

# 2010 Results of the Alpiq Group

ALPIQ

Zurich, 08.03.11

K. Baumgartner, Executive Board Member, CFO



*The spoken text shall take precedence.*

Ladies and Gentlemen,

A warm welcome to the presentation of the Alpiq Group's 2010 financial results.

## Agenda

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1. Overview
2. Market environment
3. Alpiq Group
4. Energy Segment
5. Energy Services Segment
6. Appropriation of Retained Earnings
7. Outlook and summing up

After a brief overview I will discuss the market environment in 2010, before going on to explain the Alpiq Group's consolidated results and those of the individual business divisions. Finally I will discuss the appropriation of retained earnings and the outlook for 2011. After the presentation you will have the opportunity to ask questions.

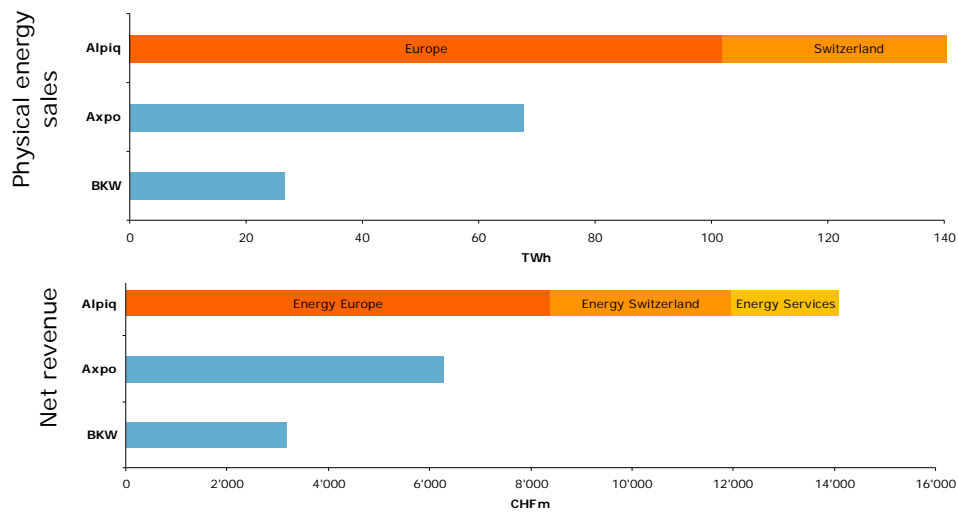
- First full financial year as the Alpiq Group
  - 2010: 12 months; 2009: 11 months
  - Integration well advanced
- Challenging market environment
  - Surplus capacities in European electricity production
  - Low prices and spreads
  - Lower price volatility and limited trading opportunities
  - Massive impact of the weak euro
- Good overall operating results

2010 was the Alpiq Group's first full financial year. Organisationally and culturally, the integration is well advanced although the technical aspects of the merger will take a little longer. A great many synergies from the merger have already been leveraged. In future, further potential synergies will be identified and exploited.

Business performance was marked by surplus electricity production capacities across Europe, resulting in low prices and spreads as well as low volatility, with the associated limited trading opportunities. The impact of the weak euro also weighed down the Group's results. Given this challenging market environment, we believe that overall Alpiq has recorded good operating results.

## Physical energy sales and net revenue: comparison with Axpo and BKW

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Despite lower revenue, the Alpiq Group defended its strong lead over Switzerland's largest competitors in terms of energy sales and net revenue. Around 70 percent or 102 Terawatt-hours of electricity was sold outside Switzerland through Alpiq's trading and sales activities in Europe. The Energy Services Segment accounted for close to 15 percent or CHF 2.1 billion of the consolidated net revenue of CHF 14.1 billion.

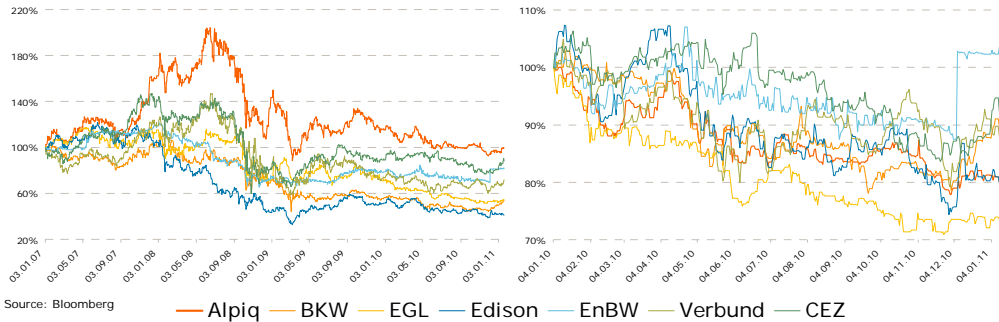
# Comparison with peers: Key figures and share prices



FX CHF/EUR per 31.12.2010 1.2504  
FX CHF/100 CZK per 31.12.2010 4.9894

	Sales [GWh]			Net revenue [CHFm]			EBIT [CHFm]			Group profit [CHFm]		
	2009	2010	Δ09/10	2009	2010	Δ09/10	2009	2010	Δ09/10	2009	2010	Δ09/10
Alpiq	135'248	145'569	8%	14'822	14'104	-5%	1'064	970	-9%	676	645	-5%
Axpo Group	62'772	67'638	8%	7'550	6'269	-17%	848	538	-37%	568	409	-28%
BKW	27'310	26'684	-2%	3'593	3'187	-11%	357	318	-11%	298	228	-23%
EGL	29'030	n.a.	n.a.	3'958	2'610	-34%	330	168	-49%	187	25	-87%
Edison	52'693	n.a.	n.a.	11'087	12'124	9%	874	662	-24%	300	283	-6%
EnBW	119'700	146'900	23%	19'461	21'893	12%	2'362	2'647	12%	961	1'464	52%
Verbund	111'962	n.a.	n.a.	3'484	3'998	15%	1'303	1'009	-23%	941	551	-41%
CEZ	75'300	n.a.	n.a.	9'797	9'921	1%	3'403	3'267	-4%	2'587	2'353	-9%

Figures not yet published; hence Bloomberg Consensus used.



This chart shows a comparison of key figures and share price performance. There's no need to go into details – the slide will provide all the information you need.

## Agenda

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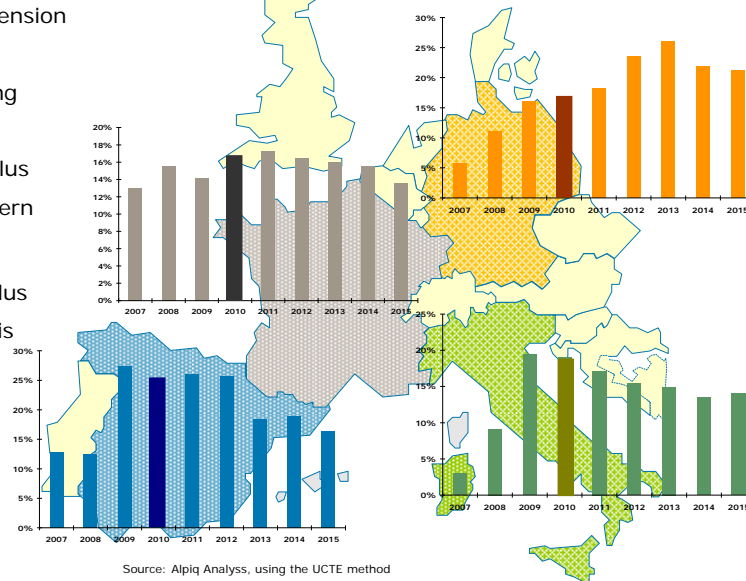
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I'd like now to turn to the European market environment in 2010.

## Reserve margins as percentage of peak load 2007 to 2015

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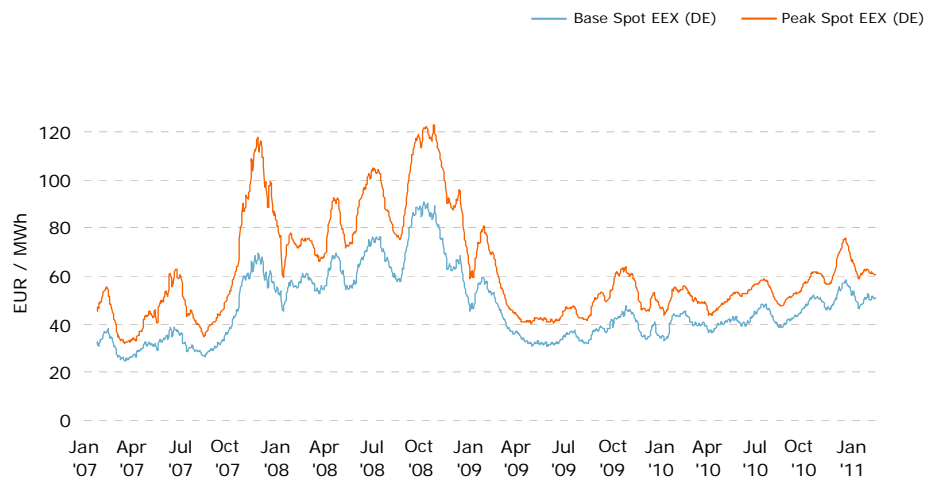
- Assuming an extension of nuclear power stations' operating lives, there is a pronounced surplus capacity in Northern Europe.
- From 2011, surplus capacity in Italy is expected to reduce at a very slow rate.



This slide shows reserve margins in various countries since 2007. The reserve margin expresses the portion of production that exceeds permanent demand. As I mentioned, 2010 was a year of surplus capacities which – as the slide shows – will reduce only at a very slow rate. This surplus, coupled with persistently low demand, meant that the pressure on electricity prices spilled over from 2009 – as you will see from the next slide.

## Electricity price trend since 2007

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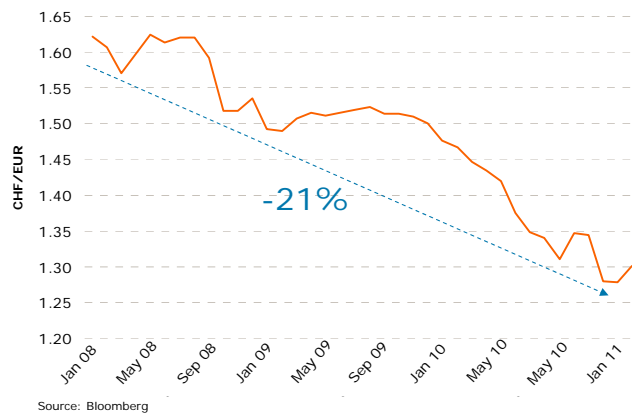


Source: Alpiq analysis

2008 was an attractive year in terms of electricity price levels, spreads and volatility. Following a sharp fall in prices from the fourth quarter of 2008, prices moved sideways in the second half of 2009. In general these were on a lower level than in the boom year of 2008. At the same time, the spread between base load and peak load prices in the reporting period was much narrower than in 2007 and the record year of 2008, which reduced the options for optimising our storage and pump storage power stations. In addition to low base-peak spreads, spark and dark spreads – the difference between electricity and fuel prices – were very low. This unfavourable situation meant that the capacity of thermal power stations was severely underutilised.






## EUR/CHF exchange rate trend since 2008

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This trend made itself felt at Alpiq, since a 10% rise in the value of the franc resulted in an average 6-8% reduction in operating income (EBIT).

Over the past two years the value of the euro has lost around 20 percent in value versus the Swiss franc. This trend had a noticeable impact on our results. Energy generated in Switzerland and sold abroad is exposed to fluctuations in the euro exchange rate. Hedging measures successfully implemented in the first half of 2010 offset losses on our long euro position, with a negative effect on margins of around CHF 90 million.

-  Correction of an ECom decision obliging power stations with a capacity of 50 MW or more to bear a significant proportion of the higher costs for ancillary services. The charges were refunded accordingly.
-  Definitive decision for a phased increase of 25% in water rates from 2011-14 and increase in the feed-in tariff (FIT).
-  Definitive approval by the Federal Council of the mandate to negotiate an energy accord with the EU.
  
-  New EU guidelines on renewable energies, energy efficiency, market liberalisation and the CO<sub>2</sub> regime dictated the scope for action within Europe.
-  In November the energy strategy for the next 10 years was presented, envisaging investments of around EUR 1 trillion (10<sup>12</sup>) in Europe's energy infrastructure until 2020.

The regulatory environment was marked by major uncertainties in recent reporting periods. Generally speaking, it is true to say that many political decisions have negatively impacted results and/or restricted the scope for action. One positive development was the decision of Switzerland's Federal Administrative Court to refund the costs incurred by us through unjustified charging of ancillary services.

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I will now present the results of the Alpiq Group before discussing the performance of the individual Energy and Energy Services segments.

Alpiq Group scope of consolidation:  
Acquisitions affecting net revenue and EBIT

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Newly acquired companies affecting 2010 net revenue and EBIT:

**Additions in 2010**

- aurax electro (April 2010)
- JM-montàze (May 2010)

**Additions in 2009**

- EOS Group (January 2009)
- Electricité d'Emosson SA/EDF purchase rights (January 2009)
- Rossetto Impianti (March 2009)
- Alpiq RomEnergie (July 2009)
- Alpiq Energía España (December 2009)

The merger between EOS, Atel and Emosson to create the Alpiq Group at the end of January 2009 significantly changed the scope of consolidation. The 2010 results are the first full-year results for the Alpiq Group. When comparing with the prior year, it is important to remember that the 2009 results contain revenue and income contributions from former EOS and Emosson operations only from February onwards, in other words only for eleven months. Equally, the revenue and results of Alpiq RomEnergie S.r.l., acquired in the second half of 2009, are included in the 2009 published figures only for six months. The companies acquired in 2010 concern the Energy Services Segment.

## 2010 results versus 2009

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CHFm	2009	2010	Change
<b>Net revenue</b>	14 822	14 104	-5%
<i>Additional business in standardised products</i>	25 896	23 348	-10%
Total revenue and other income	15 134	14 382	-5%
Operating expenses	-13 589	-12 910	+5%
<b>EBITDA</b>	<b>1 545</b>	<b>1 472</b>	<b>-5%</b>
Depreciation and amortisation	-481	-502	-4%
<b>EBIT</b>	<b>1 064</b>	<b>970</b>	<b>-9%</b>
Net finance costs	-164	-156	+5%
Income tax expense	-224	-169	+25%
<b>Group profit incl. non-controlling interests</b>	<b>676</b>	<b>645</b>	<b>-5%</b>
Energy sales in GWh	135 248	145 569	+8%
Trading in standardised products, in GWh	359 760	291 161	-19%
Revenue from trading in energy derivatives			
- <i>Proprietary trading</i>	21	6	-71%
- <i>Hedges</i>	-33	31	> +100%

In 2010 the Alpiq Group posted solid results despite the difficult market environment and the weak euro. At CHF 14.1 billion, consolidated net revenue was close to 5 percent lower year-on-year. The reduction in revenue is primarily due to negative market factors throughout Europe and unfavourable exchange rate movements. The Group closed 2010 with better results than had been expected mid-year. EBITDA fell by 4.7 percent to CHF 1.47 billion, EBIT by 8.8 percent to CHF 970 million, and Group profit by 4.6 percent to CHF 645 million.

Positive factors included the excellent availability of hydraulic and thermal power stations in Switzerland and Eastern Europe, and the optimisation and marketing of the power generated by these plants. Added to this, sales and trading showed their flexibility by exploiting opportunities and niches successfully.

On the other hand, the results were weighed down by the general downturn in prices, low margins and the weak euro. Trading volumes and the results of Proprietary Trading were also below expectation. Trading in standardised products and derivatives increased in the year under review by 19 percent. Income from speculative trading amounted to CHF 37 million compared to minus CHF 12 million in 2009.

Performance was boosted by the Groupwide efficiency enhancement programme launched in the year under review. The programme, covering a wide range of initiatives, is being rolled out in phases up to 2012, and will have a sustained positive impact – in the range of around 10 percent of EBIT – on results.

## KPIs for 2010 versus 2009

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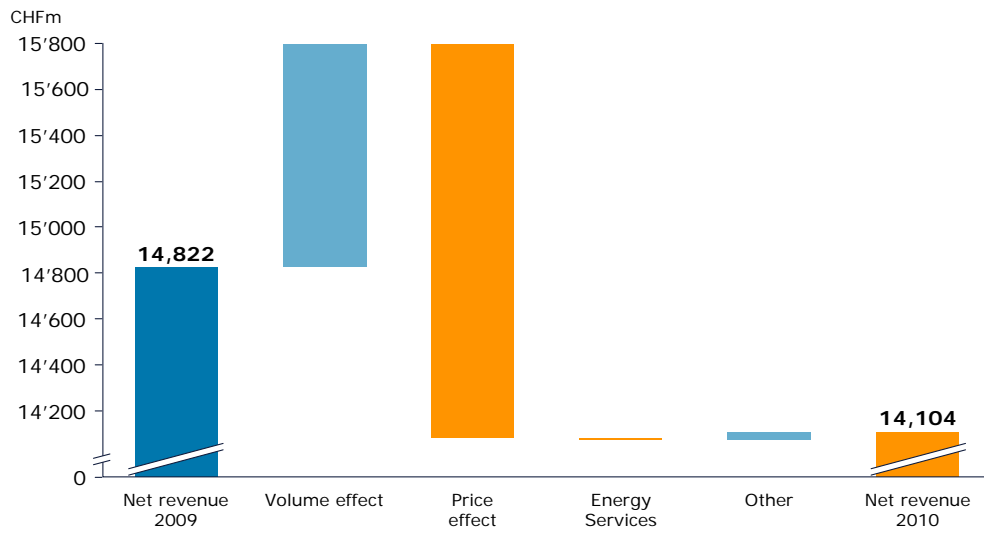
CHFm	2009	2010	Change
EBITDA margin	10.4%	10.4%	-
EBIT margin	7.2%	6.9%	-0.3%-P
ROS (Return on Sales)	4.6%	4.6%	-
Return on Equity (ROE)	8.5%	8.3%	-0.2%-P
EVA (Economic Value Added)	169	110	-34.9%
WACC (Weighted Average Cost of Capital)	7.4%	6.0%	-1.4%-P
Total assets	20 099	18 473	-8.1%
Equity ratio	39.5%	42.1%	+2.6%-P
Net debt	3 727	3 940	-5.7%
Net debt / EBITDA	2.4	2.7	-12.5%

The main key performance indicators remain virtually unchanged. The EBITDA margin is unchanged at 10.4 percent, while the EBIT margin fell from 7.2 to 6.9 percent.

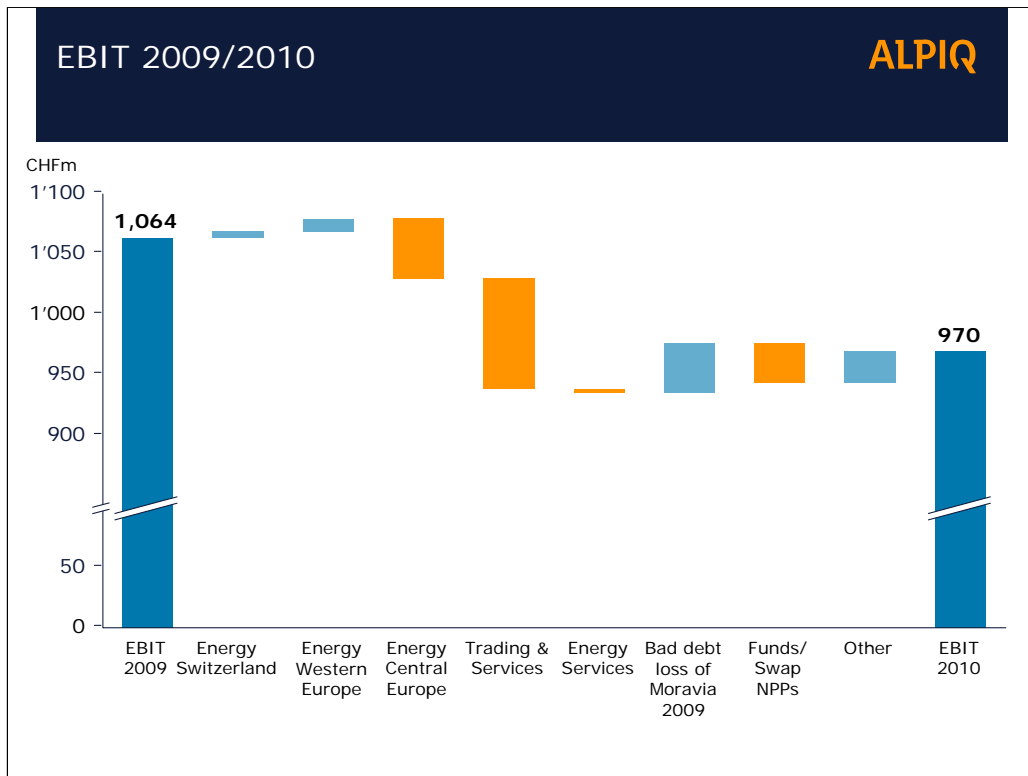
*The key performance indicators are explained in more details in the following slides.*

## Net revenue 2009/2010

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Alpiq sold significantly more electricity in 2010. However, the increase of 7.6 percent in volume to 145.6 Terawatt-hours was more than offset by negative electricity prices and exchange rate trends.



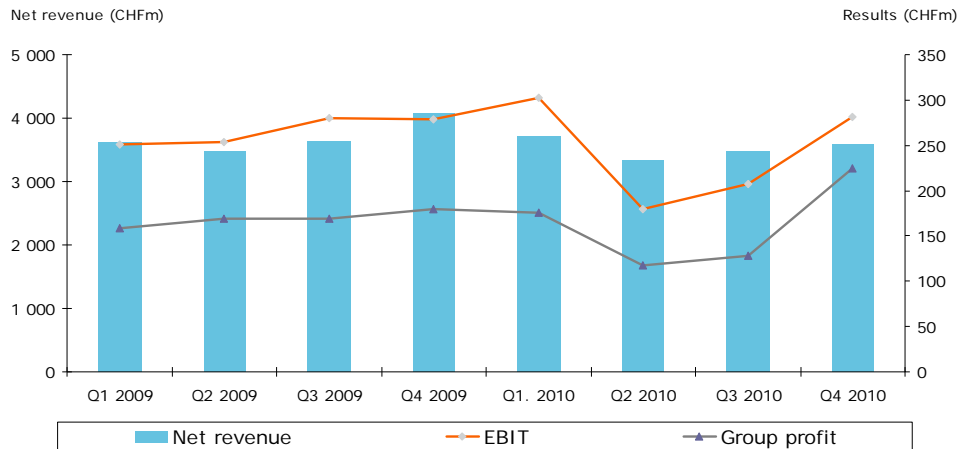
The results were positively impacted by the good availability and marketing of production capacities in Switzerland, profitable transactions in green certificates in Italy, and higher margins for sales in Romania. However, markets in Western and Central Europe were negatively affected in particular by low spreads for production and unfavourable exchange rate trends for local currencies versus the Swiss franc. The difficult market situation for European energy trading platforms, marked by low volatility and low trading volumes, drove income from proprietary trading down.

Growth in the Energy Services Segment was brought to a halt by the economic situation. Thanks to processing high order volumes from 2009, however, the segment once more made a stable contribution to Group results, which due to the weak euro was only slightly below the prior-year level.

Alpiq recorded no significant losses on receivables in 2010. In 2009 the results were impacted by the insolvency of a sales partner in the Czech Republic. While lower income from the disposal and decommissioning funds for nuclear power stations had a negative effect on the results, lower costs for Corporate Centre and reduced expenses for the Group's integration and merger had a positive effect on EBIT.

## Quarterly net revenue, EBIT and Group profit 2009/2010

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Performance varies across the individual quarterly results. In the first quarter of 2010, prices on electricity and commodity markets declined further. Both proprietary and asset trading anticipated this trend in good time, achieving good margins through appropriate positioning. In the second quarter, extremely dry weather conditions impacted the results for hydraulic production in Switzerland. This was compounded by the extended overhauls carried out on Gösgen (June 2010) and Leibstadt (August 2010) nuclear power stations. A prolonged sideways movement in electricity and commodity prices in the second half-year meant that proprietary trading opportunities were limited. The Federal Administrative Court's decision to suspend cost contributions for ancillary services in Switzerland in May 2010 had a positive effect on results in the second half of 2010. In the fourth quarter of 2010, income from the sale of green certificates in Italy and the good positioning of hydraulic power stations in Switzerland contributed to successful business performance towards year-end.

## Net finance costs and income tax expense in 2009/2010

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CHFm	2009	2010	Change	
<b>EBIT</b>	<b>1 064</b>	<b>970</b>	<b>-8.8%</b>	<b>Net finance costs</b>
Interest income/expense (net)	-150	-159	-6.0%	+ Hedging
Other financial income/costs (net)	-10	+4	>+100%	+ Measurement of financial instruments
Foreign exchange gains/ losses (net)	-4	-1	+75%	+ Improvement in average annual income tax rate
<b>Total financial income</b>	<b>-164</b>	<b>-156</b>	<b>+4.9%</b>	- Reduced interest rate (lower liquidity)
Income tax expense	-224	-169	+24.6%	- Changes in the scope of consolidation
<b>Group profit</b>	<b>676</b>	<b>645</b>	<b>-4.6%</b>	<b>Income tax expense</b>
				+ Declining results in high tax-rate countries
				+ Adjustment to Group structure
				- Extended tax measurement base for European countries

Gains/losses from currency translations in 2010 amounted to minus CHF 1 million compared to minus CHF 4 million in 2009. The successful hedging measures introduced in the first half of 2010 largely offset the negative effect of a persistently weak euro. Net finance costs increased year-on-year by around CHF 9 million, mainly due to changes in the scope of consolidation.

The Alpiq Group's tax burden continues to be influenced by various European countries who are aiming to expand the tax measurement base and increase tax rates. At the same time, planned tax optimisation measures were implemented in 2010. Tax expense was also reduced due to lower results in high-tax-rate countries. The average tax rate for the Alpiq Group fell from 24.9 percent in 2009 to 20.8 percent.

## Cost trend 2009/2010

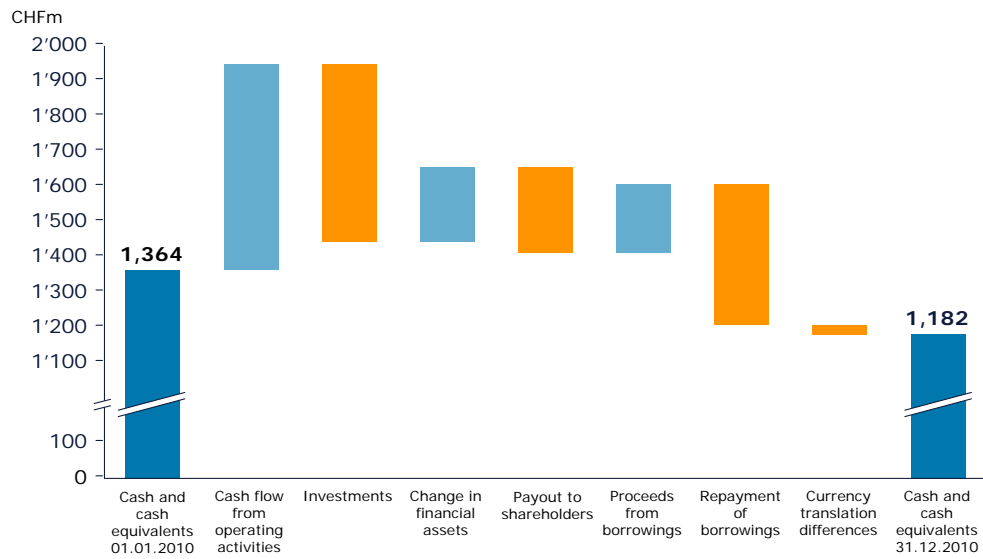
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CHFm	2009	2010	Change
<b>Total revenue and other income</b>	<b>15 134</b>	<b>14 382</b>	<b>-5%</b>
Energy purchases	-10 940	-10 306	+6%
Inventory costs	-1 131	- 1 158	-2%
Employee costs	-970	-986	-2%
Other operating expenses	-548	-460	+16%
<b>EBITDA</b>	<b>1 545</b>	<b>1 472</b>	<b>-5%</b>
Depreciation and amortisation	-481	-502	-4%
<b>EBIT</b>	<b>1 064</b>	<b>970</b>	<b>-9%</b>
Employees (FTE)	10 629	11 033	+4%

In line with business development, energy purchases for the Energy Segment as well as inventory costs used by the Energy Services Segment were slightly lower. On the other hand, employee costs were 2 percent higher. In the high-headcount Energy Services Segment the number of full-time positions increased by 314. However, due to the weak euro, employee costs were virtually on a par with the prior year. The Energy Segment including Corporate Centre saw the number of full-time positions rise by 90, while employee costs increased by CHF 21 million as a result of setting up operations teams in the new power stations and due to the inclusion of former EOS activities for only eleven months in 2009. Other operating expenses for the reporting period dropped by CHF 88 million due to lower effective costs and the euro effect.

## Cash Flow Statement 2009/2010

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Alpiq started 2010 with high liquidity of around CHF 1.4 billion. At CHF 582 million, cash flow from operating activities was well below the prior-year figure of CHF 1,036 million. This was also due to more cash being tied up in net working capital, in connection with the Europe-wide expansion of our business operations. Investments in 2010 amounted to around CHF 572 million. The move to concentrate and streamline the investment programme resulted in a marked reduction compared to the prior year. Repayment of borrowings has reduced debt. These cash flows resulted in liquidity of around CHF 1.2 billion at the end of 2010, which is still regarded as sufficient.

## Main investments in 2010

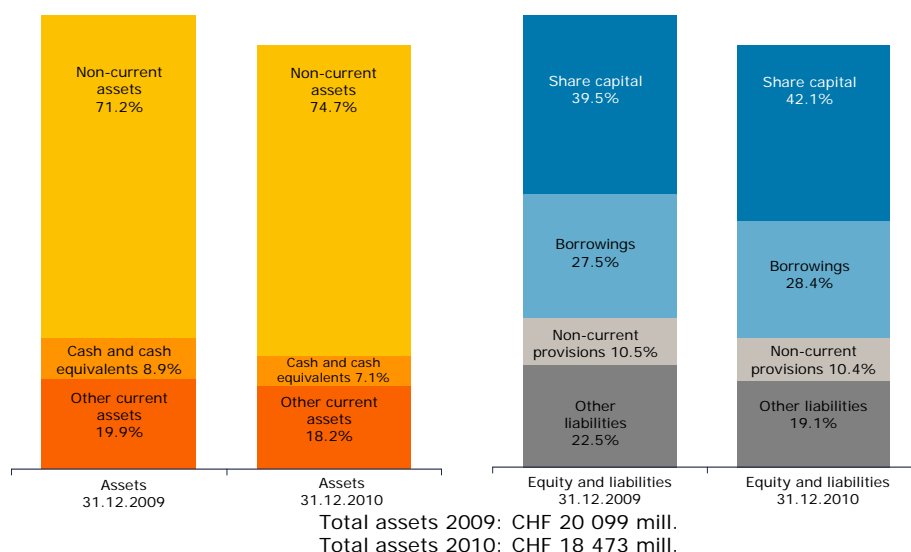
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Investments in property, plant and equipment / investment interests	Statement
CHFm	2010
Bayet (400 MW CCGT, France)	78
San Severo (400 MW CCGT, Italy; 60%)	72
Vetrocom (50 MW wind farm, Bulgaria)	57
Nant de Drance (600 MW pump storage station, Switzerland)	54
Kladno K7 (240 MW coal-fired power station; Czech Republic)	32
Alpiq RomEnergie, Alpiq RomIndustries (Earn-outs, purchase contracts)	32
Investments in renewable energies	14
Investments in the Energy Services Segment	18
Other growth-related investments	26
Investments in renovations	189
<b>Total investments in 2010</b>	<b>572</b>

The main investments in 2010 were related to the construction and in some cases completion of proprietary power generating facilities in (France), San Severo (Italy), Vetrocom (Bulgaria) and Nant de Drance (Switzerland). In addition, the German AAT Group is building a power station in the Czech Republic for Energy Central Europe.

## Composition of assets 2009/2010

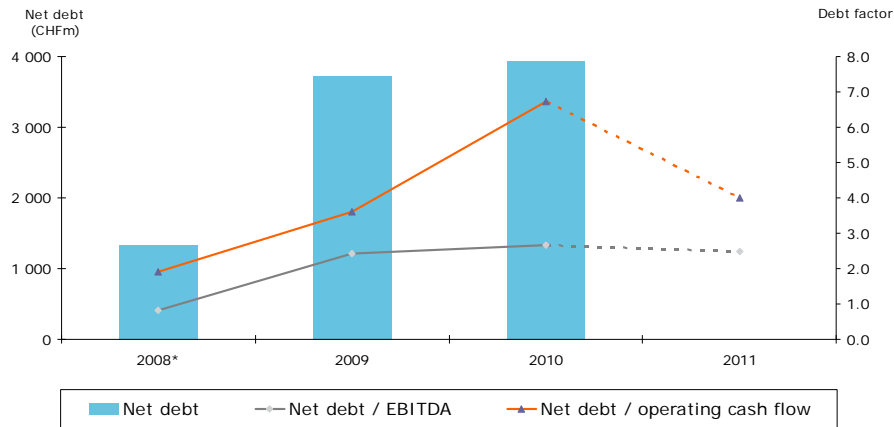
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At 31 December 2010 the Alpiq Group had total assets of close to CHF 18.5 billion, corresponding to a year-on-year decrease of CHF 1.63 billion or 8 percent. Non-current assets fell by a net CHF 0.51 billion due to currency translations for foreign assets as well as depreciation and amortisation. Conversely, net investments in non-current assets, including financial assets, resulted in an increase of CHF 0.59 billion. As expected, net working capital saw a marked reduction in liquidity, including term deposits and securities, due to intensive investment activities and the repayment of borrowings. On the liabilities side, besides the repayment of CHF 0.27 billion in borrowings, the other positions for current and non-current borrowings also fell by CHF 0.91 billion.

Equity dropped by CHF 0.15 billion to CHF 7.79 billion. The year-on-year changes takes into account income generated during the period, dividends paid and the negative effects of currency translations for foreign Group companies in the amount of CHF 0.55 billion. Overall, the lower figure for total assets has improved the equity ratio from 39.5 percent in 2009 to 42.1 percent.

# Net debt 2008-2011

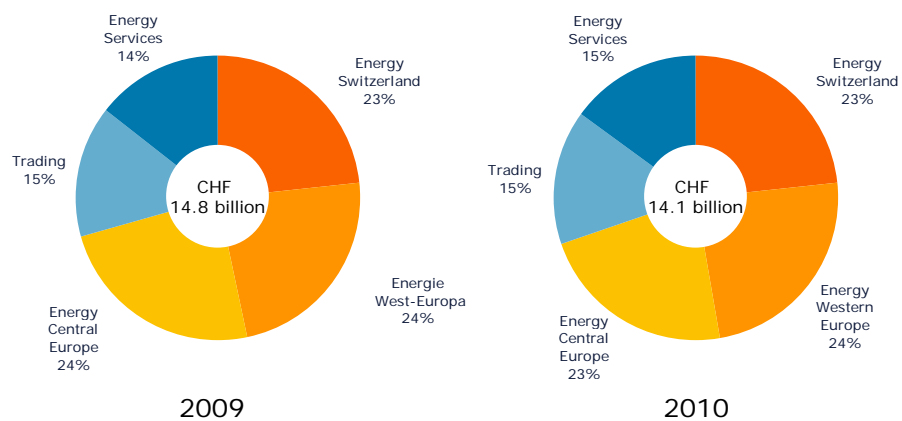


2008\*: Ex-Atel Group figures excluding EOS and Emosson

In the year under review the debt factor (net debt to EBITDA) was negatively impacted by the lower EBITDA and higher net debt, rising from 2.4 to 2.7. Although the repayment of CHF 0.27 billion in borrowings reduced effective debt in the period under review, the CHF 0.48 billion reduction in liquidity resulted in higher net debt (CHF 0.21 billion), which negatively affected the debt factor. This renewed deterioration in the debt factor was in line with expectations. Debt reduction measures will have a sustainable effect and result in a noticeable improvement in the debt factor from the 2011 financial year.

## Breakdown of external net revenue 2009/2010 by business division

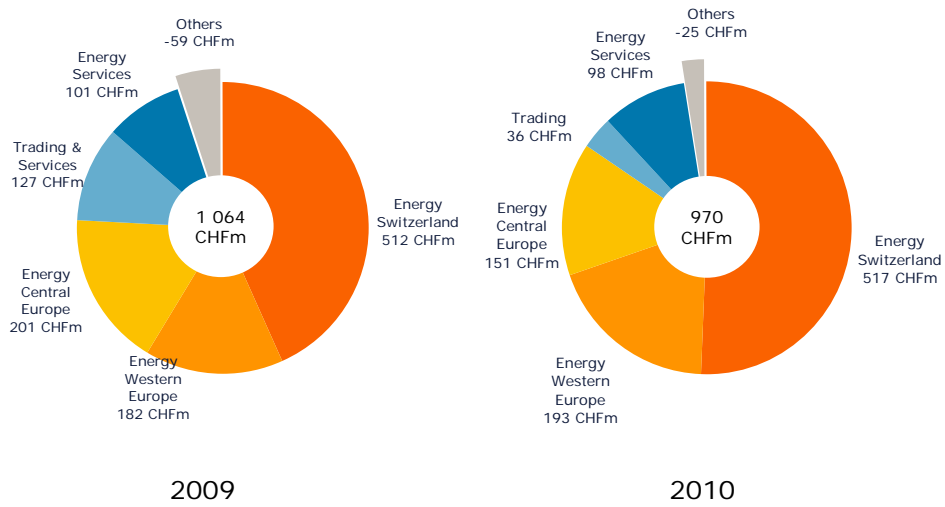
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Consolidated net revenue for the Group fell by around CHF 0.7 billion year-on-year. Measured against the total volume of the Alpiq Group, the sales volumes of individual business divisions underwent only minor shifts. Good geographical diversification remains a characteristic of the portfolio. Despite the difficult economic situation, the Energy Services Segment slightly improved its share.

## Breakdown of EBIT 2009/2010 by business division

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While Energy Western Europe recorded a slight increase in results in 2010, Energy Switzerland and the Energy Services Segment recorded results on the prior-year level. Conversely, the share of results accounted for by Energy Central Europe and Trading & Services fell sharply due to the aforementioned reasons.

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Now to the results recorded by the Energy Segment. In conjunction with the introduction of a new Management Reporting System, external segment reporting was also reviewed and adjusted. In line with the management structure, Alpiq is presenting the results of the individual business units within the Energy Segment and the Energy Services Segment for the first time in their entirety.

## Energy Segment: Key Figures 2010 versus 2009

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CHFm	2009	2010	Change
Sales (TWh)	135.2	145.6	+7.6%
Proprietary production (TWh)	19.4	18.9	-2.4%
Revenue	12 756	12 012	-5.8%
EBITDA	1 472	1 350	-8.3%
EBIT	1 049	914	-12.9%
Employees	1 989	1 977	-0.6%

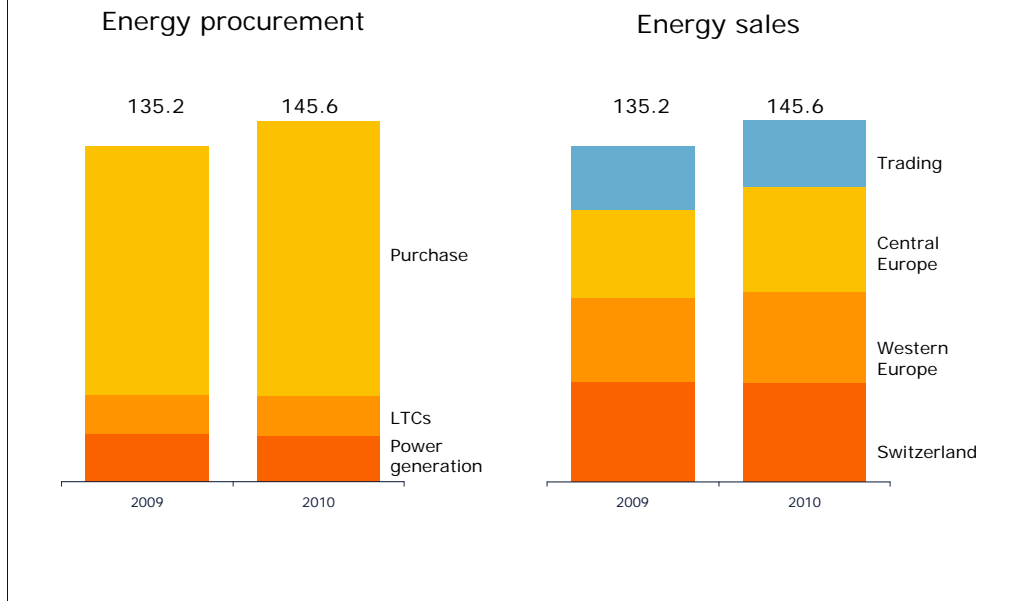
Stabilisation and slow economic recovery in Europe drove demand for electricity and gas up, although demand has still to return to the 2008 level. In 2010 the Energy Segment generated consolidated revenue of CHF 12.0 billion under difficult boundary conditions. Driven by low energy market prices across Europe and negative currency translation effects, revenue was around CHF 0.8 billion or 5.8 percent lower than the prior-year figure of CHF 12.8 billion. Increased sales and wholesale activities pushed the volume of sales up by 7.6 percent to 145.6 Terawatt-hours. At CHF 914 million, EBIT for the segment was 12.9 percent below the 2009 figure of CHF 1,049 million.

## Energy Segment EBIT 2009/2010

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While Energy Switzerland and Energy Western Europe recorded stable results just above the prior-year levels, Energy Central Europe saw a sharp fall in results. The main reason behind this decline was the low spreads affecting production in Eastern Europe, and negative currency translation effects. Trading & Services also recorded significantly lower results. Difficult market conditions, historically low exchange rates for the euro and US dollar versus the Swiss franc, and lower price volatility on electricity and commodity markets reduced trading opportunities and had a corresponding negative effect on the division's results.



Close to a quarter of total electricity procurement is accounted for by Alpiq's own capacities and long-term purchase contracts. Hydraulic, thermal and nuclear power stations account for one third each of proprietary production. Sales for Energy Switzerland remained stable, while volumes in Western and Central Europe were significantly higher. The Trading & Services division also marketed much more energy in 2010 than in 2009.

## Key Figures for Energy Switzerland Division 2010 versus 2009

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CHFm	2009	2010	Change
Sales (TWh)	40.3	40.2	-0%
Revenue	4 860	3 587	-26%
EBIT	512	517	+1%
Employees	682	612	-10%

- + Sustained synergies from the integration of power generation capacities, use of additional flexible facilities (Bieudron)
- + High availability of hydraulic and thermal production facilities
- + Reduced costs for ancillary services
- Low spot price level, impact of weaker euro
- Partner plant management model, canton Valais

For the first time following the merger of former Atel and EOS activities, the Energy Switzerland division is included for the full financial year and in 2010 marketed its offerings based on adjusted business model. Despite the difficult pricing situation on energy markets and negative effects related to the weak euro, operating profit (EBIT) generated by the division was on a par with the prior year at CHF 517 million. This result was mainly boosted by sustained synergies from the integration of Swiss production capacities, whose flexibility was further boosted by the repowering of Bieudron hydroelectric power station.

Optimised marketing of production as well as delivery contracts concluded in prior periods at favourable conditions also contributed to the division's good results. Production revenue was also boosted by the high availability of hydraulic power stations. On the other hand the lengthy revision of Gösgen and Leibstadt nuclear power stations weighed the results down. The decision by the Federal Administrative Court to suspend the costs for ancillary services reduced production costs year-on-year and helped to improve margins. On the negative side, the new partner management model adopted by the canton of Valais in 2010 had a significant impact on operating results.

## Key Figures for Energy Western Europe Division 2010 versus 2009

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CHFm	2009	2010	Change	
Sales (TWh)	33.7	36.7	+9%	+ Higher sales in French and Spanish markets
Revenue	3 668	3 568	-3%	+ Trading in CO <sup>2</sup> and green certificates in Italian market
EBIT	182	193	+6%	+ Turnaround in Market Nordic
Employees	399	462	+16%	- Low spark spreads
				- Surplus production capacities
				- Full utilisation of thermal power stations
				- Lower income from ancillary services

Energy Western Europe generated higher sales and income versus the prior year, with EBIT improving by 6 percent to CHF 193 million despite unfavourable boundary conditions.

The results were negatively impacted by the persistently weak Italian economy and, in particular, surplus electricity production capacities. Both low prices and pressure on spark spreads impeded the profitable deployment of thermal power stations, resulting in lower sales volumes and unsatisfactory margins. Lower revenue from ancillary services as a result of regulatory changes also had a negative effect on the division's results. These negative factors were successfully offset by growth in CO<sub>2</sub> and green certificate trading and good margins in the local end customer business.

Comprehensive restructuring of the unit's Nordic Market activities led to adjustments in the operational thrust and stabilised the unit. As yet, however, these strategic changes have not yet produced the targeted increase in income, primarily due to extraordinary charges related to streamlining of the existing business portfolio.

## Key Figures for Energy Central Europe Division 2010 versus 2009

ALPIQ

CHFm	2009	2010	Change
Sales (TWh)	36.0	41.9	+16%
Revenue	3 694	3 321	-10%
EBIT	201	151	-25%
Employees	762	735	-4%

- + Expansion of sales and trading business in Poland and Romania
- + High availability and good performance by thermal power stations
- Low spreads impact production in Czech Republic and Germany
- Low electricity prices, low market liquidity
- Absence of long-term contract in Romania
- Impact of exchange rate movements (EUR, CZK)

In 2010 Energy Central Europe posted revenue and income well below the 2009 figures. Generally lower prices for electricity, higher coal prices and hence low spreads for production, coupled with unfavourable local currency movements, reduced EBIT to CHF 151 million, 25 percent lower than the 2009 figure.

Expansion of the sales business in Romania and the stronger trading and sales position in Poland resulted in an increase in local revenue. On the other hand, the absence of a long-term contract in the Market South region from the end of 2009 negatively affected the results. Power stations belonging to the Central Europe production unit once more recorded good operating performance. Lower market prices for electricity, coupled with higher fuel costs for brown coal, reduced spreads and drove down the results of these power stations.

## Key Figures for Trading & Services Division 2010 versus 2009

**ALPIQ**

CHFm	2009	2010	Change	
Sales (TWh)	25.3	26.8	+7%	+ Asset Trading and Asset Optimisation
Revenue	3 950	2 880	-27%	+ Marketing of green certificates by Origination & Environmental Markets
EBIT	127	36	-72%	- Difficult market situation with low volatility
Employees	146	168	+15%	- Positioning of Proprietary Trading
				- Weak euro

The operating business of Trading & Services was dictated by difficult, fluctuating market conditions as well as the integration and cooperation with the regions on power plant management. Under difficult market conditions, revenue with external customers was 4.3 percent lower year-on-year, while EBIT fell by around CHF 90 million to CHF 36 million.

The second half-year saw a prolonged sideways movement in prices on electricity and commodity markets, which limited opportunities and trading options for Proprietary Trading and absorbed the good first-quarter results. The business unit's results were therefore below expectation. Despite low spot prices accompanied by historically low euro and US dollar exchange rates versus the Swiss franc, Asset Trading once more made a good contribution to the results, albeit below the prior-year level. Results were also boosted by the successful commissioning of Bieudron pump storage power station, which reliably generates peak load electricity, providing additional flexibility.

## Agenda

ALPIQ

1. Overview
2. Market environment
3. Alpiq Group
4. Energy Segment
5. Energy Services Segment
6. Appropriation of Retained Earnings
7. Outlook and summing up

*Now we turn to the results of the Energy Services segment.*

## Energy Services Segment: Key Figures 2010 versus 2009

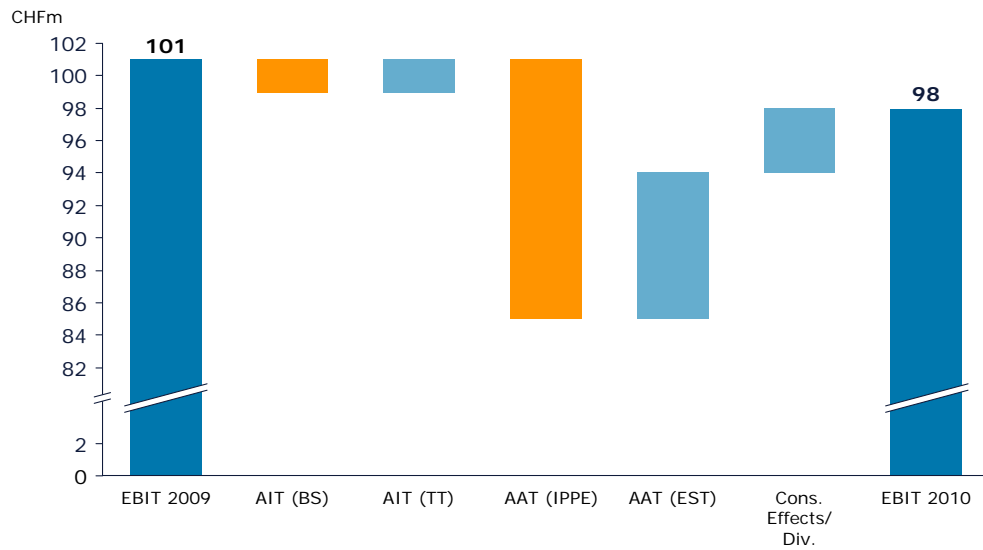
**ALPIQ**

CHFm	2009	2010	Change
Incoming orders	2 436	2 315	-5%
Order backlog	1 530	1 547	+1%
Revenue	2 127	2 122	-0%
EBITDA	144	142	-1%
EBIT	101	98	-3%
Employees	8 456	9 050	+7%

Whereas 2009 was dominated by the effects of the financial and economic crisis, 2010 saw the markets in which Energy Services operates undergo a slight recovery. The segment posted revenue of around CHF 2.1 billion and reached the prior-year level. The Swiss Alpiq InTec Group recorded a slight increase in revenue, and the German Alpiq Anlagentechnik Group also saw revenue growth in local currency terms. Consolidated operating profit (EBIT) for the segment fell by CHF 3 million to around CHF 98 million, chiefly due to negative economic factors, the weak euro versus the Swiss franc, and a provision requirement.

## EBIT generated by Energy Services Segment 2009/2010

ALPIQ



While EBIT for the individual business areas of the AIT Group was largely stable, the AAT Group posted lower results for the Industrial and Plant Engineering business (IPPE). This decline was partly offset by an identifiable increase in profit from the energy transmission technology business (EST). Lastly, a significant need for provisions for a large project in Finland coupled with negative currency translation effects led to segment results slightly below the prior-year level.

- + Flourishing construction market in Switzerland (low mortgage rates), resulting in full use of building technology capacity
- + Stable development of transport technology business thanks to public-sector investment spending
- Prior-year projects continued at slightly lower margins
- Increasing competition and pressure on prices

The demand situation as well as overall utilisation of capacity within the AIT Group, particularly in Switzerland, proved welcome developments in 2010. However, orders acquired in 2009 resulted in lower prices and increased pricing pressure drove margins down. Thanks to a construction boom in Switzerland, the building technology business recorded a high level of incoming orders. aurax electro ag, the regional installation company, was acquired with a view to strengthening the group's market position. The transport technology business field enjoyed stable business development, thanks to public-sector investment spending.

- + High capacity utilisation due to volume-related implementation of prior-year projects for industrial and power plant engineering
- + Identifiable recovery in the economy and higher spending on the electricity distribution grid
- + Expansion of position in the Czech market for energy transmission technology
- Falling margins due to increased competition and pricing pressure
- Project delays by customers
- Impairment of large project in Finland

AAT enjoyed positive business performance and results in the year under review. Revenue growth was boosted in particular by the implementation of large-scale projects acquired in the prior year, as well as growing demand within the electricity distribution grid.

Slightly lower demand coupled with increased competition and pricing pressure accompanied by falling margins had a negative impact on the results of the industrial and power plant engineering business. These negative factors were largely offset by processing high order volumes. The energy transmission technology business posted a gratifying increase in results thanks to a clear economic upswing and customer spending on the electricity distribution and transmission grids. Activities in the Czech market were also intensified due to an acquisition in the second half of 2010. The Group's results were also impacted by a sizeable provision which had to be made for the consortium in Finland (Olkiluoto 3 nuclear power station).

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*Now we turn to the appropriation of retained earnings for 2010.*

- Dividend / share **CHF 8.70 CHF**  
(unchanged)
- Number of shares **27,189,873**  
(unchanged)
- Total payout **CHF 236.5 million**  
(unchanged)
- Increase in payout ratio from 35% to **36.7%** of consolidated Group profit

At the forthcoming Annual General Meeting, the Board of Directors will propose a payout of CHF 236.5 million, corresponding to an increase in the payout ratio from 35 to 36.7 percent.

If this proposal is accepted, the gross dividend for the 2010 financial year, i.e. before deducting withholding tax, will amount to CHF 8.70 per registered share. This corresponds to the 2009 payout. The dividend, less withholding tax of 35 percent, will be paid out from 5 May 2011.

## Agenda

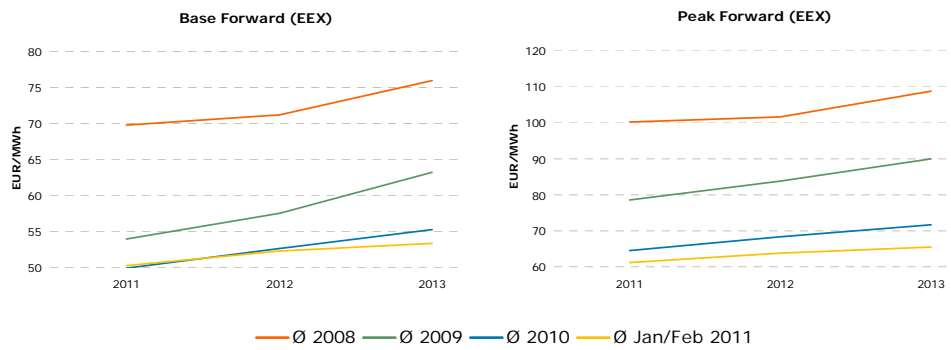
ALPIQ

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*Finally we turn to the outlook and summary.*

## Forward prices for 2011-13 since 2008

ALPIQ



- Since 2008 there has been an upward trend in forwards for 2011-13.
- The anticipated absolute level is adjusted downward every year.
- Note that the expected increase is flattening out and trending down.

Since 2008 there has been an upward price trend in forwards for 2011-2013. However, the anticipated absolute level is adjusted downward every year. Moreover, the expected increase is flattening out and trending down.

## Drivers of results in 2011 and in the medium-term

ALPIQ

Drivers of results	affects	2011	2012ff.
Prices	➡ Long Position CH	→	→
Spreads	➡ Thermal power stations (coal,CCGT)	→	→
EUR / CHF	➡ Export Switzerland; transfer of gains	→	→
Regulatory factors	➡ Costs; flexibility; market distortion	?	?
Capacity of power stations	➡ Availability; output	→	→
Orders for energy services	➡ Revenue; results	→	→
Volume growth	➡ Energy sales	→	→

Due to sustained surplus capacities we expect prices, spreads and exchange rates to move sideways in 2011. We expect to see the first, albeit very weak, signs of improvement in 2012, with significant improvements not expected before 2013.

We expect a slight improvement in the availability of our power stations thanks to shorter overhauls. No change in sales volumes is anticipated in 2011, while the trend for sales in 2012 is likely to be downward.





For the Energy Services Segment we expect incoming orders to stagnate, rising slightly from 2012 onwards.

Regulatory developments remain highly uncertain in the short to medium term. While trends towards liberalisation are making themselves felt, this is counterbalanced by growing regulatory intervention by the state.

## Outlook for 2011 results:

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Prices / Spreads   
EUR / CHF 

CHFm	2009	2010	2011
Net revenue	14 822	14 104	
EBITDA	1 545	1 472	
EBIT	1 064	970	
Group profit	676	645	

As mentioned before, we expect a sideways movement in 2011. As things stand at present, no notable or sustainable improvements in the key performance indicator are identifiable. However, implementation of additional measures under the cost takeout programme launched last year will ease the earnings situation to some extent. We expect to end 2011 with results on a par with 2010. The difficult start to the 2011 financial year in January and February confirms this cautious outlook.

## Consistent reduction in debt in order to enhance financial scope for action

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- Atel-EOS merger has driven debt up.
- Debt will gradually be brought back down.
- Package of measures launched with this in mind:
  - Consistent exploitation of synergies from the merger
  - Concentration and scaling of investments
  - Divestment options
  - Optimisation of tied-up capital
  - Management of volatility in results
  - Efficiency enhancement programme

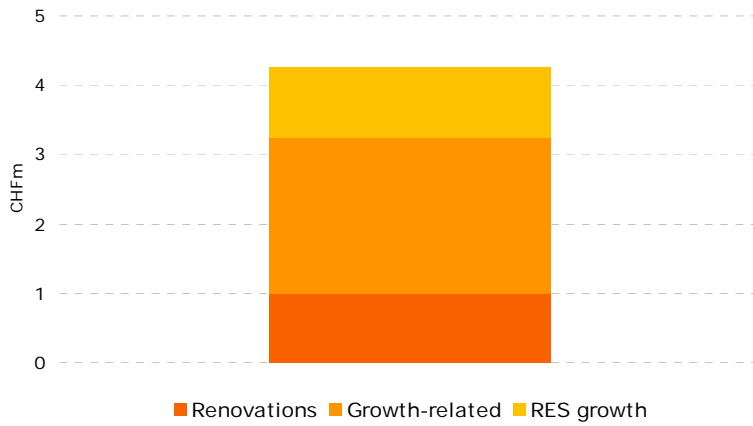
⇒ **Objective:** Enhance financial scope for action and retain A/A+ rating

In addition to significantly strengthening our medium-term potential for development, the Atel-EOS merger has also led to increased debt. This is to be gradually cut back between now and 2013. With this in mind we have launched a programme of measures which, among other things, covers the aforementioned efficiency enhancements as well as a number of initiatives in the investment, divestment and assets areas. The aim of these measures is to strengthen our financial scope for action and retain our A/A+ rating. As Mr Leonardi mentioned, in conjunction with these debt reduction measures we have for some time been discussing industrial solutions for our investment interests in Italy. As yet no concrete decisions have been made, but we expect to make progress over the next few months.

Total planned investments over the next five years amount to around CHF 4-4.5 billion



Planned investments in 2011-2015



**Note:** Investment plans are currently being revised.

Over the next few years we are planning investments of around CHF 4 to 4.5 billion. Around one billion of this will be invested in upgrades, and around CHF 3 to 3.5 billion is growth-related, with CHF 1 billion allocated to investments in new renewable energies – roughly 80 percent for onshore wind farms and 20% for small hydroelectric stations.

However, in connection with the aforementioned debt-reduction measures, we are currently revising our investment plans and may adjust the total investment volume downwards.

- Difficult boundary conditions and market environment in 2010,
- Good results considering these boundary conditions.
  
- No tangible improvement expected in the market environment for 2011.
- Continuation of in-house efforts to increase efficiency and enhance our flexibility.
- 2011 results expected to be on a par with 2010.

To sum up,

Given the difficult boundary conditions and market environment we faced in 2010, we have achieved good results. We do not expect the market environment to significantly improve in 2011, but will continue our own efforts to increase efficiency and enhance our flexibility. We expect to close 2011 with results on a par with 2010.

Many thanks for your attention! Any questions?

**ALPIQ**

K. Baumgartner, Member of the Executive Board Member,  
CFO

+41 62 286 72 14, [kurt.baumgartner@alpiq.com](mailto:kurt.baumgartner@alpiq.com)

Many thanks for your attention. You now have the opportunity to put your questions.

- 28.04.2011** 2011 Annual General Meeting
- 06.05.2011** Alpiq Q1/11 First Quarter Results
- 19.08.2011** Alpiq 2011 Interim Results
- 04.11.2011** Alpiq Q3/11 Third Quarter Results

This presentation contains forward-looking statements and information

In particular, certain statements with regard to management objectives, trends in results of operations, margins, costs, return on equity, risk management and competition are forward-looking by nature. Words such as "expects", "assumes", "aims", "goals", "projects", "intends", "plans", "believes", "seeks", "estimate", variations of such words and similar expressions are intended to identify forward-looking statements. Such statements are based on our current estimates and certain assumptions and are therefore subject to certain risks and uncertainties.

Alpiq's results may therefore differ materially and adversely from those expressed or implied in any forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, economic conditions, the impact of competition, political and economic developments in the countries in which Alpiq operates, regulatory developments in the energy market in Switzerland and abroad, and fluctuations in oil prices and margins for Alpiq products. Forward-looking statements made by or on behalf of Alpiq reflect only the estimated situation on the date on which they are issued.