2016
Interim Report

ALPIQ

2016 Interim Key Financial Figures

Alpiq Group

CHF million	% change 2015/1-2016/1 (results of operations)	Results of operations before exceptional items Half-year 2016/1	Half-year 2015/1	Results under IFRS Half-year 2016/1	Half-year 2015/1
Net revenue	– 8.6	3,016	3,300	3,016	3,300
Earnings before interest, tax, depreciation and amortisation (EBITDA)	2.1	239	234	473	– 14
Depreciation, amortisation and impairment	– 9.2	– 99	– 109	– 305	– 444
Earnings before interest and tax (EBIT)	12.0	140	125	168	– 458
as % of net revenue		4.6	3.8	5.6	– 13.9
Net income	> 100.0	41	– 52	– 2	– 886
as % of net revenue		1.4	– 1.6	– 0.1	– 26.8
Net divestments				73	91
In-house generation [1] (GWh)				8,116	8,350

1 Excluding long-term purchase contracts

CHF million				30 Jun 2016	31 Dec 2015
Total assets				9,886	10,435
Total equity				3,722	3,819
as % of total assets				37.6	36.6
Number of employees				8,571	8,345
of which Energy Services business division				7,167	6,948

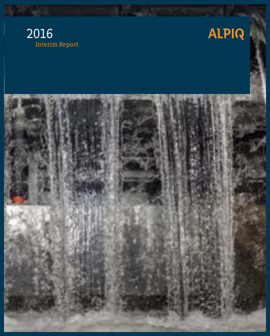
Per share data

CHF	% change 2015/1-2016/1	Half-year 2016/1	Half-year 2015/1
Par value	0.0	10	10
Share price at 30 June	– 17.1	68	82
High	20.2	107	89
Low	3.3	62	60
Net income [1]	98.0	– 0.66	– 33.02

1 Calculation see page 18

The Financial Summary 2011–2016 can be found on page 38 of the Interim Report.

Interim Report 2016



Cover:
Up to 550 cubic metres of water per second flow through the two turbines of the Ruppoldingen power plant. If the water level of the Aare river is high, some of the water flows off through the weir. Photo: Marc Weiler

Letter to our shareholders

Jens Alder, Chairman of the Board
Jasmin Staiblin, CEO

Dear shareholders,

The transformation of European energy markets continued in the first half of 2016. Again, prices on the global commodity markets declined. Prices for oil, coal and gas briefly hit all-time lows. This is due in particular to the global extraction overcapacity of these primary energy sources. In addition, there was a sharp drop in CO_2 prices in Europe. The main reasons for this were the political uncertainty surrounding Great Britain's future role in EU emissions trading and with regard to the slow reform progress for the fourth trading period. The situation was further influenced by high subsidies for new renewable energies. Economic growth in Europe was also slow, leaving European wholesale prices at low levels.

In Switzerland, Alpiq faced additional challenges arising from the electricity market, which is still not fully liberalised. While the protected market enables us to achieve steady positive earnings through a regulated grid and end customers bound by the monopoly, the low wholesale prices put Alpiq under massive pressure in the free market. This is made worse by government levies, which weigh particularly heavily on hydropower. With the low wholesale prices and regulatory environment, it is no longer possible for electricity producers such as Alpiq to run profitable hydropower and now also nuclear power plants.

As expected, the Swiss power production business negatively impacts on the interim results. Nevertheless, the overall Alpiq Group performed solidly.

As expected, the Swiss power production business negatively impacts on the interim results. Nevertheless, the overall Alpiq Group performed solidly. Generation secured a high availability of power plants in Switzerland and abroad. Commerce & Trading successfully leveraged price volatility in the markets and Energy Services again recorded steady growth. In addition, our stringent cost management measures are showing positive long-term effects. As a consequence, Alpiq's results of operations before exceptional items remain at the same level as the previous year.

However, the stable interim results should not detract from the fact that we operate in an environment that continues to be extremely challenging. In March, Alpiq decided to introduce comprehensive structural measures to reduce its dependence on the low wholesale prices and secure the company's long-term profitability and ability to access capital markets. Firstly, opening up to 49 percent of the Group's hydropower portfolio to investors; secondly, streamlining the portfolio through the disposal of non-strategic assets and thirdly, continuing the cost-reduction and efficiency improvement programme. We are fully committed to implementing these structural measures.

Structural measures in full swing

As planned, we started opening our hydropower portfolio to investors in March, with the due diligence process started in August. We expect to know the outcome of the already ongoing negotiations by the end of the year. As a renewable energy source, hydropower is of primary strategic importance to Alpiq as Switzerland's leading hydropower specialist. This is why we would like to keep the majority of shares in the portfolio.

In the course of streamlining our portfolio, we successfully divested a number of non-strategic assets. In the first half of 2016, disposals included our investments in AEK Energie AG and Romande Energie Commerce SA. These divestments were a main reason why we were able to further reduce net debt to CHF 1.2 billion. In June, the agreement to sell our shares in Alpiq Versorgungs AG (AVAG) was signed. The deal worth CHF 312 million was closed in July. Further divestments are planned or ongoing. Funds generated from the streamlining of the portfolio will be used to further reduce net debt. Alpiq therefore anticipates net debt to drop below one billion Swiss francs for the 2016 financial year.

The cost-reduction and efficiency improvement programme is showing long-term effects, and we remain fully committed to the measures. Alpiq has solid liquidity, which the Group was able to increase to CHF 1.6 billion in the first half of 2016.

In the growth areas Commerce & Trading and Energy Services, we continued systematically implementing our strategy.

Growth areas further expanded

In the growth areas Commerce & Trading and Energy Services, Alpiq continued systematically implementing its strategy. We established the Energy Solutions support unit in the Commerce & Trading business division. This unit focuses on new smart technologies and business models emerging in the changing energy market. Our aim is to provide state-of-the-art flexibility management systems as well as new, service-oriented solutions. As part of implementing our strategy, we successfully increased our focus on the international origination and natural gas business and built up a flexible natural gas portfolio. Alpiq maintained its number one position in cross-border energy trading.

With the Energy Services business division, we were able to establish ourselves as a provider of energy-efficient end-to-end solutions. Our innovative services in solar and decentralised storage technologies mean we are already well equipped as an agile market player for the technological requirements of tomorrow. We have successfully integrated the companies that we acquired last year, such as the Helion Solar Group, opening up new potential for growth.

In transport technology, we completed a number of challenging projects, in particular the Gotthard Base Tunnel, which was opened in early June. This puts us in a position to achieve future growth and has already won us follow-up orders. By acquiring the Romanian engineering company IPIP S.A., we have increased our geographical market access for energy services in plant construction and services business, boosting our overall competitiveness. Strategic cooperations, such as with German STEAG Energy Services GmbH, strengthen our market position in the area of dismantling nuclear facilities, a key future growth area.

By introducing restructuring measures and expanding the growth areas Commerce & Trading and Energy Services, we actively continued with the transformation of our company in the first half of 2016. However, the market environment in the energy sector remains challenging and continues to be marked by consistently low wholesale prices as well as regulatory uncertainty and imbalance. The Generation business division was particularly hard hit.

Alpiq will continue its firm commitment to Swiss hydropower.

Stable environment vital for Swiss power production

The current competitive imbalances are putting the Swiss power production segment, especially hydropower, under massive pressure. The temporary introduction of a market premium as an immediate measure to relieve hydropower is a step in the right direction. However, this fails to solve the underlying problem of hydropower competitiveness. What is needed is more flexibility on government levies and ultimately a new market model to replace the current regime. Alpiq will continue its firm commitment to Swiss hydropower, so that this clean, safe and reliable source of energy is acknowledged and appreciated as such, and in the future can once again be operated with a profit in the free market.

Dear shareholders, on behalf of the Board of Directors and the Executive Board, we would like to thank you again for the trust you continue to place in us. We will continue along the path of transformation on which we have embarked with our motivated employees in the second half of the year.

We view Alpiq as a successful, innovative energy service provider of the future and look forward to being able to continue to count on your strong support.

Jens Alder, Chairman of the Board

Jasmin Staiblin, CEO

Financial Review

During the first half of 2016, the operating business of the Alpiq Group remains at the same level as the previous year in market conditions that continue to be demanding. With net revenue of CHF 3.0 billion (previous year: – 8.6 %), the Group generated CHF 239 million of EBITDA (+ 2.1 %), and CHF 140 million of EBIT (+ 12.0 %), both before exceptional items. Also before exceptional items, the net result amounted to CHF 41 million (+ 178.8 %) compared to CHF – 52 million in the previous year. The market situation remains extremely challenging, with European wholesale prices still below the production costs for Swiss hydro and nuclear power, which negatively impacts on our results. The structural measures that the Group has introduced as well as the favourable market positioning of the flexible power plants partially compensated for the negative effects. As of 30 June 2016, the Group also further reduced net debt from CHF 1.3 billion to CHF 1.2 billion, which was possible in particular due to completed divestments.

Alpiq continued to drive forward the transformation of the Group in the first half of 2016. The additional structural measures that were announced along with the results for 2015 include opening up the Group's hydropower portfolio to investors, streamlining the portfolio through the disposal of non-strategic assets as well as continuing stringent cost management. The hydropower portfolio includes Alpiq shares in modern, highly flexible Swiss hydropower plants and in Hydro Exploitation, the leading Swiss service provider for maintaining and operating hydropower plants. These shares are bundled into a legal entity. Investors can acquire of up to 49 % of this company. Alpiq will keep at least 51 % of the shares and continue its commitment to Swiss hydropower. We will continue to dispose of non-strategic assets in connection with the streamlining of the portfolio. For example, we completed the sale of small-scale hydropower plants and projects in Norway in the first quarter of 2016. In March and June 2016 respectively, the Group sold its interest in Romande Energie Commerce SA and in AEK Energie AG. In addition, the agreement to sell the Group's interest in Alpiq Versorgungs AG for CHF 312 million was signed in June 2016 and the deal closed in July 2016. Alpiq is systematically pursuing the previously announced sale of its remaining interest in Swissgrid AG. The Group still expects that the transaction will be completed in the second half of 2016. Furthermore, the disposal of the Group's interest in further non-strategic assets is being assessed. These divestments will contribute to a further reduction of net debt.

Alpiq will continue to apply stringent cost management measures. The cost reduction programme, in particular, which was implemented according to plan at the end of 2015, has had a lasting positive effect. Other elements include optimising and streamlining key IT projects, such as the harmonisation of trading systems and the Group-wide standardisation of financial reporting. Furthermore, the number of legal entities in Europe will continue to be reduced. With these structural measures, Alpiq is securing its capital market viability and long-term profitability.

With regard to the restructuring of its traditional energy business, Alpiq is determined to continue on the course it has set. In early March 2016, the Energy Solutions support unit was established in the Commerce & Trading business division. It serves as a centre of development for the promotion and marketing of business models that require automated and highly developed smart technologies. The aim is to provide state-of-the-art flexibility manage-

First half of 2016: Consolidated Income Statement (pro forma statement before and after exceptional items)

CHF million	Results of operations before exceptional items (Half-year 2016/1)	Exceptional items [1] (Half-year 2016/1)	Results under IFRS (Half-year 2016/1)	Results of operations before exceptional items (Half-year 2015/1)	Exceptional items [2] (Half-year 2015/1)	Results under IFRS (Half-year 2015/1)
Net revenue	**3,016**		**3,016**	**3,300**		**3,300**
Own work capitalised	3		3	2		2
Other operating income	20		20	26		26
Total revenue and other income	**3,039**		**3,039**	**3,328**		**3,328**
Energy and inventory costs	– 2,247	237	– 2,010	– 2,548	– 248	– 2,796
Employee costs	– 401	– 1	– 402	– 391		– 391
Plant maintenance costs	– 39		– 39	– 51		– 51
Other operating expenses	– 113	– 2	– 115	– 104		– 104
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**239**	**234**	**473**	**234**	**– 248**	**– 14**
Depreciation, amortisation and impairment	– 99	– 206	– 305	– 109	– 335	– 444
Earnings before interest and tax (EBIT)	**140**	**28**	**168**	**125**	**– 583**	**– 458**
Share of results of partner power plants and other associates	– 29	– 195	– 224	– 56	– 409	– 465
Finance costs	– 72	– 1	– 73	– 115		– 115
Finance income	4	38	42	13		13
Earnings before tax	**43**	**– 130**	**– 87**	**– 33**	**– 992**	**– 1,025**
Income tax expense	– 2	87	85	– 19	158	139
Net income	**41**	**– 43**	**– 2**	**– 52**	**– 834**	**– 886**

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

ment systems as well as new, service-oriented business models. Moreover, the unit serves as a centre of competence for flexible consumption-based demand response management.

Alpiq InTec (AIT) has invested in numerous promising projects. The Helion Solar Group provided the battery storage technology for the world's first energy self-sufficient apartment building. This project establishes Alpiq as a provider of fully-developed solutions in the area of decentralised electricity production and storage. The opening of the new Gotthard Base Tunnel in June 2016 was a milestone for Alpiq Infra AG, the leading partner in the Transtec Gotthard railway technology consortium. For the new Coop distribution centre in Schafisheim, AIT helped increase energy efficiency by providing state-of-the-art cooling and automation technology as well as intelligent energy monitoring systems. These projects demonstrate that Alpiq is well-positioned to provide end-to-end solutions and energy services and successfully complete projects as a technology leader.

Targeted acquisitions in growth areas enabled the Kraftanlagen Group (KA Group) to exploit market opportunities and boost its geographical presence in Europe and therefore also its competitiveness. With the purchase of the Romanian engineering company IPIP S.A., the KA Group has expanded its service portfolio as a general contractor for the chemical and petrochemical industry. The KA Group has also secured geographical market access to energy services in Eastern Europe and increased its competitiveness. In addition, the

Group is boosting its presence in the German Rhine-Main region with the acquisition of the building technology provider Jakob Ebling GmbH. The Group was able to expand its international market presence in the area of dismantling nuclear facilities by completing a cooperation agreement between Kraftanlagen Heidelberg GmbH and STEAG Energy Services GmbH. In doing so, Alpiq is strengthening its position in a strategic future growth market.

The company had to recognise impairment losses during the first half of 2016. This was mainly due to the anticipated development of electricity prices, which are expected to remain low in the long term and which are caused in particular by Swiss power plants with a high base-load share. In addition, the Group had to recognise a provision for an onerous contract abroad. While electricity prices are low, their hourly profile is significantly more volatile than in the previous periods. In particular, the highly flexible pumped storage power plants benefit from this. For this reason, a provision for an onerous contract relating to the future procurement of energy from a Swiss hydropower plant was partially released. Impairment losses and provisioning including further exceptional items, such as effects from divestments, amounted to CHF – 130 million before income taxes, and to CHF – 43 million after income taxes.

After exceptional items, the Alpiq Group, including non-controlling interests, generated a net result of CHF – 2 million. In order to allow accurate tracking and delineation of exceptional items, the consolidated income statement is presented as a pro forma statement. The following review on the financial performance of the Alpiq Group and its business divisions relates to operations, in other words, earnings before exceptional items.

Results of operations for the Alpiq Group (before exceptional items)

The Alpiq Group maintained its operating position in a market environment that remains challenging and achieved solid operating results. Adjusted to reflect the aforementioned exceptional items, results of operations, supported by the positive currency effects at the level of EBITDA, increased by CHF 5 million year-on-year. From an operating perspective, energy trading, in particular, was able to compensate for a further fall in wholesale prices. For one thing, this was due to the higher optimisation results achieved by successfully leveraging price-related volatility at the beginning of the year. For another, positive contributions from the European ancillary services markets contributed to this development.

The result of the Generation business division was down year-on-year, mainly due to the negative development of the Swiss power generation business. This can largely be attributed to lower wholesale prices and production volumes. Production from international thermal power plants was above the previous year's level, mainly due to higher plant availability as well as the restructuring measures that were introduced. New renewable energies were unable to maintain the level of the previous year, mainly as a result of lower wholesale prices and production volumes.

The result of the Commerce & Trading business division, adjusted for positive currency effects, partially offsets the result of the Generation business division, which was down year-on-year. Optimisation results in Switzerland as well as management of international assets boast a clear year-on-year increase, while sales units in Eastern and South-Eastern Europe are down compared to the previous year.

When adjusted for currency-related effects, the Energy Services business division reports a year-on-year increase. Both AIT, thanks to major projects that were completed successfully, as well as the KA Group, on the back of acquisitions, were able to confirm the positive trend from the previous year.

The financial result of the current period is up compared to the previous year. The Group was again able to reduce the interest burden thanks to a reduction in financial debt. Positive currency effects further improved the financial result, which in the previous year was negatively impacted by costs for the early repurchase of bonds. The negative one-off effect of nuclear funds recorded in the result for partner power plants and other associates in the previous year no longer applies due to a change in the method used. The effects from marking the nuclear funds to market are now part of the production costs and as such dependent on the development of financial markets.

Consolidated balance sheet (after exceptional items) and cash flow statement

Total assets amounted to CHF 9.9 billion as of the 30 June 2016 reporting date, compared with CHF 10.4 billion at the end of 2015. The decrease mainly reflects the impairment losses and ongoing depreciation recognised in the first half of 2016. Property, plant and equipment, investments and other items held for sale are reported on an aggregated basis as a separate balance sheet item.

The significant reduction in non-current assets is a result of recognised impairment losses, depreciation and the disposal of the interest in AEK Energie AG. Current assets, however, remain almost unchanged compared to the end of 2015. While cash and cash equivalents decreased slightly, available liquidity, including current and non-current term deposits, increased to CHF 1.6 billion (CHF 1.5 billion).

Overall current and non-current borrowings remained at the level of 31 December 2015. However, net debt was reduced from CHF 1.3 billion to CHF 1.2 billion due to cash inflow from operating activities and disposals. The gearing ratio of net debt / EBITDA before exceptional items improved from 2.7 to 2.5.

Due to a reduction of a provision for onerous contracts, current and non-current provisions showed a significant decrease. However, liabilities from defined benefit plans (IAS 19) increased further. Other current liabilities also decreased considerably. A significant reason for this decrease was the one-off payment of instalments for liabilities related to investments in nuclear power plants, which were recognised in December 2015 due to a change in the method used. The nuclear power plants Gösgen-Däniken AG (KKG) and Leibstadt AG (KKL) opted to recognise their claims to the federal decommissioning and waste disposal fund at fair value. This led to a liability of CHF 151 million.

Equity stood at CHF 3.7 billion as of 30 June 2016, below the level of the previous year (CHF 3.8 billion). This decrease can largely be attributed to effects from remeasurements of defined benefit plans (IAS 19), which are mainly the result of the lower interest rate environment. The measurement of cash flow hedges further reduced equity. The burden from impairment losses required for the first half of the year is fully offset by the Group’s positive results of operations. The equity ratio amounted to a solid 37.6 % (36.6 %) as of 30 June 2016.

Cash flow from operating activities decreased year-on-year from CHF 278 million to CHF 26 million. Despite the positive progress of business, the above mentioned instalments paid to the KKG and KKL partner power plants had a negative effect on cash flow. Moreover, the increase in current assets resulting from expanded operations in Energy Services had a negative effect on cash flow from operating activities. With regard to cash flows from investing activities, the disposal of AEK Energie AG stands out. Investments in property, plant and equipment rose slightly, but were strictly managed as in the previous year. Cash inflows were invested in term deposits, which resulted in a slightly negative cash flow from investing activities. Cash flow from financing activities was mainly influenced by interest paid. The Group kept cash outflow at a minimum by deciding not to pay any interest on the hybrid loan of Swiss majority shareholders and not to distribute a dividend for the 2015 financial year. Overall, cash and cash equivalents decreased by CHF 39 million to CHF 0.8 billion. The highest priority is given to further reducing net debt, with contributing factors including proceeds from assets held for sale.

Generation business division

The Generation business division comprises all Alpiq power-generating facilities in Switzerland and abroad.

Electricity prices dropped throughout, with Spanish, French and some Italian spot prices around 30 % below the level of the previous year in some cases. In other price regions, including Switzerland, the drop came to around 20 %. One of the reasons for this is the commodity markets, which experienced a further considerable decline in the first quarter of 2016. Oil, coal and gas prices were at a record low, mainly as a result of oversupply. In January 2016, the price of Brent oil dropped to its lowest level in 13 years. The global oversupply was significantly reduced in the second quarter of 2016. Unplanned outages, caused by forest fires in Canada, terrorist attacks on the infrastructure in Nigeria as well as a considerable drop in the production of shale oil in the USA in response to low prices all contributed to the reduction. Rising oil prices led to a recovery on other fuel markets; however, prices failed to reach the level of the previous year.

As planned, Alpiq further streamlined its production portfolio by disposing of small-scale hydropower plants and projects in Norway.

The EBITDA contribution of the Generation business division was down year-on-year by CHF 25 million, or CHF 29 million when adjusted for positive currency effects.

The main driving force behind this development compared to the previous year is the Swiss power production business. This can be attributed to lower wholesale prices and production volumes. Alpiq systematically hedges the power it generates in Switzerland against price and currency fluctuations for future periods. The decrease thus reflects the development started in previous periods. While the structural measures that the Group has introduced are having a positive effect, they are unable to fully compensate for the negative effects. Production volumes in the area of hydropower are down year-on-year as a result of fewer inflows. In nuclear energy, production is also slightly below the level of the previous year when disregarding long-term contracts. This trend was only able to be offset in part by the positive effects from the cost-saving measures introduced by the Group.

With regard to thermal power plants, the restructuring measures that have been introduced are showing a positive year-on-year development. In particular, this can be attributed to the sale of the Bayet gas-fired combined cycle power plant in France. In terms of operations, the division took advantage of opportunities in the market for ancillary services in Eastern Europe (Kladno) as well as high power plant availability.

New renewable energies fell short of the level of the previous year. The reason for this lies mainly in the drop in energy prices due to the partially variable feed-in tariffs in Italy. Furthermore, the production volume was reduced as a result of unfavourable wind conditions in Italy and Bulgaria, as well as of the divestments that were carved out. The company was able to partially offset these negative effects through cost savings.

Commerce & Trading business division

The Commerce & Trading business division combines Alpiq's trading, origination and marketing activities in Switzerland, Germany, Italy, Spain, France, Scandinavia and Eastern and South-Eastern Europe, as well as proprietary trading and power plant optimisation. Registered on most European energy exchanges and platforms, this area offers a broad range of services that includes trading with electricity, gas and other commodities and certificates. These activities are supplemented by grid-connected demand response services (Xamax AG and Flexitricity Ltd.). These companies have been integrated in the new Energy Solutions support unit.

Both the windy spring, and the feed-in of correspondingly large quantities of wind energy, as well as considerably lower fuel prices put pressure on electricity prices. The possible introduction of an emissions tax in France from January 2017 buoyed French electricity prices compared to the prices of other countries. Stock exchange volatility increased noticeably in the run-up to the Brexit referendum, as movements on the currency markets also often affect fuel prices. Following Great Britain's decision to leave the EU, CO_2 emission allowance prices, in particular, showed a negative reaction. CO_2 prices plummeted by 40 % as a result of the political uncertainty surrounding Great Britain's future role in EU emissions trading and with regard to reform progress in the fourth trading period. The economic impact of Brexit cannot be fully assessed at present. Should Brexit have a strong influence on economic activities in Europe as well as on foreign exchange and capital markets, the Group expects fluctuations with regard to electricity prices and the production costs through the profitability of nuclear decommissioning and waste disposal funds.

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

The EBITDA contribution of the Commerce & Trading business division was up year-on-year by CHF 30 million, or CHF 14 million when adjusted for positive currency effects.

Optimisation results for Switzerland have significantly increased year-on-year, especially due to the fact that the Group was able to successfully leverage the price volatility at the beginning of the year.

The management of international assets also reports a clear year-on-year rise. Contributing factors include the optimisation in Spain and the ancillary services market in Italy. The company was able to offset the loss of the optimisation business in France due to divestments by successfully managing procurement contracts and the natural gas portfolio.

The sales units in Eastern and South-Eastern Europe generated lower year-on-year results, mainly due to lower margins in the forward and spot business.

Energy Services business division

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

The construction index developed positively, despite the fact that construction prices in Switzerland are declining. The market outlook for new technologies also remains promising. Through targeted expansion, AIT has repositioned itself to focus on this development, which has been evident for a long time, and established itself in the market as a provider of energy-efficient end-to-end solutions. Moreover, the company responded strategically to these new developments and the associated demand for innovative technologies such as smart homes, energy efficiency, e-mobility, solar power and decentralised energy storage, building up and expanding relevant business activities over the past years.

There was also a greater focus on expanding building technology abroad. Pressure from international competition is significant in the areas of urban transport, railways and energy supply technology in Switzerland. The good progress of major projects, such as the completion of the Gotthard Base Tunnel project, contributed to the positive earnings development. AIT was once again able to add to its order intake, for example with the transport technology project CEVA in Geneva. AIT further strategically expanded its international activities and is currently involved in numerous projects in Europe.

The transformation on the European energy markets continued. Existing overcapacity has made it less attractive to make new investments in conventional power plants to produce electricity for energy suppliers. In light of this, over the past years the KA Group successfully branched out into the industrial plant business. The company acquired Jakob Ebling GmbH in Germany to boost its strategic presence in the area of energy services. With the purchase of the Romanian IPIP S.A., the KA Group has secured geographical market access to energy services in Eastern Europe and increased its competitiveness. In the medium and long term, the maintenance and repair segment will benefit from the currently very high-wear operating of conventional power plants. The law on combined heat and power (Kraft-Wärme-Kopplungsgesetz), which entered into force in Germany on 1 January 2016, will improve investment conditions for these types of power plants, but is still subject to final approval from the European Commission.

New market potential is emerging from the additional demand for highly flexible power production, further expanding renewable energies and the construction of combined heat and power plants. The KA Group has already been commissioned with the first projects in this segment. In nuclear technology, the KA Group is fully embracing the market potential arising from the dismantling of nuclear power plants, which resulted from Germany's decision to phase out nuclear energy. The nuclear technology segment was strategically realigned to this business, with the KA Group already having recorded its first orders in this segment. The Group was able to expand its international market presence in the area of dismantling nuclear facilities by completing a cooperation agreement between Kraftanlagen Heidelberg GmbH and STEAG Energy Services GmbH. The KA Group took advantage of the stable economic environment in its core markets with regard to industrial pipeline and plant construction, recording a stable long-term order intake.

The EBITDA contribution of the Energy Services business division was up year-on-year by CHF 2 million, or CHF 1 million when adjusted for positive currency effects.

AIT is up year-on-year and taking advantage of good progress made on major projects in building and transport technology. In addition, order intake and backlog remain high, securing total operating revenue.

The KA Group, too, was able to improve on last year's result in spite of the difficult market environment. This was achieved through acquisitions (Jakob Ebling GmbH, IPIP S.A.) as well as by tapping into new business areas. Order intake and backlog continue to be at a high level.

Outlook

The market environment remains challenging on account of persistently low wholesale prices. The price situation was exacerbated by competition-distorting conditions in Switzerland, which put electricity producers without a regulated grid and bound end customers under massive pressure. This significantly lowers the profitability of Swiss electricity production in the free market. As a result, Alpiq expects EBITDA before exceptional items to be down on the previous year for 2016.

Alpiq will continue to give its highest priority to reducing net debt as well as its dependency on wholesale prices. It is therefore committed to implementing the structural measures, including opening up the Group's hydropower portfolio to investors and disposing of non-strategic assets in connection with the strategic drive to streamline the portfolio, as well as the cost-reduction and efficiency enhancement programme. Alpiq expects its net debt to fall below CHF 1 billion in 2016.

In Commerce & Trading and Energy Services, the Company will also make the most of its opportunities for growth in future. Alpiq is continuing with its transformation process from a conventional energy producer to an innovative energy service provider with a European focus.

Consolidated Income Statement

CHF million	Note	Half-year 2016/1	Half-year 2015/1
Net revenue	2	**3,016**	**3,300**
Own work capitalised		3	2
Other operating income		20	26
Total revenue and other income		**3,039**	**3,328**
Energy and inventory costs		– 2,010	– 2,796
Employee costs		– 402	– 391
Plant maintenance costs		– 39	– 51
Other operating expenses		– 115	– 104
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**473**	**– 14**
Depreciation, amortisation and impairment		– 305	– 444
Earnings before interest and tax (EBIT)		**168**	**– 458**
Share of results of partner power plants and other associates		– 224	– 465
Finance costs		– 73	– 115
Finance income		42	13
Earnings before tax		**– 87**	**– 1,025**
Income tax expense		85	139
Net income		**– 2**	**– 886**
Attributable to non-controlling interests			– 8
Attributable to equity investors of Alpiq Holding Ltd.		– 2	– 878
Net income attributable to equity investors of Alpiq Holding Ltd.		– 2	– 878
Interest on hybrid capital attributable to the period		– 16	– 25
Share of Alpiq Holding Ltd. stockholders in net income		**– 18**	**– 903**
Weighted average number of shares outstanding (in thousands)		27,875	27,353
Earnings per share in CHF		**– 0.66**	**– 33.02**

On 7 March 2016, Alpiq announced that it would not pay any interest on the hybrid loan of Swiss majority shareholders for the period of March 2015 to March 2016. However, the public hybrid bond will be serviced. The interest after tax attributable to the first half of 2016 was CHF 16 million (previous year: CHF 25 million).

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

Consolidated Statement of Comprehensive Income

CHF million	Half-year 2016/1	Half-year 2015/1
Net income	**– 2**	**– 886**
Cash flow hedges (subsidiaries)	– 19	59
Income tax expense	2	– 8
Net of income tax	– 17	51
Cash flow hedges (partner power plants and other associates)	1	– 4
Income tax expense		
Net of income tax	1	– 4
Currency translation differences	1	– 191
Items that may be reclassified subsequently to the income statement, net of tax	**– 15**	**– 144**
Remeasurements of defined benefit plans (subsidiaries)	– 87	– 12
Income tax expense	20	3
Net of income tax	– 67	– 9
Remeasurements of defined benefit plans (partner power plants and other associates)	– 13	– 15
Income tax expense	3	3
Net of income tax	– 10	– 12
Items that will not be reclassified to the income statement, net of tax	**– 77**	**– 21**
Other comprehensive income	**– 92**	**– 165**
Total comprehensive income	**– 94**	**– 1,051**
Attributable to non-controlling interests	– 1	– 1
Attributable to equity investors of Alpiq Holding Ltd.	– 93	– 1,050

Consolidated Balance Sheet

Assets

CHF million	Note	30 Jun 2016	31 Dec 2015
Property, plant and equipment		2,780	2,928
Intangible assets		245	375
Investments in partner power plants and other associates		2,442	2,718
Non-current term deposits		50	
Other non-current financial assets		263	324
Deferred income tax assets		42	36
Non-current assets		**5,822**	**6,381**
Inventories		66	68
Trade and other receivables		1,240	1,375
Current term deposits		706	636
Cash and cash equivalents		811	850
Derivative financial instruments		493	470
Prepayments and accrued income		187	110
Current assets		**3,503**	**3,509**
Assets held for sale	4	**561**	**545**
Total assets		**9,886**	**10,435**

Equity and liabilities

CHF million	Note	30 Jun 2016	31 Dec 2015
Share capital		279	279
Share premium		4,259	4,259
Hybrid capital		1,017	1,017
Retained earnings		– 1,982	– 1,885
Equity attributable to equity investors of Alpiq Holding Ltd.		**3,573**	**3,670**
Non-controlling interests		149	149
Total equity		**3,722**	**3,819**
Non-current provisions		471	681
Deferred income tax liabilities		517	645
Defined benefit liabilities		386	293
Non-current borrowings		2,214	2,556
Other non-current liabilities		321	320
Non-current liabilities		**3,909**	**4,495**
Current income tax liabilities		22	14
Current provisions		87	159
Current borrowings		570	229
Other current liabilities		734	774
Derivative financial instruments		455	425
Accruals and deferred income		324	463
Current liabilities		**2,192**	**2,064**
Total liabilities		**6,101**	**6,559**
Liabilities held for sale	4	**63**	**57**
Total equity and liabilities		**9,886**	**10,435**

Consolidated Statement of Changes in Equity

CHF million	Share capital	Share premium	Hybrid capital	Cash flow hedge reserve	Currency translation differences	Retained earnings	Attributable to equity investors of Alpiq Holding Ltd.	Non-controlling interests	Total equity
Equity at 31 December 2015	**279**	**4,259**	**1,017**	**– 16**	**– 805**	**– 1,064**	**3,670**	**149**	**3,819**
Net income for the period						– 2	**– 2**		**– 2**
Other comprehensive income				– 15	1	– 77	**– 91**	– 1	**– 92**
Total comprehensive income				**– 15**	**1**	**– 79**	**– 93**	**– 1**	**– 94**
Dividends							**0**	– 3	**– 3**
Change in non-controlling interests						– 4	**– 4**	4	**0**
Equity at 30 June 2016	**279**	**4,259**	**1,017**	**– 31**	**– 804**	**– 1,147**	**3,573**	**149**	**3,722**
Equity at 31 December 2014	**272**	**4,269**	**1,017**	**– 30**	**– 680**	**– 159**	**4,689**	**23**	**4,712**
Net income for the period						– 878	**– 878**	– 8	**– 886**
Other comprehensive income				47	– 198	– 21	**– 172**	7	**– 165**
Total comprehensive income				**47**	**– 198**	**– 899**	**– 1,050**	**– 1**	**– 1,051**
Capital increase from scrip dividend	7	44				– 51	**0**		**0**
Transfer from share premium to retained earnings		– 54				54	**0**		**0**
Dividends						– 3	**– 3**	– 4	**– 7**
Distributions to hybrid investors						– 18	**– 18**		**– 18**
Change in non-controlling interests						36	**36**	134	**170**
Equity at 30 June 2015	**279**	**4,259**	**1,017**	**17**	**– 878**	**– 1,040**	**3,654**	**152**	**3,806**

At the request of the Board of Directors, the Annual General Meeting on 28 April 2016 passed a resolution not to distribute a dividend for the 2015 financial year.

Consolidated Statement of Cash Flows

CHF million	Note	Half-year 2016/1	Half-year 2015/1
Earnings before tax		**– 87**	**– 1,025**
Adjustments for:			
Own work capitalised		– 3	– 2
Depreciation, amortisation and impairment		305	444
Gain / loss on sale of non-current assets		– 1	– 4
Share of results of partner power plants and other associates		224	465
Financial result		31	102
Other non-cash income and expenses		4	– 21
Change in provisions (excl. interest)		– 255	233
Change in defined benefit liabilities and other non-current liabilities		2	– 4
Change in fair value of derivative financial instruments		– 17	1
Change in net working capital (excl. derivatives, current financial assets / liabilities and current provisions)		– 159	166
Other financial income and expenses		– 3	– 42
Income tax paid		– 15	– 35
Net cash flows from operating activities		**26**	**278**
Property, plant and equipment and intangible assets			
Investments		– 38	– 30
Proceeds from disposals		5	8
Subsidiaries			
Acquisitions	3	– 12	– 6
Proceeds from disposals			7
Associates			
Proceeds from disposals		89	1
Other non-current financial assets			
Investments		– 2	– 24
Proceeds from disposals / repayments		31	135
Change in current and non-current term deposits		– 119	– 16
Dividends from partner power plants, other associates and financial investments		20	28
Interest received		2	4
Net cash flows from investing activities		**– 24**	**107**

CHF million	Note	Half-year 2016/1	Half-year 2015/1
Dividends paid			– 3
Dividends paid to non-controlling interests		– 3	– 4
Proceeds from borrowings		14	178
Repayment of borrowings		– 19	– 679
Change in non-controlling interests			164
Distributions to hybrid investors recognised in equity outside profit and loss			– 18
Interest paid		– 34	– 49
Net cash flows from financing activities		**– 42**	**– 411**
Currency translation differences		**1**	**– 56**
Change in cash and cash equivalents		**– 39**	**– 82**
Analysis:			
Cash and cash equivalents at 1 January		850	915
Cash and cash equivalents at 30 June		811	833
Change		**– 39**	**– 82**

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

Notes on the Interim Consolidated Financial Statements

Basis of preparation

The interim consolidated financial statements for the six months ended 30 June 2016 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 2015 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 interim consolidated financial statements as at 30 June 2016 on 25 August 2016.

As of 1 January 2016, as part of International Financial Reporting Standards (IFRS), no new or revised standards or IFRIC interpretations came into force that are of significance for the Alpiq Group. New or revised standards and interpretations that have been published, but are not yet mandatory, have not been early adopted by Alpiq.

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 2016	Closing rate at 30 Jun 2015	Closing rate at 31 Dec 2015	Average rate for 2016/1	Average rate for 2015/1
1	USD	0.979	0.931	0.995	0.983	0.947
1	EUR	1.087	1.041	1.084	1.096	1.057
100	CZK	4.005	3.821	4.010	4.053	3.841
100	HUF	0.343	0.331	0.343	0.351	0.344
100	NOK	11.684	11.845	11.283	11.634	12.222
100	PLN	24.496	24.846	25.411	25.093	25.524
100	RON	24.024	23.282	23.950	24.380	23.755

Note 1: Impairment losses

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

While electricity prices are low, their hourly profile is significantly more volatile than in the previous periods. In particular, the highly flexible pumped storage power plants benefit from this. For this reason, a provision for an onerous contract relating to the future procurement of energy from a Swiss hydropower plant was reduced by CHF 272 million.

2016: Allocation of impairment losses and provisions

CHF million	Business division	Pre-tax discount rate	Post-tax discount rate	Property, plant and equipment	Intangible assets	Partner power plants	Total
Power Generation Switzerland	Generation	5.8 %	4.6 %	49	117	195	361
Renewable Energy France	Generation	8.5 %	4.5 %		1		1
Renewable Energy Italy	Generation	8.4 %	6.0 %	38	1		39
Total impairment losses for assets				**87**	**119**	**195**	**401**
Provision for onerous contracts							– 234
Liabilities for purchase and supply contracts [1]							3
Total impairment losses and provisions							**170**

1 In the business combination between Atel and EOS in 2009, onerous purchase and supply contracts were contributed by EOS and recorded among the Alpiq Group's non-current liabilities at the then fair value. Their valuation at current market prices at 30 June 2016 led to an increase in the liabilities carried.

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

2015: Allocation of impairment losses and provisions

CHF million	Business division	Pre-tax discount rate	Post-tax discount rate	Property, plant and equipment	Intangible assets	Partner power plants	Total
Power Generation Switzerland	Generation	6.2 %	4.6 %	308	11	409	728
Power Generation Hungary	Generation	16.3 %	8.1 %	9			9
Power Generation Italy	Generation	10.0 %	6.9 %	6			6
Renewable Energy Italy	Generation	9.2 %	6.6 %	1			1
Total impairment losses for assets				**324**	**11**	**409**	**744**
Provision for onerous contracts							254
Liabilities for purchase and supply contracts [1]							– 6
Total impairment losses and provisions							**992**

1 In the business combination between Atel and EOS in 2009, onerous purchase and supply contracts were contributed by EOS and recorded among the Alpiq Group's non-current liabilities at the then fair value. Their valuation at current market prices at 30 June 2015 led to a reduction in the liabilities carried.

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 37. The Executive Board evaluates each of these separately for the purpose of assessing performance and allocating resources. Segment results (EBITDA, EBIT) are the key performance indicators used for internal management and assessment purposes at Alpiq. Besides energy procurement and production costs, operating costs comprise all costs of operations including personnel and service expenses. 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 partner power plants in Switzerland, as well as at all foreign power generation units in Bulgaria, France, Italy, Spain, the Czech Republic and Hungary.

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

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

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

2016: Information by business division

CHF million	Generation	Commerce & Trading	Energy Services	Holding company, Group Centre, others and consolidation Group	Alpiq Group
External revenue from energy sales / construction contracts	225	1,987	768	12	2,992
Revenue from energy and financial derivatives	13	12		– 1	24
of which proprietary trading		2			2
of which hedging transactions	13	10		– 1	22
Total external net revenue	**238**	**1,999**	**768**	**11**	**3,016**
Inter-segment transactions	236	– 145	4	– 95	0
Total net revenue	**474**	**1,854**	**772**	**– 84**	**3,016**
Other income	19	3	3	– 2	23
Total revenue and other income	**493**	**1,857**	**775**	**– 86**	**3,039**
Operating costs	– 322	– 1,795	– 736	53	– 2,800
Exceptional items [1]	275	– 38	– 1	– 2	234
EBITDA before exceptional items	**171**	**62**	**39**	**– 33**	**239**
EBITDA	**446**	**24**	**38**	**– 35**	**473**
Depreciation and amortisation	– 80	– 2	– 14	– 3	– 99
Exceptional items [1]	– 206				– 206
EBIT before exceptional items	**91**	**60**	**25**	**– 36**	**140**
EBIT	**160**	**22**	**24**	**– 38**	**168**
Number of employees at the reporting date	705	403	7,167	296	8,571

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

2015: Information by business division

CHF million	Generation	Commerce & Trading	Energy Services	Holding company, Group Centre, others and consolidation Group	Alpiq Group
External revenue from energy sales / construction contracts	189	2,394	676	26	3,285
Revenue from energy and financial derivatives	48	– 34		1	15
of which proprietary trading		– 1			– 1
of which hedging transactions	48	– 33		1	16
Total external net revenue	**237**	**2,360**	**676**	**27**	**3,300**
Inter-segment transactions	541	54	3	– 598	0
Total net revenue	**778**	**2,414**	**679**	**– 571**	**3,300**
Other income	17	5	3	3	28
Total revenue and other income	**795**	**2,419**	**682**	**– 568**	**3,328**
Operating costs	– 599	– 2,387	– 645	537	– 3,094
Exceptional items [1]	– 228	– 20			– 248
EBITDA before exceptional items	**196**	**32**	**37**	**– 31**	**234**
EBITDA	**– 32**	**12**	**37**	**– 31**	**– 14**
Depreciation and amortisation	– 81	– 9	– 14	– 5	– 109
Exceptional items [1]	– 335				– 335
EBIT before exceptional items	**115**	**23**	**23**	**– 36**	**125**
EBIT	**– 448**	**3**	**23**	**– 36**	**– 458**
Number of employees at the reporting date	713	387	6,948	297	8,345

1 Including impairment losses and provisions

Note 3: Business combinations

In the first half of 2016, the following companies were acquired and integrated into the consolidated financial statements:

Energy Services business division

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

The acquisition costs totalled CHF 12 million. The following provisional allocation of fair values was applied in the balance sheet:

CHF million	Fair value
Trade and other receivables	6
Non-current borrowings	– 1
Trade payables	– 6
Net assets	**– 1**
Non-controlling interests	
Net assets acquired	**– 1**
Goodwill arising from acquisition activities	13
Net cash flow arising from acquisition activities:	
Acquisition costs	– 12
Net cash flow	**– 12**

Jakob Ebling GmbH, Nierstein / DE

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

IPIP S.A., Ploiesti / RO

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

Note 4: Assets held for sale / Business disposals

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

The entire package of the non-strategic interest in Swissgrid AG included the Swissgrid AG shares as well as the loan receivable received as part of the transfer of the high-voltage grids, with a total carrying amount of CHF 499 million. Alpiq sold a first loan tranche of CHF 75 million in 2014. In early March 2015, the shares held in Swissgrid AG were transferred to the independent Alpiq subsidiary Alpiq Grid Beteiligungs AG. On 18 March 2015, Alpiq concluded the transaction (already announced in Financial Report 2014) with IST3 Investmentstiftung (IST3) concerning the sale of a 49.9 % interest in Alpiq Grid Beteiligungs AG and of 49.9 % of the original Swissgrid AG shareholder loan. The disposal proceeds totalled CHF 288 million. On 30 June 2015, Alpiq concluded the sale of the final loan tranche of CHF 48 million. This transaction was concluded in July 2015 following approval by the Board of Directors of Swissgrid AG.

On 29 May 2015, Alpiq gave notification concerning the contractually agreed disposal of the remaining 50.1 % interest in Alpiq Grid Beteiligungs AG to Société d'Investissement de Suisse occidentale SA (SIRESO) in the amount of CHF 146 million. However, on 30 July 2015, BKW Netzbeteiligung AG (BKW) exercised both its statutory and contractual pre-emptive rights to the entire equity interest in Swissgrid AG that was originally held by Alpiq. As a result of the exercising of pre-emptive rights, the transaction was blocked by the involved parties' legal orders. As long as the sale to either SIRESO or BKW has not been executed, all shareholder rights connected with the interest in Swissgrid AG remain with Alpiq Grid Beteiligungs AG and thus indirectly with Alpiq and IST3. The exercising of the pre-emptive right does not affect the disposal price that Alpiq will achieve. The Swissgrid shareholder loans that have been sold are also unaffected. Alpiq currently assumes that the deal will be closed in the second half of 2016. As a result, the interest in Swissgrid AG is still recognised as "Assets held for sale" as of 30 June 2016.

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

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

On 3 June 2016, Alpiq signed an agreement on the sale of its 96.7 % equity interest in Alpiq Versorgungs AG to a syndicate for CHF 312 million. The syndicate consists of EBM Netz AG, Städtische Betriebe Olten (sbo) and UBS Clean Energy Infrastructure Switzerland. Closing took place in the third quarter. Further details are disclosed in Note 6. This interest is therefore still recognised as "Assets held for sale" as of 30 June 2016.

In the first half of 2016, Alpiq decided to dispose of the three wind park project companies in Scandinavia, Blåsmark Vindkraft AB, Tormoseröd Vindpark AB and Tysvær Vindpark AS, as well as several minority investments from the Generation business division which were no longer strategically important.

Assets

CHF million	30 Jun 2016	31 Dec 2015
Property, plant and equipment	221	209
Intangible assets	7	4
Investments in partner power plants and other associates	301	304
Other non-current financial assets		2
Inventories	8	8
Trade and other receivables	17	12
Prepayments and accrued income	7	6
Total assets held for sale	**561**	**545**

Equity and liabilities

CHF million	30 Jun 2016	31 Dec 2015
Deferred income tax liabilities	40	37
Other non-current liabilities	6	6
Other current liabilities	8	4
Accruals and deferred income	9	10
Total liabilities held for sale	**63**	**57**

Note 5: Financial instruments

The following tables show an overview of the carrying amounts and fair values of the financial assets and liabilities.

Financial assets

CHF million	Carrying amount at 30 Jun 2016	Fair value at 30 Jun 2016	Carrying amount at 31 Dec 2015	Fair value at 31 Dec 2015
Positive replacement values of derivatives				
Energy derivatives	475	475	438	438
Currency and interest rate derivatives	18	18	32	32
Financial investments	1	1	1	1
Total financial assets at fair value through profit or loss	**494**	**494**	**471**	**471**
Financial investments	4	4	4	4
Total available-for-sale financial assets	**4**	**4**	**4**	**4**
Cash and cash equivalents	811	811	850	850
Term deposits	756	756	636	636
Trade receivables	800	800	956	956
Other financial receivables	276	276	342	342
Loans receivable	60	60	71	71
Other non-current assets	198	198	248	248
Total loans and receivables	**2,901**	**2,901**	**3,103**	**3,103**
Total financial assets	**3,399**	**3,399**	**3,578**	**3,578**

Financial liabilities

CHF million	Carrying amount at 30 Jun 2016	Fair value at 30 Jun 2016	Carrying amount at 31 Dec 2015	Fair value at 31 Dec 2015
Negative replacement values of derivatives				
Energy derivatives	371	371	348	348
Currency and interest rate derivatives	84	84	77	77
Total financial liabilities at fair value through profit or loss	**455**	**455**	**425**	**425**
Trade payables	519	519	552	552
Bonds	2,062	2,090	2,060	2,124
Loans payable	722	720	723	724
Other financial liabilities, incl. put options	431	431	449	449
Total other financial liabilities	**3,734**	**3,760**	**3,784**	**3,849**
Total financial liabilities	**4,189**	**4,215**	**4,209**	**4,274**

CHF million	30 Jun 2016	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Energy derivatives	475		475	
Currency and interest rate derivatives	18		18	
Financial investments	5		5	
Financial liabilities measured at fair value				
Energy derivatives	371		371	
Currency and interest rate derivatives	84		84	

CHF million	31 Dec 2015	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Energy derivatives	438		438	
Currency and interest rate derivatives	32		32	
Financial investments	5		5	
Financial liabilities measured at fair value				
Energy derivatives	348		348	
Currency and interest rate derivatives	77		77	

Both in the first half of 2016 and during the financial year 2015, no reclassifications were applied between Levels 1 and 2, or reclassifications from Level 3.

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

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

Energy price risk refers to potential price fluctuations that could have an adverse impact on the Alpiq Group. These risks 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. Future own-use energy transactions are not reported in the balance sheet. Energy transactions are also conducted as part of the programme to optimise Alpiq's power plant portfolio. A large proportion of the replacement values for energy derivatives shown as at the reporting date are attributable to optimisation positions, with positive and negative replacement values generally cancelling each other out. Alpiq also engages in limited energy derivatives trading. The energy derivatives concluded by the Alpiq Group are usually structured as forward contracts. The fair values are calculated on the basis of the difference between the contractually fixed forward prices and the current forward prices applicable on the reporting date. The effect of credit risk on fair values is not significant. The risks associated with trading and optimisation transactions are managed via clearly defined responsibilities and the risk limits laid down in the Group Risk Policy. Risk Management reports regularly on compliance with these limits to the Risk Management Committee and Executive Board using a formalised risk reporting system. The risk positions are monitored in accordance with the "Value at Risk (VaR)" industry standard.

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

The risks arising from volatility in interest rates relate to the interest-bearing financial assets and liabilities of the Alpiq Group. Liquidity is invested for a maximum of two years. However, the funding necessary for business operations 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.

Note 6: Events after the balance sheet date

On 3 June 2016, Alpiq announced the sale of its 96.7 % equity interest in Alpiq Versorgungs AG. After receiving the approvals by the authorities, this deal was able to be closed on 7 July 2016. Alpiq generated proceeds of CHF 312 million from this divestment.

Organisation as of 30 June 2016

- **General Management** – Jasmin Staiblin [1], CEO
  - **Generation** – Michael Wider [1], Deputy CEO
    - Hydro Power Generation – Christian Plüss
    - Nuclear Power Generation – Michaël Plaschy
    - Thermal Power Generation – Matthias Zwicky
    - RES & Generation Development – André Schnidrig [2]
  - **Commerce & Trading** – Markus Brokhof [1]
    - Power West – Pierre Guesry
    - Markets Central Eastern and South-Eastern Europe – Peter Dworak
    - Cross Commodity Trading & Origination – Michel Kolly
    - Operations – Petter Torp
  - **Energy Services** – Reinhold Frank [1]
    - Alpiq InTec – Peter Limacher
    - Kraftanlagen Group – Reinhold Frank
  - **Financial Services** – Thomas Bucher [1], CFO
    - Accounting & Controlling – Edgar Lehrmann
    - Finance Projects & Transformation – Martin Schindler
    - Taxes – Eva Catillon
    - Treasury & Insurance – Lukas Oetiker
    - Information Technology – Thomas Habel
  - Human Resources – Daniel Huber
  - Legal & Compliance – Peter Schib
  - Communications & Public Affairs – Richard Rogers [2]
  - Risk Management – Walter Hollenstein

General Management
Business Division
Business Unit
Functional Division
Functional Unit

1 Member of the Executive Board
2 From 1 September 2016

Alpiq Group Financial Summary 2011–2016

Income statement

CHF million	Half-year 2016/1	Half-year 2015/1	Full year 2015	Full year 2014	Full year 2013	Full year 2012	Full year 2011
Net revenue	3,016	3,300	6,715	8,058	9,370	12,723	13,961
Earnings before interest, tax, depreciation and amortisation (EBITDA)	473	– 14	50	312	789	1,212	937
as % of net revenue	15.7	– 0.4	0.7	3.9	8.4	9.5	6.7
Net income [1]	– 2	– 886	– 830	– 902	18	– 1,094	– 1,346
as % of net revenue	– 0.1	– 26.8	– 12.4	– 11.2	0.2	– 8.6	– 9.6
Employees [2]	8,492	8,382	8,360	8,017	7,807	10,039	11,009

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

Per share data

CHF	Half-year 2016/1	Half-year 2015/1	Full year 2015	Full year 2014	Full year 2013	Full year 2012	Full year 2011
Par value	10	10	10	10	10	10	10
Share price at 30 June/31 December	68	82	105	90	122	131	170
High	107	89	109	129	132	189	381
Low	62	60	60	86	106	126	150
Weighted average number of shares outstanding (in thousands)	27,875	27,353	27,617	27,190	27,190	27,190	27,190
Net income	– 0.66	– 33.02	– 31.73	– 34.19	– 0.37	– 38.76	– 48.73
Dividend	0.00	0.00	0.00	2.00 [1]	2.00	2.00	2.00

1 Scrip dividend

2011: Amounts not adjusted to reflect IAS 19 rev. and IFRS 10 / 11

Financial Calendar

6 March 2017:
Full year results 2016
(annual media and
analyst conference)

18 May 2017:
Annual General Meeting

Contacts

Investor Relations
Lukas Oetiker
Phone +41 62 286 75 37
investors@alpiq.com

Communications & Public Affairs
Richard Rogers
Phone +41 62 286 71 10
media@alpiq.com

Published by

Alpiq Holding Ltd., www.alpiq.com

The Interim Report 2016 is published in German, French and English. The German version of any given publication takes precedence.

Online Annual Report

www.alpiq.com/reports

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

Alpiq Holding Ltd.

www.alpiq.com