Interim Report

Interim Report

Foreword

Dear reader,

The Alpiq Group (Alpiq) generated EBITDA before exceptional items of CHF 80 million in the first half of 2021 and is therefore down on the previous year, as expected. All three business divisions made positive contributions to earnings before exceptional items: The Generation Switzerland business division generated CHF 15 million, the Generation International business division CHF 42 million and the Digital & Commerce business division CHF 41 million.

Jens Alder

Antje Kanngiesser

Solid balance sheet thanks to a systematic financial strategy

Alpiq continued its systematic financial strategy in the first half of 2021 and stands on a solid footing. Net cash flows from operating activities decreased slightly to CHF 172 million. Net debt was reduced to CHF 145 million, as a result of which the gearing ratio (net debt / EBITDA before exceptional items) also decreased to 0.7 at 30 June 2021. Liquidity stands at CHF 1 billion and equity at CHF 3.9 billion in the interim financial statements. The equity ratio decreased to 42.1 % due to the increase in total assets as a result of energy prices.

Positive earnings expected for 2021, below the previous year

For the 2021 financial year as a whole, Alpiq still expects positive results of operations, albeit down on the previous year. While the electricity and CO_2 prices on the wholesale markets hedged in Swiss francs will also have a positive effect on Alpiq's earnings in 2021, the overhaul of the Leibstadt nuclear power plant postponed from 2020 to 2021 will negatively impact earnings. The effects recorded in the first half of 2021 in connection with the increased credit risks of individual counterparties will also be reflected in the year as a whole. Furthermore, the effects of the COVID-19 pandemic cannot yet be fully assessed at present.

Personnel changes

The first half of the year was characterised on the one hand by challenges in business operations, and on the other we set a new course for work within the Executive Board.

It was with great sadness that we had to announce the death of our colleague of many years and former CEO André Schnidrig in June 2021. André made a significant contribution to shaping our company and was a great role model as a person.

At the end of February, Thomas Bucher, member of the Executive Board and CFO, decided to leave Alpiq at the end of August after six years with the company. He played a decisive role in the successful restructuring and focusing of Alpiq. The Board of Directors appointed Luca Baroni as the new CFO at the end of April. He will assume the position as member of the Executive Board from 1 September. At the end of August, Michel Kolly, member of the Executive Board and Head of Digital & Commerce, decided to leave the company after 15 years. With great success, he played a key role in driving forward international energy trading and the customer business at Alpiq. The search for a successor has been initiated. The Board of Directors and Executive Board would like to thank Thomas and Michel for their many years of valuable and dedicated work for the company.

In the course of downsizing the Board of Directors, the board members Alexander Kummer-Grämiger, Wolfgang Martz and Hans Ulrich Meister did not stand for re-election. The remaining members of the Board of Directors, Conrad Ammann, Tobias Andrist, Aline Isoz, Jørgen Kildahl, Jean-Yves Pidoux and Phyllis Scholl as well as the Chairman of the Board of Directors Jens Alder, were re-elected at the Annual General Meeting in May.

We are guided by the principles of sustainability

Alpiq operates on all important European markets with its expertise in asset, portfolio and risk management. With regard to the corporate strategy, the Executive Board reviews how the business areas and processes add value and contribute to a better climate and security of supply, as enshrined in Alpiq's purpose. This is: **"Our sustainable energy business contributes to a better climate and an improved security of supply."**

Climate protection and security of supply are guiding principles of our business activities. Both factors are also currently setting the tone at a political level. With the Paris Agreement, most countries around the world set themselves ambitious targets for the reduction of greenhouse gas emissions in order to slow down climate change. By 2050, Europe plans to be the first continent that only emits unavoidable greenhouse gases and, moreover, to fully offset even these low emissions. Switzerland also wants to eliminate net greenhouse gas emissions by 2050. At the same time, security of supply and reliable power production are key for our society and economy.

With the ongoing nuclear energy and fossil fuel phase-out, power production in Europe will continue to change dramatically in the coming years, while flexible gas-fired power plants will grow in importance as a bridging technology until full renewable energy supply is ensured. At the same time, stricter greenhouse gas emission targets bring hope of higher and more volatile electricity prices. This offers opportunities for Alpiq, as we draw on our expertise in the successful marketing of flexibility and renewable energy sources.

Focus on climate protection and security of supply

In this context, we would like to draw your attention to a number of encouraging developments at Alpiq in the first half of the year:

- In the international customer business, higher demand for flexible power production as well as higher volatility on the energy markets resulted in a pleasing business development. Demand for long-term purchase contracts grew in particular in Europe, where we expanded our market shares, strengthening our position in the supply of environmentally-friendly electricity.

- We advanced our renewable energies business across Europe, for example in Spain, where we took over our first photovoltaics portfolio on the Spanish mainland. We are also expanding our photovoltaic activities in Switzerland in a targeted manner and are targeting a portfolio of at least 50 MWp by 2026. At present, six PV projects with a total capacity of 3.3 MWp are planned in Romandy.
- For the highly flexible pumped storage power plant Nant de Drance, in which Alpiq holds a stake of 39 %, the test phase of technical commissioning was successfully continued. The 900 MW power plant which will be fully commissioned for commercial use from mid-2022 will make an important contribution to the security of supply in Switzerland and Europe from renewable energies.
- Alpiq is also a pioneer in the field of hydrogen production in Switzerland and continued to expand its industrial partnerships. Most recent example: Together with two partners, Alpiq is planning to construct a new production plant with an ultimate capacity of up to 10 MW in Freienbach. Green hydrogen is key to shifting from fossil fuels to zero-emission mobility in heavy goods transport.
- Our flexible gas-fired combined-cycle power plants were able to demonstrate their importance as ideal bridging technology to strengthen the security of supply. The investments over the last few years in high electric efficiency of the plants and the low CO_2 emissions are starting to pay off.

Many thanks to our employees and shareholders

In the next few years, we want to create sustainable values for our shareholders, customers and the company as well as for the climate and security of supply in Switzerland and across Europe. We will systematically align our business activities with our purpose and deliberately position ourselves on selected markets.

Alpiq's employees do their best every day to drive our company forward into the future. The engagement of our employees in our company is extraordinary. On behalf of the Board of Directors and Executive Board, we would like to say thank you for the great commitment, fierce loyalty and exceptional dedication.

We also want to thank our shareholders for their unwavering trust. We will continue to focus all our efforts on the further development of our company.

Jens Alder
Chairman of the Board of Directors

Antje Kanngiesser
CEO

25 August 2021

Key Financial Figures

CHF million	Half-year 2021/1	Half-year 2020/1 (adjusted)[1]	% change	Half-year 2021/1	Half-year 2020/1	% change
	Results of operations before exceptional items			Results under IFRS		
Net revenue	2,660	1,802	48	2,654	1,825	45
Earnings before interest, tax, depreciation and amortisation (EBITDA)	80	119	– 33	185	– 5	> 100
Depreciation, amortisation and impairment				– 66	– 65	2
Earnings before interest and tax (EBIT)				119	– 70	> 100
As % of net revenue				4.5	– 3.8	
Earnings after tax from continuing operations				54	– 84	> 100
As % of net revenue				2.0	– 4.6	
Earnings after tax from discontinued operations				0	0	
Net income				54	– 84	> 100
As % of net revenue				2.0	– 4.6	

1 Results of operations before exceptional items without Flexitricity Ltd. and e-mobility business. The comparative figures from 2020 have been adjusted; for explanations, see note 2 of the notes to the interim consolidated financial statements.

CHF million	30 Jun 2021	31 Dec 2020	% change
Total assets	9,180	7,368	25
Total equity	3,865	3,772	2
As % of total assets	42.1	51.2	
Net debt[1]	145	249	– 42
Net debt / EBITDA before exceptional items[2]	0.7	1.0	

1 See note 6 of the notes to the interim consolidated financial statements
2 Rolling EBITDA before exceptional items of the last 12 months

	2021	2020	% change
Own production in the first half-year (GWh)[1]	6,415	6,869	– 7
Number of employees at the reporting date (30 June / 31 Dec)[2]	1,252	1,258	0
Of which in Switzerland	692	704	– 2
Of which in surrounding European countries	560	554	1

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

Financial Review

The Alpiq Group generated operational EBITDA of CHF 80 million in the first half of 2021, which is below the figure of the previous year, as expected. All three business divisions made positive contributions to earnings. Although Swiss power production and energy trading did not reach the previous-year level, international power production generated earnings exceeding the previous-year period.

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

Alpiq Group: results of operations (before exceptional items)

In the first half of 2021, the Alpiq Group generated net revenue before exceptional items of CHF 2.7 billion (up CHF 0.9 billion on the previous year) and EBITDA of CHF 80 million (down CHF 39 million).

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

CHF million	Half-year 2021/1: Results of operations before exceptional items	Half-year 2021/1: Exceptional items[1]	Half-year 2021/1: Results under IFRS	Half-year 2020/1: Results of operations before exceptional items (adjusted)[2]	Half-year 2020/1: Exceptional items (adjusted)[1/2]	Half-year 2020/1: Results under IFRS
Net revenue	**2,660**	**– 6**	**2,654**	**1,802**	**23**	**1,825**
Own work capitalised and change in costs incurred to fulfil a contract	2		2	3		3
Other operating income	20	13	33	9	1	10
Total revenue and other income	**2,682**	**7**	**2,689**	**1,814**	**24**	**1,838**
Energy and inventory costs	– 2,458	100	– 2,358	– 1,556	– 154	– 1,710
Employee costs	– 99		– 99	– 89	6	– 83
Other operating expenses	– 45	– 2	– 47	– 50		– 50
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**80**	**105**	**185**	**119**	**– 124**	**– 5**
Depreciation, amortisation and impairment			– 66			– 65
Earnings before interest and tax (EBIT)			**119**			**– 70**
Share of results of partner power plants and other associates			– 13			– 16
Finance costs			– 32			– 38
Finance income			10			3
Earnings before tax			**84**			**– 121**
Income tax expense			– 30			37
Net income			**54**			**– 84**

1 For more information, please refer to the explanations in the “Alternative performance measures of Alpiq” section
2 Due to the sale of Flexitricity Ltd. in the second half of 2020 and Alpiq’s decision to no longer pursue the e-mobility business, the EBITDA effects from these two businesses are classified as exceptional items in internal reporting. The previous year’s figures were adjusted to improve comparability. As a result, the Alpiq Group’s EBITDA before exceptional items increased by CHF 3 million in the first half of 2020 from CHF 116 million to CHF 119 million.

Generation Switzerland business division

At CHF 15 million, EBITDA of Swiss power production was down year-on-year by CHF 33 million. The main drivers of this development were the lower production volumes. In the area of hydropower, these are mainly attributable to the decline in inflows on account of the later thaw. The lower production volumes in the area of nuclear power were primarily due to maintenance work at the Leibstadt nuclear power plant being postponed from 2020 to 2021 as a result of the COVID-19 pandemic. By contrast, the increased electricity prices on the wholesale markets compared to the previous year had a positive impact on the half-year results, as expected.

Generation International business division

At CHF 42 million, EBITDA of international power production was up year-on-year by CHF 14 million. As in the previous years, the plants made a positive and stable EBITDA contribution from operating activities. The increase in EBITDA is primarily attributable to insurance payments received in connection with unexpected repairs required at the Spanish gas-fired combined-cycle power plant Plana del Vent.

Digital & Commerce business division

At CHF 41 million, EBITDA of energy trading was down year-on-year by CHF 20 million. Alpiq successfully leveraged market opportunities in trading. In the context of the optimisation of the power plant portfolio in both Switzerland and Italy, higher earnings were generated than in the previous year. The optimisation in Italy benefited from higher income from ancillary services in particular. The (industrial and commercial) customer business, which was negatively impacted by the COVID-19 pandemic in the previous year, recovered and therefore developed positively. Due to the significant increase in energy prices in the first half of 2021, the credit risk associated with several counterparties increased significantly, which had a corresponding negative effect on results of operations.

Alternative performance measures of Alpiq

To measure and present its operating performance, Alpiq also uses alternative performance measures through to the level of "Earnings before interest, tax, depreciation and amortisation (EBITDA)". Alpiq makes adjustments to the IFRS results for exceptional items, which Alpiq does not consider part of the results of operations. These performance measures do not have a standardised definition in IFRS. This can therefore limit comparability with such measures as defined by other companies. These measures are presented in a pro forma statement in order to give investors a deeper understanding of how Alpiq's management measures the performance of the Group. However, they are no substitute for IFRS performance measures. Starting from 1 January 2021, Alpiq no longer presents any exceptional items on amortisation, depreciation and impairment in its internal or external reporting, as EBITDA is decisive for measuring performance. Alpiq still does not use any alternative performance measures in the balance sheet and cash flow statement.

Overview of exceptional items

	Fair value changes (accounting mismatch)		Development of decommissioning and waste disposal funds		Effects from business disposals		Onerous contracts		Restructuring costs and litigation[1]		Total exceptional items[1]	
CHF million	Half-year 2021/1	Half-year 2020/1	Half-year 2021/1	Half-year 2020/1	Half-year 2021/1	Half-year 2020/1	Half-year 2021/1	Half-year 2020/1	Half-year 2021/1	Half-year 2020/1 (adjusted)	Half-year 2021/1	Half-year 2020/1 (adjusted)
Net revenue	**– 3**	**8**	**– 6**	**4**					**3**	**11**	**– 6**	**23**
Other operating income					13					1	13	1
Total revenue and other income	**– 3**	**8**	**– 6**	**4**	**13**				**3**	**12**	**7**	**24**
Energy and inventory costs			87	– 67			15	– 77	– 2	– 10	100	– 154
Employee costs										6	0	6
Other operating expenses									– 2		– 2	0
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**– 3**	**8**	**81**	**– 63**	**13**	**0**	**15**	**– 77**	**– 1**	**8**	**105**	**– 124**

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

Alpiq has defined the following categories of exceptional items:

Fair value changes (accounting mismatch)

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

Development of decommissioning and waste disposal funds

The operating companies of Switzerland's nuclear power plants are required to make payments into the decommissioning fund and the waste disposal fund to ensure that decommissioning and waste disposal activities are funded. Investments in these funds are exposed to market fluctuations and changes in estimates, which cannot be influenced by Alpiq but which do influence electricity procurement costs. The difference between the return actually generated by the funds and the return budgeted by the nuclear power plants of 2.75 % is classified and recorded as an exceptional item.

Effects from business disposals

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

Onerous contracts

Effects in connection with onerous contracts relate to effects that are attributable to changes in expectations regarding future developments. Management does not therefore take these into account for the assessment of Alpiq's operating performance.

Restructuring costs and litigation

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

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

Total assets amounted to CHF 9.2 billion at the 30 June 2021 reporting date, compared to CHF 7.4 billion at the end of 2020. Non-current assets decreased by CHF 28 million and came to CHF 4.4 billion. Amortisation, depreciation and impairment exceeded net investments in property, plant and equipment and intangible assets.

Current assets rose by CHF 1.8 billion, amounting to CHF 4.8 billion at 30 June 2021. The rise is primarily due to the higher replacement values of energy derivatives and receivables from realised energy derivatives, mainly driven by the significant increase in energy prices. Current liabilities increased at a similar rate to CHF 3.7 billion for the same reason.

Equity stood at CHF 3.9 billion at 30 June 2021, and is CHF 93 million higher than at the end of 2020. The increase chiefly stems from the net income and the effects from remeasurements of defined benefit plans. The equity ratio decreased from 51.2 % to 42.1 % due to the increase in total assets as a result of energy prices.

Current and non-current financial liabilities declined by CHF 49 million and came to CHF 1.2 billion at 30 June 2021. The decrease is primarily due to the repayment of loans. Net debt decreased from CHF 249 million to CHF 145 million. Together with higher results of operations, the gearing ratio (net debt / EBITDA before exceptional items) of 1.0 at 31 December 2020 improved to 0.7 at 30 June 2021.

Non-current liabilities declined by CHF 249 million compared to 31 December 2020, amounting to CHF 1.6 billion. The main reason for this are term-related reclassifications of financial liabilities and other non-current liabilities, the decrease in defined benefit liabilities due to the return on plan assets as well as the decrease in provisions.

Net cash flows from operating activities of continuing operations declined slightly from CHF 180 million in the first half of 2020 to CHF 172 million despite improved earnings before tax from continuing operations. This is primarily due to the lower realisation of trading items. Compared to the previous year, net cash flows from investing activities of continuing operations decreased by CHF 101 million to CHF 6 million. For one, fewer term deposits were due, for another, more investments were made in property, plant and equipment and intangible assets. Cash and cash equivalents increased by CHF 67 million to CHF 407 million at 30 June 2021.

Outlook

For the 2021 financial year as a whole, Alpiq still expects positive results of operations, albeit down on the previous year. While the electricity and CO2 prices on the wholesale markets hedged in Swiss francs will also have a positive effect on Alpiq’s earnings in 2021, the overhaul of the Leibstadt nuclear power plant postponed from 2020 to 2021 will negatively impact earnings. The effects recorded in the first half of 2021 in connection with the increased credit risks of individual counterparties will also be reflected in the year as a whole. Furthermore, the effects of the COVID-19 pandemic cannot yet be fully assessed at present.

Consolidated Financial Statements of the Alpiq Group

Consolidated Income Statement

CHF million	Note	Half-year 2021/1	Half-year 2020/1
Net revenue	3	**2,654**	**1,825**
Own work capitalised and change in costs incurred to fulfil a contract		2	3
Other operating income		33	10
Total revenue and other income		**2,689**	**1,838**
Energy and inventory costs		– 2,358	– 1,710
Employee costs		– 99	– 83
Other operating expenses		– 47	– 50
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**185**	**– 5**
Depreciation, amortisation and impairment	4	– 66	– 65
Earnings before interest and tax (EBIT)		**119**	**– 70**
Share of results of partner power plants and other associates		– 13	– 16
Finance costs		– 32	– 38
Finance income		10	3
Earnings before tax		**84**	**– 121**
Income tax expense		– 30	37
Earnings after tax from continuing operations		**54**	**– 84**
Earnings after tax from discontinued operations	10	0	0
Net income		**54**	**– 84**
Attributable to non-controlling interests		1	2
Attributable to equity investors of Alpiq Holding Ltd.		53	– 86
Earnings per share from continuing operations in CHF, diluted and undiluted [1]	5	1.14	– 3.02
Earnings per share from discontinued operations in CHF, diluted and undiluted [1]	5	0.01	– 0.01
Earnings per share in CHF, diluted and undiluted [1]	5	**1.15**	**– 3.03**

1 The previous-year figure has been adjusted due to the conversion of the hybrid loan from the shareholders and the resulting higher number of shares.

Consolidated Statement of Comprehensive Income

CHF million	Half-year 2021/1	Half-year 2020/1
Net income	**54**	**– 84**
Cash flow hedges (group companies)	– 24	8
Income tax expense	3	1
Net of income tax	– 21	9
Currency translation differences	14	– 15
Net of income tax	14	– 15
Items that may be reclassified subsequently to the income statement, net of tax	**– 7**	**– 6**
Remeasurements of defined benefit plans (group companies)	66	– 13
Income tax expense	– 10	2
Net of income tax	56	– 11
Remeasurements of defined benefit plans (partner power plants and other associates)	44	– 8
Income tax expense	– 7	3
Net of income tax	37	– 5
Items that will not be reclassified to the income statement, net of tax	**93**	**– 16**
Other comprehensive income	**86**	**– 22**
Total comprehensive income	**140**	**– 106**
Attributable to non-controlling interests	1	2
Attributable to equity investors of Alpiq Holding Ltd.	139	– 108
Of which, total comprehensive income from continuing operations	139	– 108
Of which, total comprehensive income from discontinued operations	0	0

Consolidated Balance Sheet

Assets

CHF million	Note	30 Jun 2021	31 Dec 2020
Property, plant and equipment		1,899	1,921
Intangible assets		93	99
Investments in partner power plants and other associates		2,288	2,280
Other non-current assets		67	61
Deferred income tax assets		65	79
Non-current assets		**4,412**	**4,440**
Inventories		46	67
Derivative financial instruments		2,063	626
Receivables		1,339	1,078
Prepayments and accrued income		302	194
Current term deposits		584	596
Securities		27	27
Cash and cash equivalents	8	407	340
Current assets		**4,768**	**2,928**
Total assets		**9,180**	**7,368**

Equity and liabilities

CHF million	Note	30 Jun 2021	31 Dec 2020
Share capital [1]		0	0
Share premium		4,904	4,904
Hybrid capital		650	650
Retained earnings		– 1,765	– 1,857
Equity attributable to equity investors of Alpiq Holding Ltd.		**3,789**	**3,697**
Non-controlling interests		76	75
Total equity		**3,865**	**3,772**
Non-current provisions		483	506
Deferred income tax liabilities		353	338
Defined benefit liabilities		2	31
Non-current financial liabilities		754	913
Other non-current liabilities		18	71
Non-current liabilities		**1,610**	**1,859**
Current income tax liabilities		45	58
Current provisions		17	31
Current financial liabilities		409	299
Other current liabilities		1,099	643
Derivative financial instruments		1,906	461
Accruals and deferred income		229	245
Current liabilities		**3,705**	**1,737**
Total liabilities		**5,315**	**3,596**
Total equity and liabilities		**9,180**	**7,368**

1 The share capital stood 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 2021	**0.3**	**4,904.4**	**650.0**	**8.4**	**– 742.9**	**– 1,123.4**	**3,696.8**	**75.5**	**3,772.3**
Net income for the period						52.7	**52.7**	1.2	**53.9**
Other comprehensive income				– 20.5	13.5	93.1	**86.1**	0.2	**86.3**
Total comprehensive income				**– 20.5**	**13.5**	**145.8**	**138.8**	**1.4**	**140.2**
Dividends						– 46.4	**– 46.4**	– 1.2	**– 47.6**
Equity at 30 June 2021	**0.3**	**4,904.4**	**650.0**	**– 12.1**	**– 729.4**	**– 1,024.0**	**3,789.2**	**75.7**	**3,864.9**

CHF million	Share capital	Share premium	Hybrid capital	Cash flow hedge reserves	Currency translation differences	Retained earnings	Attributable to equity investors of Alpiq Holding Ltd.	Non-controlling interests	Total equity
Equity at 1 January 2020	**278.7**	**4,259.2**	**1,016.5**	**15.6**	**– 742.9**	**– 1,228.6**	**3,598.5**	**72.5**	**3,671.0**
Net income for the period						– 85.5	**– 85.5**	2.0	**– 83.5**
Other comprehensive income				8.8	– 14.6	– 16.4	**– 22.2**	– 0.2	**– 22.4**
Total comprehensive income				**8.8**	**– 14.6**	**– 101.9**	**– 107.7**	**1.8**	**– 105.9**
Dividends							**0.0**	– 0.2	**– 0.2**
Change in non-controlling interests							**0.0**	0.9	**0.9**
Impact of the squeeze-out merger	– 278.4	278.7					**0.3**		**0.3**
Equity at 30 June 2020	**0.3**	**4,537.9**	**1,016.5**	**24.4**	**– 757.5**	**– 1,330.5**	**3,491.1**	**75.0**	**3,566.1**

Consolidated Statement of Cash Flows

CHF million	Note	Half-year 2021/1	Half-year 2020/1
Earnings before tax from continuing operations		**84**	**– 121**
Adjustments for:			
Depreciation, amortisation and impairment		66	65
Gain on sale of non-current assets		– 2	
Share of results of partner power plants and other associates		13	16
Financial result		22	35
Other non-cash income and expenses		54	
Change in provisions (excl. interest)		– 43	64
Change in defined benefit liabilities and other non-current liabilities		3	– 5
Change in fair value of derivative financial instruments		– 17	126
Change in net working capital (excl. derivatives, current financial assets / liabilities and current provisions)		23	6
Other financial income and expenses		– 3	– 11
Income tax paid		– 28	5
Net cash flows from operating activities of continuing operations		**172**	**180**
Net cash flows from operating activities of discontinued operations	10	0	– 4
Net cash flows from operating activities		**172**	**176**
Property, plant and equipment and intangible assets			
Investments		– 35	– 27
Proceeds from disposals		3	
Subsidiaries			
Proceeds from disposals		9	
Associates			
Proceeds from disposals		– 3	
Loans receivable and financial investments			
Investments		– 10	– 1
Change in current and non-current term deposits		14	114
Dividends from partner power plants, other associates and financial investments		23	20
Interest received		5	1
Net cash flows from investing activities of continuing operations		**6**	**107**
Net cash flows from investing activities of discontinued operations	10	– 1	– 13
Net cash flows from investing activities		**5**	**94**

CHF million	Note	Half-year 2021/1	Half-year 2020/1
Dividends paid to equity investors of Alpiq Holding Ltd.		– 46	
Dividends paid to non-controlling interests		– 1	
Proceeds from financial liabilities		1	12
Repayment of financial liabilities		– 55	– 90
Change in non-controlling interests			1
Interest paid		– 14	– 17
Net cash flows from financing activities of continuing operations		**– 115**	**– 94**
Net cash flows from financing activities of discontinued operations			
Net cash flows from financing activities		**– 115**	**– 94**
Currency translation differences		**5**	**– 11**
Change in cash and cash equivalents		**67**	**165**
Reconciliation:			
Cash and cash equivalents at 1 January		340	441
Of which, cash and cash equivalents		340	440
Of which, cash and cash equivalents under assets held for sale			1
Cash and cash equivalents at 30 June		407	606
Of which, cash and cash equivalents		407	605
Of which, cash and cash equivalents under assets held for sale			1
Change		**67**	**165**

Notes to the Interim Consolidated Financial Statements

1 Significant accounting policies

Basis of preparation of the interim consolidated financial statements

The interim consolidated financial statements at 30 June 2021 have been prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting. With the exception of the changes listed below, they are presented on a basis consistent with the Alpiq Group's accounting policies set out in the Financial Report 2020 and should be read in conjunction with that report, as the interim consolidated financial statements are an update of information previously published. Unless stated otherwise, all figures in the interim consolidated financial statements are reported in millions of Swiss francs. Due to the necessary rounding, it is possible that subtotals or totals do not match the individual amounts. The Board of Directors of Alpiq Holding Ltd. approved the interim consolidated financial statements at 30 June 2021 on 25 August 2021.

Adoption of new and revised accounting standards

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

Foreign currency translation

The consolidated financial statements are presented in Swiss francs. The following exchange rates were used for currency translation:

Unit	Closing rate at 30 Jun 2021	Closing rate at 30 Jun 2020	Closing rate at 31 Dec 2020	Average rate for 2021/1	Average rate for 2020/1
1 EUR	1.098	1.065	1.080	1.094	1.064
1 GBP	1.280	1.167	1.202	1.260	1.218
1 USD	0.924	0.951	0.880	0.908	0.966
100 CZK	4.308	3.983	4.116	4.233	4.045
100 HUF	0.312	0.299	0.297	0.306	0.308
100 NOK	10.795	9.761	10.317	10.754	9.944
100 PLN	24.292	23.903	23.690	24.122	24.129
100 RON	22.281	22.008	22.188	22.325	22.086

Impact of the COVID-19 pandemic on Alpiq

The coronavirus and the disease it causes (COVID-19) have been spreading on a global scale since the beginning of 2020, forcing governments to take drastic protective measures. Thus far, the pandemic has not led to any substantial restrictions on the operating activities of the Alpiq Group. However, the spread of COVID-19 and the protective and stimulation measures taken by governments and central banks are having far-reaching effects on the macroeconomic environment of all industries across the globe and thus also on Alpiq. These effects were assessed at 30 June 2021 and taken into account in the 2021 interim financial statements.

At the time of approval of the interim consolidated financial statements by the Board of Directors of Alpiq Holding Ltd., the financial impact of the pandemic on the financial position, financial performance and cash flows of the Group cannot yet be fully assessed and estimated, as the effective impact will only become apparent as the situation develops over the coming months. The nature of the potential effects and estimation uncertainties were published in the notes to the 2020 consolidated financial statements of the Alpiq Group.

2 Segment information

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

The allocation keys for the internal settlement of Group Centre expenses were adjusted in the second half of 2020. Moreover, due to the sale of Flexitricity Ltd. in the second half of 2020 and Alpiq's decision to no longer pursue the e-mobility business, the EBITDA effects from these two businesses are classified as exceptional items in internal reporting. Previous-year segment reporting for the first half of 2020 has been adjusted for comparability. As a result, the Alpiq Group's EBITDA before exceptional items increased by CHF 3 million in the first half of 2020 from CHF 116 million to CHF 119 million.

- The Generation Switzerland business division comprises the production of electricity from Swiss hydropower and nuclear power. The power plant portfolio includes run-of-river power plants, storage and pumped storage power plants, investments in the Gösgen and Leibstadt nuclear power plants as well as the Nant de Drance pumped storage power plant project. Moreover, the business division manages shares in HYDRO Exploitation SA and Kernkraftwerk-Beteiligungsgesellschaft AG (KBG).
- The Generation International business division comprises power production of wind power plants, small-scale hydropower plants and industrial photovoltaic plants, the operation of power plants and the development of several wind farm projects. The business division also covers the production of electricity and heat in thermal power plants in Hungary, Italy and Spain. The power plant portfolio is made up of gas-fired combined-cycle power plants and gas-fired turbine power plants. Power is sold on the European electricity trading market via the Digital & Commerce business division or via third parties. The power plants are used by the respective grid operators to balance the grids.
- The Digital & Commerce business division comprises the optimisation of Alpiq's own power plants as well as the optimisation of decentralised generation units and the production of electricity from third parties' renewable energies. The business division also covers trading activities with standardised and structured products for

electricity and gas as well as emission allowances and certificates. In addition, it includes direct marketing and energy management for industrial and business customers to help these meet their cost efficiency and sustainability goals. Digital & Commerce specifically utilises digitalisation and technologies such as artificial intelligence, connectivity, the Internet of Things and blockchain to further develop products and services for customer and business partners, always with a view to increasing customer benefits and creating value.

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

1st half-year 2021: Information by business division

CHF million	Generation Switzerland	Generation Interna-tional	Digital & Commerce	Group Centre & other companies	Consoli-dation	Reconcili-ation	Alpiq Group
Net revenue from third parties	4	78	2,557	9		6	2,654
Inter-segment transactions	358	22	– 53	– 10	– 317		0
Exceptional items [1]	12		– 6				6
Net revenue before exceptional items	**374**	**100**	**2,498**	**– 1**	**– 317**	**6**	**2,660**
Net revenue	**362**	**100**	**2,504**	**– 1**	**– 317**	**6**	**2,654**
Other income	19	16	2	11	– 7	– 6	35
Exceptional items [1]	– 10			– 3			– 13
Total revenue and other income before exceptional items	**383**	**116**	**2,500**	**7**	**– 324**	**0**	**2,682**
Total revenue and other income	**381**	**116**	**2,506**	**10**	**– 324**	**0**	**2,689**
Operating costs	– 274	– 74	– 2,454	– 26	324		– 2,504
Exceptional items [1]	– 94		– 5	1			– 98
EBITDA before exceptional items	**15**	**42**	**41**	**– 18**	**0**	**0**	**80**
EBITDA	**107**	**42**	**52**	**– 16**	**0**	**0**	**185**
Depreciation, amortisation and impairment	– 28	– 28	– 5	– 5			– 66
EBIT	**79**	**14**	**47**	**– 21**	**0**	**0**	**119**
Number of employees at 30 June	131	220	561	340			1,252

1 Includes effects from business disposals as well as the performance of the fund shares for the decommissioning and waste disposal of Kernkraftwerk Gösgen-Däniken AG and Kernkraftwerk Leibstadt AG, fair value changes of energy derivatives that were entered into in connection with hedges for future power production, provisions as well as restructuring costs. For more information, please refer to the explanations in the "Alternative performance measures of Alpiq" section of the Financial Review.

1st half-year 2020: Information by business division (adjusted)

CHF million	Generation Switzerland	Generation International	Digital & Commerce	Group Centre & other companies	Consolidation	Reconciliation	Alpiq Group
Net revenue from third parties	99	65	1,641	14	– 1	7	1,825
Inter-segment transactions	306	15	6	– 18	– 309		0
Exceptional items[1]	– 16		– 7				– 23
Net revenue before exceptional items	**389**	**80**	**1,640**	**– 4**	**– 310**	**7**	**1,802**
Net revenue	**405**	**80**	**1,647**	**– 4**	**– 310**	**7**	**1,825**
Other income	12	4	3	10	– 9	– 7	13
Exceptional items[1]	– 1						– 1
Total revenue and other income before exceptional items	**400**	**84**	**1,643**	**6**	**– 319**	**0**	**1,814**
Total revenue and other income	**417**	**84**	**1,650**	**6**	**– 319**	**0**	**1,838**
Operating costs	– 485	– 57	– 1,608	– 11	318		– 1,843
Exceptional items[1]	133	1	26	– 12			148
EBITDA before exceptional items	**48**	**28**	**61**	**– 17**	**– 1**	**0**	**119**
EBITDA	**– 68**	**27**	**42**	**– 5**	**– 1**	**0**	**– 5**
Depreciation, amortisation and impairment	– 28	– 25	– 7	– 4	– 1		– 65
EBIT	**– 96**	**2**	**35**	**– 9**	**– 2**	**0**	**– 70**
Number of employees at 30 June	138	204	597	353			1,292

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

3 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).

1st half-year 2021: Disaggregation of net revenue

CHF million	Generation Switzerland	Generation International	Digital & Commerce	Group Centre & other companies	Total
Revenue from energy and grid services	72	78	2,455		2,605
Revenue from digital energy services and e-mobility			4		4
Revenue from other services	6				6
Total revenue from contracts with customers	**78**	**78**	**2,459**	**0**	**2,615**
Income from energy and financial derivatives	– 68		98	9	39
Net revenue from third parties	**10**	**78**	**2,557**	**9**	**2,654**

1st half-year 2020: Disaggregation of net revenue

CHF million	Generation Switzerland	Generation International	Digital & Commerce	Group Centre & other companies	Total
Revenue from energy and grid services	96	64	1,601		1,761
Revenue from digital energy services and e-mobility			6		6
Revenue from other services	7				7
Total revenue from contracts with customers	**103**	**64**	**1,607**	**0**	**1,774**
Income from energy and financial derivatives	3		34	14	51
Net revenue from third parties	**106**	**64**	**1,641**	**14**	**1,825**

4 Impairment losses and provisions

1st half-year 2021: Allocation of impairment losses and provisions

Impairment losses of CHF 6 million had to be recognised on the Spanish gas-fired combined-cycle power plant Plana del Vent in the Generation International business division due to delivery delays at the manufacturer in connection with additional repairs, resulting in an extended downtime until December 2021, as well as earnings prospects. Other than that, no impairment losses had to be recognised on power plants thanks to the positive development of electricity prices.

The provision for the onerous contract relating to the future procurement of energy from the Nant de Drance pumped storage power plant was reduced by CHF 7 million, primarily on account of the development of electricity prices. Higher market prices also meant that the Group could reverse the existing provision for an onerous contract abroad of CHF 8 million in full. Information about discontinued operations can be found in note 10.

1st half-year 2020: Allocation of impairment losses and provisions

Impairment losses totalling CHF 4 million had to be recognised on two Italian solar plants in the Generation International business division, the income of which partly depends on market prices. Other than that, no impairment losses had to be recognised on power plants, in particular due to the existing price hedges or because their income is not dependent on short-term market prices.

The provision for the onerous contract relating to the future procurement of energy from the Nant de Drance pumped storage power plant had to be increased by CHF 66 million because of less volatility in the hourly profile, lower short-term market prices, the lower CHF / EUR exchange rate and the fact that the full industrial commissioning of the power plant is now expected at the end of December 2021 and not as previously assumed at the end of September 2021. Lower market prices also meant that the Group had to increase a provision for an onerous contract outside Switzerland by CHF 11 million. Information about discontinued operations can be found in note 10.

5 Earnings per share

	Half-year 2021/1	Half-year 2020/1 (adjusted)[1]
Earnings after tax from continuing operations attributable to equity investors of Alpiq Holding Ltd. (CHF million)	52	– 85
Interest on hybrid capital attributable to the period (CHF million)	– 15	– 15
Share of Alpiq Holding Ltd. stockholders in earnings from continuing operations (CHF million)	**37**	**– 100**
Earnings after tax from discontinued operations attributable to equity investors of Alpiq Holding Ltd. (CHF million)	0	0
Share of Alpiq Holding Ltd. stockholders in earnings from continuing and discontinued operations (CHF million)	**37**	**– 100**
Weighted average number of shares outstanding	33,110,364	33,110,364
Earnings per share from continuing operations in CHF, diluted and undiluted	1.14	– 3.02
Earnings per share from discontinued operations in CHF, diluted and undiluted	0.01	– 0.01
Earnings per share in CHF, diluted and undiluted	**1.15**	**– 3.03**

1 The hybrid loan from the shareholders was converted into 5,235,715 new shares in 2020; the weighted average number of shares outstanding in the first half of 2020 was therefore adjusted for comparative purposes. This also had an impact on earnings per share. For more information, please refer to note 3.7 of the notes to the 2020 consolidated financial statements of the Alpiq Group.

The next interest payment on the publicly placed hybrid bond is due on 15 November 2021. The interest after tax attributable to the first half of 2021 was CHF 15 million (previous year: CHF 15 million).

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

6 Financial risk management

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

Capital management

Across the Alpiq Group, capital is managed in line with the Group's overall financial strategy. During the budgeting and planning process, the Board of Directors takes notice annually of the planned performance of the figures critical for capital management. In addition, it receives regular reports on current developments. The strategy is focused on the Group's reported consolidated equity and net debt to EBITDA ratio. At 30 June 2021, the Group reports an equity ratio of 42.1 % (31 December 2020: 51.2 %).

The level of financial liabilities must be reasonable in proportion to profitability in order to ensure a solid credit rating in line with sector norms. The ratio of net debt to EBITDA before exceptional items plays a decisive role in capital management. This is calculated as follows:

CHF million	30 Jun 2021	31 Dec 2020
Non-current financial liabilities	754	913
Current financial liabilities	409	299
Financial liabilities	**1,163**	**1,212**
Current term deposits	584	596
Securities	27	27
Cash and cash equivalents	407	340
Financial assets (liquidity)	**1,018**	**963**
Net debt	**145**	**249**
EBITDA before exceptional items [1]	223	262
Net debt / EBITDA before exceptional items	**0.7**	**1.0**

1 Rolling EBITDA before exceptional items within the last 12 months

Credit risk

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. Furthermore, additional collateral, such as guarantees, variation margin payments or insurance cover, is collected where required. As a rule, the collateral held by the Alpiq Group covers both unrecognised energy transactions involving physical delivery and transactions recognised as financial instruments.

Financial collateral received and issued in connection with the bilateral agreements to settle margin differences is presented in the following:

	30 Jun 2021		31 Dec 2020	
CHF million	Collateral received	Collateral issued	Collateral received	Collateral issued
Cash collateral	198	44	58	12
Guarantees [1]	45		6	
Total	**243**	**44**	**64**	**12**

1 Guarantees to associates or third parties in favour of third parties are presented in note 9.

In the first half of 2021, Alpiq identified a significant increase in the credit risk associated with several counterparties. The associated impairment losses on receivables were increased by CHF 66 million in the first half of 2021. For more information, please refer to the “Market risk” section.

Liquidity risk

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

& Insurance functional unit is responsible for Group-wide liquidity management. Its role is to plan, monitor, provide and optimise liquidity of the Alpiq Group on a monthly rolling basis.

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.

Energy price risk refers to potential price fluctuations that could have an adverse impact on the Alpiq Group. They can arise from factors such as variations in price volatility, market price movements or changing correlations between markets and products. Energy liquidity risks also belong to this category. They occur when an open energy position cannot be closed out or can only be closed out on very unfavourable terms due to a lack of market bids. Future own use energy transactions are not reported in the balance sheet. Energy transactions are also conducted as part of the programme to optimise Alpiq's power plant portfolio. A large proportion of the replacement values for energy derivatives shown at the reporting date are attributable to optimisation positions, with positive and negative replacement values generally cancelling each other out. Alpiq also engages in energy derivatives trading. The energy derivatives concluded by the Alpiq Group are usually forward contracts. The fair values are calculated on the basis of the difference between the contractually fixed forward prices and current forward prices applicable at the reporting date. Normally, the effect of credit risk on fair values is not material. Due to the significant increase in energy prices in the first half of 2021, the replacement values of energy derivatives and thus the credit risk associated with several counterparties in various countries increased considerably and also led to liquidity problems at certain counterparties. The increased level of risk relates to replacement values for energy derivatives amounting to CHF 45 million. Measures were agreed with the counterparties to cushion the impact on Alpiq. The fair value of the items concerned was reduced by CHF 37 million due to management's assessment of the credit risk. Taking into account the credit risk, the corresponding energy derivatives were reclassified to Level 3 energy derivatives, see note 7. The risks associated with trading and optimisation transactions are managed via clearly defined responsibilities and stipulated risk limits in accordance with the Group Risk Policy. Risk Management reports regularly on compliance with these limits to the Risk Management Committee and the Executive Board utilising a formalised risk reporting system. The risk positions are monitored in accordance with the Value at Risk (VaR) and Profit at Risk (PaR) industry standards.

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.

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.

7 Financial instruments and fair values

Carrying amounts and fair values of financial assets and liabilities

	30 Jun 2021		31 Dec 2020	
CHF million	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at fair value through profit or loss				
Financial investments	1	1	1	1
Securities	27	27	27	27
Positive replacement values of derivatives				
Energy derivatives	2,060	2,060	621	621
Currency and interest rate derivatives	3	3	5	5
Financial liabilities at amortised cost				
Bonds	818	852	818	857
Loans payable	298	308	346	358
Financial liabilities at fair value through profit or loss				
Negative replacement values of derivatives				
Energy derivatives	1,887	1,887	442	442
Currency and interest rate derivatives	19	19	19	19

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	30 Jun 2021	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Financial investments	1		1	
Securities	27		27	
Energy derivatives	2,060		1,902	158
Currency and interest rate derivatives	3		3	
Financial liabilities at amortised cost				
Bonds	852	852		
Loans payable	308		308	
Financial liabilities at fair value through profit or loss				
Energy derivatives	1,887		1,873	14
Currency and interest rate derivatives	19		19	

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

Both in the first half of 2021 and during the 2020 financial year, no significant reclassifications were applied between Levels 1 and 2. The reclassification from Level 2 to Level 3 mentioned below relates to energy derivatives with a significantly increased credit risk. Alpiq always applies reclassifications between Level 2 and Level 3 at the end of the reporting period.

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

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

Level 3 energy derivatives

Energy derivatives disclosed under Level 3 are measured using methods that in some cases utilise input factors, such as long-term energy prices or discount rates, which cannot be derived directly from an active market. In complex cases, a discounted cash flow method is used for the measurement. Apart from the credit risk, a realistic change in unobservable input factors would not have a significant impact on Alpiq’s total comprehensive income or equity. More information about the credit risk associated with Level 3 energy derivatives can be found in note 6. Level 3 items were not disclosed separately in the previous year on the grounds of immateriality. The previous year has now been adjusted for comparative purposes.

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

	2021		2020	
CHF million	Assets	Liabilities	Assets	Liabilities
Replacement values at 1 January	**81**	**2**	**1**	**9**
Purchases	7	2		
Sales	– 6			
Fair value changes through profit and loss in net revenue [1]	66	22	5	– 8
Transfer to level 3	8			
Offsetting		– 12	– 1	– 1
Currency translation differences	2			
Replacement values at 30 June	**158**	**14**	**5**	**0**

1 Of which, CHF 66 million (previous year: CHF 5 million) is attributable to assets and CHF 22 million (CHF – 8 million) to liabilities, which were still held at 30 June.

Development of day one gains and losses

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

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

	2021		2020	
CHF million	Day one gains	Day one losses	Day one gains	Day one losses
Balance at 1 January	**11**	**12**	**0**	**13**
Deferred profit / loss arising from new transactions	7	1		
Profit or loss recognised in the income statement	– 5	– 1		
Balance at 30 June	**13**	**12**	**0**	**13**

8 Cash and cash equivalents

The item “Cash and cash equivalents” includes foreign subsidiaries’ bank accounts with a total balance of EUR 53 million, translated CHF 58 million (31 December 2020: EUR 39 million, translated CHF 42 million), which are pledged in accordance with regulations in local finance agreements and which may only be used to cover their own needs for cash and cash equivalents. These funds are therefore not freely available in full for the Alpiq Group.

9 Contingent liabilities and guarantees

ANAF’s tax audit at Alpiq Energy SE

In the first half of 2021, a hearing was held concerning the ongoing proceedings in connection with the tax audit on the Bucharest branch of Alpiq Energy SE, Prague, by the Romanian tax authority ANAF (Agenţia Naţională de Administrare Fiscală). However, this hearing did not lead to any material developments. The next hearing will take place on 7 September 2021. For more information, please refer to note 4.8 of the notes to the 2020 consolidated financial statements of the Alpiq Group.

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

Compensation review proceedings against Alpiq Holding Ltd.

The compensation review proceedings filed against Alpiq Holding Ltd. by the two investors Knight Vinke (KVIP International V L.P.) and Merion Capital (Merion Capital LP, Merion Capital ERISA LP and Merion Capital II LP) pursuant to Sec. 105 of the Swiss Merger Act (FusG) aim to achieve a judicial review of the compensation of CHF 70 per share approved by both Annual General Meetings and paid by SKBAG in the squeeze-out merger. Arbitration proceedings for this took place in June 2021, which did not lead to an out-of-court settlement, as expected. The two plaintiffs have until mid-September 2021 to file a formal claim. For more information, please refer to note 4.8 of the notes to the 2020 consolidated financial statements of the Alpiq Group.

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

Other matters

There were no significant contingent liabilities from pledges, guarantees and other commitments to third parties in favour of third parties at the reporting date, as was also the case at 31 December 2020. Contingent liabilities in connection with the sale of the Engineering Services business can be found in note 10.

10 Companies sold

Compensation for the transfer of the Swiss high-voltage grid

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

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

At present, Alpiq does not have all the information required to provide an accurate calculation of the final compensation amount. This matter is therefore subject to estimation uncertainty. Based on the information available and considering the fact that the final audited measurements are not yet available when the 2021 interim consolidated financial statements are approved by the Board of Directors of Alpiq Holding Ltd., Alpiq used judgments to estimate the fair value of the final compensation amount expected (including interest). In this context, additional sales proceeds of CHF 10 million, including margin differences in 2011 and 2012, were recorded under "Other operating income" in the first half of 2021. Interest components of CHF 5 million were recognised as interest income. The final compensation amount (including interest) will not be known until the fairness opinion has been issued. This is expected to result in a further positive effect on earnings for Alpiq.

Discontinued operations

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

As part of the sale of the Engineering Services business, Alpiq must bear any fines and costs of Kraftanlagen München GmbH resulting from the proceedings started by the state prosecutor of Munich I and the German Federal Cartel Office in the first quarter of 2015. There were no material developments in this regard in the first half of 2021. For more information, please refer to note 5.2 of the notes to the 2020 consolidated financial statements of the Alpiq Group.

Alpiq still deems it unlikely that Kraftanlagen München GmbH will be convicted, resulting in the decision not to record a liability for this matter.

Income statement of discontinued operations

CHF million	Half-year 2021/1	Half-year 2020/1
Expenses		– 2
Effect from reviewing the provisions for warranties and indemnification		2
Earnings after tax from discontinued operations [1]	**0**	**0**

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

The cash outflow in connection with indemnification and warranties to Bouygues Construction came to CHF 1 million in the first half of 2021 (previous year: CHF 13 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".

11 Events after the reporting period

There were no reportable events after the reporting date of 30 June 2021.

Publishing details

Published by
Alpiq Holding Ltd.
Chemin de Mornex 10
1003 Lausanne
Switzerland

T: +41 21 341 21 11
www.alpiq.com

The Interim Report 2021 is published in German, French and English. The German version has precedence.