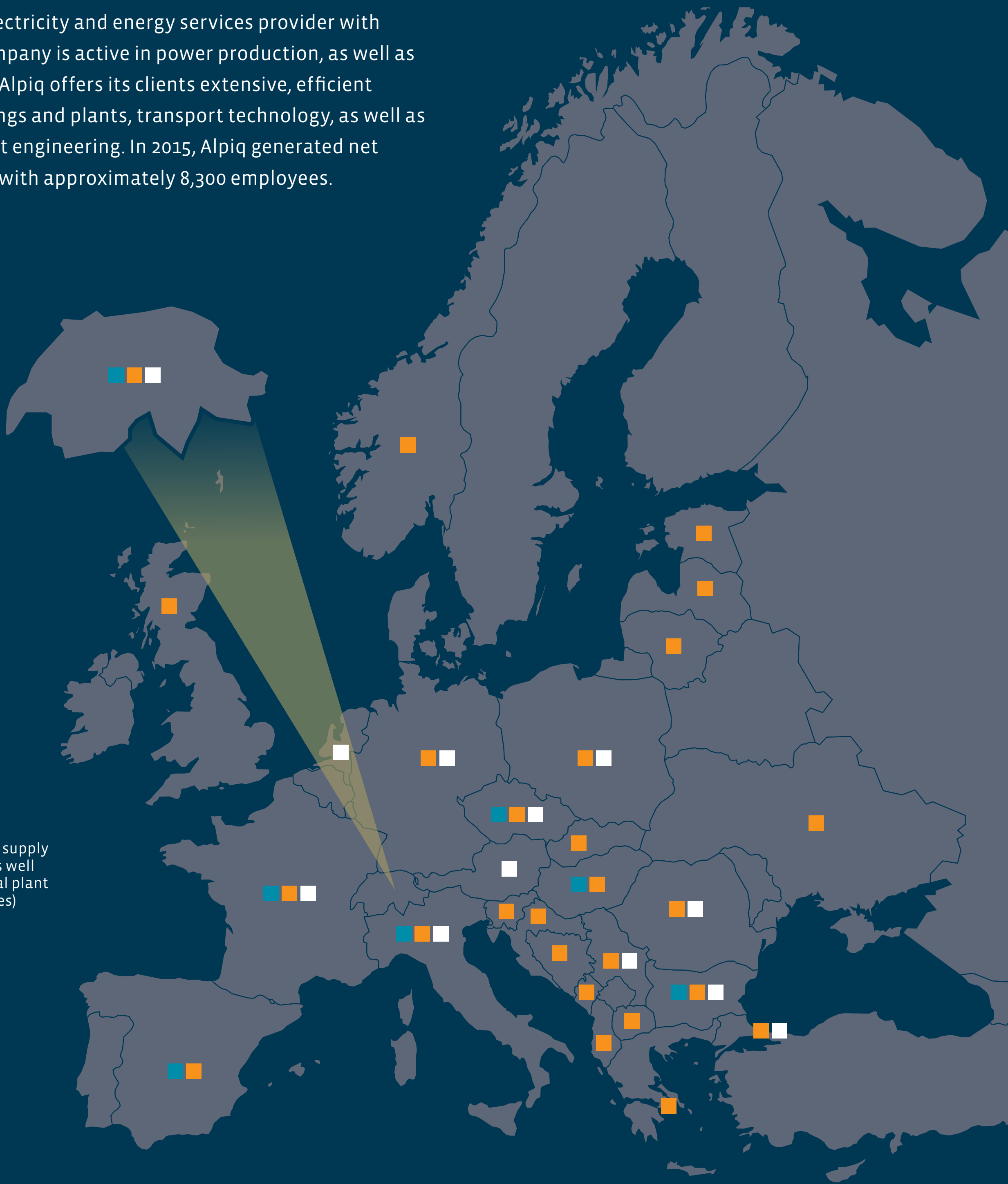
ALPIQ

2015
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 2015, Alpiq generated net revenue of CHF 6.7 billion with approximately 8,300 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 2015

Alpiq Group

CHF million	% change 2014-2015 (results of operations)	Results of operations before exceptional items 2015	Results of operations before exceptional items 2014	Results under IFRS 2015	Results under IFRS 2014
Net revenue	– 16.7	6,715	8,058	6,715	8,058
Earnings before interest, tax, depreciation and amortisation (EBITDA)	– 21.2	480	609	50	312
Depreciation, amortisation and impairment	– 13.4	– 219	– 253	– 561	– 985
Earnings before interest and tax (EBIT)	– 26.7	261	356	– 511	– 673
as % of net revenue		3.9	4.4	– 7.6	– 8.4
Net income	– 68.3	46	145	– 830	– 902
as % of net revenue		0.7	1.8	– 12.4	– 11.2

CHF million				2015	2014
Net divestments / (net investments)				187	– 116
Total assets				10,435	11,861
Total equity				3,819	4,712
as % of total assets				36.6	39.7

				2015	2014
In-house generation [1] (GWh)				17,814	16,307
Number of employees at the reporting date				8,345	8,277
of which, Energy Services business division				6,948	6,871

1 Excluding long-term purchase contracts

Per share data

CHF	% change 2014-2015	2015	2014
Par value	0.0	10	10
Share price at 31 December	16.7	105	90
High	– 15.5	109	129
Low	– 30.2	60	86
Net income [1]	7.2	– 31.73	– 34.19
Dividend [2]	– 100.0	0.00	2.00

1 Calculation see note 9
2 2014: Scrip dividend

Shareholder structure

As at 31 December 2015, the share capital of Alpiq Holding AG amounted to CHF 278.7 million, divided into 27,874,649 registered shares with a nominal value of CHF 10 each.

Shareholders at 31 Dec 2015	Stakes in %
EOS HOLDING SA	31.44
EDF Alpes Investissements Sàrl	25.04
Consortium of Swiss minority shareholders	31.43
Free float	12.09

The financial summary 2011 – 2015 is shown on pages 158 and 159 of the Financial Report. A detailed overview of the shareholder structure can be found on pages 27 and 28 of the Annual Report.

Power plants in 2015	MW	Installed capacity MW	GWh	Production GWh
Hydroelectric power plants		**2,674**		**6,030**
Switzerland	2,674		6,030	
Small hydroelectric power plants, wind farms, solar power plants		**308**		**513**
Switzerland	14		42	
Bulgaria	73		132	
France	13		27	
Italy	203		296	
Norway	5		16	
Nuclear power plants		**795**		**5,942**
Switzerland	795		5,942	
Conventional thermal power plants		**2,568**		**5,329**
France	408		977	
Italy	318		1,295	
Spain	846		345	
Czech Republic	593		2,238	
Hungary	403		474	
Alpiq's total installed capacity [1]		**6,345**		**17,814**

1 Excluding long-term purchase contracts

Energy Generation 2015

Hydroelectric	34 %	6,030 GWh
Nuclear	33 %	5,942 GWh
Conventional thermal	30 %	5,329 GWh
New renewables	3 %	513 GWh
Total		17,814 GWh
Total 2014		16,307 GWh

Group structure 31 December 2015

Generation

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

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

Commerce & Trading

- Power West
- Cross-Commodity Trading & Origination
- Markets Central Eastern & South Eastern Europe
- Operations

The Commerce & Trading business division comprises the selling and marketing of energy, power plant management, the deployment of flexible energy production, and trading in standardised and structured products for electricity, gas, emission rights and certificates on energy exchanges.

Energy Services

- Alpiq InTec
- Kraftanlagen Group

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

Employees 2015

Total

Switzerland	56.8 %	4,744
Europe	43.2 %	3,601
Total		8,345
Total 2014		8,277

of whom 565 apprentices

Business divisions

Generation	8.5 %	713
Commerce & Trading	4.6 %	387
Energy Services	83.3 %	6,948
Group Centre	3.6 %	297

Annual Report 2015

Cover:
Grand Dixence celebrated a triple anniversary on 28 August:
50 years since the completion of the Zmutt pumping station,
50 years since the hydraulic concessions went into force and
65 years since the founding of the company.

Letter to our shareholders

Jens Alder, Chairman of the Board of Directors
Jasmin Staiblin, CEO

Dear shareholder,

The market environment for the European energy sector remained extremely demanding in 2015. In particular, a further fall in wholesale prices – now at their lowest level for ten years – continue to dominate energy markets, presenting great challenges to all conventional energy producers without end-customers in the basic supply monopoly. As expected, low wholesale prices exerted a considerable negative impact on our results, despite our forward-looking hedging strategy.

In addition to lower wholesale prices, the strong Swiss franc reduced the expected profitability on our power plant portfolio. Especially where Swiss hydropower is concerned, this situation already necessitated CHF 834 million of impairment losses and provisions after income taxes to be recognised in our half-year results, and it consequently also burdens our full-year results.

To this is added an asymmetric item of Swiss regulation. This regulation permits electricity producers with end-customers within the basic supply monopoly to invoice end-customers at regulated prices for their production costs, while electricity producers without monopoly customers remain exposed to market prices. Moreover, high government levies hit clean Swiss hydropower, while at the same time new renewable energies are benefitting from state subsidies. Incomplete coupling to European markets due to the lack of an electricity accord generates additional uncertainty. Also over the coming years we see no improvement in these very difficult overall conditions.

Launched measures start to take effect

We were able to partly offset the lower results thanks to consistently implementing the cost reduction programme that we launched in 2014, saving a further CHF 100 million of costs on a sustainable basis by the end of 2015. Together with other efficiency enhancement programmes, Alpiq has thereby improved its annual results by more than a quarter of a billion Swiss francs over the past years cumulatively.

Alpiq also grew its operating cash flow by CHF 47 million year-on-year to CHF 461 million due to consistent net working capital management. In addition, we have reduced our net debt by around one-third from CHF 1,939 million to CHF 1,299 million with the divestiture of our non-strategic interest in Swissgrid and further implementation of our announced portfolio rationalisation of selected, non-strategic interests.

We have also optimised Alpiq's financing structure by realising early repurchases of bonds with 2016 to 2019 maturities, and placing new bonds on the market successfully. This has enabled us to reduce our future borrowing costs sustainably and extend our maturity profile.

Group restructuring advanced

We have driven further ahead with the Group's restructuring in 2015. In the first strategic pillar – conventional energy generation – we remained firmly committed to eco-friendly hydropower. We are Europe's first electricity company to receive ISO 55001 certification for hydropower plant asset management. In line with state-of-the-art industrial approaches, we switched from forward-looking servicing to condition-based maintenance of hydropower plants. We also further oriented energy trading to the new requirements posed by the energy turnaround. Alpiq has consequently positioned itself successfully in 24/7 trading, offering its flexible hydropower capacities around the clock, among other services. We have further expanded our second strategic pillar – Energy Services – through targeted acquisitions. These include the acquisitions of Switzerland's largest solar specialist, Helion Solar Group, smart building supplier IReL AG and railway technology specialist Balfour Beatty Rail Italy S.p.A. Combined with these investments, our already strong position offers excellent opportunities for further growth in Energy Services.

Additional structural measures needed

Wholesale prices are set to remain low for several years to come. High subsidies for new renewable energies, which continue to drive further expansion of wind power and photovoltaic plants, low prices for the primary energy sources oil, gas and coal, and weak CO2 prices remain the reasons behind this situation. The strong Swiss franc comprises an additional factor. Due to these circumstances, we already announced additional structural measures at the time of our 2015 half-year results. Further massive price erosion on European wholesale markets since the end of 2015 lends further urgency to the need for such measures. As the Alpiq Group's energy production is hedged on wholesale markets over the next two to three years, the structural measures focus on a medium-term time horizon.

These measures pursue three important objectives: firstly, maintaining capital market viability (the servicing of liabilities and refinancing of maturing bonds, in other words), secondly, the sustainable stabilisation of the Group's profitability, and thirdly, the consistent further development of the portfolio of business areas for the long-term enhancement of the company's value.

In-depth analyses of the existing business portfolio have prompted the Board of Directors and Executive Board to approve the following structural measures:

- Alpiq is opening up to 49 % of its Swiss hydropower portfolio to investors, thereby reducing its dependency on wholesale market electricity prices. Hydropower generation – loss-making as a result of the current regulatory environment and lower wholesale prices – is thereby to be restored to a more solid foundation that offers better future viability. As a reliable and expert hydropower specialist, Alpiq will continue to hold a majority of this portfolio and manage its power plants.

- Alpiq will continuously review its interests in non-strategic assets as part of ongoing portfolio rationalisation, and realise disposals, where appropriate, to reduce net debt further. The company is also continuing consistently with its current cost reduction programme to boost efficiency.

- European energy trading and Energy Services already offer innovative solutions as a response to the technology shift toward decentralised electricity supplies and storage technology. Energy trading and Energy Services offer growth potential, and are being developed further within the bounds of financial possibilities.

- Due to the fact that the company's profitability situation remains strained, the Board of Directors of Alpiq is submitting a proposal to the Annual General Meeting that no dividend be paid out for the 2015 financial year. In addition, Alpiq will pay no interest to the Swiss consortium shareholders on their hybrid loans, a measure for which the Swiss consortium shareholders have expressed their understanding. The hybrid bond that was placed publicly will be serviced, by contrast.

The 2015 financial year proved to be an extremely demanding year for Alpiq. The European electricity market continues to undergo fundamental change, presenting immense challenges to all conventional energy producers without end-customers in the basic supply monopoly. Alpiq will push ahead consistently with the Group's current restructuring and additional structural measures, in order to counter the far-reaching changes within the energy world.

Our thanks are due to our employees, without whose great dedication this restructuring would be impossible. We will remain deeply committed to rescuing Swiss hydropower, thereby continuing to assume our share of responsibility for future supply security in Switzerland. We will also seize the business opportunities that the energy future is already offering us today, and target the further expansion of our two growth areas of energy trading and Energy Services. We do all of this with the aim of growing the value of the company on a sustainable, long-term basis.

Dear shareholder – on behalf of the Board of Directors and the Executive Board, we would like to thank you for your trust and confidence, and for your understanding of the particular circumstances that you show to Alpiq, and we look forward to a continuation of your strong and long-term support.

Jens Alder, Chairman
of the Board of Directors

Jasmin Staiblin, CEO

4 March 2016

Focus of operating activities in 2015

Activities in 2015 impacted by the greater challenges posed by energy markets.

Low wholesale prices on European energy markets confirmed the need for strategic adjustments in 2015. These strategic adjustments are based on two main pillars: In the first pillar, Alpiq adapted its power plants and wholesale activities to market conditions that entailed both low wholesale prices and a demanding regulatory environment. Alpiq continued in its commitment to rescue Swiss hydropower, further aligning its energy trading activities with new requirements deriving from the new energy policy direction. In the second pillar, Alpiq expanded its energy services business through targeted investments. Its strong market position offers opportunities for future growth in energy services.

The decision taken by the Swiss National Bank (SNB) on 15 January 2015 to relinquish the minimum euro-to-Swiss franc exchange rate exerted a directly negative effect on Alpiq's activities. The strong Swiss franc and continued low wholesale price levels prompted Alpiq to examine further structural measures that extend above and beyond the Group's restructuring to date, in order to lead the company into a sustainable future.

Classic energy generation and management

Major commitment to hydropower

In the conventional power plant business, Alpiq in 2015 continued to be strongly engaged on behalf of hydropower, which forms the backbone of electricity supplies in Switzerland. This clean and renewable domestic energy source remains at a massive market price disadvantage. Although Alpiq's stringent cost management yielded positive effects, government levies, water taxes and

With the condition-based maintenance of its hydropower plants, Alpiq is ensuring efficient and secure operation across their entire life cycle.
Image: Replacement of a Pelton turbine.

other taxes continue to be high. In **May 2015**, Alpiq was Europe's first electricity utility to receive ISO 55 001 certification for hydropower plant asset management. This certification confirms that Alpiq has examined, rethought and distributed its processes on the basis of state-of-the-art industrial approaches. As part of this reorganisation, Alpiq has switched to the condition-based repair of its hydropower plants. This approach no longer focuses on maximum availability, but instead on the optimisation of performance parameters, cost controls and profitability during the entire hydropower plant life cycle.

Energy trading around the clock

In its traditional energy business, Alpiq further expanded its origination and natural gas business in Europe with a streamlined set-up. Origination includes structured and standardised wholesale products for major energy customers, such as industry and redistributors, which are individually tailored to their purchasing structure.

Since **early 2015**, a 24/7 trading team has been marketing Alpiq's flexible power plant capacities, and is active 24/7 on the European energy exchanges. Volatilities and activities on intraday markets have risen markedly, which is generating more very short-term and highly unpredictable business opportunities in intraday trading. With its high-performing and highly flexible hydropower plants, Alpiq can exploit and profitably market price differences between the day-ahead market and the intraday market, as well as between individual hours and quarter-hours.

In **August 2015**, Alpiq and French facility management specialist Sodexo announced that they would jointly enter the energy management business in Germany with partner company Sodexo Energy Services. Along with existing facility management services, the new company now also offers Sodexo customers energy services, as well as electricity and gas, on a one-stop-shop basis. With this partnership, Alpiq is further expanding its end-customer business in Europe in line with its strategy.

With its flexible storage power plants, Alpiq markets price differences between the day-ahead market and the intraday market. Image: Lac d'Emosson with a view to the Mont Blanc massif.

Expansion of energy services business

Targeted acquisitions bolster energy services

The energy future is characterised by innovations. Over the past years, Alpiq has established itself as an agile market leader in energy services. The existing business accompanied by targeted investments offers optimal opportunities for further growth. In **February 2015**, Alpiq acquired IReL AG. This company offers customised smart buildings solutions, especially in building automation, as well as measuring, control, regulating and management technology. The Helion Solar Group has also belonged to Alpiq since **February 2015**. Alpiq is thereby bolstering its market presence in photovoltaics, as Helion Solar is the Swiss market leader in the planning, realisation and maintenance of photovoltaic and energy storage systems. In **March 2015**, Alpiq acquired Milan-based company Balfour Beatty Rail Italy S.p.A., thereby adding to its rail technology portfolio. This company represents an optimal addition to a portfolio with which Alpiq has long been present in Switzerland and Eastern Europe. The acquisition enables Alpiq to gain additional expertise in the electrification of rail and local transport systems, and geographically expand its transport technology business. The acquired business specialises in the design, procurement, installation and commissioning of newbuild projects and renewals of electric rail systems.

Opportunities from innovative energy services

In 2015, Alpiq pushed ahead with the industrialisation of its award-winning GridSense technology, and tested it in practice in several projects. The captivating advantage of this technology is its exploitation of artificial intelligence to optimise electric current flow, reduce investments in grid expansion and cut electricity bills.

- **January 2015:** The Swiss Federal Office of Energy (SFOE) awards its Watt d'Or prize to GridSense. Alpiq together with University of Applied Sciences and Arts of Southern Switzerland SUPSI received this renowned award in the energy technologies category.

- **June 2015:** Energy utility ewz tests GridSense at eight charging stations for electric vehicles in Zurich. This technology is designed to offset load peaks in the distribution grid and minimise expensive network expansion.

- **July 2015:** Energy company EBM launches pilot project in four detached houses in Biel-Benken. GridSense should stabilise the electricity distribution grid during the 18 month test.

Our subsidiary Flexitricity Ltd. is a pioneer in Demand Response Management – in other words, the management of demand-side electricity consumption. Flexitricity continued to successfully apply its business model with its established technology in the UK in 2015 – including through deploying flexible load management and short-term available reserve energy when a nuclear power plant in Scotland went into temporary shutdown. The aim of Alpiq and Flexitricity Ltd. is to transfer their Demand Response Management business model as quickly as possible to other European markets.

Along with several cooperation ventures to expand the network of electric vehicle charging stations, Alpiq developed the “easy4you” access and billing system in 2015. This product, developed by Alpiq, Swisscom and Zurich, was presented in **December 2015**, and has been available on the market since January 2016. Advantage compared with other systems: As at conventional fuelling stations, all customers can recharge their vehicles with electricity without the need for any advanced notification, and pay for it at the same time. As the first product of its type, “easy4you” combines all three elements needed for the operation and utilisation of an electric charging station grid – software, network and hotline.

Dismantling of nuclear power plants

In **March 2015**, Alpiq founded Swiss Decommissioning AG, thereby enabling it to offer total solutions for the post-operation and dismantling of nuclear power plants in Switzerland. The expertise and experience derives from Kraftanlagen Heidelberg GmbH. This company plays a significant role in nuclear power plant dismantling projects in Germany, such as at the Würgassen, Obrigheim, Isar 1, Neckarwestheim 1 and Philippsburg 1 nuclear power plants.


GERSAG
30 t

Major projects

Gotthard, Nant de Drance, FMHL+

Punctually at the start of test operation on **1 October 2015**, the Transtec Gotthard consortium handed over rail technology systems installed in the Gotthard Tunnel to client AlpTransit Gotthard AG. Transtec Gotthard received the contract to build rail technology in one of the world's longest railway tunnels in May 2007. The four partners, Alpiq, Alcatel-Lucent / Thales, Heitkamp Construction Swiss and Balfour Beatty Rail, installed tracks, conductor rails, railway security technology, train and tunnel management technology, telecommunications and electricity supplies under Alpiq's management.

2015, the large-scale components drew attention at the two pumped-storage power plants Nant de Drance and FMHL+. At Nant de Drance in the Lower Valais, the view was dominated by the hydraulic steel structure with its pipe installations, cladding and gate valves. On Lake Geneva, engineers installed large-scale electro-mechanical components. FMHL+ is scheduled to be commissioned in autumn 2016, and Nant de Drance from 2018.

Steam turbine and gas-powered CHP plant

Alpiq won two promising large-scale plant technology projects in 2015. In **February 2015**, Kraftanlagen München GmbH received a contract to build a new steam turbine power plant in Moerdijk in the Netherlands. This new plant enables energy from a waste incineration plant to be utilised sustainably. The contract includes the planning and building of the plant, including steam turbine, generator, electro-technology, control systems, piping systems, as well as intake and outlet structures for the cooling water system

In **August 2015**, the city of Kiel commissioned Kraftanlagen München GmbH with the planning and construction of a gas-powered cogeneration plant. This groundbreaking plant combines 20 individually controllable gas engines of 9.5 MW output each, which makes it very flexible to deploy on both the electricity and the heating markets.

Image: Installation of hydraulic steel structures in the underground cavern of the Nant de Drance pumped-storage power plant (photograph taken: April 2015).

Group restructuring: Improved liquidity, reduction in net debt

Several non-strategic investments divested

Low wholesale prices and the strong Swiss franc are presenting Alpiq with challenges, confirming the need to push ahead with the Group's restructuring. As part of the restructuring, Alpiq focused in 2015 on strengthening its balance sheet through further net debt reduction and on maintaining its ability to access capital markets, as well as on implementing the cost reduction programme, among other areas. This programme was on track in 2015, and reached its target level of CHF 100 million. This cost reduction programme will also enable Alpiq to achieve annual cost savings of around CHF 100 million in following years. As part of efforts to lower net debt, Alpiq spun off several non-strategic investments and activities in 2015. This enabled Alpiq to reduce the Group's complexity, and paves the way for more focused and sustainable operating activities. The funds released were deployed especially to reduce net debt. These divestments in 2015 included the disposal of the Swissgrid interest.

- **March 2015:** Conclusion of the divestiture of a 49.9 % interest in Alpiq Grid Beteiligungs AG, and of 49.9 % of the original Swissgrid shareholder loan. This generated total proceeds of CHF 288 million.

- **May 2015:** Disposal of a 50.1 % interest in Alpiq Grid Beteiligungs AG for CHF 146 million. This transaction was not yet executed as of the end of 2015 due to the exercising of pre-emptive purchase rights.

- **July 2015:** Sale of the final CHF 48 million tranche of the Swissgrid shareholder loans.

Alpiq rationalised its portfolio in 2015, and sold selected hydropower plants and minority interests. The investments that were sold account for around 5 % of the installed capacity of Alpiq's entire hydropower plant park.

In 2015, Alpiq spun off several elements of its Swissgrid interest. Swissgrid has owned the high-voltage grid since 2013 (image: 380 kV transmission line).


ALP

- **March 2015:** Disposal of Alpiq Hydro Ticino SA with the Lucendro storage power plant on the Gotthard Pass and in Airolo.

- **July 2015:** Disposal of the 25 % interest in the storage power plant Forces Motrices du Grand-Saint-Bernard SA.

- **August 2015:** Disposal of the 26 % interest in Gommerkraftwerke AG.

- **November 2015:** Disposal of the 28 % interest in Forces Motrices de Fully SA.

- **December 2015:** Contracts concerning the disposal of three small-scale hydropower plants and three projects for small-scale hydropower plants in Norway.

- **December 2015:** Disposal of the 4.5 % interest in European Energy Exchange AG (EEX).

- **December 2015:** Disposal of the Bayet gas-fired combined-cycle power plant in France.

Alpiq also announced in **November 2015** that it would review the disposal of its interests in Alpiq Versorgungs AG (AVAG) and AEK Energie AG (AEK). Both companies are regional energy utilities situated in the Swiss Plateau. Alpiq holds a 96.7 % interest in AVAG and a 38.7 % interest in AEK.

The strengthening of the company's finances and the maintenance of the company's ability to access capital markets are of great importance to Alpiq. In **June 2015**, the company successfully concluded its second bond repurchase in the 2016 to 2019 maturity range. A total of over CHF 340 million of bonds were repurchased. At the same time, Alpiq placed CHF 175 million of eight-year bonds with attractive terms on the market. With these steps, the company strengthened its balance sheet and extended its bonds' maturity profile.

In light of the reversion of concessions, Alpiq sold the Lucendro storage power plant on the Gotthard to Azienda Elettrica Ticinese (AET). Image: Substation at the Airolo centre.

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 managers' compensation and investment interests. Except where otherwise stated, all information given is as at 31 December 2015.

1 Group and shareholder structure

1.1 Group structure

1.1.1 Alpiq Group operating structure

As at 31 December 2015, the parent company Alpiq Holding Ltd., domiciled in Lausanne, Switzerland, had a share capital of CHF 278,746,490, divided into 27,874,649 registered shares with a nominal value of CHF 10 each.

The registered shares are listed on SIX Swiss Exchange under ISIN CH0034389707. A the year-end, the market capitalisation stood at CHF 2,926,838,145 (calculated on the closing price on 31 December 2015 × number of shares = CHF 105 × 27,874,649 registered shares).

As at 31 December 2015, 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 Financial Services functional division and the functional units Human Resources, Legal & Compliance, Communications & Public Affairs, Strategy & Development and Risk Management, which directly report to the CEO.

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

No consolidated listed Group companies exist.

1.1.3 Unlisted companies included in the Alpiq Group's consolidation scope

The consolidated listed Group companies are listed on pages 151 to 156 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 SA (Lausanne), EDF Alpes Investissements Sàrl (Martigny) and the consortium of Swiss minority shareholders, consisting of Genossenschaft Elektra Birseck (Münchenstein), Genossenschaft Elektra Baselland (Liestal), the canton of Solothurn, Aziende Industriali di Lugano SA, IBAarau AG and Wasserwerke Zug AG. The consortium agreement governs the merger between Aare-Tessin Ltd. for Electricity (Atel) and the operating units of EOS Holding SA and the interest held by EDF (50 %) in the electricity purchase rights of Electricité d'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 2015

Shareholders	Percentage ownership interest
EOS HOLDING SA (EOSH)	31.44
EDF Alpes Investissements Sàrl (EDFAI)	25.04
EBM (Genossenschaft Elektra Birseck)	13.65
EBL (Genossenschaft Elektra Baselland)	7.13
Canton of Solothurn	5.61
Aziende Industriali di Lugano (AIL)	2.13
IBAarau (IBA)	2.00
Wasserwerke Zug (WWZ)	0.91
Free float	12.09

1.3 Cross-shareholdings

No cross-shareholdings exist.

Organisation at 31 December 2015

- **General Management**
  Jasmin Staiblin [1]
  CEO
  - **Generation**
    Michael Wider [1]
    Deputy CEO
    - Hydro Power Generation — Christian Plüss
    - Nuclear Power Generation — Michaël Plaschy
    - Thermal Power Generation — Matthias Zwicky
    - RES & Generation Development — André Schnidrig a.i.
  - **Commerce & Trading**
    Markus Brokhof [1]
    - Power West — Pierre Guesry
    - Markets Central Eastern and South Eastern Europe — Peter Dworak
    - Cross Commodity Trading & Origination — Michel Kolly
    - Operations — Petter Torp
  - **Energy Services**
    Reinhold Frank [1]
    - Alpiq InTec — Peter Limacher
    - Kraftanlagen Group — Reinhold Frank
  - **Financial Services**
    Thomas Bucher [1]
    CFO
    - Accounting & Controlling — Edgar Lehrmann
    - Finance Projects & Transformation — Martin Schindler
    - Taxes — Eva Catillon
    - Treasury & Insurance — Lukas Oetiker
    - Information Technology — Thomas Habel
  - Human Resources — Daniel Huber
  - Legal & Compliance — Peter Schib
  - Communications & Public Affairs — Andreas Richner [2]
  - Strategy & Development [3] — Vlada Spasic
  - Risk Management — Walter Hollenstein

General Management
Functional Division
Business Division
Functional Unit
Business Unit

1 Member of the Executive Board
2 Richard Rogers succeeded Andreas Richner as Head Communications & Public Affairs a.i. on 4 February 2016.
3 The Strategy & Development functional unit was wound down as of 31 January 2016.

2 Capital structure

2.1 Share capital

As at 31 December 2015, the share capital of Alpiq Holding Ltd. was at CHF 278,746,490 divided into 27,874,649 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 capital. Authorised capital (Articles of Association 3a) of CHF 6,747,180 exists in connection with the scrip dividend approved by the 2015 Annual General Meeting.

2.3 Changes in equity

Statements of changes in equity can be found in the Financial Report on pages 84 and 85 for the consolidated financial statements of the Alpiq Group and on page 170 for the company financial statement of Alpiq Holding Ltd. The statements of changes in equity for the year 2013 can be found in the 2014 Annual Report in the Financial Report on page 88 for the consolidated financial statements of the Alpiq Group, and on page 167 for the separate financial statements of Alpiq Holding Ltd.

2.4 Shares and participation certificates

As at 31 December 2015, Alpiq Holding Ltd. has issued 27,874,649 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 18 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 2015

Jens Alder, Zurich, Switzerland, Chairman
Christian Wanner, Messen, Switzerland, Deputy Chairman
Conrad Ammann, Zurich, Switzerland
Heiko Berg, Paris, France
Philipp Büssenschütt, Kent, UK
François Driesen, Paris, France
Alex Kummer, Laufen, Switzerland
Claude Lässer, Marly, Switzerland
René Longet, Grand-Lancy 1, Switzerland
Guy Mustaki, Pully, Switzerland
Jean-Yves Pidoux, Lausanne, Switzerland
Urs Steiner, Laufen, Switzerland
Tilmann Steinhagen, Paris, France
Secretary to the Board: Roger Schoch

The Board of Directors regularly reviews its composition in relation to a balance of specialist knowledge, experience and diversity, and is also endeavouring to include female members in the future. As at 31 December 2015, the Board of Directors does not include a female member. The curricula vitae, professional backgrounds, 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
Jens Alder	2015	2016
Christian Wanner	1996	2016
Conrad Ammann	2012	2016
Heiko Berg	2015	2016
Philipp Büssenschütt	2015	2016
François Driesen	2012	2016
Alex Kummer	2013	2016
Claude Lässer	2009	2016
René Longet	2013	2016
Guy Mustaki	2009	2016
Jean-Yves Pidoux	2009	2016
Urs Steiner	2004	2016
Tilmann Steinhagen	2015	2016

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. More detailed information is available on Alpiq's website at 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. 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 of the Directors 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 Tilmann Steinhagen (Chairman), Dr. Conrad Ammann (member) and Dr. Jean-Yves Pidoux (member).

The ARC's role 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, financial accounting, risk management, compliance and corporate governance.

Nomination and Remuneration Committee (NRC)

The NRC consists of Prof. Dr. Guy Mustaki (Chairman), François Driesen (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 terms and conditions of employment of the members of the Board of Directors and approving the other contract terms and conditions of employment for the CEO (as proposed by the Chairman of the Board) and for the Executive Board (as proposed by the CEO).

Ad hoc Committee

Besides the two standing committees, the Board of Directors in 2015 set up an Ad hoc Committee for the Alpiq Group's new strategic orientation. This committee's members include Jens Alder (Chairman), Dr. Conrad Ammann (member), Philipp Büssenschütt (member) and Prof. Dr. Guy Mustaki (member). Together with the CEO, the CFO and selected Executive Board members, the Ad hoc Committee develops various basic strategic scenarios and validates them on the basis of the structural measures required for implementation.

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 on average just under five hours, as well as an additional meeting in the form of a teleconference lasting about one hour. The Directors attend the meetings in person. By way of exception, the Board of Directors can allow one of its members to vote by telephone or video as long as three quarters of all 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 of the Executive Board, equity and equity-similar 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 one member demands a 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 six ordinary meetings as well as three additional meetings, each lasting an average of three hours. On these occasions, the ARC consulted in depth on the company's restructuring, 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 six ordinary meetings as well as one additional meeting, each lasting an average of two hours.

The Ad hoc Committee submits proposals to the Board of Directors for its approval and reports verbally at each Board meeting on its activities, resolutions, conclusions and recommendations. As a rule, the CEO, CFO and selected Executive Board Members attend all meetings. The Ad hoc Committee met for three regular meetings averaging four hours each in the year under review and held four telephone conference meetings averaging one and a half 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 (Board self-assessment).

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 (activity report). The Board of Directors also receives a regular summary report including key financial figures, an assessment of the risk situation and ongoing internal audits (Alpiq Group monthly flash). Furthermore, the Directors receive a written Interim Report showing detailed financial information and the principal activities and projects of the various business and functional divisions. The Board of Directors also has two standing committees: the Audit and Risk Committee (ARC) and the Nomination and Remuneration Committee (NRC).

Besides these two standing committees, the Board of Directors formed an Ad hoc Committee in 2015.

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

Internal Audit, which reports directly to the Chairman of the Board and the ARC and is managed by the General Administrative Office, 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 manager, the Chairman and (in summary form) to the ARC, and are tabled for discussion at each meeting. As and when necessary, Internal Audit also 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 reports to the CEO and proposes limits for the individual areas 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 Legal & Compliance functional unit, 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 and its employees act 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 2015, the Executive Board comprised five members. The members of the Executive Board are listed on pages 46 and 47. Curricula vitae, professional backgrounds and information about any earlier activities on behalf of the Alpiq Group, as well as about other activities and interests, can be found at 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 who are appointed after the vote on compensation 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 an 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

Ernst & Young AG act as the auditors of Alpiq Holding Ltd. The statutory and Group auditors are appointed by the Annual General Meeting for a one-year term of office.

The current lead audit partner of Ernst & Young AG has performed this function since the 2015 financial year.

8.2./8.3 Auditors' fees and additional fees

Performance and fees are reviewed annually. For the past financial year, Ernst & Young AG received fees of CHF 4.1 million for their services as statutory and Group auditors (previous year: CHF 5.0 million). Of this amount, CHF 2.8 million was paid for audit services (CHF 3.0 million), CHF 0.6 million for audit-related services (CHF 0.6 million), CHF 0.6 million for tax services (CHF 0.4 million) and CHF 0.1 million for transaction support (CHF 1.0 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 occurred 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 and Interim 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.

2015 Annual General Meeting

At the 7th ordinary Annual General Meeting of Alpiq Holding Ltd., held on 30 April 2015, the 286 shareholders present approved the 2014 consolidated financial statements of the Alpiq Group, as well as the 2014 Annual Report and separate financial statements of Alpiq Holding Ltd. At the request of the Board of Directors, the Annual General Meeting approved the payment of a scrip dividend. Shareholders were able to opt between a distribution in cash or shares, with shareholders of 93.2 % of the shares outstanding selecting to subscribe for new shares. In this connection, 684,776 new Alpiq Holding Ltd. shares were issued from additional authorised capital. This corresponds to an interest of 2.5 % in the issued share capital. Shareholders of 6.8 % of the shares outstanding opted for the cash dividend. As at 31 December 2015, Alpiq Holding Ltd. has issued a total of 27,874,649 shares. Discharge from liability was granted to the Board of Directors. Heiko Berg, Philipp Büssenschütt and Tilmann Steinhagen were appointed to the Board of Directors in order to replace Michael Baumgärtner, Damien Gros and Gérard Roth, who stepped down from the Board. The auditors were re-elected for another year.

Board of Directors at 31 December 2015

Tilmann Steinhagen
Urs Steiner
Christian Wanner
Heiko Berg
Conrad Ammann
Alex Kummer
Guy Mustaki
François Driesen
Claude Lässer
Jens Alder
Philipp Büssenschütt
Jean-Yves Pidoux
René Longet

Jens Alder
Chairman of the Board of Directors
- Dipl. El. Ing. ETH Zurich, MBA INSEAD, Fontainebleau
- Swiss national
- Chairman: Goldbach Group, Küsnacht; Sanitas Krankenversicherungen, Zurich
- Director: CA Inc., New York, USA

Christian Wanner
Vice-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., postgraduate industrial management diploma, BWI ETH Zurich
- CEO EBM (Genossenschaft Elektra Birseck), Münchenstein
- Swiss national
- Director: Kraftwerk Birsfelden AG, Birsfelden

Heiko Berg
Member
- Business administration degree (dual study), Karlsruhe
- German national

Philipp Büssenschütt
Member
- Dipl.-Ing. (MSc) mining, University of Leoben, Chartered Financial Analyst (CFA), FCA Registration
- EDF Trading Ltd, London, UK, member of the Executive Committee as Chief Commercial Officer, Origination & Business Development
- Austrian national

François Driesen
Member
- DESS de droit des affaires et de fiscalité (Paris University II)
- EDF Legal Director Europe and Head of Governance, Internal Controlling and International Risks
- French national
- Director: EDF Luminus, Belgium; EDF Norte Fluminense, Brazil
- Member of Supervisory Board: EDF Deutschland GmbH
- Executive Board Chairman: EDF Alpes Investissements Sàrl, Martigny

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
- Chairman: Groupe E SA, Granges-Paccot
- Vice-Chairman: EOS Holding SA, Lausanne
- Director: Groupe E Celsius SA, Fribourg

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
- Doctor in sociology and anthropology
- Lausanne City Councillor, Municipal Utilities Director, Delegate to the Grand Council of the Canton of Waadt
- Swiss national
- Chairman: Boisy TV S.A., Lausanne; LFO SA, Lausanne; SI-REN SA, Lausanne
- Director: Forces Motrices Hongrin-Léman S.A., Château-d'Œx; Romande Energie Holding SA, Morges; EOS Holding SA, Lausanne; CADOUEST SA, Prilly; Grande Dixence SA, Sion; Gaznat SA, Lausanne; Swissgas, Schweizerische Aktiengesellschaft für Erdgas, Zurich; HYDRO Exploitation SA, Sion; Forces motrices de l'Aboyeu SA, Collonges; Petrosvibri S.A., Vevey; Transports Publics de la Région Lausannoise sa, Renens
- Director: Kantonale Feuer- und Naturgefahrenversicherung des Kantons Waadt (ECA), Pully

Urs Steiner
Member
- Energy Engineer (Higher Technical Institute)
- CEO Genossenschaft Elektra Baselland, Liestal
- Swiss national
- Chairman: Efforte AG, Basel; Geopower Basel AG, Basel; Waldenburgerbahn AG, Waldenburg
- Director: Kraftwerk Birsfelden AG, Birsfelden; Geo-Energie Suisse AG, Zurich; Kraftwerk Augst AG, Augst
- Management Board Chairman: Verein Energie Zukunft Schweiz (EZS), Basel

Tilmann Steinhagen
Member
- Study of business administration and law, University of Münster and Paris Dauphine University
- EDF, Director of Methods, Processes, IT & HR for Finances & Project Operatives Controlling, Paris
- French and German national
- Director: EDF Energy Nuclear Generation Group Limited, London; Lake Acquisitions Limited, London; NNB Holding Board, London

Executive Board at 31 December 2015

Jasmin Staiblin
Michael Wider
Thomas Bucher
Reinhold Frank
Markus Brokhof

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
- Director: Georg Fischer AG, Schaffhausen; Rolls-Royce plc, London
- Member: ETH Board, Bern
- Board member: economiesuisse, Zurich
- Vice-President: Swisselectric, Bern

Michael Wider
Head of Generation, Deputy CEO
- MA in Law, MBA, Stanford Executive Program
- Swiss national
- Born 1961
- With Alpiq Group since 2003, as Executive Board member
- Chairman: HYDRO Exploitation SA, Sion; Nant de Drance SA, Finhaut; Kernkraftwerk Gösgen-Däniken AG, Däniken; Electricité d'Emosson SA, Martigny
- 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

Thomas Bucher
Head of Financial Services, CFO
- MA in economic sciences, University of St. Gallen; International Executive Program, INSEAD, Fontainebleau and Singapore
- Swiss national
- Born 1966
- With Alpiq Group since 2015, as Executive Board member
- Director: Alpiq InTec Management AG, Zurich; Grande Dixence SA, Sion; Kernkraftwerk Gösgen-Däniken AG, Däniken; Kernkraftwerk Leibstadt AG, Leibstadt; Tareno AG, Basel
- Chairman: Kraftanlagen München GmbH, Munich

Markus Brokhof
Head of Commerce & Trading
- Mining engineering graduate, Clausthal University of Technology, Clausthal-Zellerfeld, Germany
- German national
- Born 1966
- With Alpiq Group since 2014, as Executive Board member
- Energy Sector Council member: Biberach University of Applied Sciences, Germany

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

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 that compromise the objectivity required for performing their duties. 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 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 terms and conditions of emploqment of the members of the Board of Directors and approving the other contract terms and conditions of employment 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 assessment / 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. All members of the Board of Directors and the Executive Board are required to comply with this ruling.

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

A = Approval / decision
R = Recommendation / proposal

FI = For information
P = Proposal

		CEO	Chair-man	NRC	BoD	AGM
1.	**Procedural questions (Art. 2 (1) of the NRC Regulations)**					
1.1.	Instituting investigations and enquiries			A		
1.2.	Requesting information	(FI)		A		
2.	**Nomination (Art. 5.1 of the NRC Regulations)**					
2.1.	Approval of selection criteria			A		
2.2.	Proposals to the BoD for nomination of EB members and members of boards of directors of associated companies held directly by the holding company or of other important associates	P		R	A	
2.3.	Election of heads of business and functional units	P		A		
2.4.	Renaming of companies / mergers / transfers of units to other areas	P		A		
2.5.	Formation of new companies / reorganisations / winding down of units	P		R	A	
3.	**Performance assessment / objectives (Art. 5.2 of the NRC Regulations)**					
3.1.	Determining the annual objectives of the CEO		P	A		
3.2.	Performance assessment of the CEO		P	A		
3.3.	Approval of the annual objectives and performance assessment of the EB	P		A		
4.	**Contracts and terms of employment (Art. 5.3 of the NRC Regulations)**					
4.1.	Remuneration of the members of the BoD, Chairman, ARC, NRC and members of the EB			R	P	A
4.2.	General contractual conditions of Chairman and special conditions of BoD			P	A	
4.3.	Other terms of employment for the CEO		P	A		
4.4.	Other terms of employment for EB members, as well as the heads of business and functional units	P		A		
4.5.	Bonus regulations	P		A		

Chairman	Chairman of the Board of Directors
BoD	Board of Directors
AGM	Annual General Meeting
EB	Executive Board
ARC	Audit and Risk Committee
NRK	Nomination and Remuneration Committee

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

Number of meetings	7
Average duration	2 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 company, as well as other material associates held for financial or strategic reasons. Election of heads of 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. 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. 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 [1] and the Board of Directors conforms to standard market practice, Alpiq regularly engages an independent external consultancy firm to evaluate overall remunaration packages relative to the market environment. HKP Group and Klingler

1 Where no differentiation is made between CEO and Executive Board, the CEO is treated in all cases as a member of the Executive Board.

Consulting were mandated to establish a benchmark in 2014. 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.

On a market comparison, the current fixed remuneration paid to the members of the Executive Board and the Board of Directors is in accordance with the median of the peer group.

No recourse was made in the year under review to external consultants for the structuring of remuneration.

Key changes for the Executive Board in the year under review

Short-term incentive

Only key financial indicators are to be utilised in the future when setting targets. The level of payment depends on reaching financial targets set and weighted at the start of the financial year by the NRC, and which are comprised as follows:

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

Introduction of a phantom share programme

A phantom share programme is being introduced for the members of the Executive Board. This share programme pursues the following objectives, in particular:

- Alignment of management interests with shareholder interests
- Underpinning of strategy implementation
- Long-term incentive effect due to a three-year vesting period
- Retention through expiry clause
- Supplement to the Alpiq Total Target Compensation Model and market adjustment (boosting attractiveness)

The shares are allocated to the group of beneficiaries as phantom shares. Phantom shares securitise the entitlement to payment of the positive difference between the market value of the Alpiq share at the end of three years and the market value of the share when the phantom shares are allocated. The Board of Directors has the authority to implement the payout in the form of real shares rather than in monetary form. This entails converting the payout amount based on the share price at the end of the three-year period into a number of shares. Payment is subject to the condition that the beneficiaries be employed within the company on the reference date. The phantom shares were allocated for the first time on 1 May 2015.

The level of payout is calculated on the basis of the following scheme:

- No payout if the average share price during the month before the reference date following the three-year duration does not exceed the value on the allocation reference date (zero value)
- Payout of 100 % if the average share price during the month before the reference date following the three-year duration is 30 % higher than on the allocation reference date (target value)
- Payout of 150 %, if the average share price during the month before the reference date following the three-year duration is 60 % higher than on the allocation reference date (cap)
- The payout is calculated on a linear basis between the value of zero and the target value, respectively between the target value and the cap

The first payout under the programme will consequently occur after the end of the three-year allocation period as of 30 April 2018.

The phantom share programme comprises cash-settled share-based compensation. Valuation in the remuneration report will occur on the basis of the IFRS 2 fair value model, as the payout and its level both depend on the price performance of the Alpiq shares (market condition). The values reported for 2015 correspond to the market value on the allocation date. The level of the effective payout depends on the share price performance.

Introduction of a turnaround bonus for selected Executive Board members

In addition to the variable compensation offered to the entire Executive Board and the share programme, the turnaround bonus is intended to take into account the special situation at Alpiq. The dimension of financial and tax topics is of eminent importance during a turnaround phase. The CEO and CFO will face particular demands in this area. For this reason, and in order to establish a targeted incentive for the successful realisation of the turnaround, the CEO and CFO are to be incentivised by the prospect of a specific bonus that only comes to bear as a special payment staggered over time following a successful turnaround.

If Alpiq is rated with an A rating as of the 1 May 2018 reference date [2], the CEO receives a turnaround bonus of CHF 300 thousand, and the CFO receives a turnaround bonus of CHF 150 thousand. If Alpiq is rated with an A rating as of the 1 May 2019 reference date, the CEO receives a turnaround bonus of CHF 300 thousand, and the CFO receives a turnaround bonus of CHF 150 thousand. If Alpiq is rated lower than A as of the 1 May 2018 and 1 May 2019 reference dates respectively, any entitlement to a turnaround bonus lapses. The entitlement is subject to the condition that the beneficiaries be employed within the company as of 1 May 2018.

The proposed special bonus relates to long-term employee benefits in the meaning of IAS 19. Valuation is performed applying the projected unit credit

2 An A rating comprises the ratings from A– up to AAA. The most beneficial rating by the relevant rating institutions is valid on the respective reporting date.

method. The recognised values are hypothetical, and can only be paid out if the relevant target is reached, and if an employment relationship is in force on 1 May 2018 and 1 May 2019 respectively.

Planned adjustment of the remuneration structure of the Executive Board

The long-term remuneration components of the Executive Board no longer reflect the current and foreseeable conditions in which Alpiq operates. In future, previous long-term remuneration components will be directly linked to the corporate strategy approved by the Board of Directors.

Fixed salaries and short-term incentives, which were both adjusted in 2015, will remain unchanged; however, the following adjustments will take effect from the financial year 2016 onwards:

The long-term incentive, phantom share and turnaround bonus programmes will be discontinued as of 1 January 2016. These long-term remuneration components are replaced by a turnaround incentive, which takes the form of annual turnaround targets derived from the corporate strategy approved by the Board of Directors and the associated implementation plan.

Annual targets are based in part on concrete measures of strategy implementation and in part on specific quantitative variables.

After the end of the financial year, the NRC assesses the extent to which turnaround targets were achieved. The degree of target achievement can range from zero to an amount set by the NRC in the context of a defined cap.

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 incentive (STI)) based on the respective financial year; a long-term, performance-related variable component (long-term incentive (LTI)) and a phantom share programme paid over a period of several years, as well as additional payments and social security contributions. The CEO and CFO also receive a turnaround bonus. For details of Executive Board remuneration, please see page 62 of this Remuneration Report.

In the reporting year, there were no share option schemes for members of Alpiq's governing bodies under which the governing bodies hold or receive actual 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 48 % fixed remuneration and 52 % variable remuneration in the case of the CEO, and an average of 51 % fixed remuneration and 49 % variable remuneration for the other members of the Executive Board.

Regulations on exceptions

In situations where one or several Executive Board members do harm to the company as a result of their behaviour, the NRC can rule that the CEO (by request of the Chairman of the Board of Directors), or the members of the Executive Board (by request of the CEO), receive no bonus (STI and / or LTI and / or share programme and / or turnaround bonus).

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 that 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 Executive Board members 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 2015, Executive Board members received remuneration in accordance with the Bonus Regulations that have been in force since 1 January 2015.

In the 2015 financial year, Executive Board members received remuneration consisting of the following components:

- non-performance-related fixed base salary
- short-term incentive (STI) 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

In addition, the CEO and Executive Board members were allocated a phantom share programme for the first time in 2015, where a payout can occur in 2018 at the earliest. The CEO and CFO were also allocated a turnaround bonus in 2015, which can be paid out at the earliest in 2018.[1]

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.

1 The phantom share programme, turnaround bonus and LTI will be replaced by a turnaround incentive as of 1 January 2016 (see page 56 Planned adjustment of the remuneration structure of the Executive Board) and are therefore dropped.

Variable salary

Under the terms of the Bonus Regulations, 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 Head of the Management Services functional division between 1 September 2013 and 31 March 2015. This functional division was wound down as of 1 April 2015, with the functional units allocated to this area reporting directly to the CEO or the CFO. In addition, Reinhold Frank has been performing a dual function as Head of Energy Services and as Chairman of Kraftanlagen München GmbH, Germany (since 1 August 2013).

Short-term incentive

The NRC calculates the nominal amount of STI as a percentage of the total compensation (the sum of fixed compensation, STI and LTI). If all targets are achieved, the nominal amount is generally set at 39 % of the total compensation for the CEO and an average of 32 % of the total compensation for the other members of the Executive Board.

The STI consists of the following three components: EBITDA (weighting 50 %), cash flow from operating activities (weighting 25 %) and net debt / EBITDA (weighting 25 %).

In the year under review, the defined EBITDA targets were 107 % reached, those relating to cash flow from operating activities were 73 % reached, and those relating to net debt / EBITDA were 90 % reached.

Once the financial year has ended, the NRC assesses performance target attainment. The STI is paid out with the monthly salary following the Annual General Meeting.

Long-term incentive

The aim of the LTI is to motivate Executive Board members 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 utilised 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.

With effect from the year under review, the NRC utilised its authority pursuant to the Bonus Regulations valid since 1 January 2015 to rule that entitlement to an LTI should lapse in the case of an overall negative three-year EVA. As a consequence, a LTI is only paid out in future if the EVA amounts to a minimum of zero. Both the CEO and the Executive Board members in office on 31 December 2015 have provided written agreement to this ruling. As the EVA figure was negative in the year under review, the CEO and Executive Board members expressed their agreement to voluntarily forego receipt of an LTI.

Additional regulations on variable remuneration

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 results. Recourse is made in this context to the results that the company actually achieves, based on predefined key performance indicators. 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 STI 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 2015

Remuneration paid to the Executive Board amounted to a total of CHF 5.3 million in the year under review (previous year: CHF 5.4 million). Of this amount, CHF 4.2 million (CHF 4.5 million) is attributable to regular compensation, and CHF 1.1 million (CHF 0.9 million) is attributable to pension benefits. Maximum remuneration for 2015 approved by the Annual General Meeting totalled CHF 5.9 million, of which CHF 5.3 million were effectively paid out.

In the reporting year, the ratio of fixed salary (totalling CHF 3.4 million) to variable components (totalling CHF 1.9 million) was 65 % to 35 %.

2015 CHF thousand	Sum total Executive Board [1]	Highest-paid member Jasmin Staiblin (CEO)
Base salary	2,234.4	666.7
Pension payments [2]	1,074.4	258.5
Other remuneration [3]	125.6	33.0
Total fixed remuneration	**3 434.4**	**958.2**
Short-term incentive [4]	1,664.1	502.9
Long-term incentive	0	0
Phantom share programme [5]	228.5	76.2
Total variable remuneration	**1,892.6**	**579.1**
Total remuneration [6]	**5,327.0**	**1,537.3**

1 Personnel changes to the Executive Board in 2015: The CFO employment contract with Patrick Mariller ended on 30 April 2015. His fixed salary and a pro rata STI was paid to him for the 1 January 2015 to 30 April 2015 period. Thomas Bucher assumed office as CFO on 1 April 2015. His fixed salary and a pro rata STI was paid to him for the 1 April 2015 to 31 December 2015 period. The corresponding amounts are included in the table.

2 Employer social security contributions were paid in accordance with statutory requirements and totalled CHF 1,074.4 thousand in 2015. This amount includes a one-off payment of CHF 230 thousand into the pension fund.

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

4 Short-term incentive includes the amount of CHF 237 thousand for ongoing litigation with a former Executive Board member relating to a 2014/15 employment contract.

5 The reported amount corresponds to the hypothetical market value of the phantom share programme as of the 1 May 2015 allocation date, calculated applying the Black-Scholes model. The annual target level for the CEO and Executive Board amounts to a total of CHF 600 thousand (maximum: CHF 900 thousand). The earliest payment is possible in 2018. The level of the payout depends on the share price performance.

6 In the year under review, the CEO and CFO were granted a turnaround bonus pursuant to the statement on page 55. The projected unit credit method that is applied does not yet permit any specific valuation of this hypothetical amount in the reporting year. Assuming that the defined criterion is reached, the earliest payment that would occur would be in 2018.

Each member of the Executive Board was paid an additional annual expense allowance of CHF 24 thousand, and the highest paid member (CEO) received CHF 30 thousand. Expense allowances for the Executive Board totalled CHF 126 thousand.

The amount of bonuses reported corresponds to the variable salary component approved by the NRC for the 2015 financial year. The bonuses for 2015 will be paid out in May 2016 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 members of the Executive Board in 2014

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

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

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

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

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

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

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. 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 participate neither in the STI or LTI schemes, nor in the pantom share programme. No turnaround bonus is paid.

Remuneration paid to the Board of Directors in 2015

In 2015, the Board of Directors received remuneration totalling CHF 3.1 million (previous year: CHF 3.3 million). Of this amount, CHF 3.0 million (CHF 3.1 million) is attributable to regular compensation, and CHF 0.2 million (CHF 0.2 million) is attributable to pension benefits.

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

CHF thousand	Fixed remuneration	Attendance fees	Expense allowances	Other remuneration[1]
Jens Alder (Chairman of the Board of Directors)	301.3	0	0	42.3
Christian Wanner (Deputy Chairman of the Board of Directors)[2]	161.0	43.0	15.6	1.0
Conrad Ammann	116.0	88.0	13.5	13.3
Heiko Berg	69.6	24.0	8.0	
Philipp Büssenschütt	69.6	44.0	8.0	
François Driesen	112.0	50.0	13.0	
Alex Kummer	104.0	38.0	12.0	15.7
Claude Lässer	104.0	38.0	12.0	15.7
René Longet	104.0	38.0	12.0	
Guy Mustaki (NRC Chairman)	128.0	88.0	15.5	31.2
Jean-Yves Pidoux	116.0	70.0	13.5	
Urs Steiner	116.0	66.0	13.5	
Tilman Steinhagen (ARC Chairman)	85.7	48.0	10.4	
Total for Directors serving on 31 December 2015	**1,587.2**	**635.0**	**147.0**	**119.2**
Hans E. Schweickardt[3]	327.7	40.8	28.3	33.8
Michael Baumgärtner	34.7	14.0	4.0	
Damien Gros	42.7	22.0	5.2	
Gérard Roth	38.7	28.0	4.5	
Sum total for members of the Board of Directors	**2,031.0**	**739.8**	**189.0**	**153.0**

Directors’ fees, attendance fees as well as payments for members of the ARC and NRC, remuneration now also includes payments for members of the Ad hoc Committee.

Hans E. Schweickardt relinquished his office as Chairman of the Board of Directors of Alpiq Holding Ltd. at the Annual General Meeting on 30 April 2015. On the same date, the Annual General Meeting elected Jens Alder to be the new Chairman of the Board of Directors.

1 Employer social security contributions were paid in accordance with statutory requirements and totalled CHF 153.0 thousand in 2015.

2 Including Kernkraftwerk Gösgen-Däniken AG (KKG), Alpiq Versorgungs AG (AVAG) and Aare Energie AG (a.en).

3 Including Grande Dixence SA and Kernkraftwerk-Beteiligungsgesellschaft AG (KBG)

Remuneration paid to the Board of Directors in 2014

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	Other remuneration [1]
Hans E. Schweickardt (Chairman of the Board of Directors)	707.3	124.0	71.4	84.3
Christian Wanner (Deputy Chairman of the Board of Directors) [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 (ARC Chairman)	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 (NRC Chairman)	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 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**

Remuneration comprises Directors' fees, attendance fees and fees for service on the ARC and NRC.

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

2 Including Kernkraftwerk Gösgen-Däniken AG (KKG)

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 170 of the Annual Report.

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

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 to this is Hans E. Schweickardt who exercised his role as Chairman of the Board of Directors on the basis of 100 % fixed employment until 30 April 2015.

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.

Ernst & Young Ltd
Maagplatz 1
P.O. Box
CH-8010 Zurich

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

To the General Meeting of

Alpiq Holding Ltd., Lausanne

Zurich, 4 March 2016

Report of the statutory auditor on the remuneration report

We have audited the remuneration report of Alpiq Holding Ltd. for the year ended 31 December 2015. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the sections "Remuneration paid to members of the Executive Board in 2015 and 2014" on pages 62 to 64 and "Remuneration paid to the Board of Directors in 2015 and 2014" on pages 65 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. 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 2015 of Alpiq Holding Ltd. complies with Swiss law and articles 14 – 16 of the Ordinance.

Ernst & Young Ltd

Martin Gröli
Licensed audit expert
(Auditor in charge)

Mathias Zeller
Licensed audit expert

Financial Report 2015

Financial Review

The operating business of the Alpiq Group fell year-on-year, as expected given demanding wholesale market conditions. With net revenue of CHF 6.7 billion (previous year: – 17 %), the Group generated CHF 480 million of EBITDA before exceptional items (– 21 %), and CHF 261 million of EBIT (– 27 %). Net income, also before exceptional items, stood at CHF 46 million (– 68 %). Especially the decision taken by the Swiss National Bank (SNB) to no longer support the minimum euro (EUR) to Swiss franc (CHF) exchange rate, as well as a further fall in wholesale prices, burdened results. These negative effects were partly offset by higher production volumes and the operating measures that were introduced, especially in combination with the cost reduction programme that was implemented on schedule at the end of 2015.

Strengthening the company's finances and maintaining the company's ability to access capital markets are of great importance to Alpiq. As a consequence, Alpiq continued to focus its activities during the past financial year, implementing further measures to strengthen its balance sheet. Disposals of non-strategic interests were realised consistently, and the company pushed further ahead with rationalising its portfolio of hydropower plants in Switzerland. To date, Alpiq has realised a total cash inflow of CHF 412 million from the process of divesting its Swissgrid investment. In May 2015, Alpiq signed an agreement concerning the sale for CHF 146 million of its remaining 50.1 % interest in Alpiq Grid Beteiligungs AG, which holds the equity interest in Swissgrid AG, to a consortium from Western Switzerland. As a consequence, BKW Netzbeteiligung AG has asserted both its statutory and its contractual pre-emptive right to the entire equity interest in Swissgrid AG that was originally held by Alpiq. It has not yet been possible to process this disposal due to the exercising of the pre-emptive right. Until the transaction can be concluded, all shareholder rights in connection with the interest in Swissgrid AG remain with Alpiq Grid Beteiligungs AG. This pre-emptive right case has no effect on the sales price that Alpiq will achieve. The disposals of the small-scale hydropower plants and projects in Norway, and of the Bayet gas-fired combined-cycle power plant in France, were executed successfully as of the year-end. The disposals of the interests in the regional supply companies Alpiq Versorgungs AG and AEK Energie AG are being examined. The capital that is freed up will be deployed primarily to reduce net debt further. As already in the previous year, the company successfully concluded further bond repurchases, and placed new bonds on the market. This has improved the maturity profile, reduced average interest costs and further reduced gross debt by CHF 165 million.

The company needed to recognise impairment losses and form provisions, mainly due to the discontinuation of the minimum EUR exchange rate and the related expected future trend in the EUR / CHF exchange rate, continued low wholesale prices, and the difficult regulatory environment. This particularly affects the Swiss hydropower plants. In addition, the nuclear power plants Gösgen-Däniken AG and Leibstadt AG have decided to recognise their entitlements to the state decommissioning and waste disposal funds on the basis of fair values. As a consequence, the calculation of the annual plant costs to be borne by the partners fully includes the market performance of the funds. This change of method has no

2015: Consolidated income statement (pro forma statement before and after exceptional items)

CHF million	2015 Results of operations before exceptional items	2015 Exceptional items [1]	2015 Results under IFRS	2014 Results of operations before exceptional items	2014 Exceptional items [2]	2014 Results under IFRS
Net revenue	**6,715**		**6,715**	**8,058**		**8,058**
Own work capitalised	5		5	3		3
Other operating income	65	12	77	144		144
Total revenue and other income	**6,785**	**12**	**6,797**	**8,205**		**8,205**
Energy and inventory costs	– 5,167	– 425	– 5,592	– 6,362	– 297	– 6,659
Employee costs	– 801	– 3	– 804	– 821		– 821
Plant maintenance costs	– 105		– 105	– 107		– 107
Other operating expenses	– 232	– 14	– 246	– 306		– 306
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**480**	**– 430**	**50**	**609**	**– 297**	**312**
Depreciation, amortisation and impairment	– 219	– 342	– 561	– 253	– 732	– 985
Earnings before interest and tax (EBIT)	**261**	**– 772**	**– 511**	**356**	**– 1,029**	**– 673**
Share of results of joint ventures and other associates	– 66	– 281	– 347	– 31	– 142	– 173
Finance costs	– 183	– 7	– 190	– 196	– 1	– 197
Finance income	16	12	28	18		18
Earnings before tax	**28**	**– 1,048**	**– 1,020**	**147**	**– 1,172**	**– 1,025**
Income tax expense	18	172	190	– 2	125	123
Net income	**46**	**– 876**	**– 830**	**145**	**– 1,047**	**– 902**

1 Include impairment losses and provisions, effects from business disposals and other exceptional items
2 Include impairment losses and provisions

effect on the net income for the 2015 financial year, since under IFRS, fair value measurement was already applied in determining the financial result in previous years. However, offsetting through the annual plant costs burdens EBITDA in the amount of CHF 151 million and will result in a corresponding cash outflow in 2016. Impairment losses and provisioning, including further exceptional items, amounted to CHF 1.0 billion before income taxes and to CHF 0.9 billion after income taxes.

After exceptional items, the Alpiq Group, including its minority interests, generated a net income of CHF – 830 million. To allow transparent presentation and demarcation of exceptional items, the consolidated income statement is also presented as a pro forma statement. The following commentary on the financial performance of the Alpiq Group and its business divisions relates to an operational view, in other words, earnings development before exceptional items.

Alpiq Group: results of operations (before exceptional items)

The Alpiq Group continued to stand its ground within a market environment that remains challenging. When adjusted to reflect the aforementioned exceptional items, the operating result at EBIT level was down by CHF 95 million year-on-year. In January, the SNB decided to no longer support the minimum euro exchange rate. The strong Swiss franc burdens results in terms of translating foreign operations' earnings contributions, and in relation to income from the short-term optimisation of the flexible power plant portfolio, where such income cannot be hedged. Excluding this currency effect, the year-on-year decline at EBIT level amounts to CHF 74 million.

Operationally, greater production volumes and higher optimisation results in Switzerland proved unable to offset the negative effect of lower wholesale prices. The cost reduction programme, which was implemented on schedule at the end of 2015, is exerting a positive impact, and is the main driver behind the compensation of the negative effects.

Compared with the previous year, higher production volumes and lower costs in the area of hydropower and nuclear power in Switzerland are countering the negative price trend. Despite a recovery in the spark spread (difference between the electricity price and fuel costs) at gas-fired combined-cycle power plants, the thermal power plants operated abroad generated year-on-year lower overall results due to lower gas prices. Lower prices were only partly offset by the positive effect of lower costs. New renewable energies failed to reach the level of the previous year's results as a consequence of lower energy prices in Italy and disadvantageous wind conditions.

The optimisation results in Switzerland are above the previous year's level, while international asset management is down year-on-year. The sales units in Central and Eastern Europe generated slightly higher year-on-year results, after adjusting for burdensome currency factors.

The Energy Services business division was up year-on-year on a currency-adjusted basis. Excluding higher IAS 19 pension costs, operating trends at the Alpiq InTec Group were positive year-on-year, despite the negative currency impact. The Kraftanlagen Group reported a year-on-year improvement on a currency-adjusted basis, especially due to the cost reduction programmes that were introduced, as well as the release of provisions that are no longer required.

The financial result during the period under review was down compared with the previous year's level. Thanks to a reduction in financial liabilities, the interest charge underwent a further year-on-year reduction. The financial result is nevertheless burdened by negative foreign currency effects compared with the previous year as a result of the SNB's decision. The costs for the repurchase of bonds before maturity amounted to CHF 28 million.

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

Total assets amounted to CHF 10.4 billion as of the balance sheet date 31 December 2015 (previous year: CHF 11.9 billion). The significant reduction in total assets reflects not only the impairment losses that were applied, but also CHF 699 million net repayment of borrowings. Property, plant and equipment, investments, and miscellaneous items that are held for sale are reported in aggregated form as a separate balance sheet item.

Non-current assets report a marked reduction as a consequence of the recognition of impairment losses, the translation of foreign assets into CHF, and because of property, plant and equipment and investments classified as held for sale. Current assets also report a year-on-year decline. Thanks to active management, trade receivables were reduced significantly, resulting in a correspondingly positive cash inflow. Cash and cash equivalents were below the previous year's level due to the repayment of borrowings. Including term deposits, liquidity available short-term amounts to CHF 1.5 billion (CHF 1.6 billion).

Total equity amounts to CHF 3.8 billion at the end of 2015, down compared with the previous year's level (CHF 4.7 billion). This reduction was caused mainly by the impairment losses and provisions that were required, and the resultant net loss that was recognised. Interest payments on the hybrid capital that were recognised also reduce equity. The negative trend in the translation into CHF of the assets of foreign subsidiaries burdened other comprehensive income within equity, as well as the recognised remeasurement of defined benefit plans. This was partly offset by a slightly positive effect from the measurement of cash flow hedges. The equity ratio amounted to 36.6 % as of 31 December 2015 (39.7 %).

Some current and non-current borrowings were refinanced, and reduced by the repurchase of bonds before maturity. Net debt reduced from CHF 1.9 billion to CHF 1.3 billion due to the cash inflow from operating business and the disposals. The gearing net debt / EBITDA ratio before exceptional items improved from 3.2 to 2.7.

Cash flow from operating activities improved year-on-year from CHF 414 million to CHF 461 million. The higher cash inflow from the change in net working capital more than offset the lower results of operations.

Cash flows from investing and financing activities are affected by the repayment and refinancing of CHF 699 million of financial liabilities and the sale of non-strategic interests. The cash inflow from disposals amounts to CHF 457 million (CHF 117 million). As already in the previous year, investments in property, plant and equipment were reduced to the essential, thereby further reducing this cash outflow. Overall, cash and cash equivalents reduced by CHF 65 million to CHF 0.9 billion. The highest priority is given to a further reduction in net debt, with contributing factors including proceeds from assets held for sale.

Generation business division

The Generation business division encompasses all Alpiq power plants based domestically and abroad.

Markets in China and developing countries, which have been responsible for greater demand for raw materials over the past years, experienced a marked cooling of growth over the course of the year, thereby placing further pressure on commodity prices. Higher levels of shale oil production in the USA added further to existing oversupply, resulting in falling oil prices. The anticipated start of exports of liquified natural gas from the USA as a consequence of cost-efficient shale gas production has negatively affected European gas hub prices. The massive appreciation of the US dollar compared with the currencies of the main coal-producing countries has contributed to the oversupply, and is bearing down on coal prices. Moreover, coal's image has suffered further from an environmental policy perspective.

Alpiq has further rationalised its generation portfolio with the disposal of the Bayet gas-fired combined-cycle power plant in France and of the interests in Alpiq Hydro Ticino SA, in storage power plant Forces Motrices du Grand-St-Bernard SA and in Gommerkraftwerke AG and Forces Motrices de Fully SA. In addition, the sale of small-scale hydropower plants and projects in Norway was executed successfully at the year-end.

The EBIT contribution from the Generation business division was down by CHF 113 million year-on-year, or by CHF 122 million on a currency-adjusted basis. Stringent cost management in the Swiss generation area and higher production volumes only partly offset the effects of continued low wholesale prices, which remained the main factor affecting the year-on-year lower result. Production volumes increased compared with the previous year, especially thanks to higher inflows in the hydropower area. In the nuclear power area, production volumes, including long-term purchase contracts, reached the previous year's level, despite an extended shutdown at the Leibstadt nuclear power plant. Alpiq sells most of the electricity that it produces from Swiss generation on markets where prices are denominated in EUR, or where prices are based on Eurozone prices. The resultant negative effect was largely offset by consistent implementation of the currency hedging strategy.

In the thermal plants area, the restructuring measures that have been introduced, and cost savings, exerted a positive year-on-year impact. These are nevertheless offset by negative price trends as well as lower margins in the heating sales area. Overall, the thermal plants concluded 2015 down year-on-year.

New renewable energies failed to achieve the previous year's results level mainly due to markedly lower energy prices and production volumes as a consequence of disadvantageous wind conditions in Italy.

Commerce & Trading business division

The Commerce & Trading business division pools all trading and marketing activities from Switzerland, Germany, Italy, Spain, France, Scandinavia, Eastern and Southern Europe as well as proprietary trading and asset-related optimisation. Registered on most European energy exchanges and platforms, this area offers not only trading with electricity, gas and other commodities and certificates, but also a broad range of energy services. The area is supplemented by grid-connected demand response services (Xamax AG and Flexitricity Ltd.).

The level of some spot electricity prices in Switzerland has risen significantly compared with the previous year. Extremely dry weather during the second half of the year, long inspection periods at the two units of the Beznau nuclear power plant and a restricted capacity to import from our northern neighbours contributed to this. In Germany, by contrast, spot electricity prices registered a slight fall, as a consequence of markedly higher wind production onshore and newly commissioned offshore plants in the North and Baltic seas.

With the passing of the German Electricity Market Act in November 2015, the German state is continuing to intervene in the electricity market to a massive extent. Additional subsidies for cogeneration, adapted subsidy models for new renewable energies and the expansion of various forms of capacity reserves were recently approved. The continuous fall in electricity prices that has been observed since 2009 is set to continue, in all likelihood.

The EBIT contribution from the Commerce & Trading business division was down by CHF 34 million year-on-year, or by CHF 10 million on a currency-adjusted basis. Optimisation results in Switzerland were up compared with the previous year in this context. Results from international asset management reported a significant fall compared with the previous year, despite higher production volumes, especially from plants in Western Europe. The result is burdened by strong competition on markets for ancillary services, among other factors. The sales units in Central and Eastern Europe generated slightly higher year-on-year results, after adjusting for currency factors. Sales in the French market were also up year-on-year thanks to optimal management of purchasing agreements and the entry into the natural gas business.

Energy Services business division

The Energy Services business division consists of Alpiq InTec (AIT) and the Kraftanlagen Group (KA Group). AIT operates mainly in the area of services in building technology and in energy and transport technology. The KA Group offers extensive services in industrial and power plant engineering and the related service business.

In the market for building technology in Switzerland, competition remains demanding in the construction and construction-related businesses. Initial indications nevertheless point to a stabilisation in the declining market volume to the 2011 level. Political and regulatory energy efficiency measures and the approval of the “Model Cantonal Provisions in the Energy Area 2014” will exert a positive effect on demand for building technology. The building technology market in Italy continues to recover, with initial trends indicating a reduction in insolvencies in this area. Strong international competition prevails in Switzerland and Europe in the area of city transportation, rail, and energy supply technology. The awarding of orders through market tenders is occurring largely on a price-driven basis, and foreign companies are penetrating ever further into the Swiss rail technology market.

The consequences of the new energy policy direction can be felt in the market segment of energy and power plant technology of the KA Group. Energy supply companies remain tangibly reticent to invest in conventional large-scale power plant construction. The sustained trend is towards smaller, decentralised, flexible plants. The KA Group has won new orders in this market segment with the help of highly flexible plants (gas engine power plants) and storage technologies (heat accumulators), and at the interface between the heating and electricity markets (hybrid processes, combined heat and power generation). The repair and maintenance segment also remains stable, and will benefit in the medium and long-term from the currently wear-intensive operation of conventional large-scale power plants. The amendment to the German Cogeneration Act, with reduced expansion targets and some scrapping of subsidies for industrial own supplies, dampens prospects. Higher payments for public supply plants, more subsidies in the area of heating grits and storage systems as well as support for the existing base and extension of the statutory validity period will nevertheless feed through to new positive impulses. Major market potential is anticipated in the area of nuclear power plant decommissioning, although it depends to a large extent on how policymakers and energy supply companies implement their strategies.

The EBIT contribution from the Energy Services business division was CHF 3 million ahead of the previous year after adjusting for negative currency effects. Growth investments were up by CHF 22 million compared with the previous year. AIT exploited market opportunities with targeted acquisitions in growth areas, and reported growth in both its order backlog and order inflow. In the building technology segment, the Helion Solar Group, Switzerland's largest solar specialist, and smart building supplier IReL AG, were acquired. In the transportation technology segment, Alpiq bolstered its leading market position and further diversified its portfolio with the integration of Italian rail technology specialist Balfour Beatty Rail Italy S.p.A. The low interest rate environment negatively affected expenses for IAS 19 post-employment benefits, on the other hand. Excluding this burden, AIT reported a result above the previous year's level, despite the negative currency effect.

The KA Group was up year-on-year on a currency-adjusted basis. In this environment, that is characterised by reticence to invest in large-scale power plants, the KA Group demonstrated presence in new, decentralised technologies with orders for a steam turbine power plant coupled with a waste incineration plant in the Netherlands, and the construction of a groundbreaking gas-fired combined heat and power plant in Kiel. The lower results contribution was offset by cost optimisation measures, diversification of the portfolio in the industrial area and the release of provisions that were no longer required.

Outlook

The operating result for 2016 will continue to be influenced by the extremely challenging market environment and low wholesale prices. In addition, the regulatory framework continues to distort competition. The top priority is maintaining access to capital markets. On the one hand, Alpiq will continue to strictly pursue the already initiated cost reduction programme and measures to improve income. On the other hand, the company will review additional disposal opportunities and consistently follow through with selling non-strategic interests to reduce net debt.

Consolidated Financial Statements of the Alpiq Group

Consolidated Income Statement

CHF million	Note	2015	2014
Net revenue	28	**6,715**	**8,058**
Own work capitalised		5	3
Other operating income		77	144
Total revenue and other income		**6,797**	**8,205**
Energy and inventory costs	4	– 5,592	– 6,659
Employee costs	5	– 804	– 821
Plant maintenance costs		– 105	– 107
Other operating expenses		– 246	– 306
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**50**	**312**
Depreciation, amortisation and impairment	6	– 561	– 985
Earnings before interest and tax (EBIT)		**– 511**	**– 673**
Share of results of joint ventures and other associates	13	– 347	– 173
Finance costs	7	– 190	– 197
Finance income	7	28	18
Earnings before tax		**– 1,020**	**– 1,025**
Income tax expense	8	190	123
Net income		**– 830**	**– 902**
Attributable to non-controlling interests		– 5	– 23
Attributable to equity investors of Alpiq Holding		– 825	– 879
Earnings per share in CHF	9	**– 31.73**	**– 34.19**

Consolidated Statement of Comprehensive Income

CHF million	2015	2014
Net income	**– 830**	**– 902**
Cash flow hedges (subsidiaries)	28	– 6
Income tax expense	– 11	4
Net of income tax	17	– 2
Cash flow hedges (joint ventures and other associates)	– 3	1
Income tax expense		2
Net of income tax	– 3	3
Currency translation differences	– 120	– 25
Items that may be reclassified subsequently to the income statement, net of tax	**– 106**	**– 24**
Remeasurements of defined benefit plans (subsidiaries)	– 52	– 57
Income tax expense	12	13
Net of income tax	– 40	– 44
Remeasurements of defined benefit plans (joint ventures and other associates)	– 32	– 60
Income tax expense	7	13
Net of income tax	– 25	– 47
Items that will not be reclassified to the income statement, net of tax	**– 65**	**– 91**
Other comprehensive income	**– 171**	**– 115**
Total comprehensive income	**– 1,001**	**– 1,017**
Attributable to non-controlling interests		– 24
Attributable to equity investors of Alpiq Holding	– 1,001	– 993

Consolidated Balance Sheet

Assets

CHF million	Note	31 Dec 2015	31 Dec 2014
Property, plant and equipment	10	2,928	3,684
Intangible assets	11, 12	375	422
Investments in joint ventures and other associates	13	2,718	3,150
Other non-current financial assets	14	324	171
Deferred income tax assets	8	36	48
Non-current assets		**6,381**	**7,475**
Inventories	15	68	80
Trade and other receivables	16	1,375	1,695
Term deposits		636	647
Cash and cash equivalents	17	850	915
Derivative financial instruments		470	501
Prepayments and accrued income		110	67
Current assets		**3,509**	**3,905**
Assets held for sale	31	**545**	**481**
Total assets		**10,435**	**11,861**

Equity and liabilities

CHF million	Note	31 Dec 2015	31 Dec 2014
Share capital	18	279	272
Share premium		4,259	4,269
Hybrid capital	18	1,017	1,017
Retained earnings		– 1,885	– 869
Equity attributable to equity investors of Alpiq Holding		**3,670**	**4,689**
Non-controlling interests		149	23
Total equity		**3,819**	**4,712**
Non-current provisions	19	681	412
Deferred income tax liabilities	8	645	930
Defined benefit liabilities	24	293	243
Non-current borrowings	20	2,556	3,040
Other non-current liabilities	21	320	165
Non-current liabilities		**4,495**	**4,790**
Current income tax liabilities		14	32
Current provisions	19	159	93
Current borrowings		229	461
Other current liabilities	22	774	957
Derivative financial instruments		425	517
Accruals and deferred income		463	297
Current liabilities		**2,064**	**2,357**
Total liabilities		**6,559**	**7,147**
Liabilities held for sale	31	**57**	**2**
Total equity and liabilities		**10,435**	**11,861**

Consolidated Statement of Changes in Equity

CHF million	Share capital	Share premium	Hybrid capital	Cash flow hedge reserve	Currency translation differences	Retained earnings	Attributable to equity investors of Alpiq Holding	Non-controlling interests	Total equity
Equity at 31 December 2014	**272**	**4,269**	**1,017**	**– 30**	**– 680**	**– 159**	**4,689**	**23**	**4,712**
Net income for the period						– 825	**– 825**	– 5	**– 830**
Other comprehensive income				14	– 125	– 65	**– 176**	5	**– 171**
Total comprehensive income				**14**	**– 125**	**– 890**	**– 1,001**		**– 1,001**
Capital increase from scrip dividend	7	44				– 51	**0**		**0**
Transfer from share premium to retained earnings		– 54				54	**0**		**0**
Dividends						– 3	**– 3**	– 7	**– 10**
Distributions to hybrid investors						– 51	**– 51**		**– 51**
Change in non-controlling interests						36	**36**	133	**169**
Equity at 31 December 2015	**279**	**4,259**	**1,017**	**– 16**	**– 805**	**– 1,064**	**3,670**	**149**	**3,819**

At the request of the Board of Directors, the Annual General Meeting on 30 April 2015 approved the payment of a scrip dividend. Shareholders were able to opt between a distribution in cash or shares, with shareholders of 93.2 % of the shares outstanding selecting to subscribe for new shares. In this connection, 684,776 new Alpiq Holding Ltd. shares were issued from additional authorised capital. This corresponds to an interest of 2.5 % in the issued share capital. Shareholders of 6.8 % of the shares outstanding opted for the cash dividend.

The Board of Directors of Alpiq submits a proposal to the Annual General Meeting on 28 April 2016 that it distribute no dividend for the 2015 financial year.

CHF million	Share capital	Share premium	Hybrid capital	Cash flow 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**

Consolidated Statement of Cash Flows

CHF million	Note	2015	2014
Earnings before tax		**– 1,020**	**– 1,025**
Adjustments for:			
Own work capitalised		– 5	– 3
Depreciation, amortisation and impairment	6	561	985
Gain / loss on sale of non-current assets		– 8	– 7
Share of results of joint ventures and other associates	13	347	173
Financial result	7	162	179
Other non-cash income and expenses		– 12	– 5
Change in provisions (excl. interest)	19	280	281
Change in defined benefit liabilities and other non-current liabilities		– 6	– 65
Change in fair value of derivative financial instruments		– 31	– 21
Change in net working capital (excl. derivatives, current financial assets / liabilities and current provisions)		258	23
Other financial income and expenses		– 18	– 43
Income tax paid		– 47	– 58
Net cash flows from operating activities		**461**	**414**
Property, plant and equipment and intangible assets			
Investments	10, 11	– 93	– 111
Proceeds from disposals		14	30
Subsidiaries			
Acquisitions	29	– 6	– 25
Proceeds from disposals	30	58	– 3
Associates			
Investments	13		– 86
Proceeds from disposals		22	7
Other non-current financial assets			
Investments	14	– 9	– 11
Proceeds from disposals / repayments		201	83
Change in term deposits		– 3	30
Investments in / proceeds from disposals of securities			
Dividends from joint ventures, other associates and financial investments		33	61
Interest received		7	18
Net cash flows from investing activities		**224**	**– 7**

CHF million	Note	2015	2014
Dividends paid		– 3	– 54
Dividends paid to non-controlling interests		– 7	– 9
Proceeds from borrowings		182	342
Repayment of borrowings		– 881	– 1,309
Change in non-controlling interests		164	
Distributions to hybrid investors recognised in equity outside profit and loss	18	– 51	– 48
Interest paid		– 111	– 147
Net cash flows from financing activities		**– 707**	**– 1,225**
Currency translation differences		**– 43**	**– 8**
Change in cash and cash equivalents		**– 65**	**– 826**
Analysis:			
Cash and cash equivalents at 1 January		915	1,741
Cash and cash equivalents at 31 December		850	915
Change		**– 65**	**– 826**

The amounts reported above also include cash flows from “Assets held for sale”.

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, financial performance 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 Alpiq Holding Ltd. on 4 March 2016 and are subject to approval by shareholders at the Annual General Meeting on 28 April 2016.

Adoption of new and revised accounting standards

As of 1 January 2015, no new or revised standards or IFRIC interpretations came into force as part of International Financial Reporting Standards (IFRS) that are of significance for the Alpiq Group.

IFRS effective in future periods

The IASB has published the following new standards and amendments of relevance for Alpiq:

- IFRS 9: Financial Instruments (1 January 2018)
- IFRS 15: Revenue Recognition (1 January 2018)
- IFRS 16: Leases (1 January 2019)

Alpiq has not voluntarily applied any new or amended standards and interpretations early.

Potential effects from the future application of IFRS 9, IFRS 15 and IFRS 16 are still being examined.
The application of the other new or amended standards and interpretations is not anticipated to have any significant effect 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 intragroup balances, transactions, income and expenses are eliminated in full.

Subsidiaries are entities that are controlled by the Alpiq Group, either directly or indirectly. Such entities are consolidated from the acquisition date. Companies are deconsolidated or recognised under investments in associates or under financial investments when control over the entity ends.

Investments in joint ventures and other associates in which the Alpiq Group has significant influence are included in the consolidated financial statements by applying the equity method. The Alpiq Group's interest in the assets, liabilities, income and expenses of such entities is disclosed in note 13 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 on 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 (CHF), which is both the functional currency of Alpiq Holding Ltd. and its reporting 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 rate prevailing on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the closing exchange rate on the reporting date. The resultant currency translation differences are recognised in the income statement.

Receivables and loans due from foreign operations for which settlement is neither planned nor likely to occur in the foreseeable future are, in substance, part of the entity's net investment in that foreign operation. The resultant translation differences are recognised separately in other comprehensive income as part of the foreign currency translation differences and reclassified from equity to the income statement on disposal of the net investment in the foreign operation.

The assets and liabilities of subsidiaries are translated into Swiss francs at the closing exchange rate at the balance sheet date. Income statement items are translated at the average exchange rates for the reporting period. Currency translation differences are recognised as a separate item in other comprehensive income. On disposal of a subsidiary or loss of control, on disposal of an associate or joint venture, or the 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 2015	Closing rate at 31 Dec 2014	Average rate for 2015	Average rate for 2014
1 USD	0.995	0.990	0.963	0.915
1 EUR	1.084	1.202	1.068	1.215
100 CZK	4.010	4.336	3.913	4.411
100 HUF	0.343	0.381	0.345	0.394
100 NOK	11.283	13.298	11.950	14.549
100 PLN	25.411	28.138	25.526	29.030
100 RON	23.950	26.823	24.018	27.332

Intragroup transactions

Goods and services provided between Group entities are invoiced at contractually agreed transfer or market prices. Electricity generated by joint ventures is invoiced to 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. Revenue from construction contracts is generally recognised applying the percentage-of-completion method by reference to the stage of completion of the contract activity.

Energy transactions for the management of the Group’s own production portfolio and contracts for physical delivery of energy to customers are recognised as own-use transactions pursuant to IAS 39. Accordingly, revenue is recognised gross under net revenue on the delivery date, as well as under energy and inventory costs.

Energy transactions concluded for trading purposes with the intention of generating profits from short-term market price volatility comprise derivative financial instruments, and after initial recognition are measured at fair value. Value changes in such energy transactions are recognised on a net basis in net revenue applying the net method (net gains and losses from trading).

Income tax expense

Income tax is calculated on taxable earnings using the tax rates that have been enacted by the end of the reporting period. Income tax expense represents the sum of current and deferred income tax.

Deferred taxes are recognised due to the differing recognition of certain income and expense items in the Group’s annual internal accounts and the annual tax accounts. Deferred tax arising from temporary differences is calculated applying the balance sheet liability method. Deferred tax is not recognised for differences associated with investments in subsidiaries, associates, and interests in joint ventures, which 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 carryforwards are disclosed.

Borrowing costs

Borrowing costs are generally expensed in the period in which they are incurred. Borrowing costs that are 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 start of construction until the utilisation 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 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 related liabilities, if they 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 on the balance sheet from the Group's other assets and liabilities.

Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and any impairment losses. Depreciation is applied straight-line 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	03 – 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 contract terms. Estimated restoration costs (including decommissioning costs) are included in the cost of acquisition and manufacture, and are recognised as a 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 as a replacement in the carrying amount of the item of property, plant and equipment if the recognition criteria for capitalisation are met. 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 where required.

Business combinations and goodwill

Business combinations are accounted for by applying 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 transferred, and liabilities incurred or assumed, on the acquisition date. The net assets acquired, comprising identifiable assets, liabilities and contingent liabilities, are recognised at their acquisition-date fair values. Costs incurred in connection with a business combination are expensed as incurred.

Where the Group does not acquire 100 % ownership, 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. 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 if the exercise price is based on fair value, however. Corresponding call options are recognised at fair value, and corresponding 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 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 the acquiree's functional currency. Goodwill is not amortised, but is tested for impairment at least annually. Goodwill may also arise from investments in associates, and corresponds to the difference between the cost of investment and the Group's share of the fair value of the identifiable net assets. Such goodwill forms part of the carrying amount at which the associate is recognised.

Intangible assets

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

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised straight-line over their useful economic lives, and assessed for impairment whenever indications exist that they may be impaired. The amortisation period and amortisation method are reviewed at least at each financial year-end. The useful lives of the intangible assets currently recognised range from 2 to 69 years.

Energy purchase rights

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

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 any indications of impairment exist. In particular, this assessment is performed when changes in circumstances or events indicate that carrying amounts may not be recoverable. If the asset's carrying amount exceeds its estimated recoverable amount, it is written down to its recoverable amount.

The recoverable amount of an asset or cash-generating unit is the higher of its 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 test 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 12.

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 as associates in the consolidated financial statements by applying 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, such as the board of directors, and participates in operating and financial policymaking, or where market-relevant information is exchanged. The equity method is also applied to assess companies over which Alpiq – despite having a related ownership interest of 50 % or greater – has no control, as a result of restrictions in articles of association, contracts and organisational rules.

A joint arrangement is the joint control of a joint venture or a joint operation. Specific delineation is made on the basis of specific rights and duties of the parties involved with respect to the assets, liabilities, income and expenditure associated with the joint arrangement. The assets, liabilities, income and expenses of joint operations are recognised proportionally, whereas joint ventures are included in the consolidated financial statements applying the equity method.

The financial statements of associates and joint operations are prepared applying uniform accounting policies as a matter of principle. Companies that apply different accounting standards for the preparation of their local financial statements also prepare statements of reconciliation 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 applying the FIFO method or the average cost method) and net realisable value. Cost includes all expenditures incurred in acquiring the inventories and in 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 IAS 17, leases are classified as either finance or operating leases. Transactions that substantially transfer 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. At the start of the lease, the leased asset is capitalised at the lower of its fair value or the present value of the minimum lease payments, and a corresponding liability is recognised. The finance lease liabilities are reported on the balance sheet under current and non-current borrowings.

The leased asset is depreciated over its useful economic life. If it is insufficiently certain at the start of the lease 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 asset's useful life. In subsequent periods, the liability is recognised applying 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 on the balance sheet. The lease payments are expensed straight-line 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 recognised applying the percentage-of-completion method, and the amount to be recognised as an asset is included under "Trade and other receivables" and "Net revenue". The stage of completion is measured by reference to the extent of work performed to date or in accordance with the costs already incurred. Contract costs are expensed 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 incurred contract costs that are likely to be recoverable. Write-downs or provisions are recognised 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 are uncertain as to timing and / or amount. Provisions are measured at the best estimate of the expenditure required to settle the obligation.

Provisions are measured at the level of the expected cash outflow, discounted to the balance sheet date. Provisions are reviewed at each reporting date, and adjusted to reflect current developments. The discount rates applied are pretax rates that reflect current market assessments of the time value of money and 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 recognised under intangible assets at cost. A liability is recognised when CO_2 emissions exceed the emission allowances that were allocated originally, plus those purchased subsequently. The liability is measured at the cost of purchased allowances up to the level of purchased allowances held. The portion exceeding the CO_2 emission allowances held is recognised at fair value at the reporting date. Changes in the liability are recognised as energy costs.

Emission allowances held for trading (to optimise the energy portfolio, for example) are measured at fair value at the reporting date, and recognised under 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.

Group companies belonging to Alpiq InTec in Switzerland 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 that meet the criteria of 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, in other words, no legally independent pension scheme exists. Retirement benefit obligations are recognised on the company's balance sheet. These retirement benefit obligations are measured on the basis of 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 on the balance sheet. As no separate plan assets exist to meet the obligation, the actual payments are deducted from the retirement benefit obligations on the balance sheet.

The defined benefit obligation is calculated annually 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, or as the case may be, the projected interest rate for retirement assets, is based on the market yields on high quality corporate bonds on the reporting date. 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 directly in the income statement as employee costs.

All plans are funded by both employer and employee contributions, as a rule. Employer contributions paid or owed to pension schemes that provide defined contribution pension plans are recognised directly in the income statement.

Share-based payments

The Alpiq Group generally settles share-based payments in cash. Cash-settled share-based payments are measured at fair value on each balance sheet date applying a recognised valuation model. The expense is recognised in the income statement over the vesting period, with a corresponding liability also being recognised.

Contingent liabilities

Potential or existing liabilities for which an outflow of resources is not considered probable are not recognised on the balance sheet. However, the nature and extent of liabilities existing in each case on the balance sheet 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. In this context, segment results (EBITDA, EBIT) comprise the key performance measure applied for internal management and assessment of the Alpiq Group. Besides energy procurement and production costs, operating costs consist of all operating costs including personnel and service expenses. No requirement exists 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.

Financial instruments

Financial instruments include cash and cash equivalents, term deposits, investments in securities, derivative financial instruments, financial investments, receivables and current and non-current 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
- Other financial liabilities

Financial assets and liabilities are initially recognised at fair value (plus or less transaction costs, respectively, except in the case of assets or liabilities at fair value through profit or loss). Purchases and sales of financial assets at normal market conditions 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 price fluctuations. 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 IAS 39 criteria are met.

After initial recognition, derivative financial instruments held for trading in the energy business are carried at fair value, with fair value changes being recognised in net revenue in the period in which they occur. For a few positions where no quoted price in an active market 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 recognised at fair value, with fair value changes being recognised in finance income or finance 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. This type of allocation is in accordance with the financial risk policy of the Alpiq Group.

Securities include both held-for-trading and available-for-sale securities. All securities are recognised at fair value. Changes in the fair value of held-for-trading securities are recognised in the income statement in the corresponding period.

Loans and receivables

Loans and receivables comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are subsequently measured at amortised cost applying the effective interest method, as a rule. Gains and losses are recognised in the income statement when the financial asset or financial liability is derecognised or impaired.

Liquid assets are also allocated to the loans and receivables category. These comprise cash at banks, cash in postal checking accounts, demand deposits and term deposits with a maturity of 90 days or less on initial recognition.

Receivables are recognised at nominal value, less any valuation allowances required. Trade receivables from customers who are also suppliers are offset with the respective trade receivables, provided that a netting agreement has been reached with the counterparties, and that 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 are only transferred to the income statement upon disposal thereof.

Other financial liabilities

These liabilities include current and non-current payment obligations, which are stated at amortised cost, as well as accruals and deferred income.

Impairment and uncollectibility of financial assets

The Group assesses on each reporting date whether any objective evidence exists that a financial asset or a group of financial assets has become 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. An impairment loss previously recognised for an asset is reversed through the income statement if the impairment no longer exists, or has decreased. An impairment loss is reversed only if the asset's carrying amount does not exceed the carrying amount that would have been determined had no impairment loss 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 an available-for-sale financial asset has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, a loss (measured as the difference between acquisition cost and the current fair value) is reclassified from equity and to the income statement. By contrast, with debt instruments, any subsequent reversal of an impairment loss to an equity instrument is not recognised in the income statement.

Hedge accounting

Alpiq uses energy, foreign currency and interest-rate derivatives to hedge exposure to fluctuations in the cash flows of 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 applied to assess and measure its effectiveness on an ongoing basis. The designation of a new hedging instrument is authorised formally. Hedges are assessed on an ongoing basis to determine that they actually have been highly effective throughout the entire 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 the income statement.

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 hedge accounting criteria, 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 the management to make estimates and assumptions that affect recognised assets and liabilities and reported income and expenses. Estimates and assumptions are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances. They serve as the basis for the recognition of assets and liabilities whose measurement is not derived from market data. Actual outcomes can differ from such 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 non-current assets

The carrying amount of property, plant and equipment, intangible assets including goodwill and investments in joint ventures and other associates of the Alpiq Group amounted to CHF 6.0 billion at 31 December 2015 (previous year: CHF 7.3 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 historical empirical data and current market expectations. The fair value that is calculated in this manner comprises mainly estimates relating to wholesale prices on European forward markets and 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

As of 31 December 2015, the carrying amount of the provision for loss-making contracts as disclosed in note 19 amounted to CHF 674 million (previous year: CHF 379 million). This position covers existing obligations and identifiable risks from the energy trading and sales business at the balance sheet date. 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 applying the discounted cash flow method over the term of the contractual obligations. Significant valuation inputs that are subject to certain degrees of uncertainty, and can consequently result in some material subsequent adjustments, particularly include assumptions relating to future changes in market prices, long-term interest rates and currency translation effects (EUR into CHF).

Pension schemes

The calculation of the recognised defined benefit liabilities is based on statistical and actuarial assumptions. Such assumptions can differ substantially from actual circumstances due to changes in market conditions and the economic environment, higher or lower exit rates, longer or shorter lives of 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 24.

2 Financial risk management

General principles

The Alpiq Group's operating activities are exposed to strategic and operational risks, and, in particular, credit, liquidity and market risks (energy price risk, foreign currency risk and interest rate 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 unit 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 unit coordinates activities and reporting with line management through to unit manager level, and ensures timely reporting to the Board of Directors, Executive Board and the 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 incurring, 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 the business risks incurred, earnings and risk-bearing equity.

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

Capital management

Across the Alpiq Group, capital is managed in line with the Group's overall financial strategy. The strategy is focused on the Group's reported consolidated equity and net debt to EBITDA ratio. As of the 31 December 2015 balance sheet date, the Group reports an equity ratio of 36.6 % (previous year: 39.7 %). 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 financing to be procured centrally by Alpiq Holding Ltd. The Swiss capital market forms the main source of financing. As of 31 December 2015, Alpiq Holding Ltd. held 76 % of the Group's total borrowings (77 %). The level of financial liabilities must stand at a reasonable level relative to profitability in order to ensure a credit rating in line with sector norms. The ratio of net debt (CHF 1,299 million) to EBITDA before exceptional items (CHF 480 million) plays a decisive role in capital management. Based on the reported results, this ratio was 2.7 for 2015 (previous year: 3.2).

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 million	Utilisation at 31 Dec 2015 in CHF million	Equity ratio	Net debt / EBITDA[1]	Bank rating
Syndicated loan line	Dec 18	200		x	x	x

1 Excluding exceptional items

The above-mentioned covenants from finance agreements are tested twice annually. The counterparty has a right to terminate the agreement if the covenants are breached. As of 31 December 2015, all covenants were met, based on reported results before exceptional items.

Financial instruments

Carrying amounts and fair values of financial assets and liabilities

CHF million	Note	Carrying amount at 31 Dec 2015	Fair value at 31 Dec 2015	Carrying amount at 31 Dec 2014	Fair value at 31 Dec 2014
Positive replacement values of derivatives					
Currency and interest rate derivatives		32	32	27	27
Energy derivatives		438	438	474	474
Financial investments	14	1	1	2	2
Total financial assets at fair value through profit or loss		**471**	**471**	**503**	**503**
Financial investments	14	4	4	17	17
Total available-for-sale financial assets		**4**	**4**	**17**	**17**
Cash and cash equivalents	17	850	850	915	915
Term deposits		636	636	647	647
Trade receivables	16	956	956	1,270	1,270
Other financial receivables	16	342	342	363	363
Loans receivable	14	71	71	77	77
Other non-current assets	14	248	248	75	75
Total loans and receivables		**3,103**	**3,103**	**3,347**	**3,347**
Total financial assets		**3,578**	**3,578**	**3,867**	**3,867**

CHF million	Note	Carrying amount at 31 Dec 2015	Fair value at 31 Dec 2015	Carrying amount at 31 Dec 2014	Fair value at 31 Dec 2014
Negative replacement values of derivatives					
Currency and interest rate derivatives		77	77	100	100
Energy derivatives		348	348	417	417
Total financial liabilities at fair value through profit or loss		**425**	**425**	**517**	**517**
Trade payables	22	552	552	561	561
Bonds		2,060	2,124	2,549	2,667
Loans payable		723	724	932	936
Other financial liabilities, incl. put options		449	449	466	466
Total other financial liabilities		**3,784**	**3,849**	**4,508**	**4,630**
Total financial liabilities		**4,209**	**4,274**	**5,025**	**5,147**

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 model based on prices quoted in active markets that have a significant effect on the fair value
Level 3: valuation models utilising inputs which are not based on quoted prices in active markets and which have a significant effect on fair value

CHF million	31 Dec 2015	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Currency and interest rate derivatives	32		32	
Energy derivatives	438		438	
Financial investments	5		5	
Financial liabilities measured at fair value				
Currency and interest rate derivatives	77		77	
Energy derivatives	348		348	
Other financial liabilities				
Bonds	2,124	2,124		
Loans payable	724		724	

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	

During the financial years ending 31 December 2015 and 31 December 2014, no transfers occurred between Levels 1 and 2, or transfers from Level 3.

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

Bonds and loans payable are recognised 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 2015	Other comprehensive income 2015	Income statement 2014	Other comprehensive income 2014
Net gains / losses				
On financial assets and liabilities recognised at fair value through profit or loss	– 22	17	– 49	– 2
On loans and receivables	– 1		– 8	
Interest income and expense				
Interest income on financial assets not measured at fair value	7		17	
Interest expense on financial liabilities not measured at fair value	– 110		– 132	

In 2015, valuation allowances of CHF 5 million were recognised in respect to trade receivables (previous year: CHF 13 million). No impairment losses were recorded for other financial instruments. More information about valuation allowances is provided in the table “Impairment of trade receivables”.

Hedge accounting

Interest rate swaps

As of 31 December 2015, interest rate swaps were in place in order to hedge future financing facilities or to fix interest rates on variable-interest project financing facilities. The project financing facilities in Italy have a remaining maturity of between five and ten years. The hedges are proven to be highly effective. The unrealised gain of CHF 1 million (previous year: loss of CHF 19 million), with related deferred tax liabilities of CHF 10 million (deferred tax assets of CHF 5 million), is included in other comprehensive income as of 31 December 2015. The deferred tax expense is attributable mainly to changes in tax rates.

Foreign currency hedges

Foreign currency positions from the sale of Swiss production capacity in euros are hedged utilising forward transactions on the basis of the expected transaction volumes. The underlying transactions will be recognised in the income statements for 2016, 2017 and 2018. The hedges are proven as highly effective. The unrealised gain of CHF 13 million (previous year: gain of CHF 18 million), with a related deferred tax liability of CHF 1 million (deferred tax liability of CHF 3 million), is included in other comprehensive income as of 31 December 2015.

Hedges recognised directly in other comprehensive income taking into account deferred taxes comprise the following:

CHF million	Assets 2015	Liabilities 2015	Assets 2014	Liabilities 2014
Interest rate swaps		33		34
Foreign currency hedges	17		4	

Once the transaction has occurred, amounts recognised in other comprehensive income as of 31 December 2015 are transferred to the income statement. The ineffective portion of the hedge recognised immediately in the income statement during the reporting year was immaterial.

Credit risk management

Credit risk management deals with potential losses arising from business partners' inability to meet their contractual obligations to the Alpiq Group. Credit risk management in the energy business encompasses all business units and subsidiaries that transact significant business volumes with external counterparties. It entails regular monitoring of outstanding receivables from counterparties and their expected future changes, as well as an analysis of the creditworthiness of new and existing counterparties. Besides energy derivatives recognised as financial instruments on the balance sheet, credit risk management also covers physical receipt or delivery contracts.

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

The policy in the energy business is to enter into contracts only with counterparties who meet the criteria of the Group Risk Policy. Outstanding credit exposures are monitored and managed on an ongoing basis using a formalised process.

Credit exposure related to Energy Services is managed and monitored on a decentralised basis, focusing mainly on receivables management. Local operational management is provided periodically with comprehensive reporting containing all information required to assess outstanding receivables.

The maximum credit risk is calculated at CHF 3,578 million as of 31 December 2015 (previous year: CHF 3,867 million). For a detailed summary please refer to the fair values disclosed in the table "Carrying amounts and fair values of financial assets and liabilities". Credit risk is reduced by collateral. 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, no significant concentrations of risk existed at the balance sheet date. Cash and term deposits are placed with banks or public sector entities that have a rating of at least A from an internationally recognised rating agency. The investments are limited in amount, widely diversified and staggered over time. The limits are reviewed monthly and when particular circumstances require. To date, no impairment losses have been recognised to receivables due from financial counterparties.

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 on a net basis on the balance sheet if a legally enforceable right to offsetting of the recognised amounts exists, and the intention exists to settle on a net basis. Furthermore, additional collateral, such as guarantees, variation margin payments, or insurance cover, is collected where required.

2015: Offsetting of financial assets and liabilities

CHF million	Gross carrying amount	Offset	Net carrying amount in the balance sheet
Financial assets			
Trade receivables	1,646	690	956
Positive replacement values of currency and interest rate derivatives	32		32
Positive replacement values of energy derivatives	1,360	922	438
Financial liabilities			
Trade payables	1,242	690	552
Negative replacement values of currency and interest rate derivatives	77		77
Negative replacement values of energy derivatives	1,270	922	348

As a rule, the collateral held by the Alpiq Group covers both unrecognised energy transactions involving physical delivery and transactions recognised as financial instruments. For this reason, and also on account of their structure, collateral cannot be meaningfully assigned to individual balance sheet items. The Group's total netting potential for all recognised and unrecognised items amounts to CHF 103 million as of 31 December 2015 (previous year: CHF 121 million), of which collateral rendered amounts to CHF 47 million (CHF 56 million) and collateral received amounts to CHF 56 million (CHF 65 million).

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

Impairment of trade receivables

CHF million	31 Dec 2015	31 Dec 2014
Carrying amount before impairment	995	1,312
Impaired	39	41
Impairment at beginning of year	41	37
Impairment charge for the year	5	13
Amounts written off as uncollectible	– 1	– 8
Unused amounts reversed	– 1	– 1
Currency translation differences	– 5	
Impairment at end of year	39	41

2015: Age analysis of trade receivables

CHF million	Carrying amount before impairment	Of which, impaired	Impairment	Carrying amount after impairment
Not past due	763			763
1–90 days past due	64			64
91–180 days past due	18	7	2	16
181–360 days past due	18	6	6	12
Over 360 days past due	132	118	31	101
Total	**995**	**131**	**39**	**956**

2014: Age 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	127	32	129
Total	**1,312**	**139**	**41**	**1,271**

In the financial year under review (and in the previous year), a minor extent of trade receivables was written off on the basis of a certificate of unpaid debts, for which no valuation allowances had previously been formed due to a lack of indications 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. Receivables also exist in Italy that could not be settled on time due to the persistent economic crisis. Alpiq is in close contact with corresponding debtors. Impairment losses have been recognised for expected defaults.

The Alpiq Group holds collateral in the form of bank guarantees with a fair value of CHF 55 million (previous year: CHF 50 million) for impaired trade receivables, as well as for due and unimpaired trade receivables. In the case of the unimpaired items, no indications existed on the reporting date that the debtors would be unable to fulfil their payment obligations.

Liquidity risk

A substantial portion of the receivables in European energy trading are offset and settled on specified dates, reducing peak cash flow requirements. Margin agreements are commonly used on energy commodity exchanges and among large energy traders to reduce counterparty risk. Energy price movements can consequently lead to substantial receivables or payables in the short-term. The Alpiq Group manages such variable liquidity requirements with the help of 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 disclosed below. Where the intention exists 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 can 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.

2015: 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	552	434	109	9			552
Bonds	2,060		7	199	1,168	960	2,334
Loans payable	723	1	3	71	269	588	932
Other financial liabilities	449	15	30	137	205	62	449
Derivative financial instruments							
Net carrying amount of derivative financial instruments	45						
Net carrying amount of energy derivatives	90						
Gross cash inflows		712	1,752	4,922	2,334		9,720
Gross cash outflows		– 709	– 1,741	– 4,792	– 2,263		– 9,505
Net carrying amount of currency / interest rate derivatives	– 45						
Gross cash inflows		177	389	696	34	6	1,302
Gross cash outflows		– 185	– 385	– 688	– 78	– 17	– 1,353

2014: Maturity analysis of financial liabilities

CHF million	Carrying amount	Cash flows <1 month	1–3 months	4–12 months	1–5 years	>5 years	Total
Non-derivative financial liabilities							
Trade payables	561	– 486	– 67	– 8			– 561
Bonds	2,549		– 190	– 208	– 1,664	– 774	– 2,836
Loans payable	932	– 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

Market risk

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

Market risk is measured within the framework of a Group-wide risk policy setting out rules on the incurring, 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 to 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.

Future 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 at the balance sheet date. The effect of credit risk on fair values is not material. The risks associated with trading and optimisation transactions are managed via clearly defined responsibilities, and the risk limits stipulated in the Group Risk Policy. Risk Management reports regularly on compliance with these limits to the Risk Management

Committee and the Executive Board utilising a formalised risk reporting system. The risk positions are monitored in accordance with the "Value at Risk (VaR)" industry standard.

Foreign currency risk

The Alpiq Group seeks wherever possible to mitigate foreign currency risks by natural hedging of operating income and expenses denominated in foreign currencies. The remaining foreign currency risk is hedged by means of forward transactions in accordance with the Finance Risk Policy.

Net investments in foreign subsidiaries are also exposed to changes in foreign exchange rates, although the difference in inflation rates should offset these changes over the long-term. Investments in foreign subsidiaries (translation risks) are not hedged for this reason.

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 partly possible, forward currency contracts with a medium-term hedging horizon are deployed to manage exposure centrally on the market in line with the Group's financial risk policy. Hedge accounting is used where possible to avoid fluctuations in results.

The foreign currency derivatives all comprise OTC products. The fair values are calculated on the basis of the difference between the contractually fixed forward prices and current forward prices applicable at 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. According to the Group's financial risk policy, liquidity is invested for a maximum of 365 days at short-term interest rates. The funding required for the business is obtained on a long-term basis at fixed interest rates, however. 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 financial income.

The interest rate derivatives are all OTC products. The fair value is determined by discounting the contractually agreed payment streams with 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 based in each case on financial instruments recognised on the reporting date.

The reasonably possible changes in foreign currency prices are calculated on the basis of historical (one year) fluctuations. A variation by + / – 1 standard deviation from 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 arise 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 applying maximum deviations from the mean with a 99 % confidence level.

Each type of risk is quantified assuming that all other variables remain constant. The effects are shown before tax.

In 2015, the analysis showed a potential effect on other comprehensive income of + / – CHF 16 million from interest-rate derivatives (previous year: + / – CHF 15 million) and + / – CHF 83 million from foreign currency hedges (+ / – CHF 12 million).

CHF million	+ / – change 2015	+ / – effect on profit before income tax 2015	+ / – change 2014	+ / – effect on profit before income tax 2014
Energy price risk	26.6 %	24.1	24.3 %	13.7
EUR / CHF currency risk	16.3 %	34.3	1.9 %	1.4
EUR / USD currency risk	11.4 %	7.4	5.9 %	13.6
EUR / CZK currency risk	3.2 %	1.0	2.4 %	1.9
EUR / HUF currency risk	7.5 %	0.6	6.4 %	0.9
EUR / NOK currency risk	11.4 %	0.0	7.7 %	0.0
EUR / PLN currency risk	6.8 %	1.3	4.9 %	0.2
EUR / RON currency risk	3.6 %	0.0	3.2 %	0.2
USD / CHF currency risk	16.9 %	2.2	6.5 %	0.5
Interest rate risk	1.0 %	20.1	1.0 %	31.5

3 Impairment losses

The company needed to recognise impairment losses and form provisions during the 2015 financial year, mainly due to the discontinuation of the minimum EUR exchange rate and the related expected future trend in the EUR/CHF exchange rate, continued low wholesale prices and the difficult regulatory environment. The currency effects and expected future electricity price and margin trends necessitated impairment losses especially at the Swiss hydropower plants. Provisions also had to be formed for loss-making contracts, mainly for the future purchasing of energy from a Swiss hydropower plant.

2015: Allocation of impairment losses and provisions

CHF million	Business division	Pre-tax discount rate	Post-tax discount rate	Property, plant and equipment	Intangible assets	Joint ventures and other associates	Total
Power Generation Switzerland	Generation	6.2 %	4.6 %	308	11	409	728
Power Generation Hungary	Generation	16.3 %	8.1 %	9			9
Power Generation Italy	Generation	10.0 %	6.9 %	6			6
Renewable Energy incl. Projects	Generation			11		7	18
Total impairment losses for assets				**334**	**11**	**416**	**761**
Provision for loss-making contracts							259
Liabilities for purchase and supply contracts [1]							– 6
Total impairment losses and provisions							**1,014**

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 2015 led to a reduction in the liabilities carried.

The recoverable amount calculated for the impairment test amounts to CHF 4.2 billion for Power Generation Switzerland (property, plant and equipment, intangible assets, and joint ventures). The recoverable amounts applied for the impairment test are based on value in use, with the exception of assets held for sale, where measurement is based on contractually agreed sales prices.

Note 31 includes information about impairment losses based on the assets held for sale categorisation.

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.

4 Energy and inventory costs

CHF million	2015	2014
Electricity purchased from third parties	3,205	4,389
Electricity purchased from joint ventures	697	517
Electricity purchased from other associates	11	13
Other energy purchases	701	698
Cost of inventories	725	745
Total before provisions	**5,339**	**6,362**
Provisions	253	297
Total	**5,592**	**6,659**

5 Employee costs

CHF million	2015	2014
Wages and salaries	652	669
Defined benefit pension costs	46	40
Defined contribution pension costs	1	2
Other employee costs	105	110
Total	**804**	**821**

Average number of employees

	2015	2014
Employees (full-time equivalents)	7,823	7,468
Apprentices	537	549
Total	**8,360**	**8,017**

Number of employees at the reporting date

	31 Dec 2015	31 Dec 2014
Employees (full-time equivalents)	7,780	7,726
Apprentices	565	551
Total	**8,345**	**8,277**

6 Depreciation, amortisation and impairment

CHF million	2015	2014
Depreciation of property, plant and equipment	174	203
Amortisation of energy purchase rights	24	32
Amortisation of other intangible assets	18	18
Impairment of property, plant and equipment and intangible assets	345	732
Total	**561**	**985**

Notes 3 and 12 disclose information about the impairment tests.

7 Finance costs and finance income

CHF million	2015	2014
Finance costs		
Interest expense	– 112	– 144
Interest on pension plans, provisions and non-current liabilities	– 18	– 9
Other finance costs	– 36	– 41
Net foreign exchange gains / (losses)	– 24	– 3
Total	**– 190**	**– 197**
Finance income		
Dividend income from financial investments	1	1
Interest income	7	17
Other finance income	20	
Total	**28**	**18**
Financial result	**– 162**	**– 179**

Costs of CHF 28 million (previous year: CHF 27 million) incurred in the repurchases of bonds before maturity are included in “Other finance costs”.

8 Income tax expense

Income tax recognised directly in other comprehensive income

CHF million	2015	2014
Deferred income tax	8	32
Total	**8**	**32**

Income tax expense charged to the income statement

CHF million	2015	2014
Current income tax	30	57
Deferred income tax	– 220	– 180
Total	**– 190**	**– 123**

Reconciliation

CHF million	2015	2014
Earnings before tax	– 1,020	– 1,025
Expected income tax rate (weighted average)	19.9 %	18.7 %
Income tax at the expected income tax rate	– 203	– 192
Increase / (decrease) in income tax expense due to:		
Effect of non-deductible expenses for tax purposes [1]	64	90
Effect of adjustments in respect of prior periods	– 14	– 3
Effects of income exempt from tax [1]	– 111	– 56
Effect of valuation of tax loss carryforwards	77	34
Effect of changes in tax rates	– 2	3
Other effects	– 1	1
Total income tax expense	**– 190**	**– 123**
Effective income tax rate	18.6 %	12.0 %

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 expected income tax rate is 19.9 % (previous year: 18.7 %).

Deferred tax assets and liabilities by origination of temporary differences

CHF million	31 Dec 2015	31 Dec 2014
Tax losses and tax assets not yet used	54	36
Other non-current assets	38	10
Current assets	3	12
Provisions and liabilities	55	69
Total gross deferred tax assets	**150**	**127**
Property, plant and equipment	244	365
Other non-current assets	423	517
Current assets	46	48
Provisions and liabilities	46	79
Total gross deferred tax liabilities	**759**	**1,009**
Net deferred tax liability	**609**	**882**
Tax assets recognised in the balance sheet	36	48
Tax liabilities recognised in the balance sheet	645	930

At 31 December 2015, individual subsidiaries held tax loss carryforwards totalling CHF 1,851 million (previous year: CHF 1,006 million), that are available for offset against future taxable profits.

Deferred tax assets are recognised for tax loss carryforwards 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 carryforwards of CHF 1,576 million (CHF 840 million).

These tax loss carryforwards expire in the following periods:

CHF million	31 Dec 2015	31 Dec 2014
Within 1 year	1	20
Within 2 – 3 years	56	51
After 3 years	1,519	769
Total	**1,576**	**840**

In addition, non-capitalised deductible temporary valuation differences exist in an amount of CHF 69 million (CHF 255 million).

9 Earnings per share

	2015	2014
Net income attributable to equity investors of Alpiq Holding (CHF million)	– 825	– 879
Interest on hybrid capital attributable to the period (CHF million)[1]	– 51	– 51
Share of Alpiq Holding stockholders in net income (CHF million)	**– 876**	**– 930**
Weighted average number of shares outstanding	27,616,917	27,189,873
Earnings per share (CHF)	**– 31.73**	**– 34.19**

1 See note 18

No circumstances exist that would lead to a dilution of earnings per share.

10 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 2014	**313**	**6,085**	**438**	**264**	**224**	**7,324**
Acquisition / disposal of subsidiaries	2			1	– 1	2
Additions	2	17	5	29	35	88
Own work capitalised					1	1
Reclassifications	9	14	– 4	4	– 33	– 10
Disposals	– 9	– 4	– 10	– 18	– 2	– 43
Reclassified to "Assets held for sale"	– 3		– 390	– 2	– 15	– 410
Currency translation differences	– 7	– 271		– 9	– 4	– 291
Gross carrying amount at 31 December 2015	**307**	**5,841**	**39**	**269**	**205**	**6,661**
Accumulated depreciation and impairment at 31 December 2014	**94**	**3,004**	**226**	**180**	**136**	**3,640**
Depreciation charge	9	130	12	23		174
Impairment		325			9	334
Reclassifications	3	– 7	– 3	2		– 5
Disposals	– 4	– 4	– 9	– 18		– 35
Reclassified to "Assets held for sale"			– 199	– 2		– 201
Currency translation differences	– 4	– 161		– 7	– 2	– 174
Accumulated depreciation and impairment at 31 December 2015	**98**	**3,287**	**27**	**178**	**143**	**3,733**
Net carrying amount at 31 December 2015	**209**	**2,554**	**12**	**91**	**62**	**2,928**

An amount of CHF 11 million (previous year: CHF 0 million) of investments that have been invoiced but not yet paid for, as well as deferred investments, are not included in the cash flow statement under investments in property, plant and equipment and intangible assets, as they were not yet cash-effective. At the reporting date, the Group had contractual commitments of CHF 15 million (CHF 17 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. At 31 December 2015, the net carrying amount of property, plant and equipment held under finance leases was CHF 33 million (CHF 39 million).

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**

Commitments under finance leases

CHF million	Minimum lease payments at 31 Dec 2015	Minimum lease payments at 31 Dec 2014	Present value at 31 Dec 2015	Present value at 31 Dec 2014
Within 1 year	3	4	3	4
Within 2 – 5 years	14	15	12	13
More than 5 years	29	36	20	25
Total	**46**	**55**	**35**	**42**
Finance charges	– 11	– 13		
Present value of minimum lease payments	**35**	**42**	**35**	**42**

The present value of minimum lease payments amounted to CHF 35 million at the balance sheet date (CHF 42 million), of which CHF 3 million is reported as current financial liabilities (CHF 4 million) and CHF 32 million as non-current financial liabilities (CHF 38 million).

11 Intangible assets

CHF million	Energy purchase rights	Goodwill	Other intangible assets	Assets under construction	Total
Gross carrying amount at 31 December 2014	**1,497**	**733**	**500**	**0**	**2,730**
Acquisition / disposal of subsidiaries		7	– 2		5
Additions			10	6	16
Own work capitalised				4	4
Reclassifications			7	– 6	1
Disposals			– 7		– 7
Reclassified to “Assets held for sale”			– 7		– 7
Currency translation differences	– 12	– 9	– 24		– 45
Gross carrying amount at 31 December 2015	**1,485**	**731**	**477**	**4**	**2,697**
Accumulated amortisation and impairment at 31 December 2014	**1,282**	**655**	**371**	**0**	**2,308**
Amortisation charge	24		18		42
Impairment	11				11
Reclassifications			5		5
Disposals			– 7		– 7
Reclassified to “Assets held for sale”			– 3		– 3
Currency translation differences	– 12	– 8	– 14		– 34
Accumulated amortisation and impairment at 31 December 2015	**1,305**	**647**	**370**	**0**	**2,322**
Net carrying amount at 31 December 2015	**180**	**84**	**107**	**4**	**375**

CHF million	Energy purchase rights	Goodwill	Other intangible assets	Assets under construction	Total
Gross carrying amount at 31 December 2013	**1,500**	**715**	**498**	**0**	**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**	**0**	**2,730**
Accumulated amortisation and impairment at 31 December 2013	**1,074**	**393**	**372**	**0**	**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**	**0**	**2,308**
Net carrying amount at 31 December 2014	**215**	**78**	**129**	**0**	**422**

12 Goodwill impairment test

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

CHF million	Pre-tax discount rate at 31 Dec 2015	Post-tax discount rate at 31 Dec 2015	Carrying amount at 31 Dec 2015	Pre-tax discount rate at 31 Dec 2014	Post-tax discount rate at 31 Dec 2014	Carrying amount at 31 Dec 2014
Sales Central Europe	8.4 %	7.1 %	12	9.4 %	8.0 %	12
Energy Management	7.4 %	6.5 %	18	6.8 %	6.5 %	19
Alpiq InTec	4.7 %	4.1 %	52	4.7 %	4.1 %	45
Kraftanlagen Group	5.8 %	4.5 %	2	5.8 %	4.5 %	2
Total			**84**			**78**

The recoverable amounts applied for impairment testing are based on value in use. For the first three years, 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.

13 Investments in joint ventures and other associates

CHF million	Joint ventures	Other associates	Total
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**
Reclassified from "Assets held for sale" reported in the previous year	25	8	33
Additions		2	2
Dividend	– 25	– 3	– 28
Share of profit / loss	58	11	69
IAS 19 and IAS 39 effects recognised in other comprehensive income	– 35		– 35
Impairment	– 405	– 7	– 412
Disposals	– 4		– 4
Reclassified to "Assets held for sale"		– 55	– 55
Currency translation differences		– 2	– 2
Carrying amount at 31 December 2015	**2,661**	**57**	**2,718**

All material joint ventures and other associates are valued in accordance with uniform IFRS principles, and are accounted for in the consolidated financial statements applying the equity method. Reconciliation statements are prepared where no IFRS financial statements 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 utilised to prepare the consolidated financial statements of the Alpiq Group. Significant transactions and events that occur after the end of the most recent reporting period and 31 December are taken into account in the consolidated financial statements.

2015: 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 interest may also differ from the interest 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	2,699	1,620	1,382	539	3,128	1,248	8,964	1,573	1,156	385
of which, non-current financial assets	3	2			1,643	657	1,724	558		
Current assets	47	28	46	18	406	162	440	142	5	2
of which, cash and current financial assets	46	27	15	6	22	9	233	75		
Non-current liabilities	716	430	1,099	429	3,215	1,286	3,834	1,241	1	
of which, non-current financial liabilities	713	428	997	389	135	54	400	129		
Current liabilities	340	204	86	33	118	47	346	112	134	45
of which, current financial liabilities	260	156					250	81	79	26
Total equity	**1,690**	**1,014**	**243**	**95**	**201**	**77**	**5,224**	**362**	**1,026**	**342**
Revenue	173	104	18	7	417	167	456	147	240	80
Expenses	– 619	– 371	– 9	– 3	– 284	– 117	– 562	– 139	– 569	– 190
Net income	**– 446**	**– 267**	**9**	**4**	**133**	**50**	**– 106**	**8**	**– 329**	**– 110**
Other comprehensive income			– 7	– 3	– 42	– 19	– 22	– 11		
Total comprehensive income	**– 446**	**– 267**	**2**	**1**	**91**	**31**	**– 128**	**– 3**	**– 329**	**– 110**
Dividends received		**5**				**7**		**8**		**2**

The companies classified as material by Alpiq comprise 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 (including interest and repayment of liabilities) throughout the concession period. Furthermore, nuclear power plant owners are required to pay limited additional contributions to the decommissioning and waste disposal fund, in case one primary contributor is unable to fulfil payments. The joint venture agreements run through the useful life of the power plant, or through the concession period, and cannot be terminated.

Individually immaterial joint ventures and other associates

CHF million	Joint ventures		Other associates	
	Gross values	Alpiq share	Gross values	Alpiq share
Non-current assets	4,487	1,150	261	65
of which, non-current financial assets	76	9	1	
Current assets	142	28	338	155
of which, cash and current financial assets	70	13	61	15
Non-current liabilities	1,759	359	204	53
of which, non-current financial liabilities	1,655	346	124	27
Current liabilities	265	48	225	110
of which, current financial liabilities	91	16		
Total equity	**2,605**	**771**	**170**	**57**
Revenue	397	79	177	71
Expenses	– 482	– 111	– 163	– 66
Net income	**– 85**	**– 32**	**14**	**5**
Other comprehensive income	– 27	– 2	– 8	
Total comprehensive income	**– 112**	**– 34**	**6**	**5**

The Alpiq Group's share of the regular annual costs of all joint ventures in 2015 amounted to CHF 697 million (previous year: CHF 517 million). This amount is included in energy and inventory costs.

2014: 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	3,165	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**

Individually immaterial 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**

14 Other non-current financial assets

CHF million	Financial investments	Loans receivable	Other non-current assets	Total
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**
Additions	3	6	171	180
Reclassifications	– 1	– 2	2	– 1
Disposals	– 14	– 9		– 23
Reclassified to "Assets held for sale"	– 2			– 2
Currency translation differences		– 1		– 1
Carrying amount at 31 December 2015	**5**	**71**	**248**	**324**

Alpiq has disposed of all of the loan claims received in 2014 as part of the transfer from Swissgrid AG of the high-voltage grids. As part of the disposal, the Swissgrid loan tranches were sold without the contractually related conversion rights. Swissgrid AG can, or must, convert the loans into equity if certain conditions arise. In this instance, the buyers of the loans 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 buyers of the loans to purchase from the buyer all shares in the equity of Swissgrid AG arising from the conversion to a maximum amount of CHF 246 million. As a consequence, although Alpiq has sold the loans, it has also entered into a directly related obligation in an amount of CHF 246 million. Due to the aforementioned contractual structure of the transaction, the loans could not be derecognised, and remain on Alpiq's books as "Other non-current assets" in an amount of CHF 246 million. Financial liabilities also exist equivalent to the obligations that were entered into as a result of the sales. The liabilities are reported under "Other non-current liabilities".

15 Inventories

At the reporting date, inventories primarily included fuels (gas and coal) carried at an amount of CHF 34 million (previous year: CHF 40 million) as well as consumables and supplies valued at CHF 34 million (CHF 40 million).

16 Trade and other receivables

CHF million	31 Dec 2015	31 Dec 2014
Trade receivables	956	1,270
Prepayments to suppliers	29	44
Unbilled revenue	48	18
Other receivables	342	363
Total	**1,375**	**1,695**

Trade receivables from customers who are also suppliers are offset with trade receivables, provided that a netting agreement has been reached with the counterparties, and that payment is made on a net basis. Receivables and payables offset under netting agreements amounted to CHF 690 million (previous year: CHF 730 million).

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

CHF million	31 Dec 2015	31 Dec 2014
Unbilled revenue (gross)	1,037	974
Advances received from customers	– 989	– 956
Unbilled revenue (net)	**48**	**18**

17 Cash and cash equivalents

CHF million	31 Dec 2015	31 Dec 2014
Cash at bank and in hand	803	878
Term deposits with a maturity of 90 days or less	47	37
Total	**850**	**915**

18 Equity

Share capital

The share capital of CHF 278.7 million (previous year: CHF 271.9 million) consists of 27,874,649 registered shares at par value of CHF 10 each (27,189,873 registered shares) and is fully paid in. According to the share register, the shareholdings are as follows:

	Stakes in % at 31 Dec 2015	Stakes in % at 31 Dec 2014
EOS HOLDING SA (EOSH)	31.44	31.38
EDF Alpes Investissements Sàrl (EDFAI)	25.04	25.00
EBM (Genossenschaft Elektra Birseck)	13.65	13.63
EBL (Genossenschaft Elektra Baselland)	7.13	7.12
Canton of Solothurn	5.61	5.60
Aziende Industriali di Lugano (AIL)	2.13	2.12
IBAarau (IBA)	2.00	2.00
Wasserwerke Zug (WWZ)	0.91	0.91
Free float	12.09	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 CHF 650 million public hybrid bond 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 repay the public hybrid bond early, albeit at the earliest as of 15 November 2018, and subsequently annually. 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 is 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 be suspended at Alpiq's discretion 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 2015 was CHF 51 million (previous year: CHF 51 million). Interest from the public hybrid bond that is attributable to the financial year under review and approved interest payments on the hybrid loan meet 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 Ltd. equity investors' share of the net result for the calculation of the undiluted earnings per share.

The accrued interest after tax amounted to a total of CHF 19 million as at 31 December 2015 (CHF 19 million). 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 totalling CHF 51 million occurred in 2015 (Swiss main shareholders CHF 18 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).

19 Provisions

CHF million	Provision for loss-making contracts	Provision for restructuring	Provision for decommissioning own power plants	Provision for warranties	Other provisions	Total
Balance of non-current provisions at 31 December 2014	**316**	**2**	**48**	**15**	**31**	**412**
Current provisions	63	19	1	3	7	93
Total provisions at 31 December 2014	**379**	**21**	**49**	**18**	**38**	**505**
Acquisition / disposal of subsidiaries	3		– 4			– 1
Allocated	324		1	5	18	348
Unwinding of discount	12		1			13
Utilised	– 30	– 11		– 1	– 10	– 52
Unused amounts reversed	– 3			– 3	– 10	– 16
Reclassified	– 9	11	– 1		48	49
Currency translation differences	– 2		– 3		– 1	– 6
Total provisions at 31 December 2015	**674**	**21**	**43**	**19**	**83**	**840**
Less current provisions	– 77	– 21		– 3	– 58	– 159
Balance of non-current provisions at 31 December 2015	**597**	**0**	**43**	**16**	**25**	**681**
Expected cash outflows						
Within 12 months	– 77	– 21		– 3	– 58	– 159
Within 1 – 5 years	– 112		– 10	– 12	– 22	– 156
After 5 years	– 485		– 33	– 4	– 3	– 525
Total	**– 674**	**– 21**	**– 43**	**– 19**	**– 83**	**– 840**

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 and restoration obligations associated with the Group's existing power plants.

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

Other provisions include obligations arising from the human resources area, existing and pending obligations from litigation as well as other general operating risks evaluated as probable to materialise.

Substantial provisions where the time value of money is material are recognised at present value, with interest charged to finance costs.

20 Non-current borrowings

CHF million	31 Dec 2015	31 Dec 2014
Bonds	1,909	2,221
Loans payable	647	819
Total	**2,556**	**3,040**

Bonds outstanding at the reporting date

CHF million	Maturity	Earliest repayment date	Effective interest rate %	Carrying amount at 31 Dec 2015	Carrying amount at 31 Dec 2014
Alpiq Holding Ltd. CHF 174 million face value, 3 1/4 % fixed rate [1]	2008/2015	25 Mar 2015	3.476		174
Alpiq Holding Ltd. CHF 154 million face value, 3 1/4 % fixed rate	2009/2015	3 Jul 2015	3.434		154
Alpiq Holding Ltd. CHF 151 million face value, 1 3/8 % fixed rate [2]	2011/2016	20 Sept 2016	1.641	151	176
Alpiq Holding Ltd. CHF 100 million face value, 4 % fixed rate [2]	2009/2017	10 Feb 2017	4.167	100	136
Alpiq Holding Ltd. CHF 172 million face value, 2 % fixed rate [2]	2012/2017	13 Apr 2017	2.170	172	206
Alpiq Holding Ltd. CHF 16 million face value, 2 % fixed rate [2]	2012/2017	13 Apr 2017	2.126	15	19
Alpiq Holding Ltd. CHF 100 million face value, 2 5/8 % fixed rate [1, 2]	2006/2018	1 Mar 2018	2.788	100	189
Alpiq Holding Ltd. CHF 80 million face value, 3 7/8 % fixed rate [2]	2008/2018	30 Oct 2018	4.020	80	119
Alpiq Holding Ltd. CHF 20 million face value, 3 7/8 % fixed rate [2]	2008/2018	30 Oct 2018	4.016	20	30
Alpiq Holding Ltd. CHF 400 million face value, 3 % fixed rate [2]	2009/2019	25 Nov 2019	3.180	397	496
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 150 million face value, 2 1/8 % fixed rate	2015/2023	30 Jun 2023	2.115	150	
Alpiq Holding Ltd. CHF 25 million face value, 2 1/8 % fixed rate	2015/2023	30 Jun 2023	2.177	25	
Alpiq Holding Ltd. CHF 300 million face value, 2 5/8 % fixed rate	2014/2024	29 Jul 2024	2.710	298	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 repurchase at 30 June 2015
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-interest bonds outstanding at the reporting date amounts to CHF 2,124 million (previous year: CHF 2,667 million). The weighted interest rate on bonds issued at the reporting date, relative to face value, was 2.71 % (2.86 %). Bonds of CHF 151 million (CHF 328 million) maturing within 360 days are included in current borrowings at the reporting date on 31 December 2015. The corresponding fair value amounts to CHF 151 million (CHF 331 million).

At the end of June 2015, Alpiq repurchased bonds with a face value of CHF 340 million and with maturity in the 2016 and 2019 range. At the same time, two bonds in a total amount of CHF 175 million with an eight-year maturity and a 2.125 % coupon rate were placed on the market.

Loans payable

CHF million	31 Dec 2015	31 Dec 2014
Maturing between 1 and 5 years	299	345
Maturing in more than 5 years	348	474
Total	**647**	**819**

The fair value at the reporting date of loans payable was CHF 724 million (previous year: CHF 936 million). The weighted interest rate on loans payable at the reporting date, relative to face value, was 3.73 % (3.67 %). Loans of CHF 76 million (CHF 113 million) maturing within 360 days are included in current borrowings at the reporting date on 31 December 2015.

The weighted average rate of interest on the bonds and loans payable amounts to 2.96 % (3.05 %).

21 Other non-current liabilities

CHF million	31 Dec 2015	31 Dec 2014
Written put options	13	19
Other non-current liabilities	307	146
Total	**320**	**165**
Maturities		
Between 1 and 5 years	212	99
More than 5 years	108	66
Total	**320**	**165**

Alpiq has disposed of all loan receivables due from Swissgrid AG. The CHF 246 million of obligations arising from the disposals are included in the “Other non-current liabilities” item. Note 14 provides further information about the transaction.

22 Other current liabilities

CHF million	31 Dec 2015	31 Dec 2014
Trade payables	552	561
Other payables	183	346
Advances from customers	39	50
Total	**774**	**957**

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 690 million (previous year: CHF 730 million).

23 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 as well as note 13. Details of transactions between the Group and its employee pension schemes are disclosed in note 24.

2015: 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	69	112	284
Other service revenue	10	3	
Operating expenses			
Energy costs	– 697	– 11	– 419
Other service costs		– 25	– 1
Financial result			
Share of results of joint ventures and other associates	72	– 17	
Interest income	1	1	

2015: Outstanding balances with related companies at the reporting date

CHF million	Joint ventures	Other associates	Other related companies
Receivables			
Trade receivables	5	1	2
Non-current financial receivables	39	2	
Current financial receivables	56		
Other receivables	43	7	1
Assets held for sale		5	
Payables			
Trade payables	7	6	27
Other liabilities	177	7	10

Besides the dividend payments, distributions were also made in 2015 in connection with the hybrid loans to shareholders, who qualify as related parties. Note 18 provides information about hybrid capital.

At the end of 2015, the Alpiq Group had contractual power off-take arrangements with joint ventures. Electricity is purchased according to the ownership interest, although no volumes have been agreed contractually. Power generation capacity depends on optimum utilisation of the power plants. The costs for electricity production at the joint ventures are assumed on a cost-plus basis.

Non-financial energy trading contracts outstanding with other associates and other related entities comprised a contract volume of 89 TWh as of 31 December 2015 (previous year: 85 TWh) and a gross value of CHF 3.5 billion (CHF 2.9 billion).

Directors and key management personnel

In 2015, the Board of Directors of Alpiq Holding Ltd. received compensation of CHF 3.1 million (CHF 3.3 million). Remuneration paid to the Executive Board in the same period totalled CHF 5.3 million (CHF 5.4 million). Of this amount, CHF 4.2 million (CHF 4.5 million) is attributable to regular compensation and CHF 1.1 million (CHF 0.9 million) is attributable to pension benefits.

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	8	5	
Operating expenses			
Energy costs	– 517	– 13	– 391
Other service costs		– 4	
Financial result			
Share of results of joint ventures and other associates	57	61	
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

24 Employee benefits

Defined benefit pension costs recognised in the income statement

CHF million	2015	2014
Current service cost	46	40
Net interest expense of defined benefit plans	4	6
Defined benefit pension costs	**50**	**46**
of which, service cost and administration cost	46	40
of which, net interest expense	4	6

Defined benefit liability in the balance sheet

CHF million	31 Dec 2015	31 Dec 2014
Present value of defined benefit obligation	1,429	1,379
Fair value of plan assets	1,136	1,136
Net defined benefit liability	**293**	**243**
of which, Swiss pension plans	202	142
of which, German pension plans	91	101

Reconciliation of net defined benefit liability

CHF million	2015	2014
Net defined benefit liability at 1 January	**243**	**248**
Defined benefit expense recognised in the income statement	50	46
Defined benefit expense recognised in other comprehensive income	52	57
Contributions by employer	– 42	– 106
Acquisition / disposal of subsidiaries	– 1	
Exchange differences	– 9	– 2
Net defined benefit liability at 31 December	**293**	**243**

The employees insured in Switzerland in the Generation and Commerce & Trading business divisions and in the Group Centre decided in 2013 to change their type of benefit plan. In 2014, the related payment into the value fluctuation reserve is outlined in the position “Contributions by employer”.

Changes in the present value of the defined benefit obligation

CHF million	2015	2014
Defined benefit obligation at 1 January	**1,379**	**1,207**
Interest expense on defined benefit obligations	15	28
Current service cost	46	40
Contributions by plan participants	20	19
Benefits paid	– 61	– 54
Acquisition / disposal of subsidiaries	– 1	9
Remeasurements:		
Financial assumptions	29	156
Demographic assumptions	– 9	– 10
Experience adjustments	22	– 19
Others	– 2	5
Exchange differences	– 9	– 2
Defined benefit obligation at 31 December	**1,429**	**1,379**

The weighted average duration of the defined benefit obligation as at the reporting date is 15.1 years (previous year: 14.8 years).

Changes in the fair value of the plan assets

CHF million	2015	2014
Fair value of plan assets at 1 January	**1,136**	**959**
Interest income on plan assets	11	22
Contributions by employer	42	106
Contributions by plan participants	20	19
Benefits paid	– 61	– 54
Acquisition / disposal of subsidiaries		9
Remeasurement on plan assets	– 10	70
Others	– 2	5
Fair value of plan assets at 31 December	**1,136**	**1,136**

Asset classes of plan assets

CHF million	31 Dec 2015	31 Dec 2014
Quoted market prices		
Cash and cash equivalents	3	23
Equity instruments of third parties	430	512
Debt instruments of third parties	459	405
Property funds	108	83
Other investments	56	28
Total plan assets at fair value (quoted market prices)	**1,056**	**1,051**
Unquoted market prices		
Property not used by the company	78	82
Other investments	2	3
Total plan assets at fair value (unquoted market prices)	**80**	**85**
Total fair value of plan assets	**1,136**	**1,136**

2015: Actuarial assumptions

%	Swiss plans	German plans
Discount rate	0.78	1.85
Expected rates of salary increase (weighted average)	0.50	2.70

2014: Actuarial assumptions

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

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

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	2015	2014
Discount rate		
0.25 % increase	– 52	– 49
0.25 % reduction	56	53
Rate of salary increase		
0.25 % increase	7	7
0.25 % reduction	– 7	– 6
Life expectancy		
1 year increase	47	45
1 year reduction	– 48	– 45

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	2016	2015
Contributions by employer	38	38
Contributions by plan participants	20	20

25 Share-based payments

A new phantom share programme was set up for Executive Board members in 2015. Every year, beneficiaries receive Alpiq Holding Ltd. shares as phantom shares. Share-based compensation is principally cash-settled, although the Board of Directors is authorised to also make payment in Alpiq Holding Ltd. shares. Due to the intention to settle in cash and the resultant de facto obligation, Alpiq regards this programme as cash-settled, share-based payments.

Phantom shares securitise the entitlement to payment of the positive difference between the fair value of the Alpiq Holding Ltd. share at the end of three years and the fair value of the Alpiq Holding Ltd. share when the phantom shares are allocated. This entails converting the payout amount based on the share price at the end of the three-year period into a number of shares. Payment is subject to the condition that the beneficiaries are employed within the company on the vesting date. The level of payout is based on the appreciation of the share price, and can lie between 0 % and 150 % of the allocated value.

The first allocation of CHF 0.6 million (100 %) occurred on 1 May 2015. Any payout under the programme will consequently occur after the end of the three-year vesting period as of 30 April 2018.

The fair value of the phantom share programme outstanding is calculated on each balance sheet date applying a Black-Scholes model, and recognised in the income statement over the vesting period. In 2015, an amount of CHF 0.1 million was recognised in employee costs for cash-settled, share-based compensation. The liability recognised on the balance sheet amounts to CHF 0.1 million as of 31 December 2015.

26 Contingent liabilities and guarantees

At the balance sheet date, liabilities from pledges, guarantees and other commitments to affiliated companies or third parties amounted to CHF 16 million (previous year: CHF 15 million). Alpiq is jointly and severally liable for all joint ventures in the form of simple partnerships under civil law in which Group companies hold an interest. In addition to interests in various partnerships under civil law, Alpiq is the leading member of the Transtec Gotthard consortium. For additional commitments in connection with joint ventures, please see note 13.

27 Pledged assets

The power plants of Aero Rossa S.r.l., Aragona / IT, En Plus S.r.l., Milan / IT and Enpower 3 S.r.l., Aragona / IT are funded through common project financing arrangements with banks. The related borrowings are reported on the consolidated balance sheet. The Alpiq Group has assigned CHF 70 million of its interests in these power plants to the financing banks (previous year: CHF 194 million). In the previous year, the power plants Alpiq Wind Italia S.r.l. and Novel S.p.A. were also assigned to banks to collateralise its loans.

28 Segment information

The segment reporting of the Alpiq Group is based on the Group's internal organisational and management structure, and the internal financial information reported to the chief operating decision maker. The reportable segments under IFRS 8 consist of three business divisions, as shown in the organisation chart on page 29. The Executive Board evaluates each of these separately for the purpose of assessing performance and allocating resources. Segment results (EBITDA, EBIT) are the key performance measures utilised for internal management and assessment purposes at Alpiq. Besides energy procurement and production costs, operating costs comprise all operating costs, including personnel and service expenses. No requirement exists 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.

As of 1 January 2015, Alpiq introduced a transfer price model between the Generation and the Commerce & Trading business divisions. Power plant-related income from optimisation and trading activities for Switzerland and Western Europe were reallocated between the Generation and the Commerce & Trading business divisions. Prior-year segment information has been restated for comparability. In the 2014 segment report, the EBITDA effect from this adjustment amounts to CHF – 85 million in the case of the Generation business division, and to CHF + 85 million in the case of the Commerce & Trading business division.

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 Commerce & Trading business division comprises trading and marketing activities in Switzerland, Germany, Italy, Spain, France, Scandinavia and Eastern and Southern Europe, as well as proprietary trading and power plant optimisation. The division is supplemented by grid-connected demand response services.

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

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

2015: 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	372	4,758	1,533	56	6,719
Revenue from energy and financial derivatives	76	– 69		– 11	– 4
of which, proprietary trading		– 5			– 5
of which, hedging transactions	76	– 64		– 11	1
Total external net revenue	**448**	**4,689**	**1,533**	**45**	**6,715**
Inter-segment transactions	1,039	124	8	– 1,171	0
Total net revenue	**1,487**	**4,813**	**1,541**	**– 1,126**	**6,715**
Other income	34	17	10	9	70
Exceptional items [1]	6			6	12
Total revenue before exceptional items	**1,521**	**4,830**	**1,551**	**– 1,117**	**6,785**
Total revenue and other income	**1,527**	**4,830**	**1,551**	**– 1,111**	**6,797**
Operating costs	– 1,129	– 4,778	– 1,450	1,052	– 6,305
Exceptional items [1]	– 380	– 44	– 3	– 15	– 442
EBITDA before exceptional items	**392**	**52**	**101**	**– 65**	**480**
EBITDA	**18**	**8**	**98**	**– 74**	**50**
Depreciation and amortisation	– 163	– 18	– 29	– 9	– 219
Exceptional items [1]	– 343	1			– 342
EBIT before exceptional items	**229**	**34**	**72**	**– 74**	**261**
EBIT	**– 488**	**– 9**	**69**	**– 83**	**– 511**
Number of employees at the reporting date	713	387	6,948	297	8,345
Property, plant and equipment	2,711	2	154	61	2,928
Intangible assets	265	19	82	9	375
Investments in joint ventures and other associates	2,245	1	21	451	2,718
Total non-current assets	**5,221**	**22**	**257**	**521**	**6,021**
Net capital expenditure on property, plant and equipment and intangible assets	– 35	– 15	– 24	– 5	– 79

1 Include impairment losses and provisions, effects from business disposals and other exceptional items

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 comprised a contract volume of 11.4 TWh as of 31 December 2015 (previous year: 6.9 TWh). The gross values of these contract volumes as of 31 December 2015 amounted to 481.7 TWh (379.1 TWh) or CHF 19 billion (CHF 16 billion).

There were no transactions with any single external customers that amounted to 10 % or more of the consolidated net revenue of the Alpiq Group.

2014: Information by business division

CHF million	Generation (restated)	Commerce & Trading (restated)	Energy Services	Holding company, Group Centre, others and consolidation Group (restated)	Alpiq Group
External revenue from energy sales / construction contracts	403	6,119	1,264	269	8,055
Revenue from energy and financial derivatives	2	1			3
of which, proprietary trading					
of which, hedging transactions	2	1			3
Total external net revenue	**405**	**6,120**	**1,264**	**269**	**8,058**
Inter-segment transactions	1,283	1,650	321	– 3,254	0
Total net revenue	**1,688**	**7,770**	**1,585**	**– 2,985**	**8,058**
Other income	55	18	19	55	147
Total revenue and other income	**1,743**	**7,788**	**1,604**	**– 2,930**	**8,205**
Operating costs	– 1,202	– 7,707	– 1,500	2,813	– 7,596
Exceptional items [1]	– 265	– 32			– 297
EBITDA before exceptional items [1]	**541**	**81**	**104**	**– 117**	**609**
EBITDA	**276**	**49**	**104**	**– 117**	**312**
Depreciation and amortisation	– 199	– 13	– 30	– 11	– 253
Exceptional items [1]	– 726			– 6	– 732
EBIT before exceptional items [1]	**342**	**68**	**74**	**– 128**	**356**
EBIT	**– 649**	**36**	**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

2015: Information by geographical area

CHF million	Switzerland	Germany	France	Italy	Czech Republic	Hungary	Poland	Other countries	Alpiq Group
External revenue	2,308	840	953	587	281	229	244	1,273	6,715
Property, plant and equipment	1,786	24	133	287	589	47		62	2,928
Intangible assets	293	4	9	41	7			21	375
Investments in joint ventures and other associates	2,696			21				1	2,718
Total non-current assets	**4,775**	**28**	**142**	**349**	**596**	**47**	**0**	**84**	**6,021**

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**

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

2015: Business combinations

The following companies were acquired and integrated into the consolidated financial statements in 2015:

Energy Services business division

6 February 2015: 100 % of IReL AG Gebäudeautomation Energietechnologie, Liestal / CH
23 February 2015: 100 % of Helion Holding AG, Lohn-Ammannsegg / CH
11 March 2015: 100 % of Balfour Beatty Rail Italy S.p.A., Milan / IT

The acquisition costs totalled CHF 18 million. Fair values were allocated as follows in the balance sheet:

CHF million	Fair value
Property, plant and equipment	4
Intangible assets	1
Deferred income tax assets	2
Inventories	8
Trade and other receivables	16
Cash and cash equivalents	8
Other current assets	2
Non-current provisions	– 4
Defined benefit liabilities	– 1
Non-current borrowings	– 3
Trade payables	– 20
Other current liabilities	– 2
Net assets acquired	**11**
Goodwill arising from acquisition activities	7
Net cash flow arising from acquisition activities:	
Cash and cash equivalents acquired with subsidiaries	8
Acquisition costs	– 18
Deferred consideration liabilities	4
Net cash flow	**– 6**

IReL AG Gebäudeautomation Energietechnologie, Liestal / CH

In early February 2015, Alpiq acquired 100 % of IReL AG Gebäudeautomation Energietechnologie in Liestal / CH. The company offers customised smart buildings solutions in Northwestern and Central Switzerland.

Helion Holding AG, Lohn-Ammannsegg / CH

At the end of February 2015, Alpiq acquired 100 % of Helion Holding AG in Lohn-Ammannsegg / CH, respectively the Helion Solar Group. This group is the Swiss market leader in the planning, realisation and maintenance of photovoltaic and energy storage systems.

Balfour Beatty Rail Italy S.p.A., Milan / IT

In mid-March 2015, Alpiq acquired 100 % of Balfour Beatty Rail Italy S.p.A. in Milan / IT. The company operates in the area of the electrification of rail and local transport systems. In the case of newbuild projects and the renewal of electrical rail systems, Balfour Beatty Rail Italy S.p.A. specialises in design, procurement, installation and commissioning.

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.

2014: Business combinations

The following companies were acquired and integrated into the consolidated financial statements in 2014:

Generation business division

07 April 2014: 100 % of Flexitricity Ltd., Edinburgh / UK
27 May 2014: 100 % of Blåsmark Vindkraft AB, Danderyd / SE

Energy Services business division

04 April 2014: 100 % of Schwarz + Partner AG, Reinach BL / CH

The acquisition costs totalled CHF 32 million. Fair values were allocated as follows 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

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

Flexitricity Ltd., Edinburgh / UK

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

Blåsmark Vindkraft AB, Danderyd / SE

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

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

30 Business disposals

The following companies were divested during the reporting period:

- 3CB SAS, Paris / FR
- Alpiq Hydro Ticino SA, Airolo / CH
- Sabloal Energie Eoliana S.R.L., Oradea / RO
- Sevre Kraftverk AS, Nesbyen / NO
- Ytre Oppedal Kraftverk AS, Voss / NO

In the previous year, Alpiq sold the company Kraftszer Vállalkozási Kft., Budapest / HU.

The divestments generated CHF 13 million of the book profits that are recognised under other operating income. As a result of the divestments realised in 2015, the CHF 22 million of currency translation expenses that were previously recognised directly in other comprehensive income were recycled from equity to the income statement. Also as a result of the divestments, transactions that were previously classed as own use pursuant to IAS 39 were closed out and consequently recognised in the income statement. In addition, a provision was formed for contracts that have become loss-making due to the divestments. This resulted in losses of CHF 21 million.

The assets and liabilities on the disposal date were as follows:

CHF million	2015	2014
Property, plant and equipment	10	
Intangible assets	3	
Cash and cash equivalents	3	3
Other current assets	5	4
Current and non-current borrowings	– 5	
Other current and non-current liabilities	– 11	– 6
Net assets disposed of	**5**	**1**

Net cash flow from disposals

CHF million	2015	2014
Cash and cash equivalents disposed of with subsidiaries	– 3	– 3
Consideration received	61	
Net cash flow	**58**	**– 3**

31 Assets held for sale

As of the 31 December 2014 balance sheet date, the entire package of the non-strategic interest in Swissgrid AG, Alpiq Hydro Ticino SA and several non-strategic minority interests in the Generation business division were recognised as assets held for sale due to the related intention to sell them.

The entire package of the non-strategic interest in Swissgrid AG included the Swissgrid shares, as well as the loan receivable received as part of the transfer of the high-voltage grids, with a total carrying amount of CHF 499 million. Alpiq sold a first loan tranche of CHF 75 million in 2014. In early March 2015, the shares held in Swissgrid AG were transferred to independent Alpiq subsidiary Alpiq Grid Beteiligungs AG. On 18 March 2015, Alpiq concluded the transaction (already announced in the Financial Report 2014) with IST3 Investmentstiftung (IST3) concerning the sale of a 49.9 % interest in Alpiq Grid Beteiligungs AG and of 49.9 % of the original Swissgrid shareholder loan. The disposal proceeds amounted to a total of CHF 288 million. The partial disposal of Alpiq Grid Beteiligungs AG relates to a sale of a non-controlling interest, and is reported under cash flow from financing activities. The disposal of the shareholder loan is included in cash flow from investing activities. On 30 June 2015, Alpiq concluded the sale of the final loan tranche of CHF 48 million. This transaction was executed in July 2015 following approval from the Board of Directors of Swissgrid AG.

On 29 May 2015, Alpiq notified concerning the contractually agreed CHF 146 million disposal of the remaining 50.1 % interest in Alpiq Grid Beteiligungs AG to Société d'Investissement de Suisse occidentale SA (SIRESO). On 30 July 2015, BKW Netzbeteiligung AG (BKW) announced that it would assert its statutory and contractual pre-emptive right to the entire equity interest in Swissgrid AG that was originally held by Alpiq. As a result of the exercising of pre-emptive right, the transaction was blocked by the involved parties' legal orders. As long as the disposal to either SIRESO or BKW has not been executed, all shareholder rights connected with the interest in Swissgrid AG remain with Alpiq Grid Beteiligungs AG, and consequently indirectly with Alpiq and IST3. This pre-emptive right case has no effect on the disposal price that Alpiq will achieve. The Swissgrid shareholder loans are also unaffected. Alpiq currently assumes that the transaction will be concluded in 2016. As a consequence, the 50.1 % interest in Swissgrid AG continues to be recognised as assets held for sale as of 31 December 2015.

On 20 March 2015, Alpiq concluded a contract with Azienda Elettrica Ticinese (AET) to dispose of Alpiq's wholly-owned subsidiary Alpiq Hydro Ticino SA. The disposal was completed on 2 June 2015.

In the second half of 2015, Alpiq sold its non-strategic minority investments in Forces Motrices du Grand-Saint-Bernard SA (25 % interest), Gommerkraftwerke AG (26 %) and Forces Motrices de Fully SA (28 %). Given the current market environment, Alpiq has decided not to sell the remaining minority investments in its Generation business division that were classified for disposal. Due to the change in the situation, the investments were reclassified again.

On 13 November 2015, Alpiq announced that it would review the disposal of its two interests in regional energy utilities, Alpiq Versorgungs AG (96.7 %) and AEK Energie AG (38.7 %). Due to the intention to sell the interests of the Commerce & Trading business division within the next twelve months, the related companies are recognised as assets held for sale as of 31 December 2015.

On 2 December 2015, Alpiq signed agreements concerning the disposal of interests in three small-scale hydropower plants and in three projects for small-scale hydropower plants in Norway. The divestitures of power plant companies Reisæter Kraftverk AS (20 %) and Sevre Kraftverk AS (90 %) and of project company Ytre Oppedal Kraftverk AS (100 %) were already concluded in 2015. The closing of the divestiture of power plant company Stølsdalselva Kraftverk AS (8 %) and of project companies Botnen Kraftverk AS (38 %) and Geitåni Kraftverk AS (40 %) is anticipated to occur during the first quarter of 2016. These three interests are recognised as assets held for sale as of 31 December 2015. The impairments recognised due to the reclassification are included in note 3 under renewable energies including projects. Measurement is performed on the basis of contractually agreed disposal prices.

Assets

CHF million	31 Dec 2015	31 Dec 2014
Property, plant and equipment	209	8
Intangible assets	4	
Investments in joint ventures and other associates	304	302
Other non-current financial assets	2	171
Inventories	8	
Trade and other receivables	12	
Prepayments and accrued income	6	
Total assets held for sale	**545**	**481**

Equity and liabilities

CHF million	31 Dec 2015	31 Dec 2014
Deferred income tax liabilities	37	1
Other non-current liabilities	6	
Other current liabilities	4	
Accruals and deferred income	10	1
Total liabilities held for sale	**57**	**2**

32 Events after the reporting period

Wholesale prices have suffered a further marked reduction in early 2016. Especially medium-term and long-term wholesale prices are affected by this price erosion. Alpiq's consistently applied hedging strategy has enabled it to already hedge transactions expected for 2016 and 2017, and partially also for 2018. Income from the short-term optimisation of the flexible power plant portfolio cannot be hedged, and it is currently impossible to gauge the effects of the current price trend in terms of opportunities that arise suddenly.

Viewed on an isolated basis, wholesale prices that remain significantly lower on a long-term basis have an effect on the extent to which Alpiq's power plant portfolio retains its value.

Subsidiaries and Investments

Holding and finance companies

	Place of incorporation	Currency	Issued capital in million	Direct ownership interest in % (voting rights)	Consolidation 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	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

Energy companies

	Place of incorporation	Licence expiry	Currency	Issued capital in million	Direct ownership interest in % (voting rights)	Consolidation method	Business activity	Reporting date
Aare-Tessin Ltd. for Electricity	Olten		CHF	0.05	100.0	F *	S	31 Dec
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
Alpiq Ltd.	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 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.	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	1.50	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 RS d.o.o. Beograd	Belgrade / RS		RSD	137.75	100.0	F	T	31 Dec

	Place of incorporation	Licence expiry	Currency	Issued capital in million	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 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	7.92	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 [1]	Sion	2044	CHF	0.00	31.8	E	G	31 Dec
Cotlan AG	Glarus Süd		CHF	4.00	60.0	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	4.62	77.7	F	G	31 Dec
Ouvra Electrica Lavinuoz Lavin SA (OELL)	Lavin		CHF	2.00	25.0	E	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 million	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 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
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 [2]	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
Romande Energie Commerce SA	Morges		CHF	15.00	11.8	E	S	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
Sodexo Energy Services GmbH	Heidelberg / DE		EUR	0.03	51.0	F	SU	31 Dec
Stølsdalselva Kraftverk AS	Jondal / NO		NOK	0.50	8.0	E	G	31 Dec
Swiss Decommissioning AG	Olten		CHF	0.10	100.0	F	S	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

1 Simple partnership
2 Of which, CHF 290 million paid in

Grid

	Place of incorporation	Currency	Issued capital in million	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
Alpiq Grid Beteiligungs AG	Olten	CHF	0.10	50.1	F	H	31 Dec
Swissgrid Ltd.	Laufenburg	CHF	316.33	30.3	E	S	31 Dec

Holding and management companies

	Place of incorporation	Currency	Issued capital in million	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 million	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
Alpiq EnerTrans S.p.A.[1]	Milan / IT	EUR	9.00	100.0	F	S	31 Dec
Caliqua Anlagentechnik GmbH	Vienna Neudorf / AT	EUR	0.19	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
Kummler Matter A.S.	Istanbul / TR	TRY	2.36	100.0	F	S	31 Dec
Mauerhofer et Zuber SA	Le Mont-sur-Lausanne	CHF	1.70	100.0	F	S	31 Dec
Transtec Gotthard[2]	Amsteg	CHF	0.00	25.0	P	S	31 Dec
Building technology services and facility management							
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 Milano S.p.A.	Milan / IT	EUR	7.60	100.0	F	S	31 Dec
Alpiq InTec East Ltd.[3]	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.[4]	Olten	CHF	5.90	100.0	F	S	31 Dec
Alpiq Process Automation Ltd.	Strengelbach	CHF	0.20	100.0	F	S	31 Dec
Helion Holding AG	Lohn-Ammannsegg	CHF	1.30	100.0	F	S	31 Dec

1 Formerly Balfour Beatty Rail Italy S.p.A.
2 Consortia
3 Merged with Advens AG
4 Merged with IReL AG Gebäudeautomation Energietechnologie

Kraftanlagen Group

	Place of incorporation	Currency	Issued capital in million	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
ECM Ingenieur-Unternehmen für Energie- und Umwelttechnik GmbH [1]	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
IA Tech GmbH	Jülich / DE	EUR	0.03	51.0	E	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

1 Merged with Ingenieurbüro Kiefer & Voß GmbH

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, income and expenditures

*	Interest held directly by Alpiq Holding Ltd.

Alpiq Group Financial Summary 2011–2015

Income statement

CHF million	2015	2014	2013	2012	2011
Net revenue	6,715	8,058	9,370	12,723	13,961
Other operating income	82	147	184	434	205
Total revenue and other income	6,797	8,205	9,554	13,157	14,166
Operating expenses	– 6,747	– 7,893	– 8,765	– 11,945	– 13,229
Earnings before interest, tax, depreciation and amortisation (EBITDA)	50	312	789	1,212	937
Depreciation, amortisation and impairment	– 561	– 985	– 510	– 2,136	– 1,229
Earnings before interest and tax (EBIT)	– 511	– 673	279	– 924	– 292
Share of results of joint ventures and other associates	– 347	– 173	– 126	– 62	– 901
Financial result	– 162	– 179	– 149	– 255	– 181
Income tax expense	190	123	14	147	28
Net income	– 830	– 902	18	– 1,094	– 1,346
Attributable to non-controlling interests	– 5	– 23	– 4	– 40	– 21
Attributable to equity investors of Alpiq Holding	– 825	– 879	22	– 1,054	– 1,325
Employees [1]	8,360	8,017	7,807	10,039	11,009

1 Average number of full-time equivalents

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

Balance sheet

CHF million	2015	2014	2013	2012	2011
Total assets	10,435	11,861	14,508	14,863	17,446
Assets					
Non-current assets	6,381	7,475	9,083	8,554	11,469
Current assets	3,509	3,905	5,425	4,460	4,139
Assets held for sale	545	481		1,849	1,838
Equity and liabilities					
Total equity	3,819	4,712	5,839	4,817	6,205
as % of total assets	36.6	39.7	40.2	32.4	35.6
Liabilities	6,559	7,147	8,669	9,782	10,513
Liabilities held for sale	57	2		264	728

Per share data

CHF	2015	2014	2013	2012	2011
Par value	10	10	10	10	10
Share price at 31 December	105	90	122	131	170
High	109	129	132	189	381
Low	60	86	106	126	150
Weighted average number of shares outstanding (in thousands)	27,617	27,190	27,190	27,190	27,190
Net income	– 31.73	– 34.19	– 0.37	– 38.76	– 48.73
Dividend [1]	0.00	2.00	2.00	2.00	2.00

1 2014: Scrip dividend

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

Ernst & Young Ltd
Maagplatz 1
P.O. Box
CH-8010 Zurich

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

To the General Meeting of

Alpiq Holding Ltd., Lausanne

Zurich, 4 March 2016

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 80 to 156), for the year ended 31 December 2015.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of these 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 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 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 2015 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

Martin Gröli	Mathias Zeller
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

Statutory Financial Statements Alpiq Holding Ltd.

Income Statement

CHF million	Note	2015	2014
Revenue			
Dividend income	2	248	372
Finance income	3	148	100
Other income		10	40
Exceptional income	4	37	
Total revenue		**443**	**512**
Expenses			
Other expenses		31	33
Impairments on investments		334	38
Finance costs	5	278	249
Direct taxes		2	2
Total expenses		**645**	**322**
Net income		**– 202**	**190**

Balance Sheet

Assets

CHF million	Note	31 Dec 2015	31 Dec 2014
Cash and cash equivalents		443	979
Other current receivables	6	794	334
Prepayments and accrued income		1	14
Current assets		**1,238**	**1,327**
Loans receivable	7	775	1,020
Investments	8	4,115	4,458
Non-current assets		**4,890**	**5,478**
Total assets		**6,128**	**6,805**

Equity and liabilities

CHF million	Note	31 Dec 2015	31 Dec 2014
Current interest-bearing payables	9	493	576
Accruals and deferred income		104	110
Current liabilities		**597**	**686**
Interest-bearing loans payable	10	567	597
Bonds	11	2,438	2,754
Non-current provisions			37
Non-current liabilities		**3,005**	**3,388**
Share capital		279	272
Statutory capital reserves			
Capital contribution reserves		1,100	1,110
Other capital reserves		4	4
Statutory revenue reserves		53	53
Retained earnings		1,090	1,292
Equity	12	**2,526**	**2,731**
Total equity and liabilities		**6,128**	**6,805**

Notes to the Company Financial Statements

1 Preliminary note

The financial statements of Alpiq Holding Ltd., Lausanne, have been prepared in accordance with the provisions of Swiss accounting legislation (Title 32 of the Swiss Code of Obligations). As in the previous year, the company employed no staff during the financial year under review.

The following section describes the main valuation principles applied that are not specified by law.

Loans receivable / hedges

Loans receivable that are denominated in foreign currencies are measured at the closing rate on the reporting date, whereby unrealised losses are recognised, and unrealised gains are not reported. In the case of derivatives deployed in hedges, too, unrealised losses are recognised, but unrealised gains are not recognised.

Bonds

Bonds are recognised at face value. The discount and issue costs of bonds are recognised as finance costs in the issue year. Any premium (less issue costs) is recognised as a deferred credit and amortised straight-line over the bond term.

The 2015 financial statements are prepared according to the new Swiss accounting legislation. The previous year's figures were restated to ensure comparability.

2 Dividend income

Dividend income comprises dividends received from subsidiaries.

3 Finance income

CHF million	2015	2014
Interest income from Group companies and shareholders	40	61
Interest income from third parties	3	2
Other finance income from Group companies and shareholders	3	4
Other finance income from third parties	8	
Foreign exchange gain	94	33
Total	**148**	**100**

4 Exceptional income

Extraordinary income reflects the release of provisions that were no longer required. This resulted in a CHF 37 million net release of hidden reserves in 2015.

5 Finance costs

CHF million	2015	2014
Interest expense to Group companies and shareholders	4	19
Interest expense to third parties	100	121
Other finance costs to Group companies and shareholders		2
Other finance costs to third parties	34	45
Foreign exchange loss	140	62
Total	**278**	**249**

6 Other current receivables

CHF million	31 Dec 2015	31 Dec 2014
Due from Group companies	284	308
Due from third parties	510	26
Total	**794**	**334**

Other current receivables comprise current financial receivables as well as VAT and withholding tax receivables.

7 Loans receivable

CHF million	31 Dec 2015	31 Dec 2014
Due from Group companies	763	1,015
Due from third parties	12	5
Total	**775**	**1,020**

8 Investments

A list of direct and significant indirect investments is disclosed starting on page 151.

9 Current interest-bearing payables

CHF million	31 Dec 2015	31 Dec 2014
Due to Group companies	342	198
Due to third parties	151	378
Total	**493**	**576**

Current interest-bearing payables include cash pooling payables, maturing bonds and loans payable with a maximum 12-month term.

10 Interest-bearing loans payable

CHF million	31 Dec 2015	31 Dec 2014
Due to shareholders (hybrid loan)	367	367
Due to third parties	200	230
Total	**567**	**597**

The interest-bearing loans payable have a remaining maturity between one year and up to an unlimited maturity. The weighted average rate of interest on the balance sheet date amounts to 4.07 % (previous year: 3.92 %).

11 Bonds

CHF million	Maturity	Earliest repayment date	Interest rate %	Face value at 31 Dec 2015	Face value at 31 Dec 2014
Fixed-rate bond issued by Alpiq Holding Ltd.	2008/2015	25 Mar 2015	3 1/4		174
Fixed-rate bond issued by Alpiq Holding Ltd.	2009/2015	3 Jul 2015	3 1/4		154
Fixed-rate bond issued by Alpiq Holding Ltd.[1,2]	2011/2016	20 Sept 2016	1 3/8	151	176
Fixed-rate bond issued by Alpiq Holding Ltd.[2]	2009/2017	10 Feb 2017	4	100	137
Fixed-rate bond issued by Alpiq Holding Ltd.[2]	2012/2017	13 Apr 2017	2	172	207
Fixed-rate bond issued by Alpiq Holding Ltd.[2]	2012/2017	13 Apr 2017	2	16	19
Fixed-rate bond issued by Alpiq Holding Ltd.[2]	2006/2018	1 Mar 2018	2 5/8	100	190
Fixed-rate bond issued by Alpiq Holding Ltd.[2]	2008/2018	30 Oct 2018	3 7/8	80	120
Fixed-rate bond issued by Alpiq Holding Ltd.[2]	2008/2018	30 Oct 2018	3 7/8	20	30
Fixed-rate bond issued by Alpiq Holding Ltd.[2]	2009/2019	25 Nov 2019	3	400	500
Fixed-rate bond issued by Alpiq Holding Ltd.	2011/2021	20 Sept 2021	2 1/4	225	225
Fixed-rate bond issued by Alpiq Holding Ltd.	2012/2022	16 May 2022	3	200	200
Fixed-rate bond issued by Alpiq Holding Ltd.	2015/2023	30 Jun 2023	2 1/8	150	
Fixed-rate bond issued by Alpiq Holding Ltd.	2015/2023	30 Jun 2023	2 1/8	25	
Fixed-rate bond issued by Alpiq Holding Ltd.	2014/2024	29 Jul 2024	2 5/8	300	300
Public hybrid bond issued by Alpiq Holding Ltd.	-	15 Nov 2018	5	650	650

1 At 31 December 2015, recognised under current interest-bearing liabilities
2 Partial bond repurchase at 30 June 2015

The weighted interest rate on bonds issued, relative to face value, was 3.22 % at the reporting date (previous year: 3.25 %).

12 Equity

CHF million	Share capital	Statutory capital reserves: Capital contribution reserves	Statutory capital reserves: Share premium	Statutory revenue reserves	Retained earnings	Total equity
Balance at 31 December 2013	**272**	**1,164**	**4**	**53**	**1,102**	**2,595**
Transfer from capital contribution reserves to statutory revenue reserves		– 54		54		0
Dividends				– 54		– 54
Net income					190	190
Balance at 31 December 2014	**272**	**1,110**	**4**	**53**	**1,292**	**2,731**
Capital increase from scrip dividend	7	44		– 51		0
Transfer from capital contribution reserves to statutory revenue reserves		– 54		54		0
Dividends				– 3		– 3
Net income					– 202	– 202
Balance at 31 December 2015	**279**	**1,100**	**4**	**53**	**1,090**	**2,526**

Major shareholders

The major shareholders of Alpiq Holding Ltd. are disclosed in note 18 to the consolidated financial statements.

13 Collateral provided for third-party liabilities

Guarantees in favour of Group companies and third parties totalled CHF 533 million at 31 December 2015 (previous year: CHF 794 million).

14 Shares held by Directors and Executive Board members

		Number 31 Dec 2015	Number 31 Dec 2014
Hans E. Schweickardt	Chairman until 30 April 2015	310	310
Conrad Ammann	Director	200	150
Alex Kummer	Director	305	200
Urs Steiner	Director	127	27
Jasmin Staiblin	CEO	102	100
Reinhold Frank	Executive Board member	102	100
Patrick Mariller	Executive Board member until 31 March 2015	0	5
Michael Wider	Executive Board member	102	100
Total		**1,248**	**992**

Proposal of the Board of Directors

Appropriation of retained earnings

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

CHF	
Net income for 2015 reported in the income statement	– 202,173,485
Retained earnings brought forward	1,291,772,074
Retained earnings	**1,089,598,589**

Transfer to statutory revenue reserves	0
Balance to be carried forward	**1,089,598,589**

Ernst & Young Ltd
Maagplatz 1
P.O. Box
CH-8010 Zurich

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

To the General Meeting of

Alpiq Holding Ltd., Lausanne

Zurich, 4 March 2016

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, balance sheet and notes (pages 164 to 171), for the year ended 31 December 2015.

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 2015 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

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

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

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

Ernst & Young Ltd

Martin Gröli	Mathias Zeller
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

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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Financial calendar

28 April 2016:
Annual General Meeting

26 August 2016:
Interim Report

18 May 2017:
Annual General Meeting

Contacts

Investor Relations
Lukas Oetiker
T +41 62 286 75 37
investors@alpiq.com

Communications & Public Affairs
Richard Rogers
T +41 62 286 71 10
media@alpiq.com

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Online Annual Report

www.alpiq.com/reports

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.

Alpiq Holding Ltd.

www.alpiq.com