ALPIQ

# Alpiq Holding AG
# Lausanne, Switzerland

# 5.00% Perpetual Callable Subordinated Notes of CHF 650,000,000 (the "Subordinated Notes")

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| **Issuer's Name and registered office:** | Alpiq Holding AG, Chemin de Mornex 10, 1003 Lausanne, Switzerland (the **"Issuer"** or **"Alpiq"** and together with its fully consolidated direct and indirect subsidiaries the **"Group"**) |
| **Issue Price:** | The banks mentioned below (the **"Syndicate Banks"**) have purchased the Subordinated Notes at the price of 100% of the nominal amount (before commissions). |
| **Issue Date:** | 15 May 2013 |
| **Price for Placement:** | The Placement Price of the Subordinated Notes will be fixed in accordance with supply and demand. |
| **Interest Rate:** | Subject to Conditions 4 and 5 of the Terms of the Subordinated Notes, the Subordinated Notes bear interest on their Principal Amount payable annually in arrear on 15 November of each year (each an **"Interest Payment Date"**), first payable on 15 November 2013, as follows: (i) from and including 15 May 2013 to, but excluding, 15 November 2018 (the **"First Call Date"**) at a rate of 5.00% per annum (the **"Initial Interest Rate"**); (ii) from and including the First Call Date to, but excluding, 15 November 2023 (the **"First Step-up Date"**) at a rate per annum which shall be equal to the Reference Rate plus 4.5725% per annum; (iii) from and including the First Step-up Date to, but excluding, 15 November 2043 (the **"Second Step-up Date"**) at a rate per annum which shall be equal to the Reference Rate plus 4.8225% per annum; and (iv) from and including the Second Step-up Date and thereafter at a rate per annum which shall be equal to the Reference Rate plus 5.5725% per annum, all as further set forth in Condition 4.1 of the Terms of the Subordinated Notes. |
| **Deferral of Interest:** | Interest shall only be due and payable on an Interest Payment Date if the Issuer so elects. Any Interest not paid in whole or in part due to such election of the Issuer shall constitute Deferred Interest. Deferred Interest shall remain outstanding and payable for three consecutive deferrals of Interest and thereafter the respective portion of the Deferred Interest shall be deemed cancelled. Any Deferred Interest shall be deemed due and payable pursuant to Condition 4.3 of the Terms of the Subordinated Notes. |
| **Redemption:** | The Subordinated Notes have no fixed maturity date and Holders do not have the right to call the Subordinated Notes for their redemption. There is no acceleration remedy in case of payment default other than as provided for by applicable law in bankruptcy or insolvency of the Issuer.<br><br>The Issuer may call or redeem the Subordinated Notes (in whole but not in part) at the principal amount on the First Call Date and on any Interest Payment Date thereafter.<br><br>The Issuer may also call or redeem the Subordinated Notes (in whole but not in part) at the principal amount at any time upon the occurrence of an Accounting Event, a Tax Event, or a Capital Event, or in the event that less than 20% of the initial nominal amount is outstanding. |
| **Reopening:** | The Issuer reserves the right to reopen this issue at any time without the consent of the Holders. |
| **Assurances:** | No Assurances |
| **Form of Subordinated Notes:** | The Subordinated Notes will be issued as uncertificated securities (*Wertrechte*) in accordance with Art. 973c of the Swiss Code of Obligations and, upon registration in the main register (*Hauptregister*) of SIX SIS Ltd, will constitute intermediated securities (*Bucheffekten*). Holders of Subordinated Notes do not have the right to request the printing and delivery of a permanent global certificate (*Globalurkunde*) or definitive securities (*Wertpapiere*). |
| **Status:** | The Subordinated Notes constitute direct, unsecured and subordinated obligations of the Issuer ranking *pari passu* amongst themselves and with other Parity Securities and ranking junior to all unsubordinated and subordinated debt and senior only to the Issuer's share capital and any Junior Securities. |
| **Denominations:** | CHF 5,000 nominal |
| **Governing Law and Jurisdiction:** | The Subordinated Notes are governed by, and construed in accordance with Swiss law. Exclusive place of jurisdiction for the Subordinated Notes and all related contractual documentation shall be Zurich, Switzerland. |
| **Selling Restrictions:** | U.S.A. and U.S. Persons, United Kingdom, European Economic Area, in particular |
| **Listing / Trading:** | Application will be made to provisionally admit the Subordinated Notes to trading on the SIX Swiss Exchange with effect from 13 May 2013. Admission to trading is expected to remain in effect until the third business day prior to the date on which the Subordinated Notes will be fully redeemed. Application will be made for the Subordinated Notes to be listed in accordance with the Standard for Bonds on the SIX Swiss Exchange. |
| **Joint-Lead Managers:** | Credit Suisse, UBS Investment Bank, Zürcher Kantonalbank |
| **Structuring Advisors:** | Credit Suisse, UBS Investment Bank |
| **Co-Lead Manager:** | BZ Bank AG |
| **Co-Managers:** | BNP Paribas (Suisse) SA, Deutsche Bank AG London Branch, acting through Deutsche Bank AG Zurich Branch, Commerzbank AG, UniCredit Bank AG |
| **Security Number / ISIN / Common Code** | 21.218.403 / CH0212184037 / 092887847 |

# SELLING RESTRICTIONS

## General

Save for having listed the Subordinated Notes at the SIX Swiss Exchange, no action has been or will be taken in any jurisdiction by the Issuer or the Syndicate Banks that would permit a public offering of the Subordinated Notes, or possession or distribution of any offering material in relation thereto, in or from any country or jurisdiction where action for that purpose is required. In addition to the specific selling restrictions set out below, each Syndicate Bank undertakes to comply with all applicable laws and regulations in each country or jurisdiction in which it purchases or in or from which it offers, sells or delivers the Subordinated Notes or has in its possession or distributes any offering material in respect of the Subordinated Notes.

## United States of America

The Subordinated Notes are issued in bearer form and have not been and will not be registered under the U.S. Securities Act of 1933 (the "Securities Act") and may not be offered or sold within the United States of America (the **"United States"**) or to, or for the account or benefit of, U.S. persons, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

(A) The Issuer and the Syndicate Banks have offered or sold the Subordinated Notes, and will offer and sell the Subordinated Notes (i) as part of their distribution at anytime and (ii) acquired otherwise until 24 June 2013 (40 days after the Issue Date) (the **"Restricted Period"**), only in accordance with Rule 903 of Regulation S under the Securities Act. Terms used in this paragraph (A) have the meanings given to them by Regulation S.

Accordingly, neither the Issuer, the Syndicate Banks and their affiliates nor any persons acting on their behalf have engaged or will engage in any directed selling efforts with respect to the Subordinated Notes, and they have complied and will comply with the offering restrictions requirement of Regulation S. The said Syndicate Banks have agreed that, at or prior to confirmation of sale of the Subordinated Notes, they will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Subordinated Notes from them during the Restricted Period, a notice to substantially the following effect:

"The Subordinated Notes covered hereby have not been registered under the U.S. Securities Act of 1933 (the **"Securities Act"**) and may not be offered or sold within the United States of America or to, or for the account or benefit of U.S. persons (i) as part of their distribution at any time and (ii) otherwise acquired until 24 June 2013 except in either case in accordance with Regulation S under the Securities Act. Terms used above have the meanings given to them by Regulation S."

(B) The Syndicate Banks have not entered and will not enter into any contractual arrangement (other than the bond purchase agreement entered into by the Issuer and the Syndicate Banks with regard to the Subordinated Notes) with respect to the distribution or delivery of the Subordinated Notes, except with their affiliates or with the prior written consent of the Issuer.

(C) In addition, the Syndicate Banks:

(1) except to the extent permitted under U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (the **"D Rules"**), (a) have neither offered to sell nor sold, and during the restricted period will neither offer to sell nor sell, the Subordinated Notes in bearer form to a person who is within the United States or its possessions or to a U.S. person, and (b) have not delivered and will not deliver, within the United States or its possessions, any Subordinated Notes in definitive bearer form that may be sold during the restricted period;

(2) represent and agree that they have, and throughout the restricted period will have, in effect procedures reasonably designed to ensure that their employees or agents who are directly engaged in selling the Subordinated Notes in bearer form are aware that such Subordinated Notes may not be offered or sold during the restricted period to a person who is within the United States or its possessions, or to a U.S. person, except as permitted by the D Rules;

(3) if one or more of the Syndicate Banks is a U.S. person, each such Syndicate Bank represents that it is acquiring the Subordinated Notes in bearer form for the purposes of resale in connection with the original

issuance of the Subordinated Notes and if it retains the Subordinated Notes in bearer form for its own account, it will only do so in accordance with the requirements of U.S. Treas. Reg. §1.163-5(c)(2)(i)(D)(6);

(4) represent and agree that the Subordinated Notes will be offered and sold in accordance with practices and documentation customary in Switzerland;

(5) will use reasonable efforts to sell the Subordinated Notes within Switzerland;

(6) represent and agree that more than 80% by value of the Subordinated Notes will be offered and sold to persons who are not distributors by distributors maintaining an office located in Switzerland;

(7) have not applied, and will not apply, for listing of the Subordinated Notes on any exchange outside Switzerland; and

(8) with respect to each affiliate that acquires from a Syndicate Bank the Subordinated Notes in bearer form for the purpose of offering or selling such Subordinated Notes during the restricted period, such Syndicate Bank repeats and confirms the representations and agreements contained in clauses (1) through (7) on behalf of such affiliate.

Terms used in this paragraph (C) have the meanings given to them by the U.S. Internal Revenue Code and the regulations thereunder, including the D Rules.

The Syndicate Banks agree that all offering materials and documents used in connection with offers and sales of the Subordinated Notes prior to the expiration of the Restricted Period shall include the following language:

"The Subordinated Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S under the Securities Act."

**European Economic Area**

Each Syndicate Bank has represented and agreed that it has not offered and will not offer any Subordinated Notes to persons in any Member State of the European Economic Area, except that it may offer Subordinated Notes in any Member State:

(a) at any time to a legal entity which is a qualified investor as defined in the Prospectus Directive[1]; or

(b) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive[2], 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) as permitted under the Prospectus Directive, subject to obtaining the prior consent of the relevant bank or banks nominated by the Issuer for any such offer; or

(c) in any circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3(2) of the Prospectus Directive.

For the purposes of this provision, the expression "offer" in relation to any Subordinated Notes in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Subordinated Notes to be offered so as to enable an investor to decide to purchase or subscribe the Subordinated Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State.

[1] Prospectus Directive means Directive 2003/71/EC as amended by Directive 2010/73/EC.

[2] Amending Directive means Directive 2010/73/EC.

**United Kingdom**

Each Syndicate Bank represents and agrees that (i) it has not offered or sold and, prior to the date six months after the date of the issue of the Subordinated Notes, will not offer or sell any Subordinated Notes to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purpose of their business or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995; (ii) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (the **"FSMA"**) with respect to anything done by it in relation to the Subordinated Notes in, from or otherwise involving the United Kingdom; and (iii) it has only communicated or caused to be communicated and it will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of such Subordinated Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer.

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# RISK FACTORS

Prior to making an investment decision, prospective investors in the Subordinated Notes should consider carefully, among other things and in light of their financial circumstances and investment objectives, all the information of this prospectus (the **"Prospectus"**) and, in particular, the risk factors set forth below. Each of the risks highlighted below could have a material adverse effect on the business, operations, financial conditions or prospects of the Issuer, which in turn could have a material adverse effect on the amount of principal and interest which investors will receive in respect of the Subordinated Notes. In addition, each of the risks highlighted below could adversely affect the trading price of the Subordinated Notes or the rights of investors under the Subordinated Notes and, as a result, investors could lose some or all of their investment. This section is not intended to be exhaustive and prospective investors should make their own independent evaluation of all risk factors, consult their respective financial and legal advisors and also read the detailed information set out elsewhere in this Prospectus. Other risks and uncertainties unknown to the Issuer or considered insignificant at this time could equally have a material adverse effect on the business, operations, financial conditions or prospects of the Issuer.

Further, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Subordinated Notes are legal investments for it, (ii) the Subordinated Notes can be used as collateral for various types of borrowing, and (iii) other restrictions apply to its purchase or pledge of the Subordinated Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of the Subordinated Notes under any applicable risk-based capital or similar rules.

In this section "Risk Factors", references to Alpiq, the Group and/or Alpiq's business are also referring to associated, not fully consolidated entities in which Alpiq, directly or indirectly, holds a material participation, unless the context suggests otherwise.

The order in which the following risks factors are presented is not an indication of the likelihood of their occurrence or their importance.

## RISKS RELATED TO THE GROUP'S BUSINESS AND THE INDUSTRY IN WHICH IT OPERATES

### Alpiq is exposed to fundamental changes which the energy sector is facing

As a company active in the energy sector, Alpiq is exposed to the fundamental changes which the energy sector is facing throughout Europe. The ongoing economic crisis in Europe and the related low GDP growth in many European countries has led to low power demand in the industrial sector in such countries. This has led to significant overcapacities in the power markets. As a result power prices and spreads are under pressure and the profitability of power plants such as hydro power or nuclear generation assets is reduced. Due to significant subsidies in the sector of renewable energy sources, significant additional capacities have been built in the last years and may be built in the future, in particular in the fields of wind energy and photovoltaic energy in Germany. However, it is uncertain whether subsidies will be granted at the same levels in the future (see: "Risk Factors – Different European governments may cut back subsidies in the field of renewable energy sources").

In addition to the increase in capacities in general, renewable energy sources benefit from privileged market access. Since photovoltaic plants generate power in particular during day time, the classic distribution of peak and off-peak hours during the day has become less pronounced. This has an influence on all power providers. The intermittent nature of generation capacities from many renewable energy sources leads to higher volatility in the power market. The lower demand for power caused by the economic crisis in Europe, the significant overcapacities in the power markets, caused, *inter alia*, by subsidies in the field of renewable energy sources, the privileged market access of capacities in the field of renewable energy sources and the higher volatility in the power markets have had in the past and could have in the future a material adverse effect on Alpiq's business, results of operations and financial condition.

### The wholesale power market may be subject to significant price fluctuations that are difficult to predict

Alpiq buys and sells power on wholesale power markets in spot, forward and cross-market transactions. Power markets may experience significant increases or decreases in price movements and liquidity fluctuations that are difficult to predict. Such fluctuations may have an unfavourable impact on Alpiq. Whether it is selling or buying power, Alpiq may be exposed to drastic price changes or inaccurate forecasts regarding long-term price movements, as well as to a series of other risks such as a liquidity crisis or counterparty default, which could have a material adverse effect on Alpiq's business, results of operations and financial condition.

Alpiq sources a significant portion of power it sells to its customers from its own hydro power plants and from power procurement rights granted to Alpiq in relation to/from hydro power plants. With regard to its hydro power operations, peak/off-peak-spreads in the power market are advantageous to Alpiq. Over the last years, peak/off-peak-spreads have declined partially due to the subsidy-driven installation of significant solar generation capacity in Germany and other countries. The reduction in peak/off-peak-spreads has led to a decrease in the profitability of Alpiq's hydro power plants. A future decrease of peak/off-peak-spreads could have a material adverse effect on Alpiq's business, results of operations and financial condition.

**Materials and services required for the operation of Alpiq's businesses may be subject to price fluctuations and restricted availability**

Alpiq's business is exposed to variations in the price and availability of raw materials and other materials as well as services that it purchases in connection with its business operations. For example, in the event of significant and sustained increases in the prices of raw materials, Alpiq may experience higher procurement costs for certain critical products (such as coal or fuel) or services. Such increases may also lead certain suppliers to reduce supply due to reduced profit margins. In addition, increased demand for certain materials or services may have an impact on their availability, in particular materials used for gas-fired combined cycle power stations, wind turbines and services and materials in the nuclear sector. This could have a material adverse effect on Alpiq's business, results of operations and financial condition.

**Alpiq's business activities in emerging markets are exposed to increased uncertainties**

Alpiq has expanded into Central and Eastern Europe, in particular the Czech Republic, Hungary, Romania, Serbia, Bulgaria and Macedonia. Progressive liberalization and European Union integration have had an impact on pricing. Some of Alpiq's investments are exposed to the risks and uncertainties associated with doing business in countries which may have, or have recently had, a period of political or economic instability. Such emerging markets (i) have or could have, compared to Western European countries, regulations that provide limited legal certainty and predictability, (ii) maintain or could initiate controls or restrictions on repatriation of profits and capital invested, (iii) fix or could fix taxation and fees affecting Alpiq's activities, and (iv) impose or could impose restrictive rules with regard to the business of international groups. The power sector in such countries is also subject to sometimes rapidly changing regulations which could be influenced by political, social or other considerations, which may have a negative effect on activities or financial results of Alpiq's subsidiaries. This could have a material adverse effect on Alpiq's business, results of operations and financial condition.

**General financial risks related to variations in the exchange rate of currencies used by Alpiq or variations in interest rates**

Alpiq has assets, liabilities, sales and charges in currencies other than Swiss francs, mainly in euro, but also in UK pound sterling, U.S. dollar, Czech crown, Hungarian forint, Polish zloty, Norwegian crown and Romanian ley. Alpiq's financial statements are presented in Swiss francs, and, as such, these assets, liabilities, sales and charges must be converted at the relevant exchange rates. Accordingly, a variation in the exchange rates of these currencies against the Swiss franc impacts the value of these items in Alpiq's financial statements, even if their value remains unchanged in their original currency. Alpiq is also exposed to counterparty and settlement risks related to hedging transactions with financial institutions.

In September 2011, the Swiss National Bank reacted against the over-valuation of the Swiss franc and set a minimum exchange rate of CHF 1.20 against the euro. However, no assurance can be given that this minimum exchange rate will last in the future. In the current European economic environment, exchange rates remain volatile and unpredictable. Future significant variations in exchange rates, in particular, of the Swiss Franc against the euro, could have a material adverse effect on Alpiq's business, results of operations and financial condition.

Alpiq is also exposed to variations in interest rates that may have the effect of increasing the cost of its existing debt or decreasing the revenues of its liquidity. An increase in interest rates would have the effect of increasing the price at which Alpiq may obtain debt.

### Alpiq is exposed to counterparty risk in connection with its business and financial operations

A default of a counterparty of Alpiq may result in a loss of receivables on deliveries already made as well as expenses for replacement procurement. Alpiq has set up an internal system to limit its credit exposure vis-à-vis large customers and suppliers. However, it cannot be excluded that a customer or supplier or another counterparty fails to perform its obligations as they are due. Counterparty limits are defined on the basis of ratings of counterparties by public rating agencies and/or banks to the extent such ratings are available, as well as internal ratings.

In addition to the general counterparty risk, Alpiq is exposed to the ongoing uncertainties in the European financial system. The Group holds significant amounts of cash, the majority of which is deposited with Swiss banks. The rest of these cash amounts is deposited with approximately 30 banks in other European countries. The failure of a counterparty to perform its contractual obligations as they fall due, including the failure by a bank to refund deposits when they become due, could have a material adverse effect on Alpiq's business, results of operations and financial condition.

### Alpiq is a party to several long term energy sale and purchase agreements

In the energy sector, it is customary for the participants to enter into long term energy sale and purchase agreements. Alpiq is a party to a number of long term energy sale and purchase agreements both on the supplier's and on the buyer's side, amongst them agreements with fixed prices, with prices to be adjusted on an annual basis, with prices that are subject to periodical re-negotiation, with prices that are based on an index or with a price formula mix as well as with price adjustment mechanisms and further pricing-related provisions. Pricing risks are inherent in energy sale and purchase agreements, and depending on the development of the power price, such agreements can ultimately be advantageous or disadvantageous for Alpiq. Agreements which foresee periodical price adjustments have inherent risks of time-consuming negotiations between the parties to agree on such price adjustments and such negotiations may lead to dead-lock situations. With regard to power supply agreements between Alpiq and its shareholders, negotiations bear an inherent risk of conflicts of interest (see: "Information about the Issuer – Related party transactions"). Long term energy sale and purchase agreements are also subject to volume risks and counterparty risks. Alpiq may incorrectly estimate its power needs or underestimate general risks in connection with sale or purchase agreements. Once expired, such agreements may not be renewed by the counterparty or for other reasons, which may lead to a decrease in revenues. Material changes in the terms or non-renewal of expired long term agreements could have a material adverse effect on Alpiq's business, results of operations and financial condition.

### Lack and/or congestion of Swiss domestic transmission system and cross-border transmission system and resulting possible blackouts may affect Alpiq's ability to sell power

Alpiq has transferred all its transmission grid operations to Swissgrid AG (**"Swissgrid"**) as per 3 January 2013, and Swissgrid became the sole grid operator in Switzerland. Although Alpiq is no longer responsible for the operation of the grid, it may be involved in or suffer from blackouts. The causes of these breakdowns can include, amongst others, local or regional imbalances between power generation and consumption, or accidental interruption to the power supply. The extension and modernisation of the existing grid in Switzerland may not progress as quickly as needed to transmit large volumes of power which could also result in failures. In certain areas of Switzerland, the grid needs to be expanded. As an example, the extension of the existing transmission line Châtelard-Rosel from 220 kilovolt to 380 kilovolt is essential for completely using the potential of the pump storage power plant Nant de Drance, a project under construction in which Alpiq is invested. The strategy in grid expansion in Switzerland is subject to the elaboration of the grid expansion roadmap by the Swiss Federal government, a project which is planned to be completed in 2015. Transmission blackouts could result in interruptions in power supply in distribution grids. Power supply breakdowns could have an impact on Alpiq's sales.

In addition, on the cross border level, the full integration of the European power market is physically restricted by limited cross-border interconnection capacity. This situation limits exchange capacity between operators in different countries, notably the capacity to rapidly adapt supply to demand, and allows the continued existence of price differences between the different countries, which would be significantly reduced in an efficient integrated European market. This situation also creates congestions on certain borders and limits the exchange of power between different countries. This generates price differentials which would not be present in a fully integrated European market. Although there are currently several projects to develop interconnections, their construction has nonetheless been delayed, mainly on account of environmental, financial, regulatory and local acceptability considerations. However, more efficient congestion management mechanisms, such as market coupling, are being put in place and may help reduce price spreads between concerned countries. The lack of a bilateral treaty on the transmission of energy between Switzerland and the European Union and the risk of delay or failure of the bilateral treaty which is currently under negotiation may have an impact on Alpiq's ability to supply power to the European Union and to source power from the European Union. This could have a material adverse effect on Alpiq's business, results of operations and financial condition.

**Different European governments may cut back subsidies in the field of renewable energy sources**

In the course of the financial crisis in Europe, governments of different European countries recently informed on their intention to cut back the subsidies in the field of renewable energy sources. As a consequence of a cutback in subsidies, ongoing projects in the field of renewable energy sources may not be developed as planned or may not be realized at all. In addition, due to a decline in the profitability of existing production plants in the field of renewable energy sources caused by a cutback in the subsidies, owners of such plants may be required to realize impairments on these assets. Alpiq owns different assets in the field of renewable energy sources which have been financed in part by subsidies. In addition, Alpiq is involved in a few new projects in the renewable energy sector whose realization depends on subsidies. As a consequence, the cutback in subsidies could have a material adverse effect on Alpiq's business, results of operations and financial condition.

**Alpiq's production facilities may suffer incidents and/or be the source of environmental and public health hazards**

Alpiq owns and/or operates and/or manages facilities (including, amongst others, nuclear power plants, fossil fuelled power plants and dams for hydro-electric power, hydro-electric power plants, wind parks and pump storage facilities) that could suffer accidents or be the source of environmental and public health hazards (such as inadequately controlled emissions, leakage in power supply lines insulated with oil under pressure, failure of decontamination facilities, legionella or asbestos). In particular, large quantities of hazardous materials (mainly explosives or inflammables, such as gas and fuel oil) are stored in certain facilities. These facilities may be located in industrial areas where other activities experiencing similar risks are operated. Alpiq has implemented measures for both the prevention of accidents and prevention of environmental pollution; however, Alpiq cannot guarantee that these measures will be effective. Any accident of the type listed above could have serious consequences on impacted persons and/or property for which Alpiq could be found liable. While Alpiq's maintains civil liability and damage insurance, this coverage may prove to be inadequate. In particular in the fields of earthquakes, terrorism and business interruption, Alpiq is only partially covered by insurance coverage, in the case of earthquakes only with respect to specific exposures, and with respect to terrorism and business interruption only where required in connection with financings or by local legislation. Further, Alpiq may not be able to maintain the current level of coverage at current cost. Furthermore, any such accidents may result in the shutdown of the impacted facility and, potentially, similar facilities that may be found to present the same risks, which could have a material adverse impact on Alpiq's business, results of operations and financial condition.

**Alpiq's production facilities may be targeted by external attacks**

Facilities owned and/or operated and/or managed by Alpiq may be targeted by external attacks or ill-intentioned acts of any nature. When designed and built, such facilities had extensive safety and security measures put in place. Nonetheless, Alpiq cannot guarantee that these measures will prove adequate in the event of an actual attack. An attack or ill-intentioned act committed on one of the facilities owned and/or operated by Alpiq could result in: (i) damage to persons and/or property, (ii) liability claims against Alpiq on the basis of inadequate safety measures and/or (iii) interruption of operations. Although regular and thorough inspections are performed in order to ensure the timely detection of any weaknesses in Alpiq's security and safety measures, Alpiq cannot guarantee that the facilities it owns and/or operates will not be attacked or that its safety and security measures will prove sufficient.

**Alpiq's nuclear activities bear liability risks and cost risks**

Nuclear power represents around 29% of Alpiq's total power generation. Although Alpiq has adopted measures and policies to ensure compliance with applicable national and international laws, rules and regulations relating to the management, operation, maintenance and supervision of nuclear activities, such activities, by their nature, have inherent risks. Any realization of such risks could negatively affect Alpiq's nuclear business and is likely to have a material adverse effect on Alpiq's business, results of operations and financial condition.

Due to its nuclear activities, Alpiq is exposed to substantial liability risks and possibly significant additional operating costs. Therefore, Alpiq may face considerable liability as a result of, among others, incidents and accidents, breaches of security, ill-intentioned acts or terrorism, air crashes, natural disasters (such as floods or earthquakes), equipment malfunctions or mishandling in the storage, transportation, treatment or conditioning of substances and nuclear materials. Such events could have a material adverse effect on Alpiq's business, results of operations and financial condition.

Following the earthquake, tsunami and reactor disaster in Fukushima, Japan, in March 2011, the Swiss Federal Council decided on a new energy strategy (the **"Swiss Energy Strategy 2050"**) and, as a part of the Swiss Energy Strategy 2050, decided to phase-out nuclear energy. The impact of the Swiss Federal Council's decision to phase-out nuclear power on different Swiss laws and regulations is uncertain and potentially subject to popular vote. However, the decision to phase-out nuclear power directly affects Alpiq as an operator of nuclear plants and could have a material adverse effect on Alpiq's business, results of operations and financial condition.

Under applicable laws, operators of nuclear power plants in Switzerland are required to pay contributions to the Swiss Decommissioning and Waste Disposal Funds (**"Decommissioning Fund"**). The purpose of the Decommissioning Fund is to secure the costs for the decommissioning and subsequent break-up of nuclear installations, and for the disposal of the nuclear waste. According to calculations applying the pricing basis of 2011, the decommissioning costs for Switzerland's five nuclear power plants and the central interim waste storage facility in Würenlingen amount to approximately CHF 3 billion. The Swiss Federal Nuclear Safety Inspectorate (**"ENSI"**) is currently verifying these figures in collaboration with external experts. It cannot be excluded that the ENSI will require the operators of Swiss nuclear power plants to make additional contributions to the Decommissioning Funds. The requirement to make such additional payments could have a material adverse effect on Alpiq's business, results of operations and financial condition. Recently, two non-governmental organisations publicly criticized the Swiss energy companies in connection with alleged inconsistencies in the accounting of funds set aside to finance the Decommissioning Fund in relation to the nuclear power plants Kernkraftwerk Gösgen-Däniken AG (**"KKG"**) and Kernkraftwerk Leibstadt AG (**"KKL"**). Following such allegations, district attorneys of the Cantons of Aargau and Solothurn opened an investigation against unknown parties. Alpiq holds a participation in KKG and KKL and acts as the manager of KKG. Alpiq assessed the situation and came to the conclusion that the allegations raised by the non-governmental organisations are incorrect and that the account keeping for the funds set aside to finance the Decommissioning Fund conforms with generally accepted Swiss accounting standards.

### Weather conditions and seasonal variations may have an impact on Alpiq's business

A significant part of Alpiq's production output is generated from hydro power. Therefore, Alpiq's hydro power generation is influenced by the average water supply from rivers and dams used to produce the energy, which, in turn, is affected by the amount of precipitation and snow melting in a given period of time. A reduced availability of water typically leads to a decline in high margin hydroelectric power generation and requires Alpiq to procure more energy from its thermal power plants or from third parties or power exchanges, which could adversely affect Alpiq's margins and operating results. Conversely, an excessive availability of water leading to flooding can negatively affect Alpiq's operations where in certain instances Alpiq would be required to temporarily shut down its power plants in order to protect them from flotsam that can result from flooding.

The output of power generated by Alpiq's new renewable resources assets depend on weather conditions. Volatile generation factors such as fluctuating wind conditions or variable solar radiation have an influence on the production capacity and profitability of these assets.

In addition, the demand for Alpiq's power, and therefore its sales, are significantly affected by prevailing seasonal weather conditions. Alpiq's operating profits also reflect the seasonal character of the demand for power. Temperature variation and temperature extremes can lead to varying power demand due to increased use of cooling systems in summer and heating systems in winter. Furthermore volatile generation factors such as fluctuating wind conditions or variable inflow availability in hydro power systems increase the volatility of power supply and energy prices. As a result, significant variations from normal weather conditions could have a material adverse effect on Alpiq's business, results of operations and financial condition.

## Climatic conditions may have an impact on Alpiq's business

Alpiq is the owner and the manager of a number of water collecting facilities (water dams) in the Alps. In recent decades, the impact of global warming and other environmental factors have accelerated the melting of the glaciers in the Alps. In the long term, this may change the water flow profile at Alpiq's facilities. The amount of water flow correlates with the amount of energy produced by the water dams. In addition, significant climatic changes (such as droughts) could affect Alpiq's activities. As a result, this climatic process may have a material adverse effect on Alpiq's business, results of operations and financial condition.

## Interruptions in the business of Alpiq's power plants may lead to a loss of income

Natural disasters, such as violent storms, floods, earthquakes, landslides, rock falls, etc., may result in damage to Alpiq's facilities and, consequently, jeopardize the performance of its power production and/or lead to significant cost. In particular, Alpiq's dams are subject to the risk of damage or dam failure caused by major storms or natural disasters. Alpiq maintains measures aimed at addressing such events in compliance with industry standards, and in accordance with requirements imposed by competent government authorities. In the event of a natural disaster, Alpiq will incur additional costs related to the repair of the damage caused by natural disasters and, in turn, suffer a loss of earnings resulting from the interruption of power generation. With respect to business interruptions, Alpiq is only protected by insurance coverage where such insurance coverage is explicitly required in connection with financings or by local legislation. Any of the aforementioned events could have a material adverse effect on Alpiq's business, results of operations and financial condition.

Further, the operation of power plants relies on specific mechanical processes and procedures. Unexpected failure or breakdown of one or more parts could result in the loss of part or all of the available power generation capacity in the facility, possibly for a relatively long period of time. Any one of these events could have a material adverse effect on Alpiq's business, results of operations and financial condition.

In October 2012, necessary repairs discovered during an ordinary course inspection of the KKL delayed the re-start of the plant by more than a month. KKL is not managed by Alpiq. However, Alpiq holds a participation in KKL. The consequential loss of business resulting from such delayed re-start of KKL had a direct impact on Alpiq's EBITDA. Similar incidents may occur at any time in the future in any of the power plants operated or owned by Alpiq or in which Alpiq holds a participation, and lead to an interruption of business and a loss of income. This could have a material adverse effect on Alpiq's business, results of operations and financial condition.

## Alpiq may incur significant expenses for the maintenance of its facilities

The majority of Alpiq's facilities were originally constructed in previous decades. Older equipment, even if maintained in accordance with good engineering practices to date, may require significant capital expenditures to operate in the future. In addition, other equipment may require maintenance or modernisation even though it was put in use only recently. If Alpiq underestimates required maintenance or is unable to make required expenditures, it risks incurring more frequent unplanned outages, higher than anticipated maintenance expenditures or the need to purchase power from third parties to meet its supply obligations, possibly at times when the market price for power is high. In addition, the maintenance of facilities could last longer than expected, as a result of which the resumption of the operational activity of such facilities could be delayed. All this could have a material adverse effect on Alpiq's business, results of operations and financial condition.

## Failure or delays in the execution of Alpiq's construction or investment projects could have a material adverse effect on Alpiq

Power plant projects and other investment projects are resource-intensive, time consuming, complex and therefore subject to a range of project management, market, credit, commercial, regulatory, operational and other risks. In connection with such projects, Alpiq must generally obtain government permits and raise sufficient equity capital and debt financing, as well as enter into land purchase or leasing agreements, equipment procurement contracts, construction contracts, operation and maintenance agreements, fuel supply and transportation agreements and off-take arrangements with third parties. These types of projects usually face also opposition from different organisations, including environmental organisations.

Key risks associated with the construction of new power plants and other investment projects include delays in obtaining permits (including environmental permits), difficulties in obtaining access to necessary land, shortages or variation in the price of equipment, materials and labour, public opposition to the project, adverse changes in the political or regulatory climate, adverse weather or climatic conditions, natural disasters, accidents and other unforeseen events and inability to raise necessary funding at acceptable conditions. In addition, although the projects pursued by Alpiq, such as the storage power plant project Nant de Drance or the power project in Kladno, Czech Republic, are carefully assessed, examined and prepared, projects may be delayed or jeopardized for unexpected technical reasons, accidents or failure in the implementation. In these cases, Alpiq may incur additional costs and, consequently, suffer a reduction of expected profit. The commercial operation date could be affected by delays in the construction due to e.g. geological risks and technical risks as well as risks related to the grid (see: "Risk Factors – Lack and/or congestion of Swiss domestic transmission system and cross-border transmission system and resulting possible blackouts may affect Alpiq's ability to sell power"). Beside the above-mentioned projects, Alpiq is also engaged in a few other power plant projects, amongst others in the field of renewable energy sources. Any of the aforementioned factors may cause cancellations or delays in completing or commencing operations of Alpiq's construction or investment projects, which could increase the cost of planned or ongoing projects and result in lost sales. If Alpiq cannot complete its projects as planned, it may not recover the costs incurred in connection with such projects. Alpiq is currently engaged in several projects that are in development or in the planning phase. Material delays or non-completion could have a material adverse effect on Alpiq's business, results of operations and financial condition.

**Alpiq is exposed to risks in relation to disposals of assets**

Alpiq has carried out, and may in the future carry out, transactions involving disposal of assets or interests. In the context of these disposals, Alpiq may provide guarantees concerning the assets sold, and consequently may have to pay indemnities or price adjustments to the purchaser. Alpiq may also be unable to carry out disposals or may have to implement them at a price different from that desired or at less favourable terms, due in particular to financial, regulatory or contractual constraints, to political acts, or to the market environment. In particular, in an unfavourable market environment and or in periods of oversupply, Alpiq may not be able to sell or dispose of assets or interests at favorable terms or only at prices below book value. A disposal of assets may also lead to a decline in sales and profitability of the Group. This could have a material adverse effect on Alpiq's business, results of operations and financial condition.

**Alpiq's trading activities are exposed to specific risks**

Alpiq derives a significant part of its revenues from its trading activities, including trading of energy as well as related derivatives. Risk-taking is a part of Alpiq's trading business, which features high trading volumes. Changes in energy-related commodity prices (i.e., power, gas, oil derivatives, $C0_2$ and coal) as well as interest rates, foreign exchange rates and other market fluctuations can adversely affect Alpiq's earnings.

Pricing and quantity risks are inherent in power trading activities. Alpiq may miscalculate its power needs or pricing estimates or underestimate risks in connection with power trading contracts. As a result, Alpiq may enter into power forward or futures contracts at prices that could prove to be unfavourable at a later point in time, at which time Alpiq may be locked in and obligated to complete such transactions at the agreed price. In addition, Alpiq may not always be able to prevent losses arising from extreme or sudden market dislocations that are not anticipated by its risk metrics and systems and affect sizeable energy positions and therefore lead to serious losses. Moreover, stress loss and concentration controls, and the dimensions in which Alpiq aggregates risk to identify potentially highly correlated exposures, may prove to be inadequate. Material cost increases and reduced sales in connection with Alpiq's power trading could have a material adverse effect on Alpiq's business, results of operations and financial condition.

Alpiq's energy trading depends upon the use of information technologies and systems. Apart from general information technology related risks (see: "Risk factors – Alpiq relies on information technology to operate its trading business and its facilities"), Alpiq's trading activities are exposed to risks of errors in the confirmation or settlement of trades or of improper recording or accounting of trades, which is particularly relevant in case of high trading amounts.

**Alpiq relies on information technology to operate its trading business and its facilities**

Alpiq depends upon the use of sophisticated information technologies and systems, in particular in the field of energy trading and in relation to the operation of its power plants. Alpiq continuously maintains and upgrades its systems and information technology infrastructure to ensure the reliability and integrity of its systems and infrastructure. In the event of system interruptions and/or slow delivery times, prolonged or frequent service outages, or insufficient capacity which impede Alpiq from efficiently performing the services in the field of energy trading and power plant operation. Alpiq may lose customers and revenue and incur liabilities. Any failure or interruption of such information technology system could have a material adverse effect on Alpiq's business, results of operations and financial condition.

**Alpiq's hedging activities are exposed to specific risks**

Alpiq uses derivative instruments for hedging purposes. Alpiq's hedging strategies may be ineffective and the transactions entered into for hedging purposes are exposed to unexpected risks and potential losses. To the extent that Alpiq uses derivative instruments, it is exposed to credit and legal enforceability risks, such as the failure of a counterparty to perform under the terms of the derivative contract, or to general contractual and enforceability risks, including the risk that a counterparty will breach the terms of, or fail to perform its obligations under, a derivative contract or that such contract fails to cover the risk it was intended to cover. Shortcomings, failures or errors in Alpiq's hedging models could expose Alpiq to financial losses. This could have a material adverse effect on Alpiq's business, results of operations and financial condition.

**Alpiq's activities in the energy services sector are exposed to specific risks**

Alpiq, through its business division Energy Services, is active among others as contractor, general contractor, subcontractor and/or service provider and in different cases also as a member of a consortium with regard to large infrastructure projects such as the Construction of the New Rail Link through the Alps (*NEAT*). The services provided by Alpiq in relation to such infrastructure projects are complex and interdependent with services provided by third parties. Although Alpiq has implemented measures for the prevention of errors or failures in the planning, management and the implementation of the services provided by it, it cannot be excluded that such errors or failures occur. Any such error or failure may delay the infrastructure project and lead to damages of third parties, additional costs, subsequent improvement work and/or warranty performances and/or payments due by Alpiq. In addition, Alpiq may be required to issue guarantees in relation to infrastructure projects. Alpiq's ability to provide its services related to such infrastructure projects may be delayed or averted by events or persons beyond the control of Alpiq. This could have a material adverse effect on Alpiq's business, results of operations and financial condition.

**Alpiq operates in a competitive market environment**

Alpiq faces competition and some of its competitors might prove to be more successful in attracting customers than Alpiq. Liberalisation of the power markets in Switzerland and in the European Union has significantly altered competition in European power markets, and increased competition has caused prices to decrease. Alpiq's competitors could be in a position to pursue a more aggressive pricing policy and offer customers more favourable terms than Alpiq. Due to the liberalisation of the energy markets and the market entry of new competitors, customers have more options to choose their energy suppliers and customers' willingness to change suppliers has increased over the past years and may increase further. If Alpiq is unable to maintain or expand its established customer base of private and business customers and/or maintain its current price levels in the face of competition, thereby failing to achieve an adequate profit margin, this could have a material adverse effect on Alpiq's business, results of operations and financial condition.

**Alpiq's risk management strategies and procedures may prove to be inadequate**

Alpiq has developed, and continues to update, strategies and procedures specific to its business for managing risks, which include business risk and financial risk (see: "Information about the Issuer – Group Risk Management"). Management of these risks can be very complex given the highly complex nature of many of Alpiq's operations and of the industry in which it operates. These strategies and procedures may fail under some circumstances, particularly if Alpiq is confronted with risks that it has underestimated, not identified or not anticipated. If the measures used to assess and mitigate risk prove insufficient, this could have a material adverse effect on Alpiq's business, results of operations and financial condition.

**The sector in which Alpiq operates is sensitive to economic cycles and general economic conditions and a further deterioration of market conditions could lead rating agencies to downgrade the credit ratings of the sector or certain of Alpiq's competitors. Such an event could negatively impact investors' views on the market and could therefore increase Alpiq's financing costs or restrict its access to certain financing markets and products**

Alpiq operates in a sector which is sensitive to economic cycles and to general economic conditions. A further deterioration of the market conditions in the sector in which Alpiq or its main competitors in Europe operate could lead the rating agencies to lower or downgrade their outlook or the credit ratings for the sector as a whole or some of Alpiq's competitors in particular, even if these adverse developments do not impact Alpiq's business or financial performance directly. Such developments could include, but are not limited to, a slowdown in economic activity; adverse developments in applicable European Union or national legislation or policies; adverse regulatory developments; a drop in power consumption; significant volatility or a reduction in power prices; significant volatility or a substantial increase in the prices of input fuels or the cost of $CO_2$ certificates; lower margins; adverse developments in interest rates or exchange rates, or other adverse developments which could have an impact on the sector in which Alpiq and its main competitors in Europe operate.

A downgrade of the outlook or credit ratings by the rating agencies of certain of Alpiq's competitors or the sector in which Alpiq operates as a whole could impact Alpiq's financing costs or access to financing. In particular, such an event could result in an increase of the interest payable under some of Alpiq's existing credit facilities and could impair Alpiq's ability to obtain additional financing or refinancing on economically acceptable terms, or obtain such financing or refinancing at all. Furthermore, such an event could preclude Alpiq from accessing certain financial markets and products, thereby impairing Alpiq's liquidity. These factors could have a material adverse effect on Alpiq's business, results of operations and financial condition.

**Downgrade in the rating of Alpiq could increase its refinancing costs and preclude its access to certain financing markets and products, thereby impairing its liquidity and profitability**

On the date of this Prospectus, Alpiq is not publicly rated by an official rating agency such as Standard & Poor's Rating Services or Moody's or Fitch. However, Alpiq is currently rated by Credit Suisse, UBS and Zürcher Kantonalbank. Future downgrades in or a loss of the financial rating of Alpiq could lead to an increase of the interest payable under some of Alpiq's existing credit facilities and impair Alpiq's ability to obtain additional financing or refinancing on economically acceptable terms, or obtain such financing or refinancing at all. In addition, it cannot be excluded that despite the measures to strengthen its capital base by (i) the issuance of the Subordinated Notes and (ii) the issuance of the Shareholder Loan Notes, the current rating of Alpiq cannot be maintained. A downgrade or loss of rating could preclude Alpiq from accessing certain financial markets and products, thereby impairing Alpiq's liquidity. These factors could have a material adverse effect on Alpiq's business, results of operations and financial condition.

**Alpiq may not have access to financing on favourable terms or at all**

Alpiq relies primarily on the issuance of debt securities in the domestic capital market and on bank loans to cover its capital and liquidity requirements and requires continued access to financing on favourable terms in order to sustain and grow its business and to refinance its existing obligations. Alpiq's ability to obtain financing and the terms and conditions of such financing depend on numerous conditions, including general market conditions, interest rate developments, Alpiq's financial condition and performance and the assessment of Alpiq's credit quality by market participants. Alpiq's financing opportunities may be adversely affected by deterioration in general market conditions or Alpiq's performance, as well as by a downgrade or withdrawal of its credit rating with banks or other institutions. Furthermore, the credit spreads payable by Alpiq or the general level of interest rates could increase, which would result in higher interest and financing expenses. Alpiq's inability to access financing on acceptable terms or at all could have a material adverse effect on its business, results of operations and financial condition. Furthermore, a downgrade or loss of such rating could preclude Alpiq from accessing certain financial markets and products, thereby impairing Alpiq's liquidity. These factors could have a material adverse effect on Alpiq's business, results of operations and financial condition.

**Alpiq has recognised in the past and could recognise in the future an impairment loss on certain assets**

The current global economic downturn has led to lower growth expectations in the countries where Alpiq operates. A continued downturn or absence of recovery in Alpiq's markets and related lower power prices or an increase in interest rates could necessitate the recognition of impairments. Over the past years, Alpiq has been required to realize impairments on different generation assets, including hydro power plants, gas power plants and renewable energy generation facilities. The recent impairments on generation assets (in Switzerland, Spain, France, Italy, Bulgaria, Norway and Hungary) were mainly driven by lower market price forecasts for power (and increased expectations for future productions costs). The same underlying parameters led to recognition of provisions for onerous contracts in Switzerland. The classification of assets as held for sale in the Czech Republic resulted in an impairment as these assets had to be valued at the lower of its carrying amount and fair value less costs to sell. Furthermore a significant impairment loss incurred due to insolvency of a counterparty which led to the cancellation of long-term supply contracts with Alpiq's subsidiaries. In addition to impairments realized with regard to operating power plants, it cannot be excluded that power plants under construction, such as the hydro power plant Nant de Drance, may suffer impairments, due to a changed market environment. The necessity to realize impairments on existing power plants or power plants under construction could have a material adverse effect on Alpiq's business and financial condition.

**Alpiq is subject to a potential lack of control of its partnerships projects**

In the energy sector, it is common to conclude partnership agreements with other energy providers in order to build and operate power plants or found the respective operating companies. Most of Alpiq's power plants are held in partnership with other Swiss or international partners. Consequently, Alpiq holds only a part of the share capital in numerous power plants. Control over these companies is exercised through shareholder agreements. As a result, Alpiq's ability to influence important policy, strategic, business, financial or corporate decisions with respect to such companies may be limited and the interests of other shareholders may differ from Alpiq's interests. Other shareholders may refuse to make additional investments that Alpiq deems necessary or desirable or may prove otherwise unwilling or unable to fulfil their obligations under shareholder, joint venture or other agreements. Furthermore, the approval of other shareholders may be required for Alpiq to receive distributions of funds from the companies. In these situations, Alpiq may find itself confronted with a deadlock when partners disagree or with decisions which conflict with its own interests. This may limit Alpiq's ability to pursue defined strategies and may have a material adverse effect on Alpiq's business, results of operations and financial condition.

**Alpiq depends on retaining and recruiting management staff and skilled employees**

Alpiq largely depends on the performance of qualified employees, executive staff and management. Engineers and skilled workers are particularly important for Alpiq's future development. If Alpiq does not succeed in retaining such management staff and employees in key positions or in recruiting or training a sufficient number of new employees with corresponding qualifications, Alpiq's ability to maintain its market position, as well as future growth, would be at risk. This could have a material adverse effect on Alpiq's business, results of operations and financial condition.

**The nuclear power plant Fessenheim may be closed down prematurely**

Alpiq, through its participation in an associated company, has entered into long term power sale and purchase agreements with the French energy provider Electricité de France SA (**"EDF"**) with regard to power produced by the French nuclear power plant Centrale Nucléaire du Fessenheim (**"FSH"**). In 2012, the French government announced its intention to close FSH as early as in 2016. If this plan is implemented, Alpiq's long term energy supply agreements might not be honoured and Alpiq could be forced to undertake coverage purchases from other power plants at potentially less favourable conditions. This could have a material adverse effect on Alpiq's business, results of operations and financial condition.

**Alpiq is subject to differing regulatory regimes in the countries in which it operates. These regulatory regimes are complex and subject to change, to the potential detriment of Alpiq**

Alpiq is subject to the laws of various countries and jurisdictions, including Switzerland, Germany, Italy, France and the European Union, as well as the regulations of particular regulatory agencies, including the Swiss Federal Electricity Commission (**"ElCom"**). These laws and regulations are often complex and subject to change and new laws and regulations may be introduced. Alpiq cannot predict the extent or the impact of any future revisions of or changes to existing laws or regulations or the significance of new laws and regulations that may be introduced in the future and that may be applicable to Alpiq. If existing laws and regulations applicable to Alpiq are revised to become more stringent, or if new applicable laws and regulations are introduced that increase the level of regulation and introduce new legal or regulatory requirements with which Alpiq must comply, this could raise Alpiq's operating and fixed costs, require it to make additional investments or limit its activities. In particular, such future changes to the regulatory framework in general may (i) lead to additional costs, (ii) require significant investments to be made to make Alpiq's facilities compliant with regulations in the environmental, health and safety areas (iii) impose additional capital and/or liquidity requirements for companies active in the field of energy trading (iv) require significant investments to make Alpiq's facilities compliant with safety regulations (v) be inconsistent with Alpiq's development model, or (vi) change the competitive context in which Alpiq operates. All of these factors combined could have a material adverse effect on Alpiq's business, results of operations and financial condition.

**The operation of hydro power plants by Alpiq depends on concessions and are subject to rules and regulations**

Hydro power represents around 28% of Alpiq's total power generation. Most of Alpiq's hydro power facilities are operated under concessions awarded by conceding communities (state, cantons or communes) for a period of normally 80 years. In Switzerland, for instance, the communities that have granted concessions to Alpiq for hydro power installations may decide to take over the installations at the end of the concession. Alpiq has already experienced such returns of concessions. Alpiq also operates under generation concessions in countries other than Switzerland. Depending on the conditions in each of these countries, these concessions may not be upheld or renewed in its favor. Alpiq cannot guarantee that it will be able to renew the concessions that it currently operates. If a concession is not renewed, this could have a material adverse effect on Alpiq's business, results of operations and financial condition.

Based on the Swiss Federal Act on Exploitation of Hydrological Resources (*Bundesgesetz über die Nutzbarmachung der Wasserkräfte*), Alpiq is liable for the payment of concession taxes (*Wasserzinsen*) to the Cantons in which the hydro power facilities are located. An increase of the concession taxes would lead to higher operating costs for hydro power stations and, accordingly, could have a material adverse effect on Alpiq's business, results of operations and financial condition.

Under applicable laws, operators of hydro power stations in Switzerland are subject to rules and regulations on residual water volumes. Based on the requirements on residual water volumes, the production capacity of hydro power plants may be restricted, depending on precipitation and general weather conditions. Future changes in the rules on residual water volumes could further restrict the production capacity of hydro power plants owned or operated by Alpiq, and, accordingly, could have a material adverse effect on Alpiq's business, results of operations and financial condition.

**Disputes amongst Consortium Members or between Alpiq and Consortium Members may materially adversely affect Alpiq**

Despite Alpiq being a public company listed on the SIX Swiss Exchange as of 31 December 2012, 87.76% of its shares, were owned by shareholders linked amongst themselves through a Consortium Agreement relating to Alpiq and to which Alpiq is a party as well. The Consortium Members include AIL, EBL, EBM, EDFAI, EOS, IBA, WWZ and the Canton of Solothurn (see: "Information about the Issuer – Alpiq's shareholder base and the consortium agreement"). As a result, it cannot be excluded that in case of disagreement or disputes amongst Consortium Members or between Alpiq and Consortium Members, decisions and actions that are material for Alpiq or its business may be delayed or blocked, which could have a material adverse effect on Alpiq's business, results of operations or financial conditions or on the prospects of Alpiq.

**Alpiq is subject to litigation and regulatory proceedings, the outcomes of which are uncertain**

In the ordinary course of its business, Alpiq is regularly involved in legal and regulatory proceedings. These proceedings include disputes with contractors and suppliers, customers and competitors, as well as labour and administrative proceedings. As of the date of this Prospectus, ongoing litigations currently include commercial suits and arbitration proceedings, liability suits and tax claims. In particular, a counterparty of Alpiq under a power exchange agreement filed an arbitration claim against Alpiq in July 2012, requesting that a power exchange agreement with Alpiq Suisse AG, a wholly-owned subsidiary of Alpiq be amended. The value of the arbitration claim is approximately 300 million Euros. In the opinion of Alpiq, this alleged claim has no legal basis. Alpiq has been supported in its assessment by external advisors. Nevertheless, the outcome of the arbitration proceedings cannot be predicted with certainty at this point in time. Claims or legal procedures raised against Alpiq could have a material adverse effect on Alpiq's business, results of operations and financial condition.

### Alpiq is exposed to tax risks

Changes in taxation laws, or interpretations thereof, or the withdrawal of existing tax rulings by relevant regulators and authorities may adversely affect Alpiq's results. This is especially relevant to the tax regime of Switzerland, where Alpiq relies on different tax rulings of federal and cantonal tax authorities. Changes in taxation laws or interpretations thereof or a more restrictive application of current practice, or any breach (even if unintentional) of the laws or the conditions of Alpiq's tax rulings could have a material negative impact on Alpiq's tax status and expose Alpiq to additional taxes. For purposes of Swiss value added tax, Alpiq is subject to the risk that regular tax audits may lead to additional costs for the Group. Alpiq is also exposed to the risk that in one or more of the jurisdictions in which it operates, it may be difficult to reclaim value added taxes under applicable laws. This could have a material adverse effect on Alpiq's business, results of operations and financial condition.

### Alpiq's pension funds and pension schemes are subject to changes in their financial condition, legal treatment and accounting treatment

Alpiq has insured and maintains the mandatory social insurances for its employees in Switzerland and abroad, as required by applicable laws. In each jurisdiction in which Alpiq operates, the social insurance schemes used by Alpiq are exposed to country-specific risks, amongst them the risk of underfunding and regulatory risks, the realization of which could have a material adverse effect on Alpiq's business, results of operations and financial condition.

With regard to Alpiq's Swiss pension funds, no assurance can be given that the current level of coverage can be maintained in the future. Should the coverage ratio of such pension funds become insufficient, financial restructuring measures may result, and Alpiq may be required to make additional contributions to such pension funds. The need to make additional contributions to maintain the financial solidity of its pension funds may have a material adverse effect on Alpiq's business, results of operations and financial condition.

Starting from 2013, Alpiq will implement the revised International Accounting Standard 19 on the accounting of employee benefits. The corridor approach will no longer be allowed in future; instead actuarial gains and losses will be recognised outside profit and loss in other comprehensive income as part of the equity in which they occur. The volatility of consolidated equity is expected to be higher in future periods. The retrospective application will lead to a material one-time booking in equity. "Interest cost" and "expected return on plan assets", the key parameters and performance drivers used so far, will be replaced with a net interest amount that is calculated by applying the discount rate to the net pension liability or asset. As a result, the employee costs in profit and loss are expected to be higher in future periods.

## RISKS RELATED TO THE SUBORDINATED NOTES AND THE OFFERING

### The Subordinated Notes are complex financial instruments and may not be suitable for all investors

Each potential investor should (i) have sufficient knowledge and experience to make a meaningful evaluation of the relevant Subordinated Notes, the merits and risks of investing in the relevant Subordinated Notes and the information contained or incorporated by reference in this Prospectus; (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of the investor's particular financial situation, an investment in the relevant Subordinated Notes and the impact the relevant Subordinated Notes will have on the investor's overall investment portfolio; (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Subordinated Notes and (iv) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect the investor's investment and the investor's ability to bear the applicable risks. Before investing in the Subordinated Notes, each potential investor should thoroughly understand the Terms of the Subordinated Notes and be familiar with them and the content of this Prospectus.

### The Subordinated Notes are subordinated obligations

The Subordinated Notes are by their terms subordinated in right of payment to all other present and future obligations of the Issuer, whether subordinated or unsubordinated, except as otherwise provided by mandatory provisions of law or as expressly provided for by the terms of the relevant instrument. If any judgment is rendered by any competent court declaring the judicial liquidation of Alpiq or if Alpiq is liquidated for any other reason, the rights of payment of the holders of the Subordinated Notes (the **"Holders"**) shall rank in priority only to any payments to holders of the Shareholder Loan Notes and of shares of Alpiq. There is a risk that an investor in the Subordinated Notes will lose all or some of its investment in the event Alpiq becomes insolvent.

### Limited rights in bankruptcy

Rights of the Holders in bankruptcy proceedings (*Konkursverfahren*) or any form of composition with creditors (*Nachlassverfahren*) in relation to Alpiq are limited.

### The Subordinated Notes are undated securities and have no fixed redemption date

The Subordinated Notes are undated perpetual securities in respect of which there is no fixed redemption or maturity date. Alpiq is under no obligation to redeem the Subordinated Notes at any time unless voluntary or involuntary liquidation proceedings would be instituted in respect of Alpiq. The Subordinated Notes may be redeemed at the option of Alpiq on the First Call Date or on any subsequent Interest Payment Date or, in certain circumstances specified in the Terms of the Subordinated Notes, before that date. There is no assurance, however, that Alpiq will opt to redeem the Subordinated Notes. Prospective investors should be aware that they may be required to bear the financial risks of an investment in the Subordinated Notes for an indefinite period of time.

### Alpiq's redemption rights

The Subordinated Notes may be redeemed at the option of Alpiq in whole (but not in part) on the First Call Date (as defined in the Terms of the Subordinated Notes) or on any Interest Payment Date (as defined in the Terms of the Subordinated Notes) thereafter; as well as in the following circumstances (i) following the occurrence of a Special Event (as defined in the Terms of the Subordinated Notes) and (ii) for clean-up reasons pursuant to Condition 5.4 of the Terms of the Subordinated Notes.

### Alpiq may elect not to pay any interest

Alpiq may elect not to pay any interest or elect not to pay the full interest amount otherwise scheduled for payment on any Interest Payment Date (as defined in the Terms of the Subordinated Notes). On any Interest Payment Date, Alpiq may, at its option, pay all or part of the interest, in respect of the Subordinated Notes accrued to that date in respect of the interest period ending on (and including) such Interest Payment Date, but subject to such election and decision having been made, Alpiq will have no obligation to make such payment and any such failure to pay will not constitute a default by Alpiq under the Subordinated Notes or for any other purpose. Any interest not paid on an Interest Payment Date will constitute Deferred Interest pursuant to Condition 4.2 of the Terms of the Subordinated Notes. Deferred Interest does not bear interest and remains outstanding and payable for three consecutive deferrals of interest and thereafter the respective portion of the Deferred Interest shall be deemed cancelled. Alpiq may pay outstanding (uncancelled) Deferred Interest in whole (but not in part) at any time at its discretion, and outstanding (uncancelled) Deferred Interest shall become due and payable in whole (but not in part) on the circumstances described in Condition 4.3.b of the Terms of the Subordinated Notes. An interest payment deferral may have an adverse effect on the market price of the Subordinated Notes.

### Alpiq may issue additional senior and/or subordinated instruments

There is no restriction on the amount of debt that Alpiq may issue that ranks senior or is subordinated to the Subordinated Notes or on the amount of securities that it may issue that rank pari passu with the Subordinated Notes. The issue of any such debt or securities may reduce the amount recoverable by investors upon Alpiq's bankruptcy. If Alpiq's financial condition were to deteriorate, the Holders could suffer direct and materially adverse consequences, including suspension of interest and loss of all or part interest and principal.

### Alpiq may dispose of its assets

The Terms of the Subordinated Notes do not prohibit Alpiq to dispose of any of its assets nor do the Terms of the Subordinated Notes provide for any restrictions in the payment by Alpiq of dividends in cash or any other manner. The sole consequence of a payment of dividends by Alpiq is that outstanding Deferred Interest shall become due and payable under the Terms of the Subordinated Notes.

### The Subordinated Notes do not carry voting rights

Notwithstanding the fact that Alpiq expects to treat the Subordinated Notes as equity in accordance with IFRS, the Subordinated Notes do not carry voting rights at shareholders meetings. Consequently, the Holders cannot influence, *inter alia*, any decisions by Alpiq to defer any interest or any other decisions by Alpiq's shareholders concerning the capital structure of Alpiq.

### No established trading market

The Subordinated Notes are a new issue of securities and have no established trading market and there can be no assurance that an active trading market will develop. Even if an active trading market does develop, no one, including the Joint-Lead Managers, is required to maintain its liquidity. The liquidity and the market prices for the Subordinated Notes can be expected to vary with changes in market and economic conditions, Alpiq's financial condition and prospects and other factors that generally influence the market prices of securities. Therefore, investors may not be able to sell their Subordinated Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market or at all.

### Creditworthiness of Alpiq

The market value of the Subordinated Notes will be affected by the, actual or perceived, creditworthiness of Alpiq, and/or that of the Group or other Group companies and a number of additional factors including perception of the creditworthiness of the utilities sector in general, market interest rates and yields. Neither the Issuer nor the Subordinated Notes are rated by an official rating agency. The price at which a Holder will be able to sell the Subordinated Notes may be at a discount, which could be substantial, from the issue price or the purchase price paid by such Holder.

### Tax impacts

Payments of interest under the Subordinated Notes are subject to 35% Swiss Federal Withholding Tax. A Holder's effective yield on the Subordinated Notes may be diminished by the tax impact on that Holder of its investment in the Subordinated Notes.

## GENERAL INFORMATION

### Forward-Looking Statements

This Prospectus contains certain forward-looking statements and information relating to Alpiq that are based on the current expectations, estimates, plans, strategic aims, vision statements, and projections of its management and information currently available to Alpiq.

These forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause the actual results of operations, financial condition, performance or achievements of the Issuer to be materially different from any future results, financial condition, performance or achievements expressed or implied by such forward-looking statements. Terms and phrases such as "will", "believe", "expect", "anticipate", "intend", "plan", "predict", "estimate", "project", "target", "assume", "may" and "could", and variations of these words and similar expressions, are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

Neither the Issuer nor the Syndicate Banks undertake an obligation to update any forward-looking statement, even if new information, future events or other circumstances have made them incorrect or misleading.

### Notice to Investors

The financial institutions involved in the issuance and offering of the Subordinated Notes described herein are banks, which directly or indirectly have participated, or may participate, in financing transactions and/or banking business with the Group, which are not disclosed herein.

Investors are advised to familiarise themselves with the entire content of this Prospectus.

### Documents Available

Copies of this Prospectus and any supplements thereto are available free of charge at Credit Suisse AG, Zurich, Switzerland (telephone number: +41 44 333 49 73; fax number: +41 44 333 57 79; email: newissues.fixedincome@credit-suisse.com) and UBS AG, Zurich, Switzerland (telephone number: +41 44 239 47 03; fax number: +41 44 239 69 14; email: swiss-prospectus@ubs.com).

Information on the Issuer's website, any website directly or indirectly linked to the Issuer's website or any website mentioned in this Prospectus does not constitute in any way part of this Prospectus and is not incorporated by reference into this Prospectus, and investors should not rely on it in making their decision to or invest in the Subordinated Notes.

### Prospectus

This Prospectus is available in English language only and provides information about the Issuer and the Subordinated Notes. This Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, any Subordinated Notes.

No person has been authorized to give any information or make any representation in connection with the offering of the Subordinated Notes other than as stated herein and any other information or representation if given or made should not be relied upon as having been authorised by the Issuer or the Syndicate Banks. Neither the delivery of this Prospectus, nor the issue of the Subordinated Notes nor any sale thereof shall, in any circumstances, create any implication that there has been no material adverse change in the affairs of the Issuer since the date hereof.

## INFORMATION ABOUT THE SUBORDINATED NOTES

### Authorisation

Pursuant to a resolution of the Board of Directors of the Issuer dated 24 April 2013, and a Purchase Agreement dated 2 May 2013 among the Issuer on the one side and Credit Suisse AG (**"Credit Suisse"**), UBS AG (**"UBS"**) and Zürcher Kantonalbank (**"ZKB"**) (together, the **"Joint-Lead Managers"**), and BZ Bank AG, BNP Paribas (Suisse) SA, Deutsche Bank AG London Branch, acting through Deutsche Bank AG Zurich Branch, Commerzbank AG, UniCredit Bank AG (the **"Co-Managers"** and together with the Joint-Lead Managers, the **"Syndicate Banks"**) on the other side, the Syndicate Banks have severally but not jointly agreed to purchase the Subordinated Notes at an issue price of 100% (before commissions and costs).

### Use of proceeds

The proceeds of the issue of the Subordinated Notes, being the amount of approximately CHF 641 million (the **"Net Proceeds"**) will be used by the Issuer (i) to reduce leverage via repayment of its outstanding debt maturing in 2013, (ii) to take advantage of potential prepayment opportunities in other debt in order to accelerate the optimisation of the capital structure, and (iii) for general corporate purposes.

With regard to the repayment of a loan in the amount to CHF 320 million to EOS HOLDING SA, see: "Information about the Issuer – Early repayment of outstanding loan to EOS".

None of the Syndicate Banks shall have any responsibility for, or be obliged to concern itself with, the application of the Net Proceeds of the Subordinated Notes.

### Swiss Federal Withholding Tax

The Issuer will deduct Swiss Federal Withholding Tax of currently 35% on interest payments and remit the tax to the Swiss Federal Tax Administration. For further information, please refer to the Section "Taxation".

### Notices

All notices in relation to the Subordinated Notes will be published in electronic form on the internet site of the SIX Swiss Exchange under the section headed Official Notices where notices are currently published under the address: http://www.six-exchange-regulation.com/publications/published_notifications/official_notices_en.html.

### Representative

In accordance with Article 43 of the Listing Rules of the SIX Swiss Exchange, UBS has been appointed by the Issuer as representative to lodge the listing application with the SIX Swiss Exchange.

# INFORMATION ABOUT THE ISSUER

### Name, registered office

The Issuer is registered under the company name Alpiq Holding AG (Alpiq Holding SA) (Alpiq Holding Ltd.) and has its registered office at Chemin de Mornex 10, 1003 Lausanne, Switzerland. The Issuer's principal executive offices are located at Bahnhofquai 12, 4600 Olten, Switzerland, and its telephone number at that address is +41 62 286 71 11. The Issuer's website may be found under www.alpiq.com.

### Legislation, Legal form

The Issuer is a Swiss stock corporation (*Aktiengesellschaft*) of unlimited duration, incorporated with limited liability under the laws of Switzerland and registered in the Commercial Register of the Canton of Vaud, Switzerland, on 7 February 1921, under the register number CH-400.3.923.1459.

### Articles

The articles of association of the Issuer were last amended on 26 April 2012.

### Purpose

According to article 2 of the articles of association (the **"Articles"**), the purpose of the Issuer is to acquire, hold, manage and dispose of interests in companies, in particular in the energy, power, gas and heat sector. The Issuer may acquire, manage, encumber and sell real estate property, establish branch offices and subsidiaries and engage in all such business activities as may be directly or indirectly related or conductive to the purpose of the Issuer.

### Notices

The Issuer publishes its notices in the Swiss Official Gazette of Commerce (SHAB).

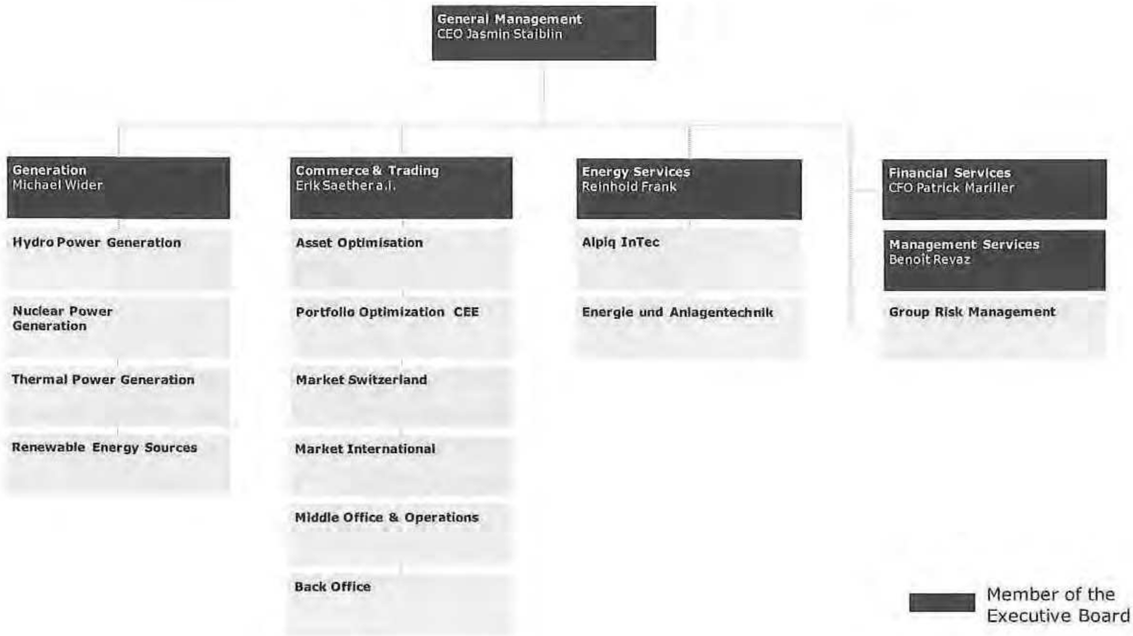
Notices to the Holders of the Subordinated Notes are published in accordance with Condition 8 of the Terms of the Subordinated Notes.

### Business Overview

Since its foundation in 2009, Alpiq has been one of the leading power producers, energy traders and energy service providers in Switzerland with European reach. In 2012, the Group generated consolidated annual revenue of around CHF 12.7 billion. Alpiq specialises in power generation, sales and trading, as well as energy services, and is responsible for around one-third of Switzerland's power supplies. The Group is formed by Alpiq as the top holding company, with 126 fully consolidated direct and indirect subsidiaries. In addition, Alpiq holds 48 investments in associates and six financial investments in various jurisdictions throughout Europe.

In February 2013, Alpiq adopted a new organisational structure with a functional orientation. The three main business divisions "Generation", "Commerce & Trading" and "Energy Services" follow the value chain. These three operational business divisions are supported by the functional divisions "Financial Services" and "Management Services", which provide non-operational services to the Group. Each operational business division is further divided into several business units. The heads of the business divisions Generation, Commerce & Trading, Energy Services, and the heads of the functional divisions Financial Services and Management Services are part of the executive management board, which is led and headed by the CEO.

The chart below highlights the organisational structure of the Group as of February 1, 2013:




The key financial figures (turnover, EBITDA and EBIT) referred to in the sections "Business Description", "Generation", "Commerce & Trading" and "Energy Services" of this Prospectus are restated figures which reflect the new organisational structure of the Group and incorporate the retrospective application of new standards and amendments that the International Standards Board (IASB) has issued and are applicable as of January 1, 2013. These key figures differ from the key figures presented in the annual report 2012, as the annual report 2012 was established on the basis of the former organisational structure of the Group and the International Financial Reporting Standards (IFRS) applicable for annual periods beginning on 1 January 2012. These key figures have been prepared by Alpiq by referring to its accounting records and are based on approximations. Over the next months, Alpiq will be further refining these approximation mechanics and, therefore, it cannot be excluded that the restated prior year numbers in the interim and annual report 2013 may differ from restated figures set forth herein. For more information regarding the impact of the application of new standards and amendments which the International Standards Board (IASB) has issued and which are applicable as of 1 January 2013, see: pages F-10 and F-11 of the Financial Statements 2012, as included herein.

**Business Description**

The three operational business divisions Generation, Commerce & Trading as well as Energy Services are the main business drivers of Alpiq. The business division Generation operates the generation portfolio of the Group. The business division Commerce & Trading is active in the field of energy trading and manages the power portfolio of the Group. The business division Energy Services provides energy-related services in the fields of building technology, infrastructure and efficiency.

In 2012, the Group generated a turnover of CHF 12,722 million, an EBITDA (before exceptional items) of CHF 990 million and an EBIT (before exceptional items) of CHF 517 million.

**Generation**

In its business division Generation, Alpiq operates a significant, diversified and flexible generation portfolio. As of 31 December 2012, the business division Generation managed 6,441 megawatt (**"MW"**) of installed capacity with a large share of peak capacity. The portfolio consists of hydro power plants, nuclear power plants, fossil fuel power plants and power plants in the sector of new renewable energy sources such as wind parks and small hydro power plants. The business division Generation is divided into the business units Hydro Power Generation, Nuclear Power Generation, Thermal Power Generation and Renewable Energy Sources.

In 2012, the output of Alpiq's generation portfolio was approximately 20 terawatt hours (**"TWh"**), to which fossil-fuel-based power generation contributed 40%, nuclear energy 29% and hydropower 28%. The share of energy from renewable energy sources represented 3%. The chart below shows a break-down of Alpiq's generation assets:

| | Installed capacity (as per 31.12. 2012) | Annual production in 2012 |
|---|---|---|
| Hydro Power Generation | 43% | 28% |
| Thermal Power Generation | 40% | 40% |
| Nuclear Power Generation | 12% | 29% |
| Renewable Energy Sources | 5% | 3% |

As a leading Swiss power generation company with strong local roots and a focused European presence, Alpiq generates a considerable part of its annual production from power plants installed in Switzerland. Another important share is generated from power plants in other European countries. The chart below shows the geographic split of Alpiq's generation assets between Switzerland and the rest of Europe and its respective share in the annual production in 2012:

| | Installed capacity (as per 31.12. 2012) | Annual production in 2012 |
|---|---|---|
| Switzerland | 56% | 58% |
| Europe | 44% | 42% |

In 2012, the business division Generation generated a turnover of CHF 5,494 million, an EBITDA (before exceptional items) of CHF 953 million and an EBIT (before exceptional items) of CHF 584 million.

### *Hydro power generation*

Alpiq's large hydro power assets are situated exclusively in Switzerland. The power generated by its hydro power assets is used by Alpiq to serve the Swiss energy market and the European energy market. Despite the reduced price difference between the base load power and peak load power, Alpiq considers its highly flexible hydro power generation portfolio an important element for its position in the Swiss and the European energy market in the future. Important future tasks of Alpiq in the field of hydro power generation include (i) research and development of innovative concepts for pump-storage usage in a changing market environment (partnerships, market design), (ii) renewal of concessions in Switzerland and (iii) selective acquisition of hydro concessions in neighbouring countries (France and Italy). Through its existing hydro park with a production capacity of 2,778 MW (as of 31 December 2012) and participations in assets under construction expected to provide an additional attributable 445 MW, Alpiq believes to be well-positioned for the future.

### *Nuclear power generation*

Alpiq's nuclear power assets mainly consist of a participation of 40% in KKG and a participation of 32% in KKL. In addition to these production assets, Alpiq has entered into several long term energy delivery contracts with EDF on power sourced from nuclear power plants owned or operated by EDF. Following the earthquake, tsunami and reactor disaster in Fukushima, Japan, in March 2011, safety stress tests were conducted in KKG and KKL, the result of which proved the high safety standards of these power plants. As of 31 December 2012, the production capacity of Alpiq's nuclear assets amounted to 775 MW.

### *Thermal power generation*

Alpiq owns and operates different fossil fuel power stations in Switzerland, Hungary, the Czech Republic, France, Spain and Italy. These thermal power stations mainly consist of gas-fired power plants and coal power plants. Due to their fast start-up capability, gas fired power stations are well suited for a flexible energy production and for balancing fluctuations in the electric grid.

Alpiq focuses on gas-fired power production in selected European countries. Gas-fired combined-cycle power plants remain an important element of Alpiq's strategy. In Switzerland, but also in the rest of Europe, the construction of a new combined-cycle power plants is subject to economic conditions which depend on gas prices, the allowances scheme and prices for $CO_2$-emissions, balancing and the future of capacity markets. In several European countries coal is required as element of base-load production, a field in which Alpiq is active through coal power generation assets in the Czech Republic. Even in the operation of coal power plants, Alpiq aims at producing energy in an environmentally friendly manner, with sustainable resource management and low-emission production. The coal power plants use technology and equipment designed to monitor and reduce emissions. As of 31 December 2012, the production capacity of Alpiq's thermal assets amounted to 2,578 MW.

#### *Renewable Energy Sources*

Alpiq has invested considerably in the field of generation from new renewable energy sources. Accordingly, Alpiq owns and operates different wind and small hydroelectric power stations. Only around 5% of these assets are situated in Switzerland. Investments concentrate on wind and small hydroelectric power stations (around 90% wind farms and around 10% small hydroelectric power stations). As of 31 December 2012, Alpiq had assets in the field of renewable energy sources with a capacity of 310 MW.

In terms of revenue and risk, the different subsidy schemes of the jurisdictions in which the production assets are located contribute to relatively stable cash flows. Reductions in subsidies would lead to declining profitability of these assets. Beside its investment in production assets in the field of renewable energy sources, Alpiq also undertakes research and development of wind prognosis instruments as well as dispatching and optimization tools. Alpiq intends to benefit from its advantage as an industrial partner and intends to evaluate partnerships with financial investors in the business field of renewable energy sources.

### Commerce & Trading

The business division Commerce & Trading is active in the field of energy trading and manages the power portfolio of the Group. The activity of the business division Commerce & Trading is to pool the access to the markets for the energy business of the entire Group. As a part of this activity, the business division Commerce & Trading provides services required in connection with an optimization of Alpiq's generation portfolio in Switzerland and across Europe. In addition, through its business division Commerce & Trading Alpiq has a leading position in the cross-border energy trading in Central Europe and Eastern Europe. The business division Commerce & Trading is divided into the business units Asset Optimization, Portfolio Optimization CEE, Market Switzerland, Market International, Middle Office & Operations and Back Office.

In 2012, the business division Commerce & Trading generated a turnover of CHF 5,575 million, an EBITDA (before exceptional items) of CHF 28 million and an EBIT (before exceptional items) of CHF –10 million.

#### *Asset Optimization*

Alpiq's business unit Asset Optimization has its core competence in the optimisation of Alpiq's flexible generation portfolio and in short-term trading. The business unit Asset Optimization is focused on Switzerland and its surrounding countries, with Germany as the main non-Swiss market, and France and Italy as additional non-Swiss markets. The optimized flexible production assets currently under management of Asset Optimization include hydro power plants, combined cycle gas turbines, a gas portfolio as well as nuclear assets and long term energy procurement and energy sales contracts.

In an environment of an increasingly intermittent production capacity, the know-how on the management of flexible production is increasingly important to Alpiq, as it enables Alpiq to take advantage of volatile short-term price movements. The business unit Asset Optimization optimizes and further develops concepts for the utilization of flexible generation capacities to cope with a changing market environment. The portfolios are optimized with a cross-border approach, to take advantage of the convergence in Europe's power markets.

#### *Portfolio Optimization CEE*

The business unit Portfolio Optimization CEE focuses on wholesale activities, origination activities and cross-border trading in around 20 Central European and Eastern European countries, including Turkey. In Central and Eastern European countries, Alpiq has market-leading expertise in cross-border trading and portfolio optimisation activities.

In Central Europe, the business concept is based on optimization of physical flows and deliveries using geographic, temporal and product arbitrages. All markets in the region of Central and Eastern Europe are developing, and they are expected to increase in maturity and liquidity. In 2012, the business unit Portfolio Optimization CEE comprised a trading volume of approximately 50 TWh.

***Market Switzerland***

The business unit Market Switzerland plays an important role in ensuring the commercialisation of energy generated by Alpiq, by selling a portfolio of around 10 TWh in 2012 of which 7.2 TWh are sold to different direct and indirect Swiss shareholders of Alpiq, 2.6 TWh to other resellers and 0.2 TWh directly to end customers. 2 TWh of the offtake of energy by Alpiq's shareholders is structured as a long term commitment, supporting the stability of Alpiq's revenues. Additional revenue potential is utilised by providing Alpiq's energy expertise to external customers in a service business. Alpiq sees future potential when the market is further opened. Alpiq has the know-how for offering services on the side of consumption, so called demand-side management and Alpiq may therefore be able to profit both from the supply side and from the demand side from the volatility of the market.

***Market International***

The business unit Market International has the task to selectively use market opportunities in the power trading markets in France and Italy. Its main activities are sales to end customers. Whereas the French customer base consists mainly of large industrial enterprises, the Italian customer base encompasses large industrial companies, as well as the public administration. In addition to its sales business, the business unit Market International undertakes a limited number of origination activities.

In 2012, the business unit Market International had a sales portfolio of around 20 TWh. It has a long-term expertise in the French and the Italian market and an established customer knowledge. Furthermore, it has introduced the Alpiq brand to France and Italy. Due to its knowledge and local presence, Alpiq has been able to keep the profitability of the sales business despite regulatory changes.

***Middle Office & Operations***

The business unit Middle Office & Operations bundles competences in portfolio analysis and market analysis. It also provides trading-related information technology services.

***Back Office***

The business unit Back Office provides settlement functions as well as project-based support.

**Energy Services**

The business division Energy Services is a market leader in Switzerland for building services, traffic infrastructure technologies and energy efficiency and has an established market presence for specialized products in power and industrial plant technologies in Germany. Energy Services's main markets are Switzerland and Germany, but it also has presences in Italy, Austria, Czech Republic, Hungary and Romania. Due to its solid presence in Switzerland and its neighbouring countries, the business division Energy Services has been able to benefit from market opportunities in energy services across Europe. The business division Energy Services is divided into the business units Alpiq InTec and Energie und Anlagentechnik.

In 2012, the business division Energy Services generated a turnover of CHF 1,992 million, an EBITDA (before exceptional items) of CHF 118 million and an EBIT (before exceptional items) of CHF 83 million.

***Alpiq InTec***

The business unit Alpiq InTec is active in building technology, energy supply and transport infrastructure technology as well as large-scale and special projects. Alpiq InTec provides a broad spectrum of services, including in the areas of electrical engineering, heating, ventilation, air conditioning, refrigeration and sanitary engineering, IT/communication technology, security and automation, technical facility management, railway infrastructure engineering, energy supply technology, traffic engineering, energy-efficiency and e-mobility as well as special electrical systems. Accordingly, Alpiq InTec is one of few solution providers in the Swiss market able to offer a broad range of building technology services from one source. The market of Alpiq InTec is influenced by political measures to reduce the $CO_2$ output and energy consumption.

### *Energie- und Anlagentechnik*

The business unit "Energie- und Anlagentechnik" is an important player in Germany in piping for large power plants and industrial plants, in energy and environmental technology, in nuclear technology and in utility services. The offering of this business unit comprises medium and low-pressure piping for conventional and for nuclear power plants, disposal, dismantling, radiation protection for nuclear power plants, combined and open cycle gas power plants, coal power plants, central heating plants, energy systems for waste incineration plants, biomass power plants, photovoltaic thermal power plants, crematories, heating, ventilation and refrigeration, fire protection systems, installation, maintenance, revision of industrial plants, fabrication of piping systems and components as well as engineering services. In Germany, the market for power plants is driven by the decision of the German government to phase out nuclear energy and to focus on renewable energies. Business opportunities may arise from the refurbishment of large power plants, refurbishment and dismantling of nuclear power plants and in international new builts of conventional and nuclear power plants.

## Financial Services

The functional division Financial Services provides finance related governance, steering and services for the entire Group. It encompasses the functional units Group Accounting & Controlling, Finance Projects & Transformation, Group Taxes, as well as Group Treasury & Insurance.

## Management Services

The functional division Management Services provides governance, steering and services for the entire Group. It encompasses the functional units Group Strategy & Development, Group Human Resources, Group Legal, Group Communications, Group Public Affairs as well as Group IT.

## Group Risk Management

The functional unit Group Risk Management provides business and financial risk related governance, steering and services on a Group level. Since January 2013, Group Risk Management directly reports to the CEO.

## Divestments

### *Objectives of the divestment program*

In 2011, Alpiq's Board of Directors decided to focus on profitable core business activities and in consequence to sell or close down non-core assets. The proceeds of such divestments should be dedicated to reduce Alpiq's debt, and to enhance financial headroom. Furthermore, divestments should follow a strategic rationale: the generation portfolio supports the reliable energy provision to Alpiq's key customers, fits in the mainly $CO_2$-free production approach, is flexible in order to cope with the increased volatility of the energy markets, and maintains a European footprint. The divestment programme will continue to be pursued in 2013 with a targeted aggregated cash inflow of CHF 1.2 to 1.6 billion for 2012 and 2013.

### *Current status and future divestment programme*

By the end of 2012, Alpiq had completed 11 divestment projects or signed related agreements. Until 31 March 2013, Alpiq has sold its 24.6% interest in energy company Repower, as well as 60% of its stake in Romande Energie Holding SA. In addition, Alpiq has granted Romande Energie Holding SA an option to buy the remaining 40% of its stake in Romande Energie Holding SA. The divestment programme will continue to be pursued in 2013. Alpiq is also considering the possible sale of the Kladno and Zlín lignite-fuelled power stations in the Czech Republic and intends to divest its majority stake in Società Elettrica Sopracenerina SA. As of 31 March 2013, the divestments realized in 2013 resulted in a cash inflow of CHF 472 million.

Other than stated above, there are currently no further divestment projects initiated or planned. However, Alpiq will assess potential further opportunities to sell non-core assets.

## Short and Mid Term Objectives

### *Current Business Environment*

As a company active in the energy sector, Alpiq is exposed to the fundamental changes which the energy sector is facing throughout Europe. The ongoing economic crisis in Europe and the related low GDP growth in many European countries has led to low power demand in the industrial sector in such European countries. This has led to significant overcapacities in the power markets, as a result of which power prices and spreads are put under pressure and the profitability of power plants such as hydro power and nuclear generation assets is reduced.

Due to significant subsidies in the sector of renewable energy sources, significant additional capacities are built every year in the fields of wind energy and photovoltaic energy, in particular in Germany. However, it is uncertain whether subsidies will be granted at the same levels in the future. The capacities in the field of renewable energy sources benefit from subsidies on one side and from privileged market access on the other side. Since photovoltaic plants generate power in particular during day time, the classic distribution of peak and off peak hours during the day has become less pronounced. This has an influence on all power providers. The intermittent nature of generation capacities from many renewable energy sources has led to higher volatility in the power market.

In addition to the general economic situation, the power sector is facing high regulatory uncertainty. In order to face the changing market mechanisms, new regulations such as market coupling or capacity markets are being discussed. The bilateral treaty between Switzerland and the EU concerning the opening of the power markets is still under negotiation. It is still open whether and when this bilateral treaty will come into effect. In addition to sector specific regulations, the power sector, in particular the trading of power, is increasingly subject to financial regulations.

### *Short Term Objectives – Consolidation*

In order to position the Group for future developments in a changing environment, consolidation on different levels of the business are expected to occur. Alpiq intends to drive operational results and target commitments in an uncertain environment, inter alia, by (i) continuing to simplify the organisation and the business model in order to reduce complexity and (ii) streamlining processes, standardising systems and reducing the number of tools.

In 2012, Alpiq's Board of Directors decided to focus on profitable core business activities and in consequence to sell or close non-core assets (see: "Information about the Issuer – Divestments"). The divestment programme will continue in 2013. The divestment program is focused on divestments which lead to a direct reduction of the Net Debt/EBITDA ratio.

At the beginning of 2013, the Group restructured the organisation and moved from a geographic to a functional organisation along the value chain (see: "Information About the Issuer – Business Overview"). In the course of this restructuring, the Group created the operational business divisions Generation, Commerce & Trading and Energy Services (see: "Information about the Issuer – Business Description"). The goal of this restructuring is to significantly reduce complexity throughout the Group.

### *Mid Term Objectives – Focus on Core Business*

Alpiq's mid-term objective is to focus on its core business. Its mid term business focus is (i) to leverage the attractive generation mix, (ii) to strengthen the position in profitable markets and (iii) to grow the energy services business.

Alpiq operates a significant, diversified portfolio of generation assets in Switzerland and selected European countries, consisting of flexible hydro power plants and significant nuclear capacities, as well as fossil fuelled power plants. Alpiq's mid-term objective is to support the market with flexible and low $CO_2$ power production.

The Group optimizes its Western European generation assets through one single business unit across the Western European markets. Alpiq intends to focus on providing flexible generation for the compensation of supply shortages from power production by intermittent renewable energy sources. Alpiq management expects that the flexible power plant portfolio and organisational set-up enable the group to anticipate and capture new market opportunities.

Alpiq is currently the leading international power wholesale company in the Central Eastern European countries, with a large and geographically diversified contract portfolio. This region is characterized by relatively low liquidity in the power markets. Alpiq intends to continue international cross border trading, which it is currently operating at more than 70 borders throughout Central Eastern Europe.

Alpiq intends to reduce non-profitable standard sales businesses. These businesses are intended to be replaced with higher margin origination activities in Germany, France and Italy, as well as major Eastern European Countries. The new origination activities are intended to combine local know-how and access to major European markets, beyond screen trading, and therefore increase opportunities for centralized optimization and trading.

Alpiq is currently the leading energy service provider in Switzerland in the fields of building technologies and traffic infrastructure technologies. Alpiq intends to focus on building efficiency (new energy management concepts, new technologies such as photovoltaic, central heating plants, heat pumps), especially in the tertiary and industrial sector, intelligent e-mobility infrastructure solutions, demand response and demand management as well as aggregation of decentralized generation and storage. In addition, plant technologies are expected to undergo a re-positioning driven by changing market needs. Focus on decommissioning of nuclear power plants, mainly in Germany, as well as technological and geographic diversification are expected to be the major axes of development in the future.

## Composition of the Board of Directors

As of the date of this Prospectus, the board of directors of Alpiq (the **"Board of Directors"**) is composed of the following members:

Hans E. Schweickardt, Chairman of the Board of Directors
Christian Wanner, Vice-Chairman of the Board of Directors
Conrad Ammann, Member of the Board of Directors
Michael Baumgärtner, Member of the Board of Directors
Dominique Bompoint, Member of the Board of Directors
Olivier Fauqueux, Member of the Board of Directors
Damien Gros, Member of the Board of Directors
Claude Lässer, Member of the Board of Directors
René Longet, Member of the Board of Directors
Alex Kummer, Member of the Board of Directors
Guy Mustaki, Member of the Board of Directors
Jean-Yves Pidoux, Member of the Board of Directors
Urs Steiner, Member of the Board of Directors

The members of the Board may be contacted at the registered office of the Issuer.

## Composition of the Management

As of the date of this Prospectus, the executive management of Alpiq (the **"Management"**) is composed of the following members:

Jasmin Staiblin, Chief Executive Officer
Patrick Mariller, Chief Financial Officer
Michael Wider, Head of Generation, Deputy CEO
Erik Saether, Head of Commerce & Trading ad interim
Reinhold Frank, Head of Energy Services
Benoît Revaz, Head of Management Services

## Auditors

The Issuer's auditors are Ernst & Young AG, Maagplatz 1, 8005 Zurich.

**Court, arbitral and administrative proceedings**

In the ordinary course of business, the Group is involved, and may in the future become involved, in lawsuits, claims, investigations and proceedings, including liability, commercial, environment, health and safety matters, social security and tax claims, as well as competition matters. Ongoing litigations currently include commercial suits and arbitration proceedings, liability suits and tax claims. In July 2012, a counterparty of Alpiq under a power exchange agreement filed an arbitration claim against Alpiq, requesting that a power exchange agreement with Alpiq Suisse AG, a wholly-owned subsidiary of Alpiq be amended. The value of the arbitration claim is approximately 300 million Euros (see: "Risk Factors – Alpiq is subject to litigation and regulatory proceedings, the outcomes of which are uncertain").

Other than discussed in this paragraph or in the section "Risk Factors – Alpiq is subject to litigation and regulatory proceedings, the outcomes of which are uncertain", the Issuer is not involved in any legal disputes or governmental, administrative, legal or arbitration proceedings, the result of which may have a material adverse effect on its business, results of operation or financial condition.

**Capital Structure**

As of the date of this Prospectus, the Issuer's share capital amounts to CHF 271,898,730 and is divided into 27,189,873 fully paid-up shares. The shares are registered shares (Namenaktien) and have a par value of CHF 10.00 each.

The Issuer does not have an authorized or a conditional share capital.

**Debt outstanding**

As of 31 December 2012, the Group had CHF 5,375 million of total debt outstanding whereof CHF 3,583 million in the form of bonds. The majority of debt was issued by the Issuer. As of 31 December 2012, the Group's liquidity amounted to CHF 1,385 million plus CHF 1,230 million unused committed credit lines. The figures referred to in this paragraph are restated figures which take into account the consolidation of Kraftwerke Gougra AG, a company in which the Issuer holds a participation.

**Outstanding conversion and option rights and bonds**

As of the date of this Prospectus, the Issuer has not issued any bonds and financial instruments other than those disclosed under "Long Term Borrowings" in the Annual Financial Statements as of 31 December 2012, as attached hereto or other than disclosed herein.

**Contributions in kind and acquisition of assets**

The following contributions in kind and acquisitions of assets are described in article 23–26 of the articles of association of the Issuer:

Article 23 of the articles of association of the Issuer:

Pursuant to the In-Kind Contribution and Asset Acquisition Agreement made by and between the company and BDO Visura in Zurich, dated 24 July 2006, the company shall acquire 16,640 fully paid in registered shares of Aare-Tessin Ltd. for Electricity (Atel) in Olten, with a nominal value of CHF 100 each, from BDO Visura in Zurich, acting as trustee on behalf of and for the account of the former shareholders of Aare-Tessin Ltd. for Electricity (Atel) in Olten who tendered their registered shares to the company under the public exchange offer of 28 March 2006, in the course of the capital increase on 25 July 2006. Said shares shall be acquired for a total value of CHF 36,480,371.20. In consideration of said contribution in kind, BDO Visura in Zurich, acting as trustee on behalf of and for the account of the former shareholders of Aare-Tessin Ltd. for Electricity (Atel) in Olten who tendered their registered shares to the company under the public exchange offer of 28 March 2006, shall receive a total of 5,250 fully paid in registered shares of the company and a cash sum totalling CHF 585,216. The company shall allocate the aggregate difference of CHF 33,855,371.20 between the total nominal value of the shares issued and the net book value of the contribution in kind to reserves.

Article 24 of the articles of association of the Issuer:

Pursuant to the In-Kind Contribution and Asset Acquisition Agreement made by and between the company and BDO Visura in Zurich, dated 7 January 2008, the company shall acquire 1,123,202 fully paid in registered shares of

Aare-Tessin Ltd. for Electricity (Atel) in Olten, with a nominal value of CHF 100 each, from BDO Visura in Zurich, acting as trustee on behalf of and for the account of the former shareholders of Aare-Tessin Ltd. for Electricity (Atel) in Olten who tendered their registered shares to the company under the public exchange offer of 12 November 2007, in the course of the capital increase on 8 January 2008. Said shares shall be acquired for a total value of CHF 4,110,256,631. In consideration of said contribution in kind, BDO Visura in Zurich, acting as trustee on behalf of and for the account of the former shareholders of Aare-Tessin Ltd. for Electricity (Atel) in Olten who tendered their registered shares to the company under the public exchange offer of 12 November 2007, shall receive a total of 9,013,290 fully paid in registered shares of the company with a nominal value of CHF 20 each and a cash sum totalling CHF 272,053.50. The company shall allocate the aggregate difference of CHF 485,899,756 between the total nominal value of the shares issued and the net book value of the contribution in kind to reserves.

Article 25 of the articles of association of the Issuer:

Pursuant to the In-Kind Contribution and Asset Acquisition Agreement made by and between the company and Aare-Tessin Ltd. for Electricity (Atel) in Olten, dated 25 June 2008 the company shall acquire 5,408 fully paid in registered shares of Aare-Tessin Ltd. for Electricity (Atel) in Olten, with a nominal value of CHF 100 each, from Aare-Tessin Ltd. for Electricity (Atel), acting for the account of the former shareholders of Aare-Tessin Ltd. for Electricity (Atel) in Olten whose registered shares were cancelled by way of court order issued by the Amtsgericht Olten-Gösgen on 27 May 2008 (effective 28 May 2008). Said shares shall be acquired for a total value of CHF 19,790,089. In consideration of said contribution in kind, Aare-Tessin Ltd. for Electricity (Atel) in Olten, acting for the account of the former shareholders of Aare-Tessin Ltd. for Electricity (Atel) in Olten whose registered shares were cancelled by way of court order issued by the Amtsgericht Olten-Gösgen on 27 May 2008 (effective 28 May 2008), shall receive a total of 43,378 fully paid in registered shares of the company with a nominal value of CHF 20 each and a cash sum totalling CHF 14,204. The company shall allocate the aggregate difference of CHF 2,339,513 between the total nominal value of the shares issued and the net book value of the contribution in kind to reserves.

Article 26 of the articles of association of the Issuer:

1. Pursuant to the In-Kind Contribution and Asset Acquisition Agreement made by and between the company and EOS Holding, a limited company based in Lausanne, dated 27 January 2009, and on the occasion on the approved capital increase of 27 January 2009, the company shall acquire from EOS Holding as a contribution in kind (i) 803,300 registered shares of Energie Ouest Suisse (EOS), a limited stock corporation domiciled in Lausanne, with a nominal value of CHF 100 each, (ii) 10,000 registered shares of Avenis, a limited stock corporation domiciled in Lausanne, with a nominal value of CHF 100 each, (iii) 10,000 registered shares of EOS Trading, a limited stock corporation domiciled in Lausanne, with a nominal value of CHF 1,000 each, (iv) 350 registered shares of Cleuson-Dixence Construction SA in Sion with a nominal value of CHF 100 each, (v) 3,588 registered shares of Hydro Exploitation SA in Sion with a nominal value of CHF 1,000 each, and (vi) 240 registered shares of Cisel Informatique SA in Matran with a nominal value of CHF 1,000 each. These registered shares, acquired by way of an in-kind contribution, have a book value of total CHF 271,722,885. In return for this contribution in kind, EOS Holding shall receive 4,478,730 fully paid in registered shares of the company with a nominal value of CHF 10 each. The company shall allocate the difference of a total of CHF 226,935,585 between the total value of the newly issued shares of CHF 44,787,300 and the book value of CHF 271,722,885 the registered shares acquired from EOS Holding as a contribution, to reserves.

2. Pursuant to the In-Kind Contribution and Asset Acquisition Agreement made by and between the company and EOS Holding, a limited stock corporation based in Lausanne, dated 27 January 2009, on the occasion of the approved capital increase of 27 January 2009, the company shall acquire from EOS Holding as an in-kind contribution 356,700 registered shares of Energie Ouest Suisse (EOS) with a nominal value of CHF 100 each. These 356,700 registered shares of Energie Ouest Suisse (EOS) acquired by way of in-kind contribution with a nominal value of CHF 100 each shall be acquired by the company for an equivalent of CHF 984,499,823.30.

3. Pursuant to the In-Kind Contribution and Asset Acquisition Agreement made by and between the company and Electricité de France SA (EDF), Paris, dated 27 January 2009, on the occasion of the approved capital increase of 27 January 2009, the company shall acquire from EDF by execution of the Transaction Agreement between these parties, on the ground of EDF's 50% holding in Electricité d'Emosson SA (Emosson), Martigny, during the term of the existing concessions regarding the expansion of the water powers near Emosson, the quota of 50% to which EDF is entitled, of the output and energy purchase rights and obligations concerning these rights (the Emosson rights) at a value of CHF 722,000,000. In return for this contribution in kind, EDF shall receive a total of 1,187,511 newly issued, fully paid in registered shares of the company with a nominal value of CHF 10 each. The company shall allocate the difference of a total of CHF 710,124,890, between the total nominal value of the issued shares of CHF 11,875,110 and the value of the Emosson rights, acquired by way of contribution inkind, amounting to CHF 722,000,000, to reserves.

### Own equity securities

As the date of this Prospectus, Alpiq does not hold any of its own registered shares.

### Dividend history

The Issuer has paid the following dividends over the last five years:

| Business Year | 2012 | 2011 | 2010 | 2009 | 2008 |
|---|---|---|---|---|---|
| Dividends (CHF per share) | 2.00 | 2.00 | 8.70 | 8.70 | 10.00 |

### Alpiq's shareholder base and the consortium agreement

Despite Alpiq being a public company listed on the SIX Swiss Exchange as of 31 December 2012, 87.76% of its shares, were owned by shareholders linked amongst themselves through a consortium agreement (*Konsortialvereinbarung*) dated 29 September 2005, as amended from time to time, relating to Alpiq (the **"Consortium Agreement"**), to which Alpiq is a party. The following shareholders (together the **"Consortium Members"**) are a party to the Consortium Agreement: Aziende Industriali di Lugano (AIL) SA, Lugano (**"AIL"**), EBL (Genossenschaft Elektra Baselland), Liestal, (**"EBL"**), EBM (Genossenschaft Elektra Birseck), Münchenstein, (**"EBM"**), EDF Alpes Investissements Sàrl, Martigny, (**"EDFAI"**), EOS HOLDING SA, Lausanne, (**"EOS"**), IBAarau AG, Aarau, (**"IBA"**), the Canton of Solothurn and Wasserwerke Zug AG, Zug (**"WWZ"**).

The chart below presents shareholders of the Issuer and their participation in the share capital of the Issuer as per 31 March 2013:

| **Name of Shareholders** | **Participation in %** |
|---|---|
| EOS HOLDING SA,<br>Ch de Mornex 10<br>CH-1001 Lausanne | 31.38 |
| EDF Alpes Investissements Sàrl,<br>Centrale de la Bâtiaz<br>CH-1920 Martigny[1] | 25.00 |
| EBM (Genossenschaft Elektra Birseck),<br>Weidenstrasse 27<br>CH-4142 Münchenstein | 13.63 |
| EBL (Genossenschaft Elektra Baselland),<br>Mühlemattstrasse 6<br>CH-4410 Liestal | 7.12 |
| Canton of Solothurn, Rathaus,<br>Barfüssergasse 24<br>CH-4509 Solothurn | 5.60 |
| Aziende Industriali di Lugano (AIL) SA<br>Via della Poste 8<br>CH-6900 Lugano | 2.12 |
| IBAarau AG,<br>Obere Vorstadt 37<br>CH-5001 Aarau | 2.00 |
| Wasserwerke Zug<br>Chollerstrasse 24<br>CH- 6301 Zug | 0.91 |
| EnBW Enhol Beteiligungsgesellschaft GmbH,<br>Durlach Allee 93, 76131 D-Karlsruhe | 2.09 |
| Public shareholders | 10.15 |
| Total share capital | 100.00 |

[1] EDFAI is a fully controlled subsidiary of E.D.F. International, Tour EDF, 20 Place de la Défense, F-92050 Paris La Défense, which is in turn a subsidiary of Electricité de France, 22 / 30 Avenue Wagram, F-75382 Paris 8.

In the Consortium Agreement, the Consortium Members have agreed on the following composition of the Board of Directors: EDF has the right to appoint four members of the Board of Directors, EOS has the right to appoint four members of the Board of Directors. AIL, EBL, EBM, IBA, the Canton of Solothurn, and WWZ (together the **Consortium of Swiss Minorities**) have the right to appoint, together, four members of the Board of Directors, one of which will be a representative of the Canton of Solothurn. In the Consortium Agreement, it is stated that the Chairman of the Board shall be independent from the Consortium Members.

As of the date of this Offering Memorandum, the Consortium Members have appointed the members of the Board of Directors as follows

| Name of Board Member | Nominating Consortium Member |
|---|---|
| Hans E. Schweickardt, Chairman | Independent |
| Christian Wanner, Vice-Chairman | Consortium of Swiss Minorities (representative of the Canton of Solothurn) |
| Conrad Ammann, Member | Consortium of Swiss Minorities |
| Michael Baumgärtner, Member | EDF |
| Dominique Bompoint, Member | EDF |
| Olivier Fauqueux, Member | EDF |
| Damien Gros, Member | EDF |
| Claude Lässer, Member | EOS |
| René Longet, Member | EOS |
| Alex Kummer, Member | Consortium of Swiss Minorities |
| Guy Mustaki, Member | EOS |
| Jean-Yves Pidoux, Member | EOS |
| Urs Steiner, Member | Consortium of Swiss Minorities |

**Related party transactions**

Alpiq is a party to several long term power supply agreements with different members of the Consortium of Swiss Minorities and different shareholders of EOS, under which Alpiq shall supply significant volumes of power. Accordingly, a significant amount of Alpiq's total generation is taken up by such members of the Consortium of Swiss Minorities and by such shareholders of EOS under these power supply agreements. In addition, Alpiq is a party to several long term power sale and purchase agreements with EDF, the parent company of EDFAI, both on the seller's and on the buyer's side.

Due to their participation in Alpiq, EOS and EDFAI have significant influence over Alpiq.

**Shareholder Loan Notes**

On 24 April 2013, the Issuer has entered into a bond purchase agreement with EBL, EBM, EOS, IBA, the Canton of Solothurn and WWZ (together the **Participating Shareholders**), pursuant to which the Participating Shareholders committed to acquire from the Issuer, and the Issuer committed to issue to the Participating Shareholders, perpetual subordinated loan notes with a nominal value of CHF 500,000, each (the **Shareholder Loan Notes**) in a total amount of CHF 366,500,000. The Shareholder Loan Notes are acquired by the Participating Shareholders as set out in the chart below:

| Acquiring Shareholder | Amount of Shareholder Loan Notes | Purchase Price |
|---|---|---|
| EBL (Genossenschaft Elektra Baselland) | 20 Shareholder Loan Notes | CHF 10,000,000 |
| EBM (Genossenschaft Elektra Birseck) | 140 Shareholder Loan Notes | CHF 70,000,000 |
| EOS Holding SA | 484 Shareholder Loan Notes | CHF 242,000,000 |
| IBAarau AG | 20 Shareholder Loan Notes | CHF 10,000,000 |
| Kanton Solothurn | 60 Shareholder Loan Notes | CHF 30,000,000 |
| Wasserwerke Zug | 9 Shareholder Loan Notes | CHF 4,500,000 |

The Shareholder Loan Notes are perpetual in nature and rank pari passu with Alpiq's share capital and junior to the Subordinated Notes. The Shareholder Loan Notes can be redeemed at the option of Alpiq on any interest payment date, but only after the repayment of the Subordinated Notes. However, Alpiq may redeem the Shareholder Loan Notes through an exchange into shares at an exchange ratio to be agreed upon by Alpiq and the holders of the Shareholder Loan Notes. In addition, the Shareholder Loan Notes may also be redeemed at any time upon an accounting, tax or capital event under certain conditions, as further specified in the terms and conditions of the Shareholder Loan Notes. Alpiq will pay an initial interest rate which is equal to the Initial Interest Rate (as defined in the Terms of the Subordinated Notes) until 2023, and the rate will then be reset upon each tenth anniversary thereafter, determined by the prevailing 10 year CHF mid swap rate plus the initial credit spread and the step-up (*i.e.* 25 bps starting from year 10 and a further 75 bps starting from year 30). Interest payments on the Shareholder Loan Notes are fully discretionary and non-cumulative. However, should Alpiq decide not to pay interest they have agreed not to propose a dividend on their share capital at the next annual general meeting. If the shareholders then resolve that Alpiq has to pay a dividend, Alpiq shall reimburse the holders of the Shareholder Loan Notes the missed interest payment for the relevant financial year. Should the shareholders request a discharge of the Shareholder Loan Notes, Alpiq may deliver either shares or another equity accounted subordinated instrument to fulfil such redemption.

### Early repayment of outstanding loan to EOS

As a precondition for EOS to purchase the Shareholder Loan Notes, EOS and the Issuer agreed on the early repayment by the Issuer of a shareholder loan which was granted by EOS to the Issuer in January 2009 under a loan agreement over a loan in a total amount of CHF 720 million (the **"EOS Loan Agreement"** and the **"EOS Loan"**). Whereas the first two EOS Loan tranches in a combined principal amount of CHF 400 million were repaid by the Issuer in the past, the third tranche of the EOS Loan with a principal amount of CHF 320 million (the **"Third EOS Loan Tranche"**) plus applicable interest would fall due in December 2013. In connection with the purchase of Shareholder Loan Notes by EOS, the Issuer and EOS have now agreed on an early repayment of the Third EOS Loan Tranche, in order to enable EOS to subscribe and purchase the Shareholder Loan Notes from the Issuer. The repayment of the Third EOS Loan Tranche to EOS and the subsequent purchase by EOS of the Shareholder Loan Notes pursuant to the foregoing paragraph are expected to take place in May, 2013.

### Recent Developments

On 3 January 2013, Alpiq transferred ownership of its high-voltage grid to Swissgrid, the national grid operator. Alpiq was granted shares in Swissgrid under this transaction. Swissgrid also took over a loan commitment of around CHF 400 million repayable to Alpiq in instalments. An initial repayment of CHF 223 million was completed in the first quarter of 2013.

On 22 January 2013, Nant de Drance SA, a company whose purpose is the construction of the pump storage power plant Nant de Drance and in which Alpiq holds a participation of 39%, raised CHF 550 million through the public issuance of bonds in two tranches.

On 8 March 2013, Alpiq announced that the consortium ARGE EquiFEL Suisse, in which Alpiq InTech is a participant, has been awarded by the Paul Scherrer Institute, a renowned research institute, the contract for the implementation of the building and the technical infrastructure for the new free-electron X-ray laser SwissFEL. Alpiq InTec is responsible for the project management and the provision of the technical infrastructure, and a general contractor agreement between the Paul Scherrer Institute and the consortium ARGE EquiFEL Suisse was signed.

On 2 April 2013, Alpiq announced that the sale of 24.6 % of the shares in Repower AG to the Canton of Grisons and Axpo has been completed. On 24 April 2013, Alpiq announced that the purchase price of such sale amounted to CHF 250 per share, which led to a cash inflow of around CHF 171 million.

On 9 April 2013, three new machine groups at the Navizence power station in Chippis (Canton of Valais) were put into operation simultaneously for the first time. They replaced the seven machine groups that had been in operation for more than 60 years. These new machines increased the capacity of the power plant from 50 to 70 MW. The cost of the work to modernise the Navizence power station amounted to CHF 75 million. The Navizence power station in Chippis belongs to the Force Motrice de la Gougra SA, a company in which Alpiq holds a participation of 54%.

## Information on the Issuer's most recent business performance

On 25 April 2013, Alpiq announced that in the first quarter of 2013, it recorded consolidated net revenue of around CHF 2,429 million and an EBITDA of CHF 229 million. With EBITDA of CHF 229 million (previous year: CHF 222 million), Alpiq has delivered good results for the first quarter of 2013. The EBIT amounted to CHF 163 million (previous year: CHF 105 million), with a Group profit of CHF 65 million (previous year: CHF 45 million).

Despite the drop in market prices, Alpiq achieved a good result thanks to higher-than-expected hydraulic production as a result of its optimised production park, cost savings related to the ongoing restructuring programme, activities on the international wholesale markets, and the contribution made by new renewable energies. This result is all the more satisfactory since it does not contain grid revenue after the transfer of facilities to Swissgrid. EBIT was positively impacted by the impairment charges recognised at the end of 2012.

As a result of the disposals and closures already carried out under the divestment programme, consolidated net revenue declined by 28.8% to around CHF 2,429 million.

Despite the good results for the first quarter of 2013, Alpiq expects to end the full year with lower results than the operating results for 2012. This is due on the one hand to the sale or imminent disposal of activities as part of the divestment programme, and on the other hand to price adjustments and various regulatory developments.

As of 31 March 2013, the Group had CHF 5,375 million of total debt outstanding whereof CHF 3,583 million in the form of bonds. As of 31 March 2013, the Group's liquidity amounted to CHF 1,906 million plus CHF 1,230 million committed and unused credit lines. Net debt was CHF 3,469 million a reduction of around CHF 500 million compared to 31 December 2012 as a result of inflows from divestments (sale of the stake in Romande Energie Holding SA, sale of the stake in Repower AG, settlement of the first instalment of the purchase price related to the transfer of the grid to Swissgrid), and the positive trend in operating business. The restructuring programme will be continued. As announced, the company expects to reduce its annual costs by CHF 100 million as from 2015. The announced divestment programme continues in 2013.

## Material changes since the most recent annual financial statements

Except as disclosed in this Prospectus, there has been no material adverse change in the financial condition or operations of the Issuer since 31 December 2012, which would materially affect its ability to carry out its obligations under the Subordinated Notes.

## RESPONSIBILITY STATEMENT

The Issuer accepts responsibility for all information contained in this Prospectus and has taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts, the omission of which would make any statement herein misleading, whether of fact or opinion.

Olten, 3 May 2013

**Alpiq Holding AG**

## TAXATION IN SWITZERLAND

The following is a summary of certain Swiss tax consequences of the purchase, beneficial ownership and disposition of the Subordinated Notes. The summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to purchase, own or dispose of the Subordinated Notes. The summary relates only to the position of persons who are the absolute beneficial owners of the Subordinated Notes and may not apply to certain other classes of persons.

The summary is based upon Swiss tax laws and tax practice as in effect on the date of this Prospectus, which are subject to prospective or retroactive change, and a tax ruling with the Swiss federal tax administration. The summary does not constitute tax or legal advice and the comments below are of a general nature only. Prospective investors in the Subordinated Notes should consult their own advisors as to the Swiss or other tax consequences of the purchase, beneficial ownership and disposition of the Subordinated Notes.

### Withholding tax

According to the present Swiss law and practice of the Swiss Federal Tax Administration, payments of interest on the Subordinated Notes and payments which qualify as interest for Swiss withholding tax purposes, are subject to Swiss withholding tax at a rate of currently 35%. If the respective requirements are met, the holder of an Instrument residing in Switzerland is entitled to a full refund or tax credit for the Swiss withholding tax whereas a holder of an Instrument who is not resident in Switzerland may be entitled to claim a full or partial refund of the Swiss withholding tax by virtue of the provisions of an applicable double taxation treaty, if any, concluded between Switzerland and the country of residence of such holder, subject to qualifications mentioned below.

On 24 August 2011, the Swiss Federal Council issued draft legislation, which, if enacted, may require a paying agent in Switzerland to deduct Swiss withholding tax at a rate of 35% on any payment of interest in respect of an Instrument to an individual resident in Switzerland or to a person resident in a country which has no double tax treaty with Switzerland. If this legislation or similar legislation were enacted and a payment in respect of an Instrument were to be made or collected through Switzerland and an amount of, or in respect of, Swiss withholding tax were to be deducted or withheld from that payment, neither the Issuer nor any paying agent nor any other person would pursuant to the Final Terms of the Subordinated Notes be obliged to pay additional amounts with respect to any Bond as a result of the deduction or imposition of such withholding tax.

### Transfer Stamp Tax

There is no transfer stamp tax liability in Switzerland in connection with the issue and redemption of the Subordinated Notes. Subordinated Notes with a term of more than 12 months which are sold through a Swiss or a Liechtenstein domestic bank or a Swiss or a Liechtenstein domestic securities dealer (as defined in the Swiss Federal Stamp Duty Law), are subject to the Swiss securities transfer stamp tax (turnover tax) of presently 0.15%. with some exceptions as detailed in the Swiss Federal Stamp Duty Law.

### Income Taxation on Principal or Interest

#### *Subordinated Notes held by Non-Swiss holders*

Payments by the Issuer of interest on, and repayment of principal of, the Subordinated Notes, to, and gain realized on the sale or redemption of Subordinated Notes by, a holder of Subordinated Notes, who is not a resident of Switzerland, and who during the relevant taxation year has not engaged in a trade or business through a permanent establishment or a fixed place of business in Switzerland to which the Subordinated Notes are attributable, will not be liable for any Swiss federal, cantonal or communal income tax.

#### *Subordinated Notes held as Private Assets by Swiss Resident Holders*

An individual who resides in Switzerland and holds an Instrument as a private asset will be required to include all payments of interest received on the Instrument in his or her personal income tax return for the relevant tax period and will be taxable on any net taxable income (including the payment of interest on the Instrument) for such tax period at the then prevailing tax rates. Conversely, a capital loss realized by him or her on the sale or other disposition of an Instrument and a capital loss incurred as a consequence of a write down of the Instrument will constitute a non-tax-deductible loss. See: "Taxation – Subordinated Notes held as Swiss business assets" below for a summary on the tax treatment of individuals classified as "professional securities dealers".

### *Subordinated Notes held as Swiss Business Assets*

Individuals who hold Subordinated Notes as part of a business in Switzerland, and Swiss-resident corporate taxpayers, and corporate taxpayers residing abroad holding Subordinated Notes as part of a Swiss permanent establishment or fixed place of business in Switzerland, are required to recognize payments of interest and any capital gain or loss, as applicable, realized on the sale or other disposal of such Subordinated Notes, in their income statement for the respective tax period and will be taxable on any net taxable earnings for such period at the prevailing tax rates. The same taxation treatment also applies to Swiss-resident individuals who, for Swiss income tax purposes, are classified as "professional securities dealers" for reasons of, inter alia, frequent dealings, or leveraged transactions, in securities.

## Foreign Final Withholding Tax

On 1 January 2013 treaties on final withholding taxes between the Switzerland and the United Kingdom and between Switzerland and Austria entered into force. The treaties, inter alia, require a Swiss paying agent to levy final withholding tax at specified rates in respect of an individual resident in the United Kingdom or resident in Austria, as applicable, on interest or capital gain paid, or credited to an account, relating to the Subordinated Notes. The final withholding tax substitutes the United Kingdom or Austrian income tax, as applicable, on such income of interest or capital gain. If such final withholding tax is levied, Swiss withholding tax can be reclaimed by the Swiss paying agent on account of the holder of the Instrument.

Such a person may, however, in lieu of the final withholding tax opt for voluntary disclosure of the interest or capital income to the tax authority of his or her country of residency. Note that Switzerland may conclude similar treaties with other European countries, negotiations currently being conducted with Greece and Italy.

# TERMS OF THE SUBORDINATED NOTES

## Terms and Conditions of the Subordinated Notes

The following terms and conditions (each a **Condition**, and together the **Terms of the Subordinated Notes**) relate to the Perpetual Subordinated Notes (the **Subordinated Notes**, and each a **Subordinated Note**) in the aggregate principal amount of Swiss francs (**CHF**) 650,000,000, to be issued by Alpiq Holding AG, Chemin de Mornex 10, 1003 Lausanne, Switzerland (the **Issuer**) on 15 May 2013 that were established pursuant to a Notes Purchase Agreement dated 2 May 2013 (the **Agreement**) among the Issuer on the first part, and Credit Suisse AG, Paradeplatz 8, 8001 Zurich, Switzerland (**CS**), UBS AG, Bahnhofstrasse 45, 8001 Zürich, Switzerland (**UBS**) and Zürcher Kantonalbank, Bahnhofstrasse 9, 8001 Zurich, Switzerland (**ZKB** and together with CS and UBS, the **Joint-Lead Managers**) on the second part and to which BZ Bank AG, Egglirain 15 8832 Wilen, Switzerland, BNP Paribas (Suisse) SA, 2, place de Hollande, 1204 Geneva, Switzerland, Deutsche Bank AG London Branch, acting through Deutsche Bank AG Zurich Branch, Uraniastrasse 9, 8001 Zurich, Switzerland, Commerzbank AG, Mainzer Landstrasse 151, 60327 Frankfurt am Main, Germany and UniCredit Bank AG, Arabellastrasse 12, 81925 Munich, Germany, became parties on 3 May 2013. The Terms of the Subordinated Notes govern the rights and obligations of the Issuer and of each Holder in relation to the Subordinated Notes and are as follows (capitalized terms used herein have the meaning ascribed to them in Condition 17):

### 1. Form and Denomination

a. The aggregate principal amount of the Subordinated Notes is CHF 650,000,000 which is divided into Subordinated Notes with denominations of CHF 5,000 (five thousand Swiss francs) per Subordinated Note (the **Principal Amount**).

b. The Subordinated Notes will be issued as uncertificated securities (*Wertrechte*) in accordance with article 973c of the Swiss Code of Obligations, which will be created by the Issuer by means of registration in the register of uncertificated securities (*Wertrechtebuch*) regarding the Subordinated Notes.

c. When issued as uncertificated securities (*Wertrechte*) pursuant to Condition 1.b, the Subordinated Notes will be registered in the main register (*Hauptregister*) of SIX SIS Ltd. (**SIS**) or any other intermediary in Switzerland recognized for such purposes by SIX Swiss Exchange (SIS or any such other intermediary, the **Intermediary**).

d. Once registered in the main register (*Hauptregister*) of the Intermediary and entered into the accounts of one or more participants of the Intermediary, the Subordinated Notes will constitute intermediated securities (*Bucheffekten*) (the **Intermediated Securities**) in accordance with the provisions of the Swiss Federal Act on Intermediated Securities of 3 October 2008 (the **FISA**) (*Bundesgesetz über Bucheffekten; Bucheffektengesetz, BEG vom 3. Oktober 2008*).

e. So long as the Subordinated Notes are Intermediated Securities, the Subordinated Notes may only be transferred by the entry of the transferred Intermediated Securities in a securities account of the transferee.

f. The records of the Intermediary will determine the number of Subordinated Notes held through each participant of that Intermediary. In respect of the Subordinated Notes held in the form of Intermediated Securities, the holders of such Subordinated Notes will be the persons holding such Subordinated Notes in a securities account (*Effektenkonto*) which is in their name or, in the case of intermediaries (*Verwahrungsstellen*), the intermediaries (*Verwahrungsstellen*) holding such Subordinated Notes for their own account in a securities account (*Effektenkonto*) which is in their name (and the expressions **Holder** and **Holders** and related expressions shall be construed accordingly).

g. No physical delivery of any Subordinated Notes will be made. Neither any Holder, nor the Issuer, the Principal Paying Agent nor any other person shall at any time have the right to effect or demand the delivery of physical securities and/or the conversion of the uncertificated securities (*Wertrechte*) and/or of the Intermediated Securities (*Bucheffekten*) into, or the printing and/or delivery of, a permanent global certificate (*Globalurkunde*) or definitive securities (*Wertpapiere*).

## 2. Status of the Subordinated Notes

a. The obligations of the Issuer under the Subordinated Notes constitute direct, unsecured and subordinated obligations of the Issuer and, in the event of the liquidation, dissolution, insolvency, composition or other proceedings for the avoidance of insolvency of the Issuer, rank (i) senior only to the Issuer's share capital and any Junior Securities, (ii) *pari passu* among themselves and *pari passu* with any Parity Securities, and (iii) junior to all other present and future obligations of the Issuer, whether subordinated or unsubordinated, except as otherwise provided by mandatory provisions of law or as expressly provided for by the terms of the relevant instrument.

b. In the event of the liquidation, dissolution, insolvency, composition or other proceedings for the avoidance of insolvency of the Issuer, the obligations of the Issuer under the Subordinated Notes will be subordinated to the claims of all unsubordinated and subordinated creditors of the Issuer pursuant to Condition 2.a, the rights of the Holders towards the Issuer shall be subordinated to the claims of all unsubordinated and subordinated creditors of the Issuer pursuant to Condition 2.a so that in any such event no amounts shall be payable in respect of the Subordinated Notes until the claims of all such unsubordinated and subordinated creditors of the Issuer shall have first been satisfied in full.

c. In bankruptcy proceedings (*Konkursverfahren*) or any form of composition with creditors (*Nachlassverfahren*) in relation to the Issuer, the Holders shall not be entitled to, and shall not, argue or vote as creditor of the Issuer or its estate that the Subordinated Notes rank or be treated senior, pari passu or otherwise in competition with any creditors the claims of which are senior to the Subordinated Notes pursuant to Condition 2.a.

d. Each creditor whose claims rank senior to the Subordinated Notes is entitled in his own right to invoke and hold the status of the Subordinated Notes pursuant to this Condition 2 against the Holders and the Issuer.

**Junior Securities** means any securities or other instruments which are expressed to rank junior to the Subordinated Notes or are expressed to rank *pari passu* with the Issuer's share capital, including the Loan Notes.

**Parity Securities** means (i) any securities or other instruments issued by the Issuer and claims towards the Issuer which are expressed to rank *pari passu* with the Issuer's obligations under the Subordinated Notes or (ii) securities or other instruments issued by a Subsidiary, where such securities or instruments have the benefit of a guarantee or keep well agreement by the Issuer, and the obligations under such guarantee or keep well agreement rank pari passu with the Issuer's obligations under the Subordinated Notes.

**Subsidiary** means a company the financial statements of which are, in accordance with applicable law or Applicable Accounting Standards, fully consolidated with those of the Issuer.

## 3. No Set-Off

No Holder may set-off any claims arising under the Subordinated Notes against any claims that the Issuer may have against it. The Issuer may not set-off any claims it may have against the Holders against any of its obligations under the Subordinated Notes.

## 4. Interest

### 4.1 Interest Calculation

a. Unless previously redeemed in accordance with these Terms of the Subordinated Notes and subject to the further provisions of this Condition 4 (in particular, but not limited to Condition 4.2) the Subordinated Notes bear Interest payable annually in arrear on 15 November of each year (each an **Interest Payment Date**), first payable on 15 November 2013 as follows:

i. from and including 15 May 2013 (the **Issue Date**) to, but excluding, 15 November 2018 (the **First Call Date**) at a rate of 5.00 per cent. per annum (the **Initial Interest Rate**) of their Principal Amount;

ii. from and including the First Call Date to, but excluding, 15 November 2023 (the **First Step-up Date**) at a rate per annum which shall be equal to the Reference Rate plus 4.5725 per cent. per annum of their Principal Amount;

iii. from and including the First Step-up Date to, but excluding, 15 November 2043 (the **Second Step-up Date**) at a rate per annum which shall be equal to the Reference Rate plus 4.8225 per cent. per annum of their Principal Amount;

iv. from and including the Second Step-up Date and thereafter at a rate per annum which shall be equal to the Reference Rate plus 5.5725 per cent. per annum of their Principal Amount.

**Reference Rate** means in each case the 5-year CHF mid market swap rate (the **5-year CHF Mid Market Swap Rate**) determined five Business Days prior to the beginning of the relevant Reset Interest Period (the **Reference Reset Date**). The Reference Rate for a Reset Interest Period will be determined by the Calculation Agent and will be calculated on the basis of the rates displayed on ISDAFIX page "CHFSFIX" (or such other page as may replace that page on ISDAFIX, or such other service as may be nominated by the person providing or sponsoring the information appearing there for the purposes of displaying comparable rates) (the **Reset Screen Page**) at 11.00 a.m. London time on the Reference Reset Date. In the event that the 5-year CHF Mid Market Swap Rate does not appear on the Reset Screen Page on the Reference Reset Date, the 5-year CHF Mid Market Swap Rate will be the Reset Reference Bank Rate on such Reference Reset Date.

**Reset Reference Bank Rate** means the swap rate determined (i) on the basis of quotations provided by four major banks in the CHF swap market of the rates at which swaps in CHF are offered (the Reset Reference Banks) at approximately 11.00 a.m. London time on the Reference Reset Date to participants in the CHF swap market for the period equal to the relevant five-year period; and (ii) the arithmetic mean rounded, if necessary, to the nearest 0.00001 (0.000005 being rounded upwards) of such quotations.

**Reset Interest Period** means each period from and including the First Call Date to but excluding the next following Reset Date and thereafter from and including each Reset Date to but excluding the next following Reset Date.

**Reset Date** means each of the First Call Date, the First Step Up Date, 15 November 2028, 15 November 2033, 15 November 2038, the Second Step up Date and every fifth anniversary thereafter.

b. Promptly after the determination of the Reference Rate in relation to each Reset Interest Period, the Calculation Agent shall calculate the respective interest rate (each a **Reset Interest Rate**) for each Subordinated Note pursuant to Condition 4.1.a above.

c. The Calculation Agent will cause the Reset Interest Rate to be notified to the Issuer, the Principal Paying Agent and, if required by the rules of the SIX Swiss Exchange, to the Holders in accordance with Condition 8 without undue delay, but, in any case, not later than on the eighth Business Day after its determination.

d. Interest payable per Subordinated Note on the respective Interest Payment Date (the **Interest**) shall be calculated by multiplying the Initial Interest Rate or, as the case may be, the respective Reset Interest Rate by the Principal Amount and rounding the resulting figure to the nearest centimes with 0.5 or more of a centimes being rounded upwards. If interest is to be calculated for a period of less than one year, it shall be calculated on the basis of the number of days in the relevant period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months).

e. If any Interest Payment Date falls on a day which is not a Business Day, the relevant payment will be made on the immediately following Business Day. Holders shall not be entitled to demand additional interest or any other payment in respect of such delay.

### 4.2 Deferral of Interest

a. Interest shall only be due and payable on an Interest Payment Date if the Issuer so elects. Any Interest not paid in whole or in part due to such election of the Issuer shall constitute **Deferred Interest**.

b. Deferred Interest shall remain outstanding and payable for three consecutive deferrals of Interest and thereafter the respective portion of the Deferred Interest shall be deemed cancelled.

c. Deferred Interest shall not bear interest.

d. If the Issuer elects not to pay Interest on an Interest Payment Date, then it will not have any obligation to pay Interest on such Interest Payment Date, and any such failure to pay Interest shall not constitute a default of the Issuer or any other breach of its obligations under the Subordinated Notes or for any other purpose.

e. If the Issuer decides not to pay Interest on an Interest Payment Date, the Issuer shall notify the Holders in accordance with Condition 8 not less than ten and not more than fifteen Business Days prior to the relevant Interest Payment Date.

### 4.3 Compulsory Settlement of Deferred Interest

a. Subject to Condition 4.2.b above, the Issuer may pay outstanding Deferred Interest (in whole but not in part) at any time upon giving of not less than ten and not more than fifteen Business Days' notice in accordance with Condition 8 (which notice shall be irrevocable and will oblige the Issuer to pay the relevant Deferred Interest on the payment date specified in such notice).

b. Subject to Condition 4.2.b above, outstanding Deferred Interest shall become due and payable (in whole but not in part) and shall be paid by the Issuer on a Compulsory Payment Date or immediately thereafter. A **Compulsory Payment Date** means any of the following events:

   i. the date falling 15 Business Days following the date on which the general meeting of the shareholders of the Issuer has resolved to pay a dividend on any shares of the Issuer (other than a dividend, distribution or payment which is made in the form of shares of the Issuer (the **Shares of the Issuer**)); or

   ii. the date falling 15 Business Days following the date on which the Issuer has redeemed share capital or the Issuer or any of its Subsidiaries has repurchased or otherwise acquired any of the outstanding Shares of the Issuer (other than (v) market making activities in compliance with applicable laws (w) in connection with any employee benefit plan or similar arrangements with, or for the benefit of employees, officers, directors or consultants, (x) as a result of the exchange or conversion of one class of shares for another class, or (y) in the case the Issuer or any of its Subsidiaries has received Shares of the Issuer as consideration for a sale of assets to third parties, or (z) in connection with any intragroup transactions); or

   iii. the date on which the Issuer or any of its Subsidiaries has paid any interest or has made any distribution or other payment in respect of any Junior Securities or any Parity Securities; or

   iv. the date on which the Issuer or any of its Subsidiaries has redeemed, repurchased or otherwise acquired (in each case directly or indirectly) any Junior Securities or any Parity Securities; or

   v. the due date for the whole redemption of the Subordinated Notes in accordance with these Terms of the Subordinated Notes; or

   vi. the date on which the general meeting of shareholders of the Issuer resolves the voluntary winding-up of the Issuer, the Issuer is declared bankrupt, or an order is made for the winding-up, dissolution or liquidation of the Issuer (in each case other than for the purposes of or pursuant to a corporate reorganisation while solvent, where the continuing entity assumes substantially all of the assets and obligations of the Issuer);

   provided that in the cases (iii) and (iv) above no Compulsory Settlement Date occurs if the Issuer or the relevant Subsidiary is compulsorily obliged under the terms of such Junior Securities or Parity Securities to make such payment, such repurchase or such other acquisition; and further provided that in case (iv) above no Compulsory Settlement Date occurs (A) if the Issuer or the relevant Subsidiary repurchases or otherwise acquires any Parity Security in whole or in part in a public tender offer or public exchange offer at a consideration per Parity Security below the respective par value, provided that such a tender offer is also made, on substantially equivalent terms, in respect of the Subordinated Notes, or (B) if the

Loan Notes are exchanged into Shares of the Issuer or replaced by another subordinated instrument similar to the Loan Notes in accordance with condition 5.2 or condition 6 of the terms of the Loan Notes.

## 5. Redemption

### 5.1 No Fixed Maturity

The Subordinated Notes are undated perpetual obligations in respect of which there is no fixed maturity date. The Subordinated Notes shall not be redeemed except in accordance with this Condition 5.

### 5.2 Issuer Call Right and Early Redemption at the Option of the Issuer

The Issuer may call and redeem the Subordinated Notes (in whole but not in part) on the First Call Date and on any Interest Payment Date thereafter upon giving not less than 30 and not more than 60 calendar days' irrevocable notice of the redemption in accordance with Condition 8. Such notice of redemption shall oblige the Issuer to redeem the Subordinated Notes at their Principal Amount plus Interest accrued to (but excluding) the Redemption Date and any outstanding Deferred Interest.

### 5.3 Issuer Call Right and Early Redemption Upon Occurrence of a Special Event

Upon occurrence of an Accounting Event, a Tax Event, or a Capital Event (each a **Special Event**), the Issuer may call and redeem the Subordinated Notes (in whole but not in part) at any time upon giving of not less than 30 and not more than 60 calendar days' irrevocable notice in accordance with Condition 8. Such notice of redemption shall oblige the Issuer to redeem the Subordinated Notes at their Principal Amount plus Interest accrued to (but excluding) the Redemption Date and any outstanding Deferred Interest.

An **Accounting Event** has occurred if a recognised accounting firm, acting upon instructions of the Issuer, has delivered an opinion to the Issuer and the Principal Paying Agent, stating that as a result of a change in the Applicable Accounting Standards, the Subordinated Notes no longer fully qualify as "equity" for purposes of the Applicable Accounting Standards.

**Applicable Accounting Standards** means International Financial Reporting Standards (IFRS) promulgated from time to time by the International Accounting Standards Board.

A **Tax Event** has occurred if an opinion of a recognised independent tax counsel has been delivered to the Issuer and the Principal Paying Agent, stating that as a result of any change in the laws or regulations of Switzerland, or any political subdivision therein or any authority thereof or therein having power to tax, any change in the application or official interpretation of such laws or regulations, or any other change in the tax treatment of the Subordinated Notes, becoming effective on or after the Issue Date, Interest is no longer fully tax-deductible by the Issuer for Swiss federal, cantonal or communal corporate income tax purposes.

A **Capital Event** has occurred if, as result of a change in the hybrid capital methodology or the interpretation thereof after the Issue Date, the Subordinated Notes would be eligible for a level of "equity credit" (or such similar nomenclature used by the relevant Rating Agency from time to time) that is, in the reasonable opinion of the Issuer, materially reduced when compared to the level of "equity credit" which would initially have been attributed to the Subordinated Notes by the relevant Rating Agency if the Issuer on the Issue Date had obtained such rating assessment from the relevant Rating Agency.

**Rating Agency** means any one of Moody's Investor Services Ltd., Standard & Poor's, a division of the McGraw-Hill Companies or Fitch Ratings.

### 5.4 Clean-up Redemption

In the event that the Issuer and/or any Subsidiary has, severally or jointly, purchased Subordinated Notes equal to or in excess of 80 per cent. of the aggregate Principal Amount of the Subordinated Notes initially issued, the Issuer may call and redeem the remaining Subordinated Notes (in whole but not in part) upon giving not less than 30 and not more than 60 calendar days' irrevocable notice of redemption to the Holders in accordance with Condition 8. Such notice of redemption shall oblige the Issuer to redeem the Subordinated Notes at their Principal Amount plus Interest accrued to (but excluding) the Redemption Date and any outstanding Deferred Interest.

### 5.5 Purchases

The Issuer may at any time purchase the Subordinated Notes in the open market or otherwise and at any price. Subordinated Notes purchased by the Issuer may, at the option of the Issuer, be held, resold or surrendered to the Principal Paying Agent for cancellation. If purchases are made by public tender, tenders for such Subordinated Notes must be made available to all Holders alike, to the extent possible under applicable securities laws and regulations.

## 6. Payments

a. The amounts required for the payments under these Terms of the Subordinated Notes will be made available in good time in freely disposable CHF, which will be placed at the free disposal of the Principal Paying Agent on behalf of the Holders. If the due date for any payment by the Issuer does not fall on a Business Day, the Issuer undertakes to effect payment for value the Business Day immediately following such due date and the Holders will not be entitled to any additional sum in relation thereto.

b. The receipt by the Principal Paying Agent of the funds in CHF in Switzerland from the Issuer shall release the Issuer of its payment obligations under the Subordinated Notes to the extent of the amounts received by the Principal Paying Agent.

c. Upon receipt of the funds in Switzerland and under the same conditions as received, the Principal Paying Agent will arrange for payment to the Holders.

d. The payments shall be made in freely disposable CHF without collection cost to the Holders, and, unless otherwise provided for by applicable law, without any restrictions and whatever the circumstances may be, irrespective of nationality, residence or domicile of the Holders and without requiring any affidavit or the fulfilment of any other formality.

e. If, at any time during the life of the Subordinated Notes, the Principal Paying Agent shall resign or become incapable of acting as Principal Paying Agent as contemplated by these Term of the Subordinated Notes, the Principal Paying Agent may be substituted by a duly licensed Swiss bank or branch of a major foreign bank chosen by the Issuer. In the event of such replacement of the Principal Paying Agent, all references to the Principal Paying Agent shall be deemed to refer to such replacement. Notice of such replacement shall be published in accordance with Condition 8.

f. If, at any time during the life of the Subordinated Notes, the Calculation Agent shall resign or become incapable of acting as Calculation Agent as contemplated by these Term of the Subordinated Notes, the Calculation Agent may be substituted by a duly licensed major Swiss bank or branch of a foreign bank chosen by the Issuer. In the event of such replacement of the Calculation Agent, all references to the Calculation Agent shall be deemed to refer to such replacement. Notice of such replacement shall be published in accordance with Condition 8.

## 7. Taxation

All payments of Interest on the Subordinated Notes are subject to all applicable taxes, including the deduction of the Swiss Federal Withholding Tax (*Verrechnungssteuer*), currently levied at a rate of 35 per cent.

## 8. Notices

All notices regarding the Subordinated Notes shall be published by the Principal Paying Agent on behalf and at the expense of the Issuer (i) on the internet site of the SIX Swiss Exchange (where notices are currently published under the address www.six-swiss-exchange.com/bonds/issuers/official_notices/search_en.html) or (ii) otherwise in accordance with the regulations of the SIX Swiss Exchange.

## 9. Listing

Application will be made for the admission to trading and listing of the Subordinated Notes on the SIX Swiss Exchange. The Issuer will use its reasonable efforts to have the Subordinated Notes listed on the SIX Swiss Exchange and to maintain such listing during the whole life of the Subordinated Notes in accordance with standard Swiss market practice. The last trading day will be the third Business Day prior to the date on which the Subordinated Notes will be fully redeemed.

## 10. Statute of Limitation

Claims against the Issuer in respect of Subordinated Notes will become time-barred unless presented for payment within a period of presently ten years (in the case of the principal) and within five years (in the case of interest) from the appropriate relevant due date, by virtue of the statue of limitations of Swiss law.

## 11. Reopening

The Issuer reserves the right to reopen this issue without the consent of the Holders by the issue of additional Subordinated Notes which will be fungible with the Subordinated Notes (i.e., identical especially in respect of the Terms of the Subordinated Notes, security number, maturity and interest rate). The term "Subordinated Notes" shall, in the case of such issue, also comprise such additionally issued Subordinated Notes.

## 12. Governing Law and Jurisdiction

The Terms of the Subordinated Notes and the Subordinated Notes shall be governed by and construed in accordance with the **substantive laws of Switzerland**.

Any dispute which might arise between Holders on the one hand and the Issuer on the other hand regarding the Subordinated Notes shall fall within the **exclusive jurisdiction of the courts of the city of Zurich and, if permitted, the Commercial Court of the Canton of Zurich, Switzerland, venue being Zurich 1**.

## 13. Amendments

### 13.1 General Amendments

The Principal Paying Agent may, without the consent of the Holders, agree to any amendment of the Terms of the Subordinated Notes which, in the opinion of Principal Paying Agent, is of a formal, minor or technical nature or is made to correct a manifest error.

### 13.2 Amendment Restrictions

So long as any Principal Amount of the Subordinated Notes remains outstanding, the Issuer shall not amend any term of, or substitute the Issuer under, the Loan Notes, except for any amendments or substitution which are not prejudicial to the interests of the Holders and provided that such amendments or substitution are made in accordance with the terms of the Loan Notes.

## 14. Substitution of the Issuer

The Issuer may, without the consent of the Holders, at any time substitute itself in respect of all rights and obligations arising under or in connection with the Subordinated Notes with any Swiss legal entity of which all shares carrying voting rights are directly or indirectly held by the Issuer or with any Swiss legal entity holding directly or indirectly all the shares of the Issuer (the **New Issuer**), provided that:

a. the New Issuer is in a position to fulfil all payment obligations arising from or in connection with the Subordinated Notes, and

b. the Issuer has issued, on a subordinated basis as set out in Condition 2, an irrevocable and unconditional guarantee as per article 111 of the Swiss Code of Obligations in respect to the obligations of the New Issuer under the Subordinated Notes in form and content satisfactory to the Principal Paying Agent.

In the event of a substitution of the Issuer, notice of such substitution shall be made in accordance with the provisions of Condition 8 and any reference to the Issuer shall be deemed to refer to the New Issuer.

## 15. Role of Joint-Lead Managers

CS, UBS and ZKB will act as Joint-Lead Managers. UBS will act as Principal Paying Agent and Calculation Agent of the Subordinated Notes and will or may also act on behalf or for the benefit of the Holders, but only in the cases stated explicitly in these Terms of the Subordinated Notes. In any other cases, UBS is not obliged to take or to consider any actions on behalf or for the benefit of the Holders.

## 16. Severability

If at any time any one or more of the provisions of the Terms of the Subordinated Notes is or becomes unlawful, invalid, illegal or unenforceable in any respect under any law, the validity, legality and enforceability of the remaining provisions shall not be in any way affected or impaired thereby.

## 17. Definitions

1. **5-year CHF Mid Market Swap Rate** has the meaning given to it in Condition 4.1.a;
2. **Accounting Event** has the meaning given to it in Condition 5.3;
3. **Agreement** has the meaning given to it in the preamble;
4. **Applicable Accounting Standards** has the meaning given to it in Condition 5.3;
5. **Business Day** means any day (other than Saturday or Sunday) on which banks are open for the whole day for business in Zürich;
6. **Calculation Agent** means UBS in its function as calculation agent for the Subordinated Notes or any person appointed as replacement in accordance with Condition 6.f;
7. **Capital Event** has the meaning given to it in Condition 5.3;
8. **CHF** has the meaning given to it in the preamble;
9. **Compulsory Payment Date** has the meaning given to it in Condition 4.4.b;
10. **Condition** has the meaning given to it in the preamble;
11. **CS** has the meaning given to it in the preamble;
12. **Deferred Interest** has the meaning given to it in Condition 4.2.a;
13. **First Call Date** means 15 November 2018;
14. **First Step-up Date** has the meaning given to it in Condition 4.1.a;
15. **Holder(s)** has the meaning given to it in Condition 1.f;
16. **Initial Interest Rate** has the meaning given to it in Condition 4.1.a;
17. **Interest** has the meaning given to it in Condition 4.1.d;

18. **Interest Payment Date** has the meaning given to it in Condition 4.1.a;

19. **Intermediary** has the meaning given to it in Condition 1.c;

20. **Intermediated Securities** has the meaning given to it in Condition 1.d;

21. **Issue Date** means 15 May 2013;

22. **Issuer** has the meaning given to it in the preamble;

23. **Joint-Lead Managers** has the meaning given to it in the preamble;

24. **Junior Securities** has the meaning given to it in Condition 2;

25. **Loan Notes** means the Perpetual Subordinated Loan Notes in the aggregate principal amount of CHF 366,500,000 to be issued by Alpiq Holding AG on or about 15 May 2013 that were established pursuant to a Loan Notes Purchase Agreement dated 24 April 2013 among the Issuer on the first part and EBL (Genossenschaft Elektra Baselland), EBM (Genossenschaft Elektra Birseck), EOS HOLDING SA, IBAarau AG, Kanton Solothurn and Wasserwerke Zug AG on the second part and which rank junior to the Subordinated Notes;

26. **New Issuer** has the meaning given to it in Condition 14;

27. **Parity Securities** has the meaning given to it in Condition 2;

28. **Principal Amount** has the meaning given to it in Condition 1.a in relation to the total outstanding amount of all Subordinated Notes as well as in relation to one Subordinated Note;

29. **Principal Paying Agent** means UBS in its function as principal paying agent for the Subordinated Notes or any person appointed as replacement in accordance with Condition 6.e;

30. **Redemption Date** means the day on which the Subordinated Notes become due for redemption in accordance with these Terms of the Subordinated Notes;

31. **Reference Rate** has the meaning given to it in Condition 4.1.a;

32. **Reference Reset Date** has the meaning given to it in Condition 4.1.a;

33. **Reset Date** has the meaning given to it in Condition 4.1.a;

34. **Reset Interest Period** has the meaning given to it in Condition 4.1.a;

35. **Reset Reference Banks** has the meaning given to it in Condition 4.1.a;

36. **Reset Screen Page** has the meaning given to it in Condition 4.1.a;

37. **Second Step-up Date** has the meaning given to it in Condition 4.1.a;

38. **Shares of the Issuer** has the meaning given to it in Condition 4.4.b;

39. **SIS** means SIX SIS Ltd.;

40. **SIX Swiss Exchange** means the SIX Swiss Exchange Ltd. or any successor to the SIX Swiss Exchange Ltd.;

41. **Special Event** has the meaning given to it in Condition 5.3;

42. **Subordinated Notes** has the meaning given to it in the preamble;

43. **Subsidiary** has the meaning given to it in Condition 2;

44. **Tax Event** has the meaning given to it in Condition 5.3;

45. **Terms of the Subordinated Notes** has the meaning given to it in the preamble;

46. **UBS** has the meaning given to it in the preamble; and

47. **ZKB** has the meaning given to it in the preamble.

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*The Issuer intends to replace the instrument with the same or higher quality of capital unless the credit metrics at the time of redemption are sufficiently strong and a replacement is no longer necessary in the opinion of the Issuer.*

## INDEX TO FINANCIAL STATEMENTS

**Audited consolidated financial statements for the Alpiq Group as of and for the years ended 31 December 2012 and 2011**



**Audited statutory financial statements for the Issuer as of and for the years ended 31 December 2012 and 2011**

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# Consolidated Financial Statements of the Alpiq Group

# Consolidated Income Statement

| CHF million | Note | Total for 2011 | Total for 2012 |
| --- | --- | --- | --- |
| **Net revenue** | 29 | **13,961** | **12,710** |
| Own work capitalised | 2, 10 | 102 | 121 |
| Other operating income | 2 | 103 | 311 |
| **Total revenue and other income** | | **14,166** | **13,142** |
| Energy and inventory costs | 3 | -11,610 | -10,485 |
| Employee costs | 4 | -1,016 | -894 |
| Plant maintenance costs | | -80 | -134 |
| Other operating expenses | 5 | -523 | -429 |
| **Profit before interest, tax, depreciation and amortisation (EBITDA)** | | **937** | **1,200** |
| Depreciation, amortisation and impairment | 6 | -1,229 | -2,128 |
| **Profit/(loss) before interest and tax (EBIT)** | | **-292** | **-928** |
| Share of results of joint ventures and other associates | 13 | -901 | -57 |
| Finance costs | 7 | -205 | -264 |
| Finance income | 7 | 24 | 16 |
| **Profit/(loss) before income tax** | | **-1,374** | **-1,233** |
| Income tax expense | 8 | 28 | 147 |
| **Group profit/(loss) for the year** | | **-1,346** | **-1,086** |
| Attributable to non-controlling interests | | -21 | -41 |
| Attributable to owners of Alpiq Holding | | -1,325 | -1,045 |
| **Earnings/(loss) per share in CHF** | 9 | **-49** | **-38** |

Prior year comparatives restated retrospectively. See explanatory notes on page 76.

# Consolidated Statement of Comprehensive Income

| CHF million | 2011 | 2012 |
| --- | --- | --- |
| **Group profit/(loss) for the year** | **-1,346** | **-1,086** |
| Cash flow hedges taken to equity | -14 | -19 |
| Income tax expense | 11 | 2 |
| Net of income tax | -3 | -17 |
| IAS 39 effects of share of changes in equity of associates | -23 | -14 |
| Income tax expense | 2 | 3 |
| Net of income tax | -21 | -11 |
| Exchange differences on translation of foreign operations [1] | 41 | -8 |
| **Other comprehensive (expense)/income for the year, net of income tax** | **17** | **-36** |
| **Total comprehensive income/(expense) for the year** | **-1,329** | **-1,122** |
| Attributable to non-controlling interests | -25 | -43 |
| Attributable to owners of Alpiq Holding | -1,304 | -1,079 |

1 See notes 1 and 13 for information about the effects of recycling included in this item.

# Consolidated Statement of Financial Position

## Assets

| CHF million | Note | 31 Dec 2011 | 31 Dec 2012 |
|---|---|---|---|
| Property, plant and equipment | 10 | 4,900 | 3,476 |
| Intangible assets | 11, 12 | 1,964 | 1,108 |
| Investments in joint ventures and other associates | 13 | 4,420 | 3,698 |
| Other non-current financial assets | 14 | 130 | 103 |
| Deferred income tax assets | 8 | 40 | 103 |
| Retirement benefit assets | 25 | 15 | 17 |
| **Non-current assets** | | **11,469** | **8,505** |
| Inventories | 15 | 111 | 83 |
| Trade and other receivables | 16 | 1,999 | 2,175 |
| Term deposits | | 324 | 120 |
| Cash and cash equivalents | 17 | 876 | 1,222 |
| Current asset investments | 18 | 4 | 17 |
| Derivative financial instruments | | 722 | 733 |
| Prepayments and accrued income | | 103 | 80 |
| **Current assets** | | **4,139** | **4,430** |
| **Assets held for sale** | 32 | **1,838** | **1,849** |
| **Total assets** | | **17,446** | **14,784** |

Prior year comparatives restated retrospectively. See explanatory notes on page 76.

## Equity and liabilities

| CHF million | Note | 31 Dec 2011 | 31 Dec 2012 |
|---|---|---|---|
| Share capital | 19 | 272 | 272 |
| Share premium | | 4,431 | 4,377 |
| Retained earnings | | 1,338 | 255 |
| **Equity attributable to owners of Alpiq Holding** | | **6,041** | **4,904** |
| Non-controlling interests | | 164 | 106 |
| **Total equity** | | **6,205** | **5,010** |
| Provisions | 20 | 147 | 108 |
| Deferred income tax liabilities | 8 | 1,546 | 1,303 |
| Retirement benefit obligations | 25 | 34 | 116 |
| Long-term borrowings | 21 | 4,525 | 4,407 |
| Other non-current liabilities | 22 | 231 | 112 |
| **Non-current liabilities** | | **6,483** | **6,046** |
| Current income tax liabilities | | 42 | 61 |
| Short-term borrowings | | 1,331 | 863 |
| Other current liabilities | 23 | 1,386 | 1,221 |
| Derivative financial instruments | | 706 | 777 |
| Accruals and deferred income | | 565 | 562 |
| **Current liabilities** | | **4,030** | **3,484** |
| **Total liabilities** | | **10,513** | **9,530** |
| **Liabilities held for sale** | 32 | **728** | **244** |
| **Total equity and liabilities** | | **17,446** | **14,784** |

Prior year comparatives restated retrospectively. See explanatory notes on page 76.

# Consolidated Statement of Changes in Equity

| CHF million | Share capital | Share premium | Unrealised gains and losses under IAS 39 | Foreign currency translation reserve | Retained earnings | Attributable to owners of Alpiq Holding | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| **Equity at 31 December 2010** | **272** | **4,431** | **-10** | **-716** | **3,605** | 7,582 | **197** | 7,779 |
| Profit for the period | | | | | -1,325 | -1,325 | -21 | -1,346 |
| Other comprehensive income | | | -22 | 43 | | 21 | -4 | 17 |
| **Total comprehensive income** | | | **-22** | **43** | **-1,325** | -1,304 | **-25** | -1,329 |
| Dividends | | | | | -237 | -237 | -8 | -245 |
| **Equity at 31 December 2011** | **272** | **4,431** | **-32** | **-673** | **2,043** | 6,041 | **164** | 6,205 |

| CHF million | Share capital | Share premium | Unrealised gains and losses under IAS 39 | Foreign currency translation reserve | Retained earnings | Attributable to owners of Alpiq Holding | Non-controlling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| **Equity at 31 December 2011** | **272** | **4,431** | **-32** | **-673** | **2,043** | 6,041 | **164** | 6,205 |
| Loss for the period | | | | | -1,045 | -1,045 | -41 | -1,086 |
| Other comprehensive income | | | -26 | -8 | | -34 | -2 | -36 |
| **Total comprehensive income/(expense)** | | | **-26** | **-8** | **-1,045** | -1,079 | **-43** | -1,122 |
| Transfer from share premium to retained earnings | | -54 | | | 54 | 0 | | 0 |
| Dividends | | | | | -54 | -54 | -11 | -65 |
| Change in non-controlling interests | | | -1 | | -3 | -4 | -4 | -8 |
| **Equity at 31 December 2012** | **272** | **4,377** | **-59** | **-681** | **995** | 4,904 | **106** | 5,010 |

Alpiq's Board of Directors proposes that the Annual General Meeting on 25 April 2013 approve a dividend of CHF 2.00 per registered share for the 2012 financial year (2011 financial year: CHF 2.00). This represents a total payout of CHF 54 million (CHF 54 million). For more details, please refer to the "Board of Directors' Proposal" on page 146.

# Consolidated Statement of Cash Flows

| CHF million | Note | 2011 | 2012 |
|---|---|---|---|
| **Profit/(loss) before interest and tax (EBIT)** | | **-292** | **-928** |
| Adjustments for: | | | |
| Own work capitalised | 2, 10 | -102 | -121 |
| Depreciation, amortisation and impairment | 1, 6 | 1,229 | 2,128 |
| Movements in provisions | 20 | 81 | -51 |
| Gain/loss on sale of non-current assets | | -8 | -6 |
| Non-cash change in other non-current and current liabilities | 22, 23 | -170 | -239 |
| Non-cash change in fair value of derivative financial instruments | | -21 | 25 |
| Other non-cash income and expenses | | 3 | -157 |
| Dividends from financial investments and associates | 7, 13 | 71 | 45 |
| Interest paid | | -155 | -184 |
| Interest received | | 14 | 16 |
| Other finance costs | | -24 | -22 |
| Other finance income | | 55 | 23 |
| Income tax paid | | -146 | -97 |
| Changes in working capital (excl. current financial assets/liabilities) | | -134 | -98 |
| **Net cash flows from operating activities** | | **401** | **334** |

| | | | |
|---|---|---|---|
| Property, plant and equipment and intangible assets | | | |
| Purchases | 10, 11 | -432 | -212 |
| Proceeds from sale | | 32 | 36 |
| Subsidiaries | | | |
| Acquisitions | 30 | -270 | 24 |
| Proceeds from disposal | 31 | | 223 |
| Associates | | | |
| Acquisitions | 13 | -1 | -3 |
| Proceeds from disposal | 13 | 27 | 287 |
| Other non-current financial assets | | | |
| Purchases | 14 | -40 | -5 |
| Proceeds from sale/repayments | 14 | 15 | 24 |
| Change in term deposits | | -199 | 212 |
| Purchases/proceeds from sale of current asset investments | | -1 | 71 |
| **Net cash flows used in investing activities** | | **-869** | **657** |
| Dividends paid | | -237 | -54 |
| Dividends paid to non-controlling interests | | -8 | -11 |
| Proceeds from borrowings | | 1,236 | 645 |
| Repayment of borrowings | | -683 | -1,335 |
| Change in non-controlling interests | | | 1 |
| **Net cash flows (used in)/from financing activities** | | **308** | **-754** |
| **Effect of exchange rate changes** | | **-9** | **-1** |
| **Change in cash and cash equivalents** | | **-169** | **236** |
| **Analysis:** | | | |
| Cash and cash equivalents at 1 January | | 1,182 | 1,013 |
| Cash and cash equivalents at 31 December | | 1,013 | 1,249 |
| **Change** | | **-169** | **236** |

Prior year comparatives restated retrospectively. See explanatory notes on page 76.

The amounts reported above also include cash flows related to assets and liabilities held for sale.

The balance of CHF 1,249 million in cash and cash equivalents disclosed at 31 December 2012 (2011: CHF 1,013 million) in the consolidated statement of cash flows also includes CHF 27 million (CHF 137 million) in cash and cash equivalents attributable to operations held for sale

# Notes on the Consolidated Financial Statements

## Significant accounting policies

### Basis of preparation of the consolidated financial statements

The consolidated financial statements of the Alpiq Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations (IFRIC) issued by the International Accounting Standards Board (IASB) and comply with Swiss law. The consolidated financial statements give a true and fair view of the financial position, results of operations and cash flows of the Alpiq Group. They have been prepared on a historical cost basis, except for certain items such as financial instruments that have been measured at fair value in some instances. The consolidated financial statements were authorised for issue by the Board of Directors of the Alpiq Group on 11 March 2013 and are subject to approval by shareholders at the Annual General Meeting on 25 April 2013.

### Adoption of new and revised accounting standards

The Alpiq Group has adopted the following International Financial Reporting Standards (IFRS) and IFRIC interpretations which became effective on 1 January 2012:

- IFRS 7 amendments: Transfers of Financial Assets (1 July 2011)
- IAS 12 amendments: Income Taxes – Deferred Tax: Recovery of Underlying Assets (1 January 2012)

The adoption of these new rules had no material impact on the results and financial position of the Alpiq Group.

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

Furthermore, prior year comparatives in the consolidated income statement, statement of financial position and notes to the consolidated financial statements have been reclassified or extended, where necessary, to conform to changes in presentation in the current reporting period. Where material, notes have been provided. The changes in presentation also include changes in organisational terms.

### IFRS and IFRIC interpretations effective in future periods

The International Accounting Standards Board (IASB) has issued the following new standards and amendments:

- IAS 1 amendments: Presentation of Items of Other Comprehensive Income (1 July 2012)
- IAS 19 rev.: Employee Benefits (1 January 2013)
- IAS 27 rev.: Separate Financial Statements (1 January 2013)
- IAS 28 rev.: Investments in Associates and Joint Ventures (1 January 2013)
- IAS 32 amendments: Offsetting Financial Assets and Financial Liabilities (1 January 2014)

- IFRS 7 amendments: Disclosures – Offsetting Financial Assets and Financial Liabilities (1 January 2013)
- IFRS 9: Financial Instruments (1 January 2015)
- IFRS 10: Consolidated Financial Statements (1 January 2013)
- IFRS 11: Joint Arrangements (1 January 2013)
- IFRS 12: Disclosure of Interests in Other Entities (1 January 2013)
- IFRS 13: Fair Value Measurement (1 January 2013)

Alpiq is currently assessing the potential effects of adopting these new and revised standards and interpretations. The new or revised standards will have the following impacts on Alpiq's consolidated financial statements.

In May 2011, the IASB issued the new IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosure of Interests in Other Entities", which will be mandatory for financial years beginning on 1 January 2013. IFRS 10 "Consolidated Financial Statements" introduces a new definition of control, also including the consolidation of special purpose entities and de facto control. IFRS 11 provides guidance on accounting for arrangements where an entity has joint control over a joint venture or a joint operation. The main difference from IAS 31 "Interests in Joint Ventures" is that IFRS 11 no longer focuses on the legal form of a jointly controlled operation. Under the new standard, the classification depends on the specific rights and obligations of the parties involved in respect of the assets and liabilities and corresponding revenue and expenses relating to the joint arrangement. An entity must account for its interest in the assets, liabilities, revenue and expenses of joint operations. Joint ventures must be accounted for using the equity method. IFRS 12 brackets together the disclosure requirements for interests in subsidiaries, joint arrangements, associates and structured entities in a comprehensive standard.

After an in-depth analysis, Alpiq has come to the conclusion that Kraftwerke Gougra AG, in which Alpiq owns a 54% interest, will need to be included in the consolidated financial statements as a fully consolidated company from 1 January 2013 due to the adoption of IFRS 10 and IFRS 11. As yet, this company has been accounted for in the consolidated financial statements using the equity method. Alpiq does not anticipate that the application of IFRS 12 will have a significant impact on the reporting. The full consolidation of Kraftwerke Gougra AG means that assets will increase by CHF 137 million (CHF 99 million being non-current assets) and liabilities by CHF 123 million (CHF 105 million being borrowings) at 1 January 2013. Based on available forecast data, the Alpiq Group's consolidated revenue for 2013 is expected to rise by approximately CHF 14 million. EBITDA will grow by about CHF 12 million.

It is currently assessed that the impact of adopting IFRS 10 and IFRS 11 on the reporting of consortia in energy services business will be insignificant for the Alpiq Group.

Amendments to IAS 19 "Employee Benefits" were issued in June 2011. The impact of the revised standard on the Alpiq Group will be as follows:

The corridor approach will no longer be allowed in future; instead actuarial gains and losses will be recognised outside profit and loss in other comprehensive income as part of equity in the period in which they occur. At the reporting date on 31 December 2012, unrecognised actuarial losses amounted to CHF 177 million (2011: CHF 144 million). The volatility of consolidated equity is expected to be higher in future periods. "Interest cost" and "expected return on plan assets", the key parameters/performance drivers used so far, will be replaced with a net interest amount that is calculated by applying the discount rate to the net pension liability or asset. This results in an increase of CHF 216 million in retirement benefit obligations and a decrease of CHF 166 million in equity (net of deferred income tax). Employee costs would increase by about CHF 6 million (based on the figures for 2012). The impact of the IAS 19 effects of joint ventures and other associates on the consolidated financial statements cannot yet be assessed conclusively. The Alpiq Group will apply the revised standard in 2013 retrospectively from 1 January 2012.

## Basis of consolidation

The consolidated financial statements of the Alpiq Group comprise the consolidated financial statements of Alpiq Holding Ltd., domiciled in Switzerland, and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. All intra-group balances, transactions, income and expenses are eliminated in full.

Subsidiaries are entities that are directly or indirectly controlled by the Alpiq Group (generally accompanying a shareholding of more than 50% of the voting rights). These entities are consolidated from the date of acquisition. Entities are de-consolidated from the date that control ceases and, if appropriate, reported as investments in associates or financial investments up to the date of disposal.

Investments in associates in which the Alpiq Group has significant influence are accounted for in the consolidated financial statements using the equity method. Joint ventures are included in the consolidated financial statements using the same method. The Alpiq Group's share of the assets, liabilities, income and expenses of such entities is disclosed in note 13 to the consolidated financial statements.

In accordance with IAS 39, all other investments are recognised at fair value and included in non-current assets as "financial investments".

All significant companies included in the consolidation are shown on pages 123 to 129 with an indication of the consolidation method applied and other information.

## Foreign currency translation

The consolidated financial statements are presented in Swiss francs, which is both the functional currency of Alpiq Holding Ltd. and the presentation currency. The functional currency of each entity in the Group is determined by the economic environment in which it operates. Transactions in foreign currencies are recorded in the Group entity's functional currency at the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the closing rate of exchange ruling at the reporting date. The resulting exchange differences are recognised in the income statement.

Long-term receivables from and loans payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future are, in substance, part of the net investment in that foreign operation. The resulting exchange differences are recognised separately in other comprehensive income as part of the foreign currency translation reserve and recognised in profit or loss in the relevant period on liquidation or disposal of the foreign operation.

The assets and liabilities of subsidiaries are translated into Swiss francs at the closing rate of exchange prevailing at the reporting date. Income and expense items are translated at the weighted average exchange rates for the reporting period. The exchange differences arising on translation are recognised as a separate item in other comprehensive income. On disposal of a subsidiary or loss of control and on disposal of an associate or joint venture or loss of significant influence, the cumulative translation differences relating to that subsidiary are recognised in the income statement in the period in which the subsidiary is disposed of or control ceases.

The following exchange rates were used for currency translation:

| Unit | Closing rate at 31 Dec 2011 | Closing rate at 31 Dec 2012 | Average rate for 2011 | Average rate for 2012 |
|---|---|---|---|---|
| 1 USD | 0.94 | 0.92 | 0.89 | 0.94 |
| 1 EUR | 1.216 | 1.207 | 1.234 | 1.205 |
| 100 CZK | 4.71 | 4.80 | 5.02 | 4.79 |
| 100 HUF | 0.39 | 0.41 | 0.44 | 0.42 |
| 100 NOK | 15.68 | 16.43 | 15.84 | 16.13 |
| 100 PLN | 27.27 | 29.63 | 30.06 | 28.82 |
| 100 RON | 28.12 | 27.16 | 29.14 | 27.05 |

### Intra-group transactions

Goods and services provided between entities within the Group are invoiced at contractually agreed transfer or market prices. Electricity generated by joint ventures is invoiced to the shareholders at full cost under the existing joint venture agreements.

### Revenue recognition

Revenue from the sale of goods and services is recognised in the income statement when the goods or services are delivered. The Group recognises energy contracts entered into for trading purposes with the intention of profiting from short-term volatility in market prices on a net basis in revenue (net gains and losses from trading). Revenue from construction contracts is generally recognised using the percentage-of-completion method by reference to the stage of completion of the contract activity.

### Income tax

Income tax is calculated on taxable profits using tax rates that have been enacted by the reporting date and are applicable to the individual companies' financial statements. Income tax expense represents the sum of current and deferred income tax.

Deferred income tax is provided on temporary differences between the recognition of certain income and expense items for financial reporting and for income tax purposes. Deferred tax arising from temporary differences is calculated using the balance sheet liability method. Deferred tax is not recognised for differences associated with investments in subsidiaries, associates and interests in joint ventures that will not reverse in the foreseeable future and where the timing of the reversal is controlled by the Group.

Deferred tax assets are recognised when it is probable that they will be realised. Unrecognised tax benefits of tax loss carry-forwards are disclosed.

The effects of the recognition of temporary differences are presented in note 8 to the consolidated financial statements.

### Borrowing costs

Borrowing costs are generally expensed in the period they occur. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset that takes a substantial period of time to get ready for use are capitalised. Capitalised interest is calculated on the actual amount paid in the period from the date of acquisition or commencement of construction to the use of the asset.

### Discontinued operations and non-current assets held for sale

An asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The asset must be available for immediate sale in its present condition, and the sale must be highly probable within the next 12 months. The same applies to a group of assets and associated liabilities that are to be disposed of together in a single transaction (disposal group).

The Alpiq Group measures non-current assets and disposal groups classified as held for sale at the lower of carrying amount and fair value less costs to sell. These assets or disposal groups, once classified as held for sale, are no longer depreciated or amortised. The assets and liabilities are presented separately from other Group assets and liabilities in the statement of financial position.

A component of the Group's business is classified as a discontinued operation if it represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the consolidated income statement.

### Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and any impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful lives of each class of asset, or to the expiry date of power station licences. The useful lives of the various classes of assets range as follows:

| | |
|---|---|
| Buildings | 30 - 60 years |
| Land | only in case of impairment |
| Power generation assets | 20 - 80 years |
| Transmission assets | 15 - 40 years |
| Machinery, equipment and vehicles | 3 - 20 years |
| Assets under construction | if impairment is already evident |

Obligations to restore land and sites after licence expiry or decommissioning are accounted for individually in accordance with the terms of contract. Replacements and improvements are capitalised if they substantially extend the useful life, increase the capacity or substantially improve the quality of output of assets.

Costs relating to regular and major overhauls are recognised in the carrying amount of the item of property, plant and equipment as a replacement if the recognition criteria are satisfied. Repairs, maintenance and ordinary upkeep of buildings and operating facilities are expensed as incurred.

The carrying amount of an item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected. Any gain or loss arising on disposal of the asset is recognised in the income statement.

The residual value and useful life of an asset are reviewed at least at each financial year end and adjusted, if appropriate.

### Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition comprises the consideration given to acquire the assets, liabilities and contingent liabilities of the acquiree. The consideration is measured as the cash paid and the fair value of the assets given and liabilities incurred or assumed at the date of exchange. The net assets acquired, comprising identifiable assets, liabilities and contingent liabilities, are recognised at their fair values. Costs incurred in connection with a business combination are expensed as incurred.

Where the Group does not acquire 100 % ownership, the non-controlling interests are recognised as a component of consolidated equity. For each business combination, Alpiq measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. However, non-controlling interests over which the Alpiq Group holds options (call options) or has granted options (written put options) are only recognised as non-controlling interests when the strike price is based on fair value. Such call options are recorded at fair value and put options at the present value of the exercise price.

The Group treats the acquisition of non-controlling interests as a pure equity transaction. Any difference between the purchase consideration and net assets acquired is taken to retained earnings.

Goodwill represents the difference between the cost of acquisition and the fair value of the Group's share of the identifiable net assets acquired. Goodwill and fair value adjustments to net assets are recognised in the acquiree's assets and liabilities in that company's local currency. Goodwill is not amortised but is tested for impairment at least annually. Goodwill may also arise upon investments in associates, being the difference between the cost of investment and the Group's share of the fair value of the identifiable net assets. Such goodwill is recognised in investments in associates.

**Intangible assets**

Intangible assets acquired are initially measured at cost and are subsequently carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised on a straight-line basis over their useful economic lives and assessed for impairment whenever there is an indication that they may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year end. The useful lives of the intangible assets currently recognised range from 3 to 15 years.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The useful life of an asset is reviewed in each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment.

**Energy purchase rights**

Energy purchase rights are recorded as intangible assets in the statement of financial position. They comprise prepayments for rights to purchase energy in the long term, including capitalised interest. These assets are amortised on a straight-line basis from the commencement of the energy purchases over the term of the contracts.

This item also includes long-term energy purchase agreements acquired in business combinations, which are subsequently identified, measured and recognised in a purchase price allocation.

**Impairment of property, plant and equipment and intangible assets**

Property, plant and equipment and intangible assets are reviewed at least annually to determine whether there is any indication of impairment. In particular, this assessment is performed when changes in circumstances or events indicate that the carrying amounts may not be recoverable. Where the carrying amount of an asset exceeds its estimated recoverable amount, the asset is written down to the value considered to be recoverable based on the estimated future discounted cash flows. The recoverable amount of intangible assets with indefinite useful lives is reviewed annually.

The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. Value in use is calculated by discounting the estimated future cash flows (discounted cash flow method). If the asset does not generate cash inflows that are independent of those from other assets, the recoverable amount of the individual asset is estimated for the cash-generating unit to which the asset belongs.

An impairment loss previously recognised for an asset is reversed in the income statement if the impairment no longer exists or has decreased. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised.

The annual impairment review is monitored centrally within the Group.

### Impairment of goodwill

Goodwill is allocated to the cash-generating units to which the goodwill relates. These generally represent the identifiable regional sales, service and production activities. Goodwill is tested for impairment annually. If the recoverable amount of the cash-generating unit, i. e. the higher of the unit's fair value less costs to sell and its value in use, is less than the carrying amount, an impairment loss is recognised. The method used for testing cash-generating units for impairment is disclosed in note 12.

### Investments in associates and joint ventures

An associate is an entity over which the Alpiq Group is in a position to exercise significant influence through participation in the financial and operating policy decisions of the investee and that is neither a subsidiary nor a joint venture. Where appropriate, companies may likewise be accounted for in the consolidated financial statements as associates using the equity method even if the ownership interest is less than 20%. This applies especially where the Alpiq Group is represented in the authoritative decision-making bodies, e. g. the Board of Directors, and participates in the operating and financial policies or where market-relevant information is exchanged.

A joint venture is an entity jointly controlled with one or more other venturers under a contractual arrangement. Due to these circumstances, joint ventures are accounted for in the consolidated financial statements using the equity method regardless of the Group's ownership interest in them.

The financial statements of associates and joint ventures are generally prepared using uniform accounting policies. Companies that apply different accounting standards for the preparation of their local financial statements also prepare reconciliations to IFRS.

### Inventories

Inventories mainly include fuels (gas and coal) to generate electricity and stocks of materials to produce goods and services. Inventories are stated at the lower of direct cost, calculated using the average cost method, and net realisable value. Cost includes all expenditures incurred in acquiring the inventories and bringing them to their storage location. Production cost comprises all direct material and manufacturing costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

### Leases

Under the requirements of IAS 17, leases are classified as finance or operating leases. Transactions that transfer substantially all the risks and rewards incidental to ownership of the leased item to the Alpiq Group as the lessee and where it consequently acquires economic ownership are treated as finance leases. The leased asset is capitalised at the commencement of the lease at its fair value or, if lower, at the present value of the minimum lease payments, and a corresponding liability is recognised. Obligations under finance leases are included in short-term and long-term borrowings in the statement of financial position.

The leased asset is depreciated over its useful economic life. If, at the commencement of the lease, there is no reasonable certainty that the Alpiq Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the lease term and the useful life of the asset. In subsequent periods, the liability is recognised using the effective interest method.

All other leases that do not substantially transfer all the risks and rewards of ownership to the Alpiq Group are treated as operating leases and are not recognised in the statement of financial position. The lease payments are recognised as an expense on a straight-line basis over the lease term. In total, operating leases held by the Alpiq Group are currently immaterial.

### Construction contracts

Work performed for customers under construction contracts in energy services business is recorded using the percentage-of-completion method, and the amount to be recognised as an asset is included in receivables and sales revenue. The stage of completion is measured by reference to the extent of work performed to date, i. e. according to the costs already incurred. Contract costs are recognised as expenses in the period in which they are incurred.

When the stage of completion or the outcome of contracts or groups of contracts cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. Write-downs or provisions are made for any losses expected to be incurred on construction contracts. For contracts in progress, the revenue agreed in the contract and any subsequent variations confirmed by the customer in writing are recognised as contract revenue.

### Provisions

Provisions cover all (legal or constructive) obligations arising from past transactions or events that are known at the balance sheet date and likely to be incurred, but uncertain as to timing and amount. Provisions are measured at the best estimate of the expenditure required to settle the obligation.

Provisions are recognised at an amount equal to the expected cash outflows discounted at the reporting date. Provisions are reviewed annually at the reporting date and adjusted to reflect current developments. The discount rates used are pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the liability.

### Accounting for $CO_2$ emission allowances

Allocated $CO_2$ emission allowances are initially recognised at nominal value (nil value). $CO_2$ emission allowances purchased to meet the Group's generation requirements are initially recorded at cost within intangible assets. A liability is recognised when $CO_2$ emissions exceed the emission allowances originally allocated. The liability is measured at the cost of purchased allowances up to the level of purchased allowances held. That portion exceeding the $CO_2$ emission allowances held is recognised at fair value at the reporting date. Changes in the liability are recorded as energy costs.

Emission allowances held for trading, for example to optimise the energy portfolio, at the reporting date are measured at fair value and recorded in inventories.

## Pension schemes

The Group operates a number of pension schemes as required by law.

Swiss consolidated Group companies in the Energy Switzerland and Optimisation & Trading business divisions participate in a legally independent pension scheme of the Swiss defined benefit type that meets the criteria of a defined benefit plan under IAS 19.

Employees of foreign subsidiaries in the Energy International business division are generally covered by state social security schemes or separate defined contribution pension plans in accordance with national practices.

Swiss Group companies belonging to Alpiq InTec participate in a legally independent pension scheme that is fully reinsured. The pension plans under this scheme are classified as defined benefit plans under IAS 19

Employees of foreign companies belonging to Alpiq InTec are covered by state social security schemes.

The German AAT Group exclusively operates a pension scheme where the employer has a constructive obligation to pay benefits, i.e. there is no legally independent pension scheme. For this reason, retirement benefit obligations are presented in the company's statement of financial position. These retirement benefit obligations are calculated in accordance with annual actuarial valuations of the existing benefit obligation. Benefits are paid directly by the company. Under IAS 19, a constructive obligation to pay benefits under German law constitutes an unfunded plan and is reported as a net liability in the statement of financial position. As there are no separate plan assets to meet the obligation, the actual payments are deducted from the retirement benefit obligations in the statement of financial position.

The defined benefit obligation is calculated using the projected unit credit method. This accrued benefit method prorated on service recognises not only the known benefits and benefits accrued at the reporting date but also expected future salary and pension increases. Actuarial gains and losses arising from the periodic revaluations are recognised as income or expense for each individual plan on a straight-line basis over the average remaining service lives of the employees when the actuarial gains and losses at the beginning of the reporting year exceed 10% of the higher of the fair value of plan assets and the defined benefit obligation at that date. This method is called the corridor method.

All the plans are generally funded by employer and employee contributions. Employer contributions paid or owed to pension schemes that provide defined contribution pension plans are recognised directly in the income statement.

## Contingent liabilities

Potential or existing liabilities where it is not considered probable that an outflow of resources will be required are not recognised in the statement of financial position. However, the nature and extent of liabilities existing at the reporting date is disclosed as a contingent liability in the notes to the consolidated financial statements.

## Segment information

The reportable segments under IFRS 8 consist of the three Energy Switzerland, Energy International and Optimisation & Trading business divisions. The Executive Board evaluates each of these separately for the purpose of assessing performance and allocating resources. The CEO has ultimate responsibility. The key measure of performance used for internal management and assessment of the Alpiq Group is operating profit (EBITDA). Operating costs comprise energy purchase and generation costs as well as all other operating costs, including employee benefits and services used. Amounts derived from management reporting require no adjustment for financial reporting as the same accounting policies are used for internal and external reporting.

### Financial instruments

Financial instruments include cash and cash equivalents, term deposits, investments in securities, derivative financial instruments, financial investments, receivables, and short-term and long-term payables and borrowings.

### Financial assets and liabilities

In accordance with the applicable rules under IAS 39, financial assets and liabilities are classified as follows and measured uniformly according to their classification:

- financial assets or liabilities at fair value through profit or loss,
- held-to-maturity investments,
- loans and receivables,
- available-for-sale financial assets and
- other financial liabilities.

Financial assets and liabilities are recognised initially at fair value (plus or less transaction costs respectively, except in the case of assets or liabilities recorded at fair value through profit or loss). All regular way purchases and sales of financial assets are recognised on the trade date.

#### Financial assets or liabilities at fair value through profit or loss

Financial assets classified as held for trading are acquired principally for the purpose of generating a profit from short-term fluctuations in price. Derivatives are also classified as assets or liabilities held for trading. In addition, financial assets or liabilities can be included in this category if the criteria in IAS 39 are met.

After initial recognition, derivative financial instruments held for trading in energy business are carried at fair value, with changes in fair value recognised in net revenue in the period in which they occur. For a few positions where no active market price is available, fair value is determined using a price curve model. Other derivatives held for trading and other financial instruments designated in this category are subsequently recorded at fair value, with changes in fair value recognised in finance income or costs.

Financial investments where investment and disposal decisions are based on changes in fair value are classified as "at fair value through profit or loss". Such a classification is in line with the Alpiq Group's financial risk management policy.

Current asset investments include both securities held for trading and those classified as available-for-sale. All securities are recorded at fair value. Changes in the fair value of securities held for trading are recognised in the income statement in the period in which they occur.

#### Held-to-maturity investments

Held-to-maturity investments are financial assets with fixed maturities that the Group has the positive intention and ability to hold to maturity. They are measured at amortised cost. Investments intended to be held for an indefinite period of time are not included in this category.

#### Loans and receivables

Loans and receivables are financial assets created by the Group by providing loans, goods or services to third parties. As a rule, they are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the financial asset or financial liability is derecognised or impaired, as well as through the amortisation process.

The category of loans and receivables also includes cash and cash equivalents. These comprise cash at banks and in postal accounts, demand deposits and term deposits with a maturity of 90 days or less.

Receivables are recognised at nominal value, less provision for impairment. Trade receivables from customers who are also suppliers are offset against the respective trade payables where netting agreements are in place.

Available-for-sale financial assets

All other financial assets are classified as available-for-sale. Changes in the fair value of items classified as available-for-sale are recognised in other comprehensive income and only transferred to the income statement upon disposal.

Other financial liabilities

Financial liabilities include short-term and long-term payment obligations, which are stated at amortised cost, as well as accruals and deferred income.

**Impairment and uncollectibility of financial assets**

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

For assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The amount of any loss is recognised in the income statement. A previously recognised impairment loss is reversed in the income statement if the impairment no longer exists or has decreased. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised.

For assets carried at cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Losses are recognised in the income statement.

When a decline in the fair value of available-for-sale financial assets has been recognised in equity rather than profit and loss and there is objective evidence of impairment, a loss (measured as the difference between acquisition cost and the current fair value) is removed from equity and recognised in the income statement. Whereas impairment losses on debt instruments are reversed through the income statement, any subsequent increase in the fair value of equity instruments after impairment is not recognised in the income statement.

**Hedge accounting**

Alpiq uses energy, foreign currency and interest rate derivatives to hedge exposure to variability in cash flows that is attributable to highly probable forecast transactions (cash flow hedges).

Before designating a new hedging instrument, the Group conducts a thorough analysis of the risk situation, describes the effect of the hedging instrument and documents the objectives and strategy for undertaking the hedge, together with the methods that will be used to assess and measure its effectiveness on an ongoing basis. It also determines the accounting method. The designation of a new hedging instrument is formally authorised. Hedge relationships are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting period.

The effective portion of the gain or loss on a hedging instrument is recognised directly in other comprehensive income, while any ineffective portion is recognised immediately in the income statement.

Amounts recognised in other comprehensive income are transferred to the income statement in the period when the hedged transaction affects profit or loss.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in other comprehensive income are transferred to the income statement. When the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or when the hedge no longer meets the criteria for hedge accounting, amounts previously recognised in other comprehensive income remain in equity as a separate component until the hedged transaction occurs.

## Estimation uncertainty

### Key assumptions and sources of estimation uncertainty

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions, in particular in assessing impairment and measuring provisions, that affect the reported amounts of assets and liabilities and the reported amounts of revenue and expenses. The estimates and assumptions are based on historical experience and expectations of future events that are believed to be reasonable under the circumstances. They form the basis for making judgements about the carrying values of assets and liabilities that are not readily apparent from market data. Actual outcomes could differ from those estimates.

Estimates and assumptions are reviewed on an ongoing basis. Any revisions to estimates and assumptions are recognised and disclosed in the period in which they are identified.

### Impairment of long-term assets

The carrying amount of the Alpiq Group's property, plant and equipment, intangible assets (including goodwill) and investments in joint ventures and other associates was approximately CHF 8.3 billion at 31 December 2012 (2011: CHF 11.3 billion). These assets are tested for impairment annually. Determining whether assets are impaired requires estimates of future cash flows expected from the use, growth rates, discount rates and eventual sale of the assets. Actual outcomes may vary materially from these estimates. Other factors, such as changes in scheduled useful lives of assets or technical obsolescence of plant, may shorten the useful lives or result in an impairment loss.

### Provisions

At 31 December 2012, the carrying amount of the "provision for loss-making contracts" presented in note 20 was CHF 139 million (2011: CHF 182 million). This covers liabilities existing and risks known at the balance sheet date that relate to energy trading and sales business. The amount of the provision required was calculated based on a likely outflow of resources associated with the performance of the contracts. The valuations are made and reviewed periodically using the discounted cash flow method over the term of the contractual obligations entered into. Significant inputs used in the valuations, which are subject to certain uncertainties and hence may cause some material adjustments in subsequent periods, are especially the assumptions regarding future changes in market prices, long-term interest rates and the effects of currency translation (EUR into CHF).

### Pension schemes

The calculation of the recognised defined benefit assets and liabilities is based on statistical and actuarial assumptions in accordance with IAS 19. The assumptions may differ substantially from actual circumstances due to changes in market conditions and the economic environment, higher or lower exit rates, longer or shorter lives of the plan participants and to other estimated factors. Such deviations may have an impact on the pension scheme assets and liabilities recognised in future reporting periods. The principal assumptions are disclosed in note 25.

## Changes in the presentation of the financial statements

Alpiq reviews the presentation of its financial reporting on an ongoing basis to assess transparency, clarity and accuracy. Where material adjustments or corrections are necessary, prior year figures are restated. In this Financial Report, the following changes have been made since the previous year:

### Changes in the presentation of the consolidated income statement

During the reporting period, Alpiq reviewed the presentation of income statement items in a comparison with its competitors in Switzerland and other countries. Based on the findings, Alpiq is now classifying the "share of results of associates" as a component of finance items (previously a component of total revenue and other income, as well as energy costs) and showing this line item below operating profits from the 2012 financial year. In 2012, EBITDA and EBIT increased by CHF 57 million as a result of reclassification based on IFRS reporting. Retrospective restatement of the prior year comparatives for 2011 led to an increase of CHF 901 million in EBITDA and EBIT on the basis of IFRS reporting. The consolidated statement of cash flows and segment information have been revised accordingly. This change in presentation has had no impact on the net results, earnings/(loss) per share and the Group's overall result for the year or on the presentation of the consolidated statement of financial position.

Under the restructuring programme launched in the second half of 2011, Alpiq planned to dispose of the Alpiq Anlagentechnik (AAT) business unit. In view of this plan, AAT was reported as "discontinued operations" in the consolidated income statement. In 2012, Alpiq decided not to dispose of AAT as a whole, but to sell only the Energy Supply Technology (EST) business and to continue the second business, Energie- und Anlagentechnik (EAT). As the EST business alone does not qualify as a discontinued operation, it need no longer be presented separately as "discontinued operations" in the prior year figures in the consolidated income statement. The prior year comparatives disclosed in the notes have also been restated accordingly. The presentation of the consolidated statement of financial position has remained unchanged year on year.

### Changes in the presentation of the consolidated statement of financial position

To make the disclosures relating to retirement benefits more transparent, separate line items have been added to the statement of financial position for the reporting period. At 31 December 2011, the assets of CHF 15 million (1 January 2011: CHF 16 million) were included in prepayments and accrued income, while the current obligations of CHF 1 million (CHF 7 million) were recognised in accruals and deferred income, and the non-current obligations of CHF 33 million (CHF 147 million) in provisions. From the 2012 financial year, the assets are reported as "retirement benefit assets" under non-current assets and the obligations as "retirement benefit obligations" under non-current liabilities. The prior year presentation and figures have been adjusted accordingly.

This change in presentation has resulted in a reclassification among the above-mentioned asset and liability items, as well as the total amounts of non-current assets, current assets, non-current liabilities and current liabilities. However, the change has had no further impact on the consolidated statement of financial position. For this reason, Alpiq is not presenting a statement of financial position at 1 January 2011.

### Changes in the presentation of disclosures in the notes

In the reporting period, the approval process for the variable salary component for key management personnel was redefined. In the past, the Nomination and Remuneration Committee (NRC) determined the variable remuneration after the financial statements had been approved by the Annual General Meeting. This meant that the disclosure of remuneration paid to key management personnel included the estimated variable salary, i. e. the expense recognised in the income statement.

From 2012 onwards, the NRC is determining the variable salary component before the financial statements are approved by the Annual General Meeting. The disclosure of remuneration paid to key management personnel now includes the definitive variable salary component determined by the NRC. As a result, the disclosure is no longer affected by estimation uncertainty relating to previous periods. The prior year figures in note 24 have been restated as follows: remuneration paid to the Executive Board in 2011 totalled CHF 9.4 million (previously: CHF 8.5 million), of which regular remuneration accounted for CHF 7.2 million (CHF 6.3 million) and pension benefits for CHF 2.2 million (CHF 2.2 million).

This change in presentation has had no impact on the consolidated income statement or statement of financial position.

### Correction of prior year disclosure errors

A review of the information presented in the notes showed that the interest in Alpiq Wind Italia S.r.l. was not reported among pledged assets in the previous year. The power generation facilities are funded through project financing facilities provided by banks. For this reason, the interest was pledged to the banks as collateral for the financing. The prior year disclosures have been revised accordingly.

The change in presentation has had no impact on the consolidated income statement or statement of financial position.

## Acquisitions and disposals of fully consolidated companies

Year-on-year changes in the Group resulting from acquisitions and disposals were as follows:

| Acquisitions | Ownership interest | Consolidated since | Business division |
|---|---|---|---|
| Infra Haustechnik Service Ltd, Emmenbrücke/CH | 100.0% | 16 May 2012 | Energy Switzerland |
| Hirt Haustechnik AG, Luterbach/CH | 100.0% | 27 Jun 2012 | Energy Switzerland |
| Wüst Haustechnik AG, Lupfig/CH | 100.0% | 28 Nov 2012 | Energy Switzerland |
| Aero Rossa S.r.l., Aragona/IT [1] | 100.0% | 4 Jun 2012 | Energy International |
| Alpiq Wind Italia 2 S.r.l., Milan/IT | 100.0% | 4 Jun 2012 | Energy International |
| Enpower 3 S.r.l., Aragona/IT [1] | 100.0% | 4 Jun 2012 | Energy International |

1 Companies acquired in connection with the M&A Rinnovabili asset split.

As a result of these acquisitions, the Alpiq Group's consolidated revenue increased by CHF 25 million year on year. Details of the assets acquired and liabilities assumed are disclosed in note 30. The impact on non-current assets (notes 10 and 11) and on the disclosures of retirement benefit obligations (note 25) is presented as "acquisition/disposal of subsidiaries".

| Disposals | Ownership interest | De-consolidated on | Business division |
|---|---|---|---|
| Energiakolmio Oy, Jyväskylä/FI | 100.0% | 20 Mar 2012 | Energy International |
| Elektro Stiller GmbH, Ronnenberg/DE | 100.0% | 7 Sep 2012 | Energy International |
| Frankenluk AG, Bamberg/DE | 100.0% | 7 Sep 2012 | Energy International |
| Frankenluk Energieanlagenbau GmbH, Bamberg/DE | 100.0% | 7 Sep 2012 | Energy International |
| GA Austria GmbH, Alkoven/AT | 100.0% | 7 Sep 2012 | Energy International |
| GA Bauleistungen GmbH, Rutesheim/DE | 100.0% | 7 Sep 2012 | Energy International |
| GA Energieanlagenbau Nord GmbH, Hohenwarsleben/DE | 100.0% | 7 Sep 2012 | Energy International |
| GA Energieanlagenbau Süd GmbH, Fellbach/DE | 100.0% | 7 Sep 2012 | Energy International |
| GA Energo technik s.r.o., Plzeň/CZ | 78.3% | 7 Sep 2012 | Energy International |
| GA Slovensko s.r.o., Bratislava/SK | 100.0% | 7 Sep 2012 | Energy International |
| GA Hochspannung Leitungsbau GmbH, Walsrode/DE | 100.0% | 7 Sep 2012 | Energy International |
| GA Linel S.r.l., Bressanone/IT | 51.0% | 7 Sep 2012 | Energy International |
| GA Netztechnik GmbH, Bietigheim-Bissingen/DE | 100.0% | 7 Sep 2012 | Energy International |
| GA-Magyarország Kft., Törökbálint/HU | 100.0% | 7 Sep 2012 | Energy International |
| Martin Bohsung GmbH, Landau/DE | 100.0% | 7 Sep 2012 | Energy International |
| Kraftwerk Havelland GmbH, Leipzig/DE | 100.0% | 27 Sep 2012 | Energy International |
| Energ.it S.p.A., Cagliari/IT | 100.0% | 23 Nov 2012 | Energy International |

## Financial risk management

### General policies

The Alpiq Group's operating activities expose it to strategic and operational risks, and in particular credit, liquidity and market risks (energy price risk, interest rate risk and foreign currency risk). During the annual business risk assessment process, strategic and operational risks throughout the Group are recorded and assessed and then assigned to the identified risk owners for management and monitoring. The Group Risk Management functional unit monitors the implementation of the measures. Exposure limits are set for credit, liquidity and market risks (energy price risk, interest rate risk, foreign currency risk), with compliance monitored on an ongoing basis, and adjusted in the context of the company's overall risk-taking capacity.

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 (RMC) monitors compliance with the principles and policies. The Group Risk Management (GRM) functional unit in the Financial Services functional division is responsible for managing risks and reports to the CFO. The GRM provides methods and tools for implementing risk management and also assists the business divisions, functional divisions and business units in their risk management activities. The GRM coordinates the activities and reporting with line management through to unit manager level and ensures timely reporting to the Board of Directors, Executive Board and RMC.

Principles for managing risks in the Alpiq Group's energy business are set out in the Group Risk Policy. They comprise guidelines on the incurrence, measurement, management and limitation of exposure to business risks in energy business and specify the organisation and responsibilities for risk management. The objective is to maintain a reasonable balance between the business risks incurred, earnings and risk-bearing equity.

The Group's Financial Risk Policy defines the substance, organisation and system for risk management within the Alpiq Group. The units responsible manage their financial risks within the framework of the risk management policy and limits defined for their areas of activity. The objective is to reduce financial risks, bearing in mind the hedging costs and risks being incurred.

### 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 the framework for managing its capital structure, the Board of Directors has defined a target equity ratio of at least 35 %, on which it is seeking to generate a return on equity of 7 % to 9 %. At the reporting date on 31 December 2012, the equity ratio was 33.9 % (2011: 35.6 %). Based on the reported results, the return on equity is not meaningful for the reporting year, as in the previous year.

During the budgeting and planning process, the Board of Directors is advised annually of the planned performance of the targets set. The ratio of net debt to EBITDA at the end of the reporting period exceeded the Group's internal target, however. For this reason, Alpiq announced further moves to underpin the ongoing restructuring programme on 14 December 2012.

The Group's policy is for debt capital to be raised centrally by Alpiq Holding Ltd. The domestic capital market is the main source of financing. Alpiq Holding Ltd. held 83 % of the Group's total borrowings at 31 December 2012 (2011: 83 %). The level of these borrowings must bear a reasonable proportion to earnings to ensure a strong credit rating in line with industry norms. The ratio of net debt to EBITDA should not exceed 3 times, but should range from 2.0 to 2.5 times in the medium term. Based on the reported results, this ratio was 4.0 times for 2012 (2011: 3.8 times).

The covenants under financing agreements entered into are consistent with the above-mentioned limits and targets.

## Financial instruments

### Carrying amounts and fair values of financial assets and liabilities

| CHF million | Note | Carrying amount at 31 Dec 2011 | Fair value at 31 Dec 2011 | Carrying amount at 31 Dec 2012 | Fair value at 31 Dec 2012 |
|---|---|---|---|---|---|
| **Financial assets at fair value through profit or loss** | | | | | |
| Securities held for trading | 18 | 4 | 4 | 17 | 17 |
| Positive fair values of derivatives | | | | | |
| Currency and interest rate derivatives | | 36 | 36 | 13 | 13 |
| Energy derivatives | | 686 | 686 | 720 | 720 |
| **Total financial assets at fair value through profit or loss (excl. financial assets designated in this category)** | | **726** | **726** | **750** | **750** |
| Financial assets designated in this category | | | | | |
| Financial investments | 14 | 14 | 14 | 3 | 3 |
| **Available-for-sale financial assets** | | | | | |
| Financial investments | 14 | 13 | 13 | 13 | 13 |
| **Loans and receivables** | | | | | |
| Cash and cash equivalents | 17 | 876 | 876 | 1,222 | 1,222 |
| Term deposits | | 324 | 324 | 120 | 120 |
| Trade receivables | 16 | 1,588 | 1,588 | 1,695 | 1,695 |
| Other financial receivables | 16 | 381 | 381 | 427 | 427 |
| Loans receivable | 14 | 103 | 103 | 87 | 87 |
| **Total loans and receivables** | | **3,272** | **3,272** | **3,551** | **3,551** |
| **Total financial assets** | | **4,025** | **4,025** | **4,317** | **4,317** |
| **Financial liabilities at fair value through profit or loss** | | | | | |
| Negative fair values of derivatives | | | | | |
| Currency and interest rate derivatives | | 54 | 54 | 120 | 120 |
| Energy derivatives | | 652 | 652 | 657 | 657 |
| **Total financial liabilities at fair value through profit or loss** | | **706** | **706** | **777** | **777** |
| **Other financial liabilities** | | | | | |
| Trade payables | 23 | 961 | 961 | 806 | 806 |
| Bonds | 21 | 3,081 | 3,291 | 3,283 | 3,443 |
| Loans payable | 21 | 1,444 | 1,444 | 1,124 | 1,124 |
| Other financial liabilities, incl. put options | | 1,593 | 1,593 | 1,208 | 1,213 |
| **Total other financial liabilities** | | **7,079** | **7,289** | **6,421** | **6,586** |
| **Total financial liabilities** | | **7,785** | **7,995** | **7,198** | **7,363** |

At the reporting date, the Alpiq Group measured the following assets and liabilities at 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 technique based on quoted prices in active markets that have a significant effect on the fair value

Level 3: valuation techniques using inputs that are not derived from quoted prices in active markets and have a significant effect on the fair value.

| CHF million | 31 Dec 2012 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Assets measured at fair value** | | | | |
| Securities held for trading | 17 | 17 | | |
| Currency and interest rate derivatives | 13 | | 13 | |
| Energy derivatives | 720 | | 720 | |
| Financial investments | 3 | | 3 | |
| **Financial liabilities measured at fair value** | | | | |
| Currency and interest rate derivatives | 120 | | 120 | |
| Energy derivatives | 657 | | 657 | |

| CHF million | 31 Dec 2011 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| **Assets measured at fair value** | | | | |
| Securities held for trading | 4 | 2 | 2 | |
| Currency and interest rate derivatives | 36 | | 36 | |
| Energy derivatives | 686 | | 686 | |
| Financial investments | 14 | 8 | 6 | |
| **Financial liabilities measured at fair value** | | | | |
| Currency and interest rate derivatives | 54 | | 54 | |
| Energy derivatives | 652 | | 652 | |

During the reporting periods ended 31 December 2012 and 31 December 2011, there were no transfers between Level 1 and Level 2 and no transfers out of Level 3.

The currency and interest rate derivatives comprise OTC products classified as Level 2.

## Expense/income related to financial assets and liabilities

| CHF million | Income statement 2011 | Equity 2011 | Income statement 2012 | Equity 2012 |
|---|---|---|---|---|
| **Net gains/losses** | | | | |
| On financial assets and liabilities at fair value through profit or loss | -51 | -1 | -99 | -17 |
| On financial assets designated in this category | | | | |
| On loans and receivables | -1 | | -8 | |
| **Interest income and expense** | | | | |
| Interest income on financial assets not measured at fair value | 13[1] | | 15 | |
| Interest expense on financial liabilities not measured at fair value | -170[1] | | -180 | |

1 Prior year comparatives restated retrospectively.

In 2012, impairment losses of CHF 10 million (2011: CHF 3 million) were recognised in respect of trade receivables. No impairment losses were recorded for other financial instruments. More information about movements in the provision for impairment is presented in the "ageing analysis of trade receivables".

## Hedging activities (hedge accounting)

### Forward commodity contracts

At 31 December 2012, the Alpiq Group recognised forward contracts to hedge the price risk of future deliveries in respect of small to medium-sized end customers in Spain. These transactions are conducted because the necessary energy cannot be purchased in the local market.

The instruments used to hedge the cash flows of contractual commitments to deliver electricity proved to be highly effective. Therefore, an unrealised loss of CHF 0.6 million (2011: CHF 15 million), with a related deferred tax asset of CHF 0.2 million (CHF 4 million), was included in other comprehensive income at 31 December 2012 in respect of these contracts.

For a physical electricity delivery where the purchase price is referenced to a coal index, hedge accounting has been applied for the contracts to hedge fluctuations in price. The derivatives used to hedge the price fluctuations proved to be highly effective. The unrealised loss included in other comprehensive income at 31 December 2012 was CHF 16 million (2011: CHF 5 million), with a related deferred tax asset of CHF 4 million (CHF 1 million).

### Interest rate swaps

At 31 December 2012, the Group held 18 interest rate swaps used to fix the interest rates for project financing in Italy. The hedge strategy eliminates potential financial risks arising from an increase in the variable interest rates on which the financing is based. The hedge relationship for hedging interest payments (cash flows) has proved to be highly effective. The unrealised loss of CHF 9 million (2011: CHF 14 million), with a related deferred tax asset of CHF 4 million (CHF 5 million), was included in other comprehensive income at 31 December 2012.

### Foreign currency hedges

The exposure to EUR/CHF foreign currency risk arising from agreed payment flows for a major energy services contract was hedged. The hedge was highly effective. The unrealised gain of CHF 4 million (2011: CHF 4 million), with a related deferred tax liability of CHF 1 million (CHF 1 million), was included in other comprehensive income at 31 December 2012.

Other foreign currency exposures arising from transactions such as the sale of Swiss power generation capacities in the euro zone were hedged based on the expected transaction volumes. The hedge proved to be highly effective. The unrealised loss of CHF 4 million (2011: gain of CHF 5 million), with a related deferred tax asset of CHF 1 million (2011: deferred tax liability of CHF 1 million), was included in other comprehensive income at 31 December 2012.

Hedges recognised directly in other comprehensive income and not in profit or loss, including deferred tax, consist of:

| CHF million | Assets 2011 | Liabilities 2011 | Assets 2012 | Liabilities 2012 |
|---|---|---|---|---|
| Forward commodity contracts | | -4 | | -16 |
| Interest rate swaps | | -18 | | -23 |
| Foreign currency hedges | 4 | -4 | 3 | -3 |

The amounts recognised in other comprehensive income at 31 December 2012 are transferred to the income statement over the life of the hedge relationship as energy and commodities are purchased under the underlying contract and to non-current assets in the case of foreign currency hedges. The hedge ineffectiveness recognised immediately in the income statement during the reporting year was immaterial.

**Credit risk management**

Credit risk management deals with potential losses arising from the inability of business partners to meet their contractual obligations to the Alpiq Group. Energy credit risk management in energy business encompasses all business units and subsidiaries that have a significant trading volume with external counterparties. It involves regular monitoring of outstanding receivables from counterparties and expected future changes as well as an analysis of the creditworthiness of new and existing counterparties. Besides energy derivatives recorded as financial instruments, it also covers contracts entered into for physical receipt or delivery.

Credit risk is primarily managed using credit limits set by reference to ratings. The Alpiq Group classifies counterparties or groups of counterparties (with similar risk characteristics) in risk categories (AAA – CCC) based on the probability of default. Once established, these ratings are used as the basis for setting the credit limits. The limits may be increased if collateral, such as guarantees, advances or insurance cover, is provided. The ratings of active counterparties are reviewed periodically and the credit limits adjusted, where appropriate.

Binding minimum requirements apply in selecting customers. Particular requirements are approved credit limits, appropriate guarantees and a valid contractual basis. It is policy in energy business to enter into contracts only with counterparties who meet the criteria of the Group Risk Policy. Outstanding credit exposures are monitored and managed on an ongoing basis using a formalised process.

Credit exposure related to energy services is managed and monitored on a decentralised basis, mainly focusing on receivables management. The local operational management is periodically provided with comprehensive reporting containing all the necessary information required for assessing the outstanding receivables.

Under IFRS 7, the total carrying amount of financial assets recognised represents the Alpiq Group's maximum exposure to credit risk at the reporting date. Calculated accordingly, the maximum credit exposure was CHF 4,317 million at 31 December 2012 (31 December 2011: CHF 4,025 million). For a detailed summary, we refer to the fair values presented in the table of "carrying amounts and fair values of financial assets and liabilities". Credit risk is reduced by collateral held as security and by contractual agreements for netting all receivables and payables with the same counterparty, even those not recognised under IAS 39. Conversely, the credit risk is increased by costs incurred by the Alpiq Group in closing out outstanding positions on more unfavourable terms.

The Alpiq Group's exposure to concentrations of risk is minimised due to the number of customers spread across diverse geographical areas and the consolidation of positions. As in the previous year, there were no significant concentrations of risk at the reporting date.

Cash and term deposits are placed with banks that have a rating of at least "A" from an internationally recognised rating agency. The investments are limited in amount, widely diversified and staggered over time. The limits are reviewed monthly and when particular circumstances require. No write-offs have been necessary to date.

## Collateral

A substantial portion of the energy contracts entered into by the Alpiq Group are based on agreements containing a netting arrangement. Receivables and payables are only presented net in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis. Furthermore, additional collateral, such as guarantees, variation margin payments or insurance cover, is collected where necessary.

As in the previous year, no collateral was collected and converted into financial assets.

### Ageing analysis of trade receivables

| CHF million | 31 Dec 2011 | 31 Dec 2012 |
|---|---|---|
| Carrying amount before impairment | 1,620 | 1,726 |
| Impaired | 32 | 31 |
| Provision at beginning of year | 49 | 32 |
| Acquisition/disposal of subsidiaries | | -11 |
| Reclassified to "assets held for sale" | -17 | |
| Reclassified from "assets held for sale" reported in the previous year | | 10 |
| Charge for the year | 3 | 10 |
| Amounts written off as uncollectible | | -8 |
| Unused amounts reversed | -2 | -2 |
| Exchange differences | -1 | |
| Provision at end of year | 32 | 31 |
| Not impaired | 1,588 | 1,695 |
| Not past due | 1,300 | 1,398 |
| 1-90 days past due | 262 | 178 |
| 91-180 days past due | 10 | 19 |
| 181-360 days past due | 7 | 16 |
| Over 360 days past due | 9 | 84 |

In the reporting year (and previous year), an insignificant amount of trade receivables was written off directly under a certificate of unpaid debts, for which no provision had been made because there was no indication of impairment.

Virtually all receivables over 360 days past due relate to a large-scale plant engineering project. Expected risks and revenue losses have been offset by credits.

The Alpiq Group holds collateral (bank guarantees) with an estimated fair value of CHF 53 million (2011: CHF 88 million) as security for impaired and for past due but not impaired trade receivables.

At the reporting date, there were no indications that debtors owing unimpaired receivables would not be able to meet their payment obligations.

### Liquidity risk

In European energy trading, a substantial portion of the receivables are offset and settled on specified dates, reducing the maximum liquidity requirements. Margin agreements are commonly used on energy commodity exchanges and among large energy traders so as to reduce the counterparty risk. As a result, movements in energy prices can lead to substantial outstanding debts in the short term. The Alpiq Group manages these variable liquidity requirements by using an early warning system, maintaining sufficient liquid resources and obtaining committed credit facilities from first-rate banks. The Group Treasury & Insurance unit of Financial Services is responsible for Group-wide cash and liquidity management. Its role is to forecast, monitor, provide and optimise liquidity throughout the Group on a monthly rolling basis.

The contractual maturities of financial liabilities are presented on the next page. The counterparty's redemption option has been taken into account even if redemption currently seems unlikely. Where it is intended to refinance loans at the end of the contract term, but refinancing has not yet been contractually secured, a cash outflow on maturity is assumed. Accordingly, actual cash flows may differ significantly from the contractual maturities.

Cash flows from derivatives are presented on a gross basis when the amounts are actually settled gross. To reflect the actual liquidity risk arising from such financial instruments, the cash inflows from derivatives are shown on a separate line in addition to the cash outflows.

## 2012: Maturity analysis of financial liabilities

| CHF million | Carrying amount | Cash flows <1 month | 1–3 months | 4–12 months | 1–5 years | >5 years | Total |
|---|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | | | |
| Trade payables | 806 | -578 | -218 | -6 | -2 | -2 | -806 |
| Bonds | 3,283 | | -31 | -64 | -2,226 | -1,470 | -3,791 |
| Loans payable | 1,124 | -2 | -5 | -21 | -538 | -800 | -1,366 |
| Other financial liabilities | 1,208 | -68 | -53 | -1,088 | -5 | -60 | -1,274 |
| **Derivative financial instruments** | | | | | | | |
| Net carrying amount of derivative financial instruments | -44 | | | | | | |
| Net carrying amount of energy derivatives | 63 | | | | | | |
| Gross cash inflows | | 929 | 1,902 | 7,722 | 4,109 | | 14,662 |
| Gross cash outflows | | -851 | -1,868 | -7,606 | -4,089 | | -14,414 |
| Net carrying amount of interest rate/currency derivatives | -107 | | | | | | |
| Gross cash inflows | | 239 | 355 | 507 | 683 | 45 | 1,829 |
| Gross cash outflows | | -240 | -355 | -519 | -752 | -68 | -1,934 |

## 2011: Maturity analysis of financial liabilities

| CHF million | Carrying amount | Cash flows <1 month | 1–3 months | 4–12 months | 1–5 years | >5 years | Total |
|---|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | | | |
| Trade payables | 961 | -719 | -222 | -20 | | | -961 |
| Bonds | 3,081 | | -31 | -61 | -1,842 | -1,667 | -3,601 |
| Loans payable | 1,444 | -2 | -5 | -35 | -961 | -701 | -1,704 |
| Other financial liabilities | 1,593 | -33 | -783 | -765 | -23 | -15 | -1,619 |
| **Derivative financial instruments** | | | | | | | |
| Net carrying amount of derivative financial instruments | 16 | | | | | | |
| Net carrying amount of energy derivatives | 34 | | | | | | |
| Gross cash inflows | | 2,465 | 4,652 | 17,290 | 6,847 | | 31,254 |
| Gross cash outflows | | -2,474 | -4,627 | -17,285 | -7,000 | | -31,386 |
| Net carrying amount of interest rate/currency derivatives | -18 | | | | | | |
| Gross cash inflows | | 538 | 771 | 570 | 399 | 102 | 2,380 |
| Gross cash outflows | | -532 | -770 | -584 | -446 | -132 | -2,464 |

The potential outflow of resources arising from guarantees is shown in note 26.

## Market risk

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

Market risk is measured within the framework of a Group-wide risk policy setting out rules on the incurrence, measurement, limitation and monitoring of risks. Compliance with these risk limits is monitored on an ongoing basis by the Risk Management Committee based on regular reporting by the Group Risk Management functional unit.

### Energy price risk

Energy price risk refers to potential price fluctuations that could have an adverse impact on the Alpiq Group. These can arise from factors such as variations in price volatility, market price movements or changing correlations between markets and products. Energy liquidity risks also belong in this category. These occur when an open energy position cannot be closed out or can only be closed out on very unfavourable terms due to a lack of market bids.

Derivative financial instruments are used to hedge underlying physical transactions in line with the risk policy.

### Interest rate risk

The Alpiq Group is exposed to risks arising from volatility in interest rates. Under its financial policy, liquid assets are invested on a short-term basis, while the necessary funding is obtained on a long-term basis. This means that a change in interest rates for assets has a direct impact on finance income. A change in interest rates for liabilities does not significantly affect finance costs due to the long-term nature of the financing arrangements. However, substantial differences may arise between the carrying amounts and fair value of settled financial transactions.

### Foreign currency risk

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

Net investments in foreign subsidiaries are also exposed to changes in foreign exchange rates, but the difference in inflation rates should offset these changes over the long term. For this reason, investments in foreign subsidiaries (translation risks) are not hedged.

Foreign currency risk arising from energy generation or purchasing is contractually transferred to the counterparty wherever possible. Where this is not possible or is only partially possible, forward currency contracts and currency options with a medium-term hedging horizon are used to manage exposure centrally in the market in line with the Group's financial risk policy.

### Equity price risk

The Alpiq Group holds a number of minor financial investments that are recognised at fair value and are susceptible to equity price fluctuations. As a rule, they are not hedged.

## Sensitivity analysis

An analysis of market risk exposures is presented below, showing how profit would have been affected by reasonably possible changes in the relevant risk variable. The 2012 analysis revealed that the possible impact on other comprehensive income would have been +/- CHF 5 million from interest rate derivatives (2011: +/- CHF 9 million), +/- CHF 0 million from foreign currency hedges (2011: +/- CHF 23 million) and +/- CHF 12 million (+/- CHF 15 million) from hedging transactions related to energy and energy services business.

Foreign currency risk sensitivity is based on financial instruments held at the reporting date. The reasonably possible changes in the relevant risk variable were determined based on historical fluctuations (over one year). A variation by +/- 1 standard deviation around the calculated mean is considered to be reasonably possible.

Sensitivity to interest rate risk on euro debt is measured by stress testing based on the six-month Euribor. Interest rate swap sensitivity is shown as the effect on the change in fair value that would result from a 1% parallel shift in the yield curve.

The exposure to equity price movements is based on the weighted average 180-day volatility of the current securities portfolio during 2012.

The possible annual percentage changes in the fair values of energy derivatives are determined from the commodity market prices for electricity, gas, coal and oil over the past three years. The sensitivities are calculated using the maximum deviations from the mean to a confidence level of 99%.

Each type of risk is quantified assuming that all other variables remain constant.

| CHF million | +/- Change 2011 | +/- Effect on profit for 2011 (before tax) | +/- Change 2012 | +/- Effect on profit for 2012 (before tax) |
|---|---|---|---|---|
| Energy price risk | 94.6 % | 32.3 | 90.8 % | 57.4 |
| EUR/CHF currency risk | 15.0 % | 209.2 | 1.6 % | 14.1 |
| EUR/USD currency risk | 11.2 % | 41.1 | 8.5 % | 40.8 |
| EUR/CZK currency risk | 6.5 % | 1.0 | 6.4 % | 1.5 |
| EUR/HUF currency risk | 11.4 % | 3.0 | 10.4 % | 1.4 |
| EUR/NOK currency risk | 7.5 % | 7.8 | 5.6 % | 2.8 |
| EUR/PLN currency risk | 10.0 % | 5.1 | 8.5 % | 1.7 |
| EUR/RON currency risk | 4.8 % | 0.2 | 4.0 % | 0.3 |
| USD/CHF currency risk | 16.3 % | 0.0 | 8.4 % | 0.8 |
| GBP/CHF currency risk | 15.5 % | 0.5 | | |
| Interest rate risk | 1.0 % | 61.7 | 1.0 % | 56.1 |
| Equity price risk | 5.6 % | 1.0 | 54.2 % | 9.2 |

# Notes to the Consolidated Financial Statements

## 1 Impairment charges and provisions

As explained in the introduction to the Financial Review on page 46, the results for 2012 like those for the previous year were significantly impacted by impairment charges resulting from economic and political changes, compounded by the more difficult market environment. These impairments relate to the cancellation of long-term power off-take contracts in Romania following the counterparty's insolvency. In addition, impairment losses had to be recognised as the market price expectations for electricity were revised downwards and because operations were stated at net realisable value. Particularly affected were the power generation assets in Switzerland, the gas-fired combined cycle power stations in Italy, France, Hungary and Spain, the coal-fired power stations in the Czech Republic and also the renewable energy generation facilities (wind farms and small power stations) in Switzerland and other countries. Furthermore, the market price forecasts meant that impairment charges and provisions had to be recognised for long-term purchase and supply contracts.

### 2012: Allocation of impairment charges and provisions/liabilities

| CHF million | | Property, plant and equipment | Intangible assets | Goodwill | Financial investments | Total |
|---|---|---|---|---|---|---|
| Power Generation Switzerland | Energy Switzerland | 320 | 335 | 131 | | 786 |
| Power Generation Hungary | Energy International | 3 | | 32 | | 35 |
| Power Generation Czech Republic[1] | Energy International | 136 | | 50 | | 186 |
| Power Generation Italy | Energy International | 146 | | | | 146 |
| Power Generation France | Energy International | 103 | | | | 103 |
| Power Generation Spain | Energy International | 98 | 3 | | | 101 |
| Renewable Energy Switzerland | Energy International | | | 17 | | 17 |
| Renewable Energy Italy | Energy International | 68 | | 74 | | 142 |
| Renewable Energy France | Energy International | 29 | 7 | | | 36 |
| Renewable Energy Bulgaria | Energy International | 8 | | 4 | | 12 |
| Renewable Energy Nordic | Energy International | 6 | | | | 6 |
| Sales Romania | Energy International | | 33 | 44 | | 77 |
| Sales Spain | Energy International | | | 2 | | 2 |
| Alpiq InTec (AIT) | Energy Switzerland | | | | 4 | 4 |
| Holding company, Group Centre and other | Group Centre | 17 | | | | 17 |
| **Total impairment of assets** | | **934** | **378** | **354** | **4** | **1,670** |
| Provision for loss-making contracts | | | | | | 27 |
| Liabilities for purchase and supply contracts[2] | | | | | | -98 |
| Other provisions/liabilities | | | | | | 16 |
| **Total impairment charges and provisions** | | | | | | **1,615** |

1 Part of the disposal group reclassified at the reporting date (see note 32).
2 In the business combination between Atel and EOS in 2009, loss-making 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 31 December 2012 led to a reduction in the liabilities carried.

**2011: Allocation of impairment charges and provisions (revised presentation)**

| CHF million | | Property, plant and equipment | Intangible assets | Goodwill | Associates | Current assets | Total |
|---|---|---|---|---|---|---|---|
| Power Generation Switzerland | Energy Switzerland | 80 | | | | | 80 |
| Power Generation Czech Republic | Energy International | | | | 3 | | 3 |
| Power Generation Germany | Energy International | 10 | | | | | 10 |
| Power Generation Italy | Energy International | 108 | 15 | | 435 | | 558 |
| Power Generation France | Energy International | 227 | | | | | 227 |
| Power Generation Spain | Energy International | 60 | 18 | 27 | | | 105 |
| Sales Romania | Energy International | | 39 | | | | 39 |
| Alpiq InTec (AIT) | Energy Switzerland | | 2 | | | | 2 |
| Other impairment charges [1] | Energy International | | | | | 78 | 78 |
| Holding company, Group Centre and other | Holding company | | | | 385 | | 385 |
| | Group Centre | 64 | | | | | 64 |
| **Total impairment of assets** | | **549** | **74** | **27** | **823** | **78** | **1,551** |
| Employee restructuring costs | | | | | | | 30 |
| Provision for loss-making contracts | | | | | | | 104 |
| Suspended projects and other provisions | | | | | | | 60 |
| **Total restructuring and impairment charges** | | | | | | | **1,745** |

1 Part of the disposal group reclassified at the reporting date (see note 32).

The table has been restated to reflect the structure of the cash-generating units and business divisions at 31 December 2012. In 2011, there were no significant cash out expenses in connection with the restructuring programme.

The item "associates" comprises impairment losses as well as the cumulative translation differences of CHF 138 million relating to Edipower that had been recognised in other comprehensive income and were recycled to the income statement.

## 2 Own work capitalised and other operating income

Own work capitalised primarily comprises the construction work on the Group-owned K7 power generation project in the Czech Republic.

In 2012, other operating income rose by approximately CHF 210 million year on year, primarily due to the book gains realised on business disposals and to the compensation awarded in the arbitration proceedings against Polish energy generator PGE, which is recognised in this item.

## 3 Energy and inventory costs [1]

| CHF million | 2011 | 2012 |
|---|---|---|
| Electricity purchased from third parties | 8,665 | 7,886 |
| Electricity purchased from joint ventures | 463 | 508 |
| Electricity purchased from other associates | 110 | 102 |
| Other energy purchases | 1,048 | 978 |
| Cost of inventories | 1,211 | 1,064 |
| **Total before restructuring programme** | **11,497** | **10,538** |
| Restructuring programme and provisions | 113 | -53 |
| **Total** | **11,610** | **10,485** |

## 4 Employee costs [1]

| CHF million | 2011 | 2012 |
|---|---|---|
| Wages and salaries | 807 | 737 |
| Defined benefit pension costs | 39 | 35 |
| Defined contribution pension costs | 7 | 7 |
| Other employee costs | 133 | 115 |
| **Total before restructuring plan** | **986** | **894** |
| Restructuring plan | 30 | |
| **Total** | **1,016** | **894** |

### Average number of employees

| | 2011 | 2012 |
|---|---|---|
| Employees (full-time equivalents) | 10,396 | 9,459 |
| Apprentices | 613 | 580 |
| **Total** | **11,009** | **10,039** |

### Number of employees at the reporting date

| | 31 Dec 2011 | 31 Dec 2012 |
|---|---|---|
| Employees (full-time equivalents) | 10,588 | 7,340 |
| Apprentices | 620 | 586 |
| **Total** | **11,208** | **7,926** |

1 Prior year comparatives restated retrospectively; see explanatory notes on page 77.

## 5 Other operating expenses[1]

Other operating expenses of CHF 429 million in 2012 (2011: CHF 523 million) included restructuring costs of CHF 48 million (CHF 106 million).

## 6 Depreciation, amortisation and impairment[1]

| CHF million | 2011 | 2012 |
| --- | --- | --- |
| Depreciation of property, plant and equipment | 319 | 273 |
| Amortisation of energy purchase rights | 166 | 106 |
| Amortisation of other intangible assets | 94 | 48 |
| Impairment of property, plant and equipment and intangible assets | 650 | 1,666 |
| Impairment of "assets held for sale" | | 35 |
| **Total** | **1,229** | **2,128** |

"Impairment of assets held for sale" recognised in the statement of financial position includes write-downs of the assets of the transmission network companies. These write-downs became necessary because the transfer to Swissgrid of the transmission system operations already held for sale in the previous year was postponed for six months to the beginning of January 2013.

Information about impairment testing of goodwill and intangible assets is disclosed in note 12.

## 7 Finance costs and finance income[1]

| CHF million | 2011 | 2012 |
| --- | --- | --- |
| **Finance costs** | | |
| Interest expense | -192 | -193 |
| Interest on provisions and non-current liabilities | -15 | -12 |
| Capitalised borrowing costs | 5 | 4 |
| Other finance costs (net) | -3 | -63 |
| **Total** | **-205** | **-264** |
| **Finance income** | | |
| Dividend income from financial investments | 1 | 3 |
| Interest income | 13 | 15 |
| Net foreign exchange gains/(losses) | 10 | -2 |
| **Total** | **24** | **16** |
| **Net finance costs** | **-181** | **-248** |

In 2012, the item "other finance costs" primarily included the losses on the sale of current asset investments (A2A) and impairment charges on non-current financial assets.

1 Prior year comparatives restated retrospectively; see explanatory notes on page 77.

# 8 Income tax expense

## Income tax recognised directly in other comprehensive income

| CHF million | 2011 | 2012 |
|---|---|---|
| Deferred income tax | 13 | 5 |
| **Total** | **13** | **5** |

## Income tax expense charged to the income statement [1]

| CHF million | 2011 | 2012 |
|---|---|---|
| Current income tax | 98 | 127 |
| Deferred income tax | -126 | -274 |
| **Total** | **-28** | **-147** |

## Reconciliation [1]

| CHF million | 2011 | 2012 |
|---|---|---|
| Profit/(loss) before income tax | -1,374 | -1,233 |
| Expected income tax rate (weighted average) | 24.7% | 22.3% |
| Income tax at the expected income tax rate | -339 | -275 |
| Increase/(decrease) in income tax expense due to: | | |
| Effect of non-deductible expenses for tax purposes | 185 | 164 [2] |
| Effect of adjustments in respect of prior periods | -5 | 6 |
| Effects of income exempt from tax | -15 | -211 [2] |
| Effect of valuation of tax loss carry-forwards | 141 | 174 |
| Effect of changes in tax rates | 5 | -10 |
| Other effects | | 5 |
| **Total income tax expense** | **-28** | **-147** |
| Effective income tax rate | 2.0% | 11.9% |

2 These items are affected by the impact of impairment.

The expected income tax rate fell by 2.4% year on year (2011: increased by 0.1%).

### Deferred tax assets and liabilities by origination of temporary differences

| CHF million | 31 Dec 2011 | 31 Dec 2012 |
|---|---|---|
| Tax losses not yet used | 21 | 25 |
| Other non-current assets | 7 | 5 |
| Current assets | 16 | 2 |
| Provisions and liabilities | 36 | 55 |
| **Total gross deferred tax assets** | **80** | **87** |
| Property, plant and equipment | 539 | 399 |
| Other non-current assets | 856 | 714 |
| Current assets | 30 | 48 |
| Provisions and liabilities | 161 | 126 |
| **Total gross deferred tax liabilities** | **1,586** | **1,287** |
| **Net deferred tax liability** | **1,506** | **1,200** |
| Tax assets recognised in the statement of financial position | 40 | 103 |
| Tax liabilities recognised in the statement of financial position | 1,546 | 1,303 |

At 31 December 2012, several subsidiaries had tax loss carry-forwards totalling CHF 1,341 million (2011: CHF 527 million) that are available for offset against future taxable profits.

Deferred tax assets are recognised for tax loss carry-forwards only to the extent that realisation of the related tax benefit is probable. The Alpiq Group has not recognised the tax benefit of tax loss carry-forwards of CHF 1,269 million (2011: CHF 468 million).

These tax loss carry-forwards expire in the following periods:

| CHF million | 31 Dec 2011 | 31 Dec 2012 |
|---|---|---|
| Within 1 year | 1 | 5 |
| Within 2–3 years | 23 | 17 |
| After 3 years | 444 | 1,247 |
| **Total** | **468** | **1,269** |

## 9 Earnings per share [1]

| | 2011 | 2012 |
|---|---|---|
| Weighted average number of shares outstanding | 27,189,873 | 27,189,873 |
| Net profit/(loss) attributable to owners of Alpiq Holding (CHF million) | -1,325 | -1,045 |
| **Earnings/(loss) per share (CHF)** | **-48.73** | **-38.43** |

There are no circumstances that could have a dilutive effect on earnings/(loss) per share.

1 Prior year comparatives restated retrospectively; see explanatory notes on page 77.

## 10 Property, plant and equipment

| CHF million | Land and buildings | Power generation assets | Transmission assets | Other plant and equipment | Assets under construction | Total |
|---|---|---|---|---|---|---|
| **Gross carrying amount at 31 December 2010** | **395** | **4,193** | **1,638** | **496** | **963** | **7,685** |
| Acquisition/disposal of subsidiaries | 15 | 358 | | 1 | 11 | 385 |
| Additions | 4 | 77 | 25 | 92 | 212 | 410 |
| Own work capitalised | | | 3 | 13 | 86 | 102 |
| Capitalised borrowing costs (3.1 % interest) | | | | | 5 | 5 |
| Transfers | 3 | 694 | 5 | 7 | -743 | -34 |
| Disposals | -4 | -7 | -27 | -23 | -43 | -104 |
| Reclassified to "assets held for sale" | -70 | | -826 | -220 | -122 | -1,238 |
| Exchange differences | -4 | -58 | | -8 | -11 | -81 |
| **Gross carrying amount at 31 December 2011** | **339** | **5,257** | **818** | **358** | **358** | **7,130** |
| Reclassified from "assets held for sale" reported in the previous year | 26 | | | 71 | | 97 |
| Acquisition/disposal of subsidiaries | -1 | 214 | | -2 | -2 | 209 |
| Additions | 8 | 41 | 33 | 24 | 39 | 145 |
| Own work capitalised | | | 4 | | 117 | 121 |
| Capitalised borrowing costs (2.8 % interest) | | | | | 4 | 4 |
| Transfers | 4 | 47 | 8 | 14 | -75 | -2 |
| Disposals | -15 | -11 | -2 | -22 | -9 | -59 |
| Reclassified to "assets held for sale" | -14 | -618 | -447 | -22 | -233 | -1,334 |
| Exchange differences | -1 | -16 | | | -2 | -19 |
| **Gross carrying amount at 31 December 2012** | **346** | **4,914** | **414** | **421** | **197** | **6,292** |
| **Accum. depreciation at 31 December 2010** | **82** | **887** | **771** | **267** | **0** | **2,007** |
| Depreciation charge for the year | 10 | 183 | 54 | 72 | | 319 |
| Impairment | 5 | 447 | | 62 | 35 | 549 |
| Transfers | | 3 | -4 | | | -1 |
| Disposals | | -1 | -23 | -22 | -35 | -81 |
| Reclassified to "assets held for sale" | -25 | | -374 | -135 | | -534 |
| Exchange differences | -1 | -22 | | -6 | | -29 |
| **Accum. depreciation and impairment at 31 December 2011** | **71** | **1,497** | **424** | **238** | **0** | **2,230** |
| Reclassified from "assets held for sale" reported in the previous year | 9 | | | 42 | | 51 |
| Depreciation charge for the year | 12 | 186 | 31 | 44 | | 273 |
| Impairment | | 914 | | 17 | 3 | 934 |
| Disposals | -13 | -10 | -1 | -21 | | -45 |
| Reclassified to "assets held for sale" | -2 | -357 | -247 | -15 | | -621 |
| Exchange differences | | -6 | | | | -6 |
| **Accum. depreciation and impairment at 31 December 2012** | **77** | **2,224** | **207** | **305** | **3** | **2,816** |
| Net carrying amount at 31 December 2011 | 268 | 3,760 | 394 | 120 | 358 | 4,900 |
| **Net carrying amount at 31 December 2012** | **269** | **2,690** | **207** | **116** | **194** | **3,476** |

At the reporting date, the Group had contractual commitments of CHF 25 million (2011: CHF 33 million) for the construction and acquisition of property, plant and equipment.

The Alpiq Group operates a wind farm in Sicily, which is primarily funded through a long-term lease agreement. The net carrying amount of property, plant and equipment held under finance leases was CHF 65 million at 31 December 2012 (2011: CHF 0 million).

Commitments under finance leases:

| CHF million | Minimum lease payments at 31 Dec 2011 | Minimum lease payments at 31 Dec 2012 | Present value at 31 Dec 2011 | Present value at 31 Dec 2012 |
|---|---|---|---|---|
| Within 1 year | | 4 | | 4 |
| Between 2 and 5 years | | 15 | | 13 |
| More than 5 years | | 46 | | 31 |
| **Total** | **0** | **65** | **0** | **48** |
| Finance charges | | -17 | | |
| **Present value of minimum lease payments** | **0** | **48** | **0** | **48** |

The present value of minimum lease payments was CHF 48 million at the reporting date (2011: CHF 0 million), of which CHF 4 million (CHF 0 million) is reported as short-term borrowings and CHF 44 million (CHF 0 million) as long-term borrowings

## 11 Intangible assets

| CHF million | Energy purchase rights | Goodwill | Other intangible assets | Total |
|---|---|---|---|---|
| **Gross carrying amount at 31 December 2010** | **2,135** | **659** | **510** | **3,304** |
| Acquisition/disposal of subsidiaries | | 67 | 91 | 158 |
| Additions | | | 22 | 22 |
| Transfers | | | -10 | -10 |
| Disposals | -627 | | -10 | -637 |
| Reclassified to "assets held for sale" | | -35 | -218 | -253 |
| Exchange differences | -5 | -9 | -11 | -25 |
| **Gross carrying amount at 31 December 2011** | **1,503** | **682** | **374** | **2,559** |
| Reclassified from "assets held for sale" reported in the previous year | | 4 | 10 | 14 |
| Acquisition/disposal of subsidiaries | | 24 | 15 | 39 |
| Additions | | | 14 | 14 |
| Transfers | | -4 | 2 | -2 |
| Disposals | | | -10 | -10 |
| Reclassified to "assets held for sale" | | | -15 | -15 |
| Exchange differences | -4 | -5 | -2 | -11 |
| **Gross carrying amount at 31 December 2012** | **1,499** | **701** | **388** | **2,588** |
| **Accum. amortisation at 31 December 2010** | **810** | **0** | **182** | **992** |
| Amortisation charge for the year | 166 | | 94 | 260 |
| Impairment | 39 | 27 | 35 | 101 |
| Transfers | | | -11 | -11 |
| Disposals | -627 | | -9 | -636 |
| Reclassified to "assets held for sale" | | | -105 | -105 |
| Exchange differences | -3 | -1 | -2 | -6 |
| **Accum. amortisation and impairment at 31 December 2011** | **385** | **26** | **184** | **595** |
| Reclassified from "assets held for sale" reported in the previous year | | | 6 | 6 |
| Amortisation charge for the year | 106 | | 48 | 154 |
| Impairment | 368 | 354 | 10 | 732 |
| Disposals | | | -4 | -4 |
| Reclassified to "assets held for sale" | | | -1 | -1 |
| Exchange differences | -2 | | | -2 |
| **Accum. amortisation and impairment at 31 December 2012** | **857** | **380** | **243** | **1,480** |
| Net carrying amount at 31 December 2011 | 1,118 | 656 | 190 | 1,964 |
| **Net carrying amount at 31 December 2012** | **642** | **321** | **145** | **1,108** |

No borrowing costs were capitalised in 2011 and 2012.

The plant usage rights with indefinite useful lives and a value of CHF 45 million that were originally included in the carrying amount of "other intangible assets" are reported as "assets held for sale" at 31 December 2012 as in the previous year.

## 12 Impairment testing of goodwill, intangible assets and other assets

Goodwill and intangible assets with indefinite useful lives have been allocated to the following cash-generating units for impairment testing purposes:

| CHF million | Pre-tax discount rate at 31 Dec 2011 | Post-tax discount rate at 31 Dec 2011 | Carrying amount at 31 Dec 2011 | Pre-tax discount rate at 31 Dec 2012 | Post-tax discount rate at 31 Dec 2012 | Carrying amount at 31 Dec 2012 |
|---|---|---|---|---|---|---|
| Power Generation Switzerland | 7.3% | 5.4% | 380 | 6.2% | 4.7% | 249 |
| Power Generation Hungary | 14.0% | 12.4% | 45 | 14.9% | 7.0% | 13 |
| Power Generation Czech Republic | 9.5% | 8.3% | 50 | 6.1% | 5.2% | 0 |
| Power Generation Spain | 8.3% | 7.7% | 0 | | | |
| Sales Central Europe | 13.8% | 12.0% | 13 | 5.5% | 4.9% | 13 |
| Sales Romania | 12.7% | 11.2% | 47 | 8.7% | 7.7% | 0 |
| Sales Italy | 10.7% | 7.1% | 0 | | | |
| Sales Spain | 15.5% | 9.2% | 0 | 7.1% | 7.1% | 0 |
| Sales Nordic | 8.6% | 7.0% | 0 | | | |
| Renewable Energy Sources Switzerland | 6.5% | 4.4% | 17 | 5.8% | 4.8% | 0 |
| Renewable Energy Sources Italy | 8.7% | 7.1% | 51 | 10.1% | 7.2% | 0 |
| Renewable Energy Sources Bulgaria | 9.6% | 8.7% | 4 | 7.2% | 6.4% | 0 |
| Grid Switzerland | 5.1% | 4.0% | 0 | 5.1% | 4.0% | 0 |
| Alpiq InTec (AIT) | 7.5% | 6.2% | 49 | 7.2% | 5.9% | 44 |
| Energie- und Anlagentechnik (EAT) | 10.6% | 7.4% | 0 | 9.2% | 6.9% | 2 |
| **Total** | | | **656** | | | **321** |

In connection with the termination of long-term power off-take contracts in Romania due to the counterparty's insolvency, the "Sales Central Europe" cash-generating unit was redefined. Now local operations in Romania are classified as a separate cash-generating unit. Alpiq's disposal programme now includes the power generation facilities in the Czech Republic as well. Because of the change in strategy, the "Power Generation Central Europe" cash-generating unit was divided into the "Power Generation Czech Republic" and "Power Generation Hungary" units in the reporting period. The prior year presentation has been revised to reflect the new structures.

### Power Generation Switzerland and Hungary, Renewable Energy Switzerland, Italy and Bulgaria

The recoverable amount used in testing goodwill for impairment is based on value in use, future cash flow and the current business plans approved by management. The following assumptions used in the value in use calculations are subject to estimation uncertainty: discount rate, energy prices, output volumes and generation costs.

The approved plans were prepared on the basis of past experience and normally cover a period of three to five years. The subsequent periods to the end of the useful lives of the assets are based on empirical values calculated by Alpiq or, where none exist, on inflation-adjusted values used in the current business plans. As the useful lives of the assets are known and the power generation profiles can be estimated based on past experience, Alpiq considers this approach to be reasonable. Discount rates reflect current market assessments of the risks specific to each cash-generating unit.

As a result of the impairment tests performed, impairment charges on goodwill were recognised for these cash-generating units in the current reporting year. For more details, please refer to note 1 "impairment charges and provisions" on page 90.

### Sales Central Europe, Spain and Romania, Alpiq InTec (AIT) and Energie- und Anlagentechnik (EAT)

The recoverable amount used in testing goodwill for impairment is based on value in use, future cash flow and the current business plans approved by management. The following assumptions used in the value in use calculations are subject to estimation uncertainty: discount rate, cash flows and growth rates.

The approved plans were prepared on the basis of past experience and normally cover a period of three to five years. Cash flows in subsequent years were extrapolated. A zero growth rate was assumed for the latter. Discount rates reflect current market assessments of the risks specific to each cash-generating unit.

As a result of the impairment tests performed, no impairment charges on goodwill were recognised in the current reporting year, with the exception of Sales Spain and Romania.

The sales operations in Spain, which were classified as held for sale in the previous year, were not able to be sold in the current reporting year. As a result, those operations were closed down and the related goodwill written down as impaired.

In connection with the cancellation of long-term power off-take contracts in Romania due to the counterparty's insolvency, the entire goodwill of CHF 44 million was written off as impaired. As a result of the changed situation, an earn-out payment carried at CHF 2 million from 2009 no longer had to be paid, which led to a corresponding reduction in goodwill.

For more details, please refer to note 1 "impairment charges and provisions" on page 90.

The Energie- und Anlagentechnik (EAT) business of the AAT business unit was part of the disposal group reclassified in the previous year. As it was decided not to sell the EAT business, the related goodwill was reclassified in the statement of financial position in the reporting year.

### Power Generation Czech Republic, Grid Switzerland

The disposal programme has now been extended to include the power generation facilities in the Czech Republic. In addition, the two transmission network companies were transferred to Swissgrid in January 2013. In impairment testing of goodwill and intangible assets with indefinite useful lives, the recoverable amount is therefore based on fair value less costs to sell. The fair value of Power Generation Czech Republic is based on management's best assessment, whereas the fair value of the two transmission network companies applies principles stipulated by the legislator.

As a result of the impairment tests performed, the goodwill of Power Generation Czech Republic was written off in full as impaired in the current reporting year. No impairment charges were required for the Grid Switzerland unit.

For more details, please refer to note 1 "impairment charges and provisions" on page 90 and "assets held for sale" on page 121.

No impairment of goodwill was required in the reporting year for the Sales Central Europe, Alpiq InTec (AIT) and Energie- und Anlagentechnik (EAT) cash-generating units. According to a sensitivity analysis, the values in use of the individual units still exceed their current carrying amounts even if there is a negative change in the material parameters.

Impairment tests of property, plant and equipment and intangible assets with finite useful lives were also performed. The recoverable amount used in the testing is based on value in use (with the exception of Power Generation Czech Republic, see page 100). The following discount rates were applied: Power Generation Switzerland (pre-tax discount rate: 6.2%; post-tax rate: 4.7%), Power

Generation Hungary (14.9%; 7.0%), Power Generation Italy (7.8%; 6.1%), Power Generation France (7.4%; 5.3%), Power Generation Spain (7.1%; 7.1%), Renewable Energy Italy (10.1%; 7.2%), Renewable Energy France (6.1%; 5.7%), Renewable Energy Bulgaria (7.2%; 6.4%), Renewable Energy Nordic (5.8%; 4.2%) and Sales Romania (8.7%; 7.7%). For details of impairment charges recognised, please refer to note 1 "impairment charges and provisions" on page 90.

## 13 Investments in joint ventures and other associates

| CHF million | Joint ventures | Other associates | Total |
|---|---|---|---|
| **Carrying amount at 31 December 2010** | **3,772** | **1,801** | **5,573** |
| Acquisition/disposal of subsidiaries | | 3 | 3 |
| Additions | | 1 | 1 |
| Dividend | -32 | -38 | -70 |
| Share of profit | -97 | 25 | -72 |
| IAS 39 effects taken to equity | | -10 | -10 |
| Impairment[1] | | -685 | -685 |
| Reclassification | | -51 | -51 |
| Disposals | -5 | -22 | -27 |
| Reclassified to "assets held for sale" | | -245 | -245 |
| Exchange differences | | 3 | 3 |
| **Carrying amount at 31 December 2011** | **3,638** | **782** | **4,420** |
| Reclassified from "assets held for sale" reported in the previous year | | 1 | 1 |
| Additions | 1 | 2 | 3 |
| Dividend | -32 | -10 | -42 |
| Share of profit | -60 | -5 | -65 |
| IAS 39 effects taken to equity | -17 | | -17 |
| Reclassified to "current asset investments" | | -126 | -126 |
| Disposals | -34 | -134 | -168 |
| Reclassified to "assets held for sale" | | -304 | -304 |
| Exchange differences | | -4 | -4 |
| **Carrying amount at 31 December 2012** | **3,496** | **202** | **3,698** |

1 Also see note 1 on pages 90 and 91.

During the reporting year, interests in joint ventures were reduced by sale. The share of unrealised losses recycled from equity in 2012 under IAS 39 and the proceeds of disposals resulted in a net gain of CHF 8 million. This gain has been recognised in the results of associates in the income statement. In the previous year, the 35.5% interest in S.E.R.H.Y. S.A.S., Société d'études et de réalisations hydroélectriques, St-Amans-Soult/FR, was sold. As a result, cumulative translation losses of CHF 6 million recognised in equity were expensed against the results of associates in the income statement.

All significant joint ventures and other associates are valued in accordance with uniform IFRS principles. Reconciliations are prepared in cases where no financial statements prepared under IFRS are available.

The reporting date of a few joint ventures and other associates is different from that of the Group. The most recent available financial statements of these companies have been used for the Alpiq Group consolidation. Adjustments have been made in the consolidated financial statements for the effects of significant transactions and events that occurred between the most recent financial statements and 31 December.

The market value of the Group's interests in other associates listed on a stock exchange was CHF 47 million at 31 December 2012 (31 December 2011: CHF 588 million). The carrying amount of these companies was CHF 80 million at the reporting date (CHF 539 million). The Alpiq Group continuously monitors movements in the market value of the listed companies. If the carrying amount of individual companies significantly exceeds the Group's share of their market value for a prolonged period, the Group performs an impairment test based on current medium-term plans (value in use analysis).

**Summarised financial information of joint ventures and other associates (Alpiq Group share)**

| | Joint ventures | | Other associates | |
|---|---|---|---|---|
| CHF million | 2011 | 2012 | 2011 | 2012 |
| Non-current assets | 7,013 | 6,983 | 1,159 | 263 |
| Current assets | 254 | 225 | 725 | 219 |
| Non-current liabilities | 3,324 | 3,342 | 643 | 161 |
| Current liabilities | 305 | 370 | 459 | 119 |
| Revenue | 633 | 707 | 1,194 | 878 |
| Expenses | -608 | -675 | -1,175 | -851 |

Under joint venture agreements in force, the shareholders of joint ventures are required to pay the annual costs attributable to their percentage ownership interests (incl. interest and repayment of liabilities). The Alpiq Group's share of the regular annual costs in 2012 was CHF 508 million (2011: CHF 463 million).

In addition, nuclear power plant owners are required to pay limited additional contributions to the decommissioning and waste disposal fund in the event that any one primary contributor is unable to make its payments.

## 14 Other non-current financial assets

| CHF million | Financial investments | Loans receivable | Total |
|---|---|---|---|
| **Carrying amount at 31 December 2010** | **33** | **115** | **148** |
| Additions | 8 | 32 | 40 |
| Reclassifications | -9 | -32 | -41 |
| Disposals | -5 | -10 | -15 |
| Exchange differences | | -2 | -2 |
| **Carrying amount at 31 December 2011** | **27** | **103** | **130** |
| Additions | | 5 | 5 |
| Reclassifications | 1 | 2 | 3 |
| Disposals | -8 | -16 | -24 |
| Impairment | -4 | -6 | -10 |
| Reclassified to "assets held for sale" | | -1 | -1 |
| **Carrying amount at 31 December 2012** | **16** | **87** | **103** |

## 15 Inventories

At the reporting date, inventories primarily included fuels (gas and coal) carried at an amount of CHF 42 million (2011: CHF 70 million) as well as consumables and supplies valued at CHF 41 million (CHF 41 million).

## 16 Trade and other receivables

| CHF million | 31 Dec 2011 | 31 Dec 2012 |
|---|---|---|
| Trade receivables | 1,588 | 1,695 |
| Prepayments to suppliers | 30 | 41 |
| Unbilled revenue | | 12 |
| Other receivables | 381 | 427 |
| **Total** | **1,999** | **2,175** |

Trade receivables from customers who are also suppliers are offset against the respective trade payables where netting agreements with the counterparties are in place. Receivables and payables offset under netting agreements amounted to CHF 1,957 million (2011: CHF 2,546 million).

Unbilled revenue related to construction contracts is reported as follows by reference to the stage of completion, less advances received:

| CHF million | 31 Dec 2011 | 31 Dec 2012 |
|---|---|---|
| Unbilled revenue (gross) | 604 | 1,061 |
| Advances received from customers | -646 | -1,049 |
| **Unbilled revenue (net)** | **-42** | **12** |

The excess of CHF 42 million remaining after offsetting prepayments at 31 December 2011 is recognised as a liability in "advances from customers".

## 17 Cash and cash equivalents

| CHF million | 31 Dec 2011 | 31 Dec 2012 |
|---|---|---|
| Cash at bank and in hand | 840 | 1,102 |
| Term deposits with a maturity of 90 days or less | 36 | 120 |
| **Total** | **876** | **1,222** |

Cash at bank and in hand includes CHF 1 million (2011: CHF 8 million) restricted as collateral to energy trading exchanges and transmission system operators.

## 18 Current asset investments

This item comprises only securities held for trading. As Alpiq ceased to be represented on the Board of Directors of Italian energy supply utility A2A S.p.A., Milan/IT, it lost its significant influence over the company. For this reason, the interest held is now classified as "current asset investments" in the statement of financial position (2011: "investments in joint ventures and other associates").

## 19 Equity

### Share capital

The share capital of CHF 271.9 million (2011: CHF 271.9 million) consists of 27,189,873 registered shares of CHF 10 each (27,189,873 registered shares) and is fully paid up. Shareholders registered in the share register were:

| % | Ownership interest at 31 Dec 2011 | Ownership interest at 31 Dec 2012 |
|---|---|---|
| EOS HOLDING SA (EOSH) | 31.4 | 31.4 |
| EDF Alpes Investissements Sàrl (EDFAI) | 25.0 | 25.0 |
| EBM (Genossenschaft Elektra Birseck) | 13.6 | 13.6 |
| EBL (Genossenschaft Elektra Baselland) | 7.1 | 7.1 |
| Canton of Solothurn | 5.6 | 5.6 |
| EnBW Energie Baden-Württemberg | 2.3 | 2.3 |
| Aziende Industriali di Lugano (AIL) | 2.1 | 2.1 |
| IBAarau (IBA) | 2.0 | 2.0 |
| Wasserwerke Zug (WWZ) | 0.9 | 0.9 |
| Free float | 10.0 | 10.0 |

## 20 Provisions

| CHF million | Provision for loss-making contracts | Provision for restructuring | Provision for decommissioning own power stations | Provision for warranties | Other provisions | Total |
|---|---|---|---|---|---|---|
| **Balance of non-current provisions at 31 December 2011** | **80** | **7** | **13** | **9** | **38** | **147** |
| Current provisions | 102 | 37 | | 1 | 17 | 157 |
| **Total provisions at 31 December 2011** | **182** | **44** | **13** | **10** | **55** | **304** |
| Reclassified from "liabilities held for sale" reported in the previous year | 6 | | | 4 | 9 | 19 |
| Arising during the year | 49 | 7 | 4 | 5 | 12 | 77 |
| Unwinding of discount | 2 | | 1 | | | 3 |
| Utilised | -93 | -18 | | -1 | -3 | -115 |
| Unused amounts reversed | -7 | -2 | | -2 | -2 | -13 |
| Reclassified | | | | | -12 | -12 |
| Reclassified to "liabilities held for sale" | | | | | -1 | -1 |
| **Total provisions at 31 December 2012** | **139** | **31** | **18** | **16** | **58** | **262** |
| Less current provisions | -88 | -26 | | -2 | -38 | -154 |
| **Balance of non-current provisions at 31 December 2012** | **51** | **5** | **18** | **14** | **20** | **108** |
| **Expected cash outflows** | | | | | | |
| Within 12 months | -88 | -26 | | -2 | -38 | -154 |
| Within 1–5 years | -51 | -5 | -8 | -6 | -16 | -86 |
| After 5 years | | | -10 | -8 | -4 | -22 |
| **Total** | **-139** | **-31** | **-18** | **-16** | **-58** | **-262** |

The provision for loss-making contracts covers existing obligations and identifiable risks arising from energy trading and sales business as determined at the reporting date. This item provides for liabilities expected in connection with long-term energy purchasing and supply.

The provision for restructuring covers costs expected to be incurred in future as a result of the ongoing restructuring programme. The provision includes costs arising in the course of restructuring and not relating to the Group's continuing operations.

The provision for decommissioning the Group's own power stations covers the estimated costs of decommissioning and restoration obligations associated with the Group's existing power generation facilities.

The provision for warranties relates mainly to the energy services business. The provision was calculated based on historical data and contractual agreements.

Other provisions comprise liabilities relating to human resources and other general operating risks estimated as probable. The current portion primarily consists of firm commitments to provide cost-of-living allowances to pensioners. It is planned to pay this portion of the provision into the pension fund in 2013 for future settlement.

Substantial provisions where the fair value is significant are recognised at present value, with interest charged to finance costs. Current provisions are recorded as accruals.

## 21 Long-term borrowings

| CHF million | 31 Dec 2011 | 31 Dec 2012 |
|---|---|---|
| Bonds at amortised cost | 3,081 | 3,283 |
| Loans payable | 1,444 | 1,124 |
| **Total** | **4,525** | **4,407** |

### Bonds outstanding at the reporting date

| CHF million | Term | Earliest redemption date | Effective interest rate % | Carrying amount at 31 Dec 2011 | Carrying amount at 31 Dec 2012 |
|---|---|---|---|---|---|
| Alpiq Holding Ltd. CHF 275 million face value, 2% fixed rate | 2012/2017 | 13 Apr 2017 | 2.161 | | 273 |
| Alpiq Holding Ltd. CHF 25 million face value, 2% fixed rate | 2012/2017 | 13 Apr 2017 | 2.139 | | 25 |
| Alpiq Holding Ltd. CHF 200 million face value, 3% fixed rate | 2012/2022 | 16 May 2022 | 3.056 | | 199 |
| Alpiq Holding Ltd. CHF 200 million face value, 3% fixed rate | 2009/2014 | 10 Feb 2014 | 3.201 | 199 | 200 |
| Alpiq Holding Ltd. CHF 25 million face value, 3 3/8% fixed rate | 2008/2014 | 30 Oct 2014 | 3.559 | 25 | 25 |
| Alpiq Holding Ltd. CHF 150 million face value, 3 3/8% fixed rate | 2008/2014 | 30 Oct 2014 | 3.600 | 149 | 149 |
| Alpiq Holding Ltd. CHF 250 million face value, 3 1/4% fixed rate | 2009/2015 | 3 Jul 2015 | 3.447 | 248 | 249 |
| Alpiq Holding Ltd. CHF 250 million face value, 4% fixed rate | 2009/2017 | 10 Feb 2017 | 4.174 | 248 | 248 |
| Alpiq Holding Ltd. CHF 160 million face value, 3 7/8% fixed rate | 2008/2018 | 30 Oct 2018 | 4.022 | 158 | 159 |
| Alpiq Holding Ltd. CHF 40 million face value, 3 7/8% fixed rate | 2008/2018 | 30 Oct 2018 | 4.020 | 40 | 40 |
| Alpiq Holding Ltd. CHF 500 million face value, 3% fixed rate | 2009/2019 | 25 Nov 2019 | 3.181 | 494 | 494 |
| Alpiq Holding Ltd. CHF 300 million face value, 3 1/8% fixed rate [1,2] | 2003/2013 | 16 Sep 2013 | 3.125 | 300 | 300 |
| Alpiq Holding Ltd. CHF 250 million face value, 3 1/4% fixed rate [2] | 2008/2015 | 25 Mar 2015 | 3.547 | 248 | 249 |
| Alpiq Holding Ltd. CHF 250 million face value, 2 5/8% fixed rate [2] | 2006/2018 | 1 Mar 2018 | 2.790 | 248 | 248 |
| Alpiq Holding Ltd. CHF 125 million face value, 2 7/8% fixed rate [2] | 2006/2014 | 22 Sep 2014 | 3.107 | 124 | 125 |
| Alpiq Holding Ltd. CHF 250 million face value, 1 3/8% fixed rate | 2011/2016 | 20 Sep 2016 | 1.553 | 248 | 248 |
| Alpiq Holding Ltd. CHF 225 million face value, 2 1/4% fixed rate | 2011/2021 | 20 Sep 2021 | 2.399 | 222 | 222 |
| Emosson SA CHF 130 million face value, 2 1/4% fixed rate [1] | 2005/2017 | 26 Oct 2017 | 2.250 | 130 | 130 |

1 The bond issue is measured at face value, which approximates amortised cost. As a result, the reported nominal and effective interest rates are identical.
2 Bonds issued by Alpiq Ltd. and Alpiq Suisse Ltd. which were transferred to Alpiq Holding Ltd. in December 2010 by way of substitution of issuer.

The market value of fixed rate bonds outstanding at the reporting date was CHF 3,748 million (2011: CHF 3,291 million). The weighted interest rate on bonds issued at the reporting date, relative to face value, was 2.88 % (2.96 %). Bonds of CHF 300 million (CHF 0 million) maturing within 360 days are included in short-term borrowings at the reporting date on 31 December 2012. Their market value is CHF 305 million (CHF 0 million).

**Loans payable**

| CHF million | 31 Dec 2011 | 31 Dec 2012 |
|---|---|---|
| Maturing between 1 and 5 years | 848 | 445 |
| Maturing in more than 5 years | 596 | 679 |
| **Total** | **1,444** | **1,124** |

The market value of loans payable was CHF 1,124 million at the reporting date (2011: CHF 1,444 million). The weighted interest rate on loans payable at the reporting date, relative to nominal value, was 2.47 % (2.90 %). Loans of CHF 529 million maturing within 360 days are included in short-term borrowings at the reporting date on 31 December 2012 (CHF 1,331 million).

## 22 Other non-current liabilities

| CHF million | 31 Dec 2011 | 31 Dec 2012 |
|---|---|---|
| Written put options | 3 | 3 |
| Other non-current payables | 228 | 109 |
| **Total** | **231** | **112** |
| **Maturities** | | |
| Between 1 and 5 years | 212 | 48 |
| More than 5 years | 19 | 64 |
| **Total** | **231** | **112** |

## 23 Other current liabilities

| CHF million | 31 Dec 2011 | 31 Dec 2012 |
|---|---|---|
| Trade payables | 961 | 806 |
| Other payables | 364 | 332 |
| Advances from customers | 61 | 83 |
| **Total** | **1,386** | **1,221** |

Trade payables to suppliers who are also customers are offset against the respective trade receivables where netting agreements with the counterparties are in place. Payables and receivables offset under netting agreements amounted to CHF 1,957 million (2011: CHF 2,546 million).

## 24 Related party transactions

EOS Holding and EDFAI have significant influence over the Alpiq Group and are referred to below as "other related companies". For information about the relationship with associates and joint ventures, please refer to the accounting policies. Details of transactions between the Group and its employee pension schemes are presented in note 25.

### 2012: Transactions between the Group and related companies

| CHF million | Other associates | Joint ventures | Other related companies |
|---|---|---|---|
| **Total revenue and other income** | | | |
| Revenue from energy sales | 355 | 51 | 414 |
| Other service revenue | 1 | 58 | 5 |
| **Operating expenses** | | | |
| Energy costs | –102 | –508 | –333 |
| Other service costs | –57 | –1 | –2 |
| **Finance income and costs** | | | |
| Interest income | | 2 | |
| Interest expense | | | –18 |

### Outstanding balances with related companies at the reporting date

| CHF million | Other associates | Joint ventures | Other related companies |
|---|---|---|---|
| **Receivables** | | | |
| Trade receivables | 26 | 4 | 156 |
| Non-current financial receivables | | 41 | |
| Other receivables | | | 6 |
| **Payables** | | | |
| Trade payables | 28 | 4 | 152 |
| Current financial payables | | 3 | 320 |

At the end of 2012, the Alpiq Group had contractual power off-take arrangements with joint ventures. Electricity is purchased according to the ownership interest, but no volumes have been contractually agreed upon. Power generation capacity depends on optimum utilisation of the power stations. The associate's power generation costs are borne on a cost-plus basis.

Outstanding non-financial energy trading contracts with other associates and other related parties at 31 December 2012 had a contract volume of 27 TWh (2011: 144 TWh) and a gross value of CHF 2 billion (CHF 9 billion).

For information about outstanding non-financial energy trading transactions with joint ventures, please refer to note 13.

### Directors and key management personnel (restated)

In 2012, Directors of the Alpiq Group received aggregate remuneration of CHF 3.9 million (2011: CHF 3.9 million). As in the previous year, no termination benefits were paid. Remuneration paid to the Executive Board in the same period totalled CHF 3.7 million (CHF 9.4 million), of which regular remuneration accounted for CHF 3.2 million (CHF 7.2 million) and pension benefits for CHF 0.5 million (CHF 2.2 million). As in the previous year, no termination benefits were paid.

### 2011: Transactions between the Group and related companies

| CHF million | Other associates | Joint ventures[1] | Other related companies |
|---|---|---|---|
| **Total revenue and other income** | | | |
| Revenue from energy sales | 788 | 41 | 482 |
| Other service revenue | -647 | 42 | |
| **Operating expenses** | | | |
| Energy costs | -110 | -463 | -1,030 |
| Other service costs | -67 | -1 | -1 |
| **Finance income and costs** | | | |
| Interest income | | 3 | |
| Interest expense | | | -21 |

1 Prior year comparatives restated retrospectively; see explanatory notes on page 77.

### Outstanding balances with related companies at the reporting date

| CHF million | Other associates | Joint ventures | Other related companies |
|---|---|---|---|
| **Receivables** | | | |
| Trade receivables | 29 | 17 | 36 |
| Non-current financial receivables | 3 | 56 | |
| Current financial receivables | 269 | | |
| Other receivables | 1 | | |
| **Payables** | | | |
| Trade payables | 35 | 6 | 29 |
| Non-current financial payables | | 3 | 320 |
| Current financial payables | | 40 | 300 |

## 25 Retirement benefit obligations

### Net benefit expense recognised in the income statement [1]

| CHF million | 2011 | 2012 |
|---|---|---|
| Current service cost | 35 | 33 |
| Interest cost | 35 | 33 |
| Expected return on plan assets | -37 | -32 |
| Actuarial (gains)/losses recognised in the year (§ 92 f) | 3 | 6 |
| Actuarial (gains)/losses recognised in the year (§ 58 A) | | 1 |
| Past service cost | 3 | -2 |
| Effect of the limit in § 58(b) | | -1 |
| Plan amendment/settlement | | -3 |
| **Net benefit expense** | **39** | **35** |

### Difference between the expected and actual return on plan assets [1]

| CHF million | 2011 | 2012 |
|---|---|---|
| Expected return on plan assets | 37 | 32 |
| Actuarial gains/(losses) on plan assets | -39 | 14 |
| **Actual return on plan assets** | **-2** | **46** |

### Amounts for the current and previous four reporting periods

| CHF million | 2008 | 2009 | 2010 | 2011 [2] | 2012 |
|---|---|---|---|---|---|
| Present value of defined benefit obligation | 780 | 1,048 | 1,156 | 1,075 | 1,161 |
| Fair value of plan assets | 580 | 865 | 915 | 912 | 885 |
| Deficit/(surplus) in all plans | 200 | 183 | 241 | 163 | 276 |
| Deficit/(surplus) in funded plans only | 57 | 36 | 116 | 163 | 176 |
| Experience adjustments on plan liabilities | 42 | 10 | 12 | -9 | 9 |
| Experience adjustments on plan assets | -107 | 52 | -5 | -39 | 14 |

1 Prior year comparatives restated retrospectively; see explanatory notes on page 77.
2 The Alpiq Anlagentechnik Group (AAT) was part of a disposal group at 31 December 2011, so the deficit of CHF 91 million is not included in these amounts.

## Retirement benefit obligations recognised in the statement of financial position

| CHF million | 31 Dec 2011 | 31 Dec 2012 |
|---|---|---|
| Present value of funded defined benefit obligation | 1,075 | 1,061 |
| Fair value of plan assets | 912 | 885 |
| Deficit/(surplus) | 163 | 176 |
| Present value of unfunded defined benefit obligation | | 100 |
| Unrecognised actuarial gains/(losses) | -144 | -177 |
| **Net liability in the statement of financial position** | **19** | **99** |
| Recognised asset | -15 | -17 |
| Recognised liability | 34 | 116 |

## Changes in the present value of the defined benefit obligation

| CHF million | 2011 | 2012 |
|---|---|---|
| **Defined benefit obligation at 1 January** | **1,156** | **1,075** |
| Reclassified from "liabilities held for sale" reported in the previous year | | 92 |
| Interest cost | 35 | 33 |
| Current service cost | 35 | 33 |
| Contributions by plan participants | 17 | 20 |
| Past service cost | 3 | -2 |
| Benefits paid | -50 | -72 |
| Plan amendment/settlement | | 12 |
| Actuarial (gains)/losses | 13 | 77 |
| Reclassified to "liabilities held for sale" | -131 | -106 |
| Exchange differences | -3 | -1 |
| **Defined benefit obligation at 31 December** | **1,075** | **1,161** |

## Changes in the fair value of plan assets

| CHF million | 2011 | 2012 |
|---|---|---|
| **Fair value of plan assets at 1 January** | **915** | **912** |
| Reclassified from "liabilities held for sale" reported in the previous year | | 1 |
| Expected return on plan assets | 37 | 32 |
| Contributions by employer | 34 | 37 |
| Contributions by plan participants | 17 | 20 |
| Benefits paid | -50 | -66 |
| Plan amendment/settlement | | 20 |
| Actuarial gains/(losses) | -39 | 14 |
| Reclassified to "liabilities held for sale" | -2 | -85 |
| **Fair value of plan assets at 31 December** | **912** | **885** |

### Analysis of the fair value of plan assets

| CHF million | 31 Dec 2011 | 31 Dec 2012 |
|---|---|---|
| Equity instruments of third parties | 320 | 335 |
| Debt instruments of third parties | 385 | 382 |
| Property not occupied by the company | 136 | 126 |
| Other | 71 | 42 |
| **Total fair value of plan assets** | **912** | **885** |

The long-term rate of return was determined based on the investment strategy of the pension funds and the expected return on each asset class over the average remaining service lives of employees.

### Actuarial assumptions used in the calculations [1]

| % | 2011 | 2012 |
|---|---|---|
| Discount rate | 2.87 | 2.23 |
| Expected rate of return on plan assets | 3.50 | 3.50 |
| Future salary increases | 1.54 | 1.36 |
| Future pension increases | 0.21 | 0.16 |

### Expected contributions by the employer and plan participants for the next period [1]

| CHF million | 2012 | 2013 |
|---|---|---|
| Contributions by employer | 36 | 36 |
| Contributions by plan participants | 16 | 19 |

## 26 Contingent liabilities and guarantees

At the reporting date, obligations arising from performance bonds, guarantees or similar contingent liabilities in respect of associates or third parties amounted to CHF 73 million (2011: CHF 0 million). Alpiq is jointly and severally liable for all consortia in the form of ordinary partnerships involving Group companies. Apart from holding interests in several ordinary partnerships, Alpiq is leading the Transtec Gotthard consortium. For information on other obligations related to joint ventures, please refer to note 13.

## 27 Pledged assets

| CHF million | 31 Dec 2011 | 31 Dec 2012 |
|---|---|---|
| Mortgaged property | 3 | 2 |
| Interests in generation facilities | 143 | 224 |
| **Total** | **146** | **226** |

1 Prior year comparatives restated retrospectively; see explanatory notes on page 77.

The power generation facilities of Novel S.p.A., Milan/IT, and En Plus S.r.l., Milan/IT, as well as the assets of Alpiq Wind Italia S.r.l., Verona/IT, Aero Rossa S.r.l., Aragona/IT, and Enpower 3 S.r.l., Aragona/IT, that were acquired in 2012 are funded through common project financing arrangements with banks. The related borrowings are recorded in the consolidated statement of financial position. The Alpiq Group has pledged its equity interests in these power stations to the financing banks.

## 28 Events after the reporting period

On 3 January 2013, Alpiq transferred its interest in the Swiss extra-high voltage transmission system to Swissgrid, the national grid company. It was transferred at the carrying amounts at 31 December. For this transaction, Alpiq is receiving Swissgrid shares and a loan receivable of more than CHF 400 million, which will be paid off in stages. An initial tranche of CHF 223 million was repaid in January 2013.

## 29 Segment information

The Alpiq Group's segment reporting is based on the Group's internal organisational and management structure and the internal financial information reported to the chief operating decision maker. This is consistent with the requirements of IFRS 8, the so-called "management approach".

The reportable segments under IFRS 8 consist of three business divisions, as shown in the organisation chart on page 25 of the Annual Review 2012. The Executive Board evaluates each of these separately for the purpose of assessing performance and allocating resources. The CEO has ultimate responsibility. The key measure of performance used for internal management and assessment of the Alpiq Group is segment profit (EBITDA). Operating costs comprise energy purchase and generation costs as well as all other operating costs, including employee benefits and services used. Amounts derived from management reporting require no adjustment for financial reporting as the same accounting policies are used for internal and external reporting. Alpiq dissolved the Energy Services business division on 4 November 2011, transferring the Renewable Energy Sources and Alpiq Anlagentechnik business units to the Energy International business division, and the Alpiq InTec (AIT) business unit to the Energy Switzerland business division. Prior year segment information has been restated for comparability.

- The Energy Switzerland business division comprises power generation in power stations owned by the Group or operated by joint ventures as well as sales to end customers and sales partners in Switzerland. All transmission network activities and the Swiss-based Alpiq InTec (AIT) energy services group are also included in this business division. The AIT Group focuses mainly on building services and transport technology in Switzerland and Italy.

- The Energy International business division includes energy generation, energy sales, trading and distribution in the Italian, French, Spanish, Scandinavian, Polish, Czech and Hungarian markets, as well as other countries in Central Europe. The operations of the international Renewable Energy Sources business unit and the German-based Alpiq Anlagentechnik (AAT) energy services group are also included in this business division. The Renewable Energy Sources business unit groups together the combined new renewable energy operations, especially in wind power and small hydroelectric facilities, in Switzerland and across Western and Central Europe. The German-based AAT Group primarily engages in the core businesses of industrial and power plant engineering (Energie- und Anlagentechnik/EAT), and energy supply and communications technology (EST) across much of Europe. The EST business was sold at the beginning of September 2012.

- The Optimisation & Trading business division includes the Swiss and European trading activities in electricity, gas, other commodities and certificates. Following the change in business model, Optimisation & Trading has been trading directly on behalf of the other business divisions since the 2012 financial year. As a result, Optimisation & Trading's own sales revenue and volume has decreased significantly. The change in internal processes is also reflected in the reduction in internal transactions.

Business division profit is reconciled to the Alpiq Group's consolidated figures with the inclusion of the holding company, Group Centre, other companies and consolidation adjustments in the Group. This includes results of investments which cannot be directly allocated to the business divisions (financial and non-strategic investments), the activities of the Group headquarters, including Group-wide IT, consolidation adjustments and eliminations, as well as items of expense and income that cannot be influenced at business division level.

### 2012: Information by business division

| CHF million | Energy Switzerland | Energy International | Optimisation & Trading | Group holding company, Group Centre, other and consolidation | Alpiq Group |
|---|---|---|---|---|---|
| External revenue from energy sales/ construction contracts | 5,424 | 7,364 | 46 | -103 | 12,731 |
| Revenue from energy and financial derivatives | | | | | |
| - Proprietary trading | | | -12 | | -12 |
| - Hedges | -25 | 1 | 5 | 10 | -9 |
| **Total external net revenue** | **5,399** | **7,365** | **39** | **-93** | **12,710** |
| Inter-segment transactions | 152 | 43 | 51 | -246 | 0 |
| **Total net revenue** | **5,551** | **7,408** | **90** | **-339** | **12,710** |
| Other income | 75 | 36 | 2 | 109 | 222 |
| Gain on disposals/income from arbitration proceedings | | 210 | | | 210 |
| **Total revenue and other income** | **5,626** | **7,654** | **92** | **-230** | **13,142** |
| Operating costs | -4,924 | -7,094 | -91 | 162 | -11,947 |
| Impairment charges and provisions | 54 | -52 | 3 | | 5 |
| **EBITDA before impairment charges and provisions, plus gain on disposals/income from arbitration proceedings** | **702** | **350** | **1** | **-68** | **985** |
| **EBITDA** | **756** | **508** | **4** | **-68** | **1,200** |
| Depreciation and amortisation | -291 | -149 | | -25 | -465 |
| Impairment of property, plant and equipment and intangible assets | -799 | -847 | | -17 | -1,663 |
| **EBIT before impairment charges and provisions, plus gain on disposals/income from arbitration proceedings** | **411** | **201** | **1** | **-93** | **520** |
| **EBIT** | **-334** | **-488** | **4** | **-110** | **-928** |
| Number of employees at the reporting date | 4,543 | 2,947 | 170 | 266 | 7,926 |
| Property, plant and equipment | 2,504 | 862 | | 110 | 3,476 |
| Intangible assets | 1,006 | 70 | | 32 | 1,108 |
| Investments in associates | 3,600 | 89 | | 9 | 3,698 |
| **Total non-current assets** | **7,110** | **1,021** | **0** | **151** | **8,282** |
| Net capital expenditure on property, plant and equipment and intangible assets | -111 | -62 | | -3 | -176 |

Revenue from trading in energy and financial derivatives comprises realised net gains and losses from settled contracts and unrealised changes in the fair value of unsettled contracts.

Outstanding financial energy trading contracts with third parties at 31 December 2012 had a contract volume of 0.670 TWh (31 December 2011: 2.635 TWh). The gross values of these contract volumes at 31 December 2012 were 696.6 TWh (2011: 918.7 TWh) or CHF 29 billion (CHF 66 billion).

There was no revenue from transactions with a single external customer amounting to 10% or more of the Alpiq Group's consolidated net revenue.

## 2011: Information by business division (restated)

| CHF million | Energy Switzerland | Energy International | Optimisation & Trading | Group holding company, Group Centre, other and consolidation | Alpiq Group |
|---|---|---|---|---|---|
| External revenue from energy sales/ construction contracts | 3,221 | 7,900 | 2,916 | -67 | 13,970 |
| Revenue from energy and financial derivatives | | | | | |
| – Proprietary trading | | | 17 | | 17 |
| – Hedges | 46 | -10 | -12 | -27 | -3 |
| Impairment charges and provisions | -23 | | | | -23 |
| **Total external net revenue** | **3,244** | **7,890** | **2,921** | **-94** | **13,961** |
| Inter-segment transactions | 1,118 | 701 | 1,520 | -3,339 | 0 |
| **Total net revenue** | **4,362** | **8,591** | **4,441** | **-3,433** | **13,961** |
| Other income | 72 | 36 | 1 | 96 | 205 |
| **Total revenue and other income** | **4,434** | **8,627** | **4,442** | **-3,337** | **14,166** |
| Operating costs | -3,676 | -8,140 | -4,484 | 3,320 | -12,980 |
| Impairment charges and provisions | -62 | -141 | -3 | -43 | -249 |
| **EBITDA before impairment charges and provisions** | **781** | **487** | **-42** | **-17** | **1,209** |
| **EBITDA** | **696** | **346** | **-45** | **-60** | **937** |
| Depreciation and amortisation | -288 | -234 | | -57 | -579 |
| Impairment of property, plant and equipment and intangible assets | -82 | -504 | | -64 | -650 |
| **EBIT before impairment charges and provisions** | **493** | **253** | **-42** | **-74** | **630** |
| **EBIT** | **326** | **-392** | **-45** | **-181** | **-292** |
| Number of employees at the reporting date | 4,371 | 6,245 | 178 | 414 | 11,208 |
| Property, plant and equipment | 3,120 | 1,644 | | 136 | 4,900 |
| Intangible assets | 1,566 | 398 | | | 1,964 |
| Investments in associates | 3,746 | 225 | | 449 | 4,420 |
| **Total non-current assets** | **8,432** | **2,267** | **0** | **585** | **11,284** |
| Net capital expenditure on property, plant and equipment and intangible assets | -170 | -189 | | -41 | -400 |

### 2012: Information by geographical area

| CHF million | Switzerland | Italy | Germany | France | Poland | Spain | Czech Republic | Other countries | Alpiq Group |
|---|---|---|---|---|---|---|---|---|---|
| External revenue | 3,137 | 2,198 | 2,054 | 1,506 | 570 | 841 | 338 | 2,066 | 12,710 |
| Property, plant and equipment[1] | 2,524 | 476 | 41 | 159 | | | 10 | 266 | 3,476 |
| Intangible assets[1] | 957 | 62 | 5 | 16 | 8 | 15 | 2 | 43 | 1,108 |
| Investments in associates[1] | 3,366 | 324 | | | | | | 8 | 3,698 |
| **Total non-current assets** | **6,847** | **862** | **46** | **175** | **8** | **15** | **12** | **317** | **8,282** |

1 Excluding assets held for sale.

### 2011: Information by geographical area (restated)

| CHF million | Switzerland | Italy | Germany | France | Poland | Spain | Czech Republic | Other countries | Alpiq Group |
|---|---|---|---|---|---|---|---|---|---|
| External revenue | 2,925 | 2,490 | 2,698 | 1,921 | 487 | 637 | 310 | 2,493 | 13,961 |
| Property, plant and equipment[1] | 3,171 | 513 | 5 | 282 | | 106 | 525 | 298 | 4,900 |
| Intangible assets[1] | 1,605 | 102 | 12 | 24 | 8 | 32 | 27 | 154 | 1,964 |
| Investments in associates[1] | 4,078 | 337 | | | | | | 5 | 4,420 |
| **Total non-current assets** | **8,854** | **952** | **17** | **306** | **8** | **138** | **552** | **457** | **11,284** |

1 Excluding assets held for sale.

Net revenue from external customers by country is allocated based on the customer's country of domicile. Non-current assets consist of property, plant and equipment, intangible assets and investments in the respective countries. Those countries in which Alpiq generated the most net revenue in the reporting period and/or previous year are presented separately in this segment information. Net revenue generated in other countries is aggregated under "other countries".

## 30 Business combinations

### Business combinations in 2012

In 2012, the following companies were acquired and included in the consolidated financial statements:

- Energy International business division:
  4 Jun 2012: 100% of Aero Rossa S.r.l., Aragona/IT
  4 Jun 2012: 100% of Enpower 3 S.r.l., Aragona/IT

- Energy Switzerland business division:
  16 May 2012: 100% of Infra Haustechnik Service Ltd, Emmenbrücke/CH
  27 Jun 2012: 100% of Hirt Haustechnik AG, Luterbach/CH
  28 Nov 2012: 100% of Wüst Haustechnik AG, Lupfig/CH

The acquisition costs totalled CHF 130 million. Fair values have been allocated as follows in the statement of financial position:

| CHF million | Energy International business division<br>Renewable Energy Italy | Energy Switzerland business division<br>Alpiq InTec (AIT) |
|---|---|---|
| Property, plant and equipment | 215 | 1 |
| Intangible assets | 14 | 1 |
| Deferred income tax assets | 6 | |
| Cash and cash equivalents | 28 | |
| Other current assets | 42 | 4 |
| Short- and long-term borrowings | -171 | |
| Other current and non-current liabilities | -25 | -2 |
| Deferred income tax liabilities | -7 | |
| **Net assets** | **102** | **4** |
| **Net assets acquired** | **102** | **4** |
| Goodwill arising on acquisition | 23 | 1 |
| Net cash flow on acquisition: | | |
| Cash and cash equivalents acquired with subsidiaries | 28 | |
| Acquisition costs | -126 | -4 |
| Transfer of interest in an associate | 126 | |
| **Net cash flow** | **28** | **-4** |

## M & A Rinnovabili S.r.l. asset split

In 2008, Alpiq acquired a 30 % interest in M & A Rinnovabili S.r.l. At the beginning of June 2012, an asset split was carried out in which Alpiq fully took over the Aero Rossa S.r.l. and Enpower 3 S.r.l. wind farms. Together with the acquisition of the facilities, Alpiq's interest in M & A Rinnovabili S.r.l. was simultaneously reduced to 22 %.

## Aero Rossa S.r.l., Aragona/IT

At the beginning of June 2012, Alpiq fully acquired Aero Rossa S.r.l. This comprised the takeover of a wind farm on Sicily from the existing equity-accounted interest in M & A Rinnovabili S.r.l. Its installed capacity is 84 MW. The acquisition costs totalled CHF 88 million, which was offset against the original investment in M & A Rinnovabili. The acquisition resulted in a cash inflow of CHF 22 million due to the liquid assets acquired. The goodwill acquired represents that portion of the purchase consideration that cannot be allocated to other categories of assets, primarily comprising synergies expected from integrating the wind farm into Alpiq's power generation and sales portfolio and from optimising cost and process structures. From the date of acquisition, the contribution to revenue was CHF 15 million and the contribution to consolidated Group profit/(loss) was approximately CHF 3 million for 2012. If the acquisition had taken place on 1 January 2012, consolidated revenue would have been CHF 29 million higher and profit would have been CHF 7 million higher.

### Enpower 3 S.r.l., Aragona/IT

At the beginning of June 2012, Alpiq fully acquired Enpower 3 S.r.l. This comprised the takeover of a wind farm on Sicily from the existing equity-accounted interest in M&A Rinnovabili S.r.l. Its installed capacity is 40 MW. The acquisition costs totalled CHF 38 million, which was offset against the original investment in M&A Rinnovabili. The acquisition resulted in a cash inflow of CHF 6 million due to the liquid assets acquired. The goodwill acquired represents that portion of the purchase consideration that cannot be allocated to other categories of assets, primarily comprising synergies expected from integrating the wind farm into Alpiq's power generation and sales portfolio and from optimising cost and process structures. From the date of acquisition, the contribution to revenue was CHF 6 million and the contribution to consolidated Group profit/(loss) was approximately CHF 1 million for 2012. If the acquisition had taken place on 1 January 2012, consolidated revenue would have been CHF 12 million higher and profit would have been CHF 3 million higher.

The wind farm taken over together with the acquisition of Enpower 3 S.r.l. is primarily funded through a long-term lease agreement.

The transaction costs for the above acquisitions were immaterial and were recognised in the income statement.

### Other acquisitions

The other companies acquired at a cost of CHF 4 million relate to the energy services business. Revenue from the date of acquisition totalled CHF 4 million. If the acquisitions had taken place on 1 January 2012, consolidated revenue would have been CHF 19 million higher. The contributions to profit were insignificant. The transaction costs were immaterial and were recognised in the income statement.

## Business combinations in 2011

In 2011, the following companies were acquired and included in the consolidated financial statements:

- Energy Switzerland business division:
  - 22 Jul 2011: 100% of Albin Baeriswyl SA, Fribourg/CH
  - 23 Aug 2011: 100% of Xamax AG, Embrach/CH
  - 8 Sep 2011: 100% of Meister + Brülisauer Haustechnik AG, Aadorf/CH
  - 8 Sep 2011: 100% of Robert Schellenberg AG, Winterthur/CH

- Energy International business division:
  - 8 Mar 2011: 100% of Alpiq Wind Italia S.r.l., Verona/IT
  - 31 Mar 2011: 100% of ANALP Gestion S.A.U., Barcelona/ES
  - 29 May 2011: 100% of Tysvær Vindpark AS, Rogaland/NO
  - 1 Jul 2011: 100% of Madland Kraftverk AS, Billingstad/NO
  - 1 Jul 2011: 90% of Sevre Kraftverk AS, Nesbyen/NO
  - 7 Jul 2011: 100% of Sabloal Energie Eoliana S.R.L., Oradea/RO

The acquisition costs totalled CHF 396 million. Fair values were allocated as follows in the statement of financial position:

| | Energy International business division | | | Energy Switzerland business division | |
|---|---|---|---|---|---|
| CHF million | Power Generation Spain | Renewable Energy Italy | Renewable Energy Other | Alpiq InTec (AIT) | Sales Switzerland |
| Property, plant and equipment | 180 | 184 | 23 | | |
| Intangible assets | 73 | 2 | 12 | | 4 |
| Financial assets | | 3 | | | |
| Deferred income tax assets | | 2 | | | |
| Cash and cash equivalents | | 31 | 1 | | 1 |
| Other current assets | | 29 | 1 | 6 | |
| Short- and long-term borrowings | | -102 | -24 | -1 | |
| Other current and non-current liabilities | | -29 | | -3 | |
| Deferred income tax liabilities | -21 | -38 | -4 | | -1 |
| **Net assets** | **232** | **82** | **9** | **2** | **4** |
| **Net assets acquired** | **232** | **82** | **9** | **2** | **4** |
| Goodwill arising on acquisition | 28 | 38 | | 1 | |
| Net cash flow on acquisition: | | | | | |
| Cash and cash equivalents acquired with subsidiaries | | 31 | 1 | | 1 |
| Acquisition costs | -260 | -120 | -9 | -3 | -4 |
| Deferred consideration liabilities | 4 | | | | |
| Previously held equity interests at fair value | | 59 | | | |
| Cash flows in prior periods | | 29 | 1 | | |
| **Net cash flow** | **-256** | **-1** | **-7** | **-3** | **-3** |

## Alpiq Wind Italia S.r.l., Verona/IT

With effect from March 2011, Alpiq acquired the remaining 51% equity interest in Eolo Tempio Pausania S.r.l together with the Ramacca wind farm for a consideration of CHF 61 million in cash. The acquisition costs of CHF 120 million consisted of this purchase consideration and the remeasurement of the previously held equity interest. The resulting net cash outflow was CHF 1 million. Goodwill represented that portion of the purchase consideration that could not be allocated to other categories of assets, primarily comprising synergies expected from integrating the wind farm into Alpiq's power generation and sales portfolio and from optimising cost and process structures. From the date of acquisition, the contribution to revenue was CHF 22 million and the contribution to consolidated Group profit/(loss) was approximately CHF 5 million for 2011.

## ANALP Gestion S.A.U., Barcelona/ES

At the end of March 2011, Alpiq acquired a 100% interest in the Plana del Vent power station. This comprised the purchase of a 400 MW generating unit of the gas-fired Plana del Vent facility and the right to use a second unit for 24 months, with a purchase option at the end of the two-year period. A consideration of CHF 260 million was paid in cash for the acquisition. The goodwill recognised on the acquisition was attributable to synergies expected to arise from optimised support of sales activities in Spain and to putting established Group processes in place.

From the date of acquisition, the contribution to revenue was approximately CHF 63 million and the contribution to consolidated Group profit/(loss) was CHF 1 million for 2011. The transaction costs in 2011 amounted to approximately CHF 1 million and were recognised in the income statement.

### Other acquisitions

The other acquisitions were insignificant to the consolidated results of the Alpiq Group. Revenue from the date of acquisition totalled CHF 12 million. If the acquisitions had taken place on 1 January 2011, consolidated revenue would have been CHF 23 million higher and Group profit would have been CHF 1 million higher. The transaction costs were immaterial and were recognised in the income statement.

## 31 Business disposals

The following companies were disposed of during the reporting period:

- Energ.it S.p.A., Cagliari/IT
- Energiakolmio OY, Jyväskylä/FI
- Kraftwerk Havelland GmbH, Leipzig/DE
- Companies comprising the Energy Supply Technology business unit of Alpiq Anlagentechnik GmbH, Heidelberg/DE (a detailed list is presented in acquisitions and disposals of fully consolidated companies on page 78.)

Alpiq Denmark A/S, Ålborg/DK, and Biogas neu Kosenow GmbH & Co KG, Hamburg/DE, were sold in the previous year.

Gains realised on the disposals are recognised in other operating income (positive CHF 156 million) and losses in the relevant expense items (negative CHF 20 million).

The assets and liabilities at the date of disposal were as follows:

| CHF million | 2011 | 2012 |
|---|---|---|
| Property, plant and equipment | 2 | 86 |
| Intangible assets (incl. goodwill) | | 37 |
| Deferred income tax assets | | 7 |
| Cash and cash equivalents | | 26 |
| Other current assets | | 262 |
| Short- and long-term borrowings | -2 | -32 |
| Other current and non-current liabilities | | -278 |
| Deferred income tax liabilities | | -22 |
| Non-controlling interests | | -4 |
| **Net assets disposed of** | **0** | **82** |

In 2011, the cash flows arising on the disposal of these subsidiaries were insignificant:

**Net cash flow on disposal**

| CHF million | 2011 | 2012 |
|---|---|---|
| Cash and cash equivalents disposed of with subsidiary | | -26 |
| Consideration received | | 249 |
| **Net cash flow** | **0** | **223** |

## 32 Assets held for sale

As part of the restructuring programme launched in the second half of 2011, Alpiq announced plans to sell the AAT business unit and its 20% interest in Edipower and to dispose of various sales operations by sale or closure. Furthermore, Alpiq believed that the operations of the two transmission network companies, Alpiq Grid Ltd Lausanne and Alpiq Grid Ltd. Gösgen, would be transferred to Swissgrid as required by the Federal Electricity Supply Act (StromVG) and applicable Ordinance (StromVV). Based on these assumptions and estimates, AAT was reported as "discontinued operations" in Alpiq's consolidated financial statements for 2011, while the interest in Edipower and the above-mentioned sales operations and transmission network companies were presented as "assets held for sale" and "liabilities held for sale".

The sales of Edipower, Energ.it and Energiakolmio were completed in 2012, while the transfer of the transmission operations was postponed to January 2013. With regard to the disposal of AAT's operations, the sale of the Energy Supply Technology (EST) business was completed in early September 2012. However, it was decided not to sell AAT's second business, Energie- und Anlagentechnik (EAT). For this reason, the related assets and liabilities are no longer reported as "assets held for sale" and "liabilities held for sale" in Alpiq's consolidated statement of financial position. As the EST business alone does not qualify as a discontinued operation, it is no longer presented separately as "discontinued operations" in the consolidated income statements for 2011 and 2012.

In the reporting period, Alpiq also decided to close down the sales companies in Spain, Germany and Norway. In the financial statements for 2011, it was assumed that these units would be sold. Due to the changed situation, the companies concerned were reclassified at 31 December 2012. Until their closure, these units will not take on any new activities and will merely fulfil the remaining contractual obligations.

Due to the plans for their sale, the energy supply company Società Elettrica Sopracenerina SA (SES), the power generation facilities of Alpiq Generation (CZ) s.r.o., the interests in Repower AG and Romande Energie Holding SA, and the operations of the transmission network companies have been reported as "assets held for sale" in the statement of financial position at 31 December 2012.

## Assets

| CHF million | 31 Dec 2011 | 31 Dec 2012 |
|---|---|---|
| Property, plant and equipment | 704 | 1,306 |
| Intangible assets | 148 | 107 |
| Investments in associates | 245 | 304 |
| Other non-current financial assets | | 1 |
| Deferred income tax assets | 43 | 10 |
| Inventories | 11 | 26 |
| Trade and other receivables | 510 | 55 |
| Cash and cash equivalents | 137 | 27 |
| Derivative financial instruments | 32 | |
| Prepayments and accrued income | 8 | 13 |
| **Total assets held for sale** | **1,838** | **1,849** |

## Liabilities [1]

| CHF million | 31 Dec 2011 | 31 Dec 2012 |
|---|---|---|
| Provisions | 28 | 1 |
| Deferred income tax liabilities | 47 | 30 |
| Retirement benefit obligations | 120 | 1 |
| Long-term borrowings | | 82 |
| Other non-current liabilities | 3 | 20 |
| Current income tax liabilities | 2 | 7 |
| Short-term borrowings | 25 | 2 |
| Other current liabilities | 449 | 78 |
| Derivative financial instruments | 30 | |
| Accruals and deferred income | 24 | 23 |
| **Total liabilities held for sale** | **728** | **244** |

Impairment losses recognised on assets held for sale are disclosed in note 1 on page 90.

Income and expense relating to disposal groups and assets held for sale that are recognised in other comprehensive income rather than profit or loss comprise foreign currency translation gains of CHF 27 million (2011: losses of CHF 49 million), expense of CHF 5 million related to IAS 39 effects (CHF 0 million) and losses of CHF 0 million on cash flow hedges (CHF 4 million).

1 Prior year comparatives restated retrospectively; see explanatory notes on page 77.

# Subsidiaries and Investments

## Holding and finance companies

| | Place of incorporation | Currency | Issued capital in millions | Direct ownership interest in % (voting rights) | Consolidation method | Business activity | Reporting date |
|---|---|---|---|---|---|---|---|
| Alpiq Holding Ltd. | Lausanne | CHF | 271.90 | 100.0 | F | H | 31 Dec |
| Alpiq Deutschland GmbH [1] | Heidelberg/DE | EUR | 10.00 | 100.0 | F | H | 31 Dec |
| Alpiq Finance Ltd. | St. Helier/JE | EUR | 1.15 | 100.0 | F | S | 31 Dec |
| Alpiq Finanzbeteiligungen Ltd. | Olten | CHF | 0.10 | 100.0 | F | H | 31 Dec |
| Alpiq Re (Guernsey) Ltd. | Guernsey/GB | EUR | 3.00 | 100.0 | F | S | 31 Dec |
| Motor-Columbus Ltd. | Olten | CHF | 2.00 | 100.0 | F | S | 31 Dec |

1 Merged with Alpiq Energie Deutschland AG.

## Energy companies

| | Place of incorporation | Licence expiry | Currency | Issued capital in millions | Direct ownership interest in % (voting rights) | Consolidation method | Business activity | Reporting date |
|---|---|---|---|---|---|---|---|---|
| Aare-Tessin Ltd. for Electricity | Olten | | CHF | 0.05 | 100.0 | F | S | 31 Dec |
| Aarewerke AG | Klingnau | 2015 | CHF | 16.80 | 10.1 | E | G | 30 Jun |
| AEK Energie AG | Solothurn | | CHF | 6.00 | 38.7 | E | SU | 31 Dec |
| Aero Rossa S.r.l. [1] | Aragona/IT | | EUR | 2.20 | 100.0 | F | G | 31 Dec |
| AlpEnergie Suisse S.à.r.l. | Lausanne | | CHF | 0.02 | 100.0 | F | S | 31 Dec |
| Alpiq Ltd. [2] | Olten | | CHF | 303.60 | 100.0 | F | SU | 31 Dec |
| Alpiq Csepel Kft. | Budapest/HU | | HUF | 4,930.10 | 100.0 | F | G | 31 Dec |
| Alpiq Csepeli Erőmű Kft. | Budapest/HU | | HUF | 856.00 | 100.0 | F | G | 31 Dec |
| Alpiq Csepeli Szolgáltató Kft. | Budapest/HU | | HUF | 20.00 | 100.0 | F | S | 31 Dec |
| Alpiq EcoPower Ltd. | Olten | | CHF | 0.50 | 100.0 | F | S | 31 Dec |
| Alpiq EcoPower Italia Ltd. | Olten | | CHF | 0.50 | 100.0 | F | S | 31 Dec |
| Alpiq EcoPower Scandinavia AS | Oslo/NO | | NOK | 50.00 | 100.0 | F | G | 31 Dec |
| Alpiq EcoPower Switzerland Ltd. | Olten | | CHF | 25.00 | 100.0 | F | G | 31 Dec |
| Alpiq Energía España S.A.U. [3] | Barcelona/ES | | EUR | 17.50 | 100.0 | F | SU | 31 Dec |
| Alpiq Energia Italia S.p.A. | Milan/IT | | EUR | 20.00 | 100.0 | F | SU | 31 Dec |
| Alpiq Energie France S.A.S. | Paris/FR | | EUR | 0.50 | 100.0 | F | SU | 31 Dec |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Alpiq Energija BH d.o.o. | Sarajevo/BA | | BAM | 1.20 | 100.0 | F | SU | 31 Dec |
| Alpiq Energija Hrvatska d.o.o. | Zagreb/HR | | HRK | 0.02 | 100.0 | F | T | 31 Dec |
| Alpiq Energija Lietuva UAB | Vilnius/LT | | LTL | 0.01 | 100.0 | F | T | 31 Dec |
| Alpiq Energija RS d.o.o. Beograd | Belgrade/RS | | RSD | 139.00 | 100.0 | F | T | 31 Dec |
| Alpiq Energy Albania SHPK | Tirana/AL | | ALL | 17.63 | 100.0 | F | SU | 31 Dec |
| Alpiq Energy SE | Prague/CZ | | EUR | 0.16 | 100.0 | F | SU | 31 Dec |
| Alpiq Energy Skopje DOOEL | Skopje/MK | | MKD | 4.92 | 100.0 | F | T | 31 Dec |
| Alpiq Energy Ukraine LLC | Kiev/UA | | UAH | 1.16 | 100.0 | F | T | 31 Dec |
| Alpiq EnerTrans AG | Niedergösgen | | CHF | 0.25 | 100.0 | F | S | 31 Dec |
| Alpiq Eurotrade S.à r.l. | Luxembourg/LU | | EUR | 1.48 | 100.0 | F | T | 31 Dec |
| Alpiq Generation (CZ) s.r.o. | Kladno/CZ | | CZK | 2,975.00 | 100.0 | F | G | 31 Dec |
| Alpiq Hydro Aare AG | Boningen | | CHF | 53.00 | 100.0 | F | G | 31 Dec |
| Alpiq Hydro Italia S.r.l. | Milan/IT | | EUR | 0.73 | 90.0 | F | G | 31 Dec |
| Alpiq Hydro Ticino SA | Airolo | | CHF | 3.00 | 100.0 | F | G | 31 Dec |
| Alpiq le Bayet S.A.S. | St-Paul-sur-Isère/FR | | EUR | 0.04 | 100.0 | F | G | 31 Dec |
| Alpiq Nature S.A.S. | Toulouse/FR | | EUR | 0.50 | 70.0 | F | T | 31 Dec |
| Alpiq Norway AS | Oslo/NO | | NOK | 5.00 | 100.0 | F | S | 31 Dec |
| Alpiq Production France Management S.A.S. | Paris/FR | | EUR | 0.10 | 100.0 | F | G | 31 Dec |
| Alpiq Produzione Italia Management S.r.l. | Milan/IT | | EUR | 0.25 | 100.0 | F | G | 31 Dec |
| Alpiq RomEnergie S.R.L. | Bucharest/RO | | RON | 2.49 | 100.0 | F | SU | 31 Dec |
| Alpiq RomIndustries S.R.L. | Bucharest/RO | | RON | 4.61 | 100.0 | F | SU | 31 Dec |
| Alpiq Solutions France SAS | Paris/FR | | EUR | 0.05 | 100.0 | F | SU | 31 Dec |
| Alpiq Spreetal GmbH | Düsseldorf/DE | | EUR | 1.00 | 100.0 | F | G | 31 Dec |
| Alpiq Suisse Ltd. | Lausanne | | CHF | 145.00 | 100.0 | F | SU | 31 Dec |
| Alpiq Sweden AB | Stockholm/SE | | SEK | 1.25 | 100.0 | F | S | 31 Dec |
| Alpiq Swisstrade Ltd. In liquidation | Olten | | CHF | 5.00 | 100.0 | F | T | 31 Dec |
| Alpiq Turkey Enerji Toptan Satis Limited Sirketi | Istanbul/TR | | TRY | 1.00 | 100.0 | F | SU | 31 Dec |
| Alpiq Vercelli S.r.l. | Milan/IT | | EUR | 10.33 | 95.0 | F | G | 30 Sep |
| Alpiq Versorgungs AG (AVAG) | Olten | | CHF | 50.00 | 96.7 | F | SU | 31 Dec |
| Aare Energie AG (a.en) | Olten | | CHF | 2.00 | 50.0 | E | S | 31 Dec |
| Alpiq Wind Italia S.r.l. | Verona/IT | | EUR | 0.01 | 100.0 | F | G | 31 Dec |
| Atel Bulgaria Ltd. | Sofia/BG | | BGN | 0.20 | 100.0 | F | T | 31 Dec |
| Atel Energy Romania S.R.L. | Bucharest/RO | | RON | 0.00 | 100.0 | F | T | 31 Dec |
| Atel Hellas S.A. | Ambelokipi Athens/GR | | EUR | 0.15 | 90.2 | F | SU | 31 Dec |
| Biella Power S.r.l. | Milan/IT | | EUR | 1.00 | 60.0 | F | G | 31 Dec |
| Birs Wasserkraft AG | Grellingen | | CHF | 0.10 | 100.0 | F | G | 31 Dec |
| Blenio Kraftwerke AG | Blenio | 2042 | CHF | 60.00 | 17.0 | E | G | 30 Sep |
| CEPE Les Gravières SAS | Vergigny/FR | | EUR | 0.04 | 100.0 | F | G | 31 Dec |
| CERS Holding SAS | Paris/FR | | EUR | 0.50 | 15.0 | E | G | 31 Dec |
| CISEL Informatique SA | Matran | | CHF | 1.20 | 20.0 | E | S | 31 Dec |
| Cleuson-Dixence [4] | Sion | 2044 | CHF | 0.00 | 31.8 | E | G | 31 Dec |
| Contact Consul EOOD | Sofia/BG | | BGN | 0.30 | 100.0 | F | S | 31 Dec |
| Cotlan AG | Glarus Süd | | CHF | 0.10 | 100.0 | F | G | 31 Dec |
| Csepel III Erőmű Kft. | Budapest/HU | | HUF | 754.86 | 100.0 | F | G | 31 Dec |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| ECS Elektrarna Cechy-Stred a.s. | Prague/CZ | | CZK | 90.00 | 49.0 | E | S | 31 Dec |
| Electra-Massa AG | Naters | 2048 | CHF | 20.00 | 34.5 | E | G | 31 Dec |
| Electricité d'Emosson SA | Martigny | | CHF | 140.00 | 50.0 | F | G | 31 Dec |
| Elgenes Kraftverk AS | Voss/NO | | NOK | 0.10 | 34.0 | E | G | 31 Dec |
| En Plus S.r.l. | Milan/IT | | EUR | 25.50 | 66.7 | F | G | 31 Dec |
| Energie Biberist AG | Biberist | | CHF | 5.00 | 25.0 | E | G | 31 Dec |
| Energie Electrique du Simplon SA (E.E.S.) | Simplon | | CHF | 8.00 | 81.9 | F | G | 31 Dec |
| Engadiner Kraftwerke AG | Zernez | 2050/2074 | CHF | 140.00 | 22.0 | E | G | 30 Sep |
| Enpower 3 S.r.l.[1] | Aragona/IT | | EUR | 0.04 | 100.0 | F | G | 31 Dec |
| Entegra Wasserkraft AG | St. Gallen | | CHF | 4.12 | 75.0 | F | G | 31 Dec |
| Eole Jura SA | Muriaux | | CHF | 4.00 | 100.0 | F | G | 31 Dec |
| Finse Kraftverk AS | Voss/NO | | NOK | 0.10 | 6.8 | E | G | 31 Dec |
| Forces Motrices Hongrin-Léman S.A. (FMHL) | Château-d'Oex | 2051 | CHF | 30.00 | 39.3 | E | G | 31 Dec |
| Forces Motrices de Fully SA (FMDF) | Fully | 2085 | CHF | 0.80 | 28.0 | E | G | 31 Dec |
| Forces Motrices de Martigny-Bourg SA | Martigny | 2080 | CHF | 3.00 | 18.0 | E | G | 31 Dec |
| Geitåni Kraftverk AS | Voss/NO | | NOK | 0.10 | 13.6 | E | G | 31 Dec |
| Forces Motrices de Conches SA | Ernen | 2051 | CHF | 30.00 | 26.0 | E | G | 31 Dec |
| Grande Dixence SA | Sion | 2044 | CHF | 300.00 | 60.0 | E | G | 31 Dec |
| HYDRO Exploitation SA | Sion | | CHF | 13.00 | 27.6 | E | S | 31 Dec |
| Hydro-Solar Energie AG | Niederdorf | | CHF | 0.10 | 65.0 | F | G | 31 Dec |
| Isento AG | Thal | | CHF | 0.25 | 100.0 | F | G | 31 Dec |
| Kernkraftwerk Gösgen-Däniken AG | Däniken | | CHF | 350.00[5] | 40.0 | E | G | 31 Dec |
| Kernkraftwerk Leibstadt AG | Leibstadt | | CHF | 450.00 | 32.4 | E | G | 31 Dec |
| Nuclear Power Plant Niederamt Ltd. | Olten | | CHF | 0.10 | 100.0 | F | G | 31 Dec |
| Kernkraftwerk-Beteiligungsgesellschaft AG (KBG) | Bern | 2016/2032 | CHF | 150.00 | 33.3 | E | G | 31 Dec |
| KohleNusbaumer SA | Lausanne | | CHF | 0.10 | 35.0 | E | S | 31 Dec |
| Kraftwerk Ryburg-Schwörstadt AG | Rheinfelden | 2070 | CHF | 30.00 | 13.5 | E | G | 30 Sep |
| Kraftwerke Gougra AG | Sierre | 2039/2084 | CHF | 50.00 | 54.0 | E | G | 30 Sep |
| Kraftwerke Hinterrhein AG | Thusis | 2042 | CHF | 100.00 | 9.3 | E | G | 30 Sep |
| Kraftwerke Zervreila AG | Vals | 2037 | CHF | 50.00 | 21.6 | E | G | 31 Dec |
| Kupe Kraftverk AS | Billingstad/NO | | NOK | 0.10 | 34.0 | E | G | 31 Dec |
| M & A Rinnovabili S.r.l. | Aragona/IT | | EUR | 5.00 | 22.0 | E | G | 31 Dec |
| Madland Kraftverk AS | Billingstad/NO | | NOK | 0.10 | 100.0 | F | G | 31 Dec |
| Maggia Kraftwerke AG | Locarno | 2035/2048 | CHF | 100.00 | 12.5 | E | G | 30 Sep |
| Kraftwerk Aegina AG | Obergoms | | CHF | 12.00 | 50.0 | E | G | 30 Sep |
| Monthel Ltd. | Monthey | | CHF | 15.00 | 100.0 | F | G | 31 Dec |
| Nant de Drance SA | Finhaut | | CHF | 150.00 | 39.0 | E | G | 31 Dec |
| Novel S.p.A. | Milan/IT | | EUR | 23.00 | 51.0 | F | G | 30 Sep |
| Ouvra Electrica Lavinuoz Lavin SA (OELL) | Lavin | | CHF | 2.00 | 25.0 | E | G | 31 Dec |
| Reisæter Kraftverk AS | Ullensvang/NO | | NOK | 0.10 | 20.0 | E | G | 31 Dec |
| Repower AG | Brusio | | CHF | 3.41 | 24.6 | E | G | 31 Dec |
| Romande Energie Commerce SA | Morges | | CHF | 15.00 | 11.8 | E | S | 31 Dec |
| Romande Energie Holding SA | Morges | | CHF | 28.50 | 10.0 | E | S | 31 Dec |
| Sabloal Energie Eoliana S.R.L. | Oradea/RO | | RON | 0.20 | 100.0 | F | G | 31 Dec |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Salanfe SA | Vernayaz | | CHF | 18.00 | 100.0 | F | G | 31 Dec |
| Scanenergy AS | Billingstad/NO | | NOK | 37.50 | 10.0 | E | G | 31 Dec |
| Sevre Kraftverk AS | Nesbyen/NO | | NOK | 0.10 | 90.0 | F | G | 31 Dec |
| Società Elettrica Sopracenerina SA | Locarno | | CHF | 16.50 | 60.9 | F | SU | 31 Dec |
| Calore SA | Locarno | | CHF | 2.00 | 50.0 | E | G | 31 Dec |
| SAP SA | Locarno | | CHF | 2.06 | 99.4 | F | S | 31 Dec |
| Société des Forces Motrices du Grand-St.-Bernard SA | Bourg-St-Pierre | 2040 | CHF | 10.00 | 25.0 | E | G | 31 Dec |
| Stølsdalselva Kraftverk AS | Jondal/NO | | NOK | 0.50 | 8.0 | E | G | 31 Dec |
| Tysvær Vindpark AS | Rogaland/NO | | NOK | 0.10 | 100.0 | F | G | 31 Dec |
| Unoenergia S.r.l. | Biella/IT | | EUR | 0.11 | 40.0 | E | G | 31 Dec |
| Vetrocom Ltd. | Sofia/BG | | BGN | 136.91 | 100.0 | F | G | 31 Dec |
| Vetrocom Services AD | Sofia/BG | | BGN | 0.10 | 65.0 | F | G | 31 Dec |
| Wasserkraftwerk Tambobach AG | Splügen | | CHF | 2.00 | 70.0 | F | G | 31 Dec |
| Wasserkraftwerke Weinfelden AG | Weinfelden | | CHF | 5.00 | 49.0 | E | G | 31 Dec |
| Xamax AG | Olten | | CHF | 0.20 | 100.0 | F | S | 31 Dec |
| Ytre Oppedal Kraftverk AS | Voss/NO | | NOK | 0.10 | 13.6 | E | G | 31 Dec |
| 3CA SAS | Paris/FR | | EUR | 0.50 | 100.0 | F | G | 31 Dec |
| 3CB SAS | Paris/FR | | EUR | 134.00 | 100.0 | F | G | 31 Dec |

1 Companies acquired in connection with the M&A Rinnovabili asset split.
2 Merged with Alpiq Trading Ltd.
3 Merged with ANALP Gestion S.A.U.
4 Simple partnership.
5 Of which CHF 290 million paid in.

## Grid

| | Place of incorporation | | Currency | Issued capital in millions | Direct ownership interest in % (voting rights) | Consolidation method | Business activity | Reporting date |
|---|---|---|---|---|---|---|---|---|
| Alpiq Grid Ltd. Gösgen | Niedergösgen | | CHF | 130.00 | 100.0 | F | S | 31 Dec |
| Alpiq Grid Ltd Lausanne | Lausanne | | CHF | 0.20 | 100.0 | F | S | 31 Dec |
| ETRANS Ltd | Laufenburg | | CHF | 7.50 | 33.3 | E | S | 31 Dec |
| Swissgrid Ltd | Laufenburg | | CHF | 15.00 | 32.6 | E | S | 31 Dec |

### Holding and management companies

| | Place of incorporation | Currency | Issued capital in millions | Direct ownership interest in % (voting rights) | Consolidation method | Business activity | Reporting date |
|---|---|---|---|---|---|---|---|
| Alpiq Central Europe Ltd | Niedergösgen | CHF | 0.40 | 100.0 | F | H | 31 Dec |
| Alpiq Hydro France S.A.S. | Toulouse/FR | EUR | 7.79 | 100.0 | F | H | 31 Dec |
| Alpiq Italia S.r.l. | Milan/IT | EUR | 0.25 | 100.0 | F | H | 31 Dec |
| Alpiq Management Ltd. | Olten | CHF | 10.00 | 100.0 | F | S | 31 Dec |
| Alpiq Management Services Ltd. | St. Helier/JE | EUR | 0.10 | 100.0 | F | S | 31 Dec |
| Alpiq Nordic AS | Oslo/NO | NOK | 1.00 | 100.0 | F | H | 31 Dec |
| Alpiq Western Europe S.à r.l. | Luxembourg/LU | EUR | 1.00 | 100.0 | F | H | 31 Dec |
| Alpiq Wind Italia 2 S.r.l. [1] | Milan/IT | EUR | 0.01 | 100.0 | F | H | 31 Dec |

1 New company established.

## Energy Services companies

### Alpiq InTec (AIT)

| | Place of incorporation | Currency | Issued capital in millions | Direct ownership interest in % (voting rights) | Consolidation method | Business activity | Reporting date |
|---|---|---|---|---|---|---|---|
| **Holding and management companies** | | | | | | | |
| Alpiq InTec Ltd. | Olten | CHF | 30.00 | 100.0 | F | H | 31 Dec |
| Alpiq InTec Management Ltd. | Zurich | CHF | 0.10 | 100.0 | F | S | 31 Dec |
| Alpiq InTec Management S.r.l. | Milan/IT | EUR | 1.00 | 100.0 | F | S | 31 Dec |
| **Transport Technology** | | | | | | | |
| Elektroline a.s. | Prague/CZ | EUR | 0.17 | 100.0 | F | S | 31 Dec |
| K + M Fahrleitungstechnik GmbH | Issenbüttel/DE | EUR | 0.03 | 100.0 | F | S | 31 Dec |
| Kummler + Matter Ltd | Zurich | CHF | 2.50 | 100.0 | F | S | 31 Dec |
| Mauerhofer et Zuber SA | Renens | CHF | 1.70 | 100.0 | F | S | 31 Dec |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Building Services and Facility Management** | | | | | | | |
| Advens AG | Winterthur | CHF | 0.10 | 100.0 | F | S | 31 Dec |
| Albin Baeriswyl SA | Fribourg | CHF | 0.20 | 100.0 | F | S | 31 Dec |
| Alpiq Burkhalter Bahntechnik AG | Zurich | CHF | 0.25 | 50.0 | E | S | 31 Dec |
| Alpiq E-Mobility Ltd. | Zurich | CHF | 0.50 | 90.0 | F | S | 31 Dec |
| Alpiq EcoServices Ltd. | Zurich | CHF | 0.10 | 100.0 | F | S | 31 Dec |
| Alpiq Infra Ltd. | Zurich | CHF | 0.10 | 100.0 | F | S | 31 Dec |
| Alpiq InTec (FL) AG | Schaan/LI | CHF | 0.10 | 100.0 | F | S | 31 Dec |
| Alpiq InTec Milano S.p.A. | Milan/IT | EUR | 3.10 | 100.0 | F | S | 31 Dec |
| Alpiq InTec East Ltd. [1] | Zurich | CHF | 7.85 | 100.0 | F | S | 31 Dec |
| Alpiq InTec Romandie Ltd. | Meyrin | CHF | 1.00 | 100.0 | F | S | 31 Dec |
| Alpiq InTec Ticino Ltd. | Lugano | CHF | 2.70 | 100.0 | F | S | 31 Dec |
| Alpiq InTec Verona S.p.A. | Verona/IT | EUR | 2.00 | 100.0 | F | S | 31 Dec |
| Alpiq InTec West Ltd. [2] | Olten | CHF | 5.90 | 100.0 | F | S | 31 Dec |
| Alpiq Process Automation Ltd. | Strengelbach | CHF | 0.20 | 100.0 | F | S | 31 Dec |
| Robert Schellenberg AG | Winterthur | CHF | 0.15 | 100.0 | F | S | 31 Dec |

1 Merged with Wüst Haustechnik AG and Infra Haustechnik Service Ltd.
2 Merged with Hirt Haustechnik AG.

## Energie- und Anlagentechnik (EAT)

| | Place of incorporation | Currency | Issued capital in millions | Direct ownership interest in % (voting rights) | Consolidation method | Business activity | Reporting date |
|---|---|---|---|---|---|---|---|
| **Holding and management company** | | | | | | | |
| Alpiq Anlagentechnik GmbH | Heidelberg/DE | EUR | 25.00 | 100.0 | F | H | 31 Dec |
| **Energie- und Anlagentechnik (EAT)** | | | | | | | |
| Caliqua Anlagentechnik GmbH | Vienna Neudorf/AT | EUR | 0.19 | 100.0 | F | S | 31 Dec |
| ECM Ingenieur-Unternehmen für Energie- und Umwelttechnik GmbH | Munich/DE | EUR | 0.05 | 100.0 | F | S | 31 Dec |
| FINOW Rohrsysteme GmbH | Eberswalde/DE | EUR | 0.50 | 100.0 | F | S | 31 Dec |
| Ingenieurbüro Kiefer & Voß GmbH | Erlangen/DE | EUR | 0.08 | 100.0 | F | S | 31 Dec |
| Kraftanlagen Energie- und Umwelttechnik GmbH | Heidelberg/DE | EUR | 0.10 | 100.0 | F | S | 31 Dec |
| Kraftanlagen Hamburg GmbH | Hamburg/DE | EUR | 0.77 | 100.0 | F | S | 31 Dec |
| Kraftanlagen Heidelberg GmbH | Heidelberg/DE | EUR | 0.50 | 100.0 | F | S | 31 Dec |
| Kraftanlagen München GmbH | Munich/DE | EUR | 5.00 | 100.0 | F | S | 31 Dec |
| Kraftanlagen Power Plants GmbH | Munich/DE | EUR | 1.00 | 100.0 | F | S | 31 Dec |
| Kraftanlagen Romania S.R.L. | Ploiesti/RO | RON | 2.04 | 100.0 | F | S | 31 Dec |
| Kraftszer Vàllalkozàsi Kft. | Budapest/HU | HUF | 198.00 | 90.0 | F | S | 31 Dec |
| **Other** | | | | | | | |
| GAH Pensions GmbH | Heidelberg/DE | EUR | 0.26 | 100.0 | F | S | 31 Dec |

## Financial investments

| | Place of incorporation | Currency | Issued capital in millions | Direct ownership interest in % (voting rights) | Consolidation method | Business activity | Reporting date |
|---|---|---|---|---|---|---|---|
| Capital Recovery Syndication Trust | St. Helier/JE | USD | 2.66[1] | 9.8 | FV | S | 31 Dec |
| European Energy Exchange | Leipzig/DE | EUR | 40.05 | 4.5 | C | S | 31 Dec |
| New Energies Invest Ltd | Basel | CHF | 43.00 | 0.6 | FV | S | 31 Dec |
| Nordic Power Trading I Fund | Oslo/NO | NOK | 1.04[1] | 10.7 | FV | S | 31 Dec |
| Powernext SA | Paris/FR | EUR | 11.74 | 5.0 | C | S | 31 Dec |
| VenCap9 LLC | Cayman Islands/KY | USD | 357.00[1] | 0.9 | FV | S | 31 Dec |

1 Fund capital.

### Business activity

T Trading
SU Sales and supply
G Generation
S Services
H Holding company

### Consolidation method

F Fully consolidated
E Equity accounted
FV Fair value
C Cost method

# Alpiq Group Financial Summary 2008 – 2012

## Income statement

| CHF million | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| Net revenue | 12,897 | 14,822 | 14,104 | 13,961 | 12,710 |
| Other operating income | 294 | 235 | 181 | 205 | 432 |
| Total revenue and other income | 13,191 | 15,057 | 14,285 | 14,166 | 13,142 |
| Operating expenses before depreciation and amortisation | -11,940 | -13,511 | -12,787 | -13,229 | -11,942 |
| Profit before interest, tax, depreciation and amortisation (EBITDA) | 1,251 | 1,546 | 1,498 | 937 | 1,200 |
| Depreciation and amortisation | -280 | -481 | -502 | -1,229 | -2,128 |
| Profit/(loss) before interest and tax (EBIT) | 971 | 1,065 | 996 | -292 | -928 |
| Share of results of associates | 30 | -1 | -26 | -901 | -57 |
| Net finance costs | -85 | -164 | -156 | -181 | -248 |
| Income tax expense | -183 | -224 | -169 | 28 | 147 |
| Group profit/(loss) for the year | 733 | 676 | 645 | -1,346 | -1,086 |
| Attributable to non-controlling interests | 10 | 10 | 7 | -21 | -41 |
| Attributable to owners of Alpiq Holding | 723 | 666 | 638 | -1,325 | -1,045 |
| Employees [2] | 9,944 | 10,629 | 11,033 | 11,009 | 10,039 |

1 Prior year comparatives restated retrospectively.
2 Average number of full-time equivalents.

2008: figures of the former Atel Group excluding EOS and Emosson.

## Statement of financial position [1]

| CHF million | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| Total assets | 10,566 | 20,099 | 18,473 | 17,446 | 14,784 |
| Assets | | | | | |
| Non-current assets | 5,884 | 14,302 | 13,793 | 11,469 | 8,505 |
| Current assets | 4,682 | 5,797 | 4,680 | 4,139 | 4,430 |
| Assets held for sale | | | | 1,838 | 1,849 |
| Equity and liabilities | | | | | |
| Total equity | 3,830 | 7,930 | 7,779 | 6,205 | 5,010 |
| As % of total assets | 36.2 | 39.5 | 42.1 | 35.6 | 33.9 |
| Liabilities | 6,736 | 12,169 | 10,694 | 10,513 | 9,530 |
| Liabilities held for sale | | | | 728 | 244 |

1 Prior year comparatives restated retrospectively.

## Per share data

| CHF | 2008 | 2009 | 2010 | 2011 | 2012 |
|---|---|---|---|---|---|
| Par value | 10 | 10 | 10 | 10 | 10 |
| Share price at 31 December | 535 | 430 | 360 | 170 | 131 |
| High | 765 | 567 | 453 | 381 | 189 |
| Low | 376 | 328 | 339 | 150 | 126 |
| Weighted average number of shares outstanding (in thousands) | 21,261 | 26,749 | 27,190 | 27,190 | 27,190 |
| Net profit/(loss) | 34 | 25 | 23 | -49 | -38 |
| Dividend [1] | 10.00 | 8.70 | 8.70 | 2.00 | 2.00 |

1 To be proposed to the General Meeting on 25 April 2013.

2008: figures of the former Atel Group excluding EOS and Emosson.

ERNST & YOUNG

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To the General Meeting of
**Alpiq Holding Ltd., Lausanne**

Zurich, 11 March 2013

## Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Alpiq Holding Ltd., which comprise income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes (pages 56 - 129), for the year ended 31 December 2012.

*Board of Directors' responsibility*
The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

*Auditor's responsibility*
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards and International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*
In our opinion, the consolidated financial statements for the year ended 31 December 2012 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS and comply with Swiss law.

## Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

| | |
|---|---|
| Alessandro Miolo<br>Licensed audit expert<br>(Auditor in charge) | Roger Müller<br>Licensed audit expert |

# Statutory Financial Statements of Alpiq Holding Ltd.

## Brief review

As expected, Alpiq Holding Ltd. posted a decline in total revenue during the reporting period. Revenue was approximately CHF 350 million down year on year due to the waiver of intra-group dividend income and the reduction in service revenue. Finance costs decreased because of the favourable impact of lower foreign exchange losses than in 2011.

Total assets declined by approximately CHF 130 million or 2 %. While long-term borrowings were reduced by CHF 125 million, cash and cash equivalents increased by CHF 500 million. The decrease in loans receivable is due to the repayment of intra-group items.

As in the previous year, there was no need for Alpiq Holding Ltd. to recognise any impairment charges in view of the low carrying amounts of investments.

# Income Statement

| CHF | Note | 2011 | 2012 |
|---|---|---|---|
| **Revenue** | | | |
| Finance income | 2 | 207,652,381 | 206,950,344 |
| Dividend income | 3 | 456,206,662 | 149,655,865 |
| Other income | | 46,346,101 | 7,929,310 |
| Exceptional income | | 3,239,665 | |
| **Total revenue** | | **713,444,809** | **364,535,519** |
| **Expenses** | | | |
| Finance costs | 4 | 370,893,855 | 304,110,252 |
| Tax expense | | 1,473,591 | 1,348,699 |
| Other expenses | | 40,980,168 | 57,177,119 |
| Depreciation and amortisation | | 5,164,765 | 4,940,413 |
| **Total expenses** | | **418,512,379** | **367,576,483** |
| **Profit/(loss) for the year** | | **294,932,430** | **-3,040,964** |

# Statement of Financial Position

## Assets

| CHF | Note | 31 Dec 2011 | 31 Dec 2012 |
|---|---|---|---|
| Intangible assets | | 14,821,238 | 9,880,825 |
| Investments | 5 | 6,090,061,621 | 5,912,760,624 |
| Loans receivable | 6 | 1,583,523,454 | 760,944,335 |
| **Non-current assets** | | **7,688,406,313** | **6,683,585,784** |
| Short-term receivables | 7 | 64,901,501 | 437,857,092 |
| Prepayments and accrued income | | 703,414 | 13,211,820 |
| Investments in securities | | 9,421,450 | 6,518,995 |
| Cash and cash equivalents | | 274,164,837 | 769,334,427 |
| **Current assets** | | **349,191,202** | **1,226,922,334** |
| **Total assets** | | **8,037,597,515** | **7,910,508,118** |

## Equity and liabilities

| CHF | Note | 31 Dec 2011 | 31 Dec 2012 |
|---|---|---|---|
| Share capital | | 271,898,730 | 271,898,730 |
| Share premium | | 3,565,537 | 3,565,537 |
| Capital contribution reserve | | 1,273,584,745 | 1,219,204,999 |
| General reserve | | 53,332,560 | 53,332,560 |
| Retained earnings | | 888,350,695 | 885,309,731 |
| **Equity** | 8 | **2,490,732,267** | **2,433,311,557** |
| **Provisions** | | **40,778,516** | **38,778,516** |
| Bonds | 9 | 2,975,000,000 | 3,175,000,000 |
| Loans payable | 10 | 805,000,000 | 480,000,000 |
| **Non-current liabilities** | | **3,780,000,000** | **3,655,000,000** |
| Short-term payables | 11 | 1,581,258,527 | 1,645,672,332 |
| Accruals and deferred income | | 144,828,205 | 137,745,713 |
| **Current liabilities** | | **1,726,086,732** | **1,783,418,045** |
| **Total equity and liabilities** | | **8,037,597,515** | **7,910,508,118** |

# Notes to the Company Financial Statements

## 1 Preliminary note

The financial statements of Alpiq Holding Ltd. have been prepared in accordance with the requirements of Swiss corporation law. The notes below also include the disclosures required by Art. 663b and 663b bis of the Swiss Code of Obligations. The subsidiaries and investments listed on pages 123 to 129, and the companies they control, are considered to be Group companies for the purposes of Art. 663a of the Swiss Code of Obligations.

## 2 Finance income

| CHF thousand | 2011 | 2012 |
|---|---|---|
| Interest income from Group companies and shareholders | 55,289 | 36,908 |
| Interest income from third parties | 1,349 | 1,265 |
| Other finance income from Group companies and shareholders | 4,683 | 4,586 |
| Other finance income from third parties | 5,706 | 958 |
| Foreign exchange gain | 140,625 | 163,233 |
| **Total** | **207,652** | **206,950** |

## 3 Dividend income

Dividend income comprises dividends received from subsidiaries.

## 4 Finance costs

| CHF thousand | 2011 | 2012 |
|---|---|---|
| Interest expense to Group companies and shareholders | 24,714 | 19,216 |
| Interest expense to third parties | 108,637 | 116,221 |
| Other finance costs to third parties | 24,787 | 29,118 |
| Foreign exchange loss | 212,756 | 139,555 |
| **Total** | **370,894** | **304,110** |

## 5 Investments

A list of the principal subsidiaries and investments is presented on pages 123 to 129.

There were no capital contribution commitments at the reporting date on 31 December 2012 (2011: CHF 200 million).

## 6 Loans receivable

As in the previous year, this item mainly includes long-term loans receivable from Group companies and a CHF 300 million subordinated loan provided to a Group company.

## 7 Short-term receivables

| CHF thousand | 31 Dec 2011 | 31 Dec 2012 |
|---|---|---|
| Due from Group companies and shareholders | 62,593 | 436,333 |
| Due from third parties | 2,309 | 1,524 |
| **Total** | **64,902** | **437,857** |

Short-term receivables comprise short-term financial receivables as well as VAT and withholding tax receivables.

## 8 Equity

| CHF thousand | Share capital | Share premium | Capital contribution reserve | General reserve | Retained earnings | Total equity |
|---|---|---|---|---|---|---|
| **Balance at 31 December 2010** | **271,899** | **3,565** | **1,273,585** | **53,333** | **829,970** | **2,432,352** |
| Dividends | | | | | -236,552 | -236,552 |
| Profit for the year | | | | | 294,932 | 294,932 |
| **Balance at 31 December 2011** | **271,899** | **3,565** | **1,273,585** | **53,333** | **888,350** | **2,490,732** |
| Transfer from capital contribution reserves to distributable reserves | | | -54,380 | 54,380 | | 0 |
| Dividend paid out of capital contribution reserves transferred to distributable reserves | | | | -54,380 | | -54,380 |
| Loss for the year | | | | | -3,041 | -3,041 |
| **Balance at 31 December 2012** | **271,899** | **3,565** | **1,219,205** | **53,333** | **885,309** | **2,433,311** |

### Additional authorised capital

As in the previous year, Alpiq Holding Ltd. had no additional authorised capital at the reporting date on 31 December 2012.

### Major shareholders

The major shareholders of Alpiq Holding Ltd. are disclosed in note 19 to the consolidated financial statements.

### Treasury shares

Information about treasury shares is disclosed in the "Consolidated Statement of Changes in Equity" in the consolidated financial statements.

## 9 Bonds

| CHF thousand | Term | Earliest redemption date | Interest rate % | Face value at 31 Dec 2011 | Face value at 31 Dec 2012 |
|---|---|---|---|---|---|
| Fixed rate bond issued by Alpiq Holding Ltd.[1] | 2003/2013 | 16 Sep 2013 | 3 1/8 | 300,000 | 300,000 |
| Fixed rate bond issued by Alpiq Holding Ltd. | 2009/2014 | 10 Feb 2014 | 3 | 200,000 | 200,000 |
| Fixed rate bond issued by Alpiq Holding Ltd. | 2006/2014 | 22 Sep 2014 | 2 7/8 | 125,000 | 125,000 |
| Fixed rate bond issued by Alpiq Holding Ltd. | 2008/2014 | 30 Oct 2014 | 3 3/8 | 25,000 | 25,000 |
| Fixed rate bond issued by Alpiq Holding Ltd. | 2008/2014 | 30 Oct 2014 | 3 3/8 | 150,000 | 150,000 |
| Fixed rate bond issued by Alpiq Holding Ltd. | 2008/2015 | 25 Mar 2015 | 3 1/4 | 250,000 | 250,000 |
| Fixed rate bond issued by Alpiq Holding Ltd. | 2009/2015 | 3 Jul 2015 | 3 1/4 | 250,000 | 250,000 |
| Fixed rate bond issued by Alpiq Holding Ltd. | 2011/2016 | 20 Sep 2016 | 1 3/8 | 250,000 | 250,000 |
| Fixed rate bond issued by Alpiq Holding Ltd. | 2009/2017 | 10 Feb 2017 | 4 | 250,000 | 250,000 |
| Fixed rate bond issued by Alpiq Holding Ltd. | 2012/2017 | 13 Apr 2017 | 2 | | 275,000 |
| Fixed rate bond issued by Alpiq Holding Ltd. | 2012/2017 | 13 Apr 2017 | 2 | | 25,000 |
| Fixed rate bond issued by Alpiq Holding Ltd. | 2006/2018 | 1 Mar 2018 | 2 5/8 | 250,000 | 250,000 |
| Fixed rate bond issued by Alpiq Holding Ltd. | 2008/2018 | 30 Oct 2018 | 3 7/8 | 160,000 | 160,000 |
| Fixed rate bond issued by Alpiq Holding Ltd. | 2008/2018 | 30 Oct 2018 | 3 7/8 | 40,000 | 40,000 |
| Fixed rate bond issued by Alpiq Holding Ltd. | 2009/2019 | 25 Nov 2019 | 3 | 500,000 | 500,000 |
| Fixed rate bond issued by Alpiq Holding Ltd. | 2011/2021 | 20 Sep 2021 | 2 1/4 | 225,000 | 225,000 |
| Fixed rate bond issued by Alpiq Holding Ltd. | 2012/2022 | 16 May 2022 | 3 | | 200,000 |

1 Included in "current liabilities" at 31 December 2012.

The weighted interest rate on bonds issued at the reporting date, relative to face value, was 2.90 % (2011: 2.99 %).

## 10 Loans payable

| CHF thousand | 31 Dec 2011 | 31 Dec 2012 |
|---|---|---|
| Shareholders | 320,000 | |
| Due to Group companies | 10,000 | |
| Due to third parties | 475,000 | 480,000 |
| **Total** | **805,000** | **480,000** |

The loans are repayable within 1 to 9 years. The weighted average interest rate at the reporting date was 2.30 % (2011: 2.93 %).

## 11 Short-term payables

| CHF thousand | 31 Dec 2011 | 31 Dec 2012 |
|---|---|---|
| Shareholders | 300,000 | 320,000 |
| Due to Group companies | 503,837 | 925,434 |
| Due to third parties | 777,422 | 400,238 |
| **Total** | **1,581,259** | **1,645,672** |

Short-term payables due to third parties include loans and bonds repayable within 12 months, VAT liabilities, social security contributions and unclaimed dividends.

## 12 Contingent liabilities

Guarantees in favour of Group companies and third parties totalled CHF 1,050 million at 31 December 2012 (31 December 2011: CHF 1,284 million).

## 13 Disclosure of remuneration and interests of Directors, Executive Board members and related parties

The remuneration policies for Directors and Executive Board members are set out in the Remuneration Report on page 40 onwards.

**Remuneration paid to current Directors and Committee members and those who left the Board in the reporting year as recognised in the 2012 financial statements**

| CHF thousand | | Fixed remuneration | Expenses | Pension benefits (pension scheme, social security) |
|---|---|---|---|---|
| Hans E. Schweickardt | Chairman/SB Chairman until 30 Apr 2012 | 1,000.6 | 59.5 | 97.9 |
| Christian Wanner | Deputy Chairman/SB member until 30 Apr 2012 | 253.3 | 16.1 | 11.8 |
| Conrad Ammann | Director since 26 Apr 2012 | 112.3 | 8.2 | 8.0 |
| François Driesen | Director since 26 Apr 2012 | 116.5 | 8.2 | |
| Claude Lässer | Director | 174.0 | 12.0 | 25.1 |
| Daniel Mouchet | Director | 174.0 | 12.0 | |
| Guy Mustaki | Director/NRC Chairman/SB member until 30 Apr 2012 | 295.3 | 16.6 | 41.5 |
| Jean-Yves Pidoux | Director/ARC member | 213.0 | 13.5 | |
| Patrick Pruvot | Director since 26 Apr 2012 | 112.5 | 8.2 | |
| Gérard Roth | Director since 26 Apr 2012/NRC member since 26 Apr 2012 | 146.7 | 9.2 | |
| Alex Stebler | Director/ARC member | 201.0 | 13.5 | 22.8 |
| Urs Steiner | Director/NRC member since 1 Jan 2012 | 197.0 | 13.5 | |
| Stéphane Tortajada | Director/ARC Chairman/SB member until 30 Apr 2012 | 255.3 | 16.6 | |
| **Total for Directors serving on 31 December 2012** | | **3,251.5** | **207.1** | **207.1** |
| Pierre Aumont | Director until 26 Apr 2012/NRC member until 26 Apr 2012 | 78.7 | 4.4 | |
| Hans Büttiker | Director until 26 Apr 2012 | 57.8 | 3.9 | 4.5 |
| Frédéric Mayoux | Director until 26 Apr 2012 | 57.9 | 3.9 | |
| Philippe Torrion | Director until 26 Apr 2012 | 41.9 | 3.9 | |
| **Total for Directors** | | **3,487.8** | **223.2** | **211.6** |

ARC = Audit and Risk Committee
NRC = Nomination and Remuneration Committee
SB = Sounding Board

Remuneration comprises Directors' fees, attendance fees and fees for service on the NRC, ARC and/or SB. The fees were not increased compared to 2011. The Sounding Board (SB) was dissolved at the end of April 2012.

Hans E. Schweickardt is regularly employed full-time as Chairman of Alpiq Holding Ltd. All additional emoluments for other services to the Alpiq Group accrue to the company. From 30 September 2011, Hans E. Schweickardt served as CEO ad interim. When Jasmin Staiblin joined the company as CEO on 1 January 2013, he resigned from this function, for which he did not receive any additional remuneration, nor participate in the bonus programme for the Executive Board.

**Remuneration paid to current Directors and Committee members and those who left the Board in the reporting year as recognised in the 2011 financial statements**

| CHF thousand | | Fixed remuneration | Expenses | Pension benefits (pension scheme, social security) |
|---|---|---|---|---|
| Hans E. Schweickardt | Chairman/SB Chairman from 25 Aug 2011 | 968.6 | 47.5 | 96.1 |
| Christian Wanner | Deputy Chairman/NRC member/SB member from 25 Aug 2011 | 288.0 | 18.0 | 16.1 |
| Pierre Aumont | Director/NRC member from 28 Apr 2011 | 204.0 | 13.0 | |
| Hans Büttiker | Director/NRC member | 221.0 | 13.5 | 18.5 |
| Claude Lässer | Director | 166.0 | 12.0 | 5.4 |
| Frédéric Mayoux | Director from 28 Apr 2011 | 110.7 | 8.0 | |
| Daniel Mouchet | Director | 167.8 | 12.0 | |
| Guy Mustaki | Director/NRC Chairman/SB member from 25 Aug 2011 | 283.0 | 17.0 | 40.0 |
| Jean-Yves Pidoux | Director/ARC member | 205.0 | 13.5 | |
| Alex Stebler | Director/ARC member | 205.0 | 13.5 | 23.4 |
| Urs Steiner | Director/ARC member | 205.0 | 13.5 | |
| Philippe Torrion | Director from 28 Apr 2011 | 90.7 | 8.0 | |
| Stéphane Tortajada | Director from 28 Apr 2011/ARC Chairman from 28 Apr 2011/ SB member from 25 Aug 2011 | 185.7 | 11.8 | |
| **Total for Directors serving on 31 December 2011** | | **3,300.5** | **201.3** | **199.5** |
| Marc Boudier | Deputy Chairman until 28 Apr 2011/ARC Chairman until 28 Apr 2011/NRC member until 28 Apr 2011 | 101.0 | 6.7 | |
| Guillaume de Forceville | Director until 28 Apr 2011 | 55.3 | 4.0 | |
| Philippe V. Huet | Director until 28 Apr 2011 | 51.3 | 4.0 | |
| **Total for Directors** | | **3,508.1** | **216.0** | **199.5** |

ARC = Audit and Risk Committee

NRC = Nomination and Remuneration Committee

SB = Sounding Board

Remuneration comprises Directors' fees, attendance fees and fees for service on the NRC and/or ARC.

Hans E. Schweickardt was regularly employed full-time as Chairman of Alpiq Holding Ltd. in 2011. In the same period, all additional emoluments for other services to the Alpiq Group accrued to the company. From 30 September 2011, Hans E. Schweickardt served as CEO ad interim. For this function, he did not receive any additional remuneration, nor participate in the bonus programme for the Executive Board.

## Remuneration paid to Executive Board members as recognised in the 2012 company financial statements

| CHF thousand | Gross salary (fixed) | Gross salary (bonus) | Benefits in kind (car and other) | Pension benefits (pension scheme, accident) |
|---|---|---|---|---|
| Total for Executive Board | 1,687.5 | 1,237.9 | 84.2 | 516.8 |
| Highest paid member, Kurt Baumgartner (CFO until 30 Sep 2012) | 410.0 | 317.4 | 22.7 | 105.9 |

Each member of the Executive Board was paid an additional annual expense allowance of CHF 24,000, and the highest paid member (CFO) received CHF 24,000. Expense allowances for the Executive Board totalled CHF 126,000.

The amount of bonuses reported represents the variable salary component approved by the NRC for the 2012 financial year. The bonuses for 2012 will be paid in May 2013 after the Annual General Meeting.

## Remuneration paid to Executive Board members as recognised in the 2011 company financial statements

| CHF thousand | Gross salary (fixed) | Gross salary (bonus) | Benefits in kind (car and other) | Pension benefits (pension scheme, accident) |
|---|---|---|---|---|
| Total for Executive Board | 4,863.0 | 2,026.0 | 83.9 | 2,158.9 |
| Highest paid member, Giovanni Leonardi (CEO until 29 Sep 2011)[1] | 1,050.0 | 622.0 | 16.9 | 275.3 |

1 From 30 September 2011, Hans E. Schweickardt served as CEO ad interim. For this function, he did not receive any additional remuneration, nor did he participate in the bonus programme for the Executive Board.

All of the amounts disclosed above include contractual payments up to the year end for the Executive Board members who left the company during the 2011 financial year. The payments for Giovanni Leonardi, Herbert Niklaus and Peter Heydecker have been included until the end of their contracts on 31 December 2012. The amounts for 2012 comprise CHF 1,110,000 in fixed salaries, CHF 684,000 in bonuses, CHF 19,000 in benefits in kind, CHF 261,000 in pension benefits and CHF 78,000 in expense allowances.

The new table below has been created to allow a comparison with the 2012 financial year. The table shows the remuneration paid to Executive Board members for 2011, excluding contractual payments made in 2012 for members who left the company during the 2011 reporting year.

| CHF thousand | Gross salary (fixed) | Gross salary (bonus) | Benefits in kind (car and other) | Pension benefits (pension scheme, accident) |
|---|---|---|---|---|
| Total for Executive Board | 3,753.0 | 1,341.9 | 65.4 | 1,898.1 |
| Highest paid member, Giovanni Leonardi (CEO until 29 Sep 2011) | 525.0 | 311.0 | 8.4 | 157.6 |

Each member of the Executive Board was paid an additional expense allowance of CHF 24,000, and the highest paid member (CEO) received CHF 30,000. Expense allowances paid to the Executive Board totalled CHF 304,000.

Due to the new approval process defined for the variable salary component, the tables have been restated (also see page 77 "changes in the presentation of disclosures in the notes"). The amount of bonuses reported now represents the variable salary component approved by the NRC for the 2011 financial year.

**Shares held by Directors and Executive Board members**

| | | Number 2011 | Number 2012 |
|---|---|---|---|
| Hans E. Schweickardt | Chairman/CEO a.i. until 31 Dec 2012 | 200 | 310 |
| Hans Büttiker | Director untill 26 Apr 2012 | 501 | 1) |
| Alex Stebler | Director | 269 | 271 |
| Urs Steiner | Director | 21 | 23 |
| Patrick Mariller | Executive Board member since 1 Oct 2012 | 1) | 5 |
| Benoît Revaz | Executive Board member | 72 | 72 |
| Michael Wider | Executive Board member | 52 | 52 |
| **Total** | | **1,115** | **733** |

1) Not determined.

## 14 Risk assessment

The risks of Alpiq Holding Ltd. are assessed within the Group-wide risk management framework for the Alpiq Group. The Alpiq Group implements a comprehensive risk management system that includes a periodic assessment of the risks of each Group company. Based on the risk identification carried out annually by Group management, the likelihood of the significant risks occurring and their impact are evaluated. These risks are avoided, mitigated or hedged by taking appropriate measures decided by the Board of Directors of Alpiq Holding Ltd. In order to be able to respond flexibly to changes in the risk environment, Group management may commission ad hoc in-depth risk analyses. The latest risk assessment was approved by the Board of Directors on 6 March 2013.

# Board of Directors' Proposal

## Appropriation of retained earnings

The Board of Directors proposes to the Annual General Meeting that retained earnings consisting of

| CHF | |
|---|---|
| Loss for 2012 reported in the income statement | -3,040,964 |
| Retained earnings brought forward | 888,350,695 |
| **Total** | **885,309,731** |

| be appropriated as follows: | |
|---|---|
| Transfer to general reserve | 0 |
| Balance to be carried forward | 885,309,731 |

## Transfer from statutory reserves (capital contribution reserves) to distributable reserves and payment of a dividend, exempt from withholding tax, out of reserves

The Board of Directors proposes that the 2013 Annual General Meeting approve a dividend of CHF 2.00 (dividend for 2011: CHF 2.00) per registered share in the form of a return of capital contributions without deduction of withholding tax. If this proposal is approved by shareholders, dividend payments will total CHF 54,379,746.

| CHF | |
|---|---|
| Transfer from capital contribution reserves to distributable reserves | 54,379,746 |
| **Withholding tax-exempt dividend of CHF 2.00 per registered share** | **-54,379,746** |

Subject to approval of this proposal, the dividend will be paid from 3 May 2013 in accordance with the instructions recorded in the share register.

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To the General Meeting of
**Alpiq Holding Ltd., Lausanne**

Zurich, 11 March 2013

## Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Alpiq Holding Ltd., which comprise income statement, statement of financial position and notes (pages 136 - 146), for the year ended 31 December 2012.

*Board of Directors' responsibility*
The Board of Directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

*Auditor's responsibility*
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

ERNST & YOUNG



*Opinion*
In our opinion, the financial statements for the year ended 31 December 2012 comply with Swiss law and the company's articles of incorporation.

## Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

| | |
|---|---|
| Alessandro Miolo<br>Licensed audit expert<br>(Auditor in charge) | Roger Müller<br>Licensed audit expert |

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ALPIQ