ALPIQ

2014

Year ended 31 December 2014

Alpiq Ltd. Group

(Part of the Alpiq Group)

Financial Highlights 2014

Alpiq Ltd. Group

CHF million	% Change 2013-2014 (results of operations)	Results of operations before exceptional items 2013	Results of operations before exceptional items 2014	Results under IFRS 2013	Results under IFRS 2014
Energy sales (TWh)	33.8	75.749	101.326	75.749	101.326
Net revenue	16.5	5,494	6,402	5,494	6,402
Earnings before interest, tax, depreciation and amortisation (EBITDA)	– 12.6	348	304	308	6
Depreciation, amortisation and impairment	– 15.7	– 102	– 118	– 159	– 190
Earnings before interest and tax (EBIT)	– 24.4	246	186	149	– 184
as % of net revenue		4.5	2.9	2.7	– 2.9
Net income	– 27.5	262	190	175	– 173
Number of employees at the reporting date	326.4			299	1,275

Contents

Alpiq Ltd. Group Performance and Outlook

Introductory remarks

The Alpiq Ltd. Group as part of Alpiq Group generated net revenue of CHF 6,402 million, EBITDA of CHF 6 million and EBIT of CHF – 184 million in the 2014 financial year. In various European countries, including most notably Switzerland, new energy strategies and market mechanisms were discussed and in part agreed on a political level during the past year. European energy producers remain under pressure to reposition themselves. Alpiq has responded to this development. The focus and top priority is reducing net debt in order to form a basis for once again concentrating on investment in the future. As part of the new strategy, which was initiated at the start of 2014, Alpiq is developing from a capital-intensive power producer into an energy service provider with innovative full-service solutions. The decline in the Alpiq Ltd. Group's results reflects its reduced size on the back of the sale and closure of selected non-strategic activities. The introduced cost reduction measures already exert a positive effect on the results. During the reporting period, Alpiq consolidated its activities and took further steps to strengthen its financial position. As part of the sales process for the interest in Swissgrid Ltd., Alpiq Ltd. is expecting proceeds totalling CHF 148 million from the transactions executed to date. The sale of CHF 38 million of the shareholder loan to several parties was already successfully concluded in 2014. The proceeds will primarily be used to reduce net debt.

Due to the continued low wholesale prices and the difficult regulatory environment, exceptional impairments and provisions had to be made for the financial year 2014. This primarily affected power plants. Impairments and provisions of CHF – 372 million before taxes were required, which corresponds to CHF – 363 million after income taxes. These exceptional items resulted in a net income for the Alpiq Ltd. Group of CHF – 173 million including minority interests. To allow accurate tracking and delineation of exceptional items, the consolidated income statement is presented below as a pro forma statement. The following financial review of the Alpiq Ltd. Group relates to operations, i.e. earnings development before exceptional items.

In 2014, various companies within the Alpiq Group were merged, liquidated, or their legal structures were modified, in order to simplify the corporate structure and optimise processes. These measures have also an effect on the Alpiq Ltd. Group. The financial statements of the Alpiq Ltd. Group include, in particular, new power plants and sales units in France and Italy, as well as the Alpiq Energy Group with its sales companies in Central Europe, and the production unit at the Czech location of Kladno. Alpiq Management Ltd. was also merged with Alpiq Ltd.

2014: Consolidated income statement
(pro forma statement before and after exceptional items)

CHF million	2013 Results of operations before exceptional items	Exceptional items [1]	2013 Results under IFRS	2014 Results of operations before exceptional items	Exceptional items [2]	2014 Results under IFRS
Net revenue	**5,494**		**5,494**	**6,402**		**6,402**
Own work capitalised	9		9	3		3
Other operating income	119	6	125	126		126
Total revenue and other income	**5,622**	**6**	**5,628**	**6,531**	**0**	**6,531**
Energy costs	–4,944	–37	–4,981	–5,879	–298	–6,177
Employee costs	–67		–67	–110		–110
Other operating expenses	–263	–9	–272	–238		–238
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**348**	**–40**	**308**	**304**	**–298**	**6**
Depreciation, amortisation and impairment	–102	–57	–159	–118	–72	–190
Earnings before interest and tax (EBIT)	**246**	**–97**	**149**	**186**	**–370**	**–184**
Share of results of joint ventures and other associates	26		26	12	–1	11
Net finance costs	–17		–17	–29	–1	–30
Earnings before tax	**255**	**–97**	**158**	**169**	**–372**	**–203**
Income tax expense	7	10	17	21	9	30
Net income	**262**	**–87**	**175**	**190**	**–363**	**–173**

1 Include impairment losses as well as proceeds from the sale of businesses
2 Include impairment losses and provisions

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

The European economy was unable to gain momentum in 2014, and industrial production remained at the previous year level. Due to the very mild winter quarters Q1 and Q4, the demand for electricity declined substantially in some countries. The electricity prices on the spot and forward markets fell repeatedly during 2014. The largest corrections came in the fourth quarter on the back of the extraordinary price drop on the global oil markets due to the surplus supply from both the USA and OPEC. Coal prices have also fallen with the weakening of currencies against the dollar in several exporting countries. In connection with the crisis in the Ukraine and the uncertainty surrounding Russian gas supplies, European gas prices were supported by geopolitical uncertainties for a long period before falling towards the end of the year. Only the prices for CO2 certificates did not follow this pattern. After the introduction of the backloading of 900 million CO2 certificates in EU emissions trading in the spring (withholding of certificates for targeted price management, ensuring that the emission of CO2 becomes more expensive again), further measures are now being discussed for reducing the excess supply of certificates permanently with the introduction of a market stability reserve. Overall, the margins of gas power plants improved towards the end of the year somewhat, while the use of coal power plants was reduced slightly. In Germany, following repeated amendments to the EEG (Renewable Energy Act) which have led to a slowing in the expansion of solar and biomass plants, further amendments to the electricity market design are being discussed. This includes the introduction of capacity markets (such as in France or United Kingdom), the modification of the existing energy-only market as well as the possible reduction in CO2 emissions for German lignite and coal power plants outside of the rules of the EU Emissions Trading System (ETS). The construction of German wind power plants in 2014, in contrast, totalled around 4.3 GW, taking into account the deconstruction of old plants and repowering. As a result, the German federal government's target (2.5 GW) was exceeded by a distance. The introduction of flow-based market coupling in Central and Western Europe was postponed until the second quarter 2015 due to the unplanned outage of three nuclear power plants in Belgium and the resultant extraordinary situation in the national transmission grid.

In the context of a difficult market environment with deteriorating framework conditions, the Alpiq Ltd. Group achieved an operating result which is in line with expectations. The results were down on the previous year as expected due to the further reduced price level in the forward and spot markets, as well as the reduced business operations. This is mainly driven due the continued low wholesale prices which reduced the earnings contribution of the entire power plant portfolio. To minimize sales and price risks, Alpiq forward sells electricity from power plants and long-term purchase contracts with a view to securing this income stream with the currency risk. The volume of power generated by the Swiss power plant portfolio is slightly higher than in the previous year overall. While the nuclear energy area benefitted from the higher availability of the Gösgen nuclear power plant, the volume of power generated by the hydropower plants is down on the previous year. On the one hand, this results in lower production costs due to the extension of the financial useful life of the nuclear power plants. On the other hand, due to the low wholesale prices and weather-related reduction in options for short-term optimisation, the earnings contribution from the marketing of the entire power plant portfolio is down on the previous year. In addition, the result in 2013 was positively influenced by the court-awarded compensation for ancillary service costs wrongfully charged in Switzerland during 2009 and 2010.

The thermal power plants operated abroad delivered lower operating results than in the previous year. At the Spanish power plant Plana del Vent, the discontinuation of an advantageous gas agreement and lower capacity payments negatively influence the volume of power generated and the earnings. The Csepel power plant in Hungary was utilised less due to the expiry of a supply contract, which results in a lower volume of power generated. Of the companies consolidated within the Alpiq Ltd. Group from 2014, the successful commissioning of the new K7 power plant unit at the Czech Kladno site had a positive effect on production volumes and earnings. The Italian plants also achieved a year-on-year improvement in results thanks to system services and one-off effects, despite lower production volumes. These positive effects were nevertheless reduced by the disposal of Società Elettrica Sopracenerina SA (SES) in July 2013.

Outlook

The operative result for 2015 will be impacted by low wholesale prices. The reasons are the high subsidies for new renewable energies, which have promoted an increase of wind and photovoltaic systems, low prices for primary energies such as oil, gas and coal, as well as weak CO2 prices. In addition, rising duties, particularly elevated water rights rates, will impact the operative result for 2015. The Swiss National Bank's (SNB) decision to lift the Euro peg and introduce negative interest rates will be financially manageable in the short term because Alpiq has hedged the currency risk for energy exports from Switzerland. However, EBITDA of the subsidiaries in the euro zone will decrease accordingly. The consequences of the SNB decision will be reviewed in the course of publication of the half-year results for 2015. These framework conditions confirm the necessity for the transformation of the Group. Alpiq is focusing on the capital market capability, with the primary goal being the reduction of net debt and to make targeted investments in the future. Alpiq will continue the dialogue with Swiss policymakers to achieve rapid improvement of the framework conditions for Swiss hydropower, so that it is recognised as a renewable, flexible energy source. Hydropower is a key solution to meet the current challenges of pan-European energy policy issues.

Consolidated Financial Statements of the Alpiq Ltd. Group

Consolidated Income Statement

CHF million	2013	2014
Net revenue	**5,494**	**6,402**
Own work capitalised	9	3
Other operating income	125	126
Total revenue and other income	**5,628**	**6,531**
Energy costs	–4,981	–6,177
Employee costs	–67	–110
thereof wages and salaries	–48	–86
thereof pension costs and other employee costs	–19	–24
Other operating expenses	–272	–238
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**308**	**6**
Depreciation, amortisation and impairment	–159	–190
Earnings before interest and tax (EBIT)	**149**	**–184**
Share of results of joint ventures and other associates	26	11
Interest expense	–21	–35
Interest income	7	6
Other net finance income	–3	–1
Earnings before tax	**158**	**–203**
Income tax expense	17	30
Net income	**175**	**–173**
Attributable to non-controlling interests	7	–3
Attributable to owners of Alpiq Ltd.	168	–170

Consolidated Statement of Comprehensive Income

CHF million	2013	2014
Net income	**175**	**–173**
Cash flow hedges (subsidiaries)	3	11
Income tax expense		1
Net of income tax	3	12
Cash flow hedges (joint ventures and other associates)	18	–1
Income tax expense	–4	2
Net of income tax	14	1
Currency translation differences	1	–12
Items that may be reclassified subsequently to the income statement, net of tax	**18**	**1**
Remeasurements of defined benefit plans (subsidiaries)	5	–9
Income tax expense	–2	2
Net of income tax	3	–7
Remeasurements of defined benefit plans (joint ventures and other associates)	39	–56
Income tax expense	–7	12
Net of income tax	32	–44
Items that will not be reclassified to the income statement, net of tax	**35**	**–51**
Other comprehensive income	**53**	**–50**
Total comprehensive income	**228**	**–223**
Attributable to non-controlling interests	7	–5
Attributable to owners of Alpiq Ltd.	221	–218

Consolidated Balance Sheet

Assets

CHF million	31 Dec 2013	31 Dec 2014
Property, plant and equipment	2,085	2,901
thereof land and buildings	69	72
thereof power plants	1,765	2,573
thereof transmission assets	191	199
thereof other plant and equipment	6	6
thereof assets under construction	54	51
Intangible assets	292	349
thereof goodwill	241	262
thereof other intangible assets	51	87
Investments in joint ventures and other associates	1,018	781
Other non-current financial assets	146	60
thereof loans receivable	128	4
thereof financial investments	18	18
thereof other non-current assets		38
Deferred income tax assets	1	30
Non-current assets	**3,542**	**4,121**
Inventories	10	52
Trade and other receivables	735	1,322
thereof trade receivables	668	975
thereof other receivables	67	347
Term deposits	148	110
Cash and cash equivalents	538	374
Derivative financial instruments	632	472
Prepayments and accrued income	23	32
Current assets	**2,086**	**2,362**
Assets held for sale		**247**
Total assets	**5,628**	**6,730**

Equity and liabilities

CHF million	31 Dec 2013	31 Dec 2014
Share capital	304	304
Share premium	14	14
Retained earnings	2,817	2,767
Equity attributable to owners of Alpiq Ltd.	**3,135**	**3,085**
Non-controlling interests	34	– 17
Total equity	**3,169**	**3,068**
Long-term provisions	315	342
thereof provisions for loss-making contracts	308	314
thereof provisions for decommissioning own power plants	1	15
thereof other provisions	6	13
Deferred income tax liabilities	300	335
Defined benefit liabilities	54	49
Long-term borrowings [1]	501	1,164
Other non-current liabilities	9	47
Non-current liabilities	**1,179**	**1,937**
Current income tax liabilities	5	8
Short-term provisions	85	59
Short-term borrowings	11	248
Other current liabilities	510	802
thereof trade payables	471	581
thereof other payables	39	221
Derivative financial instruments	579	460
Accruals and deferred income	90	146
Current liabilities	**1,280**	**1,723**
Total liabilities	**2,459**	**3,660**
Liabilities held for sale		**2**
Total equity and liabilities	**5,628**	**6,730**

1 For more details, see page 14

Consolidated Statement of Changes in Equity

CHF million	Share capital	Share premium	Cashflow hedge reserve	Currency translation differences	Retained earnings	Attribut-able to owners of Alpiq Ltd.	Non-controlling interests	Total equity
Equity at 31 December 2012	**304**	**14**	**−33**	**−97**	**3,326**	**3,514**	**88**	**3,602**
Net income 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**
Net income for the period					−170	−170	−3	−173
Other comprehensive income			15	−12	−51	−48	−2	−50
Total comprehensive income			**15**	**−12**	**−221**	**−218**	**−5**	**−223**
Effects of common control business combinations [1]			−26	−213	561	322	−41	281
Dividends					−150	−150	−9	−159
Change in non-controlling interests					−4	−4	4	
Equity at 31 December 2014	**304**	**14**	**−27**	**−321**	**3,115**	**3,085**	**−17**	**3,068**

1 See explanatory notes on pages 22 and 30

Consolidated Statement of Cash Flows

CHF million	2013	2014
Earnings before tax	**158**	**–203**
Depreciation, amortisation and impairment	159	190
Change in working capital (excl. current financial assets/liabilities)	–5	79
Share of results of joint ventures and other associates	–26	–11
Financial result	17	30
Other non-cash income and expenses	–63	197
Income tax paid	–26	–2
Net cash flows from operating activities	**214**	**280**
Property, plant and equipment and intangible assets	–54	–61
Subsidiaries		
Common control business combinations [1]		129
Acquisitions		–21
Proceeds from disposals	194	
Associates		
Investments		–58
Proceeds from disposals	264	1
Other non-current financial assets		
Investments		–3
Proceeds from disposals/repayments	2	39
Change in term deposits	–78	104
Investments in/proceeds from disposals of securities	30	
Dividends from joint ventures, other associates and financial investments	21	97
Interest received	7	6
Net cash flows from investing activities	**386**	**233**
Dividends paid	–600	–150
Dividends paid to non-controlling interests	–3	–7
Proceeds from borrowings	81	12
Repayment of borrowings	–385	–491
Interest paid	–22	–37
Net cash flows from financing activities	**–929**	**–673**
Currency translation differences	**1**	**–4**
Change in cash and cash equivalents	**–328**	**–164**
Analysis:		
Cash and cash equivalents at 1 January	866	538
Cash and cash equivalents at 31 December	538	374
Change	**–328**	**–164**

1 See explanatory notes on pages 22 and 30

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

Notes to the Consolidated Financial Statements

Impairment losses and provisions

Impairment losses and provisions were required in the 2014 financial year due to continued low wholesale prices and the demanding regulatory environment. Impairment losses were necessitated by future expected electricity price and margin trends. Provisions also had to be formed for loss-making contracts, mainly for the future purchasing of energy from a Swiss hydropower plant.

2014: Allocation of impairment losses and provisions

CHF million	Property, plant and equipment	Intangible assets	Joint ventures and other associates	Other non-current financial assets	Total
Power Generation Switzerland	19				19
Power Generation Hungary	22				22
Power Generation Italy	23				23
Renewable Energy Italy	3				3
Other impairment charges	2	3	1	1	7
Total impairment losses for assets	**69**	**3**	**1**	**1**	**74**
Provision for loss-making contracts					298
Total impairment losses and provisions					**372**

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**

Long-term borrowings

CHF million	31 Dec 2013	31 Dec 2014
Bonds	130	130
Loans payable	371	1,034
Total	**501**	**1,164**

Bonds outstanding at the reporting date

CHF million	Term	Earliest redemption date	Effective interest rate %	Carrying amount at 31 Dec 2013	Carrying amount at 31 Dec 2014
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 (previous year: CHF 136 million). The interest rate on the bond issued at the reporting date, relative to face value, was 2.25 % (2.25 %).

Loans payable

CHF million	31 Dec 2013	31 Dec 2014
Maturing between 1 and 5 years	251	355
Maturing in more than 5 years	120	679
Total	**371**	**1,034**

The market value of loans payable was CHF 1,034 million at the reporting date (previous year: CHF 371 million). The weighted interest rate on loans payable at the reporting date, relative to nominal value, was 3.10 % (2.95 %). Loans of CHF 51 million (CHF 11 million) maturing within 360 days are recorded as short-term borrowings at the reporting date on 31 December 2014.

Assets held for sale

On 26 May 2014, the Board of Directors of Alpiq decided to sell the entire package consisting of the non-strategic interest in Swissgrid AG. This includes the Swissgrid shares and the loan receivable received as part of the transfer of the high-voltage grids in early 2013, with a total carrying amount of CHF 256 million. Alpiq sold a first loan tranche of CHF 38 million at the end of 2014. The shares in Swissgrid AG are being transferred to an independent Alpiq subsidiary. A 49.9 % interest in this subsidiary has already been contractually sold with closing in the second quarter of 2015, together with a large part of the loan receivable remaining at the end of 2014. The remaining 50.1 % interest and the other loan receivable are also to be sold in 2015.

The Executive Board has passed a resolution to sell further non-strategic minority interests and a subsidiary in 2015. As a consequence of the resolution, an impairment loss of CHF 19 million had to be recognised for certain assets. The carrying amount and the fair value less costs of disposals of the assets affected by these impairment losses totals CHF 8 million. The valuations are made using the estimated future cash inflows (discounted cashflow method). Other assets are valued at carrying amounts, which are below fair value less costs of disposals.

As of 31 December 2013, no companies were recognised as "Available-for-sale assets".

Assets

CHF million	31 Dec 2013	31 Dec 2014
Property, plant and equipment		8
Investments in joint ventures and other associates		152
Other non-current financial assets		87
Total assets held for sale		**247**

Liabilities

CHF million	31 Dec 2013	31 Dec 2014
Deferred income tax liabilities		1
Accruals and deferred income		1
Total liabilities held for sale		**2**

Events after the reporting period

On 15 January 2015 the Swiss National Bank (SNB) announced to no longer support the minimum exchange rate of 1.20 for the euro (EUR) against Swiss franc (CHF) conversion. As a consequence, the Swiss franc markedly appreciated. The development of exchange rates has no effects on the consolidated financial statements 2014.

Certain foreign Group companies of Alpiq use EUR as a functional currency. Since Alpiq prepares its consolidated financial statements by using CHF, in the long term a devaluation of EUR will lead to lower future results reported in CHF for these Group companies. Additionally, this appreciation leads to a translation effect in the position "Other comprehensive income".

Alpiq sells its electric power production mainly in markets in which prices are denominated in EUR or which align their prices to the eurozone. The transactions expected for 2015 and 2016 are fully hedged. The forecasted future development of the EUR / CHF exchange rate and its effects on the economic situation are uncertain. A permanently significantly weaker EUR, when examined isolated from other effects, will have an influence on the ability of the Swiss power plants to retain their value.

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 3 June 2015.

Adoption of new and revised accounting standards

The Alpiq Ltd. Group has adopted the following IFRS and IFRIC interpretations which came into force on 1 January 2014:

– IAS 32, amendments:	Offsetting financial assets and financial liabilities (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)

The application of the new and revised standards and interpretations has no material impact on the consolidated financial statements.

Furthermore, previous year comparatives in the consolidated income statement, balance sheet 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 interpretations effective in future periods

The IASB has issued the following new standards and amendments:

– IAS 19, amendments:	Employee contributions (1 July 2014)
– IFRS 9:	Financial instruments (1 January 2018)
– IFRS 14:	Regulatory deferral accounts (1 January 2016)
– IFRS 15:	Revenue recognition (1 January 2017)

Alpiq has not adopted any new or revised standards and interpretations early.

The potential impact of the future application of IFRS 9 and IFRS 15 is still being assessed. The application of the other new or revised standards and interpretations is not expected to have a material impact on the consolidated financial statements.

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 intra-group 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 non-current assets as “Financial investments”.

All significant companies included in the consolidation are shown starting at page 32 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 currency translation 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 currency translation differences 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 currency translation 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 currency 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 2013	Closing rate at 31 Dec 2014	Average rate for 2013	Average rate for 2014
1 USD	0.890	0.990	0.927	0.915
1 EUR	1.228	1.202	1.231	1.215
100 CZK	4.476	4.336	4.739	4.411
100 HUF	0.413	0.381	0.415	0.394
100 NOK	14.679	13.298	15.799	14.549
100 PLN	29.550	28.138	29.332	29.030
100 RON	27.457	26.823	27.857	27.332

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.

Deferred tax assets are recognised when it is probable that they will be realised. Unrecognised tax loss carry-forwards are disclosed.

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 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. The assets and liabilities are presented separately from other Group assets and liabilities in the balance sheet.

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 straight-line basis over the estimated useful lives of each class of asset, or to the expiry date of power plant licences. The useful lives of the various classes of assets range as follows:

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

Obligations to restore land and sites after licence expiry or decommissioning are accounted for individually in accordance with the 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 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 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 straight-line 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 balance sheet. 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 review 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 cash-generating 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 (discounted cash flow method). If the asset does not generate cash inflows that are independent of those from other assets, the recoverable amount of the individual asset is estimated for the cash-generating unit to which the asset belongs.

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

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 decision-making bodies, e.g. the Board of Directors, and participates in the operating and financial policies or where market-relevant 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 or 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 are recognised proportionately whilst joint ventures are accounted for on consolidated financial statements using the equity method.

The financial statements of associates and joint operations are generally prepared using uniform accounting policies. Companies that apply different accounting standards for the preparation of their local financial statements also prepare reconciliations according 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 first-in, first-out (FIFO) or 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

Under the requirements of IAS 17, leases are classified as finance or operating leases. Transactions that transfer substantially all the risks and rewards incidental to ownership of the leased item to the Alpiq Ltd. Group as the lessee, and where it consequently acquires economic ownership, are treated as finance leases. In the case of finance leases, the leased asset is capitalised at the commencement of the lease at its fair value or, if lower, at the present value of the minimum lease payments, and a corresponding liability is recognised. Obligations under finance leases are included in short-term and long-term borrowings in the balance sheet.

The leased asset is depreciated over its useful economic life. If, at the commencement of the lease, there is no reasonable certainty that the Alpiq Ltd. Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the lease term and the useful life of the asset. In subsequent periods, the liability is recognised using the effective interest method.

All other leases that do not substantially transfer all the risks and rewards of ownership to the Alpiq Ltd. Group are treated as operating leases and are not recognised in the balance sheet. The lease payments are recognised as an expense on a straight-line basis over the lease term. In total, operating leases held by the Alpiq Ltd. Group are currently 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 / or 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 pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the liability.

Accounting for CO2 emission allowances

Allocated CO2 emission allowances are initially recognised at nominal value (nil value). CO2 emission allowances purchased to meet the Group's generation requirements are initially recorded at cost within intangible assets. A liability is recognised when CO2 emissions exceed the emission allowances originally allocated and purchased. The liability is measured at the cost of purchased allowances up to the level of purchased allowances held. That portion exceeding the CO2 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 participate in a legally independent pension scheme which meets the criteria of a defined benefit plan in acconrdance with IAS 19. Employees of foreign subsidiaries are generally covered by state social security schemes or indipendent defined contribution pension plans in accordance with national practices. These plans meet the criteria of a defined contribution plan according to IAS 19.

The defined benefit obligation is calculated 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 balance sheet.

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 "Financial assets or liabilities 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 checking 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 a netting agreement is in place, and where the payment is made on a net basis.

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 other comprehensive income 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 CHF 4.0 billion at 31 December 2014 (previous year: CHF 3.4 billion). These assets are tested for impairment annually. To assess whether an impairment exists, the expected future cash flows are calculated on the basis of empirical data and estimates relating to market trends. The fair value that is computed in this manner comprises mainly estimates relating to wholesale prices on European forward markets, forecasts of medium- and long-term energy prices, foreign currencies (especially EUR / CHF and EUR / USD exchange rates), inflation rates, discounting rates, regulatory conditions and investment activities relating to the company. Estimates of external factors are reviewed periodically using external market data and market analyses. Actual results can differ from these estimates, resulting in significant adjustments in subsequent periods.

Provisions

At 31 December 2014, the carrying amount of the "Provision for loss-making contracts" was CHF 314 million (previous year: CHF 308 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 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 life expectancy of the plan participants and other estimated factors. Such deviations may have an impact on the defined benefit liabilities recognised in future reporting periods.

Financial risk management

For full information on financial risk management, please refer to the Annual Report 2014 (pages 105 ff.) of Alpiq Holding Ltd.

2014: Newly consolidated companies

	Place of incorporation	Currency	Issued capital in millions	Direct ownership interest in %
Aero Rossa S.r.l.	Aragona/IT	EUR	2.20	100.0 %
Alpiq Blue Energy AG	Olten/CH	CHF	1.00	100.0 %
Alpiq Energia Italia S.p.A.	Milan/IT	EUR	13.00	100.0 %
Alpiq Energie France S.A.S.	Paris/FR	EUR	14.00	100.0 %
Alpiq Energia Bulgaria Ltd.	Sofia/BG	BGN	0.20	100.0 %
Alpiq Energija BH d.o.o.	Sarajevo/BA	BAM	1.20	100.0 %
Alpiq Energija Hrvatska d.o.o.	Zagreb/HR	HRK	0.02	100.0 %
Alpiq Energija Lietuva UAB	Vilnius/LT	LTL	0.73	100.0 %
Alpiq Energija RS d.o.o. Beograd	Belgrade/RS	RSD	138.58	100.0 %
Alpiq Energy Albania SHPK	Tirana/AL	ALL	17.63	100.0 %
Alpiq Energy Hellas S.A.	Athens/GR	EUR	0.06	95.0 %
Alpiq Energy SE	Prague/CZ	CZK	172.60	100.0 %
Alpiq Energy Skopje DOOEL	Skopje/MK	MKD	20.34	100.0 %
Alpiq Energy Ukraine LLC	Kiev/UA	UAH	1.16	100.0 %
Alpiq Generation (CZ) s.r.o.	Kladno/CZ	CZK	2,975.00	100.0 %
Alpiq Hydro Italia S.r.l.	Milan/IT	EUR	0.73	90.0 %
Alpiq Italia S.r.l.	Milan/IT	EUR	0.25	100.0 %
Alpiq RomEnergie S.R.L.	Bucharest/RO	RON	2.49	100.0 %
Alpiq Solutions France SAS	Paris/FR	EUR	0.05	100.0 %
Alpiq Turkey Enerji Toptan Satis Limited Sirketi	Istanbul/TR	TRY	5.17	100.0 %
Alpiq Vercelli S.r.l.	Milan/IT	EUR	0.01	100.0 %
Alpiq Wind Italia 2 S.r.l.	Milan/IT	EUR	0.01	100.0 %
Atel Energy Romania S.R.L.	Bucharest/RO	RON	0.18	100.0 %
Biella Power S.r.l.	Milan/IT	EUR	1.00	60.0 %
En Plus S.r.l.	Milan/IT	EUR	25.50	66.7 %
Enpower 3 S.r.l.	Aragona/IT	EUR	0.04	100.0 %
Novel S.p.A.	Milan/IT	EUR	23.00	51.0 %
Unoenergia S.r.l.	Biella/IT	EUR	0.11	40.0 %
3CB SAS	Paris/FR	EUR	103.00	100.0 %

Alpiq acquired 100 % of Flexitricity Ltd., Edinburgh/UK, at the beginning of April 2014. The company is the UK market leader in the management of grid-connected services, operates the UK's largest open smart grid, and offers reserve capacities to the UK network operator National Grid.

Furthermore, Alpiq Central Europe Ltd., Alpiq Management Ltd. and Alpiq Western Europe S.à.r.l., all subsidiaries of Alpiq Holding Ltd., were merged with Alpiq Ltd. during 2014 financial year. Thus, the subsidiaries of the merged companies were transferred to the Alpiq Ltd. Group. Additionally, the companies Alpiq Blue Energy AG, Alpiq Hydro Italia S.r.l. and Alpiq Wind Italia 2 S.r.l. including its subsidiaries were transferred from Alpiq Holding Ltd. to Alpiq Ltd. All these transactions are classified as common control business combinations (notes, see page 22).

2014: Disposal of consolidated companies

No fully consolidated companies were disposed of during the reporting period.

Subsidiaries and Investments at 31 December 2014

Sales, supply, power generation, trading 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. [1]	Olten/CH		CHF	303.60	100.0	F	SU	31 Dec
Aarewerke AG	Klingnau/CH	2015	CHF	1.68	10.1	E	G	30 Jun
AEK Energie AG	Solothurn/CH		CHF	6.00	38.7	E	SU	31 Dec
Aero Rossa S.r.l.	Aragona/IT		EUR	2.20	100.0	F	G	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 Energia Bulgaria Ltd.	Sofia/BG		BGN	0.20	100.0	F	T	31 Dec
Alpiq Energía España S.A.U.	Barcelona/ES		EUR	20.00	100.0	F	SU	31 Dec
Alpiq Energia Italia S.p.A. [2]	Milan/IT		EUR	13.00	100.0	F	SU	31 Dec
Alpiq Energie France S.A.S.	Paris/FR		EUR	14.00	100.0	F	SU	31 Dec
Alpiq Energija BH d.o.o.	Sarajevo/BA		BAM	1.20	100.0	F	T	31 Dec
Alpiq Energija Hrvatska d.o.o.	Zagreb/HR		HRK	0.02	100.0	F	T	31 Dec
Alpiq Energija Lietuva UAB	Vilnius/LT		LTL	0.73	100.0	F	T	31 Dec
Alpiq Energija RS d.o.o. Beograd	Belgrade/RS		RSD	138.58	100.0	F	T	31 Dec
Alpiq Energy Albania SHPK	Tirana/AL		ALL	17.63	100.0	F	T	31 Dec
Alpiq Energy Hellas S.A.	Athens/GR		EUR	0.06	95.0	F	T	31 Dec
Alpiq Energy SE	Prague/CZ		CZK	172.60	100.0	F	T	31 Dec
Alpiq Energy Skopje DOOEL	Skopje/MK		MKD	20.34	100.0	F	T	31 Dec
Alpiq Energy Ukraine LLC	Kiev/UA		UAH	1.16	100.0	F	T	31 Dec
Alpiq Generation (CZ) s.r.o.	Kladno/CZ		CZK	2,975.00	100.0	F	G	31 Dec
Alpiq Hydro Aare AG	Boningen/CH		CHF	53.00	100.0	F	G	31 Dec
Alpiq Hydro Italia S.r.l.	Milan/IT		EUR	0.73	90.0	F	G	31 Dec
Alpiq Hydro Ticino SA	Airolo/CH		CHF	3.00	100.0	F	G	31 Dec
Alpiq RomEnergie S.R.L.	Bucharest/RO		RON	2.49	100.0	F	SU	31 Dec
Alpiq RomIndustries S.R.L.	Bucharest/RO		RON	4.61	100.0	F	SU	31 Dec
Alpiq Solutions France SAS	Paris/FR		EUR	0.05	100.0	F	SU	31 Dec
Alpiq Suisse Ltd.	Lausanne/CH		CHF	145.00	20.0	E	SU	31 Dec
Alpiq Turkey Enerji Toptan Satis Limited Sirketi	Istanbul/TR		TRY	5.17	100.0	F	T	31 Dec
Alpiq Vercelli S.r.l.	Milan/IT		EUR	0.01	100.0	F	G	30-Sep
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
Atel Energy Romania S.R.L.	Bukarest/RO		RON	0.18	100.0	F	T	31 Dec
Biella Power S.r.l.	Milan/IT		EUR	1.00	60.0	F	G	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
En Plus S.r.l.	Milan/IT		EUR	25.50	66.7	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
Enpower 3 S.r.l.	Aragona/IT		EUR	0.04	100.0	F	G	31 Dec
Flexitricity Ltd.	Edinburgh/UK		GBP	1.00	100.0	F	S	31 Mar
HYDRO Exploitation SA	Sion/CH		CHF	13.00	5.0	E	S	31 Dec
Kernkraftwerk Gösgen-Däniken AG	Däniken/CH		CHF	350.00 [3]	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
Nant de Drance SA	Finhaut/CH		CHF	300.00	39.0	E	G	31 Dec
Novel S.p.A.	Milan/IT		EUR	23.00	51.0	F	G	30-Sep
Romande Energie Commerce SA	Morges/CH		CHF	15.00	11.8	E	S	31 Dec
Unoenergia S.r.l.	Biella/IT		EUR	0.11	40.0	E	G	31 Dec
3CB SAS	Paris/FR		EUR	103.00	100.0	F	G	31 Dec

1 Merged with Monthel Ltd., Alpiq Central Europe Ltd., Alpiq Management Ltd. and Alpiq Western Europe S.à.r.l.
2 Merged with Alpiq Produzione Italia Management S.r.l.
3 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	33.3	E	S	31 Dec
Swissgrid Ltd.	Laufenburg/CH	CHF	312.06	15.9	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 Blue Energy AG [1]	Olten/CH	CHF	1.00	100.0	F	H	31 Dec
Alpiq Italia S.r.l.	Milan/IT	EUR	0.25	100.0	F	H	31 Dec
Alpiq Re (Guernsey) Ltd.	Guernsey/UK	EUR	3.00	100.0	F	S	31 Dec
Alpiq Wind Italia 2 S.r.l.	Milan/IT	EUR	0.01	100.0	F	H	31 Dec

1 Change of corporate name of the company Alpiq Finanzbeteiligungen AG

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
European Energy Exchange	Leipzig/DE	EUR	40.05	4.5	C	S	31 Dec
Powernext SA	Paris/FR	EUR	11.92	4.7	C	S	31 Dec

Business activity

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

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 Board of Directors of

Alpiq Ltd., Olten

Zurich, 3 June 2015

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

As independent auditor and in accordance with your instructions, we have audited the financial information prepared on sub consolidation level of the Alpiq Ltd. Group, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, statement of cash flows and notes ("specified forms" – pages 8 to 34) as of 31 December 2014. These specified forms have been prepared solely for the purpose to enable Alpiq Ltd. Group to present its financial results on sub consolidation 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 pages 17 to 29), 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. 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.

Opinion
In our opinion the accompanying specified forms for the Alpiq Ltd. Group as of 31 December 2014 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