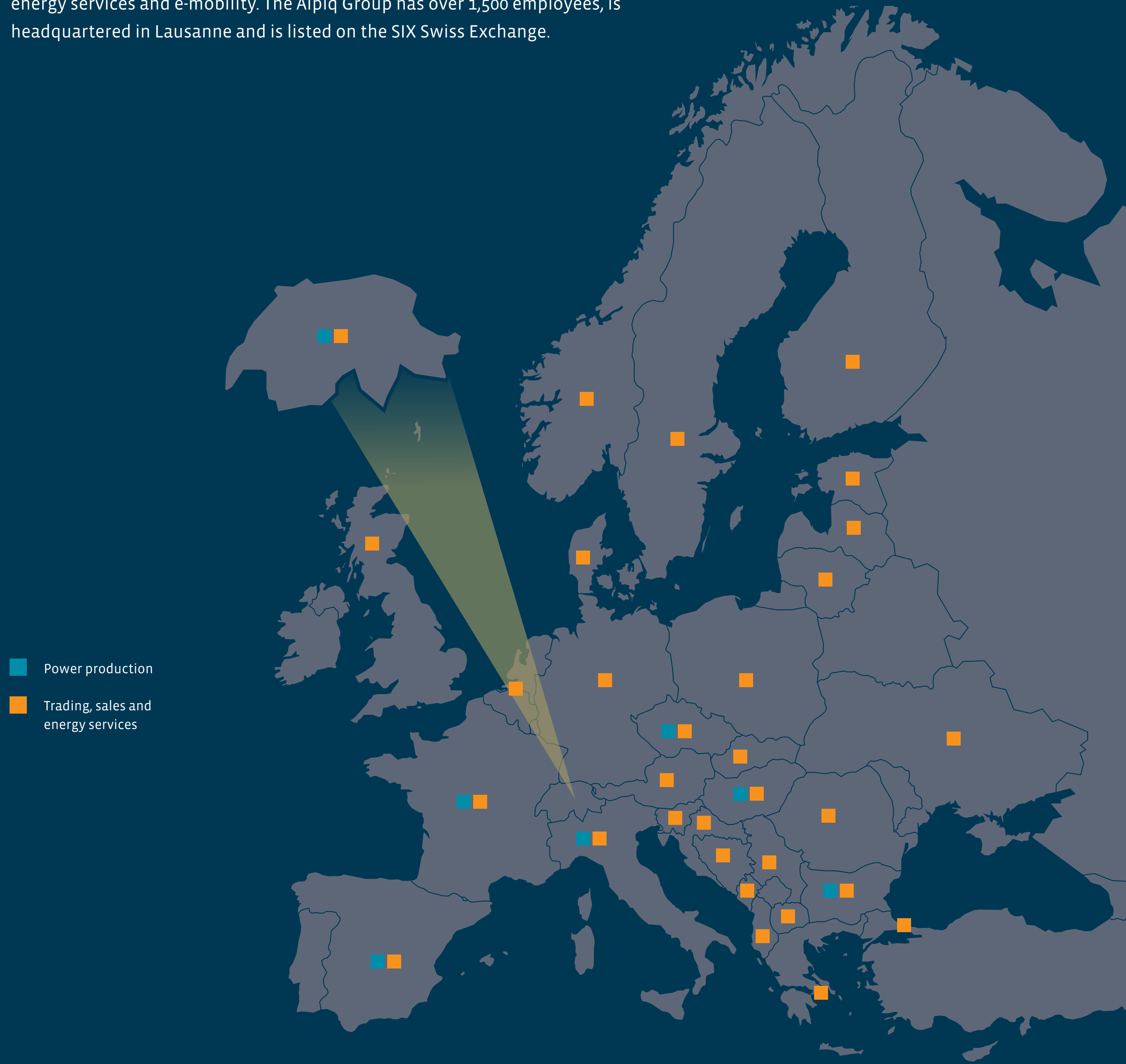
2018
Annual Report

ALPIQ

Alpiq in brief

Alpiq is a leading electricity producer, energy trader and energy services provider. The company operates a technologically and geographically diversified, highly flexible power plant portfolio across Europe with CO_2-free production in Switzerland. Alpiq's business also comprises flexibility services of its own power plant portfolio and the decentralised power plants of third parties in Europe, international trading, wholesale and retail business as well as digital energy services and e-mobility. The Alpiq Group has over 1,500 employees, is headquartered in Lausanne and is listed on the SIX Swiss Exchange.



2018 Key Financial Figures

Alpiq Group

CHF million	% change 2017–2018 (results of operations)	Results of operations before exceptional items 2018	Results of operations before exceptional items 2017	Results under IFRS 2018	Results under IFRS 2017
Net revenue [1]	– 3.9	5,240	5,454	5,186	5,449
Earnings before interest, tax, depreciation and amortisation (EBITDA) [1]	– 31.4	166	242	9	343
Depreciation, amortisation and impairment [1]	– 5.5	– 155	– 164	– 169	– 164
Earnings before interest and tax (EBIT) [1]	– 85.9	11	78	– 160	179
as % of net revenue		0.2	1.4	– 3.1	3.3
Earnings after tax from continuing operations	– 36.1	– 83	– 61	– 261	4
as % of net revenue		– 1.6	– 1.1	– 5.0	0.1
Earnings after tax from discontinued operations	> – 100.0	– 12	25	198	– 88
Net income	> – 100.0	– 95	– 36	– 63	– 84
as % of net revenue		– 1.8	– 0.7	– 1.2	– 1.5
Net investments [1]				– 17	– 73

1 Only continuing operations

CHF million	31 Dec 2018	31 Dec 2017
Total assets	9,074	10,197
Total equity	3,944	3,965
as % of total assets	43.5	38.9

	2018	2017
Own production [1] (GWh)	14,842	14,792
Number of employees at the reporting date [2]	1,548	1,504

1 Net (after deducting pumped energy), excluding long-term purchase contracts
2 Only continuing operations, full-time equivalents

Per share data

CHF	% change 2017–2018	2018	2017
Par value	0.0	10	10
Share price at 31 December	22.2	77	63
High	0.0	89	89
Low	0.0	63	63
Net income [1]	10.1	– 3.90	– 4.34
Dividend	0.0	0.00	0.00

1 For calculations, please refer to note 9 of the consolidated financial statements

The financial summary 2014 – 2018 is shown on pages 154 and 155 of the Financial Report. A detailed overview of the shareholder structure can be found on pages 16 and 17 of the Corporate Governance Report.

Shareholder structure

At 31 December 2018, the share capital of Alpiq Holding Ltd. amounted to CHF 278.7 million, divided into 27,874,649 registered shares with a nominal value of CHF 10 each.

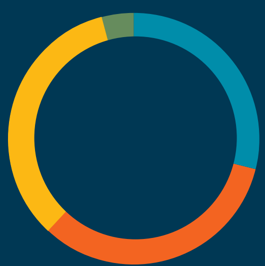
Shareholders at 31 Dec 2018	Stakes in %
EOS HOLDING SA	31.44
EDF Alpes Investissements Sàrl	25.04
Consortium of Swiss minority shareholders	31.43
Free float	12.09

Power plants in 2018

		Installed capacity		Production
	MW	MW	GWh	GWh
Hydropower		**2,701**		**4,230**
Switzerland	2,701		4,230	
Small-scale hydropower, wind, photovoltaics		**328**		**538**
Switzerland	17		47	
Bulgaria	73		119	
France	14		35	
Italy	224		337	
Nuclear power		**738**		**4,972**
Switzerland	738		4,972	
Conventional thermal power		**2,333**		**5,102**
Italy	491		2,263	
Spain [1]	846		346	
Czechia	593		1,997	
Hungary	403		496	
Total [2]		**6,100**		**14,842**

1 Of the installed capacity, 50 % is owned by Alpiq and 50 % is managed by Alpiq
2 Net (after deducting pumped energy), excluding long-term purchase contracts

Power production in 2018



	GWh	%
Hydropower	4,230	29
Nuclear power	4,972	33
Conventional thermal power	5,102	34
Small-scale hydropower, wind, photovoltaics	538	4
Total	14,842	
Total 2017	14,792	

Employees at 31 December 2018

	Total	%
Switzerland	655	42
Europe	893	58
Total	1,548	
Total 2017 (only continuing operations)	1,504	

	Total	%
Generation Switzerland	130	8
Generation International	592	39
Digital & Commerce	529	34
Group Centre	297	19
Total	1,548	

Group structure

In December 2018, Alpiq decided to merge the Renewable Energy Sources and Thermal Power Generation business units into the Generation International business division. Since 1 January 2019, Alpiq has therefore been made up of three business divisions: Generation Switzerland, Generation International and Digital & Commerce.

Generation Switzerland

- Hydro Power Generation
- Nuclear Power Generation

The Generation Switzerland business division comprises the production of electricity from Swiss hydropower and nuclear power. The power plant portfolio includes run-of-river power plants, storage and pumped storage power plants, investments in the Gösgen and Leibstadt nuclear power plants as well as the Nant de Drance pumped storage power plant project. Moreover, the business division manages shares in HYDRO Exploitation SA and Kernkraftwerk-Beteiligungsgesellschaft AG (KBG).

Generation International

- Renewable Energy Sources
- Thermal Power Generation

The Generation International business division comprises power production in wind power plants, small-scale hydropower plants and industrial photovoltaic plants, the operation of power plants and the development of several wind farm projects. The business division also covers the production of electricity and heat in thermal power plants in Czechia, Hungary, Italy and Spain. This power plant portfolio is made up of gas-fired combined-cycle power plants, gas-fired turbine power plants and brown coal 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 in the four countries to balance the grids.

Digital & Commerce

- Trading & Origination
- Energy Retail
- Digital Technologies & Innovation

The Digital & Commerce business division comprises the optimisation of Alpiq's own power plants, the optimisation of decentralised generation units as well as the production of electricity from third parties' renewable energies. The business division also covers trading activities with standardised and structured products for electricity and gas as well as emission allowances and certificates. In addition, the division focuses on further developing products and services with artificial, self-learning intelligence in order to optimise and connect all energy management systems in the future with the help of digitalisation. In order to one day take on a key role as digital mobility service provider in Europe, Digital & Commerce has a fully developed centre of competence for e-mobility.

Annual Report

Letter to our shareholders

Jens Alder

Dear shareholder,

2018 was a key year for the Alpiq Group. On a strategic level, we completed an intense transformation process by closing the sale of the industrial business and created what is now a solid foundation for the long-term further development of our company.

International power production and trading business successful

At operating level in the 2018 financial year, the Alpiq Group generated net revenue of CHF 5.2 billion and EBITDA before exceptional items of CHF 166 million from continuing operations. Alpiq was particularly successful in the area of power production in Europe as well as in the international energy trading, large-customer and retail business.

The two business divisions Generation International and Digital & Commerce are well positioned on the markets. Generation International is characterised by a technologically and geographically diversified portfolio across Europe and made the biggest contribution to the Group's results of operations. Production from international thermal power plants in Czechia, Hungary, Italy and Spain again made clearly positive contributions. Once again, Alpiq generated strong results from new renewable energies.

Digital & Commerce was successful in energy trading and was in particular able to leverage the power plants in Switzerland and Italy on the ancillary services market. We expanded sales activities in the key market of France, which has already made a positive contribution to business development. We selectively further expanded our digital energy services; in the area of e-mobility we won new orders for charging infrastructure from well-known industrial customers and automotive manufacturers and brought Switzerland's first full-service e-mobility subscription to market maturity.

Swiss electricity production unprofitable

As announced, the Generation Switzerland business division, which comprises the production of electricity from Swiss hydropower and nuclear power, recorded another loss. The main reasons are the effects relating to hedging prices from previous years, which are below the level of production costs. This clearly shows how challenging Swiss electricity production remains in a highly regulated environment.

Swiss economy needs liberalisation and EU electricity agreement

While the European electricity markets have been liberalised for a long time now, here in Switzerland we continue to be confronted with framework conditions that massively distort competition. As a company that has operated on the free market from day one, we have always spoken out clearly in favour of fair competition on a level playing field and therefore support the full liberalisation of the market. Furthermore, the current water tax regime is not compatible with the planned liberalisation of the electricity market and means that Swiss hydropower has a disproportionately higher burden compared to other countries.

We are convinced that market liberalisation would revitalise the Swiss electricity market and provide increased transparency as well as an additional innovative boost. Full liberalisation of the market is a condition for the electricity agreement with the European Union. The fact of the matter is that supply security can only be achieved in the strongly connected energy field in collaboration with other countries.

Alpiq is directly affected by not being connected to Europe's electricity markets. It is increasingly difficult to market cross-border flexibility – especially Swiss hydropower – even though Switzerland is in the best position to cover peaks in Germany or France.

Board of Directors proposes zero dividend

Alpiq Holding Ltd.'s Board of Directors will submit a proposal to the Annual General Meeting that it distribute no dividend because of the continued negative results of Swiss production and the prevailing market asymmetry, which heavily distorts competition. In addition, Alpiq will pay no interest to the Swiss consortium shareholders on their hybrid loan. The hybrid bond that was placed publicly will, however, continue to be serviced. The next interest payment on this bond is due on 15 November 2019.

Systematic financial strategy strengthens liquidity

After numerous divestments in recent years, we have gradually and massively reduced our net debt. The CHF 400 million cost reduction and efficiency enhancement programme implemented over the past years is also sustainably easing the burden on our EBITDA.

Alpiq has liquidity of CHF 1.25 billion at year-end thanks to the closing of the sale of the industrial business in 2018 and the systematically continued capital management measures. We also successfully completed a fourth repurchase of bonds worth CHF 300 million in September as one part of our financial strategy. Overall, Alpiq not only further reduced gross debt by around CHF 600 million in 2018 to CHF 1.5 billion, but also reduced its annual interest payments. The equity ratio stands at a stable 43.5 %. Maintaining and strengthening our liquidity further will continue to be a main priority in future.

Using the potential of the energy future

Alpiq is agile, innovative and characterised by its clear focus. A central element of our business model is the technologically and geographically diversified, highly flexible power plant portfolio across Europe with CO2-free production in Switzerland. Our hydropower plants with state-of-the-art technology are milestones in engineering history that we are constantly optimising and digitally managing at high efficiency levels.

The delivery and assembly of the six spiral casings in 2018 marked another important milestone in our largest project to date, the construction of the Nant de Drance pumped storage power plant in Switzerland. Nant de Drance, in which Alpiq holds a stake of 39 % and which will be gradually commissioned in 2019, is one of the most powerful pumped storage power plants in Europe, with an installed capacity of 900 MW. It is a necessary complement to the new renewable energies and vital for the stability of the Swiss and European electricity grid.

In addition to operating our power plant portfolio, our business activities focus on flexibility services of our own power plant portfolio as well as the decentralised power plants of third parties in Europe, international trading, large-customer and retail business as well as digital energy services. Alpiq recognised the megatrends of the new energy landscape – decarbonisation, decentralisation and digitalisation – at an early stage, positioned itself accordingly and built on its expertise in a targeted way. The fundamental change from the conventional, centralised energy systems to decentralised, digitalised energy ecosystems opens up new business opportunities across Europe for Alpiq. In addition to developing the traditional trading business further, we see particular growth potential in e-mobility, where Alpiq is already ranked number one for charging infrastructure in Switzerland, as well as in developing innovative energy solutions where human and artificial intelligence continue to complement each other every step of the way.

Recovery expected from 2020 onwards

The spin-off of the industrial business marked the completion of the turnaround, the Alpiq Group is financially and strategically stabilised. Alpiq expects results of operations before exceptional items in 2019 to be down on the previous year because recovering wholesale prices will only have a positive effect on earnings with a time lapse as a result of the rolling price and currency hedges. In the medium to long term, Alpiq confirms its assessment that electricity and CO_2 prices on the wholesale markets will rise. From 2020 onwards, Alpiq will benefit from the upturn that is now emerging. In its international business, Alpiq currently anticipates stable contributions from the energy trading, large-customer and retail business as well as European power production.

Change of leadership completed

After six successful years as CEO, Jasmin Staiblin decided in December to leave the company at the end of 2018. Under her management, Alpiq has implemented the necessary restructuring measures – the company has been systematically restructured and positioned to meet the new market conditions. On behalf of the Board of Directors and myself, I would like to express my gratitude for her outstanding commitment, the successful turnaround of the Alpiq Group and the excellent cooperation. I have assumed responsibility for the operational management of the Alpiq Group as Delegate of the Board of Directors in addition to my current role as Chairman of the Board of Directors on 1 January 2019. In connection with this, the Board of Directors created a Governance Committee, the aim of which is to avoid any conflicts of interest arising from this dual role. I am honoured to perform my duties for Alpiq, especially because I can continue to shape the energy future with motivated, professional and committed teams.

Many thanks to employees and shareholders

Our company hinges on the competencies, daily commitment, customer focus and loyalty of our employees in Switzerland and Europe. I would like to personally thank all of you on behalf of the Board of Directors and the Executive Board.

Dear shareholder, the Board of Directors and the Executive Board of Alpiq would like to thank you for your unwavering trust. The turnaround is complete and Alpiq is standing on solid ground. That being said, there is still a lot to do! We now have to continue to focus all our efforts on maintaining and increasing Alpiq's value.

Jens Alder
Chairman of the Board of Directors and Delegate of the Board of Directors

1 March 2019

Corporate Governance

Alpiq is committed to transparent and responsible business management, and pursues sustainable corporate development. Transparency and fairness are ensured by effective management and controlling systems, an open information policy and ethical principles. Alpiq adheres to the recommendations of the Swiss Code of Best Practice for Corporate Governance. Whenever the company establishes and realises its own formal principles, these are disclosed and explained within this report. Alpiq's Corporate Governance principles and rules are set out in its Articles of Association and Organisational Regulations, the Executive Board Regulations and Group Regulations, in its organisational chart and in the assignment of associated companies. The following report describes this practice and is structured according to the Corporate Governance guidelines of SIX Swiss Exchange. The Remuneration Report presents the requisite disclosures of the senior managers' compensation and investment interests. Except where otherwise stated, all information given is at 31 December 2018. The same applies to references to clauses in regulations and instructions.

The CEO withdrew from the operational management on 7 December 2018 and resigned at 31 December 2018. On 1 January 2019, the Chairman of the Board of Directors takes over the operational management of Alpiq Holding Ltd. and the Alpiq Group in the role of Delegate of the Board of Directors. The disclosures made about the CEO at 31 December 2018 therefore apply by analogy to the Chairman of the Board of Directors / Delegate of the Board of Directors from 1 January 2019 onwards. The agenda for Board meetings will be discussed in advance by the newly created Governance Committee (GC) from 1 January 2019 onwards.

1 Group and shareholder structure

1.1 Group structure

1.1.1 Alpiq Group operating structure

At 31 December 2018, the parent company Alpiq Holding Ltd., domiciled in Lausanne, Switzerland, had a share capital of CHF 278,746,490, divided into 27,874,649 registered shares with a nominal value of CHF 10 each.

The registered shares are listed on SIX Swiss Exchange under ISIN CH0034389707. At year-end, market capitalisation stood at CHF 2,135,198,113 (closing price on 31 December 2018 × number of shares).

At 31 December 2018, the Alpiq Group's management structure comprises the two operational business divisions of Generation Switzerland and Digital & Commerce as well as the two operational business units of Renewable Energy Sources and Thermal Power Generation. The Group Centre consists of the Financial Services functional division and the functional units Human Resources, Legal & Compliance, Communications & Public Affairs and Risk Management, which directly report to the CEO.

By resolution dated 7 December 2018, the Board of Directors adjusted the Group management structure and created the new Generation International operational business division with the two operational business units Renewable Energy Sources and Thermal Power Generation at 1 January 2019.

1.1.2 Listed companies included in the Alpiq Group's consolidation scope

No consolidated listed Group Companies exist.

1.1.3 Unlisted companies included in the Alpiq Group's consolidation scope

The consolidated unlisted Group Companies are named in note 33 of the consolidated financial statements.

1.2 Major shareholders

Significant shareholders according to the entry in the share register are presented below. Purchasers of majority shareholdings in Alpiq Holding Ltd. are not required to make a public tender offer pursuant to the Swiss Stock Exchange and Securities Trading Act (opting out). The competencies of the shareholders are governed by law and by the company's Articles of Association. Furthermore, a consortium / shareholder agreement is in place between EOS HOLDING SA, EDF Alpes Investissements Sàrl and the consortium of Swiss minority shareholders, consisting of EBM (Genossenschaft Elektra Birseck), EBL (Genossenschaft Elektra Baselland), the canton of Solothurn, Aziende Industriali di Lugano (AIL) SA, Eniwa Holding AG (formerly IBAarau AG) and WWZ AG. The consortium agreement governs the merger between Aare-Tessin Ltd. for Electricity (Atel) and the operating units of EOS Holding SA and the interest held by EDF (50 %) in the electricity purchase rights of Electricité d'Emosson SA. The merger was completed on 27 January 2009. The agreement also governs matters concerning Alpiq's corporate governance and reciprocal pre-emptive rights held by partners in the consortium.

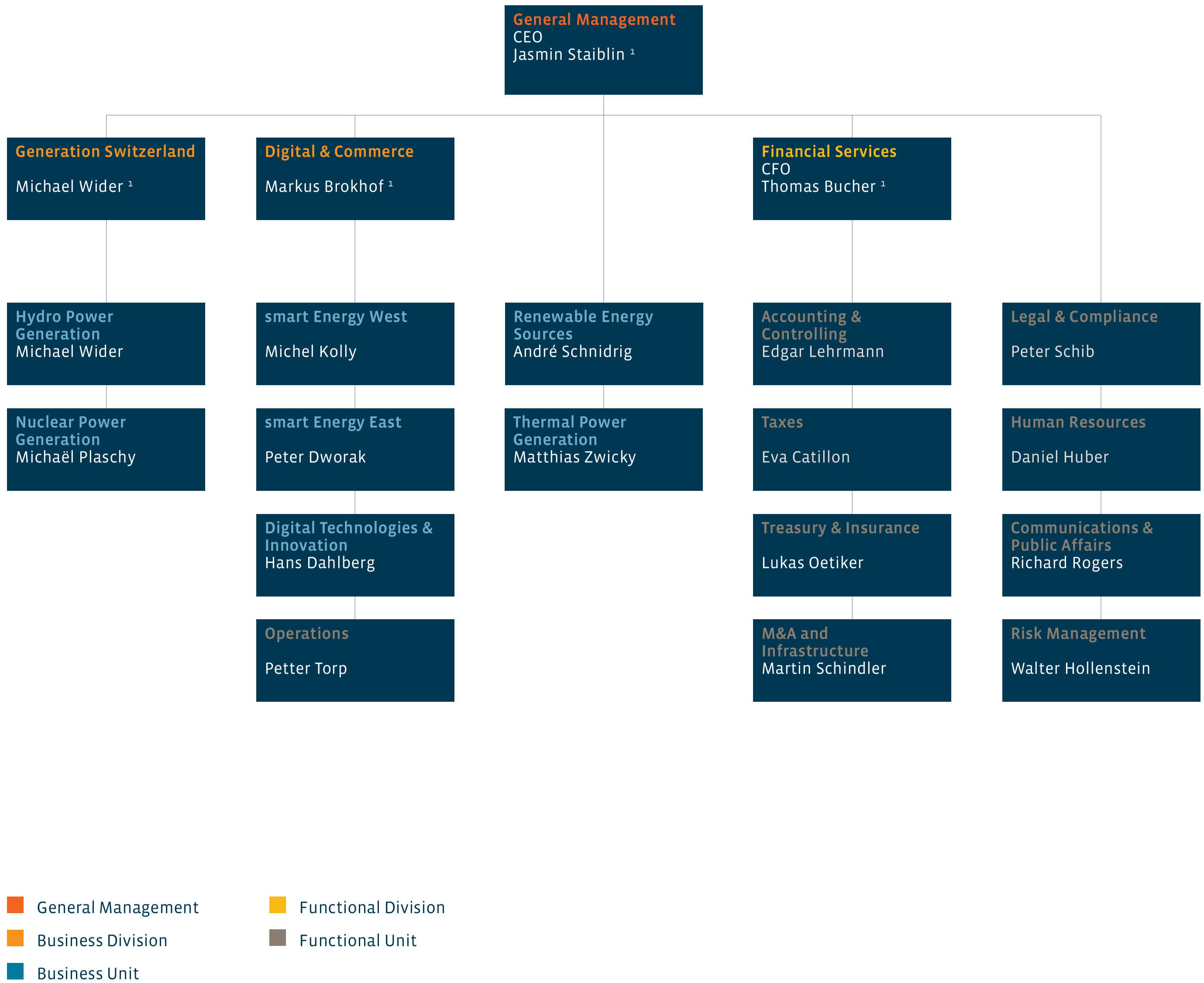
Shareholders at 31 December 2018

Shareholder	Percentage ownership interest
EOS HOLDING SA (EOSH)	31.44
EDF Alpes Investissements Sàrl (EDFAI)	25.04
EBM (Genossenschaft Elektra Birseck)	13.65
EBL (Genossenschaft Elektra Baselland)	7.13
Canton of Solothurn	5.61
Aziende Industriali di Lugano (AIL) SA	2.13
Eniwa Holding AG	2.00
WWZ AG	0.91
Free float	12.09

1.3 Cross-shareholdings

No cross-shareholdings exist.

Organisation at 31 December 2018



1 Member of the Executive Board

Organisation at 1 January 2019

- **General Management** – Executive Chairman – Jens Alder[1]
  - **Internal Audit** – Bérénice Boulay
  - **Secretary Board of Directors** – Mauro Larino
  - **Generation Switzerland** – Michael Wider[1]
    - Hydro Power Generation – Michael Wider
    - Nuclear Power Generation – Michaël Plaschy
  - **Generation International** – André Schnidrig[1]
    - Renewable Energy Sources – André Schnidrig
    - Thermal Power Generation – Matthias Zwicky
  - **Digital & Commerce** – Markus Brokhof[1]
    - Trading & Origination – Michel Kolly
    - Energy Retail – Olivier Puit
    - Digital Technologies & Innovation – Hans Dahlberg
    - Operations – Petter Torp
  - **Financial Services** – CFO – Thomas Bucher[1]
    - Accounting & Controlling – Edgar Lehrmann
    - Taxes – Eva Catillon
    - Treasury & Insurance – Lukas Oetiker
    - M&A and Infrastructure – Martin Schindler
  - **Headquarter Operations** – Matthias Jung
    - Legal & Compliance – Peter Schib
    - Human Resources – Philipp Oberson
    - Communications & Public Affairs – Richard Rogers
    - Risk Management – Walter Hollenstein

General Management
Business Division
Business Unit
Functional Division
Functional Unit

1 Member of the Executive Board

2 Capital structure

2.1 Share capital

At 31 December 2018, the share capital of Alpiq Holding Ltd. was at CHF 278,746,490, divided into 27,874,649 registered shares with a nominal value of CHF 10 each. The shares are fully paid up.

2.2 Conditional and authorised capital in particular

Alpiq Holding Ltd. has no conditional or authorised capital.

2.3 Changes in equity

Statements of changes in equity can be found in the Financial Report on pages 74 and 75 for the consolidated financial statements of the Alpiq Group and on page 163 for the statutory financial statements of Alpiq Holding Ltd. The statements of changes in equity for the year 2016 can be found in the 2017 Annual Report in the Financial Report on page 77 for the consolidated financial statements of the Alpiq Group, and on page 167 for the statutory financial statements of Alpiq Holding Ltd.

2.4 Shares and participation certificates

At 31 December 2018, Alpiq Holding Ltd. has issued 27,874,649 registered shares with a nominal value of CHF 10 each. The shares are fully paid up and eligible for dividends. Each share represented at the Annual General Meeting of Alpiq Holding Ltd. has one vote. No restrictions exist on transferability or voting rights. The company has issued no participation certificates.

2.5 Bonus certificates

The company has issued no bonus certificates.

2.6 Restrictions on transferability and nominee registrations

There are no restrictions in the Articles of Association relating to the transferability of the shares of Alpiq Holding Ltd., and no special regulations have been issued for the registration of trustees and nominees.

2.7 Convertible bonds and warrants

The company has neither outstanding convertible bonds nor has it issued any warrants. The company has hybrid capital, as described in detail in note 18 of the consolidated financial statements.

3 Board of Directors

The Board of Directors is responsible for the overall management and strategic direction of the Alpiq Group as well as for supervising the Executive Board.

3.1/3.2 Members of the Board of Directors and other activities and vested interests

The Board of Directors consists of the following 13 members:

Board of Directors at 31 December 2018

Jens Alder, Zurich (Switzerland), Chairman
Jean-Yves Pidoux, Lausanne (Switzerland), Deputy Chairman
Conrad Ammann, Zurich (Switzerland)
Tobias Andrist, Arlesheim (Switzerland)
François Driesen, Paris (France)
Birgit Fratzke-Weiss, Strasbourg (France)
Patrice Gérardin, Boulogne-Billancourt (France)
Alexander Kummer-Grämiger, Laufen (Switzerland)
Claude Lässer, Marly (Switzerland)
René Longet, Grand-Lancy (Switzerland)
Wolfgang Martz, Montreux (Switzerland)
John Morris, Louveciennes (France)
Heinz Saner, Olten (Switzerland)
Secretary to the Board of Directors: Mauro Larino

The members of the Board of Directors are listed on pages 36 and 37. The Board of Directors regularly reviews its composition in relation to a balance of specialist knowledge, experience and diversity, and is also endeavouring to include female members in the future based on the Organisational Regulations.

At 31 December 2018, the Board of Directors has one female member. The curricula vitae, professional backgrounds, information about operational management tasks for Alpiq Holding Ltd. or a Group Company, about non-executive members' managerial tasks and significant business relationships during the three financial years preceding the period under review, as well as information about further activities and vested interests of the members of the Board of Directors can be found on Alpiq's website at www.alpiq.com/bod.

3.3 Number of permissible additional activities

Pursuant to Art. 24 (1) of the Articles of Association, no member of the Board of Directors can hold more than five additional mandates at listed companies. In addition, no member of the Board of Directors can hold more than ten additional mandates at unlisted companies. Pursuant to Art. 24 (2) of the Articles of Association, this restriction does not include:

- Mandates in companies which Alpiq controls directly or indirectly or in joint coordination with third parties, or which control Alpiq directly or indirectly or in joint coordination with third parties;
- Mandates that a member of the Board of Directors fulfils at the instruction of the company or a company that it controls directly or indirectly. Besides the mandates pursuant to Art. 24 (1) of the Articles of Association, no member of the Board of Directors can hold more than ten such mandates;
- Mandates in associations, non-profit organisations and foundations, as well as benefit and pension foundations. Besides the mandates pursuant to Art. 24 (1) of the Articles of Association, no member of the Board of Directors can hold more than ten such mandates.

Pursuant to Art. 24 (3) of the Articles of Association, mandates are defined as mandates in the respective uppermost management and administrative body of a legal entity that is required to be entered in the Swiss commercial register or a corresponding foreign register. Mandates in various legal entities that are under joint control are considered to be one mandate.

3.4 Election and period of office

Pursuant to Art. 12 (3) of the Articles of Association, the Annual General Meeting individually appoints the members of the Board of Directors and the Chairman of the Board of Directors. Pursuant to Art. 12 (4) of the Articles of Association, the one-year period of office of the members of the Board of Directors as well as of the Chairman of the Board of Directors ends at the conclusion of the subsequent Annual General Meeting. Re-election is possible.

First-time election and remaining period of office of the individual members of the Board of Directors:

Name	First-time election to the Board of Directors	End of period of office
Jens Alder	2015	2019
Jean-Yves Pidoux	2009	2019
Conrad Ammann	2012	2019
Tobias Andrist	2018	2019
François Driesen	2012	2019
Birgit Fratzke-Weiss	2018	2019
Patrice Gérardin	2018	2019
Alexander Kummer-Grämiger	2013	2019
Claude Lässer	2009	2019
René Longet	2013	2019
Wolfgang Martz	2016	2019
John Morris	2016	2019
Heinz Saner	2017	2019

No regulations that differ from statutory provisions have been established in the Articles of Association concerning the appointment of the Chairman, the members of the Compensation Committee and the independent voting proxy. More detailed information is available on Alpiq's website at www.alpiq.com/articles-of-association.

3.5 Internal organisation

3.5.1 Allocation of tasks within the Board of Directors

The tasks of the Board of Directors are set out in the Swiss Code of Obligations, in Art. 11 of the Articles of Association as well as in the Organisational Regulations of Alpiq Holding Ltd. The Articles of Association and the Organisational Regulations can be downloaded from the company's website at www.alpiq.com/articles-of-association. It is the responsibility of the Board of Directors to ensure that the shareholders are able to form and express an informed opinion.

The Chairman determines the agenda for Board meetings after consultation with the CEO. Any member of the Board of Directors may submit a written request for a particular item to be included on the agenda. The members of the Board of Directors receive documentation in advance of meetings that enables them to prepare for items on the agenda. Executive Board members normally attend meetings of the Board of Directors in an advisory capacity. They leave the meeting if the Chairman so directs. Should any conflicts of interest arise, the members of the Board of Directors concerned must also leave the meeting. Minutes are kept of the Board's deliberations and resolutions. The minutes are distributed to the members of the Board of Directors and approved at the following Board meeting. Between meetings, any member of the Board of Directors may ask the CEO for information about the company's business and, with the Chairman's authorisation, about individual transactions. To the extent required for the performance of their duties, any member of the Board of Directors may ask the Chairman to arrange for them to inspect books and files.

3.5.2 Committees of the Board of Directors

Audit and Risk Committee (ARC)

The ARC consists exclusively of non-executive and independent members of the Board of Directors, most of whom have finance and accounting experience. At 31 December 2018, the ARC consists of John Morris (Chairman), Tobias Andrist (member) and Claude Lässer (member). The ARC's role is to support the Board of Directors in assessing the performance of the external auditors, monitoring and assessing the internal auditors, the internal control system, financial accounting, risk management, compliance and corporate governance.

Nomination and Remuneration Committee (NRC)

At 31 December 2018, the NRC consists of Wolfgang Martz (Chairman), Dr. Birgit Fratzke-Weiss (member) and Heinz Saner (member). The NRC's task consists in supporting the Board of Directors in discharging its supervisory duty regarding succession planning (Board of Directors and Executive Board), determining and reviewing remuneration policy and guidelines as well as performance targets, preparing proposals on the remuneration of the Board of Directors and the Executive Board on behalf of the Annual General Meeting, determining all other terms and conditions of employment of the members of the Board of Directors and approving the other contract terms and conditions of employment for the CEO (as proposed by the Chairman of the Board) and for the Executive Board (as proposed by the CEO).

Strategic Committee (SC)

The SC's tasks mainly include the preliminary treatment of motions of a strategic nature, strategy development and monitoring the implementation of strategic projects. At 31 December 2018, the SC consists of Jens Alder (Chairman), Dr. Conrad Ammann (member), Dr. Jean-Yves Pidoux (member) and François Driesen (member).

Ad hoc Committee (AC)

After completing a tax audit on the Bucharest branch of Alpiq Energy SE, Prague, the Romanian tax authority ANAF (Agenția Națională de Administrare Fiscală) issued Alpiq the final decision regarding tax liability in the amount of RON 793 million (translated at the closing RON / CHF exchange rate: CHF 192 million) for value added tax, corporate income tax and penalties for the period of 2010 to 2014. The decision made by ANAF is being contested by Alpiq by making use of all available local and international legal means of appeal. For more information, please refer to note 26 of the consolidated financial statements. The Board of Directors formed an Ad hoc Committee (AC) to deal with this significant process. At 31 December 2018, the AC consists of Jens Alder (Chairman), Dr. Conrad Ammann (member), Tobias Andrist (member), François Driesen (member), Claude Lässer (member) and John Morris (member).

Governance Committee (GC)

Created by resolution of the Board of Directors dated 7 December 2018, the GC consists of Dr. Jean-Yves Pidoux (Chairman / Lead Director), Dr. Conrad Ammann (member) and François Driesen (member). The GC serves as a supervisory body and aims to avoid potential conflicts of interest with regard to the dual role of the Chairman of the Board of Directors / Delegate of the Board of Directors. For example, it conducts preliminary treatment of the Board motions that are not covered by another committee and discusses the Board of Directors' agenda.

3.5.3 Working methods of the Board of Directors and its committees

The Board of Directors convenes in response to an invitation by the Chairman as and when business requires, although at least once per quarter. During the reporting year, the Board of Directors held five ordinary meetings, each lasting an average of six-and-a-half hours. It also held four extraordinary meetings (three of which were held as conference calls for practical and time-related reasons) lasting an average of two-and-a-half hours. There were three circular resolutions. The members of the Board of Directors attend the meetings in person. By way of exception, the Board of Directors can allow one of its members to vote by telephone or video as long as three-quarters of all members approve. In the reporting year, all members of the Board of Directors attended all ordinary and extraordinary meetings with two exceptions. The Board of Directors has a quorum if a majority of its members are present. No attendance quorum is required solely to note the implementation of a capital increase, and to subsequently approve the related amendment to the Articles of Association. The Board of Directors passes its resolutions and conducts its elections with the majority of votes (general quorum for passing of resolutions). A qualified quorum for passing resolutions is required for investments and divestments if such transactions would result in the consolidated net debt of Alpiq Holding Ltd. amounting to more than five times the EBITDA of the last consolidated annual financial statements, changes to the local allocation of business and functional divisions as well as of the Executive Board, equity and equity-similar capital market transactions, and the cancellation or amendment of the provision relating to qualified passing of resolutions. Abstentions do not count as votes cast. In the event of a tie, the Chairman has the casting vote. Resolutions can also be passed by way of written circular, unless a member demands a verbal consultation.

The ARC submits proposals to the Board of Directors for its approval and reports verbally at each Board meeting on its activities, resolutions, conclusions and recommendations. If the ARC fails to reach consensus on matters within its remit, a decision is made by the plenary Board of Directors. Minutes of ARC meetings are circulated to all members of the Board of Directors for their information. As a rule, the CEO, CFO, Head of Internal Audit and the statutory auditors attend the ARC's meetings. Depending on the agenda, other Executive Board members or business and functional unit heads also attend. During the reporting year, the ARC held seven ordinary meetings (in some cases by video conference for practical and time-related reasons), each lasting an average of two-and-three-quarter hours. It also held one extraordinary meeting that lasted five hours. There was one circular resolution. In the reporting year, all members of the ARC attended all ARC meetings with three exceptions.

The NRC submits proposals to the Board of Directors for its approval and reports verbally at each Board meeting on its activities, resolutions, conclusions and recommendations. If the NRC fails to reach consensus on matters within its remit, a decision is made by the plenary Board of Directors. Minutes of NRC meetings are circulated to all members of the Board of Directors for their information. As a rule, the Chairman, CEO and Head of Human Resources attend the NRC's meetings. During the reporting year, the NRC held five ordinary meetings (in some cases as conference calls and by video conference for practical and time-related reasons), each lasting an average of two-and-three-quarter hours. It also held three extraordinary meetings, one of which was a conference call, each lasting an average of two-and-a-half hours. In the reporting year, all members of the NRC attended all NRC meetings.

The SC submits proposals to the Board of Directors for its approval and reports verbally at each Board meeting on its activities, resolutions, conclusions and recommendations. If the SC fails to reach a consensus on matters or recommendations within its remit, such matters are also brought to the Board of Directors' attention. The CEO is a permanent guest at each meeting and the CFO and selected members of the Executive Board also usually attend. During the reporting year, the SC held one ordinary meeting lasting two-and-a-half hours and six extraordinary meetings, four of which were conference calls, each lasting an average of one-and-a-quarter hours. In the reporting year, all members of the SC attended all SC meetings.

The AC submits proposals to the Board of Directors for its approval and reports verbally at each Board meeting on its activities, resolutions, conclusions and recommendations. As a rule, the CEO, CFO and selected Executive Board members attend all meetings. During the reporting year, the AC held one meeting lasting half an hour. In the reporting year, all members of the AC attended.

The members of the Board of Directors ensure that they fulfil their duties even in the case of increased time demands. The Board of Directors took part in a field trip in autumn 2018 and visited the Nant de Drance pumped storage power plant in order to gain a first-hand overview of this project.

3.6 Division of responsibilities

The Board of Directors has delegated responsibility for the Alpiq Group's entire operational management to the CEO. The CEO chairs the Executive Board, and has delegated some of her management responsibilities to the Executive Board members. The Organisational Regulations and the Executive Board Regulations govern authorities and the division of responsibilities between the Board of Directors and the CEO or Executive Board. As part of the Group Guidelines, the CEO has issued regulations governing the assignment of authorities and responsibilities. These regulations apply throughout the Group.

3.7 Information and controlling instruments in relation to the Executive Board

The Executive Board reports annually to the Board of Directors on strategic, medium-term and annual targets and on the progress made in attaining them. The Board of Directors issues a code of conduct to ensure compliance with the applicable norms. During the financial year, the Executive Board reports quarterly on business performance, progress in achieving targets and other important developments (activity report). The Board of Directors also receives a regular summary report including key financial figures (Alpiq Group short-form report), an assessment of the risk situation and ongoing internal audits. Furthermore, the Board of Directors receives a written quarterly report showing detailed financial information and the principal activities and projects of the various business and functional divisions. The Board of Directors also has three standing committees: the Audit and Risk Committee (ARC), the Nomination and Remuneration Committee (NRC) and the Strategic Committee (SC). There is also the Ad hoc Committee (AC) that was created to deal with the tax matter in Romania and the Governance Committee (GC) that was created to deal with the additional role of the Chairman of the Board of Directors as Delegate of the Board of Directors from 1 January 2019 onwards.

The external auditors submit a comprehensive report to the Board of Directors and give a verbal presentation of the results and findings of their audit and of their future key audit areas.

Internal Audit, which reports directly to the Chairman of the Board and the ARC and is managed by the General Administrative Office, provides independent and objective auditing and advisory services aimed at adding value and improving business processes. It supports the organisation in achieving its objectives by using a systematic and targeted approach to evaluate the effectiveness of risk management, internal control systems as well as the management and supervisory processes, and by helping to improve them. Internal Audit is a management tool for the Board of Directors and its committees, in particular for the ARC. Internal Audit is intended to assist the Board of Directors and Executive Board in performing their monitoring and controlling functions. At the ARC's request, the Board of Directors approves the risk-oriented audit schedule of Internal Audit on an annual basis and acknowledges the annual accountability report. The individual audit reports are submitted to the respective line manager, the Chairman and (in summary form) to the ARC, and are tabled for discussion at each meeting. As and when necessary, Internal Audit also engages an external co-sourcing audit partner to assist it with its work.

Risk Management monitors strategic and operational risks, particularly market, credit and liquidity risks. The Board of Directors receives an annual written report on the situation and developments in Group-wide risk management and its most important constituents. The report presents principles and limits, details compliance with them and contains information on planned expansion moves. Central Risk Management reports to the CEO and proposes limits for the individual areas based on the results of analyses. The Executive Board is responsible for assigning the related risk categories. The overall limit for the Alpiq Group is set annually by the Board of Directors. The Risk Management Committee (RMC), a subcommittee of the Executive Board, monitors compliance with the limits and principles of risk management.

Compliance is integrated into the Legal & Compliance functional unit and reports directly to the Chairman of the Board of Directors. The compliance management system includes annual compliance risk analyses in order to enhance the compliance culture, as well as risk-based training on compliance topics. In the reporting year, this included specific training sessions for the Executive Board, compliance partners and trading employees, in addition to 17 training events for employees. Other functions include communication, advisory services on compliance issues on behalf of the Chairman of the Board of Directors, the Executive Board or the ARC, implementing the policy management system, managing the whistle-blower system as well as maintaining the Group's transnational compliance partner network. The Alpiq Group's code of conduct is available in nine languages. 11 cases, most of which related to employment law as well as one case of competition law and one case of criminal law (fraud), were reported via the whistle-blower system in 2018. One employment contract was ended as a result of unethical behaviour. A total of around 75 cases involved compliance advice, investigations and assessments in 2018, among others on topics relating to M&A and divestment projects, governance questions, intermediary agreements and competition law. In this way, Compliance assists the Board of Directors and the Executive Board in ensuring that the company and its employees act in accordance with the rules and regulations.

4 Executive Board

4.1/4.2 Members of the Executive Board and their other activities and vested interests

At 31 December 2018, the Executive Board comprised four members. From 1 January 2019 onwards, the Executive Board has five members following the creation of the new Generation International business division. The members of the Executive Board are listed on page 38. Curricula vitae, professional background and information about any earlier activities on behalf of the Alpiq Group, as well as about other activities and vested interests, can be found on Alpiq's website at www.alpiq.com/executive-board.

4.3 Number of permissible additional activities

Pursuant to Art. 24 (1) of the Articles of Association, no Executive Board member can hold more than three additional mandates at listed companies. In addition, no Executive Board member can hold more than five additional mandates at unlisted companies. Pursuant to Art. 24 (2) of the Articles of Association, this restriction does not include:

- Mandates in companies which Alpiq controls directly or indirectly or in joint coordination with third parties, or which control Alpiq directly or indirectly or in joint coordination with third parties;
- Mandates that an Executive Board member fulfils at the instruction of the company or a company that the company controls directly or indirectly. Besides the mandates pursuant to Art. 24 (1) of the Articles of Association, no Executive Board member can hold more than ten such mandates;
- Mandates in associations, non-profit organisations and foundations, as well as benefit and pension foundations. Besides the mandates pursuant to Art. 24 (1) of the Articles of Association, no Executive Board member can hold more than ten such mandates.

Pursuant to Art. 24 (3) of the Articles of Association, mandates are defined as mandates in the respective uppermost management and administrative body of a legal entity that is required to be entered in the Swiss commercial register or a corresponding foreign register. Mandates in various legal entities that are under joint control are considered to be one mandate.

4.4 Management contracts

No management contracts exist between Alpiq Holding Ltd. and companies or natural persons outside the Alpiq Group. The only exception is Jens Alder, whose management contract contains his dual role as Delegate of the Board of Directors and Chairman of the Board of Directors.

5 Remuneration, shareholdings and loans

Information on the bases and elements of remuneration, participation programmes or loans for each of the current and former members of the Board of Directors and Executive Board of the Alpiq Group, as well as the area of responsibility and methodology in relation to how they are set, are disclosed in the separate Remuneration Report.

Art. 21 of the Articles of Association sets out the regulations relating to the principles concerning performance-related compensation and the allocation of participation share certificates and conversion and warrant rights, as well as the additional amount for the compensation of Executive Board members who are appointed after the vote on compensation at the Annual General Meeting.

Art. 25 of the Articles of Association sets out the regulations relating to credits and benefits made to members of the Board of Directors and Executive Board.

Art. 20 of the Articles of Association sets out the regulations concerning how the Annual General Meeting votes on compensation.

6 Shareholders' participation rights

Shareholders' participation rights are governed by law and by the company's Articles of Association.

6.1 Restrictions on voting rights and proxy voting

Each share represented at the Annual General Meeting carries one vote. No restrictions exist on transferability or voting rights. As a consequence, no regulations exist in the Articles of Association that differ from the law in relation to participation at the Annual General Meeting.

Any shareholder can be represented by an independent proxy elected by the Annual General Meeting pursuant to Art. 19 of the Articles of Association. Proxy authorisations and instructions can also be issued to the proxy electronically.

6.2 Quorums pursuant to the Articles of Association

At the Annual General Meeting, only the quorums as determined in the Swiss Code of Obligations are valid (see Art. 10 of the Articles of Association).

6.3 Convening the Annual General Meeting

Annual General Meetings are convened in accordance with the rules set out in the Swiss Code of Obligations (see Art. 8 (2) of the Articles of Association).

6.4 Inclusion of an item on the agenda

Pursuant to Art. 8 (2) of the Articles of Association, the convening document is required to disclose the agenda items and proposed motions. Pursuant to Art. 8 (4) of the Articles of Association, up to 50 days prior to an Annual General Meeting shareholders representing shares with an aggregate par value of at least CHF 1 million may request that a particular item be included on the agenda.

6.5 Entries in the share register

Registered shares must be entered in the share register at least one week before the Annual General Meeting in order for shareholders to be eligible to vote.

7 Change of control and defensive measures

7.1 Mandatory tender offer

Purchasers of majority shareholdings in Alpiq Holding Ltd. are not required to make a public tender offer pursuant to the Swiss Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (opting out). The Articles of Association do not provide for any defensive measures.

7.2 Change-of-control clauses

The Executive Board members’ employment contracts do not contain any change-of-control clauses.

8 Auditors

8.1 Duration of mandate and period of office of main auditor

Ernst & Young Ltd act as the auditors of Alpiq Holding Ltd. The statutory and Group auditors are appointed by the Annual General Meeting for a one-year term.

The current lead audit partner of Ernst & Young Ltd has been performing this function since the 2015 financial year.

8.2/8.3 Auditors' fees and additional fees

Performance and fees are reviewed annually. For the past financial year, statutory and Group auditor Ernst & Young Ltd received fees of CHF 3.1 million for their services (previous year: CHF 4.6 million). Of this amount, CHF 2.5 million was paid for audit services (CHF 2.9 million), CHF 0.4 million for audit-related services (CHF 1.3 million) and CHF 0.2 million for tax services (CHF 0.4 million).

8.4 External audit information mechanisms

The external auditors report to the ARC at least once a year on the audits they have conducted and the resultant findings and recommendations. The ARC agrees audit plans with the external auditors in advance and assesses their work. The external auditors submit a comprehensive report to the full Board of Directors once a year. The ARC regularly invites the external auditors to attend its meetings, which occurred seven times in the reporting year.

9 Information policy

Alpiq provides shareholders, potential investors and all other stakeholders with comprehensive, timely and regular information through its Annual and Interim Reports, at media and financial analyst conferences and at the Annual General Meetings. Communication channels also include the company's regularly updated website at www.alpiq.com, as well as media releases on important events. Contact addresses are listed on the website at www.alpiq.com/contacts. Key dates for the current financial year are shown on the second to last page of this report.

2018 Annual General Meeting

At the tenth ordinary Annual General Meeting of Alpiq Holding Ltd., held on 16 May 2018, the 69 shareholders present approved the 2017 consolidated financial statements of the Alpiq Group, as well as the 2017 Management Report and stand-alone financial statements of Alpiq Holding Ltd. Due to the fact that the company's profitability situation remains strained, the Annual General Meeting approved the Board of Director's proposal to not pay a dividend. Discharge from liability was granted to the Board of Directors. Dr. Birgit Fratzke-Weiss, Tobias Andrist and Patrice Gérardin were appointed to the Board of Directors, replacing Patrick Pruvot, Urs Steiner and Tilmann Steinhagen, who stepped down from the Board. The statutory auditors were re-elected for another year.

Board of Directors at 31 December 2018

Jens Alder
Chairman of the Board of Directors
- Dipl. El. Ing. ETH Zurich, MBA INSEAD, Fontainebleau
- Swiss national
- Director: Scope Content AG, Zurich
- Chairman of the Supervisory Board: ColVisTec AG, Berlin

Dr. Jean-Yves Pidoux
Vice-Chairman
- Doctor of sociology and anthropology
- Lausanne City Councillor, Municipal Utilities Director
- Swiss national
- Chairman: AGEPP Ltd, Lavey-Morcles; Boisy TV S.A., Lausanne; LFO SA, Lausanne; SI-REN SA, Lausanne
- Director: Romande Energie Holding SA, Morges; EOS Holding SA, Lausanne; CADOUEST SA, Prilly; Gaznat SA, Lausanne; Forces motrices de l'Aboyeu SA, Collonges; Petrosvibri S.A., Vevey; Transports Publics de la Région Lausannoise sa, Renens; EPURA SA, Lausanne; Kantonale Feuer- und Naturgefahrenversicherung des Kantons Waadt (ECA), Pully

Dr. Conrad Ammann
Member
- Dipl. El. Ing. ETH Zurich, Dr. sc. techn., BWI (postgraduate diploma in industrial management) ETH Zurich
- CEO: EBM (Genossenschaft Elektra Birseck), Münchenstein
- Swiss national
- Chairman: aventron Holding AG, Münchenstein
- Director: Kraftwerk Birsfelden AG, Birsfelden; Aare Versorgungs AG (AVAG), Olten
- Board member: Handelskammer beider Basel (Basel Chamber of Commerce)

Tobias Andrist
Member
- Degree in business economics from Basel University of Applied Sciences, MBA, Edinburgh Business School
- CEO: EBL (Genossenschaft Elektra Baselland), Liestal
- Swiss national
- Chairman: EBL España Services SI, Calasparra; EBL Telecom AG, Liestal; EBL Wind Invest AG, Liestal; EBLS Schweiz Strom AG, Liestal; Tubo Sol PE2 S.L., Calasparra
- Director: EBL Fernwärme AG, Liestal; Efforte AG, Basel; Kraftwerk Birsfelden AG, Birsfelden
- Board member: Energie Zukunft Schweiz Association, Basel
- Employer representative: Transparenta Sammelstiftung für berufliche Vorsorge, Aesch
- Council member: SME forum Baselland

François Driesen
Member
- DESS de droit des affaires et de fiscalité (Paris II University)
- Directeur Juridique, Risques & Conformité International: EDF
- French national
- Director: EDF Luminus, Belgium; EDF Norte Fluminense, Brazil; Nachtigal Hydro Power Company (NHPC), Cameroon
- Executive Board Chairman: EDF Alpes Investissements Sàrl, Martigny

Dr. Birgit Fratzke-Weiss
Member
- Doctor of philosophy from Ruprecht-Karls-University, Heidelberg; MA in medieval and modern history as well as Romanesque literature, Ruprecht-Karls-University; International Executive Program, INSEAD Fontainebleau / Singapore
- Directrice générale déléguée: Électricité de Strasbourg SA, Strasbourg
- German national
- Chairman: BET HUGUET SAS, Nancy; ECOGI SAS, Strasbourg; ÉS ILLKIRCH GEOTHERMIE SAS, Strasbourg; Strasbourg Électricité Réseaux S.A., Strasbourg; SOFIDAL S.A., Strasbourg
- Director: ÉS SERVICES ENERGETIQUES S.A., Strasbourg; FIPARES S.A., Strasbourg
- Présidente du Conseil de Surveillance: EXPLOITATION MINIERE DE LA CHALEUR GEIE, Kutzenhausen
- Présidente: Cercle de l'Ill, Strasbourg

Patrice Gérardin
Member
- Ecole Nationale Supérieure de Techniques Avancées, Paris; Institut d'Administration des Entreprises de Paris, main field of study: finance; TRIUM Global Executive MBA: HEC, London School of Economics, New York Stern
- French national
- Chairman: ACTING AHEAD SASU, Billancourt
- Director: EDF China, Beijing

Alexander Kummer-Grämiger
Member
- Lic. iur. et oec. HSG, lawyer and notary, business arbitrator IRP-HSG
- Swiss national
- Chairman: EBM (Genossenschaft Elektra Birseck), Münchenstein; GREBET Immobilien AG, Bettlach; Aluminium - Laufen Ltd Liesberg, Liesberg; EGK Grundversicherungen AG, Laufen; EGK Privatversicherungen AG, Laufen; Gremolith Verwaltungs AG, Kirchberg SG
- Director: Duravit Schweiz AG, Othmarsingen; Sportshop Karrer AG, Laufen; Fridolin Karrer Immobilien AG, Laufen

Claude Lässer
Member
- Lic. rer. pol., former Fribourg State Councillor
- Swiss national
- Chairman: Groupe E Ltd, Granges-Paccot
- Vice-Chairman: EOS Holding SA, Lausanne
- Director: Groupe E Celsius Ltd, Fribourg

René Longet
Member
- Lic. phil I, University of Geneva
- Swiss national
- Vice-Chairman: Services industriels de Genève, Vernier
- Director: EOS Holding SA, Lausanne

Wolfgang Martz
Member
- Dipl. Ing. Agr. ETH Zurich, postgraduate studies in management, marketing and business management at IMD Business School Lausanne, INSEAD Fontainebleau and London Business School
- Swiss national
- Chairman: Société Coopérative Immobilière Montreux (SOCIM), Montreux; SOKAVO SA, Vevey; Schenk S.A., Rolle; Schenk Holding SA, Rolle
- Vice-Chairman: Romande Energie Holding SA, Morges
- Director: EOS Holding SA, Lausanne
- Chairman: Caisse de pension de Schenk Holding SA, Rolle; Caisse de pension de Schenk SA, Rolle

John Morris
Member
- London Business School (Corporate Finance Programme), Aston Business School (MBA), Sheffield Hallam University (BSc with Honours in Engineering & Business Studies)
- British national
- Director: Sloe Centrale B.V., Vlissingen

Heinz Saner
Member
- Lic. iur. lawyer and notary, Advanced Management Program INSEAD, Paris; Stanford Executive Program
- Independent business and legal consultant primarily in the energy sector
- Swiss national

Note: Company names are based on the entry in the commercial register.

Executive Board at 31 December 2018

Jasmin Staiblin
CEO
- Electrical engineering graduate, Technical University Karlsruhe; Royal Technical University of Stockholm
- German national
- Born 1970
- With Alpiq Group since 2013, as CEO
- Director: Georg Fischer Ltd, Schaffhausen; Rolls-Royce plc, London; Seves Group S.à.r.l., Luxembourg

Michael Wider
Head of Generation Switzerland, Deputy CEO
- MA in Law, MBA, Stanford Executive Program
- Swiss national
- Born 1961
- With Alpiq Group since 2003, as Executive Board member
- Chairman: HYDRO Exploitation SA, Sion; Nant de Drance SA, Finhaut; Kernkraftwerk Gösgen-Däniken AG, Däniken; Electricité d'Emosson SA, Martigny; Grande Dixence SA, Sion
- Director: Kernkraftwerk Leibstadt AG, Leibstadt; Régie de Fribourg S.A., Fribourg; EURELECTRIC, Brussels
- Chairman: Verband Schweizerischer Elektrizitätsunternehmen (VSE), Aarau
- Council member: Nukleare Entsorgung (BFE), Ittigen
- Board member: economiesuisse, Zurich

Thomas Bucher
Head of Financial Services, CFO
- MA in economic sciences, University of St. Gallen; International Executive Program, INSEAD, Fontainebleau / Singapore
- Swiss national
- Born 1966
- With Alpiq Group since 2015, as Executive Board member
- Director: Grande Dixence SA, Sion; Kernkraftwerk Gösgen-Däniken AG, Däniken; TARENO Ltd, Basel
- Board member: Solothurner Handelskammer (Solothurn Chamber of Commerce), Solothurn

Markus Brokhof
Head of Digital & Commerce
- Mining engineering graduate, Clausthal University of Technology, Clausthal-Zellerfeld
- German and Swiss national
- Born 1966
- With Alpiq Group since 2014, as Executive Board member
- Chairman: Alpiq E-Mobility Ltd, Zurich
- Energy Sector Council member: Biberach University of Applied Sciences, Germany

Note: Company names are based on the entry in the commercial register.

Remuneration Report

The Remuneration Report was prepared by the Board of Directors in accordance with the Swiss Code of Obligations, the Ordinance against Excessive Compensation with respect to Listed Stock Corporations (OaEC), the SIX Swiss Exchange Directive on Information Relating to Corporate Governance, and the Swiss Code of Best Practice for Corporate Governance. As laid down under the Articles of Association, the Annual General Meeting approves the overall remuneration amounts for the Board of Directors and the Executive Board once a year, separately and with binding effect, prospectively for the following financial year. The advantages of this system lie in the good combination of legal certainty for the company and greater co-determination rights for shareholders. The Board of Directors will continue to extend an invitation to the Annual General Meeting to approve the Remuneration Report once a year by way of separate consultative vote. More information on voting on remuneration by the Annual General Meeting can be found under Art. 20 of the Articles of Association: www.alpiq.com/articles-of-association.

Compensation Governance

The Nomination and Remuneration Committee (NRC)

The NRC is Alpiq Holding Ltd.'s remuneration committee formally appointed by the Annual General Meeting. The committee comprises at least three members of the Board of Directors, nominated through individual election, who serve the company in a non-executive role and, in as much, do not have material vested interests that compromise the objectivity required for performing their duties. In accordance with the Ordinance against Excessive Compensation with respect to Listed Stock Corporations (OaEC) and the Articles of Association, the members' term of office is restricted to the period marked by the end of the next regular Annual General Meeting. Re-election is possible.

The NRC's task consists in supporting the Board of Directors in discharging its supervisory duty in respect of succession planning (Board of Directors and Executive Board), determining and reviewing remuneration policy and guidelines, as well as performance targets, preparing proposals on the remuneration of the Board of Directors and the Executive Board on behalf of the Annual General Meeting, determining all other terms and conditions of employment of the members of the Board of Directors and approving the other contract terms and conditions of employment for the CEO and for the Executive Board.

The tasks and the duties of the NRC comprise the following in particular:

1. Nomination

Approval of selection criteria, evaluation of the CEO's proposals and subsequent formulation of the proposals to be put to the Board of Directors for nominating the members of Alpiq Holding Ltd.'s Executive Board.

2. Performance assessment / objectives

Determining the CEO's annual objectives (based on a proposal from the Chairman of the Board of Directors) and assessment of the CEO's performance. Approval of the annual objectives of the Executive Board (based on the recommendation of the CEO) and performance assessment by the CEO.

3. Contracts and terms of employment
Proposal on the remuneration of the individual members of the Board of Directors. Proposal on special conditions and additional remuneration of the members serving on the Board of Directors' committees. Proposal on the general contractual conditions, and in particular the remuneration of the Chairman of the Board of Directors. Proposal on the overall remuneration and approval of further terms of employment for the CEO and for the individual members of the Executive Board. Approval of the bonus regulations for the CEO and the Executive Board.

The NRC submits proposals to the Board of Directors for approval and, at each meeting, reports verbally on its activities, resolutions, conclusions and recommendations. Minutes of NRC meetings are circulated to all members of the Board of Directors for their information. The Chairman of the Board of Directors and the CEO are generally invited to the meeting except when their own performances are assessed or contractual terms or terms of employment are requested and/or recommended or approved. This ruling applies to all members of the Board of Directors and the Executive Board.

The decision-making processes are summarised in the following table:

A = Approval / decision
R = Recommendation / proposal
FI = For information
P = Proposal

		CEO	Chairman	NRC	BoD	AGM
1.	**Procedural questions (Art. 2 (1) of the NRC Regulations)**					
1.1.	Instituting investigations and enquiries			A		
1.2.	Requesting information	(FI)		A		
2.	**Nomination (Art. 5.1 of the NRC Regulations)**					
2.1.	Approval of selection criteria			A		
2.2.	Proposals to the BoD for nomination of EB members	P		R	A	
2.3.	Election of heads of business and functional units	A				
2.4.	Renaming / mergers / transfers of units to other areas	A		FI		
2.5.	Formation / reorganisations / winding down of units	A		FI		
2.6.	Nomination of heads of business divisions / functional divisions and of business units / functional units as members of the BoD of the subsidiaries and associated companies as well as other significant associates held by the holding company	A		FI	FI	
3.	**Performance assessment / objectives (Art. 5.2 of the NRC Regulations)**					
3.1.	Determining the annual objectives of the CEO		P	A		
3.2.	Performance assessment of the CEO		P	A		
3.3.	Approval of the annual objectives and performance assessment of the EB	P		A		
4.	**Contracts and terms of employment (Art. 5.3 of the NRC Regulations)**					
4.1.	Remuneration of the Chairman, members of the BoD, members of the BoD committees, CEO and members of the EB			R	P	A
4.2.	General contractual conditions of the Chairman and special conditions of the BoD			P	A	
4.3.	Other terms of employment for the CEO		P	A		
4.4.	Other terms of employment for EB members	A				
4.5.	Remuneration policy of heads of business and functional units	A		FI		
4.6.	Bonus regulations	P		A		

Chairman	Chairman of the Board of Directors	BoD	Board of Directors
AGM	Annual General Meeting	EB	Executive Board
ARC	Audit and Risk Committee	NRC	Nomination and Remuneration Committee

The NRC meets as often as business requires, at minimum once a year. In the reporting year, the NRC held five ordinary meetings, each of which lasted around two-and-three-quarter hours on average. It also held three extraordinary NRC meetings, one of which was a conference call, each lasting an average of one-and-three-quarter hours. In the reporting year, all members of the NRC attended all NRC meetings (in some cases by video conference or conference call for practical and time-related reasons). The content of the meetings is summarised as follows:

Number of meetings	8
Average duration	2 hours 20 minutes
Main topics	Proposal to the Board of Directors for nominating a member of the Executive Board. Determining the CEO's annual objectives (based on a proposal from the Chairman) and assessment of the CEO's performance. Approval of the annual objectives of the Executive Board (based on a proposal from the CEO) and performance assessment by the CEO. Proposal on the remuneration of the individual members of the Board of Directors. Proposal on special conditions and additional remuneration of the members serving on the Board of Directors' committees. Proposal on the general contractual conditions, in particular the remuneration of the Chairman of the Board of Directors. Proposal (by the Chairman) on the overall remuneration and approval of further terms of employment for the CEO as well as proposal (by the CEO) on the overall remuneration for the individual members of the Executive Board. Approval of the bonus regulations for the CEO / Executive Board. Composition of the Board of Directors and its committees.

Market-compliant remuneration

To ensure that the remuneration of members of the Executive Board [1] and the Board of Directors conforms to standard market practice, Alpiq regularly engages independent external consultancy firms to evaluate overall remuneration packages relative to the market environment.

In the reporting year, Alpiq engaged HCM Hostettler & Company to perform a market comparison of remuneration of the Board of Directors and Executive Board. The amount and structure of remuneration were analysed, using listed

1 Where no differentiation is made between the CEO and Executive Board, the CEO is treated in all cases as a member of the Executive Board.

electricity and energy companies in Switzerland and Europe of a similar size with comparable structures and operations, as well as industrial companies as a benchmark. Alpiq's starting position was taken following the sale of the Engineering Services business division. The Board of Directors and NRC discussed the results of this market comparison in detail.

Key changes for the Board of Directors in the reporting year

After analysing the aforementioned market comparison of remuneration of the Board of Directors, the Board of Directors' fees were reduced and the attendance fees abolished at 1 August 2018.

Key changes for the Executive Board in the reporting year

Following announcement of the sale of the Engineering Services business in March 2018, the Industrial Engineering business division was split into the following business units at 1 June 2018: Industrial Plants & Services, Renewable Energy Sources and Thermal Power Generation. Reinhold Frank, former head of the Industrial Engineering business division, took charge of the Industrial Plants & Services business unit. He resigned from the Executive Board, but continued to report directly to the CEO. From 1 June 2018 onwards, the heads of the Renewable Energy Sources and Thermal Power Generation business units also reported directly to the CEO. On 31 July 2018, the sale of the Engineering Services business to Bouygues Construction was closed.

In the course of this transaction, Peter Limacher, former head of the Building Technology & Design business division, and Reinhold Frank left Alpiq at 31 July 2018 observing the contractually agreed 12-month notice period and have been released from their duties for that period.

Jasmin Staiblin, CEO of the Alpiq Group since 1 January 2013, left Alpiq at 31 December 2018 observing the contractually agreed 12-month notice period and has been released from her duties for that period.

Since 1 January 2019, Jens Alder joined the strategic and operational leader of the company as Chairman and Delegate of the Board of Directors.

André Schnidrig joined the Executive Board on 1 January 2019, taking over the newly created Generation International business division, comprising the Renewable Energy Sources and Thermal Power Generation business units. He simultaneously continues to manage the Renewable Energy Sources business unit.

The sale of the industrial business marked a positive end for Alpiq's turnaround. A turnaround incentive (TAI) therefore loses its meaning and significance from 2019.

The analysis of the aforementioned market comparison of remuneration revealed the necessity to adjust the remuneration of the Executive Board to reflect Alpiq's situation after the turnaround, both in terms of amount and structure.

Effective from 1 January 2019, the target remuneration of the Executive Board comprises a fixed salary and a short-term incentive (STI). The TAI no longer applies. The sale of the Engineering Services business will be followed by a consolidation phase, during which a long-term incentive (LTI) is neither practicable nor meaningful.

From 1 January 2019 onwards, the STI will comprise targets at Group level (operational EBITDA and operating cash flow) and targets at individual level. The shares of the various targets in the target STI will be defined on a contract-by-contract basis.

Remuneration policy

Alpiq provides competitive remuneration and a performance- and value-based bonus system, in accordance with the Articles of Association, which are designed to motivate senior management to sustainably enhance shareholder value. Alpiq's remuneration guidelines and bonus systems ensure that senior management salaries are commensurate with the relevant tasks and responsibilities.

For this reason, the remuneration components of Executive Board members in the reporting year consist of a fixed, non-performance-related base salary, a short-term, performance-related STI as well as a TAI linked directly to the implementation of the corporate strategy that protects the interests of the company and investors. For details of Executive Board remuneration, please see pages 50 and 51 of the Remuneration Report.

The phantom share programme from 2015 expired on 30 April 2018. The associated vested interests became worthless as a result. In the reporting year, there were no other share option schemes for members of Alpiq's governing bodies under which the governing bodies hold or receive actual shares.

The principles underlying variable remuneration, which take account of specific performance targets set for the company, accord with the Articles of Association and are aligned with Alpiq's corporate strategy. More information on the principles underlying performance and value-based remuneration can be found under Art. 22 of the Articles of Association: www.alpiq.com/articles-of-association.

If all targets are achieved, the ratio of fixed base salary to variable salary components (STI and TAI) is generally 41 % fixed remuneration and 59 % variable remuneration in the case of the CEO, and an average of 43 % fixed remuneration and 57 % variable remuneration for the other members of the Executive Board.

Regulations on exceptions

In situations where one or several Executive Board members harm the company with their behaviour, the NRC can rule that the CEO (by request of the Chairman of the Board of Directors), or the members of the Executive Board (by request of the CEO), receive no bonus (STI and / or TAI).

Regulations on additional amounts

In the case of members of the Executive Board who enter into the service of the company or who are promoted to the Executive Board in the financial year following approval of the remuneration by the Annual General Meeting, Alpiq is authorised to pay remuneration for the CEO and for other senior executive functions that individually does not exceed 50 % of the respective overall amount of Executive Board remuneration last approved. More information on the regulations governing the application of additional amounts for Executive Board members can be found under Art. 21 of the Articles of Association: www.alpiq.com/articles-of-association.

Disclosure principles

The remuneration disclosed for the Board of Directors and the Executive Board includes the remuneration relating to the entire reporting year, taking the following additions and limitations into account: Upon relinquishing an office or exiting the Board of Directors or Executive Board, remuneration up until the date of exit plus any associated remuneration payable in the reporting year in connection with work performed earlier is included. Remuneration in accordance with employment law paid in the subsequent year is reported separately under “Payments to former Board members”.

Remuneration of Executive Board members in the reporting year

The employment contracts, terms and conditions of employment and remuneration for members of the Executive Board were approved by the NRC for the reporting year.

In the 2018 financial year, Executive Board members received remuneration in accordance with the Bonus Regulations that have been in force since 1 January 2018 and received remuneration consisting of the following components:

- Non-performance-related fixed base salary
- Short-term incentive (STI)
- Turnaround incentive (TAI)
- Additional payments, for example in the form of car expenses in line with the valid regulations
- Social security contributions and pension plan payments

Fixed remuneration

The fixed base salary is paid out monthly and does not depend on performance. The amount is calculated based on the respective function and area of responsibility.

A fixed component of remuneration comprises other additional payments in the form of car expenses in accordance with the Expenses Regulations valid since 1 January 2012.

Variable salary

Under the terms of the Bonus Regulations, the CEO and the heads of business and functional divisions are entitled to a variable salary. If a member of the Executive Board performs a dual function, the variable salary is based on the higher function only.

Short-term incentive (STI)

The NRC calculates the nominal amount of the STI as a percentage of the total compensation (the sum of fixed compensation, STI and TAI). If all targets are achieved, the nominal amount is set at 34 % of the total compensation for the CEO and an average of 28 % of the total compensation for the other members of the Executive Board. The STI consists of the following three components: EBITDA (weighting 50 %), cash flow from operating activities (weighting 25 %) and net debt / EBITDA (weighting 25 %).

In the reporting year, 120 % of the defined EBITDA targets were reached, while those relating to cash flow from operating activities and those relating to net debt / EBITDA were achieved at a rate of 0 % and 120 %, respectively.

Once the financial year has ended, the NRC assesses performance target attainment. The STI is paid out with the monthly salary following the Annual General Meeting.

Turnaround incentive (TAI)

In 2018, 80 % of the TAI is based on qualitative targets that are derived from the corporate strategy and the corresponding implementation plan approved by the Board of Directors. 100 % of the qualitative targets was achieved in the reporting year.

The other 20 % of the TAI is derived from relevant financial parameters in accordance with the budget for 2018 approved by the Board of Directors. In the reporting year, the parameters were liquidity and the net debt / EBITDA ratio. 93 % of the corresponding targets was achieved.

50 % of the bonus is paid out in the month after the Annual General Meeting of the following year (June 2019). 50 % of the bonus will be paid out in December 2019 if the relevant conditions in the Bonus Regulations are fulfilled.

Pension schemes

Along with all other Alpiq employees, Executive Board members participate in the PKE Vorsorgestiftung Energie (Swiss defined contribution plan).

The base salary and STI target are covered by insurance. The CEO takes part in the PKE as well as in the Gemini pension plans.

More information on regulations governing pension benefits can be found under Art. 25.3 of the Articles of Association: www.alpiq.com/articles-of-association.

Remuneration paid to members of the Executive Board in 2018

Remuneration paid to the Executive Board amounted to a total of CHF 7.1 million in the reporting year (previous year: CHF 7.4 million). Of this amount, CHF 6.0 million (CHF 6.3 million) is attributable to regular compensation, and CHF 1.1 million (CHF 1.1 million) is attributable to social security contributions. Maximum remuneration for 2018 approved by the Annual General Meeting amounted to a total of CHF 8.4 million, of which CHF 7.1 million was effectively paid out.

In the reporting year, the ratio of fixed salary components (totalling CHF 3.8 million) to variable components (totalling CHF 3.3 million) was 54 % to 46 %.

2018 CHF thousand	Sum total Executive Board [1]	Highest-paid member Jasmin Staiblin (CEO)
Base salary	2,605.0	650.0
Social security contributions [2]	1,076.1	262.7
Other remuneration [3]	167.1	39.3
Total fixed remuneration	**3,848.2**	**952.0**
Short-term incentive (STI)	1,615.5	495.0
Turnaround incentive (TAI)	1,676.3	394.4
Total variable remuneration	**3,291.8**	**889.4**
Total remuneration	**7,140.0**	**1,841.4**

1 Includes remuneration for two persons who left the Executive Board in the reporting year (Reinhold Frank, Peter Limacher).

2 Employer social security contributions were paid in accordance with statutory requirements and totalled CHF 1,076.1 thousand in 2018.

3 “Other remuneration” includes car expenses.

Each member of the Executive Board was paid an additional annual expense allowance of CHF 24 thousand, and the highest paid member (CEO) received CHF 30 thousand. Expense allowances for the Executive Board totalled CHF 150 thousand.

The amount of bonuses reported corresponds to the variable salary component approved by the NRC for the 2018 financial year.

In accordance with the OaEC and the Articles of Association, no signing-on bonuses or severance payments were paid in the reporting year.

No sureties, guarantees, pledges in favour of third parties or receivables waivers were granted in the reporting year.

No loans were extended to serving or former members of the Executive Board. More information on regulations pertaining to loans can be found under Art. 25.1 of the Articles of Association: www.alpiq.com/articles-of-association.

Remuneration paid to members of the Executive Board in 2017

In the previous year, the ratio of fixed salary components (totalling CHF 3.8 million) to variable components (totalling CHF 3.6 million) was 51 % to 49 %.

2017 CHF thousand	Sum total Executive Board	Highest-paid member Jasmin Staiblin (CEO)
Base salary	2,520.0	650.0
Social security contributions [1]	1,101.9	267.5
Other remuneration [2]	140.7	33.0
Total fixed remuneration	**3,762.6**	**950.5**
Short-term incentive (STI)	1,912.9	608.2
Turnaround incentive (TAI)	1,637.5	400.0
Long-term incentive (LTI) [3]	100.0	0
Total variable remuneration	**3,650.4**	**1,008.2**
Total remuneration	**7,413.0**	**1,958.7**

Each member of the Executive Board was paid an additional annual expense allowance of CHF 24 thousand, and the highest paid member (CEO) received CHF 30 thousand. Expense allowances for the Executive Board totalled CHF 144 thousand.

The amount of bonuses reported represented the variable salary component approved by the NRC for the 2017 financial year. The bonuses for 2017 were paid out after the Annual General Meeting in May 2018.

1 Employer social security contributions were paid in accordance with statutory requirements and totalled CHF 1,101.9 thousand in 2017.

2 “Other remuneration” includes car expenses.

3 This amount was paid out in connection with litigation with a former Executive Board member relating to a 2014/15 employment contract. This litigation came to an end in 2017.

Members of the Board of Directors' remuneration in the reporting year

Members of the Board of Directors receive fixed remuneration, additional attendance fees, expense allowances and statutory pension benefits. These components are not performance-related. The amount of fixed remuneration depends on whether an office is held as Chairman or as a Board member, as well as on mandates held in other committees of the Board of Directors. Apart from the statutory social security contributions, members of the Board of Directors do not receive any other pension benefits, in particular no pension contributions. Members of the Board of Directors participate neither in the STI nor TAI schemes.

Remuneration paid to the Board of Directors in 2018

In 2018, the Board of Directors received remuneration totalling CHF 2.4 million (previous year: CHF 2.6 million). Of this amount, CHF 2.3 million (CHF 2.5 million) is attributable to regular compensation, and CHF 0.1 million (CHF 0.1 million) is attributable to "Other remuneration".

A breakdown of payments made to the members of the Board of Directors is shown in the table below.

CHF thousand	Fixed remuneration [1]	Attendance fees	Expense allowances	Other remuneration [2]
Jens Alder (Chairman of the Board of Directors)	441.2			64.6
Jean-Yves Pidoux (Deputy Chairman of the Board of Directors)	110.0	32.0	12.0	
Conrad Ammann	108.5	50.0	12.6	7.8
Tobias Andrist	67.7	12.0	7.8	
François Driesen	108.5	32.0	12.6	
Birgit Fratzke-Weiss	67.7	12.0	7.8	
Patrice Gérardin	60.1	8.0	7.5	
Alexander Kummer-Grämiger	99.0	18.0	12.0	1.1
Claude Lässer	111.0	34.0	12.9	16.8
René Longet	99.0	18.0	12.0	
Wolfgang Martz (NRC Chairman)	123.0	34.0	14.0	24.2
John Morris (ARC Chairman)	114.0	22.0	12.7	
Heinz Saner	106.5	26.0	12.3	5.2
Total for members of the Board of Directors serving on 31 December 2018	**1,616.2**	**298.0**	**136.2**	**119.7**
Patrick Pruvot	39.1	20.0	4.5	
Urs Steiner	43.7	18.0	5.1	
Tilmann Steinhagen	48.2	28.0	5.8	
Christian Wanner [3]	2.6	0.8	0.2	
Sum total for members of the Board of Directors	**1,749.8**	**364.8**	**151.8**	**119.7**

1 Includes a GA travelcard for 1st class travel for the Chairman of the Board of Directors.

2 Employer social security contributions were paid in accordance with statutory requirements and amounted to a total of CHF 119.7 thousand in 2018.

3 In the reporting year, Christian Wanner served on the Board of Directors of Kernkraftwerk Gösgen-Däniken AG (KKG) on Alpiq’s behalf until he left the company on 5 June 2018.

Remuneration paid to the Board of Directors in 2017

In 2017, members of the Board of Directors received fixed remuneration, additional attendance fees, expense allowances and statutory pension benefits. These components are not performance-related. A breakdown of payments made to the members of the Board of Directors is shown in the table below.

CHF thousand	Fixed remuneration	Attendance fees	Expense allowances	Other remuneration [1]
Jens Alder (Chairman of the Board of Directors)	450.0			65.8
Jean-Yves Pidoux (Deputy Chairman of the Board of Directors)	112.3	58.0	12.6	
Conrad Ammann	116.0	80.0	13.5	12.5
François Driesen	116.0	46.0	13.5	
Alexander Kummer-Grämiger	104.0	28.0	12.0	4.1
Claude Lässer	111.5	46.0	12.9	18.4
René Longet	104.0	28.0	12.0	
Wolfgang Martz (NRC Chairman)	128.0	44.0	15.5	26.3
John Morris	104.0	28.0	12.0	
Patrick Pruvot	104.0	42.0	12.0	
Heinz Saner	64.6	16.0	7.5	2.5
Urs Steiner	116.0	52.0	13.5	
Tilmann Steinhagen (ARC Chairman)	128.0	60.0	15.5	
Total for members of the Board of Directors serving on 31 December 2017	**1,758.4**	**528.0**	**152.5**	**129.6**
Christian Wanner (Deputy Chairman of the Board of Directors) [2]	56.0	14.4	6.9	0.2
Sum total for members of the Board of Directors	**1,814.4**	**542.4**	**159.4**	**129.8**

Remuneration comprises Directors' fees, attendance fees and payments for serving on the ARC, the NRC and the Ad hoc or Strategic Committee.

1 Employer social security contributions were paid in accordance with statutory requirements and amounted to a total of CHF 129.8 thousand in 2017.

2 Including Kernkraftwerk Gösgen-Däniken AG (KKG). Christian Wanner reached the statutory retirement age in 2017 and left the Board of Directors in May 2017. Dr. Jean-Yves Pidoux took over his role as Deputy Chairman of the Board of Directors of Alpiq Holding Ltd. Christian Wanner remains on the Board of Directors of Kernkraftwerk Gösgen-Däniken AG (KKG).

Shares held by members of the Board of Directors and of the Executive Board

Information on shares held by members of the Board of Directors and of the Executive Board can be found on page 164 of the Annual Report.

Employment contracts of members of the Executive Board and of the Board of Directors

The provisions in members of the Executive Board employee contracts are in line with the OaEC.

Members of the Board of Directors may be mandated on a temporary or permanent basis; the annual election to the Board of Directors by the Annual General Meeting is, however, exclusively decisive for determining the mandate. Members of the Board of Directors are elected as delegates by the shareholders and are directly contracted. There are no employment contracts between Alpiq Holding Ltd. and members of the Board of Directors.

In accordance with the Articles of Association, temporary employment contracts may be signed with members of the Executive Board for a maximum of 12 months, or permanent contracts with a period of notice of a maximum of 12 months. The employment contracts do not provide for any severance payments.

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To the General Meeting of
Alpiq Holding Ltd., Lausanne

Zurich, 1 March 2019

Report of the statutory auditor on the remuneration report

We have audited the remuneration report of Alpiq Holding Ltd. for the year ended 31 December 2018. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the sections “Remuneration paid to members of the Executive Board in 2018 and 2017” on pages 51 to 53 and “Remuneration paid to the Board of Directors in 2018 and 2017” on pages 54 to 56 of the remuneration report.

Board of Directors’ responsibility
The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor’s responsibility
Our responsibility is to express an opinion on the remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

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

Opinion
In our opinion, the remuneration report for the year ended 31 December 2018 of Alpiq Holding Ltd. complies with Swiss law and articles 14–16 of the Ordinance.

Ernst & Young Ltd

Martin Gröli
Licensed audit expert
(Auditor in charge)

Max Lienhard
Licensed audit expert

Financial Report

Financial Review

As announced, the operating business of the Alpiq Group in the 2018 financial year was down on the previous year. The lower results are mainly due to the electricity prices from previous years that had been hedged below production costs and which continue to burden Swiss power production. Although prices have increased in the meantime, the delayed positive impact on earnings will only be visible from 2020 onwards. International power production performed at a constantly profitable level. Optimisation results in Switzerland and Southern Europe boast a clear year-on-year increase, while trading activities in Eastern and South-Eastern Europe were negatively affected by politically distorted markets. The Group-wide focus remains on further reducing costs, increasing efficiency and optimising the structure of the balance sheet.

For strategic reasons, Alpiq is striving for a coal-free production portfolio across Europe and is therefore reviewing the sale of its two Czech coal power plants Kladno and Zlín. Alpiq will continue to make selective investments in expanding growth areas, for instance, e-mobility and digital energy services. The full-service e-mobility subscription Juicar, which was developed by Alpiq's think tank Oyster Lab, was well received on the Swiss test market and is now planned to be rolled out in Germany, Italy and eventually France.

The sale of the Engineering Services business to Bouygues Construction that was closed at the end of July has provided a liquidity reserve and strengthened the business. This comprises a technologically and geographically diversified, highly flexible power plant portfolio across Europe, flexibility services of Alpiq's own power plant portfolio as well as the decentralised power plants of third parties in Europe, international trading, industrial, large-customer and retail business as well as digital energy services.

Alpiq repurchased bonds for the fourth time in September. The total repurchase amount of around CHF 300 million was used to further reduce gross debt and financing costs as one part of the financial strategy.

In connection with the sale of the Engineering Services business, Alpiq filed for arbitration proceedings against the purchasing party Bouygues Construction on 12 February 2019. This is due to diverging views on the amount of the definitive purchase price adjustment based on the purchase price adjustment mechanism. While Alpiq is claiming an additional amount of CHF 12.9 million, Bouygues Construction is demanding CHF 205.1 million back and filed for arbitration proceedings on the same day. For more information about this matter, please refer to note 30 of the consolidated financial statements.

Continuing operations generated net revenue of CHF 5.2 billion (down CHF 214 million on the previous year), EBITDA before exceptional items of CHF 166 million (down CHF 76 million) and EBIT of CHF 11 million (down CHF 67 million). The development after income taxes and also before exceptional items was negative and came to CHF –83 million in comparison to CHF –61 million in the previous year. Earnings after tax from discontinued operations before exceptional items amounted to CHF –12 million and include the results of operations from the sold Engineering Services business and the gain on disposal. The Alpiq Group's net income, also before exceptional items, stood at CHF –95 million compared to CHF –36 million in the previous year.

2018: Consolidated income statement (pro forma statement before and after exceptional items)

CHF million	2018 Results of operations before exceptional items	2018 Exceptional items [1]	2018 Results under IFRS	2017 Results of operations before exceptional items	2017 Exceptional items [2]	2017 Results under IFRS
Net revenue	**5,240**	**– 54**	**5,186**	**5,454**	**– 5**	**5,449**
Own work capitalised and change in costs incurred to fulfil a contract	5		5	5		5
Other operating income	45		45	35		35
Total revenue and other income	**5,290**	**– 54**	**5,236**	**5,494**	**– 5**	**5,489**
Energy and inventory costs	– 4,837	– 87	– 4,924	– 4,974	123	– 4,851
Employee costs	– 188	– 23	– 211	– 187		– 187
Other operating expenses	– 99	7	– 92	– 91	– 17	– 108
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**166**	**– 157**	**9**	**242**	**101**	**343**
Depreciation, amortisation and impairment	– 155	– 14	– 169	– 164		– 164
Earnings before interest and tax (EBIT)	**11**	**– 171**	**– 160**	**78**	**101**	**179**
Share of results of partner power plants and other associates	– 42	– 8	– 50	– 18		– 18
Finance costs	– 103	– 1	– 104	– 108		– 108
Finance income	9		9	16	5	21
Earnings before tax	**– 125**	**– 180**	**– 305**	**– 32**	**106**	**74**
Income tax expense	42	2	44	– 29	– 41	– 70
Earnings after tax from continuing operations	**– 83**	**– 178**	**– 261**	**– 61**	**65**	**4**
Earnings after tax from discontinued operations	– 12	210	198	25	– 113	– 88
Net income	**– 95**	**32**	**– 63**	**– 36**	**– 48**	**– 84**

1 Includes effects from business disposals as well as the performance of the fund shares for the decommissioning and waste disposal of the Kernkraftwerk Gösgen-Däniken AG and Kernkraftwerk Leibstadt AG, fair value changes of energy derivatives that were entered into in connection with hedges for future power production, impairment losses, restructuring costs as well as project losses.

2 Includes effects from business disposals as well as the performance of the fund shares for the decommissioning and waste disposal of the Kernkraftwerk Gösgen-Däniken AG and Kernkraftwerk Leibstadt AG, fair value changes of energy derivatives that were entered into in connection with hedges for future power production, provisions, impairment losses, restructuring costs as well as effects in connection with arbitration proceedings and project losses.

Exceptional items in the area of continuing operations in the 2018 financial year totalled CHF –157 million at EBITDA level. The reduction of the provision relating to the future procurement of energy from the Nant de Drance SA pumped storage power plant, the reduction of the provision in connection with an onerous energy contract abroad and the release of provisions that were no longer required led to positive exceptional items of CHF 35 million. This was counterbalanced by negative exceptional items such as the fund shares for the decommissioning and waste disposal of the Kernkraftwerk Gösgen-Däniken AG and Kernkraftwerk Leibstadt AG nuclear power plants, which performed negatively on the back of weak developments on the international capital markets. Furthermore, fair value changes of energy derivatives that were entered into in connection with hedges for future power production are not taken into account in the results of operations. These fair value changes do not reflect the operating performance of business activities, because they are economically linked with the changes in value of production plants and long-term purchase contracts. Rising forward prices cause the future production volumes to increase in value and the corresponding hedges to lose value. According to IFRS guidelines, the fair value changes of hedges have to be recognised in the reporting year.

As the future production volumes are not measured at fair value and these changes in value cannot therefore be recognised in the reporting year, resulting in a period shift under earnings due to accounting reasons. As Alpiq does not consider these effects, which came to CHF –64 million in 2018, as part of results of operations, fair value changes of energy derivatives in connection with hedges for future power production are therefore classified as exceptional items. The effect was CHF 3 million in the previous year. Other exceptional items relate to costs for the restructuring measures and a package of measures by the PKE Vorsorgestiftung Energie (Swiss defined contribution plan) to ensure its financial balance.

To allow transparent presentation and demarcation of the exceptional items, the consolidated income statement is presented as a pro forma statement. The following commentary on the financial performance of the Alpiq Group and its business divisions relates to an operational view, in other words, to earnings development before exceptional items.

Alpiq Group: results of operations (before exceptional items)

As announced, the Alpiq Group generated results of operations that were down on the previous year within a market environment that remains challenging. Power production in Europe as well as the energy trading, industrial, large-customer and retail business in Southern and Western Europe were very successful. Power production in Switzerland is operating at a loss on account of the aforementioned delayed effects from hedges.

Generation Switzerland business division

The Generation Switzerland business division concentrates on 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 using hydropower as well as interests in Kernkraftwerk Gösgen-Däniken AG and Kernkraftwerk Leibstadt AG. Moreover, the business division manages shares in HYDRO Exploitation SA and Kernkraftwerk-Beteiligungsgesellschaft AG (KBG).

Progress is being made with the installation of machine groups at the Nant de Drance pumped storage power plant in the canton of Valais. In parallel, the Vieux Emosson reservoir is currently being filled. The power plant will be gradually commissioned in 2019. Nant de Drance is one of the most powerful pumped storage power plants in Europe, with an installed capacity of 900 MW. Alpiq received feed-in tariff approval for a modernisation project at the small-scale hydropower plant Tannuwald, likewise in the canton of Valais, which will be implemented by 2020.

At CHF –38 million, the EBITDA contribution of the Generation Switzerland business division was down year-on-year by CHF 63 million, as announced. The main reasons for this are the negative effects relating to hedging prices from previous years, which are below the level of production costs. In order to protect itself against price and currency fluctuations, Alpiq systematically hedges against such fluctuations in advance for future periods on a rolling two- to three-year basis on average. This is customary sector practice in terms of the risk-bearing capacity. The increased CO2 and electricity prices on the wholesale markets and the stronger euro will have a positive effect on earnings with some delay. The increased production volumes also have a positive influence. In the reporting year, the area of hydropower benefited from higher inflows resulting from greater snow volumes last winter and the warm weather in spring. Production volumes in the area of nuclear energy closed on a par with the previous year. While on the one hand, the expiring long-term purchase agreements had a negative effect, on the other hand, the unscheduled extension of the maintenance work at the Leibstadt nuclear power plant was shorter in the reporting year. The positive volume effect compared to the previous year, the new market premium in 2018 and lower costs were not able to compensate for the negative price effect.

Generation International business division

The newly created Generation International business division includes the two business units Renewable Energy Sources and Thermal Power Generation, which used to be combined with a part of the sold Engineering Services business in the former business unit Industrial Engineering. The Renewable Energy Sources business unit focuses on onshore wind power plants, small-scale hydropower plants and industrial photovoltaic plants. The Thermal Power Generation business unit produces electricity and heat in thermal power plants in Czechia, Hungary, Italy and Spain. The power plant portfolio is made up of highly efficient gas-fired combined-cycle power plants, quick-start gas-fired turbines and brown coal power plants. These highly flexible power plants are used by the respective grid operators in all four countries to balance the grids. Power is sold on the European electricity trading market via Digital & Commerce or third parties.

In the Renewable Energy Sources unit, the portfolio in Italy was strengthened and expanded with the wind power and photovoltaic plants acquired from Moncada Energy Group S.r.l. In Bulgaria, the foundation of Alpiq Wind Services EAD meant that operating and maintenance activities for the Vetrocom wind farm could be insourced, which also reduced costs. Alpiq successfully commissioned the small-scale hydropower plant Peist in Switzerland. Various wind projects such as Bel Coster, Tous-Vents and EolJorat Nord were also pursued in the canton of Vaud. In the Thermal Power Generation unit, the gas-fired combined-cycle power plant in the city of Vercelli in northern Italy was reconnected to the grid after being decommissioned for several years. Due to technical modifications it now supplies pure peak loads. Alpiq is currently reviewing the sale of its two thermal power plants Kladno and Zlín in Czechia. The company has 100% interests in both coal power plants. The proposed divestment is purely for strategic reasons, looking towards an increasingly decarbonised, digitalised and decentralised energy landscape. The target is coal-free power production across Europe.

At CHF 156 million, the EBITDA contribution of the Generation International business division is down slightly by CHF 2 million on the previous year, but still made a significant contribution to the Alpiq Group's results of operations. New renewable energies exceeded the previous year. At the wind farms in Italy especially, production volumes – among other things, due to the full takeover of Moncada Energy Group S.r.l. companies – as well as the prices generated were significantly higher than the previous-year level. Additional costs were also saved. However, the previous-year comparison is burdened by positive one-off effects in the previous year. Thermal power plants were down on the previous year. They generated good results from grid services thanks to continuous investments in making the plants more flexible. However, the positive development of grid services was not able to compensate for the negative price effects and the higher costs.

Digital & Commerce business division

The Digital & Commerce business division comprises the optimisation of the company's own power plants, decentralised generation units and power production from renewable energies from third parties as well as the trading and marketing of standardised and structured products to fulfil the various customer requirements in Europe. In the area of digitalisation, Alpiq implemented solutions to increase the efficiency of its own business and developed additional products and services for its European customers, in particular in the areas of e-mobility, smart grids, demand response services as well as flexibility services in energy trading. The dynamic changes in a complex environment are creating opportunities for completely new service-oriented business models in a digitalised energy landscape. Alpiq will leverage the potential of this growth market of the Internet of Things as well as artificial intelligence and self-learning algorithms and selectively expand the business across Europe.

Electricity prices on the forward markets rose in most countries in comparison to the previous year. This was primarily supported by the sharp increase of EUR 15/t for emission allowances between December 2017 and September 2018, peaking in mid-September 2018 at over EUR 25/t. This was partly attributable to the fact that the volume of allowances to be placed in the market stability reserve from 1 January 2019 was announced over the course of the year and partly to the fact that several auctions for German allowances were shifted to the following year, which resulted in continuously higher prices. Volatility was significantly higher in the final quarter of the year, mainly as a result of the cloudy economic prospects and tension surrounding the uncertain outcome of the Brexit negotiations. The prolonged period of dry weather in the summer and autumn months buoyed prices. The split of the price zone Germany/Austria in the fourth quarter of the year meant that there was a large discrepancy in individual country prices in the winter months. Prices in France, Switzerland, Italy and Spain rose by approximately 10%. The largest increases were seen in Poland and Scandinavia. Alpiq systematically hedges its energy production against price and currency fluctuations for future periods in advance on a rolling two- to three-year basis on average. The delayed positive impact on Alpiq's earnings from increased electricity prices and exchange rates will therefore only be visible from 2020 onwards.

In addition to developing the traditional trading business further, the focus is on identifying new business opportunities across Europe created by e-mobility, the networking of all kinds of devices and systems and the increasing flexibility in energy trading. Alpiq is ranked number one for e-mobility infrastructure in Switzerland and offers integrated solutions in the area of charging infrastructure. The launch of Switzerland's first full-service e-mobility subscription Juicar expands Alpiq's portfolio of services. The subscription covers an electric car, home charging station, public charging, motor vehicle tax, insurance and the settlement of electricity costs at a monthly flat rate and can be terminated monthly. The offering was developed by Alpiq's think tank Oyster Lab. At the Plessurpark Chur, Alpiq is working with partners to demonstrate the potential of integrated and decentralised energy solutions with the Swiss pilot project ZEV^plus. More than 100 flats have been connected to create a private electricity system and a progressive, central private consumer community. Alpiq's programmes to promote electricity efficiency are starting to take effect. They are designed to tap electricity-saving potential and target industrial companies that use a lot of energy. Alpiq has installed the Xamax load management system at many companies.

The EBITDA contribution of the Digital & Commerce business division was on a par with the previous year at CHF 55 million. Optimisation results in Switzerland and Southern Europe boast a clear year-on-year increase. The main contributors here are the optimisation measures in Italy and the optimisation of the hydropower and nuclear portfolio in Switzerland, while optimisation measures in Spain were down slightly on the previous year. Sales on the French market were extremely successful and closed at a significantly higher level than the previous year, whereas results from managing the gas portfolio were lower. In France, Alpiq won an award as the electricity supplier with the best service for large business consumers. Trading activities in Eastern and South-Eastern Europe were down considerably on the previous year; corrective measures have already been initiated. The lower result was influenced in particular by the phase-out of activities in Romania, risk-averse trading in Turkey on the back of the political situation as well as market distortion in Poland. Alpiq also invested in expanding the Digital Technologies & Innovation business unit. The plan is to roll out various pilot projects such as ZEV^plus, Algo Trading (platform for algorithm-based intraday trading) and Robot Process Automation (RPA) once the pilot stage is complete.

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

Total assets amounted to CHF 9.1 billion at the 31 December 2018 reporting date, compared with CHF 10.2 billion at the end of 2017. Non-current assets decreased by CHF 180 million on the previous year. Property, plant and equipment and intangible assets decreased as a result of regular amortisation, depreciation and impairment losses. The acquisition of five photovoltaic plants and a wind farm in Sicily had the reverse effect. Alpiq sold its 22% interest in M&A Rinnovabili S.r.l. in connection with this purchase. Alpiq also assigned a direct interest of 5.0% in the share capital of Kernkraftwerk Leibstadt AG to BKW. Combined with the dividends received and the share of profit/loss, this resulted in a decrease in investments in partner power plants and other associates. The secured bank guarantee, which was held to secure the amount stipulated by ANAF (Agenția Națională de Administrare Fiscală) in connection with a tax assessment in Romania, was reduced following a decision on the appeal issued in June 2018. Nevertheless, non-current term deposits still increased because some of the cash received from the sale of the Engineering Services business was invested for the long term. The decrease in other non-current assets primarily relates to the reclassification of a receivable to current assets. The reclassification reflects the fact that Swissgrid AG convertible bonds of this amount will be due for repayment within the next 12 months. Current assets fell significantly as a result of the sale of the Engineering Services business. To a certain extent, this decrease was compensated for by the increase in positive replacement values of derivatives, which chiefly stems from increased trading activities and greater volatilities in commodity prices.

Equity stood at CHF 3.9 billion at 31 December 2018, and is CHF 21 million lower than at the end of 2017. The decrease is mainly attributable to the interest on the public hybrid bond. The negative net income is counterbalanced by the effects from hedge accounting and the remeasurement of defined benefit plans (IAS 19). The equity ratio increased from 38.9% to 43.5%.

Current and non-current financial liabilities were reduced by around CHF 600 million, in particular thanks to the repayment of two bonds and one loan as well as the fourth repurchase of bonds. Net debt decreased significantly from CHF 714 million to CHF 247 million on account of the sale of the Engineering Services business. Before exceptional items, the gearing ratio fell from 2.4 to 1.5.

Liabilities from defined benefit plans (IAS 19) increased on the previous year as a result of the poor performance of the plan assets and a package of measures by the PKE Vorsorgestiftung Energie to ensure its financial balance. The decrease in other non-current liabilities primarily relates to a reclassification from other non-current liabilities to other current liabilities due to maturity. Current liabilities fell significantly as a result of the sale of the Engineering Services business. The increase in liabilities in connection with derivatives had the opposite effect.

Cash flow from operating activities declined year-on-year from CHF 334 million to CHF –116 million. In addition to the lower results of operations, the change in the net working capital on the previous year also had a negative effect. Net working capital in the previous year contained the payment made by Swissgrid AG in January 2017 of roughly CHF 100 million. In addition, the cash flow from operating activities of discontinued operations was considerably lower than in the previous year. Cash flow from investing activities is shaped by the net increase in cash and cash equivalents from the sale of the Engineering Services business of CHF 719 million or CHF 704 million after selling expenses. These funds have been used to reduce gross debt by around CHF 600 million and to finance investments in property, plant and equipment of continuing operations, which are made on an as-needed basis. Some of the funds were invested in term deposits. The Group kept cash outflow to a minimum by passing a resolution not to pay any interest on the hybrid loan of the main Swiss shareholders and by a resolution of the Annual General Meeting not to distribute a dividend for the 2017 financial year. Overall, cash and cash equivalents (which in the previous year contained cash and cash equivalents included under “Assets held for sale”) decreased by CHF 0.2 billion to CHF 0.6 billion.

Recovery expected from 2020 onwards

The spin-off of the industrial business marked the completion of the turnaround, the Alpiq Group is financially and strategically stabilised. Alpiq expects results of operations before exceptional items in 2019 to be down on the previous year because recovering wholesale prices will only have a positive effect on earnings with a time lapse as a result of the rolling price and currency hedges. In the medium to long term, Alpiq confirms its assessment that electricity and CO2 prices on the wholesale markets will rise. From 2020 onwards, Alpiq will benefit from the upturn that is now emerging. In its international business, Alpiq currently anticipates stable contributions from the energy trading, large-customer and retail business as well as European power production.

Consolidated Financial Statements of the Alpiq Group

Consolidated Income Statement

CHF million	Note	2018	2017 (adjusted)
Net revenue	28	**5,186**	**5,449**
Own work capitalised and change in costs incurred to fulfil a contract		5	5
Other operating income		45	35
Total revenue and other income		**5,236**	**5,489**
Energy and inventory costs	4	– 4,924	– 4,851
Employee costs	5	– 211	– 187
Other operating expenses		– 92	– 108
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**9**	**343**
Depreciation, amortisation and impairment	6	– 169	– 164
Earnings before interest and tax (EBIT)		**– 160**	**179**
Share of results of partner power plants and other associates	13	– 50	– 18
Finance costs	7	– 104	– 108
Finance income	7	9	21
Earnings before tax		**– 305**	**74**
Income tax expense	8	44	– 70
Earnings after tax from continuing operations		**– 261**	**4**
Earnings after tax from discontinued operations		198	– 88
Net income		**– 63**	**– 84**
Attributable to non-controlling interests		14	5
Attributable to equity investors of Alpiq Holding Ltd.		**– 77**	**– 89**
Earnings per share from continuing operations in CHF, diluted and undiluted	9	– 11.01	– 1.18
Earnings per share from discontinued operations in CHF, diluted and undiluted	9	7.11	– 3.16
Earnings per share in CHF, diluted and undiluted	9	**– 3.90**	**– 4.34**

For more information on changes in the presentation of the financial statements, please refer to page 83.

Consolidated Statement of Comprehensive Income

CHF million	2018	2017 (adjusted)
Net income	**– 63**	**– 84**
Cash flow hedges (subsidiaries)	51	– 24
Income tax expense	– 5	– 2
Net of income tax	46	– 26
Cash flow hedges (partner power plants and other associates)	2	1
Net of income tax	2	1
Currency translation differences	– 2	75
Income tax expense		– 2
Net of income tax	– 2	73
Items that may be reclassified subsequently to the income statement, net of tax	**46**	**48**
Remeasurements of defined benefit plans (subsidiaries)	13	160
Income tax expense	– 4	– 37
Net of income tax	9	123
Remeasurements of defined benefit plans (partner power plants and other associates)	37	31
Income tax expense	– 8	– 6
Net of income tax	29	25
Items that will not be reclassified to the income statement, net of tax	**38**	**148**
Other comprehensive income	**84**	**196**
Total comprehensive income	**21**	**112**
Attributable to non-controlling interests	17	4
Attributable to equity investors of Alpiq Holding Ltd.	4	108
Of which, total comprehensive income from continuing operations	– 208	119
Of which, total comprehensive income from discontinued operations	212	– 11

For more information on changes in the presentation of the financial statements, please refer to page 83.

Consolidated Balance Sheet

Assets

CHF million	Note	31 Dec 2018	31 Dec 2017
Property, plant and equipment	10	2,490	2,565
Intangible assets	11, 12	132	153
Investments in partner power plants and other associates	13	2,427	2,516
Non-current term deposits	26	229	202
Other non-current assets	14	160	204
Deferred income tax assets	8	37	15
Non-current assets		**5,475**	**5,655**
Inventories	15	71	59
Receivables	16	1,154	1,267
Current term deposits		367	347
Securities		25	26
Cash and cash equivalents	17	634	662
Derivative financial instruments		1,287	883
Prepayments and accrued income		61	100
Assets held for sale	31		1,198
Current assets		**3,599**	**4,542**
Total assets		**9,074**	**10,197**

Equity and liabilities

CHF million	Note	31 Dec 2018	31 Dec 2017
Share capital	18	279	279
Share premium		4,259	4,259
Hybrid capital	18	1,017	1,017
Retained earnings		– 1,681	– 1,615
Equity attributable to equity investors of Alpiq Holding Ltd.		**3,874**	**3,940**
Non-controlling interests	18	70	25
Total equity		**3,944**	**3,965**
Non-current provisions	19	363	400
Deferred income tax liabilities	8	492	533
Defined benefit liabilities	24	50	18
Non-current financial liabilities	20	1,307	1,767
Other non-current liabilities	21	207	271
Non-current liabilities		**2,419**	**2,989**
Current income tax liabilities		25	6
Current provisions	19	67	79
Current financial liabilities	20	195	342
Other current liabilities	22	882	1,014
Derivative financial instruments		1,223	818
Accruals and deferred income		319	262
Liabilities held for sale	31		722
Current liabilities		**2,711**	**3,243**
Total liabilities		**5,130**	**6,232**
Total equity and liabilities		**9,074**	**10,197**

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 31 December 2017	**279**	**4,259**	**1,017**	**– 56**	**– 745**	**– 814**	**3,940**	**25**	**3,965**
Impact of change in accounting standard (IFRS 9 adoption)[1]						– 5	**– 5**		**– 5**
Income taxes on impact of change in accounting standard						1	**1**		**1**
Equity at 1 January 2018	**279**	**4,259**	**1,017**	**– 56**	**– 745**	**– 818**	**3,936**	**25**	**3,961**
Net income for the period						– 77	**– 77**	14	**– 63**
Other comprehensive income				47	– 4	38	**81**	3	**84**
Total comprehensive income				**47**	**– 4**	**– 39**	**4**	**17**	**21**
Dividends							**0**	– 5	**– 5**
Distributions to hybrid investors						– 33	**– 33**		**– 33**
Change in non-controlling interests				– 5	– 4	– 24	**– 33**	33	
Equity at 31 December 2018	**279**	**4,259**	**1,017**	**– 14**	**– 753**	**– 914**	**3,874**	**70**	**3,944**

1 For explanations, please refer to pages 79 and 80.

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 31 December 2016	**279**	**4,259**	**1,017**	**– 29**	**– 821**	**– 840**	**3,865**	**21**	**3,886**
Net income for the period						– 89	**– 89**	5	**– 84**
Other comprehensive income				– 27	76	148	**197**	– 1	**196**
Total comprehensive income				**– 27**	**76**	**59**	**108**	**4**	**112**
Dividends							**0**	– 5	**– 5**
Distributions to hybrid investors						– 33	**– 33**		**– 33**
Change in non-controlling interests							**0**	5	**5**
Equity at 31 December 2017	**279**	**4,259**	**1,017**	**– 56**	**– 745**	**– 814**	**3,940**	**25**	**3,965**

Consolidated Statement of Cash Flows

CHF million	Note	2018	2017 (adjusted)
Earnings before tax from continuing operations		**– 305**	**74**
Adjustments for:			
Depreciation, amortisation and impairment	6	169	164
Gain on sale of non-current assets		– 1	– 7
Share of results of partner power plants and other associates	13	50	18
Financial result	7	95	87
Other non-cash income and expenses		13	– 11
Change in provisions (excl. interest)	19	– 71	– 88
Change in defined benefit liabilities and other non-current liabilities		15	9
Change in fair value of derivative financial instruments		49	– 83
Change in net working capital (excl. derivatives, current financial assets / liabilities and current provisions)		17	248
Other financial income and expenses		– 5	– 16
Income tax paid		– 19	– 24
Net cash flows from operating activities of continuing operations		**7**	**371**
Net cash flows from operating activities of discontinued operations		– 123	– 37
Net cash flows from operating activities		**– 116**	**334**
Property, plant and equipment and intangible assets			
Investments	10, 11	– 52	– 55
Proceeds from disposals		2	8
Subsidiaries			
Acquisitions	29	6	
Proceeds from disposals	30		5
Associates			
Investments		– 2	– 47
Proceeds from disposals		28	8
Loans receivable and financial investments			
Investments	14		– 3
Proceeds from disposals / repayments		1	11
Change in current and non-current term deposits		– 32	392
Investments in / proceeds from disposals of securities			26
Dividends from partner power plants, other associates and financial investments		25	25
Interest received		1	2
Net cash flows from investing activities of continuing operations		**– 23**	**372**
Net cash flows from investing activities of discontinued operations	30	724	– 57
Net cash flows from investing activities		**701**	**315**

CHF million	Note	2018	2017 (adjusted)
Dividends paid to non-controlling interests		– 1	– 5
Proceeds from financial liabilities	20	4	185
Repayment of financial liabilities	20	– 651	– 473
Change in non-controlling interests			1
Distributions to hybrid investors recognised in equity outside profit and loss	18	– 33	– 33
Interest paid		– 62	– 76
Net cash flows from financing activities of continuing operations		**– 743**	**– 401**
Net cash flows from financing activities of discontinued operations		– 1	– 5
Net cash flows from financing activities		**– 744**	**– 406**
Currency translation differences		**– 15**	**33**
Change in cash and cash equivalents		**– 174**	**276**
Analysis:			
Cash and cash equivalents at 1 January		808	532
Of which, cash and cash equivalents of continuing operations		662	
Of which, cash and cash equivalents of discontinued operations		146	
Cash and cash equivalents at 31 December		634	808
Of which, cash and cash equivalents of continuing operations		634	662
Of which, cash and cash equivalents of discontinued operations			146
Change		**– 174**	**276**

For more information on changes in the presentation of the financial statements, please refer to page 83.

Notes to the Consolidated Financial Statements

1 Significant accounting policies

Basis of preparation of the consolidated financial statements

The consolidated financial statements of the Alpiq Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and Interpretations (IFRIC) issued by the International Accounting Standards Board (IASB), and comply with Swiss law. The consolidated financial statements give a true and fair view of the financial position, financial performance and cash flows of the Alpiq Group. They have been prepared on a historical cost basis, except for certain items such as financial instruments, which have been measured at fair value in some instances. The consolidated financial statements were authorised for issue by the Board of Directors of Alpiq Holding Ltd. on 1 March 2019 and are subject to approval by shareholders at the Annual General Meeting on 14 May 2019.

Adoption of new and revised accounting standards

At 1 January 2018, the following amendments to the International Financial Reporting Standards (IFRS) applied by the Alpiq Group entered into force:

- IFRS 9: Financial Instruments
- IFRS 15: Revenue from Contracts with Customers
- IFRIC 22: Foreign Currency Transactions and Advance Consideration

The impact of the first-time application of IFRS 9 and IFRS 15 on the consolidated financial statements is detailed below. IFRIC 22 has no significant impact on the Alpiq Group.

IFRS 9: Financial Instruments

The Alpiq Group adopted IFRS 9 for the first time at 1 January 2018. The new standard governs the classification and measurement of financial instruments as well as hedge accounting.

Classification and measurement

IFRS 9 introduces a new classification and measurement model that takes into account the cash flows, the business model and other characteristics of financial instruments. IFRS 9 has reduced the number of measurement categories for financial assets by eliminating the measurement category "Available-for-sale financial assets". The classification of the existing instruments using the new model was performed at the time of the first-time application at 1 January 2018 and is presented in the table on page 80. The new differentiation is made between the following measurement categories:

- Financial assets / liabilities at amortised cost
- Financial assets / liabilities at fair value through profit or loss

For the measurement of financial assets, the method used for the calculation of impairment losses was converted from the incurred credit loss model to the expected credit loss model. This means that loss allowances are recognised earlier. For more information, please refer to page 91. The following table shows the change in loss allowances due to the first-time application of IFRS 9 to the trade receivables as well as to non-current term deposits and the adjusted opening balances at 1 January 2018. The loss allowances recognised on other financial assets due to the first-time application of IFRS 9 are immaterial.

CHF million	Trade receivables	Term deposits
Carrying amount before impairment on financial assets at 31 December 2017	961	549
Impairment in accordance with IAS 39 at 31 December 2017	– 32	
Additional loss allowances in accordance with IFRS 9 at 1 January 2018	– 1	– 4
Opening balance of the financial assets at 1 January 2018	**928**	**545**

Effect from the first-time application of IFRS 9 on the consolidated financial statements

In accordance with the transitional provisions of IFRS 9, no adjustments were made to the figures of the comparative period. Instead, differences of CHF 5 million were recognised between the carrying amount of financial instruments pursuant to IAS 39 and the carrying amount pursuant to IFRS 9 in the opening balance of retained earnings at 1 January 2018. The tax effect of CHF 1 million was recognised in the form of a decrease in deferred tax liabilities with the same date in the opening balance.

The changes in the classification and measurement of financial instruments as a result of the first-time application of IFRS 9 at 1 January 2018 are summarised in the following table.

	Previous classification and measurement according to IAS 39			Effect of first-time application of IFRS 9	New classification and measurement according to IFRS 9	
CHF million	Financial assets / liabilities at fair value through profit or loss	Loans and receivables	Other financial liabilities	Remeasurements[1]	Financial assets / liabilities at amortised cost	Financial assets / liabilities at fair value through profit or loss
Financial assets						
Financial investments	1					1
Loans receivable		6			6	
Other non-current assets		197			197	
Trade receivables		929		– 1	928	
Other financial receivables		299			299	
Term deposits		549		– 4	545	
Securities	26					26
Cash and cash equivalents		662			662	
Positive replacement values of derivatives						
Energy derivatives	878					878
Currency and interest rate derivatives	5					5
Total financial assets	**910**	**2,642**		**– 5**	**2,637**	**910**
Financial liabilities						
Bonds			1,465		1,465	
Loans payable			594		594	
Other financial liabilities			505		505	
Trade payables			745		745	
Negative replacement values of derivatives						
Energy derivatives	754					754
Currency and interest rate derivatives	64					64
Total financial liabilities	**818**		**3,309**	**0**	**3,309**	**818**

1 Gross before tax effect

Hedge accounting

The Alpiq Group is not affected by the amendments to hedge accounting because the current method can continue to be applied.

IFRS 15: Revenue from Contracts with Customers

The Alpiq Group adopted IFRS 15 at 1 January 2018. The new standard defines when and how much revenue is to be recognised and replaces the rulings previously contained in various standards and interpretations. For energy transactions, only own use transactions fall within the scope of IFRS 15. The accounting policies relating to revenue recognition can be found on pages 85 and 86.

Effect from the first-time application of IFRS 15 on the consolidated financial statements

Alpiq has opted for full retrospective application of IFRS 15 in accordance with the transitional provisions. According to this method, the comparative figures are adjusted as if IFRS 15 had already been applied beforehand.

The new principal / agent regulations meant that certain transactions that had been recognised on a gross basis in revenue in the 2017 financial statements are disclosed on a net basis in the comparative figures in these financial statements. This mainly relates to transportation costs for energy such as charges for usage of grids not owned by Alpiq. In these cases, Alpiq acts as agent of the grid operator, as it collects these charges from the customer on behalf of the grid operator and passes them on to them. In addition, in some isolated cases, the disclosure of income has been shifted from the "Other operating income" item to the "Net revenue" item. The effects can be completely allocated to continuing operations.

CHF million	2017 (reported)	Effect of first-time application of IFRS 15	2017 (adjusted)
Net revenue	**5,525**	**– 76**	**5,449**
Own work capitalised and change in costs incurred to fulfil a contract	5		5
Other operating income	50	– 15	35
Total revenue and other income	**5,580**	**– 91**	**5,489**
Energy and inventory costs	– 4,942	91	– 4,851
Employee costs	– 187		– 187
Other operating expenses	– 108		– 108
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**343**	**0**	**343**

Otherwise, the application of IFRS 15 did not have any impact on the EBIT, the net income from continuing operations, the balance sheet or on discontinued operations.

IFRSs effective in future periods

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

Standard / interpretation	Effective at	Adoption planned from
IAS 19, amendments: Plan Amendment, Curtailment or Settlement	1 Jan 2019	1 Jan 2019
IFRS 9, amendments: Prepayment Features with Negative Compensation	1 Jan 2019	1 Jan 2019
IFRS 16: Leases	1 Jan 2019	1 Jan 2019
IFRIC 23: Uncertainty over Income Tax Treatments	1 Jan 2019	1 Jan 2019
Annual Improvements to IFRSs (2015 – 2017 Cycle)	1 Jan 2019	1 Jan 2019

Alpiq is currently examining the potential effects on the consolidated financial statements of these new and amended standards and interpretations. Based on the analyses so far, Alpiq expects the following impact:

IFRS 16 regulates the recognition, measurement and presentation of leases. The right to use the underlying asset and the lease liabilities representing its obligation to make lease payments from most lease agreements will be recognised in the balance sheet. At 1 January 2019, this amendment increased property, plant and equipment and financial liabilities by around CHF 25 million. The lease payments for the lease agreements concerned will no longer be recognised under “Other operating expenses”, but rather as amortisation of lease liabilities. All other things being equal, this means that “Other operating expenses” will decrease by roughly CHF 5 million in 2019. The recognised contractual right-of-use assets are depreciated over the term of the lease. All things being equal, this means that depreciation will increase by roughly CHF 5 million in 2019. Interest expenses from unwinding the discount on lease liabilities will largely compensate for the difference between the items “Other operating expenses” and “Depreciation and amortisation”. As a result, IFRS 16 is not expected to have a significant impact on net income. In the statement of cash flows, the payments for the lease agreements concerned will in future be presented under net cash flows from financing activities and no longer under net cash flows from operating activities. The regulations for lessors under IFRS 16 remain largely unchanged and have no significant effects for the Alpiq Group.

IFRIC 23, the Annual Improvements to IFRSs (2015 – 2017 Cycle) and the amendments to IAS 19 and IFRS 9 have no significant impact on the Alpiq Group.

Changes in the presentation of the financial statements

Alpiq reviews the presentation of financial reporting in terms of transparency, comprehensibility and accuracy on an ongoing basis. Previous-year figures are adjusted in the case of significant changes or adjustments. In addition to the effects from the first-time application of IFRS 15 mentioned above, the following adjustments were made in these consolidated financial statements compared to the previous year:

Changes in the consolidated income statement and consolidated statement of comprehensive income

Closing of the agreement signed with Bouygues Construction on the sale of the Engineering Services business took place on 31 July 2018. This means that earnings after tax from discontinued operations does not cover a 12-month period in the current financial year. A comparison with the previous year is therefore not as meaningful as in the Annual Report 2017. This is why continuing and discontinued operations are no longer disclosed in separate columns. The disclosures required by IFRS 5 can be found in note 30.

Changes in the presentation of the consolidated statement of cash flows

The sale of the Engineering Services business means that the Alpiq Group's cash flow in the current financial year no longer contains 12 months' cash flow from the Engineering Services business. In order to present the net cash flows from continuing operations in a more transparent and meaningful way, this is the only cash flow to be disclosed in detail in the consolidated statement of cash flows. The net cash flows from discontinued operations are each presented in one amount per category. The comparative figures from 2017 were adjusted accordingly.

Correction of presentation errors in the consolidated statement of cash flows

Alpiq determined that the payments for own work capitalised of CHF 5 million recognised under net cash flows from operating activities should have been allocated to net cash flows from investing activities in accordance with IAS 7. The statement of cash flows for 2017 has been adjusted. As a result, net cash flows from operating activities increased from CHF 329 million to CHF 334 million. Net cash flows from investing activities decreased from CHF 320 million to CHF 315 million. This correction did not impact the consolidated income statement or the balance sheet.

Basis of consolidation

The consolidated financial statements of the Alpiq Group comprise the consolidated financial statements of Alpiq Holding Ltd., domiciled in Switzerland, and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. All intragroup balances, transactions, income and expenses are eliminated in full.

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

Investments in partner power plants and other associates in which the Alpiq Group has significant influence are included in the consolidated financial statements by applying the equity method. The Alpiq Group’s interest in the assets, liabilities, income and expenses of such companies is disclosed in note 13 of the consolidated financial statements.

In accordance with IFRS 9, all other investments are recognised at fair value and included in non-current assets as “Other non-current assets”.

Foreign currency translation

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

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

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

The following exchange rates were used for currency translation:

Unit	Closing rate at 31 Dec 2018	Closing rate at 31 Dec 2017	Average rate for 2018	Average rate for 2017
1 EUR	1.127	1.170	1.155	1.112
1 GBP	1.260	1.319	1.306	1.269
1 USD	0.984	0.976	0.978	0.985
100 CZK	4.381	4.583	4.504	4.226
100 HUF	0.351	0.377	0.362	0.359
100 NOK	11.328	11.892	12.031	11.916
100 PLN	26.198	28.015	27.115	26.123
100 RON	24.164	25.120	24.815	24.326

Intragroup transactions

Goods and services provided between Group Companies are invoiced at contractually agreed transfer or market prices. Electricity generated by partner power plants is invoiced to shareholders at full cost under the existing partner agreements.

Revenue recognition

Revenue from energy supply from contracts with customers ("own use exception" pursuant to IFRS 9) is generally recognised over the period agreed for completion of performance. However, for energy supplies, Alpiq has a right to consideration that directly corresponds to the value to the customer of the energy already supplied. For such cases, Alpiq exercises the practical expedient and recognises revenue in the amount that can be billed. In single contracts, Alpiq sells the proportionate right in energy production of a power plant. Revenue from these contracts is recognised over the period that corresponds to the timing of the costs.

Revenue from standing ready to deliver ancillary services is recognised on a straight-line basis over the period in which Alpiq is available to render these services. Revenue for called ancillary services is recognised when it is delivered.

Revenue from the e-mobility and energy management business is recognised upon successful installation of the respective device. Any costs incurred prior to revenue recognition are recognised under inventories and any prepayments received under contract liabilities (advances from customers). Any services in this area beyond installation are identified as separate performance obligations. The transaction price for these services is recognised in revenue when the customer receives the economic benefit. Revenue from projects is recognised over the period for completion of performance; progress is primarily measured using a cost-based input method. Revenue which cannot yet be billed is recognised in the balance sheet as contract assets, less any prepayments. In case of an excess of prepayments, revenue which cannot yet be billed is recognised as contract liabilities.

Up until the sale was closed at 31 July 2018, revenue from the Engineering Services business was recognised for the most part over the period for completion of performance under "Earnings after tax from discontinued operations"; progress was primarily measured using a cost-based input method.

Revenue from other services from contracts with customers is recognised, on the one hand, over the time period over which the performance obligation is satisfied on a straight-line basis. On the other hand, Alpiq applies the following practical expedient: if Alpiq has a right to consideration that directly corresponds to the value to the customer, then revenue is recognised in the amount that can be billed.

Alpiq satisfies most of its performance obligations as principal. For performance obligations that Alpiq satisfies as agent, revenue is recognised net of the corresponding costs. Alpiq acts as agent in all markets for the transmission of energy and for a few other transactions.

The amount of consideration to which Alpiq expects to be entitled to for satisfying its various performance obligations may comprise fixed and variable considerations. Variable considerations are included for estimating the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Contractual penalties – for example, for deviations between the delivered and contractually agreed-upon quantity of energy – represent a variable component in energy sales, which are only included in estimating the transaction price when they are highly probable, which normally can only be determined until towards the end of the delivery period.

Alpiq exercises the practical expedient provided in IFRS 15 and, wherever possible, opts not to disclose the remaining performance obligations at the end of the reporting period. After applying this practical expedient, the remaining performance obligations disclosed in continuing operations at the end of the reporting period are not significant.

Alpiq applies the practical expedient and does not capitalise incremental costs of obtaining a customer contract, as far as these costs would be amortised within one year. Due to the application of this practical expedient, Alpiq did not disclose any significant inventories of such costs in intangible assets.

Government grants

Alpiq is eligible to receive a market premium for large-scale hydropower plants in Switzerland. This constitutes a government grant as defined by IAS 20. More information can be found under “Estimation uncertainty and significant judgments”.

Income tax expense

Income tax expense represents the sum of current and deferred income tax. Current income tax is calculated on taxable earnings using the tax rates that have been enacted by the end of the reporting period. Deferred income tax is calculated using the tax rates enacted or substantively enacted at the reporting date.

Deferred taxes are recognised due to the differing recognition of certain income and expense items in the Group’s annual internal accounts and annual tax accounts. Deferred tax arising from temporary differences is calculated applying the balance sheet liability method. Deferred tax is not recognised for differences associated with investments in Group Companies, which will not reverse in the foreseeable future and where the timing of the reversal is controlled by the Group.

Deferred tax assets are recognised when it is probable that they will be realised. Unrecognised tax loss carryforwards and unrecognised deferred tax assets are disclosed.

Discontinued operations and non-current assets held for sale

An asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than continuing use. The asset must be available for immediate sale in its present condition, and the sale must be highly probable within the next 12 months. The same applies to a group of assets and related liabilities if they are to be disposed of together in a single transaction (disposal group).

The Alpiq Group measures non-current assets and disposal groups classified as held for sale at the lower of carrying amount and fair value less costs of disposal. These assets or disposal groups, once classified as held for sale, are no longer depreciated or amortised. On the balance sheet, the assets and liabilities are presented separately from the Group's other assets and liabilities.

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and any impairment losses. Depreciation is applied on a straight-line basis over the estimated useful lives of each class of asset, or to the expiry date of power plant licences. The useful lives of the various classes of assets range as follows:

Buildings	20 – 60 years
Land	only in case of impairment
Power plants	20 – 80 years
Transmission assets	15 – 40 years
Machinery, equipment and vehicles	3 – 20 years
Assets under construction	if impairment is already evident

Obligations to restore land and sites after licence expiry or decommissioning are accounted for individually in accordance with the contract terms. Estimated restoration costs (including decommissioning costs) are included in the cost of acquisition and manufacture, and are recognised as a provision. Replacements and improvements are capitalised if they substantially extend the useful life, increase the capacity or substantially improve the quality of the property, plant or equipment.

Costs relating to regular and major overhauls are recognised as a replacement in the carrying amount of the item of property, plant and equipment if the recognition criteria for capitalisation are met. Repairs, maintenance and ordinary upkeep of buildings and operating facilities are expensed as incurred.

The carrying amount of an item of property, plant or equipment is derecognised upon disposal or when no future economic benefits are expected. Any gain or loss arising from the disposal of the asset is recognised in the income statement.

The residual value and useful life of an asset are reviewed at least at each financial year end, and adjusted where required.

Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. The cost of an acquisition comprises the consideration transferred to acquire the assets, liabilities and contingent liabilities of the acquiree. The consideration is measured as the cash paid, the fair value of the assets transferred as well as the liabilities incurred and the contingent considerations assumed on the acquisition date. Subsequent market changes from contingent considerations are recognised in the income statement. The net assets acquired, comprising identifiable assets, liabilities and contingent liabilities, are recognised at their acquisition-date fair values. Costs incurred in connection with a business combination are expensed as incurred.

Where the Group does not acquire 100 % ownership, non-controlling interests are recognised as a component of consolidated equity. For each business combination, Alpiq measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Non-controlling interests over which the Alpiq Group holds options (call options) or has granted options (written put options), however, are only recognised as non-controlling interests if the exercise price is based on fair value. Corresponding call options are recognised at fair value, and corresponding put options at the present value of the exercise price.

The Group treats the acquisition of non-controlling interests as a pure equity transaction. Any difference between purchase consideration and net assets acquired is taken to retained earnings.

Goodwill represents the difference between the cost of acquisition and the fair value of the Group's share of the identifiable net assets acquired. Goodwill and fair value adjustments to net assets are recognised in the acquiree's assets and liabilities, in the acquiree's functional currency. Goodwill is not amortised, but is tested for impairment at least annually. Goodwill may also arise from investments in associates, and corresponds to the difference between the cost of investment and the Group's share of the fair value of the identifiable net assets. Such goodwill forms part of the carrying amount at which the associate is recognised.

Intangible assets

Intangible assets are initially measured at cost, and are subsequently carried at cost less any accumulated amortisation and impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over their useful economic lives, and assessed for impairment whenever indications exist that they may be impaired. The amortisation period and amortisation method are reviewed at least at each financial year end. The useful lives of the intangible assets recognised range from 1 to 79 years.

Energy purchase rights

Energy purchase rights are recognised as "Intangible assets" on the balance sheet. They comprise prepayments for rights to purchase energy in the long term, including capitalised interest. Amortisation of energy purchase rights are applied in line with the scope of the energy purchases made each year in relation to the total energy purchase quantity agreed contractually. This item also includes long-term energy purchase agreements acquired in business combinations.

Impairment of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets with finite useful lives are reviewed at each reporting date to determine whether any indications of impairment exist. If the asset's carrying amount exceeds its estimated recoverable amount, it is written down to its recoverable amount.

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). 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.

An impairment loss previously recognised for an asset is reversed in the income statement if the impairment no longer exists, or has decreased. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised.

Goodwill is allocated to the cash-generating units to which the goodwill relates. These generally represent the identifiable regional sales, service and production activities. Goodwill is tested for impairment annually. If the recoverable amount of the cash-generating unit, i.e., the higher of the unit's fair value less costs of disposal and its value in use, is less than the carrying amount, an impairment loss is recognised. The method used for testing cash-generating units for impairment is disclosed in note 12. The annual impairment test is monitored centrally within the Group.

Investments in associates and joint arrangements

An associate is a company over which the Alpiq Group is in a position to exercise significant influence through participation in the financial and operating policy decisions of the investee, and that is neither a subsidiary nor a joint arrangement. Where appropriate, companies may likewise be accounted for as associates in the consolidated financial statements by applying the equity method, even if the ownership interest is less than 20 %. This applies especially where the Alpiq Group is represented in the authoritative decision-making bodies, such as the Board of Directors, or participates in operating and financial policymaking. The equity method is also applied to assess companies over which Alpiq, despite having a related ownership interest of 50 % or greater, has no control, as a result of restrictions in articles of association, contracts and organisational rules. Partner power plants over which Alpiq has no control are classified as associates and accounted for using the equity method.

A joint arrangement is the joint control of a joint venture or a joint operation. Delineation is made on the basis of specific rights and duties of the parties involved with respect to the assets, liabilities, income and expenditure associated with the joint arrangement. The assets, liabilities, income and expenses of joint operations are recognised proportionally, whereas joint arrangements are included in the consolidated financial statements by applying the equity method.

The financial statements of associates and joint arrangements are prepared applying uniform accounting policies as a matter of principle. Companies that apply different accounting standards for the preparation of their local financial statements also prepare statements of reconciliation according to IFRS.

Inventories

Inventories are stated at the lower of cost (calculated applying the FIFO method or the average cost method) and net realisable value. Cost includes all expenditures incurred in acquiring the inventories and in bringing them to their storage location. Production cost comprises all direct material and manufacturing costs, and those overheads that have been incurred in bringing the inventories to their present location and condition.

Costs incurred to fulfil a contract are capitalised if they are incurred in direct connection with satisfying a performance obligation and these costs are expected to be recovered. The asset recognised in respect of the costs to fulfil a contract is amortised on a systematic basis over the period when the goods or services are transferred to the customer.

Accounting for CO_2 emission allowances

Allocated CO_2 emission allowances are initially recognised at nominal value (nil value). CO_2 emission allowances purchased to meet the Group's generation requirements are initially recognised under inventories at cost. A liability is recognised when CO_2 emissions exceed the emission allowances that were allocated originally, plus those purchased subsequently. The liability is measured at the cost of purchased allowances up to the level of purchased allowances held. The portion exceeding the CO_2 emission allowances held is recognised at fair value at the reporting date. Changes in the liability are recognised as energy costs.

Leases

Under IAS 17, leases are classified as either finance or operating leases. Transactions that substantially transfer all the risks and rewards incidental to ownership of the leased item to the Alpiq Group as the lessee, and where it consequently acquires economic ownership, are treated as finance leases. At the start of the lease, the leased asset is capitalised at the lower of its fair value or the present value of the minimum lease payments, and a corresponding liability is recognised. The finance lease liabilities are reported on the balance sheet under current and non-current financial liabilities.

The leased asset is depreciated over its useful economic life. If it is insufficiently certain at the start of the lease that the Alpiq Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the lease term and the asset's useful life. In subsequent periods, the liability is recognised applying the effective interest method.

All other leases that do not substantially transfer all the risks and rewards of ownership to the Alpiq Group are treated as operating leases, and are not recognised on the balance sheet. The lease payments are expensed on a straight-line basis over the lease term.

Provisions

Provisions cover all (legal or constructive) obligations arising from past transactions or events that are known at the reporting date and likely to be incurred, but are uncertain as to timing and / or amount. Provisions are measured at the best estimate of the expenditure required to settle the obligation.

Provisions are measured at the level of the expected cash outflow, discounted to the reporting date. Provisions are reviewed at each reporting date, and adjusted to reflect current developments. The discount rates applied are pre-tax rates that reflect current market assessments of the time value of money and risks specific to the liability.

Pension schemes

The Group operates a number of pension schemes as required by law.

The Group Companies in Switzerland participate in a legally independent pension scheme which meets the criteria of a defined benefit plan in accordance with IAS 19. Employees of foreign subsidiaries are generally covered by state social security schemes or independent defined contribution pension plans in accordance with national practices. These plans meet the criteria of a defined contribution plan according to IAS 19.

The defined benefit obligation is calculated annually by independent pension experts using the projected unit credit method. This accrued benefit method prorated on service recognises not only the known benefits and benefits accrued at the reporting date, but also expected future salary and pension increases. The Continuous Mortality Investigation (CMI) model with generation tables as a technical basis is used to reflect mortality rates. Mortality data according to the CMI model is calculated based on a long-term rate of change. The discount factor applied, or as the case may be, the projected interest rate for retirement assets, is based on the market yields on high-quality corporate bonds on the reporting date. The net interest result is recognised directly in finance costs / income; any remaining employee benefit costs are included in employee costs. Actuarial gains and losses are recognised in other comprehensive income as part of equity in the period in which they occur. Past service costs are recognised directly in the income statement as employee costs. All plans are funded by both employer and employee contributions, as a rule. Employer contributions paid or owed to pension schemes that provide defined contribution pension plans are recognised directly in the income statement.

Contingent liabilities

Potential or existing liabilities for which an outflow of resources is not considered probable are not recognised on the balance sheet. However, the nature and extent of contingent liabilities existing on the reporting date is disclosed as a contingent liability in the notes to the consolidated financial statements.

Financial instruments

Financial instruments include financial assets and financial liabilities, which are broken down into the following measurement categories:

- Financial assets / liabilities at amortised cost
- Financial assets / liabilities at fair value through profit or loss

Financial assets / liabilities at amortised cost

With the exception of trade receivables, financial assets and financial liabilities at amortised cost are initially recognised at fair value plus or less direct transaction costs. Trade receivables are measured at transaction price.

The subsequent measurement of financial assets applies the following method to calculate impairments: if there are indications of a higher default risk for specific counterparties (e.g. insolvency), individual impairment losses are recognised on the corresponding financial assets. In addition, due to the application of the expected credit loss model, losses on unsecured financial assets expected in future are also recognised. The impairment losses expected in future are determined using the publicly available probability of default, which takes into account forward-looking information as well as historical probability of default. In accordance with IFRS 9, the simplified approach is applied for trade receivables for the measurement of the expected losses by recognising the lifetime expected credit losses. For other financial assets where the credit risk has not increased significantly since initial recognition, credit losses that are expected to occur in the next 12-month period are recognised.

Bonds and loans payable are generally recognised applying the effective interest method at amortised cost.

Financial assets / liabilities at fair value through profit or loss

Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. The corresponding transaction costs are recognised immediately in the income statement.

Changes in value in energy derivatives are disclosed in net revenue in the period in which they occur. Fluctuations in value of securities are recognised through profit or loss in the financial result.

Hedge accounting

Energy, foreign currency and interest rate derivatives are used to hedge exposure to fluctuations in the cash flows of highly probable forecast transactions (cash flow hedges). In contrast to the recognition of energy derivatives, hedge accounting is used for certain foreign currency and interest rate derivatives.

Before designating a new hedging instrument, the Group conducts a thorough analysis of the risk situation by analysing the risk management strategy and objective and defines the relationship between the hedging instrument and underlying transaction. It also ensures that the effectiveness requirements are met at the beginning of the hedging relationship. The formal designation occurs by documenting the hedging relationship. The designation of a new hedging instrument is authorised formally.

The hedge ratio is adjusted if the hedge no longer fulfils the effectiveness requirements but the risk management relationship remains unchanged. The ineffective portion is then reclassified from other comprehensive income to the income statement.

Hedge accounting ends when the qualitative requirements are no longer satisfied. This includes cases where the hedging instrument expires, is sold, terminated or exercised without replacement or rollover. The amounts previously recognised in other comprehensive income remain in equity as a separate component until the hedged transaction occurs. If the future cash flows are no longer expected, amounts previously recognised in other comprehensive income are transferred to the income statement.

Estimation uncertainty and significant judgments

The preparation of consolidated financial statements in conformity with IFRS requires the management to make important estimates and assumptions that significantly affect recognised assets and liabilities as well as reported income and expenses. Estimates and assumptions are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances. They serve as the basis for the recognition of assets and liabilities whose measurement is not derived from market data. Actual amounts may differ from the estimates. Estimates and assumptions are reviewed on an ongoing basis. Any revisions to estimates and assumptions are recognised and disclosed in the period in which they are identified.

Revenue recognition

In connection with the recognition of revenue from contracts with customers, there may be significant judgment regarding the timing of when performance obligations are satisfied as well as determining the transaction price and its allocation to performance obligations. A description of areas of judgement can be found under “Revenue recognition” in note 1.

Impairment of assets

Property, plant and equipment and intangible assets with finite useful lives are reviewed at each reporting date to determine whether any indications of impairment exist. Goodwill is tested for impairment annually. To assess whether an impairment exists, the expected future cash flows are calculated on the basis of historical empirical data and current market expectations. The fair value that is calculated in this manner mainly comprises estimates relating 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. Estimates of external factors are reviewed periodically using external market data and market analyses. Actual results can differ from these estimates, resulting in significant adjustments in subsequent periods.

Sale of the Engineering Services business

Closing of the agreement signed with Bouygues Construction on the sale of the Engineering Services business took place on 31 July 2018. Due to diverging views held by Alpiq and Bouygues Construction on the definitive purchase price adjustment amount, the gain on disposal recognised is only an estimate because the definitive sale price is not available at the time of approval of the consolidated financial statements by the Board of Directors of Alpiq. The definitive sale price may differ considerably from the estimate and result in significant adjustments to the gain on disposal, which is included in "Earnings after tax from discontinued operations", as well as the "Net cash flows from investing activities of discontinued operations" in subsequent periods. Detailed information about the sale of the Engineering Services business can be found in note 30.

Provisions

Obligations from guarantees and warranties, restructuring, litigation or onerous contracts may arise in the course of the Alpiq Group's operating activities. Provisions for such obligations are recognised on the basis of future cash outflows expected at the reporting date. When calculating the need to recognise a provision, assumptions must be made that are subject to a degree of uncertainty, which may then result in some significant adjustments in subsequent periods. In particular, assumptions relating to future changes in market prices, long-term interest rates and currency translation effects (EUR into CHF) may result in significant adjustments in "Provision for onerous contracts".

Pension schemes

The calculation of the recognised defined benefit liabilities is based on statistical and actuarial assumptions. Such assumptions can differ substantially from actual circumstances due to changes in market conditions and the economic environment, higher or lower exit rates, longer or shorter lives of plan participants and other estimated factors. Such deviations may have an impact on the defined benefit liabilities recognised in future reporting periods. The principal assumptions are disclosed in note 24.

Transfer of the Swiss high-voltage grid

On 3 January 2013, Alpiq transferred its share in the Swiss high-voltage grid to national grid operator Swissgrid AG based on provisional contribution values. Final measurement will be part of a measurement or purchase price adjustment (second measurement adjustment). To this end, any non-appealable rulings for all proceedings relevant for the measurement must be complete for all former owners of the transmission grid. The final contribution values may deviate from the provisional contribution values. The duration and outcome of the proceedings are still uncertain.

Furthermore, in the financial year 2016 Alpiq received higher compensation for transferring its share in the Swiss high-voltage grid on account of the ruling by the Swiss Federal Electricity Commission (ElCom) on the measurement method. The final amount of this additional compensation cannot be determined until the proceedings on the margin differences and the second measurement adjustment are complete. This is expected to result in a further positive effect on earnings for Alpiq.

Income tax expense

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

Market premium

With the revised Energy Act (EnA) coming into effect on 1 January 2018, operators of large-scale hydropower plants in Switzerland with a mean mechanical gross output of more than 10 MW that sell their energy on the market at prices below production cost are eligible to receive a market premium. The Energy Act limits the market premium to five years. If the risk of uncovered production costs is not borne by the operators of the hydropower plants, but instead by the owners or electricity suppliers as a result of purchase agreements for the electricity, then the latter are eligible to the market premium. The entitlement first arises in 2018 based on the business figures for 2017 and last arises in 2022 based on the business figures for 2021. In order to assert a claim for a market premium in a given year, the applicant must submit the entire application documentation by 31 May of that year at the latest. Should the claims of all those applicants entitled to do so exceed the funds available, all claims will be reduced on a straight-line basis. As a result, if demand exceeds the funds available, each claim for a market premium is dependent on all other claims. For this reason, the Swiss Federal Office of Energy (BFE) informs the applicants at the same time about the claims made by all applicants by issuing an order. The order was issued on 8 November 2018 in the 2018 financial year and took legal effect in December 2018. By nature, the amount of the available claim for a market premium is provisional. This is due to the uncertainty about the total amount available for the market premium (possibility of refunding grid surcharge, enforcement costs) as well as the possibility open to all applicants to legally contest the amount stipulated in the order. As of the end of September of the following year, i.e. the first time as of the end of September 2019, it will be possible to estimate with a relatively high degree of accuracy how much money is available from the grid surcharge fund for the market premium. The enforcement costs are also known at this point in time.

As both the amount of the funds made available for the market premium and the effective entitlement to a market premium are still unknown upon issuing the first order, the BFE pays 80 % of the provisional amount assigned by order to the applicants with the first order. The remaining 20 % is retained for practical reasons and is only paid out when the second order is issued in order to avoid the time-consuming administrative process of reclaiming any overpayments where possible.

Government grants may not be posted until there is reasonable assurance as to the entitlement. Alpiq deems reasonable assurance of the claim for a market premium in the amount of the prospective payment to be given within the meaning of IAS 20 as soon as the order is legally binding. This means that 80 % of the provisional amount assigned by order will be recognised as soon as the first order is legally binding. The remaining amount will be recognised as soon as the second order is legally binding. The market premium for large-scale hydropower plants of CHF 21 million (previous year: CHF 0 million) is recorded under “Other operating income”.

2 Financial risk management

General principles

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

The principles for managing risks in the Alpiq Group are set out in the Group Risk Policy. They comprise guidelines on the incurring, measurement, management and mitigation of business risks and specify the organisation and responsibilities for risk management. The units responsible manage their risks within the framework of the risk management policy and the limits defined for their areas of activity. The objective is to maintain a reasonable balance between the business risks incurred, earnings and risk-bearing equity.

The Group Risk Policy comprises a Group-wide Business Risk Policy, an Energy Risk Policy specifically for the energy business and a Financial Risk Policy. The Business Risk Policy governs the annual risk mapping process, the definition and monitoring of the measures to reduce exposure to operational and strategic risks as well as integral security management. The Energy Risk Policy defines the processes and methods to manage market and credit risks in the energy business. It also regulates the management of liquidity fluctuations caused by trading activities on stock exchanges and under bilateral arrangements to settle margin differences. Furthermore, it defines the principles of the hedging strategy for energy production trading books. The Financial Risk Policy defines the substance, organisation and system for financial risk management within the Alpiq Group. It defines the management of liquidity, foreign currency and interest rate risks.

The Risk Management functional unit is responsible for managing risks and reports to the CEO. The functional unit provides methods and tools for implementing risk management.

During the annual business risk assessment process, strategic and operational risks throughout the Group are recorded and assessed, and then assigned to the identified risk owners for management and monitoring. The Risk Management functional unit monitors the implementation of the measures. Exposure limits are set for market, credit and liquidity risks, which are adjusted in the context of the company's overall risk-bearing capacity and with compliance monitored on an ongoing basis.

The Risk Management functional unit also supports the business divisions, the functional divisions and the business units in their risk management activities. Risk Management coordinates activities and reporting with line management through to unit manager level, and ensures timely reporting to the Board of Directors, Executive Board and the Risk Management Committee.

Capital management

Across the Alpiq Group, capital is managed in line with the Group's overall financial strategy. During the budgeting and planning process, the Board of Directors takes notice annually of the planned performance of the figures critical for capital management. In addition, it receives regular reports on current developments. The strategy is focused on the Group's reported consolidated equity and net debt to EBITDA ratio. At 31 December 2018, the Group reports an equity ratio of 43.5 % (previous year: 38.9 %).

Alpiq Holding Ltd. procures a significant portion of financing centrally. The Swiss capital market forms the main source of financing. At 31 December 2018, Alpiq Holding Ltd. held 62 % of the Group's total financial liabilities (71 %). The level of financial liabilities must be reasonable in proportion to profitability in order to ensure a solid credit rating in line with sector norms. The ratio of net debt to EBITDA before exceptional items plays a decisive role in capital management. This is calculated as follows:

CHF million	31 Dec 2018	1 Jan 2018 [1]	31 Dec 2017
Non-current financial liabilities	1,307	1,767	1,767
Non-current financial liabilities under liabilities held for sale		4	4
Current financial liabilities	195	342	342
Current financial liabilities under liabilities held for sale		4	4
Financial liabilities	**1,502**	**2,117**	**2,117**
Non-current term deposits [2]	229	198	202
Current term deposits	367	347	347
Current term deposits under assets held for sale		20	20
Securities	25	26	26
Cash and cash equivalents	634	662	662
Cash and cash equivalents under assets held for sale		146	146
Financial assets (liquidity)	**1,255**	**1,399**	**1,403**
Net debt	**247**	**718**	**714**
EBITDA before exceptional items [3]	166	301	301
Net debt / EBITDA before exceptional items	**1.5**	**2.4**	**2.4**

1 Due to the first-time application of IFRS 9 at 1 January 2018 (for explanations see pages 79 and 80)
2 See note 26
3 Contrary to the previous year, "EBITDA before exceptional items of discontinued operations" is not included in 2018, because the sale of the Engineering Services business was closed 2018. For more information, please refer to note 30.

The Alpiq Group has the following covenants from finance agreements:

					Financial covenants		Other covenants
Agreement	Maturity	In CHF million	Utilisation at 31 Dec 2018 in CHF million	Utilisation at 31 Dec 2017 in CHF million	Equity ratio	Net debt / EBITDA	Bank rating
Syndicated loan line	Dec 21	200	0	0	x	x	x

The above-mentioned covenants from finance agreements are tested twice annually. The counterparty has a right to terminate the agreement if the covenants are breached. All covenants were met at 31 December 2018 and 31 December 2017.

Market risk

The Alpiq Group's exposure to market risk primarily comprises energy price risk, foreign currency risk and interest rate risk. These risks are monitored on an ongoing basis and managed using derivative financial instruments.

Market risk is measured within the framework of the Group Risk Policy that sets out rules on the taking of risks as well as their measurement, limitation and monitoring. Compliance with these risk limits is monitored on an ongoing basis by the Risk Management Committee based on regular reporting by the Risk Management functional unit.

Energy price risk

Energy price risk refers to potential price fluctuations that could have an adverse impact on the Alpiq Group. They can arise from factors such as variations in price volatility, market price movements or changing correlations between markets and products. Energy liquidity risks also belong to this category. They occur when an open energy position cannot be closed out, or can only be closed out on very unfavourable terms due to a lack of market bids.

Future own use energy transactions are not reported in the balance sheet. Energy transactions are also conducted as part of the programme to optimise Alpiq's power plant portfolio. A large proportion of the replacement values for energy derivatives shown at the reporting date are attributable to optimisation positions, with positive and negative replacement values generally cancelling each other out. Alpiq also engages in limited energy derivatives trading.

The energy derivatives concluded by the Alpiq Group are usually forward contracts. The fair values are calculated on the basis of the difference between the contractually fixed forward prices and current forward prices applicable at the reporting date. The effect of credit risk on fair values is not material.

The risks associated with trading and optimisation transactions are managed via clearly defined responsibilities and stipulated risk limits in accordance with the Group Risk Policy. Risk Management reports regularly on compliance with these limits to the Risk Management Committee and the Executive Board utilising a formalised risk reporting system. The risk positions are monitored in accordance with the Value at Risk (VaR) and Profit at Risk (PaR) industry standards.

Foreign currency risk

The Alpiq Group seeks wherever possible to mitigate foreign currency risks by natural hedging of operating income and expenses denominated in foreign currencies. The remaining foreign currency risk is hedged by means of forward transactions in accordance with the Group's Financial Risk Policy.

Net investments in foreign subsidiaries are also exposed to changes in foreign exchange rates, although the difference in inflation rates should offset these changes over the long term. Investments in foreign subsidiaries (translation risks) are therefore not hedged.

Foreign currency risk arising from energy generation or purchasing is contractually transferred to the counterparty wherever possible. Where this is not possible or is only partly possible, forward currency contracts with a medium-term hedging horizon are deployed to manage exposure centrally on the market in line with the Group's Financial Risk Policy. Hedge accounting is used where possible to avoid fluctuations in results. The foreign currency derivatives are all OTC products. The fair values are calculated on the basis of the difference between the contractually fixed forward prices and current forward prices applicable at the reporting date.

Interest rate risk

The risks arising from volatility in interest rates relate to the interest-bearing financial assets and liabilities of the Alpiq Group. According to the Group's Financial Risk Policy, liquidity is invested for a maximum of two years. The funding required for the business, however, is obtained on a long-term basis at fixed interest rates. Financing instruments with variable interest rates, particularly those that are long-term, are generally hedged by means of interest rate swaps. This means that a change in interest rates applied to interest-bearing assets has an impact on financial income.

The interest rate derivatives are all OTC products. The fair value is determined by discounting the contractually agreed payment streams with current market interest rates.

Sensitivity analysis

To illustrate the sensitivity of market risks to the Alpiq Group's financial results, the effects of reasonably possible changes in the market risks listed above are set out below. The sensitivities are based in each case on financial instruments recognised on the reporting date.

The possible annual percentage changes in the fair values of energy derivatives are determined from the commodity market prices for electricity, gas, coal and oil over the past three years. The sensitivities are calculated by applying maximum deviations from the mean with a 99 % confidence level. The reasonably possible changes in foreign currency prices are calculated on the basis of historical (one year) fluctuations. A variation by + / – 1 standard deviation from the calculated mean is considered to be reasonably possible. Interest rate swap sensitivity is shown as the effect on the change in fair value that would arise from a 1 % parallel shift in the yield curve.

Each type of risk is quantified assuming that all other variables remain constant. The effects for continuing operations are shown before tax.

			31 Dec 2018			31 Dec 2017
CHF million	+ / – change	+ / – effect on profit before income tax	+ / – effect on OCI before income tax	+ / – change	+ / – effect on profit before income tax	+ / – effect on OCI before income tax
Energy price risk	57.0 %	53		57.9 %	72	
EUR / CHF currency risk	4.5 %	4	32	4.7 %	12	25
EUR / CZK currency risk	2.9 %	1		3.3 %	2	
EUR / PLN currency risk	4.7 %	3		4.5 %	1	
Interest rate risk	1.0 %	7	9	1.0 %	11	11

Credit risk management

Credit risk management deals with potential losses arising from business partners' inability to meet their contractual obligations to the Alpiq Group.

Credit risk management in the energy business encompasses all business units and subsidiaries that transact significant business volumes with external counterparties. It entails regular monitoring of outstanding receivables from counterparties and their expected future changes, as well as an analysis of the creditworthiness of new and existing counterparties. Besides energy derivatives recognised as financial instruments on the balance sheet, credit risk management also covers physical receipt or delivery contracts. Credit risk is primarily managed by applying rating-based credit limits. The Alpiq Group classifies counterparties or groups of counterparties (with similar risk characteristics) in risk categories (AAA – CCC) based on probability of default. Once established, these ratings are applied as the basis for setting credit limits. Such limits may be increased if collateral (such as guarantees, advances or insurance cover) is provided. The ratings of active counterparties are reviewed periodically and credit limits are adjusted where appropriate. The policy in the energy business is to enter into contracts only with counterparties that meet the criteria of the Group Risk Policy. Outstanding credit exposures are monitored and managed on an ongoing basis using a formalised process.

In order to actively manage the credit risk associated with cash and cash equivalents and term deposits, the central Treasury functional unit at the Alpiq Group sets limits that restrict the amount of assets held at a counterparty. The limits are calculated and monitored monthly based on a number of factors. As in the previous year, no significant concentrations of risk existed at the reporting date, as cash and cash equivalents and term deposits are widely diversified, staggered over time and invested with counterparties with a low credit risk. To date, no impairment losses have been recognised on receivables due from financial counterparties.

The maximum credit risk corresponds to the carrying amount of the financial assets and is calculated at CHF 3,823 million at 31 December 2018 (previous year: CHF 3,552 million). Credit risk is reduced by collateral. The Alpiq Group's exposure to concentrations of risk is minimised due to the number of customers, geographical diversification as well as the consolidation of positions.

Offsetting of financial assets and liabilities as well as collateral

A substantial portion of the energy contracts entered into by the Alpiq Group is based on agreements containing a netting arrangement. Netting arrangements are used widely in energy trading to reduce the volume of effective cash flows. Items relating to the same counterparties are only presented on a net basis in the balance sheet if a legally enforceable right to offsetting of the recognised amounts exists in the netting arrangement, and the intention exists to settle on a net basis.

			31 Dec 2018			31 Dec 2017
CHF million	Gross carrying amount	Offset	Net carrying amount in the balance sheet	Gross carrying amount	Offset	Net carrying amount in the balance sheet
Financial assets						
Trade receivables	3,206	– 2,414	792	2,764	– 1,835	929
Positive replacement values of energy derivatives	5,080	– 3,801	1,279	3,406	– 2,528	878
Positive replacement values of currency and interest rate derivatives	8		8	5		5
Financial liabilities						
Trade payables	2,991	– 2,414	577	2,580	– 1,835	745
Negative replacement values of energy derivatives	4,987	– 3,801	1,186	3,282	– 2,528	754
Negative replacement values of currency and interest rate derivatives	37		37	64		64

Furthermore, additional collateral, such as guarantees, variation margin payments or insurance cover, is collected where required. As a rule, the collateral held by the Alpiq Group covers both unrecognised energy transactions involving physical delivery and transactions recognised as financial instruments. For this reason, and also on account of its structure, collateral cannot be usefully assigned to individual balance sheet items. Financial collateral received and issued in connection with the bilateral agreements to settle margin differences is presented in the following:

CHF million	31 Dec 2018 Financial collateral received	Financial collateral issued	31 Dec 2017 Financial collateral received	Financial collateral issued
Cash collateral	57	43	50	13
Guarantees [1]	26	23	24	21
Total	**83**	**66**	**74**	**34**

1 Guarantees to associates or third parties in favour of third parties are presented in note 26.

In the event of a stock exchange participant defaulting, clearing banks are contractually entitled to assert proportionate claims for the losses against other stock exchange participants, regardless of whether the defaulting stock exchange participant was a direct counterparty of the other stock exchange participants. Alpiq does not currently anticipate a cash outflow in connection with this.

Liquidity risk

A substantial portion of the receivables in European energy trading are offset and settled on specified dates reducing peak cash flow requirements. Margin agreements are commonly used on energy commodity exchanges and among large energy traders to reduce counterparty risk. Energy price movements can consequently lead to substantial receivables or payables in the short term. The Alpiq Group manages such variable liquidity requirements by means of an early warning system, by maintaining sufficient liquid resources and by obtaining committed credit facilities from banks. The Treasury & Insurance functional unit is responsible for Group-wide liquidity management. Its role is to plan, monitor, provide and optimise liquidity throughout the Group on a monthly rolling basis.

The anticipated cash flows of financial liabilities and derivative financial instruments are disclosed in the table below. Where the intention exists to refinance loans at the end of the contract term, but refinancing has not yet been contractually secured, a cash outflow on maturity is assumed. Accordingly, actual cash flows can differ significantly from the contractual maturities. In order to make the table below more meaningful, the cash flows from derivatives are now presented net when there are legally enforceable netting arrangements in place with counterparties and the amounts are expected to be settled net. The comparative figures from 2017 were adjusted accordingly.

2018: Maturity analysis of financial liabilities and derivative financial instruments

CHF million	Carrying amount	Cash flows <1 month	1–3 months	4–12 months	1–5 years	>5 years	Total
Non-derivative financial liabilities							
Trade payables	577	– 539	– 17	– 21			– 577
Bonds	966			– 172	– 618	– 264	– 1,054
Loans payable	536	– 4	– 8	– 53	– 358	– 149	– 572
Other financial liabilities	498	– 170	– 36	– 75	– 201	– 16	– 498
Derivative financial instruments							
Net carrying amount of derivative financial instruments	64						
Net carrying amount of energy derivatives	93						
Cash inflows			3,034	9,756	3,662		16,452
Cash outflows			– 2,968	– 9,875	– 3,619		– 16,462
Net carrying amount of currency / interest rate derivatives	– 29						
Cash inflows		156	621	1,060	18	1	1,856
Cash outflows		– 156	– 620	– 1,063	– 42	– 4	– 1,885

2017: Maturity analysis of financial liabilities and derivative financial instruments

CHF million	Carrying amount	<1 month	1–3 months	4–12 months	1–5 years	>5 years	Cash flows Total
Non-derivative financial liabilities							
Trade payables	745	– 709	– 18	– 18			– 745
Bonds	1,465		– 103	– 136	– 891	– 494	– 1,624
Loans payable	594	– 2	– 52	– 59	– 387	– 193	– 693
Other financial liabilities	505	– 24	– 47	– 211	– 212	– 11	– 505
Derivative financial instruments							
Net carrying amount of derivative financial instruments	65						
Net carrying amount of energy derivatives	124						
Cash inflows (adjusted)		27	2,676	8,343	3,020		14,066
Cash outflows (adjusted)			– 2,636	– 8,342	– 3,258		– 14,236
Net carrying amount of currency / interest rate derivatives	– 59						
Cash inflows		410	627	823	27	2	1,889
Cash outflows		– 413	– 632	– 837	– 61	– 7	– 1,950

Minimum lease payments from operating leases

CHF million	31 Dec 2018	31 Dec 2017
Within 1 year	5	5
Within 2 – 5 years	14	20
More than 5 years	16	16
Total	**35**	**41**

The unrecognised obligations for operating leases mainly include minimum lease payments for land and buildings. The lease payments from operating leases came to CHF 5 million in 2018 (previous year: CHF 3 million).

Hedge accounting

Foreign currency hedges

Foreign currency positions from the sale of Swiss production capacity in euros are hedged utilising forward transactions on the basis of the expected transaction volumes. Only spot components are designated as hedging instruments for hedge accounting. Changes in the forward components are recognised through profit or loss. The underlying transactions will be recognised in the income statements for 2019 to 2022.

Interest rate swaps

At 31 December 2018, interest rate swaps were in place in order to fix interest rates on variable-interest project financing facilities. The project financing facilities in Italy have a remaining maturity of between 6 and 12 years.

CHF million	2018	2017
Negative replacement values of interest rate swaps at 1 January	**35**	**42**
Realised interest payments	– 13	– 13
Change in fair value	7	2
Acquisition / disposal of subsidiaries	3	
Currency translation differences	– 2	4
Negative replacement values of interest rate swaps at 31 December	**30**	**35**

Overview of hedging instruments at 31 December 2018

	Foreign currency hedges	Interest rate swaps
Derivative financial instruments in current assets (in CHF million)	4	
Derivative financial instruments in current liabilities (in CHF million)	1	30
Nominal value (in CHF million)	238	
Nominal value (in EUR million)	795	202

Cash flow hedge reserves

CHF million	Foreign currency hedges	Interest rate swaps
Cash flow hedge reserves at 1 January 2018	**– 33**	**– 23**
Recognition of gain / loss	32	– 7
Reclassification of realised gain / loss to net revenue	12	
Reclassification of realised gain / loss to financial result		13
Change from partner power plants and other associates		2
Change in non-controlling interests		– 5
Income tax expense	– 2	– 3
Cash flow hedge reserves at 31 December 2018	**9**	**– 23**

3 Impairment losses

2018: Allocation of impairment losses and provisions

Due to the positive development of electricity prices, no impairment losses had to be recognised on power plants in 2018. The provision for the onerous contract relating to the future procurement of energy from the Nant de Drance SA pumped storage power plant was reduced by CHF 5 million. The Group decreased a provision for an onerous contract abroad by CHF 23 million. The smart Energy East business unit operated at a loss in the 2018 financial year. In connection with this and the future profitability forecasts for trading activities in the Eastern and South-Eastern European markets, the decision was taken to merge the business units in the East and West into the Digital & Commerce business division. As a result, the goodwill of CHF 12 million allocated to the trading and sales activities in Eastern and South-Eastern Europe (Digital & Commerce business division) had to be written off in full. Furthermore, the Generation International business division had to recognise an impairment loss of CHF 4 million on investments in associates.

2017: Allocation of impairment losses and provisions

The company did not have to recognise any impairment losses on power plants as expected electricity prices have not decreased further since the end of 2016. The hourly profile of low electricity prices is slightly more volatile than in previous periods, from which the highly flexible pumped storage power plants in particular benefit. For this reason, the provision for the onerous contract relating to the future procurement of energy from the Nant de Drance SA pumped storage power plant was reduced by CHF 54 million. The Group had to increase a provision for an onerous contract abroad by CHF 1 million. Furthermore, the Group had to recognise an impairment loss of CHF 6 million in the Generation International business division (previous year: Industrial Engineering business division) for a wind farm project in Scandinavia as well as an impairment loss of CHF 4 million in connection with the early return of concession rights in a small-scale hydropower plant in Italy.

In the arbitration proceedings between Kraftanlagen ARGE Olkiluoto 3 GesbR (KAO) – consisting of Kraftanlagen München GmbH and Kraftanlagen Heidelberg GmbH – and Bilfinger Piping Technologies GmbH, the German Institution of Arbitration ruled against KAO. This ruling led to write-downs of receivables of CHF 61 million, which were recognised under “Earnings after tax from discontinued operations”.

4 Energy and inventory costs

CHF million	2018	2017 (adjusted)
Electricity purchased from third parties [1]	– 3,527	– 3,795
Electricity purchased from partner power plants	– 587	– 448
Other energy purchases	– 743	– 606
Cost of inventories	– 9	– 6
Other energy and inventory costs	– 85	– 49
Total before provisions [1]	**– 4,951**	**– 4,904**
Provisions	27	53
Total [1]	**– 4,924**	**– 4,851**

1 Comparative figure adjusted due to IFRS 15

The item “Other energy purchases” primarily contains the cost of procuring fuels (gas and coals) and certificates. The item “Other energy and inventory costs” mainly comprises water taxes, concession fees and plant maintenance costs.

5 Employee costs

CHF million	2018	2017
Wages and salaries	– 154	– 146
Defined benefit pension costs	– 28	– 15
Defined contribution pension costs	– 1	– 1
Other employee costs	– 28	– 25
Total	**– 211**	**– 187**

Average number of employees

	2018	2017
Employees (full-time equivalents)	1,541	1,455
Apprentices	7	9
Total [1]	**1,548**	**1,464**

1 Only continuing operations

Number of employees at the reporting date

	31 Dec 2018	31 Dec 2017
Employees (full-time equivalents)	1,541	1,496
Apprentices	7	8
Total [1]	**1,548**	**1,504**

1 Only continuing operations

6 Depreciation, amortisation and impairment

CHF million	2018	2017
Depreciation of property, plant and equipment	– 132	– 133
Amortisation of energy purchase rights	– 3	– 11
Amortisation of other intangible assets	– 20	– 10
Impairment of property, plant and equipment and intangible assets	– 14	– 10
Total	**– 169**	**– 164**

Notes 3 and 12 disclose information about the impairment tests.

7 Finance costs and finance income

CHF million	2018	2017
Finance costs		
Interest expense	– 61	– 71
Net interest on pension plans and provisions	– 15	– 19
Other finance costs	– 20	– 14
Net foreign exchange losses	– 8	– 4
Total	**– 104**	**– 108**
Finance income		
Interest income	1	3
Gain from remeasurement of interest rate derivatives	2	4
Other finance income	6	14
Total	**9**	**21**
Financial result	**– 95**	**– 87**

The costs incurred to repurchase bonds before maturity of CHF 17 million (previous year: CHF 0 million) are included under “Other finance costs”.

8 Income tax expense

Income tax expense recognised directly in other comprehensive income

CHF million	2018	2017
Deferred income tax	– 11	– 25
Total	**– 11**	**– 25**

Income tax expense charged to the income statement

CHF million	2018	2017
Current income tax	– 32	– 32
Deferred income tax	76	– 38
Total	**44**	**– 70**

Reconciliation

CHF million	2018	2017
Earnings before tax	– 305	74
Expected income tax rate (Swiss average rate)	21 %	21 %
Income tax at the expected income tax rate	64	– 16
Tax effects from:		
21 % difference in tax rate compared to locally expected income tax rates	– 18	– 24
Income exempt from tax	36	36
Non-deductible expenses for tax purposes	– 35	– 79
Valuation from tax loss carryforwards	– 6	6
Effect of changes in tax rates	3	1
Previous years	2	3
Other effects	– 2	3
Total income tax expense	**44**	**– 70**
Effective income tax rate	14.4 %	94.6 %

Change in deferred tax assets and liabilities

CHF million	Deferred tax assets	Deferred tax liabilities	Net deferred tax liabilities
Balance at 31 December 2016	**41**	**468**	**427**
Deferred taxes recognised in the income statement [1]	12	43	31
Deferred taxes recognised in other comprehensive income [2]	– 18	29	47
Reclassified to “Assets held for sale” and “Liabilities held for sale”	– 23	– 15	8
Currency translation differences	3	8	5
Balance at 31 December 2017	**15**	**533**	**518**
Change from first-time application of IFRS 9		– 1	– 1
Deferred taxes recognised in the income statement	32	– 44	– 76
Deferred taxes recognised in other comprehensive income	– 9	2	11
Acquisition / disposal of subsidiaries		4	4
Currency translation differences	– 1	– 2	– 1
Balance at 31 December 2018	**37**	**492**	**455**

1 Of which, an amount of CHF –7 million net relates to discontinued operations.
2 Of which, an amount of CHF 22 million net relates to discontinued operations.

Deferred tax assets and liabilities by origination of temporary differences

CHF million	31 Dec 2018	31 Dec 2017
Tax losses and tax assets not yet used	29	18
Property, plant and equipment	15	1
Other non-current assets	5	4
Current assets	9	14
Provisions and liabilities	47	31
Total gross deferred tax assets	**105**	**68**
Property, plant and equipment	220	215
Other non-current assets	243	259
Current assets	51	49
Provisions and liabilities	46	63
Total gross deferred tax liabilities	**560**	**586**
Net deferred tax liabilities	**455**	**518**
Tax assets recognised in the balance sheet	37	15
Tax liabilities recognised in the balance sheet	492	533

At 31 December 2018, individual subsidiaries held tax loss carryforwards totalling CHF 851 million (previous year: CHF 737 million), which are available for offsetting against future taxable profits.

Deferred tax assets are recognised for tax loss carryforwards only to the extent that realisation of the related tax benefit is probable. The Alpiq Group has an unrecognised tax benefit on tax loss carryforwards of CHF 716 million (CHF 646 million) in the balance sheet item “Deferred income tax”. The average tax rate on tax loss carryforwards that are not eligible for capitalisation is 23.0 % (23.4 %).

These tax loss carryforwards expire in the following periods:

CHF million	31 Dec 2018	31 Dec 2017
Within 1 year	195	
Within 2 – 3 years	123	243
After 3 years	398	403
Total	**716**	**646**

In addition, non-capitalised deductible temporary valuation differences exist in an amount of CHF 344 million (CHF 197 million).

9 Earnings per share

	2018	2017
Earnings after tax from continuing operations attributable to equity investors of Alpiq Holding Ltd. (CHF million)	– 275	– 1
Interest on hybrid capital attributable to the period (CHF million) [1]	– 32	– 33
Share of Alpiq Holding Ltd. stockholders in earnings from continuing operations (CHF million)	**– 307**	**– 34**
Earnings after tax from discontinued operations attributable to equity investors of Alpiq Holding Ltd. (CHF million)	198	– 88
Share of Alpiq Holding Ltd. stockholders in earnings from continuing and discontinued operations (CHF million)	**– 109**	**– 122**
Weighted average number of shares outstanding	27,874,649	27,874,649
Earnings per share from continuing operations in CHF, diluted and undiluted	– 11.01	– 1.18
Earnings per share from discontinued operations in CHF, diluted and undiluted	7.11	– 3.16
Earnings per share in CHF, diluted and undiluted	**– 3.90**	**– 4.34**

1 See note 18

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

10 Property, plant and equipment

CHF million	Land and buildings	Power plants	Transmission assets	Other plant and equipment	Assets under construction	Total
Gross carrying amount at 31 December 2017	**190**	**5,795**	**41**	**62**	**175**	**6,263**
Acquisition / disposal of subsidiaries		56				56
Investments		16		2	18	36
Own work capitalised					1	1
Reclassifications		8		21	– 29	0
Disposals	– 1	– 28	– 1	– 36		– 66
Currency translation differences	– 10	– 84	3		– 10	– 101
Gross carrying amount at 31 December 2018	**179**	**5,763**	**43**	**49**	**155**	**6,189**
Accumulated depreciation and impairment at 31 December 2017	**– 60**	**– 3,421**	**– 32**	**– 53**	**– 132**	**– 3,698**
Depreciation charge	– 3	– 125	– 1	– 3		– 132
Impairment					– 1	– 1
Disposals	1	27	1	36		65
Currency translation differences	2	54			11	67
Accumulated depreciation and impairment at 31 December 2018	**– 60**	**– 3,465**	**– 32**	**– 20**	**– 122**	**– 3,699**
Net carrying amount at 31 December 2018	**119**	**2,298**	**11**	**29**	**33**	**2,490**

At the reporting date, the Group had no contractual commitments for the construction and acquisition of property, plant and equipment (previous year: CHF 14 million).

The Alpiq Group operates a wind farm, which is primarily funded through a long-term lease agreement. At 31 December 2018, the net carrying amount of property, plant and equipment held under finance leases was CHF 27 million (CHF 30 million). The present value of minimum lease payments is recognised under non-current and current financial liabilities. The corresponding values can be found in the table on the next page.

CHF million	Land and buildings	Power plants	Transmission assets	Other plant and equipment	Assets under construction	Total
Gross carrying amount at 31 December 2016	**303**	**5,524**	**41**	**274**	**209**	**6,351**
Acquisition / disposal of subsidiaries		5		1		6
Investments	3	7		38	35	83
Reclassifications		58		1	– 59	0
Disposals	– 7	– 3		– 37	– 9	– 56
Reclassified to “Assets held for sale”	– 114	– 7		– 223	– 2	– 346
Currency translation differences	5	211		8	1	225
Gross carrying amount at 31 December 2017	**190**	**5,795**	**41**	**62**	**175**	**6,263**
Accumulated depreciation and impairment at 31 December 2016	**– 97**	**– 3,161**	**– 29**	**– 180**	**– 135**	**– 3,602**
Depreciation charge	– 6	– 125	– 3	– 18		– 152
Impairment					– 6	– 6
Disposals	5	2		23	9	39
Reclassified to “Assets held for sale”	40	1		128		169
Currency translation differences	– 2	– 138		– 6		– 146
Accumulated depreciation and impairment at 31 December 2017	**– 60**	**– 3,421**	**– 32**	**– 53**	**– 132**	**– 3,698**
Net carrying amount at 31 December 2017	**130**	**2,374**	**9**	**9**	**43**	**2,565**

Commitments under finance leases

CHF million	Minimum lease payments at 31 Dec 2018	Minimum lease payments at 31 Dec 2017	Present value at 31 Dec 2018	Present value at 31 Dec 2017
Within 1 year	4	4	3	4
Within 2 – 5 years	14	15	12	13
More than 5 years	20	25	14	18
Total	**38**	**44**	**29**	**35**
Finance charges	– 9	– 9		
Present value of minimum lease payments	**29**	**35**	**29**	**35**

11 Intangible assets

CHF million	Energy purchase rights	Goodwill	Other intangible assets	Assets under construction	Total
Gross carrying amount at 31 December 2017	**1,492**	**648**	**468**	**17**	**2,625**
Investments			1	10	11
Own work capitalised				4	4
Reclassifications			22	– 22	
Disposals			– 7	– 1	– 8
Currency translation differences	3	– 1	– 2		
Gross carrying amount at 31 December 2018	**1,495**	**647**	**482**	**8**	**2,632**
Accumulated amortisation and impairment at 31 December 2017	**– 1,461**	**– 619**	**– 392**	**0**	**– 2,472**
Amortisation charge	– 3		– 20		– 23
Impairment		– 12		– 1	– 13
Disposals			7	1	8
Accumulated amortisation and impairment at 31 December 2018	**– 1,464**	**– 631**	**– 405**	**0**	**– 2,500**
Net carrying amount at 31 December 2018	**31**	**16**	**77**	**8**	**132**
Gross carrying amount at 31 December 2016	**1,486**	**740**	**471**	**14**	**2,711**
Acquisition / disposal of subsidiaries		34	22		56
Investments			3	5	8
Own work capitalised				5	5
Reclassifications			9	– 7	2
Disposals			– 2		– 2
Reclassified to “Assets held for sale”		– 133	– 52		– 185
Currency translation differences	6	7	17		30
Gross carrying amount at 31 December 2017	**1,492**	**648**	**468**	**17**	**2,625**
Accumulated amortisation and impairment at 31 December 2016	**– 1,444**	**– 647**	**– 386**	**0**	**– 2,477**
Amortisation charge	– 11		– 14		– 25
Impairment			– 4		– 4
Disposals			2		2
Reclassified to “Assets held for sale”		33	23		56
Currency translation differences	– 6	– 5	– 13		– 24
Accumulated amortisation and impairment at 31 December 2017	**– 1,461**	**– 619**	**– 392**	**0**	**– 2,472**
Net carrying amount at 31 December 2017	**31**	**29**	**76**	**17**	**153**

12 Goodwill impairment test

Goodwill has been allocated to the following cash-generating units for impairment testing purposes:

CHF million	Pre-tax discount rate at 2018	Post-tax discount rate at 2018	Carrying amount at 31 Dec 2018	Pre-tax discount rate at 2017	Post-tax discount rate at 2017	Carrying amount at 31 Dec 2017
Trading and sales activities Eastern and South-Eastern Europe	7.2 %	5.7 %		7.1%	6.0 %	12
Energy Management	6.1%	5.4 %	16	6.9 %	6.0 %	17
Total			**16**			**29**

The recoverable amounts applied for impairment testing are based on value in use. For the first three years, business plans as approved by the management as well as other relevant influencing factors announced after the plans have been approved are applied to calculate values in use. These plans were prepared on the basis of historical empirical data and current market expectations. 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 that Alpiq expects. The discount rates that have been applied reflect the current market estimate for the specific risks to be allocated to the cash-generating units. Information about the impairment of the “Trading and sales activities Eastern and South-Eastern Europe” goodwill can be found in note 3.

13 Investments in partner power plants and other associates

CHF million	Partner power plants	Other associates	Total
Carrying amount at 31 December 2016	**2,448**	**53**	**2,501**
Investments	47	1	48
Dividends [1]	– 25	– 13	– 38
Share of profit / loss [2]	– 18	1	– 17
IAS 19 and IAS 39 effects recognised in other comprehensive income	32		32
Disposals	– 6	– 2	– 8
Reclassified to “Assets held for sale”		– 4	– 4
Currency translation differences		2	2
Carrying amount at 31 December 2017	**2,478**	**38**	**2,516**
Investments		2	2
Dividends	– 25		– 25
Share of profit / loss	– 45	2	– 43
IAS 19 and IFRS 9 effects recognised in other comprehensive income	33	5	38
Impairment		– 4	– 4
Reclassifications	– 6		– 6
Disposals	– 28	– 23	– 51
Carrying amount at 31 December 2018	**2,407**	**20**	**2,427**

1 Of which, an amount of CHF 13 million relates to discontinued operations.
2 Of which, an amount of CHF 1 million relates to discontinued operations.

At the beginning of February 2018, Alpiq and BKW Energie AG (BKW) agreed to terminate an electricity supply contract. Under this contract, BKW had purchased 5.3 % of the electricity generated at the Leibstadt nuclear power plant (KKL) from Alpiq since it was commissioned. In return, Alpiq assigned a direct interest of 5.0 % of the share capital in the KKL to BKW. The contract was closed on 20 September 2018, reducing Alpiq Ltd.’s share in Kernkraftwerk Leibstadt AG to 27.4 %. The posting of this transaction does not have any material impact on the 2018 net income of the Alpiq Group.

Information about the agreement completed with Moncada Energy Group S.r.l. (MEG) and the associated transfer of the 22 % interest in M&A Rinnovabili S.r.l. to MEG can be found in note 29.

All material partner power plants and other associates are valued in accordance with uniform IFRS principles, and are accounted for in the consolidated financial statements applying the equity method. Reconciliation statements are prepared where no IFRS financial statements are available.

The reporting date of a few partner power plants (hydrological year) and other associates differs from that of the Group. The most recent available financial statements of these companies are utilised to prepare the consolidated financial statements of the Alpiq Group. Significant transactions and events that occur between the end of the most recent reporting period and 31 December are taken into account in the consolidated financial statements.

2018: Summarised financial information

Under the partner agreements in force, the shareholders of partner power plants are required to take on the energy and pay the annual costs allotted to their ownership interest (including interest and repayment of liabilities) throughout the concession period. Furthermore, nuclear power plant owners are required to pay limited additional contributions to the decommissioning and waste disposal fund, in case one primary contributor is unable to fulfil payments. The partner agreements run through the useful life of the power plant, or through the concession period, and cannot be terminated. For individual partner power plants, Alpiq assigned a portion of the energy to be granted to it on account of its ownership interest as well as the associated obligation to pay its annual costs to another company. In such cases, the reported interest relevant from an economic perspective may differ from the interest held pursuant to corporate law.

The merger of Atel and EOS, which formed Alpiq in 2009, led to fair value adjustments being made on the acquired assets in the course of the business combination. These are included in the summarised financial information and are calculated on the basis of a weighting.

Material partner power plants

	Grande Dixence SA		Nant de Drance SA		Kernkraftwerk Gösgen-Däniken AG		Kernkraftwerk Leibstadt AG		Kernkraftwerk-Beteiligungs-gesellschaft AG (KBG)	
CHF million	Gross values	Alpiq share	Gross values	Alpiq share	Gross values	Alpiq share	Gross values	Alpiq share	Gross values	Alpiq share
Non-current assets	2,251	1,350	1,920	749	3,205	1,282	5,089	1,331	794	264
Of which, non-current financial assets	50	30			1,952	781	1,887	494		
Current assets	40	24	93	36	334	134	485	127	22	7
Of which, cash and current financial assets	35	21	52	20	43	17	176	46	17	6
Non-current liabilities	789	472	1,432	558	3,092	1,238	3,851	1,007	40	13
Of which, non-current financial liabilities	784	470	1,417	553	136	54	325	85	40	13
Current liabilities	172	103	125	49	83	33	417	109	70	23
Of which, current financial liabilities	95	57					285	74	55	18
Total equity	**1,330**	**799**	**456**	**178**	**364**	**145**	**1,306**	**342**	**706**	**235**
Revenue	157	94	3	1	491	196	575	150	140	47
Expenses	– 183	– 112	– 6	– 2	– 486	– 194	– 595	– 155	– 187	– 63
Net income	**– 26**	**– 18**	**– 3**	**– 1**	**5**	**2**	**– 20**	**– 5**	**– 47**	**– 16**
Other comprehensive income	– 9	– 2	2	1	45	18	48	13		
Total comprehensive income	**– 35**	**– 20**	**– 1**	**0**	**50**	**20**	**28**	**8**	**– 47**	**– 16**
Dividends received		**5**				**7**		**8**		**2**

The associates classified as material by Alpiq comprise only strategically significant partner power plants. No market prices are available for any of these companies.

Individually immaterial partner power plants and other associates

CHF million	Individually immaterial partner power plants		Other associates	
	Gross values	Alpiq share	Gross values	Alpiq share
Non-current assets	4,112	1,084	30	17
Of which, non-current financial assets	67	9		
Current assets	110	19	22	7
Of which, cash and current financial assets	45	8	12	4
Non-current liabilities	1,594	343	6	2
Of which, non-current financial liabilities	1,584	340		
Current liabilities	293	52	5	2
Of which, current financial liabilities	144	24		
Total equity	**2,335**	**708**	**41**	**20**
Revenue	410	84	73	23
Expenses	– 426	– 91	– 66	– 21
Net income	**– 16**	**– 7**	**7**	**2**
Other comprehensive income	22	3	18	5
Total comprehensive income	**6**	**– 4**	**25**	**7**
Dividends received		**3**		

The Alpiq Group's share of the regular annual costs of all partner power plants in 2018 amounted to CHF 587 million (previous year: CHF 448 million). This amount is included in energy and inventory costs.

2017: Summarised financial information

Material partner power plants

CHF million	Grande Dixence SA Gross values	Grande Dixence SA Alpiq share	Nant de Drance SA Gross values	Nant de Drance SA Alpiq share	Kernkraftwerk Gösgen-Däniken AG Gross values	Kernkraftwerk Gösgen-Däniken AG Alpiq share	Kernkraftwerk Leibstadt AG Gross values	Kernkraftwerk Leibstadt AG Alpiq share	Kernkraftwerk-Beteiligungs-gesellschaft AG (KBG) Gross values	Kernkraftwerk-Beteiligungs-gesellschaft AG (KBG) Alpiq share
Non-current assets	2,318	1,391	1,748	682	3,275	1,310	5,020	1,625	868	289
Of which, non-current financial assets	7	4			2,038	815	1,931	625		
Current assets	32	19	44	17	191	76	276	89	14	5
Of which, cash and current financial assets	27	16	4	2	69	27	63	20	11	4
Non-current liabilities	781	468	1,238	482	3,041	1,216	3,822	1,237	40	13
Of which, non-current financial liabilities	779	467	1,237	482	136	55	400	129	40	13
Current liabilities	196	118	97	38	94	38	330	107	83	28
Of which, current financial liabilities	170	102							60	20
Total equity	**1,373**	**824**	**457**	**179**	**331**	**132**	**1,144**	**370**	**759**	**253**
Revenue	157	94	3	1	223	89	370	120	211	70
Expenses	– 189	– 114	– 2	– 1	– 167	– 67	– 337	– 110	– 286	– 95
Net income	**– 32**	**– 20**	**1**	**0**	**56**	**22**	**33**	**10**	**– 75**	**– 25**
Other comprehensive income			3	1	37	15	38	12		
Total comprehensive income	**– 32**	**– 20**	**4**	**1**	**93**	**37**	**71**	**22**	**– 75**	**– 25**
Dividends received		**5**				**7**		**8**		**2**

Individually immaterial partner power plants and other associates

	Individually immaterial partner power plants		Other associates	
CHF million	Gross values	Alpiq share	Gross values	Alpiq share
Non-current assets	4,210	1,108	201	49
Of which, non-current financial assets	78	10		
Current assets	105	20	103	25
Of which, cash and current financial assets	53	10	89	20
Non-current liabilities	1,636	347	130	30
Of which, non-current financial liabilities	1,609	342	101	22
Current liabilities	317	61	22	6
Of which, current financial liabilities	163	32		
Total equity	**2,362**	**720**	**152**	**38**
Revenue	405	84	129	36
Expenses	– 408	– 89	– 121	– 35
Net income	**– 3**	**– 5**	**8**	**1**
Other comprehensive income	27	4		
Total comprehensive income	**24**	**– 1**	**8**	**1**
Dividends received		**3**		

14 Other non-current assets

CHF million	Financial investments	Loans receivable	Other non-current assets	Total
Carrying amount at 31 December 2016	**5**	**10**	**248**	**263**
Additions		5		5
Reclassifications	– 4	1	– 49	– 52
Disposals		– 5		– 5
Impairment			– 2	– 2
Reclassified to “Assets held for sale”		– 6		– 6
Currency translation differences		1		1
Carrying amount at 31 December 2017	**1**	**6**	**197**	**204**
Reclassifications		5	– 48	– 43
Disposals		– 1		– 1
Carrying amount at 31 December 2018	**1**	**10**	**149**	**160**

Alpiq has disposed of all of the loan claims received from Swissgrid AG in 2014 as part of the transfer of high-voltage grids. As part of the disposal, the Swissgrid loan tranches were sold without the contractually related conversion rights. Swissgrid AG can, or must, convert the loans into equity if certain conditions arise. In this instance, the buyers of the loans would receive shares in the equity of Swissgrid AG. In the case of a conversion, however, Alpiq is obligated on the basis of the contract with the buyers of the loans to purchase from the buyer all shares in the equity of Swissgrid AG arising from the conversion to a maximum amount of CHF 197 million (previous year: CHF 246 million). As a consequence, although Alpiq has sold the loans, it has also entered into a directly related obligation in the amount of CHF 197 million (CHF 246 million). Due to the aforementioned contractual structure of the transaction, the loans could not be derecognised and remain on Alpiq’s books as “Other non-current assets” in the amount of CHF 148 million (CHF 197 million) and as “Receivables” in the amount of CHF 49 million (CHF 49 million) on account of the maturity of the underlying Swissgrid AG convertible bonds. The reclassification to receivables means that this amount of Swissgrid AG convertible bonds will be due for repayment in the next 12 months. Financial liabilities also exist in the amount of the obligations that were entered into as a result of the sales. These are included under “Other non-current liabilities” in the amount of CHF 148 million (CHF 197 million) and under “Other current liabilities” in the amount of CHF 49 million (CHF 49 million).

15 Inventories

At the reporting date, inventories primarily included consumables, supplies and fuels carried at CHF 33 million (previous year: CHF 36 million), CO_2 and other certificates at CHF 37 million (CHF 22 million) as well as work in progress at CHF 1 million (CHF 1 million).

16 Receivables

CHF million	31 Dec 2018	31 Dec 2017
Trade receivables [1]	792	929
Prepayments to suppliers	33	39
Other current receivables	329	299
Total	**1,154**	**1,267**

1 Of which, an amount of CHF 446 million (previous year: CHF 497 million) stems from contracts with customers pursuant to IFRS 15.

Alpiq usually grants its customers payment deadlines of no longer than 30 days. In certain cases, the payment deadline can be 60 days. Trade receivables from and trade payables to the same counterparties are offset, provided that a netting agreement has been reached with the counterparties, and payment is made on a net basis. For more information, please refer to note 2.

2018: Age analysis of trade receivables

CHF million	Carrying amount before impairment	Impairment	Carrying amount after impairment
Not past due	746	– 1	745
1–90 days past due	51	– 10	41
91–180 days past due	1	– 1	
181–360 days past due	3	– 3	
Over 360 days past due	33	– 27	6
Total	**834**	**– 42**	**792**

2017: Age analysis of trade receivables

CHF million	Carrying amount before impairment	Impairment	Carrying amount after impairment
Not past due	854		854
1–90 days past due	63	– 2	61
91–180 days past due			
181–360 days past due	3	– 1	2
Over 360 days past due	41	– 29	12
Total	**961**	**– 32**	**929**

Impairment of trade receivables

CHF million	31 Dec 2018	31 Dec 2017
Carrying amount before impairment	834	961
Impaired	– 42	– 32
Impairment at beginning of year	– 32	– 40
Change from first-time application of IFRS 9	– 1	
Impairment charge for the year [1]	– 15	– 9
Amounts written off as uncollectible	2	6
Unused amounts reversed	1	1
Reclassified to “Assets held for sale”		13
Currency translation differences	3	– 3
Impairment at end of year	– 42	– 32

1 Of which, an amount of CHF –15 million (previous year: CHF –9 million) stems from contracts with customers pursuant to IFRS 15.

The impairment comprises impairment losses of CHF 41 million and losses of CHF 1 million expected in future due to the application of the expected credit loss model. For the losses expected in future, individual probabilities of default are calculated for each counterparty amounting to between 0.03 % and 19.25 %, depending on the maturity of the trade receivables.

17 Cash and cash equivalents

CHF million	31 Dec 2018	31 Dec 2017
Cash at bank and in hand	621	659
Term deposits with a maturity of 90 days or less	13	3
Total	**634**	**662**

18 Equity

Share capital

The share capital of CHF 278.7 million (previous year: CHF 278.7 million) consists of 27,874,649 registered shares at par value of CHF 10 each (27,874,649 registered shares) and is fully paid in. The shareholder structure breaks down as follows:

	Stakes in % at 31 Dec 2018	Stakes in % at 31 Dec 2017
EOS HOLDING SA (EOSH)	31.44	31.44
EDF Alpes Investissements Sàrl (EDFAI)	25.04	25.04
EBM (Genossenschaft Elektra Birseck)	13.65	13.65
EBL (Genossenschaft Elektra Baselland)	7.13	7.13
Canton of Solothurn	5.61	5.61
Aziende Industriali di Lugano (AIL) SA	2.13	2.13
Eniwa Holding AG	2.00	2.00
WWZ AG	0.91	0.91
Free float	12.09	12.09

The Board of Directors of Alpiq submits a proposal to the Annual General Meeting on 14 May 2019 that it distribute no dividend for the 2018 financial year.

Hybrid capital

In 2013, the main Swiss shareholders subscribed to a hybrid loan in the amount of CHF 367 million. In addition, Alpiq placed a CHF 650 million public hybrid bond on the Swiss capital market.

The total hybrid capital of CHF 1,017 million is for an unlimited duration, and qualifies as equity capital under IFRS accounting guidelines. On 15 November 2018, Alpiq had the opportunity to repay the public hybrid bond for the first time. Alpiq opted not to, and the interest rate was adjusted to reflect prevailing market conditions. It now stands at 4.5325 % compared to the previous interest rate of 5 %. In future, Alpiq has an option to repay on 15 November of each year. The interest rate is adjusted to reflect prevailing market conditions every five years and therefore for the next time on 15 November 2023. In 2023 and 2043, the interest rate will be increased by an additional 25 bps and 75 bps respectively. The hybrid loan from the main Swiss shareholders can be repaid only after the public hybrid bond has been repaid, and is subordinate to it. Under certain circumstances, Alpiq can repay the hybrid loan from the main Swiss shareholders with shares or equivalent hybrid instruments. Interest payments on the hybrid loan from the main Swiss shareholders can be suspended at Alpiq's discretion without the need for Alpiq to subsequently pay the suspended interest. The interest on the public hybrid bond can also be suspended. In this case, however, the payment of interest only lapses after three years.

On 26 March 2018, Alpiq announced that it will not pay any interest on the hybrid loan from the main Swiss shareholders for the period from March 2017 to March 2018. The hybrid bond that was placed publicly was serviced, by contrast. The interest after tax attributable to 2018 was CHF 32 million (previous year: CHF 33 million). Interest from the public hybrid bond that is attributable to the reporting year and approved interest payments on the hybrid loan meet the criteria of a preference dividend, irrespective of whether the interest was paid or a legal obligation for the payment exists, and is deducted from the "Net income attributable to equity investors of Alpiq Holding Ltd." for the calculation of the undiluted earnings per share. The accrued interest after tax amounted to a total of CHF 18 million at 31 December 2018 (CHF 19 million). As no legally enforceable payment obligation exists, the accrued interest was not accrued as a financial liability, and was not deducted from equity. Interest payments totalling CHF 33 million occurred in 2018 (Swiss main shareholders CHF 0 million, public hybrid bond CHF 33 million). Due to the equity character of the hybrid capital, these distributions were carried directly to equity (retained earnings).

Change in non-controlling interests

In the fourth quarter of 2018, Alpiq Energia Italia S.p.A. acquired the tolling ratio of 33.3 % in En Plus S.r.l. from Eviva S.p.A. On 23 November 2018, Alpiq exercised the call option in place for this case on the share ratio of 33.3 % held by Eviva S.p.A. in En Plus S.r.l. for CHF 0.6 million. The carrying amount of the net liabilities of En Plus S.r.l. came to CHF 27 million. The difference of CHF 28 million was posted to "Equity attributable to equity investors of Alpiq Holding Ltd.", of which CHF 5 million related to cash flow hedge reserves, CHF 4 million to currency translation differences and CHF 19 million to retained earnings.

19 Provisions

CHF million	Provision for onerous contracts	Provision for restructuring	Provision for decommissioning own power plants	Provision for warranties	Other provisions	Total
Non-current provisions at 1 January 2018	306		45	4	45	400
Current provisions at 1 January 2018	28	12			39	79
Total provisions at 1 January 2018	**334**	**12**	**45**	**4**	**84**	**479**
Acquisition / disposal of subsidiaries					1	1
Allocated	3	2	1	11	4	21
Unwinding of discount	13		2			15
Utilised	– 19	– 1			– 11	– 31
Unused amounts reversed	– 32	– 3	– 4		– 11	– 50
Reclassified	– 7	2	– 1		6	0
Currency translation differences	– 3				– 2	– 5
Total provisions at 31 December 2018	**289**	**12**	**43**	**15**	**71**	**430**
Non-current provisions at 31 December 2018	268		43	4	48	363
Current provisions at 31 December 2018	21	12		11	23	67

The provision for onerous contracts covers the present value of the existing onerous contracts from energy trading and sales as well as construction contracts as determined at the reporting date.

The provision for restructuring covers the costs expected in future from the restructuring programmes initiated in previous years. The provision includes costs arising in the course of restructuring.

The provision for decommissioning the Group’s own power plant portfolio covers the estimated costs of decommissioning and restoration obligations associated with the Group’s existing power plants.

The provision for warranties was calculated based on historical data and contractual agreements and also includes the provisions for warranties and indemnification in connection with the sale of the Engineering Services business to Bouygues Construction.

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

Substantial provisions where the time value of money is material are recognised at present value, with interest charged to finance costs.

20 Financial liabilities

CHF million	Bonds	Loans payable	Other	Total
Non-current financial liabilities at 31 December 2017	1,265	502		1,767
Current financial liabilities at 31 December 2017	200	92	50	342
Financial liabilities at 31 December 2017	**1,465**	**594**	**50**	**2,109**
Proceeds from financial liabilities		4		4
Repayment of financial liabilities	– 500	– 85	– 50	– 635
Acquisition / disposal of subsidiaries		34		34
Unwinding of discount	1			1
Currency translation differences		– 11		– 11
Financial liabilities at 31 December 2018	**966**	**536**	**0**	**1,502**
Non-current financial liabilities at 31 December 2018	817	490		1,307
Current financial liabilities at 31 December 2018	149	46		195

CHF million	Bonds	Loans payable	Other	Total
Non-current financial liabilities at 31 December 2016	1,333	571		1,904
Current financial liabilities at 31 December 2016	362	86	28	476
Financial liabilities at 31 December 2016	**1,695**	**657**	**28**	**2,380**
Proceeds from financial liabilities	130	40	22	192
Repayment of financial liabilities	– 362	– 121		– 483
Acquisition / disposal of subsidiaries		1		1
Unwinding of discount	2			2
Reclassified to "Liabilities held for sale"		– 8		– 8
Currency translation differences		25		25
Financial liabilities at 31 December 2017	**1,465**	**594**	**50**	**2,109**
Non-current financial liabilities at 31 December 2017	1,265	502		1,767
Current financial liabilities at 31 December 2017	200	92	50	342

Bonds outstanding at the reporting date

CHF million	Maturity	Earliest repayment date	Effective interest rate %	Carrying amount at 31 Dec 2018	Carrying amount at 31 Dec 2017
Alpiq Holding Ltd. CHF 100 million face value, 2 5/8 % fixed rate	2006/2018	1 Mar 2018	2.788		100
Alpiq Holding Ltd. CHF 100 million face value, 3 7/8 % fixed rate	2008/2018	30 Oct 2018	4.020		100
Alpiq Holding Ltd. CHF 149 million face value, 3 % fixed rate [1]	2009/2019	25 Nov 2019	3.182	149	283
Alpiq Holding Ltd. CHF 144 million face value, 2 1/4 % fixed rate [1]	2011/2021	20 Sept 2021	2.401	143	178
Alpiq Holding Ltd. CHF 145 million face value, 3 % fixed rate [1]	2012/2022	16 May 2022	3.060	144	200
Alpiq Holding Ltd. CHF 141 million face value, 2 1/8 % fixed rate [1]	2015/2023	30 Jun 2023	2.123	141	175
Alpiq Holding Ltd. CHF 260 million face value, 2 5/8 % fixed rate [1]	2014/2024	29 Jul 2024	2.712	259	299
Electricité d'Emosson SA CHF 130 million face value, 1 3/8 % fixed rate	2017/2022	2 Nov 2022	1.441	130	130

1 Partial repurchase at 18 September 2018

Relative to face value, the weighted interest rate issued at the reporting date on bonds was 2.43 % (previous year: 2.56 %), and 3.57 % (3.82 %) on loans payable. These also include project financing facilities denominated in euros. The weighted average rate of interest on the bonds and loans payable amounts to 2.85 % (2.93 %).

At 18 September 2018, Alpiq repurchased bonds with a face value of CHF 300 million, maturing between 2019 and 2024.

21 Other non-current liabilities

CHF million	31 Dec 2018	31 Dec 2017
Written put options	11	11
Other non-current liabilities	196	260
Total	**207**	**271**

The item "Other non-current liabilities" includes obligations in the amount of CHF 148 million (previous year: CHF 197 million) arising from the sale of loans receivable due from Swissgrid AG. Note 14 provides further information about the transaction.

22 Other current liabilities

CHF million	31 Dec 2018	31 Dec 2017
Trade payables	577	745
Other current liabilities	291	237
Advances from customers	14	32
Total	**882**	**1,014**

Trade payables to suppliers who are also customers are settled with trade receivables, provided that a netting agreement has been reached with the counterparties, and payment is made on a net basis. For further details, please refer to note 2.

The item "Other current liabilities" includes obligations in the amount of CHF 49 million (previous year: CHF 49 million) arising from the sale of loans receivable due from Swissgrid AG. Note 14 provides further information about the transaction.

23 Related party transactions

Related parties include partner power plants, other associates and major shareholders with significant influence on the Alpiq Group as well as employee pension schemes, the Board of Directors and the Executive Board. EOS Holding SA and EDFAI have significant influence over the Alpiq Group and are referred to below as "Other related companies".

Transactions between the Group and related companies

			2018			2017 (adjusted)
CHF million	Partner power plants	Other associates	Other related companies	Partner power plants	Other associates	Other related companies
Total revenue and other income						
Net revenue [1]	49	30	497	64	12	376
Other operating income [1]	2			2		
Operating expenses						
Energy and inventory costs	– 587	– 13	– 343	– 448		– 347
Other operating expenses		– 1			– 2	
Financial result						
Finance income		1				

1 Comparative figure adjusted due to IFRS 15

Outstanding balances with related companies at the reporting date

CHF million	31 Dec 2018 Partner power plants	Other associates	Other related companies	31 Dec 2017 Partner power plants	Other associates	Other related companies
Assets						
Other non-current assets	1	3		1	1	
Current term deposits	71			18		
Receivables	6	3	21	6	1	21
Derivative financial instruments			83			51
Prepayments and accrued income	1			58		
Liabilities						
Current financial liabilities	2					
Other current liabilities	12	1	15	15		40
Derivative financial instruments			4			20
Accruals and deferred income	111		2	17		1

Investments in partner power plants and other associates are presented in note 13. The Alpiq Group has contractual power offtake arrangements with partner power plants. Electricity is purchased according to the ownership interest, although no volumes have been agreed contractually. Power generation capacity depends on optimum utilisation of the power plants. The costs for power production at the partner power plants are assumed on a cost-plus basis.

Non-financial energy trading contracts outstanding with other associates and other related companies comprised a contract volume of 125 TWh at 31 December 2018 (previous year: 171 TWh) and a gross value of CHF 4.6 billion (CHF 5.8 billion).

Details of transactions between the Group and its employee pension schemes are disclosed in note 24.

Members of the Board of Directors and the Executive Board

The total compensation for the Board of Directors and the Executive Board breaks down as follows:

CHF million	Board of Directors 2018	Board of Directors 2017	Executive Board 2018	Executive Board 2017
Fixed and variable remuneration	2.3	2.5	6.0	6.3
Social security contributions	0.1	0.1	1.1	1.1
Total	**2.4**	**2.6**	**7.1**	**7.4**

The vesting period of the phantom share programme (cash-settled, share-based compensation) expired on 30 April 2018 without a right to payment having arisen. The effect on earnings for cash-settled, share-based compensation in 2018 was immaterial. There were no other share-based compensation programmes in 2018.

Detailed information on the total compensation of the Board of Directors and the Executive Board is presented in the remuneration report.

24 Employee benefits

Defined benefit pension costs recognised in the income statement

CHF million	2018	2017
Current service cost	– 15	– 15
Past service cost	– 13	
Defined benefit pension costs	**– 28**	**– 15**

In 2018, the foundation board of the PKE Vorsorgestiftung Energie (Swiss defined contribution plan) decided on various measures to ensure the financial balance of the PKE Vorsorgestiftung Energie in light of rising life expectancy, the persistently low interest level and the modest yield forecasts. Key measures include reducing the conversion rate and levying additional employer contributions. Furthermore, a one-off special contribution of 13 % will be credited to active members' individual retirement assets while the package of measures is being implemented. The effect of the package of measures as a whole was recognised in "Past service costs".

Defined benefit liability in the balance sheet

CHF million	31 Dec 2018	31 Dec 2017
Present value of defined benefit obligation	729	726
Fair value of plan assets	679	708
Net defined benefit liability	**50**	**18**

Reconciliation of net defined benefit liability

CHF million	2018	2017
Net defined benefit liability at 1 January	**18**	**313**
Defined benefit expense recognised in the income statement [1]	28	51
Defined benefit expense recognised in other comprehensive income [2]	17	– 160
Contributions by employer to legally independent pension schemes	– 11	– 33
Benefits paid directly by employer	– 2	– 7
Reclassified to "Liabilities held for sale"		– 154
Currency translation differences		8
Net defined benefit liability at 31 December	**50**	**18**

1 Of which, in the previous year an amount of CHF 36 million relates to discontinued operations.
2 Of which, in the previous year an amount of CHF –86 million relates to discontinued operations.

Changes in the present value of the defined benefit obligation

CHF million	2018	2017
Defined benefit obligation at 1 January	**726**	**1,505**
Interest expense on defined benefit obligations [1]	5	10
Current service cost [2]	15	48
Past service cost	13	
Contributions by plan participants	8	21
Benefits paid	– 30	– 64
Remeasurements:		
Financial assumptions	– 12	– 22
Demographic assumptions		– 39
Experience adjustments	4	8
Reclassified to “Liabilities held for sale”		– 749
Currency translation differences		8
Defined benefit obligation at 31 December	**729**	**726**

1 Of which, in the previous year an amount of CHF 6 million relates to discontinued operations.
2 Of which, in the previous year an amount of CHF 33 million relates to discontinued operations.

The weighted average duration of the defined benefit obligation at the reporting date is 13.0 years (previous year: 13.3 years).

Changes in the fair value of the plan assets

CHF million	2018	2017
Fair value of plan assets at 1 January	**708**	**1,192**
Interest income on plan assets [1]	5	7
Contributions by employer to legally independent pension schemes	11	33
Contributions by plan participants	8	21
Benefits paid	– 28	– 57
Remeasurement on plan assets	– 25	107
Reclassified to “Liabilities held for sale”		– 595
Fair value of plan assets at 31 December	**679**	**708**

1 Of which, in the previous year an amount of CHF 3 million relates to discontinued operations.

Asset classes of plan assets

CHF million	31 Dec 2018	31 Dec 2017
Quoted market prices		
Cash and cash equivalents	16	15
Equity instruments of third parties	263	537
Debt instruments of third parties	193	471
Property funds	35	109
Other investments	74	70
Reclassified to "Liabilities held for sale"		– 591
Total plan assets at fair value (quoted market prices)	**581**	**611**
Unquoted market prices		
Property not used by the company	98	98
Other investments		3
Reclassified to "Liabilities held for sale"		– 4
Total plan assets at fair value (unquoted market prices)	**98**	**97**
Total fair value of plan assets	**679**	**708**

2018: Actuarial assumptions

%	Swiss plans
Discount rate	0.79
Expected rates of salary increase (weighted average)	0.50

2017: Actuarial assumptions

%	Swiss plans
Discount rate	0.63
Expected rates of salary increase (weighted average)	0.50

Life expectancy has been calculated by applying the CMI model with an estimated long-term rate of change of 1.25 % (previous year: 1.25 %).

Sensitivity analysis

The valuation of the net defined benefit obligation is particularly sensitive in terms of changes in the discount rate, assumptions of salary increase and in life expectancy. The following table summarises the effects of a change in these assumptions on the present value of the net defined benefit obligation after reclassification to “Liabilities held for sale”.

CHF million	2018	2017
Discount rate		
0.25 % increase	– 23	– 23
0.25 % reduction	24	25
Rate of salary increase		
0.25 % increase	2	2
0.25 % reduction	– 1	– 2
Life expectancy		
1 year increase	29	29
1 year reduction	– 29	– 29

In each case, the sensitivity analysis takes into consideration a change of one assumption while all of the other assumptions remain unchanged. This approach does not take into account that some assumptions are dependent on each other.

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

Employer social security contributions are estimated at CHF 10 million and employee contributions are estimated at CHF 7 million for 2019.

25 Financial instruments: further disclosures

Carrying amounts and fair values of financial assets and liabilities

CHF million	Note	Carrying amount at 31 Dec 2018	Fair value at 31 Dec 2018	Carrying amount at 31 Dec 2017	Fair value at 31 Dec 2017
Financial assets at fair value through profit or loss					
Positive replacement values of derivatives					
Energy derivatives		1,279	1,279	878	878
Currency and interest rate derivatives		8	8	5	5
Securities		25	25	26	26
Financial liabilities at amortised cost					
Bonds	20	966	1,006	1,465	1,485
Loans payable	20	536	541	594	597
Financial liabilities at fair value through profit or loss					
Negative replacement values of derivatives					
Energy derivatives		1,186	1,186	754	754
Currency and interest rate derivatives		37	37	64	64

The carrying amounts of all other financial instruments differ only insignificantly from the fair values. This is why the corresponding fair values have not been disclosed.

Fair value hierarchy of financial instruments

At the reporting date, the Alpiq Group measured the following assets and liabilities at their fair value, or disclosed a fair value. The fair value hierarchy shown below was used to classify the financial instruments:

Level 1: Quoted prices in active markets for identical assets or liabilities
Level 2: Valuation model based on prices quoted in active markets that have a significant effect on the fair value
Level 3: Valuation models utilising inputs which are not based on quoted prices in active markets and which have a significant effect on fair value

CHF million	31 Dec 2018	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Financial investments	1		1	
Securities	25		25	
Energy derivatives	1,279		1,279	
Currency and interest rate derivatives	8		8	
Financial liabilities at amortised cost				
Bonds	1,006	1,006		
Loans payable	541		541	
Financial liabilities at fair value through profit or loss				
Energy derivatives	1,186		1,186	
Currency and interest rate derivatives	37		37	

CHF million	31 Dec 2017	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Financial investments	1		1	
Securities	26		26	
Energy derivatives	878		878	
Currency and interest rate derivatives	5		5	
Financial liabilities at amortised cost				
Bonds	1,485	1,485		
Loans payable	597		597	
Financial liabilities at fair value through profit or loss				
Energy derivatives	754		754	
Currency and interest rate derivatives	64		64	

During the financial years ending 31 December 2018 and 31 December 2017, there were no reclassifications between Levels 1 and 2, or transfers from Level 3.

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

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

Expense / income related to financial assets and liabilities

CHF million	Income statement 2018	Other comprehensive income 2018	Income statement 2017	Other comprehensive income 2017
Net gains / losses				
Financial assets and liabilities at fair value through profit and loss	50	51	24	– 24
Financial assets and liabilities at amortised cost	1		– 5	
Interest income and expense				
Interest income for financial assets at amortised cost	1		2	
Interest expense for financial liabilities at amortised cost	– 61		– 70	

Information about the impairment of trade receivables is disclosed in note 16.

26 Contingent liabilities and guarantees

After completing the tax audit on the Bucharest branch of Alpiq Energy SE, Prague, the Romanian tax authority ANAF (Agenţia Naţională de Administrare Fiscală) issued Alpiq the final decision in September 2017 regarding tax assessment in the amount of RON 793 million or CHF 192 million for value added tax, corporate income tax and penalties (including late payment penalties) for the period of 2010 to 2014. The tax assessment determined by ANAF will be contested on account of its reasoning and the extent of the amount assessed, as Alpiq is firmly 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. In the previous year, Alpiq filed an objection with ANAF against the tax assessment. Alpiq received a decision from ANAF at the end of June 2018. In the main proceedings, ANAF supported its own view and dismissed the objection with regard to an amount of RON 589 million or CHF 142 million as being without merit. With regard to an amount of RON 204 million or CHF 49 million, it repealed the decision from the tax audit and ordered a reassessment. In one matter concerning an immaterial amount, ANAF ruled in favour of Alpiq. The decision on the appeal made by ANAF will be contested by Alpiq by making use of all available local and international legal means of appeal. The amount stipulated by ANAF has been secured by a bank guarantee. This came to RON 589 million or CHF 142 million (previous year: RON 793 million or CHF 199 million) at the reporting date. An amount of EUR 130 million or CHF 147 million (EUR 173 million or CHF 202 million) is secured with a pledged bank account, which is disclosed under "Non-current term deposits". Alpiq continues to deem it unlikely that this assessment will result in a negative outcome for the company and has therefore decided not to record a liability for the tax assessment. For disclosures about developments after the reporting date, please refer to note 32.

There were no significant contingent liabilities from pledges, guarantees and other commitments to third parties in favour of third parties at the reporting date (previous year: CHF 16 million). For additional commitments in connection with partner power plants, please see note 13. Contingent liabilities in connection with the sale of the Engineering Services business can be found in note 30.

27 Pledged assets

The power plants of Aero Rossa S.r.l., Milan / IT, En Plus S.r.l., Milan / IT, and Enpower 3 S.r.l., Aragona / IT, are funded through common project financing arrangements with banks. The related liabilities are reported on the consolidated balance sheet. The Alpiq Group has assigned CHF 59 million of its interests in these power plants to the financing banks (previous year: CHF 71 million). Information on the pledged non-current term deposit is presented in note 26.

28 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 Executive Board evaluates each of the reported segments separately for the purpose of assessing performance and allocating resources. Segment results (EBITDA, EBIT) 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.

Alpiq sold significant parts of the former Industrial Engineering business division and the entire Building Technology & Design business division at 31 July 2018 (see note 30). The organisational and management structure was adjusted accordingly. As internal financial reporting was already aligned to the new structure before 1 January 2019, the reportable segments under IFRS 8 consist of three business divisions, as shown in the organisation chart at 1 January 2019 on page 19. Previous-year segment reporting has been restated for comparability.

- The Generation Switzerland business division comprises the production of electricity from Swiss hydropower and nuclear power. The power plant portfolio includes run-of-river power plants, storage and pumped storage power plants, investments in the Gösgen and Leibstadt nuclear power plants as well as the Nant de Drance pumped storage power plant project. Moreover, the business division manages shares in HYDRO Exploitation SA and Kernkraftwerk-Beteiligungsgesellschaft AG (KBG).

- The Generation International business division comprises power production in wind power plants, small-scale hydropower plants and industrial photovoltaic plants, the operation of power plants and the development of several wind farm projects. The business division also covers the production of electricity and heat in thermal power plants in Czechia, Hungary, Italy and Spain. The power plant portfolio is made up of gas-fired combined-cycle power plants, gas-fired turbine power plants and brown coal 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 in the four countries to regulate the grids.

- The Digital & Commerce business division comprises the optimisation of Alpiq's own power plants as well as the optimisation of decentralised generation units and the production of electricity from third parties' renewable energies. The business division also covers trading activities with standardised and structured products for electricity and gas as well as emission allowances and certificates. In addition, the business division focuses on further developing products and services with artificial, self-learning intelligence in order to optimise and connect all energy management systems in future with the help of digitalisation. Furthermore, Digital & Commerce has a centre of competence for e-mobility.

No operating business segments have been aggregated in the presentation of reportable segments. The business divisions' results are carried over to the Alpiq Group's consolidated figures by way of including the units with no market operations (Group Centre and other companies), Group consolidation effects (including foreign currency effects from using other average exchange rates in management reporting) as well as other reconciliation items presented in a separate column.
On the one hand, the latter comprise shifts between external net revenue and other income of CHF 13 million (previous year: CHF 15 million) due to the difference in account structures between internal and external reporting. On the other hand, income and expenses of the Group Centre in connection with the sale of the Engineering Services business are posted to "Other income" and "Operating costs" respectively. These amounts are recognised under earnings after tax from discontinued operations in the income statement pursuant to IFRS. This relates to a portion of the disposal proceeds and selling expenses. Group Centre and other companies include 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.

2018: Information by business division

CHF million	Generation Switzerland	Generation International	Digital & Commerce	Group Centre & other companies	Consoli-dation	Reconcili-ation	Alpiq Group
Revenue from energy and grid services	142	324	4,742				5,208
Revenue from engineering services			10				10
Revenue from other services						13	13
Income from energy and financial derivatives	– 24	14	– 27	– 9	1		– 45
Inter-segment transactions	500	84	20	15	– 619		0
Exceptional items [1]	2		52				54
Total net revenue before exceptional items	**620**	**422**	**4,797**	**6**	**– 618**	**13**	**5,240**
Total net revenue	**618**	**422**	**4,745**	**6**	**– 618**	**13**	**5,186**
Other income	42	5	7	212	– 7	– 209	50
Exceptional items [1]				– 196		196	
Total revenue and other income before exceptional items	**662**	**427**	**4,804**	**22**	**– 625**	**0**	**5,290**
Total revenue and other income	**660**	**427**	**4,752**	**218**	**– 625**	**– 196**	**5,236**
Operating costs	– 802	– 271	– 4,733	– 60	624	15	– 5,227
Exceptional items [1]	102		– 16	32		– 15	103
EBITDA before exceptional items	**– 38**	**156**	**55**	**– 6**	**– 1**	**0**	**166**
EBITDA	**– 142**	**156**	**19**	**158**	**– 1**	**– 181**	**9**
Depreciation, amortisation and impairment	– 64	– 80	– 17	– 8			– 169
Exceptional items [1]		2	12				14
EBIT before exceptional items	**– 102**	**78**	**50**	**– 14**	**– 1**	**0**	**11**
EBIT	**– 206**	**76**	**2**	**150**	**– 1**	**– 181**	**– 160**
Number of employees at 31 December	130	592	529	297			1,548
Property, plant and equipment	1,458	931	4	97			2,490
Intangible assets	48	30	42	12			132
Investments in partner power plants and other associates	2,415	8	1	3			2,427
Total non-current assets	**3,921**	**969**	**47**	**112**	**0**	**0**	**5,049**
Net capital expenditure on property, plant and equipment and intangible assets	– 13	– 22	– 11	– 4			– 50

1 Includes effects from business disposals as well as the performance of the fund shares for the decommissioning and waste disposal of the Kernkraftwerk Gösgen-Däniken AG and Kernkraftwerk Leibstadt AG, fair value changes of energy derivatives that were entered into in connection with hedges for future power production, provisions, impairment losses as well as restructuring costs.

2017: Information by business division (adjusted)

CHF million	Generation Switzerland	Generation International	Digital & Commerce	Group Centre & other companies	Consoli-dation	Reconcili-ation	Alpiq Group
Revenue from energy and grid services	131	304	4,983		– 6		5,412
Revenue from engineering services			6				6
Revenue from other services						15	15
Income from energy and financial derivatives	– 1	16	22	– 20	– 1		16
Inter-segment transactions	565	73	17	22	– 677		0
Exceptional items [1]	6		– 1				5
Total net revenue before exceptional items	**701**	**393**	**5,027**	**2**	**– 684**	**15**	**5,454**
Total net revenue	**695**	**393**	**5,028**	**2**	**– 684**	**15**	**5,449**
Other income	27	17	6	13	– 8	– 15	40
Total revenue and other income before exceptional items	**728**	**410**	**5,033**	**15**	**– 692**	**0**	**5,494**
Total revenue and other income	**722**	**410**	**5,034**	**15**	**– 692**	**0**	**5,489**
Operating costs	– 579	– 252	– 4,980	– 30	695		– 5,146
Exceptional items [1]	– 124		2	16			– 106
EBITDA before exceptional items	**25**	**158**	**55**	**1**	**3**	**0**	**242**
EBITDA	**143**	**158**	**54**	**– 15**	**3**	**0**	**343**
Depreciation, amortisation and impairment	– 69	– 85	– 4	– 7	1		– 164
EBIT before exceptional items	**– 44**	**73**	**51**	**– 6**	**4**	**0**	**78**
EBIT	**74**	**73**	**50**	**– 22**	**4**	**0**	**179**
Number of employees at 31 December	127	582	486	309			1,504
Property, plant and equipment	1,499	962	5	99			2,565
Intangible assets	58	36	46	13			153
Investments in partner power plants and other associates	2,480	33		3			2,516
Total non-current assets	**4,037**	**1,031**	**51**	**115**	**0**	**0**	**5,234**
Net capital expenditure on property, plant and equipment and intangible assets	– 10	– 26	– 7	– 4			– 47

1 Includes effects from business disposals as well as the performance of the fund shares for the decommissioning and waste disposal of the Kernkraftwerk Gösgen-Däniken AG and Kernkraftwerk Leibstadt AG, fair value changes of energy derivatives that were entered into in connection with hedges for future power production, provisions, impairment losses as well as restructuring costs.

Revenue from trading in energy and financial derivatives comprises realised net gains and losses from settled contracts and unrealised changes in the fair value of unsettled contracts.

There were no transactions with any single external customers that amounted to 10 % or more of the consolidated net revenue of the Alpiq Group.

2018: Information by geographical area

CHF million	Switzerland	Germany	France	Italy	Czechia	Hungary	Poland	United Kingdom	Other countries	Alpiq Group
External revenue	686	334	1,377	517	258	287	317	253	1,157	5,186
Property, plant and equipment	1,513		124	252	524	31			46	2,490
Intangible assets	87		8	12				16	9	132
Investments in partner power plants and other associates	2,427									2,427
Total non-current assets	**4,027**	**0**	**132**	**264**	**524**	**31**	**0**	**16**	**55**	**5,049**

2017: Information by geographical area

CHF million	Switzerland	Germany	France	Italy	Czechia	Hungary	Poland	United Kingdom	Other countries	Alpiq Group
External revenue (adjusted)	981	532	1,344	289	469	243	272	236	1,083	5,449
Property, plant and equipment	1,549		132	227	569	38		1	49	2,565
Intangible assets	93		8	14	8			17	13	153
Investments in partner power plants and other associates	2,494			22						2,516
Total non-current assets	**4,136**	**0**	**140**	**263**	**577**	**38**	**0**	**18**	**62**	**5,234**

Net revenue from external customers by country is allocated based on the customer's country of domicile. Non-current assets consist of property, plant and equipment, intangible assets and investments in the respective countries. Those countries in which Alpiq generated the most net revenue in the reporting period and / or previous year are presented separately in this segment information. Net revenue generated in other countries is aggregated under "Other countries".

29 Business combinations

2018: Business combinations

In 2018, the following companies were acquired and integrated into the consolidated financial statements:

Generation International business division

28 March 2018: Società Agricola Solar Farm 2 S.r.l., Milan / IT
28 March 2018: Società Agricola Solar Farm 4 S.r.l., Milan / IT
28 March 2018: Enpower 2 S.r.l., Milan / IT

At the end of March 2018, Alpiq closed the agreement signed at the end of January 2018 with Moncada Energy Group S.r.l. (MEG), under which Alpiq EcoPower AG transfers its 22 % interest in M&A Rinnovabili S.r.l. to MEG and receives 100 % interests in the companies Società Agricola Solar Farm 2 S.r.l., Società Agricola Solar Farm 4 S.r.l. as well as Enpower 2 S.r.l. in exchange. Through this transaction, Alpiq acquired five solar plants with an output of 13.6 MW and a wind farm with an output of 8.5 MW, thus expanding its presence in Sicily.

The acquisition costs totalled CHF 13 million. The following allocation of fair values was applied in the balance sheet:

CHF million	Fair value
Property, plant and equipment	56
Cash and cash equivalents	6
Other current assets	6
Non-current provisions	– 1
Non-current financial liabilities	– 43
Deferred income tax assets	– 4
Current financial liabilities	– 2
Other current liabilities	– 5
Net assets	**13**
Non-controlling interests	
Net assets acquired	**13**
Goodwill arising from acquisition activities	0
Net cash flow arising from acquisition activities	
Cash and cash equivalents acquired with subsidiaries	6
Acquisition costs	– 13
Fair value of net assets disposed of	13
Net cash flow	**6**

2017: Business combinations

The only acquisitions in 2017 related to companies that were allocated to discontinued operations. For this reason, no further details have been disclosed.

30 Business disposals

The agreement on the sale of the Engineering Services business, which comprises the Alpiq InTec Group and the Kraftanlagen Group, was closed on 31 July 2018. These Groups, which constitute the companies listed in the following, are classified as discontinued operations. No other companies were sold in the reporting period. Tysvær Vindpark AS, Rogaland / NO, was sold in the previous year.

Alpiq InTec Group Companies	Kraftanlagen Group Companies
Alpiq InTec Ltd., Olten	Kraftanlagen München GmbH, Munich / DE
Alpiq Burkhalter Technik AG, Zurich	Diamond Lite S.A., Herisau
Alpiq EnerTrans AG, Niedergösgen	ECM Ingenieur-Unternehmen für Energie- und Umwelttechnik GmbH, Munich / DE
Alpiq EnerTrans S.p.A., Milan / IT	FINOW Rohrsysteme GmbH, Eberswalde / DE
Alpiq Infra Ltd., Zurich	GAH Pensions GmbH, Heidelberg / DE
Alpiq InTec Italia S.p.A., Milan / IT	IA Tech GmbH, Jülich / DE
Alpiq InTec Management Ltd., Zurich	IPIP S.A., Ploiesti / RO
Alpiq InTec Switzerland Ltd., Zurich	Jakob Ebling, Heizung, Lüftung, Sanitär GmbH, Nierstein / DE
Alpiq Process Automation Ltd., Strengelbach	KAROM Servicii Profesionale In Industrie S.R.L., Ploiesti / RO
CAD-LP SA, Meyrin	Kraftanlagen Hamburg GmbH, Hamburg / DE
CAD-MICA SA, Meyrin	Kraftanlagen Heidelberg GmbH, Heidelberg / DE
CADZIPLO SA, Plan-les-Ouates	Kraftanlagen Power Plants GmbH, Munich / DE
Caliqua Anlagentechnik GmbH, Vienna Neudorf / AT	Kraftanlagen Romania S.R.L., Ploiesti / RO
EIS Energy Investment Solutions S.R.L., Milan / IT	Swiss Decommissioning & Nuclear Services AG, Olten
Elektroline a.s., Prague / CZ	
FAD-ZIPLO SA, Meyrin	
FAR Energia S.r.L., Sirmione (BS) / IT	
K+M Verkehrstechnik GmbH, Herne / DE	
Kummler + Matter Ltd., Zurich	
Kummler Matter A.S., Istanbul / TR	
Lundy Projects Ltd., Stockport / UK	
Transtec Gotthard, Amsteg [1]	

1 Consortia

With the closing of the sale agreement, the Alpiq Group lost control over the Alpiq InTec Group and the Kraftanlagen Group on 31 July 2018. The companies concerned were deconsolidated at the closing date. On the closing date, Bouygues Construction transferred the provisionally calculated sale price of CHF 790 million based on the estimated closing statements. The definitive sale price is determined based on the contractually agreed price adjustment mechanism, taking into account the business transactions of the companies sold at 31 July 2018 as well as contractually defined adjustments. There are diverging views on the definitive sale price and the adjustment of the sale price already transferred by Bouygues Construction. While Alpiq is claiming an additional amount of CHF 12.9 million, Bouygues Construction is demanding CHF 205.1 million back. Alpiq contests the claim of Bouygues Construction both in terms of its amount and on its merits and therefore filed for arbitration proceedings against Bouygues Construction pursuant to the arbitration regulations of the Swiss Chambers' Arbitration Institution on 12 February 2019 in order to enforce its claims arising from the price adjustment mechanism. On the same day, Bouygues Construction also filed for arbitration proceedings against Alpiq in which it is mainly claiming for payment of CHF 205.1 million. It is expected that the two arbitration proceedings will be combined. The outcome of these proceedings depends on arbitration court rulings that are currently unknown. How long the proceedings will last is also not known. It is therefore not currently possible to estimate how much the definitive adjustment amount will be. The gain on disposal from the Engineering Services business at

31 December 2018 was therefore calculated based on the provisional sale price of CHF 790 million received on 31 July 2018. The outcome of the arbitration proceedings may result in significant adjustments to the gain on disposal and therefore the "Earnings after tax from discontinued operations" as well as the "Net cash flows from investing activities of discontinued operations" in subsequent periods.

Alpiq and Bouygues Construction have also entered into indemnification and warranty agreements in connection with the sale of the Engineering Services business. Alpiq has to cover any losses or costs incurred in future relating to projects or other issues that exceed the estimation at the time of sale. Alpiq has recognised a provision for the associated costs (see note 19). In addition, Alpiq must bear any costs of Kraftanlagen München GmbH resulting from the proceedings started by the state prosecutor of Munich I and the German Federal Antitrust Office in the first quarter of 2015. Kraftanlagen München GmbH is cooperating fully with the authorities. The outcome of these proceedings and any associated fines issued depend on official and judicial rulings that are currently unknown. Kraftanlagen München and Alpiq deem a condemnatory verdict unlikely. The remaining indemnification payments are either immaterial in amount or Alpiq deems it unlikely that they will arise.

Income statement and statement of comprehensive income of discontinued operations

CHF million	2018	2017
Net revenue	1,000	1,638
Other income	8	9
Expenses	– 1,051	– 1,733
Effect from reviewing the provisions for warranties and indemnification	– 9	
Earnings before tax	**– 52**	**– 86**
Income tax expense	– 8	– 2
Earnings after tax	**– 60**	**– 88**
Gain on disposal [1]	258	
Earnings after tax from discontinued operations	**198**	**– 88**

1 No income tax is incurred on the gain on disposal.

CHF million	2018	2017
Currency translation differences	– 9	13
Remeasurements of defined benefit plans	23	64
Other comprehensive income (net after tax) [1]	**14**	**77**

1 Income tax recognised in other comprehensive income amounts to CHF –6 million (previous year: CHF –22 million).

Gain on disposal

CHF million	2018	2017
Inflow of cash and cash equivalents	790	5
Sale of net assets	– 469	– 4
Provision for warranties	– 2	
Selling expenses	– 15	
Gain on disposal (before reclassification of cumulative translation adjustment)	**304**	**1**
Reclassification of cumulative translation adjustment	– 46	
Gain on disposal	**258**	**1**

Net cash flow from disposal

CHF million	2018	2017
Inflow of cash and cash equivalents	790	5
Selling expenses	– 15	
Cash and cash equivalents disposed of with subsidiaries	– 71	
Net cash flow from disposal [1]	**704**	**5**

1 Net cash flow from disposal in 2018 is included in the consolidated statement of cash flows under "Net cash flows from investing activities of discontinued operations".

Assets and liabilities on the disposal date

CHF million	2018	2017
Property, plant and equipment	182	1
Intangible assets	131	4
Investments in partner power plants and other associates	2	
Other non-current assets	10	
Deferred income tax assets	21	
Inventories	30	
Receivables	348	
Contract assets	445	
Cash and cash equivalents	71	
Prepayments and accrued income	20	
Total assets	**1,260**	**5**
Non-current provisions	21	
Deferred income tax liabilities	23	1
Defined benefit liabilities	126	
Non-current financial liabilities	2	
Other non-current liabilities	12	
Current income tax liabilities	8	
Current provisions	10	
Current financial liabilities	5	
Other current liabilities	177	
Contract liabilities	336	
Accruals and deferred income	71	
Total liabilities	**791**	**1**
Net assets	**469**	**4**

31 Assets held for sale

At the 31 December 2017 reporting date, the wind farm project company Tormoseröd Vindpark AB (100 %) as well as the Engineering Services business, which comprises the Alpiq InTec Group and the Kraftanlagen Group, were recognised as "Assets held for sale" due to the intention to sell them. These Groups, which constitute the entire former Building Technology & Design business division as well as significant parts of the former Industrial Engineering business division, are classified as discontinued operations.

On 25 March 2018, Alpiq signed an agreement on the sale of the Engineering Services business with Bouygues Construction, Guyancourt (France). Closing was on 31 July 2018. For more information, please refer to note 30.

In the second half of 2018, Alpiq decided to no longer pursue the sale of the wind farm project company Tormoseröd Vindpark AB (100 %) with net assets of CHF 0 million. On 30 October 2018, Alpiq also announced that it is reviewing the sale of its two Czech coal power plants Kladno and Zlín. However, this did not yet meet the conditions defined by IFRS 5 to classify as "Assets held for sale" at 31 December 2018.

There were therefore no assets classified as held for sale at the 31 December 2018 reporting date.

Assets

CHF million	31 Dec 2018	31 Dec 2017
Property, plant and equipment		177
Intangible assets		129
Investments in partner power plants and other associates		4
Other non-current assets		6
Deferred income tax assets		23
Inventories		29
Receivables [1]		350
Contract assets [1]		304
Current term deposits		20
Cash and cash equivalents		146
Prepayments and accrued income		10
Total assets held for sale	**0**	**1,198**

1 Disclosure adjusted due to IFRS 15

Equity and liabilities

CHF million	31 Dec 2018	31 Dec 2017
Non-current provisions		18
Deferred income tax liabilities		15
Defined benefit liabilities		154
Non-current financial liabilities		4
Other non-current liabilities		12
Current income tax liabilities		8
Current provisions		10
Current financial liabilities		4
Other current liabilities [1]		178
Contract liabilities [1]		265
Accruals and deferred income		54
Total liabilities held for sale	**0**	**722**

1 Disclosure adjusted due to IFRS 15

32 Events after the reporting period

On 29 January 2019, the Supreme Court in Bucharest decided that ANAF's tax assessment of RON 589 million or CHF 142 million is not enforceable until a court decision has been reached. The endorsement of Alpiq's request means that the amount stipulated by ANAF no longer has to be secured by a bank guarantee and the money pledged for this purpose is again freely available for Alpiq to use. The bank guarantee and pledged bank account were rescinded on 14 February 2019. For more information about this matter, please refer to note 26.

In connection with the sale of the Engineering Services business, Alpiq filed for arbitration proceedings against the purchasing party Bouygues Construction on 12 February 2019. On the same day, Bouygues Construction also filed for arbitration proceedings against Alpiq. For more information about this matter, please refer to note 30.

33 Subsidiaries and Investments

	Place of incorporation	Licence / agreement expiry	Currency	Issued capital in million	Direct ownership interest in % (voting rights)	Consoli-dation method	Business activity	Reporting date
Alpiq Holding Ltd.	Lausanne		CHF	278.75	100.0	F	H	31 Dec
Aare-Tessin Ltd. for Electricity *	Olten		CHF	0.05	100.0	F	S	31 Dec
Aero Rossa S.r.l.	Milan / IT		EUR	2.20	100.0	F	G	31 Dec
Alpiq Ltd.*	Olten		CHF	303.60	100.0	F	SU	31 Dec
Alpiq Blue Energy Ltd.*	Olten		CHF	1.00	100.0	F	H	31 Dec
Alpiq Csepel Kft.	Budapest / HU		HUF	4,930.10	100.0	F	G	31 Dec
Alpiq Csepeli Szolgáltató Kft.	Budapest / HU		HUF	20.00	100.0	F	S	31 Dec
Alpiq Deutschland GmbH *	Munich / DE		EUR	10.00	100.0	F	H	31 Dec
Alpiq EcoPower Ltd.*	Olten		CHF	0.50	100.0	F	S	31 Dec
Alpiq Ecopower France S.A.S.	Toulouse / FR		EUR	0.58	100.0	F	H	31 Dec
Alpiq EcoPower Switzerland Ltd.	Olten		CHF	25.00	100.0	F	G	31 Dec
Alpiq E-Mobility Ltd.	Zurich		CHF	0.50	100.0	F	S	31 Dec
Alpiq Energia Bulgaria Ltd.	Sofia / BG		BGN	0.20	100.0	F	T	31 Dec
Alpiq Energía España S.A.U.	Madrid / ES		EUR	20.00	100.0	F	SU	31 Dec
Alpiq Energia Italia S.p.A.	Milan / IT		EUR	13.00	100.0	F	SU	31 Dec
Alpiq Energie Deutschland GmbH	Berlin / DE		EUR	0.05	100.0	F	S	31 Dec
Alpiq Energie France S.A.S.	Paris / FR		EUR	14.00	100.0	F	SU	31 Dec
Alpiq Energija BH d.o.o.	Sarajevo / BA		BAM	1.62	100.0	F	T	31 Dec
Alpiq Energija RS d.o.o. Beograd	Belgrade / RS		RSD	137.75	100.0	F	T	31 Dec
Alpiq Energy Albania SHPK	Tirana / AL		ALL	17.63	100.0	F	T	31 Dec
Alpiq Energy Hellas S.A.	Athens / GR		EUR	0.56	99.4	F	T	31 Dec
Alpiq Energy Nordic AS	Oslo / NO		NOK	223.00	100.0	F	T	31 Dec
Alpiq Energy SE	Prague / CZ		CZK	172.66	100.0	F	T	31 Dec
Alpiq Energija Skopje DOOEL	Skopje / MK		MKD	20.34	100.0	F	T	31 Dec
Alpiq Energy Ukraine LLC	Kiev / UA		UAH	1.16	100.0	F	T	31 Dec
Alpiq Generation (CZ) s.r.o.	Kladno / CZ		CZK	2,975.00	100.0	F	G	31 Dec
Alpiq Hydro Aare AG	Boningen		CHF	53.00	100.0	F	G	31 Dec
Alpiq Hydro Italia S.r.l.	Milan / IT		EUR	0.73	90.0	F	G	31 Dec
Alpiq Italia S.r.l.	Milan / IT		EUR	0.25	100.0	F	H	31 Dec
Alpiq le Bayet S.A.S.	St-Paul-sur-Isère / FR		EUR	0.04	100.0	F	G	31 Dec
Alpiq Re (Guernsey) Ltd.	Guernsey / UK		EUR	6,00 [1]	100.0	F	S	31 Dec
Alpiq RomEnergie S.R.L.	Bucharest / RO		RON	2.49	100.0	F	SU	31 Dec
Alpiq RomIndustries S.R.L.	Bucharest / RO		RON	6.61	100.0	F	SU	31 Dec
Alpiq Services CZ s.r.o.	Prague / CZ		CZK	2.50	100.0	F	SU	31 Dec
Alpiq Solutions France SAS	Paris / FR		EUR	0.05	100.0	F	SU	31 Dec
Alpiq Suisse Ltd.*	Lausanne		CHF	145.00	100.0	F	SU	31 Dec
Alpiq Turkey Enerji Toptan Satis Limited Sirketi	Istanbul / TR		TRY	7.92	100.0	F	T	31 Dec
Alpiq Wind Italia S.r.l.	Milan / IT		EUR	0.01	100.0	F	G	31 Dec
Alpiq Wind Services EAD	Sofia / BG		BGN	0.05	100.0	F	S	31 Dec

	Place of incorporation	Licence / agreement expiry	Currency	Issued capital in million	Direct ownership interest in % (voting rights)	Consoli-dation method	Business activity	Reporting date
Arclight Ltd.[4]	Olten		CHF	0.10	100.0	F	T	31 Dec
Atel Energy Romania S.R.L.	Bucharest / RO		RON	0.18	100.0	F	T	31 Dec
Bel Coster SA[4]	L'Abergement		CHF	0.30	100.0	F	G	31 Dec
Birs Wasserkraft AG	Olten		CHF	0.10	100.0	F	G	31 Dec
Blåsmark Vindkraft AB	Danderyd / SE		SEK	0.10	100.0	F	G	31 Dec
Blenio Kraftwerke AG	Blenio	2042	CHF	60.00	17.0	E	G	30 Sept
CEPE Des Gravières SAS	Vergigny / FR		EUR	0.04	100.0	F	G	31 Dec
CERS Holding SAS	Paris / FR		EUR	0.50	15.0	E	G	31 Dec
Cleuson-Dixence[2]	Sion	2044	CHF	0.00	31.8	E	G	31 Dec
Cotlan Wasserkraft AG	Glarus Süd		CHF	4.00	60.0	F	G	31 Dec
EESP European Energy Service Platform GmbH	Berlin / DE		EUR	0.03	100.0	F	SU	31 Dec
Electra-Massa AG	Naters	2048	CHF	20.00	34.5	E	G	31 Dec
Electricité d'Emosson SA	Martigny		CHF	140.00	50.0	F	G	31 Dec
En Plus S.r.l.[5]	Milan / IT		EUR	25.50	100.0	F	G	31 Dec
Enpower 2 S.r.l.	Milan / IT		EUR	0.10	100.0	F	G	31 Dec
Enpower 3 S.r.l.	Aragona / IT		EUR	0.04	100.0	F	G	31 Dec
Energie Biberist AG	Biberist		CHF	5.00	25.0	E	G	31 Dec
Energie Electrique du Simplon SA (E.E.S.)	Simplon		CHF	8.00	82.0	F	G	31 Dec
Engadiner Kraftwerke AG	Zernez	2050/2074	CHF	140.00	22.0	E	G	30 Sept
Entegra Wasserkraft AG	St. Gallen		CHF	6.02	59.6	F	G	31 Dec
Ouvra Electrica Lavinuoz Lavin SA (OELL)	Zernez		CHF	2.00	25.0	E	G	31 Dec
Wasserkraftwerk Peist AG	Arosa		CHF	1.00	51.0	F	G	31 Dec
Eol Jorat Nord SA[4]	Lausanne		CHF	0.35	100.0	F	SU	31 Dec
Eole Jura SA	Muriaux		CHF	4.00	100.0	F	G	31 Dec
ETRANS Ltd.	Laufenburg		CHF	7.50	33.3	E	S	31 Dec
Flexitricity Ltd.	Edinburgh / UK		GBP	1.00	100.0	F	S	31 Mar
Forces Motrices de Martigny-Bourg S.A.	Martigny	2080	CHF	3.00	18.0	E	G	31 Dec
Forces Motrices Hongrin-Léman S.A. (FMHL)	Château-d'Œux	2051/2094	CHF	100.00	39.3	E	G	31 Dec
Grande Dixence SA	Sion	2044	CHF	300.00	60.0	E	G	31 Dec
Horizen GmbH	Brühl / DE		EUR	0.03	100.0	F	SU	31 Dec
HYDRO Exploitation SA	Sion		CHF	13.00	26.2	E	S	31 Dec
Hydro-Solar Energie AG	Niederdorf		CHF	0.10	65.0	F	G	31 Dec
InnoSense AG	Zurich		CHF	0.10	100.0	F	S	31 Dec
Isento Wasserkraft AG	St. Gallen		CHF	0.25	100.0	F	G	31 Dec
Kernkraftwerk Gösgen-Däniken AG	Däniken		CHF	350,00[3]	40.0	E	G	31 Dec
Kernkraftwerk Leibstadt AG	Leibstadt		CHF	450.00	27.4	E	G	31 Dec
Kernkraftwerk-Beteiligungsgesellschaft AG (KBG)	Bern	2041	CHF	150.00	33.3	E	G	31 Dec
KohleNusbaumer SA	Blonay		CHF	0.10	35.0	E	S	31 Dec
Kraftwerk Ryburg-Schwörstadt AG	Rheinfelden	2070	CHF	30.00	13.5	E	G	30 Sept
Kraftwerke Gougra AG	Sierre		CHF	50.00	54.0	F	G	30 Sept
Kraftwerke Hinterrhein AG	Thusis	2042	CHF	100.00	9.3	E	G	30 Sept

	Place of incorporation	Licence / agreement expiry	Currency	Issued capital in million	Direct ownership interest in % (voting rights)	Consolidation method	Business activity	Reporting date
Kraftwerke Zervreila AG	Vals	2037	CHF	50.00	21.6	E	G	31 Dec
Maggia Kraftwerke AG	Locarno	2035/2048	CHF	100.00	12.5	E	G	30 Sept
Kraftwerk Aegina AG	Obergoms	2047	CHF	12.00	50.0	E	G	30 Sept
Motor-Columbus Ltd.*	Olten		CHF	0.10	100.0	F	S	31 Dec
MOVE Mobility SA	Granges-Paccot		CHF	4.00	25.0	E	S	31 Dec
Nant de Drance SA	Finhaut		CHF	350.00	39.0	E	G	31 Dec
Novel S.p.A.	Milan / IT		EUR	10.00	51.0	F	G	30 Sept
Po Prostu Energia Spólka Akcyjna	Warsaw / PL		PLN	10.20	100.0	F	SU	31 Dec
PPC Bulgaria JSCo	Sofia / BG		BGN	1.20	15.0	E	T	31 Dec
Salanfe SA	Vernayaz		CHF	18.00	100.0	F	G	31 Dec
Società Agricola Solar Farm 2 S.r.l.	Milan / IT		EUR	0.07	100.0	F	G	31 Dec
Società Agricola Solar Farm 4 S.r.l.	Milan / IT		EUR	0.05	100.0	F	G	31 Dec
Tormoseröd Vindpark AB	Karlstad / SE		SEK	0.10	100.0	F	G	31 Dec
Tous-Vents SA [4]	Lausanne		CHF	0.40	100.0	F	G	31 Dec
Unoenergia S.r.l.	Biella / IT		EUR	0.11	28.0	E	G	31 Dec
Vetrocom EOOD*	Sofia / BG		BGN	136.91	100.0	F	G	31 Dec
Wasserkraftwerk Tambobach AG	Splügen		CHF	2.00	70.0	F	G	31 Dec
Wasserkraftwerke Weinfelden AG	Weinfelden		CHF	5.00	49.0	E	G	31 Dec
Xamax AG	Olten		CHF	0.20	100.0	F	S	31 Dec
3SP S.r.l.	Milan / IT		EUR	0.01	100.0	F	G	31 Dec

1 Of which, EUR 3 million paid in
2 Simple partnership
3 Of which, CHF 290 million paid in
4 Newly founded
5 In the fourth quarter of 2018, Alpiq Energia Italia S.p.A. acquired the tolling-ratio of 33.3 % in En Plus S.r.l. from Eviva S.p.A. Alpiq also exercised the call option in place for this case on the share ratio of 33.3 % held by Eviva S.p.A. in En Plus S.r.l. As at 31 December 2018, Eviva S.p.A. was still listed in the share register of En Plus S.r.l.

Business activity

T Trading
SU Sales and supply
G Generation
S Services
H Holding company

Consolidation method

F Fully consolidated
E Equity accounted

* Interest held directly by Alpiq Holding Ltd.

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To the General Meeting of
Alpiq Holding Ltd., Lausanne

Zurich, 1 March 2019

Statutory auditor’s report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Alpiq Holding Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2018 and 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 the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements (pages 70 to 147) give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

Deconsolidation of the Engineering Services business sold in the current financial year and assessment of the provisions recognized for representations and warranties

Risk	The sale of the Alpiq InTec Group and the Kraftanlagen Group was executed on 31 July 2018. Alpiq Group therefore lost control over these entities as at the closing date. The corresponding carrying amounts of assets and liabilities were derecognized and a gain on disposal of CHF 258 million was recognized based on the provisional transaction price. As disclosed in the notes 1 and 30 of the financial statements, there is a significant uncertainty regarding the final transaction price adjustment because of diverging views held by the parties. The potential adjustment ranges from a positive figure of CHF 12.9 million to a negative figure of CHF 205.1 million. The final amount is expected to be determined by an arbitration court. Furthermore, Alpiq Group made representations and warranties to the buyer. Regarding the warranties for an ongoing project, Alpiq Group appointed an external project manager supporting the estimation of the risks resulting from the project evaluation. The related risks are covered by provisions and disclosed in note 19 of the financial statements.
Our audit response	We audited the process to determine the transaction price to be recognized in the current financial year by inspecting the corresponding contracts. In terms of the significant uncertainty about the final transaction price adjustment, we discussed the analysis performed by Alpiq Group and their assessment of the potential transaction price adjustment with the Executive Board, the Head of Legal & Compliance as well as senior employees in the finance department. We also received a legal letter from the law firm handling the case. Furthermore, we audited the warranty provisions by examining the contractual conditions and an overall analysis performed by a law firm. Regarding the warranties for the ongoing project, we received a legal letter provided by a local law firm. We discussed the assumptions made by the external project manager with the Executive Board and senior employees in the finance department. Finally, we assessed the capability and objectivity of the external project manager so that we were able to rely on his findings. Our audit procedures did not lead to any reservations regarding the deconsolidation of the Engineering Services business sold in the current financial year nor the assessment of the provisions recognized for representations and warranties.

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Impairment of property, plant and equipment from production facilities and investments in production companies

Risk	Impairment losses recognized in 2018 are disclosed in note 3 of the notes to the consolidated financial statements. The calculation of impairment required Alpiq Group to make several estimates and assumptions, which had a significant impact on the net income for the period. The significant estimates mainly concerned future electricity prices, future exchange rates, future growth and inflation rates as well as the discount rate. The significant assumptions comprised the regulatory environment as well as the long-term investment activities. Comments on estimation uncertainty are included in note 1 of the notes to the consolidated financial statements.
Our audit response	In our audit of impairment losses, we compared the significant estimates made by Alpiq Group with available market data or other data made available by third parties. In addition, we compared the estimates with the relevant estimates from the prior year, and assessed these for consistency. Our audit procedures did not lead to any reservations regarding the impairment of property, plant and equipment from production facilities and investments in production companies.

Assessment of onerous long-term purchase and supply contracts

Risk	Alpiq Group has long-term electricity purchase and supply contracts that were identified as onerous contracts due to their contractual arrangements and the current market situation as of 31 December 2018. In the year under audit, provisions for onerous contracts in the net amount of CHF 32 million were released (note 19 of the notes to the consolidated financial statements). The calculations of expected losses that are necessary for determining the provisions required Alpiq Group to make several estimates, which had a significant impact on the provision amount and therefore on the net income for the period. The significant estimates mainly concerned future electricity prices, future exchange rates, future growth and inflation rates as well as the discount rate. Comments on estimation uncertainty are included in note 1 of the notes to the consolidated financial statements.
Our audit response	In our audit of the provisions, we compared the significant estimates made by Alpiq Group with available market data or other data made available by third parties. In addition, we compared the estimates with the relevant estimates from the prior year, and assessed these for consistency. We also audited the mathematical accuracy of the valuation model. Our audit procedures did not lead to any reservations regarding assessment of onerous long-term purchase and supply contracts.

Classification of energy contracts

Risk	With regard to forward and option contracts on electricity, gas and other resources, for each case Alpiq Group had to assess whether the transaction had been concluded with the purpose of physical realization in accordance with the expected purchase, sale or usage requirements of Alpiq Group or whether the transaction had been concluded for trading purposes. The former transactions are only recognized in income under net revenue or under energy and inventory costs once they have been completed whereas the latter transactions, however, are immediately recorded in income at fair value, with profit and loss disclosed net as trading income under net revenue. After the initial classification, Alpiq Group also had to assess whether the original assumptions regarding physical realization and expected purchase, sale or usage requirements were still accurate. An incorrect classification of forward contracts could potentially have a significant impact on the net income for the period.
Our audit response	We audited the internal controls for initial classification and identification of necessary reclassifications defined by Alpiq Group with regard to their operating effectiveness in certain divisions. Furthermore, we assessed whether there are indications that would make it necessary for transactions classified as own purchase, sale or usage requirements to be classified for trading purposes as of 31 December 2018. Our audit procedures did not lead to any reservations regarding the classification of energy contracts.

Tax event in Romania

Risk	After completing a tax audit at a Group company, the Romanian tax authority made a tax claim of RON 793 million (CHF 192 million) for the period of 2010 to 2014. This claim was reduced to RON 589 million (CHF 142 million) by a decision of the tax authority in June 2018. Alpiq Group deemed it unlikely that this assessment will result in a cash outflow. Alpiq Group therefore did not recognize a provision and reported this matter as a contingent liability (note 26 of the notes to the financial statements). An assessment with a different outcome could potentially have a significant impact on the net income for the period.
Our audit response	We audited the contingent liability by holding meetings with the Head of the Legal & Compliance function as well as the Executive Board of Alpiq Group. We also reviewed the matter with internal tax specialists in Switzerland and Romania relying on the opinion of two external experts. Our audit procedures did not lead to any reservations regarding the tax event in Romania.

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Other information in the annual report

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the consolidated financial statements

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

A further description of our responsibilities for the audit of the consolidated financial statements is located at the website of EXPERTsuisse: http://www.expertsuisse.ch/en/audit-report-for-public-companies. This description forms part of our auditor's report.

Report on other legal and regulatory requirements
In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Martin Gröli	Max Lienhard
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

Financial Summary 2014 – 2018

Income statement

CHF million	2018	2017	2016 [1]	2015 [2]	2014 [2]
Net revenue	5,186	5,449	4,412	6,715	8,058
Other operating income	50	40	239	82	147
Total revenue and other income	5,236	5,489	4,651	6,797	8,205
Operating expenses	– 5,227	– 5,146	– 3,941	– 6,747	– 7,893
Earnings before interest, tax, depreciation and amortisation (EBITDA)	9	343	710	50	312
Depreciation, amortisation and impairment	– 169	– 164	– 374	– 561	– 985
Earnings before interest and tax (EBIT)	– 160	179	336	– 511	– 673
Share of results of partner power plants and other associates	– 50	– 18	– 232	– 347	– 173
Financial result	– 95	– 87	– 6	– 162	– 179
Income tax expense	44	– 70	162	190	123
Earnings after tax from continuing operations	– 261	4	260		
Earnings after tax from discontinued operations	198	– 88	34		
Net income	– 63	– 84	294	– 830	– 902
Net income attributable to non-controlling interests	14	5		– 5	– 23
Net income attributable to equity investors of Alpiq Holding Ltd.	– 77	– 89	294	– 825	– 879
Employees [3]	1,548	1,464	1,432	8,360	8,017

1 Key financial figures before application of IFRS 15
2 Key financial figures including discontinued operations and before application of IFRS 15
3 Average number of full-time equivalents

Balance sheet

CHF million	2018	2017	2016	2015	2014
Total assets	9,074	10,197	10,008	10,575	12,018
Assets					
Non-current assets	5,475	5,655	5,793	6,381	7,475
Current assets	3,599	4,542	4,215	4,194	4,543
Equity and liabilities					
Total equity	3,944	3,965	3,886	3,819	4,712
as % of total assets	43.5	38.9	38.8	36.1	39.2
Liabilities	5,130	6,232	6,122	6,756	7,306

Per share data

CHF	2018	2017	2016	2015	2014
Par value	10	10	10	10	10
Share price at 31 December	77	63	85	105	90
High	89	89	107	109	129
Low	63	63	62	60	86
Weighted average number of shares outstanding (in thousands)	27,875	27,875	27,875	27,617	27,190
Net income	– 3.90	– 4.34	9,38	– 31.73	– 34.19
Dividend	0.00	0.00	0.00	0.00	2.00 [1]

1 Scrip dividend

Management Report of Alpiq Holding Ltd.

Alpiq Holding Ltd. is the holding company of the Alpiq Group and holds all investments, directly or indirectly, in Alpiq Group Companies. In addition, the company ensures a significant portion of financing within the Group.

Alpiq Holding Ltd.'s income primarily comprises dividends and interest income from subsidiaries. A gain on the sale of the direct interest in Alpiq InTec Ltd. was also posted in the 2018 financial year. Alpiq Holding Ltd. does not have any employees, nor does it have any research or development activities. The company did not distribute dividends in the reporting period.

Alpiq Holding Ltd.'s risk management is integrated into the Group-wide risk management system of the Alpiq Group. Risks identified are assessed individually based on their probability of occurrence and scope of potential losses. Appropriate measures are defined for the individual risks. Risks are systematically collected and updated once a year. The risk situation and the implementation of the measures defined are monitored. The Board of Directors of Alpiq Holding Ltd. addresses the topic of risk management at least once a year. Please refer to note 2 of the consolidated financial statements for explanations on Group-wide risk management at the Alpiq Group.

Alpiq Holding Ltd. will continue to act as the holding company of the Alpiq Group in the 2019 financial year. There are no plans to change the company's business activities.

Financial Statements of Alpiq Holding Ltd.

Income statement

CHF million	Note	2018	2017
Income			
Dividend income	2	7	529
Finance income	3	236	229
Gain on sale of investments	15	384	
Other income		15	8
Total income		**642**	**766**
Expenses			
Other expenses		– 57	– 53
Impairments on loans receivable and investments		– 125	– 24
Finance costs	4	– 243	– 343
Direct taxes		– 2	– 2
Total expenses		**– 427**	**– 422**
Net income		**215**	**344**

Balance sheet

Assets

CHF million	Note	31 Dec 2018	31 Dec 2017
Cash and cash equivalents		312	391
Securities		25	26
Other current receivables	5	350	413
Prepayments and accrued income		1	5
Current assets		**688**	**835**
Loans receivable and non-current term deposits	6	1,175	1,288
Investments	7	4,361	4,551
Non-current assets		**5,536**	**5,839**
Total assets		**6,224**	**6,674**

Equity and liabilities

CHF million	Note	31 Dec 2018	31 Dec 2017
Trade payables	8		2
Current interest-bearing payables	9	427	1,470
Other current liabilities	10	13	15
Accruals and deferred income		52	81
Current liabilities		**492**	**1,568**
Interest-bearing loans payable	11	1,327	467
Bonds	12	1,339	1,788
Non-current liabilities		**2,666**	**2,255**
Share capital		279	279
Statutory capital reserves			
Capital contribution reserves		1,100	1,100
Other capital reserves		4	4
Statutory revenue reserves		53	53
Retained earnings		1,630	1,415
Equity	13	**3,066**	**2,851**
Total equity and liabilities		**6,224**	**6,674**

Notes to the Financial Statements

1 Preliminary note

The financial statements of Alpiq Holding Ltd., Lausanne, have been prepared in accordance with the provisions of Swiss accounting legislation (Title 32 of the Swiss Code of Obligations). As in the previous year, the company employed no staff during the financial year.

The following section describes the main valuation principles applied that are not specified by law.

Securities

Securities held in current assets are measured at the market price on the reporting date. No fluctuation reserve is recognised.

Loans receivable / hedges

Loans receivable that are denominated in foreign currencies are measured at the closing rate on the reporting date, whereby unrealised losses are recognised, and unrealised gains are not reported. In the case of derivatives deployed in hedges, too, unrealised losses are recognised, but unrealised gains are not recognised.

Investments

The investments are generally measured individually. The only exceptions are the investments in Alpiq Ltd. and Alpiq Suisse SA, which have been tested for impairment by way of Group measurement since 2017, as these companies form an economic unit. Since 2017, Alpiq Suisse SA has operated as a meta partner power plant that sells its energy to Alpiq Ltd. at production cost.

Bonds

Bonds are recognised at face value. The discount and issue costs of bonds are recognised as finance costs in the issue year. Any premium (less issue costs) is recognised as a deferred credit and amortised on a straight-line basis over the bond's maturity.

2 Dividend income

Dividend income comprises dividends received from subsidiaries.

3 Finance income

CHF million	2018	2017
Interest income from Group Companies	50	49
Other finance income from Group Companies	3	3
Other finance income from third parties	3	10
Foreign exchange gain	180	167
Total	**236**	**229**

4 Finance costs

CHF million	2018	2017
Interest expense to Group Companies	– 29	– 26
Interest expense to third parties	– 70	– 79
Other finance costs to third parties	– 22	– 4
Foreign exchange loss	– 122	– 234
Total	**– 243**	**– 343**

5 Other current receivables

CHF million	31 Dec 2018	31 Dec 2017
Due from Group Companies	52	93
Due from third parties	298	320
Total	**350**	**413**

Other current receivables comprise current financial receivables as well as VAT and withholding tax receivables.

6 Loans receivable and non-current term deposits

CHF million	31 Dec 2018	31 Dec 2017
Due from Group Companies	1,090	1,288
Due from third parties	85	
Total	**1,175**	**1,288**

7 Investments

A list of direct and significant indirect investments is disclosed in note 33 of the consolidated financial statements.

8 Trade payables

CHF million	31 Dec 2018	31 Dec 2017
Due to third parties		2
Total	**0**	**2**

9 Current interest-bearing payables

CHF million	31 Dec 2018	31 Dec 2017
Due to Group Companies	278	1,220
Due to third parties	149	250
Total	**427**	**1,470**

Current interest-bearing payables include cash pooling payables, maturing bonds and loans payable with a maximum 12-month term. CHF 778 million of the loans recognised in the previous year under current interest-bearing payables due to Group Companies were reclassified to interest-bearing loans payable, because the term of the loans was extended to longer than one year.

10 Other current liabilities

CHF million	31 Dec 2018	31 Dec 2017
Due to third parties	13	15
Total	**13**	**15**

11 Interest-bearing loans payable

CHF million	31 Dec 2018	31 Dec 2017
Due to shareholders (hybrid loan)	367	367
Due to Group Companies	860	
Due to third parties	100	100
Total	**1,327**	**467**

The loans payable “Due to third parties” have a remaining maturity of between one and three years. The loans payable “Due to Group Companies” have a remaining maturity of between one and five years. The hybrid loan has an unlimited maturity.

12 Bonds

CHF million	Maturity	Earliest repayment date	Interest rate %	Face value at 31 Dec 2018	Face value at 31 Dec 2017
Fixed-rate bond issued by Alpiq Holding Ltd.[1]	2006/2018	1 Mar 2018	2.6250		100
Fixed-rate bond issued by Alpiq Holding Ltd.[1]	2008/2018	30 Oct 2018	3.8750		100
Fixed-rate bond issued by Alpiq Holding Ltd.[2]	2009/2019	25 Nov 2019	3.0000	149	284
Fixed-rate bond issued by Alpiq Holding Ltd.	2011/2021	20 Sept 2021	2.2500	144	179
Fixed-rate bond issued by Alpiq Holding Ltd.	2012/2022	16 May 2022	3.0000	145	200
Fixed-rate bond issued by Alpiq Holding Ltd.	2015/2023	30 Jun 2023	2.1250	141	175
Fixed-rate bond issued by Alpiq Holding Ltd.	2014/2024	29 Jul 2024	2.6250	260	300
Public hybrid bond issued by Alpiq Holding Ltd.	–	15 Nov 2019	4.5325	650	650

1 At 31 December 2017, recognised under "Current interest-bearing payables".
2 At 31 December 2018, recognised under "Current interest-bearing payables".

13 Equity

		Statutory capital reserves				
CHF million	Share capital	Capital contribution reserves	Share premium	Statutory revenue reserves	Retained earnings	Total equity
Balance at 31 December 2016	**279**	**1,100**	**4**	**53**	**1,071**	**2,507**
Net income					344	344
Balance at 31 December 2017	**279**	**1,100**	**4**	**53**	**1,415**	**2,851**
Net income					215	215
Balance at 31 December 2018	**279**	**1,100**	**4**	**53**	**1,630**	**3,066**

Major shareholders

The major shareholders of Alpiq Holding Ltd. are disclosed in note 18 of the consolidated financial statements.

14 Collateral provided for third-party liabilities

Guarantees in favour of Group Companies and third parties totalled CHF 612 million at 31 December 2018 (previous year: CHF 732 million). Of this, an amount of CHF 359 million (CHF 369 million) relates to bank guarantees and CHF 253 million (CHF 363 million) to guarantees issued by Alpiq Holding Ltd.

15 Sale of the Alpiq Group's Engineering Services business

Alpiq Holding Ltd. sold its direct interest in Alpiq InTec AG (renamed Bouygues E&S InTec AG in October 2018) by sales agreement signed on 25 March 2018. The agreement was closed on 31 July 2018. Alpiq Holding Ltd. posted a gain on sale of CHF 384 million. Due to diverging views held by Alpiq and Bouygues Construction on the amount of the definitive purchase price adjustment, this amount is only an estimate because the definitive sale price is not available at the time of approval of the statutory financial statements by the Board of Directorys of Alpiq Holding Ltd. In addition, Alpiq Deutschland GmbH, which is held directly by Alpiq Holding Ltd., sold its interest in Kraftanlagen München GmbH. For more information, please refer to note 30 of the consolidated financial statements.

Alpiq and Bouygues Construction have entered into indemnification and warranty agreements in connection with the sale of the Engineering Services business. Alpiq Holding Ltd. recognised a provision for the costs expected to be incurred at the Bouygues E&S InTec Group (formerly Alpiq InTec Group), which have to be paid by Alpiq Holding Ltd. Alpiq Holding Ltd. also has subsidiary liability for costs incurred relating to the Kraftanlagen Group that have to be paid by Alpiq Deutschland GmbH. At 31 December 2018, Alpiq Deutschland GmbH recorded a provision in connection with this of EUR 10 million.

16 Shares held by members of the Board of Directors and Executive Board

		Number 31 Dec 2018	Number 31 Dec 2017
Conrad Ammann	Director	300	300
Tobias Andrist	Director as of 17 May 2018	15	
Alexander Kummer-Grämiger	Director	600	500
Heinz Saner	Director	16	16
Urs Steiner	Director until 16 May 2018		127
Jasmin Staiblin	CEO until 31 Dec 2018	102	102
Reinhold Frank	Executive Board member until 31 May 2018		102
Peter Limacher	Executive Board member until 31 July 2018		50
Michael Wider	Executive Board member	102	102
Total		**1,135**	**1,299**

17 Events after the reporting period

In connection with the sale of the Engineering Services business, Alpiq filed for arbitration proceedings against the purchasing party Bouygues Construction on 12 February 2019. On the same day, Bouygues Construction also filed for arbitration proceedings against Alpiq. For more information about this matter, please refer to note 30 of the consolidated financial statements.

Proposal of the Board of Directors

Appropriation of retained earnings

The Board of Directors proposes to the Annual General Meeting to allocate the retained earnings as follows:

CHF	
Net income for 2018 reported in the income statement	215,022,492
Retained earnings carried forward	1,414,589,534
Retained earnings	**1,629,612,026**
Transfer to statutory revenue reserves	0
Balance to be carried forward	**1,629,612,026**

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To the General Meeting of
Alpiq Holding Ltd., Lausanne

Zurich, 1 March 2019

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Alpiq Holding Ltd., which comprise the income statement, balance sheet and notes (pages 158 to 164), for the year ended 31 December 2018.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended 31 December 2018 comply with Swiss law and the company's articles of incorporation.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibility* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Determination of the transaction price for the Engineering Services business sold in the current financial year and assessment of the provisions recognized for representations and warranties

Risk	The sale of the investment in Alpiq InTec Ltd. was executed on 31 July 2018. Alpiq Holding Ltd. recognized a gain on disposal of CHF 384 million on the basis of the provisional transaction price. As disclosed in note 15 of the financial statements, this is only an estimate as there is a significant uncertainty about the final transaction price adjustment as a result of diverging views held by the parties. The final amount is expected to be determined by an arbitration court. As part of this transaction, Alpiq Deutschland GmbH, which is held directly by Alpiq Holding Ltd., also sold its investment in Kraftanlagen München GmbH. Furthermore, Alpiq Group made representations and warranties to the buyer. Alpiq Deutschland GmbH recognized a warranty provision in connection with this. A negative transaction price adjustment or an increase in this warranty provision may have a direct negative impact on the investment value of Alpiq Deutschland GmbH.
Our audit response	We audited the process to determine the transaction price to be recognized in the current financial year by inspecting the corresponding contracts. In terms of the significant uncertainty about the final transaction price adjustment, we discussed the analysis performed by Alpiq Holding Ltd. and their assessment of the potential transaction price adjustments with the Executive Board, the Head of Legal & Compliance as well as senior employees in the finance department. We also received a legal letter from the law firm handling the case. Furthermore, we audited the warranty provisions by examining the contractual conditions and an overall analysis performed by a law firm. Regarding the warranties for the ongoing project, we received a legal letter provided by a local law firm. We also conducted interviews with the Executive Board, the Head of Legal & Compliance as well as senior employees in the finance department. Our audit procedures did not lead to any reservations regarding the determination of the transaction price for the Engineering Services business sold in the current financial year

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nor the assessment of the provisions recognized for representations and warranties.

Impairment of investments

Risk	As of 31 December 2018, Alpiq Holding Ltd. holds investments with a carrying amount of CHF 4,361 million. The assessment of impairment required Alpiq Holding Ltd. to make several estimates, which had a significant impact on the net income for the period. The significant estimates mainly concerned future electricity prices, future exchange rates, future growth and inflation rates as well as the discount rate.
Our audit response	In our audit of the impairment of investments, we compared the significant estimates made by Alpiq Holding Ltd. with available market data or other data made available by third parties. In addition, we compared the estimates with the relevant estimates from the prior year, and assessed these for consistency. Our audit procedures did not lead to any reservations regarding the impairment of investments.

Report on other legal requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Martin Gröli Licensed audit expert (Auditor in charge)	Max Lienhard Licensed audit expert

Measures

Currency

CHF	Swiss franc
CZK	Czech koruna
EUR	Euro
GBP	Pound sterling
HUF	Hungarian forint
NOK	Norwegian krone
PLN	Polish zloty
RON	Romanian leu
USD	US dollar

Energy

kWh	kilowatt hours
MWh	megawatt hours (1 MWh = 1,000 kWh)
GWh	gigawatt hours (1 GWh = 1,000 MWh)
TWh	terawatt hours (1 TWh = 1,000 GWh)
TJ	terajoules (1 TJ = 0.2778 GWh)

Power

kW	kilowatts (1 kW = 1 ,000 watts)
MW	megawatts (1 MW = 1 ,000 kilowatts)
GW	gigawatts (1 GW = 1 ,000 megawatts)

Photos

Cover:
Key Visual for asset management. Reservoirs Vieux Emosson (front) and Emosson in the canton of Valais.
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Financial calendar

14 May 2019:
Annual General Meeting

26 August 2019:
Interim Report

13 May 2020:
Annual General Meeting

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