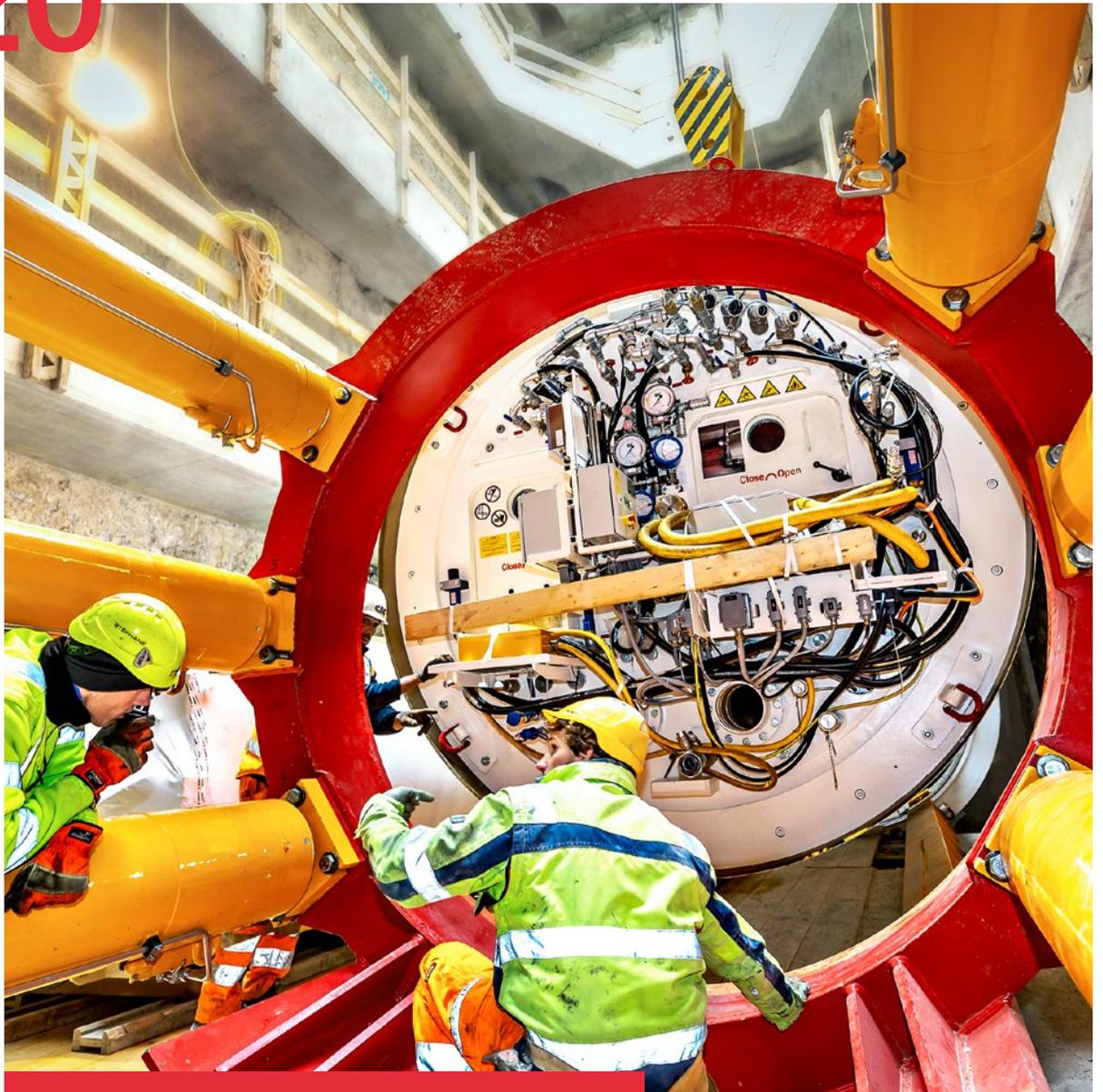


# Annual Report 2020



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## Cover story



### **An engineering masterstroke: underground cable link between the La Bâtiaz substation and Le Verney in Martigny**

In 2020, Swissgrid began drilling work on the underground extra-high-voltage cable link between the La Bâtiaz substation and Le Verney in Martigny. The 60-ton mini-tunnel boring machine with the beautiful name Giorgia will take eight months to dig the tunnel with a diameter of 2.5 metres and a depth of between 12 to 20 metres.

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#### **Find more about the project:**

[swissgrid.ch/nantdedrance](https://www.swissgrid.ch/nantdedrance)

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# Innovative digital solutions for the future of energy



Yves Zumwald



Adrian Bult

Dear readers,

The traditional supply of electricity has reached a turning point. This centralised electricity supply system, which has evolved over time and has become extremely complex, is undergoing a fundamental, rapid and permanent change. As a transmission system operator – the backbone of Switzerland’s supply of electricity and the link between electricity generation and consumption – Swissgrid plays a key role in the old as well as the new energy world.

The starting point for this comprehensive transformation is energy reform, which was initiated by way of targeted support for renewable energies among politicians. This is increasing the pressure on the business model that has been in place for decades, which is based on having a centralised system of power generation that offers planning reliability and flows in a single direction. Energy reform has triggered a shift in the country’s power plants, with a move away from large power plants and towards decentralised generation. This trend is expected to grow in future: the local consumption of electricity will increasingly be served through local generation. Additionally, decentralised stores will play an important role in ensuring that energy is available in the right place and at the right time. The grid infrastructure will have to be modernized to facilitate these changes in production. Against this backdrop, Swissgrid is seeking out new, innovative solutions to support energy reform.

One of the major challenges is the ability to link and manage countless decentralised resources, and to integrate these into the energy system as profitably as possible. The growing share of these resources is posing new challenges for the system as a whole, and grid operation in particular. The significant changes in production patterns as well as unpredictable production volumes make for more complex planning and provision of the necessary control energy. Digitisation enables the efficient networking and thus bundling of these resources. But that’s not all: digitisation is also paving the way towards interconnection of the energy, heat and transport sectors.

Swissgrid wants to take advantage of the enormous potential made possible by digitisation. In partnership with the transmission system operators TenneT in the Netherlands and Germany and Terna in Italy, the company launched the crowd balancing platform “Equigy” in April 2020. The platform’s goal is to stabilise the transmission grid by utilising the flexible capacities of small, decentralised generators, stores and consumption units, such as electric cars and heat pumping technology. Specifically, “Equigy” uses blockchain technology to allow these flexible resources in different sectors to work together to ensure the output on the control power market can be offered in a more simplified manner. Blockchain technology, as a decentralised database, is perfectly suited to this project and provides a high level of transparency, efficiency and security. The latter is essential when introducing

digital innovations, because digitisation does not just create opportunities, it also involves cyber risks that Swissgrid will need to address.

At the end of the year, this international project culminated in the founding of a joint venture, Equigy B.V., between Swissgrid, TenneT and Terna. Europe-wide cooperation is essential, since it will allow for the standardised integration of small, fragmented units as well as the creation of a large market. Through this joint effort, Swissgrid is once again highlighting its role as a reliable and key partner in the European electricity industry, despite the challenging general situation brought about by the lack of an electricity agreement.

The coronavirus pandemic is also being labelled a catalyst for digitisation, given its impact on all areas of society and business in 2020. As the national grid operator, Swissgrid has been particularly impacted by developments resulting from this pandemic. Swissgrid has certainly benefited from its prior introduction of the digital workplace and associated processes, which secured a smooth transition into employees working from home. At the same time, Swissgrid was also quick to introduce comprehensive infection control measures and is constantly adapting these as the situation evolves. This has been an important basis for securing a functioning basic supply in Switzerland without any drop in efficiency and quality.

Tackling developments that have wide-ranging effects, such as a pandemic or digitisation, is only possible with agile and committed employees. In 2020, Swissgrid employees adapted to a new and constantly changing situation, and showed their tireless commitment to our important mandate.

We would like to thank all employees for their outstanding dedication, and we look forward to continuing to shape the energy system with a motivated team going forward.



Adrian Bult  
Chairman of the Board of Directors



Yves Zumwald  
CEO



# Year in review

Swissgrid is responsible for critical infrastructure in Switzerland. The company responded quickly to the coronavirus pandemic to ensure the stability of the Swiss transmission grid. Despite COVID-19, some important milestones were reached: Swissgrid put into service the line between Beznau and Birr, including an underground cable section, a whole year earlier than expected. Swissgrid is leading the control reserve market into the digital age with its blockchain-based platform “Equigy”.

The Swiss extra-high-voltage grid is the backbone of the supply of electricity in Switzerland. Protecting the health of employees and ensuring reliable transmission grid operations have been Swissgrid's top priority during a reporting year shaped by the coronavirus pandemic. As early as January, the company was preparing to install comprehensive infection control measures, ensuring their consistent implementation and continuous adaptation to fit the rapidly changing situation – while also working closely and communicating regularly with its external partners and service providers. Given that Swissgrid had already introduced the required IT infrastructure to switch to digital and mobile working as part of its move to the new headquarters in 2018, it was able to smoothly transition employees into working from home. This helped safeguard business continuity at all times, even during the critical phases of the pandemic.

In addition to focusing on protecting employee health and occupational safety, 2020 was a year of targeting the protection of plants and IT systems to increase the security of its plants, Swissgrid has developed additional measures, which will be implemented in the next few years. The company has also taken technical steps to improve the level of protection against growing cyber risks and to raise employee awareness of them.

#### **New innovative solutions in a challenging environment**

Despite the challenging situation induced by the coronavirus pandemic, Swissgrid pushed ahead with a number of new projects in 2020, such as the crowd balancing platform "Equigy". This blockchain-based platform facilitates the integration of small decentralised flexibility resources, such as stores, electric cars, battery storage systems and heat pumping technology, into the control reserve market. It was launched in the spring of 2020 by a consortium involving the transmission system operators TenneT in the Netherlands and Germany, and Terna in Italy. In Switzerland, Swissgrid partnered with Alpiq to implement a pilot project aiming to verify the suitability of blockchain technology in the deployment of storage technologies in primary control energy. At the end of the year, the company founded a joint venture with its European partners. Rainer Mühlberger, Executive Board member of Swissgrid and Head of the Technology business unit, will take on the role of Chairman of the Board of Directors at Equigy B.V.

The replacement of the enterprise resource planning system with an intelligent, integrated "end-to-end" solution is another Swissgrid project with diverse requirements in terms of information technology. It covers the areas of Controlling, Finances, Billing, HR, Purchasing, Project Management and Plant Management. In the year under review, the software licences were procured and partners for implementation and system operation were identified.

#### **Market developments for greater efficiency and liquidity**

As part of its ongoing efforts to shape the control reserve market, in 2020 Swissgrid launched various other innovations in addition

to its new «Equigy» solution. In February, the company moved ahead with an integrated market to capture the synergies from two similar products: the manually deployed, schedule-activated tertiary control reserve, which is used for frequency maintenance, and energy for international redispatch are now procured in a common market. This increases liquidity and simplifies the bidding process.

An important milestone was reached in terms of the procurement and deployment of control reserves at European level. Swissgrid has been connected to the international control energy platform TERRE since October. This platform facilitates the cross-border exchange of schedule-activated tertiary control reserve between participating countries, with an activation time of 30 minutes. A long-term international partnership for the procurement of primary control power is already in place. This was founded by Swissgrid along with other European transmission system operators and underwent further development in 2020: provision times for power plants have been reduced from 24 to 4 hours per bid.

In 2020, Swissgrid also made a breakthrough in the areas of voltage maintenance and active power loss. The new voltage maintenance concept entered into force at the start of the year: Swissgrid's adjusted remuneration model means that all participants – power plants, distribution system operators and end customers connected to the grid – receive financial incentives to support voltage maintenance in the transmission grid.

Swissgrid also switched to a new purchasing strategy in the procurement of active power loss, with the aim of using contracts to secure the energy to cover losses in the long term. This energy is now predominantly purchased on a separate platform using a multi-step procedure with a lead time of up to two years, rather than being purchased one month or one day in advance on the EPEX SPOT power exchange. This approach reduces the cost risk and increases planning certainty.

These developments will improve efficiency and liquidity in the markets relevant to Swissgrid, while also contributing to secure grid operation. Maintaining the security of supply is Swissgrid's primary corporate objective and remains a challenge, as shown in 2020.

#### **Constant, guaranteed grid stability nationwide**

The Swiss transmission grid is one of the world's most secure and stable grids. However, in 2020 the company did not manage to deliver the high transmission grid availability reported in previous years. At 4.23 p.m. on 17 July 2020, a string of technical and human factors led to a supply disruption in Valais. A safety circuit at the 220 kV grid node was accidentally tripped during safety tests at the Chippis substation. As a consequence, the switchgears in Chippis, Stalden, Zermeiggern, Bitsch and Mörel lost power, which led to a regional power cut for a total of 60 municipi-

palities that affected around 112,000 households, as well as trade and industry. Thanks to excellent cooperation with and between the various distribution system operators, the supply was gradually restored as of 5 p.m. Swissgrid launched an investigation into the incident. Its findings were incorporated into training activities for internal as well as external specialists.

In February, storm Sabine's partly gale-force winds caused damage to and disruption in the transmission grid. A total of nine lines lost power, which meant that, for example, power was no longer supplied to the Göschenen, Ingenbohl and Plattisbach substation. This disrupted the supply for around one and a half hours in parts of the cantons of Schwyz and Uri. With the exception of the line between Göschenen and Plattisbach, where the conductor tore apart, Swissgrid managed to restore operations on all lines within just a few hours. The stability of the national grid stability was guaranteed at all times.

Grid infrastructure renovations and expansion are absolutely critical for Swissgrid to guarantee the security of supply now and in the future. As a result, in 2018 the company resolved to continue developing its plant management division to manage upcoming grid projects.

#### **Aligning plant management with future challenges**

HR capacities in project management, engineering, construction supervision, safety and station control technology as well as asset management were gradually increased by the end of 2020. Swissgrid will continue to expand its resources for process standardisation and quality assurance in the coming year. The aim is to significantly increase investments in the grid, take over more direct management of services and move certain key activities in-house.

Resource management can be combined with the deployment of suitable business applications to align plant management with future requirements. In 2020, Swissgrid completed the digitisation of archived documents and introduced a comprehensive document management system that can also be accessed by service providers. Since the middle of this year, a new geoinformation system has provided employees with remote access to data from the 3D route digitisation models.

#### **Milestones in transmission grid expansion and upgrades**

Swissgrid's long-term grid planning goal is to eliminate the present congestion in the grid and secure supply to the major regions of consumption. The implementation of "Strategic Grid 2025" will safeguard the transportation of energy from large power plants in the Alps to these regions and will also strengthen the connection to the European grid.

In 2020, Swissgrid made great advancements in terms of "Strategic Grid 2025" construction projects. The company put into service the line between Beznau and Birr, which has been

upgraded to a voltage of 380 kV, a year ahead of schedule. This project marked the first time that Swissgrid laid part of an extra-high-voltage line underground in Switzerland. The grid projects in Valais have also seen considerable progress: the old line between Ernen and Ulrichen in Goms was dismantled and the new line has been in operation since 2019. The preparatory work on the section between Mörel-Filet and Ernen commenced in 2020. In Lower Valais, Swissgrid moved forward with the construction of all sections of the Chamoson–Chippis connection. This line is scheduled to go live in mid-2022. An engineering masterstroke brought the company to the end of this last section of the line project, which connects the Nant de Drance pumped storage power plant to the transmission grid. For the underground part of the line, Swissgrid created a tunnel on the Rhone plain near Martigny with a length of 1.2 kilometres and a depth of between 12 and 20 metres. A temporary solution was already in place connecting the Nant de Drance power plant to the transmission grid.

Outdoor switching substations in the Swissgrid substations are being gradually upgraded or replaced by gas-insulated switchgears with a compact design that takes up only a fraction of the space required previously. "Strategic Grid 2025" provides for additional transformer capacities so that Switzerland can import more energy in future, especially during the winter months when domestic production is unable to keep up with demand. In the year under review, Swissgrid installed what is currently Switzerland's largest gas-insulated switchgear in the Innertkirchen substation. The renovation of the Bassecourt substation as well as the commissioning of the transformer in the Mühleberg substation were other important milestones in 2020. There is also a need to increase the voltage to 380 kV on the line between the two substations to secure long-term supply to the Greater Berne area. This project is currently still subject to legal proceedings.

#### **Various grid project developments in protracted proceedings**

Both the Swiss Federal Office of Energy and the Federal Administrative Court have rejected objections to the construction project between Bassecourt and Mühleberg. The case has now been referred to the Federal Supreme Court. These court proceedings will delay the project by around two years.

Swissgrid has made some progress in the protracted approval procedures for several grid projects: the Federal Inspectorate for Heavy Current Installations gave the green light for the construction of pylon reinforcements along the connection between Pradella and La Punt. Construction of the 380 kV line will start in 2021. Swissgrid has now initiated the sectoral planning process for the project between Innertkirchen and Ulrichen. As is the case for every grid project, the company has again developed a number of different versions for underground cable and overhead line corridors. The company has also submitted planning approval documents for the important grid project between Airola and Lavorgo.

### Ongoing maintenance secures a functioning grid

Smooth grid operations depend on grid expansion and upgrades, as well as ongoing maintenance. This includes the rapid repair of plants after damage has occurred. In the aftermath of storm Sabine, Swissgrid completed extensive repairs on the line between Göschenen and Plattisbach within ten days. Its response to repairing the pylon in Gland, which was knocked over by unknown offenders on 26 June 2020, was just as swift. Swissgrid restored operations on the new pylon and lines between Banlieue Ouest-Foretaille and Crans-Romanel two weeks earlier than planned. The Vaud cantonal police department has launched an investigation into this incident.

At the Grimsel substation on 16 May 2020, a faulty cable terminal resulted in a leak of insulating oil. In cooperation with the environmental authorities in the canton of Berne, Swissgrid quickly removed the affected area and ensured its professional and proper disposal. The company also restored the energy transport from the connected KWO AG power plant within 24 hours.

The connection between Chamoson and Romanel played host to a first for Switzerland during scheduled maintenance activities in 2020: specialists used a helicopter and a special method to mount an orange aircraft warning sphere on the ground wire of the line, which was live at the time. This meant that the line did not have to be shut down, which had a positive impact on transfer capacity and the workload in the grid control room.

### Consultation with the public and industry – despite the coronavirus pandemic

Swissgrid is committed to providing continuous and transparent information about its construction projects in the grid. Despite the coronavirus pandemic, the company upheld its communication with those affected by grid projects in 2020. Swissgrid introduced comprehensive protection concepts at its information events for the planned construction projects between Innertkirchen and Ulrichen as well as between Airolo and Lavorgo. Swissgrid also held an exhibition exploring the grid projects in Valais in Sion in 2020.

It also remained in close contact with industry. Alongside an industry event in Martigny, Swissgrid held large-scale meetings using hybrid formats or as virtual events – including the grid utilisation conference and the balance group management partner meeting. October 2020 marked the kick-off for “Strategic Grid 2040” in partnership with the Swiss Federal Office of Energy, the distribution system operators connected to the transmission grid and the Swiss Federal Electricity Commission ElCom.

### Kick-off for the future “Strategic Grid”

“Strategic Grid” planning has been restructured since the “Electricity Grid Strategy” legislative and regulatory changes entered into force. The Swiss Federal Office of Energy develops a “Scenario Framework Switzerland” every four years, the initial

draft of which will be available in the autumn of 2021 and which will be submitted to the Federal Council for approval following a consultation process. This includes various scenarios concerning the future development of utility power generation and consumption, storage and cross-border capacities. In the lead-up to publication of the scenario framework, Swissgrid and the distribution system operators will complete the groundwork necessary to be able to subsequently develop their own multi-year plans within the defined nine-month period. Swissgrid’s “Strategic Grid 2040” will ultimately be reviewed by ElCom.

In developing the grid, Swissgrid is focussed on security of supply, environmental compatibility and economic benefits. The goal is to use, optimise and reinforce the grid as efficiently as possible before opting – as a last resort – for expansion projects.

### Improvements in cross-border trade

Grid planning is absolutely critical to secure grid operation in the long term, while the short-term focus is on targeted congestion management, among other issues. Swissgrid is making specific advancements in this area as well and is optimising the cross-border capacities available for trading. For instance, since May 2020 the company has been using a new methodology to calculate the capacity available for trading between Switzerland and Germany. Instead of the previously fixed 4 gigawatts, the available capacity is now calculated based on the number of nuclear plant and grid element shutdowns, as well as the expected trading scenario. This new methodology helps match the capacity with the relevant market and grid situation.

On 23 September 2020, in cooperation with Austria’s transmission system operator APG, the company launched the automated intraday allocation of capacity at the border between Switzerland and Austria. This capacity is now made available using an automated, explicit procedure, which gives traders much better access to the intraday markets in their neighbouring country.

### Transmission Code – a key milestone in SAFA implementation

Swissgrid has worked closely with the sector to publish the new Transmission Code and Balancing Concept. These industry documents, which entered into force in May 2020, describe the principles and requirements for grid planning and grid operation, balance group management and ancillary services, among other items. Revisions to these documents were driven by changes in current practice, new regulatory provisions in Switzerland, as well as the entry into force of the European Union’s Network Codes.

Two of these Network Codes – “System Operation Guideline” and “Network Codes Emergency & Restoration” – are now legally binding for Swissgrid since the signing of a new framework agreement regarding operation of the continental European grid (Synchronous Area Framework Agreement, SAFA). Compliance with the provisions of the SAFA and the Network Codes requires the company to adapt the Transmission Code and Balancing

Concept, as well as other electrical industry documents and contracts, the business management manual, IT systems and training modules, among other materials. Swissgrid is implementing these changes by way of a comprehensive transformation project.

The signing of the SAFA was made possible in 2019 thanks to outstanding commitment and efforts on the part of Swissgrid. Together with the Swiss Federal Electricity Commission, the company managed to ensure that this framework agreement included a “Switzerland clause”. The agreement establishes the necessary basis for Swissgrid to negotiate contracts with the transmission system operators in the capacity calculation regions of Italy North and CORE; it also means that Switzerland is included in cross-border capacity calculations. In 2020, Swissgrid presented a “Common Proposal” to the competent “Regional Group Continental Europe” committee as an initial outcome of these contract negotiations. To date, the lack of an electricity agreement means that Swissgrid is excluded from these important international processes.

Cooperation in other European projects also remains a challenge. For instance, Swissgrid is involved in the TERRE platform, but the final decision by the European Commission is still outstanding. The European Network of Transmission System Operators for Electricity (ENTSO-E) and the European regulatory authority (ACER) have supported Switzerland’s participation, as this is vital for grid security in Europe.

#### **Increasing the compatibility of Swiss legislation with EU law**

The European Union is consistently pushing ahead with developments in the European power market. Now that the Clean Energy Package is in effect, it will increase the grid capacities for transnational electricity trade and competition, among other things. Without an electricity agreement – and so without a voice – the situation is becoming increasingly critical for Switzerland: there is a risk that the export capacities earmarked for importation into Switzerland in countries such as Germany and France will be reduced. This represents a potential risk to Switzerland’s security of supply.

This makes it even more important for Swissgrid to ensure that Swiss legislation is as EU-compliant as possible, so as not to further complicate the conclusion of an electricity agreement. In 2020, the company voiced this concern as part of the consultation process regarding reforms to the Energy Act. Furthermore, Swissgrid stressed that the legal framework must also contribute to the integration of renewable energies into the overall system.

#### **Finding and supporting new specialists**

Only by employing the best staff can the company continue to develop and shape the future of electricity. Swissgrid wants to retain these employees in the long term and so launched a comprehensive employer branding campaign in 2020. The goal is

to position Swissgrid as a progressive employer and use targeted methods to raise Swissgrid’s profile amongst potential employees.

To boost its offering to senior managers, Swissgrid joined forces with the University of St. Gallen to launch an 18-month development programme exploring leadership and management. Swissgrid was one of the first customers to run the programme in a digital format. An employee survey also showed a very high level of overall satisfaction as well as a strong “commitment” on the part of employees, placing Swissgrid in the top 5% of employers in a comparative assessment.

#### **A sound financial basis for the Swissgrid of tomorrow**

Swissgrid needs more than a good team to be able to optimally fulfil every aspect of its mandate; it also needs a sound financial basis. In 2020, Swissgrid successfully placed four bonds with a total volume of CHF 555 million on the capital market. The proceeds from these bonds were used to partially refinance convertible bonds, which Swissgrid’s shareholders granted the company as part of the transfer of the transmission grid, as well as to partially refinance bonds that matured in January 2020. These proceeds also permitted the financing of ongoing investments. Swissgrid will continue to access the capital market in future.



# Financial Report

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# 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 the 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).

The Federal Electricity Commission ECom oversees compliance with the Electricity Supply Act and the Electricity Supply Ordinance. 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 the European and Swiss grid 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 performs an ex post review of the chargeability of the costs for Swissgrid.

Chargeable costs include the operating and capital costs of maintaining a secure and efficient grid. Chargeable costs 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.

### 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 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.

### 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.

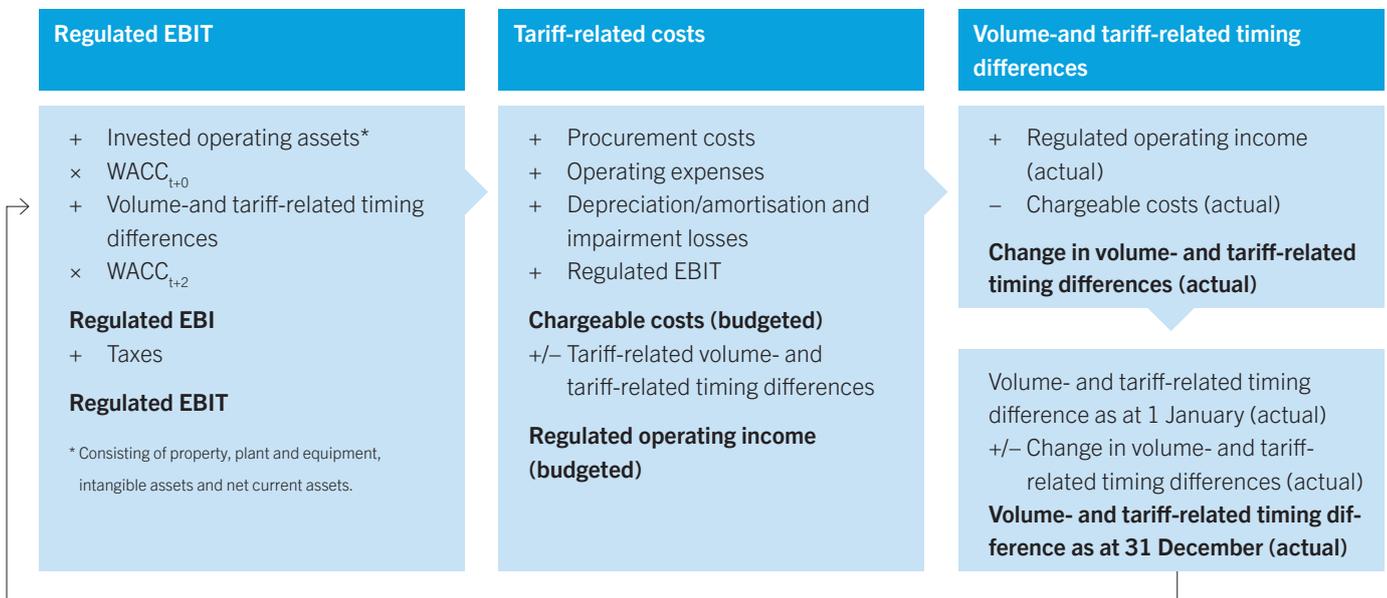
### Imputed capital cost rate (WACC)

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.

### Illustration of the regulatory business model



## Business performance

(values pursuant to Swiss GAAP FER)

### Procurement costs

At CHF 228.5 million, procurement costs are CHF 3.6 million higher than the previous year's value of CHF 224.9 million. In the grid utilisation and reactive energy segments, the procurement costs increased by CHF 24 million and CHF 15.8 million respectively. In the grid utilisation segment, this increase is due to higher national redispatch costs of CHF 14.8 million as well as a rise in additional remuneration to former transmission system operators of CHF 9.2 million. In the reactive energy segment, the pro-rata voltage stability costs payable by this segment increased by CHF 15.8 million compared to 2019.

By contrast, the procurement costs in the general ancillary services and active power losses segments fell by CHF 25 million, and CHF 11.2 million respectively. In the general ancillary services segment, this was primarily due to the lower pro rata voltage stability costs of CHF 12.6 million and the fall in control power provision costs to CHF 11.7 million. The active power losses segment recorded lower procurement costs for active power loss.

### Operating expenses and depreciation/amortisation

Operating expenses rose by CHF 23.9 million year on year, from CHF 200.9 million to CHF 224.8 million. CHF 12 million of the increase in operating costs is attributable to the materials and third-party supplies item, while personnel expenses account for CHF 11.8 million.

The increase in the costs for materials and third-party supplies was primarily due to the increase in the number of easements for which Swissgrid pays remuneration to property owners as well as the higher costs for procured third-party supplies.

The increase in personnel expenses can be explained by the growth in the workforce in the 2020 financial year. The annual average number of full-time equivalents amounts to 540.4 FTE (previous year: 498 FTE).

The scheduled depreciation/amortisation on property, plant and equipment and intangible assets amounted to CHF 154.8 million in 2020, a decrease of CHF 2.1 million on the previous year.

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

For the 2020 financial year, net turnover across all segments amounts to CHF 588.2 million. Net turnover of CHF 672.7 million was recorded in the previous year. The decline in turnover is predominantly due to the CHF 33.2 million drop in tariff revenue in the grid utilisation segment as well as the CHF 50.7 million decline in the general ancillary services segment. The grid utilisation segment also reported a CHF 41.8 million decline in income from auctions for the reduction of chargeable grid costs compared to the previous year. By contrast, net turnover in the active power loss and reactive energy individual ancillary services segments increased by CHF 30.3 million and CHF 15.7 million respectively, particularly due to higher tariff income.

In the 2020 financial year, the operating business activities reported net deficits (cumulative deficits less cumulative surpluses) of CHF 107.9 million. In particular, the grid utilisation segment posted deficits of CHF 128.6 million due to the fall in turnover. As at 31 December 2020, a net deficit of CHF 55.1 million exists (previous year: net surplus of CHF 52.8 million).

### EBIT, financial income and net income

Earnings before interest and taxes (EBIT) from activities relating to the Federal Electricity Supply Act (StromVG) are equivalent to the interest applied to the assets required to operate the transmission system using 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 using the weighted average cost of capital rate of  $WACC_{t+2}$  plus income taxes. The weighted average cost of capital rates for 2020 ( $WACC_{t+0}$ ) and 2022 ( $WACC_{t+2}$ ) defined by the Federal Department of the Environment, Transport, Energy and Communications (DETEC) for the 2020 financial year remain unchanged at 3.83%.

In 2020, EBIT increased by CHF 14.3 million from the previous year's value of CHF 102.4 million to CHF 116.7 million. The additional partial repayment of convertible loans at the start of the 2020 financial year and the refinancing under more favourable conditions in 2020 once again led to lower financial expenses compared to 2019.

Net income in 2020 amounts to CHF 75.7 million, an increase of CHF 28.8 million from the previous year. In 2019, EBIT and net income were impacted by the regulatory effects that had to be taken into account that year.

### Balance sheet and cash flow statement

Total assets (excluding fiduciary positions) increased by CHF 78.3 million compared to the previous year to CHF 3.072 billion. The absolute equity base was 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 2020 amounts to 39.1%, as compared to 38.3% on 31 December 2019.

In 2020, cash flow from operating activities amounts to CHF 137.9 million, compared to the previous year's value of CHF 278.8 million, a decrease of CHF 140.9 million. This decrease is due to the lower net turnover year-on-year.

Cash flow from investing activities amounts to CHF 144.9 million in the year under review; a CHF 32.9 million increase on the previous year. This is attributable to a CHF 36.5 million increase in net investments in property, plant and equipment.

Cash flow from financing activities decreased by CHF 73.3 million compared to 2019 to a value of CHF 22.0 million. This was due to the refinancing measures implemented in 2020, with four bonds totalling CHF 555 million.

## Risk assessment

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. 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 and documenting 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 coronavirus pandemic is not just a risk to employee health, but also to the operation of the transmission system. The risk drivers include a shortage of employees in critical functions and congestion amongst suppliers and service providers. In response, Swissgrid acted early to implement infection control measures and to secure supplies.

Besides the new risks stemming from COVID-19, the other 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. Digitisation 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 key risk factors are:

### European and regulatory environment

Swissgrid's role remains challenging at a national and international level. Due to the lack of a framework agreement as a prerequisite for the electricity agreement with the EU, the Swiss electricity system finds itself increasingly excluded from important processes affecting grid security in Europe.

This leads to 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 to ensure the stability of the grid, but is reliant on political support in this respect. Although there have been some encouraging signals from the EU regarding its openness to pragmatic solutions, the success of the technical integration is not guaranteed as there are political factors to resolve that fall outside the control of Swissgrid and Switzerland.

### Implementation of the "Strategic Grid 2025"

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. Swissgrid is striving to establish dialogue, particularly with local residents, during the approval process. However, given the ever-decreasing acceptance of overhead lines, Swissgrid still has to factor in objections and delayed approval processes.

### Security of supply

A wide-scale supply outage would cause enormous economic damage. As a result, Swissgrid must ensure that the transmission grid is available to supply 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 processes to eliminate faults in grid systems and in system operations. Adequate training and development of personnel ensures that employees respond appropriately. Swissgrid takes precautions to protect the infrastructure and plants against physical attacks. These include reinforcing buildings, switchgears and construction sites as well as access control.

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.

Security of supply also depends on the availability of control and redispatch services 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 has emergency procedures in place in the highly unlikely event that critical infrastructures or systems fail permanently or the grid can no longer be controlled.

### 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 to the greatest extent possible, 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 controls on construction sites help to ensure compliance with site safety precautions. A company-wide awareness campaign boosts awareness of the risks to personnel safety. Another risk to personnel safety are physical attacks, an area in which Swissgrid also takes the necessary precautions.

### Financial risks

Swissgrid's activities mean that it is exposed to various financial risks. These include liquidity, foreign currency, interest rate and counterparty risks. Liquidity is ensured at all times by continuous planning and monitoring of the funding requirements, maintenance of minimum liquidity levels and the provision of confirmed bank credit facilities. Foreign currency risk is reduced through 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

The energy sector in Switzerland is undergoing a transformation: key trends include the increase in electricity generation from renewable energies, the increase in efficiency due to the use of new technologies and digitisation, the electrification of consumption as well as sector coupling. Many of these changes are also being driven by energy policy, particularly in Europe where the EU is consistently working on the completion of the European internal electricity market.

Given its responsibility for the Swiss transmission grid, Swissgrid plays a key role in the supply of electricity and is closely monitoring the following developments: the changes to electricity generation are leading to new flows of electricity that present great challenges for the grid operation. At the same time, the grid infrastructure needs to adapt to the modified framework conditions in order to ensure the security of supply in the long term. Protracted approval procedures mean that grid projects can often only be implemented with significant time delays.

Due to Switzerland's close links with the European interconnected grid, it continues to be impacted by the European energy policy, while Swissgrid's cooperation in the European power markets is seriously threatened by the lack of an electricity agreement.

In 2018, Swissgrid launched Strategy 2022 to tackle these trends and challenges and achieve four long-term corporate objectives: a high level of safety and security for employees and the plants, a consistently stable and available transmission grid, efficient and effective business activities, as well as the optimisation of the future transmission grid by taking innovative technical, structural and market-based measures.

In the coming year, Swissgrid will continue implementing Strategy 2022 and start developing Strategy 2027. Security is once again the top priority in 2021. As a result, the company will take technical measures to continue to increase the level of protection in cyber-security and also continue its awareness campaigns for employees. Swissgrid has already introduced a number of steps to increase security in the substations, with implementation set to start in 2021.

The integration of plant and system operation is essential for a functional transmission grid. The associated processes between the market and grid operation will be further optimised to constantly increase efficiency and ensure security. Apart from this, Swissgrid will also focus on the continued development of plant management, as the implementation of the "Strategic Grid 2025" as well as optimal maintenance are prerequisites for secure grid operation in the long term. The intelligent use of new technologies allows Swissgrid to optimise the use of the existing infrastructure. Further measures to automate the grid operation will be introduced in 2021, while the long-term planning of the grid infrastructure is another area of focus: in 2021, Swissgrid will establish the foundation for developing the "Strategic Grid 2040". To ensure the overall

efficiency and effectiveness of its business activities, Swissgrid is moving forward with a company-wide transformation project that will lead to the replacement of the enterprise resource planning system with an intelligent, integrated “end-to-end” solution.

Close cooperation with partners in Switzerland and Europe is essential for Swissgrid. Within the scope of the SAFA (Synchronous Area Framework Agreement), the company will establish the relevant conditions in close cooperation with all partners involved. This will ensure the technical integration of the Swiss transmission grid into the European interconnected grid in the medium term. At the same time, Swissgrid will continue to develop the markets of relevance for the company, such as the control power market – both in Switzerland and with partners in Europe.

### 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 national and international 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.

The budget has been assigned a lower likelihood of realisation due to persistent restrictions, particularly those regarding permits for power line construction and modification. As such, Swissgrid currently expects investments in the grid to increase by between CHF 175 million and CHF 275 million a year over the medium term.

#### Operating costs

Swissgrid continues to implement its Strategy 2022, as communicated in the spring of 2018. This includes efficiency increases as well as measures to secure the supply of electricity and improve the safety of people, systems and the environment.

Implementing these measures will lead to a rise in operating costs.

#### EBIT and net income

Based on the regulatory business model, EBIT is particularly 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 2021 remains unchanged at 3.83%. The final remuneration for the assets acquired from the former transmission system owners since 2013 as part of the grid takeovers planned for 2021 will have an indirect positive effect on EBIT and the net income. Consequently, higher EBIT and a higher net income are expected in 2021 in comparison to 2020.

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.

#### Grid acquisitions

The ECom ruling issued on 20 October 2016 definitively established the method for determining the assessed value of the transmission system. Swissgrid paid the first remuneration based on this method to the former transmission system owners on 3 January 2017. The final remuneration owed under this method could not yet be paid as proceedings relevant to the valuation were still pending. ECom has now issued rulings on all pending valuation proceedings and so provided a ruling on the final regulatory values of the transmission grid assets at the respective transaction date. The requirements for the equal treatment of all former transmission system owners for the final remuneration have therefore been met.

The final remuneration is planned for 2021 and will increase the value of Swissgrid’s non-current assets by an expected amount of CHF 100 to 150 million. Due to the regulatory business model, this will also indirectly lead to a higher net income. In addition, Swissgrid’s share capital will increase and the shareholdings of the shareholders will change slightly. The necessary amendment of Swissgrid’s Articles of Incorporation requires the approval of the Federal Council.

# Financial statements

## Swiss GAAP FER

### Income statement

In millions of CHF	Notes	2020	2019
Net turnover	4, 5	588.2	672.7
Other operating income	4, 6	14.5	13.0
Change in volume- and tariff-related timing differences	4, 15	107.9	18.4
Capitalised self-constructed assets		14.2	12.6
Total operating income		724.8	716.7
Procurement costs	4, 5	228.5	224.9
Gross profit		496.3	491.8
Cost of materials and third-party supplies	7	94.5	82.5
Personnel expenses	8	101.5	89.7
Other operating expenses	9	28.8	28.7
Earnings before interest, income taxes, depreciation and amortisation		271.5	290.9
Depreciation on property, plant and equipment	13	125.4	125.1
Amortisation on intangible assets	13	29.4	31.8
Impairment losses	13	–	31.6
Earnings before interest and income taxes (EBIT)	4	116.7	102.4
Financial income	10	1.0	1.2
Financial expenses	11	26.0	33.6
Ordinary result		91.7	70.0
Extraordinary expenses		–	36.7
Earnings before income taxes		91.7	33.3
Income taxes	12	16.0	4.5
<b>Net income</b>		<b>75.7</b>	<b>28.8</b>

### Earnings per share

CHF	2020	2019
Net income	75,735,726	28,821,764
Weighted average number of shares outstanding	320,398,149	319,374,832
<b>Non-diluted earnings per share</b>	<b>0.24</b>	<b>0.09</b>
Dilution from the conversion of the convertible loans	–0.03	–
<b>Diluted earnings per share</b>	<b>0.21</b>	<b>0.09</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 15.7 million (previous year: CHF 21.9 million). Given that taxes are chargeable in Swissgrid's regulated business model, the conversion

would have increased net income by CHF 15.7 million (previous year: CHF 21.9 million). At the same time, the average number of shares outstanding would also have increased by 119,907,035 units (previous year: 165,521,412 units). This leads to a potential dilution of CHF –0.03 per share (previous year: no dilution effect).

## Balance sheet

### Assets

In millions of CHF	Notes	31.12.2020	31.12.2019
Property, plant and equipment	13	2,343.0	2,338.1
Intangible assets	13	136.8	150.9
Financial assets	14	8.7	8.8
Long-term deficits arising from volume- and tariff-related timing differences	15	168.0	62.0
<b>Non-current assets</b>		<b>2,656.5</b>	<b>2,559.8</b>
Assets held on a fiduciary basis	16	23.9	14.8
Short-term deficits arising from volume- and tariff-related timing differences	15	7.9	35.0
Inventory		1.2	1.2
Trade accounts receivable	17	125.5	119.0
Other receivables	18	14.2	1.7
Prepaid expenses and accrued income	19	66.9	48.2
Cash and cash equivalents		200.1	229.1
<b>Current assets</b>		<b>439.7</b>	<b>449.0</b>
<b>Assets</b>		<b>3,096.2</b>	<b>3,008.8</b>

### Equity and liabilities

In millions of CHF	Notes	31.12.2020	31.12.2019
Share capital		320.4	320.4
Capital reserves		410.0	410.0
Retained earnings		423.7	379.5
<b>Total equity</b>		<b>1,154.1</b>	<b>1,109.9</b>
Non-current financial liabilities	20	1,423.1	1,040.5
Non-current provisions	21	25.4	26.8
Non-current surpluses arising from volume- and tariff-related timing differences	15	100.8	120.2
<b>Non-current liabilities</b>		<b>1,549.3</b>	<b>1,187.5</b>
Liabilities held on a fiduciary basis	16	23.9	14.8
Current financial liabilities	20	172.4	519.2
Trade accounts payable		94.4	67.2
Other liabilities	22	2.9	5.0
Accrued expenses and deferred income	23	77.0	72.3
Current provisions	21	2.2	3.3
Current surpluses arising from volume- and tariff-related timing differences	15	20.0	29.6
<b>Current liabilities</b>		<b>392.8</b>	<b>711.4</b>
<b>Total liabilities</b>		<b>1,942.1</b>	<b>1,898.9</b>
<b>Equity and liabilities</b>		<b>3,096.2</b>	<b>3,008.8</b>

## Cash flow statement

In millions of CHF, excluding balance sheet items held on fiduciary basis	Notes	2020	2019
Net income		75.7	28.8
Financial expenses	11	26.0	33.6
Financial income	10	-1.0	-1.2
Current income taxes	12	17.3	7.1
Depreciation and amortisation	13	154.8	156.9
Impairment losses	13	-	31.6
Other expenses not affecting revenue and expenditure		0.1	38.6
Gains/losses on disposal of non-current assets		-	-0.2
Change in provisions	21	-2.5	-2.4
Change in inventory		-	0.1
Change in trade accounts receivable		-6.5	23.7
Change in other receivables		-12.5	-0.2
Change in prepaid expenses and accrued income		-18.7	8.8
Change in volume- and tariff-related timing differences	4, 15	-107.9	-18.4
Change in trade accounts payable		27.2	-2.8
Change in other current liabilities		-2.1	-1.4
Change in accrued expenses and deferred income		-3.3	-3.4
Income taxes paid		-8.7	-20.4
<b>Cash flow from operating activities</b>		<b>137.9</b>	<b>278.8</b>
Gross investments in property, plant and equipment		-165.5	-136.8
Congestion proceeds received for grid investments		32.3	40.1
Net investments in property, plant and equipment	13	-133.2	-96.7
Divestment in property, plant and equipment		0.2	0.2
Investments in intangible assets	13	-12.6	-16.2
Investments in financial assets		-	-0.2
Dividends received		0.7	0.9
<b>Cash flow from investing activities</b>		<b>-144.9</b>	<b>-112.0</b>
Change in current financial liabilities		-169.2	-154.4
Issuing of bonds		555.0	125.0
Repayment of bonds		-350.0	-
Interest paid		-26.3	-33.1
Dividends paid		-31.5	-32.8
<b>Cash flow from financing activities</b>		<b>-22.0</b>	<b>-95.3</b>
<b>Change in cash and cash equivalents</b>		<b>-29.0</b>	<b>71.5</b>
Composition			
Cash and cash equivalents at beginning of period		229.1	157.6
Cash and cash equivalents at end of period		200.1	229.1
<b>Change in cash and cash equivalents</b>		<b>-29.0</b>	<b>71.5</b>

### Other expenses not affecting revenue and expenditure

This item is comprised of the employer contribution reserve used to pay employer contributions.

## Statement of changes in equity

In millions of CHF	Share capital	Capital reserves	Retained earnings	Total equity
Balance at 31.12.2018	318.1	404.5	383.5	1,106.1
Allocation	–	–	–	–
Dividends paid	–	–	–32.8	–32.8
Capital increases (minus transaction costs)	2.3	5.5	–	7.8
Net income 2019	–	–	28.8	28.8
Balance at 31.12.2019	320.4	410.0	379.5	1,109.9
Allocation	–	–	–	–
Dividends paid	–	–	–31.5	–31.5
Capital increases (minus transaction costs)	–	–	–	–
Net income 2020	–	–	75.7	75.7
<b>Balance at 31.12.2020</b>	<b>320.4</b>	<b>410.0</b>	<b>423.7</b>	<b>1,154.1</b>

The share capital consists of 320,398,149 (previous year: 320,398,149) fully paid-up registered shares with a par value of CHF 1 per share. As at 31 December 2020, Swissgrid has conditional share capital of a maximum of CHF 127,036,489, divided into 127,036,489 registered shares with a par value of CHF 1 per share (previous year: CHF 127,036,489, divided into 127,036,489 registered shares with a par value of CHF 1 per share).

# Notes

## 1. Accounting principles

### General information

The 2020 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 line item as the underlying transaction.

### Cash flow statement

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

### Revenue recognition

Revenue is recognised in the income statement upon performance of Swissgrid's obligations. For activities regulated under the Federal Electricity Supply Act (StromVG), the measurement of performance is based mainly on energy volumes directly metered on the transmission grid or reported from downstream grid levels. For certain revenue and procurement items, initial billing values are available six weeks after delivery at the earliest, thereby rendering accruals based on historical and statistical data, as well as on estimates necessary for the revenue recognition of these items.

### Activities according to StromVG

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

According to Art. 14 of the Electricity Supply Act (StromVG), grid utilisation costs must be allocated to users on a user-pays basis. The tariffs for a financial year are determined based on planned costs. Due to price and volume deviations, actual expenses and income vary from the tariff calculation on both the revenue and procurement side. This results in surpluses or deficits, i.e. the tariff revenues from a financial year are higher or lower than the actual expenses incurred during the same period. These volume- and tariff-related timing differences are transferred to the balance sheet and taken into account in cost and revenue calculations for future tariff periods.

The expected reduction in volume- and tariff-related timing differences within 12 months of the balance sheet date is recognised as short-term surpluses or deficits in the balance sheet.

#### EBIT regulated under StromVG

Earnings before interest and taxes (EBIT) from activities related to the Federal Electricity Supply Act (StromVG) are defined in Article 13 of the Electricity Supply Ordinance (StromVV) and are equivalent to the interest applied to the assets required to operate the transmission system with the weighted average cost of capital rate (WACC) for the current year under review ( $= WACC_{t+0}$ ) and the interest applied to the volume- and tariff-related timing differences with the weighted average cost of capital rate of  $WACC_{t+2}$  plus income taxes.

Invested operating assets consist of net current assets calculated on a monthly basis as well as the property, plant and equipment and intangible assets as at the end of the financial year. The weighted average cost of capital rate (WACC) is based on the current international practice of the WACC capital cost concept with reference to the Capital Asset Pricing Model (CAPM). Besides considering the findings of financial market theory, the regulatory framework conditions in Switzerland and the current situation in the money and capital market are also taken into account. The official weighted average cost of capital rates for 2020 ( $WACC_{t+0}$ ) and 2022 ( $WACC_{t+2}$ ) based on this method of calculation are unchanged from the 3.83% used in the previous year.

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

### Property, plant and equipment

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

Depreciation/amortisation is calculated using the straight-line method on the basis of the estimated useful technical and economic service life.

The service life is determined as follows:

- Lines: 15 to 60 years
- Substations: 10 to 35 years
- Buildings and expansions: 5 to 50 years
- Other property, plant and equipment: 3 to 8 years
- Construction in progress and properties: only applicable in the case of an impairment loss

### Intangible assets

Intangible assets are recognised at the cost of acquisition or production less accumulated amortisation and any impairment losses. Depreciation/amortisation is calculated using the straight-line method on the basis of the estimated useful technical and economic service life.

The service life is determined as follows:

- Rights of use: contract term
- Software and technical regulations: 3 to 5 years
- Intangible assets under development: only applicable in the case of an impairment loss

### Impairment losses

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

### Construction in progress/intangible assets under development

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

### Financial assets

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

### Inventory

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

### Accounts receivable

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

### Cash and cash equivalents

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

### Bonds

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

### Liabilities

Liabilities are recognised at their nominal value.

### Provisions

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

### Contingent liabilities

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

### Interest on borrowed capital

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

### Employee pension plan

Swissgrid is a member of an industry-wide retirement benefit plan (PKE, Pensionskasse Energie). This is a legally independent pension fund. All permanent employees of the company are included in this pension fund from 1 January of the year in which they turn 18. They are insured for disability and death. From 1 January of the year in which they turn 25, employees are also covered by retirement insurance.

Economic benefits arising from a pension fund surplus (e.g. in the form of a positive impact on future cash flows) are not capitalised, since the prerequisites for this are not met and the company does not intend to use such benefits to reduce employer contributions. Any benefits arising from freely available employer contribution reserves are recognised as an asset.

An economic obligation (e.g. in the form of negative effects on future cash flows due to a pension fund deficit) is recognised if the prerequisites for the creation of a provision are met.

Accrued contributions for the period, the difference between the annually calculated economic benefit from pension fund surpluses and obligations, as well as the change in the employer contribution reserves are recognised in the income statement as personnel expenses.

### Transactions with related parties

Related parties are organisations and persons that can have a significant influence, either directly or indirectly, on Swissgrid's financial or operational decisions. Shareholders holding at least 20% of the voting rights in Swissgrid, either alone or together with others, are considered to be related parties.

As regards shareholders, other criteria in addition to the proportion of voting rights held are also taken into account (including representation in committees and the possibility of exerting influence due to the shareholder structure). Subsidiaries of related shareholders as well as partner plant companies whose shares are 100% owned by related shareholders or which are controlled by a related shareholder, are also considered to be related parties, as are Members of the Board of Directors and the Executive Board. Provided they exist and are significant, relations with related parties are disclosed in the notes to the financial statements. All transactions are conducted at arm's length.

### Segment information

Segmentation is based on tariff groups as defined in the Electricity Supply Act and is aligned with Swissgrid's internal reporting structure.

### Income taxes

Current income taxes are calculated based on the taxable results on an accruals 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 uses 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 notes 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

In its letter dated 23 August 2019, EICOM reopened proceedings to calculate the volume- and tariff-related timing differences for 2011 and 2012 and has since combined these into a single proceeding. In November 2020, EICOM submitted the draft ruling to Swissgrid to seek its opinion. Swissgrid submitted its opinion to EICOM prior to the end of 2020.

EICOM has not yet initiated any proceedings to examine the volume- and tariff-related timing differences for the years from 2013 to 2020. These proceedings will examine the chargeability of Swissgrid's capital and operating costs. The outcome of these proceedings could result in a reduction of Swissgrid's chargeable costs.

As at 31 December 2020, Swissgrid estimates the cumulative risk for non-chargeable costs at CHF 78 million. As at 31 December 2019, the cumulative risk was estimated at CHF 75 million. Swissgrid's equity situation is therefore not jeopardised, even in the event that the maximum risk of CHF 78 million occurs.

Swissgrid's Board of Directors and Executive Board believe that all costs for the years 2011 to 2020 were incurred within the framework of Swissgrid's legal mandate and should therefore qualify as chargeable. Based on this assessment, Swissgrid has treated all operating and capital costs as chargeable and consequently recognised them in full in the volume- and tariff-related timing differences. If, contrary to Swissgrid's assessment, the costs claimed are ruled to be non-chargeable this would be reflected in future financial statements.

### Third-party proceedings

The financial impact of third-party proceedings in which Swissgrid is involved are included in Swissgrid's financial statements if the Swiss GAAP FER criteria for recognition have been met. However, they have no direct impact on Swissgrid's results as they are included in the volume- and tariff-related timing differences.

## 4. Segment reporting

For segment reporting, the costs of capitalised self-constructed assets are deducted from operating expenses and are therefore not included in total operating income.

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

Congestion management is included in the other activities.

### Segment report 2020

In millions of CHF	Total	Grid utilisation	General ancillary services/ balance energy	Active power losses (individual ancillary services)	Reactive energy (individual ancillary services)	Eliminations	Total activities according to StromVG	Further activities
Net turnover	588.2	354.7	125.4	94.1	17.7	-3.7	588.2	-
Other operating income	14.5	1.6	0.3	-	-	-	1.9	12.6
Change in volume- and tariff-related timing differences	107.9	128.6	29.0	-51.4	1.7	-	107.9	-
Total operating income	710.6	484.9	154.7	42.7	19.4	-3.7	698.0	12.6
Procurement costs	-228.5	-42.8	-132.7	-39.3	-17.4	3.7	-228.5	-
Gross profit	482.1	442.1	22.0	3.4	2.0	-	469.5	12.6
Operating expenses	-210.6	-179.0	-18.9	-2.3	-0.7	-	-200.9	-9.7
Depreciation/amortisation and impairment losses	-154.8	-148.2	-3.2	-0.4	-0.1	-	-151.9	-2.9
<b>Earnings before interest and income tax (EBIT)</b>	<b>116.7</b>	<b>114.9</b>	<b>-0.1</b>	<b>0.7</b>	<b>1.2</b>	<b>-</b>	<b>116.7</b>	<b>-</b>

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

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

In millions of CHF	Total	Grid utilisation	General ancillary services/ balance energy	Active power losses (individual ancillary services)	Reactive energy (individual ancillary services)	Eliminations	Total activities according to StromVG	Further activities
Net turnover	588.2	354.7	125.4	94.1	17.7	-3.7	588.2	-
Other operating income	14.5	1.6	0.3	-	-	-	1.9	12.6
Procurement costs	-228.5	-42.8	-132.7	-39.3	-17.4	3.7	-228.5	-
Operating expenses	-210.6	-179.0	-18.9	-2.3	-0.7	-	-200.9	-9.7
Depreciation/amortisation and impairment losses	-154.8	-148.2	-3.2	-0.4	-0.1	-	-151.9	-2.9
Imputed interest and income taxes (EBIT)	-116.7	-114.9	0.1	-0.7	-1.2	-	-116.7	-
<b>Change in volume- and tariff-related timing differences</b>	<b>-107.9</b>	<b>-128.6</b>	<b>-29.0</b>	<b>51.4</b>	<b>-1.7</b>	<b>-</b>	<b>-107.9</b>	<b>-</b>

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

## Segment report 2019

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	672.7	434.5	176.1	63.8	2.0	-3.7	672.7	-
Other operating income	13.0	1.6	0.1	-	-	-	1.7	11.3
Change in volume- and tariff-related timing differences	18.4	21.6	4.0	-7.7	0.5	-	18.4	-
Total operating income	704.1	457.7	180.2	56.1	2.5	-3.7	692.8	11.3
Procurement costs	-224.9	-18.8	-157.7	-50.5	-1.6	3.7	-224.9	-
Gross profit	479.2	438.9	22.5	5.6	0.9	-	467.9	11.3
Operating expenses	-188.3	-159.5	-17.3	-2.6	-0.1	-	-179.5	-8.8
Depreciation/amortisation and impairment losses	-188.5	-180.6	-5.4	-0.4	-	-	-186.4	-2.1
<b>Earnings before interest and income tax (EBIT)</b>	<b>102.4</b>	<b>98.8</b>	<b>-0.2</b>	<b>2.6</b>	<b>0.8</b>	<b>-</b>	<b>102.0</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	672.7	434.5	176.1	63.8	2.0	-3.7	672.7	-
Other operating income	13.0	1.6	0.1	-	-	-	1.7	11.3
Procurement costs	-224.9	-18.8	-157.7	-50.5	-1.6	3.7	-224.9	-
Operating expenses	-188.3	-159.5	-17.3	-2.6	-0.1	-	-179.5	-8.8
Depreciation/amortisation and impairment losses	-188.5	-180.6	-5.4	-0.4	-	-	-186.4	-2.1
Imputed interest and income taxes (EBIT)	-102.4	-98.8	0.2	-2.6	-0.8	-	-102.0	-0.4
<b>Change in volume- and tariff-related timing differences</b>	<b>-18.4</b>	<b>-21.6</b>	<b>-4.0</b>	<b>7.7</b>	<b>-0.5</b>	<b>-</b>	<b>-18.4</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 and the volume- and tariff-related timing differences plus taxes (cf. Note 1). The individual expense and income positions assigned to the four segments within the StromVG-regulated activities are listed in Note 5.

**Grid utilisation** The grid utilisation segment is predominantly financed by various charges for use of the grid. This segment is also assigned the income from auctioning bottleneck capacities at the national borders to reduce the chargeable grid costs, provided that this purpose is approved by ECom. This segment also includes part of the compensation for international transit flows (ITC); the other part flows to the active power losses segment.

Net turnover in this segment amounts to CHF 354.7 million in the 2020 financial year, CHF 79.8 million below the previous year. Lower tariff revenues of CHF 33.2 million and lower income from auctions for the reduction of chargeable grid costs of CHF 41.8 million are the reasons for this decline from the previous year.

The procurement costs in the 2020 financial year of CHF 42.8 million are CHF 24 million higher than the previous year (CHF 18.8 million), which is due to a CHF 14.8 million increase in national redispatch costs and a CHF 9.2 million increase in additional remuneration to former transmission system owners.

Lower net turnover and higher costs resulted in a deficit of CHF 128.6 million in the 2020 financial year.

**General ancillary services/balance energy** In 2020, net income in this segment declined from CHF 176.1 million to CHF 125.4 million, primarily due to the decrease in tariff revenue compared to the previous year.

The largest expense item for this segment is control power provision, i.e. the reservation of power plant capacity in the interests of balancing energy consumption and energy feed-in as well as the proportional voltage stability costs payable by this segment. The procurement costs of CHF 132.7 million in this segment are CHF 25 million lower than in 2019 due to the decrease in the pro-rata voltage stability costs (CHF 12.6 million) as well as the decline in control power provision costs (CHF 11.7 million).

In 2020, costs exceeded net turnover, resulting in a deficit of CHF 29.0 million.

**Active power losses (individual ancillary services)** This segment reports expenses and income for active power losses in the transmission grid. In addition to tariff revenues, part of the income from ITC flows into this segment. The procurement of energy to offset active power losses takes place on the spot market and via tenders.

Net turnover of CHF 94.1 million in this segment is CHF 30.3 million higher than in the previous year (CHF 63.8 million), primarily due to the CHF 33.1 million increase in tariff revenue.

In the financial year, this segment recorded procurement costs for active power loss of CHF 39.3 million, a decline of CHF 11.2 million from the previous year.

In 2020, revenue exceeded costs, resulting in a surplus of CHF 51.4 million.

**Reactive energy (individual ancillary services)** The supply of reactive energy to maintain the required operating voltage is ensured by means of contractual agreements with several power plants.

Net turnover in this segment increased by CHF 15.7 million year on year, from CHF 2 million to CHF 17.7 million, due to the higher tariff revenue. By contrast, the procurement costs amount to CHF 17.4 million, CHF 15.8 million above the previous year's level of CHF 1.6 million. This increase is due to the higher pro-rata voltage stability costs payable by this segment.

In the 2020 financial year, higher revenue as well as costs led to a deficit of CHF 1.7 million.

## 5. Net turnover and procurement costs according to StromVG

In millions of CHF	Segment	2020	2019
Tariff income for grid utilisation	A	311.4	344.6
Net income from ITC	A/C	15.1	22.7
Income from auctions for the reduction of chargeable grid costs	A	39.7	81.5
Tariff income for general ancillary services (AS) and income from unintentional deviation	B	88.9	136.5
Income from balance group/balance energy	B	36.5	39.6
Tariff income for active power losses	C	82.6	49.5
Tariff income for reactive energy (incl. penalties)	D	17.7	2.0
Eliminations		-3.7	-3.7
<b>Net turnover</b>		<b>588.2</b>	<b>672.7</b>
Expenses for national redispatch	A	17.5	2.7
Additional remuneration to former transmission system owners	A	25.3	16.1
Expenses for AS control power provision and unintentional deviation	B	50.1	61.8
Expenses for automatic start-up/island operation capability	B	1.1	1.1
Expenses for grid enhancement	B	9.0	13.5
Expenses for AS energy	B	26.1	22.3
Expenses for compensation of active power losses	C	39.3	50.5
Expenses for reactive energy/voltage maintenance	B/D	63.8	60.6
Eliminations		-3.7	-3.7
<b>Procurement costs</b>		<b>228.5</b>	<b>224.9</b>

Letters used for segment allocation:

- A = Grid utilisation
- B = General ancillary services/ balance energy
- C = Active power losses (individual ancillary services)
- D = Reactive energy (individual ancillary services)

Segment reporting is provided in Note 4.

Income from ITC consists of the following:

- Compensation for grid utilisation (A) CHF 3.6 million (previous year: CHF 8.4 million)
- Compensation for active power losses (C) CHF 11.5 million (previous year: CHF 14.3 million)

The ITC compensation for grid utilisation and active power losses corresponds to net income. Supervision charges paid to ElCom and to the Swiss Federal Office of Energy (SFOE) in the amount of CHF 4.8 million (previous year: CHF 4.4 million) are deducted from the gross income of CHF 4.8 million for grid utilisation (previous year: CHF 10.0 million) and CHF 15.1 million for active power losses (previous year: CHF 17.1 million).

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

- General AS (B): CHF 46.4 million (previous year: CHF 59.0 million)
- Reactive energy (D): CHF 17.4 million (previous year: CHF 1.6 million)

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

## 6. Other operating income

In millions of CHF	2020	2019
Congestion management clearing	12.4	11.2
Other	2.1	1.8
	<b>14.5</b>	<b>13.0</b>

## 7. Materials and third-party supplies

In millions of CHF	2020	2019
Grid maintenance	19.1	21.3
Grid system control	0.4	0.5
Other services in the grid area	31.5	23.8
Expenses for projects, advisory and non-cash benefits	32.4	26.6
Hardware/software maintenance	11.1	10.3
	<b>94.5</b>	<b>82.5</b>

Other grid-related services include remuneration for easements, including easement management services performed by third parties and operating expenses for mixed-use plants. The number of easements for which Swissgrid pays remuneration to the property owners and therefore also the other services in the grid area item increased compared to the previous year. The increase in the expenses for projects, advisory services and non-cash benefits is due to higher costs for procured third-party services.

## 8. Personnel expenses

In millions of CHF	2020	2019
Salaries, bonuses, allowances	81.5	72.7
Employee insurance	16.3	13.3
Other personnel expenses	3.7	3.7
	<b>101.5</b>	<b>89.7</b>
Headcount at 31.12.		
Permanent employment:		
Number of employees	591.0	542.0
expressed as full-time equivalents:	558.0	513.7
Fixed-term employment:		
Number of employees	7.0	9.0
expressed as full-time equivalents:	5.5	7.1

The increase in personnel expenses can be explained by the growth in the workforce in the 2020 financial year. Other personnel expenses include, in particular, the costs of training and further education, recruitment, lump-sum expenses as well as allowances for external catering for employees.

## Executive Board remuneration

In millions of CHF	2020	2019
Fixed remuneration (incl. lump-sum expenses)	1.78	1.46
Variable remuneration	1.06	0.81
Non-cash benefits <sup>1</sup>	0.03	0.02
Pension benefits <sup>2</sup>	0.53	0.39
<b>Total remuneration to the Executive Board</b>	<b>3.40</b>	<b>2.68</b>
Of which to the highest-earning member of the Executive Board		
Fixed remuneration (incl. lump-sum expenses)	0.49	0.44
Variable remuneration	0.28	0.22
Pension benefits <sup>2</sup>	0.14	0.11
<b>Total remuneration to the highest-earning member of the Executive Board</b>	<b>0.91</b>	<b>0.77</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.

The Long-Term Incentive Plan ("LTIP") that was part of the Executive Board's remuneration was discontinued as at 31 December 2019, and the base value was integrated into the fixed remuneration as at 1 January 2020. The credits acquired due to the achievement of the individual targets during the term of the LTIP were paid out as a one-time variable remuneration.

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	2020	2019
Rental and occupancy costs	8.7	9.1
Ground rents	6.5	4.5
Rental costs for communication equipment/telecommunication expense	3.1	3.3
Board of Directors' fees and expenses, incl. social costs	0.8	0.8
Actual expenses for travel and subsistence for employees and third parties	0.9	2.2
Fees, dues and licences	4.4	4.5
Insurance	1.4	1.6
Other administrative costs	3.0	2.7
	<b>28.8</b>	<b>28.7</b>

Board of Directors' fees and expenses represent fixed gross remuneration. The remuneration paid to the Chairman of the Board of Directors amounted to CHF 250,000, including lump-sum expenses (previous year: CHF 250,000). The remaining members of the Board of Directors received remuneration of between CHF 57,500 and CHF 70,000 pro rata temporis for 2020, including lump-sum expenses (previous year: CHF 55,000 to CHF 65,000).

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	2020	2019
Other financial income	1.0	1.2
	<b>1.0</b>	<b>1.2</b>

Other financial income includes a dividend of CHF 0.7 million (previous year: CHF 0.9 million) from Holding des Gestionnaires de Réseau de Transport d'Électricité SAS (HGRT).

## 11. Financial expenses

In millions of CHF	2020	2019
Bond interest	9.7	10.3
Loans and convertible loans interest	15.7	22.3
Commitment fees	0.2	0.5
Other financial expenses	0.4	0.5
	<b>26.0</b>	<b>33.6</b>

The next partial repayment of convertible loans of CHF 169.2 million occurred at the start of the 2020 financial year, while the interest expense for convertible loans and loans declined accordingly.

## 12. Income taxes

In millions of CHF	2020	2019
Current income taxes	<b>17.3</b>	7.1
Change in deferred taxes	-1.3	-2.6
	<b>16.0</b>	<b>4.5</b>

The higher current income taxes compared to the previous year are a consequence of the higher net income in 2020 in relation to 2019. An average rate of 17.9% (previous year: 18.7%) was used to calculate the current income taxes and, in 2020, deferred taxes were calculated based on an expected rate of 17.65% (previous year: 18%). The effective average tax rate based on earnings before income tax amounts to 17.4% (previous year: 13.5%).

## 13. Non-current assets

### Summary of property, plant and equipment – 2020

In millions of CHF	Advances and construction in progress	Substations	Lines	Properties and buildings	Other property, plant and equipment	Total
Acquisition cost at 1.1.2020	371.8	1,995.8	2,550.5	233.1	65.8	5,217.0
Additions	106.4	8.8	15.0	1.7	1.3	133.2
Disposals	-0.2	-13.4	-0.2	-	-13.6	-27.4
Reclassification	-152.6	28.0	101.0	18.3	2.6	-2.7
Acquisition cost at 31.12.2020	325.4	2,019.2	2,666.3	253.1	56.1	5,320.1
Accumulated depreciation and amortisation at 1.1.2020	5.4	1,194.3	1,557.6	72.0	49.6	2,878.9
Depreciation and amortisation	-	65.9	42.3	7.3	9.9	125.4
Impairment losses	-	-	-	-	-	-
Disposals	-0.2	-13.4	-	-	-13.6	-27.2
Reclassification	-	-	-	-	-	-
Accumulated depreciation and amortisation at 31.12.2020	5.2	1,246.8	1,599.9	79.3	45.9	2,977.1
Net book value at 1.1.2020	366.4	801.5	992.9	161.1	16.2	2,338.1
<b>Net book value at 31.12.2020</b>	<b>320.2</b>	<b>772.4</b>	<b>1,066.4</b>	<b>173.8</b>	<b>10.2</b>	<b>2,343.0</b>

### Summary of property, plant and equipment – 2019

In millions of CHF	Advances and construction in progress	Substations	Lines	Properties and buildings	Other property, plant and equipment	Total
Acquisition cost at 1.1.2019	355.6	1,997.0	2,536.0	234.2	58.6	5,181.4
Additions	91.3	13.5	11.4	3.7	3.0	122.9
Disposals	-	-50.4	-19.6	-7.9	-7.7	-85.6
Reclassification	-75.1	35.7	22.7	3.1	11.9	-1.7
Acquisition cost at 31.12.2019	371.8	1,995.8	2,550.5	233.1	65.8	5,217.0
Accumulated depreciation and amortisation at 1.1.2019	4.9	1,165.4	1,518.4	72.2	48.4	2,809.3
Depreciation and amortisation	-	67.0	42.2	6.8	8.9	124.9
Impairment losses	0.5	12.1	16.6	0.9	-	30.1
Disposals	-	-50.2	-19.6	-7.9	-7.7	-85.4
Reclassification	-	-	-	-	-	-
Accumulated depreciation and amortisation at 31.12.2019	5.4	1,194.3	1,557.6	72.0	49.6	2,878.9
Net book value at 1.1.2019	350.7	831.6	1,017.6	162.0	10.2	2,372.1
<b>Net book value at 31.12.2019</b>	<b>366.4</b>	<b>801.5</b>	<b>992.9</b>	<b>161.1</b>	<b>16.2</b>	<b>2,338.1</b>

Gross investments in property, plant and equipment amounted to CHF 165.5 million (previous year: CHF 136.8 million). Thereof, CHF 32.3 million (prior year: CHF 40.1 million) was financed by proceeds from the auctioning of bottleneck capacities for cross-border supplies.

Project costs of CHF 2.7 million were reclassified from construction in progress to intangible assets under development in the year under review (previous year: CHF 1.7 million).

Property, plant and equipment of CHF 9.6 million (previous year: CHF 9.5 million) were purchased from related parties in 2020.

**Summary of intangible assets – 2020**

In millions of CHF	Intangible assets under development			Usage rights		
	Purchased	Self-constructed	Total	Purchased	Self-constructed	Total
Acquisition cost at 1.1.2020	10.3	2.9	13.2	158.4	–	158.4
Additions	5.1	0.7	5.8	–	–	–
Disposals	–0.3	–	–0.3	–0.2	–	–0.2
Reclassification	–7.0	–2.0	–9.0	2.5	–	2.5
Acquisition cost at 31.12.2020	8.1	1.6	9.7	160.7	–	160.7
Accumulated depreciation and amortisation at 1.1.2020	0.3	–	0.3	69.7	–	69.7
Depreciation and amortisation	–	–	–	5.2	–	5.2
Impairment losses	–	–	–	–	–	–
Disposals	–0.3	–	–0.3	–0.2	–	–0.2
Reclassification	–	–	–	–	–	–
Accumulated depreciation and amortisation at 31.12.2020	–	–	–	74.7	–	74.7
Net book value at 1.1.2020	10.0	2.9	12.9	88.7	–	88.7
<b>Net book value at 31.12.2020</b>	<b>8.1</b>	<b>1.6</b>	<b>9.7</b>	<b>86.0</b>	<b>–</b>	<b>86.0</b>

**Summary of intangible assets – 2019**

In millions of CHF	Intangible assets under development			Usage rights		
	Purchased	Self-constructed	Total	Purchased	Self-constructed	Total
Acquisition cost at 1.1.2019	17.6	11.7	29.3	151.6	–	151.6
Additions	4.7	1.9	6.6	3.3	–	3.3
Disposals	–	–	–	–0.2	–	–0.2
Reclassification	–12.0	–10.7	–22.7	3.7	–	3.7
Acquisition cost at 31.12.2019	10.3	2.9	13.2	158.4	–	158.4
Accumulated depreciation and amortisation at 1.1.2019	–	–	–	64.6	–	64.6
Depreciation and amortisation	–	–	–	5.3	–	5.3
Impairment losses	0.3	–	0.3	–	–	–
Disposals	–	–	–	–0.2	–	–0.2
Reclassification	–	–	–	–	–	–
Accumulated depreciation and amortisation at 31.12.2019	0.3	–	0.3	69.7	–	69.7
Net book value at 1.1.2019	17.6	11.7	29.3	87.0	–	87.0
<b>Net book value at 31.12.2019</b>	<b>10.0</b>	<b>2.9</b>	<b>12.9</b>	<b>88.7</b>	<b>–</b>	<b>88.7</b>

In 2020, services for intangible assets of CHF 3,000 (previous year: CHF 63,000) were purchased from related parties.

Software			Total intangible assets		
Purchased	Self-constructed	Total	Purchased	Self-constructed	Total
134.5	56.9	191.4	303.2	59.8	363.0
4.9	1.9	6.8	10.0	2.6	12.6
-4.6	-0.7	-5.3	-5.1	-0.7	-5.8
6.9	2.3	9.2	2.4	0.3	2.7
141.7	60.4	202.1	310.5	62.0	372.5
104.2	37.9	142.1	174.2	37.9	212.1
16.3	7.9	24.2	21.5	7.9	29.4
-	-	-	-	-	-
-4.7	-0.6	-5.3	-5.2	-0.6	-5.8
-	-	-	-	-	-
115.8	45.2	161.0	190.5	45.2	235.7
30.3	19.0	49.3	129.0	21.9	150.9
<b>25.9</b>	<b>15.2</b>	<b>41.1</b>	<b>120.0</b>	<b>16.8</b>	<b>136.8</b>

Software			Total intangible assets		
Purchased	Self-constructed	Total	Purchased	Self-constructed	Total
124.1	43.5	167.6	293.3	55.2	348.5
3.9	2.4	6.3	11.9	4.3	16.2
-3.0	-0.2	-3.2	-3.2	-0.2	-3.4
9.5	11.2	20.7	1.2	0.5	1.7
134.5	56.9	191.4	303.2	59.8	363.0
89.9	27.7	117.6	154.5	27.7	182.2
17.3	9.2	26.5	22.6	9.2	31.8
-	1.2	1.2	0.3	1.2	1.5
-3.0	-0.2	-3.2	-3.2	-0.2	-3.4
-	-	-	-	-	-
104.2	37.9	142.1	174.2	37.9	212.1
34.2	15.8	50.0	138.8	27.5	166.3
<b>30.3</b>	<b>19.0</b>	<b>49.3</b>	<b>129.0</b>	<b>21.9</b>	<b>150.9</b>

## 14. Financial assets

In millions of CHF	31.12.2020	31.12.2019
Shareholdings	8.7	8.7
Employer contribution reserves	–	0.1
	<b>8.7</b>	<b>8.8</b>

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

		Share capital in m.	Share in %
Joint Allocation Office (JAO)	B	0.100	5.0
TSCNET Services GmbH	C	0.033	7.1
Holding des Gestionnaires de Réseau de Transport d'Electricité SAS (HGRT)	D	52.119	5.0
Pronovo AG	E	0.100	100.0
ecmt AG	F	0.100	20.0
Equigy B.V.	G	0.040	25.0
AET NE1 SA	A	0.100	100.0
ALENA Aletsch Energie Netz AG	A	0.100	100.0
Alpiq Netz AG Gösgen/Aarau	A	0.100	100.0
Alpiq Réseau SA Lausanne/Aarau	A	0.100	100.0
BKW Übertragungsnetz AG	A	0.100	100.0
CKW Grid AG	A	0.100	100.0
EGL Grid AG	A	0.100	100.0
ewb Übertragungsnetz AG	A	0.100	100.0
ewz Übertragungsnetz AG	A	0.100	100.0
FMV Réseau SA	A	0.100	100.0
Kraftwerke Hinterrhein Netz AG	A	0.100	100.0
LENA Lonza Energie Netz AG	A	0.100	100.0
Nordostschweizerische Kraftwerke Grid AG	A	0.100	100.0
Ofible Rete SA	A	0.100	100.0
Ofima Rete SA	A	0.100	100.0
Repower Transportnetz AG	A	0.100	100.0
SN Übertragungsnetz AG	A	0.100	100.0
Übertragungsnetz Basel/Aarau AG	A	0.100	100.0

Letters used for locations and currencies:

A = Aarau (formerly Laufenburg, CH) | Currency CHF

B = Luxembourg (Lux) | Currency EUR

C = Munich (D) | Currency EUR

D = Paris (F) | Currency EUR

E = Frick (CH) | Currency CHF

F = Embrach (CH) | Currency CHF

G = Arnhem (NL) | Currency EUR

In the 2020 financial year, Swissgrid founded the joint venture Equigy together with the transmission system operators TenneT TSO B.V. (Netherlands), TenneT TSO GmbH (Germany) and TERNA S.p.A. (Italy). Equigy, the blockchain-based crowd balancing platform, intensifies collaboration at a European level and standardises the integration of small, decentralised units into the grid control process.

Swissgrid is not legally obliged to prepare consolidated financial statements. Either the control principle necessary to prepare a consolidated financial statement (FER 30) is not met, or the subsidiaries do not have a material influence on Swissgrid's financial statements. In particular, Pronovo AG is regulated by the Swiss Federal Office of Energy (SFOE) and is explicitly excluded from any consolidation with Swissgrid based on Art. 64 (5) of the Energy Act (EnG).

Otherwise, the information is unchanged from the previous year.

## 15. Volume- and tariff-related timing differences

In millions of CHF	Grid utilisation	General ancillary services/ balance energy	Active power losses (individual ancillary services)	Reactive energy (individual ancillary services)	Total volume- and tariff-related timing differences	Thereof surpluses	Thereof deficits
Balance at 31.12.2018	3.9	-130.2	69.2	22.6	-34.5	-130.2	95.7
Change in 2019	-10.0	-23.6	-2.8	-0.3	-36.7	-	-
Reclassification	21.6	4.0	-7.7	0.5	18.4	-	-
Balance at 31.12.2019	15.5	-149.8	58.7	22.8	-52.8	-149.8	97.0
Change in 2020	128.6	29.0	-51.4	1.7	107.9	-	-
<b>Balance at 31.12.2020</b>	<b>144.1</b>	<b>-120.8</b>	<b>7.3</b>	<b>24.5</b>	<b>55.1</b>	<b>-120.8</b>	<b>175.9</b>
Current portion	-	-20.0	6.3	1.6	-12.1	-20.0	7.9

Negative figures represent surpluses, and positive figures deficits.

Further information on volume- and tariff-related timing differences (function, estimation uncertainties and current legal proceedings) can be found in Notes 1, 2 and 3.

## 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	31.12.2020	31.12.2019
Trade accounts receivable	11.5	4.0
Prepaid expenses and accrued income	3.3	0.4
Cash and cash equivalents	9.1	10.4
	<b>23.9</b>	<b>14.8</b>

### Liabilities held on a fiduciary basis

In millions of CHF	31.12.2020	31.12.2019
Trade accounts payable	16.6	13.8
Other liabilities	0.4	–
Accrued expenses and deferred income	6.9	1.0
	<b>23.9</b>	<b>14.8</b>

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

In millions of CHF	2020	2019
Share of revenue Switzerland	91.4	127.7
Congestion management clearing	–13.5	–12.3
Net proceeds	77.9	115.4
Used for reduction of the chargeable grid costs	–39.1	–74.4
Used for grid investments	–32.0	–40.1
Undistributed income from auctions	6.8	0.9

Pursuant to the EICOM letter of approval issued on 7 February 2019, income from auctions in 2020 in the amount of CHF 71.1 million (previous year: CHF 114.5 million) was paid to Swissgrid.

As of the balance sheet date, derivative financial instruments (futures) in the nominal amount of EUR 70.2 million exist to partially hedge against the EUR/CHF currency risk from expected future income in euros. The negative replacement values as at 31 December 2020 amount to CHF 1.0 million (previous year: positive replacement values of CHF 1.5 million).

## 17. Trade receivables

In millions of CHF	31.12.2020	31.12.2019
Trade receivables	125.5	119.0
Specific valuation allowances	–	–
	<b>125.5</b>	<b>119.0</b>

## 18. Other receivables

In millions of CHF	31.12.2020	31.12.2019
Security deposits on blocked bank accounts	1.1	1.1
Other	13.1	0.6
	<b>14.2</b>	<b>1.7</b>

As of the cut-off date, "Other receivables" include the outstanding receivable for the 2020 enforcement costs for handling the congestion management in the amount of CHF 12.4 million. In 2019, the enforcement costs of CHF 11.2 million were reported in prepaid expenses and accrued income due to the different invoicing date.

## 19. Prepaid expenses and accrued income

In millions of CHF	31.12.2020	31.12.2019
Accrued revenue for supplies made	41.4	45.6
Other	25.5	2.6
	<b>66.9</b>	<b>48.2</b>

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

## 20. Financial liabilities

In millions of CHF	31.12.2020	31.12.2019
Bonds	1,180.0	975.0
Convertible loans	415.4	584.6
Loans	0.1	0.1
<b>Total financial liabilities</b>	<b>1,595.5</b>	<b>1,559.7</b>
Current portion	172.4	519.2

### 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%	2020–2028	30.06.2028
150 million	0.625%	2015–2030	25.02.2030
150 million	0.200%	2020–2032	30.06.2032
125 million	0.150%	2020–2034	30.06.2034
130 million	0.125%	2020–2036	30.06.2036
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. As a result, the next partial repayment of convertible loans, amounting to CHF 169.2 million, was made at the start of the 2020 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:

Category	Interest rate p.a. (range)	Up to 1 year	2–5 years	More than 5 years
Convertible loans	3,36–3,93%	172.4	237.2	5.8
Loans	0.00%	–	–	0.1

Convertible loans and loans are assessed at their nominal value.

### Lines of credit

The committed lines of credit total CHF 200 million and remain unclaimed as at 31 December 2020.

## 21. Provisions

In millions of CHF	Restructuring	Dismantling	Employee incentive plan	Procedural costs	Deferred taxes	Total provisions
Balance at 31 December 2018	0.5	6.5	0.4	2.6	22.5	32.5
Provisions raised	–	–	0.2	1.9	–	2.1
Provisions used	0.3	0.3	0.3	0.2	2.6	3.7
Reversals	0.2	0.1	–	0.5	–	0.8
Balance at 31 December 2019	–	6.1	0.3	3.8	19.9	30.1
Provisions raised	–	–	–	1.5	–	1.5
Provisions used	–	–	0.3	1.5	1.3	3.1
Reversals	–	–	–	0.9	–	0.9
<b>Balance at 31 December 2020</b>	<b>–</b>	<b>6.1</b>	<b>0.0</b>	<b>2.9</b>	<b>18.6</b>	<b>27.6</b>
Current portion	–	–	–	2.2	–	2.2

### Procedural costs

With the grid takeovers on 3 January 2013 and 5 January 2015 and the associated spin-offs of the procedural companies from the grid companies, contractual regulations mean that Swissgrid is responsible for the costs of proceedings attributable to the procedural companies.

The provision corresponds to Swissgrid's expected future expenses for party, court and legal costs that may arise for the procedural companies as part of their administrative procedures in conducting proceedings.

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

The large number of proceedings, as well as their complex subject matters, mean that numerous reassessments are required over time that will influence the provision amount as well as the provisions raised, reversed and the expected current portion within the statement of provisions.

## 22. Other liabilities

In millions of CHF	31.12.2020	31.12.2019
Value-added tax	0.4	3.6
Security deposits on blocked bank accounts	0.8	0.8
Other	1.7	0.6
	<b>2.9</b>	<b>5.0</b>

The "Other" item contains outstanding obligations towards PKE Vorsorgestiftung Energie of CHF 1.3 million (previous year: CHF 0.4 million) as of the cut-off date.

## 23. Accrued expenses and deferred income

In millions of CHF	31.12.2020	31.12.2019
Accrued expenses for supplies made	49.8	52.8
Personnel expenses and employee insurance scheme	9.0	7.5
Accrued interest and premium from issued bonds	9.0	10.6
Taxes	9.2	1.4
	<b>77.0</b>	<b>72.3</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

### Assessed transaction value for the transmission system

The EICom ruling issued on 20 October 2016 definitively established the method for determining the assessed value of the transmission system. Swissgrid paid the first remuneration based on this method to the former transmission system owners on 3 January 2017. The final remuneration owed under this method could not yet be paid as proceedings relevant to the valuation were still pending. EICom has now issued rulings on all pending valuation proceedings and so provided a ruling on the final regulatory values of the transmission system assets at the respective transaction date. The requirements for the equal treatment of all former transmission system owners for the final remuneration have therefore been met.

The final remuneration is planned for 2021 and will increase the value of Swissgrid's non-current assets by an expected amount of CHF 100 to 150 million. Due to the regulatory business model, this will also indirectly lead to a higher net income.

### Joint Allocation Office (JAO)

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

### TSCNET Services GmbH

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

### Equigy B.V.

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

### Long-term rental contracts

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

In millions of CHF	Up to 1 year	Year 2–10	More than 10 years	Total
31.12.2020	6.0	38.3	68.3	112.6
31.12.2019	6.0	39.3	72.1	117.4

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	Up to 1 year	2–5 years	Total
31.12.2020	0.8	1.2	2.0
31.12.2019	0.7	0.6	1.3

## 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 18.3 million (previous year: EUR 14.2 million), with negative replacement values of EUR 1.5 million as at 31 December 2020 (previous year: EUR 0.3 million).

## 27. Employee pension plan

Employer contribution reserve (ECR)	Nominal value		Renounced use		Balance sheet		Formation of ECR		Balance sheet		Result from ECR in personnel expenses	
	In millions of CHF		31.12.2020	pro 2020	31.12.2020	pro 2020	31.12.2019	2020	2019			
Pension fund (PKE)	–	–	–	–	–	0.1	0.1	1.9				
<b>Total</b>	–	–	–	–	–	<b>0.1</b>	<b>0.1</b>	<b>1.9</b>				

Economic benefit/economic obligation and pension benefit expenses	Shortfall/surplus funding		Economic share of the organisation		Change compared with previous year/ affecting income in FY	Accrued contributions	Pension benefit expenses within personnel expenses	
	In millions of CHF		31.12.2020	31.12.2020			31.12.2019	2020
Pension fund without shortfall/surplus funding (PKE)	–	–	–	–	–	9.6	9.6	7.5
<b>Total</b>	–	–	–	–	–	<b>9.6</b>	<b>9.6</b>	<b>7.5</b>

In this financial year, CHF 0.1 million of the employer contribution reserve was used to pay monthly employer contributions.

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 112.5% as at 31 December 2020 (previous year: 109.2%).

## 28. Transactions with related parties

Transactions with related parties in millions of CHF	2020	2019
Total operating activities		
Net turnover	320.9	293.5
thereof grid utilisation	216.2	221.1
thereof general ancillary services / balance energy	35.4	38.3
thereof active power losses	55.3	32.4
thereof reactive energy	14.0	1.7
Other operating income	0.1	0.6
Procurement costs and operating expenses		
Procurement costs	125.3	93.0
thereof grid utilisation	28.8	0.6
thereof general ancillary services / balance energy	80.5	51.7
thereof active power losses	7.8	5.2
thereof reactive energy	8.2	35.5
Cost of materials and third-party supplies	13.0	10.2
Other operating expenses	1.7	6.8
Financial result		
Financial expenses	6.9	9.7

Unsettled balances at balance sheet date with related parties in millions of CHF	2020	2019
Assets		
Trade receivables	63.3	56.6
Prepaid expenses and accrued income	15.3	8.7
Liabilities		
Convertible loans and loans	186.7	259.6
Trade accounts payable	27.3	21.5
Accrued expenses and deferred income	15.2	4.7

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 2020 financial statements.

On 20 April 2021, the Board of Directors of Swissgrid Ltd approved the 2020 financial statements for submission to the General Assembly and for publication.



# 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 2020, 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 20 to 46) give a true and fair view of the financial position of the Company as at 31 December 2020, 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 2020 financial year Swissgrid reports an EBIT (earnings before interest and taxes) of CHF 116.7 million. The change in volume- and tariff-related timing differences amounts to CHF +107.9 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 2020 financial year Swissgrid reports a net turnover of CHF 588.2 Mio. CHF and the procurement costs amount to CHF 228.5 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 2020) 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, 20 April 2021

KPMG AG, Viaduktstrasse 42, PO Box 3456, 4002 Basel

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# Statutory financial statements

## Income statement

In millions of CHF	Notes	2020	2019
Net turnover	3	588.2	672.7
Other operating income	4	14.5	13.2
Change in volume- and tariff-related timing differences		109.2	21.0
Capitalised self-constructed assets		14.2	12.6
Total operating income		726.1	719.5
Procurement costs	3	228.5	224.9
Gross profit		497.6	494.6
Cost of materials and third-party supplies	5	94.5	82.5
Personnel expenses	6	101.5	89.7
Other operating expenses	7	28.8	28.7
Earnings before interest, income taxes, depreciation and amortisation		272.8	293.7
Depreciation on property, plant and equipment		121.9	121.0
Amortisation on intangible assets		37.5	40.0
Impairment losses		–	31.6
Earnings before interest and income taxes (EBIT)		113.4	101.1
Financial income		1.0	1.2
Financial expenses		26.0	33.3
Ordinary result		88.4	69.0
Extraordinary expenses		–	36.7
Profit for the year before taxes		88.4	32.3
Income taxes		17.3	7.1
<b>Profit for the year</b>		<b>71.1</b>	<b>25.2</b>

## Balance sheet

### Assets

In millions of CHF	Notes	31.12.2020	31.12.2019
Cash and cash equivalents		200.1	229.1
Trade accounts receivable	8	125.5	119.0
Other receivables	9	14.2	1.7
Inventory		1.2	1.2
Prepaid expenses and accrued income	10	66.9	48.2
Short-term deficits arising from volume-and tariff-related timing differences		7.9	35.0
Assets held on a fiduciary basis	11	23.9	14.8
<b>Current assets</b>		<b>439.7</b>	<b>449.0</b>
Financial assets	12	–	0.1
Shareholdings	13	8.7	8.7
Property, plant and equipment	14	2,258.0	2,249.6
Intangible assets	15	235.6	257.8
Long-term deficits arising from volume-and tariff-related timing differences		149.4	46.6
<b>Non-current assets</b>		<b>2,651.7</b>	<b>2,562.8</b>
<b>Assets</b>		<b>3,091.4</b>	<b>3,011.8</b>

### Equity and liabilities

In millions of CHF	Notes	31.12.2020	31.12.2019
Trade accounts payable	16	94.4	67.2
Current financial liabilities	19	172.4	519.2
Other liabilities	17	2.9	5.0
Accrued expenses and deferred income	18	77.0	72.3
Current provisions	20	2.2	3.3
Current surpluses arising from volume-and tariff-related timing differences		20.0	29.6
Liabilities held on a fiduciary basis	11	23.9	14.8
<b>Current liabilities</b>		<b>392.8</b>	<b>711.4</b>
Non-current financial liabilities	19	1,423.1	1,040.5
Non-current provisions	20	6.8	6.9
Non-current surpluses arising from volume-and tariff-related timing differences		100.8	124.7
<b>Non-current liabilities</b>		<b>1,530.7</b>	<b>1,172.1</b>
<b>Liabilities</b>		<b>1,923.5</b>	<b>1,883.5</b>
Share capital	21	320.4	320.4
Legal capital reserves		409.0	409.0
Reserves from capital contributions		409.0	409.0
Legal retained earnings		1.6	1.6
General legal reserves		1.6	1.6
Voluntary retained earnings		436.9	397.3
Available earnings		436.9	397.3
Results carried forward		365.8	372.1
Profit for the year		71.1	25.2
<b>Equity</b>		<b>1,167.9</b>	<b>1,128.3</b>
<b>Equity and liabilities</b>		<b>3,091.4</b>	<b>3,011.8</b>

## Cash flow statement

In millions of CHF, excluding balance sheet items held on fiduciary basis	Notes	2020	2019
Profit for the year		71.1	25.2
Financial expenses		26.0	33.3
Financial income		-1.0	-1.2
Current income taxes		17.3	7.1
Depreciation and amortisation		159.4	161.0
Impairment losses		-	31.6
Other expenses not affecting revenue and expenditure		0.1	38.6
Gains/losses on disposal of non-current assets		-	-0.4
Change in provisions		-1.2	0.2
Change in inventory		-	0.1
Change in trade accounts receivable		-6.5	23.7
Change in other receivables		-12.5	-0.2
Change in prepaid expenses and accrued income		-18.7	8.8
Change in volume- and tariff-related timing differences		-109.2	-21.0
Change in trade accounts payable		27.2	-2.8
Change in other current liabilities		-2.1	-1.4
Change in accrued expenses and deferred income		-3.3	-3.4
Income taxes paid		-8.7	-20.4
<b>Cash flow from operating activities</b>		<b>137.9</b>	<b>278.8</b>
Gross investments in property, plant and equipment		-165.5	-136.8
Congestion proceeds received for grid investments		32.3	40.1
<b>Net investments in property, plant and equipment</b>		<b>-133.2</b>	<b>-96.7</b>
Divestment in property, plant and equipment		0.2	0.2
Investments in intangible assets		-12.6	-16.2
Investments in shareholdings		-	-0.2
Dividends received		0.7	0.9
<b>Cash flow from investing activities</b>		<b>-144.9</b>	<b>-112.0</b>
Change in current financial liabilities		-169.2	-154.4
Issuing of bonds		555.0	125.0
Repayment of bonds		-350.0	-
Interest paid		-26.3	-33.1
Dividends paid		-31.5	-32.8
<b>Cash flow from financing activities</b>		<b>-22.0</b>	<b>-95.3</b>
<b>Change in cash and cash equivalents</b>		<b>-29.0</b>	<b>71.5</b>
Composition			
Cash and cash equivalents at beginning of period		229.1	157.6
Cash and cash equivalents at end of period		200.1	229.1
<b>Change in cash and cash equivalents</b>		<b>-29.0</b>	<b>71.5</b>

### Other expenses not affecting revenue and expenditure

This item is comprised of the employer contribution reserve used to pay employer contributions.

# Notes

## 1. Accounting principles

### General information

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

### Cash flow statement

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

### Revenue recognition

Revenue is recognised in the income statement upon performance of Swissgrid's obligations. For activities regulated under the Federal Electricity Supply Act (StromVG), the measurement of performance is based mainly on energy volumes directly metered on the transmission grid or reported from downstream grid levels. For certain revenue and procurement items, initial billing values are available six weeks after service provision at the earliest, thereby rendering accruals based on historical and statistical data, as well as on estimates necessary for the revenue recognition of these items.

### Activities according to StromVG

**Volume- and tariff-related timing differences (surpluses and deficits)** According to Art. 14 of the Electricity Supply Act (StromVG), grid utilisation costs must be allocated to users on a user-pays basis. The tariffs for a financial year are determined based on planned costs. Due to price and volume deviations, actual expenses and income vary from the tariff calculation on both the revenue and procurement side. This results in surpluses or deficits, i.e. the tariff revenues from a financial year are higher or lower than the actual expenses incurred during the same period. These volume- and tariff-related timing differences are transferred to the balance sheet and taken into account in cost and revenue calculations for future tariff periods. The expected reduction in volume- and tariff-related timing differences within 12 months of

the balance sheet date is recognised as short-term surpluses or deficits arising from volume- and tariff-related timing differences in the balance sheet.

**EBIT regulated under StromVG** Earnings before interest and taxes (EBIT) from activities related to the Federal Electricity Supply Act (StromVG) are defined in Article 13 of the Electricity Supply Ordinance (StromVV) and are equivalent to the interest applied to the assets required to operate the transmission system with the weighted average cost of capital rate (WACC) for the current year under review (=  $WACC_{t+0}$ ) and the interest applied to the volume- and tariff-related timing differences with the weighted average cost of capital rate of  $WACC_{t+2}$  plus income taxes.

Invested operating assets consist of net current assets calculated on a monthly basis as well as the property, plant and equipment and intangible assets as at the end of the financial year. The weighted average cost of capital rate (WACC) is based on the current international practice of the WACC capital cost concept with reference to the Capital Asset Pricing Model (CAPM). Besides considering the findings of financial market theory, the regulatory framework conditions in Switzerland and the current situation in the money and capital market are also taken into account. The official weighted average cost of capital rates for 2020 ( $WACC_{t+0}$ ) and 2022 ( $WACC_{t+2}$ ) based on this method of calculation are unchanged from the 3.83% used in the previous year.

The chargeability of Swissgrid's operating and capital costs for tariff-setting purposes is subject to approval by ElCom, which takes place ex post. 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 counter-value 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 uses derivative financial instruments to hedge against currency and market risks. If the conditions are met, Swissgrid will apply hedge accounting to hedge expected future cash flows. The instruments used for this purpose will be disclosed in the notes to the financial statements until the underlying transaction is realised.

## 2. Estimation uncertainty

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

For more information on this, the reader is referred to the comments in the sections on "Revenue recognition" and "Activities according to StromVG" in Note 1, as well as the comments in Note 25.

## 3. Net turnover and procurement costs

### Net turnover

For the 2020 financial year, net turnover across all segments amounts to CHF 588.2 million. Net turnover of CHF 672.7 million was recorded in the previous year. The decline in turnover is predominantly due to the CHF 33.2 million drop in tariff revenue in the grid utilisation segment and as well as the CHF 50.7 million decline in the general ancillary services segment. The grid utilisation segment also reported a CHF 41.8 million decline in income from auctions for the reduction of chargeable grid costs compared to the previous year. By contrast, net turnover in the active power loss and reactive energy individual ancillary services segments increased by CHF 30.3 million and CHF 15.7 million respectively, particularly due to higher tariff income.

### Procurement costs

At CHF 228.5 million, procurement costs are CHF 3.6 million higher than the previous year's value of CHF 224.9 million. In the grid utilisation and reactive energy segments, the procurement costs increased by CHF 24 million and CHF 15.8 million respectively. In the grid utilisation segment, this increase is due to higher national redispatch costs of CHF 14.8 million as well as a rise in additional remuneration to former transmission system operators of CHF 9.2 million. In the reactive energy segment, the pro-rata voltage stability costs payable by this segment increased by CHF 15.8 million compared to 2019.

By contrast, the procurement costs in the general ancillary services and active power losses segments fell by CHF 25 million, and CHF 11.2 million respectively. In the general ancillary services segment, this was primarily due to the lower pro rata voltage stability costs of CHF 12.6 million and the fall in control power provision costs to CHF 11.7 million. The active power losses segment recorded lower procurement costs for active power loss.

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	2020	2019
Congestion management clearing	12.4	11.2
Other	2.1	2.0
	<b>14.5</b>	<b>13.2</b>

## 5. Materials and third-party supplies

In millions of CHF	2020	2019
Grid maintenance	19.1	21.3
Grid system control	0.4	0.5
Other services in the grid area	31.5	23.8
Expenses for projects, advisory and non-cash benefits	32.4	26.6
Hardware/software maintenance	11.1	10.3
	<b>94.5</b>	<b>82.5</b>

Other grid-related services include remuneration for easements, including easement management services performed by third parties and operating expenses for mixed-use plants. The number of easements for which Swissgrid pays remuneration to the property owners and therefore also the other services in the grid area item increased compared to the previous year. The increase in the expenses for projects, advisory services and non-cash benefits is due to higher costs for procured third-party services.

## 6. Personnel expenses

In millions of CHF	2020	2019
Salaries, bonuses, allowances	81.5	72.7
Employee insurance	16.3	13.3
Other personnel expenses	3.7	3.7
	<b>101.5</b>	<b>89.7</b>

The increase in personnel expenses can be explained by the growth in the workforce in the 2020 financial year. Other personnel expenses include, in particular, the costs of training and further education, recruitment, lump-sum expenses as well as allowances for external catering for employees. The average number of full-time equivalents exceeded 250 in the reporting period, as was the case in the previous year.

## 7. Other operating expenses

In millions of CHF	2020	2019
Rental and occupancy costs	8.7	9.1
Ground rents	6.5	4.5
Rental costs for communication equipment/telecommunication expense	3.1	3.3
Board of Directors' fees and expenses, incl. social costs	0.8	0.8
Actual expenses for travel and subsistence for employees and third parties	0.9	2.2
Fees, dues and licences	4.4	4.5
Insurance	1.4	1.6
Other administrative costs	3.0	2.7
	<b>28.8</b>	<b>28.7</b>

Board of Directors' fees and expenses represent fixed gross remuneration. The remuneration paid to the Chairman of the Board of Directors amounted to CHF 250,000, including lump-sum expenses (previous year: CHF 250,000). The remaining members of the Board of Directors received remuneration of between CHF 57,500 and CHF 70,000 pro rata temporis for 2020, including lump-sum expenses (previous year: CHF 55,000 to CHF 65,000).

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 2020, trade receivables include CHF 23.1 million (previous year: CHF 15.3 million) in relation to companies with a direct or indirect shareholding in Swissgrid.

## 9. Other receivables

As of the cut-off date, "Other receivables" include the outstanding receivable for the 2020 enforcement costs for handling the congestion management in the amount of CHF 12.4 million. In 2019, the enforcement costs of CHF 11.2 million as of the cut-off date were reported in prepaid expenses and accrued income due to the different invoicing date.

## 10. Prepaid expenses and accrued income

In millions of CHF	31.12.2020	31.12.2019
Accrued revenue for supplies made	41.4	45.6
Other	25.5	2.6
	<b>66.9</b>	<b>48.2</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 letter of approval issued on 7 February 2019, income from auctions in 2020 in the amount of CHF 71.1 million (previous year: CHF 114.5 million) was paid to Swissgrid.

At CHF 23.9 million, the balance sheet item is CHF 9.1 million above the previous year's value of CHF 14.8 million, primarily due to the CHF 5.9 million increase in unused income from auctions.

As of the balance sheet date, derivative financial instruments (futures) in the nominal amount of EUR 70.2 million exist to partially hedge against the EUR/CHF currency risk from expected future income in euros. The negative replacement values as at 31 December 2020 amount to CHF 1.0 million (previous year: positive replacement values of CHF 1.5 million).

## 12. Financial assets

In this financial year, CHF 0.1 million of the employer contribution reserve was used to pay monthly employer contributions.

### 13. Shareholdings

		Share capital in m.	Share in %
Joint Allocation Office (JAO)	B	0.100	5.0
TSCNET Services GmbH	C	0.033	7.1
Holding des Gestionnaires de Réseau de Transport d'Electricité SAS (HGRT)	D	52.119	5.0
Pronovo AG	E	0.100	100.0
ecmt AG	F	0.100	20.0
Equigy B.V.	G	0.040	25.0
AET NE1 SA	A	0.100	100.0
ALENA Aletsch Energie Netz AG	A	0.100	100.0
Alpiq Netz AG Gösigen/Aarau	A	0.100	100.0
Alpiq Réseau SA Lausanne/Aarau	A	0.100	100.0
BKW Übertragungsnetz AG	A	0.100	100.0
CKW Grid AG	A	0.100	100.0
EGL Grid AG	A	0.100	100.0
ewb Übertragungsnetz AG	A	0.100	100.0
ewz Übertragungsnetz AG	A	0.100	100.0
FMV Réseau SA	A	0.100	100.0
Kraftwerke Hinterrhein Netz AG	A	0.100	100.0
LENA Lonza Energie Netz AG	A	0.100	100.0
Nordostschweizerische Kraftwerke Grid AG	A	0.100	100.0
Ofible Rete SA	A	0.100	100.0
Ofima Rete SA	A	0.100	100.0
Repower Transportnetz AG	A	0.100	100.0
SN Übertragungsnetz AG	A	0.100	100.0
Übertragungsnetz Basel/Aarau AG	A	0.100	100.0

Shareholdings Letters used for locations and currencies:

A = Aarau (formerly Laufenburg, CH) | Currency CHF

B = Luxembourg (Lux) | Currency EUR

C = Munich (D) | Currency EUR

D = Paris (F) | Currency EUR

E = Frick (CH) | Currency CHF

F = Embrach (CH) | Currency CHF

G = Arnhem (NL) | Currency EU

In the 2020 financial year, Swissgrid founded the joint venture Equigy together with the transmission system operators TenneT TSO B.V. (Netherlands), TenneT TSO GmbH (Germany) as well as TERNA S.p.A. (Italy). Equigy, the blockchain-based crowd balancing platform, intensifies collaboration at a European level and standardises the integration of small, decentralised units into the grid control process.

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 (OR)) is not met, or the subsidiaries do not have a material influence on Swissgrid's financial statements. In particular, Pronovo AG is regulated by the Swiss Federal Office of Energy

(SFOE) and is explicitly excluded from any consolidation with Swissgrid based on Art. 64 (5) of the Energy Act (EnG).

Otherwise, the information is unchanged from the previous year.

### 14. Property, plant and equipment

The book values of the individual categories are as follows:

In millions of CHF	31.12.2020	31.12.2019
Construction in progress	320.2	366.4
Substations	753.3	781.2
Lines	1,005.1	929.4
Properties and buildings	169.2	156.4
Other property, plant and equipment	10.2	16.2
	<b>2,258.0</b>	<b>2,249.6</b>

### 15. Intangible assets

The book values of the individual categories are as follows:

In millions of CHF	31.12.2020	31.12.2019
Intangible assets under development	9.7	12.9
Usage rights	84.3	86.7
Software	41.1	49.3
Merger losses (goodwill)	100.5	108.9
	<b>235.6</b>	<b>257.8</b>

## 16. Trade accounts payable

As at 31 December 2020, trade accounts payable include CHF 28.3 million (previous year: CHF 20.2 million) in relation to companies with a direct or indirect shareholding in Swissgrid. Liabilities amounting to CHF 62,646 (previous year: CHF 5,924) exist in relation to the external auditor as at 31 December 2020.

## 17. Other liabilities

In millions of CHF	31.12.2020	31.12.2019
Value-added tax	0.4	3.6
Security deposits on blocked bank accounts	0.8	0.8
Other	1.7	0.6
	<b>2.9</b>	<b>5.0</b>

The "Other" item contains outstanding obligations towards PKE Vorsorgestiftung Energie of CHF 1.3 million (previous year: CHF 0.4 million) as of the cut-off date.

## 18. Accrued expenses and deferred income

In millions of CHF	31.12.2020	31.12.2019
Accrued expenses for supplies made	49.8	52.8
Personnel expenses and employee insurance scheme	9.0	7.5
Accrued interest and premium from issued bonds	9.0	10.6
Taxes	9.2	1.4
	<b>77.0</b>	<b>72.3</b>

## 19. Financial liabilities

In millions of CHF	31.12.2020	31.12.2019
Bonds	1,180.0	975.0
Convertible loans	415.4	584.6
Loans	0.1	0.1
<b>Total financial liabilities</b>	<b>1,595.5</b>	<b>1,559.7</b>
Current portion	172.4	519.2

### 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%	2020–2028	30.06.2028
150 million	0.625%	2015–2030	25.02.2030
150 million	0.200%	2020–2032	30.06.2032
125 million	0.150%	2020–2034	30.06.2034
130 million	0.125%	2020–2036	30.06.2036
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. As a result, the next partial repayment of convertible loans, amounting to CHF 169.2 million, was made at the start of the 2020 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:

Category	Interest rate p.a. (range)	Interest rate p.a.		
		Up to 1 year	2–5 years	More than 5 years
Convertible loans	3,36–3,93%	172.4	237.2	5.8
Loans	0.00%	–	–	0.1

Convertible loans and loans are assessed at their nominal value.

As at 31 December 2020, convertible loans of CHF 253.2 million (previous year: CHF 343.3 million) exist towards companies with a direct or indirect shareholding in Swissgrid.

## 20. Provisions

In millions of CHF	31.12.2020	31.12.2019
Dismantling	6.1	6.1
Employee incentive plan	–	0.3
Procedural costs	2.9	3.8
<b>Total provisions</b>	<b>9.0</b>	<b>10.2</b>
Current portion	2.2	3.3

### Procedural costs

With the grid takeovers on 3 January 2013 and 5 January 2015 and the associated spin-offs of the procedural companies from the grid companies, contractual regulations mean that Swissgrid is responsible for the costs of proceedings attributable to the procedural companies. The provision corresponds to Swissgrid's expected future expenses for party, court and legal costs that may arise for the procedural companies as part of their administrative procedures in conducting proceedings.

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

## 21. Share capital and reserves from capital contributions

The share capital consists of 320,398,149 (previous year: 320,398,149) fully paid-up registered shares with a par value of CHF 1 per share.

## 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 18.3 million (previous year: EUR 14.2 million), with negative replacement values of EUR 1.5 million as at 31 December 2020 (previous year: EUR 0.3 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.

## 24. Other off-balance-sheet commitments

### Assessed transaction value for the transmission system

The EiCom ruling issued on 20 October 2016 definitively established the method for determining the assessed value of the transmission system. Swissgrid paid the first remuneration based on this method to the former transmission system owners on 3 January 2017. The final remuneration owed under this method could not yet be paid, as proceedings relevant to the valuation were still pending. EiCom has now issued rulings on all pending valuation proceedings and so provided a ruling on the final regulatory values of the transmission system assets at the respective transaction date. The requirements for the equal treatment of all former transmission system owners for the final remuneration have therefore been met.

The final remuneration is planned for 2021 and will increase the value of Swissgrid's non-current assets by an expected amount of CHF 100 to 150 million. Due to the regulatory business model, this will also indirectly lead to a higher net income.

### Joint Allocation Office (JAO)

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

### TSCNET Services GmbH

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

### Equigy B.V.

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

### Off-balance-sheet lease commitments

Swissgrid has the following off-balance-sheet lease commitments for vehicles and office equipment:

In millions of CHF	Up to 1 year	2–5 years	Total
31.12.2020	0.8	1.2	2.0
31.12.2019	0.7	0.6	1.3

### 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	Up to 1 year	Year 2–10	More than 10 years	Total
31.12.2020	6.0	38.3	68.3	112.6
31.12.2019	6.0	39.3	72.1	117.4

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

## 25. Legal proceedings

In its letter dated 23 August 2019, EICom reopened proceedings to calculate the volume- and tariff-related timing differences for 2011 and 2012 and has since combined these into a single proceeding. In November 2020, EICom submitted the draft ruling to Swissgrid to seek its opinion. Swissgrid submitted its opinion to EICom prior to the end of 2020.

EICom has not yet initiated any proceedings to examine the volume- and tariff-related timing differences for the years from 2013 to 2020. These proceedings will examine the chargeability of Swissgrid's capital and operating costs. The outcome of these proceedings could result in a reduction of Swissgrid's chargeable costs.

As at 31 December 2020, Swissgrid estimates the cumulative risk for non-chargeable costs at CHF 78 million. As at 31 December 2019, the cumulative risk was estimated at CHF 75 million. Swissgrid's equity situation is therefore not jeopardised, even in the event that the maximum risk of CHF 78 million occurs.

Swissgrid's Board of Directors and Executive Board believe that all costs for the years 2011 to 2019 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 2020, the fees for audit services amount to CHF 214,000 (previous year: CHF 219,000) and CHF 3,000 (previous year: CHF 16,000) for other services.

## 27. Events after the balance sheet date

There are no events after the balance sheet date that would require disclosure or recognition in the 2020 financial statements.

On 20 April 2021, the Board of Directors of Swissgrid Ltd approved the 2020 financial statements for submission to the General Assembly and for publication.

## Proposed appropriation of retained earnings

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

CHF	2020	2019
Balance carried forward from the previous year	365,815,233.71	372,091,648.69
Profit for the year	71,138,387.07	25,208,873.03
Retained earnings	436,953,620.78	397,300,521.72
Appropriation to the general legal reserves	–	–
Dividend payment	37,867,863.06	31,485,288.01
Balance to be carried forward	399,085,757.72	365,815,233.71
<b>Total appropriation</b>	<b>436,953,620.78</b>	<b>397,300,521.72</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, 20 April 2021

For the Board of Directors:  
Adrian Bult, Chairman



# 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 2020, 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 52 to 63) for the year ended 31 December 2020 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.



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

#### Key Audit Matter

For the 2020 financial year Swissgrid reports an EBIT (earnings before interest and taxes) of CHF 113.4 million. The change in volume- and tariff-related timing differences amounts to CHF +109.2 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 under note "1. Accounting principles" (Activities according to StromVG) as well as under note "25. Legal proceedings".

#### 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 2020 financial year Swissgrid reports a net turnover of CHF 588.2 million and the procurement costs amount to CHF 228.5 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, 20. April 2021



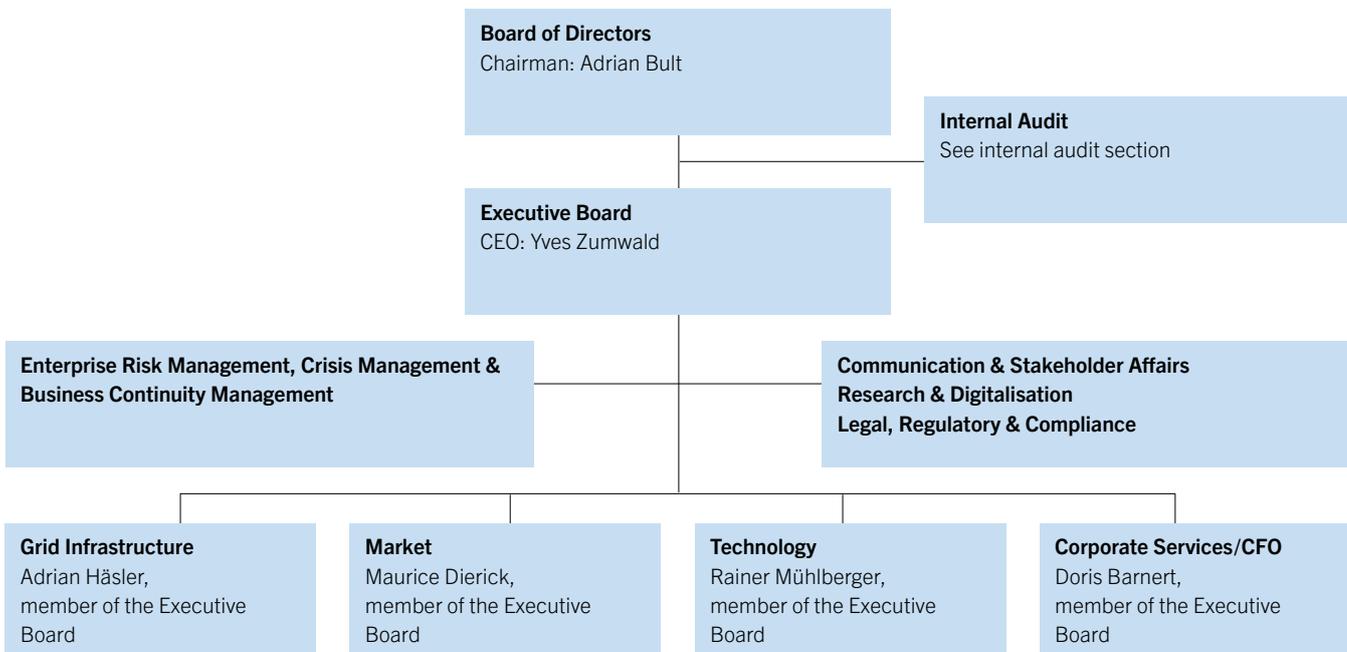
# Corporate Governance

The Board of Directors and Executive Board of Swissgrid Ltd (Swissgrid) place great importance on good corporate governance. The following statements are based on the Swiss Code of Best Practice for Corporate Governance. All information relates to the reporting date of 31 December 2020, unless specified otherwise.

## Corporate structure and shareholders

### Corporate structure

Swissgrid's corporate structure is shown below:



The shareholdings of Swissgrid are listed in paragraph 13 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).

100% of Swissgrid's share capital as at 31 December 2020. 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.

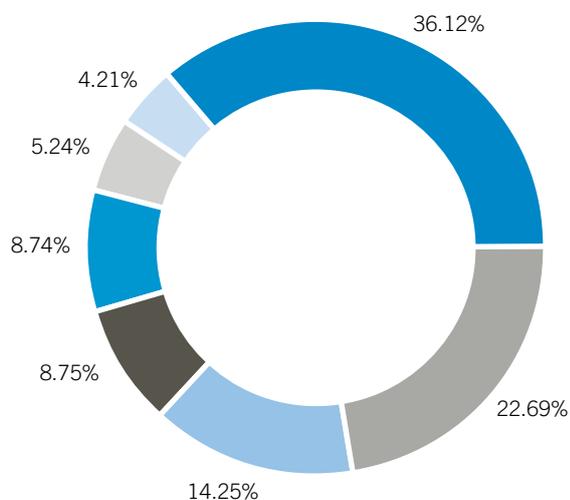
### Shareholders

The following companies are Swissgrid shareholders as at 31 December 2020: Aare Versorgungs AG (AVAG), AEK Energie AG, Alpiq Suisse SA, Axpo Power AG, Axpo Solutions AG, Azienda elettrica ticinese, Aziende Industriali di Lugano (AIL) SA, BKW Netzbeteiligung AG, Centralschweizerische Kraftwerke AG, Elektrizitätswerk der Stadt Zürich, Elektrizitätswerk Obwalden, Electra-Massa AG, EnAlpin AG, Engadiner Kraftwerke AG, FMV SA, Forces Motrices Hongrin-Léman S.A. (FMHL), Forces Motrices de Mauvoisin SA, General Electric Technology GmbH, Grande Dixence SA, IWB Industrielle Werke Basel, Kraftwerke Hinterrhein AG, Kraftwerke Linth-Limmern AG (KLL), Kraftwerke Mattmark AG, Kraftwerke Oberhasli 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

## Swissgrid ownership structure

As at 31 December 2020

(all figures rounded)



■ BKW Netzbeteiligung AG
■ Axpo Power AG
■ Others
■ Axpo Solutions AG
■ Elektrizitätswerk der Stadt Zürich
■ SIRESO Société d'Investissement de Suisse occidentale SA
■ Centralschweizerische Kraftwerke AG

### Others

1.87% Kraftwerke Hinterrhein AG	0.40% Kraftwerke Mattmark AG
1.66% Azienda elettrica ticinese	0.15% Elektrizitätswerk Obwalden
1.57% Officine Idroelettriche della Maggia SA	0.12% Engadiner Kraftwerke AG
1.53% Kraftwerke Linth-Limmern AG (KLL)	0.12% Kraftwerke Vorderrhein AG (KVR)
1.29% SN Energie AG	0.09% General Electric Technology GmbH
1.11% FMV SA	0.02% Kraftwerke Sarganserland AG (KSL)
0.78% IWB Industrielle Werke Basel	0.01% AEK Energie AG
0.76% Forces Motrices de Mauvoisin SA	< 0.01% Aare Versorgungs AG (AVAG)
0.74% EnAlpin AG	< 0.01% Alpiq Suisse SA
0.70% Nant de Drance SA	< 0.01% Electra-Massa AG
0.45% Officine idroelettriche di Blenio SA	< 0.01% Forces Motrices Hongrin-Léman S.A. (FMHL)
0.44% Kraftwerke Oberhasli AG	< 0.01% Grande Dixence SA
0.44% Aziende Industriali di Lugano (AIL) SA	< 0.01% Repower AG

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.

## Capital structure

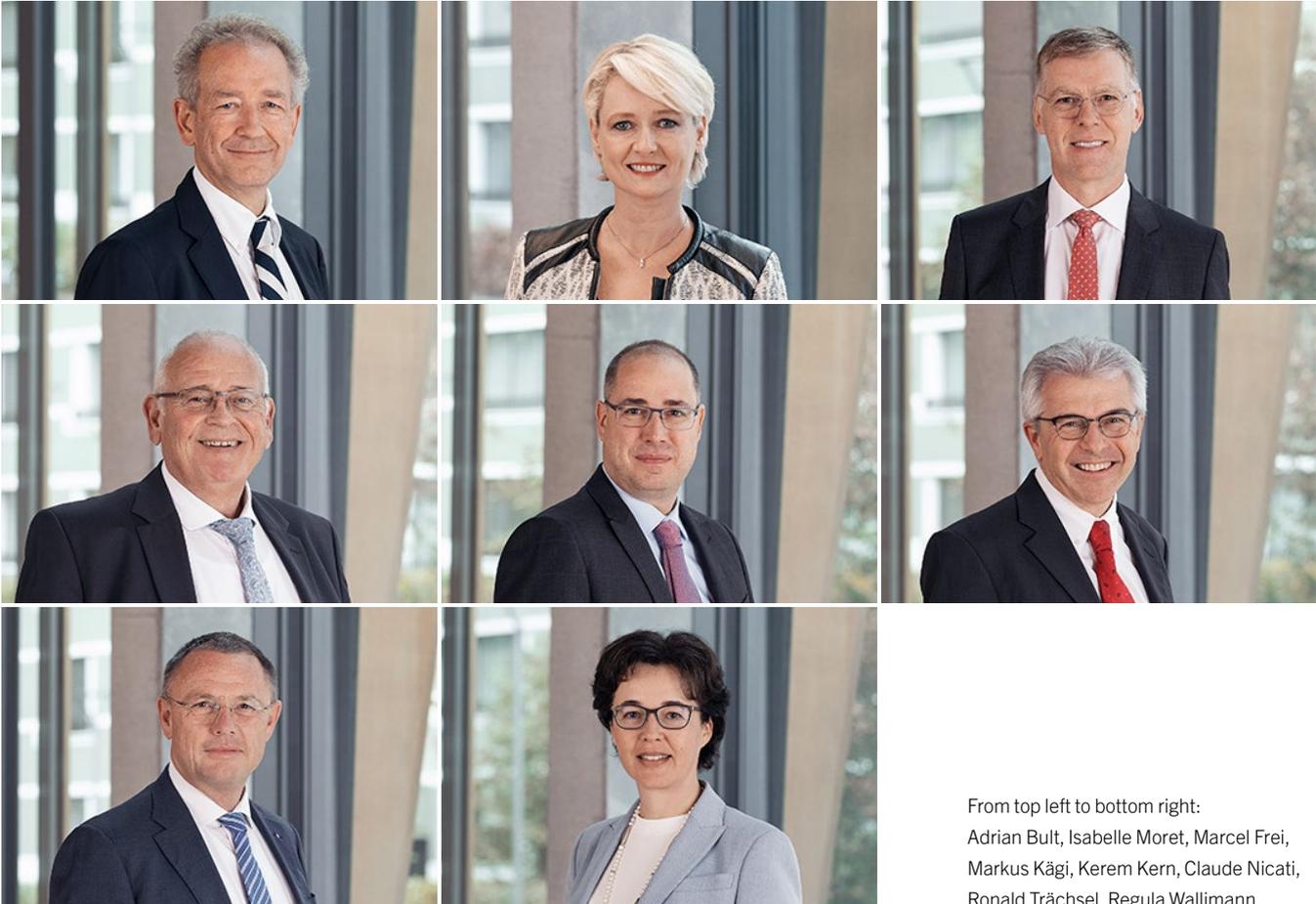
### Capital and restriction on transferability

The ordinary share capital as at 31 December 2020 consists of 320,398,149 registered shares with a nominal value of CHF 1 per share (divided into 160,199,075 A registered shares and 160,199,074 B registered shares). The conditional share capital as at 31 December 2020 consists of a maximum of 127,036,489 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

## Board of Directors

### Members of the Board of Directors, additional activities and affiliations



From top left to bottom right:  
Adrian Bult, Isabelle Moret, Marcel Frei,  
Markus Kägi, Kerem Kern, Claude Nicati,  
Ronald Trächsel, Regula Wallimann

### 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, GARAIO REM AG and Amrop Executive Search AG; member of the Board of Directors at Alfred Müller AG and SWICA.

### Isabelle Moret

Vice Chairwoman, independent member  
Born in 1970, Swiss

Isabelle Moret, lic. jur., LL.M, lawyer, has been a member of the Swissgrid Board of Directors since 2012. She is an independent legal counsel. She has been a member of the National Council since 2006 and was its Chairwoman in 2019/2020. Prior to this, she was a member of the Grand Council of the Canton of Vaud and from 2008 to April 2016 Vice Chairwoman of the liberal party FDP.

**Affiliations** Member of the Executive Committee of economiesuisse (Swiss Business Federation), Chairwoman of the Federation of Swiss Food Industries (fiäl) and of H+, the association of Swiss hospitals; member of the Board of Directors at Interregionale Blutspende SRK AG; foundation board member at EPFL-WISH Foundation; member of the Council of the Swiss Abroad.

## Marcel Frei

Board of Directors, industry representative  
Born in 1959, Swiss

Marcel Frei, a Swiss-certified expert in accounting and financial controlling, has been a member of the Swissgrid Board of Directors since 2012. He was the Director of ewz (the electric power supplier to the City of Zurich) from 2012 until the end of September 2020. Before this, he was the CFO and, from 2009 onwards, also the Deputy Director of ewz.

**Affiliations** Member of the Board of Directors of EFA Energie Freiamt AG.

## 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.

## Kerem Kern

Board of Directors, industry representative  
Born in 1974, Swiss

Kerem Kern, Dr. iur., lawyer, has been a member of the Swissgrid Board of Directors since 2017. He has headed the Corporate Regulatory Management and Legal Grid division at Axpo Holding AG since 2012. Prior to this, he was employed as Legal Counsel at Axpo Holding AG. From 2007 to 2010, he worked as a lawyer at the Baur Hürlimann law firm in Zurich.

**Affiliations** Board member of the Association of Swiss Electricity Companies (VSE).

## 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 NVB (Nicati, Vara, Bigler) 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; Vice Chairman of the Criminal Commission of the International Union of Lawyers.

## Ronald Trächsel

Board of Directors, industry representative  
Born in 1959, Swiss

Ronald Trächsel, lic.rer.pol., has been a member of the Swissgrid Board of Directors since 2015. He has served as the CFO of BKW AG since 2014. He was CFO of the Sika Group from 2008 to 2014. Before this, he served as CEO and CFO of Vitra for eight years. From 1995 to 1999, he was CFO of Ringier International. Prior to this, he held various positions at Ciba-Geigy and BDO/Visura.

**Affiliations** Member of the Board of Directors at Kraftwerke Oberhasli AG, AEK Onyx AG, BKW Building Solutions AG, Contour-Global plc (London), Valiant Bank AG, Wyss Samen und Pflanzen AG and Création Baumann AG.

## 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, 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.

## Resignations due to death in the reporting period

Dominique Gachoud passed away on 10 November 2020. The vacated position will be filled at the next Annual General Assembly on 18 May 2021.

### 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 six times during the last financial year.

Members:

- Adrian Bult (Chairman, since 2012)
- Marcel Frei (since 2 May 2017)
- Kerem Kern (since 2 May 2017)
- Claude Nicati (since 2014)

Changes in the reporting period: None.

**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 seven times during the last financial year.

Members:

- Regula Wallimann (Chairwoman, since 2 May 2017)
- Ronald Trächsel (since 2015)

Changes in the reporting period: Dominique Gachoud passed away on 10 November 2020.

**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 three times during the last financial year.

Members:

- Isabelle Moret (Chairwoman, since 2014)
- Adrian Bult (since 2012)
- Markus Kägi (since 6 May 2019)
- Kerem Kern (since 15 May 2018)

Changes in the reporting period: None.

**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 presents and comments on business performance and submits all important issues for discussion or resolution.
- A report to the Board of Directors is compiled quarterly, and contains key figures on business performance together with comments from the Executive Board.
- The written CEO report is submitted at every ordinary Board meeting and also deals with recurring issues, such as the ancillary services reports, grid construction projects and key performance indicators (KPI).
- Additional, periodically recurring information instruments for the Board of Directors are the risk report and the reports on developments in the energy sector in Switzerland and Europe.
- 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 its activities are monitored by the Finance and Audit Committee. The Internal Audit division supports the Board of Directors and, in particular, the Finance and Audit Committee with independent audits. It gives the Board of Directors and the Finance and Audit Committee assurance that corporate governance and processes are complied with and that weaknesses are identified. The Internal Audit division's method of operation is regulated in separate regulations.

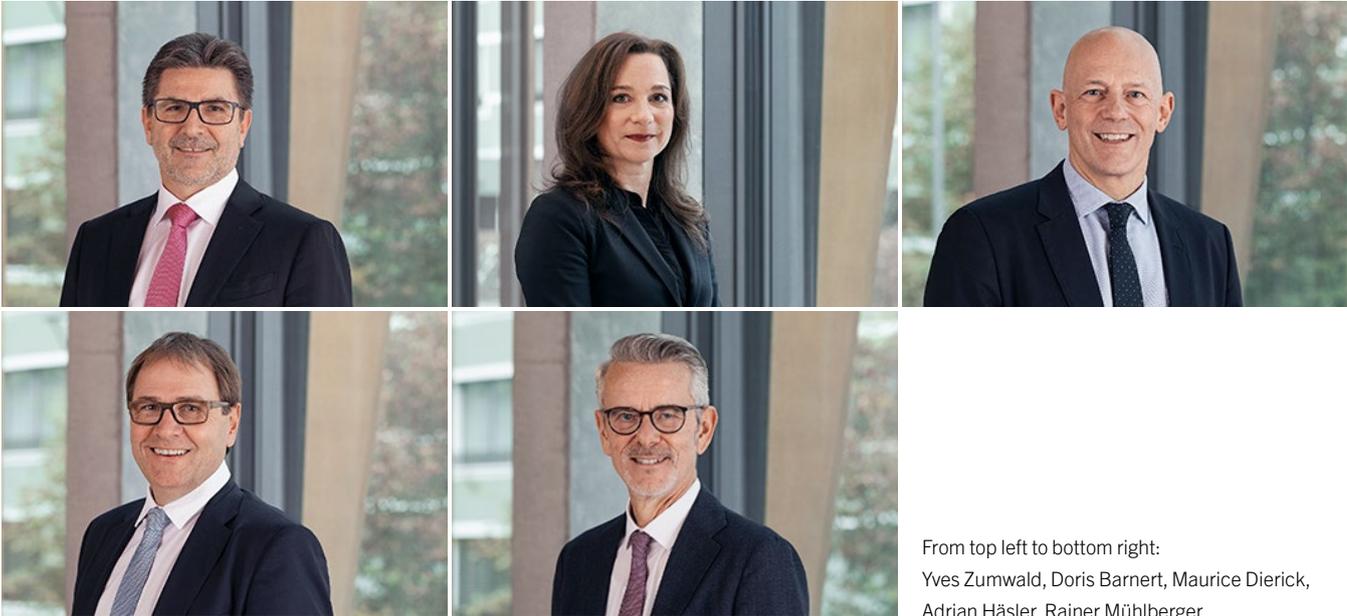
The Board of Directors approves the Internal Audit division's audit planning annually upon request by the Finance and Audit Committee. The Internal Audit division pursues a risk-based audit approach. The Internal Audit division's audit results are dealt with at the Finance and Audit Committee meetings on an ongoing basis. The Finance and Audit Committee is informed of findings as well as any associated measures at the meetings. In addition, the Internal Audit division submits an annual Activity report to the Board of Directors.

The Internal Audit division performed seven audits and one special assignment during the year under review. The Head of Internal Audit may also use co-sourcing and appoint an audit company independent from the external audit to perform the audits.

**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, Rainer Mühlberger

### 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** Board member 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 13 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 of Skyguide, member of the Supervisory Board at TSCNET Services GmbH; member of the Board of Directors of the procedural companies (see also paragraph 13 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, 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** None.

## Adrian Häsler

Head of Grid Infrastructure  
Born in 1966, Swiss

Adrian Häsler, 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.

## Rainer Mühlberger

Head of Technology  
Born in 1958, Swiss and German

Rainer Mühlberger, Dipl.-Ing. Maschinenbau (graduate mechanical engineer), has been a member of the Executive Board since 2013. Initially, he was in charge of the Strategy & Development department before being appointed Head of the new Technology department in February 2016. He joined Swissgrid in 2011 as Head of Strategy. From 2008 to 2011, he was CEO of Swisscom Directories Ltd. From 2002 to 2007, he served as a member of the Executive Board at Swisscom Fixnet AG – first as Head of Business Development and finally as Head of IT. Before this, he served as Project Manager for Corporate Strategy at Swisscom AG.

**Affiliations** Chairman of the Board of Directors of Equigy B.V.; Chairman of the Board of Directors at ecmt AG.

## 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 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 defined 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, Rolf Hauenstein, has been in this role since the 2015 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 214,000 for the last financial year. The total remuneration for additional services amounted to CHF 3,000.

### 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.

**Impressum**

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