Financial Report

Financial Review

The Alpiq Group generated operational EBITDA of CHF 302 million in the 2021 financial year, exceeding the previous year by CHF 40 million. Swiss power production did not reach the previous-year level, which was primarily due to maintenance work at the Leibstadt nuclear power plant being postponed and taking longer than planned. By contrast, international power production and energy trading generated higher earnings than in the previous year thanks to higher market volatility and a rise in energy prices.

The 2021 financial year was characterised by an extraordinarily sharp increase in energy prices, which were then highly volatile at a high level. This was attributable to a huge rise in demand for coal and gas in Asia, geopolitical uncertainties in European gas supply on account of increasing tension between Russia and the European Union, downtimes of French nuclear power plants and the imminent reduction in fossil production capacity. The rapid economic recovery following the end of the lockdowns imposed as a result of the COVID-19 pandemic coupled with concerns about the security of electricity and gas supply led in particular to a dramatic rise in gas and electricity prices. While these high prices made it possible to improve trading margins, they also resulted in higher financial security deposits having to be made at the energy exchanges. In accordance with IFRS, the hedging of wholesale prices led to earnings being shifted to the following financial years, as the fair value changes of financial hedges were already recognised in profit or loss this year (accounting mismatch). However, under IFRS, the positive effects on the hedged transactions may not be posted until later. The higher valuation of hedging and trading items also resulted in a considerable extension of the balance sheet.

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 2021 financial year, the Alpiq Group generated net revenue before exceptional items of CHF 7.7 billion (up CHF 3.9 billion on the previous year) and EBITDA of CHF 302 million (up CHF 40 million).

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

	2021			2020 (adjusted)[3]		
CHF million	Results of operations before exceptional items	Exceptional items[2]	Results under IFRS	Results of operations before exceptional items	Exceptional items[2]	Results under IFRS
Net revenue	**7,701**	**– 524**	**7,177**	**3,834**	**71**	**3,905**
Own work capitalised and change in costs incurred to fulfil a contract	4		4	6		6
Other operating income	63	14	77	64	54	118
Total revenue and other income	**7,768**	**– 510**	**7,258**	**3,904**	**125**	**4,029**
Energy and inventory costs	– 7,158	136	– 7,022	– 3,361	– 101	– 3,462
Employee costs	– 220	– 1	– 221	– 185	– 1	– 186
Other operating expenses	– 88	– 4	– 92	– 96	– 3	– 99
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**302**	**– 379**	**– 77**	**262**	**20**	**282**
Depreciation, amortisation and impairment[1]			– 126			– 80
Earnings before interest and tax (EBIT)			**– 203**			**202**
Share of results of partner power plants and other associates			– 35			– 35
Finance costs			– 73			– 72
Finance income			12			17
Earnings before tax			**– 299**			**112**
Income tax expense			28			43
Earnings after tax from continuing operations			**– 271**			**155**
Earnings after tax from discontinued operations			0			– 56
Net income			**– 271**			**99**

1 In 2020, including reversals of impairment losses
2 For more information, please refer to the explanations in the “Alternative performance measures of Alpiq” section
3 See note 1.4 of the notes to the consolidated financial statements

Switzerland business division

At CHF -16 million, EBITDA of Swiss power production was down year-on-year by CHF 151 million. The main drivers of this development were the lower production volumes. The lower production volume in the area of nuclear power was primarily due to maintenance work at the Leibstadt nuclear power plant being postponed from 2020 to 2021 as a result of the COVID-19 pandemic. In addition, this overhaul took considerably longer than planned. In order to meet supply obligations, the missing quantity of electricity, which had already been sold as part of the hedging strategy at that time, had to be procured at a higher price on the spot market. In the area of hydropower, inflows were below the previous year and just below the long-term average.

International business division

At CHF 80 million, EBITDA of international power production was up year-on-year by CHF 21 million. Alpiq generated positive earnings in every country. In Italy, the increase in the price of renewable energies led to a positive development compared to the previous year despite the fact that feed-in tariffs no longer apply. In Spain, the year-on-year increase in EBITDA was primarily attributable to insurance payments received in connection with unexpected repairs at the gas-fired combined-cycle power plant Plana del Vent. In turn, the gas-fired combined-cycle power plants in Italy and Hungary contributed to system stability thanks to their high availability.

Digital & Commerce business division

At CHF 258 million, EBITDA of the Digital & Commerce business division was up year-on-year by CHF 159 million. In the context of the optimisation and marketing of the power plant portfolio in both Switzerland and Italy, considerably higher earnings were generated than in the previous year. Alpiq made very good use of the opportunities offered by a very volatile market. Furthermore, earnings from the ancillary services business in Italy developed very well. Market volatilities were also successfully exploited in trading. However, the market environment led to significantly higher liquidity requirements and a considerably increased credit risk associated with several counterparties, which had a strong negative impact on results of operations.

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, tax, depreciation and amortisation (EBITDA)”. Alpiq makes adjustments to the IFRS results for exceptional items, which Alpiq does not consider part of results of operations.

These performance measures do not have a standardised definition in IFRS. This can therefore limit comparability with such measures as defined by other companies. 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. Starting from 1 January 2021, Alpiq no longer presents any exceptional items on amortisation, depreciation and impairment in its internal or external reporting, as EBITDA is decisive for measuring performance. Alpiq still does not use any alternative performance measures in the balance sheet and cash flow statement.

Overview of exceptional items

CHF million	Fair value changes (accounting mismatch) 2021	Fair value changes (accounting mismatch) 2020 (adjusted)[1]	Development of decommissioning and waste disposal funds 2021	Development of decommissioning and waste disposal funds 2020	Effects from business disposals 2021	Effects from business disposals 2020	Onerous contracts 2021	Onerous contracts 2020	Restructuring costs and litigation 2021	Restructuring costs and litigation 2020	Total exceptional items 2021	Total exceptional items 2020 (adjusted)[1]
Net revenue	**– 521**	**49**	**– 7**	**– 1**					**4**	**23**	**– 524**	**71**
Other operating income					14	54					14	54
Total revenue and other income	**– 521**	**49**	**– 7**	**– 1**	**14**	**54**			**4**	**23**	**– 510**	**125**
Energy and inventory costs			101	21			38	– 108	– 3	– 14	136	– 101
Employee costs									– 1	– 1	– 1	– 1
Other operating expenses						8			– 4	– 11	– 4	– 3
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**– 521**	**49**	**94**	**20**	**14**	**62**	**38**	**– 108**	**– 4**	**– 3**	**– 379**	**20**

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

Alpiq has defined the following categories of exceptional items:

Fair value changes (accounting mismatch)

Negative fair value changes of energy derivatives entered into to hedge future power production as well as energy procurement and energy delivery contracts do not reflect operating performance because they are economically linked with the changes in value of the hedged transactions. Rising forward prices cause the future production volumes and power purchase agreements to increase in value and the corresponding hedges to lose value. According to IFRS guidelines, the fair value changes of financial hedges have to be recognised in the reporting year. As the future production volumes and the power purchase agreements are not measured at fair value and positive changes in value therefore cannot be recognised in the reporting year, this results in an accounting mismatch.

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 two funds are exposed to market fluctuations and changes in estimates, which cannot be influenced by Alpiq but which do influence electricity procurement costs. The difference between the return actually generated by the funds and the return budgeted by the nuclear power plants of 2.75 % is classified and recorded as 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.

Onerous contracts

Effects in connection with the future procurement of energy from the Nant de Drance pumped storage power plant and an onerous contract abroad 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 amounted to CHF 13.6 billion at the 31 December 2021 reporting date, compared to CHF 7.4 billion at the end of 2020. Non-current assets remained unchanged at CHF 4.4 billion. Amortisation, depreciation and impairment as well as the reclassification of a receivable to current assets due to maturity were compensated for by net investments in property, plant and equipment and intangible assets as well as the increase in plan assets.

Current assets rose by CHF 6.2 billion, amounting to CHF 9.1 billion at 31 December 2021. The rise is primarily due to the higher replacement values of energy derivatives and receivables from realised energy derivatives, mainly driven by the significant increase in energy prices. In addition, Alpiq had to make higher customary financial security deposits. For the same reason, negative replacement values and liabilities from realised energy derivatives increased at a similar rate.

Equity stood at CHF 3.6 billion at 31 December 2021 and was thus CHF 203 million below the previous year. The decrease chiefly stems from the lower net income, the dividend distribution as well as the distribution to the hybrid investors. This could only partially be compensated for by the positive effects from the remeasurement of defined benefit plans. The equity ratio decreased from 51.0 % to 26.2 %, primarily on account of the increase in total assets as a result of energy prices.

Current and non-current financial liabilities increased by CHF 361 million and came to CHF 1.6 billion at 31 December 2021. The increase is primarily attributable to taking out short-term loans in order to finance the short-term net working capital. Net debt increased from CHF 249 million to CHF 675 million. The gearing ratio (net debt / EBITDA before exceptional items) rose from 1.0 at 31 December 2020 to 2.2.

Compared to 31 December 2020, non-current liabilities declined by CHF 411 million to CHF 1.4 billion. The main reason for this were term-related reclassifications of financial liabilities and other non-current liabilities and the decrease in defined benefit liabilities due to the return on plan assets exceeding expectations.

Net cash flows from operating activities decreased from CHF 108 million in the previous year to CHF -298 million. This mainly relates to CHF 411 million lower earnings before tax from continuing operations and the increase in net working capital. Net cash flows from investing activities increased on the previous year. For one thing, more term deposits were due, for another, Alpiq sold securities that were held as a liquidity reserve. Net cash flows from financing activities were up on the previous year due to additional financial liabilities raised to increase liquidity. Cash and cash equivalents increased by around CHF 523 million to CHF 863 million.

Outlook

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

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

Consolidated Financial Statements of the Alpiq Group

Consolidated Income Statement

CHF million	Note	2021	2020 (adjusted)[2]
Net revenue	2.2	**7,177**	**3,905**
Own work capitalised and change in costs incurred to fulfil a contract		4	6
Other operating income	2.3	77	118
Total revenue and other income		**7,258**	**4,029**
Energy and inventory costs	2.4	– 7,022	– 3,462
Employee costs	2.5	– 221	– 186
Other operating expenses		– 92	– 99
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**– 77**	**282**
Depreciation, amortisation and impairment[1]	4.1 / 4.2	– 126	– 80
Earnings before interest and tax (EBIT)		**– 203**	**202**
Share of results of partner power plants and other associates	4.3	– 35	– 35
Finance costs	2.6	– 73	– 72
Finance income	2.6	12	17
Earnings before tax		**– 299**	**112**
Income tax expense	2.7	28	43
Earnings after tax from continuing operations		**– 271**	**155**
Earnings after tax from discontinued operations	5.1	0	– 56
Net income		**– 271**	**99**
Attributable to non-controlling interests		1	3
Attributable to equity investors of Alpiq Holding Ltd.		– 272	96
Earnings per share from continuing operations in CHF, diluted and undiluted	2.8	– 9.10	3.70
Earnings per share from discontinued operations in CHF, diluted and undiluted	2.8	0.00	– 1.69
Earnings per share in CHF, diluted and undiluted	2.8	**– 9.10**	**2.01**

1 In 2020, including reversals of impairment losses
2 See note 1.4

Consolidated Statement of Comprehensive Income

CHF million	2021	2020 (adjusted)[1]
Net income	**– 271**	**99**
Cash flow hedges (group companies)	16	– 8
Income tax expense	– 3	3
Net of income tax	13	– 5
Cash flow hedges (partner power plants and other associates)		– 2
Net of income tax		– 2
Currency translation differences	– 32	0
Net of income tax	– 32	0
Items that may be reclassified subsequently to the income statement, net of tax	**– 19**	**– 7**
Remeasurements of defined benefit plans (group companies)	115	14
Income tax expense	– 18	2
Net of income tax	97	16
Remeasurements of defined benefit plans (partner power plants and other associates)	79	17
Income tax expense	– 12	– 5
Net of income tax	67	12
Items that will not be reclassified to the income statement, net of tax	**164**	**28**
Other comprehensive income	**145**	**21**
Total comprehensive income	**– 126**	**120**
Attributable to non-controlling interests	2	3
Attributable to equity investors of Alpiq Holding Ltd.	– 128	117
Of which, total comprehensive income from continuing operations	– 128	173
Of which, total comprehensive income from discontinued operations	0	– 56

1 See note 1.4

Consolidated Balance Sheet

Assets

CHF million	Note	31 Dec 2021	31 Dec 2020
Property, plant and equipment	4.1	1,859	1,921
Intangible assets	4.2	92	99
Investments in partner power plants and other associates	4.3	2,301	2,280
Other non-current assets	3.3	103	61
Deferred income tax assets	2.7	77	79
Non-current assets		**4,432**	**4,440**
Inventories	4.4	33	67
Derivative financial instruments		5,098	626
Receivables	4.5	2,782	1,078
Prepayments and accrued income		314	194
Current term deposits		35	596
Securities			27
Cash and cash equivalents	4.6	863	340
Current assets		**9,125**	**2,928**
Total assets		**13,557**	**7,368**

Equity and liabilities

CHF million	Note	31 Dec 2021	31 Dec 2020 (adjusted)[2]
Share capital[1]	3.7	0	0
Share premium		4,904	4,904
Hybrid capital	3.7	650	650
Retained earnings		– 2,072	– 1,868
Equity attributable to equity investors of Alpiq Holding Ltd.		**3,482**	**3,686**
Non-controlling interests		76	75
Total equity		**3,558**	**3,761**
Non-current provisions	4.7	490	507
Deferred income tax liabilities	2.7	321	338
Defined benefit liabilities	6.3	3	31
Non-current financial liabilities	3.5	627	913
Other non-current liabilities	3.4	8	71
Non-current liabilities		**1,449**	**1,860**
Current income tax liabilities		47	58
Current provisions	4.7	129	41
Current financial liabilities	3.5	946	299
Other current liabilities	4.9	1,723	643
Derivative financial instruments		5,343	461
Accruals and deferred income		362	245
Current liabilities		**8,550**	**1,747**
Total liabilities		**9,999**	**3,607**
Total equity and liabilities		**13,557**	**7,368**

1 The share capital is at CHF 0.331 million.
2 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 2021 (adjusted)[1]	**0.3**	**4,904.4**	**650.0**	**8.4**	**– 742.9**	**– 1,134.2**	**3,686.0**	**75.5**	**3,761.5**
Net income for the period						– 271.9	**– 271.9**	1.1	**– 270.8**
Other comprehensive income				13.4	– 31.6	162.2	**144.0**	0.4	**144.4**
Total comprehensive income				**13.4**	**– 31.6**	**– 109.7**	**– 127.9**	**1.5**	**– 126.4**
Dividends						– 46.4	**– 46.4**	– 1.3	**– 47.7**
Distributions to hybrid investors						– 29.5	**– 29.5**		**– 29.5**
Equity at 31 December 2021	**0.3**	**4,904.4**	**650.0**	**21.8**	**– 774.5**	**– 1,319.8**	**3,482.2**	**75.7**	**3,557.9**

1 See note 1.4

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 (adjusted)[1]						95.9	**95.9**	3.2	**99.1**
Other comprehensive income				– 7.2	0.0	28.0	**20.8**		**20.8**
Total comprehensive income (adjusted)[1]				**– 7.2**	**0.0**	**123.9**	**116.7**	**3.2**	**119.9**
Dividends						0.0	**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[2]	– 278.4	278.7					**0.3**		**0.3**
Conversion of the hybrid loan from the shareholders[2]	0.0	366.5	– 366.5				**0.0**		**0.0**
Equity at 31 December 2020 (adjusted)[1]	**0.3**	**4,904.4**	**650.0**	**8.4**	**– 742.9**	**– 1,134.2**	**3,686.0**	**75.5**	**3,761.5**

1 See note 1.4
2 See note 3.7

Consolidated Statement of Cash Flows

CHF million	Note	2021	2020
Earnings before tax from continuing operations (adjusted) [1]		**– 299**	**112**
Adjustments for:			
Depreciation, amortisation and impairment	4.1 / 4.2	126	80
Gain on sale of non-current assets		– 3	
Share of results of partner power plants and other associates	4.3	35	35
Financial result (adjusted) [1]	2.6	61	55
Other non-cash income and expenses		73	– 52
Change in provisions (excl. interest) (adjusted) [1]	4.7	63	82
Change in defined benefit liabilities and other non-current liabilities		8	– 14
Change in fair value of derivative financial instruments		442	– 67
Change in net working capital (excl. derivatives, current financial assets / liabilities and current provisions)		– 744	– 90
Other financial income and expenses		– 24	– 21
Income tax paid		– 36	– 3
Net cash flows from operating activities of continuing operations		**– 298**	**117**
Net cash flows from operating activities of discontinued operations			– 9
Net cash flows from operating activities		**– 298**	**108**
Property, plant and equipment and intangible assets			
Investments	4.1 / 4.2	– 66	– 66
Proceeds from disposals		3	
Subsidiaries			
Proceeds from disposals	5.1	20	25
Associates			
Investments	4.3	– 5	– 1
Proceeds from disposals		– 3	
Loans receivable and financial investments			
Investments	3.3	– 10	– 5
Change in current and non-current term deposits		587	48
Proceeds from disposals of securities		27	
Dividends from partner power plants, other associates and financial investments	4.3	24	22
Interest received		12	3
Net cash flows from investing activities of continuing operations		**589**	**26**
Net cash flows from investing activities of discontinued operations	5.1	– 1	– 67
Net cash flows from investing activities		**588**	**– 41**

1 See note 1.4

CHF million	Note	2021	2020
Dividends paid		– 46	
Dividends paid to non-controlling interests		– 2	– 1
Proceeds from financial liabilities	3.5	895	13
Repayment of financial liabilities	3.5	– 530	– 109
Change in non-controlling interests			1
Distributions to hybrid investors recognised in equity outside profit and loss	3.7	– 29	– 29
Interest paid		– 36	– 37
Net cash flows from financing activities of continuing operations		**252**	**– 162**
Net cash flows from financing activities of discontinued operations			
Net cash flows from financing activities		**252**	**– 162**
Currency translation differences		**– 19**	**– 6**
Change in cash and cash equivalents		**523**	**– 101**
Reconciliation:			
Cash and cash equivalents at 1 January	4.6	340	441
Cash and cash equivalents at 31 December	4.6	863	340
Change		**523**	**– 101**

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 23 February 2022 and are subject to approval by shareholders at the Annual General Meeting on 28 April 2022.

1.2 Adoption of new and revised accounting standards

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

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

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

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

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

IFRSs effective in future periods

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

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

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

1.3 Significant estimation uncertainties and judgements

The preparation of the consolidated financial statements requires the management to exercise judgement 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 judgements 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, 5.1 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, repeatedly forcing governments to take drastic protective measures. The spread of COVID-19 and the protective and stimulation measures taken by governments and central banks are having far-reaching effects on the macroeconomic environment.

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

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

1.4 Correction of errors

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

The income statement for 2020, the statement of comprehensive income for 2020, the balance sheet at 31 December 2020, the statement of changes in equity for 2020, the statement of cash flows for 2020 as well as notes 2.1, 2.4, 2.8 and 4.7 have been adjusted. As a result, the equity ratio decreased from 51.2 % to 51.0 % at 31 December 2020. This correction did not impact the net debt / EBITDA before exceptional items. In this context, the figures at 30 June 2021 also had to be corrected. Alpiq issued the update of the Interim Report 2021 on 9 December 2021. The opening balance at 1 January 2020 was correct and thus not affected by the correction.

Changes to the consolidated income statement for 2020

CHF million	2020 (reported)	Correction of provisions for onerous contracts	2020 (restated)
Net revenue	**3,905**		**3,905**
Own work capitalised and change in costs incurred to fulfil a contract	6		6
Other operating income	118		118
Total revenue and other income	**4,029**		**4,029**
Energy and inventory costs	– 3,451	– 11	– 3,462
Employee costs	– 186		– 186
Other operating expenses	– 99		– 99
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**293**	– 11	**282**
Depreciation, amortisation and impairment	– 80		– 80
Earnings before interest and tax (EBIT)	**213**	– 11	**202**
Share of results of partner power plants and other associates	– 35		– 35
Finance costs	– 72		– 72
Finance income	17		17
Earnings before tax	**123**	– 11	**112**
Income tax expense	43		43
Earnings after tax from continuing operations	**166**	– 11	**155**
Earnings after tax from discontinued operations	– 56		– 56
Net income	**110**	– 11	**99**
Attributable to non-controlling interests	3		3
Attributable to equity investors of Alpiq Holding Ltd.	107	– 11	96
Earnings per share from continuing operations in CHF, diluted and undiluted	4.02	– 0.32	3.70
Earnings per share from discontinued operations in CHF, diluted and undiluted	– 1.69		– 1.69
Earnings per share in CHF, diluted and undiluted	**2.33**	– 0.32	**2.01**

Changes to the consolidated balance sheet at 31 December 2020

CHF million	31 Dec 2020 (reported)	Correction of provisions for onerous contracts	31 Dec 2020 (restated)
Share capital [1]	0		0
Share premium	4,904		4,904
Hybrid capital	650		650
Retained earnings	– 1,857	– 11	– 1,868
Equity attributable to equity investors of Alpiq Holding Ltd.	**3,697**	**– 11**	**3,686**
Non-controlling interests	75		75
Total equity	**3,772**	**– 11**	**3,761**
Non-current provisions	506	1	507
Deferred income tax liabilities	338		338
Remaining non-current liabilities	1,015		1,015
Non-current liabilities	**1,859**	**1**	**1,860**
Current provisions	31	10	41
Remaining current liabilities	1,706		1,706
Current liabilities	**1,737**	**10**	**1,747**
Total liabilities	**3,596**	**11**	**3,607**
Total equity and liabilities	**7,368**		**7,368**

1 The share capital is at CHF 0.331 million.

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 Switzerland (formerly Generation Switzerland), International (formerly Generation International) and Digital & Commerce. The Executive Board evaluates each of these separately for the purpose of assessing performance and allocating resources. Segment results (EBITDA) 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 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 International business division comprises power production of wind power plants, small-scale hydropower plants and industrial photovoltaic plants, the operation of power plants and the development of several wind farm

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

- The 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 including the units with no market operations (Group Centre & other companies), Group consolidation effects as well as other reconciliation items presented in a separate column. This comprises shifts of CHF 14 million (previous year: CHF 15 million) between external net revenue and other income due to the difference in account structures between internal and external reporting. This column also contains foreign currency effects from using other average exchange rates in management reporting than pursuant to IFRS. 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.

2021: Information by business division

CHF million	Switzerland	International	Digital & Commerce	Group Centre & other companies	Consolidation	Reconciliation	Alpiq Group
Net revenue from third parties	– 383	246	7,257	33		36	7,189
Inter-segment transactions [1]	908	53	– 371	– 29	– 574	1	– 12
Exceptional items [2]	108		414			2	524
Net revenue before exceptional items	**633**	**299**	**7,300**	**4**	**– 574**	**39**	**7,701**
Net revenue	**525**	**299**	**6,886**	**4**	**– 574**	**37**	**7,177**
Other income	63	22	4	21	– 15	– 14	81
Exceptional items [2]	– 12			– 2			– 14
Total revenue and other income before exceptional items	**684**	**321**	**7,304**	**23**	**– 589**	**25**	**7,768**
Total revenue and other income	**588**	**321**	**6,890**	**25**	**– 589**	**23**	**7,258**
Operating costs	– 571	– 241	– 7,042	– 53	589	– 17	– 7,335
Exceptional items [2]	– 129		– 4	1		1	– 131
EBITDA before exceptional items	**– 16**	**80**	**258**	**– 29**	**0**	**9**	**302**
EBITDA	**17**	**80**	**– 152**	**– 28**	**0**	**6**	**– 77**
Depreciation, amortisation and impairment	– 59	– 50	– 8	– 9			– 126
EBIT	**– 42**	**30**	**– 160**	**– 37**	**0**	**6**	**– 203**
Number of employees at 31 December	136	220	567	343			1,266
Property, plant and equipment	1,358	403	3	95			1,859
Intangible assets	44	19	18	11			92
Investments in partner power plants and other associates	2,289	9		3			2,301
Non-current assets	**3,691**	**431**	**21**	**109**	**0**	**0**	**4,252**
Net capital expenditure on property, plant and equipment and intangible assets	20	35	7				62

1 The net effect of CHF – 12 million results from currency effects on intragroup energy transactions.
2 Includes effects from business disposals as well as the performance of the fund shares for the decommissioning and waste disposal of Kernkraftwerk Gösgen-Däniken AG and Kernkraftwerk Leibstadt AG, fair value changes of energy derivatives that were entered into in connection with hedges for future power production, provisions as well as restructuring costs. For more information, please refer to the explanations in the “Alternative performance measures of Alpiq” section of the Financial Review.

2020: Information by business division (adjusted)

CHF million	Switzerland	Interna-tional	Digital & Commerce (adjusted)[3]	Group Centre & other companies	Consoli-dation	Reconcili-ation	Alpiq Group (adjusted)[3]
Net revenue from third parties	149	135	3,587	21	– 2	15	3,905
Inter-segment transactions	613	31	20	– 24	– 640		0
Exceptional items[1]	– 7	– 8	– 55		– 1		– 71
Net revenue before exceptional items	**755**	**158**	**3,552**	**– 3**	**– 643**	**15**	**3,834**
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**	**3,557**	**18**	**– 659**	**0**	**3,904**
Total revenue and other income	**858**	**185**	**3,619**	**25**	**– 658**	**0**	**4,029**
Operating costs	– 751	– 118	– 3,497	– 39	658		– 3,747
Exceptional items[1]	75		39	– 9			105
EBITDA before exceptional items	**135**	**59**	**99**	**– 30**	**– 1**	**0**	**262**
EBITDA	**107**	**67**	**122**	**– 14**	**0**	**0**	**282**
Depreciation, amortisation and impairment[2]	– 59	3	– 15	– 9			– 80
EBIT	**48**	**70**	**107**	**– 23**	**0**	**0**	**202**
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 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

3 See note 1.4

2021: Information by geographical area

CHF million	Switzerland	Germany	France	Italy	Hungary	United Kingdom	Slovakia	The Netherlands	Other countries	Alpiq Group
Net revenue[1] from third parties	**1,602**	**– 895**	**2,109**	**1,627**	**327**	**440**	**632**	**731**	**616**	**7,189**
Property, plant and equipment	1,417		114	232	27				69	1,859
Intangible assets	71		10	7					4	92
Investments in partner power plants and other associates	2,297								4	2,301
Non-current assets	**3,785**	**0**	**124**	**239**	**27**	**0**	**0**	**0**	**77**	**4,252**

1 The difference to net revenue in the income statement results from currency effects on intragroup energy transactions of CHF – 12 million.

2020: Information by geographical area

CHF million	Switzerland	Germany	France	Italy	Hungary	United Kingdom	Slovakia	The Netherlands	Other countries	Alpiq Group
Net revenue from third parties	**721**	**404**	**934**	**551**	**168**	**174**	**88**	**– 18**	**883**	**3,905**
Property, plant and equipment	1,454		118	258	27				64	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**	**27**	**0**	**0**	**0**	**73**	**4,300**

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 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).

2021: Disaggregation of net revenue

CHF million	Switzerland	International	Digital & Commerce	Group Centre & other companies	Total
Revenue from energy and grid services	120	249	6,786		7,155
Revenue from digital energy services and e-mobility			5		5
Revenue from other services	13		1		14
Total revenue from contracts with customers	**133**	**249**	**6,792**	**0**	**7,174**
Income from energy and financial derivatives	– 503		485	33	15
Net revenue from third parties [1]	**– 370**	**249**	**7,277**	**33**	**7,189**

1 The difference to net revenue in the income statement results from currency effects on intragroup energy transactions of CHF – 12 million.

2020: Disaggregation of net revenue

CHF million	Switzerland	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**

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 judgement.

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. Alpiq discontinued operations in this field in the 2021 financial year.

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 by Alpiq 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	2021	2020
Market premiums	32	33
Gain from disposal of companies [1]	12	53
Gain on sale of non-current assets	3	0
Income from operating leases	2	2
Miscellaneous	28	30
Other operating income	**77**	**118**

1 See note 5.1

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 for the market premium. The Energy Act prescribed a time limit until 2022 for the market premium model. In November 2020, the Swiss Federal Council made the decision to combine the revisions of the Energy Act and the Electricity Supply Act in an omnibus bill entitled “Federal Act on a Secure Electricity Supply from Renewable Energy Sources”. The parliamentary consultation on this omnibus bill has not yet commenced. In the 2021 autumn session, both councils approved a parliamentary initiative, which presents a transitional solution for the promotion of renewable energies (wind turbines as well as biogas, geothermal and photovoltaic plants) from 2023. The initiative is limited until the end of 2030 and includes the following measures: continuation of subsidies for investments in renewable energies and the market premium until 2030, indefinite extension of the possibility to deliver renewable energies to the basic supply at cost price and an extension of the current maximum water usage levy until 2030.

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) simultaneously announces the claims of 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.

2021 claim

On 17 December 2021, Alpiq received the first order for the claim for market premiums for 2021 with legal effect from the start of February 2022. Alpiq’s claim for the 2021 financial year amounted to CHF 40 million, of which CHF 32 million was posted in the 2021 financial year, as the BFE decided in its first order to pay 80 % of the amount assigned. The remaining amount will be recognised in 2022, as soon as the second order takes legal effect.

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.

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 or Alpiq has decided to accept the order. 100 % or 80 % of the provisional amount assigned will be recognised at this point in time, depending on the amount of the payment. Any residual amount will be recognised as soon as the second order is legally binding.

Income from operating leases

Alpiq has several operating leases that relate in particular to the rental of commercial premises that it owns. 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. Undiscounted lease payments expected in the future amount to CHF 8 million (previous year: CHF 8 million).

2.4 Energy and inventory costs

CHF million	2021	2020 (adjusted)[1]
Electricity purchased from third parties	– 5,054	– 2,258
Electricity purchased from partner power plants	– 399	– 452
Gas procurement and CO_2 certificates	– 1,348	– 554
Cost of inventories	– 1	– 7
Other energy and inventory costs	– 74	– 78
Energy and inventory costs before provisions	**– 6,876**	**– 3,349**
Provisions for onerous contracts	– 146	– 113
Energy and inventory costs	**– 7,022**	**– 3,462**

1 See note 1.4

The item “Other energy and inventory costs” mainly comprises water taxes, concession fees and plant maintenance costs.

2.5 Employee costs

CHF million	2021	2020
Wages and salaries	– 178	– 149
Defined benefit pension costs	– 19	– 7
Defined contribution pension costs	– 1	– 1
Social security costs and other employee costs	– 23	– 29
Employee costs	**– 221**	**– 186**

Number of employees at the reporting date

	31 Dec 2021	31 Dec 2020
Employees (full-time equivalents)	1,254	1,247
Apprentices	12	11
Total	**1,266**	**1,258**

2.6 Finance costs and finance income

CHF million	2021	2020
Finance costs		
Interest expense	– 33	– 38
Net interest on pension plans and provisions	– 21	– 18
Other finance costs	– 5	– 5
Net foreign exchange losses	– 14	– 11
Total	**– 73**	**– 72**
Finance income		
Interest income	7	14
Other finance income	5	3
Total	**12**	**17**
Financial result	**– 61**	**– 55**

2.7 Income tax

Income tax expense charged to the income statement

CHF million	2021	2020
Current income tax	– 22	– 25
Deferred income tax	50	68
Income tax	**28**	**43**

Reconciliation

CHF million	2021	2020 (adjusted)[1]
Earnings before tax	– 299	112
Expected income tax rate (Swiss average rate)	16 %	16 %
Income tax at the expected income tax rate	48	– 18
Tax effects from:		
Difference in tax rate of 16 % compared to locally expected income tax rates	– 6	– 5
Income exempt from tax	9	23
Non-deductible expenses for tax purposes	– 27	– 28
Valuation from tax loss carryforwards	1	11
Effect of changes in tax rates	1	72
Previous years	7	– 9
Other effects	– 5	– 3
Total income tax expense	**28**	**43**
Effective income tax rate	9 %	– 38 %

1 See note 1.4

Change in deferred tax assets and liabilities

CHF million	Deferred tax assets	Deferred tax liabilities	Net deferred tax liabilities
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 taxes recognised in the income statement	3	– 47	– 50
Deferred taxes recognised in other comprehensive income	– 2	31	33
Acquisition / disposal of subsidiaries	0	0	0
Currency translation differences	– 3	– 1	2
Balance at 31 December 2021	**77**	**321**	**244**

Deferred tax assets and liabilities by origination of temporary differences

CHF million	31 Dec 2021	31 Dec 2020
Tax losses and tax assets not yet used	109	41
Property, plant and equipment	30	29
Other non-current assets	1	2
Current assets	36	19
Provisions and liabilities	29	26
Total gross deferred tax assets	**205**	**117**
Property, plant and equipment	124	127
Other non-current assets	196	182
Current assets	80	39
Provisions and liabilities	49	28
Total gross deferred tax liabilities	**449**	**376**
Net deferred tax liabilities	**244**	**259**
Tax assets recognised in the balance sheet	77	79
Tax liabilities recognised in the balance sheet	321	338

At 31 December 2021, individual subsidiaries held tax loss carryforwards totalling CHF 1,024 million (previous year: CHF 782 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 376 million (CHF 577 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 17 % (15 %). These tax loss carryforwards expire in the following periods:

CHF million	31 Dec 2021	31 Dec 2020
Within 1 year	0	59
Within 2 – 3 years	35	45
After 3 years	230	370
Unlimited use	111	103
Total non-capitalisable tax loss carryforwards	**376**	**577**

In addition, non-capitalised deductible temporary differences exist in an amount of CHF 227 million (CHF 91 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 canton of 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

	2021	2020 (adjusted)[2]
Earnings after tax from continuing operations attributable to equity investors of Alpiq Holding Ltd. (CHF million)	– 272	152
Interest on hybrid capital attributable to the period (CHF million)[1]	– 29	– 29
Share of Alpiq Holding Ltd. stockholders in earnings from continuing operations (CHF million)	**– 301**	**123**
Earnings after tax from discontinued operations attributable to equity investors of Alpiq Holding Ltd. (CHF million)		– 56
Share of Alpiq Holding Ltd. stockholders in earnings from continuing and discontinued operations (CHF million)	**– 301**	**67**
Weighted average number of shares outstanding	33,110,364	33,110,364
Earnings per share from continuing operations in CHF, diluted and undiluted	– 9.10	3.70
Earnings per share from discontinued operations in CHF, diluted and undiluted	0.00	– 1.69
Earnings per share in CHF, diluted and undiluted	**– 9.10**	**2.01**

1 See note 3.7
2 See note 1.4

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 CEO. 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 2021, the Group reports an equity ratio of 26.2 % (previous year: 51.0 %).

Alpiq Holding Ltd. procures a significant portion of financing centrally for the Alpiq Group. The Swiss capital market forms the main source of financing. In the second half of 2021, Alpiq drew on the committed short-term credit lines to cover the sharp increase in financing requirements for trading activities. The shareholders also provided short-term liquidity. At 31 December 2021, Alpiq Holding Ltd. held 70 % of the Group's total financial liabilities (61 %). 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 2021	31 Dec 2020
Non-current financial liabilities	627	913
Current financial liabilities	946	299
Financial liabilities	**1,573**	**1,212**
Current term deposits	35	596
Securities		27
Cash and cash equivalents	863	340
Financial assets (liquidity)	**898**	**963**
Net debt	**675**	**249**
EBITDA before exceptional items	302	262
Net debt / EBITDA before exceptional items	**2.2**	**1.0**

The Alpiq Group has the following credit lines from banks:

CHF million	31 Dec 2021	31 Dec 2020
Non-earmarked credit lines committed by banks and financial institutions	503	353
Of which, utilised	331	
Of which, still available	172	353

The Alpiq Group has the following covenants from finance agreements:

					Financial covenants		Other covenants
Agreement	Maturity	In CHF million	Utilisation at 31 Dec 2021 in CHF million	Utilisation at 31 Dec 2020 in CHF million	Equity ratio	Net debt / EBITDA	Bank rating
Syndicated loan line	Dec 22	200	200	0	x	x	x

The counterparty has a right to terminate the agreement if the covenants are breached. At 31 December 2020, all covenants were met. At the reporting date 31 December 2021, the syndicated loan banks agreed to suspend the financial covenants until final maturity on 31 December 2022. The bank rating requirement continued to be met.

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.

The maximum credit risk corresponds to the carrying amount of the financial assets and is calculated at CHF 8,785 million at 31 December 2021 (previous year: CHF 2,720 million). Credit risk is reduced by collateral. The Alpiq Group's exposure to concentrations of risk is reduced by the number of customers, geographical diversification as well as the consolidation of positions. Due to the significant increase in energy prices in the 2021 reporting year, the replacement values of energy derivatives and thus the credit risk associated with several counterparties in various countries increased considerably and also led to liquidity problems at certain counterparties. Measures were agreed with the counterparties to reduce the impact on Alpiq. Taking into account the credit risk, the corresponding energy derivatives were reclassified to Level 3 energy derivatives, see note 3.2. By the end of the year, these items could be reduced to around CHF 1 million. Information about the effect on receivables is disclosed in note 4.5.

In addition, on the reporting date, there were the following concentrations of risk with two counterparties without concrete indications of a default risk:

CHF million	31 Dec 2021
Counterparty classified in risk category BBB	
Positive replacement values for energy derivatives	851
Trade receivables	96
Counterparty classified in risk category BB-	
Positive replacement values for energy derivatives	657
Trade receivables	1

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.

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 31 Dec 2021	Offsetting 31 Dec 2021	Net (balance sheet) 31 Dec 2021	Gross 31 Dec 2020	Offsetting 31 Dec 2020	Net (balance sheet) 31 Dec 2020
Financial assets						
Trade receivables	3,644	– 1,998	1,646	1,739	– 1,025	714
Energy derivatives[1]	22,101	– 17,041	5,060	1,805	– 1,184	621
Currency and interest rate derivatives	38		38	5		5
Financial liabilities						
Trade payables	3,011	– 1,998	1,013	1,434	– 1,025	409
Energy derivatives	22,363	– 17,041	5,322	1,626	– 1,184	442
Currency and interest rate derivatives	21		21	19		19

1 Of which, a net amount of CHF 41 million (previous year: CHF 0 million) stems from own use contracts designated at fair value on initial recognition.

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 2021	Collateral issued 31 Dec 2021	Collateral received 31 Dec 2020	Collateral issued 31 Dec 2020
Cash collateral[1]	318	101	58	12
Guarantees[2]	323	72	6	
Total	**641**	**173**	**64**	**12**

1 Contained under “Receivables” or “Other current liabilities” respectively
2 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 is offset and settled on specified dates each month (netting). Margin agreements are commonly used on energy commodity exchanges and among energy traders to reduce counterparty risk. Consequently, Alpiq has to provide or can demand significant collateral in the form of liquidity or bank guarantees due to energy price movements. In addition, they can result in significant changes in liquidity, as both Alpiq and its counterparties are in most cases contractually entitled to replace cash collateral with bank guarantees in the short term and vice versa. 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 lines 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. 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 normally not included in the table, because these are unrecognised pending transactions.

2021: Maturity analysis of financial liabilities and derivative financial instruments

	Carrying amount	Cash flows					
CHF million		Total	‹ 1 month	1 – 3 months	4 – 12 months	1 – 5 years	› 5 years
Trade payables	1,013	– 1,013	– 886	– 106	– 20	– 1	
Bonds	675	– 709			– 291	– 418	
Loans payable	854	– 871	– 441	– 129	– 101	– 154	– 46
Lease liabilities	44	– 54	– 1	– 1	– 5	– 23	– 24
Other financial liabilities [1]	507	– 457	– 407	– 37	– 11	– 2	
Cash outflows from non-derivative financial liabilities		**– 3,104**	**– 1,735**	**– 273**	**– 428**	**– 598**	**– 70**
Energy derivatives [2]	– 262						
Cash inflows		4,789	2	971	1,913	1,837	66
Cash outflows		– 5,039	– 4	– 1,064	– 2,179	– 1,785	– 7
Currency / interest rate derivatives	17						
Cash inflows		736	337	310	79	10	
Cash outflows		– 726	– 330	– 300	– 81	– 15	
Net cash inflows / (outflows) from derivative financial instruments		**– 240**	**5**	**– 83**	**– 268**	**47**	**59**

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).
2 Of which, an amount of CHF 41 million stems from own use contracts designated at fair value on initial recognition.

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).

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 normally not reported as financial instruments. 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. Normally, the effect of credit risk on fair values is not material. Information about the situation in 2021 can be found in the "Credit risk management" section. 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.

	31 Dec 2021			31 Dec 2020		
CHF million	+ / – in %	+ / – effect on earnings before income tax	+ / – effect on OCI before income tax	+ / – in %	+ / – effect on earnings before income tax	+ / – effect on OCI before income tax
Energy price risk	154.7	470		47.4	85	
EUR / CHF currency risk	5.0	30	27	5.0	0	35
EUR / CZK currency risk	5.0	0		5.0	0	
EUR / PLN currency risk	5.0	1		5.0	0	
Interest rate risk	1.0	2	2	1.0	6	4

3.2 Financial instruments

Carrying amounts and fair values of financial assets and liabilities

	31 Dec 2021		31 Dec 2020	
CHF million	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at fair value through profit or loss				
Financial investments	1	1	1	1
Securities			27	27
Positive replacement values of derivatives				
Energy derivatives [1]	5,060	5,060	621	621
Currency and interest rate derivatives	38	38	5	5
Financial liabilities at amortised cost				
Bonds	675	701	818	857
Loans payable	854	861	346	358
Financial liabilities at fair value through profit or loss				
Negative replacement values of derivatives				
Energy derivatives	5,322	5,322	442	442
Currency and interest rate derivatives	21	21	19	19

1 Of which, a net amount of CHF 41 million (previous year: CHF 0 million) stems from own use contracts designated at fair value on initial recognition.

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 2021	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Financial investments	1		1	
Energy derivatives	5,060		4,956	104
Currency and interest rate derivatives	38		38	
Financial liabilities at amortised cost				
Bonds	701	701		
Loans payable	861		861	
Financial liabilities at fair value through profit or loss				
Energy derivatives	5,322		5,234	88
Currency and interest rate derivatives	21		21	

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	

Both in the reporting year and during the previous year, no reclassifications were applied between Levels 1 and 2. The reclassification from Level 2 to Level 3 mentioned below relates to energy derivatives with a significantly increased credit risk (for more information, refer to the “Credit risk management” section in note 3.1). The reclassification from Level 3 to Level 2 relates to longer-term energy derivatives, which are now measured on the basis of observable market prices as market liquidity increases. Alpiq always applies reclassifications between Level 2 and Level 3 at the end of the reporting period.

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. Apart from the credit risk, a realistic change in unobservable input factors would not have a significant impact on Alpiq's total comprehensive income or equity. More information about the credit risk associated with Level 3 energy derivatives can be found in note 3.1.

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

	2021		2020	
CHF million	Assets	Liabilities	Assets	Liabilities
Replacement values at 1 January	**81**	**2**	**1**	**9**
Purchases	18	7	63	
Sales	– 132			
Settlements	– 37	– 5		
Fair value changes through profit and loss in net revenue [1]	159	149	17	– 5
Transfer to level 3	20	5		
Transfer out of level 3		– 1	– 1	
Offsetting	– 1	– 62	1	– 2
Currency translation differences	– 4	– 7		
Replacement values at 31 December	**104**	**88**	**81**	**2**

1 Of which, CHF 64 million (previous year: CHF 17 million) is attributable to assets and CHF 149 million (CHF – 5 million) to liabilities (before offsetting), 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 at the time of entering into the contract. These deviations are recognised as day one gains or losses and are amortised on a straight-line basis until the underlying markets of the valuation inputs become active.

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.

	2021		2020	
CHF million	Day one gains	Day one losses	Day one gains	Day one losses
Balance at 1 January	**11**	**12**	**0**	**13**
Deferred profit / loss arising from new transactions	18	7	13	
Profit or loss recognised in the income statement	– 10	– 2	– 2	– 1
Currency translation differences	– 1	0		
Balance at 31 December	**18**	**17**	**11**	**12**

Expense / income related to financial assets and liabilities

CHF million	2021 Income statement	2021 Other comprehensive income	2020 Income statement	2020 Other comprehensive income
Net gains / losses (excluding interest)				
Financial assets and liabilities at fair value through profit and loss	– 49		91	
Own use contracts designated at fair value on initial recognition	36			
Financial assets at amortised cost [1]	– 66		40	
Designated for hedge accounting	20	16	19	– 8
Interest income and expense				
Interest income for financial assets at amortised cost [1]	7		14	
Interest expense for financial liabilities at amortised cost	– 27		– 31	
Interest expense for financial liabilities measured at fair value and designated for hedge accounting	– 6		– 7	

1 Includes effects from the purchase price adjustment for the transfer of the Swiss high-voltage grid amounting to CHF 12 million (previous year: CHF 39 million), see note 5.1.

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.

In principle, future own use energy transactions are not reported in the balance sheet. This also includes contracts to buy or sell a non-financial item that can be settled net in cash or another financial instrument, or by exchanging financial instruments, as if the contracts were financial instruments. By way of exception, Alpiq irrevocably designates such transactions as contracts measured at fair value through profit or loss if there is an accounting mismatch with the hedges.

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 2021		31 Dec 2020
	Foreign currency hedges	Interest rate swaps	Foreign currency hedges	Interest rate swaps
Derivative financial instruments in current assets (in CHF million)	9		3	
Derivative financial instruments in current liabilities (in CHF million)	3	8	1	16
Nominal value (in CHF million)	466		230	
Nominal value (in EUR million)	980	97	1,026	139

The hedged items and the interest rate swaps are both based on EURIBOR rates. 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

	2021		2020	
CHF million	Foreign currency hedges	Interest rate swaps	Foreign currency hedges	Interest rate swaps
Cash flow hedge reserves at 1 January	**24**	**– 15**	**33**	**– 17**
Recognition of gain / loss	29	1	6	– 2
Reclassification of realised gain / loss to net revenue	– 19		– 19	
Reclassification of realised gain / loss to financial result		6		7
Change from partner power plants and other associates				– 2
Ineffective portion posted in finance income		– 1		
Income tax expense	– 2	– 1	4	– 1
Cash flow hedge reserves at 31 December	**32**	**– 10**	**24**	**– 15**

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 2022 to 2025.

Interest rate swaps

At 31 December 2021, 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 three and nine years.

CHF million	2021	2020
Negative replacement values of interest rate swaps at 1 January	**16**	**21**
Realised interest payments	– 6	– 7
Change in fair value	– 1	2
Currency translation differences	– 1	
Negative replacement values of interest rate swaps at 31 December	**8**	**16**

3.3 Other non-current assets

CHF million	Financial investments	Loans receivable	Defined benefit asset[1]	Other non-current assets	Total
Carrying amount at 1 January 2021	**1**	**11**		**49**	**61**
Additions			80	12	92
Reclassifications		– 1		– 49	– 50
Carrying amount at 31 December 2021	**1**	**10**	**80**	**12**	**103**

1 See note 6.3

CHF million	Financial investments	Loans receivable	Defined benefit asset	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**

Alpiq has disposed of all of the loan claims received from Swissgrid Ltd in 2014 as part of the transfer of the Swiss high-voltage grid. 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 buyers all equity shares of Swissgrid Ltd arising from the conversion up to a maximum amount of CHF 49 million (previous year: CHF 99 million). As a consequence, although Alpiq has sold the loans, it has at the same time entered into a directly related obligation in the amount of CHF 49 million (CHF 99 million). Due to the aforementioned contractual structure of the transaction, the loans could not be derecognised and remain on Alpiq's books as "Receivables" in the amount of CHF 49 million (CHF 50 million) on account of the maturity of the underlying Swissgrid Ltd convertible bonds. In the previous year, this included "Other non-current assets" in the amount of CHF 49 million. 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 current liabilities" in the amount of CHF 49 million (CHF 50 million). In the previous year, this also included obligations disclosed under "Other non-current liabilities" in the amount of CHF 49 million.

3.4 Other non-current liabilities

In the previous year, this item included obligations in the amount of CHF 49 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 2021	675	196	42	913
Current financial liabilities at 1 January 2021	143	150	6	299
Financial liabilities at 1 January 2021	**818**	**346**	**48**	**1,212**
Proceeds from financial liabilities		895	4	899
Repayment of financial liabilities	– 143	– 381	– 8	– 532
Unwinding of discount			2	2
Currency translation differences		– 6	– 2	– 8
Financial liabilities at 31 December 2021	**675**	**854**	**44**	**1,573**
Non-current financial liabilities at 31 December 2021	400	189	38	627
Current financial liabilities at 31 December 2021	275	665	6	946

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

Bonds outstanding at the reporting date

CHF million	Maturity	Earliest repayment date	Effective interest rate %	Carrying amount at 31 Dec 2021	Carrying amount at 31 Dec 2020
Alpiq Holding Ltd. CHF 144 million face value, 2 1/4 % fixed rate	2011 / 2021	20 Sept 2021	2.401		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 2.29 % (previous year: 2.35 %), and 2.78 % (3.52 %) 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 2.47 % (2.67 %).

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 2021	**16**	**24**	**3**	**43**
Investments	4			4
Depreciation	– 3	– 2	– 1	– 6
Currency translation differences	– 1	– 1		– 2
Net carrying amount at 31 December 2021	**16**	**21**	**2**	**39**
Of which, cost value	24	37	5	66
Of which, accumulated depreciation	– 8	– 16	– 3	– 27

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

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 8 million in 2021 (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. Since then, the share capital stands 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 2021	Stakes in % at 31 Dec 2020
EOS HOLDING SA	33.33	33.33
Schweizer Kraftwerksbeteiligungs-AG	33.33	33.33
EBM (Genossenschaft Elektra Birseck)	19.91	19.91
EBL (Genossenschaft Elektra Baselland)	6.44	6.44
Eniwa Holding AG	2.12	2.12
Aziende Industriali di Lugano (AIL) SA	1.79	1.79
IBB Holding AG	1.12	1.12
Regio Energie Solothurn	1.00	1.00
WWZ AG	0.96	0.96

The Board of Directors of Alpiq Holding Ltd. submits a proposal to the Annual General Meeting at 28 April 2022 that no dividend be distributed for the 2021 financial year. A dividend of CHF 1.40 per share (totalling CHF 46 million) was distributed in the 2021 financial year.

Hybrid capital

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 2021 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 2021 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 totalled CHF 4 million at 31 December 2021 (CHF 4 million). As no legally enforceable payment obligation exists, the accrued interest was not accrued as a financial liability, and was not deducted from equity. Interest payments totalling CHF 29 million were made in 2021 (previous year: CHF 29 million). Due to the equity character of the hybrid capital, these distributions were carried directly to equity (retained earnings).

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 Alpiq having to subsequently pay the suspended interest. In 2020, 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.

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 2021	**112**	**1,655**	**10**	**24**	**77**	**43**	**1,921**
Investments		1			58	4	63
Own work capitalised					1		1
Reclassifications	5	76	– 4	1	– 78		
Disposals	– 1						– 1
Depreciation	– 3	– 88	– 1	– 4		– 6	– 102
Impairment		– 8					– 8
Currency translation differences		– 13				– 2	– 15
Net carrying amount at 31 December 2021	**113**	**1,623**	**5**	**21**	**58**	**39**	**1,859**
Of which, cost value	176	4,917	36	37	62	66	5,294
Of which, accumulated depreciation	– 63	– 3,294	– 31	– 16	– 4	– 27	– 3,435

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 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

Impairment 2021

Impairment losses of CHF 8 million were recognised in 2021. Thereof, CHF 6 million was attributable to the Spanish gas-fired combined-cycle power plant Plana del Vent in the International business division. Impairment losses had to be recognised in the first half of 2021 due to delivery delays at the manufacturer in connection with additional repairs, the extended downtime until December 2021 as a result of this as well as a deterioration in earnings prospects. The recoverable amount was calculated using a pre-tax discount rate of 6.24 %.

Impairment and reversals of impairment in 2020

Impairment losses of CHF 23 million and reversals of impairment losses of CHF 68 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 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 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 were 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 International business division. The profits generated and the future prospects demonstrated that the performance potential has increased for the long term. The recoverable amount was calculated using a pre-tax discount rate of 9.62 %.

In connection with the sale of the Swedish wind farm Tormoseröd, which belonged to the 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 5.1.

Contractual obligations

At the reporting date, the Group had contractual commitments of CHF 59 million (previous year: CHF 29 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]	Other intangible assets	Assets under development and prepayments	Total
Net carrying amount at 1 January 2021	**27**	**65**	**7**	**99**
Investments			5	5
Own work capitalised			5	5
Reclassifications		11	– 11	
Amortisation	– 1	– 13		– 14
Impairment			– 2	– 2
Currency translation differences		– 1		– 1
Net carrying amount at 31 December 2021	**26**	**62**	**4**	**92**
Of which, cost value	1,490	523	4	2,017
Of which, accumulated amortisation	– 1,464	– 461		– 1,925

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]	Other intangible assets	Assets under development and prepayments	Total
Net carrying amount at 1 January 2020	**30**	**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**	**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.

Impairment

Impairment losses of CHF 2 million (previous year: CHF 3 million) were recognised in the Digital & Commerce business division as internally developed software could not be used as originally planned. In addition, in the previous year, impairment losses of CHF 1 million had to be recognised on energy purchase rights of Alpiq Wind Italia S.r.l. in the International business division. Please refer to note 4.1 for more information.

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 76 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 2021	**2,264**	**16**	**2,280**
Dividends	– 24		– 24
Share of profit / loss	– 37	2	– 35
IAS 19 and IFRS 9 effects recognised in other comprehensive income	67	12	79
Investments		5	5
Reclassifications	– 4		– 4
Carrying amount at 31 December 2021	**2,266**	**35**	**2,301**

CHF million	Partner power plants	Other associates	Total
Carrying amount at 1 January 2020	**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**

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 2021 amounted to CHF 399 million (previous year: CHF 452 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 2021

	Grande Dixence SA		Nant de Drance SA		Kernkraftwerk Gösgen-Däniken AG		Kernkraftwerk Leibstadt AG		Kernkraftwerk-Beteiligungsgesellschaft 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	2,106	1,265	2,109	822	3,917	1,557	5,493	1,437	739	247
Of which, non-current financial assets	48	29	9	4	2,584	1,027	2,550	667		
Current assets	9	5	10	4	118	47	259	68	5	2
Of which, cash and current financial assets	2	1	6	2	27	11	14	4		
Non-current liabilities	666	400	1,659	647	3,410	1,355	4,164	1,089	77	26
Of which, non-current financial liabilities	665	399	1,647	642	245	97	535	140	77	26
Current liabilities	221	133	64	25	191	76	291	76	80	27
Of which, current financial liabilities	165	99	30	12			10	3	73	24
Total equity	**1,228**	**737**	**396**	**154**	**434**	**173**	**1,297**	**340**	**587**	**196**
Income	157	94	3	1	423	168	559	146	140	47
Expenses	– 180	– 108	– 12	– 5	– 410	– 163	– 574	– 151	– 178	– 59
Net income	**– 23**	**– 14**	**– 9**	**– 4**	**13**	**5**	**– 15**	**– 5**	**– 38**	**– 12**
Other comprehensive income	12	7	1		84	34	76	21		
Total comprehensive income	**– 11**	**– 7**	**– 8**	**– 4**	**97**	**39**	**61**	**16**	**– 38**	**– 12**
Dividends received		**9**				**7**		**6**		

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 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**

Individually immaterial partner power plants and other associates 2021

	Individually immaterial partner power plants		Other associates	
CHF million	Gross values	Alpiq share	Gross values	Alpiq share
Non-current assets	3,829	1,011	142	35
Of which, non-current financial assets	51	8	1	
Current assets	111	18	80	18
Of which, cash and current financial assets	45	9	55	14
Non-current liabilities	1,222	273	20	7
Of which, non-current financial liabilities	1,196	268	16	5
Current liabilities	490	90	50	11
Of which, current financial liabilities	357	66	2	1
Total equity	**2,228**	**666**	**152**	**35**
Income	414	83	194	33
Expenses	– 428	– 90	– 191	– 31
Net income	**– 14**	**– 7**	**3**	**2**
Other comprehensive income	35	5	71	12
Total comprehensive income	**21**	**– 2**	**74**	**14**
Dividends received		**2**		

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**		

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 2021	31 Dec 2020
Consumables, supplies and fuels	12	13
CO_2 and other certificates	21	53
Costs to fulfil a contract		1
Total	**33**	**67**

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 2021	31 Dec 2020
Trade receivables [1]	1,646	714
Prepayments to suppliers	16	8
Other current receivables [2]	1,120	356
Total	**2,782**	**1,078**

1 Of which, an amount of CHF 1,033 million (previous year: CHF 446 million) stems from contracts with customers pursuant to IFRS 15.
2 Includes contract assets of CHF 0 million (previous year: CHF 12 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 2021			31 Dec 2020		
CHF million	Gross	Impairment	Net (Balance sheet)	Gross	Impairment	Net (Balance sheet)
Not past due	1,479		1,479	668		668
1 – 90 days past due	296	– 148	148	31	– 1	30
91 – 180 days past due	37	– 30	7	1	– 1	
181 – 360 days past due	1	– 1				
Over 360 days past due	49	– 37	12	57	– 41	16
Total	**1,862**	**– 216**	**1,646**	**757**	**– 43**	**714**

Impairment of trade receivables

CHF million	31 Dec 2021	31 Dec 2020
Carrying amount before impairment	1,862	757
Of which, impaired	– 216	– 43
Impairment at beginning of year	– 43	– 46
Impairment charge for the year [1]	– 79	– 1
Valuation adjustment of realised energy derivatives	– 108	
Amounts written off as uncollectible	2	1
Unused amounts reversed	3	2
Currency translation differences	9	1
Impairment at end of year [2]	– 216	– 43

1 Of which, an amount of CHF – 2 million (previous year: CHF – 1 million) stems from contracts with customers pursuant to IFRS 15.
2 Of which, an amount of CHF – 39 million (previous year: CHF – 43 million) stems from contracts with customers pursuant to IFRS 15.

The impairment comprises specific bad debt allowances of CHF 215 million (previous year: CHF 42 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 20.3 % (previous year: between 0.0 % and 19.4 %), 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 2021	31 Dec 2020
Cash at bank and in hand	863	338
Term deposits with a maturity of 90 days or less		2
Total	**863**	**340**

Cash at bank and in hand include foreign subsidiaries' bank accounts with a total balance of EUR 57 million, translated CHF 59 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	Decommissioning own power plants	Warranties	Other	Total
Non-current provisions at 1 January 2021 (adjusted)[1]	431		47	1	28	507
Current provisions at 1 January 2021 (adjusted)[1]	23	6			12	41
Provisions at 1 January 2021 (adjusted)[1]	**454**	**6**	**47**	**1**	**40**	**548**
Allocated	186				6	192
Unwinding of discount	19		1			20
Utilised	– 78	– 5			– 9	– 92
Unused amounts reversed	– 38				– 5	– 43
Currency translation differences	– 6					– 6
Provisions at 31 December 2021	**537**	**1**	**48**	**1**	**32**	**619**
Non-current provisions at 31 December 2021	416		48	1	25	490
Current provisions at 31 December 2021	121	1			7	129

1 See note 1.4

Onerous contracts

These provisions comprise the present value of the onerous contracts in place on the reporting date.

Due to changing electricity prices, own use contracts for the physical purchase or sale of electricity can become loss making. Although Alpiq hedges these contracts from an economic perspective, this in part involves financial contracts. As Alpiq does not use hedge accounting, own use contracts and associated financial hedges have to be evaluated and presented separately. Due to the sharp rise in electricity and gas prices, Alpiq had to recognise provisions for hedged own use contracts of CHF 186 million in 2021. One portion of these own use contracts was due for delivery in 2021, which is why the corresponding provision of CHF 78 million could be used.

The provision for the onerous contract relating to the future procurement of energy from the Nant de Drance pumped storage power plant was reduced by CHF 29 million, primarily on account of the development of electricity prices. Higher market prices also meant that the Group could reverse the existing provision for an onerous contract abroad of CHF 8 million in full at 30 June 2021.

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

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

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.

The compensation review proceedings filed against Alpiq Holding Ltd. by 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) pursuant to Sec. 105 of the Swiss Merger Act (FusG) aim to achieve a judicial review of the compensation of CHF 70 per share approved by both Annual General Meetings and paid by Schweizer Kraftwerksbeteiligungs-AG (SKBAG) in the squeeze-out merger. The two investors are demanding compensation based on the initial value of the registered shares of Alpiq Holding Ltd., amounting to at least CHF 140 (Knight Vinke) or CHF 131 (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. Arbitration proceedings for this took place in June 2021, which did not lead to an out-of-court settlement, as expected. Following this, the two plaintiffs filed a formal complaint. A first-instance ruling is not expected until the second half of 2023.

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. At the time, PwC concluded 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, in particular 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 2020. 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 5.1.

4.9 Other current liabilities

CHF million	31 Dec 2021	31 Dec 2020
Trade payables	1,013	409
Other current liabilities	509	213
Advances from customers	201	21
Total	**1,723**	**643**

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 50 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 Companies sold

Compensation for the transfer of the Swiss high-voltage grid

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

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

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

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.

Net cash flow from disposal

CHF million	2021	2020
Inflow of cash and cash equivalents		26
Selling expenses		– 1
Net cash flow from disposal	**0**	**25**

Gain on disposal

CHF million	2021	2020
Inflow of cash and cash equivalents		26
Remeasurement of the remaining shares at fair value [1]		3
Sale of net assets		– 11
Selling expenses		– 1
Gain on disposal (before reclassification of cumulative translation adjustment)	**0**	**17**
Reclassification of cumulative translation adjustment		– 3
Gain on the disposal of Flexitricity Ltd. and Tormoseröd Vindpark AB in other operating income	**0**	**14**

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

Assets and liabilities on the disposal date

CHF million	2021	2020
Property, plant and equipment		5
Intangible assets		6
Other non-current assets		1
Receivables		1
Total assets	**0**	**13**
Deferred income tax liabilities		1
Accruals and deferred income		1
Total liabilities	**0**	**2**
Net assets	**0**	**11**

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”.

As part of the sale of the Engineering Services business, Alpiq must bear any fines and costs of Kraftanlagen Energies & Services GmbH (“Kraftanlagen”; formerly 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 49 million, on Kraftanlagen in December 2019. Kraftanlagen 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 to clarify the facts of the case could not find any evidence of misconduct by Kraftanlagen or the accused former employees. Kraftanlagen 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 filed an appeal against the administrative order imposing the fine. There were no material developments in this regard in 2021. The main hearing is scheduled to take place between March 2022 and July 2022. Alpiq has recognised a provision for the expected costs associated with these proceedings.

Alpiq still deems it unlikely that Kraftanlagen will be convicted, which is why it has been decided not to record a liability for this matter.

Income statement of discontinued operations

CHF million	2021	2020
Expenses		– 4
Effect from reviewing the provisions for warranties and indemnification		3
Adjustment of the purchase price / loss on disposal		– 55
Earnings after tax from discontinued operations [1]	**0**	**– 56**

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

On 22 December 2020, Alpiq and Bouygues Construction reached an out-of-court settlement in connection with diverging views on the definitive sale price. In 2020, 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. 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 previous year. The cash outflow from bearing the costs in connection with the aforementioned proceedings amounted to CHF 1 million in 2021. 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”.

5.2 Significant Group companies and investments

Group companies	Place of incorporation	Switzerland	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 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	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 France S.A.S.	Neuilly-sur-Seine, FR			X		100.0
Alpiq Services CZ s.r.o.	Prague, CZ			X	X	100.0
Alpiq Solutions France S.A.S.	Neuilly-sur-Seine, FR			X		100.0
Alpiq Suisse Ltd. [1]	Lausanne, CH	X		X	X	100.0

Group companies	Place of incorporation	Switzerland	Interna-tional	Digital & Commerce	Group Centre & other companies	Direct ownership interest in %
Alpiq Wind Italia S.r.l.	Milan, IT		X			100.0
Alpiq Wind Services EAD	Sofia, BG		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. [2]	Milan, IT		X			100.0
ENERGIA HELIOS, S.L.	Madrid, ES		X			100.0
ENERGIA KINICH, S.L.	Madrid, ES		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
NOVAGAVIA BUSINESS, S.L.	Madrid, ES		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	Splügen, CH		X			60.0
Wasserkraftwerk Peist AG [3]	Arosa, CH		X			51.0
Wasserkraftwerk Tambobach AG	Splügen, CH		X			70.0

1 Interest held directly by Alpiq Holding Ltd.
2 In the fourth quarter of 2018, Alpiq Energia Italia S.p.A. acquired the tolling ratio of 33.3 % in En Plus S.r.l. from Eviva S.p.A. Alpiq also exercised the call option in place for this case on the share ratio of 33.3 % held by Eviva S.p.A. in En Plus S.r.l. At 31 December 2021, Eviva S.p.A. was still listed in the share register of En Plus S.r.l.
3 Indirect interest held via Entegra with non-controlling interests of 69.6 %

Partner power plants and other associates	Place of incorporation	Licence / agreement expiry	Switzerland	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	Switzerland	Interna-tional	Digital & Commerce	Group Centre & other companies	Direct ownership interest in %
Hydrospider Ltd	Niedergösgen, 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 2021	Closing rate at 31 Dec 2020	Average rate for 2021	Average rate for 2020
1 EUR	1.033	1.080	1.081	1.070
1 GBP	1.229	1.202	1.258	1.204
1 USD	0.912	0.880	0.914	0.939
100 CZK	4.156	4.116	4.217	4.049
100 HUF	0.280	0.297	0.302	0.305
100 NOK	10.343	10.317	10.644	9.999
100 PLN	22.474	23.690	23.699	24.103
100 RON	20.875	22.188	21.978	22.124

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 Schweizer Kraftwerksbeteiligungs-AG have significant influence over the Alpiq Group and are referred to below as “Other related companies”.

Transactions between the Group and related companies

	2021			2020		
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	64	19		53	29	
Other operating income	2	1		2		
Operating expenses						
Energy and inventory costs	– 399	– 15	– 7	– 452	– 13	
Other operating expenses	– 1			– 1		

Outstanding balances with related companies at the reporting date

	31 Dec 2021			31 Dec 2020		
CHF million	Partner power plants	Other associates	Other related companies	Partner power plants	Other associates	Other related companies
Assets						
Other non-current assets	1	6	2	1	7	
Derivative financial instruments			2			
Receivables	21	1		11	2	
Prepayments and accrued income	104			25		
Current term deposits	8	2		47	2	
Liabilities						
Current financial liabilities			141			
Other current liabilities	28	1	1	9	1	
Derivative financial instruments					1	
Accruals and deferred income	8		1	18		

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 49 GWh at 31 December 2021 (previous year: 271 GWh) and a gross value of CHF 5 million (CHF 14 million).

Current financial liabilities to other related companies pertain to interest-bearing loans payable to shareholders with significant influence on the Alpiq Group. The interest rate is set at 1.5 %.

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:

	Board of Directors		Executive Board	
CHF million	2021	2020	2021	2020
Fixed and variable remuneration	1.3	2.0	4.0	3.8
Social security contributions	0.2	0.3	1.1	1.0
Total	**1.5**	**2.3**	**5.1**	**4.8**

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 / assets in the balance sheet

CHF million	31 Dec 2021	31 Dec 2020
Present value of defined benefit obligation	738	790
Fair value of plan assets	815	759
Net defined benefit liabilities / assets (–)	**– 77**	**31**
Of which, liabilities	3	31
Of which, assets	– 80	

Reconciliation of net defined benefit liabilities / assets

CHF million	2021	2020
Net defined benefit liabilities at 1 January	**31**	**50**
Defined benefit expense recognised in the income statement	19	7
Defined benefit expense recognised in other comprehensive income	– 115	– 14
Contributions by employer to legally independent pension schemes	– 12	– 10
Benefits paid directly by employer		– 1
Others		– 1
Net defined benefit liabilities /assets (–) on 31 Dec	**– 77**	**31**

Changes in the present value of the defined benefit obligation

CHF million	2021	2020
Present value of defined benefit obligation at 1 January	**790**	**770**
Interest expense on defined benefit obligations	1	1
Current service cost	18	17
Past service cost [1]		– 10
Contributions by plan participants	8	9
Benefits paid	– 40	– 26
Remeasurements:		
Financial assumptions	– 22	2
Demographic assumptions [2]	– 21	
Experience adjustments	3	20
Others	1	7
Present value of defined benefit obligation at 31 December	**738**	**790**

1 In the previous year this included the effects of a reduction of voluntary payments made to retirees to date.
2 The effect mainly results from the switch to the BVG 2020 generation tables.

The weighted average duration of the defined benefit obligation at the reporting date is 13.3 years (previous year: 14.5 years).

Changes in the fair value of the plan assets

CHF million	2021	2020
Fair value of plan assets at 1 January	**759**	**720**
Interest income on plan assets	1	2
Contributions by employer to legally independent pension schemes	12	10
Contributions by plan participants	8	9
Benefits paid	– 40	– 25
Remeasurement on plan assets	75	36
Others		7
Fair value of plan assets at 31 December	**815**	**759**

Asset classes of plan assets

CHF million	31 Dec 2021	31 Dec 2020
Quoted market prices		
Liquidity	10	6
Equity instruments of third parties	332	289
Debt instruments of third parties	240	238
Property funds	40	37
Other investments	85	80
Total plan assets at fair value (quoted market prices)	**707**	**650**
Unquoted market prices		
Property not used by the company	108	109
Total plan assets at fair value (unquoted market prices)	**108**	**109**
Total fair value of plan assets	**815**	**759**

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 2021	31 Dec 2020
Discount rate	0.35	0.15
Projected interest rate for retirement assets	0.75	0.75
Expected rates of salary increase (weighted average)	0.50	0.50
Estimated long-term rate of change in the CMI model (basis current year: BVG 2020, basis previous year: 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	2021	2020
Discount rate		
0.25 % increase	– 24	– 28
0.25 % reduction	25	29
Projected interest rate for retirement assets		
0.25 % increase	5	6
0.25 % reduction	– 5	– 6
Rate of salary increase		
0.25 % increase	2	3
0.25 % reduction	– 2	– 3
Life expectancy		
1 year increase	32	32
1 year reduction	– 33	– 32

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 8 million for 2022.

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 111 million of its interests in these power plants to the financing banks as collateral (previous year: CHF 82 million). In addition, Alpiq has pledged all of its shares in the associate Tormoseröd Vindpark AB, Karlstad, SE, of CHF 3.9 million in the context of project financing for the construction of a wind farm in Sweden. For information about pledged cash and cash equivalents, please refer to note 4.6.

6.5 Liquidity situation and ability to continue as a going concern

Due to the developments on the energy markets in the fourth quarter of 2021, Alpiq already implemented extensive measures before the end of the year to increase short-term liquidity. On the one hand, these related to the energy business in order to increase internal financing, on the other, Alpiq arranged additional credit and guarantee lines with banks. Furthermore, the shareholders provided additional liquidity of CHF 205 million before the end of the year. These measures considerably improved Alpiq's scope of action at 31 December 2021 and boosted its resilience to future market developments. Further measures already initiated before the end of the year took full effect at the beginning of 2022.

Alpiq's financial headroom comprises the available liquidity and the committed credit lines (see note 3.1). The necessary financial headroom is determined on an ongoing basis using scenario calculations by Alpiq's Risk Management. Based on this, additional measures are decided where necessary.

At the reporting date, there were current financial liabilities of CHF 946 million that have to be refinanced over the course of 2022 (see note 3.5). The required activities were initiated at an early stage, however, have not yet been completed as the publication of the financial statements for 2021 serves as the basis for raising new financing. There is also fundamental uncertainty regarding the further development of market prices. However, Alpiq expects the refinancing to be concluded successfully. With all the measures already implemented and still ongoing in the area of internal and external financing, Alpiq considers its liquidity and ability to continue as a going concern to be secure.

6.6 Events after the reporting period

Shortly before Christmas, Alpiq contacted the Swiss Federal Electricity Commission (ElCom) to request precautionary liquidity support in case the price development continued and because Alpiq could only implement some of the additional measures to improve liquidity during the Christmas period. Between Christmas and the New Year, the situation on the energy markets eased and the measures implemented gradually took effect. Alpiq therefore withdrew its request to ElCom on 3 January 2022. In addition, the shareholders increased the loans they had granted at the end of the year by another CHF 95 million to CHF 300 million.

Building a better working world

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To the General Meeting of
Alpiq Holding Ltd., Lausanne

Zurich, 23 February 2022

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 2021 and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, 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 2021, 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 inflation rates and the discount rates. The significant assumptions comprise the regulatory environment as well as the long-term investment activities. Information about impairment losses recognized in 2021 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, exchange rate expectations 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 contracts

Risk	Alpiq Group has various electricity and gas purchase and sale contracts that have been identified as onerous contracts due to their contractual arrangements and the current market situation as of 31 December 2021. Information about onerous contract provisions is disclosed in note 4.7 to the consolidated financial statements. On the one hand, these are provisions for onerous long-term electricity purchase contracts whose calculation requires 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 inflation rates and the discount rates. On the other hand, the provisions include contracts for the physical sale of electricity or gas, which are onerous due to the increase in electricity and gas prices. These provisions are calculated based on the contractual delivery dates and current market prices.
Our audit response	In our audit of the provisions for onerous long-term electricity purchase contracts, 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). We also compared the estimates with the relevant estimates from the prior year and assessed these for consistency. Furthermore, we audited the

mathematical accuracy of the valuation model. Regarding the provision for onerous contracts for the physical sale of electricity or gas, we verified that the delivery quantities, prices and dates used for the calculation were consistent with the contracts and that the valuation was assessed correctly using current market prices. Our audit procedures did not lead to any reservations regarding the assessment of onerous contracts.

Classification and measurement of energy contracts

Risk	Regarding 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 at fair value through profit or loss, 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 2021. 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 166 million) for the period of 2010 to 2014. This claim was reduced to RON 589 million (CHF 123 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 discussions with the Head of Legal & Compliance and the Executive Board of Alpiq 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.

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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

Mathias Zeller	Roger Müller
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

5-year Overview

Income Statement

CHF million	2021	2020 (adjusted)[2]	2019	2018	2017
Net revenue	7,177	3,905	4,099	5,186	5,449
Other operating income	81	124	55	50	40
Total revenue and other income	7,258	4,029	4,154	5,236	5,489
Operating expenses	– 7,335	– 3,747	– 3,986	– 5,227	– 5,146
Earnings before interest, tax, depreciation and amortisation (EBITDA)	– 77	282	168	9	343
Depreciation, amortisation and impairment[1]	– 126	– 80	– 401	– 169	– 164
Earnings before interest and tax (EBIT)	– 203	202	– 233	– 160	179
Share of results of partner power plants and other associates	– 35	– 35	– 44	– 50	– 18
Financial result	– 61	– 55	– 59	– 95	– 87
Income tax expense	28	43	110	44	– 70
Earnings after tax from continuing operations	– 271	155	– 226	– 261	4
Earnings after tax from discontinued operations	0	– 56	– 42	198	– 88
Net income	– 271	99	– 268	– 63	– 84
Net income attributable to non-controlling interests	1	3	3	14	5
Net income attributable to equity investors of Alpiq Holding Ltd.	– 272	96	– 271	– 77	– 89

1 In 2020, including reversals of impairment losses
2 Please refer to note 1.4 of the notes to the consolidated financial statements

Balance sheet

CHF million	2021	2020 (adjusted)[1]	2019	2018	2017
Total assets	13,557	7,368	7,360	9,074	10,197
Assets					
Non-current assets	4,432	4,440	4,566	5,475	5,655
Current assets	9,125	2,928	2,794	3,599	4,542
Equity and liabilities					
Total equity	3,558	3,761	3,671	3,944	3,965
As % of total assets	26.2	51.0	49.9	43.5	38.9
Liabilities	9,999	3,607	3,689	5,130	6,232

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

Other key performance indicators

	2021	2020	2019[1]	2018[2]	2017[3]
EBITDA before exceptional items in CHF million	302	262	110	166	301
Net debt in CHF million	675	249	206	272	714
Net debt / EBITDA before exceptional items	2.2	1.0	1.9	1.6	2.4
Number of employees at the reporting date	1,266	1,258	1,226	1,548	1,504

1 Since 2019, EBITDA before exceptional items without Flexitricity Ltd. and e-mobility business
2 Including Flexitricity Ltd. and e-mobility business
3 Number of employees excluding discontinued operations, other figures including discontinued operations

Per share data

	2021	2020 (adjusted)[3]	2019	2018	2017
Par value in CHF	0.01	0.01	10	10	10
Weighted average number of shares outstanding[1]	33,110,364	33,110,364	33,110,364	27,874,649	27,874,649
Net income in CHF[1]	– 9.10	2.01	– 9.07	– 3.90	– 4.34
Dividend in CHF[2]	0.00	1.40	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 2017 and 2018 have not been adjusted.
2 2021: to be proposed to the Annual General Meeting
3 Please refer to note 1.4 of the notes to the consolidated financial statements

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.'s income primarily comprises dividends and interest income from subsidiaries. In the 2020 financial year, 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. A dividend in the amount of CHF 46.4 million was distributed 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 2022 financial year.

Financial Statements of Alpiq Holding Ltd.

Income statement

CHF	Note	2021	2020
Income			
Dividend income	2	56,364,974	4,917,488
Finance income	3	404,909,009	184,033,228
Reversal of impairment losses on loans receivable		12,500,000	
Reversal of impairment losses on investments		42,374,383	37,217,206
Other income		1,465,910	2,107,599
Total income		**517,614,276**	**228,275,521**
Expenses			
Finance costs	4	– 499,971,560	– 228,959,899
Loss on sale of investments	5		– 54,500,000
Impairments on loans receivable		– 1,007,853	– 25,205,578
Impairments on investments		– 4,410,400	– 13,989,696
Other expenses		– 19,522,562	– 24,052,326
Direct taxes		– 720,825	– 1,425,435
Total expenses		**– 525,633,200**	**– 348,132,934**
Net income		**– 8,018,924**	**– 119,857,413**

Balance sheet

Assets

CHF	Note	31 Dec 2021	31 Dec 2020
Cash and cash equivalents		548,071,311	118,609,285
Securities			26,982,740
Trade receivables	6	169,041	32,478
Other current receivables	7	471,725,351	658,433,564
Prepayments and accrued income		1,594,633	1,949,878
Current assets		**1,021,560,336**	**806,007,945**
Loans receivable	8	786,741,575	833,009,084
Investments	9	4,367,815,645	4,330,073,614
Non-current assets		**5,154,557,220**	**5,163,082,698**
Total assets		**6,176,117,556**	**5,969,090,643**

Equity and liabilities

CHF	Note	31 Dec 2021	31 Dec 2020
Trade payables	10	351,054	372,502
Current interest-bearing payables	11	1,060,756,534	705,433,660
Other current liabilities	12	20,981	108,419
Accruals and deferred income		104,740,414	52,830,548
Current provisions	13	1,508,021	2,271,528
Current liabilities		**1,167,377,004**	**761,016,657**
Interest-bearing loans payable	14	860,553,797	860,553,797
Bonds	15	1,050,695,000	1,195,385,000
Non-current provisions	13	730,000	1,000,000
Non-current liabilities		**1,911,978,797**	**2,056,938,797**
Share capital		331,104	331,104
Capital contribution reserves [1]		1,744,580,362	1,744,580,362
Statutory revenue reserves		170,000	
Retained earnings carried forward		1,359,699,213	1,526,081,136
Net income		– 8,018,924	– 119,857,413
Equity	16	**3,096,761,755**	**3,151,135,189**
Total equity and liabilities		**6,176,117,556**	**5,969,090,643**

1 The Swiss Federal Tax Administration confirmed capital contribution reserves of CHF 1,740,949,469.

Notes to the Financial Statements

1 Preliminary note

Squeeze-out merger

On 24 June 2020, the Annual General Meeting of Alpiq Holding Ltd. (VAT ID 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.

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, 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	2021	2020
Interest income from group companies	35,555,331	33,803,499
Interest income from third parties	67,308	518,755
Other finance income from group companies	2,514,736	2,288,003
Other finance income from third parties	188,658	755,112
Foreign exchange gain	366,582,976	146,667,859
Total	**404,909,009**	**184,033,228**

4 Finance costs

CHF	2021	2020
Interest expense to group companies	– 33,373,210	– 32,374,024
Interest expense to shareholders	– 61,863	
Interest expense to third parties	– 49,157,988	– 49,588,501
Other finance costs to third parties	– 3,478,804	– 3,484,957
Foreign exchange loss	– 413,899,695	– 143,512,417
Total	**– 499,971,560**	**– 228,959,899**

5 Loss on sale of investments

In 2018, Alpiq sold the Engineering Services business, which comprises the Alpiq InTec Group and the Kraftanlagen Group. On 22 December 2020, Alpiq and Bouygues Construction reached an out-of-court settlement in connection with diverging views on the definitive sale price. In 2020, 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.

6 Trade receivables

CHF	31 Dec 2021	31 Dec 2020
Due from group companies	169,041	32,478
Total	**169,041**	**32,478**

7 Other current receivables

CHF	31 Dec 2021	31 Dec 2020
Due from group companies	470,189,425	110,142,142
Due from third parties	1,535,926	548,291,422
Total	**471,725,351**	**658,433,564**

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

CHF	31 Dec 2021	31 Dec 2020
Due from group companies	786,741,575	833,009,084
Total	**786,741,575**	**833,009,084**

9 Investments

A list of direct and significant indirect investments is disclosed in note 5.2 of the notes to the consolidated financial statements.

10 Trade payables

CHF	31 Dec 2021	31 Dec 2020
Due from third parties	351,054	372,502
Total	**351,054**	**372,502**

11 Current interest-bearing payables

CHF	31 Dec 2021	31 Dec 2020
Due to group companies	357,665,634	511,758,660
Due to shareholders	205,568,100	
Due to third parties	497,522,800	193,675,000
Total	**1,060,756,534**	**705,433,660**

Current interest-bearing payables include cash pooling payables, bonds due for repayment in the next 12 months and loans payable with a remaining term of no more than 12 months.

12 Other current liabilities

CHF	31 Dec 2021	31 Dec 2020
Due from third parties	20,981	108,419
Total	**20,981**	**108,419**

13 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 compensation review proceedings pursuant to Art. 105 of the Swiss Merger Act (FusG) filed against Alpiq Holding Ltd. With these two 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, in particular the two independent valuation reports which deemed the amount of compensation per share to be appropriate, 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.

14 Interest-bearing loans payable

CHF	31 Dec 2021	31 Dec 2020
Due to group companies	860,553,797	860,553,797
Total	**860,553,797**	**860,553,797**

The loan payable has a remaining maturity of 23 months.

15 Bonds

CHF	Maturity	Earliest repayment date	Interest rate in %	Face value at 31 Dec 2021	Face value at 31 Dec 2020
Fixed-rate bond issued by Alpiq Holding Ltd. [1]	2011 / 2021	20 Sept 2021	2.2500		143,675,000
Fixed-rate bond issued by Alpiq Holding Ltd. [2]	2012 / 2022	16 May 2022	3.0000	144,690,000	144,690,000
Fixed-rate bond issued by Alpiq Holding Ltd.	2015 / 2023	30 Jun 2023	2.1250	140,695,000	140,695,000
Fixed-rate bond issued by Alpiq Holding Ltd.	2014 / 2024	29 Jul 2024	2.6250	260,000,000	260,000,000
Public hybrid bond issued by Alpiq Holding Ltd.	–	15 Nov 2022	4.5325	650,000,000	650,000,000

1 At 31 December 2020 recognised under “Current interest-bearing payables”.
2 At 31 December 2021 recognised under “Current interest-bearing payables”.

16 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		1,378,132,670		1,526,081,136	2,904,213,806
Conversion of shareholder hybrid loan	52,358	366,447,692			366,500,050
Net income				– 119,857,413	– 119,857,413
Balance at 31 December 2020	**331,104**	**1,744,580,362**	**0**	**1,406,223,723**	**3,151,135,189**
Dividends				– 46,354,510	– 46,354,510
Transfer to the statutory revenue reserve			170,000	– 170,000	0
Net income				– 8,018,924	– 8,018,924
Balance at 31 December 2021 [2]	**331,104**	**1,744,580,362**	**170,000**	**1,351,680,289**	**3,096,761,755**

1 Full cash contribution of share capital upon foundation
2 The Swiss Federal Tax Administration confirmed capital contribution reserves of CHF 1,740,949,469.

17 Collateral provided for third-party liabilities

Guarantees in favour of group companies and third parties totalled CHF 844 million at 31 December 2021 (previous year: CHF 592 million). Of this, an amount of CHF 512 million (CHF 303 million) relates to bank guarantees and CHF 332 million (CHF 289 million) to guarantees issued by Alpiq Holding Ltd.

18 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 fines and costs of Kraftanlagen Energies & Services GmbH (formerly 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. Alpiq still deems it unlikely that Kraftanlagen Energies & Services GmbH will be convicted, which is why it was decided not to record a liability for this matter. For more information about this matter, please refer to note 5.1 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	
Net income for 2021 reported in the income statement	– 8,018,924
Retained earnings carried forward	1,359,699,213
Retained earnings	**1,351,680,289**
Transfer to statutory revenue reserves	0
Balance to be carried forward	**1,351,680,289**

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To the General Meeting of
Alpiq Holding Ltd., Lausanne

Zurich, 23 February 2022

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, the balance sheet and the notes for the year ended 31 December 2021.

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 2021 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 2021, Alpiq Holding Ltd. holds investments with a carrying amount of CHF 4,368 million and recognizes impairment losses in the amount of CHF 4 million and reversals of impairment losses in the amount of CHF 42 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 inflation rates and 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 and inflation rates). We also 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.

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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

Mathias Zeller	Roger Müller
Licensed audit expert	Licensed audit expert
(Auditor in charge)	