2018
Interim Report

ALPIQ

2018 Interim Key Financial Figures

Alpiq Group

CHF million	% change 2017/1–2018/1 (results of operations)	Results of operations before exceptional items: Half-year 2018/1	Results of operations before exceptional items: Half-year 2017/1	Results under IFRS: Half-year 2018/1	Results under IFRS: Half-year 2017/1
Net revenue [1]	– 1.6	2,590	2,632	2,594	2,630
Earnings before interest, tax, depreciation and amortisation (EBITDA) [1]	– 31.1	93	135	61	150
Depreciation, amortisation and impairment [1]	11.4	– 78	– 70	– 79	– 70
Earnings before interest and tax (EBIT) [1]	– 76.9	15	65	– 18	80
as % of net revenue		0.6	2.5	– 0.7	3.0
Earnings after tax from continuing operations	> –100.0	– 42	– 9	– 76	– 30
as % of net revenue		– 1.6	– 0.3	– 2.9	– 1.1
Earnings after tax from discontinued operations	> –100.0	– 8	4	– 48	– 79
Net income	> –100.0	– 50	– 5	– 124	– 109
as % of net revenue		– 1.9	– 0.2	– 4.8	– 4.1
Net divestments / (net investments)				17	– 55

1 Only continuing operations

CHF million	30 Jun 2018	31 Dec 2017
Total assets	10,038	10,197
Total equity	3,898	3,965
as % of total assets	38.8	38.9

	2018	2017
Own production in the first half-year [1] (GWh)	7,400	7,308
Number of employees at the reporting date (30 June / 31 Dec) [2]	1,567	1,504

1 Net (after deducting pumped energy), excluding long-term purchase contracts
2 Only continuing operations

Per share data

CHF	% change 2017/1–2018/1	Half-year 2018/1	Half-year 2017/1
Par value	0.0	10	10
Share price at 30 June	– 8.5	75	82
High	– 12.5	78	89
Low	– 14.5	63	74
Net income [1]	> – 100.0	– 5.15	– 4.62

1 Calculation see page 38

The financial summary 2013 – 2018 is shown on page 44 of the Interim Report.

Interim Report 2018

Letter to our Shareholders

Jasmin Staiblin, CEO
Jens Alder, Chairman of the Board of Directors

Dear Shareholder,

Alpiq is a European-oriented energy company with Swiss roots, a fact that is also reflected in the contributions to earnings in the first half of 2018: thanks to the European and trading business, we have maintained our operating position well in a market environment that has once again proved challenging. From its continuing operations, the Alpiq Group once again generated stable net revenue of CHF 2.6 billion (previous year: CHF 2.6 billion) and EBITDA before exceptional items of CHF 93 million (CHF 135 million) in the first half of 2018.

Swiss electricity production still unprofitable

The lower EBITDA before exceptional items is mainly attributable to the hedged electricity prices from previous years, which have negatively impacted earnings of Swiss electricity production compared to the same period in the previous year. Alpiq systematically hedges its Swiss electricity production in the market against price and currency fluctuations in advance for future periods on a rolling two- to three-year basis on average. In this context, despite the continued systematic cost management and higher production volume, the Generation Switzerland business division is down on the previous-year period as expected, reporting a total loss of around CHF 75 million for the first half of 2018 after consistently accounting for all costs.

This result shows that the environment remains particularly difficult for hydropower in the free market. Alpiq, together with a broad industrial alliance, is calling for water taxes to be more flexible. Swiss electricity producers also need non-discriminatory access to the European markets in order to be able to optimally market the flexibility of Swiss hydropower in the neighbouring countries, as well as a long-term solution for Swiss electricity production in terms of how the market is designed in future.

Strengthening of the position in the Swiss hydropower market

Swiss hydropower is the DNA of Alpiq. It is and remains a central strategic pillar of our company because we are convinced that this sustainable, domestic renewable energy will play a central role in the European transformation process on the road to a decarbonised society.

In the first half of 2018, Alpiq pressed ahead with diverse hydropower projects. Thanks to our industrial know-how, we were the first electricity company in Europe to implement the ISO-55001-certified asset management model back in 2015, which optimises the life cycle of hydropower plants according to industry standards. Since then, we have gone a step further and are digitalising the processes of the hydropower plants as a way of strengthening our technological and economic leadership position in the hydropower market in Switzerland. We can now forecast more precisely when maintenance work is required and have improved quality control, which will lower operating costs. Thanks to our in-house expertise, we are able at all times to determine the best possible combination of hydropower plants for ourselves and third parties and use this in the market to maximise value. In an industry comparison, Alpiq is in an excellent position – even at a European level.

Pumped storage power plant project Nant de Drance far advanced

The Nant de Drance megaproject, in which Alpiq holds a 39 % interest, was pressed ahead with in the first half of 2018. Another important milestone was achieved with the delivery and assembly of the six spiral casings. The remaining plant parts are now being assembled so that the plant will become operational in stages starting in 2019. Nant de Drance is an impressive monumental construction, carried by a long-term vision. This pumped storage power plant is a necessary complement to the new renewable energies and vital for the stability of the Swiss and European electricity grid.

In the course of its strategic portfolio adjustment, Alpiq sold five percentage points of its stake in the Kernkraftwerk Leibstadt AG, thus making the subsidiary Alpiq Suisse SA a pure play hydropower company that provides 100 % renewable electricity from Swiss hydropower on the market.

Alpiq with strong European and trading business

In contrast to Swiss electricity production, Alpiq's entire European and trading business made clearly positive contributions, once again confirming the strategy of a Europe-wide presence. The thermal power plant portfolio in Europe as well as production from new renewable energies are proving to be reliable sources of income, accounting for the largest share of the Alpiq Group's results of operations. Geographic and technological diversification has yet again proved to be beneficial.

The Digital & Commerce business division also enjoyed a positive business development. In the areas of energy trading, e-mobility, smart grids, demand response services as well as flexibility services, we successfully took advantage of the opportunities that presented themselves in the markets. In digitalisation, where Alpiq is ranked number one in the Swiss energy industry, we developed further products and services for our customers in Europe.

Let’s take an example that demonstrates this: Juicar, a flat-rate subscription model for e-mobility. The full service offer covers everything: from the electric car to the appropriate home charging station, public charging and motor vehicle tax through to insurance and electricity costs. This ensures that Alpiq lives up to the claim of being a pioneer for e-mobility in our everyday lives. By the end of 2018, the offer is to be gradually expanded in Switzerland and Germany and then rolled out in further countries across Europe. Juicar was developed by Alpiq’s innovative think tank Oyster Lab.

Alpiq is agile, innovative and its clear focus is evidenced by its concentration on its core business. The monumental Nant de Drance hydropower project and the agile start-up project Juicar are examples of how Alpiq is already equipped for the energy world of tomorrow. The three megatrends of digitalisation, decarbonisation and decentralisation are shaping our business, products and services, offering potential that we will continue to actively take advantage of.

Spin-off of the industrial business successfully concluded

On a strategic level, Alpiq successfully concluded the spin-off of the industrial business to the French company Bouygues Construction at the end of July 2018. Alpiq’s concentration gives it a clear focus, both in terms of organisation and personnel. Following the spin-off of the industrial business and the associated reduction in the Executive Board from six to four members, Alpiq is now focusing with its some 1,550 employees on its core business. This comprises a technologically and geographically diversified, flexible power plant portfolio across Europe, flexibility services of its own power plant portfolio as well as the decentralised power plants of third parties in Europe, international trading, large-customer and retail business as well as digital energy services. With liquidity strengthened following the transaction, Alpiq intends to pursue its financial strategy as a way of covering the deficits of Swiss electricity production over the coming years, further optimising outstanding gross debt and undertaking selective investments.

Outlook

As communicated back at the end of March 2018, Alpiq expects results of operations for 2018 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.

Alpiq is fit for the future: after numerous divestments over the past years as well as the spin-off of the industrial business successfully concluded at the end of July 2018, Alpiq has managed to gradually reduce its net debt. The systematically implemented CHF 400 million cost reduction and efficiency enhancement programme is also sustainably easing the burden on EBITDA. Alpiq has emerged stronger from the transformation phase and is now focusing on its core business in the new energy world. The hedging strategy means that Swiss production will benefit in two to three years from electricity and CO_2 prices that have risen in the meantime as well as from the stronger euro. The international business will continue to make substantial contributions to earnings.

Consortium agreement put in place by the founding shareholders to end in 2020

The current consortium agreement, which was concluded between Alpiq's founding shareholders in 2005, expires in September 2020. This was triggered by the contractually agreed termination of the agreement, which was exercised by the consortium shareholder EDF. The consortium agreement remains valid until it expires in 2020. The termination does not have any effect on Alpiq's current shareholder structure.

Many thanks to employees and shareholders

We would like to express our sincerest thanks to all our employees in Switzerland and Europe for their customer focus, commitment and loyalty. Step by step, we will continue our journey towards the energy future together.

Dear shareholder, the Board of Directors and the Executive Board of Alpiq would like to thank you for your unwavering trust. We will consistently continue to fulfil our responsibility and focus all our efforts on making the company develop securely and profitably.

Together we have created a rescaled group with a sharpened profile and we are now able to face the demands of the European energy market and customer requirements with greater strength and agility.

We are able to look to the future with confidence.

Jens Alder,
Chairman of the Board of Directors

Jasmin Staiblin,
CEO

24 August 2018

Financial Review

As announced, the operating business of the Alpiq Group in the first half of 2018 was down on the previous year.

While the thermal power plant portfolio in Europe, the production from new renewable energies as well as the European trading, large-customer and retail business recorded positive business developments, the Swiss electricity production remains under pressure. Compared to the same period in the previous year, it is further affected by the hedged electricity prices from previous years, which are still below production costs.

In March 2018, Alpiq announced that it has signed an agreement on the sale of the Engineering Services business with Bouygues Construction based in Guyancourt (France). The divestment includes the Alpiq InTec Group and the Kraftanlagen Group. The transaction was closed on 31 July 2018.

With this spin-off of the industrial business, Alpiq creates added value for the Group and strengthens its core business, which comprises electricity production in Switzerland as well as international activities consisting of the flexible, diversified power plant portfolio, the new renewable energies and the strong market presence in energy trading. In addition, Alpiq intends to increase efficiency by making its core business more digital and consistently enhancing its customer portfolio with smart solutions, also outside of Switzerland.

Continuing operations generated net revenue of CHF 2.6 billion (down CHF 42 million on the previous year), EBITDA before exceptional items of CHF 93 million (down CHF 42 million) and EBIT of CHF 15 million (down CHF 50 million). Earnings after tax, also before exceptional items, recorded a negative development and came to CHF – 42 million in comparison to CHF – 9 million in the previous year. Net income, also before exceptional items, of the Alpiq Group amounted to CHF – 50 million in comparison to CHF – 5 million in the previous year.

Discontinued operations, which comprise the Engineering Services business, generated net revenue of CHF 0.9 billion (up CHF 64 million on the previous year), EBITDA before exceptional items of CHF – 4 million and EBIT of CHF – 4 million in comparison to CHF 23 million and CHF 11 million in the previous year. Earnings after tax, also before exceptional items, recorded a negative development and came to CHF – 8 million in comparison to CHF 4 million in the previous year.

The exceptional items for the first half of 2018 total CHF 73 million at EBITDA level. Thereof exceptional items of CHF 32 million are attributable to continuing operations. The main drivers are the funds for the nuclear decommissioning and waste disposal of Kernkraftwerk Gösgen-Däniken AG and Kernkraftwerk Leibstadt AG, which performed negatively on account of the developments on the international capital markets. At EBITDA level, there are exceptional items attributable to discontinued operations of CHF 41 million. These primarily relate to costs for restructuring measures and project losses.

After exceptional items, the Alpiq Group generated net income including its minority interests of CHF – 124 million. To allow transparent presentation and demarcation of the exceptional items, the consolidated income statement is also presented as a pro forma statement, as was also the case in the previous year.

1st half-year 2018: Consolidated Income Statement (pro forma statement before and after exceptional items)

CHF million	Half-year 2018/1: Results of operations before exceptional items	Half-year 2018/1: Exceptional items [1]	Half-year 2018/1: Results under IFRS	Half-year 2017/1: Results of operations before exceptional items	Half-year 2017/1: Exceptional items [2]	Half-year 2017/1: Results under IFRS
Net revenue	**2,590**	**4**	**2,594**	**2,632**	**– 2**	**2,630**
Own work capitalised and change in costs incurred to fulfil a contract	3		3	3		3
Other operating income	9		9	16		16
Total revenue and other income	**2,602**	**4**	**2,606**	**2,651**	**– 2**	**2,649**
Energy and inventory costs	– 2,362	– 28	– 2,390	– 2,379	24	– 2,355
Employee costs	– 98		– 98	– 87		– 87
Other operating expenses	– 49	– 8	– 57	– 50	– 7	– 57
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**93**	**– 32**	**61**	**135**	**15**	**150**
Depreciation, amortisation and impairment	– 78	– 1	– 79	– 70		– 70
Earnings before interest and tax (EBIT)	**15**	**– 33**	**– 18**	**65**	**15**	**80**
Share of results of partner power plants and other associates	– 19	– 1	– 20	– 22		– 22
Finance costs	– 51		– 51	– 48		– 48
Finance income	6		6	7	5	12
Earnings before tax	**– 49**	**– 34**	**– 83**	**2**	**20**	**22**
Income tax expense	7		7	– 11	– 41	– 52
Earnings after tax from continuing operations	**– 42**	**– 34**	**– 76**	**– 9**	**– 21**	**– 30**
Earnings after tax from discontinued operations	– 8	– 40	– 48	4	– 83	– 79
Net income	**– 50**	**– 74**	**– 124**	**– 5**	**– 104**	**– 109**

1 Includes impairment losses and provisions, project losses, restructuring costs and other exceptional items
2 Includes effects in connection with arbitration proceedings, provisions, effects from business disposals and other exceptional items

The key financial figures of discontinued operations are presented in a separate table on page 14. The following commentary on the financial performance of the Alpiq Group and its business divisions relates to an operational view, in other words, to earnings development before exceptional items.

Alpiq Group: results of operations (before exceptional items)

The Alpiq Group maintained its operating position in a market environment that remains challenging and achieved solid operating results, which, as announced, were down on the previous year. Electricity production in Europe and the international energy trading, large-customer and retail business generated the entire interim results of operations. Electricity production in Switzerland was still unprofitable.

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 in the area of hydropower 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).

Gradual commissioning for the Nant de Drance pumped storage power plant project in the canton of Valais starting in 2019 is in preparation. For the small-scale Tannuwald hydropower plant, likewise in the canton of Valais, Alpiq has received KEV approval for a renovation project, which will be implemented until 2020 with an overall investment of CHF 20 million.

At CHF – 37 million, the EBITDA contribution of the Generation Switzerland business division was down year-on-year by CHF 35 million. Production volumes in the area of nuclear energy were increased, primarily because the previous year was affected by the unscheduled extension of maintenance work and a power reduction imposed by the ENSI in the Leibstadt nuclear power plant. However, the positive volume effect did not compensate for the negative price effect from the hedged electricity prices in previous years, which are below production costs. The volumes produced in the area of hydropower also increased slightly in comparison to the previous year. Particularly higher inflows as a result of larger quantities of snow in the last winter and warm weather early in the year had a positive effect. Higher production volume compared to the previous year and continuous cost-cutting programmes have a positive influence, however, they do not compensate for the negative price effects.

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 new renewable energies from third parties as well as the trading and marketing of structured products to fulfil the various customer requirements in Europe. In digitalisation, Alpiq implemented solutions to increase the efficiency of its own core business and developed further products and services for customers in Europe, in particular in the areas of e-mobility, smart grids, demand response services and flexibility services in energy trading. Alpiq is ranked number one for digitalisation in the Swiss energy industry. The dynamic changes in a highly complex environment are creating opportunities for completely new service-oriented business models in a digitalised energy landscape. Alpiq will selectively expand further the potential of this growth market of the Internet of Things as well as of artificial intelligence and self-learning algorithms across Europe.

Electricity forward prices have recovered. The Clean Dark Spreads (imputed margins of the coal-fired power plants) decreased this year in Germany. The Clean Spark Spreads (imputed margins of the gas-fired power plants) have been showing a declining trend since the beginning of the year in Spain. In Italy they are rather stable and higher than in the previous-year period. Prices for emission certificates increased from EUR 5 / t in the first half-year 2017 to over EUR 15 / t at the end of the first half-year 2018. In addition, the exchange rate EUR / CHF is around 9 % higher than the previous year. Alpiq systematically hedges its power production against price and currency fluctuations for future periods in advance on a rolling two- to three-year basis on average. Thus the increased electricity prices and exchange rates will have a positive impact on Alpiq's earnings with a time lapse.

In addition to further development of the traditional trading business, Europe-wide exploration of new business opportunities is in full swing. E-mobility, smart homes and increasing flexibility in energy trading are opening up new business opportunities. E-mobility offers potential that Alpiq actively exploits with its leading position. In its domestic market in Switzerland, Alpiq is the number one in the area of e-mobility infrastructure and offers integrated solutions for the charging infrastructure. Alpiq will further expand its services as integrated solution provider for e-mobility and digital mobility services in the European environment. Increasing e-mobility and promotion of new renewable energies lead to increasing fluctuations and peak loads in local electricity distribution grids. To be able to better exploit synergies of a renewable portfolio and market opportunities of spot and intraday trading, effective marketing of flexibility is indispensable. Alpiq offers intelligent, real-time-based marketing with Intraday+.

At CHF 41 million, the EBITDA contribution of the Digital & Commerce business division was down year-on-year by CHF 26 million. Optimisation results in Switzerland and Western Europe closed slightly below the previous year. Despite taking advantage of the price volatilities at the beginning of the year, it was not possible to match the previous-year level, largely due to the fact that the French market was unable to repeat its very strong interim result from 2017. Trading activities in Eastern and South-Eastern Europe did not match the results of the previous year. The result additionally includes the set-up costs for the Digital Technologies & Innovation business unit in connection with strategy implementation.

Industrial Engineering business division

The Industrial Engineering business division in continuing operations covers the planning, construction and operation of decentralised, renewable energy generation systems and operation of thermal power plants in Europe. In the area of discontinued operations, the Industrial Engineering business division includes construction and dismantling of power plants as well as the industrial plant business.

The focus of the Renewable Energy Sources business unit lies on onshore wind power plants, small-scale hydropower plants and industrial solar plants. In addition to power plants, the business unit also develops various new construction projects such as the following wind power projects in Switzerland: Bel Coster, Tous-Vents or EolJorat Nord.

With the foundation of Alpiq Wind Services EAD, insourcing of operation and maintenance activities for the Bulgarian Vetrocom wind farm was implemented successfully in the first half-year. Alpiq can now perform services along the entire value chain. Moreover, costs were reduced. As part of the termination of the partnership with the Moncada Energy Group in Italy, the wind farm Enpower 2 (9 MW) as well as five solar plants (14 MW) were acquired.

The Thermal Power Generation business unit produces electricity and heat from its own thermal power plants in the Czech Republic, Hungary, Italy and Spain. The power plant portfolio includes highly efficient gas-fired combined-cycle power plants, quick-start gas turbines and state-of-the-art lignite-fired power plants. The electricity is sold on the European electricity trading markets by Digital & Commerce or third parties. These highly flexible power plants are used in all four countries by the grid operators for balancing grids. The gas-fired combined-cycle power plant in the town of Vercelli in northern Italy, which, after technical modification, now only supplies pure peak load, was connected to the grid again in the first half-year 2018 after several years of downtime.

At CHF 81 million, EBITDA of the Industrial Engineering business division was up year-on-year by CHF 9 million. The EBITDA contribution from continuing operations in this business division is above the previous year. The Renewable Energy Sources business unit far exceeded the previous-year result. Primarily in the wind farms in Italy, the production volumes and prices achieved are significantly above the previous-year level. As in the past periods, the cost-saving measures continue to show a positive effect. In the area of thermal power plant portfolio, particularly the plants in Italy are above the previous-year level as a result of capacity payments, which partially originate from the previous year, but also as a result of higher availability. This is counterbalanced by a lower result in Hungary, which was particularly driven by price development. The Czech plant in Kladno confirms the previous-year results. Continuation of cost-cutting measures contributed to the positive development here as well. Thermal power plants and plants for power production from new renewable energies are an integral component of geographical and technological diversification of Alpiq's power plant portfolio.

The EBITDA contribution of the Industrial Plants & Services business unit, which comprises the discontinued operations in the Industrial Engineering business division, is below the previous-year level. The area of Nuclear Decommissioning is below the previous-year level, primarily as a result of losses from current projects. In the area of energy and power plant technology,

1st half-year 2018: Key financial indicators of discontinued operations (before and after exceptional items)

CHF million	Results of operations before exceptional items	Exceptional items [1]	Results under IFRS Half-year 2018/1	Results of operations before exceptional items	Exceptional items [2]	Results under IFRS Half-year 2017/1
Net revenue	851	1	852	787	– 2	785
Earnings before interest, tax, depreciation and amortisation (EBITDA)	– 4	– 41	– 45	23	– 91	– 68
Earnings before interest and tax (EBIT)	– 4	– 41	– 45	11	– 91	– 80
Earnings before tax	– 3	– 40	– 43	12	– 91	– 79
Earnings after tax	– 8	– 40	– 48	4	– 83	– 79

1 Includes project losses and other exceptional items
2 Includes effects in connection with arbitration proceedings as well as other exceptional items

further project losses had to be recognized. The Industrial Plants & Services business unit did not match the previous-year result due to the lower margin.

Building Technology & Design business division

The Building Technology & Design business division, which belongs to discontinued operations, includes the business units Building Technologies Switzerland, Building Technologies Europe as well as Transportation.

At CHF 6 million, the EBITDA contribution of the Building Technology & Design business division was below the previous-year level by CHF 17 million. The Building Technologies Switzerland business unit did not match the previous-year result primarily due to one-time project losses. The previous-year comparison in the Building Technologies Europe business unit is affected by lower results in Italy and in supply engineering. In the Transportation business unit, the acquisition made in the second half of 2017 of the railway technology company Lundy Projects Ltd. is having a positive effect, however, it cannot compensate for the results from the traditional business that are significantly below the previous-year level. Order backlog increased year-on-year.

Consolidated balance sheet and statement of cash flows (after exceptional items)

Total assets amounted to CHF 10.0 billion as at the 30 June 2018 reporting date, compared with CHF 10.2 billion at the end of 2017. Non-current assets decreased by CHF 131 million. Property, plant and equipment are virtually unchanged, as depreciation of property, plant and equipment was almost compensated by the acquisition of five solar plants and a wind farm in Sicily. In connection with this acquisition, Alpiq sold its 22 % interest in M&A Rinnovabili S.r.l., resulting in a decrease in investments in partner power plants and other associates. The majority of the decrease in non-current term deposits is attributable to a reclassification of CHF 49 million to current term deposits. This is due to the bank guarantee that secures the amount stipulated by ANAF (Agenţia Naţională de Administrare Fiscală) in connection with the tax audit in Romania until a legally binding assessment is issued being reduced due to the decision on the appeal issued in June 2018. The decrease in other non-current financial assets is primarily attributable to a reclassification of a receivable into current assets. The reclassification is due to the fact that this amount of Swissgrid AG convertible bonds will be due for repayment in the next 12 months. Current assets excluding assets held for sale decreased by CHF 62 million. The decrease in cash and cash equivalents and receivables was compensated to some extent by the increase in positive replacement values of derivatives. This increase is particularly attributable to higher trading activities and higher volatilities in commodity prices.

Equity stood at CHF 3.9 billion as at 30 June 2018, and is CHF 67 million below the figure as at end of 2017. The positive effects from the remeasurement of defined benefit plans (IAS 19), which mainly relate to the positive performance of the plan assets and the slight increase in the interest rate, do not fully compensate for the negative net income. The equity ratio still amounted to a solid 38.8 % (38.9 %) as at 30 June 2018.

Current and non-current financial liabilities decreased from CHF 2.1 billion to CHF 1.9 billion, primarily on account of the repayment of a bond and a loan. Due to the negative cash flow from operating activities, net debt increased from CHF 714 million to CHF 878 million. Due to the lower result of operations, the gearing ratio of net debt / EBITDA before exceptional items changed from 2.4 as at the end of 2017 to 3.8 as at 30 June 2018. The cash inflow from the sale of the Engineering Services business, which was completed on 31 July 2018, increases the liquidity substantially and thus reduces net debt.

Non-current liabilities decreased by CHF 48 million compared to 31 December 2017. This decrease is particularly attributable to the scheduled reclassification of other non-current liabilities to other current liabilities. The increase in liabilities in connection with derivatives in the trading business was nearly compensated by the decrease in other current liabilities, which is particularly attributable to a significant decrease in trade payables.

Cash flow from operating activities decreased year-on-year from CHF 179 million to CHF – 144 million. In addition to the lower results of operations, the change in net working capital also had a negative effect. In the previous year, the change in net working capital had included the payment received from Swissgrid AG in January 2017 of around CHF 100 million. As in the previous year, investments in property, plant and equipment were handled exclusively on an as-needed basis and amounted to CHF 34 million. The decrease in dividends from partner power plants, other associates and financial investments is primarily attributable to the fact that individual companies paid out dividends already before 30 June in the previous year. The cash released from the sale of property, plant and equipment and intangible assets, subsidiaries and associates as well as from the change in current and non-current term deposits was mainly used for repayment of financial liabilities, which, as in the previous year, characterises the cash flows from financing activities. The Group kept cash outflow to a minimum by deciding not to pay any interest on the hybrid loan of the main Swiss shareholders and not to distribute a dividend for the 2017 financial year. Cash and cash equivalents (including cash and cash equivalents included under "Assets held for sale") decreased by CHF 315 million to CHF 493 million.

Outlook

As communicated back at the end of March 2018, Alpiq expects results of operations for 2018 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.

Alpiq is fit for the future: after numerous divestments over the past few years as well as the spin-off of the industrial business successfully concluded at the end of July 2018, Alpiq has managed to gradually reduce its net debt. The systematically implemented CHF 400 million cost reduction and efficiency enhancement programme is also sustainably easing the burden on EBITDA. Alpiq has emerged stronger from the transformation phase and is now focusing on its core business in the new energy world. The hedging strategy means that Swiss production will benefit in two to three years from electricity and CO_2 prices that have risen in the meantime as well as from the stronger euro. The international business will continue to make substantial contributions to earnings.

Consolidated Income Statement

CHF million	Note	Continuing operations 2018/1	Discontinued operations 2018/1	Total for half-year 2018/1	Continuing operations 2017/1	Discontinued operations 2017/1	Total for half-year 2017/1
Net revenue	4	**2,594**	**852**		**2,630**	**785**	
Own work capitalised and change in costs incurred to fulfil a contract		3			3		
Other operating income		9	7		16	2	
Total revenue and other income		**2,606**	**859**		**2,649**	**787**	
Energy and inventory costs		– 2,390	– 494		– 2,355	– 404	
Employee costs		– 98	– 337		– 87	– 323	
Other operating expenses		– 57	– 73		– 57	– 128	
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**61**	**– 45**		**150**	**– 68**	
Depreciation, amortisation and impairment		– 79			– 70	– 12	
Earnings before interest and tax (EBIT)		**– 18**	**– 45**		**80**	**– 80**	
Share of results of partner power plants and other associates		– 20	1		– 22	2	
Finance costs		– 51	– 1		– 48	– 1	
Finance income		6	2		12		
Earnings before tax		**– 83**	**– 43**		**22**	**– 79**	
Income tax expense		7	– 5		– 52		
Net income		**– 76**	**– 48**	**– 124**	**– 30**	**– 79**	**– 109**
Attributable to non-controlling interests		3		3	3		3
Attributable to equity investors of Alpiq Holding Ltd.		– 79	– 48	– 127	– 33	– 79	– 112
Earnings per share in CHF	7	**– 3.41**	**– 1.74**	**– 5.15**	**– 1.82**	**– 2.80**	**– 4.62**

To allow transparent and clear presentation, continuing and discontinued operations are disclosed in separate columns. The “Continuing operations” column contains the income statement of the continuing operations presented in accordance with the requirements of IAS 1. In accordance with IFRS 5, the breakdown of “Earnings after tax from discontinued operations” is presented under “Discontinued operations” in the detailed structure of the income statement.

For more information on changes in the presentation of the interim financial statements, please refer to page 29.

Consolidated Statement of Comprehensive Income

CHF million	Continuing operations 2018/1	Discontinued operations 2018/1	Total for half-year 2018/1	Continuing operations 2017/1	Discontinued operations 2017/1	Total for half-year 2017/1
Net income	**– 76**	**– 48**	**– 124**	**– 30**	**– 79**	**– 109**
Cash flow hedges (subsidiaries)	25		25			
Income tax expense	– 2		– 2	– 3		– 3
Net of income tax	23		23	– 3		– 3
Cash flow hedges (partner power plants and other associates)				1		1
Income tax expense						
Net of income tax				1		1
Currency translation differences	– 9	– 3	– 12	13	3	16
Income tax expense						
Net of income tax	– 9	– 3	– 12	13	3	16
Items that may be reclassified subsequently to the income statement, net of tax	**14**	**– 3**	**11**	**11**	**3**	**14**
Remeasurements of defined benefit plans (subsidiaries)	14	18	32	34	36	70
Income tax expense	– 4	– 4	– 8	– 7	– 8	– 15
Net of income tax	10	14	24	27	28	55
Remeasurements of defined benefit plans (partner power plants and other associates)	38		38	19		19
Income tax expense	– 8		– 8	– 4		– 4
Net of income tax	30		30	15		15
Items that will not be reclassified to the income statement, net of tax	**40**	**14**	**54**	**42**	**28**	**70**
Other comprehensive income	**54**	**11**	**65**	**53**	**31**	**84**
Total comprehensive income	**– 22**	**– 37**	**– 59**	**23**	**– 48**	**– 25**
Attributable to non-controlling interests	4		4	2		2
Attributable to equity investors of Alpiq Holding Ltd.	– 26	– 37	– 63	21	– 48	– 27

For more information on changes in the presentation of the interim financial statements, please refer to page 29.

Consolidated Balance Sheet

Assets

CHF million	Note	30 Jun 2018	31 Dec 2017
Property, plant and equipment		2,556	2,565
Intangible assets		147	153
Investments in partner power plants and other associates		2,467	2,516
Non-current term deposits	9	157	202
Other non-current financial assets		175	204
Deferred income tax assets		22	15
Non-current assets		**5,524**	**5,655**
Inventories		43	59
Trade and other receivables		1,033	1,267
Current term deposits	9	374	347
Securities		25	26
Cash and cash equivalents		439	662
Derivative financial instruments		1,247	883
Prepayments and accrued income		121	100
Current assets excluding assets held for sale		**3,282**	**3,344**
Assets held for sale	6	1,232	1,198
Current assets including assets held for sale		**4,514**	**4,542**
Total assets		**10,038**	**10,197**

Equity and liabilities

CHF million	Note	30 Jun 2018	31 Dec 2017
Share capital		279	279
Share premium		4,259	4,259
Hybrid capital		1,017	1,017
Retained earnings		– 1,688	– 1,615
Equity attributable to equity investors of Alpiq Holding Ltd.		**3,867**	**3,940**
Non-controlling interests		31	25
Total equity		**3,898**	**3,965**
Non-current provisions		396	400
Deferred income tax liabilities		526	533
Defined benefit liabilities		17	18
Non-current financial liabilities		1,780	1,767
Other non-current liabilities		222	271
Non-current liabilities		**2,941**	**2,989**
Current income tax liabilities		59	6
Current provisions		67	79
Current financial liabilities		144	342
Other current liabilities		696	1,014
Derivative financial instruments		1,185	818
Accruals and deferred income		258	262
Current liabilities excluding liabilities held for sale		**2,409**	**2,521**
Liabilities held for sale	6	790	722
Current liabilities including liabilities held for sale		**3,199**	**3,243**
Total liabilities		**6,140**	**6,232**
Total equity and liabilities		**10,038**	**10,197**

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 2017	**279**	**4,259**	**1,017**	**– 56**	**– 745**	**– 814**	**3,940**	**25**	**3,965**
Impact of change in accounting standard (IFRS 9 adoption)[1]						– 5	**– 5**		**– 5**
Income taxes on impact of change in accounting standard						1	**1**		**1**
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**
Equity at 31 December 2016	**279**	**4,259**	**1,017**	**– 29**	**– 821**	**– 840**	**3,865**	**21**	**3,886**
Net income for the period						– 112	– 112	3	– 109
Other comprehensive income				– 1	16	70	85	– 1	84
Total comprehensive income				**– 1**	**16**	**– 42**	**– 27**	**2**	**– 25**
Dividends							0	– 1	– 1
Change in non-controlling interests						– 7	– 7	7	0
Equity at 30 June 2017	**279**	**4,259**	**1,017**	**– 30**	**– 805**	**– 889**	**3,831**	**29**	**3,860**

1 For explanations, please refer to pages 24 and 25

At the request of the Board of Directors, the Annual General Meeting on 16 May 2018 passed a resolution not to distribute a dividend for the 2017 financial year.

Consolidated Statement of Cash Flows

CHF million	Note	Half-year 2018/1	Half-year 2017/1
Earnings before tax from continuing and discontinued operations		**– 126**	**– 57**
Adjustments for:			
Own work capitalised and change in costs incurred to fulfil a contract		– 3	– 3
Depreciation, amortisation and impairment		79	82
Gain / loss on sale of non-current assets		– 1	– 2
Share of results of partner power plants and other associates		19	20
Financial result		44	37
Other non-cash income and expenses		– 4	– 7
Change in provisions (excl. interest)		– 25	– 21
Change in defined benefit liabilities and other non-current liabilities		3	21
Change in fair value of derivative financial instruments		26	– 30
Change in net working capital (excl. derivatives, current financial assets / liabilities and current provisions)		– 134	155
Other financial income and expenses		– 5	2
Income tax paid		– 17	– 18
Net cash flows from operating activities		**– 144**	**179**
Property, plant and equipment and intangible assets			
Investments		– 34	– 27
Proceeds from disposals		10	10
Subsidiaries			
Acquisitions	5	14	– 1
Proceeds from disposals			5
Associates			
Investments		– 1	– 47
Proceeds from disposals		28	3
Other non-current financial assets			
Investments		– 1	– 3
Proceeds from disposals / repayments		1	5
Change in current and non-current term deposits		23	164
Dividends from partner power plants, other associates and financial investments		23	38
Interest received		2	1
Net cash flows from investing activities		**65**	**148**

CHF million	Note	Half-year 2018/1	Half-year 2017/1
Dividends paid to non-controlling interests [1]			– 1
Proceeds from financial liabilities		10	139
Repayment of financial liabilities		– 222	– 325
Interest paid		– 20	– 33
Net cash flows from financing activities		**– 232**	**– 220**
Currency translation differences		**– 4**	**5**
Change in cash and cash equivalents		**– 315**	**112**
Reconciliation:			
Cash and cash equivalents at 1 January		808	532
Cash and cash equivalents at 30 June		493	644
Change		**– 315**	**112**

1 In the first half-year of 2018, resolutions were passed to distribute dividends of CHF 4 million to non-controlling interests, but these have not yet been paid out.

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

Separate cash flows from discontinued operations are disclosed in note 6. The aforementioned cash and cash equivalents of CHF 493 million as at 30 June 2018 reported in the consolidated statement of cash flows also contain cash and cash equivalents included under "Assets held for sale" of CHF 54 million.

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 as at 30 June 2018 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 2017 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 as at 30 June 2018 on 24 August 2018.

Adoption of new and revised accounting standards

As at 1 January 2018, the following amendments to the International Financial Reporting Standards (IFRS) applied by the Alpiq Group entered into force:

- IFRS 9: Financial Instruments
- IFRS 15: Revenue from Contracts with Customers
- IFRIC 22: Foreign Currency Transactions and Advance Consideration

The impact of the first-time application of IFRS 9 and IFRS 15 on the interim consolidated financial statements is detailed below. IFRIC 22 has no significant impact on the Alpiq Group.

IFRS 9: Financial Instruments

The Alpiq Group adopted IFRS 9 for the first time as at 1 January 2018. The new standard governs the classification and measurement of financial instruments as well as hedge accounting.

Classification and measurement

IFRS 9 introduces a new classification and measurement model that takes into account the cash flows, the business model and other characteristics of financial instruments. IFRS 9 reduced the number of measurement categories for financial assets by eliminating the measurement category "Available-for-sale financial assets". The classification of the existing instruments using the new model was performed at the time of the first-time application as at 1 January 2018 and is presented in the table on page 25. The new differentiation is made between the following measurement categories:

- Financial assets / liabilities at amortised cost
- Financial assets / liabilities at fair value through profit or loss

For the measurement of financial assets, the method used for the calculation of impairment losses was converted from the incurred credit loss model to the expected credit loss model. Until 31 December 2017, the necessary impairment losses were calculated on the basis of past information (e.g. insolvency of the counterparty), which mainly related to trade receivables past due. Starting from 1 January 2018, due to the application of the expected credit loss model, losses on unsecured financial assets expected in future are also recognised. The allowances for losses expected in future are determined using the publicly available probability of default, which takes into account forward-looking information as well as historical probability of default. If there are indications of a higher default risk for specific counterparties (e.g. insolvency), individual impairment losses are recognised on the corresponding financial assets. In accordance with IFRS 9, the simplified approach is applied for trade receivables and contract assets for the measurement of the expected losses by recognising the lifetime expected credit losses. For other financial assets, credit losses that are expected to occur in the next 12-month period are recognised.

The following table shows the change in loss allowances due to the first-time application of IFRS 9 to the trade receivables as well as to non-current term deposits and the adjusted opening balances as at 1 January 2018. The loss allowances recognised on other financial assets due to the first-time application of IFRS 9 are immaterial.

CHF million	Trade receivables	Term deposits
Carrying amount before impairment on financial assets at 31 December 2017	961	549
Impairment in accordance with IAS 39 at 31 December 2017	– 32	
Additional loss allowances in accordance with IFRS 9 at 1 January 2018	– 1	– 4
Opening balance of the financial assets at 1 January 2018	**928**	**545**

Effect from the first-time application of IFRS 9 on the consolidated financial statements

In accordance with the transitional provisions of IFRS 9, no adjustments were made to the figures of the comparative period. Instead, differences of CHF 5 million were recognised between the carrying amount of financial instruments pursuant to IAS 39 and the carrying amount pursuant to IFRS 9 in the opening balance of retained earnings as at 1 January 2018. The tax effect of CHF 1 million was recognised in the form of a decrease in deferred tax liabilities with the same date in the opening balance.

The changes in the classification and measurement of financial instruments as a result of the first-time application of IFRS 9 as at 1 January 2018 are summarised in the following table.

	Previous classification and measurement according to IAS 39			Effect of first-time application of IFRS 9	New classification and measurement according to IFRS 9	
CHF million	Financial assets / liabilities at fair value through profit or loss	Loans and receivables	Other financial liabilities	Remeasurements[1]	Financial assets / liabilities at amortised cost	Financial assets / liabilities at fair value through profit or loss
Financial assets						
Financial investments	1					1
Loans receivable		6			6	
Other non-current assets		197			197	
Trade receivables		929		– 1	928	
Other financial receivables		299			299	
Term deposits		549		– 4	545	
Securities	26					26
Cash and cash equivalents		662			662	
Positive replacement values of derivatives						
Energy derivatives	878					878
Currency and interest rate derivatives	5					5
Total financial assets	**910**	**2,642**		**– 5**	**2,637**	**910**
Financial liabilities						
Bonds			1,465		1,465	
Loans payable			594		594	
Other financial liabilities, incl. put options			505		505	
Trade payables			745		745	
Negative replacement values of derivatives						
Energy derivatives	754					754
Currency and interest rate derivatives	64					64
Total financial liabilities	**818**		**3,309**	**0**	**3,309**	**818**

1 Gross before tax effect

Hedge accounting

The Alpiq Group is not affected by the amendments to the recognition of hedge accounting because the current method can continue to be applied.

IFRS 15: Revenue from Contracts with Customers

The Alpiq Group adopted IFRS 15 as at 1 January 2018. The new standard defines when and how much revenue is to be recognised and replaces the rulings previously contained in various standards and interpretations. For energy transactions, only own use transactions fall within the scope of IFRS 15.

Revenue recognition

Revenue from energy supply from contracts with customers (“own use exception” pursuant to IFRS 9) is generally recognised over the period agreed for completion of performance. However, for energy supplies, Alpiq has a right to consideration that directly corresponds to the value to the customer of the energy already supplied. For such cases, Alpiq exercises the practical expedient and recognises revenue in the amount that can be billed. In single contracts, Alpiq sells the proportionate right in energy production of a power plant. Revenue from these contracts is recognised over the period that corresponds to the timing of the costs.

Revenue from standing ready to deliver ancillary services is recognised on a straight-line basis over the period in which Alpiq is available to render these services. Revenue for called ancillary services is recognised when it is delivered.

Revenue from the Engineering Services business is recognised for the most part over time of rendering of services; progress is primarily measured using a cost-based input method. This method is in line with the industry standard. Revenue which cannot yet be billed is recognised in the balance sheet as contracts assets, less any prepayments. In case of an excess of prepayments, revenue which cannot yet be billed is recognised as contract liabilities.

Revenue from other services from contracts with customers is recognised, on the one hand, over time over which the performance obligation is satisfied on a straight-line basis. On the other hand, Alpiq applies the following practical expedient: if Alpiq has a right to consideration that directly corresponds to the value to the customer, then revenue is recognised in the amount that can be billed.

Alpiq satisfies most of its performance obligations as principal. For performance obligations that Alpiq satisfies as agent, revenue is recognised net of the corresponding costs. Alpiq acts as agent in all markets for the transmission of energy and for a few other transactions.

The amount of consideration to which Alpiq expects to be entitled to for satisfying its various performance obligations may comprise fixed and variable considerations. Variable considerations are included for estimating the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved. Contractual penalties – for example, for deviations between the delivered and contractually agreed-upon quantity of energy – represent a variable component in energy sales and can normally not be included in estimating the transaction price. In the Engineering Services business, the claims relating to deviations between the agreed-upon performance obligation and delivered performance represent a variable consideration. The assessment is project specific.

Practical expedients

Alpiq exercises the practical expedient provided in IFRS 15 and, wherever possible, opts not to disclose the remaining performance obligations at the end of the reporting period. After applying this pracical expedient, the remaining performance obligations disclosed in continuing operations at the end of the reporting period are not significant.

Alpiq applies the practical expedient and does not capitalise incremental costs of obtaining a customer contract, as far as these costs would be amortised within one year. Due to the application of this practical expedient, Alpiq did not disclose any significant inventories of such costs in intangible assets.

Effect of first-time application of IFRS 15 on the consolidated financial statements

Alpiq has opted for full retrospective application of IFRS 15 in accordance with the transitional provisions. According to this method, the comparative figures are adjusted as if IFRS 15 had already been applied beforehand.

The new principal / agent regulations meant that certain transactions that had been recognised on a gross basis in revenue in the 2017 financial statements are disclosed on a net basis in the comparative figures in these financial statements. This mainly relates to transportation costs for energy such as charges for usage of grids not owned by Alpiq. In these cases, Alpiq acts as agent of the grid operator, as it collects these charges from the customer on behalf of the grid operator and passes them on to them. In addition, in some isolated cases, the disclosure of income has been shifted from the “Other operating income” item to the “Net revenue” item. The effects can be completely allocated to continuing operations.

CHF million	Continuing operations 2017/1 (reported)	Effect of first-time application of IFRS 15	Continuing operations 2017/1 (adjusted)
Net revenue	**2,668**	**– 38**	**2,630**
Own work capitalised and change in costs incurred to fulfil a contract	3		3
Other operating income	22	– 6	16
Total revenue and other income	**2,693**	**– 44**	**2,649**
Energy and inventory costs	– 2,399	44	– 2,355
Employee costs	– 87		– 87
Other operating expenses	– 57		– 57
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**150**	**0**	**150**

Otherwise, the application of IFRS 15 did not have any impact on the EBIT and the net income from continuing operations or on the balance sheet.

IFRSs effective in future periods

The IASB has published the following new standards and amendments of relevance for Alpiq:

Standard / interpretation	Effective as at	Adoption planned from
IFRS 16: Leases	1 Jan 2019	1 Jan 2019
IFRIC 23: Uncertainty over Income Tax Treatments	1 Jan 2019	1 Jan 2019
Annual Improvements to IFRSs (2015 – 2017 Cycle)	1 Jan 2019	1 Jan 2019

Alpiq is currently examining the potential effects on the consolidated financial statements of these new and amended standards and interpretations. Based on the analyses so far, Alpiq expects the following impact:

IFRS 16 regulates the recognition, measurement and presentation of leases. The amendments mean that the contractual rights and liabilities for future lease payments from most lease agreements must be recognised in the balance sheet. This results in an increase in non-current assets and a simultaneous increase in current and non-current liabilities. Most lease payments will no longer be recognised under "Other operating expenses", but rather as amortisation of lease liabilities. The corresponding increase in "Earnings before interest, tax, depreciation and amortisation (EBITDA)" will largely be compensated for by amortisation of contractual rights and interest expenses for lease liabilities. As a result, no significant impact on net income is expected. Alpiq intends to recognise the cumulative effect of applying IFRS 16 for the first time in the opening balance of the retained earnings (or in other components of equity) as at 1 January 2019. Alpiq is currently conducting a group-wide detailed analysis of leases in order to assess the effects on the consolidated financial statements from the future adoption of IFRS 16.

IFRIC 23 and the Annual Improvements to IFRSs (2015 – 2017 Cycle) have no significant impact on the Alpiq Group.

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 2018	Closing rate at 30 Jun 2017	Closing rate at 31 Dec 2017	Average rate for 2018/1	Average rate for 2017/1
1	EUR	1.157	1.093	1.170	1.170	1.076
1	GBP	1.306	1.243	1.319	1.330	1.252
1	USD	0.992	0.958	0.976	0.967	0.995
100	CZK	4.446	4.172	4.583	4.588	4.019
100	HUF	0.351	0.354	0.377	0.373	0.348
100	NOK	12.163	11.420	11.892	12.193	11.737
100	PLN	26.454	25.864	28.015	27.723	25.225
100	RON	24.810	24.010	25.120	25.131	23.730

Changes in the presentation of the interim financial statements

Alpiq reviews the presentation of financial reporting in terms of transparency, comprehensibility and accuracy on an ongoing basis. Previous-year figures are adjusted in the case of significant changes or adjustments. In addition to the effects from the first-time application of IFRS 15 mentioned above, the following adjustments were made in these consolidated financial statements to the consolidated income statement and the consolidated statement of comprehensive income compared to the previous year:

In the second half of 2017, Alpiq resolved to sell the Alpiq InTec Group and the Kraftanlagen Group (see note 6). These parts of the Alpiq Group qualify as discontinued operations. To enhance transparency, the shares of the continuing and discontinued operations are therefore disclosed in separate columns in the consolidated income statement and the consolidated statement of comprehensive income of the reporting period as well as in the comparative figures, as in the 2017 consolidated financial statements. In addition, "Plant maintenance costs" are now disclosed under "Energy and inventory costs".

Change with regard to estimation uncertainty

Compared to the 2017 consolidated financial statements, the following additional estimation uncertainty arises as at 30 June 2018:

Market premium

With the revised Energy Act (EnA) coming into effect on 1 January 2018, operators of large-scale hydropower plants with a mean mechanical gross output of more than 10 MW that sell their energy on the market at prices below production cost are eligible to receive a market premium. The Energy Act limits the market premium to five years. The entitlement first arises in 2018 based on the business figures for 2017 and last arises in 2022 based on the business figures for 2021. In order to assert a claim for a market premium in a given year, the applicant must submit the entire application documentation by 31 May of that year at the latest. Should the claims of all those applicants entitled to do so exceed the funds available, all claims will be reduced on a straight-line basis. As a result, if demand exceeds the funds available, each claim for a market premium is dependent on all other claims. For this reason, the Swiss Federal Office of Energy (BFE) will inform the applicants at the same time about the claims made by all applicants by issuing an order. The BFE currently assumes that this will be the case as of the end of September each year, but has not committed to this time frame. By nature, the amount of the available claim for a market premium is provisional. This is due to the uncertainty about the total amount available for the market premium (possibility of refunding grid surcharge, enforcement costs) as well as the possibility open to all applicants to legally contest the amount stipulated in the order. As of the end of September of the following year, i.e., the first time as of the end of September 2019, it will be possible to estimate with a relatively high degree of accuracy how much money is available from the grid surcharge fund for the market premium. The enforcement costs are also known at this point in time.

As both the amount of the funds made available for the market premium and the effective entitlement to a market premium are still unknown upon issuing the first order, the BFE pays 80 % of the provisional amount assigned by order to the applicants with the first order. The remaining 20 % is retained for practical reasons and is only paid out when the second order is issued in order to avoid the time-consuming administrative process of reclaiming any overpayments where possible.

Government grants may not be posted until there is reasonable assurance as to the entitlement. Alpiq deems reasonable assurance of the claim for a market premium to be given within the meaning of IAS 20 as soon as corresponding payment has been received. This will be the case for the first time in September 2018 as described above. For this reason, Alpiq has not yet posted any income in connection with the market premium in the first half of 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. The strategy is focused on the Group's reported consolidated equity and net debt to EBITDA ratio. As at 30 June 2018, the Group reports an equity ratio of 38.8 % (31 December 2017: 38.9 %).

The level of financial liabilities must stand at a reasonable level relative 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 2018	1 Jan 2018 [1]	31 Dec 2017
Non-current financial liabilities	1,780	1,767	1,767
Non-current financial liabilities under liabilities held for sale	6	4	4
Current financial liabilities	144	342	342
Current financial liabilities under liabilities held for sale	6	4	4
Financial liabilities	**1,936**	**2,117**	**2,117**
Non-current term deposits [2]	157	198	202
Current term deposits [2]	374	347	347
Current term deposits under assets held for sale	9	20	20
Securities	25	26	26
Cash and cash equivalents	439	662	662
Cash and cash equivalents under assets held for sale	54	146	146
Financial assets (liquidity)	**1,058**	**1,399**	**1,403**
Net debt	**878**	**718**	**714**
EBITDA before exceptional items of continuing operations [3]	203	245	245
EBITDA before exceptional items of discontinued operations [3]	29	56	56
EBITDA before exceptional items [3]	**232**	**301**	**301**
Net debt / EBITDA before exceptional items	**3.8**	**2.4**	**2.4**

1 Due to the first-time application of IFRS 9 as at 1 January 2018 (for explanations see pages 24 and 25)
2 See note 9
3 Rolling EBITDA before exceptional items of the last 12 months

Market risk

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. 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 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 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 is obtained on a long-term basis at fixed interest rates, however. 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. Receivables and payables are only presented on a net basis on the balance sheet if a legally enforceable right to offsetting of the recognised amounts exists, 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:

	30 Jun 2018		31 Dec 2017	
CHF million	Financial collateral received	Financial collateral issued	Financial collateral received	Financial collateral issued
Cash collateral	32	24	50	13
Guarantees [1]	52	24	24	21
Total	**84**	**48**	**74**	**34**

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

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 Impairment losses

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 as at 30 June 2018. Impairment losses on other assets are immaterial in the first half of 2018.

1st half-year 2017: Allocation of impairment losses and provisions

The company did not have to recognise any impairment losses during the first half of 2017 as electricity prices, which are expected to remain low, have not decreased further since the end of the year. The hourly profile of low electricity prices is slightly more volatile than in previous periods, from which the highly flexible pumped storage power plants in particular benefit. For this reason, the provision for the onerous contract relating to the future procurement of energy from the Nant de Drance SA pumped storage power plant was reduced by CHF 24 million. The Group had to increase a provision for an onerous contract abroad by CHF 16 million.

In the arbitration proceedings between Kraftanlagen ARGE Olkiluoto 3 GesbR (KAO) – consisting of Kraftanlagen München GmbH and Kraftanlagen Heidelberg GmbH – and Bilfinger Piping Technologies GmbH, the German Institution of Arbitration ruled against KAO. This ruling led to write-downs of receivables of CHF 59 million in the first half of 2017, which were recognised under “Other operating expenses” and included in the “Change in net working capital” in the statement of cash flows.

4 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 four business divisions, as shown in the organisation chart on page 43. 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 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 Digital & Commerce business division comprises the optimisation of Alpiq's own power plants, the optimisation of decentralised generation units as well as 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 the future with the help of digitalisation. Furthermore, Digital & Commerce has a centre of competence for e-mobility.

- The Industrial Engineering business division covers the construction, operation and dismantling of power plants, the industrial plant business and the new renewable energies. This includes the dismantling of nuclear power plants, the planning, construction and operation of decentralised, environmentally friendly energy generation systems – including solar thermal power plants – as well as the operation and maintenance of thermal power plants and plants to produce electricity from new renewable energies in Switzerland and in Europe. The engineering expertise and services that Alpiq provides to meet the individual needs of industrial customers in the production and energy sector are also bundled in this business division.

- The Building Technology & Design business division covers the full range of building technology and building management services, leading the market in both Switzerland and Italy. It develops and realises forward-looking and energy-efficient solutions in various industries for customers. Topical issues relating to smart homes and smart buildings with photovoltaic as well as solar and energy storage systems are integral to this business division. This division also includes the Transportation business unit, which carries out complex transport projects in the area of international railway and road infrastructure as well as designing, planning and building challenging energy supply and high-voltage systems.

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 and other companies) as well as Group consolidation effects (including foreign currency effects from using other average exchange rates in management reporting and shifts between external net revenue and other income of CHF 7 million (previous year: CHF 6 million) due to different cost structure between internal and external reporting). Group Centre and 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 2018: Information by business division

CHF million	Generation Switzerland	Digital & Commerce	Industrial Engineering	Building Technology & Design	Group Centre & other companies	Consoli-dation	Alpiq Group	Continuing operations	Discontinued operations
Revenue from energy and grid services	90	2,307	177				2,574	2,574	
Revenue from Engineering Services		5	178	674			857	6	851
Revenue from other services						7	7	7	
Income from energy and financial derivatives	– 16	17			1	1	3	3	
of which, proprietary trading		7					7	7	
of which, hedging transactions	– 16	10			1	1	– 4	– 4	
Exceptional items [1]	4			1			5	4	1
Total external net revenue before exceptional items	**74**	**2,329**	**355**	**674**	**1**	**8**	**3,441**	**2,590**	**851**
Total external net revenue	**78**	**2,329**	**355**	**675**	**1**	**8**	**3,446**	**2,594**	**852**
Inter-segment transactions	256	4	51	7		– 318	0		
Total net revenue before exceptional items	**330**	**2,333**	**406**	**681**	**1**	**– 310**	**3,441**	**2,590**	**851**
Total net revenue	**334**	**2,333**	**406**	**682**	**1**	**– 310**	**3,446**	**2,594**	**852**
Other income	10	4	4	7	6	– 12	19	12	7
Total revenue and other income before exceptional items	**340**	**2,337**	**410**	**688**	**7**	**– 322**	**3,460**	**2,602**	**858**
Total revenue and other income	**344**	**2,337**	**410**	**689**	**7**	**– 322**	**3,465**	**2,606**	**859**
Operating costs	– 377	– 2,296	– 329	– 682	– 10	323	– 3,371	– 2,509	– 862
Exceptional items [1]	– 31	3	– 19	– 23	– 8		– 78	– 36	– 42
EBITDA before exceptional items	**– 37**	**41**	**81**	**6**	**– 3**	**1**	**89**	**93**	**– 4**
EBITDA	**– 64**	**44**	**62**	**– 16**	**– 11**	**1**	**16**	**61**	**– 45**
Depreciation, amortisation and impairment	– 32	– 2	– 39		– 5		– 78	– 78	
Exceptional items [1]			– 1				– 1	– 1	
EBIT before exceptional items	**– 69**	**39**	**42**	**6**	**– 8**	**1**	**11**	**15**	**– 4**
EBIT	**– 96**	**42**	**22**	**– 16**	**– 16**	**1**	**– 63**	**– 18**	**– 45**
Number of employees as at 30 June	124	529	2,488	5,362	314		8,817	1,567	7,250

1 Includes impairment losses and provisions, project losses, restructuring costs and other exceptional items

1st half-year 2017: Information by business division

CHF million	Generation Switzerland	Digital & Commerce	Industrial Engineering	Building Technology & Design	Group Centre & other companies	Consoli-dation	Alpiq Group	Continuing operations	Discontinued operations
Revenue from energy and grid services	89	2,394	145			2	2,630	2,630	
Revenue from Engineering Services			155	632			787		787
Revenue from other services						6	6	6	
Income from energy and financial derivatives	–2	–2					–4	–4	
of which, proprietary trading		6					6	6	
of which, hedging transactions	–2	–8					–10	–10	
Exceptional items [1]	–2		–2				–4	–2	–2
Total external net revenue before exceptional items	**87**	**2,392**	**300**	**632**	**0**	**8**	**3,419**	**2,632**	**787**
Total external net revenue	**85**	**2,392**	**298**	**632**	**0**	**8**	**3,415**	**2,630**	**785**
Inter-segment transactions	280	10	44	7		–341	0		
Total net revenue before exceptional items	**367**	**2,402**	**344**	**639**	**0**	**–333**	**3,419**	**2,632**	**787**
Total net revenue	**365**	**2,402**	**342**	**639**	**0**	**–333**	**3,415**	**2,630**	**785**
Other income	10	3	9	2	6	–10	20	19	1
Exceptional items [1]			1				1		1
Total revenue and other income before exceptional items	**377**	**2,405**	**353**	**641**	**6**	**–343**	**3,439**	**2,651**	**788**
Total revenue and other income	**375**	**2,405**	**352**	**641**	**6**	**–343**	**3,436**	**2,649**	**787**
Operating costs	–379	–2,338	–281	–618	–8	343	–3,281	–2,516	–765
Exceptional items [1]	40	–16	–81	–10	–7	1	–73	17	–90
EBITDA before exceptional items	**–2**	**67**	**72**	**23**	**–2**	**0**	**158**	**135**	**23**
EBITDA	**36**	**51**	**–10**	**13**	**–9**	**1**	**82**	**150**	**–68**
Depreciation, amortisation and impairment	–32	–2	–36	–9	–3		–82	–70	–12
EBIT before exceptional items	**–34**	**65**	**36**	**14**	**–5**	**0**	**76**	**65**	**11**
EBIT	**4**	**49**	**–46**	**4**	**–12**	**1**	**0**	**80**	**–80**
Number of employees as at 31 December	127	486	2,426	5,447	309		8,795	1,504	7,291

1 Includes effects in connection with arbitration proceedings, provisions, effects from business disposals and other exceptional items

5 Business combinations

In the first half of 2018, the following companies were acquired and integrated into the consolidated financial statements:

Industrial Engineering business division

28 March 2018: Società Agricola Solar Farm 2 S.r.l., Milan / IT
28 March 2018: Società Agricola Solar Farm 4 S.r.l., Milan / IT
28 March 2018: Enpower 2 S.r.l., Milan / IT

At the end of March 2018, Alpiq executed the agreement signed at the end of January 2018 with Moncada Energy Group S.r.l. (MEG), under which Alpiq EcoPower AG transfers its 22 % interest in M&A Rinnovabili S.r.l. to MEG and receives the companies Società Agricola Solar Farm 2 S.r.l., Società Agricola Solar Farm 4 S.r.l. as well as Enpower 2 S.r.l. in exchange. Through this transaction, Alpiq acquired five solar plants with an output of 13.6 MW and a wind farm with an output of 8.5 MW, thus expanding its presence in Sicily.

The acquisition costs totalled CHF 13 million. The following provisional allocation of fair values was applied in the balance sheet:

CHF million	Fair value
Property, plant and equipment	57
Other non-current assets	2
Cash and cash equivalents	6
Other current assets	6
Non-current financial liabilities	– 45
Other non-current liabilities	– 5
Other current liabilities	– 8
Net assets	**13**
Non-controlling interests	
Net assets acquired	**13**
Goodwill arising from acquisition activities	
Net cash flow arising from acquisition activities	
Cash and cash equivalents acquired with subsidiaries	6
Acquisition costs	– 13
Fair value of net assets disposed of	13
Net cash flow	**6**

Building Technology & Design business division

18 January 2018: Alpiq Burkhalter Technik AG, Zurich / CH

Alpiq acquired a 50 % interest in Alpiq Burkhalter Technik AG from its joint venture partner Burkhalter Holding AG in mid-January 2018. Alpiq is now the new sole owner of Alpiq Burkhalter Technik AG, which, as general and total contractor, is the expert from planning through to installation of electrotechnical equipment for all types of infrastructural projects. Alpiq Burkhalter Technik AG is part of the discontinued operations. In July 2018, it was renamed Kummler+Matter EVT AG. Net cash flow from the transaction amounted to CHF 8 million as the cash and cash equivalents acquired exceeded the purchase price.

6 Assets held for sale / business disposals

As at the 31 December 2017 reporting date, the wind farm project company Tormoseröd Vindpark AB (100 %) as well as the Engineering Services business, which comprises the Alpiq InTec Group and the Kraftanlagen Group, were recognised as "Assets held for sale" due to the intention to sell them. These Groups, which constitute the entire Building Technology & Design business division as well as significant parts of Industrial Engineering, are classified as discontinued operations. They are disclosed in separate columns in the 2018 consolidated income statement and the 2018 consolidated statement of comprehensive income as well as the 2017 comparative figures.

At the beginning of February 2018, Alpiq and BKW Energie AG (BKW) agreed to terminate an electricity supply contract. Under this contract, BKW had purchased 5.3 % of the electricity generated at the Leibstadt nuclear power plant (KKL) from Alpiq since it was commissioned. In return, Alpiq assigned a direct interest of 5.0 % of the share capital in the KKL to BKW. Closing is planned for the second half of 2018. The posting of this transaction does not have any material impact on the 2018 net income of the Alpiq Group.

On 25 March 2018, Alpiq signed an agreement on the sale of the Engineering Services business with Bouygues Construction, Guyancourt (France), for CHF 850 million. Closing was on 31 July 2018. For more information, please refer to note 10.

On 27 June 2018, Alpiq InTec Schweiz AG sold 85 % of the shares in CAD-LP SA. At the Alpiq InTec Group, the remaining 15 % interest represents an investment in an associate as there is still significant influence due to contractual agreements. The book profit from the disposal of CHF 5 million is recognised under "Other operating income" from discontinued operations.

It is still intended to sell the wind farm project company Tormoseröd Vindpark AB (100 %).

Assets

CHF million	30 Jun 2018	31 Dec 2017
Property, plant and equipment	181	177
Intangible assets	133	129
Investments in partner power plants and other associates	2	4
Other non-current financial assets	8	6
Deferred income tax assets	21	23
Inventories	31	29
Trade and other receivables [1]	329	350
Contract assets [1]	448	304
Current term deposits	9	20
Cash and cash equivalents	54	146
Prepayments and accrued income	16	10
Total assets held for sale	**1,232**	**1,198**

1 Disclosure adjusted due to IFRS 15

Equity and liabilities

CHF million	30 Jun 2018	31 Dec 2017
Non-current provisions	21	18
Deferred income tax liabilities	20	15
Defined benefit liabilities	137	154
Non-current financial liabilities	6	4
Other non-current liabilities	12	12
Current income tax liabilities	8	8
Current provisions	10	10
Current financial liabilities	6	4
Other current liabilities [1]	159	178
Contract liabilities [1]	343	265
Accruals and deferred income	68	54
Total liabilities held for sale	**790**	**722**

1 Disclosure adjusted due to IFRS 15

As at 30 June 2018, currency translation losses of CHF 50 million related to assets held for sale are recorded in equity.

The cash flows from discontinued operations break down as follows:

CHF million	Half-year 2018/1	Half-year 2017/1
Net cash flows from operating activities	– 117	– 112
Net cash flows from investing activities	11	7
Net cash flows from financing activities	4	3
Net cash flows from discontinued operations	**– 102**	**– 102**

7 Earnings per share

	Continuing operations 2018/1	Discontinued operations 2018/1	Total for half-year 2018/1	Continuing operations 2017/1	Discontinued operations 2017/1	Total for half-year 2017/1
Net income attributable to equity investors of Alpiq Holding Ltd. (CHF million)	– 79	– 48	– 127	– 33	– 79	– 112
Interest on hybrid capital attributable to the period (CHF million)	– 16		– 16	– 16		– 16
Share of Alpiq Holding Ltd. stockholders in net income (CHF million)	**– 95**	**– 48**	**– 143**	**– 49**	**– 79**	**– 128**
Weighted average number of shares outstanding			27,874,649			27,874,649
Earnings per share in CHF	**– 3.41**	**– 1.74**	**– 5.15**	**– 1.82**	**– 2.80**	**– 4.62**

On 26 March 2018, Alpiq announced that it will not pay any interest on the hybrid loan from the main Swiss shareholders for the period from March 2017 to March 2018. The hybrid bond that was placed publicly will be serviced, by contrast. The interest after tax attributable to the first half of 2018 was CHF 16 million (previous year: CHF 16 million).

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

8 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 2018	Fair value at 30 Jun 2018	Carrying amount at 1 Jan 2018 [1]	Fair value at 1 Jan 2018 [1]
Loans receivable	12	12	6	6
Other non-current assets	152	152	197	197
Trade receivables	687	687	928	928
Other financial receivables	311	311	299	299
Term deposits	531	531	545	545
Cash and cash equivalents	439	439	662	662
Total financial assets at amortised cost	**2,132**	**2,132**	**2,637**	**2,637**
Financial investments	1	1	1	1
Positive replacement values of derivatives				
Energy derivatives	1,239	1,239	878	878
Currency and interest rate derivatives	8	8	5	5
Securities	25	25	26	26
Total financial assets at fair value through profit or loss	**1,273**	**1,273**	**910**	**910**
Total financial assets	**3,405**	**3,405**	**3,547**	**3,547**

1 Due to the first-time application of IFRS 9 at 1 January 2018 (for explanations see pages 24 and 25)

Financial liabilities

CHF million	Carrying amount at 30 Jun 2018	Fair value at 30 Jun 2018	Carrying amount at 1 Jan 2018 [1]	Fair value at 1 Jan 2018 [1]
Bonds	1,365	1,414	1,465	1,485
Loans payable	559	564	594	597
Other financial liabilities, incl. put options	440	440	505	505
Trade payables	469	469	745	745
Total financial liabilities at amortised cost	**2,833**	**2,887**	**3,309**	**3,332**
Negative replacement values of derivatives				
Energy derivatives	1,133	1,133	754	754
Currency and interest rate derivatives	52	52	64	64
Total financial liabilities at fair value through profit or loss	**1,185**	**1,185**	**818**	**818**
Total financial liabilities	**4,018**	**4,072**	**4,127**	**4,150**

1 Due to the first-time application of IFRS 9 at 1 January 2018 (for explanations see pages 24 and 25)

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 to classify the financial instruments:

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 2018	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Financial investments	1		1	
Energy derivatives	1,239		1,239	
Currency and interest rate derivatives	8		8	
Securities	25		25	
Financial liabilities at amortised cost				
Bonds	1,414	1,414		
Loans payable	564		564	
Financial liabilities at fair value through profit or loss				
Energy derivatives	1,133		1,133	
Currency and interest rate derivatives	52		52	

CHF million	1 Jan 2018 [1]	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Financial investments	1		1	
Energy derivatives	878		878	
Currency and interest rate derivatives	5		5	
Securities	26		26	
Financial liabilities at amortised cost				
Bonds	1,485	1,485		
Loans payable	597		597	
Financial liabilities at fair value through profit or loss				
Energy derivatives	754		754	
Currency and interest rate derivatives	64		64	

1 Due to the first-time application of IFRS 9 at 1 January 2018 (for explanations see pages 24 and 25)

Both in the first half of 2018 and during the financial year 2017, no reclassifications were applied between Levels 1 and 2, or transfers from Level 3.

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

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.

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 (CHF 197 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. The amount stipulated by ANAF of RON 793 million (CHF 197 million) has been secured by a bank guarantee until a legally binding assessment is issued. An amount of EUR 172 million (CHF 199 million) is secured with a pledged bank account, of which EUR 130 million (CHF 150 million) is disclosed under "Non-current term deposits" as at 30 June 2018 and EUR 42 million (CHF 49 million) under "Current term deposits". In the previous year, Alpiq filed an objection with ANAF against the tax assessment. 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 (CHF 146 million) as being without merit. With regard to an amount of RON 204 million (CHF 51 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. Due to this decision, the secured bank guarantee, which secures the amount stipulated by ANAF in connection with the tax audit until a legally binding assessment is issued, was reduced by RON 204 million (CHF 51 million) to RON 589 million (CHF 146 million) on 27 July 2018. On 2 August 2018, the security provided by the pledged bank account was reduced to EUR 130 million (CHF 150 million). Alpiq will contest the decision made by the ANAF using all the available local and international legal means of appeal. 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.

In the first quarter of 2015, the state prosecutor of Munich I and the German Federal Antitrust Office started proceedings against various companies active in the industry for technical building equipment, including against Kraftanlagen München GmbH. Kraftanlagen München GmbH 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 deems a condemnatory verdict unlikely. A provision was recognised in the balance sheet of Kraftanlagen München GmbH for the associated legal costs.

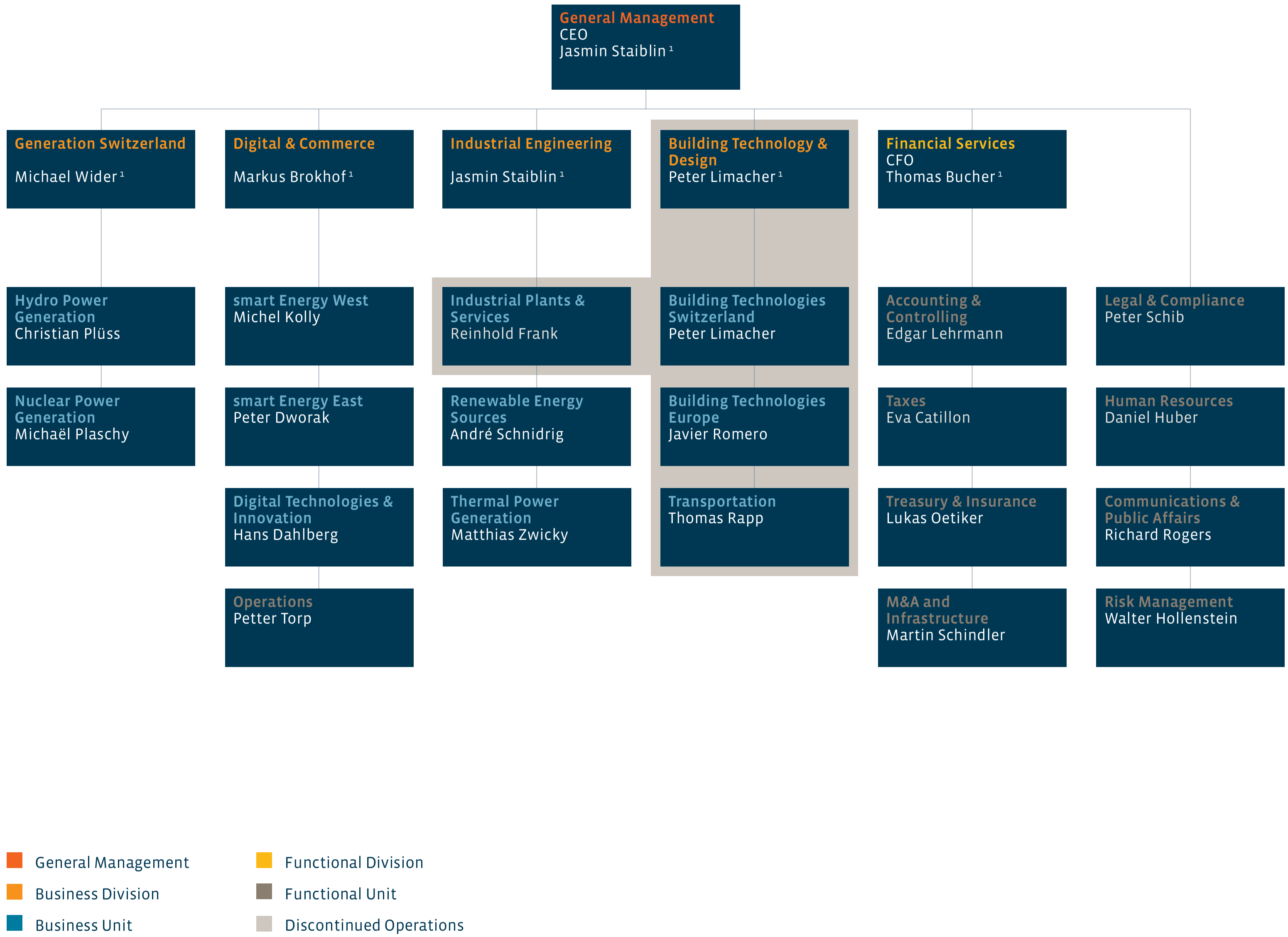
In addition, companies classified as discontinued operations have contingent liabilities from pledges, guarantees and other commitments to third parties in favour of third parties amounting to CHF 16 million as at the reporting date (31 December 2017: CHF 16 million).

10 Events after the reporting period

Due to the decision on the appeal issued at the end of June 2018 in connection with the tax audit in Romania, the secured bank guarantee and the security provided with the pledged bank account were reduced after the reporting date. For more information, please refer to note 9.

Closing for the agreement signed with Bouygues Construction on the sale of the Engineering Services business of CHF 850 million took place on 31 July 2018. With the execution of this agreement, the Alpiq Group lost control over the Alpiq InTec Group and the Kraftanlagen Group on 31 July 2018. The companies concerned are deconsolidated at the closing date. Based on the estimated closing statements, the gross cash inflow comes to around CHF 800 million. Taking into account cash and cash equivalents disposed of with the sold subsidiaries, net cash inflows amount to around CHF 720 million. For Alpiq, this transaction results in an estimated book profit of around CHF 300 million. Due to contractual regulations on the price adjustment mechanism, these amounts are only estimates because the definite purchase price is not available at the time of approval of the interim consolidated financial statements by the Board of Directors of Alpiq.

Organisation as at 30 June 2018



1 Member of the Executive Board

Financial Summary 2013 – 2018

Income statement

CHF million	Half-year 2018/1 [1]	Half-year 2017/1 [1]	Full year 2017 [1]	Full year 2016 [1]	Full year 2015	Full year 2014	Full year 2013
Net revenue	2,594	2,630	5,525	4,412	6,715	8,058	9,370
Earnings before interest, tax, depreciation and amortisation (EBITDA)	61	150	343	336	50	312	789
as % of net revenue	2.4	5.7	6.2	7.6	0.7	3.9	8.4
Net income [2]	– 124	– 109	– 84	294	– 830	– 902	18
as % of net revenue	– 4.8	– 4.1	– 1.5	6.7	– 12.4	– 11.2	0.2
Employees [3]	1,530	1,458	1,464	1,432	8,360	8,017	7,807

1 Net revenue and EBITDA only include continuing operations
2 Including net income attributable to non-controlling interests
3 Average number of full-time equivalents

Per share data

CHF	Half-year 2018/1	Half-year 2017/1	Full year 2017	Full year 2016	Full year 2015	Full year 2014	Full year 2013
Par value	10	10	10	10	10	10	10
Share price at 30 June / 31 December	75	82	63	85	105	90	122
High	78	89	89	107	109	129	132
Low	63	74	63	62	60	86	106
Weighted average number of shares outstanding (in thousands)	27,875	27,875	27,875	27,875	27,617	27,190	27,190
Net income	– 5.15	– 4.62	– 4.34	9.38	– 31.73	– 34.19	– 0.37
Dividend	0.00	0.00	0.00	0.00	0.00	2.00 [1]	2.00

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)

Financial calendar

4 March 2019:
Full-year results 2018
(annual media and
financial analyst conference)

14 May 2019:
Annual General Meeting

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

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