

Media release

27 April 2022

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Ad hoc announcement pursuant to Art. 53 LR

Grid stability is the top priority Swissgrid achieves a solid result in a challenging environment

- **Despite the ongoing uncertainty caused by the coronavirus pandemic, Swissgrid was able to press ahead with its core business in 2021 of securing grid operations, and maintaining and modernising the transmission grid. This is also reflected in the figures. With an investment volume of CHF 208.6 million, Swissgrid invested significantly more in 2021 than in the previous year (2020: CHF 178.1 million).**
- **Swissgrid achieved net income of CHF 106.2 million, exceeding the previous year's result (2020: CHF 75.7 million). The result is impacted by the regulatory effects associated with the final remuneration for the transfer of transmission systems that has taken place since 2013. The equity ratio as of 31 December 2021 was 35.7 percent.**
- **Swissgrid is meeting the challenges posed by the lack of an electricity agreement with the EU and the increasing complexity of the energy system by means of its innovative solutions; its motivated, well-qualified employees; and its great commitment towards continuing the good cooperation with foreign and domestic partners.**

In the second year of the pandemic, Swissgrid was again able to guarantee grid-related security of supply without interruption. Important progress was made in modernising the transmission grid. Following the termination of negotiations with the EU on a framework agreement, the conclusion of an electricity agreement has become a distant prospect. Cooperation with partners in Europe is vital for reliable grid operations and thus a secure supply of electricity. Swissgrid is therefore committed to finding new solutions, both within Switzerland and with its European partners. The solidarity and good cooperation between the transmission system operators of the European interconnected grid was recently demonstrated by the successful emergency synchronisation of the Ukrainian and Moldovan grids with continental Europe.

«We look back on a successful 2021,» says Yves Zumwald, CEO of Swissgrid. «I am proud of our entire team, which showed great dedication and a great deal of personal responsibility, ensured the smooth operation of the transmission grid, pressed ahead with the maintenance and modernisation of the grid, and laid important foundations in enabling us to meet the electricity challenges of the future.»

Security of supply and grid stability are key objectives

The Energy Strategy 2050 and the Swiss federal government's climate strategy pose new challenges for the energy sector. In addition, the EU is pushing ahead with the creation of an

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internal electricity market in the EU. The further optimisation of flow-based market coupling within the EU and its geographical expansion to Eastern Europe will likely pose a major challenge in the coming years. Without an electricity agreement, Switzerland will be excluded from these developments. Solutions are needed today to ensure so that security of supply and grid stability can continue to be guaranteed in the future. Swissgrid is strengthening its cooperation with national and international partners and launching innovative solutions to meet these challenges.

Swissgrid is developing solutions with Swiss players

Maintaining security of supply in Switzerland is a task that involves various players at different levels. Future requirements for the electricity system cannot be met without close cooperation. In association with leading energy producers and distribution system operators, Swissgrid has prepared an expert report containing measures geared towards ensuring long-term security of supply and grid stability. The players involved analysed the initial situation and the requirements and presented various possible solutions to the Swiss Federal Office of Energy and the Electricity Commission (ElCom). The expert report calls for a strategic reserve in the form of back-up power plants as well as the expansion of domestic electricity generation, as more energy is needed in the system. Moreover, cooperation with European partners must be secured at state level.

International cooperation remains essential

The lack of an electricity agreement impairs Swissgrid's involvement in important European processes. Switzerland's participation in various balancing power platforms is at risk.

The signing of a contract with the capacity calculation region «Italy North» in December 2021 was an important milestone for Swissgrid in terms of improving the integration of Switzerland, at least at the southern border. However, this will not solve the problems Swissgrid faces due to the lack of an electricity agreement. Such contracts between neighbouring transmission system operators have a limited term and must be approved by all the relevant regulatory authorities. The contract negotiations with the «CORE» region, which are intended to ease the situation at the northern border as well, are considerably more complex due to the large number of players involved.

Despite the efforts being made at all levels to reduce the risks to Swiss grid security, the challenges will increase sharply by 2025. Swissgrid remains committed to finding a way to work with its European partners on a technical level. As an interim solution, a purely technical agreement with the EU would be one possible way to compensate for the lack of an electricity agreement.

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Further progress has been made on the «Strategic Grid 2025»

If the energy and climate strategy is to be successful, the transmission grid must adapt accordingly. Long-term grid planning is essential in order to cope with the changing demands on the grid in the future. Today, the approval and authorisation procedures for a grid project take around 15 years. Swissgrid is campaigning for efficient approval procedures in order to accelerate the modernisation of the grid.

Swissgrid was able to make good progress with important grid projects that form part of the «Strategic Grid 2025». Most of the pylons for the line between Chamoson and Chippis have been built. The line will go into operation in 2022. Also in Lower Valais, Swissgrid completed the drilling of a tunnel for the underground line between the La Bâtiaz and the Le Verney substations near Martigny. These two projects enable the transportation of the electricity produced at the Nant de Drance pumped storage power plant to the centres of energy consumption. In 2021, Swissgrid also began the construction of the last section of the extra-high-voltage line between Mörel-Filet and Ernen. Part of the new connection has already been in operation since 2019. In the canton of Grisons, Swissgrid is replacing and reinforcing the pylons on the line between Pradella and La Punt. Swissgrid temporarily put the new transformer in the Mühleberg substation into operation for test purposes in 2021. In parallel to the approved voltage increase of the line between Bassecourt and Mühleberg to 380kV – work will start this year – Swissgrid will be able to increase the import capacity and thus ensure long-term security of supply in central Switzerland.

The sectoral plan or planning approval procedures were launched for several projects. In 2021, Swissgrid submitted applications to the Swiss Federal Office of Energy regarding the sectoral plan procedures for the lines between Marmorera and Tinizong and between Innertkirchen and Mettlen. As far as the planning approval procedure is concerned, Swissgrid is awaiting the construction permit for grid projects between Airolo and Lavorgo, between Chippis and Mörel, and between Bickigen and Chippis, among others.

The Swiss Federal Office of Energy also presented the «Scenario Framework Switzerland» last year. On this basis, Swissgrid is preparing the Strategic Grid 2040 and coordinating it with the distribution system operators and European transmission system operators. Publication will take place in 2024, following a review by EICOM.

Digital solutions are shaping the future of electricity

Last year, Swissgrid continued to implement innovative projects that aim to integrate new renewable energy resources into a stable grid. The Austrian grid operator APG became a new partner for the crowd balancing platform «Equigy». This platform, which Swissgrid founded with TenneT and Terna in 2020, takes advantage of blockchain technology to make it easier to bundle and control small, flexible energy resources and to use them to stabilise the grid. In the

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second quarter of the year, Swissgrid launched a pilot project with ewz to test how these resources can be integrated as efficiently as possible.

Digital solutions are opening up interesting opportunities within the company as well. In 2021, Swissgrid gained experience in the application of data science and artificial intelligence and, among other things, carried out a pilot project to predict feed-ins and feed-outs in the transmission grid in the near future. In asset management, pilot projects involving drones and augmented reality offer new opportunities for efficiency gains.

Change on the Executive Board

In August, Konrad Zöschg joined Swissgrid as head of the Technology business unit. He succeeds Rainer Mühlberger, who decided to step down from the Executive Board in 2021 to develop the 2027 corporate strategy as a Senior Strategic Advisor.

Higher net income in line with regulatory requirements and a robust equity base

The net income generated amounts to CHF 106.2 million and exceeds the previous year's figure (2020: CHF 75.7 million). Swissgrid took over the transmission grid assets from the former owners in 2013 and paid the final financial remunerations in 2021. Net income was impacted by the resulting regulatory effects and higher net deficits.

Swissgrid had total assets of CHF 3.5 billion as of 31 December 2021 (2020: CHF 3.1 billion). The equity ratio decreased from 39.1 percent to 35.7 percent in the course of the financial year. The decline is due to the higher total assets and early refinancing at the beginning of 2022. The refinancing was used for repayments of convertible loans, for further payments resulting from the transfer of transmission systems and for ongoing investments.

The Board of Directors will propose a dividend payment of CHF 53.1 million for the 2021 financial year (2020: CHF 37.9 million) to the General Assembly on 18 May 2022.

Higher investment volume, rising procurement costs and higher net turnover

Swissgrid achieved an investment volume of CHF 208.6 million in 2021 (2020: CHF 178.1 million). Despite the ongoing coronavirus pandemic, Swissgrid was able to make important progress on the grid construction projects that form part of the «Strategic Grid 2025».

The procurement costs in 2021 amounted to CHF 417.5 million, representing an increase of CHF 189.0 million in relation to the previous year's figure (2020: CHF 228.5 million). In order to fulfil its important contribution to ensuring a secure electricity supply in Switzerland, Swissgrid provides numerous services with price levels that depend on the spot and futures markets. Consequently, the costs for the provision of control power and ancillary services energy have increased, along with the procurement costs for active power loss. The final remuneration paid

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to former transmission system owners for the transfer of transmission systems also contributed to the increase in costs. This remuneration is based on the rulings of EICom.

At CHF 228.4 million, operating expenses were CHF 3.6 million higher than the previous year's level. The increase is due to the implementation of Strategy 2022. The strategy includes measures to secure the supply of electricity and improve the safety of people, systems and the environment.

Net turnover amounted to CHF 715.1 million, representing an increase of CHF 126.9 million in relation to the previous year's figure (2020: CHF 588.2 million). The increase is mainly due to higher tariff revenues for grid usage and income from balance group/balancing energy as well as higher auction income for the reduction of allowable grid costs. The use of the auction income is determined by EICom.

Financial outlook

The price level for electricity on the spot and futures markets remains high. Swissgrid therefore expects high procurement costs in order to be able to make its contribution to ensuring a secure electricity supply in Switzerland. Due to the regulatory business model, Swissgrid can collect these costs over future tariff periods.

High investments are necessary to ensure a sustainable energy future. Long approval processes and objections to grid construction projects continue to delay the modernisation of the grid infrastructure. Investments in the grid are expected to increase by between CHF 175 million and CHF 275 million per year over the medium-term planning horizon.

For more information, visit 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 more than 600 highly qualified people from 28 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.