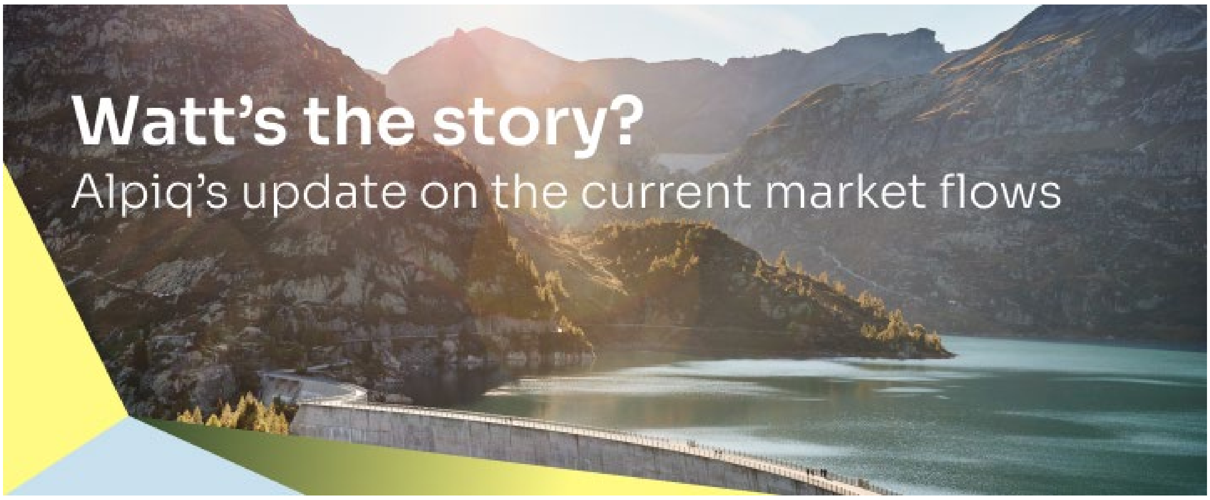
30 September 2024 – 07:00



Market update | Liquidity status | Deep dive: Interview Alpiq CFO Luca Baroni | progRES Switzerland

Dear Reader,

Welcome to the autumn edition of "Watt's the story?" and our latest analysis of current market flows.

We begin with a brief look back at a significant energy policy decision: on 9 June, **the Swiss population approved the Electricity Act** by a large majority of around 70 per cent in a referendum. Alpiq expressly welcomes this important milestone: the law strengthens security of supply – especially in winter – with the help of renewable and local energies. The path is now clear for the necessary restructuring of our energy system and rapid implementation of the various projects, including those of the "Hydropower Round Table", in which Alpiq and its partners are also involved.

In this month's "Deep Dive" interview, we take a closer look at the important financial news, announced in our ad hoc media release of 27 September, that Alpiq is paying back a CHF 650 million public hybrid bond. Our CFO Luca Baroni explains the reasons for the repayment and provides further background to this decision.

Also this month, in the last in our "progRES Switzerland" series, we look at the latest "solar energy statistics" from the federal government as well as other new facts and figures. Notably, there has been encouraging – and once again record-breaking – progress in the expansion of photovoltaics.

Before we turn to these topics, let's begin our newsletter as usual with an overview of developments on the energy markets over the past four months.

Market update

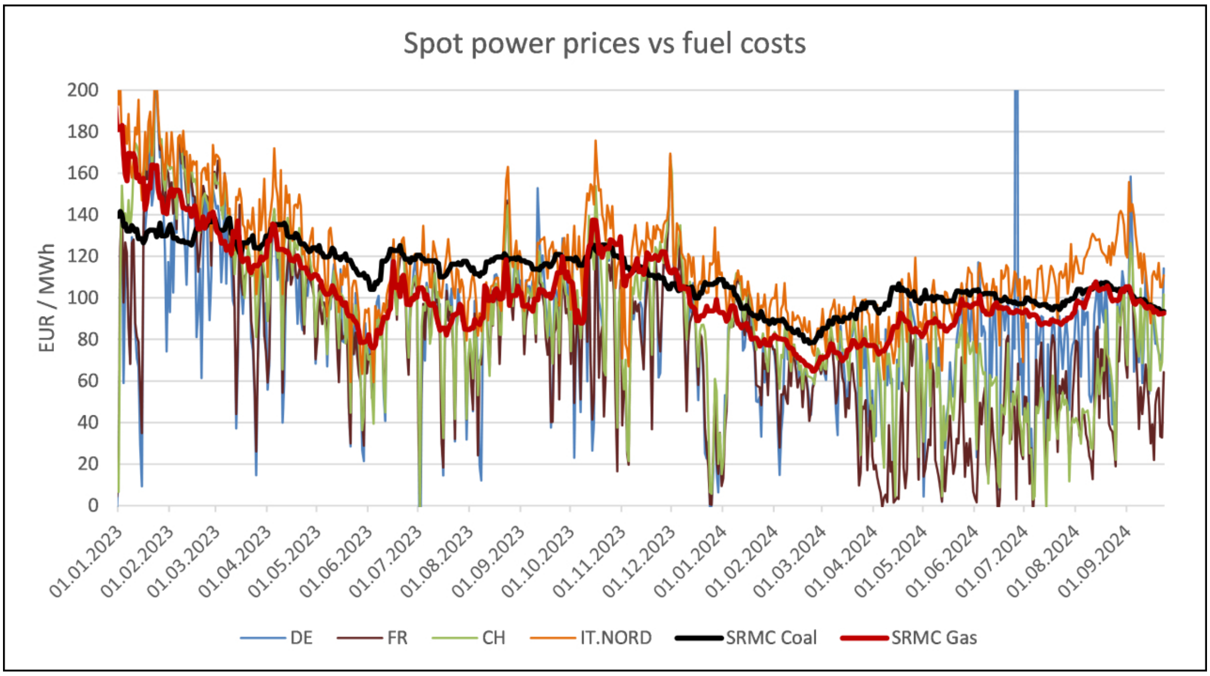
Since the last edition of "Watt's the story?" in May, gas prices have been on a rollercoaster ride and finally returned (more or less) to where they started.

While gas prices remain at a historical high, prices were gradually coming down until mid-July, with gas storages continuing to fill from their already historically high levels. This was interrupted by the start of the peak cooling season in Asia, when soaring temperatures triggered very strong demand for (LNG) gas, directing supplies away from Europe. The risks to European gas supply took another turn for the worse on 6 August when Ukraine took control of the Russian town of Sudzha, including its key gas processing facility. This threatened to interrupt Russian gas transits to Europe through Ukraine and create another price hike. The 15 bcm/y of Russian gas transiting through Ukraine – the only remaining Russian pipeline to Europe – is expected to stop in December 2024 in any case with the expiry of the current transit agreement (which accounts for approx. 8 to 9% of the overall supply to Europe).

When September arrived, the price-supporting factors started to fade and prices dropped quickly. Strong demand from Asia was replaced by concerns that the global economy is slowing, with potentially strong repercussions for global demand. The risks to supply have also been moderate: the Atlantic hurricane season has not yet caused major disruptions to supply from the Gulf of Mexico (although at the time of writing this newsletter, Hurricane Helene is moving from the Atlantic across the Caribbean towards the Gulf of Mexico and the US coast), the Norwegian upstream maintenance works are on schedule, and the numerous geopolitical incidents have not yet led to actual supply disruptions. To top off this bearish cocktail, reports have surfaced that Ukraine plans to keep the gas transits to Europe alive beyond 2024 by replacing Russian gas with gas from Azerbaijan. This news may prove to be premature, though.

All in all, as in a game of snakes and ladders, we're back where we started. Europe remains reliant on LNG supplies and needs to attract cargoes for the upcoming winter. Hence, with no additional supply expected in the short term, prices in Europe need to keep pace with Asian prices, which is likely to keep them buoyant for now.

The power markets, while influenced by the fuel markets, have also had plenty of their own dynamics to deal with. The graph below serves as an illustration, showing the daily average power prices in Switzerland and some of its neighbours compared to the costs of a representative gas and coal power plant, known as Short Run Marginal Costs (SRMC). Notably, summer 2024 has seen a record occurrence of low prices in France and Switzerland, driven by strong growth in solar production, abundant precipitation and high nuclear availability in France. Furthermore, as both countries are net exporters during the summer months, frequent cross-border capacity curtailments exacerbated the situation and led to the decoupling of French and Swiss prices from German prices.



The market has started to price in a continuation of this pattern for the years to come, with the result that Swiss yearly baseload prices for the front year have fallen below German prices for the first time in power market history (since 2006).

The graph also clearly shows the price spike in the German market at the end of June. This was due to a technical problem at EPEX that resulted in market coupling failing for the 26 June delivery, leaving markets to clear without import/export capacities. This caused very high prices in importing countries, especially Germany, and very low pricing in exporting countries like France.

Besides the abundant supply situation, power demand remains subdued overall, although the first green shoots from sector coupling are visible. Notably, Norwegian power demand is about 7% higher in 2024 than in 2019, an increase mainly driven by the electrification of upstream gas and oil operations (with power replacing gas own-use at extraction plants).

Liquidity status

At the end of August, the Group liquidity balance stood at CHF 2 billion and the headroom at CHF 2.6 billion. The drop in these values compared to the end of April is mainly explained by the payback of external financing in July 2024. We foresee stable values for the coming months.

Deep-dive

After continuously strengthening the company's resilience and financial stability over the past three years, **Alpiq has now decided to pay back its public hybrid bond of CHF 650 million**. The payback on the hybrid bond, which the company issued 11.5 years ago, will be effective mid-November 2024. This decision was communicated to the markets in a press release on 27 September 2024.

With this move, Alpiq is underpinning its conviction in its strong financial capacities, allowing a pay back and a strong strategic evolution towards more flexibility and storage capacities as well as energy and portfolio management.

But why has this move been made now? **In this interview with our CFO Luca Baroni**, we discussed what prompted the decision, how it was arrived at, and what we can expect from it.

Luca, first things first, why did we decide to pay back the hybrid bond?
From today's perspective, the hybrid bond no longer brings the support it used to and it became more expensive last year. As we have sufficient liquidity to repay the bond, it makes both financial and strategic sense to do so.

We are not the only company paying back a hybrid bond. Other Swiss companies have recently decided to pay back theirs, too. Have hybrids gone out of fashion?
The reasons may vary from one company to the next, I only know ours. The way the Alpiq hybrid bond was designed meant that it could be recognised as an economic equity under IFRS. At the time, a relatively simple and quick solution was found to strengthen the net financial situation on the one hand and the equity on the other. With an equity ratio of 58% in August 2024, including the hybrid, a net cash situation of around CHF 700 million and the economic medium-term outlook, the reasons for maintaining the hybrid no longer applied.

Are we planning to pay back every bond?
Only the hybrid bond had a call option. The other bonds are normal bonds that cannot be paid back ahead of time. Whether we issue a new bond to replace one that has run out is decided on a case-by-case basis, based on Alpiq's financing strategy, the current financial situation as well

as on the mid- and long-term financial planning and related liquidity risks.

How will Alpiq's balance sheet change with the calling of the hybrid?
A quick back-of-the-envelope calculation based on the actual figures in August 2024 illustrates the effect on Alpiq's balance sheet:

- As is: equity ratio 58.0% / net cash CHF 711 million
- Hybrid showed as debt: equity ratio 51.1% / net cash CHF 61 million
- Hybrid repaid: equity ratio 54.8% / net cash CHF 61 million

So, as before, Alpiq retains a very stable equity base and, thanks to the expected positive operating cash flow, the net cash figure will also increase again by the end of the year.

What short- and long-term objectives are we pursuing with the financing of Alpiq?
Alpiq's financing strategy needs to be fit for our purpose, providing us with the necessary funds and flexibility for our operational and investing requirements while being in sync with our corporate strategy.

You once said that we need headroom of CHF 2 billion for you to sleep easy. Is that still the case?
The headroom consists of our operational liquidity, available cash and unused committed credit lines. It should always be higher than the target liquidity, our liquidity at risk, which in addition to the risk capital, our EBITDA at risk, is defined within the annual financial planning process. At the moment, we are working on the mid-term planning and the target liquidity will of course change, which in turn will potentially change the level of required headroom, too. I don't expect to lose sleep over this either way, as we are very well positioned in the financial markets and we can raise additional funds in the capital or credit markets if needed.

Thank you, Luca, for your insights.

progRES Switzerland

In Switzerland, the newly installed photovoltaic capacity increased by 50% in 2023, reaching a record of 1,641 megawatts (MW) by the end of the year. The total installed capacity was 6,375 MW, with an annual production of 4,624 gigawatt hours (GWh).

According to Swissolar, solar energy could cover 50% of the country's electricity demand by 2050. The most significant growth was seen in industry and commerce, which rose by 65%, and in multi-family homes, which rose by 59%. Around 58,000 new installations were added, with an average capacity of 28.2 kW, which represented a 12% increase. The trend toward larger installations is helping to lower production costs.

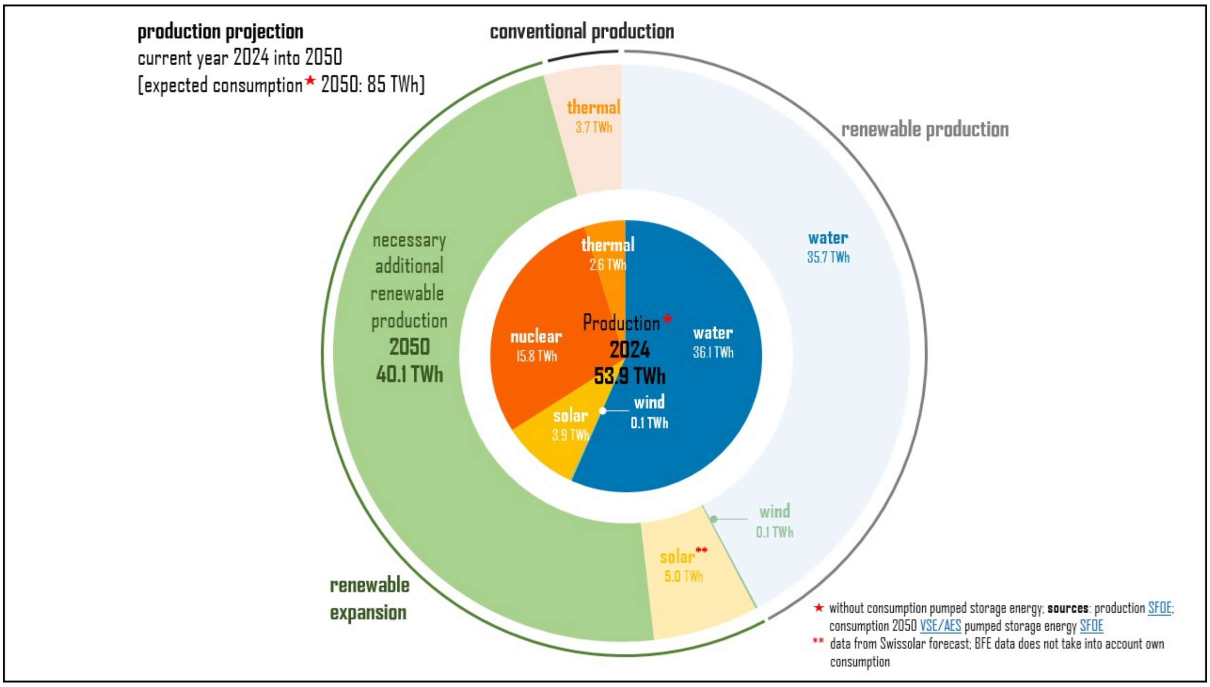
In August 2024, the construction of the “Sedrun Solar” high alpine photovoltaic installation in the canton of Graubünden began. This is the first installation under the so-called "Solar

Express", which was passed by Parliament in 2022.

Despite these highlights, a May 2024 study by the Swiss Energy Foundation indicates that the share of electricity production from solar power (8.6%) and wind energy (0.3%) in Switzerland is very low compared to other European countries, placing Switzerland 24th. The EU average is 24.4%. Denmark leads the way, covering over 70% of its electricity consumption through solar and in this case mainly wind energy.

The expansion of renewable electricity production in Switzerland has been delayed due to – in comparison to other countries - unfavourable legislative conditions. Photovoltaics hold significant potential in Switzerland. By improving the framework conditions – in particular to reduce price risks for investors and improve planning processes – the investment backlog can be resolved. The Electricity Act approved in the popular referendum on 9 June has brought some improvements. Draft legislation is currently being discussed in the Parliament to accelerate the expansion of plants and grids.

Production in Switzerland



Sources: production SFOE; consumption 2050 VSE/AES pumped storage energy SFOE
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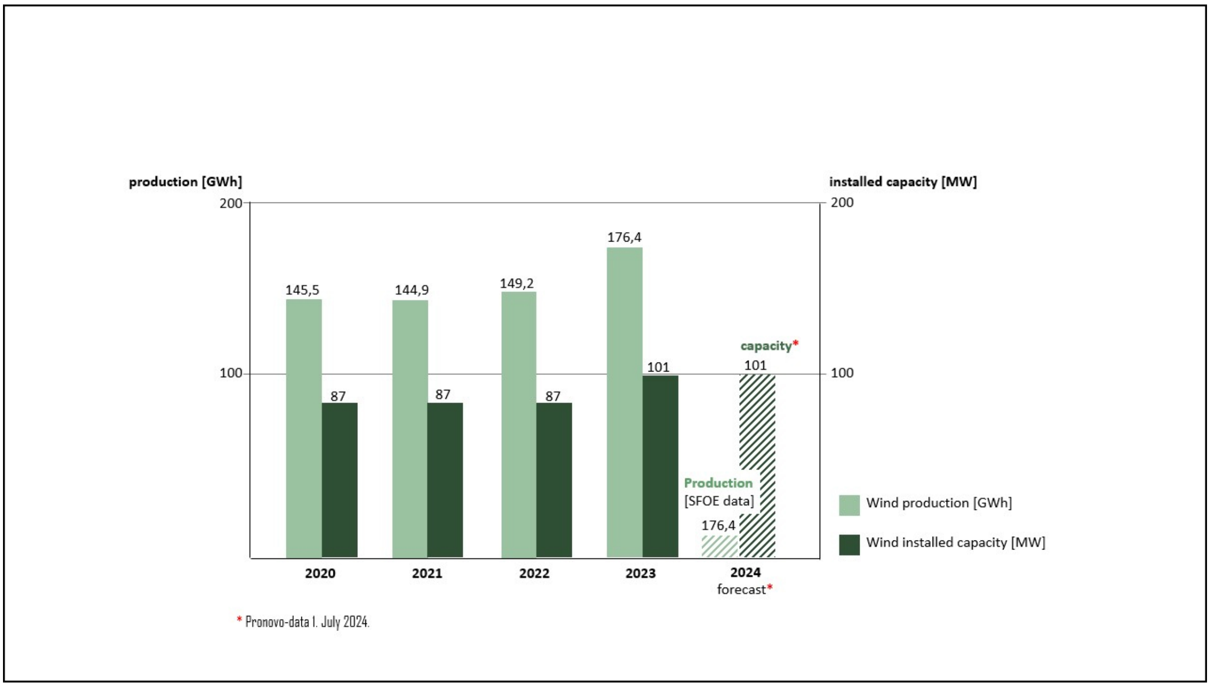
Development of wind energy



Source: SFOE
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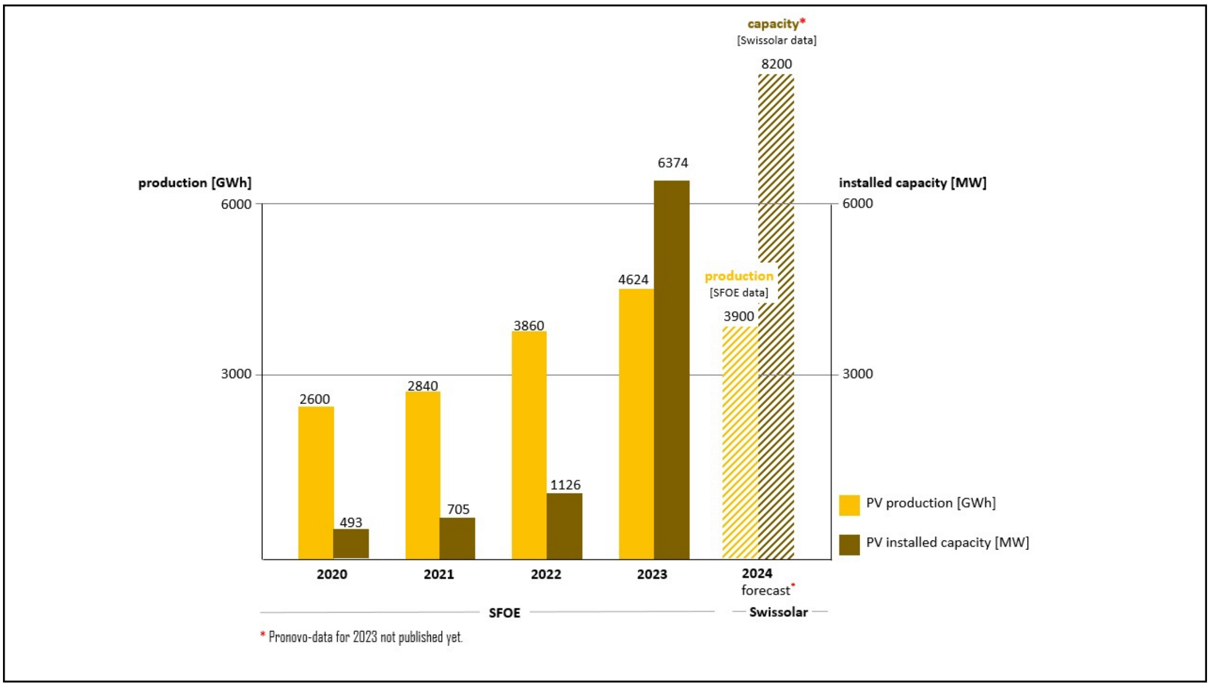
Development of photovoltaics



Source: SFOE/Swissolar
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That rounds off our newsletter for this time. We look forward to providing you with further news and updates in our next issue, which will appear at the end of November 2024. Stay tuned!

Until then, we wish you a pleasant autumn.

Best regards,
Your Investor Relations Team @Alpiq

PS: Please feel free to forward this newsletter to other interested parties, who can also sign up to receive it directly HERE. All previous editions, including our deep dives, are also available HERE.

PPS: Please send us your feedback, thoughts, and requests for future deep-dive topics to investors@alpiq.com. Thank you!

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