



ANNUAL REPORT 2010/11

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KEY FIGURES

- Gross margin down 23% to CHF 502.1 million
- Net profit dropped due to regulatory effects and other factors by 12% to CHF 22.2 million
- Gearing up to 51.9%
- Cash flow from operating activities 19% higher at CHF 132.9 million

		2010/11	2009/10	2008/09	2007/08	2006/07
EGL GROUP						
Net sales	CHF MILLIONS	2,573.5	2,610.2	3,957.7	4,167.0	5,890.4
Gross margin	CHF MILLIONS	502.1	648.8	810.4	780.8	551.1
Earnings before interest, tax, depreciation and amortisation (EBITDA)	CHF MILLIONS	134.3	245.9	442.6	483.0	330.7
Earnings before interest and tax (EBIT)	CHF MILLIONS	53.3	168.0	329.8	433.1	296.1
Share of profit of associates	CHF MILLIONS	-2.0	-5.0	1.7	12.8	22.2
Financial result	CHF MILLIONS	-24.5	-98.4	-83.9	-30.6	248.2
Earnings before tax (EBT)	CHF MILLIONS	26.8	64.6	247.6	415.3	566.5
Income tax expense	CHF MILLIONS	-4.6	-39.3	-60.9	-99.9	-117.1
Net profit incl. minority interests	CHF MILLIONS	22.2	25.3	186.7	315.4	449.4
in % of equity	%	1.2	1.3	8.8	15.6	25.0
Free cash flow (drain)	CHF MILLIONS	-52.4	-6.7	12.7	51.6	-9.1
Cash flow from operating activities	CHF MILLIONS	132.9	111.9	174.5	295.9	157.0
Total capital per 30 September	CHF MILLIONS	5,407.9	5,668.7	6,788.4	7,180.1	5,453.9
Total equity per 30 September	CHF MILLIONS	1,709.7	1,927.5	2,110.8	2,110.1	1,928.3
Gearing	%	51.9	43.1	35.9	33.2	33.1
Net debt		887.2	831.5	757.3	701.1	638.9
Cash and cash equivalents	CHF MILLIONS	301.6	478.3	718.4	786.5	683.8
Average number of employees	FTE	769	855	746	602	477
Number of employees at balance sheet date	FTE	737	822	832	656	525
EGL AG						
Profit for the period	CHF MILLIONS	-85.5	153.9	236.6	130.1	262.6
EGL SHARE						
Earnings (excl. minority interests) per share	CHF	7.99	9.13	70.83	119.48	169.49
Dividend per share	CHF	- ¹	18.00	18.00	18.00	18.00
Equity (excl. minority interests) per share	CHF	642.54	720.38	788.98	791.55	721.81
Share price high	CHF	865	1,089	1,241	1,539	1,530
Share price low	CHF	651	710	866	1,159	1,011

¹ The Board of Directors propose no dividend for the reporting year

DEAR SHAREHOLDER

A growing number of external factors is impacting the energy sector. Over the past 12 months EGL has been aligning its structures and processes to the challenges posed by these factors, and adjusting them to the change in margin potential. In this difficult environment, net profit declined over the previous year by 12% to CHF 22.2 million, which was impacted by regulatory effects totalling CHF 39.8 million CHF.

The 2010/11 financial year was characterised by numerous incidents, decisions and developments which had a major influence on the energy sector. A major incident with international repercussions was the accident at the Japanese nuclear power plant Fukushima, which resulted in the suspension of framework permit applications for the construction of replacement nuclear power plants in Switzerland.

At European Union level the third liberalisation package became binding for all member states in the year under review, while additional rules were introduced to increase market transparency via traders' and producers' reporting obligations. The conclusion of a bilateral electricity agreement between Switzerland and the EU failed to come to fruition and is still outstanding. Finally, the expansion of electricity-generating capacities based on renewable energies has continued unabated across Europe, leading to changes in conventional pricing patterns which in turn are having a major impact on energy trading business (see separate article, p. 8).

The Swiss government and parliament have pledged to phase out nuclear energy over the long term. The Federal Council has been commissioned to add a clause to the Nuclear Energy Act that would ban the construction of new nuclear power plants. Parliament will be able to deliberate again on the issue once the revised Act has been drawn up. The first decommissioning of a nuclear power plant in Switzerland could take place around 2020, the last after 2034.

The year under review also saw the signing of a Memorandum of Understanding between the owners of the transmission system (which includes EGL Grid AG) and the grid operator Swissgrid with regard to the handover of the transmission system.

All these changes harbour opportunities and risks for EGL and have a bearing on earnings and growth potential. EGL is addressing these challenges by positioning itself flexibly and leveraging the options and expertise at its disposal in order to successfully capture niche markets with above-average potential.

Energy prices influenced by many factors

The first half of 2010/11 saw a sharp rise in primary energy prices, fuelled in large part by natural catastrophes and social tensions. The earthquake in Japan and the shutdown of individual nuclear power plants pushed up the country's demand for natural gas. In addition, Germany's decision to exit from nuclear energy by 2022 and to finally decommission the eight nuclear plants which have already been shut down led to a surge in electricity prices on the spot and forward markets.

“Various changes have a bearing on the company's earnings and growth potential.”

The escalation of the situation in Libya and Syria, coupled with fears of a severe hurricane season in the United States, extreme weather conditions elsewhere and low water levels in central Europe, which continued into the summer season, kept fuel and electricity prices high until early summer. The second half of the year, however, saw a reversal of the trend. The deepening of the debt crisis in Europe, the rating agencies' downgrading of Greece, Spain and Italy, concerns about a renewed recession and mild temperatures weighed down spot and forward prices for electricity and natural gas, while volatility fell sharply.

The steep rise in oil prices in the last calendar quarter of 2010 drove up gas prices significantly in the 2010/11 financial year. As the electricity price failed to keep pace, the Clean Spark Spread (difference between the electricity price on the one hand and natural gas and certificate prices on the other) was negative for a large number of hours.

Effect of the Europe-wide nuclear energy debate

Through its stake in Leibstadt nuclear power plant in Switzerland and electricity procurement rights from France's Bugey and Cattenom nuclear power plants, EGL generates and procures an average of 2.5 billion kWh of electricity a year from nuclear plants. This means that any future political and regulatory decisions on the use of nuclear energy will have direct and indirect implications for EGL, ranging from possible higher production costs to the fulfilment of new requirements imposed by the authorities to nuclear power plant closures.

Bilateral electricity agreement with the EU still pending

Negotiations between Switzerland and the EU concerning the electricity sector continued during the year under review and are still ongoing. Among other things the negotiations covered grid access for cross-border electricity trading, and a solution was developed that would guarantee the rights of holders of long-term electricity procurement agreements and protect EGL's investments in power plants and grids in France by allowing it to procure electricity there for use in Switzerland. Along with other representatives of the Swiss electricity industry, EGL is seeking a rapid culmination of the negotiations in the form of a simple and stand-alone bilateral electricity trading agreement between Switzerland and the EU.

Lower gross margin

In this extremely adverse environment, EGL's gross margin contracted by 23% to CHF 502.1 million over the previous year. The fall was largely attributable to a weaker trading result, low operating hours of the gas-fired combined-cycle power plants in Italy, the declining difference in prices between Italy and the neighbouring markets as well as the impact of the exchange rate on the results reported in Swiss francs.

“EGL is seeking a rapid culmination of the negotiations in the form of a bilateral electricity trading agreement between Switzerland and the EU.”

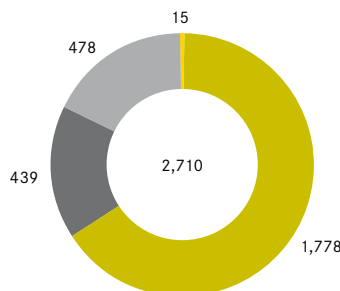
Average headcount in the EGL Group shrank during the course of the financial year from 855 FTEs to 769 (- 10%). Personnel expenses fell by a disproportionate 18% to CHF 133.8 million. As of the balance sheet date the headcount totalled 737 FTEs (- 10%). This reduction is primarily attributable to the adjustment of structures and processes in trading and in back-office operations at the Dietikon office. Targeted cost-cutting measures enabled EGL to reduce other operating expenses to CHF 239.7 million (- 5%).

Electricity generation and procurement in the 2010/11 financial year

EGL has investments in power plants in Switzerland, Spain and Italy and long-term supplier contracts with producers in France. These investments and procurement rights provide EGL with a total installed capacity of around 2,700 MW. In the 2010/11 financial year EGL generated and procured a total of 9.71 billion kWh of electricity (previous year: 11.87).

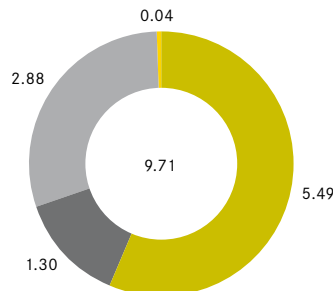
Production and procurement capacities

(in MW, including sub-participations)



Electricity production and procurement

(in billion kWh)



Generation technologies

- Gas-fired combined-cycle power plants (IT)
- Hydropower (CH)
- Nuclear power (37% CH/63% FR)
- Wind power (ES)

Regulatory decisions impact net profit

In the 2010/11 financial year, the EGL Group generated EBIT of CHF 53.3 million (-68%). The share of profits of associates increased from CHF -5.0 million in the previous year to CHF -2.0 million, while the financial result improved from CHF -98.4 million to CHF -24.5 million. As a result of the Memorandum of Understanding concerning the handover of the high-voltage network in Switzerland to the transmission system operator Swissgrid, EGL had to recognise in its income statement a write-off of receivables from Swissgrid in the amount of CHF 39.8 million. Accordingly, EGL achieved EBT of CHF 26.8 million (-59%). This resulted in consolidated income tax expense of CHF 4.6 million (-88%), giving rise to a net profit after tax of CHF 22.2 million (-12%) for the 2010/11 financial year.

In the year under review EGL posted cash flow from operating activities of CHF 132.9 million (prior-year period: CHF 111.9 million). At 30 September 2011 cash and cash equivalents amounted to CHF 301.6 million (-37%), while gearing increased over the previous year by 8.8% to 51.9%.

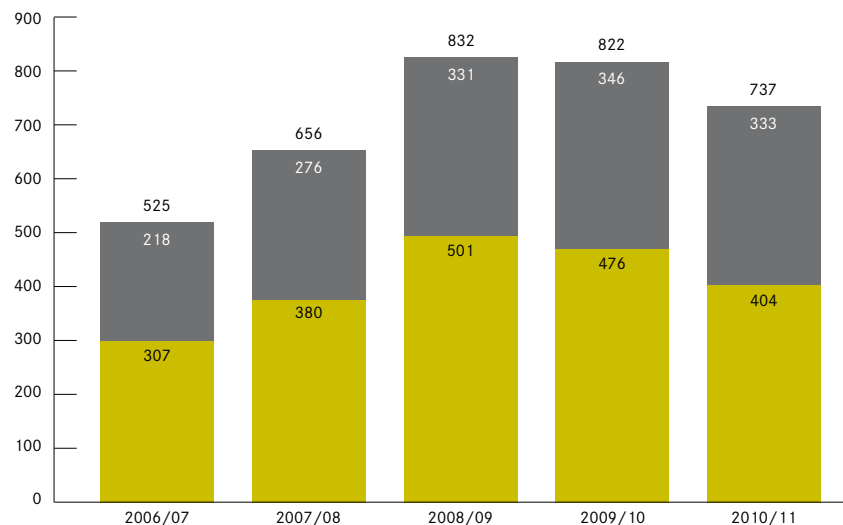
Lower energy trading result

At CHF 30.2 million, EGL's result from energy trading was lower than the previous year (-73%). The main reason was the much weaker result from cross-border trading with Italy. Local business in Italy was impacted by the Clean Spark Spread coupled with a sharp increase in electricity generated from renewable energy sources. Here EGL posted good results in retail business, as well as in origination business where there was a realignment of customer business and a shift towards structured products and innovative services. In Spain, where EGL now manages electricity generating capacities totalling over 7,000 MW, good results were achieved both in trading and origination business.

“EGL expects the origination business to offer major growth potential in the future and is stepping up its activities accordingly.”

In Central Europe EGL increased its activities and income from origination business substantially. In Germany it achieved good results in this area and also entered the renewable energies marketing business, while in France and Benelux it succeeded in ex-

Further decline in headcount



■ Employees in other countries
■ Employees in Switzerland

panding its origination activities for large customers. In Switzerland the Group's trading organisation in Dietikon was adjusted in terms of size, structures and processes.

Despite a lower trading result than in the previous year, EGL continued to expand its position in origination business in the Nordic markets and concluded long-term contracts with producers and customers both in this region and in Poland. Origination as a share of the added value generated by the Energy Trading & Origination division increased further. EGL expects this business area will continue to offer major growth potential in the future and is stepping up its activities accordingly.

Reduced operation of assets in Italy

The Assets division decreased its operating result to CHF 79.9 million (- 26%) compared to the previous year. Business performance was affected by the low Clean Spark Spread in Italy and the resultant reduction in the operation of gas-fired combined-cycle plants there. Energy deliveries to EGL under long-term contracts and participations in nuclear power plants in Switzerland and France were in line with expectations. Production in hydropower plants in which EGL owns a stake was slightly below the average over the past ten years due to low precipitation.

In terms of developing other assets, EGL is concentrating on wind-farm projects. Financing for the Global Tech I offshore wind farm in the North Sea off the coast of Germany was secured in the autumn of 2011 following the signing of all key supply contracts. Commissioning of the first part of the 400-MW wind farm is scheduled for 2012. It is anticipated that full-scale operation will begin in 2013. The foundations for the Winbis 66-MW wind farm in Italy were laid during the year under review. The wind farm is expected to go on stream in the third quarter of 2012. In July 2011 EGL and five Swiss energy providers founded the holding company Terravent AG for the purpose of investing in wind farms in European countries outside Switzerland. EGL plans to partner with the French company Direct Energie and tender for hydropower licences that are up for renewal in France.

EGL sold three joint venture projects in the year under review. In the case of one project it decided that the prerequisites for a long-term and economically attractive participation in the NorGer undersea cable project between Norway and Germany were no longer in place. As a result it sold its 16.67 stake to the majority shareholder, Norwegian transmission system operator Statnett. In the second project EGL sold its 51.6% majority stake purchased in 2009 to HS Kraft AB, a developer of wind farm projects in Sweden. In the third project EGL sold a biomass power plant project in Pinzón in Spain.

Switzerland: grid valuation still pending

The definitive valuation of EGL's transmission system in Switzerland is still pending. In EGL's opinion the valuation made by EICOM, the state regulatory body, is too low. EGL Grid AG, a subsidiary of

EGL AG and owner of the grid installations in the EGL transmission system, has therefore lodged an appeal with the Federal Administrative Court against EICOM's 2011 ruling. A decision by the Federal Administrative Court concerning appeals filed by EGL in 2009 and 2010 is also still pending.

In a Memorandum of Understanding which entered into force at the end of June 2011, EGL along with other Swiss transmission system owners and Swissgrid regulated the relevant key points for the handover of the transmission system to Swissgrid by the end of 2012 at the latest. The Memorandum states among other things that the system must be handed over at a value commensurate with the last tariff ruling of the state regulatory authority EICOM or with a verdict reached by a court of final instance. EGL Grid AG consequently adjusted the value of the transmission system in its balance sheet after the write-off from CHF 240.9 million to CHF 161.2 million. This value was calculated on the basis of EICOM's 2011 ruling and takes current developments into account. The allowance of CHF 79.7 million for the transmission system was charged directly to equity via the revaluation reserves.

In the past EGL Grid AG had billed Swissgrid for its utilisation of the system on the basis of the higher reported value. However, it was only reimbursed by Swissgrid for usage based on the values decreed by EICOM. As a result, total receivables from Swissgrid now amount to CHF 39.8 million and have been written off by EGL and recognised in the income statement.

“In EGL's opinion the valuation of its transmission system in Switzerland made by EICOM, the state regulatory body, is too low.”

Natural gas business remains challenging

In natural gas business, the persistent surplus in supply, a continued reduction in demand and an only slightly corrected decoupling of oil and gas prices continued to weigh down sales. The division was nevertheless able to improve its operating result to CHF - 12.5 million (+ 66%). Over the medium term, EGL expects to see a moderate rise in demand for natural gas, in particular for the purpose of generating electricity in Europe. Imports are likely to increase due to the scaling back of production from domestic sources (above all in the North Sea, the Netherlands, Germany and Italy).

Electricity prices remained at a low level in south-eastern Europe, where the Gas Supply & Southeast Europe division is engaged in natural gas business and, above all, in cross-border electricity trading. The reason for this was the continuing impact of the economic crisis on the region. To expand its activities in Turkey in a sustainable manner, EGL, in conjunction with Demirören Holding, has

founded two joint venture companies in Turkey, one for natural gas, the other for electricity. It has also signed a Memorandum of Understanding with the Turkish natural gas company BOTAS for the purpose of cooperating in the gas sector. In its business with Liquefied Natural Gas (LNG), EGL made its first deliveries to Greece and Japan, the latter based on a cooperation agreement with LNG Japan.

EGL made headway with its partners in the Trans Adriatic Pipeline (TAP) project to develop the southern gas corridor. In Italy, Albania and Greece, an application for third-party access exemption, and in Italy and Albania, documents for the environmental and social impact analysis, were submitted to the relevant authorities. Memoranda of Understanding have been signed with other countries in the West Balkans for the purpose of connecting these countries to the TAP via the Ionian Adriatic Pipeline (IAP). EGL is also in talks with the Shah Deniz consortium to procure natural gas from Azerbaijan. The decision concerning the marketing of this gas field and the preferred transport route to Europe is expected to be made in the first quarter of 2012. A positive decision by the consortium in favour of the TAP as the preferred export route in the southern corridor is a precondition for the continuation of the TAP project.

Cost-saving measures are yielding results

With a view to safeguarding the company's long-term profitability, EGL continued to step up the focus on implementing its strategy and on reducing costs via its cost-cutting programme. Within the

space of one year operating costs were cut by more than CHF 40 million and the number of employees declined by around a tenth.

Successful takeover offer by Axpo Holding AG

At the end of June 2011 Axpo Holding AG presented minority shareholders with a public takeover offer for the remaining bearer shares of EGL AG at a price of CHF 850 per share. By the time the extended deadline for the bid expired on 1 September, Axpo had acquired 99.8% of the voting rights and share capital of EGL. Following completion of the bid Axpo filed for the invalidation of the remaining EGL shares and prepared the delisting of the shares.

“Within the space of one year operating costs were cut by more than CHF 40 million.”

Share performance

At the start of the 2010/11 financial year, the EGL share price stood at CHF 705.00. During the reporting period it fluctuated between CHF 651.00 (24 February 2011) and CHF 865.00 (8 September 2011) and traded mainly around the purchase price offer of CHF 850.00 following the launch of the bid by Axpo Holding AG. At the end of September 2011 the price stood at CHF 841.50. The

Utilisation of renewable energies impacts energy trading

Expansion of electricity generating capacities from renewable energies continues unabated in Europe. Today Spain has onshore wind farms with a capacity of almost 21,000 MW, while in Germany capacities from photovoltaic installations already exceed 17,000 MW. In the EU, the aim is to generate 30% of electricity from renewable energies by 2020.

An important consequence of this trend is a change in the deployment of power plants. Conventional plants can be deployed as and when necessary: nuclear and coal-fired power plants for base loads, gas- and oil-fired plants for peak loads. Deployment of wind and photovoltaic installations, however, is weather-dependent. Moreover, operation of these power plants is mostly remunerated by way of fixed feed-in tariffs so that the producers have no reason to shut down plants when demand is low.

This has implications for electricity prices. The difference between peak and off-peak prices has narrowed sharply due to the high share of electricity from photovoltaic installations. More hours with very high or very low electricity prices can be observed. Hitherto price-determining factors such as primary energy costs are becoming less relevant for short-term electricity price trends. In contrast, weather

influences such as wind and sunshine are assuming ever-greater importance.

While there are, on balance, fewer generating capacities delivering a stable base load, flexible power plants are becoming more important. Gas-fired power plants and storage capacities are deployed when weather conditions prevent sufficient generating capacities from renewable energies. But if gas-fired power plants only run at full capacity for a limited number of hours, their profitability can be called into question. Many countries are therefore planning capacity markets in which the provision of capacity is paid for irrespective of actual deployment.

This transformation in the electricity markets is opening up new opportunities for EGL. The company is already active in marketing electricity from wind power and manages a generating portfolio in Spain in excess of 7,000 MW. In its trading business, EGL is employing the new pricing patterns that are emerging in response to the new situation. In addition, it is able to use its flexible assets in spot and forward markets as well as optimise them in auxiliary services and capacity markets.

share therefore registered a positive performance of + 19.4% and a positive total return (taking dividends into account) of + 21.9% in the 2010/11 financial year. On average, 418 EGL shares changed hands daily during the course of the 2010/11 financial year.

The EGL Board of Directors will propose to the Annual General Meeting of Shareholders that no dividend be paid.

The image shows two handwritten signatures in black ink. The signature on the left is for Heinz Karrer, appearing as a series of connected loops and a final horizontal stroke. The signature on the right is for Hans Schulz, starting with a large 'H' followed by a series of loops and a final vertical stroke.

HEINZ KARRER
Chairman of the Board of Directors

HANS SCHULZ
CEO

CORPORATE GOVERNANCE

Transparent Corporate Management

EGL is committed to professional and transparent corporate management in line with its corporate values. It believes that good corporate governance is an important prerequisite for the company's success.

01 Group structure and shareholders

The EGL Group has three operating divisions: "Energy Trading & Origination", "Assets" and "Gas Supply & Southeast Europe". Other tasks are organised in the "Finance & Operations" and "Corporate Functions" divisions.

1.1 Energy Trading & Origination. "Energy Trading & Origination" comprises the trading hubs Central and Eastern Europe, Northern Europe, Iberia, Italy and the UK as well as parts of the Group's Swiss business. These units are active in the fields of energy supply, energy trading and services related to energy trading, and portfolio management. Energy trading covers cross-border trading, cross-commodity trading, power plant production optimisation and origination. Trading is conducted in physical as well as financial products. Trading in energy-related commodities covers electricity, natural gas, oil, coal and emission certificates.

1.2 Assets. The "Assets" division incorporates the planning, construction, operation, maintenance and long-term economic optimisation of assets. EGL's asset portfolio comprises power plants, long-term contracts and transport installations in Switzerland and abroad.

1.3 Gas Supply & Southeast Europe. The long-term natural gas business (with a time horizon of more than three years) covers procurement, transport and storage, wholesaling, sales to large customers and the centre of competence for Liquefied Natural Gas (LNG). EGL primarily procures natural gas directly from producers and uses it to supply proprietary gas-fired combined cycle power plants as well as for short-term trading transactions or long-term sales to customers. This unit also includes electricity and gas trading activities in the illiquid markets of Southeast Europe, includ-

ing wholesale trading and cross-border trading in electricity.

1.4 Finance & Operations. In addition to the traditional finance functions such as Controlling, Accounting, Tax and Treasury, the "Finance & Operations" division is also responsible for risk management and Group IT matters as well as business development processes in electricity and natural gas trading.

1.5 Corporate Functions. The "Corporate Functions" division includes the Analysis & Strategy, Communication, Human Resources, Legal & Compliance, Project Portfolio Management, Mergers & Acquisitions and Project Development departments.

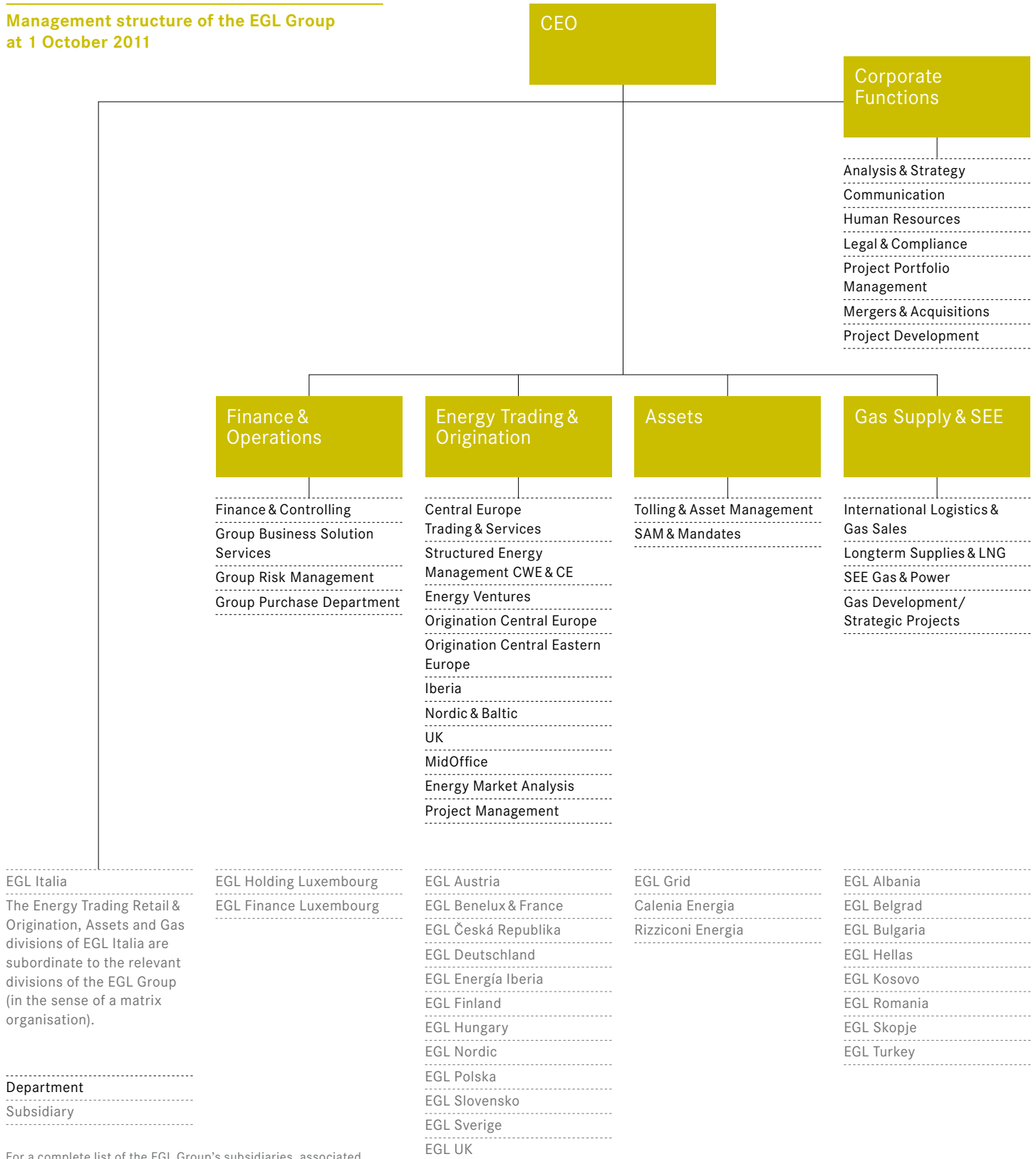
1.6 Group structure. The parent company EGL AG is the only listed company in the consolidated group. The company is listed on the SIX Swiss Exchange (Zurich) and is based in Laufenburg, with a subsidiary in Dietikon, Zurich. The market capitalisation of the listed bearer shares (Sec. No. 328822/ISIN CH 0003288229) amounted to CHF 2,221.4 million as at 30 September 2011 (closing price of EGL share CHF 841.50 x 2,640,000 shares).

The list of Group subsidiaries, associates and other investments on page 88 contains all companies in the consolidated group of EGL AG.

1.7 Significant shareholders. Axpo Holding AG, Baden, directly holds 99.8% of the share capital. No shareholders' agreements exist.

1.8 Cross-shareholdings. There are no cross-shareholdings.

Management structure of the EGL Group at 1 October 2011



For a complete list of the EGL Group's subsidiaries, associated companies and other investments, see page 88

02 Capital structure

2.1 Capital. The ordinary share capital as at 30 September 2011 amounts to CHF 132 million. EGL has no authorised or conditional capital.

2.2 Changes in capital. Changes in share capital over the last four years are shown in the “Information per share” table on page 106.

2.3 Shares and participation certificates. The share capital of EGL amounts to CHF 132 million, divided into 2,640,000 bearer shares with a par value of CHF 50 per share. The shares are fully paid up. Each bearer share entitles the holder to one vote at the Annual General Meeting. Each share has the same dividend entitlement; there are no restrictions on transferability. There are no preferential rights or restrictions on voting rights. The company has no outstanding participation certificates, dividend-right certificates or options.

03 Board of Directors

The responsibilities of the EGL AG Board of Directors are defined in the Swiss Code of Obligations, the Articles of Association and the Organisational Regulations.

3.1 Members of the Board of Directors. The Board of Directors of EGL AG comprises seven/five persons. None of the Board members exercises an executive management function within the company. In the three financial years preceding the reporting period, no member of the Board was entrusted with an executive management function within the EGL Group, and no business relationships existed with EGL AG.

Board of Directors of EGL AG
(As at 30 September 2011)

Heinz Karrer, Münsingen, Chairman
Dr. Rolf Bösch, Wettingen, Vice Chairman
Dr. Peter Derendinger, Wilen near Wollerau
Dr. Dominik Koechlin, Riehen
Dr. Andrew Walo, Zurich

Benedikt Weibel and Hansueli Sallenbach stood down from the Board of Directors in January 2011. At the same time the Board of Directors was reduced to five members.

Pages 14 and 15 provide information about the name, nationality, position, date of appointment, education and training, professional background and other mandates of each Board member.

3.2 Election and term of office. Board members are elected for a period of three years and may be re-elected. There is no restriction on the number of terms of office, but members are only eligible for election to the Board of Directors until the age of 65. Newly elected members take over their predecessor’s term of office. The year in which the current members of the Board of Directors were elected for the first time is shown in the brief biographies on pages 14 and 15.

3.3 Internal organisation. The Board of Directors is self-constituting. It appoints the Chairman and the Vice Chairman for a period of three years, as well as the Secretary, who need not be a member of the Board of Directors. The Board of Directors may appoint committees from among its members to perform special duties and assign them the necessary powers. A quorum is constituted when the majority of the board members are present. In the event of a tied vote, the Chairman has the casting vote.

A record of the proceedings and resolutions is kept. The Board of Directors convenes at the invitation of the Chairman as often as business requires, and at the written request of a Board member or Executive Management. During the year under review, the Board of Directors held nine meetings at which generally all members of Executive Management were present or participated via teleconference.

3.4 Audit and Finance Committee. The Audit and Finance Committee consists of Dr. Dominik Koechlin (Chairman), Dr. Peter Derendinger, Heinz Karrer and Dr. Rolf Bösch. It forms an independent assessment of the financial condition of the EGL Group, discusses the company’s financial statements with the CFO and the Chief Auditor, and provides advice to the Board of Directors, particularly with regard to financial objectives, financial strategy and financial planning. The Committee meets as and when required. During the year under review, it convened four times.

1 The Board of Directors was reduced in size following a resolution passed at the Annual General Meeting on 24 January 2010.

3.5 Nomination and Remuneration Committee.

The Nomination and Remuneration Committee consists of Dr. Peter Derendinger (Chairman), Heinz Karrer and Dr. Dominik Koechlin. It is charged with defining the contractual terms and conditions of employment for members of Executive Management. It also advises the Board of Directors, particularly with regard to election proposals for new Board members, the selection and evaluation of candidates for Executive Management, and other personnel matters. The Committee meets as and when required. During the year under review, it convened four times.

3.6 Risk Council. In addition to the Board Committees, there is a Risk Council comprised of Heinz Karrer, Dr. Rolf Bösch, Dr. Peter Derendinger and the members of Executive Management. The Risk Council supports the responsible bodies by providing advice on monitoring the risk situation and the further development of risk management. It meets on a quarterly basis.

3.7 Assignment of Authorities. The division of authorities and responsibilities between the Board of Directors and Executive Management is laid down in the Organisational Regulations, which are published on the EGL website (www.egl.eu) under "Investor". The Organisational Regulations set forth the non-transferable and inalienable duties of the Board of Directors as stipulated by law, and delegate all remaining activities (especially those of an operational nature) to the CEO, who in turn delegates them to members of Executive Management. Executive Management is presided over by the CEO, who ensures that decisions made by the Board of Directors are implemented. Financial powers and authorities are governed by the Appendix to the Organisational Regulations. The CEO can personally approve, inter alia, non-budgeted projects and loans as well as investments and divestments up to the amount of CHF 3 million. Decisions on transactions over and above these amounts are subject to the approval of the Board of Directors. Every year the Board sets special limits of authority for the CEO for energy transactions.

3.8 Information and control instruments vis-à-vis Executive Management.

Executive Management informs the Board of Directors about the progress of business on a quarterly basis and about other important events on an ongoing basis. The auditors draw up an annual Management Letter outlining the most important findings of their audit. The internal auditors report on the results of their activities to the Board of Directors. The Risk Council reports to the Board of Directors on a regular basis regarding risk assessment and risk management at EGL.



1

1

Heinz Karrer

10 May 1959

Swiss

Certified business economist

Member of the EGL Board of Directors since 2003, Chairman since 2003, member of the EGL Audit and Finance Committee, the EGL Nomination and Remuneration Committee and the EGL Risk Council

Since 2002

CEO of Axpo Holding AG

1998 to 2002

Member of the Group Executive Board and Head of Marketing & Sales at Swisscom AG

1995 to 1997

Chairman of the Management Board of Ringier Switzerland and member of the Group Executive Board of Ringier AG

Member of the Board of Directors of the following companies

Centralschweizerische Kraftwerke AG (Chairman), Axpo AG (Chairman), swissgrid ag, Resun AG, Kuoni Reisen Holding AG

Chairman of the Management Board of Swisselectric and member of the Management Board of Economiesuisse



2

2

Rolf Bösch

5 June 1950

Swiss

Dr. oec. HSG

Member of the EGL Board of Directors since 2003, Vice Chairman since 2003, member of the EGL Audit and Finance Committee and the EGL Risk Council

Since 1.2.2011

Financial Project Manager at Axpo Holding AG

2002 to 2011

CFO and member of the Executive Board of Axpo Holding AG 1986 to 2002

CFO and, from 1993, member of Group Management of the Vetropack Group

Member of the Board of Directors of the following companies

Centralschweizerische Kraftwerke AG, Axpo AG

Chairman of the Board of Trustees of the PKE-CPE

Vorsorgestiftung Energie, member of the Commission for the Decommissioning and Disposal Fund for Nuclear Power Plants



3

3

Peter Derendinger

11 June 1959

Swiss

Dr. jur. LL.M

Member of the EGL Board of Directors since 1999, Chairman of the Nomination and Remuneration Committee, member of the EGL Audit and Finance Committee and the EGL Risk Council

Since 2004

CEO of Alpha Associates AG

2002 to 2004

Independent financial and legal advisor

1989 to 2002

Various management positions in Credit Suisse Group companies (Head of Legal, CFO and member of Executive Management of the Private Banking division)

Prior to that

Various positions in law courts and with law firms

Member of the Board of Directors of the following companies

Bank Sarasin & Cie. AG, various unlisted financial companies

Chairman of the Board of Directors and Chairman of Executive Management of Alpha Associates AG, a private equity management firm



4

4

Dominik Koechlin

18 March 1959

Swiss

Dr. jur./MBA

Member of the EGL Board of Directors since 2003, Chairman of the EGL Audit and Finance Committee and member of the EGL Nomination and Remuneration Committee. 1996 to 2000

Member of the Group Executive Board of Swisscom AG; responsible for international investments

Prior to that

Various positions with financial institutions and business consultancies

Member of the Board of Directors of the following companies

Sunrise Communications AG (Chairman), Clariant AG (member of the Audit Committee, PHC plc (Chairman), various unlisted companies

Member of the Foundation Board of LGT (bank in Liechtenstein)

5

Andrew Walo

15 June 1963

Swiss and British

Dr. oec. publ.

Member of the EGL Board of Directors since 2006

Since 2004

Member of the Executive Board of Axpo Holding AG and CEO of Centralschweizerischen Kraftwerke AG 2001 to 2004

Managing Director of SN Energie AG and Kraftwerke Zervreila AG

1999 to 2001

Head of the International Gas Turbine Division of the Alstom Group

1994 to 1999

Head of the Project and Profit Centre and General Manager of the international gas-fired and combined-cycle power plant division of the ABB Group

Member of the Board of Directors of the

following companies

CKW Conex AG (Chairman), CKW Fiber Services AG (Chairman), Elektrizitätswerk Altdorf AG (Chairman), Elektrizitätswerk Schwyz AG, Kraftwerk Göschenen AG

Member of the Management Board of Swisselectric, Association of Swiss Electricity Companies (VSE), Chamber of Industry and Commerce of Central Switzerland, Swiss Employers' Association

On the Foundation Committee of the Fürsorgestiftung CKW

6

Benedikt Weibel²

15 October 1946

Swiss

Dr. rer. pol.

Member of the EGL Board of Directors since 2007

2007

Professor of practical management at the University of Berne

2007 to 2008

Federal Council Delegate for Euro 08

1993 to 2006

CEO of the Swiss Federal Railways (SBB)

1990 to 2003

Managing Director of the SBB Traffic Department

1983 to 1990

General Secretary of SBB and Director of Marketing, SBB Passenger Traffic

1978 to 1983

Secretary to the Chairman of the SBB General Directorate

Member of the Board of Directors of the

following companies

Rail Holding AG (Chairman), Schweizer Rheinhäfen (Chairman), Schweizerische Mobiliar, Marazzi Holding AG, Casram SA

Chairman of the Swiss Association for Electrical Domestic and Commercial Appliances

² Member of the Board of Directors until 24 January 2011.

7

Hansueli Sallenbach²

8 July 1966

Swiss

lic. iur., Attorney at Law, Executive Master of European and International Business Law, M.B.L.-HSG

Member of the EGL Board of Directors since 2010

Since 2007

Head of Corporate Legal and Compliance, Axpo Holding AG, Baden

2000 to 2007

Head of Legal Services at AEW Energie AG, Aarau

1997 to 2000

Attorney in a medium-sized commercial law firm in Zurich

Member of the Board of Directors of the

following companies

Centralschweizerische Kraftwerke AG, Axpo AG,

Kraftwerk Augst AG

5



6



7





1

04 Executive Management

(As at 30 September 2011)

Hans Schulz, CEO
 Markus Brokhof, Gas Supply & SEE
 Guy Bühler, Assets
 Domenico De Luca,
 Energy Trading & Origination
 Andreas Rudolf*,
 Finance & Operations (CFO)
 * Deputy CEO



2

The following section provides details of the name, age, position, nationality, date of appointment and professional background of each member of Executive Management.

No management agreements exist with third parties.

1

Hans Schulz

20 April 1959

German

Industrial Engineer, Dr. Ing. Mechanical Engineering

Since 1 October 2007

CEO of EGL

Since 1 October 2006

Member of the Executive Board of Axpo Holding AG

2006 to 30 September 2007

Member of the Executive Board of Nordostschweizerische

Kraftwerke AG (NOK) and Head of NOK Grids and

NOK Trading and Sales

1999 to 2005

Member of the extended Executive Board of Unaxis

1998 to 1999

Head of the Thin Films division of Balzers

1996 to 2005

Head of the Coating division of Balzers and Leybold

(later Coating Services division [Balzers] of Unaxis)

1994 to 1995

Managing Director of Balzers Verschleisschutz GmbH

1992 to 1993

Head of Communication and Innovation in the

Surface Metallurgy division of Balzers AG

1987 to 1991

Project Manager for Development, Balzers AG

Member of the Board of Directors of the

following companies

Repower AG, Repower Klosters AG, Trans Adriatic

Pipeline AG (Chairman)

Member of the Executive Board of Swisselectric

2

Domenico De Luca

3 April 1966

Italian and Swiss

Mechanical Engineer, MBA, CFA

Since April 2009

Head of Energy Trading & Origination

2007 to 2009

CEO of EGL Italia S.p.A.

2001 to 2007

CEO of EGL España SL

2000 to 2001

Responsible for the Italian market, EGL Group

1997 to 2000

Sales Manager, Mixpac Systems AG

1995 to 1997

Project Management, ABB SAE SADELMI S.p.A.

3

Guy Bühler

29 November 1964

Swiss

Dr. nat. oec.

Since May 2007

Head of Assets

2004 to 2007

Head of Strategic Asset Management and Tolling at EGL

2002 to 2004

Head of Trading at EGL subsidiary Deriwatt AG

2001 to 2002

Head of the General Ledger department of EGL

1995 to 2001

Head of the Spot Trading department at EGL

1994 to 1995

Member of the Energy Traffic department of EGL

Member of the Board of Directors of the

following companies

Aktiengesellschaft für Kernenergiebeteiligungen (AKEB),

Energiefinanzierungs AG (ENAG), Lizerne et Morge SA,

Kernkraftwerk Leibstadt AG, Repower AG

4

Markus Brokhof

4 September 1966

German

Mining Engineer

Since December 2008

2008 Head of Gas Supply & SEE

Juni to December 2008

2008 Head of Gas at EGL (ad interim)

2003 to June 2008

Area Manager Middle East/North Africa at EGL

2001 to 2003

Gas Trader Wingas GmbH

1998 to 2001

Contracts & Marketing Supervisor, Deutsche Tiefbohr

International GmbH

1997

VEBA Kraftwerke Ruhr AG

Member of the Board of Directors of

Trans Adriatic Pipeline AG

5

Andreas Rudolf

11 November 1966

Swiss

Dr. rer. pol., Business Economist

Since August 2006

Head of Finance & Operations at EGL (CFO)

2005 to 2006

Head of Group Finance and Controlling at Siemens

Building Technologies

2001 to 2005

Head of Finance and Accounting at Siemens Schweiz AG

1998 to 2000

Project Manager of the international Siemens Shared

Services project at Siemens Corporate Finance

1997 to 1998

Assistant to the General Director of Siemens Schweiz Ltd

1993 to 1996

Accountant and consultant at Coopers & Lybrand

Member of the Board of Directors of the

following companies

Aktiengesellschaft für Kernenergiebeteiligungen (AKEB),

Energiefinanzierungs AG (ENAG) Axpo Informatik AG

3



4



5



05 Remuneration, participating interests and loans

5.1 Content and process for determining remuneration and share ownership programmes.

Under the terms of the Articles of Association, members serving on the Board of Directors receive “appropriate remuneration for their activities, as defined by the Board of Directors”. Remuneration is not dependent on company results. It comprises a lump-sum remuneration which was defined in December 2007. The remuneration is reviewed by the Board of Directors at undefined intervals and revised if necessary.

In accordance with Art. 663b bis of the Swiss Code of Obligations (Transparency Law), remuneration to members of the Board of Directors is listed on page 101 of the Notes to the financial statements of EGL AG.

The remuneration model applied to Executive Management is the same as the remuneration model used for all other EGL employees, and consists of a basic salary and a bonus component. The model has basically remained unchanged for the last five years.

The bonus component for members of Executive Management is dependent on the company’s business results and the achievement of personal objectives. Personal performance is evaluated at the end of the reporting period on the basis of the objectives agreed during a meeting with the employee’s line manager at the beginning of the financial year. The maximum bonus in this context is limited to 70% of the basic remuneration.

An exception to this rule is the bonus model of the Executive Management member responsible for trading activities. Part of this bonus is calculated based on personal objectives. In addition, the Executive Management member responsible for trading participates in the gross profit from trading activities. Part of the bonus entitlement calculated in this way is paid out only in a subsequent year, taking into account any interim losses.

The remuneration model for Axpo Executive Board members, which consists of the components for personal goal achievement and business performance of the Group and the Group company, applies to the CEO.

Salaries paid to members of Executive Management also contain other components, including company car and fringe benefits, which apply equally to all EGL employees. EGL does not operate a share ownership programme, nor does it allocate shares or options as a fixed salary component.

All components of the remuneration package for members of Executive Management (including salary for the following calendar year and the bonus for the previous financial year) are set on an annual basis. The CEO submits his proposal to the Nomination and Remuneration Committee of the Board of Directors, which then makes a final decision on the proposal.

In accordance with Art. 663b bis of the Swiss Code of Obligations (Transparency Law), remuneration to Executive Management is listed on page 100 of the Notes to the financial statements of EGL AG.

5.2 Share ownership. As at 30 September 2011, no members of the Board of Directors nor any members of Executive Management owned shares in EGL AG.

5.3 Loans to officers and directors. No loans were granted to members of the Board of Directors or Executive Management or to related parties, and no such loans are outstanding.

06 Shareholders’ rights

EGL has only issued bearer shares. The shareholders’ rights are fully in accordance with the requirements of the Swiss Code of Obligations. There are no restrictions on voting rights.

There are no quotas in the Articles of Association that deviate from the provisions of the Swiss Code of Obligations with regard to passing resolutions at the Annual General Meeting.

The Articles of Association do not contain any provisions that deviate from the rules laid down by the Swiss Code of Obligations with regard to convening the Annual General Meeting.

Shareholders who represent shares with a par value of CHF 1 million may submit items for inclusion on the agenda of the Annual General Meeting. The request must be submitted to the Board of Directors no later than 50 days before the Annual General Meeting.

07 Change of control and defensive measures

7.1 Obligation to submit a purchase offer. The Articles of Association include an opting-out clause. No defensive measures are provided for in the Articles of Association.

7.2 Change of control clauses. There are no long-standing contractually binding relationships with members of the Board of Directors or members of Executive Management. No compensation payments to departing members have been contractually agreed.

08 Auditors

8.1 External auditors. The mandate to act as external auditors for EGL AG and to perform the EGL Group audit was awarded to KPMG AG, Basel, in 1956. Daniel Haas has been the Auditor in Charge since the 2011 Annual General Meeting. The auditors' term is one year. In the 2010/11 financial year KPMG invoiced CHF 1,890,647 for auditing services provided in Switzerland and abroad as well as CHF 38,400 for other services.

8.2 Internal auditors. The internal audit of all EGL Group companies was performed by PricewaterhouseCoopers (PwC). The purpose of this audit, which is not prescribed by law and is commissioned by the Chairman of the Board of Directors or the CEO in consultation with the Chairman of the Audit and Finance Committee, is to examine the effectiveness and efficiency of operational processes.

A written report is submitted to the Chairman of the Board of Directors and to the Audit and Finance Committee. The Board of Directors is informed verbally of the results of the audit.

8.3 Supervisory and control instruments vis-à-vis the auditors. The Audit and Finance Committee of the Board of Directors is the supervisory body of the external and internal auditors. It instructs the auditors to submit a report on the audits performed and the related findings at least once a year. It also inspects the auditing plans and requests any proposals for improvement to the internal control systems, as well as evaluating the work done by the auditors.

The Board of Directors is informed of the findings of the audit by means of a Management Letter from the external auditors, which must first be commented upon by Executive Management. The external auditors conduct an interim audit to make sure that the points addressed in the Management Letter have been dealt with, and the results are reported to the Board of Directors.

A representative from the external auditors usually attends meetings held by the Audit and Finance Committee of the Board of Directors. Representatives from the external auditors attended three meetings held by the Audit and Finance Committee during the 2010/11 financial year.

09 Risk management

EGL's risk management meets high standards and is an important instrument of corporate governance.

Management of market and credit risks at EGL, as well as company-wide corporate risk management, are the responsibility of a central department, Group Risk Management, headed by the Chief Risk Officer. This ensures that the detailed perspective at transaction and book level and the overarching company perspective are consolidated to obtain a reliable and consistent big picture of the risks. Risk management is based on the EGL Risk Management Manual, which has been approved by the Board of Directors and defines objectives, organisation, methods and tools as well as processes.

In energy trading, systematic management and monitoring of market and credit risks is particularly important. The key is a comprehensive, company-wide limit system that sets company-wide credit limits for all trading partners as well as limits on volumes, sensitivities, value-at-risk and contract terms at the portfolio level. The limits, requirements and directives of Group Risk Management must be observed by all operating units. The purpose of the limit system is to control sensitive risks centrally, while giving traders clearly defined, transparent scope to implement their trading strategies.

In addition to market and credit risks, corporate risk management also systematically records, evaluates, controls and monitors operational and regulatory risks. The departments and subsidiaries are responsible for their own risks in accordance with the risk owner principle, and support for risk analysis and strategic planning is provided by the central corporate risk management team which submits regular reports to the Executive Board, the Risk Council and the Board of Directors.

10 Compliance

EGL operates a comprehensive compliance programme which systematically familiarises EGL management and employees with the company's compliance culture and binds them to uphold the applicable principles and rules. EGL's compliance programme is managed by the Group Compliance Officer, who operates an independent office for compliance issues and supports Executive Management and the Board of Directors in ensuring ongoing compliance with the corporate rules and regulations.

11 Information policy

The EGL Annual Report is intended to provide information on business activities, organisation and strategy. In its half-year report, EGL publishes the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, and cash flow figures for the first six months of the financial year, while important information is disseminated ad-hoc to the general public by means of media releases. All current publications and up-to-date information can be found online at www.egl.eu

12 Contact addresses for further information

Investors

EGL Investor Relations
Tel. +41 44 749 41 27
E-mail investor.ch@egl.eu

Media

EGL Media Relations
Tel +41 44 749 40 10
E-mail media.ch@egl.eu

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Consolidated income statement

CHF MILLIONS	NOTES	2010/11	2009/10
Net sales	7	2,573.5	2,610.2
Own work capitalised		2.7	6.4
Other operating income		14.3	13.7
Revenues		2,590.5	2,630.3
Energy procurement and cost of goods	8	-2,071.4	-1,961.4
Materials and third-party supplies		-11.3	-8.0
Personnel expenses	9	-133.8	-162.3
Other operating expenses	10	-239.7	-252.7
Earnings before interest, tax, depreciation and amortisation (EBITDA)		134.3	245.9
Depreciation and amortisation	11	-81.0	-77.9
Earnings before interest and tax (EBIT)		53.3	168.0
Share of profit of associates	16	-2.0	-5.0
Financial income	12	845.6	462.0
Financial expense	12	-870.1	-560.4
Financial result	12	-24.5	-98.4
Earnings before tax (EBT)		26.8	64.6
Income tax expense	13	-4.6	-39.3
Profit for the period		22.2	25.3
Attributable to:			
EGL shareholders		21.1	24.1
Minority interests		1.1	1.2
		2010/11	2009/10
EARNINGS PER SHARE			
Average number of issued bearer shares at a nominal value of CHF 50.00 each		2,640,000	2,640,000
Net profit in CHF millions		21.1	24.1
Earnings per share in CHF		7.99	9.13

Undiluted earnings per share are determined on the basis of the weighted average number of shares outstanding. There are no circumstances that would lead to a dilution in earnings per share.

Consolidated statement of comprehensive income

CHF MILLIONS	NOTES	2010/11	2009/10
Profit for the period		22.2	25.3
Effects from currency translation differences:			
changes unrealised in equity		- 110.5	- 137.2
Release of revaluation reserve:			
changes realised in profit/(loss)		-	-
changes in equity not affecting income statement	14	- 79.7	-
Changes in securities and other financial assets:			
changes unrealised in equity		- 1.0	0.1
Changes in hedge accounting:			
changes unrealised in equity		9.6	- 37.1
Deferred tax	13	- 0.4	13.1
Total other income after tax		- 182.0	- 161.1
Total comprehensive income		- 159.8¹	- 135.8
Attributable to:			
EGL shareholders		- 158.8	- 133.6
Minority interests		- 1.0	- 2.2

1 The negative total comprehensive income is mainly attributable to the negative currency translation effects as well as the release of the revaluation reserve due to the adjustment of the carrying amount of the transmission systems recognised in equity (see "Consolidated statement of changes in equity"). No tax effect results from the release of the revaluation reserve.

Consolidated balance sheet

CHF MILLIONS	NOTES	30.09.2011	30.09.2010
ASSETS			
Property, plant and equipment	14	1,088.6	1,289.6
Intangible assets	15	140.5	145.9
Investments in associates and partner plants	16	644.3	557.7
Other financial assets	17	307.3	332.9
Non-current positive replacement value	6	94.7	53.6
Other receivables		46.7	34.3
Deferred tax assets	13	29.3	35.2
Total non-current assets		2,351.4	2,449.2
Inventories	18	134.1	109.4
Trade receivables	19	700.2	758.5
Financial receivables		22.2	17.5
Current tax assets	13	7.7	2.9
Other receivables	20	1,135.0	1,173.5
Current positive replacement value	6	755.7	654.5
Other current financial assets		-	24.9
Cash and cash equivalents	21	301.6	478.3
Total current assets		3,056.5	3,219.5
Total assets		5,407.9	5,668.7
EQUITY AND LIABILITIES			
Share capital		132.0	132.0
Retained earnings		1,564.3	1,769.8
Total equity attributable to the equity holders of the parent		1,696.3	1,901.8
Minority interests		13.4	25.7
Total equity		1,709.7	1,927.5
Financial liabilities	22	903.9	1,005.3
Other liabilities	23	73.7	69.6
Non-current negative replacement value	6	57.7	75.5
Deferred tax liabilities	13	14.0	43.0
Provisions	24	30.8	16.0
Total non-current liabilities		1,080.1	1,209.4
Trade payables	25	661.9	710.7
Financial liabilities	26	284.9	304.5
Current tax liabilities	13	12.7	23.2
Other liabilities	27	985.4	909.7
Current negative replacement value	6	663.3	559.9
Provisions	24	9.9	23.8
Total current liabilities		2,618.1	2,531.8
Total liabilities		3,698.2	3,741.2
Total equity and liabilities		5,407.9	5,668.7

Consolidated statement of changes in equity

CHF MILLIONS	SHARE CAPITAL	REVALU- ATION RESERVE	AFS REVALU- ATION RESERVE	RESERVE FROM HEDGE ACCOUNT- ING	ACCUMU- LATED FOREIGN CURRENCY DIFFER- ENCES	OTHER RESERVES	RETAINED RESERVES	TOTAL EQUITY ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT	MINORITY INTERESTS	TOTAL EQUITY
Equity at 1 October 2009	132.0	197.4	0.8	- 33.2	- 58.0	1,843.9	1,950.9	2,082.9	27.9	2,110.8
Changes in securities and other financial assets			0.1				0.1	0.1		0.1
Changes in hedge accounting				- 35.0			- 35.0	- 35.0	- 2.1	- 37.1
Deferred taxes on other result				12.4			12.4	12.4	0.7	13.1
Effects from currency translation differences					- 135.2		- 135.2	- 135.2	- 2.0	- 137.2
Total comprehensive income for the period	-	-	0.1	- 22.6	- 135.2	-	- 157.7	- 157.7	- 3.4	- 161.1
Profit for the period						24.1	24.1	24.1	1.2	25.3
Total comprehensive income for the period	-	-	0.1	- 22.6	- 135.2	24.1	- 133.6	- 133.6	- 2.2	- 135.8
Dividend						- 47.5	- 47.5	- 47.5		- 47.5
Equity at 30 September 2010	132.0	197.4	0.9	- 55.8	- 193.2	1,820.5	1,769.8	1,901.8	25.7	1,927.5
Equity at 1 October 2010	132.0	197.4	0.9	- 55.8	- 193.2	1,820.5	1,769.8	1,901.8	25.7	1,927.5
Changes in securities and other financial assets			- 1.0				- 1.0	- 1.0		- 1.0
Changes in hedge accounting				8.8			8.8	8.8	0.8	9.6
Deferred taxes on other result			0.1	- 0.4			- 0.3	- 0.3	- 0.1	- 0.4
Effects from currency translation differences					- 107.7		- 107.7	- 107.7	- 2.8	- 110.5
Impairment not affecting income statement		- 79.7					- 79.7	- 79.7		- 79.7
Total other result	-	- 79.7	- 0.9	8.4	- 107.7	-	- 179.9	- 179.9	- 2.1	- 182.0
Profit for the period						21.1	21.1	21.1	1.1	22.2
Total comprehensive income for the period	-	- 79.7	- 0.9	8.4	- 107.7	21.1	- 158.8	- 158.8	- 1.0	- 159.8
Dividend						- 47.5	- 47.5	- 47.5		- 47.5
Leaving scope of consolidation					0.8		0.8	0.8	- 11.3	- 10.5
Equity at 30 September 2011	132.0	117.7	-	- 47.4	- 300.1	1,794.1	1,564.3	1,696.3	13.4	1,709.7

The share capital is divided into 2,640,000 fully paid-up bearer shares with a par value of CHF 50. EGL AG does not hold any treasury shares. The non-distributable portion of reserves under Swiss law amounts to CHF 66.0 million.

Consolidated cash flow statement

CHF MILLIONS	NOTES	2010/11	2009/10
Earnings before tax (EBT)		26.8	64.6
Interest, other financial income/expense, dividends		39.7	48.7
Loss/(profit) from disposal of tangible assets		3.3	- 2.9
Adjustment of non-cash expenses and income:			
Depreciation and amortisation	11	81.0	77.6
Share of profit of associates	16	2.0	5.0
Change in provisions (excl. interest, net)	24	10.5	40.4
Unrealised gain/loss derivatives		- 34.5	55.7
Other non-cash items		68.7 ¹	3.2
Change in inventories		- 32.4	- 48.5
Change in trade receivables		- 41.2	58.1
Change in other receivables (current)		- 56.3	- 297.3
Change in trade payables		- 27.5	9.1
Change in other liabilities (current)		140.9	213.8
Change in derivatives		3.2	8.4
Use of provisions	24	- 7.6	- 52.9
Income taxes paid		- 43.7	- 71.1
Cash flow from operating activities		132.9	111.9
Property, plant and equipment:			
Acquisitions (excl. capitalised borrowing costs and dismantling costs)	14	- 43.7	- 27.7
Disposals		0.8	0.7
Intangible assets:			
Acquisitions (excl. goodwill)	15	- 27.8	- 21.7
Disposals		0.2	11.0
Sales of subsidiaries, net of cash disposed		- 0.5	-
Investments in associates:			
Acquisitions	16	- 121.2	- 86.6
Sales and equity reduction		7.5	8.5
Other financial assets:			
Acquisitions	17	- 12.6	- 123.6
Disposals and repayments		8.8	33.6
Change in other current financial assets		24.1	7.1
Change in current financial assets:			
Acquisitions		- 9.9	- 2.8
Disposals		5.1	5.4
Dividends received	16	13.0	11.5
Interest received		23.6	23.3
Cash flow from investing activities		- 132.6	- 161.3

CHF MILLIONS	NOTES	2010/11	2009/10
Financial liabilities (non-current)			
Proceeds		-	2.0
Repayments		-	- 3.9
Change in other liabilities (non-current)		- 0.3	0.8
Financial liabilities (current)			
Proceeds		10.6	10.9
Repayments		- 62.9	- 56.0
Dividends paid		- 47.5	- 47.5
Interest paid		- 63.5	- 66.9
Cash flow from financing activities		- 163.6	- 160.6
Foreign exchange differences		- 13.4	- 30.1
Change in cash and cash equivalents		- 176.7	- 240.1
Cash and cash equivalents at the beginning of the reporting period	21	478.3	718.4
Cash and cash equivalents at the end of the reporting period	21	301.6	478.3
FREE CASH FLOW			
Cash flow from operating activities		132.9	111.9
Net investment in property, plant and equipment		- 42.9	- 27.0
Net investment in intangible assets		- 27.6	- 10.7
Investments in subsidiaries, net of cash acquired		-	-
Divestment of subsidiaries, net of cash disposed		- 0.5	-
Net investments in associates		- 113.7	- 78.1
(Investments in) divestments of other financial assets (excl. financial loans)		- 0.6	- 2.8
Free cash drain		- 52.4	- 6.7

1 The other non-cash items contain the change of provisions for bad debts in the amount of CHF 77.0 million

EGL has aggregated credit facilities of CHF 1,635.7 million available from banks and financial institutions (previous year: CHF 1,630.2 million). As at 30 September 2011, CHF 624.9 million of this amount was used for guarantees (previous year: CHF 538.5 million).

Notes to the consolidated financial statements

01 General information

The EGL Group is an energy trader whose target segment consists of industrial customers mainly in Europe. Axpo Holding AG of Baden holds 99.8% of the shares in EGL AG. The EGL Group operates trading and sales companies in various countries in Europe and neighbouring countries (see “Group subsidiaries, associates and other investments”, page 87). In addition, the EGL Group has investments in power plants in Switzerland, long-term procurement agreements with power plants in France, and wind farms in Norway and Poland. It also owns gas-fired combined-cycle power plants in Italy and a wind farm in Spain, and is developing various projects aimed at building up its assets in other key markets.

02 Accounting principles

General principles. The consolidated financial statements of the EGL Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law. They provide a true and fair view of the financial position and results of operations of the EGL Group. The consolidated financial statements were approved for publication by the Board of Directors of EGL AG on 20 January 2012 and are subject to the approval of the Annual General Meeting on 30 March 2012.

Significant changes in the accounting and valuation principles. All standards and interpretations in force at the end of the reporting period were applied when preparing the consolidated financial statements.

The EGL Group adopted the following new and revised standards and interpretations for the first time for the 2010/11 financial year:

IAS 32 amendment	Financial Instruments; Presentation – Rights Issues (1 February 2010)
IFRS 2 amendment	Accounting for Cash-settled Share-based Payment Transactions (1 January 2010)
IFRIC 19	IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (1 July 2010)
Amendments to IFRSs 2009	(1 January 2010)
Amendments to IFRSs 2010	(1 July 2010)

Adoption of these new and amended principles had no material impact on the Group’s financial position, results of operations and cash flows.

The EGL Group is currently reviewing the potential impact of the following new and revised standards and interpretations which have already been approved but whose adoption in the EGL Group accounts is not yet mandatory. They will be adopted by the EGL Group no later than the financial year beginning on or after the date given in brackets.

IAS 1 amendment	Presentation of Financial Statements: Presentation of Items in Other Comprehensive Income (1 July 2012)
IAS 12 amendment	Income Taxes – Deferred Taxes: Recovery of Underlying Assets (1 January 2012)
IAS 19 amendment	Employee Benefits (1 January 2013)
IAS 24 revision	Related Party Disclosures (1 January 2011)
IAS 27 revision	Separate Financial Statements (1 January 2013)
IAS 28 revision	Investments in Associates and Joint Ventures (1 January 2013)
IFRS 7 amendment	Financial Instruments: Disclosures – Relating to Reclassifications of Financial Assets (1 July 2011)
IFRS 9	Financial Instruments (1 January 2013)
IFRS 10	Consolidated Financial Statements (1 January 2013)
IFRS 11	Joint Arrangements (1 January 2013)

IFRS 12	Disclosures of Interests in Other Entities (1 January 2013)
IFRS 13	Fair Value Measurement (1 January 2013)
IFRIC 14 amendment	IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (1 January 2011)
Amendments to IFRSs 2010	(1 January 2011)

On 16 June 2011 the IASB (International Accounting Standard Board) published the revised standard IAS 19 Employee Benefits. The new standard must be adopted for reporting periods beginning on or after 1 January 2013 and necessitates an adjustment to prior-year information. Early adoption is permitted. The EGL Group will adopt IAS 19 (revised) for the first time for the 2013/14 financial year. Based on current analyses of the standard, the EGL Group expects the following impact on the consolidated financial statements: Until now, actuarial gains and losses arising from periodic recalculations have been recognised in profit or loss on a straight-line basis for the average remaining years of service as far as they exceed 10% of assets or pension fund liabilities, whichever is higher (“corridor approach”). Due to the elimination of the corridor approach from 1 January 2013, actuarial gains and losses will be recognised directly in equity without affecting profit or loss, and included under other comprehensive income. Since actuarial losses as at 30 September 2011 amount to CHF 29.6 million, pension fund assets/liabilities and consolidated equity are expected to exhibit higher volatility. The revised IAS 19 also provides for net interest components. These are calculated by multiplying the discount rate with the net pension liability. Since the net pension liability covers plan assets as well as plan liabilities, this approach implicitly offsets interest expense and income (which replaces the previous expected return on plan assets). At the same time, the expected return on plan assets is reduced to the interest income measured based on the discount rate. Until now, the return on plan assets has been estimated based on market expectations of the returns expected from the investment portfolio. Based on the new principles, the employer’s net pension cost in 2010/11 would be around CHF 0.3 million lower on aggregate, whereat two effects are significant: on the one hand the expected return on plan assets under the revised IAS 19 can be no higher than the discount rate (interest income), which increases net pension cost by around CHF 2.6 million. On the other hand, due to the restructuring, additional income of CHF 2.8 million is recognised under the revised IAS 19 compared to the presentation under the current IAS 19.

In May 2011 the International Accounting Standards Board (IASB) published the following standards which must be applied for the financial years beginning on or after 1 January 2013: IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosures of Interests in Other Entities, and IFRS 13 Fair Value Measurement. IFRS 10 Consolidated Financial Statements introduces a changed general definition of control, which also includes the consolidation of special purpose entities and de facto control. The EGL Group expects the adoption of IFRS 10, IFRS 12 and IFRS 13 not to have a significant impact on the balance sheet and income statement. IFRS 11 governs the accounting of arrangements in which an entity exercises joint control over a joint venture or a joint operation. In contrast to IAS 31, IFRS 11 no longer determines the type of joint arrangement by its legal form, but rather by assessing the rights and obligations of the parties to/for the underlying assets/obligations, income/expenses of the joint arrangement. For joint operations, the assets, liabilities, expenses and income must be disclosed proportionately. For joint ventures, application of the equity method is mandatory. The EGL Group is currently analysing the contractual agreements of joint ventures and the impact of IFRS 11 on their treatment in the financial statements. The EGL Group plans to adopt all four standards for the first time in the 2013 financial year. The impact of some standards and interpretations, including IFRS 9 Financial Instruments, on the consolidated financial statements has not yet been determined on a sufficiently reliable basis. Based on current analyses of the other standards and interpretations, the EGL Group expects no material impact on the Group’s financial position, results of operations and cash flows; however, more extensive reporting is required for some areas.

03 Consolidation principles

Scope of consolidation. The consolidated financial statements are based on the separate financial statements of all consolidated companies of the EGL Group as at 30 September 2011. Subsidiaries are included in the consolidation from the date of acquisition, and excluded from their date of disposal. The date of acquisition is defined as the date on which control over the net assets and operating activities of the acquired company effectively passes to the EGL Group.

Besides EGL AG, the consolidated financial statements include all those companies over which the EGL Group exercises direct or indirect control via subsidiaries and can therefore exert an influence over their financial and business policy. See “Group subsidiaries, associates and other investments”, page 87.

Accounting for acquisitions. The capital consolidation at the time of acquisition is effected in accordance with the purchase method. Assets acquired and liabilities assumed from subsidiaries are recognised at their fair value. Transaction costs incurred in connection with an acquisition are recognised in profit or loss.

Any excess on costs of acquisition over the fair value is recorded as goodwill. Goodwill corresponds to the excess of the sum of the purchase price, the contribution of minority interests and the fair value of the previously held equity share in the acquired subsidiary less the balance of the assets acquired and liabilities assumed. There is an option for measuring minority interests in each transaction. These can be valued either at fair value or as the corresponding share of minority interests in the net assets acquired.

Where the costs of acquisition are lower than their fair value, the fair value of the net assets acquired is reviewed again and any remaining surplus is immediately recognised in profit or loss.

Goodwill is tested for impairment at least annually or earlier if there is any indication for impairment.

Minority interests are reported separately from the equity of the Group. Changes to the proportion of ownership interest that do not result in a loss of control are treated as equity transactions with owners. Any difference between the purchase price paid or the consideration received and the amount by which the minority interests are changed is recognised directly in equity.

Investments in associates and partner plants. Investments over which the EGL Group exercises significant influence but not control are accounted for using the equity method. This is assumed if the EGL Group owns, directly or indirectly via subsidiaries, between 20% and 50% of the voting rights or if it owns less than 20% but still exerts significant influence. As of the date of acquisition, the fair value of the proportional net assets is calculated and, together with any goodwill, recognised in the balance sheet under investments in associates. In subsequent reporting periods, this value is adjusted for any change in the EGL Group’s share of the capital and income earned as well as any dividends.

Investments in partner plants are investments that EGL Group holds based on a contractual agreement with one or more partners (joint ventures). The partner plants are companies which design, construct, maintain or operate power plants, grids or nuclear storage facilities, or companies which administer energy procurement rights. The shareholders have undertaken to purchase the pro-rata energy respectively to pay the pro-rata annual costs. Partner plants are consolidated using the equity method, regardless of the proportion of ownership interest. This also includes companies where the ownership interest is more than 50%.

Due to the legal obligation to assume annual costs, the acquisition of an interest in a partner plant may result in a provision for an onerous energy procurement contract instead of an asset for the energy purchase right.

Balances and transactions with investments accounted for using the equity method are recognised separately in the accounts as positions with associates.

Intragroup transactions. Intercompany profits and transactions within the EGL Group are eliminated in the consolidated financial statements. Electricity produced by partner plants is invoiced to the shareholders at annual production cost on the basis of existing partnership agreements and regardless of market prices. Market prices generally apply for the invoicing of other goods and services between Group companies and related parties.

Reporting currency and translation of foreign currencies. The reporting currency, which is also the company's functional currency, is the Swiss franc. Transactions in foreign currencies are translated at the exchange rate prevailing on the date of the transaction or at an exchange rate which corresponds to the transaction rate. At the end of the reporting period, receivables and liabilities in foreign currencies are translated at the exchange rates prevailing at the end of the period. Any translation differences which arise are recognised in profit or loss.

Assets and liabilities of subsidiaries and of associates accounted for using the equity method, whose functional currency is not the Swiss franc, are translated on consolidation into Swiss francs at the exchange rate prevailing at the end of the reporting period. Goodwill and fair value adjustments relating to acquisitions of foreign companies are recognised in the balance sheet as assets of the acquired entity. The income statement, cash flow statement and other movement positions are translated at the average exchange rate for the reporting period. Exchange differences arising from the translation of the balance sheet and income statement of foreign subsidiaries and of associates accounted for using the equity method are recognised directly in consolidated equity and reported separately as accumulated foreign currency translation differences. On the date of disposal of foreign subsidiaries or associates, the corresponding foreign currency translation differences are recognised in the income statement.

Foreign currency exchange rates. The following rates were applied for the translation of income statement and balance sheet figures into CHF:

CURRENCY	UNIT	YEAR-END RATES IN BALANCE SHEET		AVERAGE RATES IN INCOME STATEMENT	
		30.09.2011	30.09.2010	2010/11	2009/10
ALL	100	0.8500	0.9782	0.9000	1.0590
BGN	100	62.2300	67.9400	64.2950	73.0897
CZK	100	4.9200	5.4000	5.1400	5.5930
EUR	1	1.2170	1.3287	1.2575	1.4295
GBP	1	1.4043	1.5451	1.4489	1.6431
HUF	100	0.4200	0.4800	0.4600	0.5230
NOK	100	15.4300	16.6800	15.9700	17.6600
MKD	100	1.9700	2.1680	2.0400	2.3410
PLZ	100	27.6300	33.3500	31.4700	35.3880
RON	100	27.9300	31.1000	29.7600	34.1120
RSD	100	1.2000	1.2570	1.2200	1.4440
SEK	100	13.1500	14.5300	13.8800	14.5420
TRY	100	48.4900	67.0900	57.4300	69.7530

The EGL Group enters into forward contracts and options to hedge its exposure to certain foreign currency risks. The accounting and valuation principles applied to these derivative financial instruments are described below.

04

Accounting and valuation principles

Revenue recognition. Revenue is recognised in the income statement upon delivery of goods or rendering of services to the customer or on the date on which the significant risks and rewards related to the sale are transferred to the purchaser. Revenue is presented based on energy sales effectively invoiced and revenue accrued during the reporting period. In general, sales are reported net after deduction of value added tax and trade discounts.

In the case of standardised forward contracts that are processed and invoiced in the same way as traditional energy contracts, the focus is often on managing a trading position rather than on the final physical delivery of energy. Standardised forward contracts entered into mainly for trading purposes are measured at fair value, with the underlying sales revenue and procurement costs being offset against each other and reported as net gains or losses from energy trading.

Distinction between energy trading and other trading business. Recognition of revenue in energy trading business is based on the allocation of all trading transactions to one of two categories: “energy trading” or “other commercial business”. Each transaction is assigned to an energy trading origination book (the expression “book” stands for the smallest unit whose risk, profit and sales amount is recorded and managed). Transactions in the “energy trading” category are assigned to a trading book and transactions in the “other commercial business” category are assigned to an own-use book.

Other commercial business involves the large-scale provision and procurement of electricity for physical delivery to customers. The sum of all invoiced amounts from these transactions flows entirely into net sales from energy business for the reporting period.

In the case of transactions in energy trading, large volumes of energy are traded with counterparties for the purpose of building up and managing positions (the transactions are in derivatives such as options and swaps or have a derivative character as defined in IAS 39). Transactions in energy trading are therefore financial in nature.

Amounts invoiced in energy trading during the period are not included in net sales but instead reported as net gains or losses from energy trading. Net gains or losses from energy trading consist of two components. Firstly, the effectively realised gains or losses from completed transactions are recognised in profit or loss. Secondly, unrealised valuation gains or losses based on current market prices are recognised in profit or loss.

Borrowing costs. Borrowing costs are recognised as an expense in the period in which they are incurred. Borrowing costs directly related to the long-term acquisition or construction of a facility are capitalised for the period from the commencement of the acquisition or construction work until the facility is ready for operational use.

Property, plant and equipment. Property, plant and equipment (with the exception of transmission systems) are carried at purchase or manufacturing cost and are subject to regular straight-line depreciation over the estimated useful life of each asset category or over the period to the date of reversion of the power plants. Unscheduled depreciation is an exception and is only recognised in the case of damage or impairment, as described under “impairment of assets” below. The purchase or manufacturing costs of property, plant and equipment comprise the purchase price, including import duties and any non-recoverable purchase taxes, and all directly allocable costs incurred to make the asset ready for operational use. Further components are the estimated costs of decommissioning and clearance of the asset and the restoration of the site to the extent recognised under IAS 37 and IAS 16. In the case of long-term investment projects, borrowing costs are capitalised during the construction phase.

Transmission systems (380 kV and 220 kV) are measured at fair value according to the revaluation method. Increase in value as a result of the revaluation are recorded in the consolidated statement of comprehensive income and included in equity as revaluation reserves. Up to the amount of an existing revaluation reserve, decreases in value are also recognised in the consolidated statement of comprehensive income. Any amount in excess of this reserve is recorded in profit or loss. The Electricity Supply Act (StromVG) requires EGL to transfer the transmission systems to the national grid operator, swissgrid ag, by 1 January 2013 at the latest. Due to the Memorandum of Understanding between swissgrid ag and the transmission system owners, which defines the value on transfer as the value which – in accordance with the last EICOM ruling before the transfer of the transmission systems – was used for the calculation of the chargeable

costs, EGL has adjusted the carrying amount. However, the definitive value on transfer remains the subject of an ongoing appeal process. For further information, please refer to Note 5 “Estimation uncertainties” and Note 14 “Property, plant and equipment”. The estimated useful lives for the individual asset categories are reviewed annually and lie within the following ranges:

- Land and assets under construction	Only in the case of impairment
- Operational and administrative buildings	50 years
- Conventional thermal power plants	25 years
- Distribution systems	15 – 60 years
- Transmission systems	15 – 60 years
- Fixtures and fittings	3 – 15 years
- IT hardware and software	3 years

If key components of the assets have a different useful life, they are depreciated separately (component approach).

Repairs, maintenance and the ordinary upkeep of buildings and operating facilities are accounted for directly as expenses. Investments in extensions and replacements are capitalised when it is probable that the future economic benefits associated with the investments will flow to the EGL Group and the cost of the investments can be measured reliably. Assets under construction are assets which are unfinished or not yet ready for operation. Depreciation of these assets begins upon completion or when they are ready for operational use.

Intangible assets. Intangible assets are recognised in the balance sheet at acquisition cost less accumulated amortisation and impairment. Intangible assets are amortised using the straight-line method over the estimated useful life of the asset, unless the useful life is indefinite. Goodwill and intangible assets with an indefinite useful life are not amortised, but undergo an annual impairment test. The treatment of goodwill is explained in detail in Note 3 “Consolidation principles”.

Energy procurement rights comprise advance payments for rights to the long-term supply of electricity including capitalised interest. These rights are amortised using the straight-line method over the contract period.

The rights to use third party facilities entail contractually agreed, one-time payments to a contracting party as compensation for the use of that party’s transmission and distribution facilities. These rights are amortised using the straight-line method over the contract term. CO₂ emission certificates provided by the government free of charge under the national allocation plan are initially recognised at their nominal value (zero). CO₂ emission certificates which are purchased for own production purposes are initially recognised as intangible assets and carried at purchase cost. Upon settlement by the responsible authority, the used CO₂ certificates are derecognised as intangible assets. Excess emission certificates no longer required for own use are sold or reclassified to inventories and measured at fair value.

All intangible assets apart from goodwill have definable useful lives and, with the exception of CO₂ emission certificates, are therefore amortised on a systematic basis.

Impairments of non-financial assets. At least once a year, an assessment is made to determine whether there is any indication that tangible and intangible assets may be impaired. If indications of a sustained and material impairment exist, the recoverable amount of the asset or, if this is not possible, the recoverable amount of the cash-generating unit to which the asset belongs, is estimated and compared with the carrying amount (impairment test). If the carrying amount exceeds the estimated recoverable amount, an impairment is made in the amount of the difference. The recoverable amount is equivalent to the higher of the value in use and fair value less costs to sell. When calculating the value in use, the estimated future cash flows are discounted using a pre-tax interest rate. This pre-tax interest rate takes account of the current market estimate of the time value of money on the one hand, and the risks inherent in the asset on the other, insofar as these have not already been included in the estimate of the cash flows. Once impaired, the carrying amount of assets is adjusted annually to the amount obtained using the discounted cash flow method, but in the case of a reversal the carrying amount is increased to no more than the amortised cost amount. No reversals of impairments are made in respect of goodwill. Goodwill

is allocated as of the acquisition date to the cash-generating units that are expected to benefit from the synergies of the business combination. Regardless of indicators, goodwill is tested for impairment annually.

Financial assets and liabilities. Financial assets and liabilities cover cash and cash equivalents, financial investments, financial interests, positive and negative replacement values, trade receivables and payables, current and non-current financial receivables and financial liabilities as well as to some extent other receivables and liabilities and accrued expenses and deferred income.

Financial assets and liabilities are categorised according to IAS 39 as follows:

- Financial assets and liabilities at fair value through profit or loss
- Held-to-maturity investments
- Loans and receivables
- Available-for-sale financial assets.

A standard valuation procedure is followed for each category of financial assets and liabilities. They are initially recognised at fair value and, in the case of financial instruments which are not classified as “measured at fair value through profit or loss”, include transaction costs. The subsequent measurement is based on the category to which the financial assets and liabilities are assigned.

Financial assets and liabilities are classified as measured at fair value through profit or loss if they were designated as such upon initial recognition or if they are held for trading. Financial assets held for trading also include all derivative financial instruments which are not used for hedge accounting. Subsequent to initial recognition, financial assets and liabilities measured at fair value through profit or loss are recognised in the balance sheet at their fair value and any changes in value are recognised in profit or loss. Purchases and sales are recognised in the balance sheet at the time when the relevant agreement is concluded (closing date, trade date).

Subsequent to initial recognition, held-to-maturity financial investments and loans and receivables of the EGL Group are measured at amortised cost using the effective interest method, less any impairment. An impairment is calculated as the difference between the carrying amount and the present value of expected future cash flows discounted using the original effective interest rate.

Available-for-sale financial assets are remeasured to fair value subsequent to initial recognition in the balance sheet, and the difference is recognised outside profit and loss in the statement of other comprehensive income, taking into account deferred taxes. Realised gains or losses are recognised in profit or loss. Permanent impairments are recognised in profit or loss after an analysis of the individual securities (individual valuation). An impairment exists in particular if the fair value of a share either remains below the purchase price for an extended period or is significantly below the purchase price. Debt instruments such as bonds are regarded as impaired if there is an objective indication such as insolvency, default of payment or other significant financial difficulties of the issuer. In contrast to debt instruments, reversals of impairment losses on equity instruments are not recognised in profit or loss.

Positive and negative replacement values. Forward transactions (forwards, futures, swaps) and options with energy as the underlying are measured at the end of the reporting period using close to fair value. Revenue from energy trading therefore comprises realised gains from completed transactions and unrealised changes in the value of transactions outstanding at the reporting date. Positive and negative replacement values are recognised separately in assets or liabilities. The replacement values are shown in a table in the Notes. The EGL Group partly conducts its own operations in standardised electricity futures contracts which are not settled by cash payment but by physical energy supply and procurement. In practice, energy supply and procurement volumes are invoiced and accounted for in accordance with contractual arrangements. The positive and negative replacement values of standardised futures contracts are also shown in the Notes.

In order to hedge interest rate and currency fluctuations, derivative financial instruments are used as and when required. This is done in accordance with the existing guidelines governing the Group’s hedging and credit risk policy. The instruments are measured at fair value, with realised and unrealised changes in the value of financial instruments used to hedge exchange and interest rate risks in current business operations being recognised in principle as financial income (or expense) in the income statement. The positive and negative replacement values are recognised under assets or liabilities.

In isolated cases, cash flow hedge accounting in accordance with IAS 39 is applied. The effective part of the fair value change in a hedging instrument is recognised in equity (hedge accounting reserves) without affecting profit or loss, taking into account deferred taxes, and included in the statement of comprehensive income. The part which is ineffective for hedge accounting purposes is recorded in profit or loss on the reporting date. As soon as the hedged transaction is taken to profit or loss, the accumulated fair value changes in the derivative recorded in equity are transferred to the income statement.

Derivatives which have a term of more than 12 months and are not used for speculative purposes are classified as non-current. All transactions of a speculative nature which are primarily held for trading and thus with the intention of realising short-term gains are classified as current, irrespective of their term to maturity.

If a framework agreement with netting clauses exists for a counterparty and if there is a legal right to offset and the intention to settle net, the positive and negative replacement values which fall due simultaneously are netted.

Other financial assets (non-current). All investments in which the EGL Group exerts no significant or controlling influence but which are held over the long term are recorded under other investments. These investments are classified as “available-for-sale” and recognised in the balance sheet at their fair value or, if that cannot be reliably determined, at their purchase cost less identifiable impairments. Fluctuations in fair value are recognised in equity and recorded in the statement of comprehensive income. If there is a sustained impairment or disposal, the accumulated gains or losses previously recognised in equity are included in the income statement for the reporting period.

Long-term loans to third parties as well as to associates are measured at amortised cost using the effective interest rate method. If, when the loan is paid out, the agreed interest rate equals the market interest rate and both the disbursement and the repayment are made at nominal value, the amortised cost is equal to the nominal value of the loan.

Inventories. Gas inventories and green certificates for own use are valued using the weighted average cost method. If the net realisable value is below the purchase or production cost, an impairment loss is recognised in profit or loss. Emission certificates, green certificates and gas inventories that have been acquired for resale in the near term with a view to generating a profit from price fluctuations or trading margins are measured at fair value less costs to sell. Changes in value are recognised net in profit or loss.

Non-current assets held for sale and discontinued operations. A non-current asset or disposal group is classified as “held for sale” if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the sale must be highly probable within 12 months and the asset or disposal group must be saleable in its present condition. Before being reclassified as “held for sale”, the asset or disposal group is measured in accordance with the prevailing accounting principles. After reclassification, the asset is measured at the lower of its carrying amount or fair value less costs to sell. Any impairment losses are recognised in the income statement.

Receivables. Trade receivables as well as other receivables are recorded at amortised cost, which is generally equivalent to their nominal value, less any appropriate allowances for estimated irrecoverable amounts. In principle, allowances are recognised for specific risks known for each individual receivable. However, in addition to specific allowances, allowances are also made on a portfolio basis for as yet unknown defaults based on statistical calculations of default risk.

Other financial assets (current). Securities as current assets comprise marketable shares and bonds and are mostly classified under IAS 39 as “available for sale”, since they were not acquired to generate profits from short-term price fluctuations. They are measured at fair value, with value fluctuations being recognised in equity and included in the statement of comprehensive income. If there is a sustained impairment or a disposal, the accumulated gains or losses previously recognised in equity are included in the income statement for the period.

Securities acquired to generate profits from short-term price fluctuations are classified under IAS 39 as measured at fair value through profit and loss. Fluctuations are recognised directly in the income statement.

Cash and cash equivalents. Cash and cash equivalents comprise petty cash, credit balances at banks and the post office, as well as sight deposits and deposits with a term of no more than 90 days from the time of purchase.

Financial liabilities (non-current). Non-current financial liabilities consist of loans from third parties and associates as well as bonds. When first recognised, they are measured at fair value less transaction costs and thereafter at amortised cost. Amortisation or allocation of the difference between the fair value of the consideration received less transaction costs and the repayment value is calculated using the effective interest rate method and recorded in profit or loss over the duration of the finance term.

Other liabilities (non-current). This position includes all other liabilities which will become due more than 12 months after the reporting date and which cannot be assigned to any other position under non-current liabilities. This also includes liabilities from assigned usage rights. Payments received from third parties in consideration for rights to use facilities and procure energy are recognised under this position and released to the income statement on a straight-line basis over the life of the relevant usage rights. The relevant useful life is reviewed at the end of each financial year. The useful life specific to each contract shall apply.

Provisions. Provisions include all current liabilities from past business transactions or events which are likely to arise and whose due amount can be reliably determined at the end of the reporting period.

Long-term provisions are recognised at the present value of the expected cash outflow at the end of the reporting period where the effect is significant. The provisions are reviewed semi-annually on the reporting date (31 March and 30 September) and adjusted, taking into account current developments.

In connection with long-term energy procurement and supply obligations, identifiable losses from onerous contracts are deferred, taking into account market price developments and the effective costs of procurement and sales revenue. Additionally, where an investment in a partner plant is acquired, involving a legal obligation to assume the annual costs, under certain circumstances this may give rise to a provision for an onerous energy procurement contract rather than recognition as an asset for the right to procure energy.

A provision is also recognised if CO₂ emissions exceed the CO₂ emission certificates originally allocated free of charge. If CO₂ emission certificates have already been purchased, a provision is recognised in the amount of the purchase cost of the certificates. The provision for emissions in excess of the emission certificates already allocated is measured at fair value at the end of the reporting period.

Provisions are also recognised for the decommissioning and clearance of conventional thermal gas-fired combined-cycle power plants.

Leasing. Assets and liabilities under lease contracts are recognised in the balance sheet as finance leases if substantially all the risks and opportunities of ownership are transferred to the lessee when the contract is signed. They are measured at either fair value or present value, whichever is lower, of the minimum leasing payments less accumulated amortisation and any applicable impairments. The lease instalments are divided into interest costs and repayment amounts under the annuity method. The leased objects are amortised over the shorter of their estimated useful lives or the term of the lease.

Payments for operating leases are recognised in the income statement over the duration of the lease.

Agreements, the fulfilment of which is dependent on the use of a specific asset and which grant the right to use that asset and which fulfil the criteria according to IFRIC 4, are classified as a lease and recognised accordingly in the balance sheet.

Employee benefits. The EGL Group operates pension plans in accordance with national legislation in each country. Most employees are members of PKE Vorsorgestiftung Energie, a legally independent pension fund which qualifies as a defined benefit plan under IAS 19. There are also defined contribution plans. All the plans are generally funded by employee and employer contributions.

Employer contributions paid or owed for pension funds with defined contribution plans are recognised in the income statement.

The proportional defined benefit-based pension liability of the PKE Vorsorgestiftung Energie plan is calculated annually by independent actuaries using the projected unit credit method. The discount interest rate used for the calculation is based on the interest rate for first-class industrial bonds with virtually the same maturities as the liabilities. This accrued benefit/years of service method takes into account the present values not only of the known pension and other entitlements on the reporting date, but also of anticipated increas-

es in salary and future pension. The fair value of plan assets, actuarial gains and losses not yet recognised and past service costs not yet recognised are deducted or added.

Pension costs relating to work performed in the reporting period are recognised in profit or loss. Pension costs relating to work performed in previous periods as a result of new or amended pension benefits are recognised as employee benefit costs on a straight-line basis until the time when entitlement to the benefits arises. Actuarial gains and losses arising from periodic recalculations are recognised in profit or loss on a straight-line basis for the average remaining years of service if they exceed 10% of assets or pension fund liabilities, whichever is higher. Provisions for deficits arising from these calculations are made using this mechanism. Pension fund surpluses are only capitalised up to a specific amount that does not exceed the sum of past service costs not yet recognised, unrecognised actuarial losses and gains from future contribution refunds or reductions.

Income taxes. These include current and deferred income taxes and are normally recognised in profit or loss unless they are connected to a position with transactions that are recognised in the statement of other comprehensive income or directly in equity.

Current income taxes are calculated on the taxable results and accrued for the relevant period. The deferred tax assets and liabilities shown in the consolidated financial statements are calculated using the balance sheet liability method, whereby deferred taxes are basically recognised for all temporary differences. Temporary differences arise from deviations between the carrying amount of an asset or liability and its relevant tax value. These differences will even out in one or more future periods. Temporary differences resulting from the initial recognition of goodwill, from the initial recognition of assets or liabilities connected with a transaction which neither impact the taxable results nor the annual profit, and from investments in subsidiaries, are not recognised if it is likely that there will be no reversal of the temporary difference in the foreseeable future. Country-specific tax rates are used for calculating deferred taxes. Tax credits and debits are offset if they involve the same tax subject and the same tax jurisdiction. Deferred tax assets or liabilities are recognised as non-current assets or liabilities. Deferred tax assets arising from losses carried forward and deductible temporary differences are capitalised only if it is likely that they can be realised in the future.

Contingent liabilities. These are liabilities for which an outflow of cash is considered unlikely but possible, as well as potential liabilities, the existence of which must first be proven. They are not recognised in the balance sheet unless they were purchases in the context of an acquisition. The amount of a potential liability is nevertheless disclosed on the balance sheet date as a contingent liability in the notes to the consolidated financial statements.

05

Estimation uncertainties

Key assumptions and sources of estimation uncertainty. In the process of preparing the consolidated financial statements in accordance with IFRS, management makes estimations and assumptions which have an effect on the applicable accounting principles and the amounts recognised under assets, liabilities, income and expenses as well as their presentation. The estimations and assumptions are based on existing knowledge and various other factors which are regarded as relevant under the given circumstances. These serve as a basis for recognition of assets and liabilities which cannot be measured directly on the basis of any other sources. The actual values may deviate from these estimations.

The estimations and assumptions are regularly reviewed. Where necessary, adjustments are made to estimations if the circumstances on which they were based have changed or in the presence of new information and additional facts. Such adjustments are recorded in the period in which the estimation was adjusted. The key assumptions concerning the future and other key sources of estimation uncertainty which could necessitate material adjustments to the carrying amounts of assets and liabilities are listed below.

Property, plant and equipment. The EGL Group has property, plant and equipment with a carrying amount of CHF 1,088.6 million (see Note 14). These are subjected to annual impairment tests. To determine whether there is an indication of impairment, these asset values are assessed based on the expected future cash flows from the use of these assets. The actual cash flows may differ significantly from

the discounted future cash flows based on these assessments. Material parameters such as useful life, electricity price movements and the discount rate are by their nature subject to major uncertainties.

Grids. The Electricity Supply Act (StromVG) and the related Ordinance (StromVV) came into force on 1 January 2008 and 1 April 2008 respectively. The new legislation requires all transmission systems to be transferred to the national grid operator swissgrid ag within five years, by 1 January 2013 at the latest. The value at which these systems are to be transferred has not been definitively determined. In the meantime, a Memorandum of Understanding has been signed between swissgrid ag and the transmission system owners, which came into force at the end of June 2011. It defines the milestones for the transfer and the principles governing calculation of the value on transfer. The value on transfer is defined as the value which – in accordance with the last ECom ruling before the transfer of the transmission systems – was applied to calculate the chargeable costs. EGL Grid AG therefore adjusted the carrying amount of the transmission systems after depreciation of CHF 240.9 million (including grid systems under construction and unregulated grid installations) to CHF 161.2 million. This amount was calculated based on the value defined by the ECom ruling of November 2010 and taking into account the current development. The impairment of CHF 79.7 million for the transmission systems was recognised directly in equity reducing revaluation reserve without affecting income. Despite this adjustment, management continues to believe that the carrying amount of CHF 240.9 million after depreciation and before impairment reflects the correct value. On 23 April 2009, 22 April 2010 and 15 December 2010, EGL Grid AG therefore filed appeals with the Federal Administrative Court against the ECom rulings of March 2009, March 2010 and November 2010 respectively. The Memorandum of Understanding between swissgrid ag and the transmission system owners states that the applicable value on the date of transfer shall be the value which, according to the most recent ECom ruling before the transfer, was used to calculate the chargeable costs. However, this is a provisional value on transfer and not the definitive value on transfer. Depending on the outcome of the appeal procedures, the value of the transmission systems may deviate significantly from the amount recognised in the balance sheet on 30 September 2011. The value of the transmission systems will be adjusted on the basis of a final court ruling once the outcome of all outstanding appeal processes is known.

The costs to be invoiced to swissgrid ag are calculated based on the carrying amount of the transmission systems recognised in the balance sheet of EGL Grid AG and billed to swissgrid ag. At present, swissgrid ag compensates EGL Grid AG on the basis of the values decreed by ECom. The difference of approximately CHF 39.8 million is posted in trade receivables. As mentioned above, EGL Grid AG has adjusted the carrying amount of transmission systems based on the signed Memorandum of Understanding. The value of outstanding receivables for swissgrid ag, which were calculated based on the higher carrying amount, was therefore reduced by CHF 39.8 million. However, management is of the opinion that the transmission systems value of CHF 240.9 million after depreciation and before impairment reflects the correct value and therefore the costs invoiced to swissgrid ag were correctly invoiced. The recoverability of the outstanding, impaired receivables is dependent on the outcome of the appeal procedure in front of the Federal Administrative Court.

Goodwill. As at 30 September 2011 the carrying amount of goodwill from business combinations was CHF 82.5 million. Goodwill arising from the acquisition of associates amounts to CHF 43.8 million and is included in their share value. The value of the goodwill is tested for impairment in the fourth quarter of the reporting period or earlier if there are indications of impairment. The value of goodwill is largely determined by expected future cash flows, the discount factor, and long-term growth rates. The key assumptions are explained in Notes 15 and 16. A change in the assumptions in future periods can result in an impairment loss being recognised.

Employee benefits. Majority of EGL Group employees are members of the PKE Vorsorgestiftung Energie, a pension fund which meets the criteria of a defined benefit plan under IAS 19. The reported assets and liabilities for this plan are calculated on the basis of statistical and actuarial methods. In particular, the present value of the pension liabilities, which amounted to CHF 4.2 million as at 30 September 2011, is dependent on assumptions such as discount rate, future wage and salary increases, and the expected increase in pension benefits. In addition, independent actuaries base their assumptions on statistical data such as the probability of employees leaving the company and the life expectancy of insured members. The actuarial assumptions may deviate substantially from actual results due to changes in market conditions and the economic environment, higher or lower exit rates, longer or shorter lives of insured members and other estimated factors. These deviations may have an impact on pension fund assets and liabilities recognised in the balance sheet in future reporting periods. The key assumptions are explained in Note 28.

Fair value of financial instruments. Financial assets and liabilities as well as derivatives are recognised at fair value in the balance sheet. As at 30 September 2011, EGL had positive and negative replacement values of CHF 850.4 million and CHF 721.0 million respectively. Wherever possible, the fair value applied to financial instruments is based on the rates and prices quoted on active markets. For financial instruments for which no active market of official quoted prices exist, the fair value is determined using valuation models, applying observable market data, if available, as input factors. If no observable market data are available, the input factors are estimated based on reasonable assumptions.

Models always provide an estimation or approximation of a value which cannot be determined with certainty. The fair value obtained using this method reflects the assumptions of management and may vary depending on the choice of input factors and model. The recoverable cash flows may therefore deviate from the model values based on estimates and assumptions (see Note 6 “Financial risk management”).

Projects. Part of the EGL Group’s corporate strategy is based on investments in various asset projects. The various projects are at different stages of development. The earlier the development stage, the more difficult it is to assess whether a project will be realised. The feasibility of projects and their subsequent profit-generating operation or possible sale are dependent on various factors such as the legal framework and future market trends. Consequently, the balance sheet value of assets under construction and project companies in which the EGL Group has an investment and which are accounted for using the equity method may deviate from the future recoverable amount.

As at the balance sheet date, the largest investments had been made in the project companies Trans Adriatic Pipeline AG (TAP), Global Tech I Offshore Wind GmbH and WinBis S.p.A. By the end of the reporting period, CHF 60.5 million had been invested in Trans Adriatic Pipeline AG. This corresponds to EGL’s 42.5% stake in the company. Further developments in the project depend on the selection of buyers and the project by the Shah Deniz Consortium (Azerbaijan) as well as on the issuance of permits to construct and operate the pipeline through the transit countries. Negotiations are currently being conducted with the Shah Deniz Consortium on the terms and conditions governing natural gas deliveries and transport. At the same time, intensive efforts are being made to obtain the relevant permits – particular environmental and regulatory approvals. Management expects to see critical progress in the selection procedure for the TAP project within the next six months, following which all key permits can be secured. As at the balance sheet date, EUR 160.8 million had been invested in Global Tech I Offshore Wind GmbH. This corresponds to EGL’s 24.1% stake in the company. During the reporting period, loan contracts were signed with the European Investment Bank, Förderbank KfW and a consortium comprising 16 commercial banks. Consequently the project financing could be secured. At present the permit process is at the expected stage and it should be possible to obtain all permits required to build the offshore wind farm on schedule. The foundation structures as well as wind power facilities are under construction or already completed. Management expects the project to be completed on schedule in 2013. As of 30 September 2011, EUR 74.6 million had been invested in the project company WinBis S.p.A, which is wholly owned by EGL. The EPC (Engineering Procurement and Construction) contract was concluded in the reporting period, and construction of the wind farm was commenced on schedule. Construction is progressing to plan, and management expects the wind farm to be completed by the end of 2012.

06 Financial risk management

General principles. The EGL Group is exposed to various financial risks in the course of its business activities: market risks (including exchange rate, interest and energy price risks), credit risks and liquidity risks.

Financial risk management complies with the principles and directives drawn up by the Board of Directors and Executive Management governing the management of market, credit and liquidity risks. The responsible units within Finance & Operations monitor the risks in close collaboration with the operating units, with the aim of optimising financial risks, while giving due consideration to hedging costs and the associated risks. The EGL Risk Management Manual approved by the Board of Directors describes the aims and principles of risk management for the EGL Group. It includes information on the organisation (governing bodies, tasks, responsibilities and authorities), risk measurement and management, and implementation of limit systems. Executive Management is responsible for drawing up the concrete details and for implementation. In addition, a Risk Council, comprising members of Executive Management and representatives of the Board of Directors, supports the responsible bodies by providing advice on risk monitoring and ongoing development of risk management.

The Group Risk Management department is responsible for measuring, managing and monitoring energy price risks as well as energy credit risk management, and the provision of timely, reliable risk reports to the relevant units.

Group Treasury is responsible for monitoring and managing financial market risks, including interest rate risks, exchange rate risks and liquidity risks.

Capital management. Gearing is a controlling instrument which is actively monitored by the Board of Directors. The target ratio for gearing is approximately 70%.

In keeping with its defined growth strategy, the EGL Group also obtains financing through interest-bearing financial liabilities, taking care to ensure an appropriate ratio to profitability. An optimal capital structure keeps interest costs at a reasonably low level.

In addition, two EGL Group subsidiaries are subject to compliance with a local supervisory authority. The regulatory equity requirements which the companies must meet were complied with at all times in 2009/10 and 2010/11.

Carrying amount and fair value of financial assets and liabilities

CHF MILLIONS	NOTES	30.09.2011 CARRYING AMOUNT	30.09.2011 FAIR VALUE	30.09.2010 CARRYING AMOUNT	30.09.2010 FAIR VALUE
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (HELD FOR TRADING)					
Positive replacement values:					
Energy derivatives		789.9	789.9	670.2	670.2
Currency forward contracts		0.9	0.9	3.7	3.7
Other derivative financial instruments		59.6	59.6	34.2	34.2
Total		850.4	850.4	708.1	708.1
FINANCIAL ASSETS AT FAIR VALUE (HEDGE ACCOUNTING)					
Positive replacement values:					
Other derivative financial instruments		-	-	-	-
Total		-	-	-	-
LOANS AND RECEIVABLES					
Financial receivables (non-current)		307.1	309.1	332.4	342.6
Other receivables (non-current)		12.9	12.9	0.3	0.3
Trade receivables	19	700.2	700.2	758.5	758.5
Financial receivables (current)		22.2	22.2	17.5	17.5
Other receivables (current)		127.8	127.8	168.4	168.4
Revenues and interest income not yet billed		778.3	778.3	724.6	724.6
Cash and cash equivalents	21	301.6	301.6	478.3	478.3
Total		2,250.1	2,252.1	2,480.0	2,490.2
AVAILABLE-FOR-SALE FINANCIAL ASSETS					
Financial investments	17	0.1	0.1	0.3	0.3
Other financial investments (current)		-	-	-	-
Securities		-	-	24.9	24.9
Total		0.1	0.1	25.2	25.2
Total financial assets		3,100.6	3,102.6	3,213.3	3,223.5

CHF MILLIONS	NOTES	30.09.2011 CARRYING AMOUNT	30.09.2011 FAIR VALUE	30.09.2010 CARRYING AMOUNT	30.09.2010 FAIR VALUE
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (HELD FOR TRADING)					
Negative replacement values:					
Energy derivatives		653.2	653.2	538.4	538.4
Currency forward contracts		-	-	12.9	12.9
Other derivative financial instruments		-	-	-	-
Total		653.2	653.2	551.3	551.3
FINANCIAL LIABILITIES AT FAIR VALUE (HEDGE ACCOUNTING)					
Negative replacement values:					
Other derivative financial instruments		67.8	67.8	84.1	84.1
Total		67.8	67.8	84.1	84.1
OTHER FINANCIAL LIABILITIES					
Financial liabilities (non-current)	22	903.9	916.5	1,005.3	1,016.8
Other liabilities (non-current)		13.8	13.8	16.0	16.0
Trade payables	25	661.9	661.9	710.7	710.7
Financial liabilities (current)	26	284.9	284.9	304.5	304.5
Other liabilities (current)		16.3	16.3	20.9	20.9
Operating expenses and interest expense not yet billed		835.7	835.7	741.5	741.5
Total		2,716.5	2,729.1	2,798.9	2,810.4
Total financial liabilities		3,437.5	3,450.1	3,434.3	3,445.8

Net results from financial assets and liabilities

CHF MILLIONS	2010/11 INCOME STATEMENT	30.09.2011 OTHER COMPREHENSIVE INCOME	2009/10 INCOME STATEMENT	30.09.2010 OTHER COMPREHENSIVE INCOME
NET PROFIT/LOSS				
On financial assets at fair value through profit or loss (held for trading) ¹	151.1	-	178.1	-
On financial assets at fair value (hedge accounting)	-	9.6	-	- 37.1
On loans and receivables ²	- 5.6	-	- 1.1	-
On available-for-sale financial assets	0.0	- 1.0	-	0.1
Foreign currency effects on financial assets	- 35.5	-	- 71.3	-
INTEREST INCOME AND EXPENSE				
Interest income on financial assets which are not valued at fair value through profit or loss	20.6	-	18.7	-
Interest expense on financial liabilities which are not valued at fair value through profit or loss	58.7	-	65.6	-

1 Included are CHF 104.4 million income from energy and emission certificates trading

2 The net allocation of provisions for bad debts in the amount of CHF 81.9 million are not included, but reported in the line item "other operating expenses"

Forward contracts and derivatives. The EGL Group trades in forwards, futures and swaps as well as options with energy as the underlying asset, on behalf of customers and for its own account. A distinction is made between trading in physical energy contracts and trading in purely financial products and, in terms of maturity, between short- and long-term markets. Transactions which have a term to maturity of more than 12 months and are not speculative in nature are classified as non-current. All transactions of a speculative nature which are primarily held for trading and thus with the intention of realising short-term gains are classified as current, irrespective of their term to maturity.

Forward contracts and derivatives are measured based on the following principles:

- Electricity, gas, oil, coal, emissions and currency forward contracts are measured on the reporting date based on forward rates. These rates are taken from the respective exchanges or provided by various brokers. If no published prices are available, internal measurement models are used.
- Futures are not measured since due to the exchange listing they are offset daily via a margin account.

For risk reasons, EGL has agreed netting framework agreements with numerous counterparties for forward contracts and derivatives in energy trading. Where such a framework agreement exists and is legally enforceable in the event of the counterparty's insolvency, the positive and negative replacement values are netted and a single amount, which is either payable or receivable, is recorded in the balance sheet.

The following table shows the replacement values, calculated at market prices.

2010/11: Forward contracts and derivatives in energy trading

CHF MILLIONS	REPLACEMENT VALUES	
	POSITIVE 30.09.2011	NEGATIVE 30.09.2011
ENERGY TRADING		
Forward contracts	1,594.5	1,505.6
Options	118.2	102.3
Swaps	132.3	121.5
Emission certificates	50.2	29.1
Total energy trading	1,895.2	1,758.5
OTHER FINANCIAL INSTRUMENTS		
Currency swaps	0.9	-
Interest rate swaps	-	67.8
Other derivative financial instruments	59.6	-
Total other financial instruments	60.5	67.8
Total before netting	1,955.7	1,826.3
./.. Consideration of netting agreements	- 1,105.3	- 1,105.3
Total after netting	850.4	721.0
thereof:		
non-current derivatives	94.7	57.7
current derivatives	755.7	663.3

2009/10: Forward contracts and derivatives in energy trading

CHF MILLIONS	REPLACEMENT VALUES	
	POSITIVE 30.09.2010	NEGATIVE 30.09.2010
ENERGY TRADING		
Forward contracts	1,525.4	1,368.2
Options	43.1	89.3
Swaps	110.9	86.8
Emission certificates	19.8	23.1
Total energy trading	1,699.2	1,567.4
OTHER FINANCIAL INSTRUMENTS		
Currency swaps	3.7	12.9
Interest rate swaps	34.2	84.1
Total other financial instruments	37.9	97.0
Total before netting	1,737.1	1,664.4
./.. Consideration of netting agreements	- 1,029.0	- 1,029.0
Total after netting	708.1	635.4
thereof:		
non-current derivatives	53.6	75.5
current derivatives	654.5	559.9

Three-level hierarchy. Financial assets and liabilities measured at fair value are classified according to the hierarchy shown below, which describes the key parameters of the valuation. The individual levels are defined in accordance with IFRS 7 as follows:

Level 1

Financial assets/liabilities measured using quoted and market prices in active markets (without adjustments or change in composition).

Level 2

Financial assets/liabilities measured using inputs based on observable market that flow either directly or indirectly (i.e. derived from prices) into the valuation models.

Level 3

Financial assets/liabilities whose value is determined using valuation methods where the significant input parameters are not based on observable market data.

2010/11: Three-level hierarchy for financial assets and liabilities

CHF MILLIONS	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
	30.09.2011 MARKET AMOUNT	30.09.2011 MARKET AMOUNT	30.09.2011 MARKET AMOUNT	30.09.2011 MARKET AMOUNT
FINANCIAL ASSETS AT FAIR VALUE				
Financial assets (held for trading)	1,955.7	64.1	1,852.4	39.2
Available-for-sale financial assets	0.1	0.1	-	-
Total	1,955.8¹	64.2	1,852.4	39.2
FINANCIAL LIABILITIES AT FAIR VALUE				
Financial liabilities (held for trading)	1,758.5	19.8	1,735.6	3.1
Hedge accounting designated derivatives	67.8	-	67.8	-
Total	1,826.3¹	19.8	1,803.4	3.1

2009/10: Three-level hierarchy for financial assets and liabilities

CHF MILLIONS	TOTAL	LEVEL 1	LEVEL 2	LEVEL 3
	30.09.2010 MARKET AMOUNT	30.09.2010 MARKET AMOUNT	30.09.2010 MARKET AMOUNT	30.09.2010 MARKET AMOUNT
FINANCIAL ASSETS AT FAIR VALUE				
Financial assets (held for trading)	1,737.1	93.2	1,621.5	22.4
Available-for-sale financial assets	25.2	25.2	-	-
Total	1,762.3¹	118.4	1,621.5	22.4
FINANCIAL LIABILITIES AT FAIR VALUE				
Financial liabilities (held for trading)	1,580.3	5.8	1,572.5	2.0
Hedge accounting designated derivatives	84.1	-	84.1	-
Total	1,664.4¹	5.8	1,656.6	2.0

¹ Gross value without considering the netting agreements

2010/11: Development of Level 3 instruments: Replacement values

CHF MILLIONS	NET VALUE OF FINANCIAL ASSETS/ (LIABILITIES) MARKET AMOUNT	FINANCIAL ASSETS MARKET AMOUNT	FINANCIAL LIABILITIES MARKET AMOUNT
Balance at 1 October 2010	20.4	22.4	2.0
Purchase (incl. acquisition day-one profit or loss)	14.2	15.0	0.8
Sale (incl. disposal day-one profit or loss)	- 0.2	- 0.2	-
Settlement (cash effective items)	0.9	-	- 0.9
Profit or loss incl. in income statement	3.2	5.3	2.1
Reclassification from Level 3	- 1.4	- 2.2	- 0.8
Effect from currency translation differences	- 1.0	- 1.1	- 0.1
Balance at 30 September 2011	36.1	39.2	3.1

The reclassification from Level 3 to Level 2 relates to financial instruments whose measurement is now based on observable market data.

2009/10: Development of Level 3 instruments: Replacement values

CHF MILLIONS	NET VALUE OF FINANCIAL ASSETS/ (LIABILITIES) MARKET AMOUNT	FINANCIAL ASSETS MARKET AMOUNT	FINANCIAL LIABILITIES MARKET AMOUNT
Balance at 1 October 2009	- 1.9	0.4	2.3
Purchase (incl. acquisition day-one profit or loss)	11.9	11.9	-
Settlement (cash effective items)	0.5	-	- 0.5
Profit or loss incl. in income statement	8.1	10.5	2.4
Reclassification from Level 3	1.8	- 0.4	- 2.2
Balance at 30 September 2010	20.4	22.4	2.0

The reclassification from Level 3 to Level 2 relates to financial instruments whose measurement is now based on observable market data.

The table shows the financial instruments whose fair value is measured using valuation models in which not all significant parameters are based on observable market factors. On initial recognition, financial instruments of this type are accounted for at the market price calculated using the valuation model on Day 1, although this value may deviate from the transaction price. Day-1 reserves are released to income statement via income from energy trading as soon as the underlying parameters can be determined or the transaction is settled. The table shows the accumulated deviations which were not yet recognised in the income statement at the beginning and end of the period, as well as a reconciliation of changes in these accumulated deviations (movement of the accrued day-one profit or loss).

Development of Level 3 instruments: Day-one profit or loss

CHF MILLIONS	NET VALUE OF FINANCIAL ASSETS/ (LIABILITIES) MARKET AMOUNT	FINANCIAL ASSETS MARKET AMOUNT	FINANCIAL LIABILITIES MARKET AMOUNT
Balance at 1 October 2010	- 11.9	-	11.9
Day-one profit or loss on new transactions	- 14.2	0.8	15.0
Profit or loss incl. in income statement	1.1	- 0.7	- 1.8
Effect from currency translation differences	0.5	-	- 0.5
Balance at 30 September 2011	- 24.5	0.1	24.6

Gains or losses on Level 3 instruments recognised in the income statement

CHF MILLIONS	30.09.2011	30.09.2010
Profit or loss for the financial year	5.2	8.6
Profit or loss on remaining assets and liabilities at financial year-end	4.3	10.5

Hedge accounting

Variable interest-bearing financial liabilities relating to the construction of gas-fired combined-cycle power plants in Italy constitute an interest rate risk for the EGL Group. This risk is reduced through the balanced application of derivative financial instruments in the form of interest rate swaps. These interest rate swaps are recorded as cash flow hedges and are rated as effective. The interest rate swaps are recorded at fair value. Until they are taken to income in accordance with IAS 39, changes in replacement values are recorded as hedge accounting reserves, taking deferred taxes into account. As at 30 September 2011, interest rate swaps designated as hedging instruments existed with a contract value of EUR 560.7 million. The cash flows of these swaps fall due within the next 1 to 7 years and will be taken to profit or loss during these periods.

Credit risks

Credit risk concentration by geographical area

CHF MILLIONS	30.09.2011	30.09.2010
Western Europe	120.9	133.2
Central Europe	263.7	267.7
Southern Europe	225.9	290.0
Southeast Europe	26.6	18.7
Northern Europe	48.4	40.0
Outside Europe	14.7	8.9
Total debtors after provisions for bad debts	700.2	758.5

The need for credit risk management is based on the fundamental risk of trading partners of the EGL Group being unable to meet all or some of their obligations, which could result in a financial loss. Credit risk comprises the settlement and replacement risks arising from the potential failure to deliver energy. To avoid this risk, receivables from trading partners are monitored and future developments analysed, and continuous credit checks are conducted. Business units and subsidiaries are involved in credit risk management. Credit risks are managed by issuing internal credit limits obtained by rating the trading partners and setting a limit on the exposure to each business partner. These limits are issued by the independent Credit Risk Department as the maximum total exposure and are

applicable throughout the EGL Group. Trading partners are rated according to their creditworthiness, which defines the probability of default. The internal score obtained from the rating is converted to the external credit rating classes AAA to C. At the end of the reporting period, close to 18% of the total exposure was classified as AA, 39% as A and 18% as BBB. Trading transactions may only be entered into with authorised business partners. The existing limits of trading partners may be raised by actively obtaining guarantees, collateral and advance payments. The credit risk is also minimised by limiting credit to a defined trading horizon. However, conventional framework agreements such as the EFET (European Federation of Energy Traders) agreement can also lead to an extension of the trading horizon and, if necessary, an increase in limits.

Receivables from counterparties are monitored by regular reporting at frequent intervals. In addition, a formalised process is applied to introduce countermeasures in good time in the event that negative trends are identified.

Since the EGL Group is represented throughout Europe, country-specific limits are defined within the credit risk management system. The Credit Risk department is responsible for centrally issuing limits for settlement and replacement risks. Country-specific risks are primarily related to the political and economic situation in a country. The legal framework also plays an important role, particularly in contract negotiations.

Under IFRS 7 the maximum default risk is disclosed as the total carrying amount of the financial assets to which the EGL Group is exposed at the end of the reporting period. At 30 September 2011, the maximum credit risk amounted to CHF 3,100.6 million (30 September 2010: CHF 3,213.3 million). A detailed list is provided in the table "Carrying amount and fair value of financial assets and liabilities". As mentioned above, the credit risk is reduced by the collateral received and by concluding framework agreements that provide for the mutual settlement of all receivables and liabilities in respect of a counterparty, depending on the jurisdiction.

Due to the fact that risk is distributed among various counterparties and countries in Europe, the credit risk is spread accordingly. Material risk concentrations exist primarily in relation to long-term energy procurement contracts. These are monitored and reported by Risk Management on an ongoing basis.

Cash and cash equivalents and time deposits are held only with bank consortia which have been accorded at least an A rating by an internationally recognised rating agency or are covered by a state guarantee. Cash deposits are for a limited amount, phased and spread among different banks. The limits for these deposits are reviewed on a regular basis. To date, no write-downs have been necessary.

Ageing analysis of trade receivables

The following disclosures can be made on the basis of trade receivables:

CHF MILLIONS	30.09.2011	30.09.2011	30.09.2010	30.09.2010
	DEBTORS AFTER SPECIFIC BAD DEBTS	PROVISION FOR GENERAL BAD DEBTS	DEBTORS AFTER SPECIFIC BAD DEBTS	PROVISION FOR GENERAL BAD DEBTS
Not yet due	640.5	–	659.3	– 0.4
Past due 1 to 60 days	45.7	– 1.4	43.7	– 0.1
Past due 61 to 150 days	1.8	–	15.3	–
Past due 151 to 360 days	5.0	– 0.8	24.3	– 0.1
Past due more than 360 days	9.9	– 0.5	17.4	– 0.9
Total	702.9	– 2.7	760.0	– 1.5

Bad debt provisions created, released or no longer required for trade receivables in 2010/11 and 2009/10:

CHF MILLIONS	2010/11		2009/10	
	SPECIFIC BAD DEBTS	GENERAL BAD DEBTS	SPECIFIC BAD DEBTS	GENERAL BAD DEBTS
Provisions at 1 October	- 50.1	- 1.5	- 55.1	- 4.4
Net release/(allocation)	- 80.6	- 1.3	- 8.4	- 0.5
Uncollectable receivables written off	4.9	-	7.4	3.1
Effect on currency translation differences	4.1	0.1	6.0	0.3
Provisions at 30 September	- 121.7	- 2.7	- 50.1	- 1.5

Of the trade receivables past due for more than one year, around CHF 21.5 million are collateralised. The net allocation of provisions mainly concerns receivables from swissgrid ag in the amount of CHF 39.8 million (see Note 19) as well as two other counterparties with significant receivables in the amount of CHF 22.0 million and CHF 18.9 million. The provision of CHF 22.0 million is based on the negotiation status with the respective counterparty. The EGL management does not expect the settlement of receivables of CHF 18.9 million due to financial difficulties of the respective counterparty. Based on past experience, the EGL Group does not expect any material bad debt losses on trade receivables not yet due. The provisions are recognised as specific allowances and allowances based on the portfolio.

Collateral

Within the EGL Group, major importance is attached wherever possible to the inclusion of netting clauses in framework agreements. Receivables and payables can only be netted in the balance sheet if there is a legal right to offset and there is an intention to settle net. In addition, the aforementioned collateral is obtained and its relevance is regularly reviewed. In the case of major credit risks, Credit Support Annexes (CSAs) are attached to the framework agreement, in which regular margin payments are agreed as additional collateral, mostly in the form of cash.

Liquidity risks

The majority of receivables in European energy trading are offset and subject to fixed payment deadlines (netting) in order to significantly reduce liquidity demand on these dates. Advance margin payments are standard practice among large energy traders and energy exchanges, as a means of reducing the counterparty risk of large receivables arising at short notice due to energy price movements. The EGL Group meets this potential requirement with cash and cash equivalents as well as through agreed credit lines with first-class banks. Group Treasury, headed by the CFO, is responsible for the Group's financing flexibility. This task covers the planning, monitoring, provision and optimisation of liquidity for the entire Group. Liquidity is ensured through cash flow from operating activities, credit lines, project financing and on the capital market. In the reporting period, all covenants related to credit agreements were observed.

2010/11: Due date analysis of financial liabilities

CHF MILLIONS	30.09.2011 CARRYING AMOUNT	30.09.2011 CASH FLOWS					
		TOTAL	ON DEMAND	< 3 MTHS	3-12 MTHS	1-5 YRS	> 5 YRS
NON-DERIVATIVE FINANCIAL LIABILITIES							
Financial liabilities (non-current)	903.9	1,177.8	-	13.8	22.7	562.9	578.4
Other liabilities (non-current)	13.8	15.0	-	-	0.4	7.3	7.3
Trade payables	661.9	661.9	-	661.8	0.1	-	-
Financial liabilities (current)	284.9	284.9	-	24.2	260.7	-	-
Other liabilities (current)	16.3	17.2	-	15.4	1.8	-	-
Operating expenses not yet billed	821.2	821.2	-	792.9	28.3	-	-
Accrued expense, interest	14.5	14.5	-	14.5	-	-	-
Total	2,716.5	2,992.5	-	1,522.6	314.0	570.2	585.7
DERIVATIVE FINANCIAL LIABILITIES							
Energy derivatives	653.2						
Gross cash inflow		10,612.2	10,467.8	-	-	44.6	99.8
Gross cash outflow		-10,044.1	-9,976.1	-5.1	-28.9	-5.1	-28.9
Currency forward contracts	-						
Gross cash inflow		1.9	-	1.9	-	-	-
Gross cash outflow		-1.9	-	-1.9	-	-	-
Other derivative financial instruments	67.8						
Gross cash inflow		0.3	0.3	-	-	-	-
Gross cash outflow		-67.9	-0.2	-	-11.9	-42.7	-13.1
Total	721.0	500.5	491.8	-5.1	-40.8	-3.2	57.8

2009/10: Due date analysis of financial liabilities

CHF MILLIONS	30.09.2010 CARRYING AMOUNT	30.09.2010 CASH FLOWS					
		TOTAL	ON DEMAND	< 3 MTHS	3 - 12 MTHS	1 - 5 YRS	> 5 YRS
NON-DERIVATIVE FINANCIAL LIABILITIES							
Financial liabilities (non-current)	1,005.3	1,303.0	-	14.2	24.0	329.8	935.0
Other liabilities (non-current)	16.0	16.0	-	0.8	-	8.0	7.2
Trade payables	710.7	710.7	-	703.1	7.6	-	-
Financial liabilities (current)	304.5	309.1	-	26.0	283.1	-	-
Other liabilities (current)	20.9	20.9	-	15.9	5.0	-	-
Operating expenses not yet billed	716.8	719.3	-	523.8	195.5	-	-
Accrued expense, interest	24.7	24.7	-	24.7	-	-	-
Total	2,798.9	3,103.7	0.0	1,308.5	515.2	337.8	942.2
DERIVATIVE FINANCIAL LIABILITIES							
Energy derivatives	538.4						
Gross cash inflow		6,902.5	6,902.5	-	-	-	-
Gross cash outflow		-13,189.1	-13,189.1	-	-	-	-
Currency forward contracts	12.9						
Gross cash inflow		119.6	-	85.5	17.7	16.4	-
Gross cash outflow		-128.1	-10.1	-83.8	-17.8	-16.4	-
Other derivative financial instruments	84.1						
Gross cash inflow		272.8	-	6.3	-	24.8	241.7
Gross cash outflow		-325.3	-	-7.8	-9.0	-60.2	-248.3
Total	635.4	-6,347.6	-6,296.7	0.2	-9.1	-35.4	-6.6

Market price risks*Energy price risks*

EGL defines energy price risks as risks arising from changes in energy prices. Price fluctuations and correlations between the various markets and products may impact EGL negatively. These risks are therefore monitored and reported on daily by EGL Group Risk Management. Monitoring is based on the principles contained in the Risk Management Manual as well as the associated trading mandates.

The energy price risks are quantified using the Value-at-Risk (VaR) method, with an assumed holding period of five days and a confidence interval of 99%. The VaR method defines a potential loss which, with 99% probability, will not be exceeded, taking into account the historic market trend.

The market price risk is limited using a transparent limit system consisting of a VaR limit and a volume limit. The total risk limit for energy derivatives trading is approved annually by the Board of Directors at the request of Executive Management, and broken down by individual divisions, departments and books.

Sensitivity analysis of energy price risks

CHF MILLIONS	2010/11	2009/10
Value at Risk	15.1	25.1

As in the previous year, a distinction was made between the positions trading books and own-use books. The disclosed Value-at-Risk figure only covers the effective trading volumes (trading books).

Exchange rate risk

Due to the international nature of its operations and its involvement in various foreign currencies, the Group is exposed to an exchange rate risk, particularly with respect to the Euro and the US dollar. The exchange rate risk arises from future business transactions, reported assets and liabilities, and foreign net investments which are not denominated in the functional currency of the subsidiary in question.

To reduce the exchange rate risk related to future business transactions as well as reported assets and liabilities, Group units make use of futures contracts in compliance with the Group's principles governing exchange rate risks. Group Treasury, in close coordination with the Group's operating units, is responsible for managing the amount of net positions in all foreign currencies through appropriate hedging transactions.

The Group's policy on exchange rate risks is to selectively hedge net foreign currency positions arising from transactions in all main currencies.

2010/11: Financial assets and liabilities per currency

CHF MILLIONS	CHF	EUR	NOK	RON	SEK
Non-current financial assets	-	319.9	-	-	-
Trade receivables	29.1	568.2	0.7	15.8	10.2
Other current assets	99.5	1,082.2	20.0	-	14.7
Non-current financial liabilities	247.9	664.8	5.1	-	-
Trade payables	27.3	558.3	0.2	6.6	0.9
Other current liabilities	255.5	836.0	1.5	16.9	1.3
Net exposure	-402.1	-88.8	13.9	-7.7	22.7

2009/10: Financial assets and liabilities per currency

CHF MILLIONS	CHF	EUR	USD	NOK	SEK
Non-current financial assets	-	332.3	-	-	0.3
Trade receivables	74.3	586.9	0.5	1.3	14.0
Other current assets	205.1	1,146.7	39.8	15.4	1.9
Non-current financial liabilities	247.3	768.7	-	5.4	-
Trade payables	20.8	620.6	0.6	0.9	2.2
Other current liabilities	292.5	714.4	36.4	5.3	2.4
Net exposure	-281.2	-37.8	3.3	5.1	11.6

2010/11: Sensitivity analysis of exchange rate risk

CHF MILLIONS	CHANGE IN % (+/-)	IMPACT AFTER TAX ON INCOME STATEMENT (+/-)	IMPACT AFTER TAX ON EQUITY (+/-)
CHF/EUR	10%	18.1	-
NOK/EUR	10%	- 3.8	-
CHF/SEK	10%	0.3	-
NOK/SEK	10%	- 0.4	-
CHF/USD	10%	- 1.0	-

2009/10: Sensitivity analysis of exchange rate risk

CHF MILLIONS	CHANGE IN % (+/-)	IMPACT AFTER TAX ON INCOME STATEMENT (+/-)	IMPACT AFTER TAX ON EQUITY (+/-)
CHF/EUR	10%	12.8	-
NOK/EUR	10%	- 1.8	-
CZE/EUR	10%	- 0.1	-
NOK/SEK	10%	- 0.8	-
CHF/USD	10%	0.1	-

Interest rate risk

Financial liabilities subject to variable interest rates, as well as cash and cash equivalents, expose the Group to a cash flow interest rate risk. Financial liabilities subject to fixed interest rates do not expose the Group to any fair value interest rate risk, since they are measured at amortised cost.

It is the Group's policy to control interest rate expense by means of variable- and fixed-rate interest-bearing liabilities and interest-based derivatives in the form of interest rate swaps. Group Treasury continually monitors the ratio of variable- to fixed-rate interest-bearing net debt.

2010/11: Sensitivity analysis of interest rate risk

CHF MILLIONS	CHANGE IN % (+/-)	IMPACT AFTER TAX ON INCOME STATEMENT (+/-)	IMPACT AFTER TAX ON EQUITY (+/-)
Interest rate risk	1%	5.2	-

2009/10: Sensitivity analysis of interest rate risk

CHF MILLIONS	CHANGE IN % (+/-)	IMPACT AFTER TAX ON INCOME STATEMENT (+/-)	IMPACT AFTER TAX ON EQUITY (+/-)
Interest rate risk	1%	2.2	0.1

07 Net sales

CHF MILLIONS	2010/11	2009/10
Net sales from energy business	2,417.6	2,402.3
Income from energy trading	89.5	137.1
Income from emission certificates trading	14.9	22.7
Other net sales	51.5	48.1
Total	2,573.5	2,610.2

In addition to consolidated net sales, there are also energy sales under ceded energy procurement rights and sub-participations. Sales from so-called “quota transactions” are not included in the total mentioned above since they are netted against any similarly ceded energy procurement. They amount to CHF 352.4 million (previous year: CHF 417.6 million; see Note 8).

08 Energy procurement costs and cost of goods

CHF MILLIONS	2010/11	2009/10
Energy procurement from third parties	- 1,790.7	- 1,712.6
Energy procurement from partner plants	- 193.7	- 193.6
Energy procurement from related parties	- 87.0	- 55.2
Total	- 2,071.4	- 1,961.4

Energy procurement from quota transactions is not included in the above total since it is netted against any similarly ceded sales. The amount is CHF 352.4 million (previous year: CHF 417.6 million; see Note 7).

09 Personnel expenses

CHF MILLIONS	2010/11	2009/10
Salaries and wages	- 112.9	- 127.9
Employee benefits	- 8.4	- 11.9
Pension fund expenses (see Note 28)	- 6.9	- 13.7
Other personnel expenses	- 5.6	- 8.8
Total	- 133.8	- 162.3
Average number of employees (FTE)	769	855
Number of employees at balance sheet date (FTE)	737	822

Personnel expenses fell in line with expectations. The reduction reflects the lower average headcount.

10 Other operating expenses

CHF MILLIONS	2010/11	2009/10
Rent/lease expenses	- 8.2	- 8.4
IT expenses	- 35.2	- 40.6
Consulting expenses	- 17.0	- 32.4
Maintenance expenses	- 36.7	- 47.6
Charges, fees and tax on capital	- 0.8	- 9.6
Other operating expenses	- 141.8	- 114.1
Total	- 239.7	- 252.7

Other operating expenses mainly include insurance, telephone costs, travel expenses, general administrative costs, other services as well as the creation and release from part of the provisions and provisions for bad debts. The increase in other operating expenses is primarily attributable to the allocation of provisions for bad debts in the amount of CHF 81.9 million.

11 Depreciation and amortisation

CHF MILLIONS	2010/11	2009/10
Depreciation of property, plant and equipment (see Note 14)	- 57.3	- 62.6
Impairment loss on property, plant and equipment (see Note 14)	- 10.1	- 4.1
Amortisation of intangible assets (see Note 15)	- 13.2	- 10.3
Impairment of other associates (see Note 16)	-	- 0.3
Impairment of intangible assets (see Note 15)	- 0.4	- 0.6
Total	- 81.0	- 77.9

The impairment loss on property, plant and equipment relates to an adjustment in the value of land belonging to the project company Energy Plus S.p.A. Furthermore, it has been decided to no longer pursue the Energía de la Zarza project. Assets under construction were fully impaired (see Note 14). The impairment loss of CHF 79.7 million on the transmission systems was recognised in equity reducing the revaluation reserve without affecting income.

12 Financial result

CHF MILLIONS	2010/11	2009/10
Interest income	21.3	21.7
Exchange rate gains	735.6	393.4
Other financial income	88.7	46.9
Total financial income	845.6	462.0
Interest expense	-58.7	-66.1
Exchange rate losses	-771.1	-464.8
Other financial expense	-40.3	-29.5
Total financial expense	-870.1	-560.4
Total financial result	-24.5	-98.4

The financial result includes realised and unrealised exchange rate gains and losses as well as realised and unrealised gains and losses on derivatives not resulting from energy trading. The high exchange rate gains and losses are due to the high volatility of the currencies. The increase in other financial income is mainly attributable to the gain from the sale of the NorGer project (see Note 34) and the reversal of the provision for the obligation to transfer a sub-participation (see Note 24).

13 Income taxes

CHF MILLIONS	2010/11	2009/10
Current income taxes	-30.0	-65.5
Deferred income taxes	25.4	26.2
Total income tax expense	-4.6	-39.3

Current income taxes consist of taxes paid or due on the results of the individual companies for the financial year in accordance with local regulations, as well as charges and credits from previous periods.

Taxes directly recognised in equity

CHF MILLIONS	2010/11	2009/10
Deferred taxes arising from the statement of comprehensive income		
Deferred taxes on other result	-0.4	13.1
Total income tax expense in comprehensive income	-0.4	13.1
Attributable to:		
EGL shareholders	-0.3	12.4
Minority interests	-0.1	0.7

Current tax liabilities amount to CHF 12.7 million (previous year: CHF 23.2 million), while current tax receivables stand at CHF 7.7 million (previous year: CHF 2.9 million).

Reconciliation of expected tax rate and effective tax rate

CHF MILLIONS	2010/11	2009/10
Earnings before tax (EBT)	26.8	64.6
Expected tax rate (weighted average)	94.0%	75.2%
Income taxes at expected tax rate	- 25.2	- 48.6
Disposal of Group companies	-	0.2
Non-deductible expenses	- 14.0	- 12.3
Effect on income not subject to tax or tax privileged	0.3	5.3
Effect from previous periods	4.7	- 3.3
Effect of tax rate changes	1.7	1.5
Unaccounted carry forward of losses in the reporting year	- 29.4	- 3.0
Application of previously unaccounted carry forward of losses	0.7	-
Effect of deduction on investment	-	21.2
Effect of impairment on investments	62.3	-
Other effects	- 5.7	- 0.3
Total income taxes (current and deferred)	- 4.6	- 39.3
Effective tax rate (weighted average)	17.2%	60.8%

As the EGL Group has national and international activities, income taxes depend on different tax regulations. Due to the different profits posted by the Group companies and due to changes in local tax rates, the tax rate fluctuates yearly. In the reporting period the expected tax rate of 94% was influenced by the fact that profits have been generated in high tax rate countries whereas losses have been generated in countries with low tax rates. The effect has been intensified in the current reporting period.

Deferred taxes by origin of temporary differences

CHF MILLIONS	ASSETS		LIABILITIES	
	30.09.2011	30.09.2011	30.09.2010	30.09.2010
Property, plant and equipment	-	32.3	-	34.7
Intangible assets	0.3	-	0.4	-
Investments in associates	4.0	7.1	0.6	18.3
Tax-loss carry forwards capitalised	23.1	-	17.1	-
Other assets	10.4	114.6	40.6	74.0
Hedge Accounting	25.7	-	28.9	-
Provisions	0.1	-	0.2	4.3
Other liabilities	108.8	3.1	36.5	0.8
Deferred taxes, gross	172.4	157.1	124.3	132.1
Offsetting of assets and liabilities	- 143.1	- 143.1	- 89.1	- 89.1
Deferred taxes, net	29.3	14.0	35.2	43.0

Summary of tax-loss carryforwards not capitalised

CHF MILLIONS	30.09.2011	30.09.2010
Opening balance	73.5	53.0
(Decrease)/increase	380.3	38.1
Charged to the income statement	- 2.4	- 10.5
Expired	- 9.6	-
Effect on change of tax rate	0.6	-
Effects from foreign currency differences	- 8.7	- 7.1
Closing balance	433.7	73.5

Expiry dates of tax-loss carryforwards not capitalised

CHF MILLIONS	30.09.2011	30.09.2010
Expiring in the following year	1.4	0.9
Expiring within 2 to 5 years	50.9	44.3
Expiring in more than 5 years	381.4	28.3
Total	433.7	73.5

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Property, plant and equipment

CHF MILLIONS	POWER PLANTS	GRID FACILITIES	REAL ESTATE	FIXTURES AND FITTINGS	ASSETS UNDER CONSTRUCTION	TOTAL
ACQUISITION COST						
Balance at 1 October 2009	1,204.2	412.9	45.6	29.2	80.6	1,772.5
Effect from currency translation differences	-142.5	-	-3.3	-2.3	-6.0	-154.1
Additions	0.6	-	1.2	3.6	22.6	28.0
Disposals	-2.5	-1.3	-	-0.5	-3.1	-7.4
Reclassifications	-	3.3	0.5	6.7	-10.5	-
Balance at 30 September 2010	1,059.8	414.9	44.0	36.7	83.6	1,639.0
Effect from currency translation differences	-88.8	-	-2.1	-1.4	-4.9	-97.2
Change in scope of consolidation	-	-	-	-0.9	-2.2	-3.1
Additions	-	0.3	0.2	0.9	43.0	44.4
Disposals	-	-9.6	-0.4	-0.9	-	-10.9
Reclassifications	0.7	7.8	-	-7.9	-8.7	-8.1
Balance at 30 September 2011	971.7	413.4	41.7	26.5	110.8	1,564.1
ACCUMULATED DEPRECIATION						
Balance at 1 October 2009	-86.3	-157.8	-3.8	-16.0	-38.8	-302.7
Effect from currency translation differences	13.4	-	-	1.2	4.3	18.9
Depreciation in reporting period	-45.1	-13.2	-0.5	-3.8	-	-62.6
Impairment	-	-	-	-0.3	-3.8	-4.1
Disposals	-	0.8	-	0.3	-	1.1
Balance at 30 September 2010	-118.0	-170.2	-4.3	-18.6	-38.3	-349.4
Effect from currency translation differences	11.0	-	0.2	0.8	3.2	15.2
Depreciation in reporting period	-40.5	-13.3	-0.5	-3.0	-	-57.3
Impairment	-	-	-5.5	-	-4.6	-10.1
Impairment not affecting income	-	-79.7	-	-	-	-79.7
Disposals	-	1.0	-	0.6	-	1.6
Reclassifications	-	-	-	4.2	-	4.2
Balance at 30 September 2011	-147.5	-262.2	-10.1	-16.0	-39.7	-475.5
Carrying amount at 1 October 2009	1,117.9	255.1	41.8	13.2	41.8	1,469.8
Carrying amount at 30 September 2010	941.8	244.7	39.7	18.1	45.3	1,289.6
Carrying amount at 1 October 2010	941.8	244.7	39.7	18.1	45.3	1,289.6
Carrying amount at 30 September 2011	824.2	151.2	31.6	10.5	71.1	1,088.6

The increase in assets under construction mainly concerns the investment in the WinBis wind farm project in Italy. During the current reporting period it was decided to discontinue the Energia de la Zarza project. All assets under construction related to this project were impaired. In addition, land associated with the planned Energy Plus power plant project in Italy was impaired, as the project has now been discontinued.

The Electricity Supply Act (StromVG) and the related Ordinance (StromVV) entered into force on 1 January 2008 and 1 April 2008 respectively. The new legislation requires all transmission systems to be transferred to the national grid operator swissgrid ag within five years, by 1 January 2013 at the latest. The value at which these systems are to be transferred has not been definitively determined. In the meantime, a Memorandum of Understanding has been signed between swissgrid ag and the transmission system owners, which came into force at the end of June 2011. It defines the milestones for the transfer and the principles governing calculation of the value on transfer. The value on transfer is defined as the value which – in accordance with the last ECom ruling before the transfer of the transmission systems – was applied to calculate the chargeable costs. EGL Grid AG therefore adjusted the carrying amount of the transmission systems after depreciation of CHF 240.9 million (including grid systems under construction and unregulated grid installations) to CHF 161.2 million. This amount was calculated based on the value defined by the ECom ruling of November 2010 and taking into account the current development. The impairment of CHF 79.7 million for the transmission systems was recognised directly in equity reducing revaluation reserve without affecting income. Despite this adjustment, management continues to believe that the carrying amount of CHF 240.9 million after depreciation and before impairment reflects the correct value. On 23 April 2009, 22 April 2010 and 15 December 2010, EGL Grid AG therefore filed appeals with the Federal Administrative Court against the ECom rulings of March 2009, March 2010 and November 2010 respectively. The Memorandum of Understanding between swissgrid ag and the transmission system owners states that the applicable value on the date of transfer shall be the value which, according to the most recent ECom ruling before the transfer, was used to calculate the chargeable costs. However, this is a provisional value on transfer and not the definitive value on transfer. Depending on the outcome of the appeal procedures, the value of the transmission systems may deviate significantly from the amount recognised in the balance sheet on 30 September 2011. The value of the transmission systems will be adjusted on the basis of a final court ruling once the outcome of all outstanding appeal processes is known. In the 2010/11 financial year, interest on borrowings of CHF 0.7 million was capitalised (previous year CHF 0.3 million), and property, plant and equipment amounting to CHF 974.3 million were pledged as collateral for financial liabilities (see Note 31). At 30 September 2011, the fire insurance value of property, plant and equipment was CHF 1,124.0 million (previous year: CHF 1,242.0 million).

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Intangible assets

CHF MILLIONS	GOODWILL	OTHER	TOTAL
ACQUISITION COST			
Balance at 1 October 2009	128.5	54.1	182.6
Effect from currency translation differences	- 15.2	- 0.5	- 15.7
Additions	-	21.7	21.7
Disposals	-	- 11.3	- 11.3
Balance at 30 September 2010	113.3	64.0	177.3
Effect from currency translation differences	- 10.6	- 0.7	- 11.3
Change in consolidation scope	-	- 0.3	- 0.3
Additions	-	27.8	27.8
Disposals	- 14.6	- 1.0	- 15.6
Reclassification	-	9.0	9.0
Balance at 30 September 2011	88.1	98.8	186.9
ACCUMULATED AMORTISATION			
Balance at 1 October 2009	- 8.5	- 14.6	- 23.1
Effect from currency translation differences	1.5	0.1	1.6
Amortisation in reporting period	-	- 10.3	- 10.3
Impairment	-	- 0.6	- 0.6
Disposals	-	1.0	1.0
Balance at 30 September 2010	- 7.0	- 24.4	- 31.4
Effect from currency translation differences	1.0	0.5	1.5
Amortisation in reporting period	-	- 13.2	- 13.2
Impairment	-	- 0.4	- 0.4
Disposals	0.4	0.9	1.3
Reclassification	-	- 4.2	- 4.2
Balance at 30 September 2011	- 5.6	- 40.8	- 46.4
Carrying amount at 1 October 2009	120.0	39.5	159.5
Carrying amount at 30 September 2010	106.3	39.6	145.9
Carrying amount at 1 October 2010	106.3	39.6	145.9
Carrying amount at 30 September 2011	82.5	58.0	140.5

Other intangible assets rose due to the capitalisation of usage rights for grid installations under construction. The reduction of CHF 14.6 million in goodwill results from the sale of the project company HS Kraft AB in the reporting period.

The stake in EGL Italia S.p.A. results in goodwill of CHF 82.5 million. The goodwill was tested for impairment, and the recoverable amount is based on a value-in-use calculation which derives from the budget planning. Value-in-use corresponds to the present value of cash flows over five years and a residual value without taking into account any growth rate. Cash flow projections are drawn up on the basis of empirical values as well as management estimations of the market trend. The cash flows are discounted using a pre-tax interest rate of 8.7% (previous year: 7.7%) commensurate with the level of risk. The discount rate is based on Weighted Average Cost of Capital (WACC) calculated using the Capital Asset Pricing Model (CAPM). The parameters used were defined according to the cash-generating unit's risk profile. Since the recoverable amount exceeds the carrying amount, no impairment adjustment is required. A 2.8 percentage point increase in the discount rate (post-tax interest rate) would result in the value in use only just covering the carrying amount. It is manage-

ment's view that no other changes to the aforementioned key assumptions conceivable under normal circumstances would result in the carrying amount exceeding the recoverable amount.

Other than goodwill, no intangible assets with an unlimited useful life are recorded in the balance sheet.

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Investments in associates and partner plants

CHF MILLIONS	PARTNER PLANTS	OTHER ASSOCIATES	TOTAL
Balance at 1 October 2009	222.9	289.8	512.7
Additions	-	86.6	86.6
Disposals	-	-5.6	-5.6
Impairment	-	-0.3	-0.3
Dividend	-6.7	-4.8	-11.5
Proportional profit	7.0	-12.0	-5.0
Effect from currency translation differences	-0.3	-18.9	-19.2
Balance at 30 September 2010	222.9	334.8	557.7
Additions	-	121.2	121.2
Disposals	-	-2.7	-2.7
Dividend	-6.7	-6.3	-13.0
Proportional profit	6.8	-8.8	-2.0
Effect from currency translation differences	-0.1	-16.8	-16.9
Balance at 30 September 2011	222.9	421.4	644.3

Other associates mainly comprise Global Tech I Offshore Wind GmbH, Parque Eólico la Peñuca S.L., Società EniPower Ferrara S.r.l., swissgrid ag, Trans Adriatic Pipeline AG and Repower AG. The EGL Group holds 17.5% of the capital and 21.4% of the voting rights in Repower AG. Repower AG is consolidated using the equity method and is included in net assets with a share of CHF 152.7 million (previous year: CHF 149.6 million). The proportional stock market value of Repower AG as at 30 September 2011 (SIX symbol: REPI) was CHF 240.5 million (previous year: CHF 267.8 million). Details of changes in investments in associates are disclosed in Note 34.

During the reporting period CHF 85.0 million was invested in Global Tech I Offshore Wind GmbH, CHF 14.0 million in Trans Adriatic Pipeline AG and CHF 18.5 million in Società EniPower Ferrara S.r.l.

Disposals in respect of associates relate to the sale of various project companies (see Note 34, Changes in scope of consolidation).

The goodwill of associates is included in the share value of the individual companies and is tested for impairment at the level of an associate. The goodwill is allocated as follows: Goodwill of CHF 19.6 million included in the balance sheet for Società EniPower Ferrara S.r.l. was tested for impairment. The recoverable amount is based on a value-in-use calculation. Value-in-use corresponds to the present value of the cash flows in accordance with the project documentation. The cash flows are discounted using a pre-tax interest rate of 8.26% (previous year: 7.27%) commensurate with the level of risk. The discount rate is based on Weighted Average Cost of Capital (WACC) calculated using the Capital Asset Pricing Model (CAPM). The parameters used were defined according to the cash-generating unit's risk profile. Since the recoverable amount exceeds the carrying amount, no impairment adjustment is required. A 0.13 percentage point increase in the discount rate (post-tax interest rate) or a reduction of 0.84% in the market price would result in the value in use only just covering the carrying amount.

Goodwill of CHF 14.7 million arising on the acquisition of the project company Global Tech I Offshore Wind GmbH was tested for impairment. The recoverable amount is based on a value-in-use calculation. Value-in-use corresponds to the present value of the cash flows in accordance with the project documentation. The cash flows are discounted using a pre-tax interest rate of 7.56% (previous year: 5.69%) commensurate with the level of risk. The discount rate is based on Weighted Average Cost of Capital (WACC) calculated using the Capital Asset Pricing Model (CAPM). The parameters used in the calculation were defined according to the cash-generating unit's risk

profile. Since the recoverable amount exceeds the carrying amount, no impairment adjustment is required. A 2.37 percentage point increase in the discount rate (post-tax interest rate) or a 19.10% increase in investment costs would result in the value in use only just covering the carrying amount.

Goodwill of CHF 9.5 million recognised in respect of the Parque Eólico la Peñuca S.L. wind farm was tested for impairment. The recoverable amount is based on a value-in-use calculation where the value in use corresponds to the present value of the cash flows from the expected operating life of the wind farm plus a residual value. The cash flow projections are largely based on the annual number of wind hours. The cash flows are discounted using a pre-tax interest rate of 10.42% (previous year: 7.73%) commensurate with the level of risk. The discount rate is based on Weighted Average Cost of Capital (WACC) calculated using the Capital Asset Pricing Model (CAPM). The parameters used were defined according to the cash-generating unit's risk profile. Since the recoverable amount exceeds the carrying amount, no impairment adjustment is required. An increase in the discount rate (post-tax interest rate) by 3.21 percentage points or a reduction of 16.26% in the expected annual energy volume would result in the value in use only just covering the carrying amount.

It is management's view that no other changes to the aforementioned key assumptions conceivable under normal circumstances would result in the carrying amount exceeding the recoverable amount.

Key figures of partner plants

CHF MILLIONS	2010/11 GROSS VALUE	2010/11 PROPORTIONAL	2009/10 GROSS VALUE	2009/10 PROPORTIONAL
Non-current assets	9,384.8	1,139.5	9,290.7	1,155.3
Current assets	657.3	55.6	643.6	53.8
Non-current liabilities	7,935.4	868.6	7,663.5	817.5
Current liabilities	563.5	106.0	727.4	171.3
Income	1,633.1	219.9	1,654.4	215.2
Expenses	- 1,567.3	- 213.1	- 1,588.6	- 208.2
Profit	65.8	6.8	65.8	7.0

Shareholders in the partner plants are obliged, on the basis of existing agreements, to pay a pro rata share of the annual costs incurred on an ongoing basis. Depreciation on property, plant and equipment included in the annual costs ensures that financial obligations entered into with the partner plants are fully repaid during the useful life of the partner plant. Owners of nuclear power plants have a limited subsequent payment obligation to the decommissioning fund in the event that one of the primary obligated parties is unable to meet its payment obligations. With the entry into force of the new Nuclear Energy Act on 1 January 2005, this limited obligation for subsequent payment also exists with respect to the disposal fund.

For EGL, the proportional ordinary annual costs amount to CHF 193.7 million (previous year: CHF 193.6 million). These costs are included under Energy procurement costs and cost of goods (Note 8).

Details of the equity-consolidated partner plants are given in the individual business reports of the partner plants.

Key figures of other associates

CHF MILLIONS	2010/11 GROSS VALUE	2010/11 PROPORTIONAL	2009/10 GROSS VALUE	2009/10 PROPORTIONAL
Non-current assets	2,683.9	733.6	2,479.1	697.3
Current assets	2,518.5	478.8	1,744.8	373.1
Non-current liabilities	1,516.8	430.3	1,506.9	432.6
Current liabilities	2,115.1	404.4	1,496.4	351.0
Income	2,408.0	442.7	2,618.5	520.1
Expenses	-2,425.0	-451.5	-2,626.3	-532.1
Profit (loss)	-17.0	-8.8	-7.8	-12.0

Total key figures

CHF MILLIONS	2010/11 GROSS VALUE	2010/11 PROPORTIONAL	2009/10 GROSS VALUE	2009/10 PROPORTIONAL
Non-current assets	12,068.7	1,873.1	11,769.8	1,852.6
Current assets	3,175.8	534.4	2,388.4	426.9
Non-current liabilities	9,452.2	1,298.9	9,170.4	1,250.1
Current liabilities	2,678.6	510.4	2,223.8	522.3
Income	4,041.1	662.6	4,272.9	735.3
Expenses	-3,992.3	-664.6	-4,214.9	-740.3
Profit (loss)	48.8	-2.0	58.0	-5.0

17 Other financial assets

CHF MILLIONS	OTHER INVESTMENTS	NON-CURRENT LOANS TO ASSOCIATES	OTHER NON-CURRENT FINANCIAL ASSETS	TOTAL
Balance at 1 October 2009	0.2	286.0	7.7	293.9
Additions	-	120.7	2.9	123.6
Disposals	-	-33.5	-0.3	-33.8
Change in valuation	-	-3.3	-	-3.3
Change in valuation not affecting net income	0.1	-	-	0.1
Reclassification	-	-	-9.7	-9.7
Effect from currency translation differences	-	-37.5	-0.4	-37.9
Balance at 30 September 2010	0.3	332.4	0.2	332.9
Change in consolidation scope	-	-0.4	-	-0.4
Additions	-	11.7	-	11.7
Disposals	-0.2	-8.5	-0.1	-8.8
Change in valuation	-	-2.0	-	-2.0
Reclassification	-	-0.1	-	-0.1
Effect from currency translation differences	-	-26.0	-	-26.0
Balance at 30 September 2011	0.1	307.1	0.1	307.3
Carrying amount at 1 October 2009	0.2	286.0	7.7	293.9
Carrying amount at 30 September 2010	0.3	332.4	0.2	332.9
Carrying amount at 1 October 2010	0.3	332.4	0.2	332.9
Carrying amount at 30 September 2011	0.1	307.1	0.1	307.3

All other investments are classified as “available-for-sale” and recognised at fair value. Valuation adjustments are recognised in equity and shown in the consolidated statement of comprehensive income. Details regarding changes in other investments are disclosed in Note 34.

The increase in financial assets consists of an increase in the loan to Energie Rinnovabili by EUR 2.4 million and Global Tech I Offshore Wind GmbH totalling EUR 6.2 million. In the reporting period, EUR 6.7 million of the loan to Società EniPower Ferrara S.r.l. was repaid. The long-term loan to Società EniPower Ferrara S.r.l. amounts to EUR 139.8 million. The variable interest rate is indexed to the six-monthly EURIBOR rate plus 1.2%, as at the end of September 2.952%. The loan matures on 20 December 2021. The loan to Trans Adriatic Pipeline AG amounts to EUR 15.6 million. The variable interest rate is indexed to the EUR 12-month interest rate for cross-border inter-company loans published by the Swiss Federal Tax Authority plus 1.0%, as at the end of September 4.0%. The loan is due for repayment by 2038 at the latest. The loan to the project company Energie Rinnovabili amounts to EUR 39.1 million. The variable interest rate is indexed to the six-monthly EURIBOR rate plus 0.5%, as at the end of September 2.0%. The loan to Global Tech I Offshore Wind GmbH amounts to a total of EUR 54.9 million and runs until 31 December 2020 at the latest. The fixed interest rate for all loans is 6.0%.

18 Inventories

CHF MILLIONS	30.09.2011	30.09.2010
Emission certificates at fair value	18.3	21.4
Green certificates for own use	0.6	15.2
Green certificates at fair value	72.0	36.2
Gas inventories at fair value	40.1	36.6
Biomass for own use	3.1	-
Total	134.1	109.4

Emission certificates, green certificates, gas inventories and biomass that have been purchased for resale in the near term with a view to generating a profit from fluctuations in prices or broker-traders' margins are measured at fair value less costs to sell. Green certificates, gas inventories and biomass that are intended for own use are measured at the lower of cost or fair value.

19 Trade receivables

CHF MILLIONS	30.09.2011	30.09.2010
From third parties	722.4	733.5
From related parties	16.3	3.6
From partner plants and other associates	85.9	73.0
Provisions for bad debts	- 124.4	- 51.6
Total	700.2	758.5

Trade receivables from customers who are simultaneously suppliers are set off against trade payables, provided a netting arrangement has been agreed. The netted receivables and payables amount to CHF 1,308.3 million (previous year: CHF 1,179.0 million, see Note 25). At the end of the reporting period, trade receivables before provisions for bad debts in Euros amounted to CHF 618.5 million (previous year CHF 621.2 million).

The necessary provisions for bad debts were based on experience and individual assessments. A detailed analysis of trade receivables and the provision for bad debts can be found in Note 6 "Financial risk management".

The costs to be invoiced to swissgrid ag are calculated based on the carrying amount of the transmission systems recognised in the balance sheet of EGL Grid AG and billed to swissgrid ag. At present, swissgrid ag compensates EGL Grid AG on the basis of the values decreed by ElCom. The difference of approximately CHF 39.8 million is posted in trade receivables. As described under Note 14, EGL Grid AG has adjusted the carrying amount of transmission systems based on the signed Memorandum of Understanding. The value of outstanding receivables for swissgrid ag, which were calculated based on the higher carrying amount, was therefore reduced by CHF 39.8 million. However, management is of the opinion that the transmission systems value of CHF 240.9 million after depreciation and before impairment reflects the correct value and therefore the costs invoiced to swissgrid ag were correctly invoiced. The recoverability of the outstanding, impaired receivables is dependent on the outcome of the appeal procedure in front of the Federal Administrative Court.

20 Other receivables (current)

CHF MILLIONS	30.09.2011	30.09.2010
From third parties	1,029.5	1,090.7
From partner plants and other associates	93.4	76.5
From related parties	1.3	2.4
Prepayments to suppliers	10.8	3.9
Total	1,135.0	1,173.5
Thereof accrued income and prepaid expenses	840.5	803.5

Energy supplies from traditional energy business as well as from energy trading that have not yet been invoiced are reported under accrued income and prepaid expenses.

21 Cash and cash equivalents

CHF MILLIONS	30.09.2011	30.09.2010
Petty cash, cash at banks and post office	301.6	472.2
Short-term cash deposits	-	6.1
Total	301.6	478.3

Short-term cash deposits are available within 90 days. As at the balance sheet date, cash and cash equivalents held in Swiss francs amounted to CHF 33.8 million (previous year: CHF 145.7 million) while the amount held in Euros amounted to CHF 226.1 million (previous year CHF 305.1 million).

22

Financial liabilities (non-current)

CHF MILLIONS	30.09.2011	30.09.2010
Bond	247.9	247.3
Long-term loans:		
From third parties	656.0	758.0
Total	903.9	1,005.3
The following due dates applied at the end of the financial year:		
Due within 1 to 5 years	413.3	172.5
Due in more than 5 years	490.6	832.8
Total	903.9	1,005.3

A ten-year domestic bond for an amount of CHF 250 million was issued on 23 November 2005, with a coupon of 2.5%. The bond is listed on the SIX under Securities No. 2.326.262. As at 30 September 2011 the fair value of the bond was CHF 260.5 million (previous year CHF 258.9 million) and the market interest rate was 1.449% (previous year: 1.771%). The bond is measured at amortised cost using the effective interest method.

The long-term loan liabilities to third parties relate to financing for the Calenia Energia S.p.A. and Rizziconi Energia S.p.A. gas-fired combined-cycle power plants in Italy. The loan liability in respect of Calenia Energia S.p.A. amounts to EUR 244.7 million (previous year: EUR 263.0 million) at a variable interest rate of 2.71% (previous year: 1.99%). The loan liability in respect of Rizziconi Energia S.p.A. amounts to EUR 294.3 million (previous year: EUR 307.4 million) at a variable interest rate of 2.77% (previous year: 2.04%). The loans will be repaid no later than 2019 and 2023 respectively.

23

Other liabilities (non-current)

CHF MILLIONS	30.09.2011	30.09.2010
Liabilities to pension funds	6.4	8.7
Other liabilities	67.3	60.9
Total	73.7	69.6
The following maturity dates applied at the end of the financial year:		
Maturity of 1 to 5 years	28.1	22.3
Maturity of more than 5 years	45.6	47.3
Total	73.7	69.6

Other non-current liabilities mainly relate to the sale of electricity procurement rights. Payments received were recognised as a liability and are transferred to profit or loss over the life of the relevant usage rights. In additions, the day-one profit arising from long-term contracts, whose valuation basis is partly defined by non observable input data, is recognised under other non-current liabilities.

Pension fund liabilities include CHF 4.2 million (previous year: CHF 6.6 million) in respect of defined benefit plans, of which CHF 3.4 million (previous year: CHF 5.8 million) is attributable to PKE Vorsorgestiftung Energie, which is considered a related party (see Note 28).

24 Provisions

CHF MILLIONS	DECOMMISSIONING OF POWER PLANTS	PROVISIONS FOR ONEROUS ENERGY CONTRACTS	PROVISIONS FOR CERTIFICATES	OTHER PROVISIONS	TOTAL
Balance at 1 October 2010	5.2	10.2	4.9	19.5	39.8
Allocation	0.2	17.9	5.8	1.2	25.1
Release	-	-	-	- 14.6	- 14.6
Usage	-	-	- 6.9	- 0.7	- 7.6
Effect from currency translation differences	- 0.5	- 0.8	-	- 0.7	- 2.0
Balance at 30 September 2011	4.9	27.3	3.8	4.7	40.7
Current portion of provisions	-	1.5	3.8	4.6	9.9
Non-current portion of provisions	4.9	25.8	-	0.1	30.8
Total	4.9	27.3	3.8	4.7	40.7
EXPECTED OUTFLOW OF FUNDS					
Within 1 year	-	1.5	3.8	4.6	9.9
Between 1 and 5 years	-	25.2	-	-	25.2
In more than 5 years	4.9	0.6	-	0.1	5.6
Total	4.9	27.3	3.8	4.7	40.7

In connection with the commissioning of the Calenia Energia S.p.A. and Rizziconi Energia S.p.A. gas-fired combined cycle power plants, provisions were allocated for the decommissioning of the operating facilities. The same amount was capitalised under property, plant and equipment (see Note 14).

In the reporting period, provisions amounting to CHF 17.9 million were recognised for onerous energy procurement contracts and onerous energy transport contracts. In addition, provisions of CHF 5.7 million were recognised for certificates and provisions amounting to CHF 6.9 million were used. The provisions for a constructive obligation to transfer a sub-participation in 2011 were reversed.

25 Trade payables

CHF MILLIONS	30.09.2011	30.09.2010
To third parties	623.9	687.2
To related parties	20.3	10.4
To partner plants and other associates	17.7	13.1
Total	661.9	710.7

Trade receivables from customers who are simultaneously suppliers are set off against trade payables, provided a netting arrangement has been agreed. Netted receivables and payables amount to CHF 1,308.3 million (previous year: CHF 1,179.0 million, see Note 19).

26 Financial liabilities (current)

CHF MILLIONS	30.09.2011	30.09.2010
To third parties	61.6	80.0
To related parties	220.0	220.0
To partner plants and other associates	3.3	4.5
Total	284.9	304.5

Current financial liabilities to related parties contain a loan from Axpo Holding AG in the amount of CHF 220.0 million. The interest rate charged on this loan is 0.79%. In the reporting period, EUR 45.6 million of the current financial liabilities to third parties relating to the construction of the gas-fired combined-cycle power plants in Italy was repaid.

27 Other liabilities (current)

CHF MILLIONS	30.09.2011	30.09.2010
To third parties	931.1	842.5
To related parties	0.6	7.5
To partner plants and other associates	52.9	58.7
To pension funds	0.8	1.0
Total	985.4	909.7
Thereof accrued expenses and deferred income	893.6	790.6

Accrued expenses and deferred income primarily consist of accruals for electricity purchases related to traditional energy transactions as well as energy trading. Pension fund liabilities include CHF 0.7 million (previous year: CHF 0.7 million) in respect of Vorsorgestiftung Energie, which is considered a related party.

28

Employee benefits

The position of the EGL Group with regard to employee benefits is as follows:

CHF MILLIONS	2010/11	2009/10
1. DEVELOPMENT OF OBLIGATIONS AND ASSETS		
Present value of benefit obligation at 1 October	- 187.0	- 169.8
Service costs	- 12.7	- 15.4
Past service costs	-	- 2.9
Interest costs	- 4.4	- 5.7
Curtailments, settlements, plan amendments	27.9	-
Benefits paid	- 8.1	11.9
Actuarial gain (loss) on benefit obligation	- 3.6	- 5.2
Currency gain	0.1	0.1
Present value of benefit obligation at 30 September	- 187.8	- 187.0
Fair value of plan assets at 1 October	161.2	151.9
Expected return on plan assets	7.1	7.4
Employer contributions	7.8	8.1
Employee contributions	3.8	4.7
Curtailments, settlements, plan amendments	- 24.2	-
Benefits paid	8.1	- 11.9
Actuarial gain (loss) on plan assets	- 9.8	1.0
Fair value of plan assets at 30 September	154.0	161.2
2. BALANCE SHEET AT 30 SEPTEMBER		
Fair value of plan assets	154.0	161.2
Present value of benefit obligation – funded	- 187.0	- 186.0
Funded status – funded	- 33.0	- 24.8
Present value of benefit obligation – unfunded	- 0.8	- 1.0
Unrecognised actuarial loss	29.6	19.2
Net liabilities in balance sheet	- 4.2	- 6.6
3. INCOME STATEMENT		
Service costs	- 12.7	- 15.4
Interest costs	- 4.4	- 5.7
Expected return on plan assets	7.1	7.4
Actuarial gain (loss) outside corridor recognised in year	- 0.1	-
Past service costs recognised in year	-	- 2.9
Actuarial gain (loss) recognised under IAS19.58	-	-
Curtailement, settlement, plan amendment gain (loss)	0.9	-
Periodic pension costs	- 9.2	- 16.6
Employee contributions	3.8	4.7
Expense recognised in the income statement	- 5.4	- 11.9

CHF MILLIONS	2010/11	2009/10			
4. CHANGE IN NET ASSETS/LIABILITIES RECOGNISED IN BALANCE SHEET					
Net liabilities in balance sheet (BOY)	- 6.6	- 2.9			
Currency gain	-	0.1			
Expense recognised in the income statement	- 5.4	- 11.9			
Employer contributions	7.8	8.1			
Prepaid (accrued) pension cost through income statement	2.4	- 3.8			
Net assets (liabilities) in balance sheet at 30 September	- 4.2	- 6.6			
Actual return on plan assets (in %)	- 1.8%	5.4%			
5. PRINCIPAL ACTUARIAL ASSUMPTIONS AS AT 30 SEPTEMBER					
Discount rate (in %)	2.5%	2.6%			
Expected net return on plan assets for following reporting period (in %)	4.1%	4.8%			
Average future salary increase (in %)	2.0%	2.0%			
Future pension increase (in %)	0.0%	0.0%			
6. ASSET ALLOCATION					
			LONG-TERM EXPECTED RETURN	CONTRIBUTION TO RETURN	
Cash (in %)	6.1%	3.9%	1.2%	0.1%	
Bonds (in %)	34.3%	36.4%	2.4%	0.8%	
Shares (in %)	40.0%	40.7%	5.8%	2.3%	
Real estate (in %)	16.5%	15.9%	3.9%	0.7%	
Other (in %)	3.0%	3.1%	5.9%	0.2%	
Total (in %)	100.0%	100.0%		4.1%	
Cost (in %)				0.0%	
Net return (in %)				4.1%	
7. DEFINED BENEFIT PENSION PLANS					
	2010/11	2009/10	2008/09	2007/08	2006/07
Fair value of plan assets	154.0	161.2	151.9	144.1	162.5
Present value of benefit obligation	- 187.8	- 187.0	- 169.8	- 151.4	- 160.2
Funded (unfunded) status	- 33.8	- 25.8	- 17.9	- 7.2	2.3
Experience gain (loss) on plan liabilities	- 0.8	- 0.6	- 6.0	- 0.2	- 1.1
Experience gain (loss) on plan assets	- 9.8	0.9	- 6.1	- 22.3	11.1

Pension costs for the reporting period include CHF 1.5 million (previous year CHF 1.8 million) and pension fund liabilities include CHF 2.2 million (previous year: CHF 2.1 million) in respect of defined contribution plans (see Notes 9 and 23).

The Foundation Board of PKE Vorsorgestiftung Energie agreed in the previous year to reduce the technical interest rate from 4% to 3.5%. This is associated with a reduction in the conversion rates and other compensation measures. As a result pension fund liabilities and pension costs increased in the previous reporting period.

29

Transactions with related parties

Majority shareholder. Axpo Holding AG, Baden, directly holds 99.8% of the share capital of EGL AG.

Group and associates. Transactions between EGL AG and its subsidiaries, which are considered related parties, were eliminated during consolidation and are not explained in these Notes, while transactions between EGL AG and its associates and partner plants are explained. Business transactions between EGL AG and its subsidiaries and associates are disclosed in the separate financial statements of EGL AG. The essential terms and conditions governing relationships with related parties are explained under “Intragroup transactions” (see Note 3.) On 21 March 2011, an agreement was reached with an Axpo Group company on the subsequent financial settlement of transmission systems including usage rights. In connection with this, EGL AG compensated the company CHF 5.3 million.

Executive Management and Board of Directors. The Executive Management and Board of Directors of EGL AG are also considered to be related parties. Transactions with related parties are conducted at arm’s length condition.

Other related parties. The EGL Group also considers the Axpo Group companies and PKE Vorsorgestiftung Energie as other related parties.

2010/11: Transactions between EGL Group and related parties

CHF MILLIONS	PARTNER PLANTS	OTHER ASSOCIATES	RELATED PARTIES
REVENUES			
Net sales from energy business	25.0	121.5	6.6
Other net sales	0.8	41.5	0.8
Energy trading	0.1	39.6	- 17.5
Other operating income	4.7	3.9	0.9
OPERATING COSTS			
Energy procurement	- 193.7	- 71.5	- 15.5
Materials and third-party supplies	- 3.0	- 0.4	- 2.9
Other operating costs	- 22.0	- 36.0	- 28.3
FINANCIAL RESULT			
Interest income	0.2	10.2	-
Other financial income	-	-	-
Interest expense	-	-	- 2.3
Other financial expense	-	-	-

2010/11: Open positions with related parties at the end of the reporting period

CHF MILLIONS	PARTNER PLANTS	OTHER ASSOCIATES	RELATED PARTIES
RECEIVABLES			
Non-current financial assets	2.0	305.1	-
Trade receivables	44.2	41.7	16.3
Current financial assets	17.7	4.3	-
Other current assets and derivatives	59.5	37.3	12.0
LIABILITIES			
Trade payables	7.6	10.1	20.3
Current financial liabilities	3.3	-	220.0
Other current liabilities and derivatives	27.7	32.5	5.3

2009/10: Transactions between EGL Group and related parties

CHF MILLIONS	PARTNER PLANTS	OTHER ASSOCIATES	RELATED PARTIES
REVENUES			
Net sales from energy business	8.1	108.0	- 2.1
Other net sales	0.4	37.0	2.8
Energy trading	- 1.3	- 8.4	- 28.0
Other operating income	4.1	5.1	0.6
OPERATING COSTS			
Energy procurement	- 193.6	- 47.4	- 7.8
Materials and third-party supplies	- 8.1	- 0.9	- 4.4
Other operating costs	1.6	- 0.6	- 39.1
FINANCIAL RESULT			
Interest income	0.2	8.7	-
Other financial income	- 0.1	-	-
Interest expense	-	-	- 2.7
Other financial expense	-	-	- 0.2

2009/10: Open positions with related parties at the end of the reporting period

CHF MILLIONS	PARTNER PLANTS	OTHER ASSOCIATES	RELATED PARTIES
RECEIVABLES			
Non-current financial assets	2.5	329.9	-
Trade receivables	33.2	39.8	3.6
Current financial assets	14.3	2.8	0.4
Other current assets and derivatives	60.5	20.7	13.0
LIABILITIES			
Trade payables	5.5	7.6	10.4
Current financial liabilities	4.5	-	220.0
Other current liabilities and derivatives	29.9	34.8	16.4

Remuneration and shares granted to the Board of Directors, Executive Management and related parties

This Note was drawn up in compliance with the requirements of the Swiss Code of Obligations (Art. 663b bis). There is no difference between the calculation in accordance with the Swiss Code of Obligations and International Financial Reporting Standards (IFRS).

Remuneration to current members of the Board of Directors (incl. related parties) in the 2010/11 financial year

NAME AND FUNCTION - IN CHF	REMUNERATION BOARD OF DIRECTORS (FIXED)	PENSION BENEFIT CONTRIBUTION	TOTAL	
Heinz Karrer ¹	Chairman of the Board of Directors, Member of Audit and Finance Committee, Nomination and Remuneration Committee and EGL Risk Council	166,000	-	166,000
Rolf Bösch ¹	Vice Chairman of the Board of Directors, Member of Audit and Finance Committee and EGL Risk Council	130,000	-	130,000
Peter Derendinger ²	Member of the Board of Directors, Chairman of Nomination and Remuneration Committee, Member of Audit and Finance Committee and EGL Risk Council	120,000	9,192	129,192
Dominik Koechlin ²	Member of the Board of Directors, Chairman of Audit and Finance Committee and Member of Nomination and Remuneration Committee	110,000	8,426	118,426
Hansueli Sallenbach ^{1 3}	Member of the Board of Directors	17,500	-	17,500
Andrew Walo ¹	Member of the Board of Directors	70,000	-	70,000
Benedikt Weibel ^{1 3}	Member of the Board of Directors	17,500	-	17,500
Total		631,000	17,618	648,618

1 The remuneration is paid to the employer

2 Pension benefits incl. employer's contribution (obligatory or legal contributions and benefits)

3 Stepped down with effect of 24 January 2011

Remuneration to current members of the Board of Directors (incl. related parties) in the 2009/10 financial year

NAME AND FUNCTION - IN CHF	REMUNERATION BOARD OF DIRECTORS (FIXED)	PENSION BENEFIT CONTRIBUTION	TOTAL
Heinz Karrer ¹ Chairman of the Board of Directors, Member of Audit and Finance Committee, Nomination and Remuneration Committee and EGL Risk Council	166,000	-	166,000
Rolf Bösch ¹ Vice Chairman of the Board of Directors, Member of Audit and Finance Committee and EGL Risk Council	130,000	-	130,000
Peter Derendinger ² Member of the Board of Directors, Chairman of Nomination and Remuneration Committee, Member of Audit and Finance Committee and EGL Risk Council	120,000	9,013	129,013
Dominik Koechlin ² Member of the Board of Directors, Chairman of Audit and Finance Committee and Member of Nomination and Remuneration Committee	110,000	8,262	118,262
Manfred Thumann ^{1 3} Member of the Board of Directors	17,500	-	17,500
Hansueli Sallenbach ^{1 3} Member of the Board of Directors	52,500	-	52,500
Andrew Walo ¹ Member of the Board of Directors	70,000	-	70,000
Benedikt Weibel ¹ Member of the Board of Directors	70,000	-	70,000
Total	736,000	17,275	753,275

1 The remuneration is paid to the employer

2 Pension benefits incl. employer's contribution (obligatory or legal contributions and benefits)

3 At the 53rd General Meeting of shareholders Hansueli Sallenbach, head legal services of Axpo Holding AG, was voted into the board of directors. He replaces Manfred Thumann who stepped down

Remuneration to current members of Executive Management and the highest earning member (incl. related parties) in the 2010/11 financial year

CHF	REMUNERATION (FIXED)	REMUNERATION (VARIABLE)	PAYMENT IN KIND	PENSION BENEFITS	TOTAL
Total Executive Management	1,716,838	935,567	39,377	538,048	3,229,830
Thereof highest paid member Domenico De Luca (Head ET & O)	364,804	507,629	7,673	165,589	1,045,695

Remuneration to current members of Executive Management and the highest earning member (incl. related parties) in the 2009/10 financial year

CHF	REMUNERATION (FIXED)	REMUNERATION (VARIABLE)	PAYMENT IN KIND	PENSION BENEFITS	TOTAL
Total Executive Management¹	1,720,232	939,235	38,777	520,497	3,218,742
Thereof highest paid member Domenico De Luca (Head ET & O)	352,504	598,384	7,673	174,604	1,133,165

1 The variable remuneration for the financial year 2009/10 was CHF 939,235. The accrued amount in the balance sheet was CHF 1,451,235 and therefore CHF 512,000 too high.

Remuneration to former members of the Board of Directors and Executive Management (incl. related parties)
in the 2010/11 financial year

CHF	REMUNERATION (FIXED)	REMUNERATION (VARIABLE)	PAYMENT IN KIND	PENSION BENEFITS	TOTAL
Total former Executive Management					
	-	-	-	-	-

No payments were made to former members of Executive Management or the Board of Directors in the 2010/11 financial year.

Remuneration to former members of the Board of Directors and Executive Management (incl. related parties)
in the 2009/10 financial year

CHF	REMUNERATION (FIXED)	REMUNERATION (VARIABLE)	PAYMENT IN KIND	PENSION BENEFITS	TOTAL
Total former Executive Management					
	-	-	-	-	-

No payments were made to former members of Executive Management or the Board of Directors in the 2009/10 financial year.

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

	NUMBER 30.09.2011	NUMBER 30.09.2010
Heinz Karrer – Chairman of the Board of Directors	-	63
Peter Derendinger – Member of the Board of Directors	-	100
Dominik Koechlin – Member of the Board of Directors	-	40
Benedikt Weibel – Member of the Board of Directors ¹	-	10
Total	-	213

1 Stepped down with effect of 24 January 2011

30 Operating leases

CHF MILLIONS	30.09.2011	30.09.2010
Leasing liabilities up to 1 year	7.5	7.8
Leasing liabilities between 1 to 5 years	13.3	15.1
Leasing liabilities exceeding 5 years	1.5	1.8
Total operating leasing liabilities	22.3	24.7
Leasing expenses during the reporting period	7.7	7.8

Operating leases consist mainly of lease agreements for office premises as well as IT hardware and maintenance. The lease agreements for offices have extension options.

31 Pledged assets

CHF MILLIONS	30.09.2011	30.09.2010
Securities	-	24.9
Property, plant and equipment	974.3	1,063.0
Other	236.8	274.5
Total	1,211.1	1,362.4

Pledged property, plant and equipment are related to the gas-fired combined-cycle gas power plants in Italy.

32 Contingent liabilities and future financial obligations, legal disputes

CHF MILLIONS	30.09.2011	30.09.2010
Guarantees	645.6	561.1
Parent company guarantees	171.2	179.9
Total to third parties	816.8	741.0

In the 1998/99 and 1997/98 financial years, Albula-Landwasser Kraftwerke AG and Misoxer Kraftwerke AG concluded financial transactions to lease out their facilities long-term and simultaneously lease them back (lease-and-lease-back transactions). In connection with these transactions, assurance was given to American investors that all contractual obligations arising from these transactions would be guaranteed. The risk from these transactions is secured by appropriate provisions at the companies mentioned. Since the risk declines over the term of the transactions, these provisions are reversed on a straight-line basis.

Elektrizitäts-Gesellschaft Laufenburg Austria GmbH, which was merged with EGL AG, had acquired the remaining 20% stake in EGL Italia S.p.A in the 2004/05 financial year. The definitive purchase price was subject to arbitration proceedings and the EGL Group lodged a civil claim with the competent court in April 2008, contesting the arbitration judgement and requesting it to be rendered null and void. This claim was dismissed in the reporting period. The EGL Group will not appeal this decision. All liabilities relating to these proceedings were accrued. There is also an ongoing investigation linked to CO₂ certificate transactions although the EGL Group assesses the risk as low. The EGL Group is involved in several other legal disputes related to its ordinary business activities. For obligations in connection with partner plants, please refer to Note 16.

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Segment information

The EGL Group's activities are divided into three operating divisions. An operating division is a Group business unit in which revenues are generated and expenses incurred. These operating divisions constitute reportable segments:

Energy Trading & Origination (ET & O). The ET & O segment covers the trading hubs Nordic, Iberia, Italy, Central Europe, Central Eastern Europe and UK. These units are active in the fields of energy trading, cross-border trading, cross-commodity trading, origination (development of structured services related to energy trading and portfolio management) and power plant production optimisation. Trading is conducted in physical as well as financial products. Trading in energy-related commodities covers power, natural gas, oil, coal, certificates and biomass.

Assets. The Assets division covers the operation, maintenance and long-term economic optimisation of assets. EGL's asset portfolio comprises power plants, long-term contracts and transport installations in Switzerland and abroad.

Gas Supply & Southeast Europe (GS & SEE). Long-term natural gas business (with a time horizon of more than three years) covers procurement, import, transport and storage, wholesaling, sales to large customers and the competence centre for Liquefied Natural Gas (LNG). EGL primarily procures natural gas directly from producers and uses it to supply proprietary gas-fired combined-cycle power plants as well as for short-term trading transactions or long-term sales to customers. This segment also includes electricity and gas trading activities in the illiquid markets of Southeast Europe (SEE), including wholesale trading and cross-border trading in electricity.

These three operating divisions named by the Board of Directors provide the basis for the company's organisational and reporting structure. They are regularly audited with a view to their profitability by the responsible corporate body on the basis of separate financial information.

The operating result serves as the indicator for each division's long-term earnings capability. While the operating result in segment reporting contains the results of partner plants, these are only accounted for in the consolidated Group income statement below EBIT. The change in the market valuation of receivables from the federal fund for nuclear power plants and the part of the impairments of current and fixed assets not assigned to the segments is not accounted for in the operating result but is included in the EBIT of the consolidated Group income statement. The reconciliation to EBIT therefore contains a correction of these items.

In the reporting period, net sales of more than 10% was generated with one single customer in the ET & O division. In the previous year, three customers generated more than 10% of all sales each. All of these sales (CHF 826.3 million) were attributed to the ET & O division and were primarily generated in own-use business.

Property, plant and equipment, intangible assets and investments are allocated to the segments and to management support. Associated project companies and investments not held for operating purposes, as well as property, plant and equipment and intangible assets under construction are not allocated to any specific division.

Consolidation effects and management support are disclosed under "Other/Consolidation".

Segment reporting

CHF MILLIONS	2010/11					2009/10				
	ET & O	ASSETS	GS & SEE	OTHER/ CONSOLI- DATION	GROUP	ET & O	ASSETS	GS & SEE	OTHER/ CONSOLI- DATION	GROUP
External sales	2,340.0	188.2	45.3	-	2,573.5	2,398.5	160.5	51.2	-	2,610.2
Internal sales	129.7	523.5	266.8	-920.0	-	1,114.8	1,431.5	278.0	-2,824.3	-
Net sales	2,469.7	711.7	312.1	-920.0	2,573.5	3,513.3	1,592.0	329.2	-2,824.3	2,610.2
Results of partner plants	-	6.5	-	-	6.5	-	-7.0	-	-	-7.0
Depreciation, amortisation and impairment	-11.0	-67.9	-1.5	-	-80.4	-9.7	-61.5	-1.7	-	-72.9
Other non-cash effective expenses	-18.9	-42.7			-61.6					
Operating result	30.2	79.9	-12.5	5.9	103.5	110.6	107.5	-37.2	-0.7	180.2
Impairments	-	-0.3	-	0.3	-0.6	-0.3	-3.9	-	-0.8	-5.0
Reconciliation					-49.6 ¹					-7.2
Earnings before interest and tax (EBIT)					53.3					168.0
Share of profit of associates					-2.0					-5.0
Financial result					-24.5					-98.4
Earnings before tax (EBT)					26.8					64.6

¹ Reconciliation contains provisions for bad debts related to swissgrid ag (see Note 19) of CHF 38.9 million and other reconciliation items of CHF 9.8 million

External sales per product

CHF MILLIONS	2010/11	2009/10
Power	2,273.1	2,373.7
Gas	273.7	166.2
Other	26.7	70.3
Total	2,573.5	2,610.2

External sales by region

CHF MILLIONS	2010/11	2009/10
Switzerland	273.6	112.2
Italy	1,906.8	2,026.4
Germany	336.5	329.1
Norway	4.4	29.3
Spain	63.0	83.6
Romania	36.6	61.5
Other countries	-47.4 ¹	-31.9 ¹
Total	2,573.5	2,610.2

1 Negative sales positions per region are due to negative income from energy trading

Segment balance sheet

CHF MILLIONS	30.09.2011					30.09.2010				
	ET & O	ASSETS	GS & SEE	OTHER/ CONSOLI- DATION	GROUP	ET & O	ASSETS	GS & SEE	OTHER/ CONSOLI- DATION	GROUP
Investments in associates and partner plants	-	105.4	15.2	0.6	121.2	17.9	54.0	14.7	-	86.6
Investments in property, plant and equipment, intangible assets	1.3	64.1	2.5	4.3	72.2	6.9	27.9	0.1	14.8	49.7
Segment assets	4,776.7	1,704.6	101.2	-2,160.8¹	4,421.7	4,656.0	1,876.5	68.9	-2,126.5¹	4,474.9
Other non-current assets					351.0 ²					294.4
Other non-current financial assets					307.3					332.9
Deferred tax assets					29.3					35.2
Other current assets					298.6 ³					531.3
Total assets					5,407.9					5,668.7
Segment liabilities	4,362.4	351.2	41.8	-2,297.6	2,457.8	4,130.1	402.8	56.0	-2,253.7	2,335.2
Other liabilities					1,240.4 ⁴					1,406.0
Total liabilities					3,698.2					3,741.2

1 In the column Other/Consolidation mainly the netting agreements are presented

2 Other non-current assets contains mainly fixed assets under construction of CHF 71.1 million and investments in associates and other investments which are not classified as operational of CHF 299.8 million, less impairment on the transmission systems of CHF 79.7million, which are not allocated to a segment (see Note 14)

3 Other current assets contains mainly cash and cash equivalents of CHF 301.6 million, less provision for bad debts related to swissgrid ag of CHF 39.8 million, which are not allocated to a segment (see Note 19)

4 Other liabilities contains mainly financial liabilities of CHF 1,188.8 million (see Note 22/26)

Assets by region (excl. deferred taxes and other financial instruments)

CHF MILLIONS	30.09.2011	30.09.2010
Switzerland	822.6	770.2
Italy	1,004.4	1,106.2
Germany	0.2	0.3
Norway	11.3	13.2
Spain	1.4	5.9
Romania	0.8	0.2
Other countries	174.1	185.1
Total	2,014.8	2,081.1

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Changes in scope of consolidation

	REMARKS	INVESTMENT RATIO
FULLY CONSOLIDATED COMPANIES		
EGL Tunisia S.L.	Formation	100.0%
Energie Rinnovabili 1	Formation	85.0%
EGL Hydro France SAS	Formation	100.0%
EGL Renewable Luxembourg AG	Merger	-
EGL Trading AG	Merger	-
EGL Nordic Capital Management AS	Liquidation	-
EGL Produzione Italia S.p.A.	Liquidation	-
EGL Sol 1 Hellas S.A.	Liquidation	-
EGL Sol 3 Hellas S.A.	Liquidation	-
TAP LNG AG	Liquidation	-
EG Laufenburg Ibérica Renovables S.L.	Sale	-
HS Kraft AB	Sale	-
EGL Elektrik Toptan Ticaret A.S.	Sale	50.0%

	REMARKS	INVESTMENT RATIO
OTHER EQUITY ACCOUNTED INVESTMENTS		
Compagnie Concessionnaire des Eaux de France-Ossau SAS	Formation	50.0%
Terravent AG	Formation	14.3%
Demirören EGL Gaz Toptan Ticaret A.S.	Purchase	50.0%
Global Tech I Offshore Wind GmbH	Capital increase	24.1%
Trans Adriatic Pipeline AG	Capital increase	42.5%
Agrícola de Servicio de Pinzón S.L.	Sale	-
Agroenergética de Pinzón S.L.	Sale	-
Eólicas Energéticas Eljas S.L.	Sale	-
Isjön Vindkraft AB	Sale	-
Karsholms Vindkraft AB	Sale	-
NMK Norsk Miljøkraft AS	Sale	-
NorGer AS	Sale	-
NorGer KS	Sale	-
Vrångens Kraft AB	Sale	-
TAP Asset S.p.A.	Liquidation	-

	REMARKS	INVESTMENT RATIO
OTHER INVESTMENTS		
Klågerup Kraft AB	Sale	-
Linderödsåsens Kraft AB	Sale	-

The subsidiaries EGL Tunisia S.L., Energie Rinnovabili 1 and EGL Hydro France SAS were founded in the year reporting period. The subsidiaries EGL Trading AG and EGL Renewable Luxembourg AG were merged with EGL AG and EGL Holding Luxembourg AG respectively. The EGL Group sold its shares in HS Kraft AB, a developer of wind power projects in Sweden, and its investments (Isjön Vindkraft AB, Karsholms Vindkraft AG, Vrångens Kraft AB, Klågerup Kraft AB and Linderödsåsens Kraft AB) to a part of the founding shareholders. In addition, 50% of the subsidiary EGL Elektrik Toptan Ticaret A.S. was sold to the Demirören Group and renamed Demirören EGL Enerji Toptan Ticaret A.S. In return, EGL took over 50% of Demirören EGL Gaz Toptan Ticaret A.S. Further EG Laufenburg Ibérica Renovables S.L. was sold.

Investments in the companies NorGer AS and NorGer KS were sold to the majority owner, Statnett. The associated project companies Agrícola de Servicio de Pinzón S.L., Agroenergética de Pinzón S.L., Eólicas Energéticas Eljas S.L. as well as NMK Norsk Miljøkraft AS were also sold.

Terravent AG was founded as an associate together with five Swiss energy suppliers for the purpose of investing in wind parks in the foreign countries of Europe. Compagnie Concessionnaire des Eaux de France-Ossau SAS was also formed as a joint venture.

For the equity accounted companies Trans Adriatic Pipeline AG and Global Tech I Offshore Wind GmbH, capital increases were carried out.

Various companies were liquidated in the reporting period.

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Events after the reporting period

There are no events after the balance sheet date to be disclosed.

These consolidated financial statements were approved by the EGL Board of Directors on 20 January 2012 and released for publication. They are still to be approved by the Annual General Meeting of Shareholders on 30 March 2012.

Group subsidiaries, associates and other investments

COMPANIES	DOMICILE	CURRENCY	REG. CAPITAL	PAID-UP CAPITAL	CAPITAL SHARE IN %	VOTING SHARE IN %	END OF FIN. YEAR	PURPOSE
FULLY CONSOLIDATED COMPANIES								
EGL AG	Laufenburg (CH)	CHF	132,000,000	132,000,000			30.09.	H
Calenia Energia S.p.A.	Genoa (I)	EUR	100,000	100,000	85.0	85.0	30.09.	P
EGL Albania sh.a.	Tirana (AL)	ALL	19,235,000	19,235,000	100.0	100.0	31.12.	H
EGL Austria GmbH	Vienna (A)	EUR	35,000	35,000	100.0	100.0	30.09.	H
EGL Bulgaria EAD	Sofia (BG)	BGN	9,000,000	9,000,000	100.0	100.0	31.12.	H
EGL Česká Republika s.r.o. (in Liquidation)	Prague (CZ)	CZK	17,000,000	17,000,000	100.0	100.0	30.09.	H
EGL d.o.o. Beograd	Belgrade (SRB)	CSD	49,292,400	49,292,400	100.0	100.0	31.12.	H
EGL Deutschland GmbH	Leipzig (D)	EUR	2,000,000	2,000,000	100.0	100.0	30.09.	H
EGL Energía Iberia S.L.	Madrid (E)	EUR	501,000	501,000	100.0	100.0	30.09.	H
EGL Finance Luxembourg S.à.r.l. ¹	Luxembourg (L)	EUR	25,001	25,001	100.0	100.0	30.09.	D
EGL Finland Oy	Helsinki (FIN)	EUR	250,000	250,000	100.0	100.0	30.09.	H
EGL France and Benelux S.A.	Brussels (B)	EUR	500,000	500,000	100.0	100.0	30.09.	H
EGL Gas & Power Romania S.A.	Bucharest (RO)	RON	3,194,990	3,194,990	100.0	100.0	30.09.	H
EGL Gen Hellas S.A.	Athens (GR)	EUR	800,000	800,000	100.0	100.0	30.09.	I
EGL Grid AG	Laufenburg (CH)	CHF	100,000,000	100,000,000	100.0	100.0	30.09.	E
EGL Hellas S.A.	Athens (GR)	EUR	333,000	333,000	100.0	100.0	30.09.	H
EGL Holding Luxembourg AG	Luxembourg (L)	EUR	2,613,000	2,613,000	100.0	100.0	30.09.	D
EGL Hungary Kft.	Budapest (H)	HUF	50,000,000	50,000,000	100.0	100.0	30.09.	H
EGL Hydro France SAS	Paris (F)	EUR	100,000	100,000	100.0	100.0	30.09.	H
EGL Italia S.p.A.	Genoa (I)	EUR	3,000,000	3,000,000	100.0	100.0	30.09.	H
EGL Kosovo L.L.C.	Pristina (KOS)	EUR	50,000	50,000	100.0	100.0	31.12.	H
EGL New Energy GmbH	Düsseldorf (D)	EUR	25,000	25,000	100.0	100.0	30.09.	H
EGL Nordic AS	Oslo (N)	NOK	58,000,000	58,000,000	100.0	100.0	30.09.	H
EGL NorGer AS	Oslo (N)	NOK	57,618,750	57,618,750	100.0	100.0	30.09.	D
EGL Polska Sp.z.o.o.	Warsaw (PL)	PLZ	1,250,000	1,250,000	100.0	100.0	30.09.	H
EGL dooel Skopje	Skopje (FYROM)	MKD	6,139,640	6,139,640	100.0	100.0	31.12.	H
EGL Slovensko s.r.o. (in Liquidation)	Bratislava (SK)	EUR	298,745	298,745	100.0	100.0	30.09.	H
EGL Sol 2 Hellas S.A. (in Liquidation)	Athens (GR)	EUR	300,000	300,000	100.0	100.0	30.09.	I
EGL Sverige AB	Malmö (S)	SEK	52,000,000	52,000,000	100.0	100.0	30.09.	H
EGL Tunisia S.L.	Tunis (TN)	TND	150,000	150,000	100.0	100.0	30.09.	H
EGL UK Limited	London (GB)	GBP	7,500,000	7,500,000	100.0	100.0	30.09.	H
EGL UK Trading Limited	London (GB)	GBP	150,000	150,000	100.0	100.0	30.09.	H

COMPANIES	DOMICILE	CURRENCY	REG. CAPITAL	PAID-UP CAPITAL	CAPITAL SHARE IN %	VOTING SHARE IN %	END OF FIN. YEAR	PURPOSE
FULLY CONSOLIDATED COMPANIES								
Energia de la Zarza S.L.	Madrid (E)	EUR	103,010	103,010	100.0	100.0	30.09.	I
Energie Rinnovabili 1	Naples (I)	EUR	20,000	20,000	85.0	85.0	30.09.	I
Energy Plus S.p.A.	Genoa (I)	EUR	200,000	200,000	100.0	100.0	30.09.	I
Molisenergy S.r.l.	Naples (I)	EUR	20,000	20,000	100.0	100.0	30.09.	I
Rizziconi Energia S.p.A.	Genoa (I)	EUR	500,000	500,000	100.0	100.0	30.09.	P
TAP Storage AG	Baar (CH)	CHF	950,000	950,000	100.0	100.0	30.09.	I
WinBis S.p.A.	Genoa (I)	EUR	120,000	120,000	100.0	100.0	30.09.	I
WinCap S.r.l.	Genoa (I)	EUR	100,000	100,000	100.0	100.0	30.09.	I
EQUITY ACCOUNTED PARTNER PLANTS								
AKEB AG für Kernenergie-Beteiligungen	Lucerne (CH)	CHF	90,000,000	90,000,000	26.4	31.0	31.12.	P
Albula-Landwasser Kraftwerke AG	Filisur (CH)	CHF	22,000,000	22,000,000	75.0	75.0	30.09.	P
Calancasca AG	Roveredo (CH)	CHF	8,000,000	8,000,000	50.0	50.0	30.09.	P
ENAG Energiefinanzierungs AG	Schwyz (CH)	CHF	100,000,000	100,000,000	33.2	50.0	31.12.	P
Engadiner Kraftwerke AG	Zernez (CH)	CHF	140,000,000	140,000,000	15.0	15.0	30.09.	P
Etrans AG	Laufenburg (CH)	CHF	7,500,000	7,500,000	13.2	13.2	31.12.	E
Kernkraftwerk Gösgen-Däniken AG	Däniken (CH)	CHF	350,000,000	290,000,000	4.5	-	31.12.	P
Kernkraftwerk Leibstadt AG	Leibstadt (CH)	CHF	450,000,000	450,000,000	4.4	16.3	31.12.	P
Kraftwerke Mattmark AG	Saas-Grund (CH)	CHF	90,000,000	90,000,000	30.4	38.8	30.09.	P
Kraftwerke Mauvoisin AG	Sion (CH)	CHF	100,000,000	100,000,000	29.3	29.3	30.09.	P
Lizerne et Morge S.A.	Sion (CH)	CHF	10,000,000	10,000,000	50.0	50.0	31.03.	P
Misoxer Kraftwerke AG	Mesocco (CH)	CHF	30,000,000	24,000,000	68.0	68.0	30.09.	P
Rheinkraftwerk Albbbruck-Dogern AG	Waldshut-Tiengen (D)	EUR	27,814,280	27,814,280	5.0	5.0	31.12.	P
Tecnicama SA	Cama (CH)	CHF	200,000	200,000	100.0	100.0	30.09.	P

D = Services/H = Trading/I = Project companies/E = Energy transmission/P = Production/V = Distribution

1 formerly EGL Finance Jersey Ltd., Jersey (GB)

COMPANIES	DOMICILE	CURRENCY	REG. CAPITAL	PAID-UP CAPITAL	CAPITAL SHARE IN %	VOTING SHARE IN %	END OF FIN. YEAR	PUR- POSE
OTHER EQUITY ACCOUNTED INVESTMENTS								
Compagnie Concessionnaire des Eaux de France-Ossau SAS	Paris (F)	EUR	40,000	20,000	50.0	50.0	31.12.	D
Demirören EGL Enerji Toptan Ticaret A.S. ¹	Istanbul (TR)	TRL	4,550,000	4,550,000	50.0	50.0	30.09.	V
Demirören EGL Gaz Toptan Ticaret A.S.	Istanbul (TR)	TRL	2,500,000	2,500,000	50.0	50.0	31.12.	V
Energie Rinnovabili	Naples (I)	EUR	20,000	20,000	49.0	49.0	30.09.	I
Global Tech I Offshore Wind GmbH	Hamburg (D)	EUR	1,000,000	1,000,000	24.1	24.1	31.12.	I
Grischelectra AG	Chur (CH)	CHF	1,000,000	200,000	20.0	20.0	30.09.	V
Parque Eólico la Peñuca S.L.	Ponferrada (E)	EUR	3,333,344	3,333,344	46.0	46.0	31.12.	P
Repower AG	Poschiavo (CH)	CHF	3,408,115	3,408,115	17.5	21.4	31.12.	V
Società EniPower Ferrara S.r.l.	San Donato Milanese (I)	EUR	170,000,000	170,000,000	49.0	49.0	31.12.	I
Sogesa SA	Le Chable (CH)	CHF	100,000	100,000	30.0	30.0	30.09.	V
swissgrid ag	Laufenburg (CH)	CHF	15,000,000	15,000,000	12.6	12.6	31.12.	E
Terravent AG	Dietikon (CH)	CHF	1,000,000	1,000,000	14.3	14.3	30.09.	D
Trans Adriatic Pipeline AG	Baar (CH)	CHF	94,000,000	94,000,000	42.5	42.5	31.12.	I

OTHER INVESTMENTS

Aurica AG	Aarau (CH)	CHF	100,000	100,000	7.2	7.8	31.12.	I
Blinnenwerk AG	Reckingen (CH)	CHF	1,100,000	1,100,000	9.1	9.1	31.12.	V
ECRA GmbH	Vienna (A)	EUR	35,000	35,000	2.0	2.0	31.12.	D

D = Services/H = Trading/I = Project companies/E = Energy transmission/P = Production/V = Distribution

¹ formerly EGL Elektrik Toptan Ticaret A.S., Istanbul (TR)

Report of the Statutory Auditors on the Consolidated Financial Statements

To the General Meeting of the Shareholders of EGL AG, Laufenburg

As statutory auditor, we have audited the accompanying consolidated financial statements of EGL AG as presented on pages 22 to 89, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes for the year ended 30 September 2011.

Board of Directors' Responsibility

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

Opinion

In our opinion, the consolidated financial statements for the year ended 30 September 2011 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (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.

KPMG AG

Daniel Haas
Licensed Audit Expert
Auditor in Charge

Urs Zeder
Licensed Audit Expert

Basel, 20 January 2012

Income statement

CHF MILLIONS	NOTES	2010/11	2009/10
Net sales	2	1,032.3	1,851.1
Own work capitalised		1.0	1.9
Other operating income	3	166.9	19.1
Revenues		1,200.2	1,872.1
Energy procurement and cost of goods	4	-881.5	-1,678.3
Materials and third-party supplies	5	-4.0	-1.0
Personnel expenses	6	-79.4	-81.2
Other operating expenses	7	-104.8	-126.1
Earnings before interest, tax, depreciation and amortisation (EBITDA)		130.5	-14.5
Depreciation and amortisation		-16.2	-14.4
Earnings before interest and tax (EBIT)		114.3	-28.9
Financial income		612.1	651.3
Financial expense		-816.2	-465.4
Financial result	8	-204.1	185.9
Earnings before tax (EBT)		-89.8	157.0
Income tax expense		4.3	-3.1
Profit for the period		-85.5	153.9

Balance sheet

CHF MILLIONS	NOTES	30.09.2011	30.09.2010
ASSETS			
Property, plant and equipment	28	34.8	35.2
Intangible assets	9	22.9	31.3
Investments in associates and partner plants	10	1,523.1	1,594.6
Other financial assets	11	22.6	24.0
Non-current derivatives (positive replacement values)	12	83.2	41.1
Other long-term receivables	13	12.9	0.3
Total non-current assets		1,699.5	1,726.5
Inventories	14	38.8	43.1
Trade receivables	15	510.6	453.1
Financial receivables	16	234.9	14.9
Other receivables	17	311.9	371.2
Current derivatives (positive replacement values)	18	676.3	636.0
Securities	19	0.0	25.0
Cash and cash equivalents		56.8	257.4
Total current assets		1,829.3	1,800.7
Total assets		3,528.8	3,527.2
EQUITY AND LIABILITIES			
Share capital	20	132.0	132.0
General legal reserves		66.0	65.4
Other reserves and retained earnings		1,397.5	1,530.7
Total equity		1,595.5	1,728.1
Financial liabilities	21	247.9	247.3
Other liabilities	22	51.8	44.2
Non-current derivatives (negative replacement values)	12	1.8	1.3
Provisions		12.9	73.5
Total non-current liabilities		314.4	366.3
Trade payables	23	477.0	499.8
Financial liabilities	24	293.9	51.3
Other liabilities	25	190.2	275.8
Current derivatives (negative replacement values)	18	657.8	605.9
Total current liabilities		1,618.9	1,432.8
Total liabilities		1,933.3	1,799.1
Total equity and liabilities		3,528.8	3,527.2

Notes to the financial statements

01 Comments

Related parties pursuant to Art. 663a Para. 4 of the Swiss Code of Obligations are considered to be Axpo Holding AG and its associates, the associates of EGL AG as well as all companies consolidated using the equity method in accordance with the list of Group subsidiaries, associates and other investments in the consolidated financial statements. The following notes also include the information prescribed in Art. 663b of the Swiss Code of Obligations.

EGL Trading AG was merged with EGL AG in the year under review. The EGL Finance Company was transferred to Luxembourg and renamed. Elektrizitäts-Gesellschaft Laufenburg Austria GmbH was merged with EGL AG in the 2009/10 financial year.

02 Net sales

CHF MILLIONS	2010/11	2009/10
With related parties	866.5	1,702.0
With third parties	165.8	149.1
Total	1,032.3	1,851.1

03 Other operating income

CHF MILLIONS	2010/11	2009/10
With related parties	22.5	18.6
With third parties	144.4	0.5
Total	166.9	19.1

The position other operating income from third parties contains the release of hidden reserves amounting to CHF 143.1 million.

04 Energy procurement and cost of goods

CHF MILLIONS	2010/11	2009/10
With related parties	442.8	863.8
With third parties	438.7	814.5
Total	881.5	1,678.3

05 Materials and third-party supplies

CHF MILLIONS	2010/11	2009/10
With related parties	3.3	0.9
With third parties	0.7	0.1
Total	4.0	1.0

06 Personnel expenses

CHF MILLIONS	2010/11	2009/10
Salaries and wages	64.6	59.9
Social security expenses	5.6	8.1
Pension fund expenses	5.9	7.8
Other personnel expenses	3.3	5.4
Total	79.4	81.2

As decided by the Foundation Board of PKE Vorsorgestiftung Energie the technical interest rate was lowered from 4% to 3.5% as at 1 July 2011.

07 Other operating expenses

CHF MILLIONS	2010/11	2009/10
With related parties	48.9	45.4
With third parties	55.9	80.7
Total	104.8	126.1

Capital and property taxes of CHF 1.4 million (previous year: CHF 2.0 million) are recognised under this position.

08 Financial result

CHF MILLIONS	2010/11	2009/10
Interest income		
with related parties	1.2	1.3
with third parties	7.1	8.3
Dividend income		
with related parties	11.2	12.0
with third parties	0.0	0.0
Exchange rate gains	522.0	378.3
Other financial income		
with related parties	13.7	215.4
with third parties	56.9	36.0
Total financial income	612.1	651.3
Interest expense		
with related parties	-0.5	-0.5
with third parties	-14.7	-14.9
Exchange rate losses	-560.0	-437.5
Other financial expense		
with related parties	-226.1	-7.0
with third parties	-14.9	-5.5
Total financial expense	-816.2	-465.4
Total financial result	-204.1	185.9

In the year under review, a net impairment on investments amounting to CHF 214.5 million was recognised in the position other financial expense to related parties. In the 2009/10 financial year, other financial income from related parties includes a gain of CHF 206 million resulting from the merger with Elektrizitäts-Gesellschaft Laufenburg Austria GmbH.

09 Intangible assets

Intangible assets contain rights for using foreign gas supply networks and capitalised software applications.

10 Investments in associates

The overview under "Group subsidiaries, associates and other investments" in the consolidated financial statements provides information on the composition of the investments that are held either directly or indirectly by EGL AG.

11 Other financial assets

CHF MILLIONS	30.09.2011	30.09.2010
Other investments	0.1	0.1
Loan receivables		
from related parties	22.5	23.9
from third parties	0.0	0.0
Total	22.6	24.0

The term to maturity of loans granted is longer than 12 months. The loans are recorded in the balance sheet at nominal value.

12 Non-current derivatives (positive and negative replacement values)

Derivatives which have a term to maturity of more than 12 months and are not speculative in nature are classified as non-current.

13 Other non-current receivables

Receivables with a remaining term to maturity of more than 12 months are reported under this position.

14 Inventories

This position includes inventories of green certificates, emission certificates and gas inventories.

15 Trade receivables

CHF MILLIONS	30.09.2011	30.09.2010
With related parties	108.0	190.6
With third parties	402.6	262.5
Total	510.6	453.1

Receivables are recorded in the balance sheet at nominal value. Receivables in foreign currencies are measured at the exchange rate at the end of the reporting period. Trade receivables from customers who are simultaneously suppliers are set off against trade payables, provided a netting arrangement has been agreed. Impairments on receivables amount to CHF 82.4 million (previous year: CHF 147.2 million).

16 Financial receivables

CHF MILLIONS	30.09.2011	30.09.2010
With related parties	234.8	14.7
With third parties	0.1	0.2
Total	234.9	14.9

This position contains loans granted with a term to maturity of less than 12 months. EGL Grid AG was granted a loan of CHF 220 million in the year under review.

17 Other receivables

CHF MILLIONS	30.09.2011	30.09.2010
Other receivables	126.3	178.0
Accrued income and prepaid expenses	185.6	193.2
Total	311.9	371.2
Thereof		
related parties	109.4	106.1
third parties	202.5	265.1

18 Current derivatives (positive and negative replacement values)

These are valued contracts (options, forwards, certificates and swaps) arising from energy trading and foreign exchange forward contracts with positive or negative replacement values and a term of maturity of less than 12 months.

19 Securities

All securities were sold in the year under review.

20 Share capital

The share capital is broken down into 2,640,000 bearer shares with a par value of CHF 50 per share. Key shareholders and their direct voting rights are:

	30.09.2011	30.09.2010
Axpo Holding AG, Baden	99.82%	91.00%

21 Financial liabilities (non-current)

A ten-year domestic bond for a principal amount of CHF 250 million was issued on 23 November 2005, with a coupon of 2.5%. The bond is measured using the amortised cost method.

22 Other liabilities (non-current)

Advance payments totalling CHF 34.4 million (previous year: CHF 37.6 million) and day-one profit totalling CHF 17.3 million (previous year: CHF 6.5 million) arising from long-term contracts, where the valuation basis is partly defined by non observable input data, are reported under this position. Advance payments due within one year amounting to CHF 2.9 million are reported as other liabilities (current) in the year under review.

23 Trade payables

CHF MILLIONS	30.09.2011	30.09.2010
To related parties	79.0	72.7
To third parties	398.0	427.1
Total	477.0	499.8

Trade payables are recorded in the balance sheet at nominal value. Trade payables in foreign currencies are valued at the prevailing exchange rate at the end of the reporting period. Trade payables from customers who are simultaneously suppliers are set off against trade receivables, provided a netting arrangement has been agreed.

24 Financial liabilities (current)

CHF MILLIONS	30.09.2011	30.09.2010
To related parties	293.9	51.3
To third parties	0.0	0.0
Total	293.9	51.3

Current account liabilities and cash pool positions with related parties are recorded in the balance sheet as financial liabilities. A loan of CHF 220.0 million was taken up with Axpo Holding AG in the year under review. This loan has an interest rate of 0.79% and ends on 21 September 2012.

25 Other liabilities (current)

CHF MILLIONS	30.09.2011	30.09.2010
Other liabilities	10.0	6.3
Accrued expenses	180.2	269.5
Total	190.2	275.8
Thereof		
related parties	107.2	179.1
third parties	83.0	96.7

Accrued expenses and deferred income mainly include payables that have not yet been charged and accruals for taxes as well as personnel-related accruals. Other liabilities and accrued expenses and deferred income include liabilities totalling CHF 0.7 million (previous year: CHF 0.7 million) in respect of pension funds.

26 Pledged assets

Cash and cash equivalents with a fair value of CHF 16.9 million are pledged. Last year, securities and cash and cash equivalents amounting to CHF 40.9 million were pledged. The securities serve mainly as collateral for transactions carried out on the European energy exchanges.

27 Contingent liabilities and future financial obligations

CHF MILLIONS	30.09.2011	30.09.2010
Guarantees	271.4	267.0
Parent company guarantees	178.8	188.6
Total	450.2	455.6

28 Fire insurance values

The fire insurance value of property, plant and equipment of EGL AG is CHF 133.6 million (previous year: CHF 132.0 million).

29 Net release of hidden reserves

Hidden reserves of CHF 295.2 million were released in the year under review. The release was made in investments in associates and partner plants and in property, plant and equipment of CHF 116.9 million, in other operating income of CHF 143.1 million, in net sales of CHF 21.6 million and in energy procurement/cost of goods and other operating expenses of CHF 13.6 million.

30 Transparency Act

Remuneration and shares granted to the Board of Directors, Executive Management and related parties

This Note was drawn up in compliance with the requirements of the Swiss Code of Obligations (Art. 663b bis).

Remuneration to current members of the Board of Directors (incl. related parties) in the 2010/11 financial year

NAME AND FUNCTION - IN CHF	REMUNERATION BOARD OF DIRECTORS (FIXED)	PENSION BENEFIT CONTRIBUTION	TOTAL
Heinz Karrer ¹ Chairman of the Board of Directors, Member of Audit and Finance Committee, Nomination and Remuneration Committee and EGL Risk Council	166,000	-	166,000
Rolf Bösch ¹ Vice Chairman of the Board of Directors, Member of Audit and Finance Committee and EGL Risk Council	130,000	-	130,000
Peter Derendinger ² Member of the Board of Directors, Chairman of Nomination and Remuneration Committee, Member of Audit and Finance Committee and EGL Risk Council	120,000	9,192	129,192
Dominik Koechlin ² Member of the Board of Directors, Chairman of Audit and Finance Committee and Member of Nomination and Remuneration Committee	110,000	8,426	118,426
Hansueli Sallenbach ^{1 3} Member of the Board of Directors	17,500	-	17,500
Andrew Walo ¹ Member of the Board of Directors	70,000	-	70,000
Benedikt Weibel ^{1 3} Member of the Board of Directors	17,500	-	17,500
Total	631,000	17,618	648,618

1 The remuneration is paid to the employer

2 Pension benefits incl. employer's contribution (obligatory or legal contributions and benefits)

3 Stepped down with effect of 24 January 2011

Remuneration to current members of the Board of Directors (incl. related parties) in the 2009/10 financial year

NAME AND FUNCTION - IN CHF	REMUNERATION BOARD OF DIRECTORS (FIXED)	PENSION BENEFIT CONTRIBUTION	TOTAL
Heinz Karrer ¹ Chairman of the Board of Directors, Member of Audit and Finance Committee, Nomination and Remuneration Committee and EGL Risk Council	166,000	-	166,000
Rolf Bösch ¹ Vice Chairman of the Board of Directors, Member of Audit and Finance Committee and EGL Risk Council	130,000	-	130,000
Peter Derendinger ² Member of the Board of Directors, Chairman of Nomination and Remuneration Committee, Member of Audit and Finance Committee and EGL Risk Council	120,000	9,013	129,013
Dominik Koechlin ² Member of the Board of Directors, Chairman of Audit and Finance Committee and Member of Nomination and Remuneration Committee	110,000	8,262	118,262
Manfred Thumann ^{1 3} Member of the Board of Directors	17,500	-	17,500
Hansueli Sallenbach ^{1 3} Member of the Board of Directors	52,500	-	52,500
Andrew Walo ¹ Member of the Board of Directors	70,000	-	70,000
Benedikt Weibel ¹ Member of the Board of Directors	70,000	-	70,000
Total	736,000	17,275	753,275

1 The remuneration is paid to the employer

2 Pension benefits incl. employer's contribution (obligatory or legal contributions and benefits)

3 At the 53rd General Meeting of shareholders Hansueli Sallenbach, head legal services of Axpo Holding AG, was voted into the board of directors. He replaces Manfred Thumann who stepped down

Remuneration to current members of Executive Management and the highest earning member (incl. related parties) in the 2010/11 financial year

CHF	REMUNERATION (FIXED)	REMUNERATION (VARIABLE)	PAYMENT IN KIND	PENSION BENEFITS	TOTAL
Total Executive Management	1,716,838	935,567	39,377	538,048	3,229,830
Thereof highest paid member Domenico De Luca (Head ET & O)	364,804	507,629	7,673	165,589	1,045,695

Remuneration to current members of Executive Management and the highest earning member (incl. related parties) in the 2009/10 financial year

CHF	REMUNERATION (FIXED)	REMUNERATION (VARIABLE)	PAYMENT IN KIND	PENSION BENEFITS	TOTAL
Total Executive Management¹	1,720,232	939,235	38,777	520,497	3,218,742
Thereof highest paid member Domenico De Luca (Head ET & O)	352,504	598,384	7,673	174,604	1,133,165

1 The variable remuneration for the financial year 2009/10 was CHF 939,235. The accrued amount in the balance sheet was CHF 1,451,235 and therefore CHF 512,000 too high.

Remuneration to former members of the Board of Directors and Executive Management (incl. related parties)
in the 2010/11 financial year

CHF	REMUNERATION (FIXED)	REMUNERATION (VARIABLE)	PAYMENT IN KIND	PENSION BENEFITS	TOTAL
Total former Executive Management					
	-	-	-	-	-

No payments were made to former members of Executive Management or the Board of Directors in the 2010/11 financial year.

Remuneration to former members of the Board of Directors and Executive Management (incl. related parties)
in the 2009/10 financial year

CHF	REMUNERATION (FIXED)	REMUNERATION (VARIABLE)	PAYMENT IN KIND	PENSION BENEFITS	TOTAL
Total former Executive Management					
	-	-	-	-	-

No payments were made to former members of Executive Management or the Board of Directors in the 2009/10 financial year.

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

	NUMBER 30.09.2011	NUMBER 30.09.2010
Heinz Karrer – Chairman of the Board of Directors	-	63
Peter Derendinger – Member of the Board of Directors	-	100
Dominik Koechlin – Member of the Board of Directors	-	40
Benedikt Weibel – Member of the Board of Directors ¹	-	10
Total	-	213

¹ Stepped down with effect of 24 January 2011

Risk assessment in accordance with Art. 663b of the Swiss Code of Obligations

EGL operates a comprehensive corporate risk management system which is used, among other things, to perform risk analyses at various levels and draw up corresponding risk reports.

EGL's standard process for conducting risk analyses comprises the following steps: preparation of the risk analysis, external analysis, analysis of events that have occurred, risk identification, risk assessment and planning of measures. The results are documented in a risk analysis report.

The Corporate Risk Report is the instrument used for internal reporting to Executive Management, the Risk Council and the Board of Directors of EGL. It is drawn up twice a year and discussed and approved by Executive Management and the Board of Directors. The Corporate Risk Report comprises the following sections: EGL risk map and risk radar (overview of market, counterparty, operational and general risks), project risks, status of implemented measures, events/special events that have occurred, annex with risk inventory (including defined risk mitigation measures).

The Board of Directors discussed the risk situation of EGL at its meeting on 27 May 2011 and approved the Corporate Risk Report presented by Executive Management.

Proposal for the appropriation of retained earnings

The Board of Directors proposes to the Annual General Meeting that earnings be appropriated as follows:

CHF MILLIONS	30.09.2011	30.09.2010
Profit for the period	- 85.5	153.9
Profit brought forward from previous year	1,482.6	1,376.8
Profit brought forward from the merger with EGL Trading AG	0.4	0.0
Retained earnings	1,397.5	1,530.7
Transfer to general legal reserve	0.0	- 0.6
Dividend on share capital of CHF 132.0 million	0.0	- 47.5
Profit to be carried forward	1,397.5	1,482.6

As a result of the transfer to the statutory reserve, the reserve last year amounted to 50% of the nominal share capital. No further allocation will be made.

On behalf of the Board of Directors
Chairman: Heinz Karrer

Laufenburg, 20 January 2012

Report of the Statutory Auditors on the Financial Statements

To the General Meeting of EGL AG, Laufenburg

As statutory auditor, we have audited the accompanying financial statements of EGL AG as presented on pages 91 to 102, which comprise the income statement, balance sheet, and notes for the year ended 30 September 2011.

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 30 September 2011 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.

KPMG AG

Daniel Haas
Licensed Audit Expert
Auditor in Charge

Micha Bitterli
Licensed Audit Expert

Basel, 20 January 2012

Key figures

	2010/11	2009/10	2008/09	2007/08	2006/07
Number of shares issued	2,640,000	2,640,000	2,640,000	2,640,000	2,640,000
Number of shares outstanding	2,640,000	2,640,000	2,640,000	2,640,000	2,639,614 ¹
Number of shares entitled to receive dividend	2,640,000	2,640,000	2,640,000	2,640,000	2,639,614 ¹
Earnings per share in CHF	7.99	9.13	70.83	119.48	169.49
Equity (excl. minority interests) per share	642.54	720.38	788.98	791.55 ¹	721.81 ¹
Dividend per share in CHF	- ²	18.00	18.00	18.00	18.00
Pay-out ratio (in %)	-	197.2	25.4	15.1	10.6
Share price in CHF – high	865	1,089	1,241	1,539	1,530
Share price in CHF – low	651	710	866	1,159	1,011

¹ Basis for calculating key figures; number of shares issued, less treasury stock

² The Board of Directors propose no dividend for the reporting year

Shares

All shares are bearer shares with a par value of CHF 50.00 per share. The shares are traded on the Swiss Stock Exchange under Securities No. 328 822. The Telekurs ticker symbol is EGL. There is no authorised and no conditional capital. The company's Articles of Association contain an opting-out clause.

Shareholder structure

Axpo Holding AG, Baden, is a major shareholder with a direct shareholding of 99.8%. The number of shares held by members of the Board of Directors and Executive Management is negligible (see Corporate Governance section, page 18). No participation schemes for management or employees exist.

Capitalisation, trading volume and tax value

As at 30 September 2011 the Group's market capitalisation was CHF 2,221.6 million (previous year: CHF 1,874.4 million) based on a share price of CHF 841.5. The average daily trading volume in 2010/11 was 418 shares. The free float is 0.2% (see Note on shareholder structure). The tax value as at 31 December 2010 was estimated at CHF 677 (previous year: CHF 921) per share.

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Agenda

EGL Annual General Meeting	30 March 2012
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Note regarding forward-looking statements:

This document may contain certain forward-looking statements concerning the business activities, development and profitability of EGL Group. Such statements may involve a variety of risks, uncertainties and other key factors which may cause the actual developments and results to differ materially from the statements made in this document. Beyond that prescribed by statutory regulations, EGL is under no obligation to update such forward-looking statements.

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Cover photo: EGL's trading floor in Dietikon (Switzerland).

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