ALPIQ

2013
Annual Report

2013 Financial Highlights

Alpiq Group

CHF million	% Change 2012 – 2013 (results of operations)	Results of operations before exceptional items 2012	Results of operations before exceptional items 2013	Results under IFRS 2012	Results under IFRS 2013
Net revenue	– 26.4	12,723	9,370	12,723	9,370
Profit before interest, tax, depreciation and amortisation (EBITDA)	– 20.2	997	796	1,212	789
Depreciation, amortisation and impairment	– 37.2	– 473	– 297	– 2,136	– 510
Profit before interest and tax (EBIT)	– 4.8	524	499	– 924	279
As % of net revenue		4.1	5.3	– 7.3	3.0
Net profit / (loss)	29.2	212	274	– 1,094	18
As % of net revenue		1.7	2.9	– 8.6	0.2
Net divestments	12.8	358	404	358	404
Total equity				4,817	5,839
As % of total assets				32.4	40.2
Total assets				14,863	14,522
Number of employees at the reporting date	– 1.0			7,926	7,845

Per share data

CHF	% Change 2012 – 2013	2012	2013
Par value	0.0	10	10
Share price at 31 December	– 6.9	131	122
High	– 30.2	189	132
Low	– 15.9	126	106
Net profit / (loss) [1]	– 99.1	– 38.76	– 0.37
Dividend [2]	0.0	2.00	2.00

1 Calculation see note 11
2 To be proposed to the General Meeting on 24 April 2014

The financial summary 2009 – 2013 is shown on pages 138 and 139 of the Financial Report.

Power stations in 2013

	MW	MW	GWh	GWh
Hydroelectric power stations		**2,745**		**5,873**
Switzerland	2,745		5,873	
Small hydroelectric power stations, wind farms, solar power stations		**309**		**588**
Switzerland	13		48	
Bulgaria	73		145	
France	13		39	
Italy	205		340	
Norway	5		17	
Nuclear power stations		**785**		**5,668**
Switzerland	785		5,668	
Conventional thermal power stations		**2,623**		**5,040**
Switzerland	55		182	
France	408		153	
Italy	318		1,290	
Spain	846		684	
Czech Republic	593		1,809	
Hungary	403		922	
Alpiq's total installed capacity [1]		**6,462**		**17,169**

1 Excluding long-term contracts

2013 energy procurement

(excl. speculative transactions)

Procurement

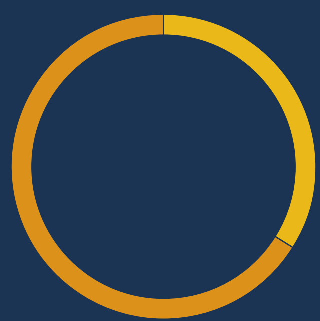
Market	77 %	78,410 GWh
In-house generation	17 %	17,169 GWh
Long-term contracts	6 %	5,867 GWh
Total		**101,446 GWh**
Total in 2012		136,816 GWh

Generation

Conventional thermal	29.4 %	5,040 GWh
Nuclear	33 %	5,668 GWh
Hydroelectric	34.2 %	5,873 GWh
New renewables	3.4 %	588 GWh
Total		**17,169 GWh**
Total in 2012		19,988 GWh

2013 energy sales

(excl. speculative transactions)



Generation	34 %	34,734 GWh
Commerce & Trading	66 %	66,712 GWh
Total		**101,446 GWh**
Total in 2012		136,816 GWh

The Gotthard Tunnel: Alpiq is carrying out work on the centrepiece of the new rail link through the Swiss Alps.

2013 Annual Report

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Alpiq gears up for the energy market of the future

Photo: Keystone/Laurent Gillieron

Hans E. Schweickardt,
Chairman of the Board of Directors

Dear Shareholder,

The European electricity market is undergoing a fundamental transformation. On an economic level, oil prices used to be the key determining factor in electricity generation. However, this is no longer the case. Among the many changes that have taken place, we have seen a decoupling on the energy markets of gas prices from oil prices and a sharp fall in coal prices in Europe fuelled by the shale-gas boom in the United States. Market prices for CO_2 certificates have also plummeted. At the regulatory level we are witnessing extensive and heavily subsidised construction of wind and solar plants and their prioritised feed-in in Europe, which is causing a major upheaval in the existing electricity system. These factors, coupled with lower demand for electricity in the industrial sector due to the prolonged economic downturn in Europe, have also driven down wholesale electricity prices in Switzerland by around a quarter during the reporting period.

The impact of a potential economic recovery on wholesale prices remains uncertain given the current surge in wind and power plant construction and an electricity market distorted by regulatory intervention. Added to this, the general trend in the electricity sector is shifting from centralised electricity generation in large-scale plants to decentralised generation using photovoltaic and combined heat and power plants. In light of these challenges and future trends, the Executive Board and the Board of Directors of Alpiq initiated a comprehensive strategy review process during the first half of 2013 and at year-end unanimously approved new strategic directions.

New strategic focus

In response to the changing economic situation, Alpiq intends to evolve over the coming years from a power plant operator to a service company. We aim to achieve a competitive balance between managing our existing power plant portfolio and offering a portfolio of energy services. To be successful in future, we will continue to manage strategically important assets in our power generation portfolio, but with added focus on the service sector. In other words, instead of selling pure kilowatt hours, we will position ourselves, even more strongly in the future, as a provider of integral solutions for decentralised energy management and energy efficiency. We will also work with selected partners to secure a foothold in targeted retail segments in Switzerland and Europe. In the new energy services business we will enter into partnerships to gain access to the requisite markets, technologies and know-how.

We will align our traditional power plant and portfolio management to the changing framework conditions, but continue to give priority to managing our flexible power plant portfolio. Access to all major European energy exchanges will allow us to optimise marketing of our own electricity as well as that of our customers. We want to strategically expand our core competence in industrial and power plant engineering, albeit with an increased focus on the dismantlement of facilities and power plants.

Alpiq's utilisation of hydropower dates back over 100 years, thanks to Switzerland's geographical location. We have a wealth of expertise in this technology and are committed on all levels to ensuring that the political and economic conditions allow us to operate our power plants profitably while continuing to make the necessary infrastructure investments in the future. In addition, we will investigate opportunities to jointly invest in new renewables with partners in selected locations in Europe – facilities which we also intend to manage.

In the nuclear energy sector, our focus is on making sure existing plants are managed safely and efficiently. The centre of political debate must be on creating, as quickly as possible, the conditions that will allow Alpiq and other nuclear power plant operators in Switzerland to plan for the long-term and with investment security.

Alpiq will continue to operate fossil fuel power plants in Europe, with optimum geographical diversification of sites remaining a key priority. If necessary, and if profitability can be assured, we will also be prepared to evaluate projects in Switzerland.

Looking ahead

As previously mentioned, historically low electricity prices and extensive subsidisation and prioritisation of new renewables are fundamentally changing the structure of the electricity market. The associated devaluation of existing power plant portfolios, especially gas and hydropower plants, is generating losses for operators while also pushing up economic costs. As the energy market changes, it is not yet clear what influence government intervention will have on the economic profitability of electricity generation. Alpiq is convinced that an unrestricted marketplace rather than regulatory restrictions will generate benefits for providers and customers in the energy market as well as the economy as a whole. We will therefore fully support politicians in their efforts to allow market forces to work more freely again.

The Board of Directors firmly believes that Alpiq is well positioned for the future as a result of its strategic realignment. We have our roots in Switzerland and a presence in over a dozen countries in Europe. This broad base, coupled with the powerful combination of energy generation and energy services, will open up strategic opportunities for the company's future development.

On behalf of the Board of Directors, I thank you for placing your trust in Alpiq.

Hans E. Schweickardt
Chairman of the Board of Directors

Foundations laid for the transformation of the Alpiq Group

Jasmin Staiblin,
CEO

Dear Shareholder,

2013 was the year in which we laid the foundations for the transformation of the Alpiq Group, due both to our operational progress and the decisions made on our strategic direction. In operational terms, it was a challenging financial year for two main reasons: firstly, wholesale electricity prices fell by about one-quarter in the reporting period, amidst continuing uncertainty in the political and regulatory environment. Secondly, our business portfolio decreased in size following the closure of unprofitable businesses as well as divestments from non-strategic holdings. Both factors had a direct impact on the operating result, although this was still in line with the expectations of both the Board of Directors and Executive Board.

Operations on track despite difficult conditions

Operators of conventional large-scale power plants are still having to cope with difficult framework conditions. Slow economic growth in Europe means that demand for electricity will remain low, while there is a surplus on the supply side because of the massively subsidised development of renewable energy sources such as wind power and photovoltaics. As result, electricity prices are lower than ever, which puts conventional power plants throughout Europe under constant pressure in terms of profitability. In Switzerland, this affects hydropower plants in particular. At the same time, the low price of coal is triggering its renaissance as a power source, although this is to the detriment of gas-fired combined-cycle power plants which emit significantly less CO_2.

In this challenging environment, Alpiq performed well during 2013. Energy that was not sold in advance was sold profitably on the short-term markets and also on the ancillary services market. The new renewable energies also performed well, with significantly greater quantities being generated than in the previous year. The reduced availability of the nuclear power plant at Gösgen had a dampening effect on the result. The steps taken in preceding years to cut costs and close down unprofitable bussinesses had a positive effect.

In Switzerland, Alpiq's current large-scale projects made good headway. Excavation work for the new 900-megawatt pumped-storage power plant at Nant de Drance in the canton of Valais progressed according to plan, and initial installation work can therefore go ahead in early 2014. Excavation work for the extension of the pumped-storage power plant FMHL+ in the canton of Vaud, where the installed capacity will be doubled from 240 to 480 megawatts, also progressed well. In addition, a new 135-megawatt plant unit came into service in Kladno in the Czech Republic at the end of 2013, which will increase its output. Around 50,000 local residents as well as many hospitals, schools and industrial facilities benefit from the district heating provided by this modern coal-fired power plant.

Our energy services business also performed well. In Switzerland, Alpiq advanced its building and transport technology businesses, in both of which we lead the market: a project of particular note is the development of the Gotthard base tunnel, where we are part of the Transtec Gotthard consortium and responsible for the management of the rail technology development. Energy efficiency is becoming increasingly important in building technology; this is a growth area for Alpiq and we recognised its market potential at an early stage. We currently offer energy efficiency services at over 80 locations in Switzerland. In the area of e-mobility, Alpiq is the leading supplier of charging facilities for electric vehicles in Switzerland, and in 2013 we further strengthened our position by developing more partnerships with car manufacturers. Outside Switzerland, in the plant construction and services markets, Alpiq came up against a reluctance to invest in large-scale conventional power plant projects, an area in which its expertise in plant decommissioning, and as a provider of selected services for industrial facilities, offers new potential.

Net debt halved – ability to access the capital market secured

On the financial front, we concentrated our efforts on ensuring that we were able to access the capital market and on reducing our net debt. Since 2012, total divestments amounting to CHF 1.6 billion were realised. By successfully placing the hybrid bond and raising over CHF 1 billion, Alpiq was able to strengthen its balance sheet; that we managed to do this is largely due to the support of our main Swiss shareholders and provides clear evidence of the confidence in us. The company's financial flexibility was also enhanced by the early extension – to the end of 2017, of an expiring syndicated loan amounting to CHF 400 million. With these measures, Alpiq was able to halve its net debt as of the end of 2013, reducing it from CHF 4 billion to some CHF 2 billion. At the same time, Alpiq's liquidity remains high at CHF 2.4 billion. This is a crucial prerequisite for the implementation of the company's strategy and related repositioning.

Alpiq seizes opportunities in the future energy market

The actions taken in 2013 set the right course for Alpiq. Due to the reduced business portfolio, Alpiq can significantly slim down its internal processes and systems, reduce the business complexity that has grown over the years, and thereby reduce costs in the longer term.

With the new strategy adopted at the end of 2013, we want to prepare ourselves for the fundamental and long-term changes on the energy markets that we will have to face over the coming years and be ready to seize any opportunities open to us. Trends show a shift in the traditional value of energy from the electricity generator to the end consumer. New technologies are making it possible for more and more electricity to be generated and stored on a decentralised basis, and for its consumption to be more efficiently managed. Consumers will gradually become producers in their own right. In line with its new strategy, Alpiq is diversifying its value proposition along the entire value chain and meeting these new needs by offering full-service solutions. This requires not only investment in new technologies and competencies, but also establishing partnerships with new stakeholders from other sectors. We will keep developing the work we are already doing in the areas of power plant and portfolio management, as well as in optimisation and trading. Buildings and transport technology and plant construction are also important elements of the new strategy and are being expanded.

Alpiq is committed to Swiss hydropower

After my first year as CEO at Alpiq, I am taking a realistic view of the future. Hydropower, with a market share in excess of 50 per cent, is the most important energy source. Provided we work together with policymakers at national and cantonal level to create economically sustainable conditions, then hydropower will continue to be a central focus of the Swiss energy supply. For over 100 years, Alpiq has had the necessary know-how to use this renewable energy source to generate CO_2-free electricity. We want to carry on using this expertise in the future, and are taking positive action to ensure that we do. We acknowledge that the economic environment has changed and regard the fundamental changes in the energy sector not only as a challenge, but also as a real opportunity for our company. We have initiated the right steps, both operationally and strategically, to seize this opportunity. We will continue this process, with determination, over the years to come in order to maintain added value for our stakeholders.

Our employees deserve particular thanks for their vital contribution towards Alpiq's success in 2013. On behalf of the Executive Board, I thank them for their dedication, their commitment, and their loyality.

On behalf of the Executive Board, I would also like to thank you, our shareholders, for your confidence and support in our company.

Jasmin Staiblin
CEO

Nant de Drance: Alpiq is carrying out work in Valais (Switzerland) on an underground pumped-storage power plant between the existing Emosson and Vieux-Emosson reservoirs.

New customers gained and progress made

In 2013, Alpiq gained new customers and made progress on several major projects. In order to improve efficiency and safety, the company has also made further investments in optimising its production facilities.

Focus on customer benefits

Alpiq offers innovative services to its customers in Switzerland and in Europe, helping them to move decisively forward. For Alpiq, 2013 was marked by the acquisition of new customers and progress on major projects.

Using energy efficiently – for electricity, heating or cooling – is a particularly important economic and environmental success factor for companies. Alpiq's innovative services and products support firms and institutions of all sizes in this important task.

In 2013, Alpiq InTec, in collaboration with Alpiq EcoServices, modernised Swisscom's cooling services at its head office in Chur. Thanks to the innovative renewal concept, Swisscom managed to lower its energy costs by 50 percent and reduced CO_2 emissions by 20 tonnes per year.

In Turin, Alpiq InTec is responsible for the electrotechnical facilities at the new head office of banking group Intesa Sanpaolo. In 2013, the company networked the 166-metre-high office tower with cables and lighting as well as with monitoring and security installations. An innovative management system not only monitors and controls the plant facilities but also optimises energy efficiency in the city's second tallest building, which will come into operation in 2014.

Large contract with the Paul Scherrer Institute

The renowned Swiss Paul Scherrer Institute (PSI) commissioned the EquiFEL consortium with the construction of the new large-scale SwissFEL (X-ray free-electron laser) research facility as well as with the installation and commissioning of its sophisticated technical infrastructure. As the lead company within EquiFEL, Alpiq is responsible for the design and implementation of the building services technology as well as for the installation of heating / cooling, ventilation, sanitary and electricity services.

In the area of transport technology, Alpiq subsidiary, Mauerhofer & Zuber SA, won the contract for the modernisation of the security and signalling systems of the Mont-Blanc Express on the St. Gervais-Vallorcine section. Just under 37 kilometres long, this section of the Mont-Blanc Express is part of the French rail network and is becoming increasingly important in the local transport sector. The complete modernisation of the existing infrastructure will double its capacity and this will be the first time that a Swiss security system is installed on a French railway line.

Milestones achieved on the Gotthard

In Switzerland, the 57 kilometre Gotthard Base Tunnel, the world's longest railway tunnel, will be completed by 2016. Alpiq Infra is leading the Transtec Gotthard consortium and is responsible for fitting-out the technical installation of the rail's dual-tube tunnels as well as the feeder lines. This includes the track, overhead lines, traction current and power supplies as well as telecommunication and security installations. In addition to fitting-out the tunnel and open stretches, five railway engineering buildings will also be equipped with electrical, telecommunication, security and automation systems.

Work on this major project is progressing according to schedule and a number of key milestones were achieved in 2013. The technical infrastructure was set up in both tunnel tubes of the northern section, which is around 21 kilometres long, and fitting-out of the middle section and the final subsection in the south has commenced.

With the start of the trial operation period in December 2013, the first trains ran on the southern section of the line in the Faido-Bodio West tunnel, achieving speeds of up to 220 km/h. Also in 2013, the four kilometre stretch of open new line in the southern section, near Pollegio, was connected with the main trunk line and commercial operations began.

Added value for large consumers and producers

During the year under review, Alpiq was successful in winning new major customers to supply with electricity. This included a multi-year electricity supply contract with steel manufacturing firm Swiss Steel, which consumes over 400 gigawatt hours of electricity per year and is one of the largest industrial electricity consumers in Switzerland. The contract with Alpiq means that as from 1 January 2014 the company will benefit from attractive conditions and increased flexibility.

Through its innovative solutions, Alpiq also creates additional value for producers. In Hungary, for example, Alpiq bundles production from small-scale gas-fired generators located on industrial sites. In 2013, the number of plants that are managed centrally and used in the ancillary services market rose by around 24. The owners of these plants are now handing over the operation of the gas-fired generators to Alpiq's experienced professionals, who are able to maximise their value on the auction market of the national network operator. In return, the owners of the plants have a share in the generated profits.

Electromobility: a stronger position

Alpiq's charging stations in Switzerland provide a link between manufacturers and buyers of electric vehicles. In 2013, Alpiq E-Mobility was the first provider to offer a 3-in-1 fast-charging station, combining three sockets, which can be used by all types of electric-powered vehicles, with a fast-charge connection. Following its launch at the end of 2012, the EVite initiative, with partners including Alpiq E-Mobility, was able to bring around a dozen stations online last year. By the end of 2014, we expect 80 stations to be installed.

In addition to partnerships with other vehicle manufacturers, Alpiq E-Mobility also developed its collaboration with Mitsubishi Switzerland in 2013. Alpiq now has responsibility for the planning, installation and commissioning of Mitsubishi's EVite fast-charging stations. For people purchasing electric-powered Mitsubishi models in Switzerland, Alpiq E-Mobility works out the best charging solutions whether at home or at the office and calculates the associated costs.

Investments in the future

Efficiency and security are vital to Alpiq's business operations. With this in mind, the company continued to invest in optimising its own generating facilities as well as in the sustainability of its vehicle fleet in 2013.

Switzerland is predestined when it comes to the use of hydropower. Alpiq commands a strong position as a generator of electricity from clean and flexible energy sources – and continues to develop by investing in existing and new plant facilities.

One example is the Navizence hydroelectricity power plant in the canton of Valais, which resumed full operations in April 2013 after a three-year modernisation. Seven generating machine groups that were over 60 years old were replaced by three new 24.3 megawatt groups, creating an increased output of 20 megawatts. The total modernisation costs of the power plant, which is 54 percent owned by Alpiq, amount to CHF 75 million.

Also in Valais, Alpiq is co-investing around CHF 1.9 billion in the pumped storage power plant at Nant de Drance (900 megawatts). The joint project, in which Alpiq has a 39 percent stake, will make an important contribution to the security of supply in Switzerland. Construction work in 2013 progressed well, within budget and on schedule. Work started on raising the Vieux-Emosson dam by 20 metres; indeed, expansion of the power house has made such good headway that the project will be completed in spring 2014. Staged commissioning of the Nant de Drance power plant will take place beginning in 2018.

Solar energy combined with hydropower

Modernisation of the river power station – Forces Motrices de Martigny Bourg, in western Switzerland, was completed in 2013. The turbine capacity of the power plant, in which Alpiq owns an 18 percent stake, was increased by 10 percent to 14.4 megawatts. In addition, Alpiq InTec installed 320 solar modules on the roof of the plant with an annual generating capacity of around 80,000 kilowatt hours, which is enough electricity to supply 20 households.

Expansion of the pumped storage power plant in Veytaux, which forms part of the Forces Motrices Hongrin-Léman facilities in western Switzerland, proceeded as planned in 2013. The installed capacity of the plant, in which Alpiq has a stake of around 40 percent, will double to 480 megawatts by the end of 2015. During the year under review the inlet valves and two low-level outlet conduits in the water catchment area were replaced, which involved lowering the level of the Hongrin reservoir.

In a move to optimise production and reduce costs, Alpiq shut down operation of the Chandoline power plant in 2013. Analysis had shown that a comprehensive modernisation of the control centre, which forms part of the Dixence complex in Valais, would result in a moderate improvement in efficiency and also that it would be more economical to feed the water from the Grand Dixence dam to the Bieudron plant than to the Chandoline plant. Due to better operating efficiency, an additional 60 million kilowatt hours of electricity can now be generated from renewable sources annually.

Earthquake safety

Huge importance is attached to the safety of dams in Switzerland. As an operator and owner of dams, Alpiq has an obligation to regularly verify their safety to the Swiss Federal Office of Energy (SFOE). Alpiq monitors the relevant dams on an ongoing basis. In 2013, all dams underwent a special earthquake safety check in addition to the regular checks. As expected, Alpiq's dams fared very well in these tests.

Modernisation in Gösgen and Kladno

Alpiq also invests in the safety and efficiency of its thermal power plants on an ongoing basis. As part of the 2013 annual overhaul of the nuclear power plant in Gösgen, Switzerland, the turbo generator groups were fully upgraded. This improved the efficiency of the plant, which is 40 percent owned by Alpiq. The 30 megawatt increase in installed capacity will generate an additional electricity output of around 240 million kilowatt hours a year. In the period between 2010 and 2017, around CHF 1 billion will have been invested in the Gösgen plant: 40 percent in safety measures, 20 percent in efficiency improvements and 40 percent in long-term maintenance and new investments.

To meet the stricter environmental standards due to come into force in 2016, Alpiq replaced a generating unit in the Kladno coal-fired power plant near Prague. Within a mere three and half years, Alpiq's subsidiary, Kraftanlagen München, planned and built the new 135-megawatt generating unit, which was commissioned at the end of 2013. The installed capacity of the Kladno power plant, which is fully owned by Alpiq, was increased as a result by around 100 megawatts. The plant also plays an important back-up role in the Czech Republic's electricity grid and supplies district heating to the municipal provider.

20 percent drop in emissions

As a future investment, Alpiq InTech decided in 2013 to standardise its 1,800-strong vehicle fleet and to gradually replace existing vehicles with more environmentally friendly models. This will allow Alpiq InTec to reduce its total CO_2 emissions by 20 percent within three years. Replacing the company fleet will reduce annual fuel consumption by around a quarter, which in turn will save over 1,000 tonnes of CO_2.

Swiss Steel: Alpiq will supply the Swiss steel producer with electricity from 2014 onwards.

Transparency and Compliance

Alpiq is committed to transparent and responsible business management. Transparency and fairness are ensured by effective management and control systems, an open information policy and ethical principles. Alpiq's Corporate Governance principles and rules are laid down in its Articles of Association and Organisational Regulations, the Executive Board Regulations and Group Regulations, in its organisation chart and in the assignment of subsidiaries. This report, which describes this practice, follows in its structure and content the Corporate Governance guidelines of SIX Swiss Exchange. Except where otherwise stated, all information given is as at 31 December 2013.

Group and shareholder structure

The management structure of the Alpiq Group underwent substantial changes in 2013. As of 31 December 2013, the Alpiq Group now consists of the three operational business divisions: Generation, Commerce & Trading, and Energy Services. The Group Centre consists of the two functional divisions: Financial Services and Management Services. Management Services has been the responsibility of the CEO, ad interim, since 1 September 2013.

Stock exchange listing

As of 31 December 2013, the parent company Alpiq Holding Ltd., domiciled in Lausanne, had a share capital of CHF 271,898,730, divided into 27,189,873 registered shares with a nominal value of CHF 10 each.

The registered shares are listed on SIX Swiss Exchange under ISIN CH0034389707. At year-end, market capitalisation stood at CHF 3,328,040,455 (calculated on the basis of the closing price on 31 December 2013 x number of shares = CHF 122.4 x 27,189,873 registered shares).

The Società Elettrica Sopracenerina SA in Locarno (SES), which has share capital of CHF 16,500,000, is also listed on the SIX Swiss Exchange (ISIN CH0004699440). At the end of 2013, its market capitalisation was CHF 165,000,000 (CHF 150 x 1,100,000). Alpiq sold its 60.9 % holding to SES in 2013. The company was deconsolidated as of 9 July 2013.

The principal consolidated Group companies are listed in the Financial Report (full Annual Report 2013) on pages 131 to 137. Significant shareholders according to the entry in the share register are shown in the Financial Report on page 112 and presented below (full Annual Report 2013).

Purchasers of majority shareholdings in Alpiq Holding Ltd. are not required to make a public tender offer pursuant to the Swiss Stock Exchange and Securities Trading Act (opting out). A consortium or shareholder agreement exists between EOS Holding (Lausanne), EDF Alpes Investissements Sàrl (EDFAI, Martigny) and the consortium of Swiss minority shareholders, consisting of EBM (Genossenschaft Elektra Birseck, Münchenstein), EBL (Genossenschaft Elektra Baselland, Liestal), the canton of Solothurn, IBAarau AG, AIL (Aziende Industriali di Lugano SA) and WWZ (Wasserwerke Zug AG). The consortium agreement governs the merger between Aare-Tessin Ltd. for Electricity (Atel) and the operating units of EOS Holding SA, as well as the interest held by EDF (50 %) in the electricity purchase rights of Emosson SA. The merger

Organisation at 31 December 2013

General Management
Jasmin Staiblin [1]
CEO

Generation	Commerce & Trading	Energy Services	Financial Services	Management Services
Michael Wider [1] Deputy CEO	Erik Saether [1]	Reinhold Frank [1]	Patrick Mariller [1] CFO	Jasmin Staiblin a.i. [1]
Hydro Power Generation Christian Plüss [2]	Asset Optimisation Pierre Guesry	Alpiq InTec (AIT) Peter Limacher	Accounting & Controlling Edgar Lehrmann	Human Resources Daniel Huber [3]
Nuclear Power Generation Michaël Plaschy	Portfolio Optimisation CEE Peter Dworak	Energie- und Anlagetechnik (EAT) Reinhold Frank	Finance Projects & Transformation Martin Schindler [4]	Legal Peter Schib
Thermal Power Generation Matthias Zwicky	Markets Western Europe Martin Eschle		Taxes Giuseppe Giglio	Strategy & Development Vlada Spasic
RES & Generation Development Daniel Spinnler	Back Office Petter Torp		Treasury & Insurance Lukas Oetiker	Communications Adrienne Develey
				Public Affairs Stefan Aeschimann
				IT Thomas Habel
				Risk Management Walter Hollenstein

General Management
Business Division
Business Unit
Functional Division
Functional Unit

1 Member of the Executive Board
2 From 1 February 2014
3 From 1 April 2014
4 From 1 June 2014

was completed on 27 January 2009. The agreement also governs matters concerning Alpiq's corporate governance and reciprocal pre-emption rights held by partners in the consortium.

Cross-shareholdings

There are no cross-shareholdings.

Capital structure

Share capital

At 31 December 2013, the share capital of Alpiq Holding Ltd. remained unchanged at CHF 271,898,730, divided into 27,189,873 registered shares with a nominal value of CHF 10 each. The shares are fully paid up.

Alpiq Holding Ltd. has no conditional or additional authorised capital.

Changes in equity

Statements of changes in equity can be found in the Financial Report on pages 62 and 63 for the consolidated financial statements of the Alpiq Group and on page 147 for the company financial statement of Alpiq Holding Ltd. (full Annual Report 2013). Statements of changes in equity for 2011 can be found in the 2012 Annual Report of Alpiq Holding Ltd., in the Financial Report on page 60 for the consolidated financial statements of the Alpiq Group, and on page 139 for the company financial statement of Alpiq Holding Ltd. (full Annual Report 2013).

Shares

Each share represented at the Annual General Meeting of Alpiq Holding Ltd. carries one vote. There are no restrictions on transferability or voting rights. The company has no participation certificates, bonus certificates or convertible bonds outstanding.

Shareholders at 31 December 2013

Alpiq Holding Ltd.	31.38	EOS Holding
	25.00	EDFAI
	13.63	EBM
	7.12	EBL
	5.60	Canton of Solothurn
	2.12	AIL
	2.00	IBAarau
	0.91	WWZ
	12.24	Various (stock exchange)

Percentage ownership interests.

Board of Directors

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

Directors

The Board of Directors comprises 13 members, none of whom exercises any executive functions within the company.

Other activities and interests

Biographical details, professional backgrounds and information about other activities of the Directors can be found on the Alpiq website at www.alpiq.com/bod.

To comply with previous statutory regulations directors are elected for a three-year term of office and are eligible for re-election. If a Director is elected mid-term, he completes his predecessor’s term.

The regulation against excessive remuneration in listed companies (VegüV) now envisages a term of one year. This regulation is effective as of 1 January 2014 and will be implemented for the first time at the Annual General Meeting on 24 April 2014.

The Board of Directors is self-constituting. Every year it appoints the Chairman and Deputy Chairman from among its members, as well as a Secretary who need not be a member of the Board.

During the reporting year, the Board of Directors held ten ordinary meetings, each lasting an average of just under six hours, as well as an additional meeting in the form of a teleconference lasting about an hour. The Chairman determines the agenda for Board meetings after consulting with the CEO. Any Director may make a written request for a particular item to be included on the agenda. In advance of meetings, the Directors receive documentation that enables them to prepare for items on the agenda.

Members of the Executive Board normally attend meetings of the Board of Directors in an advisory capacity. They leave the meeting if the Chairman so directs.

The Board of Directors passes its resolutions by a majority of the voting members present. In the event of a tie, the person chairing the meeting has the casting vote. Should any conflicts of interest arise, the Board members concerned must leave the meeting. Minutes are kept of the Board's deliberations and resolutions. The minutes are distributed to the Directors and approved at the following Board meeting. Between meetings, any Director may ask the CEO for information about the company's business and, with the Chairman's authorisation, about individual transactions. To the extent required for the performance of his duties, any Director may ask the Chairman to arrange for him to inspect books and files.

Board of Directors at 31 December 2013

Name	First elected	Elected until [1]
Hans E. Schweickardt, Neerach, Switzerland, Chairman	2006	2015
Christian Wanner, Messen, Switzerland, Deputy Chairman	2006	2015
Conrad Ammann, Zurich, Switzerland	2012	2015
Michael Baumgärtner, Leonberg, Germany	2013	2015
Dominique Bompoint, Le Vésinet, France	2013	2015
Olivier Fauqueux, Bièvres, France	2013	2016
Damien Gros, Issy-les-Moulineaux, France	2013	2015
Alex Kummer, Laufen, Switzerland	2013	2015
Claude Lässer, Marly, Switzerland	2009	2015
René Longet, Onex, Switzerland	2013	2015
Guy Mustaki, Pully, Switzerland	2009	2015
Jean-Yves Pidoux, Lausanne, Switzerland	2009	2015
Urs Steiner, Laufen, Switzerland	2006	2015

Secretary to the Board: Roger Schoch

Control and supervisory mechanisms

The Board of Directors reports annually to the Executive Board on strategic, medium-term and annual targets and on progress towards their achievement. During the year, the Executive Board reports quarterly on business performance, progress in achieving targets, and other important developments. The Board of Directors also receives a regular summary report on key financial figures, an assessment of the risk situation and ongoing internal audits. Furthermore, the Directors receive a written quarterly report showing detailed financial information and the principal activities and projects of the various business and functional divisions.

The external auditors submit a Management Letter to the Board of Directors and give an oral presentation of the results and findings of their audit and of their future key audit areas.

1 In accordance with the Ordinance against excessive remuneration at listed stock corporations (VegüV) the term of office is one year. This stipulation will be implemented for the first time at the Annual General Meeting on 24 April 2014. The Articles of Association will be adapted accordingly.

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

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

Group Compliance also reports directly to the Chairman of the Board of Directors. In addition to compiling a Compliance Report, the main tasks of Group Compliance are to raise awareness of potential compliance risks, provide coaching for employees in compliance matters, manage the whistle-blower system, give advice on issues pertaining to compliance and implement the policy management system. In doing this, Group Compliance assists the Board of Directors and the Executive Board in ensuring that the company and its employees act in accordance with the rules and regulations.

The Board of Directors also has two committees: the Audit and Risk Committee (ARC) and the Nomination and Remuneration Committee (NRC).

Audit and Risk Committee (ARC)

The ARC consists of Damien Gros (chairman), replacing Stéphane Tortajada who stepped down as of the Annual General Meeting on 25 April 2013, Dr Jean-Yves Pidoux (member) and Dr Conrad Ammann (member), replacing Dr Alex Stebler who also stepped down as of the Annual General Meeting on 25 April 2013.

The role of the ARC is to support the Board of Directors in carrying out its supervisory duties, particularly with regard to monitoring and assessing the performance and independence of the internal and external auditors, the control system, interim and annual accounting, risk management, compliance and corporate governance.

The ARC submits proposals to the Board of Directors for its approval and, at each meeting of the Board, reports orally on its activities, resolutions, conclusions and recommendations. If the ARC fails to reach consensus on matters within its remit, a decision is made by the full Board of Directors. Minutes of ARC meetings are circulated to all members of the Board of Directors for their information.

The ARC also submits an annual accountability report to the Board of Directors, summarising the ARC's activities during the reporting year.

As a rule, the Chairman, CEO, CFO, Head of Group Internal Audit and the auditors attend the meetings of the ARC.

Depending on the agenda, other business and functional unit heads and representatives of the external auditors also attend. During the reporting year the ARC held seven ordinary meetings as well as two additional meetings, each lasting an average of just under three hours. On these occasions, the ARC deliberated in depth on the restructuring programme for the company, impairment charges, debt and measures to ensure liquidity.

Nomination and Remuneration Committee (NRC)

The NRC consists of Prof. Dr Guy Mustaki (chairman), Michael Baumgärtner (member), replacing Gérard Roth who stepped down as of the Annual General Meeting on 25 April 2013, and Urs Steiner (member).

The role of the NRC is to support the Board of Directors in fulfilling its supervisory duties with regard to succession planning for the Board of Directors and Executive Board, as well as formulating the remuneration policy and defining the contractual terms and conditions of employment for the CEO, the Executive Board and the heads of the business and functional units.

The NRC submits proposals to the Board of Directors for its approval and, at each meeting, reports orally on its activities, resolutions, conclusions and recommendations. Minutes of NRC meetings are circulated to all members of the Board of Directors for their information. As a rule, the Chairman, CEO and Head of Group Human Resources attend the meetings of the NRC. During the reporting year, the NRC held three ordinary meetings as well as eight additional meetings, each lasting an average of just under three hours.

Division of responsibilities

The Board of Directors has delegated responsibility for the Alpiq Group's overall operational management to the CEO. The CEO presides over the Executive Board and has delegated some of his management responsibilities to members of the Executive Board.

The Organisational Rules and the Executive Board Rules govern authority and the division of responsibilities between the Board of Directors and the CEO or Executive Board. As part of the Group Guidelines, the CEO has issued regulations governing the assignment of authority and responsibilities. These regulations apply throughout the Group.

Executive Board

As at the reporting date, 31 December 2013, the Executive Board comprised five members. The members of the Executive Board are listed on pages 38 and 39 of this Annual Report.

Biographical details and information about other activities and interests can be found on the Alpiq website at www.alpiq.com/executive-board. No management contracts exist.

Remuneration, shareholdings and loans

Principles, objectives and remuneration paid to the members of the Executive Board and the Board of Directors are disclosed in the separate Remuneration Report on pages 40 to 47.

Shareholders’ participation rights

Each share represented at the Annual General Meeting carries one vote. There are no restrictions on transferability or voting rights. The only quotas applicable at the Annual General Meeting are those set out in the Swiss Code of Obligations. Annual General Meetings are convened in accordance with the rules set out in the Swiss Code of Obligations.

Agenda

Shareholders’ participation rights are governed by law and by the company’s Articles of Association. The Articles of Association can be downloaded from the company’s website at www.alpiq.com/corporate-governance.

Up to 50 days prior to an Annual General Meeting, shareholders representing shares with an aggregate par value of at least CHF 1 million may request that a particular item be included on the agenda. Registered shares must be entered in the share register at least one week before the Annual General Meeting in order for shareholders to be eligible to vote.

Change of control and defensive measures

Mandatory tender offer

Purchasers of majority shareholdings in Alpiq Holding AG are not required to make a public tender offer pursuant to the Swiss Stock Exchange and Securities Trading Act (opting out). The Articles of Association do not provide for any other defensive measures.

Change-of-control clauses

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

Auditors

Ernst & Young, Zurich, have been the auditors of Atel Holding AG, or Alpiq Holding AG, respectively, since 2002. The statutory and Group auditors are appointed by the Annual General Meeting for a one-year term of office. Their performance and fees are reviewed annually. Ernst & Young AG's current lead audit partner has performed this function since the 2013 financial year. For the past financial year, Ernst & Young AG received fees of approximately CHF 5 million for their services as statutory and Group auditors. Of this amount, approximately CHF 3.2 million was paid for audit services, approximately CHF 1.1 million for audit-related services, approximately CHF 0.4 million for tax services and approximately CHF 0.3 million for transaction support.

External audit information mechanisms

The Audit and Risk Committee (ARC) is the supervisory body for the external auditors. The external auditors report to the ARC at least once a year on the audits they have conducted and the resultant findings and recommendations. The ARC agrees audit plans with the external auditors in advance and assesses their work. The external auditors submit a Management Letter to the full Board of Directors once a year. The ARC regularly invites the external auditors to attend its meetings. The external auditors attended seven such meetings during the reporting year.

Information policy

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

2013 Annual General Meeting

At the 5th Annual General Meeting of Alpiq Holding AG, held on 25 April 2013, the 479 shareholders present approved the 2012 consolidated financial statements of the Alpiq Group, as well as the 2012 Annual Report and the company financial statements of Alpiq Holding AG. The meeting voted in favour of the Board of Directors' proposal to pay a dividend of CHF 2 per registered share of Alpiq Holding AG in the form of a return of capital contributions. Discharge from liability was granted to the Board of Directors. In place of Gérard Roth, Patrick Pruvot, Stéphane Tortajada, Alex Stebler and Daniel Mouchet, who stepped down from the Board of Directors, Michael Baumgärtner, Dominique Bompoint, Damien Gros, Alex Kummer and René Longet were elected for their remaining term of office (to 2015) and Olivier Fauqueux for a complete term of three years (until 2016). The auditors were re-elected for another year.

Board of Directors at 31 December 2013

1 Hans E. Schweickardt
Chairman

- Dipl. El.Ing. electrical engineering degree, ETH Zurich, Stanford Executive Program
- Swiss national
- Chairman of: Grande Dixence SA, Sion; KBG (Kernkraftwerk-Beteiligungsgesellschaft AG) Bern
- Vice-Chairman of the Board of Directors: Swisselectric, Bern
- Deputy Chairman of the Supervisory Board of the sponsoring company and Member of the Executive, Strategy and Personnel Committees: the European Energy Exchange (EEX), Leipzig
- Member of the Supervisory Board: EPEX Spot SE, Paris; EEX Power Derivatives GmbH, Leipzig; European Commodity Clearing AG (ECC), Leipzig
- Member of the Executive Board: economiesuisse, Zurich

2 Christian Wanner
Deputy Chairman

- Farmer, former Member of Solothurn Cantonal Government
- Swiss national
- Chairman of: Privatklinik Obach AG, Solothurn
- Director of: Schweizer Rheinsalinen AG, Pratteln (until mid-June 2014)

3 René Longet
Member

- Lic. Phil. I. University of Geneva
- Swiss national
- Vice-Chairman of the Board of Directors: Services industriels de Genève, Vernier
- Director of: EOS Holding SA, Lausanne

4 Michael Baumgärtner
Member

- Diploma in Business Management (Pforzheim University)
- German national
- Member of the Executive Committee: STEAG GmbH, Essen, Germany

5 Claude Lässer
Member

- Lic. rer. pol. political science / economics degree, former Fribourg State Councillor
- Swiss national
- Chairman of: Groupe E Ltd., Granges-Paccot
- Director of: EOS Holding SA, Lausanne; Frigaz SA, Givisiez

6 Dominique Bompoint
Member

- Degree in Private Law, Bordeaux
- Lawyer, Cabinet Bompoint, Paris
- French national

7 Olivier Fauqueux
Member

- Post-graduate degree in Business Administration, specialising in Tax, from the Ècole Supèrierue I.A.E, Paris, Post-graduate degree in Communication (University of Paris I – Panthéon Sorbonne), Degree in Commercial Law (University of Paris I)
- French national
- EDF, Head of Corporate Legal Department
- Director of: Electricité de Strasbourg, Strasbourg; EDEV, France
- Member of the Supervisory Board: ERDF, France
- Member of the Comité des Associés: Dalkia Investissement

8 Guy Mustaki
Member

- Lawyer, Professor at Lausanne University
- Swiss national
- Chairman of: Romande Energie Holding SA, Morges; EOS Holding SA, Lausanne
- Director of: Grande Dixence SA, Sion

9 Jean-Yves Pidoux
Member

- Doctorate in sociology and anthropology, Vaud Cantonal MP, Lausanne City Councillor
- Swiss national
- Chairman of: SI-REN SA, Lausanne
- Director of: Romande Energie Holding SA, Morges; EOS Holding SA, Lausanne; Grande Dixence SA, Sion; Gaznat SA, Lausanne; Swissgas AG, Zurich; Hydro Exploitation SA, Sion

10 Alex Kummer
Member

- lic. Iur and oec HSG / lawyer and notary / business arbitrator IRP-HSG
- Swiss national
- Chairman of: Aluminium – Laufen AG Liesberg, Liesberg; Grebet Immobilien AG, Bettlach; EBM (Genossenschaft Elektra Birseck), Münchenstein;
- Director of: Duravit Schweiz AG, Othmarsingen; Sportshop Karrer AG, Laufen; Gremolith Verwaltungs AG, Kirchberg SG
- President, Board of Trustees: EGK-Gesundheitskasse, Laufen; EGK Grundversicherungen, Laufen

11 Urs Steiner
Member

- Energy engineer HTL, CEO of EBL (Genossenschaft Elektra Baselland), Liestal
- Swiss national
- Chairman of: Geopower Basel AG, Basel; Waldenburgerbahn AG, Waldenburg; IReL AG (Gebäudeautomation Energietechnologie), Liestal
- Vice-Chairman of the Board of Directors: Efforte AG, Olten
- Director of: Kraftwerk Birsfelden AG, Birsfelden; Geo-Energie Suisse AG, Zurich; Kraftwerk Augst AG, Augst

12 Conrad Ammann
Member

- Dipl. El. Ing. electrical engineering degree, ETH Zurich, Dr. sc. techn., BWI postgraduate diploma in industrial management, ETH Zurich
- Swiss national
- Director of: Kraftwerk Birsfelden AG, Birsfelden
- CEO of EBM (Genossenschaft Elektra Birseck), Münchenstein

13 Damien Gros
Member

- French national
- Director of: Accuracy SAS, Neuilly-sur-Seine; Accuracy Worldwide Coop. SA, Luxembourg

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Executive Board at 31 December 2013

1 **Jasmin Staiblin**
CEO

- Technical University (TH), Karlsruhe, Germany; Royal Technical University of Stockholm, Sweden
- German national
- Born 1970
- With Alpiq Group since 2013, as CEO
- Board member of: Georg Fischer AG, Schaffhausen; Rolls-Royce plc, London; New Bank of Argovie Ltd., Aarau
- Member of: ETH Board

2 **Michael Wider**
Head of Generation, Deputy CEO

- MA in Law; MBA, Stanford Executive Program
- Swiss national
- Born 1961
- Joined the Alpiq Group in 2003; member of the Executive Board since 2009
- Chairman of: Hydro Exploitation SA, Sion; Nant de Drance SA, Finhaut; Kernkraftwerk Gösgen-Däniken AG, Däniken
- Vice-Chairman of the Board of Directors: Kernkraftwerk Leibstadt AG, Leibstadt
- Director of: Centrale Thermique de Vouvry SA (CTV), Vouvry; Romande Energie Holding SA, Morges; Grande Dixence SA, Sion; Swissgrid AG, Laufenburg
- Board member of: Swisselectric, Bern

3 **Patrick Mariller**
Head of Financial Services (CFO)

- MA Economics UNIL, IMD Lausanne; Stanford Executive Program
- Swiss national
- Born 1966
- Joined the Alpiq Group in 2003; member of the Executive Board since 2012
- Chairman of: Electricité d'Emosson SA, Martigny
- Director of: Grande Dixence SA, Sion; Nant de Drance SA, Finhaut; Kernkraftwerk Gösgen-Däniken AG, Däniken; Kernkraftwerk Leibstadt AG, Leibstadt
- Chairman of the Supervisory Board: Kraftanlagen München GmbH, Munich

4 **Reinhold Frank**
Head of Energy Services

- Dipl. Ing. engineering degree; Dipl. Wirtsch. Ing. industrial engineering degree; Stanford Executive Program
- German national
- Born 1955
- Joined the Alpiq Group in 2006 as member of the Executive Board
- Director of: AEK Energie AG, Solothurn

5 **Erik Saether**
Head of Optimisation & Trading

- BBA, Norwegian School of Economics
- Norwegian national
- Born 1954
- Joined the Alpiq Group in 2009; member of the Executive Board since 2011
- Director of: Powernext SA, Paris

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Remuneration Report

The Nomination and Remuneration Committee

The Nomination and Remuneration Committee (NRC) is formally appointed by the Board of Directors of Alpiq Holding AG. Among other things, the NRC's tasks are to support the Board of Directors in carrying out its supervisory obligations in connection with compensation policy, and the definition of all contractual and employment terms for the CEO and the Executive Board. Accordingly, the authority to decide and the subsequent responsibility for decision-making rest with the Board of Directors.

Principles and objectives

Alpiq provides competitive remuneration and a performance- and value-based bonus system designed to motivate senior management to sustainably enhance shareholder value.

Alpiq's remuneration guidelines and bonus system provide for management salaries commensurate with tasks and responsibilities. Accordingly, the total remuneration packages for members of the Executive Board consist of:

1. fixed, non-performance-related components
2. short-term performance-related bonus payments based on one financial year
3. long-term performance-related bonus payments spread over several reporting periods.

Disclosures

In compliance with the Swiss Code of Obligations, the Ordinance against Excessive Compensation with respect to Listed Stock Corporations, the Swiss Code of Best Practice for Corporate Governance, and the SIX Swiss Exchange Directive on Information Relating to Corporate Governance, Alpiq discloses the following information:

- content and method of determining remuneration
- remuneration to current members of governing bodies
- remuneration to former members of governing bodies
- additional fees and remuneration
- loans to members of governing bodies

No share award or share option schemes are provided for members of Alpiq's governing bodies.

A. Executive Board remuneration

Principles

Employment contracts, terms, and conditions of employment and remuneration for Executive Board members are approved and regularly reviewed by the Nomination and Remuneration Committee (NRC) appointed by Alpiq's Board of Directors. The NRC approves the objectives set for the CEO as proposed by the Chairman of the Board, and those set for Executive Board members as proposed by the CEO.

The details on bonus payments are set down in the Bonus Regulations, which the NRC approves on the proposal of the CEO. In 2013, Executive Board members received remuneration in accordance with the Bonus Regulations that have been in force since 1 January 2012.

Bonus entitlement

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

On the Executive Board level, the CEO has taken on an additional role as the Head of the functional division Management Services since 1 September 2013. In addition, Reinhold Frank has been performing a dual function as the Head of Energy Services and as Chairman of Kraftanlagen München GmbH, Germany (since 1 August 2013).

Structure of remuneration

In 2013, Executive Board members were paid remuneration comprising a fixed, non-performance-related base salary and a variable, performance-related salary. The variable salary, in turn, consists of a short-term performance-related component (short-term bonus, STB) and a long-term performance-related component (long-term incentive, LTI). While payment of the STB is based on personal and financial objectives, payment of the LTI is linked to the long-term increase in shareholder value.

Short-term bonus (STB)

The aim of this short-term performance-based component is to motivate Executive Board members, and to provide rewards for business performance based on the annual results.

Payment of 30 % of the nominal value of the STB is based on the achievement of up to six personal performance objectives (qualitative components).

These include, for example, the fulfilment of clearly defined, measurable project and efficiency targets and the achievement of milestones.

70 % of the payment is dependent on achieving the EBITDA targets (Earnings before Interest, Taxes, Depreciation and Amortisation, quantitative / financial components) set by the NRC at the beginning of the financial year.

The total quantitative component is calculated using the target EBITDA (100 %) set by the NRC. If the EBITDA target is achieved, the financial component amounts to 100 % of the defined proportion of the nominal value. No additional payments are made over and above the EBITA cap set by the NRC. If EBITDA is below the EBITDA floor set by the NRC, the quantitative component of the STB is not paid out.

Long-term incentive (LTI)

The aim of the LTI is to motivate Executive Board members to contribute to enhancing Alpiq's medium- to long-term shareholder value in the interests of sustainable management. Actual payment is therefore made only three years after the LTI has been granted. Economic Value Added (EVA) is used as an indicator of sustainable growth in shareholder value. LTI is paid in cash.

The nominal value of the LTI is defined by the NRC at the beginning of the financial year. Payment of the LTI is based on reaching the defined EVA targets after three years. Every year, the NRC determines the target EVA figure on the basis of Alpiq's business plans, as approved by the Board of Directors. If the sum of the defined EVA targets is reached after three years, 100 % of the nominal value is paid out as an LTI. No additional payment is made if the EVA exceeds the EVA cap set by the NRC.

Other regulations

According to the Bonus Regulations in force since 1 January 2012, the amount of the base salary and the two bonus components, STB and LTI, may not exceed three times the base salary of any Executive Board member. Amounts in excess of this ceiling are not paid out.

Irrespective of this rule, the NRC is, however, authorised to grant special bonuses to individuals in exceptional cases.

In justifiable exceptional cases, the NRC may also decide that the CEO (following the proposal of the Chairman of the Board), or the head of a business or functional division (following the proposal of the Chairman of the Board) should not be paid a bonus (STB and / or LTI).

Amount of remuneration

In 2013, remuneration paid to the Executive Board totalled CHF 6.1 million (CHF 3.7 million), of which regular remuneration accounted for CHF 5.4 million (CHF 3.2 million) and pension benefits for CHF 0.7 million (CHF 0.5 million). Amounts in brackets relate to the previous year. The difference in remuneration between 2012 and 2013 can be attributed to the fact that the CEO function in 2012 was carried out ad interim by the Chairman of the Board without payment, as well as a legally owed severance payment according to Art. 339b of the Swiss Code of Obligations to the former CFO (Kurt Baumgartner), whose employment contract ended as at the end of March 2013 after 37 years of service .

In the reporting year, the ratio of fixed salary (totalling CHF 2.9 million) to variable components (totalling CHF 2.5 million) was 54 % to 46 %. Details of remuneration are set out in the Financial Report on page 152.

B. Directors' remuneration

In 2013, remuneration paid to Alpiq Directors totalled CHF 4.1 million (CHF 3.9 million), of which regular remuneration accounted for CHF 3.9 million (CHF 3.7 million) and pension benefits for CHF 0.2 million (CHF 0.2 million). Amounts in brackets relate to the previous year. The difference in remuneration between 2012 and 2013 is attributable to additional meetings.

Hans E. Schweickardt is employed full-time as Chairman of Alpiq Holding AG. All emoluments for other services to the Alpiq Group accrue to the company.

Directors' remuneration comprises fees, expenses, and other benefits. These components are not performance-related. Details of payments made to Directors are provided in the Financial Report on pages 150 and 151.

C. Market-compliant remuneration

To ensure that remuneration of members of the Executive Board and the Board of Directors is in line with standard market practice, Alpiq regularly engages an independent external consultancy firm to review the total pay packages relative to the market environment. This includes an analysis of both the level and structure of salaries, using as a benchmark the changes in results of listed Swiss and European electricity and energy companies with similar structures and operations, and of similar size.

The comparison and the initiated restructuring measures have indicated a need for adaptation. The NRC is currently working out a new remuneration structure for Executive Board members.

Change in remuneration for Directors

At its meeting on 12 December 2013, the Board of Directors, on proposal of the NRC, decided to reduce their fees by 20% as of 1 January 2014.

D. Ordinance against Excessive Compensation with respect to Listed Stock Corporations

The Ordinance against Excessive Compensation with respect to Listed Stock Corporations (OaEC) went into force on 1 January 2014. The implementation of this ordinance requires amendments to the Articles of Association. As a result, various changes to the Articles of Association will be presented to the General Meeting. To some extent, these proposals are expressed in broad terms and cover issues that are not currently relevant at Alpiq, for example, the proposed Art. 25 of the Articles of Association concerning credits or pension benefits outside of regular pension schemes and social security to members of the Board of Directors or the Executive Board. The aim of these proposals is to ensure the greatest possible flexibility and leeway. In doing so, future contingencies that cannot yet be foreseen are also covered.

The contents of certain provisions of the Articles of Association must be determined or put into concrete terms by the company. Other provisions reflect the new statutory regulations. The Board of Directors proposes the following amendments to the Articles of Association based on OaEC requirements:

- Selection of the remuneration system (Art. 20 of the Articles of Association): A prospective system is proposed in Art. 20 of the Articles of Association. Under this system, the General Meeting will approve the remuneration for members of the Board of Directors and the Executive Board prospectively for the following year. This system has advantages in that it offers a good combination of legal certainty for the company and a greater say for shareholders.

– Principles regarding the duties and powers of the compensation committee (at Alpiq Holding AG: NRC) (Art. 17 of the Articles of Association)
The ordinance requires that the provisions of the Articles of Association contain principles regarding the duties and powers of the compensation committee. The proposed provision offers the greatest flexibility.

– Additional payments to Executive Board members (Art. 21 of the Articles of Association)
The Articles of Association can empower the company to remunerate Executive Board members who performed services to the company after the General Meeting approved remuneration for the period. The amount of the additional payment must be defined. The proposed amount is 50 % of the last approved total remuneration to the Executive Board.

– Principles for performance-related remuneration (Art. 22 of the Articles of Association)
In order to be binding, the principles for performance-related remuneration (and allocation) must be included in the Articles of Association. Art. 22 describes these new principles. The principles include remuneration forms that Alpiq does not currently use. These provisions provide Alpiq with leeway should it wish to adapt its remuneration model or forms to current developments without having to amend the Articles of Association.

– Duration of contracts and notice of termination (Art. 23 of the Articles of Association)
The Articles of Association must include provisions regarding the duration of contracts with members of the Board of Directors and the Executive Board. The following principles must be determined:
  - form of the contracts (temporary and / or permanent contracts); and
  - maximum notice of termination and the maximum duration of temporary contracts (max. 12 months).

The proposed provisions shall provide the greatest possible flexibility. The company will enter into temporary one-year contracts or permanent contracts with a notice period of up to 12 months.

In addition, the proposal includes a provision concerning a non-competition clause. A non-competition period of up to three years and compensation of up to 50 % of the last annual compensation per year are proposed.

– Number of permissible roles of members of the Board of Directors and the Executive Board (Art. 24 of the Articles of Association)
  The Articles of Association must include the number of permissible roles of members of the Board of Directors and the Executive Board. Art. 24 provides that no member of the Board of Directors may take on more than 5 additional mandates and no member of the Executive Board may take on no more than 2 additional mandates in stock listed companies and that no member of the Board of Directors may take on more than 10 mandates, and no member of the Executive Board more than 5 mandates in non-stock listed companies. Mandates in various legal entities that are under joint control count as one mandate. Exceptions from this restriction are:

  1. Mandates in companies that are directly or indirectly controlled by Alpiq, or that Alpiq directly or indirectly controls exclusively or in mutual agreement with third parties;
  2. Mandates that a member of the Board of Directors or the Executive Board take on per order of the company or the companies controlled by Alpiq. No member of the Board of Directors or the Executive Board may take on more than 10 such mandates; and
  3. Mandates in non-profit associations and foundations such as staff pension fund foundations. No member of the Board of Directors or the Executive Board may take on more than 10 such mandates.

– Loans and credit (Art. 25 of the Articles of Association)
Loans, credit or annuities for members of the Board of Directors and the Executive Board are only permissible when the amounts of the loan, credit and annuities (annuities are payments that the company provides after retirement directly or indirectly as a benefit in connection with previous service on a board; excluded are annuities paid by another pension fund, except payments from supporting foundations or social security) are included in the Articles of Association. The proposed amendment provides that credit to members of the Executive Board must be market-compliant and only as long as the total sum of the credit to members of the Executive Board does not exceed 20 % of total remuneration.

Kladno: Alpiq renovated its coal-fired power station in Prague and increased its output by 135 megawatts.

Financial Report 2013

Alpiq Group Financial Review

The Alpiq Group (Alpiq) generated net revenue of CHF 9,370 million and EBITDA of CHF 796 million in the 2013 financial year, before exceptional items. EBIT amounted to CHF 499 million and Group profit ended the year at CHF 274 million. While the conventional asset-intensive energy business remained generally under pressure, certain parts of the company, such as the energy services business, performed positively.

The reported result also reflects the reduced size of the Alpiq 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. In addition to the divestments, a hybrid loan of CHF 1,017 million was raised in May 2013, supported by the main Swiss shareholders, with the aim of strengthening the Group's financial situation.

With no signs of a sustainable improvement in electricity prices in the medium term, various extraordinary impairment charges had to be recognised in 2013 for non-current assets, energy contracts and associates. However, at CHF – 275 million before tax, these charges were much lower than in previous years. The impairments affected assets such as the gas-fired combined-cycle power stations in France, Italy and Hungary. As a result of a change in the fiscal framework in Bulgaria at the end of 2013, all wind farms and solar power facilities are now subject to additional revenue-based charges, effective as from the beginning of 2014. This significantly increases the tax burden and hence impairs the value of the Vetrocom wind farm in Bulgaria. The financial result was, however, positively impacted by the reversal of an impairment for the production units in the Czech Republic (Kladno and Zlín). These power stations were classified as assets held for sale at the end of 2012 and their value reduced to the expected selling price. Following Alpiq's decision to retain the power generating facilities in its portfolio, it was necessary to increase their value to the value in use.

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 520 million for Alpiq. 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. Together, these divestments reduced net debt by approximately CHF 690 million in 2013. The Monthel industrial power station in the canton of Valais was sold off in December 2013.

The net total of the above-mentioned exceptional items comprising impairments, impairment reversals for production units in the Czech Republic and the proceeds from the sale of businesses amounted to CHF – 276 million before tax or CHF – 256 million after tax.

Overall, the Alpiq Group's net profit for the year was CHF 18 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 Group and its business divisions relates to operations, i.e. earnings before exceptional items.

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

CHF million	2012 [1] Results of operations before exceptional items	Exceptional items	2012 [1] Results under IFRS after exceptional items	2013 Results of operations before exceptional items	Exceptional items [2]	2013 Results under IFRS after exceptional items
Net revenue	**12,723**		**12,723**	**9,370**		**9,370**
Own work capitalised	121		121	72		72
Other operating income	103	210	313	101	11	112
Total revenue and other income	**12,947**	**210**	**13,157**	**9,543**	**11**	**9,554**
Energy and inventory costs	– 10,538	53	– 10,485	– 7,525	– 9	– 7,534
Employee costs	– 895		– 895	– 808		– 808
Plant maintenance costs	– 134		– 134	– 113		– 113
Other operating expenses	– 383	– 48	– 431	– 301	– 9	– 310
Profit before interest, tax, depreciation and amortisation (EBITDA)	**997**	**215**	**1,212**	**796**	**– 7**	**789**
Depreciation, amortisation and impairment	– 473	– 1,663	– 2,136	– 297	– 213	– 510
Profit / (loss) before interest and tax (EBIT)	**524**	**– 1,448**	**– 924**	**499**	**– 220**	**279**
Share of results of joint ventures and other associates	– 74	12	– 62	– 70	– 56	– 126
Finance costs	– 227	– 46	– 273	– 168		– 168
Finance income	18		18	19		19
Profit / (loss) before income tax	**241**	**– 1,482**	**– 1,241**	**280**	**– 276**	**4**
Income tax expense	– 29	176	147	– 6	20	14
Group profit / (loss) for the year	**212**	**– 1,306**	**– 1,094**	**274**	**– 256**	**18**

1 Prior year comparatives restated
2 Include impairment allowances, impairment reversals as well as proceeds from the sale of businesses

Alpiq Group: results of operations (excluding exceptional items)

Amidst a turbulent environment, the 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.

The volume of power marketed by Swiss power generating facilities was significantly affected by the unscheduled interruption to production at the Gösgen nuclear power station and by the reduced volume of deliveries from long-term contracts. Conversely, the volume of power generated by hydroelectric generation facilities was above the prior-year figure, due in particular to various revisions conducted in the prior year. On the open market, however, electricity was sold at lower prices although this negative effect was mitigated by short-term optimisation transactions. Production costs were higher, particularly for nuclear power, due among other things to investments in plant safety, but were positively influenced by the court awarded one-off compensation for ancillary service costs wrongfully charged in Switzerland during 2009 and 2010.

The thermal power generating facilities, most of which are located abroad, delivered significantly lower results than in the prior year, driven primarily by 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.

Renewable Energy Sources posted higher results than in the prior year thanks to the wind farms in Italy and to exceptionally good wind conditions in the first quarter of the year.

Compared to 2012, Alpiq's wholesale business performed successfully in Central and Eastern Europe. This was due to optimal positioning of the broad portfolio and favourable electricity export opportunities.

Overall, Energy Services put in a stable performance, although a distinction must be made here between Industrial and Power Plant Engineering (Energie- und Anlagetechnik / EAT) in Germany and technology installation activities in Switzerland. The Alpiq InTec (AIT) Group, which operates primarily in Switzerland, continued to benefit from its excellent market positioning and good economic conditions in the construction sector, posting higher results than the prior year. The Industrial and Power Plant Engineering (EAT) business in Germany suffered from a general reluctance to invest in conventional power plant technology as well as declining demand for nuclear technology in Germany. The results were also weighed down by provisions recognised for specific projects and one-off costs for restructuring the operations in Hungary.

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.

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

At the reporting date on 31 December 2013, total assets amounted to approximately CHF 14.5 billion compared to CHF 14.9 billion at the end of the previous year. The decline is primarily due to the disposal of interests as well as impairments recognised for international power generating facilities and associated companies. Non-current assets were higher as a result of reclassifying the production units in the Czech Republic, which were classified as held for sale at the end of 2012, and due to the increased shareholding in Swissgrid Ltd following the sale of the grid companies.

Due to the significantly higher liquidity resulting from the aforementioned disposals and to the capital of around CHF 1.0 billion raised in the year under review, current assets were substantially above the prior-year level. Including term deposits and investments, short-term liquidity amounts to CHF 2.4 billion. The high cash reserve is available to cover basic liquidity requirements and specific investments aimed at implementing the new strategy. Trade receivables were lower year-on-year, while the fair value of energy derivatives and other accruals remained largely unchanged.

Equity for 2013 amounted to approximately CHF 5.8 billion, ending the year well below the prior-year level (CHF 4.8 billion). In May, a hybrid bond of CHF 650 million was successfully placed on the market with a view to strengthening the Group's financial position. The main Swiss shareholders contributed another CHF 367 million, boosting equity less transaction costs by CHF 1,005 million in total.

Alongside the positive effect generated by the hybrid capital, which is fully disclosed as equity due to the way it is structured, actuarial losses for pension benefits, which are recognised in other comprehensive income (first-time application of IAS 19 revised), reduced equity by CHF 134 million on the balance sheet date . Equity was also lower due to the dividend payment as well as payment of interest on part of the hybrid capital. The equity ratio rose year-on-year to 40.2 % (32.4 %).

Short- and long-term borrowings were reduced by CHF 915 million due to the aforementioned disposals and the hybrid loan. Thanks to higher liquidity, net debt was halved to CHF 2.0 billion. The net debt / EBITDA ratio improved from 4.0 to 2.6 despite the lower operating result.

As with the assets side, the increase in other liabilities is primarily attributable to the reclassification of production units in the Czech Republic. Conversely, provisions and deferred income tax liabilities decreased by around CHF 115 million.

Cash flows from operating activities increased significantly to CHF 670 million in 2013 (prior year: CHF 466 million). The lower operating result (EBITDA) is mainly compensated by the positive impact of the optimisation of net working capital and other non-current liabilities. The active management of trade receivables, a reduction in sales transactions, as well as the disposal of subsidiaries all had a positive effect on cash flow.

Cash flows from investment and financing activities were affected by the divestments and hybrid financing. However, due to the high cash inflow cash and term deposit debt was repaid, which in turn reduced the interest burden. Investment in tangible assets was reduced to a minimum, which resulted in a reduction of cash outflow compared to the previous year. Total cash and cash equivalents grew by CHF 465 million to around CHF 1.75 billion.

Market conditions

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 flow-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.

Generation business division

The new Generation business division, which was set up as part of the restructuring programme and covers all power generating facilities and their marketing, posted lower results in 2013 compared to the prior year.

Once more, the market conditions for power generation and marketing deteriorated. To minimise sales and price risks, Alpiq forward sells electricity from power stations and long-term purchase contracts with a view to securing this income stream. For this reason, the price movement which occurred in the market over the past year had little influence on the margin situation of power generating facilities. It is rather crucial to understand under what conditions power was sold before 2013.

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, coupled with the lower volume purchased through long-term contracts compared to 2012.

While production costs for hydraulic energy remained highly 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.

Outside Switzerland, installed conventional-thermal power generation suffered, in general from lower price differences between primary energy and the electricity price. Lower prices and the reduction in CO_2 emissions rights (introduction of NAP III for EU emissions trading) drove down the results for power generating facilities in Novara (Italy) as well as Kladno and Zlín (Czech Republic). The results were further weighed down due to the absence of the successful hedging transactions conducted in the prior year for power generation in Bayet (France). The power generating facilities in Csepel (Hungary) and Plana del Vent (Spain) delivered results on a par with the previous year, although the Spanish government's austerity measures (which virtually halve capacity payments), coupled with less favourable gas procurement conditions, had a negative impact.

Renewable Energy Sources delivered substantially higher results compared to 2012. The increase was attributable to excellent wind conditions and consequently high volumes of generation in the first quarter, as well as the Aero-Rossa S.r.l. and EnPower 3 S.r.l. wind farms in Italy which were included in the scope of consolidation in June 2012.

Construction of the new power generating unit K7 in Kladno, Czech Republic, with a capital investment volume of EUR 260 million, proceeded according to plan. The unit, which has an output of 135 Megawatts, went into operation on 1 January 2014 and from now on will make sizeable contributions to the results. Construction of the Nant de Drance pumped storage facility (Switzerland), which with an installed pump-turbine power capacity of 900 Megawatts will generate around 3,000 Gigawatt hours of energy annually, also progressed without any notable problems.

Commerce & Trading business division

As part of the move to streamline the Alpiq organisation, the market activities of Switzerland, France, Italy as well as Central and Eastern Europe were merged with the asset-related optimisation and trading activities for Switzerland and Western Europe at the beginning of the reporting period. Asset-related earnings are disclosed under the Generation business division. In the period under review, proprietary trading activities were also temporarily reduced. As these changes were reflected in the business division's results, comparability with the previous year's figures can only partially be made.

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.

In the competitive French market, lower volumes and margins gave rise to lower results compared to the prior year. Sales and optimisation in Italy, which benefited in 2012 from sizeable one-off effects, delivered lower results year-on-year.

The business in Central and Eastern Europe (CEE) performed positively. A broad-based wholesale portfolio in virtually all markets throughout the region, coupled with successful cross-border management, had a positive impact on the results of Portfolio Optimisation CEE.

Energy Services business division

At the beginning of 2013 activities in the area of energy services were organisationally combined under one business division. Following the sale of the energy supply technology business in 2012, Energy Services now comprises Industrial and Power Plant Engineering (Energie- und Anlagentechnik EAT) and the Alpiq InTec (AIT) Group, which specialises in building services and facility management, as well as energy supply and transport technology.

In 2013 the results delivered by EAT were negatively impacted by the loss of one of its Hungarian subsidiaries due to lack of incoming orders, and an impairment recognised for a loss-making project. Another negative factor was the lower performance delivered by a Romanian subsidiary. The market environment is suffering from a general reluctance to invest in conventional power generating technology as well as declining demand for nuclear technology in Germany.

AIT performed well. This building services and facility management business benefited from strong positioning on the domestic market and from processing the high volume of orders received in the prior year. A generally favourable market environment enabled the energy supply and transport technology business to win a number of orders. Following some difficult years, the business units in Italy were again able to make positive contributions to the results.

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. If this trend continues, this will increase the pressure on the value of hydroelectric power stations in Switzerland. 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 put Alpiq 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 Group

Consolidated Income Statement

CHF million	Note	2012 (restated)	2013
Net revenue	30	**12,723**	**9,370**
Own work capitalised	5	121	72
Other operating income	5	313	112
Total revenue and other income		**13,157**	**9,554**
Energy and inventory costs	6	– 10,485	– 7,534
Employee costs	7	– 895	– 808
Plant maintenance costs		– 134	– 113
Other operating expenses		– 431	– 310
Profit before interest, tax, depreciation and amortisation (EBITDA)		**1,212**	**789**
Depreciation, amortisation and impairment	8	– 2,136	– 510
Profit / (loss) before interest and tax (EBIT)		**– 924**	**279**
Share of results of joint ventures and other associates	15	– 62	– 126
Finance costs	9	– 273	– 168
Finance income	9	18	19
Profit / (loss) before income tax		**– 1,241**	**4**
Income tax expense	10	147	14
Group profit / (loss) for the year		**– 1,094**	**18**
Attributable to non-controlling interests		– 40	– 4
Attributable to equity investors of Alpiq Holding		– 1,054	22
Earnings / (loss) per share in CHF	11	**– 38.76**	**– 0.37**

Consolidated Statement of Comprehensive Income

CHF million	2012 (restated)	2013
Group profit / (loss) for the year	**– 1,094**	**18**
Cash flow hedges taken to equity	– 19	18
Income tax expense	2	– 4
Net of income tax	– 17	14
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	– 8	27
Items that are or may be reclassified subsequently to Income Statement, net of tax	**– 36**	**55**
Actuarial profit / (loss) from pension schemes	– 38	63
Income tax expense	11	– 14
Net of income tax	– 27	49
IAS 19 effects of changes in equity of joint ventures and other associates	– 10	47
Income tax expense	2	– 10
Net of income tax	– 8	37
Items that will not be reclassified to Income Statement, net of tax	**– 35**	**86**
Other comprehensive income for the period, net of income tax	**– 71**	**141**
Total comprehensive income for the year	**– 1,165**	**159**
Attributable to non-controlling interests	– 43	– 2
Attributable to equity investors of Alpiq Holding	– 1,122	161

Consolidated Statement of Financial Position

Assets

CHF million	Note	1 Jan 2012 (restated)	31 Dec 2012 (restated)	31 Dec 2013
Property, plant and equipment	12	5,041	3,628	4,132
Intangible assets	13, 14	1,977	1,120	874
Investments in joint ventures and other associates	15	4,319	3,585	3,677
Other non-current financial assets	16	130	103	343
Deferred income tax assets	10	40	103	57
Retirement benefit assets	26	9	15	14
Non-current assets		**11,516**	**8,554**	**9,097**
Inventories	17	111	83	93
Trade and other receivables	18	2,000	2,175	2,111
Term deposits		324	120	680
Cash and cash equivalents	19	900	1,249	1,741
Current asset investments		4	17	
Derivative financial instruments		722	733	748
Prepayments and accrued income		103	83	52
Current assets		**4,164**	**4,460**	**5,425**
Assets held for sale	33	**1,838**	**1,849**	
Total assets		**17,518**	**14,863**	**14,522**

Equity and liabilities

CHF million	Note	1 Jan 2012 (restated)	31 Dec 2012 (restated)	31 Dec 2013
Share capital	20	272	272	272
Share premium		4,431	4,377	4,323
Hybrid capital	20			1,017
Retained earnings		1,169	43	176
Equity attributable to equity investors in Alpiq Holding		**5,872**	**4,692**	**5,788**
Non-controlling interests		184	125	51
Total equity		**6,056**	**4,817**	**5,839**
Provisions	21	124	106	112
Deferred income tax liabilities	10	1,515	1,263	1,162
Retirement benefit obligations	26	192	305	262
Long-term borrowings	22	4,615	4,487	3,875
Other non-current liabilities	23	231	112	88
Non-current liabilities		**6,677**	**6,273**	**5,499**
Current income tax liabilities		44	64	51
Short-term borrowings		1,331	888	596
Other current liabilities	24	1,390	1,222	1,232
Derivative financial instruments		706	777	772
Accruals and deferred income		579	558	533
Current liabilities		**4,050**	**3,509**	**3,184**
Total liabilities		**10,727**	**9,782**	**8,683**
Liabilities held for sale	33	**735**	**264**	
Total equity and liabilities		**17,518**	**14,863**	**14,522**

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 equity investors of Alpiq Holding	Non-controlling interests	Total equity
Equity at 31 December 2011	272	4,431	– 32	– 673	2,043	6,041	164	6,205
Restatement (see page 67)					– 169	– 169	20	– 149
Equity at 1 January 2012 [1]	**272**	**4,431**	**– 32**	**– 673**	**1,874**	**5,872**	**184**	**6,056**
Profit for the period [1]					– 1,054	– 1,054	– 40	– 1,094
Other comprehensive income [1]			– 26	– 8	– 34	– 68	– 3	– 71
Total comprehensive income [1]			**– 26**	**– 8**	**– 1,088**	**– 1,122**	**– 43**	**– 1,165**
Transfer from share premium to retained earnings		– 54			54	0		
Dividends [1]					– 54	– 54	– 12	– 66
Change in non-controlling interests			– 1		– 3	– 4	– 4	– 8
Equity at 31 December 2012 [1]	**272**	**4,377**	**– 59**	**– 681**	**783**	**4,692**	**125**	**4,817**

1 Restated, see page 67

CHF million	Share capital	Share premium	Hybrid capital	Unrealised gains and losses under IAS 39	Foreign currency translation reserve	Retained earnings	Attributable to equity investors of Alpiq Holding	Non-controlling interests	Total equity
Equity at 31 December 2012 [1]	**272**	**4,377**	**0**	**– 59**	**– 681**	**783**	**4,692**	**125**	**4,817**
Profit / (loss) for the period						22	22	– 4	18
Other comprehensive income				26	27	86	139	2	141
Total comprehensive income				**26**	**27**	**108**	**161**	**– 2**	**159**
Transfer from share premium to retained earnings		– 54				54	0		0
Proceeds from hybrid capital			1,017			– 12	1,005		1,005
Distributions to hybrid investors						– 16	– 16		– 16
Dividends						– 54	– 54	– 11	– 65
Change in non-controlling interests							0	– 61	– 61
Equity at 31 December 2013	**272**	**4,323**	**1,017**	**– 33**	**– 654**	**863**	**5,788**	**51**	**5,839**

1 Restated, see page 67

Alpiq's Board of Directors proposes that the Annual General Meeting on 24 April 2014 approve a dividend of CHF 2.00 per registered share for the 2013 financial year (2012 financial year: CHF 2.00). This represents a total payout of CHF 54 million (CHF 54 million). For more details, please refer to the "Board of Directors' Proposal" on page 154.

Consolidated Statement of Cash Flows

CHF million	Note	2012 (restated)	2013
Profit / (loss) before income tax		**– 1,241**	**4**
Adjustments for:			
Own work capitalised	5	– 121	– 72
Depreciation, amortisation and impairment	8	2,136	510
Gain / loss on sale of non-current assets		– 7	– 8
Financial result		317	275
Other non-cash income and expenses		– 157	
Change in provisions (excl. interest)	21	– 51	– 7
Change in retirement benefit assets / obligations and other non-current liabilities		– 116	– 14
Change in fair value of derivative financial instruments		25	9
Change in working capital (excl. derivatives, current financial assets / liabilities and current provisions)		– 222	83
Other financial income and expenses		1	– 11
Income tax paid		– 98	– 99
Net cash flows from operating activities		**466**	**670**
Property, plant and equipment and intangible assets			
Purchases		– 229	– 179
Proceeds from sale		37	16
Subsidiaries			
Acquisitions	31	24	– 9
Proceeds from disposal	32	223	296
Associates			
Acquisitions		– 3	– 4
Proceeds from disposal		287	280
Other non-current financial assets			
Purchases		– 5	– 2
Proceeds from sale / repayments		24	6
Change in term deposits		212	– 547
Purchases / proceeds from sale of current asset investments		71	47
Dividends from joint ventures, other associates and financial investments		44	36
Interest received		16	17
Net cash flows from investing activities		**701**	**– 43**

Dividends paid		– 54	– 54
Dividends paid to non-controlling interests		– 12	– 11
Proceeds from borrowings		660	26
Repayment of borrowings		– 1,335	– 941
Change in non-controlling interests		1	
Proceeds from hybrid capital	20		1,005
Distributions to hybrid investors recorded outside profit and loss in equity	20		– 16
Interest paid		– 187	– 174
Net cash flows (used in) / from financing activities		**– 927**	**– 165**
Effect of exchange rate changes		**– 1**	**3**
Change in cash and cash equivalents		**239**	**465**
Analysis:			
Cash and cash equivalents at 1 January		1,037	1,276
Cash and cash equivalents at 31 December		1,276	1,741
Change		**239**	**465**

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

The balance of CHF 1,276 million in cash and cash equivalents disclosed at 31 December 2012 in the consolidated statement of cash flows also includes CHF 27 million (1 Jan 2012: CHF 137 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 on the Consolidated Financial Statements

1 Significant accounting policies

Basis of preparation of the consolidated financial statements

The consolidated financial statements of the Alpiq Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations (IFRIC) issued by the International Accounting Standards Board (IASB) and comply with Swiss law. The consolidated financial statements give a true and fair view of the financial position, results of operations and cash flows of the Alpiq 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 consolidated financial statements were authorised for issue by the Board of Directors of the Alpiq Group on 4 March 2014 and are subject to approval by shareholders at the Annual General Meeting on 24 April 2014.

Adoption of new and revised accounting standards

The Alpiq 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)
- IFRS 7 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)
- IAS 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 condolidated financial statements either.

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

IAS 19 rev. Employee Benefits

The revised standard IAS 19 "Employee Benefits" entered into force on 1 January 2013. The Alpiq 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.

The introduction of IFRS 10 means that Kraftwerke Gougra AG is fully consolidated. The introduction of IFRS 11 means that, with regard to the affected consortia, the proportionate assets, liabilities, earnings and expenditures are recorded.

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.

The affected consortia have been accounted for up to now using the equity method. Alpiq recognises the proportionate assets, liabilities, earnings and expenditure of these consortia retrospectively.

Changes in previous periods from the application of IAS 19 rev., IFRS 10 and IFRS 11

Changes in the Consolidated Income Statement

CHF million	2012 (reported)	Changes IAS 19 rev.	Changes IFRS 10/11	2012 (restated)
Net revenue	**12,710**		**13**	**12,723**
Other operating income	311		2	313
Total revenue and other income	**13,142**		**15**	**13,157**
Employee costs	– 894	– 1		– 895
Other operating expenses	– 429		– 2	– 431
Profit before interest, tax, depreciation and amortisation (EBITDA)	**1,200**	**– 1**	**13**	**1,212**
Depreciation, amortisation and impairment	– 2,128		– 8	– 2,136
Profit before interest and tax (EBIT)	**– 928**	**– 1**	**5**	**– 924**
Share of profit of joint ventures and other associates	– 57	– 4	– 1	– 62
Finance costs	– 266	– 5	– 2	– 273
Profit before income tax	**– 1,233**	**– 10**	**2**	**– 1,241**
Income tax expense	147	1	– 1	147
Group profit / (loss) for the period	**– 1,086**	**– 9**	**1**	**– 1,094**
Attributable to non-controlling interests	– 41		1	– 40
Attributable to equity investors of Alpiq Holding	– 1,045	– 9		– 1,054
Earnings per share in CHF	**– 38.43**	**– 0.33**		**– 38.76**

Amendments to the Consolidated Statement of Comprehensive Income

CHF million	2012 (reported)	Changes IAS 19 rev.	Changes IFRS 10/11	2012 (restated)
Group profit / (loss) for the period	**– 1,086**	**– 9**	**1**	**– 1,094**
Actuarial profit / (loss) from pension schemes		– 38		– 38
Income tax expense		11		11
Net of income tax		– 27		– 27
IAS 19 effects of changes in equity of joint ventures and other associates		– 10		– 10
Income tax expense		2		2
Net of income tax		– 8		– 8
Items that will not be reclassified to Income Statement, net of tax		**– 35**		**– 35**
Other comprehensive income for the period, net of income tax	**– 36**	**– 35**		**– 71**
Total comprehensive income for the period	**– 1,122**	**– 44**	**1**	**– 1,165**
Attributable to non-controlling interests	– 43	– 1	1	– 43
Attributable to equity investors of Alpiq Holding	– 1,079	– 43		– 1,122

Changes to the Consolidated Statement of Financial Position

Assets as per 1 January 2012

CHF million	1.1.2012 (reported)	Changes IAS 19 rev.	Changes IFRS 10 / 11	1.1.2012 (restated)
Property, plant and equipment	4,900		141	5,041
Intangible assets	1,964		13	1,977
Investments in joint ventures and other associates	4,420	– 59	– 42	4,319
Retirement benefit assets	15	– 6		9
Non-current assets	**11,469**	**– 65**	**112**	**11,516**
Trade and other receivables	1,999		1	2,000
Cash and cash equivalents	876		24	900
Current assets	**4,139**		**25**	**4,164**
Total assets	**17,446**	**– 65**	**137**	**17,518**

Equity and liabilities as per 1 January 2012

CHF million	1.1.2012 (reported)	Changes IAS 19 rev.	Changes IFRS 10 / 11	1.1.2012 (restated)
Equity attributable to equity investors of Alpiq Holding	6,041	– 169		5,872
Non-controlling interests	164	– 7	27	184
Total equity	**6,205**	**– 176**	**27**	**6,056**
Provisions	147	– 23		124
Deferred income tax liabilities	1,546	– 31		1,515
Retirement benefit obligations	34	158		192
Long-term borrowings	4,525		90	4,615
Non-current liabilities	**6,483**	**104**	**90**	**6,677**
Current income tax liabilities	42		2	44
Other current liabilities	1,386		4	1,390
Accruals and deferred income	565		14	579
Current liabilities	**4,030**		**20**	**4,050**
Total liabilities	**10,513**	**104**	**110**	**10,727**
Liabilities held for sale	**728**	**7**		**735**
Total equity and liabilities	**17,446**	**– 65**	**137**	**17,518**

Assets as per 31 December 2012

CHF million	31.12.2012 (reported)	Changes IAS 19 rev.	Changes IFRS 10/11	31.12.2012 (restated)
Property, plant and equipment	3,476		152	3,628
Intangible assets	1,108		12	1,120
Investments in joint ventures and other associates	3,698	– 71	– 42	3,585
Retirement benefit assets	17	– 2		15
Non-current assets	**8,505**	**– 73**	**122**	**8,554**
Cash and cash equivalents	1,222		27	1,249
Accruals and deferred income	80		3	83
Current assets	**4,430**		**30**	**4,460**
Total assets	**14,784**	**– 73**	**152**	**14,863**

Equity and liabilities as per 31 December 2012

CHF million	31.12.2012 (reported)	Changes IAS 19 rev.	Changes IFRS 10/11	31.12.2012 (restated)
Equity attributable to equity investors of Alpiq Holding	4,904	– 212		4,692
Non-controlling interests	106	– 8	27	125
Total equity	**5,010**	**– 220**	**27**	**4,817**
Provisions	108	– 2		106
Deferred income tax liabilities	1,303	– 40		1,263
Retirement benefit obligations	116	189		305
Long-term borrowings	4,407		80	4,487
Non-current liabilities	**6,046**	**147**	**80**	**6,273**
Current income tax liabilities	61		3	64
Short-term borrowings	863		25	888
Other current liabilities	1,221		1	1,222
Accruals and deferred income	562	– 20	16	558
Current liabilities	**3,484**	**– 20**	**45**	**3,509**
Total liabilities	**9,530**	**127**	**125**	**9,782**
Liabilities held for sale	**244**	**20**		**264**
Total equity and liabilities	**14,784**	**– 73**	**152**	**14,863**

Changes to the Consolidated Statement of Changes in Equity

CHF million	2012 (reported)	Changes IAS 19 rev.	Changes IFRS 10/11	2012 (restated)
Equity attributable to equity investors of Alpiq Holding				
Equity at 1 January 2012	**6,041**	**– 169**		**5,872**
Profit / (loss) for the period	– 1,045	– 9		– 1,054
Other comprehensive income	– 34	– 34		– 68
Total comprehensive income	**– 1,079**	**– 43**		**– 1,122**
Equity at 31 December 2012	**4,904**	**– 212**		**4,692**
Non-controlling interests				
Equity at 1 January 2012	**164**	**– 7**	**27**	**184**
Profit / (loss) for the period	– 41		1	– 40
Other comprehensive income	– 2	– 1		– 3
Total comprehensive income	**– 43**	**– 1**	**1**	**– 43**
Dividends	– 11		– 1	– 12
Equity at 31 December 2012	**106**	**– 8**	**27**	**125**

Changes to the Consolidated Statement of Cash Flows

CHF million	2012 (reported)[1]	Changes IAS 19 rev.	Changes IFRS 10/11	2012 (restated)
Profit / (loss) before income tax	**– 1,233**	**– 10**	**2**	**– 1,241**
Adjustments for:				
Depreciation, amortisation and impairment	2,128		8	2,136
Gain / loss on sale of non-current assets	– 6		– 1	– 7
Financial result	305	9	3	317
Change in retirement benefit assets / obligations and other non-current liabilities	– 117	1		– 116
Change in working capital (excl. derivatives, current financial assets / liabilities and current provisions)	– 220		– 2	– 222
Income tax paid	– 97		– 1	– 98
Net cash flows from operating activities	**457**		**9**	**466**
Property, plant and equipment and intangible assets				
Purchases	– 212		– 17	– 229
Proceeds from sale	36		1	37
Dividends from joint ventures, other associates and financial investments	45		– 1	44
Net cash flows (used in) / from investing activities	**718**		**– 17**	**701**
Dividends paid to non-controlling interests	– 11		– 1	– 12
Proceeds from borrowings	645		15	660
Interest paid	– 184		– 3	– 187
Net cash flows from / (used in) financing activities	**– 938**		**11**	**– 927**
Change in cash and cash equivalents	**236**		**3**	**239**

1 After change in the presentation of the consolidated statement of cash flows, see page 73

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 127 million and cash flow from investing activities increased by CHF 60 million while cash flow from financing activities decreased by CHF 187 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.

Correction of prior year disclosure errors

A review of the information presented in the notes showed that, in the previous year, the figure for electricity purchases from third parties was overstated and the figure for electricity purchases from joint ventures was understated by the corresponding amount. Previous year results on "energy and inventory costs" as well as "results for transactions with affiliates" were adjusted accordingly.

The changes in presentation have had no impact on the consolidated income statement or statement of financial position.

Basis of consolidation

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

Subsidiaries are entities which are controlled by the Alpiq 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 Group has significant influence are accounted for in the consolidated financial statements using the equity method. The Alpiq Group's share of the assets, liabilities, income and expenses of such entities is disclosed in note 15 to the consolidated financial statements.

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 on pages 131 to 137 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 Holding 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). Revenue from construction contracts is generally recognised using the percentage-of-completion method by reference to the stage of completion of the contract activity.

Income tax expense

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. Unrecognised tax benefits of tax loss carry-forwards are disclosed.

The effects of the recognition of temporary differences are presented in note 10 to the consolidated financial statements.

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 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 straight-line 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 facilities	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 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.

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. The useful lives of the intangible assets currently recognised range from 2 to 14 years.

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 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. 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. The method used for testing cash-generating units for impairment is disclosed in note 14.

Investments in associates and joint ventures

An associate is an entity over which the Alpiq Group is in a position to exercise significant influence through participation in the financial and operating policy decisions of the investee, and that is neither a subsidiary nor a joint 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 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 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

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 Group as the lessee, and where it consequently acquires economic ownership, are treated as 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 statement of financial position.

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 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 Group are treated as operating leases and are not recognised in the statement of financial position. 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 Group are currently immaterial.

Construction contracts

Work performed for customers under construction contracts in the energy services business is recorded using the percentage-of-completion method, and the amount to be recognised as an asset is included in receivables and sales revenue. The stage of completion is measured by reference to the extent of work performed to date, i.e. according to the costs already incurred. Contract costs are recognised as expenses in the period in which they are incurred.

When the stage of completion or the outcome of contracts or groups of contracts cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. Write-downs or provisions are made for any losses expected to be incurred on construction contracts. For contracts in progress, the revenue agreed in the contract and any subsequent variations confirmed by the customer in writing are recognised as contract revenue.

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 pre-tax 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.

Swiss Group companies belonging to AIT participate in a legally independent pension scheme that is fully reinsured. The pension plans under this scheme are classified as defined benefit plans under IAS 19. Employees of foreign companies are covered by state social security schemes which meet the criteria as defined contribution plans according to IAS 19.

The German EAT exclusively operates a pension scheme where the employer has a constructive obligation to pay benefits, i.e. there is no legally independent pension scheme. Retirement benefit obligations are presented in the company's statement of financial position. These retirement benefit obligations are calculated in accordance with annual actuarial valuations of the existing benefit obligation. Benefits are paid directly by the company. Under IAS 19, a constructive obligation to pay benefits under German law constitutes an unfunded plan and is reported as a net liability in the statement of financial position. As there are no separate plan assets to meet the obligation, the actual payments are deducted from the retirement benefit obligations in the statement of financial position.

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. However, the nature and extent of liabilities existing at the reporting date is disclosed as a contingent liability in the notes to the consolidated financial statements.

Segment information

The reportable segments under IFRS 8 consist of the three: Generation, Commerce & Trading und Energy Services business divisions. The Executive Board evaluates each of these separately for the purpose of assessing performance and allocating resources. The key measure of performance used for internal management and assessment of the Alpiq Group is segment profit (EBITDA, EBIT). Operating costs comprise energy purchase and generation costs as well as all other operating costs, including employee benefits and services used. Amounts derived from management reporting require no adjustment for financial reporting as the same accounting policies are used for internal and external reporting.

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 Group’s financial risk management policy.

Current asset investments include both securities held for trading and those classified as available-for-sale. All securities are recorded at fair value. Changes in the fair value of securities held for trading are recognised in the income statement in the period in which they occur.

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 Group was approximately CHF 8.7 billion at 31 December 2013 (previous year: CHF 8.3 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” presented in note 21 was CHF 108 million (previous year: CHF 139 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. The principal assumptions are disclosed in note 26.

2 Acquisitions and disposals of fully consolidated companies

Year-on-year changes in the Group resulting from acquisitions and disposals were as follows:

Acquisitions	Ownership interest	Consolidated since	Business division
Tormoseröd Vindpark AB, Karlstad / SE	100.0 %	2 Dec 2013	Generation
Ytre Oppedal Kraftverk AS, Voss / NO [1]	100.0 %	2 Dec 2013	Generation
Liechti AG, Kälte-Klima-Energie, Frauenfeld / CH	100.0 %	4 Dec 2013	Energy Services

1 Previous ownership interest 13.6 %

Disposals	Ownership interest	Deconsolidated on	Business division
Società Elettrica Sopracenerina SA, Locarno / CH	60.9 %	9 Jul 2013	Commerce & Trading
K+M Fahrleitungstechnik GmbH, Issenbüttel / DE	100.0 %	12 Apr 2013	Energy Services
Alpiq Grid Ltd. Gösgen, Niedergösgen / CH	100.0 %	3 Jan 2013	Generation
Alpiq Grid Ltd Lausanne, Lausanne / CH	100.0 %	3 Jan 2013	Generation
Alpiq Csepeli Erömü Kft., Budapest / HU	100.0 %	31 Oct 2013	Generation
Madland Kraftverk AS, Billingstad / NO	100.0 %	2 Dec 2013	Generation

Consolidated revenue did not increase significantly as a result of these acquisitions. The assets and liabilities acquired or disposed of and the associated cash flows are disclosed in notes 31 and 32.

3 Financial risk management

General policies

The Alpiq Group's operating activities are exposed to strategic and operational risks, and in particular credit , liquidity and market risks (energy price risk, interest rate risk and foreign currency risk). During the annual business risk assessment process, strategic and operational risks throughout the Group are recorded and assessed and then assigned to the identified risk owners for management and monitoring. The Group Risk Management functional unit monitors the implementation of the measures. Exposure limits are set for credit, liquidity and market risks, with compliance monitored on an ongoing basis, and adjusted in the context of the company's overall risk-taking capacity.

The principles of the Group's risk management policy are established by the Board of Directors. The Executive Board is responsible for their development and implementation. The Risk Management Committee (RMC) monitors compliance with the principles and policies. It also defines the hedging strategy for protecting the value of the power plants. The Group Risk Management (GRM) functional unit is responsible for managing risks and reports to the CEO. The GRM provides methods and tools for implementing risk management and also assists the business divisions, functional divisions and business units in their risk management activities. The GRM coordinates the activities and reporting with line management through to unit manager level and ensures timely reporting to the Board of Directors, Executive Board and RMC.

Principles for managing risks in the Alpiq Group's energy business are set out in the Group Risk Policy. They comprise guidelines on the incurrence, measurement, management and limitation of exposure to business risks in the energy business and specify the organisation and responsibilities for risk management. The objective is to maintain a reasonable balance between the business risks incurred, earnings and risk-bearing equity.

The Group's Financial Risk Policy defines the substance, organisation and system for risk management within the Alpiq Group. The units responsible manage their financial risks within the framework of the risk management policy and limits defined for their areas of activity. The objective is to reduce financial risks, bearing in mind the hedging costs and risks being incurred.

Capital management

Across the Alpiq Group, capital is managed in line with the Group's overall financial strategy. The strategy is focused on the Group's reported consolidated equity and net debt to EBITDA ratio. At the reporting date on 31 December 2013, the equity ratio was 40.2 % (previous year: 32.4 %). Based on the reported results, the return on equity is not meaningful for the reporting year, as in the previous year .

The Group's policy is for debts to be raised centrally by Alpiq Holding Ltd. The domestic capital market is the main source of financing. Alpiq Holding Ltd. held 80 % of the Group's total borrowings at 31 December 2013 (previous year: 83 %). The amount of the financial liabilities must stand at a reasonable level relative to profitability, in particular to investors, but also to ensure a strong credit rating in line with industry norms. Decisive for capitalisation is the ratio net debt to EBITDA. Based on the reported results, this ratio was 2.6 for 2013 (previous year: 4.0).

During the budgeting and planning process, the Board of Directors takes notice annually of the planned performance of the targets set.

The covenants under financing agreements entered into are consistent with the above-mentioned limits and targets.

Financial instruments

Carrying amounts and fair values of financial assets and liabilities

CHF million	Note	Carrying amount at 31 Dec 2012 (restated)	Fair value at 31 Dec 2012 (restated)	Carrying amount at 31 Dec 2013	Fair value at 31 Dec 2013
Financial assets at fair value through profit or loss					
Securities held for trading		17	17		
Positive fair values of derivatives					
Currency and interest rate derivatives		13	13	10	10
Energy derivatives		720	720	738	738
Financial investments	16	3	3	2	2
Total financial assets at fair value through profit or loss		**753**	**753**	**750**	**750**
Available-for-sale financial assets					
Financial investments	16	13	13	15	15
Total available-for-sale financial assets		**13**	**13**	**15**	**15**
Loans and receivables					
Cash and cash equivalents	19	1,249	1,249	1,741	1,741
Term deposits		120	120	680	680
Trade receivables	18	1,695	1,695	1,578	1,578
Other financial receivables	18	427	427	447	447
Loans receivable	16	87	87	326	326
Total loans and receivables		**3,578**	**3,578**	**4,772**	**4,772**
Total financial assets		**4,344**	**4,344**	**5,537**	**5,537**
Financial liabilities at fair value through profit or loss					
Negative fair values of derivatives					
Currency and interest rate derivatives		120	120	84	84
Energy derivatives		657	657	688	688
Total financial liabilities at fair value through profit or loss		**777**	**777**	**772**	**772**
Other financial liabilities					
Trade payables	24	807	807	810	810
Bonds		3,583	3,748	3,288	3,413
Loans payable		1,736	1,736	1,153	1,150
Other financial liabilities, incl. put options		401	401	415	415
Total other financial liabilities		**6,527**	**6,692**	**5,666**	**5,788**
Total financial liabilities		**7,304**	**7,469**	**6,438**	**6,560**

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

Level 1: quoted prices in active markets for identical assets or liabilities
Level 2: valuation technique based on quoted prices in active markets that have a significant effect on the fair value
Level 3: valuation techniques using inputs that are not derived from quoted prices in active markets and have a significant effect on the fair value

CHF million	31 Dec 2013	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Securities held for trading				
Currency and interest rate derivatives	10		10	
Energy derivatives	738		738	
Financial investments	17		17	
Financial liabilities measured at fair value				
Currency and interest rate derivatives	84		84	
Energy derivatives	688		688	
Other financial liabilities				
Bonds	3,413	3,413		
Loans payable	1,150		1,150	

CHF million	31 Dec 2012	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Securities held for trading	17	17		
Currency and interest rate derivatives	13		13	
Energy derivatives	720		720	
Financial investments	16		16	
Financial liabilities measured at fair value				
Currency and interest rate derivatives	120		120	
Energy derivatives	657		657	
Other financial liabilities				
Bonds	3,748	3,748		
Loans payable	1,736		1,736	

During the financial years ending 31 December 2013 and 31 December 2012, there were no transfers between Level 1 and Level 2 and no transfers out of Level 3.

The currency and interest rate derivatives comprise OTC products classified as Level 2.

Bonds and loans payable are recognised in the balance sheet at amortised cost. The fair value of the loans payable corresponds to the contractually agreed interest and amortisation payments discounted at market rates.

Expense / income related to financial assets and liabilities

CHF million	Income statement 2012 (restated)	Other comprehensive income	Income statement 2013	Other comprehensive income
Net gains / losses				
On financial assets and liabilities recognised at fair value in the income statement	– 99	– 17	– 24	14
On financial assets designated in this category				
On loans and receivables	– 8		– 7	
Interest income and expense				
Interest income on financial assets not measured at fair value	15		18	
Interest expense on financial liabilities not measured at fair value	– 182		– 157	

In 2013, impairment losses of CHF 20 million (previous year: CHF 10 million) were recognised in respect of trade receivables. No impairment losses were recorded for other financial instruments. More information about movements in the provision for impairment is presented in the “ageing analysis of trade receivables”.

Hedge accounting

Forward commodity contracts

At 31 December 2013, the Alpiq Group recognised forward contracts to hedge the price risk of future deliveries in respect of small to medium-sized end customers in Spain. The underlying transactions will be recognised in the 2014 income statement. The hedging transactions proved to be highly effective. Therefore, an unrealised gain of CHF 0.8 million (2012: loss of CHF 0.6 million), with a related deferred tax liability of CHF 0.2 million (deferred tax asset of CHF 0.2 million), was included in other comprehensive income at 31 December 2013 in respect of these forward contracts.

In this financial year, Alpiq hedged the purchase of CO_2 certificates expected for 2014 by means of forward purchase contracts. This hedging transactions proved to be highly effective. The unrealised loss of CHF 2 million, with a related deferred tax asset of CHF 0.5 million, was included in other comprehensive income.

Interest rate swaps

As of 31 December 2013, interest rate swaps were concluded with the aim of fixing interest rates on variable-interest project financing in Italy. Maturity for these project financings vary between 7 and 12 years. The hedging relationship proved to be highly effective. The unrealised gain of CHF 14 million (2012: loss of CHF 9 million), with a related deferred tax liability of CHF 6 million (deferred tax asset of CHF 4 million), was included in other comprehensive income at 31 December 2013.

Foreign currency hedges

Foreign currency positions from the sale of Swiss production capacity in Euros were hedged using forward transactions on the basis of the expected transaction volumes. The underlying transactions will be recognised in the income statements for 2014 and 2015. The hedging transactions proved to be highly effective. The unrealised loss of CHF 11 million (2012: loss of CHF 4 million), with a related deferred tax asset of CHF 3 million (CHF 1 million), was included in other comprehensive income at 31 December 2013.

Discontinued hedging arrangements

Hedge accounting was applied in previous years for a physical electricity delivery where the purchase price is referenced to a coal index. In 2013 this hedge was no longer effective. From 1 January 2013 the change in the market price pertaining to transactions incurred in 2013 was therefore recorded directly in the income statement. In the prior year, the loss of CHF 16 million with a related deferred tax asset of CHF 4 million was recorded in other comprehensive income. Amounts included in other comprehensive income at the end of 2012 for transactions maturing in 2014 remained unchanged and shall be transferred to the income statement upon realisation of the underlying transaction.

Hedges recognised in other comprehensive income including deferred tax consist of:

CHF million	Assets 2012	Liabilities 2012	Assets 2013	Liabilities 2013
Forward commodity contracts		– 16		– 4
Interest rate swaps		– 23		– 15
Foreign currency hedges	3	– 3	1	– 9

Once the transaction has occurred, amounts recognised in other comprehensive income at 31 December 2013 are transferred to the income statement. The hedge ineffectiveness recognised immediately in the income statement during the reporting year was immaterial.

Credit risk management

Credit risk management deals with potential losses arising from the inability of business partners to meet their contractual obligations to the Alpiq Group. Credit risk management in energy business encompasses all business units and subsidiaries that have a significant trading volume with external counterparties. It involves regular monitoring of outstanding receivables from counterparties and expected future changes as well as an analysis of the creditworthiness of new and existing counterparties. Besides energy derivatives recorded as financial instruments, it also covers contracts entered into for physical receipt or delivery.

Credit risk is primarily managed using rating-based credit limits. The Alpiq Group classifies counterparties or groups of counterparties (with similar risk characteristics) in risk categories (AAA-CCC) based on the probability of default. Once established, these ratings are used as the basis for setting the credit limits. The limits may be increased if collateral, such as guarantees, advances or insurance cover, is provided. The ratings of active counterparties are reviewed periodically and the credit limits adjusted, where appropriate.

It is policy in energy business to enter into contracts only with counterparties who meet the criteria of the Group Risk Policy. Outstanding credit exposures are monitored and managed on an ongoing basis using a formalised process.

Credit exposure related to energy services is managed and monitored on a decentralised basis, mainly focusing on receivables management. The local operational management is periodically provided with comprehensive reporting containing all the necessary information required for assessing the outstanding receivables.

The calculated maximum credit exposure was CHF 5,537 million at 31 December 2013 (31 December 2012: CHF 4,344 million). For a detailed summary it is referred to the fair values presented in the table of "carrying amounts and fair values of financial assets and liabilities". Credit risk is reduced by collateral held as security. The Alpiq Group's exposure to concentrations of risk is minimised due to the number of customers, geographical diversification as well as the consolidation of positions. As in the previous year, there were no significant concentrations of risk at the reporting date. Cash and term deposits are placed with banks that have a rating of at least "A" from an internationally recognised rating agency. The investments are limited in amount, widely diversified and scaled over time. The limits are reviewed monthly and when particular circumstances require. No write-offs have been necessary to date.

Guarantees and the offsetting of financial assets and liabilities

A substantial portion of the energy contracts entered into by the Alpiq Group are based on agreements containing a netting arrangement. Receivables and payables are only presented net in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis. Furthermore, additional collateral, such as guarantees, variation margin payments or insurance cover, is collected where necessary.

2013: Offsetting of financial assets and liabilities

CHF million	Gross carrying amount	Offset	Net carrying amount in statement of financial position
Financial assets			
Trade receivables	2,553	975	1,578
Positive fair values of currency and interest rate derivatives	10		10
Positive fair values of energy derivatives	1,654	916	738
Financial liabilities			
Trade payables	1,785	975	810
Negative fair values of currency and interest rate derivatives	84		84
Negative fair values of energy derivatives	1,604	916	688

As a rule, the collateral held by the Alpiq Group covers both unrecognised energy transactions involving physical delivery and transactions recorded as financial instruments. For that reason, and also on account of their form, the collateral cannot be meaningfully assigned to individual balance sheet positions. As of 31 December 2013, the Group's overall netting potential for all recorded and off-balance sheet asset positions was CHF 119 million (31 December 2012: CHF 94 million), and for all recorded and off-balance sheet liabilities CHF 151 million (CHF 35 million).

2012: Offsetting of financial assets and liabilities

CHF million	Gross carrying amount	Offset	Net carrying amount in statement of financial position
Financial assets			
Trade receivables	3,652	1,957	1,695
Positive fair values of currency and interest rate derivatives	13		13
Positive fair values of energy derivatives	1,440	720	720
Financial liabilities			
Trade payables	2,764	1,957	807
Negative fair values of currency and interest rate derivatives	120		120
Negative fair values of energy derivatives	1,377	720	657

Ageing analysis of trade receivables

CHF million	31 Dec 2012	31 Dec 2013
Carrying amount before impairment	1,726	1,615
Impaired	31	37
Provision at beginning of year	32	31
Acquisition / disposal of subsidiaries	– 11	
Reclassified from “assets held for sale” reported in the previous year	10	
Charge for the year	10	20
Amounts written off as uncollectible	– 8	– 7
Unused amounts reversed	– 2	– 7
Provision at end of year	31	37
Not impaired	1,695	1,578
Not past due	1,398	1,314
1 – 90 days past due	178	116
91 – 180 days past due	19	25
181 – 360 days past due	16	35
Over 360 days past due	84	88

In the reporting year (and previous year), an insignificant amount of trade receivables was written off directly under a certificate of unpaid debts, for which no provision had been made because there was no indication of impairment.

Most receivables over 360 days past due relate to a large-scale plant engineering project. Expected risks and revenue losses have been offset by credits. There are also receivables in Italy which could not be settled on time due to the persistent economic crisis. Alpiq is in close contact with corresponding debtors. Impairments have been made for expected defaults.

The Alpiq Group holds collaterals in the form of bank guarantees with a fair value of CHF 77 million (2012: CHF 53 million) for impaired trade receivables as well as for due and unimpaired trade receivables.

At the reporting date, there were no indications that debtors owing unimpaired receivables would not be able to meet their payment obligations.

Liquidity risk

In European energy trading, a substantial portion of the receivables are offset and settled on specified dates, reducing the peaks of the cash flow requirement. Margin agreements are commonly used on energy commodity exchanges and among large energy traders so as to reduce the counterparty risk. As a result, movements in energy prices can lead to substantial outstanding debts in the short term. The Alpiq Group manages these variable liquidity requirements by using an early warning system, maintaining sufficient liquid resources and obtaining committed credit facilities from banks. The Group Treasury & Insurance unit of Financial Services is responsible for Group-wide liquidity management. Its role is to forecast, monitor, provide and optimise liquidity throughout the Group on a monthly rolling basis.

The contractual maturities of financial liabilities are presented on the next page. Where it is intended to refinance loans at the end of the contract term, but refinancing has not yet been contractually secured, a cash outflow on maturity is assumed. Accordingly, actual cash flows may differ significantly from the contractual maturities.

Cash flows from derivatives are presented on a gross basis when the amounts are actually settled gross. To reflect the actual liquidity risk arising from such financial instruments, the cash inflows from derivatives are shown on a separate line in addition to the cash outflows.

2013: Maturity analysis of financial liabilities

	Carrying amount						Cash flows
CHF million		< 1 month	1 – 3 months	4 – 12 months	1 – 5 years	> 5 years	Total
Non-derivative financial liabilities							
Trade payables	810	– 640	– 162	– 5	– 3		– 810
Bonds	3,288		– 231	– 364	– 2,121	– 979	– 3,695
Loans payable	1,153	– 2	– 15	– 28	– 492	– 809	– 1,346
Other financial liabilities	415	– 33	– 66	– 295	– 7	– 56	– 457
Derivative financial instruments							
Net carrying amount of derivative financial instruments	– 24						
Net carrying amount of energy derivatives	50						
Gross cash inflows		620	1,206	4,387	2,344		8,557
Gross cash outflows		– 608	– 1,192	– 4,379	– 2,526		– 8,705
Net carrying amount of interest rate / currency derivatives	– 74						
Gross cash inflows		292	307	245	74	26	944
Gross cash outflows		– 292	– 307	– 254	– 112	– 35	– 1,000

2012: Maturity analysis of financial liabilities (restated)

CHF million	Carrying amount	< 1 month	1 – 3 months	4 – 12 months	1 – 5 years	> 5 years	Cash flows Total
Non-derivative financial liabilities							
Trade payables	807	– 579	– 218	– 6	– 2	– 2	– 807
Bonds	3,583		– 31	– 64	– 2,226	– 1,470	– 3,791
Loans payable	1,736	– 2	– 5	– 42	– 1,068	– 1,616	– 2,733
Other financial liabilities	401	– 63	– 53	– 238	– 5	– 60	– 419
Derivative financial instruments							
Net carrying amount of derivative financial instruments	– 44						
Net carrying amount of energy derivatives	63						
Gross cash inflows		929	1,902	7,722	4,109		14,662
Gross cash outflows		– 851	– 1,868	– 7,606	– 4,089		– 14,414
Net carrying amount of interest rate / currency derivatives	– 107						
Gross cash inflows		239	355	507	683	45	1,829
Gross cash outflows		– 240	– 355	– 519	– 752	– 68	– 1,934

Market risk

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

Market risk is measured within the framework of a Group-wide risk policy setting out rules on the incurrence, measurement, limitation and monitoring of risks. Compliance with these risk limits is monitored on an ongoing basis by the Risk Management Committee based on regular reporting by the Group Risk Management functional unit.

Energy price risk

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

Energy transactions for own use are not recognised on the statement of financial position. Energy transactions are also carried out in order to optimise the volume of the power plants. A large proportion of energy derivatives recorded on the reporting date is attributable to optimisation in which positive and negative fair values largely offsetting each other.

Furthermore , Alpiq carries out trading transactions with energy derivatives to a limited extent.

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

The risks from trading and optimisation transactions are managed using clearly defined responsibilities and pre-determined risk limits in accordance with the "Alpiq Energy Risk Policy". Compliance with these limits is continually reported to the Risk Management Committee and the Executive Board by way of a formalised risk reporting procedure applied by Group Risk Management. The risk positions are monitored in accordance with the "Value at Risk (VaR)" industry standard.

Foreign currency risk

Wherever possible, the Alpiq Group seeks to mitigate foreign currency risk by offsetting operating income and expenses denominated in foreign currencies. Any remaining net balance is hedged by foreign exchange contracts (forward contracts) in accordance with the Group's financial policy.

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

Foreign currency risk arising from energy generation or purchasing is contractually transferred to the counterparty wherever possible. Where this is not possible or is only partially possible, forward currency contracts with a medium-term hedging horizon are used to manage exposure centrally in the market in line with the Group's financial risk policy. In order to avoid fluctuations in results, hedge accounting is used where possible.

The foreign currency derivatives are all OTC products. The fair values are calculated on the basis of the difference between the contractually fixed forward prices and the current forward prices applicable on the balance sheet date.

Interest rate risk

The Alpiq Group is also exposed to risks arising from volatility in interest rates. According to the Group's financial risk policy, liquidity is invested for a maximum of 365 days at short-term interest rates. Finance is however procured long-term at fixed interest rates. Variable-rate financial liabilities are generally hedged with interest rate swaps. This means that a change in interest rates for assets has a direct impact on financial income. With respect to interest-bearing financial liabilities, a change in interest rates does not result in a significant change in financial costs.

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

Sensitivity analysis

To illustrate the sensitivity of market risks to the Alpiq Group's financial results, the effects of reasonably possible changes in the market risks listed above are set out below.

The sensitivities are in each case based on the financial instruments listed in the statement of financial positions on the reporting date.

The reasonably possible changes in foreign currency prices are calculated on the basis of historical (1 year) fluctuations. A variation by +/– 1 standard deviation around the calculated mean is considered to be reasonably possible. Interest rate swap sensitivity is shown as the effect on the change in fair value that would result from a 1 % parallel shift in the yield curve.

The possible annual percentage changes in the fair values of energy derivatives are determined from the commodity market prices for electricity, gas, coal and oil over the past three years. The sensitivities are calculated using the maximum deviations from the mean to a confidence level of 99 %.

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

The 2013 analysis revealed that the possible impact on other comprehensive income would have been CHF +/– 24 million from interest rate derivatives (2012: CHF +/– 5 million), CHF +/– 32 million from foreign currency hedges (CHF +/– 0 million) and CHF +/– 1 million (+/– CHF 12 million) from hedging transactions related to energy and energy services business.

CHF million	+/– Change 2012	+/– Effect on profit before income tax 2012	+/– Change 2013	+/– Effect on profit before income tax 2013
Energy price risk	90.8 %	57.4	29.8 %	14.9
EUR / CHF currency risk	1.6 %	14.1	4.3 %	4.6
EUR / USD currency risk	8.5 %	40.8	7.1 %	22.6
EUR / CZK currency risk	6.4 %	1.5	6.5 %	3.3
EUR / HUF currency risk	10.4 %	1.4	7.7 %	3.2
EUR / NOK currency risk	5.6 %	2.8	8.3 %	0.5
EUR / PLN currency risk	8.5 %	1.7	6.3 %	2.1
EUR / RON currency risk	4.0 %	0.3	4.9 %	0.1
USD / CHF currency risk	8.4 %	0.8	8.6 %	0.3
Interest rate risk	1.0 %	56.1	1.0 %	15.1

4 Impairment losses

As explained at the beginning of the financial report on page 50, long-term prices for electricity showed no signs of improvement in 2013. In conjunction with political changes and 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 stations in France, Italy and Hungary, an associated company in the renewable energy sector in Italy and long-term purchase and supply contracts were particularly affected by the impairment losses. In addition, changed fiscal conditions for renewable energy in Bulgaria led to an impairment loss. With respect to Group Centre, impairment losses had to be taken on fixed assets because of reduced operations due to divestments on the part of Alpiq Group. As a result of the decision not to sell the production facilities in the Czech Republic that were held for sale in the prior year, an impairment loss recorded in 2012 could be reversed.

2013: Allocation of impairment losses and reversals

CHF million		Property, plant and equipment	Intangible assets	Goodwill	Other associated companies	Total
Power Generation Switzerland	Generation		150			150
Power Generation Hungary	Generation	20		13		33
Power Generation Czech Republic	Generation	– 115				– 115
Power Generation Italy	Generation	38				38
Power Generation France	Generation	19				19
Renewable Energy Switzerland	Generation	3				3
Renewable Energy Italy	Generation		15		48	63
Renewable Energy France	Generation		4			4
Renewable Energy Bulgaria	Generation	37	10			47
Projects	Generation	15			8	23
Alpiq InTec (AIT)	Energy Services		4			4
Holding company, Group Centre	Group Centre	12	12			24
Total impairment losses and reversals for assets		**29**	**195**	**13**	**56**	**293**
Liabilities for purchase and supply contracts [1]						– 18
Total impairment losses and reversals						**275**

1 In the business combination between Atel and EOS in 2009, loss-making purchase and supply contracts were contributed by EOS and recorded among the Alpiq Group's non-current liabilities at the then fair value. Their valuation at current market prices at 31 December 2013 led to a reduction in the liabilities carried.

2012: Allocation of impairment losses and reversals / liabilities

CHF million		Property, plant and equipment	Intangible assets	Goodwill	Financial investments	Total
Power Generation Switzerland	Generation	320	335	131		786
Power Generation Hungary	Generation	3		32		35
Power Generation Czech Republic [1]	Generation	136		50		186
Power Generation Italy	Generation	146				146
Power Generation France	Generation	103				103
Power Generation Spain	Generation	98	3			101
Renewable Energy Switzerland	Generation			17		17
Renewable Energy Italy	Generation	68		74		142
Renewable Energy France	Generation	29	7			36
Renewable Energy Bulgaria	Generation	8		4		12
Renewable Energy Nordic	Generation	6				6
Sales Romania	Commerce & Trading		33	44		77
Sales Spain	Commerce & Trading			2		2
Alpiq InTec (AIT)	Energy Services				4	4
Holding company, Group Centre and other	Group Centre	17				17
Total impairment of assets		**934**	**378**	**354**	**4**	**1,670**
Provision for loss-making contracts						27
Liabilities for purchase and supply contracts [2]						– 98
Other provisions / liabilities						16
Total impairment charges and provisions						**1,615**

1 Part of the disposal group reclassified at the reporting date (see note 33).
2 In the business combination between Atel and EOS in 2009, loss-making purchase and supply contracts were contributed by EOS and recorded among the Alpiq Group's non-current liabilities at the then fair value. Their valuation at current market prices at 31 December 2012 led to a reduction in the liabilities carried.

5 Own work capitalised and other operating income

As in the previous year, own work capitalised primarily comprises the construction work on the Group-owned K7 power generation project in the Czech Republic.

Other operating income fell by approximately CHF 200 million year-on-year in 2013, primarily due to the higher book gains realised in the previous year on business disposals and to the compensation awarded in the arbitration proceedings against Polish energy generator PGE, which is recognised in this item.

6 Energy and inventory costs

CHF million	2012 (restated)	2013
Electricity purchased from third parties	7,765	5,404
Electricity purchased from joint ventures	612	533
Electricity purchased from other associates	102	17
Other energy purchases	978	791
Cost of inventories	1,081	789
Total before restructuring programme	**10,538**	**7,534**
Restructuring programme and provisions	– 53	
Total	**10,485**	**7,534**

7 Employee costs

CHF million	2012 (restated)	2013
Wages and salaries	737	659
Defined benefit pension costs	31	46
Defined contribution pension costs	7	2
Other employee costs	120	101
Total	**895**	**808**

Average number of employees

	2012	2013
Employees (full-time equivalents)	9,459	7,294
Apprentices	580	513
Total	**10,039**	**7,807**

Number of employees at the reporting date

	31 Dec 2012	31 Dec 2013
Employees (full-time equivalents)	7,340	7,318
Apprentices	586	527
Total	**7,926**	**7,845**

8 Depreciation, impairment and impairment reversal

CHF million	2012 (restated)	2013
Depreciation of property, plant and equipment	280	184
Amortisation of energy purchase rights	106	66
Amortisation of other intangible assets	49	23
Impairment of property, plant and equipment and intangible assets	1,666	352
Impairment of "assets held for sale"	35	
Impairment reversal		– 115
Total	**2,136**	**510**

As a result of the decision not to sell the power generation facilities in the Czech Republic held for sale in the prior year, the impairment recorded in financial year 2012 could be reversed. The reversal of the impairment can be found under the "impairment reversal" section in the income statement.

The income statement item "Impairment of assets held for sale" contained, in the previous year, value adjustments on the assets of the grid companies.

Information about impairment testing of goodwill and intangible assets is disclosed in note 14.

9 Finance costs and finance income

CHF million	2012 (restated)	2013
Finance costs		
Interest expense	– 196	– 143
Interest on provisions and non-current liabilities	– 17	– 12
Capitalised borrowing costs	5	5
Other finance costs	– 63	– 9
Net foreign exchange gains / (losses)	– 2	– 9
Total	**– 273**	**– 168**
Finance income		
Dividend income from financial investments	3	1
Interest income	15	18
Total	**18**	**19**
Net finance costs	**– 255**	**– 149**

The position "Other financial expenses" for 2012 primarily includes losses from the sale of securities (A2A) and writedowns on long-term financial assets.

10 Income tax expense

Income tax recognised directly in other comprehensive income

CHF million	2012 (restated)	2013
Deferred income tax	18	– 32
Total	**18**	**– 32**

Income tax expense charged to the income statement

CHF million	2012	2013
Current income tax	127	79
Deferred income tax	– 274	– 93
Total	**– 147**	**– 14**

Reconciliation

CHF million	2012 (restated)	2013
Profit / (loss) before income tax	– 1,241	4
Expected income tax rate (weighted average)	22.3 %	275.0 %
Income tax at the expected income tax rate	– 277	11
Increase / (decrease) in income tax expense due to:		
Effect of non-deductible expenses for tax purposes [1]	164	47
Effect of adjustments in respect of prior periods	6	– 2
Effects of income exempt from tax [1]	– 211	– 46
Effect of valuation of tax loss carry-forwards	174	– 22
Effect of changes in tax rates	– 10	– 1
Other effects	7	– 1
Total income tax expense	**– 147**	**– 14**
Effective income tax rate	11.8 %	– 350.0 %

1 These items are affected by the impact of impairment.

As a result of the different profit and loss amounts contributed by the individual subsidiaries to the Group's overall result and the different tax rates, the income tax rate is expected to be 275.0 % (previous year: 22.3 %).

Deferred tax assets and liabilities by origination of temporary differences

CHF million	31 Dec 2012 (restated)	31 Dec 2013
Tax losses and tax assets not yet used	25	13
Other non-current assets	5	5
Current assets	2	4
Provisions and liabilities	55	82
Total gross deferred tax assets	**87**	**104**
Property, plant and equipment	399	427
Other non-current assets	714	628
Current assets	48	56
Provisions and liabilities	86	98
Total gross deferred tax liabilities	**1,247**	**1,209**
Net deferred tax liability	**1,160**	**1,105**
Tax assets recognised in the statement of financial position	103	57
Tax liabilities recognised in the statement of financial position	1,263	1,162

At 31 December 2013, several subsidiaries had tax loss carry-forwards totalling CHF 1,185 million (2012: CHF 1,341 million) that are available for offset against future taxable profits.

Deferred tax assets are recognised for tax loss carry-forwards only to the extent that realisation of the related tax benefit is probable. The Alpiq Group has not recognised the tax benefit of tax loss carry-forwards of CHF 1,160 million (2012: CHF 1,269 million).

These tax loss carry-forwards expire in the following periods:

CHF million	31 Dec 2012	31 Dec 2013
Within 1 year	5	7
Within 2 – 3 years	17	69
After 3 years	1,247	1,084
Total	**1,269**	**1,160**

11 Earnings per share

	2012 (restated)	2013
Net profit / (loss) attributable to equity investors of Alpiq Holding (CHF million)	– 1,054	22
Interest accrued / paid on hybrid capital, in CHF million [1]		– 32
Share of Alpiq Holding stockholders in net result, in CHF million	**– 1,054**	**– 10**
Weighted average number of shares outstanding	27,189,873	27,189,873
Earnings / (loss) per share (CHF)	**– 38.76**	**– 0.37**

1 See note 20

There are no circumstances that could have a dilutive effect on earnings / (loss) per share.

12 Property, plant and equipment

CHF million	Land and buildings	Power generation assets	Transmission assets	Other plant and equipment	Assets under construction	Total
Gross carrying amount at 31 December 2011	**339**	**5,257**	**818**	**358**	**358**	**7,130**
Restatement	1	239		1	39	280
Reclassified from “assets held for sale” reported in the previous year	26			71		97
Acquisition / disposal of subsidiaries	– 1	214		– 2	– 2	209
Additions [1]	8	42	33	24	55	162
Own work capitalised			4		117	121
Capitalised borrowing costs (2.8 % interest) [1]					5	5
Transfers [1]	4	69	8	14	– 97	– 2
Disposals	– 15	– 11	– 2	– 22	– 9	– 59
Reclassified to “assets held for sale”	– 14	– 618	– 447	– 22	– 233	– 1,334
Exchange differences	– 1	– 16			– 2	– 19
Gross carrying amount at 31 December 2012	**347**	**5,176**	**414**	**422**	**231**	**6,590**
Reclassified from “assets held for sale” reported in the previous year		734		4	277	1,015
Acquisition / disposal of subsidiaries	1	– 6		– 1	5	– 1
Additions	1	38	5	29	53	126
Own work capitalised				2	63	65
Capitalised borrowing costs (2.7 % interest)					1	1
Transfers		62	8	– 80	– 70	– 80
Disposals	– 2	– 8	– 4	– 17		– 31
Exchange differences	3	33		1		37
Gross carrying amount at 31 December 2013	**350**	**6,029**	**423**	**360**	**560**	**7,722**

At the reporting date, the Group had contractual commitments of CHF 21 million (2012: CHF 25 million) for the construction and acquisition of property, plant and equipment.

The Alpiq Group operates a wind farm, which is primarily funded through a long-term lease agreement. The net carrying amount of property, plant and equipment held under finance leases was CHF 42 million at 31 December 2013 (2012: CHF 44 million).

Accumulated depreciation and impairment at 31 December 2011	**71**	**1,497**	**424**	**238**	**0**	**2,230**
Restatement	1	138				139
Reclassified from "assets held for sale" reported in the previous year	9			42		51
Depreciation charge for the year [1]	12	193	31	44		280
Impairment		914		17	3	934
Disposals	– 13	– 10	– 1	– 21		– 45
Reclassified to "assets held for sale"	– 2	– 357	– 247	– 15		– 621
Exchange differences		– 6				– 6
Accumulated depreciation and impairment at 31 December 2012	**78**	**2,369**	**207**	**305**	**3**	**2,962**
Reclassified from "assets held for sale" reported in the previous year		475		3		478
Acquisition / disposal of subsidiaries				– 1		– 1
Depreciation charge for the year	11	123	14	32	4	184
Impairment	7	110		12	15	144
Impairment reversal		– 115				– 115
Transfers				– 57		– 57
Disposals	– 1	– 8	– 3	– 15	1	– 26
Exchange differences	3	17		1		21
Accumulated depreciation and impairment at 31 December 2013	**98**	**2,971**	**218**	**280**	**23**	**3,590**
Net carrying amount at 31 December 2012	269	2,807	207	117	228	3,628
Net carrying amount at 31 December 2013	**252**	**3,058**	**205**	**80**	**537**	**4,132**

1 Prior year comparatives restated

Commitments under finance leases:

CHF million	Minimum lease payments at 31 Dec 2012	Minimum lease payments at 31 Dec 2013	Present value at 31 Dec 2012	Present value at 31 Dec 2013
Within 1 year	4	4	4	4
Between 2 and 5 years	15	15	13	13
More than 5 years	46	41	31	30
Total	**65**	**60**	**48**	**47**
Finance charges	– 17	– 13		
Present value of minimum lease payments	**48**	**47**	**48**	**47**

The present value of minimum lease payments was CHF 47 million at the reporting date (2012: CHF 48 million), of which CHF 4 million (CHF 4 million) is reported as short-term borrowings and CHF 43 million (CHF 44 million) as long-term borrowings.

13 Intangible assets

CHF million	Energy purchase rights	Goodwill	Other intangible assets	Total
Gross carrying amount at 31 December 2011	**1,503**	**682**	**374**	**2,559**
Restatement	1	12	2	15
Reclassified from “assets held for sale” reported in the previous year		4	10	14
Acquisition / disposal of subsidiaries		24	15	39
Additions			14	14
Transfers		– 4	2	– 2
Disposals [1]	– 1		– 10	– 11
Reclassified to “assets held for sale”			– 15	– 15
Exchange differences	– 4	– 5	– 2	– 11
Gross carrying amount at 31 December 2012	**1,499**	**713**	**390**	**2,602**
Reclassified from “assets held for sale” reported in the previous year			3	3
Acquisition / disposal of subsidiaries		1	3	4
Additions			13	13
Own work capitalised			4	4
Transfers			84	84
Disposals			– 1	– 1
Exchange differences	1	1	2	4
Gross carrying amount at 31 December 2013	**1,500**	**715**	**498**	**2,713**
Accumulated amortisation and impairment at 31 December 2011	**385**	**26**	**184**	**595**
Restatement	1		1	2
Reclassified from “assets held for sale” reported in the previous year			6	6
Amortisation charge for the year [1]	106		49	155
Impairment	368	354	10	732
Disposals [1]	– 1		– 4	– 5
Reclassified to “assets held for sale”			– 1	– 1
Exchange differences	– 2			– 2
Accumulated amortisation and impairment at 31 December 2012	**857**	**380**	**245**	**1,482**
Reclassified from “assets held for sale” reported in the previous year			1	1
Amortisation charge for the year	66		23	89
Impairment	150	13	45	208
Transfers			57	57
Exchange differences	1		1	2
Accumulated amortisation and impairment at 31 December 2013	**1,074**	**393**	**372**	**1,839**
Net carrying amount at 31 December 2012	642	333	145	1,120
Net carrying amount at 31 December 2013	**426**	**322**	**126**	**874**

1 Prior year comparatives restated

No borrowing costs were capitalised in 2012 and 2013.

14 Impairment testing of goodwill, intangible assets and other assets

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

CHF million	Pre-tax discount rate at 31 Dec 2012	Post-tax discount rate at 31 Dec 2012	Carrying amount at 31 Dec 2012 (restated)	Pre-tax discount rate at 31 Dec 2013	Post-tax discount rate at 31 Dec 2013	Carrying amount at 31 Dec 2013
Power Generation Switzerland	6.2 %	4.7 %	261	6.2 %	4.8 %	261
Power Generation Hungary	14.9 %	7.0 %	13	13.3 %	8.7 %	0
Sales Central Europe	5.5 %	4.9 %	13	7.5 %	6.5 %	13
Alpiq InTec (AIT)	7.2 %	5.9 %	44	6.7 %	5.7 %	46
Energie- und Anlagentechnik (EAT)	9.2 %	6.9 %	2	8.5 %	6.4 %	2
Total			**333**			**322**

Impairment Power Generation Switzerland - intangible assets

In 2013 Alpiq performed impairments amounting to CHF 150 million (prior year: CHF 335 million) on the long-term purchase and delivery contracts included in the intangible assets. The recoverable amount of CHF 406 million (CHF 621 million) used for impairment testing is based on value in use. The impairment is particularly explained by the lower short to medium-term electricity prices compared with the prior period.

Other impairment charges

Information on the other impairment charges is disclosed in note 4.

Impairment Goodwill Power Generation Switzerland

The recoverable amount used in testing goodwill is based on value in use. Great importance is placed on the electricity prices expected in the future, especially in the mid- to long-term, when value in use is calculated. Alpiq derives the short-term electricity prices from liquid forward markets; the long-term power prices are based on expectations regarding macroeconomic, political and regulatory developments. Alpiq's assumptions will be examined by price curves provided by third parties. For the years from 2026 until the end of the plants' useful life power prices are inflation-adjusted at a growth rate of 2.0 % (prior year: 1.0 %). The power generation quantities underlying future sales expected from electricity sales are modelled for a period of 10 years, based on empirical values. For the following periods up to the end of the plants' useful life the average of the first 10 years will be used as the expected annual power generation quantity. Expected future power generation costs are based on the company plans approved by the Management or by the joint ventures respectively. The approved plans were prepared on the basis of past experience and usually cover a period of three to five years. For the subsequent years until the end of the plants' useful life power prices are inflation-adjusted at a growth rate of 2.0 % (prior year: 1.0 %). The discount rate used reflects the current market estimate for the specific risks allocated to the cash-generating unit.

For the cash-generating unit Power Generation Switzerland the value in use exceed the carrying amount by CHF 0.4 billion (prior year: CHF 0 billion). An increase in the discount rate of 4.8 % to 5.1 % would reduce the value in use to the carrying amount. A parallel dislocation of the electricity price curve by – 2.9 % would, assuming consistent spreads (peak, off-peak), reduce the value in use to the carrying amount.

Impairment tests of property, plant and equipment and intangible assets with finite useful lives were also performed. The recoverable amount used in testing is based on value in use. The following discount rates were applied: Power Generation France (pre-tax discount rate: 5.7 %; post-tax rate: 5.7 %), Power Generation Italy (8.7 %; 6.1 %), Power Generation Switzerland (6.2 %; 4.8 %), Power Generation Czech Republic (7.8 %; 6.7 %), Power Generation Hungary (13.3 %; 8.7 %), Renewable Energy Bulgaria (8.3 %; 7.8 %), Renewable Energy France (7.0 %; 5.1 %), Renewable Energy Italy (10.8 %; 6.6 %) and Renewable Energy Switzerland (5.3 %; 4.0 %). For details of impairment losses recognised, please refer to note 4 “impairment losses”.

15 Investments in joint ventures and other associates

CHF million	Joint ventures	Other associates	Total
Carrying amount at 31 December 2011	**3,638**	**782**	**4,420**
Restatement	– 83	– 18	– 101
Reclassified from “assets held for sale” reported in the previous year		1	1
Additions	1	2	3
Dividend [1]	– 31	– 10	– 41
Share of profit [1]	– 63	– 7	– 70
IAS 19 and IAS 39 effects taken to equity [1]	– 23	– 2	– 25
Reclassified to “current assets investments”		– 126	– 126
Disposals	– 34	– 134	– 168
Reclassified to “assets held for sale”		– 304	– 304
Exchange differences		– 4	– 4
Carrying amount at 31 December 2012	**3,405**	**180**	**3,585**
Additions		208	208
Dividend	– 30	– 5	– 35
Share of profit	– 79	16	– 63
IAS 19 and IAS 39 effects taken to equity	33	15	48
Impairment	– 8	– 48	– 56
Transfers	– 1		– 1
Disposals	– 8	– 2	– 10
Exchange differences		1	1
Carrying amount at 31 December 2013	**3,312**	**365**	**3,677**

1 Prior year comparatives restated

In the previous year, the share of unrealised losses recycled from equity under IAS 39 and the proceeds of disposals resulted in a net gain of CHF 8 million. This gain has been recognised in the results of joint ventures and other associates.

All material joint ventures and other associates are valued in accordance with uniform IFRS principles and are accounted for in the consolidated financial statements using the equity method. Reconciliations are prepared in cases where no financial statements prepared under IFRS are available.

The reporting date of a few joint ventures and other associates (hydrological year) differs from that of the Group. The most recent available financial statements of these companies are used for the consolidated financial statement of the Alpiq Group. Significant transactions and events that have occurred since the most recent financial statement and December 31 are taken into consideration in the consolidated financial statement.

2013 Summarised financial information

Material joint ventures and other associates

	Joint ventures									
	Grande Dixence SA		Nant de Drance SA		Kernkraftwerk Gösgen-Däniken AG		Kernkraftwerk Leibstadt AG		Kernkraftwerk-Beteiligungs-gesellschaft AG (KBG)	
CHF million	Gross values	Alpiq Share	Gross values	Alpiq Share	Gross values	Alpiq Share	Gross values	Alpiq Share	Gross values	Alpiq Share
Non-current assets	3,391	2,034	885	345	3,211	1,287	9,140	1,531	1,799	600
of which, non-current financial assets	11	6			1,562	628	1,426	467	5	2
Current assets	33	20	28	11	162	65	325	105	39	13
of which, cash and current financial assets	30	18	19	7	73	29	153	50	2	1
Non-current liabilities	995	597	647	252	3,104	1,241	3,736	1,209	189	63
of which, non-current financial liabilities	992	595	646	252	129	52	500	162	105	35
Current liabilities	70	42	138	54	104	41	85	27	70	23
of which, current financial liabilities			113	44			17	6	55	18
Total equity	**2,359**	**1,415**	**128**	**50**	**165**	**70**	**5,644**	**400**	**1,579**	**527**
Revenue	177	106	2	1	400	160	468	151	310	103
Expenses	– 218	– 131	– 6	– 2	– 384	– 154	– 673	– 158	– 453	– 151
Profit / (loss)	**– 41**	**– 25**	**– 4**	**– 1**	**16**	**6**	**– 205**	**– 7**	**– 143**	**– 48**
Other comprehensive income			20	8	28	12	25	8		
Total comprehensive income	**– 41**	**– 25**	**16**	**7**	**44**	**18**	**– 180**	**1**	**– 143**	**– 48**
Dividends received		**9**				**7**		**8**		**2**

The companies classified as material by Alpiq are only strategically significant joint ventures. No market prices are available for any of these companies.

Under the joint venture agreements in force, the shareholders of joint ventures are required to take on the energy and pay the annual costs allotted to their ownership interest (incl. interest and repayment of liabilities) throughout the period of concession. Furthermore, nuclear power plant owners are required to pay limited additional contributions to the decommissioning and waste disposal fund in case that one primary contributor is unable to fulfill the payments. The joint venture agreements run over the useful life of the power plant or over the period of concession and cannot be terminated.

Individually not material joint ventures and other associates

	Joint ventures		Other associates	
CHF million	Gross values	Alpiq Share	Gross values	Alpiq Share
Non-current assets	4,884	1,262	2,714	934
of which, non-current financial assets	47	6	2	1
Current assets	242	41	968	366
of which, cash and current financial assets	125	24	143	52
Non-current liabilities	1,804	375	1,787	613
of which, non-current financial liabilities	1,716	364	1,598	541
Current liabilities	396	78	855	322
of which, current financial liabilities	183	35	251	89
Total equity	**2,926**	**850**	**1,040**	**365**
Revenue	434	87	1,239	439
Expenses	– 478	– 99	– 1,195	– 423
Profit / (loss)	**– 44**	**– 12**	**44**	**16**
Other comprehensive income	23	5	37	15
Total comprehensive income	**– 21**	**– 7**	**81**	**31**

The Alpiq Group's share of the regular annual costs of all joint ventures in 2013 amounted to CHF 533 million (previous year: CHF 612 million). This amount is included in energy and inventory costs.

2012 Summarised financial information

Material joint ventures and other associates

	Joint ventures									
	Grande Dixence SA		Nant de Drance SA		Kernkraftwerk Gösgen-Däniken AG		Kernkraftwerk Leibstadt AG		Kernkraftwerk-Beteiligungs-gesellschaft AG (KBG)	
CHF million	Gross values	Alpiq Share	Gross values	Alpiq Share	Gross values	Alpiq Share	Gross values	Alpiq Share	Gross values	Alpiq Share
Non-current assets	3,469	2,081	606	237	3,013	1,204	9,271	1,508	1,978	659
of which, non-current financial assets	11	6			1,467	587	1,315	426	5	2
Current assets	16	10	36	14	124	50	264	86	66	22
of which, cash and current financial assets	12	7	26	10	29	12	104	34	25	8
Non-current liabilities	994	597	104	40	2,872	1,149	3,629	1,175	240	80
of which, non-current financial liabilities	991	595	104	40			500	162	155	52
Current liabilities	65	39	432	168	117	47	57	19	76	25
of which, current financial liabilities			350	137					60	20
Total equity	**2,426**	**1,455**	**106**	**43**	**148**	**58**	**5,849**	**400**	**1,728**	**576**
Revenue	181	109			386	155	561	182	271	90
Expenses	– 232	– 139	– 1		– 355	– 142	– 748	– 183	– 415	– 138
Profit / (loss)	**– 51**	**– 30**	**– 1**		**31**	**13**	**– 187**	**– 1**	**– 144**	**– 48**
Other comprehensive income			– 41	– 16	– 7	– 3	– 7	– 2		
Total comprehensive income	**– 51**	**– 30**	**– 42**	**– 16**	**24**	**10**	**– 194**	**– 3**	**– 144**	**– 48**
Dividends received		**9**				**7**		**8**		**2**

Individually not material joint ventures and other associates

CHF million	Joint ventures Gross values	Joint ventures Alpiq Share	Other associates Gross values	Other associates Alpiq Share
Non-current assets	4,701	1,197	774	263
of which, non-current financial assets	66	8	2	1
Current assets	164	27	581	219
of which, cash and current financial assets	108	22	143	49
Non-current liabilities	1,617	303	623	183
of which, non-current financial liabilities	1,691	348	216	48
Current liabilities	246	48	275	119
of which, current financial liabilities	97	24		
Total equity	**3,002**	**873**	**457**	**180**
Revenue	521	154	4,075	878
Expenses	– 538	– 163	– 3,693	– 853
Profit / (loss)	**– 17**	**– 9**	**382**	**25**
Other comprehensive income	– 9	– 2	– 7	– 2
Total comprehensive income	**– 26**	**– 11**	**375**	**23**

16 Other non-current financial assets

CHF million	Financial investments	Loans receivable	Total
Carrying amount at 31 December 2011	**27**	**103**	**130**
Additions		5	5
Reclassifications	1	2	3
Disposals	– 8	– 16	– 24
Impairment	– 4	– 6	– 10
Reclassified to “assets held for sale”		– 1	– 1
Carrying amount at 31 December 2012	**16**	**87**	**103**
Additions		248	248
Reclassifications	1	– 3	– 2
Disposals		– 6	– 6
Carrying amount at 31 December 2013	**17**	**326**	**343**

17 Inventories

At the reporting date, inventories primarily included fuels (gas and coal) carried at an amount of CHF 39 million (2012: CHF 42 million) as well as consumables and supplies valued at CHF 54 million (CHF 41 million).

18 Trade and other receivables

CHF million	31 Dec 2012	31 Dec 2013
Trade receivables	1,695	1,578
Prepayments to suppliers	41	68
Unbilled revenue	12	18
Other receivables	427	447
Total	**2,175**	**2,111**

Trade receivables from customers who are also suppliers are settled with trade receivables, provided that a netting agreement has been reached with the counterparties, and that the payment is made on a net basis. Receivables and payables offset under netting agreements amounted to CHF 975 million (2012: CHF 1,957 million).

Unbilled revenue related to construction contracts is reported as follows by reference to the stage of completion, less advances received:

CHF million	31 Dec 2012	31 Dec 2013
Unbilled revenue (gross)	1,061	1,091
Advances received from customers	– 1,049	– 1,073
Unbilled revenue (net)	**12**	**18**

19 Cash and cash equivalents

CHF million	31 Dec 2012 (restated)	31 Dec 2013
Cash at bank and in hand	1,129	1,525
Term deposits with a maturity of 90 days or less	120	216
Total	**1,249**	**1,741**

Cash at bank and in hand includes CHF 5 million (2012: CHF 1 million) restricted as collateral to energy trading exchanges and semi-retirement obligations to employees.

20 Equity

Share capital

The share capital of CHF 271.9 million (previous year: CHF 271.9 million) is comprised of 27,189,873 registered shares at a par value of CHF 10 each (27,189,873 registered shares) and is fully paid up. According to the share register, the shareholdings are as follows:

%	Ownership interest at 31 Dec 2012	Ownership interest at 31 Dec 2013
EOS HOLDING SA (EOSH)	31.38	31.38
EDF Alpes Investissements Sàrl (EDFAI)	25.00	25.00
EBM (Genossenschaft Elektra Birseck)	13.63	13.63
EBL (Genossenschaft Elektra Baselland)	7.12	7.12
Canton of Solothurn	5.60	5.60
Aziende Industriali di Lugano (AIL)	2.12	2.12
IBAarau (IBA)	2.00	2.00
Wasserwerke Zug (WWZ)	0.91	0.91
Free float	12.24	12.24

Hybrid capital

On 24 April 2013, the main Swiss shareholders contributed a hybrid loan in the amount of CHF 367 million. In addition, Alpiq issued a public hybrid bond in the amount of CHF 650 million on the Swiss capital market on 2 May 2013. The total hybrid capital of CHF 1,017 million is of an unlimited duration and qualifies as equity capital under IFRS. However, Alpiq has the right to early repayment of the public hybrid bond, beginning on 15 November 2018, and annually thereafter. The hybrid loan from the main Swiss shareholders can be repaid only after the public hybrid bond has been repaid and is subordinate to it. Under certain circumstances, Alpiq can repay the hybrid loan to the main Swiss shareholders in shares or equivalent hybrid instruments. The hybrid capital pays interest in the form of a 5 % coupon until initial repayment on 15 November 2018. On this date and every five years thereafter, the interest rate will be adjusted in line with prevailing market conditions. In 2023 and 2043, the interest rate will be increased by an additional 25 bps and 75 bps respectively.

Interest payments on the hybrid loan from the main Swiss shareholders can, at Alpiq's discretion, be suspended without the need for Alpiq to subsequently pay the suspended interest. The interest on the public hybrid bond can also be suspended. In this case, however, the interest does not lapse for three years.

On 15 May 2013, the hybrid capital was paid up and led to a cash inflow, minus transaction costs, of CHF 1,005 million. The post-tax interest attributable to hybrid capital investors was CHF 32 million as at 31 December 2013, of which CHF 16 million was paid for the public hybrid bond on 15 November 2013. Because of the lack of a legal obligation to pay the accrued interest, no equity capital accrual was booked for the remaining amount. As a result of the equity characteristics of the hybrid capital, the interest payments are booked on the equity side (retained earnings) with no effect on net income.

According to IFRS, interest that is attributable to fiscal 2013 meets the criteria of preference dividends, irrespective of whether the interest was paid or there is a legal obligation for payment, and is deducted from the net result for the calculation of the undiluted earnings per share for Alpiq Holding shareholders.

21 Provisions

CHF million	Provision for loss-making contracts	Provision for restructuring	Provision for decommissioning own power stations	Provision for warranties	Other provisions	Total
Balance of non-current provisions at 31 December 2012 [1]	**51**	**5**	**18**	**14**	**18**	**106**
Current provisions [1]	88	26		2	18	134
Total provisions at 31 December 2012 [1]	**139**	**31**	**18**	**16**	**36**	**240**
Acquisition / disposal of subsidiaries				– 1		– 1
Arising during the year	74	1	33	5	5	118
Unwinding of discount			1			1
Utilised	– 34	– 5	– 4	– 1	– 4	– 48
Unused amounts reversed	– 63	– 10	– 1	– 1	– 2	– 77
Reclassified	– 8			2		– 6
Exchange differences					– 2	– 2
Total provisions at 31 December 2013	**108**	**17**	**47**	**20**	**33**	**225**
Less current provisions	– 88	– 14	– 1	– 4	– 6	– 113
Balance of non-current provisions at 31 December 2013	**20**	**3**	**46**	**16**	**27**	**112**
Expected cash outflows						
Within 12 months	– 88	– 14	– 1	– 4	– 6	– 113
Within 1 – 5 years	– 19	– 3	– 1	– 7	– 22	– 52
After 5 years	– 1		– 45	– 9	– 5	– 60
Total	**– 108**	**– 17**	**– 47**	**– 20**	**– 33**	**– 225**

1 Prior year comparatives restated

The provision for loss-making contracts covers existing obligations and identifiable risks arising from energy trading and sales business as determined at the reporting date. The item covers expected obligations that arise in connection with the purchase and supply of energy.

The provision for restructurings covers the costs expected in future from the restructuring programmes initiated in previous years. The provision includes costs arising in the course of restructuring and not relating to the Group's continuing operations.

The provision for decommissioning the Group's own power stations covers the estimated costs of decommissioning and restoration obligations associated with the Group's existing power generation facilities.

The provision for warranties relates mainly to the Energy Services business. The provision was calculated based on historical data and contractual agreements.

Other provisions comprise liabilities relating to human resources and other general operating risks estimated as probable.

Substantial provisions where the fair value is significant are recognised at present value, with interest charged to finance costs. Current provisions are recorded as accruals.

22 Long-term borrowings

CHF million	31 Dec 2012 (restated)	31 Dec 2013
Bonds	3,283	2,788
Loans payable	1,204	1,087
Total	**4,487**	**3,875**

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
Alpiq Holding Ltd. CHF 300 million face value, 3 1/8 % fixed rate [1, 2]	2003/2013	16 Sep 2013	3.125	300	
Alpiq Holding Ltd. CHF 200 million face value, 3 % fixed rate	2009/2014	10 Feb 2014	3.201	200	200
Alpiq Holding Ltd. CHF 125 million face value, 2 7/8 % fixed rate [1]	2006/2014	22 Sep 2014	3.107	125	125
Alpiq Holding Ltd. CHF 25 million face value, 3 3/8 % fixed rate	2008/2014	30 Oct 2014	3.559	25	25
Alpiq Holding Ltd. CHF 150 million face value, 3 3/8 % fixed rate	2008/2014	30 Oct 2014	3.600	149	150
Alpiq Holding Ltd. CHF 250 million face value, 3 1/4 % fixed rate [1]	2008/2015	25 Mar 2015	3.547	249	249
Alpiq Holding Ltd. CHF 250 million face value, 3 1/4 % fixed rate	2009/2015	3 Jul 2015	3.447	249	249
Alpiq Holding Ltd. CHF 250 million face value, 1 3/8 % fixed rate	2011/2016	20 Sep 2016	1.553	248	249
Alpiq Holding Ltd. CHF 250 million face value, 4 % fixed rate	2009/2017	10 Feb 2017	4.174	248	249
Alpiq Holding Ltd. CHF 275 million face value, 2 % fixed rate	2012/2017	13 Apr 2017	2.161	273	274
Alpiq Holding Ltd. CHF 25 million face value, 2 % fixed rate	2012/2017	13 Apr 2017	2.139	25	25
Alpiq Holding Ltd. CHF 250 million face value, 2 5/8 % fixed rate [1]	2006/2018	1 Mar 2018	2.790	248	248
Alpiq Holding Ltd. CHF 160 million face value, 3 7/8 % fixed rate	2008/2018	30 Oct 2018	4.022	159	159
Alpiq Holding Ltd. CHF 40 million face value, 3 7/8 % fixed rate	2008/2018	30 Oct 2018	4.020	40	40
Alpiq Holding Ltd. CHF 500 million face value, 3 % fixed rate	2009/2019	25 Nov 2019	3.181	494	494
Alpiq Holding Ltd. CHF 225 million face value, 2 1/4 % fixed rate	2011/2021	20 Sep 2021	2.399	222	223
Alpiq Holding Ltd. CHF 200 million face value, 3 % fixed rate	2012/2022	16 May 2022	3.056	199	199
Emosson SA CHF 130 million face value, 2 1/4 % fixed rate [2]	2005/2017	26 Oct 2017	2.250	130	130

1 Bonds issued by Alpiq Ltd. and Alpiq Suisse Ltd. which were transferred to Alpiq Holding Ltd. in December 2010 by way of substitution of issuer.
2 The bond issued is measured at face value, which approximates amortised cost. As a result, the reported nominal and effective interest rates are identical.

The fair value of fixed rate bonds outstanding at the reporting date was CHF 3,413 million (2012: CHF 3,748 million). The weighted interest rate on bonds issued at the reporting date, relative to face value, was 2.86 % (2.88 %). Bonds of CHF 500 million (CHF 300 million) maturing within 360 days are included in short-term borrowings at the reporting date on 31 December 2013. Their fair value is CHF 507 million (CHF 305 million).

Loans payable

CHF million	31 Dec 2012 (restated)	31 Dec 2013
Maturing between 1 and 5 years	455	558
Maturing in more than 5 years	749	529
Total	**1,204**	**1,087**

The fair value of loans payable was CHF 1,091 million at the reporting date (2012: CHF 1,204 million). The weighted interest rate on loans payable at the reporting date, relative to nominal value, was 2.17 % (2.47 %). Loans of CHF 67 million maturing within 360 days are included in short-term borrowings at the reporting date on 31 December 2013 (CHF 554 million).

23 Other non-current liabilities

CHF million	31 Dec 2012	31 Dec 2013
Written put options	3	3
Other non-current payables	109	85
Total	**112**	**88**
Maturities		
Between 1 and 5 years	48	26
More than 5 years	64	62
Total	**112**	**88**

24 Other current liabilities

CHF million	31 Dec 2012 (restated)	31 Dec 2013
Trade payables	807	810
Other payables	332	361
Advances from customers	83	61
Total	**1,222**	**1,232**

Trade payables to suppliers who are also customers are settled with trade receivables, provided that a netting agreement has been reached with the counterparties, and that the payment is made on a net basis. Payables and receivables offset under netting agreements amounted to CHF 975 million (2012: CHF 1,957 million).

25 Related party transactions

EOS Holding and EDFAI have significant influence over the Alpiq Group and are referred to below as “other related companies”. For information about the relationship with associates and joint ventures, please refer to the accounting policies. Details of transactions between the Group and its employee pension schemes are presented in note 26.

2013: Transactions between the Group and related companies

CHF million	Joint ventures	Other associates	Other related companies
Total revenue and other income			
Revenue from energy sales	34	227	254
Other service revenue	39	16	
Operating expenses			
Energy costs	– 533	– 17	– 302
Other service costs		– 17	– 2
Finance income and costs			
Interest income	2	3	
Interest expense			– 4

Outstanding balances with related companies at the reporting date

CHF million	Joint ventures	Other associates	Other related companies
Receivables			
Trade receivables	10	4	11
Non-current financial receivables	41	122	
Current financial receivables	75		
Other receivables	17	18	8
Payables			
Trade payables	19	4	7
Other liabilities	35	5	4

At the end of 2013, the Alpiq Group had contractual power off-take arrangements with joint ventures. Electricity is purchased according to the ownership interest, but no volumes have been contractually agreed upon. Power generation capacity depends on optimum utilisation of the power stations. The costs for electricity production at the the joint ventures are taken on a “cost-plus” basis.

Outstanding non-financial energy trading contracts with other associates and other related parties at 31 December 2013 had a contract volume of 32 TWh (2012: 27 TWh) and a gross value of CHF 2 billion (CHF 2 billion).

Directors and key management personnel

In 2013, Directors of the Alpiq Group received aggregate remuneration of CHF 4.1 million (2012: CHF 3.9 million). As in the previous year, no severance payments were made. Remuneration paid to the Executive Board in the same period totalled CHF 6.1 million (CHF 3.7 million), of which regular remuneration accounted for CHF 5.4 million (CHF 3.2 million) and pension benefits for CHF 0.7 million (CHF 0.5 million). Please refer to the Remuneration Report (from page 40) for severance payments made in 2013. No severance payments were made in the previous year.

2012: Transactions between the Group and related companies

CHF million	Joint ventures (restated)	Other associates	Other related companies
Total revenue and other income			
Revenue from energy sales	47	355	414
Other service revenue	57	1	5
Operating expenses			
Energy costs	– 612	– 102	– 333
Other service costs	– 1	– 57	– 2
Finance income and costs			
Interest income	2		
Interest expense			– 18

Outstanding balances with related companies at the reporting date

CHF million	Joint ventures (restated)	Other associates	Other related companies
Receivables			
Trade receivables	3	26	156
Non-current financial receivables	41		
Other receivables			6
Payables			
Trade payables	4	28	152
Current financial payables	3		320

26 Retirement benefit obligations

In December 2013, the employees insured in Switzerland in the Generation and Commerce & Trading business divisions and in the Group Centre decided, as of 1 April 2014, to change from a Swiss defined benefit plan to a Swiss defined contribution plan that meets the criteria of a defined benefit plan under IAS 19. The change results in a change to the plan. Alpiq is therefore settling the associated reduction in benefits, which are age graded, by contribution in old age savings. The effects of the change and the associated one-off expenses are disclosed as past service costs.

The pension fund of AIT in Switzerland has agreed to a change of plan as of 1 January 2014. The change of plan comprises in particular lowering the conversion rates as well as increasing the saving contributions. The effects of the change of plan are also accounted for as past service costs.

Net benefit expense recognised in the income statement

CHF million	2012 (restated)	2013
Current service cost	33	40
Net interest expense on defined benefit plans	10	8
Past service cost	– 2	5
Administrative costs		1
Net benefit expense	**41**	**54**
Of which, current service and administration cost	31	46
Of which, net interest cost	10	8

Retirement benefit obligations recognised in the statement of financial position

CHF million	31 Dec 2012 (restated)	31 Dec 2013
Present value of defined benefit obligation	1,175	1,207
Fair value of plan assets	885	959
Deficit / (surplus)	290	248
Net liability in the statement of financial position	**290**	**248**
Of which, accounted for as retirement benefit asset	15	14
Of which, accounted for as retirement benefit obligation	305	262

Reconciliation in net defined liability

CHF million	2012	2013
Net defined benefit liability at 1 January	**183**	**290**
Reclassified from “liabilities held for sale” reported in the previous year	87	
Net defined benefit expense recognised in the income statement	41	54
Net defined benefit expense recognised in other comprehensive income	38	– 63
Contributions by employer	– 40	– 35
Others	7	1
Reclassified to “liabilities held for sale”	– 27	
Exchange differences	1	1
Net defined benefit liability at 31 December	**290**	**248**

Changes in the present value of the defined benefit obligation

CHF million	2012 (restated)	2013
Defined benefit obligation at 1 January	**1,092**	**1,175**
Reclassified from “liabilities held for sale” reported in the previous year	88	
Interest expense on defined benefit plans	34	26
Current service cost	33	40
Contributions by plan participants	19	19
Past service cost	– 2	5
Plan amendment / settlement	19	
Benefits paid	– 70	– 76
Administrative costs		1
Acquisition / disposal of subsidiaries		6
Actuarial (gains) / losses		
Financial assumptions	68	– 18
Demographic assumptions		27
Experience adjustments	5	
Reclassified to “liabilities held for sale”	– 112	
Exchange differences	1	2
Defined benefit obligation at 31 December	**1,175**	**1,207**

The weighted average duration of the defined benefit obligation as at the reporting date is 14.0 years (previous year: 13.1 years).

Changes in the fair value of plan assets

CHF million	2012 (restated)	2013
Fair value of plan assets at 1 January	**909**	**885**
Reclassified from “liabilities held for sale” reported in the previous year	1	
Interest income on plan assets	24	18
Contributions by employer	40	35
Contributions by plan participants	19	19
Benefits paid	– 65	– 76
Plan amendment / settlement	20	
Acquisition / disposal of subsidiaries		5
Return on plan assets	22	72
Reclassified to “liabilities held for sale”	– 85	
Exchange differences		1
Fair value of plan assets at 31 December	**885**	**959**

Analysis of the fair value of plan assets

CHF million	31 Dec 2012 (restated)	31 Dec 2013
Quoted market prices		
Cash and cash equivalents	17	26
Equity instruments of third parties	335	354
Debt instruments of third parties	382	404
Property not occupied by the company	127	142
Other	22	31
Total fair value of the plan assets (quoted marked prices)	**883**	**957**
Non-quoted market prices		
Other	2	2
Total fair value of the plan assets (non-quoted marked prices)	**2**	**2**
Total fair value of plan assets	**885**	**959**

Actuarial assumptions used in the calculations

%	2012 (restated)	2013
Discount rate	2.20	2.39
Future salary increases	1.35	1.27
Future pension increases	0.16	0.17

Life expectancy is calculated for the Swiss plans using the BVG 2010 generation tables and, for German plans, using the Heubeck tables 2005G.

Sensitivity analysis

The valuation of the net defined benefit obligation is particularly sensitive in terms of changes in the discount rate, assumptions of salary increase and in life expectancy. The following table summarises the effects of a change in these assumptions on the present value of the net defined benefit obligation.

CHF million	2012	2013
Life expectancy		
Increase in life expectancy by 1 year	37	34
Reduction in life expectancy by 1 year	– 38	– 36
Discount rate		
0.25 % increase	– 46	– 43
0.25 % reduction	49	46
Salary increase		
0.25 % increase	9	5
0.25 % reduction	– 9	– 5

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

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

CHF million	2013 (restated)	2014
Contributions by employer	41	66
Contributions by plan participants	19	19

27 Contingent liabilities and guarantees

As at the balance sheet date, liabilities from pledges, guarantees and other commitments to affiliated companies or third parties amounted to CHF 12 million (2012: CHF 73 million). Alpiq is jointly and severally liable for all joint ventures in the form of simple partnerships in which group companies have a stake. In addition to stakes in various simple partnerships, Alpiq is the leading member of the Transtec Gotthard consortium. For additional commitments in connection with partnerships, please see note 15.

28 Pledged assets

CHF million	31 Dec 2012	31 Dec 2013
Mortgaged property	2	
Interests in generation facilities	224	199
Total	**226**	**199**

The power generation facilities of Novel S.p.A., Milan / IT, En Plus S.r.l., Milan / IT, Alpiq Wind Italia S.r.l., Verona / IT, as well as the assets of Aero Rossa S.r.l., Aragona / IT, and Enpower 3 S.r.l., Aragona / IT, that were acquired in 2012, are funded through common project financing arrangements with banks. The related borrowings are recorded in the consolidated statement of financial position. Alpiq Group has pledged its equity interests in these power stations to the financing banks.

29 Events after the reporting period

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

30 Segment information

Alpiq Group's segment reporting is based on the Group's internal organisational and management structure and the internal financial information reported to the chief operating decision maker. The reportable segments under IFRS 8 consist of three business divisions, as shown in the organisation chart in the Corporate Governance section. The Executive Board evaluates each of these separately for the purpose of assessing performance and allocating resources. The key measure of performance used for internal management and assessment at the Alpiq Group is segment profit (EBITDA, EBIT). Operating costs comprise energy purchase and generation costs as well as all other operating costs, including employee benefits and services used. Amounts derived from management reporting require no adjustment for financial reporting as the same accounting policies are used for internal and external reporting.

Alpiq amended its organisational and management structure effective 1 January 2013. The Energy Switzerland, Energy International and Optimisation & Trading segments presented in the Financial Report 2012 were replaced by a structure which reflects Alpiq's value chain. Alpiq is now managed in three new business divisions: Generation, Commerce & Trading and Energy Services. Prior-year segment information has been restated for comparability.

- The Generation business division comprises power generation at power plants operated both by Alpiq alone and as joint ventures in Switzerland, as well as all foreign power generation units in France, Italy, Spain, the Czech Republic and Hungary. It also includes renewable energies capacity in Switzerland, Bulgaria, France, Italy and Scandinavia.

- The Commerce & Trading business division is made up of energy sales and distribution in the Swiss, French, Italian, Polish, Czech and Hungarian markets, as well as in further countries in Central Europe. Trading operations in electricity, gas and other commodities and certificates in Switzerland and Europe are also allocated to this division. The asset-related earnings from optimisation and trading activities for Switzerland and Western Europe are allocated to the Generation business division.

- The Energy Services business division covers the operations of the two energy service group companies Alpiq InTec (AIT) and Alpiq Energie- und Anlagentechnik (EAT). The Swiss AIT Group focuses primarily on building systems and transport technology in Switzerland and Italy. Meanwhile, the German EAT Group concentrates on its core business of energy generation technology and power plant engineering in various parts of Europe.

No operating business segments have been summed up in the presentation of reportable segments. Business division profit is reconciled to the Alpiq Group's consolidated figures with the inclusion of the holding company, Group Centre, other companies and consolidation adjustments in the Group. This includes results which cannot be allocated directly to the business divisions (financial and non-strategic investments), activities of the Group headquarters, including the group-wide Financial Services and Management Services units, consolidation adjustments and eliminations, as well as items of expense and income that cannot be influenced at business division level.

2013: Information by business division

CHF million	Generation	Commerce & Trading	Energy Services	Group holding company, Group Centre, other and consolidation	Alpiq Group
External revenue from energy sales / construction contracts	2,882	5,001	1,577	– 65	9,395
Revenue from energy and financial derivatives	– 46	25		– 4	– 25
– Proprietary trading		5			5
– Hedges	– 46	20		– 4	– 30
Total external net revenue	**2,836**	**5,026**	**1,577**	**– 69**	**9,370**
Inter-segment transactions	1,421	242	9	– 1,672	0
Total net revenue	**4,257**	**5,268**	**1,586**	**– 1,741**	**9,370**
Other income	54	21	11	87	173
Exceptional items [1]	11				11
Total revenue and other income	**4,322**	**5,289**	**1,597**	**– 1,654**	**9,554**
Operating costs	– 3,541	– 5,246	– 1,487	1,527	– 8,747
Exceptional items [1]	– 9	– 9			– 18
EBITDA before exceptional items [1]	**770**	**43**	**110**	**– 127**	**796**
EBITDA	**772**	**34**	**110**	**– 127**	**789**
Depreciation and amortisation	– 233	– 13	– 27	– 24	– 297
Exceptional items [1]	– 185		– 4	– 24	– 213
EBIT before exceptional items [1]	**537**	**30**	**83**	**– 151**	**499**
EBIT	**354**	**21**	**79**	**– 175**	**279**
Number of employees at the reporting date	771	314	6,317	443	7,845
Property, plant and equipment	3,659	216	160	97	4,132
Intangible assets	893	54	77	– 150	874
Investments in joint ventures and other associates	3,113	2	9	553	3,677
Total non-current assets	**7,665**	**272**	**246**	**500**	**8,683**
Net capital expenditure on property, plant and equipment and intangible assets	– 112	– 28	– 23		– 163

1 Include impairment allowances, impairment reversals as well as proceeds from the sale of businesses

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

Outstanding financial energy trading contracts with third parties at 31 December 2013 had a contract volume of 3.4 TWh (31 December 2012: 0.7 TWh). The gross values of these contract volumes at 31 December 2013 were 371.1 TWh (2012: 696.6 TWh) or CHF 17 billion (CHF 29 billion).

There was no revenue from transactions with a single external customer amounting to 10 % or more of the Alpiq Group's consolidated net revenue.

2012: Information by business division (restated)

CHF million	Generation	Commerce & Trading	Energy Services	Group holding company, Group Centre, other and consolidation	Alpiq Group
External revenue from energy sales / construction contracts	4,748	6,147	1,952	– 103	12,744
Revenue from energy and financial derivatives	– 24	– 7		10	– 21
– Proprietary trading		– 12			– 12
– Hedges	– 24	5		10	– 9
Total external net revenue	**4,724**	**6,140**	**1,952**	**– 93**	**12,723**
Inter-segment transactions	592	– 386	40	– 246	0
Total net revenue	**5,316**	**5,754**	**1,992**	**– 339**	**12,723**
Other income	55	181	– 138	126	224
Gain on disposals / income from arbitration proceedings	5	54	151		210
Total revenue and other income	**5,376**	**5,989**	**2,005**	**– 213**	**13,157**
Operating costs	– 4,416	– 5,907	– 1,732	105	– 11,950
Impairment charges and provisions	73	– 60	– 8		5
EBITDA before impairment charges and provisions, plus gain on disposals / income from arbitration proceedings	**955**	**28**	**122**	**– 108**	**997**
EBITDA	**1,033**	**22**	**265**	**– 108**	**1,212**
Depreciation and amortisation	– 370	– 38	– 34	– 31	– 473
Impairment of property, plant and equipment and intangible assets	– 1,570	– 76		– 17	– 1,663
EBIT before impairment charges and provisions, plus gain on disposals / income from arbitration proceedings	**585**	**– 10**	**88**	**– 139**	**524**
EBIT	**– 907**	**– 92**	**231**	**– 156**	**– 924**
Number of employees at the reporting date	838	504	6,074	510	7,926
Property, plant and equipment	3,051	308	159	110	3,628
Intangible assets	1,002	8	78	32	1,120
Investments in joint ventures and other associates	3,382	194		9	3,585
Total non-current assets	**7,435**	**510**	**237**	**151**	**8,333**
Net capital expenditure on property, plant and equipment and intangible assets	– 268	– 22	98		– 192

2013: Information by geographical area

CHF million	Switzerland	Italy	Germany	France	Poland	Spain	Czech Republic	Other countries	Alpiq Group
External revenue	2,569	1,811	1,461	1,217	207	288	304	1,513	9,370
Property, plant and equipment	2,626	419	35	139			734	179	4,132
Intangible assets	763	51	5	11	8	12	6	18	874
Investments in joint ventures and other associates	3,646	23						8	3,677
Total non-current assets	**7,035**	**493**	**40**	**150**	**8**	**12**	**740**	**205**	**8,683**

2012: Information by geographical area (restated)

CHF million	Switzerland	Italy	Germany	France	Poland	Spain	Czech Republic	Other countries	Alpiq Group
External revenue	3,150	2,198	2,054	1,506	570	841	338	2,066	12,723
Property, plant and equipment [1]	2,676	476	41	159			10	266	3,628
Intangible assets [1]	969	62	5	16	8	15	2	43	1,120
Investments in joint ventures and other associates [1]	3,507	70						8	3,585
Total non-current assets	**7,152**	**608**	**46**	**175**	**8**	**15**	**12**	**317**	**8,333**

1 Excluding assets held for sale.

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

31 Business combinations

Business combinations in 2013

In 2013, the following companies were acquired and included in the consolidated financial statements:

- Generation business division:
  2 Dec 2013: 100 % of Tormoseröd Vindpark AB, Karlstad / SE
  2 Dec 2013: 100 % of Ytre Oppedal Kraftverk AS, Voss / NO

- Energy Services business division:
  4 Dec 2013: 100 % of Liechti AG, Kälte-Klima-Energie, Frauenfeld / CH

The acquisition costs totalled CHF 10 million. Fair values have been allocated as follows in the statement of financial position:

CHF million	Generation business division	Energy Services business division
Property, plant and equipment	4	2
Intangible assets		3
Cash and cash equivalents		1
Other current assets		3
Other current and non-current liabilities	– 1	– 2
Deferred income tax liabilities		– 1
Net assets acquired	**3**	**6**
Goodwill arising on acquisition		1
Net cash flow on acquisition:		
Cash and cash equivalents acquired with subsidiaries		1
Acquisition costs	– 3	– 7
Net cash flow	**– 3**	**– 6**

Tormoseröd Vindpark AB, Karlstad / SE

Alpiq acquired 100 % of Tormoseröd Vindpark AB, Karlstad / SE at the beginning of December 2013. This is a project company providing wind parks in Tanum and Strömstad consisting of 13 wind turbines. Acquisition costs totalled CHF 2.6 million.

Ytre Oppedal Kraftverk AS, Voss / NO

Alpiq increased its investment in Ytre Oppedal Kraftverk AS, Voss / NO from 13.6 % to 100 % at the beginning of December 2013. The company is developing a 2.8 MW hydroelectric power station in Gulen. Acquisition costs totalled CHF 0.4 million.

Liechti AG, Frauenfeld / CH

Alpiq acquired 100 % of Liechti AG, Kälte-Klima-Energie in Frauenfeld at the beginning of December 2013. Acquisition costs totalled CHF 7 million. The company's revenues and profit contribution in 2013 were not significant. If the acquisition had taken place on 1 January 2013, the consolidated revenues of the Alpiq Group would have been CHF 9 million higher and its consolidated profit would have been CHF 1 million higher.

Business combinations in 2012

In 2012, the following companies were acquired and included in the consolidated financial statements:

- Generation business division:
  4 Jun 2012: 100 % of Aero Rossa S.r.l., Aragona / IT
  4 Jun 2012: 100 % of Enpower 3 S.r.l., Aragona / IT

- Energy Services business division:
  16 May 2012: 100 % of Infra Haustechnik Service Ltd, Emmenbrücke / CH
  27 Jun 2012: 100 % of Hirt Haustechnik AG, Luterbach / CH
  28 Nov 2012: 100 % of Wüst Haustechnik AG, Lupfig / CH

The acquisition costs totalled CHF 130 million. Fair values were allocated as follows in the statement of financial position:

CHF million	Generation business division Renewable Energy Italy	Energy Services business division Alpiq InTec (AIT)
Property, plant and equipment	215	1
Intangible assets	14	1
Deferred income tax assets	6	
Cash and cash equivalents	28	
Other current assets	42	4
Short- and long-term borrowings	– 171	
Other current and non-current liabilities	– 25	– 2
Deferred income tax liabilities	– 7	
Net assets	**102**	**4**
Net assets acquired	**102**	**4**
Goodwill arising on acquisition	23	1
Net cash flow on acquisition:		
Cash and cash equivalents acquired with subsidiaries	28	
Acquisition costs	– 126	– 4
Transfer of interest in an associate	126	
Net cash flow	**28**	**– 4**

M & A Rinnovabili S.r.l. asset split

In 2008, Alpiq acquired a 30 % interest in M & A Rinnovabili S.r.l. At the beginning of June 2012, an asset split was carried out in which Alpiq fully took over the Aero Rossa S.r.l. and Enpower 3 S.r.l. wind farms. Together with the acquisition of the facilities, Alpiq's interest in M & A Rinnovabili S.r.l. was simultaneously reduced to 22 %.

Aero Rossa S.r.l., Aragona / IT

At the beginning of June 2012, Alpiq fully acquired Aero Rossa S.r.l. This comprised the takeover of a wind farm on Sicily from the existing equity-accounted interest in M & A Rinnovabili S.r.l. Its installed capacity is 84 MW. The acquisition costs totalled CHF 88 million, which was offset against the original investment in M & A Rinnovabili. The acquisition resulted in a cash inflow of CHF 22 million due to the liquid assets acquired. The goodwill acquired represents that portion of the purchase consideration that cannot be allocated to other categories of assets, primarily comprising synergies expected from integrating the wind farm into Alpiq's power generation and sales portfolio and from optimising cost and process structures. From the date of acquisition, the contribution to revenue was CHF 15 million and the contribution to consolidated Group profit / (loss) was approximately CHF 3 million for 2012. If the acquisition had taken place on 1 January 2012, consolidated revenue would have been CHF 29 million higher and profit would have been CHF 7 million higher.

Enpower 3 S.r.l., Aragona / IT

At the beginning of June 2012, Alpiq fully acquired Enpower 3 S.r.l. This comprised the takeover of a wind farm on Sicily from the existing equity-accounted interest in M&A Rinnovabili S.r.l. Its installed capacity is 40 MW. The acquisition costs totalled CHF 38 million, which was offset against the original investment in M&A Rinnovabili. The acquisition resulted in a cash inflow of CHF 6 million due to the liquid assets acquired. The goodwill acquired represents that portion of the purchase consideration that cannot be allocated to other categories of assets, primarily comprising synergies expected from integrating the wind farm into Alpiq's power generation and sales portfolio and from optimising cost and process structures. From the date of acquisition, the contribution to revenue was CHF 6 million and the contribution to consolidated Group profit / (loss) was approximately CHF 1 million for 2012. If the acquisition had taken place on 1 January 2012, consolidated revenue would have been CHF 12 million higher and profit would have been CHF 3 million higher.

The wind farm taken over together with the acquisition of Enpower 3 S.r.l. is primarily funded through a long-term lease agreement.

Other acquisitions

The other companies acquired at a cost of CHF 4 million relate to the energy services business. Revenue from the date of acquisition totalled CHF 4 million. If the acquisitions had taken place on 1 January 2012, consolidated revenue would have been CHF 19 million higher. The contributions to profit were insignificant.

32 Business disposals

The following companies were disposed of during the reporting period:

- Società Elettrica Sopracenerina SA, Locarno / CH
- Alpiq Grid Ltd. Gösgen, Niedergösgen / CH
- Alpiq Grid Ltd Lausanne, Lausanne / CH
- Madland Kraftverk AS, Billingstad / NO
- K+M Fahrleitungstechnik GmbH, Issenbüttel / DE
- Alpiq Csepeli Erömü Kft., Budapest / HU

Energ.it S.p.A., Cagliari / IT, Energiakolmio OY, Jyväskylä / FI, Kraftwerk Havelland GmbH, Leipzig / DE and the companies comprising the Energy Supply Technology business unit of Alpiq Anlagentechnik GmbH, Heidelberg / DE were sold in the previous year.

Gains realised on the disposals are recognised in other operating income (CHF +12 million) and losses in the other operating expense (CHF –9 million).

The assets and liabilities at the date of disposal were as follows:

CHF million	2012	2013
Property, plant and equipment	86	854
Intangible assets (incl. goodwill)	37	95
Financial assets		3
Deferred income tax assets	7	7
Cash and cash equivalents	26	18
Other current assets	262	58
Short- and long-term borrowings	– 32	– 88
Other current and non-current liabilities	– 278	– 100
Deferred income tax liabilities	– 22	– 13
Non-controlling interests	– 4	– 60
Net assets disposed of	**82**	**774**

Net cash flow on disposal

CHF million	2012	2013
Cash and cash equivalents disposed of with subsidiary	– 26	– 18
Consideration received	249	314
Net cash flow	**223**	**296**

Alpiq Grid Ltd. Gösgen, Niedergösgen / CH
Alpiq Grid Ltd. Lausanne, Lausanne / CH

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 two Alpiq grid companies were subsequently deconsolidated. For this transaction Alpiq was granted Swissgrid shares of CHF 205 million and a loan receivable of CHF 469 million, which will be paid off in stages. A first tranche amounting to CHF 223 million 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. The non-cash transactions in the positions “investments in joint ventures and other associates” (note 15) and “other non-current financial assets” (note 16) are disclosed as additions.

33 Assets held for sale

At 31 December 2013, no companies were stated as “assets and liabilities held for sale”.

Due to the plans for their sale, the energy supply company Società Elettrica Sopracenerina SA (SES), the power generation facilities of Alpiq Generation s.r.o. in the Czech Republic, the interests in Repower AG and Romande Energie Holding SA, as well as the operations of the grid companies due to the legal situation, have been reported as “assets held for sale” in the statement of financial position at 31 December 2012.

The grid companies were transferred to Swissgrid Ltd, the national grid company, on 3 January 2013 (see note 32). Moreover, Alpiq sold its entire 24.6 % share of Repower AG on 28 March 2013. The Group’s 10 % stake in Romande Energie Holding SA was sold in three instalments in 2013.

On 29 May 2013, Alpiq announced that it had concluded a contract to sell its 60.9 % stake in Ticino-based energy supply company Società Elettrica Sopracenerina SA. The sale was approved by the relevant competition authority on 9 July 2013 whereupon the transaction was completed successfully.

In November 2013 Alpiq decided not to sell the power generation facilities of Alpiq Generation s.r.o. in the Czech Republic. Due to the changed situation, the company was reclassified again.

Assets

CHF million	31 Dec 2012	31 Dec 2013
Property, plant and equipment	1,306	
Intangible assets	107	
Investments in associates	304	
Other non-current financial assets	1	
Deferred income tax assets	10	
Inventories	26	
Trade and other receivables	55	
Cash and cash equivalents	27	
Prepayments and accrued income	13	
Total assets held for sale	**1,849**	**0**

Liabilities

CHF million	31 Dec 2012 (restated)	31 Dec 2013
Provisions	1	
Deferred income tax liabilities	25	
Retirement benefit obligations	26	
Long-term borrowings	82	
Other non-current liabilities	20	
Current income tax liabilities	7	
Short-term borrowings	2	
Other current liabilities	78	
Accruals and deferred income	23	
Total liabilities held for sale	**264**	**0**

As a result of the disposals carried out in 2013, net expenses of CHF 5 million from IAS 39 effects were recycled from equity to the income statement. The pre-tax effect amounting to 6 million is recorded in the “share of results of joint ventures and other associates”.

In prior year, income and expense relating to disposal groups and assets held for sale that were recognised in other comprehensive income comprised foreign currency translation gains of CHF 27 million and expenses of CHF 5 million related to IAS 39 effects.

The impairments recorded in the previous year on assets held for sale are explained in note 4.

Subsidiaries and Investments

Holding and finance companies

	Place of incorporation	Currency	Issued capital in millions	Direct ownership interest in % (voting rights)	Consoli-dation method	Business activity	Reporting date
Alpiq Holding Ltd.	Lausanne	CHF	271.90	100.0	F	H	31 Dec
Alpiq Deutschland GmbH	Heidelberg / DE	EUR	10.00	100.0	F	H	31 Dec
Alpiq Finance Ltd.	St. Helier / JE	EUR	1.15	100.0	F	S	31 Dec
Alpiq Finanzbeteiligungen Ltd.	Olten	CHF	0.10	100.0	F	H	31 Dec
Alpiq Re (Guernsey) Ltd.	Guernsey / GB	EUR	3.00	100.0	F	S	31 Dec
Motor-Columbus Ltd.	Olten	CHF	2.00	100.0	F	S	31 Dec

Energy companies

	Place of incorporation	Licence expiry	Currency	Issued capital in millions	Direct ownership interest in % (voting rights)	Consoli-dation method	Business activity	Reporting date
Aare-Tessin Ltd. for Electricity	Olten		CHF	0.05	100.0	F	S	31 Dec
Aarewerke AG	Klingnau	2015	CHF	16.80	10.1	E	G	30 Jun
AEK Energie AG	Solothurn		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
AlpEnergie Suisse S.à.r.l.	Lausanne		CHF	0.02	100.0	F	S	31 Dec
Alpiq Ltd.	Olten		CHF	303.60	100.0	F	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 EcoPower Ltd.	Olten		CHF	0.50	100.0	F	S	31 Dec
Alpiq EcoPower Italia Ltd.	Olten		CHF	0.50	100.0	F	S	31 Dec
Alpiq EcoPower Scandinavia AS	Oslo / NO		NOK	50.00	100.0	F	G	31 Dec
Alpiq EcoPower Switzerland Ltd.	Olten		CHF	25.00	100.0	F	G	31 Dec
Alpiq Energía España S.A.U.	Barcelona / ES		EUR	17.50	100.0	F	SU	31 Dec
Alpiq Energia Italia S.p.A.	Milan / IT		EUR	20.00	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	0.01	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 SE	Prague / CZ		EUR	0.16	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 EnerTrans AG	Niedergösgen		CHF	0.25	100.0	F	S	31 Dec
Alpiq Generation (CZ) s.r.o.	Kladno / CZ		CZK	2,975.00	100.0	F	G	31 Dec
Alpiq Hydro Aare AG	Boningen		CHF	53.00	100.0	F	G	31 Dec
Alpiq Hydro Italia S.r.l.	Milan / IT		EUR	0.73	90.0	F	G	31 Dec
Alpiq Hydro Ticino SA	Airolo		CHF	3.00	100.0	F	G	31 Dec
Alpiq le Bayet S.A.S.	St-Paul-sur-Isère / FR		EUR	0.04	100.0	F	G	31 Dec
Alpiq Produzione Italia Management S.r.l.	Milan / IT		EUR	0.25	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 Spreetal GmbH	Düsseldorf / DE		EUR	1.00	100.0	F	G	31 Dec
Alpiq Suisse Ltd.	Lausanne		CHF	145.00	100.0	F	SU	31 Dec
Alpiq Turkey Enerji Toptan Satis Limited Sirketi	Istanbul / TR		TRY	2.00	100.0	F	T	31 Dec
Alpiq Vercelli S.r.l.	Milan / IT		EUR	10.33	95.0	F	G	30 Sep
Alpiq Versorgungs AG (AVAG)	Olten		CHF	50.00	96.7	F	SU	31 Dec
Aare Energie AG (a.en)	Olten		CHF	2.00	50.0	E	S	31 Dec
Alpiq Wind Italia S.r.l.	Verona / IT		EUR	0.01	100.0	F	G	31 Dec
Alpiq Bulgaria Ltd.	Sofia / BG		BGN	0.20	100.0	F	T	31 Dec
Atel Energy Romania S.R.L.	Bucharest / RO		RON	0.00	100.0	F	T	31 Dec
Alpiq Hellas S.A.	Ambelokipi Athens / GR		EUR	0.06	95.0	F	T	31 Dec
Biella Power S.r.l.	Milan / IT		EUR	1.00	60.0	F	G	31 Dec
Birs Wasserkraft AG	Grellingen		CHF	0.10	100.0	F	G	31 Dec
Blenio Kraftwerke AG	Blenio	2042	CHF	60.00	17.0	E	G	30 Sep
Botnen Kraftverk AS	Voss / NO		NOK	0.10	38.0	E	G	31 Dec
CEPE Les Gravières SAS	Vergigny / FR		EUR	0.04	100.0	F	G	31 Dec
CERS Holding SAS	Paris / FR		EUR	0.50	15.0	E	G	31 Dec
CISEL Informatique SA	Matran		CHF	1.20	18.0	E	S	31 Dec
Cleuson-Dixence [1]	Sion	2044	CHF	0.00	31.8	E	G	31 Dec
Cotlan AG	Glarus Süd		CHF	0.10	100.0	F	G	31 Dec
Csepel III Erőmű Kft.	Budapest / HU		HUF	754.86	100.0	F	G	31 Dec
ECS Elektrarna Cechy-Stred a.s.	Prague / CZ		CZK	90.00	49.0	E	S	31 Dec
Electra-Massa AG	Naters	2048	CHF	20.00	34.5	E	G	31 Dec
Electricité d'Emosson SA	Martigny		CHF	140.00	50.0	F	G	31 Dec
En Plus S.r.l.	Milan / IT		EUR	25.50	66.7	F	G	31 Dec
Energie Biberist AG	Biberist		CHF	5.00	25.0	E	G	31 Dec
Energie Electrique du Simplon SA (E.E.S.)	Simplon		CHF	8.00	81.9	F	G	31 Dec
Engadiner Kraftwerke AG	Zernez	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

Entegra Wasserkraft AG	St. Gallen		CHF	4.12	75.0	F	G	31 Dec
Eole Jura SA	Muriaux		CHF	4.00	100.0	F	G	31 Dec
Forces Motrices Hongrin-Léman S.A. (FMHL)	Château-d'Oex	2051	CHF	30.00	39.3	E	G	31 Dec
Forces Motrices de Fully SA (FMDF)	Fully	2085	CHF	0.80	28.0	E	G	31 Dec
Forces Motrices de Martigny-Bourg SA	Martigny	2080	CHF	3.00	18.0	E	G	31 Dec
Geitåni Kraftverk AS	Voss / NO		NOK	0.10	40.0	E	G	31 Dec
Forces Motrices de Conches SA	Ernen	2051	CHF	30.00	26.0	E	G	31 Dec
Grande Dixence SA	Sion	2044	CHF	300.00	60.0	E	G	31 Dec
HYDRO Exploitation SA	Sion		CHF	13.00	26.2	E	S	31 Dec
Hydro-Solar Energie AG	Niederdorf		CHF	0.10	65.0	F	G	31 Dec
Isento AG	Thal		CHF	0.25	100.0	F	G	31 Dec
Kernkraftwerk Gösgen-Däniken AG	Däniken		CHF	350.00 [2]	40.0	E	G	31 Dec
Kernkraftwerk Leibstadt AG	Leibstadt		CHF	450.00	32.4	E	G	31 Dec
Nuclear Power Plant Niederamt Ltd.	Olten		CHF	0.10	100.0	F	G	31 Dec
Kernkraftwerk-Beteiligungsgesellschaft AG (KBG)	Bern	2016/2032	CHF	150.00	33.3	E	G	31 Dec
KohleNusbaumer SA	Lausanne		CHF	0.10	35.0	E	S	31 Dec
Kraftwerk Ryburg-Schwörstadt AG	Rheinfelden	2070	CHF	30.00	13.5	E	G	30 Sep
Kraftwerke Gougra AG	Sierre	2039/2084	CHF	50.00	54.0	F	G	30 Sep
Kraftwerke Hinterrhein AG	Thusis	2042	CHF	100.00	9.3	E	G	30 Sep
Kraftwerke Zervreila AG	Vals	2037	CHF	50.00	21.6	E	G	31 Dec
M&A Rinnovabili S.r.l.	Aragona / IT		EUR	5.00	22.0	E	G	31 Dec
Maggia Kraftwerke AG	Locarno	2035/2048	CHF	100.00	12.5	E	G	30 Sep
Kraftwerk Aegina AG	Obergoms		CHF	12.00	50.0	E	G	30 Sep
Monthel Ltd.	Monthey		CHF	15.00	100.0	F	G	31 Dec
Nant de Drance SA	Finhaut		CHF	150.00	39.0	E	G	31 Dec
Novel S.p.A.	Milan / IT		EUR	23.00	51.0	F	G	30 Sep
Ouvra Electrica Lavinuoz Lavin SA (OELL)	Lavin		CHF	2.00	25.0	E	G	31 Dec
Reisæter Kraftverk AS	Ullensvang / NO		NOK	0.10	20.0	E	G	31 Dec
Romande Energie Commerce SA	Morges		CHF	15.00	11.8	E	S	31 Dec
Sabloal Energie Eoliana S.R.L.	Oradea / RO		RON	0.20	100.0	F	G	31 Dec
Salanfe SA	Vernayaz		CHF	18.00	100.0	F	G	31 Dec
Scanenergy AS	Billingstad / NO		NOK	37.50	10.0	E	G	31 Dec
Sevre Kraftverk AS	Nesbyen / NO		NOK	0.10	90.0	F	G	31 Dec
Société des Forces Motrices du Grand-St.-Bernard SA	Bourg-St-Pierre	2040	CHF	10.00	25.0	E	G	31 Dec
Stølsdalselva Kraftverk AS	Jondal / NO		NOK	0.50	8.0	E	G	31 Dec
Tormoseröd Vindpark AB	Karlstad / SE		SEK	0.10	100.0	F	G	31 Dec
Tysvær Vindpark AS	Rogaland / NO		NOK	0.10	100.0	F	G	31 Dec
Unoenergia S.r.l.	Biella / IT		EUR	0.11	40.0	E	G	31 Dec
Vetrocom Ltd.	Sofia / BG		BGN	136.91	100.0	F	G	31 Dec
Wasserkraftwerk Tambobach AG	Splügen		CHF	2.00	70.0	F	G	31 Dec
Wasserkraftwerke Weinfelden AG	Weinfelden		CHF	5.00	49.0	E	G	31 Dec
Xamax AG	Olten		CHF	0.20	100.0	F	S	31 Dec
Ytre Oppedal Kraftverk AS	Voss / NO		NOK	0.10	100.0	F	G	31 Dec
3CB SAS	Paris / FR		EUR	103.00	100.0	F	G	31 Dec

1 Simple partnership.
2 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	Business activity	Reporting date
ETRANS Ltd	Laufenburg	CHF	7.50	33.3	E	S	31 Dec
Swissgrid Ltd	Laufenburg	CHF	275.72	35.3	E	S	31 Dec

Holding and management companies

	Place of incorporation	Currency	Issued capital in millions	Direct ownership interest in % (voting rights)	Consoli-dation method	Business activity	Reporting date
Alpiq Central Europe Ltd	Niedergösgen	CHF	0.40	100.0	F	H	31 Dec
Alpiq Hydro France S.A.S.	Toulouse/FR	EUR	7.79	100.0	F	H	31 Dec
Alpiq Italia S.r.l.	Milan/IT	EUR	0.25	100.0	F	H	31 Dec
Alpiq Management Ltd.	Olten	CHF	10.00	100.0	F	S	31 Dec
Alpiq Management Services Ltd.	St. Helier/JE	EUR	0.10	100.0	F	S	31 Dec
Alpiq Western Europe S.à r.l.	Luxembourg/LU	EUR	1.00	100.0	F	H	31 Dec
Alpiq Wind Italia 2 S.r.l.	Milan/IT	EUR	0.01	100.0	F	H	31 Dec

Energy Services companies

Alpiq InTec (AIT)

	Place of incorporation	Currency	Issued capital in millions	Direct ownership interest in % (voting rights)	Consoli-dation method	Business activity	Reporting date
Holding and management companies							
Alpiq InTec Ltd.	Olten	CHF	30.00	100.0	F	H	31 Dec
Alpiq InTec Management Ltd.	Zurich	CHF	0.10	100.0	F	S	31 Dec
Alpiq InTec Management S.r.l.	Milan / IT	EUR	1.00	100.0	F	S	31 Dec
Transport Technology							
Elektroline a.s.	Prague / CZ	EUR	0.17	100.0	F	S	31 Dec
K+M Verkehrstechnik GmbH	Herne / DE	EUR	0.03	100.0	F	S	31 Dec
Kummler + Matter Ltd	Zurich	CHF	2.50	100.0	F	S	31 Dec
Liechti AG, Kälte-Klima-Energie	Frauenfeld	CHF	0.20	100.0	F	S	31 Dec
Mauerhofer et Zuber SA	Renens	CHF	1.70	100.0	F	S	31 Dec
Transtec Gotthard [1]	Amsteg	CHF	0.00	25.0	P	S	31 Dec
Building Services and Facility Management							
Advens AG	Winterthur	CHF	0.10	100.0	F	S	31 Dec
Alpiq Burkhalter Bahntechnik AG	Zurich	CHF	0.25	50.0	E	S	31 Dec
Alpiq E-Mobility Ltd.	Zurich	CHF	0.50	90.0	F	S	31 Dec
Alpiq EcoServices Ltd.	Zurich	CHF	0.10	100.0	F	S	31 Dec
Alpiq Infra Ltd.	Zurich	CHF	0.10	100.0	F	S	31 Dec
Alpiq InTec (FL) AG	Schaan / LI	CHF	0.10	100.0	F	S	31 Dec
Alpiq InTec Milano S.p.A.	Milan / IT	EUR	3.10	100.0	F	S	31 Dec
Alpiq InTec East Ltd.	Zurich	CHF	7.85	100.0	F	S	31 Dec
Alpiq InTec Romandie Ltd.	Meyrin	CHF	1.00	100.0	F	S	31 Dec
Alpiq InTec Ticino Ltd.	Lugano	CHF	2.70	100.0	F	S	31 Dec
Alpiq InTec Verona S.p.A.	Verona / IT	EUR	2.00	100.0	F	S	31 Dec
Alpiq InTec West Ltd.	Olten	CHF	5.90	100.0	F	S	31 Dec
Alpiq Process Automation Ltd.	Strengelbach	CHF	0.20	100.0	F	S	31 Dec
Robert Schellenberg AG	Winterthur	CHF	0.15	100.0	F	S	31 Dec

1 Consortia

Energie- und Anlagentechnik (EAT)

	Place of incorporation	Currency	Issued capital in millions	Direct ownership interest in % (voting rights)	Consoli-dation method	Business activity	Reporting date
Energie- und Anlagentechnik (EAT)							
Kraftanlagen München GmbH	Munich / DE	EUR	5.00	100.0	F	H / S	31 Dec
Caliqua Anlagentechnik GmbH	Vienna Neudorf / AT	EUR	0.19	100.0	F	S	31 Dec
ECM Ingenieur-Unternehmen für Energie- und Umwelttechnik GmbH	Munich / DE	EUR	0.05	100.0	F	S	31 Dec
FINOW Rohrsysteme GmbH	Eberswalde / DE	EUR	0.50	100.0	F	S	31 Dec
Ingenieurbüro Kiefer & Voß GmbH	Erlangen / DE	EUR	0.08	100.0	F	S	31 Dec
Kraftanlagen Energie- und Umwelttechnik GmbH	Heidelberg / DE	EUR	0.10	100.0	F	S	31 Dec
Kraftanlagen Hamburg GmbH	Hamburg / DE	EUR	0.77	100.0	F	S	31 Dec
Kraftanlagen Heidelberg GmbH	Heidelberg / DE	EUR	0.50	100.0	F	S	31 Dec
Kraftanlagen Power Plants GmbH	Munich / DE	EUR	1.00	100.0	F	S	31 Dec
Kraftanlagen Romania S.R.L.	Ploiesti / RO	RON	2.04	100.0	F	S	31 Dec
Kraftszer Vàllalkozàsi Kft.	Budapest / HU	HUF	198.00	90.0	F	S	31 Dec
Other							
GAH Pensions GmbH	Heidelberg / DE	EUR	0.26	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	Business activity	Reporting date
European Energy Exchange	Leipzig / DE	EUR	40.05	4.5	C	S	31 Dec
New Energies Invest Ltd	Basel	CHF	43.00	0.6	FV	S	31 Dec
Powernext SA	Paris / FR	EUR	11.74	5.0	C	S	31 Dec

1 Fund capital

Business activity

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

Consolidation method

F Fully consolidated
E Equity accounted
P Proportionate assets, liabilities, earnings and expenditures
FV Fair value
C Cost method

Alpiq Group Financial Summary 2009 – 2013

Income statement

CHF million	2009	2010	2011	2012 (restated)	2013
Net revenue	14,822	14,104	13,961	12,723	9,370
Other operating income	235	181	205	434	184
Total revenue and other income	15,057	14,285	14,166	13,157	9,554
Operating expenses before depreciation and amortisation	– 13,511	– 12,787	– 13,229	– 11,945	– 8,765
Profit before interest, tax, depreciation and amortisation (EBITDA)	1,546	1,498	937	1,212	789
Depreciation and amortisation	– 481	– 502	– 1,229	– 2,136	– 510
Profit / (loss) before interest and tax (EBIT)	1,065	996	– 292	– 924	279
Share of results of joint ventures and other associates	– 1	– 26	– 901	– 62	– 126
Net finance costs	– 164	– 156	– 181	– 255	– 149
Income tax expense	– 224	– 169	28	147	14
Group profit / (loss) for the year	676	645	– 1,346	– 1,094	18
Attributable to non-controlling interests	10	7	– 21	– 40	– 4
Attributable to equity investors of Alpiq Holding	666	638	– 1,325	– 1,054	22
Employees [1]	10,629	11,033	11,009	10,039	7,807

1 Average number of full-time equivalents

2009 – 2011: Amounts not adjusted to reflect IAS 19 rev. and IFRS 10 / 11

Statement of financial position

CHF million	2009	2010	2011	2012 (restated)	2013
Total assets	20,099	18,473	17,446	14,863	14,522
Assets					
Non-current assets	14,302	13,793	11,469	8,554	9,097
Current assets	5,797	4,680	4,139	4,460	5,425
Assets held for sale			1,838	1,849	
Equity and liabilities					
Total equity	7,930	7,779	6,205	4,817	5,839
As % of total assets	39.5	42.1	35.6	32.4	40.2
Liabilities	12,169	10,694	10,513	9,782	8,683
Liabilities held for sale			728	264	

Per share data

CHF	2009	2010	2011	2012 (restated)	2013
Par value	10	10	10	10	10
Share price at 31 December	430	360	170	131	122
High	567	453	381	189	132
Low	328	339	150	126	106
Weighted average number of shares outstanding (in thousands)	26,749	27,190	27,190	27,190	27,190
Net profit / (loss)	24.90	23.46	– 48.73	– 38.76	– 0.37
Dividend [1]	8.70	8.70	2.00	2.00	2.00

1 To be proposed to the General Meeting on 24 April 2014.

2009 – 2011: Amounts not adjusted to reflect IAS 19 rev. and IFRS 10 / 11

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 General Meeting of

Alpiq Holding Ltd., Lausanne

Zurich, 4 March 2014

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Alpiq Holding Ltd., which comprise income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes (pages 58 - 137), for the year ended 31 December 2013.

Board of Directors' responsibility

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

Opinion
In our opinion, the consolidated financial statements for the year ended 31 December 2013 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS and comply with Swiss law.

Report on Other Legal Requirements

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

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

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

Ernst & Young Ltd

Roger Müller	Mathias Zeller
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

Statutory Financial Statements of Alpiq Holding Ltd.

Brief review

The total revenue generated by Alpiq Holding increased by CHF 565 million year-on-year, primarily due to intra-group dividend income. Other items of income mainly contain higher earnings from intra-group changes. The increase in depreciation and amortisation are mainly attributable to impairments of investments which amounted to CHF 386 million. A decrease in other expenses as well as lower currency losses had a positive effect.

Total assets declined, however, this decline was immaterial in nature. The value of the investments dropped CHF 1.4 billion to CHF 4.5 billion due to high capital repayments by Group companies as well as impairments. In contrast, subsidiaries' funding requirements rose. All in all, the value of non-current assets decreased by CHF 0.7 billion. Cash and cash equivalents increased by CHF 0.7 billion. The issuance of CHF 1 billion in hybrid capital was partially used to repay bonds and loans.

Income Statement

CHF	Note	2012	2013
Revenue			
Finance income	2	206,950,344	178,270,325
Dividend income	3	149,655,865	718,944,588
Other income		7,929,310	31,954,740
Total revenue		**364,535,519**	**929,169,653**
Expenses			
Finance costs	4	304,110,252	280,198,960
Tax expense		1,348,699	1,770,013
Other expenses		57,177,119	34,776,891
Depreciation and amortisation		4,940,413	395,775,289
Total expenses		**367,576,483**	**712,521,153**
Profit / (loss) for the year		**– 3,040,964**	**216,648,500**

Statement of Financial Position

Assets

CHF	Note	31 Dec 2012	31 Dec 2013
Intangible assets		9,880,825	
Investments	5	5,912,760,624	4,506,426,623
Loans receivable	6	760,944,335	1,443,727,872
Non-current assets		**6,683,585,784**	**5,950,154,495**
Short-term receivables	7	437,857,092	369,465,436
Prepayments and accrued income		13,211,820	21,794,546
Investments in securities		6,518,995	28,650
Cash and cash equivalents		769,334,427	1,512,477,350
Current assets		**1,226,922,334**	**1,903,765,982**
Total assets		**7,910,508,118**	**7,853,920,477**

Equity and liabilities

CHF	Note	31 Dec 2012	31 Dec 2013
Share capital		271,898,730	271,898,730
Share premium		3,565,537	3,565,537
Capital contribution reserve		1,219,204,999	1,164,825,253
General reserve		53,332,560	53,332,560
Retained earnings		885,309,731	1,101,958,231
Equity	8	**2,433,311,557**	**2,595,580,311**
Provisions		**38,778,516**	**36,778,516**
Bonds	9	3,175,000,000	3,325,000,000
Loans payable	10	480,000,000	796,500,000
Non-current liabilities		**3,655,000,000**	**4,121,500,000**
Short-term payables	11	1,645,672,332	989,505,618
Accruals and deferred income		137,745,713	110,556,032
Current liabilities		**1,783,418,045**	**1,100,061,650**
Total equity and liabilities		**7,910,508,118**	**7,853,920,477**

Notes to the Company Financial Statements

1 Preliminary note

The financial statements of Alpiq Holding Ltd. have been prepared in accordance with the requirements of Swiss corporation law. The notes below also include the disclosures required by Art. 663b and 663b^{bis} of the Swiss Code of Obligations. The subsidiaries and investments listed on pages 131 to 137, and the companies they control, are considered to be Group companies for the purposes of Art. 663a of the Swiss Code of Obligations.

2 Finance income

CHF thousand	2012	2013
Interest income from Group companies and shareholders	36,908	48,965
Interest income from third parties	1,265	857
Other finance income from Group companies and shareholders	4,586	4,462
Other finance income from third parties	958	253
Foreign exchange gain	163,233	123,733
Total	**206,950**	**178,270**

3 Dividend income

Dividend income comprises dividends received from subsidiaries.

4 Finance costs

CHF thousand	2012	2013
Interest expense to Group companies and shareholders	19,216	16,143
Interest expense to third parties	116,221	131,358
Other finance costs to third parties	29,118	25,287
Foreign exchange loss	139,555	107,411
Total	**304,110**	**280,199**

5 Investments

A list of the principal subsidiaries and investments is presented on pages 131 to 137.

There were no capital contribution commitments at the reporting date on 31 December 2013 (2012: CHF 0 million).

6 Loans receivable

As in the previous year, this item mainly includes long-term loans receivable from Group companies and a CHF 200 million subordinated loan provided to a Group company (2012: CHF 300 million).

7 Short-term receivables

CHF thousand	31 Dec 2012	31 Dec 2013
Due from Group companies and shareholders	436,333	367,721
Due from third parties	1,524	1,744
Total	**437,857**	**369,465**

Short-term receivables comprise short-term financial receivables as well as VAT and withholding tax receivables.

8 Equity

CHF thousand	Share capital	Share premium	Capital contribution reserve	General reserve	Retained earnings	Total equity
Balance at 31 December 2011	**271,899**	**3,565**	**1,273,585**	**53,333**	**888,350**	**2,490,732**
Transfer from capital contribution reserves to distributable reserves			– 54,380	54,380		0
Dividends				– 54,380		– 54,380
Loss for the year					– 3,041	– 3,041
Balance at 31 December 2012	**271,899**	**3,565**	**1,219,205**	**53,333**	**885,309**	**2,433,311**
Transfer from capital contribution reserves to distributable reserves			– 54,380	54,380		0
Dividends				– 54,380		– 54,380
Profit for the year					216,649	216,649
Balance at 31 December 2013	**271,899**	**3,565**	**1,164,825**	**53,333**	**1,101,958**	**2,595,580**

Additional authorised capital

As in the previous year, Alpiq Holding Ltd. had no additional authorised capital at the reporting date on 31 December 2013.

Major shareholders

The major shareholders of Alpiq Holding Ltd. are disclosed in note 20 to the consolidated financial statements.

9 Bonds

CHF thousand	Term	Earliest redemption date	Interest rate %	Face value at 31 Dec 2012	Face value at 31 Dec 2013
Fixed rate bond issued by Alpiq Holding Ltd.	2003/2013	16 Sep 2013	3 1/8	300,000	
Fixed rate bond issued by Alpiq Holding Ltd. [1]	2009/2014	10 Feb 2014	3	200,000	200,000
Fixed rate bond issued by Alpiq Holding Ltd. [1]	2006/2014	22 Sep 2014	2 7/8	125,000	125,000
Fixed rate bond issued by Alpiq Holding Ltd. [1]	2008/2014	30 Oct 2014	3 3/8	25,000	25,000
Fixed rate bond issued by Alpiq Holding Ltd. [1]	2008/2014	30 Oct 2014	3 3/8	150,000	150,000
Fixed rate bond issued by Alpiq Holding Ltd.	2008/2015	25 Mar 2015	3 1/4	250,000	250,000
Fixed rate bond issued by Alpiq Holding Ltd.	2009/2015	3 Jul 2015	3 1/4	250,000	250,000
Fixed rate bond issued by Alpiq Holding Ltd.	2011/2016	20 Sep 2016	1 3/8	250,000	250,000
Fixed rate bond issued by Alpiq Holding Ltd.	2009/2017	10 Feb 2017	4	250,000	250,000
Fixed rate bond issued by Alpiq Holding Ltd.	2012/2017	13 Apr 2017	2	275,000	275,000
Fixed rate bond issued by Alpiq Holding Ltd.	2012/2017	13 Apr 2017	2	25,000	25,000
Fixed rate bond issued by Alpiq Holding Ltd.	2006/2018	1 Mar 2018	2 5/8	250,000	250,000
Fixed rate bond issued by Alpiq Holding Ltd.	2008/2018	30 Oct 2018	3 7/8	160,000	160,000
Fixed rate bond issued by Alpiq Holding Ltd.	2008/2018	30 Oct 2018	3 7/8	40,000	40,000
Fixed rate bond issued by Alpiq Holding Ltd.	2009/2019	25 Nov 2019	3	500,000	500,000
Fixed rate bond issued by Alpiq Holding Ltd.	2011/2021	20 Sep 2021	2 1/4	225,000	225,000
Fixed rate bond issued by Alpiq Holding Ltd.	2012/2022	16 May 2022	3	200,000	200,000
Public hybrid bond issued by Alpiq Holding Ltd.	-	15 Nov 2018	5		650,000

1 Included in “current liabilities” at 31 December 2013.

The weighted interest rate on bonds issued at the reporting date, relative to face value, was 3.24 % (2011: 2.90 %).

10 Loans payable

CHF thousand	31 Dec 2012	31 Dec 2013
Shareholders (hybrid loan)		366,500
Due to third parties	480,000	430,000
Total	**480,000**	**796,500**

The loans are repayable within 1 year up to perpetual. The weighted average interest rate at the reporting date was 3.52 % (2012: 2.30 %).

11 Short-term payables

CHF thousand	31 Dec 2012	31 Dec 2013
Shareholders	320,000	
Due to Group companies	925,434	489,429
Due to third parties	400,238	500,077
Total	**1,645,672**	**989,506**

Short-term payables due to third parties include bonds repayable within 12 months, social security contributions and unclaimed dividends.

12 Contingent liabilities

Guarantees in favour of Group companies and third parties totalled CHF 899 million at 31 December 2013 (31 December 2012: CHF 1,050 million).

13 Disclosure of remuneration and interests of Directors, Executive Board members and related parties

The remuneration policies for Directors and Executive Board members are set out in the Remuneration Report on page 40 onwards.

Remuneration paid to current Directors and Committee members and those who left the Board in the reporting year as recognised in the 2013 financial statements

CHF thousand		Fixed remuneration	Expenses	Pension benefits (pension scheme, social security)
Hans E. Schweickardt	Chairman	1,016.6	71.4	100.8
Christian Wanner	Deputy Chairman	226.0	15.0	6.4
Conrad Ammann	Director / ARC member since 25 Apr 2013	237.0	13.5	20.7
Michael Baumgärtner	Director since 25 Apr 2013 / NRC member since 25 Apr 2013	151.1	9.2	
Dominique Bompoint	Director since 25 Apr 2013	120.8	8.2	
Olivier Fauqueux	Director since 25 Apr 2013	97.4	6.0	
Damien Gros	Director since 25 Apr 2013 / ARC Chairman since 25 Apr 2013	165.3	10.6	
Alex Kummer	Director since 25 Apr 2013	120.8	8.2	17.5
Claude Lässer	Director	186.0	12.0	26.9
René Longet	Director since 25 Apr 2013	116.8	8.2	
Guy Mustaki	Director / NRC Chairman	280.0	15.5	39.7
Jean-Yves Pidoux	Director / ARC member	233.0	13.5	
Urs Steiner	Director / NRC member	237.0	13.5	
Total for Directors serving on 31 December 2013		**3,187.8**	**204.8**	**212.0**
François Driesen	Director until 25 Apr 2013	89.0	6.0	
Daniel Mouchet	Director until 25 Apr 2013	65.5	3.8	
Patrick Pruvot	Director until 25 Apr 2013	61.5	3.8	
Gérard Roth	Director until 25 Apr 2013 / NRC member until 25 Apr 2013	90.3	4.3	
Alex Stebler	Director until 25 Apr 2013 / ARC member until 25 Apr 2013	41.5	3.8	4.5
Stéphane Tortajada	Director until 25 Apr 2013 / ARC Chairman until 25 Apr 2013	83.1	5.0	
Total for Directors		**3,618.7**	**231.5**	**216.5**

ARC = Audit and Risk Committee
NRC = Nomination and Remuneration Committee

Remuneration comprises Directors' fees, attendance fees and fees for service on the NRC and ARC. The fees were not increased compared to 2012.

Hans E. Schweickardt is regularly employed full-time as Chairman of Alpiq Holding Ltd. All additional emoluments for other services to the Alpiq Group accrue to the company.

Remuneration paid to current Directors and Committee members and those who left the Board in the reporting year as recognised in the 2012 financial statements

CHF thousand		Fixed remuneration	Expenses	Pension benefits (pension scheme, social security)
Hans E. Schweickardt	Chairman / SB Chairman until 30 Apr 2012	1,000.6	59.5	97.9
Christian Wanner	Deputy Chairman / SB member until 30 Apr 2012	253.3	16.1	11.8
Conrad Ammann	Director since 26 Apr 2012	112.3	8.2	8.0
François Driesen	Director since 26 Apr 2012	116.5	8.2	
Claude Lässer	Director	174.0	12.0	25.1
Daniel Mouchet	Director	174.0	12.0	
Guy Mustaki	Director / NRC Chairman / SB member until 30 Apr 2012	295.3	16.6	41.5
Jean-Yves Pidoux	Director / ARC member	213.0	13.5	
Patrick Pruvot	Director since 26 Apr 2012	112.5	8.2	
Gérard Roth	Director since 26 Apr 2012 / NRC member since 26 Apr 2012	146.7	9.2	
Alex Stebler	Director / ARC member	201.0	13.5	22.8
Urs Steiner	Director / NRC member since 1 Jan 2012	197.0	13.5	
Stéphane Tortajada	Director / ARC Chairman / SB member until 30 Apr 2012	255.3	16.6	
Total for Directors serving on 31 December 2012		**3,251.5**	**207.1**	**207.1**
Pierre Aumont	Director until 26 Apr 2012 / NRC member until 26 Apr 2012	78.7	4.4	
Hans Büttiker	Director until 26 Apr 2012	57.8	3.9	4.5
Frédéric Mayoux	Director until 26 Apr 2012	57.9	3.9	
Philippe Torrion	Director until 26 Apr 2012	41.9	3.9	
Total for Directors		**3,487.8**	**223.2**	**211.6**

ARC = Audit and Risk Committee
NRC = Nomination and Remuneration Committee
SB = Sounding Board (activities discontinued as at 30 April 2012)

Remuneration comprises Directors' fees, attendance fees and fees for service on the NRC, ARC and / or SB.

From 30 September 2011 Hans E. Schweickardt served as CEO ad interim. When Jasmin Staiblin joined the company as CEO on 1 January 2013, he resigned from this function as at 31 December 2012. He did not receive any additional remuneration for this function nor did he participate in the bonus programme for the Executive Board.

Remuneration paid to Executive Board members as recognised in the 2013 company financial statements

CHF thousand	Gross salary (fixed)	Gross salary (bonus)	Benefits in kind (car and other)	Pension benefits (pension scheme, accident)
Total for Executive Board	2,642.5	2,461.5	126.4	696.8
Highest paid member, Jasmin Staiblin (CEO)	700.0	900.0 [1]	33.0	162.8

1) The bonus includes a signing on premium of CHF 400,000 due to loss of entitlements from previous employers.

Each member of the Executive Board was paid an additional annual expense allowance of CHF 24,000, and the highest paid member (CEO) received CHF 30,000. Expense allowances for the Executive Board totalled CHF 156,000.

The amount of bonuses reported represents the variable salary component approved by the NRC for the 2013 financial year. The bonuses for 2013 will be paid in May 2014 after the Annual General Meeting.

Remuneration paid to Executive Board members as recognised in the 2012 company financial statements

CHF thousand	Gross salary (fixed)	Gross salary (bonus)	Benefits in kind (car and other)	Pension benefits (pension scheme, accident)
Total for Executive Board	1,687.5	1,237.9	84.2	516.8
Highest paid member, Kurt Baumgartner (CFO until 30 Sep 2012)	410.0	317.4	22.7	105.9

Each member of the Executive Board was paid an additional expense allowance of CHF 24,000, and the highest paid member (CFO) received CHF 24,000. Expense allowances paid to the Executive Board totalled CHF 126,000.

The amount of bonuses reported represents the variable salary component approved by the NRC for the 2012 financial year.

Shares held by Directors and Executive Board members

		Number 2012	Number 2013
Hans E. Schweickardt	Chairman	310	310
Conrad Ammann	Director		50
Alex Kummer	Director since 25 Apr 2013	1)	100
Alex Stebler	Director untill 25 Apr 2013	271	1)
Urs Steiner	Director	23	25
Patrick Mariller	Executive Board member	5	5
Benoît Revaz	Executive Board member untill 31 Aug 2013	72	1)
Michael Wider	Executive Board member	52	52
Total		**733**	**542**

1) Not determined

14 Risk assessment

The risks of Alpiq Holding Ltd. are assessed within the Group-wide risk management framework for the Alpiq Group. The Alpiq Group implements a comprehensive risk management system that includes a periodic assessment of the risks of each Group company. Based on the risk identification carried out annually by Group management, the likelihood of the significant risks occurring and their impact are evaluated. These risks are avoided, mitigated or hedged by taking appropriate measures decided by the Board of Directors of Alpiq Holding Ltd. In order to be able to respond flexibly to changes in the risk environment, Group management may commission ad hoc in-depth risk analyses. The latest risk assessment was approved by the Board of Directors on 7 November 2013.

Board of Directors' Proposal

Appropriation of retained earnings

The Board of Directors proposes to the Annual General Meeting that retained earnings consisting of

CHF	
Profit / (loss) for 2013 reported in the income statement	216,648,500
Retained earnings brought forward	885,309,731
Total	**1,101,958,231**

be appropriated as follows:	
Transfer to general reserve	0
Balance to be carried forward	1,101,958,231

Transfer from statutory reserves (capital contribution reserves) to distributable reserves and payment of a dividend, exempt from withholding tax, out of reserves

The Board of Directors proposes that the 2014 Annual General Meeting approve a dividend of CHF 2.00 (2012: CHF 2.00) per registered share in the form of a return of capital contributions without deduction of withholding tax. If this proposal is approved by shareholders, dividend payments will total CHF 54,379,746.

CHF	
Transfer from capital contribution reserves to distributable reserves	54,379,746
Withholding tax-exempt dividend of CHF 2.00 per registered share	**– 54,379,746**

Subject to approval of this proposal, the dividend will be paid from 2 May 2014 in accordance with the instructions recorded in the share register.

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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 General Meeting of

Alpiq Holding Ltd., Lausanne

Zurich, 4 March 2014

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Alpiq Holding Ltd., which comprise the income statement, the statement of financial position and notes (pages 144 – 154), for the year ended 31 December 2013.

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

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

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

Opinion
In our opinion, the financial statements for the year ended 31 December 2013 comply with Swiss law and the company's articles of incorporation.

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Report on other legal requirements

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

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

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

Ernst & Young Ltd

Roger Müller	Mathias Zeller
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

Measures

Currency

ALL	Albanian lek
BGN	Bulgarian lev
CHF	Swiss franc
CZK	Czech koruna
EUR	Euro
HRK	Croatian kuna
HUF	Hungarian forint
LTL	Lithuanian lita
MKD	Macedonian denar
NOK	Norwegian krone
RON	Romanian leu
RSD	Serbian dinar
SEK	Swedish krona
TRY	Turkish lira
UAH	Ukrainian hryvnia
USD	US dollar
mn.	million
bn.	billion

Energy

kWh	Kilowatt hours
MWh	Megawatt hours (1 MWh = 1,000 kWh)
GWh	Gigawatt hours (1 GWh = 1,000 MWh)
TWh	Terawatt hours (1 TWh = 1,000 GWh)
TJ	Terajoules (1 TJ = 0.2778 GWh)

Power

kW	Kilowatts (1 kW = 1,000 watts)
MW	Megawatts (1 MW = 1,000 kilowatts)
GW	Gigawatts (1 GW = 1,000 megawatts)

Financial Calendar

24 April 2014:
Annual General Meeting

24 April 2014:
first-quarter results

28 August 2014:
Interim Report

3 Novemebr 2014:
third-quarter results

Contacts

Investor Relations
Patrick Mariller, CFO
T +41 62 286 71 11
F +41 62 286 76 67
investors@alpiq.com

Communications
Adrienne Develey
T +41 62 286 71 11
F +41 62 286 76 69
info@alpiq.com

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Photos

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Photographer: Michel Martinez

Page 4: Hans E. Schweickardt,
Photographer: Keystone / Laurent Gillieron

Page 12: Emosson Reservoir,
Photographer: Michel Martinez

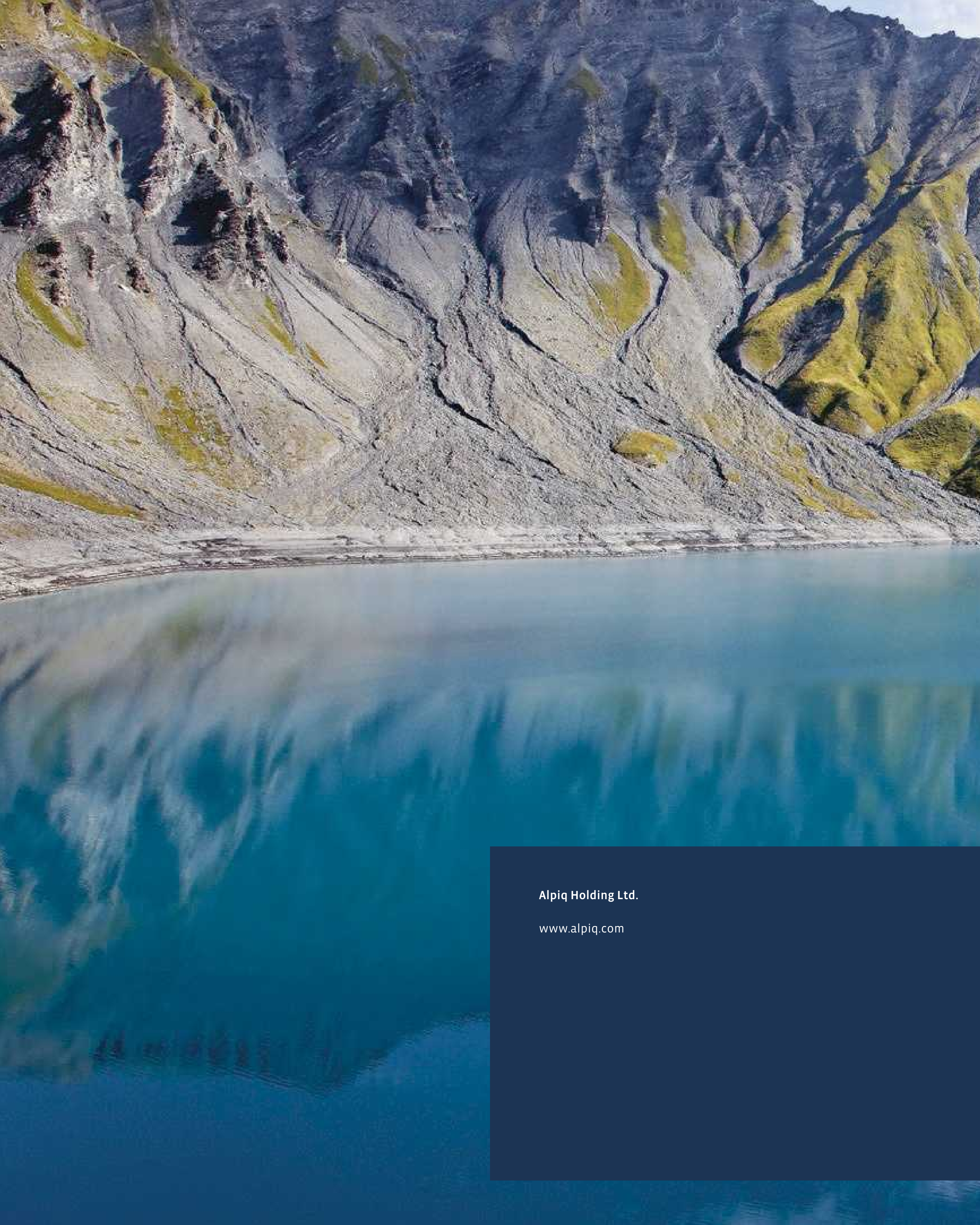
Page 20: Swiss Steel electric furnace,
Photographer: Foto-Grafik Kriens / Christoph Arnet

Other pictures: Alpiq

Online Annual Report

reports.alpiq.com

For the sake of simplicity and easier reading, we have not always included the feminine form in this report; references to the masculine should be taken to include persons of both genders where appropriate.



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