

Financial Report

Management Report

This Management Report covers both the requirements pursuant to Art. 961c CO (Code of Obligations) in connection with the statutory financial statements as well as the provisions on the «Annual Report» relating to the financial statements in accordance with Swiss GAAP FER (Swiss GAAP FER framework concept, paragraphs 7 and 34).

Regulatory business model

Legal and regulatory environment

The electricity industry's value chain can basically be divided into the following areas: electricity generation, electricity transmission, electricity distribution and electricity consumption. As the owner and operator of Switzerland's extra-high-voltage grid, Swissgrid is responsible for electricity transmission.

The high investments for the construction of the transmission system, rising economies of scale (in view of falling marginal costs) and high irreversible costs result in a natural monopoly in the area of electricity transmission. This has been structured as a legal monopoly by the legislator based on the Electricity Supply Act (StromVG) and the Electricity Supply Ordinance (StromVV).

The Federal Electricity Commission ElCom oversees compliance with the Electricity Supply Act and the Electricity Supply Ordinance. It is the independent state regulatory authority in the electricity industry and is allowed to issue rulings where necessary, against which there is a right of appeal to the Federal Administrative Court with the possibility of appeal to the Federal Supreme Court.

Given the public interest in the secure national supply of electricity, the resulting legislation and relevant supervision by the regulator, Swissgrid's business activities are overwhelmingly subject to strict regulation.

Business activity

As the National Grid Company, Swissgrid is responsible for the non-discriminatory, reliable and efficient operation of the transmission grid as well as its sustainable and efficient maintenance. The renovation and demand-driven expansion of Switzerland's extra-high-voltage grid are also considered amongst the company's most important tasks.

Swissgrid also provides additional services, such as balance group and congestion management or ancillary services (AS) as part of the European and Swiss grid operations. In addition to representing national interests, Swissgrid makes an important contribution to ensuring the secure supply of electricity for Switzerland.

Cost-plus regulation

Swissgrid's legal mandate and business activities expose the company to costs that can be passed on to the lower grid levels and end consumers in the form of tariff revenues if the regulator deems the costs to be chargeable. ECom has the right to verify ex post the chargeability of Swissgrid's costs for tariff-setting purposes.

Chargeable costs include the operating and capital costs of maintaining a secure and efficient grid. Chargeable costs also include an adequate operating profit. As a result, this is referred to as «cost-plus» regulation: «cost» stands for the cost recovery principle and «plus» stands for the operating profit.

Chargeable operating and capital costs

Chargeable operating costs include the costs for services directly related to the operation of the grid. Examples include costs for maintaining the grid, costs for providing the ancillary services, personnel expenses, costs for materials and third-party supplies as well as direct income taxes.

Chargeable capital costs include depreciation/amortisation and imputed interest. The amount of imputed interest is directly dependent on the assets required to operate the grid (invested operating assets, IOA) and the applicable regulatory interest rate ($WACC_{t+0}$). $WACC_{t+0}$ means that the WACC specified for this year also applies to the current financial year.

In particular, the IOA consists of the transmission grid assets (including construction in progress), intangible assets as well as the net current assets determined on a monthly basis.

Volume- and tariff-related timing differences

Swissgrid calculates the required tariff revenues ex ante based on budgeted costs (operating and capital costs). Volume and price differences between the «actual» situation for a year and the «budgeted» situation for the same year regularly lead to differences between the actual costs and actual income for a year. These differences are referred to as volume- and tariff-related timing differences and are rectified over the coming years. If effective costs exceed the tariff revenues for the same year, this results in a deficit. This deficit can be eliminated over subsequent years by increasing the tariff.

By contrast, if tariff revenues exceed effective costs for the same year, this results in a surplus, which must be used to reduce tariffs over subsequent years.

Volume- and tariff-related timing differences are also subject to interest at the WACC rate and have an impact on capital costs. In contrast to the IOA, volume- and tariff-related timing differences are subject to interest at $WACC_{t+2}$. Deficits increase capital costs, while surpluses reduce them.

Profit regulation

The legal framework in place for Swissgrid means that the EBI (earnings before interest) of the regulated business area is essentially a multiplication of the invested operating assets (IOA) with the capital cost rate ($WACC_{t+0}$) and the interest applied to the volume- and tariff-related timing differences ($WACC_{t+2}$). Additional profits may arise from Swissgrid's unregulated business area.

The EBI is then used to compensate Swissgrid's stakeholders via interest on liabilities and return on equity (dividends and/or profit retention). The cost-plus regulation therefore leads to a return in the

amount of the capital cost rates to be applied.

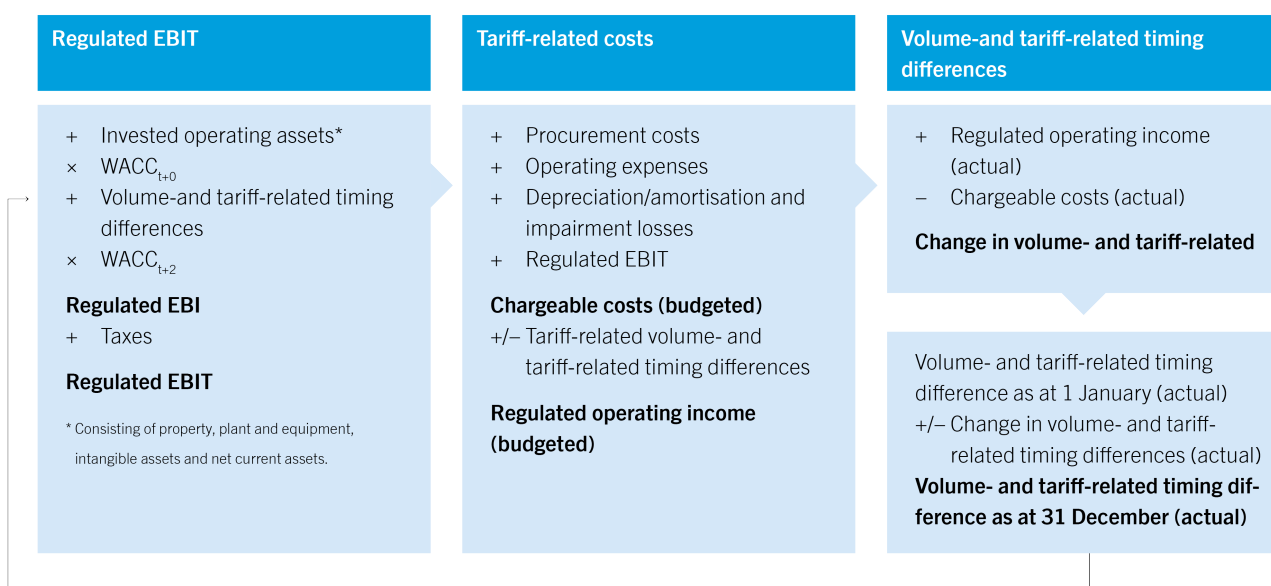
Imputed capital cost rate (WACC)

The WACC is an imputed interest rate defined annually based on the electricity supply legislation. It applies equally to all grid operators.

The WACC is calculated methodically taking account of the current Best Practice guidelines provided by the Federal Department of the Environment, Transport, Energy and Communications (DETEC). The methodology was developed specifically for the regulation of electricity grid operators and intends to ensure security of investment for these operators. With regard to the financing structure, the WACC calculation assumes an equity share of 40 per cent and a borrowed capital share of 60 per cent. Specific thresholds apply for the individual capital cost parameters.

As the WACC represents an imputed interest rate for the electricity industry, Swissgrid's actual capital costs are not included in the tariff calculation. On the other hand, this means that Swissgrid is responsible for determining how the imputed interest received via the tariffs is distributed to shareholders and lenders.

Illustration of the regulatory business model



Business performance (values pursuant to Swiss GAAP FER)

Procurement costs

At CHF 417.5 million, procurement costs are CHF 189.0 million higher than the previous year's value of CHF 228.5 million. This increase is primarily due to higher costs of CHF 161.4 million for control power provision and AS energy in the general ancillary services segment as well as higher procurement costs of CHF 23.3 million for active power loss. The increase in these costs is primarily due to rising electricity prices in the second half of 2021. In the grid utilisation segment, additional remuneration to former transmission system operators rose by CHF 24.6 million compared to the previous year. By contrast, national redispatch costs in the grid utilisation segment and expenses for grid enhancement in the

general ancillary services segment decreased by CHF 13.4 million and CHF 5.4 million respectively in relation to 2020.

Operating expenses and depreciation/amortisation

Operating expenses rose by CHF 3.6 million year on year, from CHF 224.8 million to CHF 228.4 million.

At CHF 94.5 million, costs for materials and third-party supplies remained unchanged from the previous year. In the 2021 financial year, remuneration for easements, including easement management services performed by third parties, declined by CHF 7.8 million year on year. By contrast, expenses for projects, advisory services and non-cash benefits increased due to the implementation of Strategy 2022 measures. The implementation of Strategy 2022 includes measures to secure the supply of electricity and improve the safety of people, systems and the environment. For the same reason, personnel expenses increased by CHF 4.4 million compared to the previous year. The annual average number of full-time equivalents in 2021 amounts to 582.4 FTE (previous year: 540.4 FTE).

The scheduled depreciation/amortisation on property, plant and equipment and intangible assets amounted to CHF 179.0 million in 2021, an increase of CHF 24.2 million on the previous year due to the rise in non-current assets.

Revenue and volume- and tariff-related timing differences

For the 2021 financial year, net turnover across all segments amounts to CHF 715.1 million. This represents an increase of CHF 126.9 million in relation to the previous year's figure of CHF 588.2 million.

The rise in turnover is predominantly due to the CHF 65.3 million increase in tariff revenue as well as higher income from auctions for the reduction of chargeable grid costs of CHF 61.1 million in the grid utilisation segment. In addition, the general ancillary services segment recorded growth in income of CHF 28.9 million from balance group balance energy. By contrast, tariff income in the active power loss segment decreased by CHF 29.0 million.

In the 2021 financial year, the operating business activities reported net deficits (cumulative surpluses less cumulative deficits) of CHF 279.7 million (previous year: CHF 107.9 million). In particular, the grid utilisation and general ancillary services segments posted deficits of CHF 122.6 million and CHF 150.6 million respectively due to the higher procurement costs.

As at 31 December 2021, a net deficit of CHF 326.3 million exists (previous year: CHF 55.1).

EBIT, financial income and net income

Earnings before interest and taxes (EBIT) from activities relating to the Federal Electricity Supply Act (StromVG) are equivalent to the interest applied to the assets required to operate the transmission system using the weighted average cost of capital rate (WACC) for the current year under review (= $WACC_{t+0}$) and the interest applied to the volume- and tariff-related timing differences using the weighted average cost of capital rate of $WACC_{t+2}$ plus income taxes. The weighted average cost of capital rates for 2021 ($WACC_{t+0}$) and 2023 ($WACC_{t+2}$) defined by the Federal Department of the Environment, Transport, Energy and Communications (DETEC) for the 2021 financial year remain unchanged at 3.83%. In 2021, EBIT increased by CHF 87.6 million from the previous year's value of CHF 116.7 million to CHF 204.3 million. The higher EBIT is due in particular to regulatory effects arising from the final remuneration paid for the grid takeovers. Due to the interest of CHF 30.3 million to be

paid for previous years in connection with the grid takeovers, financial expenses rose to CHF 53.5 million (previous year: CHF 26.0 million). Net income in 2021 amounts to CHF 106.2 million, up from the previous year's figure of CHF 75.7 million.

Balance sheet and cash flow statement

Total assets (excluding fiduciary positions) increased by CHF 449.5 million compared to the previous year to CHF 3.522 billion. The absolute equity base was again strengthened by the positive net income less dividends paid. Adjusted for the balance sheet items held on a fiduciary basis and volume- and tariff-related timing differences, the equity ratio on 31 December 2021 amounts to 35.7%, as compared to 39.1% on 31 December 2020. The decrease in the equity ratio is due to the higher total assets and to early refinancing to cover liquidity requirements at the beginning of 2022.

In 2021, cash flow from operating activities amounts to CHF 172.2 million, an increase of CHF 34.3 million compared to the previous year's value. This increase is due to higher net cash inflows from operating activities.

Cash flow from investing activities amounts to CHF 203.9 million in the year under review; a CHF 59.0 million increase on the previous year. This is attributable to higher net investments in property, plant and equipment and intangible assets. Despite the ongoing coronavirus pandemic, Swissgrid managed to make important progress on the grid construction projects relating to the «Strategic Grid 2025» (including the «Chamoson – Chippis» and «Pradella – La Punt» projects), thereby increasing the level of investment.

In 2021, cash flow from financing activities amounts to CHF 104.2 million (previous year: CHF –22.0 million). This was due to the refinancing measures implemented in 2021, with three bonds totalling CHF 360 million.

Risk assessment

Risk management is an integral part of effective and prudent corporate management for Swissgrid. Swissgrid's risk management covers the entire organisation, not including its subsidiaries and shareholdings. It is based on the established ISO 31000 and COSO ERM standards and meets the requirements of corporate governance as well as the requirements under Swiss law.

Objectives

The Risk Management unit assists managers at all tiers in consciously dealing with risks. This includes expedient and transparent reporting as well as managing an appropriate risk management system. Swissgrid fosters the deliberate management of risks at all levels of the company.

Organisation

The Board of Directors has defined the governance requirements for risk management and delegated its implementation to the CEO. The head of Enterprise Risk Management manages the risk management process, provides the methods and advises the operating units on risk management.

Process

The risk assessment takes place twice a year. The key risks are identified and assessed as part of a multi-stage process that includes the evaluation of risks based on the probability of their occurrence

and the extent of their impact, as well as the definition of strategies to manage said risks.

Risk monitoring, including the effectiveness and level of implementation of the measures taken, is performed as part of regular risk updates. The Executive Board and the Board of Directors receive the results of the risk assessment and the risk updates in the form of a standardised report.

Risk situation

The coronavirus pandemic is not just a risk to employee health, but also to the operation of the transmission system. The risk drivers include a shortage of employees in critical functions. In response, Swissgrid acted early to protect these employees in particular and to make up for any shortfalls.

Besides the new risks stemming from the pandemic, the other risks remain relevant for Swissgrid. The drivers for these risks are natural influences, the national and international political and regulatory environment as well as personnel and technical factors. Digitisation is enabling more efficient operation of the transmission grid, but also involves risks to grid and system security and therefore to the security of supply, given the increasing dependence on systems.

The key risk factors are:

European and regulatory environment

Swissgrid's role remains challenging at a national and international level. Due to the breakdown in negotiations on a framework agreement, the conclusion of an electricity agreement cannot be expected within a reasonable period of time. Consequently, the Swiss electricity system finds itself increasingly excluded from important processes affecting grid security in Europe. This leads to higher unscheduled flows of electricity through the Swiss grid and jeopardises both system stability and import capacity in the medium term. There is also the risk of exclusion from the European control energy partnerships as well as from ENTSO-E, the European Network of Transmission System Operators. Swissgrid is developing technical solutions and negotiating private-law agreements with other transmission system operators to ensure the stability of the grid, but is reliant on political support in this respect. Success is not guaranteed as there are political factors to resolve that fall outside the control of Swissgrid. Private-law agreements between transmission system operators are not an adequate substitute for an electricity agreement in the long term.

Security of supply

A wide-scale supply outage would cause enormous economic damage. As a result, Swissgrid must ensure that the transmission grid is available to supply electricity at all times. It is therefore essential to have an intact grid infrastructure and to secure the availability of IT and communication systems. Meeting these prerequisites can be jeopardised by, for example, technical problems, natural disasters, operating errors and criminal actions. Among other measures, Swissgrid mitigates these risks by implementing redundancies and standardised processes to eliminate faults in grid systems and in system operations. Adequate training and development of personnel ensures that employees respond appropriately.

In 2021, there were several challenging situations in the European electricity system that could have led to wide-scale supply outages if the outcome had not been favourable. As part of its cooperation within ENTSO-E, Swissgrid, in its role as Coordination Center South, investigated the events in association with the other European transmission system operators and derived measures to avoid such

situations as far as possible or to be able to deal with them more effectively.

Security of supply also depends on the availability of control and redispatch services to balance short-term deviations between production and consumption, and to control grid congestion. Swissgrid therefore works continuously to optimise the Swiss market for ancillary services, and cooperates with transmission system operators in neighbouring countries to increase market liquidity.

Swissgrid takes precautions to protect the infrastructure against physical attacks. These include securing buildings and plants as well as access control and monitoring.

The threat of cyber-attacks is steadily rising due to the speed at which technology changes (which potential attackers also exploit), the countless possible modes of attack, as well as growing system integration across companies. To reduce this risk, Swissgrid is continuously developing its processes and systems to detect cyber threats early and defend itself against them.

Swissgrid has emergency procedures in place in the highly unlikely event that infrastructures or systems fail permanently or the grid can no longer be controlled.

Grid capacity

Important activities relating to the «Strategic Grid 2025» continue to be hampered by protracted approval processes and numerous objections. This makes it more difficult to eliminate grid congestion. Swissgrid is striving to establish dialogue, particularly with local residents, during the approval process. However, given the ever-decreasing acceptance of overhead lines, Swissgrid still has to factor in objections and delayed approval processes.

The progressive ageing of existing components represents another risk to grid capacity. Swissgrid therefore systematically records the condition of its plants and prioritises modernisation measures accordingly.

Personnel safety

Swissgrid's operation and maintenance of the extra-high-voltage infrastructure involves risks to personnel safety. People can be seriously injured while performing their work. To minimise this risk to the greatest extent possible, Swissgrid systematically identifies present dangers, implements targeted protective measures, trains its own employees and instructs contractor employees so they can independently identify the dangers posed at plants and respond accordingly. Systematic controls on construction sites help to ensure compliance with site safety precautions.

Financial risks

Swissgrid's activities mean that it is exposed to various financial risks. These include liquidity, foreign currency, interest rate and counterparty risks.

Liquidity is ensured at all times by continuous planning and monitoring of the funding requirements, maintenance of minimum liquidity levels and the provision of confirmed bank credit facilities.

Foreign currency risk is reduced through natural hedging and forward exchange transactions. The hedging strategy is reviewed periodically and updated as needed.

The risk of interest rate changes is reduced by staggering the maturities and establishing a balanced

financing mix. Derivative financial instruments are deployed for further mitigation if necessary.

Financial counterparties are constantly reviewed, assigned individual limits and monitored. Operational counterparties are regularly monitored.

Future prospects

Strategic outlook

The energy sector in Switzerland is undergoing a transformation: the lack of planning reliability and the move towards decentralised electricity generation are leading to new requirements for transmission grid operations. Intelligent technologies can be very useful in this increasingly complex environment, for example to optimise forecasts in grid operations or to integrate small and flexible energy resources into the energy system that can be used to ensure grid stability. Changes in electricity generation also require an adjustment of the grid infrastructure so that grid operators can guarantee security of supply in the future. At the same time, the EU and Switzerland are modifying the political and regulatory requirements for the electricity industry. The EU is pursuing the goal of decarbonising the energy industry and creating a single European electricity market. As part of the European interconnected grid, Switzerland is directly affected by these developments.

In order to tackle these changes and trends, in 2018 Swissgrid launched Strategy 2022, which is now in its final year of implementation. The strategy aims to achieve the following long-term corporate objectives: a high level of safety and security for employees and the plants, a consistently stable and available transmission grid, the optimisation of the grid by taking innovative technical, structural and market-based measures, as well as efficient and effective business activities.

The «safety first» principle applies at Swissgrid. The Safety Culture Ladder, an assessment method that measures general safety awareness, was introduced to improve safety in the company. Swissgrid is aiming to achieve certification in 2022. The company is also continuing projects to improve physical protection and cyber-security. At the same time, the requirements of the revised Data Protection Act are being implemented.

In order to ensure a high level of security of supply in the future, Swissgrid is committed to maintaining close cooperation with its European partners. The aim is to prevent or at least delay the exclusion of Swissgrid from important European platforms and bodies due to the lack of an electricity agreement. In 2022, the focus will also be on measures in the areas of business continuity management and disaster recovery. Several radio relay links will be installed for the emergency communication network in the course of the next year.

In order to optimise the existing and future grid, Swissgrid is consistently pursuing the continued development of plant management decided on in 2018 with the aim of increasing investment in infrastructure. Two important projects to ensure security of supply will soon be commissioned: the line between Chamoson and Chippis and the connection to the Nant de Drance pumped storage power plant. This will allow energy generated from Valais hydropower to be transported to consumption centres in central Switzerland. Swissgrid is also promoting various digitisation initiatives to increase management efficiency and effectiveness. Over the next year, Swissgrid will also start planning its Strategic Grid 2040 on the basis of the «Scenario Framework Switzerland» published in autumn 2021.

Its goal is to increase efficiency and effectiveness not only in the management of the grid, but throughout the entire company. This will also involve replacing the enterprise resource planning system with an intelligent, integrated «end-to-end» solution. The project will continue to be implemented in 2022.

In the course of the next year, Swissgrid will complete the development of its Strategy 2027, which will be published in the autumn. It will focus partly on sustainability within the company. In 2022, Swissgrid will develop its vision and future strategy for corporate social and environmental responsibility as part of its 2027 corporate strategy.

Research and development

Swissgrid collaborates with national and international research institutions to ensure that it can continue performing its duties safely and cost-effectively in the future. Its project portfolio is aligned with its strategic goals, and consists of internal activities and projects being conducted in cooperation with universities and other Swiss partners.

Financial outlook

Grid investments

Investment volumes are expected to remain high due to the need to achieve a sustainable energy future and carry out the measures defined in the «Strategic Grid 2025» report. Permits for power line construction and modification continue to pose a major challenge. The budget has therefore been assigned a lower likelihood of realisation to take delays into account. Consequently, investments in the grid are expected to increase by between CHF 175 million and CHF 275 million a year over the medium term.

Operating costs

Swissgrid continues to implement its Strategy 2022, as communicated in the spring of 2018. This includes efficiency increases as well as measures to secure the supply of electricity and improve the safety of people, systems and the environment. Implementing these measures will lead to a rise in operating costs.

EBIT and net income

Based on the regulatory business model, EBIT is directly dependent on the invested operating assets (IOA) and the weighted average capital cost rate (WACC). The WACC communicated by the Federal Department of the Environment, Transport, Energy and Communications (DETEC) for 2022 remains unchanged at 3.83%. Due to one-off regulatory effects arising from the final remuneration paid in 2021 for the grid takeovers, lower EBIT and a lower net income are expected in 2022.

In accordance with the dividend policy approved by the Board of Directors, the income generated will be retained in the long term on a pro rata basis depending on the equity ratio and the financing situation. This safeguards Swissgrid's long-term financial stability.

Financial statements Swiss GAAP FER

Income statement

In millions of CHF	Notes	2021	2020
Net turnover	4, 5	715.1	588.2
Other operating income	4, 6	17.1	14.5
Change in volume- and tariff-related timing differences	4, 15	279.7	107.9
Capitalised self-constructed assets		17.3	14.2
Total operating income		1,029.2	724.8
Procurement costs	4, 5	417.5	228.5
Gross profit		611.7	496.3
Cost of materials and third-party supplies	7	94.5	94.5
Personnel expenses	8	105.9	101.5
Other operating expenses	9	28.0	28.8
Earnings before interest, income taxes, depreciation and amortisation		383.3	271.5
Depreciation on property, plant and equipment	13	146.0	125.4
Amortisation on intangible assets	13	33.0	29.4
Earnings before interest and income taxes (EBIT)	4	204.3	116.7
Financial income	10	0.9	1.0
Financial expenses	11	53.5	26.0
Earnings before income taxes		151.7	91.7
Income taxes	12	45.5	16.0
Net income		106.2	75.7

Earnings per share

CHF	2021	2020
Net income	106,221,536	75,735,726
Weighted average number of shares outstanding	325,097,150	320,398,149
Non-diluted earnings per share	0.33	0.24
Dilution from the conversion of the convertible loans	-0.04	-0.03
Diluted earnings per share	0.29	0.21

The dilution arises from the potential conversion of the convertible loans to equity. Assuming that conversion had taken place on 1 January of the reporting year, the interest expense would have been reduced by CHF 12.4 million (previous year: CHF 15.7 million). Given that taxes are chargeable in Swissgrid's regulated business model, the conversion would have increased net income by CHF 12.4 million (previous year: CHF 15.7 million). At the same time, the average number of shares outstanding would also have increased by 90,263,869 units (previous year: 119,907,035 units). This leads to a potential dilution of CHF -0.04 per share (previous year: CHF -0.03 per share).

Financial statements Swiss GAAP FER

Balance sheet

Assets

In millions of CHF	Notes	31.12.2021	31.12.2020
Property, plant and equipment	13	2,484.2	2,343.0
Intangible assets	13	146.9	136.8
Financial assets	14	9.0	8.7
Long-term deficits arising from volume- and tariff-related timing differences	15	322.1	168.0
Non-current assets		2,962.2	2,656.5
Assets held on a fiduciary basis	16	137.8	23.9
Short-term deficits arising from volume- and tariff-related timing differences	15	4.2	7.9
Inventory		1.2	1.2
Trade accounts receivable	17	180.8	125.5
Other receivables	18	19.7	14.2
Prepaid expenses and accrued income	19	81.1	66.9
Cash and cash equivalents		272.6	200.1
Current assets		697.4	439.7
Assets		3,659.6	3,096.2

Equity and liabilities

In millions of CHF	Notes	31.12.2021	31.12.2020
Share capital		334.5	320.4
Capital reserves		431.2	410.0
Retained earnings		492.0	423.7
Total equity		1,257.7	1,154.1
Non-current financial liabilities	20	1,612.2	1,423.1
Non-current provisions	21	44.7	25.4
Non-current surpluses arising from volume- and tariff-related timing differences	15	–	100.8
Non-current liabilities		1,656.9	1,549.3
Liabilities held on a fiduciary basis	16	137.8	23.9

In millions of CHF	Notes	31.12.2021	31.12.2020
Current financial liabilities	20	254.6	172.4
Trade accounts payable		206.4	94.4
Other liabilities	22	2.4	2.9
Accrued expenses and deferred income	23	143.6	77.0
Current provisions	21	0.2	2.2
Current surpluses arising from volume-and tariff-related timing differences	15	–	20.0
Current liabilities		745.0	392.8
Total liabilities		2,401.9	1,942.1
Equity and liabilities		3,659.6	3,096.2

Financial statements Swiss GAAP FER

Cash flow statement

In millions of CHF, excluding balance sheet items held on a fiduciary basis	Notes	2021	2020
Net income		106.2	75.7
Financial expenses	11	53.5	26.0
Financial income	10	-0.9	-1.0
Current income taxes	12	25.8	17.3
Depreciation and amortisation	13	179.0	154.8
Other expenses not affecting revenue and expenditure		-	0.1
Change in provisions	21	17.3	-2.5
Change in trade accounts receivable		-55.3	-6.5
Change in other receivables		-5.5	-12.5
Change in prepaid expenses and accrued income		-14.2	-18.7
Change in volume- and tariff-related timing differences	4, 15	-279.7	-107.9
Change in trade accounts payable		112.0	27.2
Change in other current liabilities		-0.5	-2.1
Change in accrued expenses and deferred income		53.5	-3.3
Income taxes paid		-19	-8.7
Cash flow from operating activities		172.2	137.9
Gross investments in property, plant and equipment		-190.3	-165.5
Congestion proceeds received for grid investments		3.1	32.3
Net investments in property, plant and equipment	13	-187.2	-133.2
Divestment in property, plant and equipment		1.1	0.2
Investments in intangible assets	13	-18.3	-12.6
Dividends received		0.5	0.7
Cash flow from investing activities		-203.9	-144.9
Change in current financial liabilities		-170.9	-169.2
Issuing of bonds		360.0	555.0
Repayment of bonds		0.0	-350.0
Interest paid		-47	-26.3
Dividends paid		-37.9	-31.5

In millions of CHF, excluding balance sheet items held on a fiduciary basis	Notes	2021	2020
Cash flow from financing activities		104.2	-22.0
Change in cash and cash equivalents		72.5	-29.0
Composition			
Cash and cash equivalents at beginning of period		200.1	229.1
Cash and cash equivalents at end of period		272.6	200.1
Change in cash and cash equivalents		72.5	-29.0

Non-cash transactions

Of the final remuneration of CHF 117.4 million paid in 2021 for the grid takeovers undertaken since 2013, 30% came from Swissgrid shares and 70% from loans. (cf. Notes 13 and 15).

Financial statements Swiss GAAP FER

Statement of changes in equity

In millions of CHF	Share capital	Capital reserves	Retained earnings	Total equity
Balance at 31.12.2019	320.4	410.0	379.50	1,109.9
Allocation	–	–	–	–
Dividends paid	–	–	–31.5	–31.5
Capital increases (minus transaction costs)	–	–	–	–
Net income 2020	–	–	75.70	75.70
Balance at 31.12.2020	320.4	410.0	423.70	1,154.1
Allocation	–	–	–	–
Dividends paid	–	–	–37.9	–37.9
Capital increases (minus transaction costs)	14.1	21.2	–	35.30
Net income 2021	–	–	106.20	106.20
Balance at 31.12.2021	334.5	431.2	492.00	1,257.7

The share capital consists of 334,495,151 (previous year: 320,398,149) fully paid-up registered shares with a par value of CHF 1 per share. As at 31 December 2021, Swissgrid has conditional share capital of a maximum of CHF 112,939,487, divided into 112,939,487 registered shares with a par value of CHF 1 per share (previous year: CHF 127,036,489, divided into 127,036,489 registered shares with a par value of CHF 1 per share).

Capital increase of conditional capital The conditional capital was created to exercise conversion rights granted to creditors of convertible loans. In the period between 13 September 2021 and 6 October 2021, a capital increase of conditional share capital with a nominal value of CHF 14.1 million was carried out following the final remuneration paid in 2021 for the grid takeovers undertaken since 2013. The issue price was CHF 35.3 million. The amount of the capital increase corresponds to the value after recognition of the equity transaction costs (CHF 0.04 million) as a reduction of the capital reserves.

Financial statements Swiss GAAP FER

Notes

1. Accounting principles

General

The 2021 financial statements of Swissgrid Ltd (hereinafter: Swissgrid) have been prepared in accordance with Swiss GAAP FER. The financial statements provide a true and fair view of the company's assets, financial position and results of operations.

Conversion of foreign currency items

The accounting records are maintained in the local currency (Swiss francs, CHF). All monetary assets and liabilities recognised in foreign currencies are converted at the exchange rate as of the balance sheet date. Transactions in foreign currencies are converted at the exchange rate on the day the transaction took place. Foreign exchange gains and losses resulting from transactions in foreign currencies are recognised in the income statement and are presented in the same item as the underlying transaction.

Cash flow statement

Cash and cash equivalents form the basis for the presentation of the cash flow statement. The cash flow from operating activities is calculated using the indirect method.

Revenue recognition

Revenue is recognised in the income statement upon performance of Swissgrid's obligations. For activities regulated under the Federal Electricity Supply Act (StromVG), the measurement of performance is based mainly on energy volumes directly metered on the transmission grid or reported from downstream grid levels. For certain revenue and procurement items, initial billing values are available six weeks after delivery at the earliest, thereby rendering accruals based on historical and statistical data, as well as on estimates necessary for the revenue recognition of these items.

Activities according to StromVG

Volume- and tariff-related timing differences (surpluses and deficits)

According to Art. 14 of the Electricity Supply Act (StromVG), grid utilisation costs must be allocated to users on a user-pays basis. The tariffs for a financial year are determined based on planned costs. Due to price and volume deviations, actual expenses and income vary from the tariff calculation on both the revenue and procurement side. This results in surpluses or deficits, i.e. the tariff revenues from a financial year are higher or lower than the actual expenses incurred during the same period. These volume- and tariff-related timing differences are transferred to the balance sheet and taken into account in cost and revenue calculations for future tariff periods. The expected reduction in volume- and tariff-related timing differences within twelve months of the balance sheet date is recognised as short-term surpluses or deficits in the balance sheet.

EBIT regulated under StromVG

Earnings before interest and taxes (EBIT) from activities related to the Federal Electricity Supply Act (StromVG) are defined in Article 13 of the Electricity Supply Ordinance (StromVV) and are equivalent to the interest applied to the assets required to operate the transmission system with the weighted average cost of capital rate (WACC) for the current year under review (= $WACC_{t+0}$) and the interest applied to the volume and tariff-related timing differences with the weighted average cost of capital rate of $WACC_{t+2}$ plus income taxes.

Invested operating assets consist of net current assets calculated on a monthly basis as well as the property, plant and equipment and intangible assets as at the end of the financial year. The weighted average cost of capital rate (WACC) is based on the current international practice of the WACC capital cost concept with reference to the Capital Asset Pricing Model (CAPM). Besides considering the findings of financial market theory, the regulatory framework conditions in Switzerland and the current situation in the money and capital market are also taken into account. The official weighted average cost of capital rates for 2021 ($WACC_{t+0}$) and 2023 ($WACC_{t+2}$) based on this method of calculation are unchanged from the 3.83% used in the previous year.

EICom has the right to verify ex post the chargeability of Swissgrid's operating and capital costs for tariff-setting purposes. In case of an ex post cost adjustment, an appeal can be lodged with the Federal Administrative Court with the possibility of appeal to the Federal Supreme Court. A cost adjustment impacting Swissgrid's operating result is applied whenever no appeal is lodged, or whenever an appeal's prospects for success are judged to be less than 50% on the basis of a reappraisal, or whenever a legally binding ruling is issued.

Property, plant and equipment

Property, plant and equipment are recognised at the cost of acquisition or production less accumulated amortisation and any impairment losses. Significant spare parts which are likely to be used for a longer period and whose use only takes place in connection with a non-current asset item are recognised in non-current assets and depreciated over the remaining useful life of the relevant asset.

Depreciation/amortisation is calculated using the straight-line method on the basis of the estimated useful technical and economic service life. The service life is determined as follows:

- Lines: 15 to 60 years
- Substations: 10 to 35 years
- Buildings and expansions: 5 to 50 years
- Other property, plant and equipment: 3 to 8 years
- Construction in progress and properties: only applicable in the case of an impairment loss

Intangible assets

Intangible assets are recognised at the cost of acquisition or production less accumulated amortisation and any impairment losses. Depreciation/amortisation is calculated using the straight-line method on the basis of the estimated useful technical and economic service life.

The service life is determined as follows:

- Rights of use: contract term
- Software and technical regulations: 3 to 5 years
- Intangible assets under development: only applicable in the case of an impairment loss

Impairment losses

The value of property, plant and equipment and intangible assets is reviewed annually. If there is an indication of an impairment loss, the book value is reduced to the realisable value and an impairment loss is charged to the results of the period.

Construction in progress/intangible assets under development

Construction in progress and intangible assets under development are non-current assets that are not yet completed or not yet operational. All items of property, plant and equipment and intangible assets, including self-constructed assets, are classified as non-current assets. As of each balance sheet date, a review is performed to determine whether any construction in progress or intangible assets under development have to be impaired. These are recognised as impairment losses in the year of completion. Ordinary depreciation or amortisation of these assets begins once they are completed or are ready for operation.

Financial assets

Financial assets are measured at acquisition costs less any impairment losses. These include shareholdings with a capital share of over 20%, but which do not have a significant impact on the financial statements, as well as shareholdings with a capital share of less than 20%. Employer contribution reserves without conditional renounced use are also recognised in financial assets.

Inventory

Inventory includes waste material for maintaining the grid systems. Inventory is measured at the lower of acquisition cost or market price.

Accounts receivable

Accounts receivable are reported at their nominal value less any impairment losses required for business reasons.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash at banks and deposits at banks maturing in 90 days or less. They are recognised at their nominal value.

Bonds

Bonds issued on the capital market are recognised at their nominal value. Deviations from the nominal value in the case of below- or above-par issues are recognised as accruals and deferrals and are reversed on a straight-line basis over the term of the bond.

Liabilities

Liabilities are recognised at their nominal value.

Provisions

Provisions are recognised if there is an obligation based on an event that took place prior to the balance sheet date, the amount and/or due date of which is uncertain but capable of being estimated.

Contingent liabilities

Contingent liabilities are measured as of the balance sheet date. A provision is reported if a cash outflow without a usable countervalue is probable and assessable. Otherwise, contingent liabilities are

disclosed in the notes to the financial statements.

Interest on borrowed capital

Interest on borrowed capital is recognised as an expense in the period in which it arises.

Employee pension plan

Swissgrid is a member of an industry-wide retirement benefit plan (PKE Pensionskasse Energie). This is a legally independent pension fund. All permanent employees of the company are included in this pension fund from 1 January of the year in which they turn 18. They are insured for disability and death. From 1 January of the year in which they turn 25, employees are also covered by retirement insurance.

Economic benefits arising from a pension fund surplus (e.g. in the form of a positive impact on future cash flows) are not capitalised, since the prerequisites for this are not met and the company does not intend to use such benefits to reduce employer contributions. Any benefits arising from freely available employer contribution reserves are recognised as an asset.

An economic obligation (e.g. in the form of negative effects on future cash flows due to a pension fund deficit) is recognised if the prerequisites for the creation of a provision are met. Accrued contributions for the period, the difference between the annually calculated economic benefit from pension fund surpluses and obligations, as well as the change in the employer contribution reserves are recognised in the income statement as personnel expenses.

Transactions with related parties

Related parties are organisations and persons that can have a significant influence, either directly or indirectly, on Swissgrid's financial or operational decisions. Shareholders holding at least 20% of the voting rights in Swissgrid, either alone or together with others, are considered to be related parties. As regards shareholders, other criteria in addition to the proportion of voting rights held are also taken into account (including representation in committees and the possibility of exerting influence due to the shareholder structure). Subsidiaries of related shareholders as well as partner plant companies whose shares are 100% owned by related shareholders or which are controlled by a related shareholder, are also considered to be related parties. Related parties also include companies over which Swissgrid exercises a significant influence. Members of the Board of Directors and the Executive Board are also considered to be related parties. Provided they exist and are significant, relations with related parties are disclosed in the notes to the financial statements. All transactions are conducted at arm's length.

Segment information

Segmentation is based on tariff groups as defined in the Electricity Supply Act and is aligned with Swissgrid's internal reporting structure.

Income taxes

Current income taxes are calculated based on the taxable results on an accrual basis. The annual accrual of deferred taxes is based on a balance sheet perspective (balance sheet method) and considers all future income tax effects (comprehensive method).

Derivative financial instruments

Swissgrid may use derivative financial instruments to hedge against currency and market price risks. If the conditions are met, Swissgrid will apply hedge accounting to hedge expected future cash flows. The instruments used for this purpose will be disclosed in the notes to the financial statements until the

underlying transaction is realised.

2. Estimation uncertainty

Financial-statement reporting requires estimates and assumptions to be made that may have a significant impact on Swissgrid's financial statements. With respect to assets and liabilities recognised in the balance sheet, accruals and deferrals (prepaid expenses and accrued income/ accrued expenses and deferred income) and volume- and tariff-related timing differences in particular are based on various assumptions and estimates that may necessitate significant adjustments. This is due to specific volumes not being available for certain revenue and procurement items when the financial statements are prepared, as well as regulatory uncertainties. The volume- and tariff-related timing differences are also influenced by estimates in the allocation of operating expenses to the segments.

For more information on this, the reader is referred to the comments in the sections on «Revenue recognition» and «Activities according to StromVG» in Note 1, as well as the comments in the following section.

3. Legal proceedings

Swissgrid's legal mandate and business activities expose the company to costs that can be passed on to the lower grid levels and end consumers in the form of tariff revenues if ECom deems the costs to be chargeable. ECom has the right to verify ex post the chargeability of Swissgrid's costs for tariff-setting purposes.

At present, ECom has not initiated any proceedings to examine Swissgrid's chargeable costs. Swissgrid's Board of Directors and Executive Board believe that all costs were incurred within the framework of Swissgrid's legal mandate and should therefore qualify as chargeable. Based on this assessment, Swissgrid has treated all operating and capital costs as chargeable and consequently recognised them in full in the volume- and tariff-related timing differences. If, contrary to Swissgrid's assessment, the costs claimed are ruled to be non-chargeable, this would be reflected in future financial statements.

Third-party proceedings

The financial impact of third-party proceedings in which Swissgrid is involved are included in Swissgrid's financial statements if the Swiss GAAP FER criteria for recognition have been met. However, they have no direct impact on Swissgrid's results as they are included in the volume- and tariff-related timing differences.

4. Segment reporting

For segment reporting, the costs of capitalised self-constructed assets are deducted from operating expenses and are therefore not included in total operating income.

Eliminations: active power losses are a separate internal balance group. As a result, internal transactions occur between the general ancillary services/balance energy and active power losses segments.

Congestion management is included in the other activities.

Segment report 2021

In millions of CHF	Total	Grid utilisation	General ancillary services/balance energy	Active power losses (individual ancillary services)	Reactive energy (individual ancillary services)	Eliminations	Total activities according to StromVG	Further activities
Net turnover	715.1	479.4	165.0	58.0	19.4	-6.7	715.1	-
Other operating income	17.1	1.1	0.2	-	-	-	1.3	15.8
Change in volume- and tariff-related timing differences	279.7	122.6	150.6	8.5	-2.0	-	279.7	-
Total operating income	1,011.9	603.1	315.8	66.5	17.4	-6.7	996.1	15.8
Procurement costs	-417.5	-54.0	-292.0	-62.6	-15.6	6.7	-417.5	-
Gross profit	594.4	549.1	23.8	3.9	1.8	-	578.6	15.8
Operating expenses	-211.1	-176.4	-19.5	-2.4	-0.7	-	-199.0	-12.1
Depreciation/amortisation and impairment losses	-179.0	-171.7	-3.4	-0.4	-0.2	-	-175.7	-3.3
Earnings before interest and income tax (EBIT)	204.3	201.0	0.9	1.1	0.9	-	203.9	0.4

Volume- and tariff-related timing differences: negative figures represent surpluses, and positive figures deficits.

Movement in volume- and tariff-related timing differences per segment

In millions of CHF	Total	Grid utilisation	General ancillary services/balance energy	Active power losses (individual ancillary services)	Reactive energy (individual ancillary services)	Eliminations	Total activities according to StromVG	Further activities
Net turnover	715.1	479.4	165.0	58.0	19.4	-6.7	715.1	-
Other operating income	17.1	1.1	0.2	-	-	-	1.3	15.8
Procurement costs	-417.5	-54.0	-292.0	-62.6	-15.6	6.7	-417.5	-
Operating expenses	-211.1	-176.4	-19.5	-2.4	-0.7	-	-199.0	-12.1
Depreciation/amortisation and impairment losses	-179.0	-171.7	-3.4	-0.4	-0.2	-	-175.7	-3.3
Imputed interest and income taxes (EBIT)	-204.3	-201.0	-0.9	-1.1	-0.9	-	-203.9	-0.4
Change in volume- and tariff-related timing differences	-279.7	-122.6	-150.6	-8.5	2.0	-	-279.7	-

Volume- and tariff-related timing differences: negative figures represent surpluses, and positive figures deficits.

Segment report 2020

In millions of CHF	Total	Grid utilisation	General ancillary services/balance energy	Active power losses (individual ancillary services)	Reactive energy (individual ancillary services)	Eliminations	Total activities according to StromVG	Further activities
Net turnover	588.2	354.7	125.4	94.1	17.7	-3.7	588.2	-
Other operating income	14.5	1.6	0.3	-	-	-	1.9	12.6
Change in volume- and tariff-related timing differences	107.9	128.6	29.0	-51.4	1.7	-	107.9	-
Total operating income	710.6	484.9	154.7	42.7	19.4	-3.7	698.0	12.6
Procurement costs	-228.5	-42.8	-132.7	-39.3	-17.4	3.7	-228.5	-
Gross profit	482.1	442.1	22.0	3.4	2.0	-	469.5	12.6
Operating expenses	-210.6	-179.0	-18.9	-2.3	-0.7	-	-200.9	-9.7
Depreciation/amortisation and impairment losses	-154.8	-148.2	-3.2	-0.4	-0.1	-	-151.9	-2.9
Earnings before interest and income tax (EBIT)	116.7	114.9	-0.1	0.7	1.2	-	116.7	-

Volume- and tariff-related timing differences: negative figures represent surpluses, and positive figures deficits.

Movement in volume- and tariff-related timing differences per segment

In millions of CHF	Total	Grid utilisation	General ancillary services/balance energy	Active power losses (individual ancillary services)	Reactive energy (individual ancillary services)	Eliminations	Total activities according to StromVG	Further activities
Net turnover	588.2	354.7	125.4	94.1	17.7	-3.7	588.2	-
Other operating income	14.5	1.6	0.3	-	-	-	1.9	12.6
Procurement costs	-228.5	-42.8	-132.7	-39.3	-17.4	3.7	-228.5	-
Operating expenses	-210.6	-179	-18.9	-2.3	-0.7	-	-200.9	-9.7
Depreciation/amortisation and impairment losses	-154.8	-148.2	-3.2	-0.4	-0.1	-	-151.9	-2.9
Imputed interest and income taxes (EBIT)	-116.7	-114.9	0.1	-0.7	-1.2	-	-116.7	-

In millions of CHF	Total	Grid utilisation	General ancillary services/balance energy	Active power losses (individual ancillary services)	Reactive energy (individual ancillary services)	Eliminations	Total activities according to StromVG	Further activities
Change in volume- and tariff-related timing differences	-107.9	-128.6	-29	51.4	-1.7	-	-107.9	-

Volume- and tariff-related timing differences: negative figures represent surpluses, and positive figures deficits.

Earnings before interest and taxes (EBIT) per segment within the StromVG-regulated activities correspond to the capital costs on the invested operating assets plus taxes (cf. Note 1). The individual expense and income positions assigned to the four segments within the StromVG-regulated activities are listed in Note 5.

Grid utilisation

The grid utilisation segment is predominantly financed by various charges for use of the grid. This segment is also assigned the income from auctioning bottleneck capacities at the national borders to reduce the chargeable grid costs, provided that this purpose is approved by ElCom. This segment also includes part of the compensation for international transit flows (ITC); the other part is recognised in the active power losses segment.

Net turnover in this segment amounts to CHF 479.4 million in the 2021 financial year, CHF 124.7 million above the previous year. Higher tariff revenues of CHF 65.3 million and higher income from auctions for the reduction of chargeable grid costs of CHF 61.1 million are the reasons for this increase in relation to the previous year. The procurement costs in the 2021 financial year amount to CHF 54.0 million, CHF 11.2 million above the previous year's value of CHF 42.8 million. This is due to a CHF 24.6 million increase in additional remuneration to former transmission system owners and a CHF 13.4 million decrease in national redispatch costs.

Despite the higher net turnover, the costs exceed the income generated in the 2021 financial year, resulting in a deficit of CHF 122.6 million.

General ancillary services/balance energy

In 2021, net income in this segment rose from CHF 125.4 million to CHF 165.0 million, primarily due to the increase in revenue from balance group balance energy.

The largest expense item for this segment is control power provision, i.e. the reservation of power plant capacity in the interests of balancing energy consumption and energy feed-in as well as the proportional voltage stability costs payable by this segment. The procurement costs of CHF 292.0 million in this segment are CHF 159.3 million above the 2020 figure (CHF 132.7 million). This increase is primarily due to higher costs of CHF 161.4 million for control power provision and AS energy.

In 2021, costs exceeded net turnover, resulting in a deficit of CHF 150.6 million.

Active power losses (individual ancillary services)

This segment reports expenses and income for active power losses in the transmission grid. In addition to tariff revenues, part of the income from ITC is recognised in this segment.

The procurement of energy to offset active power losses takes place on the spot market and via tenders. Net turnover of CHF 58.0 million in this segment is CHF 36.1 million lower than in the previous year (CHF 94.1 million), primarily due to the CHF 29.0 million decrease in tariff revenue.

In the financial year, this segment recorded procurement costs for active power loss of CHF 62.6 million, an increase of CHF 23.3 million from the previous year.

In 2021, costs exceeded revenue, resulting in a deficit of CHF 8.5 million.

Reactive energy (individual ancillary services)

The supply of reactive energy to maintain the required operating voltage is ensured by means of contractual agreements with several power plants.

Net turnover in this segment increased by CHF 1.7 million year on year to CHF 19.4 million due to the higher tariff revenue. By contrast, the procurement costs amount to CHF 15.6 million, CHF 1.8 million below the previous year's level of CHF 17.4 million. This decrease is due to the lower pro rata voltage stability costs payable by this segment.

In the 2021 financial year, higher revenue as well as reduced costs led to a surplus of CHF 2.0 million.

5. Net turnover and procurement costs according to StromVG

In millions of CHF	Segment	2021	2020
Tariff income for grid utilisation	A	376.7	311.4
Net income from ITC	A/C	6.3	15.1
Income from auctions for the reduction of chargeable grid costs	A	100.8	39.7
Tariff income for general ancillary services (AS) and income from unintentional deviation	B	99.6	88.9
Income from balance group/balance energy	B	65.4	36.5
Tariff income for active power losses	C	53.6	82.6
Tariff income for reactive energy	D	19.4	17.7
Eliminations		-6.7	-3.7
Net turnover		715.1	588.2
Expenses for national redispatch	A	4.1	17.5
Remuneration to former transmission system owners	A	49.9	25.3
Expenses for AS control power provision and unintentional deviation	B	188.0	50.1
Expenses for automatic start-up/island operation capability	B	1.1	1.1
Expenses for grid enhancement	B	3.6	9.0
Expenses for AS energy	B	49.6	26.1
Expenses for compensation of active power losses	C	62.6	39.3
Expenses for reactive energy/voltage maintenance	B/D	65.3	63.8

In millions of CHF	Segment	2021	2020
Eliminations		-6.7	-3.7
Procurement costs		417.5	228.5

Letters used for segment allocation:

A = Grid utilisation

B = General ancillary services/balance energy

C = Active power losses (individual ancillary services)

D = Reactive energy (individual ancillary services)

Segment reporting is provided in Note 4.

Income from ITC consists of the following:

- Compensation for grid utilisation (A) CHF 1.9 million (previous year: CHF 3.6 million)
- Compensation for active power losses (C) CHF 4.4 million (previous year: CHF 11.5 million)

The ITC compensation for grid utilisation and active power losses corresponds to net income. Supervision charges paid to EICom and to the Swiss Federal Office of Energy (SFOE) amounting to CHF 4.6 million (previous year: CHF 4.8 million) are deducted from the gross income of CHF 3.3 million for grid utilisation (previous year: CHF 4.8 million) and CHF 7.6 million for active power losses (previous year: CHF 15.1 million).

Expenses for reactive energy/voltage maintenance is comprised as follows:

- General AS (B): CHF 49.7 million (previous year: CHF 46.4 million)
- Reactive energy (D): CHF 15.6 million (previous year: CHF 17.4 million).

Eliminations: active power losses are a separate internal balance group. As a result, internal transactions occur between the general ancillary services/balance energy and active power losses segments.

6. Other operating income

In millions of CHF	2021	2020
Congestion management clearing	15.6	12.4
Other	1.5	2.1
	17.1	14.5

7. Materials and third-party supplies

In millions of CHF	2021	2020
Grid maintenance	19.1	19.1
Grid system control	0.4	0.4

In millions of CHF	2021	2020
Other services in the grid area	23.7	31.5
Expenses for projects, advisory and non-cash benefits	38.7	32.4
Hardware/software maintenance	12.6	11.1
	94.5	94.5

Other grid-related services include remuneration for easements, including easement management services performed by third parties and operating expenses for mixed-use plants. The number of easements for which Swissgrid pays remuneration to the property owners and therefore also the other services in the grid area item decreased compared to the previous year. Due to the implementation of Strategy 2022 measures, the expenses for projects, advisory services and non-cash benefits were higher year on year.

8. Personnel expenses

Personnel

In millions of CHF	2021	2020
Salaries, bonuses, allowances	84.9	81.5
Employee insurance	17.2	16.3
Other personnel expenses	3.8	3.7
	105.9	101.5
Headcount at 31.12.		
Permanent employment:		
Number of employees	625.0	591.0
expressed as full-time equivalents	587.7	558.0
Fixed-term employment:		
Number of employees	12.0	7.0
expressed as full-time equivalents	10.2	5.5

Other personnel expenses include, in particular, the costs of training and further education, recruitment, lump-sum expenses as well as allowances for external catering for employees.

Executive Board remuneration

In millions of CHF	2021	2020
Fixed remuneration (incl. lump-sum expenses)	1.78	1.78

In millions of CHF	2021	2020
Variable remuneration	0.62	1.06
Non-cash benefits ¹	0.02	0.03
Pension benefits ²	0.50	0.53
Total remuneration to the Executive Board	2.92	3.40
Of which to the highest-earning member of the Executive Board		
Fixed remuneration (incl. lump-sum expenses)	0.49	0.49
Variable remuneration	0.22	0.28
Pension benefits ²	0.13	0.14
Total remuneration to the highest-earning member of the Executive Board	0.84	0.91

¹ Non-cash benefits include the private use of business vehicles.

² Pension benefits include employer contributions to social security and the employee pension plan.

Further information on the members of the Executive Board can be found in the Corporate Governance Report.

9. Other operating expenses

In millions of CHF	2021	2020
Rental and occupancy costs	9.4	8.7
Ground rents	4.8	6.5
Rental costs for communication equipment/telecommunication expense	3.2	3.1
Board of Directors' fees and expenses, incl. social costs	0.8	0.8
Actual expenses for travel and subsistence for employees and third parties	0.8	0.9
Fees, dues and licences	4.1	4.4
Insurance	1.8	1.4
Other administrative costs	3.1	3.0
	28.0	28.8

Board of Directors' fees and expenses represent fixed gross remuneration. The remuneration paid to the Chairman of the Board of Directors amounted to CHF 250,000, including lump-sum expenses (previous year: CHF 250,000). The remaining members of the Board of Directors received remuneration of between CHF 57,500 and CHF 70,000 pro rata temporis for 2021, including lump-sum expenses (previous year: CHF 57,500 to CHF 70,000).

Further information on the members of the Board of Directors can be found in the Corporate

10. Financial income

In millions of CHF	2021	2020
Other financial income	0.9	1.0
	0.9	1.0

Other financial income includes a dividend of CHF 0.5 million (previous year: CHF 0.7 million) received from Holding des Gestionnaires de Réseau de Transport d'Électricité SAS (HGRT).

11. Financial expenses

In millions of CHF	2021	2020
Bond interest	10.0	9.7
Loans and convertible loans interest	42.7	15.7
Commitment fees	0.1	0.2
Other financial expenses	0.7	0.4
	53.5	26.0

The convertible loans increased due to the final remuneration paid in 2021 for the grid takeovers undertaken since 2013. The increase was retroactive to the respective date of the grid takeover. The resulting interest of CHF 30.3 million to be paid for previous years is included in the item «Loans and convertible loans interest».

12. Income taxes

In millions of CHF	2021	2020
Current income taxes	25.8	17.3
Change in deferred taxes	19.7	-1.3
	45.5	16.0

The higher current income taxes compared to the previous year are a consequence of the higher net income in 2021 in relation to 2020. An average rate of 17.4% (previous year: 17.9%) was used to calculate the current income taxes and, in 2021, deferred taxes were calculated based on an expected rate of 17.2% (previous year: 17.65%).

The effective average tax rate based on earnings before tax amounts to 30.0% (previous year: 17.4%). Adjusted to take into account the increase in deferred taxes due to the final remuneration of CHF 20.5

million for the grid takeovers, the average tax rate is 16.5%.

13. Non-current assets

Summary of property, plant and equipment – 2021

In millions of CHF	Advances and construction in progress	Substations	Lines	Properties and buildings	Other property, plant and equipment	Total
Acquisition cost at 1.1.2021	325.4	2,019.2	2,666.3	253.1	56.1	5,320.1
Final remuneration for the grid takeovers	–	227.2	111.3	–4.1	–	334.4
Additions	164.2	4.5	11.7	2.5	4.3	187.2
Disposals	–	–31.1	–1.1	–0.5	–0.1	–32.8
Reclassification	–27.4	22.2	2.4	1.3	2.6	1.1
Acquisition cost at 31.12.2021	462.2	2,242.0	2,790.6	252.3	62.9	5,810.0
Accumulated depreciation and amortisation at 1.1.2021	5.2	1,246.8	1,599.9	79.3	45.9	2,977.1
Final remuneration for the grid takeovers	–	163.5	77.8	–6.9	–	–234.4
Depreciation and amortisation	–	78.6	51.6	7.3	8.5	146.0
Impairment losses	–	–	–	–	–	–
Disposals	–	–30.0	–1.1	–0.5	–0.1	–31.7
Reclassification	–	–	–	–	–	–
Accumulated depreciation and amortisation at 31.12.2021	5.2	1,458.9	1,728.2	79.2	54.3	3,325.8
Net book value at 1.1.2021	320.2	772.4	1,066.4	173.8	10.2	2,343.0
Net book value at 31.12.2021	457.0	783.1	1,062.4	173.1	8.6	2,484.2

Summary of property, plant and equipment – 2020

In millions of CHF	Advances and construction in progress	Substations	Lines	Properties and buildings	Other property, plant and equipment	Total
Acquisition cost at 1.1.2020	371.8	1,995.8	2,550.5	233.1	65.8	5,217.0
Additions	106.4	8.8	15.0	1.7	1.3	133.2
Disposals	–0.2	–13.4	–0.2	–	–13.6	–27.4
Reclassification	–152.6	28.0	101.0	18.3	2.6	–2.7
Acquisition cost at 31.12.2020	325.4	2,019.2	2,666.3	253.1	56.1	5,320.1
Accumulated depreciation and amortisation at 1.1.2020	5.4	1,194.3	1,557.6	72.0	49.6	2,878.9
Depreciation and amortisation	–	65.9	42.3	7.3	9.9	125.4

In millions of CHF	Advances and construction in progress	Substations	Lines	Properties and buildings	Other property, plant and equipment	Total
Impairment losses	–	–	–	–	–	–
Disposals	–0.2	–13.4	–	–	–13.6	–27.2
Reclassification	–	–	–	–	–	–
Accumulated depreciation and amortisation at 31.12.2020	5.2	1,246.8	1,599.9	79.3	45.9	2,977.1
Net book value at 1.1.2020	366.4	801.5	992.9	161.1	16.2	2,338.1
Net book value at 31.12.2020	320.2	772.4	1,066.4	173.8	10.2	2,343.0

Gross investments in property, plant and equipment amounted to CHF 190.3 million (previous year: CHF 165.5 million). Thereof, CHF 3.1 million (previous year: CHF 32.3 million) was financed by proceeds from the auctioning of bottleneck capacities for cross-border supplies. Project costs of CHF 1.1 million were reclassified from intangible assets under development to construction in progress in the year under review (previous year: CHF 2.7 million from construction in progress to intangible assets under development).

Related parties received CHF 74.1 million in final remuneration in 2021 for the grid takeovers undertaken since 2013. Property, plant and equipment of CHF 14.2 million (previous year: CHF 9.6 million) were purchased from related parties in 2021.

Summary of intangible assets – 2021

In millions of CHF	Intangible assets under development			Usage rights			Software			Total intangible assets		
	Purchased	Self-constructed	Total	Purchased	Self-constructed	Total	Purchased	Self-constructed	Total	Purchased	Self-constructed	Total
Acquisition cost at 1.1.2021	8.10	1.60	9.70	160.70	–	160.70	141.70	60.40	202.10	310.50	62.00	372.50
Final remuneration for the grid takeovers	–	–	–	31.00	–	31.00	–	–	–	31.00	–	31.00
Additions	8.50	3.60	12.10	–	–	–	5.00	1.20	6.20	13.50	4.80	18.30
Disposals	–	–	–	–0.1	–	–0.1	–2.7	–	–2.7	–2.8	–	–2.8
Reclassification	–5.6	–1.2	–6.8	–0.2	–	–0.2	4.70	1.20	5.90	–1.1	–	–1.1
Acquisition cost at 31.12.2021	11.00	4.00	14.90	191.40	–	191.40	148.70	62.80	211.50	351.10	66.80	417.90
Accumulated depreciation and amortisation at 1.1.2021	–	–	–	74.70	–	74.70	115.80	45.20	161.00	190.50	45.20	235.70
Final remuneration for the grid takeovers	–	–	–	5.10	–	5.10	–	–	–	5.10	–	5.10

In millions of CHF	Intangible assets under development			Usage rights			Software			Total intangible assets		
Depreciation and amortisation	–	–	–	9.70	–	9.70	15.70	7.60	23.30	25.40	7.60	33.00
Impairment losses	–	–	–	–	–	–	–	–	0.00	–	–	–
Disposals	–	–	–	–0.1	–	–0.1	–2.7	–	–2.7	–2.8	–	–2.8
Reclassification	–	–	–	–	–	–	–	–	–	–	–	–
Accumulated depreciation and amortisation at 31.12.2021	–	–	–	89.40	–	89.40	128.80	52.80	181.60	218.20	52.80	271.00
Net book value at 1.1.2021	8.10	1.60	9.70	86.00	–	86.00	25.90	15.20	41.10	120.00	16.80	136.80
Net book value at 31.12.2021	11.00	4.00	15.00	102.00	–	102.00	19.90	10.00	29.90	132.90	14.00	146.90

Summary of intangible assets – 2020

In millions of CHF	Intangible assets under development			Usage rights			Software			Total intangible assets		
	Purchased	Self-constructed	Total	Purchased	Self-constructed	Total	Purchased	Self-constructed	Total	Purchased	Self-constructed	Total
Acquisition cost at 1.1.2020	10.3	2.9	13.2	158.4	–	158.4	134.5	56.9	191.4	303.2	59.8	363.0
Additions	5.1	0.7	5.8	0.0	–	0.0	4.9	1.9	6.8	10.0	2.6	12.6
Disposals	–0.3	–	–0.3	–0.2	–	–0.2	–4.6	–0.7	–5.3	–5.1	–0.7	–5.8
Reclassification	–7.0	–2.0	–9.0	2.5	–	2.5	6.9	2.3	9.2	2.4	0.3	2.7
Acquisition cost at 31.12.2020	8.1	1.6	9.7	160.7	–	160.7	141.7	60.4	202.1	310.5	62.0	372.5
Accumulated depreciation and amortisation at 1.1.2020	0.3	–	0.3	69.7	–	69.7	104.2	37.9	142.1	174.2	37.9	212.1
Depreciation and amortisation	–	–	–	5.2	–	5.2	16.3	7.9	24.2	21.5	7.9	29.4
Impairment losses	–	–	–	0.0	–	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	–0.3	–	–0.3	–0.2	–	–0.2	–4.7	–0.6	–5.3	–5.2	–0.6	–5.8
Reclassification	–	–	–	0.0	–	–	–	–	–	–	–	–
Accumulated depreciation and amortisation at 31.12.2020	–	–	–	74.7	–	74.7	115.8	45.2	161.0	190.5	45.2	235.7
Net book value at 1.1.2020	10.0	2.9	12.9	88.7	–	88.7	30.3	19.0	49.3	129.0	21.9	150.9
Net book value at 31.12.2020	8.1	1.6	9.7	86.0	–	86.0	25.9	15.2	41.1	120.0	16.8	136.8

Related parties received CHF 14.3 million in final remuneration in 2021 for the grid takeovers undertaken since 2013. In 2021, intangible assets amounting to CHF 12,300 (previous year: CHF 3,000) were purchased from related parties.

14. Financial assets

In millions of CHF	31.12.2021	31.12.2020
Shareholdings	8.5	8.7
Employer contribution reserves	0.5	–
	9.0	8.7

Swissgrid has the following shareholdings, which are recognised in the balance sheet as financial assets:

		Share capital in m.	Share in %
Joint Allocation Office (JAO)	B	0.100	5.0
TSCNET Services GmbH	C	0.038	6.7
Holding des Gestionnaires de Réseau de Transport d'Electricité SAS (HGRT)	D	52.119	5.0
Pronovo AG	E	0.100	100.0
ecmt AG	F	0.100	20.0
Equigy B.V.	G	0.050	20.0
AET NE1 SA	A	0.100	100.0
ALENA Aletsch Energie Netz AG	A	0.100	100.0
Alpiq Netz AG Gösigen/Aarau	A	0.100	100.0
Alpiq Réseau SA Lausanne/Aarau	A	0.100	100.0
BKW Übertragungsnetz AG	A	0.100	100.0
CKW Grid AG	A	0.100	100.0
EGL Grid AG	A	0.100	100.0
ewb Übertragungsnetz AG	A	0.100	100.0
ewz Übertragungsnetz AG	A	0.100	100.0
FMV Réseau SA	A	0.100	100.0
Kraftwerke Hinterrhein Netz AG	A	0.100	100.0
LENA Lonza Energie Netz AG	A	0.100	100.0
Nordostschweizerische Kraftwerke Grid AG	A	0.100	100.0
Ofible Rete SA	A	0.100	100.0
Ofima Rete SA	A	0.100	100.0

		Share capital in m.	Share in %
Repower Transportnetz AG	A	0.100	100.0
SN Übertragungsnetz AG	A	0.100	100.0
Übertragungsnetz Basel/Aarau AG	A	0.100	100.0

Letters used for locations and currencies:

A = Aarau (formerly Laufenburg, CH) | Currency CHF

B = Luxembourg (Lux) | Currency EUR

C = Munich (D) | Currency EUR

D = Paris (F) | Currency EUR

E = Frick (CH) | Currency CHF

F = Embrach (CH) | Currency CHF

G = Arnhem (NL) | Currency EUR

Due to changes in ownership, Swissgrid's share in TSCNET Services GmbH and Equigy B.V. has decreased to 6.7% and 20.0% respectively. Swissgrid is not legally obliged to prepare consolidated financial statements. Either the control principle necessary to prepare a consolidated financial statement (Art.963 of the Swiss Code of Obligations (CO)) is not met, or the subsidiaries do not have a material influence on Swissgrid's financial statements. In particular, Pronovo AG is regulated by the Swiss Federal Office of Energy (SFOE) and is explicitly excluded from any consolidation with Swissgrid based on Art.64(5) of the Energy Act (EnG).

Otherwise, the information is unchanged from the previous year.

15. Volume- and tariff-related timing differences

In millions of CHF	Grid utilisation	General ancillary services/balance energy	Active power losses (individual ancillary services)	Reactive energy (individual ancillary services)	Total volume- and tariff-related timing differences	Thereof surpluses	Thereof deficits
Balance at 31.12.2019	15.5	-149.8	58.7	22.8	-52.8	-149.8	97.0
Change in 2020	128.6	29.0	-51.4	1.7	107.9	-	-
Balance at 31.12.2020	144.1	-120.8	7.3	24.5	55.1	-120.8	175.9
Change in 2021	122.6	150.6	8.5	-2.0	279.7	-	-
Final remuneration for the grid takeovers	-8.5	-	-	-	-8.5	-	-
Balance at 31.12.2021	258.2	29.8	15.8	22.5	326.3	-	326.3
Current portion	-	-	-	4.2	4.2	-	4.2

Negative figures represent surpluses, and positive figures deficits. Further information on volume- and tariff-related timing differences (function, estimation uncertainties and current legal proceedings) can be found in Notes 1, 2 and 3.

More detailed comments on the reclassifications item are contained in Note 4 on the reactive energy

segment (individual ancillary services).

16. Balance sheet items held on a fiduciary basis

On the basis of a statutory mandate, Swissgrid coordinates the auctioning of bottleneck capacities for cross-border supplies and maintains accounting records and bank accounts on a fiduciary basis for this purpose.

Assets held on a fiduciary basis

In millions of CHF	31.12.2021	31.12.2020
Trade accounts receivable	110.6	11.5
Other receivables	5.8	–
Prepaid expenses and accrued income	3.0	3.3
Cash and cash equivalents	18.4	9.1
	137.8	23.9

Liabilities held on a fiduciary basis

In millions of CHF	31.12.2021	31.12.2020
Trade accounts payable	93.6	16.6
Other liabilities	–	0.4
Accrued expenses and deferred income	44.2	6.9
	137.8	23.9

The revenues and the manner in which they are used are as follows:

Auctions

In millions of CHF	2021	2020
Share of revenue Switzerland	154.7	91.4
Congestion management clearing	–17.3	–13.5
Net proceeds	137.4	77.9
Used for reduction of the chargeable grid costs	–97.1	–39.1
Used for grid investments	–	–32.0
Undistributed income from auctions	40.3	6.8

Pursuant to the EICoM ruling issued on 6 April 2020, income from auctions in 2021 amounting to

CHF 97.1 million (previous year: CHF 71.1 million) was paid to Swissgrid. At CHF 137.8 million, the balance sheet item is CHF 113.9 million above the previous year's value of CHF 23.9 million. This is primarily due to the CHF 33.5 million increase in unused income from auctions as well as the higher level of outstanding trade accounts receivable and trade accounts payable as at 31 December 2021.

As of the balance sheet date, derivative financial instruments (futures) in the nominal amount of EUR 43.0 million exist to partially hedge against the EUR/CHF currency risk from expected future income in euros. The positive replacement values as at 31 December 2021 amount to CHF 2.2 million (previous year: negative replacement values of CHF 1.0 million).

17. Trade receivables

In millions of CHF	31.12.2021	31.12.2020
Trade receivables	180.8	125.5
Specific valuation allowances	–	–
	180.8	125.5

18. Other receivables

In millions of CHF	31.12.2021	31.12.2020
Security deposits on blocked bank accounts	1.1	1.1
Other	18.6	13.1
	19.7	14.2

In particular, other receivables include the receivable for the 2021 enforcement costs for handling congestion management amounting to CHF 15.6 million (previous year: CHF 12.4 million) and VAT credit of CHF 2.0 million (previous year: VAT liability of CHF 0.4 million).

19. Prepaid expenses and accrued income

In millions of CHF	31.12.2021	31.12.2020
Accrued revenue for supplies made	57.7	41.4
Other	23.4	25.5
	81.1	66.9

In particular, other prepaid expenses and accrued income include the discount on bond issues and financing and issue costs, which are amortised over the term of the financing instrument.

20. Financial liabilities

In millions of CHF	31.12.2021	31.12.2020
Bonds	1,540.0	1,180.0
Convertible loans	326.70	415.40
Loans	0.10	0.10
Total financial liabilities	1,866.8	1,595.5
Current portion	254.6	172.4

Bonds

Nominal amount in CHF	Interest rate	Term	Expiration at nominal value
350 million	1,625%	2013 - 2025	30.01.2025
150 million	0,000%	2021 - 2026	30.06.2026
150 million	0,000%	2020 - 2028	30.06.2028
150 million	0,625%	2015 - 2030	25.02.2030
150 million	0,200%	2020 - 2032	30.06.2032
110 million	0,050%	2021 - 2033	30.06.2033
125 million	0,150%	2020 - 2034	30.06.2034
130 million	0,125%	2020 - 2036	30.06.2036
100 million	0,200%	2021 - 2040	29.06.2040
125 million	0,050%	2019 - 2050	30.06.2050

Convertible loans and loans

Convertible loans have a term of nine years and one-fifth of the loans become payable annually from year five. Partial repayments of convertible loans amounting to CHF 170.9 million were made in the 2021 financial year. Moreover, loans are also assigned a conversion right by Swissgrid in the event of occurrence of contractually defined events and an associated conversion obligation by the creditors. Creditors are compensated by a premium on the interest rate for the conversion right assigned to Swissgrid. Convertible loans are recognised in full in liabilities.

The interest conditions and maturities of convertible loans and loans are as follows:

Position	Interest rate (bandwidth)	Year 1	Year 2–5	More than 5 years
Convertible loans	3.36 - 3.93%	254.6	68.3	3.8
Loans	0.00%	–	–	0.1

Convertible loans and loans are assessed at their nominal value.

Lines of credit

The committed lines of credit total CHF 200 million and remain unclaimed as at 31 December 2021.

21. Provisions

In millions of CHF	Dismantling	Employee incentive plan	Procedural costs	Deferred taxes	Total provisions
Balance at 31 December 2019	6.1	0.3	3.8	19.9	30.1
Provisions raised	–	–	1.5	–	1.5
Provisions used	–	0.3	1.5	1.3	3.1
Reversals	–	–	0.9	–	0.9
Balance at 31 December 2020	6.1	–	2.9	18.6	27.6
Provisions raised	–	–	0.2	20.5	20.7
Provisions used	–	–	2.1	0.8	2.9
Reversals	–	–	0.5	–	0.5
Balance at 31 December 2021	6.1	–	0.5	38.3	44.9
Current portion	–	–	0.2	–	0.2

Procedural costs

With the grid takeovers on 3 January 2013 and 5 January 2015 and the associated spin-offs of the procedural companies from the grid companies, contractual regulations mean that Swissgrid is responsible for the costs of proceedings attributable to the procedural companies. The provision as at 31 December 2021 includes the remaining expected expenses for party, court and legal costs due to the final remuneration for the grid takeovers paid in 2021.

The provision amount also includes the estimated compensation payable to parties and the court costs imposed on Swissgrid due to the administrative procedures in conducting proceedings.

Deferred income taxes

Due to the final remuneration for the grid takeovers, deferred income taxes of CHF 20.5 million were recognised in 2021.

22. Other liabilities

In millions of CHF	31.12.2021	31.12.2020
Value-added tax	–	0.4
Security deposits on blocked bank accounts	0.7	0.8
Other	1.7	1.7
	2.4	2.9

In particular, the «Other» item contains outstanding obligations towards PKE Vorsorgestiftung Energie of CHF 1.4 million (previous year: CHF 1.3 million) as of the cut-off date.

23. Accrued expenses and deferred income

In millions of CHF	31.12.2021	31.12.2020
Accrued expenses for supplies made	101.5	49.8
Personnel expenses and employee insurance scheme	10.0	9.0
Accrued interest and premium from issued bonds	15.4	9.0
Taxes	16.7	9.2
	143.6	77.0

24. Contingent receivables

Billing method for the ancillary services (AS) surcharge

EICom defined the billing method for the AS surcharge in its 4/2018 directive. Under this method, Swissgrid and the distribution system operators wait until the subsequent year to finally settle payments of AS tariffs for the previous financial year.

The settlement will result in receivables owed to Swissgrid by the distribution system operators. However, since the amount of these receivables could not be reliably determined when the financial statements were prepared, they were recognised as contingent receivables.

25. Other off-balance sheet commitments

Joint Allocation Office (O)

As a shareholder of the Joint Allocation Office (JAO), Swissgrid is contractually obliged to assume its share of the annual costs.

TSCNET Services GmbH

As a shareholder of TSCNET Services GmbH, Swissgrid is contractually obliged to assume its share of the annual costs.

Equigy B.V.

As a shareholder of Equigy B.V., Swissgrid is contractually obliged to assume its share of the annual costs.

Long-term rental contracts

Long-term rental contracts with fixed terms exist with several parties. These result in the following obligations:

In millions of CHF	Year 1	Year 2–10	More than 10 years	Total
31.12.2021	5.8	36.5	64.3	106.6

In millions of CHF	Year 1	Year 2–10	More than 10 years	Total
31.12.2020	6.0	38.3	68.3	112.6

The long-term rental obligations primarily include the rental commitments for Swissgrid's head office in Aarau.

Off-balance-sheet lease commitments

Swissgrid has the following off-balance-sheet lease commitments for vehicles and office equipment:

In millions of CHF	Year 1	Year 2–5	Total
31.12.2021	0.8	1.6	2.4
31.12.2020	0.8	1.2	2.0

26. Derivative financial instruments

Swissgrid made use of derivative financial instruments to partially hedge against market price risk from future procurement costs for active power losses. The nominal amount of these instruments is EUR 36.1 million (previous year: EUR 18.3 million), with positive replacement values of EUR 13.4 million as at 31 December 2021 (previous year: negative replacement values of EUR 1.5 million).

27. Employee pension plan

Economic benefit/economic obligation and pension expenses

In millions of CHF	Shortfall/surplus funding	Economic share of the organisation		Change compared with previous year/ affecting income in FY	Accrued amounts	Pension benefit expenses within personnel expenses	
		31.12.2021	31.12.2021 31.12.2020			2021	2020
Pension fund with surplus funding (PKE)	1.0	–	–	–	10.1	10.1	9.6
Total	1.0	–	–	–	10.1	10.1	9.6

Swissgrid is affiliated to a collective plan by the pension fund PKE Vorsorgestiftung Energie. Therefore, an economic benefit or economic obligation cannot be determined on the basis of the individual affiliation contract. The coverage ratio of the collective plan is 125.2% as at 31 December 2021 (previous year: 112.5%).

28. Transactions with related parties

Transactions with related parties in millions of CHF	2021	2020
Total operating activities		

Transactions with related parties in millions of CHF	2021	2020
Net turnover	332.8	320.9
thereof grid utilisation	243.6	216.2
thereof general ancillary services /balance energy	36.6	35.4
thereof active power losses	36.2	55.3
thereof reactive energy	16.3	14.0
Other operating income	0.1	0.1
Procurement costs and operating expenses		
Procurement costs	242.9	125.3
thereof grid utilisation	33.1	28.8
thereof general ancillary services /balance energy	178.9	80.5
thereof active power losses	23.9	7.8
thereof reactive energy	7.0	8.2
Cost of materials and third-party supplies	12.7	13.0
Other operating expenses	4.4	1.7
Financial result		
Financial expenses	24.6	6.9
Unsettled balances at balance sheet date with related parties in millions of CHF	2021	2020
Assets		
Trade receivables	80.6	63.3
Prepaid expenses and accrued income	19.5	15.3
Liabilities		
Convertible loans and loans	165.7	186.7
Trade accounts payable	84.8	27.3
Accrued expenses and deferred income	43.7	15.2

The conditions relating to related parties are described in Note 1.

29. Events after the balance sheet date

There are no events after the balance sheet date that would require disclosure or recognition in the 2021 financial statements.

On 26 April 2022, the Board of Directors of Swissgrid Ltd approved the 2021 financial statements for submission to the General Assembly and for publication.

Financial statements Swiss GAAP FER

Independent Auditor's Report



Independent Auditor's Report

To the General Meeting of Swissgrid Ltd, Aarau

Opinion

We have audited the financial statements of Swissgrid Ltd, which comprise the balance sheet as at 31 December 2021, the statement of income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 25 to 56) give a true and fair view of the financial position of the Company as at 31 December 2021, and its results of operations and its cash flows for the year then ended in accordance with Swiss GAAP FER.

Basis for Opinion

We conducted our audit in accordance with Swiss Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority



Accuracy of the calculation of the regulated EBIT and volume- and tariff-related timing differences



Completeness and accuracy of the net turnover and procurement costs

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Accuracy of the calculation of the regulated EBIT and volume- and tariff-related timing differences

Key Audit Matter

For the 2021 financial year Swissgrid reports an EBIT (earnings before interest and taxes) of CHF 204.3 million. The change in volume- and tariff-related timing differences amounts to CHF +279.7 million.

The EBIT presented in Swissgrid's financial statements is legally defined as the multiplication of the invested operating assets (regulatory asset base, "RAB") and volume- and tariff-related timing differences by the applicable regulatory interest rates plus taxes. The RAB consists of the transmission grid assets (incl. construction in progress), the intangible assets and the net current assets determined on a monthly basis.

Cost and volume variances between the actual costs and income for a year and the costs and income pre-determined in advance at tariff level for the same year lead to so-called volume- and tariff-related timing differences. These are deferred separately as surpluses or deficits in the balance sheet and must be amortized over the coming years. The yearly change is recorded separately in the income statement under "Change in volume- and tariff-related timing differences".

There is a risk that the EBIT and the volume- and tariff-related timing differences are not calculated according to the applicable legal and regulatory provisions and that, consequently, the EBIT and the volume- and tariff-related timing differences are not presented correctly in the financial statements.

For further information on the calculation of the regulated EBIT and volume- and tariff-related timing differences refer to the notes of the financial statements Swiss GAAP FER under note "1. Accounting principles" (paragraph Activities according to StromVG), under note "3. Legal proceedings" and under note "4. Segment reporting" (paragraph Change in volume- and tariff-related timing differences per segment) as well as under note "15. Volume- and tariff-related timing differences".

Our response

We have performed mainly the following audit procedures:

- Identification of the key controls and verification of their effectiveness using sampling;
- Reconciliation of the method used for calculating the regulated EBIT and volume- and tariff-related timing differences with the legal, administrative and regulatory requirements;
- Recalculation of the interest on the various components of the RAB and volume- and tariff-related timing differences using the interest rates according to the legal base (StromVG/StromVV) as well as to the decisions and directives of the Swiss Federal Electricity Commission (ElCom) and comparison with the recorded values;
- Evaluation of the completeness and transparency of the disclosures presented in the financial statements.



Completeness and accuracy of the net turnover and procurement costs

Key Audit Matter

For the 2021 financial year Swissgrid reports a net turnover of CHF 715.1 Mio. CHF and the procurement costs amount to CHF 417.5 Mio. CHF.

The calculation of the net turnover (performance) and procurement costs is based mainly on the energy data directly metered on the transmission system or reported from downstream grid levels. For the measurement of performance, regulated tariffs must mainly be taken into account; for the procurement costs the applicable market prices.

Swissgrid's regulated activities are characterized by a high volume of IT-based transactions.

For certain turnover and procurement costs positions, no volume base exists at the closing date yet, which requires to make estimates and assumptions.

Due to the transaction volume, the various IT interfaces and the estimates / assumptions, there is a risk that the performance and costs are not calculated completely and correctly.

For further information on the net turnover and the procurement costs refer to the notes of the financial statements Swiss GAAP FER under note "2. Estimation uncertainty" and under note "4. Segment reporting" (paragraph Segment report 2021) as well as under note "5. Net turnover and procurement costs according to the electricity supply act (StromVG)".

Our response

We have analyzed the process relative to the calculation of the net turnover and procurement costs and we have determined whether the energy data have been recorded completely and correctly. In this respect, we have among others identified the key controls and we have then verified their effectiveness using sampling. We have considered the high degree of integration of the provision and recording of services by the various IT systems by testing the effectiveness of the general IT controls and application controls of the relevant IT systems for accounting purposes with the assistance of our IT specialists.

In order to assess the completeness and accuracy, we have also critically examined the main assumptions and evaluated the accuracy of the forecasts regarding the presented accruals, in particular by comparing retrospectively the accrued amounts and the actual amounts.

Furthermore, we have assessed the appropriateness of the disclosures in the financial statements concerning the corresponding positions of the balance sheet and income statement.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements that give a true and fair view in accordance with Swiss GAAP FER, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

KPMG AG

Rolf Hauenstein
Licensed Audit Expert

Beatriz Vazquez
Licensed Audit Expert

Basel, 26 April 2022

Statutory financial statements

Income statement

In millions of CHF	Notes	2021	2020
Net turnover	3	715.1	588.2
Other operating income	4	17.1	14.5
Change in volume- and tariff-related timing differences		260.0	109.2
Capitalised self-constructed assets		17.3	14.2
Total operating income		1,009.5	726.1
Procurement costs	3	417.5	228.5
Gross profit		592.0	497.6
Cost of materials and third-party supplies	5	94.5	94.5
Personnel expenses	6	105.9	101.5
Other operating expenses	7	28.0	28.8
Earnings before interest, income taxes, depreciation and amortisation		363.6	272.8
Depreciation on property, plant and equipment		129.3	121.9
Amortisation on intangible assets		51.2	37.5
Earnings before interest and income taxes (EBIT)		183.1	113.4
Financial income		0.9	1.0
Financial expenses		53.5	26.0
Profit for the year before taxes		130.5	88.4
Income taxes		25.8	17.3
Profit for the year		104.7	71.1

Statutory financial statements

Balance sheet

Assets

In millions of CHF	Notes	31.12.2021	31.12.2020
Cash and cash equivalents		272.6	200.1
Trade accounts receivable	8	180.8	125.5
Other receivables	9	19.7	14.2
Inventory		1.2	1.2
Prepaid expenses and accrued income	10	81.1	66.9
Short-term deficits arising from volume-and tariff-related timing differences		4.2	7.9
Assets held on a fiduciary basis	11	137.8	23.9
Current assets		697.4	439.7
Financial assets	12	0.5	–
Shareholdings	13	8.5	8.7
Property, plant and equipment	14	2,320.2	2,258.0
Intangible assets	15	313.6	235.6
Long-term deficits arising from volume-and tariff-related timing differences		293.4	149.4
Non-current assets		2,936.2	2,651.7
Assets		3,633.6	3,091.4

Equity and liabilities

In millions of CHF	Notes	31.12.2021	31.12.2020
Trade accounts payable	16	206.4	94.4
Current financial liabilities	19	254.6	172.4
Other liabilities	17	2.4	2.9
Accrued expenses and deferred income	18	143.6	77.0
Current provisions	20	0.2	2.2
Current surpluses arising from volume-and tariff-related timing differences		–	20.0
Liabilities held on a fiduciary basis	11	137.8	23.9
Current liabilities		745.0	392.8
Non-current financial liabilities	19	1,612.2	1,423.1

In millions of CHF	Notes	31.12.2021	31.12.2020
Non-current provisions	20	6.4	6.8
Non-current surpluses arising from volume-and tariff-related timing differences		–	100.8
Non-current liabilities		1,618.6	1,530.7
Liabilities		2,363.6	1,923.5
Share capital	21	334.5	320.4
Legal capital reserves		430.1	409.0
Reserves from capital contributions		430.1	409.0
Legal retained earnings		1.6	1.6
General legal reserves		1.6	1.6
Voluntary retained earnings		503.8	436.9
Available earnings		503.8	436.9
Results carried forward		399.1	365.8
Profit for the year		104.7	71.1
Equity		1,270.0	1,167.9
Equity and liabilities		3,633.6	3,091.4

Statutory financial statements

Cash flow statement

In millions of CHF, excluding balance sheet items held on fiduciary basis	Notes	2021	2020
Profit for the year		104.7	71.1
Financial expenses		53.5	26.0
Financial income		-0.9	-1.0
Current income taxes		25.8	17.3
Depreciation and amortisation		180.5	159.4
Other expenses not affecting revenue and expenditure		-	0.1
Change in provisions		-2.4	-1.2
Change in trade accounts receivable		-55.3	-6.5
Change in other receivables		-5.5	-12.5
Change in prepaid expenses and accrued income		-14.2	-18.7
Change in volume- and tariff-related timing differences		-260.0	-109.2
Change in trade accounts payable		112.0	27.2
Change in other current liabilities		-0.5	-2.1
Change in accrued expenses and deferred income		53.5	-3.3
Income taxes paid		-19.0	-8.7
Cash flow from operating activities		172.2	137.9
Gross investments in property, plant and equipment		-190.3	-165.5
Congestion proceeds received for grid investments		3.1	32.3
Net investments in property, plant and equipment		-187.2	-133.2
Divestment in property, plant and equipment		1.1	0.2
Investments in intangible assets		-18.3	-12.6
Dividends received		0.5	0.7
Cash flow from investing activities		-203.9	-144.9
Change in current financial liabilities		-170.9	-169.2
Issuing of bonds		360.0	555.0
Repayment of bonds		-	-350.0
Interest paid		-47.0	-26.3
Dividends paid		-37.9	-31.5
Cash flow from financing activities		104.2	-22.0
Change in cash and cash equivalents		72.5	-29.0

In millions of CHF, excluding balance sheet items held on fiduciary basis	Notes	2021	2020
Composition			
Cash and cash equivalents at beginning of period		200.1	229.1
Cash and cash equivalents at end of period		272.6	200.1
Change in cash and cash equivalents		72.5	-29.0

Non-cash transactions

Of the final remuneration of CHF 117.4 million paid in 2021 for the grid takeovers undertaken since 2013, 30% came from Swissgrid shares and 70% from loans.

Statutory financial statements

Notes

1. Accounting principles

General

The financial statements for Swissgrid Ltd, Aarau, have been prepared in accordance with the Swiss Law on Accounting and Financial Reporting (Title 32 of the Swiss Code of Obligations). The valuation principles applied are described below.

Conversion of foreign currency items

The accounting records are maintained in the local currency (Swiss francs, CHF). All short-term monetary assets and liabilities recognised in foreign currencies are converted at the exchange rate as of the balance sheet date. Transactions in foreign currencies are converted at the exchange rate on the day the transaction took place. Foreign exchange gains and losses resulting from transactions in foreign currencies are recognised in the income statement and are presented in the same item as the underlying transaction.

Cash flow statement

Cash and cash equivalents form the basis for the presentation of the cash flow statement. The cash flow from operating activities is calculated using the indirect method.

Revenue recognition

Revenue is recognised in the income statement upon performance of Swissgrid's obligations. For activities regulated under the Federal Electricity Supply Act (StromVG), the measurement of performance is based mainly on energy volumes directly metered on the transmission grid or reported from downstream grid levels. For certain revenue and procurement items, initial billing values are available six weeks after delivery at the earliest, thereby rendering accruals based on historical and statistical data, as well as on estimates necessary for the revenue recognition of these items.

Activities according to StromVG

Volume- and tariff-related timing differences (surpluses and deficits)

According to Art. 14 of the Electricity Supply Act (StromVG), grid utilisation costs must be allocated to users on a user-pays basis. The tariffs for a financial year are determined based on planned costs. Due to price and volume deviations, actual expenses and income vary from the tariff calculation on both the revenue and procurement side. This results in surpluses or deficits, i.e. the tariff revenues from a financial year are higher or lower than the actual expenses incurred during the same period. These volume- and tariff-related timing differences are transferred to the balance sheet and taken into account in cost and revenue calculations for future tariff periods. The expected reduction in volume- and tariff-related timing differences within twelve months of the balance sheet date is recognised as short-term surpluses or deficits in the balance sheet.

EBIT regulated under StromVG

Earnings before interest and taxes (EBIT) from activities related to the Federal Electricity Supply Act (StromVG) are defined in Article 13 of the Electricity Supply Ordinance (StromVV) and are equivalent to the interest applied to the assets required to operate the transmission system with the weighted

average cost of capital rate (WACC) for the current year under review (= $WACC_{t+0}$) and the interest applied to the volume and tariff-related timing differences with the weighted average cost of capital rate of $WACC_{t+2}$ plus income taxes.

Invested operating assets consist of net current assets calculated on a monthly basis as well as the property, plant and equipment and intangible assets as at the end of the financial year. The weighted average cost of capital rate (WACC) is based on the current international practice of the WACC capital cost concept with reference to the Capital Asset Pricing Model (CAPM). Besides considering the findings of financial market theory, the regulatory framework conditions in Switzerland and the current situation in the money and capital market are also taken into account. The official weighted average cost of capital rates for 2021 ($WACC_{t+0}$) and 2023 ($WACC_{t+2}$) based on this method of calculation are unchanged from the 3.83% used in the previous year.

EICom has the right to verify ex post the chargeability of Swissgrid's operating and capital costs for tariff-setting purposes. In case of an ex post cost adjustment, an appeal can be lodged with the Federal Administrative Court with the possibility of appeal to the Federal Supreme Court. A cost adjustment impacting Swissgrid's operating result is applied whenever no appeal is lodged, or whenever an appeal's prospects for success are judged to be less than 50% on the basis of a reappraisal, or whenever a legally binding ruling is issued.

Property, plant and equipment

Property, plant and equipment are recognised at the cost of acquisition or production less accumulated amortisation and any impairment losses. Significant spare parts which are likely to be used for a longer period and whose use only takes place in connection with a non-current asset item are recognised in non-current assets and depreciated over the remaining useful life of the relevant asset. Depreciation/amortisation is calculated using the straight-line method on the basis of the estimated useful technical and economic service life.

The service life is determined as follows:

- Lines: 15 to 60 years
- Substations: 10 to 35 years
- Buildings and expansions: 5 to 50 years
- Other property, plant and equipment: 3 to 8 years
- Construction in progress and properties: only applicable in the case of an impairment loss

Intangible assets

Intangible assets are recognised at the cost of acquisition or production less accumulated amortisation and any impairment losses. Depreciation/amortisation is calculated using the straight-line method on the basis of the estimated useful technical and economic service life.

The service life is determined as follows:

- Rights of use: contract term
- Software and technical regulations: 3 to 5 years
- Intangible assets under development: only applicable in the case of an impairment loss

The merger losses (goodwill) resulting from the mergers on 3 January 2013 and 5 January 2015 are also recognised in this item. Goodwill is depreciated on a straight-line basis over 20 years and is

reviewed annually for impairments.

Impairment losses

The value of property, plant and equipment and intangible assets is reviewed annually. If there is an indication of an impairment loss, the book value is reduced to the realisable value and an impairment loss is charged to the results of the period.

Construction in progress/intangible assets under development

Construction in progress and intangible assets under development are non-current assets that are not yet completed or not yet operational. All items of property, plant and equipment and intangible assets, including self-constructed assets, are classified as non-current assets. As of each balance sheet date, a review is performed to determine whether any construction in progress or intangible assets under development have to be impaired. These are recognised as impairment losses in the year of completion. Ordinary depreciation or amortisation of these assets begins once they are completed or are ready for operation.

Financial assets

Financial assets are measured at acquisition costs less any impairment losses. Employer contribution reserves without conditional renounced use are also recognised in financial assets.

Shareholdings

Shareholdings are measured at acquisition costs less any impairment losses. These include shareholdings with a capital share of over 20%, but which do not have a significant impact on the financial statements, as well as shareholdings with a capital share of less than 20% that do have a significant impact.

Inventory

Inventory includes waste material for maintaining the grid systems. Inventory is measured at the lower of acquisition cost or market price.

Accounts receivable

Accounts receivable are reported at their nominal value less any impairment losses required for business reasons.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, cash at banks and deposits at banks maturing in 90 days or less. They are recognised at their nominal value.

Bonds

Bonds issued on the capital market are recognised at their nominal value. Deviations from the nominal value in the case of below- or above-par issues are recognised as accruals and deferrals and are reversed on a straight-line basis over the term of the bond.

Liabilities

Liabilities are recognised at their nominal value.

Provisions

Provisions are recognised if there is an obligation based on an event that took place prior to the balance

sheet date, the amount and/or due date of which is uncertain but capable of being estimated.

Contingent liabilities

Contingent liabilities are measured as of the balance sheet date. A provision is reported if a cash outflow without a usable countervalue is probable and assessable. Otherwise, contingent liabilities are disclosed in the notes to the financial statements.

Interest on borrowed capital

Interest on borrowed capital is recognised as an expense in the period in which it arises.

Income taxes

Current income taxes are calculated based on the taxable results on an accrual basis.

Derivative financial instruments

Swissgrid may use derivative financial instruments to hedge against currency and market price risks. If the conditions are met, Swissgrid will apply hedge accounting to hedge expected future cash flows. The instruments used for this purpose will be disclosed in the notes to the financial statements until the underlying transaction is realised.

2. Estimation uncertainty

Financial-statement reporting requires estimates and assumptions to be made that may have a significant impact on Swissgrid's financial statements. With respect to assets and liabilities recognised in the balance sheet, accruals and deferrals (prepaid expenses and accrued income/acrued expenses and deferred income) and volume- and tariff-related timing differences in particular are based on various assumptions and estimates that may necessitate significant adjustments. This is due to specific volumes not being available for certain revenue and procurement items when the financial statements are prepared, as well as regulatory uncertainties. The volume- and tariff-related timing differences are also influenced by estimates in the allocation of operating expenses to the segments.

For more information on this, the reader is referred to the comments in the sections on «Revenue recognition» and «Activities according to StromVG» in Note 1, as well as the comments in Note 24.

3. Net turnover and procurement costs

Net turnover

For the 2021 financial year, net turnover across all segments amounts to CHF 715.1 million. This represents an increase of CHF 126.9 million in relation to the previous year's figure of CHF 588.2 million. The rise in turnover is predominantly due to the CHF 65.3 million increase in tariff revenue as well as higher income from auctions for the reduction of chargeable grid costs of CHF 61.1 million in the grid utilisation segment. In addition, the general ancillary services segment recorded growth in income of CHF 28.9 million from balance group balance energy. By contrast, tariff income in the active power loss segment decreased by CHF 29.0 million.

Procurement costs

At CHF 417.5 million, procurement costs are CHF 189.0 million higher than the previous year's value of CHF 228.5 million. This increase is primarily due to higher costs of CHF 161.4 million for control power

provision and AS energy in the general ancillary services segment as well as higher procurement costs of CHF 23.3 million for active power loss. The increase in these costs is primarily due to rising electricity prices in the second half of 2021. In the grid utilisation segment, additional remuneration to former transmission system operators rose by CHF 24.6 million compared to the previous year. By contrast, national redispatch costs in the grid utilisation segment and expenses for grid enhancement in the general ancillary services segment decreased by CHF 13.4 million and CHF 5.4 million respectively in relation to 2020.

More detailed comments on the individual segments, including the effects on the volume- and tariff-related timing differences, can be found in Note 4 to the financial statements in accordance with Swiss GAAP FER.

4. Other operating income

In millions of CHF	2021	2020
Congestion management clearing	15.6	12.4
Other	1.5	2.1
	17.1	14.5

5. Materials and third-party supplies

In millions of CHF	2021	2020
Grid maintenance	19.1	19.1
Grid system control	0.4	0.4
Other services in the grid area	23.7	31.5
Expenses for projects, advisory and non-cash benefits	38.7	32.4
Hardware/software maintenance	12.6	11.1
	94.5	94.5

Other grid-related services include remuneration for easements, including easement management services performed by third parties and operating expenses for mixed-use plants. The number of easements for which Swissgrid pays remuneration to the property owners and therefore also the other services in the grid area item decreased compared to the previous year. Due to the implementation of Strategy 2022 measures, the expenses for projects, advisory services and non-cash benefits were higher year on year.

6. Personnel expenses

In millions of CHF	2021	2020
Salaries, bonuses, allowances	84.9	81.5

In millions of CHF	2021	2020
Employee insurance	17.2	16.3
Other personnel expenses	3.8	3.7
	105.9	101.5

Other personnel expenses include, in particular, the costs of training and further education, recruitment, lump-sum expenses as well as allowances for external catering for employees.

The average number of full-time equivalents exceeded 250 in the reporting period, as was the case in the previous year.

7. Other operating expenses

In millions of CHF	2021	2020
Rental and occupancy costs	9.4	8.7
Ground rents	4.8	6.5
Rental costs for communication equipment/telecommunication expense	3.2	3.1
Board of Directors' fees and expenses, incl. social costs	0.8	0.8
Actual expenses for travel and subsistence for employees and third parties	0.8	0.9
Fees, dues and licences	4.1	4.4
Insurance	1.8	1.4
Other administrative costs	3.1	3.0
	28.0	28.8

Board of Directors' fees and expenses represent fixed gross remuneration. The remuneration paid to the Chairman of the Board of Directors amounted to CHF 250,000, including lump-sum expenses (previous year: CHF 250,000). The remaining members of the Board of Directors received remuneration of between CHF 57,500 and CHF 70,000 pro rata temporis for 2021, including lump-sum expenses (previous year: CHF 57,500 to CHF 70,000).

Further information on the members of the Board of Directors can be found in the Corporate Governance Report.

8. Trade receivables

As at 31 December 2021, trade receivables include CHF 55.5 million (previous year: CHF 23.1 million) in relation to companies with a direct or indirect shareholding in Swissgrid.

9. Other receivables

In particular, other receivables include the receivable for the 2021 enforcement costs for handling congestion management amounting to CHF 15.6 million (previous year: CHF 12.4 million) and VAT credit of CHF 2.0 million (previous year: VAT liability of CHF 0.4 million).

10. Prepaid expenses and accrued income

In millions of CHF	31.12.2021	31.12.2020
Accrued revenue for supplies made	57.7	41.4
Other	23.4	25.5
	81.1	66.9

In particular, other prepaid expenses and accrued income include the discount on bond issues and financing and issue costs, which are amortised over the term of the financing instrument.

11. Balance sheet items held on a fiduciary basis

Pursuant to the EICom ruling issued on 6 April 2020, income from auctions in 2021 amounting to CHF 97.1 million (previous year: CHF 71.1 million) was paid to Swissgrid. At CHF 137.8 million, the balance sheet item is CHF 113.9 million above the previous year's value of CHF 23.9 million. This is primarily due to the CHF 33.5 million increase in unused income from auctions as well as the higher level of outstanding trade accounts receivable and trade accounts payable as at 31 December 2021.

As of the balance sheet date, derivative financial instruments (futures) in the nominal amount of EUR 43.0 million exist to partially hedge against the EUR/CHF currency risk from expected future income in euros. The positive replacement values as at 31 December 2021 amount to CHF 2.2 million (previous year: negative replacement values of CHF 1.0 million).

12. Shareholdings

		Share capital in m.	Share in %
Joint Allocation Office (JAO)	B	0.100	5.0
TSCNET Services GmbH	C	0.038	6.7
Holding des Gestionnaires de Réseau de Transport d'Electricité SAS (HGRT)	D	52.119	5.0
Pronovo AG	E	0.100	100.0
ecmt AG	F	0.100	20.0
Equigy B.V.	G	0.050	20.0
AET NE1 SA	A	0.100	100.0
ALENA Aletsch Energie Netz AG	A	0.100	100.0

		Share capital in m.	Share in %
Alpiq Netz AG Gösgen/Aarau	A	0.100	100.0
Alpiq Réseau SA Lausanne/Aarau	A	0.100	100.0
BKW Übertragungsnetz AG	A	0.100	100.0
CKW Grid AG	A	0.100	100.0
EGL Grid AG	A	0.100	100.0
ewb Übertragungsnetz AG	A	0.100	100.0
ewz Übertragungsnetz AG	A	0.100	100.0
FMV Réseau SA	A	0.100	100.0
Kraftwerke Hinterrhein Netz AG	A	0.100	100.0
LENA Lonza Energie Netz AG	A	0.100	100.0
Nordostschweizerische Kraftwerke Grid AG	A	0.100	100.0
Ofible Rete SA	A	0.100	100.0
Ofima Rete SA	A	0.100	100.0
Repower Transportnetz AG	A	0.100	100.0
SN Übertragungsnetz AG	A	0.100	100.0
Übertragungsnetz Basel/Aarau AG	A	0.100	100.0

Letters used for locations and currencies:

A = Aarau (formerly Laufenburg, CH) | Currency CHF

B = Luxembourg (Lux) | Currency EUR

C = Munich (D) | Currency EUR

D = Paris (F) | Currency EUR

E = Frick (CH) | Currency CHF

F = Embrach (CH) | Currency CHF

G = Arnhem (NL) | Currency EUR

Due to changes in ownership, Swissgrid's share in TSCNET Services GmbH and Equigy B.V. has decreased to 6.7% and 20.0% respectively. Swissgrid is not legally obliged to prepare consolidated financial statements. Either the control principle necessary to prepare a consolidated financial statement (Art.963 of the Swiss Code of Obligations (CO)) is not met, or the subsidiaries do not have a material influence on Swissgrid's financial statements. In particular, Pronovo AG is regulated by the Swiss Federal Office of Energy (SFOE) and is explicitly excluded from any consolidation with Swissgrid based on Art.64(5) of the Energy Act (EnG).

Otherwise, the information is unchanged from the previous year.

13. Property, plant and equipment

The book values of the individual categories are as follows:

In millions of CHF	31.12.2021	31.12.2020
Construction in progress	457.0	320.2
Substations	712.2	753.3
Lines	978.5	1,005.1
Properties and buildings	163.9	169.2
Other property, plant and equipment	8.6	10.2
	2,320.2	2,258.0

14. Intangible assets

The book values of the individual categories are as follows:

In millions of CHF	31.12.2021	31.12.2020
Intangible assets under development	14.9	9.7
Usage rights	71.9	84.3
Software	29.9	41.1
Merger losses (goodwill)	196.9	100.5
	313.6	235.6

The merger losses increased due to the final remuneration paid in 2021 for the grid takeovers undertaken since 2013. The merger losses as at 31 December 2021 amount to CHF 196.9 million.

15. Trade accounts payable

As at 31 December 2021, trade accounts payable include CHF 98.8 million (previous year: CHF 28.3 million) in relation to companies with a direct or indirect shareholding in Swissgrid. Liabilities amounting to CHF 59,370 (previous year: CHF 62,646) exist in relation to the external auditor as at 31 December 2021.

16. Other liabilities

In millions of CHF	31.12.2021	31.12.2020
Value-added tax	–	0.4
Security deposits on blocked bank accounts	0.7	0.8
Other	1.7	1.7
	2.4	2.9

In particular, the «Other» item contains outstanding obligations towards PKE Vorsorgestiftung Energie

of CHF 1.4 million (previous year: CHF 1.3 million) as of the cut-off date.

17. Accrued expenses and deferred income

In millions of CHF	31.12.2021	31.12.2020
Accrued expenses for supplies made	101.5	49.8
Personnel expenses and employee insurance scheme	10.0	9.0
Accrued interest and premium from issued bonds	15.4	9.0
Taxes	16.7	9.2
	143.6	77.0

18. Financial liabilities

In millions of CHF	31.12.2021	31.12.2020
Bonds	1,540.0	1,180.0
Convertible loans	326.70	415.40
Loans	0.10	0.10
Total financial liabilities	1,866.8	1,595.5
Current portion	254.6	172.4

Bonds

Nominal amount in CHF	Interest rate	Term	Expiration at nominal value
350 million	1,625%	2013 - 2025	30.01.2025
150 million	0,000%	2021 - 2026	30.06.2026
150 million	0,000%	2020 - 2028	30.06.2028
150 million	0,625%	2015 - 2030	25.02.2030
150 million	0,200%	2020 - 2032	30.06.2032
110 million	0,050%	2021 - 2033	30.06.2033
125 million	0,150%	2020 - 2034	30.06.2034
130 million	0,125%	2020 - 2036	30.06.2036
100 million	0,200%	2021 - 2040	29.06.2040
125 million	0,050%	2019 - 2050	30.06.2050

Convertible loans and loans

Convertible loans have a term of nine years and one-fifth of the loans become payable annually from year five. Partial repayments of convertible loans amounting to CHF 170.9 million were made in the

2021 financial year. Moreover, loans are also assigned a conversion right by Swissgrid in the event of occurrence of contractually defined events and an associated conversion obligation by the creditors. Creditors are compensated by a premium on the interest rate for the conversion right assigned to Swissgrid. Convertible loans are recognised in full in liabilities.

The interest conditions and maturities of convertible loans and loans are as follows:

Loans and convertible loans

Position	Interest rate (bandwidth)	Year 1	Year 2–5	More than 5 years
Convertible loans	3.36 - 3.93%	254.6	68.3	3.8
Loans	0.00%	–	–	0.1

Convertible loans and loans are assessed at their nominal value.

As at 31 December 2021, convertible loans of CHF 220.9 million (previous year: CHF 253.2 million) exist towards companies with a direct or indirect shareholding in Swissgrid.

19. Provisions

In millions of CHF	31.12.2021	31.12.2020
Dismantling	6.1	6.1
Procedural costs	0.5	2.9
Total provisions	6.6	9.0
Current portion	0.2	2.2

Procedural costs

With the grid takeovers on 3 January 2013 and 5 January 2015 and the associated spin-offs of the procedural companies from the grid companies, contractual regulations mean that Swissgrid is responsible for the costs of proceedings attributable to the procedural companies. The provision as at 31 December 2021 includes the remaining expected expenses for party, court and legal costs due to the final remuneration for the grid takeovers paid in 2021.

The provision amount also includes the estimated compensation payable to parties and the court costs imposed on Swissgrid due to the administrative procedures in conducting proceedings.

20. Share capital and reserves from capital contributions

The share capital consists of 334,495,151 (previous year: 320,398,149) fully paid-up registered shares with a par value of CHF 1 per share.

21. Derivative financial instruments

Swissgrid made use of derivative financial instruments to partially hedge against market price risk from future procurement costs for active power losses. The nominal amount of these instruments is EUR 36.1 million (previous year: EUR 18.3 million), with positive replacement values of EUR 13.4 million as at 31 December 2021 (previous year: negative replacement values of EUR 1.5 million).

22. Contingent receivables

Billing method for ancillary services (AS)

EICom defined the billing method for the AS surcharge in its 4/2018 directive. Under this method, Swissgrid and the distribution system operators wait until the subsequent year to finally settle payments of AS tariffs for the previous financial year.

The settlement will result in receivables owed to Swissgrid by the distribution system operators. However, since the amount of these receivables could not be reliably determined when the financial statements were prepared, they were recognised as contingent receivables.

23. Other off-balance sheet commitments

Joint Allocation Office (JAO)

As a shareholder of the Joint Allocation Office (JAO), Swissgrid is contractually obliged to assume its share of the annual costs.

TSCNET Services GmbH

As a shareholder of TSCNET Services GmbH, Swissgrid is contractually obliged to assume its share of the annual costs.

Equigy B.V.

As a shareholder of Equigy B.V., Swissgrid is contractually obliged to assume its share of the annual costs.

Off-balance-sheet lease commitments

Swissgrid has the following off-balance-sheet lease commitments for vehicles and office equipment:

Lease commitments

In millions of CHF	Year 1	Year 2-5	Total
31.12.2021	0.8	1.6	2.4
31.12.2020	0.8	1.2	2.0

Long-term rental contracts

Long-term rental contracts with fixed terms exist with several parties. These result in the following obligations:

In millions of CHF	Year 1	Year 2–10	More than 10 years	Total
31.12.2021	5.8	36.5	64.3	106.6
31.12.2020	6.0	38.3	68.3	112.6

The long-term rental obligations primarily include the rental commitments for Swissgrid's head office in Aarau.

24. Legal proceedings

Swissgrid's legal mandate and business activities expose the company to costs that can be passed on to the lower grid levels and end consumers in the form of tariff revenues if ECom deems the costs to be chargeable. ECom has the right to verify ex post the chargeability of Swissgrid's costs for tariff-setting purposes.

At present, ECom has not initiated any proceedings to examine Swissgrid's chargeable costs. Swissgrid's Board of Directors and Executive Board believe that all costs were incurred within the framework of Swissgrid's legal mandate and should therefore qualify as chargeable. Based on this assessment, Swissgrid has treated all operating and capital costs as chargeable and consequently recognised them in full in the volume- and tariff-related timing differences. If, contrary to Swissgrid's assessment, the costs claimed are ruled to be non-chargeable, this would be reflected in future financial statements.

Third-party proceedings

The financial impact of third-party proceedings in which Swissgrid is involved are included in Swissgrid's financial statements if the Swiss GAAP FER criteria for recognition have been met. However, they have no direct impact on Swissgrid's results as they are included in the volume- and tariff-related timing differences.

25. Audit fees

In 2021, the fees for audit services amount to CHF 213,000 (previous year: CHF 214,000) and CHF 10,000 (previous year: CHF 3,000) for other services.

26. Events after the balance sheet date

There are no events after the balance sheet date that would require disclosure or recognition in the 2021 financial statements.

On 26 April 2022, the Board of Directors of Swissgrid Ltd approved the 2021 financial statements for submission to the General Assembly and for publication.

Statutory financial statements

Proposed appropriation of retained earnings

The Board of Directors proposes to the General Assembly that the retained earnings be appropriated as follows:

CHF	2021	2020
Balance carried forward from the previous year	399,085,757.72	365,815,233.71
Profit for the year	104,716,744.90	71,138,387.07
Retained earnings	503,802,502.62	436,953,620.78
Appropriation to the general legal reserves	–	–
Dividend payment	53,110,767.99	37,867,863.06
Balance to be carried forward	450,691,734.63	399,085,757.72
Total appropriation	503,802,502.62	436,953,620.78

Since legal capital reserves and legal retained earnings have reached 50% of the share capital, no more funds will be allocated to these accounts.

Aarau, 26 April 2022

On behalf of the Board of Directors:

Adrian Bult, Chairman

Statutory financial statements

Statutory Auditor's Report



Statutory Auditor's Report

To the General Meeting of Swissgrid Ltd, Aarau

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Swissgrid Ltd, which comprise the balance sheet as at 31 December 2021, the income statement and statement of cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 62 to 79) for the year ended 31 December 2021 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority



Accuracy of the calculation of the regulated EBIT and volume- and tariff-related timing differences



Completeness and accuracy of the net turnover and procurement costs

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Key Audit Matter

Our response

For the 2021 financial year Swissgrid reports an EBIT (earnings before interest and taxes) of CHF 183.1 million. The change in volume- and tariff-related timing differences amounts to CHF +260.0 million.

The EBIT presented in Swissgrid's financial statements is legally defined as the multiplication of the invested operating assets (regulatory asset base, "RAB") and volume- and tariff-related timing differences by the applicable regulatory interest rates plus taxes. The RAB consists of the transmission grid assets (incl. construction in progress), the intangible assets and the net current assets determined on a monthly basis.

Cost and volume variances between the actual costs and income for a year and the costs and income predetermined in advance at tariff level for the same year lead to so-called volume- and tariff-related timing differences. These are deferred separately as surpluses or deficits in the balance sheet and must be amortized over the coming years. The yearly change is recorded separately in the income statement under "Change in volume- and tariff-related timing differences".

There is a risk that the EBIT and the volume- and tariff-related timing differences are not calculated according to the applicable legal and regulatory provisions and that, consequently, the EBIT and the volume- and tariff-related timing differences are not presented correctly in the financial statements.

For further information on the calculation of the regulated EBIT and volume- and tariff-related timing differences refer to the notes of the financial statements under note "1. Accounting principles" (Activities according to StromVG) as well as under note "24. Legal proceedings".

We have performed mainly the following audit procedures:

- Identification of the key controls and verification of their effectiveness using sampling;
- Reconciliation of the method used for calculating the regulated EBIT and volume- and tariff-related timing differences with the legal, administrative and regulatory requirements;
- Recalculation of the interest on the various components of the RAB and volume- and tariff-related timing differences using the interest rates according to the legal base (StromVG/StromVV) as well as to the decisions and directives of the Swiss Federal Electricity Commission (ElCom) and comparison with the recorded values;
- Evaluation of the completeness and transparency of the disclosures presented in the financial statements.



Completeness and accuracy of the net turnover and procurement costs

Key Audit Matter

For the 2021 financial year Swissgrid reports a net turnover of CHF 715.1 million and the procurement costs amount to CHF 417.5 million.

The calculation of the net turnover (performance) and procurement costs is based mainly on the energy data directly metered on the transmission system or reported from downstream grid levels. For the measurement of performance, regulated tariffs must mainly be taken into account; for the procurement costs the applicable market prices.

Swissgrid's regulated activities are characterized by a high volume of IT-based transactions.

For certain turnover and procurement costs positions, no volume base exists at the closing date yet, which requires to make estimates and assumptions.

Due to the transaction volume, the various IT interfaces and the estimates / assumptions, there is a risk that the performance and costs are not calculated completely and correctly.

For further information on the net turnover and the procurement costs refer to the notes of the financial statements under note "2. Estimation uncertainty" and under note "3. Net turnover and procurement costs".

Our response

We have analyzed the process relative to the calculation of the net turnover and procurement costs and we have determined whether the energy data have been recorded completely and correctly. In this respect, we have among others identified the key controls and we have then verified their effectiveness using sampling. We have considered the high degree of integration of the provision and recording of services by the various IT systems by testing the effectiveness of the general IT controls and application controls of the relevant IT systems for accounting purposes with the assistance of our IT specialists.

In order to assess the completeness and accuracy, we have also critically examined the main assumptions and evaluated the accuracy of the forecasts regarding the presented accruals, in particular by comparing retrospectively the accrued amounts and the actual amounts.

Furthermore, we have assessed the appropriateness of the disclosures in the financial statements concerning the corresponding positions of the balance sheet and income statement.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and the Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Rolf Hauenstein
Licensed Audit Expert
Auditor in Charge

Beatriz Vazquez
Licensed Audit Expert

Basel, 26. April 2022