

Financial Report 2009

Overall, the Alpiq Group is satisfied with the results for 2009, performing better than expected in a challenging environment. The solid operating results were driven by the exceptionally high availability of the power stations, the successful sales and energy services activities and good trading performance.

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Alpiq Group Financial Review

Use of new company names

During the reporting year, most of the companies in the Group were renamed to incorporate the Alpiq brand name. At the end of December 2009, the two principal companies, Olten-based Aare-Tessin Ltd. for Electricity (Atel) and Lausanne-based Energie Ouest Suisse (EOS) SA, also changed their names to Alpiq Ltd. and Alpiq Suisse Ltd. respectively. The financial review and following financial statements of the Alpiq Group and Alpiq Holding Ltd. include some information relating to past events concerning these principal companies. Where meaningful, the former company names have been used.

In the list of subsidiaries and investments, all significant companies in the Alpiq Group are shown under their new names.

Preliminary notes

The Alpiq Group was newly formed in early February 2009 through the combination of Atel and EOS, together with EDF's purchase rights in Emosson. This means that 2009 is the first financial year in which the new Group is reporting consolidated results. To nevertheless allow an assessment of the Group's and Energy segment's operating performance during the year, consolidated financial statements have been prepared for 2008 as if the businesses had already been combined in February 2008 (pro forma financial statements). For this purpose, Atel's consolidated figures for 2008 and the figures of EOS and Emosson from February 2008 have been used, taking into account the consolidation effects arising in connection with the business combinations. Both for 2009 and in the pro forma financial statements for the previous year, amortisation of the EOS/Emosson assets, as revalued at the date of the combination, and the effects of the transaction with EOS are included in operating expenses and net finance costs respectively.

The formal financial statements for the year ended 31 December 2009 prepared in accordance with IFRS accounting principles are presented on pages 67 ff. All prior year comparatives shown represent the figures published by the former Atel Group excluding EOS and Emosson.

Alpiq Group on a comparable basis (pro forma financial statements for 2008)

Consolidated income statement (condensed)

CHF million	Pro forma for 2008	Statement for 2009
Net revenue	16,013	14,822
Other income	390	312
Total revenue and other income	16,403	15,134
Operating expenses before depreciation and amortisation	-14,776	-13,589
EBITDA	1,627	1,545
Depreciation and amortisation	-480	-481
EBIT	1,147	1,064
Net finance costs	-215	-164
Profit before income tax	932	900
Income tax expense	-200	-224
Group profit for the year	732	676

Consolidated statement of financial position (condensed)

Assets

CHF million	Pro forma at 31 Dec 2008	Statement at 31 Dec 2009
Property, plant and equipment	5,289	5,732
Intangible assets	2,577	2,585
Financial assets, incl. deferred tax	5,893	5,985
Non-current assets	13,759	14,302
Cash and cash equivalents, incl. term deposits and current asset investments	1,433	1,792
Other current assets	3,881	4,005
Current assets	5,314	5,797
Total assets	19,073	20,099

Equity and liabilities

CHF million	Pro forma at 31 Dec 2008	Statement at 31 Dec 2009
Equity attributable to equity holders of Alpiq Holding	7,139	7,720
Minority interests	207	210
Total equity	7,346	7,930
Non-current provisions, incl. deferred tax	2,126	2,111
Financial liabilities	5,320	5,519
Other liabilities	4,281	4,539
Total liabilities	11,727	12,169
Total equity and liabilities	19,073	20,099

The following review of results relates to performance in 2009 as compared with the pro forma financial statements for the previous year.

Alpiq Group results of operations

In financial terms, Alpiq's first year of operations was impacted by three major factors: the integration of the combined Atel, EOS and EDF (Swiss) operations, the global financial and economic crisis, and the rulings and requirements of the Swiss Federal Electricity Commission (ElCom). While the merger of the businesses of Atel, EOS and EDF (Swiss) will generate enormous potential and opportunities in the medium term, we had to contend with considerable integration costs in the short term. With the financial and economic crisis, and the ensuing negative effects on energy demand, energy prices and market liquidity, our business development was constrained and adversely affected in a variety of ways. And lastly, the ElCom interventions and directives had the effect of reducing Alpiq's earnings by well over CHF 50 million in comparison with previous years.

Against this backdrop, the Alpiq Group generated consolidated revenue of CHF 14.8 billion, a year-on-year decrease of 7.4%. With EBITDA at CHF 1,545 million and EBIT at CHF 1,064 million, operating profits were down on the comparative prior year levels (CHF 1,627 million and CHF 1,147 million), but nonetheless came in ahead of expectations considering the tense economic climate.

This performance was primarily driven by the positive contributions from energy trading and sales in Switzerland, Western Europe and the southern part of Central Europe. Added to this, power generation in Switzerland and Central Europe outpaced expectations. Another boost came from the investment returns on the decommissioning and nuclear waste disposal funds for nuclear power stations. Conversely, as mentioned above, our results were negatively impacted by the integration costs, declining demand for energy, significantly lower prices and margins, reduced market liquidity and the costs of ancillary services. The Energy Services segment managed to offset the effects of the adverse economic conditions in part by working off the high backlog of orders on hand but, despite its good performance, was unable to match the record figures posted a year earlier.

On a like-for-like basis, excluding the effects of exchange rate movements and changes in the consolidated Group during the year, EBITDA was down by 4.1% and EBIT by 5.9%.

Net finance costs improved by 23.7% year on year. Exchange rates of the principal currencies for Alpiq remained constant on balance over 2009, following the negative impact of the strong Swiss franc on foreign currency translation in the previous year. In contrast, the efforts of various European governments to extend the tax base left their mark, resulting in a 12% increase in tax expense despite lower pre-tax profit.

Coming in at CHF 676 million, Alpiq's reported Group profit for the year was CHF 56 million or 7.7% lower than a year earlier. On a like-for-like basis, excluding changes in the consolidated Group and the effects of foreign currency translation, the decline was CHF 42 million or 5.7%.

Group financial position

The Alpiq Group's total assets grew by approximately CHF 1 billion compared with the pro forma statement of financial position for the previous year. Capital expenditure on ongoing power generation projects and the integration of the Romanian sales company acquired in 2009 resulted in an increase of approximately CHF 0.54 billion in non-current assets. Other current assets were up by CHF 0.1 billion year on year due to slightly higher receivables. Following the successful placement of publicly offered bond issues amounting to CHF 1.2 billion, the Group's liquid assets rose to CHF 1.78 billion despite the repayment of more than CHF 0.85 billion in borrowings and bridge loans, as well as the above-mentioned capital expenditure on projects and acquisitions. This low-cost funding is being used to finance more capital investments and reduce outstanding borrowings. The ratio of net debt to EBITDA remained stable at 2.4 times compared with the pro forma figures for 2008, while the equity ratio increased slightly from the pro forma level of 38.5% to 39.5%.

Energy segment

Market conditions

During 2009, the European energy markets were subject to sharp fluctuations, with market conditions affected by the global financial and economic crisis. Demand for energy dropped in virtually all European countries. Electricity and commodity prices plummeted at the beginning of the year, then stabilised at a slightly higher level in the second quarter and subsequently moved mostly sideways. A perennial issue on the supply side was the reduced availability of nuclear power in France. Prices were underpinned by France's high electricity imports as well as the cold weather early and late in the year. In the second half of August, the high temperatures drove electricity prices up to over EUR 100 per MWh, especially around midday. Otherwise, there were few surprising and extreme price swings.

Many macroeconomic indicators currently show that the situation is bottoming out, with the first signs of economic stabilisation emerging. Nevertheless, a sustainable recovery will be sluggish for the time being, particularly in industrialised countries, since many government stimulus programmes are coming to an end and unemployment remains high. Added to that, subdued private consumption and fears of national bankruptcy are fuelling doubts about the sustainability of a fast economic rebound.

Alongside these economic developments, the reporting period was characterised by changes in the regulatory framework at European and Swiss level. In Switzerland, the Electricity Supply Act (StromVG) and Electricity Supply Ordinance (StromVV) now enacted and in force were implemented operationally with effect from 1 January 2009. Under the tightened regulatory requirements and the first rulings by the regulator, ElCom, Swiss power stations with a capacity of 50 MW or more have to bear a substantial portion of the increased costs of ancillary services. For 2009, this imposed a cost burden of way over CHF 50 million on Alpiq's generation facilities, only little of which could be recouped through additional business opportunities.

In Europe, the EU Council of Ministers adopted new energy directives and regulations primarily designed to provide the necessary legal framework to make full market liberalisation a reality. This is presenting new challenges for Switzerland and its bilateral negotiations.

Results of operations

The Energy segment generated consolidated revenue of CHF 12.8 billion for 2009, a decline of approximately CHF 1 billion or 8% year on year. Although the intensified sales activities brought a 4% increase in the consolidated sales volume to 135.2 TWh, revenue was impacted by the reduced liquidity in the energy markets, significantly lower European wholesale prices, regulatory stumbling blocks and adverse foreign currency movements. Operating profit (EBIT) reached CHF 1,003 million, virtually matching the year-earlier level of CHF 1,013 million. The excellent hydroelectric conditions in Switzerland, high availability of generation facilities in Central Europe and the successful activities of the Power Asset Trading and Optimisation units enhanced operating performance. The sales margins achieved by various market units also contributed to the stable results. Furthermore, unlike in the previous year, positive investment returns were generated on the nuclear decommissioning and waste disposal funds, which are recognised in the annual costs for the Gösgen and Leibstadt nuclear power stations. Conversely, the results were considerably weighed down by the mandatory charges to be paid to swissgrid for ancillary services in Switzerland from 1 January 2009, coupled with an exceptional loss arising from the insolvency of a sales partner in Central Europe and lower income from minority-owned companies in Italy.

Performance of the units

Operations in Switzerland were significantly strengthened by the merger. The business division made major progress and recorded positive earnings performance, driven in particular by combining the power generation units under one management and control. In its first year of joint operations, the Optimisation unit already benefited from the enlarged generation portfolio and made an encouraging contribution to results. Swiss supply and sales operations felt the negative economic climate. As expected, this led to lower sales levels both in wholesale business and in distribution across North-Western Switzerland. In contrast, the volume of sales to end customer supply partners in the French-speaking part of Switzerland were considerably up year on year.

Alpiq's power generation capacity in Switzerland has increased considerably since the generation portfolios of Atel and EOS were combined with the purchase rights associated with EDF's interest in Emosson and since the Cleuson-Dixence storage power station came back into operation in January 2010. The potential output now totals some 3,800 MW or an average of around 13,100 GWh per annum, representing about 20% of Switzerland's generation capacity. The average costs of the combined generation portfolio are relatively low and stable, while the high proportion of storage facilities allows the generation facilities to be operated very flexibly. Having combined the portfolio management and optimisation, the Group was able to generate the first synergies and is all set to unleash substantial further synergies over the years ahead.

Alpiq Grid Ltd. Gösgen and Alpiq Grid Ltd Lausanne, the transmission network companies that are still managed separately, focused primarily on implementing the capital investment projects to assure trouble-free operation of the national transmission systems. As required by law, the responsibility for operating the high-voltage network was transferred to the national grid operator at the beginning of the year without any notable problems. Furthermore, measures were taken to ensure sustained, reliable and low-cost service operation after ownership of the transmission network is transferred to swissgrid.

The Trading & Services business division gained sustainable momentum from the merger between Atel and EOS, while filling the job vacancies in Olten again in spring 2009 and building up additional expertise. Operationally, the financial and economic crisis led to a decrease in the number of trading partners and to precautionary restrictions on trading and credit risk limits, which reduced the proprietary trading opportunities at times. The first quarter of 2009 saw prices in the electricity and commodity markets plummet. With shrewd positioning, both Power Asset Trading and Power Proprietary Trading profited from these movements. Despite low demand, electricity prices rallied during the next quarter, again having a positive impact on generation-related trading. As the markets then largely moved sideways, some of the gains were lost in the third quarter. Even though the spot, forward and futures prices fell in the final quarter, both Power Proprietary Trading and Power Asset Trading again generated more gains. The positive results were buoyed by the systematic drive to capitalise on short-term price spikes in neighbouring markets. Trading in CO₂ certificates also performed well and increased steadily. New business units were successfully established for Multi Commodities & Fuel Management and for Origination & Environmental Markets. Alpiq Eurotrade S.à.r.l., Luxembourg, a new trading company (holding a so-called MiFID licence) set up in the European Union, started operating successfully in 2009, already acquiring numerous orders and conducting a substantial volume of trades on the European energy exchanges.

In the business division for Western Europe, Market Italy once again delivered an encouraging contribution to earnings although demand dropped in the wake of the economic meltdown and energy prices tumbled. However, revenue generated locally was noticeably down on the previous year due to the plunge in market prices for electricity, added to which the sales volumes declined because of the focus on markets with higher margins and the effect of risk-oriented customer selection. Operations in the balancing energy market repeated their successful performance, albeit with lower margins than a year earlier due to regulatory changes and reduced consumption. In this region, trading in green certificates also generated a steady contribution to earnings once again.

The power generation units in Italy had to contend with difficult general conditions. With the spark spreads driven down by the price slump, operations were reduced and energy generation cut back. This was compounded by the decrease in industrial customers' demand for electricity and steam.

Market Europe West, which includes the Spanish and French markets, posted solid results in the reporting period, growing revenue despite a marked drop in prices. This increase was fuelled in particular by the expansion of sales business in Spain. The newly acquired Madrid-based Hispaelec Energia S.A.U., a sales company already well established in the market, was integrated at the end of 2009 and will help to drive further expansion from 2010. Encouragingly, the successful positioning in the local sales market in France enabled the sales figures there to be maintained at the year-earlier level, with earnings even improving slightly, although industrial customers' demand for energy declined considerably.

The Market Nordic unit fell short of the targets. This unsatisfactory performance was due to low prices, weak trading performance and reduced portfolio services. With the strategic and human resources measures put in place during the reporting period, the unit expects to see a positive trend and a noticeable improvement in earnings in the short to medium term.

The business division for Central Europe saw the markets heavily hit by the economic crisis, especially in the first six months of 2009. The strained economic situation brought a marked decline in demand for electricity, particularly in industry, which in turn triggered a fall in prices. The adverse effect of the lower electricity prices was largely offset by the high proportion of medium- and long-term contracts in the overall portfolio. While electricity prices picked up somewhat in the second half of 2009, this did not have a significant impact on margins.

Despite the economic crisis, the division generated substantial growth in overall revenue, fuelled by a significant upturn in delivery volumes in wholesale and distribution business. Operations in the Market Central Europe North region benefited from high market liquidity and price volatility, coupled with high volumes in local wholesale business in Poland. However, performance was negatively impacted by unfavourable forward price movements. The Market Central Europe South region outpaced expectations despite the difficult market environment, with results driven by the expanded sales activities and the stable conditions in regional wholesale business. An additional boost came from the regional portfolio optimisation and the successful enlargement of the trading portfolio in Romania.

In Germany, both the sales volume and revenue were maintained at the previous year's level despite reduced demand for electricity and lower market prices. In particular, this was the result of continued expansion of sales, growth in portfolio services and the high proportion of yearly contracts on favourable terms.

The power generation facilities in Central Europe also delivered positive results. With its excellent capacity utilisation, the Kladno power station complex outperformed expectations. Despite reduced output, the Csepel power stations achieved stable results, underpinned by high availability, favourable delivery contracts and tight cost management. With their good operating performance, the Central European generation facilities managed to fully offset the negative fall-out from the economic crisis, compensating in particular for the lower industrial demand for heat and power. During the second half of 2009, the modernised Spreetal gas-fired combined cycle power station began generating electricity in Germany. However, its start-up was negatively impacted by the high gas prices and low sales prices.

Energy Services segment

Market conditions

In 2009, the Energy Services segment experienced mixed market conditions in the different regions and business areas. Its Swiss operations were far less affected by the economic downturn than activities in the markets across the rest of Europe, especially in Germany and Italy.

In Switzerland, building services enjoyed satisfactory demand overall, with prices only coming under heavy pressure in urban centres and for large-scale projects. The first signs of declining demand became evident in the second half of the year, translating into a deterioration in contract pricing quality. The markets for transport technology remained stable, underpinned by continuous capital spending by the Swiss public sector.

Conditions in the markets for industrial and power plant engineering in Germany and neighbouring countries were largely favourable due to the longer-term horizon in facilities construction. While demand for power generation capacities remained high, further growth was impeded by general investment uncertainty fuelled by the licensing problems in Germany and projects postponed by customers. Developments in the markets for energy supply technology were unsatisfactory. The regulators' pressure on grid charges, German network owners' sales plans and, again, the licensing problems had a negative impact on capital spending in spite of the technological needs. A steep drop in prices was seen in particular in the area of transmission and distribution systems.

Results of operations

In 2009, the Energy Services segment generated revenue of approximately CHF 2.1 billion, a year-on-year decline of about 5%. The Swiss Alpiq InTec Group (AIT) grew revenue by a satisfactory 5%, while the volume of revenue in the German Alpiq Anlagentechnik Group (AAT) shrank by 6% in local currency. As expected, the segment's consolidated operating profit (EBIT) was down year on year, dropping by 24% to CHF 101 million. This decrease is mainly due to the cyclical downturn in demand in Germany and to the some CHF 20 million in exceptional items recognised in profit for the previous year.

Performance of the units

In 2009, the AIT Group increased revenue to CHF 807 million. The 5% growth was driven by the robust business environment in Switzerland and the acquisitions during the first half of 2009, particularly in Northern Italy.

Despite the difficult environment, the AIT Group improved margins by implementing measures to improve efficiency in project handling. The Building Services (BS) business continued to enjoy high order intake as construction activity in Switzerland remained strong, but even here the prices for new contracts deteriorated substantially due to the economic climate and heightened competition. Negative effects, coupled with margin erosion, are expected in future periods. An installation and plumbing company with strong regional roots was acquired in Verona to strengthen the market position in Northern Italy. Margins remained stable in the Transport Technology (TT) business, which was only slightly affected by the economic downturn as a result of public spending.

The AAT Group's revenue was down 6% year on year to EUR 875 million, with much of the decline being due to the deeper economic crisis seen in Germany. The drop in revenue was softened by the large backlog of orders from the previous year.

Overall, the AAT Group's results for 2009 are satisfactory. So far, the Industrial and Power Plant Engineering (IPPE) business has proved to be resilient to the crisis, bolstered by the constant demand for generation capacities. Order intake rose by 8% in 2009, resulting in an order book of more than EUR 1 billion at the reporting date. While this business field generated stable earnings at a high level, the weak economy brought a marked contraction and lower margins in industrial operations. With many energy supply utilities holding back on capital spending, the Energy Supply Technology (EST) business saw a marked decrease in demand in the area of power distribution and transmission networks, which consequently weighed on margins and volumes. To counteract this, the EST business was extended with a targeted entry into electrical installations for large power stations.

Outlook

In the medium term, the merger between Atel and EOS to form Alpiq will generate additional business and growth opportunities for the company's Energy segment, which will already make significant contributions to the results for 2010. The Energy Services segment has attractive order books that will again ensure a positive performance. Nevertheless, 2010 will be another very demanding year for Alpiq, with continued and, in some cases, mounting pressure on prices and margins. In the first two months of 2010 alone, the relevant spot prices dropped by around 20% compared with last year's period, while the longer-term forward prices gave up about 10% in the same time frame. A recovery in demand and market liquidity is only expected to have an impact on Alpiq's business towards the end of 2010. With uncertainty still surrounding the regulatory environment, that will remain challenging. Added to that, the continued implementation of the integration process will again tie up funds and resources during 2010, albeit to a lesser extent than in 2009. Against this backdrop, the company expects to post another slight decline in revenue for 2010 with earnings on a par with 2009.

Consolidated Financial Statements of the Alpiq Group

The following consolidated financial statements comply with IFRS Financial Reporting Standards in accordance with IAS 1 “Presentation of Financial Statements”. All prior year comparatives represent the figures published by the former Atel Group at 31 December 2008, excluding EOS and Emosson operations.

Due to the business combination to form the Alpiq Group, the figures presented in the financial statements for 2009 have changed significantly since the previous year and are only comparable to a limited extent. On page 55, the key figures disclosed in the consolidated income statement and statement of financial position for 2008 are shown as pro forma financial statements in comparison with the financial statements for 2009.

Consolidated Income Statement

CHF million	Note	2008	2009
Net revenue	27	12,897	14,822
Share of profit of associates	11	96	77
Own work capitalised	1, 8	68	79
Other operating income		226	156
Total revenue and other income		13,287	15,134
Energy and inventory costs	2	-10,724	-12,071
Materials and services used		-71	-125
Employee costs	3	-864	-970
Other operating expenses		-347	-423
Profit before interest, tax, depreciation and amortisation (EBITDA)		1,281	1,545
Depreciation and amortisation	4	-280	-481
Profit before interest and tax (EBIT)		1,001	1,064
Net finance costs	5	-85	-164
Profit before income tax		916	900
Income tax expense	6	-183	-224
Group profit for the year		733	676
Attributable to minority interests		-10	-10
Attributable to equity holders of Alpiq Holding		723	666
Earnings per share in CHF	7	34	25

2008: figures of the former Atel Group excluding EOS and Emosson.

Consolidated Statement of Comprehensive Income

CHF million	2008	2009
Group profit for the year	733	676
Net change in fair value of available-for-sale financial assets taken to equity	-2	
Income tax expense		
Net of income tax	-2	
Cash flow hedges taken to equity	-31	-3
Income tax expense	7	
Net of income tax	-24	-3
IAS 39 effects of share of changes in equity of associates	21	1
Income tax expense	-5	
Net of income tax	16	1
Exchange differences on translation of foreign operations	-334	1
Other comprehensive income for the year, net of income tax	-344	-1
Total comprehensive income for the year	389	675
Attributable to minority interests	-3	-9
Attributable to equity holders of Alpiq Holding	386	666

2008: figures of the former Atel Group excluding EOS and Emosson.

Consolidated Statement of Financial Position

Assets

CHF million	Note	31 Dec 2008	31 Dec 2009
Property, plant and equipment	8	2,679	5,732
Intangible assets	9, 10	688	2,585
Investments in associates	11	2,396	5,830
Long-term financial investments	12	42	78
Deferred income tax assets	6	79	77
Non-current assets		5,884	14,302
Inventories	13	102	133
Trade and other receivables	14	2,106	2,472
Term deposits		267	408
Cash and cash equivalents	15	950	1,364
Current asset investments	16	7	20
Derivative financial instruments		1,158	1,240
Prepayments and accrued income		92	160
Current assets		4,682	5,797
Total assets		10,566	20,099

Equity and liabilities

CHF million	Note	31 Dec 2008	31 Dec 2009
Share capital	17	218	272
Share premium		1,268	4,431
Treasury shares		-45	0
Retained earnings		2,243	3,017
Equity attributable to equity holders of Alpiq Holding		3,684	7,720
Minority interests		146	210
Total equity		3,830	7,930
Provisions	18	361	386
Deferred income tax liabilities	6	520	1,725
Long-term borrowings	19	2,181	5,124
Other non-current liabilities	20	78	555
Non-current liabilities		3,140	7,790
Current income tax liabilities		62	118
Short-term borrowings		372	395
Other current liabilities	21	1,590	1,995
Derivative financial instruments		1,155	1,344
Accruals and deferred income		417	527
Current liabilities		3,596	4,379
Total liabilities		6,736	12,169
Total equity and liabilities		10,566	20,099

31 December 2008: figures of the former Atel Group excluding EOS and Emosson.

Consolidated Statement of Changes in Equity

CHF million	Share capital	Share premium	Unrealised gains and losses under IAS 39	Treasury shares	Foreign currency translation reserve	Retained earnings	Attributable to equity holders of Alpiq Holding	Minority interests	Total equity
Equity at 31 December 2007	256	33	1	-2	90	1,707	2,085	1,536	3,621
Profit for the period						723	723	10	733
Other comprehensive income			-9		-328		-337	-7	-344
Total comprehensive income			-9		-328	723	386	3	389
Transactions related to the share exchange in January 2008 ¹	180	1,229		-46	59		1,422	-1,422	0
Transactions related to compensation for shares cancelled in June 2008 ¹	1	6					7	-7	0
Reduction in par value	-219			3			-216		-216
Dividends							0	-7	-7
Change in minority interests							0	43	43
Equity at 31 December 2008	218	1,268	-8	-45	-179	2,430	3,684	146	3,830

¹ In anticipation of the merger between Atel and EOS, former Atel Holding Ltd launched a public exchange offer for the shares of its then subsidiary Aare-Tessin Ltd. for Electricity on 12 November 2007. After completion of the exchange on 10 January 2008, former Atel Holding Ltd held 99.82% of the shares in the then Aare-Tessin Ltd. for Electricity. The outstanding 5,408 shares not exchanged were cancelled on 27 May 2008 pursuant to a ruling by the Olten-Gösigen District Court.

To compensate the shareholders concerned, former Atel Holding Ltd increased its share capital by 43,378 shares or CHF 867,560 on 25 June 2008 and compensated those shareholders on the same terms and conditions as the exchange offer launched on 12 November 2007.

Equity until 31 December 2008: figures of the former Atel Group excluding EOS and Emosson.

CHF million	Share capital	Share premium	Unrealised gains and losses under IAS 39	Treasury shares	Foreign currency translation reserve	Retained earnings	Attributable to equity holders of Alpiq Holding	Minority interests	Total equity
Equity at 31 December 2008	218	1,268	- 8	- 45	- 179	2,430	3,684	146	3,830
Profit for the period						666	666	10	676
Other comprehensive income			- 1		1		0	- 1	- 1
Total comprehensive income			- 1		1	666	666	9	675
Issue of share capital related to consideration paid to EOSH and EDFAI in January 2009 (see note 28)	57	3,163					3,220	61	3,281
Revaluation of previous interest (50%) in Emosson (see note 28)						368	368		368
Cancellation of 314,286 treasury shares ¹	- 3			45		- 42	0		0
Dividends						- 218	- 218	- 5	- 223
Change in minority interests							0	- 1	- 1
Equity at 31 December 2009	272	4,431	- 9	0	- 178	3,204	7,720	210	7,930

1 As resolved at the Extraordinary General Meeting on 27 January 2009.

Consolidated Statement of Cash Flows

CHF million	Note	2008	2009
Profit before interest and tax (EBIT)		1,001	1,064
Adjustments for:			
Own work capitalised	1, 8	-68	-79
Depreciation, amortisation and impairment	4	280	481
Movements in provisions		-187	-120
Gain/loss on sale of non-current assets		-5	-4
Non-cash gains and losses on investments in associates and joint ventures credited/charged to energy costs	11	66	78
Non-cash change in other non-current and current payables	20, 21	-25	-160
Other non-cash income and expenses		9	14
Share of profit of associates	11	-96	-77
Dividends received from associates and financial investments		48	57
Interest paid		-57	-97
Interest received		39	2
Other finance costs		-19	-15
Other finance income		5	7
Income tax paid		-120	-273
Changes in working capital (excl. current financial assets/liabilities)		-173	158
Net cash flows from operating activities		698	1,036
Property, plant and equipment and intangible assets			
Purchases	8, 9	-443	-624
Proceeds from sale		15	27
Subsidiaries			
Acquisitions	28	-150	-550
Associates			
Acquisitions	11	-476	-20
Proceeds from disposal	11	5	5
Long-term financial investments			
Purchases	12	-14	-31
Proceeds from sale/repayments	12	13	7
Change in term deposits		-181	-125
Purchases/proceeds from sale of current asset investments		-4	-16
Net cash flows used in investing activities		-1,235	-1,327

Dividends paid		- 218
Reduction in par value	- 216	
Dividends paid to minority interests	- 7	- 5
Capital contribution from minority interests	45	
Proceeds from borrowings	1,278	2,631
Repayment of borrowings	- 543	- 1,708
Net cash flows from/(used in) financing activities	557	700
Effect of exchange rate changes	- 43	5
Change in cash and cash equivalents	- 23	414
Analysis:		
Cash and cash equivalents at 1 January	973	950
Cash and cash equivalents at 31 December	950	1,364
Change	- 23	414

Free cash flow

CHF million	2008	2009
Net cash flows from operating activities	698	1,036
Capital expenditure on replacement assets	- 181	- 202
Proceeds from sale of property, plant and equipment and intangible assets	15	27
Free cash flow	532	861

2008: figures of the former Atel Group excluding EOS and Emosson.

Group Accounting Policies

Preliminary note

The prospective statements set out in the accounting policies below reflect the views of the Alpiq Group.

Significant accounting policies

Basis of preparation of the consolidated financial statements

The consolidated financial statements of the Alpiq Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations (IFRIC) issued by the International Accounting Standards Board (IASB) and comply with Swiss law. They are designed to give a true and fair view of the financial position, results of operations and cash flows of the Alpiq Group. They have been prepared on a historical cost basis, except for certain items such as financial instruments and available-for-sale financial assets that have been measured at fair value. The consolidated financial statements were authorised for issue by the Board of Directors of the Alpiq Group on 18 February 2010 and are subject to approval by shareholders at the Annual General Meeting on 22 April 2010.

Adoption of new and revised accounting standards

The accounting policies applied are consistent with those of the previous financial year, except that the Alpiq Group has adopted the following International Financial Reporting Standards (IFRS) which became effective on 1 January 2009:

- IAS 1 rev.: Presentation of Financial Statements (1 January 2009)
- IAS 23 rev.: Borrowing Costs (1 January 2009)
- IAS 1 and IAS 32 amendments: Puttable Financial Instruments and Obligations Arising on Liquidation (1 January 2009)
- IAS 39 and IFRS 7 amendments: Disclosures on the Reclassification of Financial Assets (1 July 2008)
- IAS 39 amendments/IFRIC 9: Embedded Derivatives (1 July 2009)

- IAS 27 and IFRS 1 amendments: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (1 January 2009)
- IFRS 2 amendments: Vesting Conditions and Cancellations (1 January 2009)
- IFRS 7 amendments: Enhanced Disclosures about Financial Instruments (1 January 2009)
- IFRS 8: Operating Segments (1 January 2009)
- IFRIC 13: Customer Loyalty Programmes (1 July 2008)
- IFRIC 15: Agreements for the Construction of Real Estate (1 January 2009)
- IFRIC 16: Hedges of a Net Investment in a Foreign Operation (1 October 2008)
- IFRIC 18: Transfers of Assets from Customers (1 July 2009)

In addition to the above changes, a number of other minor amendments to standards have also been approved and adopted as mandatory by the IASB and IFRIC. The majority of these amendments became effective from 1 January 2009. Alpiq has not early adopted the new and revised standards and interpretations.

The adoption of these new rules had no material impact on the results and financial position of the Alpiq Group.

IFRS and IFRIC interpretations effective in future periods

The following new and revised standards and interpretations have been published by the IASB and IFRIC respectively and are mandatory for future accounting periods:

- IAS 27 rev.: Consolidated and Separate Financial Statements (1 July 2009)
- IAS 39 amendments: Eligible Hedge Items (1 July 2009)
- IFRS 3 rev.: Business Combinations (1 July 2009)
- IFRIC 17: Distributions of Non-cash Assets to Owners (1 July 2009)
- IFRS 2 amendments: Group Cash-settled Share-based Payment Transactions (1 January 2010)
- IFRS 1 amendments: First-time Adoption of IFRS – further simplifications (1 January 2010)
- IAS 32 amendments: Classification of Rights Issues (1 February 2010)
- IAS 24: Related Party Disclosures (1 January 2011)
- IFRS 9: Financial Instruments (1 January 2013)
- IFRIC 14: Prepayments of a Minimum Funding Requirement (1 January 2011)
- IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments (1 July 2010)

Certain aspects of the standards and interpretations becoming effective in future periods require additional disclosures in the published consolidated financial statements. Adoption of the revised IFRS 3 will affect transactions completed on or after 1 January 2010. In addition, IFRS 9 – Financial Instruments, effective from 1 January 2013, will have a significant impact on the classification and measurement of financial instruments and hedge accounting. The Alpiq Group is currently evaluating the potential effects of adopting these new standards on the consolidated financial statements.

Furthermore, prior year comparatives in the consolidated income statement, statement of financial position and notes to the consolidated financial statements have been reclassified or extended, where necessary, to conform to changes in presentation in the current reporting period. Where material, notes have been provided. Changes in presentation also include changes in organisational terms.

Basis of consolidation

The consolidated financial statements of the Alpiq Group comprise the consolidated financial statements of Alpiq Holding Ltd., domiciled in Switzerland, and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. All intra-group balances, transactions, income and expenses are eliminated in full.

Subsidiaries are entities that are directly or indirectly controlled by the Alpiq Group (generally accompanying a shareholding of more than 50% of the voting rights). These entities are consolidated from the date of acquisition. They are de-consolidated from the date that control ceases and, if appropriate, reported as investments in associates or financial investments up to the date of disposal.

Investments in associates in which the Alpiq Group holds minority interests and has significant influence are accounted for in the consolidated financial statements using the equity method. Jointly controlled entities (joint ventures) in the Energy segment are included in the consolidated financial statements using the same method. The Alpiq Group's share of the assets, liabilities, income and expenses of such entities is disclosed in note 11 to the consolidated financial statements.

In accordance with IAS 39, all other investments are recognised at fair value and included in non-current assets as “financial investments”.

All significant companies included in the consolidation are shown on pages 139 ff. with an indication of the consolidation method applied and other information.

Foreign currency translation

The consolidated financial statements are presented in Swiss francs, which is the Group’s functional and presentation currency. The functional currency of each entity in the Group is determined by the economic environment in which it operates. Transactions in foreign currencies are recorded in the Group entity’s functional currency at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the closing rate of exchange ruling at the reporting date. The resulting exchange differences are recognised in the income statement.

The assets and liabilities of subsidiaries are translated into Swiss francs at the closing rate of exchange prevailing at the reporting date. Income and expense items are translated at the weighted average exchange rates for the reporting period. The exchange differences arising on translation are recognised as a separate component of equity. On disposal of a subsidiary, the cumulative translation differences relating to that subsidiary are recognised in the income statement in the period in which the subsidiary is disposed of.

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

Unit	Closing rate at 31 Dec 2008	Closing rate at 31 Dec 2009	Average rate for 2008	Average rate for 2009
1 USD	1.07	1.03	1.08	1.09
1 EUR	1.485	1.484	1.587	1.510
100 CZK	5.53	5.60	6.37	5.71
100 HUF	0.56	0.55	0.63	0.54
100 NOK	15.23	17.87	19.37	17.31
100 PLN	35.75	36.15	45.35	34.94
100 RON	36.92	35.02	43.14	35.62

Intra-group transactions

Goods and services provided between entities within the Group are invoiced at contractually agreed transfer or market prices. Electricity generated by joint ventures is invoiced to the shareholders at full cost under the existing joint venture agreements.

Revenue recognition

Revenue from the sale of goods and services is recognised in the income statement when the goods or services are delivered. The Group recognises energy contracts entered into for trading purposes with the intention of profiting from short-term volatility in market prices on a net basis in revenue (net gains and losses from trading). Revenue from construction contracts is generally recognised using the percentage-of-completion method by reference to the stage of completion of the contract activity.

Income tax

Income tax is calculated on the profit for the year, as reported in the income statement, using tax rates that have been enacted by the reporting date and are applicable to the individual companies' financial statements. Income tax expense represents the sum of current and deferred income tax.

Deferred income tax is provided on temporary differences between the recognition of certain income and expense items for financial reporting and for income tax purposes. Deferred tax arising from temporary differences is calculated using the balance sheet liability method. Deferred tax is not recognised for differences associated with investments in subsidiaries, associates and interests in joint ventures that will not reverse in the foreseeable future and where the timing of the reversal is controlled by the Group.

Deferred tax assets are recognised when it is probable that they will be realised. Unrecognised tax assets are disclosed.

The effects of the recognition of temporary differences are presented in note 6 to the consolidated financial statements.

Borrowing costs

Borrowing costs are generally expensed in the period they occur. Borrowing costs directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to get ready for use are capitalised. Capitalised interest is calculated on the actual amount paid in the period from the date of acquisition or commencement of construction to the use of the asset.

Discontinued operations and non-current assets held for sale

An asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The asset must be available for immediate sale in its present condition, and the sale must be highly probable within the next 12 months. The same applies to a group of assets and associated liabilities that are to be disposed of together in a single transaction (disposal group).

The Alpiq Group measures non-current assets and disposal groups classified as held for sale at the lower of carrying amount and fair value less costs to sell. These assets or disposal groups, once classified as held for sale, are no longer depreciated or amortised. The assets and liabilities are presented separately from other Group assets and liabilities in the statement of financial position.

A component of the Group's business is classified as a discontinued operation if it represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated income statement.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and any impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful lives of each class of asset, or to the expiry date of power station licences. The useful lives of the various classes of assets range as follows:

Buildings	30 – 60 years
Land	only in case of impairment
Power generation assets	25 – 80 years
Transmission assets	15 – 40 years
Machinery, equipment and vehicles	3 – 20 years
Assets under construction	if impairment is already evident

Obligations to restore land and sites after licence expiry or decommissioning are accounted for individually in accordance with the terms of contract. Replacements and improvements are capitalised if they substantially extend the useful life, increase the capacity or substantially improve the quality of output of assets.

Costs relating to regular and major overhauls are recognised in the carrying amount of the item of property, plant and equipment as a replacement if the recognition criteria are satisfied. Repairs, maintenance and ordinary upkeep of buildings and operating facilities are expensed as incurred.

The carrying amount of an item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected. Any gain or loss arising on disposal of the asset is recognised in the income statement.

The residual value and useful life of an asset are reviewed at least at each financial year end and adjusted, if appropriate.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition comprises the consideration given to acquire the assets, liabilities and contingent liabilities of the acquiree. The consideration is measured as the cash paid and the fair value of the assets given and liabilities incurred or assumed at the date of exchange. Acquisition cost also includes transaction costs directly attributable to the acquisition. The net assets acquired, comprising identifiable assets, liabilities and contingent liabilities, are recognised at their fair values.

Where the Group does not acquire 100% ownership, the interests of minority shareholders are recognised as a component of consolidated equity. However, minority interests over which the Alpiq Group holds options (call options) or has granted options (written put options) are only recognised as minority interests when the strike price is based on fair value. Such call options are recorded at fair value. Written put options on minority interests are recognised as a liability at the present value of the expected cash outflows.

The Group treats the acquisition of minority interests as a pure equity transaction. Any difference between the purchase consideration and net assets acquired is taken to retained earnings.

Goodwill represents the difference between the cost of acquisition and the fair value of the Group's share of the identifiable net assets acquired. Goodwill and fair value adjustments to net assets are recognised in the acquiree's assets and liabilities in that company's local currency. Goodwill is not amortised but is tested for impairment at least annually. Goodwill may also arise upon investments in associates, being the difference between the cost of investment and the Group's share of the fair value of the identifiable net assets. Such goodwill is recognised in investments in associates.

Intangible assets

Intangible assets acquired by the Group are measured on initial recognition at cost. Following initial recognition, they are carried at cost less any accumulated amortisation and impairment losses. Internally generated intangible assets are not capitalised but are expensed in the income statement in the year when 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 lives and assessed for impairment whenever there is an indication that they may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. The useful lives of the intangible assets currently recognised range from 3 to 15 years.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The useful life of an asset is reviewed in each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment.

Energy purchase rights

Energy purchase rights are recorded as intangible assets in the statement of financial position and are tested for impairment like other intangible assets. They comprise prepayments for rights to purchase energy in the long term, including capitalised interest. These assets are amortised on a straight-line basis from the commencement of the energy purchases over the term of the contracts.

This item also includes long-term energy purchase agreements acquired in business combinations, which are subsequently identified, measured and recognised in a purchase price allocation.

Impairment of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are reviewed at least annually to determine whether there is any indication of impairment. In particular, this assessment is performed when changes in circumstances or events indicate that the carrying amounts may not be recoverable. Where the carrying amount of an asset exceeds its estimated recoverable amount, the asset is written down to the value considered to be recoverable based on the estimated future discounted cash flows. The recoverable amount of intangible assets with indefinite useful lives is reviewed annually.

The 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. Value in use is calculated by discounting 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 recoverable amount of the individual asset is estimated for the cash-generating unit to which the asset belongs.

An impairment loss previously recognised for an asset 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 carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised.

The annual impairment review is monitored centrally within the Group.

Impairment of goodwill

Goodwill is allocated to the cash-generating units to which the goodwill relates. These generally represent the identifiable regional sales, service and production activities. Goodwill is tested for impairment annually. If the recoverable amount of the cash-generating unit, i.e. the higher of the unit's fair value less costs to sell and its value in use, is less than the carrying amount, an impairment loss is recognised. The method used for testing cash-generating units for impairment is disclosed in note 10. If the value of goodwill increases again, previously recognised impairment losses are not reversed.

Investments in associates and joint ventures

An associate is an entity over which the Alpiq Group is in a position to exercise significant influence through participation in the financial and operating policy decisions of the investee and that is neither a subsidiary nor a joint venture. Where appropriate, companies may likewise be accounted for in the consolidated financial statements as associates using the equity method even if the ownership interest is less than 20%. This applies in particular where the Alpiq Group is represented in the authoritative decision-making bodies, e.g. the Board of Directors, and participates in the operating and financial policies or where market-relevant information is exchanged.

A joint venture is an entity jointly controlled by Alpiq and one or more other venturers under a contractual arrangement. Due to these circumstances, joint ventures are accounted for in the consolidated financial statements using the equity method regardless of the Group's ownership interest in them. The Alpiq Group's interests in joint ventures currently range from 9% to 60%.

The financial statements of associates and joint ventures are generally prepared using uniform accounting policies. Companies that apply different accounting standards for the preparation of their local financial statements also prepare reconciliations to IFRS.

Inventories

Inventories mainly include fuels to generate electricity and materials to produce goods and services. Fuel stocks (oil, gas and coal) comprise all directly attributable costs of acquisition. They are carried at the lower of cost, using the weighted average method, and net realisable value. Cost includes all expenditures incurred in acquiring the inventories and bringing them to their storage location.

Inventories of materials are stated at the lower of cost, calculated using the average cost method, and net realisable value. Production cost comprises all direct material and manufacturing costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Leases

In total, the Group's leases are currently immaterial.

Construction contracts

Work performed for customers under construction contracts in the Energy Services segment is recorded using the percentage-of-completion method, and the amount to be recognised as an asset is included in receivables and sales revenue. The stage of completion is measured by reference to the extent of work performed to date, i.e. according to the costs already incurred. Contract costs are recognised as expenses in the period in which they are incurred.

When the stage of completion or the outcome of contracts or groups of contracts cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. Provision is made for any losses expected to be incurred on construction contracts. For contracts in progress, the revenue agreed in the contract and any subsequent variations confirmed by the customer in writing are recognised as contract revenue.

Provisions

Provisions cover all (legal or constructive) obligations 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. Provisions are measured at the best estimate of the expenditure required to settle the obligation.

Provisions are recognised at an amount equal to the expected cash outflows discounted at the reporting date. Provisions are reviewed annually at the reporting date and adjusted to reflect current developments. The discount rates used are pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the liability.

Accounting for CO₂ emission allowances

In December 2004, the IASB issued IFRIC 3, an interpretation on accounting for emission allowances. IFRIC 3 was mandatory for financial years beginning on or after 1 March 2005. Subsequently, the IASB decided that IFRIC 3 should no longer be mandatory. The Alpiq Group has chosen an accounting method that appropriately reflects economic reality based on applicable IFRS standards.

Allocated CO₂ emission allowances are initially recognised at nominal value (nil value). CO₂ emission allowances purchased to meet the Group's generation requirements are recorded at cost within intangible assets on initial recognition. A liability is recognised when the CO₂ emissions exceed the emission allowances originally allocated. The liability is measured at the cost of purchased allowances up to the level of purchased allowances held. That portion exceeding the CO₂ emission allowances held is recognised at fair value at the reporting date. Changes in the liability are recorded as energy costs.

Emission allowances held for trading, for example to optimise the energy portfolio, at the reporting date are measured at fair value and recorded in inventories.

Pension schemes

The Group operates a number of pension schemes as required by law.

Swiss consolidated Group companies in the Energy segment participate in a legally independent pension scheme of the Swiss defined benefit type that meets the criteria of a defined benefit plan under IAS 19.

Employees of foreign subsidiaries in the Energy segment are generally covered by state social security schemes or separate defined contribution pension plans in accordance with national practices.

Swiss Group companies belonging to Alpiq InTec in the Energy Services segment participate in a legally independent pension scheme that is fully reinsured. The pension plans under this scheme are classified as defined benefit plans under IAS 19.

Employees of foreign companies belonging to Alpiq InTec in the Energy Services segment are covered by state social security schemes.

The German AAT Group exclusively operates a pension scheme where the employer has a constructive obligation to pay benefits, i.e. there is no legally independent pension scheme. For this reason, provisions are made in the company's statement of financial position. These provisions are calculated in accordance with annual actuarial valuations of the existing benefit obligation. Benefits are paid directly by the company. Under IAS 19, a constructive obligation to pay benefits under German law constitutes an unfunded plan and is reported as a net liability in the statement of financial position. As there are no separate plan assets to meet the obligation, the actual payments are deducted from the provision in the statement of financial position.

The defined benefit obligation is calculated using the projected unit credit method. This accrued benefit method prorated on service recognises not only the known benefits and benefits accrued at the reporting date but also expected future salary and pension increases. Actuarial gains and losses arising from the periodic revaluations are recognised as income or expense for each individual plan on a straight-line basis over the average remaining service lives of the employees when the actuarial gains and 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 the plans are generally funded by employer and employee contributions. Employer contributions paid or owed to pension schemes that provide defined contribution pension plans are recognised directly in the income statement.

Contingent liabilities

Potential or existing liabilities where it is not considered probable that an outflow of resources will be required are not recognised in the statement of financial position. However, the nature and extent of liabilities existing at the reporting date is disclosed as a contingent liability in the notes to the consolidated financial statements.

Segment information

The Energy segment encompasses the Alpiq Group's energy generation, transmission, trading and sales operations. The Energy Services segment comprises all activities involving engineering and construction services.

Revenue in the Energy segment mainly comprises physical electricity deliveries from trading and sales activities. Revenue also includes gains on energy trading contracts. Revenue reported in the Energy Services segment comprises revenue from construction contracts.

Operations presented as “other and consolidation” include activities not attributable to the segments, primarily those of the holding, management, property and finance companies. The segments are identified based on the Group’s internal reporting provided to the Executive Board and Board of Directors.

Inter-segment transactions: segment revenue, expenses and results include transfers between business segments and geographical areas, which were made and recorded at arm’s length. All these transactions and balances have been eliminated on consolidation.

The segments’ operating results (EBIT) are reviewed by the Executive Board to make decisions about resource allocation and to assess the performance of the units.

In accordance with IFRS, Alpiq (formerly Atel) has published a segment analysis in both its Interim and Annual Reports ever since 1999. This information is essentially based on the internal reporting, focused on the two business segments: Energy and Energy Services. In connection with the business combination between Atel and EOS, the Group is currently setting up a financial information system tailored to the new Group structure. In 2009, the internal reporting provided to the chief operating decision maker was therefore based on the information available (Energy and Energy Services). The EOS and Emission operations acquired in 2009 have been integrated in the Energy segment.

Financial instruments

Financial instruments include cash and cash equivalents, term deposits, investments in securities, derivative financial instruments, financial investments, receivables, and short-term and long-term payables and borrowings.

Financial assets and liabilities

In accordance with the applicable rules under IAS 39, financial assets and liabilities are classified as follows and measured uniformly according to their classification:

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

Financial assets and liabilities are recognised initially at fair value. All regular way purchases and sales of financial assets are recognised on the trade date.

Financial assets or liabilities at fair value through profit or loss

Financial assets classified as held for trading are acquired principally for the purpose of generating a profit from short-term fluctuations in price. Derivatives are also classified as assets or liabilities held for trading. In addition, financial assets or liabilities can be included in this category.

After initial recognition, derivative financial instruments held for trading in the course of energy business are carried at fair value, with changes in fair value recognised in net revenue in the period in which they occur. For a few positions where no active market price is available, fair value is determined using a price curve model. Other derivatives held for trading and other financial instruments designated in this category are subsequently recorded at fair value, with changes in fair value recognised in finance income or costs.

Financial investments where investment and disposal decisions are based on changes in fair value are classified as “at fair value through profit or loss”. Such a classification is in line with the Alpiq Group’s financial risk management policy.

Current asset investments include both securities held for trading and those classified as available-for-sale. All securities are recorded at fair value. Changes in the fair value of securities held for trading are recognised in the income statement in the period in which they occur. Changes in the fair value of items classified as available-for-sale are recognised in equity and only transferred to the income statement upon disposal.

Own equity instruments which are reacquired by Alpiq Holding (treasury shares) are deducted from equity. No gain or loss is recognised in the income statement on the purchase or sale of the Group’s own equity instruments.

Held-to-maturity investments

Held-to-maturity investments are financial assets with fixed maturities that the Group has the positive intention and ability to hold to maturity. They are measured at amortised cost. Investments intended to be held for an indefinite period of time are not included in this category.

Loans and receivables

Originated loans and receivables are financial assets created by the Group by providing loans, goods or services to third parties. They are generally measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the financial asset or financial liability is de-recognised or impaired, as well as through the amortisation process.

The category of loans and receivables also includes cash and cash equivalents. These comprise cash at banks and in postal accounts, demand deposits and term deposits with a maturity of 90 days or less.

Receivables are recognised at nominal value, less provision for impairment. Trade receivables from customers who are also suppliers are offset against the respective trade payables where netting agreements are in place.

Available-for-sale financial assets

All other financial assets are classified as available-for-sale.

Financial liabilities

Financial liabilities include short-term and long-term payment obligations, which are stated at the amount payable or repayable, as well as accruals and deferred income.

Impairment and uncollectibility of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

For assets carried 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 financial asset's original effective interest rate. The amount of any loss is recognised 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 carrying amount that would have been determined if no impairment loss had been recognised.

For assets carried at 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 current market rate of return for a similar financial asset. Losses are recognised in the income statement. If, in a subsequent period, the fair value increases, these impairment losses are not reversed.

When a decline in the fair value of available-for-sale financial assets has been recognised directly in equity and there is objective evidence of impairment, a loss (measured as the difference between acquisition cost and the current fair value) is removed from equity and recognised in the income statement. Whereas impairment losses on debt instruments are reversed through the income statement, any subsequent increase in the fair value of equity instruments after impairment is not recognised in the income statement.

Hedge accounting

Alpiq uses energy and interest rate derivatives to hedge exposure to variability in cash flows that is attributable to highly probable forecast transactions (cash flow hedges).

Before designating a new hedging instrument, the Group conducts a thorough analysis of the risk situation, describes the effect of the hedging instrument and documents the objectives and strategy for undertaking the hedge, together with the methods that will be used to assess and measure its effectiveness on an ongoing basis. It also determines the accounting method. The designation of a new hedging instrument is formally authorised. Hedge relationships are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting period.

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

Amounts taken to equity are transferred to the income statement in the period when the hedged transaction affects profit or loss.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to the income statement. When the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or when the hedge no longer meets the criteria for hedge accounting, amounts previously recognised in equity remain in equity as a separate component until the hedged transaction occurs.

Estimation uncertainty

Key assumptions and sources of estimation uncertainty

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions, in particular in assessing impairment and measuring provisions, that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses. The estimates and assumptions are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances. They form the basis for making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual outcomes could differ from those estimates.

Estimates and assumptions are reviewed on an ongoing basis. Any revisions to estimates and assumptions are recognised and disclosed in the period in which they are identified.

Impairment of property, plant and equipment, intangible assets and goodwill

The carrying amount of the Alpiq Group's property, plant and equipment and intangible assets, including goodwill, was approximately CHF 8.3 billion at 31 December 2009 (2008: CHF 3.4 billion). These assets are tested for impairment annually. Determining whether assets are impaired requires estimates of the future cash flows expected to be derived from the use, growth rates, discount rates and eventual sale of the assets. Actual outcomes may vary materially from these estimates. Other factors, such as changes in scheduled useful lives of assets or technical obsolescence of plant, may shorten the useful lives or result in an impairment loss.

Provisions

At 31 December 2009, the carrying amount of the provision for contract risks and losses presented in note 18 was CHF 202 million (2008: CHF 339 million). This covers risks and liabilities that were known at the balance sheet date and relate to existing long-term energy purchase and supply contracts in Switzerland and other countries. The amount of the provision required was calculated based on a likely outflow of resources associated with the performance of the contracts. The valuations are made and reviewed periodically using the discounted cash flow method over the term of the contractual obligations entered into. Significant inputs used in the valuations, which are subject to certain uncertainties and hence may cause some material adjustments in subsequent periods, are especially the assumptions regarding future changes in market prices, long-term interest rates and the effects of currency translation (EUR into CHF).

Acquisitions and disposals of fully consolidated companies

Year-on-year changes in the Group resulting from acquisitions were as follows:

Acquisitions	Ownership interest	Consolidated since	Segment / Business unit
Energie Ouest Suisse (EOS) SA, Lausanne / CH	100.0%	28 Jan 2009	Energy Switzerland
Avenis SA, Lausanne / CH	100.0%	28 Jan 2009	Energy Switzerland
EOS Trading SA, Lausanne / CH	100.0%	28 Jan 2009	Energy Switzerland
Electricité d'Emosson SA, Martigny / CH ¹	50.0%	28 Jan 2009	Energy Switzerland
Hydrelec AG, Untersiggenthal / CH ²	100.0%	24 Jun 2009	Energy Switzerland
Alpiq RomEnergie S.R.L., Bucharest / RO	100.0%	1 Jul 2009	Energy Central Europe
Hispaelec Energia S.A.U., Madrid / ES	100.0%	28 Dec 2009	Energy Western Europe
Rossetto Impianti S.p.A., Verona / IT	100.0%	28 Mar 2009	Energy Services AIT

1 By acquiring 50% of the power purchase rights associated with the Emosson power station, Alpiq gained economic control of the company (note 28).

2 The interest was increased from 40% to 100% in the reporting period. The company was renamed Aare-Tessin Ltd. for Electricity in December 2009.

As a result of these acquisitions, the Alpiq Group's consolidated revenue increased by CHF 2,931 million year on year. Details of the assets acquired and liabilities assumed are disclosed in note 28. The impact on non-current assets (notes 8, 9, 11 and 12) and provisions (note 18) in the statement of financial position and on the disclosures of retirement benefit obligations (note 23) is presented as "acquisition / disposal of subsidiaries".

In 2009, there were no disposals.

Financial risk management

General policies

The Alpiq Group's operating activities expose it to strategic and operational risks, and in particular credit, liquidity and market risks (energy price risk, interest rate risk and foreign currency risk). During the annual business risk assessment process, strategic and operational risks throughout the Group are recorded and assessed and then assigned to the identified risk owners for management and monitoring. The Corporate Risk Management functional unit monitors the implementation of the measures. Exposure limits are set for credit, liquidity and market risks (energy price risk, interest rate risk, foreign currency risk), with compliance monitored on an ongoing basis, and adjusted in the context of the company's overall risk-taking capacity.

The principles of the Group's risk management policy are established by the Board of Directors. The Executive Board is responsible for their development and implementation. The Risk Management Committee (RMC) monitors compliance with the principles and policies. The Corporate Risk Management (CRM) functional unit in the Financial Services functional division is responsible for managing risks and reports to the CFO. The CRM provides methods and tools for implementing risk management and also assists the business divisions, functional divisions and business units in their risk management activities. The CRM coordinates the activities and reporting with line management through to unit manager level and ensures timely reporting to the Board of Directors, Executive Board and RMC.

Principles for managing risks in the Alpiq Group's energy business are set out in its energy risk management policy. They comprise guidelines on the incurrence, measurement, management and limitation of exposure to business risks in energy business and specify the organisation and responsibilities for risk management. The objective is to maintain a reasonable balance between the business risks incurred, earnings and risk-bearing equity.

The Group's financial policy defines the substance, organisation and system for risk management within the Alpiq Group. The units responsible manage their financial risks within the framework of the risk management policy and limits defined for their areas of activity. The objective is to reduce financial risks, bearing in mind the hedging costs and risks being incurred.

Capital management

Across the Alpiq Group, capital is managed in line with the Group's overall financial strategy. The strategy is focused on the Group's reported consolidated equity and net debt to EBITDA ratio. As the framework for managing its capital structure, the Board of Directors has defined an equity ratio of at least 35 %, on which it is seeking to generate a return on equity of at least 9 %.

The Group is also financed by interest-bearing borrowings. The level of these borrowings must bear a reasonable proportion to earnings to ensure a strong credit rating in line with industry norms. The ratio of net debt to EBITDA should not exceed 3 times, but range from 2.0 to 2.5 times in the medium term.

The above-mentioned limits and targets are fully consistent with the covenants under financing arrangements entered into.

During the planning and budgeting process, the Board of Directors is advised annually of the planned performance of the targets set. The current medium- and long-term budget figures are within these targets.

The Group's financing strategy remained unchanged year on year. The business combination between Atel and EOS and the planned capital expenditure projects have temporarily resulted in a higher debt gearing ratio, but it remains within the limits.

Financial instruments

Carrying amounts and fair values of financial assets and liabilities

CHF million	Note	Carrying amount at 31 Dec 2008	Fair value at 31 Dec 2008	Carrying amount at 31 Dec 2009	Fair value at 31 Dec 2009
Financial assets at fair value through profit or loss					
Securities held for trading	16	7	7	20	20
Positive fair values of derivatives					
Currency and interest rate derivatives		6	6	7	7
Energy derivatives		1,152	1,152	1,233	1,233
Total financial assets at fair value through profit or loss (excl. financial assets designated in this category)		1,165	1,165	1,260	1,260
Financial assets designated in this category					
Financial investments	12	34	34	35	35
Held-to-maturity investments					
Assets with fixed maturity					
Loans and receivables					
Cash and cash equivalents	15	950	950	1,364	1,364
Term deposits		267	267	408	408
Trade receivables	14	1,531	1,531	1,887	1,887
Unbilled revenue	14	192	192	179	179
Other financial receivables	14	291	291	342	342
Loans receivable	12	8	8	43	43
Total loans and receivables		3,239	3,239	4,223	4,223
Total financial assets		4,438	4,438	5,518	5,518
Financial liabilities through profit or loss					
Negative fair values of derivatives					
Currency and interest rate derivatives				9	9
Energy derivatives		1,155	1,155	1,335	1,335
Total financial liabilities through profit or loss		1,155	1,155	1,344	1,344
Other financial liabilities					
Trade payables	21	1,047	1,047	1,249	1,249
Bonds	19	1,163	1,198	2,604	2,762
Loans payable	19	1,018	1,026	2,520	2,522
Other financial liabilities, incl. put options		451	452	949	949
Total other financial liabilities		3,679	3,723	7,322	7,482
Total financial liabilities		4,834	4,878	8,666	8,826

At 31 December 2009, the Alpiq Group measured the following assets and liabilities at fair value. The fair value hierarchy shown below was used to classify the financial instruments:

Level 1: quoted prices in active markets for identical assets or liabilities

Level 2: valuation technique based on quoted prices in active markets that have a significant effect on the fair value

Level 3: valuation techniques using inputs that are not derived from quoted prices in active markets and have a significant effect on the fair value.

CHF million	31 Dec 2009	Level 1	Level 2	Level 3
Assets measured at fair value				
Securities held for trading	20	1	19	
Currency and interest rate derivatives	7	7		
Energy derivatives	1,233	13	1,220	
Financial investments	35	27	8	
Financial liabilities measured at fair value				
Currency and interest rate derivatives	9	9		
Energy derivatives	1,335		1,335	

During the reporting period ended 31 December 2009, there were no transfers between Level 1 and Level 2 and no transfers out of Level 3.

Expense/income related to financial assets and liabilities

CHF million	Income statement 2008	Equity 2008	Income statement 2009	Equity 2009
Net gains/losses				
On financial assets and liabilities at fair value through profit or loss	-7	-24	-21	-22
On financial assets designated in this category	21		-9	
On loans and receivables				
On available-for-sale assets				
Interest income and expense				
Interest income on financial assets not measured at fair value	45		29	
Interest expense on financial liabilities not measured at fair value	-77		-155	
From the application of the effective interest rate method	-20		-65	

In 2009, an impairment loss of CHF 28 million (2008: CHF 11 million) was recognised in respect of trade receivables. No impairment loss was recorded for other financial instruments. More information about movements in the provision for impairment is presented in the “ageing analysis of trade receivables”.

Hedging activities (hedge accounting)

Forward contracts

At 31 December 2009, the Alpiq Group recognised forward transactions to hedge the price risk of future deliveries in respect of small to medium-sized end customers in Spain. The transactions will occur as the necessary energy cannot be purchased in the local market.

The instruments used to hedge the cash flows of contractual commitments to deliver electricity were assessed to be highly effective. Therefore an unrealised loss of CHF 28 million, with a related deferred tax asset of CHF 8 million was included in equity at 31 December 2009 in respect of these contracts.

1,200 tonnes of copper are going to be purchased for a contract in the Energy Services segment. To manage exposure to price fluctuations, the price has been hedged by copper swaps for a term until May 2011. At 31 December 2009, the valuation of the highly effective hedges showed a gain of CHF 1 million, including a deferred tax liability, which has been recognised in equity.

Interest rate swaps

At 31 December 2009, the Group held four interest rate swaps used to fix the interest rates under a project financing facility. The hedge strategy eliminates potential financial risks arising from an increase in the variable interest rates on which the financing is based.

CHF million	Assets 2008	Liabilities 2008	Assets 2009	Liabilities 2009
Forward commodity contracts	0	19	1	20
Interest rate swaps	0	5	0	3

The hedge relationship for hedging interest payments (cash flows) was assessed to be highly effective. The unrealised loss of CHF 4 million (2008: CHF 7 million), with a related deferred tax asset of CHF 1 million (CHF 2 million) was included in equity at 31 December 2009.

The amounts recognised in equity at 31 December 2009 are transferred to the income statement over the life of the hedge relationship as energy and commodities are purchased or interest paid under the underlying contract.

During 2009, the CHF 19 million recognised in equity at 31 December 2008 for hedges of coal-indexed contracts (BAFA, HFO) was transferred to the income statement. This transfer was recognised because the underlying transaction was terminated at the end of 2009.

The hedge ineffectiveness recognised immediately in the income statement during the reporting year was immaterial.

Credit risk management

Credit risk management deals with potential losses arising from the inability of business partners to meet their contractual obligations to the Alpiq Group. Energy credit risk management in the Energy segment encompasses all business units and subsidiaries that have a significant trading volume with external counterparties. It involves regular monitoring of outstanding receivables from counterparties and expected future changes as well as an analysis of the creditworthiness of new and existing counterparties. Besides energy derivatives recorded as financial instruments, it also covers contracts entered into for physical receipt or delivery.

Credit risk is primarily managed using credit limits set by reference to ratings. The Alpiq Group classifies counterparties or groups of counterparties (with similar risk characteristics) in risk categories (AAA–CCC) based on the probability of default. Once established, these ratings are used as the basis for setting the credit limits. The limits may be increased if collateral, such as guarantees, advances or insurance cover, is provided. The ratings of active counterparties are reviewed periodically and the credit limits adjusted, where appropriate.

Binding minimum requirements apply in selecting customers. Particular requirements are approved credit limits and the appropriate guarantees as well as a valid contractual basis. The policy in energy business is to enter into contracts only with counterparties who meet the criteria of energy risk policy. Outstanding credit exposures are monitored and managed on an ongoing basis using a formalised process.

Credit exposure in the Energy Services segment is managed and monitored on a decentralised basis, mainly focusing on receivables management. The local operational management is periodically provided with comprehensive reporting containing all the necessary information required for assessing the outstanding receivables.

Under IFRS 7, the total carrying amount of financial assets recognised represents the Alpiq Group's maximum exposure to credit risk at the reporting date. Calculated accordingly, the maximum credit exposure was CHF 5,518 million at 31 December 2009 (31 December 2008: CHF 4,438 million). For a detailed summary, we refer to the fair values presented in the table of "carrying amounts and fair values of financial assets and liabilities". Credit risk is reduced by collateral held as security and by contractual agreements for netting all receivables and payables with the same counterparty, even those not recognised under IAS 39. Conversely, the credit risk is increased by costs incurred by the Alpiq Group in closing out outstanding positions on more unfavourable terms.

At the beginning of 2009, the Risk Management Committee gave instructions to tighten credit risk management in view of the financial and economic crisis.

The Alpiq Group's exposure to concentrations of risk is minimised due to the number of customers spread across diverse geographical areas and the consolidation of positions. As in the previous year, there were no significant concentrations of risk at the reporting date.

Cash and term deposits are placed with banks that have a rating of at least "A" from an internationally recognised rating agency. The investments are limited in amount, widely diversified and staggered over time. The limits are reviewed semi-annually or when particular circumstances require. No write-offs have been necessary to date.

Collateral

A substantial portion of the energy contracts entered into by the Alpiq Group is based on agreements containing a netting arrangement. Receivables and payables are only presented net in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis. Furthermore, additional collateral, such as guarantees, variation margin payments or insurance cover, is collected where necessary.

As in the previous year, no collateral was collected and converted into financial assets.

Ageing analysis of trade receivables

CHF million	31 Dec 2008	31 Dec 2009
Carrying amount before impairment	1,570	1,939
Impaired	39	52
Provision at beginning of year	54	39
Acquisition/ disposal of subsidiaries	2	1
Charge for the year	11	28
Amounts written off as uncollectible	-14	-7
Unused amounts reversed	-10	-9
Exchange differences	-4	0
Provision at end of year	39	52
Not impaired	1,531	1,887
Not past due	1,344	1,711
1 - 90 days past due	136	128
91 - 180 days past due	10	25
181 - 360 days past due	8	11
Over 360 days past due	33	12

In the reporting year (and previous year), an insignificant amount of trade receivables was written off directly under a certificate of unpaid debts, for which no provision had been made because there was no indication of impairment.

The Alpiq Group holds collateral (bank guarantees) with an estimated fair value of CHF 92 million (2008: CHF 13 million) as security for impaired and for past due but not impaired trade receivables.

At the reporting date, there were no indications that debtors owing unimpaired receivables would not be able to meet their payment obligations.

Liquidity risk

In European energy trading, a substantial portion of the receivables is offset and settled on specified dates, reducing the maximum liquidity requirements. Margin agreements are commonly used on energy commodity exchanges and among large energy traders so as to reduce the counterparty risk. As a result, movements in energy prices can lead to substantial outstanding debts in the short term. The Alpiq Group manages these variable liquidity requirements by using an early warning system, maintaining sufficient liquid resources and obtaining committed credit facilities from first-rate banks. Corporate Treasury in the Financial Services functional division is responsible for Group-wide cash and liquidity management under the direction of the CFO. Its role is to forecast, monitor, provide and optimise liquidity throughout the Group.

The contractual maturities of financial liabilities are presented below. The counterparty's redemption option has been taken into account even if redemption currently seems unlikely. Where it is intended to refinance loans at the end of the contract term, but refinancing has not yet been contractually secured, a cash outflow on maturity is assumed. Accordingly, actual cash flows may differ significantly from the contractual maturities.

Cash flows from derivatives are presented on a gross basis when the amounts are actually settled gross. To reflect the actual liquidity risk arising from such financial instruments, the cash inflows from derivatives are shown on a separate line in addition to the cash outflows.

2009: Maturity analysis of financial liabilities

CHF million	Carrying amount						Cash flows	
		< 1 month	1-3 months	4-12 months	1-5 years	> 5 years	Total	
Non-derivative financial liabilities								
Trade payables	1,249	-915	-297	-23	-14		-1,249	
Bonds	2,604		-31	-53	-1,124	-2,017	-3,225	
Loans payable	2,520	-4	-14	-55	-2,250	-477	-2,800	
Other financial liabilities	949	-26	-190	-186	-462	-93	-957	
Derivative financial instruments								
Net carrying amount of derivative financial instruments	-104							
Net carrying amount of energy derivatives	-102							
Gross cash inflows		1,635	3,092	13,437	9,020	1	27,185	
Gross cash outflows		-1,673	-3,143	-13,788	-9,237		-27,841	
Net carrying amount of interest rate/currency derivatives	-2							
Gross cash inflows		271	107	184	348	57	967	
Gross cash outflows		-274	-108	-194	-375	-51	-1,002	

2008: Maturity analysis of financial liabilities

CHF million	Carrying amount						Cash flows	
		< 1 month	1-3 months	4-12 months	1-5 years	> 5 years	Total	
Non-derivative financial liabilities								
Trade payables	1,047	-695	-314	-23	-15		-1,047	
Bonds	1,163		-14	-23	-466	-946	-1,449	
Loans payable	1,018	-13	-4	-43	-911	-240	-1,211	
Other financial liabilities	451	-3	-224	-154	-72	-7	-460	
Derivative financial instruments								
Net carrying amount of derivative financial instruments	3							
Net carrying amount of energy derivatives	-3							
Gross cash inflows		1,745	3,229	13,101	8,057		26,132	
Gross cash outflows		-1,716	-3,223	-13,107	-8,526		-26,572	
Net carrying amount of interest rate/currency derivatives	6							
Gross cash inflows		433	114	244	228	64	1,083	
Gross cash outflows		-420	-113	-255	-245	-61	-1,094	

The potential outflow of resources arising from guarantees is shown in note 24.

Market risk

The Alpiq Group's exposure to market risk primarily comprises energy price risk, interest rate risk, foreign currency risk and equity price risk. These risks are monitored on an ongoing basis and managed using various derivative financial instruments.

Market risk is measured within the framework of a Group-wide risk policy setting out rules on the incurrence, measurement, limitation and monitoring of risks. Compliance with these risk limits is monitored on an ongoing basis by the Risk Management Committee based on regular reporting by the Corporate Risk Management functional unit.

Energy price risk

Energy price risk refers to potential price fluctuations that could have an adverse impact on the Alpiq Group. These can arise from factors such as variations in price volatility, market price movements or changing correlations between markets and products. Energy liquidity risks also belong in this category. These occur when an open energy position cannot be closed out or can only be closed out on very unfavourable terms due to a lack of market bids.

Derivative financial instruments are used to hedge underlying physical transactions in line with the risk policy.

Interest rate risk

The Alpiq Group is exposed to risks arising from volatility in interest rates. Under its financial policy, liquid assets are invested on a short-term basis, while the necessary funding is obtained on a long-term basis. This means that a change in interest rates for assets has a direct impact on finance income. A change in interest rates for liabilities does not directly affect finance costs due to the long-term nature of the financing arrangements. However, substantial differences may arise between the carrying amounts and fair value.

Foreign currency risk

The Alpiq Group seeks to mitigate foreign currency risk by offsetting operating income and expenses denominated in foreign currencies. Any net balance remaining is hedged by foreign exchange contracts (forward contracts, options) in accordance with the Group's financial policy.

Net investments in foreign subsidiaries are also exposed to changes in foreign exchange rates, but the difference in inflation rates should offset these changes over the long term. For this reason, investments in foreign subsidiaries are not hedged.

Foreign currency risk arising from energy generation or purchasing is contractually transferred to the counterparty wherever possible. Where this is not possible or is only partially possible, forward currency contracts and currency options with a hedging horizon of up to 24 months are used to manage exposure in line with the Group's financial policy. Foreign currency risk is generally monitored centrally. The foreign currency risk related to the euro is considered acceptable and expected to be offset over the long term by differences in interest rates so this risk is generally not hedged.

The foreign currency risk associated with assets and liabilities denominated in foreign currencies (translation risk) is not hedged.

Equity price risk

The Alpiq Group holds a number of minor financial investments that are recognised at fair value and are susceptible to equity price fluctuations. As a rule, they are not hedged.

Sensitivity analysis

An analysis of market risk exposures is presented below, showing how profit would have been affected by reasonably possible changes in the relevant risk variable. The 2009 analysis revealed that the possible impact on equity would have been +/- CHF 3 million from interest rate derivatives (2008: +/- CHF 5 million) and +/- CHF 19 million (+/- CHF 19 million) from hedging transactions related to energy and energy services business.

Foreign currency risk sensitivity is based on financial instruments held at the reporting date. The reasonably possible changes in the relevant risk variable were determined based on historical fluctuations (over 3 years). A variation by +/- 1 standard deviation around the calculated mean is considered to be reasonably possible.

The exposure to equity price movements is based on the weighted average 180-day volatility of the current securities portfolio during 2009. Sensitivity to interest rate risk is measured by stress testing based on the six-month Euribor.

The possible annual percentage changes in the fair values of energy derivatives are determined from the commodity market prices for electricity, gas, coal and oil over the past three years. The sensitivities are calculated using the maximum deviations from the mean to a confidence level of 99%.

Each type of risk is quantified assuming that all other variables remain constant.

CHF million	+/- Change 2008	+/- Impact on the income statement 2008	+/- Change 2009	+/- Impact on the income statement 2009
Energy price risk	99.8 %	2.0	106.6 %	108.7
EUR/CHF currency risk	9.7 %	78.9	5.3 %	61.6
EUR/USD currency risk	16.2 %	14.4	12.4 %	20.6
EUR/CZK currency risk	11.7 %	5.1	9.3 %	0.9
EUR/HUF currency risk	18.2 %	1.8	13.9 %	0.8
EUR/NOK currency risk	12.9 %	1.1	9.3 %	2.3
EUR/PLN currency risk	15.9 %	0.5	13.3 %	0.9
EUR/RON currency risk	14.9 %	0.4	18.4 %	0.7
USD/CHF currency risk	13.3 %	1.4	12.0 %	0.3
USD/HUF currency risk	30.0 %	7.1	-	-
CHF/CZK currency risk	-	-	16.6 %	4.2
CHF/HUF currency risk	-	-	22.4 %	1.1
Interest rate risk	1.0 %	31.6	1.0 %	32.2
Equity price risk	46.0 %	6.6	7.0 %	3.6

Notes to the Consolidated Financial Statements

1 Own work capitalised

Once again, as in the previous year, own work performed related mostly to Group power generation projects. Much of the work was performed by Group companies.

2 Energy and inventory costs

CHF million	2008	2009
Electricity purchased from third parties	7,733	8,999
Electricity purchased from associates (joint ventures) ¹	411	617
Electricity purchased from associates (other companies)	350	725
Other energy purchases	990	599
Cost of inventories	1,240	1,131
Total	10,724	12,071

1 Including effects of IFRS reconciliation (note 11 on page 116).

3 Employee costs

CHF million	2008	2009
Wages and salaries	708	798
Defined benefit pension costs	30	39
Defined contribution pension costs	6	7
Compulsory social security contributions	28	27
Other employee costs	92	99
Total	864	970

Average number of employees

	2008	2009
Employees (full-time equivalents)	9,359	9,940
Apprentices	585	689
Total	9,944	10,629

Number of employees at the reporting date

	31 Dec 2008	31 Dec 2009
Employees (full-time equivalents)	9,635	10,160
Apprentices	618	635
Total	10,253	10,795

4 Depreciation, amortisation and impairment

CHF million	2008	2009
Depreciation of property, plant and equipment	186	272
Amortisation of energy purchase rights	52	163
Amortisation and impairment of other intangible assets	42	46
Total	280	481

In 2009, there were no indications of impairment. In the previous year, an impairment loss of CHF 3 million was recognised in connection with the recoverability of assets associated with power generation projects.

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

5 Net finance costs

CHF million	2008	2009
Interest income	39	16
Interest expense (incl. interest on provisions and other non-current liabilities)	-105	-180
Capitalised borrowing costs	6	13
Dividend income from financial investments	6	1
Foreign exchange gains/(losses), net	-46	-4
Other finance income/(costs), net	15	-10
Total	-85	-164

6 Income tax expense

Income tax recognised directly in equity

CHF million	2008	2009
Current income tax	9	0
Deferred income tax	-27	4
Total	-18	4

Income tax expense charged to the income statement

CHF million	2008	2009
Current income tax	139	252
Deferred income tax	44	-28
Total	183	224

Reconciliation

CHF million	2008	2009
Profit before income tax	916	900
Expected income tax rate (weighted average)	23.7%	22.8%
Income tax at the expected income tax rate	217	205
Increase/(decrease) in income tax expense due to:		
Effect of non-deductible expenses for tax purposes	14	19
Effect of adjustments in respect of prior periods	6	-5
Effects of income exempt from tax	-57	-13
Effect of valuation of tax loss carry-forwards	9	22
Effect of changes in tax rates	-10	2
Other effects	4	-6
Total income tax expense	183	224
Effective income tax rate (weighted average)	20.0%	24.9%

The change in the expected income tax rate from 23.7% to 22.8% (2008: 24.0% to 23.7%) was mainly caused by the change in the profitability of the Group's subsidiaries in the respective countries.

Deferred tax assets and liabilities by origination of temporary differences

CHF million	31 Dec 2008	31 Dec 2009
Tax losses not yet used	10	12
Property, plant and equipment	27	15
Current assets	21	14
Provisions and liabilities	21	36
Total deferred tax assets	79	77
Property, plant and equipment	124	496
Other non-current assets	149	919
Current assets	65	61
Provisions and liabilities	182	249
Total deferred tax liabilities	520	1,725
Net deferred tax liability	441	1,648

At 31 December 2009, several subsidiaries had tax loss carry-forwards totalling CHF 232 million (2008: CHF 171 million) that are available for offset against future taxable profits.

Deferred tax assets are recognised for tax loss carry-forwards only to the extent that realisation of the related tax benefit is probable. The Alpiq Group has not recognised the tax benefit of tax loss carry-forwards of CHF 208 million (2008: CHF 137 million).

These tax loss carry-forwards expire in the following periods:

CHF million	31 Dec 2008	31 Dec 2009
Within 1 year	12	3
Within 2 – 3 years	9	32
After 3 years	116	173
Total	137	208

7 Earnings per share

	2008	2009
Total shares issued at 31 December	21,837,918	27,189,873
Less treasury shares at 31 December	- 314,286	0
Shares outstanding at 31 December	21,523,632	27,189,873
Weighted average number of shares outstanding	21,260,615	26,749,165
Net profit attributable to equity holders of Alpiq Holding (CHF million)	723	666
Earnings per share (CHF)	34.01	24.90

There are no circumstances that could have a dilutive effect on earnings per share.

Due to the transaction conducted in January 2009 in connection with the acquisition of the operations and assets of EOS and Emosson, the number of registered shares issued increased by 5,351,955 in the reporting period. Details of this transaction are disclosed in note 28.

8 Property, plant and equipment

CHF million	Land and buildings	Power generation assets	Transmission assets	Other plant and equipment	Assets under construction	Total
Gross carrying amount at 31 December 2007	266	2,077	1,282	320	178	4,123
Acquisition/disposal of subsidiaries	7	8		8	6	29
Additions	13	20	40	83	277	433
Own work capitalised		2	3		63	68
Capitalised borrowing costs (3.5% interest)					6	6
Transfers	34	11	18	37	-100	0
Disposals	-12	-5	-20	-30	-2	-69
Exchange differences	-9	-167	-1	-27	-19	-223
Gross carrying amount at 31 December 2008	299	1,946	1,322	391	409	4,367
Acquisition/disposal of subsidiaries	67	2,149	279	6	147	2,648
Additions	15	29	49	71	440	604
Own work capitalised		1	1	8	69	79
Capitalised borrowing costs (3% interest)					13	13
Transfers	16	44	28	18	-90	16
Disposals	-14	-1	-20	-34	-4	-73
Exchange differences	-1	10			-7	2
Gross carrying amount at 31 December 2009	382	4,178	1,659	460	977	7,656
Accum. depreciation at 31 December 2007	78	629	720	207	0	1,634
Depreciation charge	7	92	44	42	1	186
Transfers			-19	19		0
Disposals	-10	-4	-16	-28	-1	-59
Exchange differences	-3	-54		-16		-73
Accum. depreciation at 31 December 2008	72	663	729	224	0	1,688
Depreciation charge	9	152	56	52	3	272
Transfers	2	2		12		16
Disposals	-6	-1	-13	-31	-3	-54
Exchange differences		2				2
Accum. depreciation at 31 December 2009	77	818	772	257	0	1,924
Net carrying amount at 31 December 2008	227	1,283	593	167	409	2,679
Net carrying amount at 31 December 2009	305	3,360	887	203	977	5,732

At the reporting date, the Group had contractual commitments of CHF 312 million (2008: CHF 632 million) for the construction and acquisition of property, plant and equipment.

9 Energy purchase rights and intangible assets

CHF million	Energy purchase rights	Goodwill	Other intangible assets	Total
Gross carrying amount at 31 December 2007	626	256	299	1,181
Acquisition/disposal of subsidiaries		50	123	173
Additions			10	10
Disposals			-13	-13
Exchange differences		-30	-30	-60
Gross carrying amount at 31 December 2008	626	276	389	1,291
Acquisition/disposal of subsidiaries	1,467	410	218	2,095
Additions			20	20
Transfers	55		-55	0
Disposals		-4	-10	-14
Exchange differences		-1	-4	-5
Gross carrying amount at 31 December 2009	2,148	681	558	3,387
Accum. amortisation at 31 December 2007	420	3	92	515
Amortisation charge	52		23	75
Impairment ¹		3	31	34
Disposals			-13	-13
Exchange differences		-1	-7	-8
Accum. amortisation at 31 December 2008	472	5	126	603
Amortisation charge	163		46	209
Transfers	19		-19	0
Disposals		-5	-5	-10
Accum. amortisation at 31 December 2009	654	0	148	802
Net carrying amount at 31 December 2008	154	271	263	688
Net carrying amount at 31 December 2009	1,494	681	410	2,585

¹ CHF 15 million charged to energy costs and CHF 19 million charged to amortisation.

Information about impairment losses on “goodwill” is presented in note 4. The impairment losses on “other intangible assets” relate to adjustments on emission allowances and on a customer base.

No borrowing costs were capitalised in 2008 and 2009.

The carrying amount of other intangible assets with indefinite useful lives was CHF 45 million at 31 December 2009 (2008: CHF 45 million). These assets mainly comprise rights to use property, plant and equipment owned by third parties which, according to current assessments, have an indefinite useful life for the Alpiq Group. The category of intangible assets with indefinite useful lives is allocated to the “Grid Switzerland” cash-generating unit in the Energy segment.

10 Impairment testing of goodwill and intangible assets

Goodwill and intangible assets with indefinite useful lives have been allocated to the following cash-generating units for impairment testing purposes:

CHF million	Discount rate at 31 Dec 2008	31 Dec 2008	Discount rate at 31 Dec 2009	31 Dec 2009
Energy segment				
Power Generation Switzerland	6.9%	17	5.4%	398
Power Generation Central Europe	9.2%	121	9.3%	122
Power Generation Western Europe	8.3%	16	8.3%	16
Sales Western Europe	8.3%	17	8.3%	19
Sales Central Europe	10.3%	41	13.0%	59
Grid Switzerland	8.7%	45	4.5%	45
Energy Services segment				
AIT Region	7.6%	42	6.2%	48
AAT Region	8.6%	17	7.1%	19
Total		316		726

In impairment testing of goodwill and intangible assets with indefinite useful lives, the recoverable amount of all the units above was based on their value in use in 2008 and 2009. This represents the present value of the estimated future cash flows for each cash-generating unit. The following assumptions used in the value in use calculations are subject to estimation uncertainty: discount rate, cash flows and growth rates. The cash flow projections and growth rates are based on the most recent financial budgets approved by management based on past experience and covering a five-year period. Cash flows for the sixth year and beyond were extrapolated using a zero growth rate. Discount rates reflect current market assessments of the risks specific to each cash-generating unit.

For all the units listed above, an analysis of sensitivity to changes in the material parameters has shown that the values in use of the individual cash-generating units considerably exceed the current carrying amounts.

11 Investments in associates and joint ventures

CHF million	Joint ventures	Other companies	Total
Carrying amount at 31 December 2007	536	1,248	1,784
Additions	30	446	476
Dividend	-18	-30	-48
Share of profit	20	76	96
IAS 39 effects taken to equity		16	16
Effect of IFRS reconciliation for consolidation charged / credited to energy costs	-66		-66
Reclassification (see note 12)		284	284
Disposals		-7	-7
Exchange differences		-139	-139
Carrying amount at 31 December 2008	502	1,894	2,396
Acquisition / disposal of subsidiaries	3,486	63	3,549
Additions	12	8	20
Dividend	-24	-32	-56
Share of profit	24	53	77
IAS 39 effects taken to equity		1	1
Effects charged / credited to energy costs			
IFRS reconciliation for consolidation	13		13
Costs arising from PPA adjustments for EOS (see note 28)	-91		-91
Reclassification of previous 50% interest in Emosson (see note 28)	-77		-77
Reclassification (see note 12)		6	6
Disposals	-3	-2	-5
Exchange differences		-3	-3
Carrying amount at 31 December 2009	3,842	1,988	5,830

All significant associates and joint ventures are valued in accordance with uniform IFRS principles. Reconciliations are prepared in cases where no financial statements prepared under IFRS are available.

The reporting date of a few associates and joint ventures is different from the Group's. The most recent available financial statements of these companies have been used for the Alpiq Group consolidation. Adjustments have been made in the consolidated financial statements for the effects of significant transactions and events that occurred between the most recent financial statements and 31 December.

The market value of the Group's interests in other companies listed on a stock exchange was CHF 997 million at 31 December 2009 (31 December 2008: CHF 907 million). The carrying amount of these companies was CHF 952 million at the reporting date (CHF 941 million). The Alpiq Group continuously monitors movements in the market value of the listed companies. If the carrying amount exceeds the Group's share of their market value significantly and for a prolonged period, the Group tests the asset for impairment based on approved medium-term plans. The impairment test of listed associates showed no need to recognise an impairment loss at the reporting date on 31 December 2009.

Summarised financial information of associates and joint ventures (Alpiq Group share)

CHF million	Joint ventures		Other companies	
	2008	2009	2008	2009
Non-current assets	2,418	6,733	2,958	3,005
Current assets	215	242	703	796
Non-current liabilities ¹	1,928	2,779	1,200	1,186
Current liabilities	203	354	567	627
Income	396	702	1,789	1,904
Expenses ¹	-376	-678	-1,713	-1,851

¹ Including minority interests.

Under joint venture agreements in force, the shareholders of joint ventures are required to pay the annual costs attributable to their percentage ownership interests (incl. interest and repayment of liabilities). The Alpiq Group's share of the regular annual costs in 2009 was CHF 630 million (2008: CHF 345 million).

In addition, nuclear power plant owners are required to pay limited additional contributions to the decommissioning and waste disposal fund in the event that any one primary contributor is unable to make its payments.

12 Long-term financial investments

CHF million	Financial investments	Loans receivable	Total
Carrying amount at 31 December 2007	299	9	308
Additions	4	10	14
Changes in fair value	19		19
Reclassifications	-284		-284
Disposals	-3	-10	-13
Exchange differences	-1	-1	-2
Carrying amount at 31 December 2008	34	8	42
Acquisition/disposal of subsidiaries	14	6	20
Additions		31	31
Changes in fair value	-1	-1	-2
Reclassifications	-6		-6
Disposals	-6	-1	-7
Carrying amount at 31 December 2009	35	43	78

Alpiq owns a 10% interest in Romande Energie Holding SA, Morges. Its representation on the company's Board of Directors since 2008 has increased the Group's influence over operating and financial policy decisions. Due to this change in circumstances, the investment was reclassified from "financial investments" to "investments in associates" in 2008.

13 Inventories

At the reporting date, inventories primarily included fuels (oil, gas, coal) carried at an amount of CHF 89 million (2008: CHF 66 million) as well as consumables and supplies valued at CHF 44 million (CHF 36 million).

14 Receivables

CHF million	31 Dec 2008	31 Dec 2009
Trade receivables	1,531	1,887
Prepayments to suppliers	92	64
Unbilled revenue	192	179
Other receivables	291	342
Total	2,106	2,472

Trade receivables from customers who are also suppliers are offset against the respective trade payables where netting agreements with the counterparties are in place. Receivables and payables offset under netting agreements amounted to CHF 2,340 million (2008: CHF 1,170 million).

Unbilled revenue related to construction contracts is reported as follows by reference to the stage of completion, less advances received:

CHF million	31 Dec 2008	31 Dec 2009
Unbilled revenue (gross)	361	789
Advances received from customers	- 169	- 610
Unbilled revenue (net)	192	179

15 Cash and cash equivalents

CHF million	31 Dec 2008	31 Dec 2009
Cash at bank and in hand	519	1,006
Term deposits with a maturity of 90 days or less	431	358
Total	950	1,364

Cash at bank includes CHF 0 million (2008: CHF 2 million) of cash that is restricted to fund scheduled maintenance and debt service payments required by project financing agreements and CHF 92 million (CHF 115 million) to provide collateral to energy trading exchanges and transmission system operators.

16 Current asset investments

This item only comprises securities held for trading.

17 Equity

Share capital

The share capital of CHF 271.9 million (2008: CHF 218.4 million) consists of 27,189,873 registered shares of CHF 10 each (21,837,918 registered shares) and is fully paid up. Shareholders registered in the share register were:

%	Ownership interest at 31 Dec 2008	Ownership interest at 31 Dec 2009
EOS Holding (EOSH)	18.6	31.4
EDF Alpes Investissements Sàrl (EDFAI)	23.2	25.0
Elektra Birseck Münchenstein (EBM)	18.1	13.6
Elektra Baselland Liestal (EBL)	9.4	7.1
Canton of Solothurn (KtSO)	7.4	5.6
A2A S.p.A.	6.4	5.2
Energie Baden-Württemberg (EnBW)	2.9	2.3
Aziende Industriali di Lugano (AIL)	2.8	2.1
IBAAarau (IBA)	2.7	2.0
Wasserwerke Zug (WWZ)	1.2	0.9
Free float	5.9	4.8
Treasury shares	1.4	0.0

Following the Extraordinary General Meeting on 27 January 2009, the Board of Directors decided to call on the additional authorised capital and increase the company's share capital by issuing 5,666,241 registered shares with an aggregate par value of CHF 56.7 million. In addition, it approved a capital reduction through the cancellation of 314,286 registered shares with an aggregate par value of CHF 3.1 million that were held as treasury shares. The capital increase and cancellation of shares took place on 28 January 2009 and 28 May 2009 respectively.

Treasury shares

At 31 December 2008, the subsidiary Aare-Tessin Ltd. for Electricity held 314,286 registered shares of Atel Holding Ltd with an aggregate par value of CHF 3.1 million. Under Swiss corporation law, those shares qualified as treasury shares. As explained above, they were cancelled in the reporting period. No treasury shares were acquired or sold during the reporting period.

18 Provisions

CHF million	Contract risks and losses	Retirement benefit provisions	Other provisions	Total
Balance of non-current provisions at 31 December 2008	155	138	68	361
Current provisions	184	8	33	225
Total provisions at 31 December 2008	339	146	101	586
Acquisition / disposal of subsidiaries		32	10	42
Arising during the year		3	53	56
Unwinding of discount	4	8	1	13
Utilised	-68	-8	-16	-92
Unused amounts reversed	-73	-1	-10	-84
Reclassification			2	2
Total provisions at 31 December 2009	202	180	141	523
Less current provisions	-78	-8	-51	-137
Balance of non-current provisions at 31 December 2009	124	172	90	386
Expected cash outflows				
Within 12 months	-78	-8	-51	-137
Within 1 – 5 years	-124	-47	-90	-261
After 5 years		-125		-125
Total	-202	-180	-141	-523

The provision for contract risks and losses covers existing obligations and identifiable risks arising from energy trading and sales business as determined at the reporting date. This item provides for compensation payments and liabilities expected in connection with long-term energy purchasing and supply.

The other provisions primarily cover liabilities relating to personnel, obligations arising from restructuring programmes and general operating liabilities, such as warranties relating to the provision of services or potential losses from pending transactions.

Current provisions are recorded as accruals.

19 Long-term borrowings

CHF million	31 Dec 2008	31 Dec 2009
Bonds at the amount repayable	1,163	2,604
Loans payable	1,018	2,520
Total	2,181	5,124

Bonds outstanding at the reporting date

CHF million	Term	Earliest redemption date	Effective interest rate %	Carrying amount at 31 Dec 2008	Carrying amount at 31 Dec 2009
Alpiq Holding Ltd. CHF 200 million face value, 3 % fixed rate	2009 / 2014	10 Feb 2014	3.201	-	198
Alpiq Holding Ltd. CHF 25 million face value, 3 3/8 % fixed rate	2008 / 2014	30 Oct 2014	3.559	25	25
Alpiq Holding Ltd. CHF 150 million face value, 3 3/8 % fixed rate	2008 / 2014	30 Oct 2014	3.600	148	149
Alpiq Holding Ltd. CHF 250 million face value, 3 1/4 % fixed rate	2009 / 2015	3 Jul 2015	3.447	-	248
Alpiq Holding Ltd. CHF 250 million face value, 4 % fixed rate	2009 / 2017	10 Feb 2017	4.174	-	247
Alpiq Holding Ltd. CHF 160 million face value, 3 7/8 % fixed rate	2008 / 2018	30 Oct 2018	4.022	158	158
Alpiq Holding Ltd. CHF 40 million face value, 3 7/8 % fixed rate	2008 / 2018	30 Oct 2018	4.020	40	40
Alpiq Holding Ltd. CHF 500 million face value, 3 % fixed rate	2009 / 2019	25 Nov 2019	3.181	-	492
Alpiq Ltd. CHF 200 million face value, 4 1/4 % fixed rate ^{1,2}	1997 / 2009	6 Mar 2009	4.250	200	-
Alpiq Ltd. CHF 300 million face value, 3 1/8 % fixed rate ²	2003 / 2013	16 Sep 2013	3.125	300	300
Alpiq Ltd. CHF 250 million face value, 3 1/4 % fixed rate	2008 / 2015	31 Mar 2015	3.547	246	247
Alpiq Ltd. CHF 250 million face value, 2 5/8 % fixed rate	2006 / 2018	1 Mar 2018	2.790	246	246
Alpiq Suisse SA CHF 125 million face value, 2 7/8 % fixed rate	2006 / 2014	30 Sep 2014	3.120	-	124
Emosson SA CHF 130 million face value, 2 1/4 % fixed rate	2005 / 2017	26 Oct 2017	2.250	-	130

1 Bonds recognised in short-term borrowings at the reporting date on 31 December 2008.

2 Both bond issues are measured at face value, which approximates their amortised cost. As a result, the reported nominal and effective interest rates are identical.

The market value of fixed rate bonds outstanding at the reporting date was CHF 2,762 million (2008: CHF 1,398 million). The weighted interest rate on bonds issued at the reporting date, relative to face value, was 3.17 % (2008: 3.36 %).

Loans payable

CHF million	31 Dec 2008	31 Dec 2009
Maturing between 1 and 5 years	798	2,074
Maturing in more than 5 years	220	446
Total	1,018	2,520

The market value of loans payable was CHF 2,522 million at the reporting date (2008: CHF 1,026 million). The weighted interest rate on loans payable at the reporting date, relative to nominal value, was 2.88 % (2008: 3.63 %). Loans of CHF 388 million maturing within 360 days are recorded as short-term borrowings at the reporting date on 31 December 2009 (31 December 2008: CHF 163 million).

20 Other non-current liabilities

CHF million	31 Dec 2008	31 Dec 2009
Written put options	13	13
Other non-current payables	65	542
Total	78	555
Maturities		
Between 1 and 5 years	71	462
More than 5 years	7	93
Total	78	555

21 Other current liabilities

CHF million	31 Dec 2008	31 Dec 2009
Trade payables	1,047	1,249
Other payables	361	540
Advances from customers	182	206
Total	1,590	1,995

Trade payables to suppliers who are also customers are offset against the respective trade receivables where netting agreements with the counterparties are in place. Payables and receivables offset under netting agreements amounted to CHF 2,340 million (2008: CHF 1,170 million).

22 Related party transactions

EOS Holding and EDFAI have significant influence over the Alpiq Group and are referred to below as “other related companies”. For information about the relationship with associates and joint ventures, please refer to the accounting policies. Details of transactions between the Group and its employee pension schemes are presented in note 23.

All transactions with related companies are made on an arm’s length basis.

2009: Transactions between the Group and related companies

CHF million	Associates	Joint ventures	Other related companies
Total revenue and other income			
Revenue from energy sales	1,132	47	208
Other service revenue	50	44	
Operating expenses			
Energy costs	- 725	- 630	- 995
Other service costs	- 64	- 5	- 2
Finance income and costs			
Interest income		2	
Interest expense			- 22

Outstanding balances with related companies at the reporting date

CHF million	Associates	Joint ventures	Other related companies
Receivables			
Trade receivables	102	4	154
Non-current financial receivables	1	4	
Current financial receivables		90	
Other receivables	4	3	6
Payables			
Trade payables	31	32	194
Non-current financial payables			720
Current financial payables		15	150
Other current liabilities			

Directors and key management personnel

In 2009, Directors of the Alpiq Group received aggregate remuneration of CHF 4.2 million (2008: CHF 2.4 million). As in the previous year, no termination benefits were paid. Remuneration paid to the Executive Board in the same period totalled CHF 9.3 million (CHF 8.3 million), of which CHF 7.7 million (CHF 7.2 million) was regular remuneration and CHF 1.6 million (CHF 1.1 million) for pension benefits. As in the previous year, no termination benefits were paid.

2008: Transactions between the Group and related companies

CHF million	Associates	Joint ventures	Other related companies
Total revenue and other income			
Revenue from energy sales	345	4	581
Other service revenue	71	12	1
Operating expenses			
Energy costs	-350	-345	-1,349
Other service costs	-10		-4
Finance income and costs			
Interest income			
Interest expense			

Outstanding balances with related companies at the reporting date

CHF million	Associates	Joint ventures	Other related companies
Receivables			
Trade receivables	34	6	148
Non-current financial receivables	1		
Current financial receivables		13	
Other receivables	2		
Payables			
Trade payables	12	51	202
Non-current financial payables			
Current financial payables		29	
Other current liabilities			

23 Retirement benefit obligations

Net benefit expense recognised in the income statement

CHF million	2008	2009
Current service cost	21	27
Interest cost	28	37
Expected return on plan assets	-25	-30
Actuarial (gains)/ losses recognised in the year (§ 92 f)	0	4
Actuarial (gains)/ losses recognised in the year (§ 58 A)	32	0
Past service cost	0	3
Effect of the limit in § 58(b)	-26	1
Plan curtailment/ settlement	0	-2
Other pension costs	0	-1
Net benefit expense	30	39

Difference between the expected and actual return on plan assets

CHF million	2008	2009
Expected return on plan assets	25	30
Actuarial gains/ (losses) on plan assets	-107	52
Actual return on plan assets	-82	82

Amounts for the current and previous four reporting periods

CHF million	2005	2006	2007	2008	2009
Present value of defined benefit obligation	642	752	757	780	1,048
Fair value of plan assets	468	569	633	580	865
Deficit/(surplus) in all plans	174	183	124	200	183
Deficit/(surplus) in funded plans only	-9	9	-34	57	36
Experience adjustments on plan liabilities	1	37	3	42	10
Experience adjustments on plan assets	36	18	10	-107	52

Retirement benefit obligations recognised in the statement of financial position

CHF million	2008	2009
Present value of funded defined benefit obligation	637	901
Fair value of plan assets	580	865
Deficit/(surplus)	57	36
Present value of unfunded defined benefit obligation	144	147
Unrecognised actuarial gains/(losses)	-69	-15
Net liability in the statement of financial position	132	168
Recognised asset	-14	-12
Recognised liability	146	180

Changes in the present value of the defined benefit obligation

CHF million	2008	2009
Defined benefit obligation at 1 January	757	780
Interest cost	28	37
Current service cost	21	27
Contributions by plan participants	12	14
Past service cost	0	3
Benefits paid	-22	-19
Acquisition/disposal of subsidiaries	6	192
Plan amendment/settlement	0	-43
Other movements ¹	0	55
Business disposals	-1	0
Actuarial (gains)/losses	-4	2
Exchange differences	-17	0
Defined benefit obligation at 31 December	780	1,048

¹ In the reporting period, Alpiq assumed the obligations (CHF 54 million) for former participants in the pension fund of Motor-Columbus Ltd., who now participate in the multi-employer pension scheme in the Energy segment. The assumption of these obligations had no impact on pension costs for the period.

Changes in the fair value of plan assets

CHF million	2008	2009
Fair value of plan assets at 1 January	633	580
Expected return on plan assets	25	30
Contributions by employer	33	35
Contributions by plan participants	12	14
Benefits paid	- 22	- 19
Acquisition / disposal of subsidiaries	6	158
Other movements	0	56
Plan amendment / settlement	0	- 41
Actuarial gains / (losses)	- 107	52
Fair value of plan assets at 31 December	580	865

Analysis of the fair value of plan assets

CHF million	2008	2009
Equity instruments of the company	0	0
Equity instruments of third parties	152	334
Debt instruments of the company	0	0
Debt instruments of third parties	324	364
Property occupied by the company	0	0
Property not occupied by the company	86	121
Other	18	46
Total fair value of plan assets	580	865

The long-term rate of return was determined based on the investment strategy of the pension funds and the expected return on each asset class over the average remaining service lives of employees.

Actuarial assumptions used in the calculations

%	2008	2009
Discount rate	3.99	3.61
Expected rate of return on plan assets	4.00	4.00
Future salary increases	2.19	1.92
Future pension increases	0.63	0.28

Expected contributions by the employer and plan participants for the next period

CHF million	2009	2010
Contributions by employer	31	33
Contributions by plan participants	12	15

24 Contingent liabilities and guarantees

Guarantees to third parties totalled CHF 1,903 million at the reporting date (2008: CHF 1,629 million).

CHF million	31 Dec 2008	31 Dec 2009
Guarantees to third parties		
Commercial guarantees from banks and insurance companies	935	1,078
Commercial guarantees	694	825
Total	1,629	1,903
Potential outflow of resources		
Within 12 months	505	730
Within 1 – 5 years	453	412
After 5 years	671	761
Total	1,629	1,903

For other commitments relating to interests in joint ventures, we refer to note 11.

25 Pledged assets

CHF million	31 Dec 2008	31 Dec 2009
Mortgaged property	9	7
Interests in generation facilities	790	796
Total	799	803

The Novel and En Plus generation facilities are funded through common project financing arrangements with banks. The related borrowings are recorded in the consolidated statement of financial position. The Alpiq Group has pledged its equity interests in these power stations to the financing banks. The interest in Edipower has also been pledged to the banks as security for credit facilities granted to Edipower.

26 Events after the reporting date

Total Energi ASA, Florø, a Norwegian energy supply utility wholly owned by Alpiq, was disposed of in January 2010. Total Energi ASA generated revenue of approximately CHF 13 million in 2009.

27 Segment information

2009: Information by business segment

CHF million	Energy	Energy Services	Other and consolidation	Total
External revenue from energy sales/ construction contracts	12,768	2,065	1	14,834
Revenue from trading in energy derivatives				
– Proprietary trading	21			21
– Hedges	–33			–33
Total external revenue	12,756	2,065	1	14,822
Inter-segment revenue		62	–62	0
Total revenue	12,756	2,127	–61	14,822
From related companies and associates	1,387			1,387
EBITDA	1,439	144	–38	1,545
Depreciation and amortisation	–436	–43	–2	–481
EBIT	1,003	101	–40	1,064
Total assets	21,012	1,274	–2,187	20,099
Carrying amount of associates	5,830			5,830
Share of profit of associates	77			77
Liabilities	12,042	919	–792	12,169
Net capital expenditure on property, plant and equipment and intangible assets	586	45	–34	597
Number of employees at the reporting date	2,338	8,456	1	10,795

Information by geographical area

CHF million	Switzerland	Western Europe	Central Europe	Other regions	Total
External revenue	2,415	5,881	6,520	6	14,822
Property, plant and equipment	4,050	726	956		5,732
Intangible assets	2,172	117	296		2,585
Investments in associates	4,451	1,376	3		5,830
Total non-current assets	10,673	2,219	1,255		14,147
Net capital expenditure on property, plant and equipment and intangible assets	132	347	118		597
Number of employees at the reporting date	4,416	651	5,727	1	10,795

Revenue from trading in the Energy segment comprises realised net gains and losses from settled financial energy trading contracts and unrealised changes in the fair value of unsettled financial energy trading contracts.

Outstanding financial energy trading contracts with third parties at 31 December 2009 had a contract volume of 8.988 TWh (31 December 2008: 1.919 TWh). The gross values of these contract volumes at 31 December 2009 were 784.9 TWh (2008: 521.7 TWh) or CHF 55 billion (2008: CHF 53 billion).

2008: Information by business segment

CHF million	Energy	Energy Services	Other and consolidation	Total
External revenue from energy sales/construction contracts	10,740	2,181	4	12,925
Revenue from trading in energy derivatives				
– Proprietary trading	–19			–19
– Hedges	–9			–9
Total external revenue	10,712	2,181	4	12,897
Inter-segment revenue		61	–61	0
Total revenue	10,712	2,242	–57	12,897
From related companies and associates	930			930
EBITDA	1,085	193	3	1,281
Depreciation and amortisation	–215	–44	–2	–261
Impairment of goodwill	–3			–3
Impairment of other non-current assets ¹		–16		–16
EBIT	867	133	1	1,001
Total assets	10,894	1,225	–1,553	10,566
Carrying amount of associates	2,396			2,396
Share of profit of associates	96			96
Liabilities	6,802	914	–980	6,736
Net capital expenditure on property, plant and equipment and intangible assets	415	63	–50	428
Number of employees at the reporting date	1,869	8,383	1	10,253

1 Plus CHF 15 million charged to energy costs (Energy segment).

Information by geographical area

CHF million	Switzerland	Western Europe	Central Europe	Other regions	Total
External revenue	1,928	5,543	5,425	1	12,897
Property, plant and equipment	1,358	392	929		2,679
Intangible assets	311	124	253		688
Investments in associates	1,016	1,378	2		2,396
Total non-current assets	2,685	1,894	1,184		5,763
Net capital expenditure on property, plant and equipment and intangible assets	119	240	69		428
Number of employees at the reporting date	4,149	535	5,568	1	10,253

28 Business combinations

Business combination of Atel and EOS

In December 2008, the Boards of Directors of Atel Holding, EOS Holding and EDF International approved the industrial combination of the operations of Atel and EOS, together with the transfer of the energy purchase rights and obligations associated with EDF's 50% interest in Emission SA. The contracts for this deal were signed by all parties after market closing on 18 December 2008.

The Extraordinary General Meeting of former Atel Holding Ltd held on 27 January 2009 approved all proposals related to the merger.

At its constituent meeting on 27 January 2009, the Board of Directors of Alpiq Holding Ltd. decided to increase the share capital of Alpiq Holding Ltd. by a total of 5,666,241 fully paid registered shares of CHF 10 each from CHF 218,379,180 to CHF 275,041,590. This capital was issued out of the authorised capital increase approved by the Extraordinary General Meeting on 7 November 2007 for purposes such as this.

As consideration for the transfer of its assets, EOS Holding received a total of 4,478,730 fully paid registered shares of CHF 10 each in Alpiq Holding Ltd. In addition, Alpiq made a payment of CHF 1,784.5 million, funded through a CHF 1,000 million short-term acquisition financing facility and shareholder loans. A portion was paid from existing cash resources. At 30 June 2009, CHF 700 million of the short-term acquisition financing facility was already refinanced over the long term by bond issues.

The assets transferred by EOS comprised the following interests:

- 100.0% of Energie Ouest Suisse (EOS) SA, Lausanne, incl. its subsidiaries and investments
- 100.0% of Avenir SA, Lausanne
- 100.0% of EOS Trading SA, Lausanne
- 31.8% of Cleuson-Dixence Construction SA, Sion
- 27.6% of Hydro Exploitation SA, Sion
- 20.0% of Cisel Informatique SA, Matran

For transferring its Emosson assets, EDF Alpes Investissements Sàrl (EDFAI) received a total of 1,187,511 fully paid registered shares of CHF 10 each in Alpiq Holding Ltd. By acquiring the additional 50% of the electricity purchase rights in the Emosson power station, Alpiq gained control of the company. Alpiq therefore performed a purchase price allocation in accordance with IFRS 3 and fully consolidated the power station from the date of acquisition. As required by IFRS, the previously held 50% interest was remeasured to fair value. The difference between the previous share of net assets and fair value was recognised directly in equity.

Based on the valuation of the EOS and Emosson assets and liabilities transferred, which was carried out in the first half of 2009, the assets shown below were determined and allocated to assets and liabilities.

CHF million	EOS operations transferred		Emosson operations transferred	
	IFRS carrying amount	Fair value	IFRS carrying amount	Fair value
Property, plant and equipment	496	1,268	419	1,380
Intangible assets	443	1,601		
Investments in associates and other financial investments	873	3,569		
Cash and cash equivalents	252	252	5	5
Other current assets	447	447	6	6
Provisions and deferred income tax	-202	-1,054		-211
Financial liabilities	-709	-709	-262	-262
Other liabilities	-372	-1,126	-28	-28
Minority interests	-3	-61		
Net assets	1,225	4,187	140	890
Alpiq Holding's previous 50% interest in Emosson				-445
Net assets, excl. Alpiq Holding's previous interest		4,187		445
Goodwill arising on acquisition		149		231
Consideration settled by issue of Alpiq Holding registered shares		-2,545		-675
Net cash flow on acquisition:				
Net cash acquired with the subsidiaries		252		5
Transaction costs		-7		-1
Cash paid		-1,784		
Deferred consideration liabilities (retained guarantees, shareholder loans)		1,070		
Net cash flow		-469		4

Goodwill consists mainly of assets that are not separately identifiable and the synergies expected to arise from the combination.

Due to the small market size, the quoted market price at the date of exchange was not a reliable indicator of the fair value of the shares issued by Alpiq Holding Ltd. For this reason, a current business valuation was performed in the first half of 2009 using the same valuation model as that applied to determine the exchange ratio between the parties involved.

From the date of integration into the Alpiq Group, the acquired companies contributed CHF 2,803 million to revenue and CHF 64 million to the net profit of the Group.

If the businesses had been acquired on 1 January 2009, consolidated revenue would have been CHF 269 million higher and the Group's net profit would have been CHF 24 million higher. Had the companies been included in the 2008 financial year, revenue would have increased by CHF 3,486 million and the Group's net profit by CHF 162 million.

Other business combinations

In 2009, the following companies were acquired and included in the consolidated financial statements:

- Energy segment:
 - 24 Jun 2009: 100% of Hydrelec AG, Untersiggenthal / CH ¹
 - 1 Jul 2009: 100% of Alpiq RomEnergie S.R.L., Bucharest / RO
 - 28 Dec 2009: 100% of Hispaelec Energia S.A.U., Madrid / ES

- Energy Services segment:
 - 28 Mar 2009: 100% of Rossetto Impianti S.p.A., Verona / IT

¹ The interest was increased from 40% to 100% in the reporting period. The shares acquired were below the materiality threshold. The company was renamed Aare-Tessin Ltd. for Electricity in December 2009.

The acquisition costs totalled CHF 128 million and have been allocated as follows in the statement of financial position:

CHF million	Switzerland		Western Europe		Central Europe		Energy segment	Energy Services segment
	IFRS carrying amount	Fair value	IFRS carrying amount	Fair value	IFRS carrying amount	Fair value	AIT	
							IFRS carrying amount	Fair value
Intangible assets					2	82		2
Financial assets							1	1
Cash and cash equivalents			7	7	23	23		
Other current assets			7	7	28	28	15	15
Current and non-current financial liabilities							-3	-3
Other current and non-current liabilities			-6	-6	-34	-34	-11	-11
Deferred income tax liabilities						-13		
Net assets acquired	0	0	8	8	19	86	2	4
Goodwill arising on acquisition		1		2		20		7
Net cash flow on acquisition:								
Cash and cash equivalents acquired with subsidiaries		0		7		23		0
Acquisition-related costs		-1		-10		-106		-11
Deferred consideration liabilities						11		2
Net cash flow		-1		-3		-72		-9

The goodwill acquired is attributable to synergies expected to arise from integration with existing operations and additional benefits from expansion into existing geographical markets and the development of new products. From the date of integration into the Alpiq Group, the businesses contributed CHF 128 million to revenue and CHF 11 million to the net profit of the Group. If the acquisition had taken place on 1 January 2009, consolidated revenue would have been CHF 107 million higher and the Group's net profit would have been CHF 26 million higher. Had the businesses been included in the 2008 financial year, the Group's revenue would have increased by CHF 201 million and the Group's net profit by CHF 19 million.

In the reporting period, final payments totalling CHF 1 million were made in respect of acquisitions effected in 2008. This amount was already included in the purchase price allocation in the prior year.

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

- Energy segment:

- 31 May 2008: 100.0% of Total Energi ASA, Florø / NO
- 31 May 2008: 100.0% of Energiakolmio Oy, Jyväskylä / FI
- 31 Jul 2008: 100.0% of Theon sro, Prague / CZ
- 26 Aug 2008: 100.0% of Atel Spreetal Kraftwerk GmbH, Düsseldorf / DE
- 12 Sep 2008: 100.0% of Vetrocom Ltd., Sofia / BG
- 23 Dec 2008: 65.0% of Hydro-Solar Energie AG, Niederdorf / CH

- Energy Services segment:

- 1 Jan 2008: 100.0% of Alpiq InTec S.p.A., Verona / IT
- 1 Apr 2008: 100.0% of GA Hochspannung Leitungsbau GmbH, Walsrode / DE
- 1 Jul 2008: 100.0% of Advens AG, Winterthur / CH
- 1 Sep 2008: 100.0% of Goetz AG, Interlaken / CH
- 1 Sept 2008: 100.0% of Unifroid SA, Cugy / CH
- 23 Dec 2008: 100.0% of Leitungsbau Linz GmbH, Linz / AT

The acquisition costs totalled CHF 171 million and have been allocated as follows in the statement of financial position:

CHF million	Energy segment						Energy Services segment			
	Switzerland		Western Europe		Central Europe		AIT		AAT	
	IFRS carrying amount	Fair value	IFRS carrying amount	Fair value	IFRS carrying amount	Fair value	IFRS carrying amount	Fair value	IFRS carrying amount	Fair value
Property, plant and equipment	4	8		1	7	7	8	8	5	5
Intangible assets	1	1		16	38	53		12		41
Cash and cash equivalents			2	2			7	7		
Other current assets			3	3	1	1	43	45	13	13
Current and non-current financial liabilities	-6	-6					-3	-3	-6	-6
Other current and non-current liabilities	-1	-1	-2	-2	-3	-3	-35	-35	-8	-8
Deferred income tax liabilities		-1		-4		-2	-3	-7		-13
Net assets acquired	-2	1	3	16	43	56	17	27	4	32
Goodwill arising on acquisition		1		9		6		15		14
Negative goodwill arising on acquisition (recognised in other operating income in the income statement)						-6				
Net cash flow on acquisition:										
Cash and cash equivalents acquired with subsidiaries				2				7		
Acquisition-related costs		-2		-25		-56		-42		-46
Deferred consideration liabilities				6		8		2		7
Net cash flow		-2		-17		-48		-33		-39

An earn-out of CHF 5 million contingent on profit generated in 2008 was paid during 2008 for a business acquired in 2007. The payment had the effect of increasing goodwill. In addition, a final payment of CHF 6 million was made in respect of a 2007 acquisition. This amount was already included in the purchase price allocation in 2007.

29 Business disposals

No businesses were disposed of during the reporting period. The Energy Services company Kamb Elektrotechnik GmbH, Ludwigshafen / DE, was sold on 1 January of the previous year.

The assets and liabilities at the date of disposal were as follows:

CHF million	2008	2009
Property, plant and equipment		
Cash and cash equivalents		
Other current assets	4	
Current and non-current financial liabilities		
Other current and non-current liabilities	-4	
Net assets disposed of	0	0

The cash flow generated from this sale in 2008 was below the materiality threshold.

Subsidiaries and Investments

Holding, property and finance companies

	Place of incorporation	Currency	Issued capital in millions	Direct ownership interest in % (voting rights)	Consolidation method	Business activity	Reporting date
Alpiq Holding Ltd. ¹	Neuchâtel	CHF	271.90	100.0	F	H	31 Dec
Alpiq Management AG	Olten	CHF	10.00	100.0	F	S	31 Dec
MC Venture Finance N.V.	Curaçao / AN	USD	0.01	100.0	F	H	31 Dec
Motor-Columbus Ltd.	Olten	CHF	2.00	100.0	F	P	31 Dec
Citinvest AG	Olten	CHF	5.00	100.0	F	P	31 Dec

¹ Formerly Atel Holding Ltd; company renamed as resolved by the Extraordinary General Meeting on 27 January 2009.

Energy segment

Trading, sales, supply and services

	Place of incorporation	Currency	Issued capital in millions	Direct ownership interest in % (voting rights)	Consolidation method	Business activity	Reporting date
Alpiq Ltd.	Olten	CHF	303.60	100.0	F	SU	31 Dec
Alpiq Suisse SA	Lausanne	CHF	145.00	100.0	F	SU	31 Dec
S.E.R.H.Y. S.A.S., Société d'études et de réalisations hydroélectriques	St-Amans-Soult / FR	EUR	1.54	35.5	E	S	31 Dec
KohleNusbaumer SA	Lausanne	CHF	0.10	35.0	E	S	31 Dec
Avenis SA	Lausanne	CHF	1.00	100.0	F	T	31 Dec
EOS Trading SA	Lausanne	CHF	10.00	100.0	F	T	31 Dec
Alpiq Nature S.A.S.	Toulouse / FR	EUR	0.50	70.0	F	T	31 Dec
Cisel Informatique SA	Matran	CHF	1.20	20.0	E	S	31 Dec
Hydro Exploitation SA	Sion	CHF	13.00	27.6	E	S	31 Dec
Cleuson-Dixence Construction SA	Sion	CHF	0.11	31.8	E	S	31 Dec
Alpiq Energia Italia S.p.A.	Milan / IT	EUR	20.00	100.0	F	SU	31 Dec
Energ.it S.p.A.	Cagliari / IT	EUR	1.00	100.0	F	SU	31 Dec
A2A S.p.A.	Milan / IT	EUR	1,629.00	5.0	E	SU	31 Dec
Alpiq Energie Deutschland AG	Düsseldorf / DE	EUR	0.50	100.0	F	SU	31 Dec

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ecoSWITCH AG	Crailsheim/DE	EUR	0.50	45.0	E	S	31 Dec
EGT Energiehandel GmbH	Triberg/DE	EUR	1.00	50.0	E	SU	31 Dec
Alpiq Energie France S.A.S.	Paris/FR	EUR	0.50	100.0	F	SU	31 Dec
Atel Energia S.A.U.	Barcelona/ES	EUR	0.50	100.0	F	SU	31 Dec
Hispaelec Energia S.A.U.	Madrid/ES	EUR	7.50	100,0	F	SU	31 Dec
Alpiq RomIndustries S.R.L.	Bucharest/RO	RON	4.61	100.0	F	SU	31 Dec
Alpiq RomEnergie S.R.L.	Bucharest/RO	RON	2.49	100.0	F	SU	31 Dec
Alpiq Swisstrade AG	Olten	CHF	5.00	100.0	F	T	31 Dec
Alpiq Eurotrade S.à r.l.	Luxembourg/LU	EUR	0.73	100.0	F	T	31 Dec
Alpiq Versorgungs AG (AVAG)	Olten	CHF	50.00	96.7	F	SU	31 Dec
Aare Energie AG (a.en)	Olten	CHF	2.00	50.0	E	S	31 Dec
Teravis AG	Olten	CHF	0.50	100.0	F	S	31 Dec
AEK Energie AG	Solothurn	CHF	6.00	38.7	E	SU	31 Dec
Romande Energie Holding SA	Morges	CHF	28.50	10.0	E	S	31 Dec
Romande Energie Commerce SA	Morges	CHF	15.00	11.8	E	SU	31 Dec
Alpiq Norway AS	Oslo/NO	NOK	5.00	100.0	F	S	31 Dec
Alpiq Denmark A/S	Aalborg/DK	DKK	0.50	100.0	F	S	31 Dec
Alpiq Sweden AB	Stockholm/SE	SEK	1.25	100.0	F	S	31 Dec
Total Energi ASA	Florø/NO	NOK	1.31	100.0	F	S	31 Dec
Energiakolmio Oy	Jyväskylä/FI	EUR	0.00	100.0	F	S	31 Dec
Alpiq Central Europe AG	Niedergösgen	CHF	0.40	100.0	F	T	31 Dec
Alpiq Energy SE ^{1,2}	Prague/CZ	EUR	0.12	100.0	F	SU	31 Dec
Atel Polska Sp. z o.o.	Warsaw/PL	PLN	8.00	100.0	F	SU	31 Dec
Alpiq Energia Magyarország Kft.	Budapest/HU	HUF	600.00	100.0	F	SU	31 Dec
Atel Hellas S.A.	Ambelokipi Athens/GR	EUR	0.15	76.0	F	SU	31 Dec
Atel Hrvatska d.o.o.	Zagreb/HR	HRK	0.02	100.0	F	T	31 Dec
Alpiq Energija d.o.o.	Ljubljana/SI	EUR	0.47	100.0	F	T	31 Dec
Atel Energy Romania S.R.L.	Bucharest/RO	RON	0.00	100.0	F	T	31 Dec
Atel Bulgaria Ltd.	Sofia/BG	BGN	0.20	100.0	F	T	31 Dec
Alpiq Energija RS d.o.o. Beograd	Belgrade/RS	RSD	0.04	100.0	F	T	31 Dec
Alpiq Energy Skopje DOOEL	Skopje/MK	MKD	0.30	100.0	F	T	31 Dec
Alpiq Energija Lietuva UAB	Vilnius/LT	LTL	0.01	100.0	F	T	31 Dec
Alpiq Energija BH d.o.o.	Sarajevo/BA	EUR	0.00	100.0	F	SU	31 Dec
Alpiq Energy Albania SHPK ²	Tirana/AL	ALL	2.50	100.0	F	SU	31 Dec
Società Elettrica Sopracenerina SA	Locarno	CHF	16.50	60.9	F	SU	31 Dec
Calore SA	Locarno	CHF	2.00	50.0	E	G	31 Dec
SAP SA	Locarno	CHF	2.06	99.4	F	S	31 Dec
Rätia Energie AG	Poschiavo	CHF	3.41	24.6	E	PE	31 Dec

1 Atel Austria GmbH, Atel Česka republika s.r.o., Theon s.r.o. and Atel Slovensko s.r.o. merged into Alpiq Energy SE.

2 New company established.

Power generation and transmission

	Place of incorporation	Currency	Issued capital in millions	Direct ownership interest in % (voting rights)	Consolidation method	Business activity	Reporting date
Alpiq Hydro Aare AG	Boningen	CHF	53.00	100.0	F	G	31 Dec
Alpiq Hydro Ticino SA	Airolo	CHF	3.00	100.0	F	G	31 Dec
Energie Electrique du Simplon SA (E.E.S)	Simplon Dorf	CHF	8.00	81.9	F	G	31 Dec
Salanfe SA	Vernayaz	CHF	18.00	100.0	F	G	31 Dec
Alpiq le Bayet S.A.S.	St-Paul-sur-Isère/FR	EUR	0.04	100.0	F	G	31 Dec
CEPE Des Gravières SAS	Vergigny/FR	EUR	0.04	100.0	F	G	31 Dec
Biogas neu Kosenow GmbH & Co KG	Hamburg/DE	EUR	0.19	100.0	F	G	31 Dec
Eole Jura SA	Les Emibois-Muriaux	CHF	0.10	100.0	F	G	31 Dec
Alpiq Narzole S.r.l.	Turin/IT	EUR	0.01	100.0	F	G	31 Dec
Monthel AG	Monthey	CHF	15.00	100.0	F	G	31 Dec
Kernkraftwerk Niederramt AG	Olten	CHF	0.10	100.0	F	G	31 Dec
Alpiq Csepel Kft.	Budapest/HU	HUF	4,930.10	100.0	F	G/H	31 Dec
Alpiq Csepeli Erőmű Kft. ¹	Budapest/HU	HUF	756.00	100.0	F	G	31 Dec
Alpiq Csepeli Szolgáltató Kft.	Budapest/HU	HUF	20.00	100.0	F	S	31 Dec
Csepel III Kft.	Budapest/HU	HUF	1.50	100.0	F	G	31 Dec
Alpiq Generation (CZ) s.r.o. ²	Kladno/CZ	CZK	2,975.00	100.0	F	G	31 Dec
Alpiq Zlin s.r.o.	Zlin/CZ	CZK	407.15	100.0	F	G	31 Dec
Kraftwerk Havelland GmbH	Leipzig/DE	EUR	1.00	100.0	F	G	31 Dec
Alpiq Spreetal GmbH	Düsseldorf/DE	EUR	1.00	100.0	F	G	31 Dec
Vetrocom Ltd.	Sofia/BG	BGN	29.34	100.0	F	G	31 Dec
Vetrocom Services AD	Sofia/BG	BGN	0.10	65.0	F	G	31 Dec
Alpiq Vercelli S.r.l.	Milan/IT	EUR	10.33	95.0	F	G	30 Sep
Novel S.p.A.	Milan/IT	EUR	23.00	51.0	F	G	30 Sep
Alpiq Produzione Italia Management S.r.l.	Milan/IT	EUR	0.25	100.0	F	G	31 Dec
Biella Power S.r.l.	Milan/IT	EUR	1.00	60.0	F	G	31 Dec
Gestimi S.p.A.	Milan/IT	EUR	0.62	85.0	F	G	31 Dec
Idrovalsesia S.r.l.	Milan/IT	EUR	0.10	85.0	F	G	31 Dec
Eolica Maridiana S.p.A.	Verona/IT	EUR	0.12	49.0	E	G	31 Dec
M&A Rinnovabili S.r.l.	Aragona/IT	EUR	5.00	30.0	E	G	31 Dec
Uno Energia S.p.A.	Milan/IT	EUR	2.00	25.0	E	G	31 Dec
En Plus S.r.l.	Milan/IT	EUR	25.50	60.0	F	G	31 Dec
3CB SAS	Paris/FR	EUR	0.83	100.0	F	G	31 Dec
3CA SAS	Paris/FR	EUR	0.50	100.0	F	G	31 Dec
Alpiq Production France Management S.A.S.	Paris/FR	EUR	0.10	100.0	F	G	31 Dec
Alpiq EcoPower Scandinavia AS	Oslo/NO	NOK	50.00	100.0	F	G	31 Dec
Sevre Kraftverk AS	Nesbyen/NO	NOK	0.10	36.0	E	G	31 Dec
Reisæter Kraftverk AS	Ullensvang/NO	NOK	0.10	20.0	E	G	31 Dec
Conceptor Renewable Energy and Technology AS	Billingsstad/NO	NOK	25.02	10.0	E	G	31 Dec
Alpiq EcoPower AG	Olten	CHF	5.00	100.0	F	G	31 Dec

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Entegra Wasserkraft AG	St. Gallen	CHF	2.01	75.0	F	G	31 Dec
Iseento AG	Thal	CHF	0.25	100.0	F	G	31 Dec
Cotlan AG	Rüti	CHF	0.10	100.0	F	G	31 Dec
Birs Wasserkraft AG	Grellingen	CHF	0.10	100.0	F	G	31 Dec
Hydro-Solar Energie AG	Niederdorf	CHF	0.10	65.0	F	G	31 Dec
Wasserkraftwerke Weinfelden AG	Weinfelden	CHF	5.00	49.0	E	G	31 Dec
Aare-Tessin Ltd. for Electricity	Olten	CHF	0.05	100.0	F	S	31 Dec
Grande Dixence SA	Sion	CHF	300.00	60.0	E	G	31 Dec
Cleuson-Dixence ³	Sion	CHF	0.00	31.8	E	G	31 Dec
Force Motrices Hongrin-Léman S.A. (FMHL)	Château-d'Oex	CHF	30.00	39.3	E	G	31 Dec
Forces Motrices de Conches SA	Ernen	CHF	30.00	41.0	E	G	31 Dec
Société des Forces Motrices du Grand-St.-Bernard SA	Bourg-St-Pierre	CHF	10.00	25.0	E	G	31 Dec
Centrales Nucléaires en Participation SA (CPN)	Bern	CHF	150.00	33.3	E	G	31 Dec
Forces Motrices de Martigny-Bourg SA	Martigny	CHF	3.00	18.0	E	G	31 Dec
Forces Motrices de Fully SA (FMDF)	Fully	CHF	0.80	28.0	E	G	31 Dec
Aarewerke AG	Klingnau	CHF	16.80	10.0	E	G	30 Jun
Blenio Kraftwerke AG	Locarno	CHF	60.00	17.0	E	G	30 Sep
Edipower S.p.A.	Milan/IT	EUR	1,441.30	20.0	E	G	31 Dec
Electra-Massa AG	Naters	CHF	40.00	34.5	E	G	31 Dec
Electricité d'Emosson SA ⁴	Martigny	CHF	140.00	50.0	F	G	31 Dec
Nant de Drance SA	Finhaut	CHF	50.00	54.0	E	G	31 Dec
Engadiner Kraftwerke AG	Zernez	CHF	140.00	22.0	E	G	30 Sep
Energie Biberist AG	Biberist	CHF	5.00	25.0	E	SU	31 Dec
Kernkraftwerk Gösgen-Däniken AG	Däniken	CHF	350.00 ⁵	40.0	E	G	31 Dec
Kernkraftwerk Leibstadt AG	Leibstadt	CHF	450.00	32.4	E	G	31 Dec
Kraftwerk Ryburg-Schwörstadt AG	Rheinfelden	CHF	30.00	25.0	E	G	30 Sep
Kraftwerke Gouggra AG	Siders	CHF	50.00	54.0	E	G	30 Sep
Kraftwerke Hinterrhein AG	Thusis	CHF	100.00	9.3	E	G	30 Sep
Kraftwerke Zervreila AG	Vals	CHF	50.00	21.6	E	G	31 Dec
Maggia Kraftwerke AG	Locarno	CHF	100.00	12.5	E	G	30 Sep
Kraftwerk Aegina AG	Ulrichen	CHF	12.00	50.0	E	G	30 Sep
ARA Biogaz Brokenlande GmbH & Co	Hamburg/DE	EUR	0.63	23.8	E	G	31 Dec
ARA Bioenergie Brokenlande GmbH & Co	Hamburg/DE	EUR	0.63	23.8	E	G	31 Dec
Yfrégie SAS	Paris/FR	EUR	3.43	26.0	E	G	31 Dec

1 Csepeli Erőmű Földgáz Kereskedelmi Kft. merged into Alpiq Csepeli Erőmű Kft.

2 Merger of Atel Bohemia s.r.o., ECK Generating s.r.o. and Energeticke Centrum Kladno s.r.o.

3 Simple partnership.

4 100% economic benefit since 28 January 2009.

5 Of which CHF 290.0 million paid in.

Grid

	Place of incorporation	Currency	Issued capital in millions	Direct ownership interest in % (voting rights)	Consolidation method	Business activity	Reporting date
Alpiq Netz AG Gösgen	Niedergösgen	CHF	130.00	100.0	F	S	31 Dec
Alpiq Réseau SA Lausanne	Lausanne	CHF	0.20	100.0	F	S	31 Dec
ETRANS AG	Laufenburg	CHF	7.50	33.3	E	S	31 Dec
swissgrid ag	Laufenburg	CHF	15.00	32.6	E	S	31 Dec

Energy Services segment

AIT Energy Services

	Place of incorporation	Currency	Issued capital in millions	Direct ownership interest in % (voting rights)	Consolidation method	Business activity	Reporting date
Holding and management companies							
Alpiq InTec AG	Olten	CHF	30.00	100.0	F	H	31 Dec
Alpiq InTec Management AG	Zurich	CHF	0.10	100.0	F	S	31 Dec
Alpiq EcoServices AG	Zurich	CHF	0.10	100.0	F	S	31 Dec
Alpiq Infra AG	Zurich	CHF	0.10	100.0	F	S	31 Dec
Transport Technology							
Kummler + Matter AG	Zurich	CHF	2.50	100.0	F	S	31 Dec
Mauerhofer et Zuber SA	Renens	CHF	1.70	100.0	F	S	31 Dec
Elektroline a.s.	Prague/CZ	CZK	0.17	100.0	F	S	31 Dec
GA Fahrleitungstechnik GmbH	Leiferde/DE	EUR	0.03	100.0	F	S	31 Dec
Building Services and Facility Management							
Alpiq InTec Romandie SA ¹	Vernier	CHF	1.00	100.0	F	S	31 Dec
Alpiq InTec Ost AG	Zurich	CHF	7.85	100.0	F	S	31 Dec
Alpiq InTec West AG ²	Olten	CHF	5.90	100.0	F	S	31 Dec
Alpiq Prozessautomation AG	Strengelbach	CHF	0.20	100.0	F	S	31 Dec
Alpiq InTec (FL) AG	Schaan/LI	CHF	0.05	100.0	F	S	31 Dec
Alpiq Burkhalter Bahntechnik AG	Zurich	CHF	0.25	50.0	E	S	31 Dec
Alpiq InTec Ticino S.A.	Lugano	CHF	2.70	100.0	F	S	31 Dec
Alpiq InTec Milano S.p.A.	Milan/IT	EUR	3.10	100.0	F	S	31 Dec
Alpiq InTec Management S.r.l.	Milan/IT	EUR	1.00	100.0	F	S	31 Dec
Alpiq InTec Verona S.p.A. ³	Verona/IT	EUR	2.00	100.0	F	S	31 Dec
Advens AG	Winterthur	CHF	0.10	100.0	F	S	31 Dec

¹ Unifroid SA integrated into Alpiq InTec Romandie SA.

² Goetz AG integrated into Alpiq InTec West AG.

³ Atel Antonini S.p.A. and Rossetto Impianti S.p.A. integrated into Alpiq InTec Verona S.p.A.

AAT Energy Services

	Place of incorporation	Currency	Issued capital in millions	Direct ownership interest in % (voting rights)	Consolidation method	Business activity	Reporting date
Holding and management company							
Alpiq Anlagentechnik GmbH	Heidelberg/DE	EUR	25.00	100.0	F	H	31 Dec
Energy Supply and Communications Technology							
GA Energieanlagenbau Nord GmbH	Hohenwarsleben/DE	EUR	2.00	100.0	F	S	31 Dec
GA Energieanlagenbau Süd GmbH	Fellbach/DE	EUR	2.56	100.0	F	S	31 Dec
Martin Bohsung GmbH	Landau/DE	EUR	0.03	100.0	F	S	31 Dec
GA Hochspannung Leitungsbau GmbH	Walsrode/DE	EUR	0.60	100.0	F	S	31 Dec
GA Austria GmbH	Alkoven/AT	EUR	0.04	100.0	F	S	31 Dec
GA-Magyarország Kft.	Törökbálint/HU	HUF	102.38	100.0	F	S	31 Dec
GA Energo technik s.r.o.	Plzeň/CZ	CZK	24.00	78.3	F	S	31 Dec
GA Slovensko s.r.o.	Bratislava/SK	EUR	0.01	100.0	F	S	31 Dec
Frankenluk AG	Bamberg/DE	EUR	2.81	100.0	F	S	31 Dec
Frankenluk Energieanlagenbau GmbH	Bamberg/DE	EUR	1.28	100.0	F	S	31 Dec
GA Netztechnik GmbH	Bietigheim-Bissingen/DE	EUR	1.28	100.0	F	S	31 Dec
Elektro Stiller GmbH	Ronnenberg/DE	EUR	0.43	100.0	F	S	31 Dec
Industrial and Power Plant Engineering							
Kraftanlagen München GmbH	Munich/DE	EUR	5.00	100.0	F	S	31 Dec
ECM Ingenieur-Unternehmen für Energie- und Umwelttechnik GmbH	Munich/DE	EUR	0.05	100.0	F	S	31 Dec
Ingenieurbüro Kiefer & Voß GmbH	Erlangen/DE	EUR	0.08	100.0	F	S	31 Dec
Caliqua Anlagentechnik GmbH	Vienna Neudorf/AT	EUR	0.19	100.0	F	S	31 Dec
FINOW Rohrsysteme GmbH	Eberswalde/DE	EUR	0.50	100.0	F	S	31 Dec
Kraftanlagen Romania S.R.L.	Ploiesti/RO	RON	0.01	100.0	F	S	31 Dec
Kraftanlagen Power Plants GmbH ¹	Munich/DE	EUR	1.00	100.0	F	S	31 Dec
Kraftanlagen Hamburg GmbH	Hamburg/DE	EUR	0.77	100.0	F	S	31 Dec
Kraftanlagen Heidelberg GmbH	Heidelberg/DE	EUR	0.50	100.0	F	S	31 Dec
Kraftanlagen Energie- und Umwelttechnik GmbH ¹	Heidelberg/DE	EUR	0.10	100.0	F	S	31 Dec
Kraftszer Kft.	Budapest/HU	HUF	198.00	90.0	F	S	31 Dec
Other							
GAH Pensions GmbH	Heidelberg/DE	EUR	0.26	100.0	F	S	31 Dec
Krösus Sechste Vermögensverwaltungs GmbH	Heidelberg/DE	EUR	0.25	100.0	F	S	31 Dec

¹ New company established.

Alpiq Ltd. Group holding and finance companies

	Place of incorporation	Currency	Issued capital in millions	Direct ownership interest in % (voting rights)	Consolidation method	Business activity	Reporting date
Alpiq Deutschland AG	Heidelberg/DE	EUR	10.00	100.0	F	H	31 Dec
Alpiq Finance Ltd.	St. Helier/JE	EUR	1.15	100.0	F	S	31 Dec
Alpiq Hydro France S.A.S	Toulouse/FR	EUR	7.79	100.0	F	H	31 Dec
Alpiq Western Europe S.à r.l.	Luxembourg/LU	EUR	1.00	100.0	F	S	31 Dec
Alpiq Management Services Ltd.	St. Helier/JE	EUR	0.10	100.0	F	S	31 Dec
Alpiq Re (Guernsey) Ltd.	Guernsey/GB	EUR	3.00	100.0	F	S	31 Dec
Alpiq (CZ) s.r.o.	Prague/CZ	CZK	0.20	100.0	F	H	31 Dec
Alpiq Italia S.r.l.	Milan/IT	EUR	0.25	100.0	F	H	31 Dec
Alpiq Nordic AS	Oslo/NO	NOK	0.10	100.0	F	H	31 Dec
Alpiq Finanzbeteiligungen Ltd.	Olten	CHF	0.10	100.0	F	S	31 Dec

Alpiq Ltd. Group financial investments

	Place of incorporation	Currency	Issued capital in millions	Direct ownership interest in % (voting rights)	Consolidation method	Business activity	Reporting date
European Energy Exchange	Leipzig/DE	EUR	40.05	3.4	FV	S	31 Dec
Powernext SA	Paris/FR	EUR	11.74	5.0	FV	S	31 Dec
Capital Recovery Syndication Trust	St. Helier/JE	USD	2.66 ¹	9.8	FV	S	31 Dec
VenCap9 LLC	Cayman Islands/KY	USD	357.00 ¹	0.9	FV	S	31 Dec
Nordic Power Trading I Fund	Oslo/NO	NOK	1.04 ¹	10.7	FV	S	31 Dec
New Energies Invest AG	Basel	CHF	43.00 ¹	0.6	FV	S	31 Dec

¹ Fund capital.

Business activity

- T Trading
- SU Sales and supply
- PE Power exchange company
- G Generation
- S Services
- H Holding company
- P Property

Consolidation method

- F Fully consolidated
- E Equity accounted
- FV Fair value

Alpiq Group Financial Summary 2005 – 2009

Income statement

CHF million	2005	2006	2007	2008	2009
Net revenue	8,580	11,334	13,452	12,897	14,822
Other operating income	220	261	247	390	312
Total revenue and other income	8,800	11,595	13,699	13,287	15,134
Operating expenses before depreciation and amortisation	-8,070	-10,554	-12,446	-12,006	-13,589
Profit before interest, tax, depreciation and amortisation (EBITDA)	730	1,041	1,253	1,281	1,545
Depreciation and amortisation	-196	-202	-248	-280	-481
Reversal of impairment of assets	-	257	-	-	-
Profit before interest and tax (EBIT)	534	1,096	1,005	1,001	1,064
Net finance costs	-39	-6	-7	-85	-164
Income tax expense	-94	-217	-220	-183	-224
Group profit for the year	401	873	778	733	676
Year-on-year change (%)	22.3	117.7	-10.9	-5.8	-7.8
As % of net revenue	4.7	7.7	5.8	5.7	4.6
Attributable to minority interests	-173	-369	-315	-10	-10
Attributable to equity holders of Alpiq Holding	228	504	463	723	666
Employees ¹	8,377	8,467	9,034	9,944	10,629

¹ Average number of full-time equivalents.

2005 – 2008: figures of the former Atel Group excluding EOS and Emosson.

Statement of financial position

CHF million	2005	2006	2007	2008	2009
Total assets	7,404	9,009	9,381	10,566	20,099
Assets					
Non-current assets	4,134	4,840	5,356	5,884	14,302
Current assets	3,270	4,169	4,025	4,682	5,797
Equity and liabilities					
Total equity	2,247	2,930	3,621	3,830	7,930
As % of total assets	30.3	32.5	38.6	36.2	39.5
Liabilities	5,157	6,079	5,760	6,736	12,169

Per share data ¹

CHF	2005	2006	2007	2008	2009
Par value	20	20	20	10	10
Share price at 31 December	240	380	605	535	430
High	298	386	605	765	567
Low	191	235	371	376	328
Weighted average number of shares outstanding (in thousands)	12,650	12,006	12,326	21,261	26,749
Net profit	18	42	38	34	25
Dividend	3.20	4.80		10.00	8.70
Reduction in par value			10.00		

¹ All figures stated to reflect the share split in November 2007.

2005 – 2008: figures of the former Atel Group excluding EOS and Emosson.



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To the General Meeting of
Alpiq Holding Ltd., Neuchâtel

Zurich, 26 February 2010

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the accompanying consolidated financial statements of Alpiq Holding Ltd., which comprise income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes (pages 68 - 145), for the year ended 31 December 2009.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2009 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS and comply with Swiss law.

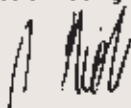
Report on Other Legal Requirements

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

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

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

Ernst & Young Ltd



Alessandro Miolo
Licensed audit expert
(Auditor in charge)



Roger Müller
Licensed audit expert

Statutory Financial Statements of Alpiq Holding Ltd.

The figures presented in the company financial statements of Alpiq Holding Ltd. for 2009 have changed significantly in comparison with the prior year period. This is mainly due to the transactions relating to the merger of the Atel, EOS and Emosson operations and to the subsequent expansion of the company's activities. Among other factors, the financing provided to subsidiaries of former Aare-Tessin Ltd. for Electricity was progressively transferred to Alpiq Holding Ltd. during the last year.

Income statement

Finance and dividend income grew by approximately CHF 270 million year on year. The main source of finance income was interest income from Swiss and foreign Group companies. As in the previous year, dividend income comprised dividends paid by former Aare-Tessin Ltd. for Electricity. Total expenses rose by approximately CHF 135 million, of which CHF 115 million was attributable to higher finance costs and CHF 20 million to the integration and general administrative costs incurred, as well as tax expense.

Statement of financial position

Total assets grew by approximately CHF 3.6 billion. The growth in non-current assets (CHF 3.5 billion) is mainly due to the newly acquired EOS operations. Loans receivable also increased by approximately CHF 2.2 billion because of the financing provided to subsidiaries.

Equity rose by CHF 1.1 billion, primarily due to the issue of share capital related to the EOS/Emosson transaction, together with the increase in retained earnings. Borrowings reported as non-current liabilities were up by a total of CHF 2.2 billion as a result of the funds raised through bond issues (CHF 1.2 billion) and private placements. Furthermore, other payables include short-term shareholder loans of CHF 0.25 billion maturing in 2010.

Income Statement

CHF	Note	2008	2009
Income			
Finance income	2	13,559,895	152,056,358
Dividend income	3	247,872,580	380,699,280
Other income		0	3,975,070
Exceptional income		2,196,604	0
Total income		263,629,079	536,730,708
Expenses			
Finance costs	4	28,476,341	144,277,268
Tax expense		1,105,406	3,955,615
Other expenses		5,564,574	21,304,559
Total expenses		35,146,321	169,537,442
Profit of the year		228,482,758	367,193,266

Statement of Financial Position

Assets

CHF	Note	31 Dec 2008	31 Dec 2009
Intangible assets		0	24,702,063
Investments	5	1,216,891,886	2,475,842,573
Loans receivable	6	591,741,040	2,789,441,515
Non-current assets		1,808,632,926	5,289,986,151
Short-term receivables	7	27,601,583	61,609,122
Prepayments and accrued income		132,754	4,803,277
Investments in securities		3,980,802	4,225,000
Cash and cash equivalents		6,018,927	77,727,998
Current assets		37,734,066	148,365,397
Total assets		1,846,366,992	5,438,351,548

Equity and liabilities

CHF	Note	31 Dec 2008	31 Dec 2009
Share capital		218,379,180	271,898,730
Share premium		340,089,807	1,277,150,282
General reserve		53,332,560	53,332,560
Reserve for treasury shares		47,932,000	0
Retained earnings		248,359,684	403,491,178
Equity	8	908,093,231	2,005,872,750
Provisions		32,177,153	32,176,646
Bonds	9	375,000,000	1,575,000,000
Loans payable	10	442,380,000	1,487,380,000
Non-current liabilities		817,380,000	3,062,380,000
Other payables	11	81,612,538	271,592,711
Accruals and deferred income		7,104,070	66,329,441
Current liabilities		88,716,608	337,922,152
Total equity and liabilities		1,846,366,992	5,438,351,548

Notes to the Company Financial Statements

1 Preliminary note

The financial statements of Alpiq Holding Ltd. have been prepared in accordance with the requirements of Swiss corporation law. The notes below also include the disclosures required by Art. 663b and 663b bis of the Swiss Code of Obligations. The subsidiaries and investments listed on pages 139 ff., and the companies they control, are considered to be Group companies for the purposes of Art. 663a of the Swiss Code of Obligations.

2 Finance income

CHF thousand	2008	2009
Interest income from Group companies	8,123	115,255
Interest income from third parties	1,335	309
Other finance income from Group companies	1,014	5,094
Other finance income from third parties	0	422
Foreign exchange gain	3,088	30,976
Total	13,560	152,056

3 Dividend income

Dividend income comprises dividends received from subsidiaries.

4 Finance costs

CHF thousand	2008	2009
Interest expense to Group companies	794	23,045
Interest expense to third parties	15,023	63,253
Other finance costs to Group companies	0	824
Other finance costs to third parties	9,299	22,109
Net foreign exchange loss	3,360	35,046
Total	28,476	144,277

5 Investments

A list of the principal subsidiaries and investments is presented on pages 139 ff.

6 Loans receivable

This item mainly includes long-term loans receivable from Group companies.

7 Short-term receivables

CHF thousand	31 Dec 2008	31 Dec 2009
Due from Group companies	13,406	60,670
Due from third parties	14,196	939
Total	27,602	61,609

Other receivables comprise short-term financial receivables as well as VAT and withholding tax receivables.

8 Equity

CHF thousand	Share capital	Share premium	General reserve	Reserve for treasury shares	Retained earnings	Total equity
Balance at 31 December 2007	255,625	33,270	50,333	1,932	68,877	410,037
Transfers			3,000	46,000	- 49,000	0
Issue of share capital (January 2008) ¹	180,266	305,362				485,628
Issue of share capital (June 2008) ²	867	1,458				2,325
Reduction in par value (July 2008) ³	- 218,379					- 218,379
Profit for the year					228,482	228,482
Balance at 31 December 2008	218,379	340,090	53,333	47,932	248,359	908,093
Dividends					- 218,379	- 218,379
Issue of share capital (transfer of EOS and Emossion operations) ⁴	56,663	937,060				993,723
Cancellation of treasury shares ⁵	- 3,143			- 47,932	6,318	- 44,757
Profit for the year					367,193	367,193
Balance at 31 December 2009	271,899	1,277,150	53,333	0	403,491	2,005,873

1 Related to the exchange of shares between former Atel Holding Ltd and the then Aare-Tessin Ltd. for Electricity.

2 Related to the compensation for cancelled shares of the then Aare-Tessin Ltd. for Electricity.

3 As resolved at the Annual General Meeting on 24 April 2008.

4 See note 28 to the consolidated financial statements.

5 See note 17 to the consolidated financial statements.

Additional authorised capital

At 31 December 2009, Alpiq Holding Ltd. no longer had any additional authorised capital (31 December 2008: CHF 96,901,830).

Major shareholders

The major shareholders of Alpiq Holding Ltd. are disclosed in note 17 to the consolidated financial statements.

Treasury shares

Information about treasury shares is disclosed in note 17 to the consolidated financial statements.

9 Bonds

CHF thousand	Term	Earliest redemption date	Interest rate %	Face value at 31 Dec 2008	Face value at 31 Dec 2009
Fixed rate bond issued by Alpiq Holding Ltd.	2009/2014	10 Feb 2014	3	–	200,000
Fixed rate bond issued by Alpiq Holding Ltd.	2008/2014	30 Oct 2014	3 3/8	25,000	25,000
Fixed rate bond issued by Alpiq Holding Ltd.	2008/2014	30 Oct 2014	3 3/8	150,000	150,000
Fixed rate bond issued by Alpiq Holding Ltd.	2009/2015	3 Jul 2015	3 1/4	–	250,000
Fixed rate bond issued by Alpiq Holding Ltd.	2009/2017	10 Feb 2017	4	–	250,000
Fixed rate bond issued by Alpiq Holding Ltd.	2008/2018	30 Oct 2018	3 7/8	160,000	160,000
Fixed rate bond issued by Alpiq Holding Ltd.	2008/2018	30 Oct 2018	3 7/8	40,000	40,000
Fixed rate bond issued by Alpiq Holding Ltd.	2009/2019	25 Nov 2019	3	–	500,000

The weighted interest rate on bonds issued at the reporting date, relative to face value, was 3.35%.

10 Loans payable

CHF thousand	31 Dec 2008	31 Dec 2009
Shareholders	0	820,000
Due to Group companies	12,380	12,380
Due to third parties	430,000	655,000
Total	442,380	1,487,380

The loans are repayable within 1 to 7 years. The weighted average interest rate at the reporting date was 2.91% (2008: 3.38%).

11 Other payables

CHF thousand	31 Dec 2008	31 Dec 2009
Shareholders	0	250,000
Due to Group companies	18,541	18,383
Due to third parties	63,072	3,210
Total	81,613	271,593

Other payables due to third parties include loans repayable within 12 months, VAT liabilities and unclaimed dividends.

12 Contingent liabilities

Guarantees in favour of Group companies and third parties totalled CHF 1,495 million at 31 December 2009.

13 Disclosure of remuneration and interests of Directors, Executive Board members and related parties

All amounts disclosed include remuneration received in 2009 from Alpiq Holding Ltd., from Atel and from EOS after 1 February 2009.

Remuneration paid to current Directors and Committee members and those who left the Board in the reporting year as recognised in the 2009 company financial statements

CHF thousand		Fixed remuneration	Variable remuneration	Expenses	Pension benefits (pension scheme, social security)
Hans E. Schweickardt	Chairman since 27 Jan 2009 / NRC Chairman until 27 Jan 2009	438.3	70.0	24.8	55.7
Marc Boudier	Deputy Chairman / ARC Chairman / NRC member	265.8	70.0	25.0	
Christian Wanner	Deputy Chairman / NRC member	214.3	70.0	21.0	7.6
Pierre Aumont	Director	155.5	70.0	15.7	
Hans Büttiker	Director / NRC member	202.1	70.0	17.9	21.7
Guillaume de Forceville	Director since 27 Jan 2009	147.2		11.0	
Philippe V. Huet	Director	147.5	70.0	15.7	
Claude Lässer	Director since 27 Jan 2009	147.2		11.0	4.1
Daniel Mouchet	Director since 27 Jan 2009	151.2		11.0	
Guy Mustaki	Director since 27 Jan 2009 / NRC Chairman since 27 Jan 2009	206.7		14.2	28.2
Jean-Yves Pidoux	Director since 27 Jan 2009 / ARC member since 27 Jan 2009	184.9		12.4	
Alex Stebler	Director / ARC member since 27 Jan 2009	189.2	70.0	17.0	31.7
Urs Steiner	Director / ARC member	194.1	70.0	17.9	
Giuliano Zuccoli	Director	131.5	70.0	15.7	22.1
Total for Directors serving on 31 December 2009		2,775.5	630.0	230.3	171.1
Rainer Schaub	Chairman until 27 Jan 2009 / NRC member until 27 Jan 2009	45.8	70.0	9.4	5.4
Dominique Dreyer	Director until 27 Jan 2009 / ARC member until 27 Jan 2009	31.7	70.0	6.7	14.9
Marcel Guignard	Director until 27 Jan 2009 / ARC member until 27 Jan 2009	31.7	70.0	6.7	0.2
Total for Directors		2,884.7	840.0	253.1	191.6

ARC = Audit and Risk Committee

NRC = Nomination and Remuneration Committee

Rainer Schaub additionally received arm's length fees of CHF 70,500 (including expenses) for consulting services for the period from January to April 2009. Expenditure on pension and insurance benefits amounted to CHF 4,200.

Fixed remuneration comprises Directors' fees, attendance fees and fees for service on the NRC and/or ARC.

Hans E. Schweickardt additionally received arm's length fees of CHF 426,100 (including expenses) for consulting services for the period from February to December 2009. Expenditure on pension and insurance benefits amounted to CHF 59,400.

**Remuneration paid to Directors and Committee members
as recognised in the 2008 company financial statements**

CHF thousand		Fixed remuneration	Variable remuneration	Expenses	Pension benefits (pension scheme, social security)
Rainer Schaub	Chairman/NRC member	160.0	70.0	9.8	24.1
Christian Wanner	Deputy Chairman/NRC member	132.5	70.0	7.3	
Marc Boudier	Deputy Chairman/ARC Chairman/NRC member	132.5	70.0	8.8	
Pierre Aumont	Director	100.0	70.0	5.5	
Hans Büttiker	Director/NRC member	110.0	70.0	7.0	12.1
Dominique Dreyer	Director/ARC member	110.0	70.0	7.0	25.3
Marcel Guignard	Director/ARC member	110.0	70.0	7.0	0.7
Philippe V. Huet	Director	100.0	70.0	5.5	
Hans E. Schweickardt	Director/NRC Chairman	120.0	70.0	7.0	
Alex Stebler	Director	100.0	70.0	5.5	24.0
Urs Steiner	Director/ARC member	110.0	70.0	7.0	
Giuliano Zuccoli	Director	100.0	70.0	5.5	
Total for Directors		1,385.0	840.0	82.9	86.2

ARC = Audit and Risk Committee

NRC = Nomination and Remuneration Committee

Rainer Schaub additionally received arm's length fees of CHF 210,000 (including expenses) for consulting services. Expenditure on pension and insurance benefits amounted to CHF 12,400.

Fixed remuneration comprises Directors' fees, attendance fees and fees for service on the NRC and/or ARC.

Remuneration paid to Executive Board members as recognised in the 2009 company financial statements

CHF thousand	Gross salary (fixed)	Gross salary (bonus)	Benefits in kind (car and other)	Pension benefits (pension scheme, accident)
Total for Executive Board	2,874.3	4,412.4	148.9	1,606.9
Highest paid member, Giovanni Leonardi (CEO)	500.0	779.9	24.3	367.2

The Executive Board consisted of nine members in 2009.

Each member of the Executive Board was paid an additional expense allowance ranging from CHF 21,000 to CHF 24,000, and the highest paid member (CEO) received CHF 30,000. Expense allowances paid to the Executive Board totalled CHF 208,500.

The amounts shown above include bonus adjustments in respect of amounts calculated or paid for previous years, representing a deduction of CHF 888,600 for the whole Executive Board and CHF 208,100 for the CEO.

Remuneration paid to Executive Board members as recognised in the 2008 company financial statements

CHF thousand	Gross salary (fixed)	Gross salary (bonus)	Benefits in kind (car and other)	Pension benefits (pension scheme, accident)
Total for Executive Board	2,140.0	4,877.0	55.9	1,092.0
Highest paid member, Giovanni Leonardi (CEO)	500.0	1,170.5	22.4	228.2

The Executive Board consisted of six members in 2008.

Each member of the Executive Board was paid an additional expense allowance of CHF 24,000, and the highest paid member (CEO) received CHF 30,000. Expense allowances paid to the Executive Board totalled CHF 150,000.

The amounts shown above include bonus adjustments in respect of amounts calculated or paid for previous years, representing CHF 437,800 in favour of the whole Executive Board and CHF 103,000 in favour of the CEO.

Shares held by Directors and Executive Board members

		Number 2008	Number 2009
Hans E. Schweickardt	Chairman since 27 Jan 2009	–	100
Rainer Schaub	Chairman until 27 Jan 2009	561	1)
Hans Büttiker	Director	499	500
Alex Stebler	Director	144	143
Urs Steiner	Director	–	3
Giovanni Leonardi	CEO	120	120
Benoît Revaz	Executive Board member since 27 Jan 2009	1)	72
Heinz Saner	Executive Board member	8	8
Total		1,332	846

1) Not determined.

14 Risk assessment

The risks of Alpiq Holding Ltd. are assessed within the Group-wide risk management framework for the Alpiq Group. The Alpiq Group implements a comprehensive risk management system that includes a periodic assessment of the risks of each Group company. Based on the risk identification carried out annually by Group management, the likelihood of the significant risks occurring and their impact are evaluated. These risks are avoided, mitigated or hedged by taking appropriate measures decided by the Board of Directors of Alpiq Holding Ltd. In order to be able to respond flexibly to changes in the risk environment, Group management may commission ad hoc in-depth risk analyses. The latest risk assessment was approved by the Board of Directors on 17 December 2009.

Appropriation of Retained Earnings

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

	CHF	CHF
Profit for 2009 reported in the income statement		367,193,266
Retained earnings brought forward	29,980,504	
Reversal of reserve for treasury shares	6,317,408	36,297,912
Total		403,491,178
be appropriated as follows:		
Dividend of CHF 8.70 per registered share		236,551,895
Transfer to general reserve		0
Balance to be carried forward		166,939,283

Subject to approval of this proposal, the gross dividend (before Swiss withholding tax) for the financial year 2009 will amount to CHF 8.70 (2008: CHF 10) per registered share.

The dividend will be paid net of 35% Swiss withholding tax from 29 April 2010 upon presentation of the coupon.



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To the General Meeting of
Alpiq Holding Ltd., Neuchâtel

Zurich, 26 February 2010

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the accompanying financial statements of Alpiq Holding Ltd., which comprise income statement, statement of financial position and notes (pages 152 - 162), for the year ended 31 December 2009.

Board of Directors' responsibility

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

Auditor's responsibility

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

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



Opinion

In our opinion, the financial statements for the year ended 31 December 2009 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

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

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

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

Ernst & Young Ltd

A handwritten signature in black ink, appearing to read 'A. Miolo'.

Alessandro Miolo
Licensed audit expert
(Auditor in charge)

A handwritten signature in black ink, appearing to read 'R. Müller'.

Roger Müller
Licensed audit expert