

IWB ANNUAL REPORT

FINANCIAL REPORT 2021

CONTENTS

ENVIRONMENT AND STRATEGY

- 2 Environment
- 3 Strategy and outlook

FINANCIAL MANAGEMENT REPORT

- 4 Overview of business performance in 2021
- 5 Operating income and investments per segment
- 6 Operating expense, depreciation and amortization
- 6 Cash flows and financial position
- 7 Allocation of value added and appropriation of net profit
- 8 Financial outlook
- 8 Non-financial results

9 CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- 13 Accounting principles
- 13 Consolidation principles
- 15 Accounting policies

FINANCIAL REPORT

IWB generated operating income of CHF 868 million and an operating result of CHF 126 million in 2021. The financial result reflected one-time items, cold weather and higher procurement prices for electricity and gas. IWB invested CHF 150 million to ensure that energy and potable water supplies remain secure and increasingly climate-friendly going forward.



Visit us online
[iwb.ch/geschaeftsbericht](https://www.iwb.ch/geschaeftsbericht)

ENVIRONMENT AND STRATEGY

2021 was a year marked by price fluctuations on international energy markets. At the same time, the debate around Switzerland's future electricity supply is intensifying. In the Canton of Basel-Stadt, the focus is on expanding district heating. IWB's aim under its 2021+ Strategy is to expand renewable energy production and decarbonize.

ENVIRONMENT

The second half of 2021 was impacted by massive price increases on international energy markets. At IWB, these had an effect on gas and district heating tariffs. In Switzerland, attention has shifted more to security of supply for electricity and the expansion of renewable electricity production since it was announced that the country could suffer electricity shortages from 2025 onwards. In the Canton of Basel-Stadt, IWB continues to extend the district heating network, which will grow by around 60 kilometres over the next 15 years.

Internationally: price fluctuations on energy markets

In the second half of 2021, gas prices on international markets rose by more than 300 percent in some cases. There were several reasons for this: geopolitical tensions over the Nord Stream 2 gas pipeline on the one hand and European gas storage facilities on the other. These were less full than is usually the case at the beginning of winter, not least because more gas than usual was used for heating and electricity production during the cold winter of 2020/2021. Many coal-fired power plants ramped down their production, as carbon prices rose sharply. On top of this, energy demand in China was strong in the economic upturn after previously stagnating due to the pandemic. Like other Swiss gas suppliers, IWB subsequently had to raise gas tariffs (see "Tariffs", page 8).

Switzerland: security of supply and expansion of renewables for winter electricity production

On 26 May 2021, the Swiss Federal Council announced its decision not to sign the institutional framework agreement with the EU. This has repercussions for Switzerland's electricity supply, as the EU considers the framework agreement to be a prerequisite for the signing of an agreement on electricity. Being outside European coordination processes has a negative impact on grid opera-

tion and electricity imports. In autumn 2021, OS-TRAL (Swiss organization for power supply in exceptional situations) called attention to the possibility that Switzerland could suffer electricity shortages in 2025 and prepared a series of actions that can be implemented in the event of a potential electricity shortage. Energy providers such as IWB subsequently informed large consumers that they should prepare for the scenario. Currently, IWB still produces more renewable electricity than its customers consume. Electricity security of supply is at a high level. However, Basel is not an island – electricity production needs to be expanded throughout Switzerland, too. IWB produces most of its electricity in Alpine hydropower plants, which also provide a reliable supply of electricity in the winter. In 2021, IWB constructed Switzerland's largest Alpine solar plant together with Axpo with a view to increasing winter electricity production. The plant was built by IWB subsidiary Planeco at the Muttsee dam wall 2,500 metres above sea level. It produces 3.3 million kilowatt hours of electricity a year – half of it in the winter (see Focus on 2021, page 7).

Canton of Basel-Stadt: expansion of district heating

Through its recommendation on the expansion of grid-connected heating, the Government Council has developed a model of how the Canton, IWB and customers can manage the transformation of heating together. Around CHF 460 million is to be channelled into expanding heating networks over the next 15 years. This was decided almost unanimously by the Grand Council on 20 October 2021. The planned expansion of the district heating network will raise the percentage of heating demand in the city of Basel met by district heating from 51 to 81 percent. At present, 50,000 residents and 30 percent of buildings have a heating system that operates on district heating; following the expansion phase, it will be 120,000 and 70 percent respectively (see Focus on 2021, pages 4–5).

Around CHF 460 million is to be channelled into expanding heating networks in Basel over the next 15 years.

Wider economy recovers from the pandemic

The economy continued to stage a sound recovery thanks to the extensive easing of COVID-19 restrictions through to mid-2021. In the summer, GDP rose above the pre-crisis levels of 2019. However, international supply bottlenecks are weighing on the industrial sector and pushing up prices. Overall, the Swiss Confederation's Expert Group expects above-average GDP growth of 3 percent in 2022.

STRATEGY AND OUTLOOK

Under its IWB 2021+ Strategy, IWB will offer its customers modern infrastructure, systematically implement decarbonization and leverage renewable energy for growth. In order to meet the challenges, IWB partially reorganized itself with effect from 1 January 2021 and established a Heating business unit.

Strategy

2021 was dominated by the work to implement the new corporate strategy, IWB 2021+. This has three main thrusts:

- **Providing modern infrastructure**

IWB ensures that customers in the Basel region are supplied with electricity, heat, water and telecommunications. To this end, it maintains and modernizes smart and cost-efficient infrastructure.

- **Implementing decarbonization**

In the Canton of Basel-Stadt, IWB is implementing the transition from fossil fuel to renewable heating and mobility together with its customers. At the same time, IWB remains a reliable partner to its customers in Northwest Switzerland and assists them in switching to renewable heating solutions.

- **Leveraging renewable energy for growth**

IWB is leveraging its products and services for growth in Northwest Switzerland. In Switzerland, IWB trades in the widest possible range of integrated customer solutions.

Heating business unit

The transformation of heating is an important task for IWB. In Basel, IWB operates Switzerland's largest district heating network – and will expand it dramatically over the next 15 years or so. At the same time, the gas network needs to be redimensioned. Decentralized heating networks are another issue. With effect from 1 January 2021, the new Heating business unit assumed full responsibility for this task.

Outlook

For the time being, the Swiss electricity and heating market will continue to be shaped from a challenging starting position. The transformation of the heating supply chain is a long-term project for IWB. The increasing electrification of heating and mobility places new demands on the grid and production. Over the coming years, the decarbonization and decentralization of the energy system will require large investments in the expansion and consolidation of the district heating grid and the setting-up of new heating networks, in electricity grid infrastructure and in production infrastructure. IWB is also investing in the modernization of water supplies so as to ensure a high level of security of supply.

With the operating result achieved in financial year 2021, the Company is well placed and has the necessary resources to master this transformation. However, revenues from gas business will fall. To be able to continue making investments independently in the future, IWB must achieve a sustained increase in earnings and a reduction in operating expense. This endeavour is being systematically supported by the ongoing digitalization of processes and workflows and the development of innovative business models with new products and services.

IWB intends to leverage products and services for growth in Northwest Switzerland.

FINANCIAL MANAGEMENT REPORT

Having generated operating income of CHF 868 million and a profit for the financial year of CHF 127 million, IWB can look back on a good 2021. One-time items and cold weather had a positive impact on earnings and more than offset higher procurement prices for electricity and gas. IWB invested a large proportion of the CHF 182 million in cash flow from operating activities in local infrastructure so as to ensure a reliable and sustainable energy and water supply. By investing in heating networks and PV installations, IWB also continued to drive the expansion of renewables.

OVERVIEW OF BUSINESS PERFORMANCE IN 2021

Having generated a profit for the financial year of CHF 127 million, IWB can look back on a good 2021. The operating result was very much driven by cold weather and the related increase in sales of district heating and gas as well as by developments on the energy markets. In the second half of the year in particular, energy prices for electricity and gas rose sharply, pushing up procurement expense. The result was also impacted by two one-time items. Firstly, provisions in connection with onerous energy procurement contracts were partially released, reducing procurement expense by a total of CHF 60 million. Secondly, a write-down was recognized on the gas network in the reporting period, depressing the operating result by CHF 37 million.

Operating income was up by just over 12 percent year on year to CHF 868 million in the reporting period. While the electricity segment benefited from higher electricity market prices, sales in the district heating and gas segments were driven higher by cool weather. Revenues from new renewables were lower due to the fall in production volumes at foreign facilities.

The operating result before depreciation and amortization (EBITDA) increased by almost 18 percent year on year to CHF 257 million. Due especially to the rise in energy prices, the higher revenues are set against higher procurement expense, which was only partly passed on to tariff customers. However, one-time items attributable to the partial release of provisions for onerous energy

procurement contracts reduced these additional energy procurement expenses by CHF 60 million. The CHF 37 million write-down on the gas network relates to the expansion of grid-connected heating and has a negative impact on the operating result. The decision by the Grand Council of the Canton of Basel-Stadt to expand district heating will bring a reduction in both the number of installed gas connections and sales volumes in future. As at 31 December 2021, the gas network was therefore no longer fully recoverable. The operating result was up by 13 percent year on year to CHF 126 million. While the financial result deteriorated in the reporting period due to foreign currency losses, the share of profit of associates improved. IWB also benefited from extraordinary income. This relates to a measurement adjustment subsequently determined in 2021 on the transfer of the transmission grid to Swissgrid. After taxes and minority interests, net profit came to CHF 127 million (+18%).

OPERATING INCOME AND INVESTMENTS PER SEGMENT

Electricity segment

Thanks to new customer acquisition in the free market, electricity sales rose by 2 percent to 1,079 GWh in the reporting period. Distributed electricity, on the other hand, declined slightly from 1,186 GWh to 1,173 GWh (-1%). Nevertheless, operating income in the electricity segment climbed by 13 percent to CHF 390 million in 2021, with the growth attributable in particular to higher electricity market prices. Operating income at the for-

The financial result was buoyed by one-time items and cold weather.

oreign production facilities was lower due to the decline in production volumes to 462 GWh (–17%) as a result of lower wind levels and the sale of shares in an investee. Investments in the local electricity grid were up slightly on the prior-year figure to CHF 31 million (+3%).

District heating and gas segments

Sales in both segments were positively impacted by the cold weather in the reporting period. In 2021, heating degree days were around 22 percent up on the previous year and around 11 percent higher than the long-term average. In the district heating segment, further areas were newly connected to the network, amplifying the weather-driven increase in sales. Overall, operating income in the district heating segment rose to CHF 96 million (+19%).

In the gas segment, operating income was buoyed by the weather-driven increase in sales and by the higher market prices being partly passed on in the free market. Operating income rose by 11 percent year on year to CHF 211 million.

Investments in the district heating network amounted to CHF 20 million, an increase of 51 percent on the previous year. The higher investments made by IWB drove the energy transition and the decarbonization of heating in the Canton of Basel-Stadt. IWB's investments in district heating production amounted to CHF 3 million. Investments in the gas network were down by around 27 percent on the previous year to CHF 13 million. In 2020, more investments had to be

made in the supply area outside the Canton of Basel-Stadt.

Potable water segment

Sales were down on the previous year to 19.5 million cubic metres (–9%). Operating income came to CHF 44 million, a year-on-year decrease of 5 percent attributable to the wet summer of 2021. At CHF 27 million (–9%) in 2021, investments in the potable water network and potable water production facilities were lower than in the previous year. Investments in the water network fell due to lower investment in replacing connecting and supply pipes. The decline in investments in production facilities is due to the construction work on the Lange Erlen pump station having been completed in the previous year.

Telecommunications, waste treatment and energy solutions segments

Operating income in the energy solutions segment showed a slight rise on the previous year (+3%). The telecommunications and waste treatment segments also grew in the reporting period, by 6 percent and 5 percent respectively. While the growth in the telecommunications segment is attributable to general sector growth and the tapping of the market in new builds, revenues in the waste treatment segment rose on the back of larger sales volumes. A total of CHF 7 million was invested in waste treatment facilities in the reporting period, with investments in a fly ash scrubber at the waste incineration facility making up the largest share. In the telecommunications segment, IWB invested CHF 3 million.

“Decarbonization is also reflected in our investments. In 2021, IWB invested 51 percent more in the district heating network than it did in the previous year.”

Christian Spielmann

CFO

Energy and potable water supplied

2017–2021

	Unit	2017	2018	2019	2020	2021	Compared with previous year
Energy and potable water supplied to IWB customers							
Electricity	GWh	1 239	1 169	1 051	1 061	1 079	+1.7%
District heating	GWh	869	831	899	814	936	+15.1%
Gas	GWh	2 826	2 618	2 514	2 299	2 429	+5.7%
Water	m m ³	21.9	21.8	21.0	21.3	19.5	–8.5%
Other energy and potable water supplied							
Electricity supplied to third parties (trading) ¹	GWh	1 279	1 125	2 000	1 903	1 691	–11.2%
Electricity supplied to national payment systems ²	GWh	503	476	531	557	462	–17.1%
Steam	GWh	148	136	133	126	133	+5.6%
Gas supplied to IWB's own plants	GWh	825	663	622	564	714	+26.7%
Potable water supplied to other plants	m m ³	2.90	3.00	2.95	3.00	3.04	+0.9%

1 IWB electricity trading to balance production and sales.

2 Feed-in to national payment systems in Europe.

Other

The other segment combines IWB's remaining services such as engineering, mobility, rentals, network services, PV installations, operations and management mandates, laboratory services, energy consulting and temporary connections. Operating income was up sharply on the prior-year figure to CHF 31 million (+76%) due in particular to higher revenues in the PV installations segment.

OPERATING EXPENSE, DEPRECIATION AND AMORTIZATION

Operating expense was up on the previous year to CHF 611 million (+10%) due mainly to the rise in energy procurement expense to CHF 363 million (+12%). The rise is attributable in particular to the marked increase in electricity and gas prices in the second half of the year. The weather-driven increase in procurement volumes in the district heating and gas segments amplified this trend and resulted in higher expense for procurement from third parties (+56%) and associates (+43%). This is set against one-time items attributable to the partial release of provisions in connection with onerous energy procurement contracts. This partial release of provisions reduced the expense for energy procurement from third parties by CHF 60 million.

Personnel expense increased by 6 percent to CHF 141 million in line with a higher headcount. The increase in the number of employees is due mainly to the additional personnel required as a result of the transformation of heating and the growth in PV business.

The growth in the PV installations segment is also the reason for the higher other operating expense, which climbed by 10 percent to CHF 106 million.

Depreciation, amortization and impairment were up on the previous year to CHF 131 million in 2021 (+23%) due especially to write-downs of CHF 37 million on the gas network. In autumn 2021, the Grand Council of the Canton of Basel-Stadt decided to expand grid-connected heating and approve IWB's related investments of CHF 460 million. Both the number of installed gas connections and sales volumes in the city area will therefore decrease in future, as a result of which the gas network was no longer fully recoverable as at 31 December 2021.

In the previous year, this line item was likewise impacted by one-time items. Firstly, the useful lives of the distribution networks were adjusted and, secondly, write-downs were recognized on foreign facilities.

CASH FLOWS AND FINANCIAL POSITION

Cash flows and investments

Cash flow from operating activities declined by 18 percent to CHF 182 million in the reporting period. This decline is attributable in particular to higher procurement costs. Moreover, working capital rose in the reporting period (previous year: decline in working capital), absorbing additional cash funds. The ratio of net cash from operating activities to EBITDA decreased from 102 percent in the previous year to 71 percent in 2021. The decrease relates to the release of provisions. This release is irrelevant in terms of cash flow, but has a positive impact on EBITDA. IWB used the funds provided by operating activities to make gross investments of CHF 150 million, of which CHF 118 million was channelled into tangible fixed assets and CHF 23 million into acquiring financial assets, with the equity investment in Energie Auserschwyz AG making up the largest share. In addition, shares were purchased in consolidated entities such as Wärmeverbund Riehen and a further CHF 4 million was invested in various digitalization projects. The amount channelled into renovating local supply grids and systems was similar to that in previous years. Moreover, IWB disbursed a profit distribution of CHF 34 million to the Canton of Basel-Stadt and repaid financial liabilities of CHF 69 million.

Balance sheet, financing and liquidity

IWB's total assets rose slightly year on year to stand at CHF 2.6 billion. The rise is due primarily to the higher value of derivative financial instruments in connection with electricity market transactions. IWB acts as an intermediary in this context and presents the transactions both as an asset and as a liability in the same amount. The decrease in short-term financial liabilities is due mainly to a loan repayment. The decline in long-term provisions relates to the partial release of provisions for loss-making contracts. The good set of results for 2021 and the related increase in equity allowed the capital base to be bolstered again. It stood at around 73 percent at the end of 2021. Other financial criteria were met, such as net debt of up to no more than 2.5 to 3.5 times EBITDA and an increase in profitability. At year-end, IWB held cash and cash equivalents amounting to CHF 71 million. In 2022, these will be used to finance planned investments, settle short-term financial liabilities to banks and disburse the profit distribution to the Canton of Basel-Stadt. Any additional financing requirements are met through appropriate funding measures.

CHF **150** MILLION

IWB invested [CHF 150 million] in 2021.

Changes in cash flows, investments and balance sheet

2017–2021, CHF m

	2017	2018	2019	2020	2021
Cash flow from operating activities	197.4	232.3	217.7	221.9	181.8
Cash flow from investing activities (net)	-132.8	-126.1	-123.6	-106.4	-142.8
Free cash flow	64.6	106.2	94.1	115.5	39.0
Cash and cash equivalents	73.5	93.6	129.6	130.0	71.2
Total assets	2 451.5	2 482.8	2 551.4	2 558.0	2 594.3
Non-current assets	2 163.7	2 183.1	2 208.2	2 216.9	2 209.2

ALLOCATION OF VALUE ADDED AND APPROPRIATION OF NET PROFIT

Of the net value added of CHF 287.4 million, CHF 141.3 million (49%) went to employees. IWB's obligations to the Canton of Basel-Stadt amounted to CHF 52.0 million. This includes the profit distribution of CHF 42.3 million scheduled for 2021, the licence fee remitted in the amount of CHF 11 million, loan interest of CHF 0.6 million and other public service obligations of CHF 0.4 million. The provision for onerous energy procurement contracts from local CHP plants was partially released in the amount of CHF 2.3 million, reducing obligations (previous year: the provision was increased by CHF 1.4 million). Under the owner strategy (see Corporate Governance, page 47), IWB is obliged to ensure a return on capital employed that is appropriate to the risk. The amount of the profit distribution to the Canton of Basel-Stadt is decided by the Government Council in accordance with section 29 of the IWB Act. Allocating undistributed profit to the reserves bolsters the capital base and increases the scope for future investments.

FINANCIAL OUTLOOK

The Government Council's owner strategy requires IWB to make its operations financially sustainable so as to safeguard its profitability and maintain or increase its assets. The upcoming decarbonization of heating in the Canton of Basel-Stadt and the rest of IWB's supply area, the necessary investments in electricity and water supply, and the liberalization of energy markets expected to take place over the medium term will require large investments going forward, just as the pressure on margins becomes ever greater. In accordance with the 2019–2022 mandate, IWB is planning to finance those investments itself to the extent that the costs can be covered through adequate tariffs and contributions. At the same time, both the risks and the opportunities for IWB as a multi utility company are increasing. As regards the required financing, decarbonization in particular harbours inherent conflicts between profitability-, ecology- and pricing-related objectives. Against this backdrop, IWB will continue to increase its financial headroom by optimizing the existing business and systematically pursuing options for development. This will generate the re-

Net value added and its allocation to stakeholders

2017–2021, CHF m

	2017	2018	2019	2020	2021
Net value added	235.3	259.7	294.5	266.5	287.4
Employees	117.1	119.5	123.7	133.9	141.3
Creditors (interest)	7.9	7.2	6.9	5.3	4.4
Public sector (taxes and levies) ¹	6.3	6.2	7.0	6.5	4.8
Owner (Canton)	52.4	47.3	44.0	47.1	52.0
Profit distribution ²	22.4	36.8	35.0	33.7	42.3
Interest on loans	1.6	0.9	0.8	0.5	0.6
Licence fee paid to Basel-Stadt ³	2.0	8.6	11.6	11.0	11.0
Public service obligations ⁴	26.4	1.0	-3.4	1.9	-1.9
Company (retained earnings)	51.6	79.5	112.9	73.8	84.9

¹ The item comprises the licence fees paid to municipalities outside the Canton of Basel-Stadt.

² The profit distribution is disbursed in the year following the financial year ended.

³ Due to a ruling by the Swiss Federal Supreme Court, the licence fee payable to the Canton of Basel-Stadt ceased to be charged as of April 2017. Since 1 March 2018, following the amendment of the legal provisions, this fee has again been paid by IWB and charged to customers pro rata.

⁴ In 2017, the item primarily included a provision recognized for onerous energy procurement contracts from local CHP plants. In 2019, it consisted mainly of the amount by which that provision was partially released, while in 2020 the provision was increased. In 2021, the item consisted mainly of the amount by which the provision for CHP plants was partially released.

System average interruption duration index – SAIDI¹

2017–2021, minutes per year per customer

	2017	2018	2019	2020	2021
Electricity	6.50	1.14	4.55	5.72	9.68
District heating	22.56	10.70	6.53	9.55	11.71
Gas	0.02	0.03	0.12	0.03	0.02
Potable water	4.19	4.24	4.22	7.07	8.32

¹ The system average interruption duration index (SAIDI) calculates the average duration of power supply interruptions per customer (point of measurement).

sources necessary for the transformation. In light of the large investments required in order to decarbonize heating, the Grand Council of the Canton of Basel-Stadt in autumn 2021 approved investments of CHF 460 million for this expansion of heating networks and also announced CHF 110 million of funding in the form of an interest-free loan that is repayable subject to conditions.

While the effects of the COVID-19 pandemic remain financially manageable for IWB, current geopolitical developments and their impact on energy prices are heightening uncertainty over procurement costs. Higher procurement costs would lead to additional expense, which it may not be possible to fully pass on to tariff customers. At the present time, therefore, the financial effects on IWB cannot be conclusively predicted. However, IWB is certainly benefiting from its sound capital base and its positioning as a multi utility company.

NON-FINANCIAL RESULTS

Security of supply

IWB is committed to ensuring the provision of electricity, district heating, gas and potable water without significant outages or restrictions. The regular maintenance and continuous renovation of our networks together with our well-trained employees and efficient on-call service unit are key to minimizing outages and keeping them as brief as possible. In 2021, interruption duration times were low across all IWB networks.

Tariffs

The prices offered by IWB are competitive when compared with prices on offer across Switzerland. Our district heating tariffs are average. IWB adjusted its gas tariffs with effect from 1 July 2021 and 1 January 2022. IWB is currently one of the cheaper providers. In the case of its electricity tariffs, energy supply and grid usage – components over which IWB has control – are slightly above the Swiss average overall. When comparing electricity tariffs, it is important to bear in mind that the Canton of Basel-Stadt levies an incentive tax that initially raises the electricity tariff, but is fully reimbursed to customers. The potable water tariffs for smaller households are slightly below and those for larger households slightly above the Swiss average.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated income statement

2021 with prior-year comparative amounts, in CHF 000s

	Notes	2020	2021
Net sales from goods and services	2	726 232	808 005
Own work capitalized	2	28 050	28 754
Other operating income	2	17 549	30 853
Operating income		771 831	867 612
Energy procurement expense	3	-323 353	-363 303
Personnel expense	4	-133 849	-141 265
Other operating expense	5	-96 615	-106 330
Operating expense		-553 817	-610 898
Operating result before depreciation and amortization (EBITDA)		218 014	256 714
Depreciation and impairment of tangible fixed assets	15	-99 408	-121 930
Amortization and impairment of intangible assets	16	-6 983	-8 921
Operating result (EBIT)		111 623	125 863
Financial expense	6	-9 765	-12 131
Financial income	6	6 208	6 582
Profit of associates		4 179	7 297
Extraordinary result	8	0	5 459
Result before taxes (EBT)		112 245	133 070
Income taxes	7	-3 627	-4 126
Profit for the financial year before minority interests		108 618	128 944
Minority interests		-1 103	-1 751
Profit for the financial year after minority interests		107 515	127 193

Consolidated balance sheet

As at 31 December 2021 with prior-year comparative amounts, in CHF 000s

	Notes	2020	2021
Current assets		341 121	385 146
Cash and cash equivalents	9	130 014	71 152
Derivative financial instruments	10	1 686	62 904
Receivables from goods and services	11	108 503	131 250
Other short-term receivables	12	6 670	15 717
Inventories	13	14 798	15 690
Prepayments and accrued income	14	79 450	88 433
Non-current assets		2 216 857	2 209 181
Tangible fixed assets	15	1 801 240	1 791 280
Intangible assets	16	52 040	51 861
Financial assets	17	324 275	327 479
Long-term inventories	18	18 302	16 721
Long-term prepayments and accrued income	19	21 000	21 840
Total assets		2 557 978	2 594 327
Total liabilities		754 102	707 516
Current liabilities		223 511	277 171
Short-term financial liabilities	23	63 679	25 602
Derivative financial instruments	10	1 686	62 904
Payables from goods and services		83 072	103 558
Other short-term liabilities	20	19 485	17 616
Short-term provisions	21	4 807	15 990
Accrued liabilities and deferred income	22	50 782	51 501
Non-current liabilities		530 591	430 345
Long-term financial liabilities	23	219 889	190 419
Long-term accrued liabilities and deferred income	24	37 969	43 323
Long-term provisions	21	272 733	196 603
Equity including minority interests		1 803 876	1 886 811
Minority interests		9 084	1 960
Equity excluding minority interests		1 794 792	1 884 851
Endowment capital		530 000	530 000
Retained earnings		1 157 277	1 227 658
Profit for the financial year		107 515	127 193
Total liabilities and equity		2 557 978	2 594 327

Consolidated cash flow statement

2021 with prior-year comparative amounts, in CHF 000s

	Notes	2020	2021
Profit for the financial year before minority interests		108 618	128 944
Depreciation of tangible fixed assets	15	88 070	77 831
Amortization of intangible assets	16	6 915	8 909
Impairment	15, 16, 17	13 091	46 790
Reversal of impairment losses on financial assets	17	- 836	- 3 997
Share of profit of associates		- 4 170	- 8 804
Dividends from associates		4 518	5 535
Foreign currency adjustment on financial assets		112	- 2 606
Capitalized interest on financial assets/financial liabilities		17	- 5
Gain on disposal of non-current assets		420	894
Recognition/release of provisions	21	1 374	- 57 887
Use of provisions	21	- 3 030	- 2 017
Change in receivables from goods and services		8 107	- 22 999
Change in inventories		- 486	- 892
Change in long-term inventories		346	1 582
Change in other receivables, prepayments and accrued income		- 4 086	- 17 030
Change in long-term prepayments and accrued income		4 785	1 496
Change in payables from goods and services		- 19 407	21 369
Change in other short-term liabilities, accrued liabilities and deferred income		19 627	- 643
Change in long-term accrued liabilities and deferred income		- 2 127	5 353
Cash flow from operating activities (operative cash flow)		221 858	181 823
Investments in tangible fixed assets	15	- 103 255	- 117 759
Disposals of tangible fixed assets	15	192	75
Investments in intangible assets	16	- 9 939	- 9 293
Investments in financial assets	17	- 15 939	- 17 155
Disposals of financial assets	17	26 119	12 390
Payments for the acquisition of consolidated entities		- 3 530	- 5 930
Net cash flow from the disposal of consolidated entities		0	- 5 154
Cash flow from investing activities		- 106 352	- 142 826
Profit distributions to the owner		- 35 000	- 33 700
Profit distributions to minority interests		- 308	- 2 483
Issuance of financial liabilities		40 305	7 500
Repayment of financial liabilities		- 120 048	- 68 574
Cash flow from financing activities		- 115 051	- 97 257
Exchange differences		- 59	- 602
Change in cash and cash equivalents		396	- 58 862
Cash and cash equivalents at 1 January		129 618	130 014
Cash and cash equivalents at 31 December		130 014	71 152
Net change in cash and cash equivalents		396	- 58 862

Statement of changes in consolidated equity

2020 and 2021, in CHF 000s

	Endowment capital	Retained earnings	Accumulated exchange differences	Total excluding minority interests	Minority interests	Total including minority interests
Balance as at 1 January 2020	530 000	1 204 714	- 11 955	1 722 759	7 903	1 730 662
Additions to the scope of consolidation	0	0	0	0	430	430
Profit/loss for the financial year	0	107 515	0	107 515	1 103	108 618
Exchange differences	0	0	- 482	- 482	- 44	- 526
Profit distributions	0	- 35 000	0	- 35 000	- 308	- 35 308
Balance as at 31 December 2020	530 000	1 277 229	- 12 437	1 794 792	9 084	1 803 876
Balance as at 1 January 2021	530 000	1 277 229	- 12 437	1 794 792	9 084	1 803 876
Additions to the scope of consolidation	0	0	0	0	400	400
Disposals from the scope of consolidation	0	0	27	27	- 6 586	- 6 559
Profit/loss for the financial year	0	127 193	0	127 193	1 751	128 944
Exchange differences	0	0	- 3 461	- 3 461	- 206	- 3 667
Profit distributions ¹	0	- 33 700	0	- 33 700	- 2 483	- 36 183
Balance as at 31 December 2021	530 000	1 370 722	- 15 871	1 884 851	1 960	1 886 811

1 A profit distribution for financial year 2021 is expected to be disbursed to the owner of IWB in May 2022. The owner will decide on the amount once these consolidated financial statements have been audited by the statutory auditor. The Board of Directors of IWB is applying to the Government Council of the Canton of Basel-Stadt for a profit distribution of CHF 42.3 million. Profit distributions to minority interests relate to the IWB Renewable Power AG subgroup, where possible profit distributions are decided upon at the subsidiaries' general meeting.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

IWB Industrielle Werke Basel (the Company or IWB) and its subsidiaries (together the Group) operate primarily in the Greater Basel Area and in Northwest Switzerland. IWB is a multi utility company, supplying its customers with electricity, heat, water, telecommunications and mobility. IWB is an independent public entity that was spun out of the Basel-Stadt cantonal administration on 1 January 2010 and is wholly owned by the Canton of Basel-Stadt. It has endowment capital of CHF 530 million.

The 2021 consolidated financial statements were approved by the IWB Board of Directors for submission to the Government Council of the Canton of Basel-Stadt on 7 April 2022. The Government Council is expected to approve the consolidated financial statements and decide on the amount of the profit distribution at its meeting on 10 May 2022.

ACCOUNTING PRINCIPLES

These consolidated financial statements were prepared in accordance with the existing Swiss GAAP ARR (Accounting and Reporting Recommendations) and comply with Swiss GAAP ARR (ARR) as a whole. The consolidated financial statements present a true and fair view of the financial position, results of operations and cash flows and were prepared under the historical cost convention on a going concern basis. The figures are presented in Swiss francs (CHF), with the exception of the share capital of investments in foreign entities, which is stated in the local currency. Unless stated otherwise, all amounts were rounded up or down to the nearest thousand. This may lead to rounding differences between the notes and the other components of the consolidated financial statements.

The consolidated income statement and balance sheet disclosures comment on changes that are significant to the reporting.

CONSOLIDATION PRINCIPLES

Scope of consolidation

The consolidated financial statements are based on the annual financial statements of the companies in the IWB scope of consolidation prepared as at 31 December 2021 in accordance with uniform principles.

The scope of consolidation comprises the companies in which IWB is invested directly or indirectly and where it is able to control or exercise significant influence over the financial and operating activities. Investments are included in the scope of consolidation from the date of acquisition, which is the date on which IWB actually obtains control or significant influence. Companies sold during the year are removed from the scope of consolidation from the date of disposal or from the date on which control or significant influence is actually lost.

All other investments are recognized at cost as financial assets within non-current assets.

The scope of consolidation and the other investments are listed in note 28 along with the consolidation method used and additional information.

Group companies

In addition to the parent, IWB, Group companies are companies which IWB controls directly or indirectly. Their assets, liabilities, income and expenses are included in the consolidated financial statements in accordance with the principles of full consolidation. Joint ventures are proportionately consolidated. Acquisitions are accounted for using the purchase method. The net assets of companies acquired in the reporting period are revalued in accordance with uniform Group principles at the acquisition date. Any excess of the purchase price over the share of the net assets acquired is recognized as goodwill and amortized through profit or loss over a period of five years. Any excess of the share of the net assets acquired over the purchase price is recognized in the income statement immediately.

Non-controlling interests (minority interests) in the equity and the profit or loss for the financial year of a Group company are presented separately in equity and in the income statement.

In exceptional circumstances, the contractual arrangements provide for joint control (joint ventures). The balance sheet and income statement items of these investments are proportionately consolidated based on IWB's equity interest.

Investments in associates and partner plants

Associates are investments where IWB is able to exercise significant influence over the financial and operating policy but which it does not control. It is presumed that IWB has significant influence if it holds 20 to 50 percent of the voting

rights directly or indirectly. Associates are accounted for using the equity method.

The share of the net assets of an associate is determined at the acquisition date and recognized together with any goodwill in the Associates item. Following the acquisition, the value of the investment is adjusted for the share of the changes in the equity of the company held. The included goodwill is amortized through profit or loss over a period of five years.

Due to contractual arrangements, investments in large hydropower plants (partner plants) are controlled by IWB jointly with partners. Under the existing partner agreements, the shareholders in these partner plant companies are usually obliged to assume the annual costs attributable to their interest (including interest and, depending on the partner agreement, including repayments on borrowings). Investments in partner plants are accounted for using the equity method. Balances and transactions with associates are presented separately in each case. As at 31 December 2021, the share of the assets of the partner plants attributable to IWB amounted to CHF 760 million and the share of the interest-bearing liabilities to CHF 510 million (previous year: CHF 799 million and CHF 560 million respectively).

Intragroup transactions

Intragroup receivables, liabilities and transactions, intercompany profits and interests in the equity of a Group company are eliminated on consolidation.

The energy produced by the partner plants is charged to shareholders at their share of the annual cost of production.

Reporting currency and currency translation

The consolidated financial statements are prepared in Swiss francs (CHF). The financial statements of the Group companies are prepared in the local currency. The foreign currency items contained in these single-entity financial statements are recognized at the rate at the transaction date (current rate) and taken to the income statement at the closing rate at year-end, meaning that the resulting exchange differences are included in profit or loss.

The financial statements of foreign Group companies in foreign currency are translated into the Group currency for inclusion in the consolidated financial statements as follows: current assets, non-current assets and liabilities are translated at year-end rates (closing rate), equity is translated at historical rates, and the income and cash flow statements are translated at the average rates for the year. The translation differences arising in the

process are recognized directly in equity (accumulated exchange differences).

Exchange rates used

in CHF

	Income statement Average rates for the year		Balance sheet Year-end rates (closing rates)	
	2020	2021	2020	2021
EUR 1	1.07052	1.08115	1.08020	1.03310

Foreign currency effects on intragroup loans are recognized directly in equity until the repayment date unless, at the date when the loan is granted, the consolidated equity ratio of 40 percent set out in the IWB Act is exceeded at the subsidiary. These loans are used as long-term financing for project operating companies and have the characteristics of equity financing. Foreign currency effects on intragroup loans that exceed this ratio are recognized in the income statement.

ACCOUNTING POLICIES

Significant changes in accounting policies

There were no significant changes in the accounting policies in the reporting period.

Significant changes in accounting estimates

There were no significant changes in accounting estimates in the reporting period.

Changes in the presentation of the annual financial statements

IWB regularly reviews the presentation of its annual financial statements in terms of transparency, accuracy and understandability. In the event of insignificant adjustments or corrections, the prior-year amounts are adjusted accordingly and briefly explained in the note.

Sales and revenue recognition

Sales include revenues from energy and water supplied to our customers and national grid operators, income from energy trading for the purpose of managing our own production portfolio and revenues from services, in particular waste treatment and telecommunications. Sales are recognized in the income statement at the delivery date or the date on which the services are provided, at the amount receivable less value-added tax. If a transaction has multiple discrete components, these are recognized and measured separately.

Sales from customers whose meters are not read monthly are accounted for on an accrual basis and part payments recognized outside profit or loss in the balance sheet. Sales are accounted for

on an accrual basis by simulating the volumes expected to be sold to the individual customers based on past consumption patterns, current climatic trends over the simulation period and actual feed-in volumes and measuring them at the applicable tariffs.

Prepayments from customers for granting rights of use are stated as accrued liabilities and deferred income on receipt of the payment and recognized as sales on a straight-line basis over the term of the contract. The sales comprise a revenue portion and a financing component. The latter is recognized in profit or loss as financial expense over the term of the contract.

Energy transactions are recognized based on the underlying motive for the trade. Transactions for the purpose of actively managing the power plant portfolio or for the physical settlement of energy procurement and supply contracts are recognized in the income statement of the electricity segment, with a distinction made between “Own use” and “Extended trading activity” on the basis of defined criteria. Presentation in the income statement follows this logic:

- “Own use” comprises trading positions that are handed over for trading in order to implement the hedging strategy.
- “Extended trading activity” comprises all trading positions that arise as a result of hedging activity under the asset-backed trader strategy.
- “Own use” transactions are recognized on a gross basis, that is both in sales and in energy procurement expense, whereas extended transactions designated as hedging transactions for the purpose of active portfolio management are presented on a net basis.

Intermediary transactions, which are likewise geared to physical settlement, are also carried out for the purpose of extended production portfolio management. However, the underlying derivatives in those transactions qualify as a financial instrument under ARR 27, as they are not for hedging purposes. At the balance sheet date, they are recognized in the balance sheet at fair value on a gross basis. The underlying revenues and expenses are offset at transaction values and recognized in the income statement on a net basis.

Own work capitalized

Own work capitalized comprises the wage and salary expenses, indirect materials costs and indirect labour costs incurred in connection with construction and renovation work on supply systems and production facilities that is performed by the entity itself. These costs are capitalized and presented separately within operating income.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, postal and bank account balances and short-term investments with financial institutions with a remaining term of no more than three months. They also include the current account with the Canton of Basel-Stadt, as this allows cash to be withdrawn at short notice. Cash and cash equivalents are stated at their nominal amounts.

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

Receivables from goods and services

Receivables are carried in the balance sheet at their nominal amounts. Appropriate value adjustments are recognized to cover existing risks and specific valuation allowances recognized for any individual risks identifiable. An allowance calculated on an ongoing basis and based on the total amount of accounts receivable (allowance for doubtful accounts) is recognized for general credit risk. Receivables older than 90 days are written down by 20 percent, receivables older than 180 days by 35 percent and receivables older than 365 days by 70 percent.

Inventories

Inventories are stated at their average cost (acquisition cost). They also include the gas and district heating certificates measured using the first in, first out (FIFO) method.

A value adjustment calculated on the basis of economic criteria is recognized for the risks of loss and obsolescence, in particular taking into account the rate of turnover of individual groups of goods.

A global valuation allowance amounting to half of the carrying amount and taking into account probability of use is recognized for the production facilities' inventories of spare parts.

Derivative financial instruments

Derivative financial instruments are used to hedge interest rate risk. They are disclosed in the notes to the financial statements and not recognized in the balance sheet.

Forward contracts in energy trading that are used for the purpose of actively managing the production portfolio and for the physical settlement of energy procurement and supply contracts are not recognized in the balance sheet. They are disclosed in the notes to the financial statements, as they are used to hedge future cash flows.

Intermediary transactions involving forward contracts in energy trading that are used for the purpose of extended production portfolio management and physically settled qualify as financial instruments under ARR 27, as they are not for hedging purposes; at the reporting date, they are measured and recognized in the balance sheet. Their positive and negative fair values are in each case presented on a gross basis under derivative financial instruments (assets and liabilities).

Tangible fixed assets

Tangible fixed assets are recognized if they are clearly identifiable and their costs can be reliably determined. In addition, they must yield measurable benefits for the entity over several years. Tangible fixed assets are recognized at cost if this exceeds the threshold for recognition, less accumulated depreciation and impairment.

Tangible fixed assets are depreciated on a straight-line basis, i.e. the cost is allocated in equal amounts to the years of the useful lives typical in the industry, although a different useful life may be used if this can be justified. The useful life and the existence of indications of impairment are reviewed annually. Land is only written down in the event of a sustained decline in value.

If the entity has an obligation to dismantle assets, the present value of the estimated dismantling costs is recognized in the cost of the asset.

Useful life

Asset category	Years
Land	Only if impaired
Buildings	50–80
Distribution facilities	25–80
Technical installations, distribution facilities	5–50
Production facilities	10–50
Operating equipment and motor vehicles	3–15

Intangible assets

Intangible assets mainly comprise transmission rights and rights of use, software and goodwill arising on acquisitions. Intangible assets are recognized if they are clearly identifiable and their costs can be reliably determined. They must yield measurable benefits for the entity over several years. Intangible assets are stated at cost less any necessary amortization, which is applied on a straight-line basis over the useful life of the asset. The useful life and the existence of indications of impairment are reviewed annually.

Useful life

Asset category	Years
Goodwill	5
Transmission rights and rights of use	25–60
Software	5
Other	5

Financial assets

In addition to loans and deferred tax assets, financial assets also include investments that are not fully or proportionately consolidated. Depending on the interest held and whether it is possible to exercise influence, these investments are accounted for using the equity method or recognized at cost less any necessary write-downs (see scope of consolidation).

Loans are recognized at their nominal amounts less any necessary write-downs.

Long-term inventories/meters

Meters are carried in the accounts at their value, initially measured at the moving average price and written down on a straight-line basis over their useful life until derecognized for scrapping. Meters are presented as long-term inventories within non-current assets.

Impairment of non-current assets

At each balance sheet date, assets are assessed to establish whether there are indications of a sustained decline in value, in which case the current recoverable amount of the asset is determined and compared against its carrying amount (impairment test). If the carrying amount exceeds the recoverable amount, an impairment loss is recognized in the income statement. The recoverable amount is calculated on the basis of the expected future economic inflows using a discount rate appropriate to the risk. This rate is determined using a recognized method and takes into account risk factors associated with the individual asset. Goodwill is tested for impairment at the level of the smallest group of assets to which it can be allocated.

Accruals and deferrals

Under accrual basis accounting, assets and liabilities are presented correctly as at the balance sheet date, and income and expenses are recognized in the income statement in the period in which they arise.

Liabilities

All liabilities are recognized at their nominal amounts.

Provisions

Provisions are recognized for constructive and legal obligations arising from past events and for expected risks and losses from existing agreements. Their amount is based on the estimate made by management in connection with the economic risk and reflects the expected future cash outflow at the balance sheet date. The provisions are reviewed on a regular basis and adjusted taking into account current developments.

If the time value of money is material, the expected cash flows are discounted in order to determine the amount of the provision. Interest rates that reflect current market expectations and the risks specific to the liability at the date when the provision is recognized are used for discounting.

Deferred taxes

Deferred tax assets and liabilities are determined using the balance sheet liability method. They take into account future effects on income taxes using the tax rate expected to apply to the taxable entity when the asset is realized/liability settled or, if that is not known, at the tax rate at the balance sheet date.

A deferred tax asset for tax loss carryforwards is only recognized to the extent that future profits are expected during the period before expiry against which the loss carryforwards can be offset.

Deferred tax assets are presented under financial assets and deferred tax liabilities under long-term provisions.

Pension benefit obligations

All IWB employees are affiliated to the Pension Fund of the Canton of Basel-Stadt (PKBS). The pension plans are financed through employer and employee contributions.

The economic effects of the pension plans on IWB are in each case assessed at the balance sheet date. Any economic benefit arising from a surplus is recognized if it is permitted and intended to use this to reduce the Group's future pension expense. An economic obligation is recognized if the requirements for recognizing a provision are met.

Related parties

The Canton of Basel-Stadt, including the PKBS and the other cantonal operations, the associates and the members of management and the Board of Directors are related parties.

Contingent liabilities

Possible or existing liabilities for which a cash outflow is considered improbable are not recognized in the balance sheet, but are disclosed in the notes as contingent liabilities.

1 CHANGES IN THE SCOPE OF CONSOLIDATION

IWB carried out various investment transactions in the reporting period. IWB acquired a 23 percent interest in Wärmeverbund Riehen AG and so holds 50 percent of the shares in total. IWB now has joint control of Wärmeverbund Riehen AG and therefore accounts for it using the proportionate consolidation method. Together with a cooperation partner, IWB also founded GreenH2, which is active in the production and sale of renewable hydrogen. Additionally in the reporting period, IWB sold 2 percent of the shares in Eole 45, a wind farm in France, and now holds 49 percent of the shares. IWB thus lost control of the wind farm and has significant influence, as a result of which the investment is now accounted for using the equity method.

Changes in the scope of consolidation

2021

	Transaction type	Interest acquired or disposed of	Post-transaction interest	Transaction date
Investment/country				
Wärmeverbund Riehen AG, Switzerland	Increase in equity investment	+22.92%	50%	1 Jan. 2021
GreenH2 AG, Switzerland	Formation	+60%	60%	21 Jan. 2021
Eole 45 SAS, France	Reduction in equity investment	-2%	49%	1 Sept. 2021

The assets acquired and liabilities assumed in acquisitions and formations are measured at their current fair value and presented separately as additions to the scope of consolidation in the further notes to the consolidated financial statements. Sales are likewise presented separately as disposals.

Impact of the acquisitions and formations

2021, in CHF 000s

	Notes	Recognized amounts
Cash and cash equivalents		1 545
Receivables, prepayments and accrued income		1 888
Tangible fixed assets	15	21 754
Financial liabilities	23	- 7 478
Other liabilities, accrued liabilities, deferred income and provisions	20, 21, 22	- 1 836
Total net assets acquired		15 873
Offsetting of disposal of financial assets ¹	17	- 8 125
Minority interests acquired		- 400
Purchase price		- 7 475
Share of goodwill	16	127
Purchase price		- 7 475
Cash and cash equivalents acquired		1 545
Net cash outflow		- 5 930

1 Wärmeverbund Riehen AG is now proportionately consolidated. The value of the financial asset (associate) recognized in the past is offset accordingly against the net assets acquired.

Impact of the sales

2021, in CHF 000s

	Notes	Recognized amounts
Cash and cash equivalents		- 5 673
Receivables, prepayments and accrued income		735
Tangible fixed assets	15	- 19 355
Financial assets	17	- 2 101
Financial liabilities	23	9 418
Other liabilities, accrued liabilities, deferred income and provisions	20, 21, 22	5 005
Total net assets disposed of		- 13 441
Minority interests		6 586
Offsetting of addition of financial assets ¹	17	6 363
Sale price		519
Recycling of accumulated exchange differences		- 27
Sale price		519
Cash and cash equivalents disposed of		- 5 673
Net cash outflow		- 5 154

1 The investment Eole 45 is now presented as an associate. The value of the financial asset (associate) newly recognized is offset accordingly against the net assets disposed of.

2 OPERATING INCOME**Segment information, operating income excluding internal revenues**

2021 with prior-year comparative amounts, in CHF 000s

	2020	2021
Electricity	344 752	390 199
District heating and steam	80 359	95 796
Gas	190 951	211 344
Potable water	47 045	44 466
Telecommunications	15 228	16 150
Waste treatment	27 334	28 814
Energy solutions	20 563	21 236
Other	17 549	30 853
Own work capitalized	28 050	28 754
Total operating income	771 831	867 612

In the electricity segment, revenues were pushed higher by increased electricity market prices in particular. Operating income was also lifted by customer acquisition in the free market. Revenues at the foreign production facilities for new renewables declined year on year. This is due both to a decrease in production volumes as a result of lower wind levels and to the sale of shares in an investee.

Volumes in the electricity grid were down slightly in the reporting period. Overall however, revenues rose, as tariffs were raised in the reporting period due to higher costs.

In the district heating segment, the cold weather in 2021 led to higher sales volumes and therefore to revenue growth as well. Revenues in the gas segment were also higher than in the previous year. Firstly, unit sales were likewise higher due to weather conditions and, secondly, increased market prices were partly passed on in the free market, lifting revenues.

Operating income from potable water, on the other hand, declined. Here, sales volumes were depressed by the wet summer of 2021. At CHF 30.9 million, other operating income showed a sharp increase on the prior-year figure (+76%) due in particular to higher revenues in the PV installations segment.

Segment information by geographical market, operating income excluding internal revenues

2021 with prior-year comparative amounts, in CHF 000s

	2020	2021
Switzerland	717 054	818 181
France	34 893	27 840
Germany	18 462	17 882
Italy	1 422	3 709
Total operating income	771 831	867 612

Revenues from goods and services in Switzerland were mostly generated in Northwest Switzerland, particularly in the Canton of Basel-Stadt. Irrespective of the buyer, waste treatment services are regarded as having been provided in Switzerland. Sales on European power exchanges and transactions with Swiss and foreign trading partners were also allocated to Switzerland if the energy was intended for the Swiss electricity market. Transactions where the energy was intended for a foreign electricity market are presented in the appropriate country.

Sales in France originate in particular from feed-in by local production facilities for new renewables and from sales on the electricity market there. Sales in Germany also include services provided to buyers in Germany. Sales in Italy originate solely from activities on the electricity market there.

3 ENERGY PROCUREMENT EXPENSE

Energy procurement expense

2021 with prior-year comparative amounts, in CHF 000s

	2020	2021
Energy procurement from third parties	72 050	112 068
Energy procurement from partner plants	54 065	55 056
Energy procurement from other associates	135 533	193 224
Expense for energy transportation and levies	53 636	54 596
Other energy production expense	8 113	8 127
Total energy procurement expense before provision	323 397	423 071
Change in provision for onerous energy procurement contracts	-44	-59 768
Total energy procurement expense	323 353	363 303

Energy procurement from third parties mainly includes expenses for electricity purchased in trading operations. The rise in the reporting period is attributable to sharp increases in market prices. Energy procurement from partner plants also rose year on year, with the rise due to a higher cost of production. Since 2018, this item has also included the receipt of the “market premium” in place until 2030. Operators of large hydropower plants in Switzerland that sell their energy on the market at prices below the cost of production are entitled to claim this market premium. As IWB bears this risk as a result of partner agreements, it is entitled to claim the market premium. As in the previous year, the 2021 market premium was recognized in the income statement in the reporting period, thereby reducing expense. Expense for energy procurement from other associates was higher due especially to sharp increases in gas prices in the second half of the year. This trend was amplified by higher procurement volumes as a result of cold weather.

Expense for energy transportation and levies primarily includes the feed-in payment at cost, licence fees and upstream grid costs.

The change in the provision for onerous energy procurement contracts came to CHF 59.8 million in 2021. The reduction in expense relates to the partial release of provisions for onerous energy procurement contracts for large hydropower plants and CHP plant operators (see note 21).

4 PERSONNEL EXPENSE AND DISCLOSURES ON PENSION PLANS

Personnel expense

2021 with prior-year comparative amounts, in CHF 000s

	2020	2021
Wages and salaries	104 245	109 705
Social security contributions	6 762	7 401
Employee benefit contributions	17 179	18 003
Temporary staff	2 440	2 855
Other personnel expense	3 223	3 301
Total personnel expense	133 849	141 265

Wage and salary expense rose year on year, primarily in connection with a higher headcount. The increase in the number of employees is due mainly to the additional personnel required as a result of the transformation of heating and the growth in PV business. In line with wage and salary costs, social security contributions and employee benefit contributions also increased.

Disclosures on pension plans

As a result of IWB being spun out of the cantonal administration in 2010, there has been an affiliation agreement in effect between the Pension Fund of the Canton of Basel-Stadt (PKBS) and IWB since 1 January 2010. On 1 January 2016, the Pension Fund was converted from a defined benefit to a defined contribution fund. At that time, IWB made all changes as specified for state employees of the Canton of Basel-Stadt. The IWB employee benefits scheme will continue to be run under the Swiss "part capitalization" system (80%) until a funding ratio of at least 116.0 percent is reached. Employees will make contributions of 1.6 percent until 2024 to bolster the funding ratio. For the same purpose, IWB as employer will make a contribution of 5 percent via a cost of living adjustment fund.

At the time that this report went to press, there were no final financial statements available from the PKBS for the IWB employee benefits scheme. According to the preliminary figures, the funding ratio was 111.6% as at 31 December 2021 (previous year: 105.1%; see note 26).

5 OTHER OPERATING EXPENSE

Other operating expense

2021 with prior-year comparative amounts, in CHF 000s

	2020	2021
Maintenance and supplies	60 255	71 625
Rent	3 043	2 086
Insurance, fees	7 972	6 972
Administrative expense	9 907	10 709
IT expense	11 148	11 433
Communications and marketing	4 290	3 505
Total other operating expense	96 615	106 330

6 FINANCIAL RESULT

Financial result		
2021 with prior-year comparative amounts, in CHF 000s		
	2020	2021
Interest income	751	702
Income from investments	244	323
Foreign exchange gains	1 283	2 498
Other financial income	3 930	3 059
Total financial income	6 208	6 582
Interest expense	5 752	4 991
Interest on provisions and long-term accruals and deferrals	1 885	3 064
Foreign exchange losses	1 755	3 602
Other financial expense	373	474
Total financial expense	9 765	12 131
Total financial result	- 3 557	- 5 549
Of which net foreign exchange loss	- 472	- 1 104

Other financial income mainly includes income from interest on long-term accruals and deferrals and the reversal of impairment losses on financial assets.

7 TAXES

Taxes		
2021 with prior-year comparative amounts, in CHF 000s		
	2020	2021
Current income taxes	4 081	2 313
Change in deferred taxes	-454	1 813
Total taxes	3 627	4 126

Under section 17 of the IWB Act, IWB is exempt from all cantonal and municipal taxes in the Canton of Basel-Stadt. In all other cantons, IWB is subject to tax in the normal manner. The other IWB Group companies are taxed in accordance with the tax laws in effect locally.

For the French Group companies, deferred taxes were calculated using a weighted average tax rate of 26.5 percent (previous year: 28.0%). For the German Group companies, this tax rate was unchanged at 30.0 percent.

Deferred tax assets and liabilities are disclosed separately in financial assets (see note 17) and provisions (see note 21). As at 31 December 2021, deferred tax assets for loss carryforwards from foreign companies amounted to CHF 2.5 million (previous year: CHF 3.4 million). No impairment losses were recognized in the reporting period (previous year: CHF 0.05 million).

8 EXTRAORDINARY RESULT

An extraordinary result of CHF 5.5 million arose in the reporting period (previous year: 0.0) due to a measurement adjustment subsequently determined in 2021 on the transfer of the transmission grid to Swissgrid AG on 3 January 2013.

9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents

As at 31 December 2021 with prior-year comparative amounts, in CHF 000s

	2020	2021
Cash	51	34
Postal/bank accounts	110 795	48 263
Bank account with the Canton of Basel-Stadt	19 168	22 855
Total cash and cash equivalents	130 014	71 152

10 DERIVATIVE FINANCIAL INSTRUMENTS (ASSETS AND LIABILITIES)

Derivative financial instruments

As at 31 December 2020, in CHF 000s

	Fair values		Purpose
	Positive	Negative	
Interest rate swaps	0	- 1 454	Hedge
Forward contracts in energy trading	14 780	- 14 751	Hedge
Not recognized in balance sheet	14 780	- 16 205	
Forward contracts in energy trading	1 686	- 1 686	Financial instrument
Recognized in balance sheet	1 686	- 1 686	
Total derivative financial instruments	16 466	- 17 891	

Derivative financial instruments

As at 31 December 2021, in CHF 000s

	Fair values		Purpose
	Positive	Negative	
Interest rate swaps	0	- 637	Hedge
Forward contracts in energy trading	241 290	- 365 165	Hedge
Not recognized in balance sheet	241 290	- 365 802	
Forward contracts in energy trading	62 904	- 62 904	Financial instrument
Recognized in balance sheet	62 904	- 62 904	
Total derivative financial instruments	304 194	- 428 706	

As at 31 December 2021, IWB had interest rate swaps to hedge the interest rate risk on bank loans falling due between 2024 and 2031. These instruments are not recognized in the balance sheet.

IWB uses forward contracts to hedge open positions in energy trading that arise in the context of active management. Positive fair values represent the theoretical profit had the open contracts been closed out at 31 December. Negative fair values represent the theoretical loss had they been closed out at 31 December. As these contracts are used to hedge future cash flows, their fair values are not recognized in the balance sheet. The rise in negative fair values is attributable to increased electricity prices in 2021. Conversely, the hedged positions have a higher value (net electricity production), which is not presented here.

Forward contracts in energy trading that result from physically settled intermediary transactions qualify as financial instruments under ARR 27, as they are not for hedging purposes; at the reporting date, they are measured and recognized in the balance sheet. Their positive and negative fair values are presented on a gross basis as an asset and a liability under derivative financial instruments. Two offsetting transactions are in each case entered into with two different counterparties. These transactions do not there-

fore affect IWB's net position. The rise in positive and negative fair values from forward contracts recognized in the balance sheet is attributable both to increased market prices and to a higher volume.

11 RECEIVABLES FROM GOODS AND SERVICES

Receivables from goods and services

As at 31 December 2021 with prior-year comparative amounts, in CHF 000s

	2020	2021
Receivables from goods and services	111 483	134 761
Allowance for doubtful accounts	- 2 980	- 3 511
Total receivables from goods and services	108 503	131 250

12 OTHER SHORT-TERM RECEIVABLES

Other short-term receivables

As at 31 December 2021 with prior-year comparative amounts, in CHF 000s

	2020	2021
Input tax receivables	663	1 262
Miscellaneous other short-term receivables	6 007	14 455
Total other short-term receivables	6 670	15 717

The increase in miscellaneous other short-term receivables is due to a measurement adjustment subsequently determined in 2021 on the transfer of the transmission grid to Swissgrid AG on 3 January 2013. In addition, higher prepayments were made in the reporting period.

13 INVENTORIES

Inventories

As at 31 December 2021 with prior-year comparative amounts, in CHF 000s

	2020	2021
Materials	19 036	20 486
Heating materials and fuel	3 366	3 338
Certificates	1 087	995
Value adjustment	- 8 691	- 9 129
Total inventories	14 798	15 690

14 PREPAYMENTS AND ACCRUED INCOME

Prepayments and accrued income

As at 31 December 2021 with prior-year comparative amounts, in CHF 000s

	2020	2021
Accrued net sales from goods and services	54 766	48 960
Annual costs of partner plants	1 115	154
Other prepayments and accrued income	23 569	39 319
Total prepayments and accrued income	79 450	88 433

In addition to recoverable CO₂ taxes, other prepayments and accrued income now also include an accrual in connection with the expansion of the district heating network.

15 TANGIBLE FIXED ASSETS

Statement of changes in tangible fixed assets 2020, in CHF 000s

	Undeveloped property	Land and buildings	Equipment and facilities	Assets under construction	Other tangible fixed assets	Total tangible fixed assets
Net carrying amounts as at 1 January 2020	659	171 472	1 507 106	103 588	6 726	1 789 551
Cost						
Balance as at 1 January 2020	659	219 787	2 155 998	132 648	20 439	2 529 531
Additions to the scope of consolidation	0	0	5	0	129	134
Additions	0	4 324	49 246	62 940	1 009	117 519
Disposals	0	-229	-1 283	0	-570	-2 082
Reclassifications	0	6 026	36 323	-45 816	11	-3 456
Exchange differences	0	0	-2 355	0	0	-2 355
Balance as at 31 December 2020	659	229 908	2 237 934	149 772	21 018	2 639 291
Accumulated depreciation and impairment						
Balance as at 1 January 2020	0	-48 315	-648 892	-29 060	-13 713	-739 980
Depreciation	0	-6 357	-80 070	0	-1 644	-88 071
Impairment	0	-56	-11 280	-861	0	-12 197
Disposals	0	169	751	0	550	1 470
Reclassifications	0	0	9	0	0	9
Exchange differences	0	0	718	0	0	718
Balance as at 31 December 2020	0	-54 559	-738 764	-29 921	-14 807	-838 051
Net carrying amounts as at 31 December 2020	659	175 349	1 499 170	119 851	6 211	1 801 240

Statement of changes in tangible fixed assets 2021, in CHF 000s

	Undeveloped property	Land and buildings	Equipment and facilities	Assets under construction	Other tangible fixed assets	Total tangible fixed assets
Net carrying amounts as at 1 January 2021	659	175 349	1 499 170	119 851	6 211	1 801 240
Cost						
Balance as at 1 January 2021	659	229 908	2 237 934	149 772	21 018	2 639 291
Additions to the scope of consolidation	0	889	19 611	1 254	0	21 754
Disposals from the scope of consolidation	0	0	-48 978	0	0	-48 978
Additions	0	898	57 324	57 902	1 266	117 390
Disposals	0	0	-5 124	0	-597	-5 721
Reclassifications	0	741	69 124	-69 325	174	714
Exchange differences	0	0	-14 366	-2	0	-14 368
Balance as at 31 December 2021	659	232 436	2 315 525	139 601	21 861	2 710 082
Accumulated depreciation and impairment						
Balance as at 1 January 2021	0	-54 559	-738 764	-29 921	-14 807	-838 051
Disposals from the scope of consolidation	0	0	29 623	0	0	29 623
Depreciation	0	-6 361	-69 802	0	-1 668	-77 831
Impairment	0	0	-44 093	0	0	-44 093
Disposals	0	0	4 156	0	597	4 753
Reclassifications	0	-4	-29 917	29 921	0	0
Exchange differences	0	0	6 797	0	0	6 797
Balance as at 31 December 2021	0	-60 924	-842 000	0	-15 878	-918 802
Net carrying amounts as at 31 December 2021	659	171 512	1 473 525	139 601	5 983	1 791 280

The net carrying amounts of the equipment and facilities break down as follows:

Net carrying amounts of equipment and facilities

As at 31 December 2021 with prior-year comparative amounts, in CHF 000s

	2020	2021
Supply grid	1 013 763	1 028 963
Machinery, equipment and facilities	485 407	444 562
Total net carrying amounts of equipment and facilities	1 499 170	1 473 525

Impairment of assets under construction

As the work to develop a universal fibre optic network in Basel-Stadt has largely been completed, the assets under construction that had been fully written down were reclassified into equipment and facilities in the reporting period. Impairment losses relate to the FTTH (Fibre to the Home) project (development of a universal fibre optic network in the city of Basel). As the planned investments and necessary operating expenses throughout the term of the project are not set against sufficient revenue, regular investments in the progressive development of the universal FTTH network are written down immediately. Since the end of 2015, this expense has been offset outside profit or loss through long-term prepayments and accrued income using the investment contribution from the Canton of Basel-Stadt in the form of a loan that is repayable subject to conditions (see notes 19 and 23).

Impairment of equipment and facilities

Impairment losses were recognized on equipment and facilities. Of these, CHF 37.5 million are attributable to the impairment of the gas network. For just over four years now, there have been efforts at both a legal and a political level aimed at decarbonizing heating in the Canton of Basel-Stadt. On 20 October 2021, the Grand Council of the Canton of Basel-Stadt decided to expand grid-connected heating and approve IWB's related investments of CHF 460 million. The expansion of district heating will bring a reduction in both the number of installed gas connections and sales volumes in future. At the same time, IWB is obliged to reliably maintain and operate the gas network so as to ensure security of supply in accordance with section 3 of the IWB Act. Due to this development, the gas network was no longer fully recoverable at 31 December 2021. Firstly, the useful life is much shorter in certain areas, which resulted in impairment losses and in future will result in higher depreciation charges. Secondly, over a shorter remaining life, there are no longer sufficient cash inflows to set against the necessary investments in replacing the network.

The scenario for the measurement of the gas network reflects the legal and political efforts in connection with a gradually faster and geographically wider decommissioning of the gas distribution network in Basel-Stadt over the next 15 years. A further assumption is that the systemically important gas network (consisting, among other things, of the transportation network and the network for supplying process gas customers) will be maintained beyond 2040. Furthermore, an estimate was made of the expected costs of a shorter useful life, possible decommissioning costs and the cost of necessary investments in network replacement and maintenance work for the purpose of ensuring a reliable supply of gas through to decommissioning. The key value drivers are the investments and the revenues, in particular the assumptions made about expected changes in tariffs and gradually declining volumes, as more and more customers will switch to renewable heating solutions.

In addition, the depreciation and amortization charges on the current gas network will increase by around CHF 3.0 million (prior-year estimate: CHF 2.2 million) a year due to a reduction in its useful life.

No impairment losses were required to be recognized in the reporting period as a result of the impairment tests on the foreign production facilities for new renewables. In the previous year, a write-down of CHF 10.2 million was recognized on these facilities.

Pledged assets break down as follows:

Pledged assets

As at 31 December 2021 with prior-year comparative amounts, in CHF 000s

	2020	2021
Pledged assets	205 531	166 609
Of which in favour of the entity's own obligations	136 515	99 963
Total pledged assets	205 531	166 609

The pledged assets show the production facilities abroad that have been pledged to secure loan liabilities. The decrease is due in particular to the disposal of Eole 45 from the scope of consolidation, the ongoing depreciation of the assets and the repayment of the loans. This effect was amplified by the weaker closing rate of the euro compared with the previous year. As in the previous year, there were no significant operating lease liabilities at the end of the reporting period.

16 INTANGIBLE ASSETS

Statement of changes in intangible assets

2020, in CHF 000s

	Goodwill	Intangible assets arising from development	Transmission rights/licences	Software	Total intangible assets
Net carrying amounts as at 1 January 2020	120	9 345	17 302	12 953	39 720
Cost					
Balance as at 1 January 2020	38 528	9 345	57 276	55 139	160 288
Additions to the scope of consolidation	4 453	0	730	0	5 183
Additions	0	8 239	564	2 335	11 138
Reclassifications	0	- 3 394	3 481	3 360	3 447
Exchange differences	- 231	0	- 24	0	- 255
Balance as at 31 December 2020	42 750	14 190	62 027	60 834	179 801
Accumulated amortization and impairment					
Balance as at 1 January 2020	- 38 408	0	- 39 974	- 42 186	- 120 568
Amortization	- 337	0	- 685	- 5 893	- 6 915
Impairment	0	0	- 454	- 68	- 522
Exchange differences	231	0	13	0	244
Balance as at 31 December 2020	- 38 514	0	- 41 100	- 48 147	- 127 761
Net carrying amounts as at 31 December 2020	4 236	14 190	20 927	12 687	52 040

Statement of changes in intangible assets

2021, in CHF 000s

	Goodwill	Intangible assets arising from development	Transmission rights/ licences	Software	Total intangible assets
Net carrying amounts as at 1 January 2021	4 236	14 190	20 927	12 687	52 040
Cost					
Balance as at 1 January 2021	42 750	14 190	62 027	60 834	179 801
Additions to the scope of consolidation	127	0	0	0	127
Disposals from the scope of consolidation	- 7 738	0	0	0	- 7 738
Additions	0	7 910	831	1 345	10 086
Disposals	0	0	0	- 1 012	- 1 012
Reclassifications	0	- 11 289	34	10 541	- 714
Exchange differences	- 1 252	0	- 170	0	- 1 422
Balance as at 31 December 2021	33 887	10 811	62 722	71 708	179 128
Accumulated amortization and impairment					
Balance as at 1 January 2021	- 38 514	0	- 41 100	- 48 147	- 127 761
Disposals from the scope of consolidation	7 738	0	0	0	7 738
Amortization	- 956	0	- 870	- 7 083	- 8 909
Impairment	0	0	- 694	- 12	- 706
Disposals	0	0	0	1 012	1 012
Reclassifications	0	0	- 3	0	- 3
Exchange differences	1 251	0	111	0	1 362
Balance as at 31 December 2021	- 30 481	0	- 42 556	- 54 230	- 127 267
Net carrying amounts as at 31 December 2021	3 406	10 811	20 166	17 478	51 861

In addition to acquired assets, intangible assets also include assets generated internally in connection with the enhancement of the IT systems.

Like those in previous years, the company acquisitions in the reporting period gave rise to goodwill; this is being amortized over a period of five years, with the charge recognized pro rata in the year of the acquisition. The disposal of the fully written-down goodwill presented in the reporting period relates to Eole 45. Due to the sale of 2 percent of the shares in 2021, the company is no longer fully consolidated.

Impairment of transmission rights and rights of use

Impairment losses on transmission rights and rights of use relate to long-term rights of use acquired in connection with the FTTH project (see note 15).

17 FINANCIAL ASSETS

Statement of changes in financial assets

2020, in CHF 000s

	Associates	Investments, recognized at cost	Total investments	Other financial assets	Deferred tax assets	Total financial assets
Balance as at 1 January 2020	238 045	6 298	244 343	80 779	11 373	336 495
Additions	15 000	0	15 000	939	318	16 257
Disposals	0	0	0	- 26 119	- 2 297	- 28 416
Change in value – equity method/foreign currency	- 348	0	- 348	0	0	- 348
Impairment	0	0	0	- 319	- 53	- 372
Reversal of impairment	0	0	0	836	0	836
Exchange differences	- 8	- 1	- 9	- 77	- 91	- 177
Balance as at 31 December 2020	252 689	6 297	258 986	56 039	9 250	324 275

Statement of changes in financial assets

2021, in CHF 000s

	Associates	Investments, recognized at cost	Total investments	Other financial assets	Deferred tax assets	Total financial assets
Balance as at 1 January 2021	252 689	6 297	258 986	56 039	9 250	324 275
Disposals from the scope of consolidation	0	0	0	- 2 101	0	- 2 101
Additions	16 322	450	16 772	6 715	29	23 516
Disposals	- 8 247	0	- 8 247	- 12 269	- 1 985	- 22 501
Change in value – equity method/foreign currency	3 270	0	3 270	0	0	3 270
Impairment	- 784	0	- 784	- 465	0	- 1 249
Amortization	- 742	0	- 742	0	0	- 742
Reversal of impairment	0	1 320	1 320	2 677	0	3 997
Exchange differences	- 347	- 8	- 355	- 315	- 316	- 986
Balance as at 31 December 2021	262 161	8 059	270 220	50 281	6 978	327 479

Other financial assets include the loan receivables from associates and investments at cost, loan receivables from contracting business and debt service reserves that have been pledged to secure loan liabilities abroad.

In the reporting period, a 20 percent equity interest was acquired in Wärmeverbund Energie Auser-schwyz AG. In addition, the investment in Eole 45 is now presented as an associate following the sale of 2 percent of the shares (in the previous year, the investment was fully consolidated). Due to the acquisition of additional shares in Wärmeverbund Riehen AG, this is now part of the scope of consolidation and proportionately consolidated (previous year: associate).

The additions to other financial assets primarily show new loans to associates, while the disposals relate to their repayment and to customers' amortization payments for contract facilities.

18 LONG-TERM INVENTORIES

Long-term inventories

As at 31 December 2021 with prior-year comparative amounts, in CHF 000s

	2020	2021
Meter inventories	48 305	47 702
Value adjustment	- 30 003	- 30 981
Total long-term inventories	18 302	16 721

19 LONG-TERM PREPAYMENTS AND ACCRUED INCOME

Long-term prepayments and accrued income

As at 31 December 2021 with prior-year comparative amounts, in CHF 000s

	2020	2021
Difference between budgeted and actual grid costs ¹	p. m.	p. m.
Difference between budgeted and actual cost of energy production ¹	p. m.	p. m.
Other prepayments and accrued income	21 000	21 840
Total long-term prepayments and accrued income	21 000	21 840

1 Reported pro memoria (p. m.).

The two items showing a difference between budgeted and actual costs contain regulatory costs for the electricity grid and energy production costs not yet charged to tariff customers.

In the case of the electricity grid, the balance of this receivable in the financial accounts was fully written down at year-end (previous year: also fully written down). As in the previous year, IWB does not believe that the sales trends expected in the future will be sufficient for these receivables to be recoverable.

In the case of energy, the balance of these receivables was likewise fully written down at 31 December 2021, just as it was in the previous year.

Other prepayments and accrued income mainly include IWB's pre-financing of the investment obligation related to the progressive development of the universal FTTH network in the amount of CHF 18.9 million (previous year: CHF 18.6 million). To finance the FTTH network, the Canton of Basel-Stadt has granted an investment contribution in the form of a loan of CHF 22 million (plus interest) that is repayable subject to conditions. The loan repayable subject to conditions will be amortized over a period of 20 years, provided the investments made generate a profit (see notes 15 and 23).

20 OTHER SHORT-TERM LIABILITIES

Other short-term liabilities

As at 31 December 2021 with prior-year comparative amounts, in CHF 000s

	2020	2021
Tax liabilities	1 171	157
Miscellaneous other short-term liabilities	18 314	17 459
Total other short-term liabilities	19 485	17 616

21 PROVISIONS

Provisions

2020, in CHF 000s

	Carrying amount as at 1 January 2020	Additions to the scope of consolidation	Recognition	Use	Release	Exchange differences	Carrying amount as at 31 December 2020	Of which short-term	Of which long-term
Refurbishment	2 850	0	0	0	0	0	2 850	50	2 800
Dismantling	33 798	0	2 621	0	0	-18	36 401	0	36 401
Contracting	11 067	0	275	-726	0	0	10 616	2 245	8 371
IWB Öko-IMPULS funding	99	0	0	-99	0	0	0	0	0
Onerous energy procurement contracts	208 785	0	1 412	-1 456	0	0	208 741	1 304	207 437
Restructuring	300	0	0	-300	0	0	0	0	0
Deferred tax liabilities	16 926	0	2 110	-258	-4 284	-129	14 365	0	14 365
Other	3 464	103	1 215	-191	-24	0	4 567	1 208	3 359
Total provisions	277 289	103	7 633	-3 030	-4 308	-147	277 540	4 807	272 733

Provisions

2021, in CHF 000s

	Carrying amount as at 1 January 2021	Disposals from the scope of consolidation	Recognition	Use	Release	Exchange differences	Carrying amount as at 31 December 2021	Of which short-term	Of which long-term
Refurbishment	2 850	0	0	-49	-1	0	2 800	0	2 800
Dismantling	36 401	-650	922	0	0	-312	36 361	115	36 246
Contracting	10 616	0	0	-1 283	0	0	9 333	1 140	8 193
Onerous energy procurement contracts	208 741	0	0	-371	-59 397	0	148 973	11 906	137 067
Deferred tax liabilities	14 365	-3 868	540	0	-683	-448	9 906	0	9 906
Other	4 567	0	1 042	-316	-73	0	5 220	2 829	2 391
Total provisions	277 540	-4 518	2 504	-2 019	-60 154	-760	212 593	15 990	196 603

Provisions cover the liabilities known as at the balance sheet date that qualify as a provision. Short-term provisions include those amounts which are expected to be used within the next twelve months. The significant provisions are described below:

Provisions for refurbishment

Provisions for refurbishment exist for the costs of decontamination measures under legislation governing the clean-up of contaminated sites.

Provisions for dismantling obligations

It is expected that the waste incineration facility will have to be replaced by a new facility in the mid-2030s. The expected dismantling costs are estimated to be CHF 30.0 million (previous year: CHF 30.0 million). The discount rate applied is unchanged at 3 percent. Further provisions exist for the obligations of foreign Group companies to dismantle wind energy production facilities at the end of the project term. There are also other, smaller dismantling obligations in IWB's supply area.

Provision for contracting risk

Over the contractual term of the contract facilities, IWB bears risks arising from the maintenance and operation of the facilities. In the case of some large facilities, there are additional contractual obligations related to structural measures. Provisions are recognized to cover these risks.

Provision for onerous energy procurement contracts

This item comprises all types of purchase obligation arising from onerous energy procurement contracts. As at 31 December 2021, provisions were required for the following types of energy procurement contract:

Energy procurement contracts: large hydropower plants

Under the existing partner agreements from its investments in large hydropower plants in Switzerland, IWB is obliged to assume its share of the plants' annual costs. At the same time, IWB is entitled to procure an amount of the energy produced in proportion to its interest. Provisions for onerous energy procurement contracts are recognized for procurement obligations at annual costs above the sale prices expected to be obtainable. When measuring these contracts, management makes assumptions about trends in energy prices and the EUR/CHF exchange rate, budget data on the share of the annual costs, the partner plants' production volumes and risk-specific discount rates. Depending on the share of technology at the plant, discount rates of between 4.2 and 4.9 percent are used. Due to the long time horizon, these contracts are measured using various price scenarios with a similar probability of occurrence with regard to the expected long-term trend in energy prices and the regulatory framework. In the case of flexible hydropower plants in particular, this leads to measurements across a wide range.

While the expected costs at the power plant companies are on a par with the previous year, the long-term electricity price scenarios have improved compared with 2020. In the reporting period, the higher levels of volatility in the hourly profile in particular led to a reduction in a provision in connection with a loss-making contract for the future procurement of energy from a power plant. The income of CHF 51.8 million from the partial release of the provision was recognized in energy procurement expense, thereby reducing expense.

Energy procurement contracts: CHP plant operators

IWB is obliged to purchase the electricity produced by the operators of combined heat and power (CHP) plants in the Canton of Basel-Stadt. Until 2017, it did so at the feed-in tariffs set by the Government Council of the Canton of Basel-Stadt in 1995 in order to promote distributed energy production. Although the Federal Energy Act, fully revised in the context of the 2050 Energy Strategy, still obliges IWB to purchase the electricity it is offered from CHP plants, payment must only be made at the market price for similar energy. In order to ensure grandfathering for the operators of existing CHP plants in the Canton of Basel-Stadt in light of the legal changes in 2017, the Government Council in its capacity as owner of IWB decided that, after 2017, IWB must continue to pay for energy from CHP plants built in connection with the earlier subsidy at the existing tariffs above market prices. A provision for onerous energy procurement contracts of CHF 23.0 million was recognized for this in 2017. It will be used over the remaining useful life of the CHP plants concerned until sometime in the early 2030s. In the reporting period, the provision decreased by CHF 5.3 million due to the addition of Wärmeverbund Riehen AG to the scope of consolidation. In addition to the provision being used on a pro rata basis, CHF 2.3 million of it was released due to an improvement in the assessment of the underlying assumptions (previous year: the provision was increased by CHF 1.4 million).

Other provisions

This item comprises all other provisions for IWB's legal or constructive obligations. As at 31 December 2021, it primarily included the expected costs from the obligation to maintain and operate the Basel-1 well from the geothermal project and carry out the related seismic monitoring in the period to 2026 as well as the expected costs from obligations to our customers.

22 ACCRUED LIABILITIES AND DEFERRED INCOME**Accrued liabilities and deferred income**

As at 31 December 2021 with prior-year comparative amounts, in CHF 000s

	2020	2021
Licence fee paid to the Canton of Basel-Stadt	11 000	11 000
Holiday, flexitime and overtime	6 712	6 357
Annual costs of partner plants	787	665
Other accrued liabilities and deferred income	32 283	33 479
Total accrued liabilities and deferred income	50 782	51 501

23 FINANCIAL LIABILITIES**Short-term financial liabilities**

As at 31 December 2020, in CHF 000s

	Total	Of which secured by liens
To related parties	2 000	0
To Canton of Basel-Stadt	41 182	0
To banks	20 497	20 192
Total short-term financial liabilities	63 679	20 192

Short-term financial liabilities

As at 31 December 2021, in CHF 000s

	Total	Of which secured by liens
To related parties	2 000	0
To Canton of Basel-Stadt	8 782	0
To banks	14 820	14 820
Total short-term financial liabilities	25 602	14 820

Long-term financial liabilities

As at 31 December 2020, in CHF 000s

	Remaining terms of 2 to 5 years	Remaining terms of more than 5 years	Total	Of which secured by liens
To Canton of Basel-Stadt	4 727	97 724	102 451	0
To banks	69 092	48 346	117 438	116 323
Total long-term financial liabilities	73 819	146 070	219 889	116 323

Long-term financial liabilities

As at 31 December 2021, in CHF 000s

	Remaining terms of 2 to 5 years	Remaining terms of more than 5 years	Total	Of which secured by liens
To Canton of Basel-Stadt	4 934	100 043	104 977	0
To banks	55 084	30 138	85 222	85 142
To third parties	220	0	220	0
Total long-term financial liabilities	60 238	130 181	190 419	85 142

Under section 18 of the IWB Act, the Canton of Basel-Stadt provides IWB with debt capital from the financial assets, on which interest has to be paid at standard market rates. This includes an investment contribution in the form of a loan to finance the FTTH project that is repayable subject to conditions and has a nominal value of CHF 22.0 million (previous year: CHF 22.0 million) plus capitalized interest. This interest is also repayable subject to conditions (see note 19).

Financial liabilities to banks show the loan liabilities of the foreign production companies. The decrease is the result of the ongoing repayments, the effect of a further weakening of the euro as at the balance sheet date and the deconsolidation of Eole 45.

24 LONG-TERM ACCRUED LIABILITIES AND DEFERRED INCOME

Long-term accrued liabilities and deferred income

As at 31 December 2021 with prior-year comparative amounts, in CHF 000s

	2020	2021
Other differences between budgeted and actual costs	26 201	30 044
Other accrued liabilities and deferred income	11 768	13 279
Total long-term accrued liabilities and deferred income	37 969	43 323

Other differences between budgeted and actual costs contain liabilities to tariff customers in relation to services provided by IWB: from waste treatment, district heating, the solar power exchange, the licence fee, and public lighting and clocks. These liabilities arose as a result of past income in excess of costs and will be factored into future tariffs for these services, reducing tariffs to the benefit of IWB's customers. The rise in the reporting period is attributable to district heating and waste treatment. Here, the differences between budgeted and actual costs that serve to ensure stable delivery charges were increased.

Other accrued liabilities and deferred income primarily include prepayments from customers for long-term rights of use.

25 TRANSACTIONS AND OUTSTANDING BALANCES WITH RELATED PARTIES

Transactions with related parties

2021 with prior-year comparative amounts, in CHF 000s

	Canton of Basel-Stadt		Associates	
	2020	2021	2020	2021
Net sales from goods and services	51 105	57 456	4 072	457
Other operating income	5 010	4 168	3 520	2 900
Interest income	0	0	179	156
Income	56 115	61 624	7 771	3 513
Energy procurement expense	11 030	11 000	189 598	247 379
Other operating expense	5 744	5 374	145	18
Interest expense	496	552	0	0
Expenses	17 270	16 926	189 743	247 397

Outstanding balances with related parties

As at 31 December 2021 with prior-year comparative amounts, in CHF 000s

	Canton of Basel-Stadt		Associates	
	2020	2021	2020	2021
Cash and cash equivalents	19 168	23 815	0	0
Loans	0	0	15 795	18 229
Receivables from goods and services	10 149	12 736	1 834	1 665
Other short-term receivables	4	52	609	640
Prepayments and accrued income (short- and long-term)	19 774 ¹	27 995 ¹	4 773	780
Total assets	49 095	64 598	23 011	21 314
Payables from goods and services	22 520	22 702	23 582	48 852
Other short-term liabilities	22	50	7	4
Accrued liabilities and deferred income (short- and long-term)	11 444	11 444	1 118	1 230
Short- and long-term financial liabilities	143 633	113 759	2 000	2 000
Total liabilities	177 619	147 955	26 707	52 086

¹ This item mainly includes the pre-financing of investment obligations related to the development of the universal FTTH network (see notes 19 and 23).

26 CONTINGENT LIABILITIES

Guarantees

As at the balance sheet date, there were long-term liabilities under guarantees in favour of third parties in the amount of CHF 17.7 million (previous year: CHF 9.6 million). The rise in guarantees relates to the increase in and acquisition of investments.

Geothermal project

IWB has a contingent liability of up to CHF 8.3 million for rights of recourse in connection with the Basel geothermal project. As at the balance sheet date, there were no actions against IWB.

Geo2riehen

In connection with the Riehen geothermal project “geo2riehen” for the delivery of climate-friendly district heating, IWB has a contingent liability equal to the project size (CHF 5.4 million). As at the balance sheet date, however, there were no indications that the success of the project is at risk.

Obligation to purchase remaining shares

As at the balance sheet date, there was a contingent liability of approximately CHF 4.0 million to minority interests (obligation to purchase remaining shares in the event that minority interest shareholders exercise an option).

Joint and several liability

In the case of investments in Swiss simple partnerships, IWB is jointly and severally liable (see note 28).

Pending legal actions

As at the balance sheet date, there were no significant actions against any of the IWB Group companies.

Pension fund

As at the balance sheet date, the PKBS preliminary financial statements showed a funding ratio of 111.6 percent for the IWB employee benefits scheme (previous year: 105.1%). There was therefore no contingent liability as at the balance sheet date (previous year: CHF 0), as the funding ratio was greater than 100 percent.

The Canton of Basel-Stadt grants a subsidiary state guarantee for the following benefits, provided that the funding ratio is not less than 80 percent:

- a) retirement, risk and withdrawal benefits;
- b) withdrawal benefits of a withdrawing group of beneficiaries in partial liquidation;
- c) actuarial shortfalls incurred by the remaining group of beneficiaries as a result of a partial liquidation.

27 EVENTS AFTER THE BALANCE SHEET DATE

It is highly likely that current geopolitical developments and the resulting uncertainty over energy prices will impact on IWB's financial results in 2022. Higher procurement costs would lead to additional expense, which it may not be possible to fully pass on to tariff customers. With an equity ratio of 73 percent, IWB is on a sound financial footing and of high credit standing, enabling it to ensure that the business continues as a going concern despite the present uncertainties regarding future business performance. There were no other known events after the balance sheet date that would have had a significant effect on the financial statements.

28 INVESTMENTS

Investments

As at 31 December 2021

	Registered office	Purpose	Share capital in 000s	Currency	Interest held as %	Reporting date
Group companies						
IWB Energie Schweiz AG	Basel	E	100	CHF	100.0%	31.12.
IWB Net AG	Basel	G	100	CHF	100.0%	31.12.
IWB Renewable Power AG	Basel	S	14 100	CHF	100.0%	31.12.
GreenH2 AG	Birsfelden	E	1 000	CHF	60.0%	31.12.
Planeco GmbH	Arlesheim	S	20	CHF	60.0%	31.12.
Wärmeverbund Lehenmatt Birs AG ¹	Basel	E	2 000	CHF	50.0%	31.12.
Wärmeverbund Riehen AG ¹	Riehen	E	30 000	CHF	50.0%	31.12.
IWB Deutschland Verwaltungs GmbH	Freiburg (D)	S	25	EUR	100.0%	31.12.
IWB Energie Deutschland GmbH	Freiburg (D)	S	25	EUR	100.0%	31.12.
IWB Energie France SAS	Saint Louis (F)	S	6 600	EUR	100.0%	31.12.
ASVK Zweite Energie GmbH & Co. KG ¹	Freiburg (D)	E	–	EUR	74.9%	31.12.
ASVK Vierte Energie GmbH & Co. KG	Freiburg (D)	E	–	EUR	51.0%	31.12.
Märkische Windkraft 83 GmbH & Co. KG	Berlin (D)	E	–	EUR	100.0%	31.12.
Windenergie Calau GmbH & Co. KG	Meissen (D)	E	–	EUR	100.0%	31.12.
Windpark Hamwiede GmbH & Co. KG	Bremen (D)	E	–	EUR	100.0%	31.12.
Energie du Delta SNC	Saint Louis (F)	E	38	EUR	100.0%	31.12.
Ferme Eolienne de Méautis-Auvers SNC	Saint Louis (F)	E	10	EUR	100.0%	31.12.
Nouvelles Energies Dynamiques SARL	Saint Louis (F)	E	21	EUR	100.0%	31.12.
Samfi 5 SARL	Saint Louis (F)	E	260	EUR	100.0%	31.12.

Company's registered office: F = France, D = Germany

Purpose of the company: S = services, E = energy supply, G = grid operation

¹ The company is proportionately consolidated in proportion to the interest held, as IWB controls the company jointly with other parties.

Continued on the next page

	Registered office	Purpose	Share capital in 000s	Currency	Interest held as %	Reporting date
SEPE Le Bois du Haut SARL	Saint Louis (F)	E	8	EUR	100.0%	31.12.
SEPE Le Garimetz SARL	Saint Louis (F)	E	8	EUR	100.0%	31.12.
SEPE Le Vert Galant SARL	Saint Louis (F)	E	8	EUR	100.0%	31.12.
SEPE Les Cinq Hêtres SARL	Saint Louis (F)	E	8	EUR	100.0%	31.12.
SEPE Les Champs aux Chats SARL	Saint Louis (F)	E	8	EUR	100.0%	31.12.
Ferme Eolienne de Saucourt SAS	Saint Louis (F)	E	37	EUR	100.0%	31.12.
Maisnières SAS	Saint Louis (F)	E	37	EUR	100.0%	31.12.
URBA 42 SAS	Saint Louis (F)	E	1	EUR	100.0%	31.12.
Associates						
Agro Energie Schwyz AG	Schwyz	E	49 470	CHF	20.0%	30.06.
Biopower Nordwestschweiz AG	Liestal	E	9 000	CHF	33.3%	31.12.
Blenio Kraftwerke AG ^{2, 3}	Blenio	E	60 000	CHF	12.0%	30.09.
Electra-Massa AG ^{2, 3}	Naters	E	20 000	CHF	14.0%	31.12.
Electricité de la Lienne SA ²	Sion	E	24 000	CHF	33.3%	30.09.
Energie Ausserschwyz AG	Galgenen	E	13 000	CHF	20.0%	31.12.
Eole 45 SAS	Pithiviers (F)	E	36	EUR	49.0%	31.12.
Gasverbund Mittelland AG	Arlesheim	E	6 140	CHF	36.6%	30.09.
Grande Dixence AG ^{2, 3}	Sion	E	300 000	CHF	13.3%	31.12.
Hardwasser AG	Pratteln	E	5 000	CHF	40.0%	31.12.
Holzwerk Basel AG	Basel	E	12 000	CHF	49.0%	31.12.
Juvent SA ²	Saint-Imier	E	6 000	CHF	25.0%	31.12.
Kraftwerk Birsfelden AG	Birsfelden	E	15 000	CHF	50.0%	31.12.
Kraftwerke Hinterrhein AG ^{2, 3}	Thusis	E	100 000	CHF	2.5%	30.09.
Kraftwerke Oberhasli AG ^{2, 3}	Innertkirchen	E	120 000	CHF	16.7%	31.12.
Maggia Kraftwerke AG ^{2, 3}	Locarno	E	100 000	CHF	12.5%	30.09.
Muttsee AlpinSolar AG	Glarus Süd	E	1 600	CHF	49.0%	30.09.
Nant de Drance SA ³	Finhaut	E	350 000	CHF	15.0%	31.12.
Swisspower Green Gas AG	Bern	E	275	CHF	13.6%	31.12.
Windpark Grosse Schanze GmbH & Co. OHG ⁴	Potsdam (D)	S	–	EUR	71.4%	31.12.

Company's registered office: F = France, D = Germany

Purpose of the company: S = services, E = energy supply

2 Under existing partner agreements, IWB is obliged to pay the annual costs attributable to its equity interest (including interest and, depending on the partner plant agreement, including repayments on borrowings).

3 Irrespective of their interest, partner plants are accounted for using the equity method.

4 This company (the company responsible for the implementation of the Grosse Schanze wind farm) is not controlled by IWB despite the majority of the capital being held, as a qualified majority of the votes is contractually required in order to obtain control. The company is therefore treated as an associate.

Other companies

As at 31 December 2021

	Registered office	Purpose	Share capital in 000s	Currency	Interest held as %	Reporting date
Financial assets						
Baugenossenschaft wohnen&mehr	Basel	S	–	CHF	Not applicable	31.12.
Cargo sous terrain AG	Basel	S	357	CHF	1.3%	31.12.
ALEX simple partnership ¹	Bern	S	–	CHF	33.3%	–
Netz Jura Nord simple partnership ¹	Münchenstein	G	–	CHF	33.3%	–
Geo-Energie Suisse AG	Zurich	S	2 150	CHF	16.3%	31.12.
Swissgrid AG	Aarau	G	334 495	CHF	0.9%	31.12.
Swisspower AG	Bern	S	460	CHF	4.3%	31.12.

Purpose of the company: S = services, G = grid operation

¹ The partnership agreements regarding the simple partnerships establish joint and several liability.

PUBLISHING DETAILS

Publisher and contact

IWB Industrielle Werke Basel
Margarethenstrasse 40
4002 Basel

Telephone +41 61 275 51 11
info@iwb.ch
iwb.ch

