Press release

Morges, 11 April 2019

Romande Energie Group 2018 results
Solid financial results amid evolving business conditions

Romande Energie Group's revenues advanced by 4% to CHF 598m. Gross profit rose by CHF 17m, while EBITDA was broadly unchanged relative to 2017. Lower net profit of CHF 54m was reported for the full year after a deferred tax gain of CHF 44m had been recognised in 2017. A solid capital base amounting to CHF 1.9bn gives the Group scope to continue ambitiously implementing Strategy 2018-2023, which will increase efficiency and agility at a time when competition is becoming fiercer.

Growing strongly, Romande Energie Group reported net revenues of CHF 598m for the full year. This was 4% higher than in 2017. It reflects the strong inroads made by the Group into energy services, for which revenues surged by 76% to CHF 76m as a consequence of both acquisitions and solid organic growth. This was marginally offset by a 5% reduction in tariffs (energy and transmission) for power supplied to regulated-market customers as well as by a small overall decrease in demand for electricity.

The Group's own generation assets performed strongly as a result of heavy rainfall in the first half of 2018. Their output for the full year increased by 34% to 487m kilowatt hours. Power generated by proprietary assets accounted for 18% of the electricity supplied by Romande Energie to its customers. Following a loss in 2017, the pump-turbine unit operated by Forces Motrices Hongrin-Léman broke even in terms of operating profit after receiving a federal subsidy allotted to major hydropower institutions to offset their above-market production costs. Consequently, the gross profit earned by the Energy business unit increased by CHF 9m.

Stronger net revenues led gross profit higher by 6% to CHF 296m for the full year, despite increased purchases of equipment and services compared with 2017.

Solid EBITDA and EBIT

EBITDA was unchanged in 2018 relative to the previous year (CHF 134m). By contrast, EBIT suffered marginally higher depreciation and amortisation expense for the year and thus decreased by 4% to CHF 70m. Both EBITDA and EBIT can still be deemed respectable considering the uncertain industry environment, fiercer competition in energy markets and the costs involved in enacting the new Strategy 2018-2023, which last year resulted in higher staff intake, chiefly in energy services. EBITDA reported by the Energy Services business unit (comprising Romande Energie Services SA and the other entities active in this area) amounted to CHF 1m in the full year.

Lower net profit

Profit from associates for the full year was in the red at minus CHF 2m, slightly lower than in 2017, owing to the CHF 6m net loss reported by EOS Holding SA. Despite generating an operating profit, EOS Holding SA was itself hit by Alpiq's net loss, the impact of which was a negative CHF 8m on Romande Energie Group's income statement. The Group holds a 29.7% interest in EOS Holding SA (EOSH), which in turn owns 31.4% of Alpiq.

For the full year, consolidated net profit amounted to CHF 54m compared with CHF 116m in 2017. In contrast to the net tax income of CHF 40m reported for 2017, a net tax expense of CHF 12m was recorded in 2018 following enactment of RIE III, the new corporate tax rules applicable in Vaud canton with effect from 1 January 2019. Equity was CHF 1.9bn, broadly unchanged from one year earlier.

No change to dividend

At the Annual General Meeting taking place on 28 May in Morges (Switzerland), the Board of Directors will recommend payment of an ordinary dividend of CHF 36 per share – unchanged relative to 2017 even though the Group has budgeted substantial spending for the next instalments of its strategy.

Restatement of previous financial years

During the transition from IFRS to Swiss GAAP FER, which amongst other things determines how accounting information is presented, an accounting error was identified in the amortisation of vendor-financing assets and subsequently rectified. As a consequence, accounting information from previous years also had to be restated.

Outlook for 2019

The Swiss government's Energy Strategy 2050 is resulting in a raft of legislative and regulatory changes, making it ever harder to forecast the environment in which the industry will operate in the future. At the same time, competitive forces are increasingly strong, helped along by a bill on market liberalisation that the Federal Council has submitted for consultation. Though supportive of full market liberalisation in principle, the Group is critical of the planned legislation in its current form as it does not guarantee security of supply or enable domestic hydropower assets to be competitive over the long term. The international picture is neither clearer nor more supportive, as the European Union has made the signing of a future agreement on the power industry contingent upon the successful conclusion of the framework agreement between itself and Switzerland.

Thanks to the impetus provided by the Strategy 2018-2023, adopted in the autumn of 2017, the Group has been quick to respond to changes in its industry and has established a firm foundation for meeting the challenges ahead. The Group's structure and business lines are undergoing ambitious developments under the "Défi 3V" project, which aims to reduce running costs by CHF 20m by the end of 2020 and put into place a new Group structure as of 1 January 2020.

Romande Energie continues to transform and diversify its lines of business while upgrading and digitalising work processes in pursuit of a single goal: to increase agility, efficiency and competitive position. This policy has resulted in huge advances in the areas of acquisitions, especially in energy services, and partnerships streamlining customer relationship management, as conveyed by the founding of enersuisse SA – a partnership with two major power suppliers in German-speaking Switzerland, EBM AG (Elektra Birseck Münchenstein, which became Primeo Energie AG in March 2019) and EKZ AG (Elektrizitätswerke des Kantons Zürich).

Convinced that the future lies in striking the right balance between security of supply and decentralised generation, Romande Energie continues to develop its own generation assets and distribution network, made possible by a solid financial independence ratio.

Based on the information above, and barring any exceptional items or negative developments on power or currency markets, the Group expects full-year operating profits in 2019 to be in line with numbers reported for 2018.

A key event this year will be the transition from the current Chief Executive Officer, Pierre-Alain Urech, who has led the Group for the past 15 years, to Christian Petit, a former member of Swisscom's Executive Board.

Key figures, Romande Energie Group			
	2018	**2017, restated**	***% change***
Power distributed on the Group's network (GWh)	2 805	2 815	*-0.4*
Power sold (GWh)	2 710	2 818	*-3.8*
Net revenues (CHF 000)	597 620	575 296	*3.9*
Gross profit (CHF 000)	296 496	279 153	*6.2*
EBITDA (CHF 000)	133 875	133 990	*-0.1*
Depreciation and amortisation (CHF 000)	-63 597	-60 479	*5.2*
EBIT (CHF 000)	70 278	73 511	*-4.4*
Share of profit of associates (CHF 000)	-1 725	-1 465	*17.7*
Group net profit (CHF 000)	53 528	115 980	*-53.8*

The Annual Report, the financial statements of Romande Energie Holding SA and the consolidated financial statements of Romande Energie Group, together with the reports of the statutory auditors, are available to shareholders from today, 11 April, at the following link (French only): Rapport annuel

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.

Pierre-Alain Urech, CEO, and Denis Matthey, CFO, will be available to take questions:

From the media
At the press conference starting at 11.00am (arrival possible from 10.45am) today, Thursday 11 April, at the Hotel Mirabeau, Lausanne (Avenue de la Gare 31).

From analysts and investors
- Today, Thursday 11 April:
  - Between 7.30am and 8.30am. Please call the following number to participate: +41 (0) 21 341 42 76
  - At 8.30am, at the Hotel Mirabeau, Lausanne (Avenue de la Gare 31)
- Tomorrow, Friday 12 April at 10.00am in the Au Premier restaurant, Hauptbahnhofplatz 15, Zurich

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Romande Energie at a glance

Romande Energie Group is the leading supplier of electricity in Western Switzerland and a mainstay in the Swiss energy industry. It offers a wealth of sustainable solutions for the distribution and generation of electricity, and in energy services, energy efficiency and electromobility.

All its generation assets are driven by renewable sources of energy. Additionally, it is working hand in hand with customers, investors and employees to provide ever-better standards of living through innovative services and a commitment to corporate social responsibility. Romande Energie is dedicated, day in day out, to offering high-grade services and security of supply, just as customers expect, as well as supporting them in using more sustainable forms of energy.

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