Analyst and investor conference

Repower's market environment and positioning

Zurich, 30 October 2017
Agenda

- Dynamic market environment  Kurt Bobst
- Strategic areas of focus   Kurt Bobst
- Implementation: what stage are we at? Kurt Bobst
- Financial developments Brigitte Krapf
- Investor relations Brigitte Krapf
- Outlook Kurt Bobst
- Questions and drinks All
Agenda

• **Dynamic market environment**
  - Strategic areas of focus  
  - Implementation: what stage are we at?
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  - Investor relations
  - Outlook
  - Questions and drinks

Kurt Bobst

Brigitte Krapf

All
The future of energy: where’s the journey headed?

The new world of energy is digital, connected and customer-centred.
From 2016 development of commodity prices has been volatile.
2019 and 2020 price increases levelling off again

- High expectations at the long end
- 80% increase in Cal-18 price in 18 months: +16 EUR/MWh
- Market expectations for Cal-19 and Cal-20 more muted: increase of 12 EUR/MWh since February 16; spread of 3 EUR/MWh with front calendar
### The environment will be more market-oriented in the future

#### Objectives
- Climate protection
- Technological progress
- Efficiency gains
- Systems integration
- Smart grids
- Energy only market

#### Scenarios
- Competitive
- Regulated

#### Investment
- **Competitive**: Subsidies run out from 2020 onwards: 70% of investments in day-ahead market paid out.
- **Regulated**: Heavy subsidies continue. 0% of investments paid out via day-ahead market.

#### CO₂-price
- **Competitive**: ETS market regulates emissions targets. CO₂ price 2050: 50 EUR/t.

#### Grid
- **Competitive**: Better market design allows greater exploitation of NTC values: 45%→60% New capacity in Central Europe: +6GW.
- **Regulated**: Current NTC methodology remains in place. Only around 50% of cross-border capacity used. +10GW in new capacity.

#### Renewables
- **Competitive**: Ambitious renewable generation targets
  - Now
  - DE 30%
  - FR 20%
  - IT 40%
  - 2050
  - DE 65%
  - FR 50%
  - IT 60%
- **Regulated**: Life of nuclear plants in DE/BE: 40-50 years In FR/CH around 60 years

#### Thermal
- **Competitive**: Coal-fired capacity will be replaced by gas-fired plants to enable more flexible deployment by 2050:
  - DE: Coal -50%
  - Gas +50%
- **Regulated**: Life of nuclear plants in FR/CH around 60 years

#### Demand
- Slight increase in demand: <0.5% per year
- Demand for flexibility increases by 10%

#### Fuel prices
- 2050 vs now
  - Coal +65%
  - Gas +100%
  - Oil +80%

2025-35: Shift from regulated to competitive
Prices can go up as well as down

- Two winters where prices increased
- From March 16 sharp upward correction, followed by stabilising forward prices: Cal-18 CH from 23.5 EUR/MWh to around 42 EUR/MWh (+78%)
- Spot market prices for physical delivery CH end-16 at 38 EUR/MWh; expectation end-2017 at 46 EUR/MWh
- Many large producers have already largely hedged 2018/19: there will be a lack of sellers
Increasingly volatile prices in prospect

- Europe’s portfolio of thermal assets is getting older and older:
  - Outages on the increase; harder to predict maintenance time
  - Price volatility increasing
- Relevant “base load” generation plants taken off the grid;
  Germany around -5 GW 2017-19
- Next CO₂ phase and political signals from Germany having a bullish influence on CO₂ prices
Constant payments flowing into public coffers

- Concession charges dependent on production and plant availability

- Charges for water rates and taxes on water works:

<table>
<thead>
<tr>
<th>Period</th>
<th>Rate (CHF/kW)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990-97</td>
<td>54</td>
</tr>
<tr>
<td>1997-2010</td>
<td>80</td>
</tr>
<tr>
<td>2011-14</td>
<td>100</td>
</tr>
<tr>
<td>2015-19</td>
<td>110</td>
</tr>
</tbody>
</table>

*Gross payments

Dynamic market environment
Successful implementation of “KEV-isation” (from 2018 EVS)

- From 2018/19 new regime with lower rates
- Revenues from marketing of energy; difference will be covered by subsidies
- Total proceeds comparable to those in 2017 forecast
# Agenda

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  - Kurt Bobst

- **Strategic areas of focus**  
  - Kurt Bobst

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  - Brigitte Krapf

- Investor relations  
  - Brigitte Krapf

- Outlook  
  - Kurt Bobst
Repower’s vision maps a clear course

Repower will become the leading provider of energy and services in Switzerland and Italy

• We know the needs of customers and take them seriously
• We show flexibility to satisfy the needs of customers promptly and as effectively as possible
• Our energy and services offerings stand out in terms of high quality and customer utility
Six strategic areas of focus to our goal

**Switzerland:** Expand energy business and enter gas market

**Schwitzerland:** Digitise processes and develop new products

**Switzerland:** Expand supply services as full-service provider

**Italy:** Grow in SME segment by means of try-and-buy strategy

**Italy:** Enter small retail market and build digital distribution channel

**Switzerland:** Actively market work for third parties
Our recipe for success (1/2)

Key markets
We concentrate on our key markets, Switzerland and Italy (including the origination business in Germany).

Digitalisation
We develop innovative, intelligent and efficient solutions for our customers.

Partnerships
We continue to develop our business model within strategic partnerships, and aim to be our customers' partner of choice.
Service provider
We will build on our core competencies in generation, grid and trading to become the leading service provider.

Sales
Our business is systematically geared to our sales targets.

Sustainability
In the future 100% of the electricity we generate will come from renewable resources, and we will deploy our assets in line with our goals as a leading energy and service provider.
Our potential: broad know-how in the service of our target customers

Energy utilities

Infrastructure operators

Market customers and basic supply

Target groups in Switzerland
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Electric vehicles gaining ground

Plug’n Roll: the all-in-one package for electric vehicle pioneers

- Around 80 charging stations (CH)
- 36 locations (CH)
- Around 2,700 registered customers (CH)
- Around 10,000 app downloads
- Around 175 charging stations in Italy
Smartpower: tomorrow’s smart metering and energy management

• New grid-related challenges: distributed rather than centralised; digital rather than analogue; flexible rather than planned
• Comprehensive modular solutions for energy utilities
• Output-based price models
• Incentives for end users
• Grid optimisation for energy utilities
• Comprehensive transparency
• ES 2050: smart metering, energy efficiency, promotion of renewables
Asset Monitor: the future of asset management

- Efficient management of assets
- End-to-end overview and control
- Optimum timing for service and maintenance
Energy Space: the new dimension in portfolio management

- Web-based platform for energy utilities for managing energy portfolio
- Concrete support for portfolio managers
- Comprehensive market access
- Simulation of transactions and hedging strategies
- Short-term optimisation
- Balance group management
- Highly transparent
- Permanent risk assessment
New fields of business are already impacting earnings

Development of sales in Switzerland: contracts for third parties, products and services

- Significant growth in new fields of business with products such as
  - Electric vehicles
  - Asset Monitor
  - Services
  - Smartpower

- Revenues from services in core business relatively stable
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Substantial devaluation of the franc, and slight long-term recovery in interest rates

10-year CHF SWAP (Source: Bloomberg)

EUR/CHF exchange rate (Source: Bloomberg)
## Figures for 2012 to 2017

<table>
<thead>
<tr>
<th></th>
<th>1H2017</th>
<th>2016</th>
<th>2015*</th>
<th>2014</th>
<th>2013</th>
<th>2012*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total operating revenue</td>
<td>CHFm</td>
<td>905</td>
<td>1,740</td>
<td>1,890</td>
<td>2,273</td>
<td>2,365</td>
</tr>
<tr>
<td>EBITDA</td>
<td>CHFm</td>
<td>43</td>
<td>52</td>
<td>41</td>
<td>77</td>
<td>74</td>
</tr>
<tr>
<td>EBIT</td>
<td>CHFm</td>
<td>20</td>
<td>22</td>
<td>-69</td>
<td>26</td>
<td>-150</td>
</tr>
<tr>
<td>Group profit</td>
<td>CHFm</td>
<td>1</td>
<td>-13</td>
<td>-136</td>
<td>-33</td>
<td>-152</td>
</tr>
<tr>
<td>Balance sheet total</td>
<td>CHFm</td>
<td>1,681</td>
<td>1,705</td>
<td>1,828</td>
<td>2,126</td>
<td>2,043</td>
</tr>
<tr>
<td>Equity ratio</td>
<td>%</td>
<td>47%</td>
<td>45%</td>
<td>33%</td>
<td>36%</td>
<td>39%</td>
</tr>
<tr>
<td>Energy gross margin</td>
<td>CHFm</td>
<td>109</td>
<td>195</td>
<td>178</td>
<td>240</td>
<td>255</td>
</tr>
<tr>
<td>Economic value added</td>
<td>CHFm</td>
<td>-8</td>
<td>-33</td>
<td>-112</td>
<td>-57</td>
<td>-188</td>
</tr>
<tr>
<td>Cash flow</td>
<td>CHFm</td>
<td>19</td>
<td>69</td>
<td>17</td>
<td>98</td>
<td>69</td>
</tr>
<tr>
<td>Net debt</td>
<td>CHFm</td>
<td>-11</td>
<td>41</td>
<td>270</td>
<td>234</td>
<td>328</td>
</tr>
<tr>
<td>Net debt to EBITDA</td>
<td>%</td>
<td>-0.1</td>
<td>0.5</td>
<td>4.5</td>
<td>2.6</td>
<td>2.6</td>
</tr>
<tr>
<td>FFO/net debt</td>
<td>%</td>
<td>-313%</td>
<td>55%</td>
<td>4.1%</td>
<td>26.8%</td>
<td>25.4%</td>
</tr>
<tr>
<td>CAPEX**</td>
<td>CHFm</td>
<td>11</td>
<td>24</td>
<td>24</td>
<td>28</td>
<td>53</td>
</tr>
<tr>
<td>Number of employees</td>
<td>FTE</td>
<td>569</td>
<td>563</td>
<td>632</td>
<td>666</td>
<td>707</td>
</tr>
</tbody>
</table>

* Restated  ** Investment in tangible assets, intangible assets and associates, and investment-type loans
Development of net debt to EBITDA

- The result is positive net liquidity for Repower
- All interest-bearing financial liabilities can be covered by assets
- Net debt to EBITDA is running at close to zero
Three central pillars

Healthy balance sheet structure
- Net debt to EBITDA not greater than 3 over several years
- Operating cash flow covers investment over a period of several years

Good supply of liquidity
- Dynamic approach to minimum liquidity
- Adequate cover thanks to unused but assured lines of credit at various banks
- Forward-looking management of liquidity and maturities of financing

Adequate financing policy
- Access to capital markets assured at all times
- Financing instruments with fairly long maturities and fixed interest rates matching business profile
- Forward-looking financial planning taking account of interest and exchange rate developments
Development of cash flow from operating activities (CHF m)

Cash flow from operating activities, CFO (FY)

<table>
<thead>
<tr>
<th>Year</th>
<th>Cash Flow</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>98.1</td>
</tr>
<tr>
<td>2015</td>
<td>16.9</td>
</tr>
<tr>
<td>2016</td>
<td>69.2</td>
</tr>
</tbody>
</table>

Cash flow from operating activities, CFO (HY)

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Cash Flow</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014 Q2</td>
<td>50.8</td>
</tr>
<tr>
<td>2015 Q2</td>
<td>10.5</td>
</tr>
<tr>
<td>2016 Q2</td>
<td>43.5</td>
</tr>
<tr>
<td>2017 Q2</td>
<td>19.3</td>
</tr>
</tbody>
</table>

- Material effects, 1H17
- CHF 20 m in depreciation on tangible assets
- CHF 16.6 m change in net working capital
- Reduction in liabilities in Italy
- Reduction in overdue receivables in Italy
Development of funds from operations (CHF m)

Funds from operations, FFO (FY)

- 2014: 62.6
- 2015: 11.1
- 2016: 22.5

Funds from operations, FFO (HY)

- 2014 Q2: 39.4
- 2015 Q2: 9.3
- 2016 Q2: 26.4
- 2017 Q2: 35.9

- Much better operating result in 1H17 than prior year
Various WCM measures in Switzerland and Italy

**Switzerland**
- End-consumer billing optimised
  - Effect: cash flow from delivery cut by 60 days
- Billing optimised
  - Effect: WCM CHF 15-20 m
- Receivables workflow system introduced
  - Effect: Payment management optimised
- Further optimisation ongoing

**Italy**
- Optimised billing system enabling end consumers to be billed much more quickly
- Late payments portfolio cleaned up
- Reverse factoring
- Introduction of accounts payable workflow system
  - Effect: Optimised payment management
- Further optimisation ongoing

**Timeline**
- 2015
- 2016
- 2017
- 2018
Payment times optimised and under control

- DSO CH at constant level; frequency of bills to end consumers increased
- DSO Italy substantially reduced, thanks among other things to optimised payment terms and prompt accounts receivable management
Reduction in overdue payments following modifications to processes

Overdue receivables in Italy

Sales with VAT (EUR m)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales with VAT (EUR m)</td>
<td>584</td>
<td>700</td>
<td>886</td>
<td>983</td>
<td>925</td>
<td>876</td>
<td>891</td>
<td>794</td>
<td>800</td>
<td>800</td>
</tr>
</tbody>
</table>
Process «Credit-Check» state of the art

Credit line assessment

- Rating (based on CERVED Group analysis)
- Historic records with Repower (if any like payment history)

Prospect with exposure >100k EUR/y

Query may be done
- Directly to credit dept
- Indirectly via smartphone (dedicated app)

NO

YES

Exceptions managed by a web based application

- OK to acquisition
- Warranty requested
- Deny

- Rating
- Insurance
- Bank’s feedback
- Additional CERVED Group analysis

Exceptions managed by a web based application
Real estate

Disposal of non-operational assets

Profits from the disposal of non-current assets

- Project to dispose of many non-operational properties delivered
- Sale of remaining properties still being pursued, but with less urgency
Foreign currency hedging strategy: rolling hedge

Hedging policy

- 80%-100% hedge in first quarter
- Risk position calculated on a monthly basis
- Counterparty risk

Historical and current risk exposure
Substantial reduction in operating expense since 2012

- Number of FTEs, personnel expense and other operating expense have all been significantly reduced since 2012 thanks to structural changes and efficiency measures.

<table>
<thead>
<tr>
<th>Year</th>
<th>Delta personnel expense</th>
<th>Delta OPEX</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012 vs. 2011</td>
<td>8</td>
<td>-6</td>
</tr>
<tr>
<td>2013 vs. 2012</td>
<td>-11</td>
<td>-12</td>
</tr>
<tr>
<td>2014 vs. 2012</td>
<td>-17</td>
<td>-23</td>
</tr>
<tr>
<td>2015 vs. 2012</td>
<td>-21</td>
<td>-26</td>
</tr>
<tr>
<td>2016 vs. 2012</td>
<td>-24</td>
<td>-29</td>
</tr>
<tr>
<td>FC 2017</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

FTE’s on closing date:

- 2011: 709
- 2012: 746
- 2013: 707
- 2014: 666
- 2015: 632
- 2016: 563
- FC 2017: 573
Switch from IFRS to Swiss GAAP FER

- Reasons for the change:
  - Growing complexity
  - Imbalance between outlay and benefits
  - Additional costs

- Swiss GAAP FER also allows true and fair view
- Switch retroactive to beginning of 2017
- Transparent financial reporting and comparability guaranteed
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Comprehensive information on the Repower website

Group website
https://www.repower.com/en-us/

1 = Cornerstones of strategy
2 = Media contacts, media releases, publications, images/logos, interviews/positions
3 = Results, annual reports, corporate governance, shares, debt, AGM, agenda, contact for investors
4 = Direct link to media releases
5 = Direct link to agenda
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Great challenges remain

**Prices**
- Recovery proceeding slowly

**Market design**
- More market expected gradually from 2020

**Politics**
- Justified concerns have a hard time

**Strategy**
- Implementation of new products continues

**Results**
- 2017 on course in operating terms
  - Half-year results
Many thanks for your interest!