

Media release

23. April 2020

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Swissgrid is in a solid position and supports innovative solutions for the electricity market

- **Swissgrid reorganised its business areas as part of the Strategy 2022 in order to further increase the company's efficiency.**
- **The National Grid Company is working intensively with European transmission system operators and is making important progress on ensuring grid stability in Switzerland. In 2019, Swissgrid was able to achieve excellent results in the security of supply. The lack of an electricity agreement remains a challenge in the medium and long term.**
- **Swissgrid recorded a net income of CHF 66.7 million before special effects, and therefore exceeded the previous year's figure (2018: CHF 65.6 million). One-off special effects of CHF 37.9 million had a negative effect on net income in accordance with Swiss GAAP FER. It was possible to increase the equity ratio to 38.3%. That means the company is economically strong and in an excellent position for the future.**
- **Swissgrid is developing innovative solutions for expanding the control energy market and combating the challenges brought about by the energy reform.**

«In a challenging year, Swissgrid laid the foundation to successfully meet the challenges of the energy future in Switzerland and in Europe», says Yves Zumwald, CEO of Swissgrid. «Despite of resistance, we consistently pushed forward with the expansion of the grid and made important progress in cooperating with European transmission system operators. But the lack of an electricity agreement means that Switzerland is increasingly being excluded from the European electricity market. We launched innovative projects to further develop the electricity market and have strengthened our internal cross-departmental cooperation and our culture. Thanks to the fantastic effort and commitment of all employees, we can look back upon a successful year.»

Swissgrid made significant progress in implementing the Strategy 2022 to further increase efficiency within the company. For instance, the company defined clear processes between the market and grid operation, consistently developed its market products, and introduced a new business model in the area of facilities management. In 2019, Swissgrid was able to achieve excellent results in the security of supply.

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Important progress achieved in grid expansion

Even though complaints are delaying the implementation of the «Strategic Grid 2025», Swissgrid made important progress in line projects in 2019. The grid projects in Valais are important for transporting energy from hydropower to the consumption centres of Arc Lémanique and central Switzerland. In mid-October, the 380-kV line between Ernen and Ulrichen was put into operation. The construction work along the line section between Chamoson and Chippis went according to plan and is at quite an advanced stage. The activities for the Nant de Drance grid connection are nearing completion.

In central Switzerland, Swissgrid made significant progress on the 380-kV line between Beznau and Birr. The line is being routed underground in the municipalities of Riniken and Bözberg in Aargau. It marks the very first time part of an extra-high-voltage line has been laid underground in Switzerland. Twelve underground cables, each weighing 30 tonnes, were installed in the summer. In addition, the two transitional structures were completed. They are used to connect the cable sections to the line sections. Swissgrid is planning to commission the entire line this year.

Besides this, Swissgrid completed the maintenance work on the damaged 380-kV lines on the Albula Pass. Gale-force winds had blown down four pylons in the autumn of 2018. It was possible to return the two affected connections, Filisur – Robbia and Pradella – Robbia – Sils on the important north-south axis, to operation in mid-July as planned.

Successes in the cooperation with European transmission system operators to support long-term grid stability

The connection to the European electricity market was once again one of Swissgrid's main challenges in 2019. To improve this situation, Swissgrid significantly intensified its involvement in the European committees and achieved a number of important negotiation successes in 2019. In particular, in close cooperation with the Swiss Electricity Commission (EiCom), Swissgrid was able to add a «Switzerland clause» to the new framework agreement of the transmission system operators on cooperation in operational management.

At the same time, the EU Commission and ACER, the Agency for the Cooperation of Energy Regulators, emphasised that Swissgrid plays an important role in ensuring grid security in the European interconnected grid and that cooperation at the technical level is welcomed. This makes it possible for Swissgrid to take up negotiations with European transmission system operators so as to be able to cooperate in the international coordination processes in future.

But this significant progress should not hide the fact that Switzerland's role in the European electricity market is unclear, that Switzerland is reaching its limits in terms of the solutions it can

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propose at a technical level, and that there are still questions on dispute resolution and cost assignment. An electricity agreement could clarify these questions.

The EU's Network Codes define and harmonise numerous regulations for the entire European electricity grid. In addition to national regulations, they were an important driver for the new Transmission Code, which Swissgrid developed together with the industry. It regulates the technical interfaces between Swissgrid and the distribution system and power plant operators, as well as the balance groups and ancillary service providers in Switzerland.

Reorganisation of the business areas and elections to the Board of Directors

Swissgrid reorganised its business areas as part of the Strategy 2022 in order to further increase the company's efficiency. The market and grid operation area was consolidated into the new «Market» business unit, while the focus of the «Grid Infrastructure» business unit turned to the renovation and expansion of the grid, as well as its maintenance. On 1 April 2019, the Board of Directors appointed Adrian Häsler as the new Head of the «Grid Infrastructure» business and as a member of the Executive Board at Swissgrid. He had previously served as Head of the Grid Delivery department at Swissgrid. Adrian Häsler is a graduate electrical engineer [dipl. Elektroingenieur HTL] and holds an Executive MBA from the University of St. Gallen.

On 6 May 2019, Markus Kägi, former governing councillor member of the Canton of Zurich and Director of Public Works, was elected to the Board of Directors of Swissgrid to replace Andreas Rickenbach.

Swissgrid financially sound

Earnings before interest and taxes (EBIT) amount to CHF 102.4 million, down on the previous year by 14.2% (2018: CHF 119.4 million). This difference is due to the lower invested operating assets and higher net surplus in volume- and tariff-related timing differences compared to the previous year.

The net income before one-off special effects amounts to CHF 66.7 million and is slightly above the previous year (2018: CHF 65.6 million).

After deducting one-off special effects of CHF 37.9 million, the net income for 2019 in accordance with Swiss GAAP FER is CHF 28.8 million (2018: CHF 65.6 million). The one-off special effects primarily relate to the cumulative financial effects of the ruling on the system audit of the Swiss Electricity Commission (EiCom) for the years 2011 to 2019, which placed a burden of CHF 34.1 million on the annual result. This administrative procedure commenced in 2016 and was completed in December 2019. The object of the procedure was to calculate the capital costs between 2013 and 2015, as well as the volume- and tariff-related timing

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differences of the grid utilisation segment from 2013 to 2015 and the ancillary services segment from 2011 to 2015.

Swissgrid has a balance sheet total of CHF 3.0 billion. The equity ratio increased to 38.3%. The Board of Directors is proposing a dividend payment of CHF 31.5 million for the 2019 financial year (2018: CHF 32.8 million), at the expense of the available retained earnings, for approval by the General Assembly on 19 May 2020.

Lower procurement costs, slightly higher operating expenses

At CHF 224.9 million, the procurement costs were significantly below the previous year's value of CHF 263.4 million. This decrease is the consequence of a CHF 24.9 million fall in costs for ancillary services energy in the general ancillary services segment. Swissgrid was also able to reduce the cost of procurement in the active power losses segment by CHF 18.1 million. By contrast, the costs in the grid utilisation segment increased by CHF 15.6 million due to higher additional remuneration for operating and capital costs to former transmission system operators.

At CHF 200.9 million, operating expenses were CHF 16.0 million higher than the previous year's level. This is due to the strategy implementation measures, including improving safety for people, systems and the environment. Furthermore, costs also rose due to one-off payments for easements (CHF 8.6 million), as these are considered operating costs after the entry into force of the provisions of the Federal Act on the «Electricity Grid Strategy» on 1 June 2019 and thus can no longer be capitalised.

The financial expenses were able to be reduced as a consequence of an additional partial repayment of convertible loans and less expensive refinancing.

Outlook for the financial year 2020

Following the successful placement of a long-term bond in September 2019, Swissgrid was also able to issue additional long-term bonds on the capital market in January 2020.

The sustainable energy future and the planned grid expansion, as stipulated in the «Strategic Grid 2025» report, continue to demand a high level of annual investment. Due to the protracted approval processes, especially in the area of new or converted lines, Swissgrid expects that it will need to make annual grid investments of around CHF 150 million to CHF 200 million in its medium-term planning horizon.

The net income for 2020 is forecast to be at a similar level to the net income for 2019 before one-off special effects. Swissgrid expects the equity ratio to increase to 40%.

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Prompt response to the extraordinary situation caused by the coronavirus pandemic

As an operator of critical infrastructure, Swissgrid is well aware of its essential role as the backbone of the electricity supply. With regard to the extraordinary situation in Switzerland in connection with the spread of the coronavirus, Swissgrid initiated preventative measures early on to ensure the stable operation of the transmission grid and the protection of its employees. Swissgrid is constantly monitoring the situation and may take additional measures to protect employees and the stability of the transmission grid at any time.

Innovations for the energy future – integrated market and Crowd Balancing Platform

As the National Grid Company, Swissgrid operates the ancillary services market in Switzerland. It serves to ensure the stability of the transmission grid. Swissgrid is constantly searching for innovative solutions to further develop the ancillary services market. This also includes the integrated market, which is a market platform on which requested products for frequency control and international redispatch are combined.

Likewise, the Crowd Balancing Platform is a project that represents an innovative solution for the control energy market. The shift in electricity production towards a higher number of smaller generators with more volatile production presents new challenges for a transmission system operator. In future, electricity production will become less flexible and more difficult to predict due to the increase in new renewable energy sources, such as solar and wind power. This development poses great challenges for transmission system operators, who need to ensure a balance between production and consumption. The economical, safe and secure use of decentralised flexibility resources, such as energy storage devices, electric cars, battery storage devices and heat pumps is a promising approach for increasing the flexibility of the electricity grid on the consumer side. New digitalisation approaches offer opportunities to integrate decentralised energy storage systems into the electricity system more easily and scalably.

With the Crowd Balancing Platform, Swissgrid is launching a pilot project in Switzerland that targets the use of storage technologies in the area of primary control energy. The goal of the project is to balance short-term fluctuations in the transmission grid. To do so, the Crowd Balancing Platform uses blockchain technology and the Internet of Things. The transmission system operator TenneT confirmed the technical feasibility of the platform in a trial in the Netherlands and Germany. TenneT, the Italian transmission system operator Terna and Swissgrid have established a consortium to use this technology in Europe. Swissgrid will investigate the potential of this technology in a pilot project in Switzerland. The project will start in the summer and will run until the end of the year.

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Powering the future

Swissgrid is the National Grid Company. As the owner of the Swiss extra-high-voltage grid, it is responsible for operating the grid safely and without discrimination and for maintaining, modernising and expanding the extra-high-voltage grid efficiently and with respect for the environment. Swissgrid has more than 500 skilled employees from 22 countries at its sites in Aarau, Prilly, Castione, Landquart, Laufenburg, Ostermundigen and Uznach. As a member of the European Network of Transmission System Operators (ENTSO-E), it is also responsible for tasks in the fields of 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	2019	2018	Abs. change
Net turnover	672.7	907.9	-235.2
Other operating income	13.0	12.8	0.2
Movement in volume- and tariff-related timing differences	18.4	-221.3	239.7
Capitalised self-constructed assets	12.6	14.6	-2.0
Total operating income	716.7	714.0	2.7
Procurement costs	224.9	263.4	-38.5
Operating expenses	200.9	184.8	16.1
Earnings before interest, income taxes, depreciation and amortisation (EBITDA)	290.9	265.7	25.2
Depreciation/amortisation and impairment losses	188.5	146.3	42.2
Earnings before interests and taxes (EBIT)	102.4	119.4	-17.0
Financial result	-32.4	-38.5	6.1
Ordinary earnings	70.0	80.9	-10.9
Extraordinary expenses	36.7	-	36.7
Taxes	4.5	15.3	-10.8
Net income	28.8	65.6	-36.8

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Balance sheet

In millions of CHF	2019	2018	Abs. change
Non-current assets	2559.8	2640.9	-81.1
Current assets	449.0	381.9	67.1
thereof: Assets held on fiduciary basis	14.8	17.9	-3.1
Assets	3008.8	3022.8	-14.0
Equity	1109.9	1106.1	3.8
Non-current liabilities	1187.5	1579.5	-392.0
Current liabilities	711.4	337.2	374.2
thereof: Liabilities held on fiduciary basis	14.8	17.9	-3.1
thereof: Current financial liabilities	519.2	145.2	374.0
Liabilities	1898.9	1916.7	-17.8
Equity and liabilities	3008.8	3022.8	-14.0

Cash flow statement

In millions of CHF	2019	2018	Abs. change
Cash flow from operating activities	278.8	451.2	-172.4
Cash flow from investment activities	-112.0	-258.7	146.7
Free cash flow	166.8	192.5	-25.7
Cash flow from financing activities	-95.3	-211.1	115.8
Change in cash and cash equivalents	71.5	-18.6	90.1