ALPIQ

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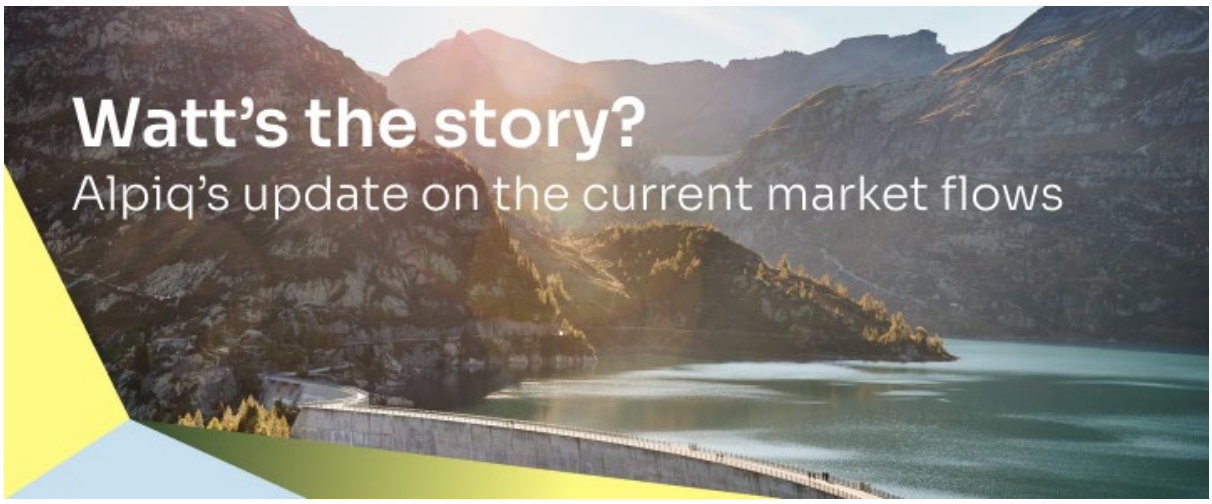

Market update | Liquidity status | Deep dive: Interview – how the Gornerli project strengthens security of supply

Dear Reader,

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

In its recently concluded autumn session, the Swiss Parliament took an important step forward for the energy transition: After lengthy wrangling over issues relating to the right of appeal, the Council of States and the National Council reached a compromise on the so-called 'acceleration decree'. This decree is aimed, among other objectives, to promote the expansion of 16 key hydropower projects. The final compromise received broad parliamentary approval.

What does this mean now for hydropower projects such as the Gornerli multi-purpose reservoir, which Alpiq is planning to implement? In our **'Deep Dive'**, we explore this question with Michaël Plaschy, Head of Hydro Power Switzerland at Alpiq. In the interview, Michaël shares his perspective on Parliament's decision, the crucial role of hydropower in strengthening security of supply, and the strategic importance of the Gornerli project.

This issue also marks an important moment for Alpiq's leadership: on 1 October, we welcome Peter-Wim Gerssen as our new Chief Financial Officer. He succeeds Luca Baroni, who, following a smooth and carefully planned transition, will leave the company at the end of October. We look forward to shaping the next phase of Alpiq's development with Peter-Wim.

And with that, let us now turn to an overview of **developments on the energy markets** over the past three months.

Market update

The European gas market remained broadly unchanged during Q3: Demand stayed relatively muted, LNG continued to play an increasingly pivotal role in balancing the market, and headlines around geopolitical supply risks (notably from Russia and Qatar) kept resurfacing. For the coming year, the outlook is shaped by the wave of LNG supply additions coming online, which is expected to strengthen market resilience against supply shocks beyond the coming winter.

For the first eight months of the year, Western European gas demand is up 2.8% vs 2024. This increase, however, was largely weather-driven: colder temperatures and low wind generation boosted demand for gas-fired power and space heating at the start of the year. Beyond weather effects, demand remains weak. Industrial demand, in particular, declined by 4.5% year-on-year. Overall, with Russian pipeline transits via Ukraine ceasing at the start of the year, increased European LNG imports by approx. 25% year-on-year. Declining demand in Asia, especially from China, meant this increased import dependency did not translate into increasing prices.

Indeed, at the TTF hub, the bellwether for Central Western Europe, gas prices averaged €32.5/MWh in Q3 2025, down 8% from the previous quarter. Prices were volatile in late June due to geopolitical events and Norwegian pipeline maintenance but stabilised as concerns about major supply disruptions eased. Although lower than earlier in the year, prices are still high by historical standards.

Russian energy imports to Europe remain on a phase-out trajectory, but the timing is unclear. In mid-June, the European Commission published a detailed roadmap to phase out Russian energy imports by end-2027. Under the plan, all spot and short-term purchases are to cease by mid-2026, while long-term contracts would end by 2027. Draft legislation published in June is currently under parliamentary review. This process has become more challenging, with the US administration urging Europe to impose an immediate ban on buying Russian gas and oil in return for further US sanctions on Russia – a demand that clashes with the EU's approval process.

In the power markets, renewable generation and weather effects continued to dominate in Q3. After persistent heatwaves in June pushed temperatures 4-5°C above 20-year averages, July offered some respite. However, volatility resurfaced in September: Northern European spot prices swung by more than €500/MWh in less than 30 hours. Negative prices occurred during periods of abundant solar and wind, followed by sharp spikes when wind generation dropped, especially in Germany and Poland. Germany, for instance, recorded nine hours of negative prices on 7 September, followed by prices above €400/MWh the next day. These swings highlight the challenges of integrating renewables and the limitations of today's battery storage capacity to absorb volatility. By contrast, Swiss prices were more stable, supported by the more flexible mix including hydro and pumped storage.

The extreme prices also spilled into the balancing markets, where capacity reservation costs soared during solar peak hours. These markets, managed by transmission system operators – such as Swissgrid in Switzerland – safeguard short-term system stability.

Switzerland enters the winter with reduced domestic generation. The extended outage of the 970 MW Gösgen nuclear plant has cut expected nuclear output to its lowest level in decades. As a result, Switzerland will rely more heavily on imports from Germany and France for the upcoming winter. This has pushed Swiss power prices above those of neighbouring markets to attract supply. It is important to stress that Switzerland faces an energy gap rather than a capacity gap: there is enough capacity to cover peak demand during winter months, but not enough energy production to cover all hours without imports. Thanks to Switzerland's close interconnections, however, surplus energy from our neighbours – particularly during nights and weekends – helps secure supply.

Like gas, power demand across Europe remains below pre-pandemic (2015–19) levels. France, Germany, Italy, Spain, and the UK all saw notable year-on-year declines in August 2025. Industrial demand remains week, especially in France and Sweden, although Norway saw some recovery. This underlying weakness is mainly attributed to ongoing economic challenges. Unlike the gas market, though, structural drivers point to future growth in electricity consumption: the accelerating adoption of electrical vehicles, the expansion of data centres, and the electrification of heating and industry (e.g. heat pumps replacing oil and gas boilers). These factors are expected to be more visible in demand profiles in the years to come.

Liquidity status

At the end of August 2025, Group liquidity stood at approximately CHF 1.5 billion, reflecting a very solid position. The reduction compared with the half-year 2025 level is mainly attributable to the dividend payment of CHF 162 million in July 2025. Alpiq remains strongly capitalised, operationally resilient, and well positioned to pursue its strategy and make further investments in a secure energy supply.

Deep-dive

"Gornerli will significantly boost Switzerland's security of supply in winter"

In 2021, the 'Hydropower Round Table' brought together representatives of the Swiss federal authorities, the energy sector and environmental associations to discuss Switzerland's security of supply. The Round Table identified 15 hydropower projects expected to increase seasonal production by around 2 TWh, a 16th was added later. Recent political debate has brought the topic back into the spotlight. Both chambers of the Swiss Parliament have just held intensive debates on the controversial issue of associations' right of appeal in the context of the 'acceleration decree', designed to promote hydropower expansion. Ultimately, a political compromise was reached: cantonal courts will have the final say on appeals against Round

Table projects, ruling out recourse to the Federal Supreme Court, thereby speeding up procedures.

We discuss with **Michaël Plaschy, Head Hydro Power Switzerland**, what this means for Alpiq's projects, particularly the landmark Gornerli reservoir.

Michaël, the Swiss Parliament has just made an important ruling on accelerating Round Table project procedures. What impact will this have on Alpiq's projects specifically?

Michaël Plaschy: A decision was crucial. This solution enables us to move forward within a clear political framework and address Switzerland's urgent security of supply needs, especially in winter. This law also provides specific concessions: for example, the additional compensation measures required for the 16 Round Table projects can now be handled separately from the project approvals, avoiding delays. It also confirms that additional concessions can be negotiated with municipalities on top of existing ones, without needing to apply for a completely new concession. This possibility, which also explicitly applies to new dams, is particularly important for the Gornerli project.

Which Alpiq projects are included in the Round Table?

We are working on three: a new dam at Gornerli above Zermatt, managed by Grande Dixence SA, and the heightening of two already existing dams, Moiry and Emosson, both in Valais.

Undoubtedly the Gornerli project is the most important ...

Absolutely! Gornerli constitutes new infrastructure and is part of the Grande Dixence network. It will serve as a true seasonal energy source. Alone, it will contribute up to one-third of the 2 TWh expected from all Round Table projects, making it the most important energy supply project in the country.

What is the main benefit of this project?

Today, Switzerland exports surplus production in summer, but must import energy in winter to secure its supply. The goal is to reduce these seasonal imports by producing more

domestically. This objective, formalised by the Round Table, is exactly the purpose of Gornerli. By storing water during spring and the summer snowmelt, the new dam enables energy production months later when demand is highest. Its integration into the Grande Dixence network, covering around 100 kilometres, also gives it great flexibility.

Today, dams are commonly described as multifunctional. Does this also apply to Gornerli?

Of course. While dams are primarily associated with energy production, their role in protection and water management is becoming increasingly important – especially in the context of climate change. In addition to strengthening energy production in winter, Gornerli will significantly enhance flood protection – not only for Zermatt, but for the entire Matter Valley. An additional buffer is even planned to retain floodwaters from the Gornera catchment area, even when the reservoir is full. In addition, rising temperatures are expected to cause more frequent droughts in mountain regions. The new lake will therefore safeguard drinking water supplies and serve agriculture, industry and tourism throughout the valley.

Where does the project stand today?

The geological and structural analyses are complete. Specialists in glaciology, hydrology and natural hazards are conducting detailed studies to obtain a full picture of the site. The logistics concept is also being developed. We are preparing the building permit application and the environmental impact assessment, which we aim to submit in the first half of 2026. At the same time, we are in discussions with stakeholders – the canton, municipalities, environmental NGOs and mountain communities – to find a solution for environmental offsets. We have also begun talks with the concession municipalities about residual values linked to the return of concessions in 2044 and the associated amendment. The new dam is expected to be commissioned in the first half of the 2030s.

The project has also faced criticism, for example from mountain guides in Zermatt. How is Alpiq addressing this?

We fully acknowledge that Gornerli is a challenging project. It must undergo a rigorous approval process before it can be implemented under federal supervision. At the same time, its construction will impact the valley and the landscape. We therefore take the views of mountain guides, landscape conservationists and environmental organisations very seriously. We are seeking dialogue with them to find solutions and build acceptance. However, as with other large infrastructure projects, the fundamental question arises: how should the common good be weighed against individual interests? In our view, Zermatt, Valais and Switzerland as a whole stand to benefit greatly from Gornerli.

And what about the other two dam heightening projects?

At Moiry, the technical and static analyses are complete. Raising the dam between 8 and 10 metres could increase production by around 50 GWh, and this can be achieved within the current concession. At Emosson, the situation is more complex. As the dam straddles the French-Swiss border, licensing is handled nationally rather than at a municipal or cantonal level, requiring bilateral discussions. Any elevation must be agreed on both sides. Technical analyses are ongoing, but the project could deliver an additional 116 GWh in winter, with half earmarked for Switzerland. Both projects could make an additional contribution to security of supply within a construction period of around three to four years from the date of receipt of the building permit.

That rounds off this issue of “Watt’s the story”. We look forward to sharing further news and insights in our winter issue, coming your way towards the end of the year.

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

Best regards,
Your Investor Relations Team @Alpiq

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