

Financial statements Swiss GAAP FER

Income statement

In millions of CHF	Notes	2022	2021
Net turnover	4, 5	987.1	715.1
Other operating income	4, 6	19.7	17.1
Change in volume- and tariff-related timing differences	4, 15	370.7	279.7
Capitalised self-constructed assets		20.2	17.3
Total operating income		1,397.7	1,029.2
Procurement costs	4, 5	866.2	417.5
Gross profit		531.5	611.7
Cost of materials and third-party supplies	7	104.3	94.5
Personnel expenses	8	117.0	105.9
Other operating expenses	9	29.3	28.0
Earnings before interest, income taxes, depreciation and amortisation		280.9	383.3
Depreciation on property, plant and equipment	13	130.8	146.0
Amortisation on intangible assets	13	24.9	33.0
Earnings before interest and income taxes (EBIT)	4	125.2	204.3
Financial income	10	1.7	0.9
Financial expenses	11	14.7	53.5
Earnings before income taxes		112.2	151.7
Income taxes	12	15.8	45.5
Net income		96.4	106.2

Earnings per share

CHF	2022	2021
Net income	96,410,768	106,221,536
Weighted average number of shares outstanding	334,495,151	325,097,150
Non-diluted earnings per share	0.29	0.33
Dilution from the conversion of the convertible loans	-0.01	-0.04
Diluted earnings per share	0.28	0.29

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 2.5 million (previous year: CHF 12.4 million). Given that taxes are chargeable in Swissgrid's regulated business model, the conversion would have increased net income by CHF 2.5 million (previous year: CHF 12.4 million). At the same time, the average number of shares outstanding would also have increased by 19,181,327 units (previous year: 90,263,869 units). This leads to a potential dilution of CHF -0.01 per share (previous year: CHF -0.04 per share).

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Balance sheet

Assets

In millions of CHF	Notes	31.12.2022	31.12.2021
Property, plant and equipment	13	2,363.2	2,484.2
Intangible assets	13	122.8	146.9
Financial assets	14	6.5	9.0
Long-term deficits arising from volume- and tariff-related timing differences	15	688.5	322.1
Non-current assets		3,181.0	2,962.2
Assets held on a fiduciary basis	16	54.2	137.8
Short-term deficits arising from volume- and tariff-related timing differences	15	59.2	4.2
Inventory		1.1	1.2
Trade accounts receivable	17	234.6	180.8
Other receivables	18	59.2	19.7
Prepaid expenses and accrued income	19	128.6	81.1
Cash and cash equivalents		172.8	272.6
Current assets		709.7	697.4
Assets		3,890.7	3,659.6

Equity and liabilities

In millions of CHF	Notes	31.12.2022	31.12.2021
Share capital		334.5	334.5
Capital reserves		431.2	431.2
Retained earnings		535.3	492.0
Total equity		1,301.0	1,257.7
Non-current financial liabilities	20	1,756.1	1,612.2
Non-current provisions	21	35.7	44.7
Non-current liabilities		1,791.8	1,656.9
Liabilities held on a fiduciary basis	16	54.2	137.8
Current financial liabilities	20	231.1	254.6

In millions of CHF	Notes	31.12.2022	31.12.2021
Trade accounts payable		393.4	206.4
Other liabilities	22	0.7	2.4
Accrued expenses and deferred income	23	118.4	143.6
Current provisions	21	0.1	0.2
Current liabilities		797.9	745.0
Total liabilities		2,589.7	2,401.9
Equity and liabilities		3,890.7	3,659.6

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Cash flow statement

In millions of CHF, excluding balance sheet items held on a fiduciary basis	Notes	2022	2021
Net income		96.4	106.2
Financial expenses	11	14.7	53.5
Financial income	10	-1.7	-0.9
Current income taxes	12	20.2	25.8
Depreciation and amortisation	13	154.4	179.0
Profit/loss from disposal of fixed assets	13	1.3	-
Change in inventories		0.1	-
Change in provisions	21	-9.1	17.3
Change in trade accounts receivable		-53.8	-55.3
Change in other receivables		-39.5	-5.5
Change in prepaid expenses and accrued income		-47.5	-14.2
Change in volume- and tariff-related timing differences	15	-425.1	-279.7
Change in trade accounts payable		187.0	112.0
Change in other current liabilities		-1.7	-0.5
Change in accrued expenses and deferred income		-22.0	53.5
Interest received		0.2	-
Income taxes paid		-23.2	-19.0
Cash flow from operating activities		-149.3	172.2
Gross investments in property, plant and equipment		-232.6	-190.3
Congestion proceeds received for grid investments		226.6	3.1
Net investments in property, plant and equipment	13	-6.0	-187.2
Divestment in property, plant and equipment		-	1.1
Gross investments in intangible assets		-24.8	-18.3
Congestion proceeds received for grid investments		24.1	-
Net investments in intangible assets	13	-0.7	-18.3
Investments in financial assets		-0.5	-
Divestments of financial assets		2.7	-
Dividends received		0.6	0.5

In millions of CHF, excluding balance sheet items held on a fiduciary basis	Notes	2022	2021
Cash flow from investing activities		-3.9	-203.9
Change in current financial liabilities		-54.6	-170.9
Issuing of bonds		175.0	360.0
Interest paid		-13.9	-47.0
Dividends paid		-53.1	-37.9
Cash flow from financing activities		53.4	104.2
Change in cash and cash equivalents		-99.8	72.5
Composition			
Cash and cash equivalents at beginning of period		272.6	200.1
Cash and cash equivalents at end of period		172.8	272.6
Change in cash and cash equivalents		-99.8	72.5

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Statement of changes in equity

In millions of CHF	Share capital	Capital reserves	Retained earnings	Total equity
Balance at 31.12.2020	320.4	410.0	423.7	1,154.1
Allocation	–	–	–	–
Dividends paid	–	–	–37.9	–37.9
Capital increases (minus transaction costs)	14.1	21.2	–	35.3
Net income 2021	–	–	106.2	106.2
Balance at 31.12.2021	334.5	431.2	492.0	1,257.7
Allocation	–	–	–	–
Dividends paid	–	–	–53.1	–53.1
Capital increases (minus transaction costs)	–	–	–	–
Net income 2022	–	–	96.4	96.4
Balance at 31.12.2022	334.5	431.2	535.3	1,301.0

The share capital consists of 334,495,151 (previous year: 334,495,151) fully paid-up registered shares with a par value of CHF 1 per share. As at 31 December 2022, 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 112,939,487, divided into 112,939,487 registered shares with a par value of CHF 1 per share).

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Notes

1. Accounting principles

General

The 2022 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 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.

The activities defined in the Ordinance on the Establishment of a Hydropower Reserve (WResV) are intermediary transactions in accordance with the accounting regulations, which is why only the value of the services provided by the company itself is reported in the power reserve segment.

Activities according to StromVG / WResV

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

According to Art. 14 of the Electricity Supply Act and WResV, grid usage 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 Electricity Supply Act (StromVG) are defined in Article 13 of the Electricity Supply Ordinance (StromVV) and are equivalent to the interest applied to the invested operating assets 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 based on this method of calculation are 3.83% for 2022 ($WACC_{t+0}$) and 4.13% for 2024 ($WACC_{t+2}$).

EBIT according to WResV

In the power reserve segment, the legally prescribed cost recovery principle results in neutral earnings before interest and taxes (EBIT).

Chargeability of operating and capital costs

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 Vorsorgestiftung 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 after they turn 17. Members of the Board of Directors are also to be insured in the pension fund under the conditions defined in the pension regulations of PKE Vorsorgestiftung Energie. All persons affiliated to the pension fund are insured for disability and death. From 1 January of the year after they turn 24, 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 of 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 (StromVG), the Ordinance on the Establishment of a Hydropower Reserve (WResV) and other activities, 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/balancing energy and active power loss segments.

Congestion management is included in the other activities.

Segment report 2022

In millions of CHF	Total	Grid utilisation	General ancillary services/balancing energy	Active power losses (individual ancillary services)	Reactive energy (individual ancillary services)	Eliminations	Total activities according to StromVG	Power reserve	Further activities
Net turnover	987.1	571.8	321.7	95.6	15.7	-17.7	987.1	-	-
Other operating income	19.7	1.8	0.2	-	-	-	2.0	-	17.7
Change in volume- and tariff-related timing differences	370.7	-107.1	346.9	134.3	-4.0	-	370.1	0.6	-
Total operating income	1,377.5	466.5	668.8	229.9	11.7	-17.7	1,359.2	0.6	17.7
Procurement costs	-866.2	-11.4	-642.9	-219.3	-10.3	17.7	-866.2	-	-
Gross profit	511.3	455.1	25.9	10.6	1.4	0.0	493.0	0.6	17.7
Operating expenses	-230.4	-192.2	-20.2	-2.6	-0.4	-	-215.4	-0.6	-14.4
Depreciation/amortisation and impairment losses	-155.7	-148.9	-3.3	-0.4	-0.1	-	-152.7	-	-3.0
Earnings before interest and income tax (EBIT)	125.2	114.0	2.4	7.6	0.9	-	124.9	-	0.3

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/balancing energy	Active power losses (individual ancillary services)	Reactive energy (individual ancillary services)	Eliminations	Total activities according to StromVG	Power reserve	Further activities
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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	Power reserve	Further activities
Net turnover	987.1	571.8	321.7	95.6	15.7	-17.7	987.1	-	-
Other operating income	19.7	1.8	0.2	-	-	-	2.0	-	17.7
Procurement costs	-866.2	-11.4	-642.9	-219.3	-10.3	17.7	-866.2	-	-
Operating expenses	-229.8	-192.2	-20.2	-2.6	-0.4	-	-215.4	-0.6	-14.4
Depreciation/amortisation and impairment losses	-155.7	-148.9	-3.3	-0.4	-0.1	-	-152.7	-	-3.0
Imputed interest and income taxes (EBIT)	-125.2	-114.0	-2.4	-7.6	-0.9	-	-124.9	-	-0.3
Change in volume- and tariff-related timing differences	-370.1	107.1	-346.9	-134.3	4.0	-	-370.1	-0.6	-

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

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	0.0	578.6	15.8
Operating expenses	-211.1	-176.4	-19.5	-2.4	-0.7	-	-199.0	-12.1
Depreciation/amortisation and impairment losses	-179.0	-171.7	-3.4	-0.4	-0.2	-	-175.7	-3.3
Earnings before interest and income tax (EBIT)	204.3	201.0	0.9	1.1	0.9	-	203.9	0.4

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

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

In millions of CHF	Total	Grid utilisation	General ancillary services/balancing 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	-12.1
Depreciation/amortisation and impairment losses	-179.0	-171.7	-3.4	-0.4	-0.2	-	-175.7	-3.3
Imputed interest and income taxes (EBIT)	-204.3	-201.0	-0.9	-1.1	-0.9	-	-203.9	-0.4
Change in volume- and tariff-related timing differences	-279.7	-122.6	-150.6	-8.5	2.0	-	-279.7	-

Volume- and tariff-related timing differences: positive figures represent surpluses, and negative 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 (see Note 1). The individual expense and income positions assigned to the four segments within the StromVG-regulated activities are listed in Note 5.

Grid usage

The grid usage 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 cover the chargeable costs of the transmission system, provided that this purpose is approved by ECom. This segment also includes part of the compensation for international transit flows (ITC); the other part is recognised in the active power loss segment.

Net turnover in this segment amounts to CHF 571.8 million in the 2022 financial year, CHF 92.4 million above the previous year. This rise in relation to the previous year is attributable to the increases of CHF 115.1 million in tariff revenue and CHF 9.4 million in income from ITC, as well as to the decrease of CHF 32.1 million in auction income to cover the chargeable costs of the transmission system. The procurement costs in the 2022 financial year amount to CHF 11.4 million, CHF 42.6 million below the previous year's value of CHF 54.0 million. In addition to lower costs for national redispatch, no additional remuneration was paid to former transmission system owners in 2022.

Net turnover exceeds costs in the 2022 financial year, resulting in a surplus of CHF 107.1 million.

General ancillary services/balancing energy

Net turnover in this segment rose by CHF 156.7 million compared to the previous year. This was primarily due to the higher revenue from balance group balancing energy, which stood at CHF 73.6

million, and the auction income to cover the chargeable costs of the transmission system allocated for the first time in the reporting year, which amounted to CHF 75.6 million.

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 maintenance costs payable by this segment. The procurement costs of CHF 642.9 million in this segment are CHF 350.9 million above the 2021 figure (CHF 292.0 million). This increase is primarily due to higher costs for control power provision and for AS energy of CHF 301.9 million and CHF 43.1 million respectively.

In 2022, costs exceeded net turnover, resulting in a deficit of CHF 346.9 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 auction income to cover the chargeable costs of the transmission system and 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 95.6 million in this segment is CHF 37.6 million higher than in the previous year (CHF 58.0 million), primarily due to the CHF 31.1 million in auction income to cover the chargeable costs of the transmission system allocated for the first time in the reporting year.

In the financial year, this segment recorded procurement costs for active power losses of CHF 219.3 million, an increase of CHF 156.7 million from the previous year.

In 2022, costs exceeded revenue, resulting in a deficit of CHF 134.3 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 decreased by CHF 3.7 million year on year to CHF 15.7 million due to the lower tariff revenue. By contrast, the procurement costs amounted to CHF 10.3 million, CHF 5.3 million below the previous year's level of CHF 15.6 million. This decrease is due to the lower pro rata voltage maintenance costs payable by this segment.

The greater decrease in costs compared to income resulted in a surplus of CHF 4.0 million in the 2022 financial year.

Power reserve

The power reserve segment was newly introduced in the reporting year as a result of the entry into force of the Ordinance on the Establishment of a Hydropower Reserve (WResV). This segment handles the orders regulated by the WResV for the use of the hydropower reserve and reserve power plants, pooled emergency power groups and combined heat and power (CHP) plants. It will be financed from tariff revenues. In accordance with the accounting regulations, these activities are intermediary transactions, which is why only the value of the services provided by the company itself is reported in the power reserve segment.

The expenses resulting from the intermediary business for the provision of the hydropower reserve amounted to CHF 54.4 million in the reporting year. The services provided by the company itself represent CHF 0.6 million and are included in the operating costs. No income was generated in the reporting year, resulting in a deficit of CHF 55.0 million.

5. Net turnover and procurement costs according to StromVG

In millions of CHF	Segment	2022	2021
Tariff income for grid utilisation	A	491.8	376.7
Net income from ITC	A/C	25.0	6.3
Income from auctions for the reduction of chargeable grid costs	A/B/C	175.4	100.8
Tariff income for general ancillary services (AS) and income from unintentional deviation	B	107.1	99.6
Income from balance group/balance energy	B	139.0	65.4
Tariff income for active power losses	C	50.8	53.6
Tariff income for reactive energy	D	15.7	19.4
Eliminations		-17.7	-6.7
Net turnover		987.1	715.1
Expenses for national redispatch	A	11.4	4.1
Remuneration to former transmission system owners	A	-	49.9
Expenses for AS control power provision and unintentional deviation	B	489.9	188.0
Expenses for automatic start-up/island operation capability	B	1.4	1.1
Expenses for grid enhancement	B	5.4	3.6
Expenses for AS energy	B	92.7	49.6
Expenses for compensation of active power losses	C	219.3	62.6
Expenses for reactive energy/voltage maintenance	B/D	63.8	65.3
Eliminations		-17.7	-6.7
Procurement costs		866.2	417.5

Letters used for segment allocation:

A = Grid usage

B = General ancillary services/balancing 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 usage (A) CHF 11.3 million (previous year: CHF 1.9 million)
- Compensation for active power losses (C) CHF 13.7 million (previous year: CHF 4.4 million)

The ITC compensation for grid usage and active power losses corresponds to net income. Supervision

charges paid to ECom and to the Swiss Federal Office of Energy (SFOE) amounting to CHF 4.6 million (previous year: CHF 4.6 million) are deducted from the gross income of CHF 13.4 million for grid usage (previous year: CHF 3.3 million) and CHF 16.3 million for active power losses (previous year: CHF 7.6 million) on a pro rata basis.

Auction income to cover the chargeable costs of the transmission system is broken down as follows:

- Grid usage (A): CHF 68.7 million (previous year: CHF 100.8 million)
- General AS (B): CHF 75.6 million (previous year: CHF 0.0 million)
- Active power losses (C) CHF 31.1 million (previous year: CHF 0.0 million)

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

- General AS (B): CHF 53.5 million (previous year: CHF 49.7 million)
- Reactive energy (D): CHF 10.3 million (previous year: CHF 15.6 million)

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

6. Other operating income

In millions of CHF	2022	2021
Congestion management clearing	17.5	15.6
Other	2.2	1.5
	19.7	17.1

7. Materials and third-party supplies

In millions of CHF	2022	2021
Grid maintenance	18.3	19.1
Grid system control	0.4	0.4
Other services in the grid area	25.8	23.7
Expenses for projects, advisory and non-cash benefits	49.5	38.7
Removal of grid elements	-4.6	-
Hardware/software maintenance	14.9	12.6
	104.3	94.5

Other grid-related services include remuneration for easements, including easement management services performed by third parties and operating expenses for mixed-use plants. Due to the consistent implementation of Strategy 2022 measures, the expenses for projects, advisory services and non-cash benefits were higher year on year. The decrease in the dismantling of grid elements item is a

consequence of a reassessment of the need for provisions to cover a dismantling obligation.

8. Personnel expenses

Personnel

In millions of CHF	2022	2021
Salaries, bonuses, allowances	93.7	84.9
Employee insurance	18.6	17.2
Other personnel expenses	4.7	3.8
	117.0	105.9
Headcount at 31.12.		
Permanent employment:		
Number of employees	685.0	625.0
expressed as full-time equivalents:	644.3	587.7
Fixed-term employment:		
Number of employees	18.0	12.0
expressed as full-time equivalents:	14.8	10.2

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

Executive Board remuneration

In millions of CHF	2022	2021
Fixed remuneration (incl. lump-sum expenses)	1.80	1.78
Variable remuneration	0.73	0.62
Non-cash benefits ¹	–	0.02
Pension benefits ²	0.49	0.50
Total remuneration to the Executive Board	3.04	2.92
Of which to the highest-earning member of the Executive Board		
Fixed remuneration (incl. lump-sum expenses)	0.51	0.49
Variable remuneration	0.24	0.22
Pension benefits ²	0.15	0.13
Total remuneration to the highest-earning member of the Executive Board	0.90	0.84

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

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

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

9. Other operating expenses

In millions of CHF	2022	2021
Rental and occupancy costs	9.2	9.4
Ground rents	4.8	4.8
Rental costs for communication equipment/telecommunication expense	2.9	3.2
Board of Directors' fees and expenses, incl. social costs	0.9	0.8
Actual expenses for travel and subsistence for employees and third parties	1.7	0.8
Fees, dues and licences	3.7	4.1
Insurance	2.3	1.8
Other administrative costs	3.8	3.1
	29.3	28.0

Board of Directors' fees and expenses represent fixed gross remuneration including the deduction of any employee contributions to the employee pension plan. 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 72,700 pro rata temporis for 2022, 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.

10. Financial income

In millions of CHF	2022	2021
Interest income on time deposits	0.2	–
Other financial income	1.5	0.9
	1.7	0.9

Other financial income includes a dividend of CHF 0.6 million (previous year: CHF 0.5 million) received from Holding des Gestionnaires de Réseau de Transport d'Électricité SAS (HGRT).

11. Financial expenses

In millions of CHF	2022	2021
Bond interest	11.1	10.0
Loans and convertible loans interest	2.7	42.7
Commitment fees	0.2	0.1
Other financial expenses	0.7	0.7
	14.7	53.5

At the beginning of the 2022 financial year, a further partial repayment of convertible loans amounting to CHF 254.6 million was made. The interest expense for convertible loans and loans has decreased accordingly.

12. Income taxes

In millions of CHF	2022	2021
Current income taxes	20.2	25.8
Change in deferred taxes	-4.4	19.7
	15.8	45.5

An average rate of 16.8% (previous year: 17.4%) was used to calculate the current income taxes and, in 2022, deferred taxes were calculated based on an expected rate of 15.7% (previous year: 17.2%).

The effective average tax rate based on earnings before tax amounts to 14.1% (previous year: 30.0%).

13. Non-current assets

Summary of property, plant and equipment – 2022

In millions of CHF	Advances and construction in progress	Substations	Lines	Properties and buildings	Other property, plant and equipment	Total
Acquisition cost at 1.1.2022	462.2	2,242	2,790.6	252.3	62.9	5,810
Additions	3.9	0.3	1.8	–	0.1	6.0
Disposals	–	-11.2	-9.9	-1.4	-12.3	-34.8
Reclassification	-219.2	52.8	161.1	4.1	5.0	3.8
Acquisition cost at 31.12.2022	246.9	2,283.9	2,943.6	255.0	55.7	5,785.0
Accumulated depreciation and amortisation at 1.1.2022	5.2	1,458.9	1,728.2	79.2	54.3	3,325.8

In millions of CHF	Advances and construction in progress	Substations	Lines	Properties and buildings	Other property, plant and equipment	Total
Depreciation and amortisation	–	69.7	45.6	6.9	7.3	129.5
Impairment losses	–	–	–	–	–	–
Disposals	–	–10.4	–9.5	–1.3	–12.3	–33.5
Reclassification	–	0.1	–	–	–0.1	–
Accumulated depreciation and amortisation at 31.12.2022	5.2	1,518.3	1,764.3	84.8	49.2	3,421.8
Net book value at 1.1.2022	457.0	783.1	1,062.4	173.1	8.6	2,484.2
Net book value at 31.12.2022	241.7	765.6	1,179.3	170.2	6.5	2,363.2

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 compensation grid takeover	–	227.2	111.3	–4.1	–	334.4
Additions	164.2	4.5	11.7	2.5	4.3	187.2
Disposals	–	–31.1	–1.1	–0.5	–0.1	–32.8
Reclassification	–27.4	22.2	2.4	1.3	2.6	1.1
Acquisition cost at 31.12.2021	462.2	2,242.0	2,790.6	252.3	62.9	5,810.0
Accumulated depreciation and amortisation at 1.1.2021	5.2	1,246.8	1,599.9	79.3	45.9	2,977.1
Final compensation grid takeover	–	163.5	77.8	–6.9	–	–234.4
Depreciation and amortisation	–	78.6	51.6	7.3	8.5	146.0
Impairment losses	–	–	–	–	–	–
Disposals	–	–30.0	–1.1	–0.5	–0.1	–31.7
Reclassification	–	–	–	–	–	–
Accumulated depreciation and amortisation at 31.12.2021	5.2	1,458.9	1,728.2	79.2	54.3	3,325.8
Net book value at 1.1.2021	320.2	772.4	1,066.4	173.8	10.2	2,343
Net book value at 31.12.2021	457.0	783.1	1,062.4	173.1	8.6	2,484.2

Gross investments in property, plant and equipment amounted to CHF 232.6 million (previous year: CHF 190.3 million). Thereof, CHF 226.6 million (previous year: CHF 3.1 million) was financed by proceeds from the auctioning of bottleneck capacities for cross-border supplies. Project costs of CHF 0.1 million were reclassified from construction in progress to intangible assets under development in the year under review (previous year: CHF 1.1 million from intangible assets under development to construction in progress). In addition, property, plant and equipment increased by CHF 3.7 million due

to a reclassification (see comments in Note 15).

Property, plant and equipment of CHF 20.1 million (previous year: CHF 14.2 million) were purchased from related parties in 2022.

Summary of intangible assets – 2022

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 1.1.2022	11.0	4.0	15.0	191.4	–	191.4	148.7	62.8	211.5	351.1	66.8	417.9
Final compensation grid takeover	0.3	0.1	0.4	–	–	–	0.3	–	0.3	0.6	0.1	0.7
Disposals	–	–	–	–	–	–	–20.1	–3.0	–23.1	–20.1	–3.0	–23.1
Reclassification	–5.1	–1.2	–6.3	–	–	–	5.3	1.1	6.4	0.2	–0.1	0.1
Acquisition cost at 31.12.2022	6.2	2.9	9.1	191.4	–	191.4	134.2	60.9	195.1	331.8	63.8	395.6
Accumulated depreciation and amortisation at 1.1.2022	–	–	–	89.4	–	89.4	128.8	52.8	181.6	218.2	52.8	271.0
Depreciation and amortisation	–	–	–	6.0	–	6.0	13.1	5.8	18.9	19.1	5.8	24.9
Impairment losses	–	–	–	–	–	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	–	–20.1	–3.0	–23.1	–20.1	–3.0	–23.1
Reclassification	–	–	–	–	–	–	–	–	–	–	–	–
Accumulated depreciation and amortisation at 31.12.2022	–	–	–	95.4	–	95.4	121.8	55.6	177.4	217.2	55.6	272.8
Net book value at 1.1.2022	11.0	4.0	15.0	102.0	–	102.0	19.9	10.0	29.9	132.9	14.0	146.9
Net book value at 31.12.2022	6.2	2.9	9.1	96.0	–	96.0	12.4	5.3	17.7	114.6	8.2	122.8

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	8.1	1.6	9.7	160.7	–	160.7	141.7	60.4	202.1	310.5	62.0	372.5

In millions of CHF	Intangible assets under development			Usage rights			Software			Total intangible assets		
Final compensation grid takeover	–	–	–	31.0	–	31.0	–	–	–	31.0	–	31.0
Additions	8.5	3.6	12.1	–	–	–	5.0	1.2	6.2	13.5	4.8	18.3
Disposals	–	–	–	-0.1	–	-0.1	-2.7	–	-2.7	-2.8	–	-2.8
Reclassification	-5.6	-1.2	-6.8	-0.2	–	-0.2	4.7	1.2	5.9	-1.1	–	-1.1
Acquisition cost at 31.12.2021	11.0	4.0	15.0	191.4	–	191.4	148.7	62.8	211.5	351.1	66.8	417.9
Accumulated depreciation and amortisation at 1.1.2021	–	–	–	74.7	–	74.7	115.8	45.2	161.0	190.5	45.2	235.7
Final compensation grid takeover	–	–	–	5.1	–	5.1	–	–	–	5.1	–	5.1
Depreciation and amortisation	–	–	–	9.7	–	9.7	15.7	7.6	23.3	25.4	7.6	33.0
Impairment losses	–	–	–	–	–	–	–	–	–	–	–	–
Disposals	–	–	–	-0.1	–	-0.1	-2.7	–	-2.7	-2.8	–	-2.8
Reclassification	–	–	–	–	–	–	–	–	–	–	–	–
Accumulated depreciation and amortisation at 31.12.2021	–	–	–	89.4	–	89.4	128.8	52.8	181.6	218.2	52.8	271.0
Net book value at 1.1.2021	8.1	1.6	9.7	86.0	–	86.0	25.9	15.2	41.1	120.0	16.8	136.8
Net book value at 31.12.2021	11.0	4.0	15.0	102.0	–	102.0	19.9	10.0	29.9	132.9	14.0	146.9

Gross investments in intangible assets amounted to CHF 24.8 million (previous year: CHF 18.3 million). Thereof, CHF 24.1 million (previous year: CHF 0.0 million) was financed by proceeds from the auctioning of bottleneck capacities for cross-border supplies. In 2022, intangible assets amounting to CHF 190,605 (previous year: CHF 12,300) were purchased from related parties.

14. Financial assets

In millions of CHF	31.12.2022	31.12.2021
Shareholdings	5.6	8.5
Employer contribution reserves	0.9	0.5
	6.5	9.0

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)	A	0.100	4.0
TSCNET Services GmbH	B	0.040	6.25
Holding des Gestionnaires de Réseau de Transport d'Electricité SAS (HGRT)	C	52.119	5.0
Pronovo AG	D	0.100	100.0
ecmt AG	E	0.100	31.0
Equigy B.V.	F	0.050	20.0

Letters used for locations and currencies:

A = Luxembourg (Lux) | Currency EUR

B = Munich (D) | Currency EUR

C = Paris (F) | Currency EUR

D = Frick (CH) | Currency CHF

E = Embrach (CH) | Currency CHF

F = Arnhem (NL) | Currency EUR

Due to changes in ownership, Swissgrid's share in the Joint Allocation Office (JAO) decreased to 4.0% and its share in TSCNET Services GmbH fell to 6.25%. Swissgrid's share in ecmt AG increased to 31.0% due to an acquisition of shares. 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).

As a result of the final remuneration for the grid takeovers that was paid in 2021, the 18 procedural companies were merged into Swissgrid with retroactive effect from 1 January 2022. The assets and liabilities of all the procedural companies were transferred to Swissgrid on the date of the merger.

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 31.12.2020	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 compensation grid takeover	-8.5	-	-	-	-	-8.5	-	-
Balance at 31.12.2021	258.2	29.8	15.8	22.5	-	326.3	-	326.3
Change in 2022	-107.1	346.9	134.3	-4.0	0.6	370.7	-	-

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
Repost	4.9	-8.6	-	-	-	-3.7		-
Balance at 31.12.2022	156.0	368.1	150.1	18.5	55.0¹	747.7	-	747.7
Current portion	55.2	-	-	4.0	-	59.2	-	59.2

¹ The CHF 55.0 million also includes CHF 54.4 million of expenses for the provision of the hydropower reserve resulting from the intermediary business.

Negative values represent surpluses, and positive figures deficits.

Reclassification: in the reporting year, an inappropriate allocation of costs and revenues between the general ancillary services and grid usage segments was identified in the past. In agreement with ECom, the allocation was adjusted by means of a reclassification. As well as leading to a movement in volume- and tariff-related timing differences, the reclassification also resulted in an increase in non-current assets.

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.

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	31.12.2022	31.12.2021
Trade accounts receivable	28.6	110.6
Other receivables	3.1	5.8
Prepaid expenses and accrued income	8.6	3.0
Cash and cash equivalents	13.9	18.4
	54.2	137.8

Liabilities held on a fiduciary basis

In millions of CHF	31.12.2022	31.12.2021
Trade accounts payable	32.9	93.6
Accrued expenses and deferred income	21.3	44.2

In millions of CHF	31.12.2022	31.12.2021
	54.2	137.8

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

Auctions

In millions of CHF	2022	2021
Share of revenue Switzerland	425.4	154.7
Congestion management clearing	-20.2	-17.3
Net proceeds	405.2	137.4
Used for reduction of the chargeable grid costs	-135.0	-97.1
Used for grid investments	-250.7	-
Undistributed income from auctions	19.5	40.3

Pursuant to the ECom ruling issued on 9 February 2021 and the supplement dated 8 November 2022, income from auctions in 2022 amounting to CHF 385.7 million (previous year: CHF 97.1 million) was paid to Swissgrid.

17. Trade receivables

In millions of CHF	31.12.2022	31.12.2021
Trade receivables	234.6	180.8
Specific valuation allowances	-	-
	234.6	180.8

18. Other receivables

In millions of CHF	31.12.2022	31.12.2021
Value-added tax	39.3	2.0
Security deposits on blocked bank accounts	1.2	1.1
Other	18.7	16.6
	59.2	19.7

Other receivables include the receivable for the 2022 enforcement costs for handling congestion management amounting to CHF 17.5 million (previous year: CHF 15.6 million).

19. Prepaid expenses and accrued income

In millions of CHF	31.12.2022	31.12.2021
Accrued revenue for supplies made	108.3	57.7
Other	20.3	23.4
	128.6	81.1

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	31.12.2022	31.12.2021
Bonds	1,715.0	1,540.0
Convertible loans	72.1	326.7
Loans	200.1	0.1
Total financial liabilities	1,987.2	1,866.8
Current portion	231.1	254.6

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
175 million	1.100%	2022 – 2027	30.06.2027
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 254.6 million were made in the 2022 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%	31.10	39.20	1.80
Loans	0.00%	200.00	–	0.10

Convertible loans and loans are assessed at their nominal value.

Lines of credit

The committed lines of credit total CHF 400 million and remain unclaimed as at 31 December 2022.

21. Provisions

In millions of CHF	Dismantling	Procedural costs	Deferred taxes	Total provisions
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	0.0	0.5
Balance at 31 December 2021	6.1	0.5	38.3	44.9
Provisions raised	–	0.1	–	0.1
Provisions used	–	–	–	–
Reversals	4.6	0.2	4.4	9.2
Balance at 31 December 2022	1.5	0.4	33.9	35.8
Current portion	–	0.1	–	0.1

Procedural costs

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

22. Other liabilities

In millions of CHF	31.12.2022	31.12.2021
Security deposits on blocked bank accounts	0.7	0.7
Other	–	1.7

In millions of CHF	31.12.2022	31.12.2021
	0.7	2.4

There were no outstanding obligations towards PKE Vorsorgestiftung Energie as at 31 December 2022 (previous year: CHF 1.4 million).

23. Accrued expenses and deferred income

In millions of CHF	31.12.2022	31.12.2021
Accrued expenses for supplies made	79.7	101.5
Personnel expenses and employee insurance scheme	12.7	10.0
Accrued interest and premium from issued bonds	12.6	15.4
Taxes	13.4	16.7
	118.4	143.6

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 (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.

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
31.12.2022	5.7	35.9	60.4	102.0
31.12.2021	5.8	36.5	64.3	106.6

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
31.12.2022	1.1	1.6	2.7
31.12.2021	0.8	1.6	2.4

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 121.3 million (previous year: EUR 36.1 million), with negative replacement values of EUR 5.4 million as at 31 December 2022 (previous year: positive replacement values of EUR 13.4 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	
		31.12.2022	31.12.2021			2022	2021
Pension plans without overfunding / underfunding	–	–	–	–	11.0	11.0	–
Pension fund with surplus funding (PKE)	–	–	–	–	–	–	10.1
Total	–	–	–	–	11.0	11.0	10.1

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 107.7% as at 31 December 2022 (previous year: 125.2%).

28. Transactions with related parties

Transactions with related parties in millions of CHF	2022	2021.0
Total operating activities		
Net turnover	421.3	332.8
thereof grid utilisation	330.9	243.6
thereof general ancillary services /balance energy	42.4	36.6
thereof active power losses	34.0	36.2
thereof reactive energy	14.0	16.3
Other operating income	0.1	0.1
Procurement costs and operating expenses		
Procurement costs	578.4	242.9
thereof grid utilisation	3.0	33.1
thereof general ancillary services /balance energy	506.3	178.9
thereof active power losses	43.3	23.9
thereof reactive energy	4.9	7.0
thereof power reserve	20.9	–
Cost of materials and third-party supplies	14.4	12.7
Other operating expenses	2.4	4.4
Financial result		
Financial expenses	1.5	24.6
Unsettled balances at balance sheet date with related parties in millions of CHF	2022	2021.0
Assets		
Trade receivables	94.4	80.6
Prepaid expenses and accrued income	17.8	19.5
Liabilities		
Convertible loans and loans	42.6	165.7
Trade accounts payable	181.9	84.8
Accrued expenses and deferred income	12.1	43.7

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

2022 financial statements.

On 19 April 2023, the Board of Directors of Swissgrid Ltd approved the 2022 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 (the Company), which comprise the balance sheet as at 31 December 2022, 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 34 to 66) give a true and fair view of the financial position of the Company as at 31 December 2022, 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 Standards on Auditing (SA-CH). 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.

Key Audit Matters



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 2022 financial year Swissgrid reports an EBIT (earnings before interest and taxes) of CHF 125.2 million. The change in volume- and tariff-related timing differences amounts to CHF +370.7 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/WResV), 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 2022 financial year Swissgrid reports a net turnover of CHF 987.1 Mio. and the procurement costs amount to CHF 866.2 Mio.

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.

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.

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 2022) as well as under note "5. Net turnover and procurement costs according to the electricity supply act (StromVG)".

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Board of Directors' Responsibilities 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 SA-CH 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 SA-CH, 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Silvan Jurt
Licensed Audit Expert
Auditor in Charge

Beatriz Vazquez
Licensed Audit Expert

Basel, 19 April 2023