2020
Annual Report

ALPIQ

Annual report

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Foreword

Dear reader,

Alpiq is looking back on an unusual financial year in many ways. The ongoing COVID-19 pandemic has dominated people's lives and influenced markets worldwide.

Jens Alder

In a challenging year, Alpiq has again maintained its position and proved: we are stable. Our company's operating and financial results are solid; our shareholder structure is firmly established.

The path for future growth has been paved. Alpiq has clearly defined its role in a low-emission, digital energy future: as a European electricity producer and energy service provider with Swiss roots, we want to and will make a reliable contribution to a better climate and an improved security of supply.

Tried-and-tested business continuity management during COVID-19 pandemic

From day one of the COVID-19 pandemic, Alpiq systematically aligned its measures to two overarching objectives: first, to protect the health of its employees and their family members and second, to limit the risk of infection among employees, in order to secure business operations at all times. We succeeded in doing so: our business continuity management system demonstrated the whole time that it is crisis-proof.

Working from home quickly established itself as a new, modern way of working for the majority of our employees and was well received. The reliability, stability and security of our IT systems certainly played a role in the widespread acceptance of a digital working environment. The Alpiq colleagues in the power plants, in the control centres and on the trading floors – where a minimum level of presence and personal interaction are crucial for operations and business success – worked under what were at times substantially more difficult conditions and adhering to strict protective measures. As a proven authority, Alpiq's crisis team continuously monitored and was involved in all measures that were implemented with a high degree of discipline and cooperation.

No one could have predicted the length of time and extent to which we would all be affected by the COVID-19 pandemic, and an end is not yet in sight. So far, Alpiq has managed to master this extraordinary situation very well, even though we cannot conclusively estimate the long-term effects at present. We continued our business activities without any major restrictions at all times and on all markets, even under these more difficult conditions. Our business model is robust, even during a pandemic.

Alpiq reports strong results of operations

The Alpiq Group generated EBITDA before exceptional items of CHF 262 million in the 2020 financial year. All three business divisions made positive contributions to earnings. Our company benefited in particular from hedged electricity prices for Swiss production, higher demand for flexible power production and higher market volatility on the energy markets.

The **Generation Switzerland** business division closed the year with EBITDA before exceptional items of CHF 135 million. The main drivers were hedged electricity prices, strict cost management and high availability of the plants. However, the price recovery on the forward markets cannot distract from the fact that new investments in large-scale hydropower currently only make sense with government support. Alpiq recorded higher production in the area of nuclear power, as some of the planned overhauls were postponed in consultation with the Swiss Federal Nuclear Safety Inspectorate to 2021 because of the COVID-19 pandemic.

The **Generation International** business division again closed the year with positive EBITDA before exceptional items of CHF 59 million. As expected, earnings were down on the previous year because there were no contributions from the Czech brown coal-fired power plants Kladno and Zlín after their divestment for strategic reasons in 2019.

The **Digital & Commerce** business division closed the year with EBITDA before exceptional items of CHF 99 million. In particular, energy trading generated stronger income and achieved very good earnings. The reasons for this were higher demand for flexible power production, sharply rising prices and higher market volatility on the energy markets.

Solid and strengthened balance sheet

We systematically continued our financial strategy and further strengthened our solid balance sheet. Alpiq increased its net cash flows from operating activities of continuing operations to CHF 117 million. Due to higher results of operations, the gearing ratio (net debt / EBITDA before exceptional items) decreased to 1.0 at 31 December 2020. Alpiq has sound liquidity of CHF 1 billion at 31 December 2020.

Arbitration proceedings settled

Alpiq and Bouygues Construction have drawn a line under the litigation from the sale of the Engineering Services business that has been ongoing since 2018 and reached a settlement in 2020. I am grateful that this dispute has been settled, so that we can now refocus the internal resources tied up in it fully on our core business and on implementing the corporate strategy.

Strategic realignment on sustainable energy business

2020 was a year of realignment for Alpiq. Alpiq pursues a sustainable, financially sound and risk-adjusted business model and has a firm foundation. Together, the Board of Directors and Executive Board of Alpiq have redefined its corporate purpose and we are also committed to putting this into practice: **our sustainable energy business contributes to a better climate and an improved security of supply.** In a multi-step process, Alpiq has developed a corporate strategy that focuses on its strengths and allows us to leverage future market opportunities.

Alpiq focuses on its strengths

Our robust business model is based on the operation and marketing of highly flexible Swiss hydropower, Swiss nuclear power, flexible gas-fired combined-cycle power plants in Italy, Spain and Hungary as well as wind farms and photovoltaic plants in several European countries. Alpiq is taking this ideal foundation and using its energy expertise to optimise its business with the operation of third-party plants and marketing of the electricity produced at these, with its European energy trading business as well as the sale of energy directly to business customers in Europe.

Based on the successful core business and in order to optimise the portfolio in terms of its risk-bearing capacity and profitability, Alpiq will further expand its energy trading and energy sales to business customers. Targeted investments will help make existing power production plants more flexible. In addition, Alpiq will operate more third-party plants and market their electricity, particularly in the area of new renewable energies. Top priority here is on developing and expanding digital competencies and applications.

Systematic strategy implementation in all areas

Within the framework of the realignment, Alpiq has decided to separate itself from any businesses and activities that are no longer part of the core strategic business. This includes, for instance, the business installing charging stations for electromobility.

Stable shareholder structure and smaller Board of Directors

Alpiq has a stable shareholder structure. Since the end of June 2020, Alpiq Holding Ltd. has been fully controlled by Schweizer Kraftwerksbeteiligungs-AG, the consortium of Swiss minority shareholders and EOS Holding SA.

At the end of October, the Board of Directors of Alpiq Holding Ltd. was reduced in size from 13 to 10 members. By resolution of the Extraordinary General Meeting, the outstanding shareholder hybrid loans amounting to CHF 366.5 million were also converted into equity. This step was in line with our systematic financial strategy, solidified Alpiq's ability to access capital markets, simplified our capital structure and strengthened our equity position.

Board of Directors proposes dividend distribution

Due to the positive earnings situation, the Board of Directors of Alpiq Holding Ltd. will submit a proposal to the Annual General Meeting to distribute a dividend of CHF 46 million for the 2020 financial year. The next interest payment on the publicly placed hybrid bond is due on 15 November 2021.

Antje Kanngiesser starts on 1 March 2021

With Antje Kanngiesser as the new CEO of the Alpiq Group, Alpiq is tackling a new growth chapter on the European markets. Antje Kanngiesser has an outstanding and deep understanding of the energy industry and is the ideal person to lead Alpiq into the future. I am delighted that she has joined us at Alpiq. Together, she and my colleagues on the Board of Directors and Executive Board will enhance and systematically implement the strategy.

From 1 March onwards, I will be concentrating on the strategic management of Alpiq Holding Ltd. as Chairman of the Board of Directors. On behalf of the entire company, I wish all the very best to André Schnidrig, who stepped down as CEO in autumn to focus fully on his recovery after unexpectedly getting ill.

Positive earnings down on previous year expected for 2021

Alpiq will also invest in its tried-and-tested, sustainable business model in 2021. For the 2021 financial year, Alpiq expects positive results of operations that are down on the previous year. While the electricity and CO_2 prices on the wholesale markets hedged in Swiss francs will also have a positive effect on Alpiq's earnings in 2021, the annual results for 2020 contain one-off effects that had an above-average positive effect on earnings. In 2021, an extended overhaul of the Leibstadt nuclear power plant will have a major impact on earnings. Furthermore, the effects of the COVID-19 pandemic cannot yet be fully assessed at present.

Swiss hydropower needs electricity agreement with the EU

Alpiq is absolutely convinced that the electricity agreement is very important for both the security of the electricity supply in Switzerland and Swiss hydropower. The Energy Strategy 2050 can only be successful with an efficient exchange of renewable energies across the whole of Europe. Hydropower ideally complements the volatile power production of renewable energies in Europe. With its seamless integration into the European electricity market, climate-friendly, reliable and highly flexible Swiss hydropower really comes into its own and will generate the resources needed to maintain it. This is Alpiq's contribution to a climate-friendly energy future.

Many thanks to employees

Implementing our strategy and the challenges of the day-to-day business are only possible thanks to the conviction, enthusiasm and utmost dedication of each and every employee. On behalf of Alpiq's Executive Board and Board of Directors, I would like to thank all of our employees for their excellent work and engagement in an extraordinary year.

Alpiq carried out an employee survey in 2020 that brought extremely encouraging results to light. Employees' engagement is high and their satisfaction with Alpiq as an employer is above average in many respects. In the Board of Directors and Executive Board, this gives us both pleasure and motivation in equal measure to consistently fulfil our responsibility in these challenging times and in future. We want to develop Alpiq further as a sustainable, clearly positioned player and profitable company on the European energy market.

Jens Alder
Chairman and Delegate of the Board of Directors

24 February 2021

Key Financial Figures

CHF million	2020	2019 (adjusted)[1]	% change	2020	2019	% change
	Results of operations before exceptional items			Results under IFRS		
Net revenue	3,823	4,059	– 6	3,905	4,099	– 5
Earnings before interest, tax, depreciation and amortisation (EBITDA)	262	110	138	293	168	74
Depreciation, amortisation and impairment[2]	– 93	– 127	– 27	– 80	– 401	– 80
Earnings before interest and tax (EBIT)	169	– 17	> 100	213	– 233	> 100
As % of net revenue	4.4	– 0.4		5.5	– 5.7	
Earnings after tax from continuing operations				166	– 226	> 100
As % of net revenue				4.3	– 5.5	
Earnings after tax from discontinued operations				– 56	– 42	– 33
Net income				110	– 268	> 100
As % of net revenue				2.8	– 6.5	

1 Since 2020, results of operations before exceptional items without Flexitricity Ltd. and e-mobility business. The comparative figures from 2019 have been adjusted; for explanations, see note 2.1 of the notes to the consolidated financial statements.
2 In 2020, including reversals of impairment losses

CHF million	31 Dec 2020	31 Dec 2019 (adjusted)[1]	% change
Total assets	7,368	7,360	0
Total equity	3,772	3,671	3
As % of total assets	51.2	49.9	
Net debt[2]	249	206	21
Net debt / EBITDA before exceptional items	1.0	1.9	

1 See note 1.4 of the notes to the consolidated financial statements
2 See note 3.1 of the notes to the consolidated financial statements

	2020	2019	% change
Own production (GWh)[1]	13,690	15,407	– 11
Number of employees at the reporting date[2]	1,258	1,226	3
Of which in Switzerland	704	676	4
Of which in surrounding European countries	554	550	1

1 Net share attributable to Alpiq from total power plant production (after deducting pumped energy), excluding long-term purchase contracts
2 Full-time equivalents

Highlights

New concession for the Gösgen hydropower plant for 70 years

The current concession for the Gösgen hydropower plant and the Winznau weir expires in 2027. Since the Winznau weir requires extensive renovation, the Swiss cantons of Solothurn and Aargau, the grantors of the concession, and Alpiq Hydro Aare AG, the concession holder, entered into negotiations regarding early renewal of the concession.

With the approval of the cantonal councillors Roland Fürst (canton of Solothurn) and Stephan Attiger (canton of Aargau), the concession came into force on 23 September 2020 with retroactive effect from 1 January 2020. The new concession applies for 70 years, i.e. until the end of 2089. Thus, the Gösgen hydropower plant will continue to make an important contribution to the environmentally responsible and climate-friendly production of power and the security of supply in Switzerland over the coming decades.

In the next few years, Alpiq will invest more than CHF 63 million in the Gösgen hydropower plant, in particular in the construction of the new Winznau weir. This includes around CHF 12 million for a total of 21 compensation measures. These measures significantly improve the environmental footprint of the hydropower utilisation at the Gösgen hydropower plant in line with the Swiss Federal Act on the Protection of Nature and Cultural Heritage (NHG).

The Gösgen hydropower plant was commissioned in 1917. Between 1996 and 2000, the engine house was completely rebuilt. The largest run-of-river power plant on the river Aare has an average annual output of 300 million kWh, which equates to the average annual consumption of around 75,000 households. The power plant utilises the gradient of the river Aare over a stretch of 14.5 kilometres. 93 % of this stretch runs through the canton of Solothurn, 7 % through the canton of Aargau. The concession fee is distributed accordingly to the two cantons.

The new concession for the Gösgen hydropower plant is in place until 2089.

Expansion of the origination business in Finland and Norway

Alpiq is investing in its origination business and is expanding its customer business both in Oslo and at a new location close to Helsinki. The energy trade sector is becoming increasingly dynamic and complex and the production of power from new renewable energies, such as wind and photovoltaics, is increasing rapidly. The number of electricity producers is also growing continuously. For this reason, risk management, market access, direct marketing and the need for individual solutions is becoming increasingly important for producers and consumers alike.

Alpiq’s energy specialists will meet this growing customer demand in Finland and Norway even better in future. The aim is to further increase the market share in the Nordic countries. Customers benefit from the additional expertise in tailored offerings, market access and selling electricity from new renewable energies. Alpiq has been present in all major European markets for many years, including Norway, Sweden and Finland. Alpiq is expanding its origination expertise in these countries in line with its corporate strategy of placing greater focus on business customers.

Helsinki: Museum of Contemporary Art Kiasma. Photo: iStock

Alpiq operates the largest electrolysis plant in Switzerland

The largest electrolysis plant in Switzerland for producing green, climate-friendly hydrogen is located at the Alpiq Gösgen hydropower plant. It was built by Hydrospider, a joint venture between H2 Energy, Alpiq and Linde Gas (PanGas). Water is separated into hydrogen and oxygen using only electricity that is produced on-site from 100 % hydropower. The plant has a capacity of 2 MW and produces hydrogen for commercial use in emission-free heavy goods transport. On 2 June 2020, the first special container filled with 350 kg of green hydrogen was transported to St. Gallen and is now available at a new hydrogen filling station.

Hydrospider's 2 MW plant produces around 300 tons of hydrogen a year, which equates to the annual consumption of 40 to 50 trucks or around 1,700 passenger cars. The hydrogen is produced using renewable energy and is a central element in the emission-free mobility business model that Hydrospider is currently establishing with Hyundai Hydrogen Mobility (HHM) and the H2 Mobility Switzerland Association. The model was initiated by H2 Energy on a private-sector basis. As well as the production and procurement of green hydrogen by Hydrospider, it includes Hyundai fuel cell heavy-duty trucks, a plan to expand the filling station infrastructure and a commitment by logistics and transport companies to use fuel cell heavy-duty trucks in the future.

By 2025, 1,600 Hyundai fuel cell heavy-duty trucks will be on Switzerland's roads thanks to this unique hydrogen ecosystem. The first fuel cell heavy-duty trucks were already delivered in October 2020. Their only emission is water. As a result, a sustainable, climate-friendly link between the energy and mobility sectors has become reality in the area of heavy goods transport.

The electrolysis plant produces hydrogen from electricity generated by the Gösgen hydropower plant.
Photo: Jean-Luc Grossmann

Alpiq embarks on a new chapter of growth with its new CEO

The Board of Directors of Alpiq Holding Ltd. has appointed Antje Kanngiesser as the new CEO of the Alpiq Group. She succeeds André Schnidrig, who has resigned for health reasons. She holds a doctorate in law as well as an Executive Master of Business Administration from IMD Lausanne and has been Head of Group Markets & Services at BKW since 2017 and a member of the Group Executive Board of the BKW Group since 2019. After a year as head of the general secretariat and the legal services in 2014, she was Head of the BKW Group Management and a member of the extended Group Executive Board from 2015 to 2017. Antje Kanngiesser will take up her position as the new CEO of the Alpiq Group on 1 March 2021.

During her time at BKW, she drove forward the corporate transformation by realigning business models, digitalising energy sales and firmly establishing modern working methods. Before joining BKW, she successfully served in various management positions with the Alpiq Group and Energie Ouest Suisse (EOS). Antje Kanngiesser has both German and Swiss citizenship and lives in Murten together with her family.

Antje Kanngiesser: “I look forward to leading Alpiq into the next phase of its corporate history based on its well-established and focused strategy. Together, we will continue to face many challenges, but we will also be able to seize great opportunities in the European markets.” She is an outstanding executive with strong communication skills and excellent analytical abilities. She has a deep understanding of the energy industry, is familiar with the relevant business processes of an international energy company such as Alpiq and has extensive commercial expertise.

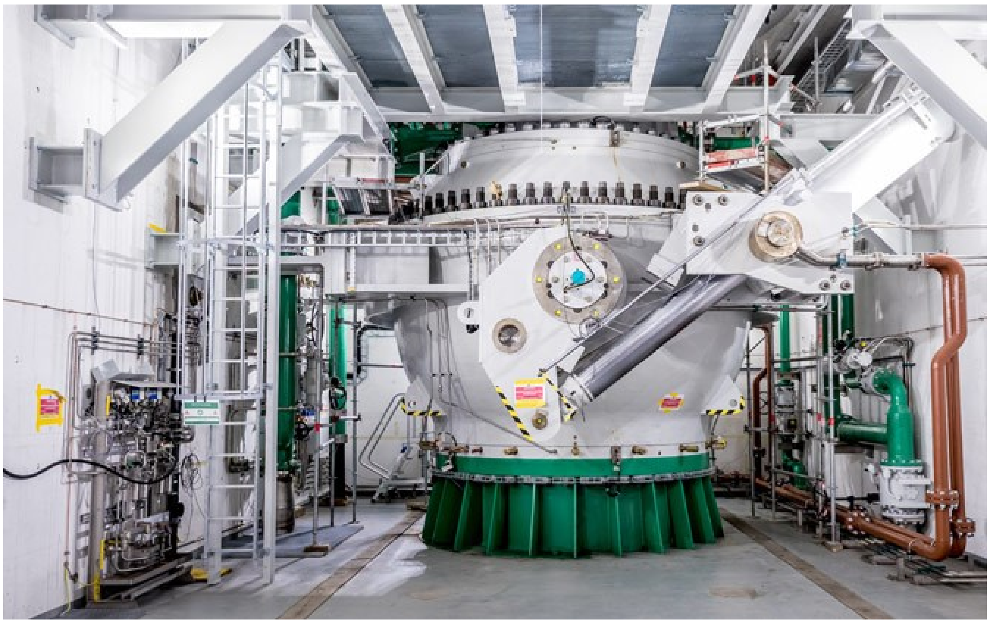
Antje Kanngiesser will take on the role of Alpiq's new CEO on 1 March 2021.

Grid synchronisation: successful tests in Nant de Drance

The first machine group at the new Nant de Drance pumped storage power plant was successfully connected to the high-voltage grid for the first time on 5 August 2020. The first synchronisation in the current test phase marks a major step on the journey to making the power plant fully operational. From the end of 2021, the flexible power plant with a capacity of 900 MW will make an important contribution to the security of supply.

Specialists have been testing the turbine-generator groups in the power plant cavern since March 2020. Synchronising the first machine with the high-voltage grid is a milestone on the way to commissioning the power plant. The grid connection tests are part of the commissioning process, which began in November 2019 when the intake valves were opened. The tests ensure that every component of the power plant meets the safety, quality and reliability requirements.

The shareholders of Nant de Drance SA (Alpiq's share: 39 %) have invested around CHF 2.2 billion in the construction of the pumped storage power plant. This investment demonstrates a long-term vision as well as willingness to face the challenges posed by the future power supply. Depending on demand, the 900 MW power plant will be able to produce or store large quantities of electricity within a very short period of time. This exceptional flexibility is gaining in importance as power production is becoming increasingly volatile due to the expansion of new renewable energies and the growing demand for flexibility. The balancing energy provided by Nant de Drance can balance short-term differences between power production and consumption. The plant will make a decisive contribution to ensuring the stability of the European electricity grid and the security of supply within Switzerland.



Ball valve in the cavern of the Nant de Drance pumped storage power plant. Photo: Sebastien Moret

Largest battery storage unit in Switzerland prequalifies for secondary control power

Alpiq manages the most powerful battery in Switzerland on behalf of MW Storage Ltd. The battery prequalified for the provision of secondary control power on 24 September 2020. The 20 MW battery is located in Ingenbohl in the Swiss canton of Schwyz and contributes to the stabilisation of the electricity grid.

In addition to its own storage power plants, Alpiq's flexibility portfolio contains an increasing number of smaller and larger third-party plants. In the third quarter of 2020, the most powerful battery in Switzerland was added to this portfolio, as a result of which the grid operator Swissgrid granted prequalification for the provision of secondary control power. Alpiq therefore strengthened its leading position in asset management for customers.

One of the main challenges of commissioning a battery storage unit is the interaction between the battery and the software; the battery only responds to the communication signals correctly and quickly enough if this interaction works. The status of the battery and schedules are automatically transmitted to the Trading department using artificial intelligence in order to procure or sell energy. Alpiq's concept for ancillary services is fully developed and its software for managing decentralised pools is tried and tested.

Because there had not been a battery project of this magnitude in Switzerland before, close cooperation between the manufacturer, the owner MW Storage and Swissgrid was especially important. As the capacity of 18 MWh can be used for secondary control power, the partners are now planning to utilise the storage unit for primary control power. This is another step towards making the battery use as profitable as possible for MW Storage Ltd.

The battery storage unit in central Switzerland has a power of 20 MW.

Power purchase agreement for the 50 MW Alizarsun solar project

Alpiq is further expanding its business in the area of long-term power purchase agreements (PPA) for renewable energies. On 24 September 2020, Alpiq – in a consortium with Solaer and Himin – entered into a long-term PPA for the 50 MW Alizarsun solar project.

The Alizarsun solar project is located in Paracuellos del Jalón (Zaragoza) in Aragón, one of the leading regions in Spain for the development of renewable plants. The contract will start in 2021 and run for the next ten years. As part of the PPA, Alpiq will sell the generated electricity on the market for renewable energies.

With the long-term power purchase agreements, Alpiq and its partners increase their planning security and mitigate market risks. Alpiq's PPA solutions are tailor-made and take into account not only specific cost structures and geographical conditions, but also the growing customer requirements regarding risk management. In Spain, Alpiq has already signed long-term purchase agreements for over 300 MW of installed capacity.

Solaer is one of the most successful developers of photovoltaic plants in Israel. Its project pipeline comprises plants with a total capacity of around 1 GW. Himin was established in China in 2007 and has branches in Italy, Chile and Argentina. Himin develops, constructs and operates photovoltaic plants. In addition to its cooperation in Spain, the consortium is developing photovoltaic projects with a total capacity of 800 MW in Italy.

Alpiq is expanding its business with long-term power purchase agreements for photovoltaic plants.
Photo: Keystone-SDA/laif/Franco Barbagallo

About us

Nant de Drance pumped storage power station in the Valais Alps. View on the Vieux Emosson reservoir, 295 meters below is the Lac d'Emosson.
Photo: Sébastien Moret

Alpiq is a leading Swiss energy company that is active throughout Europe. Our energy business contributes to a better climate and improves the security of supply in Switzerland and for our customers on the European markets. We pursue a sustainable, financially sound and risk-adjusted business model.

Our core business is the production of electricity from flexible CO_2-free hydropower and climate-friendly nuclear power in Switzerland as well as from wind power and photovoltaics in several European countries. In addition, we operate modern and flexible gas-fired combined-cycle power plants in Italy, Spain and Hungary.

Our core business also comprises energy trading. We sell production from our own plants as well as third-party plants on our modern and efficient trading platform, and operate a trading business for electricity, gas and other energy products in more than 30 countries. A sustainable and cost-effective energy procurement strategy is an important aspect of any business. Our Sales & Origination team supports industrial and business customers with sustainable energy management as well as a wide range of energy solutions and services.

One of our main priorities is developing and expanding digital competencies and applications in order to strengthen the core business, improve our competitiveness and efficiency as well as to open up new business opportunities. We have around 1,300 employees and are headquartered in Lausanne.

Power Production in 2020

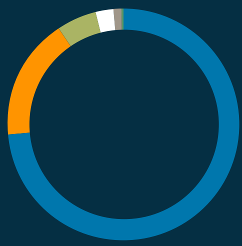
	Installed capacity at 31.12.2020[1]		Production 2020[2]	
Power Plants	MW	MW	GWh	GWh
Hydropower		**2,910**		**4,702**
Switzerland	2,910		4,702	
Small-scale hydropower, wind, photovoltaics		**326**		**521**
Switzerland	17		53	
Bulgaria	72		140	
France	13		35	
Italy	224		293	
Nuclear power		**676**		**5,333**
Switzerland	676		5,333	
Conventional thermal power		**1,317**		**3,134**
Italy	491		2,049	
Spain	423		330	
Hungary	403		755	
Total		**5,229**		**13,690**

1 Based on Alpiq's net share of total power plant production
2 Alpiq's net share of total power plant production (after deducting pumped energy), excluding long-term purchase contracts

Production by technology

		GWh	%
	Hydropower	4,702	34
	Small-scale hydropower, wind, photovoltaics	521	4
	Nuclear power	5,333	39
	Conventional thermal power	3,134	23
	Total	13,690	
	Total 2019	15,407	

Production by country



		GWh	%
	Switzerland	10,088	74
	Italy	2,342	17
	Hungary	755	6
	Spain	330	2
	Bulgaria	140	1
	France	35	0
	Total	13,690	

Organisational structure

We organise our business into three business divisions: Generation Switzerland, Generation International and Digital & Commerce.

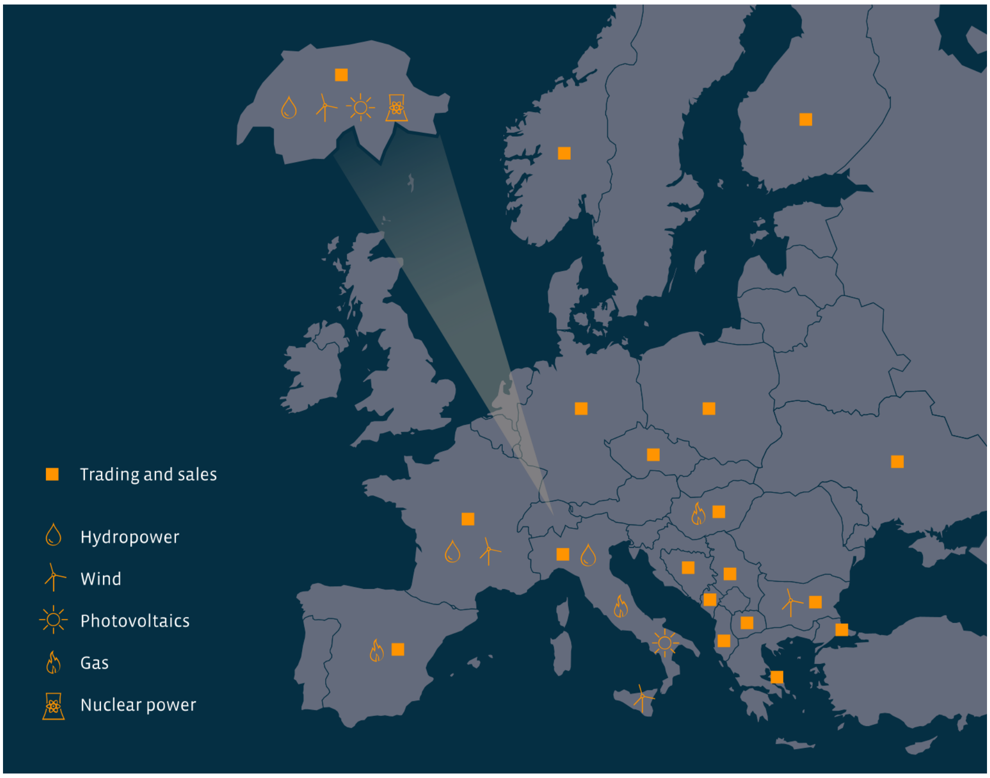
The **Generation Switzerland** business division comprises the production of electricity from power plants in Switzerland. This includes run-of-river power plants, storage and pumped storage power plants as well as interests in the Gösgen and Leibstadt nuclear power plants.

The **Generation International** business division comprises the production of electricity from new renewable energies, namely wind, small-scale hydropower and photovoltaics, in Switzerland, Italy, France and Bulgaria. This business division also produces electricity and heat from gas-fired combined-cycle power plants in Hungary, Italy and Spain.

The **Digital & Commerce** business division does not only sell electricity produced by Alpiq's plants on the European electricity trading market, but also comprises international energy trading (Merchant Trading) and direct marketing for industrial and business customers (B2B). We are planning a targeted expansion of these two business fields in synergy with our origination business. To counter the increasing volatility on the energy markets, we offer our customers flexible contracts and the option to manage their financial risks associated with energy prices. Keywords here are structured contracts based on virtual power plants (VPPs) and long-term power purchase agreements (PPAs), in particular for renewable energies. We have extensive experience in marketing power production and optimising renewable energies. To improve our competitiveness, we are investing in the development of our optimisation and trading platform, using the possibilities offered by digital technologies.

Active throughout Europe

We are represented by branches in many European countries, both in trading and sales as well as with energy services. We operate our own power plants in Switzerland, Italy, France, Spain, Hungary and Bulgaria. We operate three trading floors at our headquarters in Lausanne as well as in Olten and Prague.



Financial Calendar

25 February 2021: Annual media conference

28 May 2021: Annual General Meeting of Alpiq Holding Ltd.

26 August 2021: Media Conference Half-Year Results 2021

Corporate Governance

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Group and shareholder structure

Alpiq is committed to transparent and responsible business management, and pursues sustainable corporate development. Transparency and fairness are ensured by effective management and controlling systems, an open information policy and ethical principles. Except where otherwise stated, all information given is at 31 December 2020. The same applies to references to clauses in regulations and instructions.

On 1 January 2019, the Chairman of the Board of Directors took over the operational management of Alpiq Holding Ltd. and the Alpiq Group in the role of Delegate of the Board of Directors. On 4 December 2019, the Board of Directors elected André Schnidrig as CEO of Alpiq Holding Ltd. from 1 January 2020. The disclosures made about the Delegate of the Board of Directors therefore apply by analogy to the CEO and vice versa.

As communicated on 3 February 2020, André Schnidrig was not able to carry out his role as CEO of Alpiq in the months following the appointment for health reasons. For this period, the Board of Directors again transferred the operational management of Alpiq to Jens Alder as Delegate of the Board of Directors on an ad interim basis. Michel Kolly took over the responsibilities of André Schnidrig in his role as Head of Digital & Commerce on an ad interim basis and represented the business division on the Executive Board. The Board of Directors appointed Michel Kolly as an ordinary member of the Executive Board and Head of the Digital & Commerce business division at 1 July 2020. On 22 September 2020, Alpiq announced the resignation of André Schnidrig as CEO with immediate effect. At the same time, it was announced that the Board of Directors had appointed Antje Kanngiesser as the new CEO. She will take up her position on 1 March 2021. Until then, Jens Alder will continue in his capacity as Delegate of the Board of Directors.

At 31 December 2020, the Alpiq Group's management structure comprises the three operational business divisions of Generation Switzerland, Generation International and Digital & Commerce. The Group Centre consists of the Financial Services functional division and the functional units Human Resources, Legal & Compliance, Communications & Public Affairs, Headquarter Operations and Risk Management, all of which report directly to the Delegate of the Board of Directors.

Organisation at 1 January 2021

1 Member of the Executive Board

At 31 December 2020, the parent company Alpiq Holding Ltd., domiciled in Lausanne, Switzerland, had a share capital of CHF 331,103.64, divided into 33,110,364 registered shares with a nominal value of CHF 0.01 each.

According to the share register, the following shareholders are registered at 31 December 2020:

Shareholder	Stakes in %
EOS Holding SA	33.33
Schweizer Kraftwerksbeteiligungs-AG	33.33
EBM (Genossenschaft Elektra Birseck) [1]	19.90
EBL (Genossenschaft Elektra Baselland) [1]	6.44
Eniwa Holding AG [1]	2.12
Aziende Industriali di Lugano (AIL) SA [1]	1.79
IBB Holding AG [1]	1.12
Regio Energie Solothurn [1]	1.00
WWZ AG [1]	0.96

1 Consortium of Swiss minority shareholders

No cross-shareholdings exist.

The canton of Solothurn sold its shares in Alpiq during the reporting year. The three shareholder groups EOS Holding SA, Schweizer Kraftwerksbeteiligungs-AG and the consortium of Swiss minority shareholders each hold one-third of the Alpiq shares.

Board of Directors

The Board of Directors is responsible for the overall management and strategic direction of the Alpiq Group as well as for supervising the Executive Board. The Board of Directors consists of the following ten members:

Jens Alder
Chairman

Nationality:
Swiss

Education:
- MBA INSEAD Fontainebleau
- Msc Electrical Engineering ETH Zurich

Professional background:
Since 2009, various mandates on the Board of Directors, including Swiss Steel Holding Ltd./Lucerne (Chairman), CA Inc./USA, Sanitas Krankenversicherungen/Zurich (Chairman), BG Ingénieurs Conseils/Lausanne (Chairman), Industrielle Werke Basel (Chairman), RTX Telecom/Denmark (Chairman), AG für die Neue Zürcher Zeitung/Zurich
2006 – 2008: CEO TDC A/S Denmark
1999 – 2006: CEO Swisscom
1998 – 1999: Swisscom
1993 – 1998: Alcatel
1991 – 1993: Motor-Columbus
1982 – 1991: Alcatel

Other mandates:
Director: Goldbach Group Ltd, Küsnacht; Scope Content AG, Zurich
Chairman of the Supervisory Board: ColVisTec AG, Berlin, Germany

First elected to the Board of Directors:
2015

Specific role on the Board of Directors:
Chairman of the Strategy Committee

Jean-Yves Pidoux
Deputy Chairman, Lead Director of the Governance Committee

Nationality:
Swiss

Education:
Doctorate in Sociology and Anthropology

Professional background:
Lausanne City Councillor, Municipal Utilities Director

Other mandates:
Chairman: AGEPP Ltd, Lavey-Morcles; Boisy TV S.A., Lausanne; LFO SA, Lausanne; SI-REN SA, Lausanne
Director: Romande Energie Holding SA, Morges; CADOUEST SA, Prilly; EOS Holding SA, Lausanne; Forces motrices de l'Aboyeu SA, Collonges; Gaznat SA, Lausanne; Petrosvibri S.A., Vevey; Transports Publics de la Région Lausannoise sa, Renens; EPURA SA, Lausanne; Etablissement cantonal contre l'incendie et les éléments naturels du Canton de Vaud (ECA), Pully

First elected to the Board of Directors:
2009

Specific roles on the Board of Directors:
- Lead Director of the Governance Committee
- Member of the Strategy Committee

Conrad Ammann
Director

Nationality:
Swiss

Education:
- Dipl. El. Ing. ETH Zurich, Dr. sc. techn.
- BWI postgraduate diploma in industrial management, ETH Zurich

Professional background:
CEO of Primeo Energie Ltd, Münchenstein

Other mandates:
Chairman: aventron Holding AG, Münchenstein; Primeo Energie Ltd, Münchenstein
Director: Kraftwerk Birsfelden AG, Birsfelden
Board member: Handelskammer beider Basel (Basel Chamber of Commerce)

First elected to the Board of Directors:
2012

Specific roles on the Board of Directors:
- Member of the Governance Committee
- Member of the Strategy Committee

Tobias Andrist
Director

Nationality:
Swiss

Education:
- Master of Business Administration, Edinburgh Business School
- Business Economist, University of Applied Sciences & Arts Northwestern Switzerland
- Certified Electrician (Federal Diploma)

Professional background:
Since 2019: CEO EBLD Schweiz Strom GmbH, Rheinfelden, Germany
Since 2018: CEO EBL (Genossenschaft Elektra Baselland), Liestal
2012 – 2018: Member of the Executive Board, Head of Electricity Division – EBL
2009 – 2012: Head of Corporate Development – EBL
2006 – 2009: Executive Assistant – IWB Industrielle Werke Basel
2004 – 2006: Project Assistant / Management Support – Baloise Asset Management AG

Other mandates:
Chairman: EBL España Services SI, Calasparra, Spain; EBL Telecom AG, Liestal; EBL Wind Invest AG, Liestal; EBLS Schweiz Strom AG, Liestal; Tubo Sol PE2 S.L., Calasparra, Spain
Director: EBL Fernwärme AG, Liestal; Kraftwerk Birsfelden AG, Birsfelden
Board member: Energie Zukunft Schweiz Association, Basel
Employer representative: Transparenta Sammelstiftung für berufliche Vorsorge, Aesch
Council member: KMU Forum Baselland

First elected to the Board of Directors:
2018

Specific role on the Board of Directors:
Member of the Audit and Risk Committee

Aline Isoz
Director

Nationality:
Swiss

Education:
- Various training courses: Finance I, Fundamentals of the Board of Directors and the Added Value of the Board of Directors, Académie des administrateurs Sàrl (ACAD), Geneva; Specialization in Ethics and Artificial Intelligence, Coursera
- Bachelor in Communication, Marketing and Public Relations, Polycom Lausanne (SAWI)

Professional background:
2019 – 2020: Head of Strategy and Digital Transformation, MAZARS Ltd, Vernier/Lausanne
2010 – 2019: Founder and Manager, consulting firm for Digital Business Transformation, Blackswan Sàrl, Cossonay
2008 – 2010: Creative Director, then Head of Digital Strategy at a communications agency, Agence Trio SA, Lausanne, and Creatives SA, Vevey
2001 – 2008: Independent communication officer

Other mandates:
Director: SIG, Geneva; vo énergies holdings SA, Vallorbe
Foundation council member: Swiss Paraplegics Foundation, Nottwil

First elected to the Board of Directors:
2020

Jørgen Kildahl
Director

Nationality:
Norwegian

Education:
- Advanced Management Program, Harvard Business School
- Master of Business Administration in Finance (MBA), Norwegian School of Economics and Business Administration, NHH
- Certified European Financial Analyst (CEFA)
- Master of Science in Economics and Business Administration (M.Sc.), Norwegian School of Economics and Business Administration, NHH

Professional background:
Since 2016: Senior Advisor, Energy Infrastructure Partners AG (formerly Credit Suisse Energy Infrastructure Partners AG)
2010 – 2015: Board of Management Member, E.ON SE
1999 – 2010: Executive Vice President, Statkraft AS
1991 – 1999: Partner, Geelmuyden Kiese, PR Consulting Group
1988 – 1991: Fund Manager, International Formuesforvaltning A/S

Other mandates:
Vice-Chairman: Telenor ASA, Norway
Director: Höegh LNG Holdings Ltd., Bermuda; Ørsted A/S, Denmark

First elected to the Board of Directors:
2019

Specific roles on the Board of Directors:
- Member of the Governance Committee
- Member of the Strategy Committee

Alexander Kummer-Grämiger
Director

Nationality:
Swiss

Education:
- Lic. iur. et oec. HSG, Lawyer and Notary
- Business arbitrator IRP – HSG

Professional background:
Various mandates on Boards of Directors and Boards of Trustees

Other mandates:
Chairman: Aluminium-Laufen Ltd Liesberg, Liesberg; EBM (Genossenschaft Elektra Birseck), Münchenstein; GREBET Immobilien AG, Bettlach; Gremolith Verwaltungs AG, Kirchberg; Sportshop Karrer AG, Laufen; Fridolin Karrer Immobilien AG, Laufen; EGK Grundversicherungen AG, Laufen; EGK Privatversicherungen AG, Laufen
Director: Duravit Schweiz AG, Othmarsingen

First elected to the Board of Directors:
2013

Wolfgang Martz
Director

Nationality:
Swiss

Education:
- Postgraduate studies in Management, Marketing and Business Management: IMD Business School Lausanne, INSEAD Fontainebleau, London Business School
- Degree in Agronomic Engineering, ETH Zurich

Professional background:
Since 2005: Independent director and freelance consultant
1989 – 2005: CEO of Groupe Minoteries SA, Geneva
1985 – 1989: Associate Partner at an international consulting firm specialising in management and rural development

Other mandates:
Chairman: Schenk Holding SA, Rolle; SOCIM Société Coopérative Immobilière Montreux (SOCIM), Montreux; SOKAVO SA, Vevey
Chairman: Caisse de pension de Schenk Holding SA, Rolle; Caisse de pension de Schenk SA, Rolle

First elected to the Board of Directors:
2016

Specific role on the Board of Directors:
Chairman of the Nomination & Remuneration Committee

Hans Ulrich Meister
Director

Nationality:
Swiss

Education:
- Advanced Management Program, Harvard Business School
- Advanced Management Program, Wharton School
- Degree in Economics and Business Administration, University of Applied Sciences Zurich

Professional background:
2008 – 2015: Member of the Executive Board at Credit Suisse Group AG and Credit Suisse AG, including:

- 2012 – 2015: Head of the Private Banking & Wealth Management Division, responsible for the Private Banking for the EMEA and Asia Pacific regions
- 2011 – 2012: CEO of the Private Banking Division
- 2008 – 2015: CEO of Credit Suisse (Switzerland)

2005 – 2007: Head of Private and Corporate Clients at UBS
2004 – 2007: Member of the Managing Board of UBS Group
2003 – 2004: Head of Large Corporates & Multinationals at UBS
2002: UBS Wealth Management, New York

Other mandates:
Chairman: Implenia Ltd, Dietlikon
Director: Ina Invest Holding Ltd, Zurich

First elected to the Board of Directors:
2019

Specific role on the Board of Directors:
Chairman of the Audit and Risk Committee

Phyllis Scholl
Director

Nationality:
Swiss

Education:
- Advanced Management Program HSG
- Admitted to the Bar
- London School of Economics, LL.M
- Universität St. Gallen, lic. iur. (Master of Laws)
- Universität St. Gallen, lic. rer. publ. (Master of Public Affairs)

Professional background:
Since 2018: Partner, Baryon AG
2013 – 2018: Partner, Bär & Karrer AG
2007 – 2012: Associate, Bär & Karrer AG
2004 – 2007: Legal staff, Bär & Karrer AG

Other mandates:
Chairman: Lazzarini Beteiligungs AG, Chur
Director: Energiedienst Holding AG, Laufenburg; EW Höfe AG, Freienbach; Baryon AG, Zürich

First elected to the Board of Directors:
2019

Specific role on the Board of Directors:
Member of the Nomination & Remuneration Committee

The Board of Directors regularly reviews its composition in relation to a balance of specialist knowledge, experience and diversity. At 31 December 2020, the Board of Directors has two female members.

Internal organisation

Allocation of tasks within the Board of Directors

The tasks of the Board of Directors are set out in the Swiss Code of Obligations, in Art. 12 of the Articles of Association as well as in the Organisational Regulations of Alpiq Holding Ltd.

Committees of the Board of Directors

Audit and Risk Committee (ARC)
The ARC consists exclusively of non-executive and independent members of the Board of Directors, most of whom have finance and accounting experience. At 31 December 2020, the ARC consists of Hans Ulrich Meister (Chairman) and Tobias Andrist (member). The ARC's

role is to support the Board of Directors in assessing the performance of the external auditors, monitoring and assessing the internal auditors, the internal control system, financial accounting, risk management, compliance and corporate governance.

Nomination and Remuneration Committee (NRC)
At 31 December 2020, the NRC consists of Wolfgang Martz (Chairman) and Phyllis Scholl (member). The NRC's task consists in supporting the Board of Directors in discharging its supervisory duty regarding succession planning (Board of Directors and Executive Board), determining and reviewing remuneration policy and guidelines as well as performance targets, preparing proposals on the remuneration of the Board of Directors and the Executive Board on behalf of the Annual General Meeting, determining all other terms and conditions of employment of the members of the Board of Directors and approving the other contract terms and conditions of employment for the CEO (as proposed by the Chairman of the Board of Directors) and for the Executive Board (as proposed by the CEO).

Strategic Committee (SC)
The SC's tasks mainly include the preliminary treatment of motions of a strategic nature, strategy development and monitoring the implementation of strategic projects. At 31 December 2020, the SC consists of Jens Alder (Chairman), Dr. Conrad Ammann (member), Jørgen Kildahl (member) and Dr. Jean-Yves Pidoux (member).

Governance Committee (GC)
The GC was created by resolution of the Board of Directors dated 7 December 2018. The GC serves as a supervisory body and aims to avoid potential conflicts of interest with regard to the dual role of the Chairman of the Board of Directors / Delegate of the Board of Directors. For example, it conducts preliminary treatment of the Board motions that are not covered by another committee and discusses the Board of Directors' agenda in advance. At 31 December 2020, the GC consists of Dr. Jean-Yves Pidoux (Chairman / Lead Director), Dr. Conrad Ammann (member) and Jørgen Kildahl (member). Jens Alder's dual role as Delegate and Chairman of the Board of Directors no longer applies following the election of Antje Kanngiesser as CEO of the Alpiq Group at 1 March 2021. As a consequence of this, the GC will become obsolete at that point in time.

All committees can investigate and enquire about activities that fall within their area of responsibility and can request any information required to fulfil their duties.

Sustainability

Economic, environmental and social issues as well as decisions regarding sustainability are handled by the Board of Directors, as the body responsible for the overall management. In addition to this, they are dealt with by the committees supporting the Board of Directors, in particular the ARC (economic and environmental issues) and the NRC (social issues).

Division of responsibilities

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

Information and controlling instruments in relation to the Executive Board

The Executive Board reports annually to the Board of Directors on strategic, medium-term and annual targets and on the progress made in attaining them. The Board of Directors issues a code of conduct to ensure compliance with the applicable norms. During the financial year, the Executive Board reports quarterly on business performance, progress in achieving targets and other important developments (activity report). The Board of Directors also receives a regular summary report including key financial figures (Alpiq Group short-form report), an assessment of the risk situation and ongoing internal audits. Furthermore, the Board of Directors receives a written quarterly report showing detailed financial information and the principal activities and projects of the various business and functional divisions. At 31 December 2020, the Board of Directors also has four standing committees: the Audit and Risk Committee (ARC), the Nomination and Remuneration Committee (NRC), the Strategic Committee (SC) and the Governance Committee (GC).

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

Internal Audit, which reports directly to the Chairman of the Board of Directors and the ARC, provides independent and objective auditing and advisory services aimed at adding value and improving business processes. It supports the organisation in achieving its objectives by using a systematic and targeted approach to evaluate the effectiveness of risk management, internal control systems as well as the management and supervisory processes, and by helping to improve them. Internal Audit is a management tool for the Board of Directors and its committees, in particular for the ARC. Internal Audit is intended to assist the Board of Directors and Executive Board in performing their monitoring and controlling functions. At the ARC's request, the Board of Directors approves the risk-oriented audit schedule of Internal Audit on an annual basis and acknowledges the annual accountability report. The individual audit reports are submitted to the respective line manager, the Chairman and (in summary form) to the ARC, and are tabled for discussion at each meeting. As and when necessary, Internal Audit also engages an external co-sourcing audit partner to assist it with its work. As Internal Audit uses the partial outsourcing model, the overall responsibility and accountability for assurance services of Internal Audit lie with the Head of Internal Audit, while the operational implementation is primarily performed by an external service partner.

Risk Management monitors strategic and operational risks, particularly market, credit and liquidity risks. The Board of Directors receives an annual written report on the situation and developments in Group-wide risk management and its most important constituents. The report presents principles and limits, details compliance with them and contains information on planned expansion moves. Central Risk Management reports to the Executive Chairman and proposes limits for the individual areas based on the results of analyses. The Executive Board is responsible for assigning the related risk categories. The overall limit for the Alpiq Group is set annually by the Board of Directors. The Risk Management Committee (RMC), a subcommittee of the Executive Board, monitors compliance with the limits and principles of risk management.

Compliance is integrated into the Legal & Compliance functional unit and reports directly to the Chairman of the Board of Directors. In addition to the actual compliance programme and measures to prevent breaches of ethical regulations and norms, Alpiq's compliance management system comprises aspects of corporate culture as well as constant monitoring and improvement of the Compliance Organisation. Compliance carries out consulting assignments of the Chairman of the Board of Directors, the Executive Board or the ARC, conducts internal investigations and oversees the compliance reporting office as well as Group-wide directives. Moreover, Compliance maintains the transnational partner network for compliance and data protection.

The annual compliance risk analysis was also carried out in the reporting year. With regard to training, two Group-wide e-learning modules on GDPR and Alpiq's code of conduct were completed by all employees in the reporting year. In addition, specific training events for trading were held in particular. A digital platform was introduced for the compliance reporting office, which also enables employees to more easily report cases anonymously. Various internal investigations were conducted in the reporting year. In four cases, the identified violations of internal regulations contained in the code of conduct led to the termination of the employment contract. Lastly, all of Alpiq's efforts in Compliance's Know Your Customer (KYC) area were centralised, amended and professionalised. This laid the foundation for an effective and up-to-date counterparty review.

Executive Board

The Executive Board comprises the following five members:

Jens Alder
Executive Chairman, a.i.

Nationality:
Swiss

Function:
Executive Chairman a.i. since 2020

Education:
- MBA INSEAD Fontainebleau
- Msc Electrical Engineering ETH Zurich

Professional Background:
Since 2009, various mandates on the Board of Directors, including Swiss Steel Holding Ltd./Lucerne (Chairman), CA Inc./USA, Goldbach Group Ltd/Küsnacht (Chairman), Sanitas Krankenversicherungen/Zurich (Chairman), BG Ingénieurs Conseils/Lausanne (Chairman), Industrielle Werke Basel (Chairman), RTX Telecom/Denmark (Chairman), AG für die Neue Zürcher Zeitung/Zurich
2006 – 2008: CEO TDC A/S Denmark
1999 – 2006: CEO Swisscom
1998 – 1999: Swisscom
1993 – 1998: Alcatel
1991 – 1993: Motor-Columbus
1982 – 1991: Alcatel

Year of joining the Alpiq Group:
2015 (first elected to the Board of Directors)

Michael Wider
Head of Generation Switzerland,
Deputy of the CEO

Nationality:
Swiss

Functions:
- Head of Generation Switzerland
- Deputy of the CEO

Education:
- Stanford Executive Program
- Master of Business Administration, University of Lausanne
- Master of Law, University of Fribourg

Professional Background:
2003 – 2009: COO and Head of Energy Generation, EOS Holding
1997 – 2003: CFO and Head of Management Services, Entreprises Electriques Fribourgeoises (EEF), Head of the merge EEF / ENSA
1987 – 1997: Lawyer and general secretary within Entreprises Electriques Fribourgeoises

Year of joining the Alpiq Group:
2009

Thomas Bucher
Chief Financial Officer (CFO)

Nationality:
Swiss

Function:
Head of Financial Services (CFO)

Education:
- Master of Arts in economic sciences, University of St. Gallen
- International Executive Program, INSEAD, Fontainebleau and Singapore

Professional Background:
2008 – 2014: Group CFO & Member of Executive Management Board, Gategroup AG
1992 – 2008: various functions within Ciba-Geigy Switzerland/South Africa und Ciba Speciality Chemicals

Year of joining the Alpiq Group:
2015

Matthias Zwicky
Head of Generation International

Nationality:
Swiss

Function:
Head of Generation International

Education:
- ETH Zurich, Diploma in Electrical Engineering, PhD
- Diploma in Economy
- Stanford Executive Program

Professional Background:
2001 – 2004: Schaffner Holding Ltd. Luterbach, Member of the Executive Board and Executive Vice President «Test Equipment»
1979 – 2000: Various functions within Aare-Tessin Ltd. for Electricity, IUB Ingenieur Unternehmung AG Bern, Schaffner Electronic, Institut de recherche d'Hydro Québec

Year of joining the Alpiq Group:
2005

Michel Kolly
Head of Digital & Commerce

Nationality:
Swiss

Function:
Head of Digital & Commerce

Education:
- EPFL Lausanne, M. Sc. in Energy Systems
- EIF Fribourg, Bachelor Degree in Electro Engineering

Professional Background:
1999 – 2006: Total (Elf), Geneva / London

- 2005 – 2006: Head of Power and Emissions Trading
- 2002 – 2004: Manager Trading Development and Power Trading
- 1999 – 2002: Trading Development Executive

1993 – 1999: Various functions within BKW AG, Bern
1992: Development Engineer, Von Roll Ltd, Bern

Year of joining the Alpiq Group:
2006

Remuneration

This report was prepared in accordance with the requirements of the Swiss Code of Obligations. The amounts disclosed comprise the overall remuneration granted to the members of the Board of Directors of Alpiq Holding Ltd. and the Executive Board for the 2020 financial year. Remuneration is recognised in the year of final acquisition of title.

As laid down under the Articles of Association, the Annual General Meeting (AGM) approves the overall remuneration amounts for the Board of Directors and the Executive Board once a year, separately and with binding effect, prospectively for the following financial year. The Board of Directors will continue to extend an invitation to the Annual General Meeting to approve the total remuneration of the Board of Directors and Executive Board once a year and separately.

Information on Compensation Governance can be found in the relevant passages of the Organisational Regulations and is not listed separately here.

Market-compliant remuneration

To ensure that the remuneration of members of the Executive Board and the Board of Directors conforms to standard market practice, Alpiq regularly engages independent external consultancy firms to evaluate overall remuneration packages relative to the market environment. The most recent market comparison of remuneration of the Board of Directors and Executive Board was performed by HCM Hostettler & Company in mid-2018 at Alpiq's instigation. The amount and structure of remuneration were analysed, using listed electricity and energy companies in Switzerland and Europe of a similar size with comparable structures and operations, as well as industrial companies as a benchmark.

Remuneration policy

Members of the Board of Directors receive fixed remuneration, additional expense allowances and statutory pension benefits. These components are not performance-related. The amount of fixed remuneration depends on whether an office is held as Chairman or as a Board member, as well as on mandates held in other committees of the Board of Directors. Apart from statutory social security contributions and pension contributions if they have pensions with the Swiss pension fund "Stiftung Pensionskasse Energie" (PKE), members of the Board of Directors do not receive any other pension benefits.

Members of the Executive Board receive a fixed salary and a reward. They also receive a company car allowance, an expense allowance and, if requested, a GA travelcard for 1st class travel. The reward is based on performance and value. The reward is not guided by targets set at the start of the financial year, but is evaluated by the NRC on a discretionary basis, taking into account the value-adding factors that have been achieved. It is approved by the Board of Directors and the Annual General Meeting (consultative vote) after the end of the financial year. The reward can range between 0 % and 133 %. All members of the Executive Board are covered by statutory social security and the PKE pension fund.

Remuneration paid to the Board of Directors

Remuneration in 2020

CHF thousand		Fixed remuneration	Expense allowances	Other remuneration
Jens Alder [1]	Chairman of the Board of Directors	631.8 [2]	[3]	246.7 [4]
Jean-Yves Pidoux	Deputy Chairman of the Board of Directors, Lead Director	110.0	12.0	
Conrad Ammann		104.0	12.0	
Tobias Andrist		104.0	12.0	
Dominique Gachoud	(until extraordinary AGM of 29 October 2020)	86.1	9.9	9.9
Aline Isoz	(from AGM 2020)	47.8	6.2	
Jørgen Kildahl		104.0	12.0	17.0
Alexander Kummer-Grämiger		92.0	12.0	
Anne Lapierre	(until extraordinary AGM of 29 October 2020)	76.2	9.9	12.4
René Longet	(until AGM 2020)	44.5	5.8	
Wolfgang Martz	Chairman of the Nomination & Remuneration Committee	116.0	12.0	
Hans Ulrich Meister	Chairman of the Audit and Risk Committee	116.0	12.0	18.9
Heinz Saner	(until extraordinary AGM of 29 October 2020)	86.1	9.9	1.6
Phyllis Scholl		104.0	12.0	
Total		**1,822.5**	**137.7**	**306.5**

1 Includes compensation for the role of Chairman of the Board of Directors and Delegate of the Board of Directors.
2 Includes a GA travelcard for 1st class travel.
3 Reimbursement of actual expenses, no expense allowance.
4 Effective 1 January 2020, Jens Alder is covered by the PKE pension fund.

Remuneration in 2019

CHF thousand		Fixed remuneration	Expense allowances	Other remuneration
Jens Alder[1]	Chairman of the Board of Directors	806.3[2]	[3]	116.1
Jean-Yves Pidoux	Deputy Chairman of the Board of Directors, Lead Director	110.0	12.0	
Conrad Ammann		104.0	12.0	
Tobias Andrist		104.0	12.0	
Dominique Gachoud		65.7	7.6	2.8
Jørgen Kildahl	(from 2019 AGM)	37.7	4.4	5.9
Alexander Kummer-Grämiger		92.0	12.0	
Anne Lapierre	(from 2019 AGM)	33.4	4.4	5.2
Wolfgang Martz	Chairman of the Nomination & Remuneration Committee	116.0	12.0	13.6
Hans Ulrich Meister	Chairman of the Audit and Risk Committee (from AGM 2019)	42.1	4.4	6.6
Heinz Saner		104.0	12.0	1.9
Phyllis Scholl	(from 2019 AGM)	37.7	4.4	
René Longet		92.0	12.0	
François Driesen	(until 2019 AGM)	43.3	5.0	
Birgit Fratzke-Weiss	(until 2019 AGM)	43.3	5.0	
Patrice Gérardin	(until 2019 AGM)	34.1	4.5	
Xavier Lafontaine	(until 2019 AGM)	4.5	0.6	
Claude Lässer	(until 2019 AGM)	38.6	4.5	4.2
John Morris	Chairman of the Audit and Risk Committee (until 2019 AGM)	48.3	5.0	
Total		**1,957.0**	**133.8**	**156.3**

1 Includes compensation for the role of Chairman of the Board of Directors and Delegate of the Board of Directors.
2 Includes a GA travelcard for 1st class travel.
3 Reimbursement of actual expenses, no expense allowance.

Remuneration paid to the Executive Board

	Sum total Executive Board	
CHF	2020	2019
Gross salaries (fixed)	3,044,100	2,726,700
Gross salaries (variable)	632,500	2,695,300
Contributions in kind	130,900	403,300
Pension benefits	977,100	1,066,100
Total	**4,784,600**	**6,891,400**

Each member of the Executive Board was paid an additional annual expense allowance of CHF 24,000, and the highest paid member (CEO) received CHF 30,000. Expense allowances for the Executive Board totalled CHF 120,000 in 2020 (previous year: CHF 154,000).

- Markus Brokhof resigned from the Executive Board at 31 December 2019 and left the company at 31 March 2020.
- Michel Kolly was appointed as a member of the Executive Board at 1 July 2020.
- André Schnidrig resigned from the Executive Board at 22 September 2020.

Auditors

Duration of mandate and period of office of main auditor

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

The current lead audit partner of Ernst & Young Ltd has been performing this function since the 2015 financial year.

Auditors' fees and additional fees

Performance and fees are reviewed annually. For the past financial year, statutory and Group auditor Ernst & Young Ltd received fees of CHF 2.6 million for their services (previous year: CHF 3.3 million). Of this amount, CHF 2.3 million was paid for audit services (CHF 2.4 million), CHF 0.2 million for audit-related services (CHF 0.2 million), CHF 0.1 million for tax services (CHF 0.3 million) and CHF 0.0 million for transaction support (CHF 0.4 million).

External audit information mechanisms

The external auditors report to the ARC at least once a year on the audits they have conducted and the resultant findings and recommendations. The ARC agrees audit plans with the external auditors in advance and assesses their work. The external auditors submit a comprehensive report to the full Board of Directors once a year. The ARC regularly invites the external auditors to attend its meetings.

Information policy

Alpiq provides shareholders, potential investors and all other stakeholders with comprehensive, timely and regular information through its Annual and Interim Reports, at media and financial analyst conferences and at the Annual General Meetings. Communication channels also include the company's regularly updated website at www.alpiq.com, as well as media releases on important events. Contact addresses are listed on the website at www.alpiq.com/contacts.

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Financial Review

The Alpiq Group generated operational EBITDA of CHF 262 million in the 2020 financial year. As announced, this is up on the previous year. All three business divisions made positive contributions to earnings. At CHF 135 million, Swiss power production was up on the previous-year period (previous year: CHF -6 million) as expected, on account of the hedged wholesale prices. Despite the phase-out of coal in the previous year, international power production closed positively at CHF 59 million, however, as expected did not reach the previous-year level. Energy trading generated earnings of CHF 99 million in the 2020 financial year, exceeding the previous year (CHF 56 million).

On 24 June 2020, the Annual General Meeting of Alpiq Holding Ltd. approved the squeeze-out merger with Alpha 2020 Ltd. proposed by the Board of Directors. Alpiq Holding Ltd. was merged as the transferring company into Alpha 2020 Ltd., which was renamed Alpiq Holding Ltd. on the same day. Subsequently, two investors each filed for compensation review proceedings against Alpiq Holding Ltd. pursuant to Art. 105 of the Swiss Merger Act (FusG) in order to receive higher compensation per share. Alpiq considers it unlikely that this litigation will result in a negative outcome for the company.

In December 2020, Alpiq and Bouygues Construction drew a line under the litigation in connection with the sale of the Engineering Services business, which has been ongoing since 2018. Alpiq refunded CHF 54.5 million to Bouygues Construction. The arbitration proceedings, which were simultaneously initiated by both parties in February 2019, therefore came to an end.

On 9 February 2021, the Swiss Federal Electricity Commission (ElCom) issued rulings on the margin differences in 2011 and 2012 as well as the regulatory values of the plants of the former company Alpiq Grid Ltd. Gösgen and Alpiq Grid Ltd Lausanne at the end of 2012, which have a positive effect on the amount of compensation to be paid for the shares in the Swiss high-voltage grid transferred from Alpiq to Swissgrid Ltd on 3 January 2013. In this context, additional sales proceeds of CHF 39 million and interest of CHF 11 million were recognised in the consolidated financial statements for 2020.

In order to allow transparent presentation and demarcation of the exceptional items, the consolidated income statement is presented as a pro forma statement. The commentary on the financial performance relates to an operational EBITDA view, in other words, to earnings development before exceptional items. The categories of exceptional items are described in the “Alternative performance measures of Alpiq” section.

Alpiq Group: results of operations (before exceptional items)

In the 2020 financial year, the Alpiq Group generated net revenue before exceptional items of CHF 3.8 billion (down CHF 0.2 billion on the previous year), EBITDA of CHF 262 million (up CHF 152 million) and EBIT of CHF 169 million (up CHF 186 million).

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

CHF million	2020 Results of operations before exceptional items	2020 Exceptional items[1]	2020 Results under IFRS	2019 Results of operations before exceptional items (adjusted)[2]	2019 Exceptional items (adjusted)[1/2]	2019 Results under IFRS
Net revenue	**3,823**	**82**	**3,905**	**4,059**	**40**	**4,099**
Own work capitalised and change in costs incurred to fulfil a contract	6		6	5		5
Other operating income	64	54	118	48	2	50
Total revenue and other income	**3,893**	**136**	**4,029**	**4,112**	**42**	**4,154**
Energy and inventory costs	– 3,350	– 101	– 3,451	– 3,708	55	– 3,653
Employee costs	– 185	– 1	– 186	– 184	– 6	– 190
Other operating expenses	– 96	– 3	– 99	– 110	– 33	– 143
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**262**	**31**	**293**	**110**	**58**	**168**
Depreciation, amortisation and impairment[3]	– 93	13	– 80	– 127	– 274	– 401
Earnings before interest and tax (EBIT)	**169**	**44**	**213**	**– 17**	**– 216**	**– 233**
Share of results of partner power plants and other associates			– 35			– 44
Finance costs			– 72			– 73
Finance income			17			14
Earnings before tax			**123**			**– 336**
Income tax expense			43			110
Earnings after tax from continuing operations			**166**			**– 226**
Earnings after tax from discontinued operations			– 56			– 42
Net income			**110**			**– 268**

1 For more information, please refer to the explanations in the “Alternative performance measures of Alpiq” section
2 Due to the sale of Flexitricity Ltd. in 2020 and Alpiq’s decision to no longer pursue the e-mobility business, the EBITDA effects from these two businesses are now classified as exceptional items in internal reporting. The previous year’s figures were adjusted to improve comparability. As a result, the Alpiq Group’s EBITDA before exceptional items increased by CHF 4 million in 2019 from CHF 106 million to CHF 110 million.
3 In 2020, including reversals of impairment losses

Generation Switzerland business division

At CHF 135 million, EBITDA of Swiss power production was up year-on-year by CHF 141 million. The main drivers of this development are the hedged electricity prices from previous years, which increased compared to the same period in the previous year, strict cost management and high availability of the plants. Higher production volumes compared to the previous year also had a positive influence on earnings.

Generation International business division

At CHF 59 million, EBITDA of international power production was down year-on-year by CHF 35 million. Income of the Italian wind power plants was below the previous-year level on account of lower production volumes due to weather conditions, lower energy prices and the loss of feed-in tariffs. Income from thermal power plants primarily decreased as a result of the two Czech brown coal-fired power plants Kladno and Zlín not contributing to earnings anymore. The divestment at the end of August 2019 was carried out for strategic reasons, looking towards an increasingly decarbonised energy world. The contribution to earnings of the Spanish gas-fired combined-cycle power plant Plana del Vent was down on the previous year due to unexpected required repairs. By contrast, the thermal plants in Italy recorded an encouraging development. This was partly attributable to increased availability and investments in greater flexibility performed at an earlier stage.

Digital & Commerce business division

At CHF 99 million, EBITDA of international energy trading was up year-on-year by CHF 43 million. Despite the challenging market conditions in connection with the COVID-19 pandemic, market opportunities were successfully leveraged in Asset Trading and Merchant Trading. In the context of the optimisation of the hydropower portfolio in Switzerland and the optimisation in Italy, higher earnings were generated than in the previous year. Optimised trading strategies in Merchant Trading benefited from sharply rising prices. Alpiq continued to invest in the expansion of its industrial and commercial customer business.

Alternative performance measures of Alpiq

To measure and present its operating performance, Alpiq also uses alternative performance measures through to the level of "Earnings before interest and tax (EBIT)". 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 investors 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.

Overview of exceptional items

	Fair value changes (accounting mismatch)		Development of decommissioning and waste disposal funds		Effects from business disposals		Impairment losses and onerous contracts[1]		Restructuring costs and litigation[1]		Total exceptional items[1]	
CHF million	2020	2019	2020	2019	2020	2019	2020	2019 (adjusted)	2020	2019 (adjusted)	2020	2019 (adjusted)
Net revenue	**60**	**38**	**– 1**	**– 8**					**23**	**10**	**82**	**40**
Other operating income					54	2					54	2
Total revenue and other income	**60**	**38**	**– 1**	**– 8**	**54**	**2**			**23**	**10**	**136**	**42**
Energy and inventory costs			21	119			– 108	– 48	– 14	– 16	– 101	55
Employee costs									– 1	– 6	– 1	– 6
Other operating expenses					8	– 21			– 11	– 12	– 3	– 33
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**60**	**38**	**20**	**111**	**62**	**– 19**	**– 108**	**– 48**	**– 3**	**– 24**	**31**	**58**
Depreciation, amortisation and impairment[2]							16	– 274	– 3		13	– 274
Earnings before interest and tax (EBIT)	**60**	**38**	**20**	**111**	**62**	**– 19**	**– 92**	**– 322**	**– 6**	**– 24**	**44**	**– 216**

1 Due to the sale of Flexitricity Ltd. in 2020 and Alpiq's decision to no longer pursue the e-mobility business, the EBITDA effects from these two businesses are now classified as exceptional items in internal reporting. The previous year's figures were adjusted to improve comparability.
2 In 2020, including reversals of impairment losses

Alpiq has defined the following categories of exceptional items:

Fair value changes (accounting mismatch)

Fair value changes of energy derivatives entered into to hedge future power production do not reflect the operating performance of business activities because they are economically linked with the changes in value of production plants and long-term purchase contracts. Rising forward prices cause the future production volumes to increase in value and the corresponding hedges to lose value. According to IFRS guidelines, the fair value changes of hedges have to be recognised in the reporting year. As the future production volumes are not measured at fair value and these changes in value therefore cannot be recognised in the reporting year, this results in an accounting mismatch.

Development of decommissioning and waste disposal funds

The operating companies of Switzerland's nuclear power plants are required to make payments into the decommissioning fund and the waste disposal fund to ensure that decommissioning and waste disposal activities are funded. Investments in these 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 an exceptional item.

Effects from business disposals

The result from business disposals does not affect Alpiq's operating performance and reduces comparability with other periods.

Impairment losses and onerous contracts

Effects in connection with impairment and reversals of impairment of property, plant and equipment and intangible assets (including assets held for sale) as well as onerous contracts relate to effects that are attributable to changes in expectations regarding future developments. Management does not therefore take these into account for the assessment of Alpiq's operating performance.

Restructuring costs and litigation

Under restructuring costs, Alpiq includes expenses incurred for creating new structures in existing areas, company disposals as well as business closures. These expenses do not reflect the operating performance as they are incurred when the measures are implemented and therefore before any benefit is generated. Costs in connection with litigation, which comprise legal and litigation costs as well as any payments in connection with legal cases, are classified as exceptional items if they appear to be one-off and limit comparability between various periods.

Consolidated balance sheet and cash flow statement (after exceptional items)

Total assets remained unchanged on the previous year at CHF 7.4 billion at the 31 December 2020 reporting date, while non-current assets decreased by CHF 0.1 billion to CHF 4.4 billion. Impairment losses on individual power plants were more than compensated for by reversals of impairment losses on other power plants. The CHF 46 million decrease in other non-current assets primarily relates to the reclassification of a receivable to current assets. The reclassification reflects the fact that convertible loans of Swissgrid Ltd will be due for repayment within the next 12 months. Current assets increased by CHF 134 million. This is attributable to the aforementioned reclassification, to an increase in positive replacement values for derivative financial instruments due to higher commodity prices and changed volatilities as well as to higher compensation expected for the shares in the Swiss high-voltage grid transferred to Swissgrid in 2013.

Equity stood at CHF 3.8 billion at 31 December 2020, and is CHF 101 million higher than at the end of 2019. The increase chiefly stems from the net income and the effects from remeasurements of defined benefit plans, and was only partially compensated for by distributions to hybrid investors. The equity ratio increased from 49.9 % to 51.2 %.

Current and non-current financial liabilities declined by CHF 95 million and came to CHF 1.2 billion at 31 December 2020. The decrease is primarily due to the repayment of loans. Net debt increased from CHF 206 million to CHF 249 million. Due to higher results of operations, the gearing ratio (net debt / EBITDA before exceptional items) of 1.9 at 31 December 2019 decreased to 1.0 at 31 December 2020.

Non-current liabilities decreased by CHF 340 million compared to 31 December 2019. The main reasons for this are term-related reclassifications of financial liabilities and other non-current liabilities as well as the decrease in deferred income tax liabilities resulting from tax rate reductions in Switzerland. On the other hand, non-current provisions increased by CHF 92 million, attributable for the most part to the onerous contract from the Nant de Drance pumped storage power plant. The slight increase in negative replacement values of derivative financial instruments and liabilities from trading is especially due to higher commodity prices and changed volatilities.

Net cash flows from operating activities of continuing operations increased from CHF -17 million in the previous year to CHF 117 million. This mainly relates to improved earnings before tax from continuing operations and the smaller increase in net working capital. Net cash flows from investing activities decreased on the previous year. On the one hand, this is due to an out-of-court settlement with Bouygues Construction and, on the other, to the net cash inflow of CHF 265 million in the previous year from the sale of the Kladno and Zlín power plants. Cash and cash equivalents decreased by around CHF 100 million to CHF 340 million.

Outlook

In 2021, Alpiq will also invest in its tried-and-tested, sustainable business model. For the 2021 financial year, Alpiq expects positive results of operations that are down on the previous year. While the electricity and CO2 prices on the wholesale markets hedged in Swiss francs will also have a positive effect on Alpiq’s earnings in 2021, the annual results for 2020 contain one-off effects that had an above-average positive influence on earnings. In 2021, an extended overhaul of the Leibstadt nuclear power plant will have a major impact on earnings. Furthermore, the effects of the COVID-19 pandemic cannot yet be fully assessed at present.

Consolidated Financial Statements of the Alpiq Group

Consolidated Income Statement

CHF million	Note	2020	2019
Net revenue	2.2	**3,905**	**4,099**
Own work capitalised and change in costs incurred to fulfil a contract		6	5
Other operating income	2.3	118	50
Total revenue and other income		**4,029**	**4,154**
Energy and inventory costs	2.4	– 3,451	– 3,653
Employee costs	2.5	– 186	– 190
Other operating expenses		– 99	– 143
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**293**	**168**
Depreciation, amortisation and impairment [1]	4.1 / 4.2 / 5.2	– 80	– 401
Earnings before interest and tax (EBIT)		**213**	**– 233**
Share of results of partner power plants and other associates	4.3	– 35	– 44
Finance costs	2.6	– 72	– 73
Finance income	2.6	17	14
Earnings before tax		**123**	**– 336**
Income tax expense	2.7	43	110
Earnings after tax from continuing operations		**166**	**– 226**
Earnings after tax from discontinued operations	5.2	– 56	– 42
Net income		**110**	**– 268**
Attributable to non-controlling interests		3	3
Attributable to equity investors of Alpiq Holding Ltd.		107	– 271
Earnings per share from continuing operations in CHF, diluted and undiluted [2]	2.8	4.02	– 7.81
Earnings per share from discontinued operations in CHF, diluted and undiluted [2]	2.8	– 1.69	– 1.26
Earnings per share in CHF, diluted and undiluted [2]	2.8	**2.33**	**– 9.07**

1 In 2020, including reversals of impairment losses
2 The previous-year figure has been adjusted due to the conversion of the hybrid loan from the shareholders and the resulting higher number of shares.

Consolidated Statement of Comprehensive Income

CHF million	2020	2019
Net income	**110**	**– 268**
Cash flow hedges (group companies)	– 8	38
Income tax expense	3	– 9
Net of income tax	– 5	29
Cash flow hedges (partner power plants and other associates)	– 2	1
Net of income tax	– 2	1
Currency translation differences	0	9
Net of income tax	0	9
Items that may be reclassified subsequently to the income statement, net of tax	**– 7**	**39**
Remeasurements of defined benefit plans (group companies)	14	2
Income tax expense	2	– 1
Net of income tax	16	1
Remeasurements of defined benefit plans (partner power plants and other associates)	17	– 20
Income tax expense	– 5	4
Net of income tax	12	– 16
Items that will not be reclassified to the income statement, net of tax	**28**	**– 15**
Other comprehensive income	**21**	**24**
Total comprehensive income	**131**	**– 244**
Attributable to non-controlling interests	3	2
Attributable to equity investors of Alpiq Holding Ltd.	128	– 246
Of which, total comprehensive income from continuing operations	184	– 204
Of which, total comprehensive income from discontinued operations	– 56	– 42

Consolidated Balance Sheet

Assets

CHF million	Note	31 Dec 2020	31 Dec 2019 (adjusted)[1]
Property, plant and equipment	4.1	1,921	1,934
Intangible assets	4.2	99	102
Investments in partner power plants and other associates	4.3	2,280	2,324
Other non-current assets	3.3	61	107
Deferred income tax assets	2.7	79	99
Non-current assets		**4,440**	**4,566**
Inventories	4.4	67	61
Derivative financial instruments		626	536
Receivables	4.5	1,078	938
Prepayments and accrued income		194	140
Current term deposits		596	634
Securities		27	26
Cash and cash equivalents	4.6	340	440
Assets held for sale	5.3		19
Current assets		**2,928**	**2,794**
Total assets		**7,368**	**7,360**

1 See note 1.4

Equity and liabilities

CHF million	Note	31 Dec 2020	31 Dec 2019 (adjusted)[1]
Share capital	3.7	0	279
Share premium		4,904	4,259
Hybrid capital	3.7	650	1,017
Retained earnings		– 1,857	– 1,956
Equity attributable to equity investors of Alpiq Holding Ltd.		**3,697**	**3,599**
Non-controlling interests		75	72
Total equity		**3,772**	**3,671**
Non-current provisions	4.7	506	414
Deferred income tax liabilities	2.7	338	426
Defined benefit liabilities	6.3	31	50
Non-current financial liabilities	3.5	913	1,175
Other non-current liabilities	3.4	71	134
Non-current liabilities		**1,859**	**2,199**
Current income tax liabilities		58	43
Current provisions	4.7	31	55
Current financial liabilities	3.5	299	132
Other current liabilities	4.9	643	562
Derivative financial instruments		461	432
Accruals and deferred income		245	258
Liabilities held for sale	5.3		8
Current liabilities		**1,737**	**1,490**
Total liabilities		**3,596**	**3,689**
Total equity and liabilities		**7,368**	**7,360**

1 See note 1.4

Consolidated Statement of Changes in Equity

CHF million	Share capital	Share premium	Hybrid capital	Cash flow hedge reserves	Currency translation differences	Retained earnings	Attributable to equity investors of Alpiq Holding Ltd.	Non-controlling interests	Total equity
Equity at 1 January 2020	**278.7**	**4,259.2**	**1,016.5**	**15.6**	**– 742.9**	**– 1,228.6**	**3,598.5**	**72.5**	**3,671.0**
Net income for the period						106.7	**106.7**	3.2	**109.9**
Other comprehensive income				– 7.2	0.0	28.0	**20.8**		**20.8**
Total comprehensive income				**– 7.2**	**0.0**	**134.7**	**127.5**	**3.2**	**130.7**
Dividends							**0.0**	– 1.1	**– 1.1**
Distributions to hybrid investors						– 29.5	**– 29.5**		**– 29.5**
Change in non-controlling interests							**0.0**	0.9	**0.9**
Impact of the squeeze-out merger[1]	– 278.4	278.7					**0.3**		**0.3**
Conversion of the hybrid loan from the shareholders[1]	0.0	366.5	– 366.5				**0.0**		**0.0**
Equity at 31 December 2020	**0.3**	**4,904.4**	**650.0**	**8.4**	**– 742.9**	**– 1,123.4**	**3,696.8**	**75.5**	**3,772.3**

1 See note 3.7

CHF million	Share capital	Share premium	Hybrid capital	Cash flow hedge reserves	Currency translation differences	Retained earnings	Attributable to equity investors of Alpiq Holding Ltd.	Non-controlling interests	Total equity
Equity at 1 January 2019	**278.7**	**4,259.2**	**1,016.5**	**– 14.4**	**– 752.6**	**– 913.7**	**3,873.7**	**70.3**	**3,944.0**
Net income for the period						– 270.7	**– 270.7**	2.5	**– 268.2**
Other comprehensive income				30.0	9.7	– 14.7	**25.0**	– 0.4	**24.6**
Total comprehensive income				**30.0**	**9.7**	**– 285.4**	**– 245.7**	**2.1**	**– 243.6**
Dividends							**0.0**	– 1.0	**– 1.0**
Distributions to hybrid investors						– 29.5	**– 29.5**		**– 29.5**
Change in non-controlling interests							**0.0**	1.1	**1.1**
Equity at 31 December 2019	**278.7**	**4,259.2**	**1,016.5**	**15.6**	**– 742.9**	**– 1,228.6**	**3,598.5**	**72.5**	**3,671.0**

Consolidated Statement of Cash Flows

CHF million	Note	2020	2019
Earnings before tax from continuing operations		**123**	**– 336**
Adjustments for:			
Depreciation, amortisation and impairment	4.1 / 4.2 / 5.2	80	401
Gain on sale of non-current assets			– 3
Share of results of partner power plants and other associates	4.3	35	44
Financial result	2.6	55	59
Other non-cash income and expenses		– 52	40
Change in provisions (excl. interest)	4.7	71	47
Change in defined benefit liabilities and other non-current liabilities		– 14	– 11
Change in fair value of derivative financial instruments		– 67	– 3
Change in net working capital (excl. derivatives, current financial assets / liabilities and current provisions)		– 90	– 247
Other financial income and expenses		– 21	4
Income tax paid		– 3	– 12
Net cash flows from operating activities of continuing operations		**117**	**– 17**
Net cash flows from operating activities of discontinued operations		– 9	– 2
Net cash flows from operating activities		**108**	**– 19**
Property, plant and equipment and intangible assets			
Investments	4.1 / 4.2	– 66	– 71
Proceeds from disposals			1
Subsidiaries			
Proceeds from disposals	5.2	25	265
Associates			
Investments	4.3	– 1	
Proceeds from disposals			2
Loans receivable and financial investments			
Investments	3.3	– 5	– 2
Change in current and non-current term deposits		48	– 61
Dividends from partner power plants, other associates and financial investments	4.3	22	22
Interest received		3	2
Net cash flows from investing activities of continuing operations		**26**	**158**
Net cash flows from investing activities of discontinued operations	5.2	– 67	– 28
Net cash flows from investing activities		**– 41**	**130**

CHF million	Note	2020	2019
Dividends paid to non-controlling interests		– 1	– 1
Proceeds from financial liabilities	3.5	13	53
Repayment of financial liabilities	3.5	– 109	– 266
Change in non-controlling interests		1	1
Distributions to hybrid investors recognised in equity outside profit and loss	3.7	– 29	– 29
Interest paid		– 37	– 46
Net cash flows from financing activities of continuing operations		**– 162**	**– 288**
Net cash flows from financing activities of discontinued operations			
Net cash flows from financing activities		**– 162**	**– 288**
Currency translation differences		**– 6**	**– 16**
Change in cash and cash equivalents		**– 101**	**– 193**
Reconciliation:			
Cash and cash equivalents at 1 January		441	634
Of which, cash and cash equivalents	4.6	440	634
Of which, cash and cash equivalents under assets held for sale	5.3	1	
Cash and cash equivalents at 31 December		340	441
Of which, cash and cash equivalents	4.6	340	440
Of which, cash and cash equivalents under assets held for sale	5.3		1
Change		**– 101**	**– 193**

Notes to the Consolidated Financial Statements

1 Overview

Alpiq Holding Ltd. is a stock corporation under Swiss law and domiciled in Lausanne. The company and its Swiss and foreign subsidiaries collectively form the Alpiq Group.

1.1 Basis of preparation of the consolidated financial statements

The consolidated financial statements of the Alpiq Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and Interpretations (IFRIC and SIC) issued by the International Accounting Standards Board (IASB), and comply with Swiss law. The consolidated financial statements give a true and fair view of the financial position, financial performance and cash flows of the Alpiq Group. They have been prepared on a historical cost basis, except for certain items such as financial instruments, which have been measured at fair value in some instances. The consolidated financial statements were authorised for issue by the Board of Directors of Alpiq Holding Ltd. on 24 February 2021 and are subject to approval by shareholders at the Annual General Meeting on 28 May 2021.

1.2 Adoption of new and revised accounting standards

Amendments, standards and interpretations adopted for the first time in 2020

At 1 January 2020, the following amendments to the International Financial Reporting Standards (IFRS) entered into force and were applied by the Alpiq Group:

- Amendments to the Conceptual Framework for Financial Reporting
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to IFRS 3: Definition of a Business
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform – Phase 1
- Amendments to IFRS 16: COVID-19-Related Rent Concessions (early adopted)

These amendments had no significant impact on the Alpiq Group.

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 IFRS 9, IAS 39 und IFRS 7: IBOR Reform and its Effects on Financial Reporting – Phase 2	1 Jan 2021	1 Jan 2021
Amendments to IAS 16: Proceeds before intended Use	1 Jan 2022	1 Jan 2022
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
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 Group.

1.3 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.

The explanations on significant estimation uncertainties and judgments are highlighted in colour. They are contained in notes 2.2 Net revenue, 2.7 Income tax, 3.2 Financial instruments, 3.6 Leases, 4.1 Property, plant and equipment, 4.2 Intangible assets, 4.7 Provisions, 4.8 Contingent liabilities and guarantees, 5.2 Companies sold and 6.3 Employee benefits.

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, forcing governments to take drastic protective measures. Thus far, the pandemic has not led to any substantial restrictions on the operating activities of the Alpiq Group. However, 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 of all industries across the globe and thus also on Alpiq. These effects were assessed at 31 December 2020 and taken into account in the 2020 consolidated financial statements, although the effects of COVID-19 cannot be estimated separately from other market fluctuations:

- The COVID-19 pandemic caused wholesale electricity prices to drop in 2020, hitting short-term prices particularly hard. In addition to this, electricity consumption was also lower. Medium and long-term forward prices have more or less recovered in the meantime and are now at a similar level to that seen before the pandemic. Alpiq had to increase its provisions for onerous contracts (see note 4.7) and recognise impairment losses (see note 4.1) at the reporting date. Alpiq's revenue in 2020 was also negatively affected to a limited extent.
- The development of the financial markets had a significant impact on the performance of the decommissioning and waste disposal funds for nuclear power plants, which in turn has an impact on Alpiq's energy procurement costs. The assets of the pension funds were also impacted, which had an influence on the defined benefit liabilities. Exchange losses incurred during the year were compensated for by the end of 2020.

At the time of approval of the consolidated financial statements by the Board of Directors of Alpiq Holding Ltd., the financial impact of the pandemic on the financial position, financial performance and cash flows of the Group cannot yet be fully assessed and estimated, as the effective impact will only become apparent as the situation develops over the coming months. This could have a significant impact, in particular on the following assumptions made by management regarding estimation uncertainties:

- Recoverable amount of non-current assets
- Provisions for onerous contracts
- Recoverability of deferred tax assets
- Calculation of defined benefit liabilities

Furthermore, the development of the financial markets in particular has a significant impact on the performance of the decommissioning and waste disposal funds for nuclear power plants, which in turn has an impact on Alpiq's energy procurement costs. In addition, the market changes caused by the pandemic may have an effect on the future measurement of derivative financial instruments. Alpiq regularly monitors the development of the pandemic as well as its effects on the aforementioned estimation uncertainties, and takes the necessary measures.

1.4 Correction of presentation errors

Alpiq determined that the carrying amount of the investment in Nant de Drance SA was overstated by CHF 9 million, both at 1 January 2019 and at 31 December 2019, due to an error in the application of the equity method prior to the 2019 financial year. As a result, the provision for the onerous contract relating to the future procurement of energy from the Nant de Drance pumped storage power plant was also overstated by the same amount.

The balance sheet as well as notes 4.3 and 4.7 were adjusted. As a result, the equity ratio increased from 49.8 % to 49.9 % at 31 December 2019 (1 January 2019: unchanged at 43.5 %). This correction did not impact the consolidated income statement or statement of cash flows.

CHF million	31 Dec 2019 (reported)	Correction	31 Dec 2019 (restated)
Investments in partner power plants and other associates	2,333	– 9	2,324
Remaining non-current assets	2,242		2,242
Non-current assets	**4,575**	**– 9**	**4,566**
Current assets	**2,794**		**2,794**
Total assets	**7,369**	**– 9**	**7,360**
Total equity	**3,671**		**3,671**
Non-current provisions	423	– 9	414
Remaining non-current liabilities	1,785		1,785
Non-current liabilities	**2,208**	**– 9**	**2,199**
Current liabilities	**1,490**		**1,490**
Total liabilities	3,698	– 9	3,689
Total equity and liabilities	**7,369**	**– 9**	**7,360**

2 Performance

2.1 Segment information

The segment reporting of the Alpiq Group is based on the Group's internal organisational and management structure and the internal financial information reported to the chief operating decision maker. The reportable segments under IFRS 8 consist of the three business divisions Generation Switzerland, Generation International and Digital & Commerce, as shown in the organisational chart in the "Corporate Governance" section of the Annual Report. The Executive Board evaluates each of these separately for the purpose of assessing performance and allocating resources. Segment results (EBITDA, EBIT) are the key performance indicators used for internal management and assessment purposes at Alpiq. Besides energy procurement and production costs, operating costs comprise all costs of operations, including personnel and service expenses. No operating business segments have been aggregated in the presentation of reportable segments.

The internal organisational and management structure was adjusted in 2020. As a result, Oyster Lab was moved from Digital & Commerce to the Group Centre. The key for internal allocation of Group Centre expenses was also adjusted. Moreover, due to the sale of Flexitricity Ltd. in 2020 and Alpiq's decision to no longer pursue the e-mobility business, the EBITDA effects from these two businesses are now classified as exceptional items in internal reporting. Segment reporting for 2019 has been adjusted for comparability. As a result, the Alpiq Group's EBITDA before exceptional items increased by CHF 4 million in 2019 from CHF 106 million to CHF 110 million.

- The Generation Switzerland business division comprises 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 Generation 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, Spain and, until 30 August 2019, Czechia. 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 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 business divisions' results are carried over to the Alpiq Group's consolidated figures by way of including the units with no market operations (Group Centre & other companies), Group consolidation effects (including foreign currency effects from using other average exchange rates in management reporting) as well as other reconciliation items presented in a separate column. This reconciliation item comprises shifts between external net revenue and other income due to the difference in account structures between internal and external reporting. Group Centre & other companies includes the financial and non-strategic investments which cannot be allocated directly to the business divisions as well as activities of the Group headquarters, including Alpiq Holding Ltd. and the functional units.

2020: Information by business division

CHF million	Generation Switzerland	Generation International	Digital & Commerce	Group Centre & other companies	Consolidation	Reconciliation	Alpiq Group
Net revenue from third parties	149	135	3,587	21	– 2	15	3,905
Inter-segment transactions	613	31	20	– 24	– 640		
Exceptional items[1]	– 7	– 8	– 66		– 1		– 82
Net revenue before exceptional items	**755**	**158**	**3,541**	**– 3**	**– 643**	**15**	**3,823**
Net revenue	**762**	**166**	**3,607**	**– 3**	**– 642**	**15**	**3,905**
Other income	96	19	12	28	– 16	– 15	124
Exceptional items[1]	– 40		– 7	– 7			– 54
Total revenue and other income before exceptional items	**811**	**177**	**3,546**	**18**	**– 659**	**0**	**3,893**
Total revenue and other income	**858**	**185**	**3,619**	**25**	**– 658**	**0**	**4,029**
Operating costs	– 751	– 118	– 3,486	– 39	658		– 3,736
Exceptional items[1]	75		39	– 9			105
EBITDA before exceptional items	**135**	**59**	**99**	**– 30**	**– 1**	**0**	**262**
EBITDA	**107**	**67**	**133**	**– 14**	**0**	**0**	**293**
Depreciation, amortisation and impairment[2]	– 59	3	– 15	– 9			– 80
Exceptional items[1]		– 17	4				– 13
EBIT before exceptional items	**76**	**45**	**88**	**– 39**	**– 1**	**0**	**169**
EBIT	**48**	**70**	**118**	**– 23**	**0**	**0**	**213**
Number of employees at 31 December	138	212	558	350			1,258
Property, plant and equipment	1,394	424	4	99			1,921
Intangible assets	48	21	18	12			99
Investments in partner power plants and other associates	2,268	9		3			2,280
Non-current assets	**3,710**	**454**	**22**	**114**	**0**	**0**	**4,300**
Net capital expenditure on property, plant and equipment and intangible assets	24	26	13	5			68

1 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, impairment losses, reversals of impairment losses as well as restructuring costs. For more information, please refer to the explanations in the “Alternative performance measures of Alpiq” section of the Financial Review.

2 Including reversals of impairment losses

2019: Information by business division (adjusted)

CHF million	Generation Switzerland	Generation International	Digital & Commerce	Group Centre & other companies	Consolidation	Reconciliation	Alpiq Group
Net revenue from third parties	147	198	3,752	– 7	– 7	16	4,099
Inter-segment transactions	453	85	46	11	– 595		
Exceptional items[1]	1	14	– 53	– 2			– 40
Net revenue before exceptional items	**601**	**297**	**3,745**	**2**	**– 602**	**16**	**4,059**
Net revenue	**600**	**283**	**3,798**	**4**	**– 602**	**16**	**4,099**
Other income	53	6	5	24	– 17	– 16	55
Exceptional items[1]				– 2			– 2
Total revenue and other income before exceptional items	**654**	**303**	**3,750**	**24**	**– 619**	**0**	**4,112**
Total revenue and other income	**653**	**289**	**3,803**	**28**	**– 619**	**0**	**4,154**
Operating costs	– 586	– 210	– 3,724	– 84	618		– 3,986
Exceptional items[1]	– 74	1	30	27			– 16
EBITDA before exceptional items	**– 6**	**94**	**56**	**– 33**	**– 1**	**0**	**110**
EBITDA	**67**	**79**	**79**	**– 56**	**– 1**	**0**	**168**
Depreciation, amortisation and impairment	– 57	– 313	– 27	– 7	3		– 401
Exceptional items[1]		258	19		– 3		274
EBIT before exceptional items	**– 63**	**39**	**48**	**– 40**	**– 1**	**0**	**– 17**
EBIT	**10**	**– 234**	**52**	**– 63**	**2**	**0**	**– 233**
Number of employees at 31 December	136	204	567	319			1,226
Property, plant and equipment	1,431	396	5	102			1,934
Intangible assets	44	26	20	12			102
Investments in partner power plants and other associates (adjusted)[2]	2,317	5		2			2,324
Non-current assets (adjusted)[2]	**3,792**	**427**	**25**	**116**	**0**	**0**	**4,360**
Net capital expenditure on property, plant and equipment and intangible assets	25	32	9	4			70

1 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, impairment losses as well as restructuring costs. For more information, please refer to the explanations in the “Alternative performance measures of Alpiq” section of the Financial Review.

2 See note 1.4

2020: Information by geographical area

CHF million	Switzerland	Germany	France	Italy	Czechia	Hungary	Poland	United Kingdom	Other countries	Alpiq Group
Net revenue from third parties	**721**	**404**	**934**	**551**	**49**	**168**	**156**	**174**	**748**	**3,905**
Property, plant and equipment	1,454		118	258	2	27			62	1,921
Intangible assets	76		10	8					5	99
Investments in partner power plants and other associates	2,276								4	2,280
Non-current assets	**3,806**	**0**	**128**	**266**	**2**	**27**	**0**	**0**	**71**	**4,300**

2019: Information by geographical area

CHF million	Switzerland	Germany	France	Italy	Czechia	Hungary	Poland	United Kingdom	Other countries	Alpiq Group
Net revenue from third parties	**473**	**558**	**1,122**	**485**	**115**	**331**	**233**	**116**	**666**	**4,099**
Property, plant and equipment	1,492		122	232	2	29			57	1,934
Intangible assets	77		7	11					7	102
Investments in partner power plants and other associates (adjusted)[1]	2,324									2,324
Non-current assets (adjusted)[1]	**3,893**	**0**	**129**	**243**	**2**	**29**	**0**	**0**	**64**	**4,360**

1 See note 1.4

Net revenue from external customers by country is allocated based on the customer's country of domicile. Those countries in which Alpiq generated the most net revenue in the reporting period and / or previous year are presented separately in this segment information. There were no transactions with any single external customers that amounted to 10 % or more of the consolidated net revenue of the Alpiq Group. Non-current assets consist of property, plant and equipment (including right-of-use assets), intangible assets and investments in the respective countries.

2.2 Net revenue

The Alpiq Group's net revenue comprises revenue from contracts with customers (IFRS 15) and income from energy and financial derivatives (IFRS 9).

2020: Disaggregation of net revenue

CHF million	Generation Switzerland	Generation International	Digital & Commerce	Group Centre & other companies	Total
Revenue from energy and grid services	148	135	3,487		3,770
Revenue from digital energy services and e-mobility			11	1	12
Revenue from other services	15				15
Total revenue from contracts with customers	**163**	**135**	**3,498**	**1**	**3,797**
Income from energy and financial derivatives	1		87	20	108
Net revenue from third parties	**164**	**135**	**3,585**	**21**	**3,905**

2019: Disaggregation of net revenue (adjusted)

CHF million	Generation Switzerland	Generation International	Digital & Commerce[1]	Group Centre & other companies[1]	Total
Revenue from energy and grid services	119	196	3,736		4,051
Revenue from digital energy services and e-mobility			8	1	9
Revenue from other services	15		1		16
Total revenue from contracts with customers	**134**	**196**	**3,745**	**1**	**4,076**
Income from energy and financial derivatives	28	1	3	– 9	23
Net revenue from third parties	**162**	**197**	**3,748**	**– 8**	**4,099**

1 The internal organisational and management structure was adjusted in 2020. As a result, Oyster Lab was moved from Digital & Commerce to the Group Centre. The disaggregation of net revenue for 2019 has been adjusted for comparability.

Accounting policies

Alpiq generally satisfies its performance obligations as principal. However, for performance obligations in connection with the transmission of energy, Alpiq acts as agent in all represented markets. Where Alpiq acts as agent, revenue is recognised net of the corresponding costs.

Revenue from energy and grid services

Revenue from energy supply from contracts with customers ("own use exception" pursuant to IFRS 9) is generally recognised over the period agreed for completion of performance. However, for energy supplies, Alpiq has a right to consideration that directly corresponds to the value to the customer of the energy already supplied. For such cases, Alpiq exercises the practical expedient and recognises revenue in the amount that can be billed. In single contracts, Alpiq sells the proportionate right in energy production of a power plant. Revenue from these contracts is recognised over the period that corresponds to the timing of the costs.

Revenue from standing ready to deliver ancillary services is recognised on a straight-line basis over the period in which Alpiq is available to render these services. Revenue for called ancillary services is recognised when it is delivered.

Contractual penalties – for example, for deviations between the delivered and contractually agreed-upon quantity of energy – represent a variable 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.

Revenue from digital energy services and e-mobility

Revenue from the e-mobility and energy management business is recognised upon successful installation of the respective device. Any costs incurred prior to revenue recognition are recognised under inventories and any prepayments received under contract liabilities (advances from customers). Any services in this area beyond installation are identified as separate performance obligations. The transaction price for these services is recognised in revenue when the customer receives the economic benefit. Revenue from projects is recognised over the period for completion of performance; progress is primarily measured using a cost-based input method. Revenue which cannot yet be billed is recognised in the balance sheet as contract assets, less any prepayments. In case of an excess of prepayments, revenue which cannot yet be billed is recognised as contract liabilities.

The method for determining project process is at the discretion of Alpiq. Under the cost-based input method, the revenue recognised best reflects the service already rendered to the customer. Applying this method requires certain estimates and forecasts. As a result, the expected additional costs in particular until the project is completed, which influence the degree of completion, are subject to significant uncertainty. Furthermore, estimated total costs may deviate from costs actually incurred upon the project being completed. Under project controlling, the cost estimates are reviewed regularly and adjusted if necessary. The adjustments relate to the expected total costs, the degree of completion and therefore also the amount of revenue already recognised.

Revenue from other services

Revenue from other services from contracts with customers is recognised, on the one hand, over the time period over which the performance obligation is satisfied on a straight-line basis. On the other hand, Alpiq applies the following practical expedient: if Alpiq has a right to consideration that directly corresponds to the value to the customer, then revenue is recognised in the amount that can be billed.

Practical expedients applied regarding revenue from contracts with customers

Alpiq exercises the practical expedient provided in IFRS 15 and, wherever possible, opts not to disclose the remaining performance obligations at the end of the reporting period. After applying this practical expedient, the remaining performance obligations disclosed in continuing operations at the end of the reporting period are not significant.

Alpiq applies the practical expedient and does not capitalise incremental costs of obtaining a customer contract, as far as these costs would be amortised within one year. Due to the application of this practical expedient, Alpiq did not disclose any significant costs of this type.

Income from energy and financial derivatives

Energy and financial derivatives are measured at fair value through profit or loss. Changes in value in energy derivatives are disclosed in net revenue in the period in which they occur. Revenue from trading in energy and financial derivatives comprises realised net gains and losses from settled contracts and unrealised changes in the fair value of unsettled contracts. For more information on measurement, please refer to note 3.2.

2.3 Other operating income

Other operating income includes income from government grants such as the market premium for large-scale hydropower plants in Switzerland. This item also includes income from operating leases as well as income that does not arise in the course of ordinary activities of the Alpiq Group. The latter is therefore generally not of a plannable or recurring nature. It includes gains from sales of non-current assets or business disposals, insurance claims received and payments received from litigation.

CHF million	2020	2019
Gain from disposal of companies[1]	53	
Market premiums	33	31
Income from operating leases	2	2
Gain on sale of non-current assets		3
Miscellaneous	30	14
Other operating income	**118**	**50**

1 See note 5.2

Market premium for large-scale hydropower plants in Switzerland

In accordance with the Energy Act (EnA), operators of large-scale hydropower plants in Switzerland with a mean mechanical gross output of more than 10 MW that sell their energy on the market at prices below production cost are eligible to receive a market premium. If the risk of uncovered production costs is not borne by the operators of the hydropower plants, but instead by the owners or electricity suppliers as a result of purchase agreements for the electricity, then the latter are eligible to the market premium. The entitlement first arose in 2018 based on the business figures for 2017 and, due to the time limit prescribed by the Energy Act, last arises in 2022 based on the business figures for 2021. In order to assert a claim for a market premium in a given year, the applicant must submit the entire application documentation by 31 May of that year at the latest. Should the claims of all those applicants entitled to do so exceed the funds available, all claims will be reduced on a straight-line basis. As a result, if demand exceeds the funds available, each claim for a market premium is dependent on all other claims. For this reason, the Swiss Federal Office of Energy (BFE) informs the applicants at the same time about the claims made by all applicants by issuing an order.

As both the amount of the funds made available for the market premium and the effective entitlement to a market premium are still unknown upon issuing the first order, the BFE may decide to pay 100 % or 80 % of the provisional amount assigned by order to the applicants with the first order. For practical reasons, 20 % may be retained and only paid out when the second order is issued in order to avoid the time-consuming administrative process of reclaiming any overpayments where possible.

2020 claim

The first order for the claim for market premiums for 2020 was made on 5 November 2020 and took legal effect in December 2020. Alpiq's claim for the 2020 financial year amounted to CHF 33 million and was posted in full, as the BFE had decided to pay out 100 % of the amount once the first order became legally binding.

2019 claim

The first order for the claim in 2019 was made on 7 November 2019 and took legal effect in December 2019. Alpiq's claim for the 2019 financial year amounted to CHF 25 million and was posted in full in the 2019 financial year, as the BFE had decided to pay out 100 % of the amount once the first order became legally binding.

Accounting policies

The market premium for large-scale hydropower plants in Switzerland relates to government grants as defined by IAS 20. Government grants may not be posted until there is reasonable assurance as to the entitlement. Alpiq deems reasonable assurance of the claim for a market premium in the amount of the prospective payment to be given within the meaning of IAS 20 as soon as the order is legally binding. This means that 100 % or 80 % of the provisional amount assigned by order will be recognised as soon as the first order is legally binding, depending on the amount of the payment. The remaining amount will be recognised as soon as the second order is legally binding.

Income from operating leases

Under IFRS 16, lessors are to classify leases as either finance or operating leases. Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset are treated as finance leases. All other leases that do not satisfy the requirement of a finance lease are accounted for as operating leases. As in the previous period, Alpiq only has operating leases. They relate in particular to the rental of commercial premises in property owned by Alpiq. The leased assets are recognised in property, plant and equipment in the balance sheet and lease payments are recognised on a straight-line basis over the lease term.

							Cash flow
	‹ 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	› 5 years	Total
Expected, undiscounted lease payments per 31.12.2020	2	2	1	1	1	1	8
Expected, undiscounted lease payments per 31.12.2019	2	2	1	1	1	1	8

2.4 Energy and inventory costs

CHF million	2020	2019
Electricity purchased from third parties	– 2,258	– 2,542
Electricity purchased from partner power plants	– 452	– 345
Other energy purchases	– 554	– 619
Cost of inventories	– 7	– 6
Other energy and inventory costs	– 78	– 82
Energy and inventory costs before provisions	**– 3,349**	**– 3,594**
Provisions for onerous contracts	– 102	– 59
Energy and inventory costs	**– 3,451**	**– 3,653**

The item “Other energy purchases” primarily contains the cost of acquiring fuels (gas and in 2019 also coal) and certificates. The item “Other energy and inventory costs” mainly comprises water taxes, concession fees and plant maintenance costs.

2.5 Employee costs

CHF million	2020	2019
Wages and salaries	– 149	– 152
Defined benefit pension costs	– 7	– 13
Defined contribution pension costs	– 1	– 1
Social security costs and other employee costs	– 29	– 24
Employee costs	**– 186**	**– 190**

Number of employees at the reporting date

	31 Dec 2020	31 Dec 2019
Employees (full-time equivalents)	1,247	1,218
Apprentices	11	8
Total	**1,258**	**1,226**

2.6 Finance costs and finance income

CHF million	2020	2019
Finance costs		
Interest expense	– 38	– 50
Net interest on pension plans and provisions	– 18	– 15
Other finance costs	– 5	– 8
Net foreign exchange losses	– 11	
Total	**– 72**	**– 73**
Finance income		
Interest income	14	2
Other finance income	3	11
Net foreign exchange losses		1
Total	**17**	**14**
Financial result	**– 55**	**– 59**

2.7 Income tax

Income tax expense charged to the income statement

CHF million	2020	2019
Current income tax	– 25	– 21
Deferred income tax	68	131
Income tax	**43**	**110**

Reconciliation

CHF million	2020	2019
Earnings before tax	123	– 336
Expected income tax rate (Swiss average rate)	16 %	21 %
Income tax at the expected income tax rate	– 20	71
Tax effects from:		
16 % (21 %) difference in tax rate compared to locally expected income tax rates	– 5	– 25
Income exempt from tax	23	35
Non-deductible expenses for tax purposes	– 28	– 34
Valuation from tax loss carryforwards	11	42
Effect of changes in tax rates	72	3
Previous years	– 9	17
Other effects	– 1	1
Total income tax expense	**43**	**110**
Effective income tax rate	– 35 %	33 %

On 19 May 2019, the Swiss electorate voted on the Federal Act on Tax Reform and Old Age and Survivors' Insurance Funding (TRAF). Numerous cantons lowered their corporate income tax rates on account of this tax reform. The Solothurn electorate did not accept the cantonal implementation of TRAF until 9 February 2020, resulting in the main effect for the Alpiq Group this year. The expected income tax rate therefore decreased from 21 % in the previous year to 16 %. The implementation of TRAF in the canton of Solothurn is also the main reason for the effect of changes in tax rates caused by the adjustment of the deferred tax rate.

Change in deferred tax assets and liabilities

CHF million	Deferred tax assets	Deferred tax liabilities	Net deferred tax liabilities
Balance at 31 December 2018	**37**	**492**	**455**
Deferred taxes recognised in the income statement	60	– 71	– 131
Deferred taxes recognised in other comprehensive income	5	11	6
Acquisition / disposal of subsidiaries		– 5	– 5
Currency translation differences	– 3	– 1	2
Balance at 31 December 2019	**99**	**426**	**327**
Deferred taxes recognised in the income statement	– 18	– 86	– 68
Deferred taxes recognised in other comprehensive income	– 1	– 1	
Acquisition / disposal of subsidiaries		– 1	– 1
Currency translation differences	– 1		1
Balance at 31 December 2020	**79**	**338**	**259**

Deferred tax assets and liabilities by origination of temporary differences

CHF million	31 Dec 2020	31 Dec 2019
Tax losses and tax assets not yet used	41	36
Property, plant and equipment	29	49
Other non-current assets	2	4
Current assets	19	17
Provisions and liabilities	26	27
Total gross deferred tax assets	**117**	**133**
Property, plant and equipment	127	155
Other non-current assets	182	228
Current assets	39	49
Provisions and liabilities	28	28
Total gross deferred tax liabilities	**376**	**460**
Net deferred tax liabilities	**259**	**327**
Tax assets recognised in the balance sheet	79	99
Tax liabilities recognised in the balance sheet	338	426

At 31 December 2020, individual subsidiaries held tax loss carryforwards totalling CHF 782 million (previous year: CHF 770 million), which are available for offsetting against future taxable profits. Of this, the Alpiq Group has not recognised tax benefits on tax loss carryforwards of CHF 577 million (CHF 614 million) in the balance sheet item “Deferred tax assets”, as they are recognised for tax loss carryforwards only to the extent that realisation of the related tax benefit is probable. The average tax rate on tax loss carryforwards not eligible for capitalisation is 15 % (18 %). These tax loss carryforwards expire in the following periods:

CHF million	31 Dec 2020	31 Dec 2019
Within 1 year	59	53
Within 2 – 3 years	45	77
After 3 years	370	357
Unlimited use	103	127
Total non-capitalisable tax loss carryforwards	**577**	**614**

In addition, non-capitalised deductible temporary differences exist in an amount of CHF 91 million (CHF 161 million).

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. Furthermore, the definitive clarification of the taxation issue at the partner power plants in the cantons of Valais and Grisons is still pending. 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.

Accounting policies

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

Deferred taxes are recognised due to the differing recognition of certain income and expense items in the Group's annual internal accounts and annual tax accounts. Deferred tax arising from temporary differences is calculated applying the balance sheet liability method. Deferred tax is not recognised for differences associated with investments in group companies, which will not reverse in the foreseeable future and where the timing of the reversal is controlled by the Group. Deferred tax assets are recognised when it is probable that they will be realised. Unrecognised tax loss carryforwards and unrecognised tax assets are disclosed.

2.8 Earnings per share

	2020	2019 (adjusted)[1]
Earnings after tax from continuing operations attributable to equity investors of Alpiq Holding Ltd. (CHF million)	163	– 229
Interest on hybrid capital attributable to the period (CHF million)[2]	– 29	– 29
Share of Alpiq Holding Ltd. stockholders in earnings from continuing operations (CHF million)	**134**	**– 258**
Earnings after tax from discontinued operations attributable to equity investors of Alpiq Holding Ltd. (CHF million)	– 56	– 42
Share of Alpiq Holding Ltd. stockholders in earnings from continuing and discontinued operations (CHF million)	**78**	**– 300**
Weighted average number of shares outstanding	33,110,364	33,110,364
Earnings per share from continuing operations in CHF, diluted and undiluted	4.02	– 7.81
Earnings per share from discontinued operations in CHF, diluted and undiluted	– 1.69	– 1.26
Earnings per share in CHF, diluted and undiluted	**2.33**	**– 9.07**

1 The conversion of the hybrid loan from the shareholders created 5,235,715 new shares; the weighted average number of shares outstanding in 2019 was therefore adjusted for comparative purposes. This also had an impact on earnings per share. For more information, see note 3.7.
2 See note 3.7

There are no circumstances that would lead to a dilution of earnings per share.

3 Risk management, financial instruments and financing

3.1 Financial risk management

General principles

The Alpiq Group's operating activities are exposed to strategic and operational risks, in particular credit, liquidity and market risks (energy price risk, foreign currency risk and interest rate risk). The principles of the Group's risk management policy are established by the Board of Directors. The Executive Board is responsible for their development and implementation. The Risk Management Committee monitors compliance with the principles and policies. It also defines the hedging strategy for the production of the Group's own power plant portfolio, which is approved by the Executive Board.

The principles for managing risks in the Alpiq Group are set out in the Group Risk Policy. They comprise guidelines on the incurring, measurement, management and mitigation of business risks and specify the organisation and responsibilities for risk management. The units responsible manage their risks within the framework of the risk management policy and the limits defined for their areas of activity. The objective is to maintain a reasonable balance between the business risks incurred, earnings and risk-bearing equity.

The Group Risk Policy comprises a Group-wide Business Risk Policy, an Energy Risk Policy specifically for the energy business and a Financial Risk Policy. The Business Risk Policy governs the annual risk mapping process, the definition and monitoring of the measures to reduce exposure to operational and strategic risks as well as integral security management. The Energy Risk Policy defines the processes and methods to manage market and credit risks in the energy business. It also regulates the management of liquidity fluctuations caused by trading activities on stock exchanges and under bilateral arrangements to settle margin differences. Furthermore, it defines the principles of the hedging strategy for energy production trading books. The Financial Risk Policy defines the substance, organisation and system for financial risk management within the Alpiq Group. It defines the management of liquidity, foreign currency and interest rate risks.

The Risk Management functional unit is responsible for managing risks and reports to the Executive Chairman. The functional unit provides methods and tools for implementing risk management, and ensures timely reporting to the Board of Directors, Executive Board and the Risk Management Committee.

During the annual business risk assessment process, strategic and operational risks throughout the Group are recorded and assessed, and then assigned to the identified risk owners for management and monitoring. The Risk Management functional unit monitors the implementation of the measures. Exposure limits are set for market, credit and liquidity risks, which are adjusted in the context of the company's overall risk-bearing capacity and with compliance monitored on an ongoing basis.

Capital management

Across the Alpiq Group, capital is managed in line with the Group's overall financial strategy. During the budgeting and planning process, the Board of Directors takes notice annually of the planned performance of the figures critical for capital management. In addition, it receives regular reports on current developments. The strategy is focused on the Group's reported consolidated equity and net debt to EBITDA ratio. At 31 December 2020, the Group reports an equity ratio of 51.2 % (previous year: 49.9 %).

Alpiq Holding Ltd. procures a significant portion of financing centrally for the Alpiq Group. The Swiss capital market forms the main source of financing. At 31 December 2020, Alpiq Holding Ltd. held 61 % of the Group's total financial liabilities (60 %). The level of financial liabilities must be reasonable in proportion to profitability in order to ensure a solid credit rating in line with sector norms. The ratio of net debt to EBITDA before exceptional items plays a decisive role in capital management. This is calculated as follows:

CHF million	31 Dec 2020	31 Dec 2019
Non-current financial liabilities	913	1,175
Current financial liabilities	299	132
Financial liabilities	**1,212**	**1,307**
Current term deposits	596	634
Securities	27	26
Cash and cash equivalents	340	440
Cash and cash equivalents under assets held for sale		1
Financial assets (liquidity)	**963**	**1,101**
Net debt	**249**	**206**
EBITDA before exceptional items [1]	262	110
Net debt / EBITDA before exceptional items [1]	**1.0**	**1.9**

1 The previous-year figure has been adjusted, for explanations see note 2.1

The Alpiq Group has the following covenants from finance agreements:

Agreement	Maturity	In CHF million	Utilisation at 31 Dec 2020 in CHF million	Utilisation at 31 Dec 2019 in CHF million	Financial covenants: Equity ratio	Financial covenants: Net debt / EBITDA	Other covenants: Bank rating
Syndicated loan line	Dec 22	200	0	0	x	x	x

The counterparty has a right to terminate the agreement if the covenants are breached. All covenants were met at 31 December 2020 and 31 December 2019.

Credit risk management

Credit risk management deals with potential losses arising from business partners' inability to meet their contractual obligations to the Alpiq Group.

Credit risk management in the energy business encompasses all business units and subsidiaries that transact significant business volumes with external counterparties. It entails regular monitoring of outstanding receivables from counterparties and their expected future changes, as well as an analysis of the creditworthiness of new and existing counterparties. Besides energy derivatives recognised as financial instruments on the balance sheet, credit risk management also covers physical receipt or delivery contracts. Credit risk is primarily managed by applying rating- based credit limits. The Alpiq Group classifies counterparties or groups of counterparties (with similar risk characteristics) in risk categories (AAA – CCC) based on probability of default. Once established, these ratings are applied as the basis for setting credit limits. Such limits may be increased if collateral (such as guarantees, advances or insurance cover) is provided. The ratings of active counterparties are reviewed periodically and credit limits are adjusted where appropriate. The policy in the energy business is to enter into contracts only with counterparties that meet the criteria of the Group Risk Policy. Outstanding credit exposures are monitored and managed on an ongoing basis using a formalised process.

In order to actively manage the credit risk associated with cash and cash equivalents and term deposits, the Treasury functional unit at the Alpiq Group centrally sets limits that restrict the amount of assets held at a counterparty. The limits are calculated and monitored monthly based on a number of factors. As in the previous year, no significant concentrations of risk existed at the reporting date, as cash and cash equivalents and term deposits are widely diversified, staggered over time and invested with counterparties with a low credit risk. To date, there have been no impairment losses on receivables due from financial counterparties.

The maximum credit risk corresponds to the carrying amount of the financial assets and is calculated at CHF 2,720 million at 31 December 2020 (previous year: CHF 2,674 million). Credit risk is reduced by collateral. The Alpiq Group's exposure to concentrations of risk is minimised due to the number of customers, geographical diversification as well as the consolidation of positions.

Offsetting of financial assets and liabilities

A substantial portion of the energy contracts entered into by the Alpiq Group is based on agreements containing a netting arrangement. Netting arrangements are used widely in energy trading to reduce the volume of effective cash flows. Items relating to the same counterparties are only presented on a net basis in the balance sheet if a legally enforceable right to offsetting of the recognised amounts exists in the netting arrangement, and the intention exists to settle on a net basis.

CHF million	Gross	Offsetting	Net (balance sheet) 31 Dec 2020	Gross	Offsetting	Net (balance sheet) 31 Dec 2019
Financial assets						
Trade receivables	1,739	– 1,025	714	2,026	– 1,410	616
Energy derivatives	1,805	– 1,184	621	2,297	– 1,772	525
Currency and interest rate derivatives	5		5	11		11
Financial liabilities						
Trade payables	1,434	– 1,025	409	1,796	– 1,410	386
Energy derivatives	1,626	– 1,184	442	2,178	– 1,772	406
Currency and interest rate derivatives	19		19	26		26

Financial collateral

Furthermore, additional collateral, such as guarantees, variation margin payments or insurance cover, is collected where required. As a rule, the collateral held by the Alpiq Group covers both unrecognised energy transactions involving physical delivery and transactions recognised as financial instruments. Financial collateral received and issued in connection with the bilateral agreements to settle margin differences is presented in the following:

CHF million	Collateral received 31 Dec 2020	Collateral issued 31 Dec 2020	Collateral received 31 Dec 2019	Collateral issued 31 Dec 2019
Cash collateral	58	12	2	27
Guarantees[1]	6			11
Total	**64**	**12**	**2**	**38**

1 Guarantees to associates or third parties in favour of third parties are presented in note 4.8.

Liquidity risk

A substantial portion of the receivables in European energy trading are offset and settled on specified dates, reducing peak cash flow requirements. Margin agreements are commonly used on energy commodity exchanges and among large energy traders to reduce counterparty risk. Energy price movements can consequently lead to substantial receivables or payables in the short term. The Alpiq Group manages such variable liquidity requirements by means of an early warning system, by maintaining sufficient liquid resources and by obtaining committed credit facilities from banks. The role of liquidity management is to plan, monitor, provide and optimise liquidity of the Alpiq Group on a monthly rolling basis.

The anticipated cash flows of financial liabilities and derivative financial instruments are disclosed in the table below. Where the intention exists to refinance loans at the end of the contract term, but refinancing has not yet been contractually secured, a cash outflow on maturity is assumed. Accordingly, actual cash flows can differ significantly from the contractual maturities. A majority of the receivables in European energy trading are offset and settled on specified dates (netting). The cash flows from derivatives are presented net when there are netting arrangements in place with counterparties and the amounts are expected to be settled net. Depending on the future changes in value of the derivatives until maturity, the effective cash flows may deviate significantly from the amounts reported. In order to demonstrate the effective liquidity risk from derivative financial instruments, the cash inflows and outflows from contracts with positive and negative replacement values are shown in the following table, even though IFRS only requires the presentation of the liquidity risk of financial liabilities. Derivative financial instruments for hedging future own use energy transactions are not included in the table, because these are unrecognised pending transactions. On account of a clerical error, cash received from and paid to derivative financial instruments was presented with an incorrect sign in the previous year, and the net cash flow was therefore understated. The comparative figures have been adjusted accordingly.

2020: Maturity analysis of financial liabilities and derivative financial instruments

CHF million	Carrying amount	Cash flows Total	< 1 month	1 – 3 months	4 – 12 months	1 – 5 years	> 5 years
Trade payables	409	– 409	– 379	– 23	– 7		
Bonds	818	– 870			– 162	– 708	
Loans payable	346	– 365		– 29	– 112	– 174	– 50
Lease liabilities	48	– 60	– 1	– 1	– 5	– 26	– 27
Other financial liabilities [1]	263	– 157	– 114	– 34	– 8	– 1	
Cash outflows from non-derivative financial liabilities		**– 1,861**	**– 494**	**– 87**	**– 294**	**– 909**	**– 77**
Energy derivatives	179						
Cash inflows		3,355	3	351	1,405	1,587	9
Cash outflows		– 3,095	– 5	– 421	– 1,363	– 1,301	– 5
Currency / interest rate derivatives	– 14						
Cash inflows		1,669	74	327	1,252	16	
Cash outflows		– 1,683	– 73	– 327	– 1,257	– 26	
Net cash inflows / (outflows) from derivative financial instruments		**246**	**– 1**	**– 70**	**37**	**276**	**4**

1 The carrying amount includes liabilities in connection with the convertible loans of Swissgrid Ltd, for which no cash outflow is expected (see note 3.3).

2019: Maturity analysis of financial liabilities and derivative financial instruments

CHF million	Carrying amount	Cash flows Total	< 1 month	1 – 3 months	4 – 12 months	1 – 5 years	> 5 years
Trade payables	386	– 386	– 338	– 41	– 7		
Bonds	818	– 890			– 19	– 871	
Loans payable	437	– 466	– 1	– 54	– 63	– 255	– 93
Lease liabilities	52	– 63	– 1	– 2	– 6	– 22	– 32
Other financial liabilities [1]	263	– 115	– 73	– 22	– 9	– 11	
Cash outflows from non-derivative financial liabilities		**– 1,920**	**– 413**	**– 119**	**– 104**	**– 1,159**	**– 125**
Energy derivatives	119						
Cash inflows (adjusted)		2,895		454	1,507	933	1
Cash outflows (adjusted)		– 2,812		– 403	– 1,480	– 926	– 3
Currency / interest rate derivatives	– 15						
Cash inflows (adjusted)		1,651	83	451	1,113	4	
Cash outflows (adjusted)		– 1,667	– 83	– 451	– 1,114	– 18	– 1
Net cash inflows / (outflows) from derivative financial instruments (adjusted)		**67**	**0**	**51**	**26**	**– 7**	**– 3**

1 The carrying amount includes liabilities in connection with the convertible loans of Swissgrid Ltd, for which no cash outflow is expected (see note 3.3).

Market risk

The Alpiq Group's exposure to market risk primarily comprises energy price risk, foreign currency risk and interest rate risk. These risks are monitored on an ongoing basis and managed using derivative financial instruments. Market risk is measured within the framework of the Group Risk Policy that sets out rules on the taking of risks as well as their measurement, limitation and monitoring. Compliance with the risk limits is monitored on an ongoing basis by the Risk Management Committee based on regular reporting by the Risk Management functional unit.

Energy price risk

Energy price risk refers to potential price fluctuations that could have an adverse impact on the Alpiq Group. They can arise from factors such as variations in price volatility, market price movements or changing correlations between markets and products. Energy liquidity risks also belong to this category. They occur when an open energy position cannot be closed out or can only be closed out on very unfavourable terms due to a lack of market bids. Future own use energy transactions are not reported in the balance sheet. Energy transactions are also conducted as part of the programme to optimise Alpiq's power plant portfolio. A large proportion of the replacement values for energy derivatives shown at the reporting date are attributable to optimisation positions, with positive and negative replacement values generally cancelling each other out. Alpiq also engages in energy derivatives trading. The energy derivatives concluded by the Alpiq Group are usually forward contracts. The fair values are calculated on the basis of the difference between the contractually fixed forward prices and current forward prices applicable at the reporting date. The effect of credit risk on fair values is not material. The risks associated with trading and optimisation transactions are managed via clearly defined responsibilities and stipulated risk limits in accordance with the Group Risk Policy. Risk Management reports regularly on compliance with these limits to the Risk Management Committee and the Executive Board utilising a formalised risk reporting system. The risk positions are monitored in accordance with the Value at Risk (VaR) and Profit at Risk (PaR) industry standards.

Foreign currency risk

The Alpiq Group seeks wherever possible to mitigate foreign currency risks by natural hedging of operating income and expenses denominated in foreign currencies. The remaining foreign currency risk is hedged by means of forward transactions in accordance with the Group's Financial Risk Policy. Foreign currency risk arising from energy generation or purchasing is contractually transferred to the counterparty wherever possible. Where this is not possible or is only partly possible, forward currency contracts with a medium-term hedging horizon are deployed to manage exposure centrally on the market in line with the Group's Financial Risk Policy. Hedge accounting is used where possible to avoid fluctuations in results. The foreign currency derivatives are all OTC products. The fair values are calculated on the basis of the difference between the contractually fixed forward prices and forward prices applicable at the reporting date. Net investments in foreign subsidiaries are also exposed to changes in foreign exchange rates, although the difference in inflation rates should offset these changes in the long term. Investments in foreign subsidiaries (translation risks) are therefore not hedged.

Interest rate risk

The risks arising from volatility in interest rates relate to the interest-bearing financial assets and liabilities of the Alpiq Group. According to the Group's Financial Risk Policy, liquidity is invested for a maximum of two years. The funding required for the business, however, is obtained on a long-term basis at fixed interest rates. Financing instruments with variable interest rates, particularly those that are long-term, are generally hedged by means of interest rate swaps. This means that a change in interest rates applied to interest-bearing assets has an impact on financial income. The interest rate derivatives are all OTC products. The fair value is determined by discounting the contractually agreed payment streams with current market interest rates.

Sensitivity analysis

To illustrate the sensitivity of market risks to the Alpiq Group's financial results, the effects of reasonably possible changes in the market risks listed above are set out below. The sensitivities are based in each case on financial instruments recognised on the reporting date. The possible annual percentage changes in the fair values of energy derivatives are determined from the commodity market prices for electricity, gas, coal and oil over the past three years. The sensitivities are calculated by applying maximum deviations from the mean with a 99 % confidence level. Taking into consideration the historical fluctuations, the reasonably possible changes in foreign currency prices are estimated at 5 %. Interest rate swap sensitivity is shown as the effect on the change in fair value that would arise from a 1 % parallel shift in the yield curve. Alpiq quantifies each type of risk assuming that all other variables remain constant. The effects for continuing operations are shown before tax.

CHF million	+/– in % (31 Dec 2020)	+/– effect on profit before income tax (31 Dec 2020)	+/– effect on OCI before income tax (31 Dec 2020)	+/– in % (31 Dec 2019)	+/– effect on profit before income tax (31 Dec 2019)	+/– effect on OCI before income tax (31 Dec 2019)
Energy price risk	47.4	85		49.4	59	
EUR / CHF currency risk	5.0	0	35	5.0	5	30
EUR / CZK currency risk	5.0	0		5.0	1	
EUR / PLN currency risk	5.0	0		5.0	1	
Interest rate risk	1.0	6	4	1.0	5	6

3.2 Financial instruments

Carrying amounts and fair values of financial assets and liabilities

CHF million	Carrying amount (31 Dec 2020)	Fair value (31 Dec 2020)	Carrying amount (31 Dec 2019)	Fair value (31 Dec 2019)
Financial assets at fair value through profit or loss				
Financial investments	1	1	1	1
Securities	27	27	26	26
Positive replacement values of derivatives				
Energy derivatives	621	621	525	525
Currency and interest rate derivatives	5	5	11	11
Financial liabilities at amortised cost				
Bonds	818	857	818	873
Loans payable	346	358	437	454
Financial liabilities at fair value through profit or loss				
Negative replacement values of derivatives				
Energy derivatives	442	442	406	406
Currency and interest rate derivatives	19	19	26	26

Apart from lease liabilities, the carrying amounts of all other financial instruments measured at amortised cost differ only insignificantly from the fair values. This is why the corresponding fair values have not been disclosed.

Fair value hierarchy of financial instruments

At the reporting date, the Alpiq Group measured the following assets and liabilities at their fair value or disclosed a fair value. The fair value hierarchy shown below was used to classify the financial instruments:

Level 1:
Quoted prices in active markets for identical assets or liabilities

Level 2:
Valuation model based on prices quoted in active markets that have a significant effect on the fair value

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

CHF million	31 Dec 2020	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Financial investments	1		1	
Securities	27		27	
Energy derivatives	621		540	81
Currency and interest rate derivatives	5		5	
Financial liabilities at amortised cost				
Bonds	857	857		
Loans payable	358		358	
Financial liabilities at fair value through profit or loss				
Energy derivatives	442		440	2
Currency and interest rate derivatives	19		19	

CHF million	31 Dec 2019	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Financial investments	1		1	
Securities	26		26	
Energy derivatives (adjusted)	525		524	1
Currency and interest rate derivatives	11		11	
Financial liabilities at amortised cost				
Bonds	873	873		
Loans payable	454		454	
Financial liabilities at fair value through profit or loss				
Energy derivatives (adjusted)	406		397	9
Currency and interest rate derivatives	26		26	

Both in the reporting year and during the previous year, no reclassifications were applied between Levels 1 and 2. The reclassification from Level 3 to Level 2 mentioned below relates to longer-term energy derivatives, which are now measured based on observable market prices as a result of their increasing market liquidity.

The energy, currency and interest rate derivatives comprise OTC products, the majority of which are to be classified as Level 2. Fair value of energy derivatives is determined using a price curve model. The observable input factors in the price curve model (market prices) are supplemented by hourly forward prices, which are arbitrage-free and compared with external price benchmarking on a monthly basis.

The fair value of the loans payable corresponds to the contractually agreed interest and amortisation payments discounted at market rates.

Level 3 energy derivatives

Energy derivatives disclosed under Level 3 are measured using methods that in some cases utilise input factors, such as long-term energy prices or discount rates, which cannot be derived directly from an active market. In complex cases, a discounted cash flow method is used for the measurement. A realistic change in unobservable input factors would not have a significant impact on Alpiq's total comprehensive income or equity. Level 3 items were not disclosed separately in the previous year on the grounds of immateriality. The previous year has now been adjusted for comparative purposes.

The following table shows the development of Level 3 energy derivatives:

	2020		2019	
CHF million	Assets	Liabilities	Assets	Liabilities
Replacement values at 1 January	**1**	**9**	**0**	**0**
Purchases	63			13
Fair value changes through profit and loss in net revenue[1]	17	– 5	1	– 4
Transfer out of level 3	– 1			
Offsetting	1	– 2		
Replacement values at 31 December	**81**	**2**	**1**	**9**

1 Of which, CHF 17 million (previous year: CHF 1 million) is attributable to assets and CHF – 5 million (CHF – 4 million) to liabilities, which were still held at 31 December.

Development of day one gains and losses

Measuring financial instruments with valuation inputs that are not entirely based on quoted prices in active markets may result in deviations between the fair value and the transaction price if measured at the time of entering into the contract. These deviations are recognised as a day one gains or losses and are amortised on a straight-line basis until the underlying markets of the valuation inputs become solvent.

The following table shows the reconciliation of the change in deferred day one gains and losses. These items relate entirely to Level 3 energy derivatives.

	2020		2019	
CHF million	Day one gains	Day one losses	Day one gains	Day one losses
Balance at 1 January	**0**	**13**	**0**	**0**
Deferred profit / loss arising from new transactions	13			13
Profit or loss recognised in the income statement	– 2	– 1		
Currency translation differences				
Balance at 31 December	**11**	**12**	**0**	**13**

Expense / income related to financial assets and liabilities

CHF million	2020 Income statement	2020 Other comprehensive income	2019 Income statement	2019 Other comprehensive income
Net gains / losses (excluding interest)				
Financial assets and liabilities at fair value through profit and loss	91		38	
Financial assets at amortised cost[1]	40		– 5	
Designated for hedge accounting	19	– 8	– 11	38
Interest income and expense				
Interest income for financial assets at amortised cost[1]	14		2	
Interest expense for financial liabilities at amortised cost	– 31		– 42	
Interest expense for financial liabilities measured at fair value and designated for hedge accounting	– 7		– 8	

1 2020 includes the effect from the purchase price adjustment for the transfer of the Swiss high-voltage grid (see note 5.2)

Information about the impairment of trade receivables is disclosed in note 4.5.

Accounting policies

Financial investments, securities and derivatives are measured at fair value through profit or loss. All other financial assets and liabilities are measured at amortised cost. The Alpiq Group did not have any financial instruments that are measured at fair value through other comprehensive income.

Financial assets and liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are initially recognised at fair value. The corresponding transaction costs are recognised immediately in the income statement. Changes in value of the financial instruments measured at fair value are recognised through profit or loss in the financial result with the exception of energy derivatives and currency derivatives concluded in connection with the hedging of energy transactions. Changes in the fair value of derivatives in connection with the energy business are presented in net revenue.

Financial assets and liabilities at amortised cost

With the exception of trade receivables, financial assets and financial liabilities at amortised cost are initially recognised at fair value plus or less direct transaction costs. Trade receivables are measured at transaction price.

For the subsequent measurement of financial assets at amortised cost, the following method is used to calculate impairments: in accordance with the expected credit loss model, losses on unsecured financial assets expected in future are also recognised. The impairment losses expected in future are determined using the publicly available probability of default, which takes into account forward-looking information as well as historical probability of default. For financial assets, losses that are expected to occur in the next 12-month period are generally recognised. If the credit risk increases significantly for specific counterparties, impairment is recognised on the assets affected over the entire residual term of the asset. In accordance with IFRS 9, the simplified approach is applied for trade receivables for the measurement of the expected losses by recognising the lifetime expected credit losses (see note 4.5).

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 adjustments in subsequent periods.

Hedge accounting

Alpiq uses energy, foreign currency and interest rate derivatives to hedge exposure to fluctuations in the cash flows of highly probable forecast transactions (cash flow hedges). In contrast to the recognition of energy derivatives, hedge accounting is used for certain foreign currency and interest rate derivatives.

		31 Dec 2020		31 Dec 2019
	Foreign currency hedges	Interest rate swaps	Foreign currency hedges	Interest rate swaps
Derivative financial instruments in current assets (in CHF million)	3		7	
Derivative financial instruments in current liabilities (in CHF million)	1	16	1	21
Nominal value (in CHF million)	230		212	
Nominal value (in EUR million)	1,026	139	843	164

The hedged items and the interest rate swaps are both based on EURIBOR rates. Thus far, no contract adjustments have been negotiated and no existing contracts have been replaced in connection with the Interest Rate Benchmark Reform. The financial impact of the reform on the Alpiq Group is considered immaterial. In accordance with the practical expedients under IFRS 9, hedged future cash flows are still expected and hedge accounting will be continued following the implementation of the reform.

Before designating a new hedging instrument, the Group conducts a thorough analysis of the risk situation by analysing the risk management strategy and objective and defines the relationship between the hedging instrument and underlying transaction. It also ensures that the effectiveness requirements are met at the beginning of the hedging relationship. The formal designation occurs by documenting the hedging relationship. The designation of a new hedging instrument is authorised formally.

Change in cash flow hedge reserves

		2020		2019
CHF million	Foreign currency hedges	Interest rate swaps	Foreign currency hedges	Interest rate swaps
Cash flow hedge reserves at 1 January	**33**	**– 17**	**9**	**– 23**
Recognition of gain / loss	6	– 2	22	– 3
Reclassification of realised gain / loss to net revenue	– 19		9	
Reclassification of realised gain / loss to financial result		7		8
Reclassification to financial result due to early settlement[1]				2
Change from partner power plants and other associates		– 2		1
Income tax expense	4	– 1	– 7	– 2
Cash flow hedge reserves at 31 December	**24**	**– 15**	**33**	**– 17**

1 A portion of the interest rate swaps was settled ahead of schedule because the associated project financing was repaid.

Foreign currency hedges

Foreign currency positions from the sale of Swiss production capacity in euros are hedged utilising forward transactions on the basis of the expected transaction volumes. Each spot component is designated as hedging instruments for hedge accounting. The unrealised gains / losses of the spot components are included in other comprehensive income taking deferred taxes into account. Changes in the forward components are recognised through profit or loss. There were no ineffective portions of the hedge from the foreign currency hedges at the reporting date. The underlying transactions will be recognised in the income statements for 2021 to 2024.

Interest rate swaps

At 31 December 2020, interest rate swaps were in place in order to fix interest rates on variable-interest project financing facilities in Italy. The project financing facilities have a remaining maturity of between 4 and 10 years.

CHF million	2020	2019
Negative replacement values of interest rate swaps at 1 January	**21**	**30**
Realised interest payments	– 7	– 8
Change in fair value	2	3
Early settlement[1]		– 2
Currency translation differences		– 2
Negative replacement values of interest rate swaps at 31 December	**16**	**21**

1 A portion of the interest rate swaps was settled ahead of schedule because the associated project financing was repaid.

3.3 Other non-current assets

CHF million	Financial investments	Loans receivable	Other non-current assets	Total
Carrying amount at 1 January 2020	**1**	**7**	**99**	**107**
Additions		5		5
Reclassifications		– 1	– 50	– 51
Carrying amount at 31 December 2020	**1**	**11**	**49**	**61**

CHF million	Financial investments	Loans receivable	Other non-current assets	Total
Carrying amount at 1 January 2019	**1**	**10**	**149**	**160**
Additions		2		2
Reclassifications		– 4	– 50	– 54
Reclassified to “Assets held for sale”		– 1		– 1
Carrying amount at 31 December 2019	**1**	**7**	**99**	**107**

Alpiq has disposed of all of the loan claims received from Swissgrid Ltd in 2014 as part of the transfer of high-voltage grids. As part of the disposal, the Swissgrid loan tranches were sold without the contractually related conversion rights. Swissgrid Ltd can, or must, convert the loans into equity if certain conditions arise. In this instance, the buyers of the loans would receive shares in the equity of Swissgrid Ltd. In the case of a conversion, however, Alpiq is obligated on the basis of the contract with the buyers of the loans to purchase from the buyer all shares in the equity of Swissgrid Ltd arising from the conversion to a maximum amount of CHF 99 million (previous year: CHF 148 million). As a consequence, although Alpiq has sold the loans, it has also entered into a directly related obligation in the amount of CHF 99 million (CHF 148 million). Due to the aforementioned contractual structure of the transaction, the loans could not be derecognised and remain on Alpiq's books as "Other non-current assets" in the amount of CHF 50 million (CHF 99 million) and as "Receivables" in the amount of CHF 49 million (CHF 49 million) on account of the maturity of the underlying Swissgrid Ltd convertible bonds. The reclassification to receivables means that this amount of Swissgrid Ltd convertible bonds will be due for repayment in the next 12 months. Financial liabilities also exist in the amount of the obligations that were entered into as a result of the sales. These are included under "Other non-current liabilities" in the amount of CHF 50 million (CHF 99 million) and under "Other current liabilities" in the amount of CHF 49 million (CHF 49 million).

3.4 Other non-current liabilities

Among other things, this item includes obligations in an amount of CHF 50 million (previous year: CHF 99 million) arising from the sale of loans receivable due from Swissgrid Ltd. Note 3.3 provides further information about the transaction.

3.5 Financial liabilities

CHF million	Bonds	Loans payable	Lease liabilities	Total
Non-current financial liabilities at 1 January 2020	818	311	46	1,175
Current financial liabilities at 1 January 2020		126	6	132
Financial liabilities at 1 January 2020	**818**	**437**	**52**	**1,307**
Proceeds from financial liabilities		13	3	16
Repayment of financial liabilities		– 102	– 9	– 111
Unwinding of discount			2	2
Currency translation differences		– 2		– 2
Financial liabilities at 31 December 2020	**818**	**346**	**48**	**1,212**
Non-current financial liabilities at 31 December 2020	675	196	42	913
Current financial liabilities at 31 December 2020	143	150	6	299

CHF million	Bonds	Loans payable	Lease liabilities	Total
Non-current financial liabilities at 31 December 2018	817	490		1,307
Current financial liabilities at 31 December 2018	149	46		195
Financial liabilities at 31 December 2018	**966**	**536**	**0**	**1,502**
Impact of change in accounting standard (first-time application of IFRS 16)		– 35	60	25
Financial liabilities at 1 January 2019	**966**	**501**	**60**	**1,527**
Proceeds from financial liabilities		53	2	55
Repayment of financial liabilities	– 149	– 110	– 9	– 268
Unwinding of discount	1	1	2	4
Reclassified to “Liabilities held for sale”			– 1	– 1
Currency translation differences		– 8	– 2	– 10
Financial liabilities at 31 December 2019	**818**	**437**	**52**	**1,307**
Non-current financial liabilities at 31 December 2019	818	311	46	1,175
Current financial liabilities at 31 December 2019		126	6	132

Bonds outstanding at the reporting date

CHF million	Maturity	Earliest repayment date	Effective interest rate %	Carrying amount at 31 Dec 2020	Carrying amount at 31 Dec 2019
Alpiq Holding Ltd. CHF 144 million face value, 2 1/4 % fixed rate	2011 / 2021	20 Sept 2021	2.401	143	143
Alpiq Holding Ltd. CHF 145 million face value, 3 % fixed rate	2012 / 2022	16 May 2022	3.060	145	145
Alpiq Holding Ltd. CHF 141 million face value, 2 1/8 % fixed rate	2015 / 2023	30 Jun 2023	2.123	141	141
Alpiq Holding Ltd. CHF 260 million face value, 2 5/8 % fixed rate	2014 / 2024	29 Jul 2024	2.712	259	259
Electricité d’Emosson SA CHF 130 million face value, 1 3/8 % fixed rate	2017 / 2022	2 Nov 2022	1.441	130	130

Relative to face value, the weighted interest rate issued at the reporting date on bonds listed on the SIX Swiss Exchange was 2.35 % (previous year: 2.34 %), and 3.52 % (3.53 %) on loans payable. The latter also includes project financing facilities denominated in euros. The weighted average rate of interest on the bonds and loans payable amounts to 2.67 % (2.72 %).

Accounting policies

The accounting policies for financial liabilities are disclosed in note 3.2 and note 3.6.

3.6 Leases

The Alpiq Group is the lessee in several cases, particularly in connection with power production from wind farms as well as land and building and IT infrastructure rentals. These leases are generally concluded for a fixed term of one month to

20 years, and may contain renewal or termination options. The table below shows the change in net carrying amounts of the right-of-use assets capitalised in the line item property, plant and equipment:

CHF million	Rights of use for buildings	Rights of use for power plants	Rights of use for others	Total
Net carrying amount at 1 January 2020	**16**	**28**	**4**	**48**
Investments	2			2
Depreciation	– 3	– 2	– 1	– 6
Impairments		– 1		– 1
Reversal of impairment	1			1
Currency translation differences		– 1		– 1
Net carrying amount at 31 December 2020	**16**	**24**	**3**	**43**
Of which, cost value	22	38	5	65
Of which, accumulated depreciation	– 6	– 14	– 2	– 22

CHF million	Rights of use for buildings	Rights of use for power plants	Rights of use for others	Total
Net carrying amount at 1 January 2019	**20**	**33**	**4**	**57**
Investments	1		1	2
Reclassified to “Assets held for sale”		– 1		– 1
Depreciation	– 3	– 3	– 1	– 7
Impairments	– 1			– 1
Currency translation differences	– 1	– 1		– 2
Net carrying amount at 31 December 2019	**16**	**28**	**4**	**48**
Of which, cost value	20	38	5	63
Of which, accumulated depreciation	– 4	– 10	– 1	– 15

The change in carrying amounts of the lease liabilities included under financial liabilities can be seen in note 3.5. The total cash outflow from leases amounted to CHF 9 million in 2020 (previous year: CHF 9 million).

Accounting policies

The Alpiq Group applies a uniform procedure for the recognition and measurement of leases. It does not make use of the practical expedients for short-term and low-value leases permitted under IFRS 16. It is assessed upon concluding a contract whether it constitutes a lease in accordance with IFRS 16 or contains such an element. A lease exists if a contract grants Alpiq the right to control a certain asset over a period of time in exchange for payment. The right-of-use assets and the lease liabilities representing Alpiq’s obligation to make lease payments are recognised in the balance sheet at the time when the lease asset becomes available. The right-of-use assets are included under property, plant and equipment in the balance sheet. They are measured at amortised cost and depreciated on a straight-line basis over the lease term or their lifetime taking any impairment losses into account. Acquisition costs include the amount of recognised lease liabilities plus any dismantling obligations, directly attributable acquisition costs and one-off payments made at or before the start of the contract, less any lease incentives received.

The lease liabilities are initially recognised at the present value of the expected future lease payments. The present value is calculated with the lessee’s incremental borrowing rate applicable for the country, the term and the currency. In subsequent periods, the lease liabilities are measured at amortised cost by applying the effective interest method. The lease liabilities are recognised in current or non-current financial liabilities as appropriate.

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.

3.7 Equity

Share capital

At 1 January 2020, the share capital was at CHF 278.7 million, comprising 27,874,649 fully-paid-in registered shares at par value of CHF 10 each. On 24 June 2020, the Annual General Meeting of Alpiq Holding Ltd. approved the squeeze-out merger with Alpha 2020 Ltd. proposed by the Board of Directors. Following the approval resolution passed at the Extraordinary General Meeting of Alpha 2020 Ltd. on the same day, Alpiq Holding Ltd. was merged as the transferring company into Alpha 2020 Ltd., which was renamed Alpiq Holding Ltd. on the same day. The merger became legally effective upon entry in the Swiss commercial register on 26 June 2020. After the merger and change of name, Alpiq Holding Ltd. had a share capital of CHF 0.279 million, comprising 27,874,649 registered shares at par value of CHF 0.01 each.

The conversion of the hybrid loan from the shareholders in the fourth quarter of 2020 (see below) created 5,235,715 new registered shares at par value of CHF 0.01 each, leading to a share capital increase of CHF 52,357.15. At 31 December 2020, the share capital was at CHF 0.331 million, comprising 33,110,364 fully-paid-in registered shares at par value of CHF 0.01 each.

The shareholder structure breaks down as follows:

	Stakes in % at 31 Dec 2020	Stakes in % at 31 Dec 2019
EOS HOLDING SA	33.33	31.44
Schweizer Kraftwerksbeteiligungs-AG	33.33	27.06
EBM (Genossenschaft Elektra Birseck)	19.90	13.66
EBL (Genossenschaft Elektra Baselland)	6.44	7.13
Eniwa Holding AG	2.12	2.00
Aziende Industriali di Lugano (AIL) SA	1.79	2.13
IBB Holding AG	1.12	
Regio Energie Solothurn	1.00	
WWZ AG	0.96	0.91
Canton of Solothurn		5.61
Other		10.06

The Board of Directors of Alpiq Holding Ltd. submits a proposal to the Annual General Meeting at 28 May 2021 to distribute a dividend of CHF 1.40 per share (totalling CHF 46 million) for the 2020 financial year.

Hybrid capital

Hybrid loan from the main Swiss shareholders

In 2013, the main Swiss shareholders subscribed to a hybrid loan in the amount of CHF 367 million. In the fourth quarter of 2020, the Board of Directors of Alpiq Holding Ltd. proposed a conversion of the outstanding hybrid loan from the shareholders into equity. By resolution dated 29 October 2020, the Extraordinary General Meeting approved the share capital increase. The amendment to the Articles of Association and the approval of the audited capital increase report by the Board of Directors both took place in mid-November. The share capital increase became legally effective upon entry in the Swiss commercial register on 16 November 2020.

Interest payments on the hybrid loan from the main Swiss shareholders could be suspended without the need for Alpiq to subsequently pay the suspended interest. As in the previous year, Alpiq resolved not to pay any interest on the hybrid loan from the main Swiss shareholders for the period from March 2019 to March 2020. Any claim to interest accrued after March 2020 was waived as part of the conversion.

Public hybrid bond

In 2013, Alpiq placed a CHF 650 million public hybrid bond on the Swiss capital market. It has an unlimited maturity and qualifies as equity under IFRS accounting guidelines. Alpiq is entitled to repay the public hybrid bond at 15 November of each year. As in the previous year, Alpiq again opted not to exercise this option in the 2020 financial year. The interest rate was adjusted for the first time in 2018 to reflect the market conditions prevailing at the time and since then has stood at 4.5325 %. The interest rate is adjusted to reflect prevailing market conditions every five years and therefore for the next time at 15 November 2023. In 2023 and 2043, the interest rate will be increased by an additional 25 bps and 75 bps respectively. Interest payments on the public hybrid bond can be suspended at Alpiq's discretion. In this case, the payment of interest lapses after three years.

The interest after tax attributable to 2020 was CHF 29 million (previous year: CHF 29 million). Interest from the public hybrid bond that is attributable to the reporting year meets the criteria of a preference dividend, irrespective of whether the interest was paid or a legal obligation for the payment exists, and is deducted from the "Net income attributable to equity investors of Alpiq Holding Ltd." for the calculation of the undiluted earnings per share. The accrued interest after tax amounted to a total of CHF 4 million at 31 December 2020 (CHF 18 million; of which CHF 4 million for the public hybrid bond). As no legally enforceable payment obligation exists, the accrued interest was not accrued as a financial liability, and was not deducted from equity. Interest payments totalling CHF 29 million occurred in 2020. Due to the equity character of the hybrid capital, these distributions were carried directly to equity (retained earnings).

4 Operating assets and liabilities

4.1 Property, plant and equipment

CHF million	Land and buildings	Power plants	Transmission assets	Others[1]	Assets under construction and prepayments	Right-of-use assets[2]	Total
Net carrying amount at 1 January 2020	**116**	**1,673**	**11**	**26**	**60**	**48**	**1,934**
Acquisition / disposal of subsidiaries					– 4		– 4
Investments				1	50	2	53
Own work capitalised					1		1
Reclassifications		27		1	– 34		– 6
Depreciation	– 4	– 85	– 1	– 4		– 6	– 100
Impairment		– 22				– 1	– 23
Reversals of impairment		63			4	1	68
Currency translation differences		– 1				– 1	– 2
Net carrying amount at 31 December 2020	**112**	**1,655**	**10**	**24**	**77**	**43**	**1,921**
Of which, cost value	175	4,933	41	37	81	65	5,332
Of which, accumulated depreciation	– 63	– 3,278	– 31	– 13	– 4	– 22	– 3,411

1 Includes machinery, equipment and vehicles as well as decommissioning and maintenance costs
2 For details, see note 3.6

CHF million	Land and buildings	Power plants	Transmission assets	Others[1]	Assets under construction and prepayments	Right-of-use assets[2]	Total
Net carrying amount at 1 January 2019	**119**	**2,266**	**11**	**29**	**33**	**57**	**2,515**
Investments		17		1	40	2	60
Own work capitalised					1		1
Reclassifications		22		2	– 9		15
Reclassified to “Assets held for sale”		– 310		– 2	– 4	– 1	– 317
Depreciation	– 3	– 98		– 4		– 7	– 112
Impairment		– 201				– 1	– 202
Currency translation differences		– 23			– 1	– 2	– 26
Net carrying amount at 31 December 2019	**116**	**1,673**	**11**	**26**	**60**	**48**	**1,934**
Of which, cost value	177	4,917	42	37	182	63	5,418
Of which, accumulated depreciation	– 61	– 3,244	– 31	– 11	– 122	– 15	– 3,484

1 Includes machinery, equipment and vehicles as well as decommissioning and maintenance costs
2 For details, see note 3.6

Impairment losses and reversals of impairment losses in 2020

Impairment losses of CHF 23 million (previous year: CHF 202 million) and reversals of impairment losses of CHF 68 million (CHF 0 million) were recognised in 2020.

On 27 January 2020, Gestore dei Servizi Energetici GSE S.p.A. (GSE), which is responsible for implementing and monitoring incentive mechanisms and subsidies for the production of electricity from renewable energies in Italy, issued Società Agricola Solar Farm 4 S.r.l. (SASF 4) with the final report on its inspection, which started in July 2017 and ended in 2019. In this, GSE stated that, on the one hand, it identified deviations between the specifications named in the documentation to apply for feed-in tariffs and the evidence provided, and, on the other hand, that certain evidence was not available. The application to receive feed-in tariffs was made by the Moncada Energy Group before the solar plants were constructed. As the builder of the plants, it was also responsible for ensuring that the plants were built in compliance with the specifications and that the corresponding evidence could be provided. Alpiq acquired SASF 4 from the Moncada Energy Group S.r.l. in 2018. GSE deemed the deviations identified to be significant and therefore withdrew the right of SASF 4 to the feed-in tariffs it had already received and stipulated that SASF 4 loses the right to all future feed-in tariffs. Alpiq contested the decision by making use of the legal means of appeal at its disposal. On account of the potential reduction of the right to future feed-in tariffs, Alpiq recognised impairment losses on the solar plants concerned in the previous year and in the first half of 2020. In the previous year, it also posted a provision in other provisions for potential repayments of feed-in tariffs received. Following the submission of further evidence and various proceedings, at the end of 2020, GSE reversed the complete revocation of the right to feed-in tariffs ordered at the start of 2020 and, instead, stipulated a reduction of the feed-in tariffs originally awarded by 18 %. Alpiq therefore recognised a reversal of the impairment loss of CHF 12 million on the power plants and a reversal of the provision of CHF 9 million on SASF 4, which belongs to the Generation International business division. The recoverable amount was calculated using a pre-tax discount rate of 7.54 %. Alpiq is also reviewing the legal steps against the Moncada Energy Group to protect itself from losses.

In the Generation International business division, impairment losses had to be recognised on the wind farms of the Italian companies Alpiq Wind Italia S.r.l. and Enpower 2 S.r.l., on the solar plants of the Italian company Società Agricola Solar Farm 2 S.r.l. (SASF 2) and on the small-scale hydropower plants of Isento Wasserkraft AG. These came to CHF 17 million for the wind farms, CHF 2 million for the solar plants and CHF 2 million for the small-scale hydropower plants. The main reasons behind these impairment losses are feed-in tariffs that have expired or are due to expire in the coming years, forecasts of falling electricity prices and a higher discount rate. The recoverable amount was calculated using a pre-tax discount rate of 6.77 % for Alpiq Wind Italia, of 5.39 % for Enpower 2, of 6.20 % for SASF 2 and of 5.25 % for Isento Wasserkraft.

Alpiq recognised a reversal of the impairment loss of CHF 52 million on the thermal power plant San Severo in Italy, which belongs to the Generation International business division. The profits generated and the future prospects demonstrate that the performance potential has increased for the long term. The recoverable amount was calculated using a pre-tax discount rate of 9.62 %.

In connection with the sale of the Swedish wind farm Tormoseröd, which belonged to the Generation International business division, Alpiq recognised a reversal of the impairment loss of CHF 4 million. For more information about the sale, please refer to note 5.2.

Impairment 2019

Impairment losses of CHF 186 million related to the sold Czech coal-fired power plants Kladno and Zlín in the Generation International business division before the reclassification to assets held for sale. For detailed explanations on this and on impairment losses on sold assets, please refer to note 5.2. In addition, impairment losses of CHF 14 million had to be recognised on solar plants in connection with GSE's final inspection report (see impairment losses and reversals of impairment losses in 2020). The recoverable amount was calculated using a pre-tax discount rate of 4.63 %.

Contractual obligations

At the reporting date, the Group had contractual commitments of CHF 29 million (previous year: CHF 25 million) for the construction and acquisition of property, plant and equipment.

Accounting policies

Property, plant and equipment is stated at cost, net of accumulated depreciation and any impairment losses. Obligations to restore land and sites after licence expiry or decommissioning are accounted for individually in accordance with the contract terms. Estimated restoration costs (including decommissioning costs) are included in the cost of acquisition and manufacture, and are recognised as a provision. Replacements and improvements are capitalised if they substantially extend the useful life, increase the capacity or substantially improve the quality of the property, plant or equipment.

Depreciation is applied to property, plant and equipment on a straight-line basis over their estimated useful lives, or to the expiry date of power plant licences. Assets under construction and prepayments are not subject to depreciation until they are completed or in working condition and have been reclassified to the corresponding asset category; they are depreciated for the first time once they have been completed or have been brought to a working condition. The estimated useful lives of the various classes of assets range as follows:

- Power plants: 20 – 80 years
- Transmission assets: 15 – 40 years
- Buildings: 20 – 60 years
- Machinery, equipment and vehicles: 3 – 20 years
- Land: only in case of impairment
- Assets under construction and prepayments: if impairment is already evident

The residual value and useful life of an asset are reviewed regularly, but at least at each financial year end, and adjusted where required. At every reporting date, a test is performed to determine whether there is any indication that items of property, plant and equipment are impaired. If there is any indication of impairment, the recoverable amount is determined for the asset. If the asset's carrying amount exceeds its estimated recoverable amount, an impairment loss equivalent to the difference is recognised. An impairment loss previously recognised for an asset is reversed in the income statement if the impairment no longer exists, or has decreased. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised.

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. 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.

4.2 Intangible assets

CHF million	Energy purchase rights[1]	Goodwill	Other intangible assets	Assets under development and prepayments	Total
Net carrying amount at 1 January 2020	**30**	**0**	**66**	**6**	**102**
Investments				11	11
Own work capitalised				5	5
Reclassifications			21	– 15	6
Amortisation	– 2		– 19		– 21
Impairment	– 1		– 3		– 4
Net carrying amount at 31 December 2020	**27**	**0**	**65**	**7**	**99**
Of which, cost value	1,492		514	7	2,013
Of which, accumulated amortisation	– 1,465		– 449		– 1,914

1 Include prepayments for rights to purchase energy in the long term, including capitalised interest, as well as long-term energy purchase agreements acquired in business combinations.

CHF million	Energy purchase rights[1]	Goodwill	Other intangible assets	Assets under development and prepayments	Total
Net carrying amount at 1 January 2019	**31**	**16**	**77**	**8**	**132**
Investments				8	8
Own work capitalised				4	4
Reclassifications			7	– 7	0
Reclassified to “Assets held for sale”		– 16	– 1		– 17
Amortisation	– 1		– 14		– 15
Impairment			– 2	– 7	– 9
Currency translation differences			– 1		– 1
Net carrying amount at 31 December 2019	**30**	**0**	**66**	**6**	**102**
Of which, cost value	1,492		500	6	1,998
Of which, accumulated amortisation	– 1,462		– 434		– 1,896

1 Include prepayments for rights to purchase energy in the long term, including capitalised interest, as well as long-term energy purchase agreements acquired in business combinations.

Impairment 2020

In the Digital & Commerce business division, an impairment loss of CHF 3 million was recognised in other intangible assets, which relates to the software that was impaired in the previous year. In the Generation International business division, impairment losses of CHF 1 million had to be recognised on the energy purchase rights of Alpiq Wind Italia S.r.l. Please refer to note 4.1 for more information.

Impairment 2019

In the Digital & Commerce business division, an impairment loss of CHF 7 million had to be recognised in assets under development and of CHF 2 million in other intangible assets, as software could not be used to the extent originally expected.

Accounting policies

Intangible assets are stated at cost, net of accumulated amortisation and any impairment losses. Assets with a limited useful life are generally amortised on a straight-line basis over their estimated useful economic lives. Amortisation of energy purchase rights is applied in line with the scope of the energy purchases made each year in relation to the total energy purchase quantity agreed contractually. The amortisation period and amortisation method are reviewed at each financial year end. The useful lives of the intangible assets recognised range from 1 to 77 years. Assets under development and prepayments are not subject to amortisation. An impairment test is only performed whenever indications exist that the assets may be impaired.

If the asset’s carrying amount exceeds its estimated recoverable amount, it is written down to its recoverable amount. An impairment loss previously recognised for an intangible asset is reversed in the income statement if the impairment no longer exists, or has decreased. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised.

For the significant estimation uncertainties and assumptions, please refer to note 4.1.

4.3 Investments in partner power plants and other associates

CHF million	Partner power plants	Other associates	Total
Carrying amount at 1 January 2020 (adjusted) [1]	**2,314**	**10**	**2,324**
Dividends	– 22		– 22
Share of profit / loss	– 35		– 35
IAS 19 and IFRS 9 effects recognised in other comprehensive income	13	2	15
Investments		1	1
Reclassifications	– 6	3	– 3
Carrying amount at 31 December 2020	**2,264**	**16**	**2,280**

1 See note 1.4

CHF million	Partner power plants	Other associates	Total
Carrying amount at 1 January 2019 (adjusted) [1]	**2,398**	**20**	**2,418**
Dividends	– 22		– 22
Share of profit / loss	– 38	– 2	– 40
IAS 19 and IFRS 9 effects recognised in other comprehensive income	– 18	– 2	– 20
Reclassifications	– 6		– 6
Disposals		– 2	– 2
Impairment		– 4	– 4
Carrying amount at 31 December 2019 (adjusted) [1]	**2,314**	**10**	**2,324**

1 See note 1.4

Summarised financial information

Under the partner agreements in force, the shareholders of partner power plants are required to take on the energy and pay the annual costs allotted to their ownership interest throughout the concession period. Furthermore, nuclear power plant owners are required to pay limited additional contributions to the decommissioning and waste disposal fund, in case one primary contributor is unable to fulfil payments. The partner agreements run through the useful life of the power plant, or through the concession period, and cannot be terminated. For individual partner power plants, Alpiq assigned a portion of the energy to be granted to it on account of its ownership interest as well as the associated obligation to pay its annual costs to another company. In such cases, the reported interest relevant from an economic perspective may differ from the interest held pursuant to corporate law. The Alpiq Group's share of the regular annual costs of all partner power plants in 2020 amounted to CHF 452 million (previous year: CHF 345 million). This amount is included in energy and inventory costs.

The merger of Atel and EOS, which formed Alpiq in 2009, led to fair value adjustments being made on the acquired assets in the course of the business combination. These are included in the summarised financial information and are calculated on the basis of a weighting.

Material partner power plants 2020

	Grande Dixence SA		Nant de Drance SA		Kernkraftwerk Gösgen-Däniken AG		Kernkraftwerk Leibstadt AG		Kernkraftwerk-Beteiligungs-gesellschaft AG (KBG)	
CHF million	Gross values	Alpiq share	Gross values	Alpiq share	Gross values	Alpiq share	Gross values	Alpiq share	Gross values	Alpiq share
Non-current assets	2,135	1,282	2,054	800	3,743	1,487	5,469	1,431	735	246
Of which, non-current financial assets	49	30	9	4	2,329	925	2,290	599		
Current assets	19	11	281	110	108	43	297	77	14	5
Of which, cash and current financial assets	1		278	108	17	7	99	26	6	2
Non-current liabilities	666	400	1,646	642	3,364	1,337	4,309	1,127	87	29
Of which, non-current financial liabilities	665	399	1,646	642	105	42	485	127	87	29
Current liabilities	235	141	283	110	132	52	198	52	38	13
Of which, current financial liabilities	166	100	250	98	46	18	40	10	23	7
Total equity	**1,253**	**752**	**406**	**158**	**355**	**141**	**1,259**	**329**	**624**	**209**
Income	168	101	3	1	421	168	520	137	131	44
Expenses	– 195	– 117	– 14	– 5	– 407	– 162	– 530	– 139	– 169	– 56
Net income	**– 27**	**– 16**	**– 11**	**– 4**	**14**	**6**	**– 10**	**– 2**	**– 38**	**– 12**
Other comprehensive income	3	2	– 5	– 2	18	7	19	5		
Total comprehensive income	**– 24**	**– 14**	**– 16**	**– 6**	**32**	**13**	**9**	**3**	**– 38**	**– 12**
Dividends received		**5**				**7**		**6**		**2**

The associates classified as material by Alpiq comprise only strategically significant partner power plants. No market prices are available for any of these companies.

Material partner power plants 2019

	Grande Dixence SA		Nant de Drance SA (adjusted)[1]		Kernkraftwerk Gösgen-Däniken AG		Kernkraftwerk Leibstadt AG		Kernkraftwerk-Beteiligungs-gesellschaft AG (KBG)	
CHF million	Gross values	Alpiq share	Gross values	Alpiq share	Gross values	Alpiq share	Gross values	Alpiq share	Gross values	Alpiq share
Non-current assets	2,192	1,315	1,975	770	3,641	1,447	5,349	1,399	777	259
Of which, non-current financial assets	56	34	9	4	2,213	879	2,165	566		
Current assets	6	4	25	10	183	73	378	99	5	2
Of which, cash and current financial assets	2	1	18	7	48	19	160	42	1	
Non-current liabilities	835	494	1,417	552	3,343	1,329	4,212	1,102	67	22
Of which, non-current financial liabilities	814	489	1,417	552	136	54	485	127	67	22
Current liabilities	89	53	167	65	142	56	243	64	47	16
Of which, current financial liabilities	30	18	138	54					39	13
Total equity	**1,274**	**772**	**416**	**163**	**339**	**135**	**1,272**	**332**	**668**	**223**
Income	154	94	3	1	418	166	501	131	145	48
Expenses	– 193	– 113	– 20	– 8	– 403	– 160	– 499	– 131	– 177	– 59
Net income	**– 39**	**– 19**	**– 17**	**– 7**	**15**	**6**	**2**	**0**	**– 32**	**– 11**
Other comprehensive income	– 8	– 2	2	1	– 23	– 9	– 20	– 5		
Total comprehensive income	**– 47**	**– 21**	**– 15**	**– 6**	**– 8**	**– 3**	**– 18**	**– 5**	**– 32**	**– 11**
Dividends received		**5**				**7**		**6**		**2**

1 See note 1.4

Individually immaterial partner power plants and other associates 2020

	Individually immaterial partner power plants		Other associates	
CHF million	Gross values	Alpiq share	Gross values	Alpiq share
Non-current assets	3,881	1,027	47	18
Of which, non-current financial assets	51	7	1	
Current assets	112	21	28	9
Of which, cash and current financial assets	51		15	5
Non-current liabilities	1,419	306	18	5
Of which, non-current financial liabilities	1,392	300		
Current liabilities	341	67	20	6
Of which, current financial liabilities	203	40	6	2
Total equity	**2,233**	**675**	**37**	**16**
Income	429	88	60	19
Expenses	– 443	– 95	– 57	– 19
Net income	**– 14**	**– 7**	**3**	
Other comprehensive income	6	1	8	2
Total comprehensive income	**– 8**	**– 6**	**11**	**2**
Dividends received		**2**		

Individually immaterial partner power plants and other associates 2019

	Individually immaterial partner power plants		Other associates	
CHF million	Gross values	Alpiq share	Gross values	Alpiq share
Non-current assets	3,994	1,055	25	10
Of which, non-current financial assets	60	8		
Current assets	101	17	23	8
Of which, cash and current financial assets	52	9	10	4
Non-current liabilities	1,525	319	22	6
Of which, non-current financial liabilities	1,504	315		
Current liabilities	299	64	6	2
Of which, current financial liabilities	148	35		
Total equity	**2,271**	**689**	**20**	**10**
Income	385	80	84	26
Expenses	– 400	– 87	– 98	– 32
Net income	**– 15**	**– 7**	**– 14**	**– 6**
Other comprehensive income	– 12	– 2	– 8	– 2
Total comprehensive income	**– 27**	**– 9**	**– 22**	**– 8**
Dividends received		**2**		

Accounting policies

An associate is a company over which the Alpiq Group is in a position to exercise significant influence through participation in the financial and operating policy decisions of the investee, and that is neither a subsidiary nor a joint arrangement. Significant influence is generally assumed with a share of voting rights ranging from 20 % to 50 %. Where appropriate, companies may likewise be accounted for as associates in the consolidated financial statements by applying the equity method, even if the ownership interest is less than 20 %. This applies especially where the Alpiq Group is represented in the authoritative decision-making bodies, such as the Board of Directors, or participates in operating and financial policymaking. The equity method is also applied to assess companies over which Alpiq, despite having a related ownership interest of 50 % or greater, has no control, as a result of restrictions in articles of association, contracts and organisational rules.

With regard to associates, Alpiq makes the distinction between partner power plants and other associates. The partner power plants are companies that construct, maintain or operate nuclear power plants or hydropower plants or manage the energy purchase rights. Goodwill may also arise when purchasing investments in associates, and corresponds to the difference between the cost of investment and the Group's share of the fair value of the identifiable net assets. Such goodwill forms part of the carrying amount at which the associate is recognised.

The reporting date of a few partner power plants (hydrological year) and other associates differs from that of the Group. The most recent available financial statements of these companies are utilised to prepare the consolidated financial statements of the Alpiq Group. Significant transactions and events that occur between the end of the most recent reporting period and 31 December are taken into account in the consolidated financial statements. To be included in the consolidated financial statements, the financial statements of the associates are prepared applying uniform accounting policies. Reconciliation statements are prepared for companies that have no IFRS financial statements.

4.4 Inventories

CHF million	31 Dec 2020	31 Dec 2019
Consumables, supplies and fuels	13	13
CO_2 and other certificates	53	47
Costs to fulfil a contract	1	1
Total	**67**	**61**

Accounting policies

Inventories are stated at the lower of cost (calculated applying the FIFO method or the average cost method) and net realisable value. Costs incurred to fulfil a contract are capitalised if they are incurred in direct connection with satisfying a performance obligation and these costs are expected to be recovered. The asset recognised in respect of the costs to fulfil a contract is amortised on a systematic basis over the period when the goods or services are transferred to the customer.

4.5 Receivables

CHF million	31 Dec 2020	31 Dec 2019
Trade receivables[1]	714	616
Prepayments to suppliers	8	7
Other current receivables[2]	356	315
Total	**1,078**	**938**

1 Of which, an amount of CHF 446 million (previous year: CHF 353 million) stems from contracts with customers pursuant to IFRS 15.
2 Includes contract assets of CHF 12 million (previous year: CHF 0 million)

Alpiq usually grants its customers payment deadlines of no longer than 30 days. In certain cases, the payment deadline can be 60 days. Trade receivables from and trade payables to the same counterparties are offset, provided that a netting agreement has been reached with the counterparties, and payment is made on a net basis. For more information, please refer to note 3.1.

Age analysis of trade receivables

			31 Dec 2020			31 Dec 2019
CHF million	Gross	Impairment	Net (Balance sheet)	Gross	Impairment	Net (Balance sheet)
Not past due	668		668	577	– 1	576
1 – 90 days past due	31	– 1	30	22		22
91 – 180 days past due	1	– 1		6	– 6	
181 – 360 days past due				3		3
Over 360 days past due	57	– 41	16	54	– 39	15
Total	**757**	**– 43**	**714**	**662**	**– 46**	**616**

Impairment of trade receivables

CHF million	31 Dec 2020	31 Dec 2019
Carrying amount before impairment	757	662
Of which, impaired	– 43	– 46
Impairment at beginning of year	– 46	– 42
Impairment charge for the year[1]	– 1	– 9
Amounts written off as uncollectible	1	1
Unused amounts reversed	2	2
Currency translation differences	1	2
Impairment at end of year	– 43	– 46

1 Of which, an amount of CHF – 1 million (previous year: CHF – 9 million) stems from contracts with customers pursuant to IFRS 15.

The impairment comprises specific bad debt allowances of CHF 42 million (previous year: CHF 45 million) that were recognised for receivables with concrete indications of a default risk (e.g. insolvency). In accordance with the expected credit loss model, it also includes general bad debt allowances of CHF 1 million (CHF 1 million) due to the inherent default risk for receivables. For this, individual probabilities of default are calculated for each counterparty amounting to between 0.0 % and 19.4 % (previous year: between 0.0 % and 19.3 %), depending on the maturity of the trade receivables.

Accounting policies

The accounting policies for financial receivables are disclosed in note 3.2.

4.6 Cash and cash equivalents

CHF million	31 Dec 2020	31 Dec 2019
Cash at bank and in hand	338	438
Term deposits with a maturity of 90 days or less	2	2
Total	**340**	**440**

Cash at bank and in hand include foreign subsidiaries' bank accounts with a total balance of EUR 39 million, translated CHF 42 million, (previous year: EUR 39 million, translated CHF 42 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 Group.

4.7 Provisions

CHF million	Onerous contracts	Restructuring	Decommis-sioning own power plants	Warranties	Other	Total
Non-current provisions at 1 January 2020 (adjusted)[1]	319		45	1	49	414
Current provisions at 1 January 2020	13	6		16	20	55
Provisions at 1 January 2020 (adjusted)[1]	**332**	**6**	**45**	**17**	**69**	**469**
Allocated	114				18	132
Unwinding of discount	16		2			18
Utilised	– 13			– 13	– 20	– 46
Unused amounts reversed	– 6			– 3	– 28	– 37
Reclassified					1	1
Provisions at 31 December 2020	**443**	**6**	**47**	**1**	**40**	**537**
Non-current provisions at 31 December 2020	430		47	1	28	506
Current provisions at 31 December 2020	13	6			12	31

1 See note 1.4

Onerous contracts

These provisions comprise the present value of the onerous contracts in place on the reporting date. The increase of CHF 114 million mainly relates 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. Information about discontinued operations can be found in note 5.2.

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.

Restructuring

The provision for restructuring covers the costs expected in future from the restructuring programmes initiated in the past.

Decommissioning own power plants

The provision for decommissioning the Group’s own power plant portfolio covers the estimated costs of decommissioning and restoration obligations associated with the Group’s existing power plants.

Warranties

The provision for warranties was calculated based on historical data and contractual agreements and also includes the provisions for warranties and indemnification in connection with the sale of the Engineering Services business to Bouygues Construction.

Other provisions

Other provisions include obligations arising from the human resources area, existing and pending obligations from litigation as well as other operating risks evaluated as probable to materialise. Provisions of CHF 9 million were released in 2020, as GSE reversed the complete revocation of the right of Società Agricola Solar Farm 4 S.r.l. to feed-in tariffs (see note 4.1)

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.

Accounting policies

Provisions cover all (legal or constructive) obligations arising from past transactions or events that are known at the reporting date and likely to be incurred, but are uncertain as to timing and / or amount. The amount is determined at the reporting date and corresponds to the best possible estimate of the expected cash outflow, discounted to the reporting date.

4.8 Contingent liabilities and guarantees

ANAF's tax audit at Alpiq Energy SE

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 the amount of RON 793 million or CHF 176 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. Alpiq received a decision from ANAF at the end of June 2018. In the main matter, ANAF supported its own view and dismissed the objection with regard to an amount of RON 589 million or CHF 131 million as being without merit. With regard to an amount of RON 204 million or CHF 45 million, it repealed the decision from the tax audit and ordered a reassessment. In one matter concerning an immaterial amount, ANAF ruled in favour of Alpiq. Alpiq contested the decision on the appeal made by ANAF by making use of the legal means of appeal at its disposal. Multiple hearings concerning this matter were held in 2020. In addition, the independent expert appointed by the court submitted his expert report to the court. However, ANAF made further accusations, which were contested by Alpiq. The next hearing will take place in March 2021.

On 29 January 2019, the Supreme Court in Bucharest decided that ANAF's tax assessment of RON 589 million or CHF 131 million is not enforceable until a first-instance court decision has been reached. On 3 September 2019, the court of appeal in Bucharest also endorsed Alpiq's request that the tax assessment 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 bank guarantee 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. The claim for damages will be tried in civil proceedings.

Alpiq continues to deem it unlikely that this assessment will result in a negative outcome for the company and has therefore decided not to record a liability for the tax assessment.

Compensation review proceedings against Alpiq Holding Ltd.

In the squeeze-out merger (see note 3.7 Equity), all minority shareholders of Alpiq Holding Ltd. received compensation for each share held in Alpiq Holding Ltd. at the time of the merger. The compensation paid by a shareholder came to CHF 70 per share. In this way, the shareholders who received compensation in connection with the merger were treated the same as public shareholders who had tendered their Alpiq shares in the public purchase offer of Schweizer Kraftwerksbeteiligungs-AG (SKBAG).

As communicated in Alpiq's press release on 4 September 2020, the two investors Knight Vinke (KVIP International V L.P.) and Merion Capital (Merion Capital LP, Merion Capital ERISA LP and Merion Capital II LP) each filed compensation review proceedings against Alpiq Holding Ltd. pursuant to Art. 105 of the Swiss Merger Act (FusG). In these two proceedings, the companies are seeking a judicial review of the compensation approved by both Annual General Meetings and paid by SKBAG. The two compensation review proceedings were filed with the competent court, Chambre patrimoniale cantonale of the canton of Vaud, as a request for arbitration (French: Requête de conciliation) on 1 September 2020. The two investors are demanding compensation based on the value of the registered shares of Alpiq Holding Ltd. at that time, amounting to at least CHF 140 (Knight Vinke) or CHF 130 (Merion) per share. This would correspond to additional compensation of around CHF 195 million to be paid by Alpiq Holding Ltd. to all minority shareholders who received compensation.

In the context of the voluntary public purchase offer by SKBAG, PricewaterhouseCoopers (PwC) was engaged as an independent expert to prepare and submit a fairness opinion on the appropriateness of the offer price from a financial perspective. Following a thorough analysis, PwC calculated a value range of CHF 65 to CHF 73 per share held in Alpiq Holding Ltd. At the time, PwC concluded in its fairness opinion that the offer price is fair and appropriate from a financial perspective. In connection with the squeeze-out merger, Alantra Ltd was engaged to compile an independent valuation report for the members of the Board of Directors of Alpiq Holding Ltd. and Alpha 2020 Ltd. The valuation report of Alantra determined a value range of CHF 63.30 to CHF 72.50 per share held in Alpiq Holding Ltd. and therefore confirmed that the agreed compensation of CHF 70 per share is appropriate.

On account of the facts and circumstances known at that time, including the two independent valuation reports which deemed the amount of compensation per share to be appropriate, Alpiq considers it unlikely that this litigation will result in a negative outcome for the company.

Other matters

There were no significant contingent liabilities from pledges, guarantees and other commitments to third parties in favour of third parties at the reporting date, as was also the case at 31 December 2019. For additional obligations in connection with partner power plants, please see note 4.3. Contingent liabilities in connection with the sale of the Engineering Services business can be found in note 5.2.

4.9 Other current liabilities

CHF million	31 Dec 2020	31 Dec 2019
Trade payables	409	386
Other current liabilities	213	162
Advances from customers	21	14
Total	**643**	**562**

Trade payables to suppliers who are also customers are settled with trade receivables, provided that a netting agreement has been reached with the counterparties, and payment is made on a net basis. For more information, please refer to note 3.1.

The item “Other current liabilities” includes obligations in the amount of CHF 49 million (previous year: CHF 49 million) arising from the sale of loans receivable due from Swissgrid Ltd. Note 3.3 provides further information about the transaction.

5 Group structure

5.1 Business combinations

No companies were acquired in 2020 or in 2019.

5.2 Companies sold

Net cash flow from disposal

CHF million	2020	2019
Inflow of cash and cash equivalents	26	280
Selling expenses	– 1	– 6
Cash and cash equivalents disposed of with subsidiaries		– 9
Net cash flow from disposal	**25**	**265**

Gain on disposal

CHF million	2020	2019
Inflow of cash and cash equivalents	26	280
Remeasurement of the remaining shares at fair value [1]	3	
Sale of net assets	– 11	– 273
Selling expenses	– 1	– 6
Gain on disposal (before reclassification of cumulative translation adjustment)	**17**	**1**
Reclassification of cumulative translation adjustment	– 3	– 28
Gain on disposal	**14**	**– 27**
Of which, from the sale of Flexitricity Ltd. and Tormoseröd Vindpark AB in other operating income	14	
Of which, from the sale of Alpiq Generation (CZ) s.r.o. in other operating expenses		– 27

1 Included in “Investments in partner power plants and other associates”

Assets and liabilities on the disposal date

CHF million	2020	2019
Property, plant and equipment	5	264
Intangible assets	6	
Other non-current assets	1	
Inventories		21
Receivables	1	13
Prepayments and accrued income		1
Cash and cash equivalents		9
Total assets	**13**	**308**
Non-current provisions		7
Deferred income tax liabilities	1	5
Current financial liabilities		1
Other current liabilities		21
Accruals and deferred income	1	1
Total liabilities	**2**	**35**
Net assets	**11**	**273**

2020: Sales

The sale of Flexitricity Ltd. to Reserve Power Holdings (Jersey) Limited, which belongs to the Quinbrook Group, was closed on 9 September 2020. The sale price amounted to CHF 18 million, which resulted in a net inflow of cash and cash equivalents of CHF 17 million. The assets and liabilities of the company were recognised as “Assets held for sale” or “Liabilities held for sale”. Alpiq had recognised an impairment loss of CHF 10 million on goodwill in 2019 in order to reduce the carrying amount to the sale price expected at that time less costs to sell. The actual sale price achieved is higher than the price expected at the end of 2019, meaning that a book gain has now been generated from the sale.

The sale of 70 % of the shares in Tormoseröd Vindpark AB to Fu-Gen (Future Generation Renewable Energy) was closed on 18 December 2020. Alpiq continues to hold 30 % of the shares in Tormoseröd Vindpark AB. Due to the remaining significant influence of Alpiq, the shares are now recognised under “Investments in partner power plants and other associates”. The sale price amounted to CHF 8 million, which resulted in a net inflow of cash and cash equivalents of CHF 8 million. The gain on disposal also comprises the remeasurement of the remaining interest at fair value of CHF 3 million.

2019: Sales

The sale of Alpiq Generation (CZ) s.r.o., which holds the two thermal power plants Kladno and Zlín, to Sev.en Zeta a.s. (CZ) was closed on 30 August 2019. The purchaser Sev.en Zeta a.s. (CZ) belongs to the Sev.en Energy Group. The sale price amounted to CHF 280 million, which resulted in a net inflow of cash and cash equivalents of CHF 265 million. Since 15 May 2019, the assets and liabilities of the company have been recognised as “Assets held for sale” or “Liabilities held for sale”. The recoverable amount of Alpiq Generation (CZ) s.r.o. was calculated directly before classification as “Assets held for sale” or “Liabilities held for sale”. A pre-tax discount rate of 5.34 % was applied. The measurement resulted in an impairment loss on property, plant and equipment of CHF 186 million. Following reclassification, another impairment loss of CHF 53 million was recognised on assets held for sale in order to reduce the carrying amount to the sale price less costs to sell.

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 is 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. Both Alpiq and Swissgrid can file an appeal with the Federal Administrative Court against these rulings within 30 days. If they fail to do so within that period, the rulings become legally binding. As soon as these rulings are legally binding, the second measurement adjustment will be 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 is calculated in accordance with the new ruling in 2016. The calculations for all parties providing in-kind contributions are carried out by the same independent company. Provided that neither Alpiq nor Swissgrid file an appeal against these rulings, Alpiq expects the result of the valuations in the second half of 2021.

At present, Alpiq does not have all the information required to provide an accurate calculation of the final compensation amount. This matter is therefore subject to estimation uncertainty. Based on the information available and considering the fact that the rulings are not yet legally binding when the 2020 consolidated financial statements are approved by the Board of Directors of Alpiq Holding Ltd., Alpiq used judgments to estimate the fair value of the final compensation amount expected (including interest). In this context, additional sales proceeds of CHF 39 million, including margin differences in 2011 and 2012, were recorded under “Other operating income”. Interest components of CHF 11 million were recognised as interest income. The final compensation amount (including interest) will not be known until all calculations have been completed by the independent valuation company. This is expected to result in a further positive effect on earnings for Alpiq.

Discontinued operations

In 2018, Alpiq sold the Engineering Services business, which comprises the Alpiq InTec Group and the Kraftanlagen Group. These operations were classified as discontinued operations. Therefore, all income and expenses in connection with this sale continue to be posted to “Earnings after tax from discontinued operations”.

There were diverging views on the definitive sale price between Alpiq and Bouygues Construction. In order to enforce their claims arising from the price adjustment mechanism, both parties therefore filed for arbitration proceedings pursuant to the arbitration regulations of the Swiss Chambers’ Arbitration Institution on 12 February 2019. On 22 December 2020, Alpiq and Bouygues Construction reached an out-of-court settlement. Alpiq refunded CHF 54.5 million to Bouygues Construction. The arbitration proceedings, which were simultaneously initiated by both parties on 12 February 2019, therefore came to an end. The settlement agreement states that this payment is to be treated as an adjustment to the sale price. The payment posted to “Earnings after tax from discontinued operations” is therefore contained under “Net cash flows from investing activities of discontinued operations”. Alpiq and Bouygues Construction have also entered into indemnification and warranty agreements in connection with the sale of the Engineering Services business. The settlement agreement therefore states that the parties release each other from any indemnification and warranties contained in the sales agreement, except for the antitrust proceedings described below, which were not part of the arbitration proceedings.

As part of the sale of the Engineering Services business, Alpiq must bear any costs of Kraftanlagen München GmbH resulting from the proceedings started by the state prosecutor of Munich I and the German Federal Cartel Office in the first quarter of 2015. In the course of these proceedings, the German Federal Cartel Office imposed a fine of EUR 47.5 million, translated CHF 51 million, on Kraftanlagen München GmbH in December 2019. Kraftanlagen München cooperated fully with the authorities from the outset in order to support them in investigating the allegations in question. Despite extensive investigations, a law firm commissioned by Kraftanlagen München to clarify the facts of the case could not find any evidence of misconduct by Kraftanlagen München or the accused former employees. Kraftanlagen München does not believe that it is in the wrong and refutes the allegations. This fine is justified neither by the facts nor the legal situation, which is why Kraftanlagen München GmbH filed an appeal against the administrative order imposing the fine. Alpiq has recognised a provision for the expected costs associated with these proceedings.

Kraftanlagen München and Alpiq continue to deem a conviction unlikely and Alpiq has therefore decided not to record a liability for this matter.

Income statement of discontinued operations

CHF million	2020	2019
Expenses	– 4	– 8
Effect from reviewing the provisions for warranties and indemnification	3	– 34
Adjustment of the purchase price / loss on disposal	– 55	
Earnings after tax from discontinued operations [1]	**– 56**	**– 42**

1 No income tax was incurred on the earnings from discontinued operations.

By the time the out-of-court settlement was reached, the cash outflow in connection with indemnification and warranties to Bouygues Construction came to CHF 13 million in the 2020 financial year (previous year: CHF 28 million). According to the sales agreement, these payments are treated as an adjustment to the sale price. They are therefore contained in the statement of cash flows under “Net cash flows from investing activities of discontinued operations”.

5.3 Assets held for sale

At the 31 December 2020 reporting date, no subsidiaries were classified as "Assets held for sale"; at the 31 December 2019 reporting date, only the subsidiary Flexitricity Ltd. was classified as "Assets held for sale". For more information, see note 5.2.

Assets

CHF million	31 Dec 2020	31 Dec 2019
Property, plant and equipment		1
Intangible assets		6
Other non-current assets		1
Receivables		1
Prepayments and accrued income		9
Cash and cash equivalents		1
Total assets held for sale	**0**	**19**

Liabilities

CHF million	31 Dec 2020	31 Dec 2019
Accruals and deferred income		8
Total liabilities held for sale	**0**	**8**

Accounting policies

An asset or group of assets and related liabilities (disposal group) is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than continuing use. The Alpiq Group measures non-current assets and disposal groups classified as held for sale at the lower of carrying amount and fair value less costs of disposal. These assets or disposal groups, once classified as held for sale, are no longer depreciated or amortised. They are presented separately from the Group's other assets and liabilities.

5.4 Significant group companies and investments

Group companies	Place of incorporation	Generation Switzerland	Generation Interna-tional	Digital & Commerce	Group Centre & other companies	Direct ownership interest in %
Alpiq Holding Ltd.	Lausanne, CH				X	100.0
Aare-Tessin Ltd. for Electricity (Atel) [1]	Olten, CH				X	100.0
Aero Rossa S.r.l.	Milan, IT		X			100.0
Alpiq Ltd. [1]	Olten, CH	X	X	X	X	100.0
Alpiq Csepel Kft.	Budapest, HU		X			100.0
Alpiq Deutschland GmbH [1]	Munich, DE				X	100.0
Alpiq Digital AG [1]	Olten, CH			X		100.0
Alpiq Digital Austria GmbH	Vienna, AT			X		100.0
Alpiq EcoPower Ltd. [1]	Olten, CH		X			100.0
Alpiq EcoPower Switzerland Ltd.	Olten, CH		X			100.0
Alpiq E-Mobility Ltd	Zurich, CH			X		100.0
Alpiq Energia Bulgaria EOOD	Sofia, BG			X		100.0
Alpiq Energía España S.A.U.	Madrid, ES		X	X		100.0
Alpiq Energia Italia S.p.A.	Milan, IT		X	X	X	100.0
Alpiq Energie Deutschland GmbH	Berlin, DE			X		100.0
Alpiq Energie France S.A.S.	Neuilly-sur-Seine, FR			X	X	100.0
Alpiq Energy SE	Prague, CZ			X	X	100.0
Alpiq Finland Oy [2]	Vantaa, FI			X		100.0
Alpiq Hydro Aare AG	Boningen, CH	X				100.0
Alpiq Hydro Italia S.r.l.	Milan, IT		X			90.0
Alpiq Italia S.r.l.	Milan, IT				X	100.0
Alpiq Le Bayet S.A.S.	Neuilly-sur-Seine, FR		X			100.0
Alpiq Retail CZ s.r.o.	Prague, CZ			X		100.0
Alpiq Retail France S.A.S.	Neuilly-sur-Seine, FR			X		100.0
Alpiq Services CZ s.r.o.	Prague, CZ			X	X	100.0

Group companies	Place of incorporation	Generation Switzerland	Generation Interna-tional	Digital & Commerce	Group Centre & other companies	Direct ownership interest in %
Alpiq Solutions France S.A.S.	Neuilly-sur-Seine, FR			X		100.0
Alpiq Suisse Ltd. [1]	Lausanne, CH	X		X	X	100.0
Alpiq Wind Italia S.r.l.	Milan, IT		X			100.0
Alpiq Wind Services EAD	Sofia, BG		X			100.0
Arclight Ltd.	Olten, CH			X		100.0
Bel Coster SA	L'Abergement, CH		X			100.0
Birs Wasserkraft AG	Olten, CH		X			100.0
C.E.P.E. Des Gravières S.A.S.	Neuilly-sur-Seine, FR		X			100.0
Cotlan Wasserkraft AG	Glarus Süd, CH		X			60.0
EESP European Energy Service Platform GmbH	Berlin, DE			X		100.0
Électricité d'Émosson SA	Martigny, CH	X				50.0
En Plus S.r.l. [3]	Milan, IT		X			100.0
Energie Electrique du Simplon SA (E.E.S.)	Simplon, CH	X				82.0
Enpower 2 S.r.l.	Milan, IT		X			100.0
Enpower 3 S.r.l.	Milan, IT		X			100.0
Entegra Wasserkraft AG	St. Gallen, CH		X			59.6
Eole Jura SA	Muriaux, CH		X			100.0
EolJorat Nord SA	Lausanne, CH		X			100.0
Hydro-Solar Energie AG	Niederdorf, CH		X			65.0
Isento Wasserkraft AG	St. Gallen, CH		X			100.0
Kraftwerke Gougra AG	Sierre, CH	X				54.0
Motor-Columbus Ltd. [1]	Olten, CH				X	100.0
Novel S.p.A.	Milan, IT		X			51.0
Po Prostu Energia Spólka Akcyjna	Warsaw, PL			X		100.0
Salanfe SA	Vernayaz, CH	X				100.0
Società Agricola Solar Farm 2 S.r.l.	Milan, IT		X			100.0
Società Agricola Solar Farm 4 S.r.l.	Milan, IT		X			100.0
Tous-Vents SA	Lausanne, CH		X			100.0
Vetrocom EOOD [1]	Sofia, BG		X			100.0
Wasserkraftwerk Hüscherabach AG [2]	Splügen, CH		X			60.0
Wasserkraftwerk Peist AG [4]	Arosa, CH		X			51.0
Wasserkraftwerk Tambobach AG	Splügen, CH		X			70.0

1 Interest held directly by Alpiq Holding Ltd.
2 Newly founded
3 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 2020, Eviva S.p.A. was still listed in the share register of En Plus S.r.l.
4 Indirect interest held via Entegra with non-controlling interests of 69.6 %

Partner power plants and other associates	Place of incorporation	Licence / agreement expiry	Generation Switzerland	Generation Interna-tional	Digital & Commerce	Group Centre & other companies	Direct ownership interest in %
Blenio Kraftwerke AG	Blenio, CH	2042	X				17.0
CERS Holding SAS	Toulouse, FR			X			15.0
Cleuson-Dixence[1]	Sion, CH	2044	X				31.8
Electra-Massa AG	Naters, CH	2048	X				34.5
Engadiner Kraftwerke AG	Zernez, CH	2050/2074	X				22.0
Forces Motrices de Martigny-Bourg S.A.	Martigny, CH	2080	X				18.0
Forces Motrices Hongrin-Léman S.A. (FMHL)	Château-d'Oex, CH	2051/2094	X				39.3
Grande Dixence SA	Sion, CH	2044	X				60.0
HYDRO Exploitation SA	Sion, CH		X				26.2
Kernkraftwerk Gösgen-Däniken AG	Däniken, CH		X				40.0
Kernkraftwerk Leibstadt AG	Leibstadt, CH		X				27.4
Kernkraftwerk-Beteiligungsgesellschaft AG (KBG)	Bern, CH	2041	X				33.3
Kraftwerk Ryburg-Schwörstadt AG	Rheinfelden, CH	2070	X				13.5
Kraftwerke Hinterrhein AG	Thusis, CH	2042	X				9.3
Kraftwerke Zervreila AG	Vals, CH	2037	X				21.6
Maggia Kraftwerke AG	Locarno, CH	2035/2048	X				12.5
MOVE Mobility SA	Granges-Paccot, CH				X		25.0
Nant de Drance SA	Finhaut, CH		X				39.0
Tormoseröd Vindpark AB	Karlstad, SE		X				30.0
Unoenergia S.r.l.	Biella, IT			X			28.0
Wasserkraftwerke Weinfelden AG	Weinfelden, CH			X			49.0

1 Simple partnership

Joint venture	Place of incorporation	Generation Switzerland	Generation Interna-tional	Digital & Commerce	Group Centre & other companies	Direct ownership interest in %
Hydrospider Ltd	Opfikon, CH			X		45.0

6 Other disclosures

6.1 General accounting policies

Due to the necessary rounding, it is possible that subtotals or totals do not match the individual amounts.

Basis of consolidation

The consolidated financial statements of the Alpiq Group comprise the consolidated financial statements of Alpiq Holding 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 Holding 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 "Other non-current assets" when control over the company is lost.

Investments in partner power plants and other associates in which the Alpiq Group has significant influence are included in the consolidated financial statements by applying the equity method. The Alpiq Group's interest in the assets, liabilities, income and expenses of such companies is disclosed in note 4.3.

All other investments are recognised at fair value and included in non-current assets as "Other non-current assets".

Foreign currency translation

The consolidated financial statements are presented in Swiss francs (CHF), which is both the functional currency of Alpiq Holding Ltd. and its reporting currency. The functional currency of each 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.

The following exchange rates were used for currency translation:

Unit	Closing rate at 31 Dec 2020	Closing rate at 31 Dec 2019	Average rate for 2020	Average rate for 2019
1 EUR	1.080	1.085	1.070	1.113
1 GBP	1.202	1.276	1.204	1.269
1 USD	0.880	0.966	0.939	0.994
100 CZK	4.116	4.272	4.049	4.335
100 HUF	0.297	0.328	0.305	0.342
100 NOK	10.317	11.004	9.999	11.302
100 PLN	23.690	25.498	24.103	25.893
100 RON	22.188	22.693	22.124	23.447

6.2 Related party transactions

Related parties include partner power plants, other associates and major shareholders with significant influence on the Alpiq Group as well as employee pension schemes, the Board of Directors and the Executive Board. EOS Holding SA and, since December 2019, also Schweizer Kraftwerksbeteiligungs-AG have significant influence over the Alpiq Group and are referred to below as “Other related companies”. The significant influence of EDF Alpes Investissements Sàrl ended in May 2019.

Transactions between the Group and related companies

	2020			2019		
CHF million	Partner power plants	Other associates	Other related companies	Partner power plants	Other associates	Other related companies
Total revenue and other income						
Net revenue [1]	53	29		50	32	– 8
Other operating income	2			2		
Operating expenses						
Energy and inventory costs	– 452	– 13		– 345	– 16	– 146
Other operating expenses	– 1					

1 The negative net revenue with other related companies in the previous year is attributable to the change in the fair value measurement of energy derivatives, which are presented in net revenue. For more explanations on accounting policies, please refer to note 2.2.

Outstanding balances with related companies at the reporting date

CHF million	31 Dec 2020 Partner power plants	31 Dec 2020 Other associates	31 Dec 2019 Partner power plants	31 Dec 2019 Other associates
Assets				
Other non-current assets	1	7	1	3
Receivables	11	2	5	1
Prepayments and accrued income	25		70	
Current term deposits	47	2	65	1
Liabilities				
Accruals and deferred income	9	1	3	1
Derivative financial instruments		1		
Accruals and deferred income	18		4	

Investments in partner power plants and other associates are presented in note 4.3. The Alpiq Group has contractual power offtake arrangements with partner power plants. Electricity is purchased according to the ownership interest, although no volumes have been agreed contractually. Power generation capacity depends on optimum utilisation of the power plants. The costs for power production at the partner power plants are assumed on a cost-plus basis.

Non-financial energy trading contracts outstanding with other associates and other related companies comprised a contract volume of 271 GWh at 31 December 2020 (previous year: 0 GWh) and a gross value of CHF 14 million (CHF 0 million).

Details of transactions between the Group and its employee pension schemes are disclosed in note 6.3.

Members of the Board of Directors and the Executive Board

The total compensation for the Board of Directors and the Executive Board breaks down as follows:

CHF million	Board of Directors 2020	Board of Directors 2019	Executive Board 2020	Executive Board 2019
Fixed and variable remuneration	2.0	2.0	3.8	5.8
Social security contributions	0.3	0.2	1.0	1.1
Total	**2.3**	**2.2**	**4.8**	**6.9**

Detailed information on the total compensation of the Board of Directors and the Executive Board is presented in the "Corporate Governance" section of the Annual Report.

6.3 Employee benefits

The Group operates a number of pension schemes as required by law. The group companies in Switzerland participate in PKE Vorsorgestiftung Energie, a legally independent pension scheme which meets the criteria of a defined benefit plan in accordance with IAS 19. Employees of foreign subsidiaries are generally covered by state social security schemes or independent defined contribution pension plans in accordance with national practices. These plans meet the criteria of a defined contribution plan according to IAS 19.

Defined benefit liabilities in the balance sheet

CHF million	31 Dec 2020	31 Dec 2019
Present value of defined benefit obligation	790	770
Fair value of plan assets	759	720
Net defined benefit liabilities	**31**	**50**

Reconciliation of net defined benefit liabilities

CHF million	2020	2019
Net defined benefit liabilities at 1 January	**50**	**50**
Defined benefit expense recognised in the income statement	7	13
Defined benefit expense recognised in other comprehensive income	– 14	– 2
Contributions by employer to legally independent pension schemes	– 10	– 10
Benefits paid directly by employer	– 1	– 1
Others	– 1	
Net defined benefit liabilities at 31 December	**31**	**50**

Changes in the present value of the defined benefit obligation

CHF million	2020	2019
Present value of defined benefit obligation at 1 January	**770**	**729**
Interest expense on defined benefit obligations	1	6
Current service cost	17	14
Past service cost [1]	– 10	– 1
Contributions by plan participants	9	8
Benefits paid	– 26	– 57
Remeasurements:		
Financial assumptions	2	59
Demographic assumptions		– 2
Experience adjustments	20	14
Others	7	
Present value of defined benefit obligation at 31 December	**790**	**770**

1 Includes the effects of a reduction of voluntary payments made to retirees to date.

The weighted average duration of the defined benefit obligation as at the reporting date is 14.5 years (previous year: 14.1 years).

Changes in the fair value of the plan assets

CHF million	2020	2019
Fair value of plan assets at 1 January	**720**	**679**
Interest income on plan assets	2	5
Contributions by employer to legally independent pension schemes	10	10
Contributions by plan participants	9	8
Benefits paid	– 25	– 56
Remeasurement on plan assets	36	74
Others	7	
Fair value of plan assets at 31 December	**759**	**720**

Asset classes of plan assets

CHF million	31 Dec 2020	31 Dec 2019
Quoted market prices		
Liquidity	6	8
Equity instruments of third parties	289	282
Debt instruments of third parties	238	209
Property funds	37	38
Other investments	80	81
Total plan assets at fair value (quoted market prices)	**650**	**618**
Unquoted market prices		
Property not used by the company	109	102
Total plan assets at fair value (unquoted market prices)	**109**	**102**
Total fair value of plan assets	**759**	**720**

Accounting policies

The defined benefit obligation is calculated annually by independent pension experts using the projected unit credit method. This accrued benefit method prorated on service recognises not only the known benefits and benefits accrued at the reporting date, but also expected future salary and pension increases. The Continuous Mortality Investigation (CMI) model with generation tables as a technical basis is used to reflect mortality rates. Mortality data according to the CMI model is calculated based on a long-term rate of change. The net interest result is recognised directly in finance costs / income; any remaining employee benefit costs are included in employee costs. Actuarial gains and losses are recognised in other comprehensive income as part of equity in the period in which they occur. Past service costs are recognised directly in the income statement as employee costs.

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

The calculation of the recognised defined benefit liabilities is based on statistical and actuarial assumptions. Such assumptions can differ substantially from actual circumstances due to changes in market conditions and the economic environment, higher or lower exit rates, longer or shorter lives of plan participants and other estimated factors. Such deviations may have an impact on the defined benefit liabilities recognised in future reporting periods.

Actuarial assumptions

in %	31 Dec 2020	31 Dec 2019
Discount rate	0.15	0.19
Projected interest rate for retirement assets	0.75	0.75
Expected rates of salary increase (weighted average)	0.50	1.00
Estimated long-term rate of change in the CMI model (basis: BVG 2015)	1.25	1.25

Sensitivity analysis

In each case, the sensitivity analysis takes into consideration the influence on the net defined benefit obligation in the event of one assumption changing while all of the other assumptions remain unchanged. This approach does not take into account that some assumptions are dependent on each other.

CHF million	2020	2019
Discount rate		
0.25 % increase	– 28	– 26
0.25 % reduction	29	28
Projected interest rate for retirement assets		
0.25 % increase	6	5
0.25 % reduction	– 6	– 5
Rate of salary increase		
0.25 % increase	3	2
0.25 % reduction	– 3	– 2
Life expectancy		
1 year increase	32	32
1 year reduction	– 32	– 33

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

Employer social security contributions are estimated at CHF 12 million and employee contributions are estimated at CHF 7 million for 2021.

6.4 Pledged assets

The power plants of Aero Rossa S.r.l., Milan / IT, En Plus S.r.l., Milan / IT, Enpower 3 S.r.l., Milan / IT and Società Agricola Solar Farm 4 S.r.l., Milan / IT, are funded through common project financing arrangements with banks. The related liabilities are reported on the consolidated balance sheet. The Alpiq Group has pledged CHF 82 million of its interests in these power plants to the financing banks as collateral (previous year: CHF 66 million). For information about pledged cash and cash equivalents, please refer to note 4.6.

6.5 Events after the reporting period

On 9 February 2021, the Swiss Federal Electricity Commission (ElCom) issued rulings on the margin differences of the former company Alpiq Grid Ltd. Gösgen and Alpiq Grid Ltd Lausanne in 2011 and 2012, which have a positive effect on the amount of compensation to be paid for the shares in the Swiss high-voltage grid transferred from Alpiq to Swissgrid Ltd on 3 January 2013. For more information about this matter, please refer to note 5.2.

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To the General Meeting of
Alpiq Holding Ltd., Lausanne

Zurich, 24 February 2021

Statutory auditor’s report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Alpiq Holding Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2020 and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. 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 the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

Impairment of production facilities and investments in production companies

Risk	At the end of each reporting period, the Executive Board assesses whether there is any indication that production facilities or investments in production companies may be impaired. The calculation of impairment requires Alpiq Group to make several estimates and assumptions, which could have a significant impact on the net income for the period. The significant estimates mainly concern future electricity prices, future exchange rates, future growth and inflation rates as well as the discount rates. The significant assumptions comprise the regulatory environment as well as the long-term investment activities. Information about impairment losses recognized in 2020 and comments on significant estimation uncertainties are disclosed in note 4.1.
Our audit response	In our audit of the recoverability of production facilities and investments in production companies, we compared the significant estimates made by Alpiq Group with available market data (e.g., future electricity prices, exchange rates and discount rates) or other data made available by third parties (long-term electricity prices and exchange rate expectations, growth and inflation rates). In addition, we compared the estimates with the relevant estimates from the prior year and assessed these for consistency. Our audit procedures did not lead to any reservations regarding the impairment of production facilities and investments in production companies.

Assessment of onerous long-term purchase and supply contracts

Risk	Alpiq Group has long-term electricity purchase and supply contracts that have been identified as onerous contracts due to their contractual arrangements and the current market situation as of 31 December 2020. Information about onerous contract provisions is disclosed in note 4.7 to the consolidated financial statements. The calculations of expected losses that are necessary for determining the provisions require Alpiq Group to make several estimates which have a significant impact on the provision and therefore on the net income for the period. The significant estimates mainly concern future electricity prices, future exchange rates, future growth and inflation rates as well as the discount rates.
Our audit response	In our audit of the provisions, we compared the significant estimates made by Alpiq Group with available market data or other data made available by third parties (e.g., future electricity prices, exchange rates and discount rates). In addition, we compared the estimates with the relevant estimates from the prior year and assessed these for consistency. We also audited the mathematical accuracy of the valuation model. Our audit procedures did not lead to any reservations regarding the assessment of onerous long-term purchase and supply contracts.

Classification and measurement of energy contracts

Risk	With regard to forward contracts on electricity, gas and commodities, Alpiq Group assesses for each case whether the transaction had been concluded with the purpose of physical realization in accordance with the expected purchase, sale or usage requirements or whether the transaction had been concluded for trading purposes. The former transactions are recognized in net revenue, as explained in note 2.2 to the consolidated financial statements, or in energy and inventory costs once they have been completed whereas the latter transactions are immediately recorded in income at fair value, with profit and loss disclosed net as trading income in net revenue. After the initial classification, Alpiq Group assesses whether the original assumptions regarding physical realization and expected purchase, sale or usage requirements are still accurate. For the measurement of complex, non-standard energy contracts (level 3 contracts), Alpiq uses different methods containing input data which is partially based on markets with limited liquidity or non-market-based inputs. The application of the methods and the estimation of input data are subject to judgment and estimation uncertainties. An incorrect classification or measurement of energy contracts could potentially have a significant impact on the net income for the period.
Our audit response	We audited the internal controls for initial classification and identification of necessary reclassifications defined by Alpiq Group with regard to their operating effectiveness in certain divisions. Furthermore, we assessed whether there are indications that would make it necessary for transactions classified as own purchase, sale or usage requirements to be reclassified for trading purposes as of 31 December 2020. With regards to measurement of complex, non-standard energy contracts we evaluated the adequacy and consistency of the applied methods, reconciled the recognized parameters to the underlying contracts and compared the input factors to available market data or other data made available by third parties. Our audit procedures did not lead to any reservations regarding the measurement and classification of energy contracts.

Tax case Romania

Risk	After completing a tax audit at a Group company, the Romanian tax authority made a tax claim of RON 793 million (CHF 176 million) for the period of 2010 to 2014. This claim was reduced to RON 589 million (CHF 131 million) by a decision of the tax authority in June 2018. Alpiq Group deems it unlikely that this assessment will result in a cash outflow. Alpiq Group therefore does not recognize a provision and reports this matter as a contingent liability (note 4.8 to the consolidated financial statements). An assessment with a different outcome could potentially have a significant impact on the net income for the period.
Our audit response	We audited the contingent liability by holding meetings with the Head of the Legal & Compliance function as well as the Executive Board of Alpiq

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Group. We also evaluated the matter with the assistance of internal tax specialists in Romania and two external experts. Our audit procedures did not lead to any reservations regarding the tax case in Romania.

Other information in the annual report

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

Our opinion on the consolidated financial statements does not cover the other information in the annual report 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 annual report 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.

Responsibility of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, 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 Swiss law, ISAs and Swiss Auditing Standards 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.

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.

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

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Martin Gröli Licensed audit expert (Auditor in charge)	Max Lienhard Licensed audit expert

5-year Overview

Income Statement

CHF million	2020	2019	2018	2017	2016[1]
Net revenue	3,905	4,099	5,186	5,449	4,412
Other operating income	124	55	50	40	239
Total revenue and other income	4,029	4,154	5,236	5,489	4,651
Operating expenses	– 3,736	– 3,986	– 5,227	– 5,146	– 3,941
Earnings before interest, tax, depreciation and amortisation (EBITDA)	293	168	9	343	710
Depreciation, amortisation and impairment[2]	– 80	– 401	– 169	– 164	– 374
Earnings before interest and tax (EBIT)	213	– 233	– 160	179	336
Share of results of partner power plants and other associates	– 35	– 44	– 50	– 18	– 232
Financial result	– 55	– 59	– 95	– 87	– 6
Income tax expense	43	110	44	– 70	162
Earnings after tax from continuing operations	166	– 226	– 261	4	260
Earnings after tax from discontinued operations	– 56	– 42	198	– 88	34
Net income	110	– 268	– 63	– 84	294
Net income attributable to non-controlling interests	3	3	14	5	
Net income attributable to equity investors of Alpiq Holding Ltd.	107	– 271	– 77	– 89	294

1 Financial figures before application of IFRS 15
2 In 2020, including reversals of impairment losses

Balance sheet

CHF million	2020	2019 (adjusted)[1]	2018	2017	2016
Total assets	7,368	7,360	9,074	10,197	10,008
Assets					
Non-current assets	4,440	4,566	5,475	5,655	5,793
Current assets	2,928	2,794	3,599	4,542	4,215
Equity and liabilities					
Total equity	3,772	3,671	3,944	3,965	3,886
As % of total assets	51.2	49.9	43.5	38.9	38.8
Liabilities	3,596	3,689	5,130	6,232	6,122

1 Please refer to note 1.4 of the notes to the consolidated financial statements

Other key performance indicators

	2020	2019[1]	2018[2]	2017[3]	2016[3]
EBITDA before exceptional items in CHF million	262	110	166	301	395
Net debt in CHF million	249	206	272	714	856
Net debt / EBITDA before exceptional items	1.0	1.9	1.6	2.4	2.2
Number of employees at the reporting date	1,258	1,226	1,548	1,504	1,429

1 Since 2020, EBITDA before exceptional items without Flexitricity Ltd. and e-mobility business. The comparative figures from 2019 have been adjusted; for explanations, see note 2.1 of the notes to the consolidated financial statements.
2 Including Flexitricity Ltd. and e-mobility business
3 Number of employees excluding discontinued operations, other figures including discontinued operations

Per share data

	2020	2019	2018	2017	2016
Par value in CHF	0.01	10	10	10	10
Weighted average number of shares outstanding[1]	33,110,364	33,110,364	27,874,649	27,874,649	27,874,649
Net income in CHF[1]	2.33	– 9.07	– 3.90	– 4.34	9.38
Dividend in CHF[2]	1.40	0.00	0.00	0.00	0.00

1 The figure for 2019 has been adjusted due to the conversion of the hybrid loan from the shareholders and the resulting higher number of shares. The figures for 2016 to 2018 have not been adjusted.
2 2020: to be proposed to the Annual General Meeting

Management Report of Alpiq Holding Ltd.

Alpiq Holding Ltd. is the holding company of the Alpiq Group. It holds, directly or indirectly, all investments in Alpiq group companies. In addition, the company ensures a significant portion of financing within the Group.

Alpiq Holding Ltd. (UID no. CHE-369.267.193) was founded as Alpha 2020 Ltd. on 31 March 2020. On 24 June 2020, the Annual General Meeting of the former company Alpiq Holding Ltd. (UID no. CHE-100.032.288) approved the squeeze-out merger with Alpha 2020 Ltd. proposed by the Board of Directors. Following the approval resolution passed at the Extraordinary General Meeting of Alpha 2020 Ltd. on the same day, the former company Alpiq Holding Ltd. was merged as the transferring company into Alpha 2020 Ltd. with retroactive effect from 1 January 2020, assuming all assets and liabilities at their previous carrying amount. On the same day, Alpha 2020 Ltd. was renamed Alpiq Holding Ltd.

Alpiq Holding Ltd.'s income primarily comprises dividends and interest income from subsidiaries. In the 2020 and 2019 financial years, the effects in connection with the sale completed in 2018 of the direct interest in Alpiq InTec AG and the interest held in Kraftanlagen München GmbH by the direct interest in Alpiq Deutschland GmbH were also included. On 22 December 2020, Alpiq and Bouygues Construction reached an out-of-court settlement. The arbitration proceedings, which were simultaneously initiated by both parties on 12 February 2019, therefore came to an end. For more information about this matter, please refer to note 5 of the notes to the financial statements of Alpiq Holding Ltd. Alpiq Holding Ltd. does not have any employees, nor does it have any research or development activities. The company did not distribute dividends in the reporting period.

Alpiq Holding Ltd.'s risk management is integrated into the Group-wide risk management system of the Alpiq Group. Risks identified are assessed individually based on their probability of occurrence and scope of potential losses. Appropriate measures are defined for the individual risks. Risks are systematically collected and updated once a year. The risk situation and the implementation of the measures defined are monitored. The Board of Directors of Alpiq Holding Ltd. addresses the topic of risk management at least once a year. Please refer to note 3.1 of the notes to the consolidated financial statements for explanations on Group-wide risk management at the Alpiq Group.

Alpiq Holding Ltd. will continue to act as the holding company of the Alpiq Group in the 2021 financial year.

Financial Statements of Alpiq Holding Ltd.

Income statement

CHF million	Note	2020	*former Alpiq Holding Ltd. - figures for information purposes* *2019*[1]
Income			
Dividend income	2	5	*7*
Finance income	3	184	*178*
Reversal of impairment losses on loans receivable			*1*
Reversal of impairment losses on investments		37	*5*
Other income		2	*7*
Total income		**228**	***198***
Expenses			
Finance costs	4	– 229	*– 192*
Loss on sale of investments	5	– 55	
Impairments on loans receivable		– 25	*– 53*
Impairments on investments		– 14	*– 59*
Other expenses		– 24	*– 56*
Direct taxes		– 1	*1*
Total expenses		**– 348**	***– 359***
Net income		**– 120**	***– 161***

1 Previous-year figures for information purposes only; for more information, see note 1

Balance sheet

Assets

CHF million	Note	31 Dec 2020	*former Alpiq Holding Ltd. - figures for information purposes* *31 Dec 2019*[1]
Cash and cash equivalents		119	*197*
Securities		27	*26*
Trade receivables	6		*1*
Other current receivables	7	658	*738*
Prepayments and accrued income		2	
Current assets		**806**	***962***
Loans receivable and non-current term deposits	8	833	*855*
Investments	9	4,330	*4,307*
Non-current assets		**5,163**	***5,162***
Total assets		**5,969**	***6,124***

1 Previous-year figures for information purposes only; for more information, see note 1

Equity and liabilities

CHF million	Note	31 Dec 2020	*former Alpiq Holding Ltd. - figures for information purposes* *31 Dec 2019*[1]
Current interest-bearing payables	10	706	*507*
Accruals and deferred income		53	*74*
Current provisions	11	2	*19*
Current liabilities		**761**	***600***
Interest-bearing loans payable	12	860	*1,277*
Bonds	13	1,196	*1,339*
Non-current provisions	11	1	*3*
Non-current liabilities		**2,057**	***2,619***
Share capital		0	*279*
Statutory capital reserves			
Capital contribution reserves		1,745	*1,100*
Other capital reserves			*4*
Statutory revenue reserves			*53*
Retained earnings		1,406	*1,469*
Equity	14	**3,151**	***2,905***
Total equity and liabilities		**5,969**	***6,124***

1 Previous-year figures for information purposes only; for more information, see note 1

Notes to the Financial Statements

1 Preliminary note

Squeeze-out merger

On 24 June 2020, the Annual General Meeting of Alpiq Holding Ltd. (UID no. CHE-100.032.288) approved the squeeze-out merger with Alpha 2020 Ltd. proposed by the Board of Directors. Following the approval resolution passed at the Extraordinary General Meeting of Alpha 2020 Ltd. on the same day, Alpiq Holding Ltd. was merged as the transferring company into Alpha 2020 Ltd. with retroactive effect from 1 January 2020, assuming all assets and liabilities at their previous carrying amount. On the same day, Alpha 2020 Ltd. was renamed Alpiq Holding Ltd. The merger became legally effective upon entry in the Swiss commercial register on 26 June 2020.

These financial statements contain the 2020 financial year and the balance sheet of the “new” Alpiq Holding Ltd. (UID no. CHE-369.267.193) at 31 December 2020. The previous-year figures disclosed in italics relate to the “former” company Alpiq Holding Ltd. (UID no. CHE-100.032.288), which ceased to exist following the merger. They are only included for comparative purposes to provide the reader of the balance sheet a more comprehensive overview.

Basis of preparation

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

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

Securities

Securities held in current assets are measured at the market price on the reporting date. No fluctuation reserve is recognised.

Loans receivable / hedges

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

Investments

The investments are generally measured individually. The only exceptions are the investments in Alpiq Ltd. and Alpiq Suisse Ltd., which have been tested for impairment by way of group measurement since 2017, as these companies form an economic unit. Since 2017, Alpiq Suisse Ltd. has operated as a meta partner power plant that sells its energy to Alpiq Ltd. at production cost.

Bonds

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

2 Dividend income

Dividend income comprises dividends received from subsidiaries.

3 Finance income

CHF million	2020	*2019*[1]
Interest income from group companies	34	*41*
Other finance income from group companies	2	*3*
Other finance income from third parties	1	*3*
Foreign exchange gain	147	*131*
Total	**184**	***178***

1 Previous-year figures for information purposes only; for more information, see note 1

4 Finance costs

CHF million	2020	*2019*[1]
Interest expense to group companies	– 32	*– 29*
Interest expense to third parties	– 50	*– 54*
Other finance costs to third parties	– 3	*– 4*
Foreign exchange loss	– 144	*– 105*
Total	**– 229**	***– 192***

1 Previous-year figures for information purposes only; for more information, see note 1

5 Loss on sale of investments

In 2018, Alpiq sold the Engineering Services business, which comprises the Alpiq InTec Group and the Kraftanlagen Group. There were diverging views on the definitive sale price between Alpiq and Bouygues Construction. In order to enforce their claims arising from the price adjustment mechanism, both parties therefore filed for arbitration proceedings pursuant to the arbitration regulations of the Swiss Chambers' Arbitration Institution on 12 February 2019. On 22 December 2020, Alpiq and Bouygues Construction reached an out-of-court settlement. Alpiq refunded CHF 54.5 million to Bouygues Construction. The arbitration proceedings, which were simultaneously initiated by both parties on 12 February 2019, therefore came to an end. For more information about this matter, please refer to note 5.2 of the consolidated financial statements.

6 Trade receivables

CHF million	31 Dec 2020	*31 Dec 2019*[1]
Due from group companies		*1*
Total	**0**	***1***

1 Previous-year figures for information purposes only; for more information, see note 1

7 Other current receivables

CHF million	31 Dec 2020	*31 Dec 2019*[1]
Due from group companies	110	*171*
Due from third parties	548	*567*
Total	**658**	***738***

1 Previous-year figures for information purposes only; for more information, see note 1

Other current receivables comprise cash pool balances, loans and non-current term deposits with a maximum term of 12 months as well as VAT and withholding tax receivables.

8 Loans receivable and non-current term deposits

CHF million	31 Dec 2020	*31 Dec 2019*[1]
Due from group companies	833	*855*
Total	**833**	***855***

1 Previous-year figures for information purposes only; for more information, see note 1

9 Investments

A list of direct and significant indirect investments is disclosed in note 5.4 of the notes to the consolidated financial statements.

10 Current interest-bearing payables

CHF million	31 Dec 2020	*31 Dec 2019[1]*
Due to group companies	512	*457*
Due to third parties	194	*50*
Total	**706**	***507***

1 Previous-year figures for information purposes only; for more information, see note 1

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

11 Provisions

Provisions include a provision for the recapitalisation of Alpiq Deutschland GmbH that may become necessary. They also contain a provision for the expected legal costs in connection with the two compensation review proceedings pursuant to Art. 105 of the Swiss Merger Act (FusG) filed against Alpiq Holding Ltd. With these proceedings, former shareholders are seeking a judicial review of the compensation paid by Schweizer Kraftwerksbeteiligungs-AG (SKBAG) in connection with the squeeze-out merger. On account of the facts and circumstances known at that time, Alpiq Holding Ltd. considers it unlikely that this litigation will result in a negative outcome for the company. For more information about this matter, please refer to note 4.8 of the notes to the consolidated financial statements.

12 Interest-bearing loans payable

CHF million	31 Dec 2020	*31 Dec 2019[1]*
Due to shareholders (hybrid loan)		*367*
Due to group companies	860	*860*
Due to third parties		*50*
Total	**860**	***1,277***

1 Previous-year figures for information purposes only; for more information, see note 1

The loans payable “Due to group companies” have a remaining maturity of between one and three years. The shareholder hybrid loan was converted into equity (see note 14).

13 Bonds

CHF million	Maturity	Earliest repayment date	Interest rate in %	Face value at 31 Dec 2020	*Face value at 31 Dec 2019*[1]
Fixed-rate bond issued by Alpiq Holding Ltd.[2]	2011 / 2021	20 Sept 2021	2.2500	144	*144*
Fixed-rate bond issued by Alpiq Holding Ltd.	2012 / 2022	16 May 2022	3.0000	145	*145*
Fixed-rate bond issued by Alpiq Holding Ltd.	2015 / 2023	30 Jun 2023	2.1250	141	*141*
Fixed-rate bond issued by Alpiq Holding Ltd.	2014 / 2024	29 Jul 2024	2.6250	260	*260*
Public hybrid bond issued by Alpiq Holding Ltd.	–	15 Nov 2021	4.5325	650	*650*

1 Previous-year figures for information purposes only; for more information, see note 1
2 At 31 December 2020 recognised under “Current interest-bearing payables”.

14 Equity

CHF	Share capital	Capital contribution reserves	Statutory revenue reserves	Retained earnings	Total equity
Balance pursuant to founding balance sheet[1]	**278,746**				**278,746**
Effects of the squeeze-out merger[2]		1,378,132,670		1,526,081,136	2,904,213,806
Conversion of shareholder hybrid loan[3]	52,358	366,447,692			366,500,050
Net income				– 119,857,413	– 119,857,413
Balance at 31 December 2020[4]	**331,104**	**1,744,580,362**	**0**	**1,406,223,723**	**3,151,135,189**

1 Full cash contribution of share capital upon foundation
2 For more information, see note 1
3 The Extraordinary General Meeting on 29 October 2020 approved conversion of the shareholder hybrid loan into equity. The conversion into Alpiq shares was made by means of an ordinary share capital increase with a contribution by offsetting.
4 The capital contribution reserves after converting the hybrid loan from the shareholders have not yet been acknowledged by the Swiss Federal Tax Administration.

15 Collateral provided for third-party liabilities

Guarantees in favour of group companies and third parties totalled CHF 592 million at 31 December 2020 (previous year of the former company Alpiq Holding Ltd.: CHF 642 million). Of this, an amount of CHF 303 million (CHF 314 million) relates to bank guarantees – of which CHF 2 million expired at 31 December 2020 – and CHF 289 million (CHF 328 million) to guarantees issued by Alpiq Holding Ltd.

16 Contingent liabilities

As part of the sale of the Engineering Services business, Alpiq Deutschland GmbH, for which Alpiq Holding Ltd. has subsidiary liability, must bear any costs of Kraftanlagen München GmbH resulting from the proceedings started by the state prosecutor of Munich I and the German Federal Cartel Office in the first quarter of 2015. Kraftanlagen München and Alpiq continue to deem a conviction unlikely and Alpiq has therefore decided not to record a liability for this matter. For more information about this matter, please refer to note 5.2 of the notes to the consolidated financial statements.

Proposal of the Board of Directors

Appropriation of retained earnings

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

CHF	
Gain on merger with Alpiq Holding Ltd. (UID n° CHE-100.032.288)	1,526,081,136
Net income for 2020 reported in the income statement	– 119,857,413
Retained earnings	**1,406,223,723**
Dividend of CHF 1.40 per share	– 46,354,510
Transfer to statutory revenue reserves	– 170,000
Balance to be carried forward	**1,359,699,213**

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To the General Meeting of
Alpiq Holding Ltd., Lausanne

Zurich, 24 February 2021

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Alpiq Holding Ltd, which comprise the income statement, balance sheet, and notes, for the year ended 31 December 2020.

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

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

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

Opinion
In our opinion, the financial statements for the year ended 31 December 2020 comply with Swiss law and the company's articles of incorporation.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibility* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Impairment of investments

Risk	As of 31 December 2020, Alpiq Holding Ltd. holds investments with a carrying amount of CHF 4,330 million and recognizes impairment losses in the amount of CHF 14 million. The assessment of impairment requires Alpiq Holding Ltd. to make several estimates, which could have a significant impact on the net income for the period. The significant estimates mainly concern future electricity prices, future exchange rates, future growth and inflation rates as well as the discount rates.
Our audit response	In our audit of the impairment of investments, we compared the significant estimates made by Alpiq Holding Ltd. with available market data (e.g. electricity forward prices, exchange rates and discount rates) or other data made available by third parties (long-term electricity prices and exchange rate expectations, growth and inflation rates). In addition, we compared the estimates with the relevant estimates from the prior year and assessed these for consistency. Our audit procedures did not lead to any reservations regarding the impairment of investments.

Report on other legal requirements

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

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

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

Ernst & Young Ltd

Martin Gröli	Max Lienhard
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

Sustainability Report

Sustainability Report

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Introduction

With the Paris Climate Agreement, most countries in the world have set ambitious targets to reduce greenhouse gas emissions to help slow down climate change. By 2050, Europe is expected to become the first continent to only emit unavoidable greenhouse gases and fully compensate this low level of emissions. Switzerland has also set itself the target of net zero greenhouse gas emissions by 2050.

Energy consumption and power production are key factors in achieving the global climate targets. The only way to successfully tackle climate change is with a decarbonised energy supply.

In 2020, humanity faced a monumental challenge in the COVID-19 pandemic. All levels of society and business were affected. At the end of November 2020, the Federal Office for Civil Protection defined the two greatest risks in the third edition of its national risk analysis “Katastrophen und Notlagen Schweiz” (Disasters and Emergencies in Switzerland): power shortage and pandemic. The potential economic and social losses in both scenarios are high, and both have a relatively high probability of occurrence. As one of the largest electricity producers in Switzerland, Alpiq is well aware of its responsibility for security of supply. As part of its comprehensive business continuity management activities, Alpiq was quick to introduce measures to prevent the spread of the virus in the company, to protect employees and relatives and to maintain the operating business at all times – including with a view to its contribution to maintaining security of supply. Alpiq has managed the challenges posed by the COVID-19 pandemic well to date.

Climate protection and security of supply are an integral part of Alpiq’s purpose. In 2020, the Board of Directors and Executive Board jointly refined the purpose and both are committed to implementing it in practice: **Alpiq’s sustainable energy business contributes to a better climate and improves the security of supply**. In 2020, the Board of Directors and Executive Board reviewed the corporate strategy based on this purpose.

Alpiq is a European company with Swiss roots

Alpiq pursues a sustainable, financially sound and risk-adjusted business model and has a solid foundation. The robust business model is based on operating and selling highly flexible Swiss hydropower, Swiss nuclear energy, flexible gas-fired combined-cycle power plants in Italy, Spain and Hungary, as well as wind power plants and photovoltaic systems in multiple European countries. Alpiq uses this ideal foundation and its energy expertise to optimise its business by operating third-party plants and marketing the electricity produced there through its European energy trading business as well as the direct sale of energy to business customers across Europe.

Alpiq will continue to expand its energy trading activities and energy sales to business customers based on its successful core business and in order to optimise the risk-bearing capacity and profitability of its portfolio. In addition, it invests specifically in increasing the flexibility of existing electricity production plants, and it will increasingly operate third-party plants and sell their electricity, in particular in the field of new renewable energies. The development and expansion of digital competences and applications is a high priority in this regard.

The refinement of the Alpiq purpose in 2020 has placed greater focus on the topic of sustainability. Even in the past, Alpiq largely transacted business in compliance with ESG standards (E stands for environmental, S for social and G for governance). The aim of Alpiq's existing and future transactions will be to create the greatest possible sustainable value for its stakeholders. For the very first time, Alpiq will provide an overview of the economic, ecological and social values the company is sustainably creating for its stakeholders.

This initial overview on the topic of sustainability is partly based on the standard set down by the Global Reporting Initiative (GRI). Alpiq refers to the GRI standards based on the GRI index at the very end of this document. A project team with experts from across the Alpiq Group defined the internal and external stakeholders and, from a long list, chose the topics that qualified as important to both Alpiq and the relevant stakeholders.

In future, Alpiq will prepare a sustainability report in compliance with the Core option of the GRI standard. In doing so, Alpiq will report on additional important topics and GRI standards, expand the contents of the disclosure and enter into dialogue with the defined stakeholders.

In principle, the scope of this overview is limited to the fully consolidated entities of the Alpiq Group. Alpiq holds direct participations in nuclear power plant companies in Switzerland and indirect participations in such companies internationally, but these are not fully consolidated. However, because this topic is of great importance to the Alpiq Group, the issue of nuclear power plants is also covered.

This overview on the topic of sustainability is an integral part of the Alpiq Holding Ltd. Annual Report.

GRI 102: General disclosures

GRI 102-18: Governance structure

The governance structure of the organisation (including the committees of the highest governing body) and the committees responsible for decision-making with respect to economic, ecological and social topics are described in the Alpiq Holding Ltd. Annual Report 2020 under the Corporate Governance section.

GRI 102-47: List of material topics

A project team composed of experts from across the Alpiq Group has been set-up in order to define the content of the sustainability report.

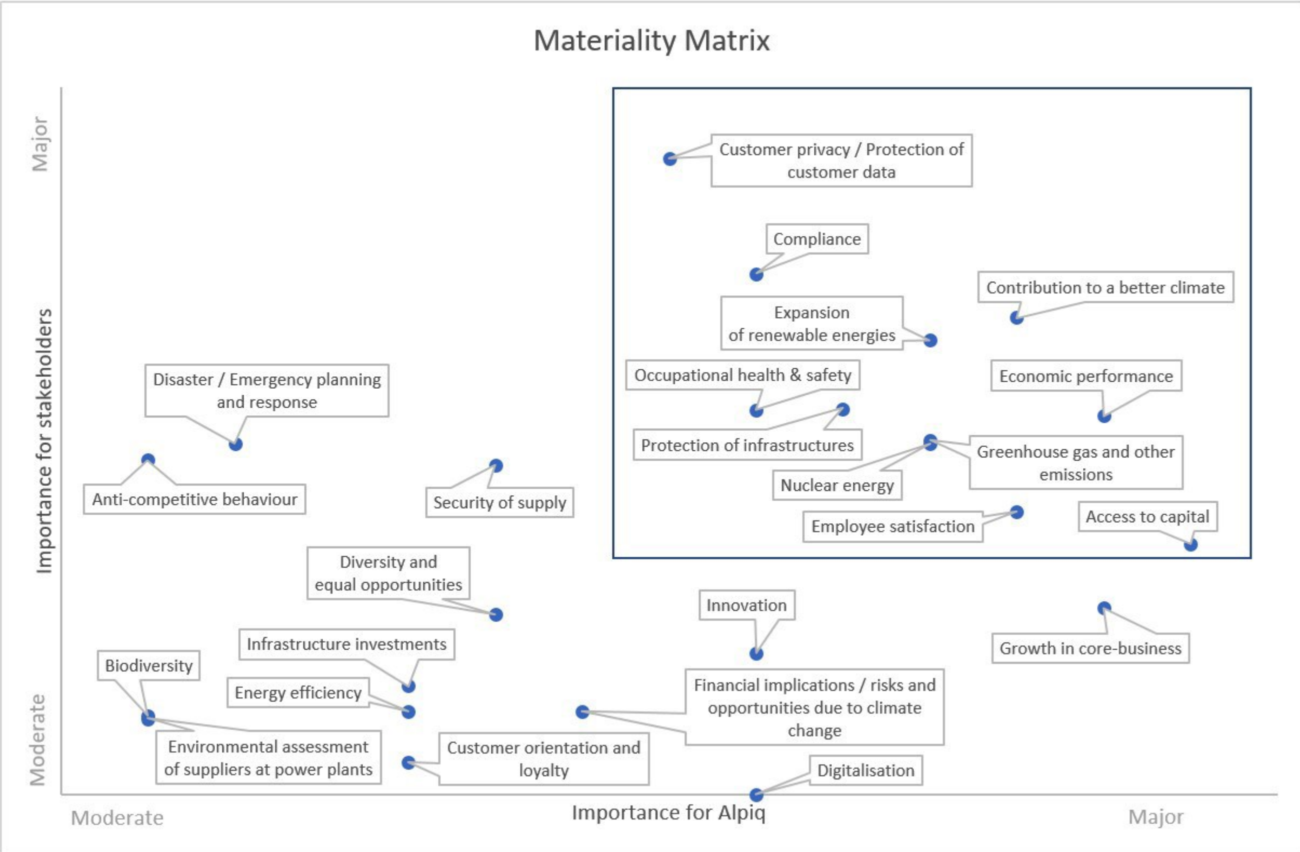
In a first step, the expert team defined the internal and external stakeholders. The most relevant stakeholders have been selected based on an assessment of the influence of the stakeholders on Alpiq and on the significance of the impact of Alpiq's activities on these stakeholders. A process of stakeholder engagement or dialogue was not performed for this first sustainability report but will be part of the sustainability report 2021.

In a second step, the expert team defined a long list of material topics that must fulfil the following conditions:

- The topics reflect significant economic, environmental and social impacts of Alpiq's business activity and reflect Alpiq's purpose and strategy.
- The topics substantially influence the assessments and decisions of the relevant stakeholders.

Finally, those material topics, that were qualified with major importance as well for Alpiq as for its stakeholders, were selected as relevant material topics. The content of the sustainability report is based on these material topics. Both the list of stakeholders and of material topics have been reviewed, completed and approved by a Steering Committee composed of Executive Board Members and Functional Leaders of the Alpiq Group.

The following chart shows the assessment of the material topics based on their significance for Alpiq and on their influence on the assessments and decisions of stakeholders, according to the importance "moderate" and "major". Important material topics in both dimensions are considered relevant for reporting purposes.


Materiality Matrix
Importance for stakeholders
Major
Moderate
Importance for Alpiq
Moderate
Major
Customer privacy / Protection of customer data
Compliance
Contribution to a better climate
Expansion of renewable energies
Occupational health & safety
Economic performance
Protection of infrastructures
Greenhouse gas and other emissions
Nuclear energy
Employee satisfaction
Access to capital
Disaster / Emergency planning and response
Anti-competitive behaviour
Security of supply
Diversity and equal opportunities
Innovation
Growth in core-business
Infrastructure investments
Biodiversity
Energy efficiency
Financial implications / risks and opportunities due to climate change
Environmental assessment of suppliers at power plants
Customer orientation and loyalty
Digitalisation

Economic dimension

GRI 201: Economic performance

GRI 103: Management approach (103-1, 103-2, 103-3)

Relevance

An integral part of Alpiq's corporate purpose is to contribute to a better climate and to strengthening the security of supply in Switzerland and in the European markets by pursuing a sustainable, financially sound and risk-adjusted energy business based on a clear strategy. Securing long-term economic success is an essential prerequisite for this goal.

Management approach

The pillars of the business activities are Swiss power production from highly flexible hydropower and nuclear energy as well as European power production from renewable energy sources, consisting of wind turbines and photovoltaic systems as well as small-scale hydroelectric complexes, supplemented by highly flexible gas-fired combined-cycle power plants in Italy, Hungary and Spain. Alpiq’s core business also includes power plant management, marketing the power produced from in-house and third-party plants, direct marketing of energy to business customers and international energy trading.

Alpiq invests in the expansion of energy trading, in increasing the flexibility of existing production facilities as well as in marketing third-party portfolios of renewable energy sources. In addition, targeted investments in digitising the core business are intended to improve competitiveness and efficiency.

Assessment

The key developments in the 2020 reporting year can be found in the Alpiq Holding Ltd. Annual Report 2020.

GRI 201-1: Direct economic value generated and distributed

Mio. CHF	Economic value generated and distributed 2020	2019
Economic value generated[1]	**4,026**	**4,437**
Net revenue from energy transactions and related services	3,911	4,098
Other operating income	65	47
Income from associated companies and financial investments	25	24
Income from sale of assets and subsidiaries	25	268
Economic value distributed[2]	**3,896**	**4,116**
to supplies opex	3,460	3,680
to supplies capex	66	71
to employees	186	190
to capital providers	41	48
to government	141	127
to community	1	1
Economic value retained[3]	**130**	**320**

1 Net revenue from energy transactions and associated services as well as other operating income are presented on an accrual basis. Income from associated companies and financial investments as well as income from sale of assets and subsidiaries represent payments received during this reporting period.
2 The economic value that is distributed to suppliers (operating expenses), to employees and to government represents costs incurred in the reporting period and is presented on an accrual basis. The other items merely include payments that were transacted during the reporting period and are therefore not reported on an accrual basis.
3 Only continuing operations

These key financial figures are based on the scope of consolidation of Alpiq Holding Ltd., which can be found in note 5.4 of the 2020 consolidated financial statements of Alpiq Holding Ltd. The “economic value distributed to government” line also contains the taxes paid, fees and water taxes of the associated Swiss partner power plants, as they account for a significant part of the price paid for the purchased energy. The “Economic value retained” cannot be compared directly with the earnings after tax from continuing operations of the consolidated financial statements of Alpiq Holding Ltd., as some items only contain the part of the transactions with an impact on cash flows, meaning that certain non-cash income and expenses, such as deferred taxes or the results of associated companies are not included.

GRI 201-3: Defined benefit plan obligations and other retirement plans

The group has various employee pension schemes in line with the statutory provisions in the respective country. The group companies in Switzerland are members of the legally independent pension fund PKE Vorsorgestiftung Energie, which is a joint institution of the energy sector. All staff employed in Switzerland are insured in a defined contribution scheme, where Alpiq as the employer covers more than 60 % of the contribution payments. As of 30 September 2020, PKE has a positive coverage ratio of 106.3 % (31 December 2019: 109.2 %). Further details can be found in note 6.3 of the 2020 consolidated financial statements of Alpiq Holding Ltd.

GRI 201-4: Financial assistance received from government

In 2020, as in 2019 and 2018, Alpiq received a market premium for large-scale hydropower plants in Switzerland. Further details are provided in note 2.3 of the 2020 consolidated financial statements of Alpiq Holding Ltd. In addition, Alpiq was able to benefit from contributions from funding programmes for power generation from renewable energy sources in Switzerland and internationally. The rules for the awarding of funds are the same for all market participants.

GRI 205: Anti-corruption

GRI 103: Management approach (103-1, 103-2, 103-3)

Details on the management approach are provided under section Compliance.

GRI 205-2: Communication and training about anti-corruption policies and procedures

In addition to new employees, in 2020 the entire workforce, including the Executive Board, completed a mandatory e-learning training session on the code of conduct, which includes anti-corruption measures.

GRI 205-3: Confirmed incidents of corruption and actions taken

Alpiq did not record any relevant cases of corruption in the reporting year.

GRI 206: Anti-competitive behaviour

GRI 103: Management approach (103-1, 103-2, 103-3)

Details on the management approach are provided under section Compliance.

GRI 206-1: Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices

No new, relevant legal proceedings on anti-competitive behaviour or breaches of anti-trust and monopoly law were brought against Alpiq in the reporting year.

On 31 December 2020 two legal proceedings were still pending against Alpiq based on alleged anti-competitive behaviour. In 2012, the Romanian competition authority launched investigations on the energy market. These investigations resulted in legal cases against two Romanian subsidiaries of Alpiq. The two subsidiaries are accused of breaching Romanian competition law together with nine other traders / suppliers (horizontal agreement by agreeing to certain aspects in long-term contracts and vertical foreclosure of the market via the existence of 11 long-term contracts). At the start of January 2016, the plenum of the competition authority imposed a fine totalling RON 21,815,847 (approx. CHF 4.8 million) on the two Romanian subsidiaries of Alpiq. Alpiq denies any breach of Romanian competition law in both proceedings.

Compliance

GRI 103: Management approach (103-1, 103-2, 103-3)

Relevance

Compliance means compliance with the statutory provisions and internal regulations by companies. Infringements can lead to reputational damage. Alpiq recognised this long-term significance of compliance at an early stage. The Compliance department was established to execute the compliance tasks on 1 January 2010. Thanks to this function, Alpiq ensures that infringements of prevailing law are prevented internally and punished accordingly. Today it reports to the CEO as part of the Legal & Compliance functional unit and has a direct reporting line to the Chairman of the Board of Directors.

Alpiq constantly strives to comply with statutory and regulatory provisions, internal instructions and guidelines as well as with accepted market standards. In doing so, Alpiq understands that, while compliance with internal and external requirements is necessary, it is not a sufficient condition for ethically responsible action.

Management approach

The Alpiq Board of Directors and Management are jointly committed to strong compliance and therefore emphasize its importance to the sustainable success of the Alpiq Group. The internal compliance management system (CMS) is the foundation for ensuring legal compliance and is an integral part of good and prudent corporate management. The Alpiq CMS contains the actual compliance programme as well as compliance goals, the aspects of the corporate culture, the compliance organisation, compliance monitoring and the improvement of the CMS.

Within the CMS, Alpiq has defined an internal code of conduct, which provides a binding definition of the most important rules of conduct for all employees. All employees receive the code of conduct when first starting their job and complete an associated e-learning training session as part of the onboarding programme. The code of conduct is supplemented by various internal and external requirements. In areas not covered by the code of conduct or other internal or external requirements, employees are guided by the principles of honesty, integrity and open communication. Compliance with these principles allows Alpiq to meet its high standards.

Regular employee training sessions on various compliance topics are a key part of the implementation of the Alpiq CMS. The newly introduced learning management system supports and facilitates the execution of electronic compliance training sessions.

At Alpiq, employees are personally responsible for understanding and complying with all the relevant regulations. Alpiq supports employees with appropriate training activities. On the other hand, a project to simplify the existing regulations is currently in progress, which aims to ensure that employees can fulfil their requirements even more efficiently.

Alpiq continuously monitors compliance with internal and external requirements. Suspected cases are investigated by independent bodies and infringements are corrected or punished based on the options afforded under employment law as applicable. In addition, employees with a bonus component in their employment contracts may be required to pay a financial penalty in case of compliance infringements.

Alpiq also directs its compliance efforts outwards. Know your customer (KYC) describes a part of the due diligence that serves to identify and screen Alpiq customers and business partners. In 2020, these KYC checks were centralised in Compliance within the entire Alpiq Group and they were simultaneously intensified and professionalised.

Assessment

Alpiq regularly checks the functionality of the CMS. An annual compliance risk analysis is conducted and the CMS is also regularly inspected by Internal Audit. These activities serve to specify the compliance focus areas for the following year and define the actions to be taken.

Alpiq has a great interest in immediate notification if compliance with laws or regulations in its area of responsibility is not ensured. As a result, Alpiq has set up a compliance reporting office and encourages employees as well as third parties to report observed misconduct or suspected cases. Alpiq introduced a new electronic reporting system in the reporting year and promoted its use.

Access to capital

GRI 103: Management approach (103-1, 103-2, 103-3)

Relevance

Alpiq's power plants, purchase contracts and trading activities are capital-intensive and have a long-term nature. This makes access to capital to secure the company's refinancing capability an important pillar of Alpiq's business model. The ability to ensure access to capital at all times and ensure the company's ability to operate in the capital market is extremely important to Alpiq.

Management approach

As a result of this capital dependence, Alpiq promptly defined a financial strategy that reduces the financing risk on the liabilities side. The associated methods include the diversification of the financing sources, regarding the markets, instruments, counterparties and maturities. The financial policy aims to keep Alpiq's credit rating in the investment grade range. Further information on capital management is provided in section 3.1 of the 2020 consolidated financial statements of Alpiq Holding Ltd.

In addition to classic financial policy measures, ESG criteria are becoming increasingly important in the financial markets. Alpiq recognises the importance of ESG ratings. They create opportunities and potential that Alpiq will look to exploit. In future financing activities, Alpiq intends to make use of ESG criteria to expand the investor base as well as to reach favourable pricing arrangements. Financial counterparties and service providers will also be assessed from ESG perspectives in future.

Assessment

Over the past few years, Alpiq has gone through a comprehensive restructuring process that has resulted in a substantial reduction in gross debt. The implementation of the financial policy measures ensured that Alpiq's capacity to refinance was never at risk. From today's perspective, a sustainable financial strategy goes one step further and considers the economic as well as the environmental, social and governance dimension. Alpiq's aim is to continue focussing on the financial credit assessment in future and also successfully participate in a sustainability impact assessment under the ESG criteria.

Alpiq is currently assessed by the following sustainability agencies: MSCI, Inrate and CDP.

Alpiq was not involved in preparing the assessment reports of these rating agencies.

Environmental dimension

GRI 305: Emissions

GRI 103: Management approach (103-1, 103-2, 103-3)

Relevance

As part of the Paris Climate Agreement, the international community agreed to completely eliminate the use of fossil fuels in power production by 2050. Alpiq will contribute to the achievement of this goal, because protecting the climate is an integral part of the company's purpose. Therefore Alpiq is extensively turning to environmentally sound energy generation, including CO_2-free and climate-friendly power production in Switzerland. Environmental protection and air pollution control play a crucial role in the construction of our power plants, as Alpiq is taking effective measures to reduce emissions in every project.

Alpiq is aware that flexibility is becoming ever more important as the market penetration of new renewable power production continues to improve. As a result, efficient and highly flexible gas-fired combined-cycle power plants are required to maintain security of supply wherever there is a lack of hydro storage power plants – which is currently the case in most European countries. Alpiq operates these kinds of power plants. The associated emissions are duly reported.

Management approach and assessment

Monitoring and reducing the ecological effects of energy generation in thermal power plants are a top priority for Alpiq. In light of the increasingly decarbonised and decentralised energy world, in August 2019 Alpiq resolved to sell its coal-fired power plants in Czechia (Kladno and Zlín), which enabled Alpiq to reduce the CO_2 emissions of its power plant portfolio by more than 60 %. Alpiq has since no longer operated any coal-fired power plants.

One of the system tools that Alpiq introduced to monitor and reduce the ecological effects of its thermal power plants is a management system based on the standard ISO 14001, which is in addition complemented by the EMAS environmental management certification in some cases. All Alpiq’s gas-fired combined-cycle power plants are certified in line with ISO 14001.

Both ISO 14001 and EMAS are focused on monitoring environmental indicators to assess the ecological performance and on conducting audits to check the conformity and improvement of ecological processes. Both programmes strive to continuously reduce pollution.

GRI 305-1: Direct (Scope 1) GHG emissions
GRI 305-2: Energy indirect (Scope 2) GHG emissions
GRI 305-3: Other indirect (Scope 3) GHG emissions

in tons of CO_2-equivalents	2020	2019
Scope 1: Direct greenhouse gas emissions		
Gas-fired combined-cycle power plants	1,361,195	1,744,507
Coal-fired power plants	0	1,373,889
Administrative buildings in Switzerland owned by Alpiq[1]	359	429
Total Scope 1	**1,361,554**	**3,118,825**
Scope 2: Indirect greenhouse gas emissions		
Energy procurement for standby operation of gas-fired combined-cycle power plants[2]	6,337	10,647
Pump energy for pumped storage power plants (partner power plants)[2 3 4]	3,564	4,340
Power consumption by the administrative buildings in Switzerland owned by Alpiq	0.14	0.16
Total Scope 2	**9,901**	**14,987**
Scope 3: Indirect greenhouse gas emissions		
Pump energy for pumped storage power plants[2 3 5]	3,335	3,334
Total Scope 3	**3,335**	**3,334**
Total	**1,374,790**	**3,137,146**

1 Oil and gas heaters
2 Calculations based on country-specific supplier mix
3 The values are based on the procurement of energy by Alpiq
4 Partner power plants with majority shareholdings
5 Partner power plants with minority shareholdings

GRI 305-7: Nitrogen oxides

The nitrogen oxide emissions (NOx) are measured online in all gas-fired combined-cycle power plants. Emissions primarily depend on the production of electricity and steam, which can fluctuate depending on market conditions or customer requirements. Alpiq is continuously upgrading its power plants. In doing so, the company makes use of the best available technology, including dry-low NOx installations in order to reduce NOx emissions and thus protect the environment. Alpiq meets or surpasses all European and local environmental requirements for gas-fired combined-cycle power plants.

NOx in tons	2020	2019
Gas-fired combined-cycle power plants	720	734

GRI 307: Environmental compliance

GRI 103: Management approach (103-1, 103-2, 103-3)

Details on the management approach are provided under section Compliance.

GRI 307-1: Non-compliance with environmental laws and regulations

No relevant fines and no non-monetary sanctions were imposed on Alpiq due to non-compliance with environmental laws and regulations in the reporting year.

G4: Industry-specific disclosures

EU1: Installed capacity

An overview of the installed capacities per technology can be found in the Annual Review section of the Alpiq Holding Ltd. Annual Report 2020.

EU2: Net energy production

An overview of the net energy production per technology can be found in the Annual Review section of the Alpiq Holding Ltd. Annual Report 2020.

Renewable energy sources

Alpiq has a diverse international generation portfolio of renewable energy sources. To support the energy transition that is currently underway, Alpiq intends to continue developing its portfolio of renewable energy sources throughout Europe. Several associated initiatives have been launched in the past few years.

Development of wind power projects in Switzerland

Despite the complex environment for the development of wind energy in Switzerland, Alpiq is resolutely committed to this energy. It offers a specific solution for local energy supply, particularly in winter. The most advanced project is the Bel Coster wind farm, which is located on the ridge of Mt Le Suchet in the canton of Vaud. With its nine wind turbines, this plant will produce around 80 GWh of power per year. Other projects that are not yet as far advanced, also in the canton of Vaud, are currently in the analysis stage.

Construction of a wind farm in Sweden

Alpiq will also continue to develop its portfolio of new renewable energies at an international level. The erection of the Tormoseröd wind farm in south-west Sweden will start in 2021. The wind farm is expected to be operational in 2022. With eleven turbines, each rated at 6.6 MW of power, and a total installed capacity of 72.6 MW, this wind farm will be able to generate around 210 GWh of renewable energy each year. During the construction phase, Alpiq will be responsible for the project management activities and, during operation, for the technical and commercial asset management. Tormoseröd is an important project for Alpiq with regard to project development, financing model and risk management. The ‘asset light’ approach includes an important co-investment partner for projects in the area of renewable energies, where Alpiq undertakes the development of the plants in order to offer its customers high-quality service.

Repowering an existing wind farm in France

Alpiq operates the Gravières wind farm in Roussas in the French department of Drôme. To increase the power generated by the wind farm, Alpiq has decided to completely re-power the plant, which was commissioned in 2006. The aim is to replace all wind turbines and increase annual power production by around 30 %. There is no plan to change the current setup and number of turbines. However the complete repowering will increase total power production from 25 GWh to roughly 32 GWh per year. The repowering project will extend the useful life of the Gravières wind farm by another 30 years.

Construction of a new small-scale hydropower plant in Switzerland

Alpiq is continuing to expand its portfolio of small-scale hydropower plants. To construct the Hüscherabach power plant, Alpiq has once again joined forces with the Rheinwald municipality (canton of Grisons). The construction activities started in May 2020 and the new ultra-modern power plant will replace the old plant from the 1930s, which is owned by the Rheinwald municipality. Production will grow from 1.1 GWh per year to about 6.1 GWh.

Refurbishment of the Tannuwald power plant

The Tannuwald power station was commissioned in 1981, belongs to the Energie Electrique du Simplon SA hydropower complex and is located in the Zwischbergental valley. The power plant was flooded during the flood in October 2000 and was then hastily repaired with seven used pumps, which were operated as turbines. During the complete refurbishment between the summer of 2019 and the summer of 2020, the seven turbine pumps were replaced by two vertical machine groups. In addition, the pressure line was re-laid and the building renovated. The installed power at the Tannuwald power station rose from 1.4 MW to 6.8 MW and annual power production grew from 17 GWh to 24 GWh.

New concession for the Gösgen hydropower plant

Alpiq's Gösgen hydropower plant has received a new concession for 70 years. The new concession was signed on 23 September 2020 and entered into force retrospectively from 1 January 2020. In the coming years, Alpiq Hydro Aare AG will invest in climate-friendly power production from hydropower with the largest hydropower plant on the Aare. This includes a total of 21 environmental compensation measures.

Hydrospider operates a unique hydrogen ecosystem for emission-free mobility

Hydrospider, Hyundai Hydrogen Mobility and the H2 Mobility Switzerland Association, at the initiative of hydrogen pioneer H2 Energy, are currently establishing a business model for emission-free mobility that is unique in Europe. By 2025, some 1,600 fuel-cell electric heavy goods vehicles from Hyundai will be travelling on Switzerland's roads. Members of the H2 Mobility Switzerland Association will use the lorries in day-to-day operations and ensure the establishment of a national refuelling infrastructure. Hydrospider supplies the green hydrogen from its 2 MW electrolysis plant, which is connected directly to Alpiq's Gösgen hydropower plant to ensure emission-free and climate-friendly production. Alpiq holds a 45 % stake in Hydrospider.

Social dimension

GRI 403: Occupational health and safety

GRI 103: Management approach (103-1, 103-2, 103-3)

Relevance

Alpiq considers occupational health and safety (OHS) as well as the protection of the physical and mental integrity of its employees and third parties to be values that must be protected at all costs. Alpiq therefore constantly strives to take all necessary measures to achieve this goal.

This report reflects the current status of OHS management, which is implemented at the local level for every location

Management approach and assessment

A common management system for OHS currently does not exist at group level. However, the national companies that operate the gas-fired combined-cycle power plants in Italy, Spain and Hungary all have management systems that have been certified in line with OHSAS 18001 or ISO 45001.

Other power plant companies manage occupational health and safety concerns based on a non-certified management system.

As part of their general obligations, the employers in all countries in which Alpiq operates are required to conduct risk assessments on work safety and bear the overall responsibility for identifying, assessing and controlling risks. As a result, location- and technology-specific risk assessments have been prepared in accordance with the local regulations. Moreover, additional risk assessments are conducted with regard to interference risk with external companies as necessary.

The risk assessments are prepared by competent persons who employ external consultants if necessary. The documents are regularly revised when new equipment, machines or production materials are introduced, when work processes change that could lead to hazards or as a result of findings obtained from an accident or a near miss.

All locations report incidents and unsafe conditions in line with the local procedures, which are defined in the respective management system. The general goal is to improve the reporting culture across the entire Alpiq Group, including the reports by workers of external companies.

All incidents, including near misses, are investigated. The aim is to determine the underlying causes and take corresponding corrective actions in order to prevent a similar incident from occurring again. For Alpiq it is important to note that the investigation of an accident is not intended to apportion blame, rather it aims to identify failures in the safety process.

The year 2020 was primarily shaped by the COVID-19 pandemic. The protection of the health of employees was the absolute priority and all necessary protective measures were consistently implemented. Work at all power plants was carried out in line with the emergency plans and in compliance with the regulations enacted by the local authorities. Besides the usual hygiene regulations, additional measures were introduced where necessary: among other things, the strict separation of the teams, the mandatory use of protective masks with safety standard FFP2, the installation of devices for measuring body temperature or regular testing of the operating personnel. Most events were cancelled or replaced by online conferences. The measures taken kept employee infections within narrow limits and the vast majority of these occurred as a result of private contacts.

GRI 403-3: Occupational health services

Health monitoring in the power plants is carried out by occupational health professionals in line with the national legislation. In addition, managers must ensure that the general physical condition of employees is monitored and considered suitable for performing the respective tasks at the power plants. For example, all affected Alpiq employees are required to undergo an occupational medical check-up for "Working at heights with risk of falls" to ascend a wind turbine, even where this is not required by law. In addition, Alpiq ensures that every employee receives adequate training on OHS topics.

A large number of workers who are not employed by Alpiq work at Alpiq operating sites. As a result, contractors are carefully selected in consideration of the occupational safety criteria and most of them have certified safety standards (e.g. HYDRO Exploitation, Vestas, Gamesa, etc.).

GRI 403-9: Work-related injuries

No consolidated form of accident reporting has been introduced at the group level to date. The reports are submitted by the national organisations in line with the requirements of the relevant local accident insurance companies.

As a result, only absolute accident figures are reported for 2020. In addition, Alpiq is currently not able to collect official information on accident numbers for operating personnel of third-party companies. However, Alpiq is not aware of any major accidents with downtimes at Alpiq plants.

In 2020, there were 5 workplace accidents within the Alpiq Group. No serious workplace accidents were reported. This low number of workplace accidents reflects a high level of safety awareness. We will continue to strive to keep the number of workplace accidents at this low level.

GRI 418: Customer privacy

GRI 103: Management approach (103-1, 103-2, 103-3)

Relevance

Since the entry into force of the General Data Protection Regulation (GDPR) in 2018, the processing of personal data has become even more important, both within the company as well as externally with regard to data flows.

As an international energy company, Alpiq operates in all important European markets, so the GDPR became a focus of our attention. Alpiq has introduced a data privacy management system and appointed a Data Privacy Officer (DPO) for the group. The Alpiq DPO is supported by local data privacy partners (coordinators), which ensures data privacy compliance in line with the GDPR and all other applicable local regulations. The data privacy expert community maintain a regular exchange and participate in further development activities. Due to its new strategic direction, Alpiq will primarily focus on B2B business activities.

Management approach

Trust is a fundamental requirement for the sustainable success of the Alpiq Group. As a result, Alpiq is committed to handling personal data with the utmost care. All employees receive training in the respectful handling of personal data in accordance with the applicable rules and regulations. Alpiq considers privacy to be much more than a regulatory requirement, it is an integral part of its business practices, as evidenced by our "privacy by design" and "privacy by default" concept. To emphasise this approach, the procedures were anchored in the internal rules for data privacy, which were approved by the Executive Board (2018). The Alpiq Group Data Privacy Officer (DPO) manages the privacy management system together with the local data privacy partners (coordinators) in our operating jurisdictions. The DPO is part of the Alpiq Compliance Team, which ensures that this topic is given prominence and attention. Alpiq has introduced standard procedures for handling data subject requests and data breaches as well as for recording complaints. Transparency and data protection play a key role in the relationships that Alpiq has with its customers and partners, and Alpiq ensures that it collaborates closely with these parties. Alpiq has introduced a state-of-the-art privacy management tool for the uniform management of all aspects of personal data, such as requests of data subjects, cookies and the record of processing activities.

Assessment

The DPO assessed the maturity of the data privacy programme at the start of 2020. The results were incorporated into the privacy roadmap. In addition, the implementation of the GDPR at the local level was externally assessed in the autumn of 2020. The results will have a significant influence on the further development of the data privacy management system.

GRI 418-1: Substantiated complaints concerning breaches of customer privacy and losses of customer data

In 2020, Alpiq recorded one substantiated complaint by a regulatory authority as a result of a technical error that occurred while migrating a customer record. The personal data disclosed was minor in scope and the disclosure posed a very low risk for the individuals concerned. However, Alpiq considered it its duty to notify the competent data protection authority. Together with the authority, Alpiq published a corresponding online notice on the respective website.

GRI 419: Socioeconomic compliance

GRI 103 Management approach (103-1, 103-2, 103-3)

Details on the management approach are provided under section Compliance.

GRI 419-1: Non-compliance with laws and regulations in the social and economic area

Alpiq did not record any relevant fines or non-monetary sanctions due to non-compliance with laws and / or regulations in the social and economic area in the reporting year.

G4: Disaster and emergency planning

Business-Continuity-Management

Relevance

Alpiq is a leading Swiss electricity producer. It is present throughout Europe and is responsible for operating large plants that are often part of critical infrastructure, such as nuclear power, gas-fired and hydropower plants. Professional emergency and crisis management as part of business continuity management (BCM) is therefore extremely important for Alpiq.

Management approach

Organisation, responsibility and training of emergency and disaster organisations

BCM is fundamentally a management task. Every process owner defines the measures that they need to prepare to maintain their process, even under difficult conditions. For particularly business-critical processes, process owners need to prepare a business continuity plan and maintain an emergency organisation for incident management.

The organisation for Management in Crisis Situations (MIC)is deployed in the event of an imminent threat to the entire company. It supports management, primarily the CEO, in this position. To do so, it prepares decision-making bases for the attention of the CEO and independently takes any necessary emergency actions.

To be able to effectively and autonomously perform this task, Chief of Staff of Crisis Management Organisation MIC reports directly to the CEO when MIC is engaged.

Emergency organisations and the MIC crisis organisation hold a training session to practice their deployment capability at least once a year. The team composition, assembly and activities are reviewed and tested based on real-life exercises.

Business continuity plans

The following particularly business-critical areas, which are monitored at the group level, were identified as part of a business impact analysis:

- Digital & Commerce business division (energy trading)
- Power plant operation and management in the CEG-P in Lausanne (a single power plant is not particularly business-critical, but the operational readiness of the entire portfolio is; REMIT notifications)
- Treasury and Accounting (important payments, for example, for energy deliveries and auctions; interest payments and repayments of bonds; hedging foreign currency risks)

– Communications & Public Affairs (publication of ad hoc announcements; operation of the website for the publication of mandatory notifications, among other things)

The other business continuity plans are the responsibility of the process owners and are not centrally monitored by the crisis management team.

Assessment

Prior to managing the current COVID-19 pandemic, the MIC organisation's last major deployment was in 2011 following the parcel bomb attack on swissnuclear in Olten. The emergency organisations have managed various less-critical incidents, such as IT failures, water penetration and fires.

Since the end of February 2020, the MIC crisis organisation has been tasked with the "Coordination of all Alpiq activities associated with COVID-19". This is an atypical incident management scenario for this organisation given the extremely long period of deployment. The MIC crisis organisation has been reinforced with business continuity coordinators from the operating business divisions. During the acute phase in the spring of 2020, a daily meeting was held between the Chief of Staff of Crisis Management Organisation MIC and the Executive Board to decide on individual measures. Currently, a management report is prepared for every Executive Board meeting, which contains requests for decisions where necessary.

Gas-fired combined-cycle power plants

Alpiq is committed to protecting its plants. Most of the gas-fired combined-cycle power plants are part of the critical national infrastructure. Ensuring the provision of power and a stable supply to the national grids is absolutely essential. Alpiq applies processes and systems which guarantee secure operation. The main goal is to minimise unscheduled power plant downtimes. Alpiq has concluded insurance policies for the plants, which cover damages and potential effects of negative external factors. They protect Alpiq from the economic consequences of unforeseeable future incidents.

In line with the applicable national and local regulations, every power plant has an emergency plan. These emergency plans are adapted to the specific characteristics of every plant depending on the size and nature of the operation and are shared with the local authorities and fire brigades.

Physical access to the gas-fired-combined-cycle power plants operated by Alpiq is protected and monitored. The plants regularly host emergency exercises that are often focused on fire rescue, recovery of persons or a breach of physical security. The emergency plans and instructions are reviewed in line with the statutory provisions and ISO certifications.

Hydropower plants

Emergency plans exist for every partner company. They particularly define the nature and severity of an incident for which a crisis team is deployed, its organisation, its interactions as well as the duties of its members. In line with standards ISO 55001 (Asset Management) and 9001 (Quality Management Systems), crisis exercises are held together with external experts in a selected plant each year. These exercises enable us to gain valuable experience and continuously improve the emergency plans.

Wind power plants

The wind farms operated by Alpiq are mostly located in remote, hard-to-reach places. For this reason, the emergency plans have been adapted in consideration of the longer reaction times of professional rescue organisations. The goal is coordination between the authorities and corresponding processes of the service providers working at Alpiq wind farms.

In order to make access easier, road signs have been installed at the wind farms to guide emergency vehicles and save time. A snowcat is available at the wind farm in the Bulgarian mountains for extreme weather conditions.

All the roles involved in the emergency planning are defined and the individuals are suitably trained. Emergency drills are performed on a regular basis in order to ensure that each person knows how to react and to detect any gaps in the reaction chain. If necessary, contractors and public emergency services are included in these drills. However, due to the COVID-19 pandemic, this drill had to be postponed at most of the wind farms in 2020.

Cyber-security

GRI 103: Management approach (103-1, 103-2, 103-3)

Relevance

The global rise in cyberattacks and the professional nature of the hacks launched by cyber-criminal organisations are presenting enterprises with the challenge of developing, implementing and constantly reviewing security strategies. Operators of critical infrastructures need to implement a cybersecurity strategy that ensures comprehensive protection for their production facilities and critical IT systems. The great majority of Alpiq power plants play an important role in the reliable supply of electricity in the respective countries. Unfortunately, the constantly evolving cyber threats pose a real risk for all energy suppliers. Protection against specific cyber-attacks is therefore an important part of the security standards of our power plants.

Management approach and assessment

Guidelines for management and the organisation of corporate security are developed within the company. Business continuity management (BCM) ensures that all critical business processes can be continued or promptly restored in case of internal or external incidents. The cyber-security of the power plants and critical IT systems is part of this BCM approach.

In case of significant cyber-security incidents, Alpiq is able to deploy emergency and crisis teams. The company takes all necessary organisational measures to ensure that all incidents that could have a negative impact on the IT environment are dealt with in a timely manner. Cybersecurity incidents are managed and documented according to precisely defined incident and response plans. Security monitoring takes place at various levels. For example, the implementation of business applications in the cloud is checked in terms of compliance with security architecture rules, and applications are subjected to active monitoring while they are running. Established vulnerability management ensures that, once identified, vulnerabilities are remedied swiftly and do not return. Efficient vulnerability management also includes ongoing updates with the latest security software for all critical IT systems at both server and user level.

Crisis management plans contain a minimum number of scenarios. For example, for hydropower plants, risk management guidelines are used to assess the cyber-security risks each year and take appropriate measures.

To maintain a high level of expertise, Alpiq holds regular training and simulation exercises that are based on realistic scenarios. The simulation exercises allow Alpiq to review its processes by deploying its emergency and crisis teams and activating the relevant systems for dealing with cyber-attacks in a real-life situation, for example, penetration tests or the failure of critical systems. Regular internal audits make it possible to determine the maturity of the security.

The maturity of the cyber-security guidelines is also periodically assessed based on the Swiss minimum standards in all areas of cyber-security.

As a member of the energy sector, Alpiq is informed of the latest threats to the energy industry by the National Cyber Security Centre of Switzerland. Alpiq implements the recommendations and is involved in various working groups.

Employee satisfaction

GRI 103: Management approach (103-1, 103-2, 103-3)

Relevance

Employee satisfaction is very important to Alpiq. As a result, Alpiq enables employees to help shape their workplace through direct influence. The resulting findings are used for further development activities at Alpiq.

Management approach

In 2020, Alpiq held the group-wide employee survey, “Alpiq Engagement Monitor”, together with an external partner. The survey was anonymous and voluntary with no possibility of identifying individual employees.

The survey consisted of various topics on the work situation and questions on current topics, such as the COVID-19 pandemic.

Alpiq intends to use the activities derived from the results of the survey to improve employee satisfaction and commitment.

Assessment

The 2020 employee survey recorded a very high participation rate, which lent the results a high level of significance. The results are compared with a global energy benchmark and subsequent surveys will also be compared against the last survey.

The results of the 2020 employee survey were very positive and identify potential for further development. The main areas for action were identified by the Executive Board. The identification of specific measures and their implementation will commence in the first quarter of 2021.

Nuclear energy

Fuel preparation (front end) and power production

GRI 103 Management approach (103-1, 103-2, 103-3)

Relevance

A key part of Alpiq's core business is power production from flexible climate-friendly Swiss hydropower and CO_2-free nuclear energy.

In Switzerland, Alpiq has a 40 % share in Kernkraftwerk Gösgen-Däniken AG (KKG) and a 27.4 % share in Kernkraftwerk Leibstadt AG (KKL). Alpiq holds the executive management mandate for KKG. Both power plants are partner power plants. This means that the shareholders take over the entire energy production and reimburse the resulting annual costs in return.

Alpiq also has a 33 % share in Kernkraftwerk-Beteiligungsgesellschaft AG (KBG), which owns energy drawing rights from the EDF French nuclear fleet. Alpiq holds the executive management mandate for KBG. The French energy group EDF is the sole owner of its nuclear fleet and so is responsible for the operation and safety of the plants therein.

Management approach

Alpiq has no fully consolidated participations in nuclear power plants. However, as Alpiq is very aware of its responsibility and obligation towards the environment and society, and as the GRI prescribes no specific standards in relation to nuclear power plants, the impact of the nuclear participations on sustainability is published in this specific chapter.

Assessment

The nuclear power plants in which Alpiq holds shares were operated safely and reliably in 2019 and 2020. The production data for 2019 and for 2020 can be retrieved from the Alpiq Ltd. Annual Reports of 2019 & 2020. Besides electricity production KKG provides the nearby industry with climate friendly produced process steam.

The uranium used at KKG comes from Australia and Canada. When the nuclear fuel is procured, all suppliers are assessed with regard to their product quality, security of supply, environmental compatibility, transparency of the supply chain and economic efficiency. In 2019 nuclear fresh fuel of 24.8 tons has been inserted at KKG and 33.0 tons at KKL.

The Swiss Federal Nuclear Safety Inspectorate (ENSI) is the Swiss supervisory authority responsible for Swiss nuclear power plants. In the safety assessment published for 2019 (ENSI AN-10650), ENSI assesses KKG and KKL to be safe plants.

Waste management, interim and final storage (back end)

GRI 103: Management approach (103-1, 103-2, 103-3)

Relevance

Power production from nuclear energy produces radioactive waste. As a shareholder in KKG and KKL, Alpiq takes on a part of the annual costs in proportion to its share; this obviously includes the costs of decommissioning and dismantling. At both plants, protecting the population, employees and environment from ionising radiation takes the highest priority. This includes the safe handling of radioactive waste.

Management approach

When handling radioactive waste in nuclear power plants, a distinction is made between operational waste and spent fuel elements and waste from reprocessing. The safety and health of employees is ensured through the consistent implementation of the appropriate guidelines: Guideline ENSI-G15 defines the radiation protection limit values that apply in Switzerland to employees and to the population surrounding the nuclear power plant. These are monitored in accordance with guideline ENSI-B09 and reported to ENSI in accordance with guideline ENSI-B03.

Operational waste (IAEA classification: low and intermediate-level waste, LLW and ILW):

Radioactive operational waste (raw waste) is generated in a nuclear power plant on a regular basis from the water cleaning systems and from exhaust air cleaning. Other waste comes from replacing components during maintenance, modification or retrofitting work and the consumables used in these processes.

The radioactive waste is collected, conditioned on a campaign basis and then placed into intermediate storage. The unconditioned waste present in a nuclear power plant is stored in specified rooms in the controlled zone.

The following conditioning processes are used at a nuclear power plant: Encapsulation of resins in polystyrene, cementing of sludge or bonding in bitumen. Combustible and fusible raw waste or exhaust air filters are provided for treatment in the plasma plant at the central intermediate storage facility (Zwilag) in Würenlingen. For all processes in Switzerland, the type approvals required in accordance with the Swiss Nuclear Energy Ordinance (KEV) and guideline ENSI-B05 are available. The conditioned waste containers are routinely placed into storage at the plant's own intermediate storage facility or at the Zwilag.

The radioactive waste from Swiss nuclear power plants is logged in an electronic accounting system used by all Swiss nuclear power plants, so that information about quantity, storage location and radiological properties is available at all times.

A key element in the minimization of radioactive waste is the inactive clearance measurement of materials from the controlled zone.

Fuel elements and waste from reprocessing (IAEA classification: high-level waste, HLW):

After final unloading from the reactor core, spent fuel elements are stored for several years in the plant's own wet storage pool to cool down. During this time, the thermal output subsides significantly, so that the fuel elements can subsequently be placed in optimal storage in intermediate storage containers. These storage containers are constructed according to international standards and licensed and stored in Switzerland in accordance with ENSI guidelines ENSI-G04 and -G05. The currently valid guideline HSK-R-29 will soon be replaced by the guideline ENSI-G04. The loaded containers are transported to the Zwilag where they are placed into storage. In the reporting year, the following transportation took place from KKG and KKL to the Zwilag.

Number of transportation operations of radioactive materials from the nuclear power plants to the Zwilag.

Numer of transportation operations	LLW / ILW	HLW / fuel elements
Gösgen nuclear power plant	2	
Leibstadt nuclear power plant	9	3

The Swiss guidelines on the transportation of radioactive materials on road and rail are based, among others, on the international regulations on the carriage of dangerous goods by road (ADR) or by rail (COTIF). For all modes of transport, the IAEA recommendations for safe transport of radioactive material (IAEA SSR-6) apply.

The process of handling water and wastewater is defined in specific terms for each nuclear power plant in rules of delivery that are checked and approved by ENSI. The delivery data for 2019 and 2020 is publicly available from ENSI (ANPA-EMI data).

Assessment

To ensure consistency with the data in the ENSI Oversight Report 2019, the following data refers to the calendar year 2019. The data for the calendar year 2020 will not be published by ENSI until mid-2021.

In 2019, all radiation protection limit values were observed, guaranteeing the safety and health of employees. The objective of safe handling of radioactive waste was achieved.

The waste generated in KKG and KKL is listed in the following table. In 2019, no long-lived intermediate-level waste (ILW) or high-level waste (HLW) from the reprocessing of spent fuel elements was transported back into Switzerland. All obligations relating to the return of waste from reprocessing have been fulfilled.

Nuclear data relating to the back end in 2019 (this data refers to the total quantity and is not scaled according to the share proportion).

	LLW / ILW unconditioned in m³	LLW / ILW conditioned in m³	ILW in m³	HLW in m³	Unloaded fuel in t	Fuel transported to Zwilag in t
Gösgen nuclear power plant	17	10	-	-	24.8	-
Leibstadt nuclear power plant	55	11	-	-	33	63.2

No Swiss nuclear power plant in which Alpiq holds a share causes significant heating of a body of water. Both KKG and KKL are cooled by cooling towers and not by the adjacent rivers. The water in the cooling towers comes from the rivers and the reintroduction of cooling water does introduce some heat but not significantly. In periods of hot summer causing very high river temperatures, the nuclear power plants reduce their power to remain under the regulatory thresholds.

Decommissioning and dismantling of nuclear power plants

GRI 103: Management approach (103-1, 103-2, 103-3)

Relevance

Guaranteeing safe operation and handling of radioactive materials includes the entire value chain and the lifecycle of nuclear power plants, from construction through to commissioning and decommissioning of the plants as well as their dismantling. In addition to the duties defined in the Nuclear Energy Act (KEG) and the Nuclear Energy Regulation (KEV), Alpiq is committed to its obligations, particularly as nuclear energy is an important pillar in Alpiq's production portfolio of climate-friendly electricity.

Management approach

The financing for dismantling the nuclear power plants and for safe disposal of the radioactive waste is secured. To ensure the financial burden can be carried after the end of operations at a nuclear power plant, the nuclear power plant operators pay into the Decommissioning Fund for Nuclear Facilities and Waste Disposal Fund for Nuclear Power Plants (Stilllegungsfonds für Kernanlagen, Entsorgungsfonds für Kernkraftwerke – STENFO) on a continuous basis. The two funds are subject to federal supervision.

Assessment

The money is paid into the funds by Kernkraftwerk Gösgen-Däniken AG and Kernkraftwerk Leibstadt AG. In 2019 and 2020, KKG paid CHF 25.1 million, while in 2019 KKL paid CHF 34.6 million into the funds for decommissioning and disposal. As a shareholder in KKG and KKL, Alpiq pays a part of the annual costs in proportion to its share; this obviously includes the costs of decommissioning and dismantling.

The payments made into the funds are calculated on the basis of cost estimates made every five years for decommissioning and dismantling nuclear power plants and for disposing of nuclear waste in accordance with the Swiss Ordinance on the Decommissioning and Disposal Funds for Nuclear Power Plants (Verordnung über den Stilllegungs- und den Entsorgungsfonds für Kernanlagen – SEFV).

The most recent cost study is from 2016. An updated cost study, the 2021 cost study, will be submitted at the end of 2021. For further information, see the Annual Reports of KKG AG and KKL AG.

Security of infrastructure (physical and cyberattacks)

GRI 103 Management approach (103-1, 103-2, 103-3)

Relevance

The power supply is part of the critical infrastructure (CI). As a leading European electricity producer and operator of major nuclear, gas and hydropower plants, Alpiq is part of the CI. Critical infrastructure safeguards the supply of essential goods and services, such as energy, transport or communications. The overarching goal of critical infrastructure protection (CIP) is to guarantee as far as possible the continuous functioning of critical infrastructure, or minimum operation (continuity management) and a return to a normal state following an incident.

Management approach

For critical infrastructure protection, the primary focus is on all of the fundamental processes and plants that are essential to securing the safe, reliable and efficient power supply. This includes the safe operation of the power plants and grids, system coordination, grid regulation, the black start and isolated operation capabilities of producers, voltage stability, etc.

The companies are directly responsible for safeguarding the nuclear power plants. The concept of safeguarding is supervised by ENSI, which checks it periodically for its effectiveness.

Assessment

The systems fall under different classifications and are subject to different requirements depending on their relevance – the higher the classification, the more stringent the requirements.

The safety of the nuclear power plants is continuously monitored. This also includes emergency protection and planning (see guideline ENSI-B12). In addition, regular emergency exercises take place in which the materials, personnel and organisation are tested in the context of an emergency. These emergency exercises are subject to minimum requirements that are defined in guideline ENSI-B11. Large-scale emergency exercises, i.e. comprehensive emergency exercises that include cantonal services and federal authorities, generally take place every two years at one of the nuclear power plant sites. The last such exercise took place in 2019 at Beznau nuclear power plant. The next comprehensive emergency exercise will therefore take place in 2021.

Health and occupational safety

GRI 103 Management approach (103-1, 103-2, 103-3)

Relevance

The nuclear power plants in which Alpiq holds shares have a particular obligation to take account of safety aspects in a comprehensive, consistent and efficient way as well as to take measures to ensure they are implemented. This is done while taking into account ethical, economic and social principles as well as legal provisions. Responsibility for people and the environment is seen by Alpiq and the operators of the nuclear power plants as a central task. The focus is on the health and safety of the public, employees and external contractors.

Management approach

Occupational safety and protection of health are valued very highly in the power plants and are monitored and periodically inspected to identify and close any potential gaps. The overarching goals, rules of conduct and responsibilities for protecting people (public, employees and third parties) are specified in the code of conduct and the management and organisational manuals of the power plants in which Alpiq holds shares. The nuclear power plants in Switzerland are subject to the strictest safety standards.

Assessment

Since 2010, the key nuclear energy figures (reportable events, energy availability, dose values) have been communicated by the operators of the nuclear power plants exclusively by calendar year to ensure they can be compared with the official reports from ENSI and WANO (World Association of Nuclear Operators). There is no additional conversion or communication for other periods of time (water year), as this prevents any contradictory data and misinterpretations when compared with the reports sent to ENSI and WANO.

Reportable events do not mean that measurable quantities of radioactive substances have been released. They simply indicate that there were irregularities in operation that needed to be observed and reported in accordance with guideline ENSI-B03. In the nuclear power plants in which Alpiq holds shares, there were no accidents with a measurable release of radioactive material in the reporting year.

Events that were reported in accordance with guideline ENSI-B03 in 2019 are listed in the following.

Reportable events in 2019 in accordance with guideline ENSI-B03

Number	INES 0[1]	INES 1[1]	INES 2[1]
Gösgen nuclear power plant	7	1	0
Leibstadt nuclear power plant	11	0	0

1 International Nuclear and Radiological Event Scale (INES) is a tool for communicating the safety significance of nuclear and radiological events to the public. 0 is the lowest and 7 is the highest level. For further information see the website of International Atomic Energy Agency (iaea.org).

For further information about these events, see the ENSI Oversight Report 2019 AN-10650.

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