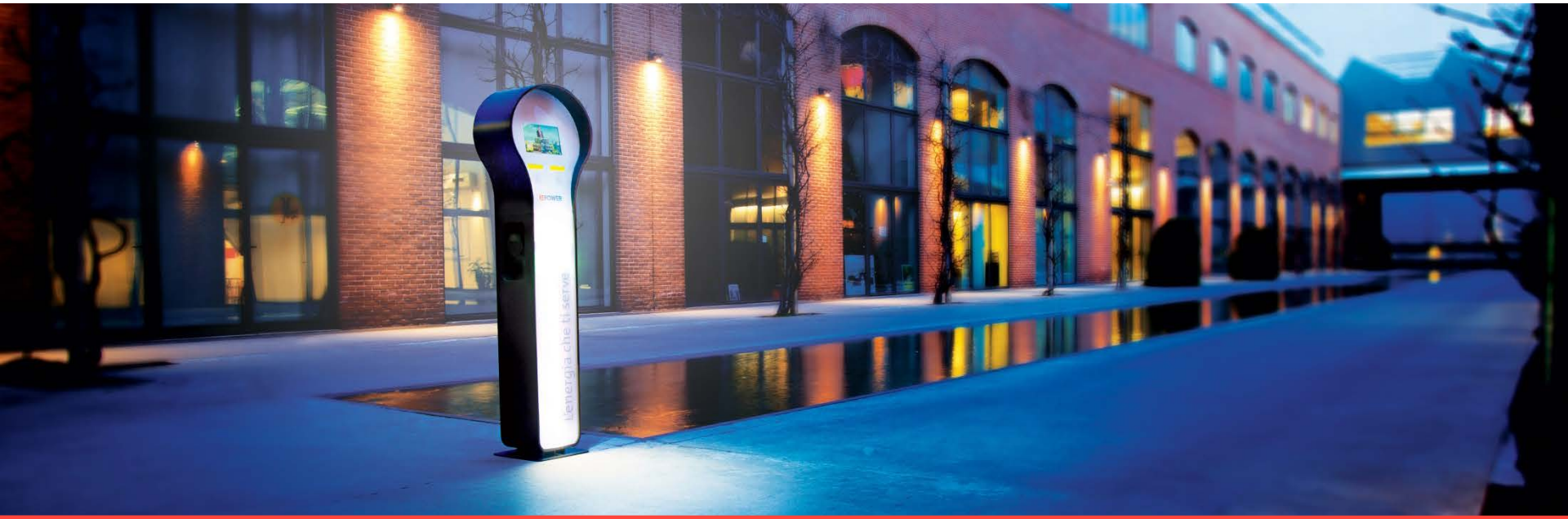


# Analysts and investors conference on the 2015 financial year



**REPOWER**

# Agenda

- › Welcome Werner Steinmann
- › Areas of focus in 2015 Kurt Bobst
- › Changing operating environment Kurt Bobst
- › Financial results Stefan Kessler
- › AGM/delisting/communications Kurt Bobst
- › Positioning Kurt Bobst
- › Outlook Kurt Bobst
- › Questions All

## Areas of focus in 2015

# 2015: major challenges and important strategic choices

Results



- › EBIT CHF -69m (CHF 12m before exceptional items)
- › Group result CHF -136m (CHF -46m before exceptional items)
- › Positive cash flow of CHF 17m

Environment



- › Energy prices continue to decline
- › Floor on EUR/CHF exchange rate removed
- › Italian ancillary services market under heavy pressure

Positive



- › Further reduction in operating costs (CHF 25m versus 2012)
- › Increase in earnings from regulated business and services
- › Successful conclusion to ElCom examination of grid charges

Strategy

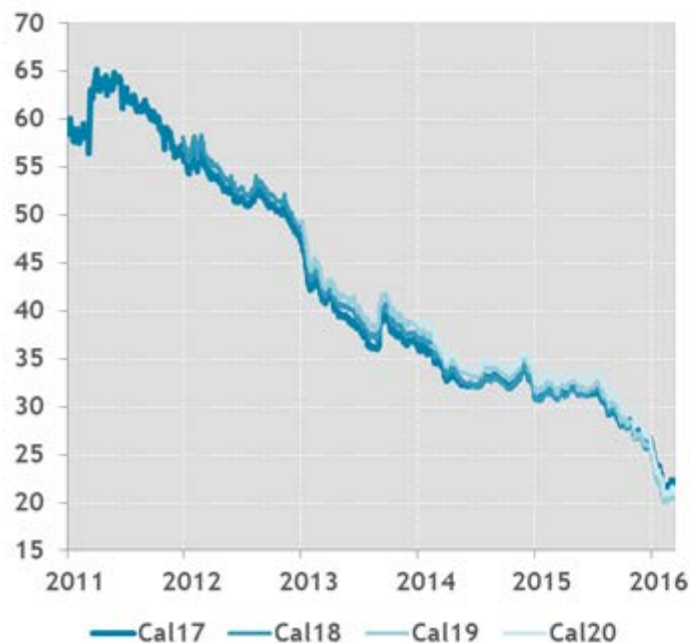


- › New strategic positioning/delisting
- › Focus on key markets Switzerland and Italy
- › Transformation to service company

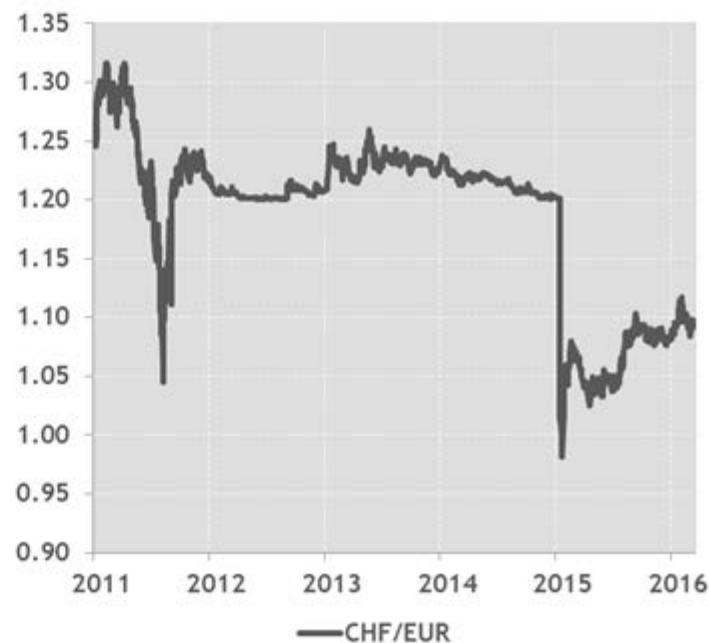
Changing operating environment

## Tough market environment for energy producers

Market prices, EUR/MWh



EUR/CHF exchange rate



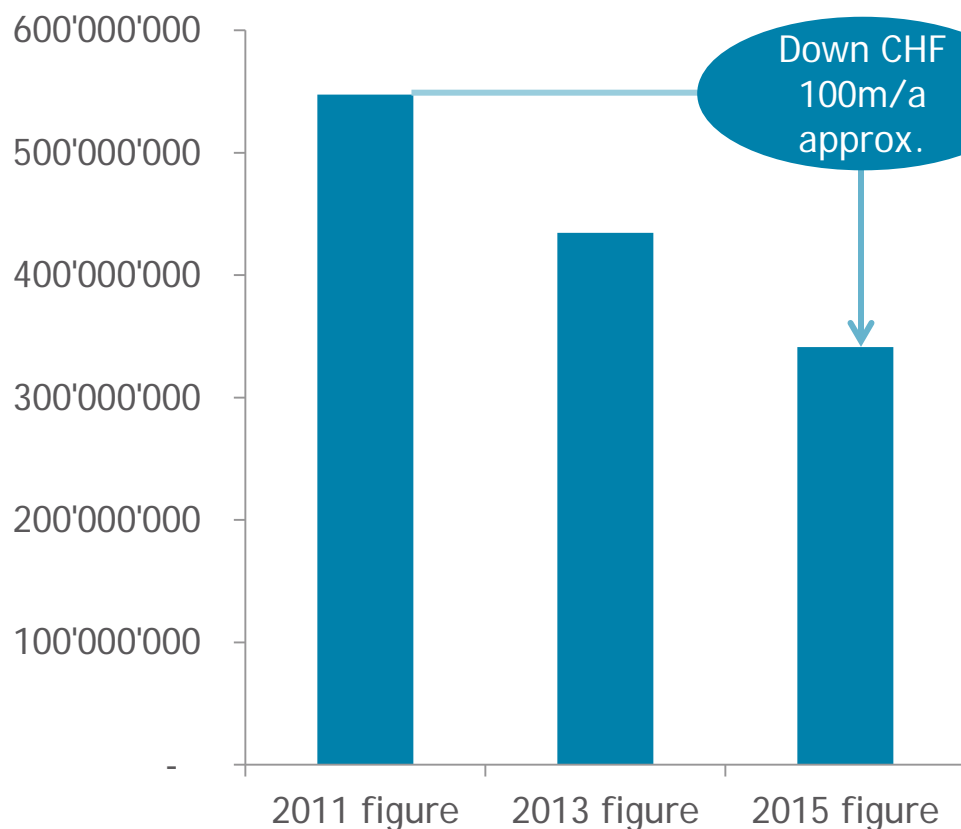
- Another serious decline in electricity prices
- EUR/CHF exchange rate still unfavourable
- Result: further decline in margins and pressure on value of assets

\* Prices in Germany

Changing operating environment

## Dramatic development in value of hydro

Market value (CHF) of hydropower generated in Graubünden



> Around 7,900,000 MWh of power generated in Graubünden per year

> Average price:

> 2011: CHF 69.3/MWh

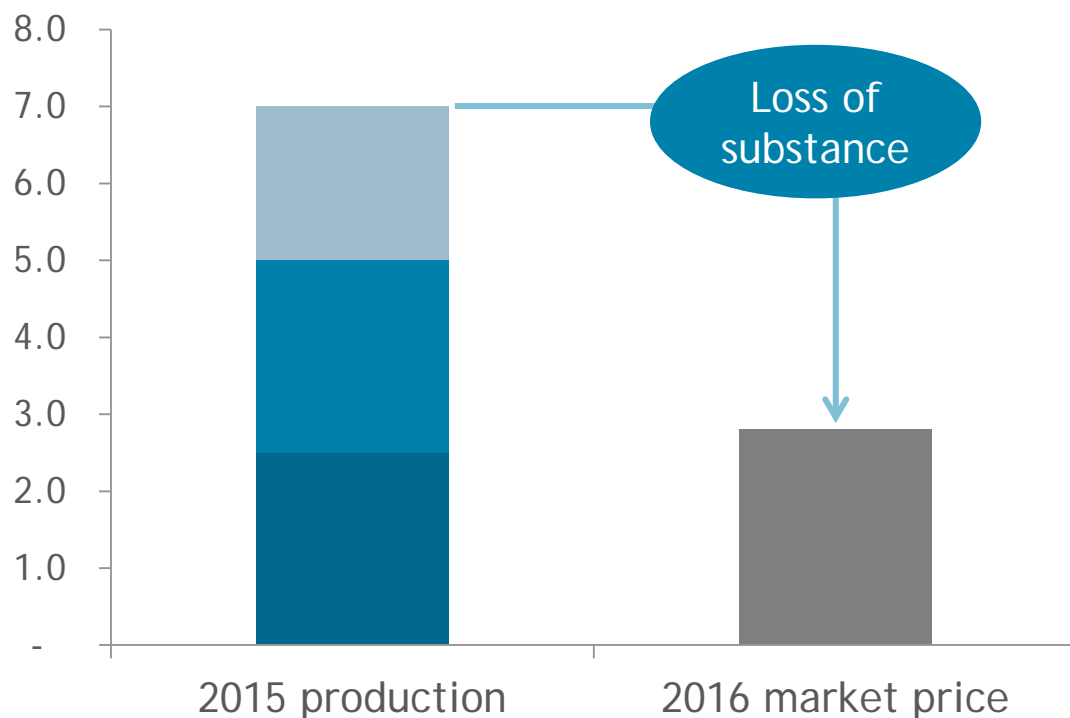
> 2013: CHF 55.0/MWh

> 2015: CHF 43.2/MWh

Changing operating environment

## Production costs not covered by market

Costs of generating hydropower



- Operation & maintenance
- Depreciation
- Charges

> Controllable costs around 1/3 of total costs

> Concession charges have increased (water rates up 10%)

> Extraordinary depreciation not taken into account

## Changing operating environment

# Uncertainty dominates operating environment

Energy strategy



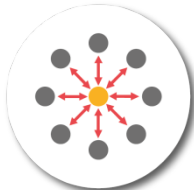
- › Outcome of parliamentary debate on energy strategy still open
- › Some positive outcomes (e.g. efficiency requirements abandoned)...
- › ...but many points still open

Hydro-power



- › Politicians have acknowledged hydro has a problem...
- › ...but no solutions have been defined so far
- › Water rates under growing pressure in political debate

Market liberalisation



- › Market liberalisation for all customers not in sight
- › Procurement market for energy utilities works
- › Services for utilities and end-consumers increasingly important

Inter-national

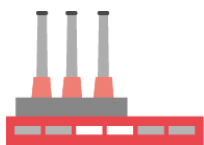


- › Agreement on electricity market still open
- › Impact not clear
- › Risk of restrictions on international market access

Changing operating environment

# Digital revolution and networking creating future potential

## Old world



Centralised generation



Monopoly



Plannable loads and physical grid connection



Electricity distribution



## New world

Distributed generation



Increasing competition



Flexibility and energy efficiency



Digital transformation systems convergence





## Financial result

# Impairment charges and EUR/CHF have massive impact on results

### Key messages for 2015

- > EUR/CHF trend following removal of floor massively impacts results: around CHF 5m off operating income, around CHF 54m off financial income
- > Impairment charges on generation assets in Switzerland and Italy totalling CHF 62m plus additional provisions of CHF 2m for long-term agreements
- > Sales of Swissgrid interests completed 10 July 2015 (CHF 59 m)

## Financial result

## Gross margin still under pressure

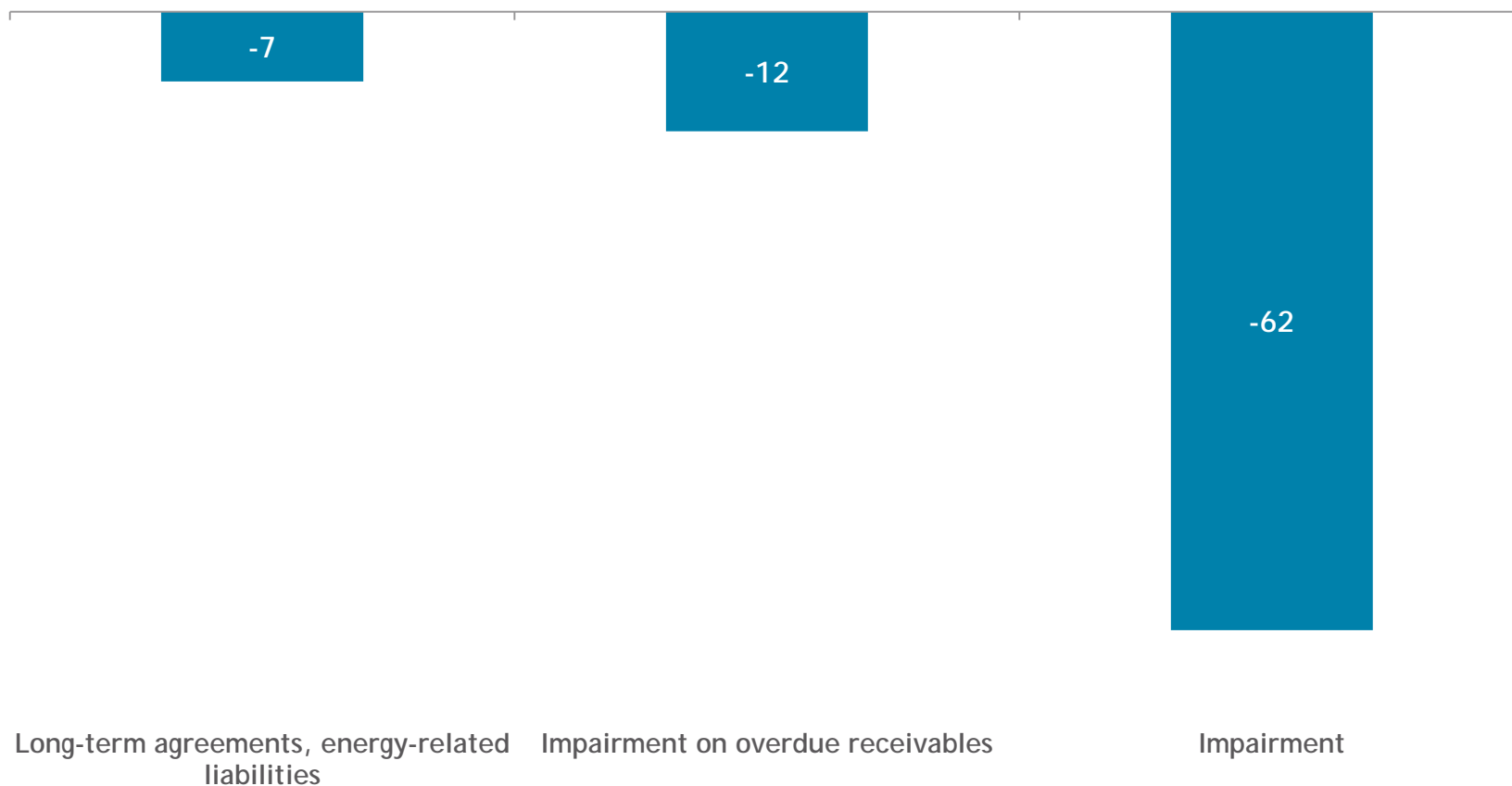
CHF m	2015 before adjustments	2015	2014 before adjustments	2014 restated
Total operating revenue	1,896	1,896	2,273	2,273
Gross margin	185	178	247	240
EBITDA	59	46	89	77
EBIT	12	-69	39	26
Group result	-46	-136	-22	-33
FFO (funds from operations)		11		63
CFO (cash flow from operating activities)		17		98
Investments (including own costs)		31		37
FFO/net debt		4.1%		26.8%
Net debt/EBITDA		4.5		2.6
Equity ratio		33%		36%
Headcount on December 31 (FTEs)		632		666

Financial result

# Operating results impacted by exceptional items

Total impact on EBIT around CHF 81 million

CHF m

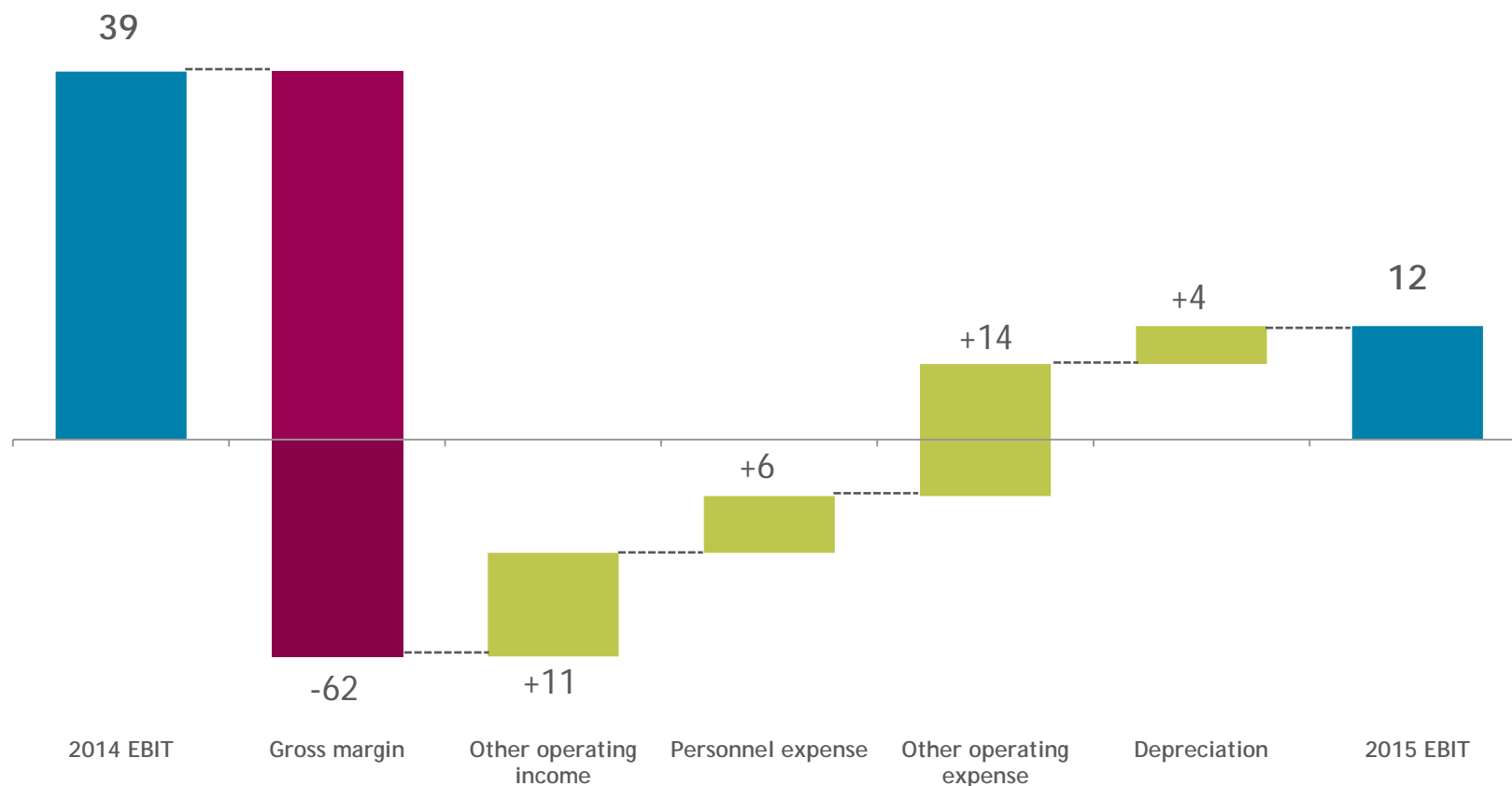


## Financial result

## EBIT reflects gross margin and cost savings

Comparison of 2014 and 2015 operating earnings before exceptional items

CHF m

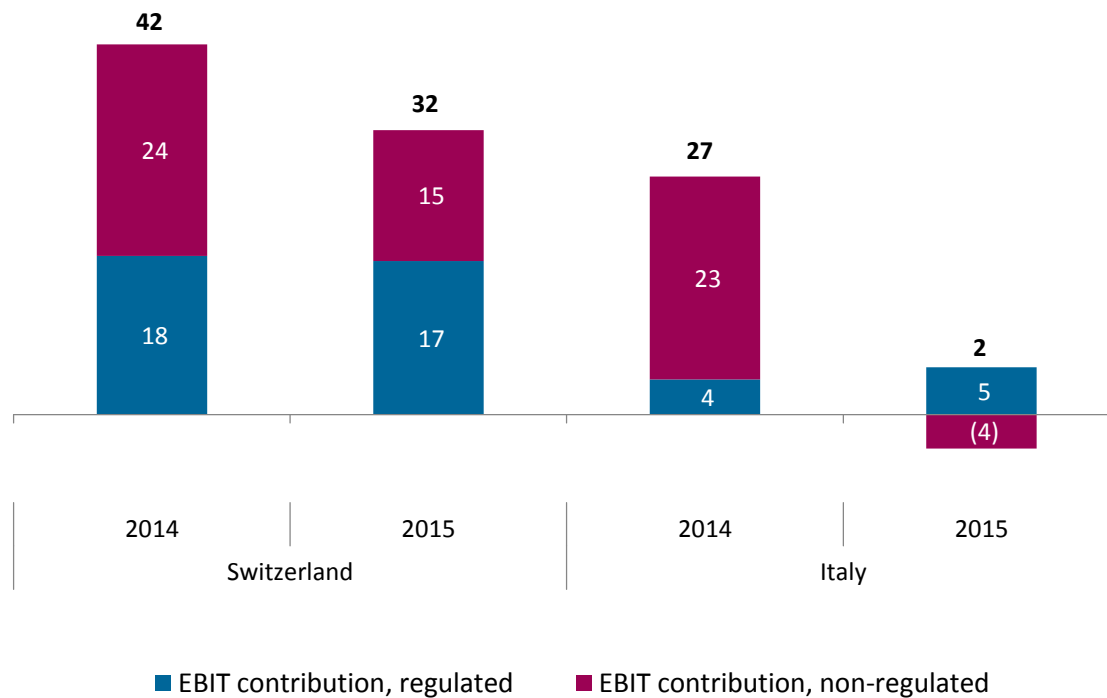


## Financial result

# EBIT from regulated business is a mainstay of earnings

Breakdown of EBIT contributions from regulated and unregulated business

CHF m



## EBIT contribution from regulated business

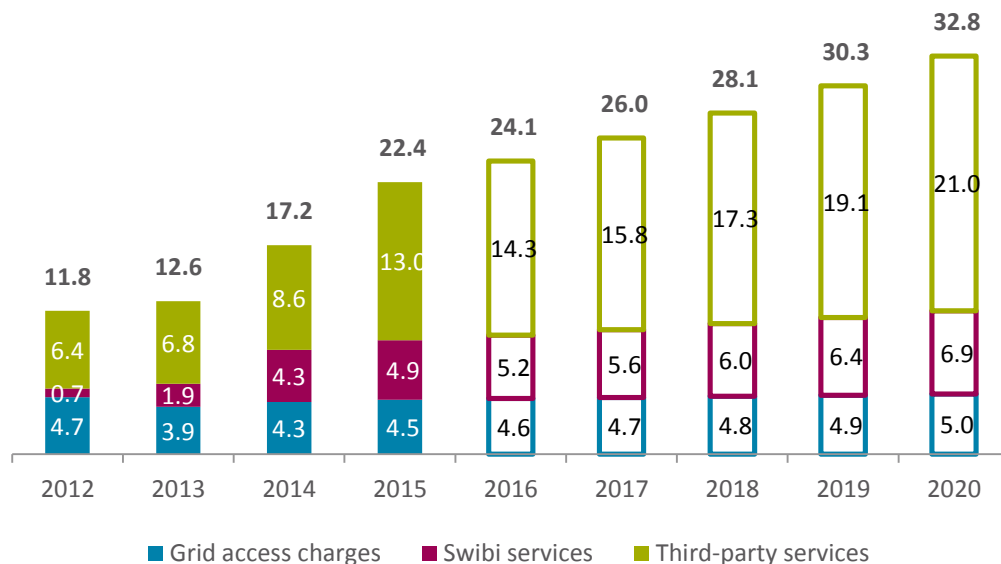
- > Switzerland
  - > Basic supply plus KEV feed-in remuneration at cost for hydropower
  - > EEG feed-in tariff for wind power
- > Italy
  - > Certificati verdi for wind power
- > Outlook
  - > Growing contributions to earnings thanks to inclusion of plants in KEV feed-in scheme

Financial result

# Substantial increase in revenues from non-energy business

Income from services rendered, 2012-15, and outlook to 2020

CHF m



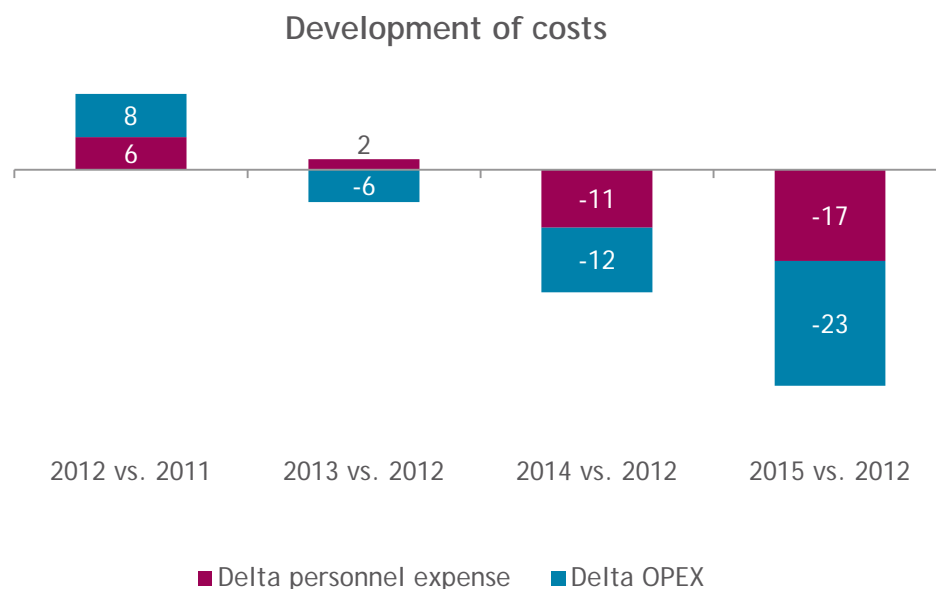
- > Stable revenues from services related to household connections
- > Increase in revenues thanks to expansion of SWiBi's business; plans for further expansion
- > Significant increase in volume of services to third parties thanks to good order books and competitive offerings
- > New products and expanded market access will enable further increases in future years

## Financial result

# Cost-cutting pursued systematically

Costs reduced by more than CHF 40m versus 2012

CHF m



- > Organisation further simplified; legal entities again reduced
- > Headcount reduced by more than 110 FTEs versus 2012
- > Operating expenses again reduced substantially thanks to cost management and greater efficiency

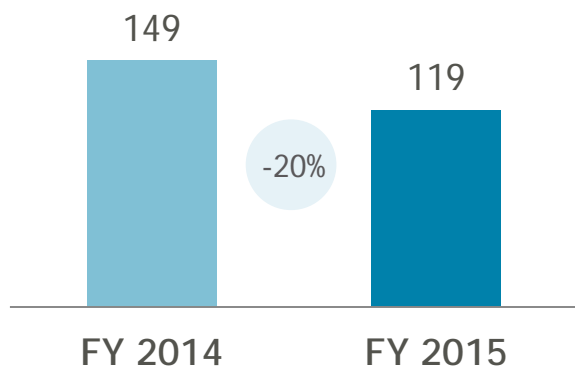
## Financial result

## Financial highlights, Market Switzerland

## Market Switzerland before exceptional items

CHF m

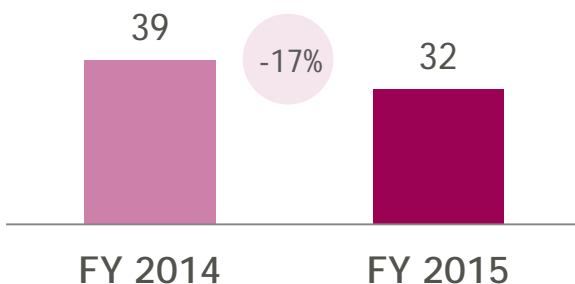
## Gross margin



## Gross margin below prior-year level

- > Long-term positions put sustained pressure on margins
- > Margin of speculative trading higher than expected
- > Sales and Grid within expectations

## EBIT



## Decline in gross margin impacts operating results

- > Operating expenses well below prior year
- > Positive effects from disposal/withdrawal from projects



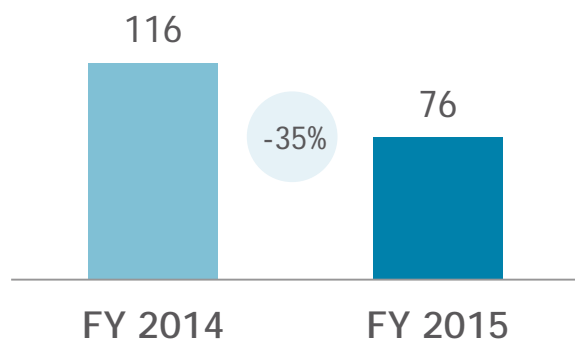
## Financial result

## Financial highlights, Market Italy

## Market Italy before exceptional items

CHF m

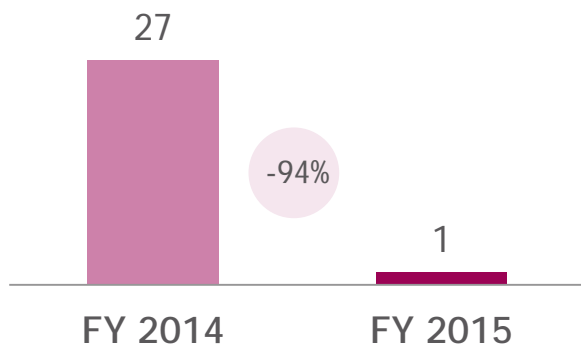
## Gross margin



## Gross energy margin under heavy pressure

- > Teverola combined-cycle gas plant's revenues from ancillary service market (MSD) significantly below expectations
- > Sales: Margins (electricity and gas) below expectations

## EBIT



## Shrinking margin impacts EBIT

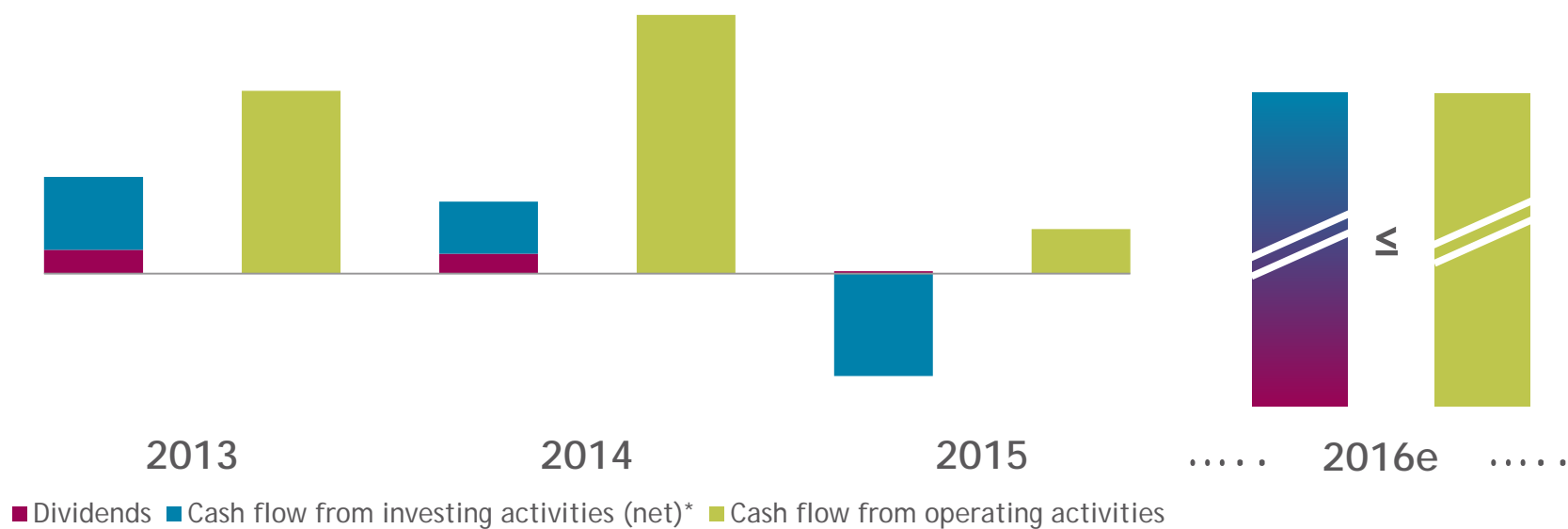
- > Operating results primarily impacted by decline in margins
- > EBIT before exceptional items only just positive

Financial result

# Free cash flow also positive in 2015

Operating cash flow covers capex and dividend

CHF m



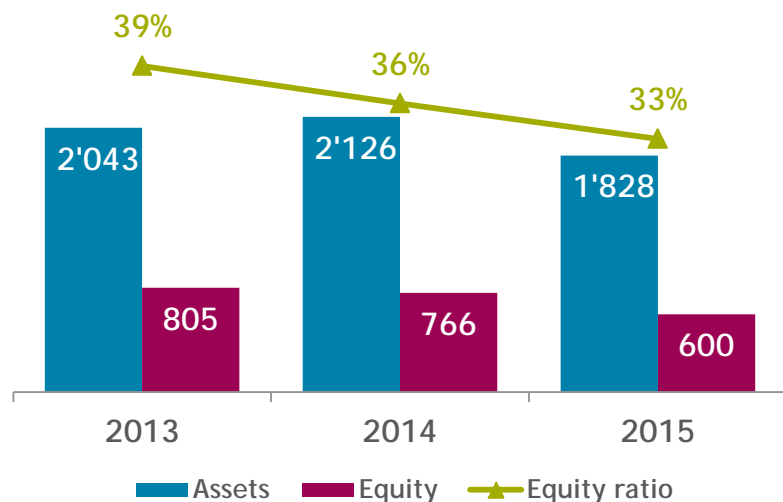
\* 2015 includes sale of Swissgrid interests for CHF 59m, hence negative capex

## Financial result

# Equity ratio reduced because of exceptional items

Development of balance sheet assets, equity and equity ratio since 2013

CHF m



## Equity in decline since 2013

- > Exceptional items have major impact on equity in FY 2015

## Equity ratio falls short of target range

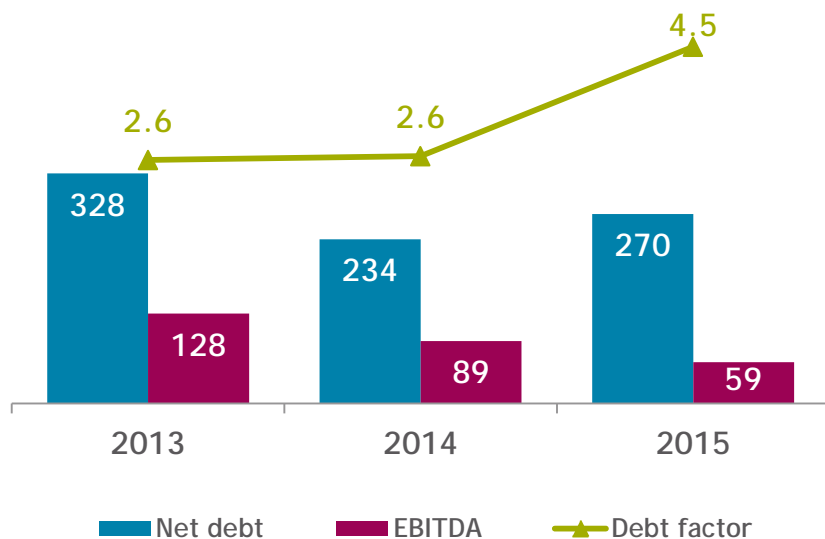
- > Target range 35% to 45%

## Financial result

# Debt factor higher than 4 because of decline in EBITDA

Development of net debt, EBITDA and debt factor since 2013

CHF m



## Net debt slightly increased

- > Sale of non-operational assets continues according to plans
- > Further progress in working capital management in 2015

## Debt factor also increased

- > Further efforts needed in 2016 - consistently moving forward with divestments in particular
- > Debt factor 2016 decreasing again thanks to divestments and stabilised EBITDA

Motions to the AGM

## Annual General Meeting, 12 May 2016

- Introduction of standard registered share
- Amendments to articles of association following delisting
- Reduction in Board of Directors (from 12 to 8 members)
- No dividend paid

## Delisting and conversion to standard registered shares

# Repower shares still to be tradeable

- 28 April 2016: last day of trading on SIX (bearer shares and participation certificates)
- Securities then delisted
- Traded on BEKB OTC-X and other platforms from 29 April 2016
- AGM decides on introduction of standard registered shares
- Start of trading in standard registered shares\*: 23 May 2016
- Holders of shares in safekeeping accounts do not have to take action
- People who hold shares themselves must present them at a bank well before the AGM

\* Subject to resolution of AGM

## Information policy

# Repower will remain accountable

- Ad hoc publicity requirement doesn't end with delisting shares, because Repower still has listed bonds
- Repower will continue to respect shareholders' and media's need for open, transparent and non-discriminatory information in the future
- No share-price-relevant communication during trading hours

## Positioning

# Implementation of strategy successfully driven forward

---

### Concentration

- › Exit from Germany concluded
- › Exit from Prague concluded
- › Looking into divesting Romania

---

### Sustainability

- › Looking into divesting Teverola
- › Looking into divesting nuclear interests

---

### Services

- › Service business in Switzerland expanded
- › Service and product development efforts driven forward
- › Products successfully launched on Swiss and Italian markets

---

### Partnerships

- › Sales cooperations on Swiss market prepared
  - › Service partnerships established in Italy
  - › Innovative financing model implemented for generation project
  - › New shareholder acquired for Repartner
-



## Outlook

# Extremely challenging conditions medium term

---

### Operating environment

- › Clarity on next steps in energy strategy expected this year (referendum?)
- › Still no clarity on international relations
- › Despite reduction in WACC, stable contributions to earnings still expected from distribution grid business in Switzerland
- › No distortions expected in Italian market

---

### Market

- › Primary energy prices unpredictable
- › Electricity prices will remain low
- › No significant change in EUR/CHF rate

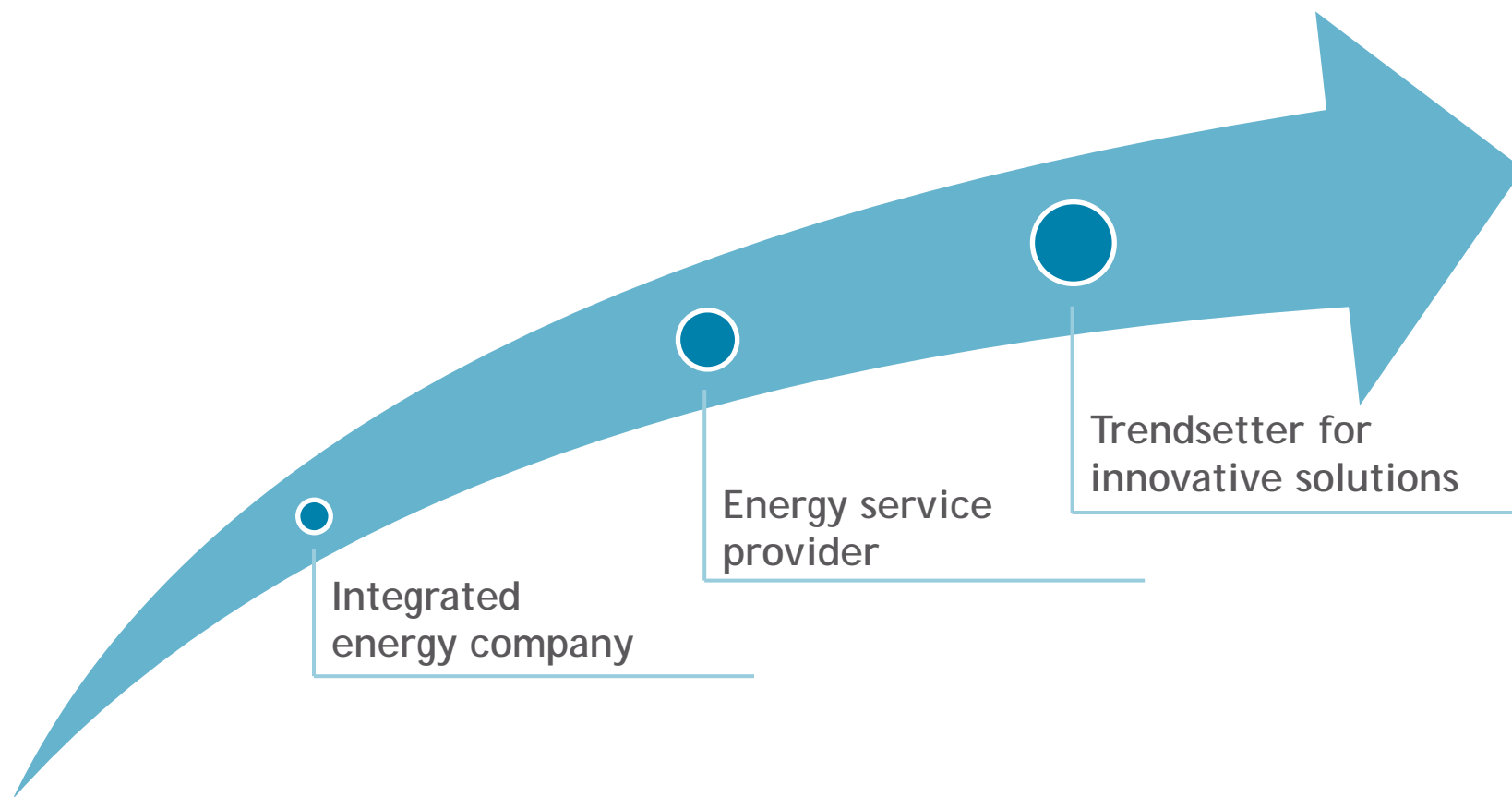
---

### Results

- › Realignment will gradually yield improvements
  - › Long position progressively reduced over strategy horizon
  - › 2016 operating results expected to be around 2015 levels
  - › Results will continue to depend on market prices medium term
-

## Outlook

The path is rocky, but the opportunities are there



For your diary

## Key dates

- › Annual general meeting 12 May 2016, Landquart
- › 2016 interim results 24 August 2016
- › Results for 2016: 4 April 2017
- › Annual general meeting 17 May 2017



*Many thanks for your interest!*