

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

## 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
	<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.

## 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
	<b>105.9</b>	<b>101.5</b>

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
	<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 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
	<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.

## 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
	<b>2,320.2</b>	<b>2,258.0</b>

## 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
	<b>313.6</b>	<b>235.6</b>

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
	<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.

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

## 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
<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:

## 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
<b>Total provisions</b>	<b>6.6</b>	<b>9.0</b>
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.