ALPIQ

2009
Annual Report

2009 Financial Highlights

Comparison with prior year pro forma financial statements

Alpiq Group	% Change 2008 – 2009 (based on CHF)	2008 CHF million	2009 CHF million	2008 EUR million	2009 EUR million
Energy sales (TWh)	4.4	129.600	**135.248**	129.600	**135.248**
Net revenue	– 7.4	16,013	**14,822**	10,090	**9,816**
Energy	– 7.8	13,828	**12,756**	8,713	**8,448**
Energy Services	– 5.1	2,242	**2,127**	1,413	**1,409**
Profit before interest, tax, depreciation and amortisation (EBITDA)	– 5.0	1,627	**1,545**	1,025	**1,023**
Depreciation and amortisation	– 0.2	– 480	**– 481**	– 302	**– 319**
Profit before interest and tax (EBIT)	– 7.2	1,147	**1,064**	723	**705**
As % of net revenue		7.2	**7.2**	7.2	**7.2**
Group profit for the year	– 7.7	732	**676**	461	**448**
As % of net revenue		4.6	**4.6**	4.6	**4.6**
Net capital expenditure	– 1.5	1,204	**1,186**	759	**785**
Total equity	7.9	7,346	**7,930**	4,947	**5,344**
As % of total assets		38.5	**39.5**	38.5	**39.5**
Total assets	5.4	19,073	**20,099**	12,844	**13,544**
Employees [1]	3.9	10,233	**10,629**	10,233	**10,629**
Plus trading in standardised products					
In TWh	35.7	265.206	**359.760**	265.206	**359.760**
In CHF / EUR million	39.9	18,513	**25,896**	11,665	**17,150**

1 Average number of full-time equivalents.

The basis of preparation of the pro forma financial statements for 2008 is explained on pages 54 and 55.

Per share data [1]	2009 CHF
Par value	**10**
Share price at 31 December	**430**
High	**567**
Low	**328**
Net profit	**25**
Dividend [2]	**8.70**

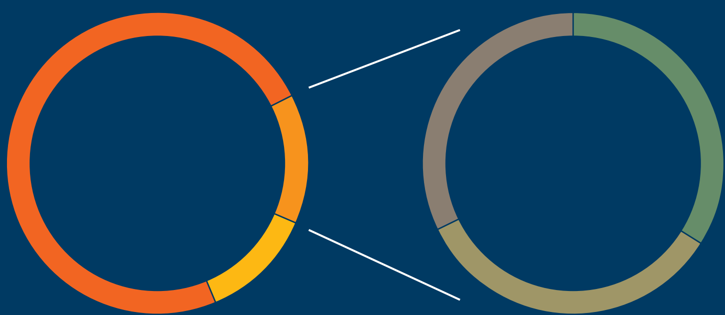
1 No per share data based on quoted market prices are available for the prior year pro forma financial statements.
2 To be proposed to the Annual General Meeting on 22 April 2010.

Power stations in 2009

	MWe	MWe
Hydroelectric power stations		**2,963**
Switzerland	2,807	
Italy	156	
Thermal power stations		**3,250**
Switzerland	820	
Germany	54	
Italy	1,489	
Hungary and the Czech Republic	887	
Small hydroelectric power stations and wind farms		**109**
Switzerland	6	
Italy	83	
France	18	
Norway	2	
Total installed Alpiq capacity		**6,322**

Excluding long-term contracts.

2009 energy procurement
(excl. speculative transactions)



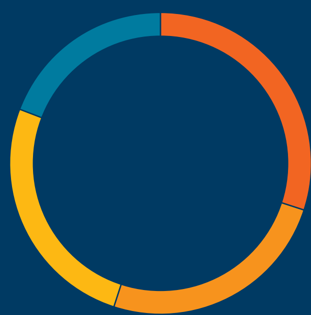
Procurement

Purchased (mixed sources)	74 %	100,398 GWh
Generated	14 %	19,352 GWh
Long-term contracts	12 %	15,498 GWh
Total	**100 %**	**135,248 GWh**

Generation

Hydroelectric / new renewables	34 %	6,602 GWh
Conventional thermal	34 %	6,524 GWh
Nuclear	32 %	6,226 GWh
Total	**100 %**	**19,352 GWh**

2009 energy sales
(excl. speculative transactions)



Switzerland	30 %	40,253 GWh
Western Europe	25 %	33,705 GWh
Central Europe	26 %	35,960 GWh
Trading	19 %	25,330 GWh
Total	**100 %**	**135,248 GWh**

New-Look Alpiq Annual Report

Dear Reader,

The first Alpiq Group annual report differs in many respects from the annual reports published in the past by the Atel Group and EOS:

New design

Naturally we have redesigned the new annual report to reflect and comply with Alpiq's fresh, modern corporate design principles.

Reduced to the essential

The printed version of the Alpiq Annual Report is limited to the information required by law and stock exchange rules. The focus is therefore on the main purpose of the report: to disclose facts and figures and, in so doing, create transparency and build trust.

Additional information online

Supplementary information is available for viewing on our website under reports.alpiq.com.

There you will find all the information contained in the printed annual report in a user-friendly format. Furthermore, we are providing comprehensive multimedia presentations detailing additional aspects and giving background information, such as interviews with heads of operations, interactive graphics and interesting facts about the Alpiq Group's projects and activities.

2009 Annual Review

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

Contents

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

Alpiq Is a Promise for the Future

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

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

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

Market liberalisation and partial deregulation

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

The partial liberalisation of the Swiss market, which came into force at the beginning of 2009 with the enactment of the Electricty Supply Act, also created new conditions. Since then, the Federal Council and ElCom have been forcing prices down, while new legislative requirements and regulations are driving generation costs up. Decisions on renaturation, coupled with campaigns to promote renewable energies and raise water rates, are all part of this trend. The funds earmarked for such measures will deplete the capital available to invest in enhancing energy security.

Climate change and nuclear power

Despite high hopes ahead of the UN Climate Change Conference held in Copenhagen in December 2009, the participants merely agreed to take action aimed at restricting global warming to no more than two degrees Celsius (versus the reference year 1850) by the end of the century. It will be up to subsequent efforts to achieve a "world climate order" to formulate concrete, legally binding reduction targets. Energy generation in the EU and Switzerland therefore remains within the boundaries of the applicable CO_2 reduction targets.

On the other hand, the global rise in CO_2 emissions and the (as yet) limited potential of renewable energies have moved nuclear power even closer to the top of the political agenda. Several European countries, including Switzerland, are planning to build new nuclear power stations. At present, the authorities are evaluating three projects. Ultimately, it will be up to Swiss voters to decide on the construction of new nuclear power plants.

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

Giovanni Leonardi

More investments in the power generation portfolio

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

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

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

Hans E. Schweickardt

Effects of the merger

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

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

On behalf of the Board of Directors and Executive Board

Hans E. Schweickardt
Chairman

Giovanni Leonardi
CEO

Insieme – Building a New Alpiq Together

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

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

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

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

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

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

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

Energy Segment

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

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

Energy Switzerland

Market Switzerland

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

Partial liberalisation so far with little impact

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

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

In Switzerland, Alpiq is actively involved in the procurement of energy from waste incineration plants (WIP). In 2009, it signed energy purchase agreements with three WIPs, and agreements with other WIPs are under negotiation. Alpiq also demonstrated its innovative approach by supplying the Cartaseta paper factory with industrial steam from the Gösgen nuclear power station via a brand-new pipeline. This will reduce annual CO_2 emissions by more than 8,000 tonnes by doing away with the need for around 2,500 tonnes of heavy oil per year.

Società Elettrica Sopracenerina

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

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

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

Alpiq Versorgungs AG

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

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

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

AEK Energie AG

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

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

Thermal Power Generation

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

Progress in the Niederamt nuclear power station project

Alpiq invested a great deal of effort last year in developing and enhancing the Niederamt nuclear power station project, for which a general licence application was submitted to the Federal Office of Energy (FOE) in June 2008. With this project for a new nuclear power station, Alpiq intends to make an important contribution to Switzerland's long-term energy security.

Modern combined heat and power station in the Valais goes live

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

Hydro Power Generation

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

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

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

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

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

Expansion and renovation projects

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

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

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

Water rates to be raised

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

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

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

Grid

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

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

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

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

ElCom ruling before the Federal Administrative Court

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

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

Closing line gaps

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

Optimisation

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

Maximising the value of the energy portfolio: a key task

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

Energy Western Europe

Market West

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

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

Spain: new office in Madrid

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

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

France: regulatory uncertainty

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

Market Italy

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

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

Regulatory and market challenges

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

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

Market Nordic

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

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

Power Generation West

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

San Severo and Bayet soon up and running

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

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

Renewable energies

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

Energy Central Europe

Market Central Europe North

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

New markets in the Baltic and Ukraine

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

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

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

Market Central Europe South

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

Strong position in Romania

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

Last year, the State Electricity Regulatory Commission in Bosnia-Herzegovina granted Alpiq a licence for international energy trading, as a result of which Alpiq is now the country's largest electricity exporter. In Bulgaria, Alpiq managed to acquire its first end customer through its Bulgarian sales subsidiary. Alpiq expanded its trading business by founding Alpiq Albania and renewed the trading licence for Kosovo until 2011.

Lower demand for electricity in heavy industry

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

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

Carving out new markets in South Eastern Europe

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

Market Germany

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

Massive drop in prices

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

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

Power Generation Central

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

Alpiq Germany opts for gas-fired combined cycle power stations

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

Expansion plans in Hungary and the Czech Republic

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

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

Bulgaria: wind farm to go online in late 2010

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

Trading & Services

Power Proprietary Trading

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

The economic downturn resulted in a perceptible drop in prices on the spot and futures exchanges in the first and fourth quarters of 2009. Electricity prices are heavily dependent on movements in the prices of other sources of energy, particularly gas, coal, oil and CO_2. Last year's trends in the prices of these commodities were very mixed. While oil and CO_2 recovered from their lows, coal prices rose only slightly and gas prices fell even further. This widening gap between gas and oil prices made it difficult to predict prices for individual electricity markets. Prices for CO_2 certificates were affected by the uncertainty surrounding the so-called third phase, and even briefly plummeted to single-digit figures.

Growing interest in real commodities

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

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

Trading exchanges set to link up

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

Power Asset Trading

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

Benefiting from market movements

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

Focus on cross-border trading

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

Middle Office & Operations

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

New trading system

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

Multi Commodities & Fuel Management

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

Gas trading stepped up

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

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

A key role within the Group

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

Origination & Environmental Markets

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

Success for green power marketing

Last year saw the start of important work aimed at centralising the management of the Group's CO_2 position. Implementation is planned for 2010. The Green Power Marketing Conference, strongly endorsed by Alpiq and held in Geneva at the beginning of October 2009, proved a huge success. More than 170 participants from all over Europe discussed the future development of the European market for renewable energies with politicians and policymakers from Brussels and Bern.

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

Promising potential of green certificates

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

Energy Services Segment

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

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

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

Alpiq InTec Group

Atel Installationstechnik renamed Alpiq InTec

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

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

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

High order intake

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

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

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

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

Energy efficiency in demand

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

This fledgling business arm of AIT offers consulting services that help customers to plan energy-efficient new buildings and sustainably operate existing buildings, with emphasis on cutting operating costs and energy consumption while retaining or even enhancing comfort and reducing CO_2 emissions. The popularity of energy efficiency and the related services offered by this young company is reflected in an extremely positive volume of incoming orders.

Alpiq helps Coop with its carbon footprint

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

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

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

Priority on AlpTransit Gotthard

The AlpTransit Gotthard project will continue to be an important priority for AIT in 2010. The Transtec Gotthard consortium will begin operating at the South installation site in the first six months and start to install the railway technology in the Gotthard Tunnel in mid-year. Energy efficiency continues to play a pivotal role. Alpiq is giving this issue its full attention and intends to further expand activities in this area so as to make an important contribution to cutting CO_2 emissions in 2010.

Alpiq Anlagentechnik Group

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

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

Political regulation in Germany

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

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

Industrial and Power Plant Engineering (IPPE)

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

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

Energy Supply Technology (EST)

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

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

Highlight: solar thermal plant in Jülich

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

Electricity distribution grid in need of upgrading

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

Strategic development

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

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

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

Corporate Centre

Financial Services

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

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

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

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

Business Development

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

The most important projects involved the formulation of a business model for Group-wide activities in the areas of renewable energies, analysis and prioritisation of the Alpiq investment portfolio, and preparations for the strategy project to be launched in 2010. The aim of Business Development is to perform steering functions within the Group with a view to the Group's long-term, sustainable development.

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

Management Services

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

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

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

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

Corporate Governance

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

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

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

Group structure and shareholders

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

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

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

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

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

The Alpiq Trading & Services division engages in trading in electricity, gas, coal and CO_2 certificates on all major electricity exchanges in Western Europe.

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

Organisation at 1 January 2010

General Management
Giovanni Leonardi[1]
CEO

Business Divisions

Energy Central Europe – Reinhold Frank[1]
- Market Central Europe North – Armin Stoltz
- Market Central Europe South – Peter Dworak
- Market Germany – Holger Clever
- Power Generation Central – Allan Walmsley

Energy Western Europe – Antonio M. Taormina[1]
- Market Italy – Stefano Colombo
- Market Europe West – Jean-Philippe Rochon
- Market Nordic – Erik Saether
- Power Generation West – Renato Sturani

Energy Switzerland – Michael Wider[1] (Deputy CEO)
- Market Switzerland – Kees van Hoek
- Thermal Power Generation – Peter Hirt
- Hydro Power Generation – Jörg Aeberhard
- Grid – Christian Brunner
- Optimisation – Pierre Guesry

Trading & Services – Peter Heydecker[1]
- Power Proprietary Trading – Martin Bloch
- Power Asset Trading – Thomas Ruckstuhl
- Multi Commodities & Fuel Management – Michel Kolly
- Origination & Environmental Markets – Ralph Baumann
- Middle Office & Operations – Frédéric Rivier

Energy Services – Herbert Niklaus[1]
- AIT – Peter Limacher
- AAT – Herbert Niklaus[1]

- General Management
- Business Division
- Business Unit

1 Member of the Executive Board

Functional Divisions

Financial Services – Kurt Baumgartner[1]
- Corporate Accounting & Reporting – Michel Vögeli
- Corporate Planning & Controlling – Patrick Mariller
- Corporate Risk Management – Walter Hollenstein
- Corporate Treasury & Insurance – Lukas Oetiker
- Corporate Taxes – Giuseppe Giglio
- Corporate Settlement – Daniel Christen
- Corporate IT – Adalbert Gebhard

Business Development – Benoît Revaz[1]
- Strategy Development – Zoran Vila
- Mergers & Acquisitions – Michael Schuh
- Market Intelligence – Matthias Jung

Management Services – Heinz Saner[1]
- Corporate Human Resources – Judith Dali
- Corporate Communications – Martin Bahnmüller
- Corporate Legal – Peter Schib
- Corporate Public Affairs – Stefan Aeschimann
- Corporate Internal Audit – Werner Schmucki
- Secretary Board of Directors – Alain Moilliet

- Functional Division
- Functional Unit

1 Member of the Executive Board

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

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

Stock exchange listing

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

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

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

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

Cross-shareholdings

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

Capital structure

Share capital

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

Alpiq Holding has no conditional or additional authorised capital.

Changes in equity

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

Shares

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

Shareholders at 31 December 2009

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

Percentage ownership interests.

Board of Directors

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

Directors

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

Other activities and interests

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

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

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

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

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

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

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

Board of Directors at 31 December 2009

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

Control and supervisory mechanisms

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

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

Audit and Risk Committee (ARC)

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

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

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

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

Nomination and Remuneration Committee (NRC)

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

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

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

Division of responsibilities

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

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

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

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

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

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

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

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

Executive Board

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

2009 remuneration report

Principles and objectives

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

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

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

Market-compliant remuneration

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

Disclosure

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

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

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

A. Executive Board members' remuneration

Principles

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

Bonus entitlement

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

Structure of remuneration

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

Short-Term Bonus (STB)

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

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

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

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

Long-Term Incentive (LTI)

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

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

Capping and other regulations

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

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

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

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

Amount of remuneration

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

B. Directors' remuneration

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

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

Shareholders' participation rights

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

Agenda

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

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

Change of control and defensive measures

Mandatory offer

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

Change-of-control clauses

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

Auditors

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

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

External audit information mechanisms

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

Information policy

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

General Meetings in 2009

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

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

Board of Directors

1 **Hans E. Schweickardt**
Chairman
- Dipl. Math. ETHZ
- Swiss national

2 **Marc Boudier**
Deputy Chairman
- Dipl. rer. pol. Master of Law
- French national

3 **Christian Wanner**
Deputy Chairman
- Farmer, Member of the Solothurn Cantonal Government
- Swiss national

4 **Pierre Aumont**
Director
- Engineer
- French national

5 **Hans Büttiker**
Director
- Dr. sc. tech., Dipl. El-Ing. ETHZ
- Swiss national

6 **Guillaume de Forceville**
Director
- Graduate of ESC Bordeaux, Finance
- French national

7 **Philippe V. Huet**
Director
- Dipl. Ing.
- French national

8 **Claude Lässer**
Director
- Lic. rer. pol., Councillor of State, Canton of Fribourg
- Swiss national

9 **Daniel Mouchet**
Director
- Architect
- Swiss national

10 **Guy Mustaki**
Director
- Solicitor, Professor at the University of Lausanne
- Swiss national

11 **Jean-Yves Pidoux**
Director
- Doctor of Sociology and Anthropology, Lausanne City Councillor
- Swiss national

12 **Alex Stebler**
Director
- Dr. oec.
- Swiss national

13 **Urs Steiner**
Director
- Energy engineer, HTL
- Swiss national

14 **Giuliano Zuccoli**
Director
- Electrical engineer
- Italian national

1

2

3

4

5

6

7

8

9

10

11

12

13

14


Executive Board

1 Giovanni Leonardi
CEO

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

2 Michael Wider
Head of Energy Switzerland, Deputy CEO

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

3 Kurt Baumgartner
Head of Financial Services, CFO

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

4 Reinhold Frank
Head of Energy Central Europe

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

5 Peter Heydecker
Head of Trading & Services

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

6 Herbert Niklaus
Head of Energy Services

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

7 Benoît Revaz
Head of Business Development

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

8 Heinz Saner
Head of Management Services

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

9 Antonio M. Taormina
Head of Energy Western Europe

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

1

2

3

4

5

6

7

8

9

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.

Contents

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 CO_2 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-Gösgen 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 CO_2 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 CO_2 emission allowances are initially recognised at nominal value (nil value). CO_2 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 CO_2 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 CO_2 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 Emosson 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 derecognised 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	< 1 month	1 – 3 months	4 – 12 months	1 – 5 years	> 5 years	Cash flows 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	< 1 month	1 – 3 months	4 – 12 months	1 – 5 years	> 5 years	Cash flows 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)

		Joint ventures		Other companies
CHF million	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
IBAarau (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 Emosson 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 Avenis 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.

		EOS operations transferred		Emosson operations transferred
CHF million	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:

						Energy segment		Energy Services segment
	Switzerland		Western Europe		Central Europe		AIT	
CHF million	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:

	Energy segment						Energy Services segment			
	Switzerland		Western Europe		Central Europe		AIT		AAT	
CHF million	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)	Consoli- dation 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)	Consoli- dation 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

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 Niederamt 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	Billingstad / NO	NOK	25.02	10.0	E	G	31 Dec
Alpiq EcoPower AG	Olten	CHF	5.00	100.0	F	G	31 Dec

Entegra Wasserkraft AG	St. Gallen	CHF	2.01	75.0	F	G	31 Dec
Isento 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 Gougra 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)	Consoli-dation 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)	Consoli-dation 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)	Consoli-dation 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)	Consoli-dation 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)	Consoli-dation 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.

Ernst & Young Ltd
Bleicherweg 21
P.O. Box
CH-8022 Zurich

Phone +41 58 286 31 11
Fax +41 58 286 30 04
www.ey.com/ch

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 consolidated 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 Emosson 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.

Ernst & Young Ltd
Bleicherweg 21
P.O. Box
CH-8022 Zurich

Phone +41 58 286 31 11
Fax +41 58 286 30 04
www.ey.com/ch

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.

Ernst & Young

2

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

Alessandro Miolo Licensed audit expert (Auditor in charge)	Roger Müller Licensed audit expert

Measures

Currency

ALL	Albanian lek
BAM	Bosnia-Herzegovina convertible mark
BGN	Bulgarian lev
CHF	Swiss franc
CZK	Czech koruna
DKK	Danish krone
EUR	Euro
HRK	Croatian kuna
HUF	Hungarian forint
LTL	Lithuanian lita
MKD	Macedonian denar
NOK	Norwegian krone
PLN	Polish zloty
RON	Romanian leu
RSD	Serbian dinar
SEK	Swedisch krona
USD	US dollar
th.	thousand
mn.	million
bn.	billion

Energy

kWh	Kilowatt hours
MWh	Megawatt hours (1 MWh = 1,000 kWh)
GWh	Gigawatt hours (1 GWh = 1,000 MWh)
TWh	Terawatt hours (1 TWh = 1,000 GWh)
TJ	Terajoules (1 TJ = 0.2778 GWh)

Power

kW	Kilowatts (1 kW = 1,000 Watts)
MW	Megawatts (1 MW = 1,000 kW)
GW	Gigawatts (1 GW = 1,000 MW)
MWe	Electrical megawatts
MWth	Thermal megawatts

Financial Calendar

22 April 2010:
Annual General Meeting

7 May 2010:
2010 first-quarter results

27 August 2010:
Interim Report

5 November 2010:
2010 third-quarter results

February 2011:
Release of 2010 annual results

March 2011:
2010 Annual media conference

28 April 2011:
Annual General Meeting

Contact

Investor Relations
Kurt Baumgartner, CFO
T +41 62 286 71 11
F +41 62 286 76 67
investors@alpiq.ch

Corporate Communications
Martin Bahnmüller
T +41 62 286 71 11
F +41 62 286 76 69
info@alpiq.ch

Published by

Alpiq Holding Ltd., www.alpiq.com

Design: Prime, Zurich
Printer: Dietschi AG, Olten

The 2009 Annual Report is published in German, French and English.

Alpiq Holding Ltd.
Rue Pury 2
CH-2001 Neuchâtel

www.alpiq.com