2020
Interim Report

ALPIQ

2020 Interim Key Financial Figures

Alpiq Group		Results of operations before exceptional items			Results under IFRS	
CHF million	Half-year 2020/1	Half-year 2019/1	% change	Half-year 2020/1	Half-year 2019/1	% change
Net revenue [1]	1,813	2,213	– 18.1	1,825	2,233	– 18.3
Earnings before interest, tax, depreciation and amortisation (EBITDA) [1]	116	55	> 100.0	– 5	118	> – 100.0
Depreciation, amortisation and impairment [1]	– 61	– 71	– 14.1	– 65	– 324	– 79.9
Earnings before interest and tax (EBIT) [1]	55	– 16	> 100.0	– 70	– 206	66.0
As % of net revenue	3.0	– 0.7		– 3.8	– 9.2	
Earnings after tax from continuing operations				– 84	– 179	53.1
As % of net revenue				– 4.6	– 8.0	
Earnings after tax from discontinued operations					– 27	100.0
Net income				– 84	– 206	59.2
As % of net revenue				– 4.6	– 9.2	

1 Only continuing operations

CHF million	30 Jun 2020	31 Dec 2019	% change
Total assets	7,090	7,369	– 3.8
Total equity	3,566	3,671	– 2.9
As % of total assets	50.3	49.8	

	2020	2019	% change
Own production in the first half-year (GWh) [1]	6,869	7,829	– 12.3
Number of employees at the reporting date (30 June / 31 Dec) [2]	1,292	1,226	5.4
Of which in Switzerland	714	676	5.6
Of which in surrounding European countries	578	550	5.1

1 Net share attributable to Alpiq from total power plant production (after deducting pumped energy), excluding long-term purchase contracts
2 Full-time equivalents

The financial summary 2015 – 2020 is shown on page 40 of the Interim Report.

Interim Report 2020

Foreword

Jens Alder
Chairman and
Delegate of the Board of Directors

Dear reader,

Alpiq has successfully weathered the challenging first half of 2020. Our operating and financial results are solid, we have a stable shareholder structure and are well placed for a low-emission, digital energy future. In this new energy world, Alpiq wants to use its role as a European electricity producer and energy service provider to make a reliable contribution to a better climate and a greater security of supply.

Coronavirus has the world firmly in its grip

The omnipresent topic of the past few months was the COVID-19 pandemic. The coronavirus crisis has had a serious effect on politics, the economy and society and is by no means over yet. Our company has also been affected. So far we have successfully managed to deal with this extraordinary situation. The Alpiq business model has proved to be robust. Happily, business activities continued without any notable restrictions at all times, in all divisions and in all countries, even under difficult conditions. Moreover, Alpiq was well protected against the extremely low electricity prices, especially in April and May, thanks to its hedging of power production. The development of the decommissioning and waste disposal funds made a noticeable mark on net earnings. However, Alpiq was able to leverage opportunities on the international energy markets for itself and its customers. To some extent, this made up for the lower demand in the international customer business.

Alpiq business continuity management proves its worth

The COVID-19 pandemic has shown us how important it is to be well prepared for crises: Our company has an established, company-wide business continuity management system with clearly defined processes. This proved to be invaluable in the crisis. From day one, Alpiq systematically aligned its measures to two overarching objectives: First, to protect the health of its employees and their family members. Second, to limit the risk of infection among employees, in order to ensure Alpiq's operating business at all times and thus also render our services for our customers in a challenging situation.

Tried-and-tested and new ways of working together have turned out well

At Alpiq, new and efficient ways of working together, such as working from home, were established quickly, at the same time heralding a cultural change in our company in line with the digital spirit of the time. At the same time, the colleagues in our power plants, in the control centres and on the trading floors demonstrated exceptional commitment under the difficult conditions created by the additional protective measures. Alpiq's crisis team, which has been monitoring the situation non-stop since February and been involved in all measures taken, continues to analyse the situation in a core team – this also keeps us prepared in case there is another wave of stronger restrictions on public life with an impact on our business activities.

Squeeze-out merger complete

The 12th Annual General Meeting of Alpiq Holding Ltd. took place against the backdrop of the applicable coronavirus regulations and was held in Lausanne on 24 June 2020 without any of the shareholders being physically present. The Annual General Meeting accepted all proposals by the Board of Directors, elected Aline Isoz as a new member of the Board of Directors and also approved the squeeze-out merger. The merger has now been completed and our "new" Alpiq Holding Ltd. has been entered in the Swiss commercial register. At the beginning of July, the minority shareholders of Alpiq Holding Ltd. received CHF 70 for each share held in Alpiq Holding Ltd. before the merger.

Solid half-year operating result

Despite the coronavirus, Alpiq maintained its operating position in the first half of 2020 and generated net revenue of CHF 1.8 billion and EBITDA before exceptional items of CHF 116 million. All three business divisions made positive contributions to earnings.

Swiss power production benefits from hedged wholesale prices

As expected, the Generation Switzerland business division was up on the previous year and closed with EBITDA of CHF 37 million. The prices hedged in previous years had a positive impact on the Swiss power production result. At the Nant de Drance pumped storage power plant, in which Alpiq holds a stake of 39 %, the test phase of technical commissioning started in spring 2020. The 900 MW power plant will be gradually commissioned and will make its contribution to a better climate and security of supply from the end of 2021. Alpiq manages around one third of Switzerland's total hydropower production.

International power production working successfully

The Generation International business division closed the first half of the year with EBITDA of CHF 24 million, which was down on the previous year, as expected. In the previous-year period, the contributions of the Czech coal-fired power plants Kladno and Zlín had still counted here. These were divested with a view to lower-emission power production. In addition, the new renewable energies, comprising onshore wind power plants and small-scale hydropower plants as well as photovoltaic systems, were successful overall.

International energy trading leverages market opportunities

The Digital & Commerce business division made the biggest contribution to the Alpiq Group's half-year results and closed with positive EBITDA of CHF 58 million. And this was even though the environment was negatively influenced by the COVID-19 pandemic, particularly in the key markets of France, Italy and Spain, where demand for energy in the (industrial and commercial) customer business collapsed dramatically at times. However, Alpiq was well positioned and successfully leveraged a number of opportunities in other markets.

Alpiq expands international customer business

In the first half of 2020, Alpiq continued to expand its international presence. The newly opened location in Finland has broadened our offering to the Nordic countries. Customers benefit from the additional expertise in tailor-made offerings, in particular when selling their electricity from new renewable energies. In France, Alpiq maintained its position as the third-largest energy provider for industrial and commercial customers – directly behind the two largest traditional French energy suppliers. Alpiq was also voted best supplier in the French electricity market for industrial customers for the fourth consecutive time in a customer survey. In Switzerland, Alpiq was engaged to manage the largest and most powerful battery storage and thus strengthened its leading position in asset management for customers.

Solid balance sheet thanks to a systematic financial strategy

Alpiq systematically implemented its financial strategy in the first half of the year and increased its net cash flows from operating activities of continuing operations to CHF 180 million. In addition to that, we further reduced net debt significantly to CHF 64 million and at the same time raised our liquidity to CHF 1.16 billion. The equity ratio stood at a solid 50.3 % at 30 June 2020.

Positive results of operations expected for the 2020 financial year

For 2020 as a whole, Alpiq expects positive results of operations before exceptional items to be up on the previous year. The main reason for this is the hedged electricity prices from previous years, which impact Swiss power production compared to the same period in the previous year and have a positive effect on earnings overall.

Focus on better climate and strengthening security of supply

In the coming years, Alpiq will continue to pursue a sustainable, financially sound and risk-adjusted energy business, in order to contribute to a better climate and a greater security of supply in Switzerland and our customers on the European markets by following a clear strategy.

The pillars of business activities are still Swiss power production, comprised of hydropower and nuclear energy, as well as international power production, comprised of RES plants (wind, photovoltaics and small-scale hydropower) and highly flexible gas-fired combined-cycle power plants in Europe. Alpiq's core business also covers power plant management and the sale of the electricity produced in its own plants and in third-party plants, direct marketing for business customers and international energy trading.

Alpiq is investing in expanding its energy trading and B2B direct marketing, in increasing the flexibility of its existing production plants as well as in commercialising the portfolios of renewable energies from third parties. Targeted investments in digitalising the core business also aim to improve competitiveness and efficiency.

Switzerland’s security of supply is at stake

Switzerland defined its objectives with the Energy Strategy 2050. These can only be achieved by hugely expanding renewable energies. The existing large-scale hydropower is decisive for success. As a central cornerstone of the security of supply, it has to be maintained and strengthened. Alpiq fully supports the Energy Strategy goals as one of Switzerland’s largest producers of climate-friendly and sustainable electricity from CO_2-free hydropower.

The reform of the Energy Act (EnA) is currently defining key framework conditions that are extremely important for achieving the Energy Strategy 2050 targets and for energy companies. Alpiq welcomes the proposed change from the current recommended values for increasing power production from renewable energies for 2035 into binding targets as well as the creation of equally binding targets for 2050.

However, the current framework conditions mean that it is hardly possible to achieve these binding targets from an economic perspective, particularly with regard to the large-scale hydropower. As commented in the statement submitted to the Swiss Federal Office of Energy (BFE) in June, Alpiq considers it necessary to make fundamental changes to the current preliminary draft of the EnA reform. The proposals were made both with a view to planning and investment security as well as strengthening the long-term security of supply in Switzerland.

New composition of Alpiq’s Executive Board

Collaboration within Alpiq’s Executive Board is shaped by professionalism, trust and collegiality. I am delighted that Michel Kolly from the Board of Directors was named as an ordinary member of the Executive Board of Alpiq and Head of the Digital & Commerce business division from 1 July 2020. He has been working in this function since February 2020 on an ad interim basis and will drive forward the further development of the international energy trading and our customer business as a proven expert.

After our CEO André Schnidrig was diagnosed with cancer at the beginning of the year and in consultation with the Board of Directors, I took over the role of

Delegate of the Board of Directors and therefore the operational management of Alpiq on an ad interim basis. I am still optimistic that André will get well. On behalf of the Executive Board, the Board of Directors and all employees, I sincerely wish André all the best for his recovery.

Many thanks to all employees

On behalf of Alpiq's Executive Board and Board of Directors, I would like to thank all of our employees for their flexibility, their extraordinary commitment and their dedication in these special times.

Esteemed readers, Alpiq is already part of the climate-friendly energy future in Europe thanks to its flexible power plant portfolio, its own power production from renewable energies and energy trading. I am confident that we will further enhance Alpiq as a key Swiss electricity producer and energy trader for the long term and therefore contribute to a better climate and a greater security of supply.

Jens Alder
Chairman and Delegate of the Board of Directors

21 August 2020

Financial Review

The Alpiq Group generated operational EBITDA of CHF 116 million in the first half of 2020. As announced, this is up on the previous year. Power production in Switzerland is above the previous year on account of the higher wholesale prices hedged in previous years. Power production in Europe made a positive contribution to earnings, although it did not reach the previous-year level. The Digital & Commerce business division closed with a positive result and up on the previous year.

On 24 June 2020, the Annual General Meeting of Alpiq Holding Ltd. approved the squeeze-out merger with Alpha 2020 Ltd. proposed by the Board of Directors. Alpiq Holding Ltd. was merged as the transferring company into Alpha 2020 Ltd. The absorption has no effect on Alpiq's relationships with customers, suppliers, partners or employees. Alpha 2020 Ltd., which was renamed Alpiq Holding Ltd., is wholly controlled by the anchor shareholders Schweizer Kraftwerksbeteiligungs-AG (SKBAG), the consortium of Swiss minority shareholders (KSM; consisting of Aziende Industriali di Lugano (AIL) SA, EBL (Genossenschaft Elektra Baselland), EBM (Genossenschaft Elektra Birseck), Eniwa Holding AG, the canton of Solothurn and WWZ AG) and EOS Holding SA (EOS). The merger has been entered into the Swiss commercial register and is complete. The change in the core shareholder structure, the delisting of the Alpiq share from the Swiss Exchange and the approved squeeze-out merger mark the completion of the transitional phase.

In connection with the sale of the Engineering Services business completed in 2018, Bouygues Construction has increased the amount it is demanding from Alpiq from CHF 205.1 million to a total of around CHF 319 million plus interest in the detailed request for arbitration proceedings filed on 20 January 2020. Alpiq filed its response and counterclaim on 14 July 2020. Alpiq continues to expressly refute Bouygues' demands and is still demanding the adjustment amount of CHF 12.9 million to the purchase price based on the transfer balance sheet. A ruling by the arbitration court is not expected until some point in 2022 at the earliest.

In order to allow transparent presentation and demarcation of the exceptional items, the consolidated income statement is presented as a pro forma statement. The following commentary on the financial performance of the Alpiq Group and its business divisions relates to an operational EBITDA view, in other words, to earnings development before exceptional items. The categories of exceptional items are described in detail in the "Alternative performance measures of Alpiq" section.

Alpiq Group: results of operations (before exceptional items)

The Alpiq Group generated net revenue before exceptional items of CHF 1.8 billion (down CHF 0.4 billion on the previous year), EBITDA of CHF 116 million (up CHF 61 million) and EBIT of CHF 55 million (up CHF 71 million).

Generation Switzerland business division

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

1st half-year 2020: Consolidated Income Statement (pro forma statement before and after exceptional items)

CHF million	Results of operations before exceptional items (Half-year 2020/1)	Exceptional items[1] (Half-year 2020/1)	Results under IFRS (Half-year 2020/1)	Results of operations before exceptional items (Half-year 2019/1)	Exceptional items[1] (Half-year 2019/1)	Results under IFRS (Half-year 2019/1)
Net revenue	**1,813**	**12**	**1,825**	**2,213**	**20**	**2,233**
Own work capitalised and change in costs incurred to fulfil a contract	3		3	2		2
Other operating income	9	1	10	5	2	7
Total revenue and other income	**1,825**	**13**	**1,838**	**2,220**	**22**	**2,242**
Energy and inventory costs	– 1,565	– 145	– 1,710	– 2,020	44	– 1,976
Employee costs	– 93	10	– 83	– 96		– 96
Other operating expenses	– 51	1	– 50	– 49	– 3	– 52
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**116**	**– 121**	**– 5**	**55**	**63**	**118**
Depreciation, amortisation and impairment	– 61	– 4	– 65	– 71	– 253	– 324
Earnings before interest and tax (EBIT)	**55**	**– 125**	**– 70**	**– 16**	**– 190**	**– 206**
Share of results of partner power plants and other associates			– 16			– 18
Finance costs			– 38			– 35
Finance income			3			12
Earnings before tax			**– 121**			**– 247**
Income tax expense			37			68
Earnings after tax from continuing operations			**– 84**			**– 179**
Earnings after tax from discontinued operations						– 27
Net income			**– 84**			**– 206**

1 For more information, please refer to pages 13 and 14

Alpiq is committed to CO2-free Swiss hydropower and is driving the large-scale Nant de Drance project (VS) further forward. Alpiq holds a stake of 39 % in Nant de Drance SA. After more than ten years of construction, the first wet tests began in spring 2020. The six 150 MW pump turbines will be gradually commissioned and the power plant will be fully operational from the end of 2021. The power plant is designed to produce power during peak consumption times and to compensate for irregular and fluctuating power production from new renewable energies. Furthermore, Alpiq regularly invests in retaining high safety standards and in the long-term operation of hydropower plants. This maintenance work enables a high level of availability. For instance, extensive maintenance was performed on the equalising reservoir and pressure shaft at Les Esserts (VS) in spring 2020. Alpiq is also involved in the area of zero-emission hydrogen mobility. Hydrospider Ltd, in which Alpiq holds a stake of 45 %, produces hydrogen from hydropower in its electrolysis plant at the areal of the Gösgen hydropower plant. The plant was commissioned in spring 2020.

At CHF 37 million, the EBITDA contribution of the Generation Switzerland business division is up year-on-year by CHF 93 million. As expected, the increased electricity prices on the wholesale markets are having a positive effect. The higher production volume compared to the previous year also has a positive influence on the half-year results 2020. Here, the area of hydropower benefits from higher hydraulic inflows, among other things.

Generation International business division

The Generation International business division comprises power production in onshore wind power plants, small-scale hydropower plants and industrial photovoltaic plants in Switzerland and Europe as well as the development of several wind farm projects. It also covers the production of electricity and heat in thermal power plants in Hungary, Italy and Spain. The power plant portfolio is made up of gas-fired combined-cycle power plants and quick-start gas-fired turbines. These flexible power plants, in addition to short-term power plant scheduling, are used by the respective grid operators to balance the grids. The power produced is sold on the European electricity trading market via the Digital & Commerce business division or via third parties.

Alpiq is investing in expanding CO_2-free power production and thus making a contribution to a successful energy transition. Together with the municipality of Rheinwald (GR), Alpiq started construction of the Hüscherabach small hydropower plant in spring 2020. The new power plant will replace the existing plant, which was built in the 1930s. The new power plant will increase energy production from 1.1 GWh to around 6.1 GWh per year, which corresponds to the average annual consumption of approximately 1,500 households. In collaboration with the municipalities of L'Abergement, Ballaigues and Lignerolle, Alpiq is planning the Bel Coster wind farm in the Jura-Nord Vaudois district close to the French border. The project involves the installation of nine wind turbines with an output of 3 to 4 MW each. The partial land utilisation plan was approved in autumn 2019. An appeal has been filed against this decision.

At CHF 24 million, the EBITDA contribution of the Generation International business division is down year-on-year by CHF 36 million. The previous-year comparison is affected by the lower result from renewable energies in Italy. For one thing, production volumes were lower on account of the less favourable wind conditions compared to the previous year, for another, the prices in the first half of the year were lower because of the COVID-19 situation in Italy. A further reason for the decrease in earnings is not having an EBITDA contribution from the Czech brown coal-fired power plants Kladno and Zlín, after they were divested in the second half of 2019. The divestment was a strategic decision by Alpiq looking towards an increasingly decarbonised, digitalised and decentralised energy world. In addition, the contribution to earnings from the Spanish gas-fired combined-cycle power plant Plana del Vent was down on the previous year, partly as a result of lower capacity payments.

Digital & Commerce business division

Going forward, the Digital & Commerce business division will concentrate more closely on its core competencies in international energy trading, risk management and marketing its own power plant capacities and capacities of third parties as well as the customer business. This will be accompanied by targeted investments in digitalisation and IT systems. The Asset Trading business unit sells its own power plant portfolio as well as the energy generated by third parties. The Merchant Trading unit is responsible for managing structured and longer-term risks, proprietary trading and gas trading. The Sales & Origination unit includes all customer businesses as well as their expansion, with a focus on B2B, demand response and renewable energies.

The decline in the global economy as a result of the COVID-19 pandemic influenced all prices. Compared to the previous year, spot prices for electricity are between 30 % and 40 % lower, which is attributable to the collapse in demand for electricity in the second quarter of the year and significantly lower fuel prices. It was not until the end of the second quarter that the extremely low availability of the French nuclear power plants helped prices in Western Europe recover. Medium and long-term forward prices have more or less recovered in the meantime and are now at a similar level to that seen before the pandemic. Gas prices have seen an even bigger drop of around 50 %. This serious drop in prices was not only caused by declining demand, but also the mild winter and very high storage levels. After the slump in March, prices for CO_2 emission certificates recovered considerably and at the end of the half-year almost reached the peaks seen in August 2019. The production cuts announced in

France for 2020 and 2021 provided a major boost to the imputed margins of the gas-fired power plants (clean spark spreads) and also had a slightly positive effect on the neighbouring countries.

In the first half of 2020, Alpiq strengthened its leading position in asset management for customers. On behalf of MW Storage Ltd, Alpiq will manage Switzerland's largest and most powerful battery and offer it on the market for ancillary services to stabilise the electricity grid. The battery, which has an output of 20 MW and capacity of 18 MWh, will go into operation in Brunnen (SZ) in the third quarter of 2020. The increasing share of fluctuating electricity feed-in from solar and wind power places higher requirements on grid balancing. Flexible capacities, which contribute to the supply security as an ancillary service, are therefore becoming increasingly important. Furthermore, Alpiq is investing in its origination business in the Nordic countries as part of its corporate strategy. As an active electricity producer and energy trader in Europe, Alpiq is expanding its customer business, both at the existing location in Oslo as well as at a new location close to Helsinki with a new team. Customers in Northern and Northeastern Europe benefit from the additional expertise in tailored offerings, market access and selling electricity from new renewable energies. In France, Alpiq was voted best supplier in the French electricity market for industrial customers for the fourth consecutive time in a survey in 2020.

At CHF 58 million, the EBITDA contribution of the Digital & Commerce business division is up year-on-year by CHF 5 million, in spite of the challenging market conditions caused by the COVID-19 crisis. The market opportunities were successfully leveraged in Merchant Trading. As expected, demand in the customer business declined, meaning that the previous-year results were not met in this area. The lower income from ancillary services in Italy and from optimising the hydropower and nuclear portfolio in Switzerland also negatively affected the previous-year comparison. By contrast, the optimisation measures in Spain exceeded the result from the previous-year period.

Alternative performance measures of Alpiq

To measure and present its operating performance, Alpiq also uses alternative performance measures through to the level of "Earnings before interest and tax (EBIT)". Alpiq makes adjustments to the IFRS results for exceptional items, which Alpiq does not consider part of the results of operations. These performance measures do not have a standardised definition in IFRS. This can therefore limit comparability with such measures as defined by other companies. These measures are presented in a pro forma statement in order to give investors a deeper understanding of how Alpiq's management measures the performance of the Group. However, they are no substitute for IFRS performance measures. In the balance sheet and cash flow statement, Alpiq does not use any alternative performance measures.

Alpiq has defined the following categories of exceptional items:

Fair value changes (accounting mismatch)

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

Development of decommissioning and waste disposal funds

The operating companies of Switzerland's nuclear power plants are required to make payments into the decommissioning fund and the waste disposal fund to ensure that decommissioning and waste disposal activities are funded. Investments in these funds are exposed to market fluctuations and changes in estimates, which cannot be influenced by Alpiq but which do influence electricity

Overview of exceptional items

CHF million	Fair value changes (accounting mismatch)		Development of decommissioning and waste disposal funds		Effects from business disposals		Impairment losses and onerous contracts		Restructuring costs and litigation		Total exceptional items	
	Half-year 2020/1	Half-year 2019/1	Half-year 2020/1	Half-year 2019/1	Half-year 2020/1	Half-year 2019/1	Half-year 2020/1	Half-year 2019/1	Half-year 2020/1	Half-year 2019/1	Half-year 2020/1	Half-year 2019/1
Net revenue	**8**	**25**	**4**	**–5**							**12**	**20**
Other operating income						2			1		1	2
Total revenue and other income	**8**	**25**	**4**	**–5**		**2**			**1**		**13**	**22**
Energy and inventory costs			–67	83			–77	–39	–1		–145	44
Employee costs									10		10	0
Other operating expenses									1	–3	1	–3
Earnings before interest, tax, depreciation and amortisation (EBITDA)	**8**	**25**	**–63**	**78**		**2**	**–77**	**–39**	**11**	**–3**	**–121**	**63**
Depreciation, amortisation and impairment							–4	–253			–4	–253
Earnings before interest and tax (EBIT)	**8**	**25**	**–63**	**78**		**2**	**–81**	**–292**	**11**	**–3**	**–125**	**–190**

procurement costs. The difference between the return actually generated by the funds and the return budgeted by the nuclear power plants of 2.75 % is classified and recorded as an exceptional item.

Effects from business disposals

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

Impairment losses and onerous contracts

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

Restructuring costs and litigation

Under restructuring costs, Alpiq includes expenses incurred for creating new structures in existing areas, company disposals as well as business closures. These expenses do not reflect the operating performance as they are incurred when the measures are implemented and therefore before any benefit is generated. Costs in connection with litigation, which comprise legal and litigation costs as well as any payments in connection with legal cases, are classified as exceptional items if they appear to be one-off and limit comparability between various periods.

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

Total assets amounted to CHF 7.1 billion at the 30 June 2020 reporting date, compared to CHF 7.4 billion at the end of 2019. Non-current assets decreased by around CHF 140 million, which primarily relates to amortisation, depreciation and impairment losses as well as a term-related reclassification of a receivable to current assets. The reclassification reflects the fact that convertible loans of Swissgrid Ltd in this amount will be due for repayment within the next 12 months. Current assets are likewise around CHF 140 million lower than at year-end. This decrease chiefly stems from lower positive replacement values for derivative financial instruments, primarily caused by lower commodity prices and changed volatilities. The assets of Flexitricity Ltd. are still included under "Assets held for sale".

Equity stood at CHF 3.6 billion at 30 June 2020, and is roughly CHF 100 million lower than at the end of 2019, mainly due to net income. The positive effects from hedge accounting only partially compensated for the effects from remeasurements of defined benefit plans (IAS 19) and currency translation differences. The decrease in total assets caused the equity ratio to rise from 49.8 % to 50.3 %. Financial liabilities decreased by around CHF 80 million as a result of loan repayments. Net debt decreased further from CHF 206 million to CHF 64 million. Together with higher operational EBITDA, this resulted in a positive change in the gearing ratio from 1.9 at 31 December 2019 to 0.4 at 30 June 2020.

Non-current liabilities decreased by approximately CHF 80 million compared to 31 December 2019. The main reasons for this are term-related reclassifications of financial liabilities and other non-current liabilities as well as the decrease in deferred income tax liabilities. On the other hand, non-current provisions increased by roughly CHF 70 million, attributable for the most part to the onerous contract relating to the future procurement of energy from the Nant de Drance pumped storage power plant and an onerous contract outside Switzerland. Current liabilities decreased by around CHF 100 million. The main reasons for this are the repayment of loans, the term-related derecognition of a liability in connection with convertible loans of Swissgrid Ltd as well as the utilisation and reversal of current provisions.

Net cash flows from operating activities of continuing operations increased to CHF 180 million. This mainly relates to the reduction and realisation of trading items and the decrease in net working capital. Net cash flows from investing activities are characterised by expiring time deposits that were used to fund investments and also to further reduce net debt. Cash and cash equivalents (including cash and cash equivalents under the item "Assets held for sale") increased compared to 31 December 2019 by CHF 165 million to CHF 606 million.

Outlook

For 2020 as a whole, Alpiq expects positive results of operations before exceptional items to be up on the previous year. The main reason for this is the hedged electricity prices from previous years, which impact Swiss power production compared to the same period in the previous year and have a positive effect on earnings overall.

Consolidated Income Statement

CHF million	Note	Half-year 2020/1	Half-year 2019/1
Net revenue	3	**1,825**	**2,233**
Own work capitalised and change in costs incurred to fulfil a contract		3	2
Other operating income		10	7
Total revenue and other income		**1,838**	**2,242**
Energy and inventory costs		– 1,710	– 1,976
Employee costs		– 83	– 96
Other operating expenses		– 50	– 52
Earnings before interest, tax, depreciation and amortisation (EBITDA)		**– 5**	**118**
Depreciation, amortisation and impairment	4	– 65	– 324
Earnings before interest and tax (EBIT)		**– 70**	**– 206**
Share of results of partner power plants and other associates		– 16	– 18
Finance costs		– 38	– 35
Finance income		3	12
Earnings before tax		**– 121**	**– 247**
Income tax expense		37	68
Earnings after tax from continuing operations		**– 84**	**– 179**
Earnings after tax from discontinued operations	11		– 27
Net income		**– 84**	**– 206**
Attributable to non-controlling interests		2	1
Attributable to equity investors of Alpiq Holding Ltd.		– 86	– 207
Earnings per share from continuing operations in CHF, diluted and undiluted	5	– 3.59	– 7.00
Earnings per share from discontinued operations in CHF, diluted and undiluted	5	– 0.01	– 0.97
Earnings per share in CHF, diluted and undiluted	5	**– 3.60**	**– 7.97**

Consolidated Statement of Comprehensive Income

CHF million	Half-year 2020/1	Half-year 2019/1
Net income	**– 84**	**– 206**
Cash flow hedges (group companies)	8	17
Income tax expense	1	– 2
Net of income tax	9	15
Currency translation differences	– 15	– 9
Net of income tax	– 15	– 9
Items that may be reclassified subsequently to the income statement, net of tax	**– 6**	**6**
Remeasurements of defined benefit plans (group companies)	– 13	11
Income tax expense	2	– 2
Net of income tax	– 11	9
Remeasurements of defined benefit plans (partner power plants and other associates)	– 8	– 16
Income tax expense	3	3
Net of income tax	– 5	– 13
Items that will not be reclassified to the income statement, net of tax	**– 16**	**– 4**
Other comprehensive income	**– 22**	**2**
Total comprehensive income	**– 106**	**– 204**
Attributable to non-controlling interests	2	1
Attributable to equity investors of Alpiq Holding Ltd.	– 108	– 205
Of which, total comprehensive income from continuing operations	– 108	– 178
Of which, total comprehensive income from discontinued operations		– 27

Consolidated Balance Sheet

Assets

CHF million	Note	30 Jun 2020	31 Dec 2019
Property, plant and equipment		1,895	1,934
Intangible assets		97	102
Investments in partner power plants and other associates		2,290	2,333
Other non-current assets		58	107
Deferred income tax assets		92	99
Non-current assets		**4,432**	**4,575**
Inventories		29	61
Derivative financial instruments		409	536
Receivables		939	938
Prepayments and accrued income		110	140
Current term deposits		530	634
Securities		26	26
Cash and cash equivalents	8	605	440
Assets held for sale	10	10	19
Current assets		**2,658**	**2,794**
Total assets		**7,090**	**7,369**

Equity and liabilities

CHF million	Note	30 Jun 2020	31 Dec 2019
Share capital	1	0	279
Share premium	1	4,538	4,259
Hybrid capital		1,017	1,017
Retained earnings		– 2,064	– 1,956
Equity attributable to equity investors of Alpiq Holding Ltd.		**3,491**	**3,599**
Non-controlling interests		75	72
Total equity		**3,566**	**3,671**
Non-current provisions		495	423
Deferred income tax liabilities		368	426
Defined benefit liabilities		58	50
Non-current financial liabilities		1,129	1,175
Other non-current liabilities		82	134
Non-current liabilities		**2,132**	**2,208**
Current income tax liabilities		55	43
Current provisions		35	55
Current financial liabilities		97	132
Other current liabilities		530	562
Derivative financial instruments		423	432
Accruals and deferred income		250	258
Liabilities held for sale	10	2	8
Current liabilities		**1,392**	**1,490**
Total liabilities		**3,524**	**3,698**
Total equity and liabilities		**7,090**	**7,369**

Consolidated Statement of Changes in Equity

CHF million	Share capital	Share premium	Hybrid capital	Cash flow hedge reserves	Currency translation differences	Retained earnings	Attributable to equity investors of Alpiq Holding Ltd.	Non-controlling interests	Total equity
Equity at 1 January 2020	**278.7**	**4,259.2**	**1,016.5**	**15.6**	**– 742.9**	**– 1,228.6**	**3,598.5**	**72.5**	**3,671.0**
Net income for the period						– 85.5	**– 85.5**	2.0	**– 83.5**
Other comprehensive income				8.8	– 14.6	– 16.4	**– 22.2**	– 0.2	**– 22.4**
Total comprehensive income				**8.8**	**– 14.6**	**– 101.9**	**– 107.7**	**1.8**	**– 105.9**
Dividends								– 0.2	**– 0.2**
Change in non-controlling interests								0.9	**0.9**
Impact of the squeeze-out merger [1]	– 278.4	278.7					**0.3**		**0.3**
Equity at 30 June 2020	**0.3**	**4,537.9**	**1,016.5**	**24.4**	**– 757.5**	**– 1,330.5**	**3,491.1**	**75.0**	**3,566.1**

1 See note 1

CHF million	Share capital	Share premium	Hybrid capital	Cash flow hedge reserves	Currency translation differences	Retained earnings	Attributable to equity investors of Alpiq Holding Ltd.	Non-controlling interests	Total equity
Equity at 1 January 2019	**278.7**	**4,259.2**	**1,016.5**	**– 14.4**	**– 752.6**	**– 913.7**	**3,873.7**	**70.3**	**3,944.0**
Net income for the period						– 207.5	**– 207.5**	0.9	**– 206.6**
Other comprehensive income				15.1	– 8.3	– 4.2	**2.6**	– 0.1	**2.5**
Total comprehensive income				**15.1**	**– 8.3**	**– 211.7**	**– 204.9**	**0.8**	**– 204.1**
Dividends								– 0.2	**– 0.2**
Change in non-controlling interests								1.1	**1.1**
Equity at 30 June 2019	**278.7**	**4,259.2**	**1,016.5**	**0.7**	**– 760.9**	**– 1,125.4**	**3,668.8**	**72.0**	**3,740.8**

At the request of the Board of Directors, the Annual General Meeting on 24 June 2020 passed a resolution not to distribute a dividend for the 2019 financial year.

Consolidated Statement of Cash Flows

CHF million	Note	Half-year 2020/1	Half-year 2019/1
Earnings before tax from continuing operations		**– 121**	**– 247**
Adjustments for:			
Depreciation, amortisation and impairment		65	324
Gain on sale of non-current assets			– 2
Share of results of partner power plants and other associates		16	18
Financial result		35	23
Other non-cash income and expenses			– 1
Change in provisions (excl. interest)		64	23
Change in defined benefit liabilities and other non-current liabilities		– 5	1
Change in fair value of derivative financial instruments		126	7
Change in net working capital (excl. derivatives, current financial assets / liabilities and current provisions)		6	– 64
Other financial income and expenses		– 11	8
Income tax paid		5	– 10
Net cash flows from operating activities of continuing operations		**180**	**80**
Net cash flows from operating activities of discontinued operations	11	– 4	
Net cash flows from operating activities		**176**	**80**
Property, plant and equipment and intangible assets			
Investments		– 27	– 22
Subsidiaries			
Proceeds from disposals			16
Loans receivable and financial investments			
Investments		– 1	– 1
Change in current and non-current term deposits		114	35
Dividends from partner power plants, other associates and financial investments		20	20
Interest received		1	1
Net cash flows from investing activities of continuing operations		**107**	**49**
Net cash flows from investing activities of discontinued operations	11	– 13	– 1
Net cash flows from investing activities		**94**	**48**

CHF million	Note	Half-year 2020/1	Half-year 2019/1
Proceeds from financial liabilities		12	50
Repayment of financial liabilities		– 90	– 52
Change in non-controlling interests		1	1
Interest paid		– 17	– 14
Net cash flows from financing activities of continuing operations		**– 94**	**– 15**
Net cash flows from financing activities of discontinued operations			
Net cash flows from financing activities		**– 94**	**– 15**
Currency translation differences		**– 11**	**– 8**
Change in cash and cash equivalents		**165**	**105**
Reconciliation:			
Cash and cash equivalents at 1 January		441	634
Of which, cash and cash equivalents		440	634
Of which, cash and cash equivalents under assets held for sale	10	1	
Cash and cash equivalents at 30 June		606	739
Of which, cash and cash equivalents		605	708
Of which, cash and cash equivalents under assets held for sale	10	1	31
Change		**165**	**105**

Notes to the Interim Consolidated Financial Statements

1 Significant accounting policies

Basis of preparation of the interim consolidated financial statements

The interim consolidated financial statements at 30 June 2020 have been prepared in accordance with International Accounting Standard IAS 34 Interim Financial Reporting. With the exception of the changes listed below, they are presented on a basis consistent with the Alpiq Group's accounting policies set out in the Financial Report 2019 and should be read in conjunction with that report, as the interim consolidated financial statements are an update of information previously published. Unless stated otherwise, all figures in the interim consolidated financial statements are reported in millions of Swiss francs. Due to the necessary rounding, it is possible that subtotals or totals do not match the individual amounts. The Board of Directors of Alpiq Holding Ltd. approved the interim consolidated financial statements at 30 June 2020 on 21 August 2020.

Squeeze-out merger

On 24 June 2020, the Annual General Meeting of Alpiq Holding Ltd. approved the squeeze-out merger with Alpha 2020 Ltd. proposed by the Board of Directors. Following the approval resolution passed at the extraordinary General Meeting of Alpha 2020 Ltd. on the same day, Alpiq Holding Ltd. was merged as the transferring company into Alpha 2020 Ltd., which was renamed Alpiq Holding Ltd. on the same day. The merger became legally effective upon entry in the Swiss commercial register on 26 June 2020. The difference in share capital, which now stands at CHF 278,746, is reflected as an adjustment within equity in the interim consolidated financial statements for 2020. The shareholder structure breaks down as follows:

	Stakes in % at 30 Jun 2020
Schweizer Kraftwerksbeteiligungs-AG	37.12
EOS HOLDING SA	31.44
EBM (Genossenschaft Elektra Birseck)	13.66
EBL (Genossenschaft Elektra Baselland)	7.13
Canton of Solothurn	5.61
Aziende Industriali di Lugano (AIL) SA	2.13
Eniwa Holding AG	2.00
WWZ AG	0.91

Adoption of new and revised accounting standards

At 1 January 2020, the following amendments to the International Financial Reporting Standards (IFRS) entered into force and were applied by the Alpiq Group:

- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to IFRS 3: Definition of a Business
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
- Amendments to the Conceptual Framework for Financial Reporting

These amendments have no significant impact on the consolidated financial statements of the Alpiq Group.

Foreign currency translation

The consolidated financial statements are presented in Swiss francs. The following exchange rates were used for currency translation:

Unit		Closing rate at 30 Jun 2020	Closing rate at 30 Jun 2019	Closing rate at 31 Dec 2019	Average rate for 2020/1	Average rate for 2019/1
1	EUR	1.065	1.111	1.085	1.064	1.129
1	GBP	1.167	1.239	1.276	1.218	1.293
1	USD	0.951	0.976	0.966	0.966	1.000
100	CZK	3.983	4.364	4.272	4.045	4.397
100	HUF	0.299	0.343	0.328	0.308	0.353
100	NOK	9.761	11.456	11.004	9.944	11.609
100	PLN	23.903	26.132	25.498	24.129	26.315
100	RON	22.008	23.456	22.693	22.086	23.818

Impact of the COVID-19 pandemic on Alpiq

The coronavirus and the disease it causes (COVID-19) have been spreading on a global scale since the beginning of 2020, forcing governments to take drastic protective measures. Thus far, the pandemic has not led to any substantial restrictions on the operating activities of the Alpiq Group. However, the spread of COVID-19 and the protective and stimulation measures taken by governments and central banks are having far-reaching effects on the macroeconomic environment of all industries across the globe and thus also on Alpiq. These effects were assessed at 30 June 2020 and taken into account in the 2020 interim financial statements. In particular, this gave rise to the following significant effects:

- The COVID-19 pandemic caused wholesale electricity prices to drop in the first half of 2020, hitting short-term prices particularly hard. In addition to this, electricity consumption was also lower. Medium and long-term forward prices have more or less recovered in the meantime and are now at a similar level to that seen before the pandemic. In connection with this, Alpiq had to increase its provisions for onerous contracts and recognise impairment losses on two wind farms at the reporting date (see note 4). Alpiq's revenue in the first half of 2020 was also negatively affected to a limited extent.

- The development of the financial markets had a significant impact on the performance of the decommissioning and waste disposal funds for nuclear power plants, which in turn has an impact on Alpiq's energy procurement costs. Furthermore, the assets of the pension funds were negatively impacted, causing defined benefit liabilities to increase.

At the time of approval of the interim consolidated financial statements by the Board of Directors of Alpiq Holding Ltd., the financial impact of the pandemic on the financial position, financial performance and cash flows of the Group cannot yet be fully assessed and estimated, as the effective impact will only become apparent as the situation develops over the coming months. This could have a significant impact in the second half of 2020, in particular on the assumptions made by management regarding estimation uncertainties disclosed in the 2019 consolidated financial statements:

- Recoverable amount of non-current assets
- Provisions for onerous contracts
- Recoverability of deferred tax assets
- Calculation of defined benefit liabilities

Furthermore, the development of the financial markets in particular has a significant impact on the performance of the decommissioning and waste disposal funds for nuclear power plants, which in turn has an impact on Alpiq's energy procurement costs. In addition, the market changes caused by the pandemic may have an effect on the future measurement of derivative financial instruments.

2 Segment information

The segment reporting of the Alpiq Group is based on the Group's internal organisational and management structure and the internal financial information reported to the chief operating decision maker. The reportable segments under IFRS 8 consist of the three business divisions Generation Switzerland, Generation International and Digital & Commerce. The Executive Board evaluates each of these separately for the purpose of assessing performance and allocating resources. Segment results (EBITDA, EBIT) are the key performance indicators used for internal management and assessment purposes at Alpiq. Besides energy procurement and production costs, operating costs comprise all costs of operations, including personnel and service expenses. No operating business segments have been aggregated in the presentation of reportable segments.

The internal organisational and management structure was adjusted in the first half of 2020. As a result, Oyster Lab was moved from Digital & Commerce to the Group Centre. Previous-year segment reporting for the first half of 2019 has been restated for comparability.

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

- The Generation International business division comprises power production in wind power plants, small-scale hydropower plants and industrial photovoltaic plants, the operation of power plants and the development of several wind farm projects. The business division also covers the production of electricity and heat in thermal power plants in Hungary, Italy, Spain and, in the first half of 2019, also Czechia. The power plant portfolio is made up of gas-fired combined-cycle power plants and gas-fired turbine power plants. Power is sold on the European electricity trading market via the Digital & Commerce business division or via third parties. The power plants are used by the respective grid operators to balance the grids.

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

When carrying over the business divisions' results to the Alpiq Group's consolidated figures, the units with no market operations (Group Centre & other companies), Group consolidation effects (including foreign currency effects from using other average exchange rates in management reporting) as well as another reconciliation item presented in a separate column are included. This reconciliation item comprises shifts between net revenue and other income due to the difference in account structures between internal and external reporting. Group Centre & other companies includes financial and non-strategic investments which cannot be allocated directly to the business divisions as well as activities of the Group headquarters, including Alpiq Holding Ltd. and the functional units.

1st half-year 2020: Information by business division

CHF million	Generation Switzerland	Generation International	Digital & Commerce	Group Centre & other companies	Consolidation	Reconciliation	Alpiq Group
Net revenue from third parties	99	65	1,641	14	– 1	7	1,825
Inter-segment transactions	306	15	6	– 17	– 310		0
Exceptional items [1]	– 16		4				– 12
Net revenue before exceptional items	**389**	**80**	**1,651**	**– 3**	**– 311**	**7**	**1,813**
Net revenue	**405**	**80**	**1,647**	**– 3**	**– 311**	**7**	**1,825**
Other income	12	4	4	10	– 10	– 7	13
Exceptional items [1]	– 1						– 1
Total revenue and other income before exceptional items	**400**	**84**	**1,655**	**7**	**– 321**	**0**	**1,825**
Total revenue and other income	**417**	**84**	**1,651**	**7**	**– 321**	**0**	**1,838**
Operating costs	– 496	– 61	– 1,609	2	321		– 1,843
Exceptional items [1]	133	1	12	– 12			134
EBITDA before exceptional items	**37**	**24**	**58**	**– 3**	**0**	**0**	**116**
EBITDA	**– 79**	**23**	**42**	**9**	**0**	**0**	**– 5**
Depreciation, amortisation and impairment	– 28	– 25	– 7	– 4	– 1		– 65
Exceptional items [1]		4					4
EBIT before exceptional items	**9**	**3**	**51**	**– 7**	**– 1**	**0**	**55**
EBIT	**– 107**	**– 2**	**35**	**5**	**– 1**	**0**	**– 70**
Number of employees at 30 June	138	204	597	353			1,292

1 Includes effects from business disposals as well as the performance of the fund shares for the decommissioning and waste disposal of the Kernkraftwerk Gösgen-Däniken AG and Kernkraftwerk Leibstadt AG, fair value changes of energy derivatives that were entered into in connection with hedges for future power production, provisions, impairment losses as well as restructuring costs. For more information, please refer to pages 13 and 14.

1st half-year 2019: Information by business division (adjusted)

CHF million	Generation Switzerland	Generation International	Digital & Commerce	Group Centre & other companies	Consoli-dation	Reconcili-ation	Alpiq Group
Net revenue from third parties	86	127	2,022	– 7	– 2	7	2,233
Inter-segment transactions	205	57	25	10	– 297		
Exceptional items [1]	5		– 25				– 20
Net revenue before exceptional items	**296**	**184**	**2,022**	**3**	**– 299**	**7**	**2,213**
Net revenue	**291**	**184**	**2,047**	**3**	**– 299**	**7**	**2,233**
Other income	8	2	3	12	– 9	– 7	9
Exceptional items [1]				– 2			– 2
Total revenue and other income before exceptional items	**304**	**186**	**2,025**	**13**	**– 308**	**0**	**2,220**
Total revenue and other income	**299**	**186**	**2,050**	**15**	**– 308**	**0**	**2,242**
Operating costs	– 315	– 127	– 1,974	– 17	309		– 2,124
Exceptional items [1]	– 45	1	2	2	– 1		– 41
EBITDA before exceptional items	**– 56**	**60**	**53**	**– 2**	**0**	**0**	**55**
EBITDA	**– 16**	**59**	**76**	**– 2**	**1**	**0**	**118**
Depreciation, amortisation and impairment	– 29	– 275	– 16	– 4			– 324
Exceptional items [1]		241	12				253
EBIT before exceptional items	**– 85**	**26**	**49**	**– 6**	**0**	**0**	**– 16**
EBIT	**– 45**	**– 216**	**60**	**– 6**	**1**	**0**	**– 206**
Number of employees at 31 December	136	204	567	319			1,226

1 Includes effects from business disposals as well as the performance of the fund shares for the decommissioning and waste disposal of the Kernkraftwerk Gösgen-Däniken AG and Kernkraftwerk Leibstadt AG, fair value changes of energy derivatives that were entered into in connection with hedges for future power production, provisions, impairment losses as well as restructuring costs. For more information, please refer to pages 13 and 14.

3 Net revenue

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

1st half-year 2020: Disaggregation of net revenue

CHF million	Generation Switzerland	Generation International	Digital & Commerce	Group Centre & other companies	Total
Revenue from energy and grid services	96	64	1,601		1,761
Revenue from digital energy services and e-mobility			6		6
Revenue from other services	7				7
Total revenue from contracts with customers	**103**	**64**	**1,607**	**0**	**1,774**
Income from energy and financial derivatives	3		34	14	51
Net revenue from third parties	**106**	**64**	**1,641**	**14**	**1,825**

1st half-year 2019: Disaggregation of net revenue

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

4 Impairment losses and provisions

1st half-year 2020: Allocation of impairment losses and provisions

Impairment losses totalling CHF 4 million had to be recognised on two Italian solar plants in the Generation International business division, the income of which partly depends on market prices. Other than that, no impairment losses had to be recognised on power plants, in particular due to the existing price hedges or because their income is not dependent on short-term market prices. The provision for the onerous contract relating to the future procurement of energy from the Nant de Drance pumped storage power plant had to be increased by CHF 66 million because of less volatility in the hourly profile, lower short-term market prices, the lower CHF/EUR exchange rate and the fact that the full industrial commissioning of the power plant is now expected at the end of December 2021 and not as previously assumed at the end of September 2021. Lower market prices also meant that the Group had to increase a provision for an onerous contract outside Switzerland by CHF 11 million. Information about discontinued operations can be found in note 11.

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

In the first half of 2019, the two Czech coal-fired power plants Kladno and Zlín in the Generation International business division as well as goodwill of Flexitricity in the Digital & Commerce business division had to recognise impairment losses of CHF 241 million and CHF 6 million, respectively. Other than that, no impairment losses had to be recognised on power plants thanks to the positive development of electricity prices. The provision for the onerous contract relating to the future procurement of energy from the Nant de Drance pumped storage power plant had to be increased by CHF 38 million. The Group had to increase a provision for an onerous contract outside Switzerland by CHF 1 million.
In the Digital & Commerce business division, an impairment loss of CHF 6 million had to be recognised in intangible assets under development, as software cannot be used to the extent originally expected.

5 Earnings per share

	Half-year 2020/1	Half-year 2019/1
Earnings after tax from continuing operations attributable to equity investors of Alpiq Holding Ltd. (CHF million)	– 85	– 180
Interest on hybrid capital attributable to the period (CHF million)	– 15	– 15
Share of Alpiq Holding Ltd. stockholders in earnings from continuing operations (CHF million)	**– 100**	**– 195**
Earnings after tax from discontinued operations attributable to equity investors of Alpiq Holding Ltd. (CHF million)		– 27
Share of Alpiq Holding Ltd. stockholders in earnings from continuing and discontinued operations (CHF million)	**– 100**	**– 222**
Weighted average number of shares outstanding	27,874,649	27,874,649
Earnings per share from continuing operations in CHF, diluted and undiluted	– 3.59	– 7.00
Earnings per share from discontinued operations in CHF, diluted and undiluted	– 0.01	– 0.97
Earnings per share in CHF, diluted and undiluted	**– 3.60**	**– 7.97**

On 2 March 2020, Alpiq announced that it will not pay any interest on the hybrid loan from main Swiss shareholders for the period from March 2019 to March 2020. However, it is planned to continue to service the hybrid bond that was placed publicly. The next interest payment on this bond is due on 16 November 2020. The interest after tax attributable to the first half of 2020 amounts to CHF 15 million (previous year: CHF 15 million).

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

6 Financial risk management

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

Capital management

Across the Alpiq Group, capital is managed in line with the Group's overall financial strategy. During the budgeting and planning process, the Board of Directors takes notice annually of the planned performance of the figures critical for capital management. In addition, it receives regular reports on current developments. The strategy is focused on the Group's reported consolidated equity and net debt to EBITDA ratio. At 30 June 2020, the Group reports an equity ratio of 50.3 % (31 December 2019: 49.8 %).

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

CHF million	30 Jun 2020	31 Dec 2019
Non-current financial liabilities	1,129	1,175
Current financial liabilities	97	132
Financial liabilities	**1,226**	**1,307**
Current term deposits	530	634
Securities	26	26
Cash and cash equivalents	605	440
Cash and cash equivalents under assets held for sale	1	1
Financial assets (liquidity)	**1,162**	**1,101**
Net debt	**64**	**206**
EBITDA before exceptional items [1]	167	106
Net debt / EBITDA before exceptional items	**0.4**	**1.9**

1 Rolling EBITDA before exceptional items of the last 12 months

Credit risk

A substantial portion of the energy contracts entered into by the Alpiq Group is based on agreements containing a netting arrangement. Netting arrangements are used widely in energy trading to reduce the volume of effective cash flows. Items relating to the same counterparties are only presented on a net basis in the balance sheet if a legally enforceable right to offsetting of the recognised amounts exists in the netting arrangement, and the intention exists to settle on a net basis. Furthermore, additional collateral, such as guarantees, variation margin payments or insurance cover, is collected where required. As a rule, the collateral held by the Alpiq Group covers both unrecognised energy transactions involving physical delivery and transactions recognised as financial instruments.

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

	30 Jun 2020		31 Dec 2019	
CHF million	Collateral received	Collateral issued	Collateral received	Collateral issued
Cash collateral	1	84	2	27
Guarantees [1]		32		11
Total	**1**	**116**	**2**	**38**

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

Liquidity risk

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

Market risk

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

Energy price risk refers to potential price fluctuations that could have an adverse impact on the Alpiq Group. They can arise from factors such as variations in price volatility, market price movements or changing correlations between markets and products. Energy liquidity risks also belong to this category. They occur when an open energy position cannot be closed out or can only be closed out on very unfavourable terms due to a lack of market bids. Future own use energy transactions are not reported in the balance sheet. Energy transactions are also conducted as part of the programme to optimise Alpiq's power plant portfolio. A large proportion of the replacement values for energy derivatives shown at the reporting date are attributable to optimisation positions, with positive and negative replacement values generally cancelling each other out. Alpiq also engages in limited energy derivatives trading. The energy derivatives concluded by the Alpiq Group are usually forward contracts. The fair values are calculated on the basis of the difference between the contractually fixed forward prices and current forward prices applicable at the reporting date. The effect of credit risk on fair values is not material. The risks associated with trading and optimisation transactions are managed via clearly defined responsibilities and stipulated risk limits in accordance with the Group Risk Policy. Risk Management reports regularly on compliance with these limits to the Risk Management Committee and the Executive Board utilising a formalised risk reporting system. The risk positions are monitored in accordance with the Value at Risk (VaR) and Profit at Risk (PaR) industry standards.

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

The risks arising from volatility in interest rates relate to the interest-bearing financial assets and liabilities of the Alpiq Group. According to the Group's Financial Risk Policy, liquidity is invested for a maximum of two years. The funding required for the business, however, is obtained on a long-term basis at fixed interest rates. Financing instruments with variable interest rates, particularly those that are long-term, are generally hedged by means of interest rate swaps. This means that a change in interest rates applied to interest-bearing assets has an impact on financial income.

7 Financial instruments and fair values

Carrying amounts and fair values of financial assets and liabilities

		30 Jun 2020		31 Dec 2019
CHF million	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets at fair value through profit or loss				
Financial investments	1	1	1	1
Securities	26	26	26	26
Positive replacement values of derivatives				
Energy derivatives	388	388	525	525
Currency and interest rate derivatives	21	21	11	11
Financial liabilities at amortised cost				
Bonds	818	850	818	873
Loans payable	359	368	437	454
Financial liabilities at fair value through profit or loss				
Negative replacement values of derivatives				
Energy derivatives	397	397	406	406
Currency and interest rate derivatives	26	26	26	26

Apart from lease liabilities, the carrying amounts of all other financial instruments measured at amortised cost differ only insignificantly from the fair values. This is why the corresponding fair values have not been disclosed.

Fair value hierarchy of financial instruments

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

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

CHF million	30 Jun 2020	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Financial investments	1		1	
Securities	26		26	
Energy derivatives	388		388	
Currency and interest rate derivatives	21		21	
Financial liabilities at amortised cost				
Bonds	850	850		
Loans payable	368		368	
Financial liabilities at fair value through profit or loss				
Energy derivatives	397		397	
Currency and interest rate derivatives	26		26	

CHF million	31 Dec 2019	Level 1	Level 2	Level 3
Financial assets at fair value through profit or loss				
Financial investments	1		1	
Securities	26		26	
Energy derivatives	525		525	
Currency and interest rate derivatives	11		11	
Financial liabilities at amortised cost				
Bonds	873	873		
Loans payable	454		454	
Financial liabilities at fair value through profit or loss				
Energy derivatives	406		406	
Currency and interest rate derivatives	26		26	

Both in the first half of 2020 and during the 2019 financial year, no reclassifications were applied between Levels 1 and 2 or transfers made from Level 3.

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

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

8 Cash and cash equivalents

The item “Cash and cash equivalents” includes foreign subsidiaries’ bank accounts with a total balance of EUR 47 million, translated CHF 50 million (31 December 2019: EUR 39 million, translated CHF 42 million), which are pledged in accordance with regulations in local finance agreements and which may only be used to cover their own needs for cash and cash equivalents. These funds are therefore not freely available in full for the Alpiq Group.

9 Contingent liabilities and guarantees

After the tax audit on the Bucharest branch of Alpiq Energy SE, Prague, in September 2017 the Romanian tax authority ANAF (Agenţia Naţională de Administrare Fiscală) issued the final tax assessment notice to Alpiq in the amount of RON 793 million or CHF 175 million for value added tax, corporate income tax and penalties (including late payment penalties) for the period of 2010 to 2014. The tax assessment determined by ANAF is being contested on account of its merits and the amount assessed, as Alpiq is convinced that the activities of Alpiq Energy SE in Romania have always been carried out in accordance with the applicable Romanian and European rules and regulations. Alpiq’s position is supported by current assessments provided by external legal and tax experts. Alpiq filed an objection with ANAF against the tax assessment in 2017. Alpiq received a decision from ANAF at the end of June 2018. In the main matter, ANAF supported its own view and dismissed the objection with regard to an amount of RON 589 million or CHF 130 million as being without merit. With regard to an amount of RON 204 million or CHF 45 million, it repealed the decision from the tax audit and ordered a reassessment. In one matter concerning an immaterial amount, ANAF ruled in favour of Alpiq. Alpiq contested the decision on the appeal made by ANAF by making use of the legal means of appeal at its disposal. On 29 January 2019, the Supreme Court in Bucharest decided that ANAF’s tax assessment of RON 589 million or CHF 130 million is not enforceable until a first-instance court decision has been reached. On 3 September 2019, the court of appeal in Bucharest also endorsed Alpiq’s request that the tax assessment is not enforceable until a last-instance court decision has been reached. This ruling is legally binding. Alpiq is demanding reimbursement of the costs arising from the bank guarantee and other expenses from ANAF and therefore filed a corresponding claim at the court of appeal in Bucharest in autumn 2019. The claim was dismissed in the first instance. Alpiq Energy SE will make use of the legal means of appeal available to contest this decision. Otherwise, there were no further significant developments in the first half of 2020. Alpiq continues to deem it unlikely that this assessment will result in a negative outcome for the company and has therefore decided not to record a liability for the tax assessment.

There were no significant contingent liabilities from pledges, guarantees and other commitments to third parties in favour of third parties at the reporting date, as was also the case at 31 December 2019. Contingent liabilities in connection with the sale of the Engineering Services business can be found in note 11.

10 Assets held for sale

Assets held for sale

In the first half of 2019, Alpiq decided to sell its subsidiary Flexitricity Ltd. The COVID-19 pandemic caused further delays in the sales process. Alpiq expects to be able to close the sale within the next 12 months.

Assets

CHF million	30 Jun 2020	31 Dec 2019
Property, plant and equipment	1	1
Intangible assets	6	6
Other non-current assets	1	1
Receivables		1
Prepayments and accrued income	1	9
Cash and cash equivalents	1	1
Total assets held for sale	**10**	**19**

Liabilities

CHF million	30 Jun 2020	31 Dec 2019
Accruals and deferred income	2	8
Total liabilities held for sale	**2**	**8**

At 30 June 2020, currency translation losses of CHF 2 million related to assets held for sale are recorded in equity.

11 Discontinued operations

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

There are diverging views on the definitive sale price between Alpiq and Bouygues Construction. In order to enforce their claims arising from the price adjustment mechanism, both parties therefore filed for arbitration proceedings pursuant to the arbitration regulations of the Swiss Chambers’ Arbitration Institution on 12 February 2019. While Alpiq is claiming an additional amount of CHF 12.9 million, Bouygues Construction was demanding a refund of CHF 205.1 million. The two arbitration proceedings have been combined by the arbitration tribunal. The arbitration tribunal appointed Bouygues Construction as claimant and Alpiq as respondent. In the detailed request for arbitration proceedings filed on 20 January 2020, Bouygues Construction has increased the amount it is demanding from Alpiq from CHF 205.1 million to a total of around CHF 319 million plus interest. Alpiq vehemently disputes the claim of Bouygues Construction both in terms of its amount and on its merits and will defend itself against this in the arbitration proceedings. The outcome of these proceedings depends on arbitration court decisions that are currently unknown. A ruling by the arbitration court is not expected until some point in 2022 at the earliest. It is therefore not currently possible to estimate how much the definitive adjustment amount will be. The gain on disposal from the Engineering Services business at 31 December 2018 was therefore calculated based on the provisional sale price of CHF 790 million received on 31 July 2018. There was also no change in this regard in the first half of 2020. The outcome of the arbitration proceedings and thus the definitive sale price may deviate significantly from the estimate and result in significant adjustments to the gain on disposal and therefore the “Earnings after tax from discontinued operations” as well as the “Net cash flows from investing activities of discontinued operations” in subsequent periods. Alpiq has recognised a provision for the costs expected for the arbitration proceedings.

Alpiq and Bouygues Construction have also entered into indemnification and warranty agreements in connection with the sale of the Engineering Services business. Alpiq has to cover losses or costs incurred in future relating to contractually defined issues that exceed the estimation at the time of sale. Alpiq has recognised a provision for the expected associated costs. In addition, Alpiq must bear any costs of Kraftanlagen München GmbH resulting from the proceedings started by the state prosecutor of Munich I and the German Federal Cartel Office in the first quarter of 2015. In the course of these proceedings, the German Federal Cartel Office imposed a fine of EUR 47.5 million, translated CHF 51 million, on Kraftanlagen München GmbH in December 2019. Kraftanlagen München cooperated fully with the authorities from the outset in order to support them in investigating the allegations in question. Despite extensive investigations, a law firm commissioned by Kraftanlagen München to clarify the facts of the case could not find any evidence of misconduct by Kraftanlagen München or the accused former employees. Kraftanlagen München does not believe that it is in the wrong and refutes the allegations. This fine is justified neither by the facts nor the legal situation, which is why Kraftanlagen München GmbH filed an appeal against the administrative order imposing the fine. Kraftanlagen München and Alpiq continue to deem a conviction unlikely and Alpiq has therefore decided not to record a liability for this matter. The remaining indemnification payments are either immaterial in amount or Alpiq deems it unlikely that they will arise.

Income statement of discontinued operations

CHF million	Half-year 2020/1	Half-year 2019/1
Expenses	– 2	– 4
Effect from reviewing the provisions for warranties and indemnification	2	– 23
Earnings before tax	**0**	**– 27**
Earnings after tax from discontinued operations	**0**	**– 27**

The cash outflow in connection with indemnification and warranties to Bouygues Construction came to CHF 13 million in the first half of 2020. According to the sales agreement, these payments are treated as an adjustment to the sale price. They are therefore contained in the statement of cash flows under "Net cash flows from investing activities of discontinued operations".

12 Events after the reporting period

In connection with the arbitration proceedings mentioned in note 11 regarding the definitive sales price for the Engineering Services business to Bouygues Construction, Alpiq filed its response and counterclaim on 14 July 2020. Alpiq continues to expressly refute Bouygues' demands and is still demanding the adjustment amount of CHF 12.9 million to the purchase price based on the transfer balance sheet.

Financial Summary 2015 – 2020

Income statement

CHF million	Half-year 2020/1	Half-year 2019/1	Full year 2019	Full year 2018	Full year 2017	Full year 2016 [1]	Full year 2015 [2]
Net revenue	1,825	2,233	4,099	5,186	5,449	4,412	6,715
Other operating income	13	9	55	50	40	239	82
Total revenue and other income	1,838	2,242	4,154	5,236	5,489	4,651	6,797
Operating expenses	– 1,843	– 2,124	– 3,986	– 5,227	– 5,146	– 3,941	– 6,747
Earnings before interest, tax, depreciation and amortisation (EBITDA)	– 5	118	168	9	343	710	50
Depreciation, amortisation and impairment	– 65	– 324	– 401	– 169	– 164	– 374	– 561
Earnings before interest and tax (EBIT)	– 70	– 206	– 233	– 160	179	336	– 511
Share of results of partner power plants and other associates	– 16	– 18	– 44	– 50	– 18	– 232	– 347
Financial result	– 35	– 23	– 59	– 95	– 87	– 6	– 162
Income tax expense	37	68	110	44	– 70	162	190
Earnings after tax from continuing operations	– 84	– 179	– 226	– 261	4	260	
Earnings after tax from discontinued operations		– 27	– 42	198	– 88	34	
Net income	– 84	– 206	– 268	– 63	– 84	294	– 830
Net income attributable to non-controlling interests	2	1	3	14	5		– 5
Net income attributable to equity investors of Alpiq Holding Ltd.	– 86	– 207	– 271	– 77	– 89	294	– 825
Number of employees at the reporting date [3]	1,292	1,560	1,226	1,548	1,504	1,429	8,345

1 Key financial figures before application of IFRS 15
2 Key financial figures including discontinued operations and before application of IFRS 15
3 Since 2016 excluding employees of the sold Alpiq InTec Group and Kraftanlagen Group

Per share data

CHF	Half-year 2020/1	Half-year 2019/1	Full year 2019	Full year 2018	Full year 2017	Full year 2016	Full year 2015
Par value	0.01	10	10	10	10	10	10
Weighted average number of shares outstanding (in thousands)	27,875	27,875	27,875	27,875	27,875	27,875	27,617
Net income	– 3.60	– 7.97	– 10.77	– 3.90	– 4.34	9.38	– 31.73
Dividend	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Measures

Currency

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

Energy

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

Power

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

Photos

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Emosson reservoir in the Valais
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Page 4
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