

Media release

3 April 2019

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Swissgrid reports robust result for 2018 in a demanding environment

- In 2018, Swissgrid generated earnings before interest and taxes (EBIT) amounting to CHF 119.4 million (2017: CHF 124.9 million).
- Year on year, the net income increased slightly to CHF 65.6 million (2017: CHF 65.3 million).
- The Board of Directors requests the General Assembly to distribute profits amounting to CHF 32.8 million (2017: CHF 29.4 million).
- Though Switzerland is increasingly being excluded from the European power market, the country actually depends on imports in winter.
- Swissgrid welcomes the political debate on security of supply, but sees a need for clarification with regard to the proposed storage reserve.

«Swissgrid is looking back on a challenging year that was marked by the successful relocation to Aarau, the grid expansion and the role of Switzerland in the European electricity system,» says Yves Zumwald, CEO of Swissgrid. «Thanks to the consistent implementation of our efficiency measures and the great commitment of our team members, we are able to report a robust result.»

EBIT and net income

Earnings before interest and taxes (EBIT) amounted to CHF 119.4 million, a year-on-year decline of 4.4% (2017: CHF 124.9 million). The consistent reduction of volume and tariff-related timing differences led to a decline in the invested operating assets compared to the previous year, resulting in a further drop in EBIT.

Due to the lower financial expenses in 2018 compared to 2017 as a result of the first payment on the convertible loan, the net income totalled CHF 65.6 million, some CHF 0.3 million more than in the previous year (2017: CHF 65.3 million).

Further cost reduction

The cost of procurement amounted to CHF 263.4 million, significantly less than in the previous year (CHF 294.1 million). This drop reflects the much lower cost of control power provision and the lower unintentional deviation of CHF 79.0 million (2017: CHF 135.4 million) in the general ancillary services (AS) segment. In the year under review, the costs also dropped in the segments of grid utilisation and active power losses. In the grid utilisation segment, additional

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remuneration of CHF 3.2 million (2017: CHF 15.1 million) was paid to former transmission system owners for operating and capital costs. In the individual AS segment active power losses, the procurement costs totalled CHF 68.6 million (2017: CHF 80.4 million). In the previous year, this item had been additionally encumbered due to the consideration of a supplemental compensation of CHF 10 million. By contrast, the cost of procurement in the reactive energy segment underwent a year-on-year increase to CHF 50.3 million due to the higher volume procured (2017: CHF 42.2 million).

Thanks to efficiency measures, operating expenses were CHF 14.9 million lower than in the previous year. A key factor that contributed to this development was the decrease of CHF 5.6 million in personnel expenses. In the reporting year 2018, the processing of the orders according to the Energy Act and the issuance of the guarantees of origins were handled directly by Pronovo AG for the first time. Until 2017, these orders had been handled by Swissgrid staff via the CRF foundation. As a result, the headcount has dropped, resulting in lower personnel expenses.

The Board of Directors requests the General Assembly of 6 May 2019 to pay a dividend of CHF 32.8 million (2017: CHF 29.4 million).

Outlook for financial year 2019

With regard to the modernisation and renovation of the transmission system, the investments for the grid infrastructure are expected to reach the volume of 2018. The net income will remain stable given the unchanged WACC of 3.83% in 2019. Swissgrid will continue to roll out the Strategy 2022 as communicated in spring 2018. This includes efficiency increases as well as measures to secure the power supply and increase the security of people, systems and the environment. The implementation of these measures will push up the operating costs.

Robust power supply through grid expansion and networking with Europe

In 2018, Swissgrid started rolling out two important transmission line projects in the context of the «Strategic Grid 2025» in the cantons of Valais and Aargau. Switzerland's first 380 kV underground cabling is being implemented at the «Gäbihübel» in the municipality of Bözberg, and the first electricity pylons are being erected on the section between Chamoson and Chippis. To make full use of the domestic production and to boost the import capability, the modernisation of the transmission system must however be further accelerated.

Due to the absence of an electricity agreement between Switzerland and the European Union, Swissgrid's cooperation in international partnerships is in peril. The uncompleted agreement has already resulted in the exclusion of Switzerland from the load flow-based market coupling in Central Europe and thus in an increase in unscheduled flows through Switzerland. The exclusion has a negative effect on the grid security and is causing higher redispatch costs,

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diminished solidarity among the grid operators and a potentially lower import capability. However, due to the loss of domestic production, Switzerland is increasingly dependent on imports in winter.

Swissgrid is negotiating a solution with all transmission system operators in continental Europe to ensure that, even without an electricity agreement, the operational procedures of the collaboration are compatible with Switzerland's system. In 2018, Swissgrid and ENTSO-E, the association of European transmission system operators, also promoted the participation in the control energy partnerships. Swissgrid can now continue to work on the cross-border market for primary control energy and in the Grid Control Cooperation. However, the participation in further control energy partnerships is in jeopardy.

Revision of the Electricity Supply Act (ESA) and clarification of responsibilities

Swissgrid advocates the discussion of the security of supply in connection with the revision of the Electricity Supply Act (ESA). However, Swissgrid is critical of the proposed solution that takes the form of a storage reserve. With regard to the specifics of the storage reserve, there is considerable need for clarification of the competencies and responsibilities. Moreover, the storage of available energy (e.g. water in reservoirs) would not provide the system with the required «extra» energy during the critical winter months. Sustainable solutions that ensure the security of supply can only be implemented with the integration into the European electricity market.

Elections to the Board of Directors

All current members of the Board of Directors of Swissgrid Ltd will run for re-election at the General Assembly on 6 May 2019. For the second seat of the cantons, which became vacant after Andreas Rickenbacher stepped down, the Conference of Cantonal Energy Directors (EnDK) nominated Markus Kägi as representative on the Board of Directors of Swissgrid Ltd. Markus Kägi had served as member of the government council for 12 years and had headed the Building Department. Prior to his election as member of the government council, he had served as ombudsman of the canton of Zurich for 10 years.

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The Swissgrid EBIT is defined in law and is calculated from the invested operating assets and the weighted average cost of capital (WACC) defined by the government plus income tax.

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Powering the future

Swissgrid is the national grid company. As the owner of Switzerland's extra-high-voltage grid, it is responsible for operating the grid safely and without discrimination and for maintaining, modernising and expanding the grid efficiently and with respect for the environment. Swissgrid has more than 470 highly qualified people from 20 countries at its sites in Aarau, Prilly, Castione, Landquart, Laufenburg, Ostermundigen and Uznach. 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 European exchange of electricity. The majority of Swissgrid's share capital is jointly held by various Swiss electricity companies.

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Most important key figures

Income statement

In millions of CHF	2018	2017	Change abs.
Net turnover	907.9	948.2	-40.4
Other operating income	12.8	19.8	-7.0
Change in volume- and tariff-related timing differences	-221.3	-220.6	-0.7
Capitalised self-constructed assets	14.6	14.6	0.0
Total operating income	714.0	762.0	-48.0
Procurement costs	263.4	294.1	-30.6
Operating expenses	184.8	199.8	-14.9
Earnings before interest, income taxes, depreciation and amortisation (EBITDA)	265.7	268.1	-2.4
Depreciation/amortisation, impairment losses	146.3	143.2	3.1
Earnings before interest and income taxes (EBIT)	119.4	124.9	-5.5
Financial result	38.5	44.3	-5.8
Income taxes	15.3	15.3	0.0
Net income	65.6	65.3	0.3

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Balance Sheet

In millions of CHF	2018	2017	Change abs.
non-current assets	2,640.9	2,566.5	74.7
Assets held on fiduciary basis	17.9	46.6	-28.8
Current assets	381.9	574.0	-192.1
Assets	3,022.8	3,140.5	-117.7
Total equity	1,106.1	1,069.2	37.0
Non-current liabilities	1,579.5	1,685.4	-105.9
Liabilities held on fiduciary basis	17.9	46.6	-28.8
Current liabilities	337.2	385.9	-48.7
Current financial liabilities	145.2	142.2	3.0
Liabilities	1,916.7	2,071.3	-154.6
Equity and liabilities	3,022.8	3,140.5	-117.7

Cash flow statement

In millions of CHF	2018	2017	Change abs.
Cash flow from operating activities	451.2	13.9	437.3
Cash flow from investing activities	-258.7	-200.3	-58.4
Free cash flow	192.5	-186.4	378.9
Cash flow from financing activities	-211.1	-65.6	-145.5
Change in cash and cash equivalents	-18.6	-252.0	233.4