Alpiq challenged by low wholesale prices

Olten, 7 March 2016
Agenda

1. Main focus
2. Main drivers
3. Business development
4. Financial results
5. Group transformation – structural measures
6. Questions & answers
Main focus

Alpiq challenged by low wholesale prices

Cost reduction programme successfully implemented

Further reduction of net debt

Targeted investments in Energy Services growth fields

Structural measures established

BOD proposes no dividend payment to the Annual General Meeting
1. Main focus
2. Main drivers
3. Business development
4. Financial results
5. Group transformation – structural measures
6. Questions & answers
Main drivers 2015

- Low commodity and CO2 prices
- Subsidies for new renewable energies
- Subdued economic growth
- SNB decision 15 January 2015

Production overcapacities

压力对瑞士发电厂的冲击

- Cal-15: 平均获得的对冲价格为54 €/MWh

图表展示了电力价格和汇率的变化情况。
Agenda

1. Main focus
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3. Business development
4. Financial results
5. Group transformation – structural measures
6. Questions & answers
Business development

Generation
• ISO Certificate 55001: Cost reductions taking effect
• Portfolio streamlining: Complexity reduced and efficiency increased
• Pumped storage projects: FMHL+ and Nant de Drance on course

Commerce & Trading
• Origination and natural gas business: Expanded further
• 24/7 trading: Leading player in the Swiss energy market
• Eastern/South Eastern Europe: Leading position in cross-border trading

Energy Services
• EBITDA margin maintained; increased order volume
• Targeted investments; integration on course
• Further growth potential
Agenda

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4. Financial results
5. Group transformation – structural measures
6. Questions & answers
Appealing operating result despite a difficult environment

- Low wholesale prices and the strong Swiss franc burdened results
- Operating EBITDA comes in at CHF 480 million, which is CHF 129 million down year-on-year (thereof FX effect CHF 36 million)
- Net income is at CHF 46 million, down CHF 99 million due to strength of the Swiss franc and the poor performance of the nuclear funds
- Cash flow from operating activities amounts to CHF 461 million, which is CHF 47 million up year-on-year
- Net debt is at CHF 1,299 million, having been reduced by CHF 640 million through net working capital management and successful disposals

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Net revenue</td>
<td>8058</td>
<td>6715</td>
<td>-7%</td>
<td>609</td>
<td>480</td>
<td>-6%</td>
<td>145</td>
<td>46</td>
<td>-23%</td>
<td>1939</td>
<td>1299</td>
<td>-33%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>-17%</td>
<td>-21%</td>
<td>-539</td>
<td>-36</td>
<td>-34</td>
<td>-21%</td>
<td>-68%</td>
<td>-34</td>
<td>-23%</td>
<td>-539</td>
<td>-36</td>
<td>-6%</td>
</tr>
<tr>
<td>Net income</td>
<td>-7%</td>
<td>-6%</td>
<td>-539</td>
<td>-36</td>
<td>-34</td>
<td>-23%</td>
<td>-68%</td>
<td>-34</td>
<td>-23%</td>
<td>-539</td>
<td>-36</td>
<td>-6%</td>
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<tr>
<td>Operating cash flow</td>
<td>414</td>
<td>461</td>
<td>+11%</td>
<td>46</td>
<td>46</td>
<td>-23%</td>
<td>461</td>
<td>461</td>
<td>+11%</td>
<td>1939</td>
<td>1299</td>
<td>-33%</td>
</tr>
<tr>
<td>Net debt</td>
<td>1939</td>
<td>1299</td>
<td>-33%</td>
<td>1939</td>
<td>1299</td>
<td>-33%</td>
<td>1939</td>
<td>1299</td>
<td>-33%</td>
<td>1939</td>
<td>1299</td>
<td>-33%</td>
</tr>
</tbody>
</table>
Development of EBITDA
Stringent cost management is having a positive impact

-15%
-6%

EBITDA 2015 before EI
-382
Price effect production Switzerland
202
Hedging production Switzerland

-15% production Switzerland
-40
Business development international energy business
67
Cost development

EBITDA 2015 before FX effect
516
Miscellaneous
27

FX effect
-36
EBITDA 2015 before EI
480

Exceptional items
-430
EBITDA 2015 (IFRS)
50

EBITDA 2014 before EI
609

CHF million
EBITDA development in the divisions

**Generation**
- Price-induced year-on-year decline of Swiss power plants
- International electricity generation business, adjusted for FX effects, is under year-on-year
- Renewable Energy Sources (RES) burdened by bad wind conditions
- Partially offset by positive volume effect from hydraulic power generation
- Stringent cost management is having a positive impact

**Commerce & Trading**
- Growing competition in the ancillary services markets puts pressure on international power plant optimisation
- The strong Swiss franc has a negative impact on the optimisation
- Wholesale business in Central and Eastern Europe, adjusted for FX effects, is on previous year’s level
- International origination and natural gas business is being expanded further

**Energy Services**
- Order inflows are up year-on-year
- Positive EBITDA development affected by FX effect
- EBITDA margin at 6.6% remains stable on previous year’s level
- Integration of acquisitions on track
Development of financial result

-209

-209 - 233 = -35

Financial result 2015 before EI

+11%

-35

Finance costs

Finance income

Share of results of joint ventures/other associates

FX effect

CHF million

Financial result 2014 before EI

-233

-35 - 2 + 30 + (-17) = -209

- Performance nuclear funds (KKG, KKL)
- Slightly lower results of joint ventures and other associates
- Lower interest charge thanks to a reduction in financial liabilities
Development of net income

Net income 2014 before EI: CHF 145 million

Delta at the EBITDA level before EI: -93 million

Depreciation, amortisation and impairment: -19 million

Financial result: -7 million

Income tax expense: -16 million

Net income 2015 before FX effect: 80 million

FX effect: -34 million

Net income 2015 before EI: 46 million

Impairments and exceptional items: -876 million

Net income 2015 (IFRS): -830 million

Change in net income: -68%
Repayment of debt
- Proceeds from disposals enable further reduction of net debt
  - Swissgrid loan and equity stake: CHF 337 million
  - Bayet: CHF 48 million
  - Powernext/EEX: CHF 18 million
  - Hydropower plants/projects: CHF 28 million

Statement of cash flows
Active balance sheet management

<table>
<thead>
<tr>
<th>Activity</th>
<th>CHF million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquidity as of 31.12.2014</td>
<td>1562</td>
</tr>
<tr>
<td>Term deposits</td>
<td>-647</td>
</tr>
<tr>
<td>Cash and cash equivalents as of 31.12.2015</td>
<td>915</td>
</tr>
<tr>
<td>Cash and cash equivalents as of 31.12.2015</td>
<td>915</td>
</tr>
<tr>
<td>Cash flow from operating activities</td>
<td>203</td>
</tr>
<tr>
<td>Change in NWC</td>
<td>258</td>
</tr>
<tr>
<td>Proceeds from disposals</td>
<td>430</td>
</tr>
<tr>
<td>CAPEX</td>
<td>-108</td>
</tr>
<tr>
<td>Cash flow from other investing activities</td>
<td>64</td>
</tr>
<tr>
<td>Cash flow from financing activities (w/o Swissgrid)</td>
<td>-869</td>
</tr>
<tr>
<td>Currency translation differences</td>
<td>-43</td>
</tr>
<tr>
<td>Cash and cash equivalents as of 31.12.2015</td>
<td>850</td>
</tr>
<tr>
<td>Term deposits</td>
<td>636</td>
</tr>
<tr>
<td>Liquidity as of 31.12.2015</td>
<td>1486</td>
</tr>
</tbody>
</table>

Currency translation differences
-7%
### Acquisitions/disposals 2015

#### Acquisitions

<table>
<thead>
<tr>
<th>Energy Services</th>
<th>Participation in hydropower plants in Switzerland</th>
<th>Disposals</th>
<th>Non-strategic assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Helion Solar Group</td>
<td>Alpiq Hydro Ticino SA</td>
<td>3CB SAS (Bayet)</td>
<td>49.9% Swissgrid AG shares &amp; shareholder loan</td>
</tr>
<tr>
<td>Balfour Beatty Rail Italy S.p.A.</td>
<td>Forces Motrices du Grand-Saint-Bernard SA</td>
<td>Powernext SA</td>
<td>51.1% Swissgrid AG shares</td>
</tr>
<tr>
<td>IReL AG</td>
<td>Forces Motrices de Conches SA</td>
<td>Power Plant Portfolio Norway</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Forces Motrices de Fully SA</td>
<td>EEX</td>
<td></td>
</tr>
</tbody>
</table>

#### Classification of transactions:
- **Transactions signed & closed**
- **Transactions signed; not yet closed**
Bond buyback & new issue
Debt portfolio successfully optimised

- Successful buyback of bonds with maturities in 2016 to 2019 amounting to CHF 340 million
- Buyback offer 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%
Financing mix as of 31 December 2015
Sustainable reduction in average interest

- Bonds account for around three quarters of debt outstanding
- Around 80% of borrowings accounted for by Alpiq Holding Ltd.
- Average interest within the Group of 2.96% (previous year: 3.05%)
Maturity profile as of 31 December 2015 sustainably improved

- Maturities are matched with sound liquidity of around CHF 1.5 billion
- Maturity profile permanently improved thanks to the buyback of bonds and the placement of a new bond
Continuous improvement of the debt situation

- Gross debt additionally reduced by CHF 165 million owing to bond buyback
- Sound liquidity of around CHF 1.5 billion (previous year: CHF 1.6 billion)
- Net debt further reduced by CHF 640 million to around CHF 1.3 billion
- Net debt/EBITDA before exceptional items is at a stable 2.7x (previous year: 3.2x)
**Balance sheet**

Liquidity remains at a sound level

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents (incl. term deposits)</td>
<td>1,486</td>
<td>1,562</td>
<td>-5%</td>
</tr>
<tr>
<td>Other current assets</td>
<td>2,023</td>
<td>2,343</td>
<td>-14%</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>2,928</td>
<td>3,684</td>
<td>-21%</td>
</tr>
<tr>
<td>Other non-current assets</td>
<td>3,453</td>
<td>3,791</td>
<td>-9%</td>
</tr>
<tr>
<td>Assets held for sale</td>
<td>545</td>
<td>481</td>
<td>13%</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>10,435</strong></td>
<td><strong>11,861</strong></td>
<td><strong>-12%</strong></td>
</tr>
<tr>
<td>Equity</td>
<td>3,819</td>
<td>4,712</td>
<td>-19%</td>
</tr>
<tr>
<td>Borrowings</td>
<td>2,785</td>
<td>3,501</td>
<td>-20%</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>3,774</td>
<td>3,646</td>
<td>4%</td>
</tr>
<tr>
<td>Liabilities held for sale</td>
<td>57</td>
<td>2</td>
<td>+100%</td>
</tr>
<tr>
<td><strong>Total equity and liabilities</strong></td>
<td><strong>10,435</strong></td>
<td><strong>11,861</strong></td>
<td><strong>-12%</strong></td>
</tr>
<tr>
<td>Net debt</td>
<td>1,299</td>
<td>1,939</td>
<td>-33%</td>
</tr>
<tr>
<td>Equity ratio</td>
<td>36.6%</td>
<td>39.7%</td>
<td>-8%</td>
</tr>
</tbody>
</table>

- **Total assets** 12% and **current assets** 10% lower year-on-year
- 20% decrease of **borrowings**
- Change in **equity** owing to
  - Impairment losses, provisions and other exceptional items (CHF -876 million)
  - Dividend distribution incl. NCI (CHF -10 million)
  - Distribution to hybrid investors (CHF -51 million)
  - IAS 19 (CHF -65 million)
- **Stable equity ratio at 36.6%**
Follow through with stringent cost and balance sheet management to maintain capital market viability

<table>
<thead>
<tr>
<th>Effects of the low wholesale prices</th>
<th>Already initiated cost savings are having a positive impact</th>
<th>Balance sheet management fostered</th>
</tr>
</thead>
</table>
| ▪ Lower **wholesale prices** burden the results  
  ▪ The resultant negative effect was largely offset by consistent implementation of the **hedging strategy**  
  ▪ **Impairment losses and provisions** mainly on hydroelectric plants and projects in Switzerland | ▪ Processes and systems being permanently simplified  
  ▪ Historical **complexity being reduced**  
  ▪ **Nearshoring** | ▪ **Sale** of non-strategic interests  
  ▪ Selective **growth investments**  
  ▪ **Buyback** of bonds and **placement** of a new bond  
  ▪ Reduction of **net working capital**  
  ▪ **Gross debt** reduced by CHF 716 million to CHF 2,785 million |
| Price effect | Efficiency improvement | Balance sheet reduction |
| Negative effect of CHF **180 million** (net)  
  Impairment losses and provisions of CHF **855 million** after income tax especially due to the strong Swiss franc | More than CHF **270 millions** savings cumulated over the last years owing to efficiency improvement and cost saving programs | Financing structure optimised  
  Financing costs reduced  
  Net debt reduced by CHF **640 million**  
  Stable equity ratio at **36.6%** |
1. Main focus
2. Main drivers
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4. Financial results
5. Group transformation – structural measures
6. Questions & answers
Group transformation
Wholesale prices drop once again

Low commodity and CO2 prices
Subsidies for new renewable energies
Subdued economic growth

Production overcapacities

Pressure on Swiss power plants intensified
Group transformation: Regulatory framework conditions distort the market

- **End customer price (household)** in regulated Swiss market: 20.6 ct./KWh
- **Energy price for end customers** in regulated market: 7.8 ct./KWh
- **Hydropower production costs**: 6.5 ct./KWh
- **Wholesale price (closing date view)**: 2.8 ct./KWh

Sources: EPEX SPOT CH, ElCom (2016)
Group transformation
Structural measures

Opening up to 49% of the hydropower portfolio
• Reduce dependency on wholesale prices
• Domestic and foreign investors
• Swiss utilities

Divestment of non-strategic assets
• Portfolio streamlining
• Reduce complexity, increase efficiency

Commerce & Trading, Energy Services
• Both areas with innovative solutions
• Cost leader
• Growth potential

Ensuring capital market viability
Hydropower portfolio

- Attractive, flexible hydropower portfolio
- Large storage capacity, suitable for ancillary services
- Installed capacity: approx. 2,700 MW
- Average annual production: approx. 5 TWh

12 storage power plants
- 2,500 MW capacity

1 pumped storage power plant
- 94 MW capacity

5 run-of-river power plants
- 120 MW capacity
Recognise Swiss hydropower as a renewable energy

- Structure duties more flexibly
- Review financing models
- Introduce time-limited market premium
- Quota model as option in the long term
You ask. We answer.
Agenda

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7. Appendix
Development of net revenue
The reduced net revenue reflects the low wholesale prices

- Net revenue 2014: 8058 CHF million
- Production and sales Switzerland: -445 CHF million
- Production international: 134 CHF million
- Market France: 5 CHF million
- Market CESEE: -265 CHF million
- Business under restructuring: -271 CHF million
- Energy Services: 108 CHF million
- Miscellaneous: -70 CHF million
- Net revenue 2015 before FX effect: 7254 CHF million
- FX effect: -539 CHF million
- Net revenue 2015: 6715 CHF million

- Market Spain
- Market Italy
- Market Germany
Important milestones achieved in the process of selling the Swissgrid participation

- Grid transfer to Swissgrid: CHF 223 million
- 1st tranche of shareholder loan: CHF 75 million
- 49.9% of Swissgrid equity stake & 49.9% of originally held shareholder loan
- 50.1% tranche of equity stake
- 2nd tranche of shareholder loan: CHF 48 million

Total proceeds of 780 CHF million expected from the disposal

- 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 disposal
- Basis for targeted investments in the future
Funds from operations 2015

Cash flow from operating activities: CHF 461 million

- Interest paid: CHF -111 million
- Distributions to hybrid investors: CHF -51 million
- Interest received: CHF 7 million
- Dividends from JV/other associates/financial investm.: CHF 33 million
- Cash flow from operating activities (adjusted): CHF 339 million
- Change in NWC: CHF -258 million
- Effect nuclear funds: CHF 151 million
- Funds from operations: CHF 232 million
## Allocation of IFRS impairment losses and provisions

<table>
<thead>
<tr>
<th>CHF million</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>Production Switzerland</td>
<td>728</td>
</tr>
<tr>
<td>Production International</td>
<td>15</td>
</tr>
<tr>
<td>Renewable Energy</td>
<td>18</td>
</tr>
<tr>
<td><strong>Total impairment losses for assets</strong></td>
<td><strong>761</strong></td>
</tr>
<tr>
<td>Provision for loss-making contracts</td>
<td>259</td>
</tr>
<tr>
<td>Liabilities for purchase and supply contracts</td>
<td>-6</td>
</tr>
<tr>
<td><strong>Total impairment losses and provisions</strong></td>
<td><strong>1,014</strong></td>
</tr>
<tr>
<td>Taxes</td>
<td>-159</td>
</tr>
<tr>
<td><strong>Total impairment losses and provisions</strong></td>
<td><strong>855</strong></td>
</tr>
</tbody>
</table>

After the Swiss National Bank discontinued the minimum euro exchange rate, impairment losses were recognised and provisions were formed:

- Production Switzerland:
  - Hydropower plants and projects
- Production International:
  - Gas-fired combined-cycle power plants in Italy and Hungary
- Renewable Energy:
  - Project companies and projects
Shareholder structure as of 31 December 2015

Number of shares outstanding: 27,874,649

EOS Holding: 31.44%

EdF: 25.04%

EBM: 13.65%

EBL: 7.13%

Canton Solothurn: 5.61%

AIL: 2.00%

IBAarau: 2.13%

WWZ: 0.91%

Free float: 0.91%

KSM: Consortium of Swiss minority shareholders; 31.44%
## Organisation at 31 December 2015

### General Management
- **Jasmin Staiblin**: CEO

### Business Division
- **Generation**
  - Michael Wider: Deputy CEO
- **Hydro Power Generation**
  - Christian Plüss
- **Nuclear Power Generation**
  - Michaël Plaschy
- **Thermal Power Generation**
  - Matthias Zwicky
- **RES & Generation Development**
  - André Schnidrig a.i.

### Functional Division
- **Commerce & Trading**
  - Markus Brokhof
- **Energy Services**
  - Reinhold Frank
- **Alpiq InTec**
  - Peter Limacher
- **Markets Central Eastern and South Eastern Europe**
  - Peter Dworak
- **Kraftanlagen Gruppe**
  - Reinhold Frank
- **Power West**
  - Pierre Guesry
- **Cross Commodity Trading & Origination**
  - Michel Kolly
- **Operations**
  - Petter Torp

### Business Unit
- **Financial Services**
  - Thomas Bucher: CFO
  - Edgar Lehrmann
  - Lukas Oetiker
  - Peter Schib
  - Andreas Richner
  - Vlada Spasic

### Functional Unit
- **Accounting & Controlling**
- **Taxes**
- **Finance Projects & Transformation**
- **Treasury & Insurance**
- **Legal & Compliance**
- **Human Resources**
- **Information Technology**
- **Risk Management**

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1) Member of the Executive Board
2) Richard Rogers succeeded Andreas Richner as Head Communications & Public Affairs a.i. on 4 February 2016.
3) The Strategy & Development functional unit was wound down as of 31 January 2016.
# Financial Calendar 2016

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>7 March 2016</td>
<td>Annual Results 2015</td>
</tr>
<tr>
<td></td>
<td>Annual Results Media and Financial Analyst Conference</td>
</tr>
<tr>
<td>28 April 2016</td>
<td>Annual General Meeting of Alpiq Holding AG</td>
</tr>
<tr>
<td>26 August 2016</td>
<td>Interim Results 2016</td>
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<tr>
<td></td>
<td>Media Breakfast and Analyst Conference Call</td>
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</table>
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