2017
Interim Report

ALPIQ

2017 Interim Key Financial Figures

Alpiq Group

CHF million	% change 2016/1-2017/1 (results of operations)	Results of operations before exceptional items: Half-year 2017/1	Half-year 2016/1	Results under IFRS: Half-year 2017/1	Half-year 2016/1
Net revenue	14.6	3,457	3,016	3,453	3,016
Earnings before interest, tax, depreciation and amortisation (EBITDA)	– 33.9	158	239	82	473
Depreciation, amortisation and impairment	– 17.2	– 82	– 99	– 82	– 305
Earnings before interest and tax (EBIT)	– 45.7	76	140	0	168
as % of net revenue		2.2	4.6	0.0	5.6
Net income	> – 100.0	– 5	41	– 109	– 2
as % of net revenue		– 0.1	1.4	– 3.2	– 0.1
Net investments / net divestments				– 55	73
In-house generation [1] (GWh)				7,308	7,695

1 Net (after deducting pumped energy), excluding long-term purchase contracts

CHF million	30 Jun 2017	31 Dec 2016
Total assets	9,436	9,852
Total equity	3,860	3,886
as % of total assets	40.9	39.4
Number of employees	8,495	8,517

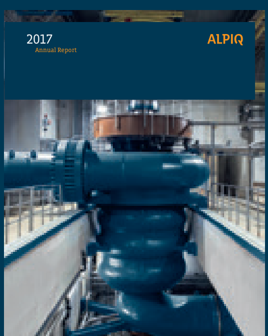
Per share data

CHF	% change 2016/1-2017/1	Half-year 2017/1	Half-year 2016/1
Par value	0.0	10	10
Share price at 30 June	20.6	82	68
High	– 16.8	89	107
Low	19.4	74	62
Net income [1]	> – 100.0	– 4.62	– 0.66

1 Calculation see page 18

The financial summary 2012–2017 is shown on page 38 of the Interim Report.

Interim Report 2017



Cover:
One of the two 120 MW pumps of the
Forces Motrices Hongrin-Léman S.A.
pumped storage power plant near Lake Geneva.
Photo: David Picard

Letter to our Shareholders

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

Dear Shareholder,

In the first half of 2017, Alpiq generated results of operations before exceptional items of CHF 158 million. We can summarise these results as follows: all three growth areas – Digital & Commerce, Industrial Engineering and Building Technology & Design – operated profitably in extremely competitive markets and were responsible for the Group's overall earnings. Only the Generation Switzerland business division, which comprises the production of electricity from Swiss hydropower and nuclear power, reported a loss.

Alpiq has done its part

In the first half of 2017, Alpiq continued to systematically do what needed to be done. As a reminder: we reduced net debt from around CHF 4 billion to around CHF 700 million over the past four years. Our cost reduction and efficiency improvement programmes also decreased the cost basis by more than CHF 400 million a year. We will carry on pursuing strict cost management. Furthermore, Alpiq has a sound liquidity base of roughly CHF 1.5 billion as well as a robust equity ratio of over 40 %. In short: everything we can influence is under control. That being said, Alpiq is confronted with negative external factors that affect Swiss electricity production as a whole.

Competition is fundamentally distorted by the partial liberalisation of the market

The fact that wholesale prices are lower than production costs is the biggest challenge for hydropower. The impact is not the same for all hydropower producers on account of asymmetric regulation. The electricity market in Switzerland is split: Alpiq operates as a pure electricity producer in the liberalised market and sells its Swiss electricity at wholesale prices that continue to be below the costs of production. By contrast, the regulatory environment protects around 700 distribution network operators with end customers bound by a monopoly and a regulated grid. Distribution network operators with their own production facilities can not only sell their unprofitable hydropower at a price that covers costs and includes a guaranteed profit margin from being in a monopoly, but also generate regulatory income from the grid.

Either back to a monopoly or open for all

Policy-makers have to decide whether all electricity producers should return to protected markets, or whether the market should be opened up immediately for everyone. It is not sustainable to have a handful of electricity producers – that are responsible for half of all Swiss hydropower production – to sell their energy below production costs in the liberalised market, while around 700 distribution network operators with bound end customers and regulated distribution grids have their own production facilities and are already able to sell their hydropower to end customers in a monopoly at a price that covers costs and includes a state-guaranteed profit.

Alpiq expects policy-makers to take immediate action to at least bridge this asymmetry for hydropower for as long as it exists.

Opening up the hydropower portfolio suspended

The Board of Directors has decided to suspend the process of opening up Alpiq's hydropower portfolio to investors. By opening up the hydropower portfolio, which was communicated at the beginning of March 2016, Alpiq had intended to reduce its dependency on wholesale market electricity prices and thereby restore the onerous hydropower production to a more solid foundation that offers better future viability.

The main reason for the suspension was the fact that the three criteria defined for the transaction – price, contractual conditions and transaction security – were not all fulfilled. In particular, potential investors were not prepared to share the burden of the unforeseeable regulatory risks. Recent political discussions surrounding the need for action in the area of hydropower also played a role. Wholesale prices, which have been below production costs for many years now in the partially liberalised market, make it impossible for pure electricity producers to operate economically with hydropower.

At the end of April 2017, the National Council's Environment, Spatial Planning and Energy Committees (ESPEC) examined suitable measures for immediate action in detail as a transitional solution until the market is fully liberalised and recommended these to the National Council. According to the National Council, further issues need to be clarified and it referred the measures back to ESPEC for in-depth analysis.

Alpiq will continue to contribute to these energy policy industry discussions in a constructive and transparent way in order to provide policy-makers with an overall view of the economic situation for hydropower. Hydropower is the backbone of Swiss electricity production and the reason Alpiq was founded.

As a long-standing hydropower specialist, Alpiq's highly flexible and environmentally friendly power plant portfolio makes a significant contribution to the electricity supply in Switzerland.

Generation Switzerland operating at a loss

Despite the continued systematic cost management, the Generation Switzerland business division is operating at a loss. The interim results were negatively influenced by the following three exclusively external factors: firstly, the expiring currency hedges that were concluded before the decision was taken by the Swiss National Bank in January 2015 to abolish the minimum EUR exchange rate and the associated delayed negative effects. Secondly, the unscheduled downtime at the Leibstadt nuclear power plant during January and February 2017. Thirdly, the persistently low electricity prices on the wholesale markets.

In spite of the aforementioned challenges on the Swiss electricity market, Alpiq contributed to the supply security in Switzerland by playing its part in the implementation of the Energy Strategy 2050. Following the expansion of the pumped storage facility at the power plant of Forces Motrices Hongrin-Léman (FMHL), the most powerful pumped storage power plant in French-speaking Switzerland was successfully commissioned on schedule and within budget at the beginning of the year.

Growth areas generated entire results of operations

The three business divisions are based on industry criteria and characterised by an integrated range of services that suit the needs of customers and the market along the entire value chain as well as their strong geographical presence and use of pioneering technological solutions. Far more than 90 % of Alpiq's roughly 8,500 employees currently work in these growth areas.

All three growth areas maintained their positions in a competitive and challenging market environment and generated the entire results of operations of the Alpiq Group in the first half of 2017. All three business divisions are well positioned for future challenges.

The Digital & Commerce business division expanded its business as part of the strategy implementation and now leads the market as an energy service provider in Germany selling flexibility services to its customers in the form of decentralised generation units and new renewable energies. As a technology corporation, Alpiq developed new products and services in the area of digitalisation. At present, Alpiq is already successfully working in this business of the future and leads the energy sector in the growth market of self-learning algorithms, continually develops new products and services and intends to take increasing advantage of the opportunities in the world of digital energy in future.

The Industrial Engineering business division made the biggest contribution to the Alpiq Group's results of operations. The thermal power plant portfolio as well as production from the regulated, new renewable energies continued to deliver steady earnings in the first half of 2017. The acquisition of Diamond Lite S.A., the Swiss specialist for hydrogen gas production plants, opens up new business opportunities for Alpiq. We see further growth potential in the area of dismantling nuclear facilities, particularly in Germany, where the company already plays a part in significant nuclear power plant dismantling projects.

The Building Technology & Design business division recorded stable results of operations, reporting growth in both revenue and order intake. As the market leader for building technology, Alpiq provides its customers with sustainable and fully integrated end-to-end solutions for buildings and plants on a one-stop shop basis. In addition to the traditional volume business, Alpiq also won new orders in Switzerland and Europe. Moreover, Alpiq cemented its position as a leading infrastructure provider in the area of transportation technology.

Alpiq on track for growth in the medium term

Special emphasis was placed on implementing the process to open up the Digital & Commerce, Industrial Engineering as well as Building Technology & Design growth areas for investors, which was communicated at the beginning of March 2017. Alpiq has now made the necessary organisational adjustments and created the management structures required so that the different business models can be advanced in future in a targeted way while taking the individual growth dynamic into account.

Together with investors, Alpiq intends to further expand the three business fields in order to increase market leadership in various segments. The company will therefore focus on these three growth areas and drive forward the process to open them up for investors as planned. With the three business divisions, investors gain access to an attractive portfolio of efficient, profitable businesses with growth potential.

Dear shareholder, Alpiq is currently in the middle of transitioning into the new energy concept. We will continue to focus all our efforts on ensuring the framework conditions for the unprofitable Swiss electricity production are improved and also on enhancing the three profitable growth areas.

Thank you for the trust you have placed in us.

Jens Alder,
Chairman of the Board of Directors

Jasmin Staiblin,
CEO

25 August 2017

Financial Review

As announced, the operating business of the Alpiq Group in the first half of 2017 was down on the previous year.

In the traditional generation business in Switzerland, the expiring hedges that were concluded before the decision was taken by the Swiss National Bank to abolish the minimum EUR exchange rate and the downtime at the Leibstadt nuclear power plant had a negative impact on earnings. The fact that average wholesale prices are still below production costs also makes it impossible for Alpiq to operate economically.

Against this background, Alpiq focused on the profitable growth areas in the first half of 2017 and created the structures required for future growth. The digital transformation of the energy world covers the entire value chain from electricity generation to consumption. Alpiq's industrial and service business is well positioned to take advantage of future opportunities resulting from the fundamental change in the energy markets in a focused way and to strengthen its position. To achieve this, the company's profile was sharpened into three individual business divisions based on industry criteria in the first six months of 2017: Digital & Commerce, Industrial Engineering and Building Technology & Design. This means that Alpiq has laid the foundation for future growth and created structures for investors. With these three business divisions, they gain access to an attractive portfolio of efficient, profitable services with growth potential as well as to steady returns from the regulated, new renewable energies business.

The strict measures to reduce costs and increase efficiency were continuously and systematically pursued throughout the Group.

With net revenue of CHF 3.5 billion (previous year: +15 %), the Group generated EBITDA before exceptional items of CHF 158 million (–34 %), and EBIT of CHF 76 million (–46 %). Net income, also before exceptional items, recorded a negative development and came to CHF –5 million in comparison to CHF 41 million in the previous year.

The Board of Directors has decided to suspend the process of opening up Alpiq's hydropower portfolio to investors. By opening up the hydropower portfolio, which was communicated at the beginning of March 2016, Alpiq had intended to reduce its dependency on wholesale market electricity prices and thereby restore the onerous hydropower production to a more solid foundation that offers better future viability.

The main reason for the suspension was the fact that the three criteria defined for the transaction – price, contractual conditions and transaction security – were not all fulfilled. In particular, potential investors were not prepared to share the burden of the unforeseeable regulatory risks. Recent political discussions surrounding the need for action in the area of hydropower also played a role. Wholesale prices, which have been below production costs for many years now in the partially liberalised market, make it impossible for pure electricity producers to operate economically with hydropower.

Our top priority remains maintaining Alpiq's ability to access capital markets, continuing to secure sound liquidity and further reducing net debt. As at 30 June 2017, Alpiq reduced its net debt to CHF 726 million, primarily on account of the additional compensation received from Swissgrid AG for transferring its share in the Swiss high-

Half-year 2017: Consolidated Income Statement (pro forma statement before and after exceptional items)

CHF million	Half-year 2017/1 Results of operations before exceptional items	Half-year 2017/1 Exceptional items[1]	Half-year 2017/1 Results under IFRS	Half-year 2016/1 Results of operations before exceptional items	Half-year 2016/1 Exceptional items[2]	Half-year 2016/1 Results under IFRS
Net revenue	**3,457**	**– 4**	**3,453**	**3,016**		**3,016**
Own work capitalised	3		3	3		3
Other operating income	23	1	24	20		20
Total revenue and other income	**3,483**	**– 3**	**3,480**	**3,039**		**3,039**
Energy and inventory costs	– 2,788	24	– 2,764	– 2,247	237	– 2,010
Employee costs	– 410		– 410	– 401	– 1	– 402
Plant maintenance costs	– 39		– 39	– 39		– 39
Other operating expenses	– 88	– 97	– 185	– 113	– 2	– 115
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**158**	**– 76**	**82**	**239**	**234**	**473**
Depreciation, amortisation and impairment	– 82		– 82	– 99	– 206	– 305
Earnings before interest and tax (EBIT)	**76**	**– 76**	**0**	**140**	**28**	**168**
Share of results of partner power plants and other associates	– 20		– 20	– 29	– 195	– 224
Finance costs	– 49		– 49	– 72	– 1	– 73
Finance income	7	5	12	4	38	42
Earnings before tax	**14**	**– 71**	**– 57**	**43**	**– 130**	**– 87**
Income tax expense	– 19	– 33	– 52	– 2	87	85
Net income	**– 5**	**– 104**	**– 109**	**41**	**– 43**	**– 2**

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

voltage grid, and increased its equity ratio from 39.4 % to 40.9 %. The gearing ratio of net debt / EBITDA was 2.3 as at 30 June 2017 compared to 2.2 as at the end of 2016. The announced sale of the gas-fired combined-cycle power plant Csepel in Hungary will be pursued further. In the first half of 2017, Alpiq Holding Ltd. repaid two bonds and a loan of CHF 282 million and thus further reduced gross debt and financing costs. Electricité d'Emosson SA has already successfully refinanced the bond payable in October 2017 on the market.

The exceptional items for the first half of 2017 amount to a total of CHF 71 million before or CHF 104 million after income taxes. In the arbitration proceedings between Kraftanlagen ARGE Olkiluoto 3 GesbR (KAO) and Bilfinger Piping Technologies GmbH, the final ruling was against KAO. This ruling led to a write-off of receivables and inventories as well as other expenses in the first six months of 2017. Moreover, a provision for an onerous energy agreement abroad was increased and additional costs were recorded for the restructuring measures. Alpiq also disclosed a contingent liability in the amount of CHF 192 million in the notes to the consolidated financial statements in connection with a tax audit in Romania. However, there were also exceptional items with a positive effect. For example, there was higher volatility in electricity prices for short-term deliveries, from which our highly volatile pumped storage power plants in particular benefit. For this reason, a provision for the future procurement of energy from the Nant de Drance SA pumped storage power plant in Switzerland was reduced. As in the previous year, the fund shares for the nuclear decommissioning and waste disposal of the Gösgen-Däniken AG and Leibstadt AG nuclear power plants performed positively on account of the developments on the international capital markets.

After exceptional items, the Alpiq Group generated net income including income attributable to non-controlling interests of CHF – 109 million. To allow transparent presentation and demarcation of the aforementioned exceptional items, the consolidated income statement is also presented as a pro forma statement, as was the case in the previous year. The following commentary on the financial performance of the Alpiq Group and its business divisions relates to an operational view, in other words, the development of results 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. Adjusted to reflect the aforementioned exceptional items, results of operations – which were generated entirely by the three growth areas Digital & Commerce, Industrial Engineering and Building Technology & Design – at EBITDA level were down by CHF 81 million year-on-year to CHF 158 million.

Generation Switzerland business division

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

The expansion of the pumped storage facility at the power plant of Forces Motrices Hongrin-Léman S.A. (FMHL), in which Alpiq holds a 39.3 % interest, was successfully commissioned on schedule and within budget at the beginning of the year following several years of planning and construction activities. The expanded plant plays a significant role in securing the power supply in Switzerland in connection with the implementation of the Energy Strategy 2050.

At CHF – 2 million, the EBITDA contribution of the Generation Switzerland business division was down year-on-year by CHF 76 million. The currency effects of the hedges entered into before 2015 and that have now expired have a significant impact on the previous-year comparison. The lower production volumes are another key factor. In the nuclear power area, the unscheduled extension of the maintenance work at the Leibstadt nuclear power plant at the beginning of the year as well as the power reduction imposed by the ENSI to avoid future dryouts led to considerably lower production volumes. Production volumes in the area of hydropower are down year-on-year, particularly as a result of fewer inflows. Due to the asymmetric regulation in Switzerland, Alpiq operates as a pure electricity producer in a liberalised market and sells its Swiss electricity on the wholesale markets, where prices are below the costs of production. While the cost-saving measures introduced are having a positive effect, they are far from being able to fully compensate for the negative effects.

Alpiq remains committed to promoting Swiss hydropower, a CO_2-free renewable energy source, as a key component of the Energy Strategy 2050 and that it can also be operated viably by pure electricity producers. The work started at federal level in terms of the measures for immediate action for hydropower and regulatory framework conditions are therefore of great importance. In this respect, Alpiq is committed to a debate that is as transparent and fact-based as possible. Nuclear power also needs stable conditions that secure the viability of Switzerland's nuclear power plants.

Digital & Commerce business division

The Digital & Commerce business division comprises the asset optimisation of the company's own power plants and also decentralised generation units and new renewable energies from third parties as well as the trading and marketing of structured products to fulfil the various customer requirements in Europe. Digital & Commerce will continue to focus on the further development of artificial, self-learning intelligence. The company already offers energy services in the area of demand response services to meet various needs: from Flexitricity Ltd. for the large-scale industry and grid operators, to Xamax AG for SMEs down to GridSense for private households. The dynamic changes in a highly complex ecosystem are creating business opportunities for completely new service-oriented business models in a digitalised energy landscape, for which Alpiq's Digital & Commerce business division is well positioned.

Spot electricity prices recovered temporarily in the first half of the year, mainly in the first quarter. This recovery is due to a range of global and regional factors. Firstly, fuel prices, particularly for coal, increased substantially in all countries relevant for Alpiq. In addition, January 2017 saw long spells of dry weather and extremely cold temperatures across the majority of Europe. As a result, spot prices reached their highest level since February 2012 in many markets. The poor availability of nuclear power plants, especially in France, also contributed to higher prices.

Forward prices for natural gas rose noticeably during the cold spell, but decreased steadily once it had passed. The oversupply was attributable to high levels of production in Europe and deliveries from Russia as well as increased imports of liquefied natural gas (LNG). Market participants do not appear to be unsettled by the low levels of stored natural gas; forward prices at the end of the second quarter were lower than one year ago. British energy supplier Centrica plc's decision to close its largest natural gas storage facility Rough has already changed the spreads between natural gas exchanges in continental Europe and may result in greater volatility on the markets in future.

Electricity forward prices also recovered: compared to the lows in the first half of 2016, baseload prices rose temporarily to over EUR 13 / MWh in Switzerland for the 2018 calendar year – in June 2017, the price increase melted down to EUR 5 / MWh in comparison to the previous-year month. The main reason for this is the boom in coal prices caused by the curbed supply of high-quality power plant coal and the significantly higher level of Chinese imports. The imputed margins of the gas-fired power plants (clean spark spreads) increased in most countries.

The Digital & Commerce business division used these market opportunities in an efficient way and delivered an EBITDA contribution that was significantly above the previous year by CHF 9 million at CHF 67 million, despite the fact that regional energy supply company Alpiq Versorgungs AG (AVAG) made no contribution to earnings following its disposal. The trading units in Eastern and South-Eastern Europe, as a result of the successful use of price volatilities, and sales activities in France closed at a considerably higher level compared to the previous year. Optimisation results in Switzerland and Western Europe did not match the excellent previous-year level despite taking advantage of the price volatilities at the beginning of the year.

Industrial Engineering business division

The Industrial Engineering business division covers the construction, operation and dismantling of power plants, the industrial plant business and the regulated, new renewable energies. This includes the dismantling of nuclear power plants, the planning, construction and operation of decentralised, environmentally friendly energy generation systems as well as the operation and maintenance of thermal power plants and plants to produce electricity from regulated, new renewable energies in Europe. The business division meets the individual needs of industrial customers along the value added chain in the energy and industry area.

The Industrial Engineering business division was exposed to a constantly dynamic market environment in 2017. Construction of energy plants in Europe is still stagnant, as new investments are generally unprofitable on account of excess capacities (for instance in Germany). By contrast, solutions joining together the sectors of electricity, heat and transport (sector combination) offer increasing potential. The business division offers power-to-heat solutions to address the opportunities in the resulting market. These counterbalance the persistently negative business in the maintenance of nuclear power plants. For example, another large-scale order in this area (combined heat and power generation plant) was won in Bochum. The trend towards new renewable energies is unabated as these are now even competitive without subsidies at some locations. The small-scale hydropower plant Cotlan in the canton of Glarus, in which Alpiq holds a 60 % interest, was successfully commissioned in January 2017. The growing business for post-operation and dismantling of decommissioned nuclear power plants means that a steady demand has been recorded in the nuclear area. Industry growth is driven by the dismantling of nuclear power plants in Germany. Now that there has been a final decision on the disposal of nuclear power plants, there has been a recognisable increase in the demand for post-operation and dismantling activities, which corresponds to the strategic focus of this business unit. The first large-scale orders in this area have already been obtained. The market situation for industrial plants remained stable and is supported by a continued strong economy. Demand for industrial plant and pipeline construction and industrial services is stable but subject to price pressure. A good economy and stable but low growth in the areas of refineries, petrochemical and chemical industries are the factors behind the healthy demand. The automation of industrial processes continues to be the sector with the highest levels of growth.

Alpiq added power-to-gas production plants to its portfolio of services with the acquisition of Diamond Lite S.A., the Swiss specialist for hydrogen gas production plants. The acquisition is evidence of Alpiq pursuing its strategy to further expand its market presence in the area of energy services and to realise increasing potential through sector combination.

At CHF 72 million, the EBITDA contribution of the Industrial Engineering business division was down year-on-year by CHF 15 million. The Nuclear Decommissioning and Industrial Plants business units confirmed the previous-year earnings. The comparison with the previous year of the Power & Heat business unit is primarily affected by the lack of margins following the large-scale projects in the area of energy and power plant technology that were invoiced in the previous year. This was countered by the thermal power plant portfolio, which provided steady contributions to earnings. Despite lower production volumes caused by worse wind conditions, the Renewable Energy Sources business unit remained on a level with the previous year thanks to the cost-saving measures that were introduced.

Building Technology & Design business division

The Building Technology & Design business division focuses on smart buildings and mobility. The business division covers building technology in Switzerland, where Alpiq provides energy efficient end-to-end solutions on a one-stop-shop basis and is one of the leading providers. The neighbouring markets of Germany, Italy and Austria will be targeted for the further expansion into the areas of smart building technology, smart buildings and building automation. International infrastructure projects in public transport are also realised via this business division, where Alpiq is also one of the leading providers in Europe.

The construction index in Switzerland remained at a high level in the first half of 2017 and continued to be led by residential construction. Although competition is fierce, the outlook is positive. The people of Switzerland spoke out in favour for the continued support of renewable energies with the revised energy law. Thanks to its offering of photovoltaic, storage and heat pump solutions, this business division is ideally positioned for the new energy world and at the same time plays a key role in implementing the Energy Strategy 2050.

Construction levels in Europe continued at a high level in 2017 on account of the still low key interest rate. In northern Italy, Alpiq benefited from the market growth in the area of building technology. Geographic growth in Italy continued and a new location was opened in

Rome. In Austria, the focus is on expanding the existing company so as to generate further growth in the area of MultiTec.

The Transportation business unit continued to benefit from an advantageous environment for investments in rail and infrastructure in Switzerland and Europe.

The restructuring of the Building Technology & Design business division has paved the way for the company to continue its successful growth by means of targeted geographic expansion. The Building Technologies Switzerland business unit achieved several key milestones by using state-of-the-art technologies. The Speicherbibliothek Schweiz (Swiss cooperative storage library) with registered offices in Büron in the canton of Lucerne was fitted with an integral ICT infrastructure by Alpiq. The Building Technologies Europe business unit successfully completed the first stage of the largest data centre in Southern Europe. The data centre, which is located near Milan, has state-of-the-art technologies in order to enable it to meet the high demands in terms of climate technology and redundancy. Key projects were won in the first half of 2017. The Transportation business unit obtained two large-scale orders: the high-speed rail from Milan to Genoa in Italy and the construction of a substation at CERN in France. The commissioning of the power-to-heat plant in Niedergösgen marked the implementation of an innovative project. The plant can provide balancing energy and supplies the neighbouring paper factory with heat.

The EBITDA contribution of the Building Technology & Design business division was on a level with the previous year at CHF 23 million. Excluding the contributions from the successful completion of the project to build rail technology in the Gotthard Base Tunnel in the previous year, both the Building Technologies Switzerland and the Transportation business units significantly increased their earnings year-on-year. Revenue and the EBITDA margin also increased in comparison to the previous year. All business units recorded increases in order intake, underlining Alpiq's expertise.

Group financial position and statement of cash flows (after exceptional items)

Total assets amounted to CHF 9.4 billion as at the 30 June 2017 reporting date, compared with CHF 9.9 billion at the end of 2016. Fixed assets mainly decreased as a result of regular depreciation. The decline in other non-current financial assets is partially compensated for by the additional assets in non-current term deposits. Current assets decreased by around CHF 0.4 billion. This is primarily attributable to lower receivables in connection with derivatives in the trading business, the write-off of receivables in connection with ARGE Olkiluoto 3 GesbR as well as repayments of financial liabilities. Available liquidity, including current and non-current term deposits, remained at the high level of CHF 1.5 billion.

Equity stood at CHF 3.9 billion as at 30 June 2017, on a level with the previous year (CHF 3.9 billion). 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 amounted to a solid 40.9 % (39.4 %) as at 30 June 2017.

Current and non-current financial liabilities decreased from CHF 2.4 billion to CHF 2.2 billion, primarily on account of the repayment of two bonds and a loan as well as the issue of a new bond by Electricité d'Emosson SA. Net debt was reduced further from CHF 856 million to CHF 726 million thanks to the cash inflow from operating activities and the payment on account by Swissgrid AG for the higher compensation for the transmission grid. The gearing ratio of net debt / EBITDA before exceptional items changed from 2.2 as at the end of 2016 to 2.3 as a result of the lower results of operations.

Liabilities from defined benefit plans (IAS 19) were reduced significantly on account of the aforementioned reasons. Current and non-current provisions decreased slightly because utilisation and the reduction of the provisions for onerous contracts were higher than the amount recognised. The remaining current liabilities are considerably lower than as at the end of 2016. A significant reason for the decrease is the lower liabilities in connection with derivatives in the trading business.

Cash flow from operating activities increased on the previous-year period from CHF 26 million to CHF 179 million. This was attributable in particular to the change in net working capital in addition to the positive progress of business. The former also includes the payment of around CHF 100 million received from Swissgrid AG in January 2017. The change in term deposits is the key feature of the cash flow from investing activities. The funds resulting from this were used to repay financial liabilities.

As in the previous year, investments in property, plant and equipment were handled exclusively on an as-needed basis and decreased from CHF 38 million to CHF 27 million. By contrast, investments in associates increased on account of the proportionate capital increase at Nant de Drance SA. The increase in dividends from partner power plants, other associates and financial investments is primarily attributable to the fact that individual companies paid out dividends before 30 June 2017, unlike in the previous year. Cash flow from financing activities is largely shaped by the repayment of bonds, the repayment of a loan as well as the issue of a bond by Electricité d'Emosson SA. The Group kept cash outflow at a minimum by deciding not to pay any interest on the hybrid loan of Swiss majority shareholders and not to distribute a dividend for the 2016 financial year. Overall, cash and cash equivalents increased by CHF 112 million to CHF 0.6 billion.

Outlook

Alpiq expects results of operations in 2017 to be down on the previous year. This is attributable to the Generation Switzerland business division, where the negative exchange rate effects and continued low wholesale prices impact Swiss electricity production. The regulatory framework conditions continue to distort competition in the area of Swiss electricity production. Alpiq will continue to work to ensure that hydropower can be operated competitively in the liberalised electricity market. The short-term recovery of spot prices cannot distract from the fact that wholesale prices are likely to remain below production costs for the next few years.

Alpiq anticipates a continued positive development in the growth areas. Results of operations in 2017 will therefore be driven by the profitable business divisions Digital & Commerce, Industrial Engineering and Building Technology & Design. The company will therefore focus on these three growth areas and drive forward the process to open them up for investors as planned. With the three business divisions, investors gain access to an attractive portfolio of innovative, profitable businesses with growth potential.

Top priority remains maintaining the company's ability to access capital markets, continuing to secure sound liquidity and further reducing net debt.

Consolidated Income Statement

CHF million	Note	Half-year 2017/1	Half-year 2016/1
Net revenue	2	**3,453**	**3,016**
Own work capitalised		3	3
Other operating income		24	20
Total revenue and other income		**3,480**	**3,039**
Energy and inventory costs		– 2,764	– 2,010
Employee costs		– 410	– 402
Plant maintenance costs		– 39	– 39
Other operating expenses		– 185	– 115
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**82**	**473**
Depreciation, amortisation and impairment		– 82	– 305
Earnings before interest and tax (EBIT)		**0**	**168**
Share of results of partner power plants and other associates		– 20	– 224
Finance costs		– 49	– 73
Finance income		12	42
Earnings before tax		**– 57**	**– 87**
Income tax expense		– 52	85
Net income		**– 109**	**– 2**
Attributable to non-controlling interests		3	
Attributable to equity investors of Alpiq Holding Ltd.		– 112	– 2
Net income attributable to equity investors of Alpiq Holding Ltd.		– 112	– 2
Interest on hybrid capital attributable to the period		– 16	– 16
Share of Alpiq Holding Ltd. stockholders in net income		**– 128**	**– 18**
Weighted average number of shares outstanding (in thousands)		27,875	27,875
Earnings per share in CHF		**– 4.62**	**– 0.66**

On 6 March 2017, Alpiq announced that it will not pay any interest on the hybrid loan from the Swiss majority shareholders for the period from March 2016 to March 2017. However, the hybrid bond that was placed publicly will be serviced. The interest after tax attributable to the first half of 2017 was CHF 16 million (previous year: CHF 16 million).

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

Consolidated Statement of Comprehensive Income

CHF million	Half-year 2017/1	Half-year 2016/1
Net income	**– 109**	**– 2**
Cash flow hedges (subsidiaries)		– 19
Income tax expense	– 3	2
Net of income tax	– 3	– 17
Cash flow hedges (partner power plants and other associates)	1	1
Income tax expense		
Net of income tax	1	1
Currency translation differences	16	1
Items that may be reclassified subsequently to the income statement, net of tax	**14**	**– 15**
Remeasurements of defined benefit plans (subsidiaries)	70	– 87
Income tax expense	– 15	20
Net of income tax	55	– 67
Remeasurements of defined benefit plans (partner power plants and other associates)	19	– 13
Income tax expense	– 4	3
Net of income tax	15	– 10
Items that will not be reclassified to the income statement, net of tax	**70**	**– 77**
Other comprehensive income	**84**	**– 92**
Total comprehensive income	**– 25**	**– 94**
Attributable to non-controlling interests	2	– 1
Attributable to equity investors of Alpiq Holding Ltd.	– 27	– 93

Consolidated Balance Sheet

Assets

CHF million	Note	30 Jun 2017	31 Dec 2016
Property, plant and equipment		2,666	2,705
Intangible assets		233	234
Investments in partner power plants and other associates		2,456	2,449
Non-current term deposits		40	5
Other non-current financial assets		217	263
Deferred income tax assets		32	39
Non-current assets		**5,644**	**5,695**
Inventories		58	73
Trade and other receivables		1,530	1,638
Current term deposits		739	937
Securities		51	50
Cash and cash equivalents		644	532
Derivative financial instruments		567	680
Prepayments and accrued income		97	133
Current assets		**3,686**	**4,043**
Assets held for sale	4	**106**	**114**
Total assets		**9,436**	**9,852**

Equity and liabilities

CHF million	Note	30 Jun 2017	31 Dec 2016
Share capital		279	279
Share premium		4,259	4,259
Hybrid capital		1,017	1,017
Retained earnings		– 1,724	– 1,690
Equity attributable to equity investors of Alpiq Holding Ltd.		**3,831**	**3,865**
Non-controlling interests		29	21
Total equity		**3,860**	**3,886**
Non-current provisions		439	463
Deferred income tax liabilities		498	462
Defined benefit liabilities		250	313
Non-current financial liabilities		1,872	1,904
Other non-current liabilities		277	318
Non-current liabilities		**3,336**	**3,460**
Current income tax liabilities		24	5
Current provisions		102	88
Current financial liabilities		328	476
Other current liabilities		939	929
Derivative financial instruments		532	673
Accruals and deferred income		295	315
Current liabilities		**2,220**	**2,486**
Total liabilities		**5,556**	**5,946**
Liabilities held for sale	4	**20**	**20**
Total equity and liabilities		**9,436**	**9,852**

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 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**
Equity at 31 December 2015	**279**	**4,259**	**1,017**	**– 16**	**– 805**	**– 1,064**	**3,670**	**149**	**3,819**
Net income for the period						– 2	**– 2**		**– 2**
Other comprehensive income				– 15	1	– 77	**– 91**	– 1	**– 92**
Total comprehensive income				**– 15**	**1**	**– 79**	**– 93**	**– 1**	**– 94**
Dividends							**0**	– 3	**– 3**
Change in non-controlling interests						– 4	**– 4**	4	**0**
Equity at 30 June 2016	**279**	**4,259**	**1,017**	**– 31**	**– 804**	**– 1,147**	**3,573**	**149**	**3,722**

At the request of the Board of Directors, the Annual General Meeting on 18 May 2017 passed a resolution not to distribute a dividend for the 2016 financial year.

Consolidated Statement of Cash Flows

CHF million	Note	Half-year 2017/1	Half-year 2016/1
Earnings before tax		**– 57**	**– 87**
Adjustments for:			
Own work capitalised		– 3	– 3
Depreciation, amortisation and impairment		82	305
Gain / loss on sale of non-current assets		– 2	– 1
Share of results of partner power plants and other associates		20	224
Financial result		37	31
Other non-cash income and expenses		– 7	4
Change in provisions (excl. interest)		– 21	– 255
Change in defined benefit liabilities and other non-current liabilities		21	2
Change in fair value of derivative financial instruments		– 30	– 17
Change in net working capital (excl. derivatives, current financial assets / liabilities and current provisions)		155	– 159
Other financial income and expenses		2	– 3
Income tax paid		– 18	– 15
Net cash flows from operating activities		**179**	**26**
Property, plant and equipment and intangible assets			
Investments		– 27	– 38
Proceeds from disposals		10	5
Subsidiaries			
Acquisitions	3	– 1	– 12
Proceeds from disposals		5	
Associates			
Investments		– 47	
Proceeds from disposals		3	89
Other non-current financial assets			
Investments		– 3	– 2
Proceeds from disposals / repayments		5	31
Change in current and non-current term deposits		164	– 119
Dividends from partner power plants, other associates and financial investments		38	20
Interest received		1	2
Net cash flows from investing activities		**148**	**– 24**

CHF million	Note	Half-year 2017/1	Half-year 2016/1
Dividends paid to non-controlling interests		– 1	– 3
Proceeds from financial liabilities		139	14
Repayment of financial liabilities		– 325	– 19
Interest paid		– 33	– 34
Net cash flows from financing activities		**– 220**	**– 42**
Currency translation differences		**5**	**1**
Change in cash and cash equivalents		**112**	**– 39**
Reconciliation:			
Cash and cash equivalents at 1 January		532	850
Cash and cash equivalents at 30 June		644	811
Change		**112**	**– 39**

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

Notes to the Interim Consolidated Financial Statements

Basis of preparation

The interim consolidated financial statements as at 30 June 2017 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 2016 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 2017 on 25 August 2017.

Adoption of new and revised accounting standards

As at 1 January 2017, the following amendments to the International Financial Reporting Standards (IFRS) applied by the Alpiq Group entered into force:

- Amendments to IAS 7 Statement of Cash Flows
- Amendments to IAS 12 Income Taxes
- Annual Improvements to IFRSs (2014 – 2016 Cycle)

The amendments to IAS 7 Statement of Cash Flows require further disclosures that will be published for the first time in the consolidated financial statements as at 31 December 2017 and do not affect the interim consolidated financial statements. The amendments to IAS 12 Income Taxes and the Annual Improvements to IFRSs (2014 – 2016 Cycle) have no significant impact on the Alpiq Group.

IFRSs effective in future periods

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

- IFRS 9: Financial Instruments (1 January 2018)
- IFRS 15: Revenue from Contracts with Customers (1 January 2018)
- IFRS 16: Leases (1 January 2019)
- IFRIC 22: Foreign Currency Transactions and Advance Consideration (1 January 2018)
- IFRIC 23: Uncertainty over Income Tax Treatments (1 January 2019)

Alpiq is currently examining the potential effects of these new and amended standards and interpretations.
Based on the analysis of IFRS 9, IFRS 15 and IFRS 16 so far, Alpiq expects the following impact on the consolidated financial statements:

IFRS 9 governs the classification, measurement and impairment of financial instruments as well as hedge accounting. On the one hand, there will be fewer measurement categories for financial assets and some amendments to the recognition of changes in value. On the other hand, the expected credit losses model will now have to be applied, meaning that anticipated losses have to be recognised in future as well. Alpiq is currently examining the properties of the financial instruments and the business model on which they are based. On the basis of the analyses so far, Alpiq does not expect any significant effect on the consolidated financial statements. With regard to the recognition of financial liabilities, Alpiq does not anticipate any effects because the Group does not have any financial liabilities that are designated to the “Financial liabilities at fair value through profit or loss” category. The expected credit losses model may impact the recognition of impairment losses on financial assets. Alpiq is currently calculating the necessary impairment losses in accordance with the new model. Alpiq intends to recognise any differences between the carrying amount of financial instruments pursuant to IAS 39 and the carrying amount pursuant to IFRS 9 in retained earnings (or other components of equity) in the opening balance for the 2018 financial year. Alpiq is not affected by the amendments to the recognition of hedge accounting because the method currently used can continue to be used as it is.

IFRS 15 defines when and how much revenue is to be recognised and replaces the rulings previously contained in various standards and interpretations. Alpiq does not expect these to result in any significant changes. For energy transactions, only own use transactions fall within the scope of IFRS 15. The associated revenue recognition will still be recorded at the time of delivery. In the Industrial Engineering and Building Technology & Design business divisions, revenue will for the most part continue to be recognised over time. There may be changes to the timing of revenue recognition in connection with warranties. Furthermore, the refined regulations on the principal / agent topic could mean that certain transactions that had previously been recognised on a gross basis under revenue and expenses now have to be reported on a net basis under revenue. Once the detailed analyses are complete, Alpiq will decide whether to apply the full retrospective method or the modified retrospective method for first-time adoption.

IFRS 16 regulates the recognition, measurement, presentation and disclosure requirements in the financial statements for leases. The amendments mean that the contractual rights and liabilities related to most lease agreements have to be recognised. This will lead to an increase in non-current assets and a simultaneous increase in liabilities for Alpiq. All other things being equal, earnings before interest and tax (EBIT) would increase slightly because operating lease expenses would be replaced by the amortisation of the leased asset. This increase would be either partially or fully offset by higher interest expenses with an immaterial effect on net income. The detailed effects on Alpiq’s consolidated financial statements from the future adoption of IFRS 16 are still being examined.

Alpiq has not voluntarily adopted any new or amended standards and interpretations early.

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 2017	Closing rate at 30 Jun 2016	Closing rate at 31 Dec 2016	Average rate for 2017/1	Average rate for 2016/1
1	EUR	1.093	1.087	1.074	1.076	1.096
1	GBP	1.243	1.315	1.254	1.252	1.409
1	USD	0.958	0.979	1.019	0.995	0.983
100	CZK	4.172	4.005	3.974	4.019	4.053
100	HUF	0.354	0.343	0.347	0.348	0.351
100	NOK	11.420	11.684	11.819	11.737	11.634
100	PLN	25.864	24.496	24.350	25.225	25.093
100	RON	24.010	24.024	23.659	23.730	24.380

Note 1: Impairment losses

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 has 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.

2016: Allocation of impairment losses and provisions

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

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

Note 2: 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 37. The Executive Board evaluates each of these separately for the purpose of assessing performance and allocating resources. Segment results (EBITDA, EBIT) are the key performance indicators used for internal management and assessment purposes at Alpiq. Besides energy procurement and production costs, operating costs comprise all costs of operations, including personnel and service expenses.

Alpiq adjusted its organisational and management structure as at 1 April 2017. The business divisions Generation, Commerce & Trading and Energy Services disclosed in the 2016 Annual Report were replaced by a structure based on industry criteria. The new business divisions of the Alpiq Group are Generation Switzerland, Digital & Commerce, Industrial Engineering and Building Technology & Design. A new concept for charging Group Centre costs on a full-cost basis (EBITDA) was also introduced. Previous-year segment reporting has been restated for comparability.

- The Generation Switzerland business division comprises the production of electricity from Swiss hydropower and nuclear power. The power plant portfolio includes run-of-river power plants, storage and pumped storage power plants, interests 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, 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.

- The Industrial Engineering business division covers the construction, operation and dismantling of power plants, the industrial plant business and the regulated, 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 new renewable energies in Switzerland and Europe. This business division also comprises the engineering expertise and services that Alpiq provides to meet the individual needs of industrial customers in the production and energy sector.

- 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 clients. Up-to-date topics relating to smart homes and smart buildings with photovoltaic, solar and energy storage systems as well as end-to-end infrastructure solutions for e-mobility 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). 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.

2017: Information by business division

CHF million	Generation Switzerland	Digital & Commerce	Industrial Engineering	Building Technology & Design	Group Centre & other companies	Consoli-dation	Alpiq Group
External revenue from energy sales	89	2,438	145			2	2,674
External revenue from construction contracts			155	632			787
Revenue from energy and financial derivatives	– 2	– 2					– 4
of which, proprietary trading		6					6
of which, hedging transactions	– 2	– 8					– 10
Exceptional items [1]	– 2		– 2				– 4
Total external net revenue before exceptional items	**87**	**2,436**	**300**	**632**	**0**	**2**	**3,457**
Total external net revenue	**85**	**2,436**	**298**	**632**	**0**	**2**	**3,453**
Inter-segment transactions	280	10	44	7		– 341	0
Total net revenue before exceptional items	**367**	**2,446**	**344**	**639**	**0**	**– 339**	**3,457**
Total net revenue	**365**	**2,446**	**342**	**639**	**0**	**– 339**	**3,453**
Other income	10	3	9	2	6	– 4	26
Exceptional items [1]			1				1
Total revenue before exceptional items	**377**	**2,449**	**353**	**641**	**6**	**– 343**	**3,483**
Total revenue and other income	**375**	**2,449**	**352**	**641**	**6**	**– 343**	**3,480**
Operating costs	– 379	– 2,382	– 281	– 618	– 8	343	– 3,325
Exceptional items [1]	40	– 16	– 81	– 10	– 7	1	– 73
EBITDA before exceptional items	**– 2**	**67**	**72**	**23**	**– 2**	**0**	**158**
EBITDA	**36**	**51**	**– 10**	**13**	**– 9**	**1**	**82**
Depreciation and amortisation	– 32	– 2	– 36	– 9	– 3		– 82
EBIT before exceptional items	**– 34**	**65**	**36**	**14**	**– 5**	**0**	**76**
EBIT	**4**	**49**	**– 46**	**4**	**– 12**	**1**	**0**
Number of employees as at 30 June	128	455	2,433	5,181	298		8,495

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

2016: Information by business division

CHF million	Generation Switzerland	Digital & Commerce	Industrial Engineering	Building Technology & Design	Group Centre & other companies	Consoli-dation	Alpiq Group
External revenue from energy sales	89	1,985	151			1	2,226
External revenue from construction contracts			169	602		– 5	766
Revenue from energy and financial derivatives	13	14			– 1	– 2	24
of which, proprietary trading		2					2
of which, hedging transactions	13	12			– 1	– 2	22
Total external net revenue	**102**	**1,999**	**320**	**602**	**– 1**	**– 6**	**3,016**
Inter-segment transactions	200	– 159	38	7		– 86	0
Total net revenue	**302**	**1,840**	**358**	**609**	**– 1**	**– 92**	**3,016**
Other income	7	3	10	2	7	– 6	23
Total revenue and other income	**309**	**1,843**	**368**	**611**	**6**	**– 98**	**3,039**
Operating costs	– 235	– 1,785	– 281	– 587	– 7	95	– 2,800
Exceptional items [1]	274	– 38	– 1		– 2	1	234
EBITDA before exceptional items	**74**	**58**	**87**	**24**	**– 1**	**– 3**	**239**
EBITDA	**348**	**20**	**86**	**24**	**– 3**	**– 2**	**473**
Depreciation and amortisation	– 41	– 2	– 42	– 9	– 5		– 99
Exceptional items [1]	– 166		– 40				– 206
EBIT before exceptional items	**33**	**56**	**45**	**15**	**– 6**	**– 3**	**140**
EBIT	**141**	**18**	**4**	**15**	**– 8**	**– 2**	**168**
Number of employees as at 31 December	123	426	2,460	5,213	295		8,517

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

Note 3: Business combinations

In the first half of 2017, the following company was acquired and integrated into the consolidated financial statements:

Industrial Engineering business division

30 June 2017: 100 % of Diamond Lite S.A., Herisau / CH

The acquisition costs totalled CHF 4 million. The following provisional allocation of fair values was applied in the balance sheet:

CHF million	Fair value
Intangible assets	4
Net assets acquired	**4**
Goodwill arising from acquisition activities	
Net cash flow arising from acquisition activities:	
Acquisition costs	– 4
Deferred consideration liabilities	3
Net cash flow	**– 1**

Diamond Lite S.A., Herisau / CH

At the end of June 2017, Alpiq acquired 100 % of Diamond Lite S.A., Herisau / CH. The company is the Swiss specialist for hydrogen gas production plants.

Note 4: Assets held for sale / business disposals

As at the 31 December 2016 reporting date, the three wind farm project companies in Scandinavia, Blåsmark Vindkraft AB (100 %), Tormoseröd Vindpark AB (100 %) and Tysvær Vindpark AS (100 %), several non-strategic minority investments in the Generation Switzerland business division as well as the gas-fired combined-cycle power plant in Hungary were recognised as “Assets held for sale” due to the intention to sell them.

On 27 March 2017, Alpiq completed the sale of its interest in Tysvær Vindpark AS.

The intention to sell the other assets recognised as “Assets held for sale” as at the 31 December 2016 reporting date continues to exist and is being pursued by management.

Assets

CHF million	30 Jun 2017	31 Dec 2016
Property, plant and equipment	44	45
Intangible assets		4
Investments in partner power plants and other associates	52	52
Deferred income tax assets	1	2
Inventories	6	7
Trade and other receivables	2	4
Prepayments and accrued income	1	
Total assets held for sale	**106**	**114**

Equity and liabilities

CHF million	30 Jun 2017	31 Dec 2016
Non-current provisions	9	8
Deferred income tax liabilities	3	7
Other current liabilities	6	4
Accruals and deferred income	2	1
Total liabilities held for sale	**20**	**20**

As at 30 June 2017, currency translation losses of CHF 48 million related to assets held for sale are recorded in equity.

Note 5: Financial instruments

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

Financial assets

CHF million	Carrying amount at 30 Jun 2017	Fair value at 30 Jun 2017	Carrying amount at 31 Dec 2016	Fair value at 31 Dec 2016
Positive replacement values of derivatives				
Energy derivatives	563	563	668	668
Currency and interest rate derivatives	4	4	12	12
Securities	51	51	50	50
Financial investments	1	1	1	1
Total financial assets at fair value through profit or loss	**619**	**619**	**731**	**731**
Financial investments	4	4	4	4
Total available-for-sale financial assets	**4**	**4**	**4**	**4**
Cash and cash equivalents	644	644	532	532
Term deposits	779	779	942	942
Trade receivables	960	960	1,096	1,096
Other financial receivables	357	357	409	409
Loans receivable	14	14	10	10
Other non-current assets	198	198	248	248
Total loans and receivables	**2,952**	**2,952**	**3,237**	**3,237**
Total financial assets	**3,575**	**3,575**	**3,972**	**3,972**

Financial liabilities

CHF million	Carrying amount at 30 Jun 2017	Fair value at 30 Jun 2017	Carrying amount at 31 Dec 2016	Fair value at 31 Dec 2016
Negative replacement values of derivatives				
Energy derivatives	469	469	603	603
Currency and interest rate derivatives	63	63	70	70
Total financial liabilities at fair value through profit or loss	**532**	**532**	**673**	**673**
Trade payables	643	643	653	653
Bonds	1,594	1,653	1,695	1,729
Loans payable	602	605	657	659
Other financial liabilities, incl. put options	470	470	485	485
Total other financial liabilities	**3,309**	**3,371**	**3,490**	**3,526**
Total financial liabilities	**3,841**	**3,903**	**4,163**	**4,199**

CHF million	30 Jun 2017	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Energy derivatives	563		563	
Currency and interest rate derivatives	4		4	
Securities	51		51	
Financial investments	5		5	
Financial liabilities measured at fair value				
Energy derivatives	469		469	
Currency and interest rate derivatives	63		63	
Other financial liabilities				
Bonds	1,653	1,653		
Loans payable	605		605	

CHF million	31 Dec 2016	Level 1	Level 2	Level 3
Financial assets measured at fair value				
Energy derivatives	668		668	
Currency and interest rate derivatives	12		12	
Securities	50		50	
Financial investments	5		5	
Financial liabilities measured at fair value				
Energy derivatives	603		603	
Currency and interest rate derivatives	70		70	
Other financial liabilities				
Bonds	1,729	1,729		
Loans payable	659		659	

Both in the first half of 2017 and during the financial year 2016, no reclassifications were applied between Levels 1 and 2, or reclassifications from Level 3.

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

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

Energy price risk refers to potential price fluctuations that could have an adverse impact on the Alpiq Group. 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. These occur when an open energy position cannot be closed out, or can only be closed out on very unfavourable terms due to a lack of market bids. Future own use energy transactions are not reported in the balance sheet. Energy transactions are also conducted as part of the programme to optimise Alpiq's power plant portfolio. A large proportion of the replacement values for energy derivatives shown as at the reporting date are attributable to optimisation positions, with positive and negative replacement values generally cancelling each other out. Alpiq also engages in limited energy derivatives trading. The energy derivatives concluded by the Alpiq Group are usually 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 the risk limits stipulated in 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.

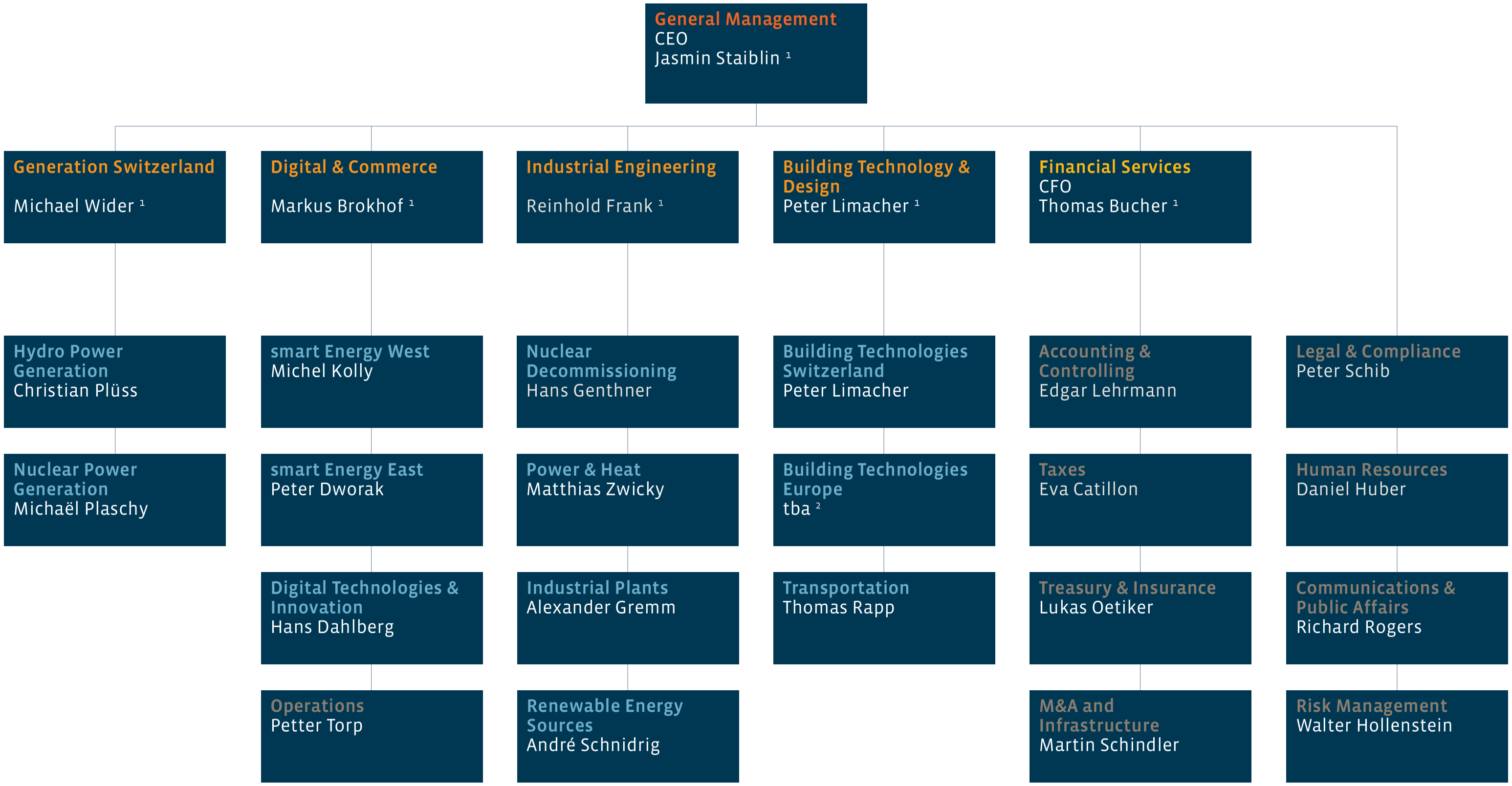
Wherever possible, the Alpiq Group seeks to mitigate foreign currency risk by offsetting operating income and expenses denominated in foreign currencies. The remaining foreign currency risk is hedged by means of forward transactions in accordance with the Group's Financial Risk Policy.

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.

Note 6: Events after the reporting period

After completing a tax audit on the Bucharest branch of Alpiq Energy SE, Prague, the Romanian tax authority ANAF (Agenţia Naţională de Administrare Fiscală) issued a preliminary assessment (including late payment penalties) in the amount of RON 798 million (CHF 192 million) for value added tax, corporate income tax and penalties for the period of 2010 to 2014. This is according to a draft document released to Alpiq for comment. Alpiq has contested this assessment on account of its reasoning and the extent of the amount assessed. Any potential final decision by ANAF will be challenged by Alpiq by making use of all available local and international legal means of appeal. 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 EU rules and regulations. Alpiq deems it unlikely that this assessment will result in a negative outcome for the company and has therefore recognized no liability for the estimated RON 798 million (CHF 192 million) contingent liability in this dispute. Alpiq's position is supported by current assessments provided by external legal and tax experts.

Organisation as at 25 August 2017



General Management
Business Division
Business Unit
Functional Division
Functional Unit

1 Member of the Executive Board
2 To be announced

Alpiq Group Financial Summary 2012–2017

Income statement

CHF million	Half-year 2017/1	Half-year 2016/1	Full year 2016	Full year 2015	Full year 2014	Full year 2013	Full year 2012
Net revenue	3,453	3,016	6,078	6,715	8,058	9,370	12,723
Earnings before interest, tax, depreciation and amortisation (EBITDA)	82	473	778	50	312	789	1,212
as % of net revenue	2.4	15.7	12.8	0.7	3.9	8.4	9.5
Net income [1]	– 109	– 2	294	– 830	– 902	18	– 1,094
as % of net revenue	– 3.2	– 0.1	4.8	– 12.4	– 11.2	0.2	– 8.6
Employees [2]	8,498	8,492	8,557	8,360	8,017	7,807	10,039

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

Per share data

CHF	Half-year 2017/1	Half-year 2016/1	Full year 2016	Full year 2015	Full year 2014	Full year 2013	Full year 2012
Par value	10	10	10	10	10	10	10
Share price at 30 June / 31 December	82	68	85	105	90	122	131
High	89	107	107	109	129	132	189
Low	74	62	62	60	86	106	126
Weighted average number of shares outstanding (in thousands)	27,875	27,875	27,875	27,617	27,190	27,190	27,190
Net income	– 4.62	– 0.66	9.38	– 31.73	– 34.19	– 0.37	– 38.76
Dividend	0.00	0.00	0.00	0.00	2.00 [1]	2.00	2.00

1 Scrip dividend

Financial calendar

~~5 March 2018~~: Corrigenda (8 November 2017): 26 March 2018
Full-year results 2017
(annual media and
financial analyst conference)

16 May 2018:
Annual General Meeting

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Published by

Alpiq Holding Ltd., www.alpiq.com

The Interim Report 2017 is published in German, French and English. The German version has precedence.

Online Annual Report

www.alpiq.com/reports

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

Alpiq Holding Ltd.

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