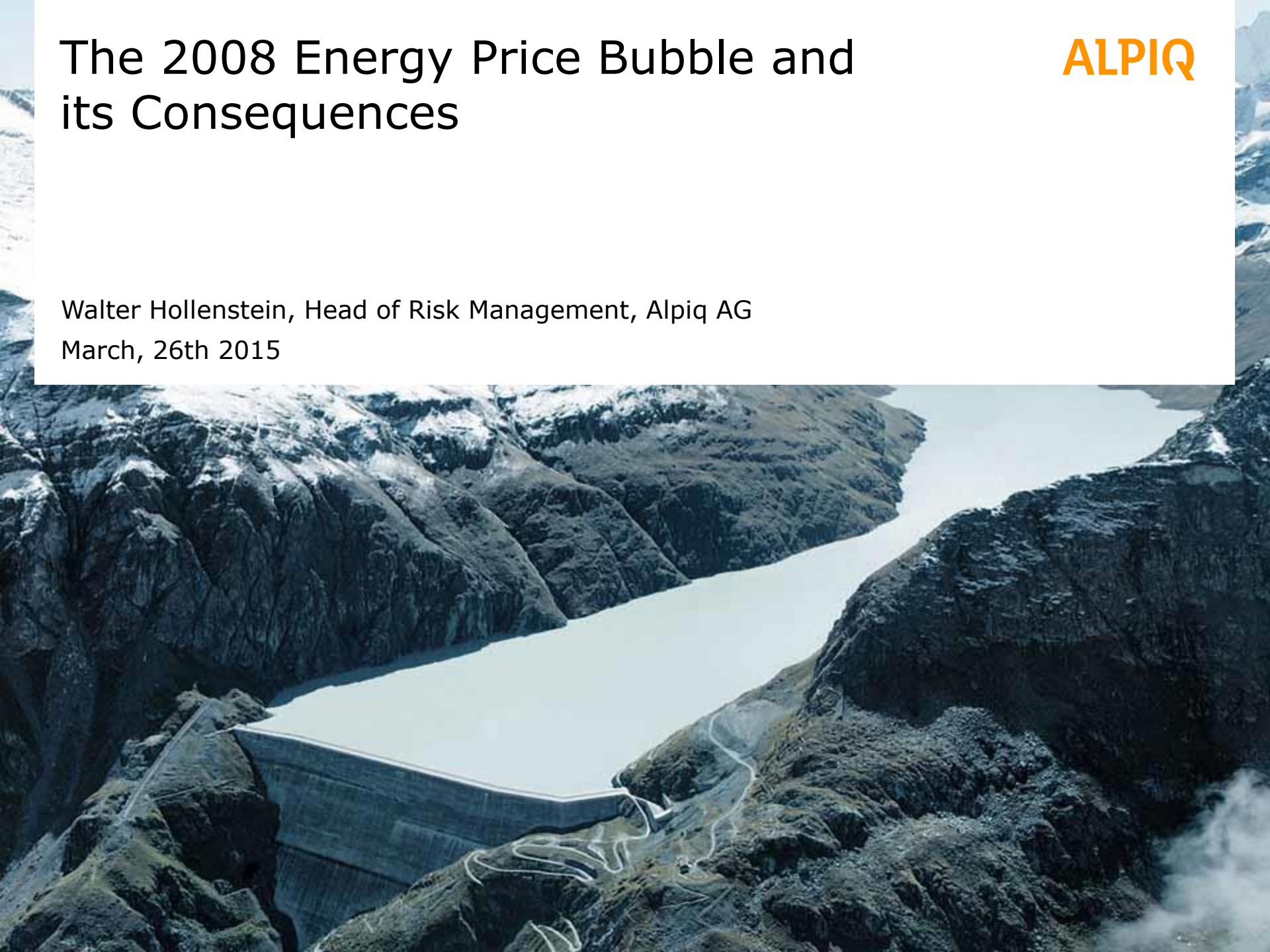


The 2008 Energy Price Bubble and its Consequences

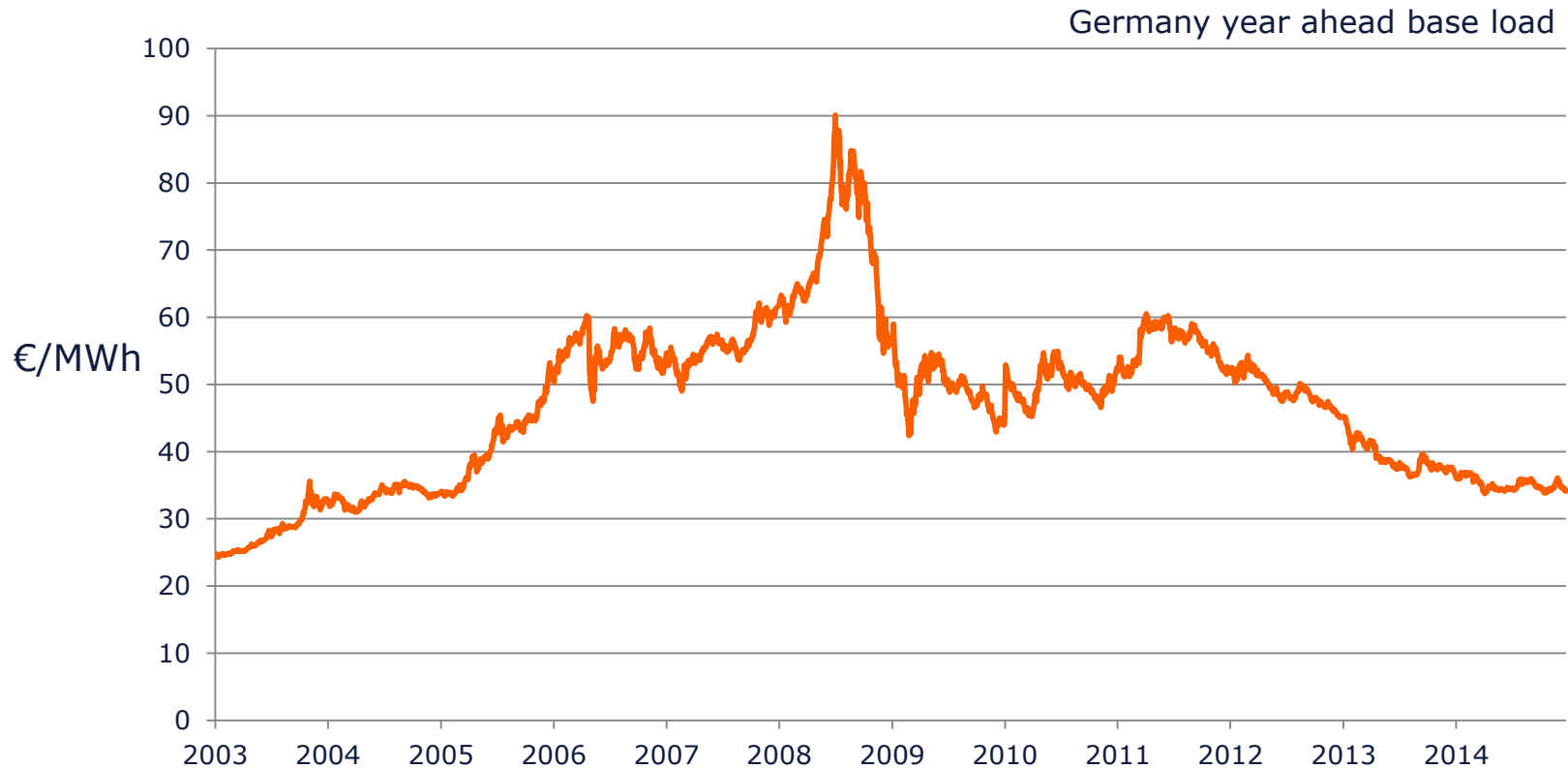
ALPIQ

Walter Hollenstein, Head of Risk Management, Alpiq AG
March, 26th 2015



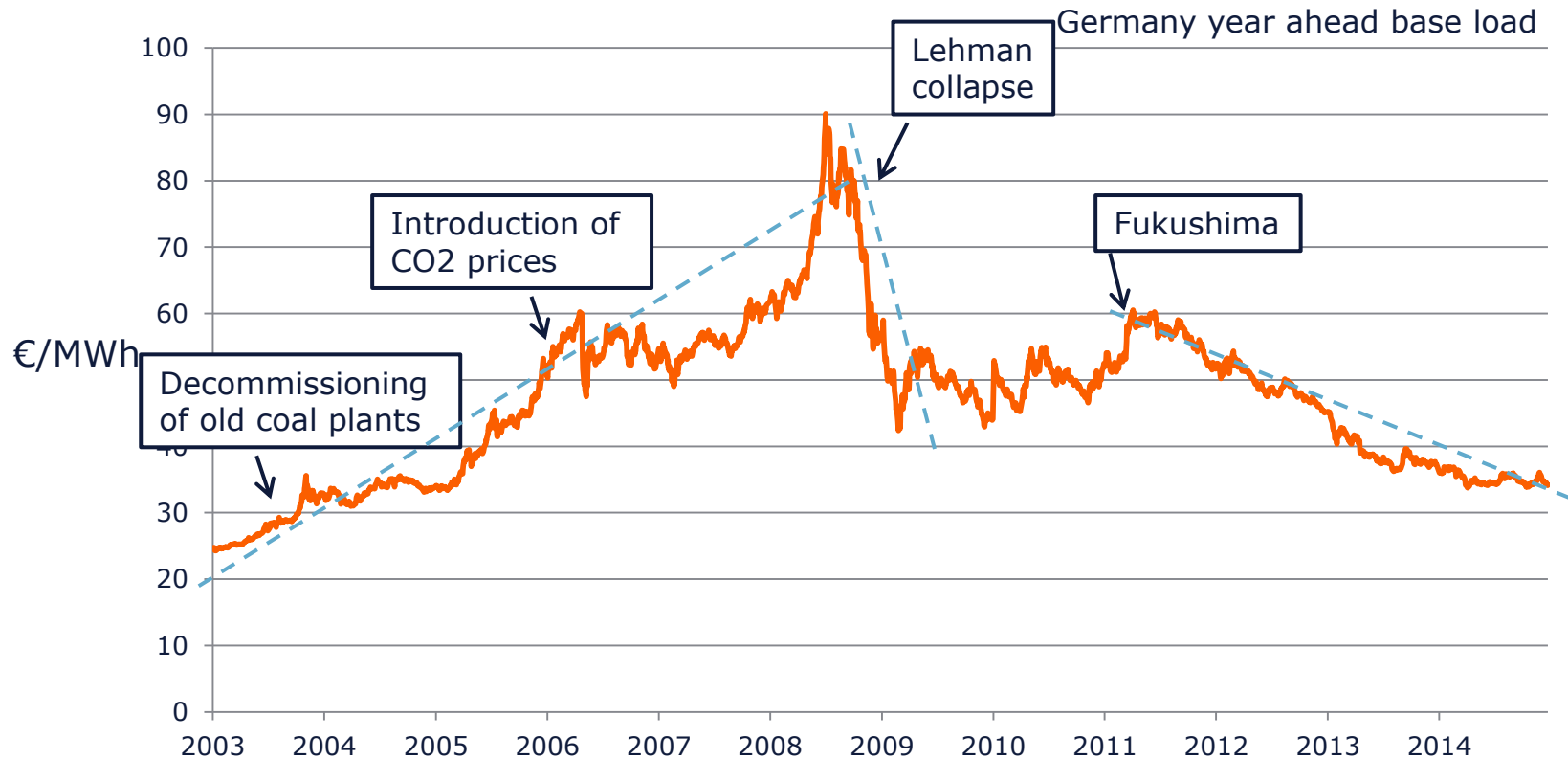
-
- Active in electricity generation, energy trading and sales
 - Provides comprehensive and efficient energy services for buildings and facilities, transport technology, power stations and industrial facilities
 - Active in more than 20 European countries
 - Around 8,300 employees (Energy Services: 6,900)
 - Revenue: CHF 8,058 million
 - Installed capacity: approximately 6,400 MW
 - Generation: approximately 16,300 GWh (roughly 70 % in Switzerland)
 - Supplies one third of Switzerland with electricity

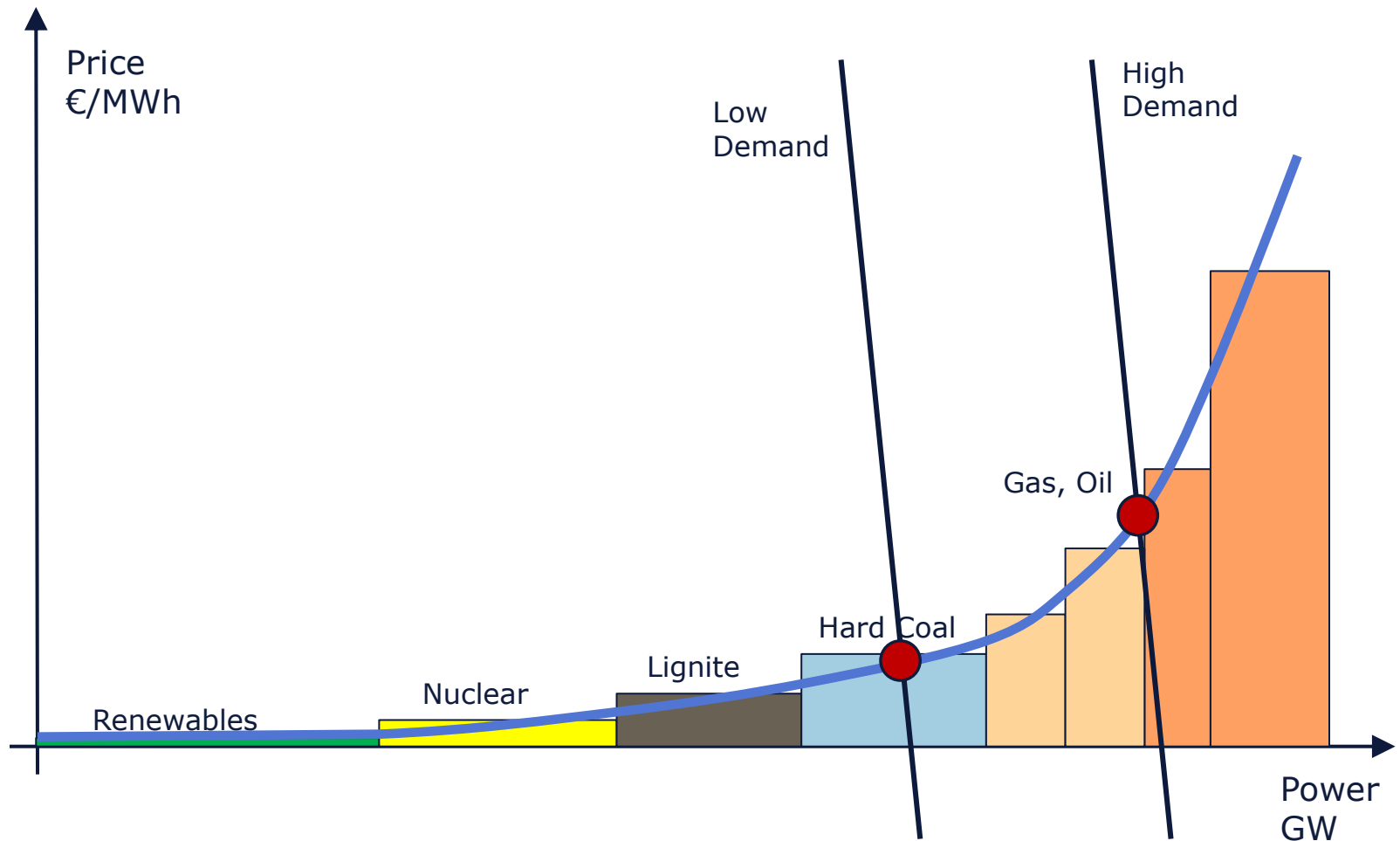
Where is the Bubble?



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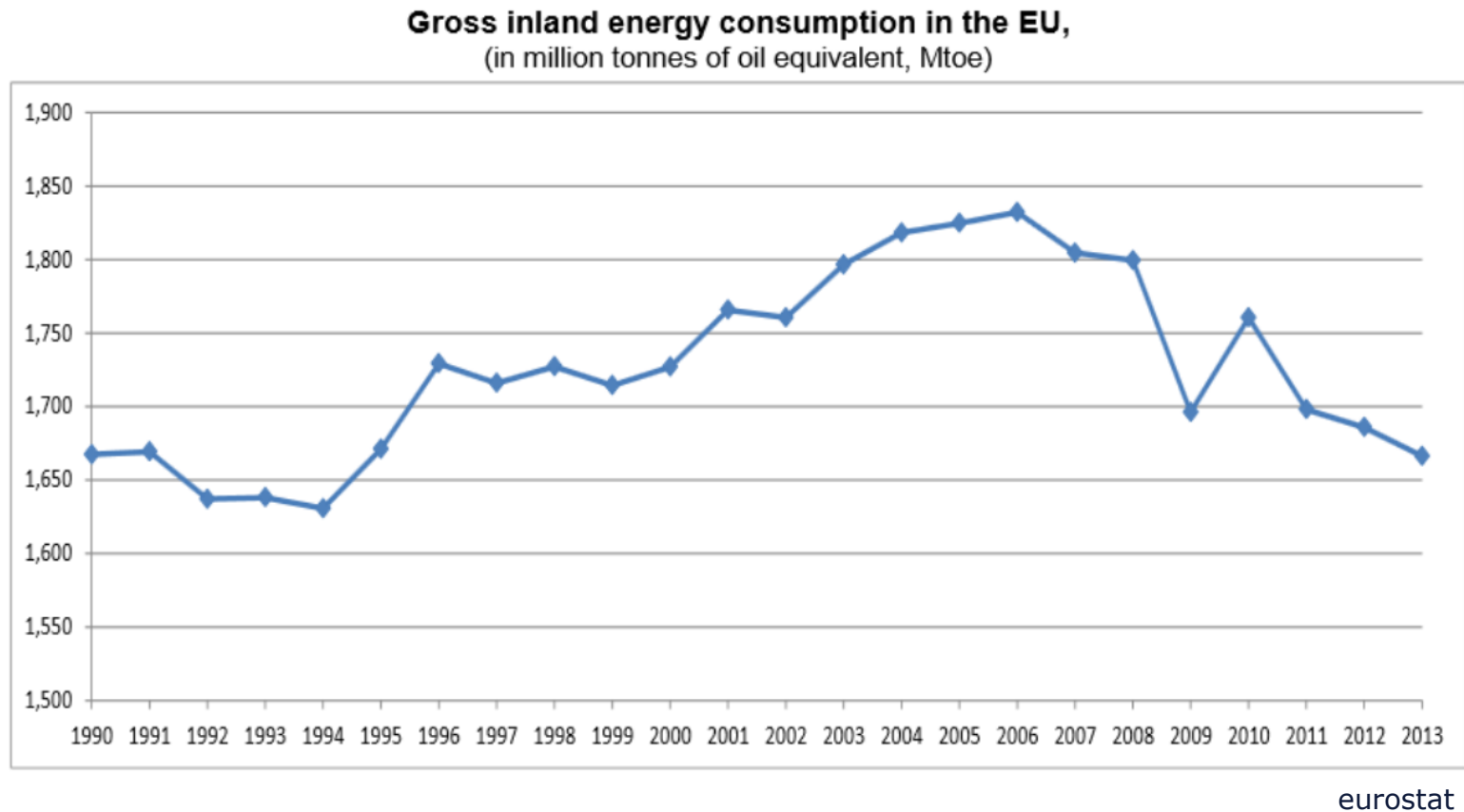
Some events:





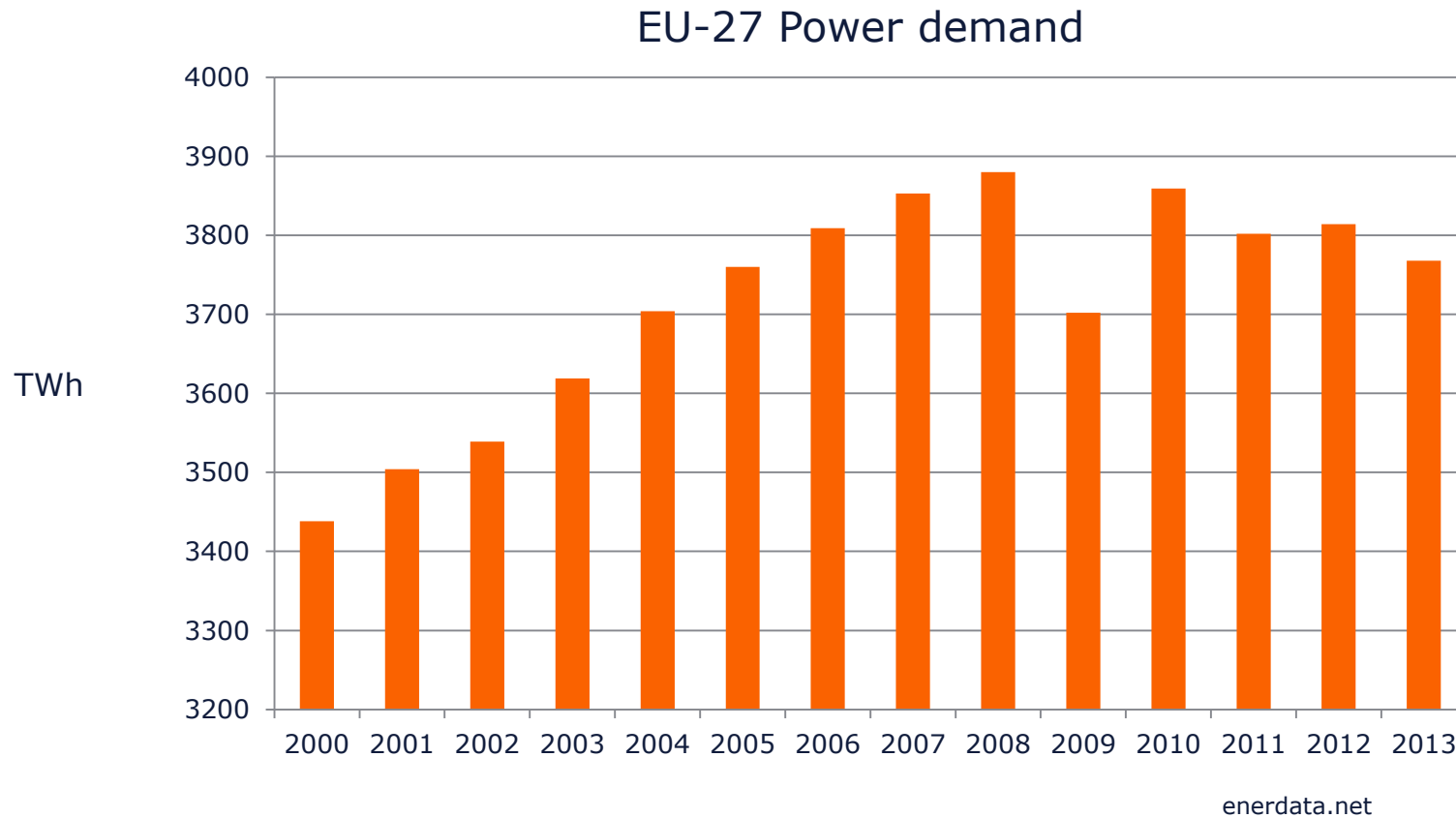
Underlying price drivers:

1) Decreasing energy demand



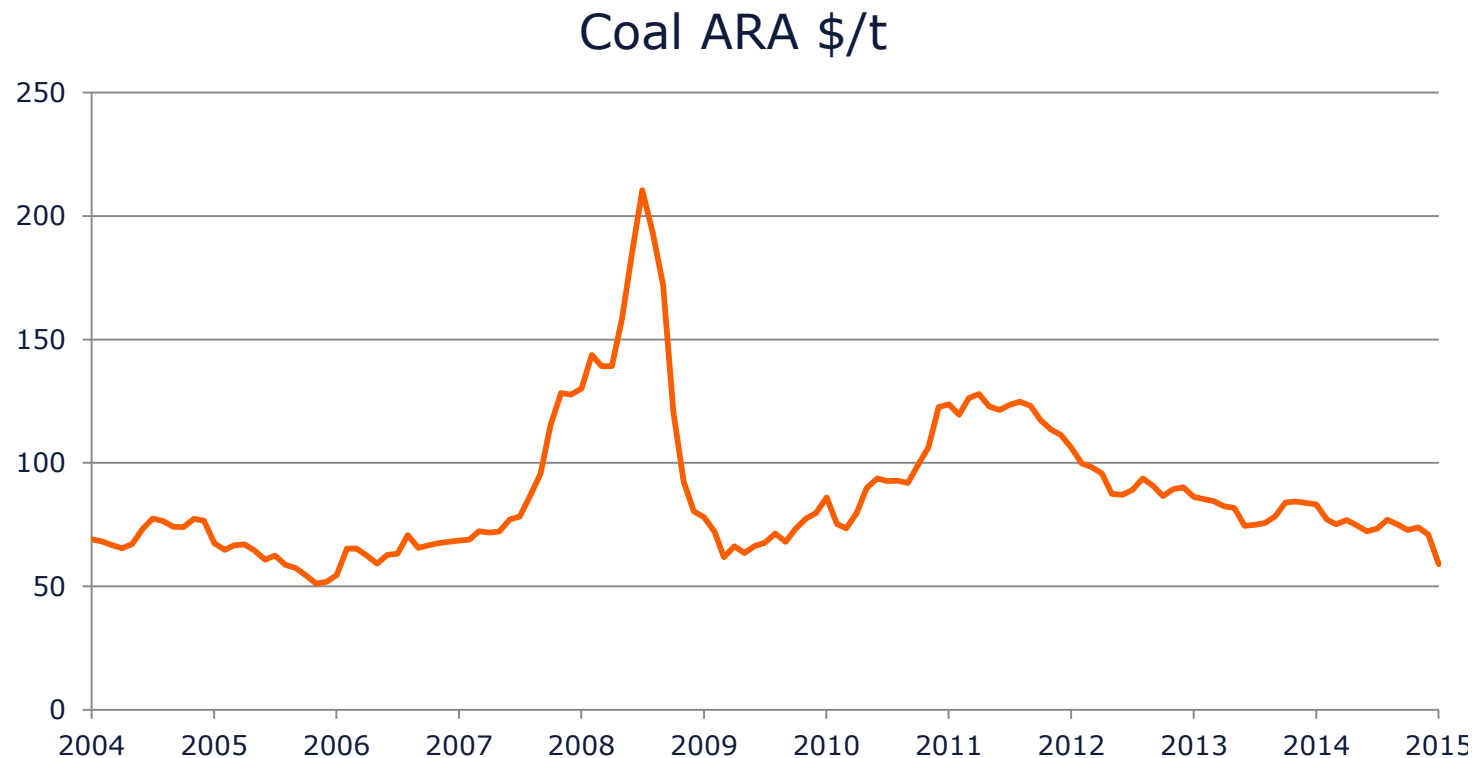
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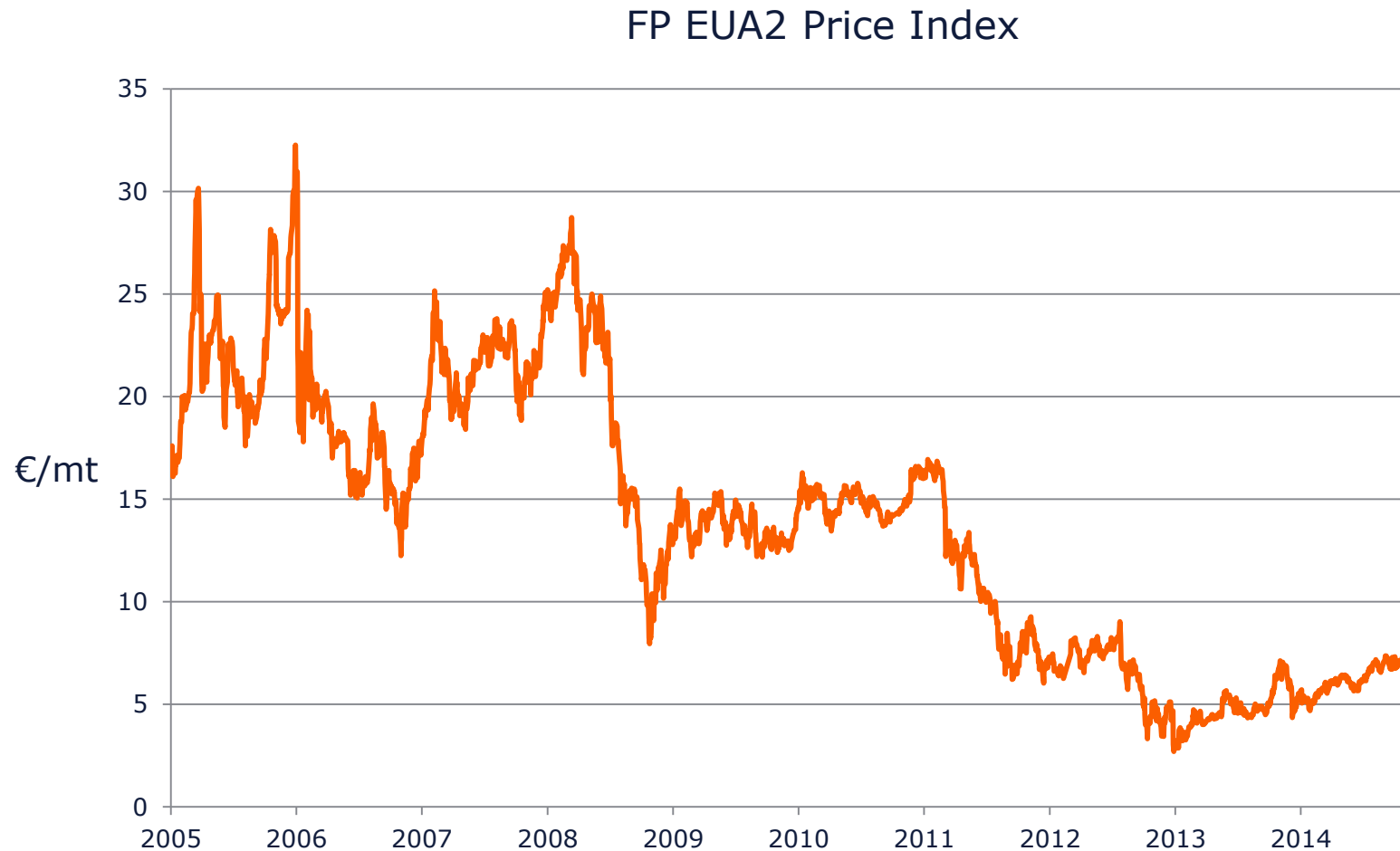
Underlying price drivers:

2) Respond of fuel prices



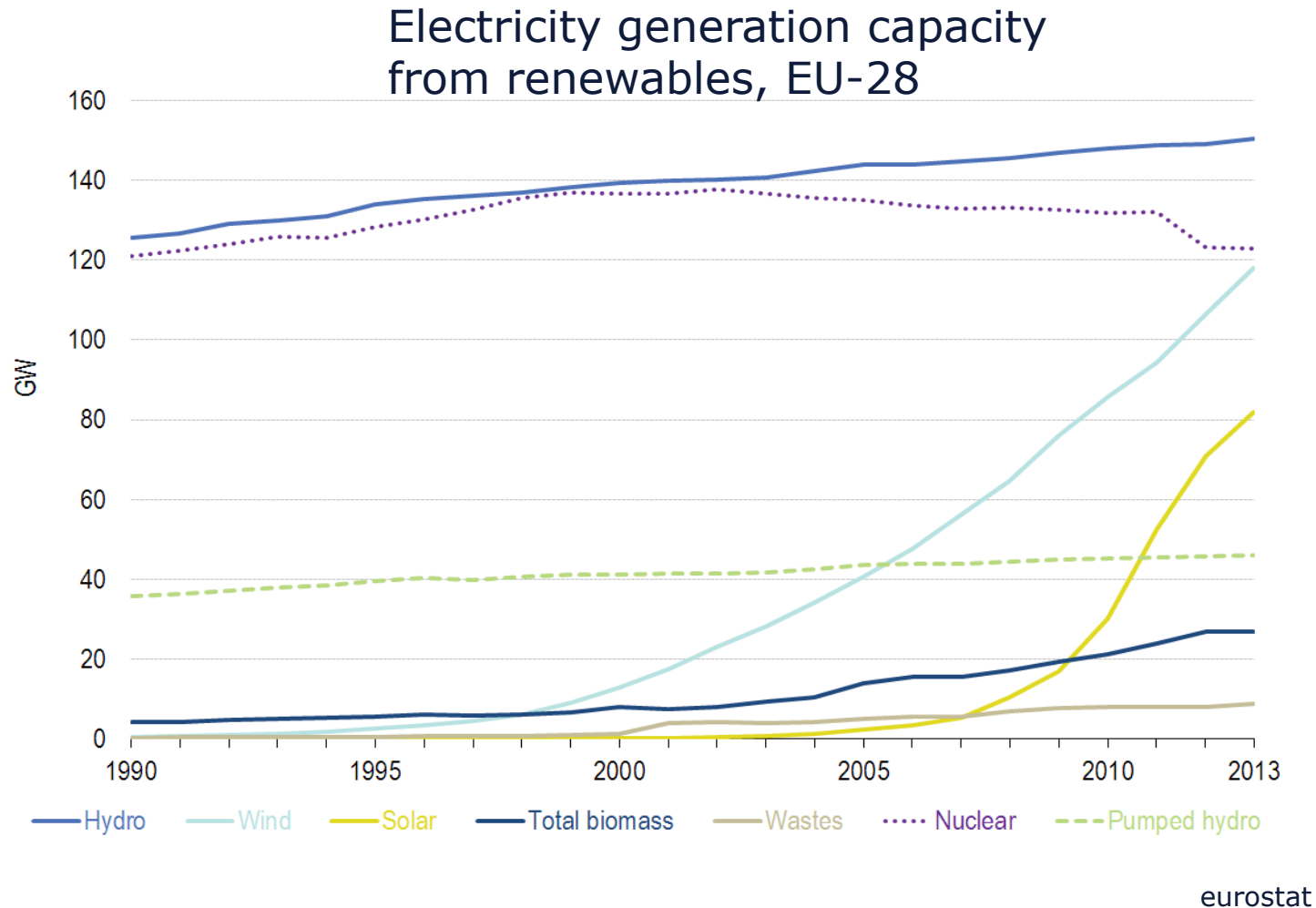
Underlying price drivers:

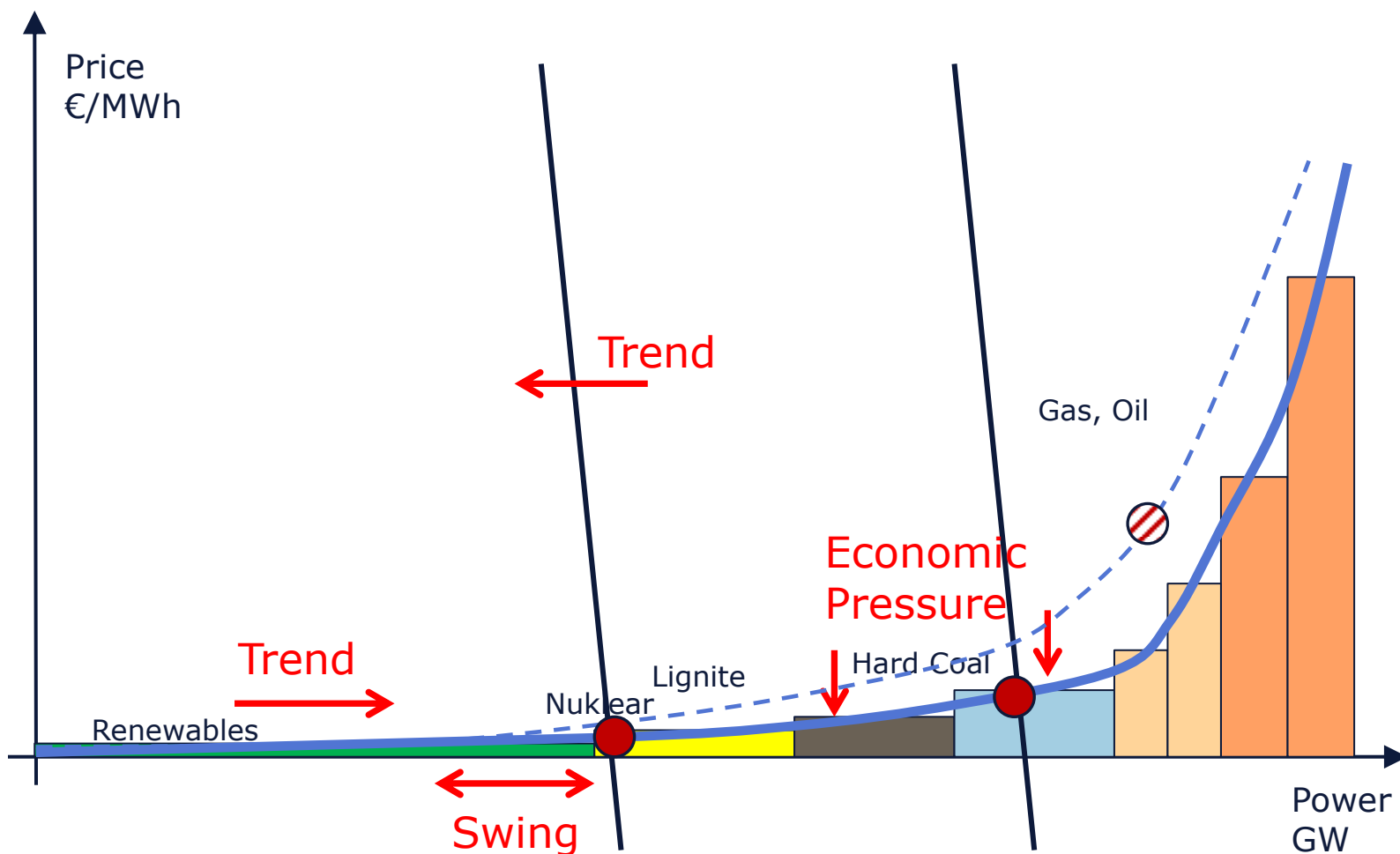
3) Collapse of CO2 prices



Underlying price drivers:

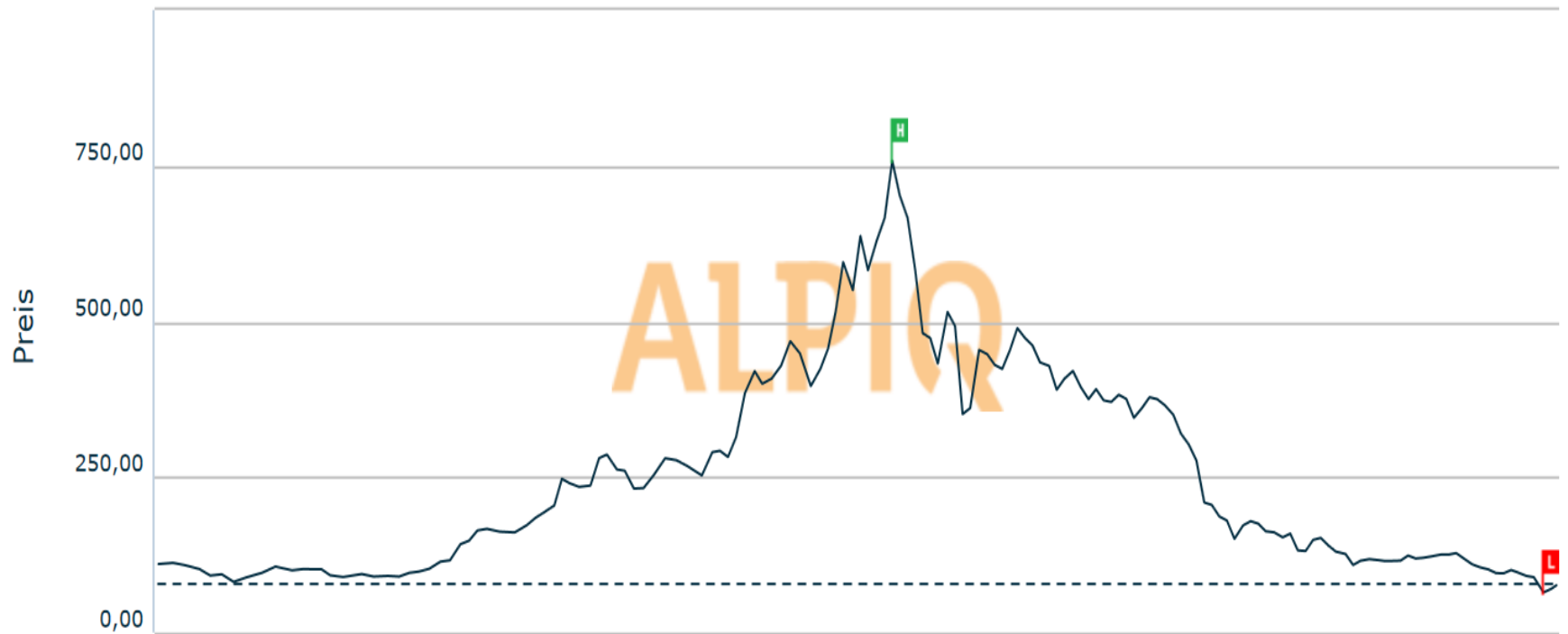
4) Penetration of subsidised capacity





Financial:

- Lignite / hard coal plants stay competitive
- Large scale investments under financial pressure
(major impairments, rating downgrades)
- Flexible Production (CCGT, Hydro) cannot pay fixed costs
- Missing money problem in the entire European energy sector



Structural:

- European CO2 reduction scheme ineffective
- Continued subsidies necessary to reach renewable targets
- New mechanisms necessary to maintain system stability
- Market mechanisms unclear, development open.

It's not over yet!

- 2008 event was a trigger of a fundamental development
- Energy Prices still on the downwards slope
- Economic crisis does not help (and is still not solved)

How do we react?

Alpiq's Strategy

From a capital-intensive power producer to an energy service provider with innovative integrated solutions

**Changed
framework
conditions**

**New
technologies**

**New
players**

Optimise current business

- Operate existing power plants safely and efficiently
- Reduce risks and streamline portfolio
- Economically feasible framework conditions
- Innovative approaches to portfolio management and trading

Take advantage of new opportunities

- Integrated solutions in the field of energy efficiency
- Renewable energies and energy management
- Business to customer
- Expand and internationalise the installation business
- Focus on plant engineering

Thank you for your attention

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ALPIQ

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