Ad hoc announcement pursuant to Art. 53 LR (Listing Rules)

Press release
Morges, 5 September 2024

Romande Energie Group 2024 half-year results

Operating results reflect expected regulatory-driven constraints on energy supply margin

After an uncharacteristic 2023, Romande Energie has reported a sharp decline in profitability for the initial six months of its financial year due to a sizeable contraction in the energy supply margin. Regulatory headwinds are expected to ease in 2025 and 2026, which will have a broadly positive effect by making the energy supply margin easier to manage and more stable in the future. Additionally, the Group is broadening the scope of its ambitious CHF 1.4bn 2027 investment strategy, which will extend to 2030 at a similar rate.

- Revenues declined by 13% to CHF 426m. **EBIT was CHF 20m** due to **regulatory impacts** and the **even-handed pricing policy** in 2024. EBIT was 72% lower than in H1 2023 but similar to EBIT in H1 2022.
- In line with expectations, the reduction in the authorised margin, the application of the **average price method** and the impossibility of passing losses from excess energy sales to tariffs **sharply reduced the energy supply margin** to CHF 3m, down from CHF 36m in the first half of 2023.
- **Net profit fell sharply to CHF 66m** despite the combined positive impact from Alpiq and EOS NER SA.
- Operating profit for full-year 2024 is expected to be significantly lower, with **no material contribution to EBIT** in the second half of the year as the energy supply margin remains under pressure. **Earnings are expected to return to growth steadily from 2025 onwards.**
- A CHF 150m **green loan** was arranged in July 2024.
- A strategic review sets **new goals for 2030**, focusing on **secure and stable energy supplies** and **mitigating price volatility.**
- **Guy Mustaki**, Chairman of the Board of Directors, **will not seek re-election in May 2025.**

"We're fully aware of the uncertainty that the volatility of the energy supply margin due to regulation, markets and weather conditions represents for our investors and shareholders," says Christian Petit, CEO of Romande Energie. "We're taking action internally to further optimise our supply portfolio, and externally by speaking with federal authorities to reduce the causes of this instability. The scrapping of the average price method and a new harmonised lower level of solar feed-in tariffs nationwide will be key milestones in achieving this."

Decrease in energy revenues

Revenues declined by 13% to CHF 426m, compared with CHF 487m in the first six months of 2023. This was due mainly to the 19% drop in revenues at the **Energy Solutions business unit** to CHF 230m (H1 2023: CHF 283m). Most of the decrease was attributable to a reduction in the energy component of regulated tariffs for 2024 compounded by a further reduction in kWh sold to eligible customers. Market sales of forward positions in the electricity portfolio were CHF 23m lower than in the first six months of 2023.

Sharply lower EBIT impacted by energy supply margin

EBIT for the first six months was in line with expectations. The figure decreased to CHF 20m compared to CHF 72m in the same period last year, but was similar to the first half of 2022. This follows an exceptionally high EBIT in 2023 driven by a catch-up in the energy supply margin as well as a one-time gain. Group operating margin was 5%. This compares to 15% on a reported basis and 13% excluding the non-recurring gain in the prior period.

For the first six months, the energy supply margin was positive at CHF 3m, down from CHF 36m in the same period last year. As expected, business in the first six months of 2024 was significantly impacted by regulatory restrictions on charging losses from excess energy sales to regulated tariffs, as well as the application of the average price method amid a steadily declining wholesale price. The negative impact from these sales on the market was exacerbated by the increased generation of solar power in the region served, which is fed into Romande Energie's grid, and the generally wetter and milder conditions in the first half of the year. This resulted in a higher volume of energy sales on the market, often on highly unfavourable terms. Another factor affecting the energy supply margin was the tariff applied to regulated customers in 2024, which was maintained at a consistent level to offset the impact of higher grid fees. The operating profit from the FMHL installation fell by CHF 4m as it did not generate income from the establishment of winter storage as in 2023 and was affected by the narrowing spread between peak and base prices. Consequently, EBIT at the **Energy Solutions business unit** was CHF 1m, versus CHF 41m in the first six months of 2023.

The **Grids business unit** still accounted for a dominant proportion of the Group's operating performance, with an EBIT down marginally at CHF 21m (H1 2023: CHF 24m). This was again due to detrimental regulations governing the treatment of grid losses under the average price method. EBIT at the **Romande Energie Services business unit** was CHF 2m, in line with the prior period.

Increased staff count but tight grip on other operating expenses

Personnel expenses were CHF 90m (H1 2023: CHF 79m), reflecting the decision to bring customer service operations back in-house. This also reflects the inclusion of new employees within the Grids business unit following a new agency agreement with a third-party distribution system operator. As at 30 June, Romande Energie had 1,474 employees, an increase of 13% relative to the 1,300 at the same point 12 months earlier. Other operating expenses continued to be well managed and decreased to CHF 32m from CHF 35m in the prior period as a result of the in-sourcing of customer service operations referred to above.

Sharp drop in net profit despite positive Alpiq contribution

The Group's net profit was CHF 66m (H1 2023: CHF 122m), reflecting the combined contribution from Alpiq and EOS NER SA of CHF 48m (H1 2023: CHF 63m). Romande Energie holds a 29.71% interest in EOS Holding SA, which in turn owns 33.33% of Alpiq and 100% of EOS NER SA.

Investing in growth and new borrowing

Romande Energie Group maintains a solid financial position. As at 30 June 2024, cash and cash equivalents amounted to CHF 56m versus CHF 113m as at 1 January 2024. As at 30 June 2024, long-term debt was stable, just short of the CHF 190m mark.

In early July, Romande Energie signed another green financing arrangement consisting of a CHF 150m, 15-year green loan.

Group capital expenditure was CHF 68m in the first six months, which was 20% lower than the prior period. However, six-month figures are not properly representative. This lower amount was primarily due to the completion of major projects in 2023, such as the Sainte-Croix wind farm as well as investments in associates.

Three sustainability pillars (economic, environmental and social) pivotal to business

The Group progressed in each of its sustainability commitments during the first six months. On the economic front, the second Green Bond Impact Report was published. All of the funds raised have now been allocated. Additionally, annual carbon-free EBIT targets have been established by business unit. In terms of the environment, the new Sustainable Procurement Policy, which requires a minimum 20% weighting for CSR criteria in invitations to tender, helps to address the issue of suppliers' carbon footprints, which represent 73% of the Group's total. Additionally ID GO, a company formed in January, is helping property owners to carry out renovations improving the environmental performance of their buildings. Under the social pillar, a training scheme has been launched with the aim of training 80% of employees in sustainability issues by the end of 2024.

A transformational, value-creating strategy

Romande Energie plans to take advantage of the significant opportunities presented by the electrification of society and the broadly positive changes in the regulatory environment. At the same time, it is aware of the challenges facing the energy industry. The Group has therefore reviewed and revised its corporate strategy aimed at driving change and unlocking value.

This new strategy is an update on the 2021-2026 blueprint and includes new targets for 2030. This will extend the rate of investments under **the initial CHF 1.4bn 2027 blueprint** to 2030 and will include major initiatives to unlock value through a focus on **flexibility and storage**. Accelerated development of renewable energies and carbon-free turnkey solutions for customers, especially in construction and renovations, remain a priority.

"The 2030 strategy incorporates three new key aspects. Firstly, it fully recognises the importance of ***flexibility and storage*** *in the Swiss energy ecosystem following the rapid expansion of renewable energies, especially solar power," says Christian Petit. "Secondly, the new strategy enshrines our ambition to play a central role in* ***building decarbonisation*** *in our region and, thirdly, aims to develop state-of-the-art* ***digital expertise*** *to increase customer satisfaction. By driving change in this way, we'll be able to create long-term value for our customers, employees and society at large. We also believe this will positively impact margins and shareholder returns."*

Current chairman to stand down

Guy Mustaki will not be standing for re-election at the next Annual General Meeting on 14 May 2025. He will have contributed hugely to the reputation, financial strength and overall success of the Romande Energie Group during 20 years as a member of the Board of Directors, of which 19 spent as Chairman.

Outlook

Romande Energie reiterates its outlook for atypically low operating profit that will be substantially reduced compared with 2024, excluding exceptional events. This is based on the expectation that regulation will continue to dampen the energy supply margin in the second half of the year – a period typically weaker than the first half due to the seasonal downswing in the Group's generation business.

The prospect of sharply lower results in 2024 was anticipated and is a temporary development that needs to be seen in the context of the ongoing strategy and upcoming positive changes to regulations. Consequently, 2025 should bring a steady return to more favourable margins.

This financial outlook remains subject to the potentially significant impact of uncertain geopolitical developments and market conditions, which could materially affect the Group's future results and investments.

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Key figures, Romande Energie Group 30 June 2024	30 June 2022	30 June 2023 (restated)	30 June 2024	2023/ 2024 % chg.
CHF 000				
Net revenues	347,377	486,885	425,509	-13%
Gross profit	167,435	233,096	187,723	-19%
EBITDA	65,004	119,235	65,279	-45%
EBIT	24,169	71,916	20,063	-72%
Share of profit from associates	(64,078)	62,870	47,975	-24%
Net profit for the period	(46,080)	122,069	66,396	-46%

The Interim Report of Romande Energie Group is available via these links:
- French: Rapport semestriel 2024
- English: 2024 Interim Report

Additional information for the general public can be consulted here (French only).

Notes to editorial desks

This press release is being issued outside the trading hours of the SIX Swiss Exchange as required by the SIX Listing Rules on ad hoc publicity.

Contact

Caroline Monod
Communications Officer
+41 (0)21 802 95 78
caroline.monod@romande-energie.ch

René Lauckner
Head of Group Treasury
+41 (0)21 802 95 24
rene.lauckner@romande-energie.ch

Romande Energie at a glance

The Romande Energie Group, the leading supplier of electricity in Western Switzerland, provides its customers with a wide range of sustainable solutions, which help to lower energy consumption and carbon emissions. These solutions include made-to-measure support to generate its own energy, products and services to enhance energy efficiency, and to champion energy efficiency.

Romande Energie aims to make Western Switzerland the country's first net-zero region. We are constantly investing significant amounts in expanding our local base of facilities generating renewable energy. Our solar, hydro and biomass power plants, our various district heating networks and our geothermal and wind projects are fulfilling this commitment and distributing more and more renewable energy to our customers.

We have established ourselves as a trusted partner for a society mindful of the importance of protecting the environment, looking after individuals and maintaining a sustainable economy. Keeping Western Switzerland on track for a sustainable future lies at the heart of our core purpose.

For more information on the Romande Energie Group, visit
www.romande-energie.ch