ALPIQ

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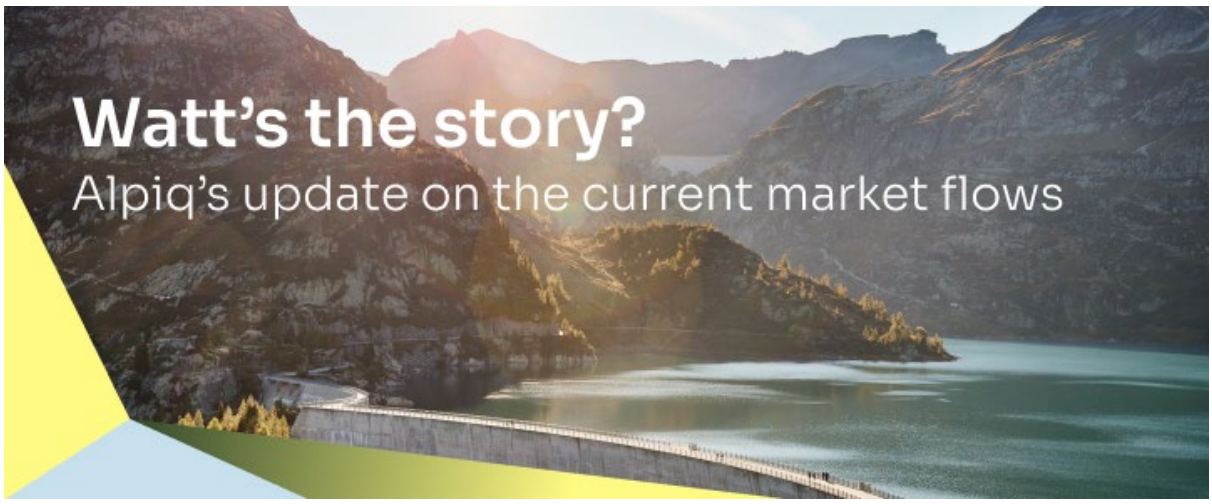

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Dear Reader,

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

Do you remember April 28 this year? That was the day when a massive power outage swept across the Iberian Peninsula, bringing daily life in large parts of Spain and Portugal to a complete standstill. It was a complex incident, and its root cause sparked intense debate both within the electricity industry and beyond. Following a lengthy investigation, it now seems that the blackout was the result of several contributing factors. In addition to addressing the specific failures that occurred, better integration with the European energy market – in other words, more interconnections – could have helped to stabilise the grid and potentially limit the extent of the blackout.

Alpiq's Plana del Vent gas-fired combined cycle power plant in the Barcelona region also played a key role in helping to quickly restore the power supply in Spain. That's one of the reasons we're taking a closer look at the role of gas-fired power plants in ensuring security of supply in this issue's Deep Dive. In an interview with Lukas Gresnigt, Head of International and member of Alpiq's Executive Board, we explore why Alpiq continues to invest in this technology – and why gas is so crucial for a successful energy transition and an increasingly flexible energy system.

Before that, let's take a look **at developments on the energy markets** over the past three months.

Market update

The last three months have been another tumultuous period for both the world and the energy markets. President Trump's tariff announcement on 2 April triggered falling prices over a broad range of asset classes, and energy was no exception. Oil and gas prices initially plunged, driven by lower growth expectations, particularly due to the expected negative impact on economic activity in China. However, the market reaction, especially the sharp drop in US Treasury prices and corresponding rise in yields, appeared to prompt a rethink from the White House. This led to a 90-day postponement of the proposed tariffs, now set to expire on 2 July. Still, the uncertainty looks likely to persist.

Gas prices have been very volatile during this period but are now approaching their earlier levels. Although storage levels were heavily depleted coming out of the winter, subdued demand from Asia allowed Europe to secure LNG cargoes without paying higher prices. This relative calm ended with the Israeli attack on Iran. At the time of writing, the attack has not resulted in damage to energy infrastructure related to oil and gas exports, but the market is pricing in the risk of potential escalation. A possible blockade of the Strait of Hormuz would be a real game changer – even the slightest chance of such a development has caused risk premiums to increase sharply.

While power markets have obviously been influenced by gas price movements, they have otherwise mainly been driven by record levels of renewables production – particularly from solar. Consequently, we have witnessed an unprecedented frequency of low or even negative prices during peak solar hours, but also very high prices during evening hours. These evening spikes are partly due to the low availability of flexible power plants during the summer months, a trend more pronounced in Germany – where conventional plant availability is especially low – than in Switzerland. The German government is still developing a capacity market to support the construction of new flexible power plants, but construction will take time.

The ongoing heat wave in Central Western Europe in June has led to a strong increase in power demand, driven by the need for cooling. However, looking beyond these temporary temperature-related effects, overall power demand remains subdued, with positive and negative drivers continuing to offset each other. On the one hand, industrial demand losses and behavioural changes in households following the energy crisis have not yet reversed. On the other hand, positive demand drivers – such as e-mobility, data centres, the decarbonisation of industry, and the shift from oil and gas to electric heating – are gaining momentum. Among these, the surge in power demand from data centres is particularly notable. According to IEA estimates, data centre power demand in the EU is expected to reach approximately 50 TWh by the end of 2025, accounting for 2.3% of overall power consumption.

Liquidity status

As at the end of May 2025, Group liquidity stands at CHF 1.6 billion, roughly in line with the level at the beginning of the year. Net cash continues to improve, reaching approximately CHF 570 million. At the end of May 2025, we repaid a maturing CHF 200 million bond.

Debut: 10-year Bond launched with our new BBB+ rating

On 12 June, Alpiq Holding launched a new 10-year bond totalling CHF 150 million – the company's first capital market transaction following its upgrade to a BBB+ credit rating. The bond has been well received by investors, with strong demand from asset managers and private banks drawn by the 1.45% coupon. The issuance was fully subscribed within a short time. Alpiq will use the proceeds for general corporate purposes, and the transaction maintains Alpiq's presence on the capital market.

Deep-dive

Flexible gas generation to support the integration of renewables

As renewable generation continues its strong growth across Europe, maintaining grid stability is becoming increasingly challenging – making flexible gas-fired generation a necessary part of the equation, at least for now. Across its fleet, Alpiq is adapting existing plants to become even more flexible, allowing them to complement the intermittent output from wind and solar. This means the plants will run for fewer hours, but will have to start up more frequently – a market-driven response to support supply security in a power system that increasingly relies on wind and solar generation. The company is committed to strengthening supply security and enabling a power system that can integrate ever greater volumes of renewable energy.

In the final days of the upgrade of Alpiq's San Severo gas-fired power plant in Italy, we spoke with **Lukas Gresnigt, Head of International and member of Alpiq's Executive Board**, about the changing role of gas in today's energy landscape.

Lukas, why is Alpiq continuing to invest in flexible gas generation while renewables are expanding?

As renewable generation increases rapidly, so too does the need for flexibility; the EU estimates that meeting its 2030 energy transition ambitions will require a doubling of system flexibility within this decade. While hydropower and battery energy storage systems (BESS) can provide part of this flexibility, flexible gas generation remains essential as a transitional technology. Energy mixes vary significantly across Europe, and large-scale storage solutions are still limited. Most countries don't have the luxury of the large-scale hydropower resources that Switzerland has. In countries such as Spain, Germany, Hungary and Italy, gas-fired plants continue to play a crucial role in ensuring security of supply and enabling the integration of renewables. By upgrading existing gas assets rather than building new infrastructure, we enhance system reliability. It's a pragmatic approach that supports the energy transition by optimising the use of existing resources.

What kind of flexibility is required, and how do gas plants provide it?

Gas-fired power plants offer both short- and long-term flexibility. When running, they can respond immediately to changing system demand. They also provide long-term flexibility during periods of high demand and low renewable generation. The fact that gas can be stored easily allows gas-fired plants to provide that full range of flexibility. At Alpiq, we actively seek to upgrade our plants to maximise our responsiveness while minimising CO_2 emissions.

How is Alpiq adapting its operations to meet these flexibility needs?

We are upgrading our gas-fired power plants not only to improve efficiency, but more importantly to enhance their flexibility. This includes increasing ramping capabilities and fine-tuning output control. An example is our Vercelli plant in Italy, refurbished in early 2024, which remains offline most of the time and is activated only when additional capacity is needed. As a result, it undergoes frequent start-ups but operates for limited hours. In Hungary, we are expanding our Csepel site with a combination of batteries and gas engines, enabling an

immediate response to system needs – even when the plant is not actively running. The more flexible a plant is, the more effectively it can support a stable and reliable energy system.

What technical advances or innovations have been implemented in Alpiq's gas fleet?

We're deploying improved gas and steam turbines as well as digital control systems across our portfolio to enable more accurate regulation, along with predictive maintenance tools that help reduce unplanned downtime. By combining technologies, as we've done in Hungary, we're unlocking even greater flexibility and laying the groundwork for new operating models that are better aligned with the system requirements. We're also investing in standalone BESS projects and closely monitoring developments in other energy storage technologies and industrial electrification. We expect an increasingly diverse mix of technologies will be essential to deliver the flexibility required for the energy transition.

What results have been achieved through these upgrades?

Our modernisation programme, backed by over EUR 113 million in approved capital expenditure across 2023 and 2024 for sites in Italy, Hungary and Spain, has already delivered tangible results. We're adding more than 80 megawatts of additional flexible capacity and have improved overall efficiency by approximately one per cent. While that may sound modest, for the San Severo plant alone it amounts to more than 15,000 tonnes of CO_2 avoided each year. Just as importantly, these upgraded assets are now technically prepared to operate in more dynamic, lower-carbon systems.

How do you respond to criticism that gas use contradicts climate goals?

It's a valid concern – and one we acknowledge openly. Gas is not a long-term solution for decarbonisation, and we are transparent about that. However, in areas where renewables and storage are not yet sufficient, gas remains essential for ensuring security of supply. Our aim is to operate these assets as reliably and efficiently as possible, while phasing them out progressively as cleaner technologies become viable at scale.

What is Alpiq's long-term vision for its gas assets?

Alpiq takes a pragmatic view, recognising that security of supply must be maintained every day throughout the energy transition. Gas will continue to meet the increasing need for flexibility, especially during periods of system stress or shortfalls in wind or solar generation. We expect a continued decline in operating hours for our gas plants. At the same time, we are ramping up our investments in BESS significantly and exploring alternative solutions to deliver the scalable flexibility the energy system will require.

That rounds off this issue of "Watt's the story". We look forward to sharing further news and insights in our autumn issue, coming your way at the end of September 2025. Before that, we'll be presenting our results for the first half of 2025 – stay tuned for more on that on 28 August!

We wish you a pleasant time until then – enjoy the summer!

Best regards,
Your Investor Relations Team @Alpiq

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