2022

Financial Report of the Alpiq Ltd. Group (Part of the Alpiq Group)

Financial Report

Key Financial Figures

	Results of operations before exceptional items			Results under IFRS		
CHF million	2022	2021 (adjusted)[1]	% change	2022	2021	% change
Net revenue	14,868	7,698	93	14,638	7,171	104
Earnings before interest, tax, depreciation and amortisation (EBITDA)	373	221	69	246	– 167	> 100
Depreciation, amortisation and impairment				– 50	– 58	– 14
Earnings before interest and tax (EBIT)				196	– 225	> 100
Net income				99	– 226	> 100

1 Since 2022, Alpiq no longer presents any exceptional items from the categories “Effects from business disposals” or “Restructuring costs and litigation” in its internal or external reporting in order to simplify reporting. As a result, the Alpiq Ltd. Group's EBITDA before exceptional items increased by CHF 10 million from CHF 211 million to CHF 221 million.

	31 Dec 2022	31 Dec 2021	% change
Total assets (CHF million)	11,984	10,754	11
Total equity (CHF million)	2,522	2,510	1
As % of total assets	21.0	23.3	
Number of employees (full-time equivalents)	1,125	1,197	– 6

Financial Review

Introductory remarks

The 2022 financial year was very successful despite a challenging market environment characterised by soaring and yet highly volatile energy prices. The Alpiq Ltd. Group generated an EBITDA before exceptional items of CHF 373 million (previous year: CHF 221 million).

Electricity forward prices rose continuously since the second half of 2021, peaking at the end of August 2022. In the subsequent months prices declined and by year-end returned to the levels last seen in the first half of 2022. The strong fluctuations were attributable to geopolitical uncertainties in European gas supply on account of the war in Ukraine, unplanned outages of French nuclear power plants and a period of extremely dry weather in Europe. The market price distortions brought opportunities and improved trading margins, but also introduced new challenges and heightened risks.

Overall, Alpiq took excellent advantage of the opportunities such a disrupted market environment provides and improved earnings both from trading of its own production as well as from other trading activities. Therefore, Trading business division contributed positively to earnings and was significantly up on the previous year. International business division also reported positive EBITDA above the prior year. The result of the Switzerland business division remained negative at prior year level.

Alpiq is committed to ensuring security of supply within Switzerland and successfully participated in the federal government’s tender process for the hydropower reserve. This led to a shift of earnings into 2023, which Alpiq accepted as a consequence.

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

The exceptional items for the financial year 2022 amount to a total of CHF -127 million on EBITDA level. Thereof, CHF -230 million arose from fair value changes of energy derivatives that were entered into in connection with hedges for future power production. These fair value changes do not reflect the operating performance of business activities, because they are economically linked with the changes in value of the hedged transactions. According to IFRS guidelines, the fair value changes of financial hedges have to be recognised in the reporting year. As the future production volumes and the power purchase agreements are not measured at fair value and positive changes in value therefore cannot be recognised in the reporting year, this results in an accounting mismatch. These negative exceptional items in net revenue were partly offset with positive exceptional items recorded in energy and inventory costs in the amount of

CHF 103 million. Thereof, CHF -296 million relate to the performance of the shares in the decommissioning and waste disposal funds of the Kernkraftwerk Gösgen-Däniken AG and Kernkraftwerk Leibstadt AG nuclear power plants and CHF 399 million relate to a decrease in the provisions for onerous energy contracts.

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

			2022			2021
CHF million	Results of operations before exceptional items	Exceptional items	Results under IFRS	Results of operations before exceptional items	Exceptional items[1]	Results under IFRS
Net revenue	**14,868**	**– 230**	**14,638**	**7,698**	**– 527**	**7,171**
Own work capitalised and change in costs incurred to fulfil a contract	6		6	4		4
Other operating income	19		19	27		27
Total revenue and other income	**14,893**	**– 230**	**14,663**	**7,729**	**– 527**	**7,202**
Energy and inventory costs	– 14,169	103	– 14,066	– 7,221	139	– 7,082
Employee costs	– 232		– 232	– 213		– 213
Other operating expenses	– 119		– 119	– 74		– 74
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**373**	**– 127**	**246**	**221**	**– 388**	**– 167**
Depreciation, amortisation and impairment			– 50			– 58
Earnings before interest and tax (EBIT)			**196**			**– 225**
Share of results of partner power plants and other associates			– 41			– 16
Finance costs			– 50			– 51
Finance income			22			41
Earnings before tax			**127**			**– 251**
Income tax expense			– 28			25
Net income			**99**			**– 226**

1 The previous year figures have been adjusted to reflect the reduced number of categories of exceptional items.

Alpiq Ltd. Group: results of operations (before exceptional items)

The Alpiq Ltd. Group generated operational EBITDA that was up CHF 152 million on the previous year. This result was achieved by the very good results of the Trading business division as well as the positive EBITDA contribution of International business division. Both business divisions surpassed the previous year result benefiting from high market volatility and the rise in energy prices. As in the previous year, the Switzerland business divisions made negative contributions to the result.

Switzerland

The Switzerland business division comprises the production of electricity from Swiss hydropower and nuclear power. The power plant portfolio includes run-of-river power plants, storage and pumped storage power plants (including Nant de Drance) as well as interests in the Gösgen and Leibstadt nuclear power plants. The Swiss sales and origination business, which does not include the asset optimization, is also part of the division. Moreover, the business division manages shares in HYDRO Exploitation SA and Kernkraftwerk-Beteiligungsgesellschaft AG (KBG).

The EBITDA contribution of the Switzerland business division was again in deficit. In the area of hydropower, the result was impacted by lower inflows due to less precipitation and a lower market premium as a result of the increased energy prices. Thanks to increased power production and tight cost management, the area of Swiss nuclear power closed at a higher level than that of the previous year. In a year-on-year comparison, production volumes were largely higher, namely due to the maintenance work performed at the Leibstadt nuclear power plant in 2021.

International

The International business division covers Alpiq's power generation and commercial activities outside Switzerland. Alpiq has renewable generation in Italy and France, in addition it is developing new projects in Sweden and Spain. Alpiq is in the process to divest its wind generation in Bulgaria. In Italy, Spain and Hungary Alpiq owns and operates highly flexible and efficient gas fired power plants (4 CCGT and 1 OCGT). These are largely deployed to provide flexibility to the national energy systems. The Trading business division is responsible to optimize the flexible plants in Italy and Spain utilizing the energy electricity markets. In Hungary Alpiq has a long-term tolling agreement with a local utility. In Hungary and Italy also provides heat from its CCGTs to district heat and local industrial customers.

International business division's main commercial activities are, energy sales to French industrial customers, market access mainly for German and Spanish renewable generators and various energy wholesale activities across Europe.

The EBITDA of the International business division made a positive contribution to the Alpiq Ltd. Group and more than doubled the previous year's result. Positive EBITDA before exceptional items was generated especially in Italy, Hungary and Spain. The generation of renewables delivered strong profitability due to high availability and higher power prices. In addition to the financial results Alpiq's International activities contributed to system stability and security of supply thanks to their high flexibility and availability.

Trading

The Trading business division comprises the optimisation of Alpiq's own power plants as well as the optimisation of decentralised generation units and the production of electricity from third parties' renewable energies. It also covers trading activities with standardised and structured products for electricity and gas as well as emission allowances and certificates.

The EBITDA contribution of the Trading business division was above the already very good previous year. On one hand, the high availability and flexibility of the Swiss and International assets have contributed significantly to the exceptional trading result. On the other hand, Alpiq took excellent advantage of the opportunities such a volatile market environment provides and improved earnings both from trading of its own production as well as from other trading activities.

Group financial position and cash flow statement (after exceptional items)

At 31 December 2022, total assets amounted to CHF 12 billion compared to CHF 10.8 billion at the end of 2021. Non-current assets decreased by CHF 1 billion to CHF 1.3 billion while current assets increased by CHF 2.2 billion to CHF 10.7 billion. The rise was primarily due to a significant increase in cash and cash equivalents and trade and other receivables. Non-current liabilities decreased by CHF 0.4 billion to CHF 0.2 billion due to a reversal of an unused onerous contract provision while current liabilities increased by CHF 1.7 billion to CHF 9.3 billion mainly as a result of raised trade payables.

With a net income of CHF 99 million and other comprehensive income of CHF -86 million Alpiq Ltd. Group showed a total comprehensive result of CHF 13 million in 2022, which was up on the previous year by CHF 117 million. Equity remained stable at CHF 2.5 billion. Equity ratio declined from 23.3 % in 2021 to 21.0 % in 2022.

Cash flows from operating activities increased year-on-year from CHF -381 million to CHF 623 million. This favourable development was mainly due to higher EBT and decreased net working capital. Cash flows from investing activities amounted to CHF 908 million and were up CHF 823 million compared to the previous year. The repayment of a loan receivable from Alpiq Holding AG in the amount of CHF 861 million was the main driver for this significant increase. Net cash flows from financing activities amounted to CHF -27 million, reflecting mainly interest payments. In 2021, there was a dividend distribution of CHF -50 million which is the main reason for the difference of CHF 63 million in the net cash flow from financing activities compared to prior year. Overall cash and cash equivalents increased by CHF 1'472 million to CHF 1'581 million.

Outlook

Volatility in the market in which Alpiq operates is expected to continue. The measures taken during the energy crisis have left Alpiq financially and operationally well equipped and more resilient against future market disruptions.

For 2023, Alpiq expects further positive developments in the operative performance of the Alpiq Ltd. Group. The IFRS result continues to be subjected to market developments both with regards to the development of the decommissioning and waste disposal fund and the fair value changes (accounting mismatch).

Consolidated Financial Statements of the Alpiq Ltd. Group

Consolidated Income Statement

CHF million	2022	2021
Net revenue	**14,638**	**7,171**
Own work capitalised and change in costs incurred to fulfil a contract	6	4
Other operating income	19	27
Total revenue and other income	**14,663**	**7,202**
Energy and inventory costs	– 14,066	– 7,082
Employee costs	– 232	– 213
thereof wages and salaries	– 167	– 172
thereof pension costs and other employee costs	– 65	– 41
Other operating expenses	– 119	– 74
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**246**	**– 167**
Depreciation, amortisation and impairment	– 50	– 58
Earnings before interest and tax (EBIT)	**196**	**– 225**
Share of results of partner power plants and other associates	– 41	– 16
Finance costs	– 50	– 51
Finance income	22	41
Earnings before tax	**127**	**– 251**
Income tax expense	– 28	25
Net income / (loss)	**99**	**– 226**
Attributable to non-controlling interests	1	
Attributable to equity investors of Alpiq Ltd.	98	– 226

Consolidated Statement of Comprehensive Income

CHF million	2022	2021
Net income	**99**	**– 226**
Cash flow hedges (group companies)	18	17
Income tax expense	– 3	– 3
Net of income tax	15	14
Currency translation differences	– 30	– 30
Net of income tax	– 30	– 30
Items that may be reclassified subsequently to the income statement, net of tax	**– 15**	**– 16**
Remeasurements of defined benefit plans (group companies)	– 50	109
Income tax expense	8	– 17
Net of income tax	– 42	92
Remeasurements of defined benefit plans (partner power plants and other associates)	– 34	54
Income tax expense	5	– 8
Net of income tax	– 29	46
Items that will not be reclassified to the income statement, net of tax	**– 71**	**138**
Other comprehensive income	**– 86**	**122**
Total comprehensive income	**13**	**– 104**
Attributable to non-controlling interests		– 1
Attributable to equity investors of Alpiq Ltd.	13	– 103

Consolidated Balance Sheet

Assets

CHF million	31 Dec 2022	31 Dec 2021
Property, plant and equipment	342	362
thereof land and buildings	101	104
thereof power plants	176	204
thereof transmission assets	1	1
thereof other plant and equipment	4	4
thereof assets under construction and prepayments	32	18
thereof right-of-use assets	28	31
Intangible assets	35	41
thereof energy purchase rights	3	5
thereof other intangible assets	27	32
thereof assets under development and prepayments	5	4
Investments in partner power plants and other associates	800	871
Other non-current assets	5	940
thereof loans receivable	2	862
thereof defined benefit assets		77
thereof financial investments	2	1
thereof other non-current assets	1	
Deferred income tax assets	142	76
Non-current assets	**1,324**	**2,290**
Inventories	51	32
Derivative financial instruments	4,802	5,139
Receivables	3,882	2,792
thereof trade receivables	2,153	1,647
thereof other receivables	1,729	1,145
Prepayments and accrued income	316	318
Current term deposits	14	74
Cash and cash equivalents [1]	1,575	109
Assets held for sale	20	
Current assets	**10,660**	**8,464**
Total assets	**11,984**	**10,754**

1 Cash and cash equivalents include foreign subsidiaries' bank accounts with a total balance of EUR 70 million, translated CHF 69 million, (previous year: EUR 56 million, translated CHF 58 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 Ltd. Group.

Equity and liabilities

CHF million	31 Dec 2022	31 Dec 2021
Share capital	304	304
Share premium	64	64
Retained earnings and reserves	2,142	2,129
Equity attributable to equity investors of Alpiq Ltd.	**2,510**	**2,497**
Non-controlling interests	12	13
Total equity	**2,522**	**2,510**
Non-current provisions	33	438
thereof provisions for onerous contracts	14	415
thereof provisions for decommissioning own power plants	6	6
thereof provisions for warranties	1	1
thereof other provisions	12	16
Deferred income tax liabilities	97	81
Defined benefit liabilities	2	3
Non-current financial liabilities	67	100
thereof loans payable	39	70
thereof lease liabilities	28	30
Other non-current liabilities		8
Non-current liabilities	**199**	**630**
Current income tax liabilities	36	25
Current provisions	15	127
Current financial liabilities	89	57
thereof loans payable	84	51
thereof lease liabilities	5	6
Other current liabilities	3,164	1,737
thereof trade payables	2,479	1,029
thereof other payables	685	708
Derivative financial instruments	5,172	5,357
Accruals and deferred income	778	311
Liabilities held for sale	9	
Current liabilities	**9,263**	**7,614**
Total liabilities	**9,462**	**8,244**
Total equity and liabilities	**11,984**	**10,754**

Consolidated Statement of Changes in Equity

CHF million	Share capital	Share premium	Cash flow hedge reserves	Currency translation differences	Retained earnings	Attributable to equity investors of Alpiq Ltd.	Non-controlling interests	Total equity
Equity at 1 January 2022	**304**	**64**	**38**	**– 426**	**2,517**	**2,497**	**13**	**2,510**
Net income / (loss) for the period					98	**98**	1	**99**
Other comprehensive income			15	– 29	– 71	**– 85**	– 1	**– 86**
Total comprehensive income			**15**	**– 29**	**27**	**13**	**-**	**13**
Dividends					-	-	– 1	**– 1**
Equity at 31 December 2022	**304**	**64**	**53**	**– 455**	**2,544**	**2,510**	**12**	**2,522**

CHF million	Share capital	Share premium	Cash flow hedge reserves	Currency translation differences	Retained earnings	Attributable to equity investors of Alpiq Ltd.	Non-controlling interests	Total equity
Equity at 1 January 2021	**304**	**64**	**24**	**– 397**	**2,682**	**2,677**	**14**	**2,691**
Net income / (loss) for the period					– 226	**– 226**	-	**– 226**
Other comprehensive income			14	– 29	138	**123**	– 1	**122**
Total comprehensive income			**14**	**– 29**	**– 88**	**– 103**	**– 1**	**– 104**
Dividends					– 50	**– 50**	-	**– 50**
Effects of common control business combinations [1]					– 27	**– 27**	-	**– 27**
Equity at 31 December 2021	**304**	**64**	**38**	**– 426**	**2,517**	**2,497**	**13**	**2,510**

1 See note 3

Consolidated Statement of Cash Flows

CHF million	2022	2021
Earnings before tax	**127**	**– 251**
Adjustments for:		
Depreciation, amortisation and impairment	50	58
Gain on sale of non-current assets	– 1	– 2
Share of results of partner power plants and other associates	41	16
Financial result	28	10
Other non-cash income and expenses	12	77
Change in provisions (excl. interest)	– 506	65
Change in defined benefit assets / liabilities and other non-current liabilities	27	7
Change in fair value of derivative financial instruments and hedged firm commitments	204	436
Change in net working capital (excl. derivatives, current financial assets / liabilities and current provisions)	708	– 763
Other financial income and expenses	– 6	– 19
Income tax paid	– 61	– 15
Net cash flows from operating activities	**623**	**– 381**
Property, plant and equipment and intangible assets		
Investments	– 38	– 20
Proceeds from disposals	1	3
Subsidiaries		
Effects of common control business combinations [1]		– 16
Proceeds from disposals [1]	34	20
Associates		
Investments	– 24	– 5
Loans receivable and financial investments		
Investments	– 1	
Proceeds from disposals / repayments [2]	862	
Change in current and non-current term deposits	35	46
Dividends from partner power plants, other associates and financial investments	12	12
Interest received	27	45
Net cash flows from investing activities	**908**	**85**

1 See note 3
2 Repayment of intercompany loan from Alpiq Holding Ltd.

CHF million	2022	2021
Dividends paid		– 50
Proceeds from financial liabilities	52	6
Repayment of financial liabilities	– 50	– 34
Interest paid	– 29	– 12
Net cash flows from financing activities	**– 27**	**– 90**
Currency translation differences	**– 32**	**– 18**
Change in cash and cash equivalents	**1,472**	**– 404**
Reconciliation:		
Cash and cash equivalents at 1 January	109	513
Cash and cash equivalents at 31 December	1,581	109
Of which, cash and cash equivalents	1,575	109
Of which, cash and cash equivalents under assets held for sale [1]	6	
Change	**1,472**	**– 404**

1 See note 3

Notes to the Consolidated Financial Statements

1 Impairment losses and provisions

Impairment losses

In 2022 no impairements or reversal of impairments were recognised. Although integration of Nant de Drance (NdD) into the Production Switzerland CGU as of 1 July 2022 constituted a triggering event, the impairment test carried out as at 30 June 2022 did not result in any need for impairment.

In 2021, impairment losses of CHF 10 million were recognised mainly relating to the following two circumstances: The Spanish gas-fired combined-cycle power plant Plana del Vent in the International business division was impaired by CHF 6 million in the first half of 2021. The recoverable amount was calculated using a pre-tax discount rate of 6.24 %. Impairment losses became necessary due to delivery delays at the manufacturer in connection with additional repairs, the resulting extended downtime until December 2021 as well as a deterioration in earnings prospects. On the other hand, impairment losses for intangible assets in the amount of CHF 2 million were recognised in the Digital & Commerce business division as internally developed software could not be used as originally planned.

Provisions for onerous contracts

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

2022

At year end, provisions amounted to CHF 48 million thereof CHF 23 million relating to provisions for onerous contracts. The onerous contract provision relating to the future procurement of energy from NdD, which amounted to CHF 399 million at the beginning of the year, was reversed in full at 30 June 2022, resulting in a positive effect on earnings of CHF 399 million. Further information can be found in note 4.7 of the annual report of Alpiq Holding Ltd.

2021

Current and non-current provisions in the amount of CHF 127 million respectively 438 million relate almost exclusively to provisions for onerous contracts that are recognised in “energy and inventory costs”.

Due to the sharp rise in electricity and gas prices, Alpiq recorded provisions for hedged own use contracts in the amount of CHF 108 million in 2021. The provision for the onerous contract relating to the future procurement of energy from the Nant de Drance pumped storage power plant was reduced by CHF 29 million, primarily on account of the development of electricity prices.

2 Contingent liabilities

After the tax audit on the Bucharest branch of Alpiq Energy SE, Prague, the Romanian tax authority ANAF (Agenţia Naţională de Administrare Fiscală) issued the final tax assessment notice to Alpiq in September 2017 for an amount of RON 793 million (CHF 158 million) for value added tax, corporate income tax and penalties (including late payment penalties) for the assessment period 2010 to 2014. The tax assessment determined by ANAF is being contested on its merits and the amount assessed, as Alpiq is convinced that the activities of Alpiq Energy SE in Romania have always been carried out in accordance with the applicable Romanian and European rules and regulations. Alpiq's position is supported by current assessments provided by external legal and tax experts. Alpiq filed an objection with ANAF against the tax assessment in 2017. In the main matter, ANAF supported its own view and dismissed the objection with regard to an amount of RON 589 million or CHF 117 million as being without merit, while it repealed the decision from the tax audit with regard to an amount of RON 204 million (CHF 41 million), and ordered a reassessment. Alpiq contested the decision on the appeal made by ANAF by making use of the legal means of appeal at its disposal. On 3 September 2019, the court of appeal in Bucharest endorsed Alpiq's request that the tax assessment of RON 589 million is not enforceable until a decision has been reached by the last court of appeal.

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

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

For information regarding commitments in connection with partner power plants, please refer to note 4.3 of the notes to the consolidated financial statements in the Annual Report 2022 of Alpiq Holding Ltd.

3 Companies sold and assets held for sale

Companies sold

Compensation for the transfer of the Swiss high-voltage grid

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

Sale of two Spanish project companies

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

Assets held for sale

In the second half of 2022, Alpiq decided to sell its Bulgarian subsidiary Alpiq Energia Bulgaria EOOD. Following this decision the assets and liabilities of the company were classified as “held for sale".

CHF million	31 Dec 2022	31 Dec 2021
Derivative financial instruments	8	
Receivables and other current assets	6	
Cash and cash equivalents	6	
Total assets held for sale	**20**	**0**

CHF million	31 Dec 2022	31 Dec 2021
Current provisions	1	
Other current liabilities	8	
Total liabilities held for sale	**9**	**0**

Transactions under common control

In 2021, Alpiq made a change to the group structure which resulted in the following acquisition at Alpiq Ltd. Group:

	Place of incorporation	Direct ownership interest in %
Alpiq Norway AS	Oslo, NO	100.0

The transaction was concluded at fair value of CHF 23 million in cash.

In 2021, Alpiq merged Alpiq Digital Ltd. with Alpiq Ltd. and subsequently the following subsidiaries of Alpiq Digital Ltd. joined the Alpiq Ltd. Group:

	Place of incorporation	Direct ownership interest in %
Alpiq Digital Austria GmbH	Vienna, AT	100.0
Alpiq E-Mobility Ltd	Zurich, CH	100.0
Alpiq Energie Deutschland GmbH	Berlin, DE	100.0
EESP European Energy Service Platform GmbH	Berlin, DE	100.0

4 Significant group companies and investments

Group companies	Place of incorporation	Direct ownership interest in %
Alpiq Ltd.	Olten, CH	100.0
Aero Rossa S.r.l.	Milan, IT	100.0
Alpiq Csepel Kft.	Budapest, HU	100.0
Alpiq Digital Austria GmbH	Vienna, AT	100.0
Alpiq Energia Bulgaria EOOD	Sofia, BG	100.0
ALPIQ ENERGÍA ESPAÑA, S.A.U.	Madrid, ES	100.0
Alpiq Energia Italia S.p.A.	Milan, IT	100.0
Alpiq Energie Deutschland GmbH	Berlin, DE	100.0
Alpiq Energie France S.A.S.	Neuilly-sur-Seine, FR	100.0
Alpiq Energy SE	Prague, CZ	100.0
Alpiq Finland Oy	Vantaa, FI	100.0
Alpiq Hydro Italia S.r.l.	Milan, IT	90.0
Alpiq Italia S.r.l.	Milan, IT	100.0
Alpiq Retail France S.A.S.	Neuilly-sur-Seine, FR	100.0
Alpiq Services CZ s.r.o.	Prague, CZ	100.0
Alpiq Solutions France S.A.S.	Neuilly-sur-Seine, FR	100.0
Alpiq Wind Italia S.r.l.	Milan, IT	100.0
EESP European Energy Service Platform GmbH	Berlin, DE	100.0
En Plus S.r.l.	Milan, IT	100.0
Enpower 3 S.r.l.	Milan, IT	100.0
NOVAGAVIA BUSINESS, S.L.	Madrid, ES	100.0
Novel S.p.A.	Milan, IT	51.0

Partner power plants and other associates	Place of incorporation	Direct ownership interest in %
Kernkraftwerk Gösgen-Däniken AG	Däniken, CH	40.0
Kernkraftwerk Leibstadt AG	Leibstadt, CH	27.4
Kernkraftwerk-Beteiligungsgesellschaft AG (KBG)[1]	Bern, CH	33.3
MOVE Mobility SA	Granges-Paccot, CH	25.0
Nant de Drance SA	Finhaut, CH	39.0
Unoenergia S.r.l.	Biella, IT	28.0

1 Agreement expires in 2041

Joint venture	Place of incorporation	Direct ownership interest in %
Hydrospider Ltd	Niedergösgen, CH	45.0
SC Produccion Renovable S.L.	Barcelona, ES	25.0

5 Financial risk management

For comprehensive information on financial risk management, please refer to note 3.1 of the notes to the consolidated financial statements in the Annual Report 2022 of Alpiq Holding Ltd.

6 Significant accounting policies

Basis of preparation of the consolidated financial statements

The consolidated financial statements of the Alpiq Ltd. Group have been prepared in accordance with the Alpiq Group Accounting Manual, which is designed to comply with International Financial Reporting Standards (IFRS) and Interpretations (IFRIC and SIC) issued by the International Accounting Standards Board (IASB). The consolidated financial statements give a true and fair view of the financial position, financial performance and cash flows of the Alpiq Ltd. Group. They have been prepared on a historical cost basis, except for certain items such as financial instruments that have been measured at fair value in some instances. The notes provide selected explanatory information on the accounting principles in accordance with the Alpiq Group Accounting Manual.

Alpiq Ltd. Group is a subgroup of Alpiq Group. Alpiq Ltd. is fully owned by Alpiq Holding Ltd. The consolidated financial statements were authorised for issue by the Board of Directors of Alpiq Ltd. on 16 May 2023.

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

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

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

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

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

IFRSs effective in future periods

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

Standard / interpretation	Effective at	Adoption planned from
Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies	1 Jan 2023	1 Jan 2023
Amendments to IAS 8: Definition of Accounting Estimates	1 Jan 2023	1 Jan 2023
Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 Jan 2023	1 Jan 2023
Amendments to IFRS Practice Statement 2: Making Materiality Judgements	1 Jan 2023	1 Jan 2023
IFRS 17: Insurance Contracts	1 Jan 2023	1 Jan 2023
Amendments to IAS 1: Classification of Liabilities as Current or Non-Current	1 Jan 2024	1 Jan 2024
Amendments to IFRS 10 and IAS 28: Sale of Assets by an Investor or Contribution to their Associate or Joint Venture	undefined	undefined

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

Basis of consolidation

The consolidated financial statements of the Alpiq Ltd. Group comprise the consolidated financial statements of Swiss domiciled Alpiq Ltd. and its subsidiaries prepared by using consistent accounting policies. All intragroup balances, transactions, income and expenses are eliminated in full.

Subsidiaries are companies that are controlled by Alpiq Ltd., either directly or indirectly. Such companies are consolidated at the date control is obtained. Companies are deconsolidated or recognised under “Investments in partner power plants and other associates” or under “financial investments” when control over the company is lost.

Investments in partner power plants and other associates in which the Alpiq Ltd. Group has significant influence are included in the consolidated financial statements by applying the equity method. All other investments are recognised at fair value and included in non-current assets as “financial investments”.

Transactions under common control

A common control business combination is a combination in which all of the businesses that are to be combined are ultimately controlled by the same party, both before and after the business combination, where this control is not temporary in nature.

In the case of combinations of businesses under common control, the Alpiq Ltd. Group applies the pooling of interests method. The combinations are recognised as of the key date of the transaction in question, without any adjustment made to prior-year figures. The application of the pooling of interests method results in the difference between the payment transferred and the net assets received being booked directly to equity by the buyer as well as by the seller. The Alpiq Ltd. Group reports these equity effects as “Effects of common control business combinations”. The cash flows resulting from such transactions are stated as a separate item under net cash flows from investment activities.

Foreign currency translation

The consolidated financial statements are presented in Swiss francs (CHF), which is both the functional currency of Alpiq Ltd. and its reporting currency. The functional currency of each company in the Group is determined by the economic environment in which it operates. Transactions in foreign currencies are recorded in the group company’s functional currency at the exchange rate prevailing on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the closing exchange rate on the reporting date. The resultant currency translation differences are recognised in the income statement.

Receivables and loans due from foreign operations for which settlement is neither planned nor likely to occur in the foreseeable future are, in substance, part of the company's net investment in that foreign operation. The resulting translation differences are recognised separately in other comprehensive income as part of the foreign currency translation differences and reclassified from equity to the income statement on disposal of the net investment in the foreign operation.

The assets and liabilities of subsidiaries are translated into Swiss francs at the closing exchange rate at the reporting date. Income statement items are translated at the average exchange rate for the reporting period. Currency translation differences are recognised as a separate item in other comprehensive income. On disposal of a subsidiary or loss of control and on disposal of an associate or partner power plant or the loss of significant influence, the cumulative currency translation differences relating to that subsidiary are recognised in the income statement as part of the gain or loss on sale in the period in which the subsidiary is disposed of, or control ceases.

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

Other accounting policies

Specific accounting policies used for the preparation of the different line items of the income statement, statement of comprehensive income as well as the balance sheet are disclosed in the Annual Report 2022 of Alpiq Holding Ltd.

Significant estimation uncertainties and judgments

The preparation of the consolidated financial statements requires the management to exercise judgment and make estimates and assumptions. These can significantly affect recognised assets and liabilities, reported income and expenses and disclosures. Estimates and assumptions are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances. Actual amounts may differ from these estimates. Any revisions to estimates and assumptions are recognised and disclosed in the period in which they are identified.

Net revenue

Contractual penalties – for example, for deviations between the delivered and contractually agreed-upon quantity of energy – represent variable components in energy sales. Only when they become highly probable they are included in the estimation of the transaction price. This is normally the case towards the end of the delivery period. Estimating the point in time when such variable price components are recognised requires significant judgement.

Income tax

Assumptions are made based on local legal principles in calculating current income tax. Income taxes that are actually payable may deviate from the values originally calculated, as the definitive assessment is not finalised until years after the end of the reporting period in some cases. The resulting risks are identified, assessed and recognised where necessary. Deferred tax assets are calculated in part using far-reaching estimates. The underlying forecasts pertain to a period of several years and comprise, among other things, a forecast of future taxable income as well as interpretations of the existing legal basis.

Non-current assets

The calculation of the useful life, residual value and recoverable amount involves estimates. At every reporting date, a test is performed to determine whether there is any indication that items of property, plant and equipment, intangible assets as well as investments in partner power plants and other associates are impaired. If there is any indication of impairment, the recoverable amount is determined for the asset. The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs of disposal, and its value in use. Value in use is calculated by discounting the estimated future cash flows (discounted cash flow method). This is based on business plans as approved by management for the next three financial years as well as further influencing factors announced after the plans have been approved. These plans are based on historical empirical data as well as current market expectations and therefore contain significant estimation uncertainties and assumptions. These largely relate to wholesale prices on European forward markets and forecasts of medium- and long-term energy prices, foreign currencies (especially EUR / CHF and EUR / USD exchange rates), inflation rates, discount rates, regulatory conditions and investment activities relating to the company. The estimates made are reviewed periodically using external market data and analyses. To calculate the terminal values, the cash flows were inflated by a growth rate of 2.0 % (previous year: 2.0 %). This growth rate corresponds to the long-term average growth that Alpiq expects and represents a forecast. The discount rates that have been applied reflect the current market estimate for the specific risks to be allocated to the assets and represent a best estimate. Actual results can differ from these estimates, assumptions and forecasts, resulting in significant adjustments in subsequent periods. If the asset does not generate cash inflows that are independent of those from other assets, the recoverable amount of the individual asset is estimated for the cash-generating unit to which the asset belongs.

Leasing

The determination of the lease term as a basis for the expected future payments may require various estimates from management regarding the future use of the leased asset. Extension options are only taken into account in the contractual term if it is reasonably certain that the option will be exercised. Termination options are only taken into account if it is reasonably certain that the option will not be exercised. Alpiq takes into account all relevant factors that create an economic incentive to exercise the option. Alpiq has internally defined the following limits to determine the contractual term for callable leases with an unlimited term: for buildings, car parks and power plants a maximum of ten years, and for all others such as furniture, IT equipment and vehicles a maximum of two years.

Financial assets and liabilities at amortised cost

Regarding expected credit losses, Alpiq analyses historical credit losses and derives an estimate of expected credit losses taking into account the economic conditions and information obtained externally. The estimates are reviewed and analysed periodically. However, actual results can differ from these estimates, resulting in significant adjustments in subsequent periods.

Provisions and contingent liabilities

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

Provisions for pending obligations from litigation are based on the information available in each case and the estimate made by management as to the outcome of the litigation. Depending on the actual outcome, the effective cash outflow can differ significantly from the provisions. Details regarding the legal case with the Romanian tax authority ANAF are disclosed in note 2.

Pension schemes

The calculation of the recognised defined benefit liabilities is based on statistical and actuarial assumptions which are disclosed in note 6.3 of the notes to the consolidated financial statements in the Annual Report 2022 of Alpiq Holding Ltd. Such assumptions can differ substantially from actual circumstances due to changes in market conditions and the economic environment, higher or lower exit rates, longer or shorter lives of plan participants and other estimated factors. Such deviations may have a significant impact on the defined benefit liabilities recognised in future reporting periods.

7 Events after the reporting period

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

Building a better working world

Ernst & Young Ltd
Maagplatz 1
P.O. Box
CH-8010 Zurich

Phone +41 58 286 31 11
Fax +41 58 286 30 04
www.ey.com/ch

To the Board of Directors
Alpiq Ltd., Olten

Zurich, 16 May 2023

Independent auditor's report of the consolidated financial statements of Alpiq Ltd. Group

Opinion
We have audited the consolidated financial statements of Alpiq Ltd and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2022, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 8 to 23) are prepared in all material respects in accordance with the basis of preparation as outlined in Note 6 of the consolidated financial statements.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the requirements of the Swiss audit profession, as well as those of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors’ responsibilities for the consolidated financial statements
The Board of Directors is responsible for the preparation of the consolidated financial statements in accordance with the basis of preparation as outlined in Note 6 of the consolidated financial statements and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

Ernst & Young Ltd

Mathias Zeller Licensed audit expert (Auditor in charge)	Stefan Pieren Licensed audit expert

Publishing details

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Alpiq Ltd.
Bahnhofquai 12
4601 Olten
Switzerland

T: +41 62 286 71 11
www.alpiq.com