Press release
Morges, 31 August 2023

Romande Energie Group 2023 half-year results and restatement of financial statements as at 31 December 2022

Surge in energy costs in 2021 and 2022 passed on to customers this year

The revenues of the Romande Energie Group rose sharply in the first six months of the year, driven by its three business units and a catch-up effect mitigating the impact of the price increases not passed on to customers in 2021 and 2022. After two years with a low energy supply margin, this time-lagged increase has led to the Group reporting a significant rise in profitability. Romande Energie has continued investing ambitiously, with capital expenditure – on solar power, district heating plants and smart meter installation – amounting to CHF 85m in the first half of the year.

- **Strong increase in revenues** to CHF 487m, with EBIT of CHF 72m.
- **Margins in the energy business compensating for poor returns in previous years**, with EBIT margin of 15% compared with 7% in the first six months of 2022.
- **Net profit of CHF 141m**, including an **exceptional increase in total profit** from **Alpiq** and EOS of **CHF 81m** (versus combined loss of CHF 69m in 2022). The Group's net profit was CHF 60m when excluding the shareholdings in these two companies.
- **Cash flow from operations of CHF 39m**, with cash and cash equivalents stable at CHF 135m.
- The Group continuing to implement its **CHF 1.4bn investment strategy** for a faster energy transition in Switzerland, with capital expenditure amounting to CHF 85m. In line with the planned roll-out, the milestone of 100,000 installed smart meters was exceeded.
- **Romande Energie Holding SA registered shares** split by a factor of 25 (from CHF 25.00 to CHF 1.00) effective 28 June 2023.

The Romande Energie Group has also had to restate its financial statements as at 31 December 2022 following the discovery of a metering error due to a misconfigured transformer. This has resulted in an increase in revenue of CHF 3m but also an additional energy purchase cost of CHF 18m in 2022, leading to a restated net profit for the Group of CHF 41m in 2022 (CHF 54m reported). The restatement has no impact on the 2022 and 2023 interim results, as only H2 2022 results are affected.

"The financial results for the first six months of 2023 are the product of exceptional circumstances. This includes an automatic mechanism staggering the sharp increase in energy costs for customers in 2021 and 2022. For regulatory reasons, we were unable to raise our tariffs accordingly until 1 January 2023," said Christian Petit, CEO of Romande Energie. *"Tariffs are expected to stabilise from next year onwards, although pricing conditions will remain sensitive. Our main priority is to continue investing ambitiously to expand the generation of renewable energy and drive forward Switzerland's energy transition. Significant progress was made in this respect during the first half of 2023."*

Strong revenue growth fuelled by all three business units

Revenues increased by 40% to CHF 487m versus CHF 347m in the same period in 2022, fuelled by all three business units. Revenues at the **Grids business unit** rose by 14% to CHF 149m. Organic growth was brisk at the **Romande Energie Services** business unit, and its revenues rose by an encouraging 31% to CHF 82m under the impetus of district heating and photovoltaic installations.

Revenues at the **Energy Solutions** business unit increased by 57% to CHF 283m mainly as some of the high supply costs of the previous two years were included in 2023 tariffs. The pricing policy for 2023 will go some way to rebalancing the energy adjustment account. Power tariffs charged to regulated customers in 2021 and 2022 were kept unchanged despite the strong increase in energy prices at the time. The under-billed amount – which represents a claim on customers – was CHF 30m as at 1 January 2023.

Group's profitability boosted by exceptional adjustment

Romande Energie ended its first six months of 2023 with an EBIT of CHF 72m (up from CHF 24m in H1 2022). Adjusted for the one-off sale of a land asset, EBIT was CHF 62m, reflecting an exceptional adjustment helping the Group in 2023 to offset losses incurred in its energy supply margin in 2021 and 2022. As a result, the Group's EBIT margin increased from 7% in the first half of 2022 to 15% in the first half of 2023. Adjusted for the asset sale, the margin was 13%.

All three business units contributed to this strong showing, although most of the increase came from the Energy Solutions business unit, which recorded EBIT of CHF 41m in the first six months of 2023 versus CHF 4m in the same period last year, as a consequence of the measures taken to help rebalance the energy adjustment account. Rainfall was also higher during the period under review, although still below average. Conversely, the drop in wholesale energy prices resulted in a lower operating margin for the FMHL installation, in Switzerland, and assets located in France. French assets were also negatively impacted by the industry windfall tax.

The Grids business unit recorded a stable EBIT of CHF 24m in the first six months. After a year of consolidation in line with its strategy, Romande Energie Services performed strongly, posting an operating profit of CHF 2m for the first six months of 2023.

Overall operating expenses were stable, reflecting sound and efficient management.

Boost to net profit from Alpiq

For the period, Group net profit was CHF 141m, versus a net loss of CHF 46m in the same period in 2022. This increase is mainly due to Alpiq's contribution of CHF 77m. Together with profit from EOS, this contributed CHF 81m to the Romande Energie Group in the first six months of 2023 compared with a loss of CHF 69m in the same period last year. 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.

Key figures, Romande Energie Group, 30 June 2023	H1 2023	H1 2022	% change
CHF thousands			
Net revenues	486 885	347 377	40%
Gross profit	229 864	167 435	37%
EBITDA	119 235	65 004	83%
EBIT	71 916	24 169	198%
Share of profit from associates	81 563	(64 078)	n/a
Net profit	140 762	(46 080)	n/a

Restatement of end-2022 financial statements

Thanks to internal controls, a metering error caused by a misconfigured transformer was detected. As a result, the amount of energy used by some of the Group's regulated customers, as well as grid losses, was under-calculated. This adjustment impacts 2022 revenues by a positive CHF 3m but also adds CHF 18m to energy supply costs. The Group's restated net profit for the 2022 financial year is CHF 41m (CHF 54m reported for the period). This restatement has no impact on 2022 or 2023 interim results, as only H2 2022 results are affected. The Groups' end-customers are not impacted by this incident.

End-2022 financial statements	31/12/2022 (restated)	31/12/2022 (reported)	Change
CHF thousands			
Net revenues	745 825	742 359	3 466
Purchases of energy, goods and services	(399 383)	(381 254)	(18 129)
EBITDA	128 851	143 514	(14 663)
EBIT	44 848	59 511	(14 663)
Net profit	41 478	54 128	(12 650)
Total shareholders' equity	1 917 552	1 930 202	(12 650)
Energy adjustment account	40 098	29 752	10 346

Growth investments and Romande Energie share split

Romande Energie Group still has a solid financial position. As at 30 June 2023, Romande Energie had cash and cash equivalents of CHF 135m versus CHF 141m as at 1 January. Borrowings were just above CHF 200m. Cash flow from operating activities was CHF 39m, down slightly from CHF 45m in the prior period.

Romande Energie continued to implement its ambitious investment blueprint, with capital expenditure rising by 38% to a total of CHF 85m in the first six months of the year. These investments reflect Romande Energie's policy of leading the decarbonisation drive and ensuring security of supply in Western Switzerland through a multi-faceted programme to help customers transition in their use of energy.

On 28 June 2023, the nominal value of Romande Energie Holding SA registered shares, listed on SIX Swiss Exchange, was divided by 25 (from a nominal value of CHF 25.00 to CHF 1.00). Consequently, the number of shares making up the share capital increased from 1,140,000 to 28,500,000.

Outlook

Romande Energie reiterates its forecast of higher full-year revenues and EBIT than in 2022. This is founded on the automatic effect of the higher tariffs announced for 2023 resulting from efforts to rebalance the energy adjustment account in relation to its level on 31 December 2022. Profitability levels are set to recede in 2024.

The climate of uncertainty prevailing in the electricity market, both in terms of prices and the supply of materials, has given rise to risks that could have a material impact on the full-year results and capital expenditure of the Romande Energie Group. In addition, there is the potential impact of economic and geopolitical events, whether related to Ukraine, to the absence of an institutional framework agreement with the EU, or to regulatory developments such as the likely adoption of the single act (*Mantelerlass*) amending the Energy Act and the Electricity Supply Act by the Federal Assembly this coming September.

- The Interim Report of the Romande Energie Group is available via these links:
  - en français: Rapport semestriel 2023
  - in English: Interim Report 2023

An interview with the CEO of the Romande Energie Group is available here (in French only).

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

Note 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.

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Romande Energie at a glance

The Romande Energie Group is the leading electricity provider in Western Switzerland with services spanning the energy value chain. It offers a wide range of sustainability solutions to help cut carbon emissions, including tailor-made support for the independent production of clean energy as well as products and services that save energy and encourage smarter energy use.

Formed in 1997, **Romande Energie aims to make Western Switzerland the first region in the country to be 'net zero'**. It continues to invest heavily in expanding its network of local renewable assets – solar farms, hydropower and biomass plants, its many district heating networks, and its geothermal and wind projects – with an ever-increasing share of renewable energy supplied to its customers.

Romande Energie is committed to being a trusted partner in creating a society that respects the environment and people and works towards a sustainable local economy. **Helping customers build this sustainable future** is its core purpose.

For more information, visit romande-energie.ch