Telephone conference

2018 half-year results

22 August 2018

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Agenda

▪ Welcome	Thomas Grond
▪ Overview of 1H18	Kurt Bobst
▪ Financial results	Brigitte Krapf
▪ Outlook	Kurt Bobst
▪ Questions	All

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Challenges remain, but looking forward with confidence

OPERATING ENVIRONMENT AND MARKET

- Market environment volatile
- Relatively positive development in energy prices
- EUR exchange rate and interest rate environment volatile
- Downtime at Teverola negatively impacts half-year results

STRATEGY

- Continued efforts to develop areas of strategic focus successful
- Positive development in orders for services for third parties
- Innovative products brought to market
- Hydropower and grid assets maintained
- SME market in Italy expanded

EARNINGS

- Operating earnings CHF 9 m despite negative impact of Teverola
- Very stable capital base
- Major pressure on margins remains
- Expected operating earnings in line with budget

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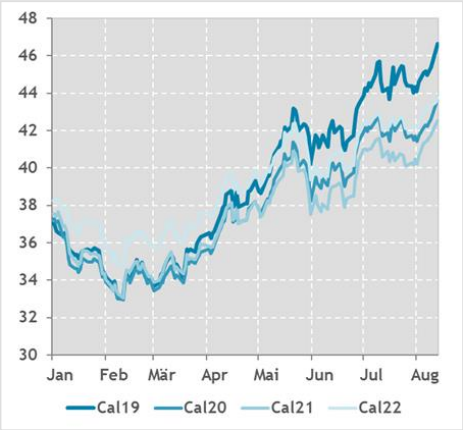
Market environment: volatility a constant

Market prices in EUR/MWh*



*Prices in Germany

EUR/CHF exchange rate

- Market environment remains challenging
- Slightly positive development in prices possible medium term
- EUR/CHF rate highly volatile
- Political challenges remain

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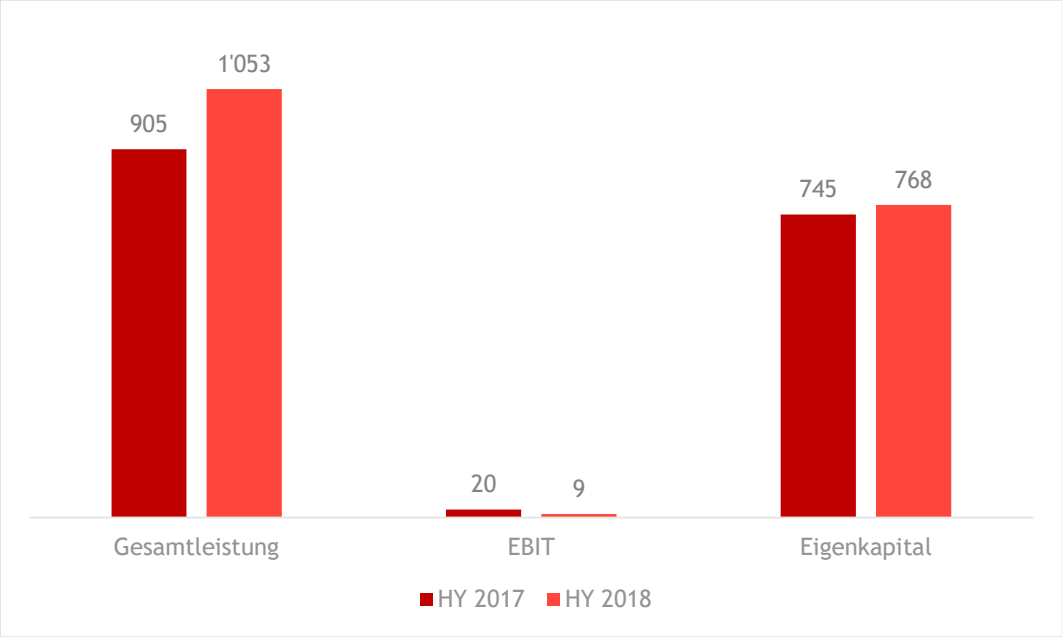
Total operating revenue up, equity stable

CHF m



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Unchanged focus on bespoke offerings and energy efficiency

- Successful focus on energy utilities and infrastructure operators (CH), SMEs and SOHO (I)
- Services, products and tools adding value for customers: boosting process and energy efficiency
- Additional potential from implementation of Energy Strategy 2050

➡ Growth in areas such as services for third parties shows that market is responding very positively to Repower's offerings

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Swiss market still on the up and up (1/4)

- Technical solutions and work on contract
  - Collaboration with SBB (software) extended
  - Contracts for EW Sennwald electricity works, EKW (Pradella and Martina plant), Avegno substation, various contracts for Swissgrid, Mendrisio substation
  - Various work on own grid (enhancing Landquart grid, cabling in Champfer-Silvaplana area, new connecting line Islas substation of St. Moritz Energie, Bever grid coupling)

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Swiss market still on the up and up (2/4)

- Energy delivery
  - Various energy supply agreements were renewed: energy utilities, market customers, Repartner energy supply agreement
  - Energy balance group expanded, e.g. with addition of Liechtensteinische Kraftwerke (LKW)
  - Very solid foundation in basic supply

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Swiss market still on the up and up (3/4)

- Services
  - Pilot phase for SMARTPOWER launched in Landquart
  - Comprehensive, modular packages deepen bonds with customers, including existing customers
  - PLUG'N ROLL and E-LOUNGE electric vehicle solutions achieve very promising success in the market

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Swiss market still on the up and up (4/4)

- Trading
  - Asset management optimum
  - Positive earnings contribution from prop trading
  - Bespoke offerings for customers successfully refined and developed

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Good results from sales in Italian market - result eroded by Teverola

- Sales business
  - Efforts to expand customer segment continue. An online platform specially designed for this purpose is about to be launched
  - Market conditions in 1H18 good, particularly in gas
  - Closer focus on partnerships (e.g. tourism and electric vehicles)
- Teverola plant
  - Technical faults result in longer downtime than planned
  - From Repower's point of view there are grounds for an insurance claim

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Financial results

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Operating income eroded by loss of production at Teverola

- Operating income below expectations
- Sales in CH boosted by increase in own generation, with pleasing earnings contributions from sale of guarantees of origin; plus lower-than-budgeted costs
- Earnings in Italy heavily eroded by unscheduled downtime at Teverola; earnings from sales activities in line with budget
- Swiss market posts results in line with budget
- Partial repurchase of outstanding bonds completed
- Operating income for the whole of 2018 expected to be in line with half-year trend

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Operating income well below prior year

CHF m	1H18	1H17
Total operating revenue	1,053	905
Gross margin (energy)	104	109
EBITDA	31	42
EBIT	9	20
Group earnings	0	1
FFO (funds from operations)	23	37
CFO (cash flow from operating activities)	15	22
Investments*	12	11
FFO/net debt**	<0%	<0%
Net debt/EBITDA	-0.6	-0.4
Equity ratio	43%	42%
No. of employees on 30 June (FTEs)	575	569

**Includes investment in tangible assets, intangible assets and associates, and investment-type loans
***Net debt running at CHF -38 m (prior year CHF -2 m); FFO/net debt is therefore lower than -100%

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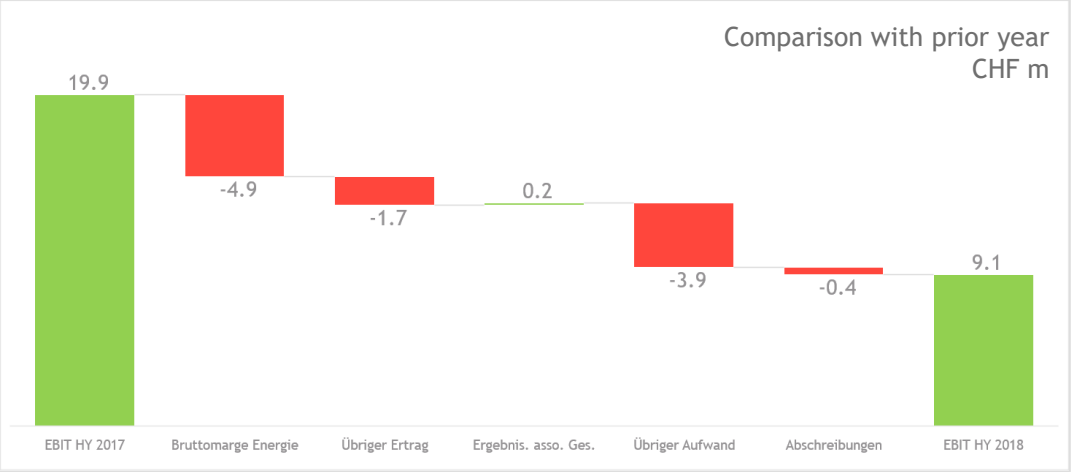
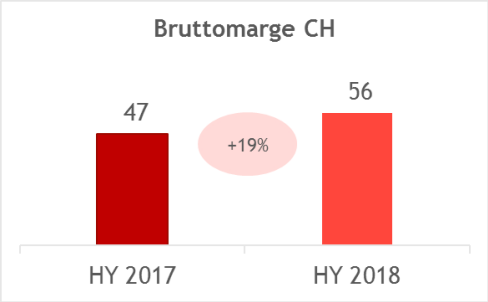
Earnings eroded by lower gross margin and higher costs

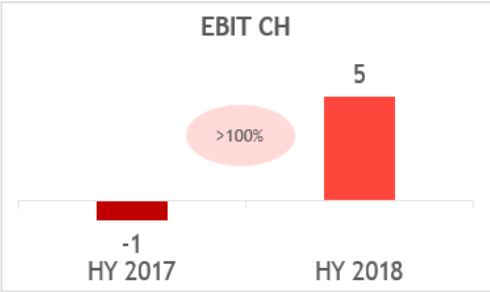


- Gross margins hit by loss of production at Teverola plant; Switzerland only able to offset this partially
- Reduction in other income primarily the result of lower proceeds from divestments (property, group companies)
- Other expenses in line with budget, although year-on-year increase in costs due to various effects, e.g. in connection with expansion of services and implementation of strategic measures

Increase in gross margin – decline in other income

CHF m





Gross margin better than prior year

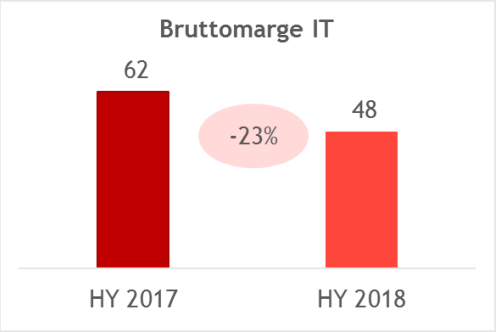
- Margin on speculative trading increases in volatile market
- Positive price developments mean less pressure on margins from long positions
- Stable margin on basic supply
- Plants post good generation figures and therefore good business with guarantees of origin

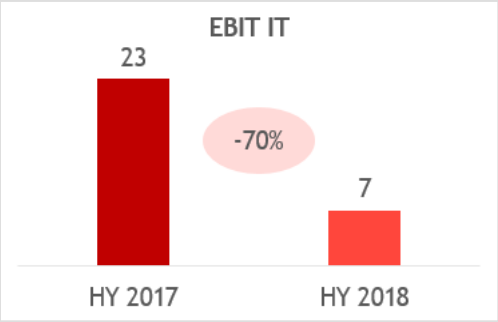
Gross margin has positive effect on operating earnings at slightly higher operating expenses

- Own costs capitalised slightly up on prior year
- Lower proceeds from divestments
- Operating expenses slightly higher than prior year

Results hit hard by downtime at Teverola plant

CHF m





Gross energy margin below expectations

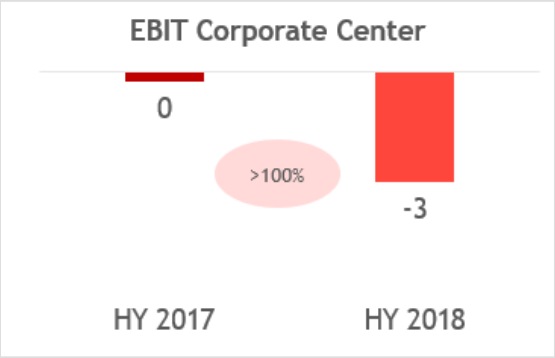
- Operating income significantly below expectations owing to loss of production at Teverola combined gas cycle power plant (which in addition made very good contributions to earnings in the first six months of 2017)
- Margins on sales of electricity and gas more or less in line with budget
- Trading margin well below expectations, primarily owing to loss of production at Teverola plant, plus higher-than-budgeted transport costs for gas at substantially higher volumes

Operating income hit by downtime at Teverola

- Downtime at Teverola plant has significant impact on results
- Income from sales business in line with expectations; margins expected to decline slightly in 2H18

Lower proceeds from divestments

CHF m



Decline in EBIT owing to rising expenses (OPEX)

- Proceeds from divestments around CHF 1.5 m lower than prior year
- Year-on-year increase in personnel expense
- Intercompany transactions higher than budgeted, but constant versus prior year

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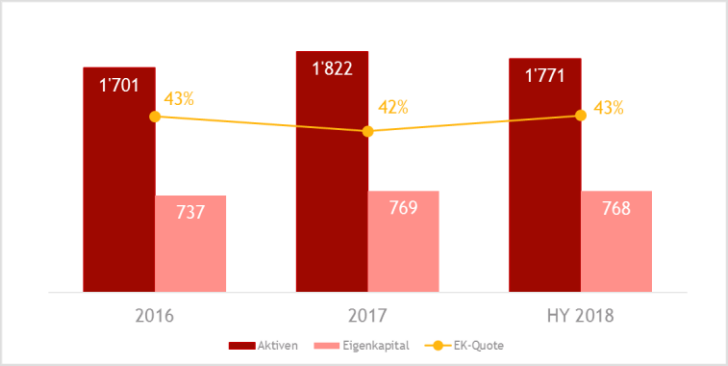
Equity ratio remains stable

CHF m

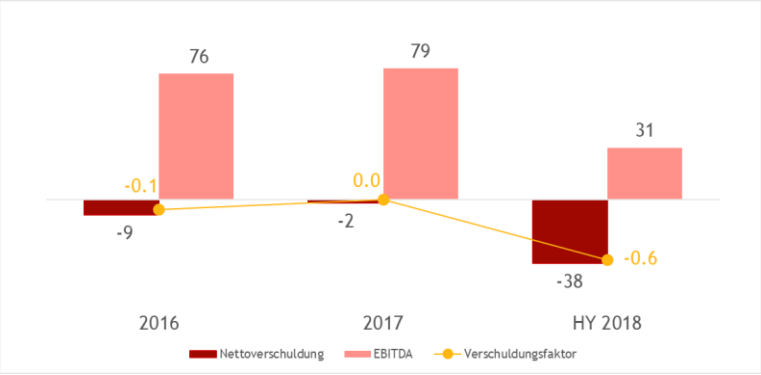


Equity ratio still at high level

- Equity ratio of 43% within target range of 35% to 45% at slightly lower balance sheet assets

Another reduction in net debt to EBITDA

CHF m



Net debt reduced

- Investment strategy remains conservative: positive effect on net debt

Further reduction in net debt to EBITDA

- Net debt to EBITDA close to zero thanks to negative net debt

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Ongoing optimisation and market focus efforts will continue in 1H18

- Assuring optimum operation and management in core business
- Adjusting and optimising structures to be able to better support and manage customers and projects

- Ongoing development and market launch of new solutions
  - Example: Smart-Power solution scheduled for roll-out in 2019; new PLUG’N ROLL offerings, E-LOUNGE

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Earnings expectations in line with six-month figures

- Pressure on margins remains
- CHF/EUR rate volatile
- Successful implementation of strategy and solid capital base
- We expect operating income (EBIT) for the whole of 2018 to be in line with the trend in the present half-year results

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Next dates in the financial agenda

- Analyst and investor conference: 30 October 2018
- Information on 2018 results: 9 April 2019
- 2019 annual general meeting: 15 May 2019

Many thanks for your interest!

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