2012
Interim Report

ALPIQ

Contents

Dear Shareholder,

Alpiq Holding Ltd. delivered solid operating results for the first six months of 2012 in an uncertain environment. However, as previously announced, revenue, EBITDA and EBIT were down on the same period last year because high-margin contracts expired at the end of 2011, the underlying conditions changed and we set about focusing our business.

Our operating performance is weighed down by one-off exceptional factors, resulting in a bottom-line loss. This is due to impairment charges and provisions related to the unexpected cancellation of long-term energy supply contracts by Hidroelectrica, a state-controlled Romanian energy generator, our withdrawal from the retail markets in Italy and Spain, and another heavy decline in the market value of the investment in Italian energy company A2A.

We made significant progress in the restructuring programme launched in November 2011, greatly simplifying our business model and organisation. The programme to cut annual costs by CHF 100 million is proceeding as planned, and trading risks have been substantially reduced. Disposals have generated proceeds of some CHF 500 million with the sale of our interest in Edipower and signing of the agreement to sell the Energy Supply Technology business of the Alpiq Anlagentechnik (AAT) Group. In addition, we are preparing to sell capital-intensive new renewable energy assets located outside Switzerland, while other disposals are in the pipeline.

The environment remains very challenging. We expect our core business to continue to perform solidly but, as previously announced, anticipate that our full-year results for 2012 will be considerably lower than last year for the reasons mentioned. With the measures put in place, we have laid the foundation to enable us to restore financial equilibrium, thus setting the stage for a successful future.

Hans E. Schweickardt
Chairman and CEO a.i.

Lausanne, 31 August 2012

2012 Interim Financial Highlights

Alpiq Group

CHF million	% Change (results of operations)	Half-year H1 2011	Results of operations before exceptional items Half-year H1 2012	Half-year H1 2011	Results under IFRS after exceptional items Half-year H1 2012
Energy sales (TWh)	– 5.5	69.885	66.027	69.885	66.027
Net revenue	– 4.3	6,782	6,490	6,782	6,490
Profit before interest, tax, depreciation and amortisation (EBITDA)	– 13.4	581	503	581	454
As % of net revenue		8.6	7.8	8.6	7.0
Profit before interest and tax (EBIT)	– 14.5	311	266	276	141
Group profit / (loss) for the period	– 31.1	183	126	155	– 36
Total equity	– 20.3	7,589	6,047	7,589	6,047
As % of total assets		41.7	35.4	41.7	35.4
Employees [1]					
Alpiq InTec / Alpiq Anlagentechnik business units	3.5	8,555	8,857	8,555	8,857
Other business units	– 4.0	2,251	2,160	2,251	2,160

1 Average number of full-time equivalents.

Per share data

CHF	% Change	Half-year H1 2011	Half-year H1 2012
Par value	–	10	10
Share price at 30 June	– 46.7	300	160
High	– 50.4	383	190
Low	– 47.8	293	153
Net profit / (loss)	> – 100.0	5	– 2

Financial summary 2007 – 2012 on page 28.

Management Report

Restructuring programme

Alpiq is consistently implementing the restructuring programme launched in November 2011. Its business model and organisation were streamlined and distinctly simplified during the first half of 2012 as planned. The necessary job cuts in Switzerland have been completed, and the target of decreasing annual costs by CHF 100 million will be reached by the end of 2013 at the latest. Alpiq has sustainably reduced risks in trading business and tailored its capital investment programme to the changed market environment. The company successfully made its first major disposals with the sale of its Edipower interest and signing of the agreement to sell the Energy Supply Technology business of the Alpiq Anlagentechnik (AAT) Group. As part of its plans to focus on core business, Alpiq also scaled down international operations by cutting back its sales activities, selling Energiakolmio Oy in Finland and starting to withdraw from retail business in Italy, Spain and Norway. The small Spreetal power station in Germany will be shut down at the end of the year, and other disposals are in the pipeline. These moves have laid the foundation to restore financial equilibrium, boost the company's profitability and deliver the targeted substantial reduction in debt.

Encouraging operating performance in the first half of 2012

Alpiq's operations turned in a stable performance in the past six-month period of 2012, generating operating EBITDA of CHF 503 million (down 13 %) and EBIT of CHF 266 million (down 14 %) on revenue of CHF 6.5 billion (down 4 %). These results are in line with the expectations of the Board of Directors and Executive Board. However, as announced early this year, they are well down on the year-ago figures because major high-margin deals expired at the end of 2011 and performance in 2012 is being significantly impacted by the effects of restructuring.

At the same time, changes in political and economic circumstances once again triggered developments that led to exceptional charges and considerably affected the results of operations. These comprise impairment charges and provisions related to the contracts cancelled in Romania, as announced in July, and losses on receivables resulting from the closure of sales operations. In addition, a considerable book loss was posted on the investment in A2A S.p.A., Milan / IT, due to falling share prices. Rapid adjustment of these items will mitigate risks that could affect Alpiq's future earnings performance.

The IFRS results presented on page 12 onwards have been significantly impacted by exceptional charges. On a comparable basis, i.e. including exceptional items in 2011 and 2012, EBITDA dropped to CHF 454 million (down 22 % on the year-ago period) and EBIT fell to CHF 141 million (down 49 %). After financial items and income tax expense, the Group posted a loss of CHF 36 million for the period.

In order to disclose exceptional items transparently and show them separately, the consolidated income statement is presented below as a pro forma statement.

			Half-year 2011			Half-year 2012
CHF million	Results of operations before exceptional items	Exceptional items	Results under IFRS after exceptional items	Results of operations before exceptional items	Exceptional items	Results under IFRS after exceptional items
Net revenue	**6,782**		**6,782**	**6,490**		**6,490**
Other operating income	163		163	165		165
Total revenue and other income	**6,945**		**6,945**	**6,655**		**6,655**
Energy and inventory costs	– 5,618		– 5,618	– 5,430	– 29	– 5,459
Employee costs	– 494		– 494	– 496		– 496
Other operating expenses	– 252		– 252	– 226	– 20	– 246
Profit before interest, tax, depreciation and amortisation (EBITDA)	**581**		**581**	**503**	**– 49**	**454**
Depreciation, amortisation and impairment	– 270	– 35	– 305	– 237	– 76	– 313
Profit before interest and tax (EBIT)	**311**	**– 35**	**276**	**266**	**– 125**	**141**
Net finance costs	– 71		– 71	– 93	– 48	– 141
Income tax expense	– 57	7	– 50	– 47	11	– 36
Group profit / (loss) for the period	**183**	**– 28**	**155**	**126**	**– 162**	**– 36**

Exceptional items in the first half of 2011 comprised impairment charges of CHF 35 million (before tax) to write off accumulated project costs incurred for a new nuclear power station in Niederamt in the Canton of Solothurn (KKN). In the first half of 2012, exceptional items totalled CHF 173 million (before tax), of which CHF 38 million was attributable to losses on receivables and provisions related to the closure of sales operations and cancelled contracts, CHF 87 million to impairment charges on the Romanian power off-take contracts, including goodwill and provision for losses arising from contractual delivery obligations, and CHF 48 million to foreign exchange losses on the interest in Italian energy supplier A2A.

The financial review of the Alpiq Group and its business divisions presented below is confined to an analysis of operational performance, i.e. discusses the results of operations excluding the above-mentioned exceptional items. On page 12 onwards, the 2012 interim consolidated financial statements are presented in accordance with IFRS accounting standards, including exceptional items.

Alpiq Group results of operations (excl. exceptional items)

Once again, Alpiq's business performance during the first six months was significantly impacted by external factors. Following the pronounced economic slowdown across Europe during the second half of 2011, there were certain signs of an upturn in the first quarter of 2012. However, this trend fizzled out in the second quarter. With the unabated negative news about debt in southern European countries and the euro crisis, the general economic conditions continued to deteriorate. The adverse trend also affected the market situation for energy services. Market conditions for energy trading and power generators were characterised by falling prices and low spreads between peak and off-peak prices, with surplus generation capacity remaining high. The situation was also exacerbated by regulatory restrictions and barriers, especially in southern Europe. Power generators in Switzerland continued to face high pressure on margins on the back of the persistently strong Swiss franc. At the same time, positive factors included the considerably better water flow than in the same period last year, along with the exceptionally cold spell in February which sparked strong demand in supply business.

Against this challenging backdrop, Alpiq turned in a satisfactory operating performance for the first half of 2012. However, as expected, the results were well down on the year-ago period because major high-margin deals expired at the end of 2011 and performance in 2012 is being significantly impacted by the effects of restructuring.

Alpiq generated consolidated revenue of some CHF 6.5 billion (down 4 %), operating EBITDA of CHF 503 million (down 13 %) and EBIT of CHF 266 million (down 14 %).

The results were positively impacted by excellent hydroelectric generation conditions in Switzerland, high availability of the power generation fleet and its optimum utilisation, wholesale operations in various markets, performance in Swiss and German energy services business and the Group-wide cost-cutting programme. Negative factors were the continuing squeeze on prices and margins in sales and wholesale business, as well as losses of revenue and impairment charges due to the sale or closure of operations in the course of restructuring.

Net finance costs for the first six months rose by CHF 22 million year on year to CHF 93 million, primarily due to higher net interest expense following the elimination of capitalised interest on long-term projects, reduced net foreign exchange gains and lower market values of financial investments.

Income tax expense decreased by 18 % year on year to CHF 47 million. The average tax rate rose to 27.2 % (first half of 2011: 23.8 %), primarily because some losses of foreign Group companies could not be offset against tax.

For the first six months of 2012, the Group's profit from operations came in at CHF 126 million, compared to CHF 183 million in the same period last year.

Group financial position (amounts after exceptional items)

At the reporting date on 30 June 2012, total assets amounted to about CHF 17.1 billion compared to CHF 17.4 billion at the end of December 2011. The transfer of assets from the previous non-controlling interest in M&A Rinnovabili S.r.l., Aragona / IT, to the Alpiq Group in the first half of 2012 (Moncada asset split) had the effect of increasing property, plant and equipment while reducing financial investments, adding a net amount of approximately CHF 130 million to total assets. Current assets grew during the first six months because of one-off factors, such as the first-time full consolidation of M&A Rinnovabili S.r.l. and the reintegration of the Alpiq Anlagentechnik (AAT) Group's Industrial and Power Plant Engineering (IPPE) business. Liquid assets, including term deposits and current asset investments, showed an increase of about CHF 260 million at the reporting date. "Assets held for sale" declined by some CHF 710 million in total, mainly because of the sale of the Edipower interest and the reclassification of IPPE. IPPE was reintegrated into the Group after the plan to sell the business was dropped in the first half of 2012.

Equity decreased by approximately CHF 160 million to CHF 6,047 million during the first half of 2012. The change comprises CHF 65 million in dividends paid, CHF 57 million in exchange losses on translation of foreign subsidiaries' assets into Swiss francs and changes in the fair value of cash flow hedges taken directly to equity, and the loss of CHF 36 million for the period. The equity ratio was 35.4 % (31 December 2011: 35.6 %). Current and non-current liabilities primarily reflected the said one-off effects of IPPE and M&A Rinnovabili S.r.l. Excluding the impact of these factors, short-term and long-term borrowings declined by a net amount of approximately CHF 270 million. This change includes new bonds issued to raise CHF 300 million at 2 % (5 years) and CHF 200 million at 3 % (10 years).

Net cash flows from operating activities amounted to approximately CHF 200 million for the first six months of 2012. This consisted of operating EBITDA of CHF 503 million less cash outflows of CHF 130 million for interest and income tax paid, as well as adjustments of CHF 190 million for non-cash items, plus a cash inflow of some CHF 20 million resulting from the reduction in working capital. In the same period, disposals of subsidiaries, associates and non-current financial assets (primarily Edipower) generated cash and cash equivalents of approximately CHF 260 million. About CHF 80 million was spent on replacement investments. The net change in borrowings resulted in cash outflows of approximately CHF 270 million.

Reported net debt decreased by CHF 345 million during the period to CHF 4.3 billion, of which some CHF 190 million was due to the reduction in debt, CHF 85 million to the increase in liquid assets and CHF 70 million to the effect of the A2A shares now being classified as current asset investments. Net debt is expected to fall further by the year end with the completion of the EST sale and stronger operating cash flow.

As EBITDA decreased in proportion to the decrease in debt, the ratio of net debt to EBITDA remained unchanged at 4.1 compared with 31 December 2011. The 12-month rolling EBITDA from operations amounted to CHF 1,053 million, down by approximately CHF 80 million from the end of 2011.

Market conditions

During the first half of 2012, the escalating public debt of many European countries and their efforts to stabilise the financial situation and credit markets exacerbated the financial and economic crisis. Swiss spot prices benefited from higher prices in Italy, only dropping slightly compared with the same period last year. Other West European markets showed marked declines because of falling power consumption in the wake of the continuing economic crisis, combined with a substantial increase in electricity generated from renewable energy sources, such as photovoltaic systems, and significantly better hydrological availability.

Prices for CO_2 certificates also fell considerably due to lower demand, gloomy economic prospects and the entry into force of the European Energy Efficiency Directive. In response, the EU Commission decided to draft proposals to reduce the supply of certificates retroactively (set-aside, backloading), which in turn sparked more uncertainty in the markets, triggering volatility driven purely by regulatory concerns.

Gas-fired power stations saw continued erosion in margins during the first six months of the year, partly because the gas price remained stable while the market prices for electricity simultaneously declined. The profitability of coal-fired power stations improved noticeably as a result of the low demand for hard coal from Asia.

The unresolved European credit and economic crisis, coupled with fears about negative consequences of a potential collapse of the euro zone, will continue to have significant ramifications for the electricity and fuel markets.

In the relevant segments of energy services business, the market environment was mixed during the first half of 2012. In Switzerland, construction-related trades benefited from continuing favourable interest rates, combined with stable demand overall. The only slight decline in demand was seen in the commercial buildings sector, added to which prices remained under heavy pressure in urban centres and for large-scale projects. Conditions in the markets for energy and transport technology remained stable, fuelled by constant public spending.

The markets for energy supply technology were stable in the distribution network sector in Germany, but slowed down dramatically in the Czech Republic. Demand for transport networks was also dampened by the licensing problems. Development of new renewable energy sources and ensuing demand in the offshore wind energy market has remained at a good level. Conditions were also favourable for cabling systems and railway technology. In 2012, the business environment for industrial and power plant engineering is still being impacted by the change in energy policy in Germany. While the markets for nuclear engineering stabilised at a low level, no fresh impetus can be seen in conventional large-scale power plant construction. Restraint in capital spending is also noticeable in building new, smaller-scale power stations. In contrast, industrial business benefited from the healthy economy still prevailing in Germany.

Performance of the business divisions (excl. exceptional items)

The results of the Energy Switzerland business division for the first half of 2012 are down on the same period last year. Apart from during the cold spell in February, the market conditions for power generation operations and electricity trading deteriorated once again compared to a year ago, which had already been difficult. Margins were weighed down by lower prices, especially in Switzerland and Germany, compounded by the strong Swiss franc. In contrast, the AIT Group's Building Services and Energy and Transport Technology operations benefited from a favourable market environment. Against this backdrop, the business division generated revenue of CHF 2,767 million (2011: CHF 1,680 million) and operating profit (EBIT) of CHF 181 million (CHF 205 million). Revenue and EBIT now include all earnings derived from Swiss-generated electricity marketed by the Optimisation & Trading business division, so year-on-year comparability is limited.

During the first six months of 2012, marketing of the output from the business division's power stations and under long-term contracts was affected by steadily falling futures prices on the power exchanges, only slightly higher price differences between Switzerland and neighbouring countries, and narrow spreads between peak and off-peak prices. Prices only rose in February, driven up by demand during the cold spell across Europe. The business division systematically capitalised on the resulting trading opportunities, compensating in part for the drop in prices with hedging transactions entered into in past years and revenue derived from ancillary services and intraday trading. Increased power generation volumes also offset the adverse price effect. Although the hydroelectric power stations were again faced with operational constraints in the first half of 2012, like in the same period of 2011, water intake and river flows were higher than in the exceptionally dry year-earlier period. While the thermal power stations operated reliably as usual, matching the year-ago level, their earnings were reduced by increased expenses because the forecasts for waste disposal and decommissioning costs were revised upwards. Costs of hydroelectric generation facilities were comparable to last year. The low temperatures in February also boosted the volumes sold in sales and supply business in Switzerland. The fully regulated transmission system business generated stable revenues, but slightly down on the same period last year because of the lower rate of return on the regulatory asset base. As the scheduled transfer of ownership of the transmission system to Swissgrid was postponed for another six months, significant cash inflows from the disposal will not arise until a later date. However, this means that in the meantime Alpiq will continue to earn revenues representing the return on the regulatory asset base. The AIT Group matched the year-ago results, posting considerably higher order intake than in the same period last year due to the brisk ancillary building activity in Switzerland and stronger demand from the public sector.

The Energy International business division generated slightly lower sales volume and revenue than a year ago, with a fall in profit. The decrease in sales volume is largely attributable to a long-term contract that expired at the end of 2011. In addition, reduced volumes were seen in both sales and wholesale business, mostly due to the decision taken in 2011 to discontinue or scale down operations in Market Nordic and Market Germany. As a result, the business division's revenue declined by 3 % year on year to CHF 3,747 million, additionally weighed down by the negative effects of the Swiss franc exchange rate movements against the euro. The reported decline in operating profit (EBIT) to CHF 120 million (down 14 %) is primarily due to the loss of the long-term contract and the impact of the strong Swiss franc.

Sales operations in Italy, France and Spain recorded a marked drop in sales volume and revenue due to the loss of the said long-term contract and regulatory changes. In contrast, Market Central Europe posted a year-on-year improvement in wholesale results. The business unit was unable to repeat the good results achieved a year ago in sales business, mainly because of higher purchasing costs, compounded by the lower volume (force majeure) in Romania. Operations in Romania have suffered a severe setback since the reporting date as Romanian company Hidroelectrica has cancelled the power off-take contracts. As a result of this cancellation, considerable impairment charges and provisions have been necessary (see page 4).

The Power Generation International unit, grouping together all conventional power stations outside Switzerland, generated a higher volume of electricity, mainly benefiting from the gas-fired combined cycle Plana del Vent and Bayer (3CB) power stations in Spain and France, which have only been operating for Alpiq since April and June 2011 respectively. The half-year results were well up on the same period last year, primarily because the power stations in Spain and Italy made a full contribution for the first time. The year-on-year improvement at the Plana del Vent power station in Spain was driven especially by the better commercial performance derived from ancillary services, while the Italian power stations benefited mainly from the good spark spreads seen in February in the wake of the cold spell. The 400 MW Bayet (3CB) gas-fired combined cycle power station in France delivered the same contribution to profit as a year ago. Operating performance at the Czech power stations also matched the same period last year, but profit declined because exceptional income (an insurance payment) was recognised in the comparative period. Due to the adverse effects of foreign currency movements, the results of the Csepel power station in Hungary were slightly down year on year.

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 commissioned at the beginning of 2014.

The Renewable Energy Sources unit topped the year-ago results having expanded generation capacity and increased output. Phase II of the Vetrocom wind farm came into operation in January 2012. While realigning the cooperation with the Moncada Energy Group in Italy, Alpiq acquired two wind farms in Sicily, with an installed capacity of 124 MW, in June 2012. In total, Alpiq currently has 310 MW of renewable energy capacity online, of which wind power accounts for 284 MW.

The Alpiq Anlagentechnik (AAT) Group continued to increase revenue in local currency, with profits also up on the same period last year, driven in particular by improved margins in Industrial and Power Plant Engineering. However, order intake during the first half of 2012 remained below the year-ago level due to the current market situation in power station construction.

As part of Alpiq's comprehensive restructuring programme, trading in the Optimisation & Trading business division has been 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 realigned 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. Revenue in the first half of the year amounted to CHF 20 million, with EBIT showing a loss of CHF 2 million. The loss for the period is primarily due to the fact that the cost optimisation programme has not yet been fully completed and an order backlog from previous years was worked off. Following the redesign of Alpiq's business model, year-on-year comparability of the figures is limited.

In line with the changed focus, the business division's proprietary trading activities in the first half of 2012 generated a lower margin overall than in the same period last year. Nevertheless, they achieved an encouraging result and minimised the year-on-year change by employing a strategy of consistent short positioning along the forward curve and selectively taking advantage of price differences in cross-border trading. In its operations dedicated to optimising the power stations in Western Europe and Switzerland, the Optimisation & Trading business division succeeded in beating the expected results on balance.

Outlook

The environment remains very challenging. We expect our core business to continue to perform solidly but, as previously announced, anticipate that our full-year results for 2012 will be considerably lower than last year for the reasons mentioned. With the measures put in place, we have laid the foundation to enable us to restore financial equilibrium, thus setting the stage for a successful future.

Consolidated Financial Statements of the Alpiq Group

Consolidated Income Statement (condensed)

CHF million	Note	Half-year[1] H1 2011	Half-year H1 2012
Net revenue	2	**6,782**	**6,490**
Share of profit of associates and joint ventures		54	49
Other operating income		109	116
Total revenue and other income		**6,945**	**6,655**
Energy and inventory costs		– 5,618	– 5,459
Employee costs		– 494	– 496
Other operating expenses		– 252	– 246
Profit before interest, tax, depreciation and amortisation (EBITDA)		**581**	**454**
Depreciation and amortisation		– 270	– 237
Impairment charges	3	– 35	– 76
Profit before interest and tax (EBIT)		**276**	**141**
Net finance costs		– 71	– 141
Profit before income tax		**205**	**0**
Income tax expense		– 50	– 36
Group profit / (loss) for the period		**155**	**– 36**
Attributable to non-controlling interests		11	5
Attributable to owners of Alpiq Holding		144	– 41

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		**5.30**	**– 1.51**

1 Restated (see page 18).

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

Consolidated Statement of Comprehensive Income

CHF million	Half-year H1 2011	Half-year H1 2012
Group profit / (loss) for the period	**155**	**– 36**
Cash flow hedges taken to equity	25	– 28
Income tax expense	– 5	5
Net of income tax	20	– 23
IAS 39 effects of share of changes in equity of associates	3	
Income tax expense		
Net of income tax	3	
Exchange differences on translation of foreign operations	– 126	– 34
Other comprehensive expense for the period, net of income tax	**– 103**	**– 57**
Total comprehensive income / (expense) for the period	**52**	**– 93**
Attributable to non-controlling interests	8	4
Attributable to equity holders of Alpiq Holding	44	– 97

Consolidated Statement of Financial Position (condensed)

Assets

CHF million	Note	31 Dec 2011	30 Jun 2012
Property, plant and equipment		4,900	5,141
Goodwill	4	656	636
Other intangible assets		1,308	1,212
Investments in associates and joint ventures		4,420	4,104
Other financial assets		130	136
Deferred income tax assets		40	72
Non-current assets		**11,454**	**11,301**
Cash and cash equivalents		876	1,270
Current asset investments	5	4	72
Term deposits		324	123
Derivative financial instruments		722	839
Other current assets		2,228	2,334
Current assets		**4,154**	**4,638**
Assets held for sale	6	**1,838**	**1,126**
Total assets		**17,446**	**17,065**

Equity and liabilities

CHF million	Note	31 Dec 2011	30 Jun 2012
Equity attributable to equity holders of Alpiq Holding		6,041	5,890
Non-controlling interests		164	157
Total equity		**6,205**	**6,047**
Long-term borrowings		4,525	5,127
Deferred income tax liabilities		1,546	1,543
Other non-current liabilities		411	429
Non-current liabilities		**6,482**	**7,099**
Short-term borrowings		1,331	645
Derivative financial instruments		706	824
Other current liabilities		1,994	2,165
Current liabilities		**4,031**	**3,634**
Liabilities held for sale	6	**728**	**285**
Total equity and liabilities		**17,446**	**17,065**

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 2010	**272**	**4,431**	**– 10**	**– 716**	**3,605**	**7,582**	**197**	**7,779**
Profit for the period					144	144	11	155
Other comprehensive income / (expense)			24	– 124		– 100	– 3	– 103
Total comprehensive income / (expense)			**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**
Equity at 31 December 2011	**272**	**4,431**	**– 32**	**– 673**	**2,043**	**6,041**	**164**	**6,205**
Loss for the period					– 41	– 41	5	– 36
Other comprehensive expense			– 22	– 34		– 56	– 1	– 57
Total comprehensive income / (expense)			**– 22**	**– 34**	**– 41**	**– 97**	**4**	**– 93**
Transfer from share premium to retained earnings		– 54			54	0		0
Dividends					– 54	– 54	– 11	– 65
Equity at 30 June 2012	**272**	**4,377**	**– 54**	**– 707**	**2,002**	**5,890**	**157**	**6,047**

Consolidated Statement of Cash Flows (condensed)

CHF million	Half-year H1 2011	Half-year H1 2012
Profit before interest and tax (EBIT)	**276**	**141**
Changes in working capital (excl. current financial assets / liabilities)	– 32	19
Other adjustments to reconcile to net cash flows from operating activities	– 18	39
Net cash flows from operating activities	**226**	**199**
Investing activities:		
Property, plant and equipment and intangible assets	– 151	– 78
Subsidiaries		
Acquisitions, net of cash acquired (note 8)	– 271	28
Proceeds from disposal		9
Associates		
Acquisitions	– 1	– 3
Proceeds from disposal	3	253
Other non-current financial assets		
Purchases	– 42	– 3
Proceeds from sale / repayments	15	9
Change in term deposits	70	196
Purchases / proceeds from sale of current asset investments		2
Net cash flows (used in) / from investing activities	**– 377**	**413**
Dividends paid	– 242	– 65
Proceeds from borrowings	503	560
Repayment of borrowings	– 251	– 826
Net cash flows from / (used in) financing activities	**10**	**– 331**
Effect of exchange rate changes	**– 18**	**– 3**
Change in cash and cash equivalents	**– 159**	**278**
Analysis:		
Cash and cash equivalents at 1 January	1,182	1,013
Cash and cash equivalents at 30 June	1,023	1,291
Change	**– 159**	**278**

The amounts reported above also include cash flows of operations held for sale. Cash and cash equivalents held by these operations amounted to CHF 21 million at 30 June 2012 (1 January 2012: CHF 137 million).

Basis of Preparation and Interim Group Accounting Policies

The interim consolidated financial statements for the six months ended 30 June 2012 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 2011 and should be read in conjunction with that report as the interim consolidated financial statements are an update of information previously published.

The following amendments to IFRS standards have had no impact on Alpiq's accounting policies or financial position, results of operations and cash flows:

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

Other new or revised standards and interpretations that have been published but are not yet mandatory have not been adopted early by Alpiq.

Alpiq has revised the presentation of the consolidated income statement (page 13). Operating expenses before depreciation and amortisation, which were previously reported as one item, are now broken down into "energy and inventory costs", "employee costs" and "other operating expenses". Prior year figures have been restated accordingly.

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 2011	Closing rate at 31 Dec 2011	Closing rate at 30 Jun 2012	Average rate for H1 2011	Average rate for H1 2012
1	USD	0.84	0.94	0.96	0.91	0.93
1	EUR	1.207	1.216	1.203	1.270	1.205
100	CZK	4.96	4.71	4.69	5.22	4.79
100	HUF	0.45	0.39	0.42	0.47	0.41
100	NOK	15.5	15.68	15.97	16.24	15.91
100	PLN	30.25	27.27	28.32	32.15	28.40
100	RON	28.45	28.12	27.03	30.40	27.44

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 three business divisions, as shown in the organisation chart on page 27. 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, and energy supply and communications technology across much of Europe.

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

Business division profit is reconciled to the Alpiq Group's consolidated figures in "Group holding company, Group Centre, other and consolidation". This includes results of investments which cannot be directly allocated to the business 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 the next page.

2012: Information by operating segment

CHF million	Energy Switzerland business division	Energy International business division	Optimisation & Trading business division	Group holding company, Group Centre, other and consolidation	Alpiq Group
External revenue from energy sales / construction contracts	2,778	3,739	29	– 53	6,493
Revenue from trading in energy derivatives	– 11	8	– 9	9	– 3
– Proprietary trading			3		3
– Hedges	– 11	8	– 12	9	– 6
Total external net revenue	**2,767**	**3,747**	**20**	**– 44**	**6,490**
Inter-segment revenue	75	– 4	17	– 88	0
Total net revenue	**2,842**	**3,743**	**37**	**– 132**	**6,490**
Other income	42	10	4	60	116
Share of profit of associates and joint ventures	38			11	49
Total revenue and other income	**2,922**	**3,753**	**41**	**– 61**	**6,655**
Operating costs	– 2,597	– 3,557	– 43	45	– 6,152
Impairment charges, provisions and losses on contractual delivery obligations	– 9	– 40			– 49
EBITDA before impairment charges and provisions	**325**	**196**	**– 2**	**– 16**	**503**
EBITDA after impairment charges and provisions	**316**	**156**	**– 2**	**– 16**	**454**
Depreciation and amortisation	– 144	– 76		– 17	– 237
Impairment of property, plant and equipment and intangible assets		– 76			– 76
EBIT before impairment charges and provisions	**181**	**120**	**– 2**	**– 33**	**266**
EBIT after impairment charges and provisions	**172**	**4**	**– 2**	**– 33**	**141**
Net assets [1]	6,764	2,692	34	992	10,482
Employees [2]					
Alpiq InTec / Alpiq Anlagentechnik business units	3,892	4,965			8,857
Other business units	510	1,100	185	365	2,160

1 Non-current assets, current assets / current liabilities, excluding financial assets, securities and deferred income tax.
2 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, Group Centre and other activities, as well as CHF 0 million (first half of 2011: positive CHF 30 million) from the reversal of provisions no longer required (primarily for contract risks), positive CHF 11 million (positive CHF 27 million) for the share of profit of non-strategic associates, and consolidation adjustments.

2011: Information by operating segment (restated)

CHF million	Energy Switzerland business division	Energy International business division	Optimisation & Trading business division	Group holding company, Group Centre, other and consolidation	Alpiq Group
External revenue from energy sales / construction contracts	1,680	3,867	1,213	22	6,782
Revenue from trading in energy derivatives			13	– 13	0
– Proprietary trading			13	– 13	0
– Hedges					
Total external net revenue	**1,680**	**3,867**	**1,226**	**9**	**6,782**
Inter-segment revenue	341	255	511	– 1,107	0
Total net revenue	**2,021**	**4,122**	**1,737**	**– 1,098**	**6,782**
Other income	39	22		48	109
Share of profit of associates and joint ventures	27			27	54
Total revenue and other income	**2,087**	**4,144**	**1,737**	**– 1,023**	**6,945**
Operating costs	– 1,744	– 3,898	– 1,752	1,030	– 6,364
EBITDA	**343**	**246**	**– 15**	**7**	**581**
Depreciation and amortisation	– 138	– 106		– 26	– 270
KKN impairment charge	– 35				– 35
EBIT before KKN impairment charge	**205**	**140**	**– 15**	**– 19**	**311**
EBIT after KKN impairment charge	**170**	**140**	**– 15**	**– 19**	**276**
Net assets [1]	7,855	3,906	351	392	12,504
Employees [2]					
Alpiq InTec / Alpiq Anlagentechnik business units	3,651	4,904			8,555
Other business units	486	1,175	179	411	2,251

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: Impairment charges

On 20 July 2012, state-controlled Romanian energy company Hidroelectrica, which has been involved in insolvency proceedings since 20 June 2012, cancelled the long-term supply contracts with two Alpiq subsidiaries, Alpiq RomIndustries S.R.L. and Alpiq RomEnergie S.R.L., with effect from 1 August 2012. Alpiq subsequently reviewed the two contracts and goodwill on acquisition for impairment. Due to the impact on local business, the "Sales Central Europe" cash-generating unit was redefined. Now local operations in Romania are classified as a separate cash-generating unit. Both cash-generating units are part of the Energy International business division. The impairment tests were based on the estimated recoverable future cash inflows from the remaining activities of the cash-generating units. They resulted in an impairment charge of CHF 76 million, consisting of CHF 32 million on the carrying amounts of the long-term contracts recognised in "other intangible assets" and CHF 44 million on "goodwill". In the year-ago period, an impairment charge of CHF 35 million was recognised in the interim financial statements to write off the accumulated project costs for a new nuclear power station in Niederamt in the Canton of Solothurn (KKN).

Note 4: Reconciliation of goodwill carrying amounts in the first half of 2012

The carrying amount of goodwill decreased by CHF 20 million in the first half of 2012. This was due to negative CHF 44 million recognised for impairment as explained in note 3, positive CHF 12 million resulting from the business reintegration explained in note 6, positive CHF 20 million arising from the business combination set out in note 8 and negative CHF 8 million due to foreign currency translation and other factors.

Note 5: Reclassification of the investment in A2A

As Alpiq is no longer represented on the Board of Directors of Italian energy supply utility A2A S.p.A., Milan / IT, it has lost its significant influence over the company. For this reason, the interest held has been reclassified and included in "current asset investments" in the statement of financial position (31 December 2011: "investments in associates and joint ventures").

Note 6: 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 in mid-2012 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 the 2011 financial statements, while the interest in Edipower and the above-mentioned sales operations were presented as "assets held for sale" and "liabilities held for sale".

The Edipower sale was completed in the first half of 2012. However, the transfer of transmission network operations was postponed and is now expected to take place in 2013. In the press release issued on 27 April 2012, Alpiq announced that it had decided to sell the Alpiq Anlagentechnik (AAT) Group's Energy Supply Technology (EST) companies to Vinci Energies. This sale is in its advanced stages, with completion expected in the third quarter of 2012.

In addition, Alpiq decided not to sell AAT's second business, Industrial and Power Plant Engineering (IPPE), and to discontinue sales operations in Germany and Spain through closure. For this reason, the related assets and liabilities are no longer reported as "assets held for sale" and "liabilities held for sale" in the statement of financial position at 30 June 2012. As the EST business alone does not qualify as a discontinued operation, it is no longer presented separately in the income statement.

Note 7: Acquisitions and disposals

During the reporting period and prior year period, the Group made the following acquisitions and disposals which impacted revenue and profit performance in a year-on-year comparison:

Acquisitions	Ownership interest	Consolidated since	Business division
Albin Baeriswyl SA, Fribourg / CH [1]	100.0 %	22 Jul 2011	Energy Switzerland
Xamax AG, Embrach / CH	100.0 %	23 Aug 2011	Energy Switzerland
Meister + Brülisauer Haustechnik AG, Aadorf / CH [2]	100.0 %	8 Sep 2011	Energy Switzerland
Robert Schellenberg AG, Winterthur / CH [2]	100.0 %	8 Sep 2011	Energy Switzerland
UB Nant de Drance AG, Olten / CH	100.0 %	8 Dec 2011	Energy Switzerland
Alpiq Wind S.r.l., Verona / IT	100.0 %	8 Mar 2011	Energy International
GA Bauleistungen GmbH, Rutesheim / DE	100.0 %	1 May 2011	Energy International
Tysvær Vindpark AS, Rogaland / NO	100.0 %	29 May 2011	Energy International
Madland Kraftverk AS, Billingstad / NO	100.0 %	1 Jul 2011	Energy International
Sevre Kraftverk AS, Nesbyen / NO	90.0 %	1 Jul 2011	Energy International
Sabloal Energie Eoliana S.R.L., Oradea / RO	100.0 %	7 Jul 2011	Energy International
GA Linel S.r.l., Bressanone / IT	51.0 %	1 Sep 2011	Energy International
Aero Rossa S.r.l., Aragona / IT [3]	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 [3]	100.0 %	4 Jun 2012	Energy International

1 Integrated into Alpiq InTec Romandie Ltd.
2 Integrated into Alpiq InTec East Ltd.
3 Companies acquired in connection with the Moncada asset split.

Disposals	Ownership interest	Deconsolidated on	Business division
Biogas neu Kosenow GmbH & Co KG, Hamburg / DE	100.0 %	30 Jun 2011	Energy International
Alpiq Denmark A/S, Ålborg / DK	100.0 %	31 Oct 2011	Energy International
Energiakolmio Oy, Jyväskylä / FI	100.0 %	20 Mar 2012	Energy International

Further disclosures relating to the acquisition and disposal of subsidiaries are set out in notes 8 and 9 respectively.

Note 8: Business combinations

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

- Energy International business division:
  4 Jun 2012: 100.0 % of Aero Rossa S.r.l., Aragona / IT
  4 Jun 2012: 100.0 % of Enpower 3 S.r.l., Aragona / IT

The acquisition costs totalled CHF 125 million. Fair values have been allocated as follows in the statement of financial position:

CHF million	Energy International business division Renewable Energy Sources Italy
Property, plant and equipment	216
Intangible assets	14
Deferred income tax assets	5
Cash and cash equivalents	28
Other current assets	43
Short- and long-term borrowings	– 170
Other current and non-current liabilities	– 22
Deferred income tax liabilities	– 9
Net assets acquired	**105**
Goodwill arising on acquisition	20
Net cash flow on acquisition:	
Cash and cash equivalents acquired with subsidiaries	28
Acquisition costs	– 125
Settled by partial transfer of non-controlling interest in M&A Rinnovabili S.r.l., Aragona / IT	125
Net cash flow	**28**

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 2 million to revenue. If the acquisitions had taken place on 1 January 2012, consolidated revenue would have been CHF 18 million higher and Group profit for the period would have increased by CHF 8 million.

The amounts reported above are based on a provisional purchase price allocation.

Disclosures for the previous year:
Acquisition costs in the first half of 2011 totalled CHF 400 million, while the fair value of net assets acquired was CHF 355 million. This resulted in goodwill of CHF 45 million. The integrated companies contributed CHF 33 million in cash and cash equivalents to the Group. The total net cash outflow was CHF 271 million.

If the 2011 acquisitions shown on page 24 had already taken place on 1 January 2011, revenue for the year-ago period would have been CHF 50 million higher.

Note 9: Business disposals

Energiakolmio Oy, Jyväskylä / FI, a Finnish energy supply utility wholly owned by Alpiq, was sold in March 2012. In the 2011 financial year, Energiakolmio Oy generated revenue of approximately CHF 9 million. The other disposals were immaterial overall in terms of revenue.

Note 10: Events after the reporting period

On 27 July 2012, Alpiq issued a press release announcing that it was withdrawing from the retail market in Italy as part of the ongoing restructuring plan. This exit entails plans to liquidate Energ.it S.p.A., Cagliari / IT, the company operating in the Italian retail market. Energ.it is a wholly-owned subsidiary of Alpiq Italia S.r.l., Milan / IT.

The other party to an exchange agreement filed an arbitration claim in July 2012, requesting that a power exchange agreement with Alpiq Suisse Ltd. be amended. The value of the arbitration claim is about EUR 300 million. Alpiq considers that this arbitration claim has no legal basis and is supported in its assessment by external legal opinions.

Note 11: Contingent liabilities and guarantees

At the reporting date, there were no obligations arising from performance bonds, guarantees or similar contingent liabilities in respect of associates or third parties.

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.

Organisation at 30 June 2012

Board of Directors

- **Board of Directors**
  Hans E. Schweickardt [1]
  Chairman
  - **Secretary Board of Directors & Compliance**
    Alain Moilliet
  - **Group Internal Audit**
    Werner Schmucki

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

1 Member of the Executive Board

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
  - **Alpiq Anlagentechnik Group (AAT)**
    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**
    Erik Saether a.i.
  - **Middle Office & Operations**
    Frédéric Rivier
  - **Finance & Services Trading**
    Petter Torp

Functional Divisions

- **Financial Services**
  Kurt Baumgartner [1]
  CFO
  - **Group Accounting & Reporting**
    Michel Vögeli
  - **Group Taxes**
    Giuseppe Giglio
  - **Group Planning & Controlling**
    Patrick Mariller
  - **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**
    Christina Meier a.i.
  - **Group Public Affairs**
    Stefan Aeschimann
  - **Group IT**
    Norbert Hoffmann

General Management
Business Division
Business Unit
Functional Division
Functional Unit

Financial Summary 2007 – 2012

Alpiq Group

CHF million	Full year 2007	Full year 2008	Full year 2009	Full year 2010	Full year 2011	Half-year H1 2011	Half-year H1 2012
Net revenue	13,452	12,897	14,822	14,104	13,961	6,782	6,490
EBITDA before exceptional items	1,253	1,281	1,545	1,472	1,131	581	503
As % of net revenue	9.3	9.9	10.4	10.4	8.1	8.6	7.8
EBITDA after exceptional items					36	581	454
Group profit for the period [1] before exceptional items	778	733	676	645	258	183	126
As % of net revenue	5.8	5.7	4.6	4.6	1.8	2.7	1.9
Group profit / (loss) for the period after exceptional items					– 1,346	155	– 36
Net capital expenditure / (disposals)	591	1,050	1,186	587	669	447	– 215
Total equity	3,621	3,830	7,930	7,779	6,205	7,589	6,047
As % of total assets	38.6	36.2	39.5	42.1	35.6	41.7	35.4
Employees [2]	9,034	9,944	10,629	11,033	11,009	10,806	11,017

1 Including profit / (loss) attributable to non-controlling interests.
2 Average number of full-time equivalents.

Per share data [1]

CHF	Full year 2007	Full year 2008	Full year 2009	Full year 2010	Full year 2011	Half-year H1 2011	Half-year H1 2012
Par value [2]	20	10	10	10	10	10	10
Share price at 31 December/30 June	605	535	430	360	170	300	160
High	605	765	567	453	381	383	190
Low	371	376	328	339	150	293	153
Weighted average number of shares outstanding (in thousands)	12,326	21,261	26,749	27,190	27,190	27,190	27,190
Net profit / (loss)	38	34	25	23	– 49	5	– 2
Dividend		10.00	8.70	8.70	2.00		
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.

2007 and 2008: figures of the former Atel Group excluding EOS and Emosson.

Financial Calendar

November 2012:
2012 third-quarter results

March 2013:
Release of 2012 annual results
Annual media conference

25 April 2013:
Annual General Meeting

May 2013:
2013 first-quarter results

August 2013:
Interim Report

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