

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
							AIT	
	IFRS carrying amount	Fair value	IFRS carrying amount	Fair value	IFRS carrying amount	Fair value	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.