ALPIQ

2010
Annual Report

2010 Financial Highlights

Alpiq Group	% Change 2009 – 2010 (based on CHF)	2009 CHF million	2010 CHF million	2009 EUR million	2010 EUR million
Energy sales (TWh)	7.6	135.248	145.569	135.248	145.569
Net revenue	– 4.8	14,822	14,104	9,816	10,205
Energy	– 5.8	12,756	12,012	8,448	8,692
Energy Services	– 0.2	2,127	2,122	1,409	1,535
Profit before interest, tax, depreciation and amortisation (EBITDA)	– 4.7	1,545	1,472	1,023	1,065
Depreciation and amortisation	– 4.4	– 481	– 502	– 319	– 363
Profit before interest and tax (EBIT)	– 8.8	1,064	970	705	702
As % of net revenue		7.2	6.9	7.2	6.9
Group profit for the year	– 4.6	676	645	448	467
As % of net revenue		4.6	4.6	4.6	4.6
Net capital expenditure	– 50.5	1,186	587	785	425
Total equity	– 1.9	7,930	7,779	5,344	6,223
As % of total assets		39.5	42.1	39.5	42.1
Total assets	– 8.1	20,099	18,473	13,544	14,778
Employees [1]	3.8	10,629	11,033	10,629	11,033
Plus trading in standardised products					
In TWh	– 19.1	359.760	291.162	359.760	291.162
In CHF / EUR million	– 9.8	25,896	23,348	17,150	16,894

1 Average number of full-time equivalents.

Per share data	% Change 2009 – 2010	2009 CHF	2010 CHF
Par value	0.0	10	10
Share price at 31 December	– 16.3	430	360
High	– 20.1	567	453
Low	3.4	328	339
Net profit	– 8.0	25	23
Dividend [1]	0.0	8.70	8.70

1 To be proposed to the Annual General Meeting on 28 April 2011.

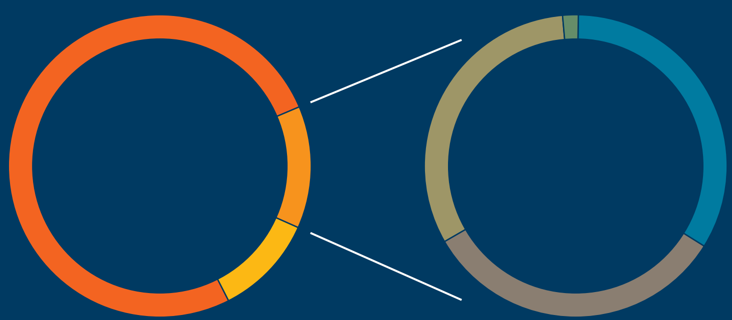
The financial summary 2006 – 2010 is shown on pages 148 and 149.

Power stations in 2010

Power stations in 2010	MWe	MWe	GWhe	GWhe
Hydroelectric power stations		**3,022**		**6,414**
Switzerland	2,866		5,895	
Italy	156		519	
Thermal power stations		**3,373**		**12,187**
Switzerland	823		6,373	
Germany	56		111	
France [1]	N/A		N/A	
Italy [2]	1,607		3,116	
Czech Republic	484		1,793	
Hungary	403		794	
Small hydroelectric power stations, wind farms, solar power stations		**168**		**280**
Switzerland	10		35	
Bulgaria	50		32	
France	18		55	
Italy	87		150	
Norway	3		8	
Total installed Alpiq capacity [3]		**6,563**		**18,881**

1 Excl. 3CB, commissioned at the beginning of 2011, approx. 400 MWe.
2 Incl. EnPlus, commissioned at the end of 2010.
3 Excluding long-term contracts.

2010 energy procurement
(excl. speculative transactions)



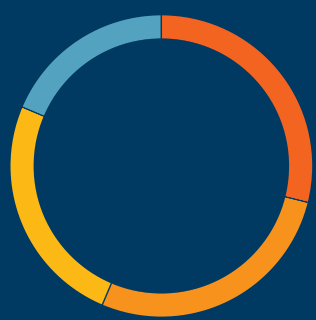
Procurement

Market	76 %	110,867 GWh
In-house generation	13 %	18,881 GWh
Long-term contracts	11 %	15,821 GWh
Total		**145,569 GWh**

Generation

Hydroelectric	34 %	6,414 GWh
Conventional thermal	33 %	6,162 GWh
Nuclear	32 %	6,025 GWh
New renewables	1 %	280 GWh
Total		**18,881 GWh**

2010 energy sales
(excl. speculative transactions)



Central Europe	29 %	41,849 GWh
Switzerland	28 %	40,226 GWh
Western Europe	25 %	36,694 GWh
Trading	18 %	26,800 GWh
Total		**145,569 GWh**

Active across Europe

Alpiq is there for its customers in 33 countries across Europe. Switzerland's leading energy provider has energy trading and sales companies offering products and services in 26 countries and also delivers energy services through 30 companies at around 220 different locations. Alpiq generates electricity at power stations in 9 countries.

- Trading and sales companies
- Energy services
- Power generation

Situation in March 2011. The colour codes show the area of activity in each country and do not provide information on the number and location of the sites.

2010 Annual Review

2010 was an eventful year for the young Alpiq Group. Besides structuring the Group, it formulated a new strategy, launched a comprehensive efficiency enhancement programme and continued to invest in expanding its power generation portfolio. All this has laid the foundations to ensure successful future development.

Contents

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

Alpiq is well positioned

2010 was a challenging year for the fledgling Alpiq. In its second year, the Group successfully consolidated and integrated its operations. By implementing the new strategy and planned restructuring programmes within the Group, Alpiq aims to enhance efficiency and increase flexibility.

Work on structuring the new Group continued to progress on schedule in 2010. The new business model was implemented as planned at the beginning of 2010 and has proved largely successful. However, the macroeconomic environment was difficult for energy providers as demand for energy lagged behind the economic recovery. Utilisation of European power generating capacities and price movements left much to be desired. Throughout the year, there was sustained pressure on margins, and the massive reduction in the value of the euro against the Swiss franc had a negative effect on the results of operations. Taking these factors into consideration, Alpiq succeeded in posting respectable results. 2010 also saw the roll-out of the new 2020 strategy and implementation of the previously announced cost-cutting programme.

2020 strategy

With its 2020 strategy, Alpiq intends to focus on the home market, on priority and growth markets and on selected customer segments, while reducing CO_2 emissions per MWh and expanding production across Europe. The share of renewable energy plays an important role in this strategy and is to be increased to 10 % of total installed capacity. Alpiq also sees profitable business opportunities in energy efficiency, where it is aiming for growth by increasingly combining energy delivery with energy services. This combination is a natural extension of the Group's dual focus on two segments: Energy and Energy Services.

Political and regulatory framework

The new EU guidelines on renewable energy, energy efficiency, market liberalisation and the CO_2 regime dictated the company's scope for action within Europe. The massive subsidies for alternative energy attracted growing criticism, as sceptics questioned the macroeconomic, environmental and energy security merits of such initiatives. In Switzerland, the growing number of appeals lodged with judicial authorities as arbitrators is evidence that the partial liberalisation of the electricity market has yet to prove successful. Parliamentary efforts to base the price of electricity on generation costs also gave grounds for concern, since such a move would strongly affect the power industry's ability to invest in facilities.

Restructuring

The Group's realignment has prompted restructuring in various areas. The legal structure of Alpiq was changed in line with the operating divisions, with six subholding companies responsible for the related activities. In addition, the trading activities of Alpiq Suisse Ltd. and Alpiq Ltd. were combined in Alpiq Trading Ltd., a new company. Among other things, Alpiq Trading Ltd. allows more extensive and efficient commodities trading. The shareholder base of Alpiq Holding Ltd. changed in 2010 when Italian A2A S.p.A sold its 5.16 % stake, thereby increasing the free float to some 10 %.

New scenario for Switzerland's nuclear power station plans

At the end of 2010, Alpiq reached an agreement with Axpo and BKW with a view to collaborating on plans for replacement nuclear power stations in Switzerland. One particularly significant factor was the review published by the Federal Nuclear Safety Inspectorate (ENSI) in November 2010, which attested to the suitability of all three locations proposed as power station sites.

After the massive earthquake in Japan in March 2011 and the reactor incidents that followed in its wake, Federal Councillor Doris Leuthard suspended the ongoing general licence procedures. Alpiq shares the views of Federal Councillor Leuthard that the safety and welfare of the population come first and that the authorities need to thoroughly analyse the events in Japan and incorporate the new findings in their safety requirements. What effect this will have on the general licence procedures in Switzerland remains to be seen. Their resumption will depend on the authorities.

"2010 was a challenging year. I am proud of the respectable results we achieved despite the many factors weighing on performance."

Giovanni Leonardi

Capital expenditure

Consistent with our new strategy, we invested in the expansion of power generation capacities and drove projects forward in 2010.

Our hydroelectric projects are being pushed ahead. Work is currently underway to construct the Nant de Drance pumped storage power station near Mont Blanc, while the year also saw the recommissioning of Alpiq's Bieudron power station in the canton of Valais.

“The 2020 strategy is a forward-looking strategy. It will allow us not only to grow but also to generate profits and develop in a focused manner.”

Hans E. Schweickardt

We are committed to modern, efficient generation facilities for our priority markets. In July, we signed the contracts to acquire a 400 MW gas-fired combined cycle power station in Spain, and two more 400 MW gas-fired combined cycle power stations are about to go on-stream in Italy and France. In 2010, we built our first wind farm in Switzerland, and in Bulgaria the 50 MW Vetrocom wind farm was constructed and brought into operation. In December 2010, the Board of Directors approved a proposal to enlarge the facility by installing another nine wind turbines.

The breakthrough in the Gotthard base tunnel in October attracted a great deal of international attention, effectively showcasing Alpiq’s wide range of offerings. Alpiq InTec (AIT) is leading the Transtec Gotthard Consortium and seeing that the railway infrastructure for the tunnel is installed swiftly and efficiently. AIT has also added to its strengths by acquiring aurax electro ag, an installation specialist.

Outlook

Alpiq’s Board of Directors and Executive Board firmly believe that Alpiq is well positioned for the future with its two pillars, Energy and Energy Services. Nevertheless, we will consistently pursue our efforts to enhance efficiency throughout the Group and increase financial flexibility. Following a consolidation phase, we expect to see stable and sustainable growth in the medium term in all four value-added areas: power generation, trading, sales and energy services. The support of our shareholders, employees and customers is an essential prerequisite, and for this we express our warmest thanks.

For the Board of Directors and Executive Board

Hans E. Schweickardt
Chairman

Giovanni Leonardi
CEO

Energy Segment

In 2010, economic recovery and stabilisation was slow to take hold in Europe. Consumption remained low and, combined with the increase in power generation capacities, led to falling electricity prices in the key European markets. Yet the situation varied widely from country to country. Supported by excellent thermal and hydroelectric generation conditions, business in Switzerland performed well. Trading and power generation in Central Europe also put in a good performance. Even in difficult markets such as Western Europe, Alpiq's results were above expectations. Generation capacities were further expanded: new power stations were pilot-tested in France and Italy, agreements to acquire a gas-fired power station in Spain were finalised and should be signed at the beginning of 2011, and the first wind farm in Bulgaria was completed.

Energy Switzerland

Market Switzerland

The Market Switzerland business unit performed well in 2010, significantly improving revenue in some areas despite a backdrop of heated debate and discourse on energy policy issues.

Exploiting opportunities, targeting selected contracts

Happily, Alpiq was able to renew energy delivery contracts with strategically important sales partners for another term following their expiry at the year end. Most notably, the partnership with 12 energy utilities for delivery of electricity to 18 municipalities in the Olten region was renewed. As a result, Alpiq will continue to meet all the electricity needs of some 80,000 residents in the greater Olten area.

Moreover, the portfolio was extended through a number of interesting delivery agreements that come into force in 2011. The growing trend among large power suppliers to seek stakes in generation facilities abroad or revise their criteria for future electricity procurement also prompted a move to expand the range of offerings. With this in mind, Market Switzerland developed products that will significantly help to meet new customer needs for energy-related services.

While some competitors in the Swiss market are significantly increasing their electricity prices for resellers and end customers from 2011, the success of electricity business with end customers entitled to choose their provider will still be contingent on such customers being located in high-price regions. Not surprisingly, only a few customers made use of the option of free access to the grid in 2010.

Partner for equity-holding sales companies

Market Switzerland was kept busy with several projects in the course of 2010. Besides the partnership with equity-holding sales companies to safeguard their long-term electricity procurement, Alpiq's future positioning in the Swiss electricity market was accorded high priority. Another key task was to expand and consolidate strategic partnerships. In this context, Alpiq succeeded in expanding its business activities, particularly in the canton of Valais.

As part of a comprehensive project to replace the existing balance groups (former EOS and former Atel) with Alpiq's new balance group model in the spring of 2011, the business unit created the necessary framework.

Brake on market liberalisation

In a landmark ruling by the Federal Administrative Court, the ElCom decision was thrown out and all end customers entitled to choose their supplier were granted the right to opt for the basic service provision prescribed under law even if they had formerly been procuring electricity on the basis of individually negotiated contracts. Unless this decision is overruled by the Federal Court, to which it has been referred, it is unlikely that the first phase of market liberalisation up to the end of 2013 will have any noticeable impact.

Added to this, the Federal Council intends to revise the Electricity Market Act yet again before 2015. In all probability, this means that the regulatory authority, ElCom, will be granted even more sweeping powers of intervention, which will have implications for some of the operations of the Market Switzerland business unit.

Thermal Power Generation

Operations at the two nuclear power stations, Gösgen and Leibstadt, went according to the annual plan. Annual maintenance at Leibstadt nuclear power station took five days less than scheduled because the generator replacement was postponed. Gösgen nuclear power station celebrated 20 years of operation since the last emergency shutdown. The industrial power station in Monthey, a conventional thermal generation facility, ended its first year of operation. With an electrical output of 55 MW and a thermal output of 43 MW (in the form of industrial steam), operations at Monthel's combined heat and power station lived up to expectations.

Nuclear power in Switzerland – new situation for general licence applications

In November 2010, the Federal Nuclear Safety Inspectorate (ENSI) published its assessments of the general licence applications submitted by Alpiq, Axpo and BKW, attesting to the suitability of all three locations proposed as power station sites.

In March 2011, Japan was struck by a massive earthquake whose consequences included several reactor incidents. Federal Councillor Doris Leuthard responded by suspending the ongoing general licence procedures in Switzerland. Ms. Leuthard says the authorities need to analyse the events in Japan in detail and incorporate the ensuing findings in their safety requirements. Alpiq endorses the Federal Councillor's decision. What effect the new situation will have on the general licence procedures in Switzerland remains to be seen. Their resumption will depend on the authorities.

Hydro Power Generation

Despite a turbulent market environment, hydroelectric generation proved robust in 2010, ending the year only slightly below the long-term Swiss average. The repowering of the 1,269 MW Bieudron pumped storage power station in January 2010 increased Alpiq's Swiss hydroelectric generation capacity to almost 3,000 MW.

Whereas 2009 was dominated by the organisational realignment in the wake of the merger between EOS and Atel, the business unit's main focus in 2010 was on the drive to simplify the management organisation of the hydroelectric power stations in Alpiq's power generation portfolio. This was completed during the year and has already proven successful in practice. The aim in 2011 is to better leverage organisational synergies in power station operations.

A strong centre of competence for asset management was set up to provide adequate technical and administrative support for monitoring the operations of existing power stations, new-build projects and major maintenance and upgrading work, primarily in the canton of Valais. With a view to optimising market offerings, the business unit took targeted measures to ensure sufficient generation capacity to meet market demand and to increase cost consciousness at Alpiq's own power stations and in joint venture plants.

Cleuson-Dixence completed, work started on Navizence

Some ten years after the Cleuson-Dixence plant was shut down and following four and a half years of repair work, operations resumed at the beginning of 2010. In addition to the water catchment area behind the Grand Dixence dam, a 16 kilometre intake tunnel and a 4.3 kilometre long pressure shaft, the hydroelectric complex consists of four power stations: Bieudron, Nendaz, Fionnay and Chandoline. The repowering of the 1,269 MW Bieudron storage power station doubles the flexibility of the Grande Dixence complex and increases energy security in Switzerland. With a catchment area of 420 square kilometres, 35 glaciers, 80 water intakes and a reservoir holding 400 million cubic meters of water, Grande Dixence is one of the jewels in Switzerland's hydroelectricity crown. Festivities, including a range of attractions, were held in April 2010 to celebrate the 60th anniversary of Grande Dixence SA and the inauguration of Bieudron power station.

In addition to this milestone, numerous projects are under way to renovate the facilities of Kraftwerke Hinterrhein AG, the Bavona and Robiei facilities of the Maggia power plants, the Miéville facility of Salanfe SA and the Martigny-Bourg installations. During the year, Alpiq obtained the building permit for the new Navizence power station in Chippis. After undergoing comprehensive renovations and significant efficiency improvements, the plant will be phased into operation by 2013. The Swiss government also renewed the licence for Ryburg-Schwörstadt power station for another 60 years. The canton of Aargau now holds a 23 % share of the power generation company by way of reversion waiver.

Gearing up for peak load and balancing energy

Construction of the underground Nant de Drance pumped storage power station between the Emosson and Vieux-Emosson reservoirs proceeded as planned. At the same time, Nant de Drance SA, in which Alpiq holds a 54 % stake, the Swiss Federal Railways 36 % and Valais-based energy services provider FMV 10 %, released the request for a change of licence and a building application for the Nant de Drance Plus project for public consultation. The aim of this supplementary project is to increase the plant's capacity by 50 % to 900 MW by installing two more 150 MW turbine groups, and to raise the upper Vieux-Emosson dam by 15 to 20 metres to allow the reservoir's useful volume to be doubled up to 26 million cubic metres. Pumped storage facilities are essential aids to meet the growing demand for peak load energy: with the energy reserves they can feed into the grid as and when required, they can offset power generation shortfalls immediately and efficiently. The three partners are expected to take the final decisions on this project extension in early 2011.

Together with partners, Alpiq is pursuing another large-scale project on the shores of Lake Geneva to double the capacity of the Forces Motrices Hongrin-Léman pumped storage facility to 480 MW by installing two more turbine groups. This necessitates the construction of a second cavern alongside the existing one near Chillon Castle. The cantons of Vaud and Fribourg have already signed supplementary licences for extending the pump capacity. With the increased capacity, this power station, too, will help to meet the growing demand for peak load and balancing energy. Alpiq holds almost 40 % of the shares in Forces Motrices Hongrin-Léman.

First Alpiq wind farm in Switzerland

In May 2010, Alpiq started building a wind farm in the village of Le Peuchapatte, in the borough of Muriaux in the Swiss Jura. The three state-of-the-art 108 metre high Enercon E-82 wind turbines are designed to operate for 20 to 25 years. Together the three turbines have a capacity of 6.9 MW and can generate about 14 million KWh of electricity a year. Construction was completed last autumn, and since the end of 2010 Alpiq has been feeding electricity from wind power into the local grid.

Economic policy

In terms of economic policy issues, developments in 2010 were less than satisfactory. The licensors – local and cantonal authorities at sites of power stations – decided to raise their water rates. From 2011, the water rate is set to increase by 25 % to CHF 100 per kW. Added to that, discussions are currently under way with a view to increasing residual water volumes and introducing new regulations for taxation of joint venture plants. 2010 saw no improvements in the general framework for hydroelectric power. Despite political assertions in favour of promoting hydroelectric power, the licensing procedures in most cantons remained lengthy and costly.

Grid

From Alpiq to swissgrid

To prepare for the orderly and timely handover in 2011 of Alpiq's own transmission system – the largest in Switzerland – Alpiq launched four projects under the "Transfer" programme which focus on the various aspects of the handover process. One project involves the transfer of networks to the national operator, swissgrid; a second covers the transfer of network services such as local operation, maintenance, renovation and planning to a new company, Alpiq EnerTrans AG; the third project aims to extend the equipment at the system control centre in Olten and transfer it to swissgrid along with staff expertise; and the fourth project will concentrate the management of Alpiq Switzerland's power plant deployment in the system control centre in Lausanne. The last two projects will be accorded special priority in 2011.

Controversy surrounding a new extra-high voltage line

Alpiq submitted plans for the 4,000 MW joint venture line in the lower Valais region in June 2002. In July 2010, the Federal Office of Energy (FOE) granted Alpiq planning approval for a new high-voltage line between Chamoson and Chippis in the canton of Valais, signalling the go-ahead for construction of the some 28 kilometre long 380 kV line as an overhead line. This will close the long-standing gap in the extra-high voltage grid, not only enhancing energy security in French-speaking Switzerland but also providing a conduit for the additional electricity generated by the new power stations in the Valais. Moreover, the new extra-high voltage line will enable some 58 kilometres of existing high-voltage lines and around 190 pylons to be demolished.

Alpiq examined the technical feasibility of an underground line in detail and invited bids from specialised companies. The findings: the cost of an underground line would be at least eleven times higher than for an overhead line. These findings were confirmed in an independent study commissioned by the FOE. Yet opponents of an overhead line stepped up their campaign, and the construction permit attracted growing political interest in laying the line underground. Objections have been lodged with the Federal Administrative Court. The canton of Valais has responded by launching another study, the results of which are expected in the first half of 2011.

Court ruling prevents competition distortion

Another significant event was the Federal Administrative Court's decision to overturn the ElCom ruling to charge ancillary services – the services required to ensure safe and reliable operation of electricity grids – to all power generation facilities with a capacity of more than 50 MW without granting them the right to pass these costs on. This has allayed fears of any additional strain on finances arising from ancillary services being charged to large power stations, with the associated competitive disadvantages. Companies that lodged appeals against the ElCom ruling will have the costs factored in for 2009 and 2010 reimbursed. In 2009, the total cost of ancillary services in Switzerland amounted to more than CHF 400 million. The ElCom ruling would have entailed extra annual costs in the high double-digit millions for Alpiq.

Optimisation

In 2010, the organisation which was successfully set up in 2009 to maximise the value of the Swiss energy portfolio focused on three large-scale projects: introduction of a new trading system, negotiations to implement the October 2007 consortium agreement, and implementation of a joint team for Switzerland. While the finishing touches on the new trading and risk management system will continue in 2011, the project to set up the organisation for a Swiss team was successfully completed last year.

Good results despite falling prices

Overall, 2010 proved to be a highly satisfactory year, with results slightly ahead of expectations. This is all the more notable given the general downward trend in electricity prices and, in particular, the dramatic narrowing of the price difference between peak and off-peak load. This combined price erosion has reduced the value of Alpiq's power generation portfolio. Movements in the difference between peak and off-peak prices, in the spark spread and dark spread, and in the euro/Swiss franc exchange rate will significantly impact performance in 2011. Further revisions of the Federal Electricity Supply Act will also leave their mark on business.

Energy Western Europe

Market West

Despite the economic crisis, business performance in the West European market was good. In France, the effects of the downturn were scarcely noticeable, with much more moderate consequences than originally anticipated. After plummeting in 2009, electricity consumption returned to the 2008 level last year. Spain, too, continued to struggle with difficult economic conditions although the energy sector was largely spared. In 2010, Spain's electricity consumption remained on a par with the previous year.

The reporting year was characterised by sweeping regulatory intervention and changes in both countries. While the entire French electricity market is going to be subjected to new regulations, a new policy for subsidising the solar power industry caused consternation in Spain. Despite these developments, Alpiq subsidiaries in both Spain and France succeeded in further consolidating their position as the main alternative to established energy suppliers. In France, the volume of electricity delivered to customers by Alpiq Energie France rose by 30 % to 13 TWh, while the number of customers in Spain doubled and electricity deliveries increased to 4.5 TWh.

France: new power stations, new market regime

In parallel with ongoing construction work on the Bayet gas-fired combined cycle power station, Alpiq drove forward plans for a second gas-fired combined cycle generating facility in France. The licensing phase for the new plant, located in France's north-western province of Artois, is coming to an end in early 2011. Alpiq is also endeavouring to obtain new hydroelectric generation licences, for which the tendering process was launched in 2010.

In 2010, the French government approved new regulations which will usher in a completely new structure for the French electricity market. The new law, entitled NOME (Nouvelle organisation du marché de l'électricité/"New organisation of the electricity market") was ratified at the end of 2010 and is based on an agreement between the European Commission (EU) and the French government to resolve the conflict with the EU over regulated tariffs. In essence, the law grants certified providers regulated access to electricity from EDF's existing nuclear power stations.

This mechanism, called ARENH (Accès régulé à l'électricité nucléaire historique/"Regulated access to legacy nuclear power"), allows alternative providers to market up to 100 TWh per year of electricity from EDF's nuclear power generating facilities at a regulated price between now and 2025. This will be sufficient to cover the bulk of the needs of customers who buy electricity from alternative providers. The electricity must be consumed by French customers or used to offset grid losses. The NOME regulations replace the transfer tariffs currently applicable. Moreover, regulated tariffs for corporate customers will be abolished in 2015, but household tariffs will be retained.

Pressure on the margins of electricity providers looks set to grow if the law goes into force as expected in the third quarter of 2011.

Spain: consternation caused by regulatory intervention

Following the acquisition of sales company Hispaelec at the end of 2009, the focus in 2010 was on its integration into Alpiq's Spanish company. Alpiq also signed an agreement to acquire a 400 MW unit of the Plana del Vent gas-fired power station near Tarragona. Integrating this plant's operations into Alpiq's Spanish portfolio and building up the requisite teams and systems were key priorities in 2010.

Regulatory intervention in Spain gave cause for concern last year. Following years of strong growth in renewable energy, the Spanish government declared its intention to revise subsidies in this area. At the same time, it announced plans to support the use of domestic coal for the generation of electricity. However, the effect of both interventions on Alpiq's activities in Spain is marginal.

Market Italy

Despite generally difficult economic conditions, Alpiq performed well in the Italian market, driven by the local electricity and gas business, CO_2 and green certificates, and import business. End-customer business especially helped to reduce volatility and made a welcome contribution to the good results. This is all the more noteworthy given the growing pressure from competitors in all segments of end-customer business. Conversely, surplus capacities in the Italian electricity market drove prices down for power generation.

Surplus capacities also led to a surplus of green certificates. Another cause for concern was the prospect of changes in the obligation of the Gestore dei Servizi Energetici (GSE) to buy back green certificates. GSE is controlled by the Italian Ministry of Economy and Finance and plays a pivotal role in promoting and developing renewable energy.

Growth and development

Against this backdrop, Alpiq Energia Italia pursued rigorous cost management, focused on identifying cost-cutting potential and cost-optimisation measures. At the same time, further steps were taken to optimise gas procurement costs. Other measures designed to improve margins will continue in 2011, underpinned by new product development and continual improvements in portfolio management.

Market Nordic

Last year, power consumption in the Nordic market recovered slightly, albeit remaining below the 2008 level. In the first quarter of 2010, Scandinavian electricity prices skyrocketed at times. But, after a hectic start in the first few months, the market went into a holding position only to see record prices return in mid-November following extreme weather conditions and nuclear power station outages. Measured against the annual average, 2010 went down in the annals as the most costly year ever, with an estimated average price of EUR 53 per KWh, i.e. about 50 % above 2009.

2010 also saw a comprehensive restructuring process take place. At the beginning of the year a new management team was appointed, and in the months that followed new structures were implemented and various companies integrated. By the year end, the first signs of success were apparent. Financial performance was improved by redesigning business processes to focus on capacity and quality, and by cutting costs, particularly in Norway. In a move to enhance professionalism even further, Alpiq Norway and Energiakolmio applied to the Norwegian and Finnish financial supervisory authorities for a licence under the EU's MiFID (Markets in Financial Instruments Directive).

Initiatives launched last year will be further pursued in 2011 alongside additional measures, all of which give cause for a positive outlook for 2011.

Power Generation West

The tense economic situation had a significant impact on demand for electrical energy and electricity business. Power generation was hardest hit, as spark spread values came under severe pressure. This was compounded by prolonged surplus capacities in Italy. The fact that Alpiq's power generating facilities were still able to keep operating is thanks to cost-cutting measures and purchases of gas at favourable prices in spot markets. Business performance in 2011 will depend in no small measure on a recovery in demand for electricity, particularly in Spain and Italy, and on the trend in the gas market and movements in gas prices.

San Severo and Bayet generate the first MWh

Construction of a 400 MW gas-fired combined cycle power plant in the rural community of Bayet, in Auvergne, continued according to plan during the year. The last quarter saw the start of the commissioning process. This involves scheduled trial runs and staff recruitment, which has been partly completed. When it goes into operation, scheduled for the first half of 2011, Bayet power station will boost the current sales activities and further strengthen Alpiq's position in France.

A milestone in power generation was also reached in Italy when, after a construction period of about three years, work on the 400 MW gas-fired combined cycle power station in San Severo (southern Italy), was largely completed, including installation of the gas turbine, steam turbine, electricity generator and waste heat steam generator. In August, the plant was fired up for the first time and the gas turbine was synchronised. This was followed in October by the steam turbine synchronisation and functional tests, when the plant met all technical specifications. The facility, 60%-owned by Alpiq through its company EnPlus, is scheduled to go into commercial operation in early 2011.

First large power station in Spain

Alpiq is also entering the power generation market in Spain. In July, Spanish electricity producer Gas Natural Fenosa signed an agreement for Alpiq to acquire the Plana del Vent gas-fired combined cycle power station near Tarragona. Besides purchasing a 400 MW unit, Alpiq was also granted the right to use a second 400 MW unit for two years with the option to buy once the two-year period has expired. With its capacity, the power station is capable of meeting the annual electricity requirements of two million households. Plana del Vent was commissioned in 2007 and is one of the most modern gas-fired power stations in Spain. It, too, is scheduled to start commercial operations for Alpiq in early 2011.

Energy Central Europe

Alpiq Energy SE started operating at the beginning of 2010. This new company was formed to concentrate Alpiq's wholesale business in Central and Eastern Europe under one roof. Bundling electricity trading significantly simplifies and optimises the operational and administrative aspects of this business. Moreover, the fact that all EU countries in the region permit electricity trading and, in some cases, also electricity sales to be carried out by an EU company has further facilitated business. Several non-EU countries in the region have also revised their regulations, which has reduced complexity even further and helped to improve transparency.

Market Central Europe North

2010 was a successful year for Market Central Europe North. Nevertheless, the road to success was pitted with major challenges related to the global financial and economic crisis. Demand declined, exerting pressure on prices. Operations in established markets were affected by dwindling liquidity and growing uncertainty as no end to the economic downturn is yet in sight.

Against this backdrop, the business unit responsible for Market Central Europe North capitalised on the flexibility afforded by its portfolio of facilities in seven countries, coupled with actively managed sales and wholesaling activities. Operations in existing market segments were enhanced by entering new markets, including new product markets such as CO_2 portfolio services, purchasing and optimisation of electricity generated by wind farms in Poland, and expansion into countries such as the Ukraine and Lithuania. The effects of the financial crisis were also mitigated by attracting new customers with new products throughout the region. Last but not least was the positive impact created by introducing the Alpiq brand as it generated publicity and attracted interest.

Market Central Europe South

Favourable developments combined with other events that neutralised them were typical of the past year in South Eastern Europe. While the region saw a record year for hydroelectric power generation and also exceptionally high availability of thermal power stations during 2010, consumption remained stubbornly low despite a slight increase over the previous year. This combination of factors resulted in an energy surplus in the region, driving prices and market liquidity down.

Despite a few highlights, 2010 will be remembered as a difficult year for business. Following a slightly positive phase early on, the situation grew increasingly bleak as many countries rolled out drastic austerity measures to deal with their deficits. The fact that the year nevertheless proved satisfactory is due to the extremely good results posted by Alpiq's Romanian sales subsidiaries, Alpiq RomEnergie and Alpiq RomIndustries, as well as to further growth in wholesale business, particularly in Bulgaria and Romania, and portfolio optimisation jointly undertaken with the Central Europe North business unit.

The region met all its sales, revenue and profit targets in local currencies. However, the heavy loss on the euro/Swiss franc exchange rate could not be fully offset.

Bundling and expansion in trading business

RomEnergie (formerly EHOL Distribution), the Romanian energy service provider acquired in 2009, was successfully integrated into Alpiq's structures last year.

Further expansion of wholesale business in South Eastern Europe and moves to extend sales to the small and medium-sized customer segment will continue to be key priorities in the current financial year. Alpiq intends to further consolidate its position in the region by entering into long-term electricity purchase agreements. High priority will also be accorded to optimising the portfolio by incorporating liquid markets (in particular Germany and Italy) and building up electricity trading business in Turkey. Alpiq Turkey, the subsidiary established for this purpose, is scheduled to start operating in the second quarter of 2011.

Market Germany

2010 was characterised by two trends: while the after-effects of the financial crisis and the subsequent economic downturn adversely affected business in all sectors, the German economy recovered faster than expected. Despite the crisis, low energy prices and highly volatile markets, Alpiq successfully defended its market position in Germany and enjoys a good reputation as an energy wholesaler. Large customers, such as industrial conglomerates and resellers, remained loyal to Alpiq even through these difficult times.

Electricity prices under sustained pressure

Energy prices spiked and tumbled throughout 2010. After a first quarter of high volatility ending in a downslide, market prices reached the beginning-of-the-year level in the summer, only to move slowly but steadily down again during the second half of the year. Average electricity prices are expected to stay low even after economic recovery and despite high prices for some fuels. While the intensive drive to build up wind and solar power capacities translated into low spot prices, particularly for peak energy, the trend among customers to use the spot market to cover their electricity needs at short notice is resulting in lower forward product sales.

Political and regulatory developments did not help. In 2010, the German government presented a new energy concept, extending the lifetimes of nuclear power stations by twelve years on average, combined with a fuel rod tax to promote renewable energy. As the Japanese reactor disaster in March 2011 has reignited the debate about nuclear safety in Germany, the government has seen no choice but to suspend the nuclear plant life extension, decided only half a year earlier, for at least three months, to immediately shut down nuclear facilities in operation since before 1980 and to subject all nuclear plants to a special safety review. After the moratorium, a new decision on the future of German nuclear power stations will be taken, but the energy concept in place before the incident in Japan is unlikely to be restored.

Power Generation Central

The difficult conditions experienced in 2009 due to declining demand for energy persisted virtually unchanged in 2010, as all markets recovered much more slowly than expected. This was compounded by low prices and political tensions in the

Czech Republic and Hungary. Nevertheless, Alpiq's power generating facilities in Central Europe recorded another very good year in 2010, posting results ahead of expectations. This performance is all the more gratifying since the business unit had to contend with lower demand in Hungary and with sustained low sales prices in the Czech Republic. Besides further improvements in plant availability, measures to cut costs, reduce headcount and consolidate processes contributed significantly to the very good results.

Wind farm in Bulgaria, steam turbine for Germany

Vetrocom, a Bulgarian Alpiq subsidiary, was scheduled to bring its 50 MW wind farm near the Central Bulgarian city of Kazanlak online at the end of 2010. By spring, all the concrete foundations and plinths for the 20 wind turbines were already in place, the cabling laid for connecting the turbines to the substation, and the 20/110 kV substation and roads had been built, so in April heavy-duty cranes already started to erect the towers and turbines. In the end, the 20 German-made wind turbines went into operation in the hills near Kazanlak two months earlier than planned. The facility is going to be expanded in 2011.

In December 2010, the Bulgarian Ministry of the Economy presented its "Investor of the Year" award to the Alpiq subsidiary for the Vetrocom wind farm. The criteria for this award include job creation and the application of new generation technologies in Bulgaria.

In 2010, the 56 MW Spreetal I gas-fired combined cycle power station north of Dresden was fitted with a new steam turbine to optimise the plant's operations. However, as a result of low demand and the minimal spark spread in Germany, Spreetal was only deployed to a limited extent.

New conditions in Hungary and the Czech Republic

In 2010, Hungary's parliamentary elections resulted in a landslide victory for the right-wing Conservatives, ushering in almost six months of unrest and stalemate. The new political majority resulted in staff and policy changes at MVM and FOTAV, two leading companies in the energy sector. Political uncertainty also persisted in the Czech Republic in the wake of the elections. Moreover, in a bid to improve their poor financial situation, the governments of both countries are now seeking to tax energy companies' profits and CO_2 certificates.

Economic conditions in the Czech Republic, Hungary and Germany's new Bundesländer remain strained, and electricity prices are low across the region. Only through targeted cost management, consistent customer and partner relationship management, excellent power plant availability and systematic implementation of ongoing projects will the power Generation Central business unit be able to continue making a substantial contribution to Alpiq's results.

Despite a difficult environment, Alpiq enjoys an excellent reputation as a reliable partner in the Czech Republic and Hungary, thanks to its strong local presence. The project to replace the oldest power generation unit in Kladno with a state-of-the-art 135 MW unit is progressing to plan. Preparations are under way in Hungary to expand Csepel by installing an additional gas-fired combined cycle unit (Csepel III).

Trading & Services

Changing trend in trading

2010 was a year that saw major changes in the trading environment: while financial markets remained nervous, demand for electricity and gas recovered somewhat. The pace of economic recovery varied greatly throughout Europe, with a pronounced North-South discrepancy. One factor that added to the complexity of the situation even further was the next phase of emissions trading in the EU.

Electricity prices went through several peaks and troughs in 2010. The second quarter saw a strong upward trend, driven by rocketing fuel prices, but the combination of greater generation capacities and modest demand resulted in substantially higher reserve capacities. At the same time, the growing influence of renewable energy drove peak prices sharply down. Forward base prices, however, ended the year on a par with 2009, vastly reducing the difference between peak and off-peak. Spark and dark spreads fell to a historic low, as the strategies of many market participants were sometimes heavily dictated by cross-commodity trading.

The Scandinavian Nord Pool power exchange was the exception in this regard: as early as summer, a steadily growing deficit in the water reservoirs, and an extremely cold, dry winter drove prices up to a high level, where they remained until the end of the year.

Trading in other commodities was much more dynamic. Prices for oil, gas and coal steadily recovered during the year to reach their highest mark at the year end. These movements were due both to a strong recovery in global industrial production and to the weakening euro in the wake of the EU debt crisis.

The continental gas market underwent a significant change, with gas hubs enjoying growth in market liquidity and greater influence exerted by short-term contracts based exclusively on gas. This trend was supported by the renegotiation of minimum offtake volumes for many long-term contracts, which were mostly linked to the price of oil.

Alpiq expects to see electricity generated from renewables exert an even greater influence on business in 2011. LNG (liquefied natural gas) will shake up and globalise the gas market even further. Moreover, the EU debt crisis is likely to give rise to volatile exchange rate fluctuations.

As part of a move to reorganise the business division, the activities of the Multi Commodities & Fuel Management business unit and the Origination & Environmental Markets business unit were integrated in the other units and in the new Finance & Regulatory Affairs unit set up in 2010.

Proprietary Trading

The Proprietary Trading business unit made some positive strides in the face of generally difficult market conditions during 2010, expanding its trading activities both geographically in Scandinavia, Italy and Spain, and by adding cross-commodity products to its trading suite. However, despite these achievements and efforts, the results remained below expectations given the tough market environment.

Prices were highly volatile throughout the year, reflecting the uncertainty felt by market participants. The spark and dark spreads came under heavy pressure at times. Although the exceptionally low margins for coal-fired power stations led to expectations of a rise in electricity prices, prices were consistently capped by the continuing very high availability of power generation capacity.

One major issue at the beginning of the year was negative prices resulting from the new EEG feed-in regulations in Germany. Contrary to expectations, however, negative pricing was very rarely actually seen in the day-ahead market. It appears that the new regulations have led to more cost-effective deployment of thermal power generation in windy periods and are therefore to be viewed as a success. In the year ahead, prices for many hours will be shaped by intensive expansion of photovoltaic power generating capacity and the application of the EEG law on renewables.

The successful introduction of CWE (Central West European) market coupling in the fourth quarter reduces the potential for cross-border electricity trading. Proprietary trading was therefore extended to cover all primary sources of energy so as to identify and exploit market trends in good time and gauge their influence on the home market of Switzerland.

Asset Trading

Asset Trading's activities in 2010 were also significantly impacted by the sharp fall in demand as well as the financial crisis and its consequences. Many skilful hedging transactions proved effective at stabilising the value of Alpiq's assets, but did not fully offset the impact of the weak euro against the Swiss franc. Price movements between the individual countries took the expected course. The steady rise in prices in France towards the end of the year and the long stable Italian prices were correctly anticipated for procuring transmission capacities.

Growth and simplification

The Swiss market continued to undergo change. New regulations on ancillary services increased liquidity and were looked upon positively by Alpiq. The Bieudron hydroelectric power station was added to the portfolio of managed energy assets. Thanks to the facility's reliable generation capability since commissioning, the portfolio has gained in terms of highly marketable peak load electricity and flexibility.

The market was enlarged and simplified as a result of the European regulatory framework, the sale of German transmission companies and market coupling between France and Germany. However, this also changed Switzerland's position in arbitrage trading. Overall, Asset Trading was able to defend its leading position and recorded a good financial result despite difficult market conditions.

Integration and cooperation

In organisational terms, the business unit focused on putting new team structures and processes in place. The new business model called for a high degree of adaptability on the part of the various trading teams. Flexible and focused employees allowed great headway to be made. Working with the regions, the unit succeeded in setting up and implementing new power plant management processes.

The advanced level of cooperation has also resulted in the development of a new joint trading system that necessitates a differentiated approach, especially in power station and cross-border optimisation.

Middle Office & Operations, regulatory and other support functions

Middle Office was chiefly engaged in driving forward implementation of the new business model which, since the merger between former Atel and EOS, regulates the interfaces and responsibilities between the various units (Power Generation, Optimisation, Trading, Sales) within Alpiq. Against this backdrop, the Middle Office and Technical Support teams played a key role in consolidating the trading systems.

Another important project involves concentrating the trading activities of Alpiq Suisse and Alpiq Ltd. in Alpiq Trading, a newly established company. Alpiq Trading has been negotiating new framework agreements with various trading partners since the fourth quarter of 2010 and is scheduled to start operating in the second half of 2011. Until then, Alpiq Suisse Ltd. and Alpiq Ltd. will continue doing business with their respective partners as in the past.

In view of the major impact that regulatory changes have on the Alpiq Group's operations, the Market Regulations team was completely restructured. In addition to continuous monitoring and ensuring a voice in Swiss and European institutions, the work focused on formulating a EU-compatible, cross-border market model for electricity that greatly facilitates the integration of renewable sources of energy (wind, photovoltaic). In gas business, the development of trading hubs and cross-border mechanisms was driven forward internationally. Providing support for the bilateral negotiations between Switzerland and the EU on the electricity dossier was another focal priority.

Multi Commodity & Fuel Management

The business unit continued to develop its gas portfolio and further expanded its activities. In addition to proprietary trading, the asset-based business was systematically extended and supplemented with storage and transmission rights as well as appropriate models and analysis tools. In conjunction with the French team, this allowed the portfolio of the new Bayet gas-fired combined cycle power station in France to be managed dynamically and profitably. Skilful hedging strategies were used and enabled the value of assets to be successfully safeguarded, even under turbulent market conditions.

The scheduled commercial start-up of various new Alpiq power stations in the year ahead, including the aforementioned Bayet gas-fired combined cycle facility in France, necessitated a range of preparatory measures that must be applied in 2011 and optimised organisationally as well as in terms of processes and systems.

Origination & Environmental Markets

The Origination Team succeeded in negotiating and entering into numerous standardised and structured energy transactions in 2010, including delivery contracts for Monthel's power station and the Bayet portfolio. It also successfully procured transmission capacities and storage rights. The gas structuring experience

Alpiq acquired in connection with Bayet is proving particularly beneficial and has resulted in competitive and flexible solutions tailored to meet Bayet's gas requirements.

In market terms, the focus was on the introduction of a new EU directive on renewable energy as well as the planned regulatory changes in the Italian market, which gave rise to some uncertainty and pricing pressure in the market for green certificates. In financial terms, overall performance came up to expectations. 2010 also saw the completion of a project to centrally manage the Alpiq Group's CO_2 position. Further work in this context will be pursued in 2011.

Energy Services Segment

Contrary to widespread fears, spending on construction and infrastructure projects did not fall in the relevant markets during 2010. Government incentives and economic stimulus packages took hold and led to a rapid recovery, despite heavy ongoing pressure on prices. In Switzerland, the Alpiq InTec Group posted a good volume of incoming orders and order backlog, with Building Services and Transport Technology contributing equally to the favourable results. In contrast, business in Italy suffered from a sharp drop in investment spending. The Alpiq Anlagentechnik Group in Germany performed moderately, seeing both a decline in demand for conventional power plant engineering due to regulatory intervention and a slow but steady rise in spending on energy supply technology.

Alpiq InTec Group

Good order backlog

At the beginning of 2010, there some uncertainty as to how the market for building services would develop in the wake of the economic crisis. However, fears of a decline in capital spending on building services proved unfounded, at least in Switzerland. In its second year under the Alpiq InTec brand, the Group once more posted a good level of incoming orders and order backlog. The core segments of electrical, heating, ventilation, air conditioning, refrigeration and sanitary engineering, as well as the high-tech IT, telecommunications, security and automation segments, made a strong contribution to the Group's good results. However, despite brisk construction activity and low interest rates, prices for building services struggled to recover, intensifying competition even further. Moreover, tight deadlines for construction projects are driving the need for increasingly streamlined resource management.

The Transport Technology unit also recorded a very good level of orders, as public authorities continued to invest heavily in public transport. Supported by high capital spending on building services and transport infrastructure, capacities in Switzerland and Eastern Europe were generally well utilised throughout the year.

Business in Northern Italy had to contend with difficult conditions. The volume of capital spending in the Triveneto region dropped sharply, facing the regional Alpiq InTec company with a marked deterioration in capacity utilisation. And in the Verona region, which is heavily dependent on industry, capital expenditure on building services was down by around one third year on year. The decline in capital spending had less of an impact in the Milan region.

New facilities in Switzerland

Wherever viable opportunities arise, Alpiq InTec enhances its range of services by acquiring new facilities and companies. One such opportunity arose in the canton of Graubünden in the spring of 2010, when Alpiq InTec acquired aurax electro ag, headquartered in Ilanz. This successful company with a long tradition and regional roots operates from ten locations in the Surselva and Prättigau areas, employs 80 people – including 35 trainees – and is primarily engaged in electrical installation and telematics. This acquisition allowed Alpiq InTec to expand its strong position in installation business, while adding a pool of technical experts, enabling it to successfully defend its position as the market leader in building services and management.

The dearth of qualified personnel once more impeded growth. Staff recruitment is proving a major challenge. This is particularly true in Transport Technology, but finding skilled assembly and engineering staff for Building Services is also proving ever more difficult. This situation is increasingly becoming a source of concern for management and calls for new approaches to finding suitably skilled staff.

In 2010, Alpiq InTec successfully expanded its Technical Facility Management activities with a view to strengthening this Building Services arm and extending operations in this area. This objective was achieved by recruiting more staff and acquiring new customers for Technical Facility Management.

Energy and costs under control

In 2009, Alpiq InTec successfully built up a business that delivers a comprehensive portfolio of services for energy-efficient buildings under the umbrella of Alpiq EcoServices Ltd. The young company attracted keen interest throughout 2010 and, in its second year of operation, continued to focus on building up and expanding the various operations. In the course of its marketing activities and customer contacts, it found that there is not only interest in reducing operating costs, energy consumption and CO_2 emissions, but also a clear need for data and analyses of the efficiency of buildings and processes. To respond to this need, Alpiq EcoServices developed a specialised energy controlling service which proved highly popular.

Energy controlling is predicated on the fact that systematic optimisation can only be achieved by identifying where exactly energy is consumed, and how much. The approach is similar to that adopted for financial controlling, in that energy flows are permanently monitored in order to immediately identify and rapidly rectify excessive energy consumption or energy-relevant malfunctions in buildings and facilities. The success achieved with energy controlling has prompted EcoServices to further expand its portfolio of energy efficiency services in the new financial year.

Spotlight on Zurich and the Gotthard Tunnel

In 2010, Alpiq InTec pressed ahead with work on a wide range of projects and also won numerous new contracts. The new waste incineration plant (WIP) in the canton of Ticino went into operation at the beginning of the year. This facility sets new standards in a number of areas: it is the most modern WIP in Switzerland; all emissions are below the national limits; and it uses the heat generated by the waste incineration process to generate electricity. Alpiq subsidiary Kummler+Matter found itself in the spotlight twice in 2010 thanks to its achievements: at the World Class Athletics Meeting in Zurich, the professionals set up a temporary power supply for the outdoor electrical installations, without which the athletics event would have been left in the dark; and in Zurich's famous Bahnhofstrasse, they ensured that the new "Lucy" Christmas lights were installed on schedule to create the right mood for the festive season.

The major AlpTransit Gotthard project was a priority for Alpiq InTec in 2010. Work on the South installation site in Biasca was completed on schedule, signalling the start of extensive preparations for installation of the railway infrastructure in the Gotthard Base Tunnel. Towards the end of 2010, Alpiq InTec then began construction work on the North installation site in the canton of Uri. The Gotthard project remains a flagship project for Alpiq InTec, with the actual installation work in the Gotthard Base Tunnel scheduled for 2011.

Alpiq Anlagentechnik Group

Following a period of stabilisation in the second half of 2009, the German economy enjoyed a strong recovery in 2010. The economic downturn in 2009, which saw gross domestic product (GDP) fall by 4.7 %, was followed in 2010 by unexpected growth of around 3.5 % and, after recording a historic drop of around 20 % in the 2009 crisis year, spending on plant and equipment started to rally strongly in the second quarter of 2010 (up 9 % compared to 2009). Market conditions in the reporting year were mixed for the two businesses of the Alpiq Anlagentechnik Group (AAT Group), Industrial and Power Plant Engineering (IPPE) and Energy Supply Technology (EST).

While the economic environment improved as a whole for EST in 2010, the core business (distribution and transmission systems) was once more negatively impacted by incentive regulations, unbundling and other forms of regulatory intervention despite a slight market recovery. The power generation sector, on the other hand, experienced a sharp drop in demand, particularly for conventional large-scale power stations. Stronger market recovery was hampered by problems relating to the approval and licensing process for power generating facilities, coupled with political uncertainty surrounding the general framework.

Regulations with varying effectiveness

In addition to the growing problems associated with the approval and licensing process, demand for conventional power stations was dampened by the German government's new energy concept. In particular, the lengthy open discussion on extending the operating lives of nuclear power stations had a negative impact. As yet it is not possible to predict with any accuracy the extent to which the AAT Group's business development will be affected by the 12-year extension of nuclear power facilities' operating lives or by the trends towards expansion of renewable energy, increased energy efficiency and electricity grid expansion.

Following the sale by E.ON and Vattenfall of their transmission systems, capital spending began to rise slowly. Market prices remained unsatisfactory, however. The incentives for local and district heating networks had a positive impact, driving demand up slightly. Conversely, despite expectations that the Extra High Voltage Grid Extension Acceleration Act would have a positive effect on incoming orders in this area, there were still no signs of this happening in 2010.

Industrial and Power Plant Engineering (IPPE)

The slowdown in demand for conventional large-scale power stations in Germany was accompanied by growing competitive and pricing pressure. Added to that, problems associated with the approval process and delays in implementation gave rise to uncertainty and reticence among investors. On a brighter note, with the prospect of extended lives for nuclear power stations on the horizon, maintenance, repair and safety services were much in demand in the nuclear power sector. While demand remained weaker for industrial piping and plant engineering as well as industrial power supply equipment – especially in the chemical, petrochemical, semiconductor and automotive industries – there were initial signs of a trend reversal.

Alpiq Generation CZ contracted AAT to plan and build the K7 brown-coal power station unit in the Czech city of Kladno. This project, worth EUR 240 million, is the largest single contract ever awarded to the AAT Group and covers the planning, engineering, procurement, assembly, start-up and operational trials of a lignite-fired fluidised bed boiler, steam turbine and related systems.

Energy Supply Technology (EST)

2010 saw growth in capital spending on both the electricity distribution and transmission networks, albeit accompanied by sustained pressure on prices. However, demand for high-voltage overhead lines, cabling systems and transformer stations continues to be inhibited by project delays caused by approval and licensing issues. In contrast, the offshore wind power market has seen demand rise since the fourth quarter of 2010. The energy and power supply systems business also performed well with the low-voltage main distribution board, a high-quality key component for system engineering to custom requirements. Capital expenditure and sales programmes were launched to exploit the growth potential even more effectively in this area. Capital expenditure is focused on acquiring a new site near the German city of Bamberg to build an assembly shop for power supply systems. The aim of this expansion drive is to double volume by growing a nationwide sales network in Germany over the next five years.

One of the year's key events for the EST business was the acquisition of JM-montáže s.r.o. (GA-JMM) as part of Alpiq's Czech subsidiary GA Energo technik s.r.o., a leading provider of services for the construction of high-voltage overhead lines as well as medium- and low-voltage distribution networks. This acquisition is transforming GA Energo technik s.r.o. into a full-service provider for energy supply technology. GA-JMM's core competence lies in engineering and the construction of turnkey high-voltage transformer stations for electricity utilities and industrial facilities. Based in Moravia, the company ideally complements the activities of the AAT Group in the Czech Republic.

Growth and stabilisation

For the EST business, 2011 will revolve around initiatives to implement the qualitative growth strategy. The aim is to expand transmission network activities both in Germany and elsewhere in Europe, with a view to creating a European platform for line and cable installations in the high-voltage range, tapping potential in the cabling market and entering the Polish, Dutch and Italian markets. The growth strategy is also targeted at expanding East European business and increasing market share in the segments for industrial applications and electrical installations for large-scale power stations. The overall objective is to turn the EST business into an engineering-driven full-service business where Alpiq acts as general contractor.

In the IPPE business, the AAT Group is aiming to stabilise the high level of profitability. The target is to offset the weak market for conventional large-scale power stations in Germany through moderate internationalisation with expansion into other countries in Western and Central Europe, by meeting the demand for retrofitting existing power stations and by capitalising on the market opportunities offered by new technologies. Other elements of this strategy for IPPE are qualitative growth in energy and environmental engineering, stabilisation in the energy supply technology business, and exploitation of the opportunities provided by the move to extend the operating lives of nuclear power stations. The AAT Group is also targeting aggressive growth in industrial plant engineering: firstly, by concluding framework agreements to secure the core business and, secondly, by entering the market for the servicing and maintenance of oil pipelines and oil production facilities.

Renewable energy

Following the decision by Alpiq Holding's Board of Directors in February 2010 to combine all activities related to new renewable energy in a separately managed unit and integrate them in the Energy Services segment, concerted efforts were made to build up the new "Renewable Energy" business unit so that it could start operating on 1 January 2011.

Corporate Centre

During 2010, Financial Services concentrated on the Group's financial consolidation and optimised the risk management system. The new Management Information System (MIS) was also successfully introduced. The 2020 strategy was formulated under the aegis of the Business Development functional division, which among other things laid the groundwork to set up the new Renewable Energy business unit. Management Services put in place a new legal structure for the Group, increased awareness of Alpiq and improved Alpiq's profile in the academic world. Other priorities included an assessment of the implications of market liberalisation in Switzerland and the new EU regulations. In addition, compliance support was expanded.

Financial Services

By arranging a CHF 500 million credit facility with a consortium of 14 Swiss banks, Alpiq has opted for an innovative approach to meeting its liquidity requirements. As a further important measure to optimise the Group's presence in the financial market, debt issued in the Swiss capital market was concentrated in the holding company with effect from 31 December 2010.

Led by Financial Services, a number of related programmes for the Group's financial consolidation were implemented or are in the process of implementation. The aim of these measures is to ensure and enhance the Alpiq Group's financial flexibility and capacity to act and to reduce volatility in cash flows and profits. The programmes involve consistent capital investment planning, assessment and implementation of disposals, optimisation of working capital and guarantee management, as well as the ambitious "topIQ" efficiency enhancement programme.

Special focus was placed on risk management in 2010. The financial year was dominated by efforts to develop a new Alpiq Group risk policy, which was approved by the Board of Directors in November. By adopting a consistent approach to risk and financial management that takes into account credit, market, business and financial risks, Alpiq held its own in a difficult environment without any major problems or nasty surprises.

Another priority last year was the new Management Information System (MIS), which was successfully introduced in the first quarter and now provides management with all significant financial data required to manage the Group in a standardised electronic format. During the year, the new MIS was enhanced so as to fill any remaining gaps. All in all, the MIS has played a significant role in improving transparency in tracking the Group's performance in terms of value.

In addition to these priorities, all functional units concentrated on driving forward existing projects and tackling new tasks. A long-term development vision was formulated for IT. At the same time, various processes were optimised and efficiencies achieved, for example in the areas of identity and access management, IT architecture management and change management. Ongoing IT projects were intensively pursued and in some cases brought to completion. Measures to simplify and accelerate accounting and reporting processes, coupled with improved coordination of the functional units involved, have ensured timely submission of deliverables. Corporate Taxes implemented a package of fiscal measures to optimise Alpiq's tax position and thus minimise the related risks. In the settlement area, responsibility for conducting retail transactions was transferred to the market units in Spain, France and Italy.

Business Development

Last year, the new Business Development functional unit set up in 2009 took on its role within the planned structure and contributed to several important Group-wide projects.

One of the highlights of 2010 was the revision of the Alpiq Group strategy, covering a period up to 2020, which was coordinated by the Strategy Development unit. The aim was to thoroughly analyse the Alpiq Group's situation following its inception in early 2009 and to define the Group's positioning for 2020. In so doing, particular consideration had to be given to the difficult macroeconomic conditions in the wake of the global financial and economic crises. With this in mind, the Market Intelligence unit conducted a comprehensive comparative study of the macroeconomic environment and energy industry in European markets and analysed trends in technological development. Systematic analyses were then carried out to develop a target portfolio for power generating facilities and identify the priority countries. The review also addressed other issues, such as the strategic positioning of Trading and Sales, and energy efficiency. The focus in 2011 is on implementing the revised strategy.

Another project with internal and external implications was the move to combine all Group operations related to new forms of renewable energy. Coordinated by Mergers & Acquisitions, preparations were made to set up a separate business unit with Group-wide responsibility for these activities. An optimised financing strategy was drawn up, and a portfolio of target countries and technologies was evaluated, not least in the light of the regulatory framework. The new business unit, part of the Energy Services division, started operating in 2011.

In addition to these key tasks, Business Development supported a wide range of projects at Group and divisional level, ranging from the integration of newly acquired sales companies and/or power generation companies to internal optimisation in order to reduce corporate complexity and improve processes and structures.

Management Services

Much of the work done by Corporate Legal during the year was devoted to the legal restructuring of the Group by establishing subholding companies and the assignment of subsidiaries, from initial preparations right through to effective implementation in conjunction with the business units and other units within the Corporate Centre. One notable legal issue among the many dealt with by Corporate Legal was the Federal Administrative Court ruling that passing on costs of ancillary services to power stations with a capacity of more than 50 MW contravenes the law. This decision will have a prejudicial impact on similar Alpiq cases that are still pending.

Corporate Human Resources also scored successes in its campaign to improve Alpiq's positioning at universities. According to a survey conducted among recent university graduates, Alpiq has made the greatest progress in engineering and, in recognition of this, it received the Highest Climber Award from Universum. Finally, a number of measures were introduced to enhance efficiency and reduce the costs of facility management.

Corporate Communications focused on completing the project to position the new Alpiq brand. Surveys show that Alpiq has succeeded in raising awareness among selected target groups and has already achieved a high level of recognition. This is due in part to Alpiq's sponsorship of Swiss-Ski and the related campaign which saw the world's largest greeting card for Swiss winter sports athletes hung across the Cleuson dam, for which Alpiq and the advertising agency involved won the Swiss Corporate Communications Award.

Corporate Public Affairs closely followed and monitored the definition and introduction of new regulatory provisions in Switzerland and across Europe. In Switzerland, its efforts concentrated mainly on effective implementation of the first market liberalisation phase and preparing for the second phase. At European level, it focused on assessing opportunities and identifying ways to reduce the negative impact on Alpiq of the new EU guidelines governing renewable energy, energy efficiency, market liberalisation and the CO_2 regime. As far as the bilateral electricity trading agreement with the EU is concerned, the main priority was and is to protect investments related to long-term contracts. In 2011, it will be necessary to continue closely monitoring the consequences of market liberalisation in Switzerland and the new regulations in the EU.

During the year, compliance support was systematically expanded. In particular, the code of conduct was revised, approved by the Board of Directors and established across the Group with the aid of staff training courses. This process will be stepped up and driven forward in 2011, when the revamped Group directives will also be implemented with a view to efficient Group management.

Corporate Governance

Alpiq lives up to its responsibility as an energy company operating across Europe. To this end, it is committed to prudent corporate governance, an open information policy and a collaborative approach based on partnership. Effective, proven management and control systems help Alpiq to achieve sustainable success and protect the interests of its shareholders and all other stakeholders. This ensures efficient governance based on the principles of responsibility, transparency and fairness.

Alpiq's principles and rules of corporate governance are defined in the company's Articles of Association, Organisational Regulations, Executive Board Regulations, Group Guidelines, the organisational chart and the assignment of subsidiaries, associates and investments. This report describes the related practices and complies 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 2010.

Group structure and shareholders

Alpiq operates major generation facilities in Switzerland, France, Italy, Germany, Norway, Hungary, the Czech Republic and Bulgaria, as well as its own networks. The operations of the Alpiq Group are conducted by the business divisions described below and by the following seven subholding companies of Alpiq Holding Ltd.: Alpiq Ltd., Alpiq Suisse Ltd., Alpiq Western Europe S.à.r.l., Alpiq Central Europe Ltd., Alpiq EcoPower Ltd., Alpiq Deutschland GmbH and Alpiq InTec Ltd.

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 business 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 business division is responsible for sales in the Swiss market, thermal and hydroelectric power generation in Switzerland, the interest in the French Cers wind farm acquired in 2010, those parts of the Swiss electricity grid that belong to Alpiq, and the Optimisation business unit.

The Energy Western Europe business division serves its market territory through sales subsidiaries Atel Energia S.p.A. in Milan and Rome, Energit S.p.A. in Cagliari, Italy, Alpiq Energie SAS in Paris, Atel Energía España S.A.U. in Barcelona, Alpiq Denmark A/S in Aalborg and Glostrup, Alpiq Norway AS in Oslo, Alpiq Sweden AB in Stockholm and Energiakolmio Oy in Jyväskylä, Finland. Alpiq's own power stations and its ownership interests in Edipower in Italy and in renewable energy generation facilities in Italy, France and Norway also belong to this business division. Power generation projects in France, Italy and Norway complete the activities of this business division.

The Energy Central Europe business division covers markets in Central and Eastern Europe through sales and trading companies in Albania, Bosnia-Herzegovina, Bulgaria, Croatia, the Czech Republic, Germany, Greece, Hungary, Lithuania, Macedonia, Poland, Romania, Slovakia, Slovenia, Serbia, Turkey and the Ukraine. These national activities are grouped in Alpiq Central Europe Ltd. with the exception of those in Germany, for which Alpiq Deutschland GmbH is responsible. Alpiq power stations in the Czech Republic and Hungary are managed from Prague, which is also home to the Trading & Services division for Central/Eastern Europe, part of Alpiq Energy SE.

The Trading & Services business division trades in various commodities, such as electricity, gas, coal, oil products and fuels, as well as CO_2 and green certificates, and is active on all major energy exchanges, trading platforms and gas hubs.

Organisation at 1 January 2011

General Management
Giovanni Leonardi [1]
CEO

- General Management
- Business Division
- Business Unit

Business Divisions

Energy Central Europe
Reinhold Frank [1]

- Market Central Europe North – Franz Scheiber [2]
- Market Central Europe South – Peter Dworak
- Market Germany – Holger Clever
- Power Generation Central – Matthias Zwicky [3]

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 – Michael Wider a.i. [4]
- Nuclear & Thermal Power Generation – Michaël Plaschy [5]
- Hydro Power Generation – Jörg Aeberhard
- Grid – Christian Brunner
- Optimisation – Pierre Guesry

Trading & Services
Peter Heydecker [1]

- Proprietary Trading – Martin Bloch
- Asset Trading – Thomas Ruckstuhl
- Middle Office & Operations – Frédéric Rivier
- Finance & Regulatory Affairs – NN

Energy Services
Herbert Niklaus [1]

- AIT – Peter Limacher
- AAT – Herbert Niklaus
- Renewable Energy – Herbert Niklaus a.i.

1 Member of the Executive Board
2 Until 30 Apr 2010: Armin Stoltz
3 Until 31 Dec 2010: Allan Walmsley
4 Until 31 Aug 2010: Kees van Hoek
5 Until 31 Dec 2010: Peter Hirt

Functional Divisions

- Functional Division
- Functional Unit

Financial Services
Kurt Baumgartner [1]
CFO

- 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 – Norbert Hoffmann [2]

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

1 Member of the Executive Board
2 Until 31 Dec 2010: Adalbert Gebhard

The Energy Services segment delivers services related to all aspects of power generation, distribution and use. It consists principally of the companies in Switzerland, the Czech Republic, Germany, Italy and the Netherlands that belong to the Alpiq InTec Group (AIT) as well as the companies in Austria, Belgium, the Czech Republic, Germany, Hungary and Romania that belong to German-based Alpiq Anlagentechnik GmbH (AAT). The AAT Group provides services in the areas of energy supply and communications technology as well as industrial and power plant engineering, while the AIT Group companies primarily engage in building services, transport technology and power engineering, as well as specialised and large-scale projects.

Corporate Centre activities are grouped in Alpiq Management Ltd. and comprise the functional divisions for Financial Services, Business Development and Management Services. The Financial Services functional unit covers Corporate Accounting & Reporting, Corporate Planning & Controlling, Corporate Risk Management, Corporate Treasury & Insurance, Corporate Taxes, Corporate Settlement and Corporate IT. The Business Development functional division is in charge of Strategy Development, Mergers & Acquisitions and Market Intelligence, while the Management Services functional unit comprises Corporate Human Resources, Corporate Communications, Corporate Legal, Corporate Public Affairs, Corporate Internal Audit and the General Secretariat (including compliance support).

Stock exchange listing

At 31 December 2010, 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 of CHF 10 each. The registered shares are listed on the SIX Swiss Exchange under ISIN code CH0034389707. At the end of the year, the company had a market capitalisation of CHF 9,788,354,280 (calculated at the closing price on 30 December 2010 x number of shares = CHF 360 x 27,189,873 registered shares).

Società Elettrica Sopracenerina SA (SES) domiciled in Locarno, which has a share capital of CHF 16,500,000, of which Alpiq holds 60.9 %, is also listed on the SIX Swiss Exchange (ISIN code CH0004699440). At the end of 2010, the company had a market capitalisation of CHF 264 million (240 x 1,100,000).

The principal consolidated Group companies are listed in the Financial Report on pages 141 to 147. Significant shareholders of record are listed in the Financial Report on page 120 and presented below.

Acquirers 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). 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 (Genossenschaft Elektra Birseck, Münchenstein), EBL (Genossenschaft Elektra Baselland, Liestal), the canton of Solothurn, IBAarau AG, AIL (Aziende Industriali di Lugano SA) and WWZ (Wasserwerke Zug AG).

Cross-shareholdings

The cross-shareholding disclosed in 2009 between Alpiq Holding Ltd. and A2A S.p.A. no longer exists since A2A S.p.A sold its 5.16 % interest in Alpiq Holding Ltd. at the end of May 2010. At 31 December 2010, these shares were classified as various shareholders (free float). Alpiq Holding Ltd. still held 5 % of the share capital of A2A S.p.A. at 31 December 2010.

Capital structure

Share capital

At 31 December 2010, the share capital of Alpiq Holding Ltd. was unchanged at CHF 271,898,730, divided into 27,189,873 fully paid up registered shares 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 70 and 71 in the Alpiq Group's consolidated financial statements and on page 157 in the company financial statements of Alpiq Holding Ltd. Statements of Changes in Equity for 2008 can be found in the Annual Report 2009 of Alpiq Holding Ltd., in the Alpiq Group's consolidated financial statements on pages 72 and 73 and the company financial statements of Alpiq Holding Ltd. on page 155 of the Financial Report.

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 2010

Alpiq Holding Ltd.		
	31.38	EOS Holding
	25.00	EDFAI
	13.63	EBM
	7.12	EBL
	5.60	Canton of Solothurn
	2.30	EnBW
	2.12	AIL
	2.00	IBAarau
	0.91	WWZ
	9.94	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 13 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. Dr. Giuliano Zuccoli stood down from the Board of Directors at the end of March 2010; the Board decided not to appoint a successor.

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. The minutes 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.

During 2010, the Board of Directors, with the assistance of an external consultant, conducted the first self-assessment of its methods of operation and performance since Alpiq's inception. The main aim was to review structures, organisation, processes and decision-making powers, since the Board of Directors was partly re-appointed and the organisation comprehensively adjusted after Atel merged with EOS at the beginning of 2009 to form the Alpiq Group. The results of this self-assessment showed that the structures, organisation and division of responsibilities largely meet the requirements and expectations. Room for improvement was identified in some areas, but no special measures were taken for the time being since the study identified a consistent trend towards improvement.

Board of Directors at 31 December 2010

Name	First elected	Elected until
Hans E. Schweickardt, Neerach, Switzerland, Chairman	2006	2012
Marc Boudier, Sèvres, France, Deputy Chairman	2006	2012
Christian Wanner, Messen, Switzerland, Deputy Chairman	2006	2012
Pierre Aumont, Paris, France	2007	2013
Dr. Hans Büttiker, Dornach, Switzerland	2006	2012
Guillaume de Forceville, Sèvres, France	2009	2012
Philippe V. Huet, Paris, France	2006	2012
Claude Lässer, Marly, Switzerland	2009	2012
Daniel Mouchet, Veyrier, Switzerland	2009	2012
Prof. Guy Mustaki, Pully, Switzerland	2009	2012
Dr. Jean-Yves Pidoux, Lausanne, Switzerland	2009	2012
Dr. Alex Stebler, Nunningen, Switzerland	2006	2012
Urs Steiner, Laufen, Switzerland	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 performance, 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 performance and independence of the internal and external auditors, the control system, interim and annual 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 Corporate 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 five times for an average of three and a half hours per meeting. On these occasions, the ARC deliberated in depth on risk management and updated the risk policy, which was then approved by the Board of Directors. In addition, it decided to have internal audits reviewed by an external expert.

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, as well as formulating the 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. Minutes of NRC meetings are circulated among the Directors for their information. As a rule, the Chairman, CEO and Head of Corporate Human Resources attend meetings of the NRC. Last year, the NRC met four times for an average duration of one 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 or Executive Board.

As part of the Group Guidelines, the CEO has issued regulations, valid throughout the Group, governing the assignment of authority and responsibilities.

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 by Corporate Internal Audit 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 analyses. 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 compliance with the defined limits and principles.

At the ARC's request, the Board of Directors annually approves the audit plans drawn up by Corporate Internal Audit 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. Biographical details and information about other activities and interests can be found on the Alpiq website at www.alpiq.com/executive-board. No management contracts exist.

2010 remuneration report

Principles and objectives

Applying the principles of good corporate governance, Alpiq motivates senior management by providing competitive remuneration and a performance- and value-based bonus system designed to lead to sustainable enhancement of shareholder value.

Alpiq's remuneration guidelines and bonus systems provide for management salaries commensurate with 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 periods.

Market-compliant remuneration

To ensure that the remuneration of members of the Executive Board, heads of business and functional units, and Directors is in line with standard market practice, 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, using as a benchmark the changes in the results of listed Swiss and European electricity and energy companies with similar structures and operations and of a similar size. The last such external review was conducted in August/September 2009.

Disclosures

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 current 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 sets the objectives for the Chief Executive Officer (CEO) and approves those set for the Executive Board as proposed by the CEO.

Details of bonus payments are set out in the bonus regulations, which the NRC approves at the request of the CEO. In 2010, members of the Executive Board received remuneration in accordance with the bonus regulations that have been in force since 1 January 2010.

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 Niklaus performed a dual function as Head of the Energy Services business division and General Manager of the Alpiq Anlagentechnik business unit, Heidelberg, and Michael Wider performed a dual function as Head of the Energy Switzerland business division and General Manager ad interim of the Market Switzerland business unit.

Structure of remuneration

In 2010, Executive Board members were paid remuneration comprising a fixed, non-performance-related base salary and a variable, performance-related salary. The variable salary, in turn, consists of 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 linked to the long-term increase in shareholder value.

Short-Term Bonus (STB)

The aim of this short-term bonus component is to motivate Executive Board members and provide rewards for business performance based on 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 include, for example, the fulfilment of clearly defined, measurable project and efficiency targets and the achievement of milestones, but not financial targets.

70 % of the payment is dependent on achieving the EBITDA targets (profit before interest, tax, depreciation and amortisation) set by the NRC at the beginning of the financial year (quantitative/financial component).

The quantitative component is calculated using the target EBITDA (100 %) set by the NRC. If the target EBITDA is achieved, the financial component amounts to 100 % of the defined proportion of the nominal value. No additional payment of the quantitative component is made if EBITDA exceeds the EBITDA 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, EBITDA achieved is compared with that of Alpiq's competitors. If EBITDA is below the EBITDA floor set by the NRC, the quantitative component of the STB is not paid out.

Long-Term Incentive (LTI)

The aim of the LTI is to motivate Executive Board members to contribute to enhancing Alpiq's medium- to long-term shareholder value in the interests of sustainable management. Actual payment is therefore made only three years after the LTI has been granted. Economic Value Added (EVA) is used 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 an LTI can be additionally increased or reduced by applying the EBITDA benchmark coefficient. To this end, the EBITDA achieved in each year 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. Amounts in excess of this ceiling are 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 and insurance charges (AHV/IV/ALV/EO).

Amount of remuneration

The fixed salary components paid to Executive Board members were adjusted based on market benchmarks, with a reduction in the variable components. As a result of the very good operating results in 2009, the variable salary components (paid in spring 2010) were correspondingly higher.

In 2010, remuneration paid to the Executive Board totalled CHF 12.0 million (CHF 9.3 million), of which current remuneration payments accounted for CHF 10.1 million (CHF 7.7 million) and pension benefits for CHF 1.9 million (CHF 1.6 million). The amounts in brackets refer to the prior year. Last year, the ratio of fixed salary (totalling CHF 3.306 million) to variable components (totalling CHF 6.794 million) was 33 % to 67 %. Details of remuneration are provided on page 162 of the Financial Report.

B. Directors' remuneration

In 2010, remuneration paid to Alpiq Directors totalled CHF 3.1 million (CHF 4.2 million), of which current remuneration payments accounted for CHF 3.0 million (CHF 4.0 million) and pension benefits for CHF 0.1 million (CHF 0.2 million). The amounts in brackets refer to the prior year.

Directors' remuneration comprises fees, expenses and other benefits. These components are non-performance-related. When Alpiq Holding started operating on 1 February 2009, the composition of the Board of Directors was largely changed and the previous system of fees that included variable components was converted to fixed components and adjusted in line with market practices. Details of payments made to Directors are provided on pages 160 and 161 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 that 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 shareholders 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 last year, Ernst & Young Ltd received fees of approximately CHF 5.99 million for its services as statutory and Group auditors. Of this amount, approximately CHF 4.48 million was paid for audit services, approximately CHF 0.4 million for audit-related services, approximately CHF 0.97 million for tax services and approximately CHF 0.14 million for transaction support.

When approving the audit fees, the Audit and Risk Committee gave due consideration to the fact that the Group structure remained largely unchanged in 2010, following the merger of Atel and EOS in 2009. 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 one occasion last year.

Information policy

Alpiq provides its shareholders, potential investors and all other stakeholders with comprehensive, timely and regular information 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 shown on page 167.

2010 Annual General Meeting

At the 2nd Annual General Meeting of Alpiq Holding Ltd. held on 22 April 2010, the 445 shareholders present approved the 2009 consolidated financial statements of the Alpiq Group as well as the 2009 annual report and company financial statements of Alpiq Holding Ltd. and voted in favour of the Board of Directors’ proposal to pay a dividend of CHF 8.70 per registered share of Alpiq Holding Ltd. The acts of the Board of Directors were ratified. Pierre Aumont was re-elected for a further three-year term of office and the auditors were reappointed for one year. In addition, the Articles of Association (Art. 3 par. 3) were amended to comply with the new Federal Intermediated Securities Act.

Board of Directors

1 **Hans E. Schweickardt**
Chairman

- Dipl. El-Ing. ETHZ
- Swiss national
- Chairman of Grande Dixence SA, Sion, and Kernkraftwerk-Beteiligungsgesellschaft AG (KBG), Bern; Deputy Chairman of Swiss-electric, Bern; member of the Supervisory Board of the European Energy Exchange (EEX), Leipzig, and Board Committee of economiesuisse, Zurich

2 **Marc Boudier**
Deputy Chairman

- Ecole Nationale d'Administration (ENA)
- Degree from Paris Inst. of Political Studies
- Master of Law
- French national
- Management member of Electricité de France (EDF), Paris
- Chairman of EDF Belgium SA and EDF Peninsula Ibérica SLU; Director of EDF International SA, Edison SpA, S.P.E. SA, SPEPC, Transalpina di Energia SRL and EnBW

3 **Christian Wanner**
Deputy Chairman

- Farmer, Member of the Solothurn Cantonal Government
- Swiss national
- Director of Schweizer Rheinsalinen AG, Pratteln; Chairman of Finance Directors' Conference; Chairman of ch Stiftung, Solothurn, and Institute of Federalism, Fribourg

4 **Pierre Aumont**
Director

- Engineering degree from Ecole Centrale (Paris)
- French national
- Management member of Electricité de France (EDF), Paris

5 **Hans Büttiker**
Director

- Dr. sc. tech., Dipl. El-Ing. ETHZ
- Swiss national
- CEO of EBM (Genossenschaft Elektra Birseck), Münchenstein
- Chairman of Kleinkraftwerk Birseck AG, Münchenstein; Director of Kraftwerk Birsfelden AG, Birsfelden, and Kraftwerk Augst AG, Augst

6 **Guillaume de Forceville**
Director

- Degree from ESC Bordeaux, Finance
- French national
- Member of the Finance Department of Electricité de France (EDF), Paris

7 **Philippe V. Huet**
Director

- Engineering degree
- French national
- Chief Officer People Organisation and Brand Performance at EDF Energy, UK

8 **Claude Lässer**
Director

- Lic. rer. pol., Councillor of State for the Canton of Fribourg
- Swiss national
- Deputy Chairman of Groupe E Ltd, Fribourg; Director of EOS Holding SA, Lausanne, Banque Cantonale de Fribourg, Fribourg, and Schweizer Rheinsalinen AG, Pratteln

9 **Daniel Mouchet**
Director

- Architect
- Swiss national
- Chairman of Services industriels de Genève, Vernier, and Gaznat SA, Lausanne; Deputy Chairman of Hydro Exploitation SA, Sion; Director of EOS Holding SA, Lausanne, and Grande Dixence SA, Sion

10 **Guy Mustaki**
Director

- Solicitor, Professor at the University of Lausanne
- Swiss national
- Chairman of Romande Energie Holding SA, Morges, and EOS Holding SA, Lausanne; Director of Grande Dixence SA, Sion

11 **Jean-Yves Pidoux**
Director

- Doctor of Sociology and Anthropology, Lausanne City Councillor
- Swiss national
- Director of Romande Energie Holding SA, Morges, EOS Holding SA, Lausanne, Grande Dixence SA, Sion, Gaznat SA, Lausanne, and RhônEole SA, Collonges
- Member of the Vaud Cantonal Parliament

12 **Alex Stebler**
Director

- Dr. oec.
- Swiss national
- Chairman of EBM (Genossenschaft Elektra Birseck), Münchenstein, EBM Trirhena AG, Münchenstein, and Stebler Co Limited, Nunningen

13 **Urs Steiner**
Director

- Energy engineer, HTL
- Swiss national
- CEO of EBL (Genossenschaft Elektra Baselland), Liestal
- Chairman of Geopower Basel AG, Basel; Director of Kraftwerk Birsfelden AG, Birsfelden

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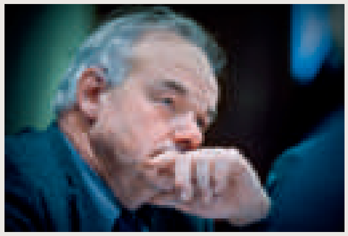
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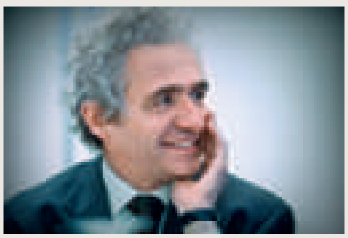
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Executive Board

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, and Kernkraftwerk Gösgen-Däniken AG, Däniken; Director of Romande Energie Holding SA, Morges, Grande Dixence SA, Sion, and Swisselectric, Bern

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
- Director of Società Elettrica Sopracenerina SA, Locarno, Repower AG, Brusio, AEK Energie AG, Solothurn, Kernkraftwerk Gösgen-Däniken AG, Däniken, Grande Dixence SA, Sion, and swissgrid ltd, Laufenburg

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 Repower AG, Brusio, AEK Energie AG, Solothurn, and Kernkraftwerk Gösgen-Däniken AG, Däniken

4 Reinhold Frank
Head of Energy Central Europe

- Dipl. Ing., Dipl. Wirtsch.-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 Power Exchange (EPEX) Council, Paris, and European Energy Exchange (EEX) Council, Leipzig; Director of Powernext, Paris, and Kernkraftwerk-Beteiligungsgesellschaft AG (KBG), Bern

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 swissgrid ltd, Laufenburg

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, member of the Executive Board since 2009

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
- Director of Kernkraftwerk Gösgen-Däniken AG, Däniken

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
- Deputy Chairman of Società Elettrica Sopracenerina SA, Locarno; Director of A2A S.p.A., Milan, Edipower S.p.A., Milan, and Repower AG, Brusio

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Financial Report 2010

Alpiq delivered good operating results in a difficult market environment. Performance was fuelled by excellent availability of our power stations, coupled with proficient optimisation and marketing of the power they generated. Once again, the Energy Services segment made a stable contribution. Consistent cost management had a positive impact too.

Contents

Alpiq Group Financial Review

Alpiq Group results of operations

The Financial Report 2010 presents the Alpiq Group's results for its first full year. When making year-on-year comparisons, it should be borne in mind that the contributions of the former EOS and Emosson operations to revenue and profit were only included in the 2009 financial statements for the eleven-month period from February. Likewise, the revenue and profits of Alpiq RomEnergie S.R.L., acquired in the second half of 2009, are only included for six months in the figures published for 2009.

Alpiq held up well in 2010 against the backdrop of a challenging market environment characterised by excess capacity throughout the European electricity market, generally lower electricity prices and a weak euro. Compared with the mid-year predictions, the Group performed better than expected. EBITDA and EBIT dropped from the excellent year-earlier levels to CHF 1,472 million (down 4.7%) and CHF 970 million (down 8.8%) respectively. Consolidated revenue fell by 4.8% to CHF 14.10 billion, primarily due to adverse market factors and unfavourable exchange rate movements across Europe.

Profits were weighed down, as mentioned, by lower electricity prices and the weakening euro. The weak euro alone had an estimated negative impact of more than CHF 90 million on operating profits. The results were fuelled by the good availability and marketing of electricity generated in Switzerland, attractive transactions with green certificates in Italy and the wider margins in Romanian sales business. Growth in the Energy Services segment was hampered by the economic situation. By working off the unusually high backlog of orders from the previous year, the segment once again made a stable contribution to the Group's profit. Alpiq did not experience any significant bad debts last year, having seen the previous year's profit adversely affected by an exceptional loss arising from the insolvency of a sales partner in the Czech Republic. A key factor for operating performance was the programme of cost-cutting measures, which was already launched throughout the Group in the first quarter. These measures are having a sustainable positive impact on profits.

Realised and unrealised foreign exchange gains and losses recognised in net finance costs, including fair value gains and losses on outstanding hedging contracts, netted to a loss of CHF 1 million in 2010 compared to a loss of CHF 4 million a year earlier. The effective hedging activities initiated in the first half of 2010 largely offset the negative impact of the persistently weak euro, which lost nearly 16 % of its value against the Swiss franc over the entire reporting period. Net interest expense increased by approximately CHF 9 million year on year, mainly due to changes in the composition of the consolidated Group. In contrast, an improvement was seen in other finance costs and changes in the fair value of financial instruments.

The Alpiq Group's tax expense still reflects the effect of various European governments' moves to extend the tax base and raise tax rates. At the same time, planned tax optimisation measures were implemented in 2010. The lower profits in countries with high tax rates also helped to reduce tax. As a result, the average tax rate across the Alpiq Group decreased to 20.8 % from 24.9 % a year earlier.

The Alpiq Group's reported Group profit for the year was CHF 645 million, down by CHF 31 million or 4.6 % from the year-earlier figure.

Group financial position

At 31 December 2010, the Alpiq Group's total assets amounted to approximately CHF 18.47 billion, down by CHF 1.63 billion or 8 % compared with the end of the previous year. Non-current assets fell by a net amount of CHF 0.51 billion to CHF 13.79 billion. A decrease of CHF 0.57 billion was due to the effect of currency fluctuations on the translation of foreign assets and to depreciation and amortisation of CHF 0.50 billion, while an increase of CHF 0.59 billion resulted from net capital expenditure on non-current assets, including financial assets. As expected, the heavy capital expenditure and repayment of borrowings had the effect of reducing liquid current assets, including term deposits and securities, by CHF 0.48 billion to CHF 1.31 billion at 31 December 2010. The other items of current assets dropped by CHF 0.64 billion or 16 % compared with the year ended 31 December 2009 and taking into account the usual year-end fluctuations. Liabilities reflect both the repayment of borrowings amounting to CHF 0.27 billion and a reduction of CHF 1.21 billion in the other items reported as current and non-current liabilities.

Equity decreased by CHF 0.15 billion to CHF 7.78 billion at the reporting date. This year-on-year change reflects the profit of CHF 0.65 billion generated for the period, the dividend of CHF 0.24 billion paid in 2010 and the negative impact of CHF 0.56 billion due to exchange differences arising on translation of foreign operations.

Overall, the drop in total assets led to a slight improvement in the equity ratio from 39.5 % in the previous year to 42.1 %. The ratio of net debt to EBITDA was adversely affected by the decline in EBITDA and increase in net debt, rising to 2.7 times compared to 2.4 times a year earlier. Although the repayment of borrowings of CHF 0.27 billion during the reporting period reduced actual debt, the decrease of CHF 0.48 billion in liquid assets had the effect of raising net debt.

Energy segment

Market conditions

With economic conditions stabilising and slowly recovering in Europe, demand for electricity and gas was slightly higher in 2010 than in 2009, albeit not yet reaching the 2008 level. In particular, the growth rates in peripheral European countries were weaker due to their more modest economic growth. The extension of the operating lives of some German nuclear power stations in summer 2010, combined with the expansion of wind and photovoltaic facilities both in Germany and in other West European countries and the Czech Republic, boosted supply across Europe and led to excess capacities. This situation was only compensated in part by the dry period in spring 2010 and the abnormally cool weather in Western Europe.

The excess supply capacities put pressure on electricity prices, which did not recover significantly over the reporting period. Gas prices dropped sharply in the first quarter of the reporting period, dragging down the prices of electricity in their wake. The low availability of French nuclear power stations changed negligibly year on year and helped to bolster base prices, especially in October. However, this driving force was not sufficient to offset the general downslide in prices over the year. Peak energy prices still fell significantly in the past twelve-month period, and an upturn in the energy markets during the last quarter failed to bring the hoped-for recovery in peak products. At the end of the year, the prices of base products reached the year-earlier level, while the prices of off-peak products were somewhat higher. One exception was seen in Scandinavia where the electricity prices were driven up substantially on account of the depleted reservoir levels following the dry weather.

Fuel prices are influenced by global demand. The good economic prospects in Asia spurred momentum in April and especially towards the end of the year, considerably forcing up the prices of fuel worldwide. Faced with the combination of low electricity prices, on the one hand, and significantly higher fuel costs, on the other, thermal power stations (in particular gas-fired facilities) saw their profit margins dwindle distinctly as the spark and dark spreads narrowed, and in some cases fell dramatically, throughout Europe.

In addition to the economic developments and euro crisis, the reporting period saw changes in the political and regulatory framework at European and Swiss level. In Switzerland, several judicial authorities reviewed the proper implementation of the Federal Electricity Supply Act (StromVG) and Electricity Supply Ordinance (StromVV) in effect since 1 January 2009. This culminated in a decision overturning and repealing an ElCom ruling that Swiss power stations with a capacity of 50 MW or more had to bear a substantial portion of the increased costs of ancillary services.

Results of operations

The Energy segment generated consolidated revenue of approximately CHF 12.0 billion for 2010. Weighed down by the low market prices for energy across Europe and the negative impact of foreign currency translation, revenue was approximately CHF 0.8 billion or 5.8 % lower than in the comparative period (CHF 12.8 billion). Driven by intensified sales and wholesaling activities, the volume of energy sold increased by 7.6 % to reach 145.6 TWh in 2010.

Supported by the excellent availability levels of the hydroelectric and thermal power generation facilities in Switzerland, both the Asset Trading and Optimisation businesses made a solid contribution to results. In addition, profits were positively impacted by the year-on-year reduction in ancillary service charges paid to the Swiss grid operator, swissgrid ltd. In contrast, the unfavourable market environment in Italy – caused by excess capacities, persistently low spark spreads and decreased revenue from ancillary services – led to a marked drop in sales revenue. The trading volumes and Proprietary Trading results also fell short of expectations. Performance was buoyed by sales and trading business in Central Europe, whereas lower market prices for electricity and higher fuel costs adversely affected the spreads and therefore the profits of the German and Czech power stations.

Performance of the units

The Energy Switzerland business division operated in the market as an integrated unit, implementing a revised business model, for its first full financial year since the operations of former Atel and former EOS were combined. Despite the difficult price situation in the energy markets and the negative impact of the weak euro, the business division generated an operating profit (EBIT) of CHF 517 million, level with the previous year. This performance was substantially driven by the sustainable synergies resulting from the integration of the Swiss generation facilities, which successfully capitalised on the added flexibility also provided by the recommissioned Bieudron hydroelectric power station.

Other key contributors to the business division's good performance were optimal marketing of the electricity generated as well as delivery contracts negotiated on favourable terms in previous periods. Profits were weighed down considerably by the strong Swiss franc and also, albeit to a lesser extent, by the low spot prices seen at times. Supply and sales operations in Switzerland benefited from slightly improved margins. The economic growth spurred demand in general and brought a marked increase in the volume of sales to end-customer supply partners, particularly in northwestern Switzerland.

The recommissioned Bieudron power station (923 MW) raised the output of Alpiq's Swiss generation portfolio to 3,699 MW. This represents about 20% of Switzerland's total installed capacity. Revenue from power generation was fuelled by the good availability of all the hydroelectric power stations and trouble-free operation of Gösgen and Leibstadt nuclear power stations. The Federal Administrative Court's decision to suspend the costs of ancillary services reduced generation costs year on year and helped to improve margins. However, operating profits noticeably suffered from the new taxation model that the canton of Valais introduced for joint venture power stations in 2010.

The two transmission network companies, Alpiq Grid Ltd. Gösgen and Alpiq Grid Ltd Lausanne, performed in line with expectations, making further progress in the preparations to transfer ownership of the transmission systems to the national grid company, swissgrid ltd.

Overall, the Energy Western Europe business division generated a higher sales volume than in the previous year, selling considerably more electricity, especially in France and Spain, as a result of continuous expansion of sales business with industrial end customers. At the same time, the capacity utilisation of thermal power stations declined during the reporting period. Driven by the expansion of operations, the business division grew revenue in local currency by 4.2 % compared with the prior year period. However, the negative foreign currency movements led to a year-on-year decrease in revenue in Swiss francs. Despite the unfavourable general conditions, EBIT improved by 6 % to CHF 193 million.

Market Italy's operating profit for the entire reporting period was slightly down from the previous year's level. This is particularly heartening since profits in that region were still declining in the first half of 2010. However, performance was adversely impacted by the continued weakness in the economy and especially the excess power generation capacities. Both the low prices and the depressed spark spreads prevented the thermal power stations from operating profitably, which led to a sharp drop in sales volume and unsatisfactory margins. Reduced revenue from ancillary services in the wake of regulatory changes also had an adverse effect on the business division's results. These negative drivers were successfully offset by intensified trading in CO_2 and green certificates, combined with good margins in local end-customer business. Improved performance in gas procurement, profitable imports and tight cost management also helped to boost profits.

Market Europe West, covering the French and Spanish markets, also performed well, significantly growing sales and profit. Alpiq strengthened its position as the most important alternative electricity provider there by expanding sales business with industrial end users. While the growth in sales volume in France also translated into an increase in profit, the economic changes in Spain forced down the local margins and adversely impacted profits even though the number of customers almost doubled.

Following a difficult year in 2009, Market Nordic recorded a marked improvement in profitability last year. In a comprehensive restructuring process, operations were realigned and the business unit stabilised. However, the strategic changes did not yet unfold their full effect in achieving the targeted increase in profit, but this was primarily due to exceptional charges associated with streamlining the existing business portfolio. With the measures launched in 2010 now being consistently pursued, it is expected that profit will grow appreciably in the short to medium term.

The Power Generation West business unit suffered from the difficult market conditions in Italy during the reporting period. The persistent glut of power generation capacity, in turn compounded by depressed spark spreads, led to reduced use of thermal power stations (in particular the gas-fired generating facilities). This had the result that the volume of electricity generated was below the already low level seen in the previous year. The commissioning process began for the two 400 MW gas-fired combined cycle power stations in Italy (San Severo) and France (Bayet). These generation facilities will start feeding electricity into the grid in early 2011 and the second quarter of 2011 respectively. In summer 2010, Alpiq also signed an agreement to purchase a 400 MW unit of the Plana del Vent gas-fired combined cycle power station in Spain and to use another 400 MW unit for a period of two years. After a review by the Spanish Competition Authority, Alpiq will take over the operation of the generation facility in early 2011. The new renewable energy projects being conducted by M&A Rinnovabili (30%-owned by Alpiq since 2008) in the Power Generation West business unit are progressing according to plan. An 80 MW wind farm, efficient photovoltaic facilities with a capacity of 7 MW and a 9 MW biomass power station are already in operation. Other wind projects with a total capacity of 120 MW will be implemented by summer 2011. Construction is also under way on facilities for 32 MW of biomass capacity and 3 MW of photovoltaic power, all of which will be brought online in the first half of 2011.

The Energy Central Europe business division once again made a significant contribution to profits in 2010 despite the sharp cyclical decline in electricity prices in the previous periods and the negative impact of foreign currency movements last year. However, revenue dropped by 5.9% year on year in local currencies, and EBIT fell by 24.9% to CHF 151 million. While the wholesale and sales margins were still higher than expected especially in the first six months of 2010, the business division lost most of this head start again in the second half of the year. Profits were eroded by the low spreads faced by the Central European power generation facilities and the unfavourable movements in local currencies against the strong Swiss franc. In addition, the expiry of a significant long-term contract in the South Central European region led to a substantial loss of revenue. These adverse factors were offset only in part by the head start made in the first six months, substantial cost-cutting measures and optimisation of the operational performance of the power generation fleet.

The first signs of a significant recovery in energy prices in the East European electricity markets are slowly becoming noticeable. Due to the excellent availability of conventional power generation capacities across Europe and dynamic expansion in renewable energy, prices were relatively low despite the economic growth. The spread between peak and off-peak prices narrowed dramatically. In addition, the economic environment in 2010 was affected by political intervention, generally lower market liquidity and the decoupling of gas prices from oil prices.

Overall, the two North and South Central European regions outperformed the previous year's results, which had been impacted by the fallout of the economic crisis.

Market Germany felt the effects of the harsh market environment and was unable to repeat the previous year's success. The Spreetal gas-fired combined cycle power station in Spremberg, integrated in the market region since the latter half of 2009, was particularly hard hit by the lower spark spreads, which reduced its margins on marketing the electricity generated. Revenue from portfolio optimisation was also down on the year before.

Once again, the power stations in the Central European Power Generation unit recorded high availability levels, achieving excellent operational performance. At the same time, lower market prices for electricity and higher costs of lignite fuel narrowed the spreads and consequently weighed on the profits of the Czech power stations. The price slump triggered by the economic conditions in 2008 and 2009 was not fully reflected in the unit's results until the reporting period because much of the generation portfolio was fixed by annual and multi-year contracts. Extensive cost-reduction measures, increased heat deliveries and synergies generated by optimising the operational organisation only compensated in part for the adverse impact on profit. Alpiq's first wind farm in Central Europe was brought into operation on schedule and has been feeding around 50 MW of electricity into the Bulgarian grid since last November.

The operations of the Trading & Services business division were impacted by the difficult and changing market conditions, as well as further integration and cooperation with the regions in power station management. As a result, external revenue was 4.3 % down on the previous year, while EBIT decreased by approximately CHF 90 million to CHF 36 million. Prices in the electricity and commodity markets continued to fall in the first quarter of 2010. Both Proprietary and Asset Trading correctly anticipated these movements and managed to achieve good margins through appropriate positioning. During the second quarter, the prices of primary fuels rocketed, which also sparked a rapid price rally in the electricity markets and, in turn, benefited generation-based trading. However, the Proprietary Trading unit and proprietary trading in the Multi Commodities & Fuel Management unit then had to relinquish unrealised gains. Prices in the electricity and commodity markets largely moved sideways in the second half of the year, which reduced opportunities and limited the scope for Proprietary Trading. The Multi Commodities & Fuel Management business unit steadily expanded its asset-based business and applied an adept hedging strategy to safeguard the future value of the Bayet power station project in France for several years, even in the face of the unfavourable market conditions. The business unit's proprietary trading results fell short of expectations because of the reduced trading activities. Despite low spot prices, compounded by historically low exchange rates for the euro and dollar against the Swiss franc in the final quarter, Asset Trading once again made a healthy contribution to profits over the year. Its performance was also driven by the successful commissioning of the Bieudron pumped storage power station, which reliably generates peak electricity and provides added flexibility. Although Proprietary Trading gained some positive momentum again in the fourth quarter, its overall results fell short of expectations due to the difficult market conditions. The Origination & Environmental Markets business unit both played an important role in shaping the strategy for gas business and turned in a successful performance, especially in marketing green certificates.

Energy Services segment

Market conditions

Last year, market conditions for the Energy Services segment were somewhat more stable than in 2009. With construction-related trades boosted by the low mortgage rates in Switzerland, Building Services benefited from satisfactory overall demand in its markets. However, while the tender volume remained high, prices were under heavy pressure for large-scale projects and in economic centres. Transport Technology continued to enjoy stable markets, fuelled by steady public spending.

In contrast, demand fell in the Industrial and Power Plant Engineering markets in Germany and neighbouring countries. The low level of capital spending on construction of new conventional power stations is primarily due to uncertainty surrounding approval and licensing procedures, delays in project execution and profitability considerations. Customers' capital investment decisions in this sector were also negatively influenced by the planned extension of the operating lives of German nuclear power stations. At the same time, Energy Supply Technology saw its markets rebound, although demand for transmission and distribution network services did not yet pick up as strongly as expected since system operators were still holding back on capital spending due to the ongoing approval and licensing problems.

Results of operations

The Energy Services segment generated revenue of approximately CHF 2.1 billion for 2010, just below the prior year level. Revenue in the Swiss-based Alpiq InTec Group (AIT) increased modestly, while the volume of revenue in the German-based Alpiq Anlagentechnik Group (AAT) was also up in local currency. As expected, the segment's consolidated operating profit (EBIT) was down, dropping by CHF 3 million to approximately CHF 98 million primarily due to the negative economic factors and the much weaker euro exchange rate against the Swiss franc than a year earlier.

Performance of the units

In the reporting period, the AIT Group generated revenue of CHF 817 million, slightly up on the year-earlier figure. Both the current demand situation and overall capacity utilisation were encouraging, particularly in Switzerland. Nonetheless, margins deteriorated significantly due to the lower-priced projects acquired in the previous year, coupled with mounting pressure on prices.

Benefiting from the brisk construction activity in Switzerland, the Building Services business enjoyed high order intake, albeit at lower prices and with narrower margins than a year earlier. To reinforce its market position in Graubünden, AIT acquired aurax electro ag, an installation company firmly rooted in the region, thereby further consolidating its strong foothold in installation business. The Transport Technology business continued to turn in a stable performance in 2010, buoyed by public spending. Work on the Alp Transit Gotthard flagship project is proceeding according to plan. With track laying started last year, work on the project will gain momentum in 2011 with the installation of the overhead contact lines and other tunnel operations.

The AAT Group generated revenue of EUR 948 million for 2010, a year-on-year increase of some 8 %. This revenue growth was driven in particular by the execution of large-scale projects acquired a year earlier, coupled with rising demand for electricity distribution network services. Order intake grew significantly once again during 2010, bringing the backlog of orders at 31 December 2010 to nearly EUR 1.1 billion. Overall, the AAT Group saw an improvement in business performance and profits over the past reporting period.

While profits were weighed down by declining demand in some areas of Industrial and Power Plant Engineering business and by heightened competitive and pricing pressure that eroded margins, these negative effects on profit were largely offset by the work to fulfil the strong order book. The Energy Supply Technology business felt a noticeable recovery in the economic environment during 2010, with profits improving encouragingly as energy supply utilities stepped up their capital spending on electricity distribution and transmission networks. In addition, operations in the Czech market were significantly bolstered by the acquisition of Brno-based JM-montáže s.r.o. during the second half of 2010.

Outlook

Alpiq expects market conditions to remain very challenging during 2011 as a sustainable recovery in the key profit drivers is not in sight. The excess power generation capacity across Europe will persist for the time being and keep electricity prices, margins and volatility down. Movements in the euro against the Swiss franc remain uncertain, and the regulatory environment is still evolving.

In energy business, Alpiq expects good availability of the existing power stations and additional, albeit initially modest, contributions to profits from the new power generation facilities in Italy, France and Spain, as well as from the investments in new renewable energy capacity. The company also anticipates solid performance by the realigned Asset and Proprietary Trading units. The programme to enhance efficiency and reduce costs will be continued consistently. From today's perspective, significant improvements in profits will be hindered by the sideways price movements, persistently very low spreads and mounting competitive pressure in the sales markets. In 2011, the low euro will again severely dampen exports from Switzerland in particular. The Energy segment is expected to generate revenue and profit in line with last year, with a substantial downside risk depending on the relevant price and currency movements.

Alpiq anticipates that the order situation in energy services business will remain stable, accompanied by unabated competitive and pricing pressure. Falling demand in important business areas will be compensated by growth in new areas as the business division continues to drive focused and profitable expansion. The Energy Services segment is also expected to deliver 2011 results in line with 2010.

Given this scenario, the company anticipates that revenue and operating profits for the Group as a whole will be at a similar level to 2010. Movements in electricity and fuel prices in the European markets and the rate of exchange between the euro and Swiss franc will again be the key drivers and risk factors. We will consistently pursue our efforts to reduce debt, firstly through disciplined concentration of capital spending and by identifying and acting on disposal opportunities and, secondly, through professional asset/liability and financial management.

Consolidated Income Statement

CHF million	Note	2009	2010
Net revenue	27	**14,822**	**14,104**
Share of profit of associates	11	77	97
Own work capitalised	1, 8	79	50
Other operating income		156	131
Total revenue and other income		**15,134**	**14,382**
Energy and inventory costs	2	– 12,071	– 11,464
Employee costs	3	– 970	– 986
Other operating expenses		– 548	– 460
Profit before interest, tax, depreciation and amortisation (EBITDA)		**1,545**	**1,472**
Depreciation and amortisation	4	– 481	– 502
Profit before interest and tax (EBIT)		**1,064**	**970**
Net finance costs	5	– 164	– 156
Profit before income tax		**900**	**814**
Income tax expense	6	– 224	– 169
Group profit for the year		**676**	**645**
Attributable to non-controlling interests		– 10	– 7
Attributable to owners of Alpiq Holding		**666**	**638**
Earnings per share in CHF	7	**25**	**23**

Consolidated Statement of Comprehensive Income

CHF million	2009	2010
Group profit for the year	**676**	**645**
Cash flow hedges taken to equity	– 3	– 3
Income tax expense		5
Net of income tax	– 3	2
IAS 39 effects of share of changes in equity of associates	1	– 6
Income tax expense		1
Net of income tax	1	– 5
Exchange differences on translation of foreign operations	1	– 551
Other comprehensive income for the year, net of income tax	**– 1**	**– 554**
Total comprehensive income for the year	**675**	**91**
Attributable to non-controlling interests	– 9	8
Attributable to owners of Alpiq Holding	**666**	**99**

Consolidated Statement of Financial Position

Assets

CHF million	Note	31 Dec 2009	31 Dec 2010
Property, plant and equipment	8	5,732	5,678
Intangible assets	9, 10	2,585	2,312
Investments in associates	11	5,830	5,573
Other non-current financial assets	12	78	148
Deferred income tax assets	6	77	82
Non-current assets		**14,302**	**13,793**
Inventories	13	133	116
Trade and other receivables	14	2,472	2,347
Term deposits		408	126
Cash and cash equivalents	15	1,364	1,182
Current asset investments	16	20	4
Derivative financial instruments		1,240	775
Prepayments and accrued income		160	130
Current assets		**5,797**	**4,680**
Total assets		**20,099**	**18,473**

Equity and liabilities

CHF million	Note	31 Dec 2009	31 Dec 2010
Share capital	17	272	272
Share premium		4,431	4,431
Retained earnings		3,017	2,879
Equity attributable to owners of Alpiq Holding		**7,720**	**7,582**
Non-controlling interests		210	197
Total equity		**7,930**	**7,779**
Provisions	18	386	267
Deferred income tax liabilities	6	1,725	1,647
Long-term borrowings	19	5,124	4,463
Other non-current liabilities	20	555	382
Non-current liabilities		**7,790**	**6,759**
Current income tax liabilities		118	93
Short-term borrowings		395	789
Other current liabilities	21	1,995	1,811
Derivative financial instruments		1,344	747
Accruals and deferred income		527	495
Current liabilities		**4,379**	**3,935**
Total liabilities		**12,169**	**10,694**
Total equity and liabilities		**20,099**	**18,473**

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 owners of Alpiq Holding	Non-controlling 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 [1] (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 [2]	– 3			45		– 42	0		0
Dividends						– 218	– 218	– 5	– 223
Change in non-controlling interests							0	– 1	– 1
Equity at 31 December 2009	**272**	**4,431**	**– 9**	**0**	**– 178**	**3,204**	**7,720**	**210**	**7,930**

1 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.

2 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 2009 reporting period.

CHF million	Share capital	Share premium	Unrealised gains and losses under IAS 39	Treasury shares	Foreign currency translation reserve	Retained earnings	Attributable to owners of Alpiq Holding	Non-controlling interests	Total equity
Equity at 31 December 2009	**272**	**4,431**	**– 9**	**0**	**– 178**	**3,204**	**7,720**	**210**	**7,930**
Profit for the period						638	638	7	645
Other comprehensive income			– 1		– 538		– 539	– 15	– 554
Total comprehensive income			**– 1**		**– 538**	**638**	**99**	**– 8**	**91**
Dividends						– 237	– 237	– 5	– 242
Equity at 31 December 2010	**272**	**4,431**	**– 10**	**0**	**– 716**	**3,605**	**7,582**	**197**	**7,779**

Alpiq's Board of Directors proposes that the Annual General Meeting on 28 April 2011 approve a dividend of CHF 8.70 per registered share for the financial year 2010 (2009: CHF 8.70). This represents a total payout of CHF 237 million (CHF 237 million). For more details, please refer to the "Appropriation of Retained Earnings" on page 164.

Consolidated Statement of Cash Flows

CHF million	Note	2009	2010
Profit before interest and tax (EBIT)		**1,064**	**970**
Adjustments for:			
Own work capitalised	1, 8	– 79	– 50
Depreciation, amortisation and impairment	4	481	502
Movements in provisions		– 120	– 98
Gain / loss on sale of non-current assets		– 4	– 19
Non-cash gains and losses on investments in associates and joint ventures credited / charged to energy costs	11	78	123
Non-cash change in other non-current and current liabilities	20, 21	– 160	– 175
Non-cash change in fair value of derivative financial instruments		108	– 134
Other non-cash income and expenses		14	– 2
Share of profit of associates	11	– 77	– 97
Dividends received from associates and financial investments		57	61
Interest paid		– 97	– 157
Interest received		2	11
Other finance costs		– 15	– 1
Other finance income		7	5
Income tax paid		– 273	– 254
Changes in working capital (excl. current financial assets / liabilities)		50	– 103
Net cash flows from operating activities		**1,036**	**582**
Property, plant and equipment and intangible assets			
Purchases	8, 9	– 624	– 484
Proceeds from sale		27	58
Subsidiaries			
Acquisitions	28	– 550	– 29
Associates			
Acquisitions	11	– 20	– 59
Proceeds from disposal	11	5	5
Other non-current financial assets			
Purchases	12	– 31	– 107
Proceeds from sale / repayments	12	7	29
Change in term deposits		– 125	277
Purchases / proceeds from sale of current asset investments		– 16	14
Net cash flows used in investing activities		**– 1,327**	**– 296**

Dividends paid	– 218	– 237
Dividends paid to non-controlling interests	– 5	– 5
Proceeds from borrowings	2,631	202
Repayment of borrowings	– 1,708	– 402
Net cash flows from / (used in) financing activities	**700**	**– 442**
Effect of exchange rate changes	**5**	**– 26**
Change in cash and cash equivalents	**414**	**– 182**
Analysis:		
Cash and cash equivalents at 1 January	950	1,364
Cash and cash equivalents at 31 December	1,364	1,182
Change	**414**	**– 182**

Group Accounting Policies

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 17 February 2011 and are subject to approval by shareholders at the Annual General Meeting on 28 April 2011.

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) and IFRIC interpretations which became effective on 1 January 2010.

- IAS 27 amendments: Consolidated and Separate Financial Statements (1 July 2009)
- IAS 39 amendments: Eligible Hedged Items (1 July 2009)
- IFRS 2 amendments: Group Cash-settled Share-based Payment Transactions (1 January 2010)
- IFRS 3 rev.: Business Combinations (1 July 2009)
- IFRIC 17: Distributions of Non-cash Assets to Owners (1 July 2009)

In addition to the above changes, a number of other minor amendments to standards were also approved and adopted as mandatory by the IASB. The majority of these amendments became effective from 1 January 2010. Alpiq had 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 are mandatory for future accounting periods:

- IAS 12 amendments: Deferred Tax: Recovery of Underlying Assets (1 January 2012)
- IAS 24 amendments: Related Party Disclosures (1 January 2011)
- IAS 32 amendments: Financial Instruments: Classification and Accounting for Rights Issues (1 February 2010)
- IFRS 7 amendments: Disclosures – Transfers of Financial Assets (1 July 2011)
- IFRS 9: Financial Instruments: Classification (1 January 2013)
- IFRIC 14 amendments: Prepayments of a Minimum Funding Requirement (1 January 2011)
- IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments (1 July 2010)

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. The majority of these amendments became effective from 1 July 2010.

Certain aspects of the standards and interpretations becoming effective in future periods require additional disclosures in the published consolidated financial statements. The adoption of IFRS 9 from 1 January 2013 will have an effect on the classification and measurement of financial instruments and hedge accounting. The Group does not anticipate that the adoption of other standards and interpretations will have a material impact on the Group's results or financial position.

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. Entities are deconsolidated 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 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 141 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 or loss of control, the cumulative translation differences relating to that subsidiary are recognised in the income statement in the period in which the subsidiary is disposed of or control ceases.

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

Unit	Closing rate at 31 Dec 2009	Closing rate at 31 Dec 2010	Average rate for 2009	Average rate for 2010
1 USD	1.03	0.94	1.09	1.04
1 EUR	1.484	1.250	1.510	1.382
100 CZK	5.60	4.99	5.71	5.46
100 HUF	0.55	0.45	0.54	0.50
100 NOK	17.87	16.03	17.31	17.27
100 PLN	36.15	31.46	34.94	34.62
100 RON	35.02	29.34	35.62	32.86

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. The net assets acquired, comprising identifiable assets, liabilities and contingent liabilities, are recognised at their fair values. Costs incurred in connection with a business combination are expensed as incurred.

Where the Group does not acquire 100 % ownership, the non-controlling interests are recognised as a component of consolidated equity. For each business combination, Alpiq measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. However, non-controlling interests over which the Alpiq Group holds options (call options) or has granted options (written put options) are only recognised as non-controlling interests when the strike price is based on fair value. Such call options are recorded at fair value. Written put options on non-controlling interests are recognised as a liability at the present value of the expected cash outflows.

The Group treats the acquisition of non-controlling 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.

Business combinations prior to 1 January 2010

In comparison to the above-mentioned requirements, the following differences applied using the previous method of accounting for business acquisitions. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

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 accumulated impairment losses, if any.

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 (gas and coal) to generate electricity and stocks of materials to produce goods and services. Inventories are stated at the lower of direct cost, calculated using the average cost method, and net realisable value. Cost includes all expenditures incurred in acquiring the inventories and bringing them to their storage location. 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 beginning 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

As a result of the business combination between Atel, EOS and Emosson in 2009, Alpiq changed its internal organisational and reporting structure and introduced a new management reporting system (MIS) at the beginning of 2010. In this connection, the Group's external segment reporting was reviewed and revised. From 2010, its external segment reporting is based on the Group's internal organisational and management structure and its internal financial reporting. This is consistent with the requirements of IFRS 8, the so-called "management approach".

The reportable segments under IFRS 8 consist of the Energy segment's four business divisions and the Energy Services segment. The Executive Board evaluates each of these separately for the purpose of assessing performance and allocating resources. The CEO has ultimate responsibility. The key measure of performance used for internal management and assessment of the Alpiq Group is operating profit (EBIT). Operating costs comprise energy purchase and generation costs as well as all other operating costs, including employee benefits and services used. Amounts derived from management reporting require no adjustment for financial reporting as the same accounting policies are used for internal and external reporting. Prior year segment information has been restated to reflect the new structures.

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,
- available-for-sale financial assets, and
- other financial liabilities.

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 if the criteria in IAS 39 are met.

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. As a rule, they are subsequently 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 amortised cost, 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 judgements about the carrying values of assets and liabilities that are not readily apparent from market data. 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 long-term assets

The carrying amount of the Alpiq Group's property, plant and equipment, intangible assets (including goodwill) and investments in associates was approximately CHF 13.6 billion at 31 December 2010 (2009: CHF 14.1 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 2010, the carrying amount of the provision for contract risks and losses presented in note 18 was CHF 126 million (2009: CHF 202 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).

Pension schemes

The calculation of the recognised defined benefit assets and liabilities is based on statistical and actuarial assumptions in accordance with IAS 19. The assumptions may differ substantially from actual circumstances due to changes in market conditions and the economic environment, higher or lower exit rates, longer or shorter lives of the plan participants and to other estimated factors. Such deviations may have an impact on the pension scheme assets and liabilities recognised in future reporting periods. The principal assumptions are disclosed in note 23.

Acquisitions and disposals of fully consolidated companies

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

Acquisitions	Ownership interest	Consolidated since	
aurax electro ag, Ilanz / CH [1]	100.0 %	1 Apr 2010	Energy Services
JM-montáže s.r.o., Brno / CZ	100.0 %	1 Jul 2010	Energy Services

1 aurax electro ag integrated into Alpiq InTec East Ltd.

As a result of these acquisitions, the Alpiq Group's consolidated revenue increased by CHF 18 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 and 9) and on the disclosures of retirement benefit obligations (note 23) is presented as "acquisition / disposal of subsidiaries"

Disposal	Ownership interest	De-consolidated on	
Total Energi ASA, Florø / NO	100.0 %	6 Jan 2010	Energy Western Europe

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 the Group Risk 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 Risk 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.

The Group Risk Policy, including its significant components, was comprehensively reviewed during 2010 and revised in line with best practice. The Board of Directors approved the revised policy in December 2010.

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 7 % to 9 %. At the reporting date on 31 December 2010, the equity ratio reached 42.1 % (2009: 39.5 %), while the return on equity in the reporting period was 8.3%. The prior year figure is not representative due to the fresh issue of capital in connection with the EOS/Emosson transaction.

The Group's policy is for debt capital to be raised centrally by Alpiq Holding Ltd. The domestic capital market is the main source of financing. Alpiq Holding Ltd. held 80 % of the Group's total borrowings at 31 December 2010 (2009: 60 %). 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 should range from 2.0 to 2.5 times in the medium term. In the reporting period, the ratio was 2.7 times (2009: 2.4 times).

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

During the budgeting and planning 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 2009	Fair value at 31 Dec 2009	Carrying amount at 31 Dec 2010	Fair value at 31 Dec 2010
Financial assets at fair value through profit or loss					
Securities held for trading	16	20	20	4	4
Positive fair values of derivatives					
Currency and interest rate derivatives		7	7	41	41
Energy derivatives		1,233	1,233	734	734
Total financial assets at fair value through profit or loss (excl. financial assets designated in this category)		**1,260**	**1,260**	**779**	**779**
Financial assets designated in this category					
Financial investments	12	**35**	**35**	**33**	**33**
Held-to-maturity investments					
Assets with fixed maturity					
Loans and receivables					
Cash and cash equivalents	15	1,364	1,364	1,182	1,182
Term deposits		408	408	126	126
Trade receivables	14	1,887	1,887	1,809	1,809
Unbilled revenue	14	179	179	128	128
Other financial receivables	14	342	342	386	386
Loans receivable	12	43	43	115	115
Total loans and receivables		**4,223**	**4,223**	**3,746**	**3,746**
Total financial assets		**5,518**	**5,518**	**4,558**	**4,558**
Financial liabilities through profit or loss					
Negative fair values of derivatives					
Currency and interest rate derivatives		9	9	49	49
Energy derivatives		1,335	1,335	698	698
Total financial liabilities through profit or loss		**1,344**	**1,344**	**747**	**747**
Other financial liabilities					
Trade payables	21	1,249	1,249	1,117	1,117
Bonds	19	2,604	2,762	2,608	2,810
Loans payable	19	2,520	2,522	1,855	1,855
Other financial liabilities, incl. put options		949	949	1,388	1,388
Total other financial liabilities		**7,322**	**7,482**	**6,968**	**7,170**
Total financial liabilities		**8,666**	**8,826**	**7,715**	**7,917**

At 31 December 2010, 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 2010	Level 1	Level 2	Level 3
Assets measured at fair value				
Securities held for trading	4	1	3	
Currency and interest rate derivatives	41	41		
Energy derivatives	734	2	732	
Financial investments	33	25	8	
Financial liabilities measured at fair value				
Currency and interest rate derivatives	49	49		
Energy derivatives	698		698	

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 periods ended 31 December 2010 and 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 2009	Equity 2009	Income statement 2010	Equity 2010
Net gains / losses				
On financial assets and liabilities at fair value through profit or loss	– 21	– 22	57	5
On financial assets designated in this category	– 9		20	
On loans and receivables	– 28		– 9	
Interest income and expense				
Interest income on financial assets not measured at fair value	29		27	
Interest expense on financial liabilities not measured at fair value	– 155		– 167	
From the application of the effective interest rate method	– 65		– 80	

In 2010, an impairment loss of CHF 9 million (2009: CHF 28 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 commodity contracts

At 31 December 2010, 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 proved to be highly effective. Therefore, an unrealised gain of CHF 43 million (2009: loss of CHF 28 million), with a related deferred tax liability of CHF 13 million (deferred tax asset of CHF 8 million), was included in equity at 31 December 2010 in respect of these contracts.

The unrealised gain of CHF 1 million in 2009 on a swap to hedge exposure to price fluctuations for copper deliveries in the Energy Services segment was transferred out of equity. Due to postponements, the hedge was no longer effective.

Interest rate swaps

At 31 December 2010, 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. The hedge relationship for hedging interest payments (cash flows) has proved to be highly effective. The unrealised loss of CHF 4 million (2009: CHF 4 million), with a related deferred tax asset of CHF 1 million (CHF 1 million), was included in equity at 31 December 2010.

Foreign currency hedge

The cash flow agreed for the acquisition of a power generation facility in Spain, with a closing date in early 2011, was hedged in euros. The foreign currency hedge was highly effective. The unrealised loss of CHF 17 million, with a related deferred tax asset of CHF 1 million, was included in equity at 31 December 2010.

The exposure to EUR/CHF foreign currency risk arising from agreed payment flows for a major contract in the Energy Services segment was hedged. The hedge was highly effective. The unrealised loss of CHF 9 million (2009: CHF 1 million), with a related deferred tax asset of CHF 3 million, was included in equity at 31 December 2010.

The hedges recognised in equity, including deferred tax, consist of:

CHF million	Assets 2009	Liabilities 2009	Assets 2010	Liabilities 2010
Forward commodity contracts	1	– 19	11	
Interest rate swaps		– 6		– 9
Foreign currency hedge		– 1		– 23

The amounts recognised in equity at 31 December 2010 are transferred to the income statement over the life of the hedge relationship as energy and commodities are purchased under the underlying contract and to non-current assets in the case of the foreign currency hedge.

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 the Group 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 4,558 million at 31 December 2010 (31 December 2009: CHF 5,518 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.

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 monthly and 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 are 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 2009	31 Dec 2010
Carrying amount before impairment	1,939	1,858
Impaired	52	49
Provision at beginning of year	39	52
Acquisition / disposal of subsidiaries	1	0
Charge for the year	28	9
Amounts written off as uncollectible	– 7	– 3
Unused amounts reversed	– 9	– 1
Exchange differences	0	– 8
Provision at end of year	52	49
Not impaired	1,887	1,809
Not past due	1,711	1,538
1 – 90 days past due	128	225
91 – 180 days past due	25	14
181 – 360 days past due	11	13
Over 360 days past due	12	19

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 97 million (2009: CHF 92 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 are 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 on a monthly rolling basis.

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.

2010: 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	1,117	– 868	– 197	– 47	– 5		– 1,117
Bonds	2,608		– 31	– 53	– 1,599	– 1,459	– 3,142
Loans payable	1,855	– 7	– 12	– 38	– 1,655	– 384	– 2,096
Other financial liabilities	1,388	– 71	– 213	– 1,076	– 26	– 26	– 1,412
Derivative financial instruments							
Net carrying amount of derivative financial instruments	28						
Net carrying amount of energy derivatives	36						
Gross cash inflows		1,493	2,818	10,480	4,762	1	19,554
Gross cash outflows		– 1,532	– 2,812	– 10,650	– 4,671		– 19,665
Net carrying amount of interest rate / currency derivatives	– 8						
Gross cash inflows		739	446	202	258	76	1,721
Gross cash outflows		– 752	– 434	– 213	– 295	– 65	– 1,759

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

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 and currency 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 significantly 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 of settled financial transactions.

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. Due to the sharp depreciation against the Group presentation currency (Swiss francs), the foreign currency risk arising from euro exposures has been hedged since the first half of 2010. Hedging is carried out centrally based on the aggregate euro exposures across the Group. Changes in the market and amounts are monitored on an ongoing basis and the hedges adjusted according to the foreign currency risk.

Translation risk (risk arising on translation of assets and liabilities in annual financial statements) 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 2010 analysis revealed that the possible impact on equity would have been +/– CHF 3 million from interest rate derivatives (2009: +/– CHF 3 million), +/– CHF 22 million from foreign currency hedges (2009: no hedges) and +/– CHF 30 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 2010. 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 2009	+/– Effect on profit for 2009 (before tax)	+/– Change 2010	+/– Effect on profit for 2010 (before tax)
Energy price risk	106.6 %	108.7	99.3 %	35.7
EUR / CHF currency risk	5.3 %	61.6	11.5 %	1.8
EUR / USD currency risk	12.4 %	20.6	13.8 %	9.2
EUR / CZK currency risk	9.3 %	0.9	7.2 %	1.3
EUR / HUF currency risk	13.9 %	0.8	13.1 %	3.1
EUR / NOK currency risk	9.3 %	2.3	8.5 %	3.4
EUR / PLN currency risk	13.3 %	0.9	12.9 %	2.8
EUR / RON currency risk	18.4 %	0.7	12.3 %	0.2
USD / CHF currency risk	12.0 %	0.3	12.3 %	0.2
CHF / CZK currency risk	16.6 %	4.2		
CHF / HUF currency risk	22.4 %	1.1		
CHF / RON currency risk			12.4 %	9.5
Interest rate risk	1.0 %	32.2	1.0 %	43.1
Equity price risk	7.0 %	3.6	15.6 %	5.9

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	2009	2010
Electricity purchased from third parties	8,999	8,461
Electricity purchased from associates (joint ventures) [1]	617	655
Electricity purchased from associates (other companies)	725	480
Other energy purchases	599	710
Cost of inventories	1,131	1,158
Total	**12,071**	**11,464**

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

3 Employee costs

CHF million	2009	2010
Wages and salaries	798	807
Defined benefit pension costs	39	31
Defined contribution pension costs	7	7
Compulsory social security contributions	27	26
Other employee costs	99	115
Total	**970**	**986**

Average number of employees

	2009	2010
Employees (full-time equivalents)	9,940	10,415
Apprentices	689	618
Total	**10,629**	**11,033**

Number of employees at the reporting date

	31 Dec 2009	31 Dec 2010
Employees (full-time equivalents)	10,160	10,814
Apprentices	635	629
Total	**10,795**	**11,443**

4 Depreciation, amortisation and impairment

CHF million	2009	2010
Depreciation of property, plant and equipment	272	285
Amortisation of energy purchase rights	163	168
Amortisation of other intangible assets	46	49
Total	**481**	**502**

As in the previous year, no charges for impairment of assets were recognised during 2010.

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

5 Net finance costs

CHF million	2009	2010
Interest income	16	13
Interest expense (incl. interest on provisions and other non-current liabilities)	– 180	– 187
Capitalised borrowing costs	13	14
Dividend income from financial investments	1	1
Foreign exchange gains / (losses), net	– 4	– 1
Other finance income / (costs), net	– 10	4
Total	**– 164**	**– 156**

6 Income tax expense

Income tax recognised directly in equity

CHF million	2009	2010
Current income tax	0	0
Deferred income tax	4	– 10
Total	**4**	**– 10**

Income tax expense charged to the income statement

CHF million	2009	2010
Current income tax	252	227
Deferred income tax	– 28	– 58
Total	**224**	**169**

Reconciliation

CHF million	2009	2010
Profit before income tax	900	814
Expected income tax rate (weighted average)	22.8 %	24.6 %
Income tax at the expected income tax rate	205	200
Increase / (decrease) in income tax expense due to:		
Effect of non-deductible expenses for tax purposes	19	9
Effect of adjustments in respect of prior periods	– 5	– 9
Effects of income exempt from tax	– 13	– 30
Effect of valuation of tax loss carry-forwards	22	– 3
Effect of changes in tax rates	2	0
Other effects	– 6	2
Total income tax expense	**224**	**169**
Effective income tax rate (weighted average)	24.9 %	20.8 %

The change in the expected income tax rate from 22.8 % to 24.6 % (2009: 23.7 % to 22.8 %) was mainly due to the change in the proportions of total profit generated by the Group's subsidiaries in the various countries.

Deferred tax assets and liabilities by origination of temporary differences

CHF million	31 Dec 2009	31 Dec 2010
Tax losses not yet used	12	17
Property, plant and equipment	15	12
Current assets	14	10
Provisions and liabilities	36	43
Total deferred tax assets	**77**	**82**
Property, plant and equipment	496	511
Other non-current assets	919	882
Current assets	61	100
Provisions and liabilities	249	154
Total deferred tax liabilities	**1,725**	**1,647**
Net deferred tax liability	**1,648**	**1,565**

At 31 December 2010, several subsidiaries had tax loss carry-forwards totalling CHF 213 million (2009: CHF 232 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 149 million (2009: CHF 208 million).

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

CHF million	31 Dec 2009	31 Dec 2010
Within 1 year	3	0
Within 2 – 3 years	32	49
After 3 years	173	100
Total	**208**	**149**

7 Earnings per share

	2009	2010
Total shares issued at 31 December	27,189,873	27,189,873
Less treasury shares at 31 December	0	0
Shares outstanding at 31 December	27,189,873	27,189,873
Weighted average number of shares outstanding	26,749,165	27,189,873
Net profit attributable to owners of Alpiq Holding (CHF million)	666	638
Earnings per share (CHF)	**24.90**	**23.46**

Due to the transactions conducted at the end of January 2009 in connection with the acquisition of the operations and assets of EOS and Emosson, the number of registered shares issued showed a net increase of 5,351,955 in the previous year.

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

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 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 (3.0 % 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**
Acquisition / disposal of subsidiaries	2			1		3
Additions	20	89	36	91	225	461
Own work capitalised		1	5	1	43	50
Capitalised borrowing costs (3.1 % interest)					14	14
Transfers	12	132	19	12	– 179	– 4
Disposals	– 5	– 7	– 80	– 28	– 6	– 126
Exchange differences	– 16	– 200	– 1	– 41	– 111	– 369
Gross carrying amount at 31 December 2010	**395**	**4,193**	**1,638**	**496**	**963**	**7,685**
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**
Depreciation charge	12	154	54	61	4	285
Transfers		– 4	– 1	1		– 4
Disposals		– 7	– 54	– 27	– 4	– 92
Exchange differences	– 7	– 74		– 25		– 106
Accum. depreciation at 31 December 2010	**82**	**887**	**771**	**267**	**0**	**2,007**
Net carrying amount at 31 December 2009	305	3,360	887	203	977	5,732
Net carrying amount at 31 December 2010	**313**	**3,306**	**867**	**229**	**963**	**5,678**

At the reporting date, the Group had contractual commitments of CHF 75 million (2009: CHF 312 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 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**
Acquisition / disposal of subsidiaries		5	1	6
Additions	15	16	8	39
Transfers			– 11	– 11
Disposals			– 16	– 16
Exchange differences	– 28	– 43	– 30	– 101
Gross carrying amount at 31 December 2010	**2,135**	**659**	**510**	**3,304**
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**
Amortisation charge	168		49	217
Transfers				0
Disposals			– 11	– 11
Exchange differences	– 12		– 4	– 16
Accum. amortisation at 31 December 2010	**810**	**0**	**182**	**992**
Net carrying amount at 31 December 2009	1,494	681	410	2,585
Net carrying amount at 31 December 2010	**1,325**	**659**	**328**	**2,312**

No borrowing costs were capitalised in 2009 and 2010.

The carrying amount of other intangible assets with indefinite useful lives was CHF 45 million at 31 December 2010 (2009: 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	Pre-tax discount rate at 31 Dec 2009	Post-tax discount rate at 31 Dec 2009	Carrying amount at 31 Dec 2009	Pre-tax discount rate at 31 Dec 2010	Post-tax discount rate at 31 Dec 2010	Carrying amount at 31 Dec 2010
Energy segment						
Power Generation Switzerland	6.5 %	5.4 %	398	5.7 %	4.9 %	397
Power Generation Central Europe	11.9 %	9.3 %	122	10.2 %	8.8 %	103
Power Generation / Sales Italy	11.6 %	8.3 %	25	11.2 %	7.1 %	21
Power Generation / Sales Nordic	9.5 %	7.0 %	8	8.3 %	6.2 %	6
Sales Central Europe	14.8 %	13.0 %	59	12.7 %	10.3 %	62
Sales Spain	10.2 %	7.3 %	2	10.9 %	7.8 %	2
Grid Switzerland	6.3 %	4.5 %	45	5.1 %	4.0 %	45
Energy Services segment						
AIT business unit	8.2 %	6.2 %	48	7.2 %	5.7 %	48
AAT business unit	10.3 %	7.1 %	19	9.4 %	6.6 %	20
Total			**726**			**704**

Due to the structural changes in the Alpiq Group's organisation, the cash-generating units were redefined. These changes had no impact on the recoverable amount of goodwill.

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 2009 and 2010. 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.

In addition to the above calculations based on internal financial budgets, scenarios using valuation models of third parties were evaluated for Market Italy. According to management's best estimate, the value in use was CHF 13 million higher than the carrying amount at 31 December 2010. Sensitivities derived from this show that the value in use would equal the carrying amount if the interest rate were to increase by 0.03 percentage points or the growth rate were to decrease by 0.4 percentage points during the budget period.

For all the other 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 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
PPA impact of 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**
Additions	57	2	59
Dividend	– 24	– 36	– 60
Share of profit	25	72	97
IAS 39 effects taken to equity		– 6	– 6
Effects charged / credited to energy costs			
IFRS reconciliation for consolidation	– 24		– 24
PPA impact of EOS (see note 28)	– 99		– 99
Disposals	– 5		– 5
Exchange differences		– 219	– 219
Carrying amount at 31 December 2010	**3,772**	**1,801**	**5,573**

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 765 million at 31 December 2010 (31 December 2009: CHF 997 million). The carrying amount of these companies was CHF 913 million at the reporting date (CHF 952 million). The Alpiq Group continuously monitors movements in the market value of the listed companies. If the carrying amount of individual companies significantly exceeds the Group's share of their market value for a prolonged period, the Group performs an impairment test based on current medium-term plans (value in use analysis). The impairment test using these value in use analyses showed no need to recognise an impairment loss at the reporting date on 31 December 2010. Applying a "management's best estimate" approach, the values in use were CHF 37 million higher than the carrying amount at 31 December 2010. Sensitivities derived from this show that the value in use would equal the carrying amount if the interest rates applied were to increase by 0.1 and 0.3 percentage points respectively.

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

		Joint ventures		Other companies
CHF million	2009	2010	2009	2010
Non-current assets	6,733	6,690	3,005	2,739
Current assets	242	266	796	885
Non-current liabilities	2,779	2,872	1,186	845
Current liabilities	354	312	627	978
Income	702	670	1,904	1,944
Expenses	– 678	– 645	– 1,851	– 1,872

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 2010 was CHF 631 million (2009: CHF 630 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 Other non-current financial assets

CHF million	Financial investments	Loans receivable	Total
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**
Additions	1	106	107
Changes in fair value	– 2		– 2
Disposals	– 1	– 28	– 29
Exchange differences		– 6	– 6
Carrying amount at 31 December 2010	**33**	**115**	**148**

13 Inventories

At the reporting date, inventories primarily included fuels (gas and coal) carried at an amount of CHF 76 million (2009: CHF 89 million) as well as consumables and supplies valued at CHF 40 million (CHF 44 million).

14 Receivables

CHF million	31 Dec 2009	31 Dec 2010
Trade receivables	1,887	1,809
Prepayments to suppliers	64	24
Unbilled revenue	179	128
Other receivables	342	386
Total	**2,472**	**2,347**

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 1,942 million (2009: CHF 2,340 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 2009	31 Dec 2010
Unbilled revenue (gross)	789	887
Advances received from customers	– 610	– 759
Unbilled revenue (net)	**179**	**128**

15 Cash and cash equivalents

CHF million	31 Dec 2009	31 Dec 2010
Cash at bank and in hand	1,006	1,081
Term deposits with a maturity of 90 days or less	358	101
Total	**1,364**	**1,182**

Cash at bank and in hand includes CHF 15 million (2009: CHF 92 million) that is restricted to provide collateral to energy trading exchanges and transmission system operators.

16 Current asset investments

This item comprises only securities held for trading.

17 Equity

Share capital

The share capital of CHF 271.9 million (2009: CHF 271.9 million) consists of 27,189,873 registered shares of CHF 10 each (21,189,873 registered shares) and is fully paid up. Shareholders registered in the share register were:

%	Ownership interest at 31 Dec 2009	Ownership interest at 31 Dec 2010
EOS HOLDING SA (EOSH)	31.4	31.4
EDF Alpes Investissements Sàrl (EDFAI)	25.0	25.0
EBM (Genossenschaft Elektra Birseck)	13.6	13.6
EBL (Genossenschaft Elektra Baselland)	7.1	7.1
Canton of Solothurn	5.6	5.6
A2A S.p.A.	5.2	0.0
EnBW Energie Baden-Württemberg	2.3	2.3
Aziende Industriali di Lugano (AIL)	2.1	2.1
IBAarau (IBA)	2.0	2.0
Wasserwerke Zug (WWZ)	0.9	0.9
Free float	4.8	10.0

18 Provisions

CHF million	Contract risks and losses	Retirement benefit provisions	Other provisions	Total
Balance of non-current provisions at 31 December 2009	**124**	**172**	**90**	**386**
Current provisions	78	8	51	137
Total provisions at 31 December 2009	**202**	**180**	**141**	**523**
Arising during the year		1	41	42
Unwinding of discount	3	7	1	11
Utilised	– 36	– 7	– 31	– 74
Unused amounts reversed	– 43	– 4	– 19	– 66
Transfers			3	3
Exchange differences		– 23	– 14	– 37
Total provisions at 31 December 2010	**126**	**154**	**122**	**402**
Less current provisions	– 72	– 7	– 56	– 135
Balance of non-current provisions at 31 December 2010	**54**	**147**	**66**	**267**
Expected cash outflows				
Within 12 months	– 72	– 7	– 56	– 135
Within 1 – 5 years	– 54	– 42	– 66	– 162
After 5 years		– 105		– 105
Total	**– 126**	**– 154**	**– 122**	**– 402**

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 2009	31 Dec 2010
Bonds at amortised cost	2,604	2,608
Loans payable	2,520	1,855
Total	**5,124**	**4,463**

Bonds outstanding at the reporting date

CHF million	Term	Earliest redemption date	Effective interest rate %	Carrying amount at 31 Dec 2009	Carrying amount at 31 Dec 2010
Alpiq Holding Ltd. CHF 200 million face value, 3 % fixed rate	2009 / 2014	10 Feb 2014	3.201	198	199
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	149	149
Alpiq Holding Ltd. CHF 250 million face value, 3 1/4 % fixed rate	2009 / 2015	3 Jul 2015	3.447	248	248
Alpiq Holding Ltd. CHF 250 million face value, 4 % fixed rate	2009 / 2017	10 Feb 2017	4.174	247	248
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	493
Alpiq Holding Ltd. CHF 300 million face value, 3 1/8 % fixed rate [1, 2]	2003 / 2013	16 Sep 2013	3.125	300	300
Alpiq Holding Ltd. CHF 250 million face value, 3 1/4 % fixed rate [2]	2008 / 2015	25 Mar 2015	3.547	247	247
Alpiq Holding Ltd. CHF 250 million face value, 2 5/8 % fixed rate [2]	2006 / 2018	1 Mar 2018	2.790	246	247
Alpiq Holding Ltd. CHF 125 million face value, 2 7/8 % fixed rate [2]	2006 / 2014	22 Sep 2014	3.120	124	124
Emosson SA CHF 130 million face value, 2 1/4 % fixed rate	2005 / 2017	26 Oct 2017	2.250	130	130

1 The bond issue is measured at face value, which approximates amortised cost. As a result, the reported nominal and effective interest rates are identical.
2 Bonds issued by Alpiq Ltd. and Alpiq Suisse Ltd. which were transferred to Alpiq Holding Ltd. in December 2010 by way of substitution of issuer.

The market value of fixed rate bonds outstanding at the reporting date was CHF 2,810 million (2009: CHF 2,762 million). The weighted interest rate on bonds issued at the reporting date, relative to face value, was 3.17 % (2009: 3.17 %).

Loans payable

CHF million	31 Dec 2009	31 Dec 2010
Maturing between 1 and 5 years	2,074	1,517
Maturing in more than 5 years	446	338
Total	**2,520**	**1,855**

The market value of loans payable was CHF 1,855 million at the reporting date (2009: CHF 2,522 million). The weighted interest rate on loans payable at the reporting date, relative to nominal value, was 3.09 % (2.88 %). Loans of CHF 789 million maturing within 360 days are recorded as short-term borrowings at the reporting date on 31 December 2010 (31 December 2009: CHF 388 million).

20 Other non-current liabilities

CHF million	31 Dec 2009	31 Dec 2010
Written put options	13	7
Other non-current payables	542	375
Total	**555**	**382**
Maturities		
Between 1 and 5 years	462	352
More than 5 years	93	30
Total	**555**	**382**

21 Other current liabilities

CHF million	31 Dec 2009	31 Dec 2010
Trade payables	1,249	1,117
Other payables	540	532
Advances from customers	206	162
Total	**1,995**	**1,811**

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 1,942 million (2009: CHF 2,340 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.

2010: Transactions between the Group and related companies

CHF million	Associates	Joint ventures	Other related companies
Total revenue and other income			
Revenue from energy sales	861	67	412
Other service revenue	71	34	
Operating expenses			
Energy costs	– 480	– 631	– 1,216
Other service costs	– 75	– 1	– 2
Finance income and costs			
Interest income		3	
Interest expense			– 22

Outstanding balances with related companies at the reporting date

CHF million	Associates	Joint ventures	Other related companies
Receivables			
Trade receivables	89	15	13
Non-current financial receivables	2	56	
Current financial receivables	1	5	
Other receivables	4	11	1
Payables			
Trade payables	59	27	54
Non-current financial payables			520
Current financial payables		40	200
Other current liabilities			

Directors and key management personnel

In 2010, Directors of the Alpiq Group received aggregate remuneration of CHF 3.1 million (2009: CHF 4.2 million). As in the previous year, no termination benefits were paid. Remuneration paid to the Executive Board in the same period totalled CHF 12.0 million (CHF 9.3 million), of which CHF 10.1 million (CHF 7.7 million) was regular remuneration and CHF 1.9 million (CHF 1.6 million) for pension benefits. As in the previous year, no termination benefits were paid.

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			

23 Retirement benefit obligations

Net benefit expense recognised in the income statement

CHF million	2009	2010
Current service cost	27	29
Interest cost	37	37
Expected return on plan assets	– 30	– 35
Actuarial (gains) / losses recognised in the year (§ 92 f)	4	0
Past service cost	3	0
Effect of the limit in § 58(b)	1	0
Plan curtailment / settlement	– 2	0
Other pension costs	– 1	0
Net benefit expense	**39**	**31**

Difference between the expected and actual return on plan assets

CHF million	2009	2010
Expected return on plan assets	30	35
Actuarial gains / (losses) on plan assets	52	– 5
Actual return on plan assets	**82**	**30**

Amounts for the current and previous four reporting periods

CHF million	2006	2007	2008	2009	2010
Present value of defined benefit obligation	752	757	780	1,048	1,156
Fair value of plan assets	569	633	580	865	915
Deficit / (surplus) in all plans	183	124	200	183	241
Deficit / (surplus) in funded plans only	9	– 34	57	36	116
Experience adjustments on plan liabilities	37	3	42	10	12
Experience adjustments on plan assets	18	10	– 107	52	– 5

Retirement benefit obligations recognised in the statement of financial position

CHF million	2009	2010
Present value of funded defined benefit obligation	901	1,031
Fair value of plan assets	865	915
Deficit / (surplus)	36	116
Present value of unfunded defined benefit obligation	147	125
Unrecognised actuarial gains / (losses)	– 15	– 103
Net liability in the statement of financial position	**168**	**138**
Recognised asset	– 12	– 16
Recognised liability	180	154

Changes in the present value of the defined benefit obligation

CHF million	2009	2010
Defined benefit obligation at 1 January	**780**	**1,048**
Interest cost	37	37
Current service cost	27	29
Contributions by plan participants	14	17
Past service cost	3	0
Benefits paid	– 19	– 46
Acquisition / disposal of subsidiaries	192	6
Plan amendment / settlement	– 43	0
Other movements [1]	55	4
Actuarial (gains) / losses	2	84
Exchange differences	0	– 23
Defined benefit obligation at 31 December	**1,048**	**1,156**

1 In the 2009 financial year, Alpiq assumed the obligations (CHF 54 million) for former participants in the pension fund of Motor-Columbus Ltd., who are participating in the multi-employer pension scheme in the Energy segment. The assumption of these obligations had no impact on the company's pension costs.

Changes in the fair value of plan assets

CHF million	2009	2010
Fair value of plan assets at 1 January	**580**	**865**
Expected return on plan assets	30	35
Contributions by employer	35	40
Contributions by plan participants	14	17
Benefits paid	– 19	– 46
Acquisition / disposal of subsidiaries	158	5
Other movements	56	4
Plan amendment / settlement	– 41	0
Actuarial gains / (losses)	52	– 5
Fair value of plan assets at 31 December	**865**	**915**

Analysis of the fair value of plan assets

CHF million	2009	2010
Equity instruments of the company	0	0
Equity instruments of third parties	334	356
Debt instruments of the company	0	0
Debt instruments of third parties	364	376
Property occupied by the company	0	0
Property not occupied by the company	121	128
Other	46	55
Total fair value of plan assets	**865**	**915**

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

%	2009	2010
Discount rate	3.61	3.01
Expected rate of return on plan assets	4.00	4.00
Future salary increases	1.92	1.87
Future pension increases	0.28	0.22

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

CHF million	2010	2011
Contributions by employer	33	36
Contributions by plan participants	15	16

24 Contingent liabilities and guarantees

Guarantees to third parties totalled CHF 2,033 million at the reporting date (2009: CHF 1,903 million).

CHF million	31 Dec 2009	31 Dec 2010
Guarantees to third parties		
Commercial guarantees from banks and insurance companies	1,078	1,002
Commercial guarantees	825	1,031
Total	**1,903**	**2,033**

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

25 Pledged assets

CHF million	31 Dec 2009	31 Dec 2010
Mortgaged property	7	4
Interests in generation facilities	796	677
Total	**803**	**681**

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 period

No events requiring disclosure have occurred since the end of the reporting period on 31 December 2010.

27 Segment information

The Energy Switzerland business division comprises power generation in power stations owned by the Group or operated by joint ventures as well as sales to end customers and sales partners in Switzerland. All transmission network activities are also included in this segment.

The Energy Western Europe business division includes energy generation, energy sales, trading and distribution in the Italian, French, Spanish and Nordic markets.

The Energy Central Europe business division combines energy generation and energy sales in Germany, Poland, the Czech Republic, Hungary and other East European countries.

The Trading & Services business division includes the Swiss and European trading activities in electricity, gas, other commodities and certificates.

The reconciliation of business division profit to the Energy segment's profit is combined in "Energy segment other and consolidation". This includes results of investments which cannot be directly allocated to the business divisions (financial and non-strategic investments), consolidation adjustments and items of expense and income that cannot be influenced at business division level. A list of the items is shown on page 133.

The Energy Services segment consists of the operations of two corporate groups, Alpiq InTec (AIT) and Alpiq Anlagentechnik (AAT): the Swiss-based AIT Group is mainly focused on Building Services and Transport Technology in Switzerland and Italy, whereas the German-based AAT Group is primarily engaged in the core businesses of Industrial and Power Plant Engineering as well as Energy Supply and Communications Technology across much of Europe.

Segment profit is reconciled to the Alpiq Group's consolidated figures in "Group Corporate Centre, other and consolidation". This reconciliation includes the activities of the corporate headquarters, including IT, as well as consolidation adjustments and eliminations.

2010: Information by operating segment

CHF million	Energy Switzerland	Energy Western Europe	Energy Central Europe	Trading & Services	Energy segment other and consolidation	Energy segment	Energy Services segment	Group Corporate Centre, other and consolidation	Alpiq Group
External revenue from energy sales / construction contracts	3,310	3,380	3,183	2,129	– 32	11,970	2,118	– 21	14,067
Revenue from trading in energy derivatives									
– Proprietary trading				6		6			6
– Hedges	2	7	9	15	6	39		– 8	31
Total external net revenue	**3,312**	**3,387**	**3,192**	**2,150**	**– 26**	**12,015**	**2,118**	**– 29**	**14,104**
Inter-segment revenue	275	181	129	730	– 1,318	– 3	4	– 1	0
Total net revenue	**3,587**	**3,568**	**3,321**	**2,880**	**– 1,344**	**12,012**	**2,122**	**– 30**	**14,104**
Other income	76	8	5	1	37	127	18	36	181
Share of profit of associates	32	11	1		51	95	1	1	97
Total revenue and other income	**3,695**	**3,587**	**3,327**	**2,881**	**– 1,256**	**12,234**	**2,141**	**7**	**14,382**
Operating costs	– 2,888	– 3,322	– 3,107	– 2,840	1,273	– 10,884	– 1,999	– 27	– 12,910
EBITDA	**807**	**265**	**220**	**41**	**17**	**1,350**	**142**	**– 20**	**1,472**
Depreciation and amortisation	– 290	– 72	– 69	– 5		– 436	– 44	– 22	– 502
EBIT	**517**	**193**	**151**	**36**	**17**	**914**	**98**	**– 42**	**970**
Property, plant and equipment	3,865	762	773			5,400	210	68	5,678
Intangible assets	1,815	138	239			2,192	116	4	2,312
Investments in associates	4,194	808	3		558	5,563	2	8	5,573
Total non-current assets	**9,874**	**1,708**	**1,015**	**0**	**558**	**13,155**	**328**	**80**	**13,563**
Net capital expenditure on property, plant and equipment and intangible assets	– 91	– 161	– 92			– 344	– 49	– 33	– 426
Number of employees at the reporting date	612	462	735	168		1,977	9,050	416 [1]	11,443

1 Including employees transferred from other business divisions during 2010.

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 2010 had a contract volume of 5.577 TWh (31 December 2009: 8.988 TWh). The gross values of these contract volumes at 31 December 2010 were 791.8 TWh (2009: 784.9 TWh) or CHF 39 billion (CHF 55 billion).

There was no revenue from transactions with a single external customer amounting to 10 % or more of the Alpiq Group's consolidated net revenue.

A reconciliation of the business divisions' operating profit (EBIT) to the Energy Segment comprises positive CHF 67 million (2009: positive CHF 103 million) from the reversal of provisions no longer required (primarily for contract risks), positive CHF 51 million (positive CHF 37 million) for the share of profit of non-strategic associates, negative CHF 86 million (negative CHF 61 million) for intra-group services, and negative CHF 15 million (positive CHF 4 million) for consolidation adjustments and items of expense and income not attributable to the period. The prior year period additionally included a bad debt loss of CHF 41 million and depreciation and amortisation of negative CHF 15 million.

2009: Information by operating segment

CHF million	Energy Switzerland	Energy Western Europe	Energy Central Europe	Trading & Services	Energy segment other and consolidation	Energy segment	Energy Services segment	Group Corporate Centre, other and consolidation	Alpiq Group
External revenue from energy sales / construction contracts	3,441	3,484	3,535	2,225	83	12,768	2,065	1	14,834
Revenue from trading in energy derivatives									
– Proprietary trading				21		21			21
– Hedges		4	– 41		4	– 33			– 33
Total external net revenue	**3,441**	**3,488**	**3,494**	**2,246**	**87**	**12,756**	**2,065**	**1**	**14,822**
Inter-segment revenue	1,419	180	200	1,704	– 3,503	0	62	– 62	0
Total net revenue	**4,860**	**3,668**	**3,694**	**3,950**	**– 3,416**	**12,756**	**2,127**	**– 61**	**14,822**
Other income	54	8	5		161	228	29	– 22	235
Share of profit of associates	28	9	1		37	75		2	77
Total revenue and other income	**4,942**	**3,685**	**3,700**	**3,950**	**– 3,218**	**13,059**	**2,156**	**– 81**	**15,134**
Operating costs	– 4,173	– 3,434	– 3,417	– 3,823	3,260	– 11,587	– 2,012	10	– 13,589
EBITDA	**769**	**251**	**283**	**127**	**42**	**1,472**	**144**	**– 71**	**1,545**
Depreciation and amortisation	– 257	– 69	– 82		– 15	– 423	– 43	– 15	– 481
EBIT	**512**	**182**	**201**	**127**	**27**	**1,049**	**101**	**– 86**	**1,064**
Property, plant and equipment	3,892	735	829			5,456	217	59	5,732
Intangible assets	1,951	207	293			2,451	134		2,585
Investments in associates	4,259	946	3		612	5,820	1	9	5,830
Total non-current assets	**10,102**	**1,888**	**1,125**	**0**	**612**	**13,727**	**352**	**68**	**14,147**
Net capital expenditure on property, plant and equipment and intangible assets	– 103	– 353	– 67			– 523	– 45	– 29	– 597
Number of employees at the reporting date	682	399	762	146		1,989	8,456	350	10,795

2010: Information by geographical area

CHF million	Switzerland	Italy	Germany	France	Poland	Spain	Czech Republic	Other countries	Alpiq Group
External revenue	2,545	2,427	2,769	2,227	861	480	405	2,390	14,104
Property, plant and equipment	3,893	443	111	477		1	482	271	5,678
Intangible assets	1,874	88	18	77	8	4	28	215	2,312
Investments in associates	4,379	1,166	3	19				6	5,573
Total non-current assets	**10,146**	**1,697**	**132**	**573**	**8**	**5**	**510**	**492**	**13,563**

2009: Information by geographical area

CHF million	Switzerland	Italy	Germany	France	Poland	Spain	Czech Republic	Other countries	Alpiq Group
External revenue	2,415	2,758	2,660	2,121	632	339	499	3,398	14,822
Property, plant and equipment	3,870	455	142	444			551	270	5,732
Intangible assets	2,172	92	33	1		3	40	244	2,585
Investments in associates	4,418	1,371	3	32				6	5,830
Total non-current assets	**10,460**	**1,918**	**178**	**477**	**0**	**3**	**591**	**520**	**14,147**

Net revenue from external customers by country is allocated based on the customer's country of domicile. Non-current assets consist of property, plant and equipment, intangible assets and investments in the respective countries. Those countries in which Alpiq generated the most net revenue in the reporting period and/or previous year are presented separately in this segment information. Net revenue generated in other countries is aggregated under "Other countries".

28 Business combinations

Business combinations 2010

In 2010, the following companies were acquired and included in the consolidated financial statements:

- Energy Services segment:
  01 Apr 2010: 100 % of aurax electro ag, Ilanz / CH [1]
  01 Jul 2010: 100 % of JM-montáže s.r.o., Brno / CZ

The acquisition costs totalled CHF 13 million and have been allocated as follows in the statement of financial position:

				Energy Services segment
		AIT		AAT
CHF million	IFRS carrying amount	Fair value	IFRS carrying amount	Fair value
Property, plant and equipment	1	1	2	2
Intangible assets				1
Cash and cash equivalents	2	2	2	2
Other current assets	1	1	4	4
Other current and non-current liabilities	–1	–1	–4	–5
Net assets acquired	**3**	**3**	**4**	**4**
Goodwill arising on acquisition		2		4
Net cash flow on acquisition:				
Cash and cash equivalents acquired with subsidiaries		2		2
Acquisition-related costs		–5		–8
Net cash flow		**–3**		**–6**

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 18 million to revenue and CHF 1 million to the net profit of the Group. If the acquisitions had taken place on 1 January 2010, consolidated revenue would have been CHF 28 million higher and the Group's net profit would have been CHF 1 million higher. Had the businesses been included in the 2009 financial year, the Group's revenue would have increased by CHF 28 million and the contribution to the Group's net profit would have been below the materiality threshold.

1 The company was integrated into Alpiq InTec East Ltd., Zurich / CH in the reporting period.

In the reporting period, final payments totalling CHF 20 million were made in respect of businesses acquired in the first half of 2009. Of this amount, CHF 4 million was already included in the prior year's purchase price allocation.

Business combination of Atel and EOS in 2009

In December 2008, the Boards of Directors of former 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. Another portion was paid from existing cash resources.

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 identified 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
Non-controlling 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**

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.

Other business combinations in 2009

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 [2]

- Energy Services segment:
  28 Mar 2009: 100 % of Rossetto Impianti S.p.A., Verona / IT [3]

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**

In the 2009 financial year, 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 2008.

1 The interest was increased from 40 % to 100 % in the 2009 financial year. The shares acquired were below the materiality threshold. The company was renamed Aare-Tessin Ltd. for Electricity in 2009.
2 Im Geschäftsjahr 2010 wurden die beiden Gesellschaften Hispaelec Energia S.A.U. und Alpiq Energía España S.A.U. zusammengeführt. Die zusammengeführte Einheit firmiert als Alpiq Energía España S.A.U. mit Domizil in Barcelona / ES.
3 Rossetto Impianti S.p.A. was integrated into Alpiq InTec Verona S.p.A. in the 2009 financial year.

29 Business disposals

Total Energi ASA, Florø / NO, a Norwegian energy supply utility, was disposed of during the reporting period. No businesses or companies were sold in the previous year.

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

CHF million	2009	2010
Intangible assets (incl. goodwill)		1
Cash and cash equivalents		2
Other current assets		1
Other current and non-current liabilities		– 2
Net assets disposed of	**0**	**2**

Cash flows arising on the disposal of this subsidiary were as follows:

Net cash flow on disposal

CHF million	2009	2010
Cash and cash equivalents disposed of with subsidiary		2
Consideration received		2
Net cash flow	0	0

Subsidiaries and Investments

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 Holding Ltd.	Neuchâtel	CHF	271.90	100.0	F	H	31 Dec
Alpiq Deutschland GmbH	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 Finanzbeteiligungen Ltd.	Olten	CHF	0.10	100.0	F	H	31 Dec
Alpiq Re (Guernsey) Ltd.	Guernsey / GB	EUR	3.00	100.0	F	S	31 Dec
MC Venture Finance N.V.	Curaçao / AN	USD	0.01	100.0	F	S	31 Dec
Motor-Columbus Ltd.	Olten	CHF	2.00	100.0	F	S	31 Dec

Energy segment

Trading, sales, supply, power generation and services

	Place of incorporation	Currency	Issued capital in millions	Direct ownership interest in % (voting rights)	Consoli-dation method	Business activity	Reporting date
Aare-Tessin Ltd. for Electricity	Olten	CHF	0.05	100.0	F	S	31 Dec
Aarewerke AG	Klingnau	CHF	16.80	10.1	E	G	30 Jun
AEK Energie AG	Solothurn	CHF	6.00	38.7	E	SU	31 Dec
AlpEnergie Suisse S.à.r.l.	Lausanne	CHF	0.02	100.0	F	S	31 Dec
Alpiq Ltd.	Olten	CHF	303.60	100.0	F	SU	31 Dec
Alpiq (CZ) s.r.o.	Prague / CZ	CZK	0.10	100.0	F	S	31 Dec
Alpiq Csepel Kft.	Budapest / HU	HUF	4,930.10	100.0	F	G	31 Dec
Alpiq Csepeli Erőmű Kft.	Budapest / HU	HUF	856.00	100.0	F	G	31 Dec
Alpiq Csepeli Szolgáltató Kft.	Budapest / HU	HUF	20.00	100.0	F	S	31 Dec
Alpiq Denmark A/S	Aalborg / DK	DKK	0.50	100.0	F	S	31 Dec
Alpiq EcoPower Ltd. [1]	Olten	CHF	0.50	100.0	F	S	31 Dec
Alpiq EcoPower Italia Ltd. [2]	Olten	CHF	0.50	100.0	F	S	31 Dec
Alpiq EcoPower Scandinavia AS	Oslo / NO	NOK	50.00	100.0	F	G	31 Dec
Alpiq EcoPower Switzerland Ltd. [3]	Olten	CHF	25.00	100.0	F	G	31 Dec

Alpiq Energía España S.A.U. [4]	Barcelona / ES	EUR	7.50	100.0	F	SU	31 Dec
Alpiq Energia Italia S.p.A.	Milan / IT	EUR	20.00	100.0	F	SU	31 Dec
Alpiq Energie Deutschland AG	Düsseldorf / DE	EUR	0.50	100.0	F	SU	31 Dec
Alpiq Energie France S.A.S.	Paris / FR	EUR	0.50	100.0	F	SU	31 Dec
Alpiq Energija BH d.o.o.	Sarajevo / BA	EUR	0.00	100.0	F	SU	31 Dec
Alpiq Energija Hrvatska d.o.o.	Zagreb / HR	HRK	0.02	100.0	F	T	31 Dec
Alpiq Energija Lietuva UAB	Vilnius / LT	LTL	0.01	100.0	F	T	31 Dec
Alpiq Energija RS d.o.o. Beograd	Belgrade / RS	RSD	139.00	100.0	F	T	31 Dec
Alpiq Energy Albania SHPK	Tirana / AL	ALL	17.63	100.0	F	SU	31 Dec
Alpiq Energy SE [5]	Prague / CZ	EUR	0.16	100.0	F	SU	31 Dec
Alpiq Energy Skopje DOOEL	Skopje / MK	MKD	4.92	100.0	F	T	31 Dec
Alpiq Energy Ukraine LLC [1]	Kiev / UA	UAH	1.16	100.0	F	T	31 Dec
Alpiq EnerTrans AG [1]	Niedergösgen	CHF	0.25	100.0	F	S	31 Dec
Alpiq Eurotrade S.à r.l.	Luxembourg / LU	EUR	0.73	100.0	F	T	31 Dec
Alpiq Generation (CZ) s.r.o.	Kladno / CZ	CZK	2,975.00	100.0	F	G	31 Dec
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
Alpiq le Bayet S.A.S.	St-Paul-sur-Isère / FR	EUR	0.04	100.0	F	G	31 Dec
Alpiq Narzole S.r.l.	Milan / IT	EUR	0.01	100.0	F	G	31 Dec
Alpiq Nature S.A.S.	Toulouse / FR	EUR	0.50	70.0	F	T	31 Dec
Alpiq Norway AS	Oslo / NO	NOK	5.00	100.0	F	S	31 Dec
Alpiq Production France Management S.A.S.	Paris / FR	EUR	0.10	100.0	F	G	31 Dec
Alpiq Produzione Italia Management S.r.l.	Milan / IT	EUR	0.25	100.0	F	G	31 Dec
Alpiq RomEnergie S.R.L.	Bucharest / RO	RON	2.49	100.0	F	SU	31 Dec
Alpiq RomIndustries S.R.L.	Bucharest / RO	RON	4.61	100.0	F	SU	31 Dec
Alpiq Solutions France SAS [1]	Paris / FR	EUR	0.05	100.0	F	SU	31 Dec
Alpiq Spreetal GmbH	Düsseldorf / DE	EUR	1.00	100.0	F	G	31 Dec
Alpiq Suisse Ltd.	Lausanne	CHF	145.00	100.0	F	SU	31 Dec
Alpiq Sweden AB	Stockholm / SE	SEK	1.25	100.0	F	S	31 Dec
Alpiq Swisstrade Ltd.	Olten	CHF	5.00	100.0	F	T	31 Dec
Alpiq Trading Ltd.	Olten	CHF	500.00 [6]	100.0	F	T	31 Dec
Alpiq Turkey Enerji Toptan Satis Limited Sirketi [1]	Istanbul / TR	TRY	1.00	100.0	F	SU	31 Dec
Alpiq Vercelli S.r.l.	Milan / IT	EUR	10.33	95.0	F	G	30 Sep
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
Alpiq Zlín s.r.o.	Zlín / CZ	CZK	407.15	100.0	F	G	31 Dec
ANALP Gestion S.A.U. [1]	Barcelona / ES	EUR	0.10	100.0	F	G	31 Dec
Atel Bulgaria Ltd.	Sofia / BG	BGN	0.20	100.0	F	T	31 Dec
Atel Energy Romania S.R.L.	Bucharest / RO	RON	0.00	100.0	F	T	31 Dec
Atel Hellas S.A.	Ambelokipi Athens / GR	EUR	0.15	90.2	F	SU	31 Dec
Avenis SA	Lausanne	CHF	1.00	100.0	F	T	31 Dec
A2A S.p.A.	Brescia / IT	EUR	1,629.11	5.0	E	SU	31 Dec
Biella Power S.r.l.	Milan / IT	EUR	1.00	60.0	F	G	31 Dec
Biogas neu Kosenow GmbH & Co KG	Hamburg / DE	EUR	0.19	100.0	F	G	31 Dec

Birs Wasserkraft AG	Grellingen	CHF	0.10	100.0	F	G	31 Dec
Blenio Kraftwerke AG	Blenio	CHF	60.00	17.0	E	G	30 Sep
CEPE Les Gravières SAS	Vergigny / FR	EUR	0.04	100.0	F	G	31 Dec
CERS Holding SAS [1]	Paris / FR	EUR	0.50	15.0	E	G	31 Dec
Cisel Informatique SA	Matran	CHF	1.20	20.0	E	S	31 Dec
Cleuson-Dixence Construction SA	Sion	CHF	0.11	31.8	E	S	31 Dec
Cleuson-Dixence [7]	Sion	CHF	0.00	31.8	E	G	31 Dec
Contact Consul EOOD	Sofia / BG	BGN	0.30	100.0	F	S	31 Dec
Cotlan AG	Rüti	CHF	0.10	100.0	F	G	31 Dec
Csepel III Erőmű Kft.	Budapest / HU	HUF	180.12	100.0	F	G	31 Dec
ecoSWITCH AG	Crailsheim / DE	EUR	0.50	45.0	E	S	31 Dec
ECS Elektrarna Cechy-Stred a.s.	Prague / CZ	CZK	90.00	49.0	E	S	31 Dec
Edipower S.p.A.	Milan / IT	EUR	1,441.30	20.0	E	G	31 Dec
EGT Energiehandel GmbH	Triberg / DE	EUR	1.00	50.0	E	SU	31 Dec
Electra-Massa AG	Naters	CHF	40.00	34.5	E	G	31 Dec
Electricité d'Emosson SA [8]	Martigny	CHF	140.00	50.0	F	G	31 Dec
En Plus S.r.l.	Milan / IT	EUR	25.50	60.0	F	G	31 Dec
Energ.it S.p.A.	Cagliari / IT	EUR	1.00	100.0	F	SU	31 Dec
Energiakolmio Oy	Jyväskylä / FI	EUR	0.01	100.0	F	S	31 Dec
Energie Biberist AG	Biberist	CHF	5.00	25.0	E	G	31 Dec
Energie Electrique du Simplon SA (E.E.S)	Simplon Dorf	CHF	8.00	81.9	F	G	31 Dec
Engadiner Kraftwerke AG	Zernez	CHF	140.00	22.0	E	G	30 Sep
Entegra Wasserkraft AG	St. Gallen	CHF	2.01	75.0	F	G	31 Dec
Eole Jura SA	Les Emibois-Muriaux	CHF	4.00	100.0	F	G	31 Dec
Eolo Tempio Pausania S.r.l [9]	Verona / IT	EUR	0.01	49.0	E	G	31 Dec
EOS Trading SA	Lausanne	CHF	10.00	100.0	F	T	31 Dec
Force Motrices Hongrin-Léman S.A. (FMHL)	Château-d'Oex	CHF	30.00	39.3	E	G	31 Dec
Forces Motrices de Fully SA (FMDF)	Fully	CHF	0.80	28.0	E	G	31 Dec
Forces Motrices de Martigny-Bourg SA	Martigny	CHF	3.00	18.0	E	G	31 Dec
Geitåni Kraftverk AS [10]	Voss / NO	NOK	0.10	13.6	E	G	31 Dec
Forces Motrices de Conches SA	Ernen	CHF	30.00	26.0	E	G	31 Dec
Grande Dixence SA	Sion	CHF	300.00	60.0	E	G	31 Dec
Hydro Exploitation SA	Sion	CHF	13.00	27.6	E	S	31 Dec
Hydro-Solar Energie AG	Niederdorf	CHF	0.10	65.0	F	G	31 Dec
Idrovalsesia S.r.l. [11]	Milan / IT	EUR	0.72	85.0	F	G	31 Dec
Isento AG	Thal	CHF	0.25	100.0	F	G	31 Dec
Kernkraftwerk Gösgen-Däniken AG	Däniken	CHF	350.00 [12]	40.0	E	G	31 Dec
Kernkraftwerk Leibstadt AG	Leibstadt	CHF	450.00	32.4	E	G	31 Dec
Nuclear Power Plant Niederamt Ltd.	Olten	CHF	0.10	100.0	F	G	31 Dec
Kernkraftwerk-Beteiligungsgesellschaft AG (KBG)	Bern	CHF	150.00	33.3	E	G	31 Dec
KohleNusbaumer SA	Lausanne	CHF	0.10	35.0	E	S	31 Dec
Kraftwerk Havelland GmbH	Leipzig / DE	EUR	1.00	100.0	F	G	31 Dec
Kraftwerk Ryburg-Schwörstadt AG	Rheinfelden	CHF	30.00	13.5	E	G	30 Sep
Kraftwerke Gougra AG	Sierre	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
M&A Rinnovabili S.r.l.	Aragona / IT	EUR	5.00	30.0	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
Monthel Ltd.	Monthey	CHF	15.00	100.0	F	G	31 Dec
Nant de Drance SA	Finhaut	CHF	50.00	54.0	E	G	31 Dec
Novel S.p.A.	Milan / IT	EUR	23.00	51.0	F	G	30 Sep
Reisæter Kraftverk AS	Ullensvang / NO	NOK	0.10	20.0	E	G	31 Dec
Repower AG [13]	Brusio	CHF	3.41	24.6	E	PE	31 Dec
Romande Energie Commerce SA	Morges	CHF	15.00	11.8	E	S	31 Dec
Romande Energie Holding SA	Morges	CHF	28.50	10.0	E	S	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
Salanfe SA	Vernayaz	CHF	18.00	100.0	F	G	31 Dec
Scanenergy AS [14]	Billingstad / NO	NOK	37.50	10.0	E	G	31 Dec
Sevre Kraftverk AS	Nesbyen / NO	NOK	0.10	36.0	E	G	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
Société des Forces Motrices du Grand-St.-Bernard SA	Bourg-St-Pierre	CHF	10.00	25.0	E	G	31 Dec
Stølsdalselva Kraftverk AS [15]	Jondal / NO	NOK	0.50	8.0	E	G	31 Dec
Uno Energia S.p.A.	Milan / IT	EUR	2.00	25.0	E	G	31 Dec
Vetrocom Ltd.	Sofia / BG	BGN	136.91	100.0	F	G	31 Dec
Vetrocom Services AD	Sofia / BG	BGN	0.10	65.0	F	G	31 Dec
Wasserkraftwerke Weinfelden AG	Weinfelden	CHF	5.00	49.0	E	G	31 Dec
3CA SAS	Paris / FR	EUR	0.50	100.0	F	G	31 Dec
3CB SAS	Paris / FR	EUR	33.90	100.0	F	G	31 Dec

1 New company established.
2 Teravis Ltd. renamed Alpiq EcoPower Italia Ltd.
3 Alpiq EcoPower Ltd. renamed Alpiq EcoPower Switzerland Ltd.
4 Atel Energia S.A.U. integrated into Hispaelec Energia S.A.U., and Hispaelec Energia S.A.U. subsequently renamed Alpiq Energía España S.A.U.
5 Atel Polska Sp. z o.o. and Alpiq Energia Magyarország Kft. integrated into Alpiq Energy SE.
6 Of which CHF 300 million paid in.
7 Simple partnership.
8 100 % economic benefit since 28 January 2009.
9 Eolica Maridiana S.p.A. integrated into Eolo Tempio Pausania S.r.l.
10 Acquired on 9 November 2010.
11 Gestimi S.p.A. integrated into Idrovalsesia S.r.l.
12 Of which CHF 290 million paid in.
13 Rätia Energie AG renamed Repower AG.
14 Conceptor Renewable Energy and Technology AS renamed Scanenergy AS.
15 Acquired on 1 October 2010.

Grid

	Place of incorporation	Currency	Issued capital in millions	Direct ownership interest in % (voting rights)	Consoli-dation method	Business activity	Reporting date
Alpiq Grid Ltd. Gösgen	Niedergösgen	CHF	130.00	100.0	F	S	31 Dec
Alpiq Grid Ltd Lausanne	Lausanne	CHF	0.20	100.0	F	S	31 Dec
ETRANS Ltd	Laufenburg	CHF	7.50	33.3	E	S	31 Dec
swissgrid ltd	Laufenburg	CHF	15.00	32.6	E	S	31 Dec

Holding and management companies

	Place of incorporation	Currency	Issued capital in millions	Direct ownership interest in % (voting rights)	Consoli-dation method	Business activity	Reporting date
Alpiq Central Europe Ltd	Niedergösgen	CHF	0.40	100.0	F	H	31 Dec
Alpiq Hydro France S.A.S	Toulouse / FR	EUR	7.79	100.0	F	H	31 Dec
Alpiq Italia S.r.l.	Milan / IT	EUR	0.25	100.0	F	H	31 Dec
Alpiq Management Ltd.	Olten	CHF	10.00	100.0	F	S	31 Dec
Alpiq Management Services Ltd.	St. Helier / JE	EUR	0.10	100.0	F	S	31 Dec
Alpiq Nordic AS	Oslo / NO	NOK	1.00	100.0	F	H	31 Dec
Alpiq Western Europe S.à r.l.	Luxembourg / LU	EUR	1.00	100.0	F	H	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 Ltd.	Olten	CHF	30.00	100.0	F	H	31 Dec
Alpiq InTec Management Ltd.	Zurich	CHF	0.10	100.0	F	S	31 Dec
Alpiq InTec Management S.r.l.	Milan / IT	EUR	1.00	100.0	F	S	31 Dec
Transport Technology							
Elektroline a.s.	Prague / CZ	EUR	0.17	100.0	F	S	31 Dec
K+M Fahrleitungstechnik GmbH [1]	Issenbüttel / DE	EUR	0.03	100.0	F	S	31 Dec
Kummler + Matter Ltd	Zurich	CHF	2.50	100.0	F	S	31 Dec
Mauerhofer et Zuber SA	Renens	CHF	1.70	100.0	F	S	31 Dec
Building Services and Facility Management							
Advens AG	Winterthur	CHF	0.10	100.0	F	S	31 Dec
Alpiq Burkhalter Bahntechnik AG	Zurich	CHF	0.25	50.0	E	S	31 Dec
Alpiq EcoServices Ltd.	Zurich	CHF	0.10	100.0	F	S	31 Dec

Alpiq Infra Ltd.	Zurich	CHF	0.10	100.0	F	S	31 Dec
Alpiq InTec (FL) AG	Schaan / LI	CHF	0.10	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 East Ltd.	Zurich	CHF	7.85	100.0	F	S	31 Dec
Alpiq InTec Romandie SA	Vernier	CHF	1.00	100.0	F	S	31 Dec
Alpiq InTec Ticino Ltd.	Lugano	CHF	2.70	100.0	F	S	31 Dec
Alpiq InTec Verona S.p.A.	Verona / IT	EUR	2.00	100.0	F	S	31 Dec
Alpiq InTec West Ltd.	Olten	CHF	5.90	100.0	F	S	31 Dec
Alpiq Process Automation Ltd.	Strengelbach	CHF	0.20	100.0	F	S	31 Dec

1 GA Fahrleitungstechnik GmbH renamed K+M Fahrleitungstechnik GmbH.

AAT energy services

	Place of incorporation	Currency	Issued capital in millions	Direct ownership interest in % (voting rights)	Consolidation method	Business activity	Reporting date
Holding and management company							
Alpiq Anlagentechnik GmbH	Heidelberg / DE	EUR	25.00	100.0	F	H	31 Dec
Energy Supply Technology (EST)							
Elektro Stiller GmbH	Ronnenberg / DE	EUR	0.43	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 Austria GmbH	Alkoven / AT	EUR	0.04	100.0	F	S	31 Dec
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
GA Energo technik s.r.o.	Plzeň / CZ	CZK	32.00	78.3	F	S	31 Dec
GA Slovensko s.r.o.	Bratislava / SK	EUR	0.01	100.0	F	S	31 Dec
JM-montáže s.r.o. [1]	Brno / CZ	CZK	20.00	100.0	F	S	31 Dec
GA Hochspannung Leitungsbau GmbH [2]	Walsrode / DE	EUR	2.50	100.0	F	S	31 Dec
GA Netztechnik GmbH	Bietigheim-Bissingen / DE	EUR	1.30	100.0	F	S	31 Dec
GA-Magyarország Kft.	Törökbálint / HU	HUF	102.38	100.0	F	S	31 Dec
Martin Bohsung GmbH	Landau / DE	EUR	0.03	100.0	F	S	31 Dec
Industrial and Power Plant Engineering (IPPE)							
Caliqua Anlagentechnik GmbH	Vienna Neudorf / AT	EUR	0.19	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
FINOW Rohrsysteme GmbH	Eberswalde / DE	EUR	0.50	100.0	F	S	31 Dec
Ingenieurbüro Kiefer & Voß GmbH	Erlangen / DE	EUR	0.08	100.0	F	S	31 Dec
Kraftanlagen Energie- und Umwelttechnik GmbH	Heidelberg / DE	EUR	0.10	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 München GmbH	Munich / DE	EUR	5.00	100.0	F	S	31 Dec
Kraftanlagen Power Plants GmbH	Munich / DE	EUR	1.00	100.0	F	S	31 Dec
Kraftanlagen Romania S.R.L.	Ploiesti / RO	RON	2.04	100.0	F	S	31 Dec
Kraftszer Vàllalkozàsi 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

1 Acquired on 1 July 2010.
2 Krösus Sechste Vermögensverwaltungs GmbH renamed GA Hochspannung Leitungsbau GmbH.

Financial investments

	Place of incorporation	Currency	Issued capital in millions	Direct ownership interest in % (voting rights)	Consoli-dation method	Business activity	Reporting date
Capital Recovery Syndication Trust	St. Helier / JE	USD	2.66 [1]	9.8	FV	S	31 Dec
European Energy Exchange	Leipzig / DE	EUR	40.05	4.2	FV	S	31 Dec
New Energies Invest AG	Basel	CHF	43.00	0.6	FV	S	31 Dec
Nordic Power Trading I Fund	Oslo / NO	NOK	1.04 [1]	10.7	FV	S	31 Dec
Powernext SA	Paris / FR	EUR	11.74	5.0	FV	S	31 Dec
VenCap9 LLC	Cayman Islands / KY	USD	357.00 [1]	0.9	FV	S	31 Dec

1 Fund capital.

Business activity

T Trading
SU Sales and supply
G Generation
S Services
H Holding company

Consolidation method

F Fully consolidated
E Equity accounted
FV Fair value

Alpiq Group Financial Summary 2006 – 2010

Income statement

CHF million	2006	2007	2008	2009	2010
Net revenue	11,334	13,452	12,897	14,822	14,104
Other operating income	261	247	390	312	278
Total revenue and other income	11,595	13,699	13,287	15,134	14,382
Operating expenses before depreciation and amortisation	– 10,554	– 12,446	– 12,006	– 13,589	– 12,910
Profit before interest, tax, depreciation and amortisation (EBITDA)	1,041	1,253	1,281	1,545	1,472
Depreciation and amortisation	– 202	– 248	– 280	– 481	– 502
Reversal of impairment of assets	257	–	–	–	–
Profit before interest and tax (EBIT)	1,096	1,005	1,001	1,064	970
Net finance costs	– 6	– 7	– 85	– 164	– 156
Income tax expense	– 217	– 220	– 183	– 224	– 169
Group profit for the year	873	778	733	676	645
Year-on-year change (%)	117.7	– 10.9	– 5.8	– 7.8	– 4.6
As % of net revenue	7.7	5.8	5.7	4.6	4.6
Attributable to non-controlling interests	– 369	– 315	– 10	– 10	– 7
Attributable to owners of Alpiq Holding	504	463	723	666	638
Employees [1]	8,467	9,034	9,944	10,629	11,033

1 Average number of full-time equivalents.

2006 – 2008: figures of the former Atel Group excluding EOS and Emosson.

Statement of financial position

CHF million	2006	2007	2008	2009	2010
Total assets	9,009	9,381	10,566	20,099	18,473
Assets					
Non-current assets	4,840	5,356	5,884	14,302	13,793
Current assets	4,169	4,025	4,682	5,797	4,680
Equity and liabilities					
Total equity	2,930	3,621	3,830	7,930	7,779
As % of total assets	32.5	38.6	36.2	39.5	42.1
Liabilities	6,079	5,760	6,736	12,169	10,694

Per share data [1]

CHF	2006	2007	2008	2009	2010
Par value	20	20	10	10	10
Share price at 31 December	380	605	535	430	360
High	386	605	765	567	453
Low	235	371	376	328	339
Weighted average number of shares outstanding (in thousands)	12,006	12,326	21,261	26,749	27 190
Net profit	42	38	34	25	23
Dividend	4.80		10.00	8.70	8.70
Reduction in par value		10.00			

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

2006 – 2008: figures of the former Atel Group excluding EOS and Emosson.

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To the General Meeting of

Alpiq Holding Ltd., Neuchâtel

Zurich, 28 February 2011

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 66 – 147), for the year ended 31 December 2010.

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 2010 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.

Income statement

The company's total income grew by CHF 374 million year on year, primarily due to the higher dividend income received from Alpiq Suisse Ltd. and Alpiq Ltd. Furthermore, items of income include increased revenue derived from the use of intangible assets within the Group as well as effects of Group reorganisation measures on the income statement. Expenses show an increase totalling CHF 78 million. In particular, finance costs were substantially higher than a year earlier because financing activities were transferred from local operations to the holding company in line with the strategy. In addition, the integration costs arising from the combination of former Atel and former EOS were amortised for the first time in the reporting period.

Statement of financial position

Total assets rose by approximately CHF 2.15 billion or 40 %, due in particular to the reorganisation of the Alpiq Group's legal structure during 2010. In the course of this restructuring, Alpiq Holding Ltd. acquired a number of Group entities from Alpiq Ltd., which resulted in an increase of approximately CHF 1 billion in non-current assets. Liquid current assets grew by more than CHF 1.1 billion because of the aforementioned centralisation of financing activities. Liabilities showed an increase of approximately CHF 1.68 billion in long-term and short-term borrowings, primarily due to the obligations the company assumed in 2010 as debtor in respect of the bonds and private placements issued by Alpiq Ltd. and Alpiq Suisse Ltd.

Income Statement

CHF	Note	2009	2010
Income			
Finance income	2	152,056,358	142,378,347
Dividend income	3	380,699,280	698,384,399
Other income		3,975,070	48,416,373
Exceptional income		0	21,484,034
Total income		**536,730,708**	**910,663,153**
Expenses			
Finance costs	4	144,277,268	200,496,739
Tax expense		3,955,615	6,265,599
Other expenses		21,304,559	35,929,526
Depreciation and amortisation		0	4,940,412
Total expenses		**169,537,442**	**247,632,276**
Profit for the year		**367,193,266**	**663,030,877**

Statement of Financial Position

Assets

CHF	Note	31 Dec 2009	31 Dec 2010
Intangible assets		24,702,063	19,761,651
Investments	5	2,475,842,573	5,314,293,163
Loans receivable	6	2,789,441,515	971,858,879
Non-current assets		**5,289,986,151**	**6,305,913,693**
Short-term receivables	7	61,609,122	62,777,423
Prepayments and accrued income		4,803,277	665,752
Investments in securities		4,225,000	5,367,665
Cash and cash equivalents		77,727,998	1,214,572,245
Current assets		**148,365,397**	**1,283,383,085**
Total assets		**5,438,351,548**	**7,589,296,778**

Equity and liabilities

CHF	Note	31 Dec 2009	31 Dec 2010
Share capital		271,898,730	271,898,730
Share premium reserve		1,277,150,282	1,277,150,282
General reserve		53,332,560	53,332,560
Retained earnings		403,491,178	829,970,160
Equity	8	**2,005,872,750**	**2,432,351,732**
Provisions		**32,176,646**	**32,176,646**
Bonds	9	1,575,000,000	2,500,000,000
Loans payable	10	1,487,380,000	1,185,000,000
Non-current liabilities		**3,062,380,000**	**3,685,000,000**
Short-term payables	11	271,592,711	1,317,992,899
Accruals and deferred income		66,329,441	121,775,501
Current liabilities		**337,922,152**	**1,439,768,400**
Total equity and liabilities		**5,438,351,548**	**7,589,296,778**

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 141 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	2009	2010
Interest income from Group companies	115,255	92,369
Interest income from third parties	309	944
Other finance income from Group companies	5,094	5,164
Other finance income from third parties	422	20
Foreign exchange gain	30,976	43,881
Total	**152,056**	**142,378**

3 Dividend income

Dividend income comprises dividends received from subsidiaries.

4 Finance costs

CHF thousand	2009	2010
Interest expense to Group companies	23,045	33,685
Interest expense to third parties	63,253	74,902
Other finance costs to Group companies	824	19
Other finance costs to third parties	22,109	7,259
Foreign exchange loss	35,046	84,632
Total	**144,277**	**200,497**

5 Investments

A list of the principal subsidiaries and investments is presented on pages 141 ff.

At the reporting date, there were capital contribution commitments amounting to CHF 200 million.

6 Loans receivable

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

7 Short-term receivables

CHF thousand	31 Dec 2009	31 Dec 2010
Due from Group companies	60,670	36,135
Due from third parties	939	26,642
Total	**61,609**	**62,777**

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

8 Equity

CHF thousand	Share capital	Share premium reserve	General reserve	Reserve for treasury shares	Retained earnings	Total equity
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) [1, 2]	56,663	937,060				993,723
Cancellation of treasury shares [2]	– 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**
Dividends					– 236,552	– 236,552
Profit for the year					663,031	663,031
Balance at 31 December 2010	**271,899**	**1,277,150**	**53,333**	**0**	**829,970**	**2,432,352**

1 See note 28 to the consolidated financial statements.
2 See notes to the “Consolidated Statement of Changes in Equity” in the consolidated financial statements.

Additional authorised capital

As in the previous year, Alpiq Holding Ltd. had no additional authorised capital at the reporting date on 31 December 2010.

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 the “Consolidated Statement of Changes in Equity” in the consolidated financial statements.

9 Bonds

CHF thousand	Term	Earliest redemption date	Interest rate %	Face value at 31 Dec 2009	Face value at 31 Dec 2010
Fixed rate bond issued by Alpiq Holding Ltd. [1]	2003 / 2013	16 Sep 2013	3 1/8	–	300,000
Fixed rate bond issued by Alpiq Holding Ltd.	2009 / 2014	10 Feb 2014	3	200,000	200,000
Fixed rate bond issued by Alpiq Holding Ltd. [1]	2006 / 2014	22 Sep 2014	2 7/8	–	125,000
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. [1]	2008 / 2015	25 Mar 2015	3 1/4	–	250,000
Fixed rate bond issued by Alpiq Holding Ltd.	2009 / 2015	3 Jul 2015	3 1/4	250,000	250,000
Fixed rate bond issued by Alpiq Holding Ltd.	2009 / 2017	10 Feb 2017	4	250,000	250,000
Fixed rate bond issued by Alpiq Holding Ltd. [1]	2006 / 2018	1 Mar 2018	2 5/8	–	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	500,000

1 Bonds issued by Alpiq Ltd. and Alpiq Suisse Ltd. which were transferred to Alpiq Holding Ltd. in December 2010 by way of substitution of issuer.

The weighted interest rate on bonds issued at the reporting date, relative to face value, was 3.22 % (2009: 3.35 %).

10 Loans payable

CHF thousand	31 Dec 2009	31 Dec 2010
Shareholders	820,000	520,000
Due to Group companies	12,380	10,000
Due to third parties	655,000	655,000
Total	**1,487,380**	**1,185,000**

The loans are repayable within 1 to 7 years. The weighted average interest rate at the reporting date was 3.00 % (2009: 2.91 %).

11 Short-term payables

CHF thousand	31 Dec 2009	31 Dec 2010
Shareholders	250,000	300,000
Due to Group companies	18,383	765,785
Due to third parties	3,210	252,208
Total	**271,593**	**1,317,993**

Short-term payables due to third parties include loans repayable within 12 months, VAT liabilities, social security contributions and unclaimed dividends.

12 Contingent liabilities

Guarantees in favour of Group companies and third parties totalled CHF 1,428 million at 31 December 2010 (31 December 2009: CHF 1,495 million).

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

The remuneration policies for Directors and Executive Board members are set out in the remuneration report on pages 43 ff.

Remuneration paid to current Directors and Committee members and those who left the Board in the reporting year as recognised in the 2010 company financial statements

CHF thousand		Fixed remuneration	Expenses	Pension benefits (pension scheme, social security)
Hans E. Schweickardt	Chairman	452.0	21.0	54.0
Marc Boudier	Deputy Chairman / ARC Chairman / NRC member	267.0	20.0	
Christian Wanner	Deputy Chairman / NRC member	217.0	16.5	7.6
Pierre Aumont	Director	166.0	12.0	
Hans Büttiker	Director / NRC member	197.0	13.5	14.6
Guillaume de Forceville	Director	158.0	12.0	
Philippe V. Huet	Director	158.0	12.0	
Claude Lässer	Director	166.0	12.0	5.3
Daniel Mouchet	Director	164.8	12.0	
Guy Mustaki	Director / NRC Chairman	212.0	15.5	28.8
Jean-Yves Pidoux	Director / ARC member	197.0	13.5	
Alex Stebler	Director / ARC member	201.0	13.5	22.7
Urs Steiner	Director / ARC member	201.0	13.5	
Total for Directors serving on 31 December 2010		**2,756.8**	**187.0**	**133.0**
Giuliano Zuccoli	Director until 30 Mar 2010	32.5	3.0	3.5
Total for Directors		**2,789.3**	**190.0**	**136.5**

ARC = Audit and Risk Committee
NRC = Nomination and Remuneration Committee

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 468,600 (including expenses) for consulting services in the period from January to December 2010. Expenditure on pension and insurance benefits amounted to CHF 54,600.

The amounts disclosed below for 2009 include remuneration received in 2009 from Alpiq Holding Ltd., from former Atel and from former 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.

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 Executive Board members as recognised in the 2010 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	3,025.0	6,794.5	59.4	1,885.2
Highest paid member, Giovanni Leonardi (CEO)	525.0	1,228.7	6.3	242.3

The Executive Board consisted of nine members in 2010.

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 222,000.

The amounts shown above include bonus payments made retrospectively for the previous year: CHF 1,034,500 for the whole Executive Board and CHF 253,700 for the CEO.

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. Three members received their remuneration for the 2009 financial year for eleven months (i.e. from February 2009 following the merger between former Atel and former EOS).

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 a deduction of CHF 208,100 for the CEO.

Shares held by Directors and Executive Board members

		Number 2009	Number 2010
Hans E. Schweickardt	Chairman	100	200
Hans Büttiker	Director	500	501
Alex Stebler	Director	143	268
Urs Steiner	Director	3	19
Giovanni Leonardi	CEO	120	300
Benoît Revaz	Executive Board member	72	72
Heinz Saner	Executive Board member	8	8
Antonio M. Taormina	Executive Board member	–	40
Michael Wider	Executive Board member	–	52
Total		**946**	**1,460**

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 16 December 2010.

Appropriation of Retained Earnings

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

	CHF
Profit for 2010 reported in the income statement	663,030,877
Retained earnings brought forward	166,939,283
Total	**829,970,160**
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	593,418,265

Subject to approval of this proposal, the gross dividend (before Swiss withholding tax) for the financial year 2010 will amount to CHF 8.70 (2009: CHF 8.70) per registered share.

The dividend will be paid net of 35% Swiss withholding tax from 5 May 2011 upon presentation of the coupon.

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To the General Meeting of

Alpiq Holding Ltd., Neuchâtel

Zurich, 28 February 2011

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 154 – 164), for the year ended 31 December 2010.

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

Opinion
In our opinion, the financial statements for the year ended 31 December 2010 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	Swedish krona
TRY	Turkish lira
UAH	Ukrainian hryvnia
USD	US dollar
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

28 April 2011:
Annual General Meeting

Early May 2011:
2011 first-quarter results

19 August 2011:
Interim Report

Early November 2011:
2011 third-quarter results

February 2012:
Release of 2011 annual results

March 2012:
Annual media conference

26 April 2012:
Annual General Meeting

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Published by

Alpiq Holding Ltd., www.alpiq.com

Printing: Dietschi AG, Olten

The Annual Report 2010 is published in German, French and English.

Cover Photo
View of Martigny from above
Vieux Emosson Lake

Online Annual Report

reports.alpiq.com

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