

# 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
<b>Total operating income</b>		<b>1,029.2</b>	<b>724.8</b>
Procurement costs	4, 5	417.5	228.5
<b>Gross profit</b>		<b>611.7</b>	<b>496.3</b>
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
<b>Earnings before interest, income taxes, depreciation and amortisation</b>		<b>383.3</b>	<b>271.5</b>
Depreciation on property, plant and equipment	13	146.0	125.4
Amortisation on intangible assets	13	33.0	29.4
<b>Earnings before interest and income taxes (EBIT)</b>	4	<b>204.3</b>	<b>116.7</b>
Financial income	10	0.9	1.0
Financial expenses	11	53.5	26.0
<b>Earnings before income taxes</b>		<b>151.7</b>	<b>91.7</b>
Income taxes	12	45.5	16.0
<b>Net income</b>		<b>106.2</b>	<b>75.7</b>

## 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
<b>Non-diluted earnings per share</b>	<b>0.33</b>	<b>0.24</b>
Dilution from the conversion of the convertible loans	-0.04	-0.03
<b>Diluted earnings per share</b>	<b>0.29</b>	<b>0.21</b>

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
<b>Assets</b>		<b>3,659.6</b>	<b>3,096.2</b>

### 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
<b>Equity and liabilities</b>		<b>3,659.6</b>	<b>3,096.2</b>

# 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
<b>Balance at 31.12.2021</b>	<b>334.5</b>	<b>431.2</b>	<b>492.00</b>	<b>1,257.7</b>

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
<b>Earnings before interest and income tax (EBIT)</b>	<b>204.3</b>	<b>201.0</b>	<b>0.9</b>	<b>1.1</b>	<b>0.9</b>	-	<b>203.9</b>	<b>0.4</b>

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
<b>Change in volume- and tariff-related timing differences</b>	<b>-279.7</b>	<b>-122.6</b>	<b>-150.6</b>	<b>-8.5</b>	<b>2.0</b>	-	<b>-279.7</b>	-

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
<b>Earnings before interest and income tax (EBIT)</b>	<b>116.7</b>	<b>114.9</b>	<b>-0.1</b>	<b>0.7</b>	<b>1.2</b>	<b>-</b>	<b>116.7</b>	<b>-</b>

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
<b>Change in volume- and tariff-related timing differences</b>	<b>-107.9</b>	<b>-128.6</b>	<b>-29</b>	<b>51.4</b>	<b>-1.7</b>	<b>-</b>	<b>-107.9</b>	<b>-</b>

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
<b>Net turnover</b>		<b>715.1</b>	<b>588.2</b>
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
<b>Procurement costs</b>		<b>417.5</b>	<b>228.5</b>

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
	<b>17.1</b>	<b>14.5</b>

## 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
	<b>94.5</b>	<b>94.5</b>

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
	<b>105.9</b>	<b>101.5</b>
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 <sup>1</sup>	0.02	0.03
Pension benefits <sup>2</sup>	0.50	0.53
<b>Total remuneration to the Executive Board</b>	<b>2.92</b>	<b>3.40</b>
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 <sup>2</sup>	0.13	0.14
<b>Total remuneration to the highest-earning member of the Executive Board</b>	<b>0.84</b>	<b>0.91</b>

<sup>1</sup> Non-cash benefits include the private use of business vehicles.

<sup>2</sup> 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
	<b>28.0</b>	<b>28.8</b>

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
	<b>0.9</b>	<b>1.0</b>

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
	<b>53.5</b>	<b>26.0</b>

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
	<b>45.5</b>	<b>16.0</b>

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
<b>Acquisition cost at 31.12.2021</b>	<b>462.2</b>	<b>2,242.0</b>	<b>2,790.6</b>	<b>252.3</b>	<b>62.9</b>	<b>5,810.0</b>
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	–	–	–	–	–	–
<b>Accumulated depreciation and amortisation at 31.12.2021</b>	<b>5.2</b>	<b>1,458.9</b>	<b>1,728.2</b>	<b>79.2</b>	<b>54.3</b>	<b>3,325.8</b>
Net book value at 1.1.2021	320.2	772.4	1,066.4	173.8	10.2	2,343.0
<b>Net book value at 31.12.2021</b>	<b>457.0</b>	<b>783.1</b>	<b>1,062.4</b>	<b>173.1</b>	<b>8.6</b>	<b>2,484.2</b>

### 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
<b>Net book value at 31.12.2020</b>	<b>320.2</b>	<b>772.4</b>	<b>1,066.4</b>	<b>173.8</b>	<b>10.2</b>	<b>2,343.0</b>

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
<b>Net book value at 31.12.2021</b>	<b>11.00</b>	<b>4.00</b>	<b>15.00</b>	<b>102.00</b>	<b>–</b>	<b>102.00</b>	<b>19.90</b>	<b>10.00</b>	<b>29.90</b>	<b>132.90</b>	<b>14.00</b>	<b>146.90</b>

## 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
<b>Net book value at 31.12.2020</b>	<b>8.1</b>	<b>1.6</b>	<b>9.7</b>	<b>86.0</b>	<b>–</b>	<b>86.0</b>	<b>25.9</b>	<b>15.2</b>	<b>41.1</b>	<b>120.0</b>	<b>16.8</b>	<b>136.8</b>

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	–
	<b>9.0</b>	<b>8.7</b>

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	-	-
<b>Balance at 31.12.2021</b>	<b>258.2</b>	<b>29.8</b>	<b>15.8</b>	<b>22.5</b>	<b>326.3</b>	<b>-</b>	<b>326.3</b>
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
	<b>137.8</b>	<b>23.9</b>

### 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
	<b>137.8</b>	<b>23.9</b>

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	–	–
	<b>180.8</b>	<b>125.5</b>

## 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
	<b>19.7</b>	<b>14.2</b>

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
	<b>81.1</b>	<b>66.9</b>

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
<b>Total financial liabilities</b>	<b>1,866.8</b>	<b>1,595.5</b>
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
<b>Balance at 31 December 2021</b>	<b>6.1</b>	<b>–</b>	<b>0.5</b>	<b>38.3</b>	<b>44.9</b>
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
	<b>2.4</b>	<b>2.9</b>

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
	<b>143.6</b>	<b>77.0</b>

## 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
<b>Total</b>	<b>1.0</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>10.1</b>	<b>10.1</b>	<b>9.6</b>

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
<b>Unsettled balances at balance sheet date with related parties in millions of CHF</b>	<b>2021</b>	<b>2020</b>
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