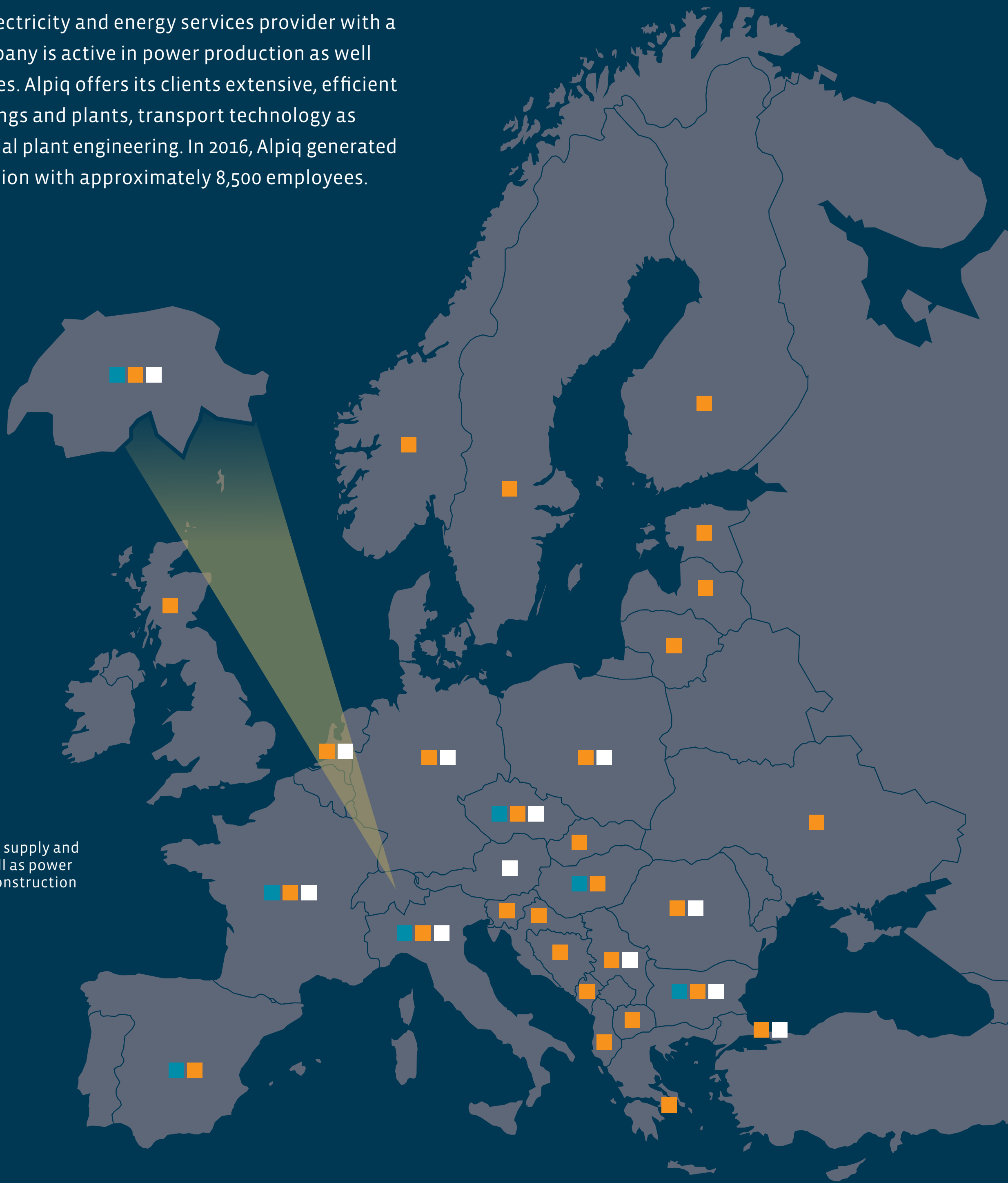
ALPIQ

2016
Annual Report

Alpiq in brief

Alpiq is a leading Swiss electricity and energy services provider with a European focus. The company is active in power production as well as energy trading and sales. Alpiq offers its clients extensive, efficient energy services for buildings and plants, transport technology as well as power and industrial plant engineering. In 2016, Alpiq generated net revenue of CHF 6.1 billion with approximately 8,500 employees.



- Production (Generation)
- Trading and sales activities (Commerce & Trading)
- Building technology, energy supply and transport technology as well as power plant and industrial plant construction (Energy Services)

2016 Key Financial Figures

Alpiq Group

CHF million	% change 2015-2016 (results of operations)	Results of operations before exceptional items 2016	Results of operations before exceptional items 2015	Results under IFRS 2016	Results under IFRS 2015
Net revenue	– 9.5	6,078	6,715	6,078	6,715
Earnings before interest, tax, depreciation and amortisation (EBITDA)	– 17.7	395	480	778	50
Depreciation, amortisation and impairment	– 12.8	– 191	– 219	– 399	– 561
Earnings before interest and tax (EBIT)	– 21.8	204	261	379	– 511
as % of net revenue		3.4	3.9	6.2	– 7.6
Net income	150.0	115	46	294	– 830
as % of net revenue		1.9	0.7	4.8	– 12.4

CHF million				2016	2015
Net divestments / (net investments)				598	187
Total assets				9,852	10,435
Total equity				3,886	3,819
as % of total assets				39.4	36.6

				2016	2015
In-house generation [1] (GWh)				16,581	17,814
Number of employees at the reporting date				8,517	8,345
of which, Energy Services business division				7,112	6,948

1 Excluding long-term purchase contracts

Per share data

CHF	% change 2015-2016	2016	2015
Par value	0.0	10	10
Share price at 31 December	– 19.0	85	105
High	– 1.8	107	109
Low	3.3	62	60
Net income [1]	› 100.0	9.38	– 31.73
Dividend	0.0	0.00	0.00

1 Calculation see note 9

The financial summary 2012 – 2016 is shown on pages 148 and 149 of the Financial Report. A detailed overview of the shareholder structure can be found on pages 15 and 16 of the Annual Report.

Shareholder structure

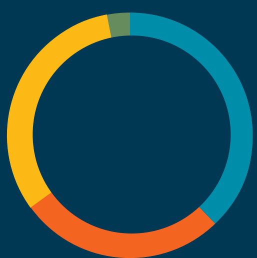
As at 31 December 2016, the share capital of Alpiq Holding Ltd. amounted to CHF 278.7 million, divided into 27,874,649 registered shares with a nominal value of CHF 10 each.

Shareholders as at 31 Dec 2016	Stakes in %
EOS HOLDING SA	31.44
EDF Alpes Investissements Sàrl	25.04
Consortium of Swiss minority shareholders	31.43
Free float	12.09

Power plants in 2016	MW	Installed capacity MW	GWh	Production GWh
Hydropower		**2,677**		**6,281**
Switzerland	2,677		6,281	
Small-scale hydropower, wind, photovoltaics		**308**		**524**
Switzerland	16		40	
Bulgaria	73		129	
France	14		28	
Italy	205		327	
Nuclear power		**795**		**4,540**
Switzerland	795		4,540	
Conventional thermal power		**2,160**		**5,236**
Italy	318		1,954	
Spain	846		606	
Czech Republic	593		2,165	
Hungary	403		511	
Total [1]		**5,940**		**16,581**

1 Excluding long-term purchase contracts

Power production in 2016



Hydropower	38 %	6,281 GWh
Nuclear power	27 %	4,540 GWh
Conventional thermal power	32 %	5,236 GWh
Small-scale hydropower, wind, photovoltaics	3 %	524 GWh
Total		16,581 GWh
Total 2015		17,814 GWh

Employees as at 31 December 2016

Switzerland	55.2 %	4,704
Europe	44.8 %	3,813
Total		8,517
Total 2015		8,345

of whom 531 apprentices

Generation	8.3 %	705
Commerce & Trading	4.8 %	405
Energy Services	83.4 %	7,112
Group Centre	3.5 %	295
Total		8,517

Group Structure as at 31 December 2016

Generation

- Hydro Power Generation
- Nuclear Power Generation
- Thermal Power Generation
- RES & Generation Development

The Generation business division comprises power generation at all power plants operated both by Alpiq alone and by partner power plants. The unit offers a flexible production portfolio based on the energy sources hydropower, nuclear power, conventional thermal power, wind power and solar power.

Commerce & Trading

- Power West
- Markets Central Eastern and South Eastern Europe
- Cross Commodity Trading & Origination
- Operations

The Commerce & Trading business division comprises the selling and marketing of electricity and gas, power plant management, the deployment of flexible energy production as well as trading in standardised and structured products for electricity, gas, emission rights and certificates on energy exchanges. Innovative services for the digital marketing of decentralised and flexible energy solutions are also bundled in this unit.

Energy Services

- Alpiq InTec
- Kraftanlagen Group

The Energy Services business division covers the operations of the two groups Alpiq InTec (AIT) and the Kraftanlagen Group (KA Group). AIT focuses mainly on services in the areas of building technology as well as energy and transport technology. The KA Group offers extensive services for power plant and industrial plant engineering.


ASTANA
Tinkoff

Annual Report 2016

Cover:
Completion of the construction work on the Vieux-Emosson dam, which was raised by 20 metres, in the Valais. The reservoir, at an elevation of 2,225 metres above sea level, will be filled for the first time in 2017. As the uppermost reservoir of the Nant de Drance pumped storage power plant, it will store valuable hydropower.

Letter to our shareholders

Jasmin Staiblin, CEO
Jens Alder, Chairman of the Board of Directors

Dear shareholder,

2016 was characterised by disruptions on the international energy markets. Prices for the primary energy sources oil, coal and gas underwent historical lows only to recover towards the end of the year. In Europe, CO2 prices continued to hover at a low level, while subsidies for new renewable energies remained high. In the fourth quarter, wholesale prices on the spot markets increased significantly but also temporarily as a result of unscheduled downtime at numerous nuclear power plants in France, persistently dry weather in the Alps and cold weather conditions in Central Europe. However, this price effect fell through again. Wholesale prices on the spot markets therefore remained at a low level.

Challenges in Switzerland's energy policy environment

The Swiss people and cantons voted against the nuclear power phase-out initiative, upholding the status quo in which the market prices generated are lower than production costs of nuclear energy and nuclear power plants cannot be operated competitively. By contrast, Parliament recognised the need to temporarily take the pressure off Swiss hydropower. Assuming that the people and cantons accept the Energy Strategy 2050 this May, the market premium will marginally mitigate the deficit of Swiss hydropower in the free market. However, this measure alone is not enough to enable hydropower to survive in the free market in the long run. The issue of economic viability of large-scale power plants in the free market has to be addressed and the focus increasingly shifted onto the significance of Swiss hydropower. The fact that the framework conditions continue to distort the picture, although this CO_2-free renewable energy source makes the Energy Strategy 2050 feasible in the medium term, is a paradox that will continue to accompany Alpiq and shape the course of its business.

The liberalisation of the electricity market in two stages, which was decided over ten years ago, has come to a stop at the halfway mark. Without access to bound end customers and without a regulated distribution grid, Alpiq sells its energy on the wholesale markets, where the achieved market prices are lower than the production costs.

Immediate action is urgently needed here to at least ease the burden on hydropower in the free market until a long-term measure sees the introduction of a new market model that guarantees the electricity supply in Switzerland and supports the Swiss climate policy objectives. This is in the interest of the economy as a whole and will facilitate the implementation of the Energy Strategy 2050. Furthermore, unsolved bilateral issues at European level that affect the future of Swiss hydropower such as the electricity accord between Switzerland and the EU require prompt political action. As a company, we need stable and sustainable framework conditions for our further business development.

Steady operating performance

Against the background of this highly challenging environment, Alpiq generated EBITDA before exceptional items of CHF 395 million. In spite of further cost reductions in the Generation business division, Swiss power production in particular was under significant pressure. The main driver of this development is the drop in wholesale prices in previous years. In addition, the unscheduled downtime at the Leibstadt nuclear power plant had a negative effect on earnings development. On the other hand, international power production and the regulated, new renewable energies as well as the two business divisions Commerce & Trading and Energy Services achieved a profit.

Management measures taking effect

Alpiq also systematically continued its cost-reduction and efficiency enhancement programme in 2016. Over the past few years, a total of more than CHF 400 million was sustainably saved as a result of several cost-reduction and efficiency enhancement programmes. The employees of the Alpiq Group implemented these measures into their entrepreneurial mindsets and actions. The ongoing cost management will be strictly continued in order to improve EBITDA in the long term.

As part of the portfolio streamlining, we successfully sold our shares in AEK Energie AG, Romande Energie Commerce SA, Alpiq Versorgungs AG and Swissgrid AG, and used the funds resulting from these disposals to reduce net debt from around CHF 1.3 billion to CHF 0.86 billion. As a reminder, net debt was still as high as CHF 4 billion in 2012. The aforementioned result puts us under the one-billion mark for the first time in Alpiq's history. This is significant because the low wholesale prices will curb future EBITDA and we will have to reduce net debt further. This is how we intend to secure Alpiq's profitability and ability to access capital markets for the long term. Thanks to the aforementioned divestments and the cash inflows from operating activities, Alpiq has a sound liquidity base of CHF 1.5 billion.

In light of the heterogeneous business development in an extremely dynamic market environment, the Board of Directors will this year again submit a proposal that no dividend be paid out. In addition, Alpiq will pay no interest on its hybrid loan to the consortium shareholders. However, the hybrid bond that was placed publicly will continue to be serviced.

Structural measures being implemented

The focus in 2016 was on our first strategic pillar: conventional energy generation. As a result of the low wholesale prices and the distorted regulatory framework conditions in Switzerland, last March Alpiq initiated structural measures. These include opening up to 49 % of its hydropower portfolio to investors, selling non-strategic assets as well as stringent cost management. The process to open up the hydropower portfolio is not complete. Alpiq will sign a contract as soon as all three criteria – price, contractual conditions and transaction security – have been fulfilled.

Alpiq strengthening industrial business activities

The focus in 2017 is now on our second strategic pillar: profitable growth areas. As the leading Swiss energy company, Alpiq meets the current and future needs of its customers in the European energy markets with its innovative energy services. Based on industry criteria, Alpiq is now sharpening its profile in three individual business divisions: "Digital & Commerce", "Industrial Engineering" and "Building Technology & Design".

In a first step, the structures required will be created by bundling the corresponding business fields so that the different business models can be advanced in a targeted way while taking the individual growth dynamic into account. Following a market investigation, selected areas will be opened for investors in a second step over the course of 2018. With the three business divisions, they gain access to an attractive portfolio of efficient, profitable services with growth potential as well as to steady returns from the regulated, new renewable energies business.

Outlook

The regulatory framework conditions continue to distort competition in Switzerland. Here, Alpiq operates as a pure electricity producer on a free market. Without access to bound end customers, the company is therefore missing monopolist's income as well as regulated income from distribution grids.

Results of operations for 2017 will firstly be influenced by negative currency effects as a result of expiring hedges that were concluded on the minimum EUR exchange rate before the decision taken by the Swiss National Bank. Secondly, the shutdown at the Leibstadt nuclear power plant will continue to negatively impact earnings. Thirdly, earnings will continue to be influenced by the extremely challenging market environment and low wholesale prices.

Against this background, the company will drive forward the implementation of structural measures, comprising the process to open up to 49 % of the hydropower portfolio, disposals of non-strategic assets and stringent cost management. Based on industry criteria, Alpiq is also focusing on the profitable growth areas and sharpening its profile into three individual business divisions. This means that we are laying the foundation for future growth, creating added value and offering investors the opportunity to make targeted investments in the growth areas. Alpiq will retain control over these three business divisions. By introducing all these measures, Alpiq will further reduce net debt. Maintaining access to capital markets remains a priority.

Dear shareholder, the Board of Directors and Executive Board of Alpiq would like to thank you for the trust you place in us. This is an incentive for us to manoeuvre our company safely through the turbulence on the electricity markets and systematically drive forward developments together with more than 8,500 dedicated employees on a daily basis. We intend to make the best possible use of opportunities arising from the technology shift and the resulting market potential, thereby creating long-term added value for Alpiq.

Jens Alder,
Chairman of the Board of Directors

Jasmin Staiblin,
CEO

3 March 2017

Corporate Governance

Alpiq is committed to transparent and responsible business management, and pursues sustainable corporate development. Transparency and fairness are ensured by effective management and controlling systems, an open information policy and ethical principles. Alpiq adheres to the recommendations of the Swiss Code of Best Practice for Corporate Governance. Whenever the company establishes and realises its own formal principles, these are disclosed and explained within this report. Alpiq's Corporate Governance principles and rules are set out in its Articles of Association and Organisational Regulations, the Executive Board Regulations and Group Regulations, in its organisational chart and in the assignment of associated companies. The following report describes this practice and is structured according to the Corporate Governance guidelines of SIX Swiss Exchange. The Remuneration Report presents the requisite disclosures of the senior managers' compensation and investment interests. Except where otherwise stated, all information given is as at 31 December 2016.

1 Group and shareholder structure

1.1 Group structure

1.1.1 Alpiq Group operating structure

As at 31 December 2016, the parent company Alpiq Holding Ltd., domiciled in Lausanne, Switzerland, had a share capital of CHF 278,746,490, divided into 27,874,649 registered shares with a nominal value of CHF 10 each.

The registered shares are listed on SIX Swiss Exchange under ISIN CH0034389707. At year-end, market capitalisation stood at CHF 2,369,345,165 (closing price on 31 December 2016 × number of shares = CHF 85 × 27,874,649 registered shares).

As at 31 December 2016, the Alpiq Group's management structure comprises the three operational business divisions of Generation, Commerce & Trading and Energy Services. The Group Centre consists of the Financial Services functional division and the functional units Human Resources, Legal & Compliance, Communications & Public Affairs and Risk Management, which directly report to the CEO. The Information Technology and Strategy & Development functional units were restructured within the Group.

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

No consolidated listed Group companies exist.

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

The consolidated unlisted Group companies are named on pages 142 to 146 of the Financial Report.

1.2 Major shareholders

Significant shareholders according to the entry in the share register are presented below. Purchasers of majority shareholdings in Alpiq Holding Ltd. are not required to make a public tender offer pursuant to the Swiss Stock Exchange and Securities Trading Act (opting out). The competencies of the shareholders are governed by law and by the company's Articles of Association.

Furthermore, a consortium / shareholder agreement is in place between EOS Holding SA (Lausanne), EDF Alpes Investissements Sàrl (Martigny) and the consortium of Swiss minority shareholders, consisting of Genossenschaft Elektra Birseck (Münchenstein), Genossenschaft Elektra Baselland (Liestal), the canton of Solothurn, Aziende Industriali di Lugano SA, IBAarau AG and Wasserwerke Zug AG. The consortium agreement governs the merger between Aare-Tessin Ltd. for Electricity (Atel) and the operating units of EOS Holding SA and the interest held by EDF (50 %) in the electricity purchase rights of Electricité d'Emosson SA. The merger was completed on 27 January 2009. The agreement also governs matters concerning Alpiq's corporate governance and reciprocal pre-emptive rights held by partners in the consortium.

Shareholders as at 31 December 2016

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

1.3 Cross-shareholdings

No cross-shareholdings exist.

Organisation as at 31 December 2016

- **General Management**
  Jasmin Staiblin [1]
  CEO
  - **Generation**
    Michael Wider [1]
    Deputy CEO
    - Hydro Power Generation – Christian Plüss
    - Nuclear Power Generation – Michaël Plaschy
    - Thermal Power Generation – Matthias Zwicky
    - RES & Generation Development – André Schnidrig
  - **Commerce & Trading**
    Markus Brokhof [1]
    - Power West – Pierre Guesry
    - Markets Central Eastern and South Eastern Europe – Peter Dworak
    - Cross Commodity Trading & Origination – Michel Kolly
    - Operations – Petter Torp
  - **Energy Services**
    Reinhold Frank [1]
    - Alpiq InTec – **Peter Limacher**
    - Kraftanlagen Group – Reinhold Frank
  - **Financial Services**
    Thomas Bucher [1]
    CFO
    - Accounting & Controlling – Edgar Lehrmann
    - Finance Projects & Transformation – Martin Schindler
    - Taxes – Eva Catillon
    - Treasury & Insurance – Lukas Oetiker
    - Information Technology – Thomas Habel
  - Human Resources – **Daniel Huber**
  - Legal & Compliance – **Peter Schib**
  - Communications & Public Affairs – Richard Rogers
  - Risk Management – **Walter Hollenstein**

- General Management
- Business Division
- Business Unit
- Functional Division
- Functional Unit

1 Member of the Executive Board

2 Capital structure

2.1 Share capital

As at 31 December 2016, the share capital of Alpiq Holding Ltd. was at CHF 278,746,490, divided into 27,874,649 registered shares with a nominal value of CHF 10 each. The shares are fully paid up.

2.2 Authorised and conditional capital in particular

Alpiq Holding Ltd. has no conditional or authorised capital.

2.3 Changes in equity

Statements of changes in equity can be found in the Financial Report on pages 74 and 75 for the consolidated financial statements of the Alpiq Group and on page 161 for the financial statements of Alpiq Holding Ltd. The statements of changes in equity for the year 2014 can be found in the 2015 Annual Report in the Financial Report on page 85 for the consolidated financial statements of the Alpiq Group, and on page 170 for the financial statements of Alpiq Holding Ltd.

2.4 Shares and participation certificates

As at 31 December 2016, Alpiq Holding Ltd. has issued 27,874,649 registered shares with a nominal value of CHF 10 each. The shares are fully paid up and eligible for dividends. Each share represented at the Annual General Meeting of Alpiq Holding Ltd. has one vote. No restrictions exist on transferability or voting rights.

The company has issued no participation certificates.

2.5 Bonus certificates

The company has issued no bonus certificates.

2.6 Restrictions on transferability and nominee registrations

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

2.7 Convertible bonds and warrants

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

3 Board of Directors

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

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

The Board of Directors consists of the following 13 members.

Board of Directors as at 31 December 2016

Jens Alder, Zurich, Switzerland, Chairman
Christian Wanner, Messen, Switzerland, Deputy Chairman
Conrad Ammann, Zurich, Switzerland
François Driesen, Paris, France
Alex Kummer, Laufen, Switzerland
Claude Lässer, Marly, Switzerland
René Longet, Grand-Lancy 1, Switzerland
Wolfgang Martz, Montreux, Switzerland
John Morris, Le Vésinet, France
Jean-Yves Pidoux, Lausanne, Switzerland
Patrick Pruvot, Soisy-sur-Seine, France
Urs Steiner, Laufen, Switzerland
Tilmann Steinhagen, Paris, France
Secretary to the Board: Roger Schoch

The members of the Board of Directors are listed on pages 34 and 35. The Board of Directors regularly reviews its composition in relation to a balance of specialist knowledge, experience and diversity, and is also endeavouring to include female members in the future based on the Organisational Regulations. As at 31 December 2016, the Board of Directors does not include a female member. The curricula vitae, professional backgrounds, information about operational management tasks for Alpiq Holding Ltd. or a Group company, about non-executive members' managerial tasks and significant business relationships during the three financial years preceding the period under review, as well as information about further activities and vested interests of the members of the Board of Directors can be found on Alpiq's website at www.alpiq.com/bod.

3.3 Number of permissible additional activities

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

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

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

3.4 Election and period of office

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

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

Name	First-time election to the Board of Directors	End of period of office
Jens Alder	2015	2017
Christian Wanner	1996	2017
Conrad Ammann	2012	2017
François Driesen	2012	2017
Alex Kummer	2013	2017
Claude Lässer	2009	2017
René Longet	2013	2017
Wolfgang Martz	2016	2017
John Morris	2016	2017
Jean-Yves Pidoux	2009	2017
Patrick Pruvot	2016	2017
Urs Steiner	2004	2017
Tilmann Steinhagen	2015	2017

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

3.5 Internal organisation

3.5.1 Allocation of tasks within the Board of Directors

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

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

3.5.2 Committees of the Board of Directors

Audit and Risk Committee (ARC)

The ARC consists exclusively of non-executive and independent members of the Board of Directors, most of whom have finance and accounting experience. The ARC consists of Tilmann Steinhagen (Chairman), Dr. Conrad Ammann (member) and Dr. Jean-Yves Pidoux (member). The ARC's role is to support the Board of Directors in carrying out its supervisory duties, and particularly with regard to monitoring and assessing the performance and independence of the internal and external auditors, the controlling system, financial accounting, risk management, compliance and corporate governance.

Nomination and Remuneration Committee (NRC)

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

Strategic Committee (SC)

The Board of Directors set up an Ad hoc Committee for the Alpiq Group's new strategic orientation in 2015 and converted this into the Strategic Committee (SC) at the end of 2016. The SC replaces the Ad hoc Committee. The SC's tasks mainly include the preliminary treatment of motions of a strategic nature, strategy development and monitoring the implementation of strategic projects. The SC's members are Jens Alder (Chairman), Dr. Conrad Ammann (member), Jean-Yves Pidoux (member) and Patrick Pruvot (member).

3.5.3 Working methods of the Board of Directors and its committees

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

The ARC submits proposals to the Board of Directors for its approval and reports verbally at each Board meeting on its activities, resolutions, conclusions and recommendations. If the ARC fails to reach consensus on matters within its remit, a decision is made by the plenary Board of Directors. Minutes of ARC meetings are circulated to all members of the Board of Directors for their information. As a rule, the Chairman of the Board of Directors, CEO, CFO, Head of Internal Audit and the statutory auditors normally attend the ARC's meetings. Depending on the agenda, other Executive Board members or business and functional unit heads also attend. During the reporting year, the ARC held five ordinary meetings and two additional meetings, each lasting an average of three hours as well as two meetings in the form of a teleconference lasting about one hour each. The ARC focuses primarily on the interim and annual financial statements, planning and budgeting, the quality and appropriateness of internal and external reporting as well as the business risk management measures, the internal control system (ICS) or monitoring business activities in terms of adherence to statutory and internal requirements (compliance). Furthermore, it works closely with the appointment, programme as well as the reports and recommendations of internal and external auditors. It also deals with topics such as impairment charges, debt and the securing of liquidity.

The NRC submits proposals to the Board of Directors for its approval and reports verbally at each Board meeting on its activities, resolutions, conclusions and recommendations. Minutes of NRC meetings are circulated to all members of the Board of Directors for their information. As a rule, the Chairman of the Board of Directors, CEO and Head of Human Resources attend the NRC's meetings. During the reporting year, the NRC held six ordinary meetings as well as two additional meetings, each lasting around two hours.

The Ad hoc Committee submits proposals to the Board of Directors for its approval and reports verbally at each Board meeting on its activities, resolutions, conclusions and recommendations. The CEO is a permanent guest at each meeting and the CFO and selected members of the Executive Board also usually attend. During the reporting year, the Ad hoc Committee held one ordinary meeting lasting four hours. The Ad hoc Committee was replaced by the Strategic Committee at the end of 2016.

The members of the Board of Directors ensure that they fulfil their duties even in the case of increased time demands. The Board of Directors conducts an annual self-appraisal both of its work and that of its committees. In 2016, they performed an assessment of the members' professional competence.

3.6 Division of responsibilities

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

3.7 Information and controlling instruments in relation to the Executive Board

The Executive Board reports annually to the Board of Directors on strategic, medium-term and annual targets and on the progress made in attaining them. The Board of Directors issues a code of conduct to ensure compliance with the applicable norms. During the financial year, the Executive Board reports quarterly on business performance, progress in achieving targets and other important developments (activity report). The Board of Directors also receives a regular summary report including key financial figures, an assessment of the risk situation and ongoing internal audits (Alpiq Group monthly flash). Furthermore, the Board of Directors receive a written quarterly report showing detailed financial information and the principal activities and projects of the various business and functional divisions. The Board of Directors also has three standing committees: the Audit and Risk Committee (ARC), the Nomination and Remuneration Committee (NRC) and the Strategic Committee (SC).

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

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

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

Compliance is integrated into the Legal & Compliance functional unit and reports directly to the Chairman of the Board of Directors. The compliance management system includes annual compliance risk analyses in order to enhance the compliance culture, as well as risk-based training on compliance topics. In addition, the compliance management system covers communication, advisory services on compliance issues on behalf of the Chairman of the Board of Directors, the Executive Board or the ARC, implementing the policy management system, managing the whistle-blower system as well as maintaining the Group's cross-country compliance partner network. The Alpiq Group's code of conduct is available in eight languages. Ten cases, most of which affected the personal integrity of employees, were reported via the whistle-blower system in 2016. Three employment contracts were ended as a result of unethical behaviour. Compliance advice was given in a total of more than 100 cases in 2016, particularly on topics relating to M&A and divestment projects, intermediary agreements and competition law. In doing this, Compliance assists the Board of Directors and the Executive Board in ensuring that the company acts in accordance with the rules and regulations.

4 Executive Board

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

As at 31 December 2016, the Executive Board comprised five members. The members of the Executive Board are listed on pages 36 and 37. Curricula vitae, professional background and information about any earlier activities on behalf of the Alpiq Group, as well as about other activities and vested interests, can be found at Alpiq's website at www.alpiq.com/executive-board.

4.3 Number of permissible additional activities

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

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

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

4.4 Management contracts

No management contracts exist between Alpiq Holding Ltd. and companies or natural persons outside the Alpiq Group.

5 Remuneration, shareholdings and loans

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

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

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

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

6 Shareholders' participation rights

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

6.1 Restrictions on voting rights and proxy voting

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

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

6.2 Quorums pursuant to the Articles of Association

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

6.3 Convening the Annual General Meeting

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

6.4 Inclusion of an item on the agenda

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

6.5 Entries in the share register

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

7 Change of control and defensive measures

7.1 Mandatory tender offer

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

7.2 Change-of-control clauses

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

8 Auditors

8.1 Duration of mandate and period of office of main auditor

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

The current lead audit partner of Ernst & Young AG has performed this function since the 2015 financial year.

8.2./8.3 Auditors' fees and additional fees

Performance and fees are reviewed annually. For the past financial year, Ernst & Young AG received fees of CHF 3.8 million for their services as statutory and Group auditors (previous year: CHF 4.1 million). Of this amount, CHF 2.9 million was paid for audit services (CHF 3.2 million), CHF 0.4 million for audit-related services (CHF 0.2 million), CHF 0.3 million for tax services (CHF 0.6 million) and CHF 0.2 million for transaction support (CHF 0.1 million).

8.4 External audit information mechanisms

The 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 comprehensive report to the Board of Directors once a year. The ARC regularly invites the external auditors to attend its meetings, which occurred seven times in the reporting year.

9 Information policy

Alpiq provides shareholders, potential investors and all other stakeholders with comprehensive, timely and regular information through its Annual and Interim Reports, at 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/en. Key dates for the current financial year are shown on the second to last page of this report.

2016 Annual General Meeting

At the 8th ordinary Annual General Meeting of Alpiq Holding Ltd., held on 28 April 2016, the 81 shareholders present approved the 2015 consolidated financial statements of the Alpiq Group, as well as the 2015 Annual Report and financial statements of Alpiq Holding Ltd. Due to the fact that the company's profitability situation remains strained, the Annual General Meeting approved the Board of Director's proposal to not pay a dividend. As at 31 December 2016, Alpiq Holding Ltd. has issued a total of 27,874,649 shares. Discharge from liability was granted to the Board of Directors. Wolfgang Martz, John Morris and Patrick Pruvot were appointed to the Board of Directors in order to replace Heiko Berg, Philipp Büssenschütt and Guy Mustaki, who stepped down from the Board. The auditors were re-elected for another year.

Board of Directors as at 31 December 2016

François Driesen
Jens Alder
Jean-Yves Pidoux Conrad Ammann
John Morris Tilmann Steinhagen Patrick Pruvot Urs Steiner
Claude Lässer René Longet Wolfgang Martz Christian Wanner Alex Kummer

Jens Alder
Chairman of the Board of Directors
- Dipl. El. Ing. ETH Zurich, MBA INSEAD, Fontainebleau
- Swiss national
- Chairman: Goldbach Group, Küsnacht; Sanitas Krankenversicherungen, Zurich
- Director: CA Inc., New York, USA

Christian Wanner
Vice-Chairman
- Farmer, former member of Solothurn Cantonal Government
- Swiss national
- Director: Kernkraftwerk Gösgen-Däniken AG, Däniken

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

François Driesen
Member
- DESS de droit des affaires et de fiscalité (Paris II University)
- EDF Legal Director, Internal Controlling and International Risks
- French national
- Director: EDF Luminus, Belgium; EDF Norte Fluminense, Brazil
- Member of the Supervisory Board: EDF Deutschland GmbH, Berlin
- Executive Board Chairman: EDF Alpes Investissements Sàrl, Martigny

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

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

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

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

John Morris
Member
- London Business School (Corporate Finance Programme), Aston Business School (MBA), Sheffield Hallam University (BSc with Honours in Engineering & Business Studies)
- British national
- President of the Supervisory Board: EDF Deutschland GmbH, Berlin
- Director: EDF Middle East, Paris; EDF Belgium, Brussels

Dr. Jean-Yves Pidoux
Member
- Doctor in sociology and anthropology
- Lausanne City Councillor, Municipal Utilities Director
- Swiss national
- Chairman: Boisy TV S.A., Lausanne; LFO SA, Lausanne; SI-REN SA, Lausanne
- Director: Forces Motrices Hongrin-Léman S.A., Château-d'Oex; Romande Energie Holding SA, Morges; EOS Holding SA, Lausanne; CADOUEST SA, Prilly; Gaznat SA, Lausanne; Swissgas, Schweizerische Aktiengesellschaft für Erdgas, Zurich; Forces motrices de l'Aboyeu SA, Collonges; Petrosvibri S.A., Vevey; Transports Publics de la Région Lausannoise sa, Renens; Epura SA, Lausanne; Vaud-Fribourg TV SA, Lausanne
- Director: Kantonale Feuer- und Naturgefahrenversicherung des Kantons Waadt (ECA), Pully

Patrick Pruvot
Member
- Studied engineering at the Ecole Nationale Supérieure d'Electricité et de Mécanique in Nancy, university degree in Mechanical Engineering
- European Director, EDF
- French national
- Member of the Supervisory Board: EDF Polska, Poland; EDF DEMASZ, Hungary
- Director: EDF Luminus, Belgium

Urs Steiner
Member
- Energy Engineer (Higher Technical Institute)
- CEO Genossenschaft Elektra Baselland, Liestal
- Swiss national
- Chairman: Efforte AG, Basel; EBL Telecom AG, Liestal; EBL Wind Invest AG, Liestal
- Vice-Chairman: Geo-Energie Suisse AG, Zurich
- Director: Kraftwerk Birsfelden AG, Birsfelden; Kraftwerk Augst AG, Augst
- Management Board Chairman: Verein Energie Zukunft Schweiz (EZS), Basel

Tilmann Steinhagen
Member
- Study of business administration and law, University of Münster and Paris Dauphine University
- CFO Dalkia, EDF Group, Saint-André-lez-Lille
- French and German national
- Director: EDF Energy Nuclear Generation Group Limited, London; Lake Acquisitions Limited, London

Executive Board as at 31 December 2016

Thomas Bucher Jasmin Staiblin

Markus Brokhof Michael Wider Reinhold Frank

Jasmin Staiblin
CEO
- Electrical engineering graduate, Technical University Karlsruhe, Germany; Royal Technical University of Stockholm, Sweden
- German national
- Born 1970
- With Alpiq Group since 2013, as CEO
- Director: Georg Fischer AG, Schaffhausen; Rolls-Royce plc, London
- Member: ETH-Rat, Bern
- Board member: economiesuisse, Zurich
- Vice-President: Swisselectric, Bern

Michael Wider
Head of Generation, Deputy CEO
- MA in Law, MBA, Stanford Executive Program
- Swiss national
- Born 1961
- With Alpiq Group since 2003, as Executive Board member
- Chairman: HYDRO Exploitation SA, Sion; Nant de Drance SA, Finhaut; Kernkraftwerk Gösgen-Däniken AG, Däniken; Electricité d'Emosson SA, Martigny; Grande Dixence SA, Sion
- Director: Swissgrid AG, Laufenburg; Kernkraftwerk Leibstadt AG, Leibstadt; Régie de Fribourg S.A., Fribourg
- Board member: Swisselectric, Bern

Thomas Bucher
Head of Financial Services, CFO
- MA in economic sciences, University of St. Gallen; International Executive Program, INSEAD, Fontainebleau and Singapore
- Swiss national
- Born 1966
- With Alpiq Group since 2015, as Executive Board member
- Director: Alpiq InTec Management AG, Zurich; Grande Dixence SA, Sion; Kernkraftwerk Gösgen-Däniken AG, Däniken; Kernkraftwerk Leibstadt AG, Leibstadt; Tareno AG, Basel
- Chairman of the Supervisory Board: Kraftanlagen München GmbH, Munich
- Board member: Solothurner Handelskammer (Solothurn Chamber of Commerce), Solothurn

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

Reinhold Frank
Head of Energy Services
- Dipl. Ing., Dipl. Wirtsch.-Ing., Stanford Executive Program
- German national
- Born 1955
- With Alpiq Group since 2006, as Executive Board member
- Chairman: Alpiq InTec AG, Olten

Remuneration Report

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

Compensation Governance

The Nomination and Remuneration Committee (NRC)

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

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

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

1. Nomination

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

2. Performance assessment / objectives

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

3. Contracts and terms of employment

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

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

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

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

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

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

The NRC meets as often as business requires, at minimum once a year. In the reporting year, the NRC held eight meetings, each of which lasted around two hours on average. The content of the meetings is summarised as follows:

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

Market-compliant remuneration

To ensure that the remuneration of members of the Executive Board [1] and the members of the Board of Directors conforms to standard market practice, Alpiq regularly engages independent external consultancy firms to evaluate overall remuneration packages relative to the market environment. In 2016, HCM Hostettler & Company were engaged to establish a benchmark. The level and the structure of salaries were analysed, using listed electricity and energy companies in Switzerland and Europe of a similar size with comparable structures and operations, as well as industrial companies as a benchmark.

On a market comparison, the current fixed remuneration paid to the members of the Board of Directors and the Executive Board is in accordance with the median of the peer group.

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

Key changes for the Executive Board in the reporting year

Fixed salaries and short-term incentives (STI) remained unchanged; however, several adjustments of the remuneration structure took effect from the 2016 financial year onwards:

The long-term remuneration components of the Executive Board no longer reflected the current and foreseeable conditions in which Alpiq operates. In future, previous long-term remuneration components will be directly linked to the corporate strategy approved by the Board of Directors.

The long-term incentive (LTI), phantom share programme and turnaround bonus were discontinued[1] as of 1 January 2016. These long-term remuneration components were replaced by a turnaround incentive (TAI), which takes the form of annual turnaround targets derived from the corporate strategy approved by the Board of Directors and the associated implementation plan.

Annual targets are based in part on concrete qualitative measures of strategy implementation and in part on specific quantitative variables (2016: liquidity and net debt / EBITDA). The target may be reviewed by the NRC during the year and adjusted to the corporate strategy and its implementation plan.

After the end of the financial year, the NRC assesses the extent to which turnaround targets were achieved. The degree of target achievement can range from zero to an amount set by the NRC in the context of a defined cap. Assuming that the person entitled to a bonus has an unterminated employment contract on 30 November of the year to which the bonus relates, 50 % of the bonus is paid out in the month after the Annual General Meeting of the following year. Assuming that the person entitled to a bonus has an unterminated employment contract on 30 November of this following year, 50 % of the bonus is paid out in December of the following year.

1 The phantom share programme implemented in 2015 was ended on 31 December 2015. The hypothetical amount totalling CHF 125,154 is contained in the consolidated annual financial statements for 2016.

Remuneration policy

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

For this reason, the remuneration components of Executive Board members in the reporting year consist of a fixed, non-performance-related base salary, a short-term, performance-related variable component (short-term incentive (STI)) as well as a turnaround incentive (TAI) linked directly to the implementation of the corporate strategy that protects the interests of the company and investors. For details of Executive Board remuneration, please see page 48 of the Remuneration Report.

In the reporting year, there were no share option schemes for members of Alpiq's governing bodies under which the governing bodies hold or receive actual shares.

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

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

Regulations on exceptions

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

Regulations on additional amounts

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

Remuneration of Executive Board members in the reporting year

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

In the 2016 financial year, Executive Board members received remuneration in accordance with the Bonus Regulations that have been in force since 1 January 2016 and received remuneration consisting of the following components:

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

Fixed remuneration

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

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

Variable salary

Under the terms of the Bonus Regulations, the CEO and the heads of business and functional divisions are entitled to a variable salary. If a member of the Executive Board performs a dual function, the variable salary is based on the higher function only. Reinhold Frank has been performing a dual function as Head of Energy Services and as Chairman of Kraftanlagen München GmbH, Germany (since 1 August 2013).

Short-term incentive (STI)

The NRC calculates the nominal amount of STI as a percentage of the total compensation (the sum of fixed compensation, STI and TAI). If all targets are achieved, the nominal amount is set at 34 % of the total compensation for the CEO and an average of 29 % of the total compensation for the other members of the Executive Board. The STI consists of the following three components: EBITDA (weighting 50 %), cash flow from operating activities (weighting 25 %) and net debt / EBITDA (weighting 25 %).

In the reporting year, 106 % of the defined EBITDA targets were reached, while those relating to cash flow from operating activities and those relating to net debt / EBITDA were achieved at a rate of 82 % and 120 %, respectively.

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

Turnaround incentive (TAI)

In 2016, 50 % of the TAI is based on qualitative targets that are derived from the corporate strategy and the corresponding implementation plan approved by the Board of Directors. 60 % of the qualitative targets was achieved in the reporting year.

The other 50 % of the TAI is derived from relevant financial parameters in accordance with the budget for 2016 approved by the Board of Directors. In the reporting year, the parameters were liquidity and the net debt / EBITDA ratio. 124 % of the corresponding targets was achieved.

50 % of the bonus is paid out in the month after the Annual General Meeting of the following year (June 2017). All persons entitled to a bonus had unterminated employment contracts on 30 November 2016. Assuming that the person entitled to a bonus has an unterminated employment contract on 30 November 2017, 50 % of the bonus will be paid out in December 2017.

Pension schemes

Along with other Alpiq employees, Executive Board members all participate in the PKE-CPE Vorsorgestiftung Energie (Swiss defined contribution plan). The base salary and STI target are covered by insurance. The CEO takes part in the PKE-CPE as well as in the Gemini pension plans.

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

Remuneration paid to members of the Executive Board in 2016

Remuneration paid to the Executive Board amounted to a total of CHF 6.3 million in the reporting year (previous year: CHF 5.3 million). Of this amount, CHF 5.3 million (CHF 4.2 million) is attributable to regular compensation, and CHF 1.0 million (CHF 1.1 million) is attributable to pension benefits. Maximum remuneration for 2016 approved by the Annual General Meeting totalled CHF 6.4 million, of which CHF 6.3 million was effectively paid out.

In the reporting year, the ratio of fixed salary components (totalling CHF 3.4 million) to variable components (totalling CHF 2.9 million) was 53 % to 47 %.

2016 CHF thousand	Sum total Executive Board	Highest-paid member Jasmin Staiblin (CEO)
Base salary	2,265.0	650.0
Pension payments [1]	947.0	259.9
Other remuneration [2]	123.7	33.0
Total fixed remuneration	**3,335.7**	**942.9**
Short-term incentive (STI)	1,584.0	567.6
Turnaround incentive (TAI)	1,335.5	368.4
Total variable remuneration	**2,919.5**	**936.0**
Total remuneration	**6,255.2**	**1,878.9**

1 Employer social security contributions were paid in accordance with statutory requirements and totalled CHF 947.0 thousand in 2016.

2 “Other remuneration” includes car expenses.

Each member of the Executive Board was paid an additional annual expense allowance of CHF 24 thousand, and the highest paid member (CEO) received CHF 30 thousand. Expense allowances for the Executive Board totalled CHF 126 thousand.

The amount of bonuses reported corresponds to the variable salary component approved by the NRC for the 2016 financial year.

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

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

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

Remuneration paid to members of the Executive Board in 2015

In the previous year, the ratio of fixed salary components (totalling CHF 3.4 million) to variable components (totalling CHF 1.9 million) was 65 % to 35 %.

2015 CHF thousand	Sum total Executive Board [1]	Highest-paid member Jasmin Staiblin (CEO)
Base salary	2,234.4	666.7
Pension payments [2]	1,074.4	258.5
Other remuneration [3]	125.6	33.0
Total fixed remuneration	**3,434.4**	**958.2**
Short-term incentive (STI) [4]	1,664.1	502.9
Long-term incentive (LTI)	0	0
Phantom share programme	228.5	76.2
Total variable remuneration	**1,892.6**	**579.1**
Total remuneration	**5,327.0**	**1,537.3**

Each member of the Executive Board was paid an additional annual expense allowance of CHF 24 thousand, and the highest paid member (CEO) received CHF 30 thousand. Expense allowances for the Executive Board totalled CHF 126 thousand.

The amount of bonuses reported represented the variable salary component approved by the NRC for the 2015 financial year. The bonuses for 2015 were paid out in May 2016 after the Annual General Meeting.

1 Personnel changes to the Executive Board in 2015: the CFO employment contract with Patrick Mariller ended on 30 April 2015. His fixed salary and a pro rata STI was paid to him for the 1 January 2015 to 30 April 2015 period. Thomas Bucher assumed office as CFO on 1 April 2015. His fixed salary and a pro rata STI was paid to him for the 1 April 2015 to 31 December 2015 period. The corresponding amounts are included in the table.

2 Employer social security contributions were paid in accordance with statutory requirements and totalled CHF 1,074.4 thousand in 2015. This amount includes a one-off payment of CHF 230 thousand into the pension fund.

3 “Other remuneration” includes car expenses.

4 “Short-term incentive” includes the amount of CHF 237 thousand for ongoing litigation with a former Executive Board member relating to a 2014/15 employment contract.

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

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

Remuneration paid to the Board of Directors in 2016

In 2016, the Board of Directors received remuneration totalling CHF 2.6 million (previous year: CHF 3.1 million). Of this amount, CHF 2.5 million (CHF 3.0 million) is attributable to regular compensation, and CHF 0.1 million (CHF 0.2 million) is attributable to statutory pension benefits.

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

CHF thousand	Fixed remuneration	Attendance fees	Expense allowances	Other remuneration [1]
Jens Alder (Chairman of the Board of Directors)	450.0	0	0	66.1
Christian Wanner (Deputy Chairman of the Board of Directors) [2]	144.1	30.2	15.4	0.8
Conrad Ammann	116.0	52.0	13.5	8.1
François Driesen	116.0	54.0	13.5	
Alex Kummer	104.0	28.0	12.0	4.4
Claude Lässer	104.0	28.0	12.0	15.1
René Longet	104.0	28.0	12.0	
Wolfgang Martz (NRC Chairman)	86.4	28.0	10.5	17.6
John Morris	70.2	16.0	8.1	
Jean-Yves Pidoux	116.0	48.0	13.5	
Patrick Pruvot	70.2	14.0	8.1	
Urs Steiner	116.0	52.0	13.5	
Tilmann Steinhagen (ARC Chairman)	128.0	50.0	15.5	
Total for members of the Board of Directors serving on 31 December 2016	**1,724.9**	**428.2**	**147.6**	**112.1**
Heiko Berg	34.1	12.0	3.9	
Philipp Büssenschütt	34.1	12.0	3.9	
Guy Mustaki (NRC Chairman)	42.0	26.0	5.1	10.3
Sum total for members of the Board of Directors	**1,835.1**	**478.2**	**160.5**	**122.4**

Remuneration comprises Directors' fees, attendance fees and payments for serving on the ARC, the NRC and the Ad hoc Committee, which has been replaced by the Strategic Committee.

1 Employer social security contributions were paid in accordance with statutory requirements and totalled CHF 122.4 thousand in 2016.

2 Including Kernkraftwerk Gösgen-Däniken AG (KKG), Alpiq Versorgungs AG (AVAG) and Aare Energie AG (a.en). Following the sale of Alpiq Versorgungs AG (AVAG) and the shares it held in Aare Energie AG (a.en) as at 7 July 2016, Mr. Wanner resigned from these two Boards of Directors. The contributions until his departure are included in the remuneration.

Remuneration paid to the Board of Directors in 2015

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

CHF thousand	Fixed remuneration	Attendance fees	Expense allowances	Other remuneration [1]
Jens Alder (Chairman of the Board of Directors)	301.3	0	0	42.3
Christian Wanner (Deputy Chairman of the Board of Directors) [2]	161.0	43.0	15.6	1.0
Conrad Ammann	116.0	88.0	13.5	13.3
Heiko Berg	69.6	24.0	8.0	
Philipp Büssenschütt	69.6	44.0	8.0	
François Driesen	112.0	50.0	13.0	
Alex Kummer	104.0	38.0	12.0	15.7
Claude Lässer	104.0	38.0	12.0	15.7
René Longet	104.0	38.0	12.0	
Guy Mustaki (NRC Chairman)	128.0	88.0	15.5	31.2
Jean-Yves Pidoux	116.0	70.0	13.5	
Urs Steiner	116.0	66.0	13.5	
Tilmann Steinhagen (ARC Chairman)	85.7	48.0	10.4	
Total for members of the Board of Directors serving on 31 December 2015	**1,587.2**	**635.0**	**147.0**	**119.2**
Hans E. Schweickardt [3]	327.7	40.8	28.3	33.8
Michael Baumgärtner	34.7	14.0	4.0	
Damien Gros	42.7	22.0	5.2	
Gérard Roth	38.7	28.0	4.5	
Sum total for members of the Board of Directors	**2,031.0**	**739.8**	**189.0**	**153.0**

1 Employer social security contributions were paid in accordance with statutory requirements and totalled CHF 153 thousand in 2015.

2 Including Kernkraftwerk Gösgen-Däniken AG (KKG), Alpiq Versorgungs AG (AVAG) and Aare Energie AG (a.en).

3 Including Grande Dixence SA and Kernkraftwerk-Beteiligungsgesellschaft AG (KBG).

Remuneration comprises Directors' fees, attendance fees and payments for serving on the ARC and NRC.

Hans E. Schweickardt relinquished his office as Chairman of the Board of Directors of Alpiq Holding Ltd. at the Annual General Meeting on 30 April 2015. On the same date, the Annual General Meeting elected Jens Alder to be the new Chairman of the Board of Directors.

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

Information on shares held by members of the Board of Directors and of the Executive Board can be found on page 162 of the Annual Report.

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

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

Members of the Board of Directors may be mandated on a temporary or permanent basis; the annual election to the Board of Directors by the Annual General Meeting is, however, exclusively decisive for determining the mandate. Members of the Board of Directors are elected as delegates by the shareholders and are directly contracted. There are no employment contracts between Alpiq Holding Ltd. and members of the Board of Directors. The only exception to this was Hans E. Schweickardt, who exercised his role as Chairman of the Board of Directors on the basis of 100 % fixed employment until 30 April 2015.

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

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To the General Meeting of
Alpiq Holding Ltd., Lausanne

Zurich, 3 March 2017

Report of the statutory auditor on the remuneration report

We have audited the remuneration report of Alpiq Holding Ltd. for the year ended 31 December 2016. The audit was limited to the information according to articles 14 – 16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the sections “Remuneration paid to members of the Executive Board in 2016 and 2015” on pages 48 to 50 and “Remuneration paid to the Board of Directors in 2016 and 2015“ on pages 51 to 54 of the remuneration report.

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

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

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

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

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Opinion
In our opinion, the remuneration report for the year ended 31 December 2016 of Alpiq Holding Ltd. complies with Swiss law and articles 14 – 16 of the Ordinance.

Ernst & Young Ltd

Martin Gröli	Mathias Zeller
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

Financial Report 2016

Alpiq Group

Alpiq Holding Ltd.

Financial Review

The operating business of the Alpiq Group was down year-on-year, as expected given the prolonged demanding wholesale market conditions. With net revenue of CHF 6.1 billion (previous year: – 9.5 %), the Group generated CHF 395 million of EBITDA (– 17.7 %), and CHF 204 million of EBIT (– 21.8 %), both before exceptional items. Net income, also before exceptional items, recorded a positive development and came to CHF 115 million in comparison to CHF 46 million in the previous year. The persistently low wholesale prices on the European electricity markets as well as the unscheduled downtime at the Leibstadt nuclear power plant had a negative effect on earnings development compared to the previous year. To a certain extent, the negative effects were cushioned by the advantageous positioning of the flexible power plant portfolio on the market, the positive contributions of the international power plant portfolio and systematic cost management. As at 31 December 2016, the Group also further reduced net debt from CHF 1.3 billion to under CHF 0.9 billion, in particular due to disposals concluded in 2016.

The top priority is still maintaining Alpiq's ability to access capital markets. The current structural measures are being implemented. The process to open up to 49 % of the hydropower portfolio is not complete. Alpiq will sign a contract as soon as all three criteria – price, contractual conditions and transaction security – have been fulfilled. The portfolio rationalisation was successfully continued in the past financial year with the disposal of non-strategic investments and assets. The sale of small-scale hydropower plants in Norway was completed in the first quarter. In March, the interest in Romande Energie Commerce SA was sold. The interests in the regional supply companies AEK Energie AG and Alpiq Versorgungs AG were sold in the summer. After the Board of Directors at Swissgrid approved the share transfer at the end of October and ongoing proceedings were dropped, the interest in Swissgrid AG was successfully sold. Alpiq received a total cash inflow of CHF 557 million from the step-by-step sale of the interest in Swissgrid AG as well as the shareholder loan. The announced sale of the gas-fired combined-cycle power plant Csepel in Hungary will be advanced further. The funds resulting from the disposalswere mainly used to further reduce net debt. The cost reduction programme, in particular, which was implemented according to plan, is showing long-term effects. As already in previous years, the company again concluded bond repurchases in the 2017 to 2021 maturity range. This further reduced gross debt, improved the maturity profile and decreased borrowing costs.

Alpiq continued to implement the strategy in the two growth areas Commerce & Trading and Energy Services. In early March, the Energy Solutions support unit was established in the Commerce & Trading business division. This serves as a development centre to promote and market business models that require automated, digital and smart technologies. The aim is to provide state-of-the-art flexibility management systems as well as new, service-oriented business models. Moreover, the unit serves as a centre of competence for demand response services. Alpiq is consciously investing in a less capital-intensive and more know-howdriven business.

The Energy Services business division successfully carried out projects in Switzerland and the rest of Europe and advanced the international alignment. For instance, Alpiq

2016: Consolidated income statement (pro forma statement before and after exceptional items)

CHF million	2016 Results of operations before exceptional items	2016 Exceptional items[1]	2016 Results under IFRS	2015 Results of operations before exceptional items	2015 Exceptional items[1]	2015 Results under IFRS
Net revenue	**6,078**		**6,078**	**6,715**		**6,715**
Own work capitalised	5		5	5		5
Other operating income	62	177	239	65	12	77
Total revenue and other income	**6,145**	**177**	**6,322**	**6,785**	**12**	**6,797**
Energy and inventory costs	– 4,624	213	– 4,411	– 5,167	– 425	– 5,592
Employee costs	– 818	– 2	– 820	– 801	– 3	– 804
Plant maintenance costs	– 93		– 93	– 105		– 105
Other operating expenses	– 215	– 5	– 220	– 232	– 14	– 246
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**395**	**383**	**778**	**480**	**– 430**	**50**
Depreciation, amortisation and impairment	– 191	– 208	– 399	– 219	– 342	– 561
Earnings before interest and tax (EBIT)	**204**	**175**	**379**	**261**	**– 772**	**– 511**
Share of results of partner power plants and other associates	– 39	– 186	– 225	– 66	– 281	– 347
Finance costs	– 137	– 1	– 138	– 183	– 7	– 190
Finance income	14	113	127	16	12	28
Earnings before tax	**42**	**101**	**143**	**28**	**– 1,048**	**– 1,020**
Income tax expense	73	78	151	18	172	190
Net income	**115**	**179**	**294**	**46**	**– 876**	**– 830**

1 Include impairment losses and provisions, effects from business disposals and other exceptional items

InTec helped increase energy efficiency by providing state-of-the-art building, cooling and automation technology for the new Coop distribution centre in Schafisheim. The delivery and installation of the central battery storage for the world's first energy self-sufficient apartment building established the company as a provider of decentralised power production and storage. Switzerland's newest large-scale research facility, the X-ray free-electron laser SwissFEL, was inaugurated at the Paul Scherrer Institute. Alpiq played the lead role in the construction consortium and was responsible for the complex building technology. Alpiq InTec received the large-scale order for the technical building equipment at a new factory that manufactures wind turbines in Cuxhaven, Germany. Alpiq InTec cemented its leading position as a provider of solutions in the area of transportation technology. The project of the century, the Gotthard Base Tunnel, for which Alpiq InTec led the railway technology consortium, was completed on schedule. The company also successfully acquired additional orders in Europe, including the CEVA rail technology order (new train route from Cornavin to Eaux-Vives to Annemasse) and the high-speed rail from Milan to Genoa. Targeted acquisitions in growth areas enabled the Kraftanlagen Group to exploit market opportunities. With the purchase of the Romanian engineering company IPIP S.A., it has expanded its service portfolio as a general contractor for the chemical and petrochemical industry, secured geographical market access to energy services in Eastern Europe and increased its competitiveness. The acquisition of the building technology provider Jakob Ebling GmbH expanded the Group's market presence in Germany. After the amendment to the law on combined heat and power (KWKG) was confirmed by the EU, the Kraftanlagen Group received the order for the second phase of the construction of a new 200 MW gas engine cogeneration plant in Kiel. The Group was able to expand its market presence in the area of dismantling nuclear facilities by completing a cooperation agreement between Kraftanlagen Heidelberg GmbH and Germany-based STEAG Energy Services GmbH. Together with the German energy services provider GETEC, Alpiq is building up a European platform for energy market and customer service processes.

The exceptional items for the 2016 financial year amount to a total of CHF 101 million before or CHF 179 million after income taxes. Mainly due to the anticipated development of electricity prices, which are expected to remain low, the company had to recognise additional impairment losses and provisions during the first half of 2016, which are caused in particular by the Swiss power plants and contracts with a high base-load share. While electricity prices are low, their hourly profile is significantly more volatile than in the previous period. In particular, the highly flexible pumped storage power plants benefit from this. For this reason, a provision for the future procurement of energy from the Nant de Drance SA pumped storage power plant was reduced. The funds for the nuclear decommissioning and waste disposal of the Gösgen-Däniken AG and Leibstadt AG nuclear power plants performed positively in comparison to the previous year on account of the developments on the capital markets, decreasing the energy procurement costs for energy purchasers. Other material exceptional items are the book profits or losses from disposals as well as non-recurring costs for restructuring measures designed to improve the Group's profitability in the future.

After exceptional items, the Alpiq Group, including its minority interests, generated a net income of CHF 294 million. To allow transparent presentation and demarcation of the aforementioned exceptional items, the consolidated income statement is also presented as a pro forma statement. The following commentary on the financial performance of the Alpiq Group and its business divisions relates to an operational view, in other words, earnings development before exceptional items.

Alpiq Group: results of operations (before exceptional items)

The Alpiq Group maintained its operating position in a market environment that remains extremely challenging and achieved solid operating results. Adjusted to reflect the aforementioned exceptional items, results of operations at EBITDA level were down by CHF 85 million year-on-year.

In spite of further cost reductions, the result of the Generation business division was down significantly year-on-year due to the negative development of Swiss power generation. The lower wholesale prices and production volumes, mainly attributable to the unscheduled downtime at the Leibstadt nuclear power plant, in which Alpiq holds a one-third interest, had a negative impact on earnings. The lower costs only partly countered the negative development of prices and volumes. Production from international thermal power plants was above the previous year's level following the sale of the unprofitable Bayet gas-fired combined-cycle power plant in France and the leveraging of opportunities in the market for ancillary services. Thanks to the higher production levels in Italy and the cost savings generated, the regulated, new renewable energies exceeded the level of the previous year.

After the disposal of Alpiq Versorgungs AG, the Commerce & Trading business division was as a whole slightly under the previous year's level. Swiss and international power plant management closed at a higher figure than in the previous year on account of the successful use of the flexible power plant portfolio. Eastern and South-Eastern Europe were down on the previous year.

The two business areas in the Energy Services business division were down on the previous year, primarily as a result of non-operating effects.

The financial result is up on the previous year. Positive currency effects improved the financial result and the interest charge was lowered thanks to a reduction in financial liabilities. The interest rate swaps that have been entered into also benefited from the considerably higher interest rates in a year-on-year comparison. Costs for the early repurchase of bonds impact on earnings in the current year, although these are lower than the costs to repurchase bonds in the previous year.

Generation business division

The Generation business division encompasses all Alpiq power plants based domestically and abroad.

As planned, Alpiq further streamlined its product portfolio by disposing of small-scale hydropower plants in Norway and the already announced sale of the gas-fired combined-cycle power plant Csepel in Hungary. The replacement investments needed for operations were performed in the reporting year. The majority of the growth investments performed were in the construction of the new Cotlan hydropower plant, which was connected to the grid in January 2017.

The EBITDA contribution of the Generation business division was down year-on-year by CHF 76 million, or CHF 79 million when adjusted for positive currency effects. The main reason for this change on the previous year is the Swiss production, which was down significantly compared to the previous year. This is attributable to the low wholesale prices and the lower production volumes, particularly as a result of the unscheduled extension of the maintenance work at the Leibstadt nuclear power plant in the fourth quarter. Alpiq systematically hedges the power it generates in Switzerland against price and currency fluctuations for future periods. The decrease therefore reflects the lower price level of hedges. While the additional cost-saving measures are having a positive effect, they are unable to fully compensate for the negative effects. Production volumes in the area of hydropower are down year-on-year as a result of fewer inflows, while production in nuclear energy is also significantly below the level of the previous year. This is mainly due to the unscheduled extension of the maintenance work at the Leibstadt nuclear power plant in the last quarter of 2016. Production from international thermal power plants was above the previous year's level. In particular, this can be attributed to the sale of the unprofitable Bayet gas-fired combined-cycle power plant in France at the end of 2015. Operationally, the division benefited from opportunities in the market for ancillary services in the Czech Republic and Spain. These were countered by unscheduled downtime at the power plants in Italy.

The regulated, new renewable energies considerably exceeded the level of the previous year, particularly as a result of the greater levels of production at plants in Italy. The entire area of new renewable energies benefited from cost savings.

Commerce & Trading business division

The Commerce & Trading business division pools all trading, origination and marketing activities in Switzerland, Germany, Italy, Spain, France, Scandinavia, Eastern and SouthEastern Europe as well as proprietary trading and asset-related optimisation. Registered on most European energy exchanges and platforms, this area offers not only trading with electricity, gas and other commodities and certificates, but also a broad range of structured products. The division is supplemented by grid-connected demand response services, which were bundled in the Energy Solutions support unit.

Alpiq has driven ahead with the transformation of the Commerce & Trading business division by selling its interests in Romande Energie Commerce SA, AEK Energie AG and Alpiq Versorgungs AG as well as with the establishment of the Energy Solutions support unit and the first concluded business transactions in the new markets.

As at the end of December, electricity prices on the spot markets in Switzerland and France were only down slightly on the previous year. This was mainly attributable to unscheduled downtime at nuclear power plants in the fourth quarter, which related to mandatory inspections of the steam generators in several French power plants as well as the extension of maintenance work at the units in Leibstadt and Beznau 1 in Switzerland. The long period of dry weather in the Alps at the end of the year also bolstered prices. The drastic reduction of base-load offerings in the countries concerned in the final quarter of the year led to several price peaks and made a significant contribution to the fact that spot prices as at year-end were only marginally below the previous year's level. By contrast, the

Italian and Spanish spot prices fell considerably. Gas prices at a record low in the first three quarters of the year had a negative effect on electricity prices.

2016 was a turbulent year on the forward markets for fuels and electricity. After dropping substantially in the first quarter, prices recovered noticeably in the second half of the year. Brent oil prices peaked at the end of the year, not least because of the agreement between OPEC and non-OPEC countries to restrict production in the first half of 2017. The increase in coal prices was largely influenced by a strong increase in imports in the Pacific region. This can mostly be attributed to China, where there has been a strong decrease in coal mining capacities and additional regulatory limitations to production have been imposed. Increased fuel prices were not the only factor driving the recovery of forward prices on the electricity markets. Low availability of nuclear power plants and the uncertainty surrounding the timing of when production can restart in France, Belgium, the Czech Republic and Switzerland also supported prices in the final quarter of the year. However, the market considers this increase to be temporary. Forward prices are expected to bottom out in calendar years 2018 and 2019 and are well below the production costs of most power plants in Switzerland.

The EBITDA contribution of the Commerce & Trading business division was down year-on-year by CHF 2 million after the disposal of Alpiq Versorgungs AG, or CHF 11 million when adjusted for positive currency effects. Swiss and international power plant management closed at a higher figure than in the previous year. Eastern and South-Eastern Europe were down on the previous year.

Optimisation results in Switzerland were up compared with the previous year. This is primarily thanks to the use of price volatilities, which led to the successful optimisation of the hydropower and nuclear portfolio.

The management of international assets also reports a year-on-year rise. Contributing factors include positive contributions from the optimisation of assets in Spain and the ancillary services market in Italy.

By successfully managing the natural gas portfolio, the company was able to offset the removal of the optimisation of the Bayet gas-fired combined-cycle power plant in France due to the disposal.

Energy Services business division

The Energy Services business division consists of Alpiq InTec (AIT) and the Kraftanlagen Group (KA Group). AIT operates mainly in the area of services in building technology and in energy and transport technology. The KA Group offers extensive services in industrial and power plant engineering and the related service business.

The construction index developed positively, despite the fact that construction prices in Switzerland are still declining. The market outlook for new technologies in the area of building technology also remains promising. AIT responded to the changing market requirements and established itself in the market as a provider of energy efficient end-to-end solutions. Customers are increasingly interested in topics such as smart home, energy efficiency, e-mobility and solar energy as well as decentralised storage. Activities outside Switzerland were also advanced further. In transportation technology, AIT has demonstrated its skills with new orders and has expanded its business further.

The energy and industrial services sector is constantly changing, presenting the KA Group with new challenges. Conventional power plant construction projects are made more difficult by excess capacities and the market environment is constantly changing in the wake of regulatory adjustments. The amendment to the law on combined heat and power (KWKG) in Germany has resulted in new opportunities for combined heat and power plants. The construction of a highly flexible innovative 200 MW gas engine cogeneration plant in Kiel, for which the KA Group received the general contractor’s agreement, was definitively approved by Stadtwerke Kiel in November 2016. The project development of a solar tower power plant in Italy and the politically driven sector combination (electricity, heat supply and transportation) also promise attractive future markets. The area of decentralised energy supply expanded its range of services to cover industrial refrigeration and already posted its first major order for an ammonia refrigeration plant. The market for dismantling and post-operation of nuclear power plants, which is the strategic focus in the area of nuclear power, will benefit from the upcoming clarification of political uncertainties. This is also reflected in a larger number of project requests. Industrial supply technology benefited from the stable economy and the growth of the construction industry in its core markets. The acquisition of Jakob Ebling GmbH increased the company's market penetration in Germany and further expanded its market presence. Despite the fluctuating oil price and the associated reluctance to invest in refineries and the petrochemical industry, the industrial plant and assembly division won additional new customers. Furthermore, the purchase of Romanian company IPIP S.A. was a milestone in the further development as an engineering procurement construction provider in this area, in addition to cost-saving potential and the greater international market access.

The EBITDA contribution of the Energy Services business division was down year-on-year by CHF 6 million. The decrease is mainly due to higher expenses for IAS 19 post-employment benefits and the release of provisions that were no longer needed in the previous year.

AIT increased revenue on the previous year and, excluding higher expenses for IAS 19 post-employment benefits, maintained the EBITDA margin at the same level as the previous year. Not taking the aforementioned effects into account, the EBITDA contribution was up on the previous year. The successful completion of the Gotthard Base Tunnel, for which AIT led the work on a central part of this large-scale project over the past eight years, made a huge contribution to this positive development. The order intake, which increased again in comparison to the previous year, and the order backlog are indicative of a positive outlook.

The KA Group increased its revenue dramatically in comparison to the previous year. This was mainly a result of organic growth, but also partly thanks to the acquisition of Jakob Ebling GmbH and IPIP S.A. Due to the challenging market conditions, the EBITDA margin was nevertheless lower. Excluding the provisions released in 2015, the EBITDA contribution was up on the previous year. Costs were decreased further in 2016 so as to further improve competitiveness and margins in future. Order intake and order backlog remain at a high level.

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

Total assets amounted to CHF 9.9 billion as at the 31 December 2016 reporting date, compared with CHF 10.4 billion at the end of 2015. The reduction in non-current assets is a result of recognised impairment losses and depreciation. Current assets, however, increased compared to 31 December 2015. This is primarily attributable to higher receivables in connection with derivatives in the trading business as well as the receivable due from Swissgrid AG from the higher compensation for the transmission grid. While cash and cash equivalents decreased on account of investments in time deposits, available liquidity, including current and non-current term deposits, remained at the high level of CHF 1.5 billion. The reduction in assets held for sale is mainly due to the disposals of the interests in AEK Energie AG, Alpiq Versorgungs AG and Swissgrid AG.

Equity stood at CHF 3.9 billion as at 31 December 2016, above the level of the previous year (CHF 3.8 billion). This is particularly due to the Group's positive results of operations, which offset the burden from impairment losses required for the first half of the year. On the other hand, interest payments on the public hybrid bond that were recognised as well as the repurchase of non-controlling interests as part of the Swissgrid transaction had a negative effect on equity. The equity ratio amounted to a solid 39.4 % (36.6 %) as at 31 December 2016.

Current and non-current financial liabilities decreased significantly from CHF 2.8 billion to CHF 2.4 billion on account of the repayment of bonds. Net debt was also reduced from CHF 1.3 billion to under CHF 0.9 billion due to the cash inflow from operating business and the disposals. Before exceptional items, the gearing ratio of net debt / EBITDA improved from 2.7 to 2.2.

Due to a reduction of a provision for onerous contracts, current and non-current provisions showed a significant decrease. Deferred income also decreased as a result of the payments of liabilities related to investments in nuclear power plants, which were recognised in December 2015 due to a change in method. The nuclear power plants Kernkraftwerk Gösgen-Däniken AG (KKG) and Kernkraftwerk Leibstadt AG (KKL) had decided to recognise their entitlements to the state decommissioning and waste disposal funds on the basis of fair values. This led to a liability for Alpiq in the amount of CHF 151 million. By contrast, the remaining current liabilities increased. A significant reason for the increase is the higher liabilities in connection with derivatives in the trading business.

Cash flow from operating activities decreased year-on-year from CHF 461 million to CHF 94 million. The lower operating result and the aforementioned payments to the KKG and KKL partner power plants have a negative effect on the cash flow from operating activities. The cash flow from investing activities is dominated by the disposal of AEK Energie AG, Alpiq Versorgungs AG and Swissgrid AG. Part of the funds resulting from these was invested in term deposits and securities. Investments in property, plant and equipment increased slightly, mainly as a result of the growth investment made at the Cotlan hydropower plant. The cash flow from financing activities is mainly characterised by the repayment of bonds as well as the repurchase of non-controlling interests during the settlement of the Swissgrid transaction. The group kept cash outflow at a minimum by deciding not to pay any interest on the hybrid loan of the main Swiss shareholders and not to distribute a dividend for the 2015 financial year. Overall, cash and cash equivalents decreased by CHF 318 million to CHF 0.5 billion. The highest priority is given to a further reduction in net debt, with contributing factors including proceeds from assets held for sale.

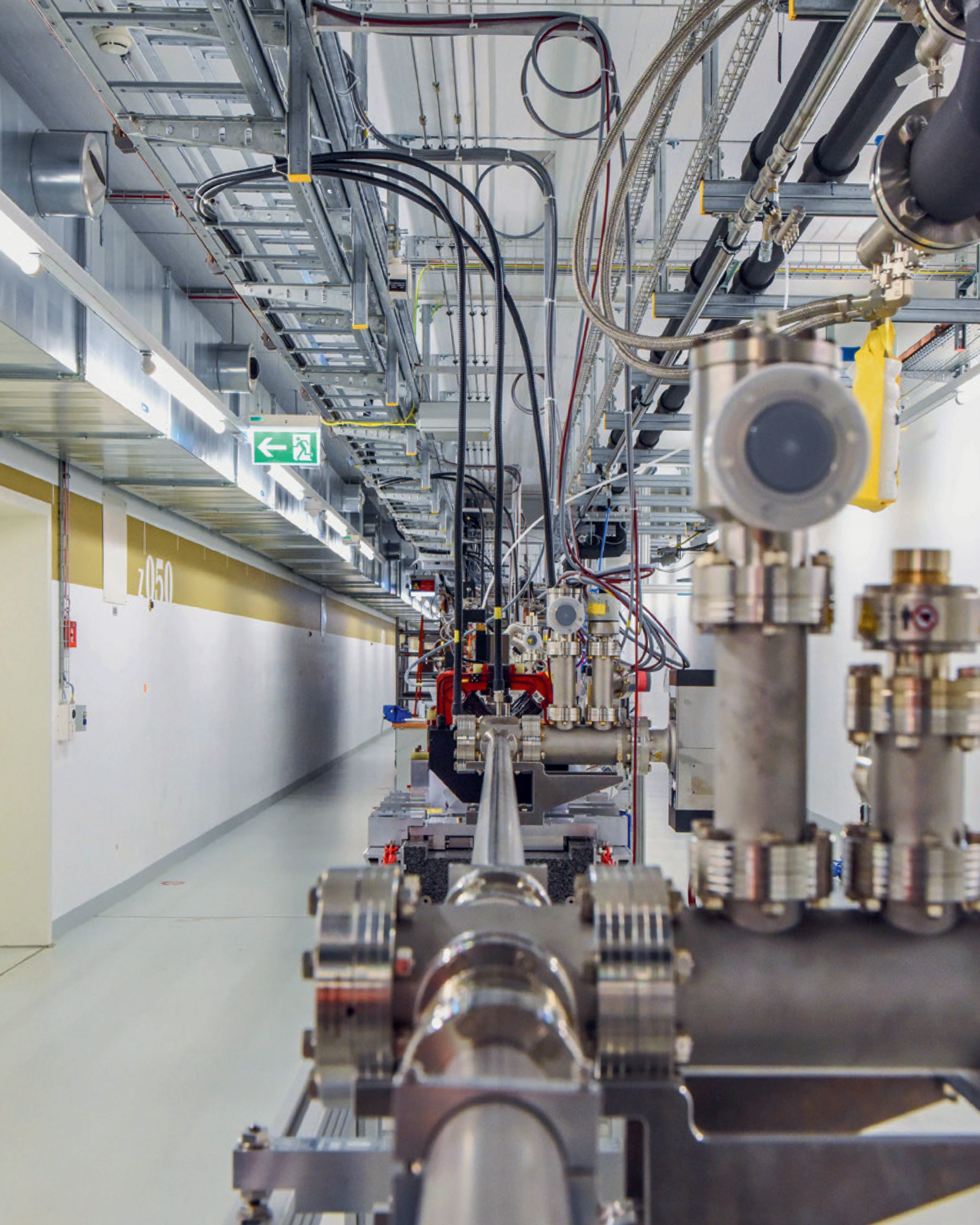
Outlook

The regulatory framework conditions continue to distort competition in Switzerland. Here, Alpiq operates as a pure electricity producer on a free market. Without access to bound end customers, the company is therefore missing monopolist's income as well as regulated income from distribution grids.

Results of operations for 2017 will firstly be influenced by negative currency effects as a result of expiring hedges that were concluded on the minimum EUR exchange rate before the decision taken by the Swiss National Bank. Secondly, the shutdown at the Leibstadt nuclear power plant will continue to negatively impact earnings. Thirdly, earnings will continue to be influenced by the extremely challenging market environment and low wholesale prices.

Against this background, the company will drive forward the implementation of structural measures, comprising the process to open up to 49 % of the hydropower portfolio, disposals of non-strategic assets and stringent cost management. Based on industry criteria, Alpiq is also focusing on the profitable growth areas and sharpening its profile into three individual business divisions: “Digital & Commerce”, “Industrial Engineering” and “Building Technology & Design”. This means that Alpiq is laying the foundation for future growth, creating added value and offering investors the opportunity to make targeted investments in the growth areas. Alpiq will retain control over these three business divisions.

By introducing all these measures, Alpiq will further reduce net debt. Maintaining access to capital markets remains a priority.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Consolidated Financial Statements of the Alpiq Group

Consolidated Income Statement

CHF million	Note	2016	2015
Net revenue	28	**6,078**	**6,715**
Own work capitalised		5	5
Other operating income	30	239	77
Total revenue and other income		**6,322**	**6,797**
Energy and inventory costs	4	– 4,411	– 5,592
Employee costs	5	– 820	– 804
Plant maintenance costs		– 93	– 105
Other operating expenses		– 220	– 246
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**778**	**50**
Depreciation, amortisation and impairment	6	– 399	– 561
Earnings before interest and tax (EBIT)		**379**	**– 511**
Share of results of partner power plants and other associates	13	– 225	– 347
Finance costs	7	– 138	– 190
Finance income	7	127	28
Earnings before tax		**143**	**– 1,020**
Income tax expense	8	151	190
Net income		**294**	**– 830**
Attributable to non-controlling interests			– 5
Attributable to equity investors of Alpiq Holding Ltd.		294	– 825
Earnings per share in CHF	9	**9.38**	**– 31.73**

Consolidated Statement of Comprehensive Income

CHF million	2016	2015
Net income	**294**	**– 830**
Cash flow hedges (subsidiaries)	– 14	28
Income tax expense		– 11
Net of income tax	– 14	17
Cash flow hedges (partner power plants and other associates)	1	– 3
Income tax expense		
Net of income tax	1	– 3
Currency translation differences	– 16	– 120
Items that may be reclassified subsequently to the income statement, net of tax	**– 29**	**– 106**
Remeasurements of defined benefit plans (subsidiaries)	– 9	– 52
Income tax expense	2	12
Net of income tax	– 7	– 40
Remeasurements of defined benefit plans (partner power plants and other associates)	15	– 32
Income tax expense	– 5	7
Net of income tax	10	– 25
Items that will not be reclassified to the income statement, net of tax	**3**	**– 65**
Other comprehensive income	**– 26**	**– 171**
Total comprehensive income	**268**	**– 1,001**
Attributable to non-controlling interests		
Attributable to equity investors of Alpiq Holding Ltd.	268	– 1,001

Consolidated Balance Sheet

Assets

CHF million	Note	31 Dec 2016	31 Dec 2015
Property, plant and equipment	10	2,705	2,928
Intangible assets	11, 12	234	375
Investments in partner power plants and other associates	13	2,449	2,718
Non-current term deposits		5	
Other non-current financial assets	14	263	324
Deferred income tax assets	8	39	36
Non-current assets		**5,695**	**6,381**
Inventories	15	73	68
Trade and other receivables	16	1,638	1,375
Current term deposits		937	636
Securities		50	
Cash and cash equivalents	17	532	850
Derivative financial instruments		680	470
Prepayments and accrued income		133	110
Current assets		**4,043**	**3,509**
Assets held for sale	31	**114**	**545**
Total assets		**9,852**	**10,435**

Equity and liabilities

CHF million	Note	31 Dec 2016	31 Dec 2015
Share capital	18	279	279
Share premium		4,259	4,259
Hybrid capital	18	1,017	1,017
Retained earnings		– 1,690	– 1,885
Equity attributable to equity investors of Alpiq Holding Ltd.		**3,865**	**3,670**
Non-controlling interests		21	149
Total equity		**3,886**	**3,819**
Non-current provisions	19	463	681
Deferred income tax liabilities	8	462	645
Defined benefit liabilities	24	313	293
Non-current financial liabilities	20	1,904	2,556
Other non-current liabilities	21	318	320
Non-current liabilities		**3,460**	**4,495**
Current income tax liabilities		5	14
Current provisions	19	88	159
Current financial liabilities		476	229
Other current liabilities	22	929	774
Derivative financial instruments		673	425
Accruals and deferred income		315	463
Current liabilities		**2,486**	**2,064**
Total liabilities		**5,946**	**6,559**
Liabilities held for sale	31	**20**	**57**
Total equity and liabilities		**9,852**	**10,435**

Consolidated Statement of Changes in Equity

CHF million	Share capital	Share premium	Hybrid capital	Cash flow hedge reserve	Currency translation differences	Retained earnings	Attributable to equity investors of Alpiq Holding Ltd.	Non-controlling interests	Total equity
Equity at 31 December 2015	**279**	**4,259**	**1,017**	**– 16**	**– 805**	**– 1,064**	**3,670**	**149**	**3,819**
Net income for the period						294	**294**		**294**
Other comprehensive income				– 13	– 16	3	**– 26**		**– 26**
Total comprehensive income				**– 13**	**– 16**	**297**	**268**		**268**
Dividends							**0**	– 4	**– 4**
Distributions to hybrid investors						– 33	**– 33**		**– 33**
Change in non-controlling interests						– 40	**– 40**	– 124	**– 164**
Equity at 31 December 2016	**279**	**4,259**	**1,017**	**– 29**	**– 821**	**– 840**	**3,865**	**21**	**3,886**

The Board of Directors of Alpiq submits a proposal to the Annual General Meeting on 18 May 2017 that it distribute no dividend for the 2016 financial year.

CHF million	Share capital	Share premium	Hybrid capital	Cash flow hedge reserve	Currency translation differences	Retained earnings	Attributable to equity investors of Alpiq Holding Ltd.	Non-controlling interests	Total equity
Equity at 31 December 2014	**272**	**4,269**	**1,017**	**– 30**	**– 680**	**– 159**	**4,689**	**23**	**4,712**
Net income for the period						– 825	**– 825**	– 5	**– 830**
Other comprehensive income				14	– 125	– 65	**– 176**	5	**– 171**
Total comprehensive income				**14**	**– 125**	**– 890**	**– 1,001**		**– 1,001**
Capital increase from scrip dividend	7	44				– 51	**0**		**0**
Transfer from share premium to retained earnings		– 54				54	**0**		**0**
Dividends						– 3	**– 3**	– 7	**– 10**
Distributions to hybrid investors						– 51	**– 51**		**– 51**
Change in non-controlling interests						36	**36**	133	**169**
Equity at 31 December 2015	**279**	**4,259**	**1,017**	**– 16**	**– 805**	**– 1,064**	**3,670**	**149**	**3,819**

Consolidated Statement of Cash Flows

CHF million	Note	2016	2015
Earnings before tax		**143**	**– 1,020**
Adjustments for:			
Own work capitalised		– 5	– 5
Depreciation, amortisation and impairment	6	399	561
Gain / loss on sale of non-current assets		– 7	– 8
Share of results of partner power plants and other associates	13	225	347
Financial result	7	11	162
Other non-cash income and expenses		– 91	– 12
Change in provisions (excl. interest)	19	– 264	280
Change in defined benefit liabilities and other non-current liabilities		6	– 6
Change in fair value of derivative financial instruments		26	– 31
Change in net working capital (excl. derivatives, current financial assets / liabilities and current provisions)		– 291	258
Other financial income and expenses		– 10	– 18
Income tax paid		– 48	– 47
Net cash flows from operating activities		**94**	**461**
Property, plant and equipment and intangible assets			
Investments	10, 11	– 104	– 93
Proceeds from disposals		17	14
Subsidiaries			
Acquisitions	29	– 12	– 6
Proceeds from disposals	30	265	58
Associates			
Proceeds from disposals		403	22
Other non-current financial assets			
Investments	14	– 6	– 9
Proceeds from disposals / repayments		35	201
Change in current and non-current term deposits		– 306	– 3
Investments in / proceeds from disposals of securities		– 50	
Dividends from partner power plants, other associates and financial investments		40	33
Interest received		17	7
Net cash flows from investing activities		**299**	**224**

CHF million	Note	2016	2015
Dividends paid			– 3
Dividends paid to non-controlling interests		– 4	– 7
Proceeds from financial liabilities		170	182
Repayment of financial liabilities		– 586	– 881
Change in non-controlling interests		– 161	164
Distributions to hybrid investors recognised in equity outside profit and loss	18	– 33	– 51
Interest paid		– 94	– 111
Net cash flows from financing activities		**– 708**	**– 707**
Currency translation differences		**– 3**	**– 43**
Change in cash and cash equivalents		**– 318**	**– 65**
Analysis:			
Cash and cash equivalents at 1 January		850	915
Cash and cash equivalents at 31 December		532	850
Change		**– 318**	**– 65**

The amounts reported above also include cash flows from “Assets held for sale”.

Notes to the Consolidated Financial Statements

1 Significant accounting policies

Basis of preparation of the consolidated financial statements

The consolidated financial statements of the Alpiq Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and Interpretations (IFRIC) issued by the International Accounting Standards Board (IASB), and comply with Swiss law. The consolidated financial statements give a true and fair view of the financial position, financial performance and cash flows of the Alpiq Group. They have been prepared on a historical cost basis, except for certain items such as financial instruments, which have been measured at fair value in some instances. The consolidated financial statements were authorised for issue by the Board of Directors of Alpiq Holding Ltd. on 3 March 2017 and are subject to approval by shareholders at the Annual General Meeting on 18 May 2017.

Adoption of new and revised accounting standards

As at 1 January 2016, no new or revised standards or IFRIC interpretations came into force as part of IFRS that are of significance for the Alpiq Group.

IFRS effective in future periods

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

- IAS 7, amendments: Information about Changes in Financial Liabilities (1 January 2017)
- IFRS 9: Financial Instruments (1 January 2018)
- IFRS 15: Revenue Recognition (1 January 2018)
- IFRS 16: Leases (1 January 2019)

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

IFRS 9 governs the classification, measurement and impairment of financial instruments as well as hedge accounting. On the one hand, there will be fewer measurement categories for financial assets and some amendments to the recognition of changes in value. On the other hand, the expected credit loss model will have to be applied in future, meaning that anticipated losses have to be recognised in the future as well. Alpiq does not expect these changes to have a significant effect on the consolidated financial statements. Alpiq is not affected by the amendments to the recognition of hedge accounting because the method currently used by Alpiq can continue to be used as it is.

IFRS 15 defines when and how much revenue is to be recognised and replaces the rulings previously contained in various standards and interpretations. Alpiq does not expect these to result in any significant changes. For energy transactions, only own use transactions fall within the scope of IFRS 15. The associated revenue recognition will still be recorded at the time of delivery. In the Energy Services business division, revenue will for the most part continue to be recognised over time. There may be changes to the timing of revenue recognition in connection with warranties. Once the detailed analyses are complete, Alpiq will decide whether to apply the full retrospective method or the modified retrospective method for first-time adoption.

IFRS 16 regulates the recognition, measurement, presentation and disclosure requirements in the financial statements for leases. The changes mean that the contractual rights and liabilities related to most lease agreements have to be recognised. Potential effects on Alpiq's consolidated financial statements from the future adoption of IFRS 16 are still being examined.

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

Basis of consolidation

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

Subsidiaries are entities that are controlled by the Alpiq Group, either directly or indirectly. Such entities are consolidated as at the date control was obtained. Companies are deconsolidated or recognised under investments in associates or under financial investments when control over the entity ends.

Investments in partner power plants and other associates in which the Alpiq Group has significant influence are included in the consolidated financial statements by applying the equity method. The Alpiq Group's interest in the assets, liabilities, income and expenses of such entities is disclosed in note 13 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 starting on page 142, with an indication of the consolidation method applied and other information.

Foreign currency translation

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

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

The assets and liabilities of subsidiaries are translated into Swiss francs at the closing exchange rate at the reporting date. Income statement items are translated at the average exchange rates for the reporting period. Currency translation differences are recognised as a separate item in other comprehensive income. On disposal of a subsidiary or loss of control, on disposal of an associate or partner power plant, or the loss of significant influence, the cumulative currency translation differences relating to that subsidiary are recognised in the income statement 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 2016	Closing rate at 31 Dec 2015	Average rate for 2016	Average rate for 2015
1 EUR	1.074	1.084	1.090	1.068
1 GBP	1.254	1.476	1.336	1.471
1 USD	1.019	0.995	0.986	0.963
100 CZK	3.974	4.010	4.033	3.913
100 HUF	0.347	0.343	0.350	0.345
100 NOK	11.819	11.283	11.735	11.950
100 PLN	24.350	25.411	24.989	25.526
100 RON	23.659	23.950	24.277	24.018

Intragroup transactions

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

Revenue recognition

Revenue from the sale of goods and services is recognised in the income statement when the goods or services are delivered. Revenue from construction contracts is generally recognised applying the percentage-of-completion method by reference to the stage of completion of the contract activity. Revenue from energy transactions is recognised on the basis of the motive underlying the transaction.

Energy transactions for the management of the Group's own production portfolio for the purpose of the receipt or delivery of energy in accordance with Alpiq's expected purchase, sale or usage requirements and contracts for physical delivery of energy to customers are recognised as own use transactions pursuant to IAS 39. Accordingly, revenue is recognised gross under net revenue on the delivery date, as well as under energy and inventory costs.

Hedges exceeding the volume of own use transactions arising from the extended management activities of the production portfolio as well as energy transactions concluded for trading purposes with the intention of generating profits from short-term market price volatility constitute derivative financial instruments, and after initial recognition are measured at fair value. Changes in value in such energy transactions are recognised in net revenue applying the net method (net gains and losses from trading).

Income tax expense

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

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

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

Borrowing costs

Borrowing costs are generally expensed in the period in which they are incurred. Borrowing costs that are 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 start of construction until the utilisation 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 continuing use. The asset must be available for immediate sale in its present condition, and the sale must be highly probable within the next 12 months. The same applies to a group of assets and related liabilities if they are to be disposed of together in a single transaction (disposal group).

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

Property, plant and equipment

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

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

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

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

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

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

Business combinations and goodwill

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

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

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

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

Intangible assets

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

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over their useful economic lives, and assessed for impairment whenever indications exist that they may be impaired. The amortisation period and amortisation method are reviewed at least at each financial year-end. The useful lives of the intangible assets currently recognised range from 2 to 69 years.

Energy purchase rights

Energy purchase rights are recognised as "Intangible assets" on the balance sheet. They comprise prepayments for rights to purchase energy in the long term, including capitalised interest. Write-downs to energy purchase rights are applied in line with the scope of the energy purchases made each year in relation to the total energy purchase quantity agreed contractually.

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

Impairment of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are reviewed at least annually to determine whether any indications of impairment exist. In particular, this assessment is performed when changes in circumstances or events indicate that carrying amounts may not be recoverable. If the asset's carrying amount exceeds its estimated recoverable amount, it is written down to its recoverable amount.

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

An impairment loss previously recognised for an asset is reversed in the income statement if the impairment no longer exists, or has decreased. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised. The annual impairment test 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 12.

Investments in associates and joint arrangements

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 arrangement. Where appropriate, companies may likewise be accounted for as associates in the consolidated financial statements by applying the equity method, even if the ownership interest is less than 20 %. This applies especially where the Alpiq Group is represented in the authoritative decision-making bodies, such as the Board of Directors, and participates in operating and financial policymaking, or where market-relevant information is exchanged. The equity method is also applied to assess companies over which Alpiq, despite having a related ownership interest of 50 % or greater, has no control, as a result of restrictions in articles of association, contracts or organisational rules. Partner power plants over which Alpiq has no control are classified as associates and accounted for using the equity method.

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

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

Inventories

Inventories mainly include fuels (gas and coal) to generate electricity, CO_2 emission allowances and stocks of materials to produce goods and services. Inventories are stated at the lower of cost (calculated applying the FIFO method or the average cost method) and net realisable value. Cost includes all expenditures incurred in acquiring the inventories and in bringing them to their storage location. Production cost comprises all direct material and manufacturing costs, and those overheads that have been incurred in bringing the inventories to their present location and condition.

Accounting for CO_2 emission allowances

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

Emission allowances held for trading (to optimise the energy portfolio, for example) are measured at fair value at the reporting date, and recognised under inventories.

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

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

All other leases that do not substantially transfer all the risks and rewards of ownership to the Alpiq Group are treated as operating leases, and are not recognised on the balance sheet. The lease payments are expensed on a straight-line basis over the lease term. 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 recognised applying the percentage-of-completion method, and the amount to be recognised as an asset is included under "Trade and other receivables" and "Net revenue". The stage of completion is measured by reference to the extent of work performed to date or in accordance with the costs already incurred. Contract costs are expensed 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 incurred contract costs that are likely to be recoverable. Write-downs or provisions are recognised 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 reporting date and likely to be incurred, but are uncertain as to timing and / or amount. Provisions are measured at the best estimate of the expenditure required to settle the obligation.

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

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

Swiss consolidated Group companies in the Generation and Commerce & Trading business divisions as well as in the Group Centre participate in a legally independent pension scheme which meets the criteria of a defined benefit plan in accordance with IAS 19. Employees of foreign subsidiaries are generally covered by state social security schemes or independent defined contribution pension plans in accordance with national practices. These plans meet the criteria of a defined contribution plan according to IAS 19.

Group companies belonging to Alpiq InTec in Switzerland 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 that meet the criteria of defined contribution plans according to IAS 19.

The German Kraftanlagen Group exclusively operates a pension scheme where the employer has a constructive obligation to pay benefits, in other words, no legally independent pension scheme exists. Defined benefit liabilities are recognised on the company's balance sheet. These defined benefit liabilities are measured on the basis of 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 on the balance sheet. As no separate plan assets exist to meet the obligation, the actual payments are deducted from the defined benefit liabilities on the balance sheet.

The defined benefit obligation is calculated annually by independent pension experts using the projected unit credit method. This accrued benefit method prorated on service recognises not only the known benefits and benefits accrued at the reporting date, but also expected future salary and pension increases. 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, or as the case may be, the projected interest rate for retirement assets, is based on the market yields on high-quality corporate bonds on the reporting date. The net interest result is recognised directly in finance costs / income; any remaining employee benefit costs are included in employee costs. Actuarial gains and losses are recognised in other comprehensive income as part of equity in the period in which they occur. Past service costs are recognised directly in the income statement as employee costs.

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

Share-based payments

The Alpiq Group generally settles share-based payments in cash. Cash-settled share-based payments are measured at fair value on each reporting date applying a recognised valuation model. The expense is recognised in the income statement over the vesting period, with a corresponding liability also being recognised.

Contingent liabilities

Potential or existing liabilities for which an outflow of resources is not considered probable are not recognised on the balance sheet. However, the nature and extent of liabilities existing in each case on 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 business divisions: Generation, Commerce & Trading and Energy Services. The Executive Board evaluates each of these separately for the purpose of assessing performance and allocating resources. In this context, segment results (EBITDA, EBIT) comprise the key performance indicators applied for internal management and assessment purposes of the Alpiq Group. Besides energy procurement and production costs, operating costs consist of all costs of operations including personnel and service expenses. No requirement exists to adjust the figures from the management reporting to accord with the financial reporting, as both internal and external reporting are subject to the same valuation principles.

Financial instruments

Financial instruments include cash and cash equivalents, term deposits, securities, derivative financial instruments, financial investments, receivables and current and non-current 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
- Other financial liabilities

Financial assets and liabilities are initially recognised at fair value (plus or less transaction costs, respectively, except in the case of assets or liabilities at fair value through profit or loss). Purchases and sales of financial assets at normal market conditions 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 price fluctuations. 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 IAS 39 criteria are met.

After initial recognition, derivative financial instruments held for trading in the energy business are carried at fair value, with fair value changes being recognised in net revenue in the period in which they occur. For a few positions where no quoted price in an active market 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 recognised at fair value, with fair value changes being recognised in finance income or finance 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. This type of allocation is in accordance with the Financial Risk Policy of the Alpiq Group.

Securities held for trading and recognised in current assets mainly comprise collective investments. These are part of a portfolio of financial instruments that are managed together. All securities are recognised at fair value. Changes in value are recognised through profit or loss in the corresponding period.

Loans and receivables

"Loans and receivables" comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are subsequently measured at amortised cost applying the effective interest method, as a rule. Gains and losses are recognised in the income statement when the financial asset or financial liability is derecognised or impaired.

Liquid assets are also allocated to the “Loans and receivables” category. These comprise cash at banks, cash in postal checking accounts, demand deposits and term deposits with a maturity of 90 days or less on initial recognition.

Receivables are recognised at nominal value, less any impairment required. Trade receivables from and trade payables to the same counterparties are offset, provided that a netting agreement has been reached with the counterparties, and payment is made on a net basis.

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 are only transferred to the income statement upon disposal thereof.

Other financial liabilities
These liabilities include current and non-current payment obligations, which are stated at amortised cost, as well as accruals and deferred income.

Impairment and uncollectibility of financial assets
The Group assesses on each reporting date whether any objective evidence exists that a financial asset or a group of financial assets has become 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. An impairment loss previously recognised for an asset is reversed through the income statement if the impairment no longer exists, or has decreased. An impairment loss is reversed only if the asset’s carrying amount does not exceed the carrying amount that would have been determined had no impairment loss 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 an available-for-sale financial asset has been recognised in other comprehensive income and there is objective evidence that the asset is impaired, a loss (measured as the difference between acquisition cost and the current fair value) is reclassified from equity and to the income statement. By contrast, with debt instruments, any subsequent reversal of an impairment loss to an equity instrument is not recognised in the income statement.

Hedge accounting
Alpiq uses energy, foreign currency and interest-rate derivatives to hedge exposure to fluctuations in the cash flows of highly probable forecast transactions (cash flow hedges).

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 applied to assess and measure its effectiveness on an ongoing basis. The designation of a new hedging instrument is authorised formally. Hedges are assessed on an ongoing basis to determine that they actually have been highly effective throughout the entire 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 the income statement.

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 hedge accounting criteria, 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 the management to make estimates and assumptions that affect recognised assets and liabilities and reported income and expenses. Estimates and assumptions are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances. They serve as the basis for the recognition of assets and liabilities whose measurement is not derived from market data. Actual outcomes can differ from such 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 non-current assets

The carrying amount of property, plant and equipment, intangible assets including goodwill and investments in partner power plants and other associates of the Alpiq Group amounted to CHF 5.4 billion as at 31 December 2016 (previous year: CHF 6.0 billion). These assets are tested for impairment annually. To assess whether an impairment exists, the expected future cash flows are calculated on the basis of historical empirical data and current market expectations. The fair value that is calculated in this manner mainly comprises estimates relating to wholesale prices on European forward markets and forecasts of medium- and long-term energy prices, foreign currencies (especially EUR / CHF and EUR / USD exchange rates), inflation rates, discount rates, regulatory conditions and investment activities relating to the company. Estimates of external factors are reviewed periodically using external market data and market analyses. Actual results can differ from these estimates, resulting in significant adjustments in subsequent periods.

Provisions

As at 31 December 2016, the carrying amount of the "Provision for onerous contracts" as disclosed in note 19 amounted to CHF 393 million (previous year: CHF 674 million). This position covers existing obligations and identifiable risks from the energy trading and sales business at the reporting date. 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 applying the discounted cash flow method over the maturity of the contractual obligations. Significant valuation inputs that are subject to certain degrees of uncertainty, and can consequently result in some material subsequent adjustments, particularly include assumptions relating to future changes in market prices, long-term interest rates and currency translation effects (EUR into CHF).

Pension schemes

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

Transfer of the Swiss high-voltage grid

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

As disclosed in note 30, Alpiq receives higher compensation for transferring its share in the Swiss high-voltage grid on account of the ruling by the Swiss Federal Electricity Commission (ElCom) on the measurement method. The final amount of this additional compensation cannot be determined until the proceedings on the margin differences and the second measurement adjustment are complete. This is expected to result in a further positive effect on earnings for Alpiq.

2 Financial risk management

General principles

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

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

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

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

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

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

Capital management

Across the Alpiq Group, capital is managed in line with the Group's overall financial strategy. The strategy is focused on the Group's reported consolidated equity and net debt to EBITDA ratio. As at 31 December 2016, the Group reports an equity ratio of 39.4 % (previous year: 36.6 %).

The Group's policy is for financing to be procured centrally by Alpiq Holding Ltd. The Swiss capital market forms the main source of financing. As at 31 December 2016, Alpiq Holding Ltd. held 74 % of the Group's total financial liabilities (76 %). The level of financial liabilities must stand at a reasonable level relative to profitability in order to ensure a credit rating in line with sector norms. The ratio of net debt to EBITDA before exceptional items plays a decisive role in capital management. During the budgeting and planning process, the Board of Directors takes notice annually of the planned performance of the figures critical for capital management.

The net debt to EBITDA ratio before exceptional items is calculated as follows:

CHF million	31 Dec 2016	31 Dec 2015
Non-current financial liabilities	1,904	2,556
Current financial liabilities	476	229
Financial liabilities	**2,380**	**2,785**
Non-current term deposits	5	
Current term deposits	937	636
Securities	50	
Cash and cash equivalents	532	850
Financial assets (liquidity)	**1,524**	**1,486**
Net debt	**856**	**1,299**
EBITDA before exceptional items	395	480
Net debt / EBITDA before exceptional items	**2.2**	**2.7**

The Alpiq Group has the following covenants from finance agreements:

				Financial covenants		Other covenants
Agreement	Maturity	In CHF million	Utilisation at 31 Dec 2016 in CHF million	Equity ratio	Net debt / EBITDA	Bank rating
Syndicated loan line	Dec 18	200	0	x	x	x

The above-mentioned covenants from finance agreements are tested twice annually. The counterparty has a right to terminate the agreement if the covenants are breached. As at 31 December 2016, all covenants were met, based on reported IFRS earnings.

Financial instruments

Carrying amounts and fair values of financial assets and liabilities

CHF million	Note	Carrying amount at 31 Dec 2016	Fair value at 31 Dec 2016	Carrying amount at 31 Dec 2015	Fair value at 31 Dec 2015
Positive replacement values of derivatives					
Energy derivatives		668	668	438	438
Currency and interest rate derivatives		12	12	32	32
Securities		50	50		
Financial investments	14	1	1	1	1
Total financial assets at fair value through profit or loss		**731**	**731**	**471**	**471**
Financial investments	14	4	4	4	4
Total available-for-sale financial assets		**4**	**4**	**4**	**4**
Cash and cash equivalents	17	532	532	850	850
Term deposits		942	942	636	636
Trade receivables	16	1,096	1,096	956	956
Other financial receivables	16	409	409	342	342
Loans receivable	14	10	10	71	71
Other non-current assets	14	248	248	248	248
Total loans and receivables		**3,237**	**3,237**	**3,103**	**3,103**
Total financial assets		**3,972**	**3,972**	**3,578**	**3,578**

CHF million	Note	Carrying amount at 31 Dec 2016	Fair value at 31 Dec 2016	Carrying amount at 31 Dec 2015	Fair value at 31 Dec 2015
Negative replacement values of derivatives					
Energy derivatives		603	603	348	348
Currency and interest rate derivatives		70	70	77	77
Total financial liabilities at fair value through profit or loss		**673**	**673**	**425**	**425**
Trade payables	22	653	653	552	552
Bonds	20	1,695	1,729	2,060	2,124
Loans payable	20	657	659	723	724
Other financial liabilities, incl. put options		485	485	449	449
Total other financial liabilities		**3,490**	**3,526**	**3,784**	**3,849**
Total financial liabilities		**4,163**	**4,199**	**4,209**	**4,274**

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

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

CHF million	31 Dec 2016	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Energy derivatives	668		668	
Currency and interest rate derivatives	12		12	
Securities	50		50	
Financial investments	5		5	
Financial liabilities measured at fair value				
Energy derivatives	603		603	
Currency and interest rate derivatives	70		70	
Other financial liabilities				
Bonds	1,729	1,729		
Loans payable	659		659	

CHF million	31 Dec 2015	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Energy derivatives	438		438	
Currency and interest rate derivatives	32		32	
Financial investments	5		5	
Financial liabilities measured at fair value				
Energy derivatives	348		348	
Currency and interest rate derivatives	77		77	
Other financial liabilities				
Bonds	2,124	2,124		
Loans payable	724		724	

During the financial years ending 31 December 2016 and 31 December 2015, no transfers occurred between Levels 1 and 2, or transfers from Level 3.

The energy, currency and interest rate derivatives comprise OTC products to be classified as Level 2.

Bonds and loans payable are recognised 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 2016	Other comprehensive income 2016	Income statement 2015	Other comprehensive income 2015
Net gains / losses				
On financial assets and liabilities recognised at fair value through profit or loss	110	– 14	– 22	28
On loans and receivables	– 1		– 1	
Interest income and expense				
Interest income on financial assets not measured at fair value	19		7	
Interest expense on financial liabilities not measured at fair value	– 90		– 110	

In the 2016 financial year, impairments of CHF 4 million were recognised with respect to trade receivables (previous year: CHF 5 million). No impairment was recorded for other financial instruments. More information about impairment is provided in the table "Impairment of trade receivables".

Market risk

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

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

Energy price risk

Energy price risk refers to potential price fluctuations that could have an adverse impact on the Alpiq Group. They can arise from factors such as variations in price volatility, market price movements, or changing correlations between markets and products. Energy liquidity risks also belong to this category. 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.

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

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

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

Foreign currency risk

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

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

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

Interest rate risk

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

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

Sensitivity analysis

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

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

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

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

			31 Dec 2016			31 Dec 2015
CHF million	+/– change	+/– effect on profit before income tax	+/– effect on OCI before income tax	+/– change	+/– effect on profit before income tax	+/– effect on OCI before income tax
Energy price risk	48.6 %	31.8		26.6 %	24.1	
EUR / CHF currency risk	4.3 %	24.0	14.0	16.3 %	34.3	82.7
EUR / USD currency risk	8.2 %	1.1		11.4 %	7.4	
EUR / CZK currency risk	0.7 %	0.3		3.2 %	1.0	
EUR / HUF currency risk	5.0 %	0.1		7.5 %	0.6	
EUR / NOK currency risk	7.7 %	0.0		11.4 %	0.0	
EUR / PLN currency risk	6.9 %	1.7		6.8 %	1.3	
EUR / RON currency risk	2.5 %	0.1		3.6 %	0.0	
USD / CHF currency risk	8.1 %	2.9		16.9 %	2.2	
Interest rate risk	1.0 %	16.5	12.8	1.0 %	20.1	16.1

Credit risk management

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

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

The credit risk related to Energy Services is managed and monitored on a decentralised basis, focusing mainly on receivables management. Local operational management is provided periodically with comprehensive reporting containing all information required to assess outstanding receivables.

The maximum credit risk is calculated at CHF 3,972 million as at 31 December 2016 (previous year: CHF 3,578 million). For a detailed summary, please refer to the fair values disclosed in the table "Carrying amounts and fair values of financial assets and liabilities". Credit risk is reduced by collateral. The Alpiq Group's exposure to concentrations of risk is minimised due to the number of customers, geographical diversification as well as the consolidation of positions. As in the previous year, no significant concentrations of risk existed at the reporting date. Cash and term deposits are placed with banks or public sector entities that have a rating of at least A from an internationally recognised rating agency. The investments are limited in amount, widely diversified and staggered over time. The limits are reviewed monthly and when particular circumstances require. To date, no impairment losses have been recognised on receivables due from financial counterparties.

Collateral and the offsetting of financial assets and liabilities

A substantial portion of the energy contracts entered into by the Alpiq Group is based on agreements containing a netting arrangement. Receivables and payables are only presented on a net basis on the balance sheet if a legally enforceable right to offsetting of the recognised amounts exists, and the intention exists to settle on a net basis. Furthermore, additional collateral, such as guarantees, variation margin payments or insurance cover, is collected where required.

2016: Offsetting of financial assets and liabilities

CHF million	Gross carrying amount	Offset	Net carrying amount in the balance sheet
Financial assets			
Trade receivables	2,028	932	1,096
Positive replacement values of energy derivatives	3,041	2,373	668
Positive replacement values of currency and interest rate derivatives	12		12
Financial liabilities			
Trade payables	1,585	932	653
Negative replacement values of energy derivatives	2,976	2,373	603
Negative replacement values of currency and interest rate derivatives	70		70

As a rule, the collateral held by the Alpiq Group covers both unrecognised energy transactions involving physical delivery and transactions recognised as financial instruments. For this reason, and also on account of its structure, collateral cannot be usefully assigned to individual balance sheet items. As at 31 December 2016, collateral rendered for all recognised and unrecognised items amounts to CHF 281 million (previous year: CHF 188 million) and collateral received amounts to CHF 67 million (CHF 60 million).

2015: Offsetting of financial assets and liabilities

CHF million	Gross carrying amount	Offset	Net carrying amount in the balance sheet
Financial assets			
Trade receivables	1,646	690	956
Positive replacement values of energy derivatives	1,360	922	438
Positive replacement values of currency and interest rate derivatives	32		32
Financial liabilities			
Trade payables	1,242	690	552
Negative replacement values of energy derivatives	1,270	922	348
Negative replacement values of currency and interest rate derivatives	77		77

Impairment of trade receivables

CHF million	31 Dec 2016	31 Dec 2015
Carrying amount before impairment	1,136	995
Impaired	– 40	– 39
Impairment at beginning of year	– 39	– 41
Impairment charge for the year	– 4	– 5
Amounts written off as uncollectible	1	1
Unused amounts reversed	2	1
Currency translation differences		5
Impairment at end of year	– 40	– 39

2016: Age analysis of trade receivables

CHF million	Carrying amount before impairment	Of which, impaired	Impairment	Carrying amount after impairment
Not past due	853	– 2	– 1	852
1–90 days past due	118	– 2	– 1	117
91–180 days past due	6	– 1		6
181–360 days past due	21			21
Over 360 days past due	138	– 127	– 38	100
Total	**1,136**	**– 132**	**– 40**	**1,096**

2015: Age analysis of trade receivables

CHF million	Carrying amount before impairment	Of which, impaired	Impairment	Carrying amount after impairment
Not past due	763			763
1–90 days past due	64			64
91–180 days past due	18	– 7	– 2	16
181–360 days past due	18	– 6	– 6	12
Over 360 days past due	132	– 118	– 31	101
Total	**995**	**– 131**	**– 39**	**956**

In this reporting year (and in the previous one), a minor extent of trade receivables was written off on the basis of a certificate of unpaid debts, for which no impairment had previously been recorded due to a lack of indications 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. Receivables also exist that could not be settled on time due to the strained economic situation. Alpiq is in close contact with corresponding debtors. Impairment losses have been recognised for expected defaults. In the case of the unimpaired items, no indications existed on the reporting date that the debtors would be unable to fulfil their payment obligations.

Liquidity risk

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

The contractual maturities of financial liabilities are disclosed below. Where the intention exists to refinance loans at the end of the contract term, but refinancing has not yet been contractually secured, a cash outflow on maturity is assumed. Accordingly, actual cash flows can differ significantly from the contractual maturities.

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.

2016: Maturity analysis of financial liabilities

CHF million	Carrying amount	Cash flows <1 month	1–3 months	4–12 months	1–5 years	>5 years	Total
Non-derivative financial liabilities							
Trade payables	653	552	88	13			653
Bonds	1,695		107	301	773	712	1,893
Loans payable	657		3	105	416	255	779
Other financial liabilities	485	18	37	165	205	60	485
Derivative financial instruments							
Net carrying amount of derivative financial instruments	7						
Net carrying amount of energy derivatives	65						
Gross cash inflows		1,067	3,744	9,341	3,260		17,412
Gross cash outflows		– 1,054	– 3,691	– 9,325	– 3,406		– 17,476
Net carrying amount of currency / interest rate derivatives	– 58						
Gross cash inflows		33	72	536		3	644
Gross cash outflows		– 33	– 73	– 544	– 45	– 12	– 707

2015: Maturity analysis of financial liabilities

CHF million	Carrying amount	Cash flows <1 month	1–3 months	4–12 months	1–5 years	>5 years	Total
Non-derivative financial liabilities							
Trade payables	552	434	109	9			552
Bonds	2,060		7	199	1,168	960	2,334
Loans payable	723	1	3	71	269	588	932
Other financial liabilities	449	15	30	137	205	62	449
Derivative financial instruments							
Net carrying amount of derivative financial instruments	45						
Net carrying amount of energy derivatives	90						
Gross cash inflows		712	1,752	4,922	2,334		9,720
Gross cash outflows		– 709	– 1,741	– 4,792	– 2,263		– 9,505
Net carrying amount of currency / interest rate derivatives	– 45						
Gross cash inflows		177	389	696	34	6	1,302
Gross cash outflows		– 185	– 385	– 688	– 78	– 17	– 1,353

Hedge accounting

Foreign currency hedges

Foreign currency positions from the sale of Swiss production capacity in euros are hedged utilising forward transactions on the basis of the expected transaction volumes. The underlying transactions will be recognised in the income statements for 2017 to 2020. The hedges are proven as highly effective. The unrealised loss of CHF 17 million (previous year: gain of CHF 13 million), with related deferred tax assets of CHF 1 million (deferred tax liabilities of CHF 1 million), is recorded in other comprehensive income as at 31 December 2016.

Interest rate swaps

As at 31 December 2016, interest rate swaps were in place in order to hedge future financing facilities or to fix interest rates on variable-interest project financing facilities. The project financing facilities in Italy have a remaining maturity of between five and ten years. The hedges are proven as highly effective. The unrealised gain of CHF 4 million (previous year: gain of CHF 1 million), with related deferred tax liabilities of CHF 1 million (deferred tax liabilities of CHF 10 million), is recorded in other comprehensive income as at 31 December 2016.

Hedges recognised directly in other comprehensive income taking into account deferred taxes comprise the following:

CHF million	Assets 2016	Liabilities 2016	Assets 2015	Liabilities 2015
Interest rate swaps		28		33
Foreign currency hedges			17	

Once the transaction has occurred, amounts recognised in other comprehensive income as at 31 December 2016 are transferred to the income statement. In 2016, net gains of CHF 6 million (previous year: net losses of CHF 1 million) were reclassified from equity to net revenue. The ineffective portion of the hedge recognised immediately in the income statement during the reporting year was immaterial.

3 Impairment losses

Mainly due to the anticipated development of electricity prices, which are expected to remain low, the company had to recognise additional impairment losses and provisions during the first half of 2016, which are caused in particular by the Swiss power plants and contracts with a high base-load share. In addition, the Group had to increase a provision for an onerous contract abroad by CHF 38 million.

While electricity prices are low, their hourly profile is significantly more volatile than in the previous period. In particular, the highly flexible pumped storage power plants benefit from this. For this reason, the provision for the onerous contract relating to the future procurement of energy from the Nant de Drance SA pumped storage power plant was reduced by CHF 263 million.

2016: Allocation of impairment losses and provisions

CHF million	Business division	Pre-tax discount rate	Post-tax discount rate	Property, plant and equipment	Intangible assets	Partner power plants	Total
Power Generation Switzerland	Generation	5.8 %	4.6 %	– 49	– 117	– 195	– 361
Renewable Energy France	Generation	8.5 %	4.5 %		– 1		– 1
Renewable Energy Italy	Generation	8.4 %	6.0 %	– 38	– 1		– 39
Total impairment losses for assets				**– 87**	**– 119**	**– 195**	**– 401**
Provision for onerous contracts							225
Liabilities for purchase and supply contracts [1]							– 3
Total impairment losses and provisions							**– 179**

1 In the business combination between Atel and EOS in 2009, onerous 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 2016 led to an increase in the liabilities carried.

The recoverable amount calculated for the impairment test amounts to CHF 3.7 billion for Power Generation Switzerland (property, plant and equipment, intangible assets, and partner power plants). All recoverable amounts applied for impairment testing are based on value in use.

2015: Allocation of impairment losses and provisions

CHF million		Pre-tax discount rate	Post-tax discount rate	Property, plant and equipment	Intangible assets	Partner power plants and other associates	Total
Power Generation Switzerland	Generation	6.2 %	4.6 %	– 308	– 11	– 409	– 728
Power Generation Hungary	Generation	16.3 %	8.1 %	– 9			– 9
Power Generation Italy	Generation	10.0 %	6.9 %	– 6			– 6
Renewable Energy incl. Projects	Generation			– 11		– 7	– 18
Total impairment losses for assets				**– 334**	**– 11**	**– 416**	**– 761**
Provision for onerous contracts							– 259
Liabilities for purchase and supply contracts [1]							6
Total impairment losses and provisions							**– 1,014**

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 2015 led to a reduction in the liabilities carried.

4 Energy and inventory costs

CHF million	2016	2015
Electricity purchased from third parties	– 2,832	– 3,205
Electricity purchased from partner power plants	– 500	– 697
Electricity purchased from other associates	– 8	– 11
Other energy purchases	– 463	– 701
Cost of inventories	– 833	– 725
Total before provisions	**– 4,636**	**– 5,339**
Provisions	225	– 253
Total	**– 4,411**	**– 5,592**

5 Employee costs

CHF million	2016	2015
Wages and salaries	– 666	– 652
Defined benefit pension costs	– 48	– 46
Defined contribution pension costs	– 1	– 1
Other employee costs	– 105	– 105
Total	**– 820**	**– 804**

Average number of employees

	2016	2015
Employees (full-time equivalents)	8,010	7,823
Apprentices	547	537
Total	**8,557**	**8,360**

Number of employees at the reporting date

	31 Dec 2016	31 Dec 2015
Employees (full-time equivalents)	7,986	7,780
Apprentices	531	565
Total	**8,517**	**8,345**

6 Depreciation, amortisation and impairment

CHF million	2016	2015
Depreciation of property, plant and equipment	– 156	– 174
Amortisation of energy purchase rights	– 23	– 24
Amortisation of other intangible assets	– 14	– 18
Impairment of property, plant and equipment and intangible assets	– 206	– 345
Total	**– 399**	**– 561**

Notes 3 and 12 disclose information about the impairment tests.

7 Finance costs and finance income

CHF million	2016	2015
Finance costs		
Interest expense	– 87	– 112
Interest on pension plans, provisions and non-current liabilities	– 26	– 18
Other finance costs	– 18	– 36
Net foreign exchange gains / (losses)	– 7	– 24
Total	**– 138**	**– 190**
Finance income		
Dividend income from financial investments		1
Interest income	19	7
Other finance income	108	20
Total	**127**	**28**
Financial result	**– 11**	**– 162**

Costs of CHF 10 million (previous year: CHF 28 million) incurred in the repurchase of bonds before maturity are included in “Other finance costs”. Gains from the sale of shares in associates of CHF 99 million (previous year: CHF 8 million) are included in “Other finance income”.

8 Income tax expense

Income tax recognised directly in other comprehensive income

CHF million	2016	2015
Deferred income tax	– 3	8
Total	**– 3**	**8**

Income tax expense charged to the income statement

CHF million	2016	2015
Current income tax	– 33	– 30
Deferred income tax	184	220
Total	**151**	**190**

Reconciliation

CHF million	2016	2015
Earnings before tax	143	– 1,020
Expected income tax rate (weighted average)	28.0 %	19.9 %
Income tax at the expected income tax rate	– 40	203
Increase / (decrease) in income tax expense due to:		
Effect of non-deductible expenses for tax purposes [1]	– 46	– 64
Effect of adjustments in respect of prior periods	12	14
Effects of income exempt from tax [1]	34	111
Effect of valuation of tax loss carryforwards	141	– 77
Effect of changes in tax rates	51	2
Other effects	– 1	1
Total income tax expense	**151**	**190**
Effective income tax rate	– 105.6 %	18.6 %

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 expected income tax rate is 28.0 % (previous year: 19.9 %).

Deferred tax assets and liabilities by origination of temporary differences

CHF million	31 Dec 2016	31 Dec 2015
Tax losses and tax assets not yet used	88	54
Other non-current assets	83	38
Current assets	1	3
Provisions and liabilities	39	55
Total gross deferred tax assets	**211**	**150**
Property, plant and equipment	226	244
Other non-current assets	318	423
Current assets	41	46
Provisions and liabilities	49	46
Total gross deferred tax liabilities	**634**	**759**
Net deferred tax liability	**423**	**609**
Tax assets recognised in the balance sheet	39	36
Tax liabilities recognised in the balance sheet	462	645

As at 31 December 2016, individual subsidiaries held tax loss carryforwards totalling CHF 1,466 million (previous year: CHF 1,851 million), which are available for offsetting against future taxable profits.

Deferred tax assets are recognised for tax loss carryforwards only to the extent that realisation of the related tax benefit is probable. The Alpiq Group has unrecognised tax benefit of tax loss carryforwards of CHF 980 million (CHF 1,576 million). The average tax rate on tax loss carryforwards that are not eligible for capitalisation is 20.5 % (21.2 %).

These tax loss carryforwards expire in the following periods:

CHF million	31 Dec 2016	31 Dec 2015
Within 1 year	44	1
Within 2 – 3 years	192	56
After 3 years	744	1,519
Total	**980**	**1,576**

In addition, non-capitalised deductible temporary valuation differences exist in an amount of CHF 64 million (CHF 69 million).

9 Earnings per share

	2016	2015
Net income attributable to equity investors of Alpiq Holding Ltd. (CHF million)	294	– 825
Interest on hybrid capital attributable to the period (CHF million)[1]	– 33	– 51
Share of Alpiq Holding Ltd. stockholders in net income (CHF million)	**261**	**– 876**
Weighted average number of shares outstanding	27,874,649	27,616,917
Earnings per share (CHF)	**9.38**	**– 31.73**

1 See note 18

No circumstances exist that would lead to a dilution of earnings per share.

10 Property, plant and equipment

CHF million	Land and buildings	Power plants	Transmission assets	Other plant and equipment	Assets under construction	Total
Gross carrying amount at 31 December 2015	**301**	**5,525**	**39**	**269**	**201**	**6,335**
Additions	4	3		33	43	83
Own work capitalised					1	1
Reclassifications		27	2	1	– 30	0
Disposals	– 2	– 12		– 29		– 43
Reclassified to “Assets held for sale”		– 280		– 1	– 17	– 298
Currency translation differences		– 19			– 1	– 20
Gross carrying amount at 31 December 2016	**303**	**5,244**	**41**	**273**	**197**	**6,058**
Accumulated depreciation and impairment at 31 December 2015	**– 92**	**– 2,971**	**– 27**	**– 178**	**– 139**	**– 3,407**
Depreciation charge	– 7	– 126	– 2	– 21		– 156
Impairment		– 87				– 87
Disposals	2	11		19		32
Reclassified to “Assets held for sale”		242		1	10	253
Currency translation differences		12				12
Accumulated depreciation and impairment at 31 December 2016	**– 97**	**– 2,919**	**– 29**	**– 179**	**– 129**	**– 3,353**
Net carrying amount at 31 December 2016	**206**	**2,325**	**12**	**94**	**68**	**2,705**

An amount of CHF 0 million (previous year: CHF 11 million) of investments that have been invoiced but not yet paid for, as well as deferred investments, are not included in the cash flow statement under “Investments in property, plant and equipment and intangible assets”, as they were not yet cash-effective. At the reporting date, the Group had contractual commitments of CHF 16 million (CHF 15 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. As at 31 December 2016, the net carrying amount of property, plant and equipment held under finance leases was CHF 30 million (CHF 33 million).

CHF million	Land and buildings	Power plants	Transmission assets	Other plant and equipment	Assets under construction	Total
Gross carrying amount at 31 December 2014	**313**	**6,085**	**438**	**264**	**224**	**7,324**
Acquisition / disposal of subsidiaries	2			1	– 1	2
Additions	2	17	5	29	35	88
Own work capitalised					1	1
Reclassifications	9	14	– 4	4	– 33	– 10
Disposals	– 15	– 320	– 10	– 18	– 6	– 369
Reclassified to “Assets held for sale”	– 3		– 390	– 2	– 15	– 410
Currency translation differences	– 7	– 271		– 9	– 4	– 291
Gross carrying amount at 31 December 2015	**301**	**5,525**	**39**	**269**	**201**	**6,335**
Accumulated depreciation and impairment at 31 December 2014	**– 94**	**– 3,004**	**– 226**	**– 180**	**– 136**	**– 3,640**
Depreciation charge	– 9	– 130	– 12	– 23		– 174
Impairment		– 325			– 9	– 334
Reclassifications	– 3	7	3	– 2		5
Disposals	10	320	9	18	4	361
Reclassified to “Assets held for sale”			199	2		201
Currency translation differences	4	161		7	2	174
Accumulated depreciation and impairment at 31 December 2015	**– 92**	**– 2,971**	**– 27**	**– 178**	**– 139**	**– 3,407**
Net carrying amount at 31 December 2015	**209**	**2,554**	**12**	**91**	**62**	**2,928**

Commitments under finance leases

CHF million	Minimum lease payments at 31 Dec 2016	Minimum lease payments at 31 Dec 2015	Present value at 31 Dec 2016	Present value at 31 Dec 2015
Within 1 year	3	3	3	3
Within 2 – 5 years	13	14	12	12
More than 5 years	27	29	18	20
Total	**43**	**46**	**33**	**35**
Finance charges	– 10	– 11		
Present value of minimum lease payments	**33**	**35**	**33**	**35**

The present value of minimum lease payments amounted to CHF 33 million at the reporting date (CHF 35 million), of which CHF 3 million is reported as current financial liabilities (CHF 3 million) and CHF 30 million as non-current financial liabilities (CHF 32 million).

11 Intangible assets

CHF million	Energy purchase rights	Goodwill	Other intangible assets	Assets under construction	Total
Gross carrying amount at 31 December 2015	**1,485**	**731**	**477**	**4**	**2,697**
Acquisition / disposal of subsidiaries		12	2		14
Additions			1	9	10
Own work capitalised				4	4
Reclassifications	2		– 2	– 3	– 3
Disposals			– 1		– 1
Reclassified to “Assets held for sale”			– 4		– 4
Currency translation differences	– 1	– 3	– 2		– 6
Gross carrying amount at 31 December 2016	**1,486**	**740**	**471**	**14**	**2,711**
Accumulated amortisation and impairment at 31 December 2015	**– 1,305**	**– 647**	**– 370**	**0**	**– 2,322**
Amortisation charge	– 23		– 14		– 37
Impairment	– 117		– 2		– 119
Reclassifications			– 3		– 3
Disposals			1		1
Currency translation differences	1		2		3
Accumulated amortisation and impairment at 31 December 2016	**– 1,444**	**– 647**	**– 386**	**0**	**– 2,477**
Net carrying amount at 31 December 2016	**42**	**93**	**85**	**14**	**234**
Gross carrying amount at 31 December 2014	**1,497**	**733**	**500**	**0**	**2,730**
Acquisition / disposal of subsidiaries		7	– 2		5
Additions			10	6	16
Own work capitalised				4	4
Reclassifications			7	– 6	1
Disposals			– 7		– 7
Reclassified to “Assets held for sale”			– 7		– 7
Currency translation differences	– 12	– 9	– 24		– 45
Gross carrying amount at 31 December 2015	**1,485**	**731**	**477**	**4**	**2,697**
Accumulated amortisation and impairment at 31 December 2014	**– 1,282**	**– 655**	**– 371**	**0**	**– 2,308**
Amortisation charge	– 24		– 18		– 42
Impairment	– 11				– 11
Reclassifications			– 5		– 5
Disposals			7		7
Reclassified to “Assets held for sale”			3		3
Currency translation differences	12	8	14		34
Accumulated amortisation and impairment at 31 December 2015	**– 1,305**	**– 647**	**– 370**	**0**	**– 2,322**
Net carrying amount at 31 December 2015	**180**	**84**	**107**	**4**	**375**

12 Goodwill impairment test

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

CHF million	Pre-tax discount rate at 31 Dec 2016	Post-tax discount rate at 31 Dec 2016	Carrying amount at 31 Dec 2016	Pre-tax discount rate at 31 Dec 2015	Post-tax discount rate at 31 Dec 2015	Carrying amount at 31 Dec 2015
Sales Central Europe	8.1 %	6.6 %	12	8.4 %	7.1 %	12
Energy Management	7.0 %	6.1 %	16	7.4 %	6.5 %	18
Alpiq InTec	4.6 %	4.0 %	52	4.7 %	4.1 %	52
Kraftanlagen Group	5.2 %	4.1 %	13	5.8 %	4.5 %	2
Total			**93**			**84**

The recoverable amounts applied for impairment testing are based on value in use. For the first three years, business plans as approved by the management are applied to calculate values in use. These plans were prepared on the basis of historical empirical data and current market expectations. To calculate the terminal values, the cash flows were inflated by a growth rate of 2.0 % (previous year: 2.0 %). This growth rate corresponds to the long-term average that Alpiq expects. The discount rates that have been applied reflect the current market estimate for the specific risks to be allocated to the cash-generating units.

13 Investments in partner power plants and other associates

CHF million	Partner power plants	Other associates	Total
Carrying amount at 31 December 2014	**3,047**	**103**	**3,150**
Reclassified from "Assets held for sale" reported in the previous year	25	8	33
Additions		2	2
Dividend	– 25	– 3	– 28
Share of profit / loss	58	11	69
IAS 19 and IAS 39 effects recognised in other comprehensive income	– 35		– 35
Impairment	– 405	– 7	– 412
Disposals	– 4		– 4
Reclassified to "Assets held for sale"		– 55	– 55
Currency translation differences		– 2	– 2
Carrying amount at 31 December 2015	**2,661**	**57**	**2,718**
Dividend	– 25	– 13	– 38
Share of profit / loss	– 40	8	– 32
IAS 19 and IAS 39 effects recognised in other comprehensive income	16		16
Impairment	– 195		– 195
Reclassifications	39	1	40
Disposals	– 8		– 8
Reclassified to "Assets held for sale"	– 52		– 52
Carrying amount at 31 December 2016	**2,396**	**53**	**2,449**

The item "Reclassifications" for partner power plants includes the proportionate capital increase of CHF 39 million at Nant de Drance SA. The capital increase was performed by converting a shareholder loan and had no effect on cash in the current financial year.

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

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

2016: Summarised financial information

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

The merger of Atel and EOS, which formed Alpiq in 2009, led to fair value adjustments being made on the acquired assets in the course of the business combination. These are included in the summarised financial information and are now calculated on the basis of a weighting in the interest of improving comprehensibility (previously extrapolated from the Alpiq share up to 100 %). The previous year's figures on the gross value of Kernkraftwerk Leibstadt AG and the individually immaterial partner power plants were adjusted accordingly.

Material partner power plants and other associates

	Partner power plants									
	Grande Dixence SA		Nant de Drance SA		Kernkraftwerk Gösgen-Däniken AG		Kernkraftwerk Leibstadt AG		Kernkraftwerk-Beteiligungs-gesellschaft AG (KBG)	
CHF million	Gross values	Alpiq share	Gross values	Alpiq share	Gross values	Alpiq share	Gross values	Alpiq share	Gross values	Alpiq share
Non-current assets	2,397	1,438	1,488	580	3,270	1,307	4,775	1,546	981	327
of which, non-current financial assets	5	3			1,798	719	1,736	562		
Current assets	23	14	183	71	345	138	349	113	20	6
of which, cash and current financial assets	12	7	80	31	250	100	104	34	11	4
Non-current liabilities	940	564	1,237	482	3,244	1,298	3,812	1,234	1	
of which, non-current financial liabilities	938	563	1,237	482	135	54	400	129		
Current liabilities	65	39	97	38	114	45	214	69	159	53
of which, current financial liabilities									125	42
Total equity	**1,415**	**849**	**337**	**131**	**257**	**102**	**1,098**	**356**	**841**	**280**
Revenue	166	100	2	1	343	137	386	125	213	71
Expenses	– 432	– 260	– 10	– 4	– 296	– 118	– 379	– 123	– 391	– 130
Net income	**– 266**	**– 160**	**– 8**	**– 3**	**47**	**19**	**7**	**2**	**– 178**	**– 59**
Other comprehensive income			3	1	33	13	8	2		
Total comprehensive income	**– 266**	**– 160**	**– 5**	**– 2**	**80**	**32**	**15**	**4**	**– 178**	**– 59**
Dividends received		**5**				**7**		**8**		**2**

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

Individually immaterial partner power plants and other associates

	Partner power plants		Other associates	
CHF million	Gross values	Alpiq share	Gross values	Alpiq share
Non-current assets	3,644	1,031	190	50
of which, non-current financial assets	50	8	1	
Current assets	80	17	176	63
of which, cash and current financial assets	31	7	120	38
Non-current liabilities	1,321	309	145	33
of which, non-current financial liabilities	1,265	302	93	21
Current liabilities	278	61	64	27
of which, current financial liabilities	170	35		
Total equity	**2,125**	**678**	**157**	**53**
Revenue	271	59	194	67
Expenses	– 356	– 93	– 170	– 59
Net income	**– 85**	**– 34**	**24**	**8**
Other comprehensive income	– 7		– 8	
Total comprehensive income	**– 92**	**– 34**	**16**	**8**

The Alpiq Group’s share of the regular annual costs of all partner power plants in 2016 amounted to CHF 500 million (previous year: CHF 697 million). This amount is included in energy and inventory costs.

2015: Summarised financial information

Material partner power plants and other associates

	Partner power plants									
	Grande Dixence SA		Nant de Drance SA		Kernkraftwerk Gösgen-Däniken AG		Kernkraftwerk Leibstadt AG		Kernkraftwerk-Beteiligungs-gesellschaft AG (KBG)	
CHF million	Gross values	Alpiq share	Gross values	Alpiq share	Gross values	Alpiq share	Gross values (restated)	Alpiq share	Gross values	Alpiq share
Non-current assets	2,699	1,620	1,382	539	3,128	1,248	4,858	1,573	1,156	385
of which, non-current financial assets	3	2			1,643	657	1,724	558		
Current assets	47	28	46	18	406	162	440	142	5	2
of which, cash and current financial assets	46	27	15	6	22	9	233	75		
Non-current liabilities	716	430	1,099	429	3,215	1,286	3,834	1,241	1	
of which, non-current financial liabilities	713	428	997	389	135	54	400	129		
Current liabilities	340	204	86	33	118	47	346	112	134	45
of which, current financial liabilities	260	156					250	81	79	26
Total equity	**1,690**	**1,014**	**243**	**95**	**201**	**77**	**1,118**	**362**	**1,026**	**342**
Revenue	173	104	18	7	417	167	456	147	240	80
Expenses	– 619	– 371	– 9	– 3	– 284	– 117	– 420	– 139	– 569	– 190
Net income	**– 446**	**– 267**	**9**	**4**	**133**	**50**	**36**	**8**	**– 329**	**– 110**
Other comprehensive income			– 7	– 3	– 42	– 19	– 34	– 11		
Total comprehensive income	**– 446**	**– 267**	**2**	**1**	**91**	**31**	**2**	**– 3**	**– 329**	**– 110**
Dividends received		**5**				**7**		**8**		**2**

Individually immaterial partner power plants and other associates

CHF million	Partner power plants		Other associates	
	Gross values (restated)	Alpiq share	Gross values	Alpiq share
Non-current assets	4,359	1,150	261	65
of which, non-current financial assets	76	9	1	
Current assets	142	28	338	155
of which, cash and current financial assets	70	13	61	15
Non-current liabilities	1,759	359	204	53
of which, non-current financial liabilities	1,655	346	124	27
Current liabilities	265	48	225	110
of which, current financial liabilities	91	16		
Total equity	**2,477**	**771**	**170**	**57**
Revenue	397	79	177	71
Expenses	– 479	– 111	– 163	– 66
Net income	**– 82**	**– 32**	**14**	**5**
Other comprehensive income	– 27	– 2	– 8	
Total comprehensive income	**– 109**	**– 34**	**6**	**5**

14 Other non-current financial assets

CHF million	Financial investments	Loans receivable	Other non-current assets	Total
Carrying amount at 31 December 2014	**19**	**77**	**75**	**171**
Additions	3	6	171	180
Reclassifications	– 1	– 2	2	– 1
Disposals	– 14	– 9		– 23
Reclassified to "Assets held for sale"	– 2			– 2
Currency translation differences		– 1		– 1
Carrying amount at 31 December 2015	**5**	**71**	**248**	**324**
Additions	1	5		6
Reclassifications	– 1	– 40		– 41
Disposals		– 25		– 25
Currency translation differences		– 1		– 1
Carrying amount at 31 December 2016	**5**	**10**	**248**	**263**

Alpiq has disposed of all of the loan claims received from Swissgrid AG in 2014 as part of the transfer of high-voltage grids. As part of the disposal, the Swissgrid loan tranches were sold without the contractually related conversion rights. Swissgrid AG can, or must, convert the loans into equity if certain conditions arise. In this instance, the buyers of the loans would receive shares in the equity of Swissgrid AG. In the case of a conversion, however, Alpiq is obligated on the basis of the contract with the buyers of the loans to purchase from the buyer all shares in the equity of Swissgrid AG arising from the conversion to a maximum amount of CHF 246 million. As a consequence, although Alpiq has sold the loans, it has also entered into a directly related obligation in an amount of CHF 246 million. Due to the aforementioned contractual structure of the transaction, the loans could not be derecognised, and remain on Alpiq's books as "Other non-current assets" in an amount of CHF 246 million. Financial liabilities also exist equivalent to the obligations that were entered into as a result of the sales. The liabilities are reported under "Other non-current liabilities".

The item "Reclassifications" for loans receivable includes the proportionate capital increase of CHF 39 million at Nant de Drance SA. The capital increase was performed by converting a shareholder loan and had no effect on cash in the current financial year.

15 Inventories

At the reporting date, inventories primarily included fuels (gas and coal) carried at CHF 26 million (previous year: CHF 34 million), CO2 emission allowances at CHF 12 million (CHF 3 million) as well as consumables and supplies valued at CHF 35 million (CHF 31 million).

16 Trade and other receivables

CHF million	31 Dec 2016	31 Dec 2015
Trade receivables	1,096	956
Prepayments to suppliers	38	29
Unbilled revenue	95	48
Other receivables	409	342
Total	**1,638**	**1,375**

Trade receivables from and trade payables to the same counterparties are offset, provided that a netting agreement has been reached with the counterparties, and payment is made on a net basis. Receivables and payables offset under netting agreements amounted to CHF 932 million (previous year: CHF 690 million).

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

CHF million	31 Dec 2016	31 Dec 2015
Unbilled revenue (gross)	1,403	1,037
Advances received from customers	– 1,308	– 989
Unbilled revenue (net)	**95**	**48**

17 Cash and cash equivalents

CHF million	31 Dec 2016	31 Dec 2015
Cash at bank and in hand	513	803
Term deposits with a maturity of 90 days or less	19	47
Total	**532**	**850**

18 Equity

Share capital

The share capital of CHF 278.7 million (previous year: CHF 278.7 million) consists of 27,874,649 registered shares at par value of CHF 10 each (27,874,649 registered shares) and is fully paid in. According to the share register, the shareholdings are as follows:

	Stakes in % at 31 Dec 2016	Stakes in % at 31 Dec 2015
EOS HOLDING SA (EOSH)	31.44	31.44
EDF Alpes Investissements Sàrl (EDFAI)	25.04	25.04
EBM (Genossenschaft Elektra Birseck)	13.65	13.65
EBL (Genossenschaft Elektra Baselland)	7.13	7.13
Canton of Solothurn	5.61	5.61
Aziende Industriali di Lugano (AIL)	2.13	2.13
IBAarau (IBA)	2.00	2.00
Wasserwerke Zug (WWZ)	0.91	0.91
Free float	12.09	12.09

Hybrid capital

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

The total hybrid capital of CHF 1,017 million is for an unlimited duration, and qualifies as equity capital under IFRS accounting guidelines. Alpiq has the right to repay the public hybrid bond early, albeit at the earliest as at 15 November 2018, and subsequently annually. The hybrid loan from the main Swiss shareholders can be repaid only after the public hybrid bond has been repaid, and is subordinate to it. Under certain circumstances, Alpiq can repay the hybrid loan from the main Swiss shareholders with shares or equivalent hybrid instruments. Interest on the hybrid capital can be paid 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 is 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 be suspended at Alpiq's discretion without the need for Alpiq to subsequently pay the suspended interest. The interest on the public hybrid bond can also be suspended. In this case, however, the payment of interest only lapses after three years.

On 7 March 2016, Alpiq announced that it will not pay interest on the hybrid loan from the main Swiss shareholders for the period from March 2015 to March 2016. The hybrid bond that was placed publicly was serviced, by contrast. The interest after tax attributable to 2016 was CHF 33 million (previous year: CHF 51 million). Interest from the public hybrid bond that is attributable to the reporting year and approved interest payments on the hybrid loan meet the criteria of a preference dividend, irrespective of whether the interest was paid or a legal obligation for the payment exists, and is deducted from the "Net income attributable to equity investors of Alpiq Holding Ltd." for the calculation of the undiluted earnings per share.

The accrued interest after tax amounted to a total of CHF 19 million as at 31 December 2016 (CHF 19 million). As no legally enforceable payment obligation exists, the accrued interest was not accrued as a financial liability, and was not deducted from equity. Interest payments totalling CHF 33 million occurred in 2016 (Swiss main shareholders CHF 0 million, public hybrid bond CHF 33 million). Due to the equity character of the hybrid capital, these distributions were carried directly to equity (retained earnings).

19 Provisions

CHF million	Provision for onerous contracts	Provision for restructuring	Provision for decommissioning own power plants	Provision for warranties	Other provisions	Total
Balance of non-current provisions at 31 December 2015	**597**	**0**	**43**	**16**	**25**	**681**
Current provisions	77	21		3	58	159
Total provisions at 31 December 2015	**674**	**21**	**43**	**19**	**83**	**840**
Allocated	58	2		2	6	68
Unwinding of discount	21		1			22
Utilised	– 74	– 2	– 1	– 2	– 11	– 90
Unused amounts reversed	– 277			– 3	– 11	– 291
Reclassified		– 2			13	11
Reclassified to “liabilities held for sale”	– 8					– 8
Currency translation differences	– 1					– 1
Total provisions at 31 December 2016	**393**	**19**	**43**	**16**	**80**	**551**
Less current provisions	– 23	– 19		– 2	– 44	– 88
Balance of non-current provisions at 31 December 2016	**370**	**0**	**43**	**14**	**36**	**463**
Expected cash outflows						
Within 12 months	– 23	– 19		– 2	– 44	– 88
Within 1 – 5 years	– 94		– 9	– 10	– 24	– 137
After 5 years	– 276		– 34	– 4	– 12	– 326
Total	**– 393**	**– 19**	**– 43**	**– 16**	**– 80**	**– 551**

The provision for onerous 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. In the 2016 financial year, the utilisation of a provision recognised in 2015 for the conclusion of the sale of 3CB SAS for CHF 49 million had no effect on cash, because it was offset against a receivable for the same amount.

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

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

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

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

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

20 Non-current financial liabilities

CHF million	31 Dec 2016	31 Dec 2015
Bonds	1,333	1,909
Loans payable	571	647
Total	**1,904**	**2,556**

Bonds outstanding at the reporting date

CHF million	Maturity	Earliest repayment date	Effective interest rate %	Carrying amount at 31 Dec 2016	Carrying amount at 31 Dec 2015
Alpiq Holding Ltd. CHF 151 million face value, 1 3/8 % fixed rate	2011/2016	20 Sept 2016	1.641		151
Alpiq Holding Ltd. CHF 100 million face value, 4 % fixed rate	2009/2017	10 Feb 2017	4.167	100	100
Alpiq Holding Ltd. CHF 132 million face value, 2 % fixed rate [1]	2012/2017	13 Apr 2017	2.160	132	187
Alpiq Holding Ltd. CHF 100 million face value, 2 5/8 % fixed rate	2006/2018	1 Mar 2018	2.788	100	100
Alpiq Holding Ltd. CHF 100 million face value, 3 7/8 % fixed rate	2008/2018	30 Oct 2018	4.020	100	100
Alpiq Holding Ltd. CHF 284 million face value, 3 % fixed rate [1]	2009/2019	25 Nov 2019	3.184	283	397
Alpiq Holding Ltd. CHF 179 million face value, 2 1/4 % fixed rate [1]	2011/2021	20 Sept 2021	2.400	178	223
Alpiq Holding Ltd. CHF 200 million face value, 3 % fixed rate	2012/2022	16 May 2022	3.056	199	199
Alpiq Holding Ltd. CHF 175 million face value, 2 1/8 % fixed rate	2015/2023	30 Jun 2023	2.125	175	175
Alpiq Holding Ltd. CHF 300 million face value, 2 5/8 % fixed rate	2014/2024	29 Jul 2024	2.710	298	298
Emosson SA CHF 130 million face value, 2 1/4 % fixed rate [2]	2005/2017	26 Oct 2017	2.250	130	130

1 Partial bond repurchase at 14 September 2016
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-interest bonds outstanding at the reporting date amounts to CHF 1,729 million (previous year: CHF 2,124 million). The weighted interest rate on bonds issued at the reporting date, relative to face value, was 2.65 % (2.71 %). Bonds of CHF 362 million (CHF 151 million) maturing within 360 days are included in current financial liabilities at the reporting date on 31 December 2016. The corresponding fair value amounts to CHF 364 million (CHF 151 million).

As at 14 September 2016, Alpiq repurchased bonds with a face value of CHF 218 million and with maturity in the 2017 and 2021 range.

Loans payable

CHF million	31 Dec 2016	31 Dec 2015
Maturing between 1 and 5 years	345	299
Maturing in more than 5 years	226	348
Total	**571**	**647**

The fair value at the reporting date of loans payable was CHF 659 million (previous year: CHF 724 million). The weighted interest rate on loans payable at the reporting date, relative to face value, was 3.77 % (3.73 %). Loans payable of CHF 86 million (CHF 76 million) maturing within 360 days are included in current financial liabilities at the reporting date on 31 December 2016.

The weighted average rate of interest on the bonds and loans payable amounts to 2.95 % (2.96 %).

21 Other non-current liabilities

CHF million	31 Dec 2016	31 Dec 2015
Written put options	12	13
Other non-current liabilities	306	307
Total	**318**	**320**
Maturities		
Between 1 and 5 years	209	212
More than 5 years	109	108
Total	**318**	**320**

Alpiq has disposed of all loan receivables due from Swissgrid AG. The CHF 246 million of obligations arising from the disposals are included in “Other non-current liabilities”. Note 14 provides further information about the transaction.

22 Other current liabilities

CHF million	31 Dec 2016	31 Dec 2015
Trade payables	653	552
Other payables	196	183
Advances from customers	80	39
Total	**929**	**774**

Trade payables to suppliers who are also customers are settled with trade receivables, provided that a netting agreement has been reached with the counterparties, and payment is made on a net basis. Payables and receivables offset under netting agreements amounted to CHF 932 million (previous year: CHF 690 million).

23 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 partner power plants, please refer to the accounting policies as well as note 13. Details of transactions between the Group and its employee pension schemes are disclosed in note 24.

2016: Transactions between the Group and related companies

CHF million	Partner power plants	Other associates	Other related companies
Total revenue and other income			
Revenue from energy sales	45	120	15
Other service revenue	10	2	
Operating expenses			
Energy costs	– 500	– 8	– 276
Other service costs		– 1	
Financial result			
Share of results of partner power plants and other associates	27	10	
Interest income	1		

2016: Outstanding balances with related companies at the reporting date

CHF million	Partner power plants	Other associates	Other related companies
Receivables			
Trade receivables	13	2	6
Non-current financial receivables	1	3	
Current financial receivables	46		
Other receivables	74		
Payables			
Trade payables	7		11
Other liabilities	48		17

At the end of 2016, the Alpiq Group had contractual power off-take arrangements with partner power plants. Electricity is purchased according to the ownership interest, although no volumes have been agreed contractually. Power generation capacity depends on optimum utilisation of the power plants. The costs for power production at the partner power plants are assumed on a cost-plus basis.

Non-financial energy trading contracts outstanding with other associates and other related entities comprised a contract volume of 128 TWh as at 31 December 2016 (previous year: 89 TWh) and a gross value of CHF 4.1 billion (CHF 3.5 billion).

Members of the Board of Directors and key management personnel

In the 2016 financial year, the Board of Directors of Alpiq Holding Ltd. received compensation of CHF 2.6 million (CHF 3.1 million). Compensation paid to the Executive Board in the same period totalled CHF 6.3 million (CHF 5.3 million). Of this amount, CHF 5.3 million (CHF 4.2 million) is attributable to regular compensation, and CHF 1.0 million (CHF 1.1 million) is attributable to pension benefits. The phantom share programme from 2015 was also in place for Executive Board members. Information about this share-based compensation can be found in note 25.

2015: Transactions between the Group and related companies

CHF million	Partner power plants	Other associates	Other related companies
Total revenue and other income			
Revenue from energy sales	69	112	284
Other service revenue	10	3	
Operating expenses			
Energy costs	– 697	– 11	– 419
Other service costs		– 25	– 1
Financial result			
Share of results of partner power plants and other associates	72	– 17	
Interest income	1	1	

2015: Outstanding balances with related companies at the reporting date

CHF million	Partner power plants	Other associates	Other related companies
Receivables			
Trade receivables	5	1	2
Non-current financial receivables	39	2	
Current financial receivables	56		
Other receivables	43	7	1
Assets held for sale		5	
Payables			
Trade payables	7	6	27
Other liabilities	177	7	10

24 Employee benefits

Defined benefit pension costs recognised in the income statement

CHF million	2016	2015
Current service cost	– 48	– 46
Net interest expense of defined benefit plans	– 4	– 4
Defined benefit pension costs	**– 52**	**– 50**

Defined benefit liability in the balance sheet

CHF million	31 Dec 2016	31 Dec 2015
Present value of defined benefit obligation	1,505	1,429
Fair value of plan assets	1,192	1,136
Net defined benefit liability	**313**	**293**
of which, Swiss pension plans	223	202
of which, German pension plans	90	91

Reconciliation of net defined benefit liability

CHF million	2016	2015
Net defined benefit liability at 1 January	**293**	**243**
Defined benefit expense recognised in the income statement	52	50
Defined benefit expense recognised in other comprehensive income	9	52
Contributions by employer	– 40	– 42
Acquisition / disposal of subsidiaries		– 1
Exchange differences	– 1	– 9
Net defined benefit liability at 31 December	**313**	**293**

Changes in the present value of the defined benefit obligation

CHF million	2016	2015
Defined benefit obligation at 1 January	**1,429**	**1,379**
Interest expense on defined benefit obligations	13	15
Current service cost	48	46
Contributions by plan participants	21	20
Benefits paid	– 62	– 61
Acquisition / disposal of subsidiaries		– 1
Remeasurements:		
Financial assumptions	51	29
Demographic assumptions	– 6	– 9
Experience adjustments	12	22
Others		– 2
Exchange differences	– 1	– 9
Defined benefit obligation at 31 December	**1,505**	**1,429**

The weighted average duration of the defined benefit obligation as at the reporting date is 15.5 years (previous year: 15.1 years).

Changes in the fair value of the plan assets

CHF million	2016	2015
Fair value of plan assets at 1 January	**1,136**	**1,136**
Interest income on plan assets	9	11
Contributions by employer	40	42
Contributions by plan participants	21	20
Benefits paid	– 62	– 61
Remeasurement on plan assets	48	– 10
Others		– 2
Fair value of plan assets at 31 December	**1,192**	**1,136**

Asset classes of plan assets

CHF million	31 Dec 2016	31 Dec 2015
Quoted market prices		
Cash and cash equivalents	9	3
Equity instruments of third parties	467	430
Debt instruments of third parties	456	459
Property funds	101	108
Other investments	63	56
Total plan assets at fair value (quoted market prices)	**1,096**	**1,056**
Unquoted market prices		
Property not used by the company	93	78
Other investments	3	2
Total plan assets at fair value (unquoted market prices)	**96**	**80**
Total fair value of plan assets	**1,192**	**1,136**

2016: Actuarial assumptions

%	Swiss plans	German plans
Discount rate	0.61	1.45
Expected rates of salary increase (weighted average)	0.50	2.70

2015: Actuarial assumptions

%	Swiss plans	German plans
Discount rate	0.78	1.85
Expected rates of salary increase (weighted average)	0.50	2.70

Life expectancy is calculated for the Swiss plans by applying the BVG 2015 generation tables (previous year: BVG 2010 generation tables) and for German plans by applying the Heubeck 2005G tables.

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	2016	2015
Discount rate		
0.25 % increase	– 57	– 52
0.25 % reduction	61	56
Rate of salary increase		
0.25 % increase	8	7
0.25 % reduction	– 8	– 7
Life expectancy		
1 year increase	51	47
1 year reduction	– 51	– 48

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	2017	2016
Contributions by employer	– 38	– 38
Contributions by plan participants	– 21	– 20

25 Share-based payments

A new phantom share programme was set up for Executive Board members in the 2015 financial year. Every year, beneficiaries receive Alpiq Holding Ltd. shares as phantom shares. Share-based compensation is principally cash-settled, although the Board of Directors is authorised to also make payment in Alpiq Holding Ltd. shares. Due to the intention to settle in cash and the resultant de facto obligation, Alpiq regards this programme as cash-settled, share-based payments.

Phantom shares securitise the entitlement to payment of the positive difference between the fair value of the Alpiq Holding Ltd. share at the end of three years and the fair value of the Alpiq Holding Ltd. share when the phantom shares are allocated. This entails converting the payout amount based on the share price at the end of the three-year period into a number of shares. Payment is subject to the condition that the beneficiaries are employed within the company on the vesting date. The level of payout is based on the appreciation of the share price, and can lie between 0 % and 150 % of the allocated value.

The allocation of CHF 0.6 million (100 %) occurred on 1 May 2015. Any payout under the programme will consequently occur after the end of the three-year vesting period as at 30 April 2018. The phantom share programme ended on 31 December 2015.

The fair value of the phantom share programme outstanding is calculated on each reporting date applying a Black-Scholes model, and recognised in the income statement over the vesting period. In 2016, an immaterial amount was recognised in employee costs for cash-settled, share-based compensation. The liability recognised on the balance sheet amounts to CHF 0.1 million as at 31 December 2016.

26 Contingent liabilities and guarantees

At the reporting date, liabilities from pledges, guarantees and other commitments to associates or third parties amounted to CHF 12 million (previous year: CHF 16 million). Alpiq is jointly and severally liable for all partner power plants in the form of simple partnerships under civil law in which Group companies hold an interest. In addition to interests in various partnerships under civil law, Alpiq is the leading member of the Transtec Gotthard consortium. For additional commitments in connection with partner power plants, please see note 13.

27 Pledged assets

The power plants of Aero Rossa S.r.l., Aragona / IT, En Plus S.r.l., Milan / IT and Enpower 3 S.r.l., Aragona / IT are funded through common project financing arrangements with banks. The related liabilities are reported on the consolidated balance sheet. The Alpiq Group has assigned CHF 70 million of its interests in these power plants to the financing banks (previous year: CHF 70 million).

28 Segment information

The segment reporting of the Alpiq Group is based on the Group's internal organisational and management structure and the internal financial information reported to the chief operating decision maker. The reportable segments under IFRS 8 consist of three business divisions, as shown in the organisation chart on page 17. The Executive Board evaluates each of these separately for the purpose of assessing performance and allocating resources. Segment results (EBITDA, EBIT) are the key performance indicators used for internal management and assessment purposes at Alpiq. Besides energy procurement and production costs, operating costs comprise all costs of operations including personnel and service expenses. No requirement exists to adjust the figures from the management reporting to accord with the financial reporting, as both internal and external reporting are subject to the same valuation principles.

The Alpiq Group is managed under its business divisions of Generation, Commerce & Trading and Energy Services:

- The Generation business division comprises power generation, including the new renewable energies at power plants operated both by Alpiq alone and as partner power plants in Switzerland, as well as at all foreign power generation units in Bulgaria, France, Italy, Spain, the Czech Republic and Hungary.

- The Commerce & Trading business division comprises trading, origination and marketing activities in Switzerland, Germany, Italy, Spain, France, Scandinavia and Eastern and South-Eastern Europe, as well as proprietary trading and power plant optimisation. The division is supplemented by grid-connected demand response services.

- The Energy Services business division covers the operations of the two groups Alpiq InTec (AIT) and the Kraftanlagen Group (KA Group). AIT focuses primarily on building technology as well as on energy and transport technology in Switzerland, Italy, Austria and the Czech Republic. The core business of the KA Group lies in international industrial and power plant engineering and the related service business.

No operating business segments have been summarised in the presentation of reportable segments. The business divisions' results are carried over to the Alpiq Group's consolidated figures by way of including the results of units with no market operations (including, among others, Alpiq Holding Ltd. and Group Centre) as well as Group consolidation effects. This includes results of the financial investments that cannot be allocated directly to the business divisions, activities of the Group headquarters, including the functional units, consolidation adjustments and eliminations, and expense and income items that cannot be influenced at business division level.

2016: Information by business division

CHF million	Generation	Commerce & Trading	Energy Services	Holding company, Group Centre, others and consolidation Group	Alpiq Group
External revenue from energy sales / construction contracts	401	3,970	1,669	23	6,063
Revenue from energy and financial derivatives	26	– 10		– 1	15
of which, proprietary trading		3			3
of which, hedging transactions	26	– 13		– 1	12
Total external net revenue	**427**	**3,960**	**1,669**	**22**	**6,078**
Inter-segment transactions	450	– 224	6	– 232	0
Total net revenue	**877**	**3,736**	**1,675**	**– 210**	**6,078**
Other income	51	10	6		67
Exceptional items [1]	81			96	177
Total revenue before exceptional items	**928**	**3,746**	**1,681**	**– 210**	**6,145**
Total revenue and other income	**1,009**	**3,746**	**1,681**	**– 114**	**6,322**
Operating costs	– 612	– 3,696	– 1,586	144	– 5,750
Exceptional items [1]	251	– 38	– 2	– 5	206
EBITDA before exceptional items	**316**	**50**	**95**	**– 66**	**395**
EBITDA	**648**	**12**	**93**	**25**	**778**
Depreciation and amortisation	– 154	– 3	– 28	– 6	– 191
Exceptional items [1]	– 208				– 208
EBIT before exceptional items	**162**	**47**	**67**	**– 72**	**204**
EBIT	**286**	**9**	**65**	**19**	**379**
Number of employees at the reporting date	705	405	7,112	295	8,517
Property, plant and equipment	2,435	9	257	4	2,705
Intangible assets	100	40	71	23	234
Investments in partner power plants and other associates	2,428	1	16	4	2,449
Total non-current assets	**4,963**	**50**	**344**	**31**	**5,388**
Net capital expenditure on property, plant and equipment and intangible assets	– 47	– 10	– 25	– 5	– 87

1 Include impairment losses and provisions, effects from business disposals and other exceptional items

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

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

2015: Information by business division

CHF million	Generation	Commerce & Trading	Energy Services	Holding company, Group Centre, others and consolidation Group	Alpiq Group
External revenue from energy sales / construction contracts	372	4,758	1,533	56	6,719
Revenue from energy and financial derivatives	76	– 69		– 11	– 4
of which, proprietary trading		– 5			– 5
of which, hedging transactions	76	– 64		– 11	1
Total external net revenue	**448**	**4,689**	**1,533**	**45**	**6,715**
Inter-segment transactions	1,039	124	8	– 1,171	0
Total net revenue	**1,487**	**4,813**	**1,541**	**– 1,126**	**6,715**
Other income	34	17	10	9	70
Exceptional items [1]	6			6	12
Total revenue before exceptional items	**1,521**	**4,830**	**1,551**	**– 1,117**	**6,785**
Total revenue and other income	**1,527**	**4,830**	**1,551**	**– 1,111**	**6,797**
Operating costs	– 1,129	– 4,778	– 1,450	1,052	– 6,305
Exceptional items [1]	– 380	– 44	– 3	– 15	– 442
EBITDA before exceptional items	**392**	**52**	**101**	**– 65**	**480**
EBITDA	**18**	**8**	**98**	**– 74**	**50**
Depreciation and amortisation	– 163	– 18	– 29	– 9	– 219
Exceptional items [1]	– 343	1			– 342
EBIT before exceptional items	**229**	**34**	**72**	**– 74**	**261**
EBIT	**– 488**	**– 9**	**69**	**– 83**	**– 511**
Number of employees at the reporting date	713	387	6,948	297	8,345
Property, plant and equipment	2,661	6	256	5	2,928
Intangible assets	255	37	63	20	375
Investments in partner power plants and other associates	2,691	1	21	5	2,718
Total non-current assets	**5,607**	**44**	**340**	**30**	**6,021**
Net capital expenditure on property, plant and equipment and intangible assets	– 36	– 14	– 27	– 2	– 79

1 Include impairment losses and provisions, effects from business disposals and other exceptional items

The allocation of non-current assets and net capital expenditure to the business divisions as well as intangible assets to geographical areas was amended in the current financial year in the management reporting system. The previous year’s figures were adjusted to improve comparability.

2016: Information by geographical area

CHF million	Switzerland	Germany	France	Italy	Czech Republic	Hungary	Poland	Other countries	Alpiq Group
External revenue	2,071	978	801	445	245	217	282	1,039	6,078
Property, plant and equipment	1,713	23	132	229	556			52	2,705
Intangible assets	141	14	8	29	11			31	234
Investments in partner power plants and other associates	2,427			21				1	2,449
Total non-current assets	**4,281**	**37**	**140**	**279**	**567**	**0**	**0**	**84**	**5,388**

2015: Information by geographical area

CHF million	Switzerland	Germany	France	Italy	Czech Republic	Hungary	Poland	Other countries	Alpiq Group
External revenue	2,308	840	953	587	281	229	244	1,273	6,715
Property, plant and equipment	1,786	24	133	287	589	47		62	2,928
Intangible assets	273	4	9	31	21			37	375
Investments in partner power plants and other associates	2,696			21				1	2,718
Total non-current assets	**4,755**	**28**	**142**	**339**	**610**	**47**	**0**	**100**	**6,021**

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

29 Business combinations

2016: Business combinations

The following companies were acquired and integrated into the consolidated financial statements in 2016:

Energy Services business division

3 February 2016: 100 % of Jakob Ebling Heizung Lüftung Sanitär GmbH, Nierstein / DE
9 May 2016: 95.5 % of IPIP S.A., Ploiesti / RO

The acquisition costs totalled CHF 12 million. Fair values were allocated as follows in the balance sheet:

CHF million	Fair value
Intangible assets	2
Trade and other receivables	6
Deferred income tax liabilities	– 1
Non-current financial liabilities	– 1
Trade payables	– 6
Net assets	**0**
Non-controlling interests	
Net assets acquired	**0**
Goodwill arising from acquisition activities	12
Net cash flow arising from acquisition activities:	
Acquisition costs	– 12
Net cash flow	**– 12**

Jakob Ebling Heizung Lüftung Sanitär GmbH, Nierstein / DE

In early February 2016, Alpiq acquired 100 % of Jakob Ebling Heizung Lüftung Sanitär GmbH, Nierstein / DE. The company is specialised in planning and installing heating, ventilation, cooling and control technology systems.

IPIP S.A., Ploiesti / RO

At the beginning of May 2016, Alpiq acquired 95.5 % of IPIP S.A., Ploiesti / RO. The company is a renowned service provider in engineering and project management for infrastructure in the oil processing industry. The range of services includes consulting, concepts and feasibility studies, cost calculations as well as project planning and management.

The goodwill acquired from the transactions corresponds to the anticipated synergies from the addition to the existing operating activities, as well as the anticipated additional benefit arising from the expansion into new markets.

2015: Business combinations

The following companies were acquired and integrated into the consolidated financial statements in 2015:

Energy Services business division

6 February 2015: 100 % of IReL AG Gebäudeautomation Energietechnologie, Liestal / CH
23 February 2015: 100 % of Helion Holding AG, Lohn-Ammannsegg / CH
11 March 2015: 100 % of Balfour Beatty Rail Italy S.p.A., Milan / IT

The acquisition costs totalled CHF 18 million. Fair values were allocated as follows in the balance sheet:

CHF million	Fair value
Property, plant and equipment	4
Intangible assets	1
Deferred income tax assets	2
Inventories	8
Trade and other receivables	16
Cash and cash equivalents	8
Other current assets	2
Non-current provisions	– 4
Defined benefit liabilities	– 1
Non-current financial liabilities	– 3
Trade payables	– 20
Other current liabilities	– 2
Net assets acquired	**11**
Goodwill arising from acquisition activities	7
Net cash flow arising from acquisition activities:	
Cash and cash equivalents acquired with subsidiaries	8
Acquisition costs	– 18
Deferred consideration liabilities	4
Net cash flow	**– 6**

IReL AG Gebäudeautomation Energietechnologie, Liestal / CH

In early February 2015, Alpiq acquired 100 % of IReL AG Gebäudeautomation Energietechnologie in Liestal / CH. The company offers customised smart buildings solutions in Northwestern and Central Switzerland.

Helion Holding AG, Lohn-Ammannsegg / CH

At the end of February 2015, Alpiq acquired 100 % of Helion Holding AG in Lohn-Ammannsegg / CH, respectively the Helion Solar Group. This group is the Swiss market leader in the planning, realisation and maintenance of photovoltaic and energy storage systems.

Balfour Beatty Rail Italy S.p.A., Milan / IT

In mid-March 2015, Alpiq acquired 100 % of Balfour Beatty Rail Italy S.p.A. in Milan / IT. The company operates in the area of the electrification of rail and local transport systems. In the case of newbuild projects and the renewal of electrical rail systems, Balfour Beatty Rail Italy S.p.A. specialises in design, procurement, installation and commissioning.

30 Business disposals

The following company was disposed of during the reporting period:

- Alpiq Versorgungs AG (AVAG), Olten / CH

In the previous year, Alpiq sold the companies 3CB SAS, Paris / FR, Alpiq Hydro Ticino SA, Airolo / CH, Sabloal Energie Eoliana S.R.L., Oradea / RO, Sevre Kraftverk AS, Nesbyen / NO and Ytre Oppedal Kraftverk AS, Voss / NO.

The book profit from the disposal of CHF 96 million is recognised under "Other operating income".

The assets and liabilities on the disposal date were as follows:

CHF million	2016	2015
Property, plant and equipment	214	10
Intangible assets	2	3
Inventories	1	3
Trade and other receivables	17	3
Cash and cash equivalents	36	3
Prepayments and accrued income	7	
Current and non-current provisions		– 4
Deferred income tax	– 39	– 2
Current and non-current financial liabilities		– 5
Other current and non-current liabilities	– 16	– 4
Accruals and deferred income	– 10	– 2
Non-controlling interests	– 7	
Net assets disposed of	**205**	**5**

Net cash flow from disposals

CHF million	2016	2015
Cash and cash equivalents disposed of with subsidiaries	– 36	– 3
Consideration received	301	61
Net cash flow	**265**	**58**

On 3 January 2013, Alpiq transferred its share in the Swiss high-voltage grid to national grid operator Swissgrid AG as part of a share deal. As a result, the two Alpiq grid companies were deconsolidated. On 20 October 2016, the Swiss Federal Electricity Commission (ElCom) passed a new ruling on the measurement method for grids that had already been transferred. Based on an estimate by Alpiq, additional disposal proceeds of CHF 81 million were recorded under "Other operating income" in the 2016 financial year. The interest components of CHF 14 million were posted to interest income. A payment on account was made in the first quarter of 2017.

31 Assets held for sale

As at the 31 December 2015 reporting date, the entire package of the non-strategic interest in Swissgrid AG, the interests in the regional energy suppliers Alpiq Versorgungs AG (96.7 %) and AEK Energie AG (38.7 %) as well as the Norwegian project and power plant companies Stølsdalselva Kraftverk AS (8 %), Botnen Kraftverk AS (38 %) and Geitåni Kraftverk AS (40 %) were recognised as "Assets held for sale" due to the related intention to sell them.

The closing of the contracts concluded on 2 December 2015 on the sale of the power plant company Stølsdalselva Kraftverk AS (8 %) as well as the project companies Botnen Kraftverk AS (38 %) and Geitåni Kraftverk AS (40 %) took place in the first quarter.

On 28 April 2016, Alpiq sold its 38.7 % interest in AEK Energie AG to BKW, which was already a shareholder. The transaction was completed on 29 June 2016.

On 7 July 2016, Alpiq completed the sale of its 96.7 % equity interest in Alpiq Versorgungs AG to a syndicate consisting of EBM Netz AG, Städtische Betriebe Olten (sbo) and UBS Clean Energy Infrastructure Switzerland.

On 8 November 2016, Alpiq concluded the sale of the non-strategic interest in Swissgrid AG (30.3 %). The sale to BKW Netzbeteiligung AG was executed after the Board of Directors at Swissgrid approved the share transfer at the end of October and ongoing proceedings were dropped. As a result of this transaction, Alpiq received a further CHF 146 million. The book profit generated by Alpiq Grid Beteiligungs AG from the sale of the Swissgrid shares is included in "Other finance income". The disposal proceeds are recognised in the cash flow from investing activities. The 49.9 % interest in Alpiq Grid Beteiligungs AG held by IST3 Investmentstiftung was repurchased upon completion of the transaction. This transaction relates to the purchase of non-controlling interests and the book loss generated is posted directly to equity and recognised under net cash flows from financing activities.

In the first half of 2016, Alpiq resolved to sell its three wind farm project companies in Scandinavia, Blåsmark Vindkraft AB (100 %), Tormoseröd Vindpark AB (100 %) and Tysvær Vindpark AS (100 %), as well as several non-strategic minority investments in the Generation business division.

On 22 September 2016, Alpiq also communicated its resolution on the planned sale of the gas-fired combined-cycle power plant in Hungary. This affects the two companies belonging to the Generation business division: Alpiq Csepel Kft. (100 %) and Alpiq Csepeli Szolgáltató Kft. (100 %).

Assets

CHF million	31 Dec 2016	31 Dec 2015
Property, plant and equipment	45	209
Intangible assets	4	4
Investments in partner power plants and other associates	52	304
Other non-current financial assets		2
Deferred income tax assets	2	
Inventories	7	8
Trade and other receivables	4	12
Prepayments and accrued income		6
Total assets held for sale	**114**	**545**

Equity and liabilities

CHF million	31 Dec 2016	31 Dec 2015
Non-current provisions	8	
Deferred income tax liabilities	7	37
Other non-current liabilities		6
Other current liabilities	4	4
Accruals and deferred income	1	10
Total liabilities held for sale	**20**	**57**

As at 31 December 2016, currency translation losses of CHF 49 million related to assets held for sale are recorded in equity.

32 Events after the reporting period

There have been no events after the 31 December 2016 reporting date that require disclosure.

Subsidiaries and Investments

Holding and finance companies

	Place of incorporation	Currency	Issued capital in million	Direct ownership interest in % (voting rights)	Consoli-dation method	Business activity	Reporting date
Alpiq Holding Ltd.	Lausanne	CHF	278.75	100.0	F	H	31 Dec
Alpiq Blue Energy AG	Olten	CHF	1.00	100.0	F	H	31 Dec
Alpiq Deutschland GmbH	Heidelberg / DE	EUR	10.00	100.0	F*	H	31 Dec
Alpiq Ecopower France S.A.S.	Toulouse / FR	EUR	0.58	100.0	F	H	31 Dec
Alpiq Grid Beteiligungs AG	Olten	CHF	0.10	100.0	F	H	31 Dec
Alpiq Italia S.r.l.	Milan / IT	EUR	0.25	100.0	F	H	31 Dec
Alpiq Re (Guernsey) Ltd.	Guernsey / UK	EUR	3.00	100.0	F	S	31 Dec
Motor-Columbus Ltd.	Olten	CHF	0.10	100.0	F*	S	31 Dec

Energy companies

	Place of incorporation	Licence expiry	Currency	Issued capital in million	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
Aero Rossa S.r.l.	Milan / IT		EUR	2.20	100.0	F	G	31 Dec
Alpiq Ltd.	Olten		CHF	303.60	100.0	F*	SU	31 Dec
Alpiq 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 Scandinavia AS	Oslo / NO		NOK	223.00	100.0	F	G	31 Dec
Alpiq EcoPower Switzerland Ltd.	Olten		CHF	25.00	100.0	F	G	31 Dec
Alpiq Energia Bulgaria Ltd.	Sofia / BG		BGN	0.20	100.0	F	T	31 Dec
Alpiq Energía España S.A.U.	Barcelona / ES		EUR	20.00	100.0	F	SU	31 Dec
Alpiq Energia Italia S.p.A.	Milan / IT		EUR	13.00	100.0	F	SU	31 Dec
Alpiq Energie France S.A.S.	Paris / FR		EUR	14.00	100.0	F	SU	31 Dec
Alpiq Energija BH d.o.o.	Sarajevo / BA		BAM	1.50	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 RS d.o.o. Beograd	Belgrade / RS		RSD	137.75	100.0	F	T	31 Dec

	Place of incorporation	Licence expiry	Currency	Issued capital in million	Direct ownership interest in % (voting rights)	Consoli-dation method	Business activity	Reporting date
Alpiq Energy Albania SHPK	Tirana / AL		ALL	17.63	100.0	F	T	31 Dec
Alpiq Energy Hellas S.A.	Athens / GR		EUR	0.06	95.0	F	T	31 Dec
Alpiq Energy SE	Prague / CZ		CZK	172.60	100.0	F	T	31 Dec
Alpiq Energy Skopje DOOEL	Skopje / MK		MKD	20.34	100.0	F	T	31 Dec
Alpiq Energy Ukraine LLC	Kiev / UA		UAH	1.16	100.0	F	T	31 Dec
Alpiq Generation (CZ) s.r.o.	Kladno / CZ		CZK	2,975.00	100.0	F	G	31 Dec
Alpiq Hydro Aare AG	Boningen		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 le Bayet S.A.S.	St-Paul-sur-Isère / FR		EUR	0.04	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	7.92	100.0	F	T	31 Dec
Alpiq Vercelli S.r.l.	Milan / IT		EUR	0.01	100.0	F	G	30 Sept
Alpiq Wind Italia S.r.l.	Milan / IT		EUR	0.01	100.0	F	G	31 Dec
Atel Energy Romania S.R.L.	Bucharest / RO		RON	0.18	100.0	F	T	31 Dec
Birs Wasserkraft AG	Olten		CHF	0.10	100.0	F	G	31 Dec
Blåsmark Vindkraft AB	Danderyd / SE		SEK	0.10	100.0	F	G	31 Dec
Blenio Kraftwerke AG	Blenio	2042	CHF	60.00	17.0	E	G	30 Sept
CEPE Des Gravières SAS	Vergigny / FR		EUR	0.04	100.0	F	G	31 Dec
CERS Holding SAS	Paris / FR		EUR	0.50	15.0	E	G	31 Dec
Cleuson-Dixence [1]	Sion	2044	CHF	0.00	31.8	E	G	31 Dec
Cotlan Wasserkraft AG	Glarus Süd		CHF	4.00	60.0	F	G	31 Dec
EESP European Energy Service Platform GmbH [3]	Berlin / DE		EUR	0.03	50.0	E	SU	31 Dec
Electra-Massa AG	Naters	2048	CHF	20.00	34.6	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 Sept
Enpower 3 S.r.l.	Aragona / IT		EUR	0.04	100.0	F	G	31 Dec
Entegra Wasserkraft AG	St. Gallen		CHF	6.02	59.6	F	G	31 Dec
Ouvra Electrica Lavinuoz Lavin SA (OELL)	Zernez		CHF	2.00	25.0	E	G	31 Dec
Eole Jura SA	Muriaux		CHF	4.00	100.0	F	G	31 Dec

	Place of incorporation	Licence expiry	Currency	Issued capital in million	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
Flexitricity Ltd.	Edinburgh / UK		GBP	1.00	100.0	F	S	31 Mar
Forces Motrices Hongrin-Léman S.A. (FMHL)	Château-d'Oex	2051/2094	CHF	100.00	39.3	E	G	31 Dec
Forces Motrices de Martigny-Bourg S.A.	Martigny	2080	CHF	3.00	18.0	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 Wasserkraft AG	St. Gallen		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	2017/2041	CHF	150.00	33.3	E	G	31 Dec
KohleNusbaumer SA	Blonay		CHF	0.10	35.0	E	S	31 Dec
Kraftwerk Ryburg-Schwörstadt AG	Rheinfelden	2070	CHF	30.00	13.5	E	G	30 Sept
Kraftwerke Gougra AG	Sierre		CHF	50.00	54.0	F	G	30 Sept
Kraftwerke Hinterrhein AG	Thusis	2042	CHF	100.00	9.3	E	G	30 Sept
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 Sept
Kraftwerk Aegina AG	Obergoms	2047	CHF	12.00	50.0	E	G	30 Sept
Nant de Drance SA	Finhaut		CHF	330.00	39.0	E	G	31 Dec
Novel S.p.A.	Milan / IT		EUR	23.00	51.0	F	G	30 Sept
PoProstu Energia Spólka Akcyjna [3]	Warsaw / PO		PLN	0.20	100.0	F	SU	31 Dec
PPC Bulgaria JSCo	Sofia / BG		BGN	1.20	15.0	E	T	31 Dec
Salanfe SA	Vernayaz		CHF	18.00	100.0	F	G	31 Dec
Scanenergy AS	Billingstad / NO		NOK	37.50	10.0	E	G	31 Dec
Sodexo Energy Services GmbH	Heidelberg / DE		EUR	0.03	51.0	F	SU	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 EOOD	Sofia / BG		BGN	136.91	100.0	F *	G	31 Dec
Wasserkraftwerk Tambobach AG	Splügen		CHF	2.00	70.0	F	G	31 Dec
Wasserkraftwerke Weinfelden AG	Weinfelden		CHF	5.00	49.0	E	G	31 Dec
Xamax AG	Olten		CHF	0.20	100.0	F	S	31 Dec
3SP S.r.l. [3]	Milan / IT		EUR	0.01	100.0	F	G	31 Dec

1 Simple partnership
2 Of which, CHF 290 million paid in
3 Newly founded

Energy Services companies

Alpiq InTec

	Place of incorporation	Currency	Issued capital in million	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
Transport technology							
Alpiq EnerTrans AG	Niedergösgen	CHF	0.25	100.0	F	S	31 Dec
Alpiq EnerTrans S.p.A.	Milan / IT	EUR	9.00	100.0	F	S	31 Dec
Caliqua Anlagentechnik GmbH	Vienna Neudorf / AT	EUR	0.19	100.0	F	S	31 Dec
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.[1]	Zurich	CHF	2.50	100.0	F	S	31 Dec
Kummler Matter A.S.	Istanbul / TR	TRY	2.36	100.0	F	S	31 Dec
Transtec Gotthard[2]	Amsteg	CHF	0.00	25.0	P	S	31 Dec
Building technology services and facility management							
Alpiq Burkhalter Technik 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 Italia S.p.A.[3]	Milan / IT	EUR	7.60	100.0	F	S	31 Dec
EIS Energy Investment Solutions S.R.L.	Milan / IT	EUR	0.10	40.0	E	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 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
Helion Solar AG[4]	Luterbach	CHF	0.10	100.0	F	S	31 Dec

1 Merged with Mauerhofer et Zuber SA
2 Consortia
3 Formerly Alpiq InTec Milano S.p.A., merged with Alpiq InTec Verona S.p.A.
4 Merged with Helion Holding AG

Kraftanlagen Group

	Place of incorporation	Currency	Issued capital in million	Direct ownership interest in % (voting rights)	Consoli-dation method	Business activity	Reporting date
Kraftanlagen Group							
Kraftanlagen München GmbH	Munich / DE	EUR	25.00	100.0	F	H/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
IA Tech GmbH	Jülich / DE	EUR	0.03	51.0	E	S	31 Dec
IPIP S.A.	Ploiesti / RO	RON	7.08	99.9	F	S	31 Dec
Jakob Ebling Heizung Lüftung Sanitär GmbH	Nierstein / DE	EUR	0.05	100.0	F	S	31 Dec
KAROM Servicii Profesionale In Industrie S.R.L.	Ploiesti / RO	RON	2.25	51.0	F	S	31 Dec
Kraftanlagen Hamburg GmbH	Hamburg / DE	EUR	0.77	100.0	F	S	31 Dec
Kraftanlagen Heidelberg GmbH [1]	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
Kraftanlagen Romania ESA S.R.L.	Ploiesti / RO	RON	0.05	100.0	F	S	31 Dec
Swiss Decommissioning AG	Olten	CHF	0.10	100.0	F	S	31 Dec
Other							
GAH Pensions GmbH	Heidelberg / DE	EUR	0.26	100.0	F	S	31 Dec

1 Merged with Kraftanlagen Energie- und Umwelttechnik GmbH

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, income and expenditures

*	Interest held directly by Alpiq Holding Ltd.

Alpiq Group Financial Summary 2012 – 2016

Income statement

CHF million	2016	2015	2014	2013	2012
Net revenue	6,078	6,715	8,058	9,370	12,723
Other operating income	244	82	147	184	434
Total revenue and other income	6,322	6,797	8,205	9,554	13,157
Operating expenses	– 5,544	– 6,747	– 7,893	– 8,765	– 11,945
Earnings before interest, tax, depreciation and amortisation (EBITDA)	778	50	312	789	1,212
Depreciation, amortisation and impairment	– 399	– 561	– 985	– 510	– 2,136
Earnings before interest and tax (EBIT)	379	– 511	– 673	279	– 924
Share of results of partner power plants and other associates	– 225	– 347	– 173	– 126	– 62
Financial result	– 11	– 162	– 179	– 149	– 255
Income tax expense	151	190	123	14	147
Net income	294	– 830	– 902	18	– 1,094
Attributable to non-controlling interests		– 5	– 23	– 4	– 40
Attributable to equity investors of Alpiq Holding Ltd.	294	– 825	– 879	22	– 1,054
Employees [1]	8,557	8,360	8,017	7,807	10,039

1 Average number of full-time equivalents

Balance sheet

CHF million	2016	2015	2014	2013	2012
Total assets	9,852	10,435	11,861	14,508	14,863
Assets					
Non-current assets	5,695	6,381	7,475	9,083	8,554
Current assets	4,043	3,509	3,905	5,425	4,460
Assets held for sale	114	545	481		1,849
Equity and liabilities					
Total equity	3,886	3,819	4,712	5,839	4,817
as % of total assets	39.4	36.6	39.7	40.2	32.4
Liabilities	5,946	6,559	7,147	8,669	9,782
Liabilities held for sale	20	57	2		264

Per share data

CHF	2016	2015	2014	2013	2012
Par value	10	10	10	10	10
Share price at 31 December	85	105	90	122	131
High	107	109	129	132	189
Low	62	60	86	106	126
Weighted average number of shares outstanding (in thousands)	27,875	27,617	27,190	27,190	27,190
Net income	9.38	– 31.73	– 34.19	– 0.37	– 38.76
Dividend	0.00	0.00	2.00 [1]	2.00	2.00

1 Scrip dividend

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To the General Meeting of
Alpiq Holding Ltd., Lausanne

Zurich, 3 March 2017

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

Opinion

We have audited the consolidated financial statements of Alpiq Holding Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 December 2016 and the consolidated income statement, the consolidated statement of comprehensive income, statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 70 to 146) give a true and fair view of the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

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

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

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

Key audit matters

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond

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to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

Impairment of property, plant and equipment from production facilities, intangible assets from long-term purchase and supply contracts as well as investments in production companies

Risk	Impairment losses recognized in 2016 are disclosed in note 3 of the notes to the consolidated financial statements. Of the CHF 401 million in recognized impairment losses, CHF 361 million are attributable to the assets of the cash-generating unit “Power Generation Switzerland”, whose carrying amount of CHF 3.7 billion also represents a significant part of the total assets recognized in the balance sheet. The calculation of impairment required Alpiq Holding Ltd. to make several estimates and assumptions, which had a significant impact on the net income for the period. The significant estimates mainly concerned future electricity prices, future exchange rates, future growth and inflation rates as well as the discount rate. The significant assumptions concerned the regulatory environment as well as the long-term investment activities. Comments on estimation uncertainty are included in note 1 of the notes to the consolidated financial statements.
Our audit response	In our audit of impairment losses, we compared the significant estimates made by Alpiq Holding Ltd. with available market data or other data made available by third parties. In addition, we compared the estimates with the relevant estimates from the prior year, and assessed these with regard to consistency. We assessed the assumptions regarding the regulatory environment using information that is available externally. We assessed the assumptions regarding the long-term investment activities using available medium-term plans. We involved internal valuation specialists in our audit of the valuation model as well as the assessment of significant input factors.

Assessment of onerous long-term purchase and supply contracts

Risk	Alpiq Holding Ltd. has several long-term electricity purchase and supply contracts that were identified as onerous contracts due to their contractual arrangements and the current market situation as of 31 December 2016. In the year under audit, provisions for onerous contracts in the net amount of CHF 225 million were released (note 3 of the notes). Provisions for onerous contracts are disclosed in note 19 of the notes to the consolidated financial statements. The calculations of expected losses that are necessary for determining the provisions required Alpiq Holding Ltd. to make several estimates, which had a significant impact on the provision amount and therefore on the net income for the period. The significant estimates mainly concerned future electricity prices, future exchange rates, future growth and inflation rates as well as the discount rate. Comments on estimation uncertainty are included in note 1 of the notes to the consolidated financial statements.

Our audit response	In our audit of provisions, we compared the significant estimates made by Alpiq Holding Ltd. with available market data or other data made available by third parties. In addition, we compared the estimates with the relevant estimates made in the prior year, and assessed these with regard to consistency. We involved internal valuation specialists in our audit of the valuation model as well as the assessment of significant input factors.

Revenue recognition for long-term projects

Risk	In the Energy Services division, Alpiq Holding Ltd. recognized revenue from long-term construction contracts based on their stage of completion. Revenue recorded in the Energy Services division is disclosed in note 28 of the notes to the consolidated financial statements. For every construction contract, revenue recognition required an estimate of the stage of completion, the expected overall costs as well as the expected overall revenue (incl. any subsequent charges). If the estimate is too high or low, this could potentially have a significant impact on the net income for the period.
Our audit response	We audited the internal control system's controls for revenue recognition defined by Alpiq Holding Ltd. with regard to their operating effectiveness. Moreover, using a risk-oriented sample, we assessed the estimates on both the stage of completion as well as on the expected overall costs and revenue for individual projects as of 31 December 2016.

Classification of energy contracts

Risk	With regard to forward and option contracts on electricity, gas and other resources, for each case Alpiq Holding Ltd. had to assess whether the transaction had been concluded with the purpose of physical realization in accordance with the expected purchase, sale or usage requirements of Alpiq Holding Ltd. Such transactions are only recognized in income under net revenue or under energy and inventory costs once they have been completed. Forward and option contracts concluded for trading purposes, however, are immediately recorded in income at fair value, with profit and loss disclosed net as trading income under net revenue. After the initial classification, Alpiq Holding Ltd. also had to assess whether the original assumptions regarding physical realization and expected purchase, sale or usage requirements were still accurate. An incorrect classification of forward contracts could potentially have a significant impact on the net income for the period.
Our audit response	We audited the internal control system's controls for initial classification as well as identification of necessary reclassifications defined by Alpiq Holding Ltd. with regard to their operating effectiveness. Furthermore, we assessed whether there are indications that would make it necessary for transactions classified as own purchase, sale or usage requirements to be treated as trading purposes as of 31 December 2016.

Other information in the annual report

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

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

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

Responsibility of the Board of Directors for the consolidated financial statements

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

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

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

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

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

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

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

Ernst & Young Ltd

Martin Gröli	Mathias Zeller
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

Statutory Financial Statements Alpiq Holding Ltd.

Income Statement

CHF million	Note	2016	2015
Revenue			
Dividend income	2	131	248
Finance income	3	153	148
Other income		33	10
Exceptional income	4		37
Total revenue		**317**	**443**
Expenses			
Other expenses		– 25	– 31
Impairments on loans receivable and investments		– 99	– 334
Finance costs	5	– 210	– 278
Direct taxes		– 2	– 2
Total expenses		**– 336**	**– 645**
Net income		**– 19**	**– 202**

Balance Sheet

Assets

CHF million	Note	31 Dec 2016	31 Dec 2015
Cash and cash equivalents		207	443
Securities		50	
Other current receivables	6	1,368	794
Prepayments and accrued income		5	1
Current assets		**1,630**	**1,238**
Loans receivable	7	734	775
Investments	8	4,524	4,115
Non-current assets		**5,258**	**4,890**
Total assets		**6,888**	**6,128**

Equity and liabilities

CHF million	Note	31 Dec 2016	31 Dec 2015
Current interest-bearing payables	9	1,800	493
Accruals and deferred income		76	104
Current liabilities		**1,876**	**597**
Interest-bearing loans payable	10	517	567
Bonds	11	1,988	2,438
Non-current liabilities		**2,505**	**3,005**
Share capital		279	279
Statutory capital reserves			
Capital contribution reserves		1,100	1,100
Other capital reserves		4	4
Statutory revenue reserves		53	53
Retained earnings		1,071	1,090
Equity	12	**2,507**	**2,526**
Total equity and liabilities		**6,888**	**6,128**

Notes to the Company Financial Statements

1 Preliminary note

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

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

Securities

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

Loans receivable / hedges

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

Bonds

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

2 Dividend income

Dividend income comprises dividends received from subsidiaries.

3 Finance income

CHF million	2016	2015
Interest income from Group companies	36	40
Interest income from third parties		3
Other finance income from Group companies	3	3
Other finance income from third parties	6	8
Foreign exchange gain	108	94
Total	**153**	**148**

4 Exceptional income

Exceptional income reflects the release of provisions in the previous year that were no longer required, resulting in a CHF 37 million net release of hidden reserves.

5 Finance costs

CHF million	2016	2015
Interest expense to Group companies	– 15	– 4
Interest expense to third parties	– 93	– 100
Other finance costs to third parties	– 13	– 34
Foreign exchange loss	– 89	– 140
Total	**– 210**	**– 278**

6 Other current receivables

CHF million	31 Dec 2016	31 Dec 2015
Due from Group companies	741	284
Due from shareholders	25	
Due from third parties	602	510
Total	**1,368**	**794**

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

7 Loans receivable

CHF million	31 Dec 2016	31 Dec 2015
Due from Group companies	734	763
Due from third parties		12
Total	**734**	**775**

8 Investments

A list of direct and significant indirect investments is disclosed starting on page 142.

9 Current interest-bearing payables

CHF million	31 Dec 2016	31 Dec 2015
Due to Group companies	1,519	342
Due to third parties	281	151
Total	**1,800**	**493**

Current interest-bearing payables include cash pooling payables, maturing bonds and loans payable with a maximum 12-month maturity.

10 Interest-bearing loans payable

CHF million	31 Dec 2016	31 Dec 2015
Due to shareholders (hybrid loan)	367	367
Due to third parties	150	200
Total	**517**	**567**

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

11 Bonds

CHF million	Maturity	Earliest repayment date	Interest rate %	Face value at 31 Dec 2016	Face value at 31 Dec 2015
Fixed-rate bond issued by Alpiq Holding Ltd.	2011/2016	20 Sept 2016	1 3/8		151
Fixed-rate bond issued by Alpiq Holding Ltd.[1]	2009/2017	10 Feb 2017	4	100	100
Fixed-rate bond issued by Alpiq Holding Ltd.[1,2]	2012/2017	13 Apr 2017	2	132	188
Fixed-rate bond issued by Alpiq Holding Ltd.	2006/2018	1 Mar 2018	2 5/8	100	100
Fixed-rate bond issued by Alpiq Holding Ltd.	2008/2018	30 Oct 2018	3 7/8	100	100
Fixed-rate bond issued by Alpiq Holding Ltd.[2]	2009/2019	25 Nov 2019	3	284	400
Fixed-rate bond issued by Alpiq Holding Ltd.[2]	2011/2021	20 Sept 2021	2 1/4	179	225
Fixed-rate bond issued by Alpiq Holding Ltd.	2012/2022	16 May 2022	3	200	200
Fixed-rate bond issued by Alpiq Holding Ltd.	2015/2023	30 Jun 2023	2 1/8	175	175
Fixed-rate bond issued by Alpiq Holding Ltd.	2014/2024	29 Jul 2024	2 5/8	300	300
Public hybrid bond issued by Alpiq Holding Ltd.	-	15 Nov 2018	5	650	650

1 At 31 December 2016, recognised under current interest-bearing liabilities
2 Partial bond repurchase at 14 September 2016

12 Equity

		Statutory capital reserves				
CHF million	Share capital	Capital contribution reserves	Share premium	Statutory revenue reserves	Retained earnings	Total equity
Balance at 31 December 2014	**272**	**1,110**	**4**	**53**	**1,292**	**2,731**
Capital increase from scrip dividend	7	44		– 51		0
Transfer from capital contribution reserves to statutory revenue reserves		– 54		54		0
Dividends				– 3		– 3
Net income					– 202	– 202
Balance at 31 December 2015	**279**	**1,100**	**4**	**53**	**1,090**	**2,526**
Net income					– 19	– 19
Balance at 31 December 2016	**279**	**1,100**	**4**	**53**	**1,071**	**2,507**

Major shareholders

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

13 Collateral provided for third-party liabilities

Guarantees in favour of Group companies and third parties totalled CHF 582 million as at 31 December 2016 (previous year: CHF 533 million).

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

		Number 31 Dec 2016	Number 31 Dec 2015
Hans E. Schweickardt	Chairman until 30 April 2015		310
Conrad Ammann	Director	300	200
Alex Kummer	Director	400	305
Urs Steiner	Director	127	127
Jasmin Staiblin	CEO	102	102
Reinhold Frank	Executive Board member	102	102
Michael Wider	Executive Board member	102	102
Total		**1,133**	**1,248**

Proposal of the Board of Directors

Appropriation of retained earnings

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

CHF	
Net income for 2016 reported in the income statement	– 19,076,498
Retained earnings brought forward	1,089,598,589
Retained earnings	**1,070,522,091**

Transfer to statutory revenue reserves	0
Balance to be carried forward	**1,070,522,091**

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To the General Meeting of
Alpiq Holding Ltd., Lausanne

Zurich, 3 March 2017

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Alpiq Holding Ltd., which comprise the income statement, balance sheet and notes (pages 156 to 163) for the year ended 31 December 2016.

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 2016 comply with Swiss law and the company's articles of incorporation.

Building a better working world

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

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

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

Impairment of investments

Risk	In 2016, Alpiq Holding Ltd. recorded impairments on investments in the amount of CHF 46 million. After these impairments, equity investments with a carrying amount of CHF 4,524 million remain. The assessment of impairment required Alpiq Holding Ltd. to make several estimates, which had a significant impact on the net income for the period. The significant estimates mainly concerned future electricity prices, future exchange rates, future growth and inflation rates as well as the discount rate.
Our audit response	In our audit of the impairment of investments, we compared the significant estimates made by Alpiq Holding Ltd. with available market data or other data made available by third parties. In addition, we compared the estimates with the relevant estimates from the prior year, and assessed these with regard to consistency. We involved internal valuation specialists in our audit of the valuation model as well as the assessment of significant input factors.

Report on other legal requirements

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

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

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

Ernst & Young Ltd

Martin Gröli	Mathias Zeller
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

Measures

Currency

ALL	Albanian lek
BAM	Bosnia and Herzegovina convertible mark
BGN	Bulgarian lev
CHF	Swiss franc
CZK	Czech koruna
EUR	Euro
GBP	Pound sterling
HRK	Croatian kuna
HUF	Hungarian forint
MKD	Macedonian denar
NOK	Norwegian krone
PLN	Polish zloty
RON	Romanian leu
RSD	Serbian dinar
SEK	Swedish krona
TRY	Turkish lira
UAH	Ukrainian hryvnia
USD	US dollar

Energy

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

Power

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

Photos

Financial calendar

18 May 2017:
Annual General Meeting

28 August 2017:
Interim Report

16 May 2018:
Annual General Meeting

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Online Annual Report

www.alpiq.com/reports

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.

Alpiq Holding Ltd.

www.alpiq.com