ALPIQ

2013

Year ended 31 December 2013

Alpiq Ltd. Group

(Part of the Alpiq Group)

2013 Financial Highlights

Alpiq Ltd. Group

CHF million	% Change 2012-2013 (results of operations)	Results of operations before exceptional items: 2012 (restated)	Results of operations before exceptional items: 2013	Results under IFRS: 2012 (restated)	Results under IFRS: 2013
Energy sales (TWh)	– 15.0	89.099	75.749	89.099	75.749
Net revenue	– 23.1	7,142	5,494	7,142	5,494
Profit/(loss) before interest, tax, depreciation and amortisation (EBITDA)	– 0.9	351	348	63	308
Depreciation, amortisation and impairment	41.0	– 173	– 102	– 424	– 159
Profit/(loss) before interest and tax (EBIT)	38.2	178	246	– 361	149
As % of net revenue		2.5	4.5	– 5.1	2.7
Group profit/(loss) for the year	22.4	214	262	– 616	175
Employees [1]	– 39.6			495	299

1 Number of employees at the reporting date

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Alpiq Ltd. Group Performance and Outlook

Introductory remarks

The Alpiq Ltd. Group as part of Alpiq Group generated net revenue of CHF 5,494 million, EBITDA of CHF 308 million and EBIT of CHF 149 million in the 2013 financial year. The conventional asset-intensive energy business remained generally under pressure. The reported result also reflects the reduced size of the Alpiq Ltd. Group following the disposal of selected non-strategic interests and the closure of certain businesses. The cost-reduction programmes already in place are helping to boost profitability. With no signs of a sustainable improvement in electricity prices in the medium term, extraordinary impairment charges of CHF – 57 million before tax had to be recognised in 2013 for non-current assets and energy contracts, though these charges were much lower than in previous years. In the reporting period Alpiq also consolidated its activities and took further steps to strengthen its financial position. In addition to transferring the high voltage grids to Swissgrid Ltd in January 2013, as required by the regulator, various interests were disposed of in the course of the year. During the first half of the year the Group sold its minority interests in Repower AG and Romande Energie SA, resulting in a cash inflow of around CHF 264 million for Alpiq Ltd. This was followed in July 2013 by the sale of the majority interest in Società Elettrica Sopracenerina SA (SES), resulting in an additional net inflow of around CHF 80 million. The Monthel industrial power station in the canton of Valais was sold off in December 2013. Overall, the Alpiq Ltd. Group's net profit for the year was CHF 175 million, including minority interests. To allow accurate tracking and delineation of exceptional items, the consolidated income statement is also presented below as a pro forma statement. The following financial review of the Alpiq Ltd. Group relates to operations, i.e. earnings before exceptional items.

Consolidated income statement for 2013 (pro forma statement before and after exceptional items)

	2012 (restated)		2012 (restated)	2013		2013
CHF million	Results of operations before exceptional items	Exceptional items	Results under IFRS	Results of operations before exceptional items	Exceptional items [1]	Results under IFRS
Net revenue	**7,142**		**7,142**	**5,494**		**5,494**
Own work capitalised	18		18	9		9
Other operating income	91	54	145	119	6	125
Total revenue and other income	**7,251**	**54**	**7,305**	**5,622**	**6**	**5,628**
Energy costs	–6,586	–341	–6,927	–4,944	–37	–4,981
Employee costs	–69		–69	–67		–67
Other operating expenses	–245	–1	–246	–263	–9	–272
Profit/(loss) before interest, tax, depreciation and amortisation (EBITDA)	**351**	**–288**	**63**	**348**	**–40**	**308**
Depreciation, amortisation and impairment	–173	–251	–424	–102	–57	–159
Profit/(loss) before interest and tax (EBIT)	**178**	**–539**	**–361**	**246**	**–97**	**149**
Share of results of joint ventures and other associates	18	–342	–324	26		26
Net finance costs	–43	1	–42	–17		–17
Profit /(loss) before income tax	**153**	**–880**	**–727**	**255**	**–97**	**158**
Income tax expense	61	50	111	7	10	17
Group profit/(loss) for the year	**214**	**–830**	**–616**	**262**	**–87**	**175**

1 Include impairment allowances as well as proceeds from the sale of business

Alpiq Ltd. Group results of operations (excluding exceptional items)

The year under review saw a slight improvement in the general economic outlook. For the first time in almost two years the European economy showed signs of growth, and the US Federal Reserve is aiming to gradually cut back its monthly bond purchases. Nevertheless, the policy of cheap money, both in Europe and the USA, will continue to affect developments for some time, since there are still no signs of a sustained economic recovery or any lasting solution to the debt problem in Europe. Spot and forward prices on electricity markets predominantly continued to fall in 2013, driven not only by lower prices for CO_2 certificates and coal, but also by an ongoing surplus in subsidised power generating capacity. To address this situation, more and more power plant operators are planning to take currently unprofitable plants as well as permanently loss-making plants off the grid. This move also affects primarily newer, more efficient gas-fired combined-cycle power stations which are currently unable to compete due to higher gas prices and correspondingly negative margins compared to coal-fired power stations. Several regulatory changes will also have a permanent impact on markets in the future. On the one hand, intervention in the European Unit Amount certificate market in the form of the recent decision in favour of back-loading (targeted control over prices by withholding certificates in order to make CO_2 emissions more expensive again), the spread of market couplings to roughly ten countries in Europe, and the subsequent introduction of the low-based method (coupling of electricity markets with different exchange systems through the efficient use of cross-border transmission capacities) will change prices and their spreads in the individual regions. On the other hand, the new German government's higher expansion targets and an adjustment in the market design are fuelling expectations of a change in the law on renewable energies.

Amidst a turbulent environment, the Alpiq Ltd. Group posted a satisfactory operating result. This primarily reflects the reduction in business operations and the lower volume of power generated compared to the prior year, albeit with an improved EBIT margin. Average earnings generated by the Swiss activities were slightly below the prior-year level. Earnings were also driven down by the significantly lower volumes of power marketed due to the extended annual revision of the Gösgen nuclear power station. While production costs for hydraulic energy remained stable, nuclear power production costs were higher, chiefly due to investment in safety measures. This, together with the price effect, exerted further pressure on the margin situation. The mandatory sale of the transmission grid to Swissgrid Ltd at the beginning of 2013 gave rise to a further significant reduction in the results compared to the prior year. The results were positively impacted by the generally good hydrological conditions in 2013 as well as by the court ruling which awarded compensation to power generating facilities for the costs wrongfully charged for ancillary services during 2009 and 2010. On the open market, however, electricity was sold at lower prices although this negative effect was mitigated by short-term optimisation transactions.

The thermal power generating facilities, most of which are located abroad, delivered comparable results to the prior year. Main negative profitability driver had been the pressure on clean spark spreads, the lower volume of CO_2 allocated certificates, and negative regulatory intervention such as the energy reform law in Spain which came into force in 2013. However, thanks to lower costs the power plants in Csepel (Hungary) and Plana del Vent (Spain) were able to keep their result on prior year level although the Spanish government's austerity measures (which virtually halve capacity payments), coupled with less favourable gas procurement conditions, had an additional negative impact. In the Swiss market, the absence of contributions from SES following its sale initially led to lower interim results. Since the company had been classified as held for sale since the end of 2012, no further write-downs were made in 2013, thus compensating for the initial reduction caused by the absence of SES contributions to the results.

Net finance costs were lower year-on-year. While income from interests in associated companies and partner plants was higher, the effective interest expense was lower due to repayment of debts. Income tax was lower due to the realisation of uncapitalised loss carryforwards from prior years.

Outlook

The persisting, strong subsidisation of wind power and photovoltaics, as well as low coal and CO_2 prices, and low electricity demand in many EU countries due to the economic climate will continue to put pressure on wholesale prices. In addition, further regulatory and fiscal measures, such as the recent decision on an additional levy for all wind and solar farms in Bulgaria, could reduce margins. Furthermore, nuclear and hydropower product costs will continue to increase. In order for Swiss hydropower to be able to play its central role in the energy policy turnaround, politics and the industry are now called upon to create the necessary framework conditions so that this sustainable energy source, so important to Switzerland, can be profitably operated in the future. The current operating result is positively influenced by higher forward prices, which were traded on the electricity market two or three years ago. In the meantime, these prices have continued to drop and will impact results in the coming years. At the end of 2013, the company approved a new strategy and has already begun with the transformation of the Group. Alpiq will develop from a capital intensive power producer to an energy service provider. This will also put Alpiq Ltd. Group in a sustainable, competitive position in the new market environment and will lessen the impact that the fallen energy prices will have on earnings.

Consolidated Financial Statements of the Alpiq Ltd. Group

Consolidated Income Statement

CHF million	2012 (restated)	2013
Net revenue	**7,142**	**5,494**
Own work capitalised	18	9
Other operating income	145	125
Total revenue and other income	**7,305**	**5,628**
Energy costs	–6,927	–4,981
Employee costs	–69	–67
thereof wages and salaries	–51	–48
thereof pension costs and other employee costs	–18	–19
Other operating expenses	–246	–272
Profit/(loss) before interest, tax, depreciation and amortisation (EBITDA)	**63**	**308**
Depreciation, amortisation and impairment	–424	–159
Profit/(loss) before interest and tax (EBIT)	**–361**	**149**
Share of results of joint ventures and other associates	–324	26
Interest expense	–42	–21
Interest income	9	7
Other net finance income	–9	–3
Profit/(loss) before income tax	**–727**	**158**
Income tax expense	111	17
Group profit/(loss) for the year	**–616**	**175**
Attributable to non-controlling interests	6	7
Attributable to owners of Alpiq Ltd.	–622	168

Consolidated Statement of Comprehensive Income

CHF million	2012 (restated)	2013
Group profit/(loss) for the year	**–616**	**175**
Cash flow hedges taken to equity	–12	3
Income tax expense		
Net of income tax	–12	3
IAS 39 effects of changes in equity of joint ventures and other associates	–14	18
Income tax expense	3	–4
Net of income tax	–11	14
Exchange differences on translation of foreign subsidiaries	–1	1
Items that are or may be reclassified subsequently to Income Statement, net of tax	**–24**	**18**
Actuarial profit/(loss) from pension schemes	–10	5
Income tax expense	2	–2
Net of income tax	–8	3
IAS 19 effects of changes in equity of joint ventures and other associates	–11	39
Income tax expense	2	–7
Net of income tax	–9	32
Items that will not be reclassified to Income Statement, net of tax	**–17**	**35**
Other comprehensive income for the period, net of income tax	**–41**	**53**
Total comprehensive income for the year	**–657**	**228**
Attributable to non-controlling interests	5	7
Attributable to owners of Alpiq Ltd.	–662	221

Consolidated Statement of Financial Position

Assets

CHF million	1 Jan 2012 (restated)	31 Dec 2012 (restated)	31 Dec 2013
Property, plant and equipment	2,539	2,188	2,085
thereof land and buildings	84	72	69
thereof power generation asssets	1,898	1,807	1,765
thereof transmission assets	380	194	191
thereof other plant and equipment	81	48	6
thereof assets under construction	96	67	54
Intangible assets	357	291	292
thereof goodwill	311	254	241
thereof energy purchase rights	22		
thereof other intangible assets	24	37	51
Investments in joint ventures and other associates	1,566	857	1,018
Other non-current financial assets	22	23	146
thereof loans receivable	7	5	128
thereof financial investments	15	18	18
Deferred income tax assets	1	1	1
Non-current assets	**4,485**	**3,360**	**3,542**
Inventories	14	7	10
Trade and other receivables	845	730	735
thereof trade receivables	781	662	668
thereof other receivables	64	68	67
Term deposits	313	63	148
Cash and cash equivalents	410	845	538
Derivative financial instruments	488	531	632
Prepayments and accrued income	51	45	23
Current assets	**2,121**	**2,221**	**2,086**
Assets held for sale	**742**	**973**	
Total assets	**7,348**	**6,554**	**5,628**

Equity and liabilities

CHF million	1 Jan 2012 (restated)	31 Dec 2012 (restated)	31 Dec 2013
Share capital	304	304	304
Share premium	14	14	14
Retained earnings	3,615	3,196	2,817
Equity attributable to owners of Alpiq Ltd.	**3,933**	**3,514**	**3,135**
Non-controlling interests	87	88	34
Total equity	**4,020**	**3,602**	**3,169**
Provisions	42	344	315
thereof provisions for loss-making contracts	37	335	308
thereof provisions for decommissioning own power stations	4	4	1
thereof other provisions	1	5	6
Deferred income tax liabilities	483	342	300
Retirement benefit obligations	68	53	54
Long-term borrowings [1]	698	727	501
Other non-current liabilities	20	9	9
Non-current liabilities	**1,311**	**1,475**	**1,179**
Current income tax liabilities	27	8	5
Short-term borrowings	380	85	11
Other current liabilities	531	487	510
thereof trade payables	520	436	471
thereof other payables	11	51	39
Derivative financial instruments	457	500	579
Accruals and deferred income	247	208	175
Current liabilities	**1,642**	**1,288**	**1,280**
Total liabilities	**2,953**	**2,763**	**2,459**
Liabilities held for sale	**375**	**189**	
Total equity and liabilities	**7,348**	**6,554**	**5,628**

1 For more details, see page 15 and 16

Consolidated Statement of Changes in Equity

CHF million	Share capital	Share premium	Unrealised gains and losses under IAS 39	Foreign currency translation reserve	Retained earnings	Attributable to owners of Alpiq Ltd.	Non-controlling interests	Total equity
Equity at 31 December 2011	**304**	**14**	**– 10**	**– 96**	**3,802**	**4,014**	**67**	**4,081**
Restatement (see page 18)					– 81	– 81	20	– 61
Equity at 1 January 2012 [1]	**304**	**14**	**– 10**	**– 96**	**3,721**	**3,933**	**87**	**4,020**
Profit/(loss) for the period [1]					– 622	– 622	6	– 616
Other comprehensive income [1]			– 23	– 1	– 16	– 40	– 1	– 41
Total comprehensive income [1]			**– 23**	**– 1**	**– 638**	**– 662**	**5**	**– 657**
Effects of common control business combinations [2]					243	243		243
Dividends [1]							– 4	– 4
Equity at 31 December 2012 [1]	**304**	**14**	**– 33**	**– 97**	**3,326**	**3,514**	**88**	**3,602**
Profit/(loss) for the period					168	168	7	175
Other comprehensive income			17	1	35	53		53
Total comprehensive income			**17**	**1**	**203**	**221**	**7**	**228**
Dividends					– 600	– 600	– 3	– 603
Change in non-controlling interests							– 58	– 58
Equity at 31 December 2013	**304**	**14**	**– 16**	**– 96**	**2,929**	**3,135**	**34**	**3,169**

1 Restated, see page 18
2 See explanatory notes on page 23

Consolidated Statement of Cash Flows

CHF million	2012 (restated)	2013
Profit/(loss) before income tax	**–727**	**158**
Depreciation, amortisation and impairment	424	159
Change in working capital (excl. current financial assets/liabilities)	36	–5
Financial result	366	–9
Other non-cash income and expenses	239	–63
Income tax paid	–64	–26
Net cash flows from operating activities	**274**	**214**
Property, plant and equipment and intangible assets	–98	–54
Subsidiaries		
Common control business combinations [1]	402	
Proceeds from disposal		194
Associates		
Proceeds from disposal	277	264
Other non-current financial assets		
Proceeds from sale/repayments	8	2
Change in term deposits	217	–78
Purchases/proceeds from sale of current asset investments	8	30
Dividends from joint ventures, other associates and financial investments	25	21
Interest received	9	7
Net cash flows from investing activities	**848**	**386**
Dividends paid		–600
Dividends paid to non-controlling interests	–4	–3
Proceeds from borrowings	35	81
Repayment of borrowings	–657	–385
Interest paid	–44	–22
Net cash flows from financing activities	**–670**	**–929**
Effect of exchange rate changes	**–1**	**1**
Change in cash and cash equivalents	**451**	**–328**
Analysis:		
Cash and cash equivalents at 1 January	415	866
Cash and cash equivalents at 31 December	866	538
Change	**451**	**–328**

1 See explanatory notes on page 23

The amounts reported above also include cash flows related to “assets and liabilities held for sale”.

The balance of CHF 866 million in cash and cash equivalents disclosed at 31 December 2012 in the consolidated statement of cash flows also includes CHF 21 million (1 Jan 2012: CHF 5 million) in cash and cash equivalents attributable to operations held for sale. At 31 December 2013, no companies were stated as “assets and liabilities held for sale”.

Notes to the Consolidated Financial Statements

Impairment losses and provisions

As explained at the beginning of the financial report on page 4, long-term prices for electricity showed no signs of improvement in 2013. In conjunction with the generally difficult market environment, impairment losses once again had to be recognised in fiscal 2013, although to a lesser extent than in previous years. As a result of the expected development of energy prices, the gas-fired combined-cycle power station in Hungary was particularly affected by the impairment losses. Additionally, a provision for a long-term purchase contract had to be increased. With respect to Group Center, impairment losses had to be taken on fixed assets because of reduced operations due to divestments.

2013: Allocation of impairment losses and provisions

CHF million	Property, plant and equipment	Intangible assets	Goodwill	Total
Power Generation Hungary	20		13	33
Other impairment charges	12	12		24
Total impairment of assets	**32**	**12**	**13**	**57**
Provision for loss-making contracts				9
Total impairment losses and provisions				**66**

2012: Allocation of impairment losses and provisions

CHF million	Property, plant and equipment	Intangible assets	Goodwill	Associates	Total
Power Generation Switzerland	53			354	407
Power Generation Spain	98	3			101
Power Generation Hungary	3		32		35
Sales Romania		21	22		43
Sales Spain			2		2
Other impairment charges	17				17
Total impairment of assets	**171**	**24**	**56**	**354**	**605**
Provision for loss-making contracts					334
Other provisions and liabilities					4
Total impairment losses and provisions					**943**

Long-term borrowings

CHF million	31 Dec 2012 (restated)	31 Dec 2013
Bonds at amortised cost	130	130
Loans payable	597	371
Total	**727**	**501**

Bonds outstanding at the reporting date

CHF million	Term	Earliest redemption date	Effective interest rate %	Carrying amount at 31 Dec 2012	Carrying amount at 31 Dec 2013
Emosson SA CHF 130 million face value 2 1/4 % fixed rate [1]	2005/2017	26 Oct 2017	2.25	130	130

1 The bond issue is measured at face value, which approximates amortised cost. As a result, the reported nominal and effective interest rates are identical.

The market value of the fixed rate bond outstanding at the reporting date was CHF 136 million (2012: CHF 137 million). The interest rate on the bond issued at the reporting date, relative to face value, was 2.25 % (2012: 2.25 %).

Loans payable

CHF million	31 Dec 2012 (restated)	31 Dec 2013
Maturing between 1 and 5 years	502	251
Maturing in more than 5 years	95	120
Total	**597**	**371**

The market value of loans payable was CHF 371 million at the reporting date (2012: CHF 597 million). The weighted interest rate on loans payable at the reporting date, relative to nominal value, was 2.95 % (3.70 %). Loans of CHF 11 million maturing within 360 days are recorded as short-term borrowings at the reporting date on 31 December 2013 (31 December 2012: CHF 84 million).

Events after the reporting period

No events requiring disclosure have occurred since the end of the reporting period on 31 December 2013.

Group Accounting Policies

Significant accounting policies

Basis of preparation of the consolidated financial statements

The consolidated financial statements of the Alpiq Ltd. Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations (IFRIC) issued by the International Accounting Standards Board (IASB). They give a true and fair view of the financial position, results of operations and cash flows of the Alpiq Ltd. Group. They have been prepared on a historical cost basis, except for certain items such as financial instruments that have been measured at fair value in some instances. The notes provide selected explanatory information. The consolidated financial statements were authorised for issue by the Board of Directors of the Alpiq Ltd. Group on 28 May 2014.

Adoption of new and revised accounting standards

The Alpiq Ltd. Group has adopted the following International Financial Reporting Standards (IFRS) and IFRIC interpretations which became effective on 1 January 2013:

– IAS 1 amendments:	Presentation of items of Other Comprehensive Income (1 July 2012)
– IAS 19 rev.:	Employee Benefits (1 January 2013)
– IAS 27 rev.:	Separate Financial Statements (1 January 2013)
– IAS 28 rev.:	Investments in Associates and Joint Ventures (1 January 2013)
– IAS 1 amendments:	Disclosures – Offsetting Financial Assets and Financial Liabilities (1 January 2013)
– IFRS 10:	Consolidated Financial Statements (1 January 2013)
– IFRS 11:	Joint Arrangements (1 January 2013)
– IFRS 12:	Disclosure of Interests in Other Entities (1 January 2013)
– IFRS 13:	Fair Value Measurement (1 January 2013)

Furthermore, prior year comparatives in the consolidated income statement, statement of financial position and notes to the consolidated financial statements have been reclassified or extended, where necessary, to conform to changes in presentation in the current reporting period. Where material, notes have been provided. The changes in presentation also include changes in organisational terms.

IFRS and IFRIC interpretations effective in future periods

The International Accounting Standards Board (IASB) has issued the following new standards and amendments:

– IAS 19 amendments:	Employee contributions (1 July 2014)
– IAS 32 amendments:	Offsetting financial assets and financial liabilities (1 January 2014)
– IFRS 36 amendments:	Recoverable amount disclosures for non financial assets (1 January 2014)
– IAS 39 amendments:	Novation of derivatives and continuing designation for hedge accounting (1 January 2014)
– IFRIC 21:	Accounting for public levies (1 January 2014)
– IFRS 9:	Financial instruments

Alpiq has applied the IAS 36 amendments early. This does not have any material impact on the consolidated financial statements. The future application of the other new and revised standards and interpretations is not expected to have any material impact on the consolidated financial statements either.

The new and revised standards applied by the Alpiq Ltd. Group primarily had the following impact on consolidated financial statements:

IAS 19 rev. Employee Benefits

The revised standard IAS 19 "Employee Benefits" entered into force on 1 January 2013. The Alpiq Ltd. Group applied the standard retrospectively from 1 January 2012. The most important change is the elimination of the corridor method; this means that actuarial gains and losses are now recognised in other comprehensive income in the period in which they occur. Further, "interest cost" and "expected return on plan assets", the key parameter/performance drivers used so far, will be replaced by a net interest amount. The net interest effect is calculated by applying the discount rate to the net pension liability or asset. The past service cost will also be recognised in the income statement in the period in which it occurs.

At the same time as implementing the revised standard IAS 19 "Employee Benefits", Alpiq adjusted presentation of the income statement retrospectively. The net interest result will now be recognised in finance costs/income (formerly employee costs). This presentation better reflects the revised interest concept.

IFRS 10 Consolidated Financial Statements / IFRS 11 Joint Arrangements

The new standards IFRS 10 "Consolidated Financial Statements" and IFRS 11 "Joint Arrangements" announced by the IASB in May 2011 entered into force on 1 January 2013 and are being applied by Alpiq retrospectively from 1 January 2012. IFRS 10 "Consolidated Financial Statements" introduces a new definition of control, also including the consolidation of special purpose entities and de facto control. IFRS 11 provides guidance on accounting for arrangements where an entity has joint control over a joint venture or a joint operation. The main difference to IAS 31 "Interests in Joint Ventures" is that IFRS 11 no longer focuses on the legal form of a jointly controlled operation. Under the new standard, the classification depends on the specific rights and obligations of the parties involved in respect of the assets and liabilities and corresponding earnings and expenses relating to the joint arrangement. An entity must account for its interest in the assets, liabilities, earnings and expenses of joint operations. Joint ventures must be accounted for using the equity method.

Kraftwerke Gougra AG , in which Alpiq owns a 54 % interest, was until now accounted for in the consolidated financial statements as a joint venture using the equity method. The amendment to the definition of control in IFRS 10 means the company is fully consolidated. Kraftwerke Gougra AG is a business pursuant to IFRS 3. Identifiable assets and liabilities are measured at fair value retrospectively to the time of the transfer of control.

Changes in the presentation of the financial statements

Alpiq reviews the presentation of its financial reporting on an ongoing basis to assess transparency, clarity and accuracy. Where material adjustments or corrections are necessary, prior year figures are restated. In this Financial Report, the following changes have been made since the previous year:

Changes in the presentation of the consolidated statement of cash flows

During the reporting period, Alpiq reviewed the presentation of the consolidated statement of cash flows in comparison with its competitors in Switzerland and other countries. Based on the findings, Alpiq now defines "profit / (loss) before income tax" (formerly "profit / (loss) before interest and tax (EBIT)") as a starting point for the statement of cash flows. Alpiq has also reclassified the items "interest received" in cash flow from investing activities and "interest paid" in cash flow from financing activities (formerly a component of cash flow from operating activities). Furthermore, the position "dividends from joint ventures, other associates and financial investments" was reclassified in cash flow from investment activities (formerly a component of cash flow from operating activities). As a result of the reclassifications, net cash flow from operating activities increased by CHF 10 million and cash flow from investing activities increased by CHF 34 million while cash flow from financing activities decreased by CHF 44 million compared to reported values in 2012. Alpiq has also restructured positions within cash flow from operating activities. However, these amendments have not changed cash flow overall. The prior year presentation has been adjusted accordingly. The changes better reflect Alpiq's cash flows, increase transparency and allow better comparison with competitors.

Basis of consolidation

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

Subsidiaries are entities which are controlled by the Alpiq Ltd. Group, either directly or indirectly. These entities are consolidated from the date of acquisition. Companies are deconsolidated or accounted for under investments in associates or financial investments when the control over the entity ends.

Investments in joint ventures and other associates in which the Alpiq Ltd. Group has significant influence are accounted for in the consolidated financial statements using the equity method.

In accordance with IAS 39, all other investments are recognised at fair value and included in noncurrent assets as "financial investments".

All significant companies included in the consolidation are shown on pages 32 to 33 with an indication of the consolidation method applied and other information.

Foreign currency translation

The consolidated financial statements are presented in Swiss francs, which is both the functional currency of Alpiq Ltd. and the presentation currency. The functional currency of each entity in the Group is determined by the economic environment in which it operates. Transactions in foreign currencies are recorded in the Group entity's functional currency at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the closing rate of exchange ruling at the reporting date. The resulting exchange differences are recognised in the income statement.

Long-term receivables from, and loans payable to, a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future are, in substance, part of the net investment in that foreign operation. The resulting exchange differences are recognised separately in other comprehensive income as part of the foreign currency translation reserve and recognised in profit or loss in the relevant period on liquidation or disposal of the foreign operation.

The assets and liabilities of subsidiaries are translated into Swiss francs at the closing rate of exchange prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the reporting period. The exchange differences arising on translation 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 joint venture or loss of significant influence, the cumulative translation differences relating to that subsidiary are recognised in the income statement 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 2012	Closing rate at 31 Dec 2013	Average rate for 2012	Average rate for 2013
1 USD	0.92	0.89	0.94	0.93
1 EUR	1.207	1.228	1.205	1.231
100 CZK	4.80	4.48	4.79	4.74
100 HUF	0.41	0.41	0.42	0.41
100 NOK	16.43	14.68	16.13	15.80
100 PLN	29.63	29.55	28.82	29.33
100 RON	27.16	27.46	27.05	27.86

Intra-group transactions

Goods and services provided between entities within the Group are invoiced at contractually agreed transfer or market prices. Electricity generated by joint ventures is invoiced to the shareholders at full cost under the existing joint venture agreements.

Revenue recognition

Revenue from the sale of goods and services is recognised in the income statement when the goods or services are delivered. The Group recognises energy contracts entered into for trading purposes with the intention of profiting from short-term volatility in market prices on a net basis in revenue (net gains and losses from trading).

Income tax

Income tax is calculated on taxable profits using tax rates that have been enacted by the reporting date and are applicable to the individual companies' financial statements. Income tax expense represents the sum of current and deferred income tax.

Deferred income tax is provided on temporary differences between the recognition of certain income and expense items for financial reporting and for income tax purposes. Deferred tax arising from temporary differences is calculated using the balance sheet liability method. Deferred tax is not recognised for differences associated with investments in subsidiaries, associates and interests in joint ventures that 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.

Borrowing costs

Borrowing costs are generally expensed in the period they occur. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that takes a substantial period of time to get ready for use are capitalised. Capitalised interest is calculated on the actual amount paid in the period from the date of acquisition or commencement of construction to the use of the asset.

Discontinued operations and non-current assets held for sale

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

The Alpiq Ltd. Group measures non-current assets and disposal groups classified as held for sale at the lower of book value 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. The assets and liabilities are presented separately from other Group assets and liabilities in the statement of financial position.

Property, plant and equipment

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

Buildings	30–60 years
Land	only in case of impairment
Power generation assets	20–80 years
Transmission assets	15–40 years
Machinery, equipment and vehicles	3–20 years
Assets under construction	if impairment is already evident

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

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

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

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

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition comprises the consideration given 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 given and liabilities incurred or assumed, at the date of exchange. The net assets acquired, comprising identifiable assets, liabilities and contingent liabilities, are recognised at their fair values. Costs incurred in connection with a business combination are expensed as incurred.

Where the Group does not acquire 100 % ownership, the 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. However, non-controlling interests over which the Alpiq Ltd. Group holds options (call options) or has granted options (written put options), are only recognised as non-controlling interests when the strike price is based on fair value. Such call options are recorded at fair value and put options at the present value of the exercise price.

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

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

Common control business combinations

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

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

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

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straightline basis over their useful economic lives and assessed for impairment whenever there is an indication that they may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end.

Energy purchase rights
Energy purchase rights are recorded as intangible assets in the statement of financial position. They comprise prepayments for rights to purchase energy in the long term, including capitalised interest. Depreciations of energy purchase rights are performed in line with the scope of the energy purchases made each year in relation to the total energy purchase quantity contractually agreed.

This item also includes long-term energy purchase agreements acquired in business combinations.

Impairment of property, plant and equipment and intangible assets
Property, plant and equipment and intangible assets are reviewed at least annually to determine whether there is any indication of impairment. In particular, this assessment is performed when changes in circumstances or events indicate that the carrying amounts may not be recoverable. If the carrying amount exceeds the estimated recoverable amount, the value is written down to the recoverable amount.

The recoverable amount is the higher of an asset's or cashgenerating unit's fair value less costs of disposal and its value in use. Value in use is calculated by discounting the estimated future cash flows. If the asset does not generate cash inflows that are independent of those from other assets, the recoverable amount of the individual asset is estimated for the cash-generating unit to which the asset belongs.

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

The annual impairment review is monitored centrally within the Group.

Impairment of goodwill

Goodwill is allocated to the cash-generating units to which the goodwill relates. These generally represent the identifiable regional sales, service and production activities. Goodwill is tested for impairment annually. If the recoverable amount of the cash-generating unit, i.e. the higher of the unit's fair value less costs of disposal and its value in use, is less than the carrying amount, an impairment loss is recognised.

Investments in associates and joint ventures

An associate is an entity over which the Alpiq Ltd. 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 venture. Where appropriate, companies may likewise be accounted for in the consolidated financial statements as associates using the equity method even if the ownership interest is less than 20 %. This applies especially where the Alpiq Ltd. Group is represented in the authoritative decisionmaking bodies, e.g. the Board of Directors, and participates in the operating and financial policies or where marketrelevant information is exchanged. The Equity Method is also used to assess companies over which Alpiq – although having an ownership interest in them of 50 % or more – has no control, as a result of restrictions in articles of association, contracts and organisational rules.

A joint arrangement is the joint control of a joint venture or a joint operation. The specific delineation is made on the basis of specific rights and duties of the parties involved with respect to the assets, liabilities, earnings and expenditure associated with the joint arrangement. For joint operations, assets, liabilities, earnings and expenditure is recognised proportionately whilst joint ventures are accounted for on consolidated financial statements using the equity method.

The financial statements of associates and joint ventures are generally prepared using uniform accounting policies. Companies that apply different accounting standards for the preparation of their local financial statements also prepare reconciliations to IFRS.

Inventories

Inventories mainly include fuels (gas and coal) to generate electricity and stocks of materials to produce goods and services. Inventories are stated at the lower of direct cost, calculated using the average cost method, and net realisable value. Cost includes all expenditures incurred in acquiring the inventories and bringing them to their storage location. Production cost comprises all direct material and manufacturing costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Leases

In total, the Group's leases are immaterial.

Provisions

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

Provisions are recognised at an amount equal to the expected cash outflows discounted at the reporting date. Provisions are reviewed at each reporting date and adjusted to reflect current developments. The discount rates used are pretax rates that reflect current market assessments of the time value of money and the risks specific to the liability.

Accounting for CO_2 emission allowances

Allocated CO_2 emission allowances are initially recognised at nominal value (nil value). CO_2 emission allowances purchased to meet the Group's generation requirements are initially recorded at cost within intangible assets. A liability is recognised when CO_2 emissions exceed the emission allowances originally allocated. The liability is measured at the cost of purchased allowances up to the level of purchased allowances held. That portion exceeding the CO_2 emission allowances held is recognised at fair value at the reporting date. Changes in the liability are recorded as energy costs.

Emission allowances held for trading, for example to optimise the energy portfolio, at the reporting date are measured at fair value and recorded in inventories.

Pension schemes

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

Swiss consolidated Group companies in the Generation, Commerce & Trading business divisions as well as in the Group Centre participate in a legally independent pension scheme of the Swiss defined benefit type that meets the criteria of a defined benefit plan under IAS 19. On 1 April 2014, this pension plan will be switched to a Swiss defined contribution plan which also 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.

Employees of foreign subsidiaries are generally covered by state social security schemes or separate defined contribution pension plans in accordance with national practices.

The defined benefit obligation is calculated on an annual basis 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. Generation tables are used in order to reflect mortality rates. These are based on the latest mortality data from pension funds and take account of future changes in mortality over time. The discount factor applied, respectively the projected interest rate for retirement assets, is based on the yields generated on the reporting date for first-class fixed-income corporate bonds on the market. 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 in the income statement as employee costs.

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

Contingent liabilities

Potential or existing liabilities, where it is not considered probable that an outflow of resources will be required, are not recognised in the statement of financial position.

Financial instruments

Financial instruments include cash and cash equivalents, term deposits, investments in securities, derivative financial instruments, financial investments, receivables as well as short-term and long-term financial liabilities.

Financial assets and liabilities

In accordance with the applicable rules under IAS 39, financial assets and liabilities are classified as follows and measured uniformly according to their classification:

– financial assets or liabilities at fair value through profit or loss,
– loans and receivables,
– available-for-sale financial assets and
– other financial liabilities.

Financial assets and liabilities are recognised initially at fair value (plus or less transaction costs respectively, except in the case of assets or liabilities recorded at fair value through profit or loss). All regular way purchases and sales of financial assets are recognised on the trade date.

Financial assets or liabilities at fair value through profit or loss

Financial assets classified as held for trading are acquired principally for the purpose of generating a profit from short-term fluctuations in price. Derivatives are also classified as assets or liabilities held for trading. In addition, financial assets or liabilities can be included in this category if the criteria in IAS 39 are met.

After initial recognition, derivative financial instruments held for trading in the energy business are carried at fair value, with changes in fair value recognised in net revenue in the period in which they occur. For a few positions where no active market price is available, fair value is determined using a price curve model. Other derivatives held for trading and other financial instruments designated in this category are subsequently recorded at fair value, with changes in fair value recognised in finance income or costs.

Financial investments, where investment and disposal decisions are based on changes in fair value, are classified as "financial assets or liabilities at fair value through profit or loss". Such a classification is in line with the Alpiq Ltd. Group's financial risk management policy.

Loans and receivables

Loans and receivables are financial assets created by the Group by providing loans, goods or services to third parties. As a rule, they are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the financial asset or financial liability is derecognised or impaired.

The category of loans and receivables also includes cash and cash equivalents. These comprise cash at banks and in postal accounts, demand deposits and term deposits with a maturity of 90 days or less.

Receivables are recognised at nominal value, less provision for impairment. Trade receivables from customers who are also suppliers are offset against the respective trade payables where netting agreements are in place.

Available-for-sale financial assets

All other financial assets are classified as available-for-sale. Changes in the fair value of items classified as available-for-sale are recognised in other comprehensive income and only transferred to the income statement upon disposal.

Other financial liabilities

These liabilities include short-term and long-term payment obligations, which are stated at amortised cost, as well as accruals and deferred income.

Impairment and uncollectibility of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

For assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of any loss is recognised in the income statement. A previously recognised impairment loss 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 if no impairment loss had been recognised.

For assets carried at cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Losses are recognised in the income statement.

When a decline in the fair value of available-for-sale financial assets has been recognised in equity and there is objective evidence of impairment, a loss (measured as the difference between acquisition cost and the current fair value) is removed from equity and recognised in the income statement. Whereas impairment losses on debt instruments are reversed through the income statement, any subsequent increase in the fair value of equity instruments after impairment is not recognised in the income statement.

Hedge accounting

Alpiq uses energy, foreign currency and interest rate derivatives to hedge exposure to variability in cash flows that is attributable to highly probable forecast transactions (cash flow hedges).

Before designating a new hedging instrument, the Group conducts a thorough analysis of the risk situation, describes the effect of the hedging instrument and documents the objectives and strategy for undertaking the hedge, together with the methods that will be used to assess and measure its effectiveness on an ongoing basis. The designation of a new hedging instrument is formally authorised. Hedge relationships are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting period.

The effective portion of the gain or loss on a hedging instrument is recognised directly in other comprehensive income, while any ineffective portion is recognised immediately in the income statement.

Amounts recognised in other comprehensive income are transferred to the income statement in the period when the hedged transaction affects profit or loss.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in other comprehensive income are transferred to the income statement. When the hedging instrument expires, is sold, terminated or exercised without replacement or rollover, or when the hedge no longer meets the criteria for hedge accounting, amounts previously recognised in other comprehensive income remain in equity as a separate component until the hedged transaction occurs.

Estimation uncertainty

Key assumptions and sources of estimation uncertainty

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of earnings and expenses. The estimates and assumptions are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances. They form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from market data. Actual outcomes could differ from those estimates.

Estimates and assumptions are reviewed on an ongoing basis. Any revisions to estimates and assumptions are recognised and disclosed in the period in which they are identified.

Impairment of long-term assets

The carrying amount of property, plant and equipment and intangible assets (including goodwill) and investments in joint ventures and other associates of the Alpiq Ltd. Group was approximately CHF 3.4 billion at 31 December 2013 (previous year: CHF 3.3 billion). These assets are tested for impairment annually. Determining whether assets are impaired requires estimates of future cash flows expected from the use, electricity prices, growth rates, discount rates and possible sale values. Actual outcomes may vary materially from these estimates. Other factors, such as changes in the scheduled useful lives of assets, technical obsolescence of plants or changes in the regulatory environment may shorten the useful lives or result in an impairment loss.

Provisions

At 31 December 2013, the carrying amount of the "provision for loss-making contracts" was CHF 308 million (previous year: CHF 335 million). This covers liabilities existing and risks known at the balance sheet date that relate to energy trading and sales business. The amount of the provision required was calculated based on a likely outflow of resources associated with the performance of the contracts. The valuations are made and reviewed periodically using the discounted cash flow method over the term of the contractual obligations entered into. Significant inputs used in the valuations, which are subject to certain degrees of uncertainty, and hence may cause some material adjustments in subsequent periods, are in particular the assumptions regarding future changes in market prices, long-term interest rates and the effects of currency translation (EUR into CHF).

Pension schemes

The calculation of the recognised defined benefit assets and liabilities is based on statistical and actuarial assumptions. The assumptions may 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 the plan participants and other estimated factors. Such deviations may have an impact on the pension scheme assets and liabilities recognised in future reporting periods.

Financial risk management

For full information on financial risk management, please refer to the Annual Report 2013 (pages 85 ff.) of Alpiq Holding Ltd.

Disposal of fully consolidated companies

Disposal of companies in the 2013 financial year

	Place of incorporation	Currency	Issued capital in millions	Direct ownership interest in %
Società Elettrica Sopracenerina SA	Locarno/CH	CHF	16.50	60.9
Alpiq Grid Ltd. Gösgen	Niedergösgen/CH	CHF	130.00	100.0
Alpiq Csepeli Erömü Kft.	Budapest/HU	HUF	856.00	100.0

Alpiq transferred its share in the Swiss high voltage grid to the national grid company Swissgrid Ltd by means of a share deal on 3 January 2013. The grid company Alpiq Netz AG Gösgen was subsequently deconsolidated. For this transaction Alpiq was granted Swissgrid shares and a loan receivable, which will be paid off in stages. A first tranche was paid back in January 2013 and is disclosed as cash flow from the sale of subsidiaries. The residual loan receivable with a term of ten years includes a conversion right on the part of Swissgrid under which the shareholder loan may or must be converted into equity subject to certain conditions.

Subsidiaries and Investments at 31 December 2013

Sales, supply, power generation and services

	Place of incorporation	Licence expiry	Currency	Issued capital in millions	Direct ownership interest in % (voting rights)	Consoli-dation method	Busi-ness activ-ity	Reporting date
Alpiq Ltd.	Olten/CH		CHF	303.60	100.0	F	SU	31 Dec
Aarewerke AG	Klingnau/CH	2015	CHF	16.80	10.1	E	G	30 Jun
AEK Energie AG	Solothurn/CH		CHF	6.00	38.7	E	SU	31 Dec
Alpiq Csepel Kft.	Budapest/HU		HUF	4,930.10	100.0	F	G	31 Dec
Alpiq Csepeli Szolgáltató Kft.	Budapest/HU		HUF	20.00	100.0	F	S	31 Dec
Alpiq Energía España S.A.U.	Barcelona/ES		EUR	20.00	100.0	F	SU	31 Dec
Alpiq Hydro Aare AG	Boningen/CH		CHF	53.00	100.0	F	G	31 Dec
Alpiq Hydro Ticino SA	Airolo/CH		CHF	3.00	100.0	F	G	31 Dec
Alpiq RomIndustries S.R.L.	Bucharest/RO		RON	4.61	100.0	F	SU	31 Dec
Alpiq Suisse Ltd.	Lausanne/CH		CHF	145.00	20.0	E	SU	31 Dec
Alpiq Versorgungs AG (AVAG)	Olten/CH		CHF	50.00	96.7	F	SU	31 Dec
Aare Energie AG (a.en)	Olten/CH		CHF	2.00	50.0	E	S	31 Dec
Blenio Kraftwerke AG	Blenio/CH	2042	CHF	60.00	17.0	E	G	30 Sep
Csepel III Erömü Kft.	Budapest/HU		HUF	754.86	100.0	F	G	31 Dec
Electra-Massa AG	Naters/CH	2048	CHF	20.00	11.5	E	G	31 Dec
Electricité d'Emosson SA	Martigny/CH		CHF	140.00	50.0	F	G	31 Dec
Energie Biberist AG	Biberist/CH		CHF	5.00	25.0	E	G	31 Dec
Energie Electrique du Simplon SA (E.E.S)	Simplon/CH		CHF	8.00	1.9	C	G	31 Dec
Engadiner Kraftwerke AG	Zernez/CH	2050/2074	CHF	140.00	22.0	E	G	30 Sep
Kernkraftwerk Gösgen-Däniken AG	Däniken/CH		CHF	350.00 [1]	40.0	E	G	31 Dec
Kernkraftwerk Leibstadt AG	Leibstadt/CH		CHF	450.00	27.4	E	G	31 Dec
Kraftwerk Ryburg-Schwörstadt AG	Rheinfelden/CH	2070	CHF	30.00	13.5	E	G	30 Sep
Kraftwerke Gougra AG	Sierre/CH	2039/2084	CHF	50.00	54.0	F	G	30 Sep
Kraftwerke Hinterrhein AG	Thusis/CH	2042	CHF	100.00	9.3	E	G	30 Sep
Kraftwerke Zervreila AG	Vals/CH	2037	CHF	50.00	21.6	E	G	31 Dec
Maggia Kraftwerke AG	Locarno/CH	2035/2048	CHF	100.00	12.5	E	G	30 Sep
Kraftwerk Aegina AG	Obergoms/CH		CHF	12.00	50.0	E	G	30 Sep
Monthel Ltd.	Monthey/CH		CHF	15.00	100.0	F	G	31 Dec
Nant de Drance SA	Finhaut/CH		CHF	150.00	39.0	E	G	31 Dec
Romande Energie Commerce SA	Morges/CH		CHF	15.00	11.8	E	S	31 Dec

1 Of which CHF 290 million paid in

Grid

	Place of incorporation	Currency	Issued capital in millions	Direct ownership interest in % (voting rights)	Consoli-dation method	Busi-ness activ-ity	Reporting date
ETRANS Ltd	Laufenburg/CH	CHF	7.50	18.8	E	S	31 Dec
swissgrid ltd	Laufenburg/CH	CHF	275.72	18.3	E	S	31 Dec

Other companies

Holding and finance companies

	Place of incorporation	Currency	Issued capital in millions	Direct ownership interest in % (voting rights)	Consoli-dation method	Busi-ness activ-ity	Reporting date
Alpiq Re (Guernsey) Ltd.	Guernsey/GB	EUR	3.00	100.0	F	S	31 Dec

Financial investments

	Place of incorporation	Currency	Issued capital in millions	Direct ownership interest in % (voting rights)	Consoli-dation method	Busi-ness activ-ity	Reporting date
Powernext SA	Paris/FR	EUR	11.74	5.0	C	S	31 Dec

Business activity

SU Sales and supply
G Generation
S Services

Consolidation method

F Fully consolidated
E Equity accounted
FV Fair value
C Cost method

Report of the Group Auditors

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

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

To the Management of

Alpiq Ltd. Group, Olten

Zurich, 15 Mai 2014

Report of the independent auditor on the financial information prepared on subconsolidation level of the Alpiq Ltd. Group

As independent auditor and in accordance with your instructions, we have audited the financial information prepared on subconsolidation level of the Alpiq Ltd. Group, which comprise income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes ("specified forms" – pages 8 to 33) as of 31 December 2013. These specified forms have been prepared solely for the purpose to enable Alpiq Ltd. Group to present its financial results on subconsolidation level.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and presentation of the specified forms in accordance with the requirements of Alpiq's Financial Accounting Manual (significant accounting policies are summarized on page 17 to 31), which is designed to comply with International Financial Reporting Standards ("IFRS"). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of the specified forms 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 specified forms based on our audit. We conducted our audit in accordance with the International Standards on Auditing ("ISA").Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the specified forms are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the specified forms. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the specified forms, 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 specified forms 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 specified forms. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Opinion

In our opinion the accompanying specified forms for the Alpiq Ltd. Group as of 31 December 2013 have been prepared, in all material respects, in accordance with the Alpiq Group Accounting Manual, which is designed to comply with International Financial Reporting Standards ("IFRS").

Ernst & Young Ltd

Roger Müller	Max Lienhard
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

Alpiq Ltd.
Bahnhofquai 12
CH-4601 Olten