ALPIQ

2021

Financial Report of the Alpiq Ltd. Group (Part of the Alpiq Group)

Financial Report

Key Financial Figures

CHF million	Results of operations before exceptional items 2021	2020 (adjusted)[2]	% change	Results under IFRS 2021	2020 (adjusted)[2]	% change
Net revenue	7,695	3,845	100	7,171	3,892	84
Earnings before interest, tax, depreciation and amortisation (EBITDA)	211	207	2	– 167	225	> – 100
Depreciation, amortisation and impairment[1]				– 58	– 16	> 100
Earnings before interest and tax (EBIT)				– 225	209	> – 100
Net income				– 226	200	> – 100

1 In 2020, including reversals of impairment losses
2 See "Correction of errors" section in note 6 of the notes to the consolidated financial statements

	31 Dec 2021	31 Dec 2020 (adjusted)[1]	% change
Total assets (CHF million)	10,754	4,870	121
Total equity (CHF million)	2,510	2,691	– 7
As % of total assets	23.3	55.3	
Number of employees (full-time equivalents)	1,197	1,161	3

1 See "Correction of errors" section in note 6 of the notes to the consolidated financial statements

Financial Review

Introductory remarks

The Alpiq Ltd. Group generated an EBITDA before exceptional items of CHF 211 million in the 2021 financial year (previous year: CHF 207 million). Digital & Commerce business division made positive contribution to earnings and was significantly up on the previous year due to very good performance of asset trading. The Swiss power production reported negative EBITDA, which was primarily due to maintenance work at the Leibstadt nuclear power plant being postponed and taking longer than planned. International business division reported also positive EBITDA on the level of the previous year.

In general, the 2021 financial year was characterised by an extraordinarily sharp increase in energy prices, which were then highly volatile at a high level. This was attributable to a huge rise in demand for coal and gas in Asia, geopolitical uncertainties in European gas supply on account of increasing tension between Russia and the European Union, downtimes of French nuclear power plants and the imminent reduction in fossil production capacity. While these high prices made it possible to improve trading margins, they also resulted in higher financial security deposits to be made at the energy exchanges. In addition, the higher valuation of hedging and trading items resulted in a considerable extension of the balance sheet.

To measure and present its operating performance, Alpiq also uses alternative performance measures through to the level of “Earnings before interest, tax, depreciation and amortisation (EBITDA)”. Alpiq makes adjustments to the IFRS results for exceptional items, which Alpiq does not consider part of the results of operations. These performance measures do not have a standardised definition in IFRS. This can therefore limit comparability with such measures as defined by other companies. These measures are presented in a pro forma statement in order to give a deeper understanding of how Alpiq’s management measures the performance of the Group. However, they are no substitute for IFRS performance measures. In the balance sheet and cash flow statement, Alpiq does not use any alternative performance measures.

The exceptional items for the financial year 2021 amount to a total of CHF -378 million on EBITDA level. Thereof, CHF -521 million arose from fair value changes of energy derivatives that were entered into in connection with hedges for future power production. These fair value changes do not reflect the operating performance of business activities, because they are economically linked with the changes in value of the hedged transactions. According to IFRS guidelines, the fair value changes of financial hedges have to be recognised in the reporting year. As the future production volumes and the power purchase agreements are not measured at fair value and positive changes in value therefore cannot be recognised in the reporting year, this results in an accounting mismatch. These negative exceptional items in net revenue were partly offset with positive exceptional items recorded in energy and inventory costs in the amount of CHF 136 million. Thereof, CHF 101 million relate to the performance of the shares in the decommissioning and waste disposal funds of the Kernkraftwerk Gösgen-Däniken AG and Kernkraftwerk Leibstadt AG nuclear power plants, which was still positive due to the further advantageous developments on the international capital markets. Another CHF 38 million relate to a decrease in the provisions for onerous energy contracts. In 2021, the exceptional items relating to the effects from business disposal of CHF 14 million are mainly related to the transfer of Alpiq’s share in the Swiss high-voltage grid to national grid operator Swissgrid Ltd back in January 2013. At that time share price was based on provisional contribution values. In 2021, the final value became legally binding and thus, the adjustment of the valuation of the transfer to the Swiss high-voltage grid has therefore been finalised for Alpiq.

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

CHF million	2021 Results of operations before exceptional items	2021 Exceptional items[2]	2021 Results under IFRS	2020 (adjusted)[3] Results of operations before exceptional items	2020 (adjusted)[3] Exceptional items[2]	2020 (adjusted)[3] Results under IFRS
Net revenue	**7,695**	**– 524**	**7,171**	**3,845**	**47**	**3,892**
Own work capitalised and change in costs incurred to fulfil a contract	4		4	3		3
Other operating income	13	14	27	38	47	85
Total revenue and other income	**7,712**	**– 510**	**7,202**	**3,886**	**94**	**3,980**
Energy and inventory costs	– 7,218	136	– 7,082	– 3,430	– 89	– 3,519
Employee costs	– 212	– 1	– 213	– 169	8	– 161
Other operating expenses	– 71	– 3	– 74	– 80	5	– 75
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**211**	**– 378**	**– 167**	**207**	**18**	**225**
Depreciation, amortisation and impairment[1]			– 58			– 16
Earnings before interest and tax (EBIT)			**– 225**			**209**
Share of results of partner power plants and other associates			– 16			– 12
Finance costs			– 51			– 36
Finance income			41			47
Earnings before tax			**– 251**			**208**
Income tax expense			25			– 8
Net income			**– 226**			**200**

1 In 2020, including reversals of impairment losses
2 Includes effects from business disposals as well as the performance of the fund shares for the decommissioning and waste disposal of Kernkraftwerk Gösgen-Däniken AG and Kernkraftwerk Leibstadt AG, fair value changes of energy derivatives that were entered into in connection with hedges for future power production, provisions as well as restructuring costs.
3 See "Correction of errors" section in note 6 of the notes to the consolidated financial statements

Alpiq Ltd. Group: results of operations (before exceptional items)

The Alpiq Ltd. Group generated operational EBITDA that was on the level of the previous year. This result was achieved by the very good results in the asset trading area in the Digital & Commerce business division as well as the positive EBITDA contribution of International business division. The Switzerland business divisions made negative contributions to the result and was below the previous year.

Switzerland

The Switzerland business division concentrates on the production of electricity from Swiss hydropower and nuclear power. The power plant portfolio includes run-of-river power plants, storage and pumped storage power plants, investments in the Gösgen and Leibstadt nuclear power plants as well as the Nant de Drance pumped storage power plant project. Moreover, the business division manages shares in HYDRO Exploitation SA and Kernkraftwerk-Beteiligungsgesellschaft AG (KBG).

The EBITDA contribution of the Switzerland business division was in deficit and therefore significantly below previous year. The main drivers of this development were the lower production volumes both in the area of nuclear power as well as hydropower. The reduced production volumes of nuclear power were mainly due to maintenance work at the Leibstadt nuclear power plant, which had to be postponed from 2020 to 2021 as a result of the COVID-19 pandemic and took longer than planned. In order to meet supply obligations, the missing quantity of electricity, which had already been sold as part of the hedging strategy at that time, had to be procured at a higher price on the spot market. In the area of hydropower, inflows were below the previous year and just below the long-term average.

International

The International business division comprises power production of wind power plants, small-scale hydropower plants and industrial photovoltaic plants, the operation of power plants and the development of several wind farm projects. The business division also covers the production of electricity and heat in thermal power plants in Hungary, Italy and Spain. The power plant portfolio is made up of gas-fired combined-cycle power plants and gas-fired turbine power plants. Power is sold on the European electricity trading market via the Digital & Commerce business division or via third parties. The power plants are used by the respective grid operators to balance the grids.

The EBITDA of the International business division made a positive contribution to the Alpiq Ltd. Group and remained stable at the level of the previous year. Positive EBITDA before exceptional items was generated in every country but specially in Italy and Hungary where the combined-cycle power plants contributed to system stability thanks to their high availability. Further, in Italy the increase in price of renewable energies led to a positive development compared to the previous year despite the fact that feed-in tariffs no longer apply.

Digital & Commerce

The Digital & Commerce business division comprises the optimisation of Alpiq's own power plants as well as the optimisation of decentralised generation units and the production of electricity from third parties' renewable energies. The business division also covers trading activities with standardised and structured products for electricity and gas as well as emission allowances and certificates. In addition, it includes direct marketing and energy management for industrial and business customers to help these meet their cost efficiency and sustainability goals. Digital & Commerce specifically utilises digitalisation and technologies such as artificial intelligence, connectivity, the Internet of Things and blockchain to further develop products and services for customer and business partners, always with a view to increasing customer benefits and creating value.

The EBITDA contribution of the Digital & Commerce business division is up on the previous year. In the context of the optimisation and marketing of the power plant portfolio in both Switzerland and Italy, considerably higher earnings were generated than in the previous year. Alpiq made very good use of the opportunities offered by a very volatile market. Furthermore, earnings from the ancillary services business in Italy developed very well. Market volatilities were also successfully exploited in trading. However, the market environment led to significantly higher liquidity requirements and a considerably increased credit risk associated with several counterparties, which had a strong negative impact on results of operations.

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

At 31 December 2021, total assets amounted to CHF 10.8 billion compared to CHF 4.9 billion at the end of 2020. Non-current assets remained unchanged at CHF 2.3 billion while current assets more than tripled from CHF 2.6 billion to CHF 8.5 billion. The rise is primarily due to the higher replacement values of energy derivatives and receivables from realised energy derivatives, caused by the significant increase in electricity and gas prices. In addition, Alpiq had to make higher customary financial security deposits. For the same reason, negative replacement values and liabilities from realised energy derivatives increased at a similar rate.

With a net income of CHF -226 million and other comprehensive income of CHF 122 million Alpiq Group Ltd. shows a negative comprehensive result of CHF -104 million in 2021 which is down on the previous year by CHF 307 million. Equity stood at CHF 2.5 billion at 31 December 2021 and was CHF 0.2 billion lower than at the end of 2020. The aforementioned increase in total assets inevitably led to a decline in the equity ratio, which amounted to 23.3 % as of 31 December 2021 (31 December 2020: 55.3%).

Cash flows from operating activities decreased year-on-year from CHF 120 million to CHF -381 million. This unfavourable development was mainly due to the lower EBITDA and increased net working capital. The cash flows from investing activities amounted to CHF 85 million and is up on the previous year by CHF 144 million. While last year cash outs for investments in loans receivables and financial investments were mainly responsible for the negative investing cash flows, this year changes in current and non-current term deposits and higher interest received lead to a positive net cash flow from investing activities. Net cash flows from financing activities amounted to CHF -90 million reflecting ordinary interest payments, repayments of financial liabilities and dividends paid. In the previous year, there was no dividend distribution, which is the main reason for the difference of CHF 51 million in the net cash flow from financing activities compared to prior year. Overall cash and cash equivalents decreased by CHF 404 million to CHF 109 million.

Outlook

Alpiq Ltd. Group is well positioned with its business model. The rising prices, which are hedged in advance, will have a positive effect on earnings. Due to the dynamic market development, Alpiq expects positive EBITDA before exceptional items at a level similar to the past two years for 2022.

From a current perspective, Alpiq expects positive net income (IFRS) for the 2022 financial year. The shift of earnings in the 2021 financial year and their negative accounting effects will have a delayed positive impact in subsequent years.

Consolidated Financial Statements of the Alpiq Ltd. Group

Consolidated Income Statement

CHF million	2021	2020 (adjusted)[2]
Net revenue	**7,171**	**3,892**
Own work capitalised and change in costs incurred to fulfil a contract	4	3
Other operating income	27	85
Total revenue and other income	**7,202**	**3,980**
Energy and inventory costs	– 7,082	– 3,519
Employee costs	– 213	– 161
thereof wages and salaries	– 172	– 132
thereof pension costs and other employee costs	– 41	– 29
Other operating expenses	– 74	– 75
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**– 167**	**225**
Depreciation, amortisation and impairment[1]	– 58	– 16
Earnings before interest and tax (EBIT)	**– 225**	**209**
Share of results of partner power plants and other associates	– 16	– 12
Finance costs	– 51	– 36
Finance income	41	47
Earnings before tax	**– 251**	**208**
Income tax expense	25	– 8
Net income	**– 226**	**200**
Attributable to non-controlling interests		1
Attributable to equity investors of Alpiq Ltd.	– 226	199

1 In 2020, including reversals of impairment losses
2 See "Correction of errors" section in note 6

Consolidated Statement of Comprehensive Income

CHF million	2021	2020 (adjusted)[1]
Net income	**– 226**	**200**
Cash flow hedges (group companies)	17	– 16
Income tax expense	– 3	4
Net of income tax	14	– 12
Cash flow hedges (partner power plants and other associates)		– 2
Net of income tax		– 2
Currency translation differences	– 30	– 5
Net of income tax	– 30	– 5
Items that may be reclassified subsequently to the income statement, net of tax	**– 16**	**– 19**
Remeasurements of defined benefit plans (group companies)	109	12
Income tax expense	– 17	2
Net of income tax	92	14
Remeasurements of defined benefit plans (partner power plants and other associates)	54	12
Income tax expense	– 8	– 4
Net of income tax	46	8
Items that will not be reclassified to the income statement, net of tax	**138**	**22**
Other comprehensive income	**122**	**3**
Total comprehensive income	**– 104**	**203**
Attributable to non-controlling interests	– 1	1
Attributable to equity investors of Alpiq Ltd.	– 103	202

1 See “Correction of errors” section in note 6

Consolidated Balance Sheet

Assets

CHF million	31 Dec 2021	31 Dec 2020
Property, plant and equipment	362	399
thereof land and buildings	104	102
thereof power plants	204	199
thereof transmission assets	1	6
thereof other plant and equipment	4	4
thereof assets under construction and prepayments	18	54
thereof right-of-use assets	31	34
Intangible assets	41	42
thereof energy purchase rights	5	6
thereof other intangible assets	32	30
thereof assets under development and prepayments	4	6
Investments in partner power plants and other associates	871	839
Other non-current assets	940	913
thereof loans receivable	862	862
thereof defined benefit assets	77	
thereof financial investments	1	1
thereof other non-current assets		50
Deferred income tax assets	76	78
Non-current assets	**2,290**	**2,271**
Inventories	32	65
Derivative financial instruments	5,139	651
Receivables	2,792	1,095
thereof trade receivables	1,647	711
thereof other receivables	1,145	384
Prepayments and accrued income	318	175
Current term deposits	74	100
Cash and cash equivalents [1]	109	513
Current assets	**8,464**	**2,599**
Total assets	**10,754**	**4,870**

1 Cash and cash equivalents include foreign subsidiaries' bank accounts with a total balance of EUR 56 million, translated CHF 58 million, (previous year: EUR 37 million, translated CHF 40 million), which are pledged in accordance with regulations in local finance agreements and which may only be used to cover their own needs for cash and cash equivalents. These funds are therefore not freely available in full for the Alpiq Ltd. Group.

Equity and liabilities

CHF million	31 Dec 2021	31 Dec 2020 (adjusted)[1]
Share capital	304	304
Share premium	64	64
Retained earnings and reserves	2,129	2,309
Equity attributable to equity investors of Alpiq Ltd.	**2,497**	**2,677**
Non-controlling interests	13	14
Total equity	**2,510**	**2,691**
Non-current provisions	438	454
thereof provisions for onerous contracts	415	430
thereof provisions for decommissioning own power plants	6	5
thereof provisions for warranties	1	1
thereof other provisions	16	18
Deferred income tax liabilities	81	98
Defined benefit liabilities	3	28
Non-current financial liabilities	100	133
thereof loans payable	70	99
thereof lease liabilities	30	34
Other non-current liabilities	8	71
Non-current liabilities	**630**	**784**
Current income tax liabilities	25	14
Current provisions	127	30
Current financial liabilities	57	37
thereof loans payable	51	32
thereof lease liabilities	6	5
Other current liabilities	1,737	670
thereof trade payables	1,029	424
thereof other payables	708	246
Derivative financial instruments	5,357	465
Accruals and deferred income	311	179
Current liabilities	**7,614**	**1,395**
Total liabilities	**8,244**	**2,179**
Total equity and liabilities	**10,754**	**4,870**

1 See “Correction of errors” section in note 6

Consolidated Statement of Changes in Equity

CHF million	Share capital	Share premium	Cash flow hedge reserves	Currency translation differences	Retained earnings	**Attributable to equity investors of Alpiq Ltd.**	Non-controlling interests	Total equity
Equity at 1 January 2021 (adjusted) [1]	**304**	**64**	**24**	**– 397**	**2,682**	**2,677**	**14**	**2,691**
Net income for the period					– 226	**– 226**		**– 226**
Other comprehensive income			14	– 29	138	**123**	– 1	**122**
Total comprehensive income			**14**	**– 29**	**– 88**	**– 103**	**– 1**	**– 104**
Dividends					– 50	**– 50**		**– 50**
Effects of common control business combinations [2]					– 27	**– 27**		**– 27**
Equity at 31 December 2021	**304**	**64**	**38**	**– 426**	**2,517**	**2,497**	**13**	**2,510**

1 See "Correction of errors" section in note 6
2 See note 3

CHF million	Share capital	Share premium	Cash flow hedge reserves	Currency translation differences	Retained earnings	**Attributable to equity investors of Alpiq Ltd.**	Non-controlling interests	Total equity
Equity at 1 January 2020	**304**	**64**	**38**	**– 392**	**2,461**	**2,475**	**13**	**2,488**
Net income for the period (adjusted) [1]					199	**199**	1	**200**
Other comprehensive income			– 14	– 5	22	**3**		**3**
Total comprehensive income			**– 14**	**– 5**	**221**	**202**	**1**	**203**
Equity at 31 December 2020 (adjusted) [1]	**304**	**64**	**24**	**– 397**	**2,682**	**2,677**	**14**	**2,691**

1 See "Correction of errors" section in note 6

Consolidated Statement of Cash Flows

CHF million	2021	2020
Earnings before tax (adjusted) [1]	**– 251**	**208**
Adjustments for:		
Depreciation, amortisation and impairment	58	16
Gain on sale of non-current assets	– 2	
Share of results of partner power plants and other associates	16	12
Financial result	10	– 11
Other non-cash income and expenses	77	– 43
Change in provisions (excl. interest) (adjusted) [1]	65	89
Change in defined benefit liabilities and other non-current liabilities	7	– 15
Change in fair value of derivative financial instruments	436	– 58
Change in net working capital (excl. derivatives, current financial assets / liabilities and current provisions)	– 763	– 59
Other financial income and expenses	– 19	– 9
Income tax paid	– 15	– 10
Net cash flows from operating activities	**– 381**	**120**
Property, plant and equipment and intangible assets		
Investments	– 20	– 34
Proceeds from disposals	3	
Subsidiaries		
Effects of common control business combinations [2]	– 16	
Proceeds from disposals [2]	20	
Associates		
Investments	– 5	
Loans receivable and financial investments		
Investments		– 75
Change in current and non-current term deposits	46	1
Dividends from partner power plants, other associates and financial investments	12	14
Interest received	45	35
Net cash flows from investing activities	**85**	**– 59**

1 See “Correction of errors” section in note 6
2 See note 3

CHF million	2021	2020
Dividends paid	– 50	
Proceeds from financial liabilities	6	6
Repayment of financial liabilities	– 34	– 35
Interest paid	– 12	– 10
Net cash flows from financing activities	**– 90**	**– 39**
Currency translation differences	**– 18**	**– 5**
Change in cash and cash equivalents	**– 404**	**17**
Reconciliation:		
Cash and cash equivalents at 1 January	513	496
Cash and cash equivalents at 31 December	109	513
Change	**– 404**	**17**

Notes to the Consolidated Financial Statements

1 Impairment losses, reversals of impairments and provisions

2021

In 2021, impairment losses of CHF 10 million were recognised mainly relating to the following two circumstances: The Spanish gas-fired combined-cycle power plant Plana del Vent in the International business division was impaired by CHF 6 million in the first half of 2021. The recoverable amount was calculated using a pre-tax discount rate of 6.24 %. Impairment losses became necessary due to delivery delays at the manufacturer in connection with additional repairs, the resulting extended downtime until December 2021 as well as a deterioration in earnings prospects. On the other hand, impairment losses for intangible assets in the amount of CHF 2 million were recognised in the Digital & Commerce business division as internally developed software could not be used as originally planned.

Current and non-current provisions in the amount of CHF 127 million respectively 438 million relate almost exclusively to provisions for onerous contracts that are recognised in “energy and inventory costs”. Due to changing electricity prices, own use contracts for the physical purchase or sale of electricity can become loss making. Although Alpiq hedges these contracts from an economic perspective, this in part involves financial contracts. As Alpiq does not use hedge accounting, own use contracts and associated financial hedges have to be evaluated and presented separately. Due to the sharp rise in electricity and gas prices, Alpiq had to recognise provisions for hedged own use contracts of CHF 186 million in 2021. One portion of these own use contracts was due for delivery in 2021, which is why the corresponding provision of CHF 78 million could be used. The provision for the onerous contract relating to the future procurement of energy from the Nant de Drance pumped storage power plant was reduced by CHF 29 million, primarily on account of the development of electricity prices. Higher market prices also meant that the Group could reverse the existing provision for an onerous contract abroad of CHF 8 million in full at 30 June 2021.

2020

In the International business division, impairment losses of CHF 17 Mio. had to be recognised on the wind farms of the Italian company Alpiq Wind Italia S.r.l. The main reasons behind these impairment losses were expired or in the coming years due to expire feed-in tariffs, forecasts of falling electricity prices and a higher discount rate. The recoverable amount was calculated using a pre-tax discount rate of 6.77 %. On the other hand, Alpiq had recognized a reversal of impairment losses of CHF 52 million on the thermal power plant San Severo in Italy, also belonging to the International business division. The profits generated and the future prospects demonstrated that the performance potential has increased for the long term. The recoverable amount was calculated using a pre-tax discount rate of 9.62 %.

The non-current provisions mainly comprised the present value of the onerous contracts in place on the reporting date. The increase related to two contracts. For one, the provision for the onerous contract relating to the future procurement of energy from the Nant de Drance pumped storage power plant had to be increased by CHF 97 million. This was due to less volatility in the hourly profile, lower short-term and long-term market prices, the still-weak CHF / EUR exchange rate and the fact that the full industrial commissioning of the power plant is now expected at the end of December 2021 and not at the end of September 2021, as assumed last year. For another, lower market prices meant that the Group had to increase a provision for an onerous contract outside Switzerland by CHF 11 million.

2 Contingent liabilities

After the tax audit on the Bucharest branch of Alpiq Energy SE, Prague, the Romanian tax authority ANAF (Agenția Naţională de Administrare Fiscală) issued the final tax assessment notice to Alpiq in the amount of RON 793 million or CHF 166 million for value added tax, corporate income tax and penalties (including late payment penalties) for the period of 2010 to 2014 in September 2017. The tax assessment determined by ANAF is being contested on account of its merits and the amount assessed, as Alpiq is convinced that the activities of Alpiq Energy SE in Romania have always been carried out in accordance with the applicable Romanian and European rules and regulations. Alpiq's position is supported by current assessments provided by external legal and tax experts. Alpiq filed an objection with ANAF against the tax assessment in 2017. In the main matter, ANAF supported its own view and dismissed the objection with regard to an amount of RON 589 million or CHF 123 million as being without merit. Alpiq contested the decision on the appeal made by ANAF by making use of the legal means of appeal at its disposal. In the ruling from 19 October 2021, the competent Romanian administrative court agreed with the reasoning of Alpiq Energy SE and revoked the decision of ANAF as unlawful. The ruling is not yet legally binding and could be contested by ANAF in the second instance, as assumed by Alpiq. With regard to an amount of RON 204 million or CHF 43 million, ANAF repealed the decision from the tax audit and ordered a reassessment. The reassessment will not take place until there is a final ruling from the proceedings concerning the amount of RON 589 million.

On 3 September 2019, the court of appeal in Bucharest endorsed Alpiq's request that the tax assessment in the amount of RON 589 million is not enforceable until a last-instance court decision has been reached. This ruling is legally binding. Alpiq is demanding reimbursement of the costs arising from the tax assessment and other expenses from ANAF and therefore filed a corresponding claim at the court of appeal in Bucharest in autumn 2019. This was partially endorsed in a first-instance ruling and Alpiq was awarded an immaterial amount of compensation for damages due to ANAF's illegal safety measures. Alpiq initiated civil proceedings against ANAF for the portion of the claim for damages that was not covered, amounting to around CHF 2.5 million. The civil lawsuit is pending before the court of first instance in Bucharest.

For information regarding commitments in connection with partner power plants, please refer to note 4.3 of the notes to the consolidated financial statements in the Annual Report 2021 of Alpiq Holding Ltd.

3 Changes in group companies and investments

Compensation for the transfer of the Swiss high-voltage grid

On 3 January 2013, Alpiq transferred its share in the Swiss high-voltage grid to national grid operator Swissgrid Ltd based on provisional contribution values. It was not possible to provide a final calculation of the value of individual assets at this point in time, as proceedings relevant for the measurement were still pending. Furthermore, in the 2016 financial year, Alpiq received higher compensation for transferring its share in the Swiss high-voltage grid on account of the new ruling by the Swiss Federal Electricity Commission (ElCom) on the measurement method.

On 9 February 2021, ElCom issued rulings on the margin differences of the former company Alpiq Grid Ltd. Gösgen and Alpiq Grid Ltd Lausanne in 2011 and 2012. It also issued a ruling on their regulatory values at 31 December 2012. These rulings became legally binding in March 2021. Based on these rulings, the second measurement adjustment was made to offset the remaining difference between the amount already compensated at the transfer date and the amount ordered by the court ruling. In addition, the final value was calculated in accordance with the new ruling in 2016. The calculations for all parties providing in-kind contributions were carried out by the same independent company. The audit of the calculation and the preparation of the fairness opinion by another independent company was completed in the second half of 2021. The adjustment of the valuation of the transfer to the Swiss high-voltage grid has therefore been finalised for Alpiq.

In this context, additional sales proceeds of CHF 12 million, including margin differences in 2011 and 2012, were recorded under "Other operating income" in 2021. Interest components of CHF 5 million were recognised as interest income. In 2020, additional sales proceeds of CHF 39 million were recorded under "Other operating income" and interest components of CHF 11 million were recognised as interest income. Cash inflows from the additional sales proceeds amounted to CHF 20 million in 2021 (previous year: CHF 0 million) and are recorded under "Disposal of subsidiaries" in the statement of cash flows. In 2021, Alpiq received another part of the compensation in the form of a short-term loan receivable from Swissgrid Ltd totalling CHF 23 million. The short-term loan receivable is scheduled to be repaid and the payment of the final value in accordance with the new ruling in 2016 (expropriation compensation) of CHF 31 million is expected to be received on 3 January 2022. Cash inflows from the interest components amounted to CHF 11 million in 2021 (previous year: CHF 0 million) and are recorded under "Interest received" in the statement of cash flows.

Transactions under common control

In 2021, Alpiq made a change to the group structure which resulted in the following acquisition at Alpiq Ltd. Group:

	Place of incorporation	Direct ownership interest in %
Alpiq Norway AS	Oslo, NO	100.0

The transaction was concluded at fair value of CHF 23 million in cash.

In 2021, Alpiq merged Alpiq Digital Ltd. with Alpiq Ltd. and subsequently the following subsidiaries of Alpiq Digital Ltd. joined the Alpiq Ltd. Group:

	Place of incorporation	Direct ownership interest in %
Alpiq Digital Austria GmbH	Vienna, AT	100.0
Alpiq E-Mobility Ltd	Zurich, CH	100.0
Alpiq Energie Deutschland GmbH	Berlin, DE	100.0
EESP European Energy Service Platform GmbH	Berlin, DE	100.0

4 Significant group companies and investments

Group companies	Place of incorporation	Direct ownership interest in %
Alpiq Ltd.	Olten, CH	100.0
Aero Rossa S.r.l.	Milan, IT	100.0
Alpiq Csepel Kft.	Budapest, HU	100.0
Alpiq Digital Austria GmbH	Vienna, AT	100.0
Alpiq E-Mobility Ltd	Zurich, CH	100.0
Alpiq Energia Bulgaria EOOD	Sofia, BG	100.0
ALPIQ ENERGÍA ESPAÑA, S.A.U.	Madrid, ES	100.0
Alpiq Energia Italia S.p.A.	Milan, IT	100.0
Alpiq Energie Deutschland GmbH	Berlin, DE	100.0
Alpiq Energie France S.A.S.	Neuilly-sur-Seine, FR	100.0
Alpiq Energy SE	Prague, CZ	100.0
Alpiq Finland Oy	Vantaa, FI	100.0
Alpiq Hydro Italia S.r.l.	Milan, IT	90.0
Alpiq Italia S.r.l.	Milan, IT	100.0
Alpiq Retail France S.A.S.	Neuilly-sur-Seine, FR	100.0
Alpiq Services CZ s.r.o.	Prague, CZ	100.0
Alpiq Solutions France S.A.S.	Neuilly-sur-Seine, FR	100.0
Alpiq Wind Italia S.r.l.	Milan, IT	100.0
EESP European Energy Service Platform GmbH	Berlin, DE	100.0
En Plus S.r.l. [1]	Milan, IT	100.0
ENERGIA HELIOS, S.L.	Madrid, ES	100.0
ENERGIA KINICH, S.L.	Madrid, ES	100.0
Enpower 3 S.r.l.	Milan, IT	100.0
NOVAGAVIA BUSINESS, S.L.	Madrid, ES	100.0
Novel S.p.A.	Milan, IT	51.0
Po Prostu Energia Spólka Akcyjna	Warsaw, PL	100.0

1 In the fourth quarter of 2018, Alpiq Energia Italia S.p.A. acquired the tolling ratio of 33.3 % in En Plus S.r.l. from Eviva S.p.A. Alpiq also exercised the call option in place for this case on the share ratio of 33.3 % held by Eviva S.p.A. in En Plus S.r.l. At 31 December 2021, Eviva S.p.A. was still listed in the share register of En Plus S.r.l.

Partner power plants and other associates	Place of incorporation	Direct ownership interest in %
Kernkraftwerk Gösgen-Däniken AG	Däniken, CH	40.0
Kernkraftwerk Leibstadt AG	Leibstadt, CH	27.4
Kernkraftwerk-Beteiligungsgesellschaft AG (KBG)[1]	Bern, CH	33.3
MOVE Mobility SA	Granges-Paccot, CH	25.0
Nant de Drance SA	Finhaut, CH	39.0
Unoenergia S.r.l.	Biella, IT	28.0

1 Agreement expires in 2041

Joint venture	Place of incorporation	Direct ownership interest in %
Hydrospider Ltd	Niedergösgen, CH	45.0

5 Financial risk management

For comprehensive information on financial risk management, please refer to note 3.1 of the notes to the consolidated financial statements in the Annual Report 2021 of Alpiq Holding Ltd.

6 Significant accounting policies

Basis of preparation of the consolidated financial statements

The consolidated financial statements of the Alpiq Ltd. Group have been prepared in accordance with the Alpiq Group Accounting Manual, which is designed to comply with International Financial Reporting Standards (IFRS) and Interpretations (IFRIC and SIC) issued by the International Accounting Standards Board (IASB). The consolidated financial statements give a true and fair view of the financial position, financial performance and cash flows of the Alpiq Ltd. Group. They have been prepared on a historical cost basis, except for certain items such as financial instruments that have been measured at fair value in some instances. The notes provide selected explanatory information on the accounting principles in accordance with the Alpiq Group Accounting Manual.

Alpiq Ltd. Group is a subgroup of Alpiq Group. Alpiq Ltd. is fully owned by Alpiq Holding Ltd. The consolidated financial statements were authorised for issue by the Board of Directors of Alpiq Ltd. on 16 May 2022.

Amendments, standards and interpretations adopted for the first time in 2021

At 1 January 2021, the following amendments to the International Financial Reporting Standards (IFRS) entered into force and were applied by the Alpiq Ltd. Group:

- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform – Phase 2
- Amendments to IAS 16: Property, Plant and Equipment – Proceeds before Intended Use (early adopted)

At 1 January 2021, the amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform – Phase 2 entered into force and were applied by the Alpiq Group. Alpiq has project financing facilities in Italy, which are based on EURIBOR interest rates and are hedged by interest rate swaps (cash flow hedges). No contract adjustments have been negotiated and no existing contracts have been replaced in connection with the Interest Rate Benchmark Reform. The reform has an immaterial financial impact on the Alpiq Group.

Alpiq decided to early adopt the amendments to IAS 16 at 1 January 2021, which prohibit a company from deducting from the cost of an item of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, such sales proceeds and related cost are recognised in profit or loss. In 2021, Nant de Drance capitalised net income from test runs and associated costs of CHF 10 million in its financial statements pursuant to Swiss GAAP FER. In the IFRS reconciliation for the calculation of the equity value at 31 December 2021, this amount was posted to the item “Share of results of partner power plants and other associates”, resulting in a CHF 3 million reduction in the equity value given the tax effect. For more information about the accounting policies for the recognition of partner power plants, see note 4.3 of the notes to the consolidated financial statements in the Annual Report 2021 of Alpiq Holding Ltd. The associated income and expenses of Nant de Drance posted in the previous year were immaterial. Alpiq does not have any other property, plant or equipment under construction that generated significant revenue in the 2021 financial year or in the previous year.

IFRSs effective in future periods

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

Standard / interpretation	Effective at	Adoption planned from
Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract	1 Jan 2022	1 Jan 2022
Amendments to IAS 1: Classification of Liabilities as Current or Non-Current	1 Jan 2023	1 Jan 2023
Amendments to IAS 8: Definition of Accounting Estimates	1 Jan 2023	1 Jan 2023
Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 Jan 2023	1 Jan 2023
IFRS 17: Insurance Contracts	1 Jan 2023	1 Jan 2023
Amendments to IFRS 10 and IAS 28: Sale of Assets by an Investor or Contribution to their Associate or Joint Venture	indefinite	indefinite

Based on previous analyses, Alpiq does not expect the aforementioned changes in standards to have any significant effect on the consolidated financial statements of the Alpiq Ltd. Group.

Basis of consolidation

The consolidated financial statements of the Alpiq Ltd. Group comprise the consolidated financial statements of Swiss domiciled Alpiq Ltd. and its subsidiaries prepared by using consistent accounting policies. All intragroup balances, transactions, income and expenses are eliminated in full.

Subsidiaries are companies that are controlled by Alpiq Ltd., either directly or indirectly. Such companies are consolidated at the date control is obtained. Companies are deconsolidated or recognised under “Investments in partner power plants and other associates” or under “financial investments” when control over the company is lost.

Investments in partner power plants and other associates in which the Alpiq Ltd. Group has significant influence are included in the consolidated financial statements by applying the equity method. All other investments are recognised at fair value and included in non-current assets as “financial investments”.

Transactions under common control

A common control business combination is a combination in which all of the businesses that are to be combined are ultimately controlled by the same party, both before and after the business combination, where this control is not temporary in nature.

In the case of combinations of businesses under common control, the Alpiq Ltd. Group applies the pooling of interests method. The combinations are recognised as of the key date of the transaction in question, without any adjustment made to prior-year figures. The application of the pooling of interests method results in the difference between the payment transferred and the net assets received being booked directly to equity by the buyer as well as by the seller. The Alpiq Ltd. Group reports these equity effects as “Effects of common control business combinations”. The cash flows resulting from such transactions are stated as a separate item under net cash flows from investment activities.

Transfer of investments in associates and joint arrangements

Transfer of investments in associates and joint arrangements between companies under common control are accounted for using the pooling of interest method, equal to the accounting treatment of common control business combinations.

Foreign currency translation

The consolidated financial statements are presented in Swiss francs (CHF), which is both the functional currency of Alpiq Ltd. and its reporting currency. The functional currency of each company in the Group is determined by the economic environment in which it operates. Transactions in foreign currencies are recorded in the group company’s functional currency at the exchange rate prevailing on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the closing exchange rate on the reporting date. The resultant currency translation differences are recognised in the income statement.

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

The assets and liabilities of subsidiaries are translated into Swiss francs at the closing exchange rate at the reporting date. Income statement items are translated at the average exchange rate for the reporting period. Currency translation differences are recognised as a separate item in other comprehensive income. On disposal of a subsidiary or loss of control and on disposal of an associate or partner power plant or the loss of significant influence, the cumulative currency translation differences relating to that subsidiary are recognised in the income statement as part of the gain or loss on sale in the period in which the subsidiary is disposed of, or control ceases.

Unit	Closing rate at 31 Dec 2021	Closing rate at 31 Dec 2020	Average rate for 2021	Average rate for 2020
1 EUR	1.033	1.080	1.081	1.070
1 GBP	1.229	1.202	1.258	1.204
1 USD	0.912	0.880	0.914	0.939
100 CZK	4.156	4.116	4.217	4.049
100 HUF	0.280	0.297	0.302	0.305
100 NOK	10.343	10.317	10.644	9.999
100 PLN	22.474	23.690	23.699	24.103
100 RON	20.875	22.188	21.978	22.124

Other accounting policies

Specific accounting policies used for the preparation of the different line items of the income statement, statement of comprehensive income as well as the balance sheet are disclosed in the Annual Report 2021 of Alpiq Holding Ltd.

Significant estimation uncertainties and judgments

The preparation of the consolidated financial statements requires the management to exercise judgment and make estimates and assumptions. These can significantly affect recognised assets and liabilities, reported income and expenses and disclosures. Estimates and assumptions are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances. Actual amounts may differ from these estimates. Any revisions to estimates and assumptions are recognised and disclosed in the period in which they are identified.

Net revenue

Contractual penalties – for example, for deviations between the delivered and contractually agreed-upon quantity of energy – represent a variable price component in energy sales, which are only included in estimating the transaction price when they are highly probable, which normally can only be determined towards the end of the delivery period. The point in time when such variable price components are recognised requires significant judgment.

Income tax

Assumptions are made based on local legal principles in calculating current income tax. Income taxes that are actually payable may deviate from the values originally calculated, as the definitive assessment is not finalised until years after the end of the reporting period in some cases. The resulting risks are identified, assessed and recognised where necessary. Deferred tax assets are calculated in part using far-reaching estimates. The underlying forecasts pertain to a period of several years and comprise, among other things, a forecast of future taxable income as well as interpretations of the existing legal basis.

Non-current assets

The calculation of the useful life, residual value and recoverable amount involves estimates. At every reporting date, a test is performed to determine whether there is any indication that items of property, plant and equipment, intangible assets as well as investments in partner power plants and other associates are impaired. If there is any indication of impairment, the recoverable amount is determined for the asset. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs of disposal, and its value in use. Value in use is calculated by discounting the estimated future cash flows (discounted cash flow method). This is based on business plans as approved by management for the next three financial years as well as further influencing factors announced after the plans have been approved.

These plans are based on historical empirical data as well as current market expectations and therefore contain significant estimation uncertainties and assumptions. These largely relate to wholesale prices on European forward markets and forecasts of medium- and long-term energy prices, foreign currencies (especially EUR / CHF and EUR / USD exchange rates), inflation rates, discount rates, regulatory conditions and investment activities relating to the company. The estimates made are reviewed periodically using external market data and analyses. To calculate the terminal values, the cash flows were inflated by a growth rate of 2.0 % (previous year: 2.0 %). This growth rate corresponds to the long-term average growth that Alpiq expects and represents a forecast. The discount rates that have been applied reflect the current market estimate for the specific risks to be allocated to the assets and represent a best estimate. Actual results can differ from these estimates, assumptions and forecasts, resulting in significant adjustments in subsequent periods. If the asset does not generate cash inflows that are independent of those from other assets, the recoverable amount of the individual asset is estimated for the cash-generating unit to which the asset belongs.

Leasing

The determination of the lease term as a basis for the expected future payments may require various estimates from management regarding the future use of the leased asset. Extension options are only taken into account in the contractual term if it is reasonably certain that the option will be exercised. Termination options are only taken into account if it is reasonably certain that the option will not be exercised. Alpiq takes into account all relevant factors that create an economic incentive to exercise the option. Alpiq has internally defined the following limits to determine the contractual term for callable leases with an unlimited term: for buildings, car parks and power plants a maximum of ten years, and for all others such as furniture, IT equipment and vehicles a maximum of two years.

Financial assets and liabilities at amortised cost

Regarding expected credit losses, Alpiq analyses historical credit losses and derives an estimate of expected credit losses taking into account the economic conditions and information obtained externally. The estimates are reviewed and analysed periodically. However, actual results can differ from these estimates, resulting in significant adjustments in subsequent periods.

Provisions and contingent liabilities

The amount of the provisions for onerous contracts depends on various assumptions, relating in particular to the development of wholesale prices on European forward markets and forecasts of medium- and long-term energy prices, long-term interest rates and currency translation effects (EUR to CHF). These assumptions associated with uncertainties are made at the reporting date, some of which can result in significant adjustments in subsequent periods.

Provisions for pending obligations from litigation are based on the information available in each case and the estimate made by management as to the outcome of the litigation. Depending on the actual outcome, the effective cash outflow can differ significantly from the provisions. Details regarding the legal case with the Romanian tax authority ANAF are disclosed in note 2.

Pension schemes

The calculation of the recognised defined benefit liabilities is based on statistical and actuarial assumptions which are disclosed in note 6.3 of the notes to the consolidated financial statements in the Annual Report 2021 of Alpiq Holding Ltd. Such assumptions can differ substantially from actual circumstances due to changes in market conditions and the economic environment, higher or lower exit rates, longer or shorter lives of plan participants and other estimated factors. Such deviations may have a significant impact on the defined benefit liabilities recognised in future reporting periods.

Impact of the COVID-19 pandemic on Alpiq

The coronavirus and the disease it causes (COVID-19) have been spreading on a global scale since the beginning of 2020, repeatedly forcing governments to take drastic protective measures. The spread of COVID-19 and the protective and stimulation measures taken by governments and central banks are having far-reaching effects on the macroeconomic environment.

The Alpiq Ltd. Group has been left largely unscathed by the negative financial impact of the pandemic. Although wholesale prices initially declined in the first half of 2020, they recovered again during the second half of the year. Prices rose considerably in 2021 and are now significantly up on the level seen before the pandemic.

Alpiq regularly monitors the development of the pandemic as well as its potential effects, and takes the necessary measures. Certain effects are indirectly reflected in the 2021 consolidated financial statements via macroeconomic assumptions used to make estimates, such as interest rate, exchange rate and wage developments. Furthermore, Alpiq does not expect the pandemic to have any significant impact on the financial position, financial performance and cash flows of the Group.

Correction of errors

Due to the increase in electricity prices, own use contracts for the physical sale of electricity became loss making. Although Alpiq had hedged these contracts from an economic perspective, this in part involved financial contracts. As Alpiq does not use hedge accounting, own use contracts and associated financial hedges have to be evaluated and presented separately. At 31 December 2020, provisions for loss-making own use contracts in the Digital & Commerce business division, which had been hedged using financial instruments, were erroneously understated by CHF 11 million and the net income for 2020 was overstated by CHF 11 million.

The income statement for 2020, the statement of comprehensive income for 2020, the balance sheet at 31 December 2020, the statement of changes in equity for 2020 as well as the statement of cash flows for 2020 have been adjusted. As a result, the equity ratio decreased from 55.5 % to 55.3 % at 31 December 2020. The opening balance at 1 January 2020 was correct and thus not affected by the correction.

Changes to the consolidated income statement for 2020

CHF million	2020 (reported)	Correction of provisions for onerous contracts	2020 (restated)
Net revenue	**3,892**		**3,892**
Own work capitalised and change in costs incurred to fulfil a contract	3		3
Other operating income	85		85
Total revenue and other income	**3,980**		**3,980**
Energy and inventory costs	– 3,508	– 11	– 3,519
Employee costs	– 161		– 161
thereof wages and salaries	– 132		– 132
thereof pension costs and other employee costs	– 29		– 29
Other operating expenses	– 75		– 75
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**236**	**– 11**	**225**
Depreciation, amortisation and impairment	– 16		– 16
Earnings before interest and tax (EBIT)	**220**	**– 11**	**209**
Share of results of partner power plants and other associates	– 12		– 12
Finance costs	– 36		– 36
Finance income	47		47
Earnings before tax	**219**	**– 11**	**208**
Income tax expense	– 8		– 8
Net income	**211**	**– 11**	**200**
Attributable to non-controlling interests	1		1
Attributable to equity investors of Alpiq Ltd.	210	– 11	199

Changes to the consolidated balance sheet at 31 December 2020

CHF million	31 Dec 2020 (reported)	Correction of provisions for onerous contracts	31 Dec 2020 (restated)
Share capital	304		304
Share premium	64		64
Retained earnings	2,320	– 11	2,309
Equity attributable to equity investors of Alpiq Ltd.	**2,688**	**– 11**	**2,677**
Non-controlling interests	14		14
Total equity	**2,702**	**– 11**	**2,691**
Non-current provisions	453	1	454
thereof provisions for onerous contracts	429	1	430
thereof remaining non-current provisions	24		24
Deferred income tax liabilities	98		98
Remaining non-current liabilities	232		232
Non-current liabilities	**783**	**1**	**784**
Current provisions	20	10	30
Remaining current liabilities	1,365		1,365
Current liabilities	**1,385**	**10**	**1,395**
Total liabilities	**2,168**	**11**	**2,179**
Total equity and liabilities	**4,870**		**4,870**

7 Liquidity situation and ability to continue as a going concern

Due to the developments on the energy markets in the fourth quarter of 2021, Alpiq already implemented extensive measures before the end of the year to increase short-term liquidity. On the one hand, these related to the energy business in order to increase internal financing, on the other, Alpiq arranged additional credit and guarantee lines with banks. Furthermore, the shareholders of Alpiq Holding Ltd. provided additional liquidity before the end of the year. These measures considerably improved Alpiq's scope of action at 31 December 2021 and boosted its resilience to future market developments. Further measures already initiated before the end of the year took full effect at the beginning of 2022.

Alpiq's financial headroom comprises the available liquidity and the committed credit lines. The necessary financial headroom is determined on an ongoing basis using scenario calculations by Alpiq's Risk Management. Based on this, additional measures are decided where necessary.

There is fundamental uncertainty regarding the further development of market prices. With all the measures already implemented and still ongoing in the area of internal and external financing, Alpiq considers its liquidity and ability to continue as a going concern to be secure.

8 Events after the reporting period

The war in the Ukraine and sanctions imposed due to it are having far-reaching effects on the macroeconomic environment of many industries and thus also on Alpiq. The market and price situation continues to be difficult to predict. On the one hand, the volatile and high energy prices result in fluctuations in the financial security deposits that have to be made at the energy exchanges. On the other hand, the counterparty risk of Alpiq increases because the counterparties could run into financial difficulties. This could impact the financial position, financial performance and cash flows of Alpiq in 2022. Alpiq identified the risks, observes the developments carefully and takes appropriate measures in order to reduce the risks as much as possible. In the area of external financing, Alpiq Holding Ltd. was able to take out further credit lines and loans and issue a new bond in the amount of CHF 250 million. At the end of April 2022, Alpiq Holding Ltd. paid back the shareholder loans that amounted to CHF 205 million at the end of 2021.

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To the Board of Directors of

Alpiq Ltd., Olten

Zurich, 16 May 2022

Independent auditor's report on the audit of the consolidated financial statements of Alpiq Ltd. Group

Opinion

In accordance with the terms of our engagement, we have audited the consolidated financial statements of Alpiq Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2021 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 8 to 27) are prepared in all material respects in accordance with the basis of preparation as outlined in Note 6 of the consolidated financial statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We are independent of the Group in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code)* and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other information

The Board of Directors is responsible for the other information in the financial report of the Alpiq Ltd. Group. The other information comprises all information included in the financial report of the Alpiq Ltd. Group, but does not include the consolidated financial statements and our independent auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information in the financial report of the Alpiq Ltd. Group and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the financial report of the Alpiq Ltd. Group and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with the basis of preparation as outlined in Note 6 of the consolidated financial statements and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Ernst & Young Ltd

Mathias Zeller	Max Lienhard
Licensed audit expert	Licensed audit expert
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Published by
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