Media Release
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Alpiq with strong European business

- **EBITDA from continuing operations before exceptional items: CHF 93 million**
    - **Strong European and trading business: CHF 130 million**
    - **Swiss electricity production unprofitable: CHF -37 million**

- **Spin-off of the industrial business successfully concluded**
- **Substantial increase in liquidity makes it possible to cover the deficits of Swiss electricity production, optimise gross debt and undertake selective investments**

- **Focus on streamlined and efficient core business**
- **Consortium agreement of the founding shareholders to end in 2020**

Lausanne – From its continuing operations, the Alpiq Group generated stable net revenue of CHF 2.6 billion (30 June 2017: CHF 2.6 billion) and EBITDA before exceptional items of CHF 93 million (30 June 2017: CHF 135 million) in the first half of 2018. EBITDA before exceptional items is mainly attributable to the hedged electricity prices from previous years, which have negatively impacted Swiss electricity production compared to the same period in the previous year. Alpiq's entire European business, comprising the flexible thermal power plants and the new renewable energies as well as the international energy trading, large-customer and retail business, made clearly positive contributions. As a result of the lower EBITDA, earnings after income tax from continuing operations of the Alpiq Group before exceptional items amount to CHF -42 million (30 June 2017: CHF -9 million).

Stable equity ratio and solid liquidity

The equity ratio as at 30 June 2018 stands at a stable 38.8 % (as at 31 December 2017: 38.9 %). After again reducing debts, liquidity amounts to a sound CHF 1.1 billion as at 30 June 2018 (as at 31 December 2017: CHF 1.4 billion). The gross cash inflow from the spin-off of the industrial business successfully concluded on 31 July 2018 of around CHF 800 million also increases the liquidity substantially and strengthens the core business.

Generation Switzerland operating at a loss

Despite the continued systematic cost management and higher production volume, the Generation Switzerland business division is down on the previous year as expected. This is due to the hedged electricity prices from previous years. These low wholesale prices are therefore having a time-delayed impact on the result for the first half of 2018. Alpiq systematically hedges Swiss electricity production in the market against price and currency fluctuations in advance for future periods on a rolling two- to three-year basis on average. With average annual electricity production in Switzerland of around 10,000 gigawatt hours, this is in line with what is customary in the industry in terms of risk-bearing capacity.

Technological and economic leadership position in the hydropower market

Alpiq manages around one third of all Swiss hydropower production. In the course of its portfolio adjustment, Alpiq sold five percentage points of its stake in Kernkraftwerk Leibstadt AG, thus making the subsidiary Alpiq Suisse SA a pure play hydropower company that provides the market with electricity from 100 % renewable hydropower. To optimise Swiss hydropower, Alpiq is digitalising its processes as a way of expanding its technological and economic leadership position in the hydropower market in Switzerland.

Strong European trading, large-customer and retail business

The Digital & Commerce business division enjoyed a positive business development. The use of thermal assets in Italy, sales activities in the French market as well as the marketing of flexibility for the Swiss power plant portfolio generated significant contributions to earnings. The business division concluded the first half of 2018 below the previous year overall, as the French market in particular was unable to repeat the very strong interim result from 2017.

Number one in the Swiss energy industry in digitalisation

In digitalisation, Alpiq implemented solutions to increase the efficiency of its own core business and developed further products and services for customers in Europe, in particular in the areas of electro-mobility, smart grids, demand response services as well as flexibility services in energy trading. In digitalisation, Alpiq is ranked number one in the Swiss energy industry and will selectively expand further the potential of this growth market of the Internet of Things, artificial intelligence and self-learning algorithms across Europe.

Strong contributions from thermal production and RES

The thermal power plant portfolio in Europe as well as production from new renewable energy sources (RES) again generated strong contributions in the first half of the year and accounted for the biggest share of the Alpiq Group's results of operations. The thermal power plants and the new renewable energy sources contribute to the geographical and technological diversification of Alpiq's Swiss power plant portfolio.

Spin-off of the industrial business successfully concluded

The spin-off of the industrial business to the French company Bouygues Construction was successfully concluded at the end of July 2018. The performance of the Industrial Plants & Services business unit (Kraftanlagen Group) of the Industrial Engineering business division as well as the Building Technology & Design (InTec) business division fell short of the previous-year period.

Efficiently and competitively positioned

Alpiq intends to increase efficiency by making its core business more digital and subsequently enhancing its customer portfolio with smart solutions, also outside of Switzerland. This is to be achieved by means of organic growth as well as selective investments. Following the spin-off of the industrial business and the associated reduction in management from six to four members, Alpiq is now streamlined and focusing on its core business. With liquidity strengthened following the transaction, Alpiq intends to cover the deficits of Swiss electricity production over the coming years and to further optimise outstanding gross debt.

Consortium agreement put in place by the founding shareholders to end in 2020

The current consortium agreement, which was concluded between Alpiq's founding shareholders in 2005, expires in September 2020. This was triggered by the contractually agreed termination of the agreement, which was exercised by the consortium shareholder EDF. The consortium agreement remains valid until it expires in 2020. The termination does not have any effect on Alpiq's current shareholder structure.

Outlook

As communicated back at the end of March, Alpiq expects results of operations for 2018 as a whole to be down on the previous year. This is mainly attributable to the hedged electricity prices from previous years, which have negatively impacted Swiss electricity production compared to the same period in the previous year.

Alpiq is fit for the future: after numerous divestments over the past few years as well as the spin-off of the industrial business successfully concluded at the end of July 2018, Alpiq has managed to gradually reduce its net debt. The systematically implemented CHF 400 million cost reduction and efficiency enhancement programme is also sustainably easing the burden on EBITDA. Alpiq has emerged stronger from the transformation phase and is now focusing on its core business in the new energy world. The hedging strategy means that Swiss production will benefit in two to three years from electricity and CO_2 prices that have risen in the meantime as well as from the stronger euro. The international business will continue to make substantial contributions to earnings.

Key financial figures of the Alpiq Group in the first half of 2018

CHF million	% change 2017/1-2018/1 (results of operations)	Results of operations before exceptional items		Results under IFRS	
		Half-year 2018/1	Half-year 2017/1	Half-year 2018/1	Half-year 2017/1
Net revenue[1]	-1.6	2,590	2,632	2,594	2,630
Earnings before interest, tax, depreciation and amortisation (EBITDA)	-31.1	93	135	61	150
Depreciation, amortisation and impairment	11.4	-78	-70	-79	-70
Earnings before interest and tax (EBIT)	-76.9	15	65	-18	80
as % of net revenue		0.6	2.5	-0.7	3.0
Earnings after taxes from continuing operations	>-100.0	-42	-9	-76	-30
as % of net revenue		-1.6	-0.3	-2.9	-1.1
Earnings after taxes from discontinued operations	>-100.0	-8	4	-48	-79
Net income	>-100.0	-50	-5	-124	-109
as % of net revenue		-1.9	-0.2	-4.8	-4.1
Net divestments/(investments)				17	-55

1 Only continuing operations

CHF million	30 June 2018	31 December 2017
Total assets	10,038	10,197
Total equity	3,898	3,965
as % of total assets	38.8	38.9
Liquidity	1,058	1,403

	2018	2017
In-house generation in the first half of the year[1] (GWh)	7,400	7,308
Number of employees as at 30 June/31 December[2], FTE	1,567	1,504

1 Net (after deducting pumped energy), excluding long-term purchase contracts
2 Only continuing operations

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