

Financial Analyst Conference 2015

ALPIQ

Zurich, 9 March 2015



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Main focus

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Market environment

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Operating performance

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Appendix

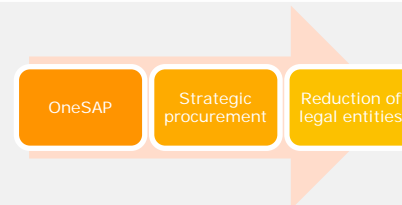
Operating result better than expected

- Low wholesale prices burden the result
- Operating EBITDA better than expected:
 - Cost reduction measures intensified in H2
 - Gas-driven power plants in SP, IT, FR optimally deployed in Q4
 - Building and transport technology stronger in Q4



Competitiveness improved

- Processes sustainably simplified
- Historical organic complexity reduced
- Cost savings of an annual CHF 100 million from 2015 onwards



Financial flexibility strengthened

- Bonds with maturities in 2015 to 2018 worth CHF 543 million repurchased and successful placement of a new CHF 300 million bond with a ten-year maturity
- Gross debt reduced by almost CHF 1 billion
- Solid liquidity of around CHF 1.6 billion

Most important divestments

1st Tranche
CHF 75 million
(CF 2014)



2nd Tranche
CHF 288 million
(CF 2015)



3rd Tranche
Negotiations ongoing
(CF 2015)

Strategy

- Necessity of saving Swiss hydropower addressed
- Energy trading adjusted to the new requirements of the energy transition
- Energy services business further expanded

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Wholesale prices at a persistent, historical low level



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Power plant construction before the economic crisis



2

High subsidisation and prioritisation of the new renewable energies



3

Subdued economic development in Europe and trend towards energy efficiency

Ongoing high surplus capacity levels in Europe

Low oil, coal and CO₂ prices and renaissance of coal

Pressure on gas and hydropower plants

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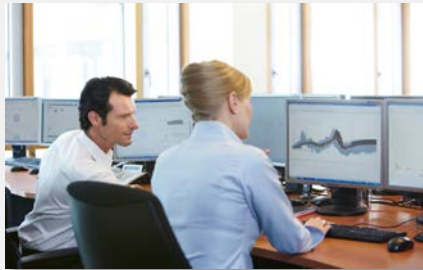
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Appendix



Conventional power plants under pressure

- Swiss hydropower particularly hard hit
- Further reduction in costs; condition-based maintenance
- Alpiq is committed to saving Swiss hydropower



Energy trading optimised

- Use of short-term markets and ancillary services
- Top position in cross-border trading in Central and Eastern Europe maintained
- Energy trading aligned to the requirements of the energy transition



Energy services expanded

- Building and transport technology again higher year-on-year; position in e-mobility strengthened
- Power plant business characterised by reticent investments; Alpiq diversifies in industrial sector

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Key figures in 2014

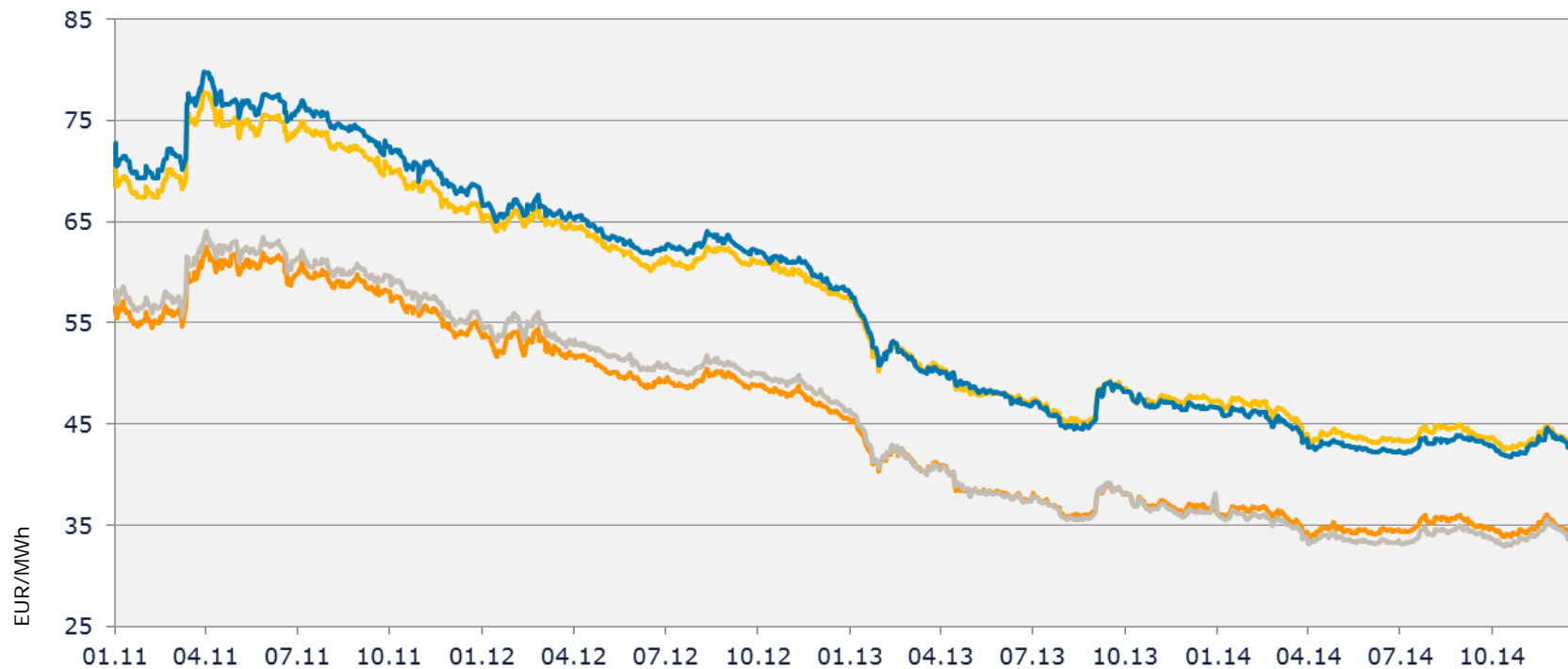
Traditional energy business remains under pressure

CHF million	FY 2013 before exceptional items	FY 2013	FY 2014 before exceptional items	FY 2014	Y/Y deviation before exceptional items (%)
Net revenue	9 370	9 370	8 058	8 058	-14%
EBITDA	796	789	609	312	-24%
EBIT	499	279	356	-673	-29%
Net income	274	18	145	-902	-47%
Net debt		2 050		1 939	-5%
Cash flow from operating activities		670		414	-38%

- Net revenue reflects smaller business portfolio driven by divestments and closing of selected markets
- Wholesale prices remain at low level
- Cost reduction measures with positive impact
- Further reduction in net debt
- Lower operating result leads to lower level of cash flow from operating activities

Market development

Market environment remains challenging

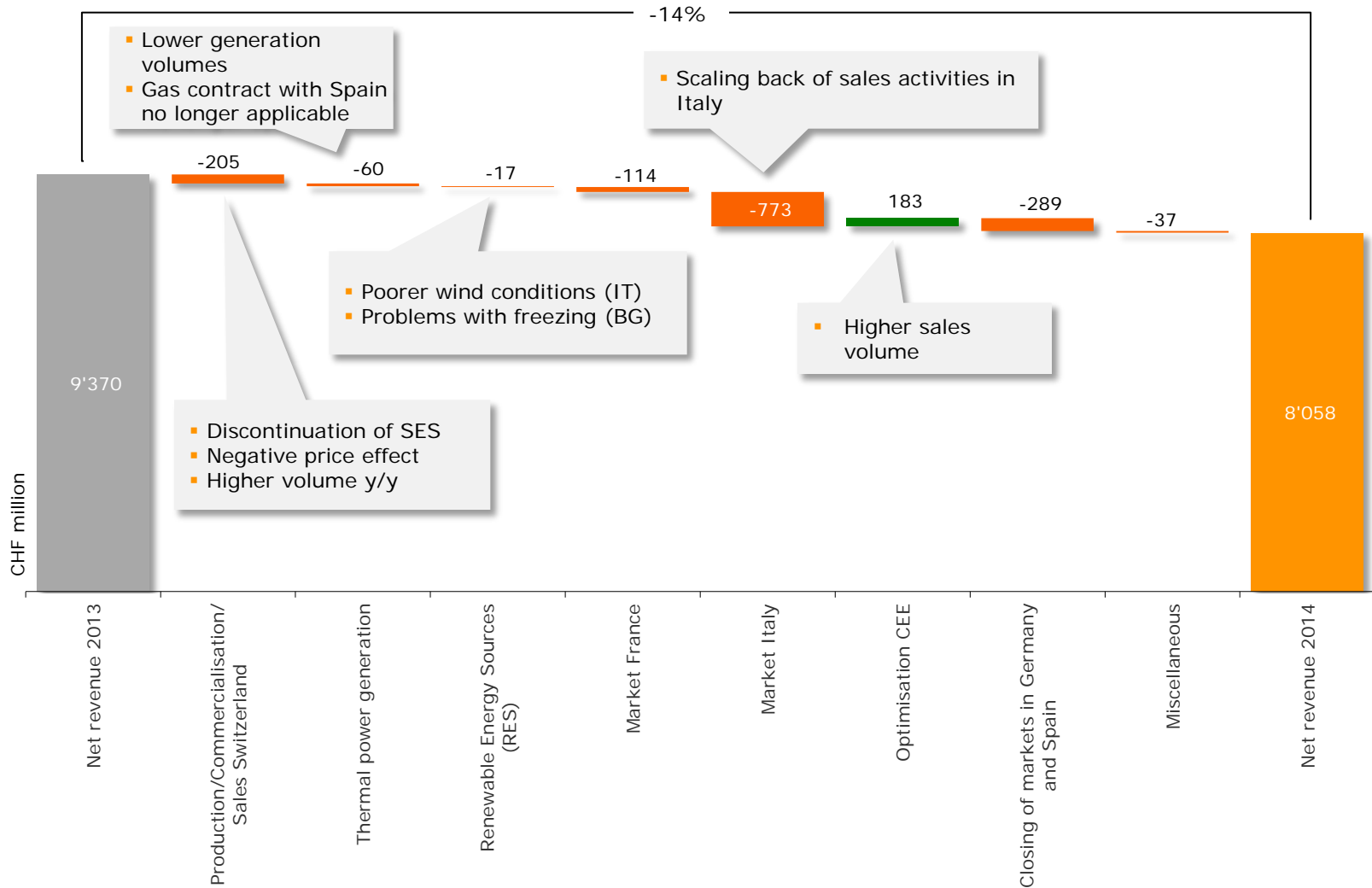


Source: EEX

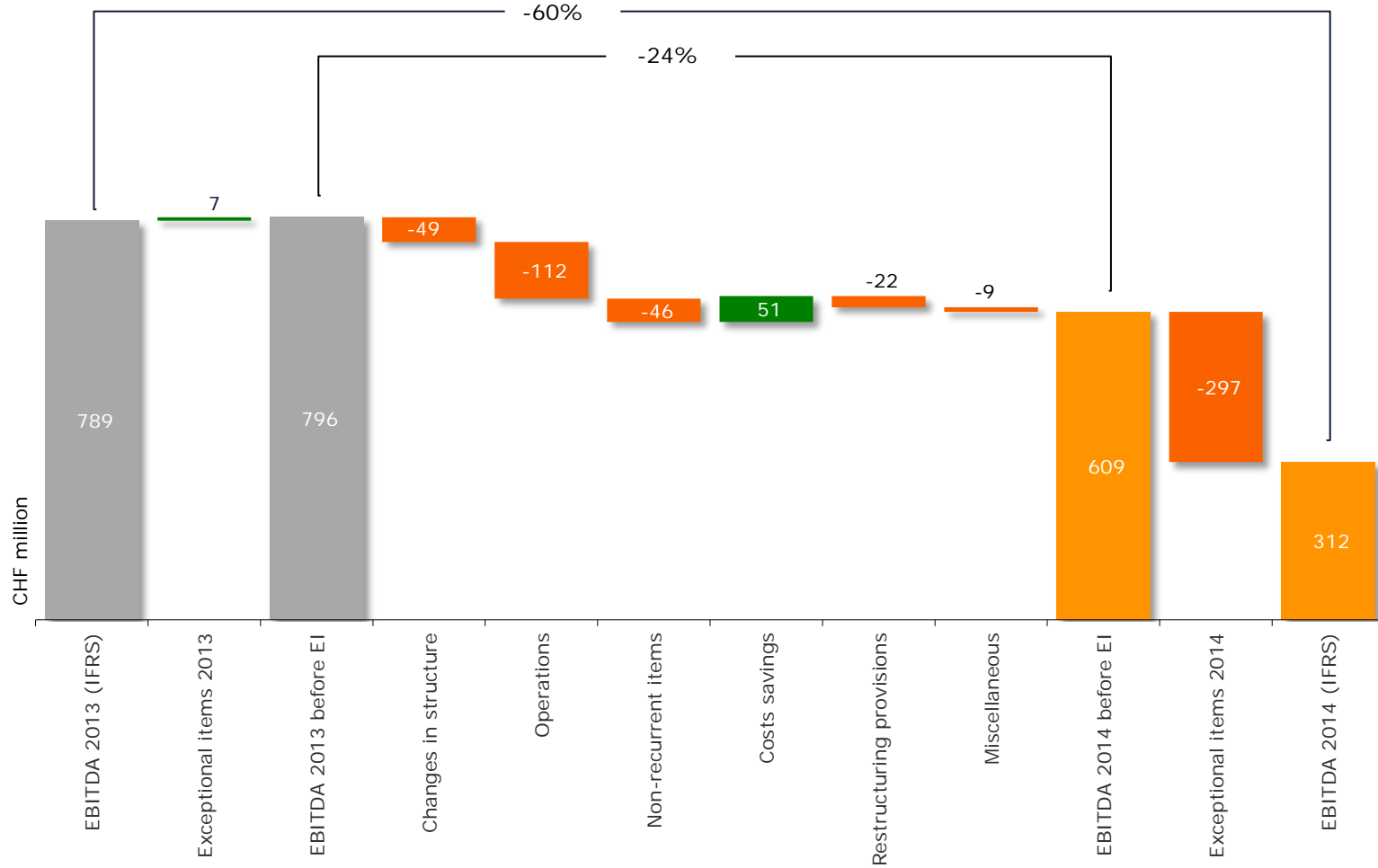
— CAL 14 - B — CAL 14 - P — CAL 15 - B — CAL 15 - P

- Subdued economic growth in Europe
- Sustained high subsidisation of new renewable energies
- Another downturn in market prices

Development of net revenue (y/y)



Development of EBITDA (y/y)

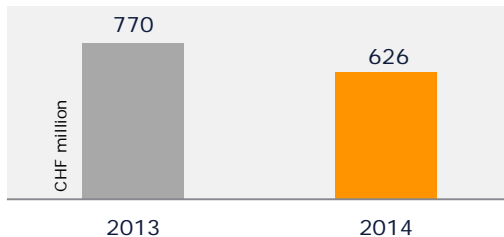


Development of the divisions before EI

Alpiq InTec continues to expand

EBITDA

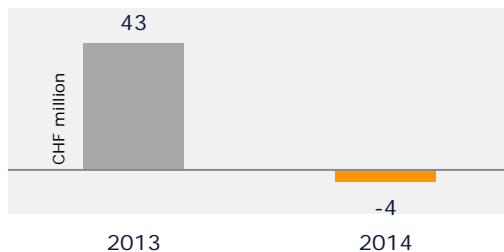
Generation



- Price-induced year-on-year decline in volume of power sold by Swiss power plants
- Positive volume effects from nuclear production
- Poor wind conditions in Italy and freezing problems in Bulgaria burden Renewable Energy Sources (RES)
- Expiry of gas supply contract in thermal production
- Positive stimulus thanks to successful commissioning of Kladno K7

EBITDA

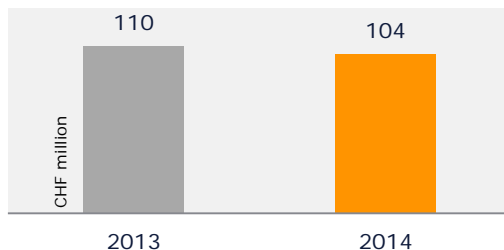
Commerce & Trading



- Wholesale business stable in Central and Eastern Europe but below exceptionally good previous year
- Absence of earnings contribution from Società Elettrica Sopracenerina (SES)
- Scaling back of sales activities in Italy

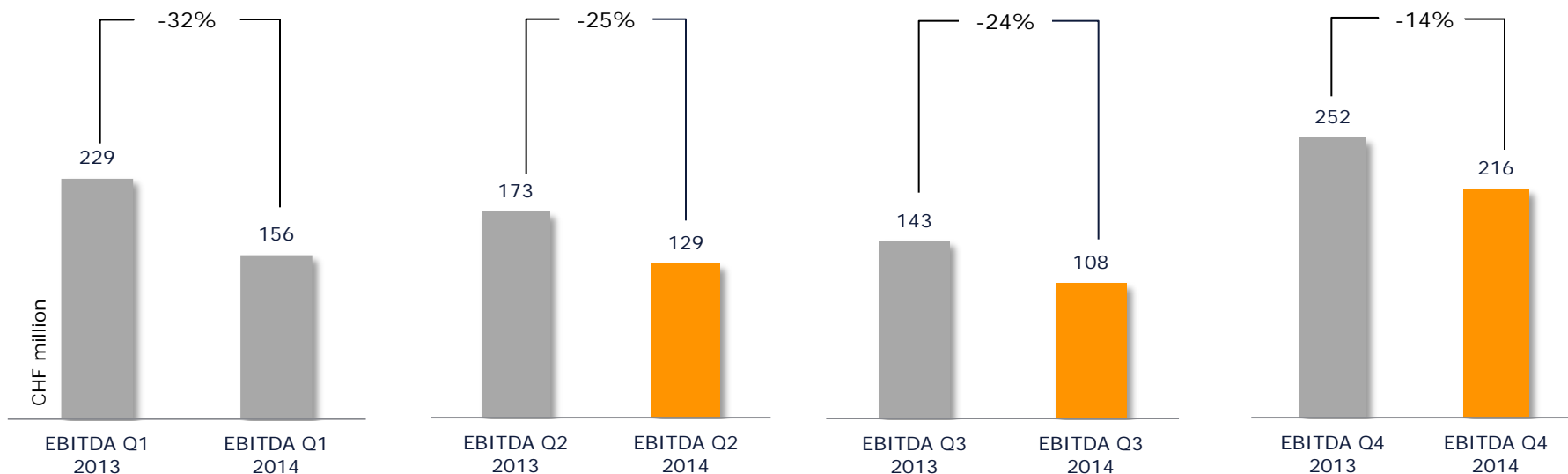
EBITDA

Energy Services



- Alpiq InTec raises earnings contribution and continues to expand
- Reticient investment in conventional power plant technology burdens the result of the Kraftanlagen Group

Development of EBITDA before exceptional items (q/q) ALPIQ



- International thermal power generation: Expiry of favourable contract
- RES: lower generation due to poor wind conditions
- RES: Revenue-based charges in Bulgaria
- Provisions for restructuring costs

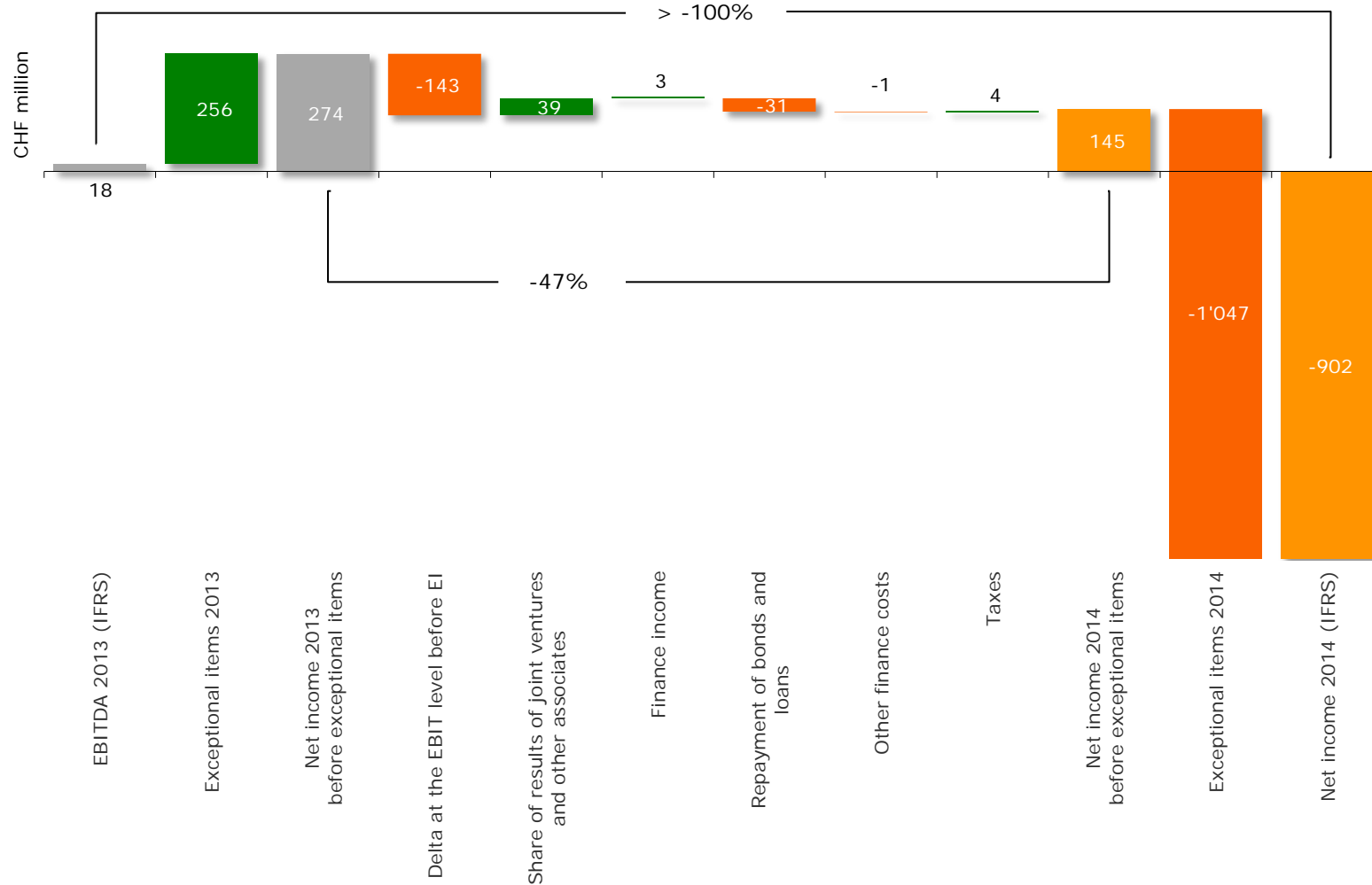
- Absence of earnings contribution from SES
- Non-recurrent positive impact on previous year from AS repayments
- CEE with lower margins

- Lower hydro production volumes
- Alignment of financial amortisation period of KKG/KKL
- Lower volumes in international thermal power generation
- Scaling back of sales activities in Italy

- Lower fixed costs at the partner plants
- Alignment of financial amortisation period of KKG/KKL
- Higher production volumes from combined cycle gas turbines
- Building technology

Persistently low wholesale prices

Development of net income (y/y)

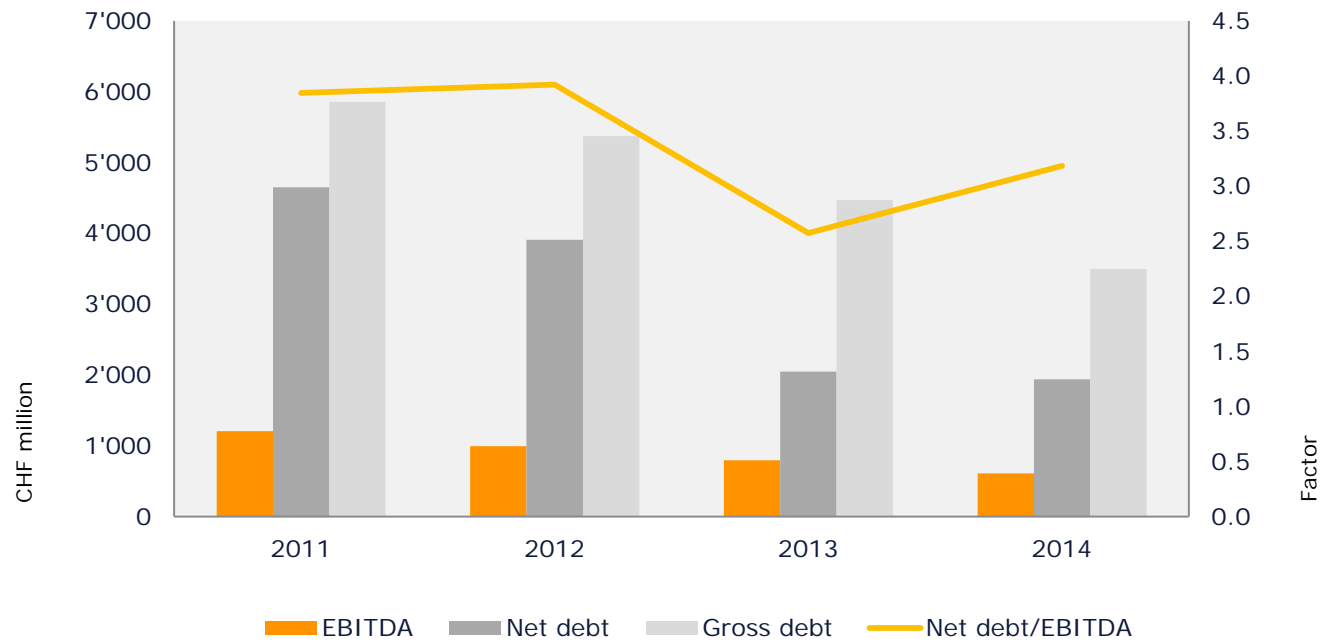


Allocation of IFRS impairment losses and provisions

Mio. CHF	Total
Power generation Switzerland	691
Power generation Hungary	22
Power generation Italy	23
Renewable energies Italy	18
Projects	114
Holding, Group Centre	7
Total impairment losses for assets	875
Provision for loss-making contracts	298
Liabilities for purchase and supply contracts	-1
Total impairment losses and provisions	1'172
Taxes	-125
Total impairment losses and provisions	1'047

- As a result of lower price expectations and the challenging regulatory environment, impairment was carried out on the following assets and provisions:
 - Power generation Switzerland:
 - Hydropower plants
 - International power generation:
 - Gas fired combined-cycle power plants in Italy and Hungary
 - Power plants for renewable energies in Italy

Reduction of gross debt



- Gross debt reduced by almost CHF 1 billion
- Solid liquidity of around CHF 1.6 billion
- Net debt reduced further to below CHF 2 billion
- Owing to lower result, increase in factor net of exceptional items to 3.2x

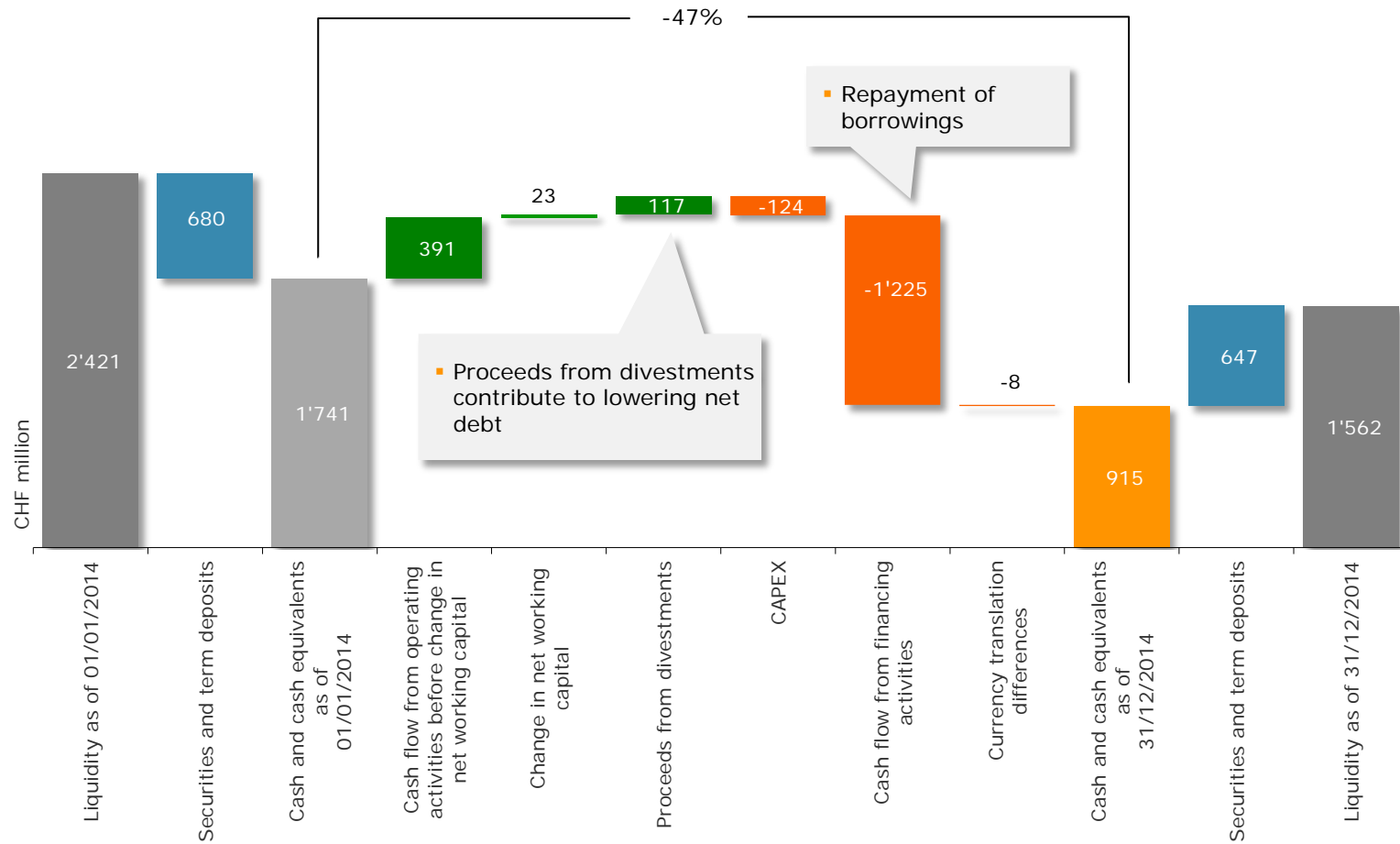
Balance sheet

Liquidity at sound level

CHF million	31/12/2013	31/12/2014	Y/Y deviation (%)
Cash and cash equivalents (incl. securities and term deposits)	2 421	1 562	-35%
Other current assets	3 004	2 343	-22%
Property, plant and equipment	4 132	3 684	-11%
Other non-current financial assets	4 951	3 791	-23%
Assets held for sale	0	481	N.A.
Total assets	14 508	11 861	-18%
Equity and liabilities	5 839	4 712	-19%
Borrowings	4 471	3 501	-22%
Other liabilities	4 198	3 646	-13%
Liabilities held for sale	0	2	N.A.
Total equity and liabilities	14 508	11 861	-18%

- Premature repayment of bonds and new issue
- Premature repayment of fixed-rate loans
- Changes in equity due to
 - Impairment loss (CHF 1 047 million)
 - Dividend distribution 2013 (CHF 54 million)
 - Interest paid to hybrid investors (CHF 48 million)
 - IAS 19 (CHF 91 million)
 - Assets held for sale in 2014: Swissgrid, a subsidiary as well as several non-strategic minority interests

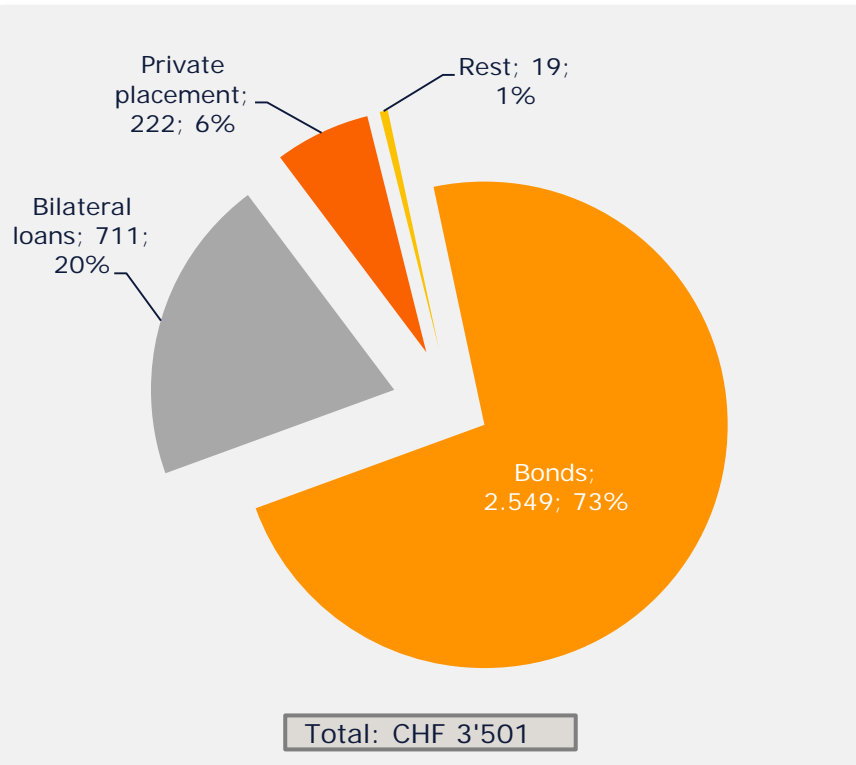
Statement of cash flows



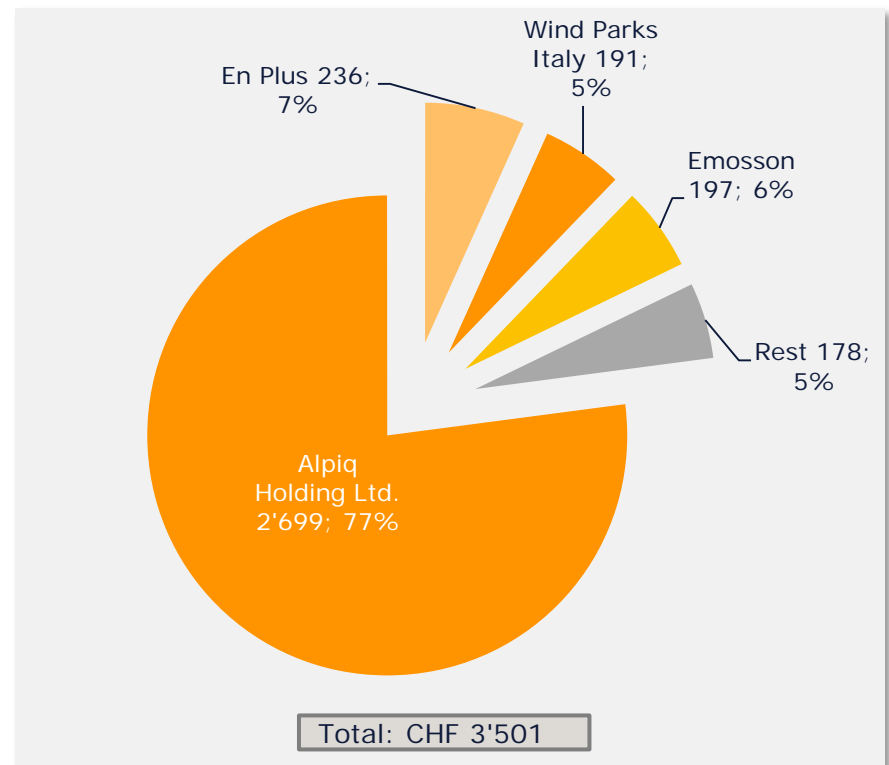
Financing mix as of 31 December 2014

Sustainable reduction in average interest

Instruments (CHF million)

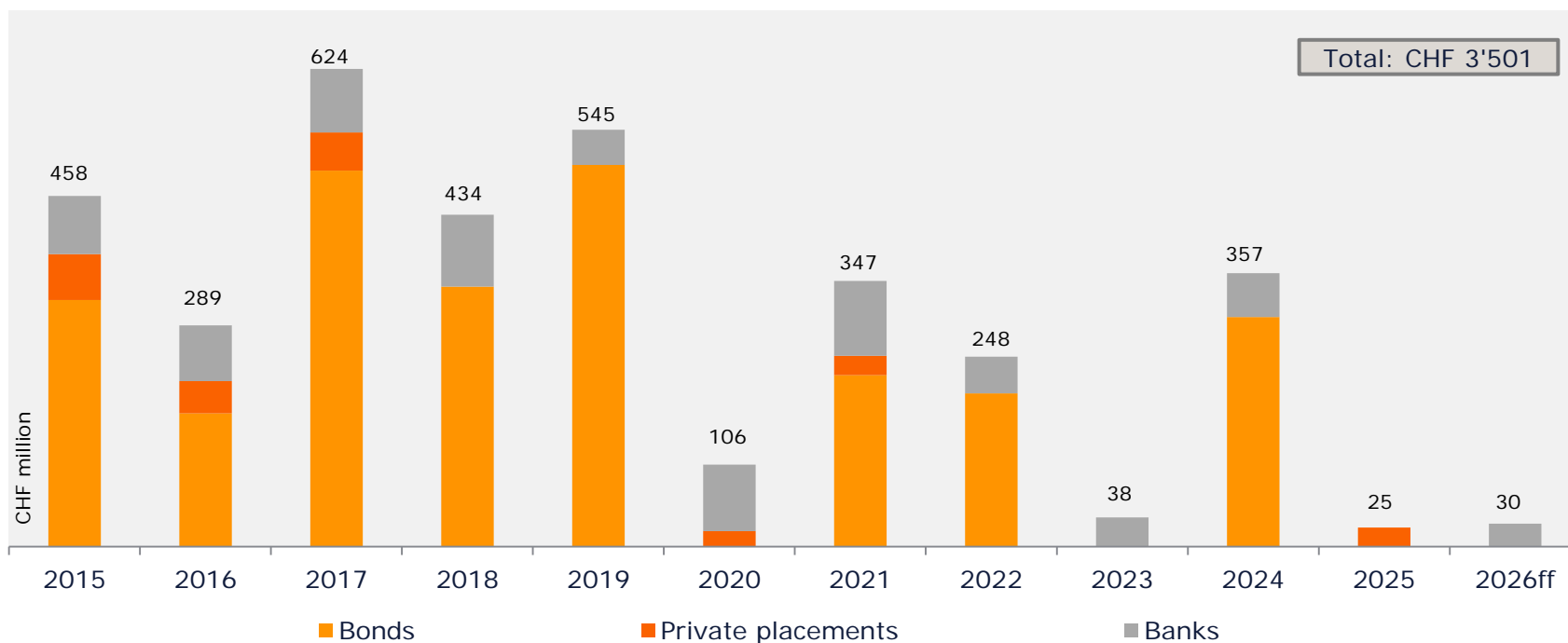


Financing (CHF million)



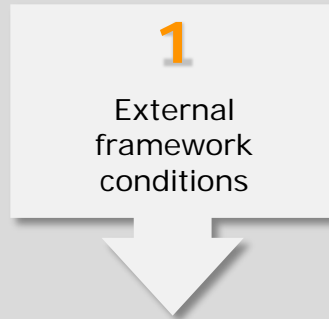
- Bonds account for around three quarters of debt outstanding
- 80% of borrowings accounted for by Alpiq Holding AG
- Average interest within the Group of around 2.53%

Maturity profile as of 31 December 2014



- Balanced maturity profile with the duration of 4.5 years
- Solid liquidity of around CHF 1.6 billion
- Maturity profile sustainably optimised thanks to repurchasing of bonds worth CHF 543 million with maturities in 2015 to 2018
- Successful placement of the CHF 300 million bond with a ten-year maturity

Scrip dividend of CHF 2 from reserves from capital contributions



- Challenging **economic environment** – intensified by SNB's decision to discontinue minimum EUR exchange rate
- Challenging **environment in the energy sector**
 - Wholesale prices at a historically low level
 - Pan-European uncertainty as to the direction of energy policy

Scrip dividend, consisting of **two alternatives** for the shareholder:

- 1) Cash dividend of CHF 2
- 2) Share dividend (new shares to be issued instead of cash dividend)

- As before, Alpiq pays dividend of **CHF 2** - public shareholders have the right to cash dividends or to new shares
- Alpiq **lowers cash outflow**
- Syndicate shareholders show their **support** by subscribing to new shares
- **Share capital is raised**
- Interest paid to hybrid investors ensured



Guidance 2015

Impact of the SNB decision

- 15/01/2015: The Swiss National Bank (SNB) decides to discontinue the minimum EUR rate of 1.20 against the Swiss franc (CHF)

1

- Lower results of foreign Group companies reporting in EUR
- Translation effect on other income

2

- Transactions anticipated in 2015 and 2016 fully hedged
- The consequences of the SNB decision will be reviewed in the course of the half-year results 2015

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



**Changed
framework
conditions**



**New
technologies**



**New
players**

Adapt existing business to the environment

Divestments

- Swissgrid participations
- Streamlining of hydropower portfolio

Swiss hydropower

- Recognise as renewable energy

Energy trading

- Leverage further opportunities from the energy transition
- Expand geographical reach of activities

Use new opportunities with energy services

Building technology/e-mobility

- IReL: Building automation
- Helion Solar: Number one in Switzerland
- Partner business: Access/accounting system for charging stations throughout Switzerland

Transport technology

- Expansion of rail transport technology

Plant decommissioning

- Founding of Swiss Decommissioning AG

Challenging market environment here to stay

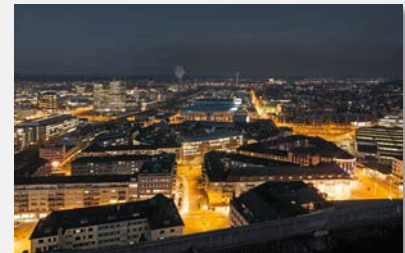
Environ- ment

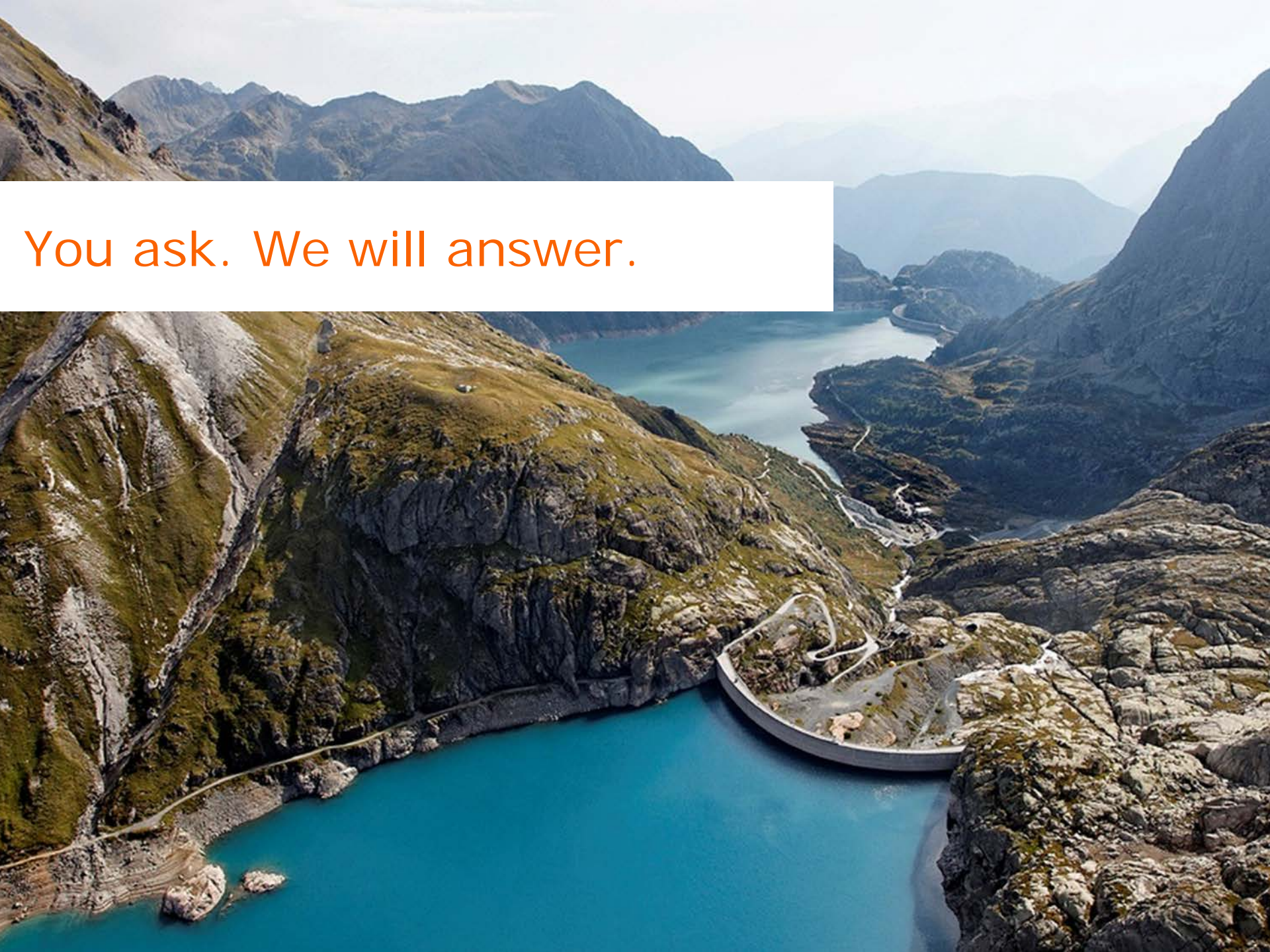
- Moderate economic growth
- Volatile currency environment – SNB's decision to discontinue minimum EUR exchange rate
- Ongoing high subsidies for new renewable energies
- Surplus capacities
- Wholesale prices remain at low level



Alpiq's answer

- Continuation of rigorous cost management
- Further reduction in net debt thanks to cash inflow from divestments
- Selective investment in high-growth areas





You ask. We will answer.

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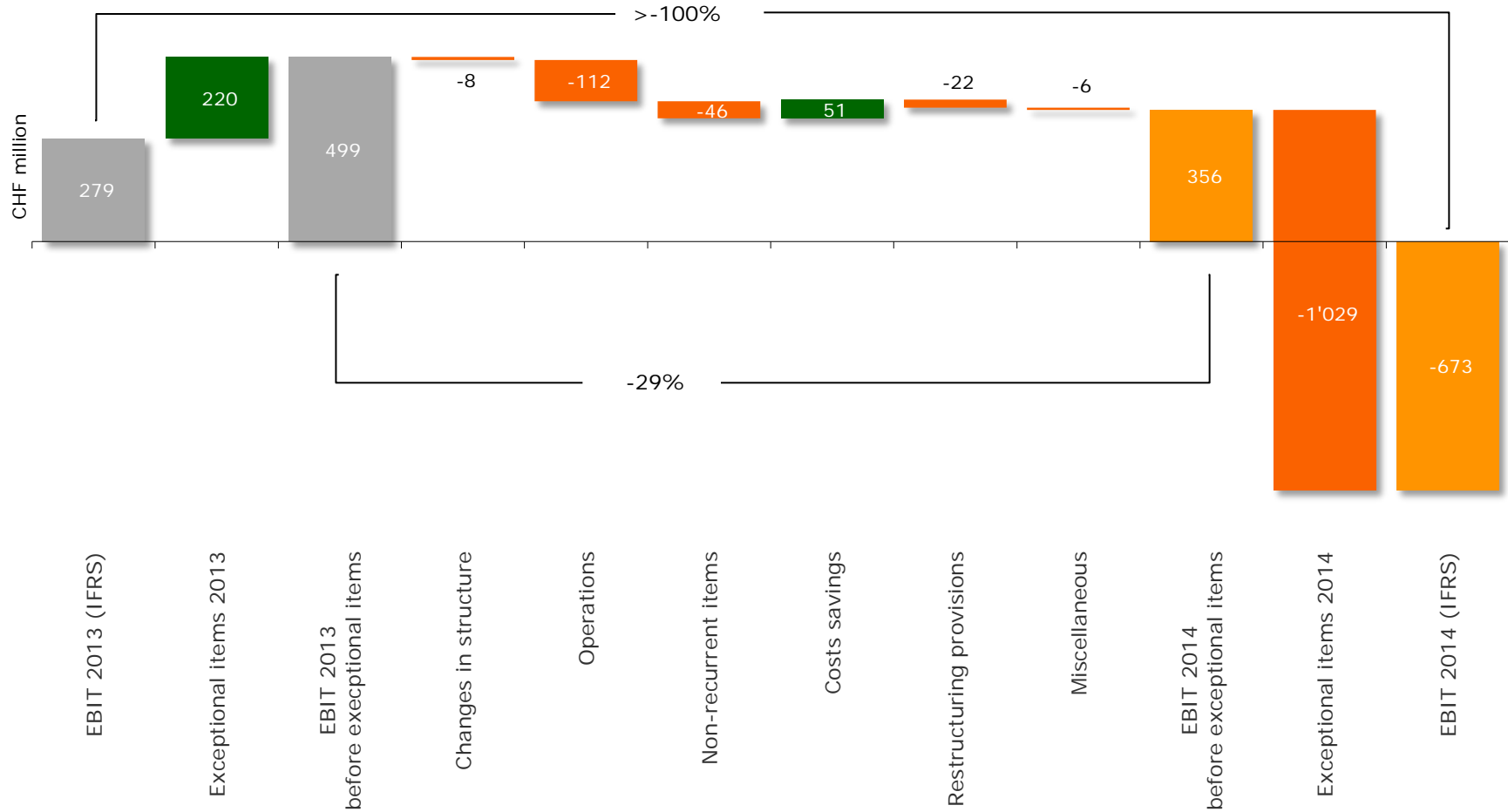
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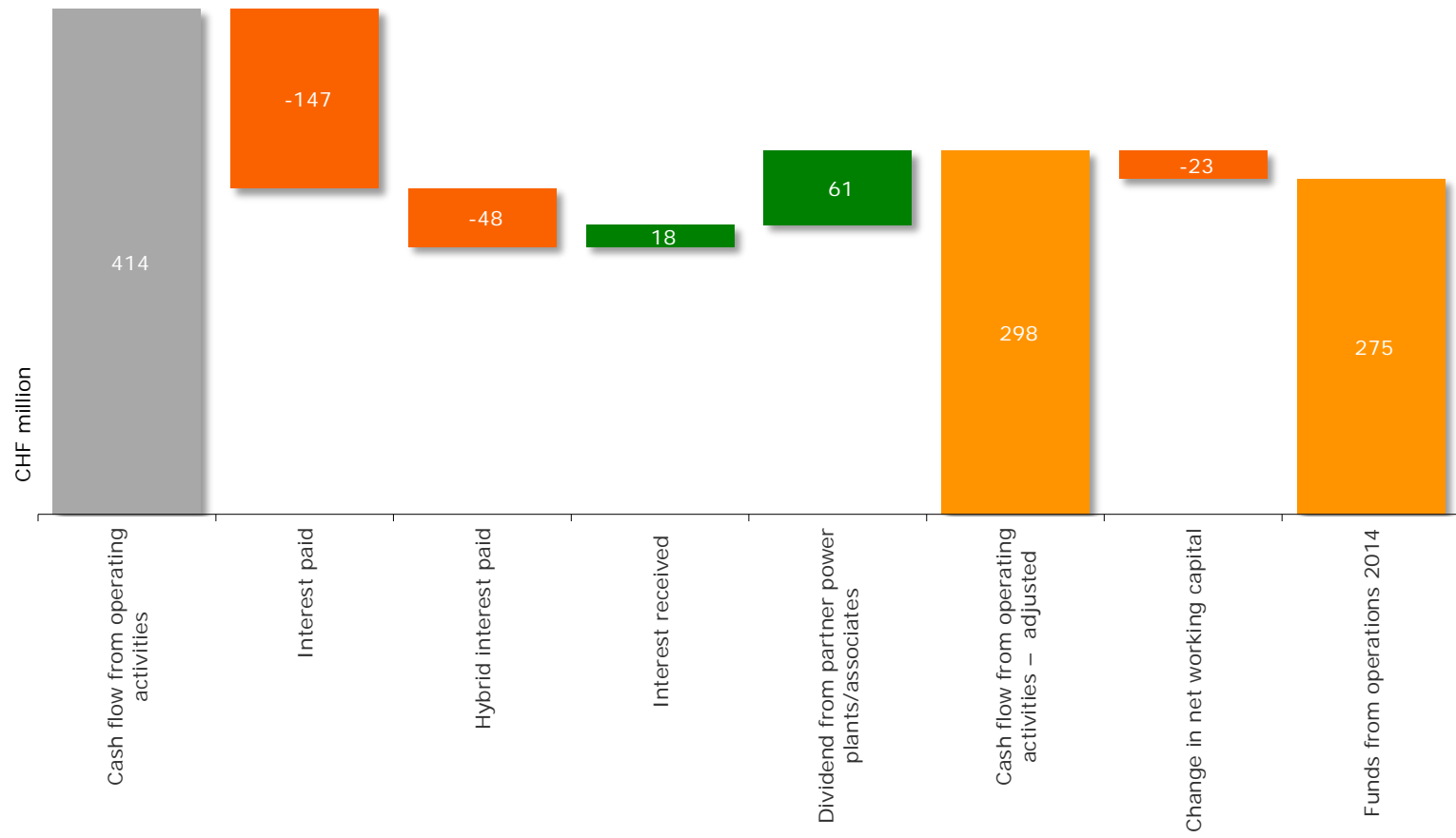
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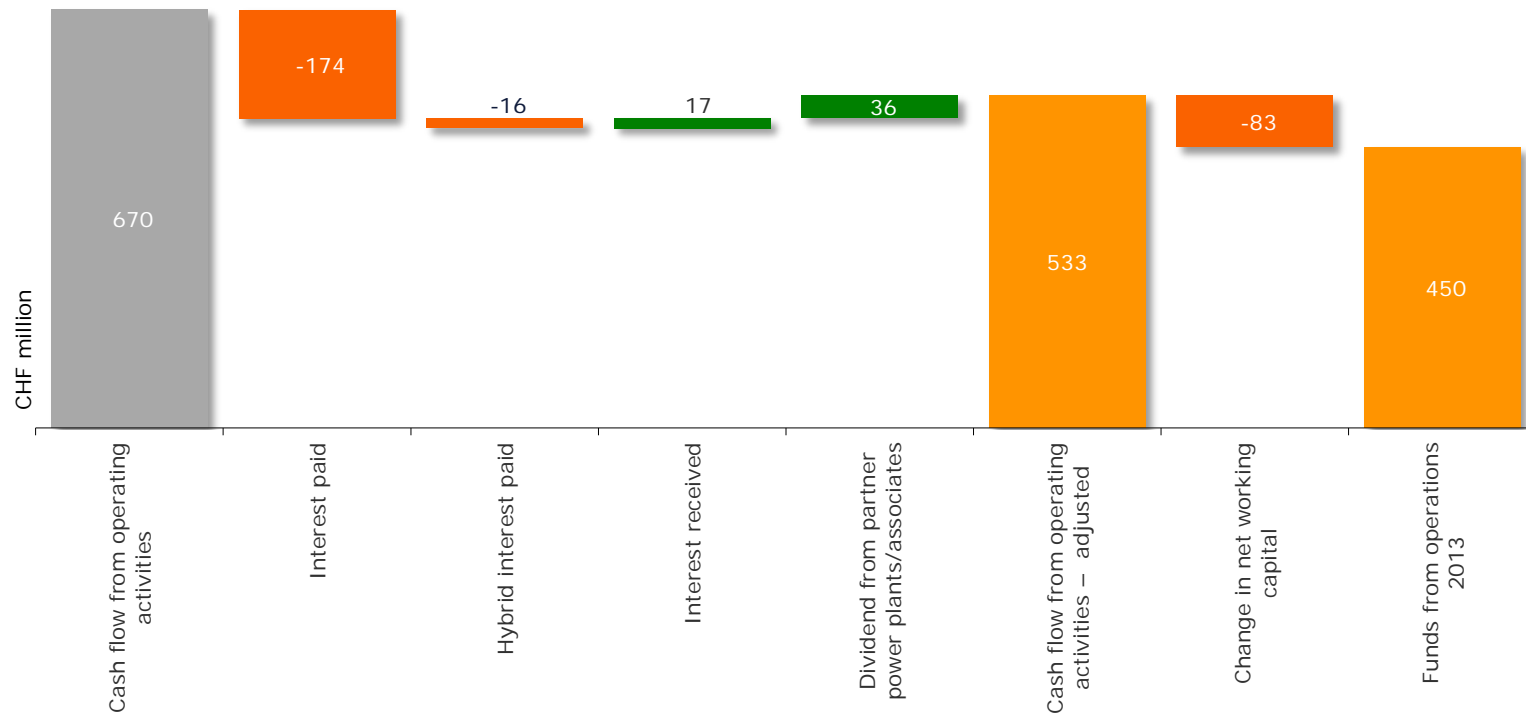
Development of EBIT (y/y)



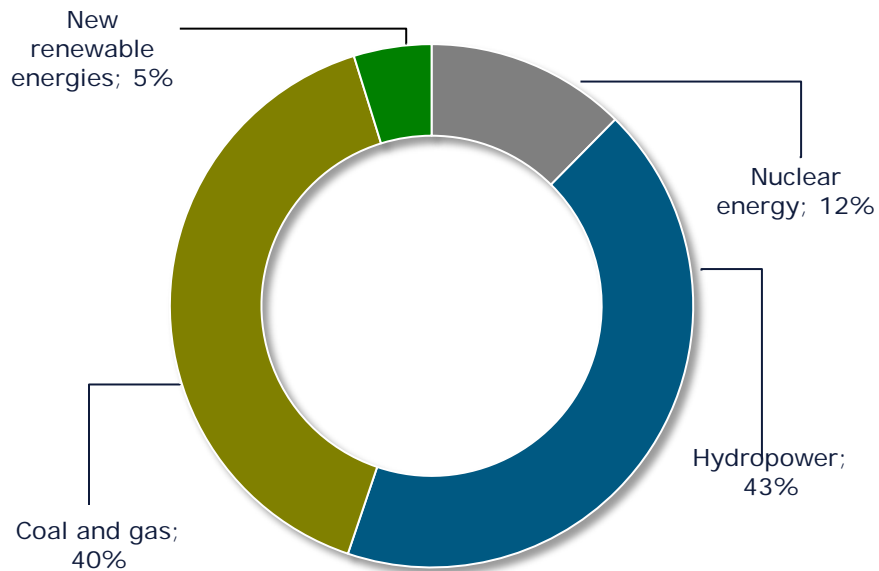
Funds from operations 2014



Funds from operations 2013

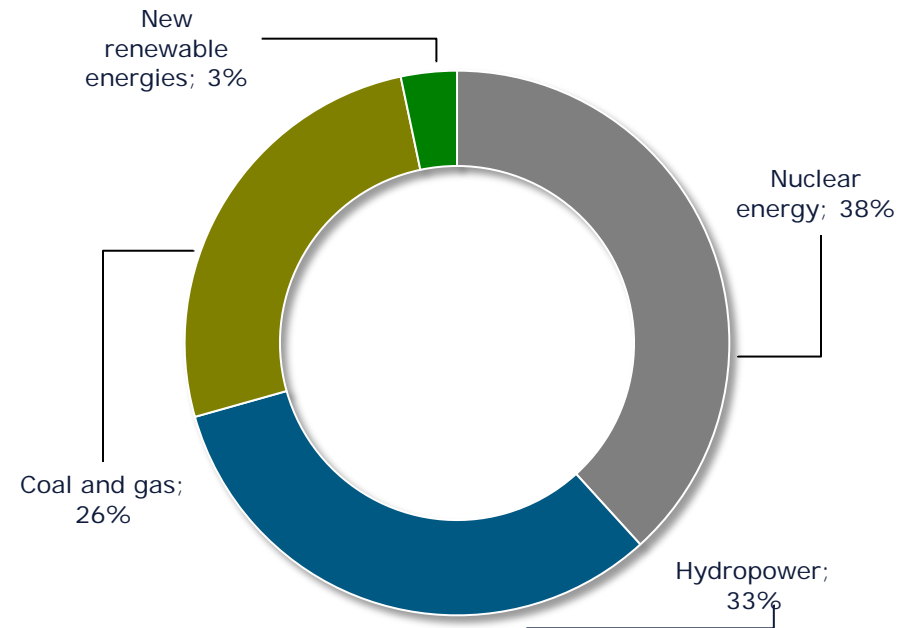


Installed capacity

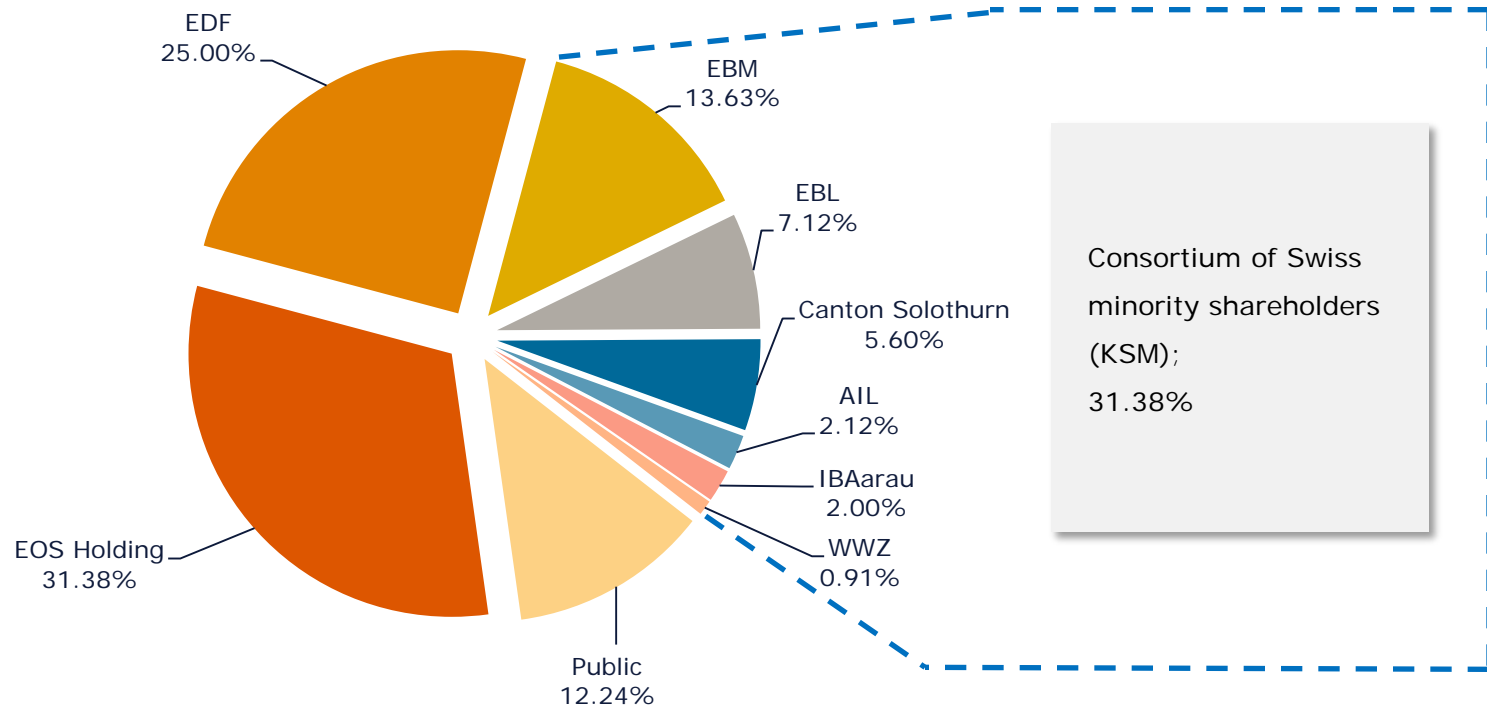


6 417 MW (- 45 MW y/y)

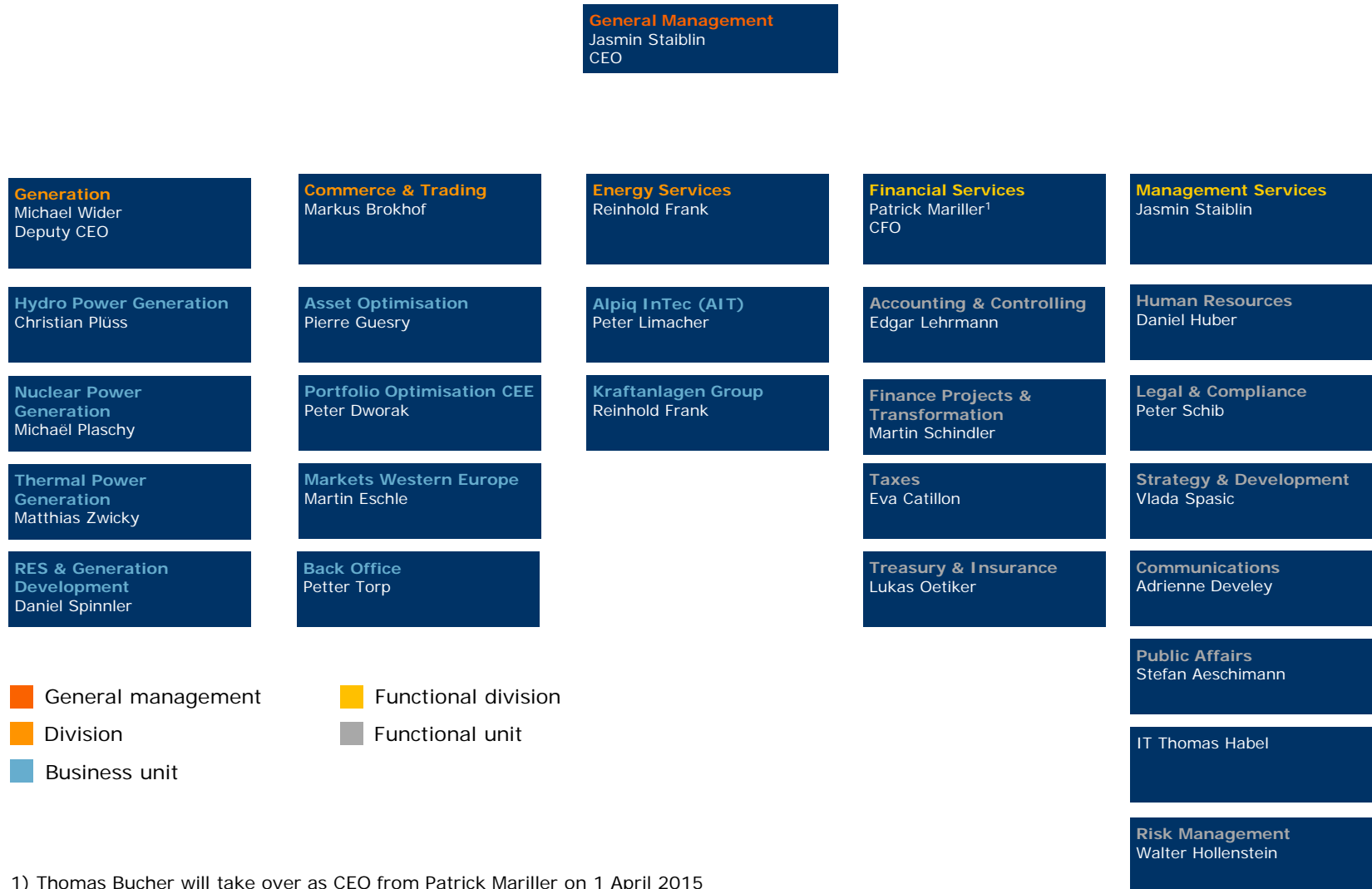
Power production



16 307 GWh (-862 GWh y/y)



Organisation as of 31/12/2014



1) Thomas Bucher will take over as CEO from Patrick Mariller on 1 April 2015

9 March 2015

Annual Results 2014
Annual Results Media and Financial Analyst Conference

30 April 2015

Annual General Meeting of Alpiq Holding AG

28 August 2015

Interim Results 2015
Media Breakfast and Analyst Conference Call

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In particular, these include statements regarding management goals, financial result trends, profit margins, costs, returns on equity, risk management or the the competitive situation, and which are speculative in their nature. Terms such as "expect", "assume", "target", "goals", "projects", "intend", "plan", "believe", "attempt", "estimate", and their variations, as well as similar expressions, serve to clarify long-term statements. These statements are based on our current assessments, as well as certain assumptions, and, therefore, bear risks and uncertainties to some degree.

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