

Financial Analyst Conference 2019

ALPIQ

Oltén, 4 March 2019





Lower EBITDA of CHF 166 million, as announced

- Swiss production operating at a loss in the market
- International production makes substantial contributions
- Strong trading and retail business



Balance sheet strengthened

- Liquidity strengthened: CHF 1.25 billion
- Gross debt reduced to CHF 1.5 billion
- Equity ratio increased to 43.5 %

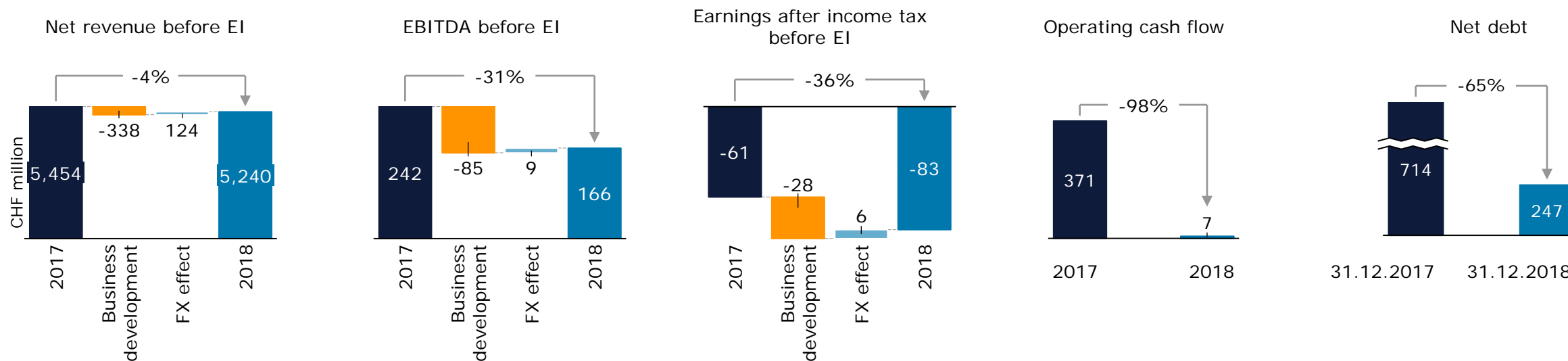


Turnaround completed

- Industrial business spun off
- Alpiq Group stabilised
- Business model sharpened

Key Financial Figures 2018

Continuing operations

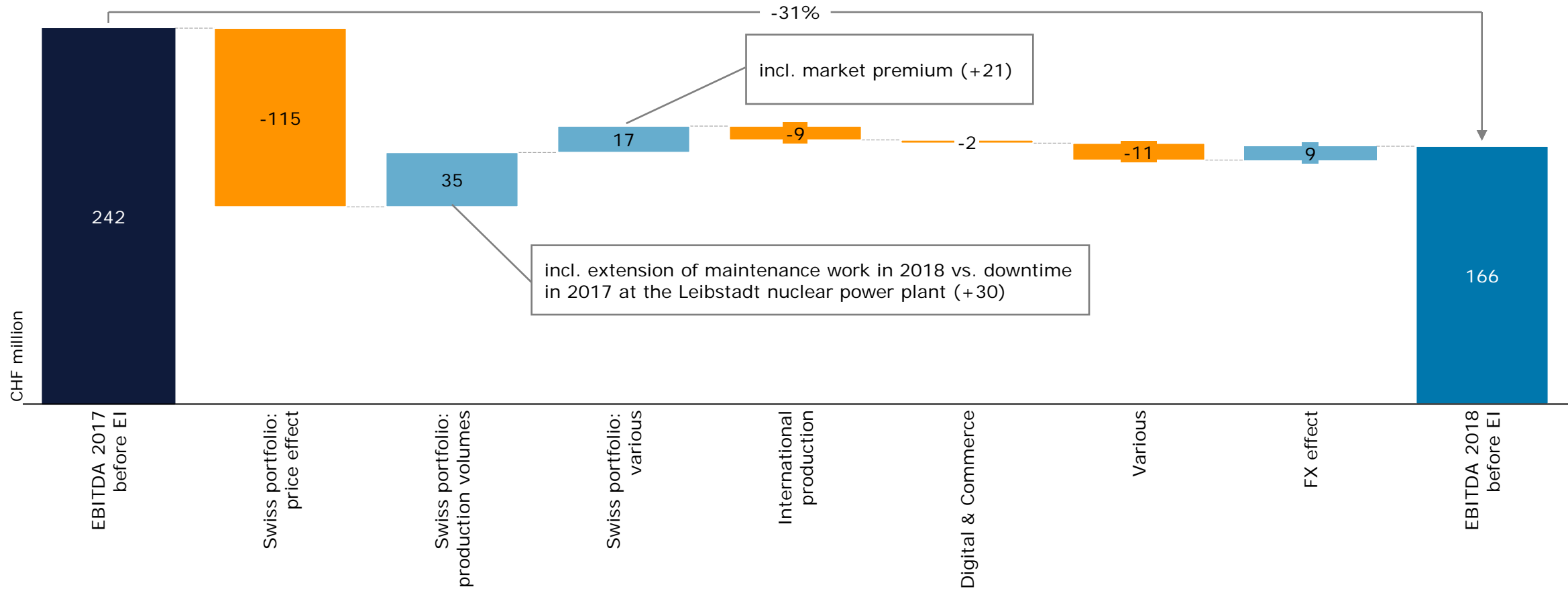


Results of operations before exceptional items (EI)

- EBITDA of CHF 166 million, as announced, down on the previous year
- Operating cash flow down on the previous year as a result of lower operating profitability and the one-off positive effect from improvements to NWC in 2017
- Net debt reduction of CHF 467 million compared to the end of 2017

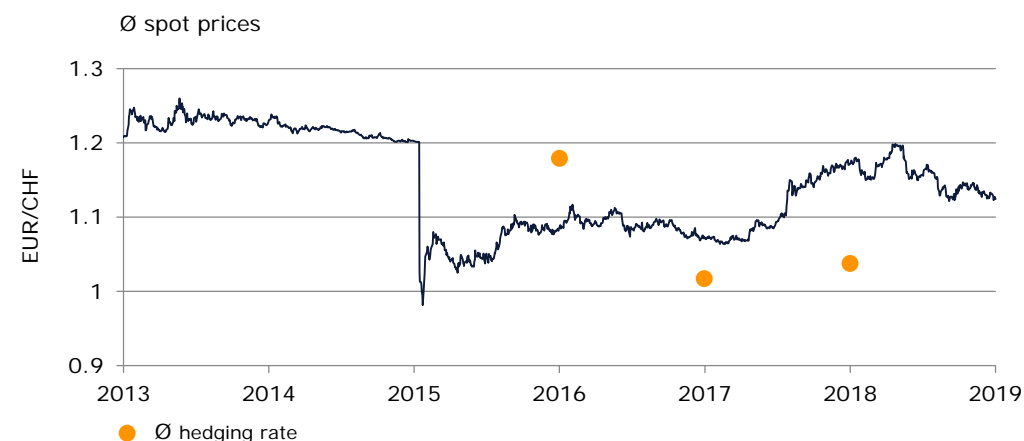
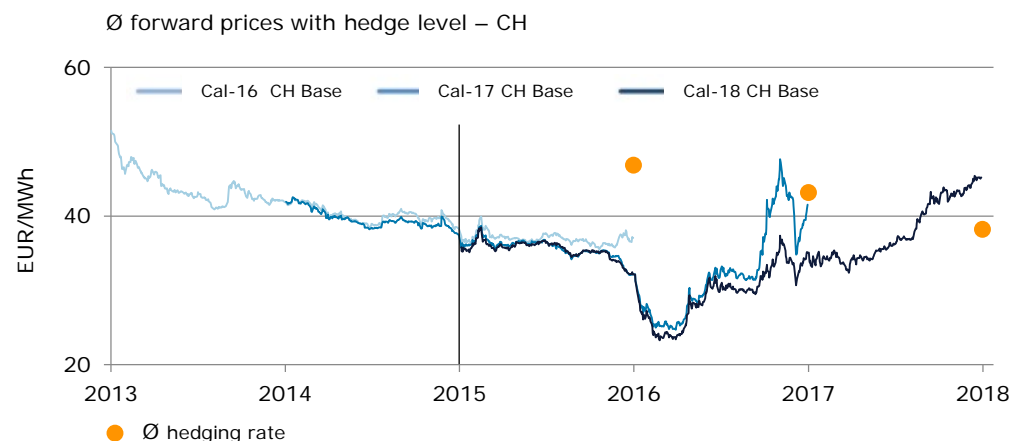
Development of EBITDA before EI

Continuing operations



Hedging transactions from previous years with time-delayed effect

Alpiq hedges energy and currency in advance on a rolling two- to three-year basis on average



Time lapse of wholesale price effect causes lower earnings in 2018

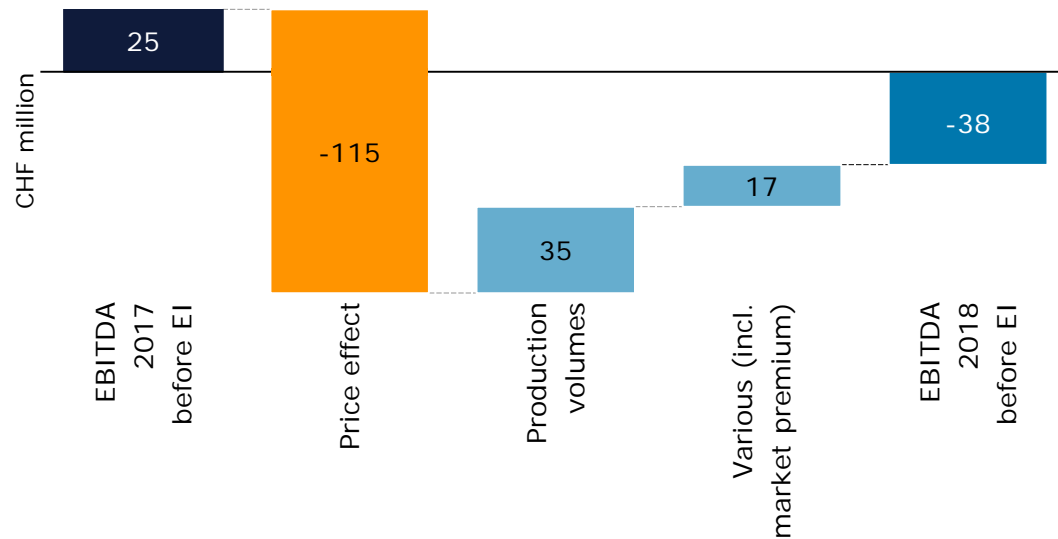
∅ hedging rate	2016:	EUR 47/MWh
	2017:	EUR 44/MWh
	2018:	EUR 38/MWh

Currency effect with marginal impact compared to the previous year

∅ hedging rate	2016:	EUR 1.19/CHF
	2017:	EUR 1.04/CHF
	2018:	EUR 1.06/CHF

Development of EBITDA by business division (I)

External factors burden Swiss production

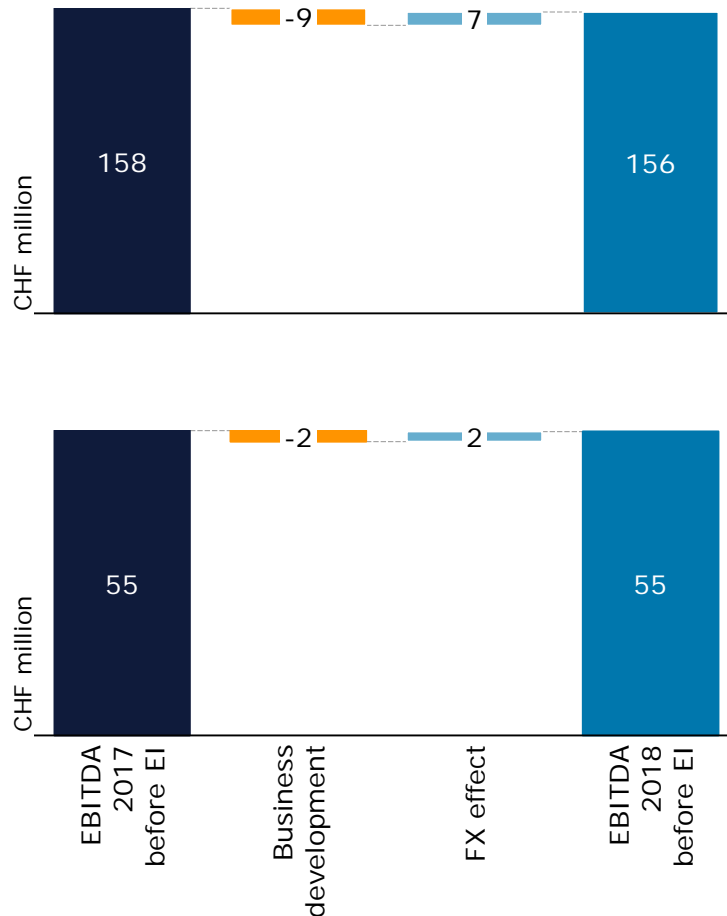


Generation Switzerland

- Alpiq systematically hedges production in the market against price and currency fluctuations for future periods on a rolling two- to three-year basis on average
- Production costs remain above the hedged electricity prices from previous years
- Swiss power production from hydropower and nuclear power closed the year at a loss and down on the previous year, despite inflows from the market premium

Development of EBITDA by business division (II)

Strong European and trading business



Generation International

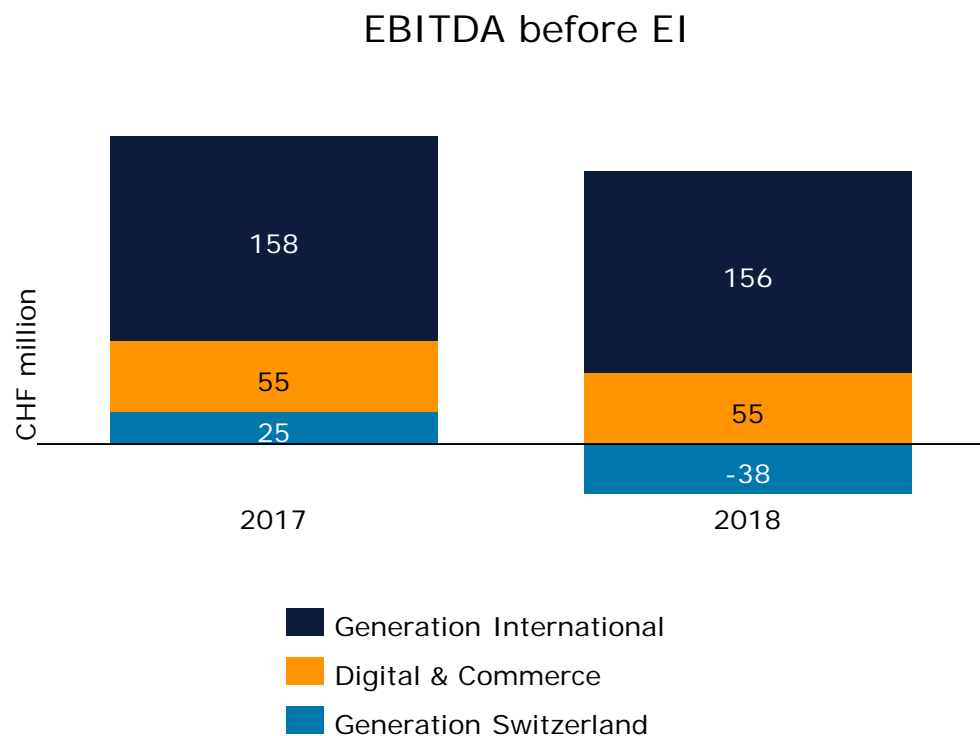
- International thermal production again made clearly positive contributions from all plants
- Wind power and photovoltaic plants in Italy added to portfolio

Digital & Commerce

- Alpiq leverages its power plants in Switzerland on the spot market and in Italy on the ancillary services market
- Strengthened sales activities in France
- Lower earnings from the business in Eastern Europe on the back of the phase-out of activities in Romania and less trading activities
- Alpiq invests in expanding the Digital Technologies & Innovation business unit

Alpiq with strong European and trading business

Continuing operations



International production makes substantial contributions



Strong trading and retail business in Southern and Western Europe



Swiss production operating at a loss in the market and down on the previous year

Exceptional items on EBITDA level

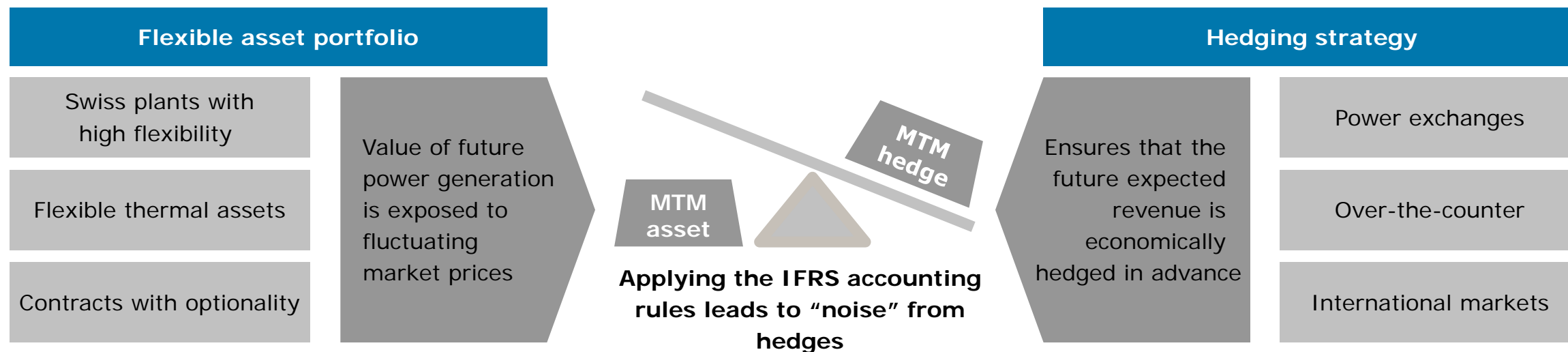
Continuing operations

CHF million	2018	2017
Impairments, provisions for onerous contracts and project losses *	19	53
Gain/loss from disposal of company parts **	0	0
Restructuring costs & litigations *	-16	-23
Performance of decommissioning and waste disposal funds	-96	68
Fair value changes of energy derivatives in connection with hedges for future power production and long-term purchase contracts ("accounting mismatch")	-64	3
Total exceptional items on EBITDA level	-157	101

* *Provided that these effects appear to be "one-off"*

** *Effects from the divestment of the industrial business are not part of discontinued operations*

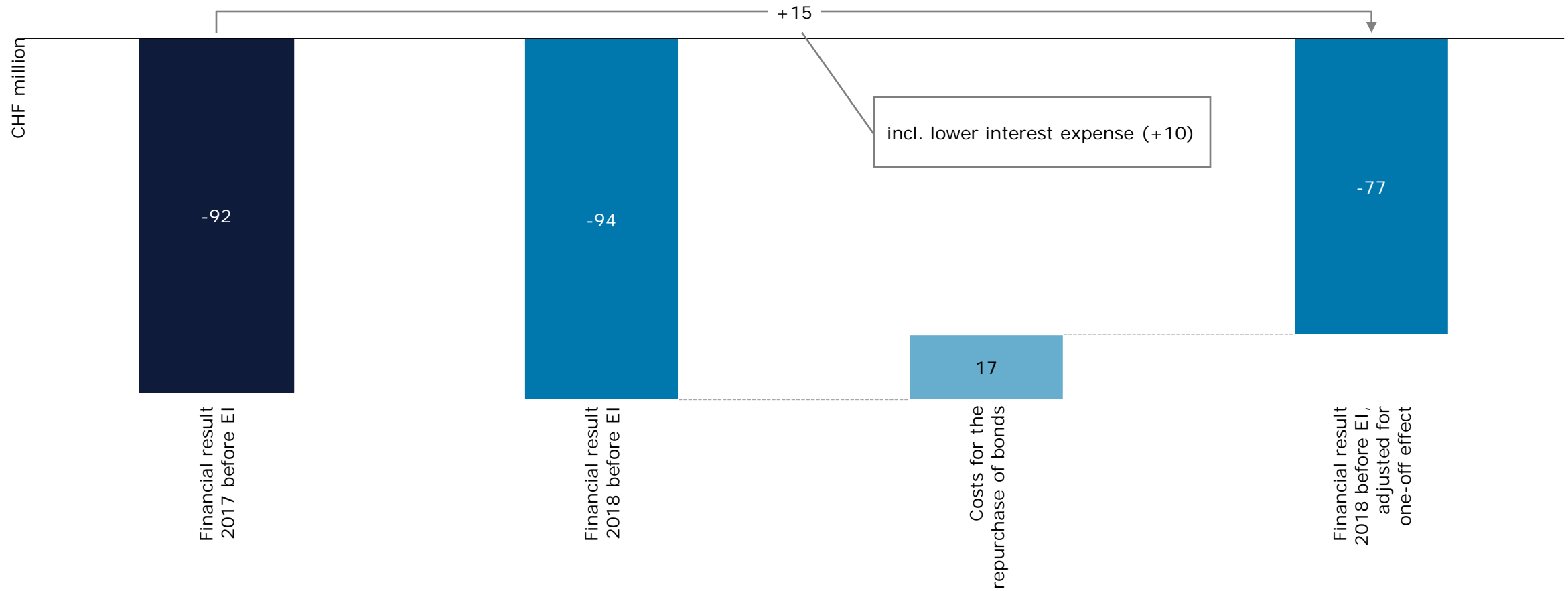
Exceptional item: Fair value changes of energy derivatives to hedge future power production



- Under IFRS, the fair value changes of these hedges are recognised in the reporting year.
- Fair value changes of these hedges do not reflect the operating performance of business activities because they are economically linked to the change in value of production plants (not measured at fair value).
- "Results of operations before exceptional items" (non-GAAP) take this period shift under earnings into account by not including the fair value changes of energy derivatives that were entered into in connection with hedges for future power production. This does not apply to derivatives relating to our own trading activities.

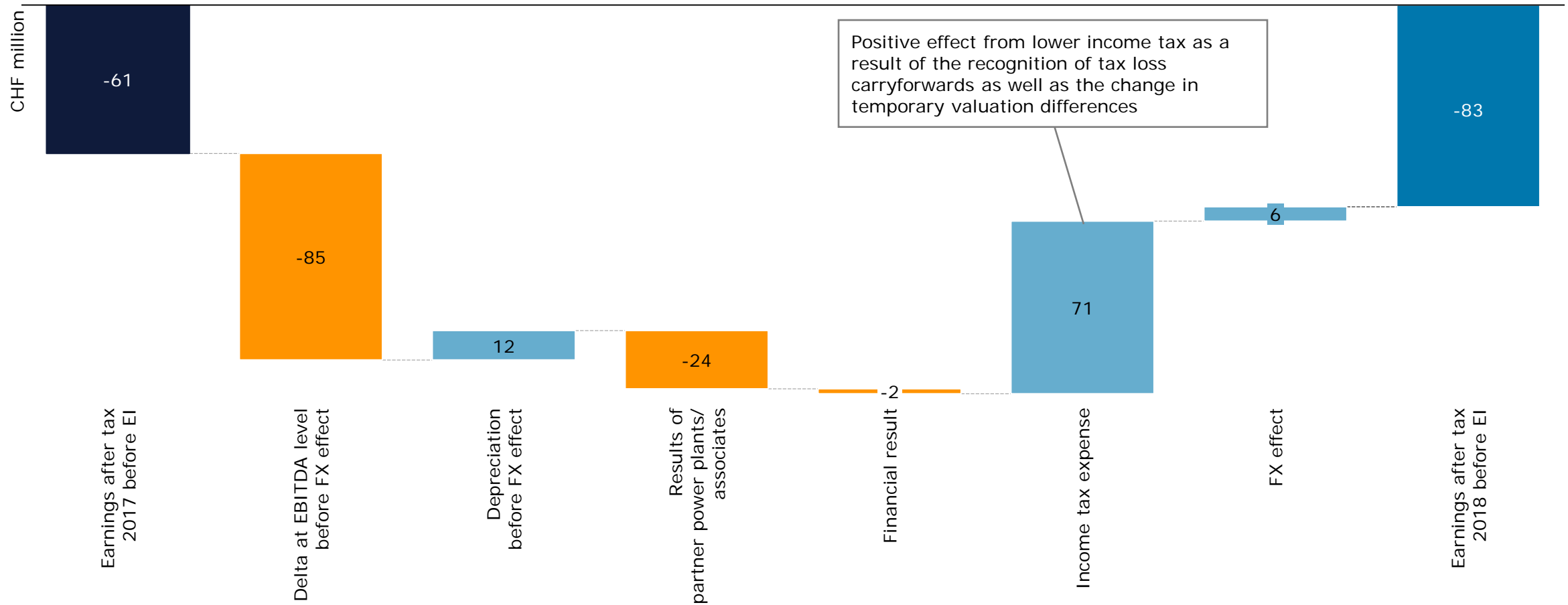
Development of Financial result

Continuing operations



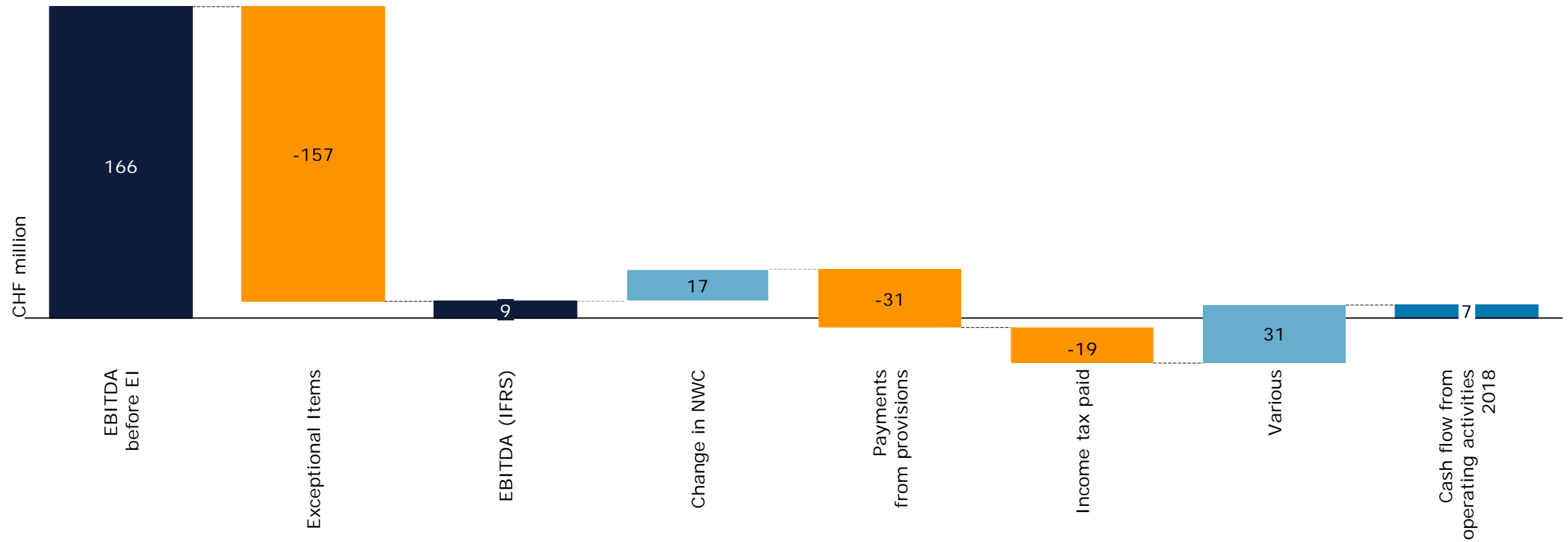
Development of earnings after tax

Continuing operations



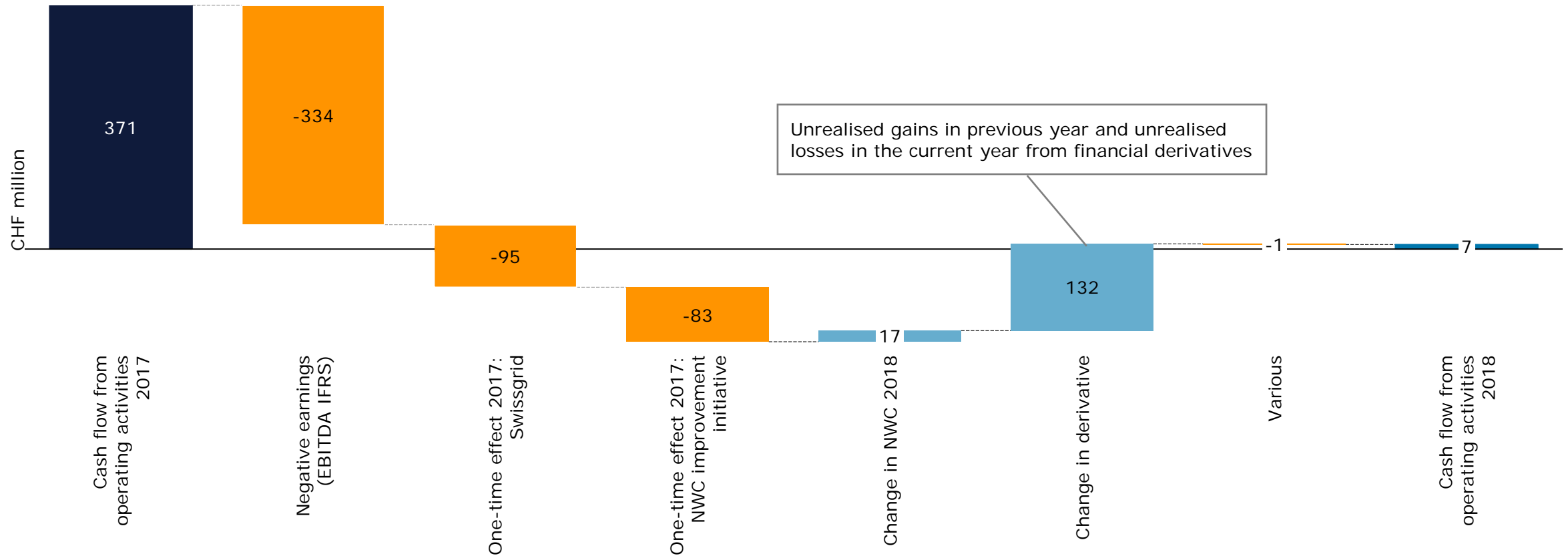
Cash flow from operating activities

Continuing operations

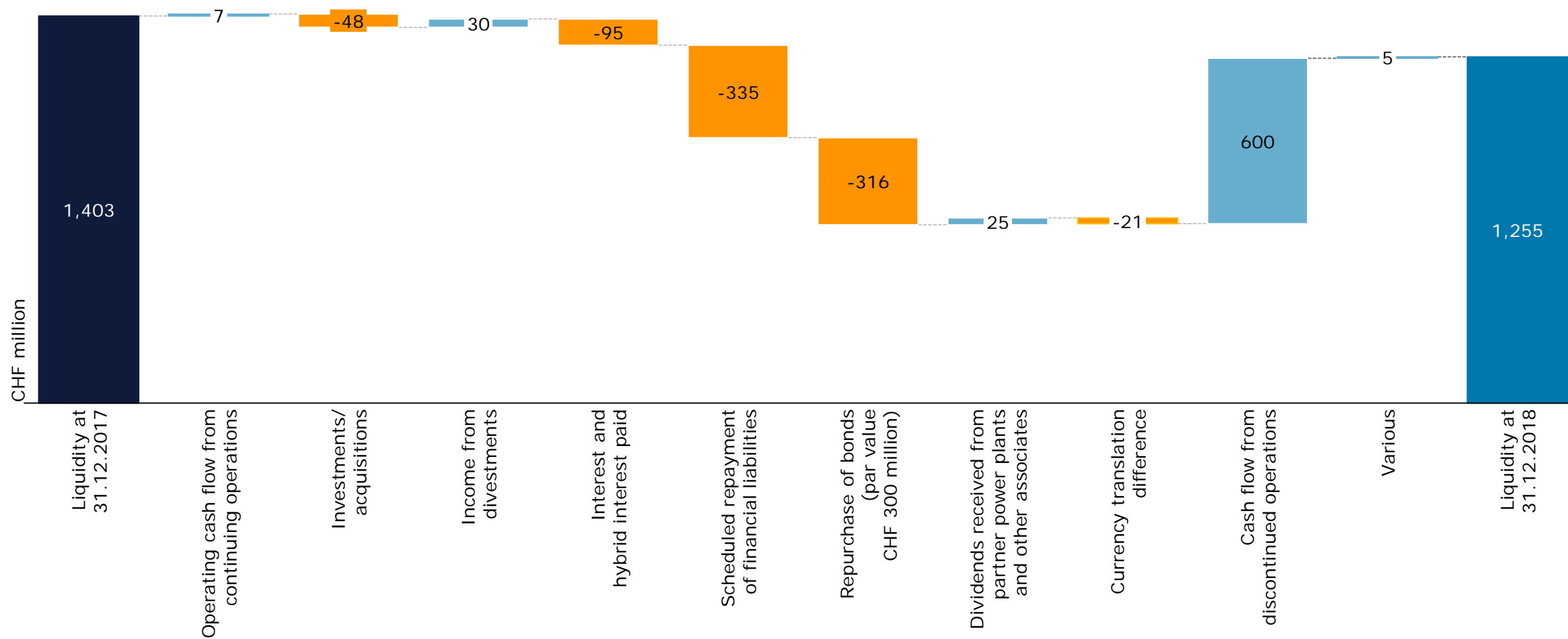


Operating cash flow compared to the previous year

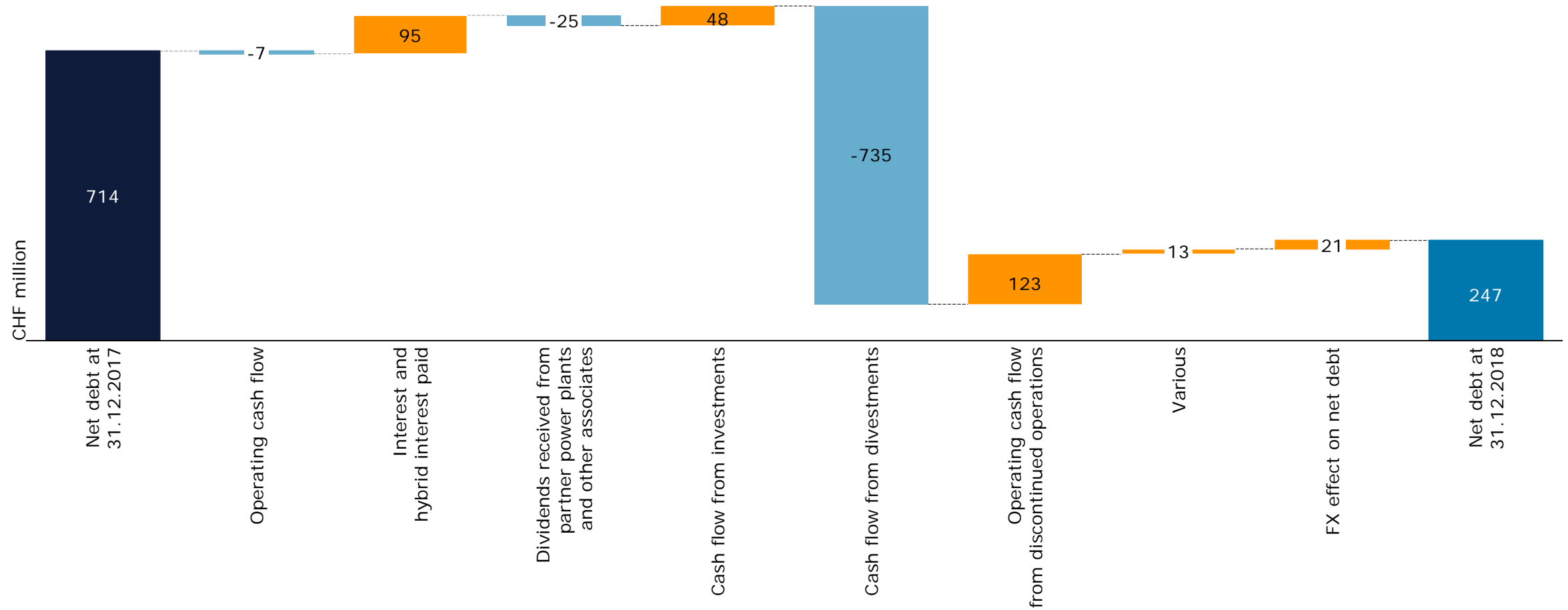
Continuing operations
Continuing operations



Cash flow

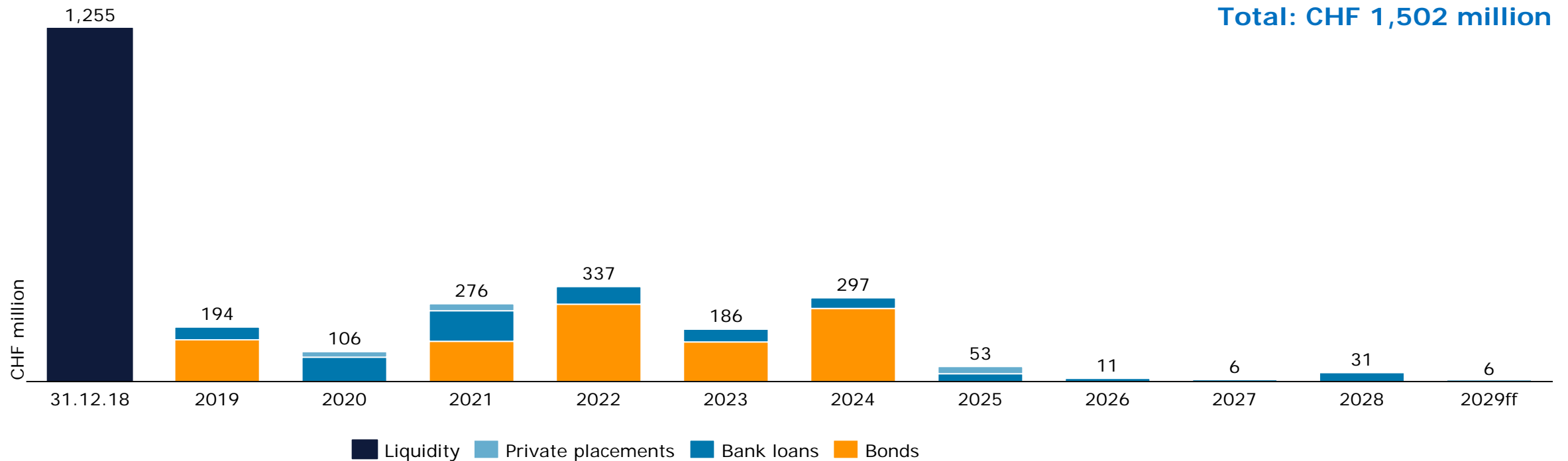


Development of net debt



Maturity profile at 31 December 2018

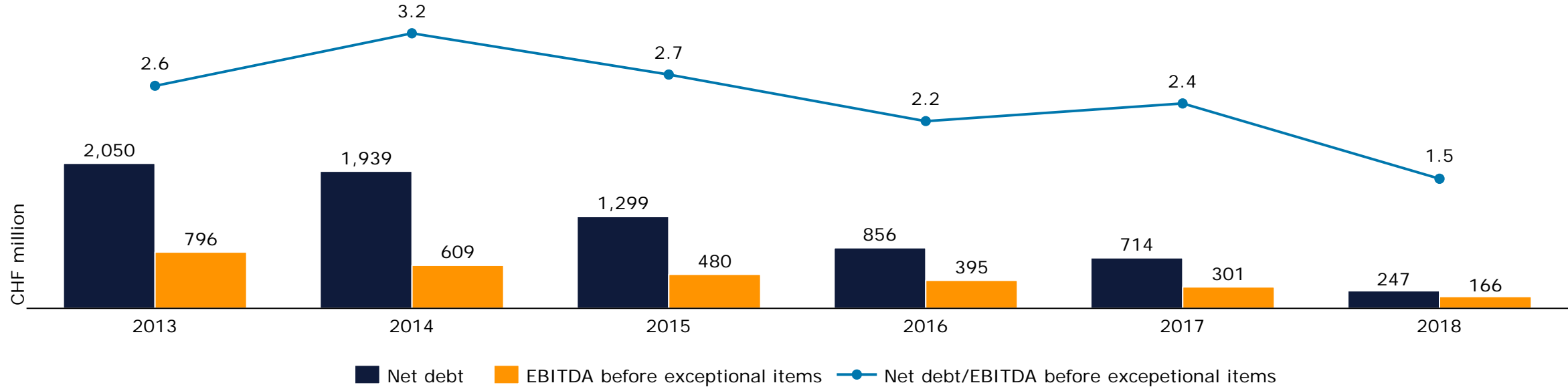
Financial liabilities staggered over long term



- Strengthened liquidity of CHF 1,255 million

Financial liabilities

Debt situation improved significantly

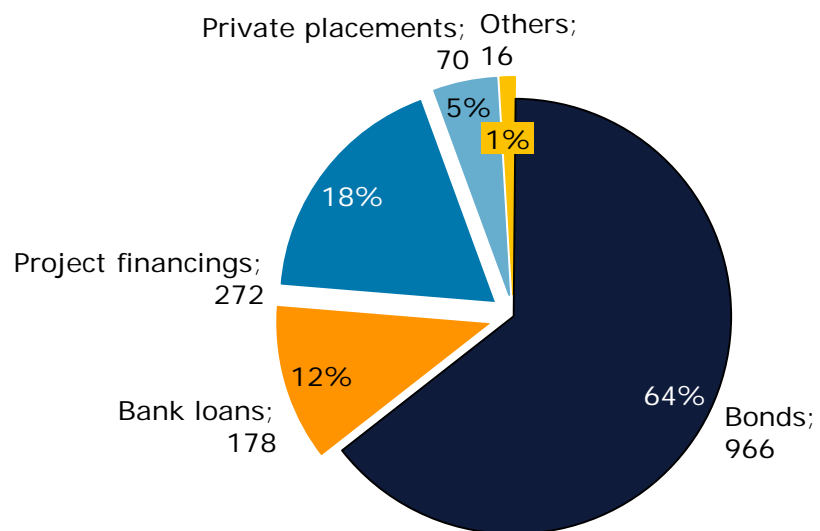


- Net debt further reduced by CHF 467 million to CHF 247 million
- Net debt/EBITDA before exceptional items of 1.5

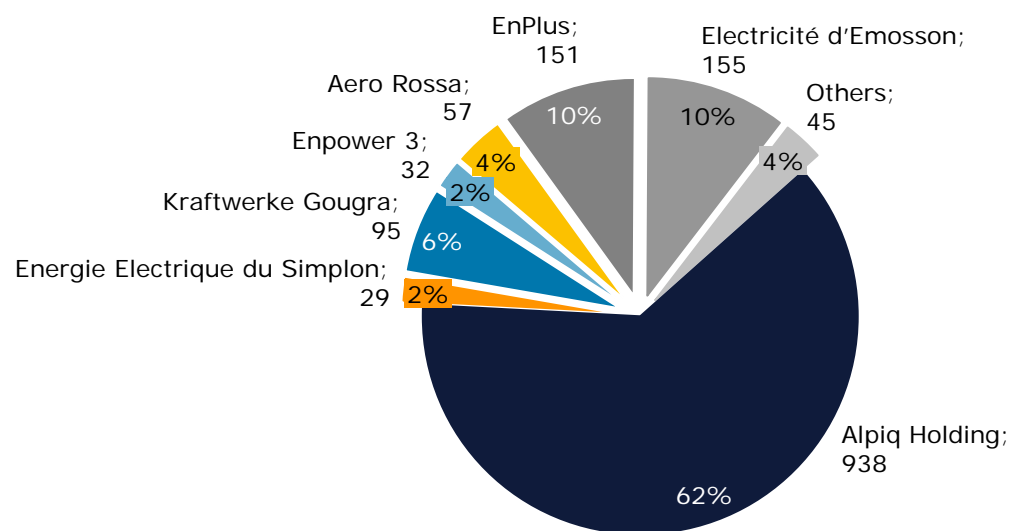
Allocation of interest-bearing liabilities

At 31 December 2018

Financing instruments (in CHF million)



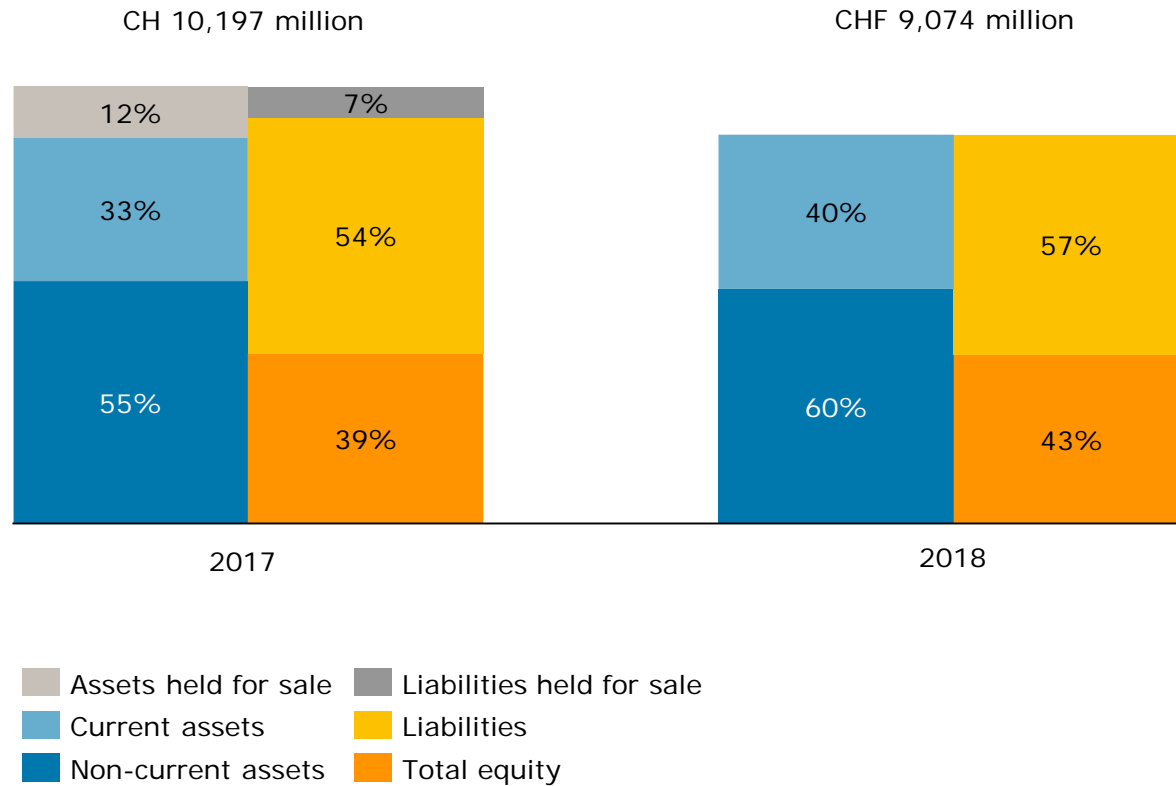
Group Companies (with gross debt >CHF 25 million)



- Conservative financing profile with 64% of financial liabilities at Alpiq Holding level
- Low structural subordination
- Independent project financing structures subject to amortisation for RES companies and EnPlus
- Firmly committed credit lines of around CHF 300 million (non-utilised)

Balance sheet remains stable

Alpiq with strengthened liquidity and stable equity



- **Liquidity strengthened: CHF 1.25 billion**
(previous year: CHF 1.40 billion)
- **Stable equity: CHF 3.9 billion**
(previous year: CHF 4.0 billion)
- **Equity ratio: 43.5%**
(previous year: 38.9%)

- Sale of Engineering Services business closed on 31 July 2018
 - Sale price of CHF 790 million received
 - Diverging views on adjustment amount: Alpiq is claiming for CHF 12.9 million, Bouygues Construction is demanding CHF 205.1 million

 - Both parties filed for arbitration proceedings on 12 February 2019
 - Currently not possible to estimate how much the definitive adjustment amount will be
 - How long the proceedings will last is not known
- **Alpiq contests the claim of Bouygues both in terms of its amount and on its merits**

- Assessment of Alpiq Energy SE, Prague, in September 2017 issued by Romanian tax authority ANAF in the amount of RON 793 million (CHF 192 million) for the period of 2010 to 2014
 - Decision on the appeal by ANAF in June 2018
 - upheld original opinion with regard to RON 589 million (CHF 142 million)
 - ordered reassessment with regard to RON 204 million (CHF 49 million)
 - Alpiq continues to contest both in terms of its amount and on its merits
 - Alpiq still deems it unlikely that this assessment will result in a negative outcome for the company
-
- **No liability (provision) of RON 589 million at 31 December 2018; secured with pledged bank account of CHF 147 million**
 - **Decision by Supreme Court in Bucharest on 29 January 2019: tax assessment is not enforceable until a court decision is handed down**
 - **Bank guarantee and pledged bank account rescinded on 14 February 2019**

Turnaround completed

Swiss production operating at a loss in the market



Lower wholesale prices are having a time-delayed impact on Swiss electricity production

Power production in Europe and trading business successful; strong trading and retail business in Southern and Western Europe



Significantly positive EBITDA contributions

Spin-off of the industrial business; sale closed



Business model sharpened and Alpiq Group stabilised

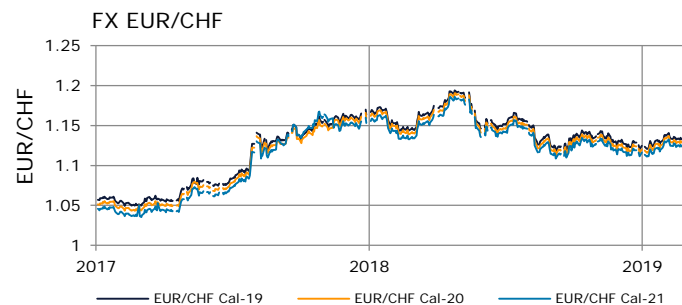
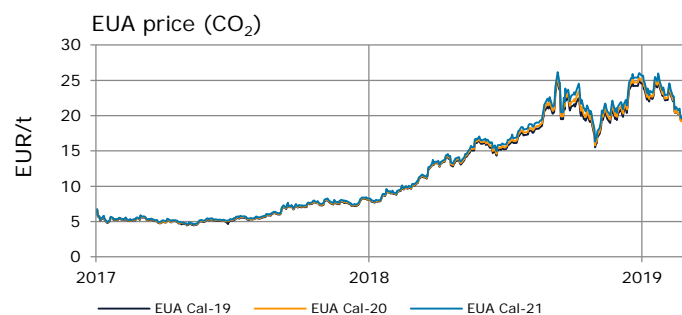
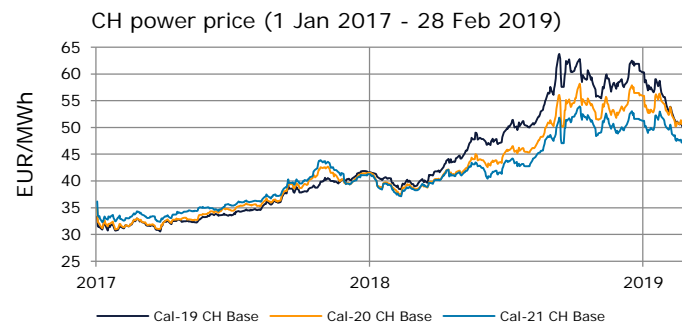
Financial strategy implemented further



Debt reduced, balance sheet strengthened

Alpiq will benefit from increased prices from 2020 onwards

Rising prices have a time-delayed positive effect on earnings



Wholesale prices

- Significant increase in electricity prices on the wholesale markets
- Average hedging rate: 2019: EUR 34/MWh
2020: EUR 39/MWh
2021: EUR 46/MWh

CO₂ prices

- Quadrupled since mid-2017
- More than doubled in 2018

EUR/CHF exchange rate

- Delayed positive currency effect
- Average hedging rate: 2019: EUR 1.08 /CHF
2020: EUR 1.169/CHF
2021: EUR 1.148/CHF



Swiss regulation makes it impossible to operate competitively

- Electricity market liberalisation stopped halfway
- Unique burden from water taxes unlike any other country
- Electricity agreement with the EU pending
- Nuclear power systematically made more expensive



European regulation distorts energy markets

- Massive subsidies give rise to the wrong price signals
- National initiatives create imbalance
- Phase-out of nuclear power and coal in Germany is causing bottlenecks

Alpiq business model well prepared for volatility





Megatrend: decentralisation

- Decentralisation causes grid instabilities
- Rising demand for flexible power production
- Alpiq well positioned across Europe with its highly flexible power plant portfolio



Megatrend: decarbonisation/denuclearisation

- Decarbonisation/denuclearisation results in fewer conventional power plants
- Trend towards electricity bottlenecks and increase in price peaks in Europe
- CO₂-free hydropower is the key to the energy future



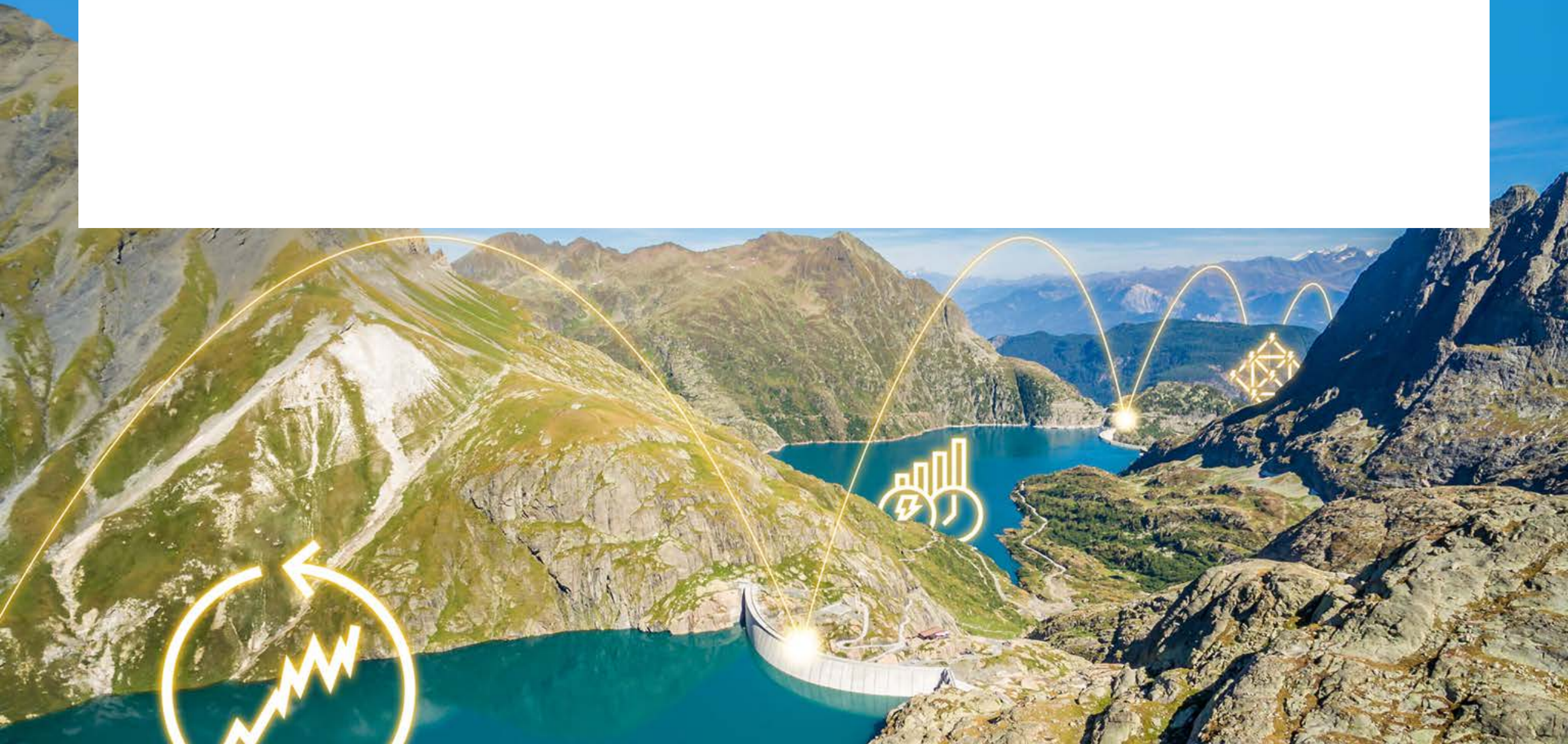
Megatrend: digitalisation

- Digitalisation turns the energy market upside down
- New business models developed from customers' point of view
- Alpiq well positioned as an early mover in the energy industry

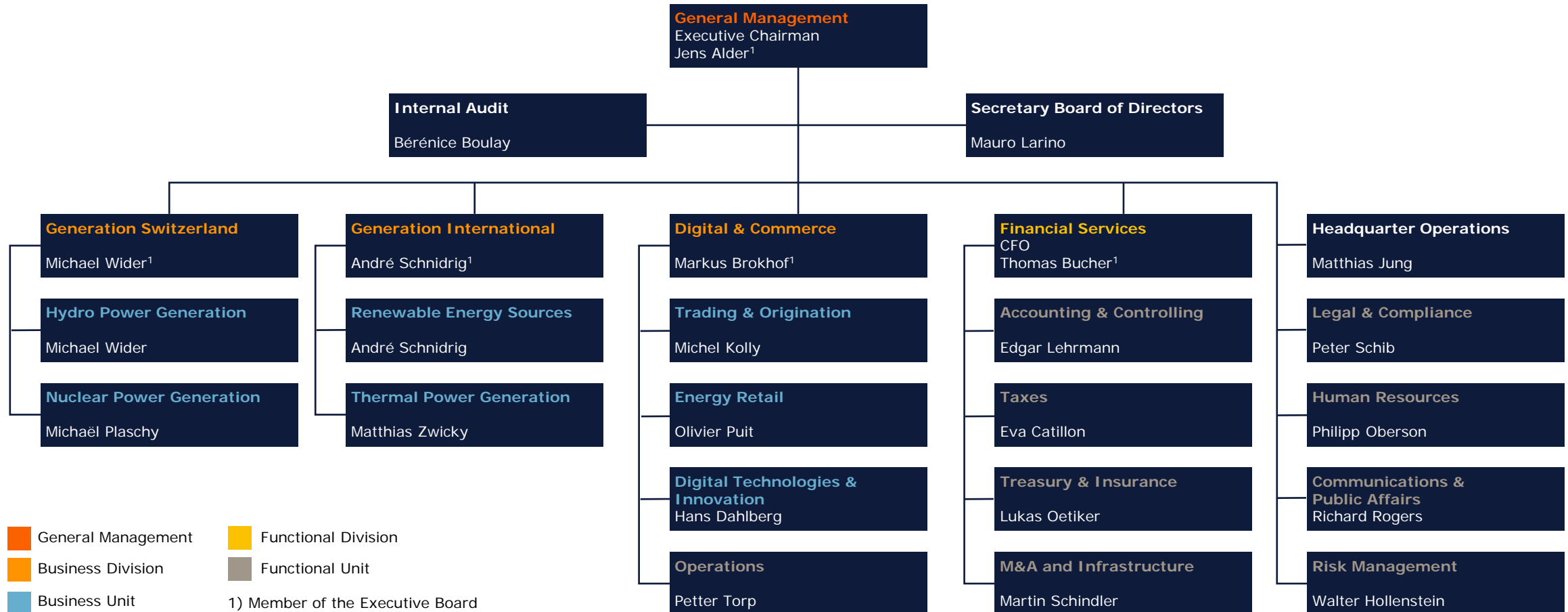


You ask. We answer.

ALPIQ



Organisation as at 1 January 2019



14 May 2019

Annual General Meeting of Alpiq Holding Ltd. in Olten

26 August 2019

Interim results 2019
Media Breakfast in Olten and Analyst Conference Call

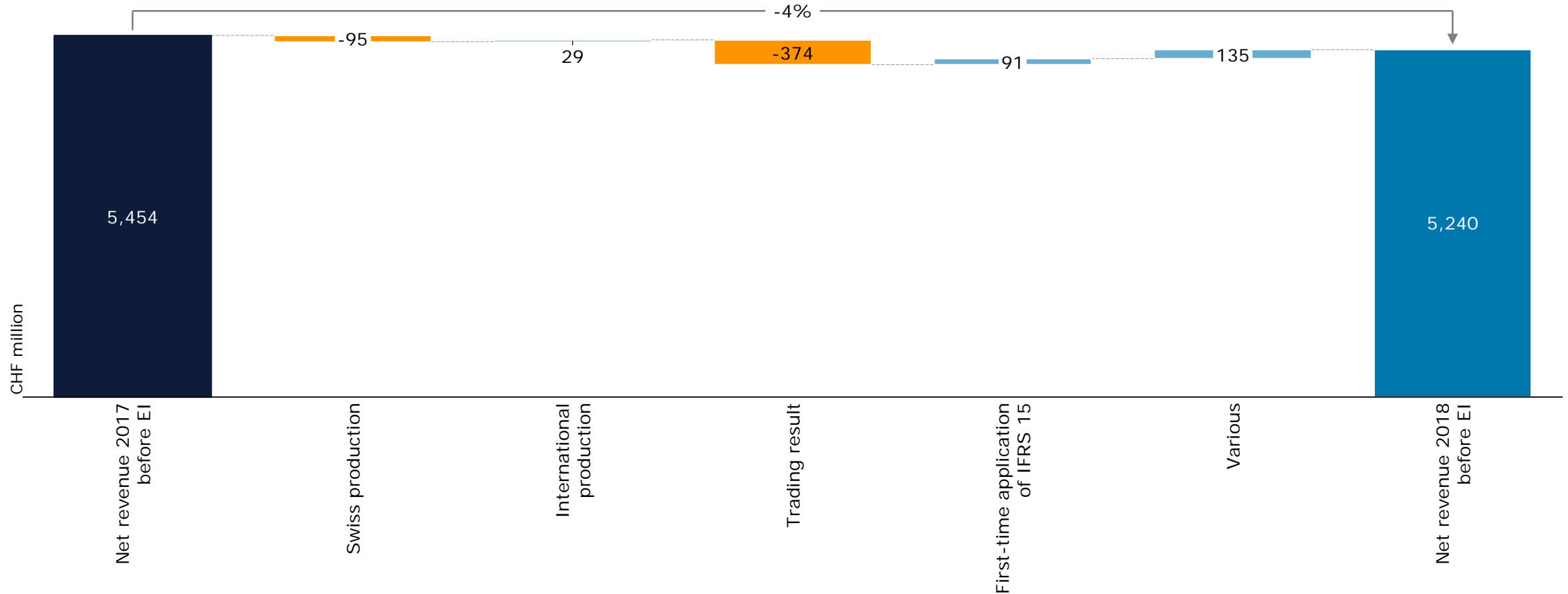
This communication contains, among other things, forward-looking statements and information. Such statements include, but are not limited to, statements regarding management objectives, business profit trends, profit margins, costs, returns on equity, risk management or the competitive environment, all of which are inherently speculative in nature. Terms such as "anticipate," "assume," "aim," "goals," "projects," "intend," "plan," "believe," "try," "estimate," and variations of such terms, and similar expressions have the purpose of clarifying forward-looking statements. These statements are based on our current estimates and assumptions, and are therefore to some extent subject to risks and uncertainties. Therefore, Alpiq's actual results may differ materially from, and substantially contradict, forward-looking statements made expressly or implicitly. Factors contributing to or likely to cause such divergent outcomes include, but are not limited to, the general economic situation, competition with other companies, the effects and risks of new technologies, the Company's ongoing capital needs, financing costs, delays in integrating mergers or acquisitions, changes in operating expenses, currency fluctuations, changes in the regulatory environment on the domestic and foreign energy markets, oil price and margin fluctuations for Alpiq products, attracting and retaining qualified employees, political risks in countries where the Company operates, changes in applicable law, the realisation of synergies and other factors mentioned in this communication.

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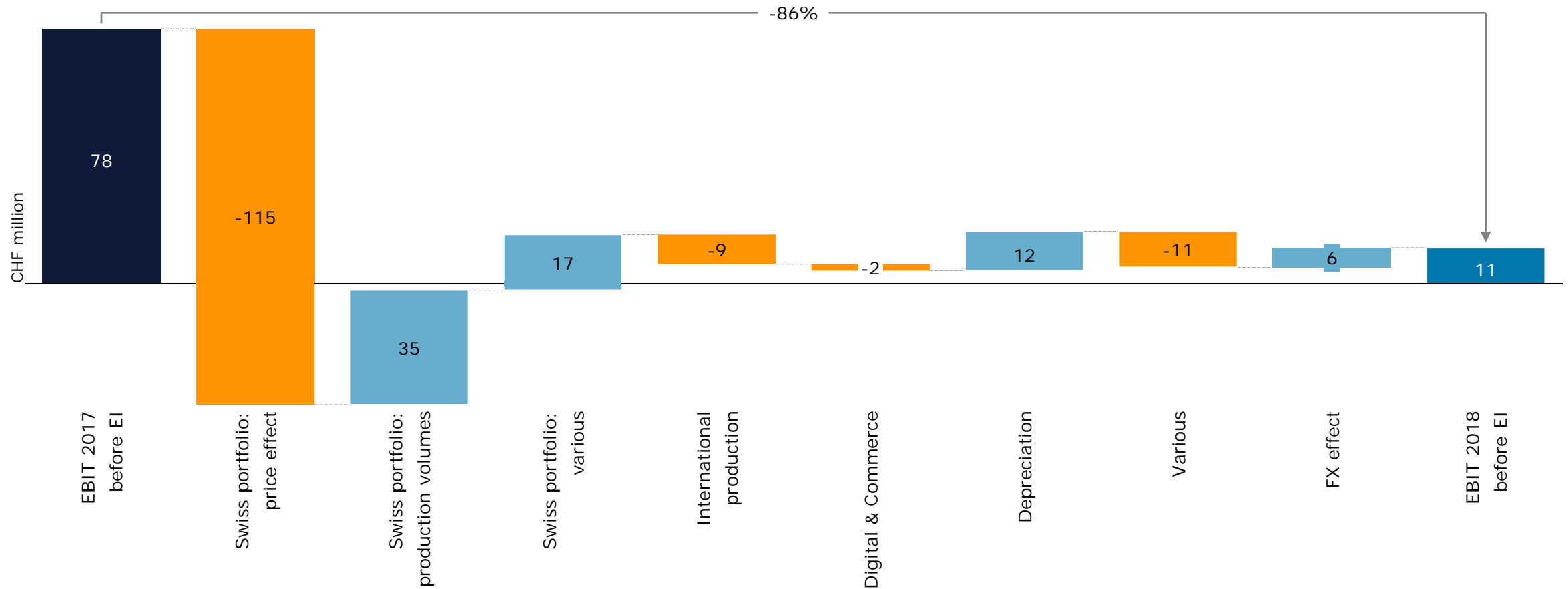
Development of net revenue before EI

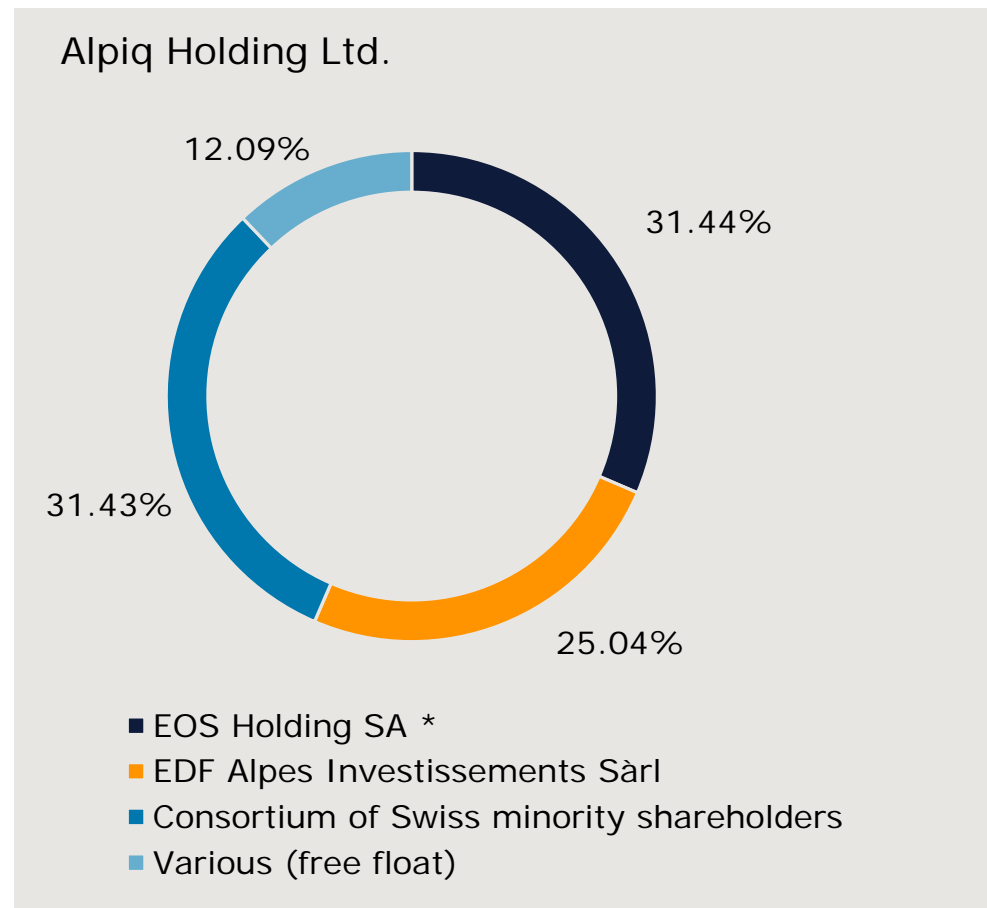
Continuing operations



Development of EBIT before EI

Continuing operations





Consortium of Swiss minority shareholders (shares in %)

EBM (Elektra Birseck Cooperative)	13.65
EBL (Elektra Baselland Cooperative)	7.13
Canton of Solothurn	5.61
Aziende Industriali di Lugano (AIL)	2.13
Eniwa Holding AG **	2.00
Wasserwerke Zug (WWZ)	0.91

- * Shareholders of EOS Holding SA:
- Romande Energie (29.71 %)
 - Services Industriels de Genève – SIG (20.39 %)
 - Groupe E (23.09 %)
 - City of Lausanne (20.74 %)
 - Forces Motrices Valaisannes – FMV (6.07 %)

** formerly IBAarau