Financial Report

Financial Review

Alpiq is looking back on a successful financial year 2022, despite the very challenging market environment characterised by soaring and yet highly volatile energy prices. On the one hand, the market price distortions brought with it new opportunities and improved trading margins, but on the other hand, they also introduced new challenges and heightened risks.

Electricity forward prices rose continuously from the second half of 2021, peaking at the end of August 2022. Prices declined in the subsequent months and by year-end returned to the levels last seen in the first half of 2022. The strong fluctuations were attributable to geopolitical uncertainties in European gas supply on account of the war in Ukraine, unplanned outages of French nuclear power plants and a period of extremely dry weather in Europe.

Alpiq successfully participated in the federal government's tender process for the hydropower reserve and is now responsible for more than half of the 400 GWh allotment. For Alpiq this move is not about maximising profits, but one of social responsibility. As one of the largest electricity producers in Switzerland, Alpiq is committed to ensuring security of supply. The fact that earnings will shift into 2023 and possibly on lower levels is an accepted consequence.

The liquidity requirements for the hedging of our production and the participation in international energy trade, was significantly increased as a result of the high energy prices in 2022. In response to these market developments, Alpiq initiated and implemented sufficient precautionary measures at an early stage to increase liquidity and to avoid cash outflows in the short term. These measures considerably improved Alpiq's room to manoeuver and ensures that Alpiq is more resilient to market developments.

Furthermore, the accounting treatment in accordance with IFRS of energy price hedges leads to earnings being shifted to future periods (accounting mismatch). While the accounting mismatch has reduced in the second half of 2022 there is still a significant positive effect expected on the results in subsequent financial years stemming both from 2021 and 2022.

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 before exceptional items view. The categories of exceptional items are detailed in the "Alternative performance measures of Alpiq" section.

Alpiq Group: results of operations (before exceptional items)

In the 2022 financial year, the Alpiq Group generated net revenues before exceptional items of CHF 14.9 billion (up CHF 7.2 billion on the previous year) and an EBITDA before exceptional items of CHF 473 million (up CHF 161 million). The Swiss power production contributed a stable result despite lower inflows into the reservoirs. International power generation and energy trading surpassed the previous year's result, benefiting from high market volatility and the rise in energy prices.

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

CHF million	Results of operations before exceptional items 2022	Exceptional items 2022	Results under IFRS 2022	Results of operations before exceptional items (adjusted)[1] 2021	Exceptional items (adjusted)[1] 2021	Results under IFRS 2021
Net revenue	**14,861**	**– 230**	**14,631**	**7,705**	**– 528**	**7,177**
Own work capitalised and change in costs incurred to fulfil a contract	7		7	4		4
Other operating income	31		31	77		77
Total revenue and other income	**14,899**	**– 230**	**14,669**	**7,786**	**– 528**	**7,258**
Energy and inventory costs	– 14,076	103	– 13,973	– 7,161	139	– 7,022
Employee costs	– 240		– 240	– 221		– 221
Other operating expenses	– 110		– 110	– 92		– 92
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**473**	**– 127**	**346**	**312**	**– 389**	**– 77**
Depreciation, amortisation and impairment[2]			– 97			– 126
Earnings before interest and tax (EBIT)			**249**			**– 203**
Share of results of partner power plants and other associates			– 59			– 35
Finance costs			– 81			– 73
Finance income			7			12
Earnings before tax			**116**			**– 299**
Income tax (expense) / income			– 5			28
Net income / (loss)			**111**			**– 271**

1 The previous year figures have been adjusted to reflect the reduced number of categories of exceptional items.
2 In 2022, including reversals of impairment losses

Switzerland business division

At CHF 3 million, EBITDA of Swiss power production was slightly down CHF 4 million on the previous year, with the previous-year including the subsequent price adjustment of CHF 10 million from Swissgrid for the sale of the Swiss high-voltage grid. The results from hydropower were impacted by lower inflows on account of less precipitation. The increased energy prices also resulted in a lower market premium. Thanks to increased power production and tight cost management, the area of Swiss nuclear power closed at a higher level than that of the previous year. In a year-on-year comparison, production volumes were largely higher, namely due to the maintenance work performed at the Leibstadt nuclear power plant in 2021. The EBITDA contribution from the new renewable energies in Switzerland was in line with previous year. With its climate-friendly power production in Switzerland, Alpiq is contributing to a better climate and strengthening the security of supply.

International business division

At CHF 134 million, EBITDA of international power production and sales & origination activities was up year-on-year by CHF 151 million. The gas-fired power plants in Italy, Hungary and Spain continued to contribute to security of supply. Thanks to their flexibility and high availability, these power plants generated strong results. The generation of renewables delivered strong profitability due to high availability and higher power prices.

The sales & origination activities contributed to value creation despite turbulent market conditions. The counterparty credit risk was actively managed by implementing a tighter credit risk strategy. Particularly on the French and German market Alpiq performed well and exceeded the previous year results. The energy market conditions resulted in a continued high credit risk environment. The negative impact of credit events substantially reduced in 2022, due to changes in the business strategy.

Trading business division

At CHF 387 million, EBITDA of energy trading was up by CHF 49 million compared to the already very good previous year. On one hand, the high availability and flexibility of the Swiss and International assets have contributed significantly to the exceptional trading result. On the other hand, Alpiq took excellent advantage of the opportunities such a volatile market environment provides and improved earnings both from trading of its own production as well as from other trading activities.

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 performance measures are presented in a pro forma statement in order to give investors a deeper understanding of how Alpiq’s management measures the performance of the Group. However, they are no substitute for IFRS performance measures. Starting from 1 January 2022, Alpiq no longer presents any exceptional items from the categories “Effects from business disposals” or “Restructuring costs and litigation” in its internal or external reporting in order to simplify reporting. The previous year figures have been adjusted for comparative purposes, causing exceptional items to decrease by CHF 10 million. Accordingly, EBITDA before exceptional items for 2021 increased by CHF 10 million. Alpiq still does not use any alternative performance measures in the balance sheet and statement of cash flows.

Overview of exceptional items

	Fair value changes (accounting mismatch)		Development of decommissioning and waste disposal funds		Onerous contracts		Total exceptional items	
CHF million	2022	2021	2022	2021	2022	2021	2022	2021
Net revenue	**– 250**	**– 521**	**20**	**– 7**			**– 230**	**– 528**
Total revenue and other income	**– 250**	**– 521**	**20**	**– 7**			**– 230**	**– 528**
Energy and inventory costs			– 296	101	399	38	103	139
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**– 250**	**– 521**	**– 276**	**94**	**399**	**38**	**– 127**	**– 389**

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 accounting policies, the fair value changes of financial hedges between the last and the current balance sheet date 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.

Accounting mismatch and expected reversals (based on energy prices as of 31 December 2022)

CHF million	
Accounting mismatch until 31 December 2021	– 475
Change in accounting mismatch in 2022	– 250
Total accounting mismatch at 31 December 2022	**– 725**
Of which, will be reversed in 2023	380
Of which, will be reversed in 2024	293
Of which, will be reversed in 2025	50
Of which, will be reversed after 2025	2

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

Onerous contracts

Effects in connection with the future procurement of energy from the Nant de Drance pumped storage power plant (until June 2022) and an onerous contract abroad (until June 2021) relate to effects that are attributable to changes in expectations regarding future developments. Management therefore does not take these into account in the assessment of Alpiq's operating performance. No onerous contracts are stated as exceptional items after July 2022.

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

Total assets amounted to CHF 14.7 billion at the 31 December 2022 reporting date, compared to CHF 13.6 billion at the end of 2021. Non-current assets of CHF 4.2 billion decreased by CHF 219 million, thereof CHF 118 million came from a decline in investments in partner power plants and other associates. Additionally, the sharp increase in the discount rate triggered an asset ceiling for pension assets, which meant that the net defined benefit assets of CHF 80 million reported in the previous year had to be derecognized. Thereof CHF 61 million was booked through other comprehensive income.

Current assets rose by CHF 1.4 billion to CHF 10.5 billion at 31 December 2022. As a consequence of the increased energy prices during 2022 trade and other receivables were CHF 1 billion higher than in the previous year. Cash and cash equivalents also increased by CHF 0.6 billion, partially due to a reduction of financial security deposits for trading, leaving Alpiq in a solid financial position.

Equity stood at CHF 3.5 billion at 31 December 2022, CHF 29 million below the previous year. Total comprehensive income, which consists of net income of CHF 111 million and other comprehensive income of CHF -108 million, amounted to CHF 3 million. The decrease in equity corresponds therefore almost entirely to the interest payment to the hybrid capital investors. The equity ratio decreased from 26.2 % to 24.0 %.

Financial liabilities increased by CHF 28 million to CHF 1.6 billion at 31 December 2022. Overall, the current financial liabilities decreased by CHF 420 million while the non-current financial liabilities increased by CHF 448 million. The main reason for this were new bonds issued in order to replace a bond and loans that fell due in the first half of 2022. The net debt could be significantly reduced from CHF 675 million to CHF 107 million. The gearing ratio (net debt / EBITDA before exceptional items) fell from 2.2 at 31 December 2021 to 0.2 at 31 December 2022. Compared to 31 December 2021, non-current liabilities increased by CHF 47 million to CHF 1.5 billion and current liabilities by CHF 1.1 billion to CHF 9.7 billion. The increase in non-current bonds were partially offset by the decrease in provisions for onerous contracts. The main reason for this increase were the high energy prices, which led to trade payables being 1.5 billion higher than in the previous year.

The positive earnings before taxes of CHF 116 million as well as the reduction of financial security deposits led to a positive net cash flow from operating activities of CHF 734 million (last year CHF -298 million). This improvement is driven by lower financial security deposits and better earnings before taxes. Net cash flows from investing activities decreased on the previous year, mainly driven by significant term deposits and securities, which were liquidated in 2021. Net cash flows from financing activities amounted to CHF -41 million and were down on the previous year by CHF 293 million. Proceeds from and repayments of financial liabilities resulted in a net cash inflow of CHF 365 million in the previous year, while this year the net cash inflow from change in financial liabilities amounted to CHF 32 million. In the previous year, a dividend of CHF 46 million was distributed to shareholders. Overall increase in cash and cash equivalents amounted to CHF 624 million and thus nearly doubled from CHF 863 million in 2021 to CHF 1'474 million.

Outlook

Volatility in the market in which Alpiq operates is expected to continue. The measures taken during the energy crisis have left Alpiq financially and operationally well equipped and more resilient against future market disruptions. For 2023, Alpiq expects further positive developments in the operative performance of the Group. The IFRS result continues to be subjected to market developments both with regards to the development of the decommissioning and waste disposal fund and the fair value changes (accounting mismatch).

Consolidated Financial Statements of the Alpiq Group

Consolidated Income Statement

CHF million	Note	2022	2021
Net revenue	2.2	**14,631**	**7,177**
Own work capitalised and change in costs incurred to fulfil a contract		7	4
Other operating income	2.3	31	77
Total revenue and other income		**14,669**	**7,258**
Energy and inventory costs	2.4	– 13,973	– 7,022
Employee costs	2.5	– 240	– 221
Other operating expenses		– 110	– 92
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**346**	**– 77**
Depreciation, amortisation and impairment [1]	4.1 / 4.2	– 97	– 126
Earnings before interest and tax (EBIT)		**249**	**– 203**
Share of results of partner power plants and other associates	4.3	– 59	– 35
Finance costs	2.6	– 81	– 73
Finance income	2.6	7	12
Earnings before tax		**116**	**– 299**
Income tax (expense) / income	2.7	– 5	28
Earnings after tax from continuing operations		**111**	**– 271**
Earnings after tax from discontinued operations	5.1	0	0
Net income / (loss)		**111**	**– 271**
Attributable to non-controlling interests		2	1
Attributable to equity investors of Alpiq Holding Ltd.		109	– 272
Earnings per share from continuing operations in CHF, basic and diluted	2.8	2.42	– 9.10
Earnings per share from discontinued operations in CHF, basic and diluted	2.8	– 0.01	0.00
Earnings per share in CHF, basic and diluted	2.8	**2.41**	**– 9.10**

1 In 2022, including reversals of impairment losses

Consolidated Statement of Comprehensive Income

CHF million	2022	2021
Net income / (loss)	**111**	**– 271**
Cash flow hedges (group companies)	9	16
Income tax effect	– 2	– 3
Net of income tax	7	13
Currency translation differences	– 32	– 32
Net of income tax	– 32	– 32
Items that may be reclassified subsequently to the income statement, net of tax	**– 25**	**– 19**
Remeasurement of defined benefit plans (group companies)	– 50	115
Income tax effect	8	– 18
Net of income tax	– 42	97
Remeasurement of defined benefit plans (partner power plants and other associates)	– 48	79
Income tax effect	7	– 12
Net of income tax	– 41	67
Items that will not be reclassified to the income statement, net of tax	**– 83**	**164**
Other comprehensive income	**– 108**	**145**
Total comprehensive income	**3**	**– 126**
Attributable to non-controlling interests	1	2
Attributable to equity investors of Alpiq Holding Ltd.	2	– 128
Of which, total comprehensive income from continuing operations	2	– 128
Of which, total comprehensive income from discontinued operations	0	0

Consolidated Balance Sheet

Assets

CHF million	Note	31 Dec 2022	31 Dec 2021
Property, plant and equipment	4.1	1,782	1,859
Intangible assets	4.2	80	92
Investments in partner power plants and other associates	4.3	2,183	2,301
Defined benefit assets	6.3		80
Other non-current assets	3.3	25	23
Deferred income tax assets	2.7	143	77
Non-current assets		**4,213**	**4,432**
Inventories	4.4	51	33
Derivative financial instruments		4,702	5,098
Receivables and other current assets	4.5	3,881	2,782
Prepayments and accrued income		290	314
Current term deposits		7	35
Cash and cash equivalents	4.6	1,474	863
Assets held for sale	5.2	83	
Current assets		**10,488**	**9,125**
Total assets		**14,701**	**13,557**

Equity and liabilities

CHF million	Note	31 Dec 2022	31 Dec 2021
Share capital[1]	3.6	0	0
Share premium		4,904	4,904
Hybrid capital	3.6	650	650
Retained earnings and other reserves		– 2,099	– 2,072
Equity attributable to equity investors of Alpiq Holding Ltd.		**3,455**	**3,482**
Non-controlling interests		74	76
Total equity		**3,529**	**3,558**
Non-current provisions	4.7	86	490
Deferred income tax liabilities	2.7	333	321
Defined benefit liabilities	6.3	2	3
Non-current financial liabilities	3.4	1,075	627
Other non-current liabilities			8
Non-current liabilities		**1,496**	**1,449**
Current income tax liabilities		40	47
Current provisions	4.7	17	129
Current financial liabilities	3.4	526	946
Other current liabilities	4.9	3,153	1,723
Derivative financial instruments		5,130	5,343
Accruals and deferred income		800	362
Liabilities held for sale	5.2	10	
Current liabilities		**9,676**	**8,550**
Total liabilities		**11,172**	**9,999**
Total equity and liabilities		**14,701**	**13,557**

1 The share capital is at CHF 0.331 million.

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 2022	**0.3**	**4,904.4**	**650.0**	**21.8**	**– 774.5**	**– 1,319.8**	**3,482.2**	**75.7**	**3,557.9**
Net income for the period						109.2	**109.2**	1.9	**111.1**
Other comprehensive income				7.2	– 31.6	– 82.5	**– 106.9**	– 0.9	**– 107.8**
Total comprehensive income				**7.2**	**– 31.6**	**26.7**	**2.3**	**1.0**	**3.3**
Dividends							**0.0**	– 2.6	**– 2.6**
Distributions to hybrid investors						– 29.5	**– 29.5**		**– 29.5**
Equity at 31 December 2022	**0.3**	**4,904.4**	**650.0**	**29.0**	**– 806.1**	**– 1,322.6**	**3,455.0**	**74.1**	**3,529.1**

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	**0.3**	**4,904.4**	**650.0**	**8.4**	**– 742.9**	**– 1,134.2**	**3,686.0**	**75.5**	**3,761.5**
Net loss 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**

Consolidated Statement of Cash Flows

CHF million	Note	2022	2021
Earnings before tax from continuing operations		**116**	**– 299**
Adjustments for:			
Depreciation, amortisation and impairment[1]	4.1 / 4.2	97	126
Gain on sale of non-current assets		– 1	– 3
Share of results of partner power plants and other associates	4.3	59	35
Financial result	2.6	74	61
Other non-cash income and expenses		18	73
Change in provisions (excl. interest)	4.7	– 505	63
Change in defined benefit assets / liabilities and other non-current liabilities		30	8
Change in fair value of derivative financial instruments and hedged firm commitments		226	442
Change in net working capital (excl. derivatives, current financial assets / liabilities and current provisions)		690	– 744
Other financial income and expenses		– 12	– 24
Income tax paid		– 58	– 36
Net cash flows from operating activities of continuing operations		**734**	**– 298**
Net cash flows from operating activities of discontinued operations			
Net cash flows from operating activities		**734**	**– 298**
Property, plant and equipment and intangible assets			
Investments	4.1 / 4.2	– 82	– 66
Proceeds from disposals		1	3
Subsidiaries			
Proceeds from disposals	5.1	34	20
Associates			
Investments	4.3	– 24	– 5
Proceeds from disposals			– 3
Loans receivable and financial investments			
Investments	3.3	– 3	– 10
Proceeds from disposals / repayments		1	
Change in current and non-current term deposits		4	587
Investments in / proceeds from disposals of securities			27
Dividends from partner power plants, other associates and financial investments	4.3	23	24
Interest received		10	12
Net cash flows from investing activities of continuing operations		**– 36**	**589**
Net cash flows from investing activities of discontinued operations	5.1		– 1
Net cash flows from investing activities		**– 36**	**588**

1 In 2022, including reversals of impairment losses

CHF million	Note	2022	2021
Dividends paid			– 46
Dividends paid to non-controlling interests		– 1	– 2
Proceeds from financial liabilities	3.4	2,709	895
Repayment of financial liabilities	3.4	– 2,677	– 530
Distributions to hybrid investors recognised in equity outside profit or loss	3.6	– 29	– 29
Interest paid		– 43	– 36
Net cash flows from financing activities of continuing operations		**– 41**	**252**
Net cash flows from financing activities of discontinued operations			
Net cash flows from financing activities		**– 41**	**252**
Currency translation differences		**– 33**	**– 19**
Change in cash and cash equivalents		**624**	**523**
Reconciliation:			
Cash and cash equivalents at 1 January	4.6	863	340
Cash and cash equivalents at 31 December	4.6	1,487	863
Of which, cash and cash equivalents		1,474	863
Of which, cash and cash equivalents under assets held for sale	5.2	13	
Change		**624**	**523**

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. at 22 February 2023 and are subject to approval by shareholders at the Annual General Meeting at 26 April 2023.

1.2 Adoption of new and revised accounting standards

Amendments, standards and interpretations adopted for the first time in 2022

At 1 January 2022, the following amendments to the International Financial Reporting Standards (IFRS) entered into force and were applied by the Alpiq Group:

- Amendments to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract
- Amendments to IFRS 3: Reference to the Conceptual Framework
- Annual Improvements to IFRS Standards 2018 – 2020

In 2021, Alpiq early adopted the amendments to IAS 16: Property, Plant and Equipment – Proceeds before Intended Use.

These amendments and improvements had no significant impact on the Alpiq Group.

IFRS 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 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies	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
Amendments to IFRS Practice Statement 2: Making Materiality Judgements	1 Jan 2023	1 Jan 2023
IFRS 17: Insurance Contracts	1 Jan 2023	1 Jan 2023
Amendments to IAS 1: Classification of Liabilities as Current or Non-Current	1 Jan 2024	1 Jan 2024
Amendments to IFRS 10 and IAS 28: Sale of Assets by an Investor or Contribution to their Associate or Joint Venture	undefined	undefined

Based on our 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, 3.5 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.

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, International and Trading (formerly Digital & Commerce (D&C)). The Executive Board evaluates each of these separately for the purpose of assessing performance and allocating resources. Segment results (EBITDA and EBITDA before exceptional items) 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 financial steering process within Alpiq that is to be set up along the value chain sourcing, trading, and supply will be implemented for the annual report 2023.

The internal organisational and management structure was adjusted in 2022. As a result, the international sales & origination business units were moved from Trading to International, the Swiss sales & origination business unit from Trading to Switzerland, the Swiss RES business units from International to Switzerland and a part of the support functions D&C Technology and Operations from Trading to the division Group Centre & other companies. Furthermore, the number of categories of exceptional items for reconciling the IFRS results to the alternative performance measures has been reduced to simplify the internal reporting. For more information, please refer to the explanations in the unaudited "Alternative performance measures of Alpiq" section of the Financial Review. Previous year segment reporting for 2021 has been adjusted for comparability. As a result, the Alpiq Group's EBITDA before exceptional items for 2021 increased by CHF 10 million from CHF 302 million to CHF 312 million. On business division level, this means an increase of CHF 23 million for Switzerland, a decrease of CHF 97 million for International, an increase of CHF 80 million for Trading and an increase of CHF 4 million for Group Centre. EBITDA (IFRS) increased by CHF 13 million for Switzerland, decreased by CHF 238 million for International, increased by CHF 222 million for Trading and increased by CHF 3 million Group Centre.

- The Switzerland business division comprises the production of electricity from Swiss hydropower, nuclear power, wind power and industrial photovoltaic plants as well as the operation of power plants and the development of several wind farm projects in Switzerland. The power plant portfolio includes run-of-river power plants, storage and pumped storage power plants (including Nant de Drance) as well as interests in the Gösgen and Leibstadt nuclear power plants. The Swiss sales and origination business, which does not include the asset optimization, is also part of the division. 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 located outside of Switzerland. 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 Trading business division or via third parties. The power plants are used by the respective grid operators to balance the grids. In addition, International includes direct marketing and energy management for industrial and business customers to help these meet their cost efficiency and sustainability goals always with a view to increasing customer benefits and creating value.
- The Trading 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. It also covers trading activities with standardised and structured products for electricity and gas as well as emission allowances and certificates.

The business divisions' results are carried over to the Alpiq Group's consolidated figures by including the units with limited 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 13 million (previous year: CHF 14 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 hedging of foreign exchange rates and other activities of the Group headquarters including Alpiq Holding Ltd. and the functional units.

2022: Information by business division

CHF million	Switzerland	Interna-tional	Trading	Group Centre & other companies	Consoli-dation	Reconcili-ation	Alpiq Group
Net revenue from third parties	– 236	7,729	7,058	26		60	14,637
Inter-segment transactions[1]	957	690	1,828	– 15	– 3,446	– 20	– 6
Net revenue	**721**	**8,419**	**8,886**	**11**	**– 3,446**	**40**	**14,631**
Exceptional items[2]	98	192	– 68			8	230
Net revenue before exceptional items	**819**	**8,611**	**8,818**	**11**	**– 3,446**	**48**	**14,861**
Other income	30	34	– 22	25	– 16	– 13	38
Total revenue and other income	**751**	**8,453**	**8,864**	**36**	**– 3,462**	**27**	**14,669**
Total revenue and other income before exceptional items	**849**	**8,645**	**8,796**	**36**	**– 3,462**	**35**	**14,899**
Total operating costs	**– 743**	**– 8,511**	**– 8,409**	**– 89**	**3,462**	**– 33**	**– 14,323**
Exceptional items[2]	– 103						– 103
Total operating costs before exceptional items	**– 846**	**– 8,511**	**– 8,409**	**– 89**	**3,462**	**– 33**	**– 14,426**
EBITDA	**8**	**– 58**	**455**	**– 53**	**0**	**– 6**	**346**
Exceptional items[2]	– 5	192	– 68			8	127
EBITDA before exceptional items	**3**	**134**	**387**	**– 53**	**0**	**2**	**473**
Depreciation, amortisation and impairment[3]	– 64	– 18		– 15			– 97
EBIT	**– 56**	**– 76**	**455**	**– 68**	**0**	**– 6**	**249**
Number of employees at 31 December	167	373	144	496			1,180
Property, plant and equipment	1,414	276		92			1,782
Intangible assets	43	15	1	21			80
Investments in partner power plants and other associates	2,176	4		3			2,183
Non-current assets	**3,633**	**295**	**1**	**116**	**0**	**0**	**4,045**
Net capital expenditure on property, plant and equipment and intangible assets	42	31		8			81

1 The net effect of CHF – 6 million results from currency effects on intragroup energy transactions.
2 Includes effects from fair value changes of energy derivatives that were entered into in connection with hedges for future power production, from the performance of the fund shares for the decommissioning and waste disposal of Kernkraftwerk Gösgen-Däniken AG and Kernkraftwerk Leibstadt AG, as well as from onerous contracts. For more information, please refer to the unaudited explanations in the “Alternative performance measures of Alpiq” section of the Financial Review.
3 Including reversals of impairment losses

2021: Information by business division (adjusted)

CHF million	Switzerland	International	Trading	Group Centre & other companies	Consolidation	Reconciliation	Alpiq Group
Net revenue from third parties	– 359	4,021	3,458	33		36	7,189
Inter-segment transactions [1]	919	62	731	– 29	– 1,696	1	– 12
Net revenue	**560**	**4,083**	**4,189**	**4**	**– 1,696**	**37**	**7,177**
Exceptional items [2]	109	141	276			2	528
Net revenue before exceptional items	**669**	**4,224**	**4,465**	**4**	**– 1,696**	**39**	**7,705**
Other income	65	21		24	– 15	– 14	81
Total revenue and other income	**625**	**4,104**	**4,189**	**28**	**– 1,711**	**23**	**7,258**
Total revenue and other income before exceptional items	**734**	**4,245**	**4,465**	**28**	**– 1,711**	**25**	**7,786**
Total operating costs	**– 595**	**– 4,262**	**– 4,119**	**– 53**	**1,711**	**– 17**	**– 7,335**
Exceptional items [2]	– 132		– 8			1	– 139
Total operating costs before exceptional items	**– 727**	**– 4,262**	**– 4,127**	**– 53**	**1,711**	**– 16**	**– 7,474**
EBITDA	**30**	**– 158**	**70**	**– 25**	**0**	**6**	**– 77**
Exceptional items [2]	– 23	141	268			3	389
EBITDA before exceptional items	**7**	**– 17**	**338**	**– 25**	**0**	**9**	**312**
Depreciation, amortisation and impairment	– 63	– 49	– 3	– 11			– 126
EBIT	**– 33**	**– 207**	**67**	**– 36**	**0**	**6**	**– 203**
Number of employees at 31 December	164	398	154	550			1,266
Property, plant and equipment	1,435	329		95			1,859
Intangible assets	47	20	1	24			92
Investments in partner power plants and other associates	2,294	4		3			2,301
Non-current assets	**3,776**	**353**	**1**	**122**	**0**	**0**	**4,252**
Net capital expenditure on property, plant and equipment and intangible assets	22	35		5			62

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

2022: Information by geographical area

CHF million	Switzerland	Germany	France	Italy	Hungary	United Kingdom	Luxembourg	Czech Republic	Other countries	Alpiq Group
Net revenue[1/2] from third parties	**1,342**	**2,147**	**4,011**	**4,271**	**808**	**– 1,886**	**2,638**	**– 764**	**2,070**	**14,637**
Property, plant and equipment	1,395	1	117	210	25			1	33	1,782
Intangible assets	64		9	7						80
Investments in partner power plants and other associates	2,179								4	2,183
Non-current assets	**3,638**	**1**	**126**	**217**	**25**	**0**	**0**	**1**	**37**	**4,045**

1 The difference to net revenue in the income statement results from currency effects on intragroup energy transactions of CHF – 6 million.
2 Negative net revenue is attributable to the change in the fair value measurement of energy derivatives, which are presented in net revenue (see note 2.2).

2021: Information by geographical area

CHF million	Switzerland	Germany	France	Italy	Hungary	United Kingdom	Luxembourg	Czech Republic	Other countries	Alpiq Group
Net revenue[1/2] from third parties	**1,602**	**– 895**	**2,109**	**1,627**	**327**	**440**	**148**	**– 100**	**1,931**	**7,189**
Property, plant and equipment	1,417		114	232	27			1	68	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**	**1**	**76**	**4,252**

1 The difference to net revenue in the income statement results from currency effects on intragroup energy transactions of CHF – 12 million.
2 Negative net revenue is attributable to the change in the fair value measurement of energy derivatives, which are presented in net revenue (see note 2.2).

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).

The internal organisational and management structure was adjusted in 2022, see note 2.1. The disaggregation of net revenue for 2021 has been adjusted for comparability.

2022: Disaggregation of net revenue

CHF million	Switzerland	International	Trading	Group Centre & other companies	Total
Revenue from energy and grid services	173	8,380	6,809		15,362
Revenue from other services	13				13
Total revenue from contracts with customers	**186**	**8,380**	**6,809**	**0**	**15,375**
(Loss) / income from energy and financial derivatives	– 409	– 616	261	26	– 738
Net revenue from third parties[1]	**– 223**	**7,764**	**7,070**	**26**	**14,637**

1 The difference to net revenue in the income statement results from currency effects on intragroup energy transactions of CHF – 6 million.

2021: Disaggregation of net revenue (adjusted)

CHF million	Switzerland	International	Trading	Group Centre & other companies	Total
Revenue from energy and grid services	143	4,013	2,999		7,155
Revenue from digital energy services and e-mobility	1		4		5
Revenue from other services	14				14
Total revenue from contracts with customers	**158**	**4,013**	**3,003**	**0**	**7,174**
(Loss) / income from energy and financial derivatives	– 503	22	463	33	15
Net revenue from third parties[1]	**– 345**	**4,035**	**3,466**	**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.

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 some 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 stand-ready obligations 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 variable components in energy sales. Only when they become highly probable they are included in the estimation of the transaction price. This is normally the case towards the end of the delivery period. Estimating the point in time when such variable price components are recognised requires significant judgement.

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 predictable or recurring nature. It includes gains from sales of non-current assets or business disposals, insurance claims received and payments received from litigations.

CHF million	2022	2021
Market premiums	11	32
Gain from disposal of companies [1]	1	12
Gain on sale of non-current assets	1	3
Income from operating leases	2	2
Miscellaneous	16	28
Other operating income	**31**	**77**

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 Council of States commenced consultation on the omnibus bill in the 2022 session. In the 2021 autumn session, both councils had already approved a parliamentary initiative, which presented a transitional solution for the promotion of renewable energies (wind turbines as well as biogas, geothermal and photovoltaic plants) from 2023 onwards. This 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.

2022 claim

The first order for the claim for market premiums for 2022 was issued on 4 November 2022 and took legal effect on 4 December 2022. Alpiq’s claim for the 2022 financial year amounted to CHF 2 million and was recognised in full, as the BFE had decided to pay out 100 % of the amount assigned as soon as the first order became legally binding. Compared to the previous period, the claim for market premiums was significantly lower due to higher prevailing market prices.

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 recognised in the 2021 financial year, as the BFE decided in its first order to initially pay out only 80 % of the amount assigned. The remaining amount was recognised in 2022.

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 recognised 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	2022	2021
Electricity purchased from third parties	– 9,775	– 5,054
Electricity purchased from partner power plants	– 774	– 399
Gas procurement and CO_2 certificates	– 3,648	– 1,348
Other energy and inventory costs	– 74	– 75
Energy and inventory costs before provisions	**– 14,271**	**– 6,876**
Movement in provisions for onerous contracts	298	– 146
Energy and inventory costs	**– 13,973**	**– 7,022**

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

2.5 Employee costs

CHF million	2022	2021
Wages and salaries	– 171	– 178
Defined benefit pension costs [1]	– 43	– 19
Defined contribution pension costs	– 1	– 1
Social security costs and other employee costs	– 25	– 23
Employee costs	**– 240**	**– 221**

1 For further details see note 6.3

Number of employees at the reporting date

	31 Dec 2022	31 Dec 2021
Employees (full-time equivalents)	1,169	1,254
Apprentices	11	12
Total	**1,180**	**1,266**

2.6 Finance costs and finance income

CHF million	2022	2021
Finance costs		
Interest expense	– 48	– 33
Net interest on pension plans and provisions	– 11	– 21
Other finance costs [1]	– 22	– 5
Net foreign exchange losses		– 14
Total	**– 81**	**– 73**
Finance income		
Interest income	6	7
Other finance income	1	5
Total	**7**	**12**
Financial result	**– 74**	**– 61**

1 Of which, an amount of CHF 6.6 million was recognised as commitment fee for the federal bailout fund.

2.7 Income tax

Income tax expense charged to the income statement

CHF million	2022	2021
Current income tax	– 41	– 22
Deferred income tax	36	50
Income tax	**– 5**	**28**

Reconciliation

CHF million	2022	2021
Earnings before tax	116	– 299
Expected income tax rate (Swiss average rate)	15 %	16 %
Income tax at the expected income tax rate	– 17	48
Tax effects from:		
Difference in expected income tax rate compared to locally expected income tax rates	1	– 6
Income exempt from tax	10	9
Non-deductible expenses for tax purposes	– 12	– 27
Valuation from tax loss carryforwards	– 3	1
Effect of changes in tax rates	– 3	1
Previous years	31	7
Other effects [1]	– 12	– 5
Total income tax expense	**– 5**	**28**
Effective income tax rate	4 %	9 %

1 Of which, an amount of CHF 10 million (previous year: CHF 0 million) relates to an extraordinary contribution on surplus income of energy companies in Italy (windfall tax).

Change in deferred tax assets and liabilities

CHF million	Deferred tax assets	Deferred tax liabilities	Net deferred tax liabilities
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
Currency translation differences	– 3	– 1	2
Balance at 31 December 2021	**77**	**321**	**244**
Deferred taxes recognised in the income statement	66	30	– 36
Deferred taxes recognised in other comprehensive income	– 2	– 15	– 13
Other	6		– 6
Reclassified to “Liabilities held for sale”		– 2	– 2
Currency translation differences	– 4	– 1	3
Balance at 31 December 2022	**143**	**333**	**190**

Deferred tax assets and liabilities by origination of temporary differences

CHF million	31 Dec 2022	31 Dec 2021
Tax losses and tax assets not yet used	38	109
Property, plant and equipment	22	30
Other non-current assets	12	1
Current assets	92	36
Provisions and liabilities	96	29
Total gross deferred tax assets	**260**	**205**
Property, plant and equipment	122	124
Other non-current assets	170	196
Current assets	83	80
Provisions and liabilities	75	49
Total gross deferred tax liabilities	**450**	**449**
Net deferred tax liabilities	**190**	**244**
Tax assets recognised in the balance sheet	143	77
Tax liabilities recognised in the balance sheet	333	321

At 31 December 2022, individual subsidiaries held tax loss carryforwards totalling CHF 638 million (previous year: CHF 1,024 million), which are available for offsetting against future taxable profits. Of these, the Alpiq Group has not recognised tax benefits on tax loss carryforwards of CHF 397 million (CHF 376 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 % (17 %). These tax loss carryforwards expire in the following periods:

CHF million	31 Dec 2022	31 Dec 2021
Within 1 year	14	
Within 2 – 3 years	16	35
After 3 years	250	230
Unlimited use	117	111
Total unrecognised tax loss carryforwards	**397**	**376**

In addition, unrecognised deductible temporary differences exist in an amount of CHF 167 million (CHF 227 million).

Global minimum corporate taxation

On 22 December 2021, the European Commission proposed the enactment of a directive that ensures a minimum effective tax rate for the global activities of large multinational groups. The proposal delivers on the EU's pledge to move extremely swiftly and be among the first to implement the recent historic global tax reform agreement, which aims to bring fairness, transparency and stability to the international corporate tax framework. The proposal closely follows the international agreement and sets out how the principles of the 15 % effective tax rate – agreed by 137 countries – will be applied in practice within the EU. It includes a common set of rules on how to calculate this effective tax rate, so that it is properly and consistently applied across the EU. As soon as the changes in the tax laws have or have essentially come into effect (implementation expected as of 1 January 2024), in the countries in which the Alpiq Group operates the national entities may be subject to a supplemental tax. Alpiq is closely monitoring the progress of the legislative process in the relevant countries. At 31 December 2022, the available publications and data were not sufficient to determine a possible quantitative impact.

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 regulatory framework.

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.

2.8 Earnings per share

	2022	2021
Earnings after tax from continuing operations attributable to equity investors of Alpiq Holding Ltd. (CHF million)	109	– 272
Interest on hybrid capital attributable to the period (CHF million)	– 29	– 29
Share of Alpiq Holding Ltd. shareholders in earnings from continuing operations (CHF million)	**80**	**– 301**
Earnings after tax from discontinued operations attributable to equity investors of Alpiq Holding Ltd. (CHF million)	0	0
Share of Alpiq Holding Ltd. shareholders in earnings from continuing and discontinued operations (CHF million)	**80**	**– 301**
Weighted average number of shares outstanding	33,110,364	33,110,364
Earnings per share from continuing operations in CHF, basic and diluted	2.42	– 9.10
Earnings per share from discontinued operations in CHF, basic and diluted	– 0.01	0.00
Earnings per share in CHF, basic and diluted	**2.41**	**– 9.10**

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, operational and financial risks, in particular liquidity, credit 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.

The principles for managing risks in the Alpiq Group are set out in the Group Risk Policy. They comprise guidelines for entering into, for 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 (Over the Counter; OTC) 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 assessing risks and reports to the CFO. 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 note annually of the planned performance of the figures critical for capital management. In addition, it receives regular reports on current developments.

Alpiq Holding Ltd. procures a significant portion of financing centrally for the Alpiq Group. The Swiss capital market remains the main source of financing. The aim pursued in financing the Group is that the level of financial liabilities contributes to a solid credit rating in line with industry standards.

The capital management strategy is in principle focused on the Group's reported consolidated equity and net debt to EBITDA ratio. Due to developments on the energy markets and the resulting increased liquidity needs Alpiq sourced additional non-current financing during the year amounting to CHF 450 million by means of 2 additional bonds.

At 31 December 2022, the Group reports an equity ratio of 24.0 %, which is below the 26.2 % of the previous year due to the higher financing requirements, the higher energy prices driving the valuation of derivative financial instruments and the lower comprehensive income generated.

The net debt to EBITDA before exceptional items ratio is calculated and compares to the previous year as follows:

CHF million	31 Dec 2022	31 Dec 2021
Non-current financial liabilities	1,075	627
Current financial liabilities	526	946
Financial liabilities	**1,601**	**1,573**
Current term deposits	7	35
Cash and cash equivalents	1,474	863
Cash and cash equivalents under assets held for sale	13	
Financial assets (liquidity)	**1,494**	**898**
Net debt	**107**	**675**
EBITDA before exceptional items [1]	473	312
Net debt / EBITDA before exceptional items	**0.2**	**2.2**

1 The previous-year figure has been adjusted to reflect the reduced number of categories of exceptional items (see note 2.1 for explanations). As a result, the Alpiq Group's EBITDA before exceptional items for 2021 increased by CHF 10 million from CHF 302 million to CHF 312 million.

The Alpiq Group has the following credit lines from banks:

CHF million	31 Dec 2022	31 Dec 2021
Non-earmarked credit lines committed by banks and financial institutions	963	503
Of which, utilised	220	331
Of which, still available	743	172

In addition to the credit lines provided by the banks, Alpiq also has a committed credit facility from its shareholders amounting to CHF 300 million.

The Alpiq Group has the following covenants from finance agreements:

Agreement	Maturity	In CHF million	Utilisation at 31 Dec 2022 in CHF million	Utilisation at 31 Dec 2021 in CHF million	Financial covenants: Equity ratio	Financial covenants: Equity	Financial covenants: Net debt / EBITDA	Other covenants: Bank rating
Syndicated loan line 1[1]	expired	200		200	x		x	x
Syndicated loan line 2	Feb 25	205					x	x
Syndicated loan line 3[2]	Mar 25	360	200			x		x
Bilateral term loan	May 25	50	50			x		
Bilateral credit line	May 25	50				x		
Bilateral credit line[2]	indefinite	20						x

1 At the reporting date 31 December 2021, the financial covenants were suspended.
2 Can be terminated by either party within 364 days

The counterparty has a right to terminate the agreement if the covenants are breached. All covenants were met at 31 December 2022.

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 10,099 million at 31 December 2022 (previous year: CHF 8,785 million). Credit risk is mitigated 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 volatile and significant increase in energy prices since 2021, the replacement values of energy derivatives as well as receivables and thus the credit risk associated with several counterparties in various countries increased considerably, which resulted in credit risk becoming a significant input factor for fair value measurement. Information about the effect of credit risk on receivables is disclosed in note 4.5.

In addition, on the reporting date, there were the following concentrations of risk with three counterparties (previous year: two counterparties), however without concrete indications of a default risk:

CHF million	31 Dec 2022	31 Dec 2021
Counterparty classified in risk category BBB		
Positive replacement values for energy derivatives	432	851
Trade receivables		96
Counterparty classified in risk category BBB-		
Positive replacement values for energy derivatives	454	
Trade receivables	181	
Counterparty classified in risk category BB-		
Positive replacement values for energy derivatives		657
Trade receivables		1
Counterparty classified in risk category CCC		
Positive replacement values for energy derivatives	468	

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 per counterparty. The limits are calculated and monitored monthly based on a number of factors. 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.

			31 Dec 2022			31 Dec 2021
CHF million	Gross	Offsetting	Net (balance sheet)	Gross	Offsetting	Net (balance sheet)
Financial assets						
Trade receivables	4,815	– 2,662	2,153	3,644	– 1,998	1,646
Energy derivatives [1]	13,888	– 9,193	4,695	22,101	– 17,041	5,060
Currency and interest rate derivatives	7		7	38		38
Financial liabilities						
Trade payables	5,125	– 2,662	2,463	3,011	– 1,998	1,013
Energy derivatives [2]	14,299	– 9,193	5,106	22,363	– 17,041	5,322
Currency and interest rate derivatives	24		24	21		21

1 Of which, a net amount of CHF 0 million (previous year: CHF 41 million) stems from own use contracts designated at fair value on initial recognition.
2 Of which, a net amount of CHF 94 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 obtained where required. This is done to hedge the risk that one party does not fulfil its part of the deal and may default on the contractual obligations. The amounts to be provided change based on the net obligation that is calculated daily based on the price movements. 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:

	31 Dec 2022		31 Dec 2021	
CHF million	Collateral received	Collateral issued	Collateral received	Collateral issued
Cash collateral [1]	316	1,076	318	101
Guarantees [2]	64	325	323	72
Total	**380**	**1,401**	**641**	**173**

1 Contained under “Receivables” or “Other current liabilities” respectively
2 Guarantees to third parties in favour of third parties are presented in note 4.8.

Liquidity risk

Margin agreements are commonly used on energy commodity exchanges and among energy traders to reduce counterparty risk. A margin agreement is a collateralisation agreement to ensure both parties’ performance. Consequently, Alpiq has to provide or can demand significant collateral in the form of cash or bank guarantees due to energy price movements and depending on the value of the net obligation. 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 liquidity 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.

During 2022, an unprecedented situation arose through a very strong increase in energy prices over a long period of time. The liquidity needs of the Group rose to a level that required daily monitoring and management. The margined positions per exchange, counterparty, market / commodity, and delivery period were actively optimised to reduce liquidity needs and the liquidity risk stemming from the margined positions assessed by means of value-at-risk analyses and dedicated stress tests. The wide range of energy market scenarios used to design these stress tests were reviewed and updated continuously to ensure any market changes and their potential impact on Alpiq were properly assessed and the outcomes of the stress tests were compared with the company’s available liquidity. If necessary, additional financing was sourced. The committed credit lines from banks in place at 31 December 2022 are shown in the "Capital Management" section. The financial liabilities are shown in note 3.4 .

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. Derivative financial instruments for hedging future own use energy transactions are normally not included in the table, because these are unrecognised pending transactions.

2022: Maturity analysis of financial liabilities and derivative financial instruments

CHF million	Carrying amount	Total	< 1 month	1 – 3 months	4 – 12 months	1 – 5 years	> 5 years
		Cash flows					
Trade payables	2,463	– 2,467	– 2,119	– 338	– 10		
Bonds	850	– 882			– 159	– 723	
Loans payable	710	– 745	– 120	– 168	– 121	– 290	– 46
Lease liabilities	41	– 50	– 1	– 2	– 5	– 26	– 16
Other financial liabilities	479	– 486	– 420	– 10	– 56		
Cash outflows from non-derivative financial liabilities		**– 4,630**	**– 2,660**	**– 518**	**– 351**	**– 1,039**	**– 62**
Energy derivatives [1]	– 411						
Cash inflows		9,172	32	1,753	4,530	2,717	140
Cash outflows		– 9,190	– 8	– 2,114	– 5,115	– 1,944	– 9
Currency / interest rate derivatives	– 17						
Cash inflows		6,035	1,570	1,970	2,135	360	
Cash outflows		– 6,060	– 1,569	– 1,973	– 2,148	– 370	
Net cash inflows / (outflows) from derivative financial instruments		**– 43**	**25**	**– 364**	**– 598**	**763**	**131**

1 Of which, an amount of CHF 94 million stems from own use contracts designated at fair value on initial recognition.

2021: Maturity analysis of financial liabilities and derivative financial instruments

CHF million	Carrying amount	Total	< 1 month	1 – 3 months	4 – 12 months	1 – 5 years	> 5 years
		Cash flows					
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.

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. These fluctuations can arise from factors such as market price movements, variations in price volatility or changing correlations between markets and products. Market 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 unless the fair value option or hedge accounting for firm commitments are applied in accordance with IFRS 9. Energy transactions are also conducted as part of the programme to optimise Alpiq's power plant portfolio. A large proportion of the replacement values for energy derivatives shown at the reporting date are attributable to optimisation positions, with positive and negative replacement values generally cancelling each other out. Alpiq also engages in energy derivatives trading. The energy derivatives concluded by the Alpiq Group are usually forward contracts. The fair values are calculated on the basis of the difference between the contractually fixed forward prices and current forward prices applicable at the reporting date. The 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) 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 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 value of energy derivatives are derived from the commodity market prices for electricity, gas, coal and oil over the past twelve months. In the previous year, the last three years were used for the sensitivity analysis, but due to the very volatile energy prices in 2022 and the expected high volatility in the near future, a narrower period seemed more appropriate. 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 2022			31 Dec 2021
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	403.3	1,275		154.7	470	
EUR / CHF currency risk	5.0	60	14	5.0	30	27
EUR / CZK currency risk	5.0	1		5.0	0	
EUR / PLN currency risk	5.0	1		5.0	1	
Interest rate risk	1.0	6	1	1.0	2	2

3.2 Financial instruments

Carrying amounts and fair values of financial assets and liabilities

	31 Dec 2022		31 Dec 2021	
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
Positive replacement values of derivatives				
Energy derivatives [1]	4,695	4,695	5,060	5,060
Currency and interest rate derivatives	7	7	38	38
Financial liabilities at amortised cost				
Bonds	850	835	675	701
Loans payable	710	697	854	861
Financial liabilities at fair value through profit or loss				
Negative replacement values of derivatives				
Energy derivatives [2]	5,106	5,106	5,322	5,322
Currency and interest rate derivatives	24	24	21	21

1 Of which, a net amount of CHF 0 million (previous year: CHF 41 million) stems from own use contracts designated at fair value on initial recognition.
2 Of which, a net amount of CHF 94 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 2022	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Financial investments	1		1	
Energy derivatives	4,695		4,537	158
Currency and interest rate derivatives	7		7	
Financial liabilities at amortised cost				
Bonds	835	835		
Loans payable	697		697	
Financial liabilities at fair value through profit or loss				
Energy derivatives	5,106		4,801	305
Currency and interest rate derivatives	24		24	

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	

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 in 2021 relates to energy derivatives with a significantly increased credit risk. The reclassification from Level 2 to Level 3 in 2022 relates to energy derivatives measured on the basis of inputs that are no longer observable in an active market due to decreased market activity. The reclassification from Level 3 to Level 2 in 2021 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 (market prices) in the price curve model are supplemented by hourly forward prices, which are arbitrage-free and compared with external price benchmarking on a monthly basis. Due to the persistently high and volatile energy prices, the replacement values of energy derivatives and thus the credit risk for several counterparties in various countries remain high. At 31 December 2022, the fair value of the derivatives that are classified as Level 3 due to a significantly increased credit risk is not material.

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. Transfers into Level 3 relate to energy derivatives which have been reclassified from level 2 to level 3 mainly due to reassessment of market liquidity. A change in the price of EUR 1 of the underlying commodity would lead to an increase / decrease in the fair value of Level 3 instruments of CHF 8 million. The sensitivity analysis does not include any interdependencies between different commodities. In order to hedge contracts assigned to Level 3, Alpiq enters into hedges that may be classified as Level 2 or Level 1. It is also possible that the Level 3 instrument is a hedge for an own use contract. Thus, the sensitivity analysis of Level 3 instruments does not include the offsetting effect from the hedging position or the own use contract. 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:

	2022		2021	
CHF million	Assets	Liabilities	Assets	Liabilities
Fair values at 1 January	**104**	**88**	**81**	**2**
Purchases	55	1	18	7
Sales	– 45		– 132	
Settlements	– 67	– 119	– 37	– 5
Fair value changes through profit or loss in net revenue [1]	185	277	159	149
Transfer to level 3	56	75	20	5
Transfer out of level 3	– 9			– 1
Offsetting	– 119	– 12	– 1	– 62
Currency translation differences	– 2	– 6	– 4	– 7
Fair values at 31 December	**158**	**305**	**104**	**88**

1 Includes CHF 203 million (previous year: CHF 64 million) attributable to assets and CHF 263 million (CHF 149 million) to liabilities (before offsetting), which were still held at 31 December

2 Offsetting reflects the effect of netting agreements related to Level 3 energy derivatives

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.

CHF million	2022 Day one gains	2022 Day one losses	2021 Day one gains	2021 Day one losses
Balance at 1 January	**18**	**17**	**11**	**12**
Deferred profit / loss arising from new transactions	55	1	18	7
Profit or loss recognised in the income statement	– 53	– 5	– 10	– 2
Currency translation differences	1	– 1	– 1	
Balance at 31 December	**21**	**12**	**18**	**17**

Expense / income related to financial assets and liabilities

CHF million	2022 Income statement	2022 Other comprehensive income	2021 Income statement	2021 Other comprehensive income
Net gains / losses (excluding interest)				
Financial assets and liabilities at fair value through profit or loss	– 541		– 49	
Own use contracts designated at fair value on initial recognition	– 227		36	
Financial assets at amortised cost [1]	– 5		– 66	
Designated for hedge accounting	24	9	20	16
Interest income and expense				
Interest income for financial assets at amortised cost [1]	6		7	
Interest expense for financial liabilities at amortised cost	– 44		– 27	
Interest expense for financial liabilities measured at fair value and designated for hedge accounting	– 4		– 6	

1 Includes effects from the purchase price adjustment for the transfer of the Swiss high-voltage grid amounting to CHF 12 million in the previous year (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 some of these 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, any impairments are calculated using the expected credit loss model according to which losses on unsecured financial assets expected in future are also recognised. Impairment losses expected in the 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 twelve 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 a forward looking estimate of expected credit losses taking into account the economic conditions and information obtained externally. The estimates are reviewed and analysed periodically. However, actual results can differ from these estimates, resulting in adjustments in subsequent periods.

Hedge accounting

Alpiq uses energy, foreign currency and interest rate derivatives to hedge exposure to fluctuations in the cash flows of highly probable forecasted transactions (cash flow hedges) and firm commitments (fair value hedges). Cash flow hedge accounting is applied to certain foreign currency and interest rate derivatives. In general, hedge accounting is not applied to energy derivatives. However, for selected energy purchase contracts, Alpiq introduced fair value hedge accounting in 2022.

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.

Cash flow hedge accounting

		31 Dec 2022		31 Dec 2021
	Foreign currency hedges	Interest rate swaps	Foreign currency hedges	Interest rate swaps
Derivative financial instruments in current assets (in CHF million)	2		9	
Derivative financial instruments in current liabilities (in CHF million)	12	1	3	8
Nominal amount (in CHF million)	1,377		466	
Nominal amount (in EUR million)	897	69	980	97

Change in cash flow hedge reserves

CHF million	2022 Foreign currency hedges	2022 Interest rate swaps	2021 Foreign currency hedges	2021 Interest rate swaps
Cash flow hedge reserves at 1 January	**32**	**– 10**	**24**	**– 15**
Recognition of gain / loss	25	4	29	1
Reclassification of realised gain / loss to net revenue	– 24		– 19	
Reclassification of realised gain / loss to financial result		4		6
Change from partner power plants and other associates				
Ineffective portion posted in finance income				– 1
Income tax expense	1	– 3	– 2	– 1
Cash flow hedge reserves at 31 December	**34**	**– 5**	**32**	**– 10**

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 instrument 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 2023 to 2026.

Interest rate swaps

At 31 December 2022, 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 two and seven years.

CHF million	2022	2021
Negative replacement values of interest rate swaps at 1 January	**8**	**16**
Realised interest payments	– 3	– 6
Change in fair value	– 4	– 1
Currency translation differences		– 1
Negative replacement values of interest rate swaps at 31 December	**1**	**8**

Fair value hedge accounting

Since 1 July 2022, Alpiq applies fair value hedge accounting for selected fixed-priced, physical energy purchase contracts (firm commitments). Firm commitments are normally accounted for as own-use contracts and thus off-balance sheet unless they were to become onerous. Different accounting treatments of derivatives (hedges) and own-use contracts lead to an accounting mismatch reported as an exceptional item in the alternative performance measures. The introduction of fair value hedge accounting allows the fair value changes of the hedged item to be recognised in the IFRS financial statements and thus to eliminate this accounting mismatch for the effective part of the hedge.

Changes in fair value of firm commitments mainly result from commodity price fluctuations. To mitigate the exposure to these market price changes, Alpiq hedges the fair value of such transactions in accordance with its hedging strategy and risk management objectives either with physical contracts or financial derivatives (see note 3.1). To a limited extent, Alpiq designates these financial forwards and futures as hedging instruments in relationship to the hedged item. The hedged items are layers of firm commitments whereby the layers represent the part of the firm commitments that is hedged with derivatives accounted for at fair value through profit or loss. Beside prospective effectiveness testing, a half-yearly own use eligibility test is performed to ensure that the layering approach is still justified and that there is no over-hedging which would lead to significant ineffectiveness.

Hedged item

The fair value changes of the hedged items are recorded in net revenue and reflected in the balance sheet line items "Other non-current assets" and "Other current liabilities". The following table shows the carrying amount of the hedged items which represents the accumulated amount of fair value hedge adjustments on the hedged items since inception of the hedge relationship.

	Other non-current assets	Other current liabilities	Total
Carrying amount of the hedged item at 1 July 2022	**0**	**0**	**0**
Fair value movement included in the hedge relationship	2	37	35
Carrying amount of the hedged item at 31 December 2022	**2**	**37**	**35**

Hedging instruments

The maturity profile as well as the average price of the hedging instruments used for hedging a layer of a firm commitment are shown in the table below.

	Futures		Forwards
	2023	2024	2023
Nominal amount in CHF million	18	6	10
Nominal amount in MWh	245,280	70,272	175,200
Average forward price in CHF	73.44	83.32	55.31

Forwards are recorded under the balance sheet line item derivative financial instruments (either as assets or liabilities). Futures are cash settled daily and therefore no open exposure is recognised in the balance sheet. The following table provides an overview of the hedging instruments:

	31 Dec 2022		
	Nominal amount in MWh	Nominal amount in CHF million	Carrying amount in CHF million
Forwards	**175,200**	**10**	**– 30**
Futures	**315,552**	**24**	**0**

Hedge effectiveness

At each reporting date or on significant changes in circumstances a quantitative hedge effectiveness assessment is performed. The fair values of both hedged items and hedging instruments are measured and the net difference of the changes is the hedge ineffectiveness amount. Specific factors that may cause ineffectiveness are timing differences (i.e. mismatch between the designated hedge period and the maturity period of the hedging instrument) and location differences. Hedge ineffectiveness is recorded under net revenue in the income statement.

	2022
Change in fair value of hedging instruments	33
Change in fair value of the hedged items	– 35
Net loss (hedge ineffectiveness)	**– 2**

3.3 Other non-current assets

CHF million	Financial investments	Loans receivable	Hedged firm commitments[1]	Other non-current assets	Total
Carrying amount at 1 January 2022	**1**	**10**		**12**	**23**
Additions		1	2		3
Disposals		– 1			– 1
Carrying amount at 31 December 2022	**1**	**10**	**2**	**12**	**25**

1 Application of fair value hedge accounting as of 1 July 2022 (see note 3.2)

CHF million	Financial investments	Loans receivable	Hedged firm commitments	Other non-current assets	Total
Carrying amount at 1 January 2021	**1**	**11**		**49**	**61**
Additions				12	12
Reclassifications		– 1		– 49	– 50
Carrying amount at 31 December 2021	**1**	**10**		**12**	**23**

Alpiq disposed of all of the loan claims received from Swissgrid Ltd in 2014 in the course 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. In 2021, the related assets and liabilities were reclassiefied from non-current to current. In 2022, the obligation expired and such a conversion never occurred. Upon expiry, the corresponding asset and liability were derecognised.

3.4 Financial liabilities

CHF million	Bonds	Loans payable	Lease liabilities	Total
Non-current financial liabilities at 1 January 2022	400	189	38	627
Current financial liabilities at 1 January 2022	275	665	6	946
Financial liabilities at 1 January 2022	**675**	**854**	**44**	**1,573**
Acquisition / disposal of subsidiaries			– 1	– 1
Proceeds from financial liabilities	450	2,259	8	2,717
Repayment of financial liabilities	– 275	– 2,396	– 8	– 2,679
Unwinding of discount			2	2
Adjustment of lease agreements			– 2	– 2
Other changes		– 1		– 1
Currency translation differences		– 6	– 2	– 8
Financial liabilities at 31 December 2022	**850**	**710**	**41**	**1,601**
Non-current financial liabilities at 31 December 2022	709	331	35	1,075
Current financial liabilities at 31 December 2022	141	379	6	526

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

Bonds outstanding at the reporting date

CHF million	Maturity	Earliest repayment date	Effective interest rate %	Carrying amount at 31 Dec 2022	Carrying amount at 31 Dec 2021
Alpiq Holding Ltd. CHF 145 million nominal amount, 3.00 % fixed rate	2012 / 2022	16 May 2022	3.06		145
Alpiq Holding Ltd. CHF 141 million nominal amount, 2.13 % fixed rate	2015 / 2023	30 Jun 2023	2.12	141	141
Alpiq Holding Ltd. CHF 260 million nominal amount, 2.63 % fixed rate	2014 / 2024	29 Jul 2024	2.71	259	259
Alpiq Holding Ltd. CHF 200 million nominal amount, 1.63 % fixed rate	2022 / 2025	30 May 2025	1.69	200	
Alpiq Holding Ltd. CHF 250 million nominal amount, 1.75 % fixed rate	2022 / 2026	24 Jun 2026	1.63	250	
Electricité d'Emosson SA CHF 130 million nominal amount, 1.38 % fixed rate	2017 / 2022	2 Nov 2022	1.44		130

The weighted interest rate on the bonds issued and listed on the SIX Swiss Exchange based on the nominal value at the reporting date is 2.04 % (previous year: 2.29 %), and that on the loans payable is 2.25 % (2.78 %). The latter also includes project financing denominated in euros. The weighted average interest rate of the bonds and the loans payable is 2.11 % (2.47 %).

Accounting policies

The accounting policies for financial liabilities are disclosed in note 3.2 and note 3.5.

3.5 Leases

Alpiq is lessee in various contracts particularly in connection with power plants, land, building and IT infrastructure rentals. These leases are 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 buildings	Rights of use power plants	Rights of use others	Total
Net carrying amount at 1 January 2022	**16**	**21**	**2**	**39**
Acquisition / disposal of subsidiaries	– 1			– 1
Investments	8			8
Divestments / early termination	– 2			– 2
Depreciation	– 3	– 2	– 1	– 6
Currency translation differences	– 1	– 1		– 2
Net carrying amount at 31 December 2022	**17**	**18**	**1**	**36**
Of which, cost value	26	35	4	65
Of which, accumulated depreciation	– 9	– 17	– 3	– 29

CHF million	Rights of use buildings	Rights of use power plants	Rights of use 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

The change in carrying amounts of the lease liabilities included under financial liabilities can be seen in note 3.4. The total cash outflow from leases amounted to CHF 8 million in 2022 (previous year: CHF 8 million).

Accounting policies

The Alpiq Group applies a uniform approach 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. At inception of a contract Alpiq assesses whether the contract is or contains a lease. A lease exists if a contract grants Alpiq the right to control a certain asset over a period of time in exchange for consideration. 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 the lifetime of the asset 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 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.

3.6 Equity

Share capital

The share capital of CHF 0.331 million (previous year: CHF 0.331 million) consists of 33,110,364 registered shares at par value of CHF 0.01 each and is fully paid in. The shareholder structure breaks down as follows:

	Stakes in % at 31 Dec 2022	Stakes in % at 31 Dec 2021
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. will propose to the Annual General Meeting on 26 April 2023 to distribute no dividend for the 2022 financial year. No dividend was distributed in 2022 for the 2021 financial year.

Hybrid capital

In 2013, Alpiq placed a CHF 650 million public hybrid bond on the Swiss capital market. It has no maturity date and qualifies as equity under IFRS. Alpiq is entitled to repay the public hybrid bond at 15 November of each year. As in the previous years, Alpiq opted not to exercise this option in the 2022 financial year.

Every five years, the interest rate is adjusted to reflect prevailing market conditions. In 2018, the interest rate was adjusted to 4.5325 % for the first time. The interest rate will next be adjusted at 15 November 2023. Furthermore, in 2023 and 2043, the interest rate will be increased by 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 2022 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 basic earnings per share. The accrued interest after tax totalled CHF 4 million at 31 December 2022 (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 2022 (CHF 29 million). Due to the equity character of the hybrid capital, these distributions were deducted from retained earnings.

4 Operating assets and liabilities

4.1 Property, plant and equipment

CHF million	Land and buildings	Power plants	Others[1]	Assets under construction and prepayments	Right-of-use assets[2]	Total
Net carrying amount at 1 January 2022	**113**	**1,623**	**26**	**58**	**39**	**1,859**
Acquisition / disposal of subsidiaries				– 2	– 1	– 3
Investments		2		65	8	75
Own work capitalised				1		1
Reclassifications		30	2	– 32		
Reclassified to “Assets held for sale”		– 47	– 1			– 48
Disposals					– 2	– 2
Depreciation	– 2	– 89	– 4		– 6	– 101
Reversals of impairment		18				18
Currency translation differences		– 12	– 1	– 2	– 2	– 17
Net carrying amount at 31 December 2022	**111**	**1,525**	**22**	**88**	**36**	**1,782**
Of which, cost value	175	4,771	62	92	65	5,165
Of which, accumulated depreciation	– 64	– 3,246	– 40	– 4	– 29	– 3,383

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

CHF million	Land and buildings	Power plants	Others[1]	Assets under construction and prepayments	Right-of-use assets[2]	Total
Net carrying amount at 1 January 2021	**112**	**1,655**	**34**	**77**	**43**	**1,921**
Investments		1		58	4	63
Own work capitalised				1		1
Reclassifications	5	76	– 3	– 78		
Disposals	– 1					– 1
Depreciation	– 3	– 88	– 5		– 6	– 102
Impairment		– 8				– 8
Currency translation differences		– 13			– 2	– 15
Net carrying amount at 31 December 2021	**113**	**1,623**	**26**	**58**	**39**	**1,859**
Of which, cost value	176	4,917	73	62	66	5,294
Of which, accumulated depreciation	– 63	– 3,294	– 47	– 4	– 27	– 3,435

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

Impairment and reversals of impairment 2022

The integration of Nant de Drance (NdD) into the Production Switzerland CGU as of 1 July 2022 constituted a triggering event. The impairment test of the Production Switzerland CGU was performed at half-year closing and did not lead to any impairment losses. Further information can be found in note 4.7.

In the second half of 2022, the management initiated the sale of the three Bulgarian companies. As a result, the corresponding assets and liabilities were classified as "held for sale" (see note 5.2). Prior to this reclassification Alpiq tested the assets of the cash-generating unit Vetrocom for impairment and determined the recoverable amount based on the fair value less cost to sell which was calculated on the basis of the non-binding offers (level 2) received. The assessment led to a reversal of impairment losses recognized in prior years in the amount of CHF 23 million in the International business division, thereof CHF 18 million on wind park assets and CHF 5 million on intangible assets.

Impairment 2021

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

Contractual obligations

At the reporting date, the Group had contractual commitments of CHF 66 million (previous year: CHF 59 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. 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. If an asset does not generate cash inflows that are independent of those from other assets, the recoverable amount of the individual asset is estimated for the cash-generating unit to which the asset belongs. Value in use is calculated by discounting the estimated future cash flows based on budget figures approved by management, business assumptions as well as other relevant factors. These assumptions are based on historical empirical data as well as current market expectations and therefore contain significant estimation uncertainties. These assumptions largely relate to wholesale prices on European forward markets and forecasts of medium-term 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 extrapolated by a growth rate of 2.0 % (previous year: 2.0 %). This growth rate corresponds to the long-term average growth that Alpiq expects and represents a forecast. The discount rates that have been applied reflect the current market estimate for the specific risks to be allocated to the assets and represent a best estimate. Actual results can differ from these estimates, assumptions and forecasts, resulting in significant adjustments in subsequent periods.

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 2022	**26**	**62**	**4**	**92**
Investments			5	5
Own work capitalised			6	6
Reclassifications		8	– 8	
Reclassified to "Assets held for sale"		– 8		– 8
Amortisation	– 1	– 15		– 16
Impairment		– 2	– 1	– 3
Reversals of impairment		5		5
Currency translation differences		– 1		– 1
Net carrying amount at 31 December 2022	**25**	**49**	**6**	**80**
Of which, cost value	1,490	523	6	2,019
Of which, accumulated amortisation	– 1,465	– 474		– 1,939

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 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.

Impairment and reversals of impairment

Impairment losses of CHF 3 million (previous year: CHF 2 million) were recognised in the Trading business division as internally developed software could not be used as originally planned.

More information on reversals of impairment losses is disclosed in note 4.1 and note 5.2.

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 75 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 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 2022	**2,266**	**35**	**2,301**
Dividends	– 23		– 23
Share of profit / loss	– 58	– 1	– 59
IAS 19 effects recognised in other comprehensive income	– 43	– 5	– 48
Investments	24		24
Reclassifications	– 12		– 12
Carrying amount at 31 December 2022	**2,154**	**29**	**2,183**

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 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**

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 a 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 2022 amounted to CHF 774 million (previous year: CHF 399 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 2022

	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	2,063	1,239	2,097	818	3,357	1,334	4,912	1,284	732	244
Of which, non-current financial assets	47	28	9	4	2,215	880	2,192	573		
Current assets	14	8	– 4	– 2	469	186	554	145	12	4
Of which, cash and current financial assets	9	5	4	2	48	19	41	11	1	
Non-current liabilities	736	442	1,660	647	3,325	1,321	4,125	1,079	117	39
Of which, non-current financial liabilities	735	441	1,647	642	244	97	535	140	117	39
Current liabilities	157	94	41	16	166	66	126	33	59	20
Of which, current financial liabilities	100	60	9	4	80	32			47	16
Total equity	**1,184**	**711**	**392**	**153**	**335**	**133**	**1,215**	**317**	**568**	**189**
Income	166	100	103	40	800	319	887	232	120	40
Expenses	– 189	– 114	– 106	– 41	– 888	– 353	– 900	– 235	– 139	– 46
Net income	**– 23**	**– 14**	**– 3**	**– 1**	**– 88**	**– 34**	**– 13**	**– 3**	**– 19**	**– 6**
Other comprehensive income	– 6	– 4	1		– 54	– 22	– 48	– 14		
Total comprehensive income	**– 29**	**– 18**	**– 2**	**– 1**	**– 142**	**– 56**	**– 61**	**– 17**	**– 19**	**– 6**
Dividends received		**8**				**7**		**6**		

The associates classified as material by Alpiq comprise only strategically significant partner power plants. Market prices are not available for any of these companies.

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**		

Individually immaterial partner power plants and other associates 2022

	Individually immaterial partner power plants		Other associates	
CHF million	Gross values	Alpiq share	Gross values	Alpiq share
Non-current assets	3,721	988	121	33
Of which, non-current financial assets	46	7	14	2
Current assets	85	16	65	14
Of which, cash and current financial assets	22	5	31	9
Non-current liabilities	1,250	276	39	12
Of which, non-current financial liabilities	1,225	271	33	11
Current liabilities	391	77	31	6
Of which, current financial liabilities	261	52	3	1
Total equity	**2,165**	**651**	**116**	**29**
Income	412	85	197	33
Expenses	– 424	– 91	– 196	– 34
Net income	**– 12**	**– 6**	**1**	**– 1**
Other comprehensive income	– 28	– 3	– 36	– 5
Total comprehensive income	**– 40**	**– 9**	**– 35**	**– 6**
Dividends received		**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**		

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 presumed 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 2022	31 Dec 2021
CO_2 and other certificates	25	21
Gas	15	
Consumables, supplies and fuels	11	12
Total	**51**	**33**

Accounting policies

Inventories are stated at the lower of cost (calculated applying the FIFO method or the average cost method) and net realisable value.

4.5 Receivables and other current assets

CHF million	31 Dec 2022	31 Dec 2021
Trade receivables [1]	2,153	1,646
Prepayments to suppliers	12	16
Other current receivables	1,716	1,120
Total	**3,881**	**2,782**

1 Of which, an amount of CHF 1,187 million (previous year: CHF 1,033 million) stems from contracts with customers pursuant to IFRS 15.

Alpiq usually grants its customers a payment term of no longer than 30 days. In certain cases, the payment term 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 2022			31 Dec 2021
CHF million	Gross	Allowance for ECL	Net (balance sheet)	Gross	Allowance for ECL	Net (balance sheet)
Not past due	2,032	– 5	2,027	1,479		1,479
1 – 90 days past due	186	– 74	112	296	– 148	148
91 – 180 days past due	8		8	37	– 30	7
181 – 360 days past due	20	– 18	2	1	– 1	
Over 360 days past due	141	– 137	4	49	– 37	12
Total	**2,387**	**– 234**	**2,153**	**1,862**	**– 216**	**1,646**

Allowance for expected credit loss (ECL) on trade receivables

CHF million	31 Dec 2022	31 Dec 2021
Carrying amount before impairment	2,387	1,862
Of which, impaired	– 234	– 216
Impairment at beginning of year	– 216	– 43
Impairment charge for the year [1]	– 65	– 79
Valuation adjustment of realised energy derivatives		– 108
Amounts written off as uncollectible	27	2
Unused amounts reversed	10	3
Currency translation differences	10	9
Impairment at end of year [2]	– 234	– 216

1 Of which, an amount of CHF – 2 million (previous year: CHF – 2 million) stems from contracts with customers pursuant to IFRS 15.
2 Of which, an amount of CHF – 29 million (previous year: CHF – 39 million) stems from contracts with customers pursuant to IFRS 15.

The impairment comprises specific bad debt allowances of CHF 233 million (previous year: CHF 215 million) that were recognised for receivables with concrete indications of a default risk (e.g. insolvency). In accordance with the expected credit loss model, it also includes general bad debt allowances of CHF 1 million (CHF 1 million) due to the inherent default risk for receivables. For this, individual probabilities of default are calculated for each counterparty amounting to between 0.0 % and 19.0 % (previous year: between 0.0 % and 20.3 %), depending on the maturity of the trade receivables.

Accounting policies

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

4.6 Cash and cash equivalents

CHF million	31 Dec 2022	31 Dec 2021
Cash at bank and in hand	1,374	863
Term deposits with a maturity of 90 days or less	100	
Total	**1,474**	**863**

Cash at bank and in hand include foreign subsidiaries' bank accounts with a total balance of EUR 72 million, translated CHF 71 million, (previous year: EUR 57 million, translated CHF 59 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	Decommissioning own power plants	Other	Total
Non-current provisions at 1 January 2022	416	48	26	490
Current provisions at 1 January 2022	121		8	129
Provisions at 1 January 2022	**537**	**48**	**34**	**619**
Increase	130		9	139
Unwinding of discount	9	2		11
Utilised	– 206		– 3	– 209
Unused amounts reversed	– 428		– 7	– 435
Reclassified to “Liabilities held for sale”	– 1	– 1		– 2
Currency translation differences	– 19		– 1	– 20
Provisions at 31 December 2022	**22**	**49**	**32**	**103**
Non-current provisions at 31 December 2022	14	49	23	86
Current provisions at 31 December 2022	8		9	17

Onerous contracts

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

Due to movements in electricity and gas prices, own use contracts for the physical purchase or sale of electricity can become onerous. Although Alpiq hedges these contracts from an economic perspective, this hedging also involves financial contracts. As Alpiq applies hedge accounting for energy purchase and sale contracts only for firm commitments in very restricted cases, own use contracts and associated financial hedges normally have to be accounted for and presented separately.

The onerous contract provision relating to the future procurement of energy from the Nant de Drance (NdD) pumped storage power plant, which amounted to CHF 389 million at the beginning of the year, was reversed in full at 30 June 2022, resulting in a positive effect on earnings of CHF 399 million. The section below explains the background of the reversal.

Electricity produced by Swiss assets (hydropower plants and nuclear plants) as well as some long-term energy purchase contracts are all hedged, optimised and marketed together on a portfolio basis within the Switzerland business division and thus form the Production Switzerland CGU. With the full commercial commissioning of NdD on 1 July 2022 the energy produced by NdD is hedged, optimised and marketed together with the other production facilities in the portfolio of the Production Switzerland CGU and thus its cashflows are no longer independent. As a result, NdD became part of the Production Switzerland CGU and no longer constitutes a separate valuation unit. As the combined expected economic benefits of the Production Switzerland CGU exceeded the expected cost, the provision for NdD was reversed in full. The integration of NdD into the Production Switzerland CGU represented a triggering event. The impairment test performed at 30 June 2022 did not lead to any impairment losses on PPE.

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

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.

Other provisions

Other provisions include obligations arising from the human resources area, existing and pending obligations from litigation as well as other operating risks deemed probable.

Provisions for pending obligations from litigation are based on information available in each case and estimates made by management as to the outcome of the litigation. Depending on the actual outcome, the effective cash outflow 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 (Agenția Naţională de Administrare Fiscală) issued the final tax assessment notice to Alpiq in September 2017 for an amount of RON 793 million (CHF 158 million) for value added tax, corporate income tax and penalties (including late payment penalties) for the assessment period 2010 to 2014. The tax assessment determined by ANAF is being contested on 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 117 million as being without merit, while it repealed the decision from the tax audit with regard to an amount of RON 204 million (CHF 41 million), and ordered a reassessment. Alpiq contested the decision on the appeal made by ANAF by making use of the legal means of appeal at its disposal. On 3 September 2019, the court of appeal in Bucharest endorsed Alpiq's request that the tax assessment of RON 589 million is not enforceable until a decision has been reached by the last court of appeal.

In a ruling from 19 October 2021, the competent Romanian administrative court agreed with the reasoning of Alpiq Energy SE and revoked the decision of ANAF on the assessment in the amount of RON 589 million as unlawful. After having received the written substantiation for the court's decision in May 2022, ANAF contested the ruling by filing an appeal with the Romanian administrative court of second instance at the end of May 2022. Alpiq Energy SE also filed an appeal on part of the reasoning. The first court hearing for the second appeal phase is scheduled for December 2023.

The reassessment with regard to the amount of RON 204 million (CHF 41 million) will not take place until there is a final ruling in the proceedings concerning the amount of RON 589 million. In separate proceedings, Alpiq Energy SE claimed compensation for damage caused by the illegal precautionary measures order following ANAF's request, as well as part of the bank guarantee costs. On 12 December, 2022 the court accepted Alpiq Energy SE's damage claim and awarded Alpiq Energy SE RON 10 milion as damages caused by the issuance of tax as well as court fees amounting to RON 0.1 million. ANAF is expected to appeal this verdict and Alpiq Energy SE is also planning to file a supplementation request and or an appeal, therehus no receivable was recognised.

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

Compensation review proceedings against Alpiq Holding Ltd.

In 2020, appraisal claims were 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). The claims seek a review of the compensation of CHF 70.00 per share approved by the Annual General Meetings of Alpha 2020 AG (current Alpiq Holding Ltd.) and former Alpiq Holding AG ("Former Alpiq") and paid to minority shareholders of in the squeeze-out merger in 2020.

In February 2023, Alpiq Holding Ltd. and Merion Capital reached an out-of-court settlement and Merion Capital withdrew their appraisal claim in the proceedings started at the Chambre patrimoniale cantonale of Canton of Vaud, Switzerland and waived any right to claim any additional payment from Alpiq in relation to Merion's shares acquired as part of the squeeze-out merger.

The proceeding initiated by Knight Vinke is continuing, whereby Knight Vinke is seeking a compensation based on a value per share amounting to at least CHF 140. This would correspond to additional aggregate compensation of around CHF 73 million to be paid by Alpiq Holding Ltd. to all relevant minority shareholders (excluding Merion Capital). The proceeding is currently pending in the competent court of Canton of Vaud. A first instance ruling is not expected before 2024.

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. (Former Alpiq) and Alpha 2020 Ltd. (current Alpiq Holding Ltd.). The valuation report of Alantra determined a value range of CHF 63.30 to CHF 72.50 per share in Former Alpiq and therefore confirmed that the agreed compensation of CHF 70 per share is appropriate.

Based on the facts and circumstances known at this 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

Alpiq is currently in negotiations with a contracting party regarding the termination of a long-term energy sales contract, as Alpiq is of the opinion that this contract is no longer valid given the current market conditions. If a settlement agreement can be agreed on by both parties, this would result in recognition of a liability in the amount of CHF 20 to 25 million. If no agreement can be reached, it cannot be ruled out that the other party will take legal action.

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 2021. 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 2022	31 Dec 2021
Trade payables	2,463	1,013
Hedged firm commitments [1]	37	
Other current liabilities	493	509
Advances from customers	160	201
Total	**3,153**	**1,723**

1 Application of fair value hedge accounting as of 1 July 2022 (see note 3.2)

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.

In the previous year, the item “Other current liabilities” included obligations in the amount of CHF 49 million arising from the sale of loans receivable due from Swissgrid Ltd. Further information can be found in the note 3.3.

5 Group structure

5.1 Companies sold

Compensation for the transfer of the Swiss high-voltage grid

The adjustment of the valuation of the transfer of the Swiss high-voltage grid was finalised for Alpiq in the second half of 2021. In the previous year, additional sales proceeds of CHF 12 million were recorded under "Other operating income" and interest components of CHF 5 million were recognised as interest income. Cash inflows from the additional sales proceeds amounted to CHF 31 million in 2022 (previous year: CHF 20 million) and were recorded under "Disposal of subsidiaries" in the statement of cash flows. Cash inflows from the interest components amounted to CHF 5 million in 2022 (previous year: CHF 11 million) and were recorded under "Interest received" in the statement of cash flows. Accordingly, all sales proceeds and interest components have been collected in full and for Alpiq the transaction to transfer the Swiss high-voltage grid is thus completed.

Sale of two Spanish project companies

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

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 the 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") 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 (CHF 46.8 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. Kraftanlagen filed an appeal against the administrative order imposing the fine. In 2022 several hearings at the Higher Regional Court of Düsseldorf took place in which Alpiq was deemed guilty on two out of five indictments. The fine was reduced by EUR 26.5 million (CHF 26 million) to EUR 21 million (CHF 20.7 million). Both the Federal Cartel Office and Kraftanlagen have appealed to the Federal Court of Justice.

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

The cash outflow from bearing the costs in connection with the aforementioned proceedings amounted to CHF 0.3 million in 2022 (previous year: CHF 1 million). According to the sales agreement, these payments are treated as an adjustment to the sale price. They are therefore contained in the statement of cash flows under “Net cash flows from investing activities of discontinued operations”.

5.2 Assets held for sale

In the second half of 2022, Alpiq decided to sell its three Bulgarian subsidiaries Vetrocom EOOD, Alpiq Energia Bulgaria EOOD and Alpiq Wind Services EAD. Following this decision the assets and liabilities of the companies were classified as “held for sale". Prior to the reclassification an impairment test was performed which resulted in the recognition of impairment reversals of CHF 23 million.

Assets

CHF million	31 Dec 2022	31 Dec 2021
Property, plant and equipment	48	
Intangible assets	8	
Inventories	1	
Derivative financial instruments	8	
Receivables and other current assets	5	
Cash and cash equivalents	13	
Total assets held for sale	**83**	**0**

Liabilities

CHF million	31 Dec 2022	31 Dec 2021
Non-current provisions	1	
Deferred income tax liabilities	2	
Current provisions	1	
Other current liabilities	6	
Total liabilities held for sale	**10**	**0**

At 31 December 2022, currency translation losses of CHF 33 million related to assets and liabilities held for sale are included in equity.

Accounting policies

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

5.3 Significant Group companies and investments

Group companies	Place of incorporation	Switzerland	Interna-tional	Trading	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 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	X		100.0
Alpiq Energie France S.A.S.	Paris, FR		X	X	X	100.0
Alpiq Energy SE	Prague, CZ		X	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.	Paris, FR		X			100.0
Alpiq Retail France S.A.S.	Paris, FR		X			100.0
Alpiq Services CZ s.r.o.	Prague, CZ		X	X	X	100.0
Alpiq Solutions France S.A.S.	Paris, FR		X			100.0
Alpiq Suisse Ltd. [1]	Lausanne, CH	X			X	100.0

Group companies	Place of incorporation	Switzerland	Interna-tional	Trading	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.	Paris, 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.	Milan, IT		X			100.0
Energie Electrique du Simplon SA (E.E.S.)	Simplon, CH	X				82.0
Enpower 2 S.r.l.	Milan, IT		X			100.0
Enpower 3 S.r.l.	Milan, IT		X			100.0
Entegra Wasserkraft AG	St. Gallen, CH	X				59.6
Eole Jura SA	Muriaux, CH	X				100.0
EolJorat Nord SA	Lausanne, CH	X				100.0
Hydro-Solar Energie AG	Niederdorf, CH	X				65.0
Isento Wasserkraft AG	St. Gallen, CH	X				100.0
Kraftwerke Gougra AG	Sierre, CH	X				54.0
Motor-Columbus Ltd. [1]	Olten, CH				X	100.0
NOVAGAVIA BUSINESS, S.L.	Madrid, ES		X			100.0
Novel S.p.A.	Milan, IT		X			51.0
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 [2]	Arosa, CH	X				51.0
Wasserkraftwerk Tambobach AG	Splügen, CH	X				70.0

1 Interest held directly by Alpiq Holding Ltd.
2 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	International	Trading	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 [2]	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
2 Although Alpiq holds direct ownership of 60 %, it has no control. For more explanations on accounting policies, please refer to note 4.3.

Joint venture	Place of incorporation	Switzerland	International	Trading	Group Centre & other companies	Direct ownership interest in %
Hydrospider Ltd	Niedergösgen, CH	X				45.0
SC Produccion Renovable S.L.	Barcelona, Spain		X			25.0

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 which were prepared by using uniform 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 of 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 "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 is lost.

The following exchange rates were used for currency translation:

Unit	Closing rate at 31 Dec 2022	Closing rate at 31 Dec 2021	Average rate for 2022	Average rate for 2021
1 EUR	0.985	1.033	1.005	1.081
1 GBP	1.110	1.229	1.180	1.258
1 USD	0.923	0.912	0.955	0.914
100 CZK	4.083	4.156	4.093	4.217
100 HUF	0.246	0.280	0.258	0.302
100 NOK	9.366	10.343	9.961	10.644
100 PLN	21.037	22.474	21.473	23.699
100 RON	19.895	20.875	20.381	21.978

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

	2022			2021		
CHF million	Partner power plants	Other associates	Other related companies	Partner power plants	Other associates	Other related companies
Total revenue and other income						
Net revenue [1]	59	4	– 14	64	19	
Other operating income	2	1		2	1	
Operating expenses						
Energy and inventory costs	– 774	– 18	– 25	– 399	– 15	– 7
Other operating expenses	– 1			– 1		
Financial result						
Interest expense			– 1			

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

Outstanding balances with related companies at the reporting date

	31 Dec 2022			31 Dec 2021		
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	1	1	6	2
Derivative financial instruments						2
Receivables	3	1		21	1	
Prepayments and accrued income	8			104		
Current term deposits	5	2		8	2	
Liabilities						
Current financial liabilities						141
Other current liabilities	6	1	2	28	1	1
Accruals and deferred income	236			8		1

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.

The Alpiq Group has no non-financial energy trading contracts outstanding with other associates and other related entities at 31 December 2022. In the previous year, the contract volume was 49 GWh and the gross value CHF 5 million.

The previous year current financial liabilities to other related companies pertained to interest-bearing loans payable to shareholders with significant influence on the Alpiq Group. The interest rate was 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	2022	2021	2022	2021
Fixed and variable remuneration	1.8	1.3	4.5	4.0
Social security contributions		0.2	0.9	1.1
Total	**1.8**	**1.5**	**5.4**	**5.1**

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 2022	31 Dec 2021
Present value of defined benefit obligation	633	738
Fair value of plan assets	692	815
Deficit / surplus (–)	– 59	– 77
Change in effect of asset ceiling	61	
Net defined benefit liabilities / assets (–)	**2**	**– 77**
Of which, liabilities	2	3
Of which, assets		– 80

Reconciliation of net defined benefit liabilities / assets

CHF million	2022	2021
Net defined benefit liabilities / assets (–) at 1 January	**– 77**	**31**
Defined benefit expense recognised in the income statement	43	19
Defined benefit expense recognised in other comprehensive income[1]	50	– 115
Contributions by employer to legally independent pension schemes	– 14	– 12
Net defined benefit liabilities / assets (–) at 31 December	**2**	**– 77**

1 Of which, CHF 61 million relating to change in effect of asset ceiling.

Changes in the present value of the defined benefit obligation

CHF million	2022	2021
Present value of defined benefit obligation at 1 January	**738**	**790**
Interest expense on defined benefit obligations	3	1
Current service cost	16	18
Contributions by plan participants	8	8
Benefits paid	– 68	– 40
Remeasurements:		
Financial assumptions	– 116	– 22
Demographic assumptions [1]		– 21
Experience adjustments	26	3
Settlement [2]	26	
Others		1
Present value of defined benefit obligation at 31 December	**633**	**738**

1 In the previous year the effect mainly resulted from the switch to the BVG 2020 generation tables.
2 In 2022, PKE informed Alpiq that, based on the provisions in the affiliation agreement between Alpiq and PKE some of the pensioners must be transferred from the Alpiq pension scheme to the separate scheme "pensioners without employer". This transfer will take effect on 1 January 2023 and will result in a payment of CHF 13.5 million to be made by Alpiq in 2023. The settlement eliminates all further obligations of Alpiq towards the transferred pensioners and results in a loss on settlement of CHF 26 million in 2022.

The weighted average duration of the defined benefit obligation at the reporting date is 11.4 years (previous year: 13.3 years).

Changes in the fair value of the plan assets

CHF million	2022	2021
Fair value of plan assets at 1 January	**815**	**759**
Interest income on plan assets	3	1
Contributions by employer to legally independent pension schemes	14	12
Contributions by plan participants	8	8
Benefits paid	– 68	– 40
Remeasurement on plan assets	– 80	75
Fair value of plan assets at 31 December	**692**	**815**

Asset classes of plan assets

CHF million	31 Dec 2022	31 Dec 2021
Quoted market prices		
Liquidity	– 5	10
Equity instruments of third parties	265	332
Debt instruments of third parties	209	240
Property funds	38	40
Other investments	78	85
Total plan assets at fair value (quoted market prices)	**585**	**707**
Unquoted market prices		
Property not used by the company	107	108
Total plan assets at fair value (unquoted market prices)	**107**	**108**
Total fair value of plan assets	**692**	**815**

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 2022	31 Dec 2021
Discount rate	2.25	0.35
Projected interest rate for retirement assets	2.50	0.75
Expected rates of salary increase (weighted average)	1.50	0.50
Estimated long-term rate of change in the CMI model (basis: BVG 2020)	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	2022	2021
Discount rate		
0.25 % increase	– 17	– 24
0.25 % reduction	18	25
Projected interest rate for retirement assets		
0.25 % increase	4	5
0.25 % reduction	– 4	– 5
Rate of salary increase		
0.25 % increase	1	2
0.25 % reduction	– 1	– 2
Life expectancy		
1 year increase	23	32
1 year reduction	– 24	– 33

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

Employer social security contributions are estimated at CHF 25 million and employee contributions are estimated at CHF 7 million for 2023.

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 133 million of its interests in these power plants to the financing banks as collateral (previous year: CHF 111 million). In addition, Alpiq has pledged all of its shares in the associate Tormoseröd Vindpark AB, Karlstad, SE, of CHF 3.7 million in the context of project financing for the construction of a wind farm in Sweden (CHF 3.9 million). For information about pledged cash and cash equivalents, please refer to note 4.6.

6.5 Events after the reporting period

There were no reportable events after the reporting date of 31 December 2022.

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To the General Meeting of
Alpiq Holding Ltd., Lausanne

Zurich, 22 February 2023

Report of the statutory auditor

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 2022, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 48 to 114) give a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of 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 (ISA) and Swiss Standards on Auditing (SA-CH). 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, together with the requirements of the Swiss audit profession, as well as those of the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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.

Valuation 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 or whether an impairment loss recognized in prior periods may be reversed. As of 30 June 2022, Alpiq identified indications that the cash-generating unit (CGU) Production Switzerland may be impaired as disclosed in note 4.1. To determine the amount of impairment, Alpiq Group compares the value in use to the carrying amount of the asset. The calculation of the value in use requires 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, volatility of future electricity prices, future exchange rates, future inflation rates and the discount rates. The significant assumptions comprise the regulatory environment, the effects of climate-related factors as well as the long-term investment activities.
Our audit response	In our audit of the valuation 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, volatility of 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. For CGU Production Switzerland, we audited the methodological and mathematical correctness of the discounted cash flow calculations underlying the valuation models for material power plants, contracts and portfolio effects and assessed the underlying significant estimates as explained above. Moreover, we reconciled the expected cost to the budgets. Our audit procedures did not lead to any reservations regarding the impairment of production facilities and investments in production companies.

Classification and measurement of energy contracts

Risk	Regarding forward contracts on electricity, gas and other commodities, Alpiq Group assesses for each case whether the transaction had been concluded with the purpose of physical realization in accordance with the expected purchase, sale or usage requirements or whether the transaction had been concluded for trading purposes. The former transactions are recognized in net revenue, as explained in note 2.2 to the consolidated financial statements, or in energy and inventory costs

	once they have been completed whereas the latter transactions are immediately recorded in the consolidated balance sheet at fair value, with profit or 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 2022. 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 158 million) for the period of 2010 to 2014. This claim was reduced to RON 589 million (CHF 117 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 the 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 the information included in the annual report, but does not include the consolidated financial statements, the stand-alone 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.

Board of Directors' responsibilities for the consolidated financial statements
The Board of Directors is responsible for the preparation of the consolidated financial statements, which give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISA and SA-CH 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 on EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report on other legal and regulatory requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the 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 Licensed audit expert (Auditor in charge)	Max Lienhard Licensed audit expert

5-year Overview

Income Statement

CHF million	2022	2021	2020	2019	2018
Net revenue	14,631	7,177	3,905	4,099	5,186
Other operating income	38	81	124	55	50
Total revenue and other income	14,669	7,258	4,029	4,154	5,236
Operating expenses	– 14,323	– 7,335	– 3,747	– 3,986	– 5,227
Earnings before interest, tax, depreciation and amortisation (EBITDA)	346	– 77	282	168	9
Depreciation, amortisation and impairment [1]	– 97	– 126	– 80	– 401	– 169
Earnings before interest and tax (EBIT)	249	– 203	202	– 233	– 160
Share of results of partner power plants and other associates	– 59	– 35	– 35	– 44	– 50
Financial result	– 74	– 61	– 55	– 59	– 95
Income tax (expense) / income	– 5	28	43	110	44
Earnings after tax from continuing operations	111	– 271	155	– 226	– 261
Earnings after tax from discontinued operations	0	0	– 56	– 42	198
Net income / (loss)	111	– 271	99	– 268	– 63
Net income attributable to non-controlling interests	2	1	3	3	14
Net income attributable to equity investors of Alpiq Holding Ltd.	109	– 272	96	– 271	– 77

1 In 2022 and 2020, including reversals of impairment losses

Balance sheet

CHF million	2022	2021	2020	2019	2018
Total assets	14,701	13,557	7,368	7,360	9,074
Assets					
Non-current assets	4,213	4,432	4,440	4,566	5,475
Current assets	10,488	9,125	2,928	2,794	3,599
Equity and liabilities					
Total equity	3,529	3,558	3,761	3,671	3,944
As % of total assets	24.0	26.2	51.0	49.9	43.5
Liabilities	11,172	9,999	3,607	3,689	5,130

Other key performance indicators

	2022	2021 [1]	2020	2019 [2]	2018 [3]
EBITDA before exceptional items in CHF million	473	312	262	110	166
Net debt in CHF million	107	675	249	206	272
Net debt / EBITDA before exceptional items	0.2	2.2	1.0	1.9	1.6
Number of employees at the reporting date	1,180	1,266	1,258	1,226	1,548

1 Since 2022, Alpiq no longer presents any exceptional items from the categories “Effects from business disposals” or “Restructuring costs and litigation” in its internal or external reporting in order to simplify reporting. The previous year figures 2021 have been adjusted, see note 2.1 of the notes to the consolidated financial statements.
2 Since 2019, EBITDA before exceptional items without Flexitricity Ltd. and e-mobility business
3 Including Flexitricity Ltd. and e-mobility business

Per share data

	2022	2021	2020	2019	2018
Par value in CHF	0.01	0.01	0.01	10	10
Weighted average number of shares outstanding [1]	33,110,364	33,110,364	33,110,364	33,110,364	27,874,649
Net income in CHF [1]	2.41	– 9.10	2.01	– 9.07	– 3.90
Dividend in CHF [2]	0.00	0.00	1.40	0.00	0.00

1 The figures for 2019 have been adjusted due to the conversion of the hybrid loan from the shareholders and the resulting higher number of shares. The figures for 2018 have not been adjusted.
2 2022: to be proposed to the Annual General Meeting

Financial Statements of Alpiq Holding Ltd.

Income statement

CHF	Note	2022	2021
Income			
Dividend income	2	4,418,001	56,364,974
Finance income	3	1,174,626,475	404,909,009
Reversal of impairment losses on loans receivable		2,376,040	12,500,000
Reversal of impairment losses on investments			42,374,383
Other income		29,504,917	1,465,910
Total income		**1,210,925,433**	**517,614,276**
Expenses			
Finance costs	4	– 1,213,622,899	– 499,971,560
Impairments on loans receivable		– 3,231,914	– 1,007,853
Impairments on investments		– 4,570,239	– 4,410,400
Other expenses		– 27,667,724	– 19,522,562
Direct taxes		– 1,006,604	– 720,825
Total expenses		**– 1,250,099,380**	**– 525,633,200**
Net income / (loss)		**– 39,173,947**	**– 8,018,924**

Balance sheet

Assets

CHF	Note	31 Dec 2022	31 Dec 2021
Cash and cash equivalents		1,047,383,392	548,071,311
Trade receivables	5	200,732	169,041
Other current receivables	6	1,316,224,706	471,725,351
Prepayments and accrued income		48,009,433	1,594,633
Current assets		**2,411,818,263**	**1,021,560,336**
Loans receivable	7	767,055,175	786,741,575
Investments	8	4,358,980,149	4,367,815,645
Non-current assets		**5,126,035,324**	**5,154,557,220**
Total assets		**7,537,853,587**	**6,176,117,556**

Equity and liabilities

CHF	Note	31 Dec 2022	31 Dec 2021
Trade payables	9	130,998	351,054
Current interest-bearing payables	10	2,891,607,352	1,060,756,534
Other current liabilities	11	352,916	20,981
Accruals and deferred income		173,561,116	104,740,414
Current provisions	12	3,883,397	1,508,021
Current liabilities		**3,069,535,779**	**1,167,377,004**
Interest-bearing loans payable	13	50,000,000	860,553,797
Bonds	14	1,360,000,000	1,050,695,000
Non-current provisions	12	730,000	730,000
Non-current liabilities		**1,410,730,000**	**1,911,978,797**
Share capital		331,104	331,104
Capital contribution reserves		1,740,949,469	1,744,580,362
Other capital reserves		3,630,893	
Legal retained earnings		170,000	170,000
Retained earnings carried forward		1,351,680,289	1,359,699,213
Net income / (loss)		– 39,173,947	– 8,018,924
Equity	15	**3,057,587,808**	**3,096,761,755**
Total equity and liabilities		**7,537,853,587**	**6,176,117,556**

Notes to the Financial Statements

1 Preliminary note

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.

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 issuance costs) is recognised as a deferred income 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	2022	2021
Interest income from group companies	49,336,513	35,555,331
Interest income from third parties	239,773	67,308
Other finance income from group companies	3,149,470	2,514,736
Other finance income from third parties		188,658
Foreign exchange gain	1,121,900,719	366,582,976
Total	**1,174,626,475**	**404,909,009**

4 Finance costs

CHF	2022	2021
Interest expense to group companies	– 18,077,269	– 33,373,210
Interest expense to shareholders	– 1,966,045	– 61,863
Interest expense to third parties	– 53,979,512	– 49,157,988
Other finance costs to group companies	– 234	
Other finance costs to third parties	– 14,786,986	– 3,478,804
Foreign exchange loss	– 1,124,812,853	– 413,899,695
Total	**– 1,213,622,899**	**– 499,971,560**

5 Trade receivables

CHF	31 Dec 2022	31 Dec 2021
Due from group companies	200,732	169,041
Total	**200,732**	**169,041**

6 Other current receivables

CHF	31 Dec 2022	31 Dec 2021
Due from group companies	1,316,078,018	470,189,425
Due from third parties	146,688	1,535,926
Total	**1,316,224,706**	**471,725,351**

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.

7 Loans receivable

CHF	31 Dec 2022	31 Dec 2021
Due from group companies	767,055,175	786,741,575
Total	**767,055,175**	**786,741,575**

8 Investments

A list of direct and significant indirect investments is disclosed in note 5.3 of the notes to the consolidated financial statements.

9 Trade payables

CHF	31 Dec 2022	31 Dec 2021
Due from third parties	130,998	351,054
Total	**130,998**	**351,054**

10 Current interest-bearing payables

CHF	31 Dec 2022	31 Dec 2021
Due to group companies	2,530,912,352	357,665,634
Due to shareholders		205,568,100
Due to third parties	360,695,000	497,522,800
Total	**2,891,607,352**	**1,060,756,534**

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.

11 Other current liabilities

CHF	31 Dec 2022	31 Dec 2021
Due from third parties	352,916	20,981
Total	**352,916**	**20,981**

12 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. For more information about this matter, please refer to note 4.8 of the notes to the consolidated financial statements.

13 Interest-bearing loans payable

CHF	31 Dec 2022	31 Dec 2021
Due to group companies		860,553,797
Due to third parties	50,000,000	
Total	**50,000,000**	**860,553,797**

The loan payable has a remaining maturity of 29 months.

14 Bonds

CHF	Maturity	Earliest repayment date	Interest rate in %	Face value at 31 Dec 2022	Face value at 31 Dec 2021
Fixed-rate bond issued by Alpiq Holding Ltd. [1]	2012 / 2022	16 May 2022	3.0000		144,690,000
Fixed-rate bond issued by Alpiq Holding Ltd. [2]	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
Fixed-rate bond issued by Alpiq Holding Ltd.	2022 / 2025	30 May 2025	1.6250	200,000,000	
Fixed-rate bond issued by Alpiq Holding Ltd.	2022 / 2026	24 Jun 2026	1.7500	250,000,000	
Public hybrid bond issued by Alpiq Holding Ltd.	–	15 Nov 2023	4.5325	650,000,000	650,000,000

1 At 31 December 2021 recognised under “Current interest-bearing payables”.
2 At 31 December 2022 recognised under “Current interest-bearing payables”.

15 Equity

CHF	Share capital	Capital contribution reserves	Other capital reserves	Legal retained earnings	Retained earnings	Total equity
Balance at 31 December 2020	**331,104**	**1,744,580,362**	**0**	**0**	**1,406,223,723**	**3,151,135,189**
Dividends					– 46,354,510	– 46,354,510
Transfer to the legal retained earnings				170,000	– 170,000	0
Net income / (loss)					– 8,018,924	– 8,018,924
Balance at 31 December 2021	**331,104**	**1,744,580,362**	**0**	**170,000**	**1,351,680,289**	**3,096,761,755**
Net income / (loss)					– 39,173,947	– 39,173,947
Balance at 31 December 2022	**331,104**	**1,740,949,469**	**3,630,893**	**170,000**	**1,312,506,342**	**3,057,587,808**

16 Collateral provided for third-party liabilities

Guarantees in favour of group companies and third parties totalled CHF 1,383 million at 31 December 2022 (previous year: CHF 844 million). Of this, an amount of CHF 786 million (CHF 512 million) relates to bank guarantees and CHF 597 million (CHF 332 million) to guarantees issued by Alpiq Holding Ltd.

17 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 / (loss) for 2022 reported in the income statement	– 39,173,947
Retained earnings carried forward	1,351,680,289
Retained earnings	**1,312,506,342**
Transfer to legal retained earnings	0
Balance to be carried forward	**1,312,506,342**

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To the General Meeting of
Alpiq Holding Ltd., Lausanne

Zurich, 22 February 2023

Report of the statutory auditor

Report on the audit of the financial statements

Opinion
We have audited the financial statements of Alpiq Holding Ltd. (the Company), which comprise the balance sheet as at 31 December 2022, the income statement and notes to the financial statements for the year then ended, including a summary of significant accounting policies in the preliminary note.

In our opinion, the financial statements (pages 123 to 129) comply with Swiss law and the Company's articles of incorporation.

Basis for opinion
We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key audit matters
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 responsibilities for the audit of the 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 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 2022, Alpiq Holding Ltd. holds investments with a carrying amount of CHF 4,359 million and recognizes impairment losses in the amount of CHF 5 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.

Other information

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

Board of Directors' responsibilities for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 and SA-CH 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 financial statements.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report on other legal and regulatory requirements

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

Furthermore, we confirm that the proposed appropriation of retained 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 Licensed audit expert (Auditor in charge)	Max Lienhard Licensed audit expert