

Financial report



Ein Unternehmen
der Stadt Zürich

ewz

An overview of the year

Financial key figures

Total operating income				
		2019	2020	
Total operating income	CHF million	988	1,031	→

Operating result				
		2019	2020	
EBITDA	CHF million	249	210	↘
EBITDA/total operating income	in %	25.2	20.4	↘
EBIT	CHF million	189	150	↘
EBIT/total operating income	in %	19.1	14.6	↘

Company result				
		2019	2020	
Net profit	CHF million	190	154	↘
Net profit/total operating income	in %	19.2	14.9	↘

Balance sheet				
		31.12.2019	31.12.2020	
Total assets	CHF million	2,242	2,356	→
Non-current assets	CHF million	1,682	1,755	→
Equity capital	CHF million	1,705	1,779	→
Asset coverage ratio I	in %	101	101	→
Asset coverage ratio II	in %	121	120	→



Employees *

Women	238
Men	992
Total	1,230

* incl. apprentices and interns

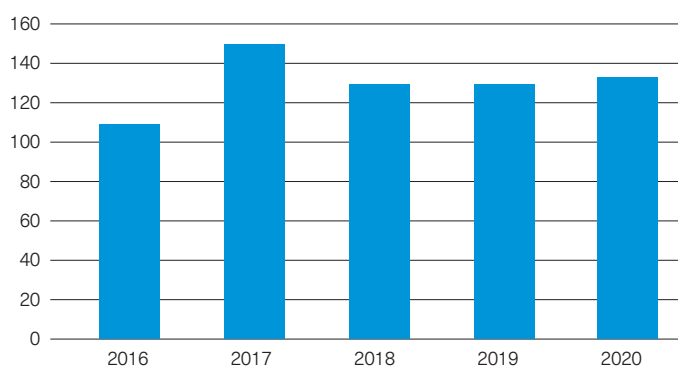


Customers

Residential customers	209,854
Commercial and business customers	24,319
Total	234,173

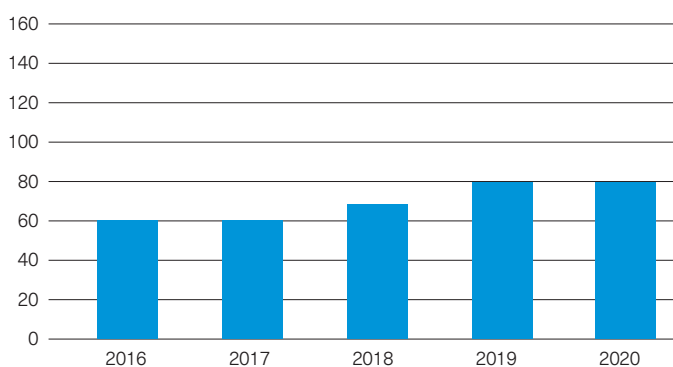
Net investments

Total 2020 CHF 134 million



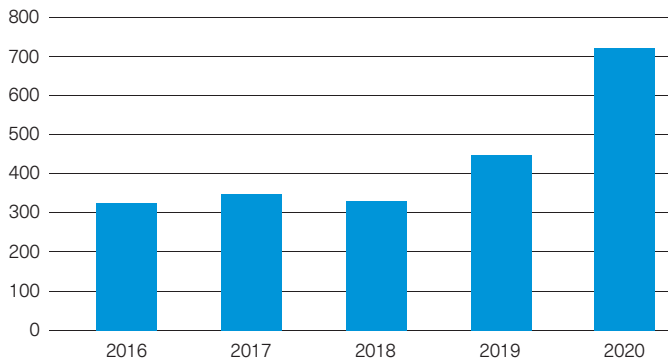
Profit transfer to the city of Zurich

Total 2020 CHF 80 million



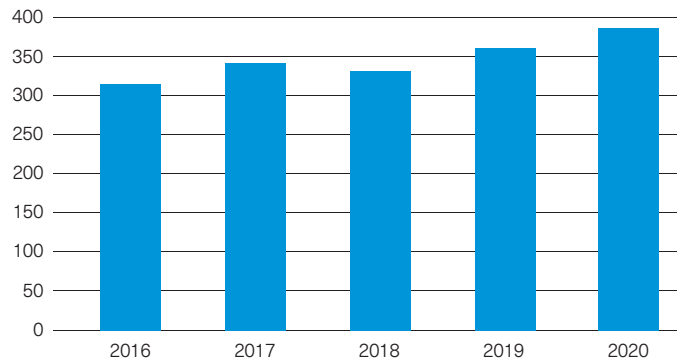
Wind power production

Total 2020 711.7 GWh



Heating and cooling sales

Total 2020 379.1 GWh



Installed power plant capacity renewable energies

Total 2020 1,312.9 MW



Hydropower 982.3 MW



Wind power 325.0 MW



Photovoltaic and solar thermal energy 5.6 MW

Annual and management report 2020

Economic environment

Coronavirus spread very rapidly around the world in 2020 since it first appeared in China. The measures taken to contain the virus had consequences for companies' business activities. Steps to prevent transmission included restricting the movement of people, closing shops and restaurants, and ordering employees to work from home. This changed the demand for goods and services, especially during the lockdowns, which, in turn, affected the energy and communications market. ewz was able to accomplish its mission of reliably supplying customers with electricity, heating, cooling and telecommunications in the city of Zurich at all times. The fibre-optic network completed at the end of 2019 made a significant contribution to allowing the population of the city of Zurich to work digitally from home.

Electricity prices on European markets plunged in March and April as a result of the coronavirus crisis but recovered over the course of the year. Increased prices for CO₂ certificates have also had a positive impact on the electricity market price.

On 25 September 2020, the Swiss Parliament approved the fully revised CO₂ Act in the final vote on the matter. It is the most important Swiss instrument for implementing the Paris Agreement, which Switzerland ratified in 2017. In passing this legislation, the country has made an international commitment to reducing its greenhouse gas emissions by at least 50% by 2030 compared with 1990.

The CO₂ Act ensures this commitment will be implemented nationally and enters into force on 1 January 2022. A referendum has been tabled for the Swiss people to vote on the new act on 13 June 2021.

The voters of the city of Zurich decided in 2016 to allow investments in nuclear power plants and the purchase of nuclear power up to the year 2034. In 2020, the City Council approached over 100 potential buyers worldwide and in Switzerland to sell the city of Zurich's nuclear power investments. As a result, two non-binding purchase offers were received from European subsidiaries of global energy companies involved in the nuclear sector. The City Council did not consider these offers suitable and decided not to continue negotiating with the two interested parties as a result. As soon as the situation becomes more favourable, the Council will resume its efforts to achieve a sale.

The Federal Council carried out a consultation procedure on a partial revision to the Energy Act (EnA) in 2020. The bill is intended to create more incentives to invest in domestic power generation plants for renewable energies and to ensure the long-term security of the electricity supply. In its submission, ewz welcomed the Federal Council's approach, in particular that the Act should include a target to expand this type of energy by 2050. The revisions to the EnA and the Electricity Supply Act (ESA) will be merged into a single act under the title "Federal Act for a Secure Electricity Supply using Renewable Energies". An instrument specifically

tailored to Switzerland's specific circumstances will be introduced to ensure the long-term security of the electricity supply in the winter months. The dispatch to Parliament should be available in mid-2021. Full market liberalisation is not expected before 2024. The revised Water Rights Act (WRA), which stipulates that the water rate may not exceed 110 Swiss francs per kilowatt of gross output annually until the end of 2024, came into force on 1 January 2020. This means that the introduction of reforms to bring in a more flexible water rate model suited to the market and a market-focused distribution of profit and risk is off the table for the time being. The current high water rate will remain the same until the end of 2024 and has a significant impact on the profitability of ewz's hydropower plants. The Swiss Federal Office of Energy is expected to resume work on this issue in autumn 2021 and to carry out an interdepartmental consultation in 2022. The Federal Council will then consult on another partial revision of the WRA.

Income statement

Operating income for ewz in the year under review was around 1,031 million Swiss francs, some 42.7 million Swiss francs or 4.3% above the previous year. Operating expenses rose in total by 81 million Swiss francs. The main reason for this was the procurement of higher energy volumes on the wholesale market to achieve optimal management of the company's own plants. Personnel costs increased by 1.9 million Swiss francs or 1.3% due to the slightly higher average number of staff and the salary adjustments decided by the City Council as of 1 April 2020.

Earnings before interest, taxes, depreciation and amortisation deteriorated by 38.3 million Swiss francs or 15.4% compared with the previous year. The performance of the decommissioning and disposal funds was above average in the previous year, which had a positive influence on the 2019 results. In the reporting year, the decommissioning and disposal funds achieved the expected return. The lower consumption volumes due to the coronavirus crisis led to lower grid usage revenues and increased the shortfall in the coverage of grid tariffs. There was little change in depreciation and amortisation compared with the previous year. ewz is exempt from taxes in the Canton of Zurich and at the federal level as a service division of the city of Zurich. The tax expenses shown are for intercantonal operating facilities primarily located in the Canton of Grisons. Net profit fell by 36 million Swiss francs to 153.8 million Swiss francs (previous year: 189.8 million Swiss francs).

The profit transfer to the city treasury was determined in accordance with the Ordinance on the Profit Transfer of the Zurich Municipal Electric Utility (VGew, Verordnung über die Gewinnablieferung des Elektrizitätswerks der Stadt Zürich) and stood at 80 million Swiss francs. As it was able to generate a net profit in spite of the coronavirus crisis, ewz was able to transfer the maximum amount to the city of Zurich.

Balance sheet

Current assets amounted to 25.5% of total assets, increasing by around 40.9 million Swiss francs compared with the previous year. Non-current assets increased by 73.4 million Swiss francs as a result of the transactions executed. ewz invested around 133.7 million Swiss francs net in plants and investments in the 2020 year. In addition to investing in network facilities and conventional energy production plants, ewz also spent significant amounts on renewable energies and on equipment in the Energy Services field of business. Short-term liabilities rose by 34.8 million Swiss francs. Provisions totalling 5.7 million Swiss francs had to be set aside for onerous contracts related to nuclear power.

Cash flow statement

Cash flow from business activities rose to 263.6 million Swiss francs (previous year: 186.2 million Swiss francs). This increase in spite of the lower net profit was due to changes in net current assets. All financing activities are handled by the city of Zurich. ewz has a current account with the city accounts department for this purpose. The balance of the current account increased by 46.1 million Swiss francs compared with the previous year.

Performance of a risk assessment

As a dependent institution under public law, ewz is part of the city of Zurich risk assessment. The ewz Management Board has defined its own risk management principles and policy based on those of the city of Zurich. The systematically recorded, analysed and prioritised risks were summarised in a risk report for the attention of the city of Zurich. Specific measures for dealing with the identified risks were assessed and then discussed and adopted by the Management Board on 9 December 2020.

Extraordinary events

Electricity consumption in the city of Zurich fell in some cases by up to 15% compared with the previous year due to the lockdown imposed in March and April due to coronavirus.

Outlook

Public awareness of climate change will continue to increase in the next few years. Consequently, the energy market will continue to restructure over the coming years. Renewable energy is increasingly becoming a necessity both in Europe and globally, and an integrated and significant part of total energy production. In addition to the actual expansion, the Paris Agreement, with the aim of limiting global warming below two degrees, is pointing the way ahead despite the disappointing outcome of the last climate conference in Madrid. The supply subsidy systems for wind and solar technologies will disappear in the medium term as these technologies will have become competitive. Over the next few years, we will continue along the path we have taken since 2008 to restructure ewz's power production portfolio.

The revision of the Electricity Supply Act (ESA) is intended to lay the foundations for the complete liberalisation of the market in Switzerland. Full-scale liberalisation will, however, only be possible from 2024 onwards. Pressure to reduce costs and to optimise will remain high due to the restructuring of the industry. Energy, grid and telecom services will continue to be expanded in the coming years to further reduce dependence on energy market prices. Broad diversification also helps reduce the volatility of net profit. For the grids operated by ewz in the city of Zurich and central Grisons, long-term secure supply and stable, predictable income are the goals of the next few years. ewz has set itself the goal of further increasing investments in the expansion of energy solutions in the coming years, thereby making a significant contribution to the reduction of CO₂ emissions.

ewz is planning to make annual investments of around 180 million Swiss francs in the coming years. This means that the fabric of the existing assets can be safeguarded for the long-term, while ensuring sustainable growth and the replacement of nuclear power plants.

Accounting principles

ewz is a service division of the Department of Public Utilities and Transport of the city of Zurich. As such, it manages its own accounts and is a separate accounting entity within the accounts of the city of Zurich. ewz is an in-house business and is required to finance itself without taxpayers' money. The statement of accounts and the budget are approved by the City Parliament together with the accounts of the city of Zurich on a yearly basis.

The accounts of the city of Zurich were prepared in accordance with accounting standard HRM2 effective 1 January 2019. The overarching accounting principles are based on the Municipalities Act (Gemeindegesezt) and the Municipalities Ordinance (Gemeindeverordnung) of the Canton of Zurich. The accounting principles are based on the cantonal decrees of the Municipalities Act (LS 131.1) and the Ordinance on the Municipal Budget (Gemeindehaushalt; LS 133.1). The Municipalities Ordinance provides for ewz to value and depreciate its non-current assets according to industry rules. The industry rules are determined by the Association of Swiss Electricity Companies and are based on the principles of Swiss GAAP FER.

The numbers used in the financial report are taken without change from the ewz accounting entity of the city of Zurich and are presented in a way that is typical of the industry and market.

Income statement

	Notes (from page 9)	2019 in CHF	2020 in CHF
Net revenues from goods and services	1)	953,740,897	995,438,095
Capitalised own services		29,697,839	31,246,396
Other operating revenue		4,862,937	4,287,751
Total operating income		988,301,673	1,030,972,242
Energy procurement	2)	- 364,174,914	- 438,074,640
Costs of upstream grids, system services and surcharges	3)	- 104,748,842	- 100,298,389
Material and third-party services		- 68,013,466	- 69,780,963
Personnel		- 150,096,062	- 152,032,334
Levies	4)	- 25,223,056	- 26,520,503
Other operating expenses		- 27,391,775	- 33,925,603
Total operating expenses		- 739,648,115	- 820,632,432
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		248,653,558	210,339,810
Change in provisions for naturemade star fund	5)	187,768	224,162
Depreciation and value adjustments		- 59,808,603	- 60,324,027
Earnings before interest and taxes (EBIT)		189,032,723	150,239,945
Financial result		11,808,588	11,054,690
Earnings before taxes (EBT)		200,841,311	161,294,635
Taxes		- 11,049,400	- 7,472,038
Net profit		189,791,911	153,822,597
Withdrawal/contribution to special reserve		- 109,791,911	- 73,822,597
Profit transfer to city treasury		80,000,000	80,000,000

Balance sheet

Assets			
	Notes (from page 9)	31.12.2019 in CHF	31.12.2020 in CHF
Cash and cash equivalents		5,359,584	9,109,844
City current account		344,890,112	391,008,291
Trade accounts receivable		137,472,178	139,117,495
Inventories		8,889,894	7,065,830
Prepaid expenses and deferred charges		63,615,213	54,780,161
Current assets		560,226,981	601,081,621
Financial assets	6)	463,558,939	464,785,589
Tangible and intangible assets	7)	1,218,311,266	1,290,478,809
Non-current assets		1,681,870,205	1,755,264,393
Total assets		2,242,097,186	2,356,346,019

Equity and liabilities			
	Notes (from page 9)	31.12.2019 in CHF	31.12.2020 in CHF
Trade accounts payable		81,867,975	75,462,873
Other liabilities		6,943,453	9,971,485
Down payments and instalments from customers		70,261,606	98,014,745
Accrued expenses and deferred income		54,828,413	65,216,574
Short-term liabilities		213,901,447	248,665,677
Provisions	5)	322,719,945	328,381,951
Long-term liabilities		322,719,945	328,381,951
Special reserve		1,595,683,884	1,705,475,794
Net profit		189,791,911	153,822,597
Profit transfer to city treasury		- 80,000,000	- 80,000,000
Equity capital		1,705,475,794	1,779,298,391
Total equity and liabilities		2,242,097,186	2,356,346,019

Cash flow statement

	2019 in CHF	2020 in CHF
Net profit	189,791,911	153,822,597
Depreciation	59,808,603	60,324,027
Change in provisions	10,967,156	5,662,006
Change in inventories	636,839	1,824,064
Change in accounts receivable	- 23,511,617	- 1,645,317
Change in prepaid expenses and deferred charges	- 31,735,707	- 8,835,052
Change in liabilities	- 4,601,911	- 3,377,070
Change in down payments and instalments from customers	19,642,095	27,753,139
Change in accrued expenses and deferred income	- 34,782,898	10,388,161
Cash flow from business activities	186,214,471	263,586,659
Investments in property, plant and equipment	- 109,395,613	- 132,491,570
Investments in financial assets	- 20,442,411	- 19,741,932
Divestment of property, plant and equipment and financial assets	-	18,515,282
Cash flow from investment activities	- 129,838,024	- 133,718,220
Change in liabilities due to city account	22,236,572	- 46,118,179
Profit transfer to the city of Zurich	- 80,000,000	- 80,000,000
Cash flow from financial activities	- 57,763,428	- 126,118,179
Net change in cash and cash equivalents at end of accounting period	- 1,386,981	3,750,260
Cash and cash equivalents at beginning of accounting period	6,746,565	5,359,584
Cash and cash equivalents at end of accounting period	5,359,584	9,109,844

Notes

1) Net revenues from goods and services		
	2019	2020
	in CHF	in CHF
Net revenues from sale of energy	485,321,501	534,811,690
Net revenues from grid usage	226,813,397	215,629,817
Net revenues from goods and services sold to communities	49,188,621	47,640,086
Net revenues from surcharge for transmission grid	63,798,981	61,102,807
Net revenues from telecom	28,147,705	31,342,047
Net revenues from energy services	61,920,541	62,752,582
Net revenues from operating supplies and services	38,550,151	42,159,066
Total	953,740,897	995,438,095

2) Energy procurement		
	2019	2020
	in CHF	in CHF
Energy procurement from partner plants	- 118,100,322	- 136,950,496
Energy procurement from the market	- 233,356,771	- 288,763,288
Fuels, energy for energy service facilities	- 12,717,821	- 12,360,856
Total	- 364,174,914	- 438,074,640

3) Costs of upstream grids, system services and surcharges		
	2019	2020
	in CHF	in CHF
Costs of upstream grids	- 33,275,799	- 33,217,033
Costs of system services	- 6,789,374	- 4,532,556
Costs of surcharges for transmission grid	- 64,683,669	- 62,548,800
Total	- 104,748,842	- 100,298,389

4) Levies		
	2019	2020
	in CHF	in CHF
Hydropower plant taxes	- 9,473,930	- 10,635,110
Water rates	- 10,617,502	- 10,617,841
Concession fees and services	- 4,400,039	- 4,519,439
Other levies	- 731,585	- 748,113
Total	- 25,223,056	- 26,520,503

5) Provisions		
	31.12.2019	31.12.2020
	in CHF	in CHF
Provisions for onerous contracts	306,143,226	312,085,461
Provisions for naturemade star Fonds	10,822,023	10,597,861
Provisions for other operational activity	5,754,696	5,698,629
Total	322,719,945	328,381,951

Notes

6) Financial assets

		ewz share in %		Share capital of company	ewz share of share capital	Carrying amount as at 31.12.2020 in CHF
Investments						
ewz (Deutschland) GmbH	DE-Konstanz	100.0	EUR	164,338,412	EUR 164,338,412	158,322,102
SunTechnics Fabrisolar AG	Küsnacht	100.0	CHF	1,000,000	CHF 1,000,000	139,000
Energie Naturelle Mollendruz SA	La Praz	86.2	CHF	6,300,000	CHF 5,430,000	1,321,578
LaZur Energie SA	Lausanne	51.0	CHF	2,900,000	CHF 1,479,000	1,479,000
AG Kraftwerk Wägital	Siebnen	50.0	CHF	15,000,000	CHF 7,500,000	7,500,000
smart grid solutions AG	Zurich	49.1	CHF	1,700,000	CHF 834,900	256,500
Eoliennes de Provence SA	Provence	40.0	CHF	6,000,000	CHF 2,400,000	2,400,000
Energiepark Sisslerfeld AG	Sisseln	40.0	CHF	4,000,000	CHF 1,600,000	2,400,000
Swisseldex AG	Bern	24.1	CHF	1,000,000	CHF 241,000	241,000
AKEB Aktiengesellschaft für Kernenergie-Beteiligungen	Lucerne	20.5	CHF	90,000,000	CHF 18,450,000	18,450,000
Kraftwerke Hinterrhein AG	Thusis	19.5	CHF	100,000,000	CHF 19,500,000	19,500,000
Blenio Kraftwerke AG	Blenio	17.0	CHF	60,000,000	CHF 10,200,000	10,200,000
Kraftwerke Oberhasli AG	Innertkirchen	16.7	CHF	120,000,000	CHF 20,000,000	20,000,000
Kernkraftwerk Gösgen-Däniken AG	Däniken	15.0	CHF	350,000,000	CHF 43,500,000	43,500,000
Etrans AG	Laufenburg	12.9	CHF	7,500,000	CHF 963,000	963,000
Maggia Kraftwerke AG	Locarno	10.0	CHF	100,000,000	CHF 10,000,000	10,000,000
Certum Sicherheit AG	Dietikon	9.1	CHF	110,000	CHF 10,000	120,000
Swissgrid AG	Laufenburg	8.7	CHF	319,033,726	CHF 28,005,241	53,603,089
Geo-Energie Suisse AG	Zurich	4.7	CHF	2,150,000	CHF 100,000	0
Total					Nominal value	Carrying amount as at 31.12.2020 in CHF
						350,395,269
Loans						
ewz (Deutschland) GmbH	DE-Konstanz		EUR	22,300,000		23,967,675
Swissgrid AG	Laufenburg		CHF	66,648,674		66,648,674
Energiepark Sisslerfeld AG	Sisseln		EUR	18,670,400		20,192,971
SunTechnics Fabrisolar AG	Küsnacht		CHF	1,100,000		1,100,000
LaZur Energie SA	Lausanne		CHF	1,581,000		1,581,000
smart grid solutions AG	Zurich		CHF	500,000		500,000
Eoliennes de Provence SA	Provence		CHF	400,000		400,000
Geo-Energie Suisse AG	Zurich		CHF	3,150,000		0
Total						114,390,320
Total financial assets						464,785,589

7) Tangible and intangible assets

	Status as of 1.1.2020 in CHF	Additions in CHF	Disposals in CHF	Reclassification in CHF	Status as of 31.12.2020 in CHF
Acquisition values					
Power plants	797,249,920	2,146,302	-	3,629,759	803,025,981
Energy distribution facilities	2,602,705,276	3,696,445	- 18,750,740	70,153,441	2,657,804,422
Public lighting	50,425,782	-	- 1,004,480	143,098	49,564,400
Energy solutions and grid services	315,760,050	15,137,852	- 959,293	22,984,583	352,923,192
Telecom systems	241,487,176	1,730,933	-	66,601	243,284,710
General facilities, properties, grounds	135,146,312	139,055	- 6,567	248,791	135,527,591
Software	148,840	304,624	-	761,058	1,214,522
Facilities under construction	134,884,215	108,714,341	-	- 97,987,331	145,611,225
Total	4,277,807,571	131,869,552	- 20,721,080	-	4,388,956,043
	Status as of 1.1.2020 in CHF	Depreciation in CHF	Disposals in CHF	Reclassification in CHF	Status as of 31.12.2020 in CHF
Cumulative depreciation					
Power plants	- 603,981,814	- 10,282,352	-	352,124	- 613,912,042
Energy distribution facilities	- 1,985,685,619	- 28,248,969	18,750,740	-	- 1,995,183,848
Public lighting	- 17,503,715	- 1,784,921	1,004,480	-	- 18,284,156
Energy solutions and grid services	- 142,144,479	- 12,184,265	939,293	- 352,124	- 153,741,575
Telecom systems	- 201,850,783	- 5,076,501	-	-	- 206,927,284
General facilities, properties, grounds	- 108,292,685	- 1,803,956	6,567	-	- 110,090,074
Software	- 37,210	- 301,045	-	-	- 338,255
Total	- 3,059,496,305	- 59,682,009	20,701,080	-	- 3,098,477,234
Total tangible and intangible assets	1,218,311,266		- 20,000		1,290,478,809

Performance and energy data

Installed power plant capacity

		2019	2020	
Hydropower	MW	986.1	982.3	→
Nuclear power	MW	295.8	295.8	→
Wind power	MW	162.4	325.0	↗
Photovoltaic and solar thermal energy	MW	4.7	5.6	↗
Fuel cells	MW	0.2	0.2	→
Total	MW	1,449.2	1,608.9	↗

Power generation

		2019	2020	
Hydropower	GWh	2,486.7	2,502.1	→
Nuclear power	GWh	2,156.2	1,877.6	↘
Wind power	GWh	447.8	711.7	↗
Waste-to-energy	GWh	59.2	59.1	→
Biomass*	GWh	65.3	112.2	↗
Photovoltaic and solar thermal energy	GWh	28.0	33.3	↗
Various generating plants	GWh	2.2	1.5	↘
Total	GWh	5,245.4	5,297.5	→

Energy procurement

		2019	2020	
Purchases from own power plants	GWh	1,340.8	1,436.9	→
Purchases from partner plants	GWh	3,286.2	2,935.7	↘
Purchases from third parties	GWh	174.7	217.2	↗
Trading	GWh	4,188.3	6,261.9	↗
Total	GWh	8,990.0	10,851.7	↗

Power supply

		2019	2020	
Levy Switzerland	GWh	3,638.5	3,332.6	→
Trading	GWh	5,154.2	7,304.4	↗
Pumped storage	GWh	197.3	214.7	→
Total	GWh	8,990.0	10,851.7	↗

Subsidy systems and Power Purchase Agreement (PPA)

		2019	2020	
Purchases to feed into subsidy systems and PPAs	GWh	443.7	707.7	↗
Subsidy system and PPA supply	GWh	443.7	707.7	↗

Energy solutions

		2019	2020	
Heating and cooling sales	GWh	360.5	379.1	→
CO ₂ reduction or avoidance	Tonnes	54,889	56,854	→

Telecom

		2019	2020	
Buildings with broadband connections	Number	39,764	40,034	→
Available broadband connections	Number	272,804	277,043	→

* incl. biomass share of waste incineration

ewz
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Zurich Municipal Electric Utility
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www.ewz.ch

March 2021
Only available electronically