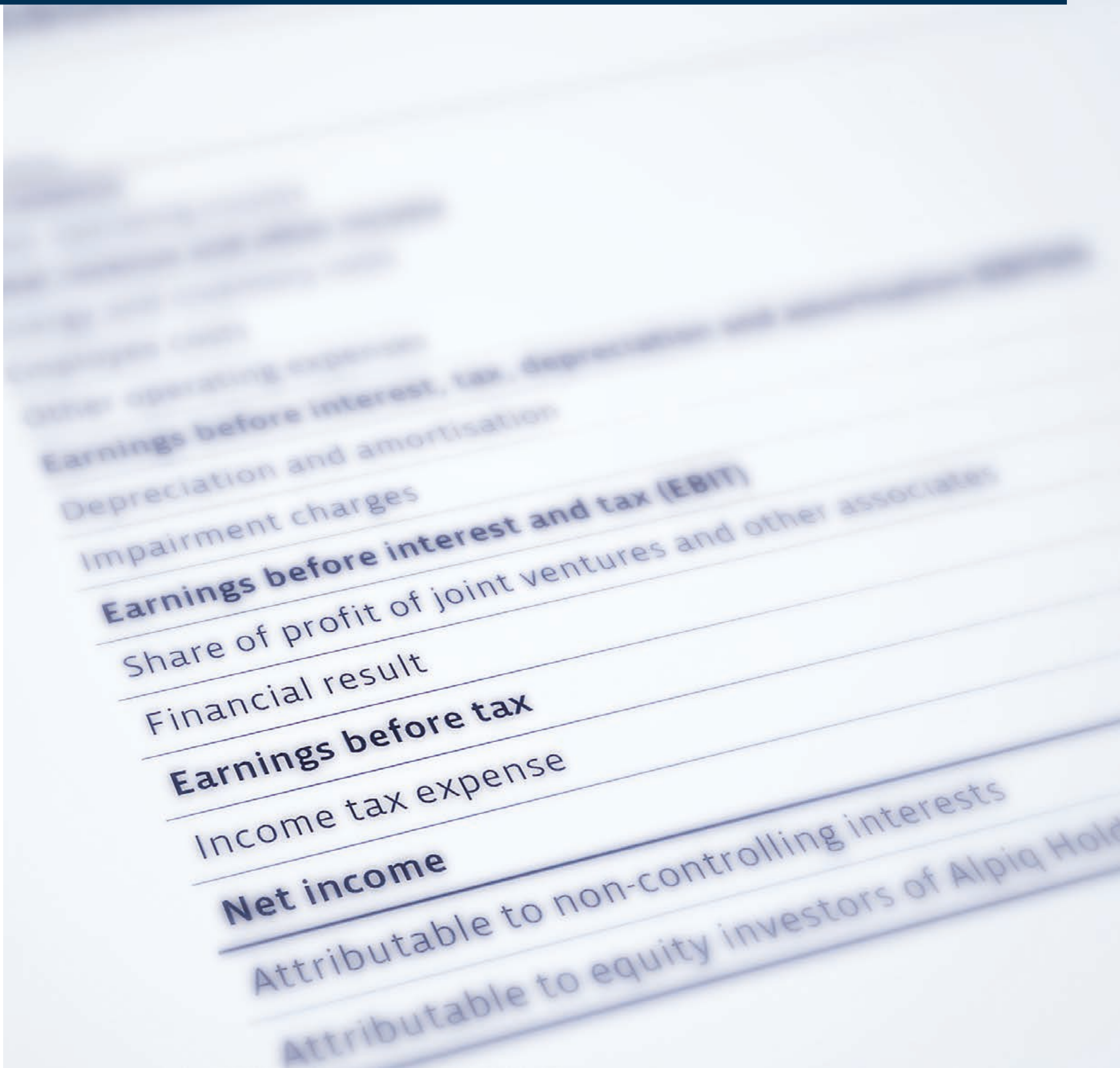
2014
Interim Report



2014 Interim Key Financial Indicators

Alpiq Group

CHF million	% Change	Half-year 2013	Results under IFRS Half-year 2014
Energy sales (GWh)	– 0.1	50,062	50,022
Net revenue	– 15.0	4,791	4,070
Earnings before interest, tax, depreciation and amortisation (EBITDA)	– 28.9	401	285
as % of net revenue		8.4	7.0
Earnings before interest and tax (EBIT)	– 37.0	257	162
Net income	– 81.7	115	21
Total assets		15,674	13,548
Total equity		5,976	5,759
as % of total assets		38.1	42.5
Number of employees at the reporting date	0.3	7,951	7,977

Per share data

CHF	% Change	Half-year 2013	Half-year 2014
Par value	0.0	10	10
Share price at 30 June	– 11.3	115	102
High	– 2.3	132	129
Low	– 7.5	106	98
Net income [1]	– 106.2	3.71	– 0.23

1 Calculation see page 10

Financial summary 2009 – 2014 on page 26

Content

Dear shareholder,

We are taking a determined and vigorous approach to pushing ahead with the restructuring of the Alpiq Group. At the same time, we have to contend with a continued strong headwind in the energy sector. In this challenging environment, Alpiq posted a result in the first half-year of 2014 in line with expectations. The Alpiq Group generated consolidated net revenue of CHF 4,070 million (previous year: CHF 4,791 million) and EBITDA of CHF 285 million (previous year: CHF 401 million).

Hydropower under massive pressure

Subsidised new renewable energies, low prices for coal and CO_2, as well as over capacities led to a drop in wholesale prices and put conventional power plant production under pressure. In particular, the economic viability of Swiss hydropower is being increasingly impacted by the current low price level. In the previous year, the wholesale business in Central and Eastern Europe benefited to a greater extent from extraordinarily good trading opportunities. The operating business reported an overall stable trend due to the cost savings that have already been achieved.

Energy services on a growth track

The energy service business in Switzerland recorded marked growth compared with the previous year. Building and transport technology benefited from its excellent market positioning and professional project management. The power plant engineering and services business increased its diversification into the industrial area, enabling it to win numerous orders, despite cautious investment activity in the power plant area.

Further measures launched to maintain capital market capability

Financial flexibility continues to enjoy a high priority. For example, a syndicated loan that secures a financing facility of CHF 400 million until the end of 2017 was extended at the start of the year. At the end of July 2014, Alpiq also carried out a buy-back of CHF 543.4 million worth of bonds with maturities in the 2015 to 2018 range, replacing them with a new bond with a ten-year maturity and an attractive coupon rate. The proceeds from the publicised disposal of the non-strategic interest in Swissgrid are intended to reduce net debt further and be reinvested in the growth areas defined under the new strategy.

Group transformation progressing as planned

Due to lower wholesale prices, we continue to anticipate EBITDA in the 2014 financial year of around 30 to 40 percent lower compared with the previous year. The market situation over the past few months endorses the new strategic directions approved by the Board of Directors in December. These are based on two main pillars: adaptation of our own power plants and wholesale activities to market conditions and growth with energy services within a changed environment. We have launched the transformation of the Alpiq Group with this in mind.

One of our main objectives in the conventional power plant business is to create overall conditions that allow us to operate our hydropower plants profitably. This has prompted us to place the economic viability of Swiss hydropower onto the political agenda, and we are conducting an intense dialogue with all parties involved in order to restore profitability. We are campaigning for environmentally-friendly hydropower to emerge as the winner from the energy turnaround.

The focus in the energy services business is on developing innovative concepts and solutions. With the acquisition of Flexitricity, the UK market leader in decentralised energy management, we have gained access to expertise in innovation on one of the most advanced markets. In Switzerland, too, the focus is on energy efficiency. In building technology, we have taken a major step towards smart homes with our new GridSense solution which uses artificial intelligence to manage energy consumption in buildings. We have strengthened our presence in the Basel area with the acquisition of Schwarz + Partner. These measures will enable us in future to offer further projects with innovative full-service solutions. The new Coop distribution centre in Schafisheim is one example of this. Here, Alpiq won a major order worth CHF 30 million and is offering a broad range of energy efficiency services in building technology.

During the first half of 2014 our competitiveness was further improved. We are continuing to consistently optimise structures, processes and systems in order to save CHF 100 million every year from 2015 on a sustainable basis and to continually adapt our business model to the new challenges and opportunities presented by the markets. We are on track achieving this.

With numerous measures over the past six months, we have given specific form to Alpiq's transformation from a capital-intensive power producer into an energy service provider offering innovative full-service solutions. We are convinced that we have chosen the right path, and this is why we are continuing step-by-step in this direction in order to generate benefits for our customers and for you as valued shareholders. With strong commitment and vigour, we are continuing to build our company's future together. We are counting on your support in these undertakings, and would like to thank you for your confidence in us.

Hans E. Schweickardt, Chairman

Jasmin Staiblin, CEO

28 August 2014

Alpiq Group Financial Review

Alpiq pushes ahead with Group transformation

During the first half of 2014 the Alpiq Group consistently pressed ahead with its transformation. In line with the strategic directions that were defined at the end of 2013, Alpiq is transforming itself from a capital-intensive power producer into an energy service provider offering innovative full-service solutions. The measures that have been implemented to date are already showing their effects in this set of consolidated financial statements and they are boosting the Group's competitiveness within a market environment that remains extremely challenging.

First half-year 2014 operating earnings down year-on-year

The earnings Alpiq generated during the first half-year of 2014 are significantly below those of the previous year. Based on revenues of CHF 4.1 billion (– 15 %), the Group generated EBITDA of CHF 285 million (– 29 %) and EBIT of CHF 162 million (– 37 %). This includes one-off restructuring costs of CHF 22 million. Overall, earnings are within the expectations of the Board of Directors and the Executive Board.

	Results under IFRS	
CHF million	Half-year 2013	Half-year 2014
Net revenue	**4,791**	**4,070**
Other operating income	106	95
Total revenue and other income	**4,897**	**4,165**
Energy and inventory costs	– 3,851	– 3,232
Employee costs	– 406	– 416
Other operating expenses	– 239	– 232
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**401**	**285**
Depreciation, amortisation and impairment	– 144	– 123
Earnings before interest and tax (EBIT)	**257**	**162**
Share of results of joint ventures and other associates	– 33	– 14
Financial result	– 78	– 90
Earnings before tax	**146**	**58**
Income tax expense	– 31	– 37
Net income	**115**	**21**

As already announced at the start of year, operating earnings (EBITDA) were below the previous year's level. In the conventional energy business, this is mainly attributable to wholesale prices which are lower compared to the prior-year period, and which are reflected in very narrow generating margins that are currently even in the negative. In addition, the mild winter resulted in fewer price spikes and lower heating sales. Poor wind conditions in Southern Europe are hampering the business progress of new renewable energies. The sales business is reporting lower results in all regions. In the previous year, it continued to benefit to some extent from positive one-off effects. By contrast, the result of the Energy Services business division was up significantly year-on-year. This growth is mainly attributable to strong demand on the core Swiss market, as well as a high level of order processing thanks to the mild winter.

EBIT is also below the previous year's levels, although the impairment charges that were applied at the end of 2013 to non-current assets and energy contracts reduced the overall depreciation and amortisation charge.

The commissioning of the K7 power plant unit in Kladno in the Czech Republic, and the year-on-year increased availability of the Swiss power plant portfolio made positive contributions to earnings. Short-term gas trading activities are benefiting from a favourable positioning on the market. Finally, cost-savings in all business divisions are having a positive impact.

Net financial expense amounted to CHF 104 million after the first six months, reflecting a slight year-on-year reduction. Although one-off costs for the early redemption of borrowings, and negative currency and interest hedging effects are weighing down on earnings, these are being offset by higher contributions from associated companies.

The average tax rate is 63.8 % (first half-year 2013 on a comparable basis: 21.2 %). Income tax expenses were up by 19 % year-on-year to CHF 37 million. This is primarily attributable to an exceptional circumstance whereby deferred tax assets can no longer be utilised due to a lack of earnings against which they can be offset. Rises in tax rates continue to burden earnings.

Consolidated balance sheet and consolidated statement of cash flows

Total assets amounted to CHF 13.5 billion as at 30 June 2014 balance sheet date, compared with CHF 14.5 billion as at the end of 2013. This decline is mainly attributable to the repayment of non-current financial liabilities and the related reduction in cash and cash equivalents. Including term deposits and marketable securities, liquidity available on a short-term basis amounts to CHF 2.1 billion. In addition, trade receivables decreased as a result of the reduced revenues.

The intention to dispose of the non-strategic interest in Swissgrid AG requires that it be reclassified within the financial statements. The value of the participating interest in Swissgrid AG, as well as of loans made to it, are shown under "assets held for sale".

Equity stood at CHF 5.8 billion as at 30 June 2014. The earnings for the period are set against the cash outflows arising from the dividend distribution, as well as the interest payment on part of the hybrid capital. The negative development resulting from the conversion of the assets of foreign subsidiaries into Swiss francs also had a mitigating effect. The equity ratio improved to 42.5 % (31 December 2013: 40.2 %).

Cash flow from operating activities totalled CHF 226 million during the first half-year of 2014. Markedly lower operating earnings (EBITDA) resulted in a reduced cash inflow compared with the same period in the previous year. The optimisation of current assets once again had a positive impact, although to a lesser extent than in the previous year. A cash inflow also arose from a change to the replacement values of derivative financial instruments. Moreover, the cash outflow for income taxes paid was significantly lower than in the previous year.

While in the previous year the Group enjoyed cash inflows from investing and financing activities, reflecting disposals of non-strategic interests and the raising of hybrid capital, liquidity declined during the first half-year of 2014 as a result of the acquisitions made, necessary replacement investments and the repayment of financial liabilities. The interest burden was cut further as the result of a reduction in borrowings. Overall, the cash and cash equivalents position has decreased by CHF 349 million since the start of 2014 to CHF 1.4 billion.

Market trends

The economy in the European Union (EU) is recovering slowly, not least thanks to the expansive monetary policy many central banks are pursuing. While the economies in Germany, the United Kingdom and Switzerland reported robust growth, the next largest EU member states of France and Italy are still lagging behind. Emerging economies had to battle with both economic cooling and political turbulence, including the escalating conflict between Russia and the Ukraine.

Despite the slight recovery in the European economy, demand for electricity and gas remained in decline during the first half-year of 2014, with the mild weather having a significant impact. Production from conventional power plants registered an even more significant decrease; in Germany, as a consequence of a marked increase in grid feed-in of solar, wind and biomass power due to the Renewable Energy Act (EEG), and in Italy and France due to higher hydropower production. The potential effects of the crisis in the Ukraine on gas supplies in Europe have triggered considerably more price fluctuations, halting the constant decline in gas prices. In the case of the second important energy source for electricity generation – coal – the downtrend that has been recently observed has weakened. Spot and forward prices on Western European electricity markets were down across the board.

Ahead of the approval and implementation of back-loading for the EU Emissions Trading System, the prices for European Union Allowances (EUA) have risen continuously. Given the growing oversupply of the market, however, this measure has proved insufficient to hold prices at the higher level.

In the light of narrow or negative profit margins (including for forward products), an increasing number of electricity producers are deciding to shut down their power plants temporarily or even permanently. Such measures are being implemented in the hope that capacity markets that are soon to be introduced will generate additional revenues, ensuring the power plants' economic viability. Above and beyond this, potential increases to climate policy targets and regulatory modifications to the market design in the EU will remain important for pricing.

The building technology area in Switzerland was still benefiting in early 2014 from strong demand on the mainstream and ancillary construction markets. The price situation has nevertheless been further exacerbated as in some cases competitors are battling for capacity utilisation with very low margins. From 2015, the prospects for the ancillary construction industry are clouded by various factors. The intensification of self-regulation by the Swiss Bankers Association and the announcement of new regulations for Tier 2 capital raising, in combination with rising vacancy rates in conurbation centres, point towards a declining market. The building technology market in Italy is struggling with continued investment bottlenecks and a very slow recovery throughout the entire economy.

In the area of urban transport and railways, an increasing number of foreign competitors are pushing into the Swiss market with low offers. As far as energy supplies within Switzerland are concerned, competitive pressure is great, and market positioning occurs largely as the result of pricing. This applies particularly to the orders of Swissgrid AG, the Swiss transmission system operator.

The industrial and power plant engineering market segments continue to be affected to varying degrees by the new direction of energy policy in Germany. This is most tangibly evident in a reticence to invest in conventional power plant technology. In the area of energy and environmental technology, demand for smaller, decentralised energy generation plants is on the rise. As far as the few enquiries about large-scale projects are concerned, these relate mainly to combined gas and steam power plants in combination with district heating supplies and heat storage units. Overall, the competitive situation has further intensified, with providers coming from across the whole of Europe. In nuclear technology, the priority is to offset the sharp decline in demand from the German market with orders from neighbouring countries, as decommissioning measures are not expected to start in Germany before 2016. To this end, the French market is currently being intensively targeted. Demand in the supply technology market segment is stable, although increasingly lower margins are being generated. The industrial plants market segment is also benefitting from stable demand from the European environment.

Performance of the business divisions

The **Generation** business division comprises the conventional power plant business as well as the commercialisation of its products and services. The results achieved in this area during the first half-year of 2014 are significantly below the comparable results from the same period in the previous year. Market conditions for power generation and electricity trading have further deteriorated. The price level on forward and spot markets has seen a further significant reduction. Moreover, the mild winter fed through to fewer price peaks for short-term products, accordingly slowing demand for flexible generation. As a consequence, the Swiss power plant portfolio suffered considerably from the current price situation. Additional production from nuclear generation – in the previous year, the Gösgen nuclear power plant underwent a prolonged inspection – only partially offset this. Accounting effects arising from the market valuation of hedging transactions for subsequent periods placed an additional burden on results. Generating costs were stable when adjusted to reflect the reimbursement in the previous year of the 2009/2010 ancillary service costs that were incorrectly levied.

Construction work for the Nant de Drance pumped storage power station is proceeding on schedule. Equipment assembly has started in the machinery area that has been fully excavated since March. From today's perspective, the costs for the construction of the power plant will come within the budget of CHF 2 billion.

The conventional thermal generation that takes place abroad suffered from the smaller price differences between primary energies and the electricity price achievable on the market. The consistent exploitation of market opportunities on the ancillary services market nevertheless fed through to positive results in Spain and Italy. By contrast, the Bayet power plant benefited from positive trading results in the gas business. In the Czech Republic, the new K7 unit in the Kladno power plant was commissioned after a four-year planning and construction period. This new unit has cost around EUR 260 million, and was built by the Alpiq subsidiary Kraftanlagen München (KAM) on budget and on time. Additional production from the new plant is resulting in substantial additional income and also partially offsetting the collapse in demand for heating due to the mild winter. The Csepel power plant in Hungary was deployed significantly less frequently due to the market situation, feeding through to lower unit volume turnover and sales revenues. The reduction in the margin is nevertheless solely attributable to the renegotiated contractual terms in the gas area.

The generation plants for new renewable energies, with their main sites in Sicily and Bulgaria, produced significantly less energy than in the previous year which had been characterised by excellent wind conditions. The turnover tax that is now applied to energy generation in Bulgaria placed an additional burden on earnings.

The **Commerce & Trading** business division comprises all sales activities in Switzerland, Italy, France and Central Europe, as well as the power plant-related optimisation and trading activities (results from these areas are, however, attributed to the Generation business division).

On the Swiss market, the loss in particular of the earnings from Società Elettrica Sopracenerina SA which was sold in July 2013, led to lower operating results. The results in Italy reflect the decline in market activities. The sales business in France is also down year-on-year due to lower margins.

Energy trading in Central Europe also achieved lower margins year-on-year. This is mainly due to non-repeatable extraordinary market opportunities that were exploited in the previous year. In the origination business, costs for balancing energy in Rumania are weighing on results.

The **Energy Services** business division comprises the KAM with its core market in Germany, as well as the Alpiq InTec Group (AIT), which operates mainly in Switzerland. While KAM focuses largely on international energy and industrial plant construction, AIT is oriented towards services in building technology, as well as energy and transport technology in Switzerland, Italy and the Czech Republic.

The building technology business division of AIT reported marked year-on-year earnings growth. Its strong market positioning and mild weather underpinned this growth. The energy and transport technology area was stable.

Outlook

As already communicated with the first quarterly results, Alpiq expects 30 to 40 % less EBITDA in 2014 as compared to the previous year due to lower wholesale prices.

The transformation of the Group is proceeding as planned: Alpiq is transforming itself from a capital-intensive power producer into an energy service provider offering innovative full-service solutions. We will consistently expand this business.

If wholesale prices were to remain at the present low level in the long term, this would negatively affect the intrinsic value of power plants, particularly hydropower, and the profitability of energy companies. Alpiq has, therefore, placed the economic viability of Swiss hydropower on the political agenda. Together with policymakers, a solution must be found in order for hydropower to count among the winners of the energy turnaround in the future.

At the end of July 2014, Alpiq repurchased bonds due 2015 – 2018 and amounting to CHF 543.4 million. At the same time, a CHF 300 million bond with a ten-year maturity period and an attractive 2.625 % coupon rate was launched on the market. The proceeds from the announced divestment of Swissgrid shares will be used to further reduce net debt and for investment in the growth areas under the new strategy.

Consolidated Income Statement (condensed)

CHF million	Note	Half-year 2013	Half-year 2014
Net revenue	2	**4,791**	**4,070**
Other operating income		106	95
Total revenue and other income		**4,897**	**4,165**
Energy and inventory costs		– 3,851	– 3,232
Employee costs		– 406	– 416
Other operating expenses		– 239	– 232
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**401**	**285**
Depreciation and amortisation		– 128	– 123
Impairment charges		– 16	
Earnings before interest and tax (EBIT)		**257**	**162**
Share of profit of joint ventures and other associates		– 33	– 14
Financial result		– 78	– 90
Earnings before tax		**146**	**58**
Income tax expense		– 31	– 37
Net income		**115**	**21**
Attributable to non-controlling interests		8	2
Attributable to equity investors of Alpiq Holding		107	19

Net income attributable to equity investors of Alpiq Holding		107	19
Interest on hybrid capital attributable to the period	5	– 6	– 25
Share of Alpiq Holding stockholders in net income		**101**	**– 6**
Weighted average number of shares outstanding (in thousands)		27,190	27,190
Earnings per share (in CHF)		**3.71**	**– 0.23**

There are no circumstances that would lead to a dilution of the earnings per share.

Consolidated Statement of Comprehensive Income

CHF million	Half-year 2013	Half-year 2014
Net income	**115**	**21**
Cash flow hedges (subsidiaries)	– 15	10
Income tax expense	1	– 4
Net of income tax	– 14	6
Cash flow hedges (joint ventures and other associates)	31	1
Income tax expense	– 7	
Net of income tax	24	1
Exchange difference on translation of foreign subsidiaries	43	– 13
Items that may be reclassified subsequently to the income statement, net of tax	**53**	**– 6**
Remeasurements of defined benefit plans (subsidiaries)	43	– 24
Income tax expense	– 11	6
Net of income tax	32	– 18
Remeasurements of defined benefit plans (joint ventures and other associates)	18	– 7
Income tax expense	– 4	2
Net of income tax	14	– 5
Items that will not be reclassified to the income statement, net of tax	**46**	**– 23**
Other comprehensive income	**99**	**– 29**
Total comprehensive income	**214**	**– 8**
Attributable to non-controlling interests	11	1
Attributable to equity investors of Alpiq Holding	203	– 9

Consolidated Balance Sheet (condensed)

Assets

CHF million	Note	31 Dec 2013	30 Jun 2014
Property, plant and equipment		4,132	4,050
Goodwill		322	341
Other intangible assets		552	530
Investments in joint ventures and other associates		3,677	3,411
Other non-current financial assets		343	91
Deferred income tax assets		57	48
Non-current assets		**9,083**	**8,471**
Cash and cash equivalents		1,741	1,392
Term deposits		680	660
Derivative financial instruments		748	623
Other current assets		2,256	1,895
Current assets		**5,425**	**4,570**
Assets held for sale	4		**507**
Total assets		**14,508**	**13,548**

Equity and liabilities

CHF million	Note	31 Dec 2013	30 Jun 2014
Equity attributable to equity investors of Alpiq Holding		5,788	5,706
Non-controlling interests		51	53
Total equity	5	**5,839**	**5,759**
Long-term borrowings		3,875	3,382
Deferred income tax liabilities		1,162	1,136
Retirement benefit obligations		248	203
Other non-current liabilities		200	212
Non-current liabilities		**5,485**	**4,933**
Short-term borrowings		596	689
Derivative financial instruments		772	694
Other current liabilities		1,816	1,473
Current liabilities		**3,184**	**2,856**
Total liabilities		**8,669**	**7,789**
Total equity and liabilities		**14,508**	**13,548**

Consolidated Statement of Changes in Equity

CHF million	Share capital	Share premium	Hybrid capital	Cash flow hedge reserve	Foreign currency translation reserve	Retained earnings	Attributable to equity investors of Alpiq Holding	Non-controlling interests	Total equity
Equity at 31 December 2012	**272**	**4,377**	**0**	**– 59**	**– 681**	**783**	**4,692**	**125**	**4,817**
Net income for the period						107	107	8	115
Other comprehensive income				9	43	44	96	3	99
Total comprehensive income				**9**	**43**	**151**	**203**	**11**	**214**
Proceeds from hybrid capital			1,017			– 12	1,005		1,005
Transfer from share premium to retained earnings		– 54				54	0		0
Dividends						– 54	– 54	– 6	– 60
Equity at 30 June 2013	**272**	**4,323**	**1,017**	**– 50**	**– 638**	**922**	**5,846**	**130**	**5,976**
Equity at 31 December 2013	**272**	**4,323**	**1,017**	**– 33**	**– 654**	**863**	**5,788**	**51**	**5,839**
Net income for the period						19	19	2	21
Other comprehensive income				8	– 13	– 23	– 28	– 1	– 29
Total comprehensive income				**8**	**– 13**	**– 4**	**– 9**	**1**	**– 8**
Transfer from share premium to retained earnings		– 54				54	0		0
Distributions to hybrid investors						– 15	– 15		– 15
Dividends						– 54	– 54	– 3	– 57
Change in non-controlling interests						– 4	– 4	4	0
Equity at 30 June 2014	**272**	**4,269**	**1,017**	**– 25**	**– 667**	**840**	**5,706**	**53**	**5,759**

Consolidated Statement of Cash Flows (condensed)

CHF million	Half-year 2013 (restated)	Half-year 2014
Earnings before tax	**146**	**58**
Depreciation, amortisation and impairment	144	123
Share of profit of joint ventures and other associates	33	14
Financial result	78	90
Other non-cash income and expenses	– 93	– 99
Changes in working capital (excl. current financial assets/liabilities)	147	63
Income tax paid	– 60	– 23
Net cash flows from operating activities	**395**	**226**
Property, plant and equipment and intangible assets	– 49	– 14
Subsidiaries		
Acquisitions		– 25
Proceeds from disposal	223	
Associates		
Acquisitions	– 1	– 86
Proceeds from disposal	275	1
Other non-current financial assets		
Purchases	– 3	
Proceeds from sale/repayments	14	4
Change in term deposits	– 393	19
Purchases/proceeds from sale of current asset investments	17	
Dividends from joint ventures, other associates and financial investments	34	59
Interest received	4	9
Net cash flows from investing activities	**121**	**– 33**

Dividends paid (incl. non-controlling interests)	– 60	– 57
Proceeds from borrowings	51	31
Repayment of borrowings	– 503	– 426
Proceeds from hybrid capital	1,005	
Distributions to hybrid investors recorded outside profit and loss in equity		– 15
Interest paid	– 91	– 71
Net cash flows from financing activities	**402**	**– 538**
Effect of exchange rate changes	**5**	**– 4**
Change in cash and cash equivalents	**923**	**– 349**
Analysis:		
Cash and cash equivalents at 1 January	1,276	1,741
Cash and cash equivalents at 30 June	2,199	1,392
Change	**923**	**– 349**

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

The balance of CHF 2,199 million in cash and cash equivalents disclosed at 30 June 2013 in the consolidated statement of cash flows also includes CHF 21 million (1 January 2013: CHF 27 million) in cash and cash equivalents attributable to operations held for sale.

Notes on the Condensed Interim Consolidated Financial Statements

Basis of preparation

The interim consolidated financial statements for the six months ended 30 June 2014 have been prepared in accordance with International Accounting Standard IAS 34 “Interim Financial Reporting”. With the exception of the changes listed below, they are presented on a basis consistent with the Alpiq Group’s accounting policies set out in the Financial Report 2013 and should be read in conjunction with that report, as the interim consolidated financial statements are an update of information previously published. The Board of Directors of the Alpiq Holding Ltd. authorised the consolidated interim financial statements as at 30 June 2014 on 27 August 2014.

The Alpiq Group has adopted the following International Financial Reporting Standards (IFRS), which came into force on 1 January 2014.

- IAS 32 amendments: Offsetting financial assets and financial liabilities (1 January 2014)
- IAS 36 amendments: Details on recoverable amount for non-financial assets (1 January 2014, adopted early as per 31 December 2013)
- IAS 39 amendments: Novation of derivatives and continuing designation for hedge accounting (1 January 2014)
- IFRIC 21: Accounting for public levies (1 January 2014)

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

As described in the Financial Report 2013, Alpiq has changed the presentation of the consolidated statement of cash flows. As a result of the changes, cash flows from operating activities increased by CHF 53 million and cash flows from investing activities increased by CHF 38 million while cash flows from financing activities decreased by CHF 91 million compared to reported values in the first half of 2013. Please refer to the Financial Report 2013 for details of the changes in presentation.

In the notes to the consolidated income statement, the comparable figures that are transferred from the previous year were restated in this current report where changes occur, and where such changes are material.

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 2013	Closing rate at 31 Dec 2013	Closing rate at 30 Jun 2014	Average rate for Half-year 2013	Average rate for Half-year 2014
1	USD	0.943	0.890	0.890	0.936	0.891
1	EUR	1.234	1.228	1.216	1.230	1.221
100	CZK	4.755	4.476	4.428	4.786	4.450
100	HUF	0.419	0.413	0.393	0.416	0.398
100	NOK	15.648	14.679	14.466	16.354	14.760
100	PLN	28.444	29.550	29.244	29.440	29.252
100	RON	27.662	27.457	27.734	28.005	27.362

Note 2: Segment information

Alpiq Group's segment reporting is based on the Group's internal organisational and management structure and the internal financial information reported to the chief operating decision maker. The reportable segments under IFRS 8 consist of three business divisions, as shown in the organisation chart on page 25. The Executive Board evaluates each of these separately for the purpose of assessing performance and allocating resources. The key measures of performance used for internal management and assessment at Alpiq are segment results (EBITDA, EBIT). Besides energy procurement and production costs, operating costs comprise all operating costs including personnel and service expenses. There was no requirement to adjust the figures from the management reporting to accord with the financial reporting, as both internal and external reporting are subject to the same valuation principles.

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

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

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

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

No operating business segments have been summarised in the presentation of reportable segments. The results of the business divisions are carried over to the Alpiq Group's consolidated figures with the inclusion of the results of the units with no market operations (including, amongst others, Alpiq Holding Ltd., Group Centre, financing companies) and consolidation adjustments in the Group. This includes results which cannot be allocated directly to the business divisions (financial and non-strategic interests), activities of the Group headquarters, including the group-wide Financial Services and Management Services units, consolidation adjustments and eliminations, as well as as expense and income items that cannot be influenced at business division level.

2014: Information by business division

CHF million	Generation	Commerce & Trading	Energy Services	Holding company, Group Centre, others and consolidation Group	Alpiq Group
External revenue from energy sales/construction contracts	1,395	1,956	742	– 1	4,092
Revenue from energy and financial derivatives	– 32	10			– 22
of which, proprietary trading					0
of which, hedges	– 32	10			– 22
Total external net revenue	**1,363**	**1,966**	**742**	**– 1**	**4,070**
Inter-segment transactions	745	89	58	– 892	0
Total net revenue	**2,108**	**2,055**	**800**	**– 893**	**4,070**
Other income	12	4	9	70	95
Total revenue and other income	**2,120**	**2,059**	**809**	**– 823**	**4,165**
Operating costs	– 1,843	– 2,053	– 761	777	– 3,880
EBITDA	**277**	**6**	**48**	**– 46**	**285**
Depreciation, amortisation and impairment	– 97	– 6	– 14	– 6	– 123
EBIT	**180**	**0**	**34**	**– 52**	**162**
Net assets	7,791	569	419	211	8,990
Number of employees at the reporting date	752	305	6,507	413	7,977

2013: Information by business division

CHF million	Generation	Commerce & Trading	Energy Services	Holding company, Group Centre, others and consolidation Group	Alpiq Group
External revenue from energy sales/construction contracts	1,614	2,466	699	3	4,782
Revenue from energy and financial derivatives	– 8	13		4	9
of which, proprietary trading		6			6
of which, hedges	– 8	7		4	3
Total external net revenue	**1,606**	**2,479**	**699**	**7**	**4,791**
Inter-segment transactions	595	227	46	– 868	0
Total net revenue	**2,201**	**2,706**	**745**	**– 861**	**4,791**
Other income	35	11	10	50	106
Total revenue and other income	**2,236**	**2,717**	**755**	**– 811**	**4,897**
Operating costs	– 1,849	– 2,667	– 722	742	– 4,496
EBITDA	**387**	**50**	**33**	**– 69**	**401**
Depreciation, amortisation and impairment	– 114	– 7	– 11	– 12	– 144
EBIT	**273**	**43**	**22**	**– 81**	**257**
Net assets	7,867	612	386	971	9,836
Number of employees at the reporting date	800	461	6,192	498	7,951

Note 3: Business combinations

In the first half of 2014, the following companies were acquired and integrated into the consolidated financial statements:

4 April 2014: 100 % of Schwarz + Partner AG, Reinach BL / CH
7 April 2014: 100 % of Flexitricity Ltd., Edinburgh / GB
27 May 2014: 100 % of Blåsmark Vindkraft AB, Danderyd / SE

The acquisition costs totalled CHF 32 million. The following provisional allocation of market values was applied in the balance sheet:

CHF million	Fair value
Non-current assets	12
Current assets	10
Non-current liabilities	– 2
Current liabilities	– 7
Net assets acquired	**13**
Goodwill arising on acquisition	19
Net cash flow on acquisition:	
Cash and cash equivalents acquired with subsidiaries	3
Acquisition costs	– 32
Deferred consideration liabilities	3
Cash flows in prior periods	1
Net cash flow	**– 25**

Schwarz + Partner AG, Reinach BL / CH

Alpiq acquired 100 % of Schwarz + Partner AG, Reinach BL / CH at the beginning of April 2014. The company operates in the areas of electrical installation projects and communication services.

Flexitricity Ltd., Edinburgh / GB

Alpiq acquired 100 % of Flexitricity Ltd., Edinburgh / GB at the beginning of April 2014. The company is the UK market leader in the management of grid-connected services, operates the UK's largest open smart grid, and offers reserve capacities to the UK network operator National Grid.

Blåsmark Vindkraft AB, Danderyd / SE

Alpiq acquired 100 % of Blåsmark Vindkraft AB, Danderyd / SE at the end of May 2014. This is a project company that is planning a wind farm in Piteå consisting of 25 wind turbines.

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

Note 4: Assets held for sale

On 26 May 2014, the Board of Directors of Alpiq Holding Ltd. decided to sell the entire package consisting of the non-strategic interest in Swissgrid AG. This includes the Swissgrid shares as well as the loan receivable received as part of the transfer of the high-voltage grids in early 2013. The entire package has a carrying amount totalling CHF 499 million and is shown as assets held for sale as at 30 June 2014.

The Executive Board has also passed a resolution to sell a minority interest.

Note 5: Hybrid capital

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

The total hybrid capital of CHF 1,017 million is for an unlimited duration and qualifies as equity capital under IFRS accounting guidelines. Alpiq has the right to early repayment of the public hybrid bond, beginning on 15 November 2018, and annually thereafter. The hybrid loan from the main Swiss shareholders can be repaid only after the public hybrid bond has been repaid and is subordinate to it. Under certain circumstances, Alpiq can repay the hybrid loan from the main Swiss shareholders with shares or equivalent hybrid instruments. Interest on the hybrid capital can be paid in the form of a 5 % coupon until initial repayment on 15 November 2018. On this date and every five years thereafter, the interest rate will be adjusted in line with prevailing market conditions. In 2023 and 2043, the interest rate will be increased by an additional 25 bps and 75 bps respectively. Interest payments on the hybrid loan from the main Swiss shareholders can, at Alpiq's discretion, be suspended without the need for Alpiq to subsequently pay the suspended interest. The interest on the public hybrid bond can also be suspended. In this case, however, the payment of interest only lapses after three years.

The interest after tax attributable to the first half of 2014 was CHF 25 million. Interest that is attributable to fiscal year 2014 meets the criteria of a preference dividend, irrespective of whether the interest was paid or a legal obligation for the payment exists, and is deducted from the "Alpiq Holding equity investors' share of the net result" for the calculation of the undiluted earnings per share for.

The interest after tax that has accrued over several accounting periods amounted to a total of CHF 26 million as at 30 June 2014. As no legally enforceable payment obligation exists, the accrued interest was not accrued as a financial liability, and was not deducted from equity. An interest payment of CHF 15 million was made to the Swiss main shareholders on 15 March 2014. Due to the equity character of the hybrid capital, these distributions were carried directly to equity (retained earnings).

Note 6: Financial instruments

The following table shows an overview of the carrying amounts and fair values of the financial assets and liabilities.

CHF million	Carrying amount at 31 Dec 2013	Fair value at 31 Dec 2013	Carrying amount at 30 Jun 2014	Fair value at 30 Jun 2014
Financial assets at fair value through profit or loss				
Positive replacement values of derivatives				
Currency and interest rate derivatives	10	10	8	8
Energy derivatives	738	738	615	615
Financial investments	2	2	2	2
Total financial assets at fair value through profit or loss	**750**	**750**	**625**	**625**
Available-for-sale financial assets				
Financial investments	15	15	17	17
Total available-for-sale financial assets	**15**	**15**	**17**	**17**
Loans and receivables				
Cash and cash equivalents	1,741	1,741	1,392	1,392
Term deposits	680	680	660	660
Trade receivables	1,578	1,578	1,164	1,164
Other financial receivables	447	447	407	407
Loans receivable	326	326	72	72
Total loans and receivables	**4,772**	**4,772**	**3,695**	**3,695**
Total financial assets	**5,537**	**5,537**	**4,337**	**4,337**
Financial liabilities at fair value through profit or loss				
Negative replacement values of derivatives				
Currency and interest rate derivatives	84	84	98	98
Energy derivatives	688	688	596	596
Total financial liabilities at fair value through profit or loss	**772**	**772**	**694**	**694**
Other financial liabilities				
Trade payables	810	810	600	600
Bonds	3,288	3,413	3,091	3,242
Loans payable	1,153	1,150	959	956
Other financial liabilities, incl. put options	415	415	419	419
Total other financial liabilities	**5,666**	**5,788**	**5,069**	**5,217**
Total financial liabilities	**6,438**	**6,560**	**5,763**	**5,911**

The reduction in loans on the assets side of the balance sheet is attributable to the reclassification of the value of the loan to Swissgrid AG within the balance sheet to the “assets held for sale” item.

CHF million	30 Jun 2014	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Currency and interest rate derivatives	8		8	
Energy derivatives	615		615	
Financial investments	2		2	
Financial liabilities measured at fair value				
Currency and interest rate derivatives	98		98	
Energy derivatives	596		596	

CHF million	31 Dec 2013	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Currency and interest rate derivatives	10		10	
Energy derivatives	738		738	
Financial investments	17		17	
Financial liabilities measured at fair value				
Currency and interest rate derivatives	84		84	
Energy derivatives	688		688	

Both in the first half of 2014 and during the fiscal year 2013, no reclassifications were applied between Levels 1 and 2, or reclassifications from Level 3.

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

The Alpiq Group is exposed to market risks with regard to energy prices, interest rates and the fluctuations of the Swiss franc against foreign currencies, particularly the euro.

Energy price risk refers to potential price fluctuations that could have an adverse impact on the Alpiq Group. They can arise from factors such as variations in price volatility, market price movements, or changing correlations between markets and products. Energy liquidity risks also belong in this category. These occur when an open energy position cannot be closed out or can only be closed out on very unfavourable terms due to a lack of market bids. Own-use energy transactions are not reported in the balance sheet. Energy transactions are also conducted as part of the programme to optimise Alpiq’s power plant portfolio. A large proportion of the replacement values for energy derivatives shown as at the balance sheet date are attributable to optimisation positions, with positive and negative replacement values generally cancelling each other out. Alpiq also engages in limited energy derivatives trading. Energy derivatives are assessed and recorded on a mark-to-market basis, in line with the energy market prices available on the electricity markets. The risks associated with trading and optimisation transactions are managed via clearly defined responsibilities and the risk limits laid down in the Alpiq Energy Risk Policy. Risk Management reports on the compliance with these limits regularly to the Risk Management Committee and Executive Board using a formalised risk reporting system. Risk items are monitored using the “Value at Risk” industry standard.

The risks arising from volatility in interest rates relate to the interest-bearing financial assets and liabilities of the Alpiq Group. Under its Financial Risk Policy, cash and cash equivalents are invested at short-term interest rates for a maximum of 365 days. However, the funding necessary for the business is obtained on a long-term basis at fixed interest rates. Financing instruments with variable interest rates are generally hedged by means of interest rate swaps. This means that a change in interest rates applied to interest-bearing assets has an impact on the financial income.

The Alpiq Group seeks to mitigate foreign currency risks wherever possible by hedging operating income and expenses denominated in foreign currencies naturally, i.e. by setting them off against each other. The remaining foreign currency risk is hedged in accordance with the Finance Risk Policy by means of forward transactions.

Note 7: Events after the reporting period

As of the end of July 2014, Alpiq repurchased bonds with a nominal amount of CHF 543.4 million and with maturity in the 2015 and 2018 range. At the same time, a CHF 300 million bond with a ten-year maturity and a 2.625% coupon rate was placed on the market. This transaction will incur one-off costs of CHF 26.5 million in the second half of 2014. This refinancing reduces future overall borrowing costs.

Organisation as at August 2014

General Management
Jasmin Staiblin[1]
CEO

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

General Management
Functional Division
Business Division
Functional Unit
Business Unit

1 Member of the Executive Board
2 From 15 September 2014

Alpiq Group Financial Summary 2009 – 2014

Income statement

CHF million	Full year 2009	Full year 2010	Full year 2011	Full year 2012	Full year 2013	Half-year 2013	Half-year 2014
Net revenue	14,822	14,104	13,961	12,723	9,370	4,791	4,070
Earnings before interest, tax, depreciation and amortisation (EBITDA)	1,546	1,498	937	1,212	789	401	285
as % of net revenue	10.4	10.6	6.7	9.5	8.4	8.4	7.0
Net income [1]	676	645	– 1,346	– 1,094	18	115	21
as % of net revenue	4.6	4.6	– 9.6	– 8.6	0.2	2.4	0.5
Net investments / (divestments)	1,186	587	669	– 358	– 404	– 459	120
Employees [2]	10,629	11,033	11,009	10,039	7,807	7,871	7,909

1 Including net income attributable to non-controlling interests
2 Average number of full-time equivalents

Per share data

CHF	Full year 2009	Full year 2010	Full year 2011	Full year 2012	Full year 2013	Half-year 2013	Half-year 2014
Par value	10	10	10	10	10	10	10
Share price at 31 December/30 June	430	360	170	131	122	115	102
High	567	453	381	189	132	132	129
Low	328	339	150	126	106	106	98
Weighted average number of shares outstanding (in thousands)	26,749	27,190	27,190	27,190	27,190	27,190	27,190
Net income	24.90	23.46	– 48.73	– 38.76	– 0.37	3.71	– 0.23
Dividend	8.70	8.70	2.00	2.00	2.00		

Key Dates

3 November 2014:
Quarterly results

9 March 2015:
Full year results 2014
(annual media and
analyst conference)

30 April 2015:
Annual General Meeting

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

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