

**Media release**

21 April 2021

Swissgrid Media Service  
Bleichemattstrasse 31  
P.O. Box  
5001 Aarau  
Switzerland

T +41 58 580 31 00  
media@swissgrid.ch  
www.swissgrid.ch

## **Swissgrid achieves important milestones**

### **Success of the energy transition supported by new digital solutions**

- **Swissgrid has achieved important milestones despite the Covid pandemic. New market products are raising efficiency and creating liquidity, and the company is pressing ahead with the modernisation of the grid infrastructure. This is also reflected in the figures: Swissgrid invested significantly more in 2020 than in the previous year (CHF 153 million), achieving a volume of CHF 178.1 million.**
- **Swissgrid achieved net income of CHF 75.7 million, exceeding the previous year's result (2019: CHF 66.7 million, excluding special effects at the time). As of 31 December 2020, the equity ratio increased to 39.1%. Swissgrid is economically strong and in a good position for the future.**
- **With digital solutions, motivated and well-qualified employees, Swissgrid has optimised its areas of activity and is making an important contribution to implementing the Energy Strategy 2050. As the transmission system operator – the backbone of Switzerland's supply of electricity and the link between electricity generation and consumption – Swissgrid plays an important role in the energy transition. The importance of compatibility between Swiss legislation and EU law remains as high as ever.**

«Swissgrid achieved important successes in 2020. Both the health of employees and secure grid operation were constantly guaranteed thanks to the measures taken at an early stage», says Yves Zumwald, CEO of Swissgrid. «We were able to press ahead with the grid expansion despite the safety measures introduced to contain the pandemic. Cooperation was excellent at both a national and an international level. But the lack of an electricity agreement means that Switzerland is increasingly being excluded from the European power market. This is a serious situation, because grid security can only be ensured efficiently in a European context. In order to raise efficiency and liquidity in the power market, Swissgrid launched important digital projects in 2020 to meet the challenges of the energy transition and support the objectives of the Energy Strategy 2050. The great commitment and flexibility of all our employees has ensured that we can present a pleasing net income.»

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**Modernisation of the grid infrastructure to implement the Energy Strategy 2050**

Despite the Covid pandemic, Swissgrid made important progress with its line projects in 2020. The Beznau – Birr line (including partial cabling of Gäbihübel near Riniken) is now in operation one year ahead of schedule. In the Lower Valais, too, construction work on the new extra-high voltage line between Chamoson and Chippis is proceeding according to plan. It is scheduled to be placed in operation in 2022, thus eliminating the existing transportation congestion for the electricity produced at the Nant de Drance pumped storage power plant. For the underground part of the line, Swissgrid is constructing a tunnel in the Rhone plain near Martigny over a length of 1.2 kilometres and at a depth of 12 to 20 metres.

Swissgrid's focal areas in grid development include security of supply, environmental compatibility and economic benefits. The aim is to strengthen the grid and maximise its efficiency, and to take expansion measures only as a last resort.

**National and international market products ensure more efficiency and liquidity**

In close cooperation with its international and national partners, Swissgrid succeeded in increasing efficiency and liquidity in its relevant markets in 2020.

The new voltage support concept came into force at the beginning of 2020: The adjusted remuneration model means that all participants – power plants connected to the grid and distribution grid operators as well as end customers – receive financial incentives to aid voltage maintenance in the transmission grid. This will further increase grid stability.

Since May 2020, Swissgrid has been using a new methodology to calculate the capacity available for trading between Switzerland and Germany. Instead of the previous 4 GW, the available capacity is now calculated using the number of outages of nuclear power plants and grid elements and the expected trading scenario. This new methodology thus allows capacity to be matched to the respective market and grid situation. Since September 2020, an automated intraday allocation of capacity has existed at the border between Switzerland and Austria.

**Importance of the compatibility of Swiss legislation with EU law**

The European Union is consistently pushing developments in the European power market. The entry into force of the Clean Energy Package will, among other things, increase grid capacity for transnational electricity trade and competition. Without an electricity agreement and thus without a say in the matter, the situation for Switzerland is becoming increasingly critical: Switzerland is at risk of not being able to import as much electricity in the future.

It is therefore all the more important for Swissgrid that Swiss legislation (especially the Electricity Supply Act and Ordinance; StromVG, StromVV) is as EU-compliant as possible, to

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ensure that no additional difficulties are placed on the conclusion of an energy agreement. The company raised this concern in 2020 as part of the debate on the revision of the Energy Act.

Swissgrid has also revised the Transmission Code and the Balancing Concept in close cooperation with the industry.

**Pleasant net income and stable equity base in a challenging environment**

The net income amounts to CHF 75.7 million and is above the previous year's result (2019: CHF 66.7 million, excluding special effects at the time). The main reason for this is the financial result, which is better compared with the previous year and was impacted by a further partial repayment of convertible loans, the repayment of the first Swissgrid bond and refinancing at market conditions. The increase in net deficit due to lower tariff revenues also had a positive impact on the annual result.

Swissgrid has total assets of CHF 3.1 billion as at 31 December 2020. The equity ratio increased from 38.3% to 39.1% in the fiscal year. On 18 May 2021, the Board of Directors will propose to the General Assembly a dividend payment of CHF 37.9 million for the 2020 financial year (2019: CHF 31.5 million).

**Higher investment volume, higher operating expenses and net turnover**

Swissgrid invested significantly more in 2020 than in the previous year (CHF 153 million), achieving a volume of CHF 178.1 million. Despite the Covid pandemic and the associated safety measures, the grid construction projects in particular went ahead successfully.

At CHF 224.8 million, operating expenses were CHF 23.9 million higher than the previous year's level. The increase is due to the consistent implementation of Strategy 2022 as well as higher third-party services, such as for easement compensation to landowners.

Net turnover amounted to CHF 588.2 million, down CHF 84.5 million on the previous year. The decline is mainly due to lower tariff revenues and the reduced use (for regulatory reasons) of income from auctions to reduce chargeable grid costs. Combined with lower rates in the grid usage and general system services segments, lower electricity consumption due to the Covid-19 pandemic resulted in a reduction in tariff revenue compared to 2019.

Combined with the high capital expenditure, the pandemic-related lower net turnover resulted in a free cash flow that fell below expectations.

Swissgrid is in an extremely solid position for the future.

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**Financial outlook**

Swissgrid is the owner of the Swiss extra-high-voltage grid in accordance with the Electricity Supply Act. Since the beginning of 2013, 17,000 facilities with a value of over CHF 2,300 million have been transferred from their former owners to Swissgrid. This represents the largest and most complex legally required transaction in Switzerland to date.

The Federal Electricity Commission ECom issued the rulings on all outstanding assessment-related proceedings in January and February 2021. On the basis of these rulings, Swissgrid can pay the final remuneration to the former transmission system owners. The payment of the final remuneration is planned for 2021 and is expected to raise the value of Swissgrid's non-current assets by between CHF 100 and 150 million. Due to the regulatory business model, this increase will also indirectly lead to higher net income in the future.

With a view to a future powered by sustainable energy and the measures envisaged in the «Strategic Grid 2025», the need for investment is expected to remain high. The lengthy approval processes and objections to network construction projects make modernising the grid infrastructure more difficult and mean that financial planning has to be carried out for the longer term. Accordingly, the medium-term planning horizon assumes increasing annual network investments of CHF 175 million to CHF 275 million.

**Digital solutions raise efficiency and support grid stability**

Switzerland's energy system is in the midst of the greatest upheaval in its history. Renewable energies, increased efficiency and electrification as well as sector coupling are the driving factors behind the implementation of the Energy Strategy 2050. Electricity will play a central role in the future supply of energy. As the transmission system operator – the backbone of Switzerland's supply of electricity and the link between electricity generation and consumption – Swissgrid has an important role to play here. The changes in electricity generation are leading to new types of power flows that pose major challenges for grid operations. Likewise, the grid infrastructure must be adapted to the changed framework conditions in order to be able to guarantee security of supply in the long term. Thanks to the intelligent use of new technologies, Swissgrid can make optimum use of the existing infrastructure. Various digital solutions enable Swissgrid to make system operation, grid expansion and also facility management more efficient and sustainable. This in turn allows Swissgrid to guarantee a resilient and economically operated transmission network for the future.

In cooperation with the transmission system operators TenneT and Terna, Swissgrid has succeeded in launching an innovative solution in the form of the Equigy crowd balancing platform. This blockchain-based crowd balancing platform intensifies the cooperation on a European level and creates a standardised platform for integrating small, decentralised units

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into the grid control process. The platform thus makes a significant contribution to grid stabilisation and facilitates the implementation of the Energy Strategy 2050.

The 3D Decision Support System project gives Swissgrid an application that, with the aid of geodata, multi-criteria decision analysis and 3D visualisations, makes it possible to identify the grid expansion options that have the highest level of acceptance among all decision-makers and are feasible.

To make facility management more efficient, Swissgrid is pursuing several Robotic Aviation projects. Drones are used to fly over facilities and check their condition from the air. Furthermore, since the middle of 2020, the new geoinformation system has also been providing employees with data from the 3D route digitisation models via mobile technology to improve the knowledge base.

In 2021, Swissgrid will press ahead with more digital solutions and introduce measures to automate grid operations. The long-term planning of the grid infrastructure is another focus: in 2021, Swissgrid will create the conditions for preparing the «Strategic Grid 2040». In this way, the company will be making an important contribution to the implementation of the energy transition.

For more information, visit [media@swissgrid.ch](mailto:media@swissgrid.ch) or call +41 58 580 31 00.

### 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 about 600 highly qualified people 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 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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## Key figures

### Income statement

CHF million	2020	2019	Change absolute
Net turnover	588.2	672.7	-84.5
Other operating income	14.5	13.0	1.5
Movement in volume- and tariff-related timing differences	107.9	18.4	89.5
Capitalised self-constructed assets	14.2	12.6	1.6
<b>Total operating income</b>	<b>724.8</b>	<b>716.7</b>	<b>8.1</b>
Cost of procurement	228.5	224.9	-3.6
Operating expenses	224.8	200.9	-23.9
<b>Earnings before interest, income taxes, depreciation and amortisation (EBITDA)</b>	<b>271.5</b>	<b>290.9</b>	<b>-19.4</b>
Depreciation/amortisation/impairment losses	154.8	188.5	33.7
<b>Earnings before interests and taxes (EBIT)</b>	<b>116.7</b>	<b>102.4</b>	<b>14.3</b>
Financial result	-25.0	-32.4	7.4
<b>Ordinary result</b>	<b>91.7</b>	<b>70.0</b>	<b>21.7</b>
Extraordinary expenses	-	36.7	36.7
Income taxes	16.0	4.5	-11.5
<b>Net income</b>	<b>75.7</b>	<b>28.8</b>	<b>46.9</b>

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### Balance sheet

CHF million	2020	2019	Change absolute
Non-current assets	2,656.5	2,559.8	96.7
Current assets	439.7	449.0	-9.3
of which: Assets held on fiduciary basis	23.9	14.8	9.1
<b>Assets</b>	<b>3,096.2</b>	<b>3,008.8</b>	<b>87.4</b>
Equity	1,154.1	1,109.9	44.2
Non-current liabilities	1,549.3	1,187.5	361.8
Current liabilities	392.8	711.4	-318.6
of which: Liabilities held on fiduciary basis	23.9	14.8	9.1
of which: Current financial liabilities	172.4	519.2	-346.8
Liabilities	1,942.1	1,898.9	43.2
<b>Liabilities and shareholder's equity</b>	<b>3,096.2</b>	<b>3,008.8</b>	<b>87.4</b>

### Cash flow statement

CHF million	2020	2019	Change absolute
Cash flow from operating activities	137.9	278.8	-140.9
Cash flow from investing activities	-144.9	-112.0	-32.9
<b>Free cash flow</b>	<b>-7.0</b>	<b>166.8</b>	<b>-173.8</b>
Cash flow from financing activities	-22.0	-95.3	73.3
<b>Change in cash and cash equivalents</b>	<b>-29.0</b>	<b>71.5</b>	<b>-100.5</b>