2019
Interim Report

ALPIQ

2019 Interim Key Financial Figures

Alpiq Group

CHF million	Results of operations before exceptional items: Half-year 2019/1	Half-year 2018/1	% change	Results under IFRS: Half-year 2019/1	Half-year 2018/1	% change
Net revenue [1]	2,213	2,596	– 14.8	2,233	2,594	– 13.9
Earnings before interest, tax, depreciation and amortisation (EBITDA) [1]	55	99	– 44.4	118	61	93.4
Depreciation, amortisation and impairment [1]	– 71	– 78	– 9.0	– 324	– 79	> 100.0
Earnings before interest and tax (EBIT) [1]	– 16	21	> – 100.0	– 206	– 18	> – 100.0
as % of net revenue	– 0.7	0.8		– 9.2	– 0.7	
Earnings after tax from continuing operations				– 179	– 76	> – 100.0
as % of net revenue				– 8.0	– 2.9	
Earnings after tax from discontinued operations				– 27	– 48	43.8
Net income				– 206	– 124	– 66.1
as % of net revenue				– 9.2	– 4.8	
Net investments / net divestments [1]				– 7	16	> – 100.0

1 Only continuing operations

CHF million	30 Jun 2019	31 Dec 2018	% change
Total assets	8,020	9,074	– 11.6
Total equity	3,741	3,944	– 5.1
as % of total assets	46.6	43.5	

	2019	2018	% change
Own production in the first half-year (GWh) [1]	7,829	7,400	5.8
Number of employees at the reporting date (30 June / 31 Dec) [2]	1,560	1,548	0.8

1 Net (after deducting pumped energy), excluding long-term purchase contracts
2 Full-time equivalents

Per share data

CHF	Half-year 2019/1	Half-year 2018/1	% change
Par value	10	10	0.0
Share price at 30 June	70	75	– 6.7
High	82	78	5.1
Low	63	63	0.0
Net income [1]	– 7.97	– 5.15	– 54.8

1 Calculation see note 7 of the notes to the interim consolidated financial statements

The financial summary 2014 – 2019 is shown on page 46 of the Interim Report.

Interim Report 2019

Letter to our shareholders

Jens Alder

Dear shareholder,

In line with expectations, the Alpiq Group closed the first half of 2019 with net revenue of CHF 2.2 billion and EBITDA before exceptional items of CHF 55 million.

The Generation Switzerland business division closed the year with a deficit as expected, while the European business by contrast made positive contributions to earnings. Once again, the Generation International business division made the largest contribution to the Alpiq Group's earnings in the first half of 2019, albeit down on the previous year. Our power plants in Europe perfectly complement the Swiss power plant portfolio and demonstrate the benefits of a geographically and technologically diversified power plant portfolio. The Digital & Commerce business division also closed the first half of 2019 with a positive result, in this case up on the previous year. On the French market we expanded our position and Alpiq was awarded the title of best electricity supplier for industrial customers for the third time in a row.

Solid balance sheet thanks to a systematic financial strategy

In the first half of the year, Alpiq increased its net cash flows from operating activities of continuing operations to CHF 80 million thanks to higher EBITDA after exceptional items. As a result of systematically implementing our financial strategy, we reduced net debt further to CHF 217 million and increased liquidity to CHF 1.31 billion. The equity ratio stood at a solid 46.6 % at 30 June 2019. Our company therefore rests on solid financial ground. Going forward, we will continue to implement our financial strategy in a targeted manner in order to maintain Alpiq's access to capital markets.

Phase-out of coal drastically reduces carbon footprint

Looking towards the increasingly decarbonised, digitalised and decentralised energy world, we decided to sell our two Czech brown coal power plants Kladno and Zlín. This reduces the carbon footprint of Alpiq's power plant portfolio by more than 60 % and means that Alpiq no longer operates coal power plants. This divestment, performed for strategic reasons, is expected to be completed in the second half of 2019. We intend to use the proceeds from the transaction to further optimise our balance sheet and for the selective further development of our growth areas.

Decarbonisation opens up new business opportunities

In Switzerland, Alpiq is seen as an enabler for CO_2-free mobility. In the area of e-mobility, we successfully maintained our position as market leader for charging infrastructure in Switzerland and expanded our market presence in Germany, Italy and Austria. Furthermore, we are playing a key role in introducing hydrogen e-mobility in Switzerland. Together with an industrial partner, we are currently planning the construction of a 2-MW hydrogen production plant at Gösgen hydropower plant. In the future, the plant will produce hydrogen for fuel-cell powered trucks using hydro-electric power. Alpiq is thus making an important contribution towards the climate-neutral logistics of the future.

Flexible energy storage solutions as a core competence

Our roots lie in CO_2-free and sustainable Swiss hydropower. To optimise Swiss hydropower, we have pressed ahead with the digitalisation of our processes and further expanded our technological and economic leadership position in the hydropower market in Switzerland. Alpiq currently manages around one third of Switzerland's total hydropower production.

We have made good progress in the area of innovative battery solutions and have implemented solutions to increase efficiency and in energy management. We launched additional products and services for our customers, being the first in Switzerland for example to operate a 1.2-MW battery storage for commercial use in the energy markets. Furthermore, we in the meantime offer a mobile battery solution with hydroelectric power for secure and environmentally friendly energy supply for large-scale events.

The age of digitalisation, an age marked by its disruptive nature, has long since reached the energy industry. We recognised the signs of structural change early on, positioned ourselves in an agile manner and tapped into new areas of innovative, climate-friendly energy markets, as proven by the examples above. Now it is a matter of continuing to work on all of our ideas and to bring them to market maturity.

A look at Alpiq in an international context shows just how strong an upheaval the energy markets continue to find themselves in – and with them all of the relevant market participants. For Alpiq, 2019 is also a year shaped by major changes in the long-standing shareholder structure.

New shareholder structure in a changing energy world

In April 2019, Alpiq's two consortium shareholders EOS Holding SA and Primeo Energie announced that they would each be acquiring half of EDF's 25.04 % Alpiq share package for a price of CHF 489 million (CHF 70 per share). This transaction was closed at the end of May 2019. It was financed by mandatory convertible loans from CSA Energie-Infrastruktur Schweiz (CSA), an investment group of Credit Suisse Investment Foundation. For Alpiq as party to the contract, the completion of the transaction signalled the premature end of the consortium agreement concluded between Alpiq's founding shareholders in 2005, terminated by EDF as of September 2020.

With the conclusion of the transaction, CSA announced the offer prospectus of its voluntary public tender offer indirectly via Schweizer Kraftwerksbeteiligungs-AG, according to which the shareholders of Alpiq were to receive CHF 70 per share. Subsequently, the Board of Directors of Alpiq engaged audit firm PwC, as an independent expert, to prepare and submit a Fairness Opinion on the appropriateness of the offer price from a financial perspective. PwC concluded that the offer price of CHF 70 is fair and appropriate from a financial perspective, also for Alpiq's shareholders in free float.

The Board of Directors' report presents the significant advantages and disadvantages of the offer in a transparent manner and explains the impact on Alpiq, thereby allowing all shareholders to make an informed decision on the offer.

Changes in the Board of Directors of the Alpiq Group

On 21 August 2019, four new members were elected onto the Board of Directors of Alpiq Holding Ltd. in an extraordinary General Meeting in Olten. Jørgen Kildahl, Anne Lapierre, Hans Ulrich Meister and Phyllis Scholl are proven experts with many years of market experience in the areas of energy market and energy law as well as finance. I look forward to working together with our new colleagues on the Board of Directors, who have extensive experience with market-oriented companies. Alpiq will undoubtedly benefit from their competencies.

Outlook for 2019 confirmed – turnaround expected from 2020

We have now entered a consolidation phase and even though market conditions have been showing signs of improvement, we must be alert to the different risks of our business. We already know and have always communicated in a transparent manner that Alpiq will close the 2019 financial year with results of operations below the previous year. The CO_2 and electricity prices on the wholesale markets, which are hedged in Swiss francs two to three years in advance each time, will have a positive effect on earnings from 2020 onwards.

Our company has again successfully weathered a challenging few months. On behalf of the Board of Directors and the Executive Board, I would like to thank all of our employees for their customer focus, their tireless and reliable commitment and their utmost dedication in the course of day-to-day operations.

Alpiq remains an important player on the energy market

With our technologically and geographically diversified business model, we are well positioned for the energy transition and the volatilities of the energy markets. The change in Alpiq’s shareholder structure closes a chapter in our corporate history and marks the start of a new one. On behalf of the Board of Directors and myself personally, I would like to thank you for your many years of loyal support.

I am convinced that Alpiq, as a traditional but also future-oriented Swiss electricity producer and energy service provider with a European presence, will continue to play an important role on the international energy market in the future.

Jens Alder
President and Delegate of the Board of Directors

23 August 2019

Financial Review

In the first half of 2019, the Alpiq Group generated positive results of operations. As announced, the results are down on the previous year. Power production in Switzerland is operating at a loss, among other things on account of the delayed effects from hedges. Although wholesale prices have increased in the meantime, the positive impact on earnings will only be visible from 2020 onwards. Power production in Europe made a positive contribution to earnings, but is down on the previous year. The trading business generated positive earnings and is up on the previous year.

Looking towards an increasingly decarbonised, digitalised and decentralised energy world, Alpiq is selling its two Czech brown coal power plants Kladno and Zlín. Closing is planned for the second half of 2019. Alpiq intends to use the proceeds from the transaction to further develop its growth areas and to continue to optimise its balance sheet. The strategy will be reviewed in the current consolidation phase. Various strategic options are being developed and evaluated.

In connection with the sale of the Engineering Services business completed in 2018, Alpiq filed for arbitration proceedings against the purchasing party Bouygues Construction on 12 February 2019. There are diverging views on the amount of the definitive price adjustment based on the sale price adjustment mechanism. While Alpiq is claiming an additional amount of CHF 12.9 million, Bouygues Construction is demanding CHF 205.1 million and filed for arbitration proceedings on the same day. The two arbitration proceedings have been combined in the meantime. How long the proceedings will last is not known. For more information about this matter, please refer to note 6 of the notes of the interim consolidated financial statements.

At the end of May 2019, Electricité de France (EDF) sold half of its 25.04 % Alpiq share package to EOS Holding SA and half to EBM (Elektra Birseck Cooperative), Alpiq's two consortium shareholders. EDF has thus not been a shareholder of Alpiq Holding Ltd. since the end of May 2019. The transaction was financed by mandatory convertible loans from CSA Energie-Infrastruktur Schweiz (CSA), an investment group of Credit Suisse Investment Foundation. The mandatory convertible loans will be repaid when due through the transfer of Alpiq shares to CSA in accordance with the conditions agreed between the shareholders. Schweizer Kraftwerksbeteiligungs-AG (SKBAG), a wholly-owned subsidiary of CSA, published the offer prospectus of its voluntary public tender offer on 10 July 2019. The offer period began on 25 July 2019 and is expected to end on 9 September 2019. The acquisition of shares within the framework of the public tender offer is expected to be completed on 9 October 2019. Therefore, further changes in the shareholder structure can be expected in the second half of 2019.

The Alpiq Group generated net revenue before exceptional items of CHF 2.2 billion (down CHF 383 million on the previous year), EBITDA of CHF 55 million (down CHF 44 million) and EBIT of CHF – 16 million (down CHF 37 million).

In order to allow transparent presentation and demarcation of the exceptional items, the consolidated income statement is presented as a pro forma statement. The following commentary on the financial performance of the Alpiq Group and its business divisions relates to an

1st half-year 2019: Consolidated Income Statement (pro forma statement before and after exceptional items)

CHF million	Half-year 2019/1 Results of operations before exceptional items	Half-year 2019/1 Exceptional items[1]	Half-year 2019/1 Results under IFRS	Half-year 2018/1 Results of operations before exceptional items	Half-year 2018/1 Exceptional items[1]	Half-year 2018/1 Results under IFRS
Net revenue	**2,213**	**20**	**2,233**	**2,596**	**– 2**	**2,594**
Own work capitalised and change in costs incurred to fulfil a contract	2		2	3		3
Other operating income	5	2	7	9		9
Total revenue and other income	**2,220**	**22**	**2,242**	**2,608**	**– 2**	**2,606**
Energy and inventory costs	– 2,020	44	– 1,976	– 2,362	– 28	– 2,390
Employee costs	– 96		– 96	– 98		– 98
Other operating expenses	– 49	– 3	– 52	– 49	– 8	– 57
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**55**	**63**	**118**	**99**	**– 38**	**61**
Depreciation, amortisation and impairment	– 71	– 253	– 324	– 78	– 1	– 79
Earnings before interest and tax (EBIT)	**– 16**	**– 190**	**– 206**	**21**	**– 39**	**– 18**
Share of results of partner power plants and other associates			– 18			– 20
Finance costs			– 35			– 51
Finance income			12			6
Earnings before tax			**– 247**			**– 83**
Income tax expense			68			7
Earnings after tax from continuing operations			**– 179**			**– 76**
Earnings after tax from discontinued operations			– 27			– 48
Net income			**– 206**			**– 124**

1 For more information, please refer to pages 13 to 15.

operational EBITDA view, in other words, to earnings development before exceptional items. The categories of exceptional items are described in detail in the "Alternative performance measures of Alpiq" section.

Alpiq Group: results of operations (before exceptional items)

In the first half of 2019, the Alpiq Group generated positive operational EBITDA. As announced, it is down on the previous year.

Generation Switzerland business division

The Generation Switzerland business division concentrates on the production of electricity from Swiss hydropower and nuclear power. The power plant portfolio includes run-of-river power plants, storage and pumped storage power plants as well as interests in Kernkraftwerk Gösgen-Däniken AG and Kernkraftwerk Leibstadt AG. Moreover, the business division manages shares in HYDRO Exploitation SA and Kernkraftwerk-Beteiligungsgesellschaft AG (KBG).

Since 2008, Nant de Drance SA has been building one of Europe's most powerful pumped storage power plants in the canton of Valais, with a capacity of 900 MW. The power plant is designed to produce power during peak consumption times and to compensate for irregular and fluctuating power production from new renewable energies. Alpiq holds a stake of 39 % in Nant de Drance SA. The commercial commissioning of the power plant has been delayed by around nine months due to a longer commissioning phase. Alpiq also holds a stake of 54 %

in Kraftwerke Gougra AG. With regard to its production capacity, the Gougra complex is the fifth largest hydropower plant in the canton of Valais. Kraftwerke Gougra AG has decided to refurbish the three machine groups at the Mottec headquarters between 2020 and 2022. This will increase the capacity from 69 to 87 MW.

At CHF – 56 million, the EBITDA contribution of the Generation Switzerland business division is down year-on-year by CHF 23 million, as expected. The comparison with the previous year is further affected by the negative effects relating to hedging prices from previous years. These were below production costs, albeit to a lesser extent than in previous years. In order to protect itself against price and currency fluctuations, Alpiq sells its own production in advance on a rolling two- to three-year basis. This is customary sector practice in terms of the risk-bearing capacity. The increased CO_2 and electricity prices on the wholesale markets will have a positive effect on earnings from 2020 onwards. Lower production volumes in comparison with the previous year have a negative effect on the half-year results 2019. In the hydropower area, the high inflows resulting from greater snow volumes and a warmer spring seen in the first half of 2018 were not matched. Production volume in the area of nuclear energy was negatively affected by a long-term purchase agreement in France that expired in 2018.

Generation International business division

The Generation International business division includes the two business units Renewable Energy Sources and Thermal Power Generation. The Renewable Energy Sources business unit focuses on onshore wind power plants, small-scale hydropower plants and industrial photovoltaic plants in Switzerland and Europe. The Thermal Power Generation business unit produces electricity and heat in thermal power plants in Czechia, Hungary, Italy and Spain. The power plant portfolio is made up of efficient brown coal power plants, gas-fired combined-cycle power plants and quick-start gas-fired turbines. These flexible power plants, in addition to short-term power plant scheduling, are used by the respective grid operators in all four countries to balance the grids. The power produced is sold on the European electricity trading market via Digital & Commerce or third parties.

In May 2019, Alpiq Ltd. entered into an agreement with the Sev.en Energy Group for the sale of the Czech brown coal power plants Kladno and Zlín. Closing is planned for the second half of 2019. The sale reduces the CO_2 emissions of Alpiq's power plant portfolio by more than 60 % and means that Alpiq no longer operates coal power plants.

At CHF 60 million, the EBITDA contribution of the Generation International business division is down year-on-year by CHF 30 million. The Renewable Energy Sources business unit fell just short of previous-year results, mainly due to less favourable wind conditions in Italy compared to the previous year. The Thermal Power Generation business unit is significantly below the previous year. This was mainly due to two reasons. On the one hand, the agreement between the Csepel gas-fired combined-cycle power plant and the Hungarian state energy supply company, MVM, which was due to expire at the end of 2018, could be extended, however, the price had to be renegotiated on the basis of current market conditions, and is lower as was expected. On the other hand, the acquisition of 33.3 % interest of Eviva in 2018 in the gas-fired combined-cycle power plant San Severo resulted in the loss of income from tolling agreements.

Digital & Commerce business division

The Digital & Commerce business division comprises the optimisation of the company's own power plants, decentralised generation units and power production from renewable energies from third parties as well as the trading and marketing of standardised and structured products to fulfil the various customer requirements in Europe. Trading is a central element of Alpiq's business model. In the area of digitalisation, Alpiq implemented solutions to increase the efficiency of its own business and developed additional products and services for its European customers, in particular in the areas of e-mobility, demand response services as well as flexibility services in energy trading. The dynamic changes in a complex environment are creating opportunities for new service-oriented business models in a digitalised energy landscape.

Electricity prices on the forward markets rose slightly in most countries in comparison to the previous year. This trend was driven by significantly higher prices for CO_2 certificates. By contrast, Switzerland faced a negative price development. During the month of March, which was warm and very windy, Swiss prices fell sharply in comparison to the previous year. This was counterbalanced by the increase in prices in Eastern Europe, which resulted from higher demand and lower supply due to cold winter weather and, to some extent, drought. Buoyed by the prices for CO_2 emission certificates, the forward prices for calendar year 2020 rose sharply. The introduction of the market stability reserve at the beginning of 2019 in the European Union has noticeably reduced the volume of certificates auctioned, as the oversupply of certificates was very high. The margins of gas power plants (Clean Spark Spread) in Italy, Spain and Germany have increased significantly. The margins of coal power plants in Germany increased only slightly. Coal and gas prices showed a negative trend on the European spot markets compared to the first half of the previous year. Primarily in the second quarter of 2019, prices were lower.

In France, Alpiq was voted best supplier in the French electricity market for industrial customers for the third consecutive time in 2019. Alpiq wants to further develop the traditional trading business across Europe as well as identify new business opportunities for innovative energy services and develop customised products. In the area of e-mobility, Alpiq expanded its know-how and market presence in Italy, Germany and Austria according to plan, and successfully maintained its position as market leader for charging infrastructure in Switzerland. Among other things, the company in a consortium with Primeo Energie received the contract for equipping 20 service stations with charging stations for electric cars. In addition to Switzerland, Alpiq registered a rising demand for e-mobility as a service from industrial and private customers in Germany and Italy. In Switzerland, Alpiq has been offering energy management services since April 2019 for a 1.2-MW battery storage for commercial use for the power utility of the town of Maienfeld. This innovative solution reduces expensive peak loads and provides secondary regulating power for the ancillary services market.

At CHF 51 million, the EBITDA contribution of the Digital & Commerce business division is up year-on-year by CHF 7 million. The optimisation in Italy is significantly above previous year, particularly due to higher income from ancillary services, thus compensating for lower results of optimisation of the hydropower and nuclear portfolio in Switzerland. The management of the gas portfolio also delivered lower results, because more gas was retained in the storage systems due to lower gas prices. The trading activities in Eastern Europe developed positively.

Alternative performance measures of Alpiq

To measure and present its operating performance, Alpiq also uses alternative performance measures through to level “Earnings before interest and tax (EBIT)”. Alpiq makes adjustments to the IFRS results for so-called exceptional items, which Alpiq does not consider part of results of operations. These performance measures do not have a standardised definition in IFRS. This can therefore limit comparability with such measures as defined by other companies. These measures are presented in a pro forma statement in order to give investors a deeper understanding as to how Alpiq’s management measures the performance of the Group. They do not, however, substitute the IFRS performance measures. In the balance sheet and cash flow statement, Alpiq does not use any alternative performance measures.

Alpiq has defined the following categories of exceptional items:

Fair value changes (accounting mismatch)

Fair value changes of energy derivatives concluded in connection with hedging future power production do not reflect the operating performance of business

Overview of exceptional items

CHF million	Fair value changes (accounting mismatch)		Development of decommissioning and waste disposal funds		Effects from business disposals		Impairment losses and onerous contracts		Restructuring costs and litigation		Total exceptional items	
	Half-year 2019/1	Half-year 2018/1	Half-year 2019/1	Half-year 2018/1	Half-year 2019/1	Half-year 2018/1	Half-year 2019/1	Half-year 2018/1	Half-year 2019/1	Half-year 2018/1	Half-year 2019/1	Half-year 2018/1
Net revenue	**25**	**− 6**	**− 5**	**4**							**20**	**− 2**
Other operating income					2						2	
Total revenue and other income	**25**	**− 6**	**− 5**	**4**	**2**						**22**	**− 2**
Energy and inventory costs			83	− 30			− 39	2			44	− 28
Other operating expenses						− 1			− 3	− 7	− 3	− 8
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**25**	**− 6**	**78**	**− 26**	**2**	**− 1**	**− 39**	**2**	**− 3**	**− 7**	**63**	**− 38**
Depreciation, amortisation and impairment							− 253	− 1			− 253	− 1
Earnings before interest and tax (EBIT)	**25**	**− 6**	**78**	**− 26**	**2**	**− 1**	**− 292**	**1**	**− 3**	**− 7**	**− 190**	**− 39**

activities because they are economically linked with the changes in value of production plants and long-term purchase contracts. Rising forward prices cause the future production volumes to increase in value and the corresponding hedges to lose value. According to IFRS guidelines, the fair value changes of hedges have to be recognised in the reporting year. As the future production volumes are not measured at fair value and these changes in value therefore cannot be recognised in the reporting year, this results in an accounting mismatch.

Development of decommissioning and waste disposal funds

The operating companies of Switzerland’s nuclear power plants are required to make payments into the decommissioning fund and the waste disposal fund to ensure that decommissioning and waste disposal activities are funded. Investments in these funds are exposed to market fluctuations and changes in estimates, which cannot be influenced by Alpiq but which do influence electricity procurement costs. The difference between the return actually generated by the funds and the investment return used as a basis for calculating the contributions pursuant to the Swiss Federal Ordinance on the Decommissioning Fund and the Waste Disposal Fund (SEFV) of 3.5 % is classified and recorded as an exceptional item.

Effects from business disposals

The result from business disposals does not affect Alpiq’s operating performance and reduces comparability with other periods.

Impairment losses and onerous contracts

Effects in connection with impairment of property, plant and equipment and intangible assets as well as onerous contracts relate to effects that are attributable to changes in expectations regarding future developments. Management does not therefore take these into account for the assessment of Alpiq’s operating performance.

Restructuring costs and litigation

Under restructuring costs, Alpiq includes expenses incurred for creating new structures in existing areas, company disposals as well as business closures. These expenses do not reflect the operating performance as they are incurred when the measures are implemented and therefore before any benefit is generated. Furthermore, this category includes costs in connection with a package of measures by the PKE

Vorsorgestiftung Energie to ensure its financial balance. These largely stem from changes in statistical and actuarial assumptions and therefore cannot be directly influenced. Costs in connection with litigation, which comprise legal counsel costs, lawsuit costs as well as any payments in connection with legal cases, are classified as exceptional items if they appear to be one-off and limit comparability between various periods.

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

Total assets amounted to CHF 8.0 billion at the 30 June 2019 reporting date, compared to CHF 9.1 billion at the end of 2018. Non-current assets decreased by around CHF 850 million. On the one hand, this is attributable to depreciation, amortisation and impairment and, on the other hand, to the fact that assets of the company Alpiq Generation (CZ) s.r.o., which holds the two thermal power plants Kladno and Zlín, and Flexitricity Ltd. were reclassified into the balance sheet item “Assets held for sale”. Furthermore, non-current term deposits decreased by around CHF 200 million, mainly because the Supreme Court in Bucharest on 29 January 2019 decided that ANAF’s (Agenţia Naţională de Administrare Fiscală) tax assessment is not enforceable until a court decision has been reached. The endorsement of Alpiq’s request means that the amount stipulated by ANAF no longer has to be secured by a bank guarantee and the money pledged for this purpose is again freely available for Alpiq to use. The decrease in other non-current financial assets primarily relates to the reclassification of a receivable to current assets. The reclassification reflects the fact that convertible loans of Swissgrid AG of this amount will be due for repayment within the next 12 months. Current assets decreased by around CHF 200 million. The increase in the item “Assets held for sale” due to reclassification of assets of Alpiq Generation s.r.o. and Flexitricity Ltd. was easily compensated by the decrease in receivables and positive replacement values for derivative financial instruments. These decreases are mainly attributable to lower trading activities, less volatility in commodity prices and lower gas prices.

Equity stood at CHF 3.7 billion at 30 June 2019, and is CHF 0.2 billion lower than at the end of 2018 due to the half-year result. The effects from the remeasurements of defined benefit plans (IAS 19) and currency translation differences as well as those from hedge accounting largely compensate each other. The equity ratio increased from 43.5 % to 46.6 %.

The current and non-current financial liabilities amount to CHF 1.5 billion and are thus at the level of 31 December 2018. Net debt decreased from CHF 247 million to CHF 217 million. Due to lower results of operations, the gearing ratio (net debt / EBITDA before exceptional items) changed from 1.5 at the end of the year to 1.8 at 30 June 2019.

Non-current liabilities decreased by CHF 206 million compared to 31 December 2018. The main reasons are reclassification of financial liabilities and other liabilities as well as the decrease in deferred income tax liabilities resulting from impairment losses on property, plant and equipment. Current liabilities decreased by CHF 645 million. The significant decrease in liabilities from trading and negative replacement values of financial instruments, which are attributable to lower trading activities, lower volatility in commodity prices and lower gas prices, was only compensated to a small extent through term-related reclassifications.

Net cash flows from operating activities of continuing operations increased due to higher EBITDA after exceptional items to CHF 80 million. In connection with the sale of the Kladno and Zlín power plants, Alpiq already received a first payment of CHF 16 million in May 2019. Combined with the dividends and interest received, the investments that are made on an as-needed basis as well as the net cash flows from financing activities could be paid. Cash and cash equivalents (including cash and cash equivalents under the item “Assets held for sale”) increased by CHF 105 million to CHF 739 million.

Outlook

As communicated back at the end of March, Alpiq expects results of operations for 2019 as a whole to be down on the previous year. This is due to the hedged electricity prices from previous years, which negatively impact Swiss electricity production compared to the same period in the previous year. The CO_2 and electricity prices on the wholesale markets, which are hedged in Swiss francs two to three years in advance each time, will have a positive effect on earnings from 2020 onwards.

Consolidated Income Statement

CHF million	Note	Half-year 2019/1	Half-year 2018/1
Net revenue	4	**2,233**	**2,594**
Own work capitalised and change in costs incurred to fulfil a contract		2	3
Other operating income		7	9
Total revenue and other income		**2,242**	**2,606**
Energy and inventory costs		– 1,976	– 2,390
Employee costs		– 96	– 98
Other operating expenses		– 52	– 57
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**118**	**61**
Depreciation, amortisation and impairment	5	– 324	– 79
Earnings before interest and tax (EBIT)		**– 206**	**– 18**
Share of results of partner power plants and other associates		– 18	– 20
Finance costs		– 35	– 51
Finance income		12	6
Earnings before tax		**– 247**	**– 83**
Income tax expense		68	7
Earnings after tax from continuing operations		**– 179**	**– 76**
Earnings after tax from discontinued operations	6	– 27	– 48
Net income		**– 206**	**– 124**
Attributable to non-controlling interests		1	3
Attributable to equity investors of Alpiq Holding Ltd.		– 207	– 127
Earnings per share from continuing operations in CHF, diluted and undiluted	7	– 7.00	– 3.41
Earnings per share from discontinued operations in CHF, diluted and undiluted	7	– 0.97	– 1.74
Earnings per share in CHF, diluted and undiluted	7	**– 7.97**	**– 5.15**

Consolidated Statement of Comprehensive Income

CHF million	Half-year 2019/1	Half-year 2018/1
Net income	**– 206**	**– 124**
Cash flow hedges (subsidiaries)	17	25
Income tax expense	– 2	– 2
Net of income tax	15	23
Currency translation differences	– 9	– 12
Net of income tax	– 9	– 12
Items that may be reclassified subsequently to the income statement, net of tax	**6**	**11**
Remeasurements of defined benefit plans (subsidiaries)	11	32
Income tax expense	– 2	– 8
Net of income tax	9	24
Remeasurements of defined benefit plans (partner power plants and other associates)	– 16	38
Income tax expense	3	– 8
Net of income tax	– 13	30
Items that will not be reclassified to the income statement, net of tax	**– 4**	**54**
Other comprehensive income	**2**	**65**
Total comprehensive income	**– 204**	**– 59**
Attributable to non-controlling interests	1	4
Attributable to equity investors of Alpiq Holding Ltd.	– 205	– 63
Of which, total comprehensive income from continuing operations	– 178	– 26
Of which, total comprehensive income from discontinued operations	– 27	– 37

Consolidated Balance Sheet

Assets

CHF million	Note	30 Jun 2019	31 Dec 2018
Property, plant and equipment		1,950	2,490
Intangible assets		107	132
Investments in partner power plants and other associates		2,374	2,427
Non-current term deposits	9	35	229
Other non-current assets		109	160
Deferred income tax assets		43	37
Non-current assets		**4,618**	**5,475**
Inventories		27	71
Receivables		946	1,154
Current term deposits	9	506	367
Securities		26	25
Cash and cash equivalents		708	634
Derivative financial instruments		670	1,287
Prepayments and accrued income		175	61
Assets held for sale	6	344	
Current assets		**3,402**	**3,599**
Total assets		**8,020**	**9,074**

Equity and liabilities

CHF million	Note	30 Jun 2019	31 Dec 2018 (adjusted)
Share capital		279	279
Share premium		4,259	4,259
Hybrid capital		1,017	1,017
Retained earnings		– 1,886	– 1,681
Equity attributable to equity investors of Alpiq Holding Ltd.		**3,669**	**3,874**
Non-controlling interests		72	70
Total equity		**3,741**	**3,944**
Non-current provisions		377	344
Deferred income tax liabilities		415	492
Defined benefit liabilities		41	50
Non-current financial liabilities		1,210	1,307
Other non-current liabilities		151	207
Non-current liabilities		**2,194**	**2,400**
Current income tax liabilities		46	44
Current provisions		82	67
Current financial liabilities		312	195
Other current liabilities		734	882
Derivative financial instruments		598	1,223
Accruals and deferred income		279	319
Liabilities held for sale	6	34	
Current liabilities		**2,085**	**2,730**
Total liabilities		**4,279**	**5,130**
Total equity and liabilities		**8,020**	**9,074**

For more information on changes in presentation, please refer to page 25.

Consolidated Statement of Changes in Equity

CHF million	Share capital	Share premium	Hybrid capital	Cash flow hedge reserves	Currency translation differences	Retained earnings	Attributable to equity investors of Alpiq Holding Ltd.	Non-controlling interests	Total equity
Equity at 31 December 2018	**279**	**4,259**	**1,017**	**– 14**	**– 753**	**– 914**	**3,874**	**70**	**3,944**
Net income for the period						– 207	**– 207**	1	**– 206**
Other comprehensive income				15	– 9	– 4	**2**		**2**
Total comprehensive income				**15**	**– 9**	**– 211**	**– 205**	**1**	**– 204**
Change in non-controlling interests							**0**	1	**1**
Equity at 30 June 2019	**279**	**4,259**	**1,017**	**1**	**– 762**	**– 1,125**	**3,669**	**72**	**3,741**
Equity at 1 January 2018	**279**	**4,259**	**1,017**	**– 56**	**– 745**	**– 818**	**3,936**	**25**	**3,961**
Net income for the period						– 127	**– 127**	3	**– 124**
Other comprehensive income				22	– 12	54	**64**	1	**65**
Total comprehensive income				**22**	**– 12**	**– 73**	**– 63**	**4**	**– 59**
Dividends							**0**	– 4	**– 4**
Change in non-controlling interests						– 6	**– 6**	6	**0**
Equity at 30 June 2018	**279**	**4,259**	**1,017**	**– 34**	**– 757**	**– 897**	**3,867**	**31**	**3,898**

At the request of the Board of Directors, the Annual General Meeting on 14 May 2019 passed a resolution not to distribute a dividend for the 2018 financial year.

Consolidated Statement of Cash Flows

CHF million	Note	Half-year 2019/1	Half-year 2018/1
Earnings before tax from continuing operations		**– 247**	**– 83**
Adjustments for:			
Depreciation, amortisation and impairment		324	79
Gain on sale of non-current assets		– 2	– 1
Share of results of partner power plants and other associates		18	20
Financial result		23	45
Other non-cash income and expenses		– 1	
Change in provisions (excl. interest)		23	– 24
Change in defined benefit liabilities and other non-current liabilities		1	2
Change in fair value of derivative financial instruments		7	26
Change in net working capital (excl. derivatives, current financial assets / liabilities and current provisions)		– 64	– 68
Other financial income and expenses		8	– 7
Income tax paid		– 10	– 14
Net cash flows from operating activities of continuing operations		**80**	**– 25**
Net cash flows from operating activities of discontinued operations			– 116
Net cash flows from operating activities		**80**	**– 141**
Property, plant and equipment and intangible assets			
Investments		– 22	– 19
Proceeds from disposals			1
Subsidiaries			
Acquisitions			6
Proceeds from disposals	6	16	
Associates			
Investments			– 1
Proceeds from disposals			28
Loans receivable and financial investments			
Investments		– 1	
Proceeds from disposals / repayments			1
Change in current and non-current term deposits		35	12
Dividends from partner power plants, other associates and financial investments		20	23
Interest received		1	1
Net cash flows from investing activities of continuing operations		**49**	**52**
Net cash flows from investing activities of discontinued operations		– 1	10
Net cash flows from investing activities		**48**	**62**

CHF million	Note	Half-year 2019/1	Half-year 2018/1
Proceeds from financial liabilities		50	3
Repayment of financial liabilities		– 52	– 220
Change in non-controlling interests		1	
Interest paid		– 14	– 19
Net cash flows from financing activities of continuing operations		**– 15**	**– 236**
Net cash flows from financing activities of discontinued operations			4
Net cash flows from financing activities		**– 15**	**– 232**
Currency translation differences		**– 8**	**– 4**
Change in cash and cash equivalents		**105**	**– 315**
Reconciliation:			
Cash and cash equivalents at 1 January		634	808
Of which, cash and cash equivalents		634	662
Of which, cash and cash equivalents under assets held for sale			146
Cash and cash equivalents at 30 June		739	493
Of which, cash and cash equivalents		708	439
Of which, cash and cash equivalents under assets held for sale		31	54
Change		**105**	**– 315**

Notes to the Interim Consolidated Financial Statements

1 Significant accounting policies

Basis of preparation of the interim consolidated financial statements

The interim consolidated financial statements at 30 June 2019 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 2018 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 Alpiq Holding Ltd. authorised the interim consolidated financial statements at 30 June 2019 on 23 August 2019.

Adoption of new and revised accounting standards

At 1 January 2019, the following amendments to the International Financial Reporting Standards (IFRS) applied by the Alpiq Group entered into force:

- Amendments to IAS 19 Employee Benefits
- Amendments to IFRS 9 Financial Instruments
- IFRS 16: Leases
- IFRIC 23: Uncertainty over Income Tax Treatments
- Annual Improvements to IFRSs (2015 – 2017 Cycle)

The impact of the first-time application of IFRS 16 on the interim consolidated financial statements is detailed below. The application of IFRIC 23 does not have any effects on the measurement of tax liabilities. Uncertain tax liabilities, which were previously recognised in provisions and at 31 December 2018 amounted to CHF 19 million (31 December 2017: CHF 20 million), were reclassified to "Current income tax liabilities". The comparative figures from 31 December 2018 were adjusted accordingly. As a result, non-current liabilities decreased by CHF 19 million and current liabilities increased by the same amount. A third balance sheet has not been presented on the grounds of immateriality. The Annual Improvements to IFRSs (2015 – 2017 Cycle) and the amendments to IAS 19 and IFRS 9 have no significant impact on the Alpiq Group.

IFRS 16: Leases

The Alpiq Group adopted IFRS 16 for the first time at 1 January 2019. The new standard regulates the recognition, measurement and presentation of leases. The right-of-use assets and the lease liabilities representing Alpiq's obligation to make lease payments from lease agreements have been recognised in the balance sheet since 1 January 2019. In the statement of cash flows, the payments for the lease agreements concerned have been presented under net cash flows from financing activities in the positions "Repayment of financial liabilities" as well as "Interest paid" since 1 January 2019 and no longer under "Net cash flows from operating activities". The Alpiq Group does not make use of the exemptions for short-term and low-value leases. In accordance with the transitional provisions of IFRS 16, no adjustments were made to the figures of the comparative period, and consequently the adjustments were recognised in the opening balance sheet at 1 January 2019. The regulations for lessors remain largely unchanged and have no significant effects for the Alpiq Group.

Right-of-use assets

The right-of-use assets are included under property, plant and equipment in the balance sheet and were recognised in the amount of the lease liabilities, plus any restoration obligations and initial direct costs. This resulted in an increase in property, plant and equipment at 1 January 2019 as presented below:

CHF million	1 Jan 2019
Land and buildings	20
Power plants	1
Other plant and equipment	4
Total right-of-use assets	**25**

Lease liabilities

Lease liabilities are initially measured at the present value of future lease payments in non-current and current financial liabilities. The present value is calculated with the lessee's incremental borrowing rate applicable for the country, the term and the currency. The average weighted incremental borrowing rate for lease liabilities at 1 January 2019 was 3.8 %. In subsequent periods, lease liabilities are classified at amortised cost and recognised applying the effective interest method. Based on the operating lease obligations at 31 December 2018, they were reconciled to the opening balance of lease liabilities at 1 January 2019 as follows:

CHF million	1 Jan 2019
Minimum lease payments under operating leases at 31 December 2018	35
Effect from discounting future lease payments	– 8
Other effects	– 2
Lease liabilities additionally recognised based on the initial application of IFRS 16 at 1 January 2019	**25**
Present value of finance lease liabilities reported at 31 December 2018	35
Lease liabilities at 1 January 2019	**60**
Of which, long-term lease liabilities	54
Of which, short-term lease liabilities	6

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 2019	Closing rate at 30 Jun 2018	Closing rate at 31 Dec 2018	Average rate for 2019/1	Average rate for 2018/1
1	EUR	1.111	1.157	1.127	1.129	1.170
1	GBP	1.239	1.306	1.260	1.293	1.330
1	USD	0.976	0.992	0.984	1.000	0.967
100	CZK	4.364	4.446	4.381	4.397	4.588
100	HUF	0.343	0.351	0.351	0.353	0.373
100	NOK	11.456	12.163	11.328	11.609	12.193
100	PLN	26.132	26.454	26.198	26.315	27.723
100	RON	23.456	24.810	24.164	23.818	25.131

Change with regard to estimation uncertainty and significant judgments

Compared to the 2018 consolidated financial statements, the following change arises at 30 June 2019:

Income tax expense

On 19 May 2019, the Swiss electorate voted on the Federal Act on Tax Reform and Old Age and Survivors' Insurance Funding (TRAF). This will abolish existing tax privileges. At the same time, new cantonal instruments were added. These amendments will enter into force at 1 January 2020. Following this tax reform, some cantons have lowered their corporate income tax rates. In the second half of 2019, there will be a popular vote in a number of other cantons on the reduction of corporate income tax rates as well as on cantonal implementation.

This federal act does not currently have any significant effects for Alpiq. At cantonal level, the electorate in Solothurn rejected the implementation of the tax reform on 19 May 2019. It is expected that an amended version will be put to vote in the canton of Solothurn in the second half of 2019. The canton of Vaud – independent of the cantonal implementation of TRAF – already reduced corporate income tax rates at 1 January 2019, which was already taken into account in the 2018 consolidated financial statements. The cantonal implementation of OASI in the canton of Vaud is, however, still pending and is also expected for the second half of 2019. The assumptions regarding the corporation income tax rate thus remain unchanged compared to 31 December 2018.

2 Financial risk management

The Alpiq Group's operating activities are exposed to strategic and operational risks, in particular market (energy price risk, foreign currency risk and interest rate risk), credit and liquidity risks. The principles of the Group's risk management policy are established by the Board of Directors. The Executive Board is responsible for their development and implementation. The Risk Management Committee monitors compliance with the principles and policies. It also defines the hedging strategy for the production of the Group's own power plant portfolio, which is approved by the Executive Board.

Capital management

Across the Alpiq Group, capital is managed in line with the Group's overall financial strategy. During the budgeting and planning process, the Board of Directors takes notice annually of the planned performance of the figures critical for capital management. In addition, it receives regular reports on current developments. The strategy is focused on the Group's reported consolidated equity and net debt to EBITDA ratio. At 30 June 2019, the Group reported an equity ratio of 46.6 % (31 December 2018: 43.5 %).

The level of financial liabilities must be reasonable in proportion to profitability in order to ensure a solid credit rating in line with sector norms. The ratio of net debt to EBITDA before exceptional items plays a decisive role in capital management. This is calculated as follows:

CHF million	30 Jun 2019	1 Jan 2019[1]	31 Dec 2018
Non-current financial liabilities	1,210	1,326	1,307
Current financial liabilities	312	201	195
Current financial liabilities under liabilities held for sale	1		
Financial liabilities	**1,523**	**1,527**	**1,502**
Non-current term deposits[2]	35	229	229
Current term deposits	506	367	367
Securities	26	25	25
Cash and cash equivalents	708	634	634
Cash and cash equivalents under assets held for sale	31		
Financial assets (liquidity)	**1,306**	**1,255**	**1,255**
Net debt	**217**	**272**	**247**
EBITDA before exceptional items[3]	122	166	166
Net debt / EBITDA before exceptional items	**1.8**	**1.6**	**1.5**

1 Due to the first-time application of IFRS 16 at 1 January 2019 (for more information, please refer to page 26)
2 See note 9
3 Rolling EBITDA before exceptional items of the last 12 months

Market risk

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

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 to this category. They 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 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 forward contracts. The fair values are calculated on the basis of the difference between the contractually fixed forward prices and current forward prices applicable at the reporting date. The effect of credit risk on fair values is not material. The risks associated with trading and optimisation transactions are managed via clearly defined responsibilities and stipulated risk limits in accordance with the Group Risk Policy. Risk Management reports regularly on compliance with these limits to the Risk Management Committee and the Executive Board utilising a formalised risk reporting system. The risk positions are monitored in accordance with the Value at Risk (VaR) and Profit at Risk (PaR) industry standards.

The Alpiq Group seeks wherever possible to mitigate foreign currency risks by natural hedging of operating income and expenses denominated in foreign currencies. The remaining foreign currency risk is hedged by means of forward transactions 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. According to the Group's Financial Risk Policy, liquidity is invested for a maximum of two years. The funding required for the business, however, is obtained on a long-term basis at fixed interest rates. Financing instruments with variable interest rates, particularly those that are long-term, 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 financial income.

Credit risk

A substantial portion of the energy contracts entered into by the Alpiq Group is based on agreements containing a netting arrangement. Netting arrangements are used widely in energy trading to reduce the volume of effective cash flows. Items relating to the same counterparties are only presented on a net basis in the balance sheet if a legally enforceable right to offsetting of the recognised amounts exists in the netting arrangement, and the intention exists to settle on a net basis. Furthermore, additional collateral, such as guarantees, variation margin payments or insurance cover, is collected where required. As a rule, the collateral held by the Alpiq Group covers both unrecognised energy transactions involving physical delivery and transactions recognised as financial instruments. For this reason, and also on account of its structure, collateral cannot be usefully assigned to individual balance sheet items.

Financial collateral received and issued in connection with the bilateral agreements to settle margin differences is presented in the following:

CHF million	30 Jun 2019 Financial collateral received	30 Jun 2019 Financial collateral issued	31 Dec 2018 Financial collateral received	31 Dec 2018 Financial collateral issued
Cash collateral	39	59	57	43
Guarantees [1]		22	26	23
Total	**39**	**81**	**83**	**66**

1 Guarantees to associates or third parties in favour of third parties are presented in note 9.

In the event of a stock exchange participant defaulting, clearing banks are contractually entitled to assert proportionate claims for the losses against other stock exchange participants, regardless of whether the defaulting stock exchange participant was a direct counterparty of the other stock exchange participants. Alpiq does not currently anticipate a cash outflow in connection with this.

Liquidity risk

A substantial portion of the receivables in European energy trading are offset and settled on specified dates, reducing peak cash flow requirements. Margin agreements are commonly used on energy commodity exchanges and among large energy traders to reduce counterparty risk. Energy price movements can consequently lead to substantial receivables or payables in the short term. The Alpiq Group manages such variable liquidity requirements by means of an early warning system, by maintaining sufficient liquid resources and by obtaining committed credit facilities from banks. The Treasury & Insurance functional unit is responsible for Group-wide liquidity management. Its role is to plan, monitor, provide and optimise liquidity throughout the Group on a monthly rolling basis.

3 Segment information

The segment reporting of the Alpiq Group 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 the three business divisions Generation Switzerland, Generation International and Digital & Commerce. 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.

The internal organisational and management structure was adjusted at 1 January 2019. Previous-year segment reporting for the first half of 2018 has been restated for comparability.

- The Generation Switzerland business division comprises the production of electricity from Swiss hydropower and nuclear power. The power plant portfolio includes run-of-river power plants, storage and pumped storage power plants, investments in the Gösgen and Leibstadt nuclear power plants as well as the Nant de Drance pumped storage power plant project. Moreover, the business division manages shares in HYDRO Exploitation SA and Kernkraftwerk-Beteiligungsgesellschaft AG (KBG).

- The Generation International business division comprises power production in wind power plants, small-scale hydropower plants and industrial photovoltaic plants, the operation of power plants and the development of several wind farm projects. The business division also covers the production of electricity and heat in thermal power plants in Czechia, Hungary, Italy and Spain. The power plant portfolio is made up of gas-fired combined-cycle power plants, gas-fired turbine power plants and brown coal power plants. Power is sold on the European electricity trading market via the Digital & Commerce business division or via third parties. The power plants are used by the respective grid operators in the four countries to balance the grids.

- The Digital & Commerce business division comprises the optimisation of Alpiq's own power plants as well as the optimisation of decentralised generation units and the production of electricity from third parties' renewable energies. The business division also covers trading activities with standardised and structured products for electricity and gas as well as emission allowances and certificates. In addition, the business division focuses on further developing products and services with artificial, self-learning intelligence in order to optimise and connect all energy management systems in future with the help of digitalisation. Furthermore, Digital & Commerce has a centre of competence for e-mobility.

No operating business segments have been aggregated in the presentation of reportable segments. The business divisions' results are carried over to the Alpiq Group's consolidated figures by way of including the units with no market operations (Group Centre & other companies), Group consolidation effects (including foreign currency effects from using other average exchange rates in management reporting) as well as another reconciliation item presented in a separate column. This reconciliation item comprises shifts between external net revenue and other income of CHF 7 million (previous year: CHF 7 million) due to the difference in account structures between internal and external reporting. Group Centre & other companies include the financial and non-strategic investments which cannot be allocated directly to the business divisions as well as activities of the Group headquarters, including Alpiq Holding Ltd. and the functional units.

1st half-year 2019: Information by business division

CHF million	Generation Switzerland	Generation International	Digital & Commerce	Group Centre & other companies	Consoli-dation	Reconcili-ation	Alpiq Group
Net revenue from third parties	86	127	2,023	– 7	– 3	7	2,233
Inter-segment transactions	205	57	25	10	– 297		
Exceptional items [1]	5		– 25				– 20
Net revenue before exceptional items	**296**	**184**	**2,023**	**3**	**– 300**	**7**	**2,213**
Net revenue	**291**	**184**	**2,048**	**3**	**– 300**	**7**	**2,233**
Other income	8	2	2	12	– 8	– 7	9
Exceptional items [1]				– 2			– 2
Revenue and other income before exceptional items	**304**	**186**	**2,025**	**13**	**– 308**	**0**	**2,220**
Revenue and other income	**299**	**186**	**2,050**	**15**	**– 308**	**0**	**2,242**
Operating costs	– 315	– 127	– 1,976	– 15	309		– 2,124
Exceptional items [1]	– 45	1	2	1			– 41
EBITDA before exceptional items	**– 56**	**60**	**51**	**– 1**	**1**	**0**	**55**
EBITDA	**– 16**	**59**	**74**	**0**	**1**	**0**	**118**
Depreciation, amortisation and impairment	– 29	– 275	– 16	– 3	– 1		– 324
Exceptional items [1]		241	12				253
EBIT before exceptional items	**– 85**	**26**	**47**	**– 4**	**0**	**0**	**– 16**
EBIT	**– 45**	**– 216**	**58**	**– 3**	**0**	**0**	**– 206**
Number of employees at 30 June	133	593	539	295			1,560

1 Includes effects from business disposals as well as the performance of the fund shares for the decommissioning and waste disposal of the Kernkraftwerk Gösgen-Däniken AG and Kernkraftwerk Leibstadt AG, fair value changes of energy derivatives that were entered into in connection with hedges for future power production, provisions, impairment losses as well as restructuring costs. For more information, please refer to pages 13 to 15.

1st half-year 2018: Information by business division (adjusted)

CHF million	Generation Switzerland	Generation International	Digital & Commerce	Group Centre & other companies	Consolidation	Reconciliation	Alpiq Group
Net revenue from third parties	89	177	2,328	– 8	1	7	2,594
Inter-segment transactions	245	50	4	9	– 308		
Exceptional items [1]	– 1		3				2
Net revenue before exceptional items	**333**	**227**	**2,335**	**1**	**– 307**	**7**	**2,596**
Net revenue	**334**	**227**	**2,332**	**1**	**– 307**	**7**	**2,594**
Other income	10	3	4	6	– 4	– 7	12
Revenue and other income before exceptional items	**343**	**230**	**2,339**	**7**	**– 311**	**0**	**2,608**
Revenue and other income	**344**	**230**	**2,336**	**7**	**– 311**	**0**	**2,606**
Operating costs	– 407	– 140	– 2,292	– 20	314		– 2,545
Exceptional items [1]	31		– 3	8			36
EBITDA before exceptional items	**– 33**	**90**	**44**	**– 5**	**3**	**0**	**99**
EBITDA	**– 63**	**90**	**44**	**– 13**	**3**	**0**	**61**
Depreciation, amortisation and impairment	– 33	– 40	– 2	– 4			– 79
Exceptional items [1]		1					1
EBIT before exceptional items	**– 66**	**51**	**42**	**– 9**	**3**	**0**	**21**
EBIT	**– 96**	**50**	**42**	**– 17**	**3**	**0**	**– 18**
Number of employees at 31 December	130	592	529	297			1,548

1 Includes effects from business disposals as well as the performance of the fund shares for the decommissioning and waste disposal of the Kernkraftwerk Gösgen-Däniken AG and Kernkraftwerk Leibstadt AG, fair value changes of energy derivatives that were entered into in connection with hedges for future power production, provisions, impairment losses as well as restructuring costs. For more information, please refer to pages 13 to 15.

4 Net revenue

The Alpiq Group's net revenue comprises revenue from contracts with customers (IFRS 15) and income from energy and financial derivatives (IFRS 9).

1st half-year 2019: Disaggregation of net revenue

CHF million	Generation Switzerland	Generation International	Digital & Commerce	Group Centre & other companies	Total
Revenue from energy and grid services	77	126	2,009		2,212
Revenue from engineering services			5		5
Revenue from other services	7				7
Total revenue from contracts with customers	**84**	**126**	**2,014**	**0**	**2,224**
Income from energy and financial derivatives	8	1	7	– 7	9
Net revenue from third parties	**92**	**127**	**2,021**	**– 7**	**2,233**

1st half-year 2018: Disaggregation of net revenue

CHF million	Generation Switzerland	Generation International	Digital & Commerce	Group Centre & other companies	Total
Revenue from energy and grid services	94	177	2,307		2,578
Revenue from engineering services			6		6
Revenue from other services	7				7
Total revenue from contracts with customers	**101**	**177**	**2,313**	**0**	**2,591**
Income from energy and financial derivatives	– 5		16	– 8	3
Net revenue from third parties	**96**	**177**	**2,329**	**– 8**	**2,594**

5 Impairment losses and onerous contracts

1st half-year 2019: Allocation of impairment losses and provisions

In the first half of 2019, the two Czech coal-fired power plants Kladno and Zlín in the Generation International business division as well as goodwill of Flexitricity in the Digital & Commerce business division had to recognise impairment losses of CHF 241 million and CHF 6 million, respectively. For more information on impairment losses on assets held for sale, please refer to note 6. Other than that, no impairment losses had to be recognised on power plants thanks to the positive development of electricity prices. The onerous contract provision for the future procurement of energy from the Nant de Drance pumped storage power plant had to be raised by CHF 38 million as the complete industrial commissioning of the power plant has been delayed by around nine months and higher overall costs are expected. The Group had to increase a provision for an onerous contract outside Switzerland by CHF 1 million. An impairment loss of CHF 6 million had to be recognised on intangible assets under construction in the Digital & Commerce business division as software is not used to the extent originally expected.

1st half-year 2018: Allocation of impairment losses and provisions

Due to the positive development of electricity prices, no impairment losses had to be recognised on power plants in the first half of 2018. For the provisions for onerous energy procurement and energy delivery contracts, there were no significant changes from updating the calculations at 30 June 2018. Impairment losses on other assets were immaterial in the first half of 2018.

6 Assets held for sale / business disposals

Assets held for sale

There were no assets classified as held for sale at the 31 December 2018 reporting date.

In the first half of 2019, Alpiq continued with the review announced on 30 October 2018 of the sale of its two Czech coal-fired power plants Kladno and Zlín. On 15 May 2019, the Board of Directors of the Alpiq Group approved the sale. On 16 May 2019, Alpiq Ltd. therefore entered into an agreement with Sev.en Zeta a.s. (CZ), which belongs to the Sev.en Energy Group, for the sale of Alpiq Generation (CZ) s.r.o., which holds these two thermal power plants. The sale price is around EUR 280 million (around CHF 310 million), which will result in an estimated net inflow of cash and cash equivalents of around EUR 250 million (around CHF 280 million). On 16 May 2019, Alpiq already received a first payment of EUR 14 million (CHF 16 million). Closing is planned for the second half of 2019. Since 15 May 2019, assets and liabilities of Alpiq Generation (CZ) s.r.o. have been recognised as "Assets held for sale" or "Liabilities held for sale".

The recoverable amount of Alpiq Generation (CZ) s.r.o. was calculated directly before classification as "Assets held for sale" or "Liabilities held for sale". A pre-tax rate of 5.34 % was applied. The measurement resulted in an impairment loss on property, plant and equipment of EUR 167 million (CHF 189 million). In the first half of 2019, Alpiq updated the assumptions regarding the planning period, which represent a significant basis for calculating the value in use. This also included findings from the binding offer phase of the sales process as well as current development in the area of CO_2 prices and the climate discussion in Europe. The impairment loss is largely attributable to the fact that Alpiq on the one hand increased its estimate regarding the future development of CO_2 prices and other costs and, on the other, lowered its assumptions regarding the expected term and earnings prospects of the two power plants. Following reclassification, another impairment loss of EUR 47 million (CHF 52 million) was recognised on property, plant and equipment in order to reduce the carrying amount to the sale price less costs to sell. The disclosures on fair value can be found in note 8.

Furthermore, in the first half of 2019, Alpiq decided to sell its subsidiary Flexitricity Ltd. The recoverable amount was calculated directly before the classification as "Assets held for sale" or "Liabilities held for sale". This did not result in a need to recognise impairment losses. Following reclassification, an impairment loss of GBP 4 million (CHF 6 million) was recognised on goodwill in order to reduce the carrying amount to the expected sale price less costs to sell. The disclosures on fair value can be found in note 8.

Assets

CHF million	30 Jun 2019	31 Dec 2018
Property, plant and equipment	268	
Intangible assets	11	
Inventories	21	
Receivables	11	
Cash and cash equivalents	31	
Prepayments and accrued income	2	
Total assets held for sale	**344**	**0**

Equity and liabilities

CHF million	30 Jun 2019	31 Dec 2018
Non-current provisions	7	
Deferred income tax liabilities	5	
Current financial liabilities	1	
Other current liabilities	18	
Accruals and deferred income	3	
Total liabilities held for sale	**34**	**0**

At 30 June 2019, currency translation losses of CHF 28 million related to assets held for sale are recorded in equity.

Discontinued operations

In 2018, Alpiq sold the Engineering Services business. These operations were classified as discontinued operations. Therefore, all income and expenses in connection with this sale continue to be posted to “Earnings after tax from discontinued operations”.

There are diverging views on the definitive sale price between Alpiq and Bouygues Construction. While Alpiq is claiming an additional amount of CHF 12.9 million, Bouygues Construction is demanding CHF 205.1 million back. For this reason, both parties filed for arbitration proceedings pursuant to the arbitration regulations of the Swiss Chambers’ Arbitration Institution on 12 February 2019 in order to enforce their claims arising from the price adjustment mechanism. The two arbitration proceedings have been combined in the meantime by the arbitration tribunal. Alpiq contests the claim of Bouygues both in terms of its amount and on its merits. The outcome of these proceedings depends on arbitration court rulings that are currently unknown. How long the proceedings will last is also not known. It is therefore not currently possible to estimate how much the definitive adjustment amount will be. The outcome of the arbitration proceedings may result in significant adjustments to the gain on disposal and therefore the “Earnings after tax from discontinued operations” as well as the “Net cash flows from investing activities of discontinued operations” in subsequent periods.

Alpiq and Bouygues Construction have also entered into indemnification and warranty agreements in connection with the sale of the Engineering Services business. Alpiq has to cover losses or costs incurred in future relating to projects or other issues that exceed the estimation at the time of sale. Alpiq has recognised a provision for the associated costs. In addition, Alpiq must bear any costs of Kraftanlagen München GmbH resulting from the proceedings started by the state prosecutor of Munich I and the German Federal Antitrust Office in the first quarter of 2015.

Kraftanlagen München is cooperating fully with the authorities. The outcome of these proceedings and any associated fines issued depend on official and judicial rulings that are currently unknown. Kraftanlagen München and Alpiq deem a condemnatory verdict unlikely. The remaining indemnification payments are either immaterial in amount or Alpiq deems it unlikely that they will arise.

Income statement and statement of comprehensive income of discontinued operations

CHF million	Half-year 2019/1	Half-year 2018/1
Net revenue		852
Other income		7
Expenses	– 4	– 902
Effect from reviewing the provisions for warranties and indemnification	– 23	
Earnings before tax	**– 27**	**– 43**
Income tax expense		– 5
Earnings after tax from discontinued operations	**– 27**	**– 48**

CHF million	Half-year 2019/1	Half-year 2018/1
Currency translation differences		– 3
Remeasurements of defined benefit plans		14
Other comprehensive income (net after tax) [1]	**0**	**11**

1 Income tax recognised in other comprehensive income amounts to CHF 0 million (previous year: CHF – 4 million).

7 Earnings per share

	Half-year 2019/1	Half-year 2018/1
Earnings after tax from continuing operations attributable to equity investors of Alpiq Holding Ltd. (CHF million)	– 180	– 79
Interest on hybrid capital attributable to the period (CHF million)	– 15	– 16
Share of Alpiq Holding Ltd. stockholders in earnings from continuing operations (CHF million)	**– 195**	**– 95**
Earnings after tax from discontinued operations attributable to equity investors of Alpiq Holding Ltd. (CHF million)	– 27	– 48
Share of Alpiq Holding Ltd. stockholders in earnings from continuing and discontinued operations (CHF million)	**– 222**	**– 143**
Weighted average number of shares outstanding	27,874,649	27,874,649
Earnings per share from continuing operations in CHF, diluted and undiluted	– 7.00	– 3.41
Earnings per share from discontinued operations in CHF, diluted and undiluted	– 0.97	– 1.74
Earnings per share in CHF, diluted and undiluted	**– 7.97**	**– 5.15**

On 4 March 2019, Alpiq announced that it will not pay any interest on the hybrid loan from the main Swiss shareholders for the period from March 2018 to March 2019. The hybrid bond that was placed publicly will, on the other hand, be serviced. The interest after tax attributable to the first half of 2019 was CHF 15 million (previous year: CHF 16 million).

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

8 Disclosures on financial instruments and fair values

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

Carrying amounts and fair values of financial assets and liabilities

CHF million	Carrying amount at 30 Jun 2019	Fair value at 30 Jun 2019	Carrying amount at 31 Dec 2018	Fair value at 31 Dec 2018
Total financial assets at fair value through profit or loss				
Positive replacement values of derivatives				
Energy derivatives	659	659	1,279	1,279
Currency and interest rate derivatives	11	11	8	8
Securities	26	26	25	25
Financial liabilities at amortised cost				
Bonds	966	1,028	966	1,006
Loans payable	534	540	536	541
Financial liabilities at fair value through profit or loss				
Negative replacement values of derivatives				
Energy derivatives	568	568	1,186	1,186
Currency and interest rate derivatives	30	30	37	37

The carrying amounts of all other financial instruments differ only insignificantly from the fair values. That is why the corresponding fair values have not been disclosed.

Fair value hierarchy

At the reporting date, the Alpiq Group measured the following assets and liabilities at their fair value, or disclosed a fair value. The fair value hierarchy shown below was used for classification:

Level 1: Quoted prices in active markets for identical assets or liabilities
Level 2: Valuation model based on prices quoted in active markets that have a significant effect on the fair value
Level 3: Valuation models utilising inputs which are not based on quoted prices in active markets and which have a significant effect on fair value

CHF million	30 Jun 2019	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Financial investments	1		1	
Securities	26		26	
Energy derivatives	659		659	
Currency and interest rate derivatives	11		11	
Financial liabilities at amortised cost				
Bonds	1,028	1,028		
Loans payable	540		540	
Financial liabilities at fair value through profit or loss				
Energy derivatives	568		568	
Currency and interest rate derivatives	30		30	
Assets and liabilities held for sale	310		310	

CHF million	31 Dec 2018	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Financial investments	1		1	
Securities	25		25	
Energy derivatives	1,279		1,279	
Currency and interest rate derivatives	8		8	
Financial liabilities at amortised cost				
Bonds	1,006	1,006		
Loans payable	541		541	
Financial liabilities at fair value through profit or loss				
Energy derivatives	1,186		1,186	
Currency and interest rate derivatives	37		37	

Both in the first half of 2019 and during the financial year 2018, no reclassifications were applied between Levels 1 and 2, or transfers made from Level 3.

The energy, currency and interest rate derivatives comprise OTC products to be classified as Level 2. Fair value of energy derivatives is determined using a price curve model. The observable inputs in the price curve model (market prices) are supplemented by hourly forward prices, which are arbitrage-free and compared with external price benchmarking on a monthly basis.

Bonds and loans payable are recognised at amortised cost. The fair value of the loans payable corresponds to the contractually agreed interest and amortisation payments discounted at market rates.

The item “Assets and liabilities held for sale” refers to the net assets of Alpiq Generation (CZ) s.r.o., which are measured at the sale price according to the sales agreement less estimated costs to sell. In addition to that, this item contains the net assets of Flexitricity, which are measured at the estimated sale price less estimated costs to sell.

9 Contingent liabilities and guarantees

After completing the tax audit on the Bucharest branch of Alpiq Energy SE, Prague, the Romanian tax authority ANAF (Agenția Națională de Administrare Fiscală) issued Alpiq the final decision in September 2017 regarding tax assessment in the amount of RON 793 million or CHF 186 million for value added tax, corporate income tax and penalties (including late payment penalties) for the period of 2010 to 2014. The tax assessment determined by ANAF will be contested on account of its reasoning and the extent of the amount assessed, as Alpiq is firmly convinced that the activities of Alpiq Energy SE in Romania have always been carried out in accordance with the applicable Romanian and European rules and regulations. Alpiq's position is supported by current assessments provided by external legal and tax experts. Alpiq filed an objection with ANAF against the tax assessment in 2017. Alpiq received a decision from ANAF at the end of June 2018. In the main proceedings, ANAF supported its own view and dismissed the objection with regard to an amount of RON 589 million or CHF 138 million as being without merit. With regard to an amount of RON 204 million or CHF 48 million, it repealed the decision from the tax audit and ordered a reassessment. In one matter concerning an immaterial amount, ANAF ruled in favour of Alpiq. Alpiq contested the decision on the appeal made by ANAF by making use of the legal means of appeal at its disposal. On 29 January 2019, the Supreme Court in Bucharest decided that ANAF's tax assessment of RON 589 million or CHF 138 million is not enforceable until a court decision has been reached. The endorsement of Alpiq's request means that the amount stipulated by ANAF no longer has to be secured by a bank guarantee and the money pledged for this purpose, which amounted to EUR 130 million or CHF 147 million at 31 December 2018 and was posted to the item "Non-current term deposits", is again freely available for Alpiq to use. The bank guarantee and pledged bank account were rescinded on 14 February 2019. Alpiq continues to deem it unlikely that this assessment will result in a negative outcome for the company and has therefore decided not to record a liability for the tax assessment.

There were no significant contingent liabilities from pledges, guarantees and other commitments to third parties in favour of third parties at the reporting date, as was the case at 31 December 2018. Contingent liabilities in connection with the sale of the Engineering Services business can be found in note 6.

10 Changes in shareholder structure

In April 2019, Alpiq's consortium shareholders EOS Holding SA and EBM (Genossenschaft Elektra Birseck) both agreed with Electricité de France (EDF) that each will acquire half of the 25.04 % Alpiq share package of EDF. Since the transaction was closed at the end of May 2019, EDF is no longer a related party of Alpiq. The transaction was financed by mandatory convertible loans from CSA Energie-Infrastruktur Schweiz (CSA), an investment group of Credit Suisse Investment Foundation. The mandatory convertible loans will be repaid when due through transfer of Alpiq shares to CSA in accordance with the conditions agreed between the shareholders.

As a result of closing the sale, Alpiq Holding AG's new shareholder structure breaks down as follows:

	Stakes in % at 30 Jun 2019	Stakes in % at 31 Dec 2018
EOS HOLDING SA (EOSH) [1]	43.96	31.44
EDF Alpes Investissements Sàrl (EDFAI)		25.04
EBM (Genossenschaft Elektra Birseck) [1]	26.17	13.65
EBL (Genossenschaft Elektra Baselland)	7.13	7.13
Canton of Solothurn	5.61	5.61
Aziende Industriali di Lugano (AIL) SA	2.13	2.13
Eniwa Holding AG	2.00	2.00
WWZ AG	0.91	0.91
Free float	12.09	12.09

1 The shares acquired from EDF were entered in the share register in July 2019.

11 Events after the reporting period

There were no reportable events after the reporting date of 30 June 2019.

Financial Summary 2014 – 2019

Income Statement

CHF million	Half-year 2019/1	Half-year 2018/1	Full year 2018	Full year 2017	Full year 2016 [1]	Full year 2015 [2]	Full year 2014 [2]
Net revenue	2,233	2,594	5,186	5,449	4,412	6,715	8,058
Other operating income	9	12	50	40	239	82	147
Total revenue and other income	2,242	2,606	5,236	5,489	4,651	6,797	8,205
Operating expenses	– 2,124	– 2,545	– 5,227	– 5,146	– 3,941	– 6,747	– 7,893
Earnings before interest, tax, depreciation and amortisation (EBITDA)	118	61	9	343	710	50	312
Depreciation, amortisation and impairment	– 324	– 79	– 169	– 164	– 374	– 561	– 985
Earnings before interest and tax (EBIT)	– 206	– 18	– 160	179	336	– 511	– 673
Share of results of partner power plants and other associates	– 18	– 20	– 50	– 18	– 232	– 347	– 173
Financial result	– 23	– 45	– 95	– 87	– 6	– 162	– 179
Income tax expense	68	7	44	– 70	162	190	123
Earnings after tax from continuing operations	– 179	– 76	– 261	4	260		
Earnings after tax from discontinued operations	– 27	– 48	198	– 88	34		
Net income	– 206	– 124	– 63	– 84	294	– 830	– 902
Net income attributable to non-controlling interests	1	3	14	5		– 5	– 23
Net income attributable to equity investors of Alpiq Holding Ltd.	– 207	– 127	– 77	– 89	294	– 825	– 879
Employees [3]	1,546	1,530	1,548	1,464	1,432	8,360	8,017

1 Key financial figures before application of IFRS 15
2 Key financial figures including the sold Alpiq InTec Group and Kraftanlagen Group and before application of IFRS 15
3 Average number of full-time equivalents

Per share data

CHF	Half-year 2019/1	Half-year 2018/1	Full year 2018	Full year 2017	Full year 2016	Full year 2015	Full year 2014
Par value	10	10	10	10	10	10	10
Share price at 30 June / 31 December	70	75	77	63	85	105	90
High	82	78	89	89	107	109	129
Low	63	63	63	63	62	60	86
Weighted average number of shares outstanding (in thousands)	27,875	27,875	27,875	27,875	27,875	27,617	27,190
Net income	– 7.97	– 5.15	– 3.90	– 4.34	9.38	– 31.73	– 34.19
Dividend	0.00	0.00	0.00	0.00	0.00	0.00	2.00 [1]

1 Scrip dividend

Measures

Currency

CHF	Swiss franc
CZK	Czech koruna
EUR	Euro
GBP	Pound sterling
HUF	Hungarian forint
NOK	Norwegian krone
PLN	Polish zloty
RON	Romanian leu
USD	US dollar

Energy

kWh	kilowatt hours
MWh	megawatt hours (1 MWh = 1,000 kWh)
GWh	gigawatt hours (1 GWh = 1,000 MWh)
TWh	terawatt hours (1 TWh = 1,000 GWh)
TJ	terajoules (1 TJ = 0.2778 GWh)

Power

kW	kilowatts (1 kW = 1,000 watts)
MW	megawatts (1 MW = 1,000 kilowatts)
GW	gigawatts (1 GW = 1,000 megawatts)

Photos

Cover:
City of Zurich with Glarus Alps
Graphics: atelier MUY

Page 4:
Jens Alder
Photographer: Ramona Tollardo

Financial calendar

2 March 2020:
Full-year result 2019
(annual media and
financial analysts conference)

13 May 2020:
Annual General Meeting

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