

Press release

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Romande Energie Group 2017 results Solid business results in a rapidly changing industry

Revenues were reduced by the Swiss Federal Council's decision to lower the weighted average cost of capital for electricity-network investments to 3.8% and by decreased kWh tariffs, although both directly benefited customers. The mild winter combined with low rainfall led to a substantial decrease in the electricity produced by the Group's own installations. A considerable amount of the revenue shortfall was offset by strong growth in energy services.

Net revenues reported by the Group for 2017 fell by 4.4% to CHF 575m.

Energy revenues totalled CHF 224m, down CHF 43m relative to 2016 as a result of a 2% average decrease in the kWh tariff billed to customers. Other factors were the mild winter temperatures in early 2017, which led to lower demand, as well as reduced trading on the wholesale market and the initial impact of energy efficiency as a trend.

The Federal Council's decision to lower the weighted average cost of capital for electricity-network investments from 4.7% in 2016 to 3.8% in 2017 led to a 5.0%, or CHF 7m, drop in the grid-usage fee to CHF 139m.

In contrast to 2016, low rainfall in 2017 led to a 29.5% downturn (-152 GWh) in output from the Group's own installations, which totalled 367 GWh – satisfying 12.9% of the energy demand of Group customers. Consequently, supplementary purchases were required on the spot market, resulting in a detrimental impact on the Group's margin.

Strong business growth in energy services, both organically and through acquisitions, sent other income rising by 40.9%, or CHF 17m, to CHF 60m. This reflected the sizeable inroads made by Romande Energie Services SA into the Western Swiss market, including through the acquisition of Neuhaus (based in Echandens), a company offering air-conditioning and ventilation solutions. Romande Energie Services SA is also staking its claim as a specialist in district heating. In early 2018, it became a majority shareholder in Thermoréseau Avenches and was awarded the concession to operate the district heating system for the municipality of Grandson.

EBITDA and EBIT remain solid

Lower gross profit and higher personnel expenses – as the Energy Services business unit hired more staff and the CHF 12m pensions-related gain in 2016 did not reoccur – resulted in an 11.4%, or CHF 17m, drop in EBITDA to CHF 134m. This lowered annual EBIT by 20.1% to CHF 78m.

Profit for the year

The decision by the Vaud cantonal government of 1 November 2017 to keep the entry into force of RIE III (the corporate tax reform) at 1 January 2019 resulted in recognition of a deferred tax gain of CHF 45m.

Romande Energie Group reported a net profit of CHF 121m, representing an increase of 6.1% relative to the 2016 financial year.

Ordinary dividend

At the Annual General Meeting, taking place on 29 May, the Board of Directors will recommend payment of an ordinary dividend of CHF 36 per share, unchanged with respect to 2016.

Key figures, Romande Energie Group			
	2017	2016	% change
Power distributed on the Group's network (GWh)	2 815	2 831	-0.6
Power sold (GWh)	2 818	3 666	-23.1
Net revenues (CHF 000)	575 296	602 025	-4.4
Gross profit (CHF 000)	279 153	285 100	-2.1
EBITDA (CHF 000)	133 990	151 189	-11.4
Depreciation and amortisation (CHF 000)	-56 310	-54 023	4.2
EBIT (CHF 000)	77 680	97 166	-20.1
Share of profit of associates (CHF 000)	-1 465	29 469	-105.0
Group net profit (CHF 000)	120 539	113 574	6.1

Outlook for 2018

Despite the clearer outlook arising from acceptance of Switzerland's 2050 Energy Strategy by popular referendum, the political context surrounding the possibility of full electricity-market liberalisation remains hazy.

Wholesale pricing did recover marginally in 2017 but was still too low for a large majority of Swiss hydropower installations to run at a profit.

The Group is convinced that the future resides in a healthy balance between decentralised generation, closer to customers, and security of supply. Therefore, it maintains plans to increase the number of renewable generation facilities both in Switzerland and France.

Romande Energie Group continues to expand its energy services – as illustrated by the recent acquisition of PolyForce SA (based in Bulle, canton of Fribourg).

For 2018, the Group forecasts that operating results, barring exceptional items and any deterioration in the electricity and currency markets, will be in line with 2017.

Strategy for 2018-2023

Against a backdrop of radical industry changes, Romande Energie is thinking ahead and adapting to remain successful.

As it seeks to sustain the value of its business, retain a competitive edge in its markets and offer innovative, long-term solutions, the Group is making plans to facilitate and hasten the energy transition in Switzerland.

To achieve this goal, the Group has set in motion a five-year strategy. This includes a CHF 950m investment target by 2023, accelerated digitalisation of work processes and power sales, new business models – achieved by stepping up service diversification – and plans to reduce running costs by CHF 20m by 2020.

A focus on agile management will make it easier to profit from new sources of growth, all the while keeping a firm grip on risk-taking.

The Group will continue to develop its generation, distribution and marketing of electricity, but will complement these long-standing activities with energy-transitioning and services solutions.

The annual report can be downloaded using [this link](#).

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

Romande Energie Group is the leading electricity distributor in Western Switzerland. Through its subsidiary Romande Energie Commerce, it supplies more than 300,000 end-customers directly in approximately 300 municipalities in the cantons of Vaud, Valais, Fribourg and Geneva. Its core business lines are the **generation, distribution and marketing** of power together with **energy services**.

Priorities are liaising with customers to ensure high-quality services in line with expectations; guaranteeing a reliable, sustainable and competitive supply of energy; developing proprietary power generation through priority investments in renewable energy; and promoting innovative energy-efficiency solutions.

Romande Energie's corporate social responsibility policy systematically guides its approach to business. The Group's vision is to facilitate and hasten the energy revolution in Switzerland.

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