

Financial Report 2023



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Financial Report

Management Report

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

Regulatory business model

Legal and regulatory environment

The electricity industry's value chain can basically be divided into the following areas: electricity generation, electricity transmission, electricity distribution and electricity consumption. As the owner and operator of Switzerland's extra-high-voltage grid, Swissgrid is responsible for electricity transmission.

The high investments for the construction of the transmission system, rising economies of scale (in view of falling marginal costs) and high irreversible costs result in a natural monopoly in the area of electricity transmission. This has been structured as a legal monopoly by the legislator based on the Electricity Supply Act (StromVG) and the Electricity Supply Ordinance (StromVV). To strengthen the supply of electricity in Switzerland, the Winter Reserve Ordinance (WResV) was also enacted in February 2023. The Federal Electricity Commission ElCom oversees compliance with StromVG, StromVV and WResV.

It is the independent state regulatory authority in the electricity industry and is allowed to issue rulings where necessary, against which there is a right of appeal to the Federal Administrative Court with the possibility of appeal to the Federal Supreme Court.

Given the public interest in the secure national supply of electricity, the resulting legislation and relevant supervision by the regulator, Swissgrid's business activities are overwhelmingly subject to strict regulation.

Business activity

As the National Grid Company, Swissgrid is responsible for the non-discriminatory, reliable and efficient operation of the transmission grid as well as its sustainable and efficient maintenance. The renovation and demand-driven expansion of Switzerland's extra-high-voltage grid are also considered amongst the company's most important tasks.

Swissgrid also provides additional services, such as balance group and congestion management or ancillary services (AS) as part of European and Swiss interconnected operations. In addition to representing national interests, Swissgrid makes an important contribution to ensuring the secure supply of electricity for Switzerland.

Cost-plus regulation

Swissgrid's legal mandate and business activities expose the company to costs that can be passed on to the lower grid levels and end consumers in the form of tariff revenues if the regulator deems the costs to be chargeable. ElCom has the right to verify ex post the chargeability of Swissgrid's costs for tariff-setting purposes.

Chargeable costs include the operating and capital costs of maintaining a secure and efficient grid. The chargeable costs according to StromVG and StromVV also include an adequate operating profit. As a result, this is referred to as «cost-plus» regulation: «cost» stands for the cost recovery principle and «plus» stands for the operating profit. The cost recovery principle applies to the chargeable costs according to WResV.

Chargeable operating and capital costs

Chargeable operating costs include the costs for services directly related to the operation of the grid. Examples include costs for maintaining the grid, costs for providing ancillary services, personnel expenses, costs for materials and third-party supplies, and 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, IOA consist of transmission grid assets (including construction in progress), intangible assets and net current assets determined on a monthly basis.

Volume- and tariff-related timing differences

Swissgrid calculates the required tariff revenues ex ante based on budgeted costs (operating and capital costs). Volume and price differences between the «actual» situation for a year and the «budgeted» situation for the same year regularly lead to differences between the actual costs and actual income for a year. These differences are referred to as volume- and tariff-related timing differences and are rectified over the coming years. If effective costs exceed the tariff revenues for the same year, this results in a deficit. This deficit can be eliminated over subsequent years by increasing the tariff.

By contrast, if tariff revenues exceed effective costs for the same year, this results in a surplus, which must be used to reduce tariffs over subsequent years.

Volume- and tariff-related timing differences according to StromVG and StromVV are also subject to interest at the WACC rate and have an impact on capital costs. In contrast to IOA, volume- and tariff-related timing differences are subject to interest at $WACC_{t+2}$. Deficits increase capital costs, while surpluses reduce them. Volume- and tariff-related timing differences resulting from the implementation of the specified measures from WResV are not subject to interest.

Profit regulation

The legal framework in place for Swissgrid means that the EBI (earnings before interest) of the regulated business area is essentially a multiplication of the invested operating assets 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.

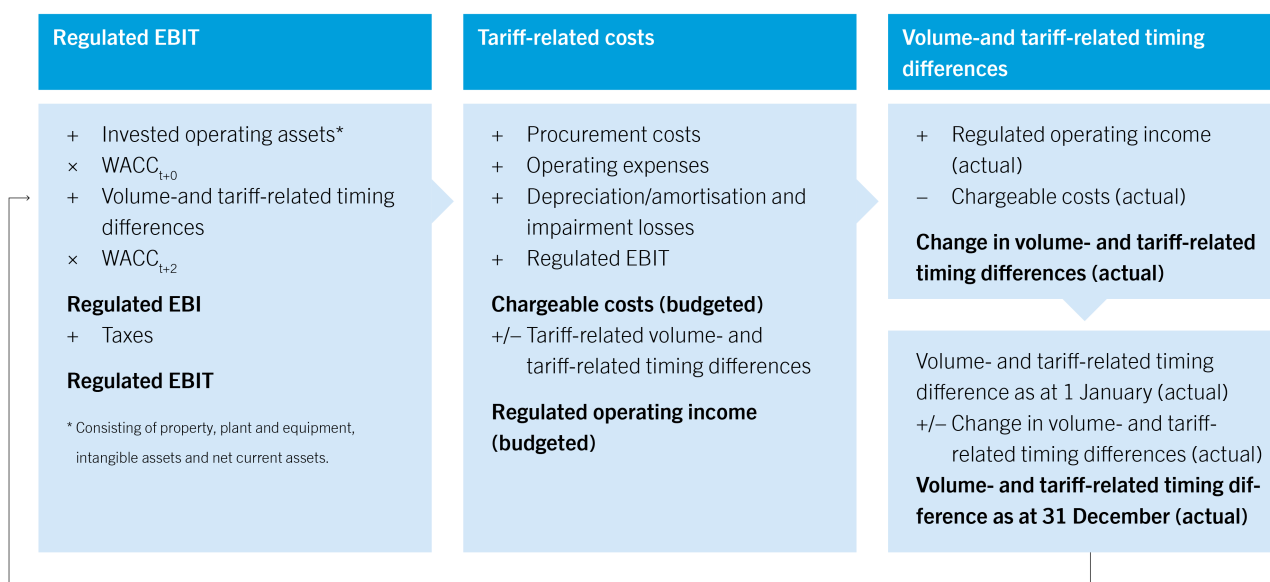
Imputed capital cost rate (WACC)

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% and a borrowed capital share of 60%. 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



GRI 201-1

Business performance

(values pursuant to Swiss GAAP FER)

Procurement costs

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

Operating expenses and depreciation/amortisation

Operating expenses rose by CHF 43.2 million year on year, from CHF 250.6 million to CHF 293.8 million. The increase is mainly due to the launch of several measures associated with the initial implementation of Strategy 2027, which resulted in higher costs in materials and third-party supplies and in personnel expenses year on year. The average number of full-time equivalents in 2023 amounts to 704.3 FTE (previous year: 630.9 FTE).

The scheduled depreciation/amortisation on property, plant and equipment and intangible assets amounted to CHF 146.1 million in the reporting year, down CHF 9.6 million on the previous year. The decrease is attributable to assets that had already been fully depreciated in the previous year and to auction income received for the maintenance and expansion of the transmission grid in 2022 and 2023.

Revenue and volume- and tariff-related timing differences

For the 2023 financial year, net turnover across all segments amounts to CHF 1,219.2 million. This represents an increase of CHF 232.1 million in relation to the previous year's figure of CHF 987.1 million. The rise is mainly attributable to the general ancillary services (CHF 191.2 million) and active power loss (CHF 71.7 million) segments. The increase in the general ancillary services segment is the result of higher tariff revenues, higher income from balance group/balancing energy and the higher auction income to cover the chargeable costs of the transmission system allocated to this segment. Net turnover in the active power loss segment increased due to higher tariff revenues and higher pro rata income from the compensation for international transit flows (ITC) and auctions. By contrast, income in the grid usage segment fell by CHF 46.1 million in relation to the previous year due to the lower income from ITC and auctions allocated to this segment. Revenue in the reactive energy segment remained at the previous year's level.

In the 2023 financial year, the operating business activities reported net deficits (cumulative deficits less cumulative surpluses) of CHF 216.4 million (previous year: CHF 370.7 million). In particular, the general ancillary services and active power loss segments posted deficits of CHF 170.9 million and CHF 77.2 million respectively due to the higher procurement costs. In addition, the costs resulting from intermediary transactions in the power reserve segment increased by CHF 403.2 million compared to the previous year, which explains the net deficit of CHF 1,367.3 million as at 31 December 2023 (previous year: CHF 747.7 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 for grid operations using the

weighted average cost of capital rate for the current year under review ($= WACC_{t+0}$) and the interest applied to the volume- and tariff-related timing differences with $WACC_{t+2}$ plus income taxes. The weighted average cost of capital rates defined by the Federal Department of the Environment, Transport, Energy and Communications (DETEC) for the 2023 financial year are 3.83% for 2023 ($WACC_{t+0}$) and 3.98% for 2025 ($WACC_{t+2}$). In 2023, EBIT increased by CHF 13.0 million from the previous year's value of CHF 125.2 million to CHF 138.2 million. The increase in EBIT is due to the higher net deficits and the resulting higher interest expense. The portfolio of loans and bonds was expanded in the 2023 financial year to finance ongoing investments and procurement costs, leading to a rise in financial expenses of CHF 6.1 million to CHF 20.8 million (previous year: CHF 14.7 million). Net income in 2023 amounts to CHF 100.0 million, up from the previous year's figure of CHF 96.4 million.

Balance sheet and cash flow statement

Total assets (excluding fiduciary positions) increased by CHF 383.1 million compared to the previous year to CHF 4,219.6 million. The absolute equity base was further strengthened by the positive net income less dividends paid. Adjusted for the balance sheet items held on a fiduciary basis and volume- and tariff-related timing differences, the equity ratio on 31 December 2023 amounts to 32.1%, as compared to 33.9% on 31 December 2022. The decrease in the equity ratio is due to the higher total assets resulting from the rise in volume- and tariff-related timing differences and the increase in financial liabilities to cover liquidity requirements.

In 2023, cash flow from operating activities amounts to CHF –505.4 million, an increase of CHF 356.1 million compared to the previous year's value (CHF –149.3 million). The cash outflow is due to the high procurement costs from operating activities and the costs for the power reserve.

With a gross investment volume of CHF 279.5 million, Swissgrid again realised more investments than in the previous year (CHF 257.4 million). In addition, the auction income received for the maintenance and expansion of the transmission grid decreased. Higher cash flow from investing activities of CHF –40.5 million was therefore generated year on year (previous year: CHF –3.9 million).

To cover liquidity requirements, in particular for financing the costs of the power reserve, financial liabilities rose by CHF 548.9 million compared to the previous year. After deduction of the dividend and interest paid, cash flow from financing activities stood at CHF 484.2 million in the reporting year (previous year: CHF 53.4 million).

Risk assessment

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

Objectives

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

Organisation

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

Process

The risk assessment takes place twice a year. The key risks are identified and assessed as part of a multi-stage process that includes the evaluation of risks based on the probability of their occurrence and the extent of their impact, as well as the definition of strategies to manage said risks.

Risk monitoring, including the effectiveness and level of implementation of the measures taken, is performed as part of regular risk updates. The Executive Board and the Board of Directors receive the results of the risk assessment and the risk updates in the form of a standardised report.

Risk situation

The risk of a power shortage in the winter of 2022/2023 rose due to the conflict in Ukraine and the associated loss of Russian gas imports to Europe, as well as the low availability of French nuclear power stations. The resulting massive distortions on the European energy markets increased the likelihood that the volume of energy on offer could be insufficient. In order to keep the grid stable and to supply it with the necessary volume of electrical energy at all times, Swissgrid implemented the following measures to strengthen security of supply, partly also on behalf of the federal government:

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

These and other measures, and the calming of the European energy markets, defused the situation ahead of the winter of 2023/2024.

However, the effects of the tense geopolitical situation, extreme climate events (persistent dry weather and a «Dunkelflaute» in Europe, i.e. a period without any wind or photovoltaic production) or cumulative outages of large power plants can accentuate the risk again. This is especially true in the winter months, when Switzerland is dependent on electricity imports.

In addition to the risks associated with security of supply, the existing risks remain relevant for Swissgrid. The drivers for these risks are natural influences, the national and international political and regulatory environment as well as personnel and technical factors. Digitalisation is enabling more efficient operation of the transmission grid, but also involves risks to grid and system security and therefore to security of supply, given the growing dependence on complex and networked ICT systems and their susceptibility to cyber risks.

The key risk factors are:

European and regulatory environment

The Swiss transmission grid is part of the continental European interconnected grid and is connected to neighbouring countries via 41 cross-border lines. The close meshing of the electricity system and cooperation with European partners to date make a significant contribution to Switzerland's security of supply. Swissgrid's role remains challenging at a national and international level. After breaking off negotiations on a framework agreement in 2021, the Federal Council is endeavouring to resume talks in 2024. At the time of reporting, the date of the conclusion of an electricity agreement and its content are not known. The Swiss electricity system therefore remains excluded from important processes affecting grid security in Europe. This leads to higher unscheduled flows of electricity through the Swiss grid and jeopardises both system stability and import capacity in the medium term. Swissgrid is developing technical solutions and negotiating private-law agreements with other transmission system operators to ensure the stability of the grid, but is reliant on political support in this respect. Success is not guaranteed as there are aspects to resolve at a political level that fall outside the control of Swissgrid. Private-law agreements between transmission system operators are not an adequate substitute for an electricity agreement in the long term.

Security of supply

A wide-scale supply outage would cause enormous economic damage. Consequently, Swissgrid must keep the transmission system available for the supply of electricity at all times. It is therefore essential to have an intact grid infrastructure and to secure the availability of IT and communication systems. Meeting these prerequisites can be jeopardised by, for example, technical problems, natural disasters, operating errors and criminal actions. Among other measures, Swissgrid mitigates these risks by implementing redundancies and standardised processes to eliminate faults in grid systems and in system operations. Adequate training and development of personnel ensures that employees respond appropriately.

Security of supply also depends on the availability of control and redispatch power to balance short-term deviations between production and consumption, and to control grid congestion. The shift from large thermal power plants (nuclear and coal-fired power plants), which supply constant and deterministic electrical energy, to decentralised, volatile solar and wind power plants as part of the energy transition is making it increasingly difficult to meet these conditions. Swissgrid therefore works continuously to optimise the Swiss market for ancillary services, and cooperates with transmission system operators in neighbouring countries to increase market liquidity.

Swissgrid takes precautions to protect the infrastructure against physical attacks. The project to physically protect substations is one of the main activities in this area and involves securing the relevant buildings and plants, as well as access control and monitoring.

The threat of cyber attacks is steadily rising due to the speed at which technology changes (which potential attackers also exploit), the countless possible modes of attack, as well as growing system integration across companies. To reduce this risk, Swissgrid is continuously developing its processes and systems to detect cyber threats early and defend itself against them.

Swissgrid has emergency procedures and structures in place in the highly unlikely event that infrastructures or systems fail permanently or the grid can no longer be controlled. Exercises with authorities and industry partners also took place again in 2023, such as practising OSTRAL procedures and carrying out regular grid restoration exercises with distribution system operators and foreign

transmission system operators.

Grid capacity

Planning for the further development of grid capacity is based on scenarios that consider future target values for generation technologies and consumer groups, taking into account the transformation of the energy system with regard to the energy transition. Important strategic grid expansion work continues to be affected by lengthy approval procedures due to large numbers of objections. This makes it more difficult to eliminate grid congestion. As far as approval processes are concerned, Swissgrid relies above all on dialogue with affected parties. However, given that the acceptance of overhead lines is often low, Swissgrid still has to factor in objections and delayed approval processes.

The progressive ageing of existing components represents another risk to grid capacity. Swissgrid therefore systematically records the condition of its plants and plans modernisation measures accordingly.

Personnel safety

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

Financial risks

Swissgrid's activities mean that it is exposed to various financial risks. These include liquidity, foreign currency, interest rate and counterparty risks.

Depending on the financial volume and timing, the financial implementation of the measures envisaged by the federal government to ensure security of supply (power reserve) may mean that Swissgrid has to provide interim financing for these resources, which are to be funded via downstream tariff revenues. Swissgrid therefore took measures at an early stage to ensure liquidity at all times by means of intensified continuous planning, close monitoring of the funding requirements, an increase in minimum liquidity levels and the provision of confirmed bank credit facilities.

Foreign currency risk is reduced through natural hedging and forward exchange transactions. The hedging strategy is reviewed periodically and updated as needed.

The risk of interest rate changes is reduced by staggering the maturities and establishing a balanced financing mix. Derivative financial instruments are deployed for further mitigation if necessary.

Financial counterparties are constantly reviewed, assigned individual limits and monitored. Counterparty risks are monitored on a regular basis.

Future prospects

Strategic outlook

The electricity industry is undergoing a process of radical change which is significantly modifying the

framework conditions for transmission system operators. The transformation of the energy system is leading to a loss of reliably predictable electricity generation in favour of an increase in decentralised and renewable electricity generation, which is resulting in new requirements for grid operations. Changes must also be made to the grid infrastructure on account of these changes in electricity generation so that the transmission system operators can continue to guarantee grid-related security of supply. At the same time, the EU and Switzerland are modifying the political and regulatory requirements for the electricity industry. The situation is made even more difficult for Swissgrid by the lack of an electricity agreement with the EU: Switzerland is increasingly excluded from European processes, committees and cooperation.

Swissgrid is addressing these and other challenges in its Strategy 2027, which was launched in the past reporting year. This marked the start of a new five-year strategy period for the company. Information on the strategic areas of action and the priorities of the new strategy can be found under Strategy 2027.

Outlook for 2024

Strategy 2027 lays the foundations for the 2024 corporate objectives. The plans for the Strategic Grid 2040 are to be finalised and submitted to the Federal Electricity Commission ElCom for review. Swissgrid prepares its grid planning on the basis of the Swiss Federal Office of Energy's scenario framework and the ENTSO scenarios set out in it. The Strategic Grid supports the implementation of the Energy Strategy 2050 and increases the controllability of the grid in the long term.

The degree of digitalisation is being increased with specific projects such as the introduction of business information modelling. The first corresponding pilot projects for substations and lines will be launched in 2024. Swissgrid is also taking practical measures to automate internal company processes, including the establishment of a centre of excellence for automation. Swissgrid's efficiency can be significantly increased by the use of consistent digitalisation and automation.

In 2024, the focus will also be on further investments in safety, training and employee development. Swissgrid intends to introduce a skills management system to define the future requirements for employees and to develop them where necessary. The aim of this programme is also to attract new employees to Swissgrid.

The further development of the sustainability strategy is another priority. Swissgrid will clarify its short, medium and long-term objectives for selected topics that the company has defined as material. The new measures and their effectiveness will be presented once again in the 2024 Annual Report and Sustainability Report.

Research and development

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

Financial outlook

Grid investments

Investment volumes are expected to remain high due to the need to achieve a sustainable energy future and carry out the measures defined in the «Strategic Grid 2025» report. Permits for power line

construction and modification continue to pose a major challenge. The budget has therefore been assigned a lower likelihood of realisation in order to properly reflect delays. Consequently, investments in the grid are expected to increase by between CHF 200 million and CHF 290 million a year over the medium term.

Operating costs

In the past reporting year, Swissgrid launched its Strategy 2027 and entered a new five-year strategy period. Strategy 2027 will enable Swissgrid to address the challenges posed by the fundamental transformation of the energy system. Implementing these measures will lead to a rise in operating costs.

EBIT and net income

EBIT is directly dependent on the invested operating assets (IOA) and the weighted average capital cost rate (WACC) in line with the regulatory business model. The WACC communicated by the Federal Department of the Environment, Transport, Energy and Communications (DETEC) for 2024 is 4.13%. Consequently, an EBIT or net income in line with 2023 is expected for 2024.

In accordance with the dividend policy approved by the Board of Directors, the income generated will be retained in the long term on a pro rata basis depending on the equity ratio and the financing situation. This safeguards Swissgrid's long-term financial stability.

Financial statements Swiss GAAP FER

Income statement

In millions of CHF	Notes	2023	2022
Net turnover	4, 5	1,219.2	987.1
Other operating income	4, 6	19.9	19.7
Change in volume- and tariff-related timing differences	4, 15	216.4	370.7
Capitalised self-constructed assets		22.5	20.2
Total operating income		1,478.0	1,397.7
Procurement costs	4, 5	899.9	866.2
Gross profit		578.1	531.5
Cost of materials and third-party supplies	7	123.8	104.3
Personnel expenses	8	131.1	117.0
Other operating expenses	9	38.9	29.3
Earnings before interest, income taxes, depreciation and amortisation		284.3	280.9
Depreciation on property, plant and equipment	13	126.5	130.8
Amortisation on intangible assets	13	19.6	24.9
Earnings before interest and income taxes (EBIT) ¹	4	138.2	125.2
Financial income	10	2.0	1.7
Financial expenses	11	20.8	14.7
Earnings before income taxes		119.4	112.2
Income taxes	12	19.4	15.8
Net income		100.0	96.4

¹ Corresponds to net income before financial income, financial expenses and income taxes (EBIT).

Earnings per share

CHF	2023	2022
Net income	100,021,265	96,410,768
Weighted average number of shares outstanding	334,495,151	334,495,151
Non-diluted earnings per share	0.30	0.29

CHF	2023	2022
Dilution from the conversion of the convertible loans	–0.01	–0.01
Diluted earnings per share	0.29	0.28

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 1.4 million (previous year: CHF 2.5 million). Given that taxes are chargeable in Swissgrid's regulated business model, the conversion would have increased net income by CHF 1.4 million (previous year: CHF 2.5 million). At the same time, the average number of shares outstanding would also have increased by 10,538,739 units (previous year: 19,181,327 units). This leads to a potential dilution of CHF –0.01 per share (previous year: CHF –0.01 per share).

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Balance sheet

Assets

In millions of CHF	Notes	31.12.2023	31.12.2022
Property, plant and equipment	13	2,274.4	2,363.2
Intangible assets	13	106.6	122.8
Financial assets	14	6.1	6.5
Long-term deficits arising from volume- and tariff-related timing differences	15	643.6	688.5
Non-current assets		3,030.7	3,181.0
Assets held on a fiduciary basis	16	33.9	54.2
Short-term deficits arising from volume- and tariff-related timing differences	15	723.7	59.2
Inventory		0.9	1.1
Trade accounts receivable	17	222.3	234.6
Other receivables	18	19.0	59.2
Prepaid expenses and accrued income	19	111.9	128.6
Cash and cash equivalents		111.1	172.8
Current assets		1,222.8	709.7
Assets		4,253.5	3,890.7

Equity and liabilities

In millions of CHF	Notes	31.12.2023	31.12.2022
Share capital		334.5	334.5
Capital reserves		431.2	431.2
Retained earnings		587.1	535.3
Total equity		1,352.8	1,301.0
Non-current financial liabilities	20	2,026.1	1,756.1
Non-current provisions	21	33.5	35.7
Non-current liabilities		2,059.6	1,791.8
Liabilities held on a fiduciary basis	16	33.9	54.2
Current financial liabilities	20	510.0	231.1

In millions of CHF	Notes	31.12.2023	31.12.2022
Trade accounts payable		172.8	393.4
Other liabilities	22	13.5	0.7
Accrued expenses and deferred income	23	110.8	118.4
Current provisions	21	0.1	0.1
Current liabilities		841.1	797.9
Total liabilities		2,900.7	2,589.7
Equity and liabilities		4,253.5	3,890.7

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Cash flow statement

In millions of CHF, excluding balance sheet items held on fiduciary basis	Notes	2023	2022
Net income		100.0	96.4
Financial expenses	11	20.8	14.7
Financial income	10	–2.0	–1.7
Current income taxes	12	21.6	20.2
Depreciation and amortisation	13	146.1	154.4
Profit/loss from disposal of fixed assets		–	1.3
Change in inventories		0.2	0.1
Change in provisions	21	–2.2	–9.1
Change in trade accounts receivable		12.3	–53.8
Change in other receivables		40.2	–39.5
Change in prepaid expenses and accrued income		16.7	–47.5
Change in volume- and tariff-related timing differences	15	–619.6	–425.1
Change in trade accounts payable		–220.6	187.0
Change in other current liabilities		12.8	–1.7
Change in accrued expenses and deferred income		–11.7	–22.0
Interest received		0.6	0.2
Income taxes paid		–20.6	–23.2
Cash flow from operating activities		–505.4	–149.3
Gross investments in property, plant and equipment		–254.1	–232.6
Congestion proceeds received for grid investments		216.6	226.6
Net investments in property, plant and equipment	13	–37.5	–6.0
Gross investments in intangible assets		–25.4	–24.8
Congestion proceeds received for grid investments		21.9	24.1
Net investments in intangible assets	13	–3.5	–0.7
Investments in financial assets		–	–0.5
Divestments of financial assets		–	2.7
Dividends received		0.5	0.6
Cash flow from investing activities		–40.5	–3.9

In millions of CHF, excluding balance sheet items held on fiduciary basis	Notes	2023	2022
Change in current financial liabilities		248.9	–54.6
Change in non-current financial liabilities		100.0	–
Issuing of bonds		200.0	175.0
Interest paid		–16.5	–13.9
Dividends paid		–48.2	–53.1
Cash flow from financing activities		484.2	53.4
Change in cash and cash equivalents		–61.7	–99.8
Composition			
Cash and cash equivalents at beginning of period		172.8	272.6
Cash and cash equivalents at end of period		111.1	172.8
Change in cash and cash equivalents		–61.7	–99.8

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Statement of changes in equity

In millions of CHF	Share capital	Capital reserves	Retained earnings	Total equity
Balance at 31.12.2021	334.5	431.2	492.0	1,257.7
Allocation	–	–	–	–
Dividends paid	–	–	–53.1	–53.1
Capital increases (minus transaction costs)	–	–	–	–
Net income 2022	–	–	96.4	96.4
Balance at 31.12.2022	334.5	431.2	535.3	1,301.0
Allocation	–	–	–	–
Dividends paid	–	–	–48.2	–48.2
Capital increases (minus transaction costs)	–	–	–	–
Net income 2023	–	–	100.0	100.0
Balance at 31.12.2023	334.5	431.2	587.1	1,352.8

The share capital consists of 334,495,151 (previous year: 334,495,151) fully paid-up registered shares with a par value of CHF 1 per share. As at 31 December 2023, Swissgrid has conditional share capital of a maximum of CHF 112,939,487, divided into 112,939,487 registered shares with a par value of CHF 1 per share (previous year: CHF 112,939,487, divided into 112,939,487 registered shares with a par value of CHF 1 per share).

The non-distributable portion of retained earnings and capital reserves amounts to CHF 167.25 million (previous year: CHF 167.25 million).

Financial statements Swiss GAAP FER

Notes

1. Accounting principles

General

The 2023 financial statements of Swissgrid Ltd (hereinafter: Swissgrid) have been prepared in accordance with Swiss GAAP FER. The financial statements provide a true and fair view of the company's assets, financial position and results of operations.

Conversion of foreign currency items

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

Cash flow statement

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

Revenue recognition

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

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

Activities according to StromVG/WResV

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

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

and tariff-related timing differences within twelve months of the balance sheet date is recognised as short-term surpluses or deficits in the balance sheet.

EBIT regulated under StromVG

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

Invested operating assets consist of net current assets calculated on a monthly basis as well as the property, plant and equipment and intangible assets as at the end of the financial year. The weighted average cost of capital rate is based on the current international practice of the capital cost concept with reference to the Capital Asset Pricing Model (CAPM). Besides considering the findings of financial market theory, the regulatory framework conditions in Switzerland and the current situation in the money and capital market are also taken into account. The official weighted average cost of capital rates based on this method of calculation are 3.83% for 2023 ($WACC_{t+0}$) and 3.98% for 2025 ($WACC_{t+2}$).

EBIT according to WResV

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

Chargeability of operating and capital costs

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

Property, plant and equipment

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

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

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

Intangible assets

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

The service life is determined as follows:

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

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

Contingent liabilities

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

Interest on borrowed capital

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

Employee pension plan

Swissgrid is a member of an industry-wide retirement benefit plan (PKE Vorsorgestiftung Energie). This is a legally independent pension fund. All permanent employees of the company are included in this pension fund from 1 January of the year after they turn 17. Members of the Board of Directors are also to be insured in the pension fund under the conditions defined in the pension regulations of PKE Vorsorgestiftung Energie. All persons affiliated to the pension fund are insured for disability and death. From 1 January of the year after they turn 24, employees are also covered by retirement insurance.

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

An economic obligation (e.g. in the form of negative effects on future cash flows due to a pension fund deficit) is recognised if the prerequisites for the creation of a provision are met. Accrued contributions for the period, the difference between the annually calculated economic benefit from pension fund surpluses and obligations, as well as the change in the employer contribution reserves are recognised in the income statement as personnel expenses.

Transactions with related parties

Related parties are organisations and persons that can have a significant influence, either directly or indirectly, on Swissgrid's financial or operational decisions. Shareholders holding at least 20% of the voting rights in Swissgrid, either alone or together with others, are considered to be related parties. As regards shareholders, other criteria in addition to the proportion of voting rights held are also taken into account (including representation in committees and the possibility of exerting influence due to the shareholder structure). Subsidiaries of related shareholders as well as partner plant companies whose shares are 100% owned by related shareholders or which are controlled by a related shareholder, are also considered to be related parties. Related parties also include companies over which Swissgrid exercises a significant influence. Members of the Board of Directors and of the Executive Board are also considered to be related parties. Provided they exist and are significant, relations with related parties

are disclosed in the notes to the financial statements. All transactions are conducted at arm's length.

Segment information

Segmentation is based on tariff groups as defined in the Electricity Supply Act (StromVG), the power reserve segment (WResV) and other activities, and is aligned with Swissgrid's internal reporting structure.

Income taxes

Current income taxes are calculated based on the taxable results on an accrual basis. The annual accrual of deferred taxes is based on a balance sheet perspective (balance sheet method) and considers all future income tax effects (comprehensive method).

Derivative financial instruments

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

2. Estimation uncertainty

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

For more information on this, the reader is referred to the comments in the sections on «Revenue recognition» and «Activities according to StromVG/WResV» in Note 1, as well as the comments in the following section.

3. Legal proceedings

Swissgrid's legal mandate and business activities expose the company to costs that can be passed on to the lower grid levels and end consumers in the form of tariff revenues if ElCom deems the costs to be chargeable. ElCom has the right to verify ex post the chargeability of Swissgrid's costs for tariff-setting purposes.

At present, ElCom has not initiated any proceedings to examine Swissgrid's chargeable costs. Swissgrid's Board of Directors and Executive Board believe that all costs were incurred within the framework of Swissgrid's legal mandate and should therefore qualify as chargeable. Based on this assessment, Swissgrid has treated all operating and capital costs as chargeable and consequently recognised them in full in the volume- and tariff-related timing differences. If, contrary to Swissgrid's assessment, the costs claimed are ruled to be non-chargeable, this would be reflected in future

financial statements.

Third-party proceedings

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

4. Segment reporting

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

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

Congestion management is included in the other activities.

Segment report 2023

In millions of CHF	Total	Grid utilisation	General ancillary services/balancing energy	Active power losses (individual ancillary services)	Reactive energy (individual ancillary services)	Eliminations	Total activities according to StromVG	Power reserve	Further activities
Net turnover	1,219.2	525.7	512.9	167.3	21.0	-7.7	1,219.2	-	-
Other operating income	19.9	3.0	0.6	-	-	-	3.6	-	16.3
Change in volume- and tariff-related timing differences	216.4	-37.2	170.9	77.2	-2.7	-	208.2	8.2	-
Total operating income ¹	1,455.5	491.5	684.4	244.5	18.3	-7.7	1,431.0	8.2	16.3
Procurement costs	-899.9	-14.9	-646.6	-229.2	-16.9	7.7	-899.9	-	-
Gross profit	555.6	476.6	37.8	15.3	1.4	-	531.1	8.2	16.3
Operating expenses	-271.3	-223.5	-21.8	-2.9	-0.5	-	-248.7	-8.2	-14.4
Depreciation/amortisation and impairment losses	-146.1	-141.3	-2.6	-0.4	-0.1	-	-144.4	-	-1.7
Earnings before interest and income tax (EBIT)	138.2	111.8	13.4	12.0	0.8	-	138.0	-	0.2

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

¹ Total operating income is lower in the segment reporting than in the income statement as it does not include the costs of capitalised self-constructed assets (CHF 22.5 million).

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

In millions of CHF	Total	Grid utilisation	General ancillary services/balance energy	Active power losses (individual ancillary services)	Reactive energy (individual ancillary services)	Eliminations	Total activities according to StromVG	Power reserve	Further activities
Net turnover	1,219.2	525.7	512.9	167.3	21.0	-7.7	1,219.2	-	-
Other operating income	19.9	3.0	0.6	-	-	-	3.6	-	16.3
Procurement costs	-899.9	-14.9	-646.6	-229.2	-16.9	7.7	-899.9	-	-
Operating expenses	-271.3	-223.5	-21.8	-2.9	-0.5	-	-248.7	-8.2	-14.4
Depreciation/amortisation and impairment losses	-146.1	-141.3	-2.6	-0.4	-0.1	-	-144.4	-	-1.7
Imputed interest and income taxes (EBIT)	-138.2	-111.8	-13.4	-12.0	-0.8	-	-138	-	-0.2
Change in volume- and tariff-related timing differences	-216.4	37.2	-170.9	-77.2	2.7	-	-208.2	-8.2	-

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

Segment report 2022

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

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

deficits.

¹ Total operating income is lower in the segment reporting than in the income statement as it does not include the costs of capitalised self-constructed assets (CHF 20.2 million).

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

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

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

Earnings before interest and taxes (EBIT) per segment within the StromVG-regulated activities correspond to the capital costs on the invested operating assets plus taxes (see Note 1). The individual expense and income positions assigned to the four segments within the StromVG-regulated activities are listed in Note 5.

Grid usage

The grid usage segment is predominantly financed by various charges for use of the grid. This segment is also assigned the income from auctioning bottleneck capacities at the national borders to cover the chargeable costs of the transmission system, provided that this purpose is approved by ElCom. This segment also includes part of the compensation for international transit flows (ITC); the other part is recognised in the active power loss segment.

Net turnover in this segment amounts to CHF 525.7 million in the 2023 financial year, CHF 46.1 million below the previous year. The decrease is attributable to the reduction of CHF 54.3 million in auction income to cover the chargeable costs of the transmission system allocated to this segment and the reduction of CHF 6.6 million in income from ITC. In contrast, tariff revenues for grid usage rose by CHF 14.8 million. Procurement costs in the 2023 financial year amount to CHF 14.9 million, CHF 3.5 million above the previous year's value of CHF 11.4 million due to higher costs for national redispatch.

Net turnover exceeds costs in the 2023 financial year, resulting in a surplus of CHF 37.2 million.

General ancillary services/balancing energy

Net turnover in this segment rose by CHF 191.2 million compared to the previous year. This was due to the higher tariff revenues, which stood at CHF 149.8 million, higher revenue from balance group balancing energy, which amounted to CHF 33.9 million, and the increase of CHF 7.5 million in auction income to cover the chargeable costs of the transmission system allocated to this segment.

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 costs for ancillary services energy and the proportional voltage maintenance costs payable by this segment. Procurement costs in this segment totalled CHF 646.6 million, on a par with the previous year's level (CHF 642.9 million).

In 2023, costs exceeded net turnover, resulting in a deficit of CHF 170.9 million.

Active power losses (individual ancillary services)

This segment reports expenses and income for active power losses in the transmission grid. In addition to tariff revenues, part of the auction income to cover the chargeable costs of the transmission system and income from ITC is recognised in this segment.

The procurement of energy to compensate for active power losses takes place via anticipatory tenders and on the spot market. At CHF 167.3 million, net turnover in this segment is CHF 71.7 million above the previous year's figure (CHF 95.6 million). The increase is due to the higher tariff revenues of CHF 43.9 million, the higher income from ITC of CHF 23.4 million and the higher auction income to cover the chargeable costs of the transmission system allocated to this segment of CHF 4.4 million. Procurement costs in this segment totalled CHF 229.2 million in the reporting year (previous year: CHF 219.3 million).

In 2023, costs exceeded revenue, resulting in a deficit of CHF 77.2 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 and distribution system operators.

Net turnover in this segment increased by CHF 5.3 million year on year to CHF 21.0 million due to the increase in tariff revenues. By contrast, procurement costs amounted to CHF 16.9 million, CHF 6.6 million up on the previous year's figure of CHF 10.3 million. This increase is due to the higher pro rata voltage maintenance costs payable by this segment.

The greater increase in income compared to costs resulted in a surplus of CHF 2.7 million in the 2023 financial year.

Power reserve

This segment handles the orders regulated by the WResV for the use of the hydropower reserve and reserve power plants, pooled emergency power groups and combined heat and power plants (CHP plants). It will be financed via tariff revenues from 2024. In accordance with the accounting regulations, these activities are intermediary transactions, which is why only the value of the services provided by

the company itself is reported in the power reserve segment.

The expenses resulting from the intermediary business amounted to CHF 403.2 million in the reporting year (previous year: CHF 54.4 million). The services provided by the company itself represent CHF 8.2 million (previous year: CHF 0.6 million) and are included in operating costs. No income was generated in the reporting year, resulting in a deficit of CHF 411.4 million.

5. Net turnover and procurement costs according to StromVG

In millions of CHF	Segment	2023	2022
Tariff income for grid utilisation	A	506.6	491.8
Net income from ITC	A/C	41.8	25.0
Income from auctions for the reduction of chargeable grid costs	A/B/C	133.0	175.4
Tariff income for general ancillary services (AS) and income from unintentional deviation	B	256.9	107.1
Income from balance group/balance energy	B	172.9	139.0
Tariff income for active power losses	C	94.7	50.8
Tariff income for reactive energy	D	21.0	15.7
Eliminations		-7.7	-17.7
Net turnover		1,219.2	987.1
Expenses for national redispatch	A	14.9	11.4
Expenses for AS control power provision and unintentional deviation	B	494.4	489.9
Expenses for automatic start-up/island operation capability	B	1.4	1.4
Expenses for grid enhancement	B	8.1	5.4
Expenses for AS energy	B	84.6	92.7
Expenses for compensation of active power losses	C	229.2	219.3
Expenses for reactive energy/voltage maintenance	B/D	75.0	63.8
Eliminations		-7.7	-17.7
Procurement costs		899.9	866.2

Letters used for segment allocation:

A = Grid usage

B = General ancillary services/balancing energy

C = Active power losses (individual ancillary services)

D = Reactive energy (individual ancillary services)

Segment reporting is provided in Note 4.

Income from ITC consists of the following:

– Compensation for grid usage (A): CHF 4.7 million (previous year: CHF 11.3 million)

– Compensation for active power losses (C): CHF 37.1 million (previous year: CHF 13.7 million)

The ITC compensation for grid usage and active power losses corresponds to net income. Supervision charges paid to ElCom and to the Swiss Federal Office of Energy (SFOE) amounting to CHF 4.9 million (previous year: CHF 4.6 million) are deducted from the gross income of CHF 5.3 million for grid usage (previous year: CHF 13.4 million) and CHF 41.4 million for active power losses (previous year: CHF 16.3 million) on a pro rata basis.

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

- Grid usage (A): CHF 14.4 million (previous year: CHF 68.7 million)
- General AS (B): CHF 83.1 million (previous year: CHF 75.6 million)
- Active power losses (C): CHF 35.5 million (previous year: CHF 31.1 million)

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

- General AS (B): CHF 58.1 million (previous year: CHF 53.5 million)
- Reactive energy (D): CHF 16.9 million (previous year: CHF 10.3 million)

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

6. Other operating income

In millions of CHF	2023	2022
Congestion management clearing	16.3	17.5
Other	3.6	2.2
	19.9	19.7

7. Materials and third-party supplies

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

Other grid-related services include remuneration for easements, including easement management

services performed by third parties and operating expenses for mixed-use plants.

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

8. Personnel expenses

Personnel expenses

In millions of CHF	2023	2022
Salaries, bonuses, allowances	105.5	93.7
Employee insurance	20.8	18.6
Other personnel expenses	4.8	4.7
	131.1	117.0
Headcount at 31.12.		
Permanent employment:		
Number of employees	774.0	685.0
expressed as full-time equivalents:	734.8	644.3
Fixed-term employment:		
Number of employees	19.0	18.0
expressed as full-time equivalents:	13.5	14.8

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

Executive Board remuneration

In millions of CHF	2023	2022
Fixed remuneration (incl. lump-sum expenses)	1.83	1.80
Variable remuneration	0.81	0.73
Pension benefits ¹	0.50	0.49
Total remuneration to the Executive Board	3.14	3.04
Of which to the highest-earning member of the Executive Board		
Fixed remuneration (incl. lump-sum expenses)	0.52	0.51
Variable remuneration	0.25	0.24

In millions of CHF	2023	2022
Pension benefits ¹	0.15	0.15
Total remuneration to the highest-earning member of the Executive Board	0.92	0.90

¹ Pension benefits include employer contributions to social security and the employee pension plan.

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

9. Other operating expenses

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

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

Board of Directors' fees and expenses represent fixed gross remuneration including the deduction of any employee contributions to the employee pension plan. The remuneration paid to the Chairman of the Board of Directors amounted to CHF 250,000, including lump-sum expenses (previous year: CHF 250,000). The remaining members of the Board of Directors received remuneration of between CHF 57,500 and CHF 77,500 pro rata temporis for 2023, including lump-sum expenses (previous year: between CHF 57,500 and CHF 72,700).

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

10. Financial income

In millions of CHF	2023	2022
Interest income on time deposits	0.6	0.2
Other financial income	1.4	1.5
	2.0	1.7

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

11. Financial expenses

In millions of CHF	2023	2022
Bond interest	14.0	11.1
Loans and convertible loans interest	5.5	2.7
Commitment fees	0.6	0.2
Other financial expenses	0.7	0.7
	20.8	14.7

Financial liabilities increased in the reporting year to finance ongoing investments and procurement costs. This increase resulted in higher financial expenses compared to the previous year.

12. Income taxes

In millions of CHF	2023	2022
Current income taxes	21.6	20.2
Change in deferred taxes	–2.2	–4.4
	19.4	15.8

An average rate of 16.3% (previous year: 16.8%) was used to calculate the current income taxes and, in 2023, deferred taxes were calculated based on an expected rate of 15.6% (previous year: 15.7%).

The effective average tax rate based on earnings before tax amounts to 16.3% (previous year: 14.1%).

13. Non-current assets

Summary of property, plant and equipment – 2023

In millions of CHF	Advances and construction in progress	Substations	Lines	Properties and buildings	Other property plant and equipment	Total
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In millions of CHF	Advances and construction in progress	Substations	Lines	Properties and buildings	Other property plant and equipment	Total
Acquisition cost at 1.1.2023	246.9	2,283.9	2,943.6	255.0	55.7	5,785.0
Additions	29.2	1.8	4.4	0.1	2.0	37.5
Disposals	–	–15	–8.7	–0.2	–0.1	–24.0
Reclassification	5.4	3.1	–10.0	0.9	0.7	0.1
Acquisition cost at 31.12.2023	281.5	2,273.8	2,929.3	255.8	58.3	5,798.7
Accumulated depreciation and amortisation at 1.1.2023	5.2	1,518.3	1,764.3	84.8	49.2	3,421.8
Depreciation and amortisation	–	67.4	47.3	6.9	4.9	126.5
Impairment losses	–	–	–	–	–	–
Disposals	–	–15.0	–8.7	–0.2	–0.1	–24.0
Reclassification	–	–	–	–	–	–
Accumulated depreciation and amortisation at 31.12.2023	5.2	1,570.7	1,802.9	91.5	54.0	3,524.3
Net book value at 1.1.2023	241.7	765.6	1,179.3	170.2	6.5	2,363.2
Net book value at 31.12.2023	276.3	703.1	1,126.4	164.3	4.3	2,274.4

Summary of property, plant and equipment – 2022

In millions of CHF	Advances and construction in progress	Substations	Lines	Properties and buildings	Other property plant and equipment	Total
Acquisition cost at 1.1.2022	462.2	2,242	2,790.6	252.3	62.9	5,810.0
Additions	3.9	0.3	1.8	–	0.1	6.0
Disposals	–	–11.2	–9.9	–1.4	–12.3	–34.8
Reclassification	–219.2	52.8	161.1	4.1	5.0	3.8
Acquisition cost at 31.12.2022	246.9	2,283.9	2,943.6	255.0	55.7	5,785.0
Accumulated depreciation and amortisation at 1.1.2022	5.2	1,458.9	1,728.2	79.2	54.3	3,325.8
Depreciation and amortisation	–	69.7	45.6	6.9	7.3	129.5
Impairment losses	–	–	–	–	–	–
Disposals	–	–10.4	–9.5	–1.3	–12.3	–33.5
Reclassification	–	0.1	–	–	–0.1	–
Accumulated depreciation and amortisation at 31.12.2022	5.2	1,518.3	1,764.3	84.8	49.2	3,421.8
Net book value at 1.1.2022	457.0	783.1	1,062.4	173.1	8.6	2,484.2
Net book value at 31.12.2022	241.7	765.6	1,179.3	170.2	6.5	2,363.2

Gross investments in property, plant and equipment amounted to CHF 254.1 million (previous year:

CHF 232.6 million). Thereof, CHF 216.6 million (previous year: CHF 226.6 million) were financed by proceeds from the auctioning of bottleneck capacities for cross-border supplies. Project costs of CHF 0.1 million were reclassified from «intangible assets under development» to «construction in progress» in the year under review (previous year: CHF 0.1 million from «construction in progress» to «intangible assets under development»). In addition, borrowing reclassified from «construction in progress» to «lines» exceeded the gross investments of CHF 10.0 million in the reporting year.

Property, plant and equipment of CHF 21.2 million (previous year: CHF 20.1 million) were purchased from related parties in 2023.

Summary of intangible assets – 2023

In millions of CHF	Intangible assets under development			Usage rights			Software			Total intangible assets		
	Purchased	Self-constructed	Total	Purchased	Self-constructed	Total	Purchased	Self-constructed	Total	Purchased	Self-constructed	Total
Acquisition cost at 1.1.2023	6.2	2.9	9.1	191.4	–	191.4	134.2	60.9	195.1	331.8	63.8	395.6
Additions	1.6	0.6	2.2	–	–	–	1.0	0.3	1.3	2.6	0.9	3.5
Disposals	–	–	–	–	–	–	–	–	–	–	–	–
Reclassification	–5.1	–2.5	–7.6	–	–	–	5.7	1.8	7.5	0.6	–0.7	–0.1
Acquisition cost at 31.12.2023	2.7	1.0	3.7	191.4	–	191.4	140.9	63.0	203.9	335.0	64.0	399.0
Accumulated depreciation and amortisation at 1.1.2023	–	–	–	95.4	–	95.4	121.8	55.6	177.4	217.2	55.6	272.8
Depreciation and amortisation	–	–	–	5.8	–	5.8	10.0	3.8	13.8	15.8	3.8	19.6
Impairment losses	–	–	–	–	–	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	–	–	–	–	–	–	–
Reclassification	–	–	–	–	–	–	–	–	–	–	–	–
Accumulated depreciation and amortisation at 31.12.2023	–	–	–	101.2	–	101.2	131.8	59.4	191.2	233.0	59.4	292.4
Net book value at 1.1.2023	6.2	2.9	9.1	96.0	–	96.0	12.4	5.3	17.7	114.6	8.2	122.8
Net book value at 31.12.2023	2.7	1.0	3.7	90.2	–	90.2	9.1	3.6	12.7	102.0	4.6	106.6

Summary of intangible assets – 2022

In millions of CHF	Intangible assets under development			Usage rights			Software			Total intangible assets		
	Purchased	Self-constructed	Total	Purchased	Self-constructed	Total	Purchased	Self-constructed	Total	Purchased	Self-constructed	Total
Acquisition cost at 1.1.2022	11.0	4.0	15.0	191.4	–	191.4	148.7	62.8	211.5	351.1	66.8	417.9
Additions	0.3	0.1	0.4	–	–	–	0.3	–	0.3	0.6	0.1	0.7
Disposals	–	–	–	–	–	–	–20.1	–3.0	–23.1	–20.1	–3.0	–23.1
Reclassification	–5.1	–1.2	–6.3	–	–	–	5.3	1.1	6.4	0.2	–0.1	0.1
Acquisition cost at 31.12.2022	6.2	2.9	9.1	191.4	–	191.4	134.2	60.9	195.1	331.8	63.8	395.6
Accumulated depreciation and amortisation at 1.1.2022	–	–	–	89.4	–	89.4	128.8	52.8	181.6	218.2	52.8	271.0
Depreciation and amortisation	–	–	–	6.0	–	6.0	13.1	5.8	18.9	19.1	5.8	24.9
Impairment losses	–	–	–	–	–	–	–	–	–	–	–	–
Disposals	–	–	–	–	–	–	–20.1	–3.0	–23.1	–20.1	–3.0	–23.1
Reclassification	–	–	–	–	–	–	–	–	–	–	–	–
Accumulated depreciation and amortisation at 31.12.2022	–	–	–	95.4	–	95.4	121.8	55.6	177.4	217.2	55.6	272.8
Net book value at 1.1.2022	11.0	4.0	15.0	102.0	–	102.0	19.9	10.0	29.9	132.9	14.0	146.9
Net book value at 31.12.2022	6.2	2.9	9.1	96.0	–	96.0	12.4	5.3	17.7	114.6	8.2	122.8

Gross investments in intangible assets amounted to CHF 25.4 million (previous year: CHF 24.8 million). Thereof, CHF 21.9 million (previous year: CHF 24.1 million) were financed by proceeds from the auctioning of bottleneck capacities for cross-border supplies. In addition, intangible assets amounting to CHF 0.3 million (previous year: CHF 0.2 million) were purchased from related parties in 2023.

14. Financial assets

In millions of CHF	31.12.2023	31.12.2022
Shareholdings	5.2	5.6
Other financial assets	0.9	0.9
	6.1	6.5

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

		Share capital in m.	Share in %
Joint Allocation Office (JAO)	A	0.125	4.0
TSCNET Services GmbH	B	0.040	6.25
Holding des Gestionnaires de Réseau de Transport d'Electricité SAS (HGRT)	C	52.119	5.0
Pronovo AG	D	0.100	100.0
ecmt AG	E	0.100	31.0
Equigy B.V.	F	0.050	20.0

Letters used for locations and currencies:

A = Luxembourg (Lux) | Currency EUR

B = Munich (D) | Currency EUR

C = Paris (F) | Currency EUR

D = Frick (CH) | Currency CHF

E = Embrach (CH) | Currency CHF

F = Arnheim (NL) | Currency EUR

Swissgrid is not legally obliged to prepare consolidated financial statements. Either the control principle necessary to prepare a consolidated financial statement (Art. 963 of the Swiss Code of Obligations (CO)) is not met, or the subsidiaries do not have a material influence on Swissgrid's financial statements. In particular, Pronovo AG is regulated by the Swiss Federal Office of Energy (SFOE) and is explicitly excluded from any consolidation with Swissgrid based on Art. 64 (5) of the Energy Act (EnG).

The figures are unchanged from the previous year.

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)	Power reserve	Total volume- and tariff-related timing differences	Thereof surpluses	Thereof deficits
Balance at 31.12.2021	258.2	29.8	15.8	22.5	–	326.3	–	326.3
Change in 2022	–107.1	346.9	134.3	–4.0	0.6	370.7	–	–
Final compensation grid takeover	4.9	–8.6	–	–	–	–3.7	–	–
Balance at 31.12.2022	156.0	368.1	150.1	18.5	55.0	747.7	–	747.7
Change in 2023	–37.2	170.9	77.2	–2.7	8.2	216.4	–	–
Change from the intermediary business in 2023	–	–	–	–	403.2	403.2	–	–
Balance at 31.12.2023	118.8	539.0	227.3	15.8	466.4	1,367.3	–	1,367.3
Current portion	17.3	224.9	85.0	4.4	392.1	723.7	–	723.7

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	31.12.2023	31.12.2022
Trade accounts receivable	15.3	28.6
Other receivables	1.5	3.1
Prepaid expenses and accrued income	5.3	8.6
Cash and cash equivalents	11.8	13.9
	33.9	54.2

Liabilities held on a fiduciary basis

In millions of CHF	31.12.2023	31.12.2022
Trade accounts payable	27.7	32.9
Accrued expenses and deferred income	6.2	21.3
	33.9	54.2

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

Auctions

In millions of CHF	2023	2022
Share of revenue Switzerland	368.9	425.4
Congestion management clearing	-17.2	-20.2
Net proceeds	351.7	405.2
Used for reduction of the chargeable grid costs	-123.1	-135.0
Used for grid investments	-228.6	-250.7
Undistributed income from auctions	—	19.5

Pursuant to the ECom ruling issued on 22 February 2022 and the supplement dated 7 February 2023, income from auctions in 2023 amounting to CHF 351.7 million (previous year: CHF 385.7 million) was paid to Swissgrid.

17. Trade receivables

In millions of CHF	31.12.2023	31.12.2022
Trade receivables	222.3	234.6
Specific valuation allowances	–	–
	222.3	234.6

18. Other receivables

In millions of CHF	31.12.2023	31.12.2022
Value-added tax	–	39.3
Security deposits on blocked bank accounts	1.2	1.2
Other	17.8	18.7
	19.0	59.2

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

19. Prepaid expenses and accrued income

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

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

20. Financial liabilities

In millions of CHF	31.12.2023	31.12.2022
Bonds	1,915.0	1,715.0
Convertible loans	41.0	72.1

In millions of CHF	31.12.2023	31.12.2022
Loans	580.1	200.1
Total financial liabilities	2,536.1	1,987.2
Current portion	510.0	231.1

Bonds

Nominal amount in CHF	Interest rate	Term	Expiration at nominal value
350 million	1.625%	2013 – 2025	30.01.2025
150 million	0.000%	2021 – 2026	30.06.2026
200 million	1.900%	2023 – 2026	30.06.2026
175 million	1.100%	2022 – 2027	30.06.2027
150 million	0.000%	2020 – 2028	30.06.2028
150 million	0.625%	2015 – 2030	25.02.2030
150 million	0.200%	2020 – 2032	30.06.2032
110 million	0.050%	2021 – 2033	30.06.2033
125 million	0.150%	2020 – 2034	30.06.2034
130 million	0.125%	2020 – 2036	30.06.2036
100 million	0.200%	2021 – 2040	29.06.2040
125 million	0.050%	2019 – 2050	30.06.2050

Convertible loans and loans

Convertible loans have a term of nine years and one-fifth of the loans become payable annually from year five. Moreover, these loans are also assigned a conversion right by Swissgrid in the event of occurrence of contractually defined events and an associated conversion obligation by the creditors. Creditors are compensated by a premium on the interest rate for the conversion right assigned to Swissgrid. Convertible loans are recognised in full in liabilities.

The interest conditions and maturities of convertible loans and loans are as follows:

Position	Interest rate (bandwidth)	Year 1	Year 2–5	more than 5 years	Total
Balance at 31 December 2023					
Convertible loans	3.36 – 3.41%	30.0	11.0	–	41.0
Loans	0.00 – 2.40%	480.0	100.0	0.1	580.1
Balance at 31 December 2022					
Convertible loans	3.36 – 3.93%	31.1	39.2	1.8	72.1
Loans	0.00%	200.0	–	0.1	200.1

Convertible loans and loans are assessed at their nominal value.

Lines of credit

The committed lines of credit total CHF 950 million, of which CHF 145 million was claimed as at 31 December 2023.

21. Provisions

In millions of CHF	Dismantling	Procedural costs	Deferred taxes	Total provisions
Balance at 31 December 2021	6.1	0.5	38.3	44.9
Provisions raised	–	0.1	–	0.1
Provisions used	–	–	–	–
Reversals	4.6	0.2	4.4	9.2
Balance at 31 December 2022	1.5	0.4	33.9	35.8
Provisions raised	–	0.1	–	0.1
Provisions used	–	–	–	–
Reversals	–	0.1	2.2	2.3
Balance at 31 December 2023	1.5	0.4	31.7	33.6
Current portion	–	0.1	–	0.1

Procedural costs

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

22. Other liabilities

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

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

23. Accrued expenses and deferred income

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

24. Contingent receivables

Billing method for the ancillary services (AS) surcharge

ElCom defined the billing method for the AS surcharge in its 4/2018 directive. Under this method, Swissgrid and the distribution system operators wait until the subsequent year to finally settle payments of AS tariffs for the previous financial year.

The settlement will result in receivables owed to Swissgrid by the distribution system operators. However, since the amount of these receivables could not be reliably determined when the financial statements were prepared, they were recognised as contingent receivables.

25. Other off-balance sheet commitments

Joint Allocation Office (JAO)

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

TSCNET Services GmbH

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

Equigy B.V.

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

Long-term rental contracts

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

In millions of CHF	Year 1	Year 2–10	More than 10 years	Total
31.12.2023	6.3	40.8	59.4	106.5
31.12.2022	5.7	35.9	60.4	102.0

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

Off-balance-sheet lease commitments

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

In millions of CHF	Year 1	Year 2–5	Total
31.12.2023	1.2	0.9	2.1
31.12.2022	1.1	1.6	2.7

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

27. Employee pension plan

Economic benefit/economic obligation and retirement benefit plan expenses

In millions of CHF	Shortfall/surplus funding	Economic share of the organisation		Change compared with previous year/affecting income in FY	Accrued amounts	Pension benefit expenses within personnel expenses	
	31.12.2023	31.12.2023	31.12.2022			2023	2022
Pension plans without overfunding / underfunding	–	–	–	–	12.2	12.2	11.0
Total	–	–	–	–	12.2	12.2	11.0

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 113.9% as at 31 December 2023 (previous year 107.7%).

28. Transactions with related parties

Transactions with related parties in millions of CHF	2023	2022
Total operating activities		
Net turnover	495.8	421.3
thereof grid utilisation	326.1	330.9
thereof general ancillary services /balance energy	87.0	42.4
thereof active power losses	63.2	34.0

Transactions with related parties in millions of CHF	2023	2022
thereof reactive energy	19.5	14.0
Other operating income	0.1	0.1
Procurement costs and operating expenses		
Procurement costs	460.7	557.5
thereof grid utilisation	14.8	3.0
thereof general ancillary services /balance energy	405.6	506.3
thereof active power losses	31.4	43.3
thereof reactive energy	8.9	4.9
Cost of materials and third-party supplies	13.2	14.4
Other operating expenses	4.4	2.4
Financial result		
Financial expenses	0.7	1.5

In the power reserve segment, costs to related parties totalled CHF 94.5 million (previous year: CHF 20.9 million).

Unsettled balances at balance sheet date with related parties in millions of CHF	31.12.2023	31.12.2022
Assets		
Trade receivables	95.4	94.4
Prepaid expenses and accrued income	15.9	17.8
Liabilities		
Convertible loans and loans	21.6	42.6
Trade accounts payable	60.4	181.9
Accrued expenses and deferred income	6.3	12.1

The conditions relating to related parties are described in Note 1.

As in the previous year, there were no transactions with members of the Board of Directors or the Executive Board in the reporting year, with the exception of ordinary remuneration.

29. Events after the balance sheet date

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

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

Financial statements Swiss GAAP FER

Independent Auditor's Report



Independent Auditor's Report

To the General Meeting of Swissgrid Ltd, Aarau

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Swissgrid Ltd (the Company), which comprise the balance sheet as at 31 December 2023 and the 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 give a true and fair view of the financial position of the Company as at 31 December 2023, 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 law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key Audit Matters



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



Completeness and accuracy of the net turnover and procurement costs

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



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

Key Audit Matter

For the 2023 financial year Swissgrid reports an EBIT (earnings before interest and taxes) of 138.2 Mio. CHF (PY: 125.2 Mio. CHF). The change in volume- and tariff-related timing differences amounts to CHF +216.4 Mio. CHF (PY: +370.7 Mio. CHF).

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

Cost and volume variances between the actual costs and income for a year and the costs and income 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.

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

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



Completeness and accuracy of the net turnover and procurement costs

Key Audit Matter

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

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

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

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

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

Our response

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

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

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

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 2023) as well as under note "5. Net turnover and procurement costs according to the electricity supply act (StromVG)".

Other Information

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

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

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

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

Board of Directors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with SA-CH, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 Group 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

KPMG AG

Silvan Jurt
Licensed Audit Expert
Auditor in Charge

Beatriz Vazquez
Licensed Audit Expert

Basel, 15 April 2024

KPMG AG, Grosspeteranlage 5, CH-4002 Basel

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Statutory financial statements

Income statement

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

Statutory financial statements

Balance sheet

Assets

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

Equity and liabilities

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

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

Statutory financial statements

Cash flow statement

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

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

Statutory financial statements

Notes

1. Accounting principles

General

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

Conversion of foreign currency items

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

Cash flow statement

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

Revenue recognition

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

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

Activities according to StromVG/WResV

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

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

EBIT regulated under StromVG

Earnings before interest and taxes (EBIT) from activities related to the Electricity Supply Act (StromVG) are defined in Article 13 of the Electricity Supply Ordinance (StromVV) and are equivalent to the interest applied to the invested operating assets with the weighted average cost of capital rate for the current year under review ($= WACC_{t+0}$) and the interest applied to the volume and tariff-related timing differences with the weighted average cost of capital rate of $WACC_{t+2}$ plus income taxes. Invested operating assets consist of net current assets calculated on a monthly basis as well as the property, plant and equipment and intangible assets as at the end of the financial year. The weighted average cost of capital rate is based on the current international practice of the capital cost concept with reference to the Capital Asset Pricing Model (CAPM). Besides considering the findings of financial market theory, the regulatory framework conditions in Switzerland and the current situation in the money and capital market are also taken into account. The official weighted average cost of capital rates based on this method of calculation are 3.83% for 2023 ($WACC_{t+0}$) and 3.98% for 2025 ($WACC_{t+2}$).

EBIT according to WResV

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

Chargeability of operating and capital costs

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

Property, plant and equipment

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

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

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

Intangible assets

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

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

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

Impairment losses

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

Construction in progress/intangible assets under development

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

Financial assets

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

Shareholdings

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

Inventory

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

Accounts receivable

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

Cash and cash equivalents

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

Bonds

Bonds issued on the capital market are recognised at their nominal value. Deviations from the nominal value in the case of below- or above-par issues are recognised as accruals and deferrals and are

reversed on a straight-line basis over the term of the bond.

Liabilities

Liabilities are recognised at their nominal value.

Provisions

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

Contingent liabilities

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

Interest on borrowed capital

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

Income taxes

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

Derivative financial instruments

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

2. Estimation uncertainty

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

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

3. Net turnover and procurement costs

Net turnover

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

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

Procurement costs

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

More detailed comments on the individual segments, including the effects on the volume- and tariff-related timing differences, can be found in Note 4 to the financial statements in accordance with Swiss GAAP FER.

4. Other operating income

In millions of CHF	2023	2022
Congestion management clearing	16.3	17.5
Other	3.6	2.2
	19.9	19.7

5. Materials and third-party supplies

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

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

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

6. Personnel expenses

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

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

The average number of full-time equivalents exceeded 250 in the reporting period, as was the case in the previous year.

7. Other operating expenses

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

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

Board of Directors' fees and expenses represent fixed gross remuneration including the deduction of any employee contributions to the employee pension plan. The remuneration paid to the Chairman of the Board of Directors amounted to CHF 250,000, including lump-sum expenses (previous year: CHF 250,000). The remaining members of the Board of Directors received remuneration of between CHF 57,500 and CHF 77,500 pro rata temporis for 2023, including lump-sum expenses (previous year:

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

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

8. Trade receivables

As at 31 December 2023, trade receivables include CHF 57.2 million (previous year: CHF 63.6 million) in relation to companies with a direct or indirect shareholding in Swissgrid.

9. Other receivables

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

10. Prepaid expenses and accrued income

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

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

11. Balance sheet items held on a fiduciary basis

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

12. Shareholdings

		Share capital in m.	Share in %
Joint Allocation Office (JAO)	A	0.125	4.0
TSCNET Services GmbH	B	0.040	6.25
Holding des Gestionnaires de Réseau de Transport d'Electricité SAS (HGRT)	C	52.119	5.0
Pronovo AG	D	0.100	100.0

		Share capital in m.	Share in %
ecmt AG	E	0.100	31.0
Equigy B.V.	F	0.050	20.0

Letters used for locations and currencies:

A = Luxembourg (Lux) | Currency EUR

B = Munich (D) | Currency EUR

C = Paris (F) | Currency EUR

D = Frick (CH) | Currency CHF

E = Embrach (CH) | Currency CHF

F = Arnheim (NL) | Currency EUR

Swissgrid is not legally obliged to prepare consolidated financial statements. Either the control principle necessary to prepare a consolidated financial statement (Art. 963 of the Swiss Code of Obligations (CO)) is not met, or the subsidiaries do not have a material influence on Swissgrid's financial statements. In particular, Pronovo AG is regulated by the Swiss Federal Office of Energy (SFOE) and is explicitly excluded from any consolidation with Swissgrid based on Art. 64 (5) of the Energy Act (EnG).

The figures are unchanged from the previous year.

13. Property, plant and equipment

The book values of the individual categories are as follows:

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

14. Intangible assets

The book values of the individual categories are as follows:

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

In millions of CHF	31.12.2023	31.12.2022
	240.0	272.9

15. Trade accounts payable

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

16. Other liabilities

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

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

17. Accrued expenses and deferred income

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

18. Financial liabilities

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

Bonds

Nominal amount in CHF	Interest rate	Term	Expiration at nominal value
350 million	1.625%	2013 – 2025	30.01.2025
150 million	0.000%	2021 – 2026	30.06.2026
200 million	1.900%	2023 – 2026	30.06.2026
175 million	1.100%	2022 – 2027	30.06.2027
150 million	0.000%	2020 – 2028	30.06.2028
150 million	0.625%	2015 – 2030	25.02.2030
150 million	0.200%	2020 – 2032	30.06.2032
110 million	0.050%	2021 – 2033	30.06.2033
125 million	0.150%	2020 – 2034	30.06.2034
130 million	0.125%	2020 – 2036	30.06.2036
100 million	0.200%	2021 – 2040	29.06.2040
125 million	0.050%	2019 – 2050	30.06.2050

Convertible loans and loans

Convertible loans have a term of nine years and one-fifth of the loans become payable annually from year five. Moreover, loans are also assigned a conversion right by Swissgrid in the event of occurrence of contractually defined events and an associated conversion obligation by the creditors. Creditors are compensated by a premium on the interest rate for the conversion right assigned to Swissgrid. Convertible loans are recognised in full in liabilities.

The interest conditions and maturities of convertible loans and loans are as follows:

Loans and convertible loans

Position	Interest rate (bandwidth)	Year 1	Year 2–5	more than 5 years	Total
Balance at 31 December 2023					
Convertible loans	3.36 – 3.41%	30.0	11.0	–	41.0
Loans	0.00 – 2.40%	480.0	100.0	0.1	580.1
Balance at 31 December 2022					
Convertible loans	3,36 – 3,93%	31.1	39.2	1.8	72.1
Loans	0.00%	200.0	–	0.1	200.1

Convertible loans and loans are assessed at their nominal value.

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

towards companies with a direct or indirect shareholding in Swissgrid.

19. Provisions

In millions of CHF	31.12.2023	31.12.2022
Dismantling	1.5	1.5
Procedural costs	0.4	0.4
Total provisions	1.9	1.9
Current portion	0.1	0.1

Procedural costs

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

20. Share capital and reserves from capital contributions

The share capital consists of 334,495,151 (previous year: 334,495,151) fully paid-up registered shares with a par value of CHF 1 per share.

21. Intermediary business

The power reserve segment handles the orders regulated by the WResV for the use of the hydropower reserve and reserve power plants, pooled emergency power groups and combined heat and power plants (CHP plants). It will be financed via tariff revenues from 2024. In accordance with the accounting regulations, these activities are intermediary transactions, which is why only the value of the services provided by the company itself is reported in the power reserve segment.

The expenses resulting from the intermediary business amounted to CHF 403.2 million in the reporting year (previous year: CHF 54.4 million).

22. Derivative financial instruments

Swissgrid made use of derivative financial instruments to partially hedge against market price risk from future procurement costs for active power losses. The nominal amount of these instruments is EUR 208.5 million (previous year: EUR 121.3 million), with negative replacement values of EUR 96.9 million as at 31 December 2023 (previous year: EUR 5.4 million).

23. Contingent receivables

Billing method for ancillary services (AS)

ElCom defined the billing method for the AS surcharge in its 4/2018 directive. Under this method, Swissgrid and the distribution system operators wait until the subsequent year to finally settle payments

of AS tariffs for the previous financial year.

The settlement will result in receivables owed to Swissgrid by the distribution system operators. However, since the amount of these receivables could not be reliably determined when the financial statements were prepared, they were recognised as contingent receivables.

24. Other off-balance sheet commitments

Joint Allocation Office (JAO)

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

TSCNET Services GmbH

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

Equigy B.V.

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

Off-balance-sheet lease commitments

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

Lease commitments

In millions of CHF	Year 1	Year 2–5	Total
31.12.2023	1.2	0.9	2.1
31.12.2022	1.1	1.6	2.7

Long-term rental contracts

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

In millions of CHF	Year 1	Year 2–10	More than 10 years	Total
31.12.2023	6.3	40.8	59.4	106.5
31.12.2022	5.7	35.9	60.4	102.0

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

25. Legal proceedings

Swissgrid's legal mandate and business activities expose the company to costs that can be passed on to the lower grid levels and end consumers in the form of tariff revenues if ElCom deems the costs to be chargeable. ElCom has the right to verify ex post the chargeability of Swissgrid's costs for tariff-setting purposes.

At present, ElCom has not initiated any proceedings to examine Swissgrid's chargeable costs. Swissgrid's Board of Directors and Executive Board believe that all costs were incurred within the framework of Swissgrid's legal mandate and should therefore qualify as chargeable. Based on this assessment, Swissgrid has treated all operating and capital costs as chargeable and consequently recognised them in full in the volume- and tariff-related timing differences. If, contrary to Swissgrid's assessment, the costs claimed are ruled to be non-chargeable, this would be reflected in future financial statements.

Third-party proceedings

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

26. Audit fees

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

27. Events after the balance sheet date

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

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

Statutory financial statements

Proposed appropriation of retained earnings

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

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

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

Aarau, 15 April 2024

On behalf of the Board of Directors:

Adrian Bult, Chairman

Statutory financial statements

Statutory Auditor's Report



Statutory Auditor's Report

To the General Meeting of Swissgrid Ltd, Aarau

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key Audit Matters



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



Completeness and accuracy of the net turnover and procurement costs

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



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

Key Audit Matter

For the 2023 financial year Swissgrid reports an EBIT (earnings before interest and taxes) of 134.4 Mio CHF (PY: 114.3 Mio CHF). The change in volume- and tariff-related timing differences amounts to 218.6 Mio. (PY: +365.7 Mio CHF).

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

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

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

Our response

We have performed mainly the following audit procedures:

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

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



Completeness and accuracy of the net turnover and procurement costs

Key Audit Matter

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

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

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

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

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

Our response

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

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

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

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

Other Information

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

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

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

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

Board of Directors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

KPMG AG

Silvan Jurt
Licensed Audit Expert
Auditor in Charge

Beatriz Vazquez
Licensed Audit Expert

Basel, 15 April 2024