2022
Interim Report

ALPIQ

Interim Report

Improved performance in a highly turbulent market environment

Dear reader,

Six months ago, at this juncture, we wrote that the energy markets had been thrown off balance. From today's perspective, we can say that they are in absolute turmoil. Things that we would have considered completely unrealistic 12 months ago are now part of everyday life. This situation is being driven on the one hand by the ongoing war in Ukraine, which shows no sign of ending any time soon, and on the other by the downtimes of several French nuclear power plants that began months ago and for which there is also no clear end in sight. This shows one thing very clearly: We have not invested enough in building up sufficient renewable capacities to become more resilient to such a scenario – neither in Europe, nor in Switzerland.

Johannes Teyssen

Antje Kanngiesser

Gas and electricity prices have skyrocketed as a result, and not just temporarily. We are now facing the genuine prospect of a gas and electricity shortage this winter. The situation is exacerbated by the ongoing drought in large parts of Europe and this summer's heatwaves. Perhaps the only encouraging outcome is that energy is now at the forefront of political and popular discussion. Suddenly, the topics of saving energy and the urgently needed investment in the expansion of renewable energies are on everyone's lips. The talk is of dependencies and how we can reduce them.

The current crisis highlights the vulnerability of our entire continent. Our hope is that we, as a community of European states, can draw strength from it. That we learn that we can only achieve large-scale systemic objectives by working in unison. And that we have to act quickly – across national borders and with the overall system in mind – in a spirit of give and take.

Against this extremely turbulent backdrop, Alpiq significantly improved its operating performance. We achieved EBITDA before exceptional items (adjusted EBITDA) of CHF 114 million in the first half of 2022, a 37 percent increase on the same period last year. Our flexible and efficient power plant portfolio enabled us to seize market opportunities strategically and make our contribution to strengthening the security of supply. We laid the foundation for our strong performance by optimising our plant utilisation and through competent trading and portfolio management on behalf of our customers. Our Switzerland and International divisions remained stable against the previous year despite the difficult environment. In the face of even more severe price distortions on the international trading markets, we also succeeded in limiting risks. Due to the extreme price increases, adjusted net revenue more than doubled in the first six months against last year's figure, rising from CHF 2.7 billion to CHF 6.9 billion.

High price volatility = high liquidity requirements

The extreme prices since the end of last year have led to temporarily high and strongly fluctuating liquidity requirements throughout the industry, especially for large electricity producers. Looking back at the last six months, we have raised almost CHF 2 billion from our own resources and generated additional financing on the credit and capital markets. Our liquidity requirements have almost quadrupled again compared to the end of 2021. Thanks to numerous operational measures and strict monitoring of all our trading positions, Alpiq has succeeded in significantly reducing risks in relation to the current market environment. Crucially, these measures have also enabled us to slash our liquidity requirements.

Nevertheless, huge uncertainties remain for the energy sector as a whole. Gas prices this summer have risen above their spring peak. Many European countries can no longer assure supply to all customers. With this in mind, the European Union aims to reduce consumption by 15 % in order to make provisions for the winter months ahead. In the electricity sector, too, record prices are being set again and again across Europe. There is a capacity shortfall, and the operation of gas-fired power plants is becoming increasingly less secure in view of the looming gas shortage. Likewise, an electricity shortage hangs over the coming winter like a sword of Damocles. To ward off this prospect, Europe needs to act in a coordinated manner.

Switzerland, and Alpiq, can benefit in this respect from our highly flexible power plants. The Nant de Drance pumped storage power plant, for example, has been commissioned at the perfect time. We are very proud to have carried out this complex and fascinating project – which has now gone into operation following 14 years of construction – in a highly professional manner. Thanks to its high power capacity and outstanding flexibility, the plant is set to play a key role in stabilising the grid and successfully integrating renewable energies into the market.

Under the prevailing conditions, however, we are also highly dependent on nuclear energy to achieve a stable power supply. In the first six months of the year, the Gösgen and Leibstadt power plants contributed consistently to ensuring a secure supply of electricity. At the Gösgen nuclear power plant, operated by Alpiq, we were able to complete the annual overhaul on time and on budget thanks to exceptional discipline and commitment.

Shaping the future of the energy system through investment

At Alpiq, we play our part every day in strengthening the security of supply and protecting the climate through our sustainable energy business and our investments in infrastructure. In the last five years, for example, we have invested around CHF 750 million in infrastructure in Switzerland alone, including roughly CHF 500 million in hydropower. The latest developments confirm once again that we are pursuing the right path.

Now, however, we need to seize the moment and transform the energy system quickly and decisively, which is why we have four projects in Valais in waiting to further expand hydropower in Switzerland and increase storage capacity for the winter months. Also in the pipeline is Gondosolar, the project we are supporting to construct Switzerland's largest photovoltaic system in the Alps. This project showcases the fact that large amounts of solar power can also be produced in the winter months and that prudent project planning not only minimises the impact on the environment but can even mitigate the negative effects of climate change locally. The plans for these projects have been drawn up. Now it is crucial that the federal government and the cantons clear the way for these expansion projects to be implemented quickly. As a society we need to allow faster processes and to set priorities for projects that add what we all need: more power and more storage for cold winter months.

Inside Alpiq, too, we have taken decisive action in the first half of year to set the course for the future. We are generating value along the entire value chain – for the benefit of our company, our shareholders, and our customers. To bolster the company's resilience, management has taken measures to focus on Alpiq's performance as a whole. In future, performance will be evaluated holistically across divisional boundaries rather than individually by business division. This will allow us to present value flows transparently along the entire value chain and enable more targeted controlling. We will introduce this approach in our reporting for the 2023 financial year. This focus on Alpiq's performance as a whole reflects our core value that we all work towards a common, larger goal. That is why we are rethinking our processes, making them simple, lean, and cost-efficient, fully in line with Alpiq's new purpose and values-based culture.

Market turbulence affects financial performance and valuations

The market volatilities and the high prices have been successfully exploited in trading. The price rises and volatilities, however, cause three effects: Firstly, they lead to extremely high financial security deposits at the energy exchanges for commercial activities. These deposits, however, are temporary in nature. They will be returned to us in full. Secondly, the accounting treatment of hedges of wholesale prices in accordance with IFRS leads to the fact that earnings are being shifted with a positive effect on the result in subsequent financial years. This is called accounting mismatch. We can therefore state, that the IFRS result does not adequately reflect our operational performance. And thirdly: The higher valuation of hedging and trading items also results in a considerable extension of the balance sheet and thus a lower equity ratio. Operational performance, however, has been considerably better than in the same period of the previous year.

A huge thank you

For almost a year now, we have now been operating in an extremely challenging environment in the energy industry. We would like to sincerely thank our customers, partners, and shareholders for the trust they have placed in Alpiq. A special thank you goes to our employees, who have delivered an outstanding performance despite working under enormous pressure for months. Without their commitment to Alpiq and their dedication to their duties, we would not have been able to achieve such a strong operating performance in the first half of 2022.

Positive operating performance for 2022 expected to continue

Russia continues to ruthlessly exploit Europe’s dependence on gas supplies through the Nord Stream 1 pipeline, causing prices to soar. There is a threat of a gas shortage during the winter months, as well as an electricity shortage due to the downtimes of many French nuclear power plants showing the missing generation capacities in Europe. Given the dynamic market development, Alpiq expects further growth in our EBITDA result for 2022. However, due to the exceptionally strong fluctuations in the fair value of our commercial portfolio in conjunction with a potentially negative decommissioning and waste disposal funds (STENFO) performance, we cannot assume with certainty that we will achieve a positive net result (IFRS) by the end of the year.

Johannes Teyssen
Chairman of the Board of Directors

Antje Kanngiesser
CEO

24 August 2022

Key Financial Figures

Results of operations (before exceptional items)

CHF million	Half-year 2022/1	Half-year 2021/1 (adjusted)[1]	% change
Net revenue	6,869	2,698	155
Earnings before interest, tax, depreciation and amortisation (EBITDA)	114	83	37

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

Results under IFRS

CHF million	Half-year 2022/1	Half-year 2021/1 (adjusted)[1]	% change
Net revenue	6,028	2,654	127
Earnings before interest, tax, depreciation and amortisation (EBITDA)	– 566	141	> – 100
Earnings before interest and tax (EBIT)	– 625	75	> – 100
Net (loss) / income	– 592	16	> – 100

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

CHF million	30 Jun 2022	31 Dec 2021	% change
Total assets	18,107	13,557	34
Total equity	2,852	3,558	– 20
As % of total assets	15.7	26.2	
Net debt[1]	1,130	675	67
Net debt / EBITDA before exceptional items[2]	3.3	2.2	

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

	2022	2021	% change
Own production in the first half-year (GWh)[1]	8,463	7,572	12
Number of employees at the reporting date (30 June / 31 Dec)[2]	1,231	1,266	– 3
Of which in Switzerland	680	701	– 3
Of which in surrounding European countries	551	565	– 2

1 Net share attributable to Alpiq from total power plant production (after deducting pumped energy)
2 Full-time equivalents

Financial Review

The first half of 2022 was shaped by sharply rising energy prices. This continuing trend was attributable to geopolitical uncertainties in European gas supply on account of the war in Ukraine, unplanned downtimes of French nuclear power plants, Germany's exit from nuclear power and coal as well as the rise in demand for energy in Asia. In this environment, Alpiq has achieved a very good operational result, taking advantage of its best placed flexible asset portfolio which was characterised by high availability. While Alpiq successfully exploited market volatilities and high prices in trading, these developments also resulted in significantly higher than usual financial security deposits having to be made at the energy exchanges for commercial activities. These deposits are merely temporary in nature and thus, the financial security deposits we had to make will be returned to us in full.

The extreme prices have raised liquidity and credit risks for all market participants. The forward price for Q4/2022 Swiss Base power as well as the forward price for Q4/2022 gas more than doubled between 31 December 2021 and 30 June 2022 from almost 210 EUR / MWh to around 460 EUR / MWh and from 65 EUR / MWh to around 150 EUR / MWh respectively. The forward prices for 2023 Swiss Base power even increased by around 175 % from around 115 EUR / MWh to around 315 EUR / MWh between 31 December 2021 and 30 June 2022 while gas prices for 2023 increased from around 40 EUR / MWh to around 110 EUR / MWh (up around 150 %) in the same period. In some of the surrounding countries, the electricity prices increased even more. In response to market developments, Alpiq implemented precautionary measures at an early stage to increase liquidity in the short term. On the one hand, these related to the energy business in order to increase internal financing, on the other, Alpiq arranged additional credit and guarantee lines with banks and increased its loans and bonds. The above-mentioned measures improved Alpiq's financial headroom and its resilience to current market developments.

Although the operational result is above the previous year, the accounting treatment in accordance with IFRS of hedges of wholesale prices leads to earnings being shifted (accounting mismatch), which will have a positive effect on the result in subsequent financial years. Therefore, the IFRS result, which reflects the decrease in the value of the hedges at the reporting date but not yet the value increase of the future energy production and physical energy purchase contracts, does not adequately reflect the operational performance of Alpiq. The higher valuation of hedging and trading items also results in a considerable extension of the balance sheet and thus a lower equity ratio.

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 that were adjusted for this financial year are described in the “Alternative performance measures of Alpiq” section.

Alpiq Group: results of operations (before exceptional items)

In the first half of 2022, the Alpiq Group generated net revenue before exceptional items of CHF 6.9 billion (up CHF 4.2 billion on the previous year) and EBITDA of CHF 114 million (up CHF 31 million or plus 37 %). Energy trading successfully made use of the market opportunities and closed at a significantly higher level than the previous year, while Swiss power production provided steady contributions to earnings. By contrast, the result of the International business division was slightly negative.

Results of operations (before exceptional items)

CHF million	Half-year 2022/1	Half-year 2021/1 (adjusted)[1]	% change
Net revenue	**6,869**	**2,698**	**155**
Own work capitalised and change in costs incurred to fulfil a contract	3	2	50
Other operating income	9	33	– 73
Total revenue and other income	**6,881**	**2,733**	**152**
Energy and inventory costs	– 6,552	– 2,504	162
Employee costs	– 161	– 99	63
Other operating expenses	– 54	– 47	15
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**114**	**83**	**37**

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

Switzerland business division

At CHF 32 million, EBITDA of Swiss power production was on a par with the previous year, although the previous-year result included the additional compensation of CHF 10 million from Swissgrid for the sale of the Swiss high-voltage grid. The area of hydropower confirmed the previous-year result, with positive price effects compensating for higher costs in connection with the commissioning of Nant de Drance. In the area of nuclear power, costs decreased compared to the previous year, due, among other things, to lower necessary maintenance work at the Leibstadt nuclear power plant compared to the previous year. Production volumes were raised in the area of new renewable energies in Switzerland. With its climate-friendly power production, Alpiq is contributing to a better climate and strengthening the security of supply.

International business division

At CHF -2 million, EBITDA of international power production and sales & origination activity was down slightly by CHF 2 million compared to the previous year. Current market developments, which are strongly impacted by the war in Ukraine and the impact of related sanctions on the market as well as the resulting negative impact on supply chains, have significantly increased the credit risk at some counterparties, which had a negative impact on results of operations of the International business division. In France, Alpiq performed well and exceeded the previous-year results in the area of industrial customers. The gas-fired combined-cycle power plants in Italy and Hungary again contributed to system stability thanks to their high availability. Furthermore, the Spanish gas-fired combined-cycle power plant Plana del Vent was put back into operation at the beginning of 2022 following repair work.

Digital & Commerce business division

At CHF 128 million, EBITDA of energy trading was up compared to the previous year by CHF 64 million. Optimisation and marketing of the power plant portfolio in both Switzerland and internationally generated higher earnings than in the previous year. Alpiq made good use of the opportunities offered by a highly volatile market environment. However, as expected, the exceptionally good previous-year result from system services in Italy could not be repeated due to changes in the regulatory environment and higher availability of other flexible power plants in the region compared to the previous year.

Consolidated balance sheet and cash flow statement (under IFRS)

Total assets amounted to CHF 18.1 billion at the 30 June 2022 reporting date, compared to CHF 13.6 billion at the end of 2021. Non-current assets decreased by CHF 101 million and came to CHF 4.3 billion. This decrease was mainly driven by the decline in investments in partner power plants and other associates as well as defined benefit assets due to the increase in discount rate related to pension plans and reaching the asset ceiling. On the other hand, deferred income tax assets increased mainly due to additional recognised tax benefits on tax loss carryforwards. Amortisation, depreciation and impairment was partly offset by net investments in property, plant and equipment and intangible assets.

Current assets rose by CHF 4.7 billion to CHF 13.8 billion at 30 June 2022. The rise is primarily due to the higher replacement values of energy derivatives, mainly driven by the significant increase in energy prices and high volatility. For the same reason, negative replacement values increased at a similar rate. In addition, Alpiq had to make higher financial security deposits.

Equity stood at CHF 2.9 billion at 30 June 2022 and was thus CHF 0.7 billion below the previous year. The decrease chiefly stems from the lower net income and the effects from the remeasurement of defined benefit pension plans. The equity ratio decreased from 26.2 % to 15.7 %.

Current and non-current financial liabilities increased by CHF 331 million to CHF 1.9 billion at 30 June 2022. 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. Furthermore, short-term loans were taken out in order to finance the net working capital. Net debt increased from CHF 675 million to CHF 1.1 billion. The gearing ratio (net debt / EBITDA before exceptional items) rose from 2.2 at 31 December 2021 to 3.3 at 30 June 2022. Compared to 31 December 2021, non-current liabilities increased by CHF 71 million to CHF 1.5 billion. In this context, the increase in non-current bonds were partially offset by the decrease in provisions for onerous contracts.

Net cash flows from operating activities declined from CHF 172 million in the first half of 2021 to CHF -416 million. This decrease is driven by higher financial security deposits and lower earnings before tax. Net cash flows from investing activities increased on the previous year, mainly driven by an increase in proceeds from disposals of subsidiaries from the additional compensation received for the transfer of the Swiss high-voltage grid. Net cash flows from financing activities were up on the previous year due to the additional financial liabilities raised to increase liquidity. Cash and cash equivalents decreased by CHF 100 million to CHF 763 million.

Outlook

The sword of Damocles of gas supply being cut continues to hang over Europe and is pushing prices upwards. For the coming winter, there is the threat of a gas shortage and, at the same time, an electricity shortage because a large number of nuclear power plants in France have been shut down. Given the dynamic market development, Alpiq expects further growth for the full year 2022 at the level of adjusted EBITDA. However, due to the exceptionally strong fluctuations in the fair value of Alpiq's commercial portfolio in conjunction with potentially negative decommissioning and waste disposal funds (STENFO) performance, Alpiq cannot assume with certainty that it will achieve a positive net result (IFRS) by the end of the year.

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 12 million. Accordingly, EBITDA before exceptional items for the first half of 2021 increased by CHF 12 million. Alpiq still does not use any alternative performance measures in the balance sheet and statement of cash flows.

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

			Half-year 2022/1			Half-year 2021/1 (adjusted)[1]
CHF million	Results of operations before exceptional items	Exceptional items	Results under IFRS	Results of operations before exceptional items	Exceptional items	Results under IFRS
Net revenue	**6,869**	**– 841**	**6,028**	**2,698**	**– 44**	**2,654**
Own work capitalised and change in costs incurred to fulfil a contract	3		3	2		2
Other operating income	9		9	33		33
Total revenue and other income	**6,881**	**– 841**	**6,040**	**2,733**	**– 44**	**2,689**
Energy and inventory costs	– 6,552	161	– 6,391	– 2,504	102	– 2,402
Employee costs	– 161		– 161	– 99		– 99
Other operating expenses	– 54		– 54	– 47		– 47
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**114**	**– 680**	**– 566**	**83**	**58**	**141**
Depreciation, amortisation and impairment			– 59			– 66
Earnings before interest and tax (EBIT)			**– 625**			**75**
Share of results of partner power plants and other associates			– 10			– 13
Finance costs			– 39			– 33
Finance income			9			10
Earnings before tax			**– 665**			**39**
Income tax income / (expense)			73			– 23
Net (loss) / income			**– 592**			**16**

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

Overview of exceptional items

CHF million	Fair value changes (accounting mismatch)		Development of decommissioning and waste disposal funds		Onerous contracts		Total exceptional items	
	Half-year 2022/1	Half-year 2021/1 (adjusted)[1]	Half-year 2022/1	Half-year 2021/1	Half-year 2022/1	Half-year 2021/1	Half-year 2022/1	Half-year 2021/1 (adjusted)[1]
Net revenue	**– 857**	**– 38**	**16**	**– 6**			**– 841**	**– 44**
Total revenue and other income	**– 857**	**– 38**	**16**	**– 6**			**– 841**	**– 44**
Energy and inventory costs			– 238	87	399	15	161	102
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**– 857**	**– 38**	**– 222**	**81**	**399**	**15**	**– 680**	**58**

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

Alpiq has defined the following categories of exceptional items:

Fair value changes (accounting mismatch)

Negative fair value changes of energy derivatives entered into to hedge future power production as well as energy procurement and energy delivery contracts do not reflect operating performance because they are economically linked with the changes in value of the hedged transactions. Rising forward prices cause the future production volumes and power purchase agreements to increase in value and the corresponding hedges to lose value. According to IFRS guidelines, the fair value changes of financial hedges 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 30 June 2022)

CHF million	
Accounting mismatch until 31 December 2021	– 475
Change in accounting mismatch in the first half of 2022	– 857
Total accounting mismatch at 30 June 2022	**– 1,332**
Of which, will be reversed in the second half of 2022	558
Of which, will be reversed in 2023	422
Of which, will be reversed in 2024	300
Of which, will be reversed after 2024	52

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 and a contract abroad that was onerous before 30 June 2021 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.

Consolidated Financial Statements of the Alpiq Group

Consolidated Income Statement

CHF million	Note	Half-year 2022/1	Half-year 2021/1 (adjusted)[1]
Net revenue	3	**6,028**	**2,654**
Own work capitalised and change in costs incurred to fulfil a contract		3	2
Other operating income		9	33
Total revenue and other income		**6,040**	**2,689**
Energy and inventory costs		– 6,391	– 2,402
Employee costs		– 161	– 99
Other operating expenses		– 54	– 47
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**– 566**	**141**
Depreciation, amortisation and impairment	4	– 59	– 66
Earnings before interest and tax (EBIT)		**– 625**	**75**
Share of results of partner power plants and other associates		– 10	– 13
Finance costs		– 39	– 33
Finance income		9	10
Earnings before tax		**– 665**	**39**
Income tax income / (expense)		73	– 23
Earnings after tax from continuing operations		**– 592**	**16**
Earnings after tax from discontinued operations	10	0	0
Net (loss) / income		**– 592**	**16**
Attributable to non-controlling interests		1	1
Attributable to equity investors of Alpiq Holding Ltd.		– 593	15
Earnings per share from continuing operations in CHF, diluted and undiluted	5	– 18.35	0.00
Earnings per share from discontinued operations in CHF, diluted and undiluted	5	0.00	0.01
Earnings per share in CHF, diluted and undiluted	5	**– 18.35**	**0.01**

1 See note 1

Consolidated Statement of Comprehensive Income

CHF million	Half-year 2022/1	Half-year 2021/1 (adjusted)[1]
Net income	**– 592**	**16**
Cash flow hedges (group companies)	11	– 24
Income tax effect	– 2	3
Net of income tax	9	– 21
Currency translation differences	– 31	14
Net of income tax	– 31	14
Items that may be reclassified subsequently to the income statement, net of tax	**– 22**	**– 7**
Remeasurement of defined benefit plans (group companies)	– 59	66
Income tax effect	9	– 10
Net of income tax	– 50	56
Remeasurement of defined benefit plans (partner power plants and other associates)	– 50	44
Income tax effect	8	– 7
Net of income tax	– 42	37
Items that will not be reclassified to the income statement, net of tax	**– 92**	**93**
Other comprehensive income	**– 114**	**86**
Total comprehensive income	**– 706**	**102**
Attributable to non-controlling interests	0	1
Attributable to equity investors of Alpiq Holding Ltd.	– 706	101
Of which, total comprehensive income from continuing operations	– 706	101
Of which, total comprehensive income from discontinued operations	0	0

1 See note 1

Consolidated Balance Sheet

Assets

CHF million	Note	30 Jun 2022	31 Dec 2021
Property, plant and equipment		1,827	1,859
Intangible assets		87	92
Investments in partner power plants and other associates		2,211	2,301
Defined benefit assets [1]			80
Other non-current assets		23	23
Deferred income tax assets		183	77
Non-current assets		**4,331**	**4,432**
Inventories		37	33
Derivative financial instruments		9,536	5,098
Receivables		3,141	2,782
Prepayments and accrued income		288	314
Current term deposits		11	35
Cash and cash equivalents	8	763	863
Current assets		**13,776**	**9,125**
Total assets		**18,107**	**13,557**

1 At 30 June 2022, the asset ceiling calculated in accordance with IAS 19 is zero due to the significant increase in discount rate.

Equity and liabilities

CHF million	Note	30 Jun 2022	31 Dec 2021
Share capital[1]		0	0
Share premium		4,904	4,904
Hybrid capital		650	650
Retained earnings		– 2,778	– 2,072
Equity attributable to equity investors of Alpiq Holding Ltd.		**2,776**	**3,482**
Non-controlling interests		76	76
Total equity		**2,852**	**3,558**
Non-current provisions		206	490
Deferred income tax liabilities		312	321
Defined benefit liabilities		2	3
Non-current financial liabilities		996	627
Other non-current liabilities		4	8
Non-current liabilities		**1,520**	**1,449**
Current income tax liabilities		52	47
Current provisions		260	129
Current financial liabilities		908	946
Other current liabilities		1,379	1,723
Derivative financial instruments		10,421	5,343
Accruals and deferred income		715	362
Current liabilities		**13,735**	**8,550**
Total liabilities		**15,255**	**9,999**
Total equity and liabilities		**18,107**	**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 loss for the period						– 592.7	**– 592.7**	1.0	**– 591.7**
Other comprehensive income				8.8	– 30.6	– 91.6	**– 113.4**	– 1.0	**– 114.4**
Total comprehensive income				**8.8**	**– 30.6**	**– 684.3**	**– 706.1**	**0.0**	**– 706.1**
Dividends							**0.0**	– 0.1	**– 0.1**
Equity at 30 June 2022	**0.3**	**4,904.4**	**650.0**	**30.6**	**– 805.1**	**– 2,004.1**	**2,776.1**	**75.6**	**2,851.7**

CHF million	Share capital	Share premium	Hybrid capital	Cash flow hedge reserves	Currency translation differences	Retained earnings	**Attributable to equity investors of Alpiq Holding Ltd.**	Non-controlling interests	**Total equity**
Equity at 1 January 2021	**0.3**	**4,904.4**	**650.0**	**8.4**	**– 742.9**	**– 1,134.2**	**3,686.0**	**75.5**	**3,761.5**
Net income for the period (adjusted)[1]						15.1	**15.1**	1.2	**16.3**
Other comprehensive income				– 20.5	13.5	93.1	**86.1**	0.2	**86.3**
Total comprehensive income (adjusted)[1]				**– 20.5**	**13.5**	**108.2**	**101.2**	**1.4**	**102.6**
Dividends						– 46.4	**– 46.4**	– 1.2	**– 47.6**
Equity at 30 June 2021 (adjusted)[1]	**0.3**	**4,904.4**	**650.0**	**– 12.1**	**– 729.4**	**– 1,072.4**	**3,740.8**	**75.7**	**3,816.5**

1 See note 1

Consolidated Statement of Cash Flows

CHF million	Note	Half-year 2022/1	Half-year 2021/1
Earnings before tax from continuing operations (adjusted) [1]		**– 665**	**39**
Adjustments for:			
Depreciation, amortisation and impairment		59	66
Gain on sale of non-current assets		– 1	– 2
Share of results of partner power plants and other associates		10	13
Financial result (adjusted) [1]		30	23
Other non-cash income and expenses		44	54
Change in provisions (excl. interest) (adjusted) [1]		– 147	1
Change in defined benefit assets / liabilities and other non-current liabilities		21	3
Change in fair value of derivative financial instruments		657	– 17
Change in net working capital (excl. derivatives, current financial assets / liabilities and current provisions)		– 381	23
Other financial income and expenses		– 21	– 3
Income tax paid		– 22	– 28
Net cash flows from operating activities of continuing operations		**– 416**	**172**
Net cash flows from operating activities of discontinued operations			
Net cash flows from operating activities		**– 416**	**172**
Property, plant and equipment and intangible assets			
Investments		– 39	– 35
Proceeds from disposals		1	3
Subsidiaries			
Proceeds from disposals	10	31	9
Associates			
Proceeds from disposals			– 3
Loans receivable and financial investments			
Investments			– 10
Change in current and non-current term deposits			14
Dividends from partner power plants, other associates and financial investments		24	23
Interest received		5	5
Net cash flows from investing activities of continuing operations		**22**	**6**
Net cash flows from investing activities of discontinued operations	10		– 1
Net cash flows from investing activities		**22**	**5**

1 See note 1

CHF million	Note	Half-year 2022/1	Half-year 2021/1
Dividends paid			– 46
Dividends paid to non-controlling interests			– 1
Proceeds from financial liabilities		1,830	1
Repayment of financial liabilities		– 1,495	– 55
Interest paid		– 23	– 14
Net cash flows from financing activities of continuing operations		**312**	**– 115**
Net cash flows from financing activities of discontinued operations			
Net cash flows from financing activities		**312**	**– 115**
Currency translation differences		**– 18**	**5**
Change in cash and cash equivalents		**– 100**	**67**
Reconciliation:			
Cash and cash equivalents at 1 January		863	340
Cash and cash equivalents at 30 June		763	407
Change		**– 100**	**67**

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 2022 have been prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting on a going concern basis (see note 11). 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 2021 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. authorised the interim consolidated financial statements at 30 June 2022 for issue on 24 August 2022.

Adoption of new and revised accounting standards

At 1 January 2022, the amendments to IAS 37 on the cost of fulfilling onerous contracts entered into force and were applied by the Alpiq Group. These amendments had no significant 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 2022	Closing rate at 30 Jun 2021	Closing rate at 31 Dec 2021	Average rate for 2022/1	Average rate for 2021/1
1 EUR	0.996	1.098	1.033	1.032	1.094
1 GBP	1.161	1.280	1.229	1.226	1.260
1 USD	0.959	0.924	0.912	0.944	0.908
100 CZK	4.026	4.308	4.156	4.190	4.233
100 HUF	0.251	0.312	0.280	0.276	0.306
100 NOK	9.625	10.795	10.343	10.350	10.754
100 PLN	21.235	24.292	22.474	22.285	24.122
100 RON	20.136	22.281	20.875	20.866	22.325

Correction of errors

As described in note 1.4 of the notes to the Financial Report 2021, Alpiq found errors in the Financial Report 2020 and in the Interim Report 2021. Due to the increase in electricity prices, own use contracts for the physical sale of electricity became loss making. Although Alpiq had hedged these contracts from an economic perspective, this in part involved financial contracts. As Alpiq does not apply hedge accounting, own use contracts and associated financial hedges have to be evaluated and presented separately. Provisions for onerous own use contracts in the International and Digital & Commerce business divisions, which had been hedged using financial instruments, were erroneously understated and the net income was overstated.

For the period ended 30 June 2021, the income statement and the statement of changes in equity were adjusted. As a result, the equity ratio decreased from 42.1 % to 41.6 % at 30 June 2021. The correction of this error did not impact the gearing ratio (net debt / EBITDA) before exceptional items.

The adjustments to the comparative information from 2021 are presented below:

Changes to the interim consolidated income statement 2021

CHF million	Half-year 2021/1 (reported)	Correction of provisions for onerous contracts	Half-year 2021/1 (restated)
Net revenue	**2,654**		**2,654**
Own work capitalised and change in costs incurred to fulfil a contract	2		2
Other operating income	33		33
Total revenue and other income	**2,689**		**2,689**
Energy and inventory costs	– 2,358	– 44	– 2,402
Employee costs	– 99		– 99
Other operating expenses	– 47		– 47
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**185**	**– 44**	**141**
Depreciation, amortisation and impairment	– 66		– 66
Earnings before interest and tax (EBIT)	**119**	**– 44**	**75**
Share of results of partner power plants and other associates	– 13		– 13
Finance costs	– 32	– 1	– 33
Finance income	10		10
Earnings before tax	**84**	**– 45**	**39**
Income tax expense	– 30	7	– 23
Earnings after tax from continuing operations	**54**	**– 38**	**16**
Earnings after tax from discontinued operations	0		0
Net income	**54**	**– 38**	**16**
Attributable to non-controlling interests	1		1
Attributable to equity investors of Alpiq Holding Ltd.	53	– 38	15
Earnings per share from continuing operations in CHF, diluted and undiluted	1.14	– 1.14	0.00
Earnings per share from discontinued operations in CHF, diluted and undiluted	0.01	0.00	0.01
Earnings per share in CHF, diluted and undiluted	**1.15**	**– 1.14**	**0.01**

Changes to the consolidated balance sheet

CHF million	30 Jun 2021 (reported)	Correction of provisions for onerous contracts	30 Jun 2021 (restated)
Share capital	0		0
Share premium	4,904		4,904
Hybrid capital	650		650
Retained earnings	– 1,765	– 48	– 1,813
Equity attributable to equity investors of Alpiq Holding Ltd.	**3,789**	**– 48**	**3,741**
Non-controlling interests	76		76
Total equity	**3,865**	**– 48**	**3,817**

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 Switzerland, 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 financial steering process within Alpiq will be set up along the value chain sourcing, trading, and supply. This will be implemented for the annual report 2023.

The internal organisational and management structure was adjusted in the first half of 2022. As a result, the international sales & origination business units were moved from Digital & Commerce to International, the Swiss sales & origination business unit from Digital & Commerce to Switzerland and the Swiss RES business units from International to Switzerland. Furthermore, the number of categories of exceptional items for reconciling the IFRS results to the alternative performance measures has been reduced so as to simplify the internal reporting. For more information, please refer to the explanations in the "Alternative performance measures of Alpiq" section of the Financial Review. Previous-year segment reporting for the first half of 2021 has been adjusted for comparability. In addition, the segment information for the period ended 30 June 2021 was adjusted due to an error. For more information, please refer to note 1. As a result of all these effects, the Alpiq Group's EBITDA before exceptional items for the first half of 2021 increased by CHF 3 million from CHF 80 million to CHF 83 million.

– The Switzerland business division comprises the production of electricity from Swiss hydropower, nuclear power, wind power and industrial photovoltaic plants, 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. 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 Digital & Commerce 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 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. It also covers trading activities with standardised and structured products for electricity and gas as well as emission allowances and certificates. The business division will be renamed Trading in the second half of 2022 following the transfer of the support functions D&C Technology and Operations to the Group Centre.

The business divisions' results are carried over to the Alpiq Group's consolidated figures by including the units with no market operations (Group Centre & other companies), Group consolidation effects as well as other reconciliation items presented in a separate column. The latter comprises shifts of CHF 6 million (previous year: CHF 6 million) between external net revenue and other income due to the difference in account structures between internal and external reporting. This column also contains foreign currency effects from using other average exchange rates in management reporting than pursuant to IFRS. Group Centre & other companies includes the financial and non-strategic investments which cannot be allocated directly to the business divisions as well as activities of the Group headquarters, including Alpiq Holding Ltd. and the functional units.

1st half-year 2022: Information by business division

CHF million	Switzerland	International	Digital & Commerce	Group Centre & other companies	Consolidation	Reconciliation	Alpiq Group
Net revenue from third parties	– 829	3,706	3,123	11		9	6,020
Inter-segment transactions [1]	1,172	128	78	– 7	– 1,364	1	8
Exceptional items [2]	77	– 15	781			– 2	841
Net revenue before exceptional items	**420**	**3,819**	**3,982**	**4**	**– 1,364**	**8**	**6,869**
Net revenue	**343**	**3,834**	**3,201**	**4**	**– 1,364**	**10**	**6,028**
Other income	9	– 8	14	11	– 8	– 6	12
Total revenue and other income before exceptional items	**429**	**3,811**	**3,996**	**15**	**– 1,372**	**2**	**6,881**
Total revenue and other income	**352**	**3,826**	**3,215**	**15**	**– 1,372**	**4**	**6,040**
Operating costs	– 236	– 3,813	– 3,868	– 59	1,372	– 2	– 6,606
Exceptional items [2]	– 161						– 161
EBITDA before exceptional items	**32**	**– 2**	**128**	**– 44**	**0**	**0**	**114**
EBITDA	**116**	**13**	**– 653**	**– 44**	**0**	**2**	**– 566**
Depreciation, amortisation and impairment	– 32	– 20	– 3	– 4			– 59
EBIT	**84**	**– 7**	**– 656**	**– 48**	**0**	**2**	**– 625**
Number of employees at 30 June	166	379	309	377			1,231

1 The net effect of CHF 8 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 explanations in the "Alternative performance measures of Alpiq" section of the Financial Review.

1st half-year 2021: Information by business division (adjusted)

CHF million	Switzerland	Interna-tional	Digital & Commerce	Group Centre & other companies	Consoli-dation	Reconcili-ation	Alpiq Group
Net revenue from third parties	19	1,475	1,144	9		7	2,654
Inter-segment transactions	363	33	280	– 10	– 666		0
Exceptional items[1]	12	22	11			– 1	44
Net revenue before exceptional items	**394**	**1,530**	**1,435**	**– 1**	**– 666**	**6**	**2,698**
Net revenue	**382**	**1,508**	**1,424**	**– 1**	**– 666**	**7**	**2,654**
Other income	19	17	1	11	– 7	– 6	35
Total revenue and other income before exceptional items	**413**	**1,547**	**1,436**	**10**	**– 673**	**0**	**2,733**
Total revenue and other income	**401**	**1,525**	**1,425**	**10**	**– 673**	**1**	**2,689**
Operating costs	– 284	– 1,547	– 1,364	– 26	673		– 2,548
Exceptional items[1]	– 95		– 8			1	– 102
EBITDA before exceptional items	**34**	**0**	**64**	**– 16**	**0**	**1**	**83**
EBITDA	**117**	**– 22**	**61**	**– 16**	**0**	**1**	**141**
Depreciation, amortisation and impairment	– 31	– 27	– 4	– 4			– 66
EBIT	**86**	**– 49**	**57**	**– 20**	**0**	**1**	**75**
Number of employees at 30 June	159	401	326	366			1,252

1 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 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).

The internal organisational and management structure was adjusted in the first half of 2022, see note 2. The disaggregation of net revenue for the first half of 2021 has been adjusted for comparability.

1st half-year 2022: Disaggregation of net revenue

CHF million	Switzerland	International	Digital & Commerce	Group Centre & other companies	Total
Revenue from energy and grid services	107	3,685	2,865		6,657
Revenue from other services	6				6
Total revenue from contracts with customers	**113**	**3,685**	**2,865**	**0**	**6,663**
(Loss) / income from energy and financial derivatives	– 936	23	259	11	– 643
Net revenue from third parties[1]	**– 823**	**3,708**	**3,124**	**11**	**6,020**

1 The difference to net revenue in the income statement results from currency effects on intragroup energy transactions of CHF 8 million.

1st half-year 2021: Disaggregation of net revenue (adjusted)

CHF million	Switzerland	International	Digital & Commerce	Group Centre & other companies	Total
Revenue from energy and grid services	86	1,456	1,063		2,605
Revenue from digital energy services and e-mobility	1		3		4
Revenue from other services	6				6
Total revenue from contracts with customers	**93**	**1,456**	**1,066**	**0**	**2,615**
(Loss) / income from energy and financial derivatives	– 68	20	78	9	39
Net revenue from third parties	**25**	**1,476**	**1,144**	**9**	**2,654**

4 Impairment losses and provisions

1st half-year 2022: Allocation of impairment losses and provisions

The provision for onerous contracts covers the present value of the existing onerous contracts and amounted to CHF 537 million at the beginning of the year. Of this, CHF 389 million related to the onerous contract for the future procurement of energy from the Nant de Drance pumped storage power plant. The rest related to own-use contracts, which became onerous as a result of the sharp rise in electricity and gas prices in the past year. Although Alpiq hedges these contracts from an economic perspective, this in part involves financial contracts. As Alpiq does not use hedge accounting, own use contracts and associated financial hedges have to be evaluated and presented separately. The net increase of provisions for such own-use contracts amounted to CHF 226 million in the first half of 2022. The provision for Nant de Drance 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 to the reversal.

The production of electricity from Swiss hydropower and nuclear power is hedged, optimised and marketed within Alpiq together for all plants as a portfolio. The plants of the Switzerland business division therefore constitute a cash-generating unit (CGU). With the full commercial commissioning of Nant de Drance (NdD) at 1 July 2022, the energy produced by NdD is from now on being hedged, optimised and marketed together with the other production facilities in the portfolio of the Production Switzerland CGU. This means that NdD will be part of the Production Switzerland CGU from 1 July 2022 and will no longer be presented as a separate valuation unit as in the past, as its expected cash flows will no longer be independent of the cash flows of the Production Switzerland CGU. The combined expected economic benefits exceed the expected cost. Therefore, the provision for Nant de Drance was released in full.

The integration of Nant de Drance into the Production Switzerland CGU represents a triggering event. It was therefore necessary to perform an impairment test for the Production Switzerland CGU at the reporting date. This showed that the integration of NdD into the Production Switzerland CGU does not lead to an impairment.

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 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.

5 Earnings per share

	Half-year 2022/1	Half-year 2021/1 (adjusted)[1]
Earnings after tax from continuing operations attributable to equity investors of Alpiq Holding Ltd. (CHF million)	– 593	15
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)	**– 608**	**0**
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)	**– 608**	**0**
Weighted average number of shares outstanding	33,110,364	33,110,364
Earnings per share from continuing operations in CHF, diluted and undiluted	– 18.35	0.00
Earnings per share from discontinued operations in CHF, diluted and undiluted	0.00	0.01
Earnings per share in CHF, diluted and undiluted	**– 18.35**	**0.01**

1 See note 1

The next interest payment on the publicly placed hybrid bond is due on 15 November 2022. The interest after tax attributable to the first half of 2022 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, operational and financial 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.

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 2022, the Group reports an equity ratio of 15.7 % (31 December 2021: 26.2 %).

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. Due to developments on the energy markets and the increased counterparty risk as a result, Alpiq, within the scope of its external financing, has agreed on additional lines of credit, taken out loans and issued bonds of

CHF 450 million. 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 2022	31 Dec 2021
Non-current financial liabilities	996	627
Current financial liabilities	908	946
Financial liabilities	**1,904**	**1,573**
Current term deposits	11	35
Cash and cash equivalents	763	863
Financial assets (liquidity)	**774**	**898**
Net debt	**1,130**	**675**
EBITDA before exceptional items [1/2]	343	312
Net debt / EBITDA before exceptional items	**3.3**	**2.2**

1 Rolling EBITDA before exceptional items of the last 12 months
2 The previous-year figure has been adjusted due to the reduction in number of categories of exceptional items (see note 2 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	30 Jun 2022	31 Dec 2021
Non-earmarked credit lines committed by banks and financial institutions	750	503
Of which, utilised	490	331
Of which, still available	260	172

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 issued or received if agreed in the contract and based on the net obligation. 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:

	30 Jun 2022		31 Dec 2021	
CHF million	Collateral received	Collateral issued	Collateral received	Collateral issued
Cash collateral [1]	133	941	318	101
Guarantees [2]	142	220	323	72
Total	**275**	**1,161**	**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 9.

Due to the volatile and significant increase in energy prices since the first half of 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. Taking into account the credit risk, the corresponding energy derivatives were reclassified to Level 3 energy derivatives in the first half of 2021, see note 7. Moreover, impairment losses on receivables amounted to CHF 40 million in the first half of 2022 (first half of 2021: CHF 66 million).

On the reporting date, there were the following concentrations of risk with three counterparties without concrete indications of a default risk:

CHF million	30 Jun 2022	31 Dec 2021
Counterparty classified in risk category BBB+		
Positive replacement values for energy derivatives	1,363	
Counterparty classified in risk category BBB		
Positive replacement values for energy derivatives	1,414	851
Trade receivables	48	96
Counterparty classified in risk category BB-		
Positive replacement values for energy derivatives	1,486	657
Trade receivables		1

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 assure both parties' performance. Consequently, Alpiq has to provide or can demand significant collateral in the form of liquidity or bank guarantees due to energy price movements and depending on the value of 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 liquid resources and by obtaining committed credit lines from banks (see also note 11). The role of liquidity management 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. 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. 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 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 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]	9,452	9,452	5,060	5,060
Currency and interest rate derivatives	84	84	38	38
Financial liabilities at amortised cost				
Bonds	980	977	675	701
Loans payable	883	881	854	861
Financial liabilities at fair value through profit or loss				
Negative replacement values of derivatives				
Energy derivatives [2]	10,362	10,362	5,322	5,322
Currency and interest rate derivatives	59	59	21	21

1 Of which, a net amount of CHF 82 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 77 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	30 Jun 2022	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Financial investments	1		1	
Energy derivatives	9,452		9,214	238
Currency and interest rate derivatives	84		84	
Financial liabilities at amortised cost				
Bonds	977	977		
Loans payable	881		881	
Financial liabilities at fair value through profit or loss				
Energy derivatives	10,362		9,965	397
Currency and interest rate derivatives	59		59	

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 first half of 2022 and during the 2021 financial year, there were no reclassifications between Levels 1 and 2. The reclassification from Level 2 to Level 3 in 2021 mentioned below relates to energy derivatives with a significantly increased credit risk (for more information, refer to the “Credit risk” section in note 6). 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 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. Normally, the effect of credit risk on fair values is not material. 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 30 June 2022, the fair value of the derivatives that are classified as Level 3 due to a significantly increased credit risk is not material. More information can be found in the "Credit risk" section of note 6.

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

Level 3 energy derivatives

Energy derivatives disclosed under Level 3 are measured using methods that in some cases utilise input factors, such as long-term energy prices or discount rates, which cannot be derived directly from an active market. In complex cases, a discounted cash flow method is used for the measurement. A 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 6.

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

		2022		2021
CHF million	Assets	Liabilities	Assets	Liabilities
Replacement values at 1 January	**104**	**88**	**81**	**2**
Purchases	52		7	2
Sales	– 46		– 6	
Settlements	– 34	– 60		
Fair value changes through profit and loss in net revenue [1]	175	354	66	22
Transfer to level 3	66	111	8	
Transfer out of level 3		– 18		
Offsetting	– 69	– 66		– 12
Currency translation differences	– 10	– 12	2	
Replacement values at 30 June	**238**	**397**	**158**	**14**

1 Of which, CHF 185 million (previous year: CHF 66 million) is attributable to assets and CHF 354 million (CHF 22 million) to liabilities (before offsetting), 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 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	52	0	7	1
Profit or loss recognised in the income statement	– 22	– 4	– 5	– 1
Currency translation differences	– 2	– 1		
Balance at 30 June	**46**	**12**	**13**	**12**

8 Cash and cash equivalents

The item “Cash and cash equivalents” includes foreign subsidiaries’ bank accounts with a total balance of EUR 69 million, translated CHF 69 million (31 December 2021: 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. The full funds are therefore not freely available to the Alpiq Group.

9 Contingent liabilities and guarantees

ANAF’s tax audit at Alpiq Energy SE

With regard to the ongoing legal proceedings in connection with the tax audit by the Romanian tax authority ANAF (Agenţia Naţională de Administrare Fiscală) at the Bucharest branch of Alpiq Energy SE, Prague, Alpiq received the written reasons for the decision dated 19 October 2021 from the Romanian administrative court of first instance on 20 May 2022. In the ruling the competent Romanian administrative court agreed with the reasoning of Alpiq Energy SE and revoked the decision of ANAF as unlawful. At the end of May 2022, ANAF contested the ruling by filing an appeal to the Romanian second instance administrative court. The first hearing in such appeal proceedings is expected to take place in 2023. For more information, please refer to note 4.8 of the notes to the 2021 consolidated financial statements of the Alpiq Group.

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

Appraisal claims against Alpiq Holding Ltd.

The appraisal claims filed in autumn 2021 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) seek a review of the compensation of CHF 70 per share approved by the Annual General Meetings of Alpha 2020 AG and Alpiq Holding AG and paid by Schweizer Kraftwerksbeteiligungs-AG (SKBAG) in the squeeze-out merger in 2020. There were no material developments in the first half of 2022. A first-instance decision is not expected until the second half of 2023.

On account of 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 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 2021. 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

The adjustment of the valuation of the transfer of the Swiss high-voltage grid was finalised for Alpiq in the second half of 2021 and the additional sales proceeds and interest components were recorded in the income statement. For more information, please refer to note 5.1 of the notes to the 2021 consolidated financial statements of the Alpiq Group.

In this context, additional sales proceeds of CHF 10 million were recorded under "Other operating income" and interest components of CHF 5 million were already recognised as interest income in the first half of 2021. Cash inflows from the additional sales proceeds amounted to CHF 31 million in the first half of 2022 (previous year: CHF 9 million) and are recorded under "Disposal of subsidiaries" in the statement of cash flows. Cash inflows from the interest components amounted to CHF 4 million in the first half of 2022 (previous year: CHF 4 million) and are recorded under "Interest received" in the statement of cash flows. The cash inflow of the last interest component part in the amount of CHF 1 million was received on 11 July 2022. 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.

Discontinued operations

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

As part of the sale of the Engineering Services business, Alpiq must bear any fines and costs of Kraftanlagen Energies & Services GmbH ("Kraftanlagen") resulting from the proceedings started by the state prosecutor of Munich I and the German Federal Cartel Office in the first quarter of 2015. The main hearing at the Higher Regional Court of Düsseldorf started in the first half of 2022 and is expected to be finalized in the third quarter of 2022. Alpiq expects a ruling by the end of 2022. For more information, please refer to note 5.1 of the notes to the 2021 consolidated financial statements of the Alpiq Group.

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

Income statement of discontinued operations

The cash outflow from bearing the costs in connection with the aforementioned proceedings amounted to CHF 0 million in the first half of 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".

11 Liquidity situation and ability to continue as a going concern

In the first half of 2022, Alpiq continued implementing extensive measures to increase its liquidity. On the one hand, these related to the energy business in order to increase short-term internal financing, on the other, Alpiq arranged additional credit and guarantee lines with banks. Furthermore, Alpiq was able to issue two new bonds in the total amount of CHF 450 million. These measures improved Alpiq's financial headroom at 30 June 2022 and its resilience to future market developments.

Alpiq's financial headroom comprises the available liquidity and the committed credit lines (see note 6). The necessary financial headroom is determined on an ongoing basis using scenario calculations by Alpiq's Risk Management. Furthermore, Alpiq closely monitors its compliance with financial covenants. Based on this, additional measures are decided when necessary. At the reporting date, there were current financial liabilities of CHF 908 million that have to be refinanced over the next 12 months.

The war in the Ukraine and sanctions imposed due to it are having far-reaching effects on the macroeconomic environment of many industries and thus also on Alpiq. The market and price situation continues to be difficult to predict. The volatile and high energy prices are causing fluctuations in the financial security deposits that have to be made at the energy exchanges. The counterparty risk of Alpiq has increased because the counterparties could run into financial difficulties. This could impact the financial position, financial performance and cash flows of Alpiq in 2022. Alpiq identifies the risks, carefully observes developments and takes appropriate measures in order to reduce the risks as far as possible.

There is still fundamental uncertainty regarding the further development of market prices. With all the measures already implemented and still ongoing in the area of internal and external financing, Alpiq considers its liquidity and ability to continue as a going concern to be secure.

12 Events after the reporting period

There were no reportable events after the reporting date of 30 June 2022.

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