2019

Annual Report

ALPIQ

About us

Alpiq is a leading Swiss energy company. We operate across Europe and offer our customers comprehensive services in power production, marketing and optimising energy as well as zero-emission mobility. Our core business is producing power from flexible CO2-free Swiss hydropower. We also produce electricity from climate-friendly nuclear energy, operate wind farms and photovoltaic plants as well as several modern and flexible gas-fired combined-cycle power plants.

We sell the power we produce in Switzerland and on the European markets. We offer the flexibility services of both our own power plant portfolio and third-party power plants. Alpiq trades on numerous European energy commodity exchanges with standardised and structured products for electricity and gas as well as emission allowances and environmental certificates. We use state-of-the-art technologies to optimise power plants and production facilities and digital applications to manage the energy flow between producers and consumers. In addition, we supply electricity and gas to industrial, commercial and household customers in several countries and use e-commerce to tap new end customer markets. The Alpiq Group has over 1,200 employees and is headquartered in Lausanne.

2019 Key Financial Figures

Alpiq Group	Results of operations before exceptional items			Results under IFRS		
CHF million	2019	2018	% change	2019	2018	% change
Net revenue [1]	4,080	5,240	– 22.1	4,099	5,186	– 21.0
Earnings before interest, tax, depreciation and amortisation (EBITDA) [1]	106	166	– 36.1	168	9	> 100.0
Depreciation, amortisation and impairment [1]	– 127	– 155	– 18.1	– 401	– 169	> 100.0
Earnings before interest and tax (EBIT) [1]	– 21	11	> – 100.0	– 233	– 160	– 45.6
As % of net revenue	– 0.5	0.2		– 5.7	– 3.1	
Earnings after tax from continuing operations				– 226	– 261	13.4
As % of net revenue				– 5.5	– 5.0	
Earnings after tax from discontinued operations				– 42	198	> – 100.0
Net income				– 268	– 63	> – 100.0
As % of net revenue				– 6.5	– 1.2	

1 Only continuing operations

CHF million	31 Dec 2019	31 Dec 2018	% change
Total assets	7,369	9,074	– 18.8
Total equity	3,671	3,944	– 6.9
As % of total assets	49.8	43.5	

	2019	2018	% change
Own production (GWh) [1]	15,407	14,538	6.0
Number of employees at the reporting date [2]	1,226	1,548	– 20.8
Of which in Switzerland	676	655	3.2
Of which in surrounding European countries	550	893	– 38.4

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

The financial summary 2015 – 2019 is shown on pages 154 and 155 of the Financial Report. A detailed overview of the shareholder structure can be found on pages 14 and 15 of the Corporate Governance Report.

Power Production in 2019

Power plants	Installed capacity at 31.12.2019[1] MW	MW	Production 2019[2] GWh	GWh
Hydropower		**2,910**		**4,313**
Switzerland	2,910		4,313	
Small-scale hydropower, wind, photovoltaics		**326**		**562**
Switzerland	17		57	
Bulgaria	72		133	
France	13		35	
Italy	224		337	
Nuclear power		**676**		**5,087**
Switzerland	676		5,087	
Conventional thermal power		**1,317**		**5,445**
Italy	491		1,545	
Spain[3]	423		2,115	
Czechia[4]	0		1,279	
Hungary	403		506	
Total		**5,229**		**15,407**

1 Based on Alpiq's net share of total power plant production
2 Alpiq's net share of total power plant production (after deducting pumped energy), excluding long-term purchase contracts
3 Until 31.5.2019, additional installed capacity of 423 MW was under management of Alpiq
4 Production of power stations Kladno and Zlín until sale on 30.8.2019

Production by technology

	GWh	%
Hydropower	4,313	28
Small-scale hydropower, wind, photovoltaics	562	5
Nuclear power	5,087	32
Conventional thermal power	5,445	35
Total	15,407	
Total 2018	14,538	

Production by country

	GWh	%
Switzerland	9,457	62
Spain	2,115	14
Italy	1,882	12
Czechia	1,279	8
Hungary	506	3
Bulgaria	133	1
France	35	0
Total	15,407	

Annual Report

Letter to our shareholders

Jens Alder

Dear shareholder,

After several years of transformation, Alpiq was in a consolidation phase in 2019. Our financial year was shaped by a change in the core shareholder structure, the delisting of the Alpiq share from the SIX Swiss Exchange and the election of a new CEO.

At the beginning of December, the Board of Directors of Alpiq Holding Ltd. elected André Schnidrig, who has worked for Alpiq for 10 years and been a member of the Executive Board since 1 January 2019, as the new CEO of the Alpiq Group from 1 January 2020. In January 2020, he was unexpectedly diagnosed with colon cancer. André Schnidrig can therefore not carry out his role as the CEO of Alpiq in the first half of 2020.

At the request of the Board of Directors and following the corresponding resolution, I stepped in and have taken over the operational management of Alpiq on an ad interim basis as Delegate of the Board of Directors, as I did in 2019. At the same time, Michel Kolly has taken over as Head of Digital & Commerce on an ad interim basis and the other members of the Executive Board have temporarily taken on responsibilities on top of their already high workload. I am optimistic that André will be back again soon. On behalf of the Executive Board and all employees, I sincerely wish André a speedy recovery.

Climate-friendly Swiss production operating at a loss

At operating level, our company once again successfully mastered the challenges of the international energy markets and generated EBITDA before exceptional items of CHF 106 million at operating level in the past financial year. New renewable energies and international energy trading delivered particularly good results. As expected, the climate-friendly Swiss power production closed the year with a loss of CHF 26 million on EBITDA level, despite the market premium.

Hydropower projects progressed further

Construction work in the Nant de Drance pumped storage power plant, in which Alpiq holds a stake of 39 %, made great progress. In autumn, the two penstocks (the central elements for using hydropower) began to be filled with water, marking another milestone in this monumental construction. After it is commissioned for commercial operations, Nant de Drance with its six 150 MW pump turbines is expected to make a major contribution to the stabilisation of the Swiss and above all the European electricity grid from 2021 onwards.

An example of our ongoing modernisation work is the Gougra hydropower plant in Valais. Kraftwerke Gougra AG, in which Alpiq holds a stake of 54 %, gave the go-ahead for the refurbishment of the three machine groups at the Mottec power station. This will increase the hydropower plant's capacity and raise its annual output by 5 million kWh.

Generation International successful

With EBITDA before exceptional items of CHF 88 million the Generation International business division, which includes the two business units Renewable Energy Sources and Thermal Power Generation, made the biggest contribution to the Alpiq Group's results of operations. We generated excellent results from marketing our flexible plants and our solar and wind farms in Europe. In Switzerland, Alpiq cleared the next hurdle for the Bel Coster wind farm after the canton of Vaud gave its approval for the partial utilisation plan. The project intends to install nine wind turbines in the Jura-Nord Vaudois district that will generate renewable energy for approximately 22,000 households.

Phase-out of coal massively reduces Alpiq's CO_2 emissions

Thermal power plants made a smaller contribution to earnings, especially on account of the strategic sale of the two Czech coal-fired power plants Kladno and Zlín. Alpiq has reduced the CO_2 emissions of its power plant portfolio by more than 60 % by phasing out coal. Alpiq is part of a climate-friendly energy future and aims to play an active role in shaping it.

Encouraging year for energy trading in Europe

The Digital & Commerce business division again closed the year with a positive operational EBITDA of CHF 48 million. International energy trading had a particularly encouraging year in 2019. This mainly applies to Italy, where we leveraged our flexible gas-fired combined-cycle power plants at a profit on the ancillary services market. We also made the most of the market dynamics in energy trading.

Alpiq further expanded its origination and sales portfolio within its pan-European energy business. Overall, the company supplied its large customers in Europe with roughly 40 TWh of energy and across Europe manages a portfolio with an installed capacity of 2.5 GW, primarily from new renewable energies such as wind and photovoltaics.

In France, Alpiq is the largest foreign electricity company on the market, not least thanks to our outstanding service quality. A survey of industrial customers rated us as France's best electricity supplier in 2019 for the third time in a row. In the business with small companies and private customers, we continued to invest in expanding the digital Retail business in the liberalised European markets.

Long-term purchase contracts and direct marketing expanded

Demand for long-term purchase contracts is growing in light of the noticeable increase in forward prices and far greater price volatility on the European markets. By making such long-term agreements, Alpiq and also our partners are increasing their planning security and minimising a portion of the market risks. As the leading Swiss provider of long-term purchase contracts, we were able to enter into new contracts with well-known European customers in Europe.

Partner for zero-emission mobility

Alpiq has expanded its products and services in the area of e-mobility and strengthened sales activities in the home market of Switzerland as well as the neighbouring core markets of Germany, Italy and Austria in a targeted manner. We are a partner for renowned players in the automotive industry and are shaping the battery-powered as well as hydrogen mobility solutions of the future. In the meantime, Switzerland's largest hydrogen production plant has been commissioned at Alpiq's Gösgen hydropower plant.

Financial strategy systematically continued

We also systematically continued our financial strategy in 2019. After years of transformation, debt reduction and consolidation, Alpiq now stands on a solid financial basis. At year-end 2019, net debt amounts to CHF 206 million, we have liquidity of CHF 1.1 billion and the equity ratio improved to 49.8 %.

No improvement to the framework conditions on the Swiss electricity market

In Europe, it has been decided to massively reduce the secured capacities over the coming years. This will have a negative effect on electricity imports into Switzerland and potentially jeopardise the supply security here. Policy-makers expect the energy industry to play a decisive role in restructuring the energy system as part of the Energy Strategy 2050, but at the same time are providing insufficient investment incentives for the refurbishment of existing hydropower plants and the building of new ones.

The framework conditions for the industry actually deteriorated in 2019. With the revision of the Swiss Federal Ordinance on the Decommissioning Fund and the Waste Disposal Fund, the Swiss Federal Council imposed additional costs running into the billions on the operators of nuclear power plants. The Swiss Parliament also decided to continue the water tax regime, which places a disproportionately high burden on hydropower, until the end of 2024, even though there is a need for reform in the current market environment.

No electricity agreement weakens energy industry

At the same time, not having an electricity agreement means that we are not connected to Europe's electricity markets, making it more difficult to sell flexible hydropower abroad. That being said, the Swiss Federal Council announced last autumn that it wants to drive forward the liberalisation of the electricity market as part of the upcoming revision of the Swiss Federal Electricity Supply Act. This liberalisation would make the electricity market more dynamic and more innovative.

Consolidation phase completed in 2019

2019 was shaped by core changes in Alpiq's shareholder structure. French energy group EDF sold its 25.04 % Alpiq share package. EOS Holding SA, Schweizer Kraftwerksbeteiligungs-AG, a wholly-owned subsidiary of CSA Energy Infrastructure Switzerland, and the consortium of Swiss minority shareholders now hold a combined 89.94 % of the Alpiq share capital and voting rights. We consider the new shareholder structure as a solid foundation for Alpiq's further development. The consolidation phase was completed at the end of 2019 following the shareholder changes, the delisting of the Alpiq share from the SIX Swiss Exchange and the election of the new CEO.

Board of Directors proposes zero dividend

The Board of Directors of Alpiq Holding Ltd. will submit a proposal to the Annual General Meeting that no dividend be distributed for the 2019 financial year on account of the earnings situation. Moreover, Alpiq will pay no interest to the Swiss consortium shareholders on their hybrid loan. However, it is planned to continue to service the hybrid bond that was placed publicly. The next interest payment on this bond is planned for 16 November 2020.

Recovery expected in 2020

As already communicated, the electricity and CO2 prices on the wholesale markets, which are hedged in Swiss francs on average two to three years in advance, will have a positive effect on earnings in 2020.

Many thanks to our employees and shareholders

Alpiq employees have again demonstrated their high level of commitment, loyalty and customer focus in 2019 and have been truly dedicated to helping shape the further development of our company. On behalf of the Board of Directors and the Executive Board, we would like to express our sincere thanks and appreciation for this.

The Board of Directors and the Executive Board thank you, our esteemed shareholders, for the unwavering trust you place in us. The challenging consolidation phase is now complete and together we want to successfully position Alpiq in the areas of decarbonisation, decentralisation and digitalisation for the long term. Against the background of international climate policy, a profound transformation has begun in our society. We already see Alpiq as part of a new energy world. We are well prepared for the challenges and opportunities this brings with it, both in Switzerland and Europe.

Jens Alder
Chairman and Delegate of the Board of Directors

28 February 2020

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 Remuneration Report presents the disclosures of the senior managers' compensation and investment interests. Except where otherwise stated, all information given is at 31 December 2019. The same applies to references to clauses in regulations and instructions.

On 1 January 2019, the Chairman of the Board of Directors took over the operational management of Alpiq Holding Ltd. and the Alpiq Group in the role of Delegate of the Board of Directors. On 4 December 2019, the Board of Directors elected André Schnidrig as CEO of Alpiq Holding Ltd. from 1 January 2020. The disclosures made about the Delegate of the Board of Directors therefore apply by analogy to the CEO and vice versa.

As communicated on 3 February 2020, André Schnidrig will not be able to carry out his role as CEO of Alpiq for roughly the next six months for health reasons. For this period, the Board of Directors has transferred the operational management of Alpiq to Jens Alder as Delegate of the Board of Directors on an ad interim basis. Michel Kolly will take over the responsibilities of André Schnidrig in his role as Head of Digital & Commerce on an interim basis and will also represent the business division on the Executive Board.

1 Group and shareholder structure

1.1 Group structure

1.1.1 Alpiq Group operating structure

At 31 December 2019, 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.

By a decision handed down on 26 November 2019, SIX Exchange Regulation Ltd approved Alpiq Holding Ltd.'s application to delist the Alpiq share. Until their delisting on 17 December 2019, the shares of Alpiq Holding Ltd. were listed on the SIX Swiss Exchange under ISIN CH0034389707. The last trading day on the SIX Swiss Exchange was 16 December 2019. Alpiq Holding Ltd.'s bonds are still listed on the SIX Swiss Exchange.

At 31 December 2019, the Alpiq Group's management structure comprises the three operational business divisions of Generation Switzerland, Generation International and Digital & Commerce. The Group Centre consists of the Financial Services functional division and the functional units Human Resources, Legal & Compliance, Communications & Public Affairs, Headquarter Operations and Risk Management, all of which report directly to the Delegate of the Board of Directors.

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 significant consolidated unlisted group companies are named in note 5.4 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 was in place between EOS Holding SA (EOS), Electricité de France (EDF) and the consortium of Swiss minority shareholders (KSM), consisting of EBM (Genossenschaft Elektra Birseck) [1], 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 governed the merger between Aare-Tessin Ltd. for Electricity (Atel) and the operating units of EOS 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 governed matters concerning Alpiq's corporate governance and reciprocal pre-emptive rights held by partners in the consortium.

1 EBM (Genossenschaft Elektra Birseck) has been operating under the brand name Primeo Energie since 26 March 2019.

By share purchase agreement dated 4 April 2019, Alpiq's former consortium shareholders EOS and EBM (Genossenschaft Elektra Birseck) each acquired half of the 25.04 % Alpiq share package of EDF Alpes Investissements Sàrl. The transaction was financed by mandatory exchangeable loans from Schweizer Kraftwerksbeteiligungs-AG and CSA Energy Infrastructure Switzerland (CSA). With the closing of the share purchase agreement on 28 May 2019, EDF and Alpiq left the consortium agreement, which thereupon came to an end.

In anticipation of the planned reorganisation of Alpiq's shareholder structure, CSA, EOS and the members of the KSM entered into a shareholder agreement that governs matters concerning governance and the mutual rights and obligations of the contracting parties. The shareholder agreement entered into force upon closing of the share purchase agreement, but an interim agreement will apply until the reorganisation of Alpiq Holding Ltd.'s shareholder structure is complete. Alpiq Holding Ltd. is not party to the aforementioned agreements.

Shareholders at 31 December 2019

Shareholder	Stakes in %
EOS Holding SA	31.44
Schweizer Kraftwerksbeteiligungs-AG	27.06
EBM (Genossenschaft Elektra Birseck)	13.66
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
Other	10.06

1.3 Cross-shareholdings

No cross-shareholdings exist.

Organisation at 31 December 2019

- **General Management**
  Executive Chairman
  Jens Alder[1]
  - **Secretary Board of Directors**
    Mauro Larino
  - **Internal Audit**
    Bérénice Boulay
  - **Generation Switzerland**
    Deputy of the CEO
    Michael Wider[1]
    - **Hydro Power Generation** – Amédée Murisier
    - **Nuclear Power Generation** – Michaël Plaschy
    - **Nant de Drance** – Eric Wuilloud
  - **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
    - **Market & Quantitative Analysis** – Morten Vesterdal
    - **Operations** – Petter Torp
    - **Business IT** – Stefan Büttler
    - **Oyster Lab** – Bastian Gerhard
  - **Financial Services**
    CFO
    Thomas Bucher[1]
    - **Business Controlling** – Philipp Benz
    - **Group Controlling & Reporting** – Anca Frisan
    - **Group Accounting & International Finance** – Stephan Kloter
    - **M&A and Infrastructure** – Martin Schindler
    - **Treasury & Insurance** – Lukas Oetiker
    - **Taxes** – Eva Catillon
    - **Procurement & Services** – Samuel Christian
  - **Headquarter Operations** – Matthias Jung
  - **Legal & Compliance** – Peter Schib
  - **Human Resources** – Philipp Oberson
  - **Communications & Public Affairs** – Richard Rogers
  - **Risk Management** – Walter Hollenstein

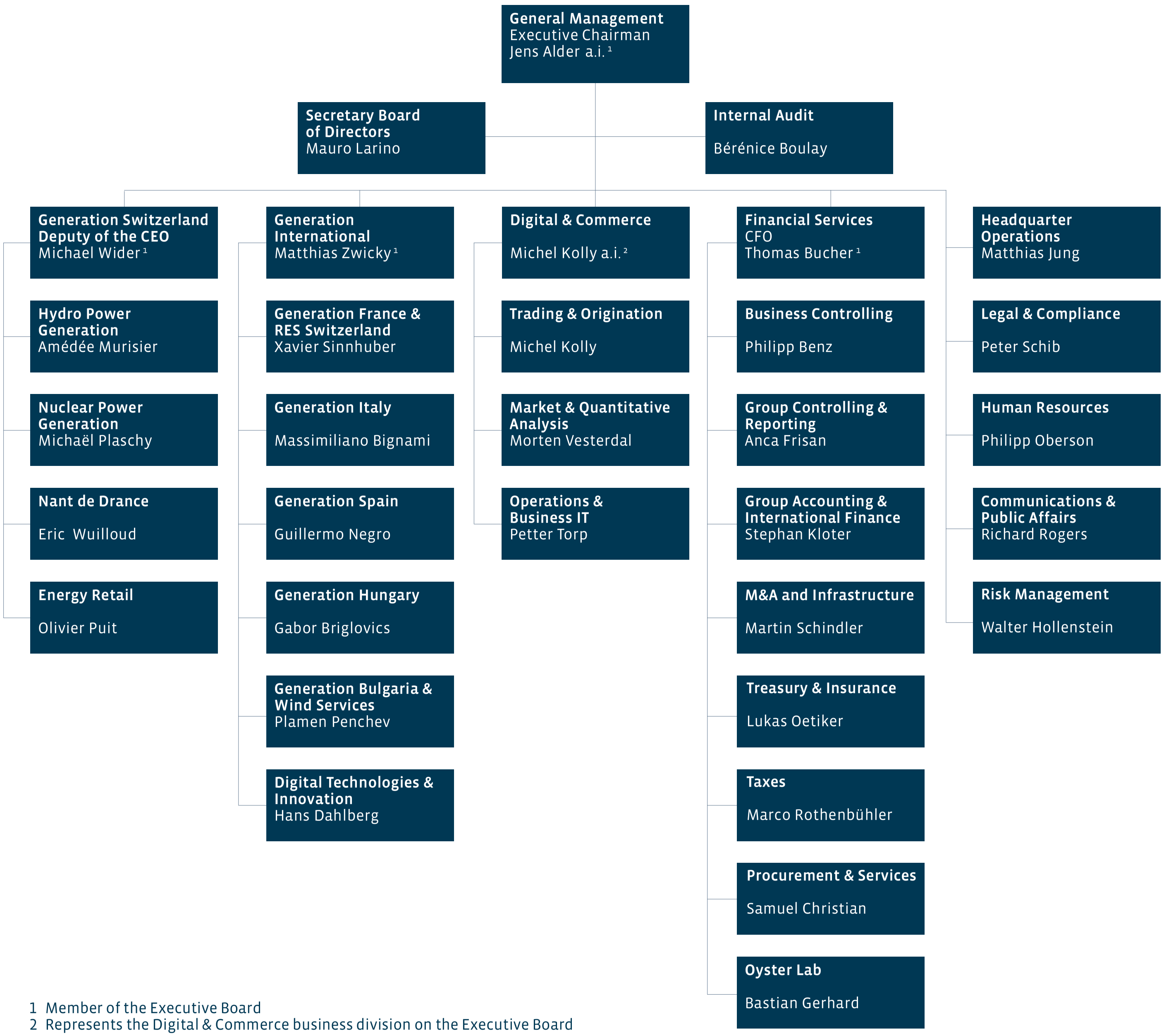
1 Member of the Executive Board

Organisation at 1 January 2020

- **General Management**
  CEO
  André Schnidrig[1]
  - **Generation Switzerland**
    Deputy of the CEO
    Michael Wider[1]
    - **Hydro Power Generation**
      Amédée Murisier
    - **Nuclear Power Generation**
      Michaël Plaschy
    - **Nant de Drance**
      Eric Wuilloud
  - **Generation International**
    Matthias Zwicky[1]
    - **Generation France & Switzerland**
      Xavier Sinnhuber
    - **Generation Italy**
      Massimiliano Bignami
    - **Generation Spain**
      Guillermo Negro
    - **Generation Hungary**
      Gabor Briglovics
    - **Generation Bulgaria & Wind Services**
      Plamen Penchev
  - **Digital & Commerce**
    André Schnidrig a.i.[1]
    - **Trading & Origination**
      Michel Kolly
    - **Energy Retail**
      Olivier Puit
    - **Digital Technologies & Innovation**
      Hans Dahlberg
    - **Market & Quantitative Analysis**
      Morten Vesterdal
    - **Operations**
      Petter Torp
    - **Business IT**
      Stefan Büttler
    - **Oyster Lab**
      Bastian Gerhard
  - **Financial Services**
    CFO
    Thomas Bucher[1]
    - **Business Controlling**
      Philipp Benz
    - **Group Controlling & Reporting**
      Anca Frisan
    - **Group Accounting & International Finance**
      Stephan Kloter
    - **M&A and Infrastructure**
      Martin Schindler
    - **Treasury & Insurance**
      Lukas Oetiker
    - **Taxes**
      Marco Rothenbühler
    - **Procurement & Services**
      Samuel Christian
  - **Headquarter Operations**
    Matthias Jung
    - **Legal & Compliance**
      Peter Schib
    - **Human Resources**
      Philipp Oberson
    - **Communications & Public Affairs**
      Richard Rogers
    - **Risk Management**
      Walter Hollenstein

1 Member of the Executive Board

Organisation at 1 February 2020, on an ad interim basis



1 Member of the Executive Board
2 Represents the Digital & Commerce business division on the Executive Board

2 Capital structure

2.1 Share capital

At 31 December 2019, 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 78 and 79 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 2017 can be found in the 2018 Annual Report in the Financial Report on page 75 for the consolidated financial statements of the Alpiq Group, and on page 163 for the statutory financial statements of Alpiq Holding Ltd.

2.4 Shares and participation certificates

At 31 December 2019, Alpiq Holding Ltd. 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 3.7 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 2019

Jens Alder, Zurich (Switzerland), Chairman
Jean-Yves Pidoux, Lausanne (Switzerland), Deputy Chairman
Conrad Ammann, Zurich (Switzerland)
Tobias Andrist, Arlesheim (Switzerland)
Dominique Gachoud, Fribourg (Switzerland)
Jørgen Kildahl, Einsiedeln (Switzerland)
Alexander Kummer-Grämiger, Laufen (Switzerland)
Anne Lapierre, Neuilly-sur-Seine (France)
René Longet, Grand-Lancy (Switzerland)
Wolfgang Martz, Montreux (Switzerland)
Hans Ulrich Meister, Uitikon (Switzerland)
Heinz Saner, Olten (Switzerland)
Phyllis Scholl, Kilchberg (Switzerland)
Secretary to the Board of Directors: Mauro Larino

At the Annual General Meeting on 14 May 2019, Claude Lässer and Patrice Gérardin left the Board of Directors. Dominique Gachoud and Xavier Lafontaine were elected as new members of the Board of Directors at the Annual General Meeting on 14 May 2019.

At 28 May 2019, François Driesen, Dr. Birgit Fratzke-Weiss, Xavier Lafontaine and John Morris left the Board of Directors. Jørgen Kildahl, Anne Lapierre, Hans Ulrich Meister and Phyllis Scholl were elected as new members of the Board of Directors at the extraordinary General Meeting on 21 August 2019.

The members of the Board of Directors are listed on pages 38 and 39. The Board of Directors regularly reviews its composition in relation to a balance of specialist knowledge, experience and diversity, and will in the future continue its efforts to include female members based on the Organisational Regulations. At 31 December 2019, the Board of Directors has two female members. 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 offices held 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	2020
Jean-Yves Pidoux	2009	2020
Conrad Ammann	2012	2020
Tobias Andrist	2018	2020
Dominique Gachoud	2019	2020
Jørgen Kildahl	2019	2020
Alexander Kummer-Grämiger	2013	2020
Anne Lapierre	2019	2020
René Longet	2013	2020
Wolfgang Martz	2016	2020
Hans Ulrich Meister	2019	2020
Heinz Saner	2017	2020
Phyllis Scholl	2019	2020

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 2019, the ARC consists of Hans Ulrich Meister (Chairman), Tobias Andrist (member) and Dominique Gachoud (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.

Claude Lässer and John Morris left the ARC at 14 May 2019 and 28 May 2019 respectively.

Nomination and Remuneration Committee (NRC)

At 31 December 2019, the NRC consists of Wolfgang Martz (Chairman), Phyllis Scholl (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 of Directors) and for the Executive Board (as proposed by the CEO).

Dr. Birgit Fratzke-Weiss left the NRC at 28 May 2019.

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 2019, the SC consists of Jens Alder (Chairman), Dr. Conrad Ammann (member), Jørgen Kildahl (member) and Dr. Jean-Yves Pidoux (member).

François Driesen left the SC at 28 May 2019.

Ad hoc Committee (AC)

Ad hoc Committee – tax matter in Romania

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 180 million) for value added tax, corporate income tax and penalties for the period of 2010 to 2014. Alpiq is using all available local and international legal means of appeal to contest the decision made by ANAF. For more information, please refer to note 4.8 of the consolidated financial statements. The Board of Directors formed an Ad hoc Committee (AC) to deal with this significant process. At 31 December 2019, this AC consists of Jens Alder (Chairman), Dr. Conrad Ammann (member) and Tobias Andrist (member).

Claude Lässer left the AC at 14 May 2019. François Driesen and John Morris left the committee at 28 May 2019.

Ad hoc Committee – Bouygues transaction

In connection with the sale of the Engineering Services business, which was completed in 2018, both Alpiq and Bouygues Construction (hereinafter: Bouygues) started arbitration proceedings on 12 February 2019 and made reciprocal claims for a purchase price adjustment. Alongside the existing diverging views on the amount of the definitive purchase price adjustment, Bouygues is now also making assurance claims. In the request for arbitration proceedings filed with the arbitration court on 20 January 2020, Bouygues has increased the amount it is demanding from Alpiq from CHF 205.1 million to a total of around CHF 319 million plus interest. Alpiq also vehemently disputes the new claim of Bouygues both in terms of its amount and on its merits and will defend itself against this in the arbitration proceedings. The Board of Directors formed an Ad hoc Committee (AC) to deal with this significant process. At 31 December 2019, this AC consists of Jens Alder (Chairman), Dr. Jean-Yves Pidoux (member), Phyllis Scholl (member) and Heinz Saner (member).

Governance Committee (GC)

The GC was created by resolution of the Board of Directors dated 7 December 2018. 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. At 31 December 2019, the GC consists of Dr. Jean-Yves Pidoux (Chairman / Lead Director), Dr. Conrad Ammann (member) and Jørgen Kildahl (member).

François Driesen left the GC at 28 May 2019.

Jens Alder's dual role as Delegate and Chairman of the Board of Directors no longer applies following the election of André Schnidrig as CEO of the Alpiq Group at 1 January 2020. As a consequence thereof, the GC simultaneously becomes obsolete. Upon reintroduction of Jens Alder's dual role as Delegate and Chairman of the Board of Directors on an ad interim basis, the Board of Directors reinstated the GC with the same tasks and the aforementioned members for this period.

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 6 hours 15 minutes. It also held four extraordinary meetings (three of which were held as conference calls for practical and time-related reasons) lasting an average of 1 hour. There were seven 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 five 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). 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 six ordinary meetings, each lasting an average of 2 hours 45 minutes. 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, each lasting around 2 hours 15 minutes. There were three circular resolutions. 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 four ordinary meetings lasting 2 hours and one extraordinary meeting (in some cases as video conference for practical and time-related reasons) lasting 1 hour 15 minutes. In the reporting year, all members of the SC attended all SC meetings.

The GC submits proposals that are not covered by another committee to the Board of Directors for its approval and reports verbally at each Board meeting on its activities, resolutions, conclusions and recommendations. If the GC fails to reach a consensus on matters or recommendations within its remit, such matters are also brought to the Board of Directors' attention. The Chairman of the Board of Directors / Delegate of the Board of Directors is a permanent guest at each meeting. During the reporting year, the GC held four ordinary meetings (in some cases as conference calls and by video conference for practical and time-related reasons), each lasting an average of 1 hour 45 minutes. There was one circular resolution. In the reporting year, all members of the GC attended all GC meetings.

The ACs submit proposals to the Board of Directors for its approval and report verbally at each Board meeting on their 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 for the tax matter in Romania held one meeting (for some attendees via a conference call for practical and time-related reasons) lasting 40 minutes. In the reporting year, all members of the AC for the tax matter in Romania participated in the meeting.

During the reporting year, the AC for the Bouygues transaction held two meetings (as conference calls for practical and time-related reasons), each lasting an average of 45 minutes. In the reporting year, all members of the AC for the Bouygues transaction attended all meetings with one exception.

The members of the Board of Directors ensure that they fulfil their duties even in the case of increased time demands.

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 his 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. At 31 December 2019, the Board of Directors also has four standing committees: the Audit and Risk Committee (ARC), the Nomination and Remuneration Committee (NRC), the Strategic Committee (SC) and the Governance Committee (GC). Due to the fact that the additional role of the Chairman of the Board of Directors no longer applies, the GC became obsolete at the end of 2019. After Jens Alder took over the operational management in his dual role as Delegate and Chairman of the Board of Directors on an ad interim basis, the GC was reinstated in February 2020. In addition, there are the Ad hoc Committees (ACs) created to deal with the tax matter in Romania as well as to handle the arbitration proceedings against Bouygues.

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 of Directors and the ARC, 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 was 32 training events for employees and members of the Executive Board in Switzerland and abroad (Olten, Lausanne, Zurich, Prague, Warsaw). 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. Seven cases, most of which related to employment law as well as one case of unfair solicitation and violation of trade secrets and one case of criminal law (fraud), were reported via the whistle-blower system in 2019. All cases were closed in the reporting year. One employment contract was ended as a result of unethical behaviour. Another large number of cases involved compliance advice, investigations and assessments in 2019, 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 2019, the Executive Board comprised four members. Upon Markus Brokhof's exit at 31 December 2019, André Schnidrig has temporarily taken over as Head of the Digital & Commerce business division from 1 January 2020. The members of the Executive Board are listed on page 40. 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 until 31 December 2019 was Jens Alder, whose management contract governed his dual role as Delegate of the Board of Directors and Chairman of the Board of Directors. A management contract was entered into between Alpiq Holding Ltd. and the Chairman of the Board of Directors at 1 January 2020. Since 1 February 2020, a contract of mandate has been in place between Alpiq Holding Ltd. and Jens Alder governing his dual role as Delegate of the Board of Directors and Chairman of the Board of Directors on an ad interim basis.

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 f. 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 3.3 million for their services (previous year: CHF 3.1 million). Of this amount, CHF 2.4 million was paid for audit services (CHF 2.5 million), CHF 0.2 million for audit-related services (CHF 0.4 million), CHF 0.3 million for tax services (CHF 0.2 million) and CHF 0.4 million for transaction support (CHF 0.0 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 six 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.

2019 Annual General Meeting

At the 11th ordinary Annual General Meeting of Alpiq Holding Ltd., held on 14 May 2019, the 142 shareholders present approved the 2018 consolidated financial statements of the Alpiq Group, as well as the 2018 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. Dominique Gachoud and Xavier Lafontaine were elected onto the Board of Directors, replacing Patrice Gérardin and Claude Lässer. The statutory auditors were re-elected for another year.

2019 extraordinary General Meeting

At the extraordinary General Meeting of Alpiq Holding Ltd., held on 21 August 2019, the 91 shareholders present elected Jørgen Kildahl, Anne Lapierre, Hans Ulrich Meister and Phyllis Scholl onto the Board of Directors, replacing François Driesen, Dr. Birgit Fratzke-Weiss, Xavier Lafontaine and John Morris.

Board of Directors at 31 December 2019

Jens Alder
Chairman of the Board of Directors
- Dipl. El. Ing. ETH Zurich; MBA INSEAD, Fontainebleau
- Swiss national
- Chairman: SCHMOLZ+BICKENBACH Ltd., Lucerne
- Director: Scope Content AG, Zurich; Goldbach Group Ltd, Küsnacht (from 1 January 2020)
- 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: Primeo Energie Ltd, 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; EBLD Schweiz Strom GmbH, Rheinfelden DE
- 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; Kraftwerk Birsfelden AG, Birsfelden
- Board member: Energie Zukunft Schweiz Association, Basel
- Employer representative: Transparenta Sammelstiftung für berufliche Vorsorge, Aesch
- Council member: SME forum Baselland

Dominique Gachoud
Member
- Electrical engineering graduate, ETH Lausanne; additional training in law and business management, University of Freiburg
- CEO: Groupe E Ltd, Granges-Paccot (until 31 October 2019)
- Swiss national
- Director: EOS Holding SA, Lausanne; EURELECTRIC, Brussels; Gaznat SA, Lausanne; Swissgrid Ltd, Aarau
- Chairman: regioGrid, Aarau
- Vice-Chairman: Verband Schweizerischer Elektrizitätsunternehmen (VSE), Aarau

Jørgen Kildahl
Member
- Master of Science in Economics and Business Administration (M.Sc.); Certified European Financial Analyst (CEFA); Master of Business Administration in Finance (MBA); Advanced Management Program, Harvard Business School
- Senior Advisor: Credit Suisse Energy Infrastructure Partners Ltd.
- Norwegian national
- Chairman: Nysäter Wind AB, Sweden
- Vice-Chairman: Telenor ASA, Norway
- Director: Höegh LNG Holdings Ltd., Bermuda; Ørsted A/S, Denmark

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

Anne Lapierre
Member
- CAPA (Certificate of Aptitude for the Legal Profession) – training facility of the Paris bar; QLTS (Qualified Lawyers Transfer Scheme) – supervisory body for the legal profession; Executive Program, Women Be European Board Ready ESSEC Business School, Paris; Executive MBA, Major in energy HEC Business School, Paris
- French national
- Member of the Executive Committee: Norton Rose Fulbright LLP, Paris
- Board member: Solar Impulse Foundation, Lausanne

René Longet
Member
- Lic. phil. I, University of Geneva
- Swiss national
- Vice-Chairman: Services industriels de Genève, Vernier
- Director: EOS Holding SA, Lausanne
- Board member: Centre for energy and municipal research in the city of Martigny (CREM)
- President: Fédération genevoise de coopération

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: Schenk S.A., Rolle; Schenk Holding SA, Rolle; Société Coopérative Immobilière Montreux (SOCIM), Montreux; SOKAVO SA, Vevey
- 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

Hans Ulrich Meister
Member
- Degree in economics from Zurich University of Applied Sciences; Advanced Management Program of Wharton School; Advanced Management Program of Harvard Business School
- Swiss national
- Chairman: Implenia Ltd, Dietlikon

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

Phyllis Scholl
Member
- University of St. Gallen, lic. rer. publ.; University of St. Gallen, lic. iur.; London School of Economics, LL.M; attorney admitted to the bar; Advanced Management Program HSG
- Swiss national
- Chairman: Lazzarini Beteiligungs AG, Chur
- Director: EW Höfe AG, Freienbach; Energiedienst Holding AG, Laufenburg

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

Executive Board at 31 December 2019

Jens Alder
Delegate of the Board of Directors until 31 December 2019 and from 1 February 2020 on an ad interim basis
- Dipl. El. Ing. ETH Zurich, MBA INSEAD, Fontainebleau
- Swiss national
- Born 1957
- Chairman: SCHMOLZ+BICKENBACH Ltd., Lucerne
- Director: Scope Content AG, Zurich; Goldbach Group Ltd, Küsnacht (from 1 January 2020)
- Chairman of the Supervisory Board: ColVisTec AG, Berlin

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
- 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; Die Schweizerische Post AG, Bern
- Board member: Solothurner Handelskammer (Solothurn Chamber of Commerce), Solothurn

Markus Brokhof
Head of Digital & Commerce until 31 December 2019
- Mining engineering graduate, Clausthal University of Technology, Clausthal-Zellerfeld
- German and Swiss national
- Born 1966
- With Alpiq Group from 2014 until 31 December 2019, as Executive Board member
- Chairman: Alpiq E-Mobility Ltd., Zurich; Alpiq Solutions France SAS, Neuilly-sur-Seine; Alpiq Energie France SAS, Neuilly-sur-Seine
- Energy Sector Council member: Biberach University of Applied Sciences, Germany

André Schnidrig
Head of Generation International until 31 December 2019, from 1 January 2020 CEO and Head of Digital & Commerce on an ad interim basis
- Dipl. Phys. ETH Zurich; MBA INSEAD, Singapore / Fontainebleau
- Swiss national
- Born 1971
- With Alpiq Group since 2019, as Executive Board member
- Director: HYDRO Exploitation SA, Sion

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, the CEO and the Head of Human Resources are generally invited to the meetings except when their own performance is being assessed or contract terms or conditions of employment are being proposed 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:

D = Decision / Approval
A = Acknowledgement
R = Recommendation / proposal
P = Proposal

		CEO	Chair-man	NRC	BoD	AGM
1.	**Procedural questions (Art. 31 of the Organisational Regulations)**					
1.1.	Instituting investigations and enquiries			D		
1.2.	Requesting information	(A)		D		
2.	**Nomination (Art. 34 of the Organisational Regulations)**					
2.1.	Approval of selection criteria			D		
2.2.	Proposals to the BoD for nomination of EB members	P		R	D	
2.3.	Election of heads of business and functional units	D				
2.4.	Renaming / mergers / transfers of units to other areas	D		A		
2.5.	Formation / reorganisations / winding down of units	D		A		
2.6.	Nomination of Alpiq employees as members of the BoD of the subsidiaries and associated companies as well as other significant associates held by the holding company	D		A	A	
3.	**Performance assessment / objectives (Art. 35 of the Organisational Regulations)**					
3.1.	Determining the annual objectives of the CEO		P	D		
3.2.	Performance assessment of the CEO		P	D		
3.3.	Approval of the annual objectives and performance assessment of the EB	P		D		
4.	**Contracts and terms of employment (Art. 36 of the Organisational Regulations)**					
4.1.	Remuneration of the Chairman, members of the BoD, members of the BoD committees, CEO and members of the EB			R	P	D
4.2.	General contractual conditions of the Chairman and special conditions of the BoD			P	D	
4.3.	Other terms of employment for the CEO		P	D		
4.4.	Other terms of employment for EB members	D				
4.5.	Remuneration policy of heads of business and functional units	D		A		
4.6.	Bonus Regulations	P		D		

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 a minimum once a year. In the reporting year, the NRC held five ordinary meetings, each of which lasted around 2 hours 15 minutes on average. There were three circular resolutions. In the reporting year, all members of the NRC attended all NRC meetings. The content of the meetings is summarised as follows:

Number of meetings	5
Average duration	2 hours 15 minutes
Main topics	Proposal to the Board of Directors for nominating the CEO and a member of the Executive Board. Approval of the annual objectives of the members of the Executive Board (based on a proposal from the Chairman). Approval of the performance assessment of the members of the Executive Board (based on a proposal from the Chairman). 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 Chairman) on the overall remuneration for the members of the Executive Board. Approval of the Reward Regulations for the CEO and the other members of the 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.

The most recent market comparison of remuneration of the Board of Directors and Executive Board was performed by HCM Hostettler & Company in mid-2018 at Alpiq's instigation. The amount and structure of remuneration were analysed, using listed 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.

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.

Key changes for the Executive Board in the reporting year

Jasmin Staiblin, CEO of the Alpiq Group from 1 January 2013, left Alpiq at 31 December 2018 observing the contractually agreed 12-month notice period and was released from her duties for that period. In accordance with the agreement, the employment contract came to an end on 31 December 2019.

From 1 January 2019, Jens Alder managed the company in strategic and operational terms as Chairman and Delegate of the Board of Directors.

André Schnidrig was appointed CEO by the Board of Directors on 4 December 2019, taking over management of the company from 1 January 2020.

After André Schnidrig takes over the role of CEO, Jens Alder will step down from his position as Delegate of the Board of Directors and continues to focus on the strategic management of the company as Chairman of the Board of Directors.

Matthias Zwicky will join the Executive Board on 1 January 2020, taking over the Generation International business division. The two former business units Thermal Power Solutions and Renewable Energy Sources will be combined at their respective country level in January 2020, meaning that the business units Thermal Power Solutions and Renewable Energy Sources will cease to exist.

Markus Brokhof resigned from the Executive Board at 31 December 2019 and will leave the company at 31 March 2020. André Schnidrig will temporarily take over his role at 1 January 2020 in addition to his role as CEO.

Due to André Schnidrig's absence for health reasons, Jens Alder will take over the operational management of the Alpiq Group on an ad interim basis from 1 February 2020.

Likewise from 1 February 2020 on an ad interim basis, Michel Kolly will take over as Head of the Digital & Commerce business division and will represent this division on the Executive Board.

The Alpiq Group's entire remuneration structure in Switzerland was reviewed over the course of 2019 and all positions reevaluated and realigned. As part of this, the target bonus for all positions apart from energy trading and the Executive Board was integrated into the fixed components. There were several reasons for this decision by the Executive Board: for one thing, the low possibility to influence the company's performance on account of a large number of huge exceptional items, and, for another, because it is convinced that a company can be managed better and more directly without incentives, and, finally, the fact that the level at which employees achieved these personal objectives has remained stable for years despite in-depth processes to set and evaluate objectives.

In this context, the remuneration structure of the Executive Board was also scrutinised. Following discussions in the NRC and the Board of Directors, the total remuneration of the individual members of the Executive Board remained at the same level, but the fixed component was increased substantially from 2020 onwards. The remaining variable component is now no longer an incentive that depends on an objective set at the beginning of the year, but is rather evaluated on a discretionary basis by the NRC. This year-end evaluation is based on the year as a whole and the value created for the company and takes the relevant external influencing factors in the past year into account. For this new remuneration component – called reward – objectives can be met between 0 % and 133 %. It replaces the former short-term incentive (STI).

If an objective is 100 % met, the reward is 20 % of the fixed salary and is 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 and a short-term, performance-related STI. For details of Executive Board remuneration, please see pages 53 and 54 of the Remuneration Report.

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 in the reporting year is an average of 49 % fixed remuneration and 51 % variable remuneration for the members of the Executive Board. The Delegate of the Board of Directors is exclusively remunerated via his mandate fee and is not included in the calculations for 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 STI.

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 2019 financial year, Executive Board members received remuneration in accordance with the Bonus Regulations that have been in force since 1 January 2019 and received remuneration consisting of the following components:

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

Former members of the Executive Board who stepped down in the reporting year also received proportionate turnaround incentives (TAI), because the change to the Bonus Regulations at 1 January 2019 was not applicable to their contracts, as these were terminated before this date.

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 former 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 and STI). If all targets are achieved, the nominal amount is set at 34 % of the total compensation for the former CEO and an average of 40 % of the total compensation for the other members of the Executive Board. The STI consists of the following three components: EBITDA (weighting 25 %), support for the Board of Directors in the strategic planning process (weighting 25 %) and personal objectives (weighting 50 %). There is an exception for the Head of the Digital & Commerce (D&C) business division, whose components break down as follows: EBITDA (20 %), support for the Board of Directors in the strategic planning process (20 %), net contribution of the Digital & Commerce business division (40 %) and personal objectives (20 %).

In the reporting year, 120 % of the defined EBITDA targets were reached, while those relating to support for the Board of Directors in the strategic planning process were achieved at a rate of 100 %, those relating to D&C division targets at 97 % and those relating to the respective personal objectives at an average of 94 %.

After the close of the financial year, the NRC assesses performance target attainment. The STI is paid in three tranches: one-third in May after the financial year close, one-third in November of the same year and one-third in April of the second year after the reporting year.

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. Until her exit on 31 December 2019, the former CEO Jasmin Staiblin participated 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 2019

Remuneration paid to the Executive Board totalled CHF 6.9 million in the reporting year (previous year: CHF 7.1 million). Of this amount, CHF 5.8 million (CHF 6.0 million) is attributable to regular compensation, and CHF 1.1 million (CHF 1.1 million) is attributable to social security contributions. Maximum remuneration for 2019 approved by the Annual General Meeting totalled CHF 8.4 million, of which CHF 6.9 million was effectively paid out.

In the reporting year, the ratio of fixed salary components (totalling CHF 4.2 million) to variable components (totalling CHF 2.7 million) was 61 % to 39 %.

2019 CHF thousand	Sum total Executive Board [1]	Highest-paid member Jasmin Staiblin [2]
Base salary	2,726.7	650.0
Social security contributions [3]	1,066.1	269.4
Other remuneration [4]	403.3	33.0
Total fixed remuneration	**4,196.1**	**952.4**
Short-term incentive (STI)	2,003.6	550.0
Turnaround incentive (TAI) [5]	691.7	400.0
Total variable remuneration	**2,695.3**	**950.0**
Total remuneration	**6,891.4**	**1,902.4**

Each member of the Executive Board was paid an additional annual expense allowance of CHF 24 thousand, and the highest paid member (former CEO) received CHF 30 thousand. Expense allowances for the Executive Board totalled CHF 154 thousand.

1 Includes remuneration for three persons who left the Executive Board in the previous year (Reinhold Frank, Peter Limacher, Jasmin Staiblin). The fee of the Delegate of the Board of Directors Jens Alder is disclosed in full under "Members of the Board of Directors' remuneration".

2 Jasmin Staiblin was released from her duties for the period between her resignation as CEO on 31 December 2018 and her contractual exit on 31 December 2019.

3 Employer social security contributions were paid in accordance with statutory requirements and totalled CHF 1,066.1 thousand in 2019.

4 "Other remuneration" includes car expenses and costs for settling tax matters between Germany and Switzerland.

5 TAI payments were only made to the persons who left in the reporting year.

The amount of bonuses reported corresponds to the variable salary component approved by the NRC for the 2019 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 2018

In the previous 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**

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 represented the variable salary component approved by the NRC for the 2018 financial year. The bonuses for 2018 were paid out after the Annual General Meeting in May 2019 and in December 2019.

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.

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

Members of the Board of Directors receive fixed remuneration, additional 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 do not participate in the STI scheme.

Remuneration paid to the Board of Directors in 2019

In 2019, the Board of Directors received remuneration totalling CHF 2.2 million (previous year: CHF 2.4 million). Of this amount, CHF 2.0 million (CHF 2.3 million) is attributable to regular compensation, and CHF 0.2 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 remunera-tion [1]	Attendance fees	Expense allowances	Other remunera-tion [2]
Jens Alder (Chairman and Delegate of the Board of Directors) [3]	806.3			116.1
Jean-Yves Pidoux (Deputy Chairman of the Board of Directors)	110.0		12.0	
Conrad Ammann	104.0		12.0	
Tobias Andrist	104.0		12.0	
Dominique Gachoud	65.7		7.6	2.8
Jørgen Kildahl	37.7		4.4	5.9
Alexander Kummer-Grämiger	92.0		12.0	
Anne Lapierre	33.4		4.4	5.2
René Longet	92.0		12.0	
Wolfgang Martz (NRC Chairman)	116.0		12.0	13.6
Hans Ulrich Meister (ARC Chairman)	42.1		4.4	6.6
Heinz Saner	104.0		12.0	1.9
Phyllis Scholl	37.7		4.4	
Total for members of the Board of Directors serving on 31 December 2019	**1,744.9**		**109.2**	**152.1**
François Driesen	43.3		5.0	
Birgit Fratzke-Weiss	43.3		5.0	
Patrice Gérardin	34.1		4.5	
Xavier Lafontaine	4.5		0.6	
Claude Lässer	38.6		4.5	4.2
John Morris	48.3		5.0	
Sum total for members of the Board of Directors	**1,957.0**		**133.8**	**156.3**

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 totalled CHF 156.3 thousand in 2019.

3 Includes compensation for the role of Chairman of the Board of Directors and Delegate of the Board of Directors.

Remuneration paid to the Board of Directors in 2018

In 2018, 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 [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**

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

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 totalled CHF 119.7 thousand in 2018.

3 In 2018, 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.

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. 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, 28 February 2020

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 2019. 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 2019 and 2018” on pages 53 to 55 and “Remuneration paid to the Board of Directors in 2019 and 2018” on pages 56 to 58 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 the company’s articles of incorporation 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 the company’s articles of incorporation 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 2019 of Alpiq Holding Ltd. complies with the company's articles of incorporation 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

The Alpiq Group generated operational EBITDA of CHF 106 million in the 2019 financial year. As announced, this is down on the previous year. The Generation Switzerland business division exceeded the previous year slightly, but is still operating at a loss. The Generation International business division again made the biggest contribution to operational earnings, but is down on the previous year. The Digital & Commerce business division also made a positive contribution to operational earnings, falling only marginally short of the previous-year level.

Looking towards an increasingly decarbonised, digitalised and decentralised energy world, Alpiq sold its two Czech brown coal-fired power plants Kladno and Zlín for strategic reasons. Alpiq thus no longer operates any coal-fired power plants. With this divestment, Alpiq has strengthened its balance sheet and sharpened its business model.

At the end of May 2019, Electricité de France (EDF) sold its entire 25.04 % Alpiq share package to EOS Holding SA (EOS) and EBM (Genossenschaft Elektra Birseck), two of Alpiq's consortium shareholders. Schweizer Kraftwerksbeteiligungs-AG (SKBAG), a wholly-owned subsidiary of CSA Energy Infrastructure Switzerland, published the offer prospectus of its voluntary public tender offer on 10 July 2019. The completed public purchase offer reduced the already low free float still further. By notification dated 26 November 2019, the SIX Exchange Regulation Ltd approved Alpiq Holding Ltd.'s application to delist the Alpiq share. The delisting took place on 17 December 2019; the last trading day on the SIX Swiss Exchange was 16 December 2019. After the delisting, SKBAG acquired the former EDF share package from EOS and EBM (Genossenschaft Elektra Birseck). At 31 December 2019, EOS, SKBAG and the consortium of Swiss minority shareholders held a combined 89.94 % of the Alpiq share capital and voting rights.

In connection with the sale of the Engineering Services business completed in 2018, there are diverging views between Alpiq and Bouygues Construction on the amount of the definitive adjustment amount based on the purchase price adjustment mechanism. In order to enforce their claims arising from the price adjustment mechanism, both parties therefore filed for arbitration proceedings on 12 February 2019. While Alpiq is claiming an additional amount of CHF 12.9 million, Bouygues Construction was demanding a refund of CHF 205.1 million in the arbitration proceedings filed on the same day. The two arbitration proceedings have been combined in the meantime. In the detailed request for arbitration proceedings now filed by Bouygues Construction, the amount it is demanding was increased from CHF 205.1 million to a total of around CHF 319 million plus interest. Alpiq also vehemently disputes the new claim of Bouygues Construction both in terms of its amount and on its merits and will defend itself against this in the arbitration proceedings. A ruling by the arbitration court is not expected until some point in 2022.

At the beginning of 2015, the German Federal Cartel Office started investigative proceedings against various companies in the industry for technical building equipment on suspicion of anti-competitive agreements. In the course of these proceedings, the German Federal Cartel Office imposed a fine of EUR 47.5 million on Kraftanlagen München GmbH, a divested subsidiary of Alpiq, in December 2019. Kraftanlagen München refutes the allegations and has filed an appeal against the adminis-

2019: Consolidated income statement (pro forma statement before and after exceptional items)

CHF million	Results of operations before exceptional items 2019	Exceptional items[1] 2019	Results under IFRS 2019	Results of operations before exceptional items 2018	Exceptional items[1] 2018	Results under IFRS 2018
Net revenue	**4,080**	**19**	**4,099**	**5,240**	**– 54**	**5,186**
Own work capitalised and change in costs incurred to fulfil a contract	5		5	5		5
Other operating income	48	2	50	45		45
Total revenue and other income	**4,133**	**21**	**4,154**	**5,290**	**– 54**	**5,236**
Energy and inventory costs	– 3,723	70	– 3,653	– 4,837	– 87	– 4,924
Employee costs	– 192	2	– 190	– 188	– 23	– 211
Other operating expenses	– 112	– 31	– 143	– 99	7	– 92
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**106**	**62**	**168**	**166**	**– 157**	**9**
Depreciation, amortisation and impairment	– 127	– 274	– 401	– 155	– 14	– 169
Earnings before interest and tax (EBIT)	**– 21**	**– 212**	**– 233**	**11**	**– 171**	**– 160**
Share of results of partner power plants and other associates			– 44			– 50
Finance costs			– 73			– 104
Finance income			14			9
Earnings before tax			**– 336**			**– 305**
Income tax expense			110			44
Earnings after tax from continuing operations			**– 226**			**– 261**
Earnings after tax from discontinued operations			– 42			198
Net income			**– 268**			**– 63**

1 For more information, please refer to pages 68 and 69.

trative order imposing the fine. If the final administrative order against Kraftanlagen München becomes legally binding, the sales agreement between Alpiq Holding Ltd. and Bouygues Construction stipulates that the purchaser be indemnified by Alpiq.

In order 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 EBITDA view, in other words, to earnings development before exceptional items. The categories of exceptional items are described in detail in the "Alternative performance measures of Alpiq" section.

The Alpiq Group generated net revenue before exceptional items of CHF 4.1 billion (down CHF 1.2 billion on the previous year), EBITDA of CHF 106 million (down CHF 60 million) and EBIT of CHF –21 million (down CHF 32 million).

Alpiq Group: results of operations (before exceptional items)

In the 2019 financial year, the Alpiq Group generated positive operational EBITDA. However, as announced, this is down on the previous year.

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 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).

Alpiq is committed to CO2-free Swiss hydropower and is driving various projects forward. Ten years after construction started on the Nant de Drance pumped storage power plant, another milestone has been reached. The Vieux Emosson reservoir, whose dam wall was raised by 21.5 metres, was filled with water for the first time in October. The six pump turbines with an installed capacity of 150 MW each will be gradually commissioned, so that the 900 MW power plant will be fully operational from the third quarter of 2021 onwards. The power plant is designed to produce power during peak consumption times and to compensate for irregular and fluctuating power production from new renewable energies. Alpiq holds a stake of 39 % in Nant de Drance SA. Kraftwerke Gougra AG, in which Alpiq holds a stake of 54 %, has decided to refurbish the three machine groups at the Mottec power station. Between 2020 and 2022, the modernisation will increase the capacity of the hydropower plant from 69 to 87 MW. Energie Electrique du Simplon SA, an 82 % subsidiary of Alpiq, is completely refurbishing the Tannuwald hydropower plant in 2019 and 2020, replacing the seven existing machine groups with two new, more efficient groups. The new systems increase the capacity of the power plant from 6 to 7 MW. In the area of nuclear power, in line with the revision of the Swiss Federal Ordinance on the Decommissioning Fund and the Waste Disposal Fund (SEFV), the Swiss Federal Council made the decision, among others, in November 2019 to lower the real yield from 2.0 % to 1.6 %. For operating companies Kernkraftwerk Gösgen-Däniken AG and Kernkraftwerk Leibstadt AG, this will result in higher refinancing needs.

At CHF – 26 million, the EBITDA contribution of the Generation Switzerland business division is up year-on-year by CHF 12 million. The higher market premium for hydropower is having a positive effect. On the other hand, the extremely high hydraulic inflows resulting from great snow volumes and the warm spring seen in the first half of 2018 were not matched in 2019. Production volumes of nuclear power were lower compared to the previous year. The main reason for this is the long-term purchase contracts that expired in 2018. The Leibstadt nuclear power plant produced more in 2019 than in the previous year, when the maintenance work had to be extended beyond schedule.

Generation International business division

The Generation International business division consists of the two business units Renewable Energy Sources and Thermal Power Generation. The Renewable Energy Sources business unit focuses on onshore wind power plants, small-scale hydropower plants and industrial photovoltaic plants in Switzerland and Europe. The Thermal Power Generation business unit produces electricity and heat in thermal power plants in Hungary, Italy and Spain. Following the sale of the brown coal-fired power plants in Czechia, the power plant portfolio contains gas-fired combined-cycle power plants and quick-start gas-fired turbines. These flexible power plants, in addition to short-term power plant scheduling, are used by the respective grid operators in all three countries to balance the grids. The power produced is sold on the European electricity trading market via the Digital & Commerce business division or third parties.

The Bel Coster wind farm reached another milestone as approval for the partial utilisation plan was obtained. Although an appeal has since been filed against this decision, the project is still going ahead. The Bel Coster project involves the installation of nine wind turbines with a capacity of 3 to 4 MW each in the Jura-Nord Vaudois district. Alpiq supports renewable energies, as they are in line with the decentralised, decarbonised energy world of tomorrow. Gas-fired combined-cycle power plants, in turn, are among the most efficient conventional power plants thanks to their high electric efficiency and flexibility. They contribute to grid stability and offer additional services such as heat for the district heating supply. The Novel power plant in Italy was fitted with a low-emission firing system, which makes the plant even more flexible. In August 2019, Alpiq successfully completed the sale of the Czech brown coal-fired power plants Kladno and Zlín to the Sev.en Energy Group. The sale reduces the CO_2 emissions of Alpiq's power plant portfolio by more than 60 % and means that Alpiq no longer operates any coal power plants.

At CHF 88 million, the EBITDA contribution of the Generation International business division is down year-on-year by CHF 68 million. The Renewable Energy Sources business unit fell just short of previous-year results, mainly due to lower prices and less favourable wind conditions in Italy compared to the previous year. The Thermal Power Generation business unit is significantly below the previous year. This was mainly due to three reasons. Firstly, the agreement between the Csepel gas-fired combined-cycle power plant and the Hungarian state energy supply company, MVM, which was due to expire at the end of 2018, could be extended, however, the price had to be renegotiated on the basis of current market conditions and is lower, as was expected. Secondly, the acquisition of 33.3 % interest of Eviva in the gas-fired combined-cycle power plant San Severo at the end of 2018 resulted in the loss of income from tolling agreements. Thirdly, the brown coal-fired power plants Kladno and Zlín were sold and therefore made no contribution to earnings after September 2019.

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. Trading is a central element of Alpiq's business model. 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, demand response services as well as flexibility services in energy trading. The dynamic changes in a complex environment are creating opportunities for new service-oriented business models in a digitalised energy landscape.

Electricity prices on the forward markets fell dramatically in most countries in comparison to the previous year. The drop in prices in Switzerland and France was particularly dramatic, at more than 20 %. This is due not only to the fact that fuel prices were lower, but also that wind farms, photovoltaic plants and run-of-river power plants saw good levels of power production. Even the poor availability of nuclear power plants in France in the final quarter of the year failed to shore up prices. Electricity prices in Eastern Europe were observed to be more stable, because the cold winter weather and drought in the first half of the year had a positive effect on prices. Due to oversupply, accelerated by high imports of liquefied natural gas (LNG) and record high gas storage levels at the end of the year, gas prices on the wholesale markets collapsed by 40 %. CO_2 emission certificates held their own and stayed around the starting value of EUR 25 / t over the course of the year. The imputed margins of the gas-fired power plants (clean spark spreads) remained stable in most European countries or even increased slightly. In France, Alpiq was voted best supplier in the French electricity market for industrial customers for the third consecutive time in a survey in 2019. Alpiq wants to further develop the traditional trading business across Europe as well as identify new business opportunities for innovative energy services and develop customised products. Alpiq is taking a pioneering role in low-emission mobility. In the area of e-mobility, Alpiq expanded its know-how and market presence in Italy, Germany and Austria according to plan, and successfully maintained its position as market leader for charging infrastructure in Switzerland. Furthermore, Alpiq is a strategic industrial partner for the introduction of fuel-cell powered e-mobility to Switzerland. The first 2 MW electrolysis plant in Switzerland to produce green hydrogen is being commissioned at the Gösgen hydropower plant. The plant is being built by Hydrospider Ltd, in which Alpiq holds a stake of 45 %.

The EBITDA contribution of the Digital & Commerce business division was virtually on a par with the previous year at CHF 48 million. The optimisation in Italy is significantly above the previous year, particularly due to higher income from ancillary services. Together with the positive development from the optimisation measures in Spain, this compensated for the lower results of optimisation of the hydropower and nuclear portfolio in Switzerland. The trading activities in Eastern Europe developed particularly positively in a year-on-year comparison. Alpiq also invested in expanding the Energy Retail and Digital Technologies & Innovation business units. In the Energy Retail business unit, the expansion into the German and Czech markets was driven forward and the strategy for the French market developed further. In the Digital Technologies & Innovation business unit, various projects, including those in e-mobility, were rolled out at an international level.

Alternative performance measures of Alpiq

To measure and present its operating performance, Alpiq also uses alternative performance measures through to the level of "Earnings before interest and tax (EBIT)". Alpiq makes adjustments to the IFRS results for exceptional items, which Alpiq does not consider part of the results of operations. These performance measures do not have a standardised definition in IFRS. This can therefore limit comparability with such measures as defined by other companies. These measures are presented in a pro forma statement in order to give investors a deeper understanding of how Alpiq's management measures the performance of the Group. However, they are no substitute for IFRS performance measures. In the balance sheet and cash flow statement, Alpiq does not use any alternative performance measures.

Alpiq has defined the following categories of exceptional items:

Fair value changes (accounting mismatch)

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

Development of decommissioning and waste disposal funds

The operating companies of Switzerland's nuclear power plants are required to make payments into the decommissioning fund and the waste disposal fund to ensure that decommissioning and waste disposal activities are funded. Investments in these funds are exposed to market fluctuations and changes in estimates, which cannot be influenced by Alpiq but which do influence electricity procurement costs. The difference between the return actually generated by the funds and the investment return used as a basis for calculating the contributions pursuant to the Swiss Federal Ordinance on the Decommissioning Fund and the Waste Disposal Fund (SEFV) of 3.5 % is classified and recorded as an exceptional item.

Effects from business disposals

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

Impairment losses and onerous contracts

Effects in connection with impairment of property, plant and equipment and intangible assets (including assets held for sale) as well as onerous contracts relate to effects that are attributable to changes in expectations regarding future developments. Management does not therefore take these into account for the assessment of Alpiq's operating performance.

Restructuring costs and litigation

Under restructuring costs, Alpiq includes expenses incurred for creating new structures in existing areas, company disposals as well as business closures. These

Overview of exceptional items

CHF million	Fair value changes (accounting mismatch)		Development of decommissioning and waste disposal funds		Effects from business disposals		Impairment losses and onerous contracts		Restructuring costs and litigation		Total exceptional items	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Net revenue	**38**	**–64**	**–8**	**10**					**–11**		**19**	**–54**
Other operating income					2						2	0
Total revenue and other income	**38**	**–64**	**–8**	**10**	**2**				**–11**		**21**	**–54**
Energy and inventory costs			119	–106			–48	19	–1		70	–87
Employee costs									2	–23	2	–23
Other operating expenses					–21				–10	7	–31	7
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**38**	**–64**	**111**	**–96**	**–19**		**–48**	**19**	**–20**	**–16**	**62**	**–157**
Depreciation, amortisation and impairment							–274	–14			–274	–14
Earnings before interest and tax (EBIT)	**38**	**–64**	**111**	**–96**	**–19**		**–322**	**5**	**–20**	**–16**	**–212**	**–171**

expenses do not reflect the operating performance as they are incurred when the measures are implemented and therefore before any benefit is generated. Furthermore, this category includes costs in connection with a package of measures by PKE Vorsorgestiftung Energie to ensure its financial balance. These largely stem from changes in statistical and actuarial assumptions and therefore cannot be directly influenced. Costs in connection with litigation, which comprise legal and litigation costs as well as any payments in connection with legal cases, are classified as exceptional items if they appear to be one-off and limit comparability between various periods.

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

Total assets amounted to CHF 7.4 billion at the 31 December 2019 reporting date, compared to CHF 9.1 billion at the end of 2018. Non-current assets decreased by CHF 900 million. For one thing, this is attributable to amortisation and impairment losses and, for another, to the sale of Alpiq Generation (CZ) s.r.o., which holds the two thermal power plants Kladno and Zlín. Moreover, the assets of Flexitricity Ltd. were reclassified to the "Assets held for sale" balance sheet item. Furthermore, non-current term deposits decreased by more than CHF 200 million, mainly because the Supreme Court in Bucharest on 29 January 2019 decided that ANAF's (Agenţia Naţională de Administrare Fiscală) tax assessment 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 decrease in other non-current assets primarily relates to the reclassification of a receivable to current assets. The reclassification reflects the fact that convertible loans of Swissgrid Ltd in this amount will be due for repayment within the next 12 months. Current assets decreased by around CHF 800 million. This chiefly stems from the decrease in positive replacement values for derivative financial instruments and receivables caused by lower commodity prices and changed volatilities. The "Assets held for sale" item contains the assets of Flexitricity Ltd.

Equity stood at CHF 3.7 billion at 31 December 2019, and is roughly CHF 270 million lower than at the end of 2018 due to net income. The effects from the remeasurements of defined benefit plans (IAS 19), hedge accounting and currency translation differences largely compensate the effect from distributions to hybrid investors. The decrease in total assets caused the equity ratio to rise from 43.5 % to 49.8 %.

Current and non-current financial liabilities declined by around CHF 200 million and came to CHF 1.3 billion at 31 December 2019. The decrease is primarily due to the repayment of a bond as well as repayments of loans. Since the introduction of IFRS 16 at 1 January 2019, liabilities from contracts that were previously classified as operating leases are now also included in financial liabilities. Net debt decreased from CHF 247 million to CHF 206 million. Due to lower results of operations, the gearing ratio (net debt / EBITDA before exceptional items) changed from 1.5 at 31 December 2018 to 1.9 at 31 December 2019.

Non-current liabilities decreased by approximately CHF 200 million compared to 31 December 2018. The main reasons for this are term-related reclassifications of financial liabilities and other non-current liabilities as well as the decrease in deferred income tax liabilities resulting from the sale of Alpiq Generation (CZ) s.r.o. On the other hand, non-current provisions increased by roughly CHF 80 million, attributable for the most part to the onerous contract relating to the future procurement of energy from the Nant de Drance pumped storage power plant. Current liabilities decreased by more than CHF 1.2 billion. The significant decrease in negative replacement values of derivative financial instruments and liabilities from trading is especially due to lower commodity prices and changed volatilities.

Net cash flows from operating activities of continuing operations decreased from CHF 7 million in the previous year to CHF – 17 million. This mainly relates to the increase in net working capital. Net cash flows from investing activities are characterised by the net cash inflow of CHF 265 million from the sale of the Kladno and Zlín power plants. These funds were used to pay the investments that are made on an as-needed basis and to further reduce gross debt. Cash and cash equivalents (including cash and cash equivalents under the item “Assets held for sale”) decreased by CHF 193 million to CHF 441 million.

Recovery expected in 2020

The electricity and CO2 prices on the wholesale markets hedged in Swiss francs are having a positive effect on Alpiq’s earnings in 2020. Alpiq is part of a climate-friendly energy future and aims to play an active role in shaping it, in Switzerland and Europe.

Consolidated Financial Statements of the Alpiq Group

Consolidated Income Statement

CHF million	Note	2019	2018
Net revenue	2.2	**4,099**	**5,186**
Own work capitalised and change in costs incurred to fulfil a contract		5	5
Other operating income	2.3	50	45
Total revenue and other income		**4,154**	**5,236**
Energy and inventory costs	2.4	– 3,653	– 4,924
Employee costs	2.5	– 190	– 211
Other operating expenses		– 143	– 92
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**168**	**9**
Depreciation, amortisation and impairment	4.1/4.2/5.2/5.3	– 401	– 169
Earnings before interest and tax (EBIT)		**– 233**	**– 160**
Share of results of partner power plants and other associates	4.3	– 44	– 50
Finance costs	2.6	– 73	– 104
Finance income	2.6	14	9
Earnings before tax		**– 336**	**– 305**
Income tax expense	2.7	110	44
Earnings after tax from continuing operations		**– 226**	**– 261**
Earnings after tax from discontinued operations	5.2	– 42	198
Net income		**– 268**	**– 63**
Attributable to non-controlling interests		3	14
Attributable to equity investors of Alpiq Holding Ltd.		– 271	– 77
Earnings per share from continuing operations in CHF, diluted and undiluted	2.8	– 9.28	– 11.01
Earnings per share from discontinued operations in CHF, diluted and undiluted	2.8	– 1.49	7.11
Earnings per share in CHF, diluted and undiluted	2.8	**– 10.77**	**– 3.90**

Consolidated Statement of Comprehensive Income

CHF million	2019	2018
Net income	**– 268**	**– 63**
Cash flow hedges (group companies)	38	51
Income tax expense	– 9	– 5
Net of income tax	29	46
Cash flow hedges (partner power plants and other associates)	1	2
Net of income tax	1	2
Currency translation differences	9	– 2
Net of income tax	9	– 2
Items that may be reclassified subsequently to the income statement, net of tax	**39**	**46**
Remeasurements of defined benefit plans (group companies)	2	13
Income tax expense	– 1	– 4
Net of income tax	1	9
Remeasurements of defined benefit plans (partner power plants and other associates)	– 20	37
Income tax expense	4	– 8
Net of income tax	– 16	29
Items that will not be reclassified to the income statement, net of tax	**– 15**	**38**
Other comprehensive income	**24**	**84**
Total comprehensive income	**– 244**	**21**
Attributable to non-controlling interests	2	17
Attributable to equity investors of Alpiq Holding Ltd.	– 246	4
Of which, total comprehensive income from continuing operations	– 204	– 208
Of which, total comprehensive income from discontinued operations	– 42	212

Consolidated Balance Sheet

Assets

CHF million	Note	31 Dec 2019	31 Dec 2018
Property, plant and equipment	4.1	1,934	2,490
Intangible assets	4.2	102	132
Investments in partner power plants and other associates	4.3	2,333	2,427
Non-current term deposits	4.8		229
Other non-current assets	3.3	107	160
Deferred income tax assets	2.7	99	37
Non-current assets		**4,575**	**5,475**
Inventories	4.4	61	71
Derivative financial instruments		536	1,287
Receivables	4.5	938	1,154
Prepayments and accrued income		140	61
Current term deposits		634	367
Securities		26	25
Cash and cash equivalents	4.6	440	634
Assets held for sale	5.3	19	
Current assets		**2,794**	**3,599**
Total assets		**7,369**	**9,074**

Equity and liabilities

CHF million	Note	31 Dec 2019	31 Dec 2018 (adjusted)
Share capital	3.7	279	279
Share premium		4,259	4,259
Hybrid capital	3.7	1,017	1,017
Retained earnings		– 1,956	– 1,681
Equity attributable to equity investors of Alpiq Holding Ltd.		**3,599**	**3,874**
Non-controlling interests	3.7	72	70
Total equity		**3,671**	**3,944**
Non-current provisions	4.7	423	344
Deferred income tax liabilities	2.7	426	492
Defined benefit liabilities	6.3	50	50
Non-current financial liabilities	3.5	1,175	1,307
Other non-current liabilities	3.4	134	207
Non-current liabilities		**2,208**	**2,400**
Current income tax liabilities		43	44
Current provisions	4.7	55	67
Current financial liabilities	3.5	132	195
Other current liabilities	4.9	562	882
Derivative financial instruments		432	1,223
Accruals and deferred income		258	319
Liabilities held for sale	5.3	8	
Current liabilities		**1,490**	**2,730**
Total liabilities		**3,698**	**5,130**
Total equity and liabilities		**7,369**	**9,074**

For explanations on changes in presentation, please refer to note 1.3.

Consolidated Statement of Changes in Equity

CHF million	Share capital	Share premium	Hybrid capital	Cash flow hedge reserves	Currency translation differences	Retained earnings	Attributable to equity investors of Alpiq Holding Ltd.	Non-controlling interests	Total equity
Equity at 1 January 2019	**279**	**4,259**	**1,017**	**– 14**	**– 753**	**– 914**	**3,874**	**70**	**3,944**
Net income for the period						– 271	**– 271**	3	**– 268**
Other comprehensive income				30	10	– 15	**25**	– 1	**24**
Total comprehensive income				**30**	**10**	**– 286**	**– 246**	**2**	**– 244**
Dividends							**0**	– 1	**– 1**
Distributions to hybrid investors						– 29	**– 29**		**– 29**
Change in non-controlling interests							**0**	1	**1**
Equity at 31 December 2019	**279**	**4,259**	**1,017**	**16**	**– 743**	**– 1,229**	**3,599**	**72**	**3,671**

CHF million	Share capital	Share premium	Hybrid capital	Cash flow hedge reserves	Currency translation differences	Retained earnings	Attributable to equity investors of Alpiq Holding Ltd.	Non-controlling interests	Total equity
Equity at 1 January 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	**0**
Equity at 31 December 2018	**279**	**4,259**	**1,017**	**– 14**	**– 753**	**– 914**	**3,874**	**70**	**3,944**

Consolidated Statement of Cash Flows

CHF million	Note	2019	2018
Earnings before tax from continuing operations		**– 336**	**– 305**
Adjustments for:			
Depreciation, amortisation and impairment	4.1/4.2/5.2/5.3	401	169
Gain on sale of non-current assets		– 3	– 1
Share of results of partner power plants and other associates	4.3	44	50
Financial result	2.6	59	95
Other non-cash income and expenses		40	13
Change in provisions (excl. interest)	4.7	47	– 71
Change in defined benefit liabilities and other non-current liabilities		– 11	15
Change in fair value of derivative financial instruments		– 3	49
Change in net working capital (excl. derivatives, current financial assets / liabilities and current provisions)		– 247	17
Other financial income and expenses		4	– 5
Income tax paid		– 12	– 19
Net cash flows from operating activities of continuing operations		**– 17**	**7**
Net cash flows from operating activities of discontinued operations		– 2	– 123
Net cash flows from operating activities		**– 19**	**– 116**
Property, plant and equipment and intangible assets			
Investments	4.1/4.2	– 71	– 52
Proceeds from disposals		1	2
Subsidiaries			
Acquisitions	5.1		6
Proceeds from disposals	5.2	265	
Associates			
Investments			– 2
Proceeds from disposals		2	28
Loans receivable and financial investments			
Investments	3.3	– 2	
Proceeds from disposals / repayments			1
Change in current and non-current term deposits		– 61	– 32
Dividends from partner power plants, other associates and financial investments	4.3	22	25
Interest received		2	1
Net cash flows from investing activities of continuing operations		**158**	**– 23**
Net cash flows from investing activities of discontinued operations	5.2	– 28	724
Net cash flows from investing activities		**130**	**701**

CHF million	Note	2019	2018
Dividends paid to non-controlling interests		– 1	– 1
Proceeds from financial liabilities	3.5	53	4
Repayment of financial liabilities	3.5	– 266	– 651
Change in non-controlling interests		1	
Distributions to hybrid investors recognised in equity outside profit and loss	3.7	– 29	– 33
Interest paid		– 46	– 62
Net cash flows from financing activities of continuing operations		**– 288**	**– 743**
Net cash flows from financing activities of discontinued operations			– 1
Net cash flows from financing activities		**– 288**	**– 744**
Currency translation differences		**– 16**	**– 15**
Change in cash and cash equivalents		**– 193**	**– 174**
Reconciliation:			
Cash and cash equivalents at 1 January		634	808
Of which, cash and cash equivalents	4.6	634	662
Of which, cash and cash equivalents under assets held for sale	5.3		146
Cash and cash equivalents at 31 December		441	634
Of which, cash and cash equivalents	4.6	440	634
Of which, cash and cash equivalents under assets held for sale	5.3	1	
Change		**– 193**	**– 174**

Notes to the Consolidated Financial Statements

1 Overview

Alpiq Holding Ltd. is a stock corporation under Swiss law and domiciled in Lausanne. The company and its Swiss and foreign subsidiaries collectively form the Alpiq Group.

The notes to the consolidated financial statements are structured as follows:

1.1 Basis of preparation of the consolidated financial statements

The consolidated financial statements of the Alpiq Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and Interpretations (IFRIC and SIC) issued by the International Accounting Standards Board (IASB), and comply with Swiss law. The consolidated financial statements give a true and fair view of the financial position, financial performance and cash flows of the Alpiq Group. They have been prepared on a historical cost basis, except for certain items such as financial instruments, which have been measured at fair value in some instances. The consolidated financial statements were authorised for issue by the Board of Directors of Alpiq Holding Ltd. on 28 February 2020 and are subject to approval by shareholders at the Annual General Meeting on 24 June 2020.

1.2 Adoption of new and revised accounting standards

Amendments, standards and interpretations adopted for the first time in 2019

At 1 January 2019, the following amendments to the International Financial Reporting Standards (IFRS) entered into force and were applied by the Alpiq Group:

- Amendments to IAS 19 Employee Benefits
- Amendments to IAS 28 Investments in Associates
- Amendments to IFRS 9 Financial Instruments
- IFRIC 23: Uncertainty over Income Tax Treatments
- IFRS 16: Leases
- Annual improvements to IFRSs (2015 – 2017 Cycle)

The annual improvements made to IFRSs in the 2015 – 2017 cycle and the amendments to IAS 19, IAS 28 and IFRS 9 have no significant impact on the Alpiq Group.

IFRIC 23: Uncertainty over Income Tax Treatments

The application of IFRIC 23 does not have any effects on the measurement of tax liabilities. Uncertain tax liabilities, which were previously recognised in provisions and at 31 December 2018 amounted to CHF 19 million (31 December 2017: CHF 20 million), were reclassified to “Current income tax liabilities”. The comparative figures from 31 December 2018 were adjusted accordingly. As a result, non-current liabilities decreased by CHF 19 million and current liabilities increased by the same amount. A third balance sheet has not been presented on the grounds of immateriality.

IFRS 16: Leases

The new standard regulates the recognition, measurement and presentation of leases. The Alpiq Group applied IFRS 16 for the first time at 1 January 2019 using the modified retrospective approach. As a result, in accordance with the transitional provisions, no adjustments were made to the figures of the comparative period and the corresponding adjustments were recognised in the opening balance sheet at 1 January 2019.

With the introduction of IFRS 16, the lessee no longer makes the distinction between operating leases and finance leases. This means that generally for all leases the right-of-use assets and the liabilities for future lease payments are recognised in the balance sheet. The standard provides for exemptions for short-term and low-value leases, although the Alpiq Group does not make use of them. In the statement of cash flows, at 1 January 2019 lease payments are no longer disclosed as “Net cash flows from operating activities” but instead as “Net cash flows from financing activities” under the items “Repayment of financial liabilities” and “Interest paid”.

In connection with the first-time application of IFRS 16, leases that were classified as finance leases under IAS 17 have been reclassified as follows: at 1 January 2019, the carrying amounts of the leased assets and the corresponding finance liabilities have been recognised as new carrying amounts of the right-of-use assets and lease liabilities as of the time of first-time application. This was solely a reclassification in the balance sheet under property, plant and equipment and finance liabilities, and did not result in any measurement adjustments.

Leases that were classified as operating leases under IAS 17 have also been recognised as right-of-use assets and lease liabilities in connection with the first-time application of IFRS 16. The right-of-use assets have been recognised in the amount of the lease liability, plus any restoration obligations and initial direct costs, adjusted for the amount of prepaid or accrued lease payments recognised in the balance sheet at 31 December 2018. This led to a CHF 25 million increase in property, plant and equipment at 1 January 2019.

CHF million	1 Jan 2019
Land and buildings	20
Power plants	1
Other plant and equipment	4
Additional right-of-use assets due to first-time application of IFRS 16 at 1 January 2019	**25**
Carrying amount of the power plants from finance leases at 31 December 2018	32
Total right-of-use assets at 1 January 2019	**57**

The lease liabilities recognised at 1 January 2019 represent the present value of the future lease payments remaining over the residual term, discounted at a borrowing rate applicable for the country, the term and the currency. The average weighted incremental borrowing rate at 1 January 2019 was 3.8 %. Based on the operating lease obligations at 31 December 2018, they were reconciled to the opening balance of lease liabilities at 1 January 2019 as follows:

CHF million	1 Jan 2019
Minimum lease payments under operating leases at 31 December 2018	35
Effect from discounting future lease payments	– 8
Other effects	– 2
Lease liabilities additionally recognised based on the first-time application of IFRS 16 at 1 January 2019	**25**
Present value of finance lease liabilities reported at 31 December 2018	35
Lease liabilities at 1 January 2019	**60**
Of which, long-term lease liabilities	54
Of which, short-term lease liabilities	6

The introduction of IFRS 16 did not have any significant effects for the Alpiq Group as the lessor under operating leases, since the regulations for lessors remain largely unchanged.

IFRSs effective in future periods

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

Standard / interpretation	Effective at	Adoption planned from
Amendments to IAS 1 and IAS 8: Definition of Material	1 Jan 2020	1 Jan 2020
Amendments to IFRS 3: Business Combinations	1 Jan 2020	1 Jan 2020
Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform	1 Jan 2020	1 Jan 2020
Amendments to the Conceptual Framework for Financial Reporting	1 Jan 2020	1 Jan 2020
IFRS 17: Insurance Contracts	1 Jan 2021	1 Jan 2021
Amendments to IAS 1: Classification of Liabilities as Current or Non-Current	1 Jan 2022	1 Jan 2022
Amendments to IFRS 10 and IAS 28: Sale of Assets by an Investor or Contribution to their Associate or Joint Venture	indefinite	indefinite

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

1.3 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. In addition to the effects from the first-time application of IFRIC 23 and IFRS 16 mentioned above, the content and structure of the notes to the consolidated financial statements have been adjusted to make them more readable and user-friendly. The adjustments include in particular:

- the reorganisation of notes by relevance and using a systematic breakdown by type of disclosure
- the integration of specific accounting policies, significant estimation uncertainties as well as key assumptions and judgments of management into the disclosure of the corresponding item
- the strict focus on relevant and material information as well as avoiding redundancies

In some notes, the tables have been adjusted to bring the disclosure into line with the industry- and company-specific conditions and to enhance transparency and comprehensibility. The previous-year figures have been adjusted accordingly.

1.4 Significant estimation uncertainties and judgments

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

The explanations on significant estimation uncertainties and judgments are highlighted in colour. They are contained in notes 2.2 Net revenue, 2.7 Income tax, 3.2 Financial instruments, 3.6 Leases, 4.1 Property, plant and equipment, 4.2 Intangible assets, 4.7 Provisions, 4.8 Contingent liabilities and guarantees, 5.2 Companies sold and 6.3 Employee benefits.

2 Performance

2.1 Segment information

The segment reporting of the Alpiq Group is based on the Group's internal organisational and management structure and the internal financial information reported to the chief operating decision maker. The reportable segments under IFRS 8 consist of the three business divisions Generation Switzerland, Generation International and Digital & Commerce, as shown in the organisation chart on page 16. The Executive Board evaluates each of these 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. No operating business segments have been aggregated in the presentation of reportable segments.

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

- The Generation International business division comprises power production of wind power plants, small-scale hydropower plants and industrial photovoltaic plants, the operation of power plants and the development of several wind farm projects. The business division also covers the production of electricity and heat in thermal power plants in Hungary, Italy, Spain and, until 30 August 2019, Czechia. The power plant portfolio is made up of gas-fired combined-cycle power plants and gas-fired turbine power plants. Power is sold on the European electricity trading market via the Digital & Commerce business division or via third parties. The power plants are used by the respective grid operators in the four countries to balance the grids.

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

The business divisions' results are carried over to the Alpiq Group's consolidated figures by way of including the units with no market operations (Group Centre & other companies), Group consolidation effects (including foreign currency effects from using other average exchange rates in management reporting) as well as 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 16 million (previous year: CHF 13 million) due to the difference in account structures between internal and external reporting. On the other hand, in the 2018 financial year income and expenses of the Group Centre in connection with the sale of the Engineering Services business were 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. Group Centre & 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.

2019: Information by business division

CHF million	Generation Switzerland	Generation International	Digital & Commerce	Group Centre & other companies	Consoli-dation	Reconcili-ation	Alpiq Group
Net revenue from third parties	147	198	3,752	– 8	– 6	16	4,099
Inter-segment transactions	453	85	46	11	– 595		0
Exceptional items [1]	1	14	– 32	– 2			– 19
Net revenue before exceptional items	**601**	**297**	**3,766**	**1**	**– 601**	**16**	**4,080**
Net revenue	**600**	**283**	**3,798**	**3**	**– 601**	**16**	**4,099**
Other income	53	6	5	24	– 17	– 16	55
Exceptional items [1]				– 2			– 2
Total revenue and other income before exceptional items	**654**	**303**	**3,771**	**23**	**– 618**	**0**	**4,133**
Total revenue and other income	**653**	**289**	**3,803**	**27**	**– 618**	**0**	**4,154**
Operating costs	– 606	– 216	– 3,728	– 53	617		– 3,986
Exceptional items [1]	– 74	1	5	27			– 41
EBITDA before exceptional items	**– 26**	**88**	**48**	**– 3**	**– 1**	**0**	**106**
EBITDA	**47**	**73**	**75**	**– 26**	**– 1**	**0**	**168**
Depreciation, amortisation and impairment	– 57	– 313	– 27	– 7	3		– 401
Exceptional items [1]		258	19		– 3		274
EBIT before exceptional items	**– 83**	**33**	**40**	**– 10**	**– 1**	**0**	**– 21**
EBIT	**– 10**	**– 240**	**48**	**– 33**	**2**	**0**	**– 233**
Number of employees at 31 December	136	204	582	304			1,226
Property, plant and equipment	1,431	396	5	102			1,934
Intangible assets	44	26	20	12			102
Investments in partner power plants and other associates	2,326	5		2			2,333
Non-current assets	**3,801**	**427**	**25**	**116**	**0**	**0**	**4,369**
Net capital expenditure on property, plant and equipment and intangible assets	25	32	9	4			70

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. For more information, please refer to pages 68 and 69.

2018: Information by business division

CHF million	Generation Switzerland	Generation International	Digital & Commerce	Group Centre & other companies	Consoli-dation	Reconcili-ation	Alpiq Group
Net revenue from third parties	118	338	4,725	– 9	1	13	5,186
Inter-segment transactions	500	84	20	15	– 619		
Exceptional items [1]	2		52				54
Net revenue before exceptional items	**620**	**422**	**4,797**	**6**	**– 618**	**13**	**5,240**
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
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. For more information, please refer to pages 68 and 69.

2019: Information by geographical area

CHF million	Switzerland	Germany	France	Italy	Czechia	Hungary	Poland	United Kingdom	Other countries	Alpiq Group
Net revenue from third parties	**473**	**558**	**1,122**	**485**	**115**	**331**	**233**	**116**	**666**	**4,099**
Property, plant and equipment	1,492		122	232	2	29			57	1,934
Intangible assets	77		7	11					7	102
Investments in partner power plants and other associates	2,333									2,333
Non-current assets	**3,902**	**0**	**129**	**243**	**2**	**29**	**0**	**0**	**64**	**4,369**

2018: Information by geographical area

CHF million	Switzerland	Germany	France	Italy	Czechia	Hungary	Poland	United Kingdom	Other countries	Alpiq Group
Net revenue from third parties	**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
Non-current assets	**4,027**	**0**	**132**	**264**	**524**	**31**	**0**	**16**	**55**	**5,049**

Net revenue from external customers by country is allocated based on the customer’s country of domicile. Those countries in which Alpiq generated the most net revenue in the reporting period and / or previous year are presented separately in this segment information. Net revenue generated in other countries is aggregated under “Other countries”. There were no transactions with any single external customers that amounted to 10 % or more of the consolidated net revenue of the Alpiq Group. Non-current assets consist of property, plant and equipment (including right-of-use assets), intangible assets and investments in the respective countries.

2.2 Net revenue

The Alpiq Group's net revenue comprises revenue from contracts with customers (IFRS 15) and income from energy and financial derivatives (IFRS 9).

2019: Disaggregation of net revenue

CHF million	Generation Switzerland	Generation International	Digital & Commerce	Group Centre & other companies	Total
Revenue from energy and grid services	119	196	3,736		4,051
Revenue from digital energy services and e-mobility			9		9
Revenue from other services	15		1		16
Total revenue from contracts with customers	**134**	**196**	**3,746**	**0**	**4,076**
Income from energy and financial derivatives	28	1	3	– 9	23
Net revenue from third parties	**162**	**197**	**3,749**	**– 9**	**4,099**

2018: Disaggregation of net revenue

CHF million	Generation Switzerland	Generation International	Digital & Commerce	Group Centre & other companies	Total
Revenue from energy and grid services	142	324	4,742		5,208
Revenue from digital energy services and e-mobility			10		10
Revenue from other services	12		1		13
Total revenue from contracts with customers	**154**	**324**	**4,753**	**0**	**5,231**
Income from energy and financial derivatives	– 24	15	– 27	– 9	– 45
Net revenue from third parties	**130**	**339**	**4,726**	**– 9**	**5,186**

Accounting policies

Alpiq generally satisfies its performance obligations as principal. However, for performance obligations in connection with the transmission of energy, Alpiq acts as agent in all represented markets. Where Alpiq acts as agent, revenue is recognised net of the corresponding costs.

Revenue from energy and grid services

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

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 towards the end of the delivery period. The point in time when such variable price components are recognised requires significant judgment.

Revenue from digital energy services and e-mobility

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.

The method for determining project process is at the discretion of Alpiq. Under the cost-based input method, the revenue recognised best reflects the service already rendered to the customer. Applying this method requires certain estimates and forecasts. As a result, the expected additional costs in particular until the project is completed, which influence the degree of completion, are subject to significant uncertainty. Furthermore, estimated total costs may deviate from costs actually incurred upon the project being completed. Under project controlling, the cost estimates are reviewed regularly and adjusted if necessary. The adjustments relate to the expected total costs, the degree of completion and therefore also the amount of revenue already recognised.

Revenue from other services

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

Practical expedients applied regarding revenue from contracts with customers

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

Income from energy and financial derivatives

Energy and financial derivatives are measured at fair value through profit or loss. Changes in value in energy derivatives are disclosed in net revenue in the period in which they occur. Revenue from trading in energy and financial derivatives comprises realised net gains and losses from settled contracts and unrealised changes in the fair value of unsettled contracts. For more information on measurement, please refer to note 3.2.

2.3 Other operating income

Other operating income includes income from government grants such as the market premium for large-scale hydropower plants in Switzerland. This item also includes income from operating leases as well as income that does not arise in the course of ordinary activities of the Alpiq Group. The latter is therefore generally not of a plannable or recurring nature. It includes gains from sales of non-current assets or business disposals, insurance claims received and payments received from litigation.

CHF million	2019	2018
Market premiums	31	21
Income from operating leases	2	2
Gain on sale of non-current assets	3	1
Miscellaneous	14	21
Other operating income	**50**	**45**

Market premium for large-scale hydropower plants in Switzerland

In accordance with the Energy Act (EnA), operators of large-scale hydropower plants in Switzerland with a mean mechanical gross output of more than 10 MW that sell their energy on the market at prices below production cost are eligible to receive a market premium. If the risk of uncovered production costs is not borne by the operators of the hydropower plants, but instead by the owners or electricity suppliers as a result of purchase agreements for the electricity, then the latter are eligible to the market premium. The entitlement first arose in 2018 based on the business figures for 2017 and, due to the time limit prescribed by the Energy Act, 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.

As both the amount of the funds made available for the market premium and the effective entitlement to a market premium are still unknown upon issuing the first order, the BFE may decide to pay 100 % or 80 % of the provisional amount assigned by order to the applicants with the first order. For practical reasons, 20 % may be retained and only paid out when the second order is issued in order to avoid the time-consuming administrative process of reclaiming any overpayments where possible.

2019 claim

The first order for the claim in 2019 was made on 7 November 2019 and took legal effect in December 2019. Alpiq's claim for the 2019 financial year amounted to CHF 25 million and was posted in full, as the BFE had decided to pay out 100 % of the amount once the first order became legally binding.

2018 claim

The second order for the claim in 2018 was made on 7 November 2019 and took legal effect in December 2019. Alpiq's claim for the 2018 financial year amounted to CHF 27 million. Of which, CHF 21 million was recognised in the 2018 financial year and CHF 6 million in the 2019 financial year.

Accounting policies

The market premium for large-scale hydropower plants in Switzerland relates to government grants as defined by IAS 20. Government grants may not be 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 100 % or 80 % of the provisional amount assigned by order will be recognised as soon as the first order is legally binding, depending on the amount of the payment. The remaining amount will be recognised as soon as the second order is legally binding.

Income from operating leases

Under IFRS 16, lessors are to classify leases as either finance or operating leases. Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset are treated as finance leases. All other leases that do not satisfy the requirement of a finance lease are accounted for as operating leases. As in the previous period, Alpiq only has operating leases. They relate in particular to the rental of commercial premises in property owned by Alpiq. The leased assets are recognised in property, plant and equipment in the balance sheet and lease payments are recognised on a straight-line basis over the lease term.

							Cash flow
	< 1 year	1 – 2 years	2 – 3 years	3 – 4 years	4 – 5 years	> 5 years	Total
Expected, undiscounted lease payments	2	2	1	1	1	1	8

2.4 Energy and inventory costs

CHF million	2019	2018
Electricity purchased from third parties	– 2,542	– 3,527
Electricity purchased from partner power plants	– 345	– 587
Other energy purchases	– 619	– 743
Cost of inventories	– 6	– 9
Other energy and inventory costs	– 82	– 85
Total before provisions	**– 3,594**	**– 4,951**
Provisions for onerous contracts	– 59	27
Total	**– 3,653**	**– 4,924**

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

2.5 Employee costs

CHF million	2019	2018
Wages and salaries	– 152	– 154
Defined benefit pension costs	– 13	– 28
Defined contribution pension costs	– 1	– 1
Social security costs and other employee costs	– 24	– 28
Employee costs	**– 190**	**– 211**

Number of employees at the reporting date

	31 Dec 2019	31 Dec 2018
Employees (full-time equivalents)	1,218	1,541
Apprentices	8	7
Total	**1,226**	**1,548**

The decrease in the number of full-time equivalents is primarily attributable to the sale of Alpiq Generation (CZ) s.r.o.

2.6 Finance costs and finance income

CHF million	2019	2018
Finance costs		
Interest expense	– 50	– 61
Net interest on pension plans and provisions	– 15	– 15
Other finance costs	– 8	– 20
Net foreign exchange losses		– 8
Total	**– 73**	**– 104**
Finance income		
Interest income	2	1
Gain from remeasurement of interest rate derivatives		2
Other finance income	11	6
Net foreign exchange losses	1	
Total	**14**	**9**
Financial result	**– 59**	**– 95**

In the previous year, Alpiq repurchased portions of several bonds. The costs incurred of CHF 17 million are contained in “Other finance costs” in the previous year.

2.7 Income tax

Income tax expense charged to the income statement

CHF million	2019	2018
Current income tax	– 21	– 32
Deferred income tax	131	76
Total	**110**	**44**

Reconciliation

CHF million	2019	2018
Earnings before tax	– 336	– 305
Expected income tax rate (Swiss average rate)	21 %	21 %
Income tax at the expected income tax rate	71	64
Tax effects from:		
21 % difference in tax rate compared to locally expected income tax rates	– 25	– 18
Income exempt from tax	35	36
Non-deductible expenses for tax purposes	– 34	– 35
Valuation from tax loss carryforwards	42	– 6
Effect of changes in tax rates	3	3
Previous years	17	2
Other effects	1	– 2
Total income tax expense	**110**	**44**
Effective income tax rate	32.7 %	14.4 %

Change in deferred tax assets and liabilities

CHF million	Deferred tax assets	Deferred tax liabilities	Net deferred tax liabilities
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**
Deferred taxes recognised in the income statement	60	– 71	– 131
Deferred taxes recognised in other comprehensive income	5	11	6
Acquisition / disposal of subsidiaries		– 5	– 5
Currency translation differences	– 3	– 1	2
Balance at 31 December 2019	**99**	**426**	**327**

Deferred tax assets and liabilities by origination of temporary differences

CHF million	31 Dec 2019	31 Dec 2018
Tax losses and tax assets not yet used	36	29
Property, plant and equipment	49	15
Other non-current assets	4	5
Current assets	17	9
Provisions and liabilities	27	47
Total gross deferred tax assets	**133**	**105**
Property, plant and equipment	155	220
Other non-current assets	228	243
Current assets	49	51
Provisions and liabilities	28	46
Total gross deferred tax liabilities	**460**	**560**
Net deferred tax liabilities	**327**	**455**
Tax assets recognised in the balance sheet	99	37
Tax liabilities recognised in the balance sheet	426	492

At 31 December 2019, individual subsidiaries held tax loss carryforwards totalling CHF 770 million (previous year: CHF 851 million), which are available for offsetting against future taxable profits. Of this, the Alpiq Group has not recognised tax benefits on tax loss carryforwards of CHF 614 million (CHF 716 million) in the balance sheet item "Deferred tax assets", as they are recognised for tax loss carryforwards only to the extent that realisation of the related tax benefit is probable. The average tax rate on tax loss carryforwards that are not eligible for capitalisation is 17.8 % (23.0 %). These tax loss carryforwards expire in the following periods:

CHF million	31 Dec 2019	31 Dec 2018
Within 1 year	53	195
Within 2 – 3 years	77	123
After 3 years	357	119
Unlimited use	127	279
Total non-capitalisable tax loss carryforwards	**614**	**716**

In addition, non-capitalised deductible temporary differences exist in an amount of CHF 161 million (CHF 344 million).

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.

On 19 May 2019, the Swiss electorate voted on the Federal Act on Tax Reform and Old Age and Survivors' Insurance Funding (TRAF). This will abolish existing tax privileges. At the same time, new cantonal instruments were introduced. These amendments enter into force at 1 January 2020. Following this tax reform, some cantons have lowered their corporate income tax rates. The popular vote in other cantons on the reduction of corporate income tax rates as well as on their cantonal implementation will not take place until 2020.

As the Solothurn electorate did not accept the cantonal implementation of TRAF until 9 February 2020, but the canton of Vaud already lowered the corporate income tax rates at 1 January 2019, the effects of this federal act in the consolidated financial statements for 2019 are primarily limited to the corporate income tax rate of Alpiq Holding Ltd., as it loses its tax status as a holding company at 1 January 2020. Accordingly, the deferred tax liabilities of Alpiq Holding Ltd. at 31 December 2019 are revalued at the expected regular tax rate for companies. This adjustment of the deferred tax rate results in an additional deferred tax income in the consolidated financial statements of CHF 1 million. The expected effects of the vote in the canton of Solothurn on the 2020 consolidated financial statements are disclosed in note 6.5.

Accounting policies

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

Deferred taxes are recognised due to the differing recognition of certain income and expense items in the Group's annual internal accounts and annual tax accounts. Deferred tax arising from temporary differences is calculated applying the balance sheet liability method. Deferred tax is not recognised for differences associated with investments in group companies, which will not reverse in the foreseeable future and where the timing of the reversal is controlled by the Group. Deferred tax assets are recognised when it is probable that they will be realised. Unrecognised tax loss carryforwards and unrecognised tax assets are disclosed.

2.8 Earnings per share

	2019	2018
Earnings after tax from continuing operations attributable to equity investors of Alpiq Holding Ltd. (CHF million)	– 229	– 275
Interest on hybrid capital attributable to the period (CHF million) [1]	– 29	– 32
Share of Alpiq Holding Ltd. stockholders in earnings from continuing operations (CHF million)	**– 258**	**– 307**
Earnings after tax from discontinued operations attributable to equity investors of Alpiq Holding Ltd. (CHF million)	– 42	198
Share of Alpiq Holding Ltd. stockholders in earnings from continuing and discontinued operations (CHF million)	**– 300**	**– 109**
Weighted average number of shares outstanding	27,874,649	27,874,649
Earnings per share from continuing operations in CHF, diluted and undiluted	– 9.28	– 11.01
Earnings per share from discontinued operations in CHF, diluted and undiluted	– 1.49	7.11
Earnings per share in CHF, diluted and undiluted	**– 10.77**	**– 3.90**

1 See note 3.7

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

3 Risk management, financial instruments and financing

3.1 Financial risk management

General principles

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

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 Executive Chairman or from 1 January 2020 to the CEO. The functional unit provides methods and tools for implementing risk management, and ensures timely reporting to the Board of Directors, Executive Board and the Risk Management Committee.

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

Capital management

Across the Alpiq Group, capital is managed in line with the Group's overall financial strategy. During the budgeting and planning process, the Board of Directors takes 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 2019, the Group reports an equity ratio of 49.8 % (previous year: 43.5 %).

Alpiq Holding Ltd. procures a significant portion of financing centrally for the Alpiq Group. The Swiss capital market forms the main source of financing. At 31 December 2019, Alpiq Holding Ltd. held 60 % of the Group's total financial liabilities (62 %). 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 2019	1 Jan 2019[1]	31 Dec 2018
Non-current financial liabilities	1,175	1,326	1,307
Current financial liabilities	132	201	195
Financial liabilities	**1,307**	**1,527**	**1,502**
Non-current term deposits[2]		229	229
Current term deposits	634	367	367
Securities	26	25	25
Cash and cash equivalents	440	634	634
Cash and cash equivalents under assets held for sale	1		
Financial assets (liquidity)	**1,101**	**1,255**	**1,255**
Net debt	**206**	**272**	**247**
EBITDA before exceptional items	106	166	166
Net debt / EBITDA before exceptional items	**1.9**	**1.6**	**1.5**

1 Due to the first-time application of IFRS 16 at 1 January 2019 (for explanations see note 1.2)
2 See note 4.8

The Alpiq Group has the following covenants from finance agreements:

					Financial covenants		Other covenants
Agreement	Maturity	In CHF million	Utilisation at 31 Dec 2019 in CHF million	Utilisation at 31 Dec 2018 in CHF million	Equity ratio	Net debt / EBITDA	Bank rating
Syndicated loan line	Dec 21	200	0	0	x	x	x

The counterparty has a right to terminate the agreement if the covenants are breached. All covenants were met at 31 December 2019 and 31 December 2018.

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 Treasury functional unit at the Alpiq Group centrally 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, there have been no impairment losses on receivables due from financial counterparties.

The maximum credit risk corresponds to the carrying amount of the financial assets and is calculated at CHF 2,674 million at 31 December 2019 (previous year: CHF 3,823 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

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 2019			31 Dec 2018		
CHF million	Gross	Offsetting	Net (balance sheet)	Gross	Offsetting	Net (balance sheet)
Financial assets						
Trade receivables	2,026	– 1,410	616	3,206	– 2,414	792
Energy derivatives	2,297	– 1,772	525	5,080	– 3,801	1,279
Currency and interest rate derivatives	11		11	8		8
Financial liabilities						
Trade payables	1,796	– 1,410	386	2,991	– 2,414	577
Energy derivatives	2,178	– 1,772	406	4,987	– 3,801	1,186
Currency and interest rate derivatives	26		26	37		37

Financial collateral

Furthermore, additional collateral, such as guarantees, variation margin payments or insurance cover, is collected where required. As a rule, the collateral held by the Alpiq Group covers both unrecognised energy transactions involving physical delivery and transactions recognised as financial instruments. Financial collateral received and issued in connection with the bilateral agreements to settle margin differences is presented in the following:

	31 Dec 2019		31 Dec 2018	
CHF million	Collateral received	Collateral issued	Collateral received	Collateral issued
Cash collateral	2	27	57	43
Guarantees [1]		11	26	23
Total	**2**	**38**	**83**	**66**

1 Guarantees to associates or third parties in favour of third parties are presented in note 4.8.

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 role of liquidity management is to plan, monitor, provide and optimise liquidity of the Alpiq 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. A majority of the receivables in European energy trading are offset and settled on specified dates (netting). The cash flows from derivatives are presented net when there are netting arrangements in place with counterparties and the amounts are expected to be settled net. Depending on the future changes in value of the derivatives until maturity, the effective cash flows may deviate significantly from the amounts reported. In the previous year, netting was mistakenly not presented in full and certain derivative financial instruments were incorrectly stated as a gross payment instead of a financial net settlement. This means that the cash inflows and outflows for derivative financial instruments were overstated. The comparative figures from 2018 have been adjusted accordingly. The expected net cash inflows from derivative financial instruments therefore increased by CHF 48 million. In order to demonstrate the effective liquidity risk from derivative financial instruments, the cash inflows and outflows from contracts with positive and negative replacement values are shown in the following table, even though IFRS only requires the presentation of the liquidity risk of financial liabilities. Derivative financial instruments for hedging future own use energy transactions are not included in the table, because these are unrecognised pending transactions.

2019: Maturity analysis of financial liabilities and derivative financial instruments

CHF million	Carrying amount	Cash flows Total	< 1 month	1 – 3 months	4 – 12 months	1 – 5 years	> 5 years
Trade payables	386	– 386	– 338	– 41	– 7		
Bonds	818	– 890			– 19	– 871	
Loans payable	437	– 466	– 1	– 54	– 63	– 255	– 93
Lease liabilities	52	– 63	– 1	– 2	– 6	– 22	– 32
Other financial liabilities [1]	263	– 115	– 73	– 22	– 9	– 11	
Cash outflows from non-derivative financial liabilities		**– 1,920**	**– 413**	**– 119**	**– 104**	**– 1,159**	**– 125**
Energy derivatives	119						
Cash inflows		2,812		403	1,480	926	3
Cash outflows		– 2,895		– 454	– 1,507	– 933	– 1
Currency / interest rate derivatives	– 15						
Cash inflows		– 1,651	– 83	– 451	– 1,113	– 4	
Cash outflows		1,667	83	451	1,114	18	1
Net cash inflows / (outflows) from derivative financial instruments		**– 67**	**0**	**– 51**	**– 26**	**7**	**3**

1 The carrying amount includes liabilities in connection with the convertible loans of Swissgrid Ltd, for which no cash outflow is expected (see note 3.3).

2018: Maturity analysis of financial liabilities and derivative financial instruments

CHF million	Carrying amount	Cash flows Total	< 1 month	1 – 3 months	4 – 12 months	1 – 5 years	> 5 years
Trade payables	577	– 577	– 539	– 17	– 21		
Bonds	966	– 1,054			– 172	– 618	– 264
Loans payable	536	– 572	– 4	– 8	– 53	– 358	– 149
Other financial liabilities (adjusted) [1]	450	– 253	– 170	– 32	– 15	– 25	– 11
Cash outflows from non-derivative financial liabilities		**– 2,456**	**– 713**	**– 57**	**– 261**	**– 1,001**	**– 424**
Energy derivatives	93						
Cash inflows (adjusted)		3,811		624	1,947	1,240	
Cash outflows (adjusted)		– 3,773		– 542	– 2,014	– 1,217	
Currency / interest rate derivatives	– 29						
Cash inflows		1,856	156	621	1,060	18	1
Cash outflows		– 1,885	– 156	– 620	– 1,063	– 42	– 4
Net cash inflows / (outflows) from derivative financial instruments		**9**	**0**	**83**	**– 70**	**– 1**	**– 3**

1 The carrying amount includes liabilities in connection with the convertible loans of Swissgrid Ltd, for which no cash outflow is expected (see note 3.3). In the previous year, other financial liabilities incorrectly contained liabilities that are not financial liabilities. The cash flows and carrying amount have been adjusted for comparative purposes.

Market risk

The Alpiq Group's exposure to market risk primarily comprises energy price risk, foreign currency risk and interest rate risk. These risks are monitored on an ongoing basis and managed using derivative financial instruments. Market risk is measured within the framework of the Group Risk Policy that sets out rules on the taking of risks as well as their measurement, limitation and monitoring. Compliance with the risk limits is monitored on an ongoing basis by the Risk Management Committee based on regular reporting by the Risk Management functional unit.

Energy price risk

Energy price risk refers to potential price fluctuations that could have an adverse impact on the Alpiq Group. 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. 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 forward prices applicable at the reporting date. Net investments in foreign subsidiaries are also exposed to changes in foreign exchange rates, although the difference in inflation rates should offset these changes in the long term. Investments in foreign subsidiaries (translation risks) are therefore not hedged.

Interest rate risk

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

Sensitivity analysis

To illustrate the sensitivity of market risks to the Alpiq Group's financial results, the effects of reasonably possible changes in the market risks listed above are set out below. The sensitivities are based in each case on financial instruments recognised on the reporting date. The possible annual percentage changes in the fair 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. Taking into consideration the historical fluctuations, the reasonably possible changes in foreign currency prices are estimated at 5 %. Interest rate swap sensitivity is shown as the effect on the change in fair value that would arise from a 1 % parallel shift in the yield curve. Alpiq quantifies each type of risk assuming that all other variables remain constant. The effects for continuing operations are shown before tax.

	31 Dec 2019			31 Dec 2018		
CHF million	+/– in %	+/– effect on profit before income tax	+/– effect on OCI before income tax	+/– in %	+/– effect on profit before income tax	+/– effect on OCI before income tax
Energy price risk	49.4 %	59		57.0 %	53	
EUR/CHF currency risk	5.0 %	5	30	5.0 %	4	35
EUR/CZK currency risk	5.0 %	1		5.0 %	2	
EUR/PLN currency risk	5.0 %	1		5.0 %	3	
Interest rate risk	1.0 %	5	6	1.0 %	7	9

3.2 Financial instruments
Carrying amounts and fair values of financial assets and liabilities

CHF million	31 Dec 2019 Carrying amount	31 Dec 2019 Fair value	31 Dec 2018 Carrying amount	31 Dec 2018 Fair value
Financial assets at fair value through profit or loss				
Financial investments	1	1	1	1
Securities	26	26	25	25
Positive replacement values of derivatives				
Energy derivatives	525	525	1,279	1,279
Currency and interest rate derivatives	11	11	8	8
Financial liabilities at amortised cost				
Bonds	818	873	966	1,006
Loans payable	437	454	536	541
Financial liabilities at fair value through profit or loss				
Negative replacement values of derivatives				
Energy derivatives	406	406	1,186	1,186
Currency and interest rate derivatives	26	26	37	37

Apart from lease liabilities, the carrying amounts of all other financial instruments measured at amortised cost differ only insignificantly from the fair values. This is why the corresponding fair values have not been disclosed.

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

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

CHF million	31 Dec 2019	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Financial investments	1		1	
Securities	26		26	
Energy derivatives	525		525	
Currency and interest rate derivatives	11		11	
Financial liabilities at amortised cost				
Bonds	873	873		
Loans payable	454		454	
Financial liabilities at fair value through profit or loss				
Energy derivatives	406		406	
Currency and interest rate derivatives	26		26	

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	

Both in the reporting year and during the previous year, no reclassifications were applied between Levels 1 and 2, or transfers made 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	2019 Income statement	2019 Other comprehensive income	2018 Income statement	2018 Other comprehensive income
Net gains / losses (excluding interest)				
Financial assets and liabilities at fair value through profit and loss	38		– 30	
Financial assets at amortised cost	– 5		– 12	
Designated for hedge accounting	– 11	38	– 12	51
Interest income and expense				
Interest income for financial assets at amortised cost	2		1	
Interest expense for financial liabilities at amortised cost	– 42		– 48	
Interest expense for financial liabilities measured at fair value and designated for hedge accounting	– 8		– 13	

Information about the impairment of trade receivables is disclosed in note 4.5.

Accounting policies

Financial investments, securities and derivatives are measured at fair value through profit or loss. All other financial assets and liabilities are measured at amortised cost. The Alpiq Group did not have any financial instruments that are measured at fair value through other comprehensive income.

Financial assets and liabilities at fair value through profit or loss

Financial assets and financial liabilities in this category are initially recognised at fair value. The corresponding transaction costs are recognised immediately in the income statement. Changes in value of the financial instruments measured at fair value are recognised through profit or loss in the financial result with the exception of energy derivatives and currency derivatives concluded in connection with the hedging of energy transactions. Changes in the fair value of derivatives in connection with the energy business are presented in net revenue.

Financial assets and liabilities at amortised cost

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

For the subsequent measurement of financial assets at amortised cost, the following method is used to calculate impairments: in accordance with 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. For financial assets, losses that are expected to occur in the next 12-month period are generally recognised. If the credit risk increases significantly for specific counterparties, impairment is recognised on the assets affected over the entire residual term of the asset. In accordance with IFRS 9, the simplified approach is applied for trade receivables for the measurement of the expected losses by recognising the lifetime expected credit losses (see note 4.5).

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

Hedge accounting

Alpiq uses energy, foreign currency and interest rate derivatives to hedge exposure to fluctuations in the cash flows of highly probable 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.

	31 Dec 2019		31 Dec 2018	
	Foreign currency hedges	Interest rate swaps	Foreign currency hedges	Interest rate swaps
Derivative financial instruments in current assets (in CHF million)	7		4	
Derivative financial instruments in current liabilities (in CHF million)	1	21	1	30
Nominal value (in CHF million)	212		238	
Nominal value (in EUR million)	843	164	795	202

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.

Change in cash flow hedge reserves

	2019		2018	
CHF million	Foreign currency hedges	Interest rate swaps	Foreign currency hedges	Interest rate swaps
Cash flow hedge reserves at 1 January	**9**	**– 23**	**– 33**	**– 23**
Recognition of gain / loss	22	– 3	32	– 7
Reclassification of realised gain / loss to net revenue	9		12	
Reclassification of realised gain / loss to financial result		8		13
Reclassification to financial result due to early settlement [1]		2		
Change from partner power plants and other associates		1		2
Change in non-controlling interests				– 5
Income tax expense	– 7	– 2	– 2	– 3
Cash flow hedge reserves at 31 December	**33**	**– 17**	**9**	**– 23**

1 A portion of the interest rate swaps was settled ahead of schedule because the associated project financing was repaid.

Foreign currency hedges

Foreign currency positions from the sale of Swiss production capacity in euros are hedged utilising forward transactions on the basis of the expected transaction volumes. Each spot component is designated as hedging instruments for hedge accounting. The unrealised gains / losses of the spot components are included in other comprehensive income taking deferred taxes into account. Changes in the forward components are recognised through profit or loss. There were no ineffective portions of the hedge from the foreign currency hedges at the reporting date. The underlying transactions will be recognised in the income statements for 2020 to 2023.

Interest rate swaps

At 31 December 2019, interest rate swaps were in place in order to fix interest rates on variable-interest project financing facilities in Italy. The project financing facilities have a remaining maturity of between 5 and 11 years.

CHF million	2019	2018
Negative replacement values of interest rate swaps at 1 January	**30**	**35**
Realised interest payments	– 8	– 13
Change in fair value	3	7
Early settlement [1]	– 2	
Acquisition / disposal of subsidiaries		3
Currency translation differences	– 2	– 2
Negative replacement values of interest rate swaps at 31 December	**21**	**30**

1 A portion of the interest rate swaps was settled ahead of schedule because the associated project financing was repaid.

3.3 Other non-current assets

CHF million	Financial investments	Loans receivable	Other non-current assets	Total
Carrying amount at 31 December 2018	**1**	**10**	**149**	**160**
Additions		2		2
Reclassifications		– 4	– 50	– 54
Reclassified to “Assets held for sale”		– 1		– 1
Carrying amount at 31 December 2019	**1**	**7**	**99**	**107**

CHF million	Financial investments	Loans receivable	Other non-current assets	Total
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 Ltd 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 Ltd 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 Ltd. 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 Ltd arising from the conversion to a maximum amount of CHF 148 million (previous year: CHF 197 million). As a consequence, although Alpiq has sold the loans, it has also entered into a directly related obligation in the amount of CHF 148 million (CHF 197 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 99 million (CHF 148 million) and as "Receivables" in the amount of CHF 49 million (CHF 49 million) on account of the maturity of the underlying Swissgrid Ltd convertible bonds. The reclassification to receivables means that this amount of Swissgrid Ltd 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 99 million (CHF 148 million) and under "Other current liabilities" in the amount of CHF 49 million (CHF 49 million).

3.4 Other non-current liabilities

CHF million	31 Dec 2019	31 Dec 2018
Written put options		11
Other non-current liabilities	134	196
Total	**134**	**207**

The item "Other non-current liabilities" includes obligations in the amount of CHF 99 million (previous year: CHF 148 million) arising from the sale of loans receivable due from Swissgrid Ltd. Note 3.3 provides further information about the transaction.

3.5 Financial liabilities

CHF million	Bonds	Loans payable	Lease liabilities	Other	Total
Non-current financial liabilities at 31 December 2018	817	490			1,307
Current financial liabilities at 31 December 2018	149	46			195
Financial liabilities at 31 December 2018	**966**	**536**	**0**	**0**	**1,502**
Impact of change in accounting standard (first-time application of IFRS 16) [1]		– 35	60		25
Financial liabilities at 1 January 2019	**966**	**501**	**60**	**0**	**1,527**
Proceeds from financial liabilities		53	2		55
Repayment of financial liabilities	– 149	– 110	– 9		– 268
Unwinding of discount	1	1	2		4
Reclassified to “Liabilities held for sale”			– 1		– 1
Currency translation differences		– 8	– 2		– 10
Financial liabilities at 31 December 2019	**818**	**437**	**52**	**0**	**1,307**
Non-current financial liabilities at 31 December 2019	818	311	46		1,175
Current financial liabilities at 31 December 2019		126	6		132

1 For more information, please refer to note 1.2.

CHF million	Bonds	Loans payable	Lease liabilities	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**	**0**	**50**	**2,109**
Acquisition / disposal of subsidiaries		34			34
Proceeds from financial liabilities		4			4
Repayment of financial liabilities	– 500	– 85		– 50	– 635
Unwinding of discount	1				1
Currency translation differences		– 11			– 11
Financial liabilities at 31 December 2018	**966**	**536**	**0**	**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

Bonds outstanding at the reporting date

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

Relative to face value, the weighted interest rate issued at the reporting date on bonds listed on the SIX Swiss Exchange was 2.34 % (previous year: 2.43 %), and 3.53 % (3.57 %) on loans payable. The latter also includes project financing facilities denominated in euros as well as finance lease liabilities in the previous year. The weighted average rate of interest on the bonds and loans payable amounts to 2.72 % (2.85 %).

Accounting policies

The accounting policies for financial liabilities are disclosed in note 3.2 and note 3.6.

3.6 Leases

The Alpiq Group is the lessee in several cases, particularly in connection with power production from wind farms as well as land and building and IT infrastructure rentals. These leases are generally concluded for a fixed term of one month to 20 years, and may contain renewal or termination options. The table below shows the change in net carrying amounts of the right-of-use assets capitalised in the line item property, plant and equipment:

CHF million	Rights of use for buildings	Rights of use for power plants	Rights of use for others	Total
Net carrying amount at 1 January 2019	**20**	**33**	**4**	**57**
Investments	1		1	2
Reclassified to "Assets held for sale"		– 1		– 1
Depreciation	– 3	– 3	– 1	– 7
Impairments	– 1			– 1
Currency translation differences	– 1	– 1		– 2
Net carrying amount at 31 December 2019	**16**	**28**	**4**	**48**
Of which, cost value	20	38	5	63
Of which, accumulated depreciation	– 4	– 10	– 1	– 15

The change in carrying amounts of the lease liabilities included under financial liabilities can be seen in note 3.5. The total cash outflow from leases amounted to CHF 9 million in 2019.

Accounting policies

The Alpiq Group applies a uniform procedure for the recognition and measurement of leases. It does not make use of the practical expedients for short-term and low-value leases permitted under IFRS 16. It is assessed upon concluding a contract whether it constitutes a lease in accordance with IFRS 16 or contains such an element. A lease exists if a contract grants Alpiq the right to control a certain asset over a period of time in exchange for payment. The right-of-use assets and the lease liabilities representing Alpiq's obligation to make lease payments are recognised in the balance sheet at the time when the lease asset becomes available. The right-of-use assets are included under property, plant and equipment in the balance sheet. They are measured at amortised cost and depreciated on a straight-line basis over the lease term or their lifetime taking any impairment losses into account. Acquisition costs include the amount of recognised lease liabilities plus any dismantling obligations, directly attributable acquisition costs and one-off payments made at or before the start of the contract, less any lease incentives received.

The lease liabilities are initially recognised at the present value of the expected future lease payments. The present value is calculated with the lessee's incremental borrowing rate applicable for the country, the term and the currency. In subsequent periods, the lease liabilities are measured at amortised cost by applying the effective interest method. The lease liabilities are recognised in current or non-current financial liabilities as appropriate.

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

3.7 Equity

Share capital

The share capital of CHF 278.7 million (previous year: CHF 278.7 million) consists unchanged of 27,874,649 registered shares at par value of CHF 10 each and is fully paid in. Until they were delisted on 17 December 2019, the shares of Alpiq Holding Ltd. had been listed on the SIX Swiss Exchange. The last trading day on the SIX Swiss Exchange was 16 December 2019. The shareholder structure breaks down as follows:

	Stakes in % at 31 Dec 2019	Stakes in % at 31 Dec 2018
EOS HOLDING SA	31.44	31.44
Schweizer Kraftwerksbeteiligungs-AG	27.06	
EDF Alpes Investissements Sàrl		25.04
EBM (Genossenschaft Elektra Birseck)	13.66	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
Other	10.06	12.09

The Board of Directors of Alpiq submits a proposal to the Annual General Meeting at 24 June 2020 that no dividend be distributed for the 2019 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 has an unlimited maturity, and qualifies as equity capital under IFRS accounting guidelines. 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.

On 15 November 2018, Alpiq was entitled to repay the public hybrid bond for the first time. Since then, Alpiq has had an option to repay at 15 November of each year. As in the previous year, Alpiq again opted not to exercise this option in the 2019 financial year. In the previous year, the interest rate was adjusted to reflect the market conditions prevailing at the time and since then has been below the original interest rate of 5 % at 4.5325 %. The interest rate is adjusted to reflect prevailing market conditions every five years and therefore for the next time at 15 November 2023. In 2023 and 2043, the interest rate will be increased by an additional 25 bps and 75 bps respectively. Interest payments on the public hybrid bond can be suspended at Alpiq's discretion. In this case, the payment of interest lapses after three years. Interest payments on the hybrid loan from the main Swiss shareholders can likewise be suspended, however without the need for Alpiq to subsequently pay the suspended interest.

As in the previous year, Alpiq resolved not to pay any interest on the hybrid loan from the main Swiss shareholders for the period from March 2018 to March 2019. The hybrid bond that was placed publicly was serviced, by contrast. The interest after tax attributable to 2019 was CHF 29 million (previous year: CHF 32 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 2019 (CHF 18 million). As no legally enforceable payment obligation exists, the accrued interest was not accrued as a financial liability, and was not deducted from equity. Interest payments totalling CHF 29 million occurred in 2019 (main Swiss shareholders CHF 0 million, public hybrid bond CHF 29 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., as it had been unable to meet its obligations towards En Plus S.r.l. 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. Until the date of acquisition, Alpiq had held 66.7 % of the shares in En Plus S.r.l and recognised the remaining 33.3 % as non-controlling interests in the consolidated balance sheet. The 33.3 % was acquired for a price of CHF 0.6 million, with the carrying amount of the net liabilities of En Plus S.r.l. coming to CHF 27 million. In the previous year, 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.

4 Operating assets and liabilities

4.1 Property, plant and equipment

CHF million	Land and buildings	Power plants	Transmission assets	Others[1]	Assets under construction and prepayments	Right-of-use assets[2]	Total
Net carrying amount at 31 December 2018	**119**	**2,298**	**11**	**29**	**33**	**0**	**2,490**
Impact of change in accounting standard (first-time application of IFRS 16)[3]		– 32				57	25
Net carrying amount at 1 January 2019	**119**	**2,266**	**11**	**29**	**33**	**57**	**2,515**
Investments		17		1	40	2	60
Own work capitalised					1		1
Reclassifications		22		2	– 9		15
Reclassified to "Assets held for sale"		– 310		– 2	– 4	– 1	– 317
Depreciation	– 3	– 98		– 4		– 7	– 112
Impairment		– 201				– 1	– 202
Currency translation differences		– 23			– 1	– 2	– 26
Net carrying amount at 31 December 2019	**116**	**1,673**	**11**	**26**	**60**	**48**	**1,934**
Of which, cost value	177	4,917	42	37	182	63	5,418
Of which, accumulated depreciation	– 61	– 3,244	– 31	– 11	– 122	– 15	– 3,484

1 Includes machinery, equipment and vehicles as well as decommissioning and maintenance costs
2 Details see note 3.6
3 For more information, please refer to note 1.2.

CHF million	Land and buildings	Power plants	Transmission assets	Others	Assets under construction and prepayments	Right-of-use assets	Total
Net carrying amount at 1 January 2018	**130**	**2,374**	**9**	**9**	**43**		**2,565**
Acquisition / disposal of subsidiaries		56					56
Investments		16		2	18		36
Own work capitalised					1		1
Reclassifications		8		21	– 29		0
Disposals		– 1					– 1
Depreciation	– 3	– 125	– 1	– 3			– 132
Impairment					– 1		– 1
Currency translation differences	– 8	– 30	3		1		– 34
Net carrying amount at 31 December 2018	**119**	**2,298**	**11**	**29**	**33**	**0**	**2,490**
Of which, cost value	179	5,763	43	49	155		6,189
Of which, accumulated depreciation	– 60	– 3,465	– 32	– 20	– 122		– 3,699

Impairment

In 2019, impairment losses of CHF 202 million were recognised (previous year: CHF 1 million). Impairment losses of CHF 186 million relate to the sold Czech coal-fired power plants Kladno and Zlín in the Generation International business division before the reclassification to assets held for sale. For detailed explanations on this and on impairment losses on sold assets, please refer to note 5.2. In addition, impairment losses of CHF 14 million had to be recognised on solar plants in connection with GSE's final inspection report (see note 6.5). The recoverable amount was calculated using a pre-tax discount rate of 4.63 %.

Contractual obligations

At the reporting date, the Group had contractual commitments of CHF 25 million (previous year: CHF 0 million) for the construction and acquisition of property, plant and equipment.

Accounting policies

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

Depreciation is applied to property, plant and equipment on a straight-line basis over their estimated useful lives, or to the expiry date of power plant licences. Assets under construction and prepayments are not subject to depreciation until they are completed or in working condition and have been reclassified to the corresponding asset category; they are depreciated for the first time once they have been completed or have been brought to a working condition. The estimated useful lives of the various classes of assets range as follows:

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

The residual value and useful life of an asset are reviewed regularly, but at least at each financial year end, and adjusted where required. At every reporting date, a test is performed to determine whether there is any indication that items of property, plant and equipment are impaired. If there is any indication of impairment, the recoverable amount is determined for the asset. If the asset's carrying amount exceeds its estimated recoverable amount, an impairment loss equivalent to the difference is recognised. An impairment loss previously recognised for an asset is reversed in the income statement if the impairment no longer exists, or has decreased. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised.

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

4.2 Intangible assets

CHF million	Energy purchase rights [1]	Goodwill	Other intangible assets	Assets under development and prepayments	Total
Net carrying amount at 1 January 2019	**31**	**16**	**77**	**8**	**132**
Investments				8	8
Own work capitalised				4	4
Reclassifications			7	– 7	0
Reclassified to “Assets held for sale”		– 16	– 1		– 17
Amortisation	– 1		– 14		– 15
Impairment			– 2	– 7	– 9
Currency translation differences			– 1		– 1
Net carrying amount at 31 December 2019	**30**	**0**	**66**	**6**	**102**
Of which, cost value	1,492		500	6	1,998
Of which, accumulated amortisation	– 1,462		– 434		– 1,896

1 Include prepayments for rights to purchase energy in the long term, including capitalised interest, as well as long-term energy purchase agreements acquired in business combinations

CHF million	Energy purchase rights	Goodwill	Other intangible assets	Assets under development and prepayments	Total
Net carrying amount at 1 January 2018	**31**	**29**	**76**	**17**	**153**
Investments			1	10	11
Own work capitalised				4	4
Reclassifications			22	– 22	0
Amortisation	– 3		– 20		– 23
Impairment		– 12		– 1	– 13
Currency translation differences	3	– 1	– 2		0
Net carrying amount at 31 December 2018	**31**	**16**	**77**	**8**	**132**
Of which, cost value	1,495	647	482	8	2,632
Of which, accumulated amortisation	– 1,464	– 631	– 405		– 2,500

Impairment 2019

In the Digital & Commerce business division, an impairment loss of CHF 7 million had to be recognised in assets under development and of CHF 2 million in other intangible assets, as software cannot be used to the extent originally expected. For explanations on impairment losses on assets held for sale, please refer to note 5.3.

Impairment 2018

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

CHF million	Pre-tax discount rate at 2019	Post-tax discount rate at 2019	Carrying amount at 31 Dec 2019	Pre-tax discount rate at 2018	Post-tax discount rate at 2018	Carrying amount at 31 Dec 2018
Trading and sales activities Eastern and South-Eastern Europe				7.2 %	5.7 %	
Energy Management [1]				6.1 %	5.4 %	16
Total			**0**			**16**

1 Reclassified to “Assets held for sale” in the 2019 financial year

Accounting policies

Intangible assets are stated at cost, net of accumulated depreciation and any impairment losses. Assets with a limited useful life are generally amortised on a straight-line basis over their estimated useful economic lives. Amortisation of energy purchase rights is applied in line with the scope of the energy purchases made each year in relation to the total energy purchase quantity agreed contractually. The amortisation period and amortisation method are reviewed at each financial year end. The useful lives of the intangible assets recognised range from 1 to 78 years. An impairment test is only performed whenever indications exist that the assets may be impaired. Goodwill is not amortised, but is tested for impairment annually.

If the asset’s carrying amount exceeds its estimated recoverable amount, it is written down to its recoverable amount. An impairment loss previously recognised for an intangible asset (without goodwill) 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 amortisation, had no impairment loss been recognised.

For the significant estimation uncertainties and assumptions, please refer to note 4.1.

4.3 Investments in partner power plants and other associates

CHF million	Partner power plants	Other associates	Total
Carrying amount at 31 December 2018	**2,407**	**20**	**2,427**
Dividends	– 22		– 22
Share of profit / loss	– 38	– 2	– 40
IAS 19 and IFRS 9 effects recognised in other comprehensive income	– 18	– 2	– 20
Reclassifications	– 6		– 6
Disposals		– 2	– 2
Impairment		– 4	– 4
Carrying amount at 31 December 2019	**2,323**	**10**	**2,333**

CHF million	Partner power plants	Other associates	Total
Carrying amount at 31 December 2017	**2,478**	**38**	**2,516**
Dividends	– 25		– 25
Share of profit / loss	– 45	2	– 43
IAS 19 and IFRS 9 effects recognised in other comprehensive income	33	5	38
Investments		2	2
Reclassifications	– 6		– 6
Disposals	– 28	– 23	– 51
Impairment		– 4	– 4
Carrying amount at 31 December 2018	**2,407**	**20**	**2,427**

The disposal contained in partner plants in the previous year resulted from assigning interest of 5.0 % in the share capital of Kernkraftwerk Leibstadt AG to BKW Energie AG.

The disposal contained in other associates in the previous year primarily relates to the transfer of the interest of 22.0 % in M&A Rinnovabili S.r.l. to Moncada Energy Group S.r.l. For more information, please refer to note 5.1.

Summarised financial information

Under the partner agreements in force, the shareholders of partner power plants are required to take on the energy and pay the annual costs allotted to their ownership interest throughout the concession period. Furthermore, nuclear power plant owners are required to pay limited additional contributions to the decommissioning and waste disposal fund, in case 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 Alpiq Group's share of the regular annual costs of all partner power plants in 2019 amounted to CHF 345 million (previous year: CHF 587 million). This amount is included in energy and inventory costs.

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

Material partner power plants 2019

	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	2,192	1,315	2,020	787	3,641	1,447	5,349	1,399	777	259
Of which, non-current financial assets	56	34	9	4	2,213	879	2,165	566		
Current assets	6	4	53	21	183	73	378	99	5	2
Of which, cash and current financial assets	2	1	18	7	48	19	160	42	1	
Non-current liabilities	835	494	1,418	552	3,343	1,329	4,212	1,102	67	22
Of which, non-current financial liabilities	814	489	1,417	552	136	54	485	127	67	22
Current liabilities	89	53	215	84	142	56	243	64	47	16
Of which, current financial liabilities	30	18	186	72					39	13
Total equity	**1,274**	**772**	**440**	**172**	**339**	**135**	**1,272**	**332**	**668**	**223**
Revenue	154	94	3	1	418	166	501	131	145	48
Expenses	– 193	– 113	– 20	– 8	– 403	– 160	– 499	– 131	– 177	– 59
Net income	**– 39**	**– 19**	**– 17**	**– 7**	**15**	**6**	**2**	**0**	**– 32**	**– 11**
Other comprehensive income	– 8	– 2	2	1	– 23	– 9	– 20	– 5		
Total comprehensive income	**– 47**	**– 21**	**– 15**	**– 6**	**– 8**	**– 3**	**– 18**	**– 5**	**– 32**	**– 11**
Dividends received		**5**				**7**		**6**		**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.

Material partner power plants 2018

CHF million	Grande Dixence SA		Nant de Drance SA		Kernkraftwerk Gösgen-Däniken AG		Kernkraftwerk Leibstadt AG		Kernkraftwerk-Beteiligungs-gesellschaft AG (KBG)	
	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**

Individually immaterial partner power plants and other associates 2019

	Individually immaterial partner power plants		Other associates	
CHF million	Gross values	Alpiq share	Gross values	Alpiq share
Non-current assets	3,994	1,055	25	10
Of which, non-current financial assets	60	8		
Current assets	101	17	23	8
Of which, cash and current financial assets	52	9	10	4
Non-current liabilities	1,525	319	22	6
Of which, non-current financial liabilities	1,504	315		
Current liabilities	299	64	6	2
Of which, current financial liabilities	148	35		
Total equity	**2,271**	**689**	**20**	**10**
Revenue	385	80	84	26
Expenses	– 400	– 87	– 98	– 32
Net income	**– 15**	**– 7**	**– 14**	**– 6**
Other comprehensive income	– 12	– 2	– 8	– 2
Total comprehensive income	**– 27**	**– 9**	**– 22**	**– 8**
Dividends received		**2**		

Individually immaterial partner power plants and other associates 2018

	Individually immaterial partner power plants		Other associates	
CHF million	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**		

Accounting policies

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

With regard to associates, Alpiq makes the distinction between partner power plants and other associates. The partner power plants are companies that construct, maintain or operate nuclear power plants or hydropower plants or manage the energy purchase rights. Goodwill may also arise when purchasing investments in associates, and corresponds to the difference between the cost of investment and the Group's share of the fair value of the identifiable net assets. Such goodwill forms part of the carrying amount at which the associate is recognised.

The reporting date of a few partner power plants (hydrological year) and other associates differs from that of the Group. The most recent available financial statements of these companies are utilised to prepare the consolidated financial statements of the Alpiq Group. Significant transactions and events that occur between the end of the most recent reporting period and 31 December are taken into account in the consolidated financial statements. To be included in the consolidated financial statements, the financial statements of the associates are prepared applying uniform accounting policies. Reconciliation statements are prepared for companies that have no IFRS financial statements.

4.4 Inventories

CHF million	31 Dec 2019	31 Dec 2018
Consumables, supplies and fuels	13	33
CO_2 and other certificates	47	37
Costs to fulfil a contract	1	1
Total	**61**	**71**

Accounting policies

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

4.5 Receivables

CHF million	31 Dec 2019	31 Dec 2018
Trade receivables [1]	616	792
Prepayments to suppliers	7	33
Other current receivables	315	329
Total	**938**	**1,154**

1 Of which, an amount of CHF 353 million (previous year: CHF 446 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 3.1.

Age analysis of trade receivables

			31 Dec 2019			31 Dec 2018
CHF million	Gross	Impairment	Net (Balance sheet)	Gross	Impairment	Net (Balance sheet)
Not past due	577	– 1	576	746	– 1	745
1 – 90 days past due	22		22	51	– 10	41
91 – 180 days past due	6	– 6		1	– 1	
181 – 360 days past due	3		3	3	– 3	
Over 360 days past due	54	– 39	15	33	– 27	6
Total	**662**	**– 46**	**616**	**834**	**– 42**	**792**

Impairment of trade receivables

CHF million	31 Dec 2019	31 Dec 2018
Carrying amount before impairment	662	834
Of which, impaired	– 46	– 42
Impairment at beginning of year	– 42	– 32
Change from first-time application of IFRS 9		– 1
Impairment charge for the year [1]	– 9	– 15
Amounts written off as uncollectible	1	2
Unused amounts reversed	2	1
Currency translation differences	2	3
Impairment at end of year	– 46	– 42

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

The impairment comprises specific bad debt allowances of CHF 45 million (previous year: CHF 41 million) that were recognised for receivables with concrete indications of a default risk (e.g. insolvency). In accordance with the expected credit loss model, it also includes general bad debt allowances of CHF 1 million (CHF 1 million) due to the inherent default risk for receivables. For this, individual probabilities of default are calculated for each counterparty amounting to between 0.0 % and 19.3 % (previous year: between 0.0 % and 19.3 %), depending on the maturity of the trade receivables.

Accounting policies

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

4.6 Cash and cash equivalents

CHF million	31 Dec 2019	31 Dec 2018
Cash at bank and in hand	438	621
Term deposits with a maturity of 90 days or less	2	13
Total	**440**	**634**

Cash at bank and in hand include foreign subsidiaries’ bank accounts with a total balance of EUR 39 million, translated CHF 42 million, (previous year: EUR 55 million, translated CHF 62 million), which are pledged in accordance with regulations in local finance agreements and which may only be used to cover their own needs for cash and cash equivalents. These funds are therefore not freely available in full for the Alpiq Group.

4.7 Provisions

CHF million	Onerous contracts	Restructuring	Decommissioning own power plants	Warranties	Other	Total
Non-current provisions at 1 January 2019 (adjusted)[1]	268		43	4	29	344
Current provisions at 1 January 2019	21	12		11	23	67
Provisions at 1 January 2019 (adjusted)[1]	**289**	**12**	**43**	**15**	**52**	**411**
Allocated	64			34	30	128
Unwinding of discount	13		2			15
Utilised	– 17	– 2		– 28	– 6	– 53
Unused amounts reversed	– 4	– 4			– 9	– 17
Reclassified	– 3			– 3	11	5
Reclassified to “Liabilities held for sale”					– 7	– 7
Currency translation differences	– 1			– 1	– 2	– 4
Provisions at 31 December 2019	**341**	**6**	**45**	**17**	**69**	**478**
Non-current provisions at 31 December 2019	328		45	1	49	423
Current provisions at 31 December 2019	13	6		16	20	55

1 Adjustment following first-time application of IFRIC 23, see note 1.2

Onerous contracts

These provisions comprise the present value of the onerous contracts in place on the reporting date. The increase mainly relates to two contracts. The provision for the onerous contract relating to the future procurement of energy from the Nant de Drance pumped storage power plant had to be increased by CHF 55 million and the provision for an onerous contract abroad had to be increased by CHF 4 million.

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

Restructuring

The provision for restructuring covers the costs expected in future from the restructuring programmes initiated in the past.

Decommissioning own power plants

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

Warranties

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

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

Provisions for pending obligations from litigation are based on the information available in each case and the estimate made by management as to the outcome of the litigation. Depending on the actual outcome, the effective cash outflow can differ significantly from the provisions.

Accounting policies

Provisions cover all (legal or constructive) obligations arising from past transactions or events that are known at the reporting date and likely to be incurred, but are uncertain as to timing and / or amount. The amount is determined at the reporting date and corresponds to the best possible estimate of the expected cash outflow, discounted to the reporting date.

4.8 Contingent liabilities and guarantees

After the tax audit on the Bucharest branch of Alpiq Energy SE, Prague, in September 2017 the Romanian tax authority ANAF (Agenţia Naţională de Administrare Fiscală) issued the final tax assessment notice to Alpiq in the amount of RON 793 million or CHF 180 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 is being contested on account of its merits and the amount assessed, as Alpiq is convinced that the activities of Alpiq Energy SE in Romania have always been carried out in accordance with the applicable Romanian and European rules and regulations. Alpiq's position is supported by current assessments provided by external legal and tax experts. Alpiq filed an objection with ANAF against the tax assessment in 2017. Alpiq received a decision from ANAF at the end of June 2018. In the main matter, ANAF supported its own view and dismissed the objection with regard to an amount of RON 589 million or CHF 134 million as being without merit. With regard to an amount of RON 204 million or CHF 46 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. Alpiq contested the decision on the appeal made by ANAF by making use of the legal means of appeal at its disposal. On 29 January 2019, the Supreme Court in Bucharest decided that ANAF's tax assessment of RON 589 million or CHF 134 million is not enforceable until a first-instance 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, which amounted to EUR 130 million or CHF 147 million at 31 December 2018 and was posted to the item "Non-current term deposits", is again freely available for Alpiq to use. The bank guarantee and pledged bank account were rescinded on 14 February 2019. On 3 September 2019, the court of appeal in Bucharest also endorsed Alpiq's request that the tax assessment is not enforceable until a last-instance court decision has been reached. This ruling is legally binding. Alpiq is demanding reimbursement of the costs arising from the bank guarantee and other expenses from ANAF and therefore filed a corresponding claim at the court of appeal in Bucharest in autumn 2019.

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.

There were no significant contingent liabilities from pledges, guarantees and other commitments to third parties in favour of third parties at the reporting date, as was also the case at 31 December 2018. For additional commitments in connection with partner power plants, please see note 4.3. Contingent liabilities in connection with the sale of the Engineering Services business can be found in note 5.2.

4.9 Other current liabilities

CHF million	31 Dec 2019	31 Dec 2018
Trade payables	386	577
Other current liabilities	162	291
Advances from customers	14	14
Total	**562**	**882**

Trade payables to suppliers who are also customers are settled with trade receivables, provided that a netting agreement has been reached with the counterparties, and payment is made on a net basis. For more information, please refer to note 3.1.

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 Ltd. Note 3.3 provides further information about the transaction.

5 Group structure

5.1 Business combinations

2019: Business combinations

No companies were acquired in 2019.

2018: Business combinations

In 2018, the following companies in the Generation International business division were acquired and integrated into the consolidated financial statements:

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 Ltd. 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 liabilities	– 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**

Accounting policies

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 are recognised at their fair value. 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. 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.

5.2 Companies sold

2019: Sales

The sale of Alpiq Generation (CZ) s.r.o., which holds the two thermal power plants Kladno and Zlín, to Sev.en Zeta a.s. (CZ) was closed on 30 August 2019. The purchaser Sev.en Zeta a.s. (CZ) belongs to the Sev.en Energy Group. The sale price amounted to CHF 280 million, which resulted in a net inflow of cash and cash equivalents of CHF 265 million. Since 15 May 2019, the assets and liabilities of the company have been recognised as "Assets held for sale" or "Liabilities held for sale". The recoverable amount of Alpiq Generation (CZ) s.r.o. was calculated directly before classification as "Assets held for sale" or "Liabilities held for sale". A pre-tax rate of 5.34% was applied. The measurement resulted in an impairment loss on property, plant and equipment of CHF 186 million. In the first half of 2019, Alpiq updated the assumptions regarding the planning period, which represent a significant basis for calculating the value in use. This also included findings from the binding offer phase of the sales process as well as current development in the area of CO_2 prices and the climate discussion in Europe. The impairment loss is largely attributable to the fact that Alpiq on the one hand increased its estimate regarding the future development of CO_2 prices and other costs and, on the other, lowered its assumptions regarding the expected term and earnings prospects of the two power plants. Following reclassification, another impairment loss of CHF 53 million was recognised on assets held for sale in order to reduce the carrying amount to the sale price less costs to sell.

As described below under "2018: Sales", Alpiq sold the Engineering Services business in 2018. These operations were classified as discontinued operations. Therefore, all income and expenses in connection with this sale continue to be posted to "Earnings after tax from discontinued operations".

There are diverging views on the definitive sale price between Alpiq and Bouygues Construction. In order to enforce their claims arising from the price adjustment mechanism, both parties therefore filed for arbitration proceedings pursuant to the arbitration regulations of the Swiss Chambers' Arbitration Institution on 12 February 2019. While Alpiq is claiming an additional amount of CHF 12.9 million, Bouygues Construction was demanding a refund of CHF 205.1 million. The two arbitration proceedings have been combined in the meantime by the arbitration tribunal. The arbitration tribunal appointed Bouygues Construction as claimant and Alpiq as respondent. In the detailed request for arbitration proceedings filed on 20 January 2020, Bouygues Construction has increased the amount it is demanding from Alpiq from CHF 205.1 million to a total of around CHF 319 million plus interest. Alpiq also vehemently disputes the new claim of Bouygues Construction both in terms of its amount and on its merits and will defend itself against this in the arbitration proceedings. The outcome of these proceedings depends on arbitration court decisions that are currently unknown. A ruling by the arbitration court is not expected until some point in 2022 at the earliest. Alpiq has recognised a provision for the costs expected for the arbitration proceedings.

For the reasons mentioned above, it is 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. In this regard, there was no change in the 2019 financial year. The gain on disposal recorded in the 2018 financial year is an estimate. The outcome of the arbitration proceedings and thus the definitive sale price may deviate significantly from the estimate and 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 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 expected associated costs. 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 Cartel Office in the first quarter of 2015. In the course of these proceedings, the German Federal Cartel Office imposed a fine of EUR 47.5 million, translated CHF 52 million, on Kraftanlagen München GmbH in December 2019. Kraftanlagen München cooperated fully with the authorities from the outset in order to support them in investigating the allegations in question. Despite extensive investigations, a law firm commissioned by Kraftanlagen München to clarify the facts of the case could not find any evidence of misconduct by Kraftanlagen München or the accused former employees. Kraftanlagen München does not believe that it is in the wrong and refutes the allegations. This fine is justified neither by the facts nor the legal situation, which is why Kraftanlagen München GmbH filed an appeal against the administrative order imposing the fine. Kraftanlagen München and Alpiq continue to deem a conviction unlikely and Alpiq has therefore decided not to record a liability for this matter. The remaining indemnification payments are either immaterial in amount or Alpiq deems it unlikely that they will arise.

2018: Sales

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. 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.

Net cash flow from disposal

CHF million	2019	2018
Inflow of cash and cash equivalents	280	790
Selling expenses	– 6	– 15
Cash and cash equivalents disposed of with subsidiaries	– 9	– 71
Net cash flow from disposal	**265**	**704**
Of which, from the sale of Alpiq Generation (CZ) s.r.o. in net cash flows from investing activities of continuing operations	265	
Of which, from the sale of the Engineering Services business in net cash flows from investing activities of discontinued operations		704

The cash outflow in connection with indemnification and warranties to Bouygues Construction came to CHF 28 million in the 2019 financial year. According to the sales agreement, these payments are treated as an adjustment to the sale price. They are therefore contained in the statement of cash flows under "Net cash flows from investing activities of discontinued operations".

Gain on disposal

CHF million	2019	2018
Inflow of cash and cash equivalents	280	790
Sale of net assets	– 273	– 469
Provision for warranties		– 2
Selling expenses	– 6	– 15
Gain on disposal (before reclassification of cumulative translation adjustment)	**1**	**304**
Reclassification of cumulative translation adjustment	– 28	– 46
Gain on disposal	**– 27**	**258**
Of which, from the sale of Alpiq Generation (CZ) s.r.o. in other operating expenses	– 27	
Of which, from the sale of the Engineering Services business in earnings from discontinued operations		258

Income statement and statement of comprehensive income of discontinued operations

CHF million	2019	2018
Net revenue		1,000
Other income		8
Expenses	– 8	– 1,051
Effect from reviewing the provisions for warranties and indemnification	– 34	– 9
Earnings before tax	**– 42**	**– 52**
Income tax expense		– 8
Earnings after tax	**– 42**	**– 60**
Gain on disposal [1]		258
Earnings after tax from discontinued operations	**– 42**	**198**

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

CHF million	2019	2018
Currency translation differences		– 9
Remeasurements of defined benefit plans		23
Other comprehensive income (net after tax) [1]	**0**	**14**

1 Income tax recognised in other comprehensive income amounts to CHF 0 million (previous year: CHF – 6 million).

Assets and liabilities on the disposal date

CHF million	2019	2018
Property, plant and equipment	264	182
Intangible assets		131
Investments in partner power plants and other associates		2
Other non-current assets		10
Deferred income tax assets		21
Inventories	21	30
Receivables [1]	13	793
Prepayments and accrued income	1	20
Cash and cash equivalents	9	71
Total assets	**308**	**1,260**
Non-current provisions	7	21
Deferred income tax liabilities	5	23
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	1	5
Other current liabilities [2]	21	513
Accruals and deferred income	1	71
Total liabilities	**35**	**791**
Net assets	**273**	**469**

1 Include in the previous year contract assets of CHF 445 million
2 Include in the previous year contract liabilities of CHF 336 million

Compensation for the transfer of the Swiss high-voltage grid

On 3 January 2013, Alpiq transferred its share in the Swiss high-voltage grid to national grid operator Swissgrid Ltd based on provisional contribution values. 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 depend on proceedings, the duration and outcome of which are still uncertain, and may therefore deviate from the provisional contribution values.

Furthermore, in the 2016 financial year 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 the additional compensation on account of the ruling in 2016 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.

5.3 Assets held for sale

In the first half of 2019, Alpiq decided to sell its subsidiary Flexitricity Ltd. The recoverable amount was calculated immediately before classification as “Assets held for sale” or “Liabilities held for sale”. This did not result in a need to recognise impairment losses. Following reclassification, an impairment loss of CHF 10 million was recognised on goodwill in order to reduce the carrying amount to the expected sale price less costs to sell.

Assets

CHF million	31 Dec 2019	31 Dec 2018
Property, plant and equipment	1	
Intangible assets	6	
Other non-current assets	1	
Receivables	1	
Prepayments and accrued income	9	
Cash and cash equivalents	1	
Total assets held for sale	**19**	**0**

Equity and liabilities

CHF million	31 Dec 2019	31 Dec 2018
Accruals and deferred income	8	
Total liabilities held for sale	**8**	**0**

At 31 December 2019, currency translation losses of CHF 2 million related to assets held for sale are recorded in equity.

Accounting policies

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

5.4 Significant group companies and investments

Group companies	Place of incorporation	Generation Switzerland	Generation International	Digital & Commerce	Group Centre & other companies	Direct ownership interest in % (voting rights)
Alpiq Holding Ltd.	Lausanne, CH				X	100.0
Aare-Tessin Ltd. for Electricity (Atel) [1]	Olten, CH				X	100.0
Aero Rossa S.r.l.	Milan, IT		X			100.0
Alpiq Ltd. [1]	Olten, CH	X	X	X	X	100.0
Alpiq Csepel Kft.	Budapest, HU		X			100.0
Alpiq Deutschland GmbH [1]	Munich, DE				X	100.0
Alpiq Digital AG [1&2]	Olten, CH			X		100.0
Alpiq Digital Austria GmbH [3]	Vienna, AT			X		100.0
Alpiq EcoPower Ltd. [1]	Olten, CH		X			100.0
Alpiq EcoPower Switzerland Ltd.	Olten, CH		X			100.0
Alpiq E-Mobility Ltd	Zurich, CH			X		100.0
Alpiq Energia Bulgaria EOOD	Sofia, BG			X		100.0
Alpiq Energía España S.A.U.	Madrid, ES		X	X		100.0
Alpiq Energia Italia S.p.A.	Milan, IT		X	X	X	100.0
Alpiq Energie Deutschland GmbH	Berlin, DE			X		100.0
Alpiq Energie France S.A.S.	Neuilly-sur-Seine, FR			X	X	100.0
Alpiq Energy SE	Prague, CZ			X	X	100.0
Alpiq Hydro Aare AG	Boningen, CH	X				100.0
Alpiq Hydro Italia S.r.l.	Milan, IT		X			90.0
Alpiq Italia S.r.l.	Milan, IT				X	100.0
Alpiq Le Bayet S.A.S.	Neuilly-sur-Seine, FR		X			100.0
Alpiq Retail CZ s.r.o. [3]	Prague, CZ			X		100.0
Alpiq Retail France S.A.S. [3]	Neuilly-sur-Seine, FR			X		100.0
Alpiq Services CZ s.r.o.	Prague, CZ			X	X	100.0
Alpiq Solutions France S.A.S.	Neuilly-sur-Seine, FR			X		100.0
Alpiq Suisse Ltd. [1]	Lausanne, CH	X		X	X	100.0
Alpiq Wind Italia S.r.l.	Milan, IT		X			100.0
Alpiq Wind Services EAD	Sofia, BG		X			100.0
Arclight Ltd.	Olten, CH			X		100.0
Bel Coster SA	L'Abergement, CH		X			100.0

Group companies	Place of incorporation	Generation Switzerland	Generation International	Digital & Commerce	Group Centre & other companies	Direct ownership interest in % (voting rights)
Birs Wasserkraft AG	Olten, CH		X			100.0
C.E.P.E. Des Gravières S.A.S.	Neuilly-sur-Seine, FR		X			100.0
Cotlan Wasserkraft AG	Glarus Süd, CH		X			60.0
EESP European Energy Service Platform GmbH	Berlin, DE			X		100.0
Electricité d'Emosson SA	Martigny, CH	X				50.0
En Plus S.r.l. [4]	Milan, IT		X			100.0
Energie Electrique du Simplon SA (E.E.S.)	Simplon, CH	X				82.0
Enpower 2 S.r.l.	Milan, IT		X			100.0
Enpower 3 S.r.l.	Milan, IT		X			100.0
Entegra Wasserkraft AG	St. Gallen, CH		X			59.6
Eole Jura SA	Muriaux, CH		X			100.0
EolJorat Nord SA	Lausanne, CH		X			100.0
Flexitricity Ltd.	Edinburgh, UK			X		100.0
Hydro-Solar Energie AG	Niederdorf, CH		X			65.0
Isento Wasserkraft AG	St. Gallen, CH		X			100.0
Kraftwerke Gougra AG	Sierre, CH	X				54.0
Motor-Columbus Ltd. [1]	Olten, CH				X	100.0
Novel S.p.A.	Milan, IT		X			51.0
Po Prostu Energia Spólka Akcyjna	Warsaw, PL			X		100.0
Salanfe SA	Vernayaz, CH	X				100.0
Società Agricola Solar Farm 2 S.r.l.	Milan, IT		X			100.0
Società Agricola Solar Farm 4 S.r.l.	Milan, IT		X			100.0
Tormoseröd Vindpark AB	Karlstad, SE		X			100.0
Tous-Vents SA	Lausanne, CH		X			100.0
Vetrocom EOOD [1]	Sofia, BG		X			100.0
Wasserkraftwerk Peist AG	Arosa, CH		X			51.0 [5]
Wasserkraftwerk Tambobach AG	Splügen, CH		X			70.0

1 Interest held directly by Alpiq Holding Ltd.
2 Formerly Alpiq Blue Energy Ltd., merged with InnoSense AG and Xamax AG
3 Newly founded
4 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. At 31 December 2019, Eviva S.p.A. was still listed in the share register of En Plus S.r.l.
5 Indirect interest held via Entegra with non-controlling interests of 69.6 %

Partner power plants and other associates	Place of incorporation	Licence / agreement expiry	Generation Switzerland	Generation International	Digital & Commerce	Group Centre & other companies	Direct ownership interest in % (voting rights)
Blenio Kraftwerke AG	Blenio, CH	2042	X				17.0
CERS Holding SAS	Toulouse, FR			X			15.0
Cleuson-Dixence [1]	Sion, CH	2044	X				31.8
Electra-Massa AG	Naters, CH	2048	X				34.5
Engadiner Kraftwerke AG	Zernez, CH	2050/2074	X				22.0
Forces Motrices de Martigny-Bourg S.A.	Martigny, CH	2080	X				18.0
Forces Motrices Hongrin-Léman S.A. (FMHL)	Château-d'Oex, CH	2051/2094	X				39.3
Grande Dixence SA	Sion, CH	2044	X				60.0
HYDRO Exploitation SA	Sion, CH		X				26.2
Kernkraftwerk Gösgen-Däniken AG	Däniken, CH		X				40.0
Kernkraftwerk Leibstadt AG	Leibstadt, CH		X				27.4
Kernkraftwerk-Beteiligungsgesellschaft AG (KBG)	Bern, CH	2041	X				33.3
Kraftwerk Ryburg-Schwörstadt AG	Rheinfelden, CH	2070	X				13.5
Kraftwerke Hinterrhein AG	Thusis, CH	2042	X				9.3
Kraftwerke Zervreila AG	Vals, CH	2037	X				21.6
Maggia Kraftwerke AG	Locarno, CH	2035/2048	X				12.5
MOVE Mobility SA	Granges-Paccot, CH				X		25.0
Nant de Drance SA	Finhaut, CH		X				39.0
Unoenergia S.r.l.	Biella, IT			X			28.0
Wasserkraftwerke Weinfelden AG	Weinfelden, CH			X			49.0

1 Simple partnership

Joint venture	Place of incorporation	Generation Switzerland	Generation International	Digital & Commerce	Group Centre & other companies	Direct ownership interest in % (voting rights)
Hydrospider Ltd	Opfikon, CH			X		45.0

6 Other disclosures

6.1 General accounting policies

Basis of consolidation

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

Subsidiaries are companies that are controlled by Alpiq Holding Ltd., either directly or indirectly. Such companies are consolidated at the date control is obtained. Companies are deconsolidated or recognised under "Investments in partner power plants and other associates" or under "Other non-current assets" when control 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 4.3 of the consolidated financial statements.

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 and on disposal of an associate or partner power plant or the loss of significant influence, the cumulative currency translation differences relating to that subsidiary are recognised in the income statement as part of the gain or loss on sale in the period in which the subsidiary is disposed of, or control ceases.

The following exchange rates were used for currency translation:

Unit	Closing rate at 31 Dec 2019	Closing rate at 31 Dec 2018	Average rate for 2019	Average rate for 2018
1 EUR	1.085	1.127	1.113	1.155
1 GBP	1.276	1.260	1.269	1.306
1 USD	0.966	0.984	0.994	0.978
100 CZK	4.272	4.381	4.335	4.504
100 HUF	0.328	0.351	0.342	0.362
100 NOK	11.004	11.328	11.302	12.031
100 PLN	25.498	26.198	25.893	27.115
100 RON	22.693	24.164	23.447	24.815

6.2 Related party transactions

Related parties include partner power plants, other associates and major shareholders with significant influence on the Alpiq Group as well as employee pension schemes, the Board of Directors and the Executive Board. EOS Holding SA and, since December 2019, also Schweizer Kraftwerksbeteiligungs-AG have significant influence over the Alpiq Group and are referred to below as “Other related companies”. The significant influence of EDF Alpes Investissements Sàrl ended in May 2019.

Transactions between the Group and related companies

			2019			2018
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]	50	32	– 8	49	30	497
Other operating income	2			2		
Operating expenses						
Energy and inventory costs	– 345	– 16	– 146	– 587	– 13	– 343
Other operating expenses					– 1	
Financial result						
Finance income					1	

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

Outstanding balances with related companies at the reporting date

CHF million	31 Dec 2019 Partner power plants	Other associates	Other related companies	31 Dec 2018 Partner power plants	Other associates	Other related companies
Assets						
Other non-current assets	1	3		1	3	
Derivative financial instruments						83
Receivables	5	1		6	3	21
Prepayments and accrued income	70			1		
Current term deposits	65	1		71		
Liabilities						
Current financial liabilities				2		
Other current liabilities	3	1		12	1	15
Derivative financial instruments						4
Accruals and deferred income	4			111		2

Investments in partner power plants and other associates are presented in note 4.3. The Alpiq Group has contractual power offtake arrangements with partner power plants. Electricity is purchased according to the ownership interest, although no volumes have been agreed contractually. Power generation capacity depends on optimum utilisation of the power plants. The costs for power production at the partner power plants are assumed on a cost-plus basis.

The Alpiq Group has no non-financial energy trading contracts outstanding with other associates and other related entities at 31 December 2019. In the previous year, the contract volume was 125 TWh and the gross value CHF 4.6 billion at the reporting date.

Details of transactions between the Group and its employee pension schemes are disclosed in note 6.3.

Members of the Board of Directors and the Executive Board

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

CHF million	Board of Directors 2019	2018	Executive Board 2019	2018
Fixed and variable remuneration	2.0	2.3	5.8	6.0
Social security contributions	0.2	0.1	1.1	1.1
Total	**2.2**	**2.4**	**6.9**	**7.1**

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 2019 and 2018. Detailed information on the total compensation of the Board of Directors and the Executive Board is presented in the remuneration report.

6.3 Employee benefits

The Group operates a number of pension schemes as required by law. The group companies in Switzerland participate in PKE Vorsorgestiftung Energie, a legally independent pension scheme which meets the criteria of a defined benefit plan in accordance with IAS 19. Employees of foreign subsidiaries are generally covered by state social security schemes or independent defined contribution pension plans in accordance with national practices. These plans meet the criteria of a defined contribution plan according to IAS 19.

Defined benefit liabilities in the balance sheet

CHF million	31 Dec 2019	31 Dec 2018
Present value of defined benefit obligation	770	729
Fair value of plan assets	720	679
Net defined benefit liabilities	**50**	**50**

Reconciliation of net defined benefit liabilities

CHF million	2019	2018
Net defined benefit liabilities at 1 January	**50**	**18**
Defined benefit expense recognised in the income statement	13	28
Defined benefit expense recognised in other comprehensive income	– 2	17
Contributions by employer to legally independent pension schemes	– 10	– 11
Benefits paid directly by employer	– 1	– 2
Net defined benefit liabilities at 31 December	**50**	**50**

Changes in the present value of the defined benefit obligation

CHF million	2019	2018
Defined benefit obligation at 1 January	**729**	**726**
Interest expense on defined benefit obligations	6	5
Current service cost	14	15
Past service cost [1]	– 1	13
Contributions by plan participants	8	8
Benefits paid	– 57	– 30
Remeasurements:		
Financial assumptions	59	– 12
Demographic assumptions	– 2	
Experience adjustments	14	4
Defined benefit obligation at 31 December	**770**	**729**

1 Includes the effects of the package of measures concluded in 2018 by the foundation board of the PKE Vorsorgestiftung Energie (Swiss defined contribution plan) to ensure the financial balance of the PKE Vorsorgestiftung Energie. 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 member's individual retirement assets while the package of measures is being implemented.

The weighted average duration of the defined benefit obligation at the reporting date is 14.1 years (previous year: 13.0 years).

Changes in the fair value of the plan assets

CHF million	2019	2018
Fair value of plan assets at 1 January	**679**	**708**
Interest income on plan assets	5	5
Contributions by employer to legally independent pension schemes	10	11
Contributions by plan participants	8	8
Benefits paid	– 56	– 28
Remeasurement on plan assets	74	– 25
Fair value of plan assets at 31 December	**720**	**679**

Asset classes of plan assets

CHF million	31 Dec 2019	31 Dec 2018
Quoted market prices		
Liquidity	8	16
Equity instruments of third parties	282	263
Debt instruments of third parties	209	193
Property funds	38	35
Other investments	81	74
Total plan assets at fair value (quoted market prices)	**618**	**581**
Unquoted market prices		
Property not used by the company	102	98
Total plan assets at fair value (unquoted market prices)	**102**	**98**
Total fair value of plan assets	**720**	**679**

Accounting policies

The defined benefit obligation is calculated annually by independent pension experts using the projected unit credit method. This accrued benefit method prorated on service recognises not only the known benefits and benefits accrued at the reporting date, but also expected future salary and pension increases. The Continuous Mortality Investigation (CMI) model with generation tables as a technical basis is used to reflect mortality rates. Mortality data according to the CMI model is calculated based on a long-term rate of change. The net interest result is recognised directly in finance costs / income; any remaining employee benefit costs are included in employee costs. Actuarial gains and losses are recognised in other comprehensive income as part of equity in the period in which they occur. Past service costs are recognised directly in the income statement as employee costs.

All plans are funded by both employer and employee contributions, as a rule. Employer contributions paid or owed to pension schemes that provide defined contribution pension plans are recognised directly in the income statement.

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

Actuarial assumptions

in %	31 Dec 2019	31 Dec 2018
Discount rate	0.19	0.79
Projected interest rate for retirement assets	0.75	0.90
Expected rates of salary increase (weighted average)	1.00	0.50
Estimated long-term rate of change in the CMI model (basis: BVG 2015)	1.25	1.25

Sensitivity analysis

In each case, the sensitivity analysis takes into consideration the influence on the net defined benefit obligation in the event of one assumption changing while all of the other assumptions remain unchanged. This approach does not take into account that some assumptions are dependent on each other.

CHF million	2019	2018
Discount rate		
0.25 % increase	– 26	– 23
0.25 % reduction	28	24
Projected interest rate for retirement assets		
0.25 % increase	5	5
0.25 % reduction	– 5	– 5
Rate of salary increase		
0.25 % increase	2	2
0.25 % reduction	– 2	– 1
Life expectancy		
1 year increase	32	29
1 year reduction	– 33	– 29

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 2020.

6.4 Pledged assets

The power plants of Aero Rossa S.r.l., Milan / IT, En Plus S.r.l., Milan / IT, Enpower 3 S.r.l., Milan / IT and Società Agricola Solar Farm 4 S.r.l., Milan / IT, are funded through common project financing arrangements with banks. The related liabilities are reported on the consolidated balance sheet. The Alpiq Group has pledged CHF 66 million of its interests in these power plants to the financing banks as collateral (previous year: CHF 59 million). For information about pledged cash and cash equivalents and the previously pledged non-current term deposits, please refer to note 4.6 or 4.8.

6.5 Events after the reporting period

In connection with the sale of the Engineering Services business, the purchasing party Bouygues Construction has increased the amount it is demanding from CHF 205.1 million to a total of around CHF 319 million plus interest in the detailed request for arbitration proceedings filed on 20 January 2020. Alpiq vehemently disputes the claims. For more information about this matter, please refer to note 5.2.

On 27 January 2020, Gestore dei Servizi Energetici GSE S.p.A. (GSE), which is responsible for implementing and monitoring incentive mechanisms and subsidies for the production of electricity from renewable energies in Italy, issued Società Agricola Solar Farm 4 S.r.l. (SASF 4) with the final report on its inspection, which started in July 2017 and ended in 2019. In this, GSE states that, on the one hand, it identified deviations between the specifications named in the documentation to apply for feed-in tariffs and the evidence provided, and, on the other hand, that certain evidence was not available. The application to receive feed-in tariffs was made by the Moncada Energy Group before the solar plants were constructed. As the builder of the plants, it was also responsible for ensuring that the plants were built in compliance with the specifications and that the corresponding evidence could be provided. Alpiq acquired SASF 4 from the Moncada Energy Group S.r.l. in 2018 (see note 5.1). GSE deems the deviations identified to be significant and therefore withdraws the right of SASF 4 to the feed-in tariffs it has already received and stipulates that SASF 4 loses the right to all future feed-in tariffs. Alpiq considers this decision to be a breach of the applicable Italian law, under which it would be permissible to reduce the feed-in tariffs by a reasonable amount at most. Alpiq’s position is supported by external legal experts. Alpiq will contest the decision by making use of the legal means of appeal at its disposal and is also reviewing the legal steps against the Moncada Energy Group. On account of the potential reduction of the right to future feed-in tariffs, Alpiq recognised impairment losses on the solar plants concerned (see note 4.1). It also posted a provision in other provisions for potential repayments of feed-in tariffs received (see note 4.7).

On 9 February 2020, the Solothurn electorate accepted the new business tax reform. The canton’s implementation of the Federal Act on Tax Reform and Old Age and Survivors’ Insurance Funding (TRAF) led to, among other things, the gradual reduction in the effective corporate income tax rate from 21 % to 15 % as of 2022. For the tax period 2020, the effective tax rate amounts to 16 %. At 1 January 2020, the reduction in the effective corporate income tax rate will result in a decrease in net tax liabilities of CHF 30 million. This was not taken into account in the 2019 consolidated financial statements as the changes to legislation had not yet been substantively enacted at the reporting date.

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To the General Meeting of
Alpiq Holding Ltd., Lausanne

Zurich, 28 February 2020

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 2019 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 74 to 146) give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, 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.

Determination of the transaction price for the Engineering Services business sold in 2018 and assessment of the provisions and contingent liabilities for representations and warranties

Risk	In 2018, Alpiq Group executed the sale of the Engineering Services business, consisting of Alpiq InTec Group and Kraftanlagen Group. As disclosed in notes 5.2 and 6.5 to the consolidated financial statements, a material uncertainty exists regarding the final transaction price adjustment because of diverging views held by the parties. The final amount is expected to be determined in the ongoing arbitration proceeding. In the detailed statement of claim submitted to the arbitration court, the acquirer demands for additional representations and warranties which increased the claimed amount from CHF 205.1 million to CHF 319 million plus interest. Therefore, the potential adjustment ranges from a positive figure of CHF 12.9 million to a negative figure of CHF 319 million plus interest. Beyond the amounts claimed in the arbitration proceeding, Alpiq Group made additional representations and warranties to the buyer which include indemnifications regarding an ongoing cartel case and an onerous project, Alpiq Group appointed an external project manager supporting the estimation of the risks resulting from the project evaluation. The related risks are disclosed as a contingent liability or covered by provisions and explained in notes 4.7 and 4.8 to the consolidated financial statements.
Our audit response	In terms of the material 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 and 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 and the contingent liabilities by examining the contractual conditions and an overall analysis performed by a law firm and interviewed the Executive Board, the Head of Legal & Compliance and senior employees in the finance department. Regarding the warranties for the onerous project, 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 determination of the transaction price for the Engineering Services business sold in 2018 and assessment of the provisions and contingent liabilities for representations and warranties.

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Impairment of production facilities and investments in production companies

Risk	At the end of each reporting period, the Executive Board assesses whether there is any indication that production facilities or investments in production companies may be impaired. The calculation of impairment required Alpiq Group to make several estimates and assumptions, which could have 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. Information about impairment losses recognized in 2019 and comments on significant estimation uncertainties are disclosed in note 4.1.
Our audit response	In our audit of the recoverability of production facilities and investments in production companies, we compared the significant estimates made by Alpiq Group with available market data (e.g., electricity forward prices, exchange rates and interest rates) or other data made available by third parties (long-term price forward curve and exchange rate expectations, growth and inflation rates). 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 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 2019. Information about onerous contract provisions is disclosed in note 4.7 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 significant estimation uncertainties are included in note 4.7 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 the 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, as explained in note 2.2 to the consolidated financial statements, or under energy and inventory costs once they have been completed whereas the latter transactions 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 assessed whether the original assumptions regarding physical realization and expected purchase, sale or usage requirements are 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 2019. Our audit procedures did not lead to any reservations regarding the classification of energy contracts.

Tax case Romania

Risk	After completing a tax audit at a Group company, the Romanian tax authority made a tax claim of RON 793 million (CHF 180 million) for the period of 2010 to 2014. This claim was reduced to RON 589 million (CHF 134 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 4.8 to the consolidated financial statements). An assessment with a different outcome could potentially have a significant impact on the net income for the period.
Our audit response	We audited the contingent liability by 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 Romania relying on the opinion of two external experts. Our audit procedures did not lead to any reservations regarding the tax case 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 2015 – 2019

Income statement

CHF million	2019	2018	2017	2016 [1]	2015 [2]
Net revenue	4,099	5,186	5,449	4,412	6,715
Other operating income	55	50	40	239	82
Total revenue and other income	4,154	5,236	5,489	4,651	6,797
Operating expenses	– 3,986	– 5,227	– 5,146	– 3,941	– 6,747
Earnings before interest, tax, depreciation and amortisation (EBITDA)	168	9	343	710	50
Depreciation, amortisation and impairment	– 401	– 169	– 164	– 374	– 561
Earnings before interest and tax (EBIT)	– 233	– 160	179	336	– 511
Share of results of partner power plants and other associates	– 44	– 50	– 18	– 232	– 347
Financial result	– 59	– 95	– 87	– 6	– 162
Income tax expense	110	44	– 70	162	190
Earnings after tax from continuing operations	– 226	– 261	4	260	
Earnings after tax from discontinued operations	– 42	198	– 88	34	
Net income	– 268	– 63	– 84	294	– 830
Net income attributable to non-controlling interests	3	14	5		– 5
Net income attributable to equity investors of Alpiq Holding Ltd.	– 271	– 77	– 89	294	– 825
Number of employees at the reporting date	1,226	1,548	1,504	1,429	8,345

1 Key financial figures before application of IFRS 15
2 Key financial figures including discontinued operations and before application of IFRS 15

Balance sheet

CHF million	2019	2018	2017	2016	2015
Total assets	7,369	9,074	10,197	10,008	10,575
Assets					
Non-current assets	4,575	5,475	5,655	5,793	6,381
Current assets	2,794	3,599	4,542	4,215	4,194
Equity and liabilities					
Total equity	3,671	3,944	3,965	3,886	3,819
As % of total assets	49.8	43.5	38.9	38.8	36.1
Liabilities	3,698	5,130	6,232	6,122	6,756

Per share data

CHF	2019	2018	2017	2016	2015
Par value	10	10	10	10	10
Weighted average number of shares outstanding (in thousands)	27,875	27,875	27,875	27,875	27,617
Net income	– 10.77	– 3.90	– 4.34	9.38	– 31.73
Dividend	0.00	0.00	0.00	0.00	0.00

Management Report of Alpiq Holding Ltd.

Alpiq Holding Ltd. is the holding company of the Alpiq Group. It holds, directly or indirectly, all investments 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. In the 2019 financial year, the effects in connection with the sale completed in 2018 of the direct interest in Alpiq InTec AG and the interest held in Kraftanlagen München GmbH by the direct interest in Alpiq Deutschland GmbH were also included. 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 3.1 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 2020 financial year.

Financial Statements of Alpiq Holding Ltd.

Income statement

CHF million	Note	2019	2018
Income			
Dividend income	2	7	7
Finance income	3	178	236
Gain on sale of investments	16		384
Reversal of impairment losses on loans receivable		1	
Reversal of impairment losses on investments		5	
Other income		7	15
Total income		**198**	**642**
Expenses			
Finance costs	4	– 192	– 243
Impairments on loans receivable		– 53	– 125
Impairments on investments		– 59	
Other expenses		– 56	– 57
Direct taxes		1	– 2
Total expenses		**– 359**	**– 427**
Net income		**– 161**	**215**

Balance sheet

Assets

CHF million	Note	31 Dec 2019	31 Dec 2018
Cash and cash equivalents		197	312
Securities		26	25
Trade receivables	5	1	
Other current receivables	6	738	350
Prepayments and accrued income			1
Current assets		**962**	**688**
Loans receivable and non-current term deposits	7	855	1,175
Investments	8	4,307	4,361
Non-current assets		**5,162**	**5,536**
Total assets		**6,124**	**6,224**

Equity and liabilities

CHF million	Note	31 Dec 2019	31 Dec 2018
Current interest-bearing payables	9	507	427
Other current liabilities	10		13
Accruals and deferred income		74	52
Current provisions	11	19	
Current liabilities		**600**	**492**
Interest-bearing loans payable	12	1,277	1,327
Bonds	13	1,339	1,339
Non-current provisions	11	3	
Non-current liabilities		**2,619**	**2,666**
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		1,469	1,630
Equity	14	**2,905**	**3,066**
Total equity and liabilities		**6,124**	**6,224**

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 Ltd., which have been tested for impairment by way of group measurement since 2017, as these companies form an economic unit. Since 2017, Alpiq Suisse Ltd. has operated as a meta partner power plant that sells its energy to Alpiq Ltd. at production cost.

Bonds

Bonds are recognised at face value. The discount and issue costs of bonds are recognised as finance costs in the issue year. Any premium (less 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	2019	2018
Interest income from group companies	41	50
Other finance income from group companies	3	3
Other finance income from third parties	3	3
Foreign exchange gain	131	180
Total	**178**	**236**

4 Finance costs

CHF million	2019	2018
Interest expense to group companies	– 29	– 29
Interest expense to third parties	– 54	– 70
Other finance costs to third parties	– 4	– 22
Foreign exchange loss	– 105	– 122
Total	**– 192**	**– 243**

5 Trade receivables

CHF million	31 Dec 2019	31 Dec 2018
Due from group companies	1	
Total	**1**	**0**

6 Other current receivables

CHF million	31 Dec 2019	31 Dec 2018
Due from group companies	171	52
Due from third parties	567	298
Total	**738**	**350**

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

7 Loans receivable and non-current term deposits

CHF million	31 Dec 2019	31 Dec 2018
Due from group companies	855	1,090
Due from third parties		85
Total	**855**	**1,175**

8 Investments

A list of direct and significant indirect investments is disclosed in note 5.4 of the consolidated financial statements.

9 Current interest-bearing payables

CHF million	31 Dec 2019	31 Dec 2018
Due to group companies	457	278
Due to third parties	50	149
Total	**507**	**427**

Current interest-bearing payables include cash pooling payables and loans payable with a maximum 12-month term.

10 Other current liabilities

CHF million	31 Dec 2019	31 Dec 2018
Due to third parties		13
Total	**0**	**13**

11 Provisions

Provisions include a provision for indemnification and warranties of Alpiq Deutschland GmbH in connection with the sale of Kraftanlagen München GmbH, for which Alpiq Holding Ltd. has subsidiary liability. Furthermore, they also contain a provision for the costs expected for the arbitration proceedings with Bouygues Construction.

12 Interest-bearing loans payable

CHF million	31 Dec 2019	31 Dec 2018
Due to shareholders (hybrid loan)	367	367
Due to group companies	860	860
Due to third parties	50	100
Total	**1,277**	**1,327**

The loans payable “Due to third parties” have a remaining maturity of between one and two years. The loans payable “Due to group companies” have a remaining maturity of between one and four years. The hybrid loan has an unlimited maturity.

13 Bonds

CHF million	Maturity	Earliest repayment date	Interest rate in %	Face value at 31 Dec 2019	Face value at 31 Dec 2018
Fixed-rate bond issued by Alpiq Holding Ltd.[1]	2009/2019	25 Nov 2019	3.0000		149
Fixed-rate bond issued by Alpiq Holding Ltd.	2011/2021	20 Sept 2021	2.2500	144	144
Fixed-rate bond issued by Alpiq Holding Ltd.	2012/2022	16 May 2022	3.0000	145	145
Fixed-rate bond issued by Alpiq Holding Ltd.	2015/2023	30 Jun 2023	2.1250	141	141
Fixed-rate bond issued by Alpiq Holding Ltd.	2014/2024	29 Jul 2024	2.6250	260	260
Public hybrid bond issued by Alpiq Holding Ltd.	–	15 Nov 2020	4.5325	650	650

1 At 31 December 2018 recognised under "Current interest-bearing payables"

14 Equity

		Statutory capital reserves				
CHF million	Share capital	Capital contribution reserves	Share premium	Statutory revenue reserves	Retained earnings	Total equity
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**
Net income					– 161	– 161
Balance at 31 December 2019	**279**	**1,100**	**4**	**53**	**1,469**	**2,905**

15 Collateral provided for third-party liabilities

Guarantees in favour of group companies and third parties totalled CHF 642 million at 31 December 2019 (previous year: CHF 612 million). Of this, an amount of CHF 314 million (CHF 359 million) relates to bank guarantees – of which CHF 6 million expired at 31 December 2019 – and CHF 328 million (CHF 253 million) to guarantees issued by Alpiq Holding Ltd.

16 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 in the previous year. Due to diverging views held by Alpiq and Bouygues Construction on the amount of the definitive purchase price adjustment, this amount is also only an estimate at 31 December 2019 because the definitive sale price is not yet available at the time of approval of the statutory financial statements by the Board of Directors of Alpiq Holding Ltd. In addition, Alpiq Deutschland GmbH, which is held directly by Alpiq Holding Ltd., sold its interest in Kraftanlagen München GmbH at the same time.

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. It is not currently possible to estimate how much the definitive adjustment amount will be, which is why no provisions have been recognised for this. A provision has been recognised for the costs expected for the arbitration proceedings. For more information about this matter, please refer to note 5.2 of the consolidated financial statements.

17 Events after the reporting period

In connection with the sale of the Engineering Services business explained in note 16, the purchasing party Bouygues Construction has increased the amount it is demanding from CHF 205 million to a total of around CHF 319 million plus interest in the detailed request for arbitration proceedings filed on 20 January 2020. Alpiq vehemently disputes the claims.

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 2019 reported in the income statement	– 160,934,232
Retained earnings carried forward	1,629,612,026
Retained earnings	**1,468,677,794**
Transfer to statutory revenue reserves	0
Balance to be carried forward	**1,468,677,794**

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To the General Meeting of
Alpiq Holding Ltd., Lausanne

Zurich, 28 February 2020

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 2019.

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 2019 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 2018 and assessment of the provisions recognized for representations and warranties

Risk	In 2018, Alpiq Holding Ltd. executed the sale of Alpiq InTec Ltd. As disclosed in note 16 to the financial statements, a material uncertainty exists regarding the final transaction price adjustment because of diverging views held by the parties. The final amount is expected to be determined in the ongoing arbitration proceeding. 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 Holding Ltd. and Alpiq Deutschland GmbH made representations and warranties to the buyer. Since Alpiq Holding Ltd. is subsidiarily liable for all liabilities, a negative transaction price adjustment or a reassessment of the risks resulting from representations and warranties may have a significant impact on the liquidity or income situation of Alpiq Holding Ltd.
Our audit response	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. We 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 2018 nor the assessment of the provisions recognized for representations and warranties.

Building a better working world

Impairment of investments

Risk	As of 31 December 2019, Alpiq Holding Ltd. holds investments with a carrying amount of CHF 4,307 million and recognized impairment losses in the amount of CHF 59 million. The assessment of impairment required Alpiq Holding Ltd. to make several estimates, which could have 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 (e.g., electricity forward prices, exchange rates and interest rates) or other data made available by third parties (long-term price forward curve and exchange rate expectations, growth and inflation rates). 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:
Le Peuchapatte wind farm
Key visual for renewable energy management
Artwork: atelier MUY
Photographer: Olivier Gisiger

Page 6:
Jens Alder
Photographer: Ramona Tollardo

Page 62:
City of Zurich with Glarus Alps
Artwork: atelier MUY

Page 72:
Key visual for trading and origination
Artwork: atelier MUY
Photographer: Christian O. Bruch

Financial calendar

24 June 2020:
Annual General Meeting

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Online Annual Report

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