

Media release
26 March 2018

European business supports Swiss production

- **Alpiq increases net revenue to CHF 7.2 billion**
- **EBITDA before exceptional items of CHF 301 million**
- **Net debt reduced further from CHF 0.9 billion to CHF 0.7 billion**
- **Liquidity of CHF 1.4 billion at sound level**
- **Successful divestment of the industrial business to Bouygues Construction for CHF 850 million creates significant added value and strengthens the Alpiq Group's core business**
- **No more net debt thanks to incoming proceeds**
- **EBITDA of continuing operations before exceptional items amounts to CHF 245 million**
- **2018 remains challenging; recovery on the horizon in the medium to long term**

Lausanne – In the 2017 financial year, the Alpiq Group generated net revenue of CHF 7.2 billion (2016: CHF 6.1 billion) and EBITDA before exceptional items of CHF 301 million (2016: CHF 395 million). The main drivers of net revenue are higher transaction volumes in the trading and sales business. As expected, the main reasons behind the lower EBITDA before exceptional items compared to the previous year are negative currency effects. These resulted from expiring hedges concluded before the decision was taken by the Swiss National Bank to abolish the minimum EUR exchange rate which had a negative effect with a time lapse. Furthermore, there were unscheduled downtimes at the Leibstadt nuclear power plant. The persistently low wholesale prices also put Alpiq's Swiss power production on the market under significant pressure.

International energy business generates more than 60 % of earnings

International energy trading, the customer business, power production from flexible power plants in Europe and new renewable energies made significantly positive contributions to earnings. Furthermore, the decrease in earnings was countered by stringent cost management.

Financial result up on previous year

The financial result is up on the previous year thanks to the lower interest charge due to the reduced financial liabilities as well as positive currency effects. Net income before exceptional items amounts to CHF -33 million (2016: CHF 115 million).

Net debt reduced further – liquidity at sound level

Net debt as at 31 December 2017 was reduced further to CHF 0.7 billion thanks to systematically continued capital management measures (as at 31 December 2016: CHF 0.9 billion). The company also still has sound liquidity of CHF 1.4 billion (as at 31 December 2016: CHF 1.5 billion). The equity ratio amounted to a solid 38.9 % (as at 31 December 2016: 38.8 %).

Generation Switzerland: business impacted by external factors

Despite stringent cost management, the Generation Switzerland business division's earnings are significantly down on the previous year. This is attributable to the following three external factors: currency effects with a time lapse, unscheduled downtimes at the Leibstadt nuclear power plant and persistently low wholesale prices that are putting Alpiq's Swiss power production on the market under significant pressure. Alpiq systematically hedges its power production against price and currency fluctuations for future periods in advance on a rolling two- to three-year basis on average. This means that the consequences of the decision of the Swiss National Bank in January 2015 to discontinue the minimum EUR exchange rate have negatively affected earnings in comparison with the previous year with a time lapse, as expected.

Digital & Commerce: strong performance

The result of the Digital & Commerce business division exceeded the previous year. This chiefly stems from successful international energy trading in Europe as well as the ongoing development of the customer business with structured products. In the area of digitalisation, Alpiq implemented solutions to increase the efficiency of its own core business and developed new products and services for its European customers, in particular in the areas of e-mobility, smart grids, demand response services as well as flexibility services in energy trading. Alpiq is the number one for digitalisation in the Swiss energy industry and will also tap the potential of the growth market of self-learning algorithms outside of Switzerland.

Industrial Engineering: significant contributions from thermal production and regulated, new renewable energies

The Industrial Engineering business division's thermal power plant portfolio and the production from new renewable energies made the biggest contribution to the Alpiq Group's results of operations. The Kraftanlagen Group closed the year slightly down on the previous year. It was able to further reinforce and expand its position as a partner for dismantling nuclear power plants and industrial services.

Building Technology & Design: strong order intake

The Building Technology & Design business division recorded stable results of operations, reporting growth in both revenue and order intake. As the market leader for building technology in Switzerland, Alpiq provides its customers with sustainable and fully integrated end-to-end digital solutions for buildings and plants on a one-stop shop basis. In transportation technology, Alpiq acquired Lundy Projects Ltd., a specialist company for overhead line and signal structures in the UK. This acquisition promoted Alpiq to the number one position for overhead line technology in Europe.

Alpiq splits off industrial business

Alpiq is splitting off the industrial business, creating significant added value for the Group and thus strengthening its core business. In connection with this, Alpiq has signed an agreement with Bouygues Construction, based in Guyancourt (France), on 25 March 2018 on the sale of the Engineering Services business, which comprises InTec and the Kraftanlagen Group, for CHF 850 million. Closing is expected in the second half of 2018. The sale is subject to customary conditions including the approval by the relevant antitrust authorities in the EU and Switzerland. The incoming proceeds will make the Alpiq Group net debt-free.

There are two main reasons for the transaction: firstly, the challenging situation of Swiss production on the free market means that Alpiq currently does not have the funds to enhance the Engineering Services business and thus to strengthen its number one position in various markets. Alpiq is therefore no longer the right owner for the Engineering Services business with its operations in the industrial market. Secondly, the transaction allows Alpiq to create significant added value for the Group and thus strengthen its core business. The transaction also opens up new prospects for 7,650 employees (4,000 employees and 420 apprentices of which are in Switzerland).

Focus on core business

This divestment makes Alpiq fit for the future and allows it to focus on its core business, which comprises power production in Switzerland as well as international activities consisting of the flexible, diversified power plant portfolio, the new renewable energies and

the strong market presence in energy trading. In addition, Alpiq intends to increase efficiency by making its core business more digital and systematically enhancing its customer portfolio with smart solutions, also outside of Switzerland.

EBITDA of continuing operations before exceptional items, which comprises the Generation Switzerland and Digital & Commerce business divisions as well as international, thermal power production and new renewable energies, amounted to CHF 245 million in the 2017 financial year (2016: CHF 325 million).

The main priority is still to strengthen access to capital markets and ensure sound liquidity.

2018 remains challenging; recovery on the horizon in the medium to long term

Alpiq expects results of operations in 2018 to be down on the previous year. This is attributable to the persistently low wholesale prices, which put Swiss power production under pressure. By contrast, the newly introduced market premium will slightly ease the burden on Swiss hydropower, which makes a loss selling its energy below production costs on the market. In its international business, Alpiq anticipates positive contributions from energy trading, European power production and the new renewable energies.

In the medium to long term, Alpiq expects electricity and CO₂ wholesale prices to recover slightly, which will reduce the corresponding pressure on the results of Alpiq's power production in Switzerland. The expansion of new renewable energies will shape the energy landscape to a large extent and requires a highly flexible power plant portfolio. Alpiq is well prepared for this. Furthermore, the fact that the Swiss franc has weakened on the euro will have a positive effect on Alpiq's earnings with a time lapse.

Correction of market asymmetry in Switzerland

The regulatory framework conditions continue to massively distort competition in Switzerland. Alpiq supports the systematically unbundling of the Swiss electricity sector and fundamentally correcting the market asymmetry. For this to be possible, an electricity accord with the EU is essential in order to be able to market the flexibility of Swiss energy production. A new market model for all Swiss power production is needed, regardless of a full liberalisation of the electricity market in Switzerland. This would create non-discriminatory competition for all market participants, give the necessary innovative boost to the Swiss Energy Strategy and create efficiency.

Zero dividend and no interest on the hybrid loan of the consortium shareholders

Alpiq Holding Ltd.'s Board of Directors will submit a proposal to the Annual General Meeting that it distribute no dividend because of the continued negative results of Swiss production and the prevailing market asymmetry, which heavily distorts competition. In addition,

Alpiq will pay no interest to the Swiss consortium shareholders on their hybrid loan. The hybrid bond that was placed publicly will, however, continue to be serviced. The next interest payment on this bond is due on 15 November 2018.

Changes in the Board of Directors

Urs Steiner, Patrick Pruvot and Tilmann Steinhagen will no longer be available for re-election to the Board of Directors at the Annual General Meeting on 16 May 2018. Tobias Andrist from EBL as well as Birgit Fratzke-Weiss and Patrice Gerardin from EDF will be proposed as the new members of the Board of Directors. Shareholders will vote on these nominations for election at the upcoming Annual General Meeting.

Key financial figures of the Alpiq Group as at 31 December 2017

CHF million	% change 2016-2017 (results of operations)	Results of operations before exceptional items ¹⁾		Results under IFRS	
		2017	2016	2017	2016
Net revenue	18.0	7,173	6,078	7,163	6,078
of which: continuing operations ²⁾		5,533	4,412	5,525	4,412
EBITDA	-23.8	301	395	278	778
of which: continuing operations ²⁾		245	325	343	710
Depreciation, amortisation and impairment	-2.1	-187	-191	-187	-399
of which: continuing operations		-164	-166	-164	-374
EBIT	-44.1	114	204	91	379
of which: continuing operations ²⁾		81	159	179	336
as % of net revenue		1.6	3.4	1.3	6.2
Net income	>-100.0	-33	115	-84	294
of which: continuing operations ²⁾				4	260
as % of net revenue		-0.5	1.9	-1.2	4.8
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CHF million					
Cash flows from operating activities				329	94
Liquidity				1,403	1,524
Net debt				714	856
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In-house generation ³⁾ (GWh)				14,792	14,439
Number of employees at the reporting date (FTE)				8,795	8,517
of which: continuing operations				1,504	1,429
Number of employees at the reporting date (headcount)				9,200	8,680
of which: continuing operations				1,550	1,480

¹⁾ Including impairment losses and provisions as well as other exceptional items

²⁾ After elimination of ic positions

³⁾ Net (after deducting pumped energy), excluding long-term purchase contracts

You can find the current Annual Report as well as earlier reports at: www.alpiq.com/reports

Message for the media: The Annual Media Conference is taking place today, 26 March 2018, from 9:15 a.m. to 10:45 a.m., at Alpiq's registered offices in Olten.

Message for analysts: The Financial Analyst Conference is taking place today, 26 March 2018, from 1:45 p.m. to 3:15 p.m., at Alpiq's registered offices in Olten.

You can find the dossier for the Annual Media Conference and Financial Analyst Conference here <http://www.alpiq.com/portal/de/ueber-alpiq/publikationen/>

You can find more information about Alpiq at www.alpiq.com.

Media Relations: Sabine Labonte
Phone +41 62 286 71 10
media@alpiq.com

Investor Relations: Lukas Oetiker
Phone +41 62 286 75 37
investors@alpiq.com