

# Annual Report 2022



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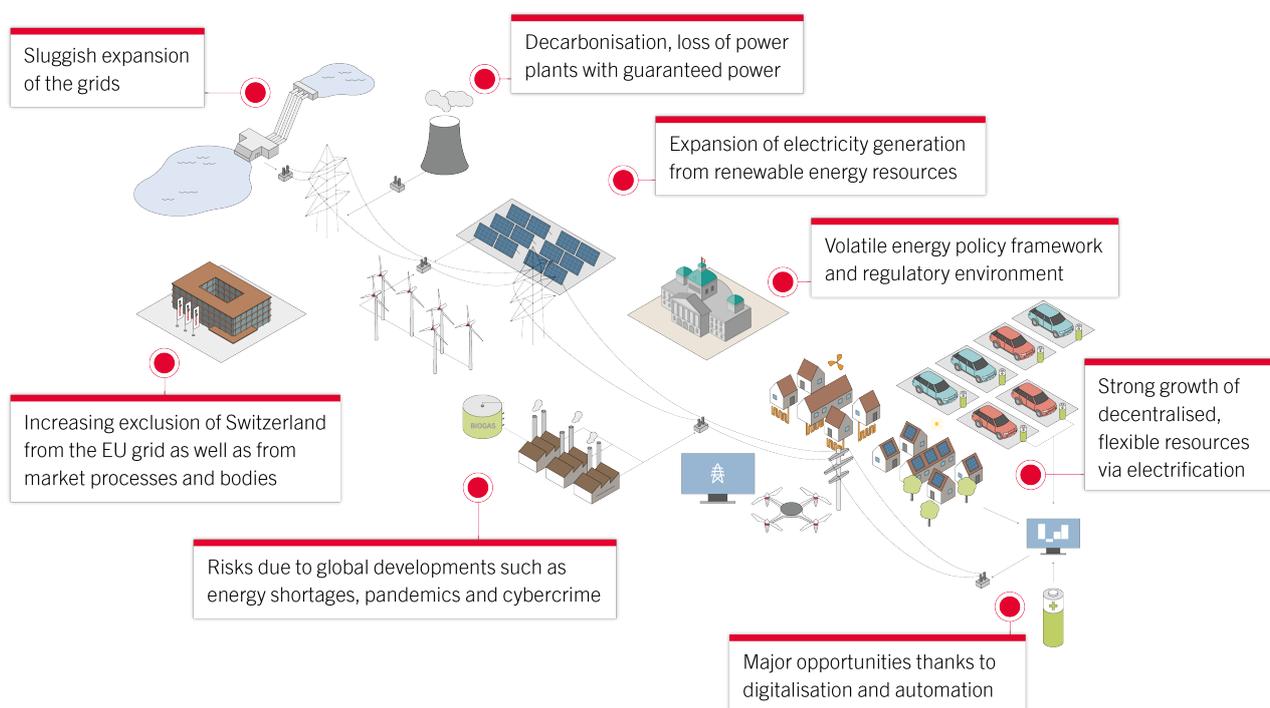
## Corporate Governance

# 2027 Strategy

## We are helping to shape the energy future – safely, innovatively and sustainably

The year 2023 is the starting point for a new, five-year strategy period for Swissgrid. For the national grid company, the last ten years have been marked by the takeover of the grids from their former owners and a subsequent development and consolidation phase. This has enabled the company to establish a solid basis from which to start tackling the challenges it faces in a rapidly changing energy system.

### The energy system in transition – an analysis of the need for strategic action



After a long period of stability, the electricity industry has been in a state of flux for the last 20 years. Fundamental change was triggered by the EU's decision to integrate the European power markets and to decarbonise the energy industry. Pressure to accelerate the energy transition and decarbonisation has increased more and more due to the newly formulated climate targets within the framework of the «European Green Deal».

The energy policies of the EU and Switzerland are once again under scrutiny: geopolitical developments, the shortage of gas supply, limited power plant capacities in winter and exceptional developments in wholesale prices for gas and electricity reinforce the aspiration for national energy autonomy. It is to be expected that the power plant park, and hence the entire energy system, will continue to undergo change in the coming years.

These developments affect grid operators in several ways: the more rapid expansion of renewable energy production leads to significant changes in production patterns and volatile electricity flows. This poses great challenges for power system control, which means that sufficient reserve power and higher automation are needed to ensure grid stability. The political and regulatory environment requires grid operators to assume new tasks at very short notice. At the same time, the statutory framework conditions prevent any important changes from being made. The approval and authorisation procedures for grid projects, which remain lengthy, are just one example. This is slowing down the urgently needed adaptation of the grid infrastructure to the new framework conditions.

These challenges for Swissgrid are accentuated by the lack of an electricity agreement between Switzerland and the EU. Switzerland is increasingly excluded from important EU market mechanisms. This results in a greater risk of more unplanned electricity flows, a lack of consideration in security-relevant system processes and a reduction in import capacities.

Grid operators face challenges not only due to the changes in the energy system, but also on account of global developments. Threats such as the consequences of climate change for the grid infrastructure, pandemics or cybercrime make it clear that operators of critical infrastructures must have an exceptionally high level of protection and readiness. The demands placed on the resilience of these companies and on their security arrangements, emergency response measures, Business Continuity Management and crisis management remain high.

Digitalisation offers a response to the increasing complexity of the grid operators' environment. For example, the desired digital transformation will make it possible to connect many of the new, flexible resources and to integrate them profitably into system operation. End-to-end digital processing of the value chain opens up opportunities within the company: digital solutions can be used to achieve efficiency gains in the expansion and maintenance of the grid, for instance. The potential of digitalisation is particularly great for grid operators due to their central role in the energy system. This opportunity must be seized.

## Five strategic priorities

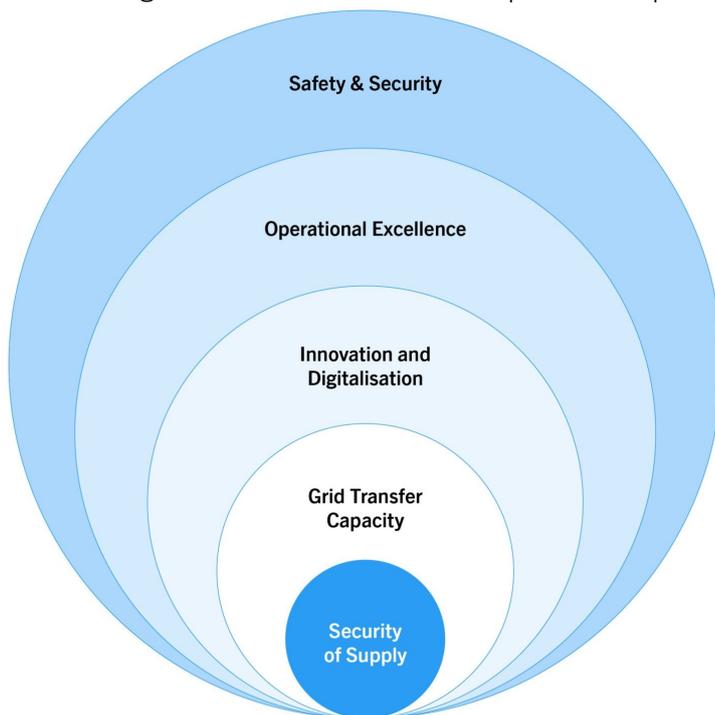
Swissgrid has defined five closely interrelated strategic priorities for its Strategy 2027. Four of these were taken over from the previous strategy period and have been adapted to the current and future framework conditions. A new priority, «Innovation and Digitalisation», has also been added.

The new strategy focuses on «Security of Supply» with measures to ensure grid-related security of supply in the long term, regardless of the degree of integration into the European processes of the EU, while at the same time supporting the Confederation's energy strategy. The «Grid Transfer Capacity» strategic priority is equally important. Its aim is to increase the capacity of the grid in line with demand and to construct and operate the grid even more efficiently in the future. Massive innovation and digitalisation efforts over the next few years are the common denominators shared by both these strategic priorities. The comprehensive package of measures to be implemented as part of the «Innovation and Digitalisation» strategic priority takes these requirements into account and lays the

necessary foundations for implementing the desired digital transformation.

In order to successfully implement Strategy 2027, the culture and skills within the company must keep pace with future requirements and continue to be developed. These areas of action are addressed by the «Operational Excellence» strategic priority in parallel to the sustainable development of the company.

Safety is a top priority for Swissgrid, given its responsibility for one of Switzerland's critical infrastructures. Its further development can only succeed if risks and dangers relevant to the company are recognised and mitigated at an early stage. The «Safety & Security» strategic priority strives to ensure a high level of resilience and comprehensive protection of all Swissgrid resources.



## The strategic priorities in detail

### «Security of Supply»

**«Swissgrid guarantees a high level of grid-related security of supply regardless of its integration into European processes. Swissgrid supports the Confederation's energy strategy.»**

Networking and cooperation with Europe are crucial for a high level of security of supply. As Swissgrid is increasingly marginalised in EU processes due to the lack of an electricity agreement, the company is committed to achieving the highest possible level of integration at a technical level. Bilateral agreements with neighbouring transmission system operators ensure that Switzerland is taken into account in European grid security processes and mechanisms, among other things. An electricity agreement with the EU nonetheless remains the ultimate goal for Swissgrid.

The demands on system operation are increasing due to the transformation of the production mix and the decentralisation of the electricity system. To increase the controllability of the grid, Swissgrid is taking structural measures, changing operational processes and using digital solutions for data-driven decision-making in system operation. This package of measures will also help Swissgrid to cope with rises in unplanned electricity flows if Switzerland were to be further excluded from European processes.

The many decentralised resources in the energy system represent not only a challenge, but also an opportunity for grid operators. Swissgrid wants to harness the potential of these resources more effectively in the future: it plans to create market platforms in association with the industry, to make these platforms easier to access by means of digital solutions, to better coordinate their flexibility and to use them profitably for grid operations. As a result, Swissgrid is making a decisive contribution to the success of the energy transition and the Confederation's energy strategy.

### «Grid Transfer Capacity»

**«Swissgrid constructs and manages the grid efficiently and increases its capacity in line with demand.»**

The transformation of the energy system can only succeed if the grid infrastructure is adapted to the new framework conditions. To this end, Swissgrid is already planning the Strategic Grid 2040 and will begin its implementation as soon as it has been reviewed by the Federal Electricity Commission. The aim of expanding the grid is to adjust its capacities to meet demand and to reduce congestion. Swissgrid will implement more construction projects and put them into practice more quickly by standardising and optimising processes and by using digital solutions for planning and construction. Collecting and evaluating real-time measurement data will also help make it possible to increase grid capacity.

Maintenance is being automated in many areas – for example by using drones and robots. A completely digitalised grid image – a digital twin of the physical grid – will provide the basis for establishing data-driven plant management in the future. This will allow the status of plants to be monitored more precisely over the entire life cycle and enable the grid to be operated in a more risk-based and efficient manner. It will become possible to shorten line outages and increase the availability of the grid, for example.

### «Innovation and Digitalisation»

**«Swissgrid is developing into a highly digitalised, innovative company.»**

The complexity and volatility of the electricity system are constantly increasing due to ever greater decentralisation. Digitalisation offers the opportunity to manage this high complexity and volatility whilst increasing the efficiency of many processes. With its new «Innovation and Digitalisation» strategic priority, Swissgrid is establishing the conditions for the desired digital transformation throughout the company.

Firstly, this concerns technological and data-related conditions, such as automation tools and the systematisation of data management. And secondly, it refers to an increase in implementation strength, partly thanks to the more widespread use of agile development methods. In addition to digitalisation, the focus is on the development and implementation of innovations. In order to open up the innovation process, an ecosystem is being built as a collaborative network in which innovations are driven, developed and shared with partners. In addition, a culture of innovation is being established to promote the skills and potential of employees whilst actively and sustainably pushing ahead with digitalisation ideas and transformation projects within the company.

### «Operational Excellence»

**«Swissgrid acts sustainably throughout the company and is constantly developing the culture and**

## **skills within the company.»**

Swissgrid is laying the foundations for achieving the goals of its Strategy 2027 with its «Operational Excellence» strategic priority: this will enable Swissgrid to act even more sustainably throughout the company going forward. Swissgrid now groups together all areas of sustainability management under «Corporate Social & Environmental Responsibility». Among other things, a targeted selection of UN goals – the Sustainable Development Goals – is being addressed, and comprehensive sustainability reporting is being developed according to the standards of the Global Reporting Initiative.

«Operational Excellence» also endeavours to strengthen the corporate culture and ensure that the necessary skills will be available within the company in the future. Identified skills gaps are closed by means of programmes tailored to individual needs. Thanks to these and other measures, Swissgrid is simultaneously increasing its attractiveness as an employer, attracting the talent it needs and strengthening the identification of existing and future employees with the company. The company is also investing in relationships with other relevant external stakeholders such as the industry, politicians and the general public to strengthen their support for the company's concerns.

## **«Safety & Security»**

### **«Swissgrid is strengthening the resilience of its core processes.»**

Security is a top priority for Swissgrid, as the operator of a critical infrastructure. The company is strengthening the resilience of its core processes as part of the «Safety & Security» strategic priority. In order to minimise or eliminate any threats to the safe operation of the transmission system, measures are taken in areas of action resulting from changes in the threat level or from increases in requirements.

This includes raising the level of protection in substations by means of structural and organisational measures and installing safety systems. In the area of Business Continuity Management, Swissgrid is developing additional solutions to safeguard its core mission in the event of an incident. As far as cybersecurity and crisis management are concerned, the focus is on implementing further measures to achieve the desired goals. Safety is deeply anchored in the corporate culture and therefore in the attitudes and actions of Swissgrid employees.

# Annual Report

## Editorial



Adrian Bult, Chairman of the Board of Directors, and Yves Zumwald, CEO

## Strategy 2027 – Moving into a highly digitalised, innovative and sustainable future

Dear readers,

The energy crisis in 2022 drew the attention of the general public to the importance of the supply of electricity, the transformation of the entire energy system and the associated challenges. Measures were taken promptly and pragmatically to ensure a secure supply of electricity for Switzerland during the winter. Swissgrid contributed in several ways – for instance by taking on responsibility for the auction of the hydropower reserve and for introducing structural measures to allow the voltage increase of certain lines and the connection of the new reserve power plant in Birr (text will be adapted depending on the current situation).

These efforts to guarantee the winter supply are important and right, but should not obscure the fact that numerous further steps will be necessary to ensure long-term security of supply. In order to avert the fundamental problem – a structural energy deficit in Switzerland – it is necessary to accelerate the approval processes for the renewal of the grids and the construction of new production plants, and to

create incentives for the expansion and maintenance of domestic production. The framework conditions for these changes can be established as part of the Confederation's energy strategy, but its implementation has been sluggish since the first package of measures was adopted six years ago.

One of the five strategic priorities set out in Swissgrid's Strategy 2027, which will be launched this year, involves guaranteeing grid-related security of supply in the long term and supporting the Confederation's energy strategy. The «Security of Supply» strategic priority aims to harness the opportunities offered by the transformation of the energy system towards more renewable and decentralised production: Swissgrid wants to make it easier to tap into the numerous new resources available by introducing digital solutions and developing market platforms, and intends to use their flexibility profitably for system operation. Swissgrid will make a significant contribution to the energy transition as a result.

The transformation of the energy system is both an opportunity and a challenge: system complexity and the volatility of electricity flows are placing increased demands on grid operators. Swissgrid will implement various technical measures and invest in the automation and digitalisation of processes in order to optimise the controllability of the grid. This will enable the company to manage unplanned power flows more effectively as these flows increase due to the lack of integration in Europe.

Switzerland's participation in European processes is essential to ensure a high level of security of supply. Counteracting Switzerland's marginalisation in the European electricity system is another key objective of this strategic priority. Swissgrid is therefore looking for new ways to cooperate with European partners on a technical level. Nevertheless, only the conclusion of an electricity agreement can provide a stable legal framework in the long term.

One of the other strategic priorities set out in Swissgrid's Strategy 2027 is «Grid Transfer Capacity», which focuses on the grid infrastructure. This is because the transformation of the energy system can only succeed if the grids are adapted to new requirements. Swissgrid's goal is to construct and manage the grid even more efficiently and to achieve optimum grid availability and capacity in the future. To do so, it will implement the Strategic Grid 2040, increasingly develop digital solutions for the planning and construction of grid projects, and automate maintenance processes.

Digitalisation and the use of new technologies are the common denominators of «Security of Supply» and «Grid Transfer Capacity». Digitalisation is not an end in itself, but is urgently needed in order to manage the high level of complexity of the electricity system faced by Swissgrid as grid operator. That is why the company is establishing «Digitalisation and Innovation» as a strategic priority. Comprehensive measures in this area will enable Swissgrid to develop into a highly digitalised and innovative company.

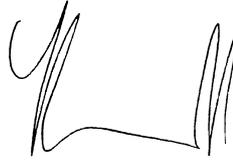
The aim of the «Operational Excellence» strategic priority is to ensure that the goals of Swissgrid's Strategy 2027 can be achieved and maintained in the long term. This will lay the foundations for the further development of the corporate culture and the skills that will be required in the future. In addition, Swissgrid will anchor the principle of sustainability even more firmly and broadly within the company. «Safety & Security» provides a secure framework for Swissgrid's Strategy 2027. Over the next five years, Swissgrid will further strengthen the resilience of its core processes.

Strategy 2027 marks the beginning of a new, five-year strategy period for the company. Swissgrid has spent the last ten years finalising the transfer of the grids from the previous owners and completing the subsequent development and consolidation phase. This has provided a sound basis on which to build

the new strategy and overcome future challenges. We look forward to tackling this new phase with the Swissgrid employees.



**Adrian Bult**  
Präsident des Verwaltungsrats



**Yves Zumwald**  
CEO

# Annual Report

## Year in review

The last reporting year was marked by turbulence in the energy sector and an uncertain supply situation in the winter of 2022/2023. Swissgrid made a significant contribution to guaranteeing a secure supply of electricity for Switzerland in the winter months (TEXT WILL BE ADAPTED DEPENDING ON THE CURRENT SITUATION). Despite challenging framework conditions, the company ensured high availability of the transmission grid. To make sure that it will remain able to meet the challenges it faces in the energy system in the long term, Swissgrid developed its Strategy 2027, thereby opening a new, five-year strategy period.



Grid operation

### Very high availability of the transmission grid

The availability of the transmission grid was very high in the reporting year. There were no supply disruptions due to a cause in the transmission grid. However, 2022 was characterised by tense grid operations at times, especially in the summer, when a large number of construction projects and maintenance work were carried out on the transmission grid. At the same time as the resulting outages, Switzerland recorded very high regional production, which led to high grid loads. The lower availability of nuclear power stations in France and exceptional market prices also resulted in high load flows on Switzerland's grid elements at times. Overall, Swissgrid had to carry out more redispatching, especially at the request of German transmission system operators.



### Emergency synchronisation of the electricity grids in Ukraine and Moldova with Europe

The transmission systems in Ukraine and Moldova have been synchronised with the European interconnected grid since mid-March. The connection had been in preparation since 2017 and synchronisation was originally planned for 2023. Accelerating the process was technically feasible, and the appropriate measures were taken to successfully guarantee safe and stable operation. As a founding member of ENTSO-E, Swissgrid was in close contact with the European transmission system operators and ENTSO-E, and worked very hard to

European context

Grid operation

find solutions in various working groups and committees.



Swissgrid of the future

Grid operation

## Preparing grid operations for future challenges

The demands on system operation have increased considerably in recent years – partly because of the growing decentralisation and complexity of the energy system. Swissgrid is implementing its «System Operations» vision to ensure that it can meet the challenges it faces in terms of monitoring and controlling the grid. The aim is to increase the resilience of its teams and to strengthen human resources.

Swissgrid is also launching its «Operational Planning» vision in order to guarantee the rising investments in the grid whilst ensuring secure grid operation at the same time. The aim is to coordinate the various construction projects and maintenance measures more effectively and at the same time optimise the planning and implementation of the associated outages. One of the measures to be taken by Swissgrid for this purpose will be to create a platform to automate and digitalise outage planning.



Grid infrastructure

## Commissioning of the new line between Chamoson and Chippis

On 30 September 2022, Swissgrid put the new extra-high-voltage line between Chamoson and Chippis into operation after four years of construction. The 30-kilometre-long connection is important for transporting energy from the Valais hydropower plants. The 77 pylons bundle lines from Swissgrid, SBB and Valgrid, enabling the removal of 90 kilometres of existing overhead lines and more than 300 pylons.



Grid infrastructure

## Line strengthened between Pradella and La Punt

The upgraded line between Pradella and La Punt has been in operation since November 2022. The two new 380-kV power systems will enable Swissgrid to increase transport capacity and hence security of supply in the canton of Graubünden and in Switzerland as a whole. As an alternative measure, Swissgrid provided significant assistance to Engadiner Kraftwerke for the replacement of an overhead line between Pradella and Bever with an underground cable, thereby removing 1,100 pylons from the landscape.



Grid infrastructure

## Connection for the Nant de Drance pumped storage power station completed

On 1 April 2022, Swissgrid put the underground cable connection between La Bâtiaz and Le Verney in Martigny into operation. The demanding construction work took almost two years: the 1.2-kilometre-long tunnel was bored with a mini-tunnelling machine at a depth of 12 to 20 metres. Swissgrid was thereby able to complete the third and final section of the line and finalise the connection to the Nant de Drance pumped storage power plant.



Grid infrastructure

## Start of construction and progress on several grid projects

In 2022, Swissgrid began upgrading the existing line between Obfelden and Samstagern to 220 kilovolts. The line between Bassecourt and Mühleberg will be upgraded to 380 kilovolts. In 2021, the Federal Supreme Court confirmed Swissgrid's plans for this important line for the greater Bern area and Central Switzerland. Construction work on the new 380-kV line between Mörel-Filet and Ernen has made good progress.



Grid infrastructure

## Numerous projects have reached the approval and planning approval procedure stage

Numerous grid projects are awaiting approval and authorisation: Swissgrid has submitted an application to the Federal Office of Energy to begin the sectoral planning process for the construction project between Flumenthal and Froloo (Therwil). The project between Niederwil and Obfelden is one step further along: the Federal Council has decided on the planning corridor. As far as the grid project between Innertkirchen and Ulrichen is concerned, the Swiss Federal Office of Energy has proposed the planning corridor for the future line. The project between Bickigen and Chippis continues to be delayed: the construction permit for the voltage increase to 380 kilovolts was granted by the Swiss Federal Office of Energy, but appeals have been brought before the Federal Supreme Court.



Grid infrastructure

## Unique pioneering project – underground cable in the Gotthard Road Tunnel

For the first time, an extra-high-voltage line will be combined with a national road tunnel. In 2022, Swissgrid submitted a planning application to lay underground cabling for the Gotthard line. Swissgrid will lay the 220-kV extra-high-voltage line over a total distance of 18 kilometres between Airolo and Göschenen – 17 kilometres of which will be in the second tube of the Gotthard Road Tunnel. Swissgrid will then dismantle over 70 extra-high-voltage pylons and 23 kilometres of overhead line.



Grid infrastructure

## Conversion and expansion of switchgear and transformers

In autumn 2022, Swissgrid began construction work at the Mettlen substation (Eschenbach), which is an important node in the Swiss transmission grid. The construction project includes plans for two new 800-MVA transformers. Swissgrid has also submitted the planning application for the modernisation of the substation in Biasca in cooperation with SBB. The project involves replacing the open-air system by a modern, gas-insulated switchgear and installing an SBB frequency converter.



Grid infrastructure

## Ongoing investments in the existing grid

In order for the transmission grid to operate properly, permanent maintenance is needed in addition to the conversion and expansion of the grid. This not only involves the replacement of conductors, the revision of circuit breakers, corrosion protection for supporting structures, deforestation or avalanche protection, but also the repair of installations after a damaging event. Swissgrid invests a total of around CHF 50 million per year.

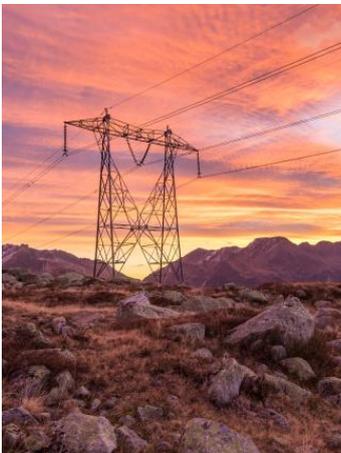


Swiss context

Grid infrastructure

## Accelerating grid expansion

The period from the start of a grid project through to commissioning is currently at least 15 years. The federal approval and authorisation procedure comprises six phases. Time and again, objections and court proceedings cause projects to suffer significant delays. Swissgrid is committed to making the approval and authorisation procedures more efficient, thereby accelerating grid expansion. This is because the modernisation of the grid infrastructure is crucial for the success of the Confederation's energy strategy.



Swissgrid of the future

Grid infrastructure

## The grid of tomorrow

To ensure that the grid meets future needs, Swissgrid periodically draws up a multi-year plan known as the Strategic Grid. Plans for the Strategic Grid 2040 reached several important milestones in the past reporting year. Swissgrid defined its principles for long-term grid planning, and in the autumn, the Federal Council approved the Scenario Framework Switzerland (SZR CH) drawn up by the Swiss Federal Office of Energy. At the same time, the distribution system operators regionalised the national specifications in cooperation with Swissgrid. Swissgrid is now using this basis to develop the Strategic Grid 2040, which is expected to be published in 2024 following approval by the Swiss Federal Electricity Commission (EiCom).



Security

Grid infrastructure

## More protection for Swissgrid substations

Swissgrid is increasing the level of protection of its substations with a project to implement structural and organisational measures and install safety systems. During the pilot phase, Swissgrid defined new safety standards, developed IT systems and introduced new processes. Implementation took place at the first substations in the course of the reporting year.



Security

## Successful Safety Culture Ladder certification

In 2021, Swissgrid introduced the Safety Culture Ladder, an assessment method that can be used to measure general safety awareness within the company. Another important milestone followed in the last reporting year: Swissgrid successfully passed the first SCL certification audit and achieved the targeted third level of the maturity model, which comprises a total of five levels.



Security

## Business Continuity Management – being prepared for extraordinary situations

As the owner of one of Switzerland’s most critical infrastructures, Swissgrid invests continuously in its resilience: in the area of Business Continuity Management (BCM), the company set up the necessary organisation to guarantee its core mission in the event of an incident. In November, the company also conducted a comprehensive exercise which involved deploying staff to decentralised assembly points and testing their cooperation on site and with the employees in the grid control rooms, as well as the use of BCM-relevant IT systems.

## Another milestone reached in the expansion of cybersecurity

The protection of information and systems that process information is of strategic importance to Swissgrid. This is because the organisation’s ability to act and the functionality of the technical infrastructure are based on protected information and systems.

**PLATZHALTER**

Security

Swissgrid takes numerous measures to ensure comprehensive protection. Their management was subjected to an audit process in 2022, which was successfully concluded with ISO/IEC 27001 certification. The certification is the result of Swissgrid's comprehensive efforts to ensure continuous development in the area of cybersecurity.



## High safety awareness – raising awareness among employees

The company aims to establish a high safety culture within the company. This requires a common understanding and awareness of the topic of safety. In 2022, Swissgrid therefore held its very first one-day training course for all employees, during which safety-relevant topics were discussed. The focus was on occupational safety and cyber risks, among other things. Training courses will be held annually in the future.

Security



## Swissgrid technically ready for the MARI platform

The MARI platform enables the exchange of fast tertiary control energy within the European internal electricity market. Since August, Swissgrid has been technically ready to be connected to the MARI platform. Swissgrid has specially adapted Switzerland's balancing energy products, among other things. The platform was put into operation in the autumn. In the absence of an electricity agreement with the EU, Swissgrid is not yet connected to the platform.

European context

Market developments



## All preparations completed for connection to the PICASSO platform

In June, Swissgrid completed all the necessary technical preparations for connection to the international PICASSO platform. PICASSO enables the exchange of secondary control energy and integrates the netting function previously carried out by the International Grid Control Cooperation (IGCC). For the time being, there is no connection to the European platform due to the lack of an electricity agreement. Swissgrid remains a member of the IGCC until further notice.

European context

Market developments



European context

Market developments

## Progress on consideration in Europe-wide capacity calculations

The lack of a political solution between Switzerland and the EU means that Switzerland is not part of the «Italy North» and «CORE» capacity calculation regions relevant to Swissgrid, nor of the coupled electricity markets. Thanks to the signature of the Synchronous Area Framework Agreement (SAFA), Swissgrid was able to start negotiations with the transmission system operators from the «Italy North» capacity calculation region and conclude bilateral contracts at the end of 2021. These contracts have a term of one year at a time and must always be reapproved by the regulators involved. From a technical point of view, Swissgrid is fully involved in cross-border capacity calculation methods, in redispatching and in safety coordination processes throughout the contract term. The contract with «Italy North» was renewed at the end of 2022.

As far as the «CORE» capacity calculation region is concerned, a joint concept was developed with the participating transmission system operators to take account of Switzerland's grid elements in capacity calculations on the northern border, and a prototype was implemented in 2022. The next step will be to finalise the concept, which must be approved by the transmission system operators and the regulators of «CORE».



European context

Market developments

## Revision of contracts due to provisions of the European Network Codes

The signature of the Synchronous Area Framework Agreement (SAFA) established a basis to allow Swissgrid to cooperate with European transmission system operators at a technical and operational level despite the lack of an electricity agreement. Swissgrid must therefore ensure that the provisions of the contract and the binding European Network Codes are complied with. The transmission code and the balancing concept have already been adapted for this purpose. In 2022, Swissgrid revised the framework agreements for ancillary services and held a new tender for the restoration cells for automatic start-up and island operation capability.



European context

## Regional Operation Security Coordination to increase operational security

The Clean Energy Package resulted in changes in the coordination of pan-European grid operations in 2021. The capacity calculation regions were tasked with developing a Regional Operation Security Coordination (ROSC) methodology. Swissgrid is not part of the «Italy North» and «CORE» capacity calculation regions due to the lack of an electricity agreement. Given its importance for regional grid security calculations, Swissgrid should nevertheless be integrated into ROSC processes.

A higher degree of cooperation should also be achieved by the further development of the current regional security coordinators such as TSCNET into the future Regional Coordination Centres (RCC). The RCC will be formed in the new grid operation regions, referred to as System Operations Regions (SOR). Swissgrid is not part of the SOR and therefore cannot participate in the RCC. As a current shareholder of TSCNET, Swissgrid is currently endeavouring to find a way to continue to play a role in shaping TSCNET.



European context

## 70% rule – a sharp rise in the challenges facing Swissgrid

As part of the Clean Energy Package, the transmission system operators in continental Europe are required to make 70% of cross-border capacity available for energy exchange by the end of 2025 at the latest. This will have serious consequences: if Switzerland is not fully taken into account in the capacity calculations for cross-border trade by then, unplanned electricity flows are likely to increase even more. Likewise, neighbouring countries could be forced to restrict their cross-border capacities towards Switzerland if necessary. This would be particularly problematic in winter, when Switzerland is dependent on imports and corresponding cross-border capacities.



European context

## Without an electricity agreement, only limited participation remains possible in Europe

The lack of an electricity agreement prevents Swissgrid from participating in many European processes and platforms: for example, the company is currently unable to connect to the MARI and PICASSO platforms, which are relevant for control reserves, and its participation in

TERRE is also at risk. Furthermore, Swissgrid is not part of Flow-Based Market Coupling or the «CORE» capacity calculation region bordering Switzerland. Nor is the company included in the System Operations Regions, which means that it cannot participate in the Regional Coordination Centres, which will play an important role in the coordination of grid operations in the future.

Swissgrid's isolation cumulates the risk of unplanned electricity flows in the Swiss grid. The company is therefore committed to using all the means at its disposal to continue to play an active role. Private-law contracts have been concluded, for example, to ensure that Switzerland is taken into account in the capacity calculation for «Italy North». Swissgrid has also taken legal action against decisions by EU authorities for reasons of system security. In the longer term, however, these measures are not an adequate substitute for an electricity agreement.



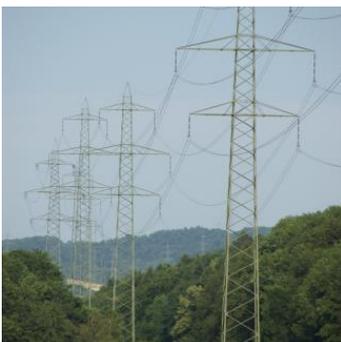
Market developments

Swissgrid of the future

## Equigy – pilot project with ewz successfully completed

In the last reporting year, Swissgrid and ewz carried out a pilot project with the crowd balancing platform Equigy. This platform, which Swissgrid founded with TenneT and Terna, takes advantage of blockchain technology to make it easier to bundle and control small, flexible energy resources and to use them to stabilise the grid.

The focus of the pilot project was to determine how these energy sources can be used to stabilise not only the transmission grid, but also the distribution grid, and how cooperation between transmission and distribution system operators can be automated. This type of cooperation will become even more important in the future in order to be able to cope with the increasing decentralisation and associated complexity of the energy system. The next step will be for Swissgrid to carry out further pilot projects with more participants.



Swissgrid of the future

## Pylonian – knowing the condition of pylons in detail

In 2021, Swissgrid launched an innovative project that involved placing Internet-of-Things sensors on pylons to measure variables such as pylon vibrations, pylon inclination, temperature and solar radiation. In addition, data-driven algorithms are being developed to detect parameters such as patterns and anomalies from the measured values. Swissgrid's aim is to monitor the condition of the pylons over their entire life cycle and

Grid infrastructure

therefore to be able to deploy maintenance work in a more targeted manner. Seven pylons have been equipped with the sensors so far, and their data is already being analysed on a continuous basis. Swissgrid is now investigating the gradual expansion of the project to hundreds or thousands of pylons.



Swissgrid of the future

Grid operation

## Compose – automated processes in outage planning

The aim of Swissgrid's COMPOSE research and development project is to automate and optimise the outage planning of grid elements. At the same time, a decision-making aid for measures in the event of possible grid congestion is to be created. Planning outages is highly complex, as it affects the load flows in the grid in many ways. The use of mathematical optimisation and algorithms lends itself to this environment.

In 2022, Swissgrid developed a prototype that can simulate the effects of outages and identify the best time windows for their implementation. The next step will be to develop this prototype even further and to expand its functionalities.



Swissgrid of the future

Grid operation

## eflux – visualisation of the current grid state

The eflux project aims to display the grid state in an easy-to-read way and make it accessible to new target groups on devices such as laptops, smartphones and tablets in addition to big screens in grid control rooms.

A cross-disciplinary team developed a new, schematised representation of the transmission system, based on the route map of the London Underground. The prototype provides a rapid guide and allows problem areas to be quickly identified in the grid. This simplifies the work of the operators, who have to recognise situations in the grid within a short time, analyse them and work out solutions. More specifically, the functionalities available include a zoomable display, animated load flows and time series diagrams. These options will now be made available to all employees as part of a follow-up project.



Swissgrid of the future

Company

## Strategy 2027 – the start of a new, five-year strategy period

In the last reporting year, work was carried out throughout the company on Strategy 2027, which heralds a new five-year strategy period. In the coming years, Swissgrid will build on its proven strengths with four ongoing strategic priorities: «Security of Supply», «Grid Transfer Capacity», «Safety & Security» and «Operational Excellence». At the same time, the company is placing new emphasis on digitalisation and innovation with high investments in the field, as illustrated by the new strategic priority, «Innovation and Digitalisation».



Swissgrid of the future

Company

## Corporate Social & Environmental Responsibility – part of the new strategy

The company has set itself the goal of anchoring sustainability even more firmly within the company. By integrating Corporate Social & Environmental Responsibility (CSER) into its Strategy 2027, Swissgrid has taken an important step to highlight sustainable development throughout the company. In the last reporting year, Swissgrid prepared a materiality analysis and selected a number of Sustainability Development Goals that it considers relevant to the company. Swissgrid thereby laid the foundation for prioritising CSER measures and implementing them in all areas of the company.



Swiss context

## Measures for a secure supply of electricity – expert report by Swissgrid and the industry

In spring 2022, Swissgrid worked with the electricity producers AET, Alpiq, Axpo, BKW and Repower to present an expert report at a session event. The report outlined possible solutions for ensuring a supply of electricity in Switzerland that would be secure in the long term and CO2 neutral as far as possible. The analysis was also presented to the Swiss Federal Office of Energy and the Swiss Federal Electricity Commission (EiCom).

The conclusion was that the «Federal Act on a Secure Electricity Supply from Renewable Energies» consolidation legislation goes in the right direction, but is not sufficient to guarantee supply, especially in winter. The participating companies called for a build-up of reserves, for example by means of back-up power plants, and requested an

acceleration of the approval processes for renewing the grids and for building new production plants. Another important request was that an intergovernmental solution should be defined for the technical integration of Switzerland as an alternative to an electricity agreement.



Swiss context

## Procedures for hydropower and wind energy plants to be accelerated

In February 2022, the Federal Council launched a consultation process on legislation to accelerate the introduction of renewable energy resources. The aim of the amendment to the Energy Act is to simplify and streamline the planning and authorisation procedures for the most important hydropower and wind energy plants. The expansion of photovoltaics should also be driven forward. Swissgrid presented its view on this amendment to the Energy Act in May 2022. Swissgrid welcomes the measures, but asks for a similar acceleration in the authorisation procedures for the grids, and submitted specific proposals in this respect.



Swiss context

## The Federal Council entrusts Swissgrid with electricity monitoring for the National Economic Supply

In view of a possible electricity shortage in Switzerland in the winter of 2022/2023, the Federal Council decided on 4 May 2022 that Swissgrid should develop a new monitoring system for the Energy Division of the National Economic Supply. The aim of this monitoring is to obtain information on the current supply and market situation in Switzerland. In addition, it is intended to provide analyses regarding self-sufficiency and show how long Switzerland could ensure the supply of electricity without imports. Swissgrid put the system into operation on time at the end of the year.



Grid operation

Swiss context

## Preparations for a secure supply of electricity for Switzerland in winter

The conflict in Ukraine and the significant reduction in gas deliveries to Europe as a result, combined with turbulence on the energy markets, triggered an energy crisis in 2022 that also affected Switzerland. Swissgrid shared the Confederation's assessment that there were uncertainties with regard to the secure supply of electricity in Switzerland in the winter of 2022/2023.

The Federal Council enacted various measures to increase security of supply in the short term and assigned new roles to Swissgrid. For example, the company was tasked with the auction of the hydropower reserve in October 2022. In addition, Swissgrid took structural measures to ensure that the voltage on the lines between Bickigen and Chippis and between Bassecourt and Mühleberg could be temporarily increased following the necessary approval. The connection of the reserve power plant in Birr to the transmission grid was also implemented by Swissgrid. What is more, the company took over the operational management of the possible use of emergency power groups as an additional reserve.

The company did everything in its power to help to ensure a reliable supply of electricity in Switzerland. Swissgrid took additional measures such as the early procurement of control power, for instance. Swissgrid also set up an internal task force right away at the beginning of July.



Company

## Swissgrid issues another corporate bond

On 24 May 2022, Swissgrid issued another bond on the capital market with a volume of CHF 175 million. The proceeds of this bond will be used to repay current financial liabilities and to finance ongoing investments and procurement costs.



Company

## Election of two new Board members

Two new Board members were elected at the Annual General Assembly on 18 May 2022. Felix Graf, CEO of NZZ since June 2018, was newly elected to the Board of Directors as an independent member. He succeeds Isabelle Moret. In addition, Martin Koller, who has been with Axpo Holding since 2012, was elected as industry representative to replace Kerem Kern.



Grid infrastructure

Company

## Maintaining dialogue with the industry and the population

It is particularly important to Swissgrid to provide transparent and continuous information about its activities, and in particular about its construction projects. In 2022, Swissgrid held information events about planned construction projects between Innertkirchen and Ulrichen, Flumenthal and Froloo (Therwil) and Airolo and Göschenen, among others. The temporary visitor centre in Bözberg to provide information about the opportunities and challenges of underground cables and overhead lines welcomed its last visitors in June. The company was present at various trade fairs such as the Foire du Valais and the Vifra in Valais, the Assis européennes de la transition énergétique in Geneva and the LUGA in Lucerne.

Swissgrid also remained in close contact with the industry: major events were held in Castione and for the commissioning of the line between Chamoson and Chippis. In addition, Swissgrid organised events in hybrid or virtual format such as the grid forum, an industry webinar, the grid usage conference and the meeting for the balance groups responsible party management.

# Sustainability

A secure supply of electricity is an important basis for Switzerland's prosperity and long-term economic and socio-political development. As the national grid company, Swissgrid makes a significant contribution to ensuring security of supply. As the link between electricity generation and consumption, Swissgrid is actively helping to shape the path towards a sustainable energy system.

Swissgrid's statutory mandate is therefore fundamentally geared towards the long term. The company already implements a number of ecological, economic and social measures in various business units in line with the principles of sustainable development.

Swissgrid has decided to anchor the principle of sustainability even more firmly throughout the company. All areas of sustainability management at Swissgrid are now grouped together under «Corporate Social & Environmental Responsibility» (CSER) and represent an important component of Swissgrid's Strategy 2027. The strategy will shape corporate development over the next five years. At the same time, systematic CSER programme management is being established and maintained.

## CSER – part of Swissgrid's Strategy 2027

It is the explicit intention of the Executive Board and the Board of Directors to consolidate the issue in all areas of the company. This represents the driver for integrating sustainability into the strategy. In addition, Swissgrid wants to make a contribution towards reaching the 2030 climate targets and implementing the Energy Strategy 2050.

Swissgrid's goal is to ensure that sustainability is put into practice throughout the company with the active involvement of every business unit. To this end, the company has identified and prioritised all the issues that make a significant contribution to the sustainable development of the company. Relevant targets are continuously defined during normal management cycles and appropriate measures are implemented.

Swissgrid has identified a targeted selection of the United Nations Sustainable Development Goals (SDGs) to be achieved. Its measures are based on four areas: Purpose, People, Partnership and Planet. All corporate divisions are affected by these measures and will contribute to their implementation.

Furthermore, Swissgrid intends to develop comprehensive, non-financial reporting in accordance with the standards of the Global Reporting Initiative (GRI) and to have ESG (Environmental, Social, Governance) ratings carried out. The reports and results of the ratings will be communicated proactively.

## Basis for the CSER strategy established

Swissgrid has laid the foundations for its sustainability strategy by drawing up a materiality analysis in accordance with the GRI standards. This analysis indicates the relevance of economic, ecological and social issues from the perspective of Swissgrid and its stakeholders.

The materiality analysis creates an internal understanding of the multifaceted topic of sustainability, raises awareness in the organisation, sets the basis for strategic and operational development, and

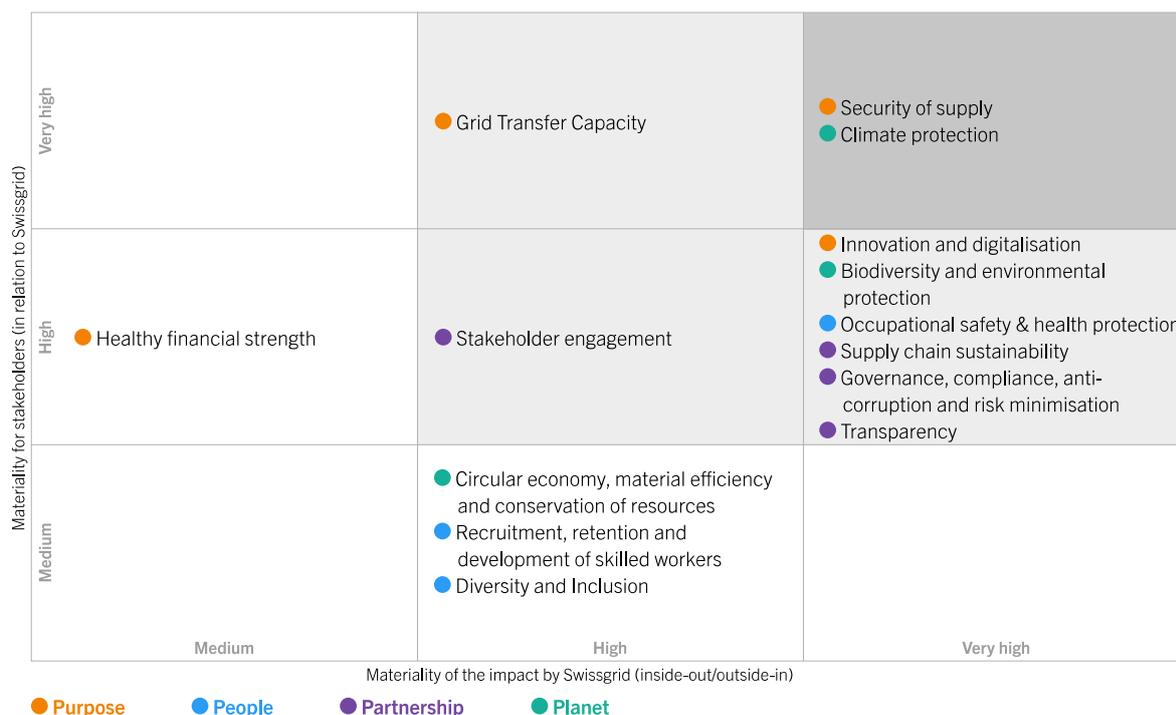
defines focus areas for reporting.

As there is not yet a separate GRI standard for the electricity industry, and given the special role played by the transmission system operators in the sector, Swissgrid carried out an independent analysis of the corporate context. This comprises an overview of the company's activities, business relationships and stakeholders. In addition, the current and potential impacts of business activities on the economy, society and the environment were identified. An external analysis was then carried out to verify the results. Finally, the materiality matrix was adopted by the Executive Board.

## Swissgrid materiality matrix

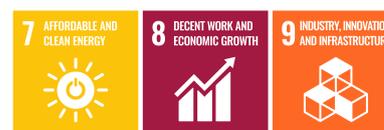
The result of the materiality analysis is presented as a matrix that combines two aspects of materiality: the vertical axis represents the assessment of the topics chosen by Swissgrid from the perspective of the stakeholders. The horizontal axis illustrates on the one hand how the company is affected by certain issues such as climate change (outside-in) and, on the other hand, the impact of the company's business activities on the economy, the environment and society (inside-out). The vertical dimension will be explored in even more detail in the future by directly involving the stakeholders. It currently represents a preliminary evaluation by Swissgrid of the relevance of the topics for the stakeholders.

The following graphic shows the materiality matrix as approved by the Executive Board. Each topic is assigned to one of four areas: Purpose, People, Partnership and Planet. Topics classified as immaterial are not listed.



## The principles that guide Swissgrid's actions: Purpose, People, Partnership and Planet

### PURPOSE



Most «Purpose» topics have high to very high materiality. This applies in particular to grid-related security of supply, which results directly from Swissgrid's contract for the provision of ancillary services.

#### Grid-related security of supply

Swissgrid is responsible for one of the most critical infrastructures in Switzerland. Grid-related security of supply is at the heart of Swissgrid's tasks. Good networking with the European interconnected grid is crucial in order to be able to guarantee this security of supply. Networking is the only way that electricity shortages in the winter months can be overcome and power plant outages or overproduction can be compensated for internationally. Switzerland also plays an important role in the transfer of electricity and acts as Europe's energy store thanks to its pumped storage power plants.

The electricity industry is undergoing major upheaval following the political decision to integrate the power markets and decarbonise the energy industry. Due to the lack of a framework agreement with the EU, Switzerland is largely excluded from European processes, which can lead to unplanned flows through Switzerland. This can have a negative impact on grid security. Swissgrid is committed to achieving the highest possible level of integration at a technical level in order to ensure grid security in the long term.

The demands placed on the grid infrastructure and power system control are constantly increasing due to decarbonisation, the energy transition and the many new decentralised sources of energy associated with it. Swissgrid is developing new solutions to manage the complexity of the energy system and is thereby making a key contribution to the success of the energy transition and the Confederation's

Energy Strategy 2050.

### **Process efficiency / demand-driven grid and system development / integration of renewable energies**

The renovation of the energy system can only succeed if the grid infrastructure is upgraded to meet the new framework conditions and operated more efficiently. Swissgrid is determining the needs for grid development in Switzerland in its «Strategic Grid 2040» project. To ensure more efficient operation of the grid, operational planning and system operation will be brought closer to real time by gaining a deeper knowledge of operating conditions and collecting better measurement data. System controllability can be increased as a result. Efficiency improvements are also sought via risk-based plant management relying on automated data collection and analysis. A digital image of the grid is created especially for this purpose. This also makes it possible to optimise renewal and maintenance measures.

### **Innovation and Digitalisation**

The increasing volatility of electricity flows and the growing number of time-critical system interventions mean that new, innovative approaches are required at a technical and organisational level. To meet these challenges, it is necessary to drive forward the digitalisation and automation of processes as well as the provision and evaluation of data. That is why one of the focuses of Swissgrid's Strategy 2027 will be on innovation and digitalisation in the core business. This topic will be promoted in all areas of the company by fostering skills and the corporate culture, by harnessing the opportunities offered by new technologies, by rapidly developing and implementing innovative ideas and by taking advantage of external expertise.

### **Healthy financial strength**

Extensive investments in the development of the grid require solid financing. The aim is to reduce and control the various financial risks such as liquidity, foreign currency, interest rate and counterparty risks. ESG scores and hence access to capital and the corresponding conditions can be optimised by demonstrating the sustainability measures that are already implemented today and by ensuring a greater systematisation of the management approach. Swissgrid is examining the use of sustainable financing instruments for the financing of the Swiss high-voltage grid.

## **PEOPLE**



«People» summarises the topics that make Swissgrid an attractive employer. Swissgrid is aware that its sustainable development into an innovative, highly digitalised company is only possible with motivated and highly qualified employees. The essential issues are therefore being anchored into the corporate culture. This is especially true for occupational safety and health protection, but also for innovation and sustainability. The best professionals must be recruited and retained, regardless of their ethnic origin, sexual orientation, religion, age, gender, any disabilities or other diversity aspects. This is made possible by Swissgrid's guiding principles and leadership skills, which are based on cooperation, feedback and trust, as well as on continuous learning.

### **Occupational safety & health protection**

Swissgrid has a management system for occupational health and safety in accordance with ISO 45001:2018, which serves as the basis for continuous improvement. The introduction of the Safety

Culture Ladder in 2022 represented an important step to reinforce the safety culture within the company.

### Recruitment & retention of skilled workers / HR development

Swissgrid has developed into an attractive employer and has set itself the goal of becoming an «Employer of Choice». In this way, it can attract the talented employees it needs to accomplish its tasks and retain existing employees. Swissgrid ensures that its highly motivated employees can benefit from the best possible conditions by providing working conditions adapted to employees' needs, by offering a wide range of training and further education programmes and by allowing opportunity for development.

### Diversity & inclusion

In order to successfully implement its Strategy 2027 and meet the challenges of the future, Swissgrid needs to be able to attract the most talented individuals, regardless of their ethnic origin, sexual orientation, religion, age, gender, any disabilities or other diversity aspects, and must support them in their personal and professional development. Thinking beyond these boundaries is a matter of course for Swissgrid. Furthermore, Swissgrid aims to achieve a balanced ratio between the generations and the sexes. It strives to embrace an inclusive corporate culture in order for the benefits of diversity to be felt. This increases satisfaction and reduces fluctuations.

## **PARTNERSHIP**



The main issues summarised under «Partnership» seem very different at first glance. And yet the task essentially remains the same. Thanks to clear responsibilities and well-structured processes, knowledge of stakeholder demands and forward-looking, critical thinking, the aim is to comply with the law, to identify and minimise risks, and to create added value for society, both in our own business activities and in the supply chain.

### Governance / compliance / anti-corruption / risk minimisation

Swissgrid already has a comprehensive compliance management system, which is constantly being developed. Enterprise risk management is another integral part of effective and prudent corporate management. It is based on the established ISO 31000 and COSO ERM standards. The resilience of core processes is enhanced by increasing security standards, implementing the cyber strategy and strengthening Business Continuity Management.

### Supply chain sustainability

Swissgrid has placed the emphasis on sustainability in its procurement system: a Swissgrid Sustainability Charter defines clear environmental and social requirements for direct suppliers, the supply chain and products. In procurement, sustainability is taken into account throughout the entire life cycle of the products, from raw material extraction to disposal.

### Transparency

Transparency is the basis for Swissgrid's credibility and therefore represents an important pillar in its communication with the various stakeholders. With regard to sustainable corporate development, transparency towards the outside world is ensured by means of reporting in accordance with the GRI

standards which also meets the statutory reporting obligations.

### Stakeholder involvement / dialogue

The aim of Swissgrid's stakeholder involvement, which focuses among other things on sustainability, is to understand the demands of its stakeholders, to establish a benchmark and to convince stakeholders of Swissgrid's concerns. Effective stakeholder involvement is of particular importance to Swissgrid on account of the complex political and regulatory issues it faces.

## PLANET



«Planet» covers three main topics at Swissgrid. Climate protection is rated as highly material. Biodiversity is another important issue. This is impacted by the grid infrastructure, but positive effects can be achieved at the same time through the targeted management of the relevant areas. The circular economy, material efficiency and conservation of resources are also relevant. The long-term goal is to strive for an economy that comes as close as possible to natural cycles.

### Climate protection

Swissgrid is directly exposed to the consequences of climate change and must adapt the grid infrastructure to the new framework conditions. Examples of this are the thawing of the permafrost in high mountain areas, which has an impact on pylon foundations, and the more frequent occurrence of severe weather events. At the same time, Swissgrid is eager to combat climate change. It will therefore reduce its own greenhouse gas emissions in accordance with Swiss reduction targets. And last but not least, Swissgrid plays an important role in upgrading the grid in order to integrate renewable energy resources. To this end, Swissgrid is actively involved in the «Decarbonisation of the Energy System» project organised by eight European transmission system operators.

### Biodiversity & environmental protection

The topic of biodiversity is also judged to be important from an internal perspective and with regard to the ecological impact of Swissgrid's own business activities. The planning and implementation of grid projects are highly regulated. It is important to apply the environmental protection and biodiversity measures defined in the administrative and planning approval procedures in accordance with the law. The existing measures to reduce the impact of projects on biodiversity and to increase biodiversity in general are directly linked to specific projects. In the future, measures to promote biodiversity will be taken systematically at substation sites, pylon sites and along line routes. This will simplify planning and implementation.

### Circular economy & material efficiency / conservation of resources

In order to achieve the climate targets and reduce the burden on the environment in general, material cycles must be designed in a similar way to natural cycles. The goal is to basically reuse all materials taken from nature at the end of their life cycle as raw materials for new products or to return them to nature without any harmful effects. Non-degradable materials should remain in the technical system for as long as possible. To achieve this, products need to be rethought from the ground up by means of eco-design. Swissgrid exerts an influence in this area by setting and monitoring corresponding requirements for products and production processes as part of a sustainable procurement policy. Since Swissgrid's sustainable procurement policy includes social as well as environmental requirements, the

topic is addressed in more detail in the «Partnership» area of action.

## Further steps in CSER management

Swissgrid is implementing programme management in order to achieve the goals set out in its Strategy 2027 and its objectives in relation to CSER. This ensures the continuous development of CSER projects and activities in business operations and verifies whether the level of ambition has been achieved or whether an adjustment needs to be made. Measures are implemented in the relevant line or in the form of projects.

At the same time, measures are being taken to anchor CSER even more firmly in the minds of employees. This requires the acceptance of CSER as an important corporate aspect and a further increase in awareness of the current and future relevance of sustainability issues. As with other cultural dimensions, the Executive Board and management play a major role. In addition, CSER communication is being reinforced. In the future, it will consist not only of reporting, but also of a number of other internal and external communication measures.

The next specific implementation step includes defining KPIs. Key figures to be published are defined for the topics listed in the materiality matrix. As a first step, Swissgrid plans to publish a pilot report in accordance with the GRI standards in mid-2023. The full report will be made available with the 2023 annual report. After publication of the GRI pilot report, targets for continuous improvement will be defined and the level of ambition reviewed. This also involves setting a long-term level of ambition.

Within the framework of programme management, Swissgrid will implement further measures derived from these objectives and the current data basis. According to the current schedule, external benchmarking is also planned for 2024. A stakeholder survey will be carried out to review and, if necessary, adjust the assessment of the topics on the vertical axis of the materiality matrix.

Swissgrid has reached an initial milestone in anchoring sustainable development even more firmly within the company thanks to the establishment of CSER in its Strategy 2027 and the development of basic principles and specific measures in this area in the last reporting year. This brings Swissgrid a major step closer to its goal of making a significant contribution to the implementation of the Energy Strategy 2050 and to the establishment of a secure and sustainable supply of electricity.

# Financial Report

# Management Report

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

## Regulatory business model

### Legal and regulatory environment

The electricity industry’s value chain can basically be divided into the following areas: electricity generation, electricity transmission, electricity distribution and electricity consumption. As the owner and operator of Switzerland’s extra-high-voltage grid, Swissgrid is responsible for electricity transmission. The high investments for the construction of the transmission system, rising economies of scale (in view of falling marginal costs) and high irreversible costs result in a natural monopoly in the area of electricity transmission. This has been structured as a legal monopoly by the legislator based on the Electricity Supply Act (StromVG) and the Electricity Supply Ordinance (StromVV). To strengthen the supply of electricity in Switzerland, the Winter Reserve Ordinance (WResV) was also enacted in February 2023. The Federal Electricity Commission ECom oversees compliance with the Electricity Supply Act, the Electricity Supply Ordinance and WResV. It is the independent state regulatory authority in the electricity industry and is allowed to issue rulings where necessary, against which there is a right of appeal to the Federal Administrative Court with the possibility of appeal to the Federal Supreme Court. Given the public interest in the secure national supply of electricity, the resulting legislation and relevant supervision by the regulator, Swissgrid’s business activities are overwhelmingly subject to strict regulation.

### Business activity

As the National Grid Company, Swissgrid is responsible for the non-discriminatory, reliable and efficient operation of the transmission grid as well as its sustainable and efficient maintenance. The renovation and demand-driven expansion of Switzerland’s extra-high-voltage grid are also considered amongst the company’s most important tasks. Swissgrid also provides additional services, such as balance group and congestion management or ancillary services (AS) as part of European and Swiss interconnected operations. In addition to representing national interests, Swissgrid makes an important contribution to ensuring the secure supply of electricity for Switzerland.

### Cost-plus regulation

Swissgrid’s legal mandate and business activities expose the company to costs that can be passed on to the lower grid levels and end consumers in the form of tariff revenues if the regulator deems the costs to be chargeable. ECom has the right to verify ex post the chargeability of Swissgrid’s costs for tariff-setting purposes. Chargeable costs include the operating and capital costs of maintaining a secure and efficient grid. The chargeable costs according to StromVG and StromVV also include an adequate

operating profit. As a result, this is referred to as «cost-plus» regulation: «cost» stands for the cost recovery principle and «plus» stands for the operating profit. The cost recovery principle applies to the chargeable costs according to WResV.

### **Chargeable operating and capital costs**

Chargeable operating costs include the costs for services directly related to the operation of the grid. Examples include costs for maintaining the grid, costs for providing the ancillary services, personnel expenses, costs for materials and third-party supplies as well as direct income taxes. Chargeable capital costs include depreciation/amortisation and imputed interest. The amount of imputed interest is directly dependent on the assets required to operate the grid (invested operating assets, IOA) and the applicable regulatory interest rate ( $WACC_{t+0}$ ).  $WACC_{t+0}$  means that the WACC specified for this year also applies to the current financial year. In particular, the IOA consists of the transmission grid assets (including construction in progress), intangible assets as well as the net current assets determined on a monthly basis.

### **Volume- and tariff-related timing differences**

Swissgrid calculates the required tariff revenues ex ante based on budgeted costs (operating and capital costs). Volume and price differences between the «actual» situation for a year and the «budgeted» situation for the same year regularly lead to differences between the actual costs and actual income for a year. These differences are referred to as volume- and tariff-related timing differences and are rectified over the coming years. If effective costs exceed the tariff revenues for the same year, this results in a deficit. This deficit can be eliminated over subsequent years by increasing the tariff. By contrast, if tariff revenues exceed effective costs for the same year, this results in a surplus, which must be used to reduce tariffs over subsequent years. Volume- and tariff-related timing differences according to StromVG and StromVV are also subject to interest at the WACC rate and have an impact on capital costs. In contrast to the IOA, volume- and tariff-related timing differences are subject to interest at  $WACC_{t+2}$ . Deficits increase capital costs, while surpluses reduce them. Volume- and tariff-related timing differences resulting from the implementation of the specified measures from WResV are not subject to interest.

### **Profit regulation**

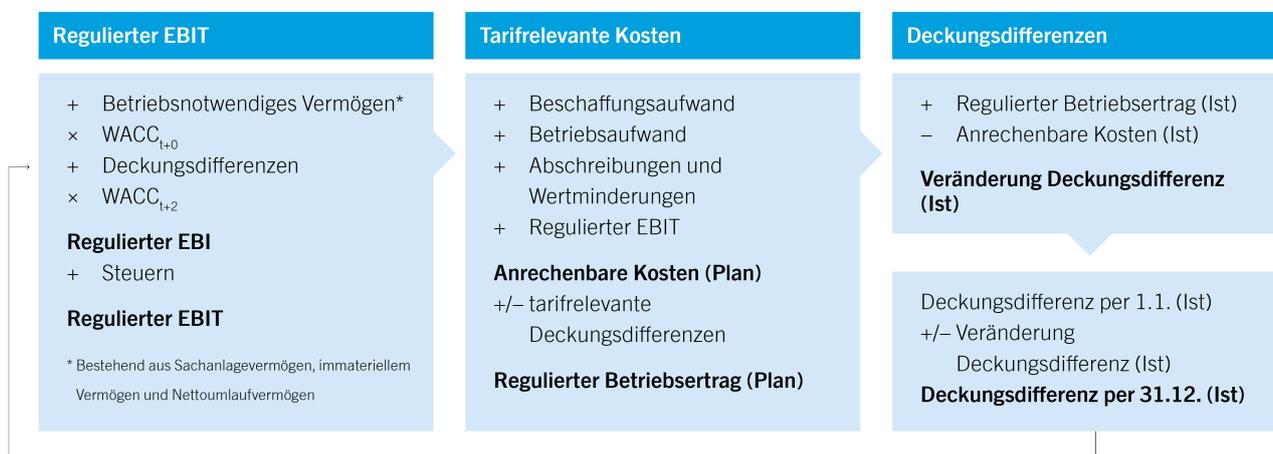
The legal framework in place for Swissgrid means that the EBI (earnings before interest) of the regulated business area is essentially a multiplication of the invested operating assets (IOA) with the capital cost rate ( $WACC_{t+0}$ ) and the interest applied to the volume- and tariff-related timing differences ( $WACC_{t+2}$ ). Additional profits may arise from Swissgrid's unregulated business area. The EBI is then used to compensate Swissgrid's stakeholders via interest on liabilities and return on equity (dividends and/or profit retention). The cost-plus regulation therefore leads to a return in the amount of the capital cost rates to be applied.

### **Imputed capital cost rate (WACC)**

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

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

#### Veranschaulichung zum regulierten Geschäftsmodell



## Business performance (values pursuant to Swiss GAAP FER)

### Procurement costs

At CHF 866.2 million, procurement costs are CHF 448.7 million higher than the previous year's value of CHF 417.5 million. This increase is primarily due to higher costs of CHF 345.0 million for control power provision and for AS energy in the general ancillary services segment as well as higher procurement costs of CHF 156.7 million for active power loss. The higher costs are mainly attributable to the persistently high electricity prices caused by geopolitical developments and the limited power plant capacities. In contrast, costs in the grid usage and reactive energy segments fell by a total of CHF 47.9 million. In addition to lower costs for national redispatch and costs for the procurement of reactive energy, no additional remuneration was paid to former transmission system owners in 2022.

### Operating expenses and depreciation/amortisation

Operating expenses rose by CHF 22.2 million year on year, from CHF 228.4 million to CHF 250.6 million. The increase is mainly due to the consistent implementation of Strategy 2022 and the resulting higher costs in materials and third-party supplies and in personnel expenses. The implementation of Strategy 2022 included measures to secure the supply of electricity and improve the safety of people, systems and the environment. The annual average number of full-time equivalents in 2022 amounts to 630.9 FTE (previous year: 582.4 FTE).

The scheduled depreciation/amortisation on property, plant and equipment and intangible assets amounted to CHF 155.7 million in the reporting year, a decrease of CHF 23.3 million in relation to the previous year. This decline is mainly attributable to assets that had already been fully depreciated in the

previous year.

### **Revenue and volume- and tariff-related timing differences**

For the 2022 financial year, net turnover across all segments amounts to CHF 987.1 million. This represents an increase of CHF 272.0 million in relation to the previous year's figure of CHF 715.1 million. The rise is due to higher tariff revenues in the grid usage segment (CHF 115.1 million), higher income from balance group/balancing energy in the general ancillary services segment (CHF 73.6 million) and higher auction income to cover the chargeable costs of the transmission system (CHF 74.6 million). Based on the ECom ruling issued on 8 November 2022, the auction income received in 2022 was allocated for the first time not only to the grid usage segment, but also to the general ancillary services and active power loss segments. In the 2022 financial year, the operating business activities reported net deficits (cumulative deficits less cumulative surpluses) of CHF 370.7 million (previous year: CHF 279.7 million). In particular, the general ancillary services and active power loss segments posted deficits of CHF 346.9 million and CHF 134.3 million respectively due to the higher procurement costs. As at 31 December 2022, a net deficit of CHF 747.7 million exists (previous year: CHF 326.3 million).

### **EBIT, financial income and net income**

Earnings before interest and taxes (EBIT) from activities relating to the Electricity Supply Act (StromVG) are equivalent to the interest applied to the assets required for grid operations using the weighted average cost of capital rate (WACC) for the current year under review (= WACC<sub>t+0</sub>) and the interest applied to the volume- and tariff-related timing differences using the weighted average cost of capital rate of WACC<sub>t+2</sub> plus income taxes. The weighted average cost of capital rates defined by the Federal Department of the Environment, Transport, Energy and Communications (DETEC) for the 2022 financial year are 3.83% for 2022 (WACC<sub>t+0</sub>) and 4.13% for 2024 (WACC<sub>t+2</sub>). In 2022, EBIT decreased by CHF 79.1 million from the previous year's value of CHF 204.3 million to CHF 125.2 million. Financial expenses fell to CHF 14.7 million (previous year: CHF 53.5 million) due to the further partial repayment of convertible loans at the beginning of 2022 and the interest to be paid for the previous year in connection with the grid takeovers. Net income in 2022 amounts to CHF 96.4 million, down from the previous year's figure of CHF 106.2 million.

### **Balance sheet and cash flow statement**

Total assets (excluding fiduciary positions) increased by CHF 314.7 million compared to the previous year to CHF 3.836 billion. The absolute equity base was further strengthened by the positive net income less dividends paid. Adjusted for the balance sheet items held on a fiduciary basis and volume- and tariff-related timing differences, the equity ratio on 31 December 2022 amounts to 33.9%, as compared to 35.7% on 31 December 2021. The decrease in the equity ratio is due to the higher total assets resulting from the increase in volume- and tariff-related timing differences as well as to early refinancing to cover liquidity needs. In 2022, cash flow from operating activities amounts to CHF -149.3 million, a decrease of CHF 321.5 million compared to the previous year's value. The decline is due to the high procurement costs from operating activities. On the one hand, with a gross investment volume of CHF 257.4 million, Swissgrid has again realised more investments than in the previous year. On the other hand, the auction income received for the maintenance and expansion of the transmission grid has also increased, which is why a cash flow from investing activities of CHF -3.9 million was generated in 2022 (previous year: CHF -203.9 million). To cover liquidity requirements, financial liabilities rose by CHF 120.4 million compared to the previous year. After deduction of the dividend and interest paid, cash flow from financing activities stood at CHF 53.4 million in the reporting year (previous year: CHF

104.2 million).

## Risk assessment

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

### Objectives

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

### Organisation

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

### Process

The risk assessment takes place twice a year. The key risks are identified and assessed as part of a multi-stage process that includes the evaluation of risks based on the probability of their occurrence and the extent of their impact, as well as the definition of strategies to manage said risks. Risk monitoring, including the effectiveness and level of implementation of the measures taken, is performed as part of regular risk updates. The Executive Board and the Board of Directors receive the results of the risk assessment and the risk updates in the form of a standardised report.

### Risk situation

The risk of a power shortage is rising due to the conflict in Ukraine and the associated loss of Russian gas imports to Europe, as well as the low availability of French nuclear power stations. The situation can worsen as a result of persistent dry weather and a «Dunkelflaute» in Europe, i.e. a period without any wind or photovoltaic production. This is especially true in the winter months, when Switzerland is dependent on electricity imports. The resulting massive distortions on the European energy markets increase the likelihood that the volume of energy on offer could be insufficient. In order to keep the grid stable and supply it with the necessary volume of electrical energy at all times, Swissgrid implements the following measures to strengthen security of supply, partly also on behalf of the federal government:

- Early procurement of sufficient control energy to keep the generation and consumption of energy in the electricity grid constantly balanced in the short term.
- Temporary increases in the operating voltage on selected lines in the transmission system to increase transfer capacity in emergency situations.
- Creation of energy reserves outside the market (hydropower reserve, in the event of extraordinary shortage situations and an additional energy reserve using reserve power plants).
- Preparations to operate a national virtual reserve power plant from emergency power units.

In addition to the increased risk in the area of security of supply and financial liquidity (see the «Financial risks» section), the existing risks remain relevant for Swissgrid. The drivers for these risks are natural influences, the national and international political and regulatory environment as well as

personnel and technical factors. Digitalisation is enabling more efficient operation of the transmission grid, but also involves risks to grid and system security and therefore to the security of supply, given the increasing dependence on systems. The measures taken during the coronavirus pandemic and the epidemiological development have meanwhile led to an easing of the risk to the health of employees, which also has a positive effect on the operation of the transmission system. The key risk factors are:

### **European and regulatory environment**

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

### **Security of supply**

A wide-scale supply outage would cause enormous economic damage. Consequently, Swissgrid must keep the transmission system available for the supply of electricity at all times. It is therefore essential to have an intact grid infrastructure and to secure the availability of IT and communication systems. Meeting these prerequisites can be jeopardised by, for example, technical problems, natural disasters, operating errors and criminal actions. Among other measures, Swissgrid mitigates these risks by implementing redundancies and standardised processes to eliminate faults in grid systems and in system operations. Adequate training and development of personnel ensures that employees respond appropriately. In the recent past, there have been several challenging situations in the European electricity system that could have led to large-scale supply outages. As part of its cooperation within ENTSO-E, Swissgrid, in its role as Coordination Center South, investigated the events in association with the other European transmission system operators and derived measures to avoid such situations as far as possible or to be able to deal with them more effectively. Security of supply also depends on the availability of control and redispatch power to balance short-term deviations between production and consumption, and to control grid congestion. Swissgrid therefore works continuously to optimise the Swiss market for ancillary services, and cooperates with transmission system operators in neighbouring countries to increase market liquidity. Swissgrid takes precautions to protect the infrastructure against physical attacks. These include securing buildings and plants as well as access control and monitoring. The threat of cyber-attacks is steadily rising due to the speed at which technology changes (which potential attackers also exploit), the countless possible modes of attack, as well as growing system integration across companies. To reduce this risk, Swissgrid is continuously developing its processes and systems to detect cyber threats early and defend itself against them. Swissgrid has emergency procedures in place in the highly unlikely event that infrastructures or systems fail permanently or the grid can no longer be controlled.

### **Grid capacity**

Important activities relating to the «Strategic Grid 2025» continue to be hampered by protracted approval processes and numerous objections. This makes it more difficult to eliminate grid congestion.

As far as approval processes are concerned, Swissgrid relies above all on dialogue with local residents. However, given that the acceptance of overhead lines is often low, Swissgrid still has to factor in objections and delayed approval processes. The progressive ageing of existing components represents another risk to grid capacity. Swissgrid therefore systematically records the condition of its plants and plans modernisation measures accordingly.

### **Personnel safety**

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

### **Financial risks**

Swissgrid's activities mean that it is exposed to various financial risks. These include liquidity, foreign currency, interest rate and counterparty risks. Depending on the financial volume and timing, the financial implementation of the measures envisaged by the federal government – in particular the hydropower reserve and the reserve power plants – may mean that Swissgrid has to provide interim financing for these resources, which are to be funded via tariff revenues. Swissgrid therefore took measures at an early stage to ensure liquidity at all times by means of intensified continuous planning, close monitoring of the funding requirements, an increase in minimum liquidity levels and the provision of confirmed bank credit facilities. Foreign currency risk is reduced through natural hedging and forward exchange transactions. The hedging strategy is reviewed periodically and updated as needed. The risk of interest rate changes is reduced by staggering the maturities and establishing a balanced financing mix. Derivative financial instruments are deployed for further mitigation if necessary. Financial counterparties are constantly reviewed, assigned individual limits and monitored. Operational counterparties are regularly monitored.

## **Future prospects**

### **Strategic outlook**

In 2023, Swissgrid is launching its Strategy 2027, which marks the beginning of a new, five-year strategy period. The last ten years have been shaped by the transfer of the grids from the former owners and the subsequent development and consolidation phase. Swissgrid has defined five closely interrelated strategic priorities for its new strategy. Four strategic priorities already existed as part of Strategy 2022: «Security of Supply», «Grid Transfer Capacity», «Operational Excellence» and «Safety & Security». A new priority, «Innovation & Digitalisation», has now also been added. A comprehensive analysis of the strategic areas of action, as well as detailed information on the five priorities, can be found under [Strategy 2027](#).

### **Research and development**

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

## **Financial outlook**

### **Grid investments**

Investment volumes are expected to remain high due to the need to achieve a sustainable energy future and carry out the measures defined in the «Strategic Grid 2025» report. Permits for power line construction and modification continue to pose a major challenge. The budget has therefore been assigned a lower likelihood of realisation to take delays into account. Consequently, investments in the grid are expected to increase by between CHF 200 million and CHF 290 million a year over the medium term.

### **Operating costs**

Swissgrid successfully implemented its Strategy 2022, as communicated in the spring of 2018, by the end of the reporting year. This has enabled the company to establish a solid basis from which to start tackling the challenges it faces in a rapidly changing energy system with its new Strategy 2027. Implementing these measures will lead to a rise in operating costs.

### **EBIT and net income**

Based on the regulatory business model, EBIT is directly dependent on the invested operating assets (IOA) and the weighted average capital cost rate (WACC). The WACC communicated by the Federal Department of the Environment, Transport, Energy and Communications (DETEC) for 2023 remains unchanged at 3.83%. Consequently, an EBIT or net income in line with 2022 is expected for 2023. In accordance with the dividend policy approved by the Board of Directors, the income generated will be retained in the long term on a pro rata basis depending on the equity ratio and the financing situation. This safeguards Swissgrid's long-term financial stability.

# Financial statements Swiss GAAP FER

## Income statement

In millions of CHF	Notes	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
<b>Total operating income</b>		<b>1,397.7</b>	<b>1,029.2</b>
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
<b>Net income</b>		<b>96.4</b>	<b>106.2</b>

## Earnings per share

CHF	2022	2021
Net income	96,410,767.52	106,221,535.97
Weighted average number of shares outstanding	334,495,151.00	325,097,150.00
<b>Non-diluted earnings per share</b>	<b>0.29</b>	<b>0.33</b>
Dilution from the conversion of the convertible loans	-0.01	-0.04
<b>Diluted earnings per share</b>	<b>0.28</b>	<b>0.29</b>

The dilution arises from the potential conversion of the convertible loans to equity. Assuming that conversion had taken place on 1 January of the reporting year, the interest expense would have been reduced by CHF 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).

# Financial statements Swiss GAAP FER

## Balance sheet

### Assets

	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
<b>Non-current assets</b>		<b>3,181.0</b>	<b>2,962.2</b>
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
<b>Current assets</b>		<b>709.7</b>	<b>697.4</b>
<b>Assets</b>		<b>3,890.7</b>	<b>3,659.6</b>

### 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
<b>Total equity</b>		<b>1,301.0</b>	<b>1,257.7</b>
Non-current financial liabilities	20	1,756.1	1,612.2
Non-current provisions	21	35.7	44.7
<b>Non-current liabilities</b>		<b>1,791.8</b>	<b>1,656.9</b>
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
<b>Equity and liabilities</b>		<b>3,890.7</b>	<b>3,659.6</b>

# Financial statements Swiss GAAP FER

## Cash flow statement

In millions of CHF, excluding balance sheet items held on 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		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	4, 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
Investments in intangible assets	13	-24.8	-18.3
Congestion proceeds received for grid investments		24.1	-
Capital expenditures intangible assets net		-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 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

### Non-cash transactions

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

# Financial statements Swiss GAAP FER

## Statement of changes in equity

In millions of CHF	Share capital	Capital reserves	Retained earnings	Total equity
Balance at 31.12.2020	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
<b>Balance at 31.12.2022</b>	<b>334.5</b>	<b>431.2</b>	<b>535.3</b>	<b>1,301.0</b>

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).

# Financial statements Swiss GAAP FER

## 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 for 2022 ( $WACC_{t+0}$ ) and 2024 ( $WACC_{t+2}$ ) based on this method of calculation are unchanged from the 3.83% used in the previous year.

### **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**

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

### **Property, plant and equipment**

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

Depreciation/amortisation is calculated using the straight-line method on the basis of the estimated useful technical and economic service life. The service life is determined as follows: – Lines: 15 to 60 years – Substations: 10 to 35 years – Buildings and expansions: 5 to 50 years – Other property, plant and equipment: 3 to 8 years – Construction in progress and properties: only applicable in the case of an impairment loss

### **Intangible assets**

Intangible assets are recognised at the cost of acquisition or production less accumulated amortisation and any impairment losses. Depreciation/amortisation is calculated using the straight-line method on the basis of the estimated useful technical and economic service life. The service life is determined as follows: – Rights of use: contract term – Software and technical regulations: 3 to 5 years – Intangible assets under development: only applicable in the case of an impairment loss

### **Impairment losses**

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

### **Construction in progress/intangible assets under development**

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

### **Financial assets**

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

### **Inventory**

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

### **Accounts receivable**

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

### **Cash and cash equivalents**

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

### **Bonds**

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

### **Liabilities**

Liabilities are recognised at their nominal value.

### **Provisions**

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

### **Contingent liabilities**

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

disclosed in the notes to the financial statements.

### **Interest on borrowed capital**

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

### **Employee pension plan**

Swissgrid is a member of an industry-wide retirement benefit plan (PKE Pensionskasse Energie). This is a legally independent pension fund. All permanent employees of the company are included in this pension fund from 1 January of the year in which they turn 18. Members of the Board of Directors may also take out insurance with the pension fund on a voluntary basis. All persons affiliated to the pension fund are insured for disability and death. From 1 January of the year in which they turn 25, employees are also covered by retirement insurance. Economic benefits arising from a pension fund surplus (e.g. in the form of a positive impact on future cash flows) are not capitalised, since the prerequisites for this are not met and the company does not intend to use such benefits to reduce employer contributions. Any benefits arising from freely available employer contribution reserves are recognised as an asset. An economic obligation (e.g. in the form of negative effects on future cash flows due to a pension fund deficit) is recognised if the prerequisites for the creation of a provision are met. Accrued contributions for the period, the difference between the annually calculated economic benefit from pension fund surpluses and obligations, as well as the change in the employer contribution reserves are recognised in the income statement as personnel expenses.

### **Transactions with related parties**

Related parties are organisations and persons that can have a significant influence, either directly or indirectly, on Swissgrid's financial or operational decisions. Shareholders holding at least 20% of the voting rights in Swissgrid, either alone or together with others, are considered to be related parties. As regards shareholders, other criteria in addition to the proportion of voting rights held are also taken into account (including representation in committees and the possibility of exerting influence due to the shareholder structure). Subsidiaries of related shareholders as well as partner plant companies whose shares are 100% owned by related shareholders or which are controlled by a related shareholder, are also considered to be related parties. Related parties also include companies over which Swissgrid exercises a significant influence. Members of the Board of Directors and 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 power reserve segment (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/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
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
<b>Earnings before interest and income tax (EBIT)</b>	<b>125.2</b>	<b>114.0</b>	<b>2.4</b>	<b>7.6</b>	<b>0.9</b>	<b>-</b>	<b>124.9</b>	<b>-</b>	<b>0.3</b>

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

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

In millions of CHF	Total	Grid utilisation	General ancillary services/balance energy	Active power losses (individual ancillary services)	Reactive energy (individual ancillary services)	Eliminations	Total activities according to StromVG	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
<b>Change in volume- and tariff-related timing differences</b>	<b>-370.1</b>	<b>107.1</b>	<b>-346.9</b>	<b>-134.3</b>	<b>4.0</b>	<b>-</b>	<b>-370.1</b>	<b>-0.6</b>	<b>-</b>

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

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

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

In millions of CHF	Total	Grid utilisation	General ancillary services/balance energy	Active power losses (individual ancillary services)	Reactive energy (individual ancillary services)	Eliminations	Total activities according to StromVG	Further activities
Net turnover	715.1	479.4	165.0	58.0	19.4	-6.7	715.1	-
Other operating income	17.1	1.1	0.2	-	-	-	1.3	15.8
Procurement costs	-417.5	-54.0	-292.0	-62.6	-15.6	6.7	-417.5	-
Operating expenses	-211.1	-176.4	-19.5	-2.4	-0.7	-	-199	-12.1
Depreciation/amortisation and impairment losses	-179.0	-171.7	-3.4	-0.4	-0.2	-	-175.7	-3.3
Imputed interest and income taxes (EBIT)	-204.3	-201.0	-0.9	-1.1	-0.9	-	-203.9	-0.4
<b>Change in volume- and tariff-related timing differences</b>	<b>-279.7</b>	<b>-122.6</b>	<b>-150.6</b>	<b>-8.5</b>	<b>2.0</b>	<b>-</b>	<b>-279.7</b>	<b>-</b>

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 five 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 EICOM. 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 Winter Reserve Ordinance. 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 plants (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
<b>Net turnover</b>		<b>987.1</b>	<b>715.1</b>
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
<b>Procurement costs</b>		<b>866.2</b>	<b>417.5</b>

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
	<b>19.7</b>	<b>17.1</b>

## 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
	<b>104.3</b>	<b>94.5</b>

Other grid-related services include remuneration for easements, including easement management services performed by third parties and operating expenses for mixed-use plants. 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
	<b>117.0</b>	<b>105.9</b>
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 <sup>1</sup>	–	0.02
Pension benefits <sup>2</sup>	0.49	0.50
<b>Total remuneration to the Executive Board</b>	<b>3.04</b>	<b>2.92</b>
Of which to the highest-earning member of the Executive Board		
Fixed remuneration (incl. lump-sum expenses)	0.51	0.49

In millions of CHF	2022	2021
Variable remuneration	0.24	0.22
Pension benefits <sup>2</sup>	0.15	0.13
<b>Total remuneration to the highest-earning member of the Executive Board</b>	<b>0.90</b>	<b>0.84</b>

<sup>1</sup> Non-cash benefits include the private use of business vehicles. <sup>2</sup> Pension benefits include employer contributions to social security and the employee pension plan.

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

## 9. Other operating expenses

In millions of CHF	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
	<b>29.3</b>	<b>28.0</b>

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
	<b>1.7</b>	<b>0.9</b>

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
	<b>14.7</b>	<b>53.5</b>

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
	<b>15.8</b>	<b>45.5</b>

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
<b>Acquisition cost at 31.12.2022</b>	<b>246.9</b>	<b>2,283.9</b>	<b>2,943.6</b>	<b>255.0</b>	<b>55.7</b>	<b>5,785.0</b>

In millions of CHF	Advances and construction in progress	Substations	Lines	Properties and buildings	Other property, plant and equipment	Total
Accumulated depreciation and amortisation at 1.1.2022	5.2	1,458.9	1,728.2	79.2	54.3	3,325.8
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	–
<b>Accumulated depreciation and amortisation at 31.12.2022</b>	<b>5.2</b>	<b>1,518.3</b>	<b>1,764.3</b>	<b>84.8</b>	<b>49.2</b>	<b>3,421.8</b>
Net book value at 1.1.2022	457.0	783.1	1,062.4	173.1	8.6	2,484.2
<b>Net book value at 31.12.2022</b>	<b>241.7</b>	<b>765.6</b>	<b>1,179.3</b>	<b>170.2</b>	<b>6.5</b>	<b>2,363.2</b>

## 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
<b>Net book value at 31.12.2021</b>	<b>457.0</b>	<b>783.1</b>	<b>1,062.4</b>	<b>173.1</b>	<b>8.6</b>	<b>2,484.2</b>

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
<b>Net book value at 31.12.2022</b>	<b>6.2</b>	<b>2.9</b>	<b>9.1</b>	<b>96.0</b>	<b>–</b>	<b>96.0</b>	<b>12.4</b>	<b>5.3</b>	<b>17.7</b>	<b>114.6</b>	<b>8.2</b>	<b>122.8</b>

## 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

In millions of CHF	Intangible assets under development		Usage rights		Software		Total intangible assets					
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
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
<b>Net book value at 31.12.2021</b>	<b>11.0</b>	<b>4.0</b>	<b>15.0</b>	<b>102.0</b>	<b>–</b>	<b>102.0</b>	<b>19.9</b>	<b>10.0</b>	<b>29.9</b>	<b>132.9</b>	<b>14.0</b>	<b>146.9</b>

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
	<b>6.5</b>	<b>9.0</b>

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

		Share capital in m.	Share in %
Joint Allocation Office (JAO)	B	0.100	4.0
TSCNET Services GmbH	C	0.040	6.25
Holding des Gestionnaires de Réseau de Transport d'Electricité SAS (HGRT)	D	52.119	5.0
Pronovo AG	E	0.100	100.0
ecmt AG	F	0.100	31.0
Equigy B.V.	G	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	-	-
Repost	4.9	-8.6	-	-	-	-3.7	-	-
<b>Balance at 31.12.2022</b>	<b>156.0</b>	<b>368.1</b>	<b>150.1</b>	<b>18.5</b>	<b>55.0</b>	<b>747.7</b>	<b>-</b>	<b>747.7</b>
Current portion	55.2	-	-	4.0	-	59.2	-	59.2

<sup>1</sup> The CHF 55.0 million also include 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 EICOM, 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
	<b>54.2</b>	<b>137.8</b>

### 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
	<b>54.2</b>	<b>137.8</b>

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 ElCom 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	-	-
	<b>234.6</b>	<b>180.8</b>

## 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
	<b>59.2</b>	<b>19.7</b>

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

In millions of CHF	31.12.2022	31.12.2021
	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
<b>Total financial liabilities</b>	<b>1,987.2</b>	<b>1,866.8</b>
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	Restructuring	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
<b>Balance at 31 December 2022</b>	<b>–</b>	<b>1.5</b>	<b>0.4</b>	<b>33.9</b>	<b>35.8</b>
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
	<b>0.7</b>	<b>2.4</b>

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
	<b>118.4</b>	<b>143.6</b>

## 24. Contingent receivables

### Billing method for the ancillary services (AS) surcharge

EICom defined the billing method for the AS surcharge in its 4/2018 directive. Under this method, Swissgrid and the distribution system operators wait until the subsequent year to finally settle payments of AS tariffs for the previous financial year. The settlement will result in receivables owed to Swissgrid by the distribution system operators. However, since the amount of these receivables could not be reliably determined when the financial statements were prepared, they were recognised as contingent receivables.

## 25. Other off-balance sheet commitments

### Joint Allocation Office (O)

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

### TSCNET Services GmbH

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

### Equigy B.V.

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

### Long-term rental contracts

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

In millions of CHF	Year 1	Year 2–10	More than 10 years	Total
31.12.2022	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 retirement benefit plan 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
<b>Total</b>	–	–	–	–	<b>11.0</b>	<b>11.0</b>	<b>10.1</b>

Swissgrid is affiliated to a collective plan by the pension fund PKE Vorsorgestiftung Energie. Therefore, an economic benefit or economic obligation cannot be determined on the basis of the individual affiliation contract. The coverage ratio of the collective plan is 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		

<b>Transactions with related parties in millions of CHF</b>	<b>2022</b>	<b>2021.0</b>
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
<b>Unsettled balances at balance sheet date with related parties in millions of CHF</b>	<b>2022</b>	<b>2021.0</b>
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, which comprise the balance sheet as at 31 December 2021, the statement of income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

#### Basis for Opinion

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

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

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



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



Completeness and accuracy of the net turnover and procurement costs

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



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

### Key Audit Matter

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

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

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

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

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

### Our response

We have performed mainly the following audit procedures:

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



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

### Key Audit Matter

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

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

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

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

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

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

### Our response

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

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

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

## **Responsibility of the Board of Directors for the Financial Statements**

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

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

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

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

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

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

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

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

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

KPMG AG

Rolf Hauenstein  
Licensed Audit Expert

Beatriz Vazquez  
Licensed Audit Expert

Basel, 26 April 2022

# Statutory financial statements

## Income statement

In millions of CHF	Notes	2022	2021
Net turnover	3	987.1	715.1
Other operating income	4	19.7	17.1
Change in volume- and tariff-related timing differences		365.7	260.0
Capitalised self-constructed assets		20.2	17.3
<b>Total operating income</b>		<b>1,392.7</b>	<b>1,009.5</b>
Procurement costs	3	866.2	417.5
<b>Gross profit</b>		<b>526.5</b>	<b>592.0</b>
Cost of materials and third-party supplies	5	104.3	94.5
Personnel expenses	6	117.0	105.9
Other operating expenses	7	29.3	28.0
<b>Earnings before interest, income taxes, depreciation and amortisation</b>		<b>275.9</b>	<b>363.6</b>
Depreciation on property, plant and equipment		120.1	129.3
Amortisation on intangible assets		41.5	51.2
<b>Earnings before interest and income taxes (EBIT)</b>		<b>114.3</b>	<b>183.1</b>
Financial income		1.7	0.9
Financial expenses		14.7	53.5
<b>Profit for the year before taxes</b>		<b>101.3</b>	<b>130.5</b>
Income taxes		20.2	25.8
<b>Profit for the year</b>		<b>81.1</b>	<b>104.7</b>

# Statutory financial statements

## Balance sheet

### Assets

In millions of CHF	Notes	31.12.2022	31.12.2021
Cash and cash equivalents		172.8	272.6
Trade accounts receivable	8	234.6	180.8
Other receivables	9	59.2	19.7
Inventory		1.1	1.2
Prepaid expenses and accrued income	10	128.6	81.1
Short-term deficits arising from volume-and tariff-related timing differences		59.2	4.2
Assets held on a fiduciary basis	11	54.2	137.8
<b>Current assets</b>		<b>709.7</b>	<b>697.4</b>
Financial assets	12	0.9	0.5
Shareholdings	13	5.6	8.5
Property, plant and equipment	14	2,209.9	2,320.2
Intangible assets	15	272.9	313.6
Long-term deficits arising from volume-and tariff-related timing differences		654.8	293.4
<b>Non-current assets</b>		<b>3,144.1</b>	<b>2,936.2</b>
<b>Assets</b>		<b>3,853.8</b>	<b>3,633.6</b>

### Equity and liabilities

In millions of CHF	Notes	31.12.2022	31.12.2021
Trade accounts payable	16	393.4	206.4
Current financial liabilities	19	231.1	254.6
Other liabilities	17	0.7	2.4
Accrued expenses and deferred income	18	118.4	143.6
Current provisions	20	0.1	0.2
Liabilities held on a fiduciary basis	11	54.2	137.8
<b>Current liabilities</b>		<b>797.9</b>	<b>745.0</b>
Non-current financial liabilities	19	1,756.1	1,612.2
Non-current provisions	20	1.8	6.4

In millions of CHF	Notes	31.12.2022	31.12.2021
Non-current liabilities		1,757.9	1,618.6
Liabilities		2,555.8	2,363.6
Share capital	21	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		531.8	503.8
Available earnings		531.8	503.8
Results carried forward		450.7	399.1
Profit for the year		81.1	104.7
Equity		1,298.0	1,270.0
<b>Equity and liabilities</b>		<b>3,853.8</b>	<b>3,633.6</b>

# Statutory financial statements

## Cash flow statement

In millions of CHF, excluding balance sheet items held on fiduciary basis	Notes	2022	2021
Profit for the year		81.1	104.7
Financial expenses		14.7	53.5
Financial income		-1.7	-0.9
Current income taxes		20.2	25.8
Depreciation and amortisation		159.8	180.5
Gains/losses on disposal of non-current assets		1.8	-
Change in inventory		0.1	-
Change in provisions		-4.7	-2.4
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		-420.1	-260.0
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		-6.0	-187.2
Divestment in property, plant and equipment		-	1.1
Investments in intangible assets		-24.8	-18.3
Congestion proceeds received for grid investments		24.1	-
Capital expenditures intangible assets net		-0.7	-18.3
Investments in shareholdings		-0.5	-
Divestments of financial assets		2.7	-
Dividends received		0.6	0.5
Cash flow from investing activities		-3.9	-203.9
Change in current financial liabilities		-54.6	-170.9

In millions of CHF, excluding balance sheet items held on fiduciary basis	Notes	2022	2021
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

### Non-cash transactions

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

# Statutory financial statements

## Notes

### 1. Accounting principles

#### General

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

#### Conversion of foreign currency items

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

#### Cash flow statement

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

#### Revenue recognition

Revenue is recognised in the income statement upon performance of Swissgrid's obligations. For activities regulated under the 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 (WACC) for the current year under review (=  $WACC_{t+0}$ ) and the interest applied to the volume and tariff-related timing differences with the weighted average cost of capital rate of  $WACC_{t+2}$  plus income taxes. Invested operating assets consist of net current assets calculated on a monthly basis as well as the property, plant and equipment and intangible assets as at the end of the financial year. The weighted average cost of capital rate (WACC) is based on the current international practice of the WACC capital cost concept with reference to the Capital Asset Pricing Model (CAPM). Besides considering the findings of financial market theory, the regulatory framework conditions in Switzerland and the current situation in the money and capital market are also taken into account. The official weighted average cost of capital rates for 2022 ( $WACC_{t+0}$ ) and 2024 ( $WACC_{t+2}$ ) based on this method of calculation are unchanged from the 3.83% used in the previous year.

## **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

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

reviewed annually for impairments.

### **Impairment losses**

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

### **Construction in progress/intangible assets under development**

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

### **Financial assets**

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

### **Shareholdings**

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

### **Inventory**

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

### **Accounts receivable**

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

### **Cash and cash equivalents**

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

### **Bonds**

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

### **Liabilities**

Liabilities are recognised at their nominal value.

### **Provisions**

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

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

### **Contingent liabilities**

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

### **Interest on borrowed capital**

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

### **Income taxes**

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

### **Derivative financial instruments**

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

## **2. Estimation uncertainty**

Financial-statement reporting requires estimates and assumptions to be made that may have a significant impact on Swissgrid's financial statements. With respect to assets and liabilities recognised in the balance sheet, accruals and deferrals (prepaid expenses and accrued income/ accrued expenses and deferred income) and volume- and tariff-related timing differences in particular are based on various assumptions and estimates that may necessitate significant adjustments. This is due to specific volumes not being available for certain revenue and procurement items when the financial statements are prepared, as well as regulatory uncertainties. The volume- and tariff-related timing differences are also influenced by estimates in the allocation of operating expenses to the segments. For more information on this, the reader is referred to the comments in the sections on "Revenue recognition" and "Activities according to StromVG" in Note 1, as well as the comments in Note 24.

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

### **Net turnover**

For the 2022 financial year, net turnover across all segments amounts to CHF 987.1 million. This represents an increase of CHF 272.0 million in relation to the previous year's figure of CHF 715.1 million. The rise is due to higher tariff revenues in the grid usage segment (CHF 115.1 million), higher income from balance group/balancing energy in the general ancillary services segment (CHF 73.6 million) and higher auction income to cover the chargeable costs of the transmission system (CHF 74.6 million). Based on the ECom ruling issued on 8 November 2022, the auction income received in 2022 was allocated for the first time not only to the grid usage segment, but also to the general ancillary services and active power loss segments.

### **Procurement costs**

At CHF 866.2 million, procurement costs are CHF 448.7 million higher than the previous year's value of CHF 417.5 million. This increase is primarily due to higher costs of CHF 345.0 million for control power

provision and for AS energy in the general ancillary services segment as well as higher procurement costs of CHF 156.7 million for active power loss. The higher costs are mainly attributable to the persistently high electricity prices caused by geopolitical developments and the limited power plant capacities. In contrast, costs in the grid usage and reactive energy segments fell by a total of CHF 47.9 million. In addition to lower costs for national redispatch and costs for the procurement of reactive energy, no additional remuneration was paid to former transmission system owners in 2022. 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	2022	2021
Congestion management clearing	17.5	15.6
Other	2.2	1.5
	<b>19.7</b>	<b>17.1</b>

## 5. 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
	<b>104.3</b>	<b>94.5</b>

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

## 6. Personnel expenses

In millions of CHF	2022	2021
Salaries, bonuses, allowances	93.7	84.9
Employee insurance	18.6	17.2

In millions of CHF	2022	2021
Other personnel expenses	4.7	3.8
	<b>117.0</b>	<b>105.9</b>

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	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
	<b>29.3</b>	<b>28.0</b>

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.

## 8. Trade receivables

As at 31 December 2022, trade receivables include CHF 63.6 million (previous year: CHF 55.5 million) in relation to companies with a direct or indirect shareholding in Swissgrid.

## 9. Other receivables

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).

## 10. 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
	<b>128.6</b>	<b>81.1</b>

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

## 11. Balance sheet items held on a fiduciary basis

Pursuant to the 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. At CHF 54.2 million, the balance sheet item is CHF 83.6 million below the previous year's value of CHF 137.8 million. The decrease is due to the lower level of outstanding trade accounts receivable and trade accounts payable as at 31 December 2022.

## 12. Shareholdings

		Share capital in m.	Share in %
Joint Allocation Office (JAO)	B	0.100	4.0
TSCNET Services GmbH	C	0.040	6.25
Holding des Gestionnaires de Réseau de Transport d'Electricité SAS (HGRT)	D	52.119	5.0
Pronovo AG	E	0.100	100.0
ecmt AG	F	0.100	31.0
Equigy B.V.	G	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.

## 13. Property, plant and equipment

The book values of the individual categories are as follows:

In millions of CHF	31.12.2022	31.12.2021
Construction in progress	241.7	457.0
Substations	702.1	712.2
Lines	1,098.4	978.5
Properties and buildings	161.2	163.9
Other property, plant and equipment	6.5	8.6
	<b>2,209.9</b>	<b>2,320.2</b>

## 14. Intangible assets

The book values of the individual categories are as follows:

In millions of CHF	31.12.2022	31.12.2021
Intangible assets under development	9.1	14.9
Usage rights	67.1	71.9
Software	17.7	29.9
Merger losses (goodwill)	179.0	196.9
	<b>272.9</b>	<b>313.6</b>

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

## 15. Trade accounts payable

As at 31 December 2022, trade accounts payable include CHF 216.8 million (previous year: CHF 98.8 million) in relation to companies with a direct or indirect shareholding in Swissgrid. No liabilities exist in relation to the external auditor as at 31 December 2022 (previous year: CHF 59,370).

## 16. Other liabilities

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

In millions of CHF	31.12.2022	31.12.2021
Other	–	1.7
	<b>0.7</b>	<b>2.4</b>

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

## 17. 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
	<b>118.4</b>	<b>143.6</b>

## 18. 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
<b>Total financial liabilities</b>	<b>1,987.2</b>	<b>1,866.8</b>
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

Nominal amount in CHF	Interest rate	Term	Expiration at nominal value
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:

## Loans and convertible loans

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. As at 31 December 2022, convertible loans of CHF 70.4 million (previous year: CHF 220.9 million) exist towards companies with a direct or indirect shareholding in Swissgrid.

## 19. Provisions

In millions of CHF	31.12.2022	31.12.2021
Dismantling	1.5	6.1
Procedural costs	0.4	0.5
<b>Total provisions</b>	<b>1.9</b>	<b>6.6</b>
Current portion	0.1	0.2

### 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 was newly introduced in the reporting year as a result of the entry into force of the Winter Reserve Ordinance. 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 plants (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.

## 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 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).

## 23. Contingent receivables

### **Billing method for ancillary services (AS)**

EICom defined the billing method for the AS surcharge in its 4/2018 directive. Under this method, Swissgrid and the distribution system operators wait until the subsequent year to finally settle payments of AS tariffs for the previous financial year. The settlement will result in receivables owed to Swissgrid by the distribution system operators. However, since the amount of these receivables could not be reliably determined when the financial statements were prepared, they were recognised as contingent receivables.

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 EICom deems the costs to be chargeable. EICom has the right to verify ex post the chargeability of Swissgrid's costs for tariff-setting purposes. At present, EICom 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 2022, the fees for audit services amount to CHF 165,000 (previous year: CHF 213,000). No other services were used in the reporting year (previous year: CHF 10,000).

# 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	2022	2021
Balance carried forward from the previous year	450,691,734.63	399,085,757.72
Profit for the year	81,051,549.66	104'716'744.90
Retained earnings	531,743,284.29	503'802'502.62
Appropriation to the general legal reserves	–	–
Dividend payment	48,205,383.76	53'110'767.99
Balance to be carried forward	483,537,900.53	450'691'734.63
<b>Total appropriation</b>	<b>531,743,284.29</b>	<b>503'802'502.62</b>

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, 19 April 2023

On behalf of the Board of Directors: Adrian Bult, Chairman

# Statutory financial statements

# Statutory Auditor's Report



## Statutory Auditor's Report

To the General Meeting of Swissgrid Ltd, Aarau

### Report on the Audit of the Financial Statements

#### Opinion

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

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

#### Basis for Opinion

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

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

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



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



Completeness and accuracy of the net turnover and procurement costs

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



**Key Audit Matter**

**Our response**

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

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

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

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

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

We have performed mainly the following audit procedures:

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



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

### Key Audit Matter

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

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

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

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

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

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

### Our response

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

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

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

## **Responsibility of the Board of Directors for the Financial Statements**

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

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

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

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

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

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

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

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

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

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

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

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

KPMG AG

Rolf Hauenstein  
Licensed Audit Expert  
Auditor in Charge

Beatriz Vazquez  
Licensed Audit Expert

Basel, 26. April 2022

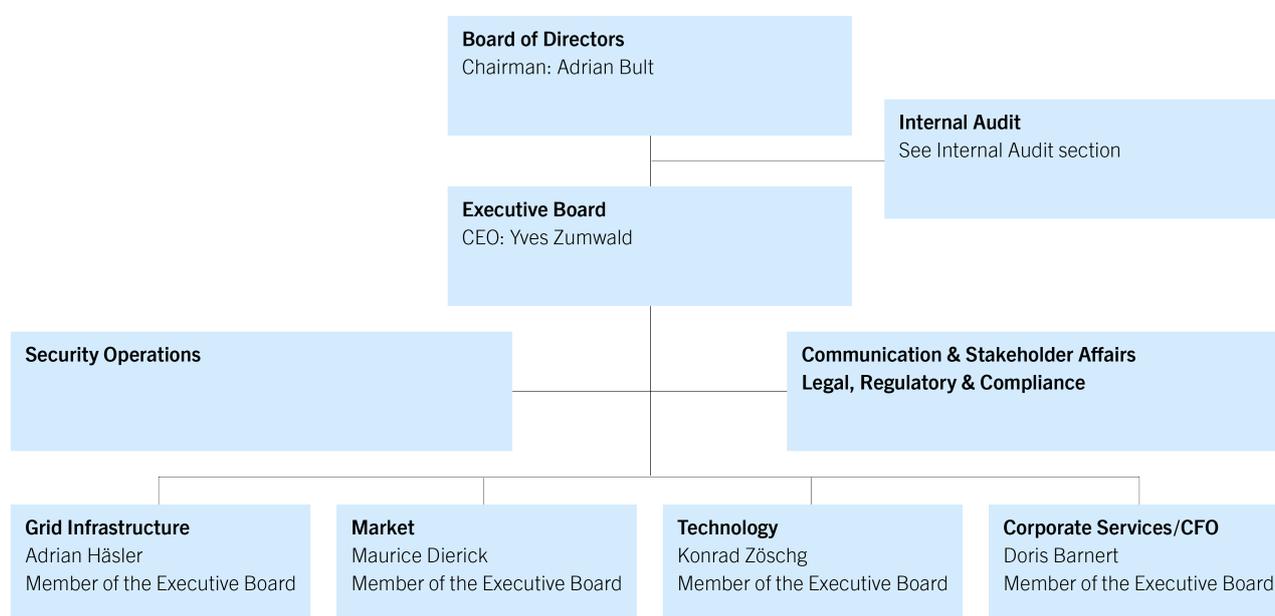
# Corporate Governance

The Board of Directors and the Executive Board of Swissgrid Ltd (hereinafter Swissgrid) place great importance on good corporate governance. The following lists are based on the Swiss Code of Best Practice for Corporate Governance. All information relates to the reporting date of 31 December 2022, unless specified otherwise.

## Corporate structure and shareholders

### Corporate structure

Swissgrid's corporate structure is shown below:



The shareholdings of Swissgrid are listed in paragraph 12 of the notes on the statutory financial statements. Swissgrid holds 100% of the shares in the non-consolidated subsidiary Pronovo AG. In accordance with Art. 64 of the Energy Act, Pronovo AG is the responsible enforcement agency for guarantees of origin, the feed-in tariff system (FTS and CRF), one-off remuneration activities and additional cost financing. It is also responsible for the collection of grid premiums in this respect. Pronovo AG prepares separate annual reports, which can be accessed at [www.pronovo.ch](http://www.pronovo.ch).

### Shareholders

The following companies are Swissgrid shareholders as at 31 December 2022: Aare Versorgungs AG (AVAG), Alpiq Suisse SA, Axpo Power AG, Axpo Solutions AG, Azienda elettrica ticinese, Aziende Industriali di Lugano (AIL) SA, BKW Energie AG, BKW Netzbeteiligung AG, CKW AG, Electra-Massa AG, Elektrizitätswerk der Stadt Zürich, Elektrizitätswerk Obwalden, EnAlpin AG, Engadiner Kraftwerke AG, FMV SA, Forces Motrices de Mauvoisin SA, Forces Motrices Hongrin-Léman S.A. (FMHL), General Electric Technology GmbH, Grande Dixence SA, IWB Industrielle Werke Basel, the Canton of Graubünden, Kraftwerke Linth-Limmern AG (KLL), Kraftwerke Mattmark AG, Kraftwerke Sarganserland

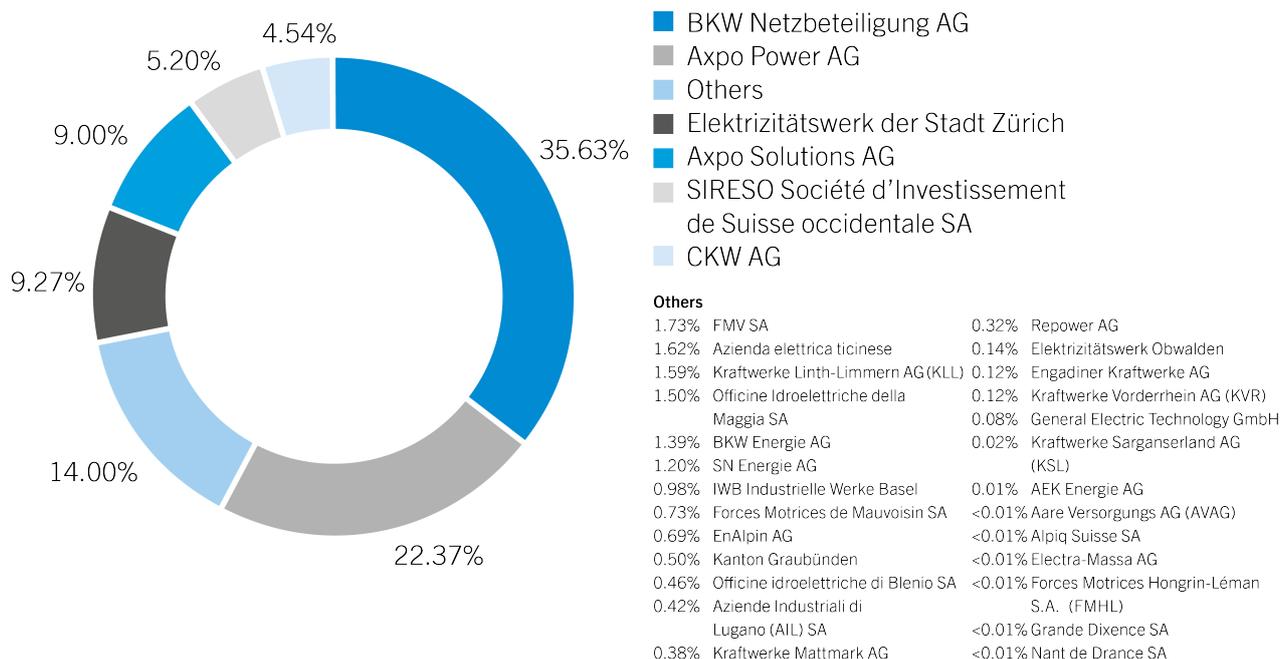
AG (KSL), Kraftwerke Vorderrhein AG (KVR), Nant de Drance SA, Officine Idroelettriche della Maggia SA, Officine idroelettriche di Blenio SA, Repower AG, SIRESO Société d'Investissement de Suisse occidentale SA and SN Energie AG. Together, they hold 100% of Swissgrid's share capital as at 31 December 2022. Swissgrid is directly or indirectly majority-owned by the cantons and the municipalities. The current shareholder structure can be viewed online at [www.swissgrid.ch](http://www.swissgrid.ch).

### Cross shareholdings

No cross shareholdings currently exist.

### Swissgrid ownership structure

As at 31 December 2022 (all figures rounded)



## Capital structure

### Capital and restriction on transferability

The ordinary share capital as at 31 December 2022 consists of 334,495,151 registered shares with a nominal value of CHF 1 per share (divided into 167,247,576 A registered shares and 167,247,575 B registered shares). The conditional share capital as at 31 December 2022 consists of a maximum of 112,939,487 fully paid-up registered shares (half A registered shares and half B registered shares), each with a nominal value of CHF 1. The conditional share capital relates to received convertible bonds that Swissgrid used to finance the transfer of the transmission grid. Creditors can exercise conversion rights over a maximum of 20 years. Shareholders have no pre-emptive rights. Shareholder advance subscription rights are also excluded, as the convertible bonds are financing the takeover of grid companies transferred as contributions in kind or individual system elements, or the simple and rapid improvement of Swissgrid's capital resources.

No authorised capital exists. According to Art. 18 Para. 5 of the Electricity Supply Act, the company's shares may not be listed on a stock exchange. The Board of Directors maintains a share register listing the names and addresses of the owners and beneficiaries. Only shareholders or beneficiaries listed in the share register are recognised by the company and are authorised to exercise their shareholder

rights. The status of the entries in the share register on the 20th day prior to the General Assembly is decisive for determining entitlement to participation and representation at the General Assembly. According to Art. 18 Para. 3 of the Electricity Supply Act, the majority of the share capital and the associated voting rights must be directly or indirectly held by the cantons and municipalities. In the event of share transfers (sale, gift, exercise of pre-emptive rights and purchase rights, etc.), these majorities must be retained. If an intended transaction breaches one of these majority ownership requirements, the Board of Directors must not grant its approval. There are no participation or profit-sharing certificates and no options were issued.

### Capital changes

Further information on the share capital and capital changes in the last two years is shown in the statement of changes in equity in the Swiss GAAP FER financial statements.

## Board of Directors

Members of the Board of Directors, additional activities and affiliations



From top left to bottom right: Adrian Bult, Regula Wallimann, Felix Graf, Markus Kägi, Martin Koller, Benedikt Loepfe, Claude Nicati, Roberto Pronini, Stefan Witschi



## Adrian Bult

Chairman, independent member  
Born in 1959, Swiss

Adrian Bult, lic. oec., has been a member of the Swissgrid Board of Directors since 2006 and its Chairman since 2012. From 2007 to 2012, he was a member of the Executive Board (COO) at Avaloq Evolution AG. Until 2007, he was the Head of IT Telecom PTT and was later a member of the Group management of Swisscom, initially as CIO, then as CEO Swisscom Fixnet and finally as CEO Swisscom Mobile. Before this, he sat on the Executive Board of IBM Switzerland.

**Affiliations** President of the Bank Council at Basler Kantonalbank; Chairman of the Board of Directors at AdNovum AG, Nevis Security AG, GARAIO REM AG and Amrop Executive Search AG; member of the Board of Directors at Alfred Müller AG and SWICA.



## Regula Wallimann

Board of Directors, independent member, born in 1967, Swiss

Regula Wallimann, lic. oec. HSG, has been a member of the Swissgrid Board of Directors since 2017. She has been an independent financial advisor since April 2017. Prior to this, she worked for KPMG AG for 24 years. Between 2003 and 2017, she was the Global Lead Partner responsible for auditing international companies and managed audit teams in the areas of tax, IT and treasury and compliance, among others.

**Affiliations** Member of the Board of Directors at Straumann Holding AG, Institut Straumann AG, Adecco Group AG, Helvetia Holding AG, Helvetia Schweizerische Lebensversicherungsgesellschaft AG and Helvetia Schweizerische Versicherungsgesellschaft AG; member of the Executive Committee of the Institute for Accounting, Controlling and Auditing ACA-HSG at the University of St. Gallen.



## Felix Graf

Board of Directors, independent member, born in 1967, Swiss

Felix Graf, Dr. sc. Nat. ETH (physics), has been a member of the Swissgrid Board of Directors since 2022. He has been CEO of the NZZ company since 2018. He was CEO of CKW AG from 2014 to 2018, and was previously Head of the Energy business unit and member of the Executive Board from 2011 to 2014. He was also a member of the Group management of Axpo Holding from 2014 to 2018. Prior to this, he held senior positions at Teleclub, Swisscom and McKinsey.

**Affiliations** Chairman of the Board of Directors of DAAily platforms AG; Vice Chairman of the Board of Directors of The Market Media AG; member of the Board of Directors of SwissMediaForum AG and CH Media Holding AG; Board member of the Swiss Management Association.



## Markus Kägi

Board of Directors, cantonal representative, born in 1954, Swiss

Markus Kägi, member of the Zurich Notary Bar, has been a member of the Swissgrid Board of Directors

since 2019. From 2007 to 2019, he served as a Councillor of the Canton of Zurich and Head of the Building Department. In 2012/2013 and 2017/2018, he also served as President of the Government of the Canton of Zurich. Prior to this, from 1996 to 2007, he was the ombudsman for the Canton of Zurich and, from 2005 to 2007, Chairman of the European Ombudsman Institute. From 1991 to 1996, he was a member of the Cantonal Council of Zurich, taking over as Chairman in 1995/1996.

**Affiliations** None.



## Martin Koller

Board of Directors, industry representative, born in 1978, Swiss

Martin Koller, lic. oec. Publ. University of Zurich, Dr. sc. ETH (economics), has been a member of the Swissgrid Board of Directors since 2022. He has held various positions within the Axpo Group since 2012, where he has been Head Group Strategy & Economics since 2022. Between 2007 and 2010/2012 respectively, he worked as an economist for Swiss Post and for ETH Zurich.

**Affiliations** Expert Fellow at Swiss Economics.



## Benedikt Loepfe

Board of Directors, industry representative, born in 1967, Swiss

Benedikt Loepfe, dipl. El.-Ing. (graduate electrical engineer) ETH, has been a member of the Swissgrid

Board of Directors since 2021. Since September 2020, he has served as Director of the electricity company of the City of Zurich (ewz). Prior to this, he headed the Grids business unit (2014 – 2019) and the Energy business unit (2019 – 2020) at ewz. From 2011 to 2015, he was Managing Director of Curtiss-Wright Antriebstechnik GmbH in Neuhausen and 3d-Radar in Oslo.

**Affiliations** Chairman of the Board of Directors of Smart Grid Solutions AG; member of the Board of Directors at Rico Sicherheitstechnik AG, Kraftwerke Oberhasli AG (KWO AG), Officine Idroelettriche die Blenio SA (Ofible SA), Officine Idroelettriche della Maggia SA (OFIMA SA), Kraftwerke Hinterrhein AG (KHR AG) and various other power plant shareholdings of ewz.



## Claude Nicati

Board of Directors, cantonal representative, born in 1957, Swiss

Claude Nicati, lic. iur., lawyer, has been a member of the Swissgrid Board of Directors since 2014. He works as an independent lawyer at the Etude d'avocat-e-s NVLE law firm. From 2009 to 2013, he served as Councillor of the Canton of Neuchâtel and Head of the Regional Planning department. From 1997 to 2001, he was the examining magistrate for the Canton of Neuchâtel, and finally, from 2001 to 2009, Deputy Federal Public Prosecutor. Before this, he held various senior positions in municipal and cantonal police departments.

**Affiliations** Board member at Caritas, Fondation «Aide aux Enfants», Fondation PlanetSolar and the Ordre des Avocats Neuchâtelois; Secretary of the Criminal Commission of the International Union of Lawyers (UIA).



## Roberto Pronini

Board of Directors, industry representative, born in 1968, Swiss

Roberto Pronini, Dr. Ing. ETH, has been a member of the Swissgrid Board of Directors since 2021. He has been a Director (CEO) of Azienda Elettrica Ticinese (AET) since 2009, and was Vice-Director of AET from 2000 to 2009. Prior to this, he had held various positions at AET since 1997.

**Affiliations** Chairman of the Board of Directors of Officine Idroelettriche Blenio SA (Ofible SA), Lucendro SA and Parco eolico San Gottardo SA; member of the Board of Directors at Ritom SA and various other power plant shareholdings of AET; member of the Board of Directors at the Association of Swiss Electricity Companies (VSE) and the Swiss Water Management Association (SWV); member of the National Committee CIGRE.



## Stefan Witschi

Board of Directors, industry representative, born in 1970, Swiss

Stefan Witschi, dipl. El.-Ing. FH Biel, MBA in Integrated Management, has been a member of the Swissgrid Board of Directors since 2021. Since 2015 he has been Head of Distribution Grid Management and a member of the Grids Executive Board at BKW Energie AG. Prior to this, he had held various positions at BKW Energie AG since 1996.

**Affiliations** Chairman of the Board of Directors of NIS AG; Member of the Board of Directors at AEK

Energie AG, Onyx Energie AG and CC Energie SA; Member of the Board of Trustees at the BKW Pension Fund; Chairman of the VSE Network Management Commission, Member of the VSE Commission for Regulatory Affairs.

### **Resignations in the reporting period**

Isabelle Moret, as at 18 May 2022

Kerem Kern, as at 18 May 2022

### **New elections in the reporting period**

Felix Graf, as at 18 May 2022

Martin Koller, as at 18 May 2022

### **Election and term of office**

The Board of Directors is comprised of at least three elected members. The majority of members and the Chairman must meet independence requirements in accordance with Art. 18 Para. 7 of the Electricity Supply Act. As a rule, the Board of Directors is elected at the Annual General Assembly for one year at a time. The term of office for the members of the Board of Directors ends on the day of the next Annual General Assembly. All cantons together have the right to delegate and recall two members to/from the company's Board of Directors (Art. 18 Para. 8 of the Electricity Supply Act). The members of the Board of Directors can be re-elected at any time. The Board of Directors is self-constituting. It nominates its Chairman, Vice Chairwoman and the Secretary, who does not have to be a member of the Board of Directors.

### **Internal organisation**

The Board of Directors is responsible for the overall management of the company and for supervising the management of the company. It represents the company externally and takes care of all matters that are not assigned to another corporate body according to law, regulations or the Articles of Incorporation. The Board of Directors can, subject to the legal guidelines on independence (Art. 18 Para. 7 of the Electricity Supply Act), transfer the management of the company or individual parts thereof, as well as the representation of the company, to one or more persons, members of the Board of Directors or third parties, who do not have to be shareholders. It issues the organisational regulations and arranges the corresponding contractual relationships. The powers of the Board of Directors and the Executive Board are defined in the organisational regulations. The members of the Board of Directors do not exercise any executive roles within Swissgrid. The Board of Directors met eleven times during the last financial year.

### **Board committees**

In order to incorporate the specialist knowledge and broad range of experience of the individual members in the decision-making process, or to report as part of its supervisory duty, the Board of Directors formed three committees to assist in management and control activities in close collaboration with the Executive Board: the Strategy Committee, the Finance and Audit Committee, and the Staff and Compensation Committee. The tasks and powers of the Board committees are set out in detail in the organisational regulations.

### **Strategy Committee**

The Strategy Committee supports the Board of Directors in the strategy process. It advises on the strategic principles on behalf of the Board of Directors and reviews the strategy for the Board of

Directors on a regular basis. The committee presents its view on proposals that relate to strategic issues. The Strategy Committee met five times during the last financial year and undertook a study trip to visit a foreign transmission system operator.

Members:

- Adrian Bult (Chairman, since 2012)
- Claude Nicati (since 2014)
- Roberto Pronini (since 18 May 2021)
- Martin Koller (since 18 May 2021)

Changes in the reporting period:

- Kerem Kern (resignation as at 18 May 2022)

### **Finance and Audit Committee**

The Finance and Audit Committee supports the Board of Directors in its supervisory role, i.e. with regard to the integrity of the accounts, the fulfilment of legal provisions, and the competence and services of the external auditors. The Finance and Audit Committee assesses the suitability of financial reporting, the internal control system and the general monitoring of business risks. It ensures that there is ongoing communication with the external auditors concerning the financial position and the course of business. It supervises the Internal Audit division's work. It makes the necessary preparations relating to the appointment or discharge of external auditors and the organisation and management of the Internal Audit division. The Finance and Audit Committee met six times in the last financial year.

Members:

- Regula Wallimann (Chairwoman, since 2017)
- Adrian Bult (since 2021)
- Stefan Witschi (since 2021)

Changes in the reporting period:

none

### **Staff and Compensation Committee**

The Staff and Compensation Committee draws up principles for all compensation components of the members of the Board of Directors, the CEO and the members of the Executive Board, and submits a proposal to the Board of Directors accordingly. The committee defines the compensation of the CEO and the members of the Executive Board. The basis for this decision is the compensation concept approved by the Board of Directors. The committee presents its view on the changes to the Executive Board that are proposed by the CEO. It also ensures that succession planning is in place for the Board of Directors and the Executive Board. The Staff and Compensation Committee met six times in the last financial year.

Members:

- Markus Kägi (Chairman since 2022, as member since 2019)
- Felix Graf (since 18 May 2022)
- Benedikt Loepfe (since 2021)
- Regula Wallimann (since 18 May 2022)

Changes in the reporting period:

- Isabelle Moret (resignation as at 18 May 2022)
- Kerem Kern (resignation as at 18 May 2022)

### **Ad hoc committees**

The Board of Directors may appoint ad hoc committees for specific tasks. It did not set up any such committee in the last financial year.

## **Information and control instruments with regard to the Executive Board**

### **Information and control instruments**

The Board of Directors has the following instruments for monitoring and supervising the Executive Board:

- At Board meetings, the Executive Board submits all important issues for discussion or resolution.
- A financial report to the Board of Directors is compiled quarterly, and contains key figures on business performance together with comments from the Executive Board.
- At every ordinary Board meeting, the CEO submits a written report on business operations that addresses subjects such as grid operations, ancillary services, grid construction projects, relevant developments in Switzerland and Europe, and key performance indicators (KPI).
- Regular reporting also takes place on recurring issues. This applies in particular to the implementation of the corporate strategy.
- The risk report is discussed with and approved by the Board of Directors every six months.
- The auditor issues an annual written report for the Board of Directors (see also the comments in the external audit section).

### **Internal control system**

The internal control system has an important role as part of corporate management and monitoring, and covers all procedures, methods and measures mandated by the Board of Directors and the Executive Board that serve to ensure the correct execution of the business processes with regard to financial management and accounting at Swissgrid. The internal operational controls are integrated into the operating procedures. They are implemented while work is being carried out or take place immediately before or after a procedure. Internal checks do not come under a separate function, but are integrated into the processes. The internal control system at Swissgrid is implemented at all levels of the organisation and demands a high level of personal responsibility from employees.

### **Internal audit**

The Internal Audit division reports to the Board of Directors, while the Finance and Audit Committee takes on operational management tasks. The Internal Audit division provides independent and objective audit and advisory services on behalf of the Board of Directors and the Finance and Audit Committee. These services are designed to add value and to improve business processes. It gives the Board of Directors and the Finance and Audit Committee assurance that corporate governance is undertaken, that processes are complied with and that potential weaknesses are identified. The duties, powers and responsibilities of the Internal Audit division are regulated in separate regulations.

The Board of Directors approves the Internal Audit division's audit planning annually upon request by the Finance and Audit Committee. The Internal Audit division pursues a risk-based audit approach. The Internal Audit division's audit results are dealt with at the Finance and Audit Committee meetings on an ongoing basis. The Finance and Audit Committee is informed of findings as well as any associated recommendations and measures at the meetings. The Internal Audit division also maintains a follow-up process to monitor and ensure that the agreed actions are implemented in a timely and effective

manner.

The Internal Audit division performed ten audits during the year under review. In addition, the Internal Audit division submits an annual Activity report to the Board of Directors.

### **Risk management**

Risk management is an integral part of effective and prudent corporate management for Swissgrid. Swissgrid's risk management covers the entire organisation, not including its subsidiaries and shareholdings, takes account of established standards (ISO 31000, COSO Enterprise Risk Management Framework) and satisfies the internal requirements of corporate governance as well as the requirements under Swiss law. Additional information on the implementation of the risk assessment can be found in the Management Report.

## Executive Board

Members of the Executive Board, additional activities and affiliations



From top left to bottom right: Yves Zumwald, Doris Barnert, Maurice Dierick, Adrian Häsler, Konrad Zöschg



## Yves Zumwald

CEO, born in 1967, Swiss

Yves Zumwald, Dipl.-Ing., Dipl. NDS EPF in energy, has been CEO of Swissgrid since March 2016. From 2014 to March 2016, he was a member of the Executive Board and Head of Grid Operations. From 2009 to 2014, he was a Board member and Director of the Sales division at the Romande Énergie Group. Before this, he worked at EOS Holding (Énergie Ouest Suisse), where he was responsible for grid usage and grid access, before serving as a member of the Executive Board with responsibility for the Infrastructure department at EOS Réseau. Early on in his professional career, he worked at EOS and Orange Communications.

**Affiliations** Member of the Assembly of the European Network of Transmission System Operators (ENTSO-E), a member of the Supervisory Board and Compensation Committee of EPEX SPOT SE; Chairman of the Board of Directors of the procedural companies (see also paragraph 12 of the notes on the statutory financial statements).



## Doris Barnert

CFO, Head of Corporate Services, born in 1969, Swiss

Doris Barnert, architect (ETH Zurich), holds a master's degree in Corporate Finance from the Institute of Financial Services Zug (IFZ) and an Executive MBA from the University of St. Gallen (HSG), and has been a member of the Executive Board since April 2017. From 2008 to 2017, she was the CFO and

member of the Executive Board of Solothurner Spitäler AG. From 2006 to 2008, she was the Head of Finances for the Western Switzerland route in the SBB's Infrastructure division. Prior to this, she managed various projects in the Infrastructure division. She began her professional career in architecture.

**Affiliations** Member of the Board of Directors at Skyguide, member of the Supervisory Board at TSCNET Services GmbH; member of the Board of Directors of the procedural companies (see also paragraph 12 of the notes on the statutory financial statements).



## Maurice Dierick

Head of Market, born in 1964, Dutch

Maurice Dierick, Dipl.Ing. Maschinenbau (graduate mechanical engineer), has been a member of the Executive Board since June 2016. Prior to this, he was the Head of the Grid Infrastructure department at Swissgrid. From 2012 to 2015, he worked on behalf of Ernst & Young at Western Power in Australia, among others. From 2004 to 2012, he worked as an independent consultant, sometimes in cooperation with consulting companies such as Pöyry (now AFRY), supporting various transformation projects in the field of asset management at German, French and Swiss power supply companies. Before this, he worked as an engineer at major industrial companies in France and Germany until he switched to consulting in 1998, finally for Cap Gemini Ernst & Young in the Netherlands.

**Affiliations** Board member of the European Network of Transmission System Operators (ENTSO-E).



## Adrian Häslar

Head of Grid Infrastructure, born in 1966, Swiss

Adrian Häslar, Dipl. Elektroingenieur (graduate electrical engineer) HTL, Executive MBA HSG, has been a member of the Executive Board since April 2019. Prior to this, he was the Head of the Grid Delivery department at Swissgrid. From 2007 to 2017, he was a member of the Hydropower Division management at Axpo Power AG and Head of the Technical Support business unit, which was responsible for planning, building and servicing hydropower plants. Prior to this, he headed the Secondary Systems department at Nordostschweizerische Kraftwerke AG for seven years. He started his career at Kraftwerke Oberhasli AG as the Head of Operational Management.

**Affiliations** Deputy Chairman of the Specialist Commission for High Voltage Issues.



## Konrad Zöschg

Head of Technology, born in 1976, Swiss

Konrad Zöschg, Telecom Engineer HTL and Industrial Engineer FH, has been a member of the Executive Board since 2021. Before joining Swissgrid, he worked as Head ICT/CIO at Flughafen Zürich AG for seven years. Between 2005 and 2014, he held various management positions within IT there in the area of aviation, building and security systems. Earlier in his career, he gained international experience at Acterna and its successor company Nexus Telecom AG. In 2020, he was awarded the Swiss CIO Award as best CIO of the year.

**Affiliations** None.

### Changes in the reporting period:

none

## Remuneration

The members of the Board of Directors receive a fixed remuneration (fees and expenses) based on a sliding scale for the Chairman, the Vice-Chairwoman, the Chairs of the committees and the other Board members. Remuneration for the members of the Executive Board consists of a basic salary (including lump-sum expenses) and a variable salary component that is dependent on achieving company and

personal targets. The amount of remuneration for members of the Executive Board is determined by the Staff and Compensation Committee within the framework defined by the Board of Directors. Payments to the Executive Board and the Board of Directors are disclosed in paragraphs 8 and 9 of the notes to the Swiss GAAP FER financial statements.

## Rights of participation

Shareholders' rights to assets and rights of participation are governed by law and the Articles of Incorporation. The Articles of Incorporation can be viewed online at [www.swissgrid.ch](http://www.swissgrid.ch). There are no statutory regulations that differ from the legal provisions.

## External audit

### **Mandate and fees**

KPMG AG, Basel, acts as the statutory auditor for Swissgrid Ltd. The audit mandate was first awarded to KPMG for the 2005/2006 financial year (long year). The auditor in charge, Silvan Jurt, is new to the role since the 2022 financial year. The auditor is appointed at the General Assembly for a one-year term. For its function as auditor, KPMG received remuneration of CHF 165,000 for the last financial year.

### **Information instruments**

Every year, the Finance and Audit Committee evaluates the effectiveness of the auditor. The members of the committee use their knowledge and experience garnered from holding similar positions in other companies to evaluate the audit. They also base their evaluation on the documents provided by the auditor, such as the comprehensive report and the verbal and written statements on individual aspects in connection with accounting, the internal control system and the audit.