

# Analyst Call 2015

**ALPIQ**

Alpiq maintains its operating position within a demanding environment

Olten, 28 August 2015



# Agenda

ALPIQ

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Key points

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Operative performance, H1 2015

3

Financial results, H1 2015 & outlook

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Group transformation

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Questions & answers

# Group transformation rigorously pursued



- Low wholesale prices
- Strong Swiss franc



- Operating position maintained
- Decline in results slowed



- Competitiveness improved
- CHF 100 million programme of cost reductions confirmed



- Active balance sheet management
- Net debt substantially reduced by CHF 0.5 billion



- Focus on rescuing the Swiss hydropower industry
- Targeted investments in Energy Services



- Demanding market environment to persist
- Additional structural measures are being examined

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## Generation

- Switzerland: More electricity, lower prices
- International: Earnings up year-on-year on a currency-adjusted basis
- New renewable energies: Higher power generation thanks to improved wind conditions



## Commerce & Trading

- Origination and gas business expanded in Europe
- 24/7 trading: Portfolio extended with addition of new renewable energies
- Electricity trading in Eastern/South-East Europe: Alpiq defends its position as the number 1



## Energy Services

- Order book position improved
- World-wide urbanisation leads to higher demand in transport technology
- Large-scale orders gained in the power plant business; further diversification into the industrial sector

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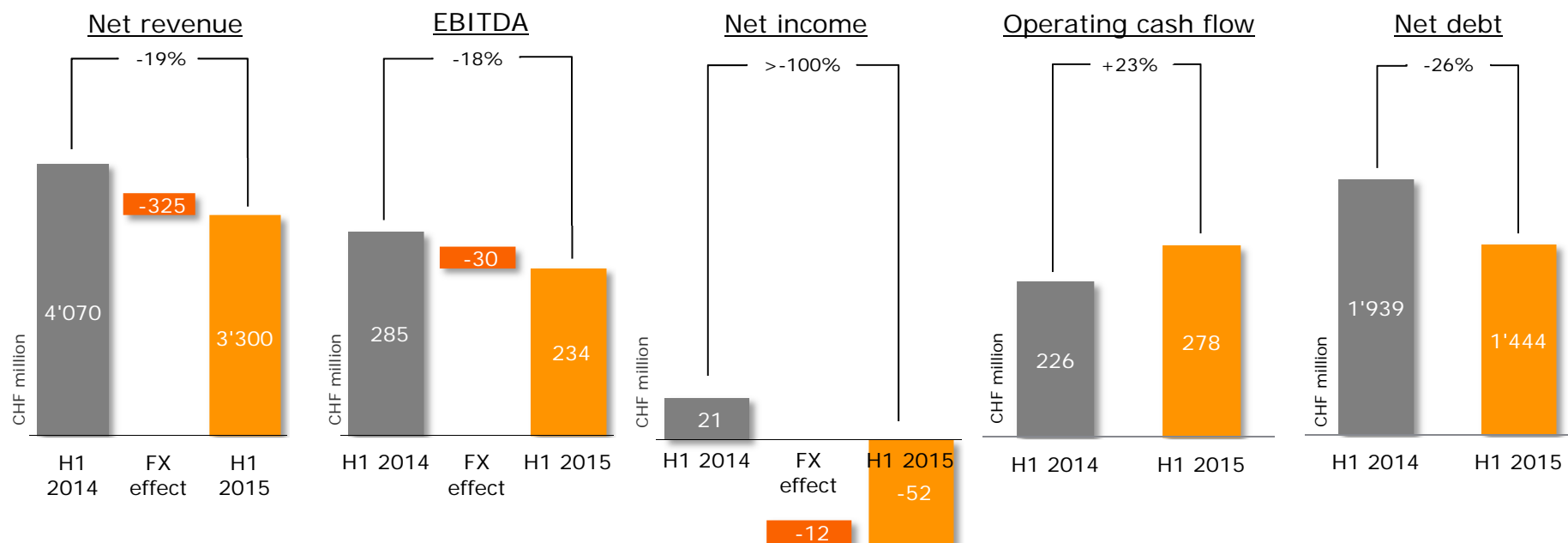
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Questions & answers

# H1 2015: Appealing operating result despite a difficult environment

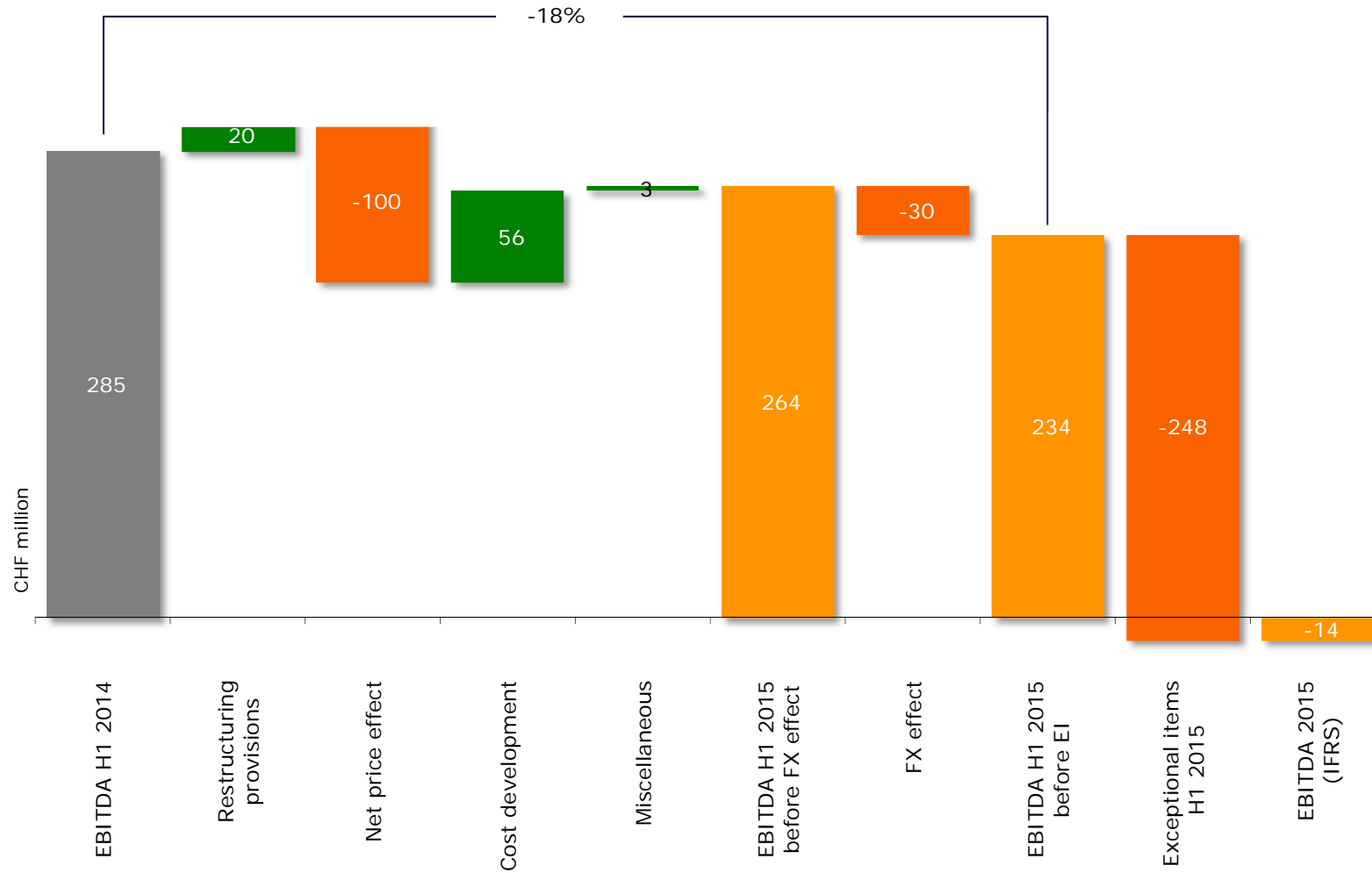


- The low wholesale prices and the strong Swiss franc weigh on results
- Operating EBITDA comes in at CHF 234 million, which is CHF 51 million down year-on-year (CHF 30 million of this is FX effect)
- Net income is at CHF -52 million, a figure which is CHF 73 million down due to the strength of the Swiss franc, the one-time charge for the bond repurchase, the interest rate environment, and the temporarily poor performance of the nuclear funds
- The cash flow from operating activities amounts to CHF 278 million, which is CHF 52 million up year-on-year
- Net debt is at CHF 1,444 million, having been reduced by CHF 495 million through net working capital management and successful divestments

# Development of EBITDA (y/y)



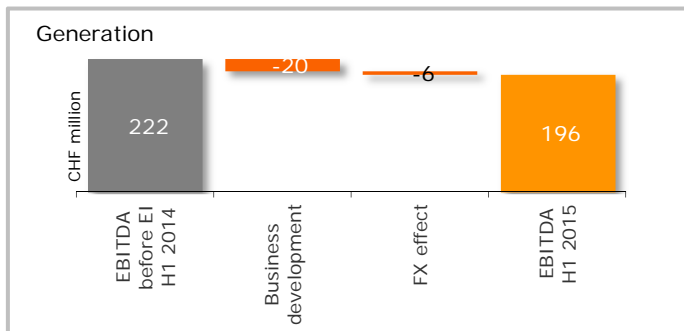
Stringent cost management is having a positive impact



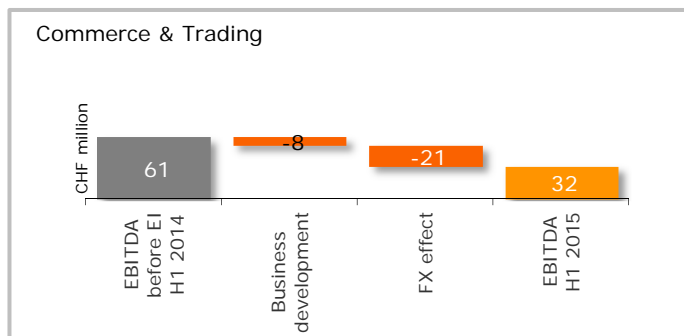


# EBITDA development in the divisions before EI

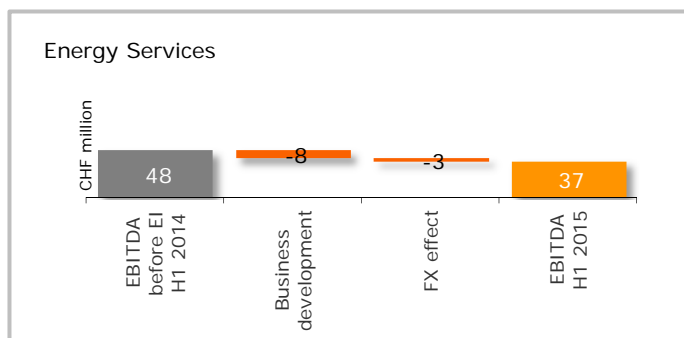
## Energy Services is investing in growth segments



- Price-induced year-on-year decline of Swiss power plants
- Positive volume effect from hydraulic power generation
- Renewable Energy Sources (RES) benefits from good wind conditions
- International electricity generation business, adjusted for FX effects, is slightly up year-on-year
- Relentless focus on cost is having a positive impact



- The strong Swiss franc has a negative impact on short term optimisation
- Growing competition in the system services markets puts pressure on international power plant optimisation
- Wholesale business in Central and Eastern Europe is up year-on-year despite FX effects
- International origination and gas business is being expanded further



- Incoming orders are up year-on-year
- Negative one-time effects at Alpiq InTec owing to employee pension costs (IAS 19) and costs for the reorganisation in Facility Management
- Investment reticence in conventional power plant technology continues to burden the result of the Kraftanlagen Group
- Significant orders gained in the service business with the industrial sector

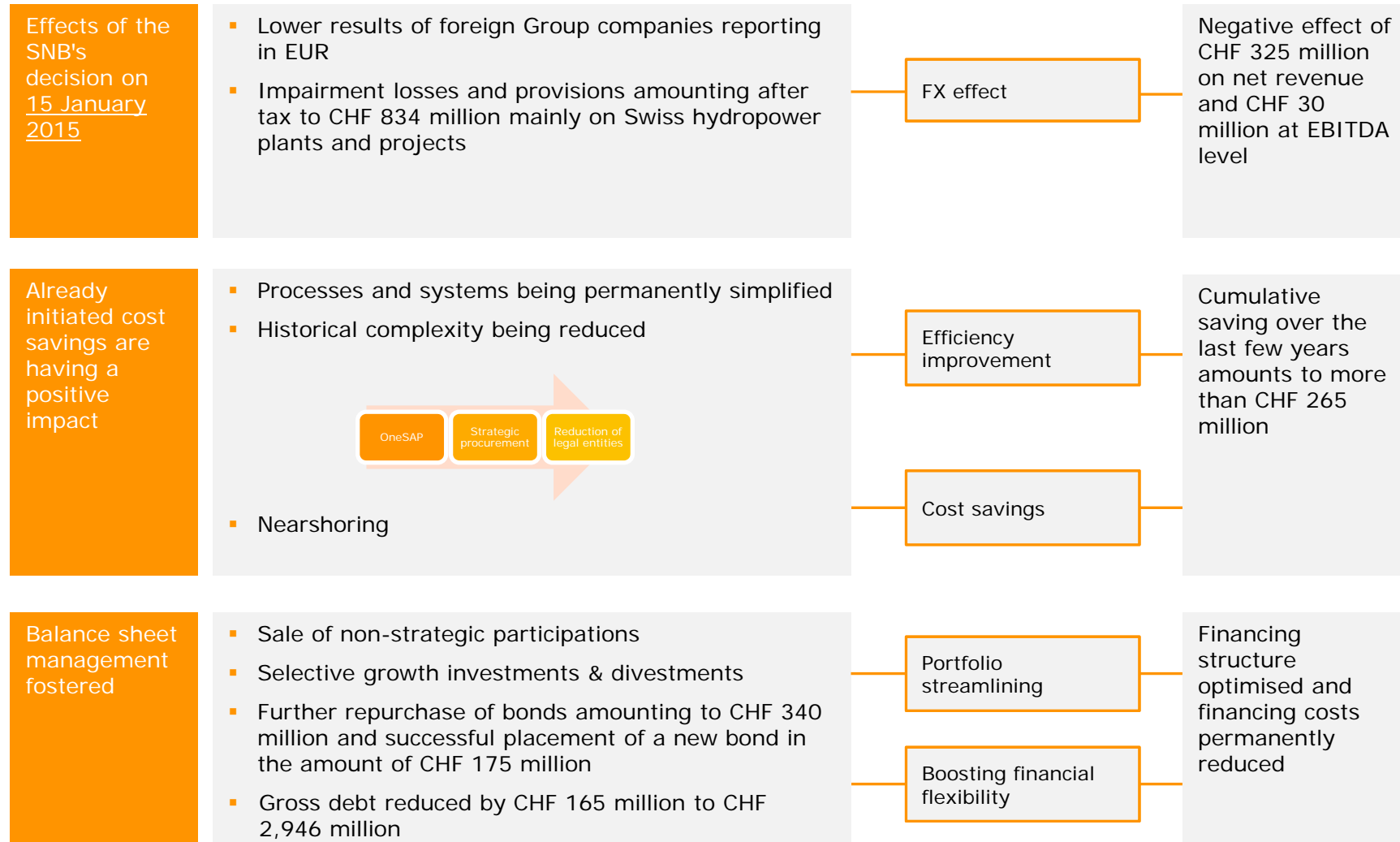
# Allocation of IFRS impairment losses and provisions

CHF million	Total
Power generation Switzerland	728
Power generation International	16
<b>Total impairment losses for assets</b>	<b>744</b>
Provision for loss-making contracts	254
Liabilities for purchase and supply contracts	-6
<b>Total impairment losses and provisions</b>	<b>992</b>
Taxes	158
<b>Total impairment losses and provisions</b>	<b>834</b>

- After the Swiss National Bank (SNB) discontinued the minimum euro exchange rate, impairment losses were recognised and provisions were formed on the following assets:
- Power generation Switzerland:
  - Hydropower plants and projects
- Power generation International:
  - Gas combined power plants in Italy and Hungary

# Effects of the SNB's decision

## Stringent cost and balance sheet management continued



# Bond repurchase & new issue

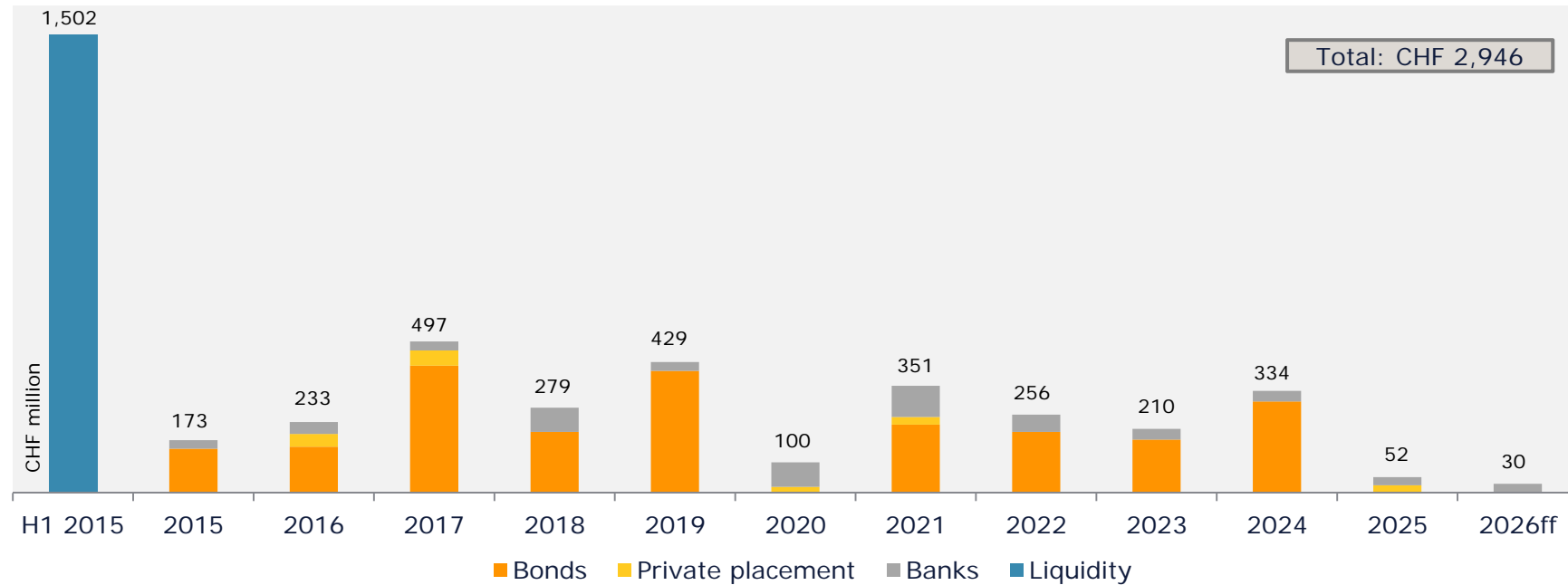
## Debt portfolio successfully optimised



- Successful repurchase of bonds with maturities in 2016 to 2019 amounting to CHF 340 million
- Offer to repurchase was limited to a maximum nominal value of CHF 450 million and affected six bonds with maturities in 2016 to 2019 at a nominal value of CHF 1,379 billion
- Alpiq thereby reduced its gross debt, reduced its balance sheet total and improved the maturity profile
- It successfully placed a new bond with a nominal value of CHF 175 million with an eight-year duration and a coupon of 2.125 percent

# Maturity profile permanently improved

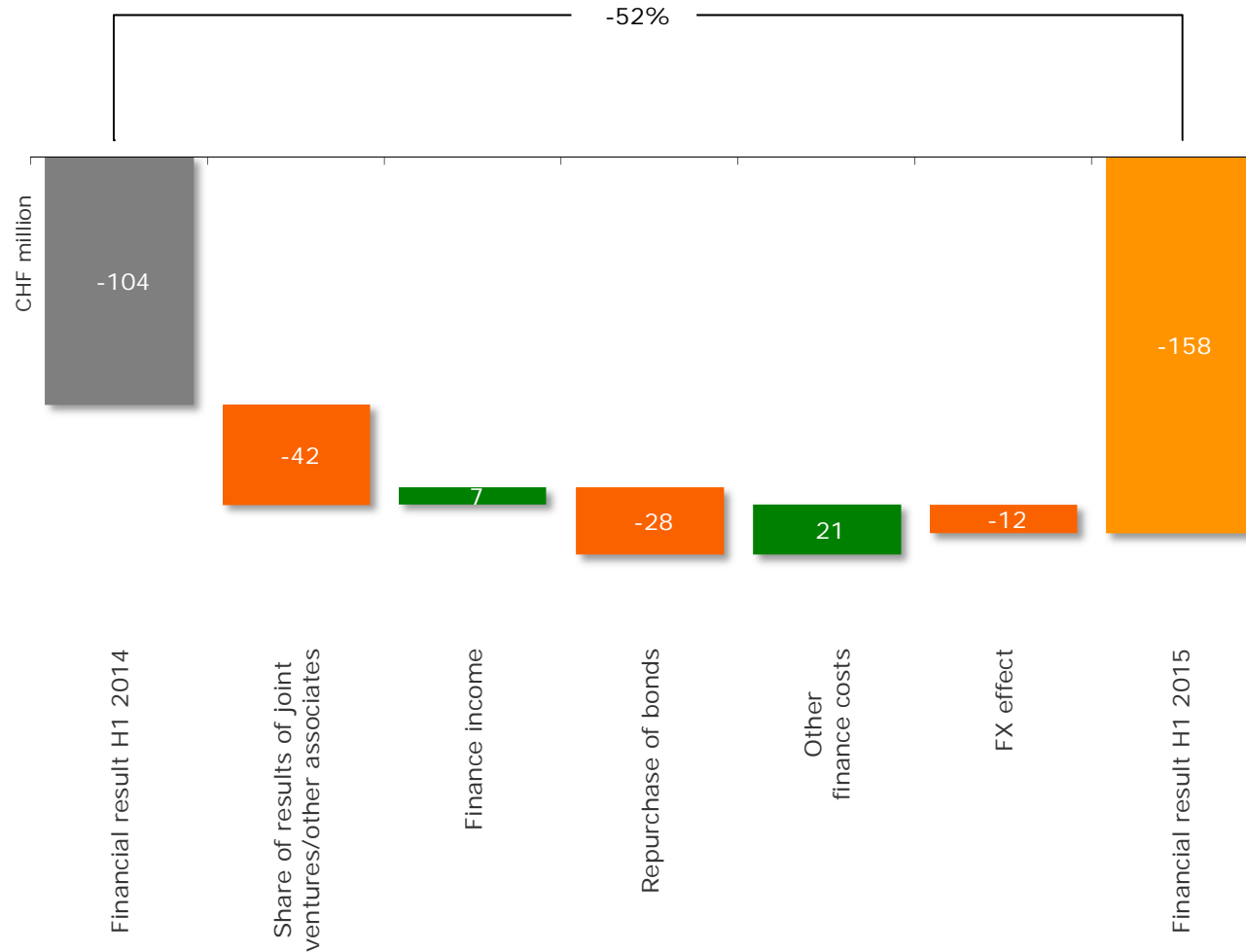
## Status as of 30 June 2015



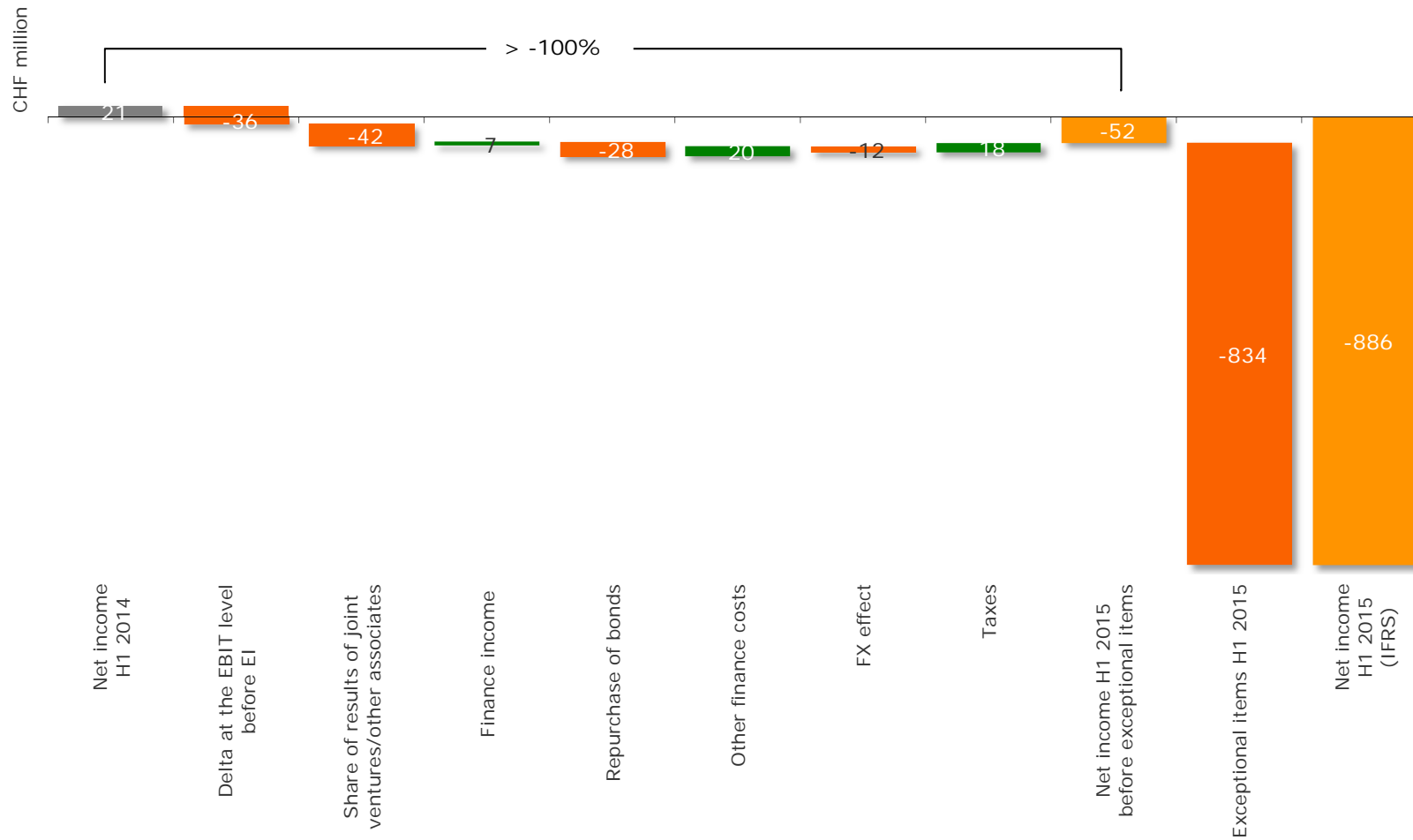
- Maturity profile permanently improved thanks to the repurchase of bonds with maturities in 2016 to 2019 amounting to CHF 340 million
- Duration extended from 4.5 to 4.8 years
- The maturities are matched with sound liquidity of around CHF 1.5 billion
- Successful placement of a new bond in the amount of CHF 175 million with a duration of eight years
- Permanent improvement of the financing profile and the maturity structure

# Development of financial result (y/y)

## Financial result negatively affected by one-time effects

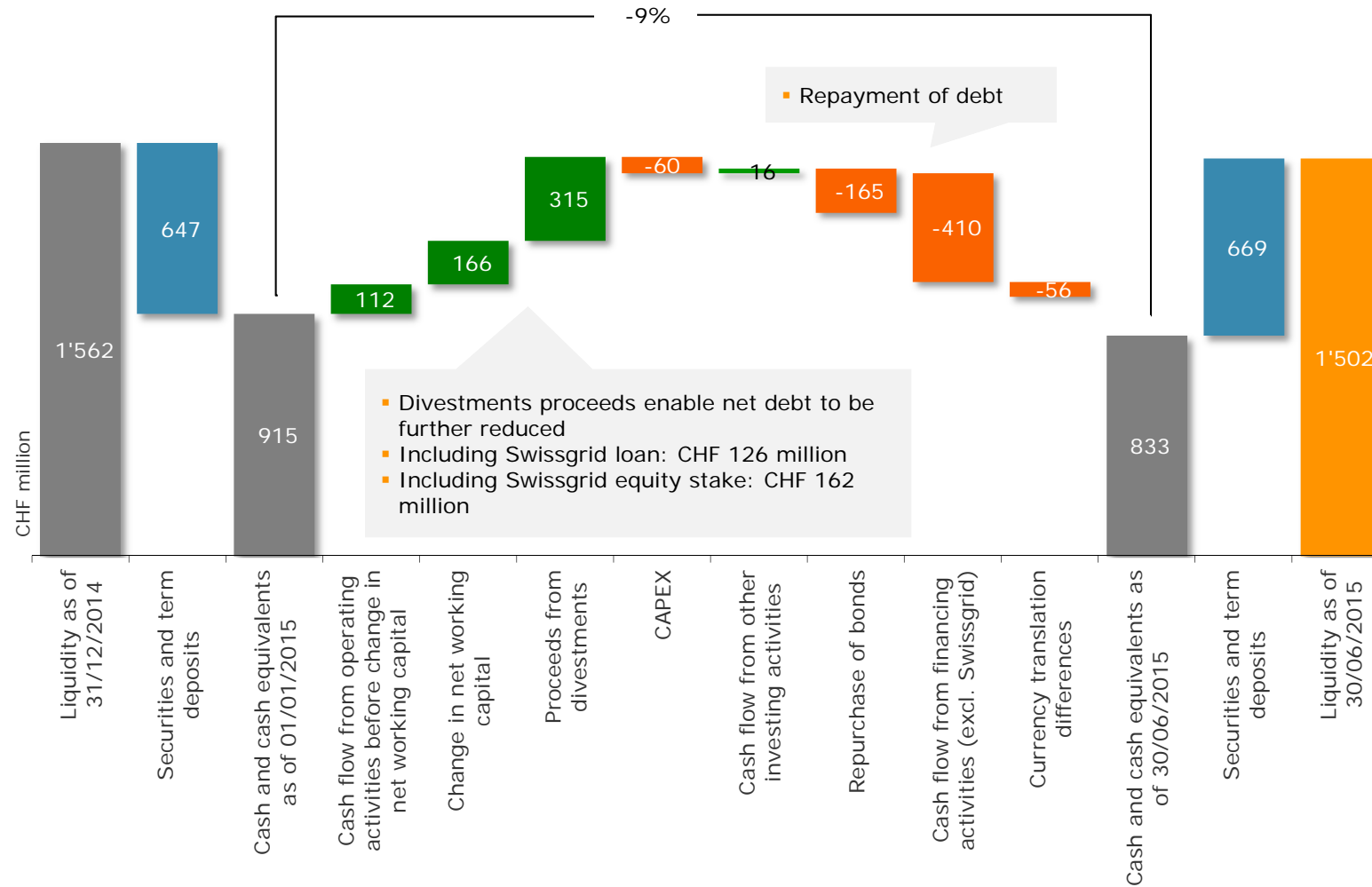


# Development of net income (y/y)



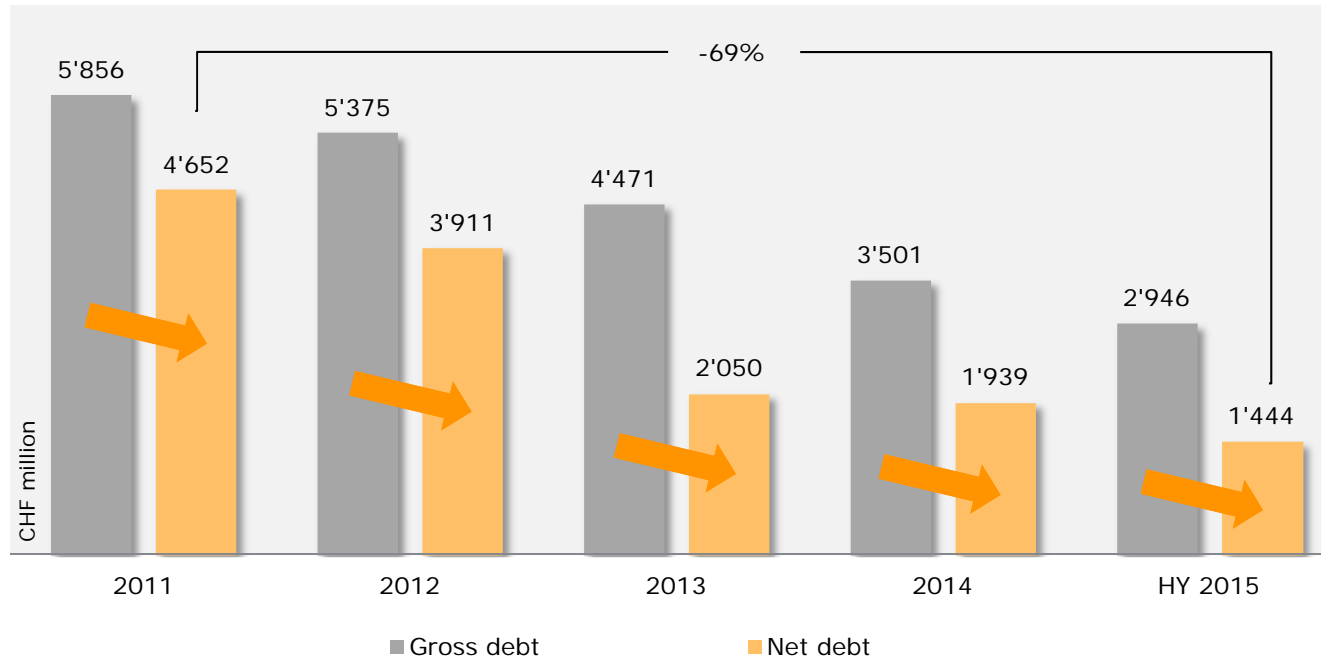
# Statement of cash flows

## Active balance sheet management





# Continuous improvement of the debt situation



- Gross debt reduced by CHF 165 million owing to bond repurchase
- Sound liquidity of around CHF 1.5 billion
- Net debt further reduced by CHF 495 million
- Net debt/EBITDA before exceptional items is at a stable 2.6x

# Balance sheet

## Liquidity remains at a sound level



CHF million	30/06/2015	31/12/2014	Y/Y deviation (%)
Cash and cash equivalents (incl. securities and term deposits)	1,502	1,562	-4%
Other current assets	1,861	2,343	-21%
Property, plant and equipment	3,142	3,684	-15%
Other non-current finan. assets	3,361	3,791	-11%
Assets held for sale	345	481	-28%
<b>Total assets</b>	<b>10,211</b>	<b>11,861</b>	<b>-14%</b>
Equity and liabilities	3,806	4,712	-19%
Borrowings	2,946	3,501	-16%
Other liabilities	3,459	3,646	-5%
Liabilities held for sale	0	2	-100%
<b>Total equity and liabilities</b>	<b>10,211</b>	<b>11,861</b>	<b>-14%</b>
<b>Net debt</b>	<b>1,444</b>	<b>1,939</b>	<b>-26%</b>
<b>Equity ratio</b>	<b>37.3%</b>	<b>39.7%</b>	<b>-6%</b>

- **Current assets** 14% lower year-on-year
- Early repayment of **bonds** and new issue
- Change in **equity** owing to
  - Impairment losses (CHF -834 million)
  - Dividend distribution 2015 (CHF -7 million)
  - Interest paid to hybrid investors (CHF -18 million)
  - IAS 19 (-21 CHF million)
  - Assets held for sale in 2015: Swissgrid participation, Swissgrid loan and non-strategic minority interests
- Equity ratio stable despite impairment losses

# Guidance 2015

## Demanding market environment to persist

### Market environment

- Wholesale prices at a low level
- Volatile FX situation
- Uncertain regulatory environment



### Alpiq's answer

- Cost management: Rigorously continued
- Net debt: Further reductions
- Energy Services: Targeted investments and partnerships
- Additional structural measures are being examined



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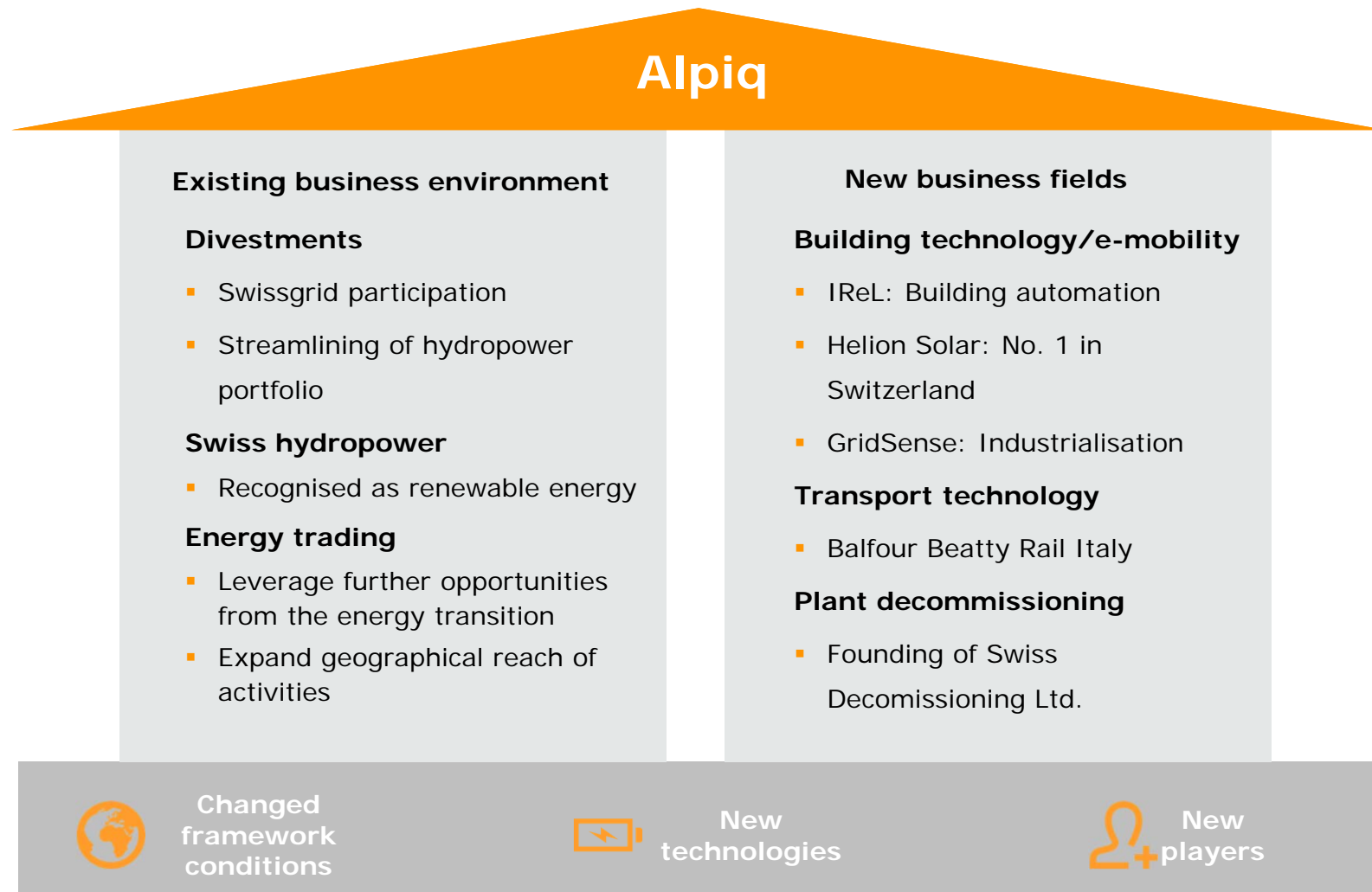
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Group transformation

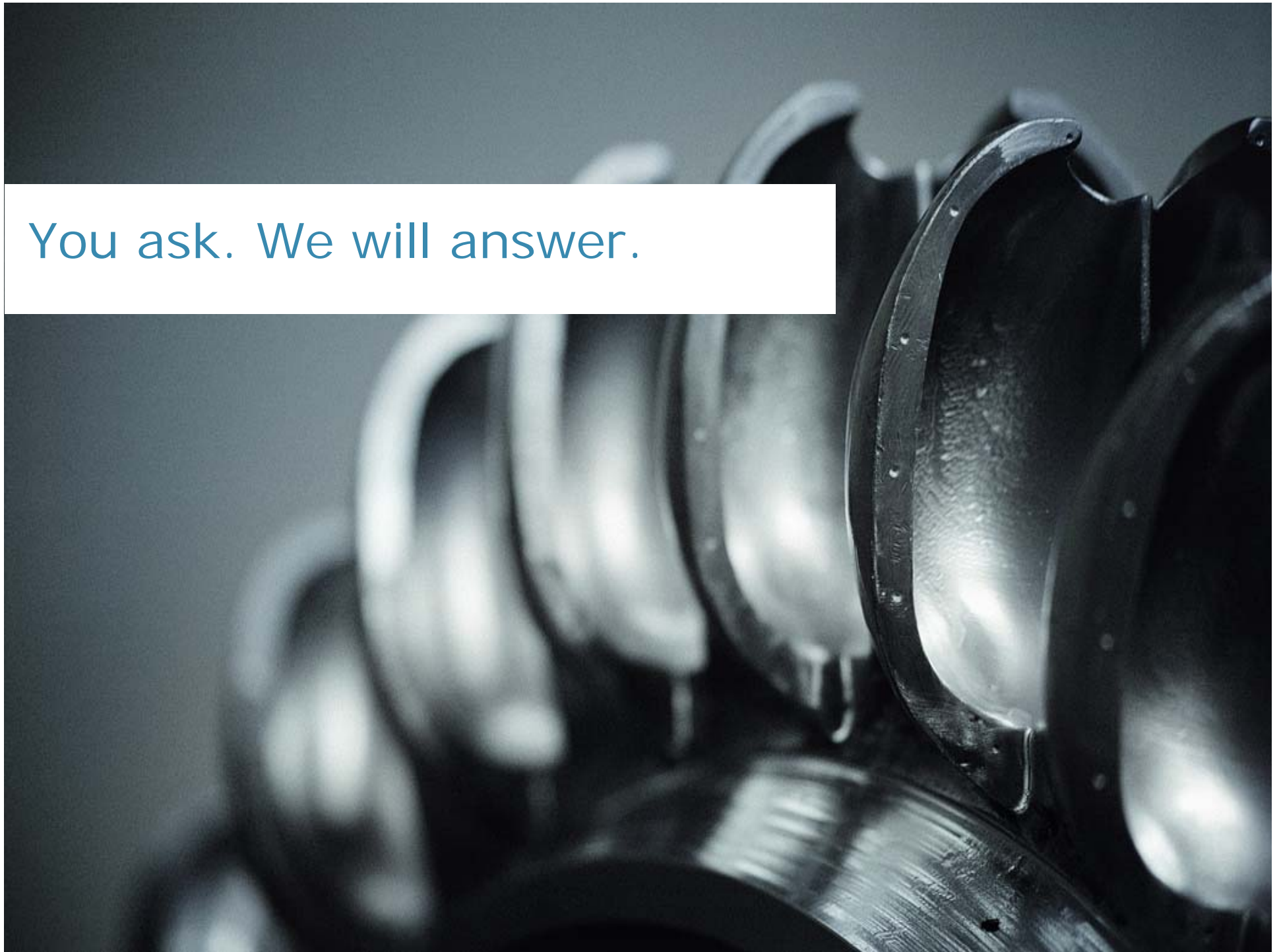
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Questions & answers

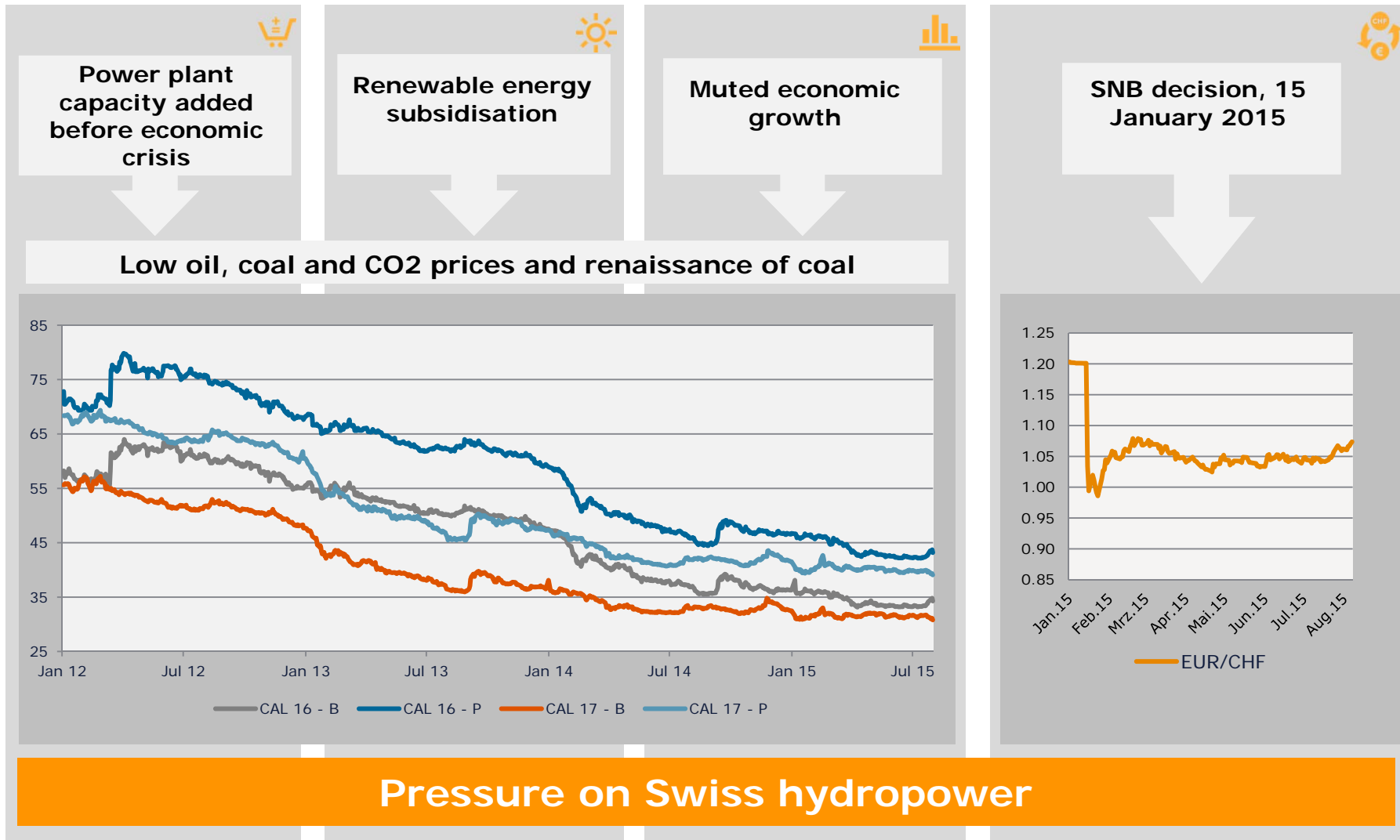
# From a capital-intensive power producer to an energy service provider with innovative full-service solutions



You ask. We will answer.



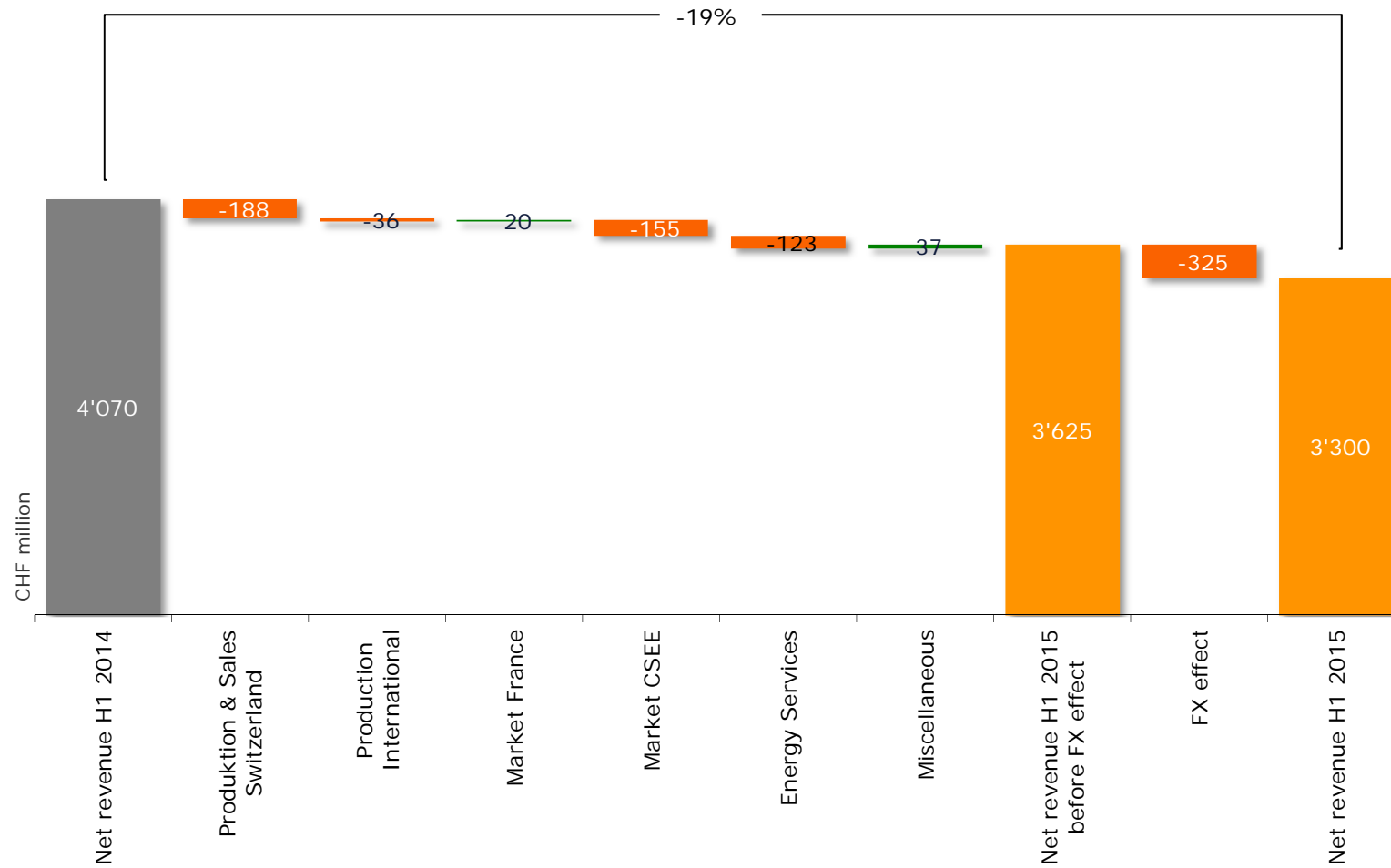
# The market remains challenging



# Development of net revenue (y/y)

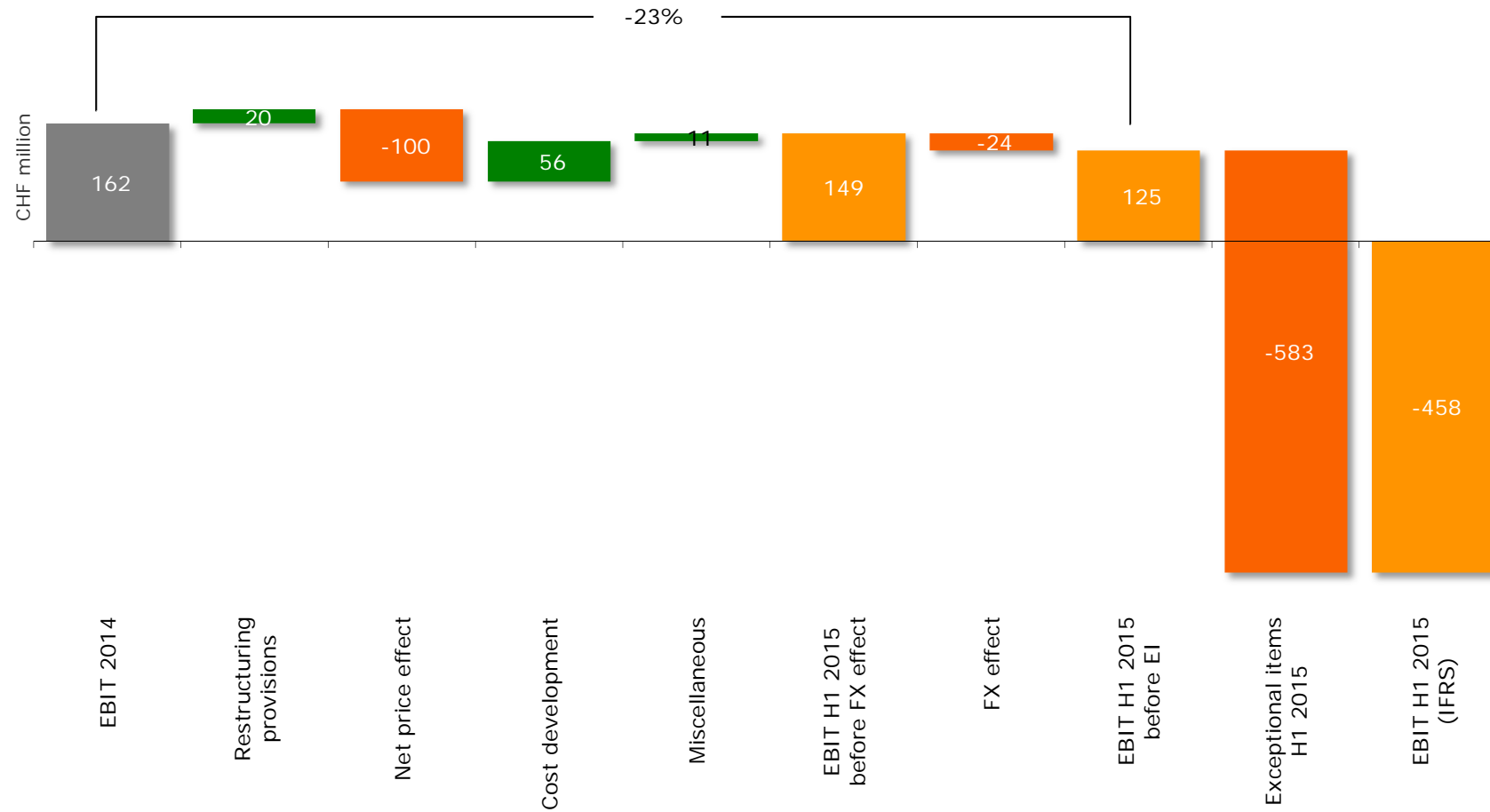


The reduced net revenue reflects the low wholesale prices

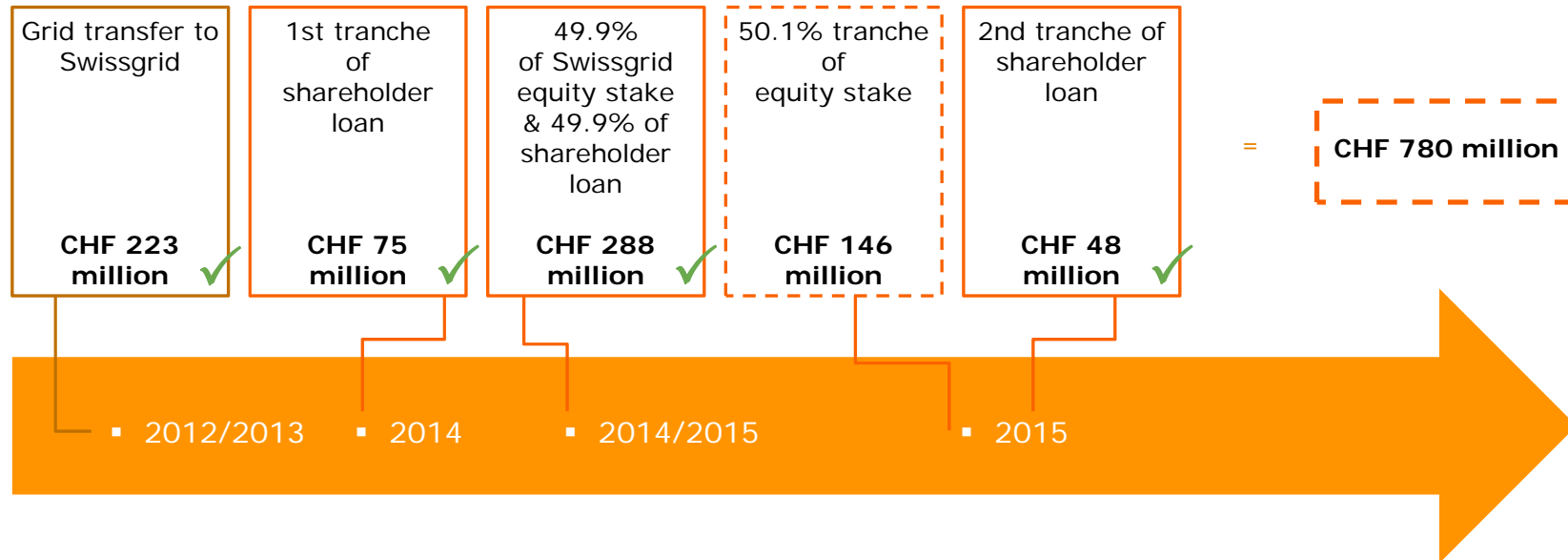




# Development of EBIT (y/y)



# Important milestones achieved in the process of selling the Swissgrid participation



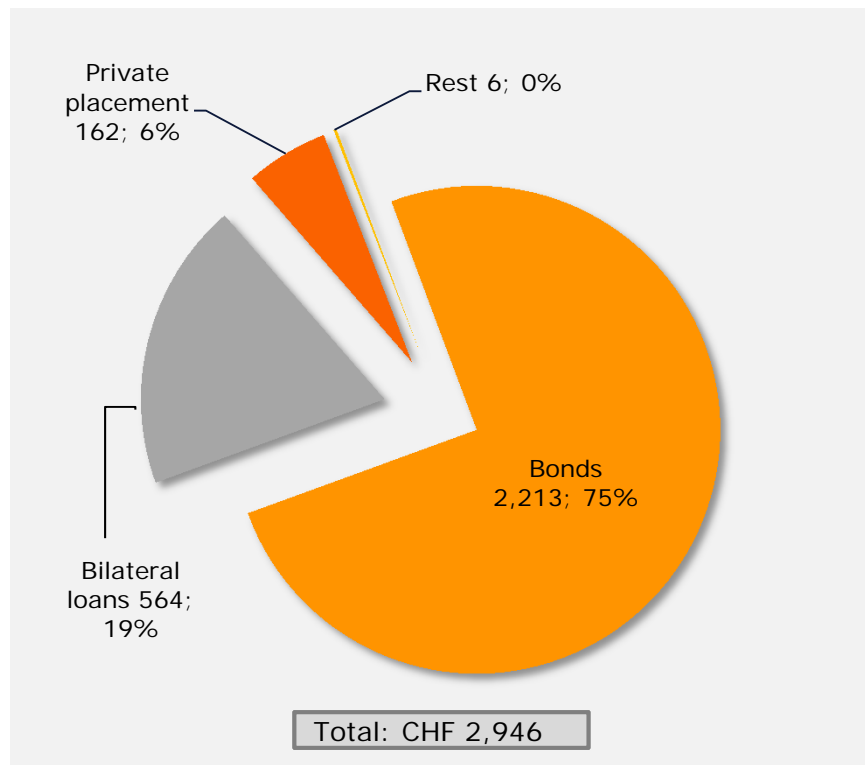
- Non-strategic participation
- Proceeds of the sale will mostly be used for the further reduction of net debt
- Total proceeds of 780 CHF million expected from the divestment
- Basis for targeted investments in the future



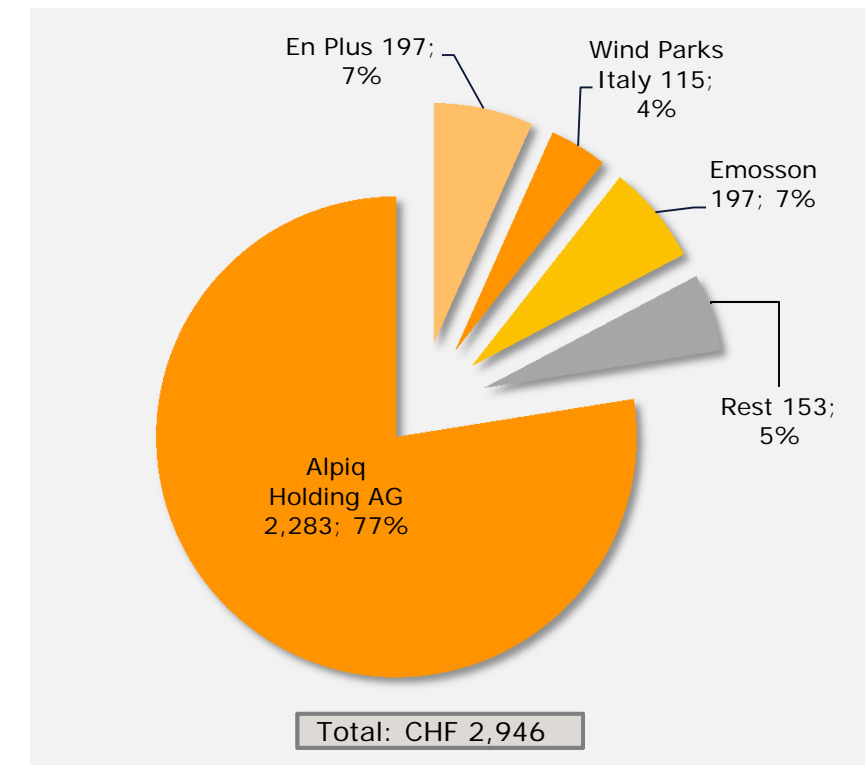
# Sustainable reduction in average interest

## Financing mix as of 30 June 2015

Instruments (CHF million)

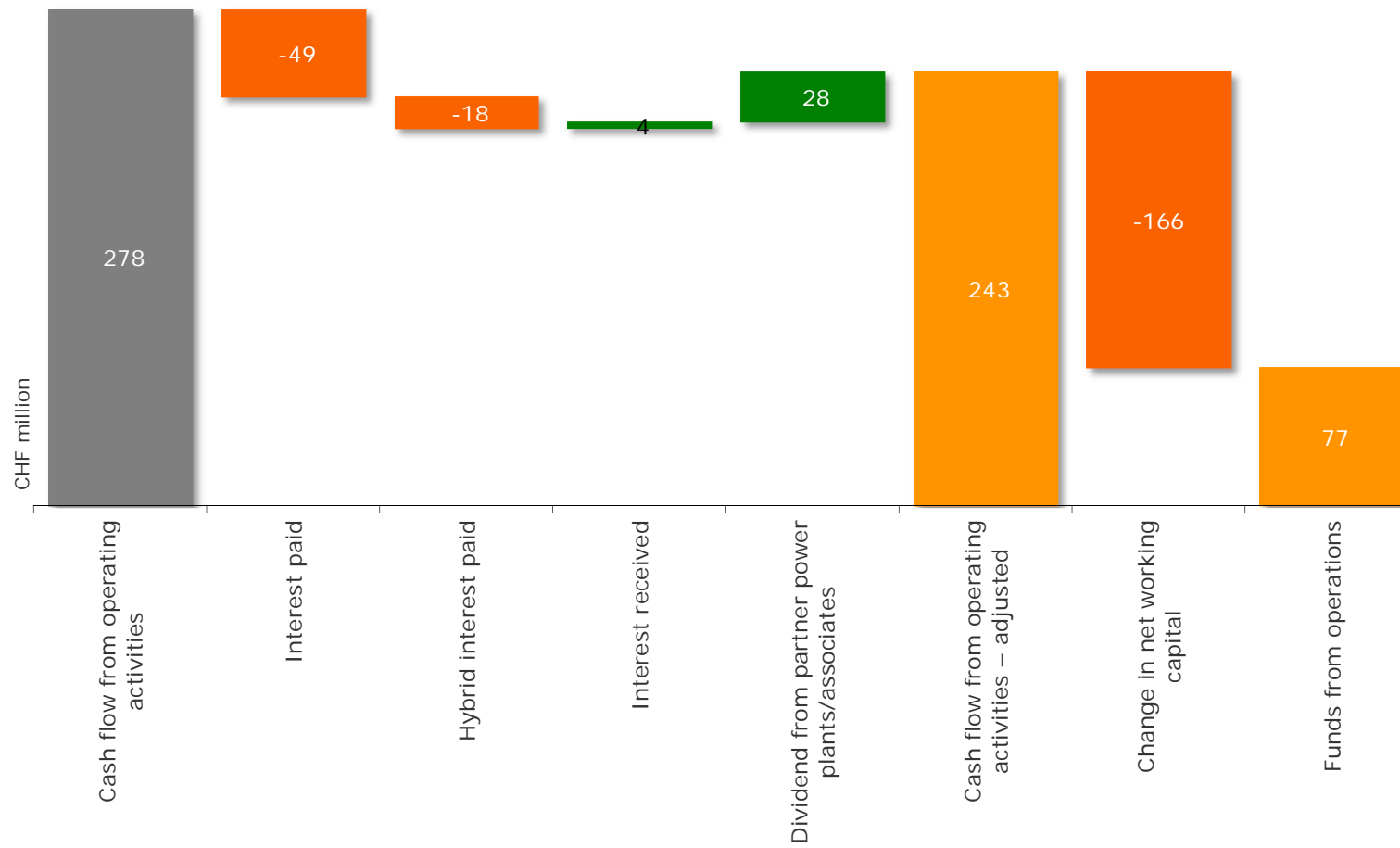


Financing (CHF million)

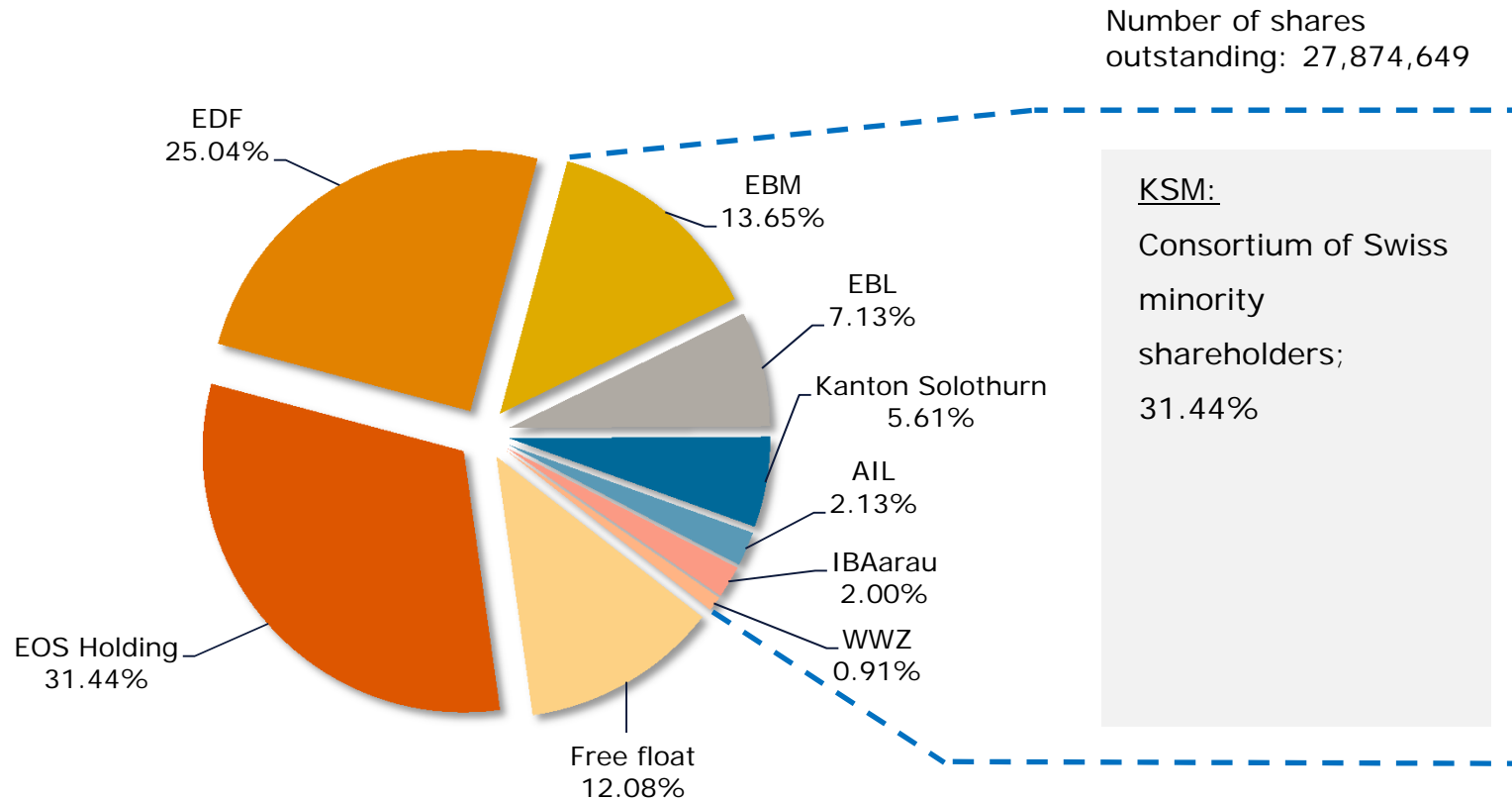


- Bonds account for around three quarters of debt outstanding
- 80% of borrowings accounted for by Alpiq Holding AG
- Average interest within the Group of 2.57%

# Funds from operations H1 2015



# Shareholder structure as of 30 June 2015



# Management & divisional organisation as of August 2015



- General Management
- Business Division
- Business Unit
- Functional Division
- Functional Unit

<sup>1</sup> From 1 October 2015

# Financial calendar



9 March 2015	Annual Financial Results 2014 Annual Media Conference & Financial Analysts Conference
30 April 2015	Annual General Meeting of Alpiq Holding AG
28 August 2015	Interim Results 2015 Media Breakfast and Analyst Conference Call
7 March 2016	Annual Financial Results 2015 Annual Media Conference & Financial Analysts Conference
28 April 2016	Annual General Meeting of Alpiq Holding AG

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