh)	11.4	115.642	128.841	115.642	128.841
Net revenue	18.7	11 334	13 452	7 205	8 187
Energy	18.4	9 716	11 505	6 177	7 002
Energy Services	20.5	1 626	1 959	1 034	1 192
Earnings before interest, tax, depreciation and amortisation (EBITDA)	20.4	1 041	1 253	662	763
Depreciation	–22.8	–202	–248	–128	–151
Release of value adjustments on assets		257	–	163	–
Earnings before interest and tax (EBIT)	–8.3	1 096	1 005	697	612
as % of net revenue		9.7	7.5	9.7	7.5
Group profit	–10.9	873	778	555	474
as % of net revenue		7.7	5.8	7.7	5.8
Net investments	158.1	229	591	146	360
Total equity	23.6	2 930	3 621	1 823	2 188
as % of total assets		32.5	38.6	32.5	38.6
Total assets	4.2	9 009	9 385	5 606	5 671
Employees*	6.7	8 467	9 034	8 467	9 034
plus trading in standardised products					
in TWh	9.0	201.892	220.115	201.892	220.115
in CHF million or EUR million	15.9	13 708	15 885	8 715	9 668

* Average number of full-time equivalent employees

Per share information [1]

	+/– variance 2006–2007 in %	2006 CHF	2007 CHF
Nominal value	–	20	20
Share price at 31.12.	59.2	380	605
High	56.7	386	605
Low	57.9	235	371
Net profit	–9.5	42	38
Dividend		4.80	–
Reduction of nominal value [2]		–	10

1 All values are considering the split of shares done in November 2007
2 Proposal to the Annual General Meeting of 24 April 2008

Table of Contents

Review of the years 2003–2007 for the Atel Group

Income statement

CHF million	2003	2004	2005	2006	2007
Net revenue	5 285	6 867	8 580	11 334	13 452
Variance in % over prior year	42.8	29.9	24.9	32.1	18.7
Variance in % over prior year in same scope of consolidation	14.1	31.2	24.4	31.2	15.9
Other operating income	202	211	220	261	247
Total operating result	5 487	7 078	8 800	11 595	13 699
Operating expenses before depreciation	– 4 807	– 6 347	– 8 070	– 10 554	– 12 446
Earnings before interest, tax, depreciation and amortisation (EBITDA)	680	731	730	1 041	1 253
Depreciations	– 256	– 249	– 196	– 202	– 248
Reversal of impairment on assets	–	–	–	257	–
Earnings before interest and tax (EBIT)	424	482	534	1 096	1 005
Finance income	– 53	– 50	– 39	– 6	– 7
Income taxes	– 99	– 104	– 94	– 217	– 220
Net profit Atel Group	272	328	401	873	778
Variance in % over prior year	71.1	20.6	22.3	117.7	– 10.9
as % of net revenue	5.1	4.8	4.7	7.7	5.8
Minority interests in net profit	– 129	– 153	– 173	– 369	– 315
Net profit attributable to Atel Holding shareholders	143	175	228	504	463
Employees*	8 114	7 881	8 377	8 467	9 034

* Average number of full-time equivalent employees

Balance sheet

CHF million	2003	2004	2005	2006	2007
Total assets	6 392	6 284	7 404	9 009	9 385
Assets					
Fixed assets	3 937	3 924	4 134	4 840	5 360
Current assets	2 455	2 360	3 270	4 169	4 025
Equity and liabilities					
Total equity	1 660	1 899	2 247	2 930	3 621
as % of total assets	26.0	30.2	30.3	32.5	38.6
Liabilities	4 732	4 385	5 157	6 079	5 764

Per share information [1]

CHF	2003	2004	2005	2006	2007
Nominal value	20	20	20	20	20
Share price at 31.12.	117	195	240	380	605
High	117	197	298	386	605
Low	88	118	191	235	371
Group profit	11	14	18	42	38
Dividend	1.80	2.00	3.20	4.80	–
Reduction of nominal value [2]	–	–	–	–	10

1 All values are considering the split of shares done in November 2007

2 Proposal to the Annual General Meeting of 24 April 2008

Excellent results achieved

The Atel Group recorded excellent results in financial year 2007. Revenue and operating results achieved record values. In the dominating Energy segment, physical energy sales and consolidated revenue were encouragingly increased and results significantly above expectations were achieved. The Energy Services segment also recorded a remarkable growth in revenue and profits compared to prior year. In difference to a pure operational view, the results stated for 2007 are below the values of 2006, as they were influenced in 2006 by important special income.

Thanks to the growth in sales and trading, the sales of electricity of the Atel Group increased by 11 % to 129 billion kWh compared to prior year. The consolidated revenue of the entire Group increased by 19 % to around CHF 13.5 billion. The consolidated operating profit (EBIT) of CHF 1 005 million is 31 % and the Group profit of CHF 778 million is 29 % above prior year values, adjusted by the special income recorded in prior year. Including the special income, the Group profit is 11 % below 2006.

In addition to the physical energy trading, the Atel Group has processed in the reporting period 220 TWh (+ 9 %) in the value of CHF 15.9 billion (+ 16 %) through financial forward transactions with standard products. The trading result recorded including the valuation of unsettled positions as at balance sheet date was CHF 63 million (prior year: CHF 59 million).

Thanks to the excellent result and the conservative investment activity, the balance structure has further improved. Despite an important reduction of financial liabilities, the liquidity including time deposits as at balance sheet date is above CHF 1 billion. 68 % of total assets are financed on a long -term basis.

In 2008 we are aiming for continued sustained and value-oriented growth through the expansion of European trading, the strengthening of sales in our key markets as well as with targeted acquisitions and own construction projects in power generation. Furthermore, the profitability of the Energy Services segment shall be kept and strengthened on the level achieved. For the entire Atel Group we are therefore expecting for 2008 an increase of revenues and stabilising earnings on the high levels of 2007. The ongoing liberalisation of different European energy markets and their consequences on our business activity represent important requirements on achieving these expectations.

European trading and sales expanded

Southern/Western Europe: Successful sales activities in Italy and France

The Italian market region was able to increase revenues and results significantly compared to prior year, although the electricity exports from Switzerland to Italy were sensibly reduced as a consequence of changes in the operation of the grid. This decrease in revenues was compensated by Atel Energia which is active on the local market. Spot prices on IPEX, which were below prior year level on average, were compensated with sales at fixed prices, the expansion of sales activities and the good result in the balancing energy market.

The own power generation in Italy developed overall on a satisfactory level. The participations in power plants in the area of renewable energy acquired at the end of 2006 had a positive impact on revenue and results. Thanks to better hydrological circumstances, the power plant portfolio of Edipower achieved a higher power generation output than in 2006.

Thanks to the dynamic expansion of sales activities, the market region France achieved once again a significant growth in revenue and result compared to prior year. All necessary authorisations for the 400-MW-gas-fired combined cycle power station Bayet, which shall start operations at beginning of 2011, were received in the reporting period. After its start in 2006, the market unit Spain has successfully handled its first transactions.

Northern/Eastern Europe:
Successful expansion thanks to exploitation of opportunities

The high diversification ratio of the trading portfolio in the market region Central/Eastern Europe proved to be one of the most important drivers for the good result of this unit in the volatile local markets. This promoted an intensification of the trading activities in the short- as well as in the mid-term product portfolio, which led to a significant increase in revenues compared to prior year.

The shortage in energy – due to a lack of power generation and increasing demand – in Southern/Eastern Europe led to higher prices and a rise in price volatility. Thanks to the good positioning, resulting possibilities for arbitrage in cross-border energy trading were used profitably. The market position in the region was significantly enhanced with the acquisition of a very successful local trading company in Romania at the end of 2007. On the other hand, the mild temperatures together with an above-average availability of hydraulic energy in the first quarter caused an overcapacity of energy and decreasing electricity prices in Northern/Eastern Europe. A negative impact also came from the introduction of an increase in export duties as a measure of local administration against rising prices as well as increasing uncertainties on future general conditions.

Thanks to very high availability, successful cost management as well as skilful exploitation of local sales opportunities, the two power plant units of Csepel (Budapest) and Kladno (Prague) once again recorded encouraging results. However, the fall of the prices for CO_2-certificates during 2007 as well as the mild temperatures in the first quarter 2007 with resulting lower heat deliveries had a reducing impact on profits compared to prior year.

In 2007, the market region Northern Europe continued to expand its customer base and thus its sales and revenues. In addition, an optimisation of the margin was achieved with the sale of flexible tailor-made products. Thanks to the signing of a long-term energy supply contract, the basis for further expansion of business activities was set. The adjustment of the activities in 2006 of Energipartner Group operating in Scandinavia is showing increasing results. Revenues and profits, mainly in the areas of trading and origination, were significantly improved.

Switzerland: Situation-related growth

Thanks to the successful signing of contracts, the market region Switzerland has reinforced its business activity with small and large end customers, sales partners and power exchange companies. As a consequence, sales and revenues were increased. The power generation developed on a very stable basis. As in prior year, the values of hydraulic energy generation remained below the long-term average; however they were significantly above the comparable values of 2006. Mainly in fourth quarter 2007, the flexible offer of the storage power stations was used profitably at very high market prices. The nuclear power plants once again reached high availability and contributed significantly to the good results. The free available capacities of the entire power plants portfolio, sold at market prices, one again contributed an important amount to the Group result. For the planned gas-fired combined cycle power station (55 MW) on the land of the chemical industry in Monthey, we have received a legally binding construction permit. A positive development was again recorded in the grid operations, where strict cost management caused a significantly improved result.

Trading: Successful in a challenging market environment

The European-oriented trading was able to exceed the excellent results of prior year, despite a more difficult general environment. Especially the asset trading successfully used the volatility in the spot market. In cross-border trading, the growing influence of foreign grid operators became increasingly noticeable. Despite the growing restrictions, the area achieved higher results thanks to optimal positioning. On the other hand, the revenues from trading with electricity derivatives developed as expected. However, the increasing influence of competitors from the financial industry as well as the generally tight market for required specialists were noticed in this area. Trading with the commodities coal, gas and now also CO_2-certificates has again gained importance. Growth as expected was also achieved in this area.

Energy Services: Successful participation in the economic boom

Based on the good economic situation in the key markets Germany, Switzerland and Italy, the Energy Services segment generated an outstanding result in 2007. Besides an encouraging business development, the restructuring and reorganisation of existing companies was completed and new acquired companies were successfully integrated. The past reporting period was especially successful regarding the acquisition of important projects such as Alp Transit Gotthard at AIT or the construction of conventional large-scale power plants at GAH. Thanks to the important order backlog at the beginning of the current year, a continuing positive development is expected on a short- and mid-term perspective.

Atel Group: High organic growth

Atel Group has increased its consolidated net revenue compared to prior year by 19 % to CHF 13.5 billion. Adjusted for the changed scope of consolidation and in local currencies, the growth was 16 %. Both the Energy segment as well as Energy Services contributed to this increase. The sales volume rose by 11 % to 129 TWh compared to prior year and the revenue in the Energy segment by 18.4 % to CHF 11 505 million. The revenue from financial forward contracts with standard products reached CHF 15.9 billion (+ 16 %) at a volume sold of 220 TWh (+ 9 %). The trading result from these traded products amounts to around CHF 63 million (prior year: CHF 59 million) and is shown in net revenues. This result comprises only the result from financial trading transactions with electricity, gas, coal and CO_2-certificates without the revenues from spot and asset trading.

The Energy Services segment also recorded a significant gain in revenues with an increase of 20.5 % to CHF 1 959 million. The growth was generated primarily on an organic basis through the acquisition of numerous large orders, mainly in the category of industrial and power plant projects. First consolidations at AIT Group also showed a decisive impact. With an unchanged scope of consolidation in local currency, the segment recorded an organic growth in revenues of around 15 %.

EBIT: Operational performance compensates major part of prior year's special influences

The consolidated operational profit (EBIT) of CHF 1 005 million again increased on an operating level compared to prior year. Excluding the one-off special income amounting to CHF 332 million that was recorded in 2006, the Atel Group generated an increase of CHF 241 million or 31.5 % in 2007 versus a comparable value of CHF 764 million in prior year. On an operational basis, mainly the extraordinary strong performance in trading and sales, the stable power generation, the optimised operation of the power plants as well as the results of the Energy Services segment contributed to this improvement in results. Including the special income, the operating profit is around CHF 90 million or 8 % below prior year value. The effects on result coming from foreign currency conversion and the changed scope of consolidation were insignificant overall.

Once more improved financial and investment earnings

The net finance expense of CHF 7 million is virtually on prior year level (CHF 6 million). Mainly the increase in interest income based on the higher liquidity had a positive impact on the result. On the other hand, reduced revenues from foreign currency conversion charged the result compared to the prior year period. A significant influence on the result reported always comes from the market valuation of financial investments. Based on the once more encouraging price development of these energy securities, the revenues recorded in 2007 were on prior year level.

Despite the slightly lower Group profit, the tax charge reported is above prior year value, which is mainly due to the tax-free special income recorded in 2006. The weighted, effective income tax rate of 22.0 % is above prior year value (19.9 %). The rate is significantly influenced by the changing of the individual country companies' stakes in the overall Group result.

Operating Group profit at new record level

The Group profit reported of CHF 778 million is CHF 95 million or 10.9 % below prior year value. Excluding the already mentioned special influences in 2006, the Group result is 28.8 % or CHF 174 million above comparable prior year values.

Consolidated balance sheet: Financial situation further improved

The equity ratio of 33 % at the end of 2006 has increased to 39 % as of 31.12.2007. 68 % of total assets are financed on a long-term basis through long-term liabilities and equity (prior year: 69 %). The ratio of net debt as a percentage of total equity decreased from 30 % to 20 %.

Total assets increased by CHF 0.4 billion to CHF 9.4 billion. On the asset side, fixed assets rose by CHF 0.5 billion, whereas current assets reduced by CHF 0.1 billion.

On the one hand, the growth of the fixed assets includes the investments in renewable energies in Switzerland and the sales company in Romania. On the other hand, an important part of the increase is due to the renewal and expansion of existing operating and infrastructure facilities as well as the impact of the currency conversion of foreign subsidiaries.

The most significant changes in current assets are related to the development of liquidity and securities as well as the derivative financial instruments stated on the balance sheet. The liquidity including time deposits reached an amount of around CHF 1 070 million as of 31.12.2007 (prior year: CHF 1 340 million). Based on the dynamic development of the activities in the energy trading business, the level of receivables has increased. In contrast, the replacement values of derivative financial instruments stated on the balance sheet reduced significantly in the reporting period. On the one hand, the decrease is due to the expansion of the netting agreements with counterparties in trading and on the other hand to the development of the trading volumes.

On the liabilities side, the strong decrease in the long-term financial liabilities includes the early repayment of a bond of CHF 200 million by Aare-Tessin Ltd. for Electricity as well as the replacement of an external project financing of around CHF 220 million through group-internal loans. The other variances in balance sheet positions are within the range expected, based on the operating activities.

Outlook

In the Energy segment, we will further expand our trading and sales activities on all markets in an intensive and focused manner. For 2008, we therefore once again expect increasing sales volumes, mostly in Trading, in sales in Germany, France and Eastern Europe. In addition, the sales company in Romania acquired at the end of 2007 will have a positive impact on the development of the Group. On the other hand, we assume competition will become even more intensive in currently regulated countries; market prices will show a sideways movement and thus a tendency towards sinking margins. In addition, we are expecting a further increase of the transmission costs as a consequence of legal restrictions, bottlenecks in the grids and auctions of cross-border capacities.

In the Energy Services segment, after the outstanding operational results in 2007, we want to keep and strengthen the level of results achieved. The good order situation at the beginning of the year will serve as a solid basis for the achievement of the goals.

In the current year, we will again use possibilities to realise economically interesting investments that fit our strategy to reinforce our business activity. Most of all, we want to further reinforce our power generation capacity and procurement possibilities. The Energy Services segment shall be expanded by targeted meaningful investments and the quality of the grid and the infrastructure kept on a high level.

For financial year 2008, Atel Group is expecting to continue increasing sales and revenue volumes as well as important investment projects. The operating results are expected, except for extraordinary events, to show values on the level of the year 2007. On an overall basis from today’s perspective, we deem it will be very challenging to repeat the reported results of the prior year. This is considering an expected further increase of regulatory interventions in different markets.

Consolidated Income Statement

CHF million	Note	2006	2007
Net revenue	29	**11 334**	**13 452**
Proportionate earnings of associated companies		149	74
Capitalised cost		14	19
Other operating income	1	98	154
Total operating result		**11 595**	**13 699**
Energy and goods purchased	2	–9 443	–11 265
Materials and external services		–81	–78
Personnel expenses	3	–704	–785
Other operating expenses		–326	–318
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**1 041**	**1 253**
Depreciation	4	–202	–248
Reversal of impairment on assets*	5	257	–
Earnings before interest and tax (EBIT)		**1 096**	**1 005**
Finance income	6	–6	–7
Earnings before income tax		**1 090**	**998**
Income tax	7	–217	–220
Net profit Atel Group	8	**873**	**778**
Minority interests in net profit		–369	–315
Net profit attributable to Atel Holding shareholders		**504**	**463**
Earnings per share in CHF	8	**42**	**38**

* Net, including requirement for increase provisions on energy delivery obligations

Consolidated Balance Sheet

Assets

CHF million	Note	31.12.2006	31.12.2007
Tangible fixed assets	9	2 361	2 489
Intangible assets	10, 11	589	670
Investments in associates	12	1 529	1 784
Long-term financial assets	13	242	308
Deferred income tax assets	7	119	109
Fixed assets		**4 840**	**5 360**
Inventory	15	109	104
Trade and other receivables	14	1 861	2 187
Time deposits		270	91
Cash	16	999	973
Securities under current assets	17	70	3
Derivative financial instruments		823	616
Assets of disposal group classified as held for sale	23	4	–
Accrued assets		33	51
Current assets		**4 169**	**4 025**
Total assets		**9 009**	**9 385**

Equity and Liabilities

CHF million	Note	31.12.2006	31.12.2007
Issued capital	18	256	256
Share premium		33	33
Treasury shares		– 168	– 2
Retained earnings		1 390	1 798
Equity attributable to Atel Holding shareholders		**1 511**	**2 085**
Equity attributable to minority interests		1 419	1 536
Total equity		**2 930**	**3 621**
Provisions	19	658	588
Deferred income tax liabilities	7	389	516
Long-term financial liabilities	20	2 046	1 476
Other long-term liabilities	21	171	155
Non-current liabilities		**3 264**	**2 735**
Current income tax liabilities		112	44
Short-term financial liabilities		182	307
Other short-term liabilities	22	1 364	1 694
Derivative financial instruments		769	580
Accrued liabilities		388	404
Current liabilities		**2 815**	**3 029**
Total liabilities		**6 079**	**5 764**
Total equity and liabilities		**9 009**	**9 385**

Statement of Changes in Equity

CHF million	Issued capital	Share premium	Unrealised gains and losses from IAS 39	Treasury shares	Translation differences	Retained earnings	Equity attributable to Atel Holding share-holders	Equity attribu-table to minority interests	Total equity
Equity 31.12.2005	**253**	**0**	**0**	**0**	**10**	**908**	**1 171**	**1 076**	**2 247**
Change in currency translation					40		40	30	70
Total recorded earnings and expenses within equity					**40**		**40**	**30**	**70**
Profit for the year						504	504	369	873
Total profit					**40**	**504**	**544**	**399**	**943**
Increase in capital stock	3						3		3
Increase in share premium		33					33		33
Purchase of treasury stock				– 168			– 168		– 168
Dividend payment						– 38	– 38	– 40	– 78
Change in minority interests						– 23	– 23	– 9	– 32
Reclassification of the obligations on put options to long-term liabilities						– 11	– 11	– 7	– 18
Equity 31.12.2006	**256**	**33**	**0**	**– 168**	**50**	**1 340**	**1 511**	**1 419**	**2 930**
Change in currency translation					40		40	26	66
Change in market value			1				1	1	2
Total recorded earnings and expenses within equity			**1**		**40**		**41**	**27**	**68**
Profit for the year						463	463	315	778
Total profit			**1**		**40**	**463**	**504**	**342**	**846**
Exchange of shares*				166		– 23	143	– 143	0
Dividend payment						– 58	– 58	– 51	– 109
Change in minority interests						– 15	– 15	– 31	– 46
Equity 31.12.2007	**256**	**33**	**1**	**– 2**	**90**	**1 707**	**2 085**	**1 536**	**3 621**

* For explanations see note 18

The public swap offer of Atel Holding Ltd published on 12 November 2007 was successfully concluded on 10 January 2008. In the course of this transaction, the share capital of Atel Holding Ltd increased by around CHF 180 million and the share premium by CHF 306 million after the balance sheet date 31 December 2007.

The Board of Directors of Atel Holding proposes to the Annual General Meeting of 24 April 2008 to perform for financial year 2007, instead of a dividend payment, a capital reduction of CHF 218 million as a refunding of the nominal value of CHF 10 per registered share. In prior year, a dividend of CHF 4.80 per share (considering the share split of 7 November 2007) was paid.

Consolidated Cash Flow Statement

CHF million	Note	2006	2007
Earnings before interest, tax and depreciation (EBIT)		**1 096**	**1 005**
Adjustments for:			
Capitalised costs	9	–14	–19
Depreciation and impairments	4	202	248
Addition, appropriation and release of provisions	19	54	–55
Profit/loss from sale of fixed assets		–1	–10
Reversal of impairment loss on power plants and participations in power plants	9, 12	–329	
Other positions not affecting payments		0	–10
Proportionate earnings of associates	12	–149	–74
Dividend yield from associates and financial investments		35	38
Interest payments		–76	–78
Interest receipts		20	45
Other finance expense		–3	–17
Other finance income		19	25
Income tax paid		–88	–181
Change in net current assets (excluding short-term financial receivables/liabilities)		–77	–22
Cash flow from operating activities		**689**	**895**
Tangible fixed and intangible assets			
Investments	9, 10	–194	–230
Disposals		28	39
Subsidiaries			
Acquisitions	30	–93	–139
Disposals	31	–26	4
Change in shareholding proportions		–5	–47
Associates			
Investments	12	–61	–203
Disposals	12	113	
Long-term financial assets			
Investments	13	–18	–26
Disposals/repayments	13	27	11
Change in time deposits		–243	177
Acquisition/disposal of securities		–27	68
Cash flow from investment activities		**–499**	**–346**
Dividend payments		–38	–58
Dividends paid to minority interests		–40	–51
Repurchase of treasury stock		–168	
Increase in financial liabilities		375	190
Repayment of financial liabilities		–207	–666
Cash flow from financing activities		**–78**	**–585**
Change resulting from currency translation		**15**	**10**
Change in cash and cash equivalents		**127**	**–26**
Statement:			
Cash and cash equivalents on 1.1.		872	999
Cash and cash equivalents on 31.12.		999	973
Change		**127**	**–26**

Free cash flow

CHF million	2006	2007
Cash flow from operating activities	689	895
Replacement investments in fixed assets	–135	–138
Sales of tangible and intangible assets	28	39
Free cash flow	**582**	**796**

Atel Accounting Principles

Atel accounting principles

Accounting principles for the consolidated financial statements

The consolidated financial statements of Atel Group (formerly Motor-Columbus Group) were prepared in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards Board (IASB) guidelines as well as the applicable Swiss statutory regulations. The financial statements give a true and fair view of the Atel Group's financial position, results of operation and cash flows. The financial statements are based on historic costs, except for specific items such as financial instruments, as well as financial assets that are eligible for disposal. These items are reported at their market value. The Board of Directors authorised the consolidated financial statements on 14 February 2008 for approval by the Annual General Meeting on 24 April 2008.

New and revised accounting and valuation policies

Group accounting and valuation policies are essentially the same as those applied in the prior year. As of 1 January 2007, the following International Financial Reporting Standards (IFRS) became effective and were applied by Atel Group:

– IAS 1 rev.: Presentation of Financial Statements: Capital Disclosures (1.1.2007)
– IFRS 7: Financial Instruments: Disclosures (1.1.2007)

The application of these new rules did not have a significant impact on the results and the financial situation of the Atel Group. However, the new standards required extended disclosures on the accounting principles related to "Financial risk management" (pages 33 – 43).

Future IFRS and IFRIC

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

– IFRS 3 rev.:	Business Combinations (1.7.2009)
– IFRS 8:	Operating Segments (effective for the financial year beginning on 1.1.2009)
– IAS 23 rev.:	Borrowing Costs (1.1.2009)
– IAS 27 rev.:	Consolidated and Separate Financial Statements; accounting and valuation of disposals of ownership interests and acquisitions of non-controlling interests (1.7.2009)
– IFRIC 11:	IFRS 2 – Group and Treasury Share Transactions (1.3.2007)
– IFRIC 12:	Service Concession Arrangements (1.1.2008)
– IFRIC 13:	Customer Loyalty Programmes (1.7.2008)
– IFRIC 14:	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (1.7.2008)

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

Where changes have been made in the presentation of the current reporting, comparative data taken over from prior year has been reclassified or completed as required in the consolidated income statement, balance sheet and notes to the consolidated financial statements.

Basis of consolidation

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

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

Minority interests in associates in which Atel Group exercises a significant interest are included in the consolidated financial statements using the equity method. Joint ventures in the Energy segment, operated under common control with partner companies, are included in the consolidated financial statements on the same basis. Atel Group's share in the assets, liabilities, income and expenses of these companies is disclosed in note 12 of the consolidated financial statements.

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

The scope of consolidation and all significant investments, including details of the consolidation method applied and further information, are listed from page 73.

Foreign currencies

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

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

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

Unit	Conversion date 31.12.2006	Conversion date 31.12.2007	Average 2006	Average 2007
1 USD	1.22	1.12	1.25	1.20
1 EUR	1.607	1.655	1.573	1.643
100 HUF	0.64	0.65	0.60	0.65
100 CZK	5.85	6.21	5.56	5.92
100 PLN	41.94	46.05	40.45	43.45
100 NOK	19.51	20.79	19.57	20.50

Intercompany transactions

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

Sales revenue

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

Income taxes

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

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

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

The effects of recognising timing differences are disclosed in note 7 of the consolidated financial statements.

Borrowing costs

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

Discontinued operations and disposal groups

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

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

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

Tangible fixed assets

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

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

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

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

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

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

Business combinations and goodwill

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

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

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

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

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

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

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

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

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

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

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

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

Impairment of goodwill

Goodwill is assigned to the relevant cash-generating units, which generally represent the Group's identifiable regional sales, service and production activities. Goodwill is tested annually for impairment. Where the recoverable amount of the cash-generating unit, which is the higher of the two amounts fair value less costs to sell and value in use, is less than the carrying amount, an impairment loss is recognised. The impairment review method for cash-generating units is described in note 11. Previously recorded impairment losses are not reversed if the recoverable value of goodwill recovers.

Investments in associates and joint ventures

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

A joint venture is a company that is jointly controlled by Atel and one or more other partners under a contractual arrangement. Given this situation, joint ventures are recognised in the consolidation using the equity method independent of their investment quota. Atel Group currently holds investments between 9 and 54 percent in joint ventures.

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

Inventory

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

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

Leasing

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

Construction contracts

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

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

Provisions

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

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

Treatment of CO_2-emission rights

The IASB had issued the interpretation IFRIC 3 for the accounting of emission rights, which should have been mandatory for financial years beginning on or after 1 March 2005. In the meantime, the IASB has decided to withdraw IFRIC 3. On the basis of applicable IFRS guidelines, Atel Group has chosen an accounting method which truly reflects the economic circumstance.

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

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

Employee benefit plans

The Atel Group operates various employee benefit plans in line with legal requirements.

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

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

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

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

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

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

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

Contingent liabilities

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

Segment-related information

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

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

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

Financial instruments

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

Financial assets and liabilities

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

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

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

Assets or liabilities measured at fair value through profit and loss

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

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

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

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

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

Financial investments held-to-maturity

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

Originated loans and receivables

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

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

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

Financial assets available for sale

All other financial assets are assigned as available for sale.

Financial liabilities

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

Impairment and uncollectability of financial assets

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

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

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

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

Hedge accounting

In the reporting period, Atel Group did not enter into any hedging transactions that qualify for hedge accounting.

Estimation uncertainty

Important assumptions and sources of uncertainty in estimates

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

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

Impairment of fixed assets, intangible assets and goodwill

The carrying amount of fixed assets, intangible assets and goodwill for Atel Group as of the balance sheet date 31 December 2007 was approximately CHF 3.2 billion. These assets are tested annually for impairment. This assessment is made on the basis of estimated future cash flows resulting from use and from possible sale of the assets. The actual cash flows may differ significantly from these estimates. Other factors such as changes in the planned useful life of assets or the technical ageing of facilities may shorten the useful lives or result in an impairment loss.

Provisions

The balance of the provision for contractual risks and losses as shown in note 19 amounts to CHF 482 million as of balance sheet date 31.12.2007. The position includes the recognisable risks and obligations at balance sheet date from existing national and international long-term energy purchase and delivery contracts. The amount of provision required was calculated based on a probable cash outflow in relation with the fulfilment of the contracts. The valuations respectively their reviews are performed periodically using the discounted cash flow method; the term extends over the duration of the contractual obligations entered into. Important parameters for the valuations, which are subject to uncertainties and may therefore lead to significant adjustments in following periods, are mainly the assumptions regarding the development of market prices, the long-term interest rates as well as the effects from currency conversions (EUR in CHF).

Acquisitions and disposals of fully consolidated companies

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

Disposals	Proportion of holding	Last date of consolidation:	Segment/Business unit
Franz Lohr GmbH, Ravensburg/DE	90.1 %	29.06.2007	Energy Services North/East
Roospark AG, Wollerau/CH	100.0 %	30.01.2007	Property companies

The companies disposed in financial year 2007 recorded annual revenues of around CHF 40 million and counted approximately 200 employees. The Group received CHF 4 million from the disposals.

Acquisitions	Proportion of holding	First date of consolidation:	Segment/Business unit
Bassi e Scossa SA, Lugano/CH	100.0 %	01.01.2007	Energy Services South/West
Hotz AG, Zürich/CH	100.0 %	31.03.2007	Energy Services South/West
WB AG, Emmenbrücke/CH	100.0 %	08.08.2007	Energy Services South/West
Novintec AG, Landquart/CH	100.0 %	01.10.2007	Energy Services South/West
FINOW GmbH, Eberswalde/DE	100.0 %	01.01.2007	Energy Services North/East
Martin Bohsung GmbH, Bellheim/DE	100.0 %	01.07.2007	Energy Services North/East
EMS Ceská Lípa s.r.o., Ceská Lípa/CZ	100.0 %	31.08.2007	Energy Services North/East
EMS Ústí nad Labem s.r.o., Ústí nad Labem/CZ	100.0 %	31.08.2007	Energy Services North/East
Isento AG, Thal/CH	100.0 %	01.01.2007	Energy Switzerland
Cotlan AG, Rüti/CH	100.0 %	19.03.2007	Energy Switzerland
Birs Wasserkraft AG, Grellingen/CH	100.0 %	05.10.2007	Energy Switzerland
Buzman Industries S.r.l., Bukarest/RO	100.0 %	18.12.2007	Energy North/East

With the acquisitions, the consolidated revenue of Atel Group increased by CHF 71 million compared to prior year.

Financial risk management

General principles

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

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

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

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

Managing capital

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

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

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

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

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

Financial instruments

Book values and fair values of financial assets and liabilities

CHF million	Note	Book value 31.12.2006	Fair value 31.12.2006	Book value 31.12.2007	Fair value 31.12.2007
Financial assets at Fair Value through Profit or Loss					
Securities held for trading	17	70	70	3	3
Positive replacement values of derivatives					
Currency and interest rate derivatives		5	5	15	15
Energy derivatives		818	818	601	601
Total financial assets at Fair Value through Profit or Loss (without financial assets assigned to this class)		**893**	**893**	**619**	**619**
Financial assets assigned to this class					
Financial investments	13	233	233	299	299
Financial assets held-to-maturity					
Assets with fixed maturity					
Originated loans and receivables					
Cash	16	999	999	973	973
Time deposits		270	270	91	91
Trade receivables	14	1 448	1 448	1 721	1 721
Revenue prior to invoicing	14	162	162	136	136
Other financial receivables	14	208	208	249	249
Loans receivable	13	9	9	9	9
Total originated loans and receivables		**3 096**	**3 096**	**3 179**	**3 179**
Total financial assets		**4 222**	**4 222**	**4 097**	**4 097**
Financial liabilities through Profit or Loss					
Negative replacement values of derivatives					
Currency and interest rate derivatives		13	13	10	10
Energy derivatives		756	756	570	570
Total financial liabilities through Profit or Loss		**769**	**769**	**580**	**580**
Other financial liabilities					
Trade payables	22	1 030	1 030	1 210	1 210
Bonds	20	946	971	746	740
Loans payable	20	1 100	1 090	730	685
Other financial liabilities incl. put options	21/22	434	434	469	469
Total other financial liabilities		**3 510**	**3 525**	**3 155**	**3 104**
Total financial liabilities		**4 279**	**4 294**	**3 735**	**3 684**

Expenses/income related to financial assets and liabilities

CHF million	Income statement 2006	Equity 2006	Income statement 2007	Equity 2007
Net profits/losses				
On financial assets and liabilities at Fair Value through Profit or Loss	122		124	
Thereof on financial assets assigned to this class	48		49	
On originated loans and receivables	–3		–4	
On assets available for sale				1
Interest income and interest expense				
Interest income for financial assets, that are not measured at fair value	27		44	
Interest expense for financial liabilities, that are not measured at fair value	–85		–78	
Thereof from the use of the effective interest rate method	–6		–8	

A provision of CHF 10 million (prior year: CHF 6 million) on trade receivables was recorded in the financial year 2007. No provision was recorded on other financial instruments. Further information on the change of the provisions is stated in the table "Analysis of the age of trade receivables".

Credit risk management

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

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

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

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

According to IFRS 7, the sum of the book values of financial assets represents the maximum default risk to which Atel Group is exposed as at balance sheet date. The maximum credit risk resulting as of 31.12.2007 amounts to CHF 4 097 million (31.12.2006: CHF 4 222 million). For a detailed listing please refer to the fair values stated in table "Book values and fair values of financial assets and liabilities". The credit risk is reduced by securities held as well as through contractually agreed mutual netting of all receivables and liabilities with a counterparty, even those which are not stated on the balance sheet as in accordance with IAS 39. In return, the credit risk is increased by costs occurring to Atel due to the settling of failed positions at unfavourable conditions.

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

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

Collateral securities

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

In the reporting year, collateral securities with a book value of CHF 0 million (prior year: CHF 1 million) were collected and converted into financial assets.

Analysis of the age of trade receivables

CHF million	31.12.2006	31.12.2007
Carrying amount before recording of impairment losses	1 513	1 775
Thereof impaired	65	54
Provision for impairment at the beginning of the year	93	65
Charge for additional impairment provision	6	10
Discharge of provision due to losses	– 20	– 2
Dissolution of unused impairment provision	– 14	– 19
Provision for impairment at the end of the year	65	54
Thereof not impaired	1 448	1 721
Not due	1 088	1 465
Due for 1 – 90 days	286	183
Due for 91 – 180 days	15	12
Due for 181 – 360 days	34	15
Due for more than 360 days	25	46

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

Atel Group is holding securities (bank guarantees) for impaired as well as due and not impaired trade receivables with an estimated fair value of CHF 9 million (prior year: CHF 5 million).

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

Liquidity risk

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

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

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

2007: Maturity analysis of the financial liabilities

CHF million	Book value	< 1 Month	1–3 Months	4–12 Months	1–5 Years	> 5 Years	Total
		Cash flows					
Non-derivative financial liabilities							
Trade payables	1 210	1 114	85	1	10		1 210
Bonds	746		15	9	272	599	895
Loans payable	730		7	26	414	456	903
Other financial liabilities	469		12	308	153	7	480
Derivative financial instruments							
Net carrying amount derivative financial instruments	36						
Net carrying amount energy derivatives	31						
Cash inflow gross		1 430	2 624	9 750	2 945	2	16 751
Cash outflow gross		–1 410	–2 592	–9 614	–2 855		–16 471
Net carrying amount interest/currency derivatives	5						
Cash inflow gross		1	7	11	85	38	142
Cash outflow gross		–1	–6	–16	–85	–81	–189

2006: Maturity analysis of the financial liabilities

CHF million	Book value	< 1 Month	1–3 Months	4–12 Months	1–5 Years	> 5 Years	Total
		Cash flows					
Non-derivative financial liabilities							
Trade payables	1 030	948	76	2	4		1 030
Bonds	946		9	17	489	615	1 130
Loans payable	1 100		15	37	544	810	1 406
Other financial liabilities	434		15	267	163	14	459
Derivative financial instruments							
Net carrying amount derivative financial instruments	54						
Net carrying amount energy derivatives	62						
Cash inflow gross		2 158	3 991	14 410	7 798		28 357
Cash outflow gross		–2 157	–3 993	–14 364	–7 741		–28 255
Net carrying amount interest/currency derivatives	–8						
Cash inflow gross		1	9	16	117	69	212
Cash outflow gross			–11	–15	–135	–110	–271

Market risk

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

Energy price risks

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

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

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

Interest rate risks

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

Currency risks

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

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

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

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

Share price risks

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

Sensitivity analysis

For the presentation of market risks, the impacts of realistic and possible fluctuations of the relevant risk variables on profit are listed as followed; in 2006 and 2007 the analysis showed no direct impact on equity. The sensitivities are based on the financial instruments stated at balance sheet date. The realistic and possible fluctuations of the relevant risk variables were determined using the values of historical fluctuations (3 years). Fluctuation of +/– 1 standard deviation point around the calculated arithmetic mean are considered as realistic and possible.

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

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

2007

CHF million	+/– Changes	+/– Impact on the income statement
Energy price risk	51.0 %	16
Currency risk CHF/EUR	3.0 %	4
Currency risk CHF/USD	8.6 %	15
Currency risk CHF/CZK	5.2 %	1
Currency risk CHF/HUF	8.0 %	10
Currency risk CHF/NOK	6.2 %	1
Interest rate risk	0.5 %	2
Share price risk	10.0 %	23

2006

CHF million	+/– Changes	+/– Impact on the income statement
Energy price risk	67.0 %	42
Currency risk CHF/EUR	2.9 %	8
Currency risk CHF/USD	9.6 %	18
Currency risk CHF/HUF	7.2 %	6
Currency risk CHF/NOK	5.8 %	1
Interest rate risk	0.5 %	4
Share price risk	10.0 %	19

Notes to the Consolidated Financial Statements

1 Other operating income

The position includes CHF 70 million from the release of provisions (prior year: CHF 19 million).

2 Energy and goods purchased

CHF million	2006	2007
Purchase of electricity from third parties	7 123	8 737
Purchase of electricity from associates (joint ventures)	349	327
Purchase of electricity from associates (other companies)	431	328
Other power purchase	681	787
Expenditure on goods	859	1 086
Total	**9 443**	**11 265**

3 Personnel expenses

CHF million	2006	2007
Wages and salaries	573	641
Defined benefit pension plans expense	27	27
Defined contribution pension plans expense	4	8
Other personnel expenses	100	109
Total	**704**	**785**

Average number of employees

	2006	2007
Employees (full-time equivalent)	7 918	8 481
Apprentices	549	553
Total	**8 467**	**9 034**

Number of employees at balance sheet date

	31.12.2006	31.12.2007
Employees (full-time equivalent)	8 118	8 824
Apprentices	555	596
Total	**8 673**	**9 420**

4 Depreciation, amortisation and impairment

CHF million	2006	2007
Depreciation of tangible fixed assets	148	186
Amortisation of power subscription rights	51	51
Amortisation/impairment of other intangible assets	3	11
Total	**202**	**248**

Amortisation and impairment on other intangible fixed assets includes an impairment on goodwill of CHF 3 million. This impairment is related to the decided suspension of a power plant project which was purchased in the past together with the acquisition of a company.

No impairments were detected in prior year. Information on the impairment testing of goodwill and intangible assets is disclosed in note 11.

5 Reversal of asset impairment and provision for onerous contracts

Based on the sustainably increased level of market prices, the relevant parameters for the valuation of own power plants and participations in power plants in Switzerland was adapted in prior year. The impairment testing of these plants and participations revealed that the impairment losses recorded in previous reporting periods were to be reversed completely.

Some of Atel Group's power supply contracts are linked directly to the power generation costs of own plants and participations in power plants in Switzerland. The recording of the above reversal of impairment losses on these facilities resulted in an immediate need for provision on existing long-term supply contracts.

As of 31 December 2006, the reversal through profit or loss of previously recorded impairment losses including the provision for onerous contracts was recognised in the following positions:

CHF million	2006	2007
Own power plants		
Reversal of impairment losses - note 9 "tangible assets" (power plants)	154	–
Participations in power plants		
Reversal of impairment losses - note 12 "participations in associates and joint ventures" (joint ventures)	175	–
Dissolution - note 19 "provisions" (annual costs liabilities)	120	–
Provision for onerous contracts		
Allocation – note 19 "provisions" (contractual risks)	–192	–
Total effect from reversal of impairment losses and allocation to provision for onerous contracts	**257**	**–**

6 Finance income

CHF million	2006	2007
Interest income	27	44
Interest expense (including interest on provisions and other long-term liabilities)	–112	–108
Dividend income from financial holdings	3	3
Foreign exchange gains (losses) net	14	9
Other finance income (expense) net	62	45
Total	**–6**	**–7**

7 Income taxes

Income taxes charged to the financial statement

CHF million	2006	2007
Current income taxes	151	114
Deferred income taxes	66	106
Total	**217**	**220**

Reconciliation

CHF million	2006	2007
Earnings before income tax	1 090	998
Expected income tax rate (weighted average)	23.0 %	24.0 %
Income taxes at the expected rate	251	240
Causes for additional/reduced tax expenses:		
Effect of non-tax-deductible expenses	18	15
Effect of prior periods	– 1	5
Effect of tax-exempt income	– 36	– 9
Impairment on tax loss carryforwards	1	0
Effect of tax loss carryforwards use	– 12	– 18
Effect of changes of tax rates	– 5	– 14
Other influences	1	1
Total income tax	**217**	**220**
Actual income tax rate (weighted average)	19.9 %	22.0 %

The change of the expected income tax rate from 23.0 % to 24.0 % (prior year: 26.9 % to 23.0 %) was mainly due to a change in the relative share that the subsidiaries in different countries contribute to the total earnings of the Group.

Deferred tax assets and liabilities by origin of the temporary differences

CHF million	31.12.2006	31.12.2007
Tax losses not used yet	23	26
Tangible fixed assets	43	33
Other fixed assets	1	0
Current assets	9	25
Provisions and liabilities	43	25
Total deferred tax assets	**119**	**109**
Tangible fixed assets	106	120
Other fixed assets	156	192
Current assets	53	43
Provisions and liabilities	74	161
Total deferred tax liabilities	**389**	**516**
Net deferred tax liability	**270**	**407**

As of 31.12.2007, several subsidiaries have available tax loss carryforwards totalling CHF 173 million (prior year: CHF 220 million) that can be offset against taxable income in future periods.

Deferred tax assets are recorded only to the extent of the probable realisation of the related tax loss carryforwards. The Atel Group has tax credits on tax loss carryforwards of CHF 73 million (prior year: CHF 142 million) which are not recognised in the balance sheet.

Tax loss carryforwards can be offset in the following periods:

CHF million	31.12.2006	31.12.2007
Within 1 year	3	21
Within 2 – 4 years	36	11
After 4 years	103	41
Total	**142**	**73**

8 Earnings per share [1]

	2006	2007
Total shares issued	12 781 250	12 781 250
Less treasury shares	– 910 500	– 10 500
Shares in circulation	11 870 750	12 770 750
Weighted average number of shares in circulation	12 005 925	12 325 750
Net income attributable to Atel Holding shareholders in CHF million (prior year: Motor-Columbus shareholders)	504	463
Earnings per share in CHF	**41.98**	**37.56**

1 All stock of shares including prior year are considering the split of shares done in November 2007

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

Atel Holding Ltd has concluded at beginning of January 2008 the exchange of shares of Aare-Tessin Ltd. for Electricity in shares of Atel Holding Ltd. The resulting capital increase caused an increase of the number of shares issued. Details are disclosed in note 28 – post balance sheet date events.

9 Tangible fixed assets

CHF million	Properties	Power plants	Trans-mission plants	Other tangible fixed assets	Plants under con-struction	Total
Gross value as of 31.12.2005	**275**	**1 809**	**1 251**	**262**	**53**	**3 650**
Change in scope of consolidation	5	8		3		16
Investments	13	55	28	41	49	186
Capitalised costs			3		11	14
Reclassifications	– 14	14	11	– 1	– 21	– 11
Disposals	– 33	– 6	– 10	– 29	– 7	– 85
Difference from currency translations	2	88		6	1	97
Gross value as of 31.12.2006	**248**	**1 968**	**1 283**	**282**	**86**	**3 867**
Change in scope of consolidation	3	27		10	– 2	38
Investments	18	22	33	48	104	225
Capitalised costs			4		15	19
Reclassifications	3	2	5	12	– 15	7
Disposals	– 8	– 12	– 43	– 39	– 10	– 112
Difference from currency translations	2	70		7		79
Gross value as of 31.12.2007	**266**	**2 077**	**1 282**	**320**	**178**	**4 123**
Accumulated depreciation as of 31.12.2005	**93**	**602**	**665**	**190**	**0**	**1 550**
Change in scope of consolidation						0
Depreciations	8	64	47	27	2	148
Reversal of impairment losses (note 5)		– 154				– 154
Reclassifications	– 11	8		– 3		– 6
Disposals	– 15	– 6	– 8	– 27	– 2	– 58
Difference from currency translations	1	20		5		26
Accumulated depreciation as of 31.12.2006	**76**	**534**	**704**	**192**	**0**	**1 506**
Change in scope of consolidation	– 5			1		– 4
Depreciations	6	87	49	44		186
Reclassifications	1	4	– 1	1		5
Disposals	– 1	– 14	– 32	– 36		– 83
Difference from currency translations	1	18		5		24
Accumulated depreciation as of 31.12.2007	**78**	**629**	**720**	**207**	**0**	**1 634**
Net value as of 31.12.2006	172	1 434	579	90	86	2 361
Net value as of 31.12.2007	**188**	**1 448**	**562**	**113**	**178**	**2 489**

As at balance sheet date, the Group had contractual obligations for the construction and purchase of tangible fixed assets of CHF 52 million (prior year: CHF 54 million).

No borrowing costs were capitalised in the years 2006/2007.

10 Power subscription rights and intangible assets

CHF million	Power subscrip-tion rights	Goodwill	Other intangible assets	Total
Gross value as of 31.12.2005	**626**	**140**	**159**	**925**
Change in scope of consolidation		41	62	103
Investments			8	8
Difference from currency translations		8	2	10
Gross value as of 31.12.2006	**626**	**189**	**231**	**1 046**
Change in scope of consolidation		73	57	130
Investments			5	5
Reclassification			–4	–4
Difference from currency translations		6	2	8
Gross value as of 31.12.2007	**626**	**268**	**291**	**1 185**
Accumulated amortisation as of 31.12.2005	**318**	**0**	**85**	**403**
Amortisation	51		3	54
Difference from currency translations				0
Accumulated amortisation 31.12.2006	**369**	**0**	**88**	**457**
Amortisation	51		8	59
Impairments		3		3
Reclassification			–3	–3
Difference from currency translations			–1	–1
Accumulated amortisation 31.12.2007	**420**	**3**	**92**	**515**
Net value as of 31.12.2006	257	189	143	589
Net value as of 31.12.2007	**206**	**265**	**199**	**670**

The impairment of goodwill is explained in note 4.

The carrying amount of other intangible assets with an infinite useful life was CHF 45 million on 31 December 2007 (prior year: CHF 45 million). These assets are mainly transmission rights to fixed assets held by third parties whereby the Atel Group enjoys an unlimited period of use according to current assessments. The category of intangible assets with an infinite useful life is allocated to the cash-generating unit “Grid Switzerland” in the Energy segment.

No borrowing costs were capitalised in the years 2006/2007.

11 Impairment testing of goodwill and intangible assets

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

CHF million	Discount rate 31.12.2006	31.12.2006	Discount rate 31.12.2007	31.12.2007
Energy segment				
Power generation Switzerland			5.6 %	15
Power generation Central/Eastern Europe	7.8 %	125	7.8 %	131
Power generation Southern/Western Europe	6.1 %	24	8.0 %	21
Sales Southern/Western Europe	6.8 %	9	8.7 %	9
Sales Central/Eastern Europe	8.2 %	11	8.8 %	55
Grid Switzerland	8.7 %	45	8.7 %	45
Energy Services segment				
Region Southern/Western Europe	6.3 %	19	6.6 %	28
Region Northern/Eastern Europe	8.0 %	1	8.9 %	6
Total		**234**		**310**

For all positions stated above, the recoverable amount used in 2006 and 2007 for impairment testing of goodwill and intangible assets with an infinite useful life is based on the value in use. This represents the present value of estimated future cash flows per cash-generating unit. The cash flows and growth rates are based on current business plans approved by management. The plans were prepared on the basis of historical experience and cover a planning period of 5 years. From the sixth year on, cash flows were extrapolated, assuming no growth.

12 Investments in associates and joint ventures

CHF million	Joint ventures*	Other companies	Total
Book value as of 31.12.2005	**372**	**829**	**1 201**
Investments**	0	129	129
Dividend	– 18	– 14	– 32
Proportional earnings including gain on sale recorded	21	128	149
Effect of reconciliation to IFRS consolidation and other valuation adjustments charged/credited to energy expenses	– 4	0	– 4
Decreases in impairment losses (note 5)	175	0	175
Disposals	0	– 113	– 113
Difference from currency translations	0	24	24
Book value as of 31.12.2006	**546**	**983**	**1 529**
Investments		203	203
Dividend	– 18	– 17	– 35
Proportional earnings	20	54	74
Effect of reconciliation to IFRS consolidation charged/credited to energy expenses	– 12		– 12
Reclassification		1	1
Difference from currency translations		24	24
Book value as of 31.12.2007	**536**	**1 248**	**1 784**

* In relation with the impairment testing in financial year 1999, Atel had recorded unplanned impairment losses of CHF 600 million on its power plants and participations in power plants. CHF 372 million related to participations in power plants (joint ventures). Based on the annual impairment test, the residual amount of the impairment losses recorded (CHF 175 million related to participations in power plants) was to be reversed completely through profit and loss in financial year 2006 (further details are disclosed in note 5).
The position reconciliation effects and valuation adjustments charged/credited to energy expenses includes the valuation differences between local and IFRS financial statements of CHF – 12 million (prior year: CHF 10 million). The position also includes effects from changes in the carrying amount of participations in power plants of CHF 0 million (CHF – 14 million). These changes in carrying amounts are related to the mentioned recording of impairment losses on the power plant portfolio of Atel in 1999. The amount of the changes was depending on the actual and expected cash flows for each participation in power plants during the remaining time of operation or concession.

** Of the CHF 129 million investments stated for financial year 2006, CHF 68 million (currency translation at current rate) were not paid yet and recorded as a liability.

As of 31 December 2007, the relative share in market value of listed other companies was CHF 1 288 million (31.12.2006: CHF 954 million). The carrying amount of these companies was CHF 564 million at balance sheet date (prior year: CHF 403 million).

Key figures for associates and joint ventures (shares Atel Group)

	Joint ventures		Other companies	
CHF million	2006	2007	2006	2007
Fixed assets	2 476	2 465	2 523	3 010
Current assets	154	143	582	637
Long-term liabilities*	1 869	1 934	1 023	1 459
Short-term liabilities	215	138	1 099	940
Income	392	372	1 666	1 746
Expenses*	– 371	– 352	– 1 538	– 1 692

* Including minority interests

On the basis of existing joint venture contracts, the shareholders of the joint ventures are obliged to pay the annual costs based on their investment quota (including interest on and repayment of liabilities). For the Atel Group, the stake of regular annual costs amounts to approximately CHF 330 million (prior year: CHF 350 million).

In December 2006, the decision-making bodies of the two nuclear power plants Gösgen-Däniken AG and Leibstadt AG decided to determine the financial useful life of the plants from 40 to 50 years. Based on this decision, the proportion of annual costs respectively the electricity supply costs for the Atel Group from associates (joint ventures) have reduced by around CHF 20 million in financial year 2007.

In addition, owners of nuclear power plants are obliged to pay limited supplementary payments to the decommissioning fund, to cover the eventuality of an individual primary contributor being unable to make its payments. Such a limited supplementary payment obligation also exists towards the waste disposal fund.

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

The annual closing date of a few associates and joint ventures differs from that of the Group. For these companies, published accounts are available as of 30 September, and are included in the consolidated financial statements of the Atel Group. It is not feasible for these companies to prepare interim financial statements at Atel Group's balance sheet date 31 December; these associates (joint ventures) generally record annual results without significant fluctuation. Significant transactions and events which occur between 30 September and 31 December are considered in the consolidated financial statements.

13 Long-term financial investments

CHF million	Financial investments	Loans receivable	Total
Book value as of 31.12.2005	**183**	**21**	**204**
Investments	10	8	18
Changes to market value	48	– 1	47
Disposals	– 8	– 19	– 27
Book value as of 31.12.2006	**233**	**9**	**242**
Investments	20	6	26
Changes to market value	51	–	51
Disposals	– 5	– 6	– 11
Book value as of 31.12.2007	**299**	**9**	**308**

14 Receivables

CHF million	31.12.2006	31.12.2007
Trade receivables	1 448	1 721
Prepayments to third party suppliers	43	81
Revenue prior to invoicing	162	136
Other receivables	208	249
Total	**1 861**	**2 187**

Trade receivables from clients that are also suppliers are offset with trade payables, if netting agreements were signed with the counterparties. The receivables and liabilities offset based on netting agreements amount to CHF 1 784 million (prior year: CHF 1 375 million).

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

CHF million	31.12.2006	31.12.2007
Revenue prior to invoicing (gross)	634	650
Advances received from customers	– 472	– 514
Revenue prior to invoicing (net)	**162**	**136**

15 Inventory

At balance sheet date, the inventory mainly consists of fuels (oil, gas, coal) with a carrying amount of CHF 71 million (prior year: CHF 81 million) as well as consumables and supplies amounting to CHF 33 million (CHF 28 million).

16 Cash

CHF million	31.12.2006	31.12.2007
Cash at hand	452	491
Time deposit with a maturity of under 90 days	547	482
Total	**999**	**973**

Cash at hand includes CHF 73 million (prior year: CHF 50 million) cash bound for scheduled maintenance work and debt service payments in relation with project financing as well as CHF 22 million (CHF 57 million) for collateral securities towards energy trading exchanges and grid operators.

17 Securities under current assets

CHF million	31.12.2006	31.12.2007
Securities available for sale	–	–
Securities held for trading	70	3
Total	**70**	**3**

18 Equity

Share capital

The share capital of CHF 256 million (prior year: CHF 256 million) is fully paid in. The share register reports the following owners:

in %	Stakes 2006	Stakes 2007
EDF Alpes Investissements Sàrl (EDFAI) (Prior year: Electricité de France)	36.9	37.1
EOS Holding (EOSH)	31.5	31.5
Elektra Birseck Münchenstein (EBM)	2.8	6.2
Aziende Industriali di Lugano (AIL)	4.8	4.8
Canton of Solothurn (KtSO)	3.3	4.4
Elektra Baselland Liestal (EBL)	1.3	3.1
Wasserwerke Zug (WWZ)	2.1	2.1
IBAarau (IBA)	0.4	0.9
Energie Baden-Württemberg (EnBW)	4.9	4.9
Treasury shares	7.1	0.1
Public	4.9	4.9

Treasury shares

As of balance sheet date 31 December 2007, Atel Group owned 10 500 treasury shares with a nominal value of CHF 0.2 million. Considering the share split done in November 2007, 910 500 shares were held in prior year, thereof 10 500 qualified as treasury shares according to Swiss law.

Based on an existing contract on the exchange of shares between Atel and EBM, EBL, KtSO, IBA as well as EDFAI, 900 000 shares (36 000 ex-Motor-Columbus shares) were exchanged on 30 June 2007 against 114 444 Atel shares (exchange ratio 3.179 Atel shares for 1 ex-Motor-Columbus share).

19 Provisions

CHF million	Contractual risks and losses	Pension provisions	Other provisions	Total
Non-current provisions as of 31.12.2006	**451**	**152**	**55**	**658**
Current provisions	56	9	53	118
Total provisions as of 31.12.2006	**507**	**161**	**108**	**776**
Change in scope of consolidation			3	3
Additions	57	1	31	89
Interest	20	7	1	28
Appropriations	– 45	– 9	– 20	– 74
Released provisions not required	– 57		– 13	– 70
Difference from currency translations		5	1	6
Total provisions as of 31.12.2007	**482**	**165**	**111**	**758**
Less current provisions	– 110	– 9	– 51	– 170
Non-current provisions as of 31.12.2007	**372**	**156**	**60**	**588**
Expected cash outflows				
Within 12 months	110	9	51	170
Within 1 – 5 years	283	48	38	369
After 5 years	89	108	22	219
Total	**482**	**165**	**111**	**758**

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

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

Current provisions are stated as accrued liabilities.

In the reporting year, the classification of the different provisions was reviewed. It resulted in a reclassification from the position Other provisions to Provision for contractual risks and losses of CHF 72 million.

20 Long-term financial liabilities

CHF million	31.12.2006	31.12.2007
Bonds at amount repayable	946	746
Loans payable	1 100	730
Total	**2 046**	**1 476**

Bonds outstanding on the balance sheet date

CHF million	Term	Earliest repayment date	Interest rate %	31.12.2006	31.12.2007
Fixed interest rate bond Aare-Tessin Ltd. for Electricity	1997/2009	06.03.2009	4 1/4	200	200
Fixed interest rate bond Aare-Tessin Ltd. for Electricity [1]	1997/2009	30.10.2007	4	200	–
Fixed interest rate bond Aare-Tessin Ltd. for Electricity	2003/2013	16.09.2013	3 1/8	300	300
Fixed interest rate bond Aare-Tessin Ltd. for Electricity	2006/2018	01.03.2018	2 5/8	246	246

1 Early repayment on 30.10.2007

The bond of CHF 250 million issued on 1 March 2006 is valued using the amortised cost method; the resulting effective interest rate is 2.790 %. The related interest expense in the reporting period is CHF 7 million. The other bonds are stated at nominal value in the balance sheet and do not differ significantly from amortised cost.

As of the balance sheet date, the market value of the fixed interest rate bonds outstanding was CHF 739.5 million (prior year: CHF 970.7 million). The weighted interest rate paid on the bonds issued, relating to the nominal value at the balance sheet date, was 3.26 % (prior year: 3.41 %).

Loans payable

CHF million	31.12.2006	31.12.2007
Maturing within 1 – 5 years	425	379
Maturing after 5 years	675	351
Total	**1 100**	**730**

At the balance sheet date, the market value of loans payable was CHF 685 million (prior year: CHF 1 090 million). The weighted interest rate paid on loans payable relating to the nominal value at the balance sheet date was 4.14 % (prior year: 4.25 %). Loans maturing within 360 days amounted to CHF 302 million and are recorded under short-term financial liabilities as of balance sheet date 31.12.2007 (31.12.2006: CHF 173 million).

21 Other long-term liabilities

CHF million	31.12.2006	31.12.2007
Written put options	18	14
Liability from acquisition of associates (note 12)	70	72
Other long-term liabilities	83	69
Total	**171**	**155**
Maturities		
Within 1 – 5 years	157	148
After 5 years	14	7
Total	**171**	**155**

22 Other short-term liabilities

CHF million	31.12.2006	31.12.2007
Trade payables	1 030	1 210
Other liabilities	263	314
Advances from customers	71	170
Total	**1 364**	**1 694**

Trade payables from suppliers that are also clients are offset with trade receivables, if netting agreements were signed with the counterparties. The liabilities and receivables offset based on netting agreements amount to CHF 1 784 million (prior year: CHF 1 375 million).

23 Assets and disposal groups classified as held for sale

The GAH subsidiary GA-tec Gebäude- und Anlagentechnik GmbH stated as available for sale as of 31 December 2005 was sold on 20 February 2006. The asset of CHF 4 million stated as of 31.12.2006 was a non-operating property held by the German GAH Group. Until 31.12.2007, the property was sold on the basis of its book values.

24 Transactions with related parties

By owning each over 20 % of the share capital of Atel Holding (formerly Motor-Columbus), EDFAI and EOS Holding have a significant influence on Atel Group. Concerning the relation to associates and joint ventures please refer to the related accounting policies. The transactions between the Group and the employee benefit plans are disclosed in note 25.

All transactions with related parties are based on market conditions.

2007

Transactions between the Group and related companies

CHF million	Associates	Joint venture	Other related companies
Operating revenues			
Electricity sales	243	1	1 579
Other income from services	56	27	
Operating expenses			
Electricity purchases	–328	–327	–2 054
Other services expenses	–10	–2	–4
Finance income			
Interest income			
Interest expense			

Outstanding positions with related companies at balance sheet date

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

Members of the Board of Directors and management in key positions

In financial year 2007, the Board of Directors of the Atel Group received remunerations of CHF 2.3 million (prior year: CHF 1.0 million). Thereof CHF 2.3 million (CHF 0.7 million) related to current remunerations and CHF 0.0 million (CHF 0.3 million) to termination benefits. The remuneration of the Executive Board in the same period totalled CHF 8.3 million (CHF 3.9 million). Thereof CHF 6.9 million (CHF 1.3 million) related to current remunerations, CHF 0.0 million (CHF 1.0 million) to termination benefits and CHF 1.4 million (CHF 1.6 million) to employee benefits.

The amounts stated in parenthesis refer to the former Board of Directors and Executive Board of Motor-Columbus.

2006

Transactions between the Group and related companies

CHF million	Associates	Joint venture	Other related companies
Operating revenues			
Electricity sales	275	1	1 389
Other income from services	103	27	
Operating expenses			
Electricity purchases	– 431	– 349	– 1 870
Other services expenses	– 17		– 9
Finance income			
Interest income			
Interest expense			

Outstanding positions with related companies at balance sheet date

CHF million	Associates	Joint venture	Other related companies
Receivables			
Trade receivables	45	2	116
Long-term financial receivables			
Short-term financial receivables	1		
Other receivables	1		
Liabilities			
Trade payables	13	26	129
Long-term financial liabilities			
Short-term financial liabilities		44	
Other short-term liabilities	5		

In the reporting period 2007, Atel Holding has reviewed the scope of related companies. Based on the conclusions gained, the values stated in prior year were adjusted. In the compilation corrected above, electricity revenues with other related companies were reported higher by CHF 142 million, other income from services by CHF 1 million, electricity purchases by CHF 14 million, other services expenses by CHF 6 million, trade receivables by CHF 20 million and trade payables by CHF 5 million.

25 Employee benefit plan liabilities

Employee benefit expense recognised in profit and loss

CHF million	2006	2007
Current service cost	18	21
Interest expense	22	25
Expected return on plan assets	–19	–22
Actuarial (loss)/gain recognised in current year (§ 92 f)	2	0
Actuarial (loss)/gain recognised in current year (§ 58 A)	4	–23
Past service cost	4	1
Effect of curtailment and settlements in § 58 (b)	–4	25
Employee benefit expense	**27**	**27**

Comparison of estimated and actual return on plan assets

CHF million	2006	2007
Expected return on plan assets	19	22
Actuarial gain/(loss) on plan assets	18	10
Actual return on plan assets	**37**	**32**

Information on past four years

CHF million	2004	2005	2006	2007
Defined benefit obligation	462	642	752	757
Fair value of plan assets	282	468	569	633
Underfund/(Overfund) total obligation	180	174	183	124
Underfund/(Overfund) funded obligation only	14	–9	9	–34
Experience adjustments on defined benefit obligation	n.a.	1	37	3
Experience adjustments on fair value of plan assets	n.a.	36	18	10

Benefit obligations recognised in the balance sheet

CHF million	2006	2007
Present value of funded defined benefit obligation	578	599
Fair value of plan assets	569	633
Underfund/(Overfund)	9	– 34
Present value of unfunded defined benefit obligations	174	158
Unrecognised actuarial gains/(losses)	– 33	3
Amounts not recognised because of § 58(b)-limitation	0	26
Liability recognised in balance sheet	**150**	**153**
thereof recognised as separate asset	– 11	– 12
thereof recognised as separate liability	161	165

Changes in the present value of the defined benefit obligation

CHF million	2006	2007
Defined benefit obligation at 1.1.	**642**	**752**
Interest expense	22	25
Current service cost	18	20
Contributions by plan participants	7	10
Past service cost	4	1
Benefits paid in (out)	19	– 15
Business combinations	12	13
Disposal of business	– 8	0
Actuarial (gains)/losses	31	– 54
Currency translations adjustment	5	5
Defined benefit obligation at 31.12.	**752**	**757**

Changes in the fair value of plan assets

CHF million	2006	2007
Fair value of plan assets at 1.1.	**468**	**569**
Expected return on plan assets	19	22
Contributions by the employer	26	29
Contributions by employees	7	10
Benefits paid in (out)	19	– 15
Business combinations	12	12
Actuarial gains/(losses)	18	6
Fair value of plan assets at 31.12.	**569**	**633**

Analysis of the fair value of plan assets

CHF million	2006	2007
Equity instruments of the company	0	0
Equity instruments third party	202	215
Debt instruments of the company	0	0
Debt instruments third party	267	272
Properties used by the company	0	0
Properties not used by the company	66	110
Others	34	36
Total plan assets at fair value	**569**	**633**

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

Actuarial assumptions used for the calculations

in %	2006	2007
Discount rate	3.36	3.59
Expected rate of return on plan assets	3.80	4.00
Future salary increases	1.86	1.86
Future pension increases	0.54	0.46

Estimate of employer and employee contributions for the next period

CHF million	2007	2008
Contributions by the employer	26	29
Contributions by the employees	7	10

26 Contingent liabilities and guarantee obligations

At the balance sheet date, the total amount of guarantee obligations in favour of third parties is CHF 1 135 million (prior year: CHF 870 million).

CHF million	31.12.2006	31.12.2007
Guarantee obligations in favour of third parties		
Commercial guarantees of banks and insurance companies	781	1 003
Commercial guarantees	73	132
Financial guarantees (Edipower)	16	0
Total	**870**	**1 135**
Possible outflow of resources		
Within 12 months	460	608
Within 1 – 5 years	297	319
After 5 years	113	208
Total	**870**	**1 135**
Capital contribution obligations		
For Edipower	257	0
Others	0	0
Total	**257**	**0**

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

For other obligations in relation to interests in joint ventures, see note 12.

27 Pledged assets

CHF million	31.12.2006	31.12.2007
Properties secured by mortgages	10	5
Participations in power plants	990	857
Total	**1000**	**862**

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

28 Post balance sheet date events

On 10 January 2008, Atel Holding Ltd concluded the exchange of shares of Aare-Tessin Ltd. for Electricity in shares of Atel Holding Ltd. As a result of this transaction, the share capital of Atel Holding Ltd increased by around CHF 180 million and the share premium by CHF 306 million. The number of shares issued currently is 21 794 540 registered shares (so far: 12 781 250 registered shares). Atel Holding Ltd now owns 99.82 % of Atel shares. The next steps were initiated subsequent to the exchange of shares, being the cancellation in accordance with the Stock Exchange Act of the 0.18 % Atel shares not exchanged as well as the later delisting of the Atel shares from SWX Swiss Exchange. This procedure is likely to be closed by mid-2008.

At the end of January 2008, Aare-Tessin Ltd. for Electricity closed the planned increase of its participation in Edipower S.p.A. Since 31 January 2008, Atel holds 20 % of the Italian power generation company (31.12.2007: 18 %). As a result, the financial participation is on the same level as the energy quota.

As of 1 January 2008, the two Italian energy suppliers AEM Milano and ASM Brescia merged and are operating under the new name A2A S.p.A. As of 14.2.2008, the Atel Group is holding an investment of 4.9 % in A2A. On 31 December 2007, the participation quota in AEM Milano was 7.5 % and 0.3 % in ASM Brescia.

29 Segment reporting

2007: Information by business activity

CHF million	Energy	Energy Services	Other	Transactions between the segments and other effects	Total
External revenues from energy sales/order completion	11 442	1 946	1		13 389
External gains on trading standard products in financial energy transactions	63				63
Total external revenue	**11 505**	**1 946**	**1**		**13 452**
Revenue from internal transactions		13		– 13	0
Total revenue	**11 505**	**1 959**	**1**	**– 13**	**13 452**
Thereof with related companies and associates	1 823				1 823
EBITDA	1 130	121	78	– 76	1 253
Significant non-cash expenses					0
Planned depreciations	– 209	– 35	– 1		– 245
Impairment on goodwill	– 2	– 1			– 3
EBIT	919	85	77	– 76	1 005
Segment profit	722	49	20	– 13	778
Total assets	8 732	1 118	1 101	– 1 566	9 385
Carrying amounts associates	1 784				1 784
Profit from associates	74				74
Liabilities	4 931	885	334	– 386	5 764
Net investments in tangible fixed and intangible assets	137	48	6		191
Number of employees as of balance sheet date	1 694	7 726			9 420

Information by geographic region

CHF million	Switzerland	Southern/ Western Europe	Northern/ Eastern Europe	Other regions	Total
External revenue	1 772	4 126	7 546	8	13 452
Total assets	4 127	2 366	2 786	106	9 385
Net investments in tangible fixed and intangible assets	100	24	67		191
Number of employees as of balance sheet date	3 678	488	5 254		9 420

The trading gains in the Energy segment include profits and losses of settled and the value adjustments of unsettled financial energy trading transactions valued at market value. As of balance sheet date 31.12.2007, unsettled financial energy trading transactions have a contract volume of 0.853 TWh (31.12.2006: 5.003 TWh). Replacement values are listed separately on the balance sheet.

2006: Information by business activity

CHF million	Energy	Energy Services	Other	Transactions between the segments and other effects	Total
External revenues from energy sales/order completion	9 657	1 617	1		11 275
External gains on trading standard products in financial energy transactions	59				59
Total external revenue	**9 716**	**1 617**	**1**		**11 334**
Revenue from internal transactions		9		–9	0
Total revenue	**9 716**	**1 626**	**1**	**–9**	**11 334**
Thereof with related companies and associates	1 807				1 807
EBITDA	960	87	45	–51	1 041
Significant non-cash expenses	–259	–25			–284
Reversal of impairment losses	257				257
Planned depreciations	–170	–31	–1		–202
EBIT	1 047	56	44	–51	1 096
Segment profit	871	29	–6	–21	873
Total assets	8 916	891	760	–1 558	9 009
Carrying amounts associates	1 529				1 529
Profit from associates	149				149
Liabilities	5 424	696	351	–392	6 079
Net investments in tangible fixed and intangible assets	131	43	–4		170
Number of employees as of balance sheet date	1 549	7 119	5		8 673

Information by geographic region

CHF million	Switzerland	Southern/ Western Europe	Northern/ Eastern Europe	Other regions	Total
External revenue	1 447	3 564	6 312	11	11 334
Total assets	4 474	2 047	2 424	64	9 009
Net investments in tangible fixed and intangible assets	73	6	91		170
Number of employees as of balance sheet date	3 284	273	5 116		8 673

30 Business combinations

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

Energy segment:
01.01.2007: 100 % of Isento AG, Thal/CH
19.03.2007: 100 % of Cotlan AG, Rüti/CH
05.10.2007: 100 % of Birs Wasserkraft AG, Grellingen/CH
18.12.2007: 100 % of Buzman Industries S.r.l., Bucarest/RO

Energy Services segment:
01.01.2007: 100 % of Bassi e Scossa SA, Lugano/CH
01.01.2007: 100 % of FINOW GmbH, Eberswalde/DE
31.03.2007: 100 % of Hotz AG, Zürich/CH
01.07.2007: 100 % of Martin Bohsung GmbH, Bellheim/DE
08.08.2007: 100 % of WB AG, Emmenbrücke/CH
31.08.2007: 100 % of EMS Ceská Lípa s.r.o., Ceská Lípa/CZ
31.08.2007: 100 % of EMS Ústí nad Labem s.r.o., Ústí nad Labem/CZ
01.10.2007: 100 % of Novintec AG, Landquart/CH

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

	Energy segment*				Energy Services segment			
	Switzerland		Eastern Europe		Southern/Western Europe		Northern/Eastern Europe	
CHF million	Carrying amounts IFRS	Fair values	Carrying amounts IFRS	Fair values	Carrying amounts IFRS	Fair values	Carrying amounts IFRS	Fair values
Tangible fixed assets	15	29	7	7	6	6	7	14
Intangible assets				57				
Deferred income tax assets							2	2
Cash	2	2	13	13	4	4	4	3
Other current assets			22	22	22	23	14	15
Short- and long-term financial liabilities	–2	–2			–8	–8	–7	–7
Other short- and long-term liabilities	–1	–1	–28	–28	–16	–18	–15	–16
Deferred income tax liabilities	–2	–6		–14	–1	–1		–2
Net assets acquired	**12**	**22**	**14**	**57**	**7**	**6**	**5**	**9**
Goodwill purchased through acquisition		15		44		10		4
Net cash flow from acquisition:								
Acquired cash from subsidiaries		2		13		4		3
Acquisition costs		–37		–101		–16		–13
Liabilities not paid yet		6						
Net cash flow		–29		–88		–12		–10

* The values stated in the table above are partially provisionally, as the acquisition of a company was carried out very closely to the balance sheet date of Atel Group.

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

Since their integration within the Atel Group, the companies acquired have contributed CHF 71 million revenues and a result of CHF 2 million.

If the companies had been acquired at 1 January 2007, they would have increased consolidated revenue by CHF 263 million and would have increased the net profit for the Group by CHF 15 million. In the 2006 financial year, inclusion of these companies would have raised revenue by CHF 161 million and net profit for the Group by CHF 4 million.

In 2006, the following companies were acquired and integrated in the consolidated financial statements:

Energy segment:
31.01.2006: 100 % of Mirant Generation San Severo S.r.l., Pieve di Soligo/IT
31.08.2006: 51 % of Energ.it S.p.A., Cagliari/IT
14.12.2006: 85 % of Gestimi S.p.A., Alagno/IT
14.12.2006: 85 % of Idrovalsesia S.r.l., Alagno/IT
19.12.2006: 100 % of Biellapower S.r.l., Milano/IT

Energy Services segment:
01.01.2006: 100 % of Indumo AG, Buchs/CH
31.03.2006: 100 % of Luwa Schweiz AG, Uster/CH

The cost of the acquisitions was CHF 108 million with a total of CHF 67 million in net assets acquired. The resulting goodwill amounted to CHF 41 million.

31 Disposal of business units

On 30 January 2007 the real estate company Roospark AG, Wollerau/CH and on 29 June 2007 the Energy services company Franz Lohr GmbH, Ravensburg/DE were sold.

In the first quarter of 2006, the GAH subsidiary GA-tec Gebäude- und Anlagentechnik GmbH was sold.

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

CHF million	2006	2007
Tangible fixed assets	0	12
Cash	26	1
Other current assets	55	9
Short- and long-term financial liabilities	0	–8
Other short- and long-term liabilities	–73	–10
Net assets disposed	**8**	**4**

The sale of these subsidiaries involved the following cash flows:

Net cash flow from disposal groups

CHF million	2006	2007
Cash of disposed subsidiaries	26	1
Disposal price	0	5
Net cash flow	–26	4

Scope of Consolidation

Holding, Property and Finance Companies

	Domicile	Currency	Issued capital million	Direct proportion of holdings in % (voting rights)	Consoli-dation method	Nature of busi-ness	Year-end date
Atel Holding AG [1]	Olten	CHF	255.625	100.0	V	H	31.12.
Atel Management AG [2]	Olten	CHF	10.00	100.0	V	S	31.12.
MC Venture Finance N.V.	Curaçao	USD	0.01	100.0	V	H	31.12.
Motor-Columbus AG [3]	Olten	CHF	2.00	100.0	V	P	31.12.
Citinvest AG	Olten	CHF	5.00	100.0	V	P	31.12.
Friol Immobilien GmbH	Löfflingen/DE	EUR	0.20	100.0	V	P	31.12.

1 Changed name on 7.11.2007 (formerly Motor-Columbus AG, Baden)
2 Changed name on 7.11.2007 (formerly MC Management AG, Baden)
3 Changed name on 7.11.2007 (formerly Tecenet AG, Baden)

Energy segment

Trading, sales, supply and services

	Domicile	Currency	Issued capital million	Direct proportion of holdings in % (voting rights)	Consoli-dation method	Nature of busi-ness	Year-end date
Aare-Tessin Ltd. for Electricity	Olten	CHF	303.60	59.1 [1]	V	SU	31.12.
Atel Energia S.r.l.	Milano/IT	EUR	20.00	100.0	V	SU	31.12.
Energ.it S.p.A.	Cagliari/IT	EUR	1.00	100.0	V	SU	31.12.
Azienda Energetica Municipale S.p.A. [2]	Milano/IT	EUR	936.24	7.5	E	SU	31.12.
Atel Energie AG	Düsseldorf/DE	EUR	0.50	100.0	V	SU	31.12.
ecoSWITCH AG	Crailsheim/DE	EUR	0.50	45.0	E	S	31.12.
EGT Energiehandel GmbH	Triberg/DE	EUR	1.00	50.0	E	SU	31.12.
Atel Energie SAS	Paris/FR	EUR	0.50	100.0	V	SU	31.12.
Atel Energia SA	Barcelona/ES	EUR	0.50	100.0	V	SU	31.12.
Buzman Industries S.r.l. [3]	Bukarest/RO	RON	4.61	100.0	V	SU	31.12.
Atel Trading	Olten	CHF	5.00	100.0	V	T	31.12.
Atel Derivatives S.a.r.l. [4]	Luxembourg/LU	EUR	0.73	100.0	V	T	31.12.
Atel Versorgungs AG	Olten	CHF	50.00	96.7	V	SU	31.12.
Aare Energie AG (a.en)	Olten	CHF	2.00	50.0	E	S	31.12.
Teravis AG [4]	Olten	CHF	0.50	100.0	V	S	31.12.
AEK Energie AG	Solothurn	CHF	6.00	38.7	E	SU	31.12.
Romande Energie Commerce SA [4]	Morges	CHF	15.00	12.0	E	SU	31.12.
Energipartner AS	Oslo/NO	NOK	5.00	100.0	V	S	31.12.
Energipartner Nordisk	Aalborg/DK	DKK	0.50	100.0	V	S	31.12.
Energipartner Norden	Stockholm/SE	SEK	1.25	100.0	V	S	31.12.
Atel Energy AG [5]	Niedergösgen	CHF	0.40	100.0	V	T	31.12.
Atel Austria GmbH	Wien/AT	EUR	0.24	100.0	V	SU	31.12.
Atel Polska Sp. z o.o.	Warsaw/PL	PLN	8.00	100.0	V	SU	31.12.
Atel Energia Kft.	Budapest/HU	HUF	600.00	100.0	V	SU	31.12.
Atel Hellas S.A.	Perissos Athens/GR	EUR	0.15	76.0	V	SU	31.12.

Atel Ceska Republica s.r.o.	Prague/CZ	CZK	5.42	100.0	V	T	31.12.
Atel Hrvatska d.o.o.	Zagreb/HR	HRK	0.02	100.0	V	T	31.12.
Atel Energija d.o.o.	Ljubljana/SI	EUR	0.03	100.0	V	T	31.12.
Atel Slovensko s.r.o.	Bratislava/SK	SKK	0.20	100.0	V	T	31.12.
Prva regulacna s.r.o., v likvidaci	Kosice/SK	SKK	0.20	100.0	V	T	31.12.
Atel Energy Romania s.r.l.	Bukarest/RO	RON	0.00	100.0	V	T	31.12.
Atel Bulgaria Ltd.	Sofia/BU	BGN	0.20	100.0	V	T	31.12.
Atel Energija d.o.o.	Belgrad/SER	RSD	0.00	100.0	V	T	31.12.
Atel Skopje Dooel	Skopje/MK	MKD	0.30	100.0	V	T	31.12.
Società Elettrica Sopracenerina SA	Locarno	CHF	27.50	60.9	V	SU	31.12.
Calore SA	Locarno	CHF	2.00	50.0	E	G	31.12.
SAP SA	Locarno	CHF	2.06	99.4	V	S	31.12.
Rätia Energie AG	Poschiavo	CHF	3.41	24.6	E	B	31.12.

1 Including the treasury shares of Aare-Tessin Ltd. for Electricity, the share in capital is 62.2 %
2 Merged with ASM Brescia as of 1.1.2008; as of 14.2.2008 the Atel Group is holding an investment of 4.9 % in A2A (note 28)
3 Acquired as of 18.12.2007
4 New company established
5 Reorganisation of distribution in Eastern Europe with new subholding

Generation and transmission

	Domicile	Currency	Issued capital million	Direct proportion of holdings in % (voting rights)	Consoli-dation method	Nature of busi-ness	Year-end date
Atel Hydro AG	Olten	CHF	53.00	100.0	V	G	31.12.
Atel Hydro Ticino SA	Airolo	CHF	3.00	100.0	V	G	31.12.
Monthel AG	Monthey	CHF	15.00	100.0	V	G	31.12.
Csepeli Aramtermelö Kft.	Budapest/HU	HUF	4 930.10	100.0	V	G	31.12.
Csepeli Erömü Kft.	Budapest/HU	HUF	856.00	100.0	V	G	31.12.
Csepel Energia Kft.	Budapest/HU	HUF	20.00	100.0	V	S	31.12.
ECK Generating s.r.o.	Kladno/CZ	CZK	2 936.10	100.0	V	G	31.12.
Energeticke Centrum Kladno, spol. s.r.o.	Kladno/CZ	CZK	238.63	100.0	V	G	31.12.
Energetika Kladno s.r.o	Kladno/CZ	CZK	0.10	100.0	V	S	31.12.
Kladno GT s.r.o	Kladno/CZ	CZK	0.20	100.0	V	G	31.12.
Atel Energetika Zlin s.r.o.	Zlin/CZ	CZK	1 494.50	100.0	V	G	31.12.
Atel Generation Deutschland GmbH [1]	Leipzig/DE	EUR	0.03	100.0	V	G	31.12.
Atel Centrale Termica Vercelli S.r.l.	Milano/IT	EUR	10.33	95.0	V	G	30.09.
Novel S.p.A.	Milano/IT	EUR	23.00	51.0	V	G	30.09.
Atel Produzione S.r.l. [2]	Milano/IT	EUR	0.25	100.0	V	G	31.12.
Biellapower S.r.l.	Milano/IT	EUR	1.00	60.0	V	G	31.12.
Gestimi S.p.A.	Alagno/IT	EUR	0.62	85.0	V	G	31.12.
Idrovalsesia S.r.l.	Alagno/IT	EUR	0.10	85.0	V	G	31.12.
Eolica Maridiana S.p.A	Verona/IT	EUR	0.12	49.0	E	G	31.12.
Unoenergia S.p.A	Biella/IT	EUR	2.00	25.0	E	G	31.12.
En.Plus S.r.l.	Belluno/IT	EUR	5.50	81.8	V	G	31.12.
3CB SAS [1]	Bayet/FR	EUR	0.83	100.0	V	G	31.12.
Ecopower Skandinavia AS [1]	Oslo/NO	NOK	50.00	100.0	V	G	31.12.

Atel EcoPower AG	Olten	CHF	5.00	100.0	V	G	31.12.
Entegra Wasserkraft AG	St. Gallen	CHF	2.01	49.0	E	G	31.12.
Isento AG [3]	Thal	CHF	0.25	100.0	V	G	31.12.
Cotlan AG [4]	Rüti	CHF	0.10	100.0	V	G	31.12.
Birs Wasserkraft AG [5]	Grellingen	CHF	0.10	100.0	V	G	31.12.
Aarewerke AG	Klingnau	CHF	16.80	10.0	E	G	30.06.
Blenio Kraftwerke AG	Olivone	CHF	60.00	17.0	E	G	30.09.
Edipower S.p.A.	Milano/IT	EUR	1 441.30	18.0	E	G	31.12.
Electra-Massa AG	Naters	CHF	40.00	11.5	E	G	31.12.
Electricité d'Emosson SA	Martigny	CHF	140.00	50.0	E	G	30.09.
Engadiner Kraftwerke AG	Zernez	CHF	140.00	22.0	E	G	30.09.
Energie Biberist AG	Biberist	CHF	5.00	25.0	E	SU	31.12.
Kernkraftwerk Gösgen-Däniken AG	Däniken	CHF	350.00*	40.0	E	G	31.12.
Kernkraftwerk Leibstadt AG	Leibstadt	CHF	450.00	27.4	E	G	31.12.
Kraftwerk Ryburg-Schwörstadt AG	Rheinfelden	CHF	30.00	25.0	E	G	30.09.
Kraftwerke Gougra AG	Siders	CHF	50.00	54.0	E	G	30.09.
Kraftwerke Hinterrhein AG	Thusis	CHF	100.00	9.3	E	G	30.09.
Kraftwerke Zervreila AG	Vals	CHF	50.00	30.0	E	G	30.09.
Maggia Kraftwerke AG	Locarno	CHF	100.00	12.5	E	G	30.09.
Kraftwerk Aegina AG	Ulrichen	CHF	12.00	50.0	E	G	30.09.

* Of which CHF 290.0 million paid in
1 New company established
2 Formerly AT O&M S.r.l.
3 Acquired as of 1.1.2007
4 Acquired as of 19.3.2007
5 Acquired as of 5.10.2007

Grid

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

Energy Services segment

Energy Services Southern/Western Europe

	Domicile	Currency	Issued capital million	Direct proportion of holdings in % (voting rights)	Consoli-dation method	Nature of busi-ness	Year-end date
Holding and Management							
Atel Installationstechnik Ltd.	Olten	CHF	30.00	100.0	V	H	31.12.
Atel Installationstechnik Management Ltd.	Zürich	CHF	0.10	100.0	V	S	31.12.
Energy supply technology							
Kummler+Matter AG	Zürich	CHF	2.50	100.0	V	S	31.12.
Mauerhofer + Zuber SA	Renens	CHF	1.70	100.0	V	S	31.12.
Elektroline a.s.	Prague/CZ	EUR	0.17	100.0	V	S	31.12.
Building services/Technical facilities management							
Atel TB Romandie SA	Vernier	CHF	1.00	100.0	V	S	31.12.
Atel Gebäudetechnik AG	Zürich	CHF	7.85	100.0	V	S	31.12.
Atel Gebäudetechnik West AG	Olten	CHF	5.90	100.0	V	S	31.12.
Indumo Software & Engineering AG	Strengelbach	CHF	0.20	100.0	V	S	31.12.
Novintec AG [1]	Landquart	CHF	0.20	100.0	V	S	31.12.
Atel Burkhalter Bahntechnik AG	Zürich	CHF	0.25	50.0	E	S	31.12.
Atel Impianti SA	Savosa	CHF	2.70	100.0	V	S	31.12.
Atel Sesti S.p.A.	Milano/IT	EUR	3.10	100.0	V	S	31.12.
Atel Impianti Mgmt S.p.A.	Milano/IT	EUR	0.10	100.0	V	S	31.12.

1 Aquired as of 1.10.2007

In 2007, the companies Bassi e Scossa, Hotz, WB AG were integrated in existing companies (see page 32)

Energy Services Northern/Eastern Europe

	Domicile	Currency	Issued capital million	Direct proportion of holdings in % (voting rights)	Consoli-dation method	Nature of busi-ness	Year-end date
Holding and Management							
GAH Anlagentechnik Heidelberg GmbH	Heidelberg/DE	EUR	25.00	100.0	V	H	31.12.
Energy supply and communication technology							
Gesellschaft für elektrische Anlagen Energieanlagenbau GmbH	Hohenwarsleben/DE	EUR	1.53	100.0	V	S	31.12.
Energetická montázni spolecnost Ceská Lípa s.r.o. [1]	Ceská Lípa/CZ	CZK	20.41	100.0	V	S	31.12.
Energetická montázni spolecnost Ústí nad Labem s.r.o. [2]	Ústí nad Labem/CZ	CZK	12.00	100.0	V	S	31.12.
Gesellschaft für elektrische Anlagen Leitungsbau Nord GmbH	Hannover/DE	EUR	0.51	100.0	V	S	31.12.
Gesellschaft für elektrische Anlagen Leitungsbau Süd GmbH	Fellbach/DE	EUR	2.56	100.0	V	S	31.12.
Martin Bohsung GmbH [3]	Bellheim/CE	EUR	0.03	100.0	V	S	31.12.
GA-Magyarország Kft.	Törökbálint/HU	HUF	102.38	100.0	V	S	31.12.
REKS Plzen s.r.o.	Pilsen/CZ	CZK	24.00	62.5	V	S	31.12.

Frankenluk AG	Bamberg/DE	EUR	2.81	100.0	V	S	31.12.
Frankenluk Energieanlagenbau GmbH	Bamberg/DE	EUR	1.28	100.0	V	S	31.12.
GA-com Telekommunikations und Telematik GmbH	Bietigheim-Bissingen/ DE	EUR	0.78	100.0	V	S	31.12.
Eisenbahnsignalbau GmbH Röblingen	Dornstedt/DE	EUR	0.03	100.0	V	S	31.12.
te-com Telekommunikations-Technik GmbH	Backnang/DE	EUR	0.50	100.0	V	S	31.12.
Digi Communication Systeme GmbH	Gifhorn/DE	EUR	0.77	100.0	V	S	31.12.
Elektro Stiller GmbH	Ronnenberg/DE	EUR	0.43	100.0	V	S	31.12.
Energy and technical facilities management							
Kraftanlagen München GmbH [4]	München/DE	EUR	5.00	100.0	V	S	31.12.
ECM Ingenieurunternehmen für Energie- und Umwelttechnik GmbH	München/DE	EUR	0.05	100.0	V	S	31.12.
Ingenieurbüro Kiefer & Voss GmbH	Erlangen/DE	EUR	0.08	80.0	V	S	31.12.
Caliqua Anlagentechnik GmbH [5]	Wiener Neudorf/AT	EUR	0.19	100.0	V	S	31.12.
FINOW Rohrsysteme GmbH [6]	Eberswalde/DE	EUR	0.50	100.0	V	S	31.12.
Kraftanlagen Romania S.r.l. [7]	Bukarest/RO	RON	0.01	100.0	V	S	31.12.
Kraftanlagen Hamburg GmbH	Hamburg/DE	EUR	0.77	100.0	V	S	31.12.
Kraftanlagen Anlagentechnik Heidelberg GmbH [8]	Heidelberg/DE	EUR	0.10	100.0	V	S	31.12.
Kamb Elektrotechnik GmbH	Ludwigshafen/DE	EUR	0.26	74.8	V	S	31.12.
Kraftanlagen Heidelberg GmbH [9]	Heidelberg/DE	EUR	0.50	100.0	V	S	31.12.
Kraftszer Kft.	Budapest/HU	HUF	198.00	90.0	V	S	31.12.
Other holdings							
GAH Pensions GmbH [10]	Wiesloch/DE	EUR	0.26	100.0	V	S	31.12.
Krösus Sechste Vermögens-verwaltungs GmbH	Hannover/DE	EUR	0.25	100.0	V	S	31.12.

1 Acquired as of 31.8.2007
2 Acquired as of 31.8.2007
3 Acquired as of 1.7.2007
4 Formerly Kraftanlagen Anlagetechnik München GmbH
5 Formerly Caliqua Gebäudetechnik GmbH
6 Acquired as of 1.1.2007
7 New company established
8 Formerly Kraftanlagen Heidelberg GmbH
9 Formerly Kraftanlagen Nukleartechnik GmbH
10 Formerly Apparatebau Wiesloch GmbH

Holding and finance companies of Aare-Tessin Group

	Domicile	Currency	Issued capital million	Direct proportion of holdings in % (voting rights)	Consoli-dation method	Nature of busi-ness	Year-end date
Atel Holding Deutschland GmbH	Heidelberg/DE	EUR	10.00	100.0	V	H	31.12.
Atel Finance Ltd.	St. Helier/Jersey	EUR	1.15	100.0	V	S	31.12.
Atel Finance Luxembourg [1]	Luxembourg/LU	EUR	1.00	100.0	V	S	31.12.
Atel Management Services Ltd.	St. Helier/Jersey	EUR	0.10	100.0	V	S	31.12.
Atel Re, Ltd.	Guernsey/GB	EUR	3.00	100.0	V	S	31.12.
Atel Csepel Rt.	Budapest/HU	HUF	20.00	100.0	V	H	31.12.
Atel Bohemia s.r.o.	Prague/CZ	CZK	0.20	100.0	V	H	31.12.
Atel Hungaria Kft	Budapest/HU	HUF	80.00	100.0	V	H	31.12.
Atel Italia Holding s.r.l.	Milano/IT	EUR	0.25	100.0	V	H	31.12.
Atel Skandinavia Holding AS [1]	Oslo/NO	NOK	0.10	100.0	V	H	31.12.

1 New company established

Financial investments of Aare-Tessin Group

	Domicile	Currency	Issued capital million	Direct proportion of holdings in % (voting rights)	Consoli-dation method	Nature of busi-ness	Year-end date
Energie électrique du Simplon SA	Simplon Dorf	CHF	8.00	1.7	F	G	31.03.
ASM Brescia [1]	Brescia/IT	EUR	774.31	0.3	F	SU	31.12.
European Energy Exchange	Leipzig/DE	EUR	20.00	2.0	F	S	31.12.
Groupe CVE-Romande Energie	Morges	CHF	28.50	10.0	F	S	31.12.
Powernext SA	Paris/FR	EUR	10.00	5.0	F	S	31.12.
Capital Recovery Syndication Trust	Jersey	USD	2.66*	9.8	F	S	31.12.
MC Partners II C.V.	Curaçao	USD	38.40*	15.6	F	S	31.12.
VenCap9 LLC	Cayman Islands	USD	357.00*	0.9	F	S	31.12.

* Fund capital
1 Merged with AEM Milano as of 1.1.2008; as of 14.2.2008 the Atel Group is holding an investment of 4.9 % in A2A (note 28)

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

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

Report of the Group Auditors

ERNST & YOUNG

Ernst & Young Ltd
Brandschenkestrasse 100
P.O. Box
CH-8022 Zurich

Phone +41 58 286 31 11
Fax +41 58 286 40 20
www.ey.com/ch

To the General Meeting of

Atel Holding Ltd, Olten
(formerly known as Motor-Columbus Ltd, Baden)

Zurich, 29 February 2008

Report of the group auditors

As group auditors, we have audited the consolidated financial statements (income statement, balance sheet, statement of changes in equity, cash flow statement and notes / pages 10 to 78) of Atel Holding Ltd for the year ended 31 December 2007.

These consolidated financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards and with the International Standards on Auditing (ISA), which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

Ernst & Young Ltd

Alessandro Miolo
Swiss Certified Accountant
(Auditor in charge)

Daniel Bernhard
Swiss Certified Accountant

Income Statement

CHF	Note	2006	2007
Income			
Finance income	2	53 094 432	762 915
Dividend income		49 808 588	71 789 860
Extraordinary income	3	2 737	2 244 880
Total income		**102 905 757**	**74 797 655**
Expenses			
Finance expense		9 711 746	10 295 870
Taxes		1 897 242	229 462
Other expenses		5 392 481	4 368 071
Extraordinary expenses	4	10 955 583	392 425
Total expenses		**27 957 052**	**15 285 828**
Profit of the year		**74 948 705**	**59 511 827**

Balance Sheet

Assets

CHF	Note	31.12.2006	31.12.2007
Investments	5	598 418 117	597 918 118
Loans		2 513 777	2 511 526
Fixed assets		**600 931 894**	**600 429 644**
Prepaid expenses		12 265	3 269
Trade receivables	6	4 259 701	3 753 926
Securities	7	131 677 100	131 677 100
Cash and cash equivalents		14 374 004	3 574 878
Current assets		**150 323 070**	**139 009 173**
Total assets		**751 254 964**	**739 438 817**

Equity and Liabilities

CHF	Note	31.12.2006	31.12.2007
Issued capital		255 625 000	255 625 000
Share premium		33 270 155	33 270 155
Legal reserves		46 032 560	50 332 560
Reserve for treasury shares		1 932 000	1 932 000
Retained earnings		75 015 099	68 876 926
Equity	8	**411 874 814**	**410 036 641**
Provisions		**47 466 344**	**32 177 153**
Loans payable	9	215 880 000	78 380 000
Long-term liabilities		**215 880 000**	**78 380 000**
Accrued expenses		2 874 238	3 404 933
Other liabilities	10	73 159 568	215 440 090
Short-term liabilities		**76 033 806**	**218 845 023**
Total equity and liabilities		**751 254 964**	**739 438 817**

Notes to the Financial Statements

1 Preliminary note

The financial statements of Atel Holding Ltd are prepared in accordance with the provisions of the Swiss stock corporation act. The following explanatory notes also contain information required under Art 663 b of the Swiss Code of Obligations. Fully consolidated subsidiaries, associates as well as other financial investments listed on page 73 are regarded as Group companies under Art 663 a of the Swiss Code of Obligations.

2 Finance income

CHF million	2006	2007
Net realised/unrealised gain on securities	51.6	0.0
Other finance income	1.5	0.8
Total	**53.1**	**0.8**

In prior year, the valuation of the Atel shares stated within securities (held for trading) led to a capital gain of CHF 50.8 million. A gain of about CHF 0.8 million was realised from the sale of securities.

3 Extraordinary income

Extraordinary income covers a release of provision related to the disposal of a participation.

4 Extraordinary expenses

In prior year, CHF 10 million were expensed for a one-off contribution to the pension fund of Motor-Columbus. In 2007, extraordinary expenses are insignificant.

5 Investments

A list of important investments is available from page 73.

CHF 4 million of the participations stated are pledged to secure own commitments (see note 7).

6 Short-term receivables

CHF million	31.12.2006	31.12.2007
Group companies	3.8	3.5
Third parties	0.5	0.3
Total	**4.3**	**3.8**

Receivables from Group Companies comprise current account balances.

7 Securities

CHF 131 million of the securities are pledged to secure a short-term bank loan of CHF 70 million, which will be repayed in the first semester 2008.

8 Changes in equity

The movements in equity were as follows:

CHF thousand	Share capital	Share premium	General reserves	Reserve for treasury shares	Retained earnings	Total Equity
Equity 31.12.2005	**253 000**		**43 033**		**45 478**	**341 511**
Allocations			3 000	1 932	– 4 932	0
Capital increase	2 625	33 270				35 895
Dividends paid					– 40 480	– 40 480
Profit for the financial year					74 949	74 949
Equity 31.12.2006	**255 625**	**33 270**	**46 033**	**1 932**	**75 015**	**411 875**
Allocations			4 300		– 4 300	0
Dividends paid					– 61 350	– 61 350
Profit for the financial year					59 512	59 512
Equity 31.12.2007	**255 625**	**33 270**	**50 333**	**1 932**	**68 877**	**410 037**

The public exchange offer of Atel Holding Ltd published on 12 November 2007 was successfully concluded on 10 January 2008. In the course of this transaction, the share capital of Atel Holding Ltd increased by around CHF 180 million and the share premium by CHF 306 million after the balance sheet date 31 December 2007.

The Board of Directors of Atel Holding proposes to the Annual General Meeting of 24 April 2008 to perform for 2007 financial year, instead of a dividend payment, a capital reduction of CHF 218 million as a refunding of the nominal value of CHF 10 per registered share. In prior year, a dividend of CHF 4.80 per share (considering the share split of 7 November 2007) was paid.

9 Loans payable

CHF million	31.12.2006	31.12.2007
Group companies	12.4	12.4
Third parties	203.5	66.0
Total	**215.9**	**78.4**

At the balance sheet date, long-term loans of CHF 206.5 million maturing in 2008 are included in current liabilities as other liabilities.

Loans are repayable within 1 to 3 years. The weighted average interest rate was 3.58 %.

10 Other Liabilities

CHF million	31.12.2006	31.12.2007
Group companies	7.7	7.8
Third parties	65.5	207.6
Total	**73.2**	**215.4**

This position includes the loans maturing and the annual instalments to repay long-term loans payable. Payables to Group companies comprise current account debts.

11 Contingent liabilities

The company has joint and several liability for Swiss value-added tax payable under group tax rules.

12 Disclosure of compensations to/participations held by the Board of Directors, Executive Board and related parties

All values disclosed include both the compensations obtained in financial year 2007 from Atel Holding Ltd (including former Motor-Columbus Ltd.) as well as from Aare-Tessin Ltd. for Electricity.

Compensations paid to current members of the Board of Directors and Committees recognised in the annual financial statements 2007

CHF thousand		Compensation for mandate Board of Directors (BoD) (fixed)	Compensation for mandate Board of Directors (BoD) (variable)	Employee benefits (pension plan, social security)
Dr. Rainer Schaub	Chairman of BoD/ Member of NRC	150.0	60.0	21.9
Christian Wanner	Vice-Chairman of BoD/ Member of NRC	120.0	60.0	–
Marc Boudier	Vice-Chairman of BoD/ Chairman of AC/ Member of the NRC	101.5	60.0	–
Pierre Aumont*	Member of BoD	65.0		
Dr. Hans Büttiker	Member of BoD/NRC	100.0	60.0	10.6
Dr. Dominique Dreyer	Member of BoD/AC	100.0	60.0	22.0
Dr. Marcel Guignard	Member of BoD/AC	100.0	60.0	0.6
Philippe Huet	Member of BoD	100.0	60.0	–
Hans E. Schweickardt	Member of BoD/ Chairman of NRC	100.0	60.0	–
Dr. Alex Stebler	Member of BoD	100.0	60.0	20.7
Urs Steiner	Member of BoD/AC	100.0	60.0	–
Dr. Giuliano Zuccoli	Member of BoD	100.0	60.0	1.2
Total Board of Directors		**1 236.5**	**660.0**	**77.0**

* From Annual General Meeting of 26.4.2007

BoD = Board of Directors
AC = Audit Committee
NRC = Nomination and Remuneration Committee

In addition, a lump-sum expense allowance of CHF 8 thousand was paid to each member of the Board of Directors. Depending on the function, the compensation is increased by CHF 1.5 thousand up to a maximum of CHF 4.5 thousand. A remuneration of CHF 10 thousand was paid to each of the members of both committees (NRC/AC); the compensation for the chairmen of the committees amounts to CHF 20 thousand.

The variable compensations for Board of Directors mandates are defined in April of the following year. The amounts stated above relate to the retrospective distribution for financial year 2006.

In relation to a consulting mandate, Dr. Rainer Schaub received an additional fee at-arms-length of CHF 210 thousand (including expenses). CHF 13 thousand were expensed for employee benefits.

Compensations paid to members of the Executive Board recognised in the annual financial statements 2007

CHF thousand	Salaries gross (fixed)	Salaries gross (Bonus)	Contributions in kind (car and others)	Employee benefits (pension plan, social security)
Total Executive Board	2 135.4	4 012.3	47.5	1 425.3
thereof highest paid member Giovanni Leonardi (CEO)	504.6	897.0	18.7	163.8

In addition, a lump-sum expense allowance of CHF 30 thousand was paid to each member of the Executive Board. The total of lump-sum expense allowances paid to the Executive Board amounts to CHF 150 thousand.

Compensations paid to former members of the Board of Directors and Executive Board recognised in the annual financial statements 2007

CHF thousand		Compensation for mandate Board of Directors (BoD) (fixed)	Compensation for mandate Board of Directors (BoD) (variable)	Employee benefits (pension plan, social security)
Jean-Philippe Rochon	Member of BoD until Annual General Meeting of 26.4.2007	36.0	60.0	–

In addition, Mr. Jean-Philippe Rochon received a lump-sum expense allowance of CHF 4.8 thousand.

Until his leaving date, a salary (gross) of CHF 476.5 thousand was paid to a member of the Executive Board, CHF 36.4 thousand were expensed for employee benefits. Consulting fees of CHF 203 thousand were paid to two former members of the Executive Board. CHF 12 thousand were expensed for employee benefits.

Shares held by members of the Board of Directors or Executive Board

		Quantity
Dr. Rainer Schaub	Chairman of the Board of Directors	520
Dr. Hans Büttiker	Member of the Board of Directors	496
Dr. Alex Stebler	Member of the Board of Directors	40
Giovanni Leonardi	CEO	120
Heinz Saner	Member of the Executive Board	8
Total		**1 184**

Appropriation of Retained Earnings

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

Profits for the 2007 financial year as per income statement of	59 511 827	CHF
Balance carried forward amounting to	9 365 099	CHF
Total	**68 876 926**	**CHF**

be appropriated as follows:

Allocation to the general reserve	3 000 000	CHF
Dividends paid	–	CHF
Balance to be brought forward	65 876 926	CHF

The Board of Directors proposes to the Annual General Meeting of 24 April 2008 to perform, instead of a dividend payment, a reduction of the nominal value of CHF 10 per registered share (at a previous nominal value of CHF 20). Based on the 21 794 540 registered shares issued as of 10 January 2008, this amounts to a reduction of the share capital of CHF 217.9 million.

Report of the Statutory Auditors

ERNST & YOUNG

Ernst & Young Ltd
Brandschenkestrasse 100
P.O. Box
CH-8022 Zurich

Phone +41 58 286 31 11
Fax +41 58 286 40 20
www.ey.com/ch

To the General Meeting of

Atel Holding Ltd, Olten
(formerly known as Motor-Columbus Ltd, Baden)

Zurich, 29 February 2008

Report of the statutory auditors

As statutory auditors, we have audited the accounting records and the financial statements (income statement, balance sheet and notes / page 80 to 87) of Atel Holding Ltd for the year ended 31 December 2007.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

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

Ernst & Young Ltd

Alessandro Miolo	Daniel Bernhard
Swiss Certified Accountant	Swiss Certified Accountant
(Auditor in charge)	

Offices in Aarau, Baden, Basel, Berne, Geneva, Lausanne, Lucerne, Lugano, St.Gallen, Zug, Zurich.
Member of the Swiss Chamber of Auditors.

Dates

Dates

24 April 2008	2008 Annual General Meeting
May 2008	Quarterly results 1/2008
August 2008	Interim Report 2008
November 2008	Quarterly results 3/2008
February 2009	Release of annual results for 2008
18 March 2009	2009 Annual media conference
23 April 2009	2009 Annual General Meeting

Units

Currency

BGN	Bulgarian lev
CHF	Swiss francs
CZK	Czech krone
DKK	Danish krone
EUR	Euro
HRK	Croatian krone
HUF	Hungarian forint
MKD	Macedonian denar
NOK	Norwegian krone
PLN	Polish zloty
RON	Romanian leu
RSD	Serbian dinar
SEK	Swedish krona
SKK	Slovakian krone
USD	US dollar
th.	thousand
mn.	million
bn.	billion

Energy

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

Power

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

Contact

Investor Relations
Kurt Baumgartner, CFO
Tel. +41 62 286 71 11
Fax +41 62 286 76 67
investors@atel.ch

Corporate Communications
Martin Bahnmüller
Tel. +41 62 286 71 11
Fax +41 62 286 76 69
info@atel.ch

Published by
Atel Holding Ltd

Design and text
Prime, Zurich

Photos
Michael Sieber, Zurich

Printing
Dietschi Print & Medien AG, Olten

The Annual Report 2007 is published in German, French, Italian and English. The Financial Report 2007 is published in German and English. The German original text is authoritative.

Atel Holding Ltd
Bahnhofquai 12
CH-4601 Olten
Tel. +41 62 286 71 11
Fax +41 62 286 73 73
www.atel.eu