ALPIQ

2012
Annual Report

2012 Financial Highlights

Alpiq Group

CHF million	% Change 2011-2012 (results of operations)	Results of operations before exceptional items 2011	Results of operations before exceptional items 2012	Results under IFRS after exceptional items 2011	Results under IFRS after exceptional items 2012
Net revenue	– 9.1	13,984	12,710	13,961	12,710
Profit before interest, tax, depreciation and amortisation (EBITDA) [1]	– 18.5	1,209	985	937	1,200
Depreciation, amortisation and impairment	– 19.7	– 579	– 465	– 1,229	– 2,128
Profit before interest and tax (EBIT) [1]	– 17.5	630	520	– 292	– 928
As % of net revenue		4.5	4.1	– 2.1	– 7.3
Group profit/(loss) for the year	– 14.7	258	220	– 1,346	– 1,086
As % of net revenue		1.8	1.7	– 9.6	– 8.5
Net capital expenditure	– 155.9	669	– 374	669	– 374
Total equity	– 19.3	6,205	5,010	6,205	5,010
As % of total assets		35.6	33.9	35.6	33.9
Total assets	– 15.3	17,446	14,784	17,446	14,784
Employees [2]	– 8.8	11,009	10,039	11,009	10,039

1 EBITDA/EBIT after reclassification of “share of results of associates” (see explanatory note on page 76 of the Financial Report).
2 Average number of full-time equivalents.

Per share data

CHF	% Change 2011–2012	2011	2012
Par value	0.0	10	10
Share price at 31 December	– 22.9	170	131
High	– 50.4	381	189
Low	– 16.0	150	126
Net profit/(loss)	22.4	– 49	– 38
Dividend [1]	0.0	2.00	2.00

1 To be proposed to the General Meeting on 25 April 2013.

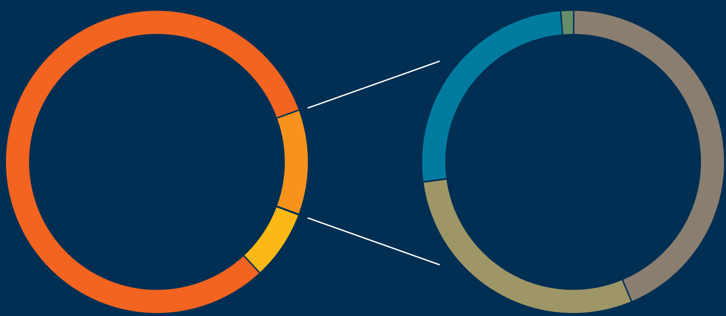
The financial summary 2008 – 2012 is shown on pages 130 and 131 of the Financial Report.

Power stations in 2012

Power stations in 2012	MWe	MWe	GWhe	GWhe
Hydroelectric power stations		**2,778**		**5,602**
Switzerland	2,778		5,486	
Italy [1]	0		116	
Small hydroelectric power stations, wind farms, solar power stations		**310**		**568**
Switzerland	13		46	
Bulgaria	73		116	
France	13		38	
Italy	205		344	
Norway	7		24	
Nuclear power stations		**775**		**5,751**
Switzerland	775		5,751	
Conventional thermal power stations		**2,578**		**8,067**
Switzerland	55		384	
Germany	56		31	
France	408		447	
Italy	341		1,928	
Spain	831		2,041	
Czech Republic	484		1,654	
Hungary	403		1,582	
Alpiq's total installed capacity [2]		**6,441**		**19,988**
Alpiq's total installed capacity in 2011 [2]		7,595		21,489

1 Power stations no longer owned by Alpiq at the reporting date
2 Excluding long-term contracts

2012 energy procurement
(excl. speculative transactions)



Procurement

Market	79 %	108,615 GWh
In-house generation	15 %	19,988 GWh
Long-term contracts	6 %	8,213 GWh
Total		**136,816 GWh**
Total in 2011		141,508 GWh

Generation

Conventional thermal	40 %	8,067 GWh
Nuclear	29 %	5,751 GWh
Hydroelectric	28 %	5,602 GWh
New renewables	3 %	568 GWh
Total		**19,988 GWh**
Total in 2011		21,489 GWh

2012 energy sales
(excl. speculative transactions)

Switzerland	43 %	59,168 GWh
International	56 %	77,272 GWh
Trading	1 %	376 GWh
Total		**136,816 GWh**
Total in 2011		141,508 GWh

Rooted in Switzerland – active across Europe

Since its inception in 2009, Alpiq Holding Ltd. has been Switzerland's leading energy trader and largest energy service provider with a European reach. Operating in Switzerland and across Europe, the Group generated consolidated revenue of around CHF 12.7 billion for 2012. Alpiq specialises in electricity generation, sales and trading, as well as energy services, and is responsible for about one-third of Switzerland's power supplies.

The Sella dam, built in 1991.

2012 Annual Review

2012 was a year of reorganisation for Alpiq, as restructuring programmes in a number of areas began to take effect. Despite this positive action, the company's earnings remained well below those of the previous year.

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A Year of Restructuring

Fundamental shifts and economic turbulence are currently shaping the European energy sector. In this uncertain environment, Alpiq is concentrating on its role as a reliable electricity generator and an innovative service provider. To restore its financial equilibrium, the company is focusing even more sharply on its strengths, while streamlining its structure and bringing its costs into line with the new realities of the energy sector.

Hans E. Schweickardt,
Chairman and CEO a.i. until the end of 2012

The pricing structures, and with them the business models, of many European energy providers have been thrown off balance by regulatory changes and poor economic growth in the wake of the financial and debt crisis. This has substantially reduced the forecast returns on investments that were made when the circumstances were very different.

At the end of 2011, the Board of Directors and Executive Board decided to follow up the initial measures taken in 2010 and 2011 with a comprehensive restructuring programme. This centred on focusing international business and trading activities, simplifying the company's structure and thereby saving costs of some CHF 100 million annually, selling equity interests and operations, and trimming capital expenditure. Alpiq was disciplined in pursuing this programme during 2012, and this discipline has helped to limit the reduction in EBITDA while also reducing debt.

Streamlining the organisation and improving efficiency

Despite the progress that has been achieved, the Board of Directors and Executive Board decided at the end of 2012 to undertake further restructuring in response to the persistently difficult market and operating climate and the profound changes in the European energy sector. These measures were taken to restore the company's financial equilibrium for the long term.

Our aim is to position Alpiq as a reliable and efficient electricity generator and innovative service provider in Switzerland and in selected markets internationally. With our modern and flexible power stations, we will remain a key element in ensuring dependable power supplies to households and businesses in Switzerland, while also playing a significant role in the stability of the broader European energy system. With our comprehensive services and innovative solutions for energy management and efficiency, we will seize the opportunities presented by changes in our operating environment.

Operations on track

The sound operating results we achieved in 2012 are attributable to reliable energy generation in combination with optimised commercialisation. In addition, we enjoyed success in our wholesale activities, our energy services business grew positively both at home and abroad, and we have already achieved major cost savings. Alpiq also made significant progress in ensuring safety and expanding its own power generation portfolio. For example, the completion of work on the access tunnel at the

Nant de Drance pumped storage facility – one of the most important current infrastructure projects in Switzerland – means that the various construction sites can now be reached underground, and work can continue on schedule. In IWB (Industrielle Werke Basel), we also succeeded in attracting a further partner to the project. IWB acquired a 15 % stake from Alpiq, which retains a 39 % interest.

Meanwhile, Alpiq InTec has effectively demonstrated its expertise and innovative drive with a range of projects. In the e-mobility sector, the company consolidated its leading position by establishing Alpiq E-Mobility Ltd. and forming alliances with Toyota and Chevrolet. As a member of the EVite project, Alpiq is playing a major part in the construction and operation of a nationwide Swiss network of fast-charging stations for electric vehicles. Alpiq also secured many new clients in the building services and facility management segment. One of these is the Swiss Federal Railways, SBB, which selected Alpiq as the energy services provider for the new "Pont-Rouge" business and residential district in Geneva.

Reliable underlying conditions needed

The Board of Directors and Executive Board has spent a great deal of time examining the prospects for the market and possible courses of action for Alpiq. Regulatory intervention, such as enormous subsidies for wind and solar power, have a major impact on the parameters within which we operate and consequently present obstacles to decision-making. With the current market environment and underlying conditions, it is almost impossible to operate certain conventional power stations at a profit. In view of these lower earnings forecasts, we were forced to make significant write-downs on the value of our power generation facilities.

Changes to the Executive Board

The Board of Directors has appointed Patrick Mariller as the company's new CFO and a member of the Executive Board. After 37 years in the service of the Alpiq Group, as its CFO and an Executive Board member since 1992, Kurt Baumgartner retired as planned on 1 October 2012. The Board of Directors and Executive Board would like to take this opportunity to thank Kurt Baumgartner for his great achievements and his untiring efforts on behalf of the company. With Jasmin Staiblin joining Alpiq on 1 January 2013 as its new CEO, I will turn my attention back to my role as Chairman.

Strengthening the company with a new direction

Alpiq's realignment to the profound changes in the market and operating climate has been a tour de force for us all, and our work continues. My thanks go to our shareholders, who have supported us along this challenging path, and I also thank all of our employees, of whom this phase of upheaval has demanded enormous hard work and a great willingness to embrace change. By continuing to focus on our strengths, by streamlining our organisation and by adjusting our cost structure, we will lay the essential foundations to overcome the challenges that we will face.

For the Board of Directors and Executive Board

Hans E. Schweickardt
Chairman and CEO a.i. to the end of 2012

Nant de Drance pumped storage facility, a key element in secure power supplies.

Strengthen the future

The energy sector is facing enormous challenges. Throughout the organisation, Alpiq is demonstrating that it is willing and able to take on these challenges – and thereby ensure that it remains fit for the future.

First Milestones Reached

Economic and regulatory changes are calling into question previously tried-and-tested business models in the energy sector. In response, Alpiq has embarked upon a comprehensive restructuring programme to strengthen the company for the long term.

There are three key elements to Alpiq's restructuring programme, which began in November 2011: focusing operations, significantly reducing costs and debt, and streamlining the organisation. Considerable progress was made in all three areas during 2012.

Focus yielding greater efficiency

As part of its comprehensive restructuring programme, Alpiq realigned its optimisation and trading activities, which will now focus on maximising the value of Alpiq's own generation portfolio. With this move, Alpiq is positioning itself clearly as an asset-based energy trader. The step has reduced the complexity of operations and risk, while decreasing the resources needed in the optimisation and trading business.

Alpiq's assets are now marketed via a common point of access. The underlying aim at all times is to minimise risks and increase revenue. Alpiq managed to complete the realignment of its optimisation and trading activities within just twelve months, at the end of 2012. During the coming year, processes and systems will continue to be modified and optimised to achieve even more cost savings.

Structures and processes adapted

Optimisation and trading are not the only areas where Alpiq has adapted its structures and processes to save costs totalling around CHF 100 million annually from 2013. As part of its focus on core business, Alpiq also streamlined its international distribution operations, sold Finnish-based Energiakolmio Oy and completed its exit from retail business in Italy, Spain and Norway. This, too, allowed Alpiq to realign its structure and resources to the changing needs.

Support functions previously serving specific countries have now been concentrated on a regional basis, and Alpiq has brought vital governance and control functions together within the Group Centre.

At the same time, Alpiq also strengthened brand awareness and profile, while reducing costs, by harmonising the company's corporate identity and emphasising the core Alpiq brand. The decision to close the head office of Alpiq Holding Ltd. in Neuchâtel was another factor that helped Alpiq to achieve its cost targets.

Proceeds from disposals

The sale of parts of the company and other assets is an important step for Alpiq to regain its strategic and financial flexibility. Alpiq intends to generate proceeds of up to CHF 1.8 billion from such disposals as part of its plan to reduce net debt by up to CHF 2 billion by the end of 2014.

This will be a particular challenge because most European energy companies are also attempting to sell off interests in other companies at present. Added to that, instability in the economy and financial markets not only made investors cautious, but those who wanted to invest struggled to secure financing for their acquisitions.

Despite this, Alpiq succeeded in generating CHF 605 million from disposals by the end of 2012 (CHF 870 million including the repayment of the corporate loan to Edipower). The largest contributors to this figure were the sale of the Energy Supply Technology business of the German-based Alpiq Anlagentechnik Group for CHF 214 million and that of the 20 % interest in Italian energy company Edipower for CHF 240 million. In addition, Alpiq disposed of a 15 % stake in the Nant de Drance pumped storage facility, as well as several smaller-sized companies, equity interests and projects, most of which had been part of its international portfolio.

Reinforcement of restructuring programme

In view of the persistently difficult market climate and the sweeping changes that the European energy sector is currently undergoing, Alpiq believes it necessary to reinforce its restructuring programme. The company will focus its operations even more consistently and continue to streamline its organisation through disposals. Alpiq's corporate structure in effect from 1 January 2013 is based on the company's value chain, with three divisions: Generation, Commerce & Trading, and Energy Services. Processes and systems will be adapted accordingly. Through these moves, Alpiq intends to generate additional costs savings of around CHF 100 million annually from the end of 2014 onwards.

The ongoing programme of disposals will be continued, and further projects added. For example, Alpiq has sold its 24.6 % interest in energy company Repower, as well as the shares it held in Romande Energy Holding SA. Alpiq is also looking into the sale of the Kladno and Zlín lignite-fuelled power stations in the Czech Republic and intends to give up its majority stake in Società Elettrica Sopracenerina SA (SES). The two companies are working together to find a solution for this 60.89 % shareholding that will take regional circumstances into account and, in particular, will consider the interests of the local authority areas which SES serves, together with those of the minority shareholders. Alpiq is also preparing to dispose of other assets in the capital-intensive new renewable energy segment outside Switzerland. Furthermore, Alpiq will transfer its extra-high voltage network to Swissgrid at the beginning of January 2013 as planned.

Planning Today to Ensure Supplies Tomorrow

The turnaround in energy policy poses challenges to politicians, the population and the energy sector alike. Alpiq is laying the foundation for the future, so that it will have the power generation facilities in Switzerland and other countries to ensure the security of power supplies tomorrow.

A new framework

The massive increase in construction of new facilities to harness renewable energy in Europe impacts electricity prices. Traditional peak and off-peak prices are converging ever more, which will pose a challenge to the operators of pumped storage power stations in the short term. However, continued expansion in renewable energy needs to be accompanied by expansion in storage facilities. Pumped storage power stations are therefore congruent with the underlying logic of Europe's new energy policy. There are already signs that prices will start to spike in the mornings and evenings, when consumption is high but solar radiation is weak. By contrast, prices will fall so low at midday that during this time it will make sense to fill reservoirs.

Alpiq makes every effort to ensure that its power stations can be operated safely and reliably today. At the same time, it must lay the foundations for tomorrow so that Switzerland will continue to have the power generation facilities that will guarantee the security of power supplies. With this objective in mind, Alpiq is setting standards in three areas: with the strategic construction of renewable energy generation capacity in Switzerland, by increasing efficiency and capacity at existing plants and by investing in the safety and availability of its nuclear power stations.

Nant de Drance: a major project for Switzerland and for Europe

Alpiq and its three joint venture partners are building the Nant de Drance pumped storage facility between the two existing Emosson and Vieux-Emossion reservoirs in the canton of Valais. This is one of the key infrastructure development projects currently ongoing in the European energy sector. With a total installed capacity of 900 megawatts (MW), the facility should generate up to 2.5 billion kilowatt hours (kWh) of peak load energy annually from 2017. This project, in particular, will enable Switzerland to further strengthen its position as Europe's power provider in times of need. In the future, pumped storage facilities will play a crucial role in compensating for the fluctuations in wind and solar energy generation caused by varying weather conditions, seasons and times of day. They can also be brought online at short notice to meet high demand for energy in the course of a 24-hour period.

The completion of work on the access tunnel in September 2012 marked a further milestone for the project. The tunnel boring machine took around three years to create a 5.6-kilometre link between the upper and lower sections of the facility. The various construction sites between Emosson and Vieux-Emosson can now be reached underground, which considerably reduces construction vehicle traffic on the roads and provides year-round access to the upper site. The tunnel will allow the project, costing some CHF 1.9 billion, to proceed according to plan.

In autumn 2012, Alpiq and its partners, the Swiss Federal Railways (SBB) and cantonal hydroelectricity generator FMV (Forces Motrices Valaisannes), were joined on the Nant de Drance project by IWB (Industrielle Werke Basel), which had just acquired a 15 % stake from Alpiq. The entry of IWB, one of Switzerland's leading energy companies, underscores the enormous importance of the project for future security of supply. Through their interests in Grande Dixence SA, Alpiq and IWB have been partners in harnessing hydropower in the Valais for many years.

Investment in hydropower and wind energy in Switzerland

Alpiq's generation strategy is to step up the use of renewable energy in Switzerland. That is why Alpiq is focusing first and foremost on wind energy and small-scale hydropower, the prices of which are already closest to market rates. After a construction phase of only eight months, August 2012 saw the commissioning of a new small hydroelectric power station on the Tambobach river in Splügen (canton of Grisons). Alpiq owns 70 % of the new station, which has a capacity of 1.8 MW. The success of the project has strengthened Alpiq's resolve to look into building more facilities of this type, and thereby expand its capabilities in the small hydropower segment.

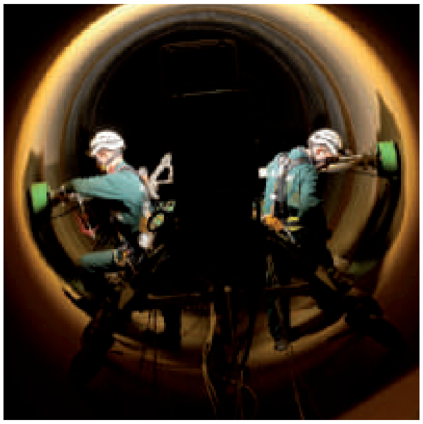
Alpiq's Le Peuchapatte wind farm, online since 2011.

Alpiq uses a number of facilities to generate electricity from wind power. The company's first own wind farm went online in Switzerland at the beginning of 2011. Alpiq is currently pursuing other projects in Western Switzerland, which will add a total installed capacity of 80 MW. The EolJorat Nord project is being run by Alpiq in conjunction with Romande Energie and the five local authority areas in which the wind farm is located. Also in partnership with Romande Energie SA, Alpiq is planning the construction of the Tous-Vents wind farm, which should generate enough power to serve up to 16,000 households. One day, it will be possible to supply about 20,000 more households with power from Alpiq's planned Bel Coster wind farm. Alpiq expects planning permission for all three projects to be granted during 2013.

Optimising existing facilities

Alpiq aims to improve the output and efficiency of its existing generation assets. Projects dedicated to this are under way at a number of hydroelectric facilities in Switzerland. For example, the Navizence hydroelectric power station in Chippis, which was built in 1908 and in which Alpiq holds a 54 % stake, has been undergoing a comprehensive modernisation programme since autumn 2010, at a total cost of some CHF 75 million. The generating sets at Navizence are being replaced without any major structural alterations and will increase the plant's flexibility. Work is going according to plan, and the new facility is due to be commissioned at the end of 2013.

The expansion of the pumped storage facility at Veytaux, which began in April 2011, is scheduled for completion a year later. Working alongside partners Romande Energie SA, Groupe E Ltd and the City of Lausanne, Alpiq has an interest of about 40 % in the project. The construction of a new underground facility, costing CHF 330 million, will double the power station's capacity to 480 MW and its annual output to around 850 gigawatt hours (GWh). This will make Veytaux a key element in assuring secure power supplies for Western Switzerland.



Maintenance work in the tunnel of the Lac d'Emosson reservoir.

The Veytaux power station was the focus of attention for another reason in 2012, as the safety elements in the Hongrin dam were replaced. This was the first time ever in Switzerland that the saturation diving technique had been used. With this technique, divers enter a chamber on the water's surface in which the pressure is increased to match that at working depth. This technique allowed shut-off devices to be installed on the water release channels without the need to reduce the water level.

Meanwhile, the Lac d'Emosson reservoir was emptied completely in spring 2012 for the first time in its near 40-year history. This allowed the maintenance and overhaul of flap gates and the bottom outlet, as well as inspections and repairs at other parts of the facility. A comprehensive programme of measures to protect the environment and fishing grounds was included in the project, which has a capital investment volume of around CHF 20 million.

High marks for safety at nuclear power stations

Alpiq invests continuously in technology, equipment and safety at its nuclear power stations. These capital investments all form part of an ever-ongoing process of analysis and improvement, which is carried out independently of any external factors or incidents and ensures sustainable operation of the power generation facilities.

That this long-term planning pays off was evidenced not least by the results of the EU stress tests conducted during 2012, in which the operators of Swiss nuclear power stations also took part. The tests showed that Swiss facilities displayed high safety margins and great robustness. The experts identified the continuous retrofitting of the facilities that are part-owned by Alpiq as being one of the main reasons why Switzerland scored so highly. Following the EU stress tests, Alpiq's comprehensive safety and optimisation strategy meant that it had to make only minimal investments that were not already planned.

> "In the stress tests, Swiss nuclear power stations displayed high safety margins and great robustness. One of the reasons is their well thought-out design, coupled with years of retrofitting."
> Bojan Tomic, European Nuclear Safety Regulators Group

Alpiq continually incorporates the findings of current developments and the latest investigations in improvements to enhance standards and processes. Those working at our nuclear power stations have a key role to play in the strict implementation of these standards and processes. Recognising this, Alpiq places high priority on recruiting and motivating highly qualified specialist staff.

Moderate and Innovative

Efficient use of energy will play a key role in the energy future of Switzerland and across Europe. Even today, Alpiq's products and services set standards in energy optimisation, building services and facility management, as well as e-mobility.

Alpiq attaches great importance to efficiency in both power generation and its own consumption of electricity. At the same time, the company also identifies considerable savings potential for its customers. Alpiq offers an array of services that enable them to tap into this potential. These range from energy optimisation for industrial customers, efficient building services and intelligent facility management through to battery recharging infrastructure for e-mobility.

Analysis and optimisation

As energy is a major cost factor for industrial and service companies, it makes sense for them to reduce their consumption, and thus their costs. Alpiq helps them to do this. The first step is a comprehensive analysis of energy data, load profile evaluations and local measurement of the power used by individual electricity consumers. In a second step, Alpiq produces a customised energy optimisation system based on these findings. This allows customers to reduce consumption peaks and manage their demand for electricity more effectively.

This approach lowers energy costs and grid charges without affecting operations. Since the company acquired Xamax AG in 2011, Alpiq has become established throughout Switzerland as a provider of energy and performance management systems. More than 1,500 such energy optimisation systems are currently in use, and interest in this service continues to grow.

One of the customers which Alpiq helped to optimise energy consumption during the year was the Kempinski Grand Hotel des Bains in St. Moritz. This 5-star hotel succeeded in cutting its peak load by around 25 % and now benefits from lower rates for its electricity. The spa area, catering operations and even the gutter heating

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Xamax energy optimisation systems from Alpiq are in use throughout Switzerland.

were all included in the optimisation programme. In the case of the Kempinski Grand Hotel des Bains, the Xamax system will have paid for itself within 2½ years. What is more, the new displays make hotel staff more aware of ongoing power consumption and encourage them to identify further savings potential.

Efficient construction and operation

In Switzerland, buildings account for around 50 % of primary energy consumption. It therefore comes as little surprise that this is precisely where the greatest savings potential is to be found. Even today, Alpiq plays a major part in harnessing this potential. With its broad range of building systems services, the company supports its customers with planning and installations in their properties, and with maintenance. Alpiq also plans and installs photovoltaic systems, which enable customers to generate electricity from renewable sources. The goal is to manage energy use throughout a building as intelligently and efficiently as possible.

In 2011, Alpiq provided the ventilation and air conditioning systems for the Prime Tower in Zurich – some 40,000 square metres of rental space on 36 floors. This was followed last year by the contract for another large and high-prestige project. The Swiss Federal Railways (SBB) selected Alpiq as the energy contractor for the Pont-Rouge project in Geneva. Alpiq will supply, and later maintain, all of the heating and cooling systems for the new building complex, which comprises 120,000 square metres of business and office space, 600 residential units and a school. To meet the

Efficiency with Alpiq: artist’s impression of the “Pont-Rouge” development in Geneva.

Solar panels on the roof of the Caves Orsat, Martigny.

project's sustainability and energy efficiency requirements, Alpiq is planning to use a ground source heating and cooling system with an output of between 4 and 5 MW. More than 600 downhole heat exchangers, set up to 300 metres deep into the earth, will supply the complex with heating and cooling. Work on Pont-Rouge will begin in 2014 and is scheduled to be completed in stages by 2020.

Using solar energy

In the photovoltaic segment, Alpiq offers the perfect combination of expertise in energy generation, installation technology and facility management. Last year, the company developed and constructed a 250 square metre photovoltaic curtain wall that has become the distinctive trademark of the Art Centre of the Valais-based Pierre Arnaud Foundation. The 21 prefabricated photovoltaic modules were transported to Crans Montana, where they were assembled in just two days. In the future, they will produce around 15,000 kWh of electricity per year, which will be sufficient to meet the Art Centre's lighting needs. In this pioneering concept, the photovoltaic modules and the building's insulation system form a single unit that enables energy to be produced while guaranteeing perfect insulation, and thereby achieving maximum energy efficiency.

Switzerland's third largest flat-roof photovoltaic power generation system became operational in December 2012. With a team of around 40, Alpiq installed almost 5,800 solar panels, each with an output of 250 watts (W), on the roof of the winery at the Caves Orsat in Martigny. The system is designed to supply the renowned wine producer with around 1,500,000 kWh of electricity annually. Alpiq will also be in charge of monitoring and maintaining the solar panels.

The first EVite fast-charging station at Kölliken.

Yet customers are not the only ones to benefit from Alpiq's solar expertise. In July 2012, the company installed a total of 437 photovoltaic modules, covering an area of 715 square metres, at its own Ruppoldingen hydroelectric power station to use the power of the sun for environmentally sound electricity generation. With its south-facing, saw-tooth roof, the power station offers the ideal setting for this solar system, which has a capacity of 111 kilowatts (kW) and should produce around 100,000 kWh of electricity each year.

Driving the future

Experts see enormous potential for more efficient use of the energy we consume to get around. Alongside a further reduction in CO_2 emissions, research and development is focusing on electric mobility. The range of vehicles available in the market is growing all the time and attracting increasing interest from business and private car buyers alike.

In Switzerland, Alpiq provides the vital link between manufacturers and potential buyers with its concept for a nationwide fast-charging infrastructure for electric vehicles of all types. Working with the Swiss eMobility Association and other partners, Alpiq launched the EVite project in November 2012. The first phase of this will encompass the installation of at least 150 fast-charging stations in Switzerland. The ultimate aim is to expand this basic infrastructure to create a dense network of charging points throughout the country. EVite charging stations will be accessible round the clock and will ensure that every electric car bought in Switzerland can be charged conveniently. Alpiq firmly believes that this will provide one of the most important foundations for faster growth in the electromobility market in Switzerland. Alpiq has already installed the country's first EVite fast-charging station, at the Kölliken Nord motorway service area in the canton of Aargau. It was inaugurated in December 2012.

In addition to its involvement in EVite, Alpiq is also driving ahead with its own electromobility activities, entering into partnerships with both Toyota and Chevrolet during last year. Toyota is equipping its network of around 250 dealerships in Switzerland with charging infrastructure from Alpiq and will deliver a charging station, customised by Alpiq to the needs of Toyota's electric cars, with every Toyota Prius Plug-In Hybrid. Chevrolet buyers in Switzerland will now benefit from Alpiq charging infrastructure services. Alpiq will examine the options for home charging stations, including an on-site check, and will support customers through to the installation of the home charger. With these alliances and services, Alpiq is helping to ensure that electric vehicles can be charged properly and safely, thereby improving their efficiency, convenience and operational safety.

Committed to a more efficient future

Whether energy optimisation, building services or electromobility, for industrial customers, property developers or drivers, Alpiq is committed to even more efficient use of energy. With its services, Alpiq plays its part in ensuring that the energy future of Switzerland and across Europe will be more efficient than the present.

Building complex in Zurich, incorporating the latest installation technology from Alpiq.

Transparency and Fairness

Alpiq is committed to transparent and accountable corporate governance. Effective management and control systems, an open information policy and ethical principles ensure fairness and transparency. Alpiq's principles and rules of corporate governance are defined in the company's Articles of Association, Organisational Rules, Executive Board Rules, Group Guidelines, the organisational chart and the assignment of subsidiaries, associates and investments. This report describes the related practices and complies with the structure and content of the SIX Swiss Exchange Directive on Information Relating to Corporate Governance. Unless otherwise stated, the information reflects the status at 31 December 2012.

Group structure and shareholders

The Alpiq Group's management structure did not change significantly compared with the Annual Report 2011. The key elements of the Group reorganisation announced in 2011 were already in place at 31 December 2011.

At the reporting date, 31 December 2012, the simplified Alpiq Group structure consisted of three operating business divisions: Energy Switzerland (ECH), Energy International (EINT) and Optimisation & Trading (O&T). The Group Centre consisted of two functional divisions: Financial Services (FS) and Management Services (MS).

Stock exchange listing

At 31 December 2012, the parent company, Alpiq Holding Ltd. domiciled in Lausanne (since 26 April 2012, previously domiciled in Neuchâtel), had a share capital of CHF 271,898,730, divided into 27,189,873 registered shares of CHF 10 each. The registered shares are listed on the SIX Swiss Exchange under ISIN CH0034389707. At the end of the year, the company had a market capitalisation of CHF 3,561,873,000 (calculated at the closing price on 30 December 2012 x number of shares = CHF 131.0 x 27,189,873 registered shares).

Società Elettrica Sopracenerina SA (SES), domiciled in Locarno, which has a share capital of CHF 16,500,000, of which Alpiq holds 60.9 %, is also listed on the SIX Swiss Exchange (ISIN CH0004699440). At the end of 2012, the company had a market capitalisation of CHF 201,967,000 (CHF 183.6 x 1,100,000).

The principal consolidated Group companies are listed in the Financial Report on pages 123 to 129. Significant shareholders of record are shown in the Financial Report on page 104 and 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). A consortium or shareholder agreement exists between EOS Holding (Lausanne), EDF Alpes Investissements Sàrl (EDFAI, Martigny) and the consortium of Swiss minority shareholders, consisting of EBM (Genossenschaft Elektra Birseck, Münchenstein), EBL (Genossenschaft Elektra Baselland, Liestal), the canton of Solothurn, IBAarau AG, AIL (Aziende Industriali di Lugano SA) and WWZ (Wasserwerke Zug AG). The consortium agreement governs the merger between Aare-Tessin Ltd. for Electricity (Atel) and the operating units of EOS Holding SA, as well as the interest held by EDF (50 %) in the electricity purchase rights of Emosson SA. The merger was completed on 27 January 2009. The agreement also governs matters concerning

Organisation at 31 December 2012

Board of Directors

General Management
Hans E. Schweickardt[1]
CEO a.i.

Business Divisions

Energy International
Reinhold Frank[1]

- **Market Central Europe** – Peter Dworak
- **Market Western Europe** – Stefano Colombo
- **Power Generation International** – Matthias Zwicky
- **Renewable Energy Sources** – Renato Sturani
- **Energie- und Anlagentechnik (EAT)** – Ludwig Geissinger
- **Finance & Services International** – Edgar Lehrmann

Energy Switzerland
Michael Wider[1]
Deputy CEO

- **Market Switzerland** – Martin Eschle
- **Nuclear & Thermal Power Generation** – Michaël Plaschy
- **Hydro Power Generation** – Jörg Aeberhard
- **Alpiq InTec (AIT)** – Peter Limacher
- **Grid** – Christian Brunner
- **Finance & Services Switzerland** – Daniel Spinnler

Optimisation & Trading
Erik Saether a.i.[1]

- **Portfolio Optimisation & Trading CH** – Pierre Guesry
- **Portfolio Optimisation & Trading INT** – Fabrizio Sciullo a.i.
- **Middle Office & Operations** – Frédéric Rivier
- **Finance & Services** – Petter Torp

General Management
Business Division
Business Unit

Functional Divisions

Financial Services
Patrick Mariller[1]
CFO

- **Group Accounting & Reporting** – Michel Vögeli
- **Group Taxes** – Giuseppe Giglio
- **Group Planning & Controlling** – Stefan Dütschler a.i.
- **Group Treasury & Insurance** – Lukas Oetiker
- **Group Risk Management** – Walter Hollenstein

Management Services
Benoît Revaz[1]

- **Group Strategy & Development** – Vlada Spasic
- **Group Human Resources** – Judith Dali Wielandt
- **Group Legal** – Peter Schib
- **Group Communications** – Adrienne Develey
- **Group Public Affairs** – Stefan Aeschimann
- **Group IT** – Roger Bühlmann a.i.

Functional Division
Functional Unit

1 Member of the Executive Board

Alpiq's corporate governance and reciprocal pre-emption rights held by partners in the consortium.

Cross-shareholdings

There are no cross-shareholdings.

Capital structure

Share capital

At 31 December 2012, the share capital of Alpiq Holding Ltd. was unchanged at CHF 271,898,730, divided into 27,189,873 fully paid up registered shares of CHF 10 each.

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

Changes in equity

Statements of changes in equity are presented in the Financial Report on pages 60 and 61 in the Alpiq Group's consolidated financial statements and on page 139 in the company financial statements of Alpiq Holding Ltd. Statements of changes in equity for 2010 can be found in the Financial Report section of the Alpiq Holding Ltd. Annual Report 2011, on page 72 in the Alpiq Group's consolidated financial statements and on page 157 in the company financial statements of Alpiq Holding Ltd.

Shares

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

Shareholders at 31 December 2012

Company	%	Shareholder
Alpiq Holding Ltd.	31.38	EOS Holding
	25.00	EDFAI
	13.63	EBM
	7.12	EBL
	5.60	Canton of Solothurn
	2.30	EnBW
	2.12	AIL
	2.00	IBAarau
	0.91	WWZ
	9.94	Various (free float)

Percentage ownership interests.

Board of Directors

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

Directors

The Board of Directors consists of 13 members, none of whom exercises any executive functions within the company. The sole exception last year was the Chairman, who took on the additional role of CEO ad interim up to 31 December 2012 following the resignation of the previous CEO at the end of September 2011. Christian Wanner took over as Lead Director for this period. The Directors are listed below, as well as on pages 36 and 37 of this Annual Report.

Other activities and interests

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

Directors are elected for a three-year term of office and are eligible for re-election. If a Director is elected mid-term, he completes his predecessor's term.

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

The Board of Directors held eleven meetings last year, for an average of just under seven hours per meeting. The Chairman determines the agenda for Board meetings after consultation with the CEO. Any Director may make a written request for a particular item to be included on the agenda. In advance of meetings, the Directors receive documentation that enables them to prepare for items on the agenda.

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

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

Board of Directors at 31 December 2012

Name	First elected	Elected until
Hans E. Schweickardt, Neerach, Switzerland, Chairman	2006	2015
Christian Wanner, Messen, Switzerland, Deputy Chairman	2006	2015
François Driesen, Paris, France	2012	2013
Claude Lässer, Marly, Switzerland	2009	2015
Daniel Mouchet, Veyrier, Switzerland	2009	2015
Guy Mustaki, Pully, Switzerland	2009	2015
Jean-Yves Pidoux, Lausanne, Switzerland	2009	2015
Alex Stebler, Nunningen, Switzerland	2006	2015
Urs Steiner, Laufen, Switzerland	2006	2015
Stéphane Tortajada, Paris, France	2011	2015
Patrick Pruvot, Soisy, France	2012	2015
Gérard Roth, Paris, France	2012	2015
Conrad Ammann, Zurich, Switzerland	2012	2015

Control and supervisory mechanisms

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

The external auditors submit a Management Letter to the Board of Directors and give an oral presentation of the results and findings of their audit and of their future key audit areas. Internal Audit submits an annual audit programme to the Board of Directors for its approval, and subsequently reports periodically on its findings and recommendations, as well as on their implementation. 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.

The Board of Directors also has three committees: the Audit and Risk Committee (ARC), the Nomination and Remuneration Committee (NRC) and the Sounding Board (SB), which was set up at the end of August 2011. The Sounding Board was dissolved at the end of April 2012 after restructuring was successfully put on track.

Audit and Risk Committee (ARC)

The ARC consists of Stéphane Tortajada (committee chairman), Jean-Yves Pidoux (member) and Alex Stebler (member).

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

The ARC submits proposals to the Board of Directors for its approval and, at each meeting of the Board, reports orally on its activities, resolutions, conclusions and recommendations. If the ARC fails to reach consensus on matters within its remit, a decision is made by the full Board of Directors. Minutes of ARC meetings are circulated among the Directors for their information. The ARC also submits an annual accountability report to the Board of Directors, summarising the ARC's activities during the year.

As a rule, the Chairman, CEO, CFO, Head of Group Internal Audit and the auditors attend meetings of the ARC. Depending on the agenda, other unit heads and representatives of the external auditors also attend. Last year, the ARC met seven times for an average of three and a half hours per meeting. On these occasions, the ARC deliberated in depth on the programme initiated for restructuring the company and on impairment charges, debt and measures to ensure liquidity.

Nomination and Remuneration Committee (NRC)

The NRC consists of Guy Mustaki (committee chairman), Gérard Roth (member), replacing Pierre Aumont who stepped down at the Annual General Meeting on 26 April 2012, and Urs Steiner (member), replacing Hans Büttiker who stepped down with effect from 31 December 2011.

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

The NRC submits proposals to the Board of Directors for its approval and, at each meeting, reports orally on its activities, resolutions, conclusions and recommendations. Minutes of NRC meetings are circulated among the Directors for their information. As a rule, the Chairman, CEO and Head of Group Human Resources attend meetings of the NRC. Last year, the NRC met ten times for an average of just under three hours per meeting.

Sounding Board (SB)

The SB comprised Hans E. Schweickardt (committee chairman), Guy Mustaki (member), Stéphane Tortajada (member) und Christian Wanner (member). At its meeting on 26 August 2011, the Board of Directors decided to set up this other, temporary Board committee to closely support the Executive Board during the ongoing restructuring and prepare the Board of Directors' resolutions in this connection. The SB met four times last year for an average of about one and a half hours per meeting. As a rule, these meetings were attended by the CFO, other Executive Board members directly involved in the restructuring process, and the project manager. The Sounding Board was dissolved at the end of April 2012 after restructuring went ahead as planned.

Division of responsibilities

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

The organisational rules and executive board rules govern authority and the division of responsibilities between the Board of Directors and the CEO or Executive Board.

As part of the group guidelines, the CEO has issued regulations governing the assignment of authority and responsibilities. These regulations apply throughout the Group.

Information and control mechanisms in respect of the Executive Board

The Executive Board keeps the Board of Directors informed of important events on an ongoing basis. Financial reports are prepared quarterly. Each month the Board of Directors also receives information on the key financial figures and current risk situation. Regular audits by Group Internal Audit supplement the information and control mechanisms.

Risk management monitors business, market, credit and financial risks. The Board of Directors receives an annual written report on the situation and developments in Group-wide risk management and its most important constituents. The report presents policies and limits, details compliance with them and contains information on planned expansion moves. During the reporting year, the Group's risk policy was completely revised and brought into line with the new business model. The new policy was approved by the Board of Directors in December 2012. A Central Risk Management function, which reported to the CFO (and will report directly to the CEO from 1 January 2013), proposes limits for specific areas based on the results of its analyses. The Executive Board is responsible for assigning the related risk categories. The overall limit for the Group is set annually by the Board of Directors. The Risk Management Committee monitors compliance with the defined limits and policies.

Group Internal Audit, which reports directly to the Chairman of the Board, provides independent and objective auditing and advisory services aimed at adding value and improving business processes. It supports the organisation in achieving its objectives by using a systematic and targeted approach to evaluate the effectiveness of risk management, control mechanisms, and management and monitoring processes, and by helping to improve them. Group Internal Audit is a management tool for the Board of Directors and its various committees, particularly for the ARC and CEO. Group Internal Audit is intended to assist the Board of Directors and Executive Board in performing their monitoring and control functions. On the ARC's proposal, the Board of Directors annually approves the audit plans drawn up by Group Internal Audit, and the summary report. Individual audit reports are submitted to the Chairman and (in summary form) to the ARC and are tabled for discussion at each meeting. Group Internal Audit engages an advisor independent of the external auditors to assist in its work.

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

Executive Board

The Executive Board consists of six members. From 30 September 2011 to the end of 2012, the Chairman of the Board of Directors, Hans E. Schweickardt, additionally presided over the Executive Board on an interim basis. Jasmin Staiblin will take up the permanent position of CEO on 1 January 2013. The members of the Executive Board are listed on pages 38 and 39 of this Annual Report. Biographical details and information about other activities and interests can be found on the Alpiq website at www.alpiq.com/executive-board. No management contracts exist.

Remuneration, shareholdings and loans

Principles, objectives and remuneration paid to Executive Board members and Directors are disclosed in the separate Remuneration Report on pages 40 to 43.

Shareholders' participation rights

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

Agenda

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

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

Change of control and defensive measures

Mandatory tender offer

Purchasers of majority shareholdings in Alpiq Holding 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 other defensive measures.

Change-of-control clauses

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

Auditors

Ernst & Young Ltd., Zurich, has served as statutory auditors of Atel Holding Ltd./ Alpiq Holding Ltd. since 2002. The statutory and Group auditors are appointed by the Annual General Meeting for a one-year term of office. Their performance and fees are reviewed annually. Ernst & Young Ltd.'s current lead audit partner has performed this function since 2006. For the past financial year, Ernst & Young Ltd. received fees of approximately CHF 8.4 million for its services as statutory and Group auditors. Of this amount, approximately CHF 3.9 million was paid for audit services, approximately CHF 1.1 million for audit-related services, approximately CHF 0.4 million for tax services and approximately CHF 3.0 million for transaction support.

External audit information mechanisms

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

Information policy

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

2012 Annual General Meeting

At the 4th Annual General Meeting of Alpiq Holding Ltd. held on 26 April 2012, the 326 shareholders present approved the 2011 consolidated financial statements of the Alpiq Group, as well as the 2011 Annual Report and company financial statements of Alpiq Holding Ltd. The meeting voted in favour of the Board of Directors' proposal to pay a dividend of CHF 2 per registered share of Alpiq Holding Ltd. in the form of a return of capital contributions. The acts of the Board of Directors were ratified. In place of Hans Büttiker, Pierre Aumont, Frédéric Mayoux and Philippe Torrion, who stepped down from the Board of Directors, Conrad Ammann, Patrick Pruvot and Gérard Roth were elected to serve as Directors for a three-year term of office, while François Driesen was elected to complete his predecessor's term of office until 2013. The auditors were reappointed for another year.

Board of Directors at 31 December 2012

1 Hans E. Schweickardt
Chairman

- Dipl. El.Ing. electrical engineering degree, ETH Zurich, Alpiq CEO a.i, Stanford Executive Program
- Swiss national
- Chairman of: Grande Dixence SA, Sion; KBG (Kernkraftwerk-Beteiligungsgesellschaft AG), Bern
- Deputy Chairman of: Swisselectric, Bern
- Supervisory Board member of: the European Energy Exchange (EEX), Leipzig
- Board Committee member of: economiesuisse, Zurich

2 Christian Wanner
Deputy Chairman, Lead Director

- Farmer, Member of Solothurn Cantonal Government
- Swiss national
- Director of: Schweizer Rheinsalinen AG, Pratteln
- Chairman of: Finance Directors' Conference; the ch Foundation, Solothurn; Institute of Federalism, Fribourg

3 François Driesen
Director

- DESS de droit des affaires et de fiscalité postgraduate degree in commercial and tax law, Electricité de France (EDF) General Counsel Europe, Paris
- French national
- Director of: EDF Luminus, Belgium; Lake Acquisitions Ltd., UK
- Supervisory Board member of: EDF Deutschland, Germany; ESTAG, Austria; Kogeneracja, Poland

4 Patrick Pruvot
Director

- Ecole Nationale Supérieure d'Electricité et de Mécanique, masters degree in mechanical engineering, EDF Director "Structuration du Portefeuille Electricité et Gaz", Paris
- French national
- Director of: EDF Luminus, Belgium; EDF Gas Deutschland, Germany

5 Claude Lässer
Director

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

6 Gérard Roth
Director

- HEC degree, MA in German, Stanford Executive Program, EDF Senior Executive VP, Director Continental Europe
- French national
- Director of: EDF Demasz, Hungary; EDF Deutschland, Germany; EDF Luminus, Belgium; EDF Polska, Poland

7 Daniel Mouchet
Director

- Architect
- Swiss national
- Chairman of Gaznat SA, Lausanne
- Deputy Chairman of: Hydro Exploitation SA, Sion
- Director of: EOS Holding SA, Lausanne; Grande Dixence SA, Sion

8 Guy Mustaki
Director

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

9 Jean-Yves Pidoux
Director

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

10 Alex Stebler
Director

- Dr. oec. doctorate in economics
- Swiss national
- Chairman of: EBM (Genossenschaft Elektra Birseck), Münchenstein; EBM Trirhena AG, Münchenstein; Stebler Co Limited, Nunningen

11 Urs Steiner
Director

- Energy engineer HTL, CEO of EBL (Genossenschaft Elektra Baselland), Liestal
- Swiss national
- Chairman of: Geopower Basel AG, Basel; Waldenburgerbahn AG, Waldenburg; IReL AG, Liestal/EBL Telecom AG, Liestal
- Director of: Kraftwerk Birsfelden AG, Birsfelden; Geo-Energie Suisse AG, Basel; Kraftwerk Augst AG, Augst; Infel Ltd., Zurich

12 Conrad Ammann
Director

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

13 Stéphane Tortajada
Director

- Engineer, DESS postgraduate degree in corporate finance/internat. financial markets, EDF Director of Financing and Investments
- French national
- Chairman of: SOFILO; GGF; EDEV
- Director of: British Energy Group Plc; EDF Trading; EDF International

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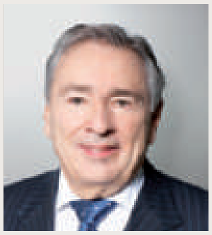

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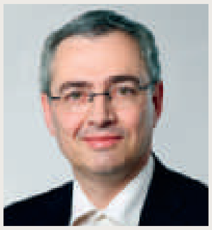

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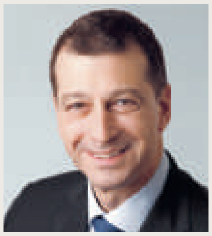

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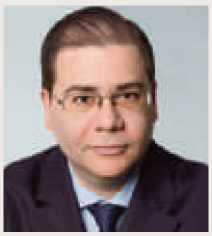

Executive Board at 31 December 2012

1 **Hans E. Schweickardt**
CEO a.i.

- Dipl. El.Ing. electrical engineering degree, ETH Zurich, Stanford Executive Program
- Swiss national
- Born 1945
- Joined the Alpiq Group in 2003, CEO a.i. from 2011
- Chairman of: Grande Dixence SA, Sion; KBG (Kernkraftwerk-Beteiligungsgesellschaft AG), Bern
- Deputy Chairman of: Swisselectric, Bern
- Supervisory Board member of: the European Energy Exchange (EEX), Leipzig
- Board Committee member of: economiesuisse, Zurich

2 **Michael Wider**
Head of Energy Switzerland, Deputy CEO

- MA in Law, MBA, Stanford Executive Program
- Swiss national
- Born 1961
- Joined the Alpiq Group in 2003, member of the Executive Board since 2009
- Chairman of: HYDRO Exploitation SA, Sion; Nant de Drance SA, Finhaut; Kernkraftwerk Gösgen-Däniken AG, Däniken
- Deputy Chairman of: Kernkraftwerk Leibstadt AG, Leibstadt
- Director of: Società Elettrica Sopracenerina SA, Locarno; Repower AG, Brusio; AEK Energie AG, Solothurn; Grande Dixence SA, Sion; Swissgrid Ltd, Laufenburg; RESUN AG, Aarau
- Board member of: Swisselectric, Bern; VSE, Aarau

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

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

4 **Reinhold Frank**
Head of Energy International

- Dipl. Ing. engineering degree, Dipl. Wirtsch. Ing. industrial engineering degree, Stanford Executive Program
- German national
- Born 1955
- Joined the Alpiq Group in 2006 as a member of the Executive Board

5 **Benoît Revaz**
Head of Management Services

- MA in Law, MSCOM, Stanford Executive Program
- Swiss national
- Born 1971
- Joined the Alpiq Group in 2004, member of the Executive Board since 2009
- Director of: Grand Dixence SA, Sion; Kernkraftwerk Gösgen-Däniken AG, Däniken; Kernkraftwerk Leibstadt AG, Leibstadt

6 **Erik Saether**
Head of Optimisation & Trading a.i.

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

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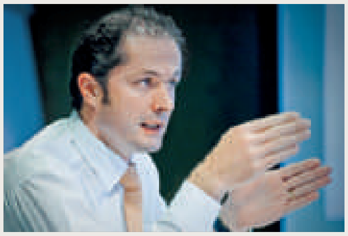

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Remuneration Report

Principles and objectives

Applying the principles of good corporate governance, Alpiq provides competitive remuneration and a performance- and value-based bonus system designed to motivate senior management to sustainably enhance shareholder value.

Alpiq's remuneration guidelines and bonus systems provide for management salaries commensurate with tasks and responsibilities, taking into account the economic situation, results of operations and the company's future outlook. Accordingly, the total remuneration packages for members of the Executive Board and heads of business and functional units consist of:

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

Market-compliant remuneration

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

Disclosures

As required by Section IV of the Swiss Code and Section 5 of the SIX Swiss Exchange Directive on Information Relating to Corporate Governance, Alpiq discloses the following information:

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

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

A. Executive Board remuneration

Principles

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

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

Bonus entitlement

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

The Chairman of the Board took on the additional role of CEO ad interim from 30 September 2011 to 31 December 2012. At Executive Board level, Reinhold Frank performed a dual function as head of the Energy International business division and as General Manager of the Alpiq Anlagentechnik business unit, based in Heidelberg.

Structure of remuneration

In 2012, Executive Board members were paid remuneration comprising a fixed, non-performance-related base salary and a variable, performance-related salary. The variable salary, in turn, consists of a short-term performance-related component (short-term bonus, STB) and a long-term performance-related component (long-term incentive, LTI). While payment of the STB is based on personal and financial objectives, payment of the LTI is linked to the long-term increase in shareholder value.

Short-term bonus (STB)

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

Payment of 30 % of the nominal value of the STB is based on the achievement of up to six personal performance objectives (qualitative components). These include, for example, the fulfilment of clearly defined, measurable project and efficiency targets and the achievement of milestones.

70 % of the payment is dependent on achieving the EBITDA targets (profit before interest, tax, depreciation and amortisation) set by the NRC at the beginning of the financial year (quantitative/financial component).

The total quantitative component is calculated using the target EBITDA (100 %) set by the NRC. If the target EBITDA is achieved, the financial component amounts to 100 % of the defined proportion of the nominal value allocated to the individual Executive Board member. No additional payments are made over and above the EBITDA cap set by the NRC, irrespective of actual EBITDA. The quantitative component of the STB is also subject to a benchmark coefficient which can increase or reduce the total amount paid out. To this end, EBITDA achieved is compared with that of Alpiq's competitors. If EBITDA is below the EBITDA floor set by the NRC, the quantitative component of the STB is not paid out.

Long-term incentive (LTI)

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

The nominal value of the LTI is defined by the NRC at the beginning of the financial year. Payment of the LTI is based on reaching the defined EVA targets after three years. Every year, the NRC determines the target EVA figure on the basis of Alpiq's business plans, as approved by the Board of Directors. If the sum of the defined EVA targets is reached after three years, 100 % of the nominal value is paid out as an LTI. No additional payment is made if EVA exceeds the EVA cap set by the NRC. The amount paid out as an LTI can be further increased or reduced by applying the EBITDA benchmark coefficient. To this end, the EBITDA achieved in a year is compared with the levels of Alpiq's competitors (see also page 41, STB).

Capping and other regulations

The amount of the base salary and the two bonus components, STB and LTI, may not exceed three times the base salary of any Executive Board member. Amounts in excess of this ceiling are not paid out.

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

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

The bonus payment constitutes taxable income and is therefore subject to all social security and insurance charges (AHV/IV/ALV/EO).

Amount of remuneration

In 2012, remuneration paid to the Executive Board totalled CHF 3.7 million (CHF 9.4 million), of which regular remuneration accounted for CHF 3.2 million (CHF 7.2 million) and pension benefits for CHF 0.5 million (CHF 2.2 million).

Amounts in brackets relate to the previous year. Last year, the ratio of fixed salary (totalling CHF 1.9 million) to variable components (totalling CHF 1.2 million) was 61 % to 39 %. Details of remuneration are set out in the Financial Report on pages 144 and 145.

From 30 September 2011 to 31 December 2012, Hans E. Schweickardt served as CEO ad interim. He did not receive any additional pay for this function, neither did he participate in the bonus programme for the Executive Board.

B. Directors' remuneration

In 2012, remuneration paid to Alpiq Directors totalled CHF 3.9 million (CHF 3.9 million), of which regular remuneration accounted for CHF 3.7 million (CHF 3.7 million) and pension benefits for CHF 0.2 million (CHF 0.2 million). Amounts in brackets relate to the previous year.

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

Directors' remuneration comprises fees, expenses and other benefits. These components are not performance-related. Details of payments made to Directors are provided in the Financial Report on pages 142 and 143.

The Ruppoldingen run-of-river plant: zero-CO_2 power generation using hydro and solar power.

Financial Report 2012

Alpiq Group Financial Review

Preliminary notes

Overall, Alpiq's operations performed better than expected in the past reporting year, generating operating EBITDA of CHF 985 million (down 18.5 %) and EBIT of CHF 520 million (down 17.5 %) on revenue of CHF 12.7 billion (down 9.1 %). As predicted at the beginning of 2012, the results for 2012 are well below the year-earlier levels because high-margin contracts expired at the end of 2011 and performance during 2012 was considerably affected by the restructuring programme.

As already announced when the interim results were published and in a press release issued in December 2012, changes in economic and political conditions, compounded by the more difficult market environment, once again triggered developments that gave rise to impairment charges, provisions and other exceptional items, which significantly weighed on the operating results. These include impairments related to the cancellation of long-term power off-take contracts in Romania following the counterparty's insolvency. In addition, impairment losses had to be recognised as the market price expectations for electricity were revised downwards and because operations were stated at net realisable value. Particularly affected were the power generation assets in Switzerland, the gas-fired combined cycle power stations in Italy, France, Hungary and Spain, the coal-fired power stations in the Czech Republic and also the renewable energy generation facilities (wind farms and small power stations) in Switzerland and other countries. Furthermore, the market price forecasts meant that impairment charges and provisions had to be recognised for long-term purchase and supply contracts. Total impairment charges and provisions had a negative impact of CHF 1.615 billion on profit before income tax. Other exceptional items of positive CHF 133 million comprised book gains realised on disposals and compensation awarded in the arbitration proceedings won against Polish power generator PGE. Conversely, other exceptional items also included losses on the sale of the interest in A2A, as well as costs associated with closing down foreign sales and retail operations. The balance of impairment charges and positive exceptional items was a net amount of negative CHF 1.482 billion before income tax and negative CHF 1.306 billion after income tax. After income tax expense, the Group posted a net loss of CHF 1,086 million for the year (2011: loss of CHF 1,346 million).

In order to disclose exceptional items transparently and show them separately, the consolidated income statement is presented below as a pro forma statement. The financial review of the Alpiq Group and its business divisions that follows relates to operations, i. e. discusses performance before exceptional items.

Consolidated income statement for 2012
(pro forma statement before and after impairment charges and exceptional items)

CHF million	2011 [1] Results of operations before exceptional items	Impairment charges and provisions	2011 [1] Results under IFRS after exceptional items	2012 Results of operations before exceptional items	Impairment charges, provisions and other exceptional items	2012 Results under IFRS after exceptional items
Net revenue	**13,984**	**– 23**	**13,961**	**12,710**		**12,710**
Own work capitalised	102		102	121		121
Other operating income	103		103	101	210	311
Total revenue and other income	**14,189**	**– 23**	**14,166**	**12,932**	**210**	**13,142**
Energy and inventory costs	– 11,497	– 113	– 11,610	– 10,538	53	– 10,485
Employee costs	– 986	– 30	– 1,016	– 894		– 894
Plant maintenance costs	– 80		– 80	– 134		– 134
Other operating expenses	– 417	– 106	– 523	– 381	– 48	– 429
Profit before interest, tax, depreciation and amortisation (EBITDA)	**1,209**	**– 272**	**937**	**985**	**215**	**1,200**
Depreciation, amortisation and impairment	– 579	– 650	– 1,229	– 465	– 1,663	– 2,128
Profit/(loss) before interest and tax (EBIT)	**630**	**– 922**	**– 292**	**520**	**– 1,448**	**– 928**
Share of results of associates	– 78	– 823	– 901	– 69	12	– 57
Finance costs	– 205		– 205	– 218	– 46	– 264
Finance income	24		24	16		16
Profit/(loss) before income tax	**371**	**– 1,745**	**– 1,374**	**249**	**– 1,482**	**– 1,233**
Income tax expense	– 113	141	28	– 29	176	147
Group profit/(loss) for the year	**258**	**– 1,604**	**– 1,346**	**220**	**– 1,306**	**– 1,086**

1 Figures restated retrospectively due to reclassification of “share of results of associates”.

The following financial review of the Alpiq Group and its business divisions is confined to an analysis of operating performance, i.e. discusses the results of operations excluding the above-mentioned exceptional items and impairment charges. On page 55 onwards, the consolidated financial statements for the year ended 31 December 2012 are presented in accordance with IFRS accounting standards, including exceptional items and impairment charges.

Alpiq Group results of operations (excluding exceptional items)

During 2012, the energy sector once again faced a challenging environment undermined by uncertainty. In the meantime, there are clear signs that the profound changes in the European energy landscape are here to stay, so energy service providers will be confronted with more impediments. Medium- to long-term market price expectations reflect the massive expansion of state-subsidised renewable energy, bringing about a corresponding change in the supply profiles in the electricity market. Furthermore, the leading European markets still had a considerable surplus of generation capacity and did not see any noticeable effects of some German nuclear power facilities being taken out of operation.

Alpiq responded to these changes by systematically simplifying its business model. While the power generation units focused on optimising operations and costs, the Optimisation & Trading business division concentrated on marketing the output of the power generation portfolio across regions. At the same time, the first restructuring measures were implemented, with structures and systems being streamlined and targeted efforts made to realise synergies. Against this background, the initiatives taken in the fourth quarter of 2012 to reinforce the restructuring and the programme to reduce costs are proceeding according to plan.

In parallel, Alpiq made significant moves during the reporting period to concentrate the Group on profitable operations and reduce debt. These included the discontinuation of its sales operations in Spain and Germany, as well as retail business in Italy. Energiakolmio Oy, a Finnish portfolio management company, was already sold in the first quarter of 2012. The disposals of the interests in Edipower and A2A and the sale of the Energy Supply Technology business (part of the German-based Alpiq Anlagentechnik Group/AAT) generated proceeds of CHF 510 million in the reporting period. Following the implementation of the restructuring programme during 2012 and as a result of the closure and sale of operations, the number of employees decreased by 29 % year on year to 7,926 people at 31 December 2012. Furthermore, a 15 % interest in the Nant de Drance pumped storage power station was sold to the Industrielle Werke Basel (IWB). The disposal of the interest in Ticino-based energy supply company Società Elettrica Sopracenerina SA (SES) is now at an advanced stage. After a delay, the extra-high voltage transmission systems were transferred to Swissgrid at the beginning of 2013, resulting in a cash inflow of approximately CHF 223 million in January 2013. The disposal of the stake in Repower AG and the partial sale of the interest in Romande Energie Holding SA will also be completed during the first quarter of 2013.

Amid a difficult environment, the Group delivered satisfactory operating results that topped its own expectations as a whole. This positive performance is due especially to optimum market positioning and successful marketing of assets in short-term electricity trading across Europe. Profit from ancillary services also grew encouragingly. These achievements were driven by constant availability and the cost-effectiveness of the fleet of Swiss and international power stations, also boosted in particular by the excellent hydroelectric generation conditions in Switzerland. The Renewable Energy Sources (RES) business unit increased its profit contribution with the wind farms acquired and the new wind facilities commissioned in Italy and Bulgaria. Central European wholesale operations sold a higher volume and were better positioned in the market than in 2011. Furthermore, a favourable outcome was achieved in judicial proceedings with an award of compensation payments from Polish energy group PGE for obligations under a long-term contract, although this is reported as non-operating income. Throughout the Group, the strictly implemented cost reduction initiatives started to bear fruit. Added to that, the impairment charges recognised in 2011 led to considerably lower write-downs.

Compared with the previous year, Alpiq's operating performance was significantly impacted by the expiry of a high-margin, long-term contract. Results were also weighed down by the prolonged overhaul and maintenance work at the hydroelectric and thermal generation facilities in Switzerland. Particularly adverse factors were the delay in bringing the Leibstadt nuclear power station back online after the annual overhaul, together with the higher purchase costs related to the increased expenses for future waste disposal and decommissioning of the Gösgen and Leibstadt nuclear facilities. The situation was exacerbated by the unexpected termination of the long-term power off-take contract with state-controlled Romanian energy company Hidroelectrica, which was declared insolvent in the third quarter of 2012. Alpiq's international trading was negatively impacted by the reduced opportunities to export electricity to the Balkans in the wake of further government intervention. In a year-on-year comparison, the shortfall in profit contributions following the sale of the Energy Supply Technology (EST) business at the beginning of September also weighed on operating results. Conversely, the sale generated a considerable book gain, which has been recognised in non-operating profit. The continuing Energie- und Anlagentechnik (EAT) operations within the AAT Group performed slightly better than in the previous year despite the parallel process of selling EST. Once again, Alpiq InTec Ltd. (AIT) made a contribution to the Group's profit that was comparable to 2011.

Overall, the Alpiq Group's consolidated revenue declined to CHF 12.7 billion, down 9.1 % from the previous year. Operating EBITDA came in at CHF 985 million (down 18.5 %) and EBIT at CHF 520 million (down 17.5 %)

Interest items included in finance costs remained virtually unchanged at CHF 201 million compared with the previous year (CHF 202 million). A net foreign exchange loss of CHF 2 million, including changes in the fair value of hedging instruments, was recorded in the reporting period. With a higher hedge ratio, the targeted neutral impact on profit was successfully achieved by and large. Other finance costs were mainly adversely affected by the valuation of financial investments. Income tax expense decreased by CHF 84 million or 74.3 % year on year. The average applicable tax rate dropped to 11.6 % compared with 2011 (2011: 30.5 %). This decline in the tax rate is mainly due to income tax on operating profits for the current period being offset against deferred tax liabilities available.

On the bottom line, Group profit for the year, including non-controlling interests, came in at CHF 220 million compared to CHF 258 million a year earlier.

Group financial position (amounts after impairment charges, provisions and other exceptional items)

At the reporting date on 31 December 2012, total assets amounted to approximately CHF 14.8 billion (down 15.3 %) compared to CHF 17.4 billion at the end of the previous year. The decline is primarily due to the effect of the companies sold (Edipower, EST, A2A, Energ.it), the closure of sales companies and the decrease in borrowings. The total was additionally reduced by the impairment charges recognised, together with scheduled depreciation and amortisation of non-current assets. While decreases resulted from disposals and impairment charges, purchases of replacement capital assets for continuing operations amounting to some CHF 210 million added to the balances, as did the reclassification of AAT's Energie- und Anlagentechnik business, which had been classified as held for sale in the previous year.

Current assets grew by approximately CHF 290 million, including amounts related to the above-mentioned reclassification. This change includes an increase of approximately CHF 155 million in liquid assets (including the change in term deposits and current asset investments). The balance of some CHF 1,360 million is available to cover the required underlying liquidity, provide for the planned capital investment projects and repay borrowings falling due in the medium term.

The bottom-line loss for the period, the interest rate and currency derivatives recognised directly in equity and the dividends paid in May 2012 resulted in a decrease in equity to CHF 5,010 million (31 December 2011: CHF 6,205 million). The equity ratio fell to 33.9 %, compared to 35.6 % at the end of 2011. As planned, borrowings included in non-current and current liabilities were reduced by a net amount of CHF 586 million, also taking into account the project financing associated with the M & A Rinnovabili asset split.

Net cash flows from operating activities amounted to some CHF 330 million in the reporting period (2011: CHF 400 million). This consisted of operating EBITDA of CHF 985 million less cash outflows of about CHF 280 million for interest and tax paid, as well as adjustments of CHF 270 million for non-cash items, less a cash outflow of some CHF 98 million (CHF 134 million) resulting from changes in working capital. In the past 12 months, disposals of companies, equity interests and financial assets, including current asset investments [1], generated proceeds of CHF 605 million. Borrowings raised and repaid and the dividends paid led to cash outflows of CHF 754 million.

Reported net debt decreased by approximately CHF 740 million during the year due to higher liquid assets (CHF 155 million) combined with lower debt (CHF 586 million). The ratio of net debt to EBITDA rose from 3.8 at the end of 2011 to 4.0 as a result of the decline in EBITDA.

1 In 2012, A2A was classified among current asset investments.

Market conditions

The escalating economic crisis in Europe, coupled with rising unemployment rates and shrinking industrial output, did not leave the energy markets unscathed. Although the average temperatures during 2012 were colder than a year earlier, electricity consumption declined in some European countries. Spot prices fell (except in Italy) because of considerably better hydroelectric generation availability and constant output of the German nuclear power stations.

As a result of the cold spell in February and negative hourly prices during the warm and windy Christmas period, the peak/off-peak spreads widened slightly. The repeatedly lowered economic forecasts had a negative impact on the forward electricity markets. The most volatility was seen in CO_2 quotations. In this oversupplied market, the EU bodies tried to prevent market prices from collapsing totally by introducing new regulatory instruments, such as backloading, or reducing the amount of certificates. While the margins of coal-fired power stations remained stable, those of gas-fired generation facilities continued to narrow. The effect of renewable energy significantly grew once again. In Germany alone, more than 15 GW of photovoltaic capacity and some 2.5 GW of wind power came online over the past 24 months. In the meantime, capacity mechanisms have become a central issue in a number of European countries to ensure the security of supply during periods of very high consumption.

The market environment for energy services business was mixed during 2012. In Switzerland, construction-related trades benefited from the still favourable interest rates and enjoyed steady overall demand. The only slight decline in demand was seen in the industrial buildings sector. Added to that, projects in urban centres and for large buildings came under heightened pricing pressure. The situation in the markets for energy and transport technology remained stable, fuelled by continuous public spending.

During 2012, the energy services markets in Germany were impacted by the turnaround in energy policy, especially affecting the Energie- und Anlagentechnik business. While the markets for nuclear engineering stabilised at a low level, there was also no noticeable momentum in conventional large-scale power plant construction. Restraint in capital spending has also been felt in initiatives to build new, smaller-scale power stations. In contrast, industrial business benefited from the continued stability of the German economy, combined with positive market impetus in Central Europe.

Energy Switzerland business division

The Energy Switzerland business division recorded a year-on-year decline in profits. With the exception of the cold weather in the first quarter, the trying market conditions were even worse than in the previous year, which had already been difficult. Margins were weighed down by lower prices, especially in Switzerland and Germany, the strong Swiss franc and higher purchase costs incurred by the Swiss power generation facilities. At the same time, the better hydroelectric generation conditions and the ongoing cost reduction programme had a positive impact. The AIT Group's Building Services and Energy and Transport Technology operations continued to benefit from a favourable market environment in Switzerland and again achieved stable results.

Once again, marketing of the electricity generated by the business division's power stations and under long-term contracts was affected by a difficult environment. Despite an improvement in the price differences between Switzerland and neighbouring countries and in the spreads between peak and off-peak prices, these positive developments were neutralised by a massive drop in prices. Prices were only driven up for a short time by demand during the cold spell that hit the whole of Europe in February. The business division systematically capitalised on the resulting trading opportunities. Revenue was boosted by hedges entered into in previous years and by revenues derived from ancillary services and intraday trading. The adverse effect of prices was also partially offset by the increased output of the hydroelectric power stations since the water flow was considerably higher than in the exceptionally dry year before. However, the output of the thermal generation facilities was lower than expected because the outage at the Leibstadt nuclear power station was prolonged by one month. The generation costs of the Swiss fleet of power stations were considerably up year on year. In particular, procurement costs were negatively impacted by the increased costs that Swiss nuclear power station operators have to pay for waste disposal, decommissioning and shutdown, which were announced at the beginning of the year.

In a more dynamic market environment, the Swiss sales business posted growth in the volume of sales, both to retailers and to industrial customers. Consulting company Xamax AG, which is specialised in peak load optimisation and was acquired in the previous year, recorded healthy order intake.

The two transmission network companies, Alpiq Grid Ltd. Gösgen and Alpiq Grid Ltd Lausanne, performed in line with expectations. The transfer of their ownership to Swissgrid, originally planned for June 2012, was postponed to the beginning of 2013 due to additional regulatory inquiries.

Energy International business division

From the beginning of 2012, the Energy International business division also included the Renewable Energy Sources (RES) business unit, together with its operations in Switzerland, and the German-based energy services group, Alpiq Anlagentechnik (AAT). In September, Alpiq sold the companies comprising AAT's Energy Supply Technologies (EST) business to Vinci Energies, while retaining AAT's second line of business, Energie- und Anlagentechnik (EAT), as part of the Alpiq Group.

In a year-on-year comparison, profit in the Energy International business division was considerably affected by a high-margin, long-term contract that expired at the end of 2011. In addition, energy off-take contracts were terminated by state-controlled Romanian energy company Hidroelectrica after it was declared insolvent in July 2012. The sale of EST resulted in a corresponding reduction in AAT's profit contribution compared with the previous year. These adverse effects were partially offset by the higher profit contributions from the Power Generation International and Market Central Europe business units, combined with the positive impact of the ongoing restructuring programme. As a whole, the elimination of the unprofitable Edipower generation operations that were included a year earlier and the exit from barely profitable sales activities (sales in Germany and Spain, and retail business in the Italian and Northern European markets) had a favourable effect on operating profit. This has laid an essential foundation to reach the defined profit targets in forthcoming years. In addition, the cost targets set under the restructuring programme were reached.

The Market Western Europe business unit, comprising sales activities in Italy, France and Spain, saw a marked year-on-year decline in sales volume and revenue, primarily because a long-term contract expired at the end of 2011, as mentioned above. This was compounded by considerably fiercer competition in the wake of the new regulations introduced for the energy sector in France in July 2011, which consequently had adverse effects on sales volumes and margins. The vast rise in costs of ancillary services and the far lower sales margins in Spain severely eroded profit. As mentioned, the sales business was closed at the end of 2012.

The Market Central Europe business unit, encompassing wholesale and sales (origination) operations across the wider Central and Eastern European region, posted a marked year-on-year improvement in profit, mainly driven by the increased wholesale margins and advantageous market positioning. Furthermore, the prior year results had been significantly weighed down by the repercussions of the Fukushima reactor disaster in the European electricity markets. Sales business succeeded in outperforming the previous year by realigning operations, focusing on origination and taking sweeping measures to optimise costs. However, compared with the year before, operating profit suffered from the margins lost as a result of long-term off-take contracts being terminated by Romanian-based Hidroelectrica on its insolvency. The compensation payment awarded to Alpiq in arbitration proceedings against Polish energy group PGE has been confirmed by a court ruling this year.

The Power Generation International business unit comprises all thermal power stations outside Switzerland. Bearing in mind that the gas-fired combined cycle Plana del Vent and Bayet/3CB power stations in Spain and France came into operation in the course of 2011, net electricity output was about the same as in the previous year due to lower spreads. Nevertheless, the business unit performed successfully in the difficult market environment and posted significantly better results than a year earlier. The increase in profit was largely fuelled by the considerably improved operating performance of the Spanish gas-fired combined cycle facility, coupled with revenues from ancillary services. Other key drivers of this positive growth were the successful optimisation of Bayet (France), mainly in managing the gas portfolio, as well as the stable profit contributions from the power stations in the Czech Republic and Hungary. Apart from improving margins in core business, the Power Generation International business unit also successfully implemented the cost-cutting programme. Due to the impairment charges recognised in the previous year, less depreciation was required, which favourably impacted the profit situation in France and Spain, in particular.

Construction of the new power generating unit in Kladno (K7) to replace the current K3 unit is going according to plan. The unit is expected to be completed and commissioned at the beginning of 2014.

The Renewable Energy Sources (RES) business unit considerably stepped up the volume of output by expanding its power generation capacity, thus increasing its profit. This growth was primarily driven by Phase II of the Vetrocom wind farm in Bulgaria, which was brought online in January 2012, and the two wind farms in Sicily, which were acquired in June 2012 when the cooperation with Italian-based M & A Rinnovabili S.r.l. was realigned. Together with the small Tambobach hydroelectric power station commissioned in Switzerland, the consolidated installed capacity rose by about 50 % to 310 MW.

The performance of the German-based Alpiq Anlagentechnik Group (AAT) reflected the sale of the Energy Supply Technology (EST) business and the disposal process leading up to it. Completed in early September 2012, the disposal of EST resulted in a corresponding drop in revenue and profit. However, the sale generated a substantial book gain, which has been reported as a non-operating item. AAT's order intake and order book were equally affected by the sale. Despite the difficult market environment, in particular for power station construction, the EAT business retained by the Group posted slightly higher results than a year earlier. As in the past, the Kraftanlagen München unit was the AAT Group's largest profit contributor. That said, operations in other countries also turned in a positive overall performance despite the difficult environment in Hungary and Finland.

Optimisation & Trading business division

As part of Alpiq's comprehensive restructuring programme, trading in the Optimisation & Trading business division was realigned to focus on marketing energy generated within the Group. The former Trading & Services business division was transferred to the Optimisation & Trading business division and its functions revised. At the beginning of the reporting period, all optimisation and trading activities related to power generation in Switzerland and Western Europe were concentrated organisationally in this business division. Under the simplified and revised business model, all revenues from marketing the output of power generation facilities are accounted for directly in the Energy Switzerland and Energy International business divisions. Proprietary trading was scaled down considerably, and the separate Proprietary Trading business unit dissolved. As these changes were reflected in the business division's results, comparability with the previous year's figures is only limited.

Given the change in focus, the business division's gross margin from proprietary trading activities during 2012 was lower than a year earlier. By employing a strategy of consistent short positioning along the forward curve and selectively taking advantage of price differences in cross-border trading, these operations managed to mitigate the year-on-year change and achieve encouraging results, especially in the first half of the year and fourth quarter.

The business division's profit contributions from optimisation of power generation assets in Switzerland were higher than expected. Its overall results for the power stations in Western Europe came within expectations in a difficult market environment.

Outlook

Alpiq expects the underlying conditions in 2013 to remain very challenging, with the energy industry continuing to face radical changes in its operating environment. The existing surplus capacities are unlikely to be reduced significantly in the medium term, compounded at the same time by a tendency towards lower demand for electricity. The trend to shift the European power generation portfolio away from large and flexible power generation facilities will go on. Regulatory constraints will become even more pervasive in the future as expansion into state-subsidised renewable energy is driven forward unrelentingly. As a result, the difference between peak and off-peak prices will narrow and the profitability of gas-fired power stations will be further eroded. Moreover, the Swiss franc is not expected to weaken significantly in the medium to long term.

2013 has started in line with management's expectations. Alpiq anticipates that the operating results for the current financial year will be down on 2012 due to the tougher environment in the energy sector, coupled with the lower price level resulting from hedges entered into in 2011/2012 and the loss of profit contributions from businesses disposed of. The measures put in place to reduce costs in 2013 and the impairment charges recognised in 2012 can only partially compensate for the shortfalls.

Alongside the challenges in operating business, Alpiq will continue to concentrate on the ongoing disposal programme, while reducing debt and ensuring liquidity. Activities in 2013 will also focus on implementing the organisational realignment and streamlining processes. In addition, the company will continue to evaluate options to strengthen the capital base.

Consolidated Financial Statements of the Alpiq Group

Consolidated Income Statement

CHF million	Note	Total for 2011	Total for 2012
Net revenue	29	**13,961**	**12,710**
Own work capitalised	2, 10	102	121
Other operating income	2	103	311
Total revenue and other income		**14,166**	**13,142**
Energy and inventory costs	3	– 11,610	– 10,485
Employee costs	4	– 1,016	– 894
Plant maintenance costs		– 80	– 134
Other operating expenses	5	– 523	– 429
Profit before interest, tax, depreciation and amortisation (EBITDA)		**937**	**1,200**
Depreciation, amortisation and impairment	6	– 1,229	– 2,128
Profit/(loss) before interest and tax (EBIT)		**– 292**	**– 928**
Share of results of joint ventures and other associates	13	– 901	– 57
Finance costs	7	– 205	– 264
Finance income	7	24	16
Profit/(loss) before income tax		**– 1,374**	**– 1,233**
Income tax expense	8	28	147
Group profit/(loss) for the year		**– 1,346**	**– 1,086**
Attributable to non-controlling interests		– 21	– 41
Attributable to owners of Alpiq Holding		– 1,325	– 1,045
Earnings/(loss) per share in CHF	9	**– 49**	**– 38**

Prior year comparatives restated retrospectively. See explanatory notes on page 76.

Consolidated Statement of Comprehensive Income

CHF million	2011	2012
Group profit/(loss) for the year	**– 1,346**	**– 1,086**
Cash flow hedges taken to equity	– 14	– 19
Income tax expense	11	2
Net of income tax	– 3	– 17
IAS 39 effects of share of changes in equity of associates	– 23	– 14
Income tax expense	2	3
Net of income tax	– 21	– 11
Exchange differences on translation of foreign operations [1]	41	– 8
Other comprehensive (expense)/income for the year, net of income tax	**17**	**– 36**
Total comprehensive income/(expense) for the year	**– 1,329**	**– 1,122**
Attributable to non-controlling interests	– 25	– 43
Attributable to owners of Alpiq Holding	– 1,304	– 1,079

1 See notes 1 and 13 for information about the effects of recycling included in this item.

Consolidated Statement of Financial Position

Assets

CHF million	Note	31 Dec 2011	31 Dec 2012
Property, plant and equipment	10	4,900	3,476
Intangible assets	11, 12	1,964	1,108
Investments in joint ventures and other associates	13	4,420	3,698
Other non-current financial assets	14	130	103
Deferred income tax assets	8	40	103
Retirement benefit assets	25	15	17
Non-current assets		**11,469**	**8,505**
Inventories	15	111	83
Trade and other receivables	16	1,999	2,175
Term deposits		324	120
Cash and cash equivalents	17	876	1,222
Current asset investments	18	4	17
Derivative financial instruments		722	733
Prepayments and accrued income		103	80
Current assets		**4,139**	**4,430**
Assets held for sale	32	**1,838**	**1,849**
Total assets		**17,446**	**14,784**

Prior year comparatives restated retrospectively. See explanatory notes on page 76.

Equity and liabilities

CHF million	Note	31 Dec 2011	31 Dec 2012
Share capital	19	272	272
Share premium		4,431	4,377
Retained earnings		1,338	255
Equity attributable to owners of Alpiq Holding		**6,041**	**4,904**
Non-controlling interests		164	106
Total equity		**6,205**	**5,010**
Provisions	20	147	108
Deferred income tax liabilities	8	1,546	1,303
Retirement benefit obligations	25	34	116
Long-term borrowings	21	4,525	4,407
Other non-current liabilities	22	231	112
Non-current liabilities		**6,483**	**6,046**
Current income tax liabilities		42	61
Short-term borrowings		1,331	863
Other current liabilities	23	1,386	1,221
Derivative financial instruments		706	777
Accruals and deferred income		565	562
Current liabilities		**4,030**	**3,484**
Total liabilities		**10,513**	**9,530**
Liabilities held for sale	32	**728**	**244**
Total equity and liabilities		**17,446**	**14,784**

Prior year comparatives restated retrospectively. See explanatory notes on page 76.

Consolidated Statement of Changes in Equity

CHF million	Share capital	Share premium	Unrealised gains and losses under IAS 39	Foreign currency translation reserve	Retained earnings	Attributable to owners of Alpiq Holding	Non-controlling interests	Total equity
Equity at 31 December 2010	**272**	**4,431**	**– 10**	**– 716**	**3,605**	**7,582**	**197**	**7,779**
Profit for the period					– 1,325	– 1,325	– 21	– 1,346
Other comprehensive income			– 22	43		21	– 4	17
Total comprehensive income			**– 22**	**43**	**– 1,325**	**– 1,304**	**– 25**	**– 1,329**
Dividends					– 237	– 237	– 8	– 245
Equity at 31 December 2011	**272**	**4,431**	**– 32**	**– 673**	**2,043**	**6,041**	**164**	**6,205**

CHF million	Share capital	Share premium	Unrealised gains and losses under IAS 39	Foreign currency translation reserve	Retained earnings	Attributable to owners of Alpiq Holding	Non-controlling interests	Total equity
Equity at 31 December 2011	**272**	**4,431**	**– 32**	**– 673**	**2,043**	**6,041**	**164**	**6,205**
Loss for the period					– 1,045	– 1,045	– 41	– 1,086
Other comprehensive income			– 26	– 8		– 34	– 2	– 36
Total comprehensive income/(expense)			**– 26**	**– 8**	**– 1,045**	**– 1,079**	**– 43**	**– 1,122**
Transfer from share premium to retained earnings		– 54			54	0		0
Dividends					– 54	– 54	– 11	– 65
Change in non-controlling interests			– 1		– 3	– 4	– 4	– 8
Equity at 31 December 2012	**272**	**4,377**	**– 59**	**– 681**	**995**	**4,904**	**106**	**5,010**

Alpiq's Board of Directors proposes that the Annual General Meeting on 25 April 2013 approve a dividend of CHF 2.00 per registered share for the 2012 financial year (2011 financial year: CHF 2.00). This represents a total payout of CHF 54 million (CHF 54 million). For more details, please refer to the "Board of Directors' Proposal" on page 146.

Consolidated Statement of Cash Flows

CHF million	Note	2011	2012
Profit/(loss) before interest and tax (EBIT)		**– 292**	**– 928**
Adjustments for:			
Own work capitalised	2, 10	– 102	– 121
Depreciation, amortisation and impairment	1, 6	1,229	2,128
Movements in provisions	20	81	– 51
Gain/loss on sale of non-current assets		– 8	– 6
Non-cash change in other non-current and current liabilities	22, 23	– 170	– 239
Non-cash change in fair value of derivative financial instruments		– 21	25
Other non-cash income and expenses		3	– 157
Dividends from financial investments and associates	7, 13	71	45
Interest paid		– 155	– 184
Interest received		14	16
Other finance costs		– 24	– 22
Other finance income		55	23
Income tax paid		– 146	– 97
Changes in working capital (excl. current financial assets/liabilities)		– 134	– 98
Net cash flows from operating activities		**401**	**334**

	Note		
Property, plant and equipment and intangible assets			
Purchases	10, 11	– 432	– 212
Proceeds from sale		32	36
Subsidiaries			
Acquisitions	30	– 270	24
Proceeds from disposal	31		223
Associates			
Acquisitions	13	– 1	– 3
Proceeds from disposal	13	27	287
Other non-current financial assets			
Purchases	14	– 40	– 5
Proceeds from sale/repayments	14	15	24
Change in term deposits		– 199	212
Purchases/proceeds from sale of current asset investments		– 1	71
Net cash flows used in investing activities		**– 869**	**657**
Dividends paid		– 237	– 54
Dividends paid to non-controlling interests		– 8	– 11
Proceeds from borrowings		1,236	645
Repayment of borrowings		– 683	– 1,335
Change in non-controlling interests			1
Net cash flows (used in)/from financing activities		**308**	**– 754**
Effect of exchange rate changes		**– 9**	**– 1**
Change in cash and cash equivalents		**– 169**	**236**
Analysis:			
Cash and cash equivalents at 1 January		1,182	1,013
Cash and cash equivalents at 31 December		1,013	1,249
Change		**– 169**	**236**

Prior year comparatives restated retrospectively. See explanatory notes on page 76.

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

The balance of CHF 1,249 million in cash and cash equivalents disclosed at 31 December 2012 (2011: CHF 1,013 million) in the consolidated statement of cash flows also includes CHF 27 million (CHF 137 million) in cash and cash equivalents attributable to operations held for sale

Notes on the Consolidated Financial Statements

Significant accounting policies

Basis of preparation of the consolidated financial statements

The consolidated financial statements of the Alpiq Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations (IFRIC) issued by the International Accounting Standards Board (IASB) and comply with Swiss law. The consolidated financial statements give a true and fair view of the financial position, results of operations and cash flows of the Alpiq Group. They have been prepared on a historical cost basis, except for certain items such as financial instruments that have been measured at fair value in some instances. The consolidated financial statements were authorised for issue by the Board of Directors of the Alpiq Group on 11 March 2013 and are subject to approval by shareholders at the Annual General Meeting on 25 April 2013.

Adoption of new and revised accounting standards

The Alpiq Group has adopted the following International Financial Reporting Standards (IFRS) and IFRIC interpretations which became effective on 1 January 2012:

- IFRS 7 amendments: Transfers of Financial Assets (1 July 2011)
- IAS 12 amendments: Income Taxes – Deferred Tax: Recovery of Underlying Assets (1 January 2012)

The adoption of these new rules had no material impact on the results and financial position of the Alpiq Group.

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

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

IFRS and IFRIC interpretations effective in future periods

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

- IAS 1 amendments: Presentation of Items of Other Comprehensive Income (1 July 2012)
- IAS 19 rev.: Employee Benefits (1 January 2013)
- IAS 27 rev.: Separate Financial Statements (1 January 2013)
- IAS 28 rev.: Investments in Associates and Joint Ventures (1 January 2013)
- IAS 32 amendments: Offsetting Financial Assets and Financial Liabilities (1 January 2014)

- IFRS 7 amendments: Disclosures – Offsetting Financial Assets and Financial Liabilities (1 January 2013)
- IFRS 9: Financial Instruments (1 January 2015)
- IFRS 10: Consolidated Financial Statements (1 January 2013)
- IFRS 11: Joint Arrangements (1 January 2013)
- IFRS 12: Disclosure of Interests in Other Entities (1 January 2013)
- IFRS 13: Fair Value Measurement (1 January 2013)

Alpiq is currently assessing the potential effects of adopting these new and revised standards and interpretations. The new or revised standards will have the following impacts on Alpiq's consolidated financial statements.

In May 2011, the IASB issued the new IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities", which will be mandatory for financial years beginning on 1 January 2013. IFRS 10 "Consolidated Financial Statements" introduces a new definition of control, also including the consolidation of special purpose entities and de facto control. IFRS 11 provides guidance on accounting for arrangements where an entity has joint control over a joint venture or a joint operation. The main difference from IAS 31 "Interests in Joint Ventures" is that IFRS 11 no longer focuses on the legal form of a jointly controlled operation. Under the new standard, the classification depends on the specific rights and obligations of the parties involved in respect of the assets and liabilities and corresponding revenue and expenses relating to the joint arrangement. An entity must account for its interest in the assets, liabilities, revenue and expenses of joint operations. Joint ventures must be accounted for using the equity method. IFRS 12 brackets together the disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities in a comprehensive standard.

After an in-depth analysis, Alpiq has come to the conclusion that Kraftwerke Gougra AG, in which Alpiq owns a 54 % interest, will need to be included in the consolidated financial statements as a fully consolidated company from 1 January 2013 due to the adoption of IFRS 10 and IFRS 11. As yet, this company has been accounted for in the consolidated financial statements using the equity method. Alpiq does not anticipate that the application of IFRS 12 will have a significant impact on the reporting. The full consolidation of Kraftwerke Gougra AG means that assets will increase by CHF 137 million (CHF 99 million being non-current assets) and liabilities by CHF 123 million (CHF 105 million being borrowings) at 1 January 2013. Based on available forecast data, the Alpiq Group's consolidated revenue for 2013 is expected to rise by approximately CHF 14 million. EBITDA will grow by about CHF 12 million.

It is currently assessed that the impact of adopting IFRS 10 and IFRS 11 on the reporting of consortia in energy services business will be insignificant for the Alpiq Group.

Amendments to IAS 19 "Employee Benefits" were issued in June 2011. The impact of the revised standard on the Alpiq Group will be as follows:

The corridor approach will no longer be allowed in future; instead actuarial gains and losses will be recognised outside profit and loss in other comprehensive income as part of equity in the period in which they occur. At the reporting date on 31 December 2012, unrecognised actuarial losses amounted to CHF 177 million (2011: CHF 144 million). The volatility of consolidated equity is expected to be higher in future periods. "Interest cost" and "expected return on plan assets", the key parameters/performance drivers used so far, will be replaced with a net interest amount that is calculated by applying the discount rate to the net pension liability or asset. This results in an increase of CHF 216 million in retirement benefit obligations and a decrease of CHF 166 million in equity (net of deferred income tax). Employee costs would increase by about CHF 6 million (based on the figures for 2012). The impact of the IAS 19 effects of joint ventures and other associates on the consolidated financial statements cannot yet be assessed conclusively. The Alpiq Group will apply the revised standard in 2013 retrospectively from 1 January 2012.

Basis of consolidation

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

Subsidiaries are entities that are directly or indirectly controlled by the Alpiq Group (generally accompanying a shareholding of more than 50 % of the voting rights). These entities are consolidated from the date of acquisition. Entities are de-consolidated from the date that control ceases and, if appropriate, reported as investments in associates or financial investments up to the date of disposal.

Investments in associates in which the Alpiq Group has significant influence are accounted for in the consolidated financial statements using the equity method. Joint ventures are included in the consolidated financial statements using the same method. The Alpiq Group's share of 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 on pages 123 to 129 with an indication of the consolidation method applied and other information.

Foreign currency translation

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

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

The assets and liabilities of subsidiaries are translated into Swiss francs at the closing rate of exchange prevailing at the reporting date. Income and expense items are translated at the weighted average exchange rates for the reporting period. The exchange differences arising on translation are recognised as a separate item in other comprehensive income. On disposal of a subsidiary or loss of control and on disposal of an associate or joint venture or loss of significant influence, the cumulative translation differences relating to that subsidiary are recognised in the income statement in the period in which the subsidiary is disposed of or control ceases.

The following exchange rates were used for currency translation:

Unit	Closing rate at 31 Dec 2011	Closing rate at 31 Dec 2012	Average rate for 2011	Average rate for 2012
1 USD	0.94	0.92	0.89	0.94
1 EUR	1.216	1.207	1.234	1.205
100 CZK	4.71	4.80	5.02	4.79
100 HUF	0.39	0.41	0.44	0.42
100 NOK	15.68	16.43	15.84	16.13
100 PLN	27.27	29.63	30.06	28.82
100 RON	28.12	27.16	29.14	27.05

Intra-group transactions

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

Revenue recognition

Revenue from the sale of goods and services is recognised in the income statement when the goods or services are delivered. The Group recognises energy contracts entered into for trading purposes with the intention of profiting from short-term volatility in market prices on a net basis in revenue (net gains and losses from trading). Revenue from construction contracts is generally recognised using the percentage-of-completion method by reference to the stage of completion of the contract activity.

Income tax

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

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

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

The effects of the recognition of temporary differences are presented in note 8 to the consolidated financial statements.

Borrowing costs

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

Discontinued operations and non-current assets held for sale

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

The Alpiq Group measures non-current assets and disposal groups classified as held for sale at the lower of carrying amount and fair value less costs to sell. These assets or disposal groups, once classified as held for sale, are no longer depreciated or amortised. The assets and liabilities are presented separately from other Group assets and liabilities in the statement of financial position.

A component of the Group's business is classified as a discontinued operation if it represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated income statement.

Property, plant and equipment

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

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

Obligations to restore land and sites after licence expiry or decommissioning are accounted for individually in accordance with the terms of contract. Replacements and improvements are capitalised if they substantially extend the useful life, increase the capacity or substantially improve the quality of output of assets.

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

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

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

Business combinations and goodwill

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

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

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

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

Intangible assets

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

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over their useful economic lives and assessed for impairment whenever there is an indication that they may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. The useful lives of the intangible assets currently recognised range from 3 to 15 years.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The useful life of an asset is reviewed in each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment.

Energy purchase rights

Energy purchase rights are recorded as intangible assets in the statement of financial position. They comprise prepayments for rights to purchase energy in the long term, including capitalised interest. These assets are amortised on a straight-line basis from the commencement of the energy purchases over the term of the contracts.

This item also includes long-term energy purchase agreements acquired in business combinations, which are subsequently identified, measured and recognised in a purchase price allocation.

Impairment of property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are reviewed at least annually to determine whether there is any indication of impairment. In particular, this assessment is performed when changes in circumstances or events indicate that the carrying amounts may not be recoverable. Where the carrying amount of an asset exceeds its estimated recoverable amount, the asset is written down to the value considered to be recoverable based on the estimated future discounted cash flows. The recoverable amount of intangible assets with indefinite useful lives is reviewed annually.

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

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

The annual impairment review is monitored centrally within the Group.

Impairment of goodwill

Goodwill is allocated to the cash-generating units to which the goodwill relates. These generally represent the identifiable regional sales, service and production activities. Goodwill is tested for impairment annually. If the recoverable amount of the cash-generating unit, i. e. the higher of the unit's fair value less costs to sell 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 ventures

An associate is an entity over which the Alpiq Group is in a position to exercise significant influence through participation in the financial and operating policy decisions of the investee and that is neither a subsidiary nor a joint venture. Where appropriate, companies may likewise be accounted for in the consolidated financial statements as associates using the equity method even if the ownership interest is less than 20 %. This applies especially where the Alpiq Group is represented in the authoritative decision-making bodies, e. g. the Board of Directors, and participates in the operating and financial policies or where market-relevant information is exchanged.

A joint venture is an entity jointly controlled with one or more other venturers under a contractual arrangement. Due to these circumstances, joint ventures are accounted for in the consolidated financial statements using the equity method regardless of the Group's ownership interest in them.

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

Inventories

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

Leases

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

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

All other leases that do not substantially transfer all the risks and rewards of ownership to the Alpiq Group are treated as operating leases and are not recognised in the statement of financial position. The lease payments are recognised as an expense on a straight-line basis over the lease term. In total, operating leases held by the Alpiq Group are currently immaterial.

Construction contracts

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

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

Provisions

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

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

Accounting for CO_2 emission allowances

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

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

Pension schemes

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

Swiss consolidated Group companies in the Energy Switzerland and Optimisation & Trading business divisions participate in a legally independent pension scheme of the Swiss defined benefit type that meets the criteria of a defined benefit plan under IAS 19.

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

Swiss Group companies belonging to Alpiq InTec 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 belonging to Alpiq InTec are covered by state social security schemes.

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

The defined benefit obligation is calculated 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. Actuarial gains and losses arising from the periodic revaluations are recognised as income or expense for each individual plan on a straight-line basis over the average remaining service lives of the employees when the actuarial gains and losses at the beginning of the reporting year exceed 10 % of the higher of the fair value of plan assets and the defined benefit obligation at that date. This method is called the corridor method.

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

Contingent liabilities

Potential or existing liabilities where it is not considered probable that an outflow of resources will be required are not recognised in the statement of financial position. However, the nature and extent of liabilities existing at the reporting date is disclosed as a contingent liability in the notes to the consolidated financial statements.

Segment information

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

Financial instruments

Financial instruments include cash and cash equivalents, term deposits, investments in securities, derivative financial instruments, financial investments, receivables, and short-term and long-term payables and borrowings.

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,
- held-to-maturity investments,
- loans and receivables,
- available-for-sale financial assets and
- other financial liabilities.

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

Financial assets or liabilities at fair value through profit or loss

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

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

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

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

Held-to-maturity investments

Held-to-maturity investments are financial assets with fixed maturities that the Group has the positive intention and ability to hold to maturity. They are measured at amortised cost. Investments intended to be held for an indefinite period of time are not included in this category.

Loans and receivables

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

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

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

Available-for-sale financial assets

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

Other financial liabilities

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

Impairment and uncollectibility of financial assets

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

For assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of any loss is recognised in the income statement. A previously recognised impairment loss is reversed in the income statement if the impairment no longer exists or has decreased. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

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

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

Hedge accounting

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

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

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

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

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

Estimation uncertainty

Key assumptions and sources of estimation uncertainty

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

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

Impairment of long-term assets

The carrying amount of the Alpiq Group's property, plant and equipment, intangible assets (including goodwill) and investments in joint ventures and other associates was approximately CHF 8.3 billion at 31 December 2012 (2011: CHF 11.3 billion). These assets are tested for impairment annually. Determining whether assets are impaired requires estimates of future cash flows expected from the use, growth rates, discount rates and eventual sale of the assets. Actual outcomes may vary materially from these estimates. Other factors, such as changes in scheduled useful lives of assets or technical obsolescence of plant, may shorten the useful lives or result in an impairment loss.

Provisions

At 31 December 2012, the carrying amount of the "provision for loss-making contracts" presented in note 20 was CHF 139 million (2011: CHF 182 million). This covers liabilities existing and risks known at the balance sheet date that relate to energy trading and sales business. The amount of the provision required was calculated based on a likely outflow of resources associated with the performance of the contracts. The valuations are made and reviewed periodically using the discounted cash flow method over the term of the contractual obligations entered into. Significant inputs used in the valuations, which are subject to certain uncertainties and hence may cause some material adjustments in subsequent periods, are especially the assumptions regarding future changes in market prices, long-term interest rates and the effects of currency translation (EUR into CHF).

Pension schemes

The calculation of the recognised defined benefit assets and liabilities is based on statistical and actuarial assumptions in accordance with IAS 19. The assumptions may differ substantially from actual circumstances due to changes in market conditions and the economic environment, higher or lower exit rates, longer or shorter lives of the plan participants and to other estimated factors. Such deviations may have an impact on the pension scheme assets and liabilities recognised in future reporting periods. The principal assumptions are disclosed in note 25.

Changes in the presentation of the financial statements

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

Changes in the presentation of the consolidated income statement

During the reporting period, Alpiq reviewed the presentation of income statement items in a comparison with its competitors in Switzerland and other countries. Based on the findings, Alpiq is now classifying the “share of results of associates” as a component of finance items (previously a component of total revenue and other income, as well as energy costs) and showing this line item below operating profits from the 2012 financial year. In 2012, EBITDA and EBIT increased by CHF 57 million as a result of reclassification based on IFRS reporting. Retrospective restatement of the prior year comparatives for 2011 led to an increase of CHF 901 million in EBITDA and EBIT on the basis of IFRS reporting. The consolidated statement of cash flows and segment information have been revised accordingly. This change in presentation has had no impact on the net results, earnings/(loss) per share and the Group’s overall result for the year or on the presentation of the consolidated statement of financial position.

Under the restructuring programme launched in the second half of 2011, Alpiq planned to dispose of the Alpiq Anlagentechnik (AAT) business unit. In view of this plan, AAT was reported as “discontinued operations” in the consolidated income statement. In 2012, Alpiq decided not to dispose of AAT as a whole, but to sell only the Energy Supply Technology (EST) business and to continue the second business, Energie- und Anlagentechnik (EAT). As the EST business alone does not qualify as a discontinued operation, it need no longer be presented separately as “discontinued operations” in the prior year figures in the consolidated income statement. The prior year comparatives disclosed in the notes have also been restated accordingly. The presentation of the consolidated statement of financial position has remained unchanged year on year.

Changes in the presentation of the consolidated statement of financial position

To make the disclosures relating to retirement benefits more transparent, separate line items have been added to the statement of financial position for the reporting period. At 31 December 2011, the assets of CHF 15 million (1 January 2011: CHF 16 million) were included in prepayments and accrued income, while the current obligations of CHF 1 million (CHF 7 million) were recognised in accruals and deferred income, and the non-current obligations of CHF 33 million (CHF 147 million) in provisions. From the 2012 financial year, the assets are reported as “retirement benefit assets” under non-current assets and the obligations as “retirement benefit obligations” under non-current liabilities. The prior year presentation and figures have been adjusted accordingly.

This change in presentation has resulted in a reclassification among the above-mentioned asset and liability items, as well as the total amounts of non-current assets, current assets, non-current liabilities and current liabilities. However, the change has had no further impact on the consolidated statement of financial position. For this reason, Alpiq is not presenting a statement of financial position at 1 January 2011.

Changes in the presentation of disclosures in the notes

In the reporting period, the approval process for the variable salary component for key management personnel was redefined. In the past, the Nomination and Remuneration Committee (NRC) determined the variable remuneration after the financial statements had been approved by the Annual General Meeting. This meant that the disclosure of remuneration paid to key management personnel included the estimated variable salary, i. e. the expense recognised in the income statement.

From 2012 onwards, the NRC is determining the variable salary component before the financial statements are approved by the Annual General Meeting. The disclosure of remuneration paid to key management personnel now includes the definitive variable salary component determined by the NRC. As a result, the disclosure is no longer affected by estimation uncertainty relating to previous periods. The prior year figures in note 24 have been restated as follows: remuneration paid to the Executive Board in 2011 totalled CHF 9.4 million (previously: CHF 8.5 million), of which regular remuneration accounted for CHF 7.2 million (CHF 6.3 million) and pension benefits for CHF 2.2 million (CHF 2.2 million).

This change in presentation has had no impact on the consolidated income statement or statement of financial position.

Correction of prior year disclosure errors

A review of the information presented in the notes showed that the interest in Alpiq Wind Italia S.r.l. was not reported among pledged assets in the previous year. The power generation facilities are funded through project financing facilities provided by banks. For this reason, the interest was pledged to the banks as collateral for the financing. The prior year disclosures have been revised accordingly.

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

Acquisitions and disposals of fully consolidated companies

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

Acquisitions	Ownership interest	Consolidated since	Business division
Infra Haustechnik Service Ltd, Emmenbrücke/CH	100.0 %	16 May 2012	Energy Switzerland
Hirt Haustechnik AG, Luterbach/CH	100.0 %	27 Jun 2012	Energy Switzerland
Wüst Haustechnik AG, Lupfig/CH	100.0 %	28 Nov 2012	Energy Switzerland
Aero Rossa S.r.l., Aragona/IT [1]	100.0 %	4 Jun 2012	Energy International
Alpiq Wind Italia 2 S.r.l., Milan/IT	100.0 %	4 Jun 2012	Energy International
Enpower 3 S.r.l., Aragona/IT [1]	100.0 %	4 Jun 2012	Energy International

1 Companies acquired in connection with the M & A Rinnovabili asset split.

As a result of these acquisitions, the Alpiq Group's consolidated revenue increased by CHF 25 million year on year. Details of the assets acquired and liabilities assumed are disclosed in note 30. The impact on non-current assets (notes 10 and 11) and on the disclosures of retirement benefit obligations (note 25) is presented as "acquisition/disposal of subsidiaries".

Disposals	Ownership interest	De-consolidated on	Business division
Energiakolmio Oy, Jyväskylä/FI	100.0 %	20 Mar 2012	Energy International
Elektro Stiller GmbH, Ronnenberg/DE	100.0 %	7 Sep 2012	Energy International
Frankenluk AG, Bamberg/DE	100.0 %	7 Sep 2012	Energy International
Frankenluk Energieanlagenbau GmbH, Bamberg/DE	100.0 %	7 Sep 2012	Energy International
GA Austria GmbH, Alkoven/AT	100.0 %	7 Sep 2012	Energy International
GA Bauleistungen GmbH, Rutesheim/DE	100.0 %	7 Sep 2012	Energy International
GA Energieanlagenbau Nord GmbH, Hohenwarsleben/DE	100.0 %	7 Sep 2012	Energy International
GA Energieanlagenbau Süd GmbH, Fellbach/DE	100.0 %	7 Sep 2012	Energy International
GA Energo technik s.r.o., Plzeň/CZ	78.3 %	7 Sep 2012	Energy International
GA Slovensko s.r.o., Bratislava/SK	100.0 %	7 Sep 2012	Energy International
GA Hochspannung Leitungsbau GmbH, Walsrode/DE	100.0 %	7 Sep 2012	Energy International
GA Linel S.r.l., Bressanone/IT	51.0 %	7 Sep 2012	Energy International
GA Netztechnik GmbH, Bietigheim-Bissingen/DE	100.0 %	7 Sep 2012	Energy International
GA-Magyarország Kft., Törökbálint/HU	100.0 %	7 Sep 2012	Energy International
Martin Bohsung GmbH, Landau/DE	100.0 %	7 Sep 2012	Energy International
Kraftwerk Havelland GmbH, Leipzig/DE	100.0 %	27 Sep 2012	Energy International
Energ.it S.p.A., Cagliari/IT	100.0 %	23 Nov 2012	Energy International

Financial risk management

General policies

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

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

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

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

Capital management

Across the Alpiq Group, capital is managed in line with the Group's overall financial strategy. The strategy is focused on the Group's reported consolidated equity and net debt to EBITDA ratio. As the framework for managing its capital structure, the Board of Directors has defined a target equity ratio of at least 35 %, on which it is seeking to generate a return on equity of 7 % to 9 %. At the reporting date on 31 December 2012, the equity ratio was 33.9 % (2011: 35.6 %). Based on the reported results, the return on equity is not meaningful for the reporting year, as in the previous year.

During the budgeting and planning process, the Board of Directors is advised annually of the planned performance of the targets set. The ratio of net debt to EBITDA at the end of the reporting period exceeded the Group's internal target, however. For this reason, Alpiq announced further moves to underpin the ongoing restructuring programme on 14 December 2012.

The Group's policy is for debt capital to be raised centrally by Alpiq Holding Ltd. The domestic capital market is the main source of financing. Alpiq Holding Ltd. held 83 % of the Group's total borrowings at 31 December 2012 (2011: 83 %). The level of these borrowings must bear a reasonable proportion to earnings to ensure a strong credit rating in line with industry norms. The ratio of net debt to EBITDA should not exceed 3 times, but should range from 2.0 to 2.5 times in the medium term. Based on the reported results, this ratio was 4.0 times for 2012 (2011: 3.8 times).

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

Financial instruments

Carrying amounts and fair values of financial assets and liabilities

CHF million	Note	Carrying amount at 31 Dec 2011	Fair value at 31 Dec 2011	Carrying amount at 31 Dec 2012	Fair value at 31 Dec 2012
Financial assets at fair value through profit or loss					
Securities held for trading	18	4	4	17	17
Positive fair values of derivatives					
Currency and interest rate derivatives		36	36	13	13
Energy derivatives		686	686	720	720
Total financial assets at fair value through profit or loss (excl. financial assets designated in this category)		**726**	**726**	**750**	**750**
Financial assets designated in this category					
Financial investments	14	14	14	3	3
Available-for-sale financial assets					
Financial investments	14	13	13	13	13
Loans and receivables					
Cash and cash equivalents	17	876	876	1,222	1,222
Term deposits		324	324	120	120
Trade receivables	16	1,588	1,588	1,695	1,695
Other financial receivables	16	381	381	427	427
Loans receivable	14	103	103	87	87
Total loans and receivables		**3,272**	**3,272**	**3,551**	**3,551**
Total financial assets		**4,025**	**4,025**	**4,317**	**4,317**
Financial liabilities at fair value through profit or loss					
Negative fair values of derivatives					
Currency and interest rate derivatives		54	54	120	120
Energy derivatives		652	652	657	657
Total financial liabilities at fair value through profit or loss		**706**	**706**	**777**	**777**
Other financial liabilities					
Trade payables	23	961	961	806	806
Bonds	21	3,081	3,291	3,283	3,443
Loans payable	21	1,444	1,444	1,124	1,124
Other financial liabilities, incl. put options		1,593	1,593	1,208	1,213
Total other financial liabilities		**7,079**	**7,289**	**6,421**	**6,586**
Total financial liabilities		**7,785**	**7,995**	**7,198**	**7,363**

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

Level 1: quoted prices in active markets for identical assets or liabilities

Level 2: valuation technique based on quoted prices in active markets that have a significant effect on the fair value

Level 3: valuation techniques using inputs that are not derived from quoted prices in active markets and have a significant effect on the fair value.

CHF million	31 Dec 2012	Level 1	Level 2	Level 3
Assets measured at fair value				
Securities held for trading	17	17		
Currency and interest rate derivatives	13		13	
Energy derivatives	720		720	
Financial investments	3		3	
Financial liabilities measured at fair value				
Currency and interest rate derivatives	120		120	
Energy derivatives	657		657	

CHF million	31 Dec 2011	Level 1	Level 2	Level 3
Assets measured at fair value				
Securities held for trading	4	2	2	
Currency and interest rate derivatives	36		36	
Energy derivatives	686		686	
Financial investments	14	8	6	
Financial liabilities measured at fair value				
Currency and interest rate derivatives	54		54	
Energy derivatives	652		652	

During the reporting periods ended 31 December 2012 and 31 December 2011, there were no transfers between Level 1 and Level 2 and no transfers out of Level 3.

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

Expense/income related to financial assets and liabilities

CHF million	Income statement 2011	Equity 2011	Income statement 2012	Equity 2012
Net gains/losses				
On financial assets and liabilities at fair value through profit or loss	– 51	– 1	– 99	– 17
On financial assets designated in this category				
On loans and receivables	– 1		– 8	
Interest income and expense				
Interest income on financial assets not measured at fair value	13 [1]		15	
Interest expense on financial liabilities not measured at fair value	– 170 [1]		– 180	

1 Prior year comparatives restated retrospectively.

In 2012, impairment losses of CHF 10 million (2011: CHF 3 million) were recognised in respect of trade receivables. No impairment losses were recorded for other financial instruments. More information about movements in the provision for impairment is presented in the “ageing analysis of trade receivables”.

Hedging activities (hedge accounting)

Forward commodity contracts

At 31 December 2012, the Alpiq Group recognised forward contracts to hedge the price risk of future deliveries in respect of small to medium-sized end customers in Spain. These transactions are conducted because the necessary energy cannot be purchased in the local market.

The instruments used to hedge the cash flows of contractual commitments to deliver electricity proved to be highly effective. Therefore, an unrealised loss of CHF 0.6 million (2011: CHF 15 million), with a related deferred tax asset of CHF 0.2 million (CHF 4 million), was included in other comprehensive income at 31 December 2012 in respect of these contracts.

For a physical electricity delivery where the purchase price is referenced to a coal index, hedge accounting has been applied for the contracts to hedge fluctuations in price. The derivatives used to hedge the price fluctuations proved to be highly effective. The unrealised loss included in other comprehensive income at 31 December 2012 was CHF 16 million (2011: CHF 5 million), with a related deferred tax asset of CHF 4 million (CHF 1 million).

Interest rate swaps

At 31 December 2012, the Group held 18 interest rate swaps used to fix the interest rates for project financing in Italy. The hedge strategy eliminates potential financial risks arising from an increase in the variable interest rates on which the financing is based. The hedge relationship for hedging interest payments (cash flows) has proved to be highly effective. The unrealised loss of CHF 9 million (2011: CHF 14 million), with a related deferred tax asset of CHF 4 million (CHF 5 million), was included in other comprehensive income at 31 December 2012.

Foreign currency hedges

The exposure to EUR/CHF foreign currency risk arising from agreed payment flows for a major energy services contract was hedged. The hedge was highly effective. The unrealised gain of CHF 4 million (2011: CHF 4 million), with a related deferred tax liability of CHF 1 million (CHF 1 million), was included in other comprehensive income at 31 December 2012.

Other foreign currency exposures arising from transactions such as the sale of Swiss power generation capacities in the euro zone were hedged based on the expected transaction volumes. The hedge proved to be highly effective. The unrealised loss of CHF 4 million (2011: gain of CHF 5 million), with a related deferred tax asset of CHF 1 million (2011: deferred tax liability of CHF 1 million), was included in other comprehensive income at 31 December 2012.

Hedges recognised directly in other comprehensive income and not in profit or loss, including deferred tax, consist of:

CHF million	Assets 2011	Liabilities 2011	Assets 2012	Liabilities 2012
Forward commodity contracts		– 4		– 16
Interest rate swaps		– 18		– 23
Foreign currency hedges	4	– 4	3	– 3

The amounts recognised in other comprehensive income at 31 December 2012 are transferred to the income statement over the life of the hedge relationship as energy and commodities are purchased under the underlying contract and to non-current assets in the case of foreign currency hedges. The hedge ineffectiveness recognised immediately in the income statement during the reporting year was immaterial.

Credit risk management

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

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

Binding minimum requirements apply in selecting customers. Particular requirements are approved credit limits, appropriate guarantees and a valid contractual basis. It is policy in energy business to enter into contracts only with counterparties who meet the criteria of the Group Risk Policy. Outstanding credit exposures are monitored and managed on an ongoing basis using a formalised process.

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

Under IFRS 7, the total carrying amount of financial assets recognised represents the Alpiq Group's maximum exposure to credit risk at the reporting date. Calculated accordingly, the maximum credit exposure was CHF 4,317 million at 31 December 2012 (31 December 2011: CHF 4,025 million). For a detailed summary, we refer to the fair values presented in the table of "carrying amounts and fair values of financial assets and liabilities". Credit risk is reduced by collateral held as security and by contractual agreements for netting all receivables and payables with the same counterparty, even those not recognised under IAS 39. Conversely, the credit risk is increased by costs incurred by the Alpiq Group in closing out outstanding positions on more unfavourable terms.

The Alpiq Group's exposure to concentrations of risk is minimised due to the number of customers spread across diverse geographical areas and the consolidation of positions. As in the previous year, there were no significant concentrations of risk at the reporting date.

Cash and term deposits are placed with banks that have a rating of at least "A" from an internationally recognised rating agency. The investments are limited in amount, widely diversified and staggered over time. The limits are reviewed monthly and when particular circumstances require. No write-offs have been necessary to date.

Collateral

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

As in the previous year, no collateral was collected and converted into financial assets.

Ageing analysis of trade receivables

CHF million	31 Dec 2011	31 Dec 2012
Carrying amount before impairment	1,620	1,726
Impaired	32	31
Provision at beginning of year	49	32
Acquisition/disposal of subsidiaries		– 11
Reclassified to "assets held for sale"	– 17	
Reclassified from "assets held for sale" reported in the previous year		10
Charge for the year	3	10
Amounts written off as uncollectible		– 8
Unused amounts reversed	– 2	– 2
Exchange differences	– 1	
Provision at end of year	32	31
Not impaired	1,588	1,695
Not past due	1,300	1,398
1 – 90 days past due	262	178
91 – 180 days past due	10	19
181 – 360 days past due	7	16
Over 360 days past due	9	84

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

Virtually all receivables over 360 days past due relate to a large-scale plant engineering project. Expected risks and revenue losses have been offset by credits.

The Alpiq Group holds collateral (bank guarantees) with an estimated fair value of CHF 53 million (2011: CHF 88 million) as security for impaired and for past due but not impaired trade receivables.

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

Liquidity risk

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

The contractual maturities of financial liabilities are presented on the next page. The counterparty's redemption option has been taken into account even if redemption currently seems unlikely. Where it is intended to refinance loans at the end of the contract term, but refinancing has not yet been contractually secured, a cash outflow on maturity is assumed. Accordingly, actual cash flows may differ significantly from the contractual maturities.

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

2012: Maturity analysis of financial liabilities

CHF million	Carrying amount	<1 month	1 – 3 months	4 – 12 months	1 – 5 years	>5 years	Cash flows Total
Non-derivative financial liabilities							
Trade payables	806	– 578	– 218	– 6	– 2	– 2	– 806
Bonds	3,283		– 31	– 64	– 2,226	– 1,470	– 3,791
Loans payable	1,124	– 2	– 5	– 21	– 538	– 800	– 1,366
Other financial liabilities	1,208	– 68	– 53	– 1,088	– 5	– 60	– 1,274
Derivative financial instruments							
Net carrying amount of derivative financial instruments	– 44						
Net carrying amount of energy derivatives	63						
Gross cash inflows		929	1,902	7,722	4,109		14,662
Gross cash outflows		– 851	– 1,868	– 7,606	– 4,089		– 14,414
Net carrying amount of interest rate/currency derivatives	– 107						
Gross cash inflows		239	355	507	683	45	1,829
Gross cash outflows		– 240	– 355	– 519	– 752	– 68	– 1,934

2011: Maturity analysis of financial liabilities

CHF million	Carrying amount	<1 month	1 – 3 months	4 – 12 months	1 – 5 years	>5 years	Cash flows Total
Non-derivative financial liabilities							
Trade payables	961	– 719	– 222	– 20			– 961
Bonds	3,081		– 31	– 61	– 1,842	– 1,667	– 3,601
Loans payable	1,444	– 2	– 5	– 35	– 961	– 701	– 1,704
Other financial liabilities	1,593	– 33	– 783	– 765	– 23	– 15	– 1,619
Derivative financial instruments							
Net carrying amount of derivative financial instruments	16						
Net carrying amount of energy derivatives	34						
Gross cash inflows		2,465	4,652	17,290	6,847		31,254
Gross cash outflows		– 2,474	– 4,627	– 17,285	– 7,000		– 31,386
Net carrying amount of interest rate/currency derivatives	– 18						
Gross cash inflows		538	771	570	399	102	2,380
Gross cash outflows		– 532	– 770	– 584	– 446	– 132	– 2,464

The potential outflow of resources arising from guarantees is shown in note 26.

Market risk

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

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

Energy price risk

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

Derivative financial instruments are used to hedge underlying physical transactions in line with the risk policy.

Interest rate risk

The Alpiq Group is exposed to risks arising from volatility in interest rates. Under its financial policy, liquid assets are invested on a short-term basis, while the necessary funding is obtained on a long-term basis. This means that a change in interest rates for assets has a direct impact on finance income. A change in interest rates for liabilities does not significantly affect finance costs due to the long-term nature of the financing arrangements. However, substantial differences may arise between the carrying amounts and fair value of settled financial transactions.

Foreign currency risk

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

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

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

Equity price risk

The Alpiq Group holds a number of minor financial investments that are recognised at fair value and are susceptible to equity price fluctuations. As a rule, they are not hedged.

Sensitivity analysis

An analysis of market risk exposures is presented below, showing how profit would have been affected by reasonably possible changes in the relevant risk variable. The 2012 analysis revealed that the possible impact on other comprehensive income would have been +/– CHF 5 million from interest rate derivatives (2011: +/– CHF 9 million), +/– CHF 0 million from foreign currency hedges (2011: +/– CHF 23 million) and +/– CHF 12 million (+/– CHF 15 million) from hedging transactions related to energy and energy services business.

Foreign currency risk sensitivity is based on financial instruments held at the reporting date. The reasonably possible changes in the relevant risk variable were determined based on historical fluctuations (over one year). A variation by +/– 1 standard deviation around the calculated mean is considered to be reasonably possible.

Sensitivity to interest rate risk on euro debt is measured by stress testing based on the six-month Euribor. Interest rate swap sensitivity is shown as the effect on the change in fair value that would result from a 1 % parallel shift in the yield curve.

The exposure to equity price movements is based on the weighted average 180-day volatility of the current securities portfolio during 2012.

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

Each type of risk is quantified assuming that all other variables remain constant.

CHF million	+/– Change 2011	+/– Effect on profit for 2011 (before tax)	+/– Change 2012	+/– Effect on profit for 2012 (before tax)
Energy price risk	94.6 %	32.3	90.8 %	57.4
EUR/CHF currency risk	15.0 %	209.2	1.6 %	14.1
EUR/USD currency risk	11.2 %	41.1	8.5 %	40.8
EUR/CZK currency risk	6.5 %	1.0	6.4 %	1.5
EUR/HUF currency risk	11.4 %	3.0	10.4 %	1.4
EUR/NOK currency risk	7.5 %	7.8	5.6 %	2.8
EUR/PLN currency risk	10.0 %	5.1	8.5 %	1.7
EUR/RON currency risk	4.8 %	0.2	4.0 %	0.3
USD/CHF currency risk	16.3 %	0.0	8.4 %	0.8
GBP/CHF currency risk	15.5 %	0.5		
Interest rate risk	1.0 %	61.7	1.0 %	56.1
Equity price risk	5.6 %	1.0	54.2 %	9.2

Notes to the Consolidated Financial Statements

1 Impairment charges and provisions

As explained in the introduction to the Financial Review on page 46, the results for 2012 like those for the previous year were significantly impacted by impairment charges resulting from economic and political changes, compounded by the more difficult market environment. These impairments relate to the cancellation of long-term power off-take contracts in Romania following the counterparty's insolvency. In addition, impairment losses had to be recognised as the market price expectations for electricity were revised downwards and because operations were stated at net realisable value. Particularly affected were the power generation assets in Switzerland, the gas-fired combined cycle power stations in Italy, France, Hungary and Spain, the coal-fired power stations in the Czech Republic and also the renewable energy generation facilities (wind farms and small power stations) in Switzerland and other countries. Furthermore, the market price forecasts meant that impairment charges and provisions had to be recognised for long-term purchase and supply contracts.

2012: Allocation of impairment charges and provisions/liabilities

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

1 Part of the disposal group reclassified at the reporting date (see note 32).
2 In the business combination between Atel and EOS in 2009, loss-making purchase and supply contracts were contributed by EOS and recorded among the Alpiq Group's non-current liabilities at the then fair value. Their valuation at current market prices at 31 December 2012 led to a reduction in the liabilities carried.

2011: Allocation of impairment charges and provisions (revised presentation)

CHF million		Property, plant and equipment	Intangible assets	Goodwill	Associates	Current assets	Total
Power Generation Switzerland	Energy Switzerland	80					80
Power Generation Czech Republic	Energy International				3		3
Power Generation Germany	Energy International	10					10
Power Generation Italy	Energy International	108	15		435		558
Power Generation France	Energy International	227					227
Power Generation Spain	Energy International	60	18	27			105
Sales Romania	Energy International		39				39
Alpiq InTec (AIT)	Energy Switzerland		2				2
Other impairment charges [1]	Energy International					78	78
Holding company, Group Centre and other	Holding company				385		385
	Group Centre	64					64
Total impairment of assets		**549**	**74**	**27**	**823**	**78**	**1,551**
Employee restructuring costs							30
Provision for loss-making contracts							104
Suspended projects and other provisions							60
Total restructuring and impairment charges							**1,745**

1 Part of the disposal group reclassified at the reporting date (see note 32).

The table has been restated to reflect the structure of the cash-generating units and business divisions at 31 December 2012. In 2011, there were no significant cash out expenses in connection with the restructuring programme.

The item “associates” comprises impairment losses as well as the cumulative translation differences of CHF 138 million relating to Edipower that had been recognised in other comprehensive income and were recycled to the income statement.

2 Own work capitalised and other operating income

Own work capitalised primarily comprises the construction work on the Group-owned K7 power generation project in the Czech Republic.

In 2012, other operating income rose by approximately CHF 210 million year on year, primarily due to the book gains realised on business disposals and to the compensation awarded in the arbitration proceedings against Polish energy generator PGE, which is recognised in this item.

3 Energy and inventory costs [1]

CHF million	2011	2012
Electricity purchased from third parties	8,665	7,886
Electricity purchased from joint ventures	463	508
Electricity purchased from other associates	110	102
Other energy purchases	1,048	978
Cost of inventories	1,211	1,064
Total before restructuring programme	**11,497**	**10,538**
Restructuring programme and provisions	113	– 53
Total	**11,610**	**10,485**

4 Employee costs [1]

CHF million	2011	2012
Wages and salaries	807	737
Defined benefit pension costs	39	35
Defined contribution pension costs	7	7
Other employee costs	133	115
Total before restructuring plan	**986**	**894**
Restructuring plan	30	
Total	**1,016**	**894**

Average number of employees

	2011	2012
Employees (full-time equivalents)	10,396	9,459
Apprentices	613	580
Total	**11,009**	**10,039**

Number of employees at the reporting date

	31 Dec 2011	31 Dec 2012
Employees (full-time equivalents)	10,588	7,340
Apprentices	620	586
Total	**11,208**	**7,926**

1 Prior year comparatives restated retrospectively; see explanatory notes on page 77.

5 Other operating expenses [1]

Other operating expenses of CHF 429 million in 2012 (2011: CHF 523 million) included restructuring costs of CHF 48 million (CHF 106 million).

6 Depreciation, amortisation and impairment [1]

CHF million	2011	2012
Depreciation of property, plant and equipment	319	273
Amortisation of energy purchase rights	166	106
Amortisation of other intangible assets	94	48
Impairment of property, plant and equipment and intangible assets	650	1,666
Impairment of "assets held for sale"		35
Total	**1,229**	**2,128**

"Impairment of assets held for sale" recognised in the statement of financial position includes write-downs of the assets of the transmission network companies. These write-downs became necessary because the transfer to Swissgrid of the transmission system operations already held for sale in the previous year was postponed for six months to the beginning of January 2013.

Information about impairment testing of goodwill and intangible assets is disclosed in note 12.

7 Finance costs and finance income [1]

CHF million	2011	2012
Finance costs		
Interest expense	– 192	– 193
Interest on provisions and non-current liabilities	– 15	– 12
Capitalised borrowing costs	5	4
Other finance costs (net)	– 3	– 63
Total	**– 205**	**– 264**
Finance income		
Dividend income from financial investments	1	3
Interest income	13	15
Net foreign exchange gains/(losses)	10	– 2
Total	**24**	**16**
Net finance costs	**– 181**	**– 248**

In 2012, the item "other finance costs" primarily included the losses on the sale of current asset investments (A2A) and impairment charges on non-current financial assets.

1 Prior year comparatives restated retrospectively; see explanatory notes on page 77.

8 Income tax expense

Income tax recognised directly in other comprehensive income

CHF million	2011	2012
Deferred income tax	13	5
Total	**13**	**5**

Income tax expense charged to the income statement [1]

CHF million	2011	2012
Current income tax	98	127
Deferred income tax	– 126	– 274
Total	**– 28**	**– 147**

Reconciliation [1]

CHF million	2011	2012
Profit/(loss) before income tax	– 1,374	– 1,233
Expected income tax rate (weighted average)	24.7 %	22.3 %
Income tax at the expected income tax rate	– 339	– 275
Increase/(decrease) in income tax expense due to:		
Effect of non-deductible expenses for tax purposes	185	164 [2]
Effect of adjustments in respect of prior periods	– 5	6
Effects of income exempt from tax	– 15	– 211 [2]
Effect of valuation of tax loss carry-forwards	141	174
Effect of changes in tax rates	5	– 10
Other effects		5
Total income tax expense	**– 28**	**– 147**
Effective income tax rate	2.0 %	11.9 %

2 These items are affected by the impact of impairment.

The expected income tax rate fell by 2.4 % year on year (2011: increased by 0.1 %).

Deferred tax assets and liabilities by origination of temporary differences

CHF million	31 Dec 2011	31 Dec 2012
Tax losses not yet used	21	25
Other non-current assets	7	5
Current assets	16	2
Provisions and liabilities	36	55
Total gross deferred tax assets	**80**	**87**
Property, plant and equipment	539	399
Other non-current assets	856	714
Current assets	30	48
Provisions and liabilities	161	126
Total gross deferred tax liabilities	**1,586**	**1,287**
Net deferred tax liability	**1,506**	**1,200**
Tax assets recognised in the statement of financial position	40	103
Tax liabilities recognised in the statement of financial position	1,546	1,303

At 31 December 2012, several subsidiaries had tax loss carry-forwards totalling CHF 1,341 million (2011: CHF 527 million) that are available for offset against future taxable profits.

Deferred tax assets are recognised for tax loss carry-forwards only to the extent that realisation of the related tax benefit is probable. The Alpiq Group has not recognised the tax benefit of tax loss carry-forwards of CHF 1,269 million (2011: CHF 468 million).

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

CHF million	31 Dec 2011	31 Dec 2012
Within 1 year	1	5
Within 2–3 years	23	17
After 3 years	444	1,247
Total	**468**	**1,269**

9 Earnings per share [1]

	2011	2012
Weighted average number of shares outstanding	27,189,873	27,189,873
Net profit/(loss) attributable to owners of Alpiq Holding (CHF million)	– 1,325	– 1,045
Earnings/(loss) per share (CHF)	**– 48.73**	**– 38.43**

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

1 Prior year comparatives restated retrospectively; see explanatory notes on page 77.

10 Property, plant and equipment

CHF million	Land and buildings	Power generation assets	Transmission assets	Other plant and equipment	Assets under construction	Total
Gross carrying amount at 31 December 2010	**395**	**4,193**	**1,638**	**496**	**963**	**7,685**
Acquisition/disposal of subsidiaries	15	358		1	11	385
Additions	4	77	25	92	212	410
Own work capitalised			3	13	86	102
Capitalised borrowing costs (3.1 % interest)					5	5
Transfers	3	694	5	7	– 743	– 34
Disposals	– 4	– 7	– 27	– 23	– 43	– 104
Reclassified to “assets held for sale”	– 70		– 826	– 220	– 122	– 1,238
Exchange differences	– 4	– 58		– 8	– 11	– 81
Gross carrying amount at 31 December 2011	**339**	**5,257**	**818**	**358**	**358**	**7,130**
Reclassified from “assets held for sale” reported in the previous year	26			71		97
Acquisition/disposal of subsidiaries	– 1	214		– 2	– 2	209
Additions	8	41	33	24	39	145
Own work capitalised			4		117	121
Capitalised borrowing costs (2.8 % interest)					4	4
Transfers	4	47	8	14	– 75	– 2
Disposals	– 15	– 11	– 2	– 22	– 9	– 59
Reclassified to “assets held for sale”	– 14	– 618	– 447	– 22	– 233	– 1,334
Exchange differences	– 1	– 16			– 2	– 19
Gross carrying amount at 31 December 2012	**346**	**4,914**	**414**	**421**	**197**	**6,292**
Accum. depreciation at 31 December 2010	**82**	**887**	**771**	**267**	**0**	**2,007**
Depreciation charge for the year	10	183	54	72		319
Impairment	5	447		62	35	549
Transfers		3	– 4			– 1
Disposals		– 1	– 23	– 22	– 35	– 81
Reclassified to “assets held for sale”	– 25		– 374	– 135		– 534
Exchange differences	– 1	– 22		– 6		– 29
Accum. depreciation and impairment at 31 December 2011	**71**	**1,497**	**424**	**238**	**0**	**2,230**
Reclassified from “assets held for sale” reported in the previous year	9			42		51
Depreciation charge for the year	12	186	31	44		273
Impairment		914		17	3	934
Disposals	– 13	– 10	– 1	– 21		– 45
Reclassified to “assets held for sale”	– 2	– 357	– 247	– 15		– 621
Exchange differences		– 6				– 6
Accum. depreciation and impairment at 31 December 2012	**77**	**2,224**	**207**	**305**	**3**	**2,816**
Net carrying amount at 31 December 2011	268	3,760	394	120	358	4,900
Net carrying amount at 31 December 2012	**269**	**2,690**	**207**	**116**	**194**	**3,476**

At the reporting date, the Group had contractual commitments of CHF 25 million (2011: CHF 33 million) for the construction and acquisition of property, plant and equipment.

The Alpiq Group operates a wind farm in Sicily, which is primarily funded through a long-term lease agreement. The net carrying amount of property, plant and equipment held under finance leases was CHF 65 million at 31 December 2012 (2011: CHF 0 million).

Commitments under finance leases:

CHF million	Minimum lease payments at 31 Dec 2011	Minimum lease payments at 31 Dec 2012	Present value at 31 Dec 2011	Present value at 31 Dec 2012
Within 1 year		4		4
Between 2 and 5 years		15		13
More than 5 years		46		31
Total	**0**	**65**	**0**	**48**
Finance charges		– 17		
Present value of minimum lease payments	**0**	**48**	**0**	**48**

The present value of minimum lease payments was CHF 48 million at the reporting date (2011: CHF 0 million), of which CHF 4 million (CHF 0 million) is reported as short-term borrowings and CHF 44 million (CHF 0 million) as long-term borrowings

11 Intangible assets

CHF million	Energy purchase rights	Goodwill	Other intangible assets	Total
Gross carrying amount at 31 December 2010	**2,135**	**659**	**510**	**3,304**
Acquisition/disposal of subsidiaries		67	91	158
Additions			22	22
Transfers			– 10	– 10
Disposals	– 627		– 10	– 637
Reclassified to “assets held for sale”		– 35	– 218	– 253
Exchange differences	– 5	– 9	– 11	– 25
Gross carrying amount at 31 December 2011	**1,503**	**682**	**374**	**2,559**
Reclassified from “assets held for sale” reported in the previous year		4	10	14
Acquisition/disposal of subsidiaries		24	15	39
Additions			14	14
Transfers		– 4	2	– 2
Disposals			– 10	– 10
Reclassified to “assets held for sale”			– 15	– 15
Exchange differences	– 4	– 5	– 2	– 11
Gross carrying amount at 31 December 2012	**1,499**	**701**	**388**	**2,588**
Accum. amortisation at 31 December 2010	**810**	**0**	**182**	**992**
Amortisation charge for the year	166		94	260
Impairment	39	27	35	101
Transfers			– 11	– 11
Disposals	– 627		– 9	– 636
Reclassified to “assets held for sale”			– 105	– 105
Exchange differences	– 3	– 1	– 2	– 6
Accum. amortisation and impairment at 31 December 2011	**385**	**26**	**184**	**595**
Reclassified from “assets held for sale” reported in the previous year			6	6
Amortisation charge for the year	106		48	154
Impairment	368	354	10	732
Disposals			– 4	– 4
Reclassified to “assets held for sale”			– 1	– 1
Exchange differences	– 2			– 2
Accum. amortisation and impairment at 31 December 2012	**857**	**380**	**243**	**1,480**
Net carrying amount at 31 December 2011	1,118	656	190	1,964
Net carrying amount at 31 December 2012	**642**	**321**	**145**	**1,108**

No borrowing costs were capitalised in 2011 and 2012.

The plant usage rights with indefinite useful lives and a value of CHF 45 million that were originally included in the carrying amount of “other intangible assets” are reported as “assets held for sale” at 31 December 2012 as in the previous year.

12 Impairment testing of goodwill, intangible assets and other assets

Goodwill and intangible assets with indefinite useful lives have been allocated to the following cash-generating units for impairment testing purposes:

CHF million	Pre-tax discount rate at 31 Dec 2011	Post-tax discount rate at 31 Dec 2011	Carrying amount at 31 Dec 2011	Pre-tax discount rate at 31 Dec 2012	Post-tax discount rate at 31 Dec 2012	Carrying amount at 31 Dec 2012
Power Generation Switzerland	7.3 %	5.4 %	380	6.2 %	4.7 %	249
Power Generation Hungary	14.0 %	12.4 %	45	14.9 %	7.0 %	13
Power Generation Czech Republic	9.5 %	8.3 %	50	6.1 %	5.2 %	0
Power Generation Spain	8.3 %	7.7 %	0			
Sales Central Europe	13.8 %	12.0 %	13	5.5 %	4.9 %	13
Sales Romania	12.7 %	11.2 %	47	8.7 %	7.7 %	0
Sales Italy	10.7 %	7.1 %	0			
Sales Spain	15.5 %	9.2 %	0	7.1 %	7.1 %	0
Sales Nordic	8.6 %	7.0 %	0			
Renewable Energy Sources Switzerland	6.5 %	4.4 %	17	5.8 %	4.8 %	0
Renewable Energy Sources Italy	8.7 %	7.1 %	51	10.1 %	7.2 %	0
Renewable Energy Sources Bulgaria	9.6 %	8.7 %	4	7.2 %	6.4 %	0
Grid Switzerland	5.1 %	4.0 %	0	5.1 %	4.0 %	0
Alpiq InTec (AIT)	7.5 %	6.2 %	49	7.2 %	5.9 %	44
Energie- und Anlagentechnik (EAT)	10.6 %	7.4 %	0	9.2 %	6.9 %	2
Total			**656**			**321**

In connection with the termination of long-term power off-take contracts in Romania due to the counterparty's insolvency, the "Sales Central Europe" cash-generating unit was redefined. Now local operations in Romania are classified as a separate cash-generating unit. Alpiq's disposal programme now includes the power generation facilities in the Czech Republic as well. Because of the change in strategy, the "Power Generation Central Europe" cash-generating unit was divided into the "Power Generation Czech Republic" and "Power Generation Hungary" units in the reporting period. The prior year presentation has been revised to reflect the new structures.

Power Generation Switzerland and Hungary, Renewable Energy Switzerland, Italy and Bulgaria

The recoverable amount used in testing goodwill for impairment is based on value in use, future cash flow and the current business plans approved by management. The following assumptions used in the value in use calculations are subject to estimation uncertainty: discount rate, energy prices, output volumes and generation costs.

The approved plans were prepared on the basis of past experience and normally cover a period of three to five years. The subsequent periods to the end of the useful lives of the assets are based on empirical values calculated by Alpiq or, where none exist, on inflation-adjusted values used in the current business plans. As the useful lives of the assets are known and the power generation profiles can be estimated based on past experience, Alpiq considers this approach to be reasonable. Discount rates reflect current market assessments of the risks specific to each cash-generating unit.

As a result of the impairment tests performed, impairment charges on goodwill were recognised for these cash-generating units in the current reporting year. For more details, please refer to note 1 "impairment charges and provisions" on page 90.

Sales Central Europe, Spain and Romania, Alpiq InTec (AIT) and Energie- und Anlagentechnik (EAT)

The recoverable amount used in testing goodwill for impairment is based on value in use, future cash flow and the current business plans approved by management. The following assumptions used in the value in use calculations are subject to estimation uncertainty: discount rate, cash flows and growth rates.

The approved plans were prepared on the basis of past experience and normally cover a period of three to five years. Cash flows in subsequent years were extrapolated. A zero growth rate was assumed for the latter. Discount rates reflect current market assessments of the risks specific to each cash-generating unit.

As a result of the impairment tests performed, no impairment charges on goodwill were recognised in the current reporting year, with the exception of Sales Spain and Romania.

The sales operations in Spain, which were classified as held for sale in the previous year, were not able to be sold in the current reporting year. As a result, those operations were closed down and the related goodwill written down as impaired.

In connection with the cancellation of long-term power off-take contracts in Romania due to the counterparty's insolvency, the entire goodwill of CHF 44 million was written off as impaired. As a result of the changed situation, an earn-out payment carried at CHF 2 million from 2009 no longer had to be paid, which led to a corresponding reduction in goodwill.

For more details, please refer to note 1 “impairment charges and provisions” on page 90.

The Energie- und Anlagentechnik (EAT) business of the AAT business unit was part of the disposal group reclassified in the previous year. As it was decided not to sell the EAT business, the related goodwill was reclassified in the statement of financial position in the reporting year.

Power Generation Czech Republic, Grid Switzerland

The disposal programme has now been extended to include the power generation facilities in the Czech Republic. In addition, the two transmission network companies were transferred to Swissgrid in January 2013. In impairment testing of goodwill and intangible assets with indefinite useful lives, the recoverable amount is therefore based on fair value less costs to sell. The fair value of Power Generation Czech Republic is based on management's best assessment, whereas the fair value of the two transmission network companies applies principles stipulated by the legislator.

As a result of the impairment tests performed, the goodwill of Power Generation Czech Republic was written off in full as impaired in the current reporting year. No impairment charges were required for the Grid Switzerland unit.

For more details, please refer to note 1 “impairment charges and provisions” on page 90 and “assets held for sale” on page 121.

No impairment of goodwill was required in the reporting year for the Sales Central Europe, Alpiq InTec (AIT) and Energie- und Anlagentechnik (EAT) cash-generating units. According to a sensitivity analysis, the values in use of the individual units still exceed their current carrying amounts even if there is a negative change in the material parameters.

Impairment tests of property, plant and equipment and intangible assets with finite useful lives were also performed. The recoverable amount used in the testing is based on value in use (with the exception of Power Generation Czech Republic, see page 100). The following discount rates were applied: Power Generation Switzerland (pre-tax discount rate: 6.2 %; post-tax rate: 4.7 %), Power

Generation Hungary (14.9 %; 7.0 %), Power Generation Italy (7.8 %; 6.1 %), Power Generation France (7.4 %; 5.3 %), Power Generation Spain (7.1 %; 7.1 %), Renewable Energy Italy (10.1 %; 7.2 %), Renewable Energy France (6.1 %; 5.7 %), Renewable Energy Bulgaria (7.2 %; 6.4 %), Renewable Energy Nordic (5.8 %; 4.2 %) and Sales Romania (8.7 %; 7.7 %). For details of impairment charges recognised, please refer to note 1 "impairment charges and provisions" on page 90.

13 Investments in joint ventures and other associates

CHF million	Joint ventures	Other associates	Total
Carrying amount at 31 December 2010	**3,772**	**1,801**	**5,573**
Acquisition/disposal of subsidiaries		3	3
Additions		1	1
Dividend	– 32	– 38	– 70
Share of profit	– 97	25	– 72
IAS 39 effects taken to equity		– 10	– 10
Impairment [1]		– 685	– 685
Reclassification		– 51	– 51
Disposals	– 5	– 22	– 27
Reclassified to "assets held for sale"		– 245	– 245
Exchange differences		3	3
Carrying amount at 31 December 2011	**3,638**	**782**	**4,420**
Reclassified from "assets held for sale" reported in the previous year		1	1
Additions	1	2	3
Dividend	– 32	– 10	– 42
Share of profit	– 60	– 5	– 65
IAS 39 effects taken to equity	– 17		– 17
Reclassified to "current asset investments"		– 126	– 126
Disposals	– 34	– 134	– 168
Reclassified to "assets held for sale"		– 304	– 304
Exchange differences		– 4	– 4
Carrying amount at 31 December 2012	**3,496**	**202**	**3,698**

1 Also see note 1 on pages 90 and 91.

During the reporting year, interests in joint ventures were reduced by sale. The share of unrealised losses recycled from equity in 2012 under IAS 39 and the proceeds of disposals resulted in a net gain of CHF 8 million. This gain has been recognised in the results of associates in the income statement. In the previous year, the 35.5 % interest in S.E.R.H.Y. S.A.S., Société d'études et de réalisations hydroélectriques, St-Amans-Soult/FR, was sold. As a result, cumulative translation losses of CHF 6 million recognised in equity were expensed against the results of associates in the income statement.

All significant joint ventures and other associates are valued in accordance with uniform IFRS principles. Reconciliations are prepared in cases where no financial statements prepared under IFRS are available.

The reporting date of a few joint ventures and other associates is different from that of the Group. The most recent available financial statements of these companies have been used for the Alpiq Group consolidation. Adjustments have been made in the consolidated financial statements for the effects of significant transactions and events that occurred between the most recent financial statements and 31 December.

The market value of the Group's interests in other associates listed on a stock exchange was CHF 47 million at 31 December 2012 (31 December 2011: CHF 588 million). The carrying amount of these companies was CHF 80 million at the reporting date (CHF 539 million). The Alpiq Group continuously monitors movements in the market value of the listed companies. If the carrying amount of individual companies significantly exceeds the Group's share of their market value for a prolonged period, the Group performs an impairment test based on current medium-term plans (value in use analysis).

Summarised financial information of joint ventures and other associates (Alpiq Group share)

	Joint ventures		Other associates	
CHF million	2011	2012	2011	2012
Non-current assets	7,013	6,983	1,159	263
Current assets	254	225	725	219
Non-current liabilities	3,324	3,342	643	161
Current liabilities	305	370	459	119
Revenue	633	707	1,194	878
Expenses	– 608	– 675	– 1,175	– 851

Under joint venture agreements in force, the shareholders of joint ventures are required to pay the annual costs attributable to their percentage ownership interests (incl. interest and repayment of liabilities). The Alpiq Group's share of the regular annual costs in 2012 was CHF 508 million (2011: CHF 463 million).

In addition, nuclear power plant owners are required to pay limited additional contributions to the decommissioning and waste disposal fund in the event that any one primary contributor is unable to make its payments.

14 Other non-current financial assets

CHF million	Financial investments	Loans receivable	Total
Carrying amount at 31 December 2010	**33**	**115**	**148**
Additions	8	32	40
Reclassifications	– 9	– 32	– 41
Disposals	– 5	– 10	– 15
Exchange differences		– 2	– 2
Carrying amount at 31 December 2011	**27**	**103**	**130**
Additions		5	5
Reclassifications	1	2	3
Disposals	– 8	– 16	– 24
Impairment	– 4	– 6	– 10
Reclassified to "assets held for sale"		– 1	– 1
Carrying amount at 31 December 2012	**16**	**87**	**103**

15 Inventories

At the reporting date, inventories primarily included fuels (gas and coal) carried at an amount of CHF 42 million (2011: CHF 70 million) as well as consumables and supplies valued at CHF 41 million (CHF 41 million).

16 Trade and other receivables

CHF million	31 Dec 2011	31 Dec 2012
Trade receivables	1,588	1,695
Prepayments to suppliers	30	41
Unbilled revenue		12
Other receivables	381	427
Total	**1,999**	**2,175**

Trade receivables from customers who are also suppliers are offset against the respective trade payables where netting agreements with the counterparties are in place. Receivables and payables offset under netting agreements amounted to CHF 1,957 million (2011: CHF 2,546 million).

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

CHF million	31 Dec 2011	31 Dec 2012
Unbilled revenue (gross)	604	1,061
Advances received from customers	– 646	– 1,049
Unbilled revenue (net)	**– 42**	**12**

The excess of CHF 42 million remaining after offsetting prepayments at 31 December 2011 is recognised as a liability in "advances from customers".

17 Cash and cash equivalents

CHF million	31 Dec 2011	31 Dec 2012
Cash at bank and in hand	840	1,102
Term deposits with a maturity of 90 days or less	36	120
Total	**876**	**1,222**

Cash at bank and in hand includes CHF 1 million (2011: CHF 8 million) restricted as collateral to energy trading exchanges and transmission system operators.

18 Current asset investments

This item comprises only securities held for trading. As Alpiq ceased to be represented on the Board of Directors of Italian energy supply utility A2A S.p.A., Milan/IT, it lost its significant influence over the company. For this reason, the interest held is now classified as “current asset investments” in the statement of financial position (2011: “investments in joint ventures and other associates”).

19 Equity

Share capital

The share capital of CHF 271.9 million (2011: CHF 271.9 million) consists of 27,189,873 registered shares of CHF 10 each (27,189,873 registered shares) and is fully paid up. Shareholders registered in the share register were:

%	Ownership interest at 31 Dec 2011	Ownership interest at 31 Dec 2012
EOS HOLDING SA (EOSH)	31.4	31.4
EDF Alpes Investissements Sàrl (EDFAI)	25.0	25.0
EBM (Genossenschaft Elektra Birseck)	13.6	13.6
EBL (Genossenschaft Elektra Baselland)	7.1	7.1
Canton of Solothurn	5.6	5.6
EnBW Energie Baden-Württemberg	2.3	2.3
Aziende Industriali di Lugano (AIL)	2.1	2.1
IBAarau (IBA)	2.0	2.0
Wasserwerke Zug (WWZ)	0.9	0.9
Free float	10.0	10.0

20 Provisions

CHF million	Provision for loss-making contracts	Provision for restructuring	Provision for decommis-sioning own power stations	Provision for warranties	Other provisions	Total
Balance of non-current provisions at 31 December 2011	**80**	**7**	**13**	**9**	**38**	**147**
Current provisions	102	37		1	17	157
Total provisions at 31 December 2011	**182**	**44**	**13**	**10**	**55**	**304**
Reclassified from “liabilities held for sale” reported in the previous year	6			4	9	19
Arising during the year	49	7	4	5	12	77
Unwinding of discount	2		1			3
Utilised	– 93	– 18		– 1	– 3	– 115
Unused amounts reversed	– 7	– 2		– 2	– 2	– 13
Reclassified					– 12	– 12
Reclassified to “liabilities held for sale”					– 1	– 1
Total provisions at 31 December 2012	**139**	**31**	**18**	**16**	**58**	**262**
Less current provisions	– 88	– 26		– 2	– 38	– 154
Balance of non-current provisions at 31 December 2012	**51**	**5**	**18**	**14**	**20**	**108**
Expected cash outflows						
Within 12 months	– 88	– 26		– 2	– 38	– 154
Within 1 – 5 years	– 51	– 5	– 8	– 6	– 16	– 86
After 5 years			– 10	– 8	– 4	– 22
Total	**– 139**	**– 31**	**– 18**	**– 16**	**– 58**	**– 262**

The provision for loss-making contracts covers existing obligations and identifiable risks arising from energy trading and sales business as determined at the reporting date. This item provides for liabilities expected in connection with long-term energy purchasing and supply.

The provision for restructuring covers costs expected to be incurred in future as a result of the ongoing restructuring programme. The provision includes costs arising in the course of restructuring and not relating to the Group’s continuing operations.

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

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

Other provisions comprise liabilities relating to human resources and other general operating risks estimated as probable. The current portion primarily consists of firm commitments to provide cost-of-living allowances to pensioners. It is planned to pay this portion of the provision into the pension fund in 2013 for future settlement.

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

21 Long-term borrowings

CHF million	31 Dec 2011	31 Dec 2012
Bonds at amortised cost	3,081	3,283
Loans payable	1,444	1,124
Total	**4,525**	**4,407**

Bonds outstanding at the reporting date

CHF million	Term	Earliest redemption date	Effective interest rate %	Carrying amount at 31 Dec 2011	Carrying amount at 31 Dec 2012
Alpiq Holding Ltd. CHF 275 million face value, 2 % fixed rate	2012/2017	13 Apr 2017	2.161		273
Alpiq Holding Ltd. CHF 25 million face value, 2 % fixed rate	2012/2017	13 Apr 2017	2.139		25
Alpiq Holding Ltd. CHF 200 million face value, 3 % fixed rate	2012/2022	16 May 2022	3.056		199
Alpiq Holding Ltd. CHF 200 million face value, 3 % fixed rate	2009/2014	10 Feb 2014	3.201	199	200
Alpiq Holding Ltd. CHF 25 million face value, 3 3/8 % fixed rate	2008/2014	30 Oct 2014	3.559	25	25
Alpiq Holding Ltd. CHF 150 million face value, 3 3/8 % fixed rate	2008/2014	30 Oct 2014	3.600	149	149
Alpiq Holding Ltd. CHF 250 million face value, 3 1/4 % fixed rate	2009/2015	3 Jul 2015	3.447	248	249
Alpiq Holding Ltd. CHF 250 million face value, 4 % fixed rate	2009/2017	10 Feb 2017	4.174	248	248
Alpiq Holding Ltd. CHF 160 million face value, 3 7/8 % fixed rate	2008/2018	30 Oct 2018	4.022	158	159
Alpiq Holding Ltd. CHF 40 million face value, 3 7/8 % fixed rate	2008/2018	30 Oct 2018	4.020	40	40
Alpiq Holding Ltd. CHF 500 million face value, 3 % fixed rate	2009/2019	25 Nov 2019	3.181	494	494
Alpiq Holding Ltd. CHF 300 million face value, 3 1/8 % fixed rate [1, 2]	2003/2013	16 Sep 2013	3.125	300	300
Alpiq Holding Ltd. CHF 250 million face value, 3 1/4 % fixed rate [2]	2008/2015	25 Mar 2015	3.547	248	249
Alpiq Holding Ltd. CHF 250 million face value, 2 5/8 % fixed rate [2]	2006/2018	1 Mar 2018	2.790	248	248
Alpiq Holding Ltd. CHF 125 million face value, 2 7/8 % fixed rate [2]	2006/2014	22 Sep 2014	3.107	124	125
Alpiq Holding Ltd. CHF 250 million face value, 1 3/8 % fixed rate	2011/2016	20 Sep 2016	1.553	248	248
Alpiq Holding Ltd. CHF 225 million face value, 2 1/4 % fixed rate	2011/2021	20 Sep 2021	2.399	222	222
Emosson SA CHF 130 million face value, 2 1/4 % fixed rate [1]	2005/2017	26 Oct 2017	2.250	130	130

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

The market value of fixed rate bonds outstanding at the reporting date was CHF 3,748 million (2011: CHF 3,291 million). The weighted interest rate on bonds issued at the reporting date, relative to face value, was 2.88 % (2.96 %). Bonds of CHF 300 million (CHF 0 million) maturing within 360 days are included in short-term borrowings at the reporting date on 31 December 2012. Their market value is CHF 305 million (CHF 0 million).

Loans payable

CHF million	31 Dec 2011	31 Dec 2012
Maturing between 1 and 5 years	848	445
Maturing in more than 5 years	596	679
Total	**1,444**	**1,124**

The market value of loans payable was CHF 1,124 million at the reporting date (2011: CHF 1,444 million). The weighted interest rate on loans payable at the reporting date, relative to nominal value, was 2.47 % (2.90 %). Loans of CHF 529 million maturing within 360 days are included in short-term borrowings at the reporting date on 31 December 2012 (CHF 1,331 million).

22 Other non-current liabilities

CHF million	31 Dec 2011	31 Dec 2012
Written put options	3	3
Other non-current payables	228	109
Total	**231**	**112**
Maturities		
Between 1 and 5 years	212	48
More than 5 years	19	64
Total	**231**	**112**

23 Other current liabilities

CHF million	31 Dec 2011	31 Dec 2012
Trade payables	961	806
Other payables	364	332
Advances from customers	61	83
Total	**1,386**	**1,221**

Trade payables to suppliers who are also customers are offset against the respective trade receivables where netting agreements with the counterparties are in place. Payables and receivables offset under netting agreements amounted to CHF 1,957 million (2011: CHF 2,546 million).

24 Related party transactions

EOS Holding and EDFAI have significant influence over the Alpiq Group and are referred to below as “other related companies”. For information about the relationship with associates and joint ventures, please refer to the accounting policies. Details of transactions between the Group and its employee pension schemes are presented in note 25.

2012: Transactions between the Group and related companies

CHF million	Other associates	Joint ventures	Other related companies
Total revenue and other income			
Revenue from energy sales	355	51	414
Other service revenue	1	58	5
Operating expenses			
Energy costs	– 102	– 508	– 333
Other service costs	– 57	– 1	– 2
Finance income and costs			
Interest income		2	
Interest expense			– 18

Outstanding balances with related companies at the reporting date

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

At the end of 2012, the Alpiq Group had contractual power off-take arrangements with joint ventures. Electricity is purchased according to the ownership interest, but no volumes have been contractually agreed upon. Power generation capacity depends on optimum utilisation of the power stations. The associate’s power generation costs are borne on a cost-plus basis.

Outstanding non-financial energy trading contracts with other associates and other related parties at 31 December 2012 had a contract volume of 27 TWh (2011: 144 TWh) and a gross value of CHF 2 billion (CHF 9 billion).

For information about outstanding non-financial energy trading transactions with joint ventures, please refer to note 13.

Directors and key management personnel (restated)

In 2012, Directors of the Alpiq Group received aggregate remuneration of CHF 3.9 million (2011: CHF 3.9 million). As in the previous year, no termination benefits were paid. Remuneration paid to the Executive Board in the same period totalled CHF 3.7 million (CHF 9.4 million), of which regular remuneration accounted for CHF 3.2 million (CHF 7.2 million) and pension benefits for CHF 0.5 million (CHF 2.2 million). As in the previous year, no termination benefits were paid.

2011: Transactions between the Group and related companies

CHF million	Other associates	Joint ventures [1]	Other related companies
Total revenue and other income			
Revenue from energy sales	788	41	482
Other service revenue	– 647	42	
Operating expenses			
Energy costs	– 110	– 463	– 1,030
Other service costs	– 67	– 1	– 1
Finance income and costs			
Interest income		3	
Interest expense			– 21

1 Prior year comparatives restated retrospectively; see explanatory notes on page 77.

Outstanding balances with related companies at the reporting date

CHF million	Other associates	Joint ventures	Other related companies
Receivables			
Trade receivables	29	17	36
Non-current financial receivables	3	56	
Current financial receivables	269		
Other receivables	1		
Payables			
Trade payables	35	6	29
Non-current financial payables		3	320
Current financial payables		40	300

25 Retirement benefit obligations

Net benefit expense recognised in the income statement [1]

CHF million	2011	2012
Current service cost	35	33
Interest cost	35	33
Expected return on plan assets	– 37	– 32
Actuarial (gains)/losses recognised in the year (§ 92 f)	3	6
Actuarial (gains)/losses recognised in the year (§ 58 A)		1
Past service cost	3	– 2
Effect of the limit in § 58(b)		– 1
Plan amendment/settlement		– 3
Net benefit expense	**39**	**35**

Difference between the expected and actual return on plan assets [1]

CHF million	2011	2012
Expected return on plan assets	37	32
Actuarial gains/(losses) on plan assets	– 39	14
Actual return on plan assets	**– 2**	**46**

Amounts for the current and previous four reporting periods

CHF million	2008	2009	2010	2011 [2]	2012
Present value of defined benefit obligation	780	1,048	1,156	1,075	1,161
Fair value of plan assets	580	865	915	912	885
Deficit/(surplus) in all plans	200	183	241	163	276
Deficit/(surplus) in funded plans only	57	36	116	163	176
Experience adjustments on plan liabilities	42	10	12	– 9	9
Experience adjustments on plan assets	– 107	52	– 5	– 39	14

1 Prior year comparatives restated retrospectively; see explanatory notes on page 77.
2 The Alpiq Anlagentechnik Group (AAT) was part of a disposal group at 31 December 2011, so the deficit of CHF 91 million is not included in these amounts.

Retirement benefit obligations recognised in the statement of financial position

CHF million	31 Dec 2011	31 Dec 2012
Present value of funded defined benefit obligation	1,075	1,061
Fair value of plan assets	912	885
Deficit/(surplus)	163	176
Present value of unfunded defined benefit obligation		100
Unrecognised actuarial gains/(losses)	– 144	– 177
Net liability in the statement of financial position	**19**	**99**
Recognised asset	– 15	– 17
Recognised liability	34	116

Changes in the present value of the defined benefit obligation

CHF million	2011	2012
Defined benefit obligation at 1 January	**1,156**	**1,075**
Reclassified from “liabilities held for sale” reported in the previous year		92
Interest cost	35	33
Current service cost	35	33
Contributions by plan participants	17	20
Past service cost	3	– 2
Benefits paid	– 50	– 72
Plan amendment/settlement		12
Actuarial (gains)/losses	13	77
Reclassified to “liabilities held for sale”	– 131	– 106
Exchange differences	– 3	– 1
Defined benefit obligation at 31 December	**1,075**	**1,161**

Changes in the fair value of plan assets

CHF million	2011	2012
Fair value of plan assets at 1 January	**915**	**912**
Reclassified from “liabilities held for sale” reported in the previous year		1
Expected return on plan assets	37	32
Contributions by employer	34	37
Contributions by plan participants	17	20
Benefits paid	– 50	– 66
Plan amendment/settlement		20
Actuarial gains/(losses)	– 39	14
Reclassified to “liabilities held for sale”	– 2	– 85
Fair value of plan assets at 31 December	**912**	**885**

Analysis of the fair value of plan assets

CHF million	31 Dec 2011	31 Dec 2012
Equity instruments of third parties	320	335
Debt instruments of third parties	385	382
Property not occupied by the company	136	126
Other	71	42
Total fair value of plan assets	**912**	**885**

The long-term rate of return was determined based on the investment strategy of the pension funds and the expected return on each asset class over the average remaining service lives of employees.

Actuarial assumptions used in the calculations [1]

%	2011	2012
Discount rate	2.87	2.23
Expected rate of return on plan assets	3.50	3.50
Future salary increases	1.54	1.36
Future pension increases	0.21	0.16

Expected contributions by the employer and plan participants for the next period [1]

CHF million	2012	2013
Contributions by employer	36	36
Contributions by plan participants	16	19

26 Contingent liabilities and guarantees

At the reporting date, obligations arising from performance bonds, guarantees or similar contingent liabilities in respect of associates or third parties amounted to CHF 73 million (2011: CHF 0 million). Alpiq is jointly and severally liable for all consortia in the form of ordinary partnerships involving Group companies. Apart from holding interests in several ordinary partnerships, Alpiq is leading the Transtec Gotthard consortium. For information on other obligations related to joint ventures, please refer to note 13.

27 Pledged assets

CHF million	31 Dec 2011	31 Dec 2012
Mortgaged property	3	2
Interests in generation facilities	143	224
Total	**146**	**226**

1 Prior year comparatives restated retrospectively; see explanatory notes on page 77.

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

28 Events after the reporting period

On 3 January 2013, Alpiq transferred its interest in the Swiss extra-high voltage transmission system to Swissgrid, the national grid company. It was transferred at the carrying amounts at 31 December. For this transaction, Alpiq is receiving Swissgrid shares and a loan receivable of more than CHF 400 million, which will be paid off in stages. An initial tranche of CHF 223 million was repaid in January 2013.

29 Segment information

The Alpiq Group's segment reporting is based on the Group's internal organisational and management structure and the internal financial information reported to the chief operating decision maker. This is consistent with the requirements of IFRS 8, the so-called "management approach".

The reportable segments under IFRS 8 consist of three business divisions, as shown in the organisation chart on page 25 of the Annual Review 2012. The Executive Board evaluates each of these separately for the purpose of assessing performance and allocating resources. The CEO has ultimate responsibility. The key measure of performance used for internal management and assessment of the Alpiq Group is segment profit (EBITDA). Operating costs comprise energy purchase and generation costs as well as all other operating costs, including employee benefits and services used. Amounts derived from management reporting require no adjustment for financial reporting as the same accounting policies are used for internal and external reporting. Alpiq dissolved the Energy Services business division on 4 November 2011, transferring the Renewable Energy Sources and Alpiq Anlagentechnik business units to the Energy International business division, and the Alpiq InTec (AIT) business unit to the Energy Switzerland business division. Prior year segment information has been restated for comparability.

- The Energy Switzerland business division comprises power generation in power stations owned by the Group or operated by joint ventures as well as sales to end customers and sales partners in Switzerland. All transmission network activities and the Swiss-based Alpiq InTec (AIT) energy services group are also included in this business division. The AIT Group focuses mainly on building services and transport technology in Switzerland and Italy.

- The Energy International business division includes energy generation, energy sales, trading and distribution in the Italian, French, Spanish, Scandinavian, Polish, Czech and Hungarian markets, as well as other countries in Central Europe. The operations of the international Renewable Energy Sources business unit and the German-based Alpiq Anlagentechnik (AAT) energy services group are also included in this business division. The Renewable Energy Sources business unit groups together the combined new renewable energy operations, especially in wind power and small hydroelectric facilities, in Switzerland and across Western and Central Europe. The German-based AAT Group primarily engages in the core businesses of industrial and power plant engineering (Energie- und Anlagentechnik/EAT), and energy supply and communications technology (EST) across much of Europe. The EST business was sold at the beginning of September 2012.

- The Optimisation & Trading business division includes the Swiss and European trading activities in electricity, gas, other commodities and certificates. Following the change in business model, Optimisation & Trading has been trading directly on behalf of the other business divisions since the 2012 financial year. As a result, Optimisation & Trading's own sales revenue and volume has decreased significantly. The change in internal processes is also reflected in the reduction in internal transactions.

Business division profit is reconciled to the Alpiq Group's consolidated figures with the inclusion of the holding company, Group Centre, other companies and consolidation adjustments in the Group. This includes results of investments which cannot be directly allocated to the business divisions (financial and non-strategic investments), the activities of the Group headquarters, including Group-wide IT, consolidation adjustments and eliminations, as well as items of expense and income that cannot be influenced at business division level.

2012: Information by business division

CHF million	Energy Switzerland	Energy International	Optimisation & Trading	Group holding company, Group Centre, other and consolidation	Alpiq Group
External revenue from energy sales/ construction contracts	5,424	7,364	46	– 103	12,731
Revenue from energy and financial derivatives					
– Proprietary trading			– 12		– 12
– Hedges	– 25	1	5	10	– 9
Total external net revenue	**5,399**	**7,365**	**39**	**– 93**	**12,710**
Inter-segment transactions	152	43	51	– 246	0
Total net revenue	**5,551**	**7,408**	**90**	**– 339**	**12,710**
Other income	75	36	2	109	222
Gain on disposals/income from arbitration proceedings		210			210
Total revenue and other income	**5,626**	**7,654**	**92**	**– 230**	**13,142**
Operating costs	– 4,924	– 7,094	– 91	162	– 11,947
Impairment charges and provisions	54	– 52	3		5
EBITDA before impairment charges and provisions, plus gain on disposals/income from arbitration proceedings	**702**	**350**	**1**	**– 68**	**985**
EBITDA	**756**	**508**	**4**	**– 68**	**1,200**
Depreciation and amortisation	– 291	– 149		– 25	– 465
Impairment of property, plant and equipment and intangible assets	– 799	– 847		– 17	– 1,663
EBIT before impairment charges and provisions, plus gain on disposals/income from arbitration proceedings	**411**	**201**	**1**	**– 93**	**520**
EBIT	**– 334**	**– 488**	**4**	**– 110**	**– 928**
Number of employees at the reporting date	4,543	2,947	170	266	7,926
Property, plant and equipment	2,504	862		110	3,476
Intangible assets	1,006	70		32	1,108
Investments in associates	3,600	89		9	3,698
Total non-current assets	**7,110**	**1,021**	**0**	**151**	**8,282**
Net capital expenditure on property, plant and equipment and intangible assets	– 111	– 62		– 3	– 176

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

Outstanding financial energy trading contracts with third parties at 31 December 2012 had a contract volume of 0.670 TWh (31 December 2011: 2.635 TWh). The gross values of these contract volumes at 31 December 2012 were 696.6 TWh (2011: 918.7 TWh) or CHF 29 billion (CHF 66 billion).

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

2011: Information by business division (restated)

CHF million	Energy Switzerland	Energy International	Optimisation & Trading	Group holding company, Group Centre, other and consolidation	Alpiq Group
External revenue from energy sales/ construction contracts	3,221	7,900	2,916	– 67	13,970
Revenue from energy and financial derivatives					
– Proprietary trading			17		17
– Hedges	46	– 10	– 12	– 27	– 3
Impairment charges and provisions	– 23				– 23
Total external net revenue	**3,244**	**7,890**	**2,921**	**– 94**	**13,961**
Inter-segment transactions	1,118	701	1,520	– 3,339	0
Total net revenue	**4,362**	**8,591**	**4,441**	**– 3,433**	**13,961**
Other income	72	36	1	96	205
Total revenue and other income	**4,434**	**8,627**	**4,442**	**– 3,337**	**14,166**
Operating costs	– 3,676	– 8,140	– 4,484	3,320	– 12,980
Impairment charges and provisions	– 62	– 141	– 3	– 43	– 249
EBITDA before impairment charges and provisions	**781**	**487**	**– 42**	**– 17**	**1,209**
EBITDA	**696**	**346**	**– 45**	**– 60**	**937**
Depreciation and amortisation	– 288	– 234		– 57	– 579
Impairment of property, plant and equipment and intangible assets	– 82	– 504		– 64	– 650
EBIT before impairment charges and provisions	**493**	**253**	**– 42**	**– 74**	**630**
EBIT	**326**	**– 392**	**– 45**	**– 181**	**– 292**
Number of employees at the reporting date	4,371	6,245	178	414	11,208
Property, plant and equipment	3,120	1,644		136	4,900
Intangible assets	1,566	398			1,964
Investments in associates	3,746	225		449	4,420
Total non-current assets	**8,432**	**2,267**	**0**	**585**	**11,284**
Net capital expenditure on property, plant and equipment and intangible assets	– 170	– 189		– 41	– 400

2012: Information by geographical area

CHF million	Switzerland	Italy	Germany	France	Poland	Spain	Czech Republic	Other countries	Alpiq Group
External revenue	3,137	2,198	2,054	1,506	570	841	338	2,066	12,710
Property, plant and equipment [1]	2,524	476	41	159			10	266	3,476
Intangible assets [1]	957	62	5	16	8	15	2	43	1,108
Investments in associates [1]	3,366	324						8	3,698
Total non-current assets	**6,847**	**862**	**46**	**175**	**8**	**15**	**12**	**317**	**8,282**

1 Excluding assets held for sale.

2011: Information by geographical area (restated)

CHF million	Switzerland	Italy	Germany	France	Poland	Spain	Czech Republic	Other countries	Alpiq Group
External revenue	2,925	2,490	2,698	1,921	487	637	310	2,493	13,961
Property, plant and equipment [1]	3,171	513	5	282		106	525	298	4,900
Intangible assets [1]	1,605	102	12	24	8	32	27	154	1,964
Investments in associates [1]	4,078	337						5	4,420
Total non-current assets	**8,854**	**952**	**17**	**306**	**8**	**138**	**552**	**457**	**11,284**

1 Excluding assets held for sale.

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

30 Business combinations

Business combinations in 2012

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

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

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

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

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

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

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

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

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

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

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

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

The transaction costs for the above acquisitions were immaterial and were recognised in the income statement.

Other acquisitions

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

Business combinations in 2011

In 2011, the following companies were acquired and included in the consolidated financial statements:

- Energy Switzerland business division:
  22 Jul 2011: 100 % of Albin Baeriswyl SA, Fribourg/CH
  23 Aug 2011: 100 % of Xamax AG, Embrach/CH
  8 Sep 2011: 100 % of Meister + Brülisauer Haustechnik AG, Aadorf/CH
  8 Sep 2011: 100 % of Robert Schellenberg AG, Winterthur/CH

- Energy International business division:
  8 Mar 2011: 100 % of Alpiq Wind Italia S.r.l., Verona/IT
  31 Mar 2011: 100 % of ANALP Gestion S.A.U., Barcelona/ES
  29 May 2011: 100 % of Tysvær Vindpark AS, Rogaland/NO
  1 Jul 2011: 100 % of Madland Kraftverk AS, Billingstad/NO
  1 Jul 2011: 90 % of Sevre Kraftverk AS, Nesbyen/NO
  7 Jul 2011: 100 % of Sabloal Energie Eoliana S.R.L., Oradea/RO

The acquisition costs totalled CHF 396 million. Fair values were allocated as follows in the statement of financial position:

	Energy International business division			Energy Switzerland business division	
CHF million	Power Generation Spain	Renewable Energy Italy	Renewable Energy Other	Alpiq InTec (AIT)	Sales Switzerland
Property, plant and equipment	180	184	23		
Intangible assets	73	2	12		4
Financial assets		3			
Deferred income tax assets		2			
Cash and cash equivalents		31	1		1
Other current assets		29	1	6	
Short- and long-term borrowings		– 102	– 24	– 1	
Other current and non-current liabilities		– 29		– 3	
Deferred income tax liabilities	– 21	– 38	– 4		– 1
Net assets	**232**	**82**	**9**	**2**	**4**
Net assets acquired	**232**	**82**	**9**	**2**	**4**
Goodwill arising on acquisition	28	38		1	
Net cash flow on acquisition:					
Cash and cash equivalents acquired with subsidiaries		31	1		1
Acquisition costs	– 260	– 120	– 9	– 3	– 4
Deferred consideration liabilities	4				
Previously held equity interests at fair value		59			
Cash flows in prior periods		29	1		
Net cash flow	**– 256**	**– 1**	**– 7**	**– 3**	**– 3**

Alpiq Wind Italia S.r.l., Verona/IT

With effect from March 2011, Alpiq acquired the remaining 51 % equity interest in Eolo Tempio Pausania S.r.l together with the Ramacca wind farm for a consideration of CHF 61 million in cash. The acquisition costs of CHF 120 million consisted of this purchase consideration and the remeasurement of the previously held equity interest. The resulting net cash outflow was CHF 1 million. Goodwill represented that portion of the purchase consideration that could not be allocated to other categories of assets, primarily comprising synergies expected from integrating the wind farm into Alpiq's power generation and sales portfolio and from optimising cost and process structures. From the date of acquisition, the contribution to revenue was CHF 22 million and the contribution to consolidated Group profit/(loss) was approximately CHF 5 million for 2011.

ANALP Gestion S.A.U., Barcelona/ES

At the end of March 2011, Alpiq acquired a 100 % interest in the Plana del Vent power station. This comprised the purchase of a 400 MW generating unit of the gas-fired Plana del Vent facility and the right to use a second unit for 24 months, with a purchase option at the end of the two-year period. A consideration of CHF 260 million was paid in cash for the acquisition. The goodwill recognised on the acquisition was attributable to synergies expected to arise from optimised support of sales activities in Spain and to putting established Group processes in place.

From the date of acquisition, the contribution to revenue was approximately CHF 63 million and the contribution to consolidated Group profit/(loss) was CHF 1 million for 2011. The transaction costs in 2011 amounted to approximately CHF 1 million and were recognised in the income statement.

Other acquisitions

The other acquisitions were insignificant to the consolidated results of the Alpiq Group. Revenue from the date of acquisition totalled CHF 12 million. If the acquisitions had taken place on 1 January 2011, consolidated revenue would have been CHF 23 million higher and Group profit would have been CHF 1 million higher. The transaction costs were immaterial and were recognised in the income statement.

31 Business disposals

The following companies were disposed of during the reporting period:

- Energ.it S.p.A., Cagliari/IT
- Energiakolmio OY, Jyväskylä/FI
- Kraftwerk Havelland GmbH, Leipzig/DE
- Companies comprising the Energy Supply Technology business unit of Alpiq Anlagentechnik GmbH, Heidelberg/DE (a detailed list is presented in acquisitions and disposals of fully consolidated companies on page 78.)

Alpiq Denmark A/S, Ålborg/DK, and Biogas neu Kosenow GmbH & Co KG, Hamburg/DE, were sold in the previous year.

Gains realised on the disposals are recognised in other operating income (positive CHF 156 million) and losses in the relevant expense items (negative CHF 20 million).

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

CHF million	2011	2012
Property, plant and equipment	2	86
Intangible assets (incl. goodwill)		37
Deferred income tax assets		7
Cash and cash equivalents		26
Other current assets		262
Short- and long-term borrowings	– 2	– 32
Other current and non-current liabilities		– 278
Deferred income tax liabilities		– 22
Non-controlling interests		– 4
Net assets disposed of	**0**	**82**

In 2011, the cash flows arising on the disposal of these subsidiaries were insignificant:

Net cash flow on disposal

CHF million	2011	2012
Cash and cash equivalents disposed of with subsidiary		– 26
Consideration received		249
Net cash flow	**0**	**223**

32 Assets held for sale

As part of the restructuring programme launched in the second half of 2011, Alpiq announced plans to sell the AAT business unit and its 20 % interest in Edipower and to dispose of various sales operations by sale or closure. Furthermore, Alpiq believed that the operations of the two transmission network companies, Alpiq Grid Ltd Lausanne and Alpiq Grid Ltd. Gösgen, would be transferred to Swissgrid as required by the Federal Electricity Supply Act (StromVG) and applicable Ordinance (StromVV). Based on these assumptions and estimates, AAT was reported as "discontinued operations" in Alpiq's consolidated financial statements for 2011, while the interest in Edipower and the above-mentioned sales operations and transmission network companies were presented as "assets held for sale" and "liabilities held for sale".

The sales of Edipower, Energ.it and Energiakolmio were completed in 2012, while the transfer of the transmission operations was postponed to January 2013. With regard to the disposal of AAT's operations, the sale of the Energy Supply Technology (EST) business was completed in early September 2012. However, it was decided not to sell AAT's second business, Energie- und Anlagentechnik (EAT). For this reason, the related assets and liabilities are no longer reported as "assets held for sale" and "liabilities held for sale" in Alpiq's consolidated statement of financial position. As the EST business alone does not qualify as a discontinued operation, it is no longer presented separately as "discontinued operations" in the consolidated income statements for 2011 and 2012.

In the reporting period, Alpiq also decided to close down the sales companies in Spain, Germany and Norway. In the financial statements for 2011, it was assumed that these units would be sold. Due to the changed situation, the companies concerned were reclassified at 31 December 2012. Until their closure, these units will not take on any new activities and will merely fulfil the remaining contractual obligations.

Due to the plans for their sale, the energy supply company Società Elettrica Sopracenerina SA (SES), the power generation facilities of Alpiq Generation (CZ) s.r.o., the interests in Repower AG and Romande Energie Holding SA, and the operations of the transmission network companies have been reported as "assets held for sale" in the statement of financial position at 31 December 2012.

Assets

CHF million	31 Dec 2011	31 Dec 2012
Property, plant and equipment	704	1,306
Intangible assets	148	107
Investments in associates	245	304
Other non-current financial assets		1
Deferred income tax assets	43	10
Inventories	11	26
Trade and other receivables	510	55
Cash and cash equivalents	137	27
Derivative financial instruments	32	
Prepayments and accrued income	8	13
Total assets held for sale	**1,838**	**1,849**

Liabilities [1]

CHF million	31 Dec 2011	31 Dec 2012
Provisions	28	1
Deferred income tax liabilities	47	30
Retirement benefit obligations	120	1
Long-term borrowings		82
Other non-current liabilities	3	20
Current income tax liabilities	2	7
Short-term borrowings	25	2
Other current liabilities	449	78
Derivative financial instruments	30	
Accruals and deferred income	24	23
Total liabilities held for sale	**728**	**244**

Impairment losses recognised on assets held for sale are disclosed in note 1 on page 90.

Income and expense relating to disposal groups and assets held for sale that are recognised in other comprehensive income rather than profit or loss comprise foreign currency translation gains of CHF 27 million (2011: losses of CHF 49 million), expense of CHF 5 million related to IAS 39 effects (CHF 0 million) and losses of CHF 0 million on cash flow hedges (CHF 4 million).

1 Prior year comparatives restated retrospectively; see explanatory notes on page 77.

Subsidiaries and Investments

Holding and finance companies

	Place of incorporation	Currency	Issued capital in millions	Direct ownership interest in % (voting rights)	Consoli-dation method	Business activity	Reporting date
Alpiq Holding Ltd.	Lausanne	CHF	271.90	100.0	F	H	31 Dec
Alpiq Deutschland GmbH [1]	Heidelberg/DE	EUR	10.00	100.0	F	H	31 Dec
Alpiq Finance Ltd.	St. Helier/JE	EUR	1.15	100.0	F	S	31 Dec
Alpiq Finanzbeteiligungen Ltd.	Olten	CHF	0.10	100.0	F	H	31 Dec
Alpiq Re (Guernsey) Ltd.	Guernsey/GB	EUR	3.00	100.0	F	S	31 Dec
Motor-Columbus Ltd.	Olten	CHF	2.00	100.0	F	S	31 Dec

1 Merged with Alpiq Energie Deutschland AG.

Energy companies

	Place of incorporation	Licence expiry	Currency	Issued capital in millions	Direct ownership interest in % (voting rights)	Consoli-dation method	Business activity	Reporting date
Aare-Tessin Ltd. for Electricity	Olten		CHF	0.05	100.0	F	S	31 Dec
Aarewerke AG	Klingnau	2015	CHF	16.80	10.1	E	G	30 Jun
AEK Energie AG	Solothurn		CHF	6.00	38.7	E	SU	31 Dec
Aero Rossa S.r.l. [1]	Aragona/IT		EUR	2.20	100.0	F	G	31 Dec
AlpEnergie Suisse S.à.r.l.	Lausanne		CHF	0.02	100.0	F	S	31 Dec
Alpiq Ltd. [2]	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 Erőmű Kft.	Budapest/HU		HUF	856.00	100.0	F	G	31 Dec
Alpiq Csepeli Szolgáltató Kft.	Budapest/HU		HUF	20.00	100.0	F	S	31 Dec
Alpiq EcoPower Ltd.	Olten		CHF	0.50	100.0	F	S	31 Dec
Alpiq EcoPower Italia Ltd.	Olten		CHF	0.50	100.0	F	S	31 Dec
Alpiq EcoPower Scandinavia AS	Oslo/NO		NOK	50.00	100.0	F	G	31 Dec
Alpiq EcoPower Switzerland Ltd.	Olten		CHF	25.00	100.0	F	G	31 Dec
Alpiq Energía España S.A.U. [3]	Barcelona/ES		EUR	17.50	100.0	F	SU	31 Dec
Alpiq Energia Italia S.p.A.	Milan/IT		EUR	20.00	100.0	F	SU	31 Dec
Alpiq Energie France S.A.S.	Paris/FR		EUR	0.50	100.0	F	SU	31 Dec

Alpiq Energija BH d.o.o.	Sarajevo/BA		BAM	1.20	100.0	F	SU	31 Dec
Alpiq Energija Hrvatska d.o.o.	Zagreb/HR		HRK	0.02	100.0	F	T	31 Dec
Alpiq Energija Lietuva UAB	Vilnius/LT		LTL	0.01	100.0	F	T	31 Dec
Alpiq Energija RS d.o.o. Beograd	Belgrade/RS		RSD	139.00	100.0	F	T	31 Dec
Alpiq Energy Albania SHPK	Tirana/AL		ALL	17.63	100.0	F	SU	31 Dec
Alpiq Energy SE	Prague/CZ		EUR	0.16	100.0	F	SU	31 Dec
Alpiq Energy Skopje DOOEL	Skopje/MK		MKD	4.92	100.0	F	T	31 Dec
Alpiq Energy Ukraine LLC	Kiev/UA		UAH	1.16	100.0	F	T	31 Dec
Alpiq EnerTrans AG	Niedergösgen		CHF	0.25	100.0	F	S	31 Dec
Alpiq Eurotrade S.à r.l.	Luxembourg/LU		EUR	1.48	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 Hydro Ticino SA	Airolo		CHF	3.00	100.0	F	G	31 Dec
Alpiq le Bayet S.A.S.	St-Paul-sur-Isère/FR		EUR	0.04	100.0	F	G	31 Dec
Alpiq Nature S.A.S.	Toulouse/FR		EUR	0.50	70.0	F	T	31 Dec
Alpiq Norway AS	Oslo/NO		NOK	5.00	100.0	F	S	31 Dec
Alpiq Production France Management S.A.S.	Paris/FR		EUR	0.10	100.0	F	G	31 Dec
Alpiq Produzione Italia Management S.r.l.	Milan/IT		EUR	0.25	100.0	F	G	31 Dec
Alpiq RomEnergie S.R.L.	Bucharest/RO		RON	2.49	100.0	F	SU	31 Dec
Alpiq RomIndustries S.R.L.	Bucharest/RO		RON	4.61	100.0	F	SU	31 Dec
Alpiq Solutions France SAS	Paris/FR		EUR	0.05	100.0	F	SU	31 Dec
Alpiq Spreetal GmbH	Düsseldorf/DE		EUR	1.00	100.0	F	G	31 Dec
Alpiq Suisse Ltd.	Lausanne		CHF	145.00	100.0	F	SU	31 Dec
Alpiq Sweden AB	Stockholm/SE		SEK	1.25	100.0	F	S	31 Dec
Alpiq Swisstrade Ltd. In liquidation	Olten		CHF	5.00	100.0	F	T	31 Dec
Alpiq Turkey Enerji Toptan Satis Limited Sirketi	Istanbul/TR		TRY	1.00	100.0	F	SU	31 Dec
Alpiq Vercelli S.r.l.	Milan/IT		EUR	10.33	95.0	F	G	30 Sep
Alpiq Versorgungs AG (AVAG)	Olten		CHF	50.00	96.7	F	SU	31 Dec
Aare Energie AG (a.en)	Olten		CHF	2.00	50.0	E	S	31 Dec
Alpiq Wind Italia S.r.l.	Verona/IT		EUR	0.01	100.0	F	G	31 Dec
Atel Bulgaria Ltd.	Sofia/BG		BGN	0.20	100.0	F	T	31 Dec
Atel Energy Romania S.R.L.	Bucharest/RO		RON	0.00	100.0	F	T	31 Dec
Atel Hellas S.A.	Ambelokipi Athens/GR		EUR	0.15	90.2	F	SU	31 Dec
Biella Power S.r.l.	Milan/IT		EUR	1.00	60.0	F	G	31 Dec
Birs Wasserkraft AG	Grellingen		CHF	0.10	100.0	F	G	31 Dec
Blenio Kraftwerke AG	Blenio	2042	CHF	60.00	17.0	E	G	30 Sep
CEPE Les Gravières SAS	Vergigny/FR		EUR	0.04	100.0	F	G	31 Dec
CERS Holding SAS	Paris/FR		EUR	0.50	15.0	E	G	31 Dec
CISEL Informatique SA	Matran		CHF	1.20	20.0	E	S	31 Dec
Cleuson-Dixence [4]	Sion	2044	CHF	0.00	31.8	E	G	31 Dec
Contact Consul EOOD	Sofia/BG		BGN	0.30	100.0	F	S	31 Dec
Cotlan AG	Glarus Süd		CHF	0.10	100.0	F	G	31 Dec
Csepel III Erőmű Kft.	Budapest/HU		HUF	754.86	100.0	F	G	31 Dec

ECS Elektrarna Cechy-Stred a.s.	Prague/CZ		CZK	90.00	49.0	E	S	31 Dec
Electra-Massa AG	Naters	2048	CHF	20.00	34.5	E	G	31 Dec
Electricité d'Emosson SA	Martigny		CHF	140.00	50.0	F	G	31 Dec
Elgenes Kraftverk AS	Voss/NO		NOK	0.10	34.0	E	G	31 Dec
En Plus S.r.l.	Milan/IT		EUR	25.50	66.7	F	G	31 Dec
Energie Biberist AG	Biberist		CHF	5.00	25.0	E	G	31 Dec
Energie Electrique du Simplon SA (E.E.S.)	Simplon		CHF	8.00	81.9	F	G	31 Dec
Engadiner Kraftwerke AG	Zernez	2050/2074	CHF	140.00	22.0	E	G	30 Sep
Enpower 3 S.r.l. [1]	Aragona/IT		EUR	0.04	100.0	F	G	31 Dec
Entegra Wasserkraft AG	St. Gallen		CHF	4.12	75.0	F	G	31 Dec
Eole Jura SA	Muriaux		CHF	4.00	100.0	F	G	31 Dec
Finse Kraftverk AS	Voss/NO		NOK	0.10	6.8	E	G	31 Dec
Forces Motrices Hongrin-Léman S.A. (FMHL)	Château-d'Oex	2051	CHF	30.00	39.3	E	G	31 Dec
Forces Motrices de Fully SA (FMDF)	Fully	2085	CHF	0.80	28.0	E	G	31 Dec
Forces Motrices de Martigny-Bourg SA	Martigny	2080	CHF	3.00	18.0	E	G	31 Dec
Geitåni Kraftverk AS	Voss/NO		NOK	0.10	13.6	E	G	31 Dec
Forces Motrices de Conches SA	Ernen	2051	CHF	30.00	26.0	E	G	31 Dec
Grande Dixence SA	Sion	2044	CHF	300.00	60.0	E	G	31 Dec
HYDRO Exploitation SA	Sion		CHF	13.00	27.6	E	S	31 Dec
Hydro-Solar Energie AG	Niederdorf		CHF	0.10	65.0	F	G	31 Dec
Isento AG	Thal		CHF	0.25	100.0	F	G	31 Dec
Kernkraftwerk Gösgen-Däniken AG	Däniken		CHF	350.00 [5]	40.0	E	G	31 Dec
Kernkraftwerk Leibstadt AG	Leibstadt		CHF	450.00	32.4	E	G	31 Dec
Nuclear Power Plant Niederamt Ltd.	Olten		CHF	0.10	100.0	F	G	31 Dec
Kernkraftwerk-Beteiligungsgesellschaft AG (KBG)	Bern	2016/2032	CHF	150.00	33.3	E	G	31 Dec
KohleNusbaumer SA	Lausanne		CHF	0.10	35.0	E	S	31 Dec
Kraftwerk Ryburg-Schwörstadt AG	Rheinfelden	2070	CHF	30.00	13.5	E	G	30 Sep
Kraftwerke Gougra AG	Sierre	2039/2084	CHF	50.00	54.0	E	G	30 Sep
Kraftwerke Hinterrhein AG	Thusis	2042	CHF	100.00	9.3	E	G	30 Sep
Kraftwerke Zervreila AG	Vals	2037	CHF	50.00	21.6	E	G	31 Dec
Kupe Kraftverk AS	Billingstad/NO		NOK	0.10	34.0	E	G	31 Dec
M & A Rinnovabili S.r.l.	Aragona/IT		EUR	5.00	22.0	E	G	31 Dec
Madland Kraftverk AS	Billingstad/NO		NOK	0.10	100.0	F	G	31 Dec
Maggia Kraftwerke AG	Locarno	2035/2048	CHF	100.00	12.5	E	G	30 Sep
Kraftwerk Aegina AG	Obergoms		CHF	12.00	50.0	E	G	30 Sep
Monthel Ltd.	Monthey		CHF	15.00	100.0	F	G	31 Dec
Nant de Drance SA	Finhaut		CHF	150.00	39.0	E	G	31 Dec
Novel S.p.A.	Milan/IT		EUR	23.00	51.0	F	G	30 Sep
Ouvra Electrica Lavinuoz Lavin SA (OELL)	Lavin		CHF	2.00	25.0	E	G	31 Dec
Reisæter Kraftverk AS	Ullensvang/NO		NOK	0.10	20.0	E	G	31 Dec
Repower AG	Brusio		CHF	3.41	24.6	E	G	31 Dec
Romande Energie Commerce SA	Morges		CHF	15.00	11.8	E	S	31 Dec
Romande Energie Holding SA	Morges		CHF	28.50	10.0	E	S	31 Dec
Sabloal Energie Eoliana S.R.L.	Oradea/RO		RON	0.20	100.0	F	G	31 Dec

Salanfe SA	Vernayaz		CHF	18.00	100.0	F	G	31 Dec
Scanenergy AS	Billingstad/NO		NOK	37.50	10.0	E	G	31 Dec
Sevre Kraftverk AS	Nesbyen/NO		NOK	0.10	90.0	F	G	31 Dec
Società Elettrica Sopracenerina SA	Locarno		CHF	16.50	60.9	F	SU	31 Dec
Calore SA	Locarno		CHF	2.00	50.0	E	G	31 Dec
SAP SA	Locarno		CHF	2.06	99.4	F	S	31 Dec
Société des Forces Motrices du Grand-St.-Bernard SA	Bourg-St-Pierre	2040	CHF	10.00	25.0	E	G	31 Dec
Stølsdalselva Kraftverk AS	Jondal/NO		NOK	0.50	8.0	E	G	31 Dec
Tysvær Vindpark AS	Rogaland/NO		NOK	0.10	100.0	F	G	31 Dec
Unoenergia S.r.l.	Biella/IT		EUR	0.11	40.0	E	G	31 Dec
Vetrocom Ltd.	Sofia/BG		BGN	136.91	100.0	F	G	31 Dec
Vetrocom Services AD	Sofia/BG		BGN	0.10	65.0	F	G	31 Dec
Wasserkraftwerk Tambobach AG	Splügen		CHF	2.00	70.0	F	G	31 Dec
Wasserkraftwerke Weinfelden AG	Weinfelden		CHF	5.00	49.0	E	G	31 Dec
Xamax AG	Olten		CHF	0.20	100.0	F	S	31 Dec
Ytre Oppedal Kraftverk AS	Voss/NO		NOK	0.10	13.6	E	G	31 Dec
3CA SAS	Paris/FR		EUR	0.50	100.0	F	G	31 Dec
3CB SAS	Paris/FR		EUR	134.00	100.0	F	G	31 Dec

1 Companies acquired in connection with the M&A Rinnovabili asset split.
2 Merged with Alpiq Trading Ltd.
3 Merged with ANALP Gestion S.A.U.
4 Simple partnership.
5 Of which CHF 290 million paid in.

Grid

	Place of incorporation	Currency	Issued capital in millions	Direct ownership interest in % (voting rights)	Consoli-dation method	Business activity	Reporting date
Alpiq Grid Ltd. Gösgen	Niedergösgen	CHF	130.00	100.0	F	S	31 Dec
Alpiq Grid Ltd Lausanne	Lausanne	CHF	0.20	100.0	F	S	31 Dec
ETRANS Ltd	Laufenburg	CHF	7.50	33.3	E	S	31 Dec
Swissgrid Ltd	Laufenburg	CHF	15.00	32.6	E	S	31 Dec

Holding and management companies

	Place of incorporation	Currency	Issued capital in millions	Direct ownership interest in % (voting rights)	Consoli-dation method	Business activity	Reporting date
Alpiq Central Europe Ltd	Niedergösgen	CHF	0.40	100.0	F	H	31 Dec
Alpiq Hydro France S.A.S.	Toulouse/FR	EUR	7.79	100.0	F	H	31 Dec
Alpiq Italia S.r.l.	Milan/IT	EUR	0.25	100.0	F	H	31 Dec
Alpiq Management Ltd.	Olten	CHF	10.00	100.0	F	S	31 Dec
Alpiq Management Services Ltd.	St. Helier/JE	EUR	0.10	100.0	F	S	31 Dec
Alpiq Nordic AS	Oslo/NO	NOK	1.00	100.0	F	H	31 Dec
Alpiq Western Europe S.à r.l.	Luxembourg/LU	EUR	1.00	100.0	F	H	31 Dec
Alpiq Wind Italia 2 S.r.l. [1]	Milan/IT	EUR	0.01	100.0	F	H	31 Dec

1 New company established.

Energy Services companies

Alpiq InTec (AIT)

	Place of incorporation	Currency	Issued capital in millions	Direct ownership interest in % (voting rights)	Consoli-dation method	Business activity	Reporting date
Holding and management companies							
Alpiq InTec Ltd.	Olten	CHF	30.00	100.0	F	H	31 Dec
Alpiq InTec Management Ltd.	Zurich	CHF	0.10	100.0	F	S	31 Dec
Alpiq InTec Management S.r.l.	Milan/IT	EUR	1.00	100.0	F	S	31 Dec
Transport Technology							
Elektroline a.s.	Prague/CZ	EUR	0.17	100.0	F	S	31 Dec
K + M Fahrleitungstechnik GmbH	Issenbüttel/DE	EUR	0.03	100.0	F	S	31 Dec
Kummler + Matter Ltd	Zurich	CHF	2.50	100.0	F	S	31 Dec
Mauerhofer et Zuber SA	Renens	CHF	1.70	100.0	F	S	31 Dec

Building Services and Facility Management							
Advens AG	Winterthur	CHF	0.10	100.0	F	S	31 Dec
Albin Baeriswyl SA	Fribourg	CHF	0.20	100.0	F	S	31 Dec
Alpiq Burkhalter Bahntechnik AG	Zurich	CHF	0.25	50.0	E	S	31 Dec
Alpiq E-Mobility Ltd.	Zurich	CHF	0.50	90.0	F	S	31 Dec
Alpiq EcoServices Ltd.	Zurich	CHF	0.10	100.0	F	S	31 Dec
Alpiq Infra Ltd.	Zurich	CHF	0.10	100.0	F	S	31 Dec
Alpiq InTec (FL) AG	Schaan/LI	CHF	0.10	100.0	F	S	31 Dec
Alpiq InTec Milano S.p.A.	Milan/IT	EUR	3.10	100.0	F	S	31 Dec
Alpiq InTec East Ltd. [1]	Zurich	CHF	7.85	100.0	F	S	31 Dec
Alpiq InTec Romandie Ltd.	Meyrin	CHF	1.00	100.0	F	S	31 Dec
Alpiq InTec Ticino Ltd.	Lugano	CHF	2.70	100.0	F	S	31 Dec
Alpiq InTec Verona S.p.A.	Verona/IT	EUR	2.00	100.0	F	S	31 Dec
Alpiq InTec West Ltd. [2]	Olten	CHF	5.90	100.0	F	S	31 Dec
Alpiq Process Automation Ltd.	Strengelbach	CHF	0.20	100.0	F	S	31 Dec
Robert Schellenberg AG	Winterthur	CHF	0.15	100.0	F	S	31 Dec

1 Merged with Wüst Haustechnik AG and Infra Haustechnik Service Ltd.
2 Merged with Hirt Haustechnik AG.

Energie- und Anlagentechnik (EAT)

	Place of incorporation	Currency	Issued capital in millions	Direct ownership interest in % (voting rights)	Consoli-dation method	Business activity	Reporting date
Holding and management company							
Alpiq Anlagentechnik GmbH	Heidelberg/DE	EUR	25.00	100.0	F	H	31 Dec
Energie- und Anlagentechnik (EAT)							
Caliqua Anlagentechnik GmbH	Vienna Neudorf/AT	EUR	0.19	100.0	F	S	31 Dec
ECM Ingenieur-Unternehmen für Energie- und Umwelttechnik GmbH	Munich/DE	EUR	0.05	100.0	F	S	31 Dec
FINOW Rohrsysteme GmbH	Eberswalde/DE	EUR	0.50	100.0	F	S	31 Dec
Ingenieurbüro Kiefer & Voß GmbH	Erlangen/DE	EUR	0.08	100.0	F	S	31 Dec
Kraftanlagen Energie- und Umwelttechnik GmbH	Heidelberg/DE	EUR	0.10	100.0	F	S	31 Dec
Kraftanlagen Hamburg GmbH	Hamburg/DE	EUR	0.77	100.0	F	S	31 Dec
Kraftanlagen Heidelberg GmbH	Heidelberg/DE	EUR	0.50	100.0	F	S	31 Dec
Kraftanlagen München GmbH	Munich/DE	EUR	5.00	100.0	F	S	31 Dec
Kraftanlagen Power Plants GmbH	Munich/DE	EUR	1.00	100.0	F	S	31 Dec
Kraftanlagen Romania S.R.L.	Ploiesti/RO	RON	2.04	100.0	F	S	31 Dec
Kraftszer Vàllalkozàsi Kft.	Budapest/HU	HUF	198.00	90.0	F	S	31 Dec
Other							
GAH Pensions GmbH	Heidelberg/DE	EUR	0.26	100.0	F	S	31 Dec

Financial investments

	Place of incorporation	Currency	Issued capital in millions	Direct ownership interest in % (voting rights)	Consoli-dation method	Business activity	Reporting date
Capital Recovery Syndication Trust	St. Helier/JE	USD	2.66 [1]	9.8	FV	S	31 Dec
European Energy Exchange	Leipzig/DE	EUR	40.05	4.5	C	S	31 Dec
New Energies Invest Ltd	Basel	CHF	43.00	0.6	FV	S	31 Dec
Nordic Power Trading I Fund	Oslo/NO	NOK	1.04 [1]	10.7	FV	S	31 Dec
Powernext SA	Paris/FR	EUR	11.74	5.0	C	S	31 Dec
VenCap9 LLC	Cayman Islands/KY	USD	357.00 [1]	0.9	FV	S	31 Dec

1 Fund capital.

Business activity

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

Consolidation method

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

Alpiq Group Financial Summary 2008 – 2012

Income statement

CHF million	2008	2009	2010	2011	2012
Net revenue	12,897	14,822	14,104	13,961	12,710
Other operating income	294	235	181	205	432
Total revenue and other income	13,191	15,057	14,285	14,166	13,142
Operating expenses before depreciation and amortisation	– 11,940	– 13,511	– 12,787	– 13,229	– 11,942
Profit before interest, tax, depreciation and amortisation (EBITDA)	1,251	1,546	1,498	937	1,200
Depreciation and amortisation	– 280	– 481	– 502	– 1,229	– 2,128
Profit/(loss) before interest and tax (EBIT)	971	1,065	996	– 292	– 928
Share of results of associates	30	– 1	– 26	– 901	– 57
Net finance costs	– 85	– 164	– 156	– 181	– 248
Income tax expense	– 183	– 224	– 169	28	147
Group profit/(loss) for the year	733	676	645	– 1,346	– 1,086
Attributable to non-controlling interests	10	10	7	– 21	– 41
Attributable to owners of Alpiq Holding	723	666	638	– 1,325	– 1,045
Employees [2]	9,944	10,629	11,033	11,009	10,039

1 Prior year comparatives restated retrospectively.
2 Average number of full-time equivalents.

2008: figures of the former Atel Group excluding EOS and Emosson.

Statement of financial position [1]

CHF million	2008	2009	2010	2011	2012
Total assets	10,566	20,099	18,473	17,446	14,784
Assets					
Non-current assets	5,884	14,302	13,793	11,469	8,505
Current assets	4,682	5,797	4,680	4,139	4,430
Assets held for sale				1,838	1,849
Equity and liabilities					
Total equity	3,830	7,930	7,779	6,205	5,010
As % of total assets	36.2	39.5	42.1	35.6	33.9
Liabilities	6,736	12,169	10,694	10,513	9,530
Liabilities held for sale				728	244

1 Prior year comparatives restated retrospectively.

Per share data

CHF	2008	2009	2010	2011	2012
Par value	10	10	10	10	10
Share price at 31 December	535	430	360	170	131
High	765	567	453	381	189
Low	376	328	339	150	126
Weighted average number of shares outstanding (in thousands)	21,261	26,749	27,190	27,190	27,190
Net profit/(loss)	34	25	23	– 49	– 38
Dividend [1]	10.00	8.70	8.70	2.00	2.00

1 To be proposed to the General Meeting on 25 April 2013.

2008: figures of the former Atel Group excluding EOS and Emosson.

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

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

To the General Meeting of

Alpiq Holding Ltd., Lausanne

Zurich, 11 March 2013

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Alpiq Holding Ltd., which comprise income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes (pages 56 - 129), for the year ended 31 December 2012.

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

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

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

Opinion
In our opinion, the consolidated financial statements for the year ended 31 December 2012 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS and comply with Swiss law.

Report on Other Legal Requirements

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

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

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

Ernst & Young Ltd

Alessandro Miolo Licensed audit expert (Auditor in charge)	Roger Müller Licensed audit expert

Statutory Financial Statements of Alpiq Holding Ltd.

Brief review

As expected, Alpiq Holding Ltd. posted a decline in total revenue during the reporting period. Revenue was approximately CHF 350 million down year on year due to the waiver of intra-group dividend income and the reduction in service revenue. Finance costs decreased because of the favourable impact of lower foreign exchange losses than in 2011.

Total assets declined by approximately CHF 130 million or 2%. While long-term borrowings were reduced by CHF 125 million, cash and cash equivalents increased by CHF 500 million. The decrease in loans receivable is due to the repayment of intra-group items.

As in the previous year, there was no need for Alpiq Holding Ltd. to recognise any impairment charges in view of the low carrying amounts of investments.

Income Statement

CHF	Note	2011	2012
Revenue			
Finance income	2	207,652,381	206,950,344
Dividend income	3	456,206,662	149,655,865
Other income		46,346,101	7,929,310
Exceptional income		3,239,665	
Total revenue		**713,444,809**	**364,535,519**
Expenses			
Finance costs	4	370,893,855	304,110,252
Tax expense		1,473,591	1,348,699
Other expenses		40,980,168	57,177,119
Depreciation and amortisation		5,164,765	4,940,413
Total expenses		**418,512,379**	**367,576,483**
Profit/(loss) for the year		**294,932,430**	**– 3,040,964**

Statement of Financial Position

Assets

CHF	Note	31 Dec 2011	31 Dec 2012
Intangible assets		14,821,238	9,880,825
Investments	5	6,090,061,621	5,912,760,624
Loans receivable	6	1,583,523,454	760,944,335
Non-current assets		**7,688,406,313**	**6,683,585,784**
Short-term receivables	7	64,901,501	437,857,092
Prepayments and accrued income		703,414	13,211,820
Investments in securities		9,421,450	6,518,995
Cash and cash equivalents		274,164,837	769,334,427
Current assets		**349,191,202**	**1,226,922,334**
Total assets		**8,037,597,515**	**7,910,508,118**

Equity and liabilities

CHF	Note	31 Dec 2011	31 Dec 2012
Share capital		271,898,730	271,898,730
Share premium		3,565,537	3,565,537
Capital contribution reserve		1,273,584,745	1,219,204,999
General reserve		53,332,560	53,332,560
Retained earnings		888,350,695	885,309,731
Equity	8	**2,490,732,267**	**2,433,311,557**
Provisions		**40,778,516**	**38,778,516**
Bonds	9	2,975,000,000	3,175,000,000
Loans payable	10	805,000,000	480,000,000
Non-current liabilities		**3,780,000,000**	**3,655,000,000**
Short-term payables	11	1,581,258,527	1,645,672,332
Accruals and deferred income		144,828,205	137,745,713
Current liabilities		**1,726,086,732**	**1,783,418,045**
Total equity and liabilities		**8,037,597,515**	**7,910,508,118**

Notes to the Company Financial Statements

1 Preliminary note

The financial statements of Alpiq Holding Ltd. have been prepared in accordance with the requirements of Swiss corporation law. The notes below also include the disclosures required by Art. 663b and 663b bis of the Swiss Code of Obligations. The subsidiaries and investments listed on pages 123 to 129, and the companies they control, are considered to be Group companies for the purposes of Art. 663a of the Swiss Code of Obligations.

2 Finance income

CHF thousand	2011	2012
Interest income from Group companies and shareholders	55,289	36,908
Interest income from third parties	1,349	1,265
Other finance income from Group companies and shareholders	4,683	4,586
Other finance income from third parties	5,706	958
Foreign exchange gain	140,625	163,233
Total	**207,652**	**206,950**

3 Dividend income

Dividend income comprises dividends received from subsidiaries.

4 Finance costs

CHF thousand	2011	2012
Interest expense to Group companies and shareholders	24,714	19,216
Interest expense to third parties	108,637	116,221
Other finance costs to third parties	24,787	29,118
Foreign exchange loss	212,756	139,555
Total	**370,894**	**304,110**

5 Investments

A list of the principal subsidiaries and investments is presented on pages 123 to 129.

There were no capital contribution commitments at the reporting date on 31 December 2012 (2011: CHF 200 million).

6 Loans receivable

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

7 Short-term receivables

CHF thousand	31 Dec 2011	31 Dec 2012
Due from Group companies and shareholders	62,593	436,333
Due from third parties	2,309	1,524
Total	**64,902**	**437,857**

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

8 Equity

CHF thousand	Share capital	Share premium	Capital contribution reserve	General reserve	Retained earnings	Total equity
Balance at 31 December 2010	**271,899**	**3,565**	**1,273,585**	**53,333**	**829,970**	**2,432,352**
Dividends					– 236,552	– 236,552
Profit for the year					294,932	294,932
Balance at 31 December 2011	**271,899**	**3,565**	**1,273,585**	**53,333**	**888,350**	**2,490,732**
Transfer from capital contribution reserves to distributable reserves			– 54,380	54,380		0
Dividend paid out of capital contribution reserves transferred to distributable reserves				– 54,380		– 54,380
Loss for the year					– 3,041	– 3,041
Balance at 31 December 2012	**271,899**	**3,565**	**1,219,205**	**53,333**	**885,309**	**2,433,311**

Additional authorised capital

As in the previous year, Alpiq Holding Ltd. had no additional authorised capital at the reporting date on 31 December 2012.

Major shareholders

The major shareholders of Alpiq Holding Ltd. are disclosed in note 19 to the consolidated financial statements.

Treasury shares

Information about treasury shares is disclosed in the “Consolidated Statement of Changes in Equity” in the consolidated financial statements.

9 Bonds

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

1 Included in “current liabilities” at 31 December 2012.

The weighted interest rate on bonds issued at the reporting date, relative to face value, was 2.90 % (2011: 2.99 %).

10 Loans payable

CHF thousand	31 Dec 2011	31 Dec 2012
Shareholders	320,000	
Due to Group companies	10,000	
Due to third parties	475,000	480,000
Total	**805,000**	**480,000**

The loans are repayable within 1 to 9 years. The weighted average interest rate at the reporting date was 2.30 % (2011: 2.93 %).

11 Short-term payables

CHF thousand	31 Dec 2011	31 Dec 2012
Shareholders	300,000	320,000
Due to Group companies	503,837	925,434
Due to third parties	777,422	400,238
Total	**1,581,259**	**1,645,672**

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

12 Contingent liabilities

Guarantees in favour of Group companies and third parties totalled CHF 1,050 million at 31 December 2012 (31 December 2011: CHF 1,284 million).

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

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

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

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

ARC = Audit and Risk Committee
NRC = Nomination and Remuneration Committee
SB = Sounding Board

Remuneration comprises Directors' fees, attendance fees and fees for service on the NRC, ARC and/or SB. The fees were not increased compared to 2011. The Sounding Board (SB) was dissolved at the end of April 2012.

Hans E. Schweickardt is regularly employed full-time as Chairman of Alpiq Holding Ltd. All additional emoluments for other services to the Alpiq Group accrue to the company. From 30 September 2011, Hans E. Schweickardt served as CEO ad interim. When Jasmin Staiblin joined the company as CEO on 1 January 2013, he resigned from this function, for which he did not receive any additional remuneration, nor participate in the bonus programme for the Executive Board.

Remuneration paid to current Directors and Committee members and those who left the Board in the reporting year as recognised in the 2011 financial statements

CHF thousand		Fixed remuneration	Expenses	Pension benefits (pension scheme, social security)
Hans E. Schweickardt	Chairman/SB Chairman from 25 Aug 2011	968.6	47.5	96.1
Christian Wanner	Deputy Chairman/NRC member/SB member from 25 Aug 2011	288.0	18.0	16.1
Pierre Aumont	Director/NRC member from 28 Apr 2011	204.0	13.0	
Hans Büttiker	Director/NRC member	221.0	13.5	18.5
Claude Lässer	Director	166.0	12.0	5.4
Frédéric Mayoux	Director from 28 Apr 2011	110.7	8.0	
Daniel Mouchet	Director	167.8	12.0	
Guy Mustaki	Director/NRC Chairman/SB member from 25 Aug 2011	283.0	17.0	40.0
Jean-Yves Pidoux	Director/ARC member	205.0	13.5	
Alex Stebler	Director/ARC member	205.0	13.5	23.4
Urs Steiner	Director/ARC member	205.0	13.5	
Philippe Torrion	Director from 28 Apr 2011	90.7	8.0	
Stéphane Tortajada	Director from 28 Apr 2011/ARC Chairman from 28 Apr 2011/ SB member from 25 Aug 2011	185.7	11.8	
Total for Directors serving on 31 December 2011		**3,300.5**	**201.3**	**199.5**
Marc Boudier	Deputy Chairman until 28 Apr 2011/ARC Chairman until 28 Apr 2011/NRC member until 28 Apr 2011	101.0	6.7	
Guillaume de Forceville	Director until 28 Apr 2011	55.3	4.0	
Philippe V. Huet	Director until 28 Apr 2011	51.3	4.0	
Total for Directors		**3,508.1**	**216.0**	**199.5**

ARC = Audit and Risk Committee
NRC = Nomination and Remuneration Committee
SB = Sounding Board

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

Hans E. Schweickardt was regularly employed full-time as Chairman of Alpiq Holding Ltd. in 2011. In the same period, all additional emoluments for other services to the Alpiq Group accrued to the company. From 30 September 2011, Hans E. Schweickardt served as CEO ad interim. For this function, he did not receive any additional remuneration, nor participate in the bonus programme for the Executive Board.

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

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

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

The amount of bonuses reported represents the variable salary component approved by the NRC for the 2012 financial year. The bonuses for 2012 will be paid in May 2013 after the Annual General Meeting.

Remuneration paid to Executive Board members as recognised in the 2011 company financial statements

CHF thousand	Gross salary (fixed)	Gross salary (bonus)	Benefits in kind (car and other)	Pension benefits (pension scheme, accident)
Total for Executive Board	4,863.0	2,026.0	83.9	2,158.9
Highest paid member, Giovanni Leonardi (CEO until 29 Sep 2011) [1]	1,050.0	622.0	16.9	275.3

1 From 30 September 2011, Hans E. Schweickardt served as CEO ad interim. For this function, he did not receive any additional remuneration, nor did he participate in the bonus programme for the Executive Board.

All of the amounts disclosed above include contractual payments up to the year end for the Executive Board members who left the company during the 2011 financial year. The payments for Giovanni Leonardi, Herbert Niklaus and Peter Heydecker have been included until the end of their contracts on 31 December 2012. The amounts for 2012 comprise CHF 1,110,000 in fixed salaries, CHF 684,000 in bonuses, CHF 19,000 in benefits in kind, CHF 261,000 in pension benefits and CHF 78,000 in expense allowances.

The new table below has been created to allow a comparison with the 2012 financial year. The table shows the remuneration paid to Executive Board members for 2011, excluding contractual payments made in 2012 for members who left the company during the 2011 reporting year.

CHF thousand	Gross salary (fixed)	Gross salary (bonus)	Benefits in kind (car and other)	Pension benefits (pension scheme, accident)
Total for Executive Board	3,753.0	1,341.9	65.4	1,898.1
Highest paid member, Giovanni Leonardi (CEO until 29 Sep 2011)	525.0	311.0	8.4	157.6

Each member of the Executive Board was paid an additional expense allowance of CHF 24,000, and the highest paid member (CEO) received CHF 30,000. Expense allowances paid to the Executive Board totalled CHF 304,000.

Due to the new approval process defined for the variable salary component, the tables have been restated (also see page 77 “changes in the presentation of disclosures in the notes”). The amount of bonuses reported now represents the variable salary component approved by the NRC for the 2011 financial year.

Shares held by Directors and Executive Board members

		Number 2011	Number 2012
Hans E. Schweickardt	Chairman/CEO a.i. until 31 Dec 2012	200	310
Hans Büttiker	Director untill 26 Apr 2012	501	1)
Alex Stebler	Director	269	271
Urs Steiner	Director	21	23
Patrick Mariller	Executive Board member since 1 Oct 2012	1)	5
Benoît Revaz	Executive Board member	72	72
Michael Wider	Executive Board member	52	52
Total		**1,115**	**733**

1) Not determined.

14 Risk assessment

The risks of Alpiq Holding Ltd. are assessed within the Group-wide risk management framework for the Alpiq Group. The Alpiq Group implements a comprehensive risk management system that includes a periodic assessment of the risks of each Group company. Based on the risk identification carried out annually by Group management, the likelihood of the significant risks occurring and their impact are evaluated. These risks are avoided, mitigated or hedged by taking appropriate measures decided by the Board of Directors of Alpiq Holding Ltd. In order to be able to respond flexibly to changes in the risk environment, Group management may commission ad hoc in-depth risk analyses. The latest risk assessment was approved by the Board of Directors on 6 March 2013.

Board of Directors’ Proposal

Appropriation of retained earnings

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

CHF	
Loss for 2012 reported in the income statement	– 3,040,964
Retained earnings brought forward	888,350,695
Total	**885,309,731**

be appropriated as follows:	
Transfer to general reserve	0
Balance to be carried forward	885,309,731

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

The Board of Directors proposes that the 2013 Annual General Meeting approve a dividend of CHF 2.00 (dividend for 2011: CHF 2.00) per registered share in the form of a return of capital contributions without deduction of withholding tax. If this proposal is approved by shareholders, dividend payments will total CHF 54,379,746.

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

Subject to approval of this proposal, the dividend will be paid from 3 May 2013 in accordance with the instructions recorded in the share register.

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

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

To the General Meeting of

Alpiq Holding Ltd., Lausanne

Zurich, 11 March 2013

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Alpiq Holding Ltd., which comprise income statement, statement of financial position and notes (pages 136 - 146), for the year ended 31 December 2012.

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.

Ernst & Young

Opinion
In our opinion, the financial statements for the year ended 31 December 2012 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

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

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

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

Ernst & Young Ltd

Alessandro Miolo
Licensed audit expert
(Auditor in charge)

Roger Müller
Licensed audit expert

Measures

Currency

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

Energy

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

Power

kW	Kilowatts (1 kW = 1,000 watts)
MW	Megawatts (1 MW = 1,000 kilowatts)
GW	Gigawatts (1 GW = 1,000 megawatts)
MWe	Electrical megawatts
MWth	Thermal megawatts

Financial Calendar

25 April 2013:
Annual General Meeting

25 April 2013:
2013 first-quarter results

26 August 2013:
Interim Report

8 November 2013:
2013 third-quarter results

March 2014:
Release of 2013 annual results
Annual Media and Analyst Conference

24 April 2014:
Annual General Meeting

Contacts

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

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

Published by

Alpiq Holding Ltd., www.alpiq.com

Printing: Dietschi AG, Olten

The Annual Report 2012 is published in German, French and English.

Photos
Cover: Grande Dixence reservoir
Photo on page 8 by Michel Martinez

Online Annual Report

reports.alpiq.com

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

Alpiq Holding Ltd.

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