2023

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

ALPIQ

Financial Report

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Key Financial Figures

	Results of operations before non-operating effects			Results under IFRS		
CHF million	2023	2022	% change	2023	2022	% change
Net revenue	8,393	14,868	– 44	8,956	14,638	– 39
Earnings before interest, tax, depreciation and amortisation (EBITDA)	999	373	> 100	1,621	246	> 100
Depreciation, amortisation and impairment	– 45	– 50	– 10	– 45	– 50	– 10
Earnings before interest and tax (EBIT)	954	323	> 100	1,576	196	> 100
Net income	775	180	> 100	1,291	99	> 100

				31 Dec 2023	31 Dec 2022 (restated)[1]	% change
Total assets (CHF million)				9,532	12,360	– 23
Total equity (CHF million)				3,836	2,522	52
As % of total assets				40.2	20.4	
Number of employees (full-time equivalents)				1,193	1,125	6

1 See “Correction of errors” section in note 7 of the notes to the consolidated financial statements

Financial Review

Introductory remarks

Alpiq looks back on a very successful financial year 2023. In a stabilizing but still challenging market environment Alpiq Ltd. Group generated an adjusted EBITDA of CHF 999 million (previous year: CHF 373 million) and doubled its equity ratio from 20.4% to 40.2% as of 31. December 2023. The consistent and integrated management of the Alpiq Ltd. Group along the value chain, the adapted risk-return approach and the focus on core competences made a decisive contribution to this outstanding result.

In the first half of 2023 there was a notable decline in market prices which reduced liquidity squeezes. Volatility was still meaningful, but significantly below the erratic movements of the previous year and allowed Alpiq to exploit its key strength, namely the flexibility management for customers and the securing of grid stability. The flexible production portfolio and the high availability of the power plants were optimally used by the value chain element Assets. Excellent performance was also driven by Trading and Origination, thanks to good market positioning and long-standing customer relationships across Europe.

Since the beginning of 2023, Alpiq Ltd. Group is steered along the three value chain elements Assets, Trading and Origination replacing the former business divisions Switzerland, International and Trading. Abandoning a divisional perspective led to a significant improvement in operational performance in 2023. In addition, the adapted risk-return management approach was also central to success. Alpiq not only integrated liquidity steering and financing planning more fully into daily operations, but also adjusted the hedging strategy to reflect the changed market environment. With net cash of CHF 1.1 billion Alpiq Ltd. Group is in a sound financial position.

As of 1 July 2023, the treasury business was transferred from Alpiq Holding Ltd. to Alpiq Ltd. This transfer is reflected in the financial statements of the Alpiq Ltd. Group, which represents a subgroup of the Alpiq Group. Among other activities, this involved transferring existing intercompany loans between Alpiq Holding Ltd. and its subsidiaries to Alpiq Ltd.

To measure and present its operating performance, Alpiq also uses alternative performance measures through to the level of "Net income". Alpiq makes adjustments to the IFRS results for non-operating effects which Alpiq does not consider part of 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. The performance measures are presented in a pro forma statement in order to give investors a deeper understanding of how Alpiq’s management measures the performance of the Alpiq Group. However, they are no substitute for IFRS performance measures. Alpiq does not use any alternative performance measures in the balance sheet and statement of cash flows.

The non-operating effects for the financial year 2023 amount to a total of CHF 622 million on EBITDA level. Thereof, CHF 567 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 Accounting guidelines, the fair value changes of financial hedges must be recognised in the reporting year. The future production volumes and the physical power purchase agreements on the other hand are kept off-balance sheet and therefore positive fair value changes are not recognised in the reporting year, which results in an accounting mismatch. Non-operating effects recorded in energy and inventory costs amount to CHF 59 million and 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. The investments of these two funds are exposed to market fluctuations and changes in estimates, which cannot be influenced by Alpiq, but which do influence electricity procurement costs. The difference between the return actually generated by the funds and the return budgeted by the nuclear power plants of 2.75% is classified and recorded as a non-operating effect.

Consolidated income statement (pro forma statement before and after non-operating effects)

			2023			2022
CHF million	Results of operations before non-operating effects	Non-operating effects	Results under IFRS	Results of operations before non-operating effects	Non-operating effects	Results under IFRS
Net revenue	**8,393**	**563**	**8,956**	**14,868**	**– 230**	**14,638**
Own work capitalised	4		4	6		6
Other operating income	14		14	19		19
Total revenue and other income	**8,411**	**563**	**8,974**	**14,893**	**– 230**	**14,663**
Energy and inventory costs	– 6,963	59	– 6,904	– 14,169	103	– 14,066
Employee costs	– 224		– 224	– 232		– 232
Other operating expenses	– 225		– 225	– 119		– 119
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**999**	**622**	**1,621**	**373**	**– 127**	**246**
Depreciation, amortisation and impairment	– 45		– 45	– 50		– 50
Earnings before interest and tax (EBIT)	**954**	**622**	**1,576**	**323**	**– 127**	**196**
Share of results of partner power plants and other associates	12		12	– 41		– 41
Finance costs	– 147		– 147	– 50		– 50
Finance income	81		81	22		22
Earnings before tax	**900**	**622**	**1,522**	**254**	**– 127**	**127**
Income tax expense [1]	– 125	– 106	– 231	– 74	46	– 28
Net income	**775**	**516**	**1,291**	**180**	**– 81**	**99**

1 Since 2023, Alpiq calculates the tax effect on non-operating effects. The previous-year figures have been extended accordingly.

Alpiq Ltd. Group: results of operations (before non-operating effects)

The Alpiq Ltd. Group generated an adjusted EBITDA that was up CHF 626 million on the previous year. Due to the lower price level on the energy markets, adjusted net revenue decreased by CHF 6.5 billion compared with the previous year to reach CHF 8.4 billion. EBITDA margin rose from 3% to 12%. All three elements of the value chain – Assets, Trading and Origination – made an excellent contribution to earnings and exceeded the previous year's results.

Assets

The Assets segment covers the production of electricity by Alpiq's Swiss and international power plants as well as the operation and optimisation of these power plants. The Swiss power plant portfolio includes run-of-river power plants, storage and pumped storage power plants (including Nant de Drance), as well as interests in the Gösgen and Leibstadt nuclear power plants. The international power plant portfolio is made up of gas-fired combined-cycle power plants and gas-fired turbine power plants in Hungary, Italy and Spain. The asset portfolio also comprises solar and wind in Switzerland but also across Europe including several wind farm projects. In addition, the Assets segment manages shares in HYDRO Exploitation SA and Kernkraftwerk-Beteiligungsgesellschaft AG (KBG). Power is sold on the European electricity trading market, and the power plants are used by the respective grid operators to balance the grids.

EBITDA contribution of Assets was very positive in 2023 and accounted for more than three quarters of the EBITDA result at Group level. With the new value chain structure previous year segment results were adjusted. Compared to the prior year EBITDA, the current year’s result more than doubled. This was driven primarily by the Swiss asset-based business with its flexible hydropower plants which were optimally used and optimised by anticipating the market. These hydropower plants were able to increase production and benefited from higher inflows, driven mainly by heavy rainfall in autumn. Furthermore, Alpiq contributed substantially to Swiss grid stability by providing ancillary services to the grid operator. The Italian, Spanish and Hungarian asset-based business benefited from high availability of the thermal powerplants and the corresponding successful marketing of the flexibility on the energy markets. The powerplants also provided ancillary services and contributed to grid stability in the respective countries.

Trading

The Trading segment covers proprietary trading activities with standardised and structured products for electricity and gas, as well as emission allowances and certificates. The Trading segment also includes foreign exchange and liquidity management.

While trading made a negative contribution to EBITDA in the previous year, it contributed positively to the current year. Despite lower prices, lower volatility and the associated fewer opportunities in the trading business, Alpiq achieved a good result with commodity trading. In the Western Europe region in particular, the previous year’s result was exceeded thanks to electricity and certificate trading and management of cross-border capacities.

Origination

The Origination segment covers activities to optimise electricity production from third-party renewable energy assets, direct marketing and energy management for industrial and business customers. This includes the trading and sale of standardised and structured products in various countries, with the aim of helping partners to achieve their cost efficiency and sustainability goals, thereby creating value and increasing customer benefit. The Origination segment also covers the company’s Swiss sales and origination activities as well as retail activities in France.

The EBITDA contribution of Origination was again very positive to the Alpiq Ltd. Group and almost doubled the prior year's result. Overall, the customer business benefited from calmer market conditions, but also forward-looking portfolio management and customer loyalty paid off. In the French market, the key account business increased significantly. The sales business in the Italian, Spanish and Hungarian markets again made a positive contribution to the result.

Group financial position and cash flow statement (after non-operating effects)

At 31 December 2023, total assets amounted to CHF 9.5 billion compared to CHF 12.4 billion at the end of 2022. Non-current assets slightly increased by CHF 0.2 billion to CHF 2.6 billion while current assets declined by CHF 3 billion to CHF 7 billion due to decreased energy prices. The stabilized but notably lower price level in 2023 compared to the previous year's peak prices significantly lowered the carrying amount of the balance sheet items trade receivables, trade payables and derivative financial instruments – both on the assets and liabilities side. Current liabilities decreased by CHF 4.9 billion to CHF 3.6 billion. The shift of the treasury business from Alpiq Holding Ltd. to Alpiq Ltd. led to non-current loans payable of CHF 1.5 billion. Overall non-current liabilities increased by CHF 0.7 billion to CHF 2.1 billion.

With a net income of CHF 1.3 billion and other comprehensive income of CHF 24 million Alpiq Ltd. Group achieved a total comprehensive result of CHF 1.3 billion in 2023 (previous year: CHF 13 million) and reported total equity of CHF 3.8 billion (CHF 2.5 billion) at 31. December 2023. Equity ratio increased from 20.4% to 40.2%.

Net cash flows from operating activities decreased year-on-year from CHF 623 million to CHF 491 million. Difference between EBT and net cash flows from operating activities is mainly caused by non-cash adjustment for fair value changes of derivative financial instruments. Net cash flows from investing activities amounted to CHF -807 million (previous year: CHF 908 million) reflecting the cash outflow of transferred loans receivables of CHF 710 million from Alpiq Holding Ltd. to Alpiq Ltd as well as investments in intangible assets and power plants of CHF 159 million. In the prior period the repayment of a loan receivable from Alpiq Holding Ltd. of CHF 861 million was primarily responsible for the positive cashflow. Net cash flows from financing activities amounted to CHF 1.7 billion (CHF -27 million) reflecting the cash inflow of transferred loans payable from Alpiq Holding Ltd. to Alpiq Ltd. Overall the change in cash and cash equivalents decreased from CHF 1'472 million to CHF 1'288 million.

Outlook

Following the very strong result in 2023, Alpiq is confident that it will also perform well in 2024 thanks to its highly flexible and reliable production plant portfolio, which helps to ensure security of supply across Europe. Not only is the value chain element Assets expected to generate good results, but the well-positioned Trading business and the firmly anchored Origination business, based on its long-term customer relationships, are also expected to do well.

Despite the easing in the energy markets, volatility is still higher and the geopolitical environment Alpiq is operating in is more fragile than it used to be before the Ukraine war started. Nevertheless, thanks to Alpiq' strong financial position and clear focus on the strategy Alpiq is confident to maintain its good liquidity and net cash and expects a positive cash flow from operating activities also in 2024.

Consolidated Financial Statements of the Alpiq Ltd. Group

Consolidated Income Statement

CHF million	2023	2022
Net revenue	**8,956**	**14,638**
Own work capitalised	4	6
Other operating income	14	19
Total revenue and other income	**8,974**	**14,663**
Energy and inventory costs	– 6,904	– 14,066
Employee costs	– 224	– 232
thereof wages and salaries	– 182	– 167
thereof pension costs and other employee costs	– 42	– 65
Other operating expenses	– 225	– 119
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**1,621**	**246**
Depreciation, amortisation and impairment	– 45	– 50
Earnings before interest and tax (EBIT)	**1,576**	**196**
Share of results of partner power plants and other associates	12	– 41
Finance costs	– 147	– 50
Finance income	81	22
Earnings before tax	**1,522**	**127**
Income tax expense	– 231	– 28
Net income	**1,291**	**99**
Attributable to non-controlling interests	1	1
Attributable to equity investors of Alpiq Ltd.	1,290	98

Consolidated Statement of Comprehensive Income

CHF million	2023	2022
Net income	**1,291**	**99**
Cash flow hedges (group companies)	4	18
Income tax expense	– 1	– 3
Net of income tax	3	15
Currency translation differences	– 15	– 30
Net of income tax	– 15	– 30
Items that may be reclassified subsequently to the income statement, net of tax	**– 12**	**– 15**
Remeasurements of defined benefit plans (group companies)	23	– 50
Income tax expense	– 3	8
Net of income tax	20	– 42
Remeasurements of defined benefit plans (partner power plants and other associates)	19	– 34
Income tax expense	– 3	5
Net of income tax	16	– 29
Items that will not be reclassified to the income statement, net of tax	**36**	**– 71**
Other comprehensive income	**24**	**– 86**
Total comprehensive income	**1,315**	**13**
Attributable to equity investors of Alpiq Ltd.	1,315	13

Consolidated Balance Sheet

Assets

CHF million	31 Dec 2023	31 Dec 2022 (restated)[1]
Property, plant and equipment	330	342
thereof land and buildings	100	101
thereof power plants	166	176
thereof transmission assets	1	1
thereof other plant and equipment	3	4
thereof assets under construction and prepayments	35	32
thereof right-of-use assets	25	28
Intangible assets	153	35
thereof energy purchase rights	2	3
thereof other intangible assets	149	27
thereof assets under development and prepayments	2	5
Investments in partner power plants and other associates	819	800
Derivative financial instruments	387	1,072
Other non-current assets	752	5
thereof loans receivable	711	2
thereof defined benefit assets	40	
thereof financial investments	1	2
thereof other non-current assets		1
Deferred income tax assets	110	142
Non-current assets	**2,551**	**2,396**
Inventories	33	51
Derivative financial instruments	2,045	4,106
Receivables and other current assets	1,812	3,882
thereof trade receivables	1,249	2,153
thereof other receivables	563	1,729
Prepayments and accrued income	190	316
Current term deposits	28	14
Cash and cash equivalents[2]	2,869	1,575
Assets held for sale	4	20
Current assets	**6,981**	**9,964**
Total assets	**9,532**	**12,360**

1 See “Correction of errors” section in note 7

2 Cash and cash equivalents include foreign subsidiaries' bank accounts with a total balance of EUR 23 million, translated CHF 21 million, (previous year: EUR 70 million, translated CHF 69 million), which are pledged in accordance with regulations in local finance agreements. These funds are therefore not freely available in full for the Alpiq Ltd. Group.

Equity and liabilities

CHF million	31 Dec 2023	31 Dec 2022 (restated)[1]
Share capital	304	304
Share premium	64	64
Retained earnings and other reserves	3,457	2,142
Equity attributable to equity investors of Alpiq Ltd.	**3,825**	**2,510**
Non-controlling interests	11	12
Total equity	**3,836**	**2,522**
Non-current provisions	48	33
thereof provisions for onerous contracts	1	14
thereof provisions for decommissioning own power plants	10	6
thereof provisions for warranties	1	1
thereof other provisions	36	12
Deferred income tax liabilities	201	97
Defined benefit liabilities	2	2
Derivative financial instruments	305	1,163
Non-current financial liabilities	1,544	67
thereof loans payable	1,520	39
thereof lease liabilities	24	28
Non-current liabilities	**2,100**	**1,362**
Current income tax liabilities	67	36
Current provisions	10	15
Current financial liabilities	292	89
thereof loans payable	288	84
thereof lease liabilities	4	5
Other current liabilities	1,147	3,164
thereof trade payables	985	2,479
thereof other payables	162	685
Derivative financial instruments	1,534	4,385
Accruals and deferred income	545	778
Liabilities held for sale	1	9
Current liabilities	**3,596**	**8,476**
Total liabilities	**5,696**	**9,838**
Total equity and liabilities	**9,532**	**12,360**

1 See “Correction of errors” section in note 7

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 2023	**304**	**64**	**53**	**– 455**	**2,544**	**2,510**	**12**	**2,522**
Net income / (loss) for the period					1,290	**1,290**	1	**1,291**
Other comprehensive income			3	– 14	36	**25**	– 1	**24**
Total comprehensive income			**3**	**– 14**	**1,326**	**1,315**	**0**	**1,315**
Dividends							– 1	**– 1**
Equity at 31 December 2023	**304**	**64**	**56**	**– 469**	**3,870**	**3,825**	**11**	**3,836**

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 2022	**304**	**64**	**38**	**– 426**	**2,517**	**2,497**	**13**	**2,510**
Net income / (loss) for the period					98	**98**	1	**99**
Other comprehensive income			15	– 29	– 71	**– 85**	– 1	**– 86**
Total comprehensive income			**15**	**– 29**	**27**	**13**	**0**	**13**
Dividends							– 1	**– 1**
Equity at 31 December 2022	**304**	**64**	**53**	**– 455**	**2,544**	**2,510**	**12**	**2,522**

Consolidated Statement of Cash Flows

CHF million	2023	2022
Earnings before tax	**1,522**	**127**
Adjustments for:		
Depreciation, amortisation and impairment	45	50
Gain on sale of non-current assets		– 1
Share of results of partner power plants and other associates	– 12	41
Financial result	66	28
Other non-cash income and expenses	– 4	12
Change in provisions (excl. interest)	6	– 506
Change in defined benefit assets / liabilities and other non-current liabilities	– 16	27
Change in fair value of derivative financial instruments and hedged firm commitments	– 940	204
Change in net working capital (excl. derivatives, current financial assets / liabilities and current provisions)	– 41	708
Other financial income and expenses	– 51	– 6
Income tax paid	– 84	– 61
Net cash flows from operating activities	**491**	**623**
Property, plant and equipment and intangible assets		
Investments	– 159	– 38
Proceeds from disposals		1
Subsidiaries		
Proceeds from disposals [1]	– 1	34
Associates		
Investments		– 24
Loans receivable and financial investments		
Investments	– 710	– 1
Proceeds from disposals / repayments [2]	1	862
Change in current and non-current term deposits	– 14	35
Dividends from partner power plants, other associates and financial investments	12	12
Interest received	64	27
Net cash flows from investing activities	**– 807**	**908**

1 See note 4
2 Repayment of intercompany loan from Alpiq Holding Ltd.

CHF million	2023	2022
Dividends paid to non-controlling interests	– 2	
Proceeds from financial liabilities	1,778	52
Repayment of financial liabilities	– 97	– 50
Interest paid	– 18	– 29
Net cash flows from financing activities	**1,661**	**– 27**
Currency translation differences	**– 57**	**– 32**
Change in cash and cash equivalents	**1,288**	**1,472**
Reconciliation:		
Cash and cash equivalents at 1 January	1,581	109
Of which, cash and cash equivalents	1,575	109
Of which, cash and cash equivalents under assets held for sale [1]	6	
Cash and cash equivalents at 31 December	2,869	1,581
Of which, cash and cash equivalents	2,869	1,575
Of which, cash and cash equivalents under assets held for sale [1]		6
Change	**1,288**	**1,472**

1 See note 4

Notes to the Consolidated Financial Statements

1 Basis of preparation of the consolidated financial statements

The consolidated financial statements of the Alpiq Ltd. Group ("Alpiq") have been prepared in accordance with the Alpiq Group Accounting Manual (in respect of the recognition and measurement principles), which is designed to comply with IFRS Accounting Standards 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 2 May 2024.

2 Impairment losses and provisions

Impairment losses

In 2023, impairment losses of CHF 1 million (previous year: CHF 3 million) were recognised, because internally developed software could not be used as originally planned.

Provisions

In 2023, Alpiq reached an agreement with a contracting party to settle a dispute over the termination of a long-term energy sales contract that Alpiq considered to be null and void. This agreement led to the recognition of a provision in the amount of CHF 34 million.

Provisions for onerous contracts amounted to CHF 1 million (previous year: CHF 23 million).

3 Contingent liabilities

After the tax audit on the Bucharest branch of Alpiq Energy SE, Prague, the Romanian tax authority ANAF (Agenţia Naţională de Administrare Fiscală) issued the final tax assessment notice to Alpiq in September 2017 for an amount of RON 793 million (CHF 148 million) for value added tax, corporate income tax and penalties (including late payment penalties) for the assessment period 2009 to 2014. In addition, Alpiq would have to pay interest for late payments of RON 216 million (CHF 40 million) from 2017 up to 2023. The tax assessment determined by ANAF is being contested both on its merits and with respect to 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 administrative appeal with ANAF´s appeal body against the tax assessment in 2017. In the main matter, ANAF´s appeal body supported the audit team´s view and dismissed the administrative appeal with regard to an amount of RON 589 million, or CHF 110 million, as being without merit, while it repealed the decision from the tax audit with regard to an amount of RON 204 million (CHF 38 million), and ordered a reassessment which has been suspended by ANAF until the court assessment relating to the amount of RON 589 million will become final. Alpiq contested the decision on the administrative appeal made by ANAF by making use of all legal means of appeal at its disposal. Based on motions filed by Alpiq, the Supreme Court in Bucharest ruled that the tax assessment of RON 589 million is not enforceable until a decision has been reached by the last court of appeal.

In a meritorious ruling of 19 October 2021, the competent Romanian administrative court agreed with the reasoning of Alpiq Energy SE and revoked the underlying decisions of ANAF on the assessment of the complete amount of RON 793 million as unlawful. After receiving the written substantiation for the court's decision in May 2022, ANAF contested the ruling by filing an appeal with the Romanian Supreme Court at the end of May 2022. Alpiq Energy SE also filed an appeal on part of the reasoning. Two hearings for the second appeal were held at the Supreme Court. The first hearing took place in December 2023 and the second hearing on 15 February 2024. End of March 2024 the Supreme Court issued its decision. In line with the assessment of Alpiq in the previous years the Romanian Supreme Court agreed with the reasoning of Alpiq Energy SE and revoked the decision of ANAF on the assessment in the amount of RON 589 million (CHF 110 million) as unlawful.

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 2023 of Alpiq Holding Ltd.

4 Companies sold and assets held for sale

Companies sold

CHF million	2023	2022
Inflow of cash and cash equivalents		3
Cash and cash equivalents disposed of with subsidiaries	– 1	
Net cash flow from disposal	**– 1**	**3**

CHF million	2023	2022
Inflow of cash and cash equivalents		3
Sale of net assets	– 7	– 2
Gain / (loss) on the disposal in other operating income / expenses	**– 7**	**1**

CHF million	2023	2022
Property, plant and equipment		3
Derivative financial instruments	5	
Receivables	4	
Total assets	**9**	**3**
Non-current financial liabilities		1
Current provisions	1	
Other current liabilities	1	
Total liabilities	**2**	**1**
Net assets	**7**	**2**

Compensation for the transfer of the Swiss high-voltage grid

The adjustment of the valuation of the transfer of the Swiss high-voltage grid was finalised for Alpiq in the second half of 2021. In 2022, cash inflows from additional sales proceeds amounted to CHF 31 million and were recorded under "Disposal of subsidiaries" in the statement of cash flows. Cash inflows from the interest components in 2022 amounted to CHF 5 million and were recorded under "Interest received" in the statement of cash flows. Accordingly, all sales proceeds and interest components have been collected in full and the transaction to transfer the Swiss high-voltage grid was fully completed in 2022.

Sale of Alpiq Energia Bulgaria EOOD

In the first half of 2023 Alpiq sold its Bulgarian companies Alpiq Energia Bulgaria EOOD, Vetrocom EOOD and Alpiq Wind Services EAD to Renalfa IPP. Of these three companies solely Alpiq Energia Bulgaria EOOD is part of the Alpiq Ltd. Group. The full sale price of CHF 76 million was allocated to Vetrocom EOOD. The impact on the Alpiq Ltd. Group is a disposal of net assets of CHF 7 million and a loss on disposal of CHF 7 million which was recognised in other operating expense.

Sale of two Spanish project companies

In the second half of 2022, Alpiq sold 75% of its shares in two Spanish project companies. The sale price amounted to CHF 3 million, which resulted in a net cash inflow of CHF 3 million. In total, net assets of CHF 2 million were disposed of. The gain on disposal amounted to CHF 1 million and was recognised in other operating income.

Assets held for sale

In the second half of 2023, Alpiq decided to sell 75% of its share in the Spanish project company Novagavia Business S.L. At the 31 December 2022 reporting date, the Bulgarian subsidiary Alpiq Energia Bulgaria EOOD was classified as “Assets held for sale”.

CHF million	31 Dec 2023	31 Dec 2022
Property, plant and equipment	4	
Derivative financial instruments		8
Receivables and other current assets		6
Cash and cash equivalents		6
Total assets held for sale	**4**	**20**

CHF million	31 Dec 2023	31 Dec 2022
Non-current financial liabilities	1	
Current provisions		1
Other current liabilities		8
Total liabilities held for sale	**1**	**9**

5 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
Almolina H2 S.L. [1]	Madrid, ES	100.0
Alpiq Csepel Kft.	Budapest, HU	100.0
Alpiq Csepeli Szolgáltató Kft.	Budapest, HU	100.0
Alpiq Digital Austria GmbH [2]	Vienna, AT	100.0
Alpiq EcoPower France S.A.S.	Toulouse, FR	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.	Paris, FR	100.0
Alpiq Energija BH d.o.o	Sarajevo, BA	100.0
Alpiq Energija Skopje DOOEL Skopje	Skopje, MK	100.0
Alpiq Energy Albania SHPK [2]	Tirana, AL	100.0
Alpiq Magyarország Kft. [1]	Budapest, HU	100.0
Alpiq Energy SE	Prague, CZ	100.0
Alpiq Energy Ukraine LLC [2]	Kyiv, UKR	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 Norway AS	Oslo, NO	100.0
Alpiq Re (Guernsey) Ltd.	Guernsey, GB	100.0
Alpiq Retail France S.A.S.	Paris, FR	100.0
Alpiq RomIndustries S.R.L. [2]	Bucharest, RO	100.0
Alpiq Services CZ s.r.o.	Prague, CZ	100.0
Alpiq Solutions France S.A.S.	Paris, FR	100.0
Alpiq Turkey Enerji Toptan Satis Limited Sirketi [2]	Istanbul, TR	100.0
Alpiq Wind Italia S.r.l.	Milan, IT	100.0
Alres Sur 3 S.L. [1]	Madrid, ES	100.0
EESP European Energy Service Platform GmbH [2]	Berlin, DE	100.0
En Plus S.r.l.	Milan, IT	100.0
Enpower 3 S.r.l.	Milan, IT	100.0
Horizen GmbH [2]	Berlin, DE	100.0
Novagavia Business S.L.	Madrid, ES	100.0
Novel S.p.A.	Milan, IT	51.0

1 Newly founded
2 In liquidation

Partner power plants and other associates	Place of incorporation	Direct ownership interest in %
ETRANS AG	Baden, CH	33.3
Kernkraftwerk Gösgen-Däniken AG	Däniken, CH	40.0
Kernkraftwerk Leibstadt AG	Leibstadt, CH	27.4
Kernkraftwerk-Beteiligungsgesellschaft AG (KBG)	Bern, CH	33.3
Nant de Drance SA	Finhaut, CH	39.0
Unoenergia S.r.l.	Biella, IT	28.0
HyWay S.A.S.	Paris, FR	49.0
Hydrogen Höfe Freienbach AG	Freienbach, CH	25.0

Joint venture	Place of incorporation	Direct ownership interest in %
Hydrospider Ltd	Niedergösgen, CH	45.0
HyMove S.A.S.	Paris, FR	50.0
SC Produccion Renovable S.L.	Barcelona, ES	25.0

6 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 2023 of Alpiq Holding Ltd.

7 Significant accounting policies

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.

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 2023	Closing rate at 31 Dec 2022	Average rate for 2023	Average rate for 2022
1 EUR	0.926	0.985	0.972	1.005
1 GBP	1.066	1.110	1.117	1.180
1 USD	0.838	0.923	0.899	0.955
100 CZK	3.745	4.083	4.051	4.093
100 HUF	0.242	0.246	0.255	0.258
100 NOK	8.238	9.366	8.516	9.961
100 PLN	21.339	21.037	21.403	21.473
100 RON	18.611	19.895	19.645	20.381

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 2023 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 quantity of energy – represent variable components in energy sales. They are included in the estimation of the transaction price only when they become highly probable. This is normally the case towards the end of the delivery period. Estimation of the point in time when such variable price components are recognised requires significant judgement.

Income tax

Assumptions are made based on local legal principles in calculation of current income tax. Income taxes that are actually payable may deviate from the values originally calculated, as in some cases the definitive assessment is not finalised until years after the end of the reporting period. 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, inter alia, a forecast of future taxable income and interpretations of the existing regulatory framework.

Non-current assets

The calculation of the useful life, residual value and recoverable amount involves estimates. 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. If an 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. Value in use is calculated by discounting the estimated future cash flows based on budget figures approved by management, business assumptions as well as other relevant factors. These assumptions are based on historical empirical data and current market expectations and therefore contain significant estimation uncertainties. These assumptions relate largely to wholesale prices on European forward markets and forecasts of medium-term and long-term energy prices, foreign currencies (in particular 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 extrapolated 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 may differ from these estimates, assumptions and forecasts, resulting in significant adjustments in subsequent periods.

Financial assets and liabilities at amortised cost

Alpiq analyses historical credit losses and derives a forward-looking 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 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-term and long-term energy prices. 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 information available in each case and estimates made by management as to the outcome of the litigation. Depending on the actual outcome, the effective cash outflow may differ significantly from the provisions.

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 2023 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.

Correction of errors

A substantial portion of the energy contracts entered into by the Alpiq Ltd. Group include a netting arrangement. Such arrangements are common in energy trading to reduce the volume of cash flows between counterparties.

In 2022, derivative financial instruments were presented net in the balance sheet if the netting arrangement entered into by Alpiq and the counterparty contained a legally enforceable right to offset the recognised amounts and Alpiq had the intention of settling the derivatives on a net basis. However, the maturity of the cashflows were not taken into account when calculating the offsetting amount. In addition, in the balance sheet, all derivative financial instruments were presented as current.

The prior period error was corrected by consideration of the timing of the future cashflows for netting purposes and classification of the derivative financial instruments in current and non-current. Due to the two changes described above the balance sheet was adjusted (see impact below). As a result, the adjusted equity ratio amounts to 20.4% as of 31 December 2022 (previously 21%).

CHF million	31 Dec 2022 (reported)	Correction Current / Non-current	Correction Netting	31 Dec 2022 (restated)
Assets				
Derivative financial instruments		1,072		1,072
Other non-current assets	1,324			1,324
Non-current assets	**1,324**	**1,072**	**0**	**2,396**
Derivative financial instruments	4,802	– 1,072	376	4,106
Other current assets	5,858			5,858
Current assets	**10,660**	**– 1,072**	**376**	**9,964**
Total assets	**11,984**	**0**	**376**	**12,360**
Liabilities				
Derivative financial instruments		1,163		1,163
Other non-current liabilities	199			199
Non-current liabilities	**199**	**1,163**	**0**	**1,362**
Derivative financial instruments	5,172	– 1,163	376	4,385
Other current liabilities	4,091			4,091
Current liabilities	**9,263**	**– 1,163**	**376**	**8,476**
Total liabilities	**9,462**	**0**	**376**	**9,838**
Total equity and liabilities	**11,984**	**0**	**376**	**12,360**

8 Events after the reporting period

End of March 2024, the Romanian Supreme Court handed down its decision on the tax dispute between ANAF and Alpiq. In line with Alpiq's assessment in previous years, the Romanian Supreme Court agreed with Alpiq Energy SE's arguments and annulled ANAF's decision on the assessment of RON 589 million (CHF 110 million) as unlawful. More detailed information can be found in note 3.

There were no other reportable events after the reporting date of 31 December 2023.

KPMG

Report of the Independent Auditor to the Board of Directors on the Audit of the Consolidated Financial Statements of Alpiq Ltd, Olten

Opinion

We have audited the consolidated financial statements of Alpiq Ltd. and its subsidiaries (Alpiq Ltd. Group), which comprise the consolidated balance sheet as at 31 December 2023 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 7 to 24) for the year ended 31 December 2023 are prepared, in all material respects, in accordance with the basis of preparation as outlined in Note 1 of the consolidated financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those provisions and 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 Alpiq Ltd. Group in accordance with the requirements of the Swiss audit profession, as well as the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), 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.

Emphasis of Matter – Basis of Preparation

We draw attention to Note 1 of the consolidated financial statements, which describes the basis of preparation. The consolidated financial statements of Alpiq Ltd. Group are prepared to provide Alpiq Ltd. Group's contractual partners with information. As a result, the consolidated financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other Matter

The consolidated financial statements of the Alpiq Ltd. Group for the year ended 31 December 2022 were audited by another auditor who expressed an unmodified opinion on those statements on 16 May 2023.

Other Information

The board of directors is responsible for the other information. The other information comprises the information included in the financial report, but does not include the consolidated financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we will 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 identified above when it becomes available 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.

Board of Directors' Responsibilities 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 1 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 Alpiq Ltd. 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 Alpiq Ltd. 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 ISA 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.

As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Alpiq Ltd. Group internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Alpiq Ltd. Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Alpiq Ltd. Group to cease to continue as a going concern.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Alpiq Ltd. Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of Alpiq Ltd. Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG AG

Daniel Haas Licensed Audit Expert	Corina Wipfler Licensed Audit Expert

Zurich, 2 May 2024

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