ALPIQ

2012

Year ended 31 December 2012

Alpiq Ltd. Group

(Part of the Alpiq Group)

2012 Financial Highlights

Alpiq Ltd. Group

CHF million	% Change 2011-2012 (results of operations)	2011	2012	2011	2012
			Results of operations before exceptional items		Results under IFRS after exceptional items
Energy sales (TWh)	−16.3	106.468	89.099	106.468	89.099
Net revenue	−11.3	8,036	7,129	8,036	7,129
Profit before interest, tax, depreciation and amortisation (EBITDA) [1]	−41.1	557	328	459	40
Depreciation, amortisation and impairment	25.0	−220	−165	−370	−416
Profit before interest and tax (EBIT) [1]	−51.6	337	163	89	−376
As % of net revenue		4.2	2.3	1.1	−5.3
Group profit for the year from continuing operations	−28.1	292	210	−443	−620
Profit/(loss) for the year from discontinued operations		114	0	114	0
Group profit for the year	−48.3	406	210	−329	−620
Employees [2]	30.5	420	548	420	548

1 EBITDA/EBIT after reclassification of "share of results of associates" (see explanatory note on page 36 of the Financial Report).

2 Average number of full-time equivalents.

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Alpiq Ltd. Group Financial Summary 2008 – 2012

Income statement [1]

CHF million	2008	2009	2010	Before impairment charges 2011	After impairment charges 2011	Before impairment charges 2012	After impairment charges 2012
Net revenue	12,894	12,141	6,808	8,036	8,036	7,129	7,129
Other operating income	296	244	188	171	171	96	150
Total revenue and other income	13,190	12,385	6,996	8,207	8,207	7,225	7,279
Operating expenses before depreciation and amortisation	– 12,004	– 11,203	– 6,281	– 7,650	– 7,748	– 6,897	– 7,239
Profit/(loss) before interest, tax, depreciation and amortisation (EBITDA)	1,186	1,182	715	557	459	328	40
Depreciation, amortisation and impairment	– 279	– 311	– 194	– 220	– 370	– 165	– 416
Profit/(loss) before interest and tax (EBIT)	907	871	521	337	89	163	– 376
Share of profit/(loss) of associates	96	107	105	47	– 573	22	– 320
Net finance income/(costs)	– 76	– 160	– 29	– 12	– 12	– 39	– 38
Income tax expense	– 181	– 193	– 103	– 80	53	64	114
Group profit/(loss) for the year from continuing operations	746	625	494	292	– 443	210	– 620
Profit/(loss) for the year from discontinued operations	-	-	– 427	114	114	0	0
Group profit/(loss) for the year	746	625	67	406	– 329	210	– 620
Share of net profit attributable to non-controlling interests	10	9	– 80	5	5	5	5
Share of net profit accruing to owners of Alpiq Ltd.	736	616	147	401	– 334	205	– 625
Employees [2]	9,671	9,990	482	420	420	548	548

1 Prior year comparatives restated retrospectively. See explanatory notes on page 36.
2 Average number of full-time equivalents.

Alpiq Ltd. Group Performance and Outlook

Introductory remarks

Overall, the Alpiq Ltd. Group's operations performed better than expected during the financial year just ended, generating operating EBITDA of CHF 328 million (down 41.1%) and EBIT of CHF 163 million (down 51.6%) on revenue of CHF 7.1 billion (down 11.3%). As predicted at the beginning of 2012, the results for 2012 are well below the year-earlier levels, because high-margin contracts expired at the end of 2011, and performance during 2012 was considerably affected by the restructuring programme.

As already announced by Alpiq Holding Ltd. in a press release issued in December 2012, changes in economic and political conditions, compounded by a more difficult market environment, once again triggered developments that gave rise to impairment charges, provisions and other exceptional items, which significantly weighed on the operating results. These included impairments related to the cancellation of a long-term power off-take contract in Romania following the counterparty's insolvency. In addition, unplanned impairment losses had to be recognised as the market price expectations for electricity were revised downwards, as well as in response to the changes in the market climate. Particularly affected were the power generation assets in Switzerland, which are held either directly or via the 20% participation in Alpiq Suisse Ltd. Additional exceptional impairment charges had to be recognised for the gas-fired combined cycle power stations in Hungary and Spain. Furthermore, medium to long-term market price forecasts meant that further impairment charges and provisions had to be recognised for long-term purchase and supply contracts. Total impairment charges and provisions had a negative impact of CHF 943 million on profit before tax. The compensation awarded in the arbitration proceedings won against Polish power generator PGE resulted in income of CHF 54 million which, as non-operating income, is carried in the "Impairment charges and exceptional items" column of the pro-forma statement on page 6. The balance of impairment charges and positive exceptional items was a net amount of negative CHF 880 million before income tax and negative CHF 830 million after income tax. After income tax expense, the Group posted a net loss of CHF 620 million for the year (2011: loss of CHF 329 million).

In order to disclose exceptional items transparently and show them separately, the consolidated income statement is presented below as a pro forma statement. The Financial Commentary of the Alpiq Ltd. Group that follows relates to operations, i.e. discusses performance before exceptional items.

Consolidated income statement for 2012

(pro forma statement before and after impairment charges)

CHF million	2011 [1] Results of operations	Impairment charges	2011 [1] After impairment charges	2012 Results of operations	Impairment charges	2012 After impairment charges
Net revenue	**8,036**		**8,036**	**7,129**		**7,129**
Own work capitalised	21		21	18		18
Other operating income	150		150	78	54	132
Total revenue and other income	**8,207**	**0**	**8,207**	**7,225**	**54**	**7,279**
Energy costs	−7,242	−62	−7,304	−6,586	−341	−6,927
Employee costs	−36		−36	−68		−68
Other operating expenses	−372	−36	−408	−243	−1	−244
Profit/(loss) before interest, tax, depreciation and amortisation (EBITDA)	**557**	**−98**	**459**	**328**	**−288**	**40**
Depreciation, amortisation and impairment	−220	−150	−370	−165	−251	−416
Profit/(loss) before interest and tax (EBIT)	**337**	**−248**	**89**	**163**	**−539**	**−376**
Share of profit/(loss) of associates	47	−620	−573	22	−342	−320
Net finance costs	−12		−12	−39	1	−38
Profit /(loss) before income tax	**372**	**−868**	**−496**	**146**	**−880**	**−734**
Income tax expense	−80	133	53	64	50	114
Group profit/(loss) for the year from continuing operations	**292**	**−735**	**−443**	**210**	**−830**	**−620**
Profit/(loss) for the year from discontinued operations	114		114			0
Group profit/(loss) for the year	**406**	**−735**	**−329**	**210**	**−830**	**−620**
Share of net profit attributable to non-controlling interests	5		5	5		5
Share of net profit accruing to owners of Alpiq Ltd.	401	−735	−334	205	−830	−625

1 Figures restated retrospectively due to reclassification of "share of profit/(loss) of associates".

The following Financial Commentary by the Alpiq Ltd. Group and its business divisions is confined to an analysis of operating performance, i.e. it discusses the results of operations excluding the aforementioned exceptional items and impairment charges. On page 10 onwards, the consolidated financial statements for 2012 are presented in accordance with IFRS accounting standards, including exceptional items and impairment charges.

Alpiq Ltd. Group results of operations (excluding exceptional items)

During 2012, the energy sector once again faced a challenging environment undermined by uncertainty. In the meantime, there are clear signs that the profound changes in the European energy landscape are here to stay, so energy service providers will be confronted with further obstacles. Medium to long-term market price expectations reflect the massive expansion of state-subsidised renewable energy, bringing about a corresponding change in the supply profiles in the electricity market. Furthermore, the leading European markets still had a considerable surplus of generation capacity, and did not seen any noticeable effects of some German nuclear power facilities being taken out of operation.

Alpiq responded to these changes by systematically simplifying its business model. While the power generation units focused on optimising operations and costs, the Optimisation & Trading business division concentrated on marketing the output of the power generation portfolio across regions. At the same time, the first restructuring measures were implemented, with structures and systems being streamlined and targeted efforts made to realise synergies. Against this background, the initiatives taken by Alpiq Holding Ltd. in the fourth quarter of 2012 to reinforce the restructuring and the programme to reduce costs are proceeding according to plan.

In parallel, the Alpiq Holding Ltd. Group made significant moves during the reporting period to concentrate the Group on profitable operations and to reduce debt. The disposals of the interests in Edipower and A2A, as well as the reduction in the holding in Nant de Drance, generated proceeds of CHF 285 million for the Alpiq Ltd. Group in the reporting period. The disposal of the interest in Ticino-based energy supply company Società Elettrica Sopracenerina SA (SES) is now at an advanced stage.

After a delay, the extra-high voltage transmission systems were transferred to Swissgrid at the beginning of 2013, resulting in a cash inflow of CHF 118 million in January 2013. The disposal of the stake in Repower AG and the partial sale of the interest in Romande Energie Holding SA will be completed during the first half of 2013.

Amid a difficult environment, the Group delivered satisfactory operating results that topped its own expectations as a whole. This positive performance is due especially to optimum positioning and the successful marketing of assets in short-term electricity trading across Europe. Profit from ancillary services also grew encouragingly. These achievements were driven by constant availability and the cost-effectiveness of the fleet of Swiss and international power stations, also boosted in particular by the excellent hydroelectric generation conditions in Switzerland. Added to that, the impairment charges recognised in 2011 led to lower write-downs.

Compared with the previous year, Alpiq's operating performance was significantly impacted by the expiry of a high-margin, long-term contract. Results were also weighed down by the prolonged overhaul and maintenance work at the hydroelectric and thermal generation facilities in Switzerland. Particularly adverse factors were the delay in bringing the Leibstadt nuclear power station back online after the annual overhaul, together with the higher purchase costs related to the increased expenses for future waste disposal and decommissioning of the Gösgen and Leibstadt nuclear facilities. The situation was exacerbated by the unexpected termination of the long-term power off-take contract with state-controlled Romanian energy company Hidroelectrica, which was declared insolvent in the third quarter of 2012. Alpiq's international trading was negatively impacted by the reduced opportunities to export electricity to the Balkans in the wake of further government intervention.

Overall, the Alpiq Group's consolidated revenue declined to CHF 7.1 billion, down 11.3% from the previous year. Operating EBITDA came in at CHF 328 million (down 41.1%), and EBIT at CHF 163 million (down 51.6%).

One of the key factors behind the CHF 27 million year-on-year increase in financial costs was the lower result from the valuation of foreign currency hedging transactions, and of financial investments. The income tax expense item shows tax income of CHF 64 million for the reporting period (2011: tax expense of CHF 80 million). This change is mainly due to income tax on operating profits for the current period being offset against deferred tax liabilities available.

On the bottom line, Group net profit for the year, including non-controlling interests, came in at CHF 210 million compared to CHF 406 million a year earlier.

Outlook

The Alpiq Ltd. Group expects the underlying conditions in 2013 to remain very challenging, with the energy industry continuing to face radical changes in its operating environment. The existing surplus capacities are unlikely to be reduced significantly in the medium term, compounded at the same time by a tendency towards lower demand for electricity. The trend to shift the European power generation portfolio away from large and flexible power generation facilities will go on. Regulatory constraints will become even more pervasive in the future as expansion into state-subsidised renewable energy is driven forward unrelentingly. As a result, the difference between peak and off-peak prices will narrow and the profitability of gas-fired power stations will be further eroded. Moreover, the Swiss franc is not expected to weaken significantly in the medium to long term.

2013 has so far been in line with management's expectations. The Alpiq Ltd. Group anticipates that the operating results for the current financial year will be down on 2012 due to the tougher environment in the energy sector, coupled with the lower price level resulting from hedges entered into in 2011/2012 and the loss of profit contributions from businesses disposed of. The measures put in place to reduce costs in 2013 and the impairment charges recognised in 2012 can only partially compensate for the shortfalls. Alongside the challenges in the operating business, activities in 2013 will also focus on implementing the Alpiq Holding Ltd. programme of organisational realignment and process streamlining.

Consolidated Financial Statements of the Alpiq Ltd. Group

Consolidated Income Statement

CHF million	2011 [1]	2012
Net revenue	**8,036**	**7,129**
Own work capitalised	21	18
Other operating income	150	132
Total revenue and other income	**8,207**	**7,279**
Energy costs	– 7,304	– 6,927
Employee costs	– 36	– 68
thereof wages and salaries	– 30	– 51
thereof pension costs and other employee costs	– 6	– 17
Other operating expenses	– 408	– 244
Profit/(loss) before interest, tax, depreciation and amortisation (EBITDA)	**459**	**40**
Depreciation, amortisation and impairment	– 370	– 416
Profit/(loss) before interest and tax (EBIT)	**89**	**– 376**
Share of results of joint ventures and other associates	– 573	– 320
Interest expense	– 44	– 39
Interest income	7	9
Other net finance income	25	– 8
Profit/(loss) before income tax	**– 496**	**– 734**
Income tax expense	53	114
Group profit/(loss) for the year from continuing operations	**– 443**	**– 620**
Profit/(loss) for the year from discontinued operations	114	
Group profit/(loss) for the year	**– 329**	**– 620**
Share of net profit attributable to non-controlling interests	5	5
Share of net profit accruing to owners of Alpiq Ltd.	– 334	– 625

1 Prior year comparatives restated retrospectively. See explanatory notes on page 36.

Consolidated Statement of Comprehensive Income

CHF million	2011	2012
Group profit/(loss) for the year	**–329**	**–620**
Cash flow hedges taken to equity	–18	–12
Income tax expense	6	
Net of income tax	–12	–12
IAS 39 effects of share of changes in equity of associates	–13	–14
Income tax expense	2	3
Net of income tax	–11	–11
Exchange differences on translation of foreign operations [1]	96	–1
Other comprehensive income/(expense) for the year, net of income tax	**73**	**–24**
Total comprehensive income/(expense) for the year	**–256**	**–644**
Attributable to non-controlling interests	5	5
Attributable to owners of Alpiq Ltd.	–261	–649

1 2011: See page 17 for information about the effects of recycling included in this item.

Consolidated Statement of Financial Position

Assets

CHF million	31 Dec 2011	31 Dec 2012
Property, plant and equipment	2,398	2,036
thereof land and buildings	84	72
thereof power generation asssets	1,797	1,690
thereof transmission assets	380	194
thereof other plant and equipment	80	47
thereof assets under construction	57	33
Intangible assets	344	279
thereof goodwill	299	242
thereof energy purchase rights	22	
thereof other intangible assets	23	37
Investments in joint ventures and other associates	1,655	957
Other non-current financial assets	22	23
thereof loans receivable	7	5
thereof financial investments	15	18
Deferred income tax assets	1	1
Retirement benefit assets	3	
Non-current assets	**4,423**	**3,296**
Inventories	14	7
Trade and other receivables	844	730
thereof trade receivables	781	662
thereof other receivables	63	68
Term deposits	313	63
Cash and cash equivalents	386	818
Derivative financial instruments	488	531
Prepayments and accrued income	51	42
Current assets	**2,096**	**2,191**
Assets classified as held for sale	**742**	**973**
Total assets	**7,261**	**6,460**

Equity and liabilities

CHF million	31 Dec 2011	31 Dec 2012
Share capital	304	304
Share premium	14	14
Retained earnings	3,696	3,290
Equity attributable to owners of Alpiq Ltd.	**4,014**	**3,608**
Non-controlling interests	67	69
Total equity	**4,081**	**3,677**
Provisions	62	344
thereof provisions for loss-making contracts	37	335
thereof provisions for decommissioning own power stations	4	4
thereof other provisions	21	5
Deferred income tax liabilities	493	348
Retirement benefit obligations		4
Long-term borrowings [1]	608	647
Other non-current liabilities	20	9
Non-current liabilities	**1,183**	**1,352**
Current income tax liabilities	25	5
Short-term borrowings	380	60
Other current liabilities	527	486
thereof trade payables	516	435
thereof other payables	11	51
Derivative financial instruments	457	500
Accruals and deferred income	233	211
Current liabilities	**1,622**	**1,262**
Total liabilities	**2,805**	**2,614**
Liabilities held for sale	**375**	**169**
Total equity and liabilities	**7,261**	**6,460**

1 For more details, see page 17 and 18.

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 Ltd.	Non-controlling interests	Total equity
Equity at 31 December 2010	**304**	**14**	**2**	**–119**	**4,074**	**4,275**	**65**	**4,340**
Loss for the period			11	–73	–272	–334	5	–329
Other comprehensive income/(expense)			–23	96		73		73
Total comprehensive income/(expense)			**–12**	**23**	**–272**	**–261**	**5**	**–256**
Dividends							–3	–3
Equity at 31 December 2011	**304**	**14**	**–10**	**–96**	**3,802**	**4,014**	**67**	**4,081**
Loss for the period					–625	–625	5	–620
Other income and expense booked to equity			–23	–1		–24		–24
Total comprehensive income/(expense)			**–23**	**–1**	**–625**	**–649**	**5**	**–644**
Effects of common control business combinations [1]					243	243		243
Dividends							–3	–3
Equity at 31 December 2012	**304**	**14**	**–33**	**–97**	**3,420**	**3,608**	**69**	**3,677**

1 See explanatory notes on page 27.

Alpiq Ltd. did not pay any dividend for the 2010 and 2011 financial years.

Consolidated Statement of Cash Flows

CHF million	2011	2012
Profit before interest and tax (EBIT)	**89**	**– 376**
Depreciation, amortisation and impairment	370	416
Dividends from financial investments and associates	139	26
Changes in working capital (excl. current financial assets/liabilities)	– 75	38
Other adjustments to reconcile to net cash flows from operating activities (interest, taxes, etc.)	– 148	155
Net cash flows (used in)/from operating activities	**375**	**259**
Property, plant and equipment and intangible assets	– 137	– 82
Subsidiaries		
Acquisitions, net of cash aquired		
Common control business combinations [1]		402
Proceeds from disposal	7	
Associates		
Acquisitions		
Proceeds from disposal		277
Other non-current financial assets		
Purchases	– 3	
Proceeds from sale/repayments	15	8
Change in term deposits	– 194	217
Purchases/proceeds from sale of current asset investments		8
Net cash flows (used in)/from investing activities	**– 312**	**830**
Dividends paid	– 3	– 3
Proceeds from borrowings	1,938	20
Repayment of borrowings	– 2,810	– 657
Net cash flows (used in)/from financing activities	**– 875**	**– 640**
Effect of exchange rate changes	**– 1**	**– 1**
Change in cash and cash equivalents	**– 813**	**448**
Analysis:		
Cash and cash equivalents at 1 January	1,204	391
Cash and cash equivalents at 31 December	391	839
Change	**– 813**	**448**

1 See explanatory notes on page 27.

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

The balance of CHF 839 million in cash and cash equivalents at 31 December 2012 (2011: CHF 391 million) in the consolidated statement of cash flows also includes CHF 21 million (CHF 5 million) in cash and cash equivalents attributable to operations held for sale.

Notes to the Consolidated Financial Statements

Restructuring and impairment charges

As explained in the introduction to the Financial Commentary on page 5, changes in economic and political conditions, compounded by the more difficult market environment, meant that, as in the previous year, results for 2012 were influenced significantly by unplanned impairment charges. These impairments were related to the cancellation of a long-term power off-take contract in Romania following the counterparty's insolvency. In addition, unplanned impairment losses had to be recognised as the market price expectations for electricity were revised downwards. Particularly affected were the power generation assets in Switzerland, which are held directly or via the 20% participation in Alpiq Suisse Ltd., as well as gas-fired combined cycle power stations in Spain and Hungary. Furthermore, the market price forecasts meant that a provisions had to be recognised for long-term purchase and supply contracts.

2012: Allocation of impairment losses and provisions

CHF million	Property, plant and equipment	Intangible assets	Goodwill	Associates	Total
Power Generation Switzerland	53			354	407
Power Generation Spain	98	3			101
Power Generation Hungary	3		32		35
Sales Romania		21	22		43
Sales Spain			2		2
Other impairment charges	17				17
Total impairment of assets	**171**	**24**	**56**	**354**	**605**
Provision for loss-making contracts					334
Other provisions and liabilities					4
Total impairment charges and provisions					**943**

2011: Allocation of impairment charges and provisions

CHF million	Property, plant and equipment	Intangible assets	Associates	Current assets	Total
Power Generation Switzerland	80				80
Power Generation Italy			435		435
Other impairment charges	65	5	185	25	280
Total impairment of assets	**145**	**5**	**620**	**25**	**795**
Provision for loss-making contracts					33
Suspended projects and other provisions					40
Total restructuring and impairment charges					**868**

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 equity and were recycled to the income statement.

In 2011, there were no significant cash out expenses in connection with the restructuring programme.

Long-term borrowings

CHF million	31 Dec 2011	31 Dec 2012
Bonds at amortised cost	130	130
Loans payable	478	517
Total	**608**	**647**

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
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.

The market value of the fixed rate bond outstanding at the reporting date was CHF 137 million (2011: CHF 137 million). The interest rate on the bond issue at the reporting date, relative to face value, was 2.25 % (2011: 2.25 %).

Loans payable

CHF million	31 Dec 2011	31 Dec 2012
Maturing between 1 and 5 years	429	492
Maturing in more than 5 years	49	25
Total	**478**	**517**

The market value of loans payable was CHF 517 million at the reporting date (2011: CHF 478 million). The weighted interest rate on loans payable at the reporting date, relative to nominal value, was 3.88 % (3.45 %). Loans of CHF 59 million maturing within 360 days are recorded as short-term borrowings at the reporting date on 31 December 2012 (31 December 2011: CHF 380 million).

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, the Alpiq Ltd. Group is receiving Swissgrid shares and a loan receivable of more than CHF 200 million, which will be paid off in stages. An initial tranche of CHF 118 million was repaid in January 2013.

Group Accounting Policies

Significant accounting policies

Basis of preparation of the consolidated financial statements

The consolidated financial statements of the Alpiq Ltd. Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations (IFRIC) issued by the International Accounting Standards Board (IASB). They give a true and fair view of the financial position, results of operations and cash flows of the Alpiq Ltd. 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 notes provide selected explanatory information. The consolidated financial statements were authorised for issue by the Board of Directors of the Alpiq Ltd. Group on 14 May 2013.

Adoption of new and revised accounting standards

The Alpiq Ltd. 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 Ltd. 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 Ltd. Group's consolidated revenue for 2013 is expected to rise by approximately CHF 14 million. EBITDA will grow by about CHF 12 million.

Amendments to IAS 19 "Employee Benefits" were issued in June 2011. The impact of the revised standard on the Alpiq Ltd. 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 33 million (2011: CHF 47 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 75 million in retirement benefit obligations and a decrease of CHF 58 million in equity (net of deferred income tax). Based on the figures for 2012, employee costs would not increase significantly. 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 Ltd. Group will apply the revised standard in 2013 retrospectively from 1 January 2012.

Basis of consolidation

The consolidated financial statements of the Alpiq Ltd. Group comprise the consolidated financial statements of Alpiq 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 Ltd. Group (generally accompanying a shareholding of more than 50 % of the voting rights). These entities are consolidated from the date of acquisition. Entities are deconsolidated 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 Ltd. 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.

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 38 to 39 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 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).

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.

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 Ltd. 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 Ltd. 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.

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.

Common control business combinations

A common control business combination is a combination in which all of the business that are to be combined are ultimately controlled by the same party, both before and after the business combination, where this control is not temporary in nature.

In the case of combinations of businesses under common control, the Alpiq Ltd. Group applies the pooling of interests method. The combinations are recognised as of the key date of the transaction in question, without any adjustment made to prior-year figures. The application of the pooling of interests method results in the difference between the payment transferred and the net assets received being booked directly to equity. The Alpiq Ltd. Group reports these equity effects as "Effects of common control business combinations". The inflows of funds resulting from such transactions are stated as a separate item under income from investment activities.

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.

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.

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.

Investments in associates and joint ventures

An associate is an entity over which the Alpiq Ltd. 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 Ltd. 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

In total, the Group's leases are currently immaterial.

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.

Consolidated Group companies in Switzerland 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 are generally covered by state social security schemes or separate defined contribution pension plans in accordance with national practices.

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.

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.

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 3.2 billion at 31 December 2012 (2011: CHF 4.4 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 for contract risks and losses

At 31 December 2012, the carrying amount of non-current and current provisions for contract risks and losses was CHF 420 million (of which CHF 335 million were non-current and CHF 85 million were current; 2011: CHF 37 million and CHF 91 million respectively). Current provisions are included in accruals and deferred income. 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.

Financial risk management

For full information on financial risk management, please refer to the Annual Report 2012 (pages 79 ff.) of Alpiq Holding Ltd.

Changes in the presentation of the financial statement

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 317 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 573 million in EBITDA and EBIT on the basis of IFRS reporting. The consolidated statement of cash flows has been revised accordingly. This change in presentation has had no impact on the net results and the Group's overall result for the year or on the presentation of the consolidated statement of financial position.

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 3 million were included in prepayments and accrued income. 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 and current assets.

Newly consolidated companies

Newly consolidated companies in the 2012 financial year

	Place of incorporation	Currency	Issued capital in millions	Direct ownership interest in %
Alpiq Eurotrade S.à r.l. [1]	Luxembourg/LU	EUR	1.48	100.0
ANALP Gestion S.A.U.	Barcelona/ES	EUR	55.00	100.0
Alpiq Swisstrade Ltd.	Olten/CH	CHF	5.00	100.0

1 Liquidated during the 2012 financial year

Alpiq Trading Ltd., a subsidiary of Alpiq Holding Ltd., was merged with Alpiq Ltd. during the 2012 financial year. The merger with Alpiq Trading Ltd. resulted in its subsidiaries, Alpiq Eurotrade S.à.r.l. and Alpiq Swisstrade AG being transferred to the Alpiq Ltd. Group. Furthermore, ANALP Gestion S.A.U., also a subsidiary controlled by Alpiq Holding Ltd., was merged with Alpiq Energia España S.A.U. These transactions are classified as common control business combinations (notes, see page 27).

Subsidiaries and Investments at 31 December 2012

Sales, supply, power generation and services

	Place of incorporation	Licence expiry	Currency	Issued capital in millions	Direct ownership interest in % (voting rights)	Consoli-dation method	Busi-ness activ-ity	Reporting date
Alpiq Ltd.	Olten/CH		CHF	303.60	100.0	F	SU	31 Dec
Aare-Tessin Ltd. for Electricity	Olten/CH		CHF	0.05	100.0	F	S	31 Dec
Aarewerke AG	Klingnau/CH	2015	CHF	16.80	10.1	E	G	30 Jun
AEK Energie AG	Solothurn/CH		CHF	6.00	38.7	E	SU	31 Dec
Alpiq Csepel Kft.	Budapest/HU		HUF	4,930.10	100.0	F	G	31 Dec
Alpiq Csepeli Erömü 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 Energía España S.A.U. [1]	Barcelona/ES		EUR	17.50	100.0	F	SU	31 Dec
Alpiq Hydro Aare AG	Boningen/CH		CHF	53.00	100.0	F	G	31 Dec
Alpiq Hydro Ticino SA	Airolo/CH		CHF	3.00	100.0	F	G	31 Dec
Alpiq RomIndustries S.R.L.	Bucharest/RO		RON	4.61	100.0	F	SU	31 Dec
Alpiq Suisse Ltd.	Lausanne/CH		CHF	145.00	20.0	E	SU	31 Dec
Alpiq Swisstrade Ltd. In liquidation	Olten/CH		CHF	5.00	100.0	F	S	31 Dec
Alpiq Versorgungs AG (AVAG)	Olten/CH		CHF	50.00	96.7	F	SU	31 Dec
Aare Energie AG (a.en)	Olten/CH		CHF	2.00	50.0	E	S	31 Dec
Blenio Kraftwerke AG	Blenio/CH	2042	CHF	60.00	17.0	E	G	30 Sep
Csepel III Erömü Kft.	Budapest/HU		HUF	754.86	100.0	F	G	31 Dec
Electra-Massa AG	Naters/CH	2048	CHF	20.00	11.5	E	G	31 Dec
Electricité d'Emosson SA	Martigny/CH		CHF	140.00	50.0	F	G	31 Dec
Energie Biberist AG	Biberist/CH		CHF	5.00	25.0	E	G	31 Dec
Energie Electrique du Simplon SA (E.E.S)	Simplon/CH		CHF	8.00	1.9	C	G	31 Dec
Engadiner Kraftwerke AG	Zernez/CH	2050/2074	CHF	140.00	22.0	E	G	30 Sep
Kernkraftwerk Gösgen-Däniken AG	Däniken/CH		CHF	350.00 [2]	40.0	E	G	31 Dec
Kernkraftwerk Leibstadt AG	Leibstadt/CH		CHF	450.00	27.4	E	G	31 Dec
Kraftwerk Ryburg-Schwörstadt AG	Rheinfelden/CH	2070	CHF	30.00	13.5	E	G	30 Sep
Kraftwerke Gougra AG	Sierre/CH	2039/2084	CHF	50.00	54.0	E	G	30 Sep
Kraftwerke Hinterrhein AG	Thusis/CH	2042	CHF	100.00	9.3	E	G	30 Sep
Kraftwerke Zervreila AG	Vals/CH	2037	CHF	50.00	21.6	E	G	31 Dec
Maggia Kraftwerke AG	Locarno/CH	2035/2048	CHF	100.00	12.5	E	G	30 Sep
Kraftwerk Aegina AG	Obergoms/CH		CHF	12.00	50.0	E	G	30 Sep
Monthel Ltd.	Monthey/CH		CHF	15.00	100.0	F	G	31 Dec
Nant de Drance SA	Finhaut/CH		CHF	150.00	39.0	E	G	31 Dec
Repower AG [3]	Brusio/CH		CHF	3.41	24.6	E	G	31 Dec
Romande Energie Commerce SA	Morges/CH		CHF	15.00	11.8	E	S	31 Dec
Romande Energie Holding SA [3]	Morges/CH		CHF	28.50	10.0	E	S	31 Dec
Società Elettrica Sopracenerina SA [3]	Locarno/CH		CHF	16.50	60.9	F	SU	31 Dec
Calore SA [3]	Locarno/CH		CHF	2.00	50.0	E	G	31 Dec
SAP SA [3]	Locarno/CH		CHF	2.06	99.4	F	S	31 Dec

1 Merged with ANALP Gestion S.A.U.
2 Of which CHF 290 million paid in.
3 Part of the disposal group reclassified at the reporting date

Grid

	Place of incorporation	Currency	Issued capital in millions	Direct ownership interest in % (voting rights)	Consoli-dation method	Busi-ness activ-ity	Reporting date
Alpiq Grid Ltd. Gösgen [1]	Niedergösgen/CH	CHF	130.00	100.0	F	S	31 Dec
ETRANS Ltd	Laufenburg/CH	CHF	7.50	18.8	E	S	31 Dec
swissgrid ltd	Laufenburg/CH	CHF	15.00	18.9	E	S	31 Dec

1 Transferred to Swissgrid Ltd effective January 2013, in accordance with the Federal Electricity Supply Act and Ordinance. Part of the disposal group reclassified at the reporting date.

Other companies

Holding and finance companies

	Place of incorporation	Currency	Issued capital in millions	Direct ownership interest in % (voting rights)	Consoli-dation method	Busi-ness activ-ity	Reporting date
Alpiq Re (Guernsey) Ltd.	Guernsey/GB	EUR	3.00	100.0	F	S	31 Dec

Financial investments

	Place of incorporation	Currency	Issued capital in millions	Direct ownership interest in % (voting rights)	Consoli-dation method	Busi-ness activ-ity	Reporting date
Powernext SA	Paris/FR	EUR	11.74	5.0	C	S	31 Dec

Business activity

SU Sales and supply
G Generation
S Services

Consolidation method

F Fully consolidated
E Equity accounted
FV Fair value
C Cost method

Report of the Group Auditors

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To the Management of

Alpiq Ltd Group, Olten

Zurich, 14 May 2013

Report of the independent auditor on the financial information prepared on subconsolidation level of the Alpiq Ltd. Group

As independent auditor and in accordance with your instructions, we have audited the financial information prepared on subconsolidation level of the Alpiq Ltd. Group, which comprise income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows and notes ("specified forms" - pages 10 - 39) as of 31 December 2012. These specified forms have been prepared solely for the purpose to enable Alpiq Ltd. Group to present its financial results on subconsolidation level.

Board of Directors' responsibility
The Board of Directors is responsible for the preparation and presentation of the specified forms in accordance with the requirements of Alpiq's Financial Accounting Manual (significant accounting policies are summarized on page 19 - 36), which is designed to comply with International Financial Reporting Standards ("IFRS"). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of the specified forms 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 specified forms based on our audit. We conducted our audit in accordance with the International Standards on Auditing ("ISA").Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the specified forms are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the specified forms. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the specified forms, 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 specified forms 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 specified forms. 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 accompanying specified forms for the Alpiq Ltd. Group as of 31 December 2012 have been prepared, in all material respects, in accordance with the Alpiq Group Accounting Manual, which is designed to comply with International Financial Reporting Standards ("IFRS").

Ernst & Young Ltd

Roger Müller Licensed audit expert (Auditor in charge)	Stephan Kloter Licensed audit expert

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