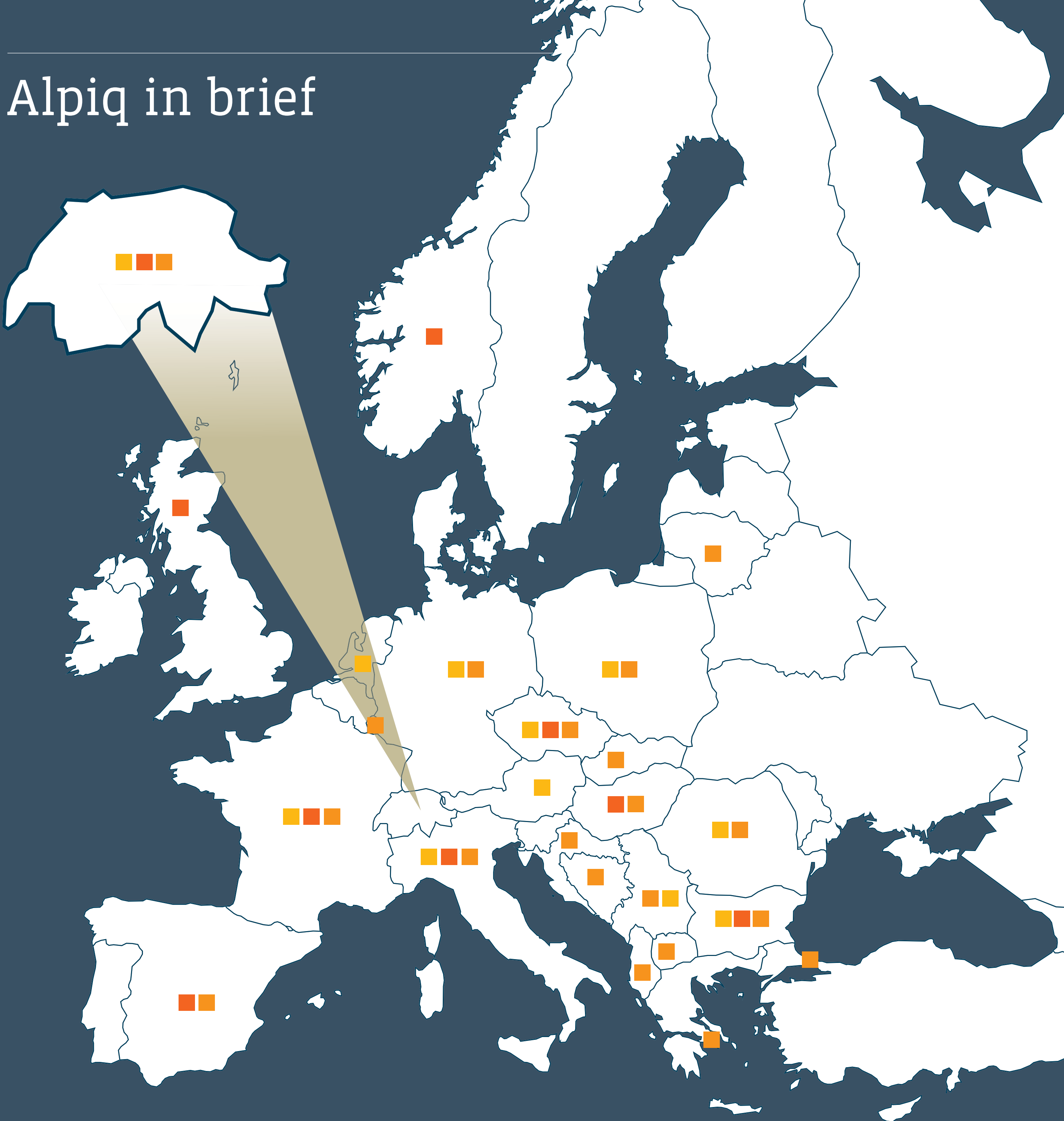
ALPIQ

2014

Annual Report

Alpiq in brief



Alpiq is a leading Swiss electricity and energy services provider with a European focus. The company is active in power production, as well as energy trading and sales. Alpiq offers its clients extensive, efficient energy services for buildings and plants, transport technology, as well as power and industrial plant engineering. In 2014, Alpiq generated net revenue of CHF 8.1 billion with approximately 8,000 employees.

- Production (Generation)
- Trading and sales activities (Commerce & Trading)
- Building technology, energy supply and transport technology as well as power plant and industrial plant construction (Energy Services)

Financial Highlights 2014

Alpiq Group

CHF million	% change 2013-2014 (results of operations)	Results of operations before exceptional items 2014	Results of operations before exceptional items 2013	Results under IFRS 2014	Results under IFRS 2013
Net revenue	– 14.0	8,058	9,370	8,058	9,370
Earnings before interest, tax, depreciation and amortisation (EBITDA)	– 23.5	609	796	312	789
Depreciation, amortisation and impairment	– 14.8	– 253	– 297	– 985	– 510
Earnings before interest and tax (EBIT)	– 28.7	356	499	– 673	279
as % of net revenue		4.4	5.3	– 8.4	3.0
Net income	– 47.1	145	274	– 902	18
as % of net revenue		1.8	2.9	– 11.2	0.2
Net investments / net divestments				– 116	404
Total assets				11,861	14,508
Total equity				4,712	5,839
as % of total assets				39.7	40.2
Number of employees at the reporting date	5.5	8,277	7,845	8,277	7,845

Per share data

CHF	% change 2013-2014	2014	2013
Par value	0.0	10	10
Share price at 31 December	– 26.2	90	122
High	– 2.3	129	132
Low	– 18.9	86	106
Net income [1]	> 100.0	– 34.19	– 0.37
Dividend [2]	0.0	2.00	2.00

1 Calculation see note 10
2 Scrip dividend to be proposed to the General Meeting on 30 April 2015

The financial summary 2010–2014 is shown on pages 158 and 159 of the Financial Report. A detailed overview of the shareholder structure can be found on pages 29 and 30 of the Annual Report.

Shareholder structure

At 31 December 2014, the share capital of Alpiq Holding Ltd. was at CHF 271,898,730, divided into 27,189,873 fully paid up registered shares of CHF 10 each.

Shareholders at 31 Dec 2014	Stakes in %
EOS HOLDING SA	31.38
EDF Alpes Investissements Sàrl	25.00
Consortium of Swiss minority shareholders	31.38
Free float	12.24

Power plants in 2014

Power plants in 2014	MW	Installed capacity MW	GWh	Production GWh
Hydroelectric power plants		**2,746**		**5,280**
Switzerland	2,746		5,280	
Small hydroelectric power plants, wind farms, solar power plants		**308**		**541**
Switzerland	13		47	
Bulgaria	73		126	
France	13		31	
Italy	205		321	
Norway	5		16	
Nuclear power plants		**795**		**6,238**
Switzerland	795		6,238	
Conventional thermal power plants		**2,568**		**4,249**
France	408		191	
Italy	318		1,109	
Spain	846		319	
Czech Republic	593		2,199	
Hungary	403		432	
Alpiq's total installed capacity [1]		**6,417**		**16,307**

1 Excluding long-term purchase contracts.
Numbers may not sum due to rounding.

Energy procurement in 2014
(excl. proprietary trading)

Procurement

Market	78 %	77,409 GWh
In-house generation	16 %	16,307 GWh
Long-term contracts	6 %	6,019 GWh
Total		99,735 GWh
Total 2013		101,446 GWh

Generation

Conventional thermal	26 %	4,249 GWh
New renewables	3 %	541 GWh
Nuclear	38 %	6,238 GWh
Hydroelectric	32 %	5,280 GWh
Total		16,307 GWh
Total 2013		17,169 GWh

Numbers may not sum due to rounding.

Group structure 31 December 2014

Generation

- Hydro Power Generation
- Nuclear Power Generation
- Thermal Power Generation
- RES & Generation Development

The Generation business division comprises power generation – including new renewable energies – at all power plants operated both by Alpiq alone and as joint ventures.

Commerce & Trading

- Asset Optimisation
- Portfolio Optimisation CEE
- Markets Western Europe
- Back Office

The Commerce & Trading business division comprises sales and marketing of energy, as well as trading activities with electricity, gas and other commodities and certificates.

Energy Services

- Alpiq InTec
- Kraftanlagen Group

The Energy Services business division covers the operations of Alpiq InTec (AIT) and Kraftanlagen Group (KA Group). AIT focuses mainly on services in the areas of building technology, as well as energy and transport technology. KA Group offers comprehensive services for power plant and industrial plant construction.

Employees in 2014

Total		
Switzerland	57.07 %	4,724
Europe	42.93 %	3,553
Total		8,277
Total 2013		7,845

of whom 551 apprentices

Business divisions		
Generation	8.9 %	737
Commerce & Trading	3.36 %	278
Energy Services	83.01 %	6,871
Group Centre	4.72 %	391

With its 227 million cubicmetres of storage volume, the Emosson reservoir (1974) forms the lower basin of the Nant de Drance pumped storage power station.

Annual Report 2014

Letter from the Chairman of the Board

Hans E. Schweickardt
Chairman of the Board of Directors

Dear Shareholder,

The global upheaval on energy markets intensified further during the past financial year. We are witnessing low gas and coal prices. The oil price has halved within a year. In Europe, this price trend is calling into question the electricity mix that policymakers would like to see. Coal energy is experiencing a veritable renaissance in Germany, for example. Together with strong state support for the new renewable energies of solar and wind, the final result is that primarily hydropower is losing its competitiveness. Network stability is also declining as a consequence of sharp fluctuations in the levels of electricity generated from renewable energies that is fed into the network.

Market and cooperation

This trend makes it clear that politically and nationally steered electricity production cannot operate within a global environment. Only the market can establish a sensible equilibrium. For Europe in general, and for Switzerland in particular, it is true to say that moderate energy prices are essential if we are to remain competitive over the USA and Asia. State intervention measures such as feed-in preference and one-sided subsidies result in price distortions that directly impact economic output and performance. Less support, and more trust in the market, comprise sensible approaches. Such approaches are gaining support within the European Union. Germany, too, has followed up on this topic in its recently published Green Paper on the Energy Transition. Complete integration of new renewable energies into the market must remain the objective. The faster we achieve this, the better. This is also true of maintaining network stability. Further developing today's system based on a market economy approach should enjoy clear preference to state capacity mechanisms.

At cross-border level, preparation should be made for prospering cooperation with Europe. This includes regulated mutual market access that protects our long-term import contracts, and bolsters supply security. A bilateral electricity treaty is the best way to achieve this. If this fails to come about due to superordinated institutional matters, electricity trading with Europe will not become impossible, but it will become more complicated and more expensive.

An expedient electricity mix must meet the demands of supply security and climate protection as well as doing justice to economic viability.

Along with the short- and medium-term economic viability of our energy supplies, long-term trends in our climate also play an important role. If CO_2 is actually as significant as we assume today, we also need to act accordingly. A sensible electricity mix needs to take into account not only the requirements of supply security, but also climate protection and economic viability. For Switzerland, this means that we have to protect hydropower and nuclear energy. These power sources rank high on the sustainability list. But it is also important to realise intelligent and economical holistic solutions with the help of electricity from the wide area of fossil fuel sources, in particular, whether in buildings, heating and cooling systems, industrial manufacturing processes, mobility and elsewhere.

Alpiq will develop new business models in its established operating areas and will open up new markets at the same time.

Combining two worlds

To exist successfully within this demanding environment, Alpiq needs to position itself flexibly, broaden its business base, develop new business models in established operating areas, and at the same time push forward into new markets. Two worlds collide in this context: firstly, traditional power production in large-scale power plants that are characterised by a high level of long-term investment, and, secondly, innovative and market-oriented service offerings that require high labour input and a broad expertise base.

Alpiq defined its new strategic directions at the end of 2013 with the aim of combining and balancing these two worlds. These new strategic directions tap new business areas without neglecting the company's established ones. We are in a comparatively good position with our traditionally high share of services and our diversified power plant portfolio. But developing new business areas cannot deliver success from one day to the next. It takes time, and markets will always require corrections. Central to the success of our strategy are not only our motivated employees – to whom I would like to extend my warm thanks at this juncture – but also the unconditional support that you, our valued shareholders, have extended to us tangibly.

On behalf of the Board of Directors, I would like to thank you for your confidence and trust, and for having actively supported us on our path.

Hans E. Schweickardt
Chairman of the Board of Directors

Letter from the CEO

Jasmin Staiblin, CEO

First progress achieved in transforming the Alpiq Group

Dear Shareholder,

Market upheavals and regulatory framework conditions continued to prove challenging in 2014. Economic trends in Europe remained moderate, and demand for energy stayed low as a consequence, especially from industry. At the same time, the subsidised construction of new renewable energy sources, such as wind and solar energy, increased further. In Germany alone, new wind parks and photovoltaic systems with a capacity of around 7 GW were added to the grids in 2014. As far as primary energies are concerned, the oil price halved during the period under review, and prices for natural gas, coal and CO_2 certificates remained low. Wholesale electricity prices continue to remain on a low level as a consequence. These considerable burdens deriving from the economic and regulatory environment are reflected in Alpiq's business results. The 23.5 per cent decline in our operating EBITDA proved to be better than anticipated thanks to consistent cost management and our operative performance. Of the announced CHF 100 million that we will save every year by the end of 2015, we have already realised CHF 65 million. Updated forecasts for market prices and production costs, as well as the demanding regulatory environment, necessitated impairment losses and provisions totalling CHF 1,047 million after tax during the period under review. Our Swiss hydropower plants are particularly impacted in this context.

Changing framework conditions confirm the necessity of the transformation of Alpiq. A process that we are consistently driving forward.

The increase in the installed capacity of subsidised wind power plants and photovoltaic systems has fundamentally changed the characteristics of the European electricity market, and amongst others led to low whole-sale prices. This confirms the need to drive ahead full steam with the transformation of our Group. This transformation consists of continued long-term cost management, a further reduction in our net debt, and the consistent implementation of our strategy. Firstly, Alpiq will adapt its energy generation and energy trading according to the new framework conditions. Secondly, Alpiq will exploit the new opportunities that the energy transition opens up in the energy services business. We are thereby reducing the risks entailed in conventional energy generation, which ties up a great deal of capital over a long term, and we are addressing the opportunities that the energy transition offers us in the energy services business in a targeted manner.

Electricity generation and energy trading optimised

In 2014, we reduced our Swiss hydropower operating costs, switching from forward-looking plant maintenance to condition-based repair, without compromising on safety in the process. At the same time, we have committed ourselves to rescuing Swiss hydropower, conducting intensive discussions at all policymaking levels in order to have our hydropower appreciated as a renewable and flexible energy source. It forms one of the central responses to the current challenges posed by pan-European energy policy questions, and comprises Switzerland's most valuable resource. In the nuclear power sector, we have adjusted financial useful life to 60 years for financial accounting depreciation purposes.

In energy trading, we have adapted our business to reflect the new market requirements in the context of the energy transition, moving forward accordingly. Three examples: the growth in the installed capacity of wind power plants and photovoltaic systems is reflected in poorly predictable wind and solar energy, and consequently rising demand for short-term flexibility. We launched 24/7 trading in 2014. Our trading team is now seizing market opportunities around the clock. We have also expanded our service offerings, and are active in 15-minute intraday trading. Rising short-term volatility demands short-term products. With its new 15-minute product, Alpiq is optimally valorising its flexible hydropower capacities. In 2014, we also set up a portfolio to manage new renewable energies for third parties.

Energy service business expanded

In building technology, Alpiq strengthened its geographic presence through acquisitions. As the market leader in Switzerland, Alpiq offers services on a one-stop-shop basis at more than 80 locations. In line with our strategy, we are expanding the areas of energy efficiency, smart building and energy contracting in this context.

In the decentralised energy management area, GridSense was presented to the specialist public. This new technology deploys artificial intelligence to anticipate user behaviour patterns. It manages electricity consumption within smart buildings, optimising grid load management. The Swiss Federal Office of Energy (SFOE) awarded its "Watt d'Or" prize to GridSense in early 2015.

Centrally managed pooling for our Xamax electricity optimisation solutions, which are used mainly by large-scale consumers, was expanded to industrial and commercial companies. In spring 2014, Alpiq also acquired Flexitricity, the UK's market leader in load management. Alpiq thereby gains access to innovative solutions, expertise and new markets.

A milestone was achieved in transport technology with the laying of the last railway sleeper in the new Gotthard Base Tunnel at the end of October 2014. Here, Alpiq is responsible for rail technology as leading partner to general contractor Transtec Gotthard. At 57 kilometres in length, the Gotthard Base Tunnel is the world's longest tunnel. The renowned Swiss Paul Scherrer Institute (PSI) commissioned the EquiFEL consortium with the construction of the new large-scale SwissFEL (X-ray free-electron laser) research facility, as well as with the installation and commissioning of the highly complex technical infrastructure. As lead consortium company within EquiFEL, Alpiq is responsible for the project management and implementation of building technology.

As a total provider of electro-mobility solutions, Alpiq offers the entire relevant charging infrastructure – covering consulting, installation, and commissioning, through to maintenance. We have further expanded our position in this area.

Our plant business was characterised by reticent investment in power plant technology due to continuing overcapacities. Alpiq diversified further in the industrial area and won new orders in decentralised energy technology, including for Munich Airport.

The dismantling of nuclear power plants also comprises a growth operational area. Kraftanlagen Heidelberg, which forms part of the Alpiq Group, has already been operating in Switzerland for over 30 years, acting for many years as service provider to Swiss nuclear power plants. It is also a member of all relevant nuclear technical bodies. In Germany, the company is significantly involved in major dismantling projects at nuclear power plants.

Further measures launched to maintain capital market capability

Alpiq has successfully laid an important foundation for the Group's transformation with the extension and optimisation of its debt maturity structure. Examples include Alpiq's successful buyback of bonds before maturity of CHF 543.4 million, replacing them with a new 10-year bond with a nominal value of CHF 300 million. We have thereby significantly improved our debt profile.

In line with its strategy, Alpiq has launched further measures to strengthen its balance sheet. As part of its divestements, Alpiq launched the process to sell its non-strategic Swissgrid interests. The sale of the first tranche has been successfully completed; sale of a second tranche has been initiated. The process of selling the remaining interests is being continued in 2015. In addition, Alpiq will proceed further with the process that it launched in 2014 to sell minority interests in non-strategic hydropower plants. These minority interests comprise around 200 MW from the Alpiq hydropower park which has an installed capacity of more than 2,700 MW. The funds released by these disposals are being deployed to reduce net debt.

Swiss hydropower should emerge as a winner of the ongoing energy turnaround. We are strongly and fully committed to ensuring this outcome.

Alpiq committed to Swiss hydropower

In 2015, Alpiq will continue in its commitment to rescue Swiss hydropower. At the end of 2014, the Swiss National Council voted to support hydropower with one-off investment contributions – a move in the right direction. We will continue vigorously with political discussions and social discourse so that Swiss hydropower, which comprises the backbone of domestic electricity production, accounting for almost 60 per cent of today's total output, continues to rank in the future as a winner of the energy transition. Alpiq is committed with all its strength to this objective.

Continued low wholesale prices will further characterise Alpiq's business progress in 2015. To this is added the Swiss National Bank's decision to relinquish the minimum euro exchange rate and introduce negative interest rates. Consequently, we will focus in 2015 on reaching our demanding divestiture targets. With envisaged measures, we aim to prioritise on considerably reducing our net debt and clearing our balance sheet, in order to then invest in a targeted manner in the energy future. The transformation process that we have launched is a far-reaching one, and will need time.

Also on behalf of our Executive Board, I would like to express my thanks to our employees. They have made a significant contribution to achieving our targets in a demanding environment.

On behalf of the Executive Board, I would also like to thank you, our shareholders, for the trust and confidence that you have invested in our company over the past year. I look forward to your most appreciated, full support in 2015. Together, we will further pursue, with consistency, the path that we have taken to transform our Group.

Jasmin Staiblin
CEO

Work on the construction project of the century, the Gotthard Base Tunnel for the new New Transalpine Rail Link (NEAT), is entering its final phase. In 2014, Alpiq together with its partners pushed further ahead with the execution and commissioning of the technical rail systems. The rail technology comprises rail systems, power cabling, electricity supplies, telecommunications and rail safety technology. Test operations will start on 30 September 2015.

The transformation from a capital-intensive power producer into an energy service provider offering innovative full-service solutions yields its first fruits.

The transformation of the Alpiq Group was launched and pursued in all business divisions. The company's own power plants, as well as its trading and sales activities will be adjusted to reflect the new conditions on the energy market. Energy services continue to grow thanks to the expansion of existing activities and the acquisition of innovative solutions and technologies.

2014 fully reflected the implementation of the new strategy approved by the Board of Directors in December 2013. In all business areas, activities were launched that are decisively driving ahead Alpiq's fundamental transformation. This transformation comprises adapting the company's own power plants and wholesale trading activities to market conditions, as well as growth with energy services within a changed environment. The focus is not only on adjustments and new activities within the individual business divisions. Know-how synergies, new technologies and acquisitions are also being utilised on a targeted basis to tap new markets and launch service offerings that combine individual services and products into innovative total solutions.

Adapting power plants to market requirements

Energy market movements impact the company's own power plants to a high extent. Demand has collapsed as a consequence of the global financial crisis, and has since been recovering only slowly in Europe. At the same time, some massive subsidies for solar and wind energy production, as well as the purchase guarantees that are coupled with them, are raising supply. Added to this is a reduction of coal and oil prices triggered by the shale gas boom in the United States and global overcapacities. Combined with continued weak trading in European emission rights, environmentally compatible hydropower and natural gas-driven power plants, in particular, are facing ever greater cost pressure. To secure production profitability within this difficult environment, Alpiq needs to both boost efficiency and adapt production to the new framework conditions.

The 20-metre increase in the Vieux-Emosson dam to 76.5 metres doubles reservoir capacity. Vieux-Emosson forms part of the Nant de Drance pumped storage power station. This will offset volatile wind and solar power plant production from 2018, allowing consumption peaks to be met, such as for rail transportation. The power plant is set up for production capacity of 2.5 billion kWh of peak energy per year.

In the hydropower area, Alpiq, in accordance with Swiss government's energy strategy, is investing in expanding flexible pumped-storage capacities that can offset irregular solar and wind power production. Two milestones have been achieved in the Nant de Drance large-scale project that Alpiq is driving ahead together with its partners. Here, a pumped-storage power station is being built in a rock cavern between the two existing reservoirs of Emosson and Vieux-Emosson in Switzerland's Valais region. Firstly, the increase in the height of the Vieux-Emosson dam by 20 metres to 76.5 metres was concluded in September 2014, thereby doubling the reservoir's storage capacity. Secondly, in March 2014, Nant de Drance celebrated the conclusion of the excavation works for the machine cavern in the presence of Federal Councillor Doris Leuthard, Head of the Swiss Federal Department of the Environment, Transport, Energy and Communications (DETEC). The cavern, which is 194 metres long, 32 metres wide and 52 metres in height, is located 600 metres deep within the cliffs between the two reservoirs. It is one of Europe's largest subterranean construction works. At the ceremony, Federal Councillor Leuthard emphasised the importance of Nant de Drance to Switzerland's 2050 National Energy Strategy. With installed output of 900 MW, the power plant is designed to generate 2.5 billion kWh of peak energy per year from the end of 2018.

The financial and economic aspect of hydropower, which is central to supply security for Switzerland, is proving difficult, however. Continued low electricity prices in Europe are making the profitability of investments in large-scale plants questionable. Many power plants' production costs are already above the average prices that can be achieved on electricity exchanges. Alpiq conducted an intensive dialogue with all parties involved about restoring Swiss hydropower's profitability. Conditions need to be created under which environmentally compatible hydropower emerges as a winner from the new energy policy direction.

The Kladno thermal power station in the Czech Republic provides an example of how a broadly diversified production portfolio can help to mitigate volatility on energy markets. In January 2014, this power plant's output was boosted by 101 MW through the commissioning of a new unit. This unit replaces a block dating back to the 1970s, and is not only more efficient, but also significantly more environmentally compatible. This new plant already complies with the new EU Directive on CO_2 emissions that will come into force on 1 January 2016. By means of combined heat and power, this modern block not only produces electricity, but also supplies the city of Kladno with reliable heating. Production can also be adapted quickly to changes in energy demand thanks to its controllability. The balancing energy provided by Kladno assumes a key role in the network stability of the Czech Republic and will enhance the power plant's economic efficiency.

Expanding trading activities

The major changes within the European energy sector are also impacting wholesale activities. In particular, solar and wind energy production, which is irregular and difficult to predict, is resulting in increasingly short term trading. Alpiq established a 24/7 trading team in 2014 in order to market flexible capacities optimally. From 2015, it will be active on the European electricity exchanges around the clock seven days a week. Intraday trading every quarter of an hour has also been implemented. Alpiq benefits in this connection from a broad portfolio of flexible power plants that can be accessed on a quarter-hourly basis. In the future, this 24/7 position management will also be offered as a service for customers such as local communities, cities, industrial operations and new renewable energy plant operators that do not themselves possess the necessary infrastructure and requisite resources.

Gas trading was expanded further last year. The aim is to offer customers various energy forms on a one-stop shop basis. Gas activities in Spain and the Netherlands were stepped up, for example. On the gas markets of Italy and France, where Alpiq is already active, the company is aiming for trading volumes of 6 TWh for 2015. Alpiq has also created structured products for these markets, and the number of sales successes that have been realised with end customers continues to grow.

24/7

Demand for short-term flexibility is growing, especially due to the fact that RES generation is insufficiently predictable. In order to be able to also operate outside normal exchange times on this growing market, the Alpiq trading team will be active around the clock on this market from January 2015.

The Vetrocom wind park in Bulgaria is situated at an altitude of 1,400 metres, therefore being one of the three highest in Europe. The exchange of two main bearings in summer 2014 represented a particular challenge given extremely unstable weather conditions. For example, the 750-tonne crane needed to securely remove the 65-tonne, 90-metre diameter rotor within 15 minutes and deposit it on the ground.

Exploiting synergies between business divisions

The exploitation of synergies between business divisions is central to the Group's future profitability. Various projects last year provide examples of how cooperation could be utilised to boost value creation and tap new business areas.

Collaboration between the Generation and Energy Services business divisions is reflected in the modernisation of a block at the thermal power station in Kladno, for example. Value creation is being maximised in this project insofar as the plant was built under the management of general contractor Kraftanlagen Group (KA Group), a subsidiary of the Energy Services business division.

The same applies to a photovoltaic plant in Kestenholz, located in the Swiss Canton of Solothurn. The 1.2 MW plant was planned and realised for Alpiq EcoPower by Alpiq InTec (AIT). This allows the expected internal return to be boosted by around 1 per cent.

In the wind park of Alpiq subsidiary Vetrocom, which is located 1,400 metres above the sea in Bulgaria, Alpiq EcoPower handled project management for the exchange of the main bearings of two turbines. Specialist third-party companies carried out these works, which proved to be extremely demanding in their planning and implementation due to very unpredictable weather conditions.

Expanding the growth market of energy services

Flexitricity promises great synergy potential for the future. The company, which was taken over in March 2014, is a pioneer and British market leader in the decentralised energy management area. It bundles industrial companies' power generation capacities into a virtual power plant. At the same time, the firms' consumption is coordinated optimally with the market. Customers comprise companies that wish to manage their own production capacities better and reduce their electricity costs on a targeted basis, as well as network operators that need to offset fluctuations within their grids. This innovative service for corporate customers and network operators is to grow further. To this end, Alpiq has set its sights on new markets in Europe. Retailers' cooling and air-conditioning plants could be integrated within Flexitricity in the future, for example. They could then be operated only if electricity is priced favourably.

Coop's distribution centre in Schafisheim in the Swiss Canton of Aargau shows how strong Alpiq's position already is in energy efficiency projects. On this private construction site, which is Switzerland's largest of its type, AIT is realising the entire electric and building technology with an order value of CHF 30 million on a one-stop shop basis. This includes energy controlling, electrical installations, building automation, building security and protection, heating, ventilation, climate control, smoke extraction, cooling, industrial cooling, sanitary systems and compressed air. The integrated planning and execution of the different trades offers additional optimisation potential, especially in the energy efficiency area.

For the 1,300 shops of the Valora Group, AIT has been acting since May 2014 as professional partner for an energy- and cost-efficient cooling and refrigeration infrastructure. This order represents an expansion of the cooperation in the electrical, heating, ventilation, cooling and sanitary systems that has already existed for five years. It shows how the extensive portfolio in the building technology and energy efficiency areas can be combined into attractive overall solutions.

Strengths and capabilities in the building technology and energy efficiency areas are also underscored by the involvement in the construction of the Roche Tower in Basel. Switzerland's tallest office building, standing at 178 metres, is being constructed according to the Minergie standard. AIT is responsible for the ventilation and climate control systems, and is playing a key role in the working groups for the installation of the heating and cooling systems, as well as for the sanitary systems.

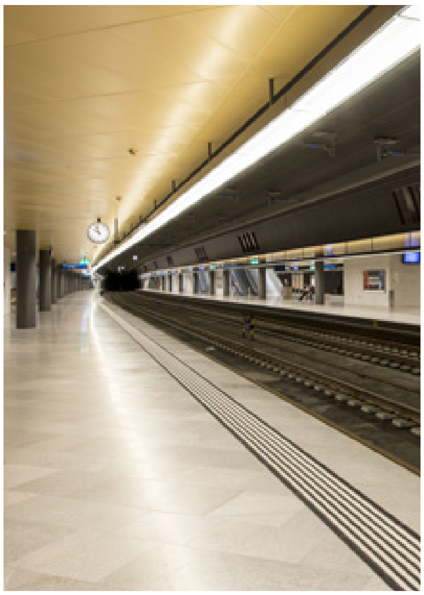
GridSense addresses the commercial and private household segment. This newly developed technology deploys artificial intelligence to independently manage electricity consumers' consumption. It anticipates usage patterns, and not only offsets the requirements of heating pumps, boilers, electric vehicle charging stations and storage batteries within a building, but also integrates the production of photovoltaic and wind power plants. In addition, it coordinates the external signals of energy utilities and weather forecasts in order to optimally coordinate consumption, production and storage with each other.

Technology for growing transport infrastructures

Global growth in cities and conurbations is being accompanied by demand for performant transport infrastructures. Alpiq proved its capabilities not only in large-scale projects in Switzerland in 2014, but also won international tenders with innovative solutions.

An innovative specialty development secured a three-year materials supply contract from the Toronto Transit Commission. As the result of purchasing new tram vehicles, the Canadian city needs to convert its overhead power lines to dual operation so that both trolley booms and bow collectors can be deployed. Kummler+Matter AG has developed junctions and circuit breakers for this purpose.

The Gotthard Base Tunnel comprises a unique project, and not just in terms of its dimensions. The opening of the world's longest railway tunnel is planned for the end of 2016. Alpiq has overall responsibility within the scope of cooperation ventures for the areas of rail technology, and shell and core equipment. The shell and core equipment was installed within the so-called Lot E in 2014. Among other items, this comprises the air-conditioning technology for the subterranean rail technology building at the multifunctional centres in Faido and Sedrun. Services include ventilation, water supply and drainage plants, ventilation and climate control systems for the auxiliary structures and buildings, crane systems, doors, double floors, metal constructions, as well as electrical and fire protection installations.



Thanks to the new underground station on its cross-city link, Zurich's main rail station is no longer a terminus as far as East Switzerland is concerned. Alpiq's building technology specialists were responsible for most of the electrical installations on Switzerland's largest inner city building site.

AIT was responsible for a large part of the electrical assembly work for the new Löwenstrasse underground station, opened in June 2014, forming part of Zurich's cross-city link, and installed and connected lighting, security and monitoring systems, signals, departure display boards, escalators and ticketing machines. Numerous electrical installations and various technical tenant fittings were also realised in the new retail passage.

Building up the E-mobility future market

Electro-mobility is a future market that has large potential. The number of attractive car models is growing constantly. Technologies are undergoing rapid further development. Alpiq E-Mobility already established itself as the Swiss market leader in the charging infrastructure area at an early stage. Its offering spans home charging stations, rapid charging stations for electric vehicles and e-bike charging solutions. In 2014, one Tesla Supercharger with six charging stations was installed at both the Hotel Mövenpick at the Egerkingen transport hub and at Maienfeld, and a Supercharger with four stations was set up in Beckenried. These form part of the pan-European infrastructure of the American electric vehicle pioneer. Since October 2014, Alpiq has also been active as the Swiss installation partner for home charging infrastructures for Tesla. At the same time as the Supercharger, further EVite-3in1 charging stations were created in Egerkingen, Maienfeld, Beckenried and Martigny, which can all be utilised by any electric vehicles. Overall, Alpiq has installed several hundred of electric charging stations in Switzerland.

Alpiq also relies on electro-mobility with regard to its own vehicle fleet. A total of 14 BMW i3 vehicles went into operation in 2014. This model, which was completely designed as an electric vehicle, is regarded as the first large series vehicle with a passenger compartment made entirely of carbon-fibre. These BMW i3 cars form part of a programme through which the share of electrically

In 2014, Alpiq further boosted the share of electric vehicles in its company fleet with the purchase of 14 BMW i3 cars. This ratio is to rise to 12 per cent by 2017. The aim is to reduce emissions by 20 per cent, or by 1,000 tonnes of CO_2, and cut fuel consumption by 25 per cent per year. The vehicles are used mainly for client visits and the sales force, and enjoy a high profile on Switzerland's roads due to their striking livery.

driven vehicles is to be increased to 12 per cent by 2017. The aim is to reduce fuel consumption by 25 per cent and CO_2 emissions by 20 per cent, corresponding to around 1,000 tonnes of CO_2 per year.

Diversifying power plant construction

Continued weak demand for energy comprises a particular challenge for the KA Group, which forms part of the Energy Services business division. The company has responded to the decline in new power plant building projects with a targeted diversification of its activities. In 2014, several large-scale projects in industry and for the modernisation of existing plants were acquired.

75 %

The new co-generation power plant at Munich Airport covers 75 per cent of heating requirements and 70 per cent of cooling demand in addition to the electricity that it produces.

The KA Group is constructing a gas-fired combined-cycle power plant for Munich Airport. The natural gas-driven combined heating/cooling and power plant replaces an outdated co-generation unit. In the modernisation of the large power plant Mannheim – with 911 MW of output – the KA Group was responsible for the planning, construction and supply of the high-pressure pipeline systems. This hard coal-fired power station is regarded as one of the most efficient in Europe.

Several projects relate to the chemical and petrochemical sector. In Germany, the KA Group is general contractor with responsibility for the construction of a new flare gas pipeline at the Shell Deutschland’s Wesseling plant. Three furnaces were modernised at the Shell Rheinland Refinery, and a new flare gas pipeline was also built for the Karlsruhe Upper Rhine Mineral Oil Refinery. In Rumania, the KA Group was selected as consortium contract partner of OMV Petrom to expand oil production. Services include installing parts of plants and facilities, as well as integration work. Not least, this order represents an important reference project in the oil production growth area.

Corporate Governance

Alpiq is committed to transparent and responsible business management, and pursues sustainable corporate development. Transparency and fairness are ensured by effective management and controlling systems, an open information policy and ethical principles. Alpiq adheres to the recommendations of the Swiss Code of Best Practice for Corporate Governance. Insofar as the company establishes and realises its own formal principles, such principles are disclosed and explained within this report. Alpiq's Corporate Governance principles and rules are set out in its Articles of Association and Organisational Regulations, the Executive Board Regulations and Group Regulations, in its organisation chart and in the assignment of associated companies. The following report describes this practice and is structured according to the Corporate Governance guidelines of SIX Swiss Exchange. The Remuneration Report presents the requisite disclosures of the senior management's compensation and investment interests. Except where otherwise stated, all information given is as at 31 December 2014.

1 Group and shareholder structure

1.1 Group structure

1.1.1 Alpiq Group operating structure

As at 31 December 2014, the parent company Alpiq Holding Ltd., domiciled in Lausanne, Switzerland, had a share capital of CHF 271,898,730, divided into 27,189,873 registered shares with a nominal value of CHF 10 each.

The registered shares are listed on SIX Swiss Exchange under ISIN CH0034389707. At the year-end, the market capitalisation stood at CHF 2,447,088,570 (calculated on the basis of the closing price on 31 December 2014 x number of shares = 90 CHF x 27,189,873 registered shares).

As at 31 December 2014, the Alpiq Group's management structure comprises the three operational business divisions of Generation, Commerce & Trading and Energy Services. The Group Centre consists of the two functional divisions: Financial Services and Management Services.

1.1.2 Listed companies included in the Alpiq Group's consolidation scope

No consolidated listed Group companies exist.

1.1.3 Non-listed companies included in the Alpiq Group's consolidation scope

The consolidated listed Group companies are listed on pages 135 to 141 of the Financial Report.

1.2 Major shareholders

Significant shareholders according to the entry in the share register are presented below. 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 competencies of the shareholders are governed by law and by the company's Articles of Association. Furthermore, a consortium / shareholder agreement exists between EOS Holding Ltd. (Lausanne), EDF Alpes Investissements Sàrl

(EDFAI, Martigny) and the consortium of Swiss minority shareholders, consisting of Genossenschaft Elektra Birseck (EBM, Münchenstein), Genossenschaft Elektra Baselland (EBL, Liestal), the canton of Solothurn, IBAarau AG, Aziende Industriali di Lugano SA (AIL) and Wasserwerke Zug AG (WWZ). The consortium agreement governs the merger between Aare-Tessin Ltd. for Electricity and the operating units of EOS Holding SA, as well as the interest held by EDF (50%) in the electricity purchase rights of Emosson SA. The merger was completed on 27 January 2009. The agreement also governs matters concerning Alpiq's corporate governance and reciprocal pre-emption rights held by partners in the consortium.

Shareholders as at 31 December 2014

Shareholders	Percentage ownership interest
EOS Holding	31.38
EDFAI	25.00
EBM	13.63
EBL	7.12
Canton of Solothurn	5.60
AIL	2.12
IBAarau	2.00
WWZ	0.91
Free float	12.24

1.3 Cross-shareholdings

No cross-shareholdings exist.

Organisation at 31 December 2014

General Management
Jasmin Staiblin [1]
CEO

Generation Michael Wider [1] Deputy CEO	Commerce & Trading Markus Brokhof [1]	Energy Services Reinhold Frank [1]	Financial Services Patrick Mariller [1,2] CFO	Management Services Jasmin Staiblin [1]
Hydro Power Generation Christian Plüss	Asset Optimisation Pierre Guesry	Alpiq InTec (AIT) Peter Limacher	Accounting & Controlling Edgar Lehrmann	Human Resources Daniel Huber
Nuclear Power Generation Michaël Plaschy	Portfolio Optimisation CEE Peter Dworak	Kraftanlagen Gruppe Reinhold Frank	Finance Projects & Transformation Martin Schindler	Legal & Compliance Peter Schib
Thermal Power Generation Matthias Zwicky	Markets Western Europe Martin Eschle		Taxes Eva Catillon	Strategy & Development Vlada Spasic
RES & Generation Development Daniel Spinnler	Back Office Petter Torp		Treasury & Insurance Lukas Oetiker	Communications Adrienne Develey
				Public Affairs Stefan Aeschimann
				IT Thomas Habel
				Risk Management Walter Hollenstein

- General Management
- Business Division
- Business Unit
- Functional Division
- Functional Unit

1 Member of the Executive Board
2 Thomas Bucher will succeed Patrick Mariller as CFO on 1 April 2015.

2 Capital structure

2.1 Share capital

As at 31 December 2014, the share capital of Alpiq Holding Ltd. was at CHF 271,898,730, divided into 27,189,873 registered shares with a nominal value of CHF 10 each. The shares are fully paid up.

2.2 Conditional and authorised capital in particular

Alpiq Holding Ltd. has no conditional or additional authorised capital.

2.3 Changes in equity

Statements of changes in equity can be found in the Financial Report on pages 88 and 89 for the consolidated financial statements of the Alpiq Group and on page 167 for the company financial statement of Alpiq Holding Ltd. Statements of changes in equity in 2012 can be found in the Financial Report of the Annual Report 2013 on page 62 for the consolidated financial statements of the Alpiq Group and on page 147 for the company financial statement of Alpiq Holding Ltd.

2.4 Shares and participation certificates

As at 31 December 2014, Alpiq Holding Ltd. has issued 27,189,873 registered shares of CHF 10 nominal value each. The shares are fully paid up and dividend-entitled. Each share represented at the Annual General Meeting of Alpiq Holding Ltd. has one vote. No restrictions exist on transferability or voting rights.

The company has issued no participation certificates.

2.5 Bonus certificates

The company has issued no bonus certificates.

2.6 Restrictions of transferability and nominee registrations

No restrictions existing in the statutes relating to the transferability of the shares of Alpiq Holding Ltd., and no special regulations have been issued for the registration of trustees and nominees.

2.7 Convertible bonds and warrants

The company has no convertible bonds outstanding, and has issued no warrants. The company has hybrid capital, as described in detail in Note 19 of the consolidated financial statements.

3 Board of Directors

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

3.1/3.2 Directors and other activities and interests

The Board of Directors consists of the following 13 members.

Board of Directors at 31 December 2014

Hans E. Schweickardt, Neerach, Switzerland, Chairman [1]
Christian Wanner, Messen, Switzerland, Deputy Chairman
Conrad Ammann, Zurich, Switzerland
Michael Baumgärtner, Leonberg, Germany
François Driesen, Paris, France
Damien Gros, Issy-les-Moulineaux, France
Alex Kummer, Laufen, Switzerland
Claude Lässer, Marly, Switzerland
René Longet, Onex, Switzerland
Guy Mustaki, Pully, Switzerland
Jean-Yves Pidoux, Lausanne, Switzerland
Gérard Roth, Paris, France
Urs Steiner, Laufen, Switzerland
Secretary to the Board: Roger Schoch

1 Hans E. Schweickardt acted as CEO ad interim from 1 October 2011 until 31 December 2012.

The Board of Directors regularly reviews its composition in relation to a balance of specialist knowledge, experience and diversity, and is endeavouring to also include female members in the future. As at 31 December 2014, the Board of Directors does not include a female member. The curricula vitae, professional background, information about operational management tasks for Alpiq Holding Ltd. or a Group company, about non-executive members' managerial tasks and significant business relationships during the three financial years preceding the period under review, as well as information about further activities and committed interests of the Directors can be found on Alpiq's website at www.alpiq.com/bod

3.3 Number of permissible additional activities

Pursuant to Art. 24 (1) of the Articles of Association, no Director can hold more than five additional mandates at listed companies. In addition, no Director can hold more than ten additional mandates at unlisted companies. Pursuant to Art. 24 (2) of the Articles of Association, this restriction does not include:

- Mandates in companies which Alpiq controls directly or indirectly or in joint coordination with third parties, or which control Alpiq directly or indirectly or in joint coordination with third parties;
- Mandates that a Director fulfils at the instruction of the company or a company that it controls directly or indirectly. Besides the mandates pursuant to Art. 24 (1) of the Articles of Association, no Director can hold more than ten of such mandates;
- Mandates in associations, non-profit organisations and foundations, as well as benefit and pension foundations. Besides the mandates pursuant to Art. 24 (1) of the Articles of Association, no Director can hold more than ten of such mandates.

Pursuant to Art. 24 (3) of the Articles of Association, mandates are regarded as mandates in the respective uppermost management and administrative body of a legal entity that is required to be entered in the Swiss commercial register or a corresponding foreign register. Mandates in various legal entities that are under joint control are regarded as one mandate.

3.4 Election and period of office

Pursuant to Art. 12 (3) of the Articles of Association, the Annual General Meeting individually appoints the Directors and the Chairman of the Board of Directors. Pursuant to Art. 12 (4) of the Articles of Association, the one-year period of office of the Directors as well as of the Chairman of the Board of Directors ends at the conclusion of the subsequent Annual General Meeting. Re-election is possible.

First-time election and remaining period of office of the individual Directors:

Name	First-time election to the Board of Directors	End of period of office
Hans E. Schweickardt	2006	2015
Christian Wanner	1996	2015
Conrad Ammann	2012	2015
Michael Baumgärtner	2013	2015
François Driesen	2012	2015
Damien Gros	2013	2015
Alex Kummer	2013	2015
Claude Lässer	2009	2015
René Longet	2013	2015
Guy Mustaki	2009	2015
Jean-Yves Pidoux	2009	2015
Gérard Roth	2012	2015
Urs Steiner	2004	2015

No regulations that differ from statutory provisions have been established in the Articles of Association concerning the appointment of the Chairman, the members of the Compensation Committee and the independent voting proxy.
www.alpiq.com/articles-of-association

3.5 Internal organisation

3.5.1 Allocation of tasks within the Board of Directors

The tasks of the Board of Directors are set out in the Swiss Code of Obligations, in Art. 11 of the Articles of Association, as well as in the Organisational Regulations of Alpiq Holding Ltd. The Articles of Association and the Organisational Regulations can be downloaded from the company's website at www.alpiq.com/articles-of-association. It is the responsibility of the Board of Directors to ensure that the shareholders are being well-informed and their opinion expressed freely.

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. The Directors receive documentation in advance of meetings that enables them to prepare for items on the agenda. Executive Board members normally attend meetings of the Board of Directors in an advisory capacity. They leave the meeting if the Chairman so directs. The Board of Directors passes its resolutions by a majority of the voting members present. In the event of a tie, the Chair has the casting vote. Should any conflicts of interest arise, the Directors concerned must leave the meeting. Minutes are kept of the Board's deliberations and resolutions. The minutes are distributed to the 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 Chair's authorisation, about individual transactions. To the extent required for the performance of his duties, any Director may ask the Chair to arrange for him to inspect books and files.

3.5.2 Committees of the Board of Directors

Audit and Risk Committee (ARC)

The ARC consists exclusively of non-executive and independent Directors, most of whom have experience in finance and accounting. The ARC consists of Damien Gros (Chairman), Dr. Jean-Yves Pidoux (member) and Dr. Conrad Ammann (member). The role of the ARC is to support the Board of Directors in carrying out its supervisory duties, and particularly with regard to monitoring and assessing the performance and independence of the internal and external auditors, the controlling system, interim and annual accounting, risk management, compliance and corporate governance.

Nomination and Remuneration Committee (NRC)

The NRC consists of Professor Dr. Guy Mustaki (Chairman), Gérard Roth (member) and Urs Steiner (member). The NRC's task consists in supporting the Board of Directors in discharging its supervisory duty in respect of succession planning (Board of Directors and Executive Board), determining and reviewing the remuneration policy and guidelines, as well as performance targets, preparing proposals on the remuneration of the Board of Directors and the Executive Board on behalf of the Annual General Meeting, determining all other conditions of employment relating to the compensation of the Board of Directors and Executive Board, and approving the other contract terms and conditions of employement for the CEO (as proposed by the Chairman of the Board) and for the Executive Board (as proposed by the CEO).

3.5.3 Working methodology of the Board of Directors and its committees

The Board of Directors convenes in response to an invitation by the Chairman as and when business requires, although at least once per quarter. During the reporting year, the Board of Directors held nine ordinary meetings, each lasting an average of just under seven hours, as well as an additional meeting in the form of a teleconference lasting about half an hour. The Directors personally attend the meetings. By way of exception, the Board of Directors can allow a member to vote by telephone or video as long as three quarters of its members approve. The Board of Directors has a quorum if a majority of its members are present. No attendance quorum is required solely to note the implementation of a capital increase, and to subsequently approve the related amendment to the Articles of Association. The Board of Directors passes its resolutions and conducts its elections with the majority of votes (general quorum for passing of resolutions). A qualified quorum for passing of resolutions is required for investments and disposals if such transactions would result in the consolidated net debt of Alpiq Holding Ltd. amounting to more than five times the EBITDA of the last consolidated annual financial statements, local allocation of business and functional divisions as well as the Executive Board, equity and equity-like capital market transactions, and the cancellation or amendment of the provision relating to qualified passing of resolutions. Abstentions do not count as votes cast. In the event of a tie, the Chair has the casting vote. Resolutions can also be passed by way of written circular, unless a member demands of verbal consultation.

The ARC submits proposals to the Board of Directors for its approval and reports verbally at each Board meeting on its activities, resolutions, conclusions and recommendations. If the ARC fails to reach consensus on matters within its remit, a decision is made by the plenary Board of Directors. Minutes of ARC meetings are circulated to all Directors for their information. The ARC also submits an annual accountability report to the Board of Directors, summarising the ARC's activities during the reporting year. As a rule, the Chairman, CEO, CFO, Head of Internal Audit and the external auditors attend the ARC's meetings. Depending on the agenda, other business and functional unit heads and representatives of the external auditors also attend. During the reporting year the ARC held five ordinary meetings as well as three additional meetings, each lasting an average of approximately three hours. On these occasions, the ARC consulted in depth on the company's restructuring programme, impairment charges, debt and the securing of liquidity.

The NRC submits proposals to the Board of Directors for its approval and reports verbally at each Board meeting on its activities, resolutions, conclusions and recommendations. Minutes of NRC meetings are circulated to all Directors for their information. As a rule, the Chairman, CEO and Head of Human Resources attend the NRC's meetings. During the reporting year, the NRC held five ordinary meetings, as well as ten additional meetings, each lasting an average of just under three hours.

The members of the Board of Directors ensure to fulfil their duties even in the case of extended time-demands. The Board of Directors conducts an annual self-appraisal both of its work and that of its committees.

3.6 Division of responsibilities

The Board of Directors has delegated responsibility for the Alpiq Group's entire operational management to the CEO. The CEO chairs the Executive Board, and has delegated some of her management responsibilities to the Executive Board members. The Organisational Regulations and the Executive Board Regulations govern authorities and the 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 governing the assignment of authorities and responsibilities. These regulations apply throughout the Group.

3.7 Information and controlling instruments in relation to the Executive Board

The Executive Board reports annually to the Board of Directors on strategic, medium-term and annual targets, and on the progress made in attaining them. The Board of Directors issues a code of conduct to ensure compliance with the applicable norms. During the year, the Executive Board reports quarterly on business performance, progress in achieving targets, and other important developments. The Board of Directors also receives a regular summary report including key financial figures, an assessment of the risk situation and ongoing internal audits. Furthermore, the Directors receive a written quarterly report showing detailed financial information and the principal activities and projects of the various business and functional divisions. In addition, two committees of the Board of Directors exist: the Audit and Risk Committee (ARC) and the Nomination and Remuneration Committee (NRC).

The external auditors submit a comprehensive report to the Board of Directors and give a verbal presentation of the results of their audit and of their future key audit areas.

Internal Audit, which reports directly to the Chairman of the Board and the ARC, provides independent and objective auditing and advisory services aimed at adding value and improving business processes. It supports the organisation in achieving its objectives by using a systematic and targeted approach to evaluate the effectiveness of risk management, control mechanisms, and management and supervisory processes, and by helping to improve them. Internal

Audit is a management tool for the Board of Directors and its committees, in particular for the ARC. Internal Audit is intended to assist the Board of Directors and Executive Board in performing their monitoring and controlling functions. At the ARC's request, the Board of Directors approves the risk-oriented audit schedule of Internal Audit on an annual basis, and acknowledges the annual accountability report. The individual audit reports are submitted to the respective line managers, the Chairman and (in summary form) the ARC, and are tabled for discussion at each meeting. As and when necessary, Internal Audit engages an external co-sourcing audit partner to assist it with its work.

Risk management monitors business, market, credit and financial 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. Central Risk Management, reporting to the CEO, proposes limits for the individual divisions based on the results of 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 (RMC) monitors compliance with the limits and principles.

In addition to compiling a Compliance Report, the main tasks of Compliance, as an integral part of the functional unit Legal & Compliance, are to raise awareness of potential compliance risks, provide coaching for employees in compliance matters, manage the whistle-blower system, give advice on issues pertaining to compliance and implement the policy management system. In doing this, Compliance assists the Board of Directors and the Executive Board in ensuring that the company acts in accordance with the rules and regulations.

4 Executive Board

4.1/4.2 Members of the Executive Board and their other activities and interests

As at 31 December 2014, the Executive Board comprised five members. The members of the Executive Board are listed on pages 48 and 49 of this Annual Report. Curricula vitae, professional background and information about any earlier activities on behalf of the Alpiq Group, as well as about other activities and interests can be found on Alpiq's website at www.alpiq.com/executive-board

4.3 Number of permissible additional activities

Pursuant to Art. 24 (1) of the Articles of Association, no Executive Board member can hold more than two additional mandates at listed companies. In addition, no Executive Board member can hold more than five additional mandates at unlisted companies. Pursuant to Art. 24 (2) of the Articles of Association, this restriction does not include:

- Mandates in companies which Alpiq controls directly or indirectly or in joint coordination with third parties, or which control Alpiq directly or indirectly or in joint coordination with third parties;
- Mandates that an Executive Board member fulfils at the instruction of the company or a company that it controls directly or indirectly. Besides the mandates pursuant to Art. 24 (1) of the Articles of Association, no Executive Board member can hold more than ten of such mandates;
- Mandates in associations, non-profit organisations and foundations, as well as benefit and pension foundations. Besides the mandates pursuant to Art. 24 (1) of the Articles of Association, no Executive Board member can hold more than ten of such mandates.

Pursuant to Art. 24 (3) of the Articles of Association, mandates are regarded as mandates in the respective uppermost management and administrative body of a legal entity that is required to be entered in the Swiss commercial register or a corresponding foreign register. Mandates in various legal entities that are under joint control are regarded as one mandate.

4.4 Management contracts

No management contracts exist between Alpiq Holding Ltd. and companies or natural persons outside the Alpiq Group.

5 Remuneration, shareholdings and loans

Information on the bases and elements of compensation, participation programmes or loans for each of the current and former Directors and Executive Board members of the Alpiq Group, as well as the area of responsibility and methodology in relation to how they are set, are disclosed in the separate Remuneration Report.

Art. 21 of the Articles of Association sets out the regulations relating to the principles concerning performance-related compensation and the allocation of participation share certificates, and conversion and warrant rights, as well as the additional amount for the compensation of Executive Board members which are appointed after the vote on compensation conducted at the Annual General Meeting.

Art. 25 of the Articles of Association sets out the regulations relating to loans, credits and benefits made to Directors and the Executive Board members.

Art. 20 of the Articles of Association sets out the regulations concerning how the Annual General Meeting votes on compensation.

6 Shareholders' participation rights

Shareholders' participation rights are governed by law and by the company's Articles of Association.

6.1 Restrictions on voting rights and proxy voting

Each share represented at the Annual General Meeting carries one vote. No restrictions exist on transferability or voting rights. As a consequence, no regulations exist in the Articles of Association that differ from the law in relation to participation at the Annual General Meeting.

Any shareholder can be represented by the independent proxy elected by the Annual General Meeting pursuant to Art. 19 of the Articles of Association. Proxy authorisations and instructions can also be issued to the proxy electronically.

6.2 Quorums pursuant to the Articles of Association

At the Annual General Meeting, only the quorums as determined in the Swiss Code of Obligations are valid (see Art. 10 of the Articles of Association).

6.3 Convening the Annual General Meeting

Annual General Meetings are convened in accordance with the rules set out in the Swiss Code of Obligations (See Art. 8 (2) of the Articles of Association).

6.4 Inclusion of an item on the agenda

Pursuant to Art. 8 (2) of the Articles of Association, the convening document is required to disclose the agenda items and proposed motions. Pursuant to Art. 8 (4) of the Articles of Association, up to 50 days prior to an Annual General Meeting, shareholders representing shares with an aggregate par value of at least CHF 1 million may request that a particular item be included on the agenda.

6.5 Entries in the share register

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.

7 Change of control and defensive measures

7.1 Mandatory tender 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 defensive measures.

7.2 Change-of-control clauses

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

8 Auditors

8.1 Duration of mandate and period of office of main auditor

EY AG, Zurich, have been active as the auditors of Atel Holding AG and of Alpiq Holding Ltd. respectively. The statutory and Group auditors are appointed by the Annual General Meeting for a one-year term of office.

EY AG's current lead audit partner has performed this function since the 2013 financial year.

8.2./8.3 Auditors' fees and additional fees

Performance and fees are reviewed annually. As the statutory and Group auditors for the past financial year, EY AG received fees for their services of CHF 5.0 million (previous year: CHF 5.0 million). Of this amount, CHF 3.0 million was paid for audit services (CHF 3.2 million), CHF 0.6 million for audit-related services (CHF 1.1 million), CHF 0.4 million for tax services (CHF 0.4 million) and CHF 1.0 million for transaction support (CHF 0.3 million).

8.4 External audit information mechanisms

The 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 audit plans with the external auditors in advance and assesses their work. The external auditors submit a comprehensive report to the full Board of Directors once a year. The ARC regularly invites the external auditors to attend its meetings, which happened seven times in the reporting year.

9 Information policy

Alpiq provides shareholders, potential investors and all other stakeholders with comprehensive, timely and regular information through its annual, interim and quarterly reports, at annual media and financial analyst conferences and at the Annual General Meetings. Communication channels also include the company's regularly updated website at www.alpiq.com, as well as media releases on important events. Contact addresses are listed on the website at www.alpiq.com/contact. Key dates for the current financial year are shown on the second to last page of this report.

2014 Annual General Meeting

At the 6th Annual General Meeting of Alpiq Holding Ltd., held on 24 April 2014, the 206 shareholders present approved the 2013 consolidated financial statements of the Alpiq Group, as well as the Annual Report and the company financial statements of Alpiq Holding Ltd. The meeting voted in favour of the Board of Directors' proposal to pay a dividend of CHF 2 per registered share in Alpiq Holding Ltd. in the form of a return of capital contributions. Discharge from liability was granted to the Board of Directors. In place of Dominique Bompoint and Olivier Fauqueux, who stepped down from the Board of Directors, François Driesen und Gérard Roth were elected as members of the Board of Directors. The auditors were re-elected for another year.

Board of Directors at 31 December 2014

Christian Wanner, Claude Lässer, Michael Baumgärtner, Guy Mustaki, Gérard Roth
Jean-Yves Pidoux, François Driesen, René Longet, Urs Steiner, Alex Kummer
Damien Gros, Hans E. Schweickardt, Conrad Ammann

Hans E. Schweickardt
Chairman
- Dipl. El.-Ing. (electrical engineering degree), ETH Zurich, Stanford Executive Program
- Swiss national
- Chairman: Grande Dixence SA, Sion; Kernkraftwerk-Beteiligungsgesellschaft AG (KBG), Bern
- Vice-Chairman of the Supervisory Board of the sponsoring company and member of the Executive, Strategy and Personnel Committees: European Energy Exchange (EEX), Leipzig
- Member of the Supervisory Board: EPEX Spot SE, Paris; EEX Power Derivatives GmbH, Leipzig; European Commodity Clearing AG (ECC), Leipzig

Christian Wanner
Deputy Chairman
- Farmer, former Member of Solothurn Cantonal Government
- Swiss national
- Chairman: Privatklinik Obach AG, Solothurn
- Director: Kernkraftwerk Gösgen-Däniken AG, Däniken; Aare Energie AG (a.en), Olten
- Advisory Board: AZ Medien AG, Aarau

Dr. Conrad Ammann
Member
- Dipl. El.-Ing. (electrical engineering degree), ETH Zurich, Dr. sc. techn., BWI postgraduate diploma in Industrial Management, ETH Zurich, CEO EBM (Genossenschaft Elektra Birseck), Münchenstein
- Swiss national
- Director: Kraftwerk Birsfelden AG, Birsfelden

Michael Baumgärtner
Member
- Diploma in Business Management, Pforzheim University, Member of the Executive Committee, STEAG GmbH, Essen, Germany
- German national

François Driesen
Member
- DESS de droit des affaires et de fiscalité (University Paris II) , EDF Legal Director Europe and Head of Governance, Internal Controlling and Risk Management of the Continental Europe division
- French national
- Director: EDF Luminus, Belgium
- Member of Supervisory Board of: EDF Deutschland GmbH, Germany; Energie Steiermark AG, Austria

Damien Gros
Member
- French national
- Chairman: Shai-Hulud Investment SAS, France
- Director: Accuracy Worldwide S. Coop. SA, Luxembourg

Alex Kummer
Member
- lic. iur et oec. HSG / lawyer and notary / business arbitrator IRP-HSG
- Swiss national
- Chairman: EBM (Genossenschaft Elektra Birseck), Münchenstein; GREBET Immobilien AG, Bettlach; Aluminium-Laufen AG Liesberg, Liesberg
- Director: Duravit Schweiz AG, Othmarsingen; Sportshop Karrer AG, Laufen; Gremolith Verwaltungs AG, Kirchberg SG
- President, Board of Trustees: EGK Grundversicherungen, Laufen; EGK- Gesundheitskasse, Laufen

Claude Lässer
Member
- Lic. rer. pol., former Fribourg State Councillor
- Swiss national
- Director: Groupe E Ltd., Granges-Paccot
- Vice-Chairman: EOS Holding SA, Lausanne
- Director: FRIGAZ SA, Givisiez

René Longet
Member
- Lic. phil. I, University of Geneva
- Swiss national
- Vice-Chairman: Services industriels de Genève, Vernier
- Director: EOS Holding SA, Lausanne

Prof. Dr. Guy Mustaki
Member
- Lawyer, Professor at Lausanne University
- Swiss national
- Chairman: Romande Energie Holding SA, Morges; EOS Holding SA, Lausanne
- Director: Grande Dixence SA, Sion

Dr. Jean-Yves Pidoux
Member
- Doctorate in sociology and anthropology, Vaud Cantonal MP, Lausanne City Councillor
- Swiss national
- Chairman: SI-REN SA, Lausanne;
- Vice-Chairman: Forces Motrices Hongrin-Léman S.A., Château-d'Oex
- Director: Romande Energie Holding SA, Morges; EOS Holding SA, Lausanne; Grande Dixence SA, Sion; Gaznat SA, Lausanne; Swissgas AG, Zurich; HYDRO Exploitation SA, Sion; Forces motrices de l'Aboyeu SA, Collonges

Gérard Roth
Member
- Master of Science in Management (HEC), Master in German Literature, Stanford Executive Program, EDF Senior Executive Vice-President and Deputy CEO EDF International; Director for Continental Europe
- French national
- President of the Executive Committee: EDF Alpes Investissements, Martigny
- Chairman the Supervisory Board: EDF Deutschland GmbH, Germany; EDF Polska SA, Poland
- Vice-Chairman: EDF Luminus, Belgium
- Member of the Supervisory Board: EDF Démász, Hungary
- Director and Deputy CEO: EDF International, France
- Director: EDF Trading Ltd, United Kingdom

Urs Steiner
Member
- Energy Engineer HTL, CEO Genossenschaft Elektra Baselland, Liestal
- Swiss national
- Chairman: Geopower Basel AG, Basel; Waldenburgerbahn AG, Waldenburg; IReL AG Gebäudeautomation Energietechnologie, Liestal
- Vice-Chairman: Efforte AG, Olten
- Director: Kraftwerk Birsfelden AG, Birsfelden; Geo-Energie Suisse AG, Zurich; Kraftwerk Augst AG, Augst

Executive Board at 31 December 2014

Patrick Mariller Markus Brokhof

Michael Wider Jasmin Staiblin Reinhold Frank

Jasmin Staiblin
CEO
- Electrical Engineering graduate, Technical University, Karlsruhe, Germany; Royal Technical University of Stockholm, Sweden
- German national
- Born 1970
- With Alpiq Group since 2013, as CEO
- Vice-President: Swisselectric, Bern
- Director: Georg Fischer AG, Schaffhausen; Rolls-Royce plc London;
- Board member: economiesuisse, Zurich
- Member of: ETH Board, Bern

Michael Wider
Head of Generation, Deputy CEO
- MA in Law; MBA, Stanford Executive Program
- Swiss national
- Born 1961
- Joined the Alpiq Group in 2003; member of the Executive Board since 2009
- Chairman: HYDRO Exploitation SA, Sion; Nant de Drance SA, Finhaut; Kernkraftwerk Gösgen-Däniken AG, Däniken
- Director: Centrale Thermique de Vouvry S.A. (C.T.V.), Vouvry; Romande Energie Holding SA, Morges; Grande Dixence SA, Sion; Swissgrid AG, Laufenburg; Kernkraftwerk Leibstadt AG, Leibstadt
- Board member: Swisselectric, Bern

Markus Brokhof
Head of Commerce & Trading
- Mining Engineering graduate; Clausthal University of Technology, Clausthal-Zellerfeld, Germany
- German national
- Born 1966
- Joined the Alpiq Group in 2014 as member of the Executive Board
- Director: Powernext SA, Paris

Reinhold Frank
Head of Energy Services
- Dipl. Ing. (engineering degree); Dipl. Wirtsch.-Ing. (industrial engineering degree), Stanford Executive Program
- German national
- Born 1955
- Joined the Alpiq Group in 2006 as member of the Executive Board
- Director: AEK Energie AG, Solothurn

Patrick Mariller
Head of Financial Services, CFO
- MA Economics UNIL, IMD Lausanne; Stanford Executive Program
- Swiss national
- Born 1966
- Joined the Alpiq Group in 2003; member of the Executive Board since 2012
- Chairman: Electricité d'Emosson SA, Martigny
- Director: Grande Dixence SA, Sion; Kernkraftwerk Gösgen-Däniken AG, Däniken; Kernkraftwerk Leibstadt AG, Leibstadt
- Chairman the Supervisory Board: Kraftanlagen München GmbH, Munich

Remuneration Report

The Remuneration Report was prepared by the Board of Directors in accordance with the Swiss Code of Obligations, the Ordinance against Excessive Compensation with respect to Listed Stock Corporations (OaEC), the SIX Swiss Exchange Directive on Information Relating to Corporate Governance and the Swiss Code of Best Practice for Corporate Governance. As laid down under the amended Articles of Association, the Annual General Meeting approves the overall remuneration amounts for the Board of Directors and the Executive Board respectively once a year, separately and with binding effect, prospectively for the following financial year. This system offers advantages in the good combination of legal certainty for the company and greater co-determination rights for shareholders. It has been applicable since the 2014 Annual General Meeting for remuneration as from the financial year 2015. More information on voting on remuneration by the Annual General Meeting can be found under Art. 20 of the Articles of Association: www.alpiq.com/articles-of-association. The Board of Directors will continue to extend an invitation to the Annual General Meeting to approve the Remuneration Report once a year by way of separate consultative vote.

Compensation Governance

The Nomination and Remuneration Committee (NRC)

The NRC is Alpiq Holding Ltd.'s remuneration committee formally appointed by the Annual General Meeting. The committee comprises three members of the Board of Directors, nominated through individual election, who serve the company in a non-executive role and, in as much, do not have material vested interests, so that the objectivity necessary for discharging their duties is not compromised. In accordance with the Ordinance against Excessive Compensation with respect to Listed Stock Corporations (OaEC) and the Articles of Association, the members' term of office is restricted to the period marked by the end of the next regular Annual General Meeting. Re-election is possible.

The NRC's task consists in supporting the Board of Directors in discharging its supervisory duty in respect of succession planning (Board of Directors and Executive Board), determining and reviewing the remuneration policy and guidelines, as well as performance targets, preparing proposals on the remuneration of the Board of Directors and the Executive Board on behalf of the Annual General Meeting, determining all other conditions of employment relating to the compensation of the Board of Directors and Executive Board, and approving the other contract terms and conditions of employement for the CEO (as proposed by the Chairman of the Board) and for the Executive Board (as proposed by the CEO). Beginning with remuneration for the year 2015, the decision-making power with the associated responsibility rests accordingly with the Board of Directors and approval by the Annual General Meeting. Up until the prospective approval of the overall remuneration in the 2014 Annual General Meeting, indirect approval was given by way of consultative voting on the Remuneration Report.

The tasks and the duties of the NRC comprise the following in particular:

1. Nomination

Approval of selection criteria, evaluation of the CEO's proposals and subsequent formulation of the proposals to be put to the Board of Directors for nominating the members of Alpiq Holding Ltd.'s Executive Board and the members of the boards of directors of the subsidiaries and associated companies held by the Holding, as well as other material associates held for financial or strategic reasons. Election of the heads of the business and functional units. Candidates for the Executive Board, heads of business and functional units, as well as for the boards of directors of direct subsidiaries and associated companies, along with other material associates, are proposed by the CEO.

2. Performance assessments / objectives

Determining the CEO's annual objectives based on a proposal from the Chairman of the Board of Directors and assessment of the CEO's performance. Approval of the annual objectives of the Executive Board based on the recommendation of the CEO and performance assessment.

3. Contracts and terms of employment

Proposal on the remuneration of the individual members of the Board of Directors. Proposal on special conditions and additional remuneration of the members serving on the Board of Directors' committees. Proposal on the general contractual conditions, in particular the remuneration of the Chairman of the Board of Directors. Proposal on the overall remuneration and approval of further terms of employment for the CEO based on the proposal of the Chairman of the Board of Directors, as well as, upon application by the CEO, proposal on the overall remuneration and approval of other terms of employment for the individual members of the Executive Board and the heads of the business and functional units. Approval of the bonus regulations for the CEO / Executive Board, as well as for the heads of the business units and functional units.

The NRC submits proposals to the Board of Directors for its approval and, at each meeting, reports verbally on its activities, resolutions, conclusions and recommendations. Minutes of NRC meetings are circulated to all members of the Board of Directors for their information. The Chairman of the Board of Directors and the CEO are generally invited to the meeting except when their own performances are assessed or contractual terms or terms of employment are requested and / or recommended or approved.

The decision-making processes are summarised in the table below:

		CEO	BoD Chairman	NRC	BoD	AGM
1.	**Nominations**					
1.1	Approval of selection criteria			A		
1.2	Proposals submitted to BoD for nomination of EB members and members of the boards of directors of associated companies held directly by the Holding or other important associates	P		R	A	
1.3	Election of the heads of business and functional units	P		A		
2.	**Performance assessment / objectives**					
2.1	Determining the annual objectives of the CEO		P	A		
2.2	Performance assessment of the CEO		P	A		
2.3	Approval of the annual objectives and performance assessment of the EB	P		A		
3.	**Contracts and terms of employment**					
3.1	Remuneration of the members of the BoD, BoD Chairman, ARC, NRC and members of the EB			R	P	A
3.2	General contractual conditions of BoD Chairman and special conditions of BoD			P	A	
3.3	Other terms of employment for the CEO		P	A		
3.4	Other terms of employment for EB members, as well as the heads of business and functional units	P		A		
3.5	Bonus regulations for the CEO / EB, as well as for the heads of business and functional units	P		A		

A	Approval
R	Recommendation / proposal
FI	For information
P	Proposal
BoD Chairman	Chairman of the Board of Directors
BoD	Board of Directors
AGM	Annual General Meeting
EB	Executive Board
ARC	Audit and Risk Committee
NRC	Nomination and Remuneration Committee

The NRC meets as often as transactions require, at minimum once a year. In the reporting year, the NRC held fifteen meetings, each of which lasted just under three hours on average. The content of the meetings is summarised as follows:

Number of meetings	15
Average duration	3 hours
Main topics	Approval of selection criteria, evaluation of the CEO's proposals and subsequent formulation of the proposals to be put to the Board of Directors for nominating the members of Alpiq Holding Ltd.'s Executive Board and the members of the boards of directors of the subsidiaries and associated companies held by the Holding, as well as other material associates held for financial or strategic reasons. Election of the heads of business and functional units. Candidates for the Executive Board, heads of business and functional units, for the boards of directors of direct subsidiaries and associated companies, as well as other material associates are proposed by the CEO. Determining the CEO's annual objectives based on a proposal by the Chairman of the Board of Directors and performance assessment of the CEO. Approval of the annual objectives of the Executive Board based on the recommendation of the CEO and performance assessment. Proposal on the remuneration of the individual members of the Board of Directors. Proposal on special conditions and additional remuneration of the members serving on the Board of Directors' committees. Proposal on the general contractual conditions, in particular the remuneration of the Chairman of the Board of Directors. Proposal on the overall remuneration and approval of further terms of employment for the CEO based on a proposal by the Chairman of the Board of Directors, as well as, upon proposal by the CEO, proposal on the overall remuneration and approval of other terms of employment for the individual members of the Executive Board and the heads of the business and functional units. Approval of the bonus regulations for the CEO / Executive Board as well as for the heads of the business units and functional units.

Market-compliant remuneration

To ensure that the remuneration of members of the Executive Board and of the Board of Directors conforms to standard market practice, Alpiq regularly engages an independent external consultancy company to evaluate overall remuneration packages relative to the market environment. HKP Group and Klingler Consulting were mandated to establish a benchmark in the reporting year. The level and the structure of salaries were analysed, using listed electricity and energy companies in Switzerland and Europe of a similar size with comparable structures and operations, as well as industrial companies as a benchmark.

As a rule, fixed remuneration paid to the members of the Executive Board and the Board of Directors should not exceed the median of the peer group. The restructuring initiated of the company and the subsequent market comparison indicated a need for adjustment.

A number of changes had already been implemented in 2014 and are shown below.

Key changes in the year 2014

Adjustment of members of the Board of Directors' remuneration

In its meeting on 12 December 2013, the Board of Directors decided to reduce the fees paid to members of the Board of Directors by 20 % as of 1 January 2014 based on the findings of current market comparisons and on a proposal put forward by the NRC. Details on the new remuneration structure are disclosed in the section entitled "Members of the Board of Directors' remuneration" on page 64 of this Remuneration Report.

Adjustment of the remuneration of members of the Executive Board

Based on the results of current benchmarks and on a proposal submitted by the NRC, the Board of Directors has decided to adjust the Executive Board's[1] existing remuneration concept as well. The practical changes to the remuneration concept will largely take effect in 2015. Further details on the periods when these changes are to be implemented can be found under the section on "Planned future changes to the remuneration concept of members of the Executive Board" on page 68 of this Remuneration Report.[2]

1 If no differentiation is made between the CEO and the Executive Board members, the CEO is treated as part of the Executive Board.

2 An exception is made for new members joining from 1 June 2014 onwards. In the case of members elected to the Executive Board as of this date, the changes to the remuneration concept apply from the date they join the Board. Markus Brokhof was appointed to the Executive Board on 18 August 2014 and is therefore affected by this aforementioned exception for this reason.

Remuneration policy

Alpiq provides competitive remuneration and a performance- and value-based bonus system, in accordance with the Articles of Association, which are designed to motivate senior management to sustainably enhance shareholder value. Alpiq's remuneration guidelines and bonus system ensure that management salaries are commensurate with the respective tasks and responsibilities of the executives.

For this reason, the remuneration components of Executive Board members in the reporting year consist of a fixed, non-performance-related fixed base salary; a short-term, performance-related variable component (short-term bonus (STB)) based on the respective financial year; a long-term, performance-related variable component (long-term incentive (LTI)) paid over a period of several years, as well as additional payments and social security contributions. For details of Executive Board remuneration, please see page 61 of this Remuneration Report.

In the reporting year, there were no share award or share option schemes for members of Alpiq's governing bodies under which the governing bodies hold or receive genuine shares.

The principles underlying variable remuneration, which take account of specific performance targets set for the company, accord with the Articles of Association which have been adjusted pursuant to the OaEC, and are aligned with Alpiq's corporate strategy. More information on the principles underlying performance- and value-based remuneration can be found under Art. 22 of the Articles of Association: www.alpiq.com/articles-of-association

If all targets are achieved, the ratio of fixed salary to variable salary components generally amounts to 44 % fixed remuneration and 56 % variable remuneration in the case of the CEO, and an average of 34 % fixed remuneration and 66 % variable remuneration for the other members of the Executive Board.

Regulations on exceptions

In justifiable exceptional cases, the NRC may decide that the CEO or the members of the Executive Board should not be paid a bonus (STB and / or LTI).

Regulations on additional amounts

In the case of members of the Executive Board who enter into the service of the company or who are promoted to the Board in the financial year following approval of the remuneration by the Annual General Meeting, Alpiq is authorised to pay remuneration for the CEO and for other senior executive functions which individually does not exceed 50 % of the respective overall amount of Executive Board remuneration last approved. More information on the regulations governing the application of additional amounts for Executive Board members can be found under Art. 21 of the Articles of Association: www.alpiq.com/articles-of-association

Remuneration of member of the Executive Board in the reporting year

The employment contracts, terms and conditions of employment and remuneration for members of the Executive Board were approved by the NRC for the reporting year. In the financial year 2014, members of the Executive Board received remuneration in accordance with the Bonus Regulations which have been in force since 1 January 2012. The principles of remuneration under the Bonus Regulations to date also correspond to the regulations laid down in the Articles of Association in the version valid as of 1 April 2014.

In the financial year 2014, Executive Board members received remuneration consisting of the following components:

- non-performance-related fixed base salary
- short-term bonus (STB) depending on the degree to which personal and financial goals are achieved
- additional payments in the form of car expenses in line with the valid regulations
- social security contributions and pension plan payments

Fixed remuneration

The fixed base salary is paid out monthly and does not depend on performance. The amount is calculated based on the respective function and area of responsibility.

A fixed component of remuneration comprises other additional payments in the form of car expenses in accordance with the Expenses Regulations valid since 1 January 2012.

Variable salary

Under the terms of the Bonus Regulations (consisting of STB and LTI), the CEO and the heads of business and functional divisions are entitled to a variable salary. If a member of the Executive Board performs a dual function, the variable salary is based on the higher function only.

At Executive Board level, the CEO assumed an additional role as the Head of the Management Services functional division on 1 September 2013. In addition, Reinhold Frank has been performing a dual function as the Head of Energy Services and as Chairman of Kraftanlagen München GmbH, Germany (since 1 August 2013).

Short-term bonus (STB)

The aim of this short-term performance-based component is to motivate Executive Board members and to confer a reward for business performance based on the annual results. The NRC calculates the nominal amount of STB as a percentage of the total compensation. If all targets are achieved, the nominal amount is generally set at 31 % of the total compensation for the CEO and an average of 33 % of the total compensation for the other members of the Executive Board.

Payment of up to 30 % of the nominal value of the STB is measured by the achievement of personal performance targets (qualitative components). At the start of the year, the NRC determines personal performance targets for the CEO and the individual members of the Executive Board in writing. A maximum of six annual targets are defined (e.g. for projects pertaining to project work quality standards, timing / milestones, process efficiency, etc.). The payment of 30 % of the nominal value presupposes that qualitative performance targets have been fully achieved. The personal performance targets are generally weighted equally.

In the reporting year, the defined personal performance targets were achieved by an average 77 %.

Up to 70 % of the STB nominal amount is measured against the degree to which EBITDA targets (qualitative and financial components), defined at the start of the year by the NRC, are achieved. The NRC sets an EBITDA target at 100 % signifying target achievement, as well as an EBITDA floor and an EBITDA cap. To take account of the market situation, the EBITDA target figure ultimately achieved may be multiplied by a benchmark coefficient based on benchmarking the Alpiq EBITDA against the average peer group EBITDA. If the EBITDA target is achieved, the quantitative component amounts to 70 % of the overall STB target. No additional payments are made over and above an EBITDA cap of 112 % of the specific EBITDA target set by the NRC. If EBITDA is below an EBITDA floor of 37 % of the EBITDA target set by the NRC, the quantitative component of the STB is not paid out.

In the reporting year, the defined EBITDA target was achieved by an average 101 %.

At the end of the financial year, the NRC assesses the extent to which the qualitative and quantitative performance targets were achieved. The STB is disbursed with the next salary in the month following the Annual General Meeting.

Long-term incentive (LTI)

The aim of the LTI is to motivate members of the Executive Board to contribute towards 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 for achieving specified performance criteria. Economic Value Added (EVA) is used as an indicator of sustainable growth in shareholder value. LTI is disbursed with the next salary in the month following the Annual General Meeting.

The NRC defines the nominal value of the LTI once a year at the beginning of the financial year. The NRC defines the EVA target each year based on Alpiq's business plans, as approved by the Board of Directors. If the sum of the EVA targets planned for a three year period is reached, 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 by more than 120 %. If the EVA floor defined by the NRC of 86 % of the EVA target is underperformed, no LTI payment is made.

In the reporting year, the defined EVA targets were achieved by more than 120 %. In accordance with the Bonus Regulations that have been in force since 1 January 2012, the payment of bonuses to entitled individuals can be refused in parts or completely, at the discretion of the NRC. The Board of Directors has approved the NRC's proposal, no to pay an LTI to the CEO and the members of Executive Board for the reporting year. Payment of an LTI to the Executive Board is conflicting with the current market situation and the economic development of Alpiq. At the same time, the Board of Directors acknowledged the very challenging market environment and the performance of the CEO and the members of the Executive Board by maintaining their fixed and variable remuneration at the level of the previous year. The STB is adjusted accordingly.

Additional regulations on variable remuneration

Annual target remuneration (fixed component + STB + LTI) may not exceed three times the fixed salary component (annual salary, including 13th monthly salary). Amounts in excess of this ceiling are not paid out.

Irrespective of this rule, the NRC is authorised, also by the Articles of Association, to grant special bonuses to individuals in exceptional cases for outstanding performance. These bonuses apply above all to outstanding performance by Executive Board members which has had a determining influence on the company's result. Company results actually achieved based on predefined key performance indicators are used for measurement purposes. No additional salary components were approved or disbursed in the reporting year.

Pension schemes

Along with other Alpiq employees, Executive Board members all participate in the PKE-CPE Vorsorgestiftung Energie (Swiss defined contribution plan). The base salary and STB target are covered by insurance. The CEO takes part in the PKE-CPE as well as in the Gemini pension plans.

More information on regulations governing pension benefits can be found under Art. 25.3 of the Articles of Association: www.alpiq.com/articles-of-association

Remuneration paid to members of the Executive Board in 2014

Remuneration paid to members of the Executive Board totalled CHF 5.4 million in 2014 (previous year: CHF 5.9 million). Of this amount, CHF 4.5 million (CHF 5.2 million) was accounted for by regular remuneration and CHF 0.9 million (CHF 0.7 million) by pension benefits.

In the reporting year, the ratio of fixed salary components (totalling CHF 3.1 million) to variable components (totalling CHF 2.3 million) stood at 58 % to 42 %.

2014 CHF thousand	Sum total Executive Board [1]	Highest-paid member, Jasmin Staiblin (CEO)
Base salary	2,124.8	700.0
Pension payments [2]	873.9	251.0
Other remuneration [3]	132.2	33.0
Total fixed remuneration	**3,130.9**	**984.0**
Short-term bonus (STB)	2,273.1	900.0
Long-term incentive (LTI)	0	0
Total variable remuneration	**2,273.1**	**900.0**
Total remuneration	**5,404.0**	**1,884.0**

1 Changes to personnel at Executive Board level in 2014 affected the Head of the Commerce & Trading division. Erik Saether withdrew from the Board on 30 June 2014; Markus Brokhof joined the Board on 18 August 2014. Reference was made to the withdrawal of Benoît Revaz as Head of Management Services functional division as of 31 August 2013 in the 2013 Annual Report. He received a final payment of CHF 183 thousand on 30 June 2014. Erik Saether received a contractually agreed bonus (STB) amounting to CHF 158 thousand for the reporting year.

2 Employer social security contributions were paid in accordance with statutory requirements and totalled CHF 873.9 thousand in 2014.

3 “Other remuneration” comprises i.a. car expenses.

Each member of the Executive Board was paid an additional annual expense allowance of CHF 24 thousand, and the CEO as the highest-paid member received CHF 30 thousand. Expense allowances for the Executive Board totalled CHF 135 thousand.

The amount of bonuses reported corresponds to the variable salary component approved by the NRC for the 2014 financial year. The bonuses for 2014 will be paid out in May 2015 after the Annual General Meeting.

In accordance with the OaEC and the Articles of Association, no signing-on bonuses or loss of entitlements were paid in the reporting year.

No sureties, guarantees, pledges in favour of third parties or receivables waivers were granted in the reporting year.

No loans were extended to serving or former members of the Executive Board. More information on regulations pertaining to loans can be found under Art. 25.1 of the Articles of Association: www.alpiq.com/articles-of-association

Remuneration paid to the members of Executive Board in 2013

In the preceding year, the ratio of fixed salary components (totalling CHF 3.5 million) to variable components (totalling CHF 2.5 million) stood at 58 % to 42 %.

2013 CHF thousand	Executive Board sum total[1]	Highest-paid member, Jasmin Staiblin (CEO)
Base salary	2,642.5	700.0
Pension payments[2]	696.8	162.8
Other remuneration[3]	126.4	33.0
Total fixed remuneration	**3,465.7**	**895.8**
Short-term bonus (STB)	2,061.5	500.0
Long-term incentive (LTI)	400.0	400.0
Total variable remuneration	**2,461.5**	**900.0**[4]
Total remuneration	**5,927.2**	**1,795.8**

Each member of the Executive Board was paid an additional annual expense allowance of CHF 24 thousand, and the CEO as the highest member received CHF 30 thousand. Expense allowances for the Executive Board totalled CHF 156 thousand.

The amount of bonuses reported corresponds to the variable salary component approved by the NRC for the 2013 financial year. The bonuses for 2013 were paid out in May 2014 after the Annual General Meeting.

1 Benoît Revaz, Head of Management Services functional division, resigned from his function as of 31 August 2013. In addition to her own function, the CEO assumed the additional role as Head of Management Services functional division (without additional remuneration).

2 Employer social security contributions were paid in accordance with statutory requirements and totalled CHF 696.8 thousand in 2013.

3 "Other remuneration" comprises i.a. car expenses.

4 The bonus includes a signing on premium of CHF 400 thousand due to loss of entitlements from the previous employer.

Members of the Board of Directors' remuneration in the reporting year

Members of the Board of Directors receive fixed remuneration, additional attendance fees, expense allowances and pension benefits as required by law. Under the Expenses Regulations valid as of 1 January 2012, the Chairman of the Board of Directors in addition receives a monthly car allowance. These components are not performance-related. The amount of fixed remuneration depends on whether an office is held as Chairman or as a Board member, as well as on mandates held in other committees of the Board of Directors. Apart from the social security contributions required by law, members of the Board of Directors do not receive any other employee benefits, in particular no pension contributions. Members of the Board of Directors do not participate in the STB or LTI schemes.

Remuneration paid to the Board of Directors in 2014

In 2014, the Board of Directors received remuneration totalling CHF 3.3 million (previous year: CHF 4.1 million). Of this amount, CHF 3.1 million (CHF 3.9 million) was accounted for by regular remuneration and CHF 0.2 million (CHF 0.2 million) to pension contributions required by law.

A breakdown of payments made to the members of the Board of Directors is shown in the table below.

CHF thousand	Fixed remuneration	Attendance fees	Expense allowances	Other remuneration[1]
Hans E. Schweickardt	707.3	124.0	71.4	84.3
Christian Wanner[2]	123.5	36.8	15.2	
Conrad Ammann	116.0	70.0	13.5	11.0
Michael Baumgärtner	107.8	52.0	12.5	
François Driesen	71.1	24.0	8.2	
Damien Gros	128.0	68.0	15.5	
Alex Kummer	104.0	38.0	12.0	22.0
Claude Lässer	104.0	38.0	12.0	20.1
René Longet	104.0	38.0	12.0	
Guy Mustaki	128.0	100.0	15.5	34.3
Jean-Yves Pidoux	116.0	60.0	13.5	
Gérard Roth	79.3	54.0	9.2	
Urs Steiner	116.0	92.0	13.5	
Total for members of the Board of Directors serving on 31 December 2014	**2,005.0**	**794.8**	**224.0**	**171.7**
Dominique Bompoint	32.9	8.0	3.8	
Olivier Fauqueux	32.9	12.0	3.8	
Sum total for members of the Board of Directors	**2,070.8**	**814.8**	**231.6**	**171.7**

Changes in comparison to the figures disclosed in 2013 are set out below: Remuneration comprises members of the Board of Directors' fees, attendance fees and fees for service on the ARC and NRC. The differences in remuneration compared with the previous year are attributable to the 20 % reduction as of 1 January 2014. The restructuring of the company and subsequent comparison with the market were the reasons for the adjustment.

1 Employee social security contributions were paid in accordance with statutory provisions and totalled CHF 171.7 thousand in 2014.

2 Incl. Kernkraftwerk Gösgen-Däniken AG (KKG)

Hans E. Schweickardt is employed full-time as Chairman of Alpiq Holding Ltd.'s Board of Directors. All emoluments for other services to the Alpiq Group accrue to the company. Hans E. Schweickardt receives a car allowance of CHF 6.0 thousand in accordance with the currently valid Expenses Regulations.

Remuneration paid to the Board of Directors in 2013

Remuneration paid to members of the Board of Directors comprises fixed remuneration, additional attendance fees, expense allowances and pension benefits as required by law. These components are not performance-related. A breakdown of payments made to the Directors is shown in the table below.

CHF thousand	Fixed remuneration	Attendance fees	Expense allowances[1]	Other remuneration[2]
Hans E. Schweickardt	836.6	180.0	71.4	100.8
Christian Wanner	150.0	76.0	15.0	6.4
Conrad Ammann	145.0	92.0	13.5	20.7
Michael Baumgärtner	99.1	52.0	9.2	
Dominique Bompoint	88.8	32.0	8.2	
Olivier Fauqueux	65.4	32.0	6.0	
Damien Gros	109.3	56.0	10.6	
Alex Kummer	88.8	32.0	8.2	17.5
Claude Lässer	130.0	56.0	12.0	26.9
René Longet	88.8	28.0	8.2	
Guy Mustaki	160.0	120.0	15.5	39.7
Jean-Yves Pidoux	145.0	88.0	13.5	
Urs Steiner	145.0	92.0	13.5	
Total for members of the Board of Directors serving on 31 December 2013	**2,251.8**	**936.0**	**204.8**	**212.0**
François Driesen	65.0	24.0	6.0	
Daniel Mouchet	41.5	24.0	3.8	
Patrick Pruvot	41.5	20.0	3.8	
Gérard Roth	46.3	44.0	4.3	
Alex Stebler	41.5		3.8	4.5
Stéphane Tortajada	51.1	32.0	5.0	
Sum total for members of the Board of Directors	**2,538.7**	**1,080.0**	**231.5**	**216.5**

1 "Expense allowances" comprises a car allowance for the Chairman of the Board of Directors. Other members of the Board of Directors do not receive a car allowance.

2 Employer social security contributions were paid in accordance with statutory requirements and totalled CHF 216.5 thousand in 2013.

Remuneration comprises members of the Board of Directors’ fees, attendance fees and fees for service on the ARC and the NRC. The fees were not increased compared to 2012.

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

Information on shares held by members of the Board of Directors and of the Executive Board can be found on page 169 of the Annual Report.

Employment contracts of members of the Executive Board and of the Board of Directors employment contracts

The provisions in members of the Executive Board employee contracts were adjusted in line with the OaEC as of 10 March 2014.

Directors may be mandated on a temporary or permanent basis; the annual election to the Board of Directors by the Annual General Meeting is, however, exclusively decisive for determining the mandate. Directors are elected as delegates by the shareholders and are directly contracted. There are no employment contracts between Alpiq Holding Ltd. and directors. The only exception is the Chairman of the Board of Directors who is in permanent full-time employment.

In accordance with the Articles of Association, temporary employment contracts may be signed with members of the Executive Board for a maximum of twelve months, or permanent contracts with a period of notice of a maximum of twelve months. Executive Board member contracts were adjusted accordingly through to 10 March 2014, with the result that Executive Board members currently have permanent employment contracts with a period of notice of twelve months. The employment contracts do not provide for any severance payments.

Planned future changes to the remuneration concept of members of the Executive Board in the financial year 2015

Fixed remuneration

The Board of Directors approved the NRC's proposal to adjust fixed remuneration of members of the Executive Board. The actual amounts will be disclosed in the 2015 Remuneration Report.

Moreover, similar to the Board of Directors, the CEO and the members of the Executive Board have agreed to a reduction in their total compensation of around 20 %.

Variable remuneration

The Board of Directors has approved the NRC's proposal to adjust the maximum variable remuneration for members of the Executive Board. The actual amounts will be disclosed in the 2015 Remuneration Report. Other changes to the variable salary components are shown below.

Short -term incentive (STI)

Financial ratios will be exclusively applied to determining targets in the future. The amount of payment depends on the degree to which the financial targets fixed and weighted by the NRC at the start of the financial year, as set out below:

- 50 % EBITDA
- 25 % cash flow from operating activities
- 25 % net debt / EBITDA

Long-term incentive programme (LTI)

Ratio-based LTI

EVA is used to determine LTI. The amount of payment depends on the degree to which the three-year EVA fixed by the NRC at the start of the financial year is achieved.

Introduction of a phantom share programme

In addition to the adjusted LTI programme, a new “phantom share programme” will be introduced for members of the Executive Board. This share programme is geared to the following objectives in particular:

- alignment of management and shareholder interests
- support of strategy implementation
- long-term incentive effect over a three-year vesting period
- retention based on sunset clauses
- supplementation of the Alpiq Total Compensation model and market adjustment (enhancing attractiveness)

The shares will be allocated as phantom shares within the group of those entitled. Phantom shares confer the right on holders to disbursement of the positive difference between the market value of the Alpiq share at the end of three years and the value of the share when the phantom shares were allocated. The Board of Directors is entitled to effect payment in the form of genuine shares instead of a monetary value. Under this solution, the amount paid based on the share price at the end of the three-year period is converted into the equivalent number of shares. Disbursement presupposes that those entitled are in the employ of the company on the respective date. Phantom shares will be allocated for the first time on 1 May 2015.

The amount paid out will be calculated based on the following system:

- no payment if the average share price in the month prior to the respective date at the end of a three-year period does not exceed the value on the date when the shares were allocated (zero value)
- payout of 100% if the average share price in the month prior to the respective date at the end of the three-year period is 30% higher than on the date when the shares were allocated (target value)
- payout of 150% if the average share price in the month prior to the respective date at the end of the three-year period is 60% higher than on the date when the shares were allocated (cap)
- payment is calculated on a linear basis ranging between a zero value and the target value and between the target value and the cap respectively.

The first payout under the programme will be made at the end of the three-year vested period which falls on 30 April 2018.

A phantom shares programme works in the same way as a cash-settled share-based compensation plan. Valuation in the future Remuneration Report will be made in accordance with IFRS 2, as disbursement and the amount of disbursement is linked to the value of Alpiq shares (market condition). The figures reported on the disbursement day are based on a fair value model. The condition for disbursement depends on whether the relevant target has been achieved.

Introduction of a turnaround bonus for selected members of the Executive Board

In addition to the overall variable remuneration and the share programme offered to the entire Executive Board, the turnaround bonus is designed to take account of Alpiq's special situation. Financial and tax-related topics are of prime importance during a turnaround phase. The challenges confronting the CEO and CFO will be particularly great in these areas. With the aim of offering an incentive specifically for successfully handling the turnaround, the CEO and CFO are to be offered a special bonus which will only come into effect upon completion of a successful turnaround in the form of special remuneration paid at staggered intervals.

If Alpiq is given an A rating[1] on the reference date of 1 May 2018, the CEO and CFO will receive turnaround bonuses of CHF 300 thousand and CHF 150 thousand respectively. If Alpiq is awarded an A rating on the reference date of 1 May 2019, the CEO and CFO will receive turnaround bonuses of CHF 300 thousand and CHF 150 thousand respectively. If Alpiq is rated lower than A on the reference date of 1 May 2018 or 1 May 2019, entitlement to a turnaround bonus will not apply. Entitlement is subject to those eligible being in the employ of the company as of 1 May 2018.

The special bonus proposed is a long-term service award to employees within the meaning of IAS 19 (under the assumption that the work must also have been performed by 1 May 2018). The evaluation will be carried out using the Projected Unit Credit Method. The figures recognised are hypothetical and will only be due for payment if the relevant target has been achieved.

Changes to the remuneration concept enter into force on the following dates:

- changes as of 1 June 2014 with effect for new members[2]
- adjustments made to the STI and LTI programmes as of 1 January 2015 for members of the Executive Board
- the adjustments to fixed remuneration and to target STI and LTI figures as of 1 May 2015
- first allocation under the share programme will be made on 1 May 2015

1 An A rating includes ratings in a range from A– to AAA+. The best rating from the relevant rating institutes shall apply on the respective reference date.

2 Markus Brokhof, who was elected to the Executive Board with effect from 18 August 2014, is therefore already affected by the changes to fixed remuneration and the STB in 2014. He will nonetheless receive the first shares allocated, together with the other Executive Board members, only in 2015 following approval of the overall remuneration by the Annual General Meeting.

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To the General Meeting of

Alpiq Holding Ltd., Lausanne

Zurich, 20 March 2015

Report of the statutory auditor on the remuneration report

We have audited the accompanying remuneration report dated 20 March 2015 of Alpiq Holding Ltd. for the year ended 31 December 2014. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance) on pages 57 to 67 of the remuneration report.

Responsibility of the Board of Directors
The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibility
Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 – 16 of the Ordinance.

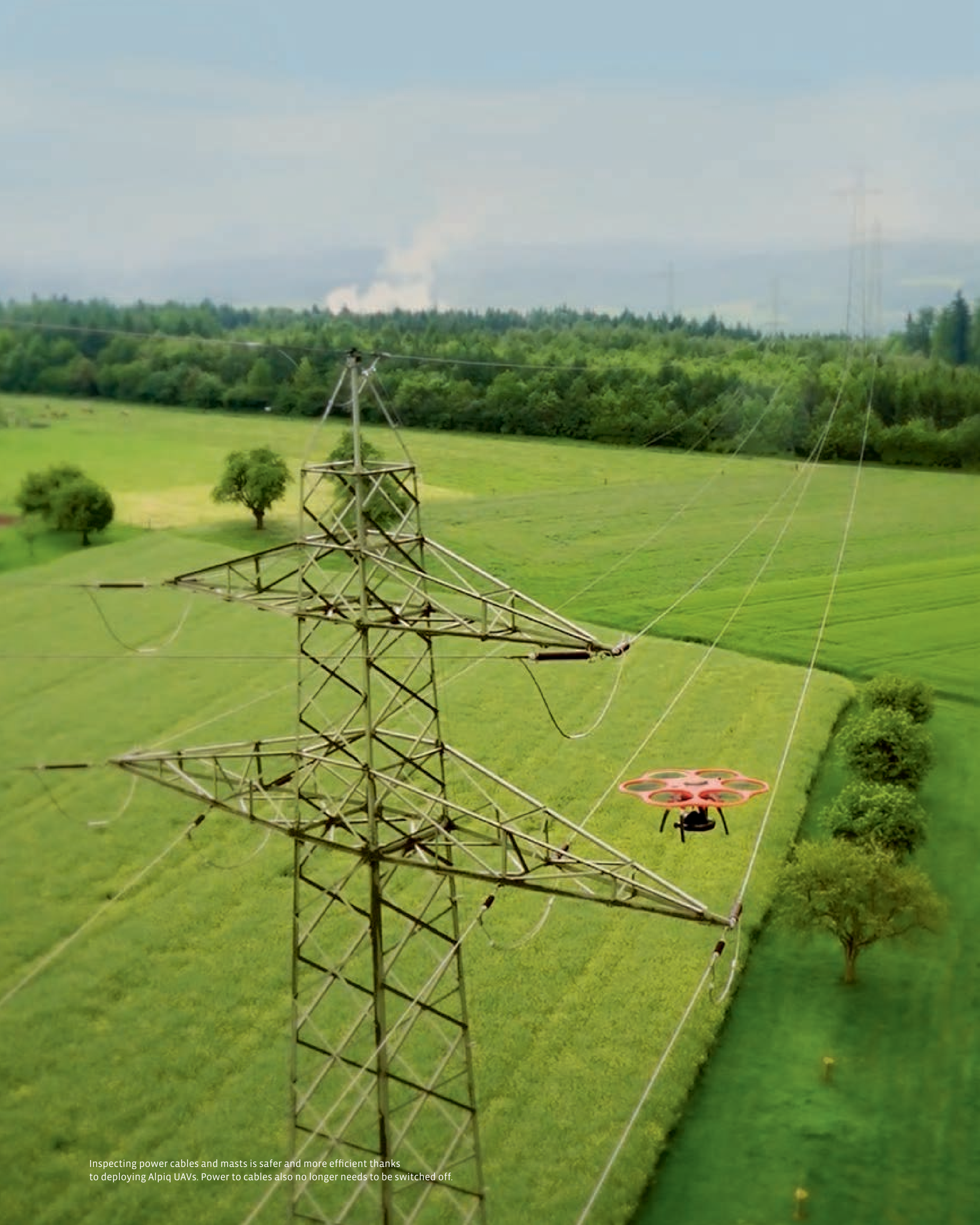
An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

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

Opinion
In our opinion, the remuneration report for the year ended 31 December 2014 of Alpiq Holding Ltd. complies with Swiss law and articles 14 – 16 of the Ordinance.

Ernst & Young Ltd

Roger Müller	Mathias Zeller
Licensed audit expert	Licensed audit expert
(Auditor in charge)	



Inspecting power cables and masts is safer and more efficient thanks to deploying Alpiq UAVs. Power to cables also no longer needs to be switched off.

Financial Report 2014

Financial Review

As expected, Alpiq's operating result fell year-on-year during the past financial year, but recorded slightly better development than originally anticipated. On the back of net revenue of CHF 8.1 billion (– 14 %), the Group generated EBITDA before exceptional items of CHF 609 million (– 23 %) and EBIT of CHF 356 million (– 29 %). Net income amounts to CHF 145 million (– 47 %). These results reflect the challenging market environment and in particular the continued low wholesale prices which reduced the earnings contribution of the entire power plant portfolio compared to the previous year.

In various European countries, including most notably Switzerland, new energy strategies and market mechanisms were discussed and in part agreed on a political level during the past year. European energy producers remain under pressure to reposition themselves. Alpiq has responded to this development. The focus and top priority is reducing net debt in order to form a basis for once again concentrating on investment in the future. As part of the new strategy, which was initiated at the start of 2014, Alpiq is developing from a capital-intensive power producer into an energy service provider with innovative full-service solutions. The decline in the Group's results reflects its reduced size on the back of the sale and closure of selected non-strategic activities. Results were negatively impacted by one-off effects, such as the costs for on-going restructuring and the buyback of bonds before maturity with a nominal total of CHF 543 million. The restructuring and optimised financing structure will, however, have a positive effect on the financial statements of Alpiq in future. The introduced cost reduction measures already exert a positive effect on the results, and Alpiq will save CHF 100 million per year by the end of 2015. Around CHF 65 million of this amount was already realised by the end of 2014.

During the reporting period, Alpiq consolidated its activities and took further steps to strengthen its financial position. As part of the sales process for the interest in Swissgrid AG, Alpiq is expecting proceeds totalling CHF 363 million from the transactions executed to date. The sale of CHF 75 million of the shareholder loan to several parties was already successfully concluded in 2014. The proceeds will primarily be used to reduce net debt.

Due to the continued low wholesale prices and the difficult regulatory environment, exceptional impairments and provisions had to be made for the financial year 2014. This primarily affected power plants, particularly the Swiss hydropower plants and Swiss power plant projects. Impairments and provisions of CHF – 1,172 million before taxes were required, which corresponds to CHF – 1,047 million after income taxes.

These exceptional items resulted in a net income for the Alpiq Group of CHF – 902 million including minority interests. To allow accurate tracking and delineation of exceptional items, the consolidated income statement is presented below as a pro forma statement. The following financial review of the Alpiq Group and its business divisions relates to operations, i.e. earnings development before exceptional items.

2014: Consolidated income statement (pro forma statement before and after exceptional items)

CHF million	2014 Results of operations before exceptional items	2014 Exceptional items [1]	2014 Results under IFRS	2013 Results of operations before exceptional items	2013 Exceptional items [2]	2013 Results under IFRS
Net revenue	**8,058**		**8,058**	**9,370**		**9,370**
Own work capitalised	3		3	72		72
Other operating income	144		144	101	11	112
Total revenue and other income	**8,205**		**8,205**	**9,543**	**11**	**9,554**
Energy and inventory costs	– 6,362	– 297	– 6,659	– 7,525	– 9	– 7,534
Employee costs	– 821		– 821	– 808		– 808
Plant maintenance costs	– 107		– 107	– 113		– 113
Other operating expenses	– 306		– 306	– 301	– 9	– 310
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**609**	**– 297**	**312**	**796**	**– 7**	**789**
Depreciation, amortisation and impairment	– 253	– 732	– 985	– 297	– 213	– 510
Earnings before interest and tax (EBIT)	**356**	**– 1,029**	**– 673**	**499**	**– 220**	**279**
Share of results of joint ventures and other associates	– 31	– 142	– 173	– 70	– 56	– 126
Finance costs	– 196	– 1	– 197	– 168		– 168
Finance income	18		18	19		19
Earnings before tax	**147**	**– 1,172**	**– 1,025**	**280**	**– 276**	**4**
Income tax expense	– 2	125	123	– 6	20	14
Net income	**145**	**– 1,047**	**– 902**	**274**	**– 256**	**18**

1 Include impairment losses and provisions
2 Include impairment losses and impairment reversals as well as proceeds from the sale of businesses

Alpiq Group: results of operations (excluding exceptional items)

In the context of a difficult market environment with deteriorating framework conditions, the Group achieved an operating result which was slightly higher than expected at the start of the year. The results were down on the previous year as expected due to the further reduced price level in the forward and spot markets, as well as the reduced business operations.

Despite the slightly higher volume of power generated and lower production costs in the areas of nuclear power and hydropower, the volume of power marketed by the Swiss power plant portfolio was down on the previous-year level due to pricing reasons. The thermal power plants operating abroad also delivered lower results than in the previous year, despite the successful commissioning of the new K7 block at the Czech power plant Kladno. Renewable Energy Sources could not match the results from the previous year due to inferior wind conditions in Bulgaria and Italy.

The Western Europe business unit was unable to sustain the result of the previous year due to the sale of Società Elettrica Sopracenerina SA (SES) in July 2013 in Switzerland and a restructuring-related reduction in sales activities in Italy. In the previous year, Central and Eastern Europe benefited to a greater extent from extraordinarily good trading opportunities.

The Energy Services business division recorded stable development overall. Alpiq InTec (AIT), which operates primarily in Switzerland, exceeded its results in the previous year. Alpiq benefited from the upbeat economic conditions in the construction sector and made use of market opportunities. In the power plant and industrial plant construction business, Alpiq is increasingly diversifying into the industrial sector and acquired various orders during the reporting year. Cautious investment in power plant construction is impacting the overall business development of the Kraftanlagen Group (KA Group).

The one-off costs for the buyback of bonds before maturity and the negative development of interest hedges showed negative effects on the cost situation. On the other hand, the lower interest charges on the back of reduced financial debt had a positive impact on the result. Furthermore, earnings from investments in associates and joint ventures grew year-on-year. Due to the lower operating result, income tax expenses were down on the previous year.

Group financial position (after exceptional items) and cash flow statement

As of the balance sheet date 31 December 2014, total assets are recorded at CHF 11.9 billion (CHF 14.5 billion). In addition to the impairments and provisions recorded, the repayment of financial liabilities with a net amount of CHF 970 million resulted in a significant reduction of total assets. Power plants and investments held for sale resulted in a reduction in non-current assets. These assets are grouped together and disclosed as a separate balance sheet item.

Current assets are below the level of the previous year, in part due to the lower liquidity following the repayment of financial liabilities mentioned above. Including term deposits and investments, short-term liquidity amounts to a solid CHF 1.6 billion. The still high cash reserve is available to cover basic liquidity requirements. The highest priority is the further reduction in net debt, and the income from the production plants held for sale will contribute to achieving this. Trade receivables were reduced substantially and therefore led to a correspondingly positive cash inflow. The replacement values from energy derivatives and the other accruals were also down on the comparative figures from the previous year, reflecting the reduced size of the Group.

Equity amounts to CHF 4.7 billion at the end of 2014 and is therefore below the previous-year level (CHF 5.8 billion), largely due to the impairments and provisions required as well as the resultant net loss. In addition, the remeasurements of defined benefit plans directly recorded in other comprehensive income lowered equity by CHF 91 million. Equity was also reduced due to the dividend payment as well as payment of interest on the hybrid capital. As of 31 December 2014, the equity ratio stands at 39.7 % (40.2 %).

Short and long-term borrowings were reduced by a net amount of CHF 970 million following repayments and refinancing. Thanks to the cash inflow from operating business as well as the sales, net debt was reduced from CHF 2.1 billion CHF to CHF 1.9 billion. Before exceptional items, the net debt / EBITDA ratio changed from 2.6 to 3.2 due to the lower operating result.

The CHF 280 million increase in provisions largely stems from the measurement of energy purchase contracts as well as from provisions formed for restructuring measures.

Cash flows from operating activities fell from CHF 670 million in the previous year to CHF 414 million. This is mainly driven by the lower results of operations.
The expected lower results in the energy business due to the tense market situation as well as divestments in 2013 could not be offset by the upbeat energy services business. In addition, the change in working capital caused a lower cash inflow compared to the previous year. In contrast, the lower cash outflow for paid income taxes had a positive effect.

The cash flows from investing and financing activities are affected by the repayment and refinancing of the financial liabilities as well as the sale of the first tranche of the Swissgrid AG loan. As in the previous year, investments in property, plant and equipment were limited to the most necessary investments, which meant that this cash outflow was once again substantially reduced. Investments in associated companies related to obligatory capital increases for growth investments at associated hydraulic production companies, which led to an increased cash outflow compared to the previous year. Overall, total cash and cash equivalents fell by CHF 826 million to CHF 0.9 billion. Together with term deposits with a maturity of up to one year, available liquidity is around CHF 1.6 billion.

Market conditions

The European economy was unable to gain momentum in 2014, and industrial production remained at the previous-year level. Due to the very mild winter quarters Q1 and Q4, the demand for electricity declined substantially in some countries.

The electricity prices on the spot and forward markets fell repeatedly during 2014. The largest corrections came in the fourth quarter on the back of the extraordinary price drop on the global oil markets due to the surplus supply from both the USA and OPEC. Coal prices have also fallen with the weakening of currencies against the dollar in several exporting countries. In connection with the crisis in the Ukraine and the uncertainty surrounding Russian gas supplies, European gas prices were supported by geopolitical uncertainties for a long period before falling towards the end of the year. Only the prices for CO_2 certificates did not follow this pattern. After the introduction of the backloading of 900 million CO_2 certificates in EU emissions trading in the spring (withholding of certificates for targeted price management, ensuring that the emission of CO_2 becomes more expensive again), further measures are now being discussed for reducing the excess supply of certificates permanently with the introduction of a market stability reserve. Overall, the margins of gas power plants improved towards the end of the year somewhat, while the use of coal power plants was reduced slightly.

In Germany, following repeated amendments to the EEG (Renewable Energy Act) which have led to a slowing in the expansion of solar and biomass plants, further amendments to the electricity market design are being discussed. This includes the introduction of capacity markets (such as in France or United Kingdom), the modification of the existing energy-only market as well as the possible reduction in CO_2 emissions for German lignite and coal power plants outside of the rules of the EU Emissions Trading System (ETS). The construction of German wind power plants in 2014, in contrast, totalled around 4.3 GW, taking into account the deconstruction of old plants and repowering. As a result, the German federal government's target (2.5 GW) was exceeded by a distance. The introduction of flow-based market coupling in Central and Western Europe was postponed until the second quarter 2015 due to the unplanned outage of three nuclear power plants in Belgium and the resultant extraordinary situation in the national transmission grid.

Generation business division

The Generation business division encompasses all power plants based domestically and abroad, including their marketing.

The business division recorded substantially lower results than previous year, mainly due the continued low wholesale prices which reduced the earnings contribution of the entire power plant portfolio. To minimise sales and price risks, Alpiq forward sells electricity from power plants and long-term purchase contracts with a view to securing this income stream with the currency risk.

The volume of power generated by the Swiss power plant portfolio is slightly higher than in the previous year overall. While the nuclear energy area benefitted from the higher availability of the Gösgen nuclear power plant, the volume of power generated by the hydropower plants is down on the previous year. On the one hand, this results in lower production costs due to the extension of the financial useful life of the nuclear power plants. On the other hand, due to the low wholesale prices and weather-related reduction in options for short-term optimisation, the earnings contribution from the marketing of the entire power plant portfolio is down on the previous year. In addition, the result in the previous year was positively influenced by the court-awarded compensation for ancillary service costs wrongfully charged in Switzerland during 2009 and 2010.

The thermal power plants operated abroad delivered lower operating results than in the previous year. At the Spanish power plant Plana del Vent, the discontinuation of an advantageous gas agreement and lower capacity payments negatively influence the volume of power generated and the earnings. The Csepel power plant in Hungary was utilised less due to the expiry of a supply contract, which results in a lower volume of power generated. Thanks to ancillary services and one-off effects, Italian plants record better results year-on-year despite a lower volume of power generated. In addition, the successful commissioning of the new K7 block at the Czech Kladno power plant had a positive impact on the generation volume and result.

Renewable Energy Sources were unable to repeat the results from the previous year. This is mainly due to icing problems at the Vetrocom wind park in Bulgaria and inferior wind conditions in Italy. The result is additionally being impacted by the revenue-linked additional levy in Bulgaria collected until mid-2014.

The construction of the Nant de Drance pumped storage facility in Switzerland's Wallis canton, which will generate around 2,500 GWh of energy annually with an installed pump-turbine power capacity of 900 MW, continued to progress as planned.

Commerce & Trading business division

The Commerce & Trading business division pools all trading and marketing activities from Switzerland, Germany, Italy, France, Eastern and Southern Europe as well as asset-related optimisation and trading activities for Switzerland and Western Europe. Asset-related earnings are disclosed under the Generation business division.

In the Swiss market, the sale of SES in July 2013 led to a decline in results. As part of the cost reduction programme, sales activities in Italy were also scaled down. This led to lower results than in the previous year. In France, the tense market situation and the corresponding margin pressure mean that results also came in below the level of the previous year.

Central and Eastern Europe delivered satisfactory results which were, however, unable to sustain the level of the previous year, which was influenced by exceptionally good trading opportunities.

The expansion of the 24/7 intraday business is moving forward as part of the strategy. From January 2015, Alpiq will be active on the market around the clock in order to successfully utilise opportunities stemming from the inadequate predictability of wind and solar production and the resulting demand for short-term flexibility.

Energy Services business division

The Energy Services business division is made up of Alpiq InTec (AIT) and Kraftanlagen Group (KA Group). AIT is mainly active in providing building technology services as well as services relating to energy and transport technology. KA Group offers comprehensive services for power plant and industrial plant construction.

AIT, which operates primarily in Switzerland, exceeds its results compared to the previous year. The company benefited from the continued upbeat economic conditions in the construction sector and successfully used market opportunities in the building and transport technology industry. In particular, the demand for energy efficiency solutions has increased sharply. By contrast, KA Group's results failed to match the level of the previous year. Business suffered under a general reluctance to invest in conventional power plant technology, as well as declining demand for nuclear technology in Germany.

Outlook

The operative result for 2015 will be impacted by low wholesale prices. The reasons are the high subsidies for new renewable energies, which have promoted an increase of wind and photovoltaic systems, low prices for primary energies such as oil, gas and coal, as well as weak CO2 prices. In addition, rising duties, particularly elevated water rights rates, will impact the operative result for 2015.

The Swiss National Bank's (SNB) decision to lift the Euro peg and introduce negative interest rates will be financially manageable in the short term because Alpiq has hedged the currency risk for energy exports from Switzerland. However, EBITDA of the subsidiaries in the euro zone will decrease accordingly. The consequences of the SNB decision will be reviewed in the course of publication of the half-year results for 2015.

These framework conditions confirm the necessity for the transformation of the Group. Alpiq is focusing on the capital market capability, with the primary goal being the reduction of net debt and to make targeted investments in the future.

Alpiq will continue the dialogue with Swiss policymakers to achieve rapid improvement of the framework conditions for Swiss hydropower, so that it is recognised as a renewable, flexible energy source. Hydropower is a key solution to meet the current challenges of pan-European energy policy issues.

Consolidated Financial Statements of the Alpiq Group

Consolidated Income Statement

CHF million	Note	2014	2013
Net revenue	28	**8,058**	**9,370**
Own work capitalised	4	3	72
Other operating income		144	112
Total revenue and other income		**8,205**	**9,554**
Energy and inventory costs	5	– 6,659	– 7,534
Employee costs	6	– 821	– 808
Plant maintenance costs		– 107	– 113
Other operating expenses		– 306	– 310
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**312**	**789**
Depreciation, amortisation and impairment	7	– 985	– 510
Earnings before interest and tax (EBIT)		**– 673**	**279**
Share of results of joint ventures and other associates	14	– 173	– 126
Finance costs	8	– 197	– 168
Finance income	8	18	19
Earnings before tax		**– 1,025**	**4**
Income tax expense	9	123	14
Net income		**– 902**	**18**
Attributable to non-controlling interests		– 23	– 4
Attributable to equity investors of Alpiq Holding		– 879	22
Earnings per share in CHF	10	**– 34.19**	**– 0.37**

Consolidated Statement of Comprehensive Income

CHF million	2014	2013
Net income	**– 902**	**18**
Cash flow hedges (subsidiaries)	– 6	18
Income tax expense	4	– 4
Net of income tax	– 2	14
Cash flow hedges (joint ventures and other associates)	1	18
Income tax expense	2	– 4
Net of income tax	3	14
Currency translation differences	– 25	27
Items that may be reclassified subsequently to the income statement, net of tax	**– 24**	**55**
Remeasurements of defined benefit plans (subsidiaries)	– 57	63
Income tax expense	13	– 14
Net of income tax	– 44	49
Remeasurements of defined benefit plans (joint ventures and other associates)	– 60	47
Income tax expense	13	– 10
Net of income tax	– 47	37
Items that will not be reclassified to the income statement, net of tax	**– 91**	**86**
Other comprehensive income	**– 115**	**141**
Total comprehensive income	**– 1,017**	**159**
Attributable to non-controlling interests	– 24	– 2
Attributable to equity investors of Alpiq Holding	– 993	161

Consolidated Balance Sheet

Assets

CHF million	Note	31 Dec 2014	31 Dec 2013
Property, plant and equipment	11	3,684	4,132
Intangible assets	12, 13	422	874
Investments in joint ventures and other associates	14	3,150	3,677
Other non-current financial assets	15	171	343
Deferred income tax assets	9	48	57
Non-current assets		**7,475**	**9,083**
Inventories	16	80	93
Trade and other receivables	17	1,695	2,111
Term deposits		647	680
Cash and cash equivalents	18	915	1,741
Derivative financial instruments		501	748
Prepayments and accrued income		67	52
Current assets		**3,905**	**5,425**
Assets held for sale	31	**481**	
Total assets		**11,861**	**14,508**

Equity and liabilities

CHF million	Note	31 Dec 2014	31 Dec 2013
Share capital	19	272	272
Share premium		4,269	4,323
Hybrid capital	19	1,017	1,017
Retained earnings		– 869	176
Equity attributable to equity investors of Alpiq Holding		**4,689**	**5,788**
Non-controlling interests		23	51
Total equity		**4,712**	**5,839**
Long-term provisions	20	412	112
Deferred income tax liabilities	9	930	1,162
Defined benefit liabilities	25	243	248
Long-term borrowings	21	3,040	3,875
Other non-current liabilities	22	165	88
Non-current liabilities		**4,790**	**5,485**
Current income tax liabilities		32	51
Short-term provisions	20	93	113
Short-term borrowings		461	596
Other current liabilities	23	957	1,232
Derivative financial instruments		517	772
Accruals and deferred income		297	420
Current liabilities		**2,357**	**3,184**
Total liabilities		**7,147**	**8,669**
Liabilities held for sale	31	**2**	
Total equity and liabilities		**11,861**	**14,508**

Consolidated Statement of Changes in Equity

CHF million	Share capital	Share premium	Hybrid capital	Cashflow hedge reserve	Currency translation differences	Retained earnings	Attributable to equity investors of Alpiq Holding	Non-controlling interests	Total equity
Equity at 31 December 2013	**272**	**4,323**	**1,017**	**– 33**	**– 654**	**863**	**5,788**	**51**	**5,839**
Net income for the period						– 879	**– 879**	– 23	**– 902**
Other comprehensive income				3	– 26	– 91	**– 114**	– 1	**– 115**
Total comprehensive income				**3**	**– 26**	**– 970**	**– 993**	**– 24**	**– 1,017**
Transfer from share premium to retained earnings		– 54				54	**0**		**0**
Dividends						– 54	**– 54**	– 9	**– 63**
Distributions to hybrid investors						– 48	**– 48**		**– 48**
Change in non-controlling interests						– 4	**– 4**	5	**1**
Equity at 31 December 2014	**272**	**4,269**	**1,017**	**– 30**	**– 680**	**– 159**	**4,689**	**23**	**4,712**

Alpiq's Board of Directors proposes that the Annual General Meeting on 30 April 2015 approve a scrip dividend of CHF 2.00 per registered share for the 2014 financial year (previous year: dividend CHF 2.00). This represents a total payout of CHF 54 million (CHF 54 million) which can be obtained either as shares (new registered shares of Alpiq Holding Ltd. with a nominal value of CHF 10 each) or cash payout. For more details, please refer to the "Board of Directors' Proposal" on page 170.

CHF million	Share capital	Share premium	Hybrid capital	Cashflow hedge reserve	Currency translation differences	Retained earnings	Attributable to equity investors of Alpiq Holding	Non-controlling interests	Total equity
Equity at 31 December 2012	**272**	**4,377**	**0**	**– 59**	**– 681**	**783**	**4,692**	**125**	**4,817**
Net income for the period						22	**22**	– 4	**18**
Other comprehensive income				26	27	86	**139**	2	**141**
Total comprehensive income				**26**	**27**	**108**	**161**	**– 2**	**159**
Transfer from share premium to retained earnings		– 54				54	**0**		**0**
Dividends						– 54	**– 54**	– 11	**– 65**
Proceeds from hybrid capital			1,017			– 12	**1,005**		**1,005**
Distributions to hybrid investors						– 16	**– 16**		**– 16**
Change in non-controlling interests							**0**	– 61	**– 61**
Equity at 31 December 2013	**272**	**4,323**	**1,017**	**– 33**	**– 654**	**863**	**5,788**	**51**	**5,839**

Consolidated Statement of Cash Flows

CHF million	Note	2014	2013
Earnings before tax		**– 1,025**	**4**
Adjustments for:			
Own work capitalised	4	– 3	– 72
Depreciation, amortisation and impairment	7	985	510
Gain / loss on sale of non-current assets		– 7	– 8
Share of results of joint ventures and other associates	14	173	126
Financial result	8	179	149
Other non-cash income and expenses		– 5	
Change in provisions (excl. interest)	20	281	– 7
Change in defined benefit liabilities and other non-current liabilities		– 65	– 14
Change in fair value of derivative financial instruments		– 21	9
Change in net working capital (excl. derivatives, current financial assets / liabilities and current provisions)		23	83
Other financial income and expenses		– 43	– 11
Income tax paid		– 58	– 99
Net cash flows from operating activities		**414**	**670**
Property, plant and equipment and intangible assets			
Investments	11, 12	– 111	– 179
Proceeds from disposals		30	16
Subsidiaries			
Acquisitions	29	– 25	– 9
Proceeds from disposals	30	– 3	296
Associates			
Investments	14	– 86	– 4
Proceeds from disposals		7	280
Other non-current financial assets			
Investments	15	– 11	– 2
Proceeds from disposals / repayments		83	6
Change in term deposits		30	– 547
Investments in / proceeds from disposals of securities			47
Dividends from joint ventures, other associates and financial investments		61	36
Interest received		18	17
Net cash flows from investing activities		**– 7**	**– 43**

CHF million	Note	2014	2013
Dividends paid		– 54	– 54
Dividends paid to non-controlling interests		– 9	– 11
Proceeds from borrowings		342	26
Repayment of borrowings		– 1,309	– 941
Proceeds from hybrid capital	19		1,005
Distributions to hybrid investors recognised in equity outside profit and loss	19	– 48	– 16
Interest paid		– 147	– 174
Net cash flows from financing activities		**– 1,225**	**– 165**
Currency translation differences		**– 8**	**3**
Change in cash and cash equivalents		**– 826**	**465**
Analysis:			
Cash and cash equivalents at 1 January		1,741	1,276
Cash and cash equivalents at 31 December		915	1,741
Change		**– 826**	**465**

The amounts reported above also include cash flows related to the “Assets and liabilities held for sale” item.

Notes to the Consolidated Financial Statements

1 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. The consolidated financial statements 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 that have been measured at fair value in some instances. The consolidated financial statements were authorised for issue by the Board of Directors of the Alpiq Holding Ltd. on 6 March 2015 and are subject to approval by shareholders at the Annual General Meeting on 30 April 2015.

Adoption of new and revised accounting standards

The Alpiq Group has adopted the following IFRS and IFRIC interpretations which came into force on 1 January 2014:

- IAS 32, amendments: Offsetting financial assets and financial liabilities (1 January 2014)
- IAS 39, amendments: Novation of derivatives and continuing designation for hedge accounting (1 January 2014)
- IFRIC 21: Accounting for public levies (1 January 2014)

The application of the new and revised standards and interpretations has no material impact on the consolidated financial statements.

Furthermore, previous year comparatives in the consolidated income statement, balance sheet 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. The changes in presentation also include changes in organisational terms.

IFRS interpretations effective in future periods

The IASB has issued the following new standards and amendments:

- IAS 19, amendments: Employee contributions (1 July 2014)
- IFRS 9: Financial instruments (1 January 2018)
- IFRS 14: Regulatory deferral accounts (1 January 2016)
- IFRS 15: Revenue recognition (1 January 2017)

Alpiq has not adopted any new or revised standards and interpretations early.

The potential impact of the future application of IFRS 9 and IFRS 15 is still being assessed. The application of the other new or revised standards and interpretations is not expected to have a material impact on the consolidated financial statements.

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 which are controlled by the Alpiq Group, either directly or indirectly. These entities are consolidated from the date of acquisition. Companies are deconsolidated or accounted for under investments in associates or financial investments when the control over the entity ends.

Investments in joint ventures and other associates in which the Alpiq Group has significant influence are accounted for in the consolidated financial statements using the equity method. The Alpiq Group's share of the assets, liabilities, income and expenses of such entities is disclosed in note 14 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 starting at page 151 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 both the functional currency of Alpiq Holding Ltd. and the 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 currency translation differences are recognised in the income statement.

Long-term receivables from, and loans payable to, a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future are, in substance, part of the net investment in that foreign operation. The resulting exchange differences are recognised separately in other comprehensive income as part of the currency translation differences and recognised in profit or loss in the relevant period on liquidation or disposal of the foreign operation.

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 average exchange rates for the reporting period. The currency translation differences arising on translation are recognised as a separate item in other comprehensive income. On disposal of a subsidiary or loss of control, and on disposal of an associate or joint venture or loss of significant influence, the cumulative currency 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 following exchange rates were used for currency translation:

Unit	Closing rate at 31 Dec 2014	Closing rate at 31 Dec 2013	Average rate for 2014	Average rate for 2013
1 USD	0.990	0.890	0.915	0.927
1 EUR	1.202	1.228	1.215	1.231
100 CZK	4.336	4.476	4.411	4.739
100 HUF	0.381	0.413	0.394	0.415
100 NOK	13.298	14.679	14.549	15.799
100 PLN	28.138	29.550	29.030	29.332
100 RON	26.823	27.457	27.332	27.857

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 expense

Income tax is calculated on taxable profits 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 loss carry-forwards are disclosed.

Borrowing costs

Borrowing costs are generally expensed in the period they occur. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying 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 of disposal. 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 balance sheet.

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 plant licences. The useful lives of the various classes of assets range as follows:

Buildings	30 – 60 years
Land	only in case of impairment
Power plants	20 – 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. Estimated costs for restoration (including decommissioning costs) are included in the costs of acquisition and manufacture and are accounted for as provision. 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 transferred to acquire the assets, liabilities and contingent liabilities of the acquiree. The consideration is measured as the cash paid, 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 and put options at the present value of the exercise price.

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 functional currency. Goodwill is not amortised but is tested for impairment at least annually. Goodwill may also arise from investments in associates, being the difference between the cost of investment and the Group's share of the fair value of the identifiable net assets. Such goodwill is recognised in investments in associates.

Intangible assets

Intangible assets acquired are initially measured at cost and are subsequently carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis 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 2 to 14 years.

Energy purchase rights

Energy purchase rights are recorded as intangible assets in the balance sheet. They comprise prepayments for rights to purchase energy in the long term, including capitalised interest. Depreciations of energy purchase rights are performed in line with the scope of the energy purchases made each year in relation to the total energy purchase quantity contractually agreed.

This item also includes long-term energy purchase agreements acquired in business combinations.

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 review is performed when changes in circumstances or events indicate that the carrying amounts may not be recoverable. If the carrying amount exceeds the estimated recoverable amount, the value is written down to the recoverable amount.

The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal 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 of disposal 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 13.

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 especially 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. The equity method is also used to assess companies over which Alpiq – although having an ownership interest in them of 50 % or more – has no control, as a result of restrictions in articles of association, contracts or organisational rules.

A joint arrangement is the joint control of a joint venture or a joint operation. The specific delineation is made on the basis of specific rights and duties of the parties involved with respect to the assets, liabilities, earnings and expenditure associated with the joint arrangement. For joint operations, assets, liabilities, earnings and expenditure are recognised proportionately whilst joint ventures are accounted for on consolidated financial statements using the equity method.

The financial statements of associates and joint operations are generally prepared using uniform accounting policies. Companies that apply different accounting standards for the preparation of their local financial statements also prepare reconciliations according 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 first-in, first-out (FIFO) or 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

Under the requirements of IAS 17, leases are classified as finance or operating leases. Transactions that transfer substantially all the risks and rewards incidental to ownership of the leased item to the Alpiq Group as the lessee, and where it consequently acquires economic ownership, are treated as finance leases. In the case of finance leases, the leased asset is capitalised at the commencement of the lease at its fair value or, if lower, at the present value of the minimum lease payments, and a corresponding liability is recognised. Obligations under finance leases are included in short-term and long-term borrowings in the balance sheet.

The leased asset is depreciated over its useful economic life. If, at the commencement of the lease, there is no reasonable certainty that the Alpiq Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the lease term and the useful life of the asset. In subsequent periods, the liability is recognised using the effective interest method.

All other leases that do not substantially transfer all the risks and rewards of ownership to the Alpiq Group are treated as operating leases and are not recognised in the balance sheet. The lease payments are recognised as an expense on a straight-line basis over the lease term. In total, operating leases held by the Alpiq Group are currently immaterial.

Construction contracts

Work performed for customers under construction contracts in the energy services business 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. Write-downs or provisions are 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 / or 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 at each 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

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 initially recorded at cost within intangible assets. A liability is recognised when CO_2 emissions exceed the emission allowances originally allocated and purchased. 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 Generation, Commerce & Trading business divisions as well as in the Group Centre participate in a legally independent pension scheme which meets the criteria of a defined benefit plan in accordance with IAS 19. Employees of foreign subsidiaries are generally covered by state social security schemes or independent defined contribution pension plans in accordance with national practices. These plans meet the criteria of a defined contribution plan according to IAS 19.

Swiss Group companies belonging to Alpiq InTec 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 are covered by state social security schemes which meet the criteria as defined contribution plans according to IAS 19.

The German Kraftanlagen 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. Retirement benefit obligations are presented in the company's balance sheet. These retirement benefit obligations 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 balance sheet. As there are no separate plan assets to meet the obligation, the actual payments are deducted from the retirement benefit obligations in the balance sheet.

The defined benefit obligation is calculated on an annual basis by independent pension experts 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. Generation tables are used in order to reflect mortality rates. These are based on the latest mortality data from pension funds and take account of future changes in mortality over time. The discount factor applied, respectively the projected interest rate for retirement assets, is based on the yields generated on the reporting date for first-class fixed-income corporate bonds on the market. The net interest result is recognised directly in finance costs / income; any remaining employee benefit costs are included in employee costs. Actuarial gains and losses are recognised in other comprehensive income as part of equity in the period in which they occur. Past service costs are recognised in the income statement as employee costs.

All 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 balance sheet. However, the nature and extent of liabilities existing at the reporting date is disclosed as a contingent liability in the notes to the consolidated financial statements.

Segment information

The reportable segments under IFRS 8 consist of the three business divisions: Generation, Commerce & Trading and Energy Services. The Executive Board evaluates each of these separately for the purpose of assessing performance and allocating resources. The key measure of performance used for internal management and assessment of the Alpiq Group is segment profit (EBITDA, 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.

Financial instruments

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

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
- loans and receivables
- available-for-sale financial assets and
- other financial liabilities

Financial assets and liabilities are recognised initially at fair value (plus or less transaction costs respectively, except in the case of “Financial assets or liabilities at fair value through profit or loss”). 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 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 “Financial assets or liabilities 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.

Loans and receivables

"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.

The category of "Loans and receivables" also includes cash and cash equivalents. These comprise cash at banks and in postal checking 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 a netting agreement is in place, and where the payment is made on a net basis.

Available-for-sale financial assets

All other financial assets are classified as available-for-sale. Changes in the fair value of items classified as available-for-sale are recognised in other comprehensive income and only transferred to the income statement upon disposal.

Other financial liabilities

These 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.

When a decline in the fair value of "Available-for-sale financial assets" has been recognised in other comprehensive income 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, foreign currency 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. 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 other comprehensive income, while any ineffective portion is recognised immediately in the income statement.

Amounts recognised in other comprehensive income 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 other comprehensive income are transferred to the income statement. When the hedging instrument expires, 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 other comprehensive income 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 that affect the reported amounts of assets and liabilities and the reported amounts of earnings 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 property, plant and equipment and intangible assets (including goodwill) and investments in joint ventures and other associates of the Alpiq Group was CHF 7.3 billion at 31 December 2014 (previous year: CHF 8.7 billion). These assets are tested for impairment annually. To assess whether an impairment exists, the expected future cash flows are calculated on the basis of empirical data and estimates relating to market trends. The fair value that is computed in this manner comprises mainly estimates relating to wholesale prices on European forward markets, forecasts of medium- and long-term energy prices, foreign currencies (especially EUR / CHF and EUR / USD exchange rates), inflation rates, discounting rates, regulatory conditions and investment activities relating to the company. Estimates of external factors are reviewed periodically using external market data and market analyses. Actual results can differ from these estimates, resulting in significant adjustments in subsequent periods.

Provisions

At 31 December 2014, the carrying amount of the "Provision for loss-making contracts" presented in note 20 was CHF 379 million (previous year: CHF 108 million). This covers liabilities existing and risks known at the balance sheet date that relate to energy trading and sales business. 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 degrees of uncertainty, and hence may cause some material adjustments in subsequent periods, are in particular 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 liabilities is based on statistical and actuarial assumptions. 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 life expectancy of the plan participants and other estimated factors. Such deviations may have an impact on the defined benefit liabilities recognised in future reporting periods. The principal assumptions are disclosed in note 25.

2 Financial risk management

General policies

The Alpiq Group's operating activities are exposed 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 Risk Management functional unit monitors the implementation of the measures. Exposure limits are set for credit, liquidity and market risks, 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 monitors compliance with the principles and policies. It also defines the hedging strategy for protecting the value of the power plants. The Risk Management functional unit is responsible for managing risks and reports to the CEO. The Risk Management 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 Risk Management 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 Risk Management Committee.

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 the energy business and specify the organisation and responsibilities for risk management. The objective is to maintain a reasonable balance between 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.

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. At the reporting date on 31 December 2014, the equity ratio was 39.5 % (previous year: 40.2 %). Based on the reported results, the return on equity is not meaningful for the reporting year, as in the previous year .

The Group's policy is for debts to be raised centrally by Alpiq Holding Ltd. The domestic capital market is the main source of financing. Alpiq Holding Ltd. held 77 % of the Group's total borrowings at 31 December 2014 (80 %). The amount of the financial liabilities must stand at a reasonable level relative to profitability, in particular to investors, but also to ensure a strong credit rating in line with industry norms. Decisive for capital management is the ratio of net debt (CHF 1,939 million) to EBITDA before exceptional items (CHF 609 million). Based on the reported results, this ratio was 3.2 for 2014 (previous year: 2.6).

During the budgeting and planning process, the Board of Directors takes notice annually of the planned performance of the targets set.

The Alpiq Group has the following covenants from finance agreements:

				Financial covenants		Other covenants
Agreement	Maturity	In CHF millions	Utilisation at 31 Dec 2014 in CHF millions	Equity ratio	Net debt / EBITDA	Bank rating
Syndicated loan line	Dec 17	400		x	x	x
Bilateral credit line	Jun 15	50				x
Bilateral bank loan	Oct 16	30	30			x
Bilateral credit line	Jun 18	20		x		

The above-mentioned covenants from finance agreements are tested twice yearly. The counterparty has a right to terminate the agreement if the covenants are breached. As of 31 December 2014, all covenants, to the exception of net debt / EBITDA in the syndicated loan, were fulfilled on the basis of the IFRS results disclosed, net of exceptional items. The participating syndicate banks and the agent therefore have the right to terminate the syndicated loan which remained unutilised as of 31 December 2014. Alpiq has entered into negotiations with the banks. Owing to the high level of liquidity on 31 December 2014, Alpiq does not anticipate any material effects on operations.

Financial instruments

Carrying amounts and fair values of financial assets and liabilities

CHF million	Note	Carrying amount at 31 Dec 2014	Fair value at 31 Dec 2014	Carrying amount at 31 Dec 2013	Fair value at 31 Dec 2013
Financial assets at fair value through profit or loss					
Positive replacement values of derivatives					
Currency and interest rate derivatives		27	27	10	10
Energy derivatives		474	474	738	738
Financial investments	15	2	2	2	2
Total financial assets at fair value through profit or loss		**503**	**503**	**750**	**750**
Available-for-sale financial assets					
Financial investments	15	17	17	15	15
Total available-for-sale financial assets		**17**	**17**	**15**	**15**
Loans and receivables					
Cash and cash equivalents	18	915	915	1,741	1,741
Term deposits		647	647	680	680
Trade receivables	17	1,270	1,270	1,578	1,578
Other financial receivables	17	363	363	447	447
Loans receivable	15	77	77	326	326
Other non-current assets	15	75	75		
Total loans and receivables		**3,347**	**3,347**	**4,772**	**4,772**
Total financial assets		**3,867**	**3,867**	**5,537**	**5,537**
Financial liabilities at fair value through profit or loss					
Negative replacement values of derivatives					
Currency and interest rate derivatives		100	100	84	84
Energy derivatives		417	417	688	688
Total financial liabilities at fair value through profit or loss		**517**	**517**	**772**	**772**
Other financial liabilities					
Trade payables	23	561	561	810	810
Bonds		2,549	2,667	3,288	3,413
Loans payable		932	936	1,153	1,150
Other financial liabilities, incl. put options		466	466	415	415
Total other financial liabilities		**4,508**	**4,630**	**5,666**	**5,788**
Total financial liabilities		**5,025**	**5,147**	**6,438**	**6,560**

At the reporting date, Alpiq Group measured the following assets and liabilities at their fair value or disclosed a 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 2014	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Currency and interest rate derivatives	27		27	
Energy derivatives	474		474	
Financial investments	19		19	
Financial liabilities measured at fair value				
Currency and interest rate derivatives	100		100	
Energy derivatives	417		417	
Other financial liabilities				
Bonds	2,667	2,667		
Loans payable	936		936	

CHF million	31 Dec 2013	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Currency and interest rate derivatives	10		10	
Energy derivatives	738		738	
Financial investments	17		17	
Financial liabilities measured at fair value				
Currency and interest rate derivatives	84		84	
Energy derivatives	688		688	
Other financial liabilities				
Bonds	3,413	3,413		
Loans payable	1,150		1,150	

During the financial years ending 31 December 2014 and 31 December 2013, there were no transfers between Level 1 and Level 2 and no transfers out of Level 3.

The currency, interest rate and energy derivatives comprise OTC products to be classified as Level 2.

Bonds and loans payable are recognised in the balance sheet at amortised cost. The fair value of the loans payable corresponds to the contractually agreed interest and amortisation payments discounted at market rates.

Expense / income related to financial assets and liabilities

CHF million	Income statement 2014	Other comprehensive income 2014	Income statement 2013	Other comprehensive income 2013
Net gains / losses				
On financial assets and liabilities recognised at fair value through profit or loss	– 49	– 2	– 24	14
On loans and receivables	– 8		– 7	
Interest income and expense				
Interest income on financial assets not measured at fair value	17		18	
Interest expense on financial liabilities not measured at fair value	– 132		– 157	

In 2014, impairment losses of CHF 13 million (previous year: CHF 20 million) were recognised in respect of trade receivables. No impairment losses were recorded for other financial instruments. More information about changes in the provision for impairment is presented in the “Impairment of trade receivables” table.

Hedge accounting

Interest rate swaps

As of 31 December 2014, interest rate swaps were concluded with the aim of fixing interest rates on variable-interest project financing in Italy. Maturity for this project financing varies between five and ten years. The hedging relationship proved to be highly effective. The unrealised loss of CHF 19 million (previous year: gain of CHF 14 million), with a related deferred tax asset of CHF 5 million (deferred tax liability of CHF 6 million), was included in other comprehensive income at 31 December 2014.

Foreign currency hedges

Foreign currency positions from the sale of Swiss production capacity in EUR were hedged using forward transactions on the basis of the expected transaction volumes. The underlying transactions will be recognised in the income statements for 2015 and 2016. The hedging transactions proved to be highly effective. The unrealised gain of CHF 18 million (previous year: loss of CHF 11 million), with a related deferred tax liability of CHF 3 million (related deferred tax asset of CHF 3 million), was included in other comprehensive income at 31 December 2014.

Hedges recognised in other comprehensive income including deferred tax consist of:

CHF million	Assets 2014	Liabilities 2014	Assets 2013	Liabilities 2013
Forward commodity contracts				– 4
Interest rate swaps		– 34		– 15
Foreign currency hedges	4		1	– 15

The forward commodity contracts were realised in 2014. The hedge reserve held in equity, amounting to CHF - 4 million, has been reclassified in the income statement. Once the transaction has occurred, amounts recognised in other comprehensive income at 31 December 2014 are transferred to the income statement. The ineffective part of the hedge is 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. Credit risk management in energy business 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 rating-based credit limits. 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.

It is policy in the energy business 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 related to Energy Services 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.

The calculated maximum credit exposure was CHF 3,867 million at 31 December 2014 (previous year: CHF 5,537 million). For a detailed summary please 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. The Alpiq Group’s exposure to concentrations of risk is minimised due to the number of customers, geographical diversification as well as 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 scaled over time. The limits are reviewed monthly and when particular circumstances require it. No write-offs have been necessary to date.

Guarantees and the offsetting of financial assets and liabilities

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 balance sheet 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.

2014: Offsetting of financial assets and liabilities

CHF million	Gross carrying amount	Offset	Net carrying amount in the balance sheet
Financial assets			
Trade receivables	2,000	730	1,270
Positive replacement values of currency and interest rate derivatives	27		27
Positive replacement values of energy derivatives	1,030	556	474
Financial liabilities			
Trade payables	1,291	730	561
Negative replacement values of currency and interest rate derivatives	100		100
Negative replacement values of energy derivatives	974	556	418

As a rule, the collateral held by the Alpiq Group covers both unrecognised energy transactions involving physical delivery and transactions recorded as financial instruments. For that reason, and also on account of their form, the collateral cannot be meaningfully assigned to individual balance sheet positions. As of 31 December 2014, the Group's overall netting potential for all recorded and off-balance sheet asset positions was CHF 121 million (previous year: CHF 270 million), of which collaterals amounting to CHF 56 million (CHF 119 million) were paid and CHF 65 million (CHF 151 million) were received.

2013: Offsetting of financial assets and liabilities

CHF million	Gross carrying amount	Offset	Net carrying amount in the balance sheet
Financial assets			
Trade receivables	2,553	975	1,578
Positive replacement values of currency and interest rate derivatives	10		10
Positive replacement values of energy derivatives	1,654	916	738
Financial liabilities			
Trade payables	1,785	975	810
Negative replacement values of currency and interest rate derivatives	84		84
Negative replacement values of energy derivatives	1,604	916	688

Impairment of trade receivables

CHF million	31 Dec 2014	31 Dec 2013
Carrying amount before impairment	1,312	1,615
Impaired	41	37
Impairment at beginning of year	37	31
Impairment charge for the year	13	20
Amounts written off as uncollectible	– 8	– 7
Unused amounts reversed	– 1	– 7
Impairment at end of year	41	37

2014: Ageing analysis of trade receivables

CHF million	Carrying amount before impairment	Of which, impaired	Impairment	Carrying amount after impairment
Not past due	1,002	1	1	1,001
1–90 days past due	87	3	2	85
91–180 days past due	15			15
181–360 days past due	47	8	6	41
Over 360 days past due	161	39	32	129
Total	**1,312**	**51**	**41**	**1,271**

2013: Ageing analysis of trade receivables

CHF million	Carrying amount before impairment	Of which, impaired	Impairment	Carrying amount after impairment
Not past due	1,314			1,314
1–90 days past due	117	1	1	116
91–180 days past due	26	10	1	25
181–360 days past due	56	39	21	35
Over 360 days past due	102	14	14	88
Total	**1,615**	**64**	**37**	**1,578**

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.

Most receivables over 360 days past due relate to a large-scale plant engineering project. Expected risks and revenue losses have been offset by credits. There are also receivables in Italy which could not be settled on time due to the persistent economic crisis. Alpiq is in close contact with corresponding debtors. Impairments have been made for expected defaults.

The Alpiq Group holds collaterals in the form of bank guarantees with a fair value of CHF 50 million (previous year: CHF 77 million) for impaired trade receivables as well as for due and unimpaired 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 peaks of the cash flow requirement. 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 banks. The Treasury & Insurance unit of Financial Services is responsible for Group-wide liquidity management. 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. 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.

2014: Maturity analysis of financial liabilities

	Carrying amount						Cash flows
CHF million		<1 month	1–3 months	4–12 months	1–5 years	>5 years	Total
Non-derivative financial liabilities							
Trade payables	561	– 486	– 67	– 8			– 561
Bonds	2,221		– 190	– 208	– 1,664	– 774	– 2,836
Loans payable	819	– 2	– 63	– 80	– 312	– 617	– 1,074
Other financial liabilities	466	– 30	– 61	– 272	– 24	– 79	– 466
Derivative financial instruments							
Net carrying amount of derivative financial instruments	– 16						
Net carrying amount of energy derivatives	57						
Gross cash inflows		476	1,295	4,135	1,972		7,878
Gross cash outflows		– 464	– 1,251	– 3,891	– 2,085		– 7,691
Net carrying amount of currency / interest rate derivatives	– 73						
Gross cash inflows		163	118	460	287	9	1,037
Gross cash outflows		– 162	– 116	– 460	– 319	– 27	– 1,084

2013: 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	810	– 640	– 162	– 5	– 3		– 810
Bonds	3,288		– 231	– 364	– 2,121	– 979	– 3,695
Loans payable	1,153	– 2	– 15	– 28	– 492	– 809	– 1,346
Other financial liabilities	415	– 33	– 66	– 295	– 7	– 56	– 457
Derivative financial instruments							
Net carrying amount of derivative financial instruments	– 24						
Net carrying amount of energy derivatives	50						
Gross cash inflows		620	1,206	4,387	2,344		8,557
Gross cash outflows		– 608	– 1,192	– 4,379	– 2,526		– 8,705
Net carrying amount of currency / interest rate derivatives	– 74						
Gross cash inflows		292	307	245	74	26	944
Gross cash outflows		– 292	– 307	– 254	– 112	– 35	– 1,000

Market risk

The Alpiq Group's exposure to market risk primarily comprises energy price risk, interest rate risk and currency 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 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. They 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.

Own-use energy transactions are not reported in the balance sheet. Energy transactions are also conducted as part of the programme to optimise Alpiq's power plant portfolio. A large proportion of the replacement values for energy derivatives shown as at the balance sheet date are attributable to optimisation positions, with positive and negative replacement values generally cancelling each other out.

Alpiq also engages in limited energy derivatives trading.

The energy derivatives concluded by the Alpiq Group are usually in the form of forward contracts. The fair values are calculated on the basis of the difference between the contractually fixed forward prices and the current forward prices applicable on the balance sheet date. The effect of credit risk on fair values is not significant.

The risks associated with trading and optimisation transactions are managed via clearly defined responsibilities and the risk limits laid down in the Group Risk Policy. Risk Management reports on the compliance with these limits regularly to the Risk Management Committee and Executive Board using a formalised risk reporting system. Risk items are monetised using the "Value at Risk" (VaR) industry standard.

Foreign currency risk

Wherever possible, the Alpiq Group seeks to mitigate foreign currency risk by offsetting operating income and expenses denominated in foreign currencies. Any remaining net balance is hedged by foreign exchange contracts (forward contracts) 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 (translation risks) 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 with a medium-term hedging horizon are used to manage exposure centrally in the market in line with the Group's financial risk policy. In order to avoid fluctuations in results, hedge accounting is used where possible.

The foreign currency derivatives are all OTC products. The fair values are calculated on the basis of the difference between the contractually fixed forward prices and the current forward prices applicable on the balance sheet date.

Interest rate risk

The risks arising from volatility in interest rates relate to the interest-bearing financial assets and liabilities of the Alpiq Group. Under its Financial Risk Policy, cash and cash equivalents are invested at short-term interest rates for a maximum of 365 days. However, the funding necessary for business operations is obtained on a long-term basis at fixed interest rates. Financing instruments with variable interest rates are generally hedged by means of interest rate swaps. This means that a change in interest rates applied to interest-bearing assets has an impact on the financial income.

The interest rate derivatives are all OTC products. The fair value is determined by discounting the contractually agreed payment streams against current market interest rates.

Sensitivity analysis

To illustrate the sensitivity of market risks to the Alpiq Group's financial results, the effects of reasonably possible changes in the market risks listed above are set out below.

The sensitivities are in each case based on the financial instruments listed in the balance sheet on the reporting date.

The reasonably possible changes in foreign currency prices are calculated on the basis of historical (1 year) fluctuations. A variation by +/– 1 standard deviation around the calculated mean is considered to be reasonably possible. Interest rate swap sensitivity is shown as the effect on the change in fair value that would result from a 1 % parallel shift in the yield curve.

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. The effects are shown before tax.

The 2014 analysis revealed that the possible impact on other comprehensive income would have been CHF +/– 34 million from interest rate derivatives (previous year: CHF +/– 24 million) and CHF +/– 4 million from foreign currency hedges (CHF +/– 32 million).

CHF million	+/– change 2014	+/– effect on profit before income tax 2014	+/– change 2013	+/– effect on profit before income tax 2013
Energy price risk	24.3 %	13.7	29.8 %	14.9
EUR/CHF currency risk	1.9 %	1.4	4.3 %	4.6
EUR/USD currency risk	5.9 %	13.6	7.1 %	22.6
EUR/CZK currency risk	2.4 %	1.9	6.5 %	3.3
EUR/HUF currency risk	6.4 %	0.9	7.7 %	3.2
EUR/NOK currency risk	7.7 %	0.0	8.3 %	0.5
EUR/PLN currency risk	4.9 %	0.2	6.3 %	2.1
EUR/RON currency risk	3.2 %	0.2	4.9 %	0.1
USD/CHF currency risk	6.5 %	0.5	8.6 %	0.3
Interest rate risk	1.0 %	31.5	1.0 %	15.1

3 Impairment losses

Impairment losses and provisions were required in the 2014 financial year due to continued low wholesale prices and the demanding regulatory environment. Impairment losses were necessitated by future expected electricity price and margin trends, especially in the case of Swiss hydropower plants and at a large-scale power plant project in Switzerland. Provisions also had to be formed for loss-making contracts, mainly for the future purchasing of energy from a Swiss hydropower plant.

2014: Allocation of impairment losses and provisions

CHF million		Pre-tax discount rate	Post-tax discount rate	Property, plant and equipment	Intangible assets	Goodwill	Joint ventures and other associates	Other non-current financial assets	Total
Power Generation Switzerland	Generation	6.0 %	4.6 %	109	179	262	141		691
Power Generation Hungary	Generation	16.5 %	8.0 %	22					22
Power Generation Italy	Generation	10.4 %	6.8 %	23					23
Renewable Energy Italy	Generation	10.8 %	6.4 %	18					18
Projects	Generation			113			1		114
Holding company, Group Centre	Group Centre			2	4			1	7
Total impairment losses for assets				**287**	**183**	**262**	**142**	**1**	**875**
Provision for loss-making contracts									298
Liabilities for purchase and supply contracts [1]									– 1
Total impairment losses and provisions									**1,172**

1 In the business combination between Atel and EOS in 2009, loss-making purchase and supply contracts were contributed by EOS and recorded among the Alpiq Group's non-current liabilities at the then fair value. Their valuation at current market prices at 31 December 2014 led to a reduction in the liabilities carried.

The recoverable amount applied for the impairment test amounts to CHF 4.9 billion for Power Generation Switzerland (property, plant and equipment, as well as joint ventures and other associates). In the case of long-term purchase and supply agreements (intangible assets) allocated to Power Generation Switzerland, the recoverable amount that was applied amounts to CHF 0.2 billion.

All recoverable amounts applied for impairment testing are based on value in use.

Note 31 includes information about impairment losses based on the "Available-for-sale assets" categorisation.

2013: Allocation of impairment losses and reversals

CHF million		Pre-tax discount rate	Post-tax discount rate	Property, plant and equipment	Intangible assets	Goodwill	Other associated companies	Total
Power Generation Switzerland	Generation	6.2 %	4.8 %		150			150
Power Generation Hungary	Generation	13.3 %	8.7 %	20		13		33
Power Generation Czech Republic	Generation	7.8 %	6.7 %	– 115				– 115
Power Generation Italy	Generation	8.7 %	6.1 %	38				38
Power Generation France	Generation	5.7 %	5.7 %	19				19
Renewable Energy Switzerland	Generation	5.3 %	4.0 %	3				3
Renewable Energy Italy	Generation	10.8 %	6.6 %		15		48	63
Renewable Energy France	Generation	7.0 %	5.1 %		4			4
Renewable Energy Bulgaria	Generation	8.3 %	7.8 %	37	10			47
Projects	Generation			15			8	23
Alpiq InTec	Energy Services				4			4
Holding company, Group Centre	Group Centre			12	12			24
Total impairment losses and reversals for assets				**29**	**195**	**13**	**56**	**293**
Liabilities for purchase and supply contracts [1]								– 18
Total impairment losses and reversals								**275**

1 In the business combination between Atel and EOS in 2009, loss-making purchase and supply contracts were contributed by EOS and recorded among the Alpiq Group's non-current liabilities at the then fair value. Their valuation at current market prices at 31 December 2013 led to a reduction in the liabilities carried.

4 Own work capitalised

In the previous year, own work capitalised primarily comprised the construction work on the Group-owned K7 power plant project in the Czech Republic.

5 Energy and inventory costs

CHF million	2014	2013
Electricity purchased from third parties	4,389	5,404
Electricity purchased from joint ventures	517	533
Electricity purchased from other associates	13	17
Other energy purchases	698	791
Cost of inventories	745	789
Total before provisions	**6,362**	**7,534**
Provisions	297	
Total	**6,659**	**7,534**

6 Employee costs

CHF million	2014	2013
Wages and salaries	669	659
Defined benefit pension costs	40	46
Defined contribution pension costs	2	2
Other employee costs	110	101
Total	**821**	**808**

Average number of employees

	2014	2013
Employees (full-time equivalents)	7,468	7,294
Apprentices	549	513
Total	**8,017**	**7,807**

Number of employees at the reporting date

	31 Dec 2014	31 Dec 2013
Employees (full-time equivalents)	7,726	7,318
Apprentices	551	527
Total	**8,277**	**7,845**

7 Depreciation, amortisation and impairment

CHF million	2014	2013
Depreciation of property, plant and equipment	203	184
Amortisation of energy purchase rights	32	66
Amortisation of other intangible assets	18	23
Impairment of property, plant and equipment and intangible assets	732	352
Impairment reversal		– 115
Total	**985**	**510**

Notes 3 and 13 present information about the impairment tests.

8 Finance costs and finance income

CHF million	2014	2013
Finance costs		
Interest expense	– 144	– 143
Interest on pension plans, provisions and non-current liabilities	– 9	– 12
Capitalised borrowing costs		5
Other finance costs	– 41	– 9
Net foreign exchange gains / (losses)	– 3	– 9
Total	**– 197**	**– 168**
Finance income		
Dividend income from financial investments	1	1
Interest income	17	18
Total	**18**	**19**
Financial result	**– 179**	**– 149**

The increase in the "Other finance costs" item is mainly attributable to the CHF 27 million costs for the early repurchase of bonds.

9 Income tax expense

Income tax recognised directly in other comprehensive income

CHF million	2014	2013
Deferred income tax	32	– 32
Total	**32**	**– 32**

Income tax expense charged to the income statement

CHF million	2014	2013
Current income tax	57	79
Deferred income tax	– 180	– 93
Total	**– 123**	**– 14**

Reconciliation

CHF million	2014	2013
Earnings before tax	– 1,025	4
Expected income tax rate (weighted average)	18.7 %	275.0 %
Income tax at the expected income tax rate	– 192	11
Increase / (decrease) in income tax expense due to:		
Effect of non-deductible expenses for tax purposes [1]	90	47
Effect of adjustments in respect of prior periods	– 3	– 2
Effects of income exempt from tax [1]	– 56	– 46
Effect of valuation of tax loss carry-forwards	34	– 22
Effect of changes in tax rates	3	– 1
Other effects	1	– 1
Total income tax expense	**– 123**	**– 14**
Effective income tax rate	12.0 %	– 350.0 %

1 These items are affected by the impact of impairment.

As a result of the different profit and loss amounts contributed by the individual subsidiaries to the Group’s overall result and the different tax rates, the income tax rate is expected to be 18.7 % (previous year: 275.0 %).

Deferred tax assets and liabilities by origination of temporary differences

CHF million	31 Dec 2014	31 Dec 2013
Tax losses and tax assets not yet used	36	13
Other non-current assets	10	5
Current assets	12	4
Provisions and liabilities	69	82
Total gross deferred tax assets	**127**	**104**
Property, plant and equipment	365	427
Other non-current assets	517	628
Current assets	48	56
Provisions and liabilities	79	98
Total gross deferred tax liabilities	**1,009**	**1,209**
Net deferred tax liability	**882**	**1,105**
Tax assets recognised in the balance sheet	48	57
Tax liabilities recognised in the balance sheet	930	1,162

At 31 December 2014, several subsidiaries had tax loss carry-forwards totalling CHF 1,006 million (CHF 1,185 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 840 million (CHF 1,160 million). In addition, non-capitalised deductible temporary valuation differences totalling CHF 255 million exist (CHF 45 million).

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

CHF million	31 Dec 2014	31 Dec 2013
Within 1 year	20	7
Within 2 – 3 years	51	69
After 3 years	769	1,084
Total	**840**	**1,160**

10 Earnings per share

	2014	2013
Net income attributable to equity investors of Alpiq Holding (CHF million)	– 879	22
Interest on hybrid capital attributable to the period (CHF million)[1]	– 51	– 32
Share of Alpiq Holding stockholders in net income (CHF million)	**– 930**	**– 10**
Weighted average number of shares outstanding	27,189,873	27,189,873
Earnings per share (CHF)	**– 34.19**	**– 0.37**

1 See note 19

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

11 Property, plant and equipment

CHF million	Land and buildings	Power plants	Transmission assets	Other plant and equipment	Assets under construction	Total
Gross carrying amount at 31 December 2013	**350**	**6,029**	**423**	**360**	**560**	**7,722**
Acquisition / disposal of subsidiaries					9	9
Additions	2	18	7	30	34	91
Own work capitalised					1	1
Reclassifications	– 5	357	19	2	– 374	– 1
Disposals	– 31	– 153	– 4	– 126		– 314
Reclassified to "Assets held for sale"	– 1	– 109	– 7		– 1	– 118
Currency translation differences	– 2	– 57		– 2	– 5	– 66
Gross carrying amount at 31 December 2014	**313**	**6,085**	**438**	**264**	**224**	**7,324**
Accumulated depreciation and impairment at 31 December 2013	**98**	**2,971**	**218**	**280**	**23**	**3,590**
Acquisition / disposal of subsidiaries				– 1		– 1
Depreciation charge	7	155	16	25		203
Impairment		172		2	113	287
Disposals	– 9	– 152	– 3	– 124		– 288
Reclassified to "Assets held for sale"	– 1	– 104	– 5			– 110
Currency translation differences	– 1	– 38		– 2		– 41
Accumulated depreciation and impairment at 31 December 2014	**94**	**3,004**	**226**	**180**	**136**	**3,640**
Net carrying amount at 31 December 2014	**219**	**3,081**	**212**	**84**	**88**	**3,684**

At the reporting date, the Group had contractual commitments of CHF 17 million (previous year: CHF 21 million) for the construction and acquisition of property, plant and equipment.

The Alpiq Group operates a wind farm, which is primarily funded through a long-term lease agreement. The net carrying amount of property, plant and equipment held under finance leases was CHF 39 million at 31 December 2014 (CHF 42 million).

CHF million	Land and buildings	Power plants	Transmission assets	Other plant and equipment	Assets under construction	Total
Gross carrying amount at 31 December 2012	**347**	**5,176**	**414**	**422**	**231**	**6,590**
Reclassified from "Assets held for sale" reported in the previous year		734		4	277	1,015
Acquisition / disposal of subsidiaries	1	– 6		– 1	5	– 1
Additions	1	38	5	29	53	126
Own work capitalised				2	63	65
Capitalised borrowing costs (2.7 % interest)					1	1
Reclassifications		62	8	– 80	– 70	– 80
Disposals	– 2	– 8	– 4	– 17		– 31
Currency translation differences	3	33		1		37
Gross carrying amount at 31 December 2013	**350**	**6,029**	**423**	**360**	**560**	**7,722**
Accumulated depreciation and impairment at 31 December 2012	**78**	**2,369**	**207**	**305**	**3**	**2,962**
Reclassified from "Assets held for sale" reported in the previous year		475		3		478
Acquisition / disposal of subsidiaries				– 1		– 1
Depreciation charge	11	123	14	32	4	184
Impairment	7	110		12	15	144
Impairment reversal		– 115				– 115
Reclassifications				– 57		– 57
Disposals	– 1	– 8	– 3	– 15	1	– 26
Currency translation differences	3	17		1		21
Accumulated depreciation and impairment at 31 December 2013	**98**	**2,971**	**218**	**280**	**23**	**3,590**
Net carrying amount at 31 December 2013	**252**	**3,058**	**205**	**80**	**537**	**4,132**

Commitments under finance leases

CHF million	Minimum lease payments at 31 Dec 2014	Minimum lease payments at 31 Dec 2013	Present value at 31 Dec 2014	Present value at 31 Dec 2013
Within 1 year	4	4	4	4
Within 2 – 5 years	15	15	13	13
More than 5 years	36	41	25	30
Total	**55**	**60**	**42**	**47**
Finance charges	– 13	– 13		
Present value of minimum lease payments	**42**	**47**	**42**	**47**

The present value of minimum lease payments was CHF 42 million at the reporting date (CHF 47 million), of which CHF 4 million (CHF 4 million) is reported as short-term borrowings and CHF 38 million (CHF 43 million) as long-term borrowings.

12 Intangible assets

CHF million	Energy purchase rights	Goodwill	Other intangible assets	Total
Gross carrying amount at 31 December 2013	**1,500**	**715**	**498**	**2,713**
Acquisition / disposal of subsidiaries		19	3	22
Additions			20	20
Own work capitalised			2	2
Disposals			– 19	– 19
Currency translation differences	– 3	– 1	– 4	– 8
Gross carrying amount at 31 December 2014	**1,497**	**733**	**500**	**2,730**
Accumulated amortisation and impairment at 31 December 2013	**1,074**	**393**	**372**	**1,839**
Amortisation charge	32		18	50
Impairment	179	262	4	445
Disposals			– 19	– 19
Currency translation differences	– 3		– 4	– 7
Accumulated amortisation and impairment at 31 December 2014	**1,282**	**655**	**371**	**2,308**
Net carrying amount at 31 December 2014	**215**	**78**	**129**	**422**

Gross carrying amount at 31 December 2012	**1,499**	**713**	**390**	**2,602**
Reclassified from "Assets held for sale" reported in the previous year			3	3
Acquisition / disposal of subsidiaries		1	3	4
Additions			13	13
Own work capitalised			4	4
Reclassifications			84	84
Disposals			– 1	– 1
Currency translation differences	1	1	2	4
Gross carrying amount at 31 December 2013	**1,500**	**715**	**498**	**2,713**
Accumulated amortisation and impairment at 31 December 2012	**857**	**380**	**245**	**1,482**
Reclassified from "Assets held for sale" reported in the previous year			1	1
Amortisation charge	66		23	89
Impairment	150	13	45	208
Reclassifications			57	57
Currency translation differences	1		1	2
Accumulated amortisation and impairment at 31 December 2013	**1,074**	**393**	**372**	**1,839**
Net carrying amount at 31 December 2013	**426**	**322**	**126**	**874**

13 Impairment testing of goodwill

Goodwill has been allocated to the following cash-generating units for impairment testing purposes:

CHF million	Pre-tax discount rate at 31 Dec 2014	Post-tax discount rate at 31 Dec 2014	Carrying amount at 31 Dec 2014	Pre-tax discount rate at 31 Dec 2013	Post-tax discount rate at 31 Dec 2013	Carrying amount at 31 Dec 2013
Power Generation Switzerland				6.2 %	4.8 %	261
Sales Central Europe	9.4 %	8.0 %	12	7.5 %	6.5 %	13
Energy Management	6.8 %	6.5 %	19			
Alpiq InTec	4.7 %	4.1 %	45	6.7 %	5.7 %	46
Kraftanlagen Group	5.8 %	4.5 %	2	8.5 %	6.4 %	2
Total			**78**			**322**

Impairment Power Generation Switzerland – goodwill

Note 3 provides information about goodwill impairment losses.

Goodwill impairment

The recoverable amounts applied for impairment testing are based on value in use. For the first three years, corporate business plans as approved by the management are applied to calculate values in use. These plans were prepared on the basis of historical empirical data and current market expectations. To calculate the terminal values, the cash flows were inflation-adjusted by a growth rate of 2.0 % (previous year: 2.0 %). This growth rate corresponds to the long-term average that Alpiq expects. The discounting rates that have been applied reflect the current market estimate for the specific risks to be allocated to the cash-generating units.

14 Investments in joint ventures and other associates

CHF million	Joint ventures	Other associates	Total
Carrying amount at 31 December 2012	**3,405**	**180**	**3,585**
Additions		208	208
Dividend	– 30	– 5	– 35
Share of profit / loss	– 79	16	– 63
IAS 19 and IAS 39 effects recognised in other comprehensive income	33	15	48
Impairment	– 8	– 48	– 56
Reclassifications	– 1		– 1
Disposals	– 8	– 2	– 10
Currency translation differences		1	1
Carrying amount at 31 December 2013	**3,312**	**365**	**3,677**
Additions	86		86
Dividend	– 29	– 30	– 59
Share of profit / loss	– 71	40	– 31
IAS 19 and IAS 39 effects recognised in other comprehensive income	– 55	– 5	– 60
Impairment	– 141	– 1	– 142
Reclassifications	– 8	– 4	– 12
Disposals	– 7		– 7
Reclassified to "Assets held for sale"	– 40	– 262	– 302
Carrying amount at 31 December 2014	**3,047**	**103**	**3,150**

All material joint ventures and other associates are valued in accordance with uniform IFRS principles and are accounted for in the consolidated financial statements using the equity method. Reconciliations are prepared in cases where no financial statements prepared under IFRS are available.

The reporting date of a few joint ventures and other associates (hydrological year) differs from that of the Group. The most recent available financial statements of these companies are used for the consolidated financial statement of the Alpiq Group. Significant transactions and events that have occurred since the most recent financial statement and December 31 are taken into consideration in the consolidated financial statement.

2014: Summarised financial information

The merger of Atel and EOS which formed Alpiq in 2009 led to fair value adjustments being made on the acquired assets in the course of the business combination. These are included in the summarised financial information and were extrapolated from the Alpiq share up to 100 % for the gross values reported here. Where companies have sub-participations the reported Alpiq share may also differ from the share held pursuant to corporate law.

Material joint ventures and other associates

	Joint ventures									
	Grande Dixence SA		Nant de Drance SA		Kernkraftwerk Gösgen-Däniken AG		Kernkraftwerk Leibstadt AG		Kernkraftwerk-Beteiligungs-gesellschaft AG (KBG)	
CHF million	Gross values	Alpiq share	Gross values	Alpiq share	Gross values	Alpiq share	Gross values	Alpiq share	Gross values	Alpiq share
Non-current assets	3,165	1,899	1,137	443	3,191	1,277	8,946	1,524	1,535	512
of which, non-current financial assets					1,710	687	1,574	513	5	2
Current assets	44	27	130	51	162	65	376	122	43	14
of which, cash and current financial assets	40	24	125	49	77	31	183	59		
Non-current liabilities	875	525	947	369	3,081	1,233	3,756	1,216	143	48
of which, non-current financial liabilities	872	523	846	330	130	52	450	146	55	18
Current liabilities	190	114	80	31	144	57	180	58	75	25
of which, current financial liabilities	120	72					50	16	50	17
Total equity	**2,144**	**1,287**	**240**	**94**	**128**	**52**	**5,386**	**372**	**1,360**	**453**
Revenue	172	103	4	2	379	152	518	168	280	93
Expenses	– 372	– 223	– 42	– 17	– 313	– 126	– 676	– 162	– 493	– 164
Net income	**– 200**	**– 120**	**– 38**	**– 15**	**66**	**26**	**– 158**	**6**	**– 213**	**– 71**
Other comprehensive income			– 3	– 1	– 77	– 31	– 97	– 22		
Total comprehensive income	**– 200**	**– 120**	**– 41**	**– 16**	**– 11**	**– 5**	**– 255**	**– 16**	**– 213**	**– 71**
Dividends received		**9**				**7**		**8**		**2**

The companies classified as material by Alpiq are only strategically significant joint ventures. No market prices are available for any of these companies.

Under the joint venture agreements in force, the shareholders of joint ventures are required to take on the energy and pay the annual costs allotted to their ownership interest (incl. interest and repayment of liabilities) throughout the period of concession. Furthermore, nuclear power plant owners are required to pay limited additional contributions to the decommissioning and waste disposal fund in case any primary contributor is unable to meet the payments. The joint venture agreements run over the useful life of the power plant or over the period of concession and cannot be terminated.

Individually not material joint ventures and other associates

	Joint ventures		Other associates	
CHF million	Gross values	Alpiq share	Gross values	Alpiq share
Non-current assets	4,049	1,126	440	137
of which, non-current financial assets	38	5	8	3
Current assets	114	26	284	121
of which, cash and current financial assets	59	15	89	25
Non-current liabilities	1,366	310	271	83
of which, non-current financial liabilities	1,295	302	153	39
Current liabilities	234	53	157	72
of which, current financial liabilities	101	22		
Total equity	**2,563**	**789**	**296**	**103**
Revenue	329	74	335	134
Expenses	– 367	– 90	– 302	– 119
Net income	**– 38**	**– 16**	**33**	**15**
Other comprehensive income	– 9	– 1	– 13	– 4
Total comprehensive income	**– 47**	**– 17**	**20**	**11**

The Alpiq Group's share of the regular annual costs of all joint ventures in 2014 amounted to CHF 517 million (previous year: CHF 533 million). This amount is included in energy and inventory costs.

2013: Summarised financial information

Material joint ventures and other associates

	Joint ventures									
	Grande Dixence SA		Nant de Drance SA		Kernkraftwerk Gösgen-Däniken AG		Kernkraftwerk Leibstadt AG		Kernkraftwerk-Beteiligungs-gesellschaft AG (KBG)	
CHF million	Gross values	Alpiq share	Gross values	Alpiq share	Gross values	Alpiq share	Gross values	Alpiq share	Gross values	Alpiq share
Non-current assets	3,391	2,034	885	345	3,211	1,287	9,140	1,531	1,799	600
of which, non-current financial assets	11	6			1,562	628	1,426	467	5	2
Current assets	33	20	28	11	162	65	325	105	39	13
of which, cash and current financial assets	30	18	19	7	73	29	153	50	2	1
Non-current liabilities	995	597	647	252	3,104	1,241	3,736	1,209	189	63
of which, non-current financial liabilities	992	595	646	252	129	52	500	162	105	35
Current liabilities	70	42	138	54	104	41	85	27	70	23
of which, current financial liabilities			113	44			17	6	55	18
Total equity	**2,359**	**1,415**	**128**	**50**	**165**	**70**	**5,644**	**400**	**1,579**	**527**
Revenue	177	106	2	1	400	160	468	151	310	103
Expenses	– 218	– 131	– 6	– 2	– 384	– 154	– 673	– 158	– 453	– 151
Net income	**– 41**	**– 25**	**– 4**	**– 1**	**16**	**6**	**– 205**	**– 7**	**– 143**	**– 48**
Other comprehensive income			20	8	28	12	25	8		
Total comprehensive income	**– 41**	**– 25**	**16**	**7**	**44**	**18**	**– 180**	**1**	**– 143**	**– 48**
Dividends received		**9**				**7**		**8**		**2**

Individually not material joint ventures and other associates

CHF million	Joint ventures		Other associates	
	Gross values	Alpiq share	Gross values	Alpiq share
Non-current assets	4,884	1,262	2,714	934
of which, non-current financial assets	47	6	2	1
Current assets	242	41	968	366
of which, cash and current financial assets	125	24	143	52
Non-current liabilities	1,804	375	1,787	613
of which, non-current financial liabilities	1,716	364	1,598	541
Current liabilities	396	78	855	322
of which, current financial liabilities	183	35	251	89
Total equity	**2,926**	**850**	**1,040**	**365**
Revenue	434	87	1,239	439
Expenses	– 478	– 99	– 1,195	– 423
Net income	**– 44**	**– 12**	**44**	**16**
Other comprehensive income	23	5	37	15
Total comprehensive income	**– 21**	**– 7**	**81**	**31**

15 Other non-current financial assets

CHF million	Financial investments	Loans receivable	Other non-current assets	Total
Carrying amount at 31 December 2012	**16**	**87**	**0**	**103**
Additions		248		248
Reclassifications	1	– 3		– 2
Disposals		– 6		– 6
Carrying amount at 31 December 2013	**17**	**326**	**0**	**343**
Additions	1	10	75	86
Reclassifications	2	– 3		– 1
Disposals		– 83		– 83
Impairment		– 1		– 1
Reclassified to "Assets held for sale"		– 171		– 171
Currency translation differences	– 1	– 1		– 2
Carrying amount at 31 December 2014	**19**	**77**	**75**	**171**

At the end of April 2014, Alpiq sold a CHF 75 million tranche of the loan receivable that it received as part of the transfer of the high-voltage grids of Swissgrid AG. As part of this sale, the loan was sold without the conversion right that formed part of it contractually. Swissgrid AG can, or must, convert the loan into equity if certain conditions arise. In this instance, the buyer of the loan would receive shares in the equity of Swissgrid AG. In the case of a conversion, however, Alpiq is obligated on the basis of the contract with the buyer of this loan to purchase from the buyer all shares of the equity of Swissgrid AG arising from the conversion to a maximum amount of CHF 75 million. As a consequence, although Alpiq has sold the loan, it has also entered into a directly related obligation in an amount of CHF 75 million.

Due to the contractual structure of the transaction, the loan could not be derecognised, and remains on Alpiq's books as a non-current financial receivable in an amount of CHF 75 million. A financial liability also exists equivalent to the obligation that was entered into as a result of the sale. This liability is reported among "Other non-current liabilities".

16 Inventories

At the reporting date, inventories primarily included fuels (gas and coal) carried at an amount of CHF 40 million (previous year: CHF 39 million) as well as consumables and supplies valued at CHF 40 million (CHF 54 million).

17 Receivables

CHF million	31 Dec 2014	31 Dec 2013
Trade receivables	1,270	1,578
Prepayments to suppliers	44	68
Unbilled revenue	18	18
Other receivables	363	447
Total	**1,695**	**2,111**

Trade receivables from customers who are also suppliers are settled with trade receivables, provided that a netting agreement has been reached with the counterparties, and that the payment is made on a net basis. Receivables and payables offset under netting agreements amounted to CHF 730 million (previous year: CHF 975 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 2014	31 Dec 2013
Unbilled revenue (gross)	974	1,091
Advances received from customers	– 956	– 1,073
Unbilled revenue (net)	**18**	**18**

18 Cash and cash equivalents

CHF million	31 Dec 2014	31 Dec 2013
Cash at bank and in hand	878	1,525
Term deposits with a maturity of 90 days or less	37	216
Total	**915**	**1,741**

Cash at bank (sight deposits) includes no liquid assets (previous year: CHF 5 million) that are restricted as collateral for energy trading exchanges and for partial retirement obligations to employees.

19 Equity

Share capital

The share capital of CHF 271.9 million (previous year: CHF 271.9 million) is comprised of 27,189,873 registered shares at a par value of CHF 10 each (27,189,873 registered shares) and is fully paid up. According to the share register, the shareholdings are as follows:

	Stakes in % at 31 Dec 2014	Stakes in % at 31 Dec 2013
EOS HOLDING SA (EOSH)	31.38	31.38
EDF Alpes Investissements Sàrl (EDFAI)	25.00	25.00
EBM (Genossenschaft Elektra Birseck)	13.63	13.63
EBL (Genossenschaft Elektra Baselland)	7.12	7.12
Canton of Solothurn	5.60	5.60
Aziende Industriali di Lugano (AIL)	2.12	2.12
IBAarau (IBA)	2.00	2.00
Wasserwerke Zug (WWZ)	0.91	0.91
Free float	12.24	12.24

Hybrid capital

In 2013, the main Swiss shareholders subscribed to a hybrid loan in the amount of CHF 367 million. In addition, Alpiq placed a public hybrid bond in the amount of CHF 650 million on the Swiss capital market.

The total hybrid capital of CHF 1,017 million is for an unlimited duration and qualifies as equity capital under IFRS accounting guidelines. Alpiq has the right to early repayment of the public hybrid bond, beginning on 15 November 2018, and annually thereafter. The hybrid loan from the main Swiss shareholders can be repaid only after the public hybrid bond has been repaid and is subordinate to it. Under certain circumstances, Alpiq can repay the hybrid loan from the main Swiss shareholders with shares or equivalent hybrid instruments. Interest on the hybrid capital can be paid in the form of a 5 % coupon until initial repayment on 15 November 2018. On this date and every five years thereafter, the interest rate will be adjusted in line with prevailing market conditions. In 2023 and 2043, the interest rate will be increased by an additional 25 bps and 75 bps respectively. Interest payments on the hybrid loan from the main Swiss shareholders can, at Alpiq's discretion, be suspended without the need for Alpiq to subsequently pay the suspended interest. The interest on the public hybrid bond can also be suspended. In this case, however, the payment of interest only lapses after three years.

The interest after tax attributable to 2014 is CHF 51 million (CHF 32 million). Interest that is attributable to the financial year meets the criteria of a preference dividend, irrespective of whether the interest was paid or a legal obligation for the payment exists, and is deducted from the “Alpiq Holding equity investors' share of the net result” for the calculation of the undiluted earnings per share.

The interest after tax that is accrued amounts to a total of CHF 19 million (CHF 16 million) as at 31 December 2014. As no legally enforceable payment obligation exists, the accrued interest was not accrued as a financial liability, and was not deducted from equity. Interest payments of CHF 48 million were made in total (Swiss main shareholders CHF 15 million, public hybrid bond CHF 33 million). Due to the equity character of the hybrid capital, these distributions were carried directly to equity (retained earnings).

20 Provisions

CHF million	Provision for loss-making contracts	Provision for restructuring	Provision for decommis-sioning own power plants	Provision for warranties	Other provisions	Total
Balance of non-current provisions at 31 December 2013	**20**	**3**	**46**	**16**	**27**	**112**
Current provisions	88	14	1	4	6	113
Total provisions at 31 December 2013	**108**	**17**	**47**	**20**	**33**	**225**
Allocated	308	10	1	1	18	338
Unwinding of discount			2			2
Utilised	– 14	– 2		– 1	– 5	– 22
Unused amounts reversed	– 21	– 4		– 2	– 8	– 35
Reclassified			– 1			– 1
Currency translation differences	– 2					– 2
Total provisions at 31 December 2014	**379**	**21**	**49**	**18**	**38**	**505**
Less current provisions	– 63	– 19	– 1	– 3	– 7	– 93
Balance of non-current provisions at 31 December 2014	**316**	**2**	**48**	**15**	**31**	**412**
Expected cash outflows						
Within 12 months	– 63	– 19	– 1	– 3	– 7	– 93
Within 1 – 5 years	– 315	– 2	– 10	– 15	– 28	– 370
After 5 years	– 1		– 38		– 3	– 42
Total	**– 379**	**– 21**	**– 49**	**– 18**	**– 38**	**– 505**

The provision for loss-making contracts covers existing obligations and identifiable risks arising from energy trading and sales business as determined at the reporting date. The item covers expected obligations that arise in connection with the purchase and supply of energy.

The provision for restructuring covers the costs expected in future from the restructuring programmes initiated in previous years. The provision includes costs arising in the course of restructuring and not relating to the Group's continuing operations.

The provision for decommissioning the Group's own power plants covers the estimated costs of decommissioning obligations associated with the Group's existing power plants.

The provision for warranties relates mainly to the Energy Services business. The provision was calculated based on historical data and contractual agreements.

Other provisions comprise liabilities relating to human resources and other general operating risks estimated as probable.

Substantial provisions where the fair value is significant are recognised at present value, with interest charged to finance costs.

21 Long-term borrowings

CHF million	31 Dec 2014	31 Dec 2013
Bonds	2,221	2,788
Loans payable	819	1,087
Total	**3,040**	**3,875**

Bonds outstanding at the reporting date

CHF million	Term	Earliest redemption date	Effective interest rate %	Carrying amount at 31 Dec 2014	Carrying amount at 31 Dec 2013
Alpiq Holding Ltd. CHF 200 million face value, 3% fixed rate	2009/2014	10 Feb 2014	3.201		200
Alpiq Holding Ltd. CHF 125 million face value, 2 7/8% fixed rate [1]	2006/2014	22 Sept 2014	3.107		125
Alpiq Holding Ltd. CHF 25 million face value, 3 3/8% fixed rate	2008/2014	30 Oct 2014	3.559		25
Alpiq Holding Ltd. CHF 150 million face value, 3 3/8% fixed rate	2008/2014	30 Oct 2014	3.600		150
Alpiq Holding Ltd. CHF 174 million face value, 3 1/4% fixed rate [1, 2]	2008/2015	25 Mar 2015	3.476	174	249
Alpiq Holding Ltd. CHF 154 million face value, 3 1/4% fixed rate [2]	2009/2015	3 Jul 2015	3.434	154	249
Alpiq Holding Ltd. CHF 176 million face value, 1 3/8% fixed rate [2]	2011/2016	20 Sept 2016	1.550	176	249
Alpiq Holding Ltd. CHF 137 million face value, 4% fixed rate [2]	2009/2017	10 Feb 2017	4.166	136	249
Alpiq Holding Ltd. CHF 207 million face value, 2% fixed rate [2]	2012/2017	13 Apr 2017	2.168	206	274
Alpiq Holding Ltd. CHF 19 million face value, 2% fixed rate [2]	2012/2017	13 Apr 2017	2.132	19	25
Alpiq Holding Ltd. CHF 190 million face value, 2 5/8% fixed rate [1, 2]	2006/2018	1 Mar 2018	2.788	189	248
Alpiq Holding Ltd. CHF 120 million face value, 3 7/8% fixed rate [2]	2008/2018	30 Oct 2018	4.021	119	159
Alpiq Holding Ltd. CHF 30 million face value, 3 7/8% fixed rate [2]	2008/2018	30 Oct 2018	4.018	30	40
Alpiq Holding Ltd. CHF 500 million face value, 3% fixed rate	2009/2019	25 Nov 2019	3.181	496	494
Alpiq Holding Ltd. CHF 225 million face value, 2 1/4% fixed rate	2011/2021	20 Sept 2021	2.399	223	223
Alpiq Holding Ltd. CHF 200 million face value, 3% fixed rate	2012/2022	16 May 2022	3.056	199	199
Alpiq Holding Ltd. CHF 300 million face value, 2 5/8% fixed rate	2014/2024	29 Jul 2024	2.710	298	
Emosson SA CHF 130 million face value, 2 1/4% fixed rate [3]	2005/2017	26 Oct 2017	2.250	130	130

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.
2 Partial bond buyback at 29 July 2014
3 The bond issued is measured at face value, which approximates amortised cost. As a result, the reported nominal and effective interest rates are identical.

The fair value of fixed rate bonds outstanding at the reporting date was CHF 2,667 million (previous year: CHF 3,413 million). The weighted interest rate on bonds issued at the reporting date, relative to face value, was 2.76 % (2.86 %). Bonds of CHF 328 million (CHF 500 million) maturing within 360 days are included in short-term borrowings at the reporting date on 31 December 2014. Their fair value is CHF 331 million (CHF 507 million).

As of the end of July 2014, Alpiq repurchased bonds with a nominal amount of CHF 543.4 million and with maturity in the 2015 and 2018 range. At the same time, a CHF 300 million bond with a ten-year maturity and a 2.625 % coupon rate was placed on the market.

Loans payable

CHF million	31 Dec 2014	31 Dec 2013
Maturing between 1 and 5 years	345	558
Maturing in more than 5 years	474	529
Total	**819**	**1,087**

The fair value of loans payable was CHF 823 million at the reporting date (CHF 1,091 million). The weighted interest rate on loans payable at the reporting date, relative to nominal value, was 2.31 % (2.17 %). Loans of CHF 113 million maturing within 360 days are included in short-term borrowings at the reporting date on 31 December 2014 (CHF 66 million).

22 Other non-current liabilities

CHF million	31 Dec 2014	31 Dec 2013
Written put options	4	3
Other non-current liabilities	161	85
Total	**165**	**88**
Maturities		
Between 1 and 5 years	136	26
More than 5 years	29	62
Total	**165**	**88**

As per end of April 2014, Alpiq has sold a tranche of the loan receivable from Swissgrid AG. The resulting liability amounting to CHF 75 million is included in the position “Other non-current liabilities”. Further information on the transaction is disclosed in note 15.

23 Other current liabilities

CHF million	31 Dec 2014	31 Dec 2013
Trade payables	561	810
Other payables	346	361
Advances from customers	50	61
Total	**957**	**1,232**

Trade payables to suppliers who are also customers are settled with trade receivables, provided that a netting agreement has been reached with the counterparties, and that the payment is made on a net basis. Payables and receivables offset under netting agreements amounted to CHF 730 million (previous year: CHF 975 million).

24 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 and note 14. Details of transactions between the Group and its employee pension schemes are presented in note 25.

2014: Transactions between the Group and related companies

CHF million	Joint ventures	Other associates	Other related companies
Total revenue and other income			
Revenue from energy sales	49	97	397
Other service revenue	65	66	
Operating expenses			
Energy costs	– 517	– 13	– 391
Other service costs		– 4	
Financial result			
Interest income	2	10	

2014: Outstanding balances with related companies at the reporting date

CHF million	Joint ventures	Other associates	Other related companies
Receivables			
Trade receivables	44	23	17
Non-current financial receivables	41		
Current financial receivables	11		
Other receivables	8		6
Assets held for sale		171	
Payables			
Trade payables	36	2	7
Other liabilities		8	8

Besides the dividends paid, distributions were also made to shareholders classed as related parties in financial year 2014 in connection with the hybrid loan. Information about hybrid capital is disclosed in note 19.

At the end of 2014, the Alpiq Group had contractual power off-take arrangements with joint ventures. Electricity is purchased according to the ownership interest, but no volumes have been contractually agreed upon. Power generation capacity depends on optimum utilisation of the power plants. The costs for electricity production at the joint ventures are taken on a cost-plus basis.

Outstanding non-financial energy trading contracts with other associates and other related parties at 31 December 2014 had a contract volume of 85 TWh (previous year: 32 TWh) and a gross value of CHF 3 billion (CHF 2 billion).

Directors and key management personnel

In 2014, Directors of the Alpiq Holding Ltd. received aggregate remuneration of around CHF 3.3 million (CHF 4.1 million). As in the previous year, no severance payments were made. Remuneration paid to the Executive Board in the same period totalled around CHF 5.5 million (CHF 6.1 million), of which regular remuneration accounted for around CHF 4.5 million (CHF 5.4 million) and pension benefits for around CHF 1 million (CHF 0.7 million). As in the previous year, no severance payments were made.

2013: Transactions between the Group and related companies

CHF million	Joint ventures	Other associates	Other related companies
Total revenue and other income			
Revenue from energy sales	34	227	254
Other service revenue	39	16	
Operating expenses			
Energy costs	– 533	– 17	– 302
Other service costs		– 17	– 2
Financial result			
Interest income	2	3	
Interest expense			– 4

2013: Outstanding balances with related companies at the reporting date

CHF million	Joint ventures	Other associates	Other related companies
Receivables			
Trade receivables	10	4	11
Non-current financial receivables	41	122	
Current financial receivables	75		
Other receivables	17	18	8
Payables			
Trade payables	19	4	7
Other liabilities	35	5	4

25 Employee Benefits

Defined benefit pension costs recognised in the income statement

CHF million	2014	2013
Current service cost	40	41
Net interest expense of defined benefit plans	6	8
Past service cost		5
Defined benefit pension costs	**46**	**54**
of which, service cost and administration cost	40	46
of which, net interest expense	6	8

Defined benefit liability in the balance sheet

CHF million	31 Dec 2014	31 Dec 2013
Present value of defined benefit obligation	1,379	1,207
Fair value of plan assets	1,136	959
Net defined benefit liability	**243**	**248**
of which, Swiss pension plans	142	148
of which, German pension plans	101	100

Reconciliation of net defined benefit liability

CHF million	2014	2013
Net defined benefit liability at 1 January	**248**	**290**
Defined benefit expense recognised in the income statement	46	54
Defined benefit expense recognised in other comprehensive income	57	– 63
Contributions by employer	– 106	– 35
Others		1
Exchange differences	– 2	1
Net defined benefit liability at 31 December	**243**	**248**

The employees insured in Switzerland in the business divisions Generation, Commerce & Trading and in the Group Centre decided in the previous year to change the type of benefit plan. The related payment into the value fluctuation reserve is outlined in the position “Contributions by employer” for 2014.

Changes in the present value of the defined benefit obligation

CHF million	2014	2013
Defined benefit obligation at 1 January	**1,207**	**1,175**
Interest expense on defined benefit obligations	28	26
Current service cost	40	41
Contributions by plan participants	19	19
Past service cost		5
Benefits paid	– 54	– 76
Acquisition / disposal of subsidiaries	9	6
Remeasurements:		
Financial assumptions	156	– 18
Demographic assumptions	– 10	27
Experience adjustments	– 19	
Others	5	
Exchange differences	– 2	2
Defined benefit obligation at 31 December	**1,379**	**1,207**

The weighted average duration of the defined benefit obligation as at the reporting date is 14.8 years (previous year: 14.0 years).

Changes in the fair value of plan assets

CHF million	2014	2013
Fair value of plan assets at 1 January	**959**	**885**
Interest income on plan assets	22	18
Contributions by employer	106	35
Contributions by plan participants	19	19
Benefits paid	– 54	– 76
Acquisition / disposal of subsidiaries	9	5
Remeasurement on plan assets	70	72
Others	5	
Exchange differences		1
Fair value of plan assets at 31 December	**1,136**	**959**

Asset classes of plan assets

CHF million	31 Dec 2014	31 Dec 2013
Quoted market prices		
Cash and cash equivalents	23	26
Equity instruments of third parties	512	354
Debt instruments of third parties	405	404
Property funds	83	93
Other investments	28	31
Total plan assets at fair value (quoted market prices)	**1,051**	**908**
Unquoted market prices		
Property not used by the company	82	49
Other investments	3	2
Total plan assets at fair value (unquoted market prices)	**85**	**51**
Total fair value of plan assets	**1,136**	**959**

2014: Actuarial assumptions

%	Swiss plans	German plans
Discount rate	1.05	2.20
Expected rates of salary increase (weighted average)	0.79	2.70

2013: Actuarial assumptions

%	Swiss plans	German plans
Discount rate	2.30	3.40
Expected rates of salary increase (weighted average)	1.11	3.00

Life expectancy is calculated for the Swiss plans using the BVG 2010 generation tables and, for German plans, using the Heubeck tables 2005G.

Sensitivity analysis

The valuation of the net defined benefit obligation is particularly sensitive in terms of changes in the discount rate, assumptions of salary increase and in life expectancy. The following table summarises the effects of a change in these assumptions on the present value of the net defined benefit obligation.

CHF million	2014	2013
Discount rate		
0.25 % increase	– 49	– 43
0.25 % reduction	53	46
Rate of salary increase		
0.25 % increase	7	5
0.25 % reduction	– 6	– 5
Life expectancy		
1 year increase	45	34
1 year reduction	– 45	– 36

The sensitivity analysis takes into consideration a change in each case of one assumption while all of the other assumptions remain unchanged. This approach does not take into account that some assumptions are dependent on each other.

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

CHF million	2015	2014
Contributions by employer	38	66
Contributions by plan participants	20	19

26 Contingent liabilities and guarantees

As at the balance sheet date, liabilities from pledges, guarantees and other commitments to affiliated companies or third parties amounted to CHF 15 million (previous year: CHF 12 million). Alpiq is jointly and severally liable for all joint ventures in the form of simple partnerships in which group companies have a stake. In addition to stakes in various simple partnerships, Alpiq is the leading member of the Transtec Gotthard consortium. For additional commitments in connection with partnerships, please see note 14.

27 Pledged assets

The power plants of Aero Rossa S.r.l., Aragona / IT, Alpiq Wind Italia S.r.l., Verona / IT, En Plus S.r.l., Milan / IT, Enpower 3 S.r.l., Aragona / IT, and Novel S.p.A., Milan / IT, are funded through common project financing arrangements with banks. The related borrowings are recorded in the consolidated balance sheet. The Alpiq Group has assigned CHF 194 million (previous year: CHF 199 million) of its interests in these power plants to the financing banks.

28 Segment information

Alpiq Group's segment reporting is based on the Group's internal organisational and management structure and the internal financial information reported to the chief operating decision makers. The reportable segments under IFRS 8 consist of three business divisions, as shown in the organisational chart on page 31. The Executive Board evaluates each of these separately for the purpose of assessing performance and allocating resources. The key measures of performance used for internal management and assessment at Alpiq are segment results (EBITDA, EBIT). Besides energy procurement and production costs, operating costs comprise all operating costs including personnel and service expenses. There was no requirement to adjust the figures from the management reporting to accord with the financial reporting, as both internal and external reporting are subject to the same valuation principles.

The Alpiq Group is managed under its business divisions of Generation, Commerce & Trading and Energy Services:

- The Generation business division comprises power generation including the new renewable energies at power plants operated both by Alpiq alone and as joint ventures in Switzerland, as well as at all foreign power generation units in Bulgaria, France, Italy, Scandinavia, Spain, the Czech Republic and Hungary. The division also encompasses grid-connected services in the area of load control.

- The Commerce & Trading business division is made up of energy sales and marketing of energy in the Swiss, French, Italian, Polish, Czech and Hungarian markets, as well as in further countries in Central Europe. Trading operations in electricity, gas and other commodities and certificates in Switzerland and Europe are also allocated to this division. The power plant-related earnings from optimisation and trading activities for Switzerland and Western Europe are allocated to the Generation business division.

- The Energy Services business division covers the operations of the two groups Alpiq InTec and Kraftanlagen Group. The Alpiq InTec focuses primarily on building technology, as well as on energy and transport technology, in Switzerland, Italy and the Czech Republic. Kraftanlagen Group's core business lies in international energy and industrial plant construction.

No operating business segments have been summarised in the presentation of reportable segments. The results of the business divisions are carried over to the Alpiq Group's consolidated figures with the inclusion of the results of the units with no market operations (including, amongst others, Alpiq Holding Ltd., Group Centre, financing companies) and consolidation adjustments in the Group. This includes results which cannot be allocated directly to the business divisions (financial and non-strategic interests), activities of the Group headquarters, including the Group-wide Financial Services and Management Services units, consolidation adjustments and eliminations, as well as expense and income items that cannot be influenced at business division level.

2014: Information by business division

CHF million	Generation	Commerce & Trading	Energy Services	Holding company, Group Centre, others and consolidation Group	Alpiq Group
External revenue from energy sales / construction contracts	2,815	3,707	1,264	269	8,055
Revenue from energy and financial derivatives	– 12	15			3
of which, proprietary trading					
of which, hedging transactions	– 12	15			3
Total external net revenue	**2,803**	**3,722**	**1,264**	**269**	**8,058**
Inter-segment transactions	1,478	450	321	– 2,249	0
Total net revenue	**4,281**	**4,172**	**1,585**	**– 1,980**	**8,058**
Other income	55	18	19	55	147
Total revenue and other income	**4,336**	**4,190**	**1,604**	**– 1,925**	**8,205**
Operating costs	– 3,710	– 4,194	– 1,500	1,808	– 7,596
Exceptional items [1]	– 265	– 32			– 297
EBITDA before exceptional items [1]	**626**	**– 4**	**104**	**– 117**	**609**
EBITDA	**361**	**– 36**	**104**	**– 117**	**312**
Depreciation and amortisation	– 199	– 13	– 30	– 11	– 253
Exceptional items [1]	– 726			– 6	– 732
EBIT before exceptional items [1]	**427**	**– 17**	**74**	**– 128**	**356**
EBIT	**– 564**	**– 49**	**74**	**– 134**	**– 673**
Number of employees at the reporting date	737	278	6,871	391	8,277
Property, plant and equipment	3,262	209	150	63	3,684
Intangible assets	263	52	79	28	422
Investments in joint ventures and other associates	2,568	8	14	560	3,150
Total non-current assets	**6,093**	**269**	**243**	**651**	**7,256**
Net capital expenditure on property, plant and equipment and intangible assets	– 50	– 8	– 12	– 11	– 81

1 Include impairment losses and provisions

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

Outstanding financial energy trading contracts with third parties at 31 December 2014 had a contract volume of 6.9 TWh (previous year: 3.4 TWh). The gross values of these contract volumes at 31 December 2014 were 379.1 TWh (371.1 TWh) or CHF 16 billion (CHF 17 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.

2013: Information by business division

CHF million	Generation	Commerce & Trading	Energy Services	Holding company, Group Centre, others and consolidation Group	Alpiq Group
External revenue from energy sales / construction contracts	2,882	5,001	1,577	– 65	9,395
Revenue from energy and financial derivatives	– 46	25		– 4	– 25
of which, proprietary trading		5			5
of which, hedging transactions	– 46	20		– 4	– 30
Total external net revenue	**2,836**	**5,026**	**1,577**	**– 69**	**9,370**
Inter-segment transactions	1,421	242	9	– 1,672	0
Total net revenue	**4,257**	**5,268**	**1,586**	**– 1,741**	**9,370**
Other income	54	21	11	87	173
Exceptional items [1]	11				11
Total revenue and other income	**4,322**	**5,289**	**1,597**	**– 1,654**	**9,554**
Operating costs	– 3,541	– 5,246	– 1,487	1,527	– 8,747
Exceptional items [1]	– 9	– 9			– 18
EBITDA before exceptional items [1]	**770**	**43**	**110**	**– 127**	**796**
EBITDA	**772**	**34**	**110**	**– 127**	**789**
Depreciation and amortisation	– 233	– 13	– 27	– 24	– 297
Exceptional items [1]	– 185		– 4	– 24	– 213
EBIT before exceptional items [1]	**537**	**30**	**83**	**– 151**	**499**
EBIT	**354**	**21**	**79**	**– 175**	**279**
Number of employees at the reporting date	771	314	6,317	443	7,845
Property, plant and equipment	3,659	216	160	97	4,132
Intangible assets	893	54	77	– 150	874
Investments in joint ventures and other associates	3,113	2	9	553	3,677
Total non-current assets	**7,665**	**272**	**246**	**500**	**8,683**
Net capital expenditure on property, plant and equipment and intangible assets	– 112	– 28	– 23		– 163

1 Include impairment losses and impairment reversals as well as proceeds from the sale of businesses.

2014: Information by geographical area

CHF million	Switzerland	Germany	France	Italy	Czech Republic	Hungary	Poland	Other countries	Alpiq Group
External revenue	2,592	1,421	1,034	765	345	333	245	1,323	8,058
Property, plant and equipment	2,349	30	136	334	684	73		78	3,684
Intangible assets	319	5	11	45	11			31	422
Investments in joint ventures and other associates	3,120			23				7	3,150
Total non-current assets	**5,788**	**35**	**147**	**402**	**695**	**73**	**0**	**116**	**7,256**

2013: Information by geographical area

CHF million	Switzerland	Germany	France	Italy	Czech Republic	Hungary	Poland	Other countries	Alpiq Group
External revenue	2,569	1,461	1,217	1,811	304	377	207	1,424	9,370
Property, plant and equipment	2,626	35	139	419	734	108		71	4,132
Intangible assets	763	5	11	51	3			41	874
Investments in joint ventures and other associates	3,646			23				8	3,677
Total non-current assets	**7,035**	**40**	**150**	**493**	**737**	**108**	**0**	**120**	**8,683**

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".

29 Business combinations

2014: Business combinations

In 2014, the following companies were acquired and integrated into the consolidated financial statements:

- Generation business division:
  7 April 2014: 100 % of Flexitricity Ltd., Edinburgh / UK
  27 May 2014: 100 % of Blåsmark Vindkraft AB, Danderyd / SE

- Energy Services business division:
  4 April 2014: 100 % of Schwarz + Partner AG, Reinach BL / CH

The acquisition costs totalled CHF 32 million. The following provisional allocation of market values was applied in the balance sheet:

CHF million	Fair value
Property, plant and equipment	9
Intangible assets	3
Deferred income tax assets	1
Cash and cash equivalents	3
Other current assets	8
Other current and non-current liabilities	– 9
Deferred income tax liabilities	– 2
Net assets acquired	**13**
Goodwill arising from acquisition activities	19
Net cash flow arising from acquisition activities:	
Cash and cash equivalents acquired with subsidiaries	3
Acquisition costs	– 32
Deferred consideration liabilities	3
Cash flows in prior periods	1
Net cash flow	**– 25**

Schwarz + Partner AG, Reinach BL / CH

Alpiq acquired 100 % of Schwarz + Partner AG, Reinach BL / CH, at the beginning of April 2014. The company operates in the areas of electrical installation projects and communication services.

Flexitricity Ltd., Edinburgh / UK

Alpiq acquired 100 % of Flexitricity Ltd., Edinburgh / UK, at the beginning of April 2014. The company is the UK market leader in the management of grid-connected services, operates the UK's largest open smart grid, and offers reserve capacities to the UK network operator National Grid.

Blåsmark Vindkraft AB, Danderyd / SE

Alpiq acquired 100 % of Blåsmark Vindkraft AB, Danderyd / SE, at the end of May 2014. This is a project company that is planning a wind farm in Piteå consisting of 25 wind turbines.

The goodwill acquired from the transactions corresponds to the anticipated synergies from the addition to the existing operating activities, as well as the anticipated additional benefit arising from the expansion into new markets and business areas.

2013: Business combinations

In 2013, the following companies were acquired and integrated into the consolidated financial statements:

- Generation business division:
  2 December 2013: 100 % of Tormoseröd Vindpark AB, Karlstad / SE
  2 December 2013: 100 % of Ytre Oppedal Kraftverk AS, Voss / NO

- Energy Services business division:
  4 December 2013: 100 % of Liechti AG, Kälte-Klima-Energie, Frauenfeld / CH

The acquisition costs totalled CHF 10 million. Fair values were allocated as follows in the balance sheet:

CHF million	Generation business division	Energy Services business division
Property, plant and equipment	4	2
Intangible assets		3
Cash and cash equivalents		1
Other current assets		3
Other current and non-current liabilities	– 1	– 2
Deferred income tax liabilities		– 1
Net assets acquired	**3**	**6**
Goodwill arising from acquisition activities		1
Net cash flow arising from acquisition activities:		
Cash and cash equivalents acquired with subsidiaries		1
Acquisition costs	– 3	– 7
Net cash flow	**– 3**	**– 6**

Tormoseröd Vindpark AB, Karlstad / SE

Alpiq acquired 100 % of Tormoseröd Vindpark AB, Karlstad / SE, at the beginning of December 2013. This is a project company providing wind parks in Tanum and Strömstad consisting of 13 wind turbines. Acquisition costs totalled CHF 2.6 million.

Ytre Oppedal Kraftverk AS, Voss / NO

Alpiq increased its investment in Ytre Oppedal Kraftverk AS, Voss / NO, from 13.6 % to 100 % at the beginning of December 2013. The company is developing a 2.8 MW hydroelectric power plant in Gulen. Acquisition costs totalled CHF 0.4 million.

Liechti AG, Frauenfeld / CH

Alpiq acquired 100 % of Liechti AG, Kälte-Klima-Energie in Frauenfeld / CH, at the beginning of December 2013. Acquisition costs totalled CHF 7 million. The company's revenues and profit contribution in 2013 were not significant. If the acquisition had taken place on 1 January 2013, the consolidated revenues of the Alpiq Group would have been CHF eight million higher and its consolidated profit would have been CHF 1 million higher.

30 Business disposals

The following company was disposed of during the reporting period:

- Kraftszer Vàllalkozàsi Kft., Budapest / HU

Società Elettrica Sopracenerina SA, Locarno / CH, Alpiq Netz AG Gösgen, Niedergösgen / CH, Alpiq Réseau SA Lausanne, Lausanne / CH, Madland Kraftverk AS, Billingstad / NO, K+M Fahrleitungstechnik GmbH, Issenbüttel / DE, and Alpiq Csepeli Erömü Kft., Budapest / HU, were sold in the previous year.

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

CHF million	2014	2013
Property, plant and equipment		854
Intangible assets (incl. goodwill)		95
Financial assets		3
Deferred income tax assets		7
Cash and cash equivalents	3	18
Other current assets	4	58
Short- and long-term borrowings		– 88
Other current and non-current liabilities	– 6	– 100
Deferred income tax liabilities		– 13
Non-controlling interests		– 60
Net assets disposed of	**1**	**774**

Net cash flow on disposal

CHF million	2014	2013
Cash and cash equivalents disposed of with subsidiary	– 3	– 18
Consideration received		314
Net cash flow	**– 3**	**296**

31 Assets held for sale

On 26 May 2014, the Board of Directors of Alpiq Holding Ltd. decided to sell the entire package consisting of the non-strategic interest in Swissgrid AG. This includes the Swissgrid shares and the loan receivable received as part of the transfer of the high-voltage grids in early 2013, with a total carrying amount of CHF 499 million. Alpiq sold a first loan tranche of CHF 75 million at the end of 2014. The shares in Swissgrid AG are being transferred to an independent Alpiq subsidiary. A 49.9 % interest in this subsidiary has already been contractually sold with closing in the second quarter of 2015, together with a large part of the loan receivable remaining at the end of 2014. The remaining 50.1 % interest and the other loan receivable are also to be sold in 2015.

The Executive Board has passed a resolution to sell further non-strategic minority interests and a subsidiary in 2015. As a consequence of the resolution, an impairment loss of CHF 41 million had to be recognised for certain assets of the Generation business division. In the income statement, CHF 18 million of these impairment losses are included under “Depreciation, amortisation and impairment” and CHF 23 million under “Share of results of joint ventures and other associates”. The carrying amount and the fair value less costs of disposals of the assets affected by these impairment losses totals CHF 14 million. The valuations are made using the estimated future cash inflows (discounted cashflow method; WACC 4.6%) and are based on input factors which are not derived from quoted prices in active markets. The valuations are therefore categorised within Level 3 of the fair value hierarchy. Other assets are valued at carrying amounts, which are below fair value less costs of disposals.

As of 31 December 2013, no companies were recognised as “Available-for-sale assets”.

Assets

CHF million	31 Dec 2014	31 Dec 2013
Property, plant and equipment	8	
Investments in joint ventures and other associates	302	
Other non-current financial assets	171	
Total assets held for sale	**481**	**0**

Liabilities

CHF million	31 Dec 2014	31 Dec 2013
Deferred income tax liabilities	1	
Accruals and deferred income	1	
Total liabilities held for sale	**2**	**0**

32 Events after the reporting period

On 15 January 2015 the Swiss National Bank (SNB) announced to no longer support the minimum exchange rate of 1.20 for the euro (EUR) against Swiss franc (CHF) conversion. As a consequence, the Swiss franc markedly appreciated. The development of exchange rates has no effects on the consolidated financial statements 2014.

Certain foreign Group companies of Alpiq use EUR as a functional currency. Since Alpiq prepares its consolidated financial statements by using CHF, in the long term a devaluation of EUR will lead to lower future results reported in CHF for these Group companies. Additionally, this appreciation leads to a translation effect in the position “Other comprehensive income”. 1 % devaluation of EUR against CHF (as per reporting date 31 December 2014) leads to an estimated translation effect of CHF -2 million on EBIT 2015 and CHF -14 million on other comprehensive income.

The sensitivity of the financial instruments in use as per 31 December 2014 for changes in the exchange rate EUR / CHF is outlined in note 2 “Financial risk management”.

Alpiq sells its electric power production mainly in markets in which prices are denominated in EUR or which align their prices to the eurozone. The transactions expected for 2015 and 2016 are fully hedged. The forecasted future development of the EUR / CHF exchange rate and its effects on the economic situation are uncertain. A permanently significantly weaker EUR, when examined isolated from other effects, will have an influence on the ability of the Swiss power plants to retain their value.

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.	Lausanne	CHF	271.90	100.0	F	H	31 Dec
Alpiq Deutschland GmbH	Heidelberg / DE	EUR	10.00	100.0	F	H	31 Dec
Alpiq Blue Energy AG [1]	Olten	CHF	1.00	100.0	F	H	31 Dec
Alpiq Re (Guernsey) Ltd.	Guernsey / UK	EUR	3.00	100.0	F	S	31 Dec
Motor-Columbus Ltd.	Olten	CHF	0.10	100.0	F	S	31 Dec

1 Change of corporate name of the company Alpiq Finanzbeteiligungen AG

Energy companies

	Place of incorporation	Licence expiry	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	2015	CHF	1.68	10.1	E	G	30 Jun
AEK Energie AG	Solothurn		CHF	6.00	38.7	E	SU	31 Dec
Aero Rossa S.r.l.	Aragona / IT		EUR	2.20	100.0	F	G	31 Dec
AlpEnergie Suisse S.à.r.l.	Lausanne		CHF	0.02	100.0	F	S	31 Dec
Alpiq Ltd.[1]	Olten		CHF	303.60	100.0	F	SU	31 Dec
Alpiq Csepel Kft.	Budapest / HU		HUF	4,930.10	100.0	F	G	31 Dec
Alpiq Csepeli Szolgáltató Kft.	Budapest / HU		HUF	20.00	100.0	F	S	31 Dec
Alpiq EcoPower Ltd.	Olten		CHF	0.50	100.0	F	S	31 Dec
Alpiq EcoPower Italia Ltd.	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.	Olten		CHF	25.00	100.0	F	G	31 Dec
Alpiq Energía España S.A.U.	Barcelona / ES		EUR	20.00	100.0	F	SU	31 Dec
Alpiq Energia Italia S.p.A.[2]	Milan / IT		EUR	13.00	100.0	F	SU	31 Dec
Alpiq Energie France S.A.S.	Paris / FR		EUR	14.00	100.0	F	SU	31 Dec
Alpiq Energija BH d.o.o.	Sarajevo / BA		BAM	1.20	100.0	F	T	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	0.73	100.0	F	T	31 Dec
Alpiq Energija RS d.o.o. Beograd	Belgrade / RS		RSD	138.58	100.0	F	T	31 Dec

	Place of incorporation	Licence expiry	Currency	Issued capital in millions	Direct ownership interest in % (voting rights)	Consolidation method	Business activity	Reporting date
Alpiq Energy Albania SHPK	Tirana / AL		ALL	17.63	100.0	F	T	31 Dec
Alpiq Energy SE	Prague / CZ		CZK	172.60	100.0	F	T	31 Dec
Alpiq Energy Skopje DOOEL	Skopje / MK		MKD	20.34	100.0	F	T	31 Dec
Alpiq Energy Ukraine LLC	Kiev / UA		UAH	1.16	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 Italia S.r.l.	Milan / IT		EUR	0.73	90.0	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 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	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 Turkey Enerji Toptan Satis Limited Sirketi	Istanbul / TR		TRY	5.17	100.0	F	T	31 Dec
Alpiq Vercelli S.r.l.	Milan / IT		EUR	0.01	100.0	F	G	30 Sept
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 Wind Italia S.r.l.	Verona / IT		EUR	0.01	100.0	F	G	31 Dec
Alpiq Energia Bulgaria Ltd.	Sofia / BG		BGN	0.20	100.0	F	T	31 Dec
Atel Energy Romania S.R.L.	Bucharest / RO		RON	0.18	100.0	F	T	31 Dec
Alpiq Energy Hellas S.A.	Athens / GR		EUR	0.06	95.0	F	T	31 Dec
Biella Power S.r.l.	Milan / IT		EUR	1.00	60.0	F	G	31 Dec
Birs Wasserkraft AG	Grellingen		CHF	0.10	100.0	F	G	31 Dec
Blåsmark Vindkraft AB	Danderyd / SE		SEK	0.10	100.0	F	G	31 Dec
Blenio Kraftwerke AG	Blenio	2042	CHF	60.00	17.0	E	G	30 Sept
Botnen Kraftverk AS	Voss / NO		NOK	0.10	38.0	E	G	31 Dec
CEPE Les Gravières SAS	Vergigny / FR		EUR	0.04	100.0	F	G	31 Dec
CERS Holding SAS	Paris / FR		EUR	0.50	15.0	E	G	31 Dec
CISEL Informatique SA	Matran		CHF	1.20	18.0	E	S	31 Dec
Cleuson-Dixence [3]	Sion	2044	CHF	0.00	31.8	E	G	31 Dec
Cotlan AG	Glarus Süd		CHF	0.10	100.0	F	G	31 Dec
Csepel III Erőmű Kft.	Budapest / HU		HUF	754.86	100.0	F	G	31 Dec
Electra-Massa AG	Naters	2048	CHF	20.00	34.5	E	G	31 Dec
Electricité d'Emosson SA	Martigny		CHF	140.00	50.0	F	G	31 Dec
En Plus S.r.l.	Milan / IT		EUR	25.50	66.7	F	G	31 Dec
Energie Biberist AG	Biberist		CHF	5.00	25.0	E	G	31 Dec
Energie Electrique du Simplon SA (E.E.S.)	Simplon		CHF	8.00	81.9	F	G	31 Dec
Engadiner Kraftwerke AG	Zernez	2050/2074	CHF	140.00	22.0	E	G	30 Sept
Enpower 3 S.r.l.	Aragona / IT		EUR	0.04	100.0	F	G	31 Dec
Entegra Wasserkraft AG	St. Gallen		CHF	4.12	75.0	F	G	31 Dec
Eole Jura SA	Muriaux		CHF	4.00	100.0	F	G	31 Dec

	Place of incorporation	Licence expiry	Currency	Issued capital in millions	Direct ownership interest in % (voting rights)	Consoli-dation method	Business activity	Reporting date
Flexitricity Ltd.	Edinburgh / UK		GBP	1.00	100.0	F	S	31 Mar
Forces Motrices Hongrin-Léman S.A. (FMHL)	Château-d'Oex	2051	CHF	100.00	39.3	E	G	31 Dec
Forces Motrices de Fully SA (FMDF)	Fully	2085	CHF	0.80	28.0	E	G	31 Dec
Forces Motrices de Martigny-Bourg SA	Martigny	2080	CHF	3.00	18.0	E	G	31 Dec
Geitåni Kraftverk AS	Voss / NO		NOK	0.10	40.0	E	G	31 Dec
Forces Motrices de Conches SA	Ernen	2051	CHF	30.00	26.0	E	G	31 Dec
Grande Dixence SA	Sion	2044	CHF	300.00	60.0	E	G	31 Dec
HYDRO Exploitation SA	Sion		CHF	13.00	26.2	E	S	31 Dec
Hydro-Solar Energie AG	Niederdorf		CHF	0.10	65.0	F	G	31 Dec
Isento AG	Thal		CHF	0.25	100.0	F	G	31 Dec
Kernkraftwerk Gösgen-Däniken AG	Däniken		CHF	350.00 [4]	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	2016/2032	CHF	150.00	33.3	E	G	31 Dec
KohleNusbaumer SA	Lausanne		CHF	0.10	35.0	E	S	31 Dec
Kraftwerk Ryburg-Schwörstadt AG	Rheinfelden	2070	CHF	30.00	13.5	E	G	30 Sept
Kraftwerke Gougra AG	Sierre	2039/2084	CHF	50.00	54.0	F	G	30 Sept
Kraftwerke Hinterrhein AG	Thusis	2042	CHF	100.00	9.3	E	G	30 Sept
Kraftwerke Zervreila AG	Vals	2037	CHF	50.00	21.6	E	G	31 Dec
M&A Rinnovabili S.r.l.	Aragona / IT		EUR	5.00	22.0	E	G	31 Dec
Maggia Kraftwerke AG	Locarno	2035/2048	CHF	100.00	12.5	E	G	30 Sept
Kraftwerk Aegina AG	Obergoms		CHF	12.00	50.0	E	G	30 Sept
Nant de Drance SA	Finhaut		CHF	300.00	39.0	E	G	31 Dec
Novel S.p.A.	Milan / IT		EUR	23.00	51.0	F	G	30 Sept
Ouvra Electrica Lavinuoz Lavin SA (OELL)	Lavin		CHF	2.00	25.0	E	G	31 Dec
Reisæter Kraftverk AS	Ullensvang / NO		NOK	0.10	20.0	E	G	31 Dec
Romande Energie Commerce SA	Morges		CHF	15.00	11.8	E	S	31 Dec
Sabloal Energie Eoliana S.R.L.	Oradea / RO		RON	12.02	100.0	F	G	31 Dec
Salanfe SA	Vernayaz		CHF	18.00	100.0	F	G	31 Dec
Scanenergy AS	Billingstad / NO		NOK	37.50	10.0	E	G	31 Dec
Sevre Kraftverk AS	Nesbyen / NO		NOK	0.10	90.0	F	G	31 Dec
Société des Forces Motrices du Grand-St.-Bernard SA	Bourg-St-Pierre	2040	CHF	10.00	25.0	E	G	31 Dec
Stølsdalselva Kraftverk AS	Jondal / NO		NOK	0.50	8.0	E	G	31 Dec
Tormoseröd Vindpark AB	Karlstad / SE		SEK	0.10	100.0	F	G	31 Dec
Tysvær Vindpark AS	Rogaland / NO		NOK	0.10	100.0	F	G	31 Dec
Unoenergia S.r.l.	Biella / IT		EUR	0.11	40.0	E	G	31 Dec
Vetrocom Ltd.	Sofia / BG		BGN	136.91	100.0	F	G	31 Dec
Wasserkraftwerk Tambobach AG	Splügen		CHF	2.00	70.0	F	G	31 Dec
Wasserkraftwerke Weinfelden AG	Weinfelden		CHF	5.00	49.0	E	G	31 Dec
Xamax AG	Olten		CHF	0.20	100.0	F	S	31 Dec
Ytre Oppedal Kraftverk AS	Voss / NO		NOK	0.10	100.0	F	G	31 Dec
3CB SAS	Paris / FR		EUR	103.00	100.0	F	G	31 Dec

1 Merged with Monthel Ltd., Alpiq Central Europe Ltd., Alpiq Management Ltd. and Alpiq Western Europe S.à.r.l.
2 Merged with Alpiq Produzione Italia Management S.r.l.
3 Simple partnership
4 Of which, CHF 290 million paid in

Grid

	Place of incorporation	Currency	Issued capital in millions	Direct ownership interest in % (voting rights)	Consoli-dation method	Business activity	Reporting date
ETRANS Ltd.	Laufenburg	CHF	7.50	33.3	E	S	31 Dec
Swissgrid Ltd.	Laufenburg	CHF	312.06	30.7	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 Ecopower 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 Wind Italia 2 S.r.l.	Milan / IT	EUR	0.01	100.0	F	H	31 Dec

Energy Services companies

Alpiq InTec

	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
Transport technology							
Alpiq EnerTrans AG	Niedergösgen	CHF	0.25	100.0	F	S	31 Dec
Elektroline a.s.	Prague / CZ	EUR	0.17	100.0	F	S	31 Dec
K+M Verkehrstechnik GmbH	Herne / 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
Transtec Gotthard [1]	Amsteg	CHF	0.00	25.0	P	S	31 Dec
Building technology 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 E-Mobility Ltd.	Zurich	CHF	0.50	90.0	F	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.[2]	Zurich	CHF	7.85	100.0	F	S	31 Dec
Alpiq InTec Romandie Ltd.	Meyrin	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.[3]	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 Consortia
2 Merged with Liechti AG, Kälte-Klima-Energie
3 Merged with Schwarz + Partner AG

Kraftanlagen Group

	Place of incorporation	Currency	Issued capital in millions	Direct ownership interest in % (voting rights)	Consoli-dation method	Business activity	Reporting date
Kraftanlagen Group							
Kraftanlagen München GmbH	Munich / DE	EUR	5.00	100.0	F	H/S	31 Dec
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
KAROM Servicii Profesionale In Industrie s.r.l.	Ploiesti / RO	RON	2.25	51.0	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 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
Kraftanlagen Romania EsA s.r.l.	Ploiesti / RO	RON	0.05	100.0	F	S	31 Dec
Kraftanlagen Serbia DOO	Belgrade / RS	RSD	2.85	100.0	F	S	31 Dec
Other							
GAH Pensions GmbH	Heidelberg / DE	EUR	0.26	100.0	F	S	31 Dec

Financial investments

	Place of incorporation	Currency	Issued capital in millions	Direct ownership interest in % (voting rights)	Consoli-dation method	Business activity	Reporting date
European Energy Exchange	Leipzig / DE	EUR	40.05	4.5	C	S	31 Dec
Powernext SA	Paris / FR	EUR	11.92	4.7	C	S	31 Dec

Business activity

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

Consolidation method

F	Fully consolidated
E	Equity accounted
P	Proportionate assets, liabilities, earnings and expenditures
FV	Fair value
C	Cost method

Alpiq Group Financial Summary 2010–2014

Income statement

CHF million	2014	2013	2012	2011	2010
Net revenue	8,058	9,370	12,723	13,961	14,104
Other operating income	147	184	434	205	181
Total revenue and other income	8,205	9,554	13,157	14,166	14,285
Operating expenses	– 7,893	– 8,765	– 11,945	– 13,229	– 12,787
Earnings before interest, tax, depreciation and amortisation (EBITDA)	312	789	1,212	937	1,498
Depreciation, amortisation and impairment	– 985	– 510	– 2,136	– 1,229	– 502
Earnings before interest and tax (EBIT)	– 673	279	– 924	– 292	996
Share of results of joint ventures and other associates	– 173	– 126	– 62	– 901	– 26
Financial result	– 179	– 149	– 255	– 181	– 156
Income tax expense	123	14	147	28	– 169
Net income	– 902	18	– 1,094	– 1,346	645
Attributable to non-controlling interests	– 23	– 4	– 40	– 21	7
Attributable to equity investors of Alpiq Holding	– 879	22	– 1,054	– 1,325	638
Employees [1]	8,017	7,807	10,039	11,009	11,033

1 Average number of full-time equivalents

2010 / 2011: Amounts not adjusted to reflect IAS 19 rev. and IFRS 10 / 11

Balance sheet

CHF million	2014	2013	2012	2011	2010
Total assets	11,861	14,508	14,863	17,446	18,473
Assets					
Non-current assets	7,475	9,083	8,554	11,469	13,793
Current assets	3,905	5,425	4,460	4,139	4,680
Assets held for sale	481		1,849	1,838	
Equity and liabilities					
Total equity	4,712	5,839	4,817	6,205	7,779
as % of total assets	39.7	40.2	32.4	35.6	42.1
Liabilities	7,147	8,669	9,782	10,513	10,694
Liabilities held for sale	2		264	728	

Per share data

CHF	2014	2013	2012	2011	2010
Par value	10	10	10	10	10
Share price at 31 December	90	122	131	170	360
High	129	132	189	381	453
Low	86	106	126	150	339
Weighted average number of shares outstanding (in thousands)	27,190	27,190	27,190	27,190	27,190
Net income	– 34.19	– 0.37	– 38.76	– 48.73	23.46
Dividend [1]	2.00	2.00	2.00	2.00	8.70

1 Scrip dividend to be proposed to the General Meeting on 30 April 2015

2010 / 2011: Amounts not adjusted to reflect IAS 19 rev. and IFRS 10 / 11

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To the General Meeting of

Alpiq Holding Ltd., Lausanne

Zurich, 6 March 2015

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Alpiq Holding Ltd., which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flows and notes (pages 84 – 157), for the year ended 31 December 2014.

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 as well as 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 2014 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

Roger Müller
Licensed audit expert
(Auditor in charge)

Mathias Zeller
Licensed audit expert

Statutory Financial Statements Alpiq Holding Ltd.

Income Statement

CHF	Note	2014	2013
Revenue			
Finance income	2	100,239,021	178,270,325
Dividend income	3	372,070,500	718,944,588
Other income		39,877,510	31,954,740
Exceptional income		45,000	
Total revenue		**512,232,031**	**929,169,653**
Expenses			
Finance costs	4	248,730,849	280,198,960
Tax expense		2,066,304	1,770,013
Other expenses		33,074,348	34,776,891
Depreciation and amortisation		38,495,113	395,775,289
Exceptional expenses		51,574	
Total expenses		**322,418,188**	**712,521,153**
Net income		**189,813,843**	**216,648,500**

Balance Sheet

Assets

CHF	Note	31 Dec 2014	31 Dec 2013
Investments	5	4,457,971,691	4,506,426,623
Loans receivable	6	1,020,436,656	1,443,727,872
Non-current assets		**5,478,408,347**	**5,950,154,495**
Short-term receivables	7	333,893,072	369,465,436
Prepayments and accrued income		14,270,545	21,794,546
Investments in securities		28,650	28,650
Cash and cash equivalents		978,372,360	1,512,477,350
Current assets		**1,326,564,627**	**1,903,765,982**
Total assets		**6,804,972,974**	**7,853,920,477**

Equity and liabilities

CHF	Note	31 Dec 2014	31 Dec 2013
Share capital		271,898,730	271,898,730
Share premium		3,565,537	3,565,537
Capital contribution reserve		1,110,445,507	1,164,825,253
General reserve		53,332,560	53,332,560
Retained earnings		1,291,772,074	1,101,958,231
Equity	8	**2,731,014,408**	**2,595,580,311**
Provisions		**36,778,516**	**36,778,516**
Bonds	9	2,753,965,000	3,325,000,000
Loans payable	10	596,500,000	796,500,000
Non-current liabilities		**3,350,465,000**	**4,121,500,000**
Short-term payables	11	575,694,132	989,505,618
Accruals and deferred income		111,020,918	110,556,032
Current liabilities		**686,715,050**	**1,100,061,650**
Total equity and liabilities		**6,804,972,974**	**7,853,920,477**

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 starting at page 151 , 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	2014	2013
Interest income from Group companies and shareholders	61,152	48,965
Interest income from third parties	1,737	857
Other finance income from Group companies and shareholders	4,328	4,462
Other finance income from third parties	152	253
Foreign exchange gain	32,870	123,733
Total	**100,239**	**178,270**

3 Dividend income

Dividend income comprises dividends received from subsidiaries.

4 Finance costs

CHF thousand	2014	2013
Interest expense to Group companies and shareholders	18,427	16,143
Interest expense to third parties	120,828	131,358
Other finance costs to Group companies and shareholders	2,081	
Other finance costs to third parties	45,085	25,287
Foreign exchange loss	62,310	107,411
Total	**248,731**	**280,199**

5 Investments

A list of the principal subsidiaries and investments is presented starting at page 151.

There were no capital contribution commitments at the reporting date on 31 December 2014 (previous year: CHF 0 million).

6 Loans receivable

As in the previous year, this item mainly includes long-term loans receivable from Group companies and a CHF 200 million subordinated loan provided to a Group company (previous year: CHF 200 million).

7 Short-term receivables

CHF thousand	31 Dec 2014	31 Dec 2013
Due from Group companies and shareholders	307,962	367,721
Due from third parties	25,931	1,744
Total	**333,893**	**369,465**

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

8 Equity

CHF thousand	Share capital	Share premium	Capital contribution reserve	General reserve	Retained earnings	Total equity
Balance at 31 December 2012	**271,899**	**3,565**	**1,219,205**	**53,333**	**885,309**	**2,433,311**
Transfer from capital contribution reserves to distributable reserves			– 54,380	54,380		0
Dividends				– 54,380		– 54,380
Net income					216,649	216,649
Balance at 31 December 2013	**271,899**	**3,565**	**1,164,825**	**53,333**	**1,101,958**	**2,595,580**
Transfer from capital contribution reserves to distributable reserves			– 54,380	54,380		0
Dividends				– 54,380		– 54,380
Net income					189,814	189,814
Balance at 31 December 2014	**271,899**	**3,565**	**1,110,445**	**53,333**	**1,291,772**	**2,731,014**

Additional authorised capital

As in the previous year, Alpiq Holding Ltd. had no additional authorised capital at the reporting date on 31 December 2014.

Major shareholders

The major shareholders of Alpiq Holding Ltd. are disclosed in note 19 to the consolidated financial statements.

9 Bonds

CHF thousand	Term	Earliest redemption date	Interest rate %	Face value at 31 Dec 2014	Face value at 31 Dec 2013
Fixed-rate bond issued by Alpiq Holding Ltd.	2009/2014	10 Feb 2014	3		200,000
Fixed-rate bond issued by Alpiq Holding Ltd.	2006/2014	22 Sept 2014	2 7/8		125,000
Fixed-rate bond issued by Alpiq Holding Ltd.	2008/2014	30 Oct 2014	3 3/8		25,000
Fixed-rate bond issued by Alpiq Holding Ltd.	2008/2014	30 Oct 2014	3 3/8		150,000
Fixed-rate bond issued by Alpiq Holding Ltd.[1,2]	2008/2015	25 Mar 2015	3 1/4	173,865	250,000
Fixed-rate bond issued by Alpiq Holding Ltd.[1,2]	2009/2015	3 Jul 2015	3 1/4	153,775	250,000
Fixed-rate bond issued by Alpiq Holding Ltd.[2]	2011/2016	20 Sept 2016	1 3/8	176,075	250,000
Fixed-rate bond issued by Alpiq Holding Ltd.[2]	2009/2017	10 Feb 2017	4	136,940	250,000
Fixed-rate bond issued by Alpiq Holding Ltd.[2]	2012/2017	13 Apr 2017	2	207,199	275,000
Fixed-rate bond issued by Alpiq Holding Ltd.[2]	2012/2017	13 Apr 2017	2	18,836	25,000
Fixed-rate bond issued by Alpiq Holding Ltd.[2]	2006/2018	1 Mar 2018	2 5/8	189,940	250,000
Fixed-rate bond issued by Alpiq Holding Ltd.[2]	2008/2018	30 Oct 2018	3 7/8	119,980	160,000
Fixed-rate bond issued by Alpiq Holding Ltd.[2]	2008/2018	30 Oct 2018	3 7/8	29,995	40,000
Fixed-rate bond issued by Alpiq Holding Ltd.	2009/2019	25 Nov 2019	3	500,000	500,000
Fixed-rate bond issued by Alpiq Holding Ltd.	2011/2021	20 Sept 2021	2 1/4	225,000	225,000
Fixed-rate bond issued by Alpiq Holding Ltd.	2012/2022	16 May 2022	3	200,000	200,000
Fixed-rate bond issued by Alpiq Holding Ltd.	2014/2024	29 Jul 2024	2 5/8	300,000	
Public hybrid bond issued by Alpiq Holding Ltd.	-	15 Nov 2018	5	650,000	650,000

1 Included in "Current liabilities" at 31 December 2014
2 Partial bond buyback at 29 July 2014

The weighted interest rate on bonds issued at the reporting date, relative to face value, was 3.25 % (previous year: 3.24 %).

10 Loans payable

CHF thousand	31 Dec 2014	31 Dec 2013
Due to shareholders (hybrid loan)	366,500	366,500
Due to third parties	230,000	430,000
Total	**596,500**	**796,500**

The loans are repayable at maturities ranging between one year and perpetual. The weighted average interest rate at the reporting date was 3.92 % (previous year: 3.52 %).

11 Short-term payables

CHF thousand	31 Dec 2014	31 Dec 2013
Due to Group companies	197,995	489,429
Due to third parties	377,699	500,077
Total	**575,694**	**989,506**

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

12 Contingent liabilities

Guarantees in favour of Group companies and third parties totalled CHF 794 million at 31 December 2014 (previous year: CHF 899 million).

13 Shares held by Directors and Executive Board members

		Number 2014	Number 2013
Hans E. Schweickardt	Chairman	310	310
Conrad Ammann	Director	150	50
Alex Kummer	Director	200	100
Urs Steiner	Director	27	25
Jasmin Staiblin	CEO	100	
Reinhold Frank	Executive Board member	100	
Patrick Mariller	Executive Board member	5	5
Michael Wider	Executive Board member	100	52
Total		**992**	**542**

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 5 February 2015.

Board of Directors' Proposal

Appropriation of retained earnings

The Board of Directors proposes to the Annual General Meeting to recognise retained earnings as follows:

CHF	
Net income for 2014 reported in the income statement	189,813,843
Retained earnings brought forward	1,101,958,231
Retained earnings	**1,291,772,074**

Transfer to general reserve	0
Balance to be carried forward	**1,291,772,074**

Transfer from statutory reserves (capital contribution reserves) to distributable reserves and payment of a dividend, exempt from withholding tax, out of reserves

The Board of Directors is submitting a proposal to the 2015 Annual General Meeting that it distribute a scrip dividend in an amount of CHF 2.00 (previous year: CHF 2.00 cash dividend) per registered share in the form of a repayment of capital deposits without deducting withholding tax. Shareholders have the choice to receive the distribution either in the form of shares (subscription for new registered shares in Alpiq Holding Ltd. at a nominal value of CHF 10 each), or as a cash payment. If the shareholders approve the proposed form of dividend payment, the distribution will amount to CHF 54,379,746.

CHF	
Transfer from capital contribution reserves to distributable reserves	54,379,746
Withholding tax-exempt dividend of CHF 2.00 per registered share	**– 54,379,746**

Subject to approval of this proposal, the dividend will be paid from 20 May 2015 in accordance with the information and conditions recorded in the invitation to the Annual General Meeting.

Building a better
working world

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To the General Meeting of

Alpiq Holding Ltd., Lausanne

Zurich, 6 March 2015

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Alpiq Holding Ltd., which comprise the income statement, the balance sheet and notes (pages 164 – 169), for the year ended 31 December 2014.

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

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

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

Opinion
In our opinion, the financial statements for the year ended 31 December 2014 comply with Swiss law and the company's articles of incorporation.

Building a better working world

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

Roger Müller Licensed audit expert (Auditor in charge)	Mathias Zeller Licensed audit expert

Measures

Currency

ALL	Albanian lek
BAM	Bosnia and Herzegovina convertible mark
BGN	Bulgarian lev
CHF	Swiss franc
CZK	Czech koruna
EUR	Euro
GBP	Pound sterling
HRK	Croatian kuna
HUF	Hungarian forint
LTL	Lithuanian litas
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

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 kilowatts)
GW	gigawatts (1 GW = 1,000 megawatts)

Photos

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Page 26: BMW i3 © Alpiq

Page 46: Board of Directors Photographer: Robert Huber

Page 48: Executive Board Photographer: Robert Huber

Page 74: Unmanned air vehicle © Alpiq

Financial calendar

30 April 2015:
Annual General Meeting

28 August 2015:
Interim Report

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For the sake of simplicity and easier reading, we have not always included the feminine form in this report; references to the masculine should be taken to include persons of both genders where appropriate.

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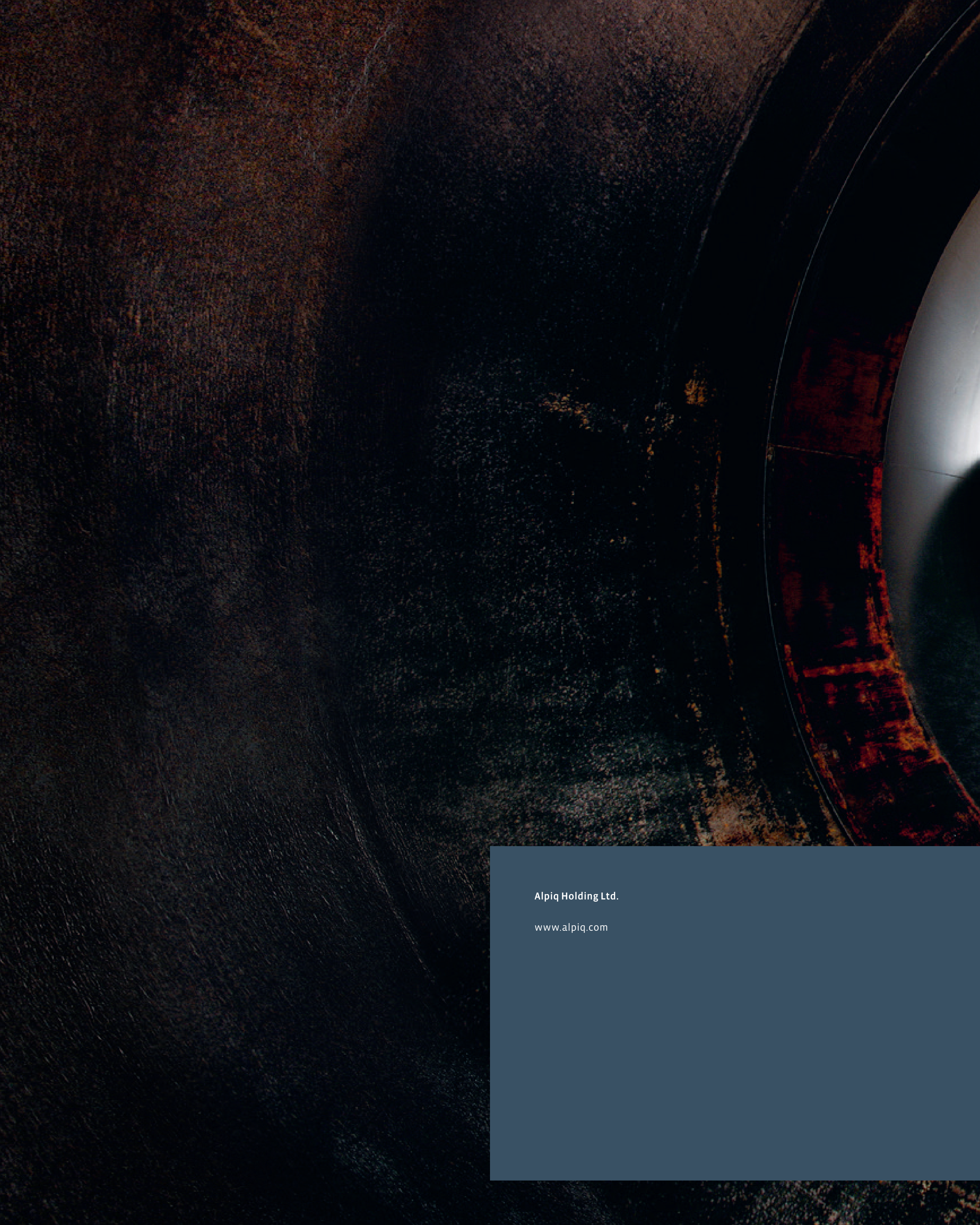

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