

Press release

Location, date Laufenburg, 25 October 2016

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Valuation of installations of the transmission system

In connection with the transfer of the transmission system from the former owners to Swissgrid, EICom has issued a decree regarding the valuation method agreed by the parties for the determination of the relevant value of the installations of the transmission system. In Swissgrid's 2016 financial statements, this decision will be clearly reflected in the balance sheet and the income statement. However, the EBIT effect is virtually neutral in 2016 and 2017. Since Swissgrid is able to use the income from auctions to cover the allowable costs of the transmission system, it will be possible to avoid any tariff-increasing effect.

Swissgrid has been the owner of the Swiss transmission system and its related installations since early 2013. The complex transfer was prepared and handled together with the former transmission system owners. In September 2012, EICom had initially decreed a valuation method for the transferred installations that corresponded to the one that the price calculations are based on (= regulatory value). This decision was contested by several former transmission system owners. In November 2013, the Swiss Federal Administrative Court ruled that the transfer constituted a formal expropriation and that the value that price calculations were based on did not correspond to the constitutional right to full compensation in accordance with the principles of expropriation law. It subsequently referred the matter to EICom to determine the specific valuation method.

EICom approves the method for determining the relevant value

In order to implement the Swiss Federal Administrative Court's decision, several of the former transmission system owners have developed a method for determining the relevant value in consultation with EICom. The method was subsequently laid down in a contract between all former transmission system owners and Swissgrid; this contract forms the basis for the EICom decree dated 20 October 2016.

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Implications for the financial statements and financial settlement

Applying the compensation determined according to the decreed method will extend the balance sheet and income statement of Swissgrid for the 2016 financial year in the anticipated order of around CHF 415 million, assuming that the decree enters into force in 2016. This temporary balance sheet extension will be readjusted by the financial settlement envisaged in the first quarter of 2017. Both the implementation of the decree as well as the cash settlement have a virtually neutral effect on Swissgrid's EBIT.

No tariff-increasing effects

Swissgrid may use the income from auctions from 2013 to 2016 to cover allowable costs of the transmission system, thereby avoiding a tariff-increasing effect as a result of the implementation of the decree.

Note: this communication is carried out in strong cooperation with former owners of the Swiss transmission system.

For further information write media@swissgrid.ch or call +41 58 580 24 00.

Powering the future – Swissgrid is the national grid company. As the owner of Switzerland's extra-high-voltage grid, it is responsible for the safe operation of the grid without discrimination, and for maintaining, modernising and expanding the grid efficiently and with respect for the environment. Swissgrid employs over 440 highly qualified people from 23 countries at its sites in Frick, Laufenburg, Uznach, Landquart, Ostermundigen, Prilly and Castione. As a member of the European Network of Transmission System Operators for Electricity (ENTSO-E), it is also responsible for grid planning, system management and market design in the cross-border exchange of electricity in Europe. Several Swiss electricity companies hold the majority of the share capital of Swissgrid.