



gaz  
nat

ANNUAL  
REPORT  
2017





# BOARD OF DIRECTORS

**President**  
**Philippe Petitpierre**  
*Chairman and CEO*  
*Holdigaz SA (Vevey)*

**Vice-Presidents**  
**Raphaël Morisod**  
*Chairman, Gazoduc SA (Sion)*  
*Until 12 June 2017*

**Jean-Albert Ferrez**  
*Chairman, Gazoduc SA (Sion)*  
*From 22 September 2017*

**Pierre Gautier**  
*Board member*  
*Geneva Industrial Services*

**Vincent Collignon**  
*Commercial Director*  
*Geneva Industrial Services*

**Jean-Yves Pidoux**  
*Director*  
*Lausanne Industrial Services*

**Marc-Antoine Surer**  
*Head of Sales,*  
*Lausanne Industrial Services*

**Antoine de Lattre**  
*Director*  
*Holdigaz SA, Vevey*

**Dominique Gachoud**  
*Chairman*  
*Groupe E Celsius SA, Fribourg*

**Remigio Pian**  
*Director of Energy and Products*  
*Viteos SA, Neuchâtel*

**Caroline Cavaleri Rudaz**  
*Company Secretary*  
*(non-board member)*  
*Gaznat SA, Vevey*

**Gilles Verdan**  
*Head of Networks*

**Henri Bourgeois**  
*Chief Financial Officer (CFO)*  
*Head of Finance and Services*

**Frédéric Rivier**  
*Head of Trading*  
*From 1 April 2017*

# STATUTORY AUDITORS

**KPMG SA, Lausanne**  
*Until 21 May 2017*

**Ernst & Young SA**  
*From 22 May 2017*

# MANAGEMENT COMMITTEE

**René Bautz**  
*Chief Executive Officer (CEO)*

**Bernard Corminboeuf**  
*Head of Trading*  
*Until 31 March 2017*

# GAZNAT IN BRIEF

Head office Lausanne  
Founding date 12 March 1968  
Financial year 1 January to 31 December  
Share capital CHF 27 million

## KEY FIGURES

Consolidated (CHF thousands)	2017	2016	2015
Revenues	529'387	484'243	479'418
Depreciation and amortisation	12'782	12'628	13'176
Cash flow	21'870	17'691	16'762
Total assets	407'029	394'074	376'044
Net capital assets	222'151	228'477	223'741
Net debt	87'982	89'433	64'121
Equity	132'154	126'937	117'588
Energy (GWh)*	13'185	12'812	11'398
Power (MW)	3'858	3'507	3'442

\* Distributed through Gaznat's network  
NB: 1 GWh = 1 million kWh = approximately 90,000 m³ of natural gas

## SHAREHOLDERS

### Shareholder structure as at 31 December 2016

Geneva Industrial Services	37,51 %	Groupe E Celsius, Fribourg	2,79 %
Lausanne City Council	26,89 %	Municipality of Yverdon-les-Bains	2,25 %
Holdigaz SA, Vevey	15,56 %	Urbagaz SA, Orbe	0,86 %
Gazoduc SA, Sion	9,67 %	Municipality of Sainte-Croix	0,66 %
Viteos SA, Neuchâtel	3,81 %		

# SHARE- HOLDINGS



### Swissgas SA

Business: representing the interests of the Swiss gas industry abroad and gas supply for Switzerland.  
Other shareholders: EGO, GVM, EGZ, ASIG



### Petrosvibri SA

Business: exploring for and operating hydrocarbon fields in Switzerland.  
Other shareholder: Holdigaz SA



### Unigaz SA (Union interrégionale pour le transport du gaz naturel)

Business: interconnecting Swiss transportation and distribution networks serving the Swiss plateau and Western Switzerland.  
Other shareholder: GVM



### Gas&Com SA

Business: building and operating opticalfibre networks running alongside gas pipelines.  
Other shareholders: EGO, GVM



### Fingaz SA (Financière Internationale du Gaz)

Business: financing gas storage and transportation facilities between Switzerland and France.



### gazmobile SA

Business: promoting natural-gas fuel for vehicles.  
Other key shareholders: EGO, GVM, EGZ, AIL



15,79%

**Swiss Gas Invest SA**

Business: acquiring, holding, administering and disposing of equity interests in all categories of companies operating in the natural gas industry.

Other key shareholders: Holdigaz, EGO, Swissgas, Gas&Com, Groupe E

## OUR HOLDINGS THROUGH SWISSGAS



100%

**Swissgas Speicher SA**

100%

**SET Swiss Energy Trading SA \***

Swissgas (100 %)



51%

**Transitgas SA**

Swissgas (51%), FluxSwiss (46%), UNIPER (3%)



10%

**SEAG Aktiengesellschaft für schweizerisches Erdöl SA**

Swissgas (10%)



4,9%

**FluxSwiss SA**

Swissgas (4,9%), Fluxys (50,65%), Swiss Gas Invest (7,89%), CSEIP (36,56%)



5,26%

**Swiss Gas Invest SA**

Swissgas (5,26%)

\* Of which 65% held on a fiduciary basis for regional companies (Gaznat 30.77%).



# 1968-2018 50 YEARS OF RELIABLE, LOYAL SERVICE

IN 1969, MARKET RESEARCH WAS CONDUCTED THAT LAID THE FOUNDATIONS FOR A HIGH-PRESSURE GAS TRANSPORTATION NETWORK IN WESTERN SWITZERLAND.

### Gaznat pivotal in the development of natural gas supply in Switzerland

Gaznat was formed on 12 March 1968 by seven entities active in the gas industry. These were Geneva Industrial Services, Lausanne City Council, Neuchâtel City Council, Gazoduc SA (Sion), the Compagnie Industrielle et Commerciale du Gaz (Vevey), Igesa (Le Locle) and the Swiss Gas Plant Federation (Zurich). The erstwhile objectives for which our company was formed were to conduct research, and apply for and obtain the necessary authorisations and concessions to build and operate pipelines for carrying natural gas to homes and businesses in Western Switzerland. At the time, natural gas was new to Switzerland; it was only due to reach the country for the first time in the early 1970s. In addition, Gaznat's founders decided to entrust the company with buying natural gas and selling it to its share-

holders and future customers. In 1969, a market study was conducted to lay the foundations for a high-pressure network for transporting natural gas that would supply the whole of Western Switzerland. Most of the demand was set to stem from the replacement of heavy oil with natural gas, estimated to represent nearly 75% of prospective requirements.

### Developing a transportation infrastructure for Western Switzerland

While the transportation network for Western Switzerland was being planned, measures were also being taken both nationally and internationally for Switzerland to secure the transiting of a key cross-border gas pipeline through Switzerland, linking up Northern European gas fields with Italy, which had recently opted for natural gas over nuclear power. In 1971, the main contract was signed, providing





(left to right)  
René Bautz, Chief Executive Officer  
and Philippe Petitpierre, Chairman

for the transit through Switzerland of 6 billion m<sup>3</sup> of gas annually over a 20-year period beginning in December 1973. Swissgas (founded in April 1971) would be entitled to draw 500 million m<sup>3</sup> of gas annually from this pipeline for supplying Gaznat and other regional gas companies. In September 1973, Gaznat laid the first pipeline along the bed of Lake Geneva – a world depth record at the time. The pipeline connected Les Grangettes and Geneva along a distance of almost 100 km. A further 70 km of land-based pipeline was laid between Bex and Les Grangettes and between Tolochenaz and Orbe. In November 1973, the laying of the gas pipeline linking the Netherlands and Italy was completed, just as the first oil crisis was beginning. On 15 April 1974, all construction work for laying the Gaznat pipeline was finished, except for a small stretch in the Geneva area. On 25 June of the same year, the transportation network was

## LIKE ENERGY COMPANIES AROUND THE WORLD, OUR COMPANY TODAY IS FACING A SHIFT IN ITS MARKETS AND WAY OF DOING BUSINESS.

inaugurated at the Aigle Control Centre. Natural gas was first supplied to Switzerland in time for the first oil crisis (1973), which gave a helping hand to the nascent gas industry in Switzerland because of the affordability of natural gas (the proportion of which as a percentage of total energy demand rose from 1.9% in 1973 to 4% in 1975).

### Gaznat strengthened infrastructure through updated supply contracts

New contracts were signed in quick succession by Switzerland. This enabled Gaznat to secure its supply base, most notably with the help of German giant Ruhrgas, which began supplying gas in 1977. This base contract is still one of the pillars of Switzerland's procurement, more than 50 years later. Gaznat lost no time in strengthening its supply network. A key link transiting via the Swiss plateau was created in 1979 through the formation

of the company Unigaz, in partnership with our colleagues at Gasverbund Mittelland AG (GVM), Fribourg (FRIGAZ) and Neuchâtel (GANSa) also harnessed this new pipeline to extend their cantonal distribution networks. For a long time previously, strong ties had existed between French and Western-Switzerland gas companies, and Western Switzerland was able to benefit from France's broad experience when it made the move to natural gas.

An agreement dating from 1976 facilitated the supply of natural gas to French regions close to Lake Geneva, between the Geneva area on the French side and Evian, before the arrival of the French pipeline around a decade later. After working successfully with Germany, the Swiss gas industry was thus able to forge ties with France over a period of several years. This relationship is still going strong today. Healthy business ties also led to a strengthening of the transporta-

tion network in Western Switzerland, following construction of the Etrez - La Cure - Gland gas pipeline, which was inaugurated in October 1989 and which gave Gaznat access to the deep underground storage facility at Etrez (France). This strategic asset made Gaznat the first Swiss company to have a physical storage facility at its disposal. Gaznat's network continued to develop strongly in the mid-1990s with the completion of the high-capacity pipeline between Ruswil (Lucerne) and Altavilla (Fribourg), enabling Unigaz to link up with the Transitgas main pipeline. This was followed by the installation of the second underwater gas line. Geneva and France were also connected across Geneva's southern border. The latest key development, dating back to 2013, was the direct physical link-up between the main pipeline at La Cure and Geneva.

NATURAL GAS HAS A PIVOTAL ROLE TO PLAY IN THE ENERGY TRANSITION AND WE ARE MAKING PREPARATIONS TO ADAPT.

Throughout its 50 years, Gaznat has grown harmoniously, constantly meeting the changing needs of its shareholders.

#### GAZNAT is preparing for the next steps in the energy transition

Throughout its 50 years, Gaznat has grown harmoniously, constantly meeting the changing needs of its shareholders.

At present, our company – like every other company in the energy industry – is having to contend with changing trends in its markets and business models. Most notably we are making preparations for gas-market deregulation and shifting our procurement practices predominantly away from long-term supply contracts, which have without fail proven their stability and led to high-quality relationships with our suppliers, based around an

ethos of mutual trust and respect. Thanks to this way of working, our company has been able to fulfil its commitment to Western Switzerland by providing natural gas, never falling short of the mission assigned to it by its shareholders. New times bring new challenges. The modern practice of deregulation is changing our business model. We are busy making preparations for the paradigm shifts in the energy industry approved by referendums in Switzerland. During this transition, natural gas will continue to play a pivotal role. At the same time, we are preparing to develop our energy source in a different direction in terms of its composition. Indeed, we want to shift the form of the gas we supply from a fossil fuel to a green energy source by committing to injecting an ever-rising proportion of renewably sourced gas into our transportation network. This will allow for a smooth but also a realistic and smart transition, borne out of a conviction that we should be transporting a modern energy source while ensuring that existing transportation and distribution networks will still have their place in the decades to come. Fifty years

of efficient, loyal service, fifty years of contracts performed to the full satisfaction of our shareholders and customers, setting the standard for the gas companies of the future as they strive to remain key contributors to the prosperity of our economy for many years to come, while respecting the environment.

#### Gas infrastructure key to security of power supply in Europe

Europe and China were the two economic regions where sales of natural gas rose the fastest in 2017, increasing by 5% and 13% relative to 2016. This mainly arose as gas was substituted for coal in power stations and output increased strongly in gas-fired plants. In January 2017, power was in short supply on the European market because of a cold snap during which several nuclear reactors in France had been taken off line. Gas-fired plants were working at full tilt.

It is thanks to this seasonal storage of natural gas that network bottlenecks could be resolved. The cold conditions in the early months of 2017, and the

13.2  
TWh

THIS REPRESENTS A NEW RECORD IN TERMS OF THE GAS TRANSPORTED BY GAZNAT'S NETWORK.

role played by gas, once again proved the importance of encouraging convergence between electricity and gas networks as a way of ensuring continuity of supply.

#### A positive year for Gaznat

Gas volumes sold by Gaznat rose by 3.3% in 2017, outpacing the Swiss average (0.5%) by a wide margin. This reflected a 0.8% increase in sales to partner distributors (including climate effect) and a solid 22% rise in sales to industrial customers. The total annual volume transported on Gaznat's network reached a new high of 13.2 TWh. Power supplied also set a new record at 3,858 MWh. Since early 2017, Gaznat Trading has been expanding its services and offers partner distributors a range of products to help them structure their procurement. At the same time, gas trading on the wholesale market has been largely computerised. We also noted increased demand for renewable energy products such as biogas certificates. In the infrastructure sector,

investments were made to modernise network equipment and guarantee the operational safety of gas pipelines. Digitalisation also continued in this business unit, with the development of industry applications.

In 2017, Gaznat's revenues rose by 9.3% to CHF 529 million, reflecting increased sales and higher average energy prices on the wholesale market. The company's financial position was also reinforced, as illustrated by a decrease in net gearing to 67%, while cash flow from operations rose by almost 22%.

We would like to take this opportunity to thank all our business partners and employees for their steadfast commitment to the company throughout the year under review.



Philippe Petitpierre  
Chairman



René Bautz  
Chief Executive Officer



# I NDUSTRY DEVELOPMENTS



As renewable energy becomes more common, natural gas will be the only fossil fuel whose usage will grow between now and 2050.

 1%

#### RISE IN DEMAND FOR NATURAL GAS IN OECD COUNTRIES

According to statistics from the International Energy Agency, natural gas consumption rose in OECD countries by 1% in 2017. In European OECD countries, the growth rate was 4.8%, encouraged by power generation from gas-fired plants. In Switzerland, gas sales amounted to 39.2 TWh, which was 0.5% higher than in 2016. A report published in 2017 under the aegis of the World Energy Council forecasts that, as renewable energy becomes more common, gas will be the only

fossil fuel whose usage will grow between now and 2050 globally. The most sizeable increases will be seen in Asia, predominantly in China and India, where new laws have come into force to improve air quality. In the nearer term, natural gas will be heavily used to generate electricity because of strong demand in that sector. However, experts also warn that the development of natural gas will be contingent upon the industry's ability to integrate new technologies such as biogas, power-to-gas and carbon capture. This is what is needed to position gas as a transitional energy and, more importantly, an energy source of the future.

 43%

#### AMBITIOUS TARGETS: A DECLINE IN AVERAGE ENERGY CONSUMPTION PER CAPITA OF 16% BY 2020 AND 43% BY 2035.

## ENERGY POLICY

The new 2050 Energy Strategy for Switzerland was approved by referendum last year. By voting it through, the Swiss population laid the foundation for a new nuclear-free energy paradigm in which renewable energies would be developed and greater emphasis placed on energy efficiency. The ambitious targets aim at a 16% reduction in average energy consumption per capita by 2020 and a 43% reduction by 2035, taking 2000 as the reference year.

Even though it is focused on the electricity sector, the new strategy offers an opportunity for natural gas to stake its claim on the cogeneration plants being developed, including partial repayment of the CO<sub>2</sub> tax and the possible introduction of a certificate of origin for renewable gas sources. The Swiss Federal Office of Energy (OFEN) is also pushing for integrated energy systems. This includes bringing different energy sectors together to make optimal use of the gas infrastructure. In the area of climate policy, the amending of the CO<sub>2</sub> Act is likely to be extensively debated in the Federal Assembly, since the Federal Council's blueprint contains several controversial proposals.

Last year, OFEN published its final report on the preparatory work concerning the future Gas Supply Act. The gas industry was able to participate in these preparations. The consultation phase for the bill has been deferred until summer 2019. According to the report, the main pillars of the bill will be as follows:

- Partial liberalisation of the market with a qualifying threshold set at annual consumption of 100 MWh.
- A market access model based on the "city gate" concept, with an entry/exit tariff applicable to the transportation network and gradual integration of transit flows.
- Regulation of network costs.
- Daily management of energy mix.
- A single regulator.
- A coordinator and a manager for the market segment.

Unlike in the electricity industry, it will not be necessary to set up a nationwide gas-transportation company.



# SERVICES

GAZNAT'S SERVICES

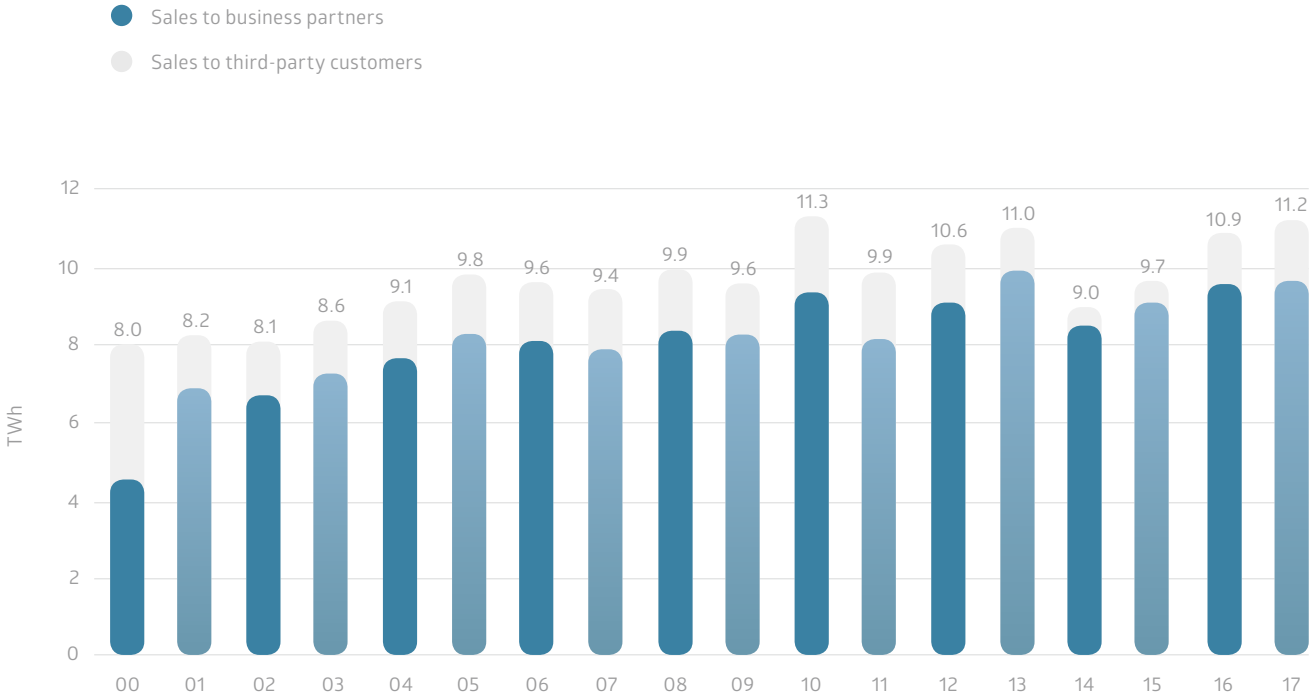


# TRADING



2.75%

CONSUMPTION BY GAZNAT CUSTOMERS UP 2.75%.





39.2 TWh  
IN 2017

In 2017, natural gas consumption in Switzerland increased by 0.5% relative to 2016 to stand at 39.2 TWh.

According to the Swiss Meteorological Office, 2017 was the sixth warmest year since records began in 1864. The average annual temperature was 0.1°C higher than in 2016, and 0.8°C higher than the average for 1981 – 2010. January was a very cold month: 2.9°C colder than the average for the last thirty years. By contrast, the spring and summer were very warm. In fact the summer was the third hottest since 1864, and was 1.9°C warmer than the average for 1981 – 2010. Cold, snowy weather returned from November onwards.

Consumption increased for the fourth consecutive year in the area served by Gaznat

In the area covered by Gaznat, temperatures were slightly warmer (by 0.1°C) in 2017 than in 2016. In 2017, there were 0.8% fewer annual heating degree days (20/12 HDDs)<sup>1</sup> than

in 2016. The volume of natural gas delivered by Gaznat to its business partners and direct customers totalled 11.2 TWh in 2017, up 2.75% on 2016 and just below the record 11.3 TWh achieved in 2010. Gaznat's sales have therefore risen for the last four years, at a compound annual growth rate of 5.6%. After correcting for differences in the weather, consumption by Gaznat's business partners (shareholder customers) increased by 1.7% relative to the previous year. Consumption by Gaznat's direct industrial customers went up by 23%.

Sharp rise in market price of gas since the summer

Market prices in Germany (NCG<sup>2</sup>) and the Netherlands (TTF<sup>3</sup>) fluctuated strongly during 2017.

There was a sudden price rise to €23.3/MWh on the NCG at the start of February in reaction to the cold snap, followed by a gradual decline to €14.9/MWh by the beginning of August. Prices recovered in line with the oil price during the last four months of the year, hitting €22.2/MWh in mid-December. The price stood at €19/MWh by the end of the year, mainly because of the mild temperatures being forecast for early 2018.

over periods of 5 to 8 months, lag slightly and therefore follow this trend after a short delay.

Adjustments to Gaznat supply portfolio

Generally speaking, the terms governing medium/long-term supply contracts have changed significantly in recent years. Previously, the contracts included minimum take-or-pay volumes. This type of contract was notable for imposing a two-way limitation: the supplier was limited to delivering a maximum annual volume to the customer, while the customer had to withdraw and/or pay for a minimum volume – often amounting to 70-80% of the maximum annual volume. This flexibility enabled climatic fluctuations to be managed from one year to the next. Nowadays, medium/long-term contracts increasingly specify minimum volumes, which have usually been greatly reduced and sometimes even eliminated altogether.

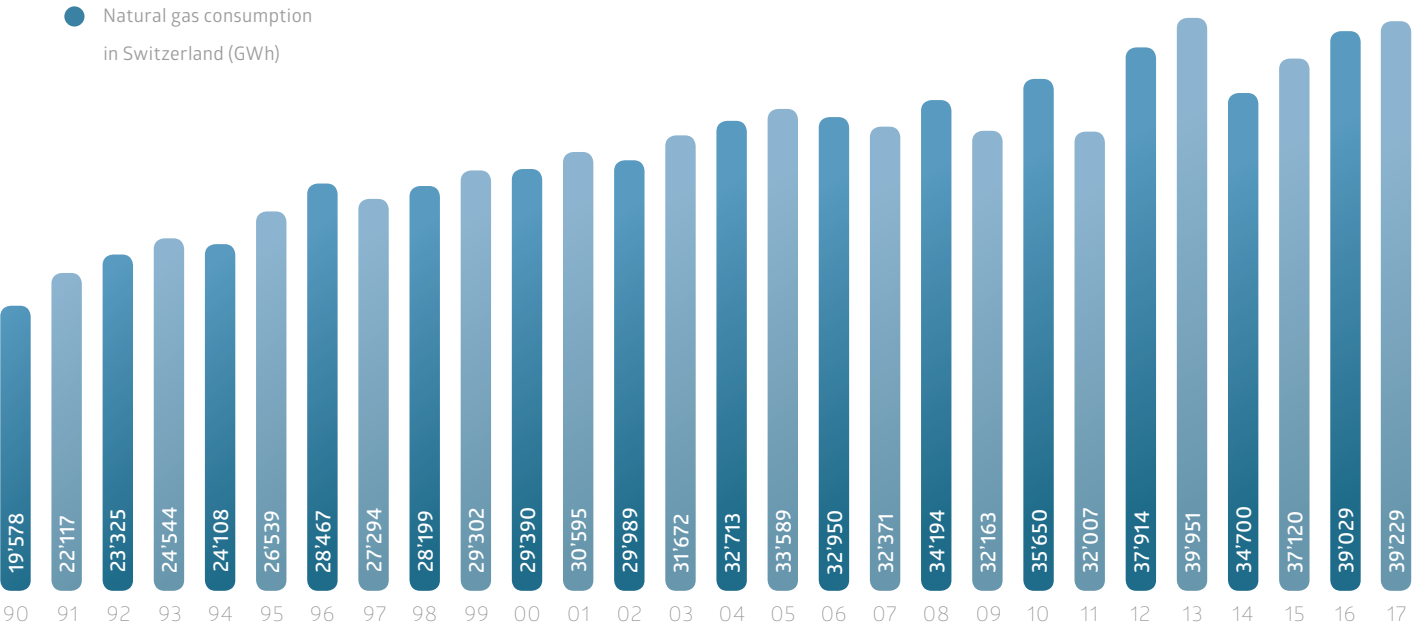
Until recently, medium/long-term contracts were indexed to the price of oil products. In 2005, oil-indexed gas still accounted for 72% of the natural gas consumed in Europe.<sup>4</sup> Eleven years on,

oil-indexed gas accounted for only 9% according to the IGU Wholesale Gas Price Survey (2017 Edition). By then, most of the oil-indexed contracts had been replaced or renegotiated, and "market" indexations substituted for oil indexation. At the end of 2017, 15% to 20% of Gaznat's supply was still indexed to oil products, while the majority is now dependent on market prices, through either indexing of medium/long-term contracts or wholesale market purchases. As a result of higher gas and oil prices in 2017, Gaznat's import prices rose by around €2/MWh relative to 2016. The Trading division was nevertheless able to take advantage of market opportunities in order to optimise supply, and to carry out a number of arbitrages which allowed it to make better use of portfolio assets that remain unutilised at certain times of the year.

GAZNAT'S SALES HAVE BEEN RISING FOR 4 YEARS.

Upward trend in the price of oil products

The Brent crude price was \$55.5 a barrel at the start of the year. It then fell to \$44.8 by 21 June, before entering a long phase of almost constant increases which pushed it up to \$66.9 by the end of the year. The price of long-term contracts indexed to oil products, especially when averaged



<sup>1</sup> 20/12 heating degree days: when the average daily outdoor temperature is below 12°C, 20/12 HDDs are calculated using the difference between 20°C and this temperature.  
<sup>2</sup> NCG: Net Connect Germany (virtual trading point for the southern Germany region)  
<sup>3</sup> TTF: Title Transfer Facility (virtual trading point for the Netherlands)  
<sup>4</sup> Belgium, Denmark, France, Germany, Ireland, Luxembourg, Netherlands and UK



15 to  
20%

OF GAZNAT'S SUPPLY IS  
STILL INDEXED TO  
OIL PRODUCTS

Long-term contracts remain the backbone of Gaznat's supply chain.

These long-term contracts remain the backbone of Gaznat's supply chain. They are gradually being adjusted to take greater account of market conditions.

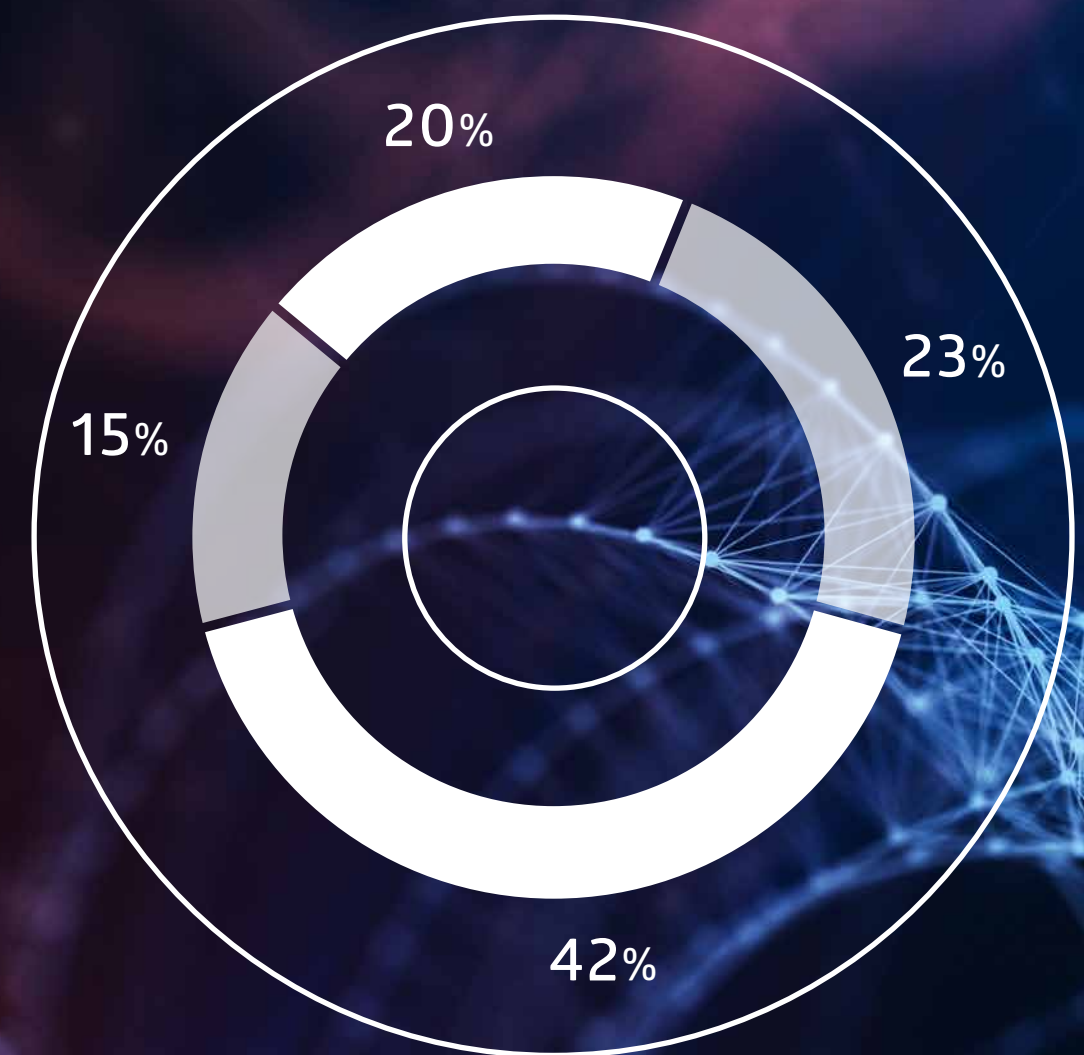
They continue to help guarantee security of supply – an essential consideration since no gas deposits are being exploited in Switzerland and nor are there any seasonal storage facilities at present. Since some current long-term contracts are set to expire in 2019 and 2020, Gaznat's supply strategy needs to be reviewed in the light of the development of the NCG and TTF marketplaces, the forthcoming merger of the northern and southern zones in France, which is planned for November 2018, and new opportunities for reverse flow from Italy via the Transitgas pipeline system. A reverse flow project was launched in spring 2017.

**Development of new products and associated services for business partners and customers**

With the reduction in the "oil" segment of the supply portfolio, and with price formulae taking account of average prices (over 5 to 8 months), there was a significant increase in price volatility as regards gas sales to business partners. Gaznat therefore offers portfolio management services to its business partners and implements hedging transactions for market risk on their behalf. For certain business partners wishing to fine-tune their supply, Gaznat has since 1 January offered to supply them by product, giving the partners concerned the opportunity to optimise these products in line with market price signals and their own consumption. Business partners may also buy or sell quantities of gas at the market price via a secure and user-friendly platform.

Gaznat also offers renewable products. These use Swiss or German "bio-gas" certificates, which allow business partners to offer their residential customers gas derived partly or wholly from renewable sources.

## BREAKDOWN OF SUPPLIES



42% OTHER  
20% UNIPER

23% ENGIE  
15% GASTERRA

An abstract graphic on the left side of the page depicts a complex network of interconnected nodes and lines. The nodes are small, glowing spheres in shades of blue and orange, while the connecting lines are thin, translucent blue and orange strands. The overall effect is a sense of dynamic connectivity and data flow against a dark background.

# N ETWORKS

RECORD-BREAKING YEAR



# NETWORKS, RECORD-BREAKING YEAR

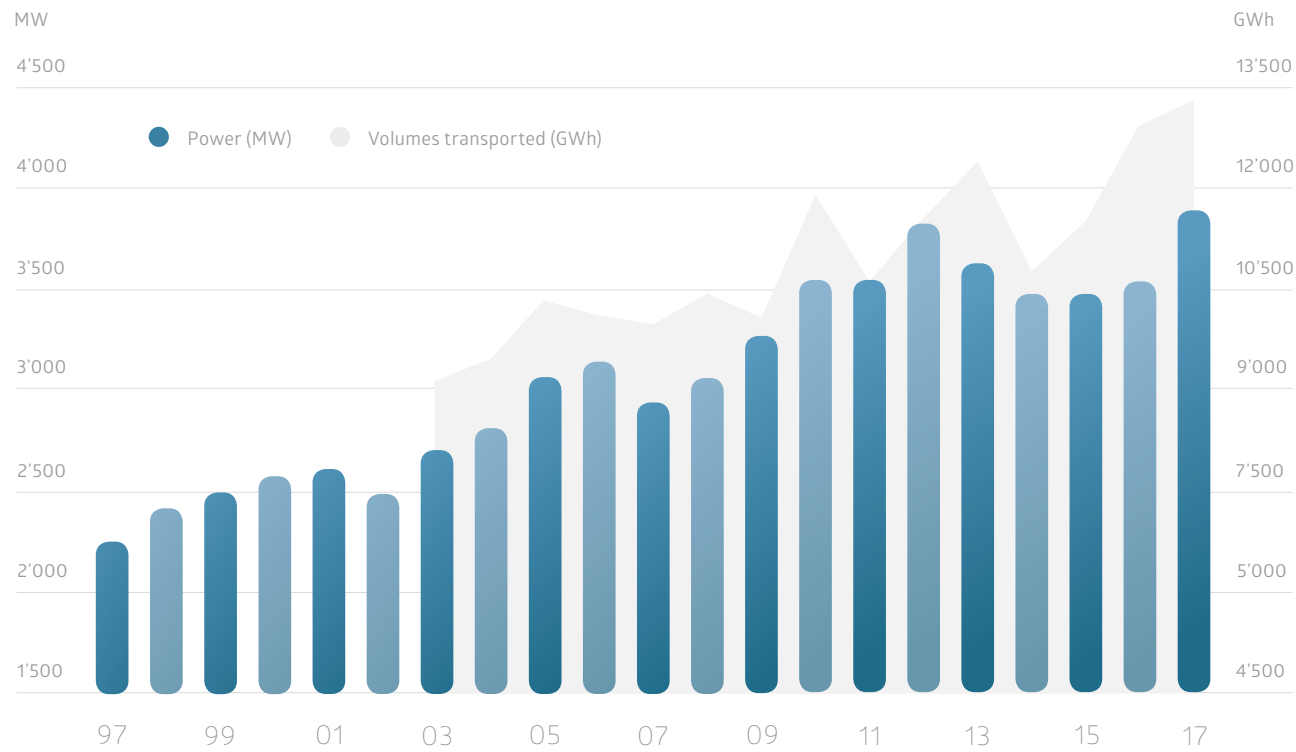
In 2017, peak power on Gaznat’s network reached 3,858 MW – a new all-time high, up 10% on the figure for 2016 (3,507 MW).

POWER MEASURED

3’858 MW

VOLUMES TRANSPORTED

13’185 GWh

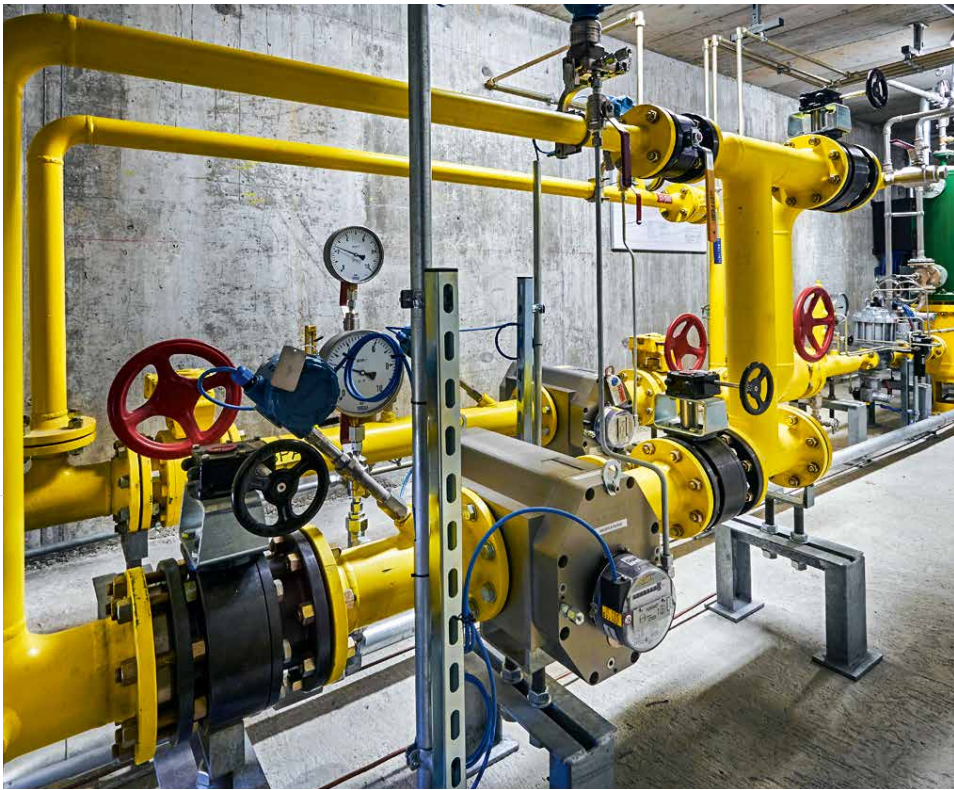


There was an appreciable rise in the volumes transported in 2017, with year-on-year growth of 2.9% to 13,185 GWh – another all-time record.

These results are primarily due to a noticeable increase in the volumes transported for the industrial sector.

### Niedergesteln metering and regulating station

New metering line installed.  
New equipment brought into service in August 2017.



## SAFETY

AS IN PREVIOUS YEARS, VARIOUS MEASURES WERE INTRODUCED LAST YEAR WITH THE AIM OF ENSURING OR INCREASING THE SAFETY OF TRANSPORTATION INSTALLATIONS IN THE FOLLOWING AREAS:

- Monitoring third-party works near gas installations: 87 approvals issued by the Federal Pipelines Inspectorate – a sharp rise of 14% compared with 2016.
- Weekly aerial surveys of the entire length of the gas pipelines, which revealed two cases of third-party works that had not been approved in advance.
- Slabs laid in several sectors in order to provide additional mechanical protection for the pipelines.
- Sending a smart pig through a gas pipeline to check for damage. No anomalies were detected during these monitoring procedures.

## WORKING FOR OUR CUSTOMERS

Last year, Gaznat worked on several large-scale studies and other projects, including:

- Expanding the Niedergesteln metering and regulating station by adding another metering line.
- Modernising metrology and electro-technics equipment at the Altavilla interconnection station.
- Replacing a safety valve at the La Louvière (Geneva) customs post.

An abstract graphic on the left side of the page. It features a blue wireframe globe with a network of thin white lines connecting various points. These points are represented by small, colorful circles in shades of yellow, orange, red, and white. The background is a deep blue with a bokeh effect of larger, out-of-focus circles in similar colors.

# FINANCES AND SERVICES



# REVENUES UP

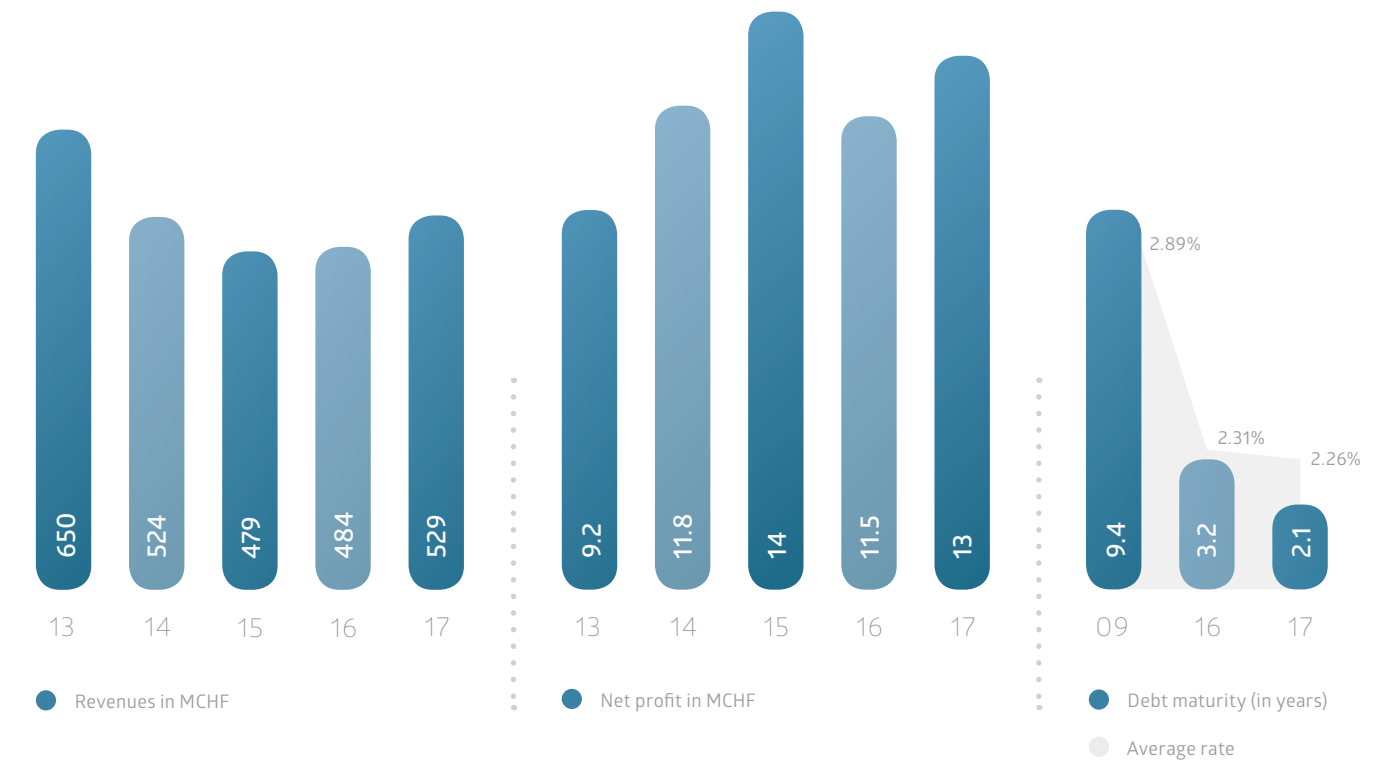
67

NET GEARING,  
IN %

2.5

NET MARGIN,  
IN %

The rise in gross profit, which was up by 9.3%, and in net profit, which rebounded to CHF 13 million, illustrates the company's solid financial performance.



Gaznat SA's revenues continued on an upward trend in 2017 thanks to a surge in gas and capacity sales to business partners as well as industrial customers, together with a minor currency effect in the later months when the euro bounced back against the Swiss franc, moving from 1.09 to 1.17 CHF versus the euro by the end of the year.

Revenues rose to CHF 529 million, which was up 9.3% on 2016, thus returning to much the same level as 2014, when they came to CHF 525 million.

Both business units of the company contributed, with Trading boosting sales by 9.9% and Networks by 6.3%. The rise in gross profit, which increased by 9.3%, and in net profit, which rebounded to CHF 13 million, illustrates the company's solid financial performance. The net margin over sales was 2.5% for the third consecutive year.

Group net debt rose slightly compared with the previous year, reflecting the company's solid balance sheet, with

net gearing (net debt divided by equity) of 67%. The average cost of debt fell slightly to 2.26%. The short maturity (2 years and 1 month) indicates that major refinancing will be needed in 2018 and especially 2019. Gaznat will negotiate the best possible terms against a backdrop of gradually increasing market rates.



# RESEARCH AND DEVELOPMENT

Considerable progress has been made on the six research projects selected by Gaznat.

The agreement with the Swiss Federal Institute of Technology Lausanne (EPFL) to fund research projects relating to natural gas at the EPFL laboratories and institutes has entered its second year. Considerable progress has been made on the six research projects selected, which cover the following topics:

- Carbon management (capture, use and storage);
- Gas-driven mobility (natural gas, hydrogen and fuel cells);
- Power-to-gas and gas-to-power technology;
- Biogas and methanation.

Following discussions between Gaznat and the EPFL under the aegis of the Science Committee, it was decided that legal and technical investigations would be carried out to determine whether the results of three of these projects are patentable.





# INTERVIEW PROFESSOR ZÜTTEL

FULL PROFESSOR OF CHEMISTRY  
AND DIRECTOR OF THE LABORATORY  
OF MATERIALS FOR RENEWABLE  
ENERGY AT THE EPFL VALAIS  
WALLIS IN SION.

## What is the framework for your collaboration with Gaznat?

Gaznat has concluded an agreement with the EPFL with the aim of launching calls for projects at its laboratories and research institutes. Several projects are being conducted at the Energypolis Campus of EPFL Valais Wallis in Sion. We are working on two projects in particular: a demonstrator that can convert solar energy into synthetic methane and a reactor that can create both synthetic methane and

heat for decompressing gas in a delivery station.

## What are these projects all about?

The first project is the demonstrator, which we have set up in our building in Sion. It converts the solar energy collected on the roof, via photovoltaic cells, into electricity. This electricity is next converted into hydrogen, then combined with CO<sub>2</sub> to produce synthetic methane. It has allowed us to demonstrate how a source of

renewable energy can be used to produce methane so that this energy can be stored in the existing gas infrastructure. The second project is a new-generation reactor which is being installed in the Sion delivery station. Up to now, Gaznat has been burning gas to produce the heat required for decompressing natural gas in the stations, thus emitting CO<sub>2</sub>. With this reactor, we can combine hydrogen with CO<sub>2</sub> to produce heat and methane. The heat is used to decompress the gas passing through the station

The EPFL provides the necessary human resources, academic expertise and technical knowledge to carry out the projects. Gaznat provides financial support, of course, but also offers a technical and industrial perspective on the issues studied, which benefits the overall progress of our projects.

AMBITIOUS  
TARGETS:  
A DECLINE IN  
AVERAGE ENERGY  
CONSUMPTION PER  
CAPITA OF 16% BY  
2020 AND 43%  
BY 2035.

and the residual synthetic methane is injected directly into the network. This process therefore creates gas and reduces CO<sub>2</sub>, which is very important in view of the company's increased efforts to reduce its carbon footprint. This method thus softens the delivery station's environmental impact and cuts the company's costs.

## What does Gaznat make you think of?

I would say that Gaznat, as a supplier of conventional energy carriers, shows exceptional vision in this field. Indeed, a good number of traditional energy companies remain largely focused on

their traditional core business, despite claiming to be forward-looking and keen on renewables. Unlike such companies, Gaznat is clearly shifting its focus towards the eco-transition and is already working on the next stage, in which renewables will play an integral role. It is therefore very motivating to work with such a dynamic, innovative company.

Interview by  
Laura Giaquinto  
Sion, 13 March 2018







depuis 1968

Gaznat SA  
Av. Général-Guisan 28 | CH - 1800 Vevey  
T. +41 58 274 04 84 | F. +41 58 274 04 85  
[www.gaznat.ch](http://www.gaznat.ch) | [info@gaznat.ch](mailto:info@gaznat.ch)