2011
Interim Report

ALPIQ

Contents

Dear Shareholder,

Alpiq delivered disappointing results for the first half of 2011, with revenue slightly down on the same period last year and a sharp drop in EBITDA, EBIT and Group profit for the period. This is mainly due to excess power generation capacities and their adverse impact on prices, margins and trading opportunities, compounded by the strong Swiss franc.

The lingering after-effects of the financial crisis and the reactor accident in Fukushima have had lasting repercussions on the energy markets and energy policy. In Switzerland, the Federal Council suspended the construction of new nuclear power stations, while Germany decided to phase out nuclear energy. The question of new nuclear generation facilities in Switzerland remains open until a referendum decides the issue. Alpiq has written off the CHF 35 million in project costs incurred for a new nuclear power station in Niederamt in the Canton of Solothurn. Nonetheless, the company will continue to make every effort to ensure a reliable supply of electricity in Switzerland.

In international business, Alpiq will streamline the operation and utilisation of its power generation portfolio and concentrate its sales activities on profitable niches. At the same time, we are continuing to expand our generation facilities selectively with a view to enhancing value, placing focus on new renewable energy.

At present, there are no signs of a sustainable change in the significant profit drivers emerging in the foreseeable future. For this reason, the Board of Directors and Executive Board decided to put a comprehensive package of measures in place from 1 July 2011 to improve the Alpiq Group's profitability and cost-effectiveness, while increasing its financial flexibility. We are confident that the application of these measures based on excellent strategic positioning and a structure designed to drive success will strengthen the Alpiq Group in the medium term.

Hans E. Schweickardt
Chairman

Giovanni Leonardi
Chief Executive Officer

Neuchâtel, 16 August 2011

2011 Interim Financial Highlights

Alpiq Group	% Change	Half-year H1 2010 CHF million	Half-year H1 2011 CHF million
Energy sales (TWh)	– 0.8	70.452	69.885
Net revenue	– 3.7	7,041	6,782
Profit before interest, tax, depreciation and amortisation (EBITDA)	– 21.0	735	581
As % of net revenue		10.4	8.6
Profit before interest and tax (EBIT) before KKN impairment charge [1]	– 35.5	482	311
Profit before interest and tax (EBIT) after KKN impairment charge	– 42.7	482	276
Group profit for the period after KKN impairment charge	– 47.1	293	155
As % of net revenue		4.2	2.3
Total equity	– 0.3	7,610	7,589
As % of total assets		40.9	41.7
Employees [2]	– 0.5	10,860	10,806

1 See note 3 on page 22.
2 Average number of full-time equivalents.

Per share data	% Change	Half-year H1 2010 CHF	Half-year H1 2011 CHF
Par value	–	10	10
Share price at 30 June	– 20.2	376	300
High	– 15.5	453	383
Low	– 19.9	366	293
Net profit	– 54.5	11	5

Financial summary 2006 – 2011 on page 26.

Management Report

Changes in Group composition

During the reporting period and prior year period, there were the following changes in the composition of the Group, which impacted revenue and profit performance in a year-on-year comparison:

Acquisitions	Ownership interest	Consolidated since	
aurax electro ag, Ilanz / CH [1]	100.0 %	1 Apr 2010	Energy Services
JM-montáže s.r.o., Brno / CZ	100.0 %	1 Jul 2010	Energy Services
Enercontract AG, Reinach / CH	33.3 %	17 Jan 2011	Energy Services
Eolo Tempio Pausania S.r.l., Verona / IT [2]	100.0 %	1 Apr 2011	Energy Services
ANALP Gestion S.A.U., Barcelona / ES [3]	100.0 %	1 Apr 2011	Energy Western Europe

1 aurax electro ag integrated into Alpiq InTec East Ltd.
2 The interest in Eolo Tempio Pausania S.r.l. was increased from 49 % to 100 % in the reporting period.
3 The company acquired the gas-fired Plana del Vent combined cycle power station in Spain through an asset deal.

Further disclosures relating to the acquisition of subsidiaries are set out in note 4 on pages 23 and 24.

Preliminary notes

The following review covers performance during the first half of 2011. When making year-on-year comparisons, it should be borne in mind that all operations related to renewable energy were combined in the Renewable Energy Sources business unit and assigned to the management and profit responsibility of the Energy Services business division from 1 January 2011. Information reported for the same period last year has been restated for comparability.

Alpiq Group results of operations

The first half of 2011 was impacted by the effects of soaring national debt on the financial markets and currencies, the crisis in North Africa and the Middle East, and the devastating earthquake in Japan triggering the subsequent nuclear disaster. These developments have had lasting repercussions, not only on the discussions and course of energy policy, but also on the relevant supply and demand conditions in the global and European energy markets and on currency exchange rates.

Against this backdrop, Alpiq delivered disappointing results for the first half of 2011, falling considerably short of those expected at the beginning of the year and significantly below the year-ago figures. The Group's unsatisfactory performance was mainly due to the excess power generation capacity still prevailing across Europe and relatively high fuel prices, which are offsetting higher electricity prices and have prevented a recovery in margins and limited trading opportunities, together with the narrow spread between peak and off-peak energy prices and the extremely strong Swiss franc. The uplifting effect on profit of business secured at higher prices and margins in previous years also continued to diminish. Furthermore, trading results were adversely affected by the disaster in Japan, which brought unforeseeable price movements in its wake. In addition, operating profit was reduced by the impairment charge to write off the accumulated project costs for a new nuclear power station in Niederamt (KKN) in the Canton of Solothurn.

Positive factors were the good performance of the nuclear generation interests in Switzerland, management of the long-term contract between France and Italy, which is expiring at the end of 2011, sales business of various units, the profit contributions from the new gas-fired power stations commissioned in Italy and France, very good availability of the thermal power stations in the Czech Republic and Hungary, together with the comprehensive programme of measures to cut costs and enhance efficiency, and the general trend in energy services business.

Overall, Alpiq generated consolidated revenue of approximately CHF 6.8 billion for the first six months of this year, a 4 % decrease compared with the year-ago period. Excluding the impact of acquisitions and in local currency, revenue was up 3 %. Against the background of the difficult market conditions, operating profit before depreciation and amortisation (EBITDA) fell considerably to CHF 581 million (down 21 %). Compared with the same period last year, the strong Swiss franc caused erosion of nearly CHF 50 million in EBITDA.

Operating profit before interest and tax (EBIT) was approximately 43 % lower than in the same period last year, dropping to CHF 276 million. This figure already includes the impairment charge of CHF 35 million to fully write off the accumulated project costs incurred for a new nuclear power station (KKN). Excluding the impact of changes in the Group's composition and movements in exchange rates, EBIT stood at CHF 322 million (down 33 %).

Net finance costs showed an improvement of CHF 26 million or 27 % during the reporting period despite a slight increase in net interest expense. In particular, they reflected the positive impact of CHF 27 million from realised and unrealised foreign exchange gains as well as changes in the fair value of outstanding hedging contracts.

Income tax expense in relation to profit before tax was lower than in the same period last year. For the first six months of 2011, consolidated Group profit before impairment came in at CHF 183 million, down 38 % from the comparative year-ago figure (CHF 293 million). Including the recognised impairment charge, consolidated Group profit for the period was CHF 155 million.

Group financial position

The Alpiq Group's total assets amounted to approximately CHF 18.22 billion at 30 June 2011, down 1.4 % compared with 31 December 2010. The decline is mainly due to the decrease in current assets and the impact of foreign currency translation.

Assets showed growth of CHF 0.20 billion in non-current assets. This increase is primarily due to the capital expenditure on the Eolo Tempio Pausania (ETP) wind farm and the Kladno K7, San Severo and Plana del Vent power stations. At the same time, current assets decreased by approximately CHF 0.46 billion, in particular because of the decline in asset fair values. The capital expenditure mentioned and the dividend payment also had the effect of reducing liquid assets.

After the dividend payment, equity was approximately CHF 7.59 billion at the reporting date, some 2.4 % down from the figure at the beginning of the year. In addition to the cash outflow of CHF 0.24 billion for the dividend, translation of foreign subsidiaries' assets into Swiss francs had an adverse impact of CHF 0.12 million on equity. Including the profit for the period, the equity ratio was 41.7 % (31 December 2010: 42.1 %). Under liabilities, the increase in borrowings (in particular to finance San Severo and ETP) was mainly offset by the decrease in liability fair values.

Conditions in the Energy markets

The first half of 2011 was impacted by the effects of soaring national debt on the financial markets and currencies, the crisis in North Africa and the Middle East, and the devastating earthquake in Japan triggering the subsequent nuclear disaster. The very high levels of national debt in the USA and many European countries have led to an increased flight into the Swiss franc, driving it up dramatically against most currencies, in particular the euro.

Developments in North Africa and the Middle East and the nuclear disaster in Japan sparked considerable uncertainty and speculation in the global fuel markets. They also affected European fuel and electricity prices, which temporarily surged in March but then flattened out again, with electricity prices moving sideways ever since. The closure of eight nuclear power stations in Germany and the subsequent decision to phase out nuclear energy within ten years had only a limited impact on market and price movements because the supply shortage was offset by high availability of other generation facilities, in particular the French nuclear power stations, and continued low demand for electricity.

As a consequence, there is still a glut of generating capacity across Europe, which is exerting pressure both on absolute electricity prices and, combined with the high fuel prices, on the profit margins of conventional (gas- and coal-fired) thermal power stations. Furthermore, the spreads between peak and off-peak energy prices have remained low as a result of structural changes in Europe's power generation portfolio.

Added to that, the prices of EUA certificates (CO_2) also came under pressure near the end of the six-month period due to expectations of regulatory intervention in connection with the expansion of new renewable energy sources and proposals on the new EU Energy Efficiency Directive.

Performance of the business divisions

In the first half of 2011, the Energy Switzerland business division fell well short of the good results achieved in the same period last year. This was mainly due to the unfavourable market and pricing environment, the strong Swiss franc and lower hydroelectric generation caused by the weather conditions. Against this backdrop, the business division generated revenue of CHF 1,587 million (2010: CHF 1,809 million) and EBIT of CHF 187 million (CHF 249 million). The impairment charge to write off the accumulated project costs for a new nuclear power station in Niederamt (KKN) additionally reduced EBIT by CHF 35 million to CHF 152 million. With the appreciation of the Swiss franc, foreign currency translation had an impact of more than CHF 20 million compared with the year-ago period.

Management of the business division's power stations and long-term contracts was affected by the persistent sideways movements of futures prices on the power exchanges, narrow price differences between Switzerland and neighbouring countries, and low spreads between peak and off-peak energy prices. As a result, operations were limited as there were few trading opportunities, which appreciably reduced revenue compared with the same period last year. The volume of electricity sold in Swiss sales and supply business was slightly lower than a year ago because of the exceptionally warm temperatures in the early months of this year. In the reporting period, the amount of electricity generated by the business division was down on the same period last year. Hydroelectric power generation was adversely affected by low precipitation in the spring and the effects of operational restrictions. This was partially compensated by high availability of the thermal generation fleet and flexible use of the Bieudron storage power station. General operating and infrastructure costs were stable overall as the cost-reduction programme launched last year had a positive impact on operating expenses.

Construction work to expand the capacity of the Nant de Drance pumped storage power station from 600 MW to 900 MW is going according to plan. Installing more turbine sets and raising the Vieux-Emosson dam by about 20 metres to double the storage volume will significantly increase the capacity of the facility and ensure a secure electricity supply in future. The whole project will cost some CHF 1.8 million. Alpiq holds an interest of 54 %, the Swiss Federal Railways 36 % and FMV 10 % in Nant de Drance. The work currently in progress includes excavating various access tunnels between Châtelard and the chambers situated at an altitude of 1,700 metres to Vieux-Emosson. The power station will be phased into operation from 2017.

The Energy Western Europe business division increased both its sales volume and revenue compared with the same period last year. A substantially higher volume of electricity was sold, driven by expansion of sales business and by the acquisition and commissioning of generation facilities in Italy, France and Spain. EBIT improved by 6 % to CHF 71 million from the year-ago level.

Against the background of a weak but steady recovery in energy demand accompanied by rising prices, the Market Italy business unit delivered a year-on-year improvement in operating profit during the first half of the year. The most significant positive contributor was the long-term cross-border contract between France and Italy, which was executed under optimum conditions. In contrast, local sales business suffered from lower margins and difficulties in optimising the portfolio. With effective purchasing of the necessary gas, the thermal power stations enjoyed higher capacity utilisation and generated more electricity than a year ago. However, the continuing glut of generating capacity kept down the spark spreads and weighed on results. At the same time, effective marketing by the 400 MW gas-fired combined cycle power station brought online in San Severo in February made a positive contribution to profit.

The Market Europe West business unit, grouping together sales activities in France and Spain, recorded a marked upturn in sales volume compared with the same period last year. This was largely the result of the expanding portfolio of industrial end-user sales in both France and Spain. However, pressure on sales margins in France mounted because of increased competition and regulatory uncertainty. In contrast, a healthy gain was seen in Spain where electricity sales and margins increased.

On 1 April 2011, Alpiq acquired a 400 MW unit of the gas-fired Plana del Vent combined cycle power station in Spain and integrated it into the Power Generation West business unit. The acquisition also includes the use of the second 400 MW unit for two years. Since commissioning, the facility has generated a satisfactory volume of electricity and helped to increase the sales volume even though its contribution to profit fell short of expectations due to narrow spark spreads and a delay of several months in closing the deal. The 400 MW gas-fired Bayet combined cycle power station in France was brought into commercial operation as planned in mid-June 2011. Even during the trial phase and its first days of operation, the facility delivered a solid contribution to profit.

Benefiting from the restructuring programme launched in 2010, the Market Nordic business unit achieved operational improvements compared with the same period last year. However, profits are still below expectations.

Performance in the Energy Central Europe business division was impacted by volatile price movements, regulatory uncertainty, adverse effects of events in Japan on positioning in wholesale business, and the dramatic appreciation of the Swiss franc against the euro and local currencies. In this environment, the business division posted revenue of CHF 1,492 million, down 9 % on the same period last year, and EBIT of CHF 56 million, down 41 % (or 33 % in local currency).

Developments in the Market Central Europe North and South business units were additionally dampened by the effect of a difficult environment aggravated by the weakness of local currencies against the Swiss franc. Furthermore, low wholesale volumes in Poland also caused revenue to fall. Profits suffered from the unfavourable positioning (large short positions) of both business units when the events in Japan occurred, coupled with movements in prices and margins. The decline in results was only able to be stemmed partially by intensified activities in the regional wholesale market, higher sales levels in Romania and successful trading in futures.

During the reporting period, business in the Market Germany business unit was impacted by the loss of advantageous energy supply sources and the transfer of operations to other Alpiq business divisions. Revenue and profits from operational sales business fell short of the targets set.

The Power Generation Central business unit enjoyed high availability and delivered a good operational performance in the first six months of the year. With higher sales volumes generated by the Hungarian and Czech power stations and redoubled efforts on the cost side, revenue and profit increased encouragingly despite the strong Swiss franc and lower earnings from network services. A recovery in spreads also contributed to the positive performance. The results of the gas-fired Spreetal combined cycle power station in Germany improved, but are still below expectations.

The Trading & Services business division was faced with very adverse and uncertain market conditions during the first half of 2011. Wholesale electricity prices, which are pivotal to the success of trading business, were temporarily driven up by the crisis in Japan, then dropped to a low level again and remained in a narrow range so there were few opportunities to take advantage of. Profits from marketing electricity generated in Switzerland were adversely affected by much lower precipitation in the spring and an unfavourable market environment with high off-peak prices, coupled with the ramifications of the political decisions on continued operation of nuclear facilities in Germany. The strong Swiss franc also weighed on all cross-border trading operations and eroded profits.

During the reporting period, the business division generated revenue of CHF 1,737 million, up 22 %. EBIT for the six-month period was negative CHF 15 million, a decline of CHF 61 million compared with the same period last year.

In the market segments where the Proprietary Trading business unit operates, electricity futures prices remained low early in the year, moving in a narrow range. For this reason, the business unit had few opportunities to take advantage of, so its activities and revenue decreased. The events in Japan temporarily sparked a jump in wholesale electricity prices, which Proprietary Trading anticipated early and successfully capitalised on. However, market price expectations then dropped again, with prices moving in a narrow price range during the second quarter. This made further gains impossible. Overall profit generated by Proprietary Trading remained short of targets because of the low price volatility, simultaneously offering few trading opportunities. Nevertheless, the business unit achieved a better gross margin in the first half of 2011 than in the same period last year.

Performance in the Asset Trading business unit was affected by various adverse developments in the market. Margins were primarily driven down by lower price differences in cross-border electricity trading and higher prices for off-peak hours following the shutdown of several German nuclear power stations. This was compounded by reduced hydroelectric generation availability compared with a year ago, as power stations were being upgraded and the water flow was much lower due to the weather conditions, coupled with the expiration of long-term hedging contracts on attractive terms. Added to that, the strong Swiss franc had a very negative impact on the business unit's results. For these reasons, the Asset Trading results for the first six months are considerably lower than expected and significantly down year on year. At the same time, the share of energy marketed from the Italian San Severo, Spanish Plana del Vent and French Bayet gas-fired combined cycle power stations expanded the business unit's portfolio compared with the year-ago period and delivered positive contributions.

The Trading & Services business division underwent a comprehensive reorganisation in the reporting period. This reorganisation focused on restructuring the unit and integrating the trading activities and systems. In the medium term, this will generate sustainable synergies and optimise operations, considerably improving efficiency.

Conditions in the Energy Services markets

In the first half of 2011, the market environment in the sectors served by the Energy Services business improved year on year due to the good economic conditions in Switzerland and Germany. With the low interest rates in Switzerland, construction-related trades benefited from stable demand overall, although prices still came under pressure in urban centres and for large-scale projects. Transport Technology continued to enjoy stable conditions in its markets, fuelled by constant public spending. Energy Supply Technology in Germany saw encouraging growth in demand in its markets for power distribution and transmission network business. Expansion of new renewable energy has significantly increased demand in the offshore wind power market, in particular. Demand in the Industrial and Power Plant Engineering markets remained very strong. Business in the large-scale power plant segment declined slightly, whereas demand for industrial supply systems showed a slight recovery on the back of the economic rebound.

Expansion of new renewable energy sources continued during the reporting period. In Germany alone, substantial capacities are available today with 27 GW of installed onshore wind power capacity and over 17 GW of installed photovoltaic capacity.

Performance of the Energy Services business division

In the first half of 2011, revenue in the Energy Services business division was up by CHF 1,062 million from the same period last year, an increase of 9% (or 19% in local currency). In particular, this growth in revenue was driven by the execution of the high order backlog from last year and new large-scale projects in traditional energy services operations, comprising German-based Alpiq Anlagetechnik GmbH (AAT) and the Swiss-based Alpiq InTec Group (AIT). A significant contribution to the upturn in revenue also came from the Renewable Energy Sources (RES) business unit.

Overall, this highly seasonal business generated consolidated operating profit (EBIT) of CHF 31 million, representing a year-on-year increase of 72% or an improvement of 89% in local currency. This positive performance was primarily due to the improved economic environment, advantageous weather conditions and the good market positioning of AAT and AIT. In addition, the RES business unit benefited from new facilities commissioned and acquired.

In the AIT Group, growth in revenue was mainly driven by the ongoing, very stable economic environment and efficient order processing. Boosted by the low mortgage rates in Switzerland, the Building Services companies engaged in construction-related trades continued to benefit from very steady and strong demand. The Transport Technology business turned in a stable and positive performance, buoyed by the public sector's willingness to invest in transport infrastructure.

The increase in revenue and margins in the AAT Group is substantially due to the execution of major projects acquired in previous years and to the market recovery in its core Energy Supply Technology (EST) business. This business recorded considerably higher order intake than in the year-ago period, buoyed by the improved market situation for power distribution and transmission network business. The Industrial and Power Plant Engineering (IPPE) business posted higher revenue and slightly lower order intake during the first half of the year. This was the result of growing demand for supply systems engineering, combined with somewhat weaker demand for power plant engineering in Germany.

At the beginning of the reporting period, Alpiq combined all operations relating to renewable energy in the Renewable Energy Sources business unit, which groups together activities in Switzerland and across Western and Central Europe. The business unit is currently undergoing strong expansion. Compared with the same period last year, the amount of electricity generated from new renewable energy sources more than tripled as facilities constructed by Alpiq were brought into operation and generation facilities or ownership interests were acquired.

Several small hydroelectric power stations with a total installed capacity of currently around 5 MW are operating in Switzerland. Exceptionally dry weather early in the year caused their output to decline. However, the Le Peuchapatte wind farm in the Canton of Jura, which has an installed capacity of nearly 7 MW, was brought into service in January 2011 and supplied electricity to the grid as planned.

Installed capacity in Western Europe, the region with the highest output, increased by 70.5 MW in the reporting period with the acquisition of a wind farm in Italy in March 2011. These operations also include a 10 MW wind farm in France and a number of small hydroelectric power stations in France, Italy and Scandinavia.

In the comparative period, Alpiq did not yet have a facility operating in Central Europe. Vetrocom I, its wind farm project with an installed capacity of 50 MW, was successfully brought online in Bulgaria during the first quarter of 2011. Vetrocom II, with a planned capacity of 20.5 MW, is currently under construction and scheduled for commissioning at the end of 2011.

Outlook

Once again, Alpiq does not anticipate a sustainable trend reversal or recovery in the key profit drivers for Energy business during the second half of 2011, but still expects to face extremely challenging business conditions. The Swiss franc will remain very high compared with previous years and, as seen in July, possibly even gain in strength. Expansion of new renewable energy sources should continue in Germany, especially driven by the new energy policy, with focus on offshore wind farms and photovoltaic facilities. Demand for electricity across Europe will tend to be moderate in the medium term. Given the prevailing excess capacity, coupled with high fuel prices and regulatory uncertainty, absolute electricity prices and the profit margins of thermal power stations will remain under sustained pressure, limiting price volatility. Business secured at higher prices and margins in previous years will have an ever-diminishing impact on profit, and the spreads between peak and off-peak energy prices will remain low for the time being. For these reasons, it cannot be ruled out that results may show an even higher year-on-year change than recorded to date.

Alpiq believes that the Energy Services business will continue its positive performance. However, political decisions and uncertainty in the approval and licensing procedure are likely to cause a temporary slowdown. In the medium term, these operations will be boosted by stable construction activity in Switzerland, growth in energy supply technology and new renewable energy sources, and new opportunities in dismantling nuclear power plants, building replacement power stations and engineering decentralised facilities.

Overall, consolidated results for the full year 2011 are currently expected to be significantly down on last year. The Board of Directors and Executive Board have rolled out an extensive package of measures designed both to mitigate any further weakening of results and to put Alpiq in a position to take maximum advantage of a medium-term recovery.

Consolidated Income Statement (condensed)

CHF million	H1 2010	H1 2011
Net revenue	**7,041**	**6,782**
Share of profit of associates	55	54
Other operating income	61	109
Total revenue and other income	**7,157**	**6,945**
Operating expenses before depreciation and amortisation	– 6,422	– 6,364
Profit before interest, tax, depreciation and amortisation (EBITDA)	**735**	**581**
Depreciation and amortisation	– 253	– 270
Profit before interest and tax (EBIT) before KKN impairment charge	**482**	**311**
KKN impairment charge [1]	–	– 35
Profit before interest and tax (EBIT) after KKN impairment charge	**482**	**276**
Net finance costs	– 97	– 71
Profit before income tax after KKN impairment charge	**385**	**205**
Income tax expense	– 92	– 50
Group profit for the period after KKN impairment charge	**293**	**155**
Attributable to non-controlling interests	– 4	– 11
Attributable to equity holders of Alpiq Holding	**289**	**144**
Total shares issued (in thousands)	27,190	27,190
Weighted average number of shares outstanding (in thousands)	27,190	27,190
Earnings per share in CHF	**10.63**	**5.30**

1 See note 3 on page 22.

There are no circumstances that could have a dilutive effect on earnings per share.

Consolidated Statement of Comprehensive Income

CHF million	H1 2010	H1 2011
Group profit for the period	**293**	**155**
Cash flow hedges taken to equity	35	25
Income tax expense	– 11	– 5
Net of income tax	24	20
IAS 39 effects of share of changes in equity of associates	– 1	3
Income tax expense		
Net of income tax	– 1	3
Exchange differences on translation of foreign operations	– 394	– 126
Other comprehensive income for the period, net of income tax	**– 371**	**– 103**
Total comprehensive income for the period	**– 78**	**52**
Attributable to non-controlling interests	5	– 8
Attributable to equity holders of Alpiq Holding	**– 73**	**44**

Consolidated Statement of Financial Position (condensed)

Assets

CHF million	31 Dec 2010	30 Jun 2011
Property, plant and equipment	5,678	6,043
Goodwill	659	701
Other intangible assets	1,653	1,595
Investments in associates	5,573	5,428
Other financial assets	148	139
Deferred income tax assets	82	87
Non-current assets	**13,793**	**13,993**
Cash and cash equivalents	1,182	1,023
Current asset investments	4	5
Term deposits	126	60
Derivative financial instruments	775	485
Other current assets	2,593	2,649
Current assets	**4,680**	**4,222**
Total assets	**18,473**	**18,215**

Equity and liabilities

CHF million	31 Dec 2010	30 Jun 2011
Equity attributable to equity holders of Alpiq Holding	7,582	7,389
Non-controlling interests	197	200
Total equity	**7,779**	**7,589**
Long-term borrowings	4,463	4,473
Deferred income tax liabilities	1,647	1,669
Other non-current liabilities	649	545
Non-current liabilities	**6,759**	**6,687**
Short-term borrowings	789	1,089
Derivative financial instruments	747	431
Other current liabilities	2,399	2,419
Current liabilities	**3,935**	**3,939**
Total equity and liabilities	**18,473**	**18,215**

Consolidated Statement of Changes in Equity

CHF million	Share capital	Share premium	Unrealised gains and losses under IAS 39	Foreign currency translation reserve	Retained earnings	Attributable to equity holders of Alpiq Holding	Non-controlling interests	Total equity
Equity at 31 December 2009	**272**	**4,431**	**– 9**	**– 178**	**3,204**	**7,720**	**210**	**7,930**
Profit for the period					289	289	4	293
Other comprehensive income			23	– 385		– 362	– 9	– 371
Total comprehensive income			**23**	**– 385**	**289**	**– 73**	**– 5**	**– 78**
Dividends					– 237	– 237	– 5	– 242
Equity at 30 June 2010	**272**	**4,431**	**14**	**– 563**	**3,256**	**7,410**	**200**	**7,610**
Equity at 31 December 2010	**272**	**4,431**	**– 10**	**– 716**	**3,605**	**7,582**	**197**	**7,779**
Profit for the period					144	144	11	155
Other comprehensive income			24	– 124		– 100	– 3	– 103
Total comprehensive income			**24**	**– 124**	**144**	**44**	**8**	**52**
Dividends					– 237	– 237	– 5	– 242
Equity at 30 June 2011	**272**	**4,431**	**14**	**– 840**	**3,512**	**7,389**	**200**	**7,589**

Consolidated Statement of Cash Flows (condensed)

CHF million	H1 2010	H1 2011
Profit before interest and tax (EBIT)	**482**	**276**
Changes in working capital (excl. current financial assets / liabilities)	– 110	– 32
Other adjustments to reconcile to net cash flows from operating activities	– 197	– 18
Net cash flows from operating activities	**175**	**226**
Investing activities:		
Property, plant and equipment and intangible assets	– 217	– 151
Subsidiaries		
Acquisitions, net of cash acquired (note 4)	– 12	– 271
Associates		
Acquisitions	– 56	– 1
Proceeds from disposals	12	3
Other non-current financial assets		
Purchases	– 10	– 42
Proceeds from sale / repayments	1	15
Change in term deposits	258	70
Purchases / proceeds from sale of current asset investments	13	–
Net cash flows used in investing activities	**– 11**	**– 377**
Dividends paid	– 242	– 242
Proceeds from borrowings	87	503
Repayment of borrowings	– 211	– 251
Net cash flows (used in) / from financing activities	**– 366**	**10**
Effect of exchange rate changes	**– 34**	**– 18**
Change in cash and cash equivalents	**– 236**	**– 159**
Analysis:		
Cash and cash equivalents at 1 January	1,364	1,182
Cash and cash equivalents at 30 June	1,128	1,023
Change	**– 236**	**– 159**

Basis of Preparation and Interim Group Accounting Policies

The interim consolidated financial statements for the six months ended 30 June 2011 have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting". They are presented on a basis consistent with the Alpiq Group's accounting policies set out in the Financial Report 2010 and should be read in conjunction with that report as the interim consolidated financial statements are an update of information previously published. The interim financial statements are unaudited.

The Alpiq Group has adopted the following International Financial Reporting Standards (IFRS) and IFRIC interpretations which became effective on 1 January 2011:

- IAS 24 amendments: Related Party Disclosures (1 January 2011)
- IAS 32 amendments: Financial Instruments: Classification and Accounting for Rights Issues (1 February 2010)
- IFRIC 14 amendments: Prepayments of a Minimum Funding Requirement (1 January 2011)
- IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments (1 July 2010)

In addition to the above changes, a number of other minor amendments to standards have also been approved and adopted as mandatory by the IASB and IFRIC. The majority of these amendments became effective from 1 January 2011. Alpiq had not early adopted the new and revised standards and interpretations.

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

Note 1: Foreign currency translation

The consolidated financial statements are presented in Swiss francs. The following exchange rates were used for currency translation:

Unit		Closing rate at 30 Jun 2010	Closing rate at 31 Dec 2010	Closing rate at 30 Jun 2011	Average rate for H1 2010	Average rate for H1 2011
1	USD	1.08	0.94	0.84	1.08	0.91
1	EUR	1.328	1.250	1.207	1.437	1.270
100	CZK	5.17	4.99	4.96	5.58	5.22
100	HUF	0.46	0.45	0.45	0.53	0.47
100	NOK	16.66	16.03	15.50	17.95	16.24
100	PLN	32.03	31.46	30.25	35.93	32.15
100	RON	30.40	29.34	28.45	34.65	30.40

Note 2: 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 five business divisions, as shown in the organisation chart on page 25. 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 (EBIT). Operating costs comprise energy purchase and generation costs as well as all other operating costs, including employee benefits and services used. Amounts derived from management reporting require no adjustment for financial reporting as the same accounting policies are used for internal and external reporting. From 1 January 2011, Alpiq combined all operations related to new renewable energy in the Renewable Energy Sources business unit, assigning them to the management and profit responsibility of the Energy Services 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 are also included in this business division.

- The Energy Western Europe business division includes energy generation, energy sales, trading and distribution in the Italian, French, Spanish and Nordic markets.

- The Energy Central Europe business division combines energy generation and energy sales in Germany, Poland, the Czech Republic, Hungary and other East European countries.

- The Trading & Services business division includes the Swiss and European trading activities in electricity, gas, other commodities and certificates.

- The Energy Services business division consists of the operations of the two corporate groups offering energy services, Alpiq InTec (AIT) and Alpiq Anlagentechnik (AAT), as well as the Renewable Energy Sources (RES) business unit, which has been operating since 1 January 2011. The Swiss AIT Group is mainly focused on Building Services and Transport Technology in Switzerland and Italy, while the German AAT Group is primarily engaged in the core businesses of Industrial and Power Plant Engineering as well as Energy Supply and Communications Technology across much of Europe. The RES business unit groups together the combined operations in new renewable energy, in particular in small hydroelectric power stations and wind power facilities, in Switzerland and across Western and Central Europe.

Business division profit is reconciled to the Alpiq Group's consolidated figures in "Group holding company, Corporate Centre, other and consolidation". This includes results of investments which cannot be directly allocated to the divisions (financial and non-strategic investments), the activities of the corporate 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. A list of the items is shown on page 21.

2011: Information by operating segment

CHF million	Energy Switzerland business division	Energy Western Europe business division	Energy Central Europe business division	Trading & Services business division	Energy Services business division	Group holding company, Corporate Centre, other and consolidation	Alpiq Group
External revenue from energy sales / construction contracts	1,262	1,834	1,440	1,213	1,011	22	6,782
Revenue from trading in energy derivatives				13		– 13	0
– Proprietary trading				13		– 13	0
– Hedges							
Total external net revenue	**1,262**	**1,834**	**1,440**	**1,226**	**1,011**	**9**	**6,782**
Inter-segment revenue	325	168	52	511	51	– 1,107	0
Total net revenue	**1,587**	**2,002**	**1,492**	**1,737**	**1,062**	**– 1,098**	**6,782**
Other income	37	6	4		14	48	109
Share of profit of associates	27					27	54
Total revenue and other income	**1,651**	**2,008**	**1,496**	**1,737**	**1,076**	**– 1,023**	**6,945**
Operating costs	– 1,332	– 1,884	– 1,410	– 1,752	– 1,016	1,030	– 6,364
EBITDA	**319**	**124**	**86**	**– 15**	**60**	**7**	**581**
Depreciation and amortisation	– 132	– 53	– 30		– 29	– 26	– 270
KKN impairment charge [1]	– 35						– 35
EBIT	**152**	**71**	**56**	**– 15**	**31**	**– 19**	**276**
Net assets [2]	7,572	1,959	948	351	565	1,109	12,504
Employees [3]	483	470	723	179	8,540	411	10,806

1 See note 3 on page 22.
2 Non-current assets, current assets / current liabilities, excluding financial assets, securities and deferred income tax.
3 Average number of full-time equivalents.

The reconciliation of the business divisions' operating profit (EBIT) to the Alpiq Group's consolidated figures comprises the results of the holding company, Corporate Centre and other activities, as well as positive CHF 30 million (first half of 2010: positive CHF 34 million) from the reversal of provisions no longer required (primarily for contract risks), positive CHF 27 million (positive CHF 24 million) for the share of profit of non-strategic associates and CHF 0 million (negative CHF 8 million) for consolidation adjustments and items of expense and income not attributable to the period.

2010: Information by operating segment

CHF million	Energy Switzerland business division	Energy Western Europe business division	Energy Central Europe business division	Trading & Services business division	Energy Services business division	Group holding company, Corporate Centre, other and consolidation	Alpiq Group
External revenue from energy sales / construction contracts	1,734	1,746	1,586	1,019	970	– 1	7,054
Revenue from trading in energy derivatives	1	– 27	3	13		– 3	– 13
– Proprietary trading				13			13
– Hedges	1	– 27	3			– 3	– 26
Total external net revenue	**1,735**	**1,719**	**1,589**	**1,032**	**970**	**– 4**	**7,041**
Inter-segment revenue	74	69	50	387	4	– 584	0
Total net revenue	**1,809**	**1,788**	**1,639**	**1,419**	**974**	**– 588**	**7,041**
Other income	33	3	2		19	4	61
Share of profit of associates	24	9				22	55
Total revenue and other income	**1,866**	**1,800**	**1,641**	**1,419**	**993**	**– 562**	**7,157**
Operating costs	– 1,472	– 1,695	– 1,511	– 1,373	– 951	580	– 6,422
EBITDA	**394**	**105**	**130**	**46**	**42**	**18**	**735**
Depreciation and amortisation	– 145	– 38	– 35		– 24	– 11	– 253
EBIT	**249**	**67**	**95**	**46**	**18**	**7**	**482**
Net assets [1]	7,885	1,506	1,071	450	798	1,265	12,975
Employees [2]	596	419	761	168	8,500	416	10,860

1 Non-current assets, current assets / current liabilities, excluding financial assets, securities and deferred income tax.
2 Average number of full-time equivalents.

Note 3: KKN impairment charge

After the reactor accident in Fukushima, the Federal Council decided on 14 March 2011 to suspend the construction of new nuclear power stations in Switzerland. This means that the project costs recognised for the new nuclear power station in Niederamt (KKN) in the Canton of Solothurn are no longer recoverable under the rules of the IFRS accounting standards. For this reason, an impairment charge has been recognised in the 2011 interim financial statements to write off all project costs incurred up to 31 March 2011, amounting to CHF 35 million.

Note 4: Business combinations

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

- Energy Services business division:
  17 Jan 2011: 33.3 % of Enercontract AG, Reinach / CH
  1 Apr 2011: 100.0 % of Eolo Tempio Pausania S.r.l., Verona / IT

- Energy Western Europe business division:
  1 Apr 2011: 100.0 % ANALP Gestion S.A.U., Barcelona / ES, acquired the gas-fired Plana del Vent combined cycle power station station in Spain through an asset deal

The acquisition costs totalled CHF 400 million and have been allocated to assets and liabilities as follows:

		Energy Services business division		Energy Western Europe business division
CHF million	IFRS carrying amount	Fair value	IFRS carrying amount	Fair value
Tangible fixed assets	88	224		187
Intangible assets	7	12		72
Financial assets	1	1		
Cash and cash equivalents	33	33		
Other current assets	32	34		
Current and non-current financial liabilities	– 108	– 108		
Other current and non-current liabilities	– 27	– 32		
Deferred income tax liabilities		– 37		– 31
Net assets acquired	**26**	**127**		**228**
Goodwill arising on acquisition		3		42
Net cash flow on acquisition:				
Cash and cash equivalents acquired with subsidiaries		33		
Acquisition-related costs		– 130		– 270
Deferred consideration liabilities				4
Settled by transfer of non-controlling interest		92		
Net cash flow		**– 5**		**– 266**

The goodwill acquired is attributable to synergies expected to arise from integration with existing operations and additional benefits from expansion into existing geographical markets and the development of new products. From the date of integration into the Alpiq Group, the businesses contributed CHF 24 million to revenue. If the acquisitions had taken place on 1 January 2011, consolidated revenue would have been CHF 50 million higher. Had the businesses been included in the first half of 2010, the Group's revenue would have increased by CHF 57 million.

Disclosures for the previous year:
An earn-out of CHF 9 million contingent on profit generated in 2009 was paid in the first half of 2010 for a business acquired in 2009. The payment had the effect of increasing goodwill. In addition, a final payment of CHF 11 million was made in respect of this acquisition. This amount was already included in the purchase price allocation in the 2009 financial year.

The cost of the acquisition in the first half of 2010 amounted to CHF 5 million, while the fair value of net assets acquired was CHF 3 million. This resulted in goodwill of CHF 2 million. The integrated company contributed CHF 2 million in cash and cash equivalents to the Group. The total net cash outflow was CHF 3 million.

If the 2010 acquisitions shown on page 3 had already taken place on 1 January 2010, revenue for the year-ago period would have been CHF 4 million higher.

Note 5: Events after the reporting period

The Board of Directors decided to launch a multi-tier package of measures encompassing the areas of strategy and financial consolidation as well as a reorganisation of the Alpiq Group from 1 July 2011. The Alpiq Group's strategy formulated in autumn 2010 of concentrating on the Group's core business – namely energy generation, optimisation, trading and sales, as well as the provision of energy services – while retaining focus on clearly defined geographical areas has essentially been reiterated. In future, greater emphasis will be placed on the issues of energy efficiency and expansion of new renewable energy sources. The measures to improve financial flexibility will be continued consistently. These involve tight cost management, concentration of capital investments and the sale of selected assets. In particular, negotiations to sell the Heidelberg-based Alpiq Anlagentechnik Group (AAT) are being entered into. By undergoing a comprehensive reorganisation, the Group is responding to the changed demands of the environment. Two business divisions, Energy Western Europe and Energy Central Europe, have been combined into the new Energy International business division. In addition, the Corporate Centre will be geared to overall governance and steering functions. Two functional divisions, Business Development and Management Services, have been merged.

Note 6: Contingent liabilities and guarantees

Total unrecognised guarantees to third parties decreased to CHF 1,994 million at the reporting date on 30 June 2011 (31 December 2010: CHF 2,033 million).

Organisation at 30 June 2011

General Management
Giovanni Leonardi[1]
CEO

- General Management
- Business Division
- Business Unit

Business Divisions

Energy Central Europe – Reinhold Frank[1]
- Market Central Europe North – Franz Scheiber
- Market Central Europe South – Peter Dworak
- Market Germany – Holger Clever
- Power Generation Central – Matthias Zwicky

Energy Western Europe – Antonio M. Taormina[1]
- Market Italy – Stefano Colombo
- Market Europe West – Jean-Philippe Rochon
- Market Nordic – Erik Saether
- Power Generation West – Antonio M. Taormina a.i.

Energy Switzerland – Michael Wider[1], Deputy CEO
- Market Switzerland – Michael Wider a.i.
- Nuclear & Thermal Power Generation – Michaël Plaschy
- Hydro Power Generation – Jörg Aeberhard
- Grid – Christian Brunner
- Optimisation – Pierre Guesry

Trading & Services – Peter Heydecker[1]
- Proprietary Trading – Martin Bloch
- Asset Trading – Thomas Ruckstuhl
- Middle Office & Operations – Frédéric Rivier
- Finance & Regulatory Affairs – Edgar Lehrmann

Energy Services – Herbert Niklaus[1]
- AIT – Peter Limacher
- AAT – Herbert Niklaus
- Renewable Energy Sources – Renato Sturani

1 Member of the Executive Board

Functional Divisions

- Functional Division
- Functional Unit

Financial Services – Kurt Baumgartner[1], CFO
- Corporate Accounting & Reporting – Michel Vögeli
- Corporate Planning & Controlling – Patrick Mariller
- Corporate Risk Management – Walter Hollenstein
- Corporate Treasury & Insurance – Lukas Oetiker
- Corporate Taxes – Giuseppe Giglio
- Corporate Settlement – Daniel Christen
- Corporate IT – Norbert Hoffmann

Business Development – Benoît Revaz[1]
- Strategy Development – Zoran Vila
- Mergers & Acquisitions – Michael Schuh
- Market Intelligence – Matthias Jung

Management Services – Heinz Saner[1]
- Corporate Human Resources – Judith Dali
- Corporate Communications – Martin Bahnmüller
- Corporate Legal – Peter Schib
- Corporate Public Affairs – Stefan Aeschimann
- Corporate Internal Audit – Werner Schmucki
- Secretary Board of Directors – Alain Moilliet

1 Member of the Executive Board

On 1 July 2011, the Alpiq Group underwent a comprehensive reorganisation to respond to the changed demands of the environment. The current organisation is published at **www.alpiq.com/management**.

Financial Summary 2006 – 2011

Alpiq Group

CHF million	Full year 2006	Full year 2007	Full year 2008	Full year 2009	Full year 2010	Half-year H1 2010	Half-year H1 2011
Net revenue	11,334	13,452	12,897	14,822	14,104	7,041	6,782
Profit before interest, tax, depreciation and amortisation (EBITDA)	1,041	1,253	1,281	1,545	1,472	735	581
As % of net revenue	9.2	9.3	9.9	10.4	10.4	10.4	8.6
Group profit for the period	873	778	733	676	645	293	155 [1]
As % of net revenue	7.7	5.8	5.7	4.6	4.6	4.2	2.3
Attributable to non-controlling interests	– 369	– 315	– 10	– 10	– 7	– 4	– 11
Attributable to equity holders of Alpiq Holding	504	463	723	666	638	289	144
Net capital expenditure	229	591	1,050	1,186	587	282	447
Total equity	2,930	3,621	3,830	7,930	7,779	7,610	7,589
As % of total assets	32.5	38.6	36.2	39.5	42.1	40.9	41.7
Employees [2]	8,467	9,034	9,944	10,629	11,033	10,860	10,806

1 After KKN impairment charge; see note 3 on page 22.
2 Average number of full-time equivalents.

Per share data [1]

CHF	Full year 2006	Full year 2007	Full year 2008	Full year 2009	Full year 2010	Half-year H1 2010	Half-year H1 2011
Par value [2]	20	20	10	10	10	10	10
Share price at 31 December/30 June	380	605	535	430	360	376	300
High	386	605	765	567	453	453	383
Low	235	371	376	328	339	366	293
Weighted average number of shares outstanding (in thousands)	12,006	12,326	21,261	26,749	27,190	27,190	27,190
Net profit	42	38	34	25	23	11	5
Dividend	4.80		10.00	8.70	8.70		
Reduction in par value		10.00					

1 All figures stated to reflect the share split in November 2007.
2 Par value reduced and returned to shareholders on 11 July 2008 as resolved at the 2008 Annual General Meeting.

2006 – 2008: figures of the former Atel Group excluding EOS and Emosson.

Financial Calendar

Early November 2011:
2011 third-quarter results

17 February 2012:
Release of 2011 annual results

6 March 2012:
Annual media conference

26 April 2012:
Annual General Meeting

Early May 2012:
2012 first-quarter results

17 August 2012:
Interim Report

Contacts

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

Corporate Communications
Martin Bahnmüller
T +41 62 286 71 11
F +41 62 286 76 69
info@alpiq.com

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Alpiq Holding Ltd.
Rue Pury 2
2001 Neuchâtel
Switzerland

www.alpiq.com