

# Statutory financial statements

## Income statement

In millions of CHF	Notes	2023	2022
Net turnover	3	1,219.2	987.1
Other operating income	4	19.9	19.7
Change in volume- and tariff-related timing differences		218.6	365.7
Capitalised self-constructed assets		22.5	20.2
Total operating income		1,480.2	1,392.7
Procurement costs	3	899.9	866.2
Gross profit		580.3	526.5
Cost of materials and third-party supplies	5	123.8	104.3
Personnel expenses	6	131.1	117.0
Other operating expenses	7	38.9	29.3
Earnings before interest, income taxes, depreciation and amortisation		286.5	275.9
Depreciation on property, plant and equipment		115.8	120.1
Amortisation on intangible assets		36.3	41.5
Earnings before interest and income taxes (EBIT)		134.4	114.3
Financial income		2.0	1.7
Financial expenses		20.8	14.7
Profit for the year before taxes		115.6	101.3
Income taxes		21.6	20.2
Profit for the year		94.0	81.1

# Statutory financial statements

## Balance sheet

### Assets

In millions of CHF	Notes	31.12.2023	31.12.2022
Cash and cash equivalents		111.1	172.8
Trade accounts receivable	8	222.3	234.6
Other receivables	9	19.0	59.2
Inventory		0.9	1.1
Prepaid expenses and accrued income	10	111.9	128.6
Short-term deficits arising from volume-and tariff-related timing differences		723.7	59.2
Assets held on a fiduciary basis	11	33.9	54.2
Current assets		1,222.8	709.7
Financial assets	12	0.9	0.9
Shareholdings	13	5.2	5.6
Property, plant and equipment	14	2,131.9	2,209.9
Intangible assets		240.0	272.9
Long-term deficits arising from volume-and tariff-related timing differences		611.9	654.8
Non-current assets		2,989.9	3,144.1
Assets		4,212.7	3,853.8

### Equity and liabilities

In millions of CHF	Notes	31.12.2023	31.12.2022
Trade accounts payable	15	172.8	393.4
Current financial liabilities	18	510.0	231.1
Other liabilities	16	13.5	0.7
Accrued expenses and deferred income	17	110.8	118.4
Current provisions	19	0.1	0.1
Liabilities held on a fiduciary basis	11	33.9	54.2
Current liabilities		841.1	797.9
Non-current financial liabilities	18	2,026.1	1,756.1
Non-current provisions	19	1.8	1.8

In millions of CHF	Notes	31.12.2023	31.12.2022
Non-current liabilities		2,027.9	1,757.9
Liabilities		2,869.0	2,555.8
Share capital	20	334.5	334.5
Legal capital reserves		430.1	430.1
Reserves from capital contributions		430.1	430.1
Legal retained earnings		1.6	1.6
General legal reserves		1.6	1.6
Voluntary retained earnings		577.5	531.8
Available earnings		577.5	531.8
Results carried forward		483.5	450.7
Profit for the year		94.0	81.1
Equity		1,343.7	1,298.0
Equity and liabilities		4,212.7	3,853.8

# Statutory financial statements

## Cash flow statement

In millions of CHF excluding balance sheet items held on fiduciary basis	Notes	2023	2022
Profit for the year		94.0	81.1
Financial expenses		20.8	14.7
Financial income		–2.0	–1.7
Current income taxes		21.6	20.2
Depreciation and amortisation		152.1	159.8
Gains/losses on disposal of non-current assets		–	1.8
Change in inventory		0.2	0.1
Change in provisions		–	–4.7
Change in trade accounts receivable		12.3	–53.8
Change in other receivables		40.2	–39.5
Change in prepaid expenses and accrued income		16.7	–47.5
Change in volume- and tariff-related timing differences		–621.8	–420.1
Change in trade accounts payable		–220.6	187.0
Change in other current liabilities		12.8	–1.7
Change in accrued expenses and deferred income		–11.7	–22.0
Interest received		0.6	0.2
Income taxes paid		–20.6	–23.2
Cash flow from operating activities		–505.4	–149.3
Gross investments in property, plant and equipment		–254.1	–232.6
Congestion proceeds received for grid investments		216.6	226.6
Net investments in property, plant and equipment		–37.5	–6.0
Gross investments in intangible assets		–25.4	–24.8
Congestion proceeds received for grid investments		21.9	24.1
Net investments in intangible assets		–3.5	–0.7
Investments in shareholdings		–	–0.5
Divestments of financial assets		–	2.7
Dividends received		0.5	0.6
Cash flow from investing activities		–40.5	–3.9
Change in current financial liabilities		248.9	–54.6
Change in non-current financial liabilities		100.0	–

In millions of CHF excluding balance sheet items held on fiduciary basis	Notes	2023	2022
Issuing of bonds		200.0	175.0
Interest paid		–16.5	–13.9
Dividends paid		–48.2	–53.1
Cash flow from financing activities		484.2	53.4
Change in cash and cash equivalents		–61.7	–99.8
Composition			
Cash and cash equivalents at beginning of period		172.8	272.6
Cash and cash equivalents at end of period		111.1	172.8
Change in cash and cash equivalents		–61.7	–99.8

# 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 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 (StromVG), 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 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 is based on the current international practice of the 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 2023 ( $WACC_{t+0}$ ) and 3.98% for 2025 ( $WACC_{t+2}$ ).

## **EBIT according to WResV**

In the power reserve segment, the legally prescribed cost recovery principle results in neutral earnings before interest and taxes (EBIT). Borrowing costs are recorded under operating expenses in accordance with Art. 22 WResV.

## **Chargeability of operating and capital costs**

ElCom 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: 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 probable 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 25.

## **3. Net turnover and procurement costs**

### **Net turnover**

For the 2023 financial year, net turnover across all segments amounts to CHF 1,219.2 million. This represents an increase of CHF 232.1 million in relation to the previous year's figure of CHF 987.1 million. The rise is mainly attributable to the general ancillary services (CHF 191.2 million) and active

power loss (CHF 71.7 million) segments. The increase in the general ancillary services segment is the result of higher tariff revenues, higher income from balance group/balancing energy and the higher auction income to cover the chargeable costs of the transmission system allocated to this segment. Net turnover in the active power loss segment increased due to higher tariff revenues and higher pro rata income from ITC and auctions. By contrast, income in the grid usage segment fell by CHF 46.1 million in relation to the previous year due to the lower income from ITC and auctions allocated to this segment. Revenue in the reactive energy segment remained at the previous year's level.

### Procurement costs

At CHF 899.9 million, procurement costs are CHF 33.7 million higher than the previous year's value of CHF 866.2 million. This increase is primarily due to higher costs for reactive energy (CHF 6.6 million) and active power loss (CHF 9.9 million). The rise in the reactive energy segment is due to the higher pro rata voltage maintenance costs payable by this segment. The rise in the active power loss segment is due to higher prices for the procurement of the energy required to compensate for active power losses. In contrast, costs in the grid usage and general ancillary services segments remained at the previous year's level.

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	2023	2022
Congestion management clearing	16.3	17.5
Other	3.6	2.2
	19.9	19.7

## 5. Materials and third-party supplies

In millions of CHF	2023	2022
Grid maintenance	25.1	18.3
Grid system control	0.4	0.4
Other services in the grid area	23.5	25.8
Expenses for projects, advisory and non-cash benefits	56.9	49.5
Dismantling of grid elements	–	–4.6
Hardware/software maintenance	17.9	14.9
	123.8	104.3

Other grid-related services include remuneration for easements, including easement management services performed by third parties and operating expenses for mixed-use plants.

Several measures associated with the initial implementation of Strategy 2027 were launched in the reporting year, which is why higher expenses were incurred for projects, advisory and non-cash benefits and for hardware/software maintenance.

## 6. Personnel expenses

In millions of CHF	2023	2022
Salaries, bonuses, allowances	105.5	93.7
Employee insurance	20.8	18.6
Other personnel expenses	4.8	4.7
	131.1	117.0

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.

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	2023	2022
Rental and occupancy costs	10.1	9.2
Ground rents	4.2	4.8
Rental costs for communication equipment/telecommunication expense	3.4	2.9
Board of Directors' fees and expenses incl. social costs	0.8	0.9
Actual expenses for travel and subsistence for employees and third parties	2.4	1.7
Fees, dues and licences	4.8	3.7
Insurance	2.4	2.3
Other administrative costs	10.8	3.8
	38.9	29.3

For the first time, other administrative costs include borrowing costs of CHF 6.1 million, which were incurred in connection with the additional tasks transferred to Swissgrid by the federal government in the power reserve segment and represent chargeable costs in accordance with Art. 22 WResV.

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 77,500 pro rata temporis for 2023, including lump-sum expenses (previous year:

between CHF 57,500 and CHF 72,700).

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 2023, trade receivables include CHF 57.2 million (previous year: CHF 63.6 million) in relation to companies with a direct or indirect shareholding in Swissgrid.

## 9. Other receivables

Other receivables include the receivable for the 2023 enforcement costs for handling congestion management amounting to CHF 16.3 million (previous year: CHF 17.5 million).

## 10. Prepaid expenses and accrued income

In millions of CHF	31.12.2023	31.12.2022
Accrued revenue for supplies made	93.4	108.3
Other	18.5	20.3
	111.9	128.6

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 22 February 2022 and the supplement dated 7 February 2023, income from auctions in 2023 amounting to CHF 351.7 million (previous year: CHF 385.7 million) was paid to Swissgrid. At CHF 33.9 million, the balance sheet item is CHF 20.3 million below the previous year's value of CHF 54.2 million. The decrease is due to the lower level of outstanding trade accounts receivable and trade accounts payable as at 31 December 2023.

## 12. Shareholdings

		Share capital in m.	Share in %
Joint Allocation Office (JAO)	A	0.125	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

		Share capital in m.	Share in %
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 = Arnheim (NL) | Currency EUR

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).

The figures are unchanged from the previous year.

## 13. Property, plant and equipment

The book values of the individual categories are as follows:

In millions of CHF	31.12.2023	31.12.2022
Construction in progress	276.3	241.7
Substations	647.0	702.1
Lines	1,048.8	1,098.4
Properties and buildings	155.5	161.2
Other property, plant and equipment	4.3	6.5
	2,131.9	2,209.9

## 14. Intangible assets

The book values of the individual categories are as follows:

In millions of CHF	31.12.2023	31.12.2022
Intangible assets under development	3.7	9.1
Usage rights	62.5	67.1
Software	12.7	17.7
Merger losses (goodwill)	161.1	179.0

In millions of CHF	31.12.2023	31.12.2022
	240.0	272.9

## 15. Trade accounts payable

As at 31 December 2023, trade accounts payable include CHF 65.6 million (previous year: CHF 216.8 million) in relation to companies with a direct or indirect shareholding in Swissgrid. Liabilities of CHF 0.1 million exist in relation to the external auditor as at 31 December 2023 (previous year: no outstanding liabilities).

## 16. Other liabilities

In millions of CHF	31.12.2023	31.12.2022
Value-added tax	10.8	–
Security deposits on blocked bank accounts	0.7	0.7
Other	2.0	–
	13.5	0.7

In particular, the «Other» item contains outstanding obligations towards PKE Vorsorgestiftung Energie of CHF 1.7 million (no outstanding obligations as at the balance sheet date in the previous year).

## 17. Accrued expenses and deferred income

In millions of CHF	31.12.2023	31.12.2022
Accrued expenses for supplies made	61.2	79.7
Personnel expenses and employee insurance scheme	15.4	12.7
Accrued interest and premium from issued bonds	19.0	12.6
Taxes	15.2	13.4
	110.8	118.4

## 18. Financial liabilities

In millions of CHF	31.12.2023	31.12.2022
Bonds	1,915.0	1,715.0
Convertible loans	41.0	72.1
Loans	580.1	200.1
Total financial liabilities	2,536.1	1,987.2
Current portion	510.0	231.1

## 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
200 million	1.900%	2023 – 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. 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	Total
Balance at 31 December 2023					
Convertible loans	3.36 – 3.41%	30.0	11.0	–	41.0
Loans	0.00 – 2.40%	480.0	100.0	0.1	580.1
Balance at 31 December 2022					
Convertible loans	3,36 – 3,93%	31.1	39.2	1.8	72.1
Loans	0.00%	200.0	–	0.1	200.1

Convertible loans and loans are assessed at their nominal value.

As at 31 December 2023, convertible loans of CHF 40.1 million (previous year: CHF 70.4 million) exist

towards companies with a direct or indirect shareholding in Swissgrid.

## 19. Provisions

In millions of CHF	31.12.2023	31.12.2022
Dismantling	1.5	1.5
Procedural costs	0.4	0.4
Total provisions	1.9	1.9
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.

## 20. Share capital and reserves from capital contributions

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.

## 21. Intermediary business

The power reserve 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 plants (CHP plants). It will be financed via tariff revenues from 2024. 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 amounted to CHF 403.2 million in the reporting year (previous year: CHF 54.4 million).

## 22. 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 208.5 million (previous year: EUR 121.3 million), with negative replacement values of EUR 96.9 million as at 31 December 2023 (previous year: EUR 5.4 million).

## 23. Contingent receivables

### Billing method for ancillary services (AS)

ElCom 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.

## 24. 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
31.12.2023	1.2	0.9	2.1
31.12.2022	1.1	1.6	2.7

### 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
31.12.2023	6.3	40.8	59.4	106.5
31.12.2022	5.7	35.9	60.4	102.0

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

## 25. 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 ElCom deems the costs to be chargeable. ElCom has the right to verify ex post the chargeability of Swissgrid's costs for tariff-setting purposes.

At present, ElCom 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.

## 26. Audit fees

In 2023, the fees for audit services amount to CHF 214,000 (previous year: CHF 165,000) and CHF 146,200 (previous year: CHF 0) for other services.

## 27. Events after the balance sheet date

There are no events after the balance sheet date that would require disclosure or recognition in the 2023 financial statements.

On 15 April 2024, the Board of Directors of Swissgrid Ltd approved the 2023 financial statements for submission to the General Assembly and for publication.

# Statutory financial statements

## Proposed appropriation of retained earnings

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

CHF	2023	2022
Balance carried forward from the previous year	483,537,900.53	450,691,734.63
Profit for the year	93,993,597.53	81,051,549.66
Retained earnings	577,531,498.06	531,743,284.29
Appropriation to the general legal reserves	—	—
Dividend payment	30,006,379.45	48,205,383.76
Balance to be carried forward	547,525,118.61	483,537,900.53
Total appropriation	577,531,498.06	531,743,284.29

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

Aarau, 15 April 2024

On behalf of the Board of Directors:

Adrian Bult, Chairman

# Statutory financial statements

## Statutory Auditor's Report



### Statutory Auditor's Report

To the General Meeting of Swissgrid Ltd, Aarau

#### Report on the Audit of the Financial Statements

##### Opinion

We have audited the financial statements of Swissgrid Ltd (the Company), which comprise the balance sheet as at 31 December 2023, and the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements comply with Swiss law and the Company's articles of incorporation.

##### Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law, together 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 2023 financial year Swissgrid reports an EBIT (earnings before interest and taxes) of 134.4 Mio CHF (PY: 114.3 Mio CHF). The change in volume- and tariff-related timing differences amounts to 218.6 Mio. (PY: +365.7 Mio CHF).

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

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

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

### 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.
- Discussion and assessment of significant changes in regulatory cost accounting, in particular the allocation keys used and allocations.

For further information on the calculation of the regulated EBIT and volume- and tariff-related timing differences refer to the notes "1. Accounting principles" (paragraph Activities according to StromVG/WResV), under note "25. Legal proceedings".



## Completeness and accuracy of the net turnover and procurement costs

### Key Audit Matter

For the 2023 financial year Swissgrid reports a net turnover of 1'219.2 Mio CHF (PY: 987.1 Mio CHF) and the procurement costs amount to 899.9 Mio. CHF (PY: 866.2 Mio CHF).

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

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

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

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

### 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.

Further information on net sales and procurement costs can be found in Note 2 "Estimation uncertainties" and Note 3 "Net sales and procurement costs" in the notes to the financial statements.

**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 consolidated financial statements, the stand-alone financial statements of the Company, the compensation report 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.

**Board of Directors' Responsibilities for the Financial Statements**

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and 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 Swiss law and 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.

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.

### **Report on Other Legal and Regulatory Requirements**

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

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

KPMG AG

Silvan Jurt  
Licensed Audit Expert  
Auditor in Charge

Beatriz Vazquez  
Licensed Audit Expert

Basel, 15 April 2024