Annual media conference

2017 financial year

Landquart, 10 April 2018

REPOWER
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Agenda

- Key points in brief
- Financial results
- Areas of focus in 2017
- Operating environment and outlook
- Questions followed by individual interviews
- Closing remarks and drinks

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Repower is on course

- EBIT well above expectations
- Sales and total operating revenues up on last year
- Sales business in Italy develops very well
- Efforts to reinforce capacity and preserve value of assets in hydro driven forward
- Gratifying progress in expanding services
- Core generation and supply operations run successfully

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Gratifying operating earnings exceed expectations

EARNINGS

- Total operating revenue CHF 1.8 bn
- EBIT CHF 34 m
- Group earnings CHF 20 m
- Cash flow CHF 43 m

POSITIVE EFFECTS

- Slight recovery in market prices
- Market opportunities successfully exploited
- Substantial contribution from Italian market
- Growing earnings from contracts for third parties
- Stable earnings from energy supply business

STRATEGY

- Sales and services stepped up
- SME segment in Italy expanded
- Positioning as expert[??] service provider
- Digitalisation a key driver
- Preserving value of hydro assets

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Systematic implementation of Repower's strategy

Partnerships

Expand strategic partnerships

Be a partner to our customers

Digitalisation

Develop innovative and efficient solutions for our customers, partners and ourselves

Service provider

Draw on our generation, grid and trading know-how to become a leading service provider

Italian market

Drive forward growth strategy and build market position in the SME segment

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Green bond to refinance renewable generation portfolio

- Two green bonds placed successfully
- Focus generation exclusively on renewables
- Value of bonds: EUR 50 m
- Repower's generation portfolio in line with Green Bond Principles
- First financing of this sort in Switzerland
- Earned Green Bond Pioneer Award 2018

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“Innovation and sustainability, also in portfolio management”
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Operating income above expectations

- Operating income well above expectations in all segments
- Market Switzerland segment managed to exploit slight firming in market prices in second half of 2017
- Substantial contribution to income from Market Italy, especially Teverola power plant and sales business
- Corporate Centre further reduces costs
- Switch from IFRS to Swiss GAAP FER reporting standard completed successfully

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Operating income up around 10 per cent on prior year

CHF m	FY 2017	FY 2016 before extraordinary items
Total operating revenue	1,847	1,724
Gross margin (energy)	208	196
EBITDA	79	75
EBIT	34	30
Group earnings	20	7
FFO (funds from operations)*	72	55
CFO (cash flow from operating activities)	43	78
Investments**	32	33
FFO/net debt***	<0%	<0%
Net debt/EBITDA	0.0	0.2
Equity ratio	42%	43%
Headcount on December 31 (FTEs)	578	563

Comparison with prior year (2016)

- 2016 figures adjusted for extraordinary items
- 2016 figures in accordance with FER, i.e. contain effects from switch to Swiss GAAP FER

*FFO = cash from operating activities before change in net current assets (without energy derivative valuation effect) and taxes paid
**Includes investment in tangible assets, intangible assets and associates, and investment-type loans
***Net debt running at CHF -2 m (prior year CHF -9 million); FFO/net debt is therefore lower than -100%

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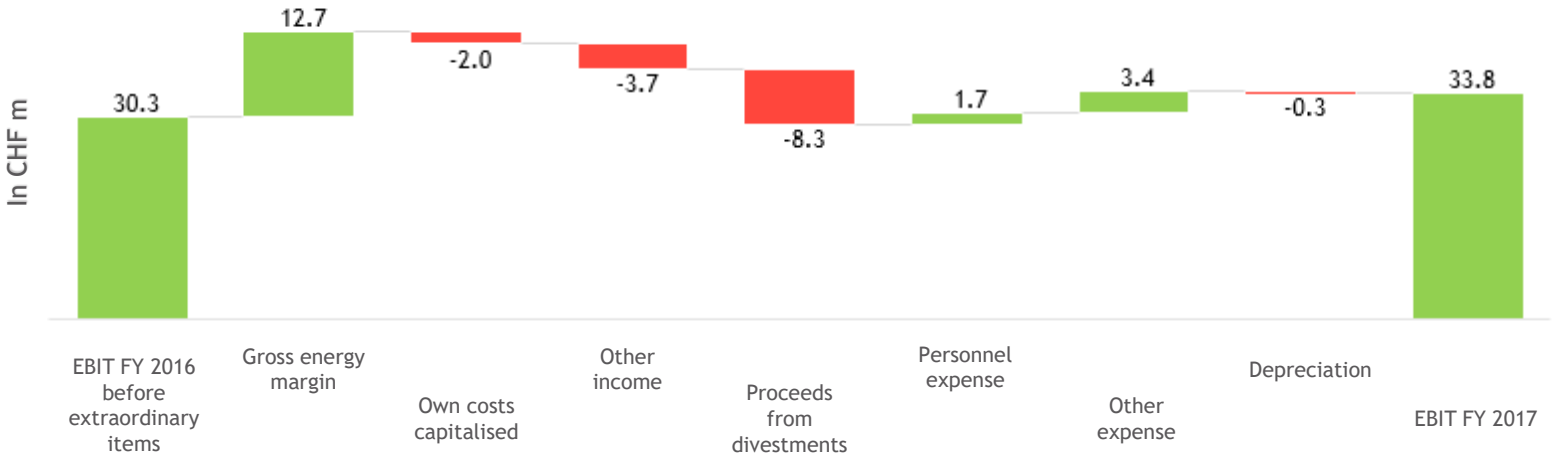
Higher energy margin offset by reduction in divestments



- Substantial increase in gross margin in Switzerland on positive/volatile market conditions
- Decline in proceeds from divestments (prior year CHF 11.2 m for real estate, group companies)
- Costs reduced thanks to further savings and disposals of group companies

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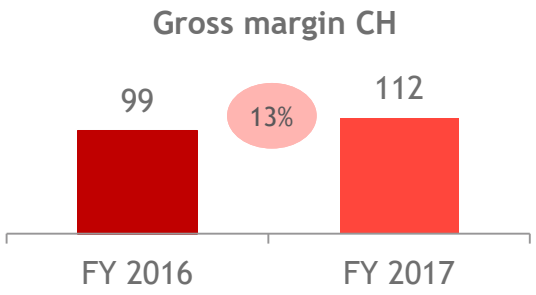
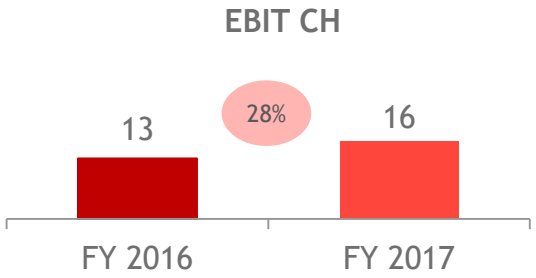
Gross margin stable - decline in other income

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
- Basic supply hit by increase in procurement costs and lower sales
- Good production figures from generation assets

Lower proceeds from divestments made good by increase in gross margin

- Operating expenses lower than prior year
- Proceeds of disposals (CHF -3 m) and own costs capitalised (CHF -2 m) down on prior year

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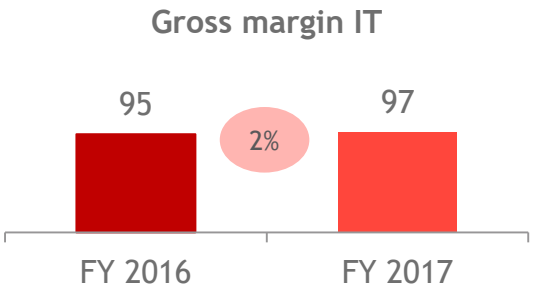
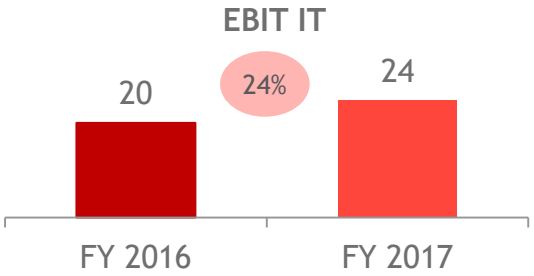
Strong earnings from marketing of own production and sales business

CHF m





Gratifying increase in gross energy margin

- Revenue contribution from Teverola combined cycle gas turbine plant well above expectations (maintenance postponed)
- Sales: margins (electricity and gas) well above expectations, thanks among other things to lower procurement and transport costs
- Positive gas trading results not enough to offset lower electricity trading income

Market conditions and deployment of Teverola influence EBIT

- Higher energy margin on medium-sized customers directly impacts operating income
- Optimised accounts receivable management and remedial efforts reduce expenditure in connection with overdue receivables

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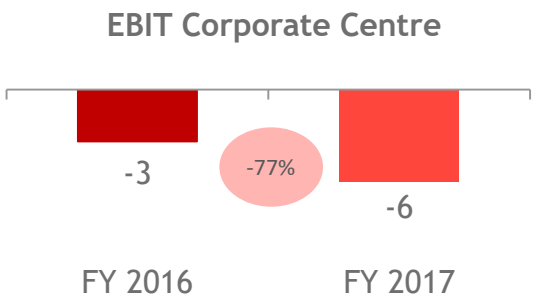
Decline in divestment of real estate

CHF m



EBIT declines despite lower costs (OPEX)

- With target almost reached, disposals of companies and real estate decline
- Reduction in the costs of third party services, personnel and IT
- Internally billed services remain constant
- Includes negative share of earnings from associates

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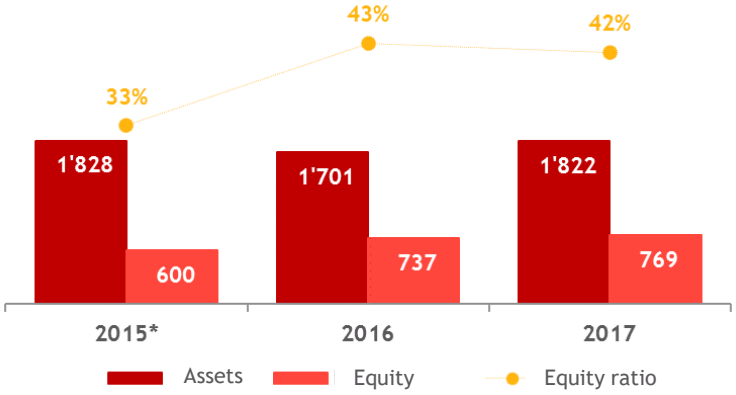
Equity ratio stable, effect from switch to FER

CHF m



Equity ratio still at high level

- Equity ratio of 42% within target range of 35% to 45%
- Switch to Swiss GAAP FER has negative impact of around CHF 40 m (at beginning of 2016) and CHF -26 m (at end 2016) on equity ratio

*2015 figures in accordance with IFRS
2016/2017 figures in accordance with FER

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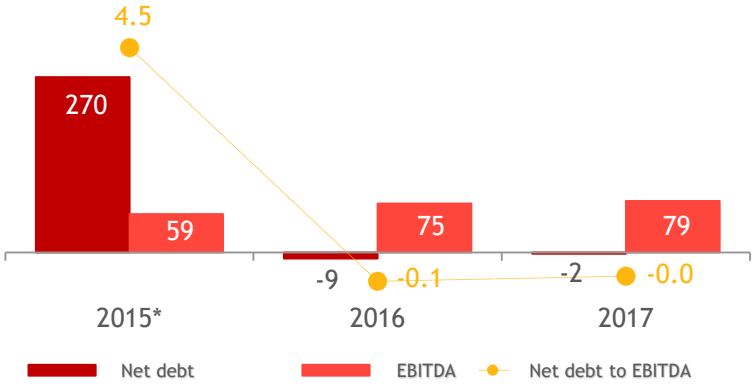
Net debt to EBITDA under control

CHF m



*2015 figures in accordance with IFRS
2016/2017 figures in accordance with FER

Net debt reduced

- Investment strategy still conservative, with positive impact on net debt
- Switch to FER entails derecognition of pension provisions
- Cash item from sale of remaining 6% interest in Repartner to EKZ

Further reduction in net debt to EBITDA

- Besides the items described above, better operating income results in further reduction
- Additional positive effect from sharp year-on-year decline in interest expense (down CHF 10 m)

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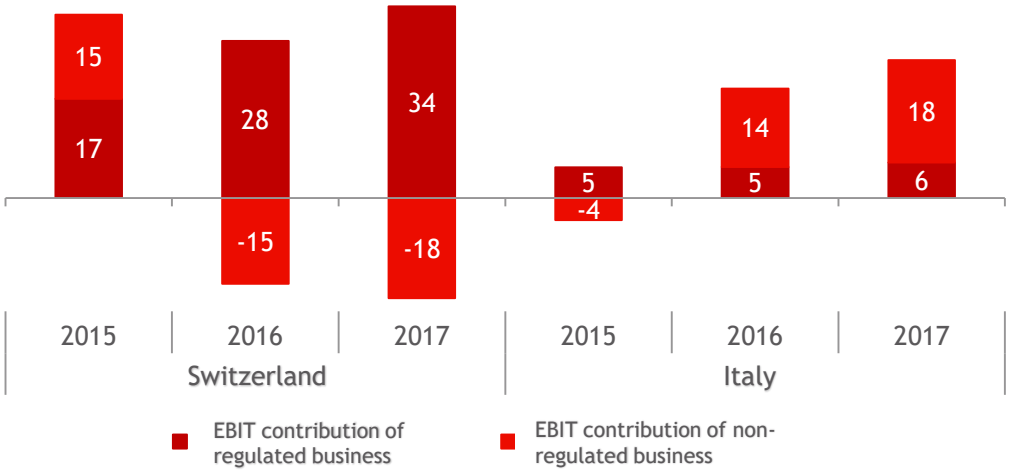
Earnings from regulated business contribute to stability

CHF m



- Increase in contribution to EBIT from regulated business owing to higher grid charges and increase in grid use in Switzerland
- Higher volumes of energy generated in Switzerland and Italy also have positive impact on EBIT from regulated business

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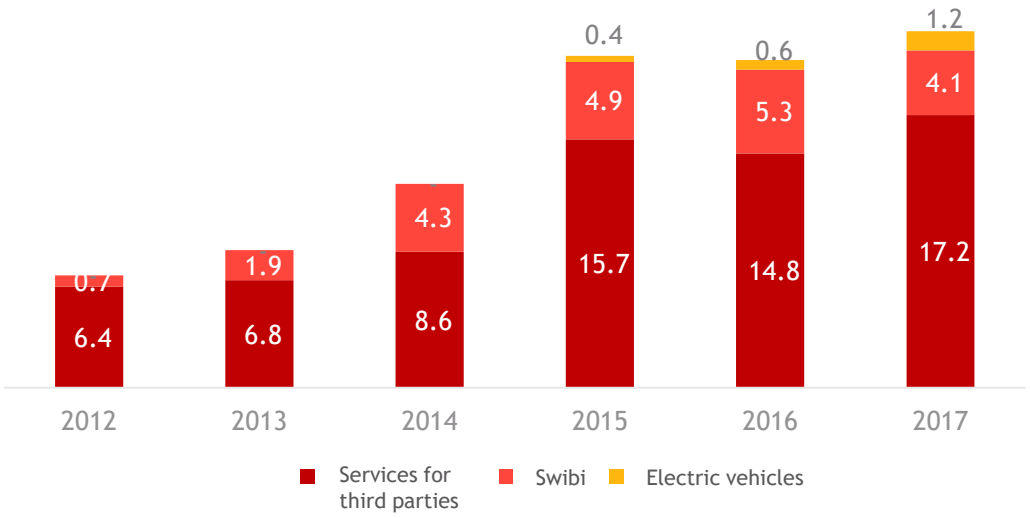
Earnings from non-energy business increasingly important

CHF m



- There was another increase in earnings on services for third parties owing to competitive offerings and healthy order books
- This offset the elimination of earnings from operation of cable network (not containing in chart)
- Earnings on electric transportation business still modest, but significant growth in Switzerland and Italy
- New data management pricing results in lower revenues at Swibi

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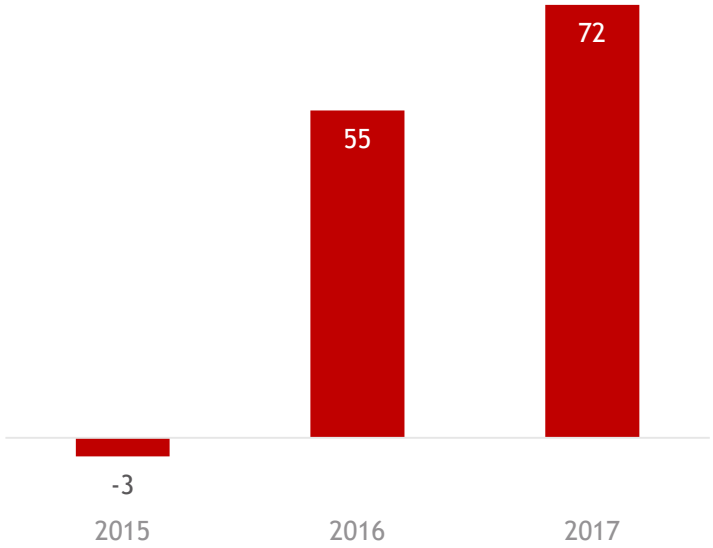
Increase in funds from operations (FFO)

CHF m



- Increase in FFO thanks mainly to an improvement in gross margin in 2017 (up CHF 12 m)
- 2016 FFO contains effect of clean-up of overdue receivables (CHF -22 m, corrected via change in net working capital)
- While disposals had a positive effect on operating income in 2016 (CHF 11 m), the effect on cash (CHF 16 m) is contained in cash flow from investing activities rather than in FFO
- 2017 saw an increase in other financial cash outflow for currency hedging (CHF -6 m)

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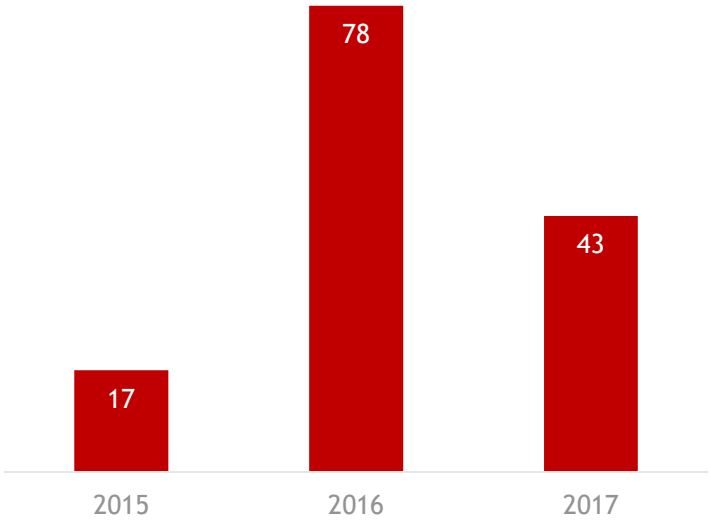
Cashflow from operating activities hit by net working capital effects

CHF m



- Negative effect from increase in inventories in 2017 (CHF -8 m for gas and guarantees of origin)
- Substantial increase in energy volumes, particularly in Italy, to a large extent accrued at end-year but not yet recognised (effect of around CHF -30 million)
- Resulting in negative cash flow from operating activities in Italy (CHF -13 million)
- Optimised billing expected to result in positive effect of CHF 15 to 20 m for 2018

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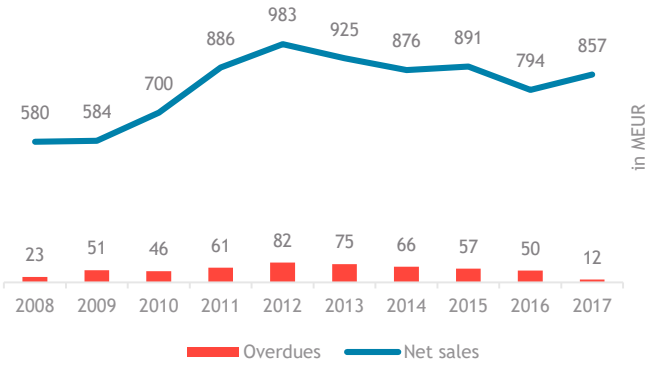
Overdue receivables (NPLs) resolved and massively reduced



New payment schedules and credit collection processes

Overdue receivables at reasonable level

- The use of credit checks when negotiating contracts with customers together with optimised accounts receivable management processes have led to a significant reduction in overdue receivables since 2012
- In 2016 the NPL portfolio was impaired by way of a substantial increase in the relevant provision
- The situation was completely resolved in 2017 with the sale of a large portion of the NPL portfolio (without a material negative impact on the income statement)
- Recurrent future expenditure in this connection (allowance for doubtful accounts receivables) has been substantially reduced and stabilised

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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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Equity bridge IFRS -> Swiss GAAP FER at end-2016

CHF thousand	2016	
Equity according to IFRS	**763,422**	
Swiss GAAP FER restatement		
Connection fees and grid cost contributions	-65,552	Repower grid access (permanent service) now recognised as a liability in the balance sheet and amortised over time
Pension provisions	45,381	Dissolution of IAS 19, recognition of ECR and TFR in Italy
Reversion provisions	13,400	Liability arises from an agreement still to be fulfilled, and is no longer classified as a liability
Shareholder loans	-8,812	The shareholder loan received from the junior partners in Repartner is now recognised at nominal value
Goodwill/customer list	-1,433	The goodwill/customer list from Vendita has already been completely amortised
Cash flow hedge	1,406	The interest rate swap due on 11 December 2020 qualifies as a cash flow hedge and is not recognised on the balance sheet
Shareholdings	-4,230	Effect of AKEB, KHR at cost, elimination of IAS 19 SES, inclusion of GEAG according to share of equity, derecognition of Aerochetto
Linear amortisation of differences	-111	Linear amortisation of differences instead of effective interest rate method
Deferred taxes on loss carryforwards	-9,163	Deferred taxes on loss carryforwards not capitalised
Deferred taxes	2,627	Deferred tax effect on restatements mentioned above
Total FER restatements	**-26,487**	
Equity according to Swiss GAAP FER	**736,935**	

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Effects on profit or loss of switch IFRS -> Swiss GAAP FER for 2016

CHF thousand	2016
Group income according to IFRS	-12,753
Swiss GAAP FER restatement	
Connection fees and grid cost contributions	850
Pension provisions	2,681
Reversion provisions	-100
Shareholder loans	-159
Goodwill/customer list	349
Cash flow hedge	-307
Shareholdings	109
Linear amortisation of differences	76
Income from disposals	747
Deferred taxes	7,486
Total FER restatements	**11,732**
Group earnings according to Swiss GAAP FER	-1,021

- Positive effects at EBIT level more or less offset by reclassification of income from associates (CHF -3.4 m in 2017)
- Greatest impact from effect of elimination of IAS 19 (pension fund) and restatement & correction of deferred taxes

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“We're actively shaping the future of energy”
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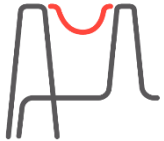
Managing the energy business for the future

Maintain security of supply



- Expansion and maintenance a basic prerequisite
- Investment in distribution grid: CHF 22.7 m
- Maintenance of distribution grid: CHF 21.6 m
- Reinforcing grid in Landquart area

Preserving hydro assets

- Investment in preserving own assets: CHF 5.8 m
- Implementation of partner strategy with Repartner Produktions AG
- “Chlus” project: concession approval procedure
- Loan granted for optimisation of assets in Valposchiavo

Offering for other utilities

- Growing complexity and requirements
- Repower acts as partner to other utilities
- Generation services
- Grid services
- Energy and trading services

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Digitalisation driving new solutions

EASY ASSET

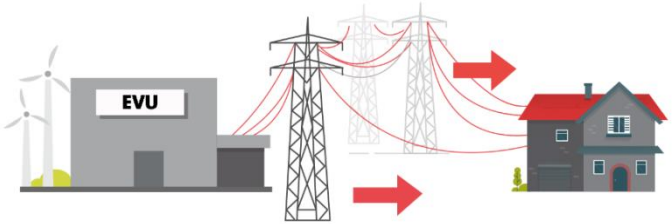
SMARTPOWER

ENERGYSPACE

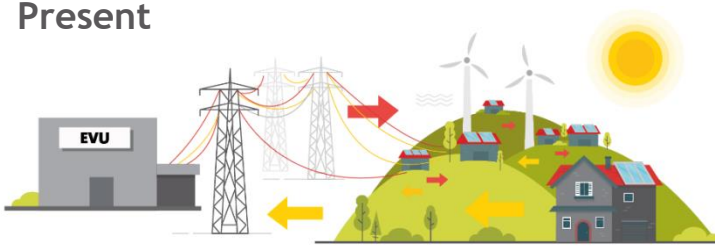
DIRECT MARKETING

SMARTPOWER responding to new energy consumption requirements

Past



Present



- Generation shifts from centralised to distributed
- Customers become producers thanks to photovoltaic
- Trend to self-sufficiency
- Electric vehicles mean more power is needed
- Involving customers
- Optimising costs by monitoring and managing power consumption
- Storing renewable energy

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acquired as customer for EASYASSET

“EASYASSET enables us to manage our assets optimally and sustainably and boost our efficiency.”

Urs Deragisch, Rhaetian Railway’s head of control systems and automation

Project manager, control systems
“With EASYASSET all data are stored centrally and easy to find”

Field force
“The tool enables easy handling, with all photos stored centrally and easy to find”

EASYASSET

Foreman
“Rapid overview of the status of maintenance work and faults and pending items entered in the system”

Administrator
“Easy and efficient processing of checklists”

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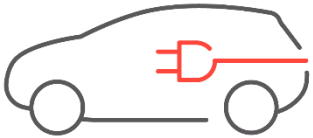
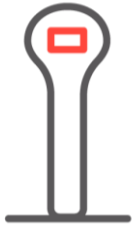
Repower holds its own in the liberalised Italian market



ELECTRIC VEHICLES

- Ricarica 101 charging network more than doubled last year
- The network includes more than 200 organisations
- Repower's Italian charging network boasts more than 550 charging points



INNOVATION & DESIGN

- Market launch of FOCUS CLICK for efficient energy management at SMEs
- Artistic collaboration with Michele Tranquillini
- Contracts for DIODA smart LED lighting solution up 43 per cent

LIBERALISED MARKET

- Operating on the liberalised market since 2006
- Extensive customer service with around 600 advisory agents
- 4,000 new customers supplied with electricity

“PLUG’N ROLL: number one in Graubünden”

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Repower expands offering of electric vehicle (EV) solutions

E-LOUNGE: a multifunctional bench mainly built with components produced in the Valposchiavo area

ETREL and WALLBOX: new white label charging solutions for home and business use


“From utility to utility - provider of services to our customers”
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Repower working for energy utilities, municipalities and industrial customers

Grid and generation assets

- AECB Brusio
- Municipality of Disentis
- EW Maienfeld
- Municipality of Jenins
- IECP Poschiavo
- Municipality of Zuoz
- Martina power plant
- Martina power plant
- Landquart paper factory
- Avegno substation
- Pradella switching station
- 11 substations in central and northern Graubünden
- Diverse projects for Swissgrid
- …

Trading

- Around 3 TWh of energy supplied to utilities and industrial customers in 2017
- Pan-European collaboration with around 200 trading partners
- Energy supplied to around 65 utilities in Switzerland
- Trading services such as balance group and portfolio management stepped up substantially
- …

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Challenges remain, but looking forward with confidence

OPERATING ENVIRONMENT/MARKET

- Market prices increasingly volatile
- Market conditions remain challenging
- Various political discussions will continue to dominate 2018
- Slight improvement in EUR/CHF rate

STRATEGY

- Systematic gearing to sales and services
- Developing and refining innovative products
- Preserve hydro assets
- Expand SME market in Italy

EARNINGS

- Operating earnings expected to be slightly lower than 2017
- Stable capital base
- EUR/CHF rate and market prices remain key driver of earnings
- Earnings underpinned by contributions from regulated business and new products

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Upcoming events

▪ 2018 annual general meeting	16 May 2018
▪ 2018 semiannual results	22 August 2018
▪ 2018 analysts' conference	30 October 2018
▪ 2019 annual media conference	9 April 2019
▪ 2019 annual general meeting	15 May 2019

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Many thanks!
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