Financial Report 2020

In 2020, IWB pressed ahead with transforming the heating supply chain and generated a stable operating result of CHF 112 million and an annual profit of CHF 108 million. Energy sales were pushed lower by the mild weather in particular. The financial result was heavily impacted by impairment losses and one-time items. At the same time, we benefited from strong cash flow from operating activities of CHF 222 million. We used this to ensure reliable infrastructure and for investments in climate friendly energy production. We are therefore very well placed to implement the new strategy successfully.

IWB

Environment and strategy

The environment in which the energy industry operates continues to change. Decarbonization, decentralization, digitalization and deregulation are the overriding trends, and policy makers are increasingly translating them into concrete requirements. IWB will therefore continue to work on optimizing its existing business and create new options for development. The new IWB 2021+ Strategy charts the way.

Environment

The Swiss federal government's 2050 Energy Strategy focuses on expanding and promoting renewable energy and increasing energy efficiency. The Federal CO_2 Act currently under discussion aims to sharply reduce CO_2 emissions and to that end governs the CO_2 tax. This requires a transition from a fossil fuel to a renewable energy supply. A journey IWB embarked upon some time ago.

Switzerland: 2050 Energy Strategy

1 January 2018 saw the entry into force of the completely revised Swiss Energy Act, which aims to reduce energy consumption, expand renewable energy and increase energy efficiency.

The national Energy Act and the related ordinances contain a number of provisions that are of significance for IWB's business activities. The heating market will see change: the federal and cantonal programme of refurbishments to improve the energy efficiency of buildings is being continued and having its funding increased. In addition, the Energy Act contains guideline energy and electricity consumption levels for 2020 and 2035. At the end of 2020, "Energy Perspectives 2050+" was published, laying the foundations for the future development of energy policy. Among other things, the goal of achieving net-zero carbon emissions by 2050 was translated into specific scenarios. The main changes that will also affect IWB's business model are the more rapid and systematic scaling-back of fossil fuels and the more significant and accelerated expansion of renewable energy, first and foremost photovoltaics.

Liberalization and regulation of Swiss energy markets

It appears likely that the electricity market will not be fully liberalized until sometime after 2022. At federal level, IWB continues to be affected by regulatory changes such as the revision of the Federal Act on the Reduction of CO_2 Emissions and the Federal Electricity Supply Act.

Access to the natural gas network is still an issue beset by legal uncertainty. This is now set to be clarified by way of a gas supply act. The Federal Council bill provides for the market to be partially liberalized. The Federal Office of Energy conducted a consultation on the legal changes, which concluded on 14 February 2020.

Canton: Energy Act of the Canton of Basel-Stadt

On 16 November 2016, the Grand Council of the Canton of Basel-Stadt decided on the revised version of the Energy Act, which then entered into effect on 1 October 2017. The aim is to reduce annual CO_2 emissions across the Canton to one tonne per capita by 2050. This to be achieved, among other means, by promoting heat pumps and expanding district heating connections.

On 7 April 2020, the Basel-Stadt Office for the Environment and Energy published the energy roadmap decided upon by the Government Council on 17 March 2020. The roadmap specifies city energy and climate policy for the heating supply chain and sets out which sources of energy will be prioritized in which area of the city in future. Based on this, IWB has drawn up an ambitious timetable. Within a little over 15 years, it will create a climate friendly and efficient end-to-end system by greatly expanding district heating and other heating networks.

Wider economy impacted by the COVID-19 pandemic

Economic trends in 2020 were very much shaped by the COVID-19 pandemic. Swiss GDP declined

Over the next 15 years or so, IWB will create a climate friendly and efficient end-to-end system to supply heat.

by 2.9 percent and electricity consumption by 2.6 percent in 2020. Future economic performance depends to a significant extent on epidemiological events and the political response.

Sector

Digitalization

The increasing digitalization of processes and business models offers major opportunities for energy providers. It enables them to better identify and serve customer requirements. Since the beginning of 2021, for example, customers have been able to handle all important transactions with IWB digitally through an online portal (www.iwb.ch/mein-portal).

Decentralization

Customers are to some extent meeting their electricity requirements themselves, in particular using their own decentralized solar installations. IWB offers customers attractive options that enable them to generate electricity themselves, store it and consume it locally. They can also connect to an electric vehicle charging point. For larger customers, IWB provides an extensive range of products that enable them to optimize their electricity consumption and costs.

Decarbonization

Implementing decarbonization on the scale and at the speed envisaged requires rapid and heavy investment in infrastructure and systems. Over the medium term, business involving fossil gas will decline significantly. Heating networks, photovoltaic installations and e-mobility, on the other hand, will gain significant ground. IWB is in the vanguard in decarbonizing supply. It was the first energy provider to offer a standard product comprising solely renewable power. Now IWB is systematically gearing the heating supply chain to be climate friendly too.

Strategy and outlook

Under its IWB 2021+ Strategy, IWB will continue to 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

2020 was dominated by the work to develop 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 will leverage its products and services for growth in Northwest Switzerland. In Switzerland, IWB trades in the widest possible range of integrated customer solutions.

New Heating business unit

The transformation of heating is the biggest challenge facing IWB over the coming years. 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, a new Heating business unit assumed overall responsibility for this demanding task, the first of its kind in Switzerland.

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 over the coming years is a long-term project for IWB. The increasing electrification of heating and mobility places new demands on the grid and production. Having generated a sound operating result in financial year 2020, the Company is well placed and has the necessary resources to master this transformation. Over the next 15 years or so, decarbonization will require large investments in the expansion and consolidation of the district heating grid and the setting-up of new heating networks. At the same time, the revenues so far generated from gas business will fall. To be able to continue making investments independently, IWB must achieve a sustained increase in earnings and a reduction in operating expense.

The new IWB 2021+ Strategy sets the course for IWB's evolution.

Financial management report

IWB can close 2020, a financial year impacted by the COVID-19 pandemic, by posting a stable operating result. The operating result of CHF 112 million and the annual profit of CHF 108 million were lower than in 2019 due to one-time items, write-downs and lower energy sales. Strong cash flow from operating activities of CHF 222 million enabled IWB to invest in the transformation of heating while at the same time ensuring that security of supply remained at a high level for its customers. By investing in PV and biomass plants as well as heating networks, IWB is actively driving the energy transition. Backed by a solid balance sheet and sound liquidity, the Company is well equipped to implement its IWB 2021+ Strategy successfully.

Overview of business performance in 2020

The fierce competition in the partially liberalized electricity and gas markets remains the dominant factor determining the medium- to long-term trajectory of the Swiss energy sector. Regulatory developments aimed at bringing about a carbon-neutral society are also having a major impact. And not least of all, the COVID-19 pandemic is leading to short-term changes.

In spite of the current challenges, IWB can look back on a financial year of stability at operating level. The financial result was significantly impacted by one-time items. The core business proved to be relatively resistant to the effects of the COVID-19 pandemic. Write-downs were recognized on foreign production facilities and the useful lives of the distribution networks adjusted, leading to a lower result compared with the previous year. There is still uncertainty regarding the valuation of the gas network (see page 31, "Uncertainty regarding the valuation of the gas network").

Operating income was down by just over 5 percent year on year to CHF 772 million in the reporting period. Countervailing volume, price and foreign currency effects led to a slight decline in revenues from new renewables, while weather conditions prompted a fall in energy sold in the district heating and gas segments. In the electricity segment, the existing business saw sales drop as a result of the COVID-19 pandemic. This had a negative impact on the operating income posted. The new method of presenting trading activity partly as a net position also contributed to the reduction in reported operating income (see note 2, page 24).

The operating result before depreciation and amortization (EBITDA) decreased by almost 7 percent year on year to CHF 218 million. The decline in energy volumes was only partly offset by lower procurement prices in the gas business and better margins in energy production and electricity trading. Driven mainly by the transformation of heating and due in part to the COVID-19 pandemic, higher personnel and operating costs depressed EBITDA. In combination with one-time items attributable to write-downs on foreign production facilities and the effects of adjusting the useful lives of the distribution networks, these additional expenses impacted negatively on the operating result (EBIT), which decreased by 26 percent to CHF 112 million. The financial result remained stable, whereas the share of profit of associates narrowed slightly. After taxes and minority interests, net profit was down by 27 percent on the record 2019 figure to CHF 108 million.

Operating income was impacted by mild weather, the COVID-19 pandemic and the new method of presenting trading activities.

Operating income and investments per segment

Electricity segment

Electricity sales were up slightly on the previous year to 1,061 GWh. New customer acquisition more than offset falling electricity consumption in several customer segments. Electricity consumption was down in the existing business due to energy efficiency measures and the coronavirus-induced recession. This is reflected in particular in the decline in distributed electricity of 1,186 GWh (–5%). Also in the reporting period, the regulatory receivable from tariff customers of CHF 9.6 million, attributable to the difference between the budgeted and actual cost of the electricity grid, was written off in full. The negative effects were partly offset by lower market prices and the resulting fall in expense for energy procurement on the electricity markets. Despite the weaker euro and thanks to higher production volumes of 557 GWh (+5%), the production facilities for new renewables posted a better operating result. Overall, operating income in the electricity segment came to CHF 345 million (–8%).

Investments in the local electricity grid were up on the prior-year figure to CHF 30 million (+20%). 2020 saw the repayment of a bridging loan to a partner plant, IWB's share of which had amounted to CHF 20 million in the previous year.

District heating and gas segments

Sales in both segments were negatively impacted in particular by the first half of 2020, which saw warmer-than-average periods – heating degree days were around 7 percent down on the previous year. In the district heating segment, areas newly connected to the network only partly offset the seasonal decline in sales, as a result of which the segment generated operating income of CHF 80 million overall (–10%). In the gas segment, a decrease in sales attributable to weather conditions combined with a fall in deliveries of process gas to large customers, the overall result being a year-on-year decline in sales. Operating income in this segment was therefore down by 8 percent on the prior-year figure to CHF 191 million.

Investments in the district heating network amounted to CHF 13 million. The decline of 13 percent is the result of several projects being postponed until the following year. IWB's investments in district heating production amounted to CHF 7 million. The replacement of the gas network required investments of CHF 18 million (+13%). The increase is attributable in particular to investments made in the supply area outside the Canton of Basel-Stadt in order to maintain a reliable gas supply.

Potable water segment

Sales were up slightly on the previous year to 21.3 million cubic metres (+1%). The tariff increase as of 1 January 2020 contributed to the higher operating income of CHF 47 million (+10%).

Energy and potable water supplied
2016–2020

	Unit	2016	2017	2018	2019	**2020**	Compared with previous year
Energy and potable water supplied to IWB customers							
Electricity	GWh	1 065	1 239	1 169	1 051	1 061	+0.9%
District heating	GWh	878	869	831	899	814	–9.5%
Gas	GWh	2 946	2 826	2 618	2 514	2 299	–8.5%
Water	m m^3	21.8	21.9	21.8	21.0	21.3	+1.2%
Other energy and potable water supplied							
Electricity supplied to third parties (trading)[1]	GWh	986	1 279	1 125	2 000	1 903	–4.9%
Electricity supplied to national payment systems[2]	GWh	481	503	476	531	557	+4.9%
Steam	GWh	156	148	136	133	126	–5.4%
Gas supplied to IWB's own plants	GWh	791	825	663	622	564	–9.4%
Potable water supplied to other plants	m m^3	2.70	2.90	3.00	2.95	3.00	+2.4%

1 IWB electricity trading to balance production and sales.
2 Feed-in to national payment systems in Europe.

At CHF 30 million (+12%) in 2020, investments in the potable water network and potable water production facilities were higher than in the previous year. Investments in production facilities decreased, as in 2019 IWB largely completed the large project to construct the Lange Erlen pump station. Conversely, larger investments had to be made to replace connecting and supply pipes.

Telecommunications, waste treatment and energy solutions segments

Operating income in the energy solutions segment was on a par with 2019. In the telecommunications segment, it rose due to the acquisition of the network of Zentrale Informatikdienste Basel-Stadt. Operating income in waste treatment also remained stable compared with 2019.

We invested CHF 7 million in waste treatment facilities, in particular in the flue gas condenser for the waste incineration facility's two furnace lines. In the telecommunications segment, IWB invested CHF 4 million.

Other

The other segment combines IWB's remaining services such as engineering, mobility, rentals, network services, operations and management mandates, laboratory services, energy consulting and temporary connections. At CHF 18 million, operating income showed a sharp increase on the prior-year figure due in particular to Planeco's activities in the PV installations segment.

Operating expense, depreciation and amortization

Operating expense was down on the previous year to CHF 554 million (–5%) due mainly to lower energy procurement expense of CHF 323 million (–14%). This decreased in particular as a result of some trading revenues being presented in electricity segment operating income on a net basis, as mentioned elsewhere (for further details, see note 2, page 24). In addition, the declines in sales in the district heating and gas segments led to lower procurement volumes. Overall, this resulted in lower expense for energy procurement from third parties (–19%) and associates (–21%). On the other hand, the increase in provisions for onerous energy procurement contracts from operators of combined heat and power plants had the effect of increasing expense in 2020.

Personnel expense rose to CHF 134 million (+8%). This is the result of several parallel developments. Firstly, headcount increased, as IWB set up new functions and entered into equity investments in connection with the transformation of heating (see page 46). At the same time, average costs per employee rose due to a general progression to higher pay grades and the lower employee turnover rate as a result of the COVID-19 pandemic.

Other operating expense climbed to CHF 97 million (+15%) mainly as a result of higher expense for maintenance and supplies.

Depreciation, amortization and impairment were up significantly on the previous year to CHF 106 million in 2020 (+29%) due especially to the reduction in the useful lives of the distribution networks (CHF 17 million in total) and the write-downs on foreign facilities (CHF 10 million versus CHF 4 million in the previous year). The useful lives needed to be adjusted due to the difference between the technical useful lives applied previously and the useful lives as per industry standards, as the principles required to be applied under Swiss GAAP FER to determine useful lives are better met by the industry standards than they are by the technical useful lives.

Cash flows and financial position

Cash flows and investments

Despite one-time items with a negative impact on the operating result, we were able to generate strong cash flow from operating activities of CHF 222 million (+2%). The ratio of net cash from operating activities to EBITDA remained at a sound 102% (previous year: 93%). IWB used the funds provided by operating activities to make gross investments of CHF 133 million, of which CHF 103 million was channelled into tangible fixed assets and CHF 19 million into acquiring financial assets – in particular the investment in Agro Energie Schwyz AG – and interests in consolidated entities (Planeco GmbH and Wärmeverbund Lehenmatt Birs AG). A further CHF 8 million was invested in various digitalization projects. The amount channelled into renovating local supply grids and systems was similar to that in previous years. The free cash flow of CHF 116 million enabled IWB to disburse the profit distribution to the Canton of Basel-Stadt and repay short-term financial liabilities as scheduled.

Strong cash flow from operating activities of

CHF 222 m

Changes in cash flows, investments and balance sheet
2016– 2020, CHF m

	2016	2017	2018	2019	2020
Cash flow from operating activities	189.1	197.4	232.3	217.7	221.9
Cash flow from investing activities (net)	– 130.6	– 132.8	– 126.1	– 123.6	– 106.4
Free cash flow	58.5	64.6	106.2	94.1	115.5
Cash and cash equivalents	124.0	73.5	93.6	129.6	130.0
Total assets	2 451.0	2 451.5	2 482.8	2 551.4	2 558.0
Non-current assets	2 107.4	2 163.7	2 183.1	2 208.2	2 216.9

Balance sheet, financing and liquidity

IWB's total assets were almost unchanged at CHF 2.6 billion. In the reporting period, euro-denominated financial liabilities from project finance abroad were repaid pro rata as scheduled. The decrease in short-term financial liabilities is mainly attributable to the difference between the loan repayment to the Canton of Basel-Stadt and the short-term bridging finance via banks. The stable set of results and the related reduction in financial liabilities allowed the capital base to be bolstered and the equity ratio to be raised to around 70 percent. IWB was able to meet other financial criteria such as net debt of up to no more than 2.5 to 3.5 times EBITDA and a continuous increase in profitability.

At year-end, IWB held solid liquidity of CHF 130 million. In 2021, this 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.

Allocation of value added and appropriation of net profit

Of the net value added of CHF 266.5 million, CHF 133.9 million (50%) went to employees. IWB's obligations to the Canton of Basel-Stadt amounted to CHF 47.1 million. This includes the profit distribution of CHF 33.7 million scheduled for 2020, the licence fee remitted in the amount of CHF 11 million, loan interest of CHF 0.5 million and other public service obligations of CHF 1.9 million. An increase of CHF 1.5 million in the provision for onerous energy procurement contracts from local combined heat and power plants was included in public service obligations (previous year: provision partially released in the amount of CHF 3.8 million).

"Decarbonization will require large investments over the next 15 years. To be able to make those investments independently, we must achieve a sustained increase in our profitability."

Petra Mösching
Interim CFO

Net value added and its allocation to stakeholders
2016–2020, CHF m

	2016	2017	2018	2019	2020
Net value added	249.7	235.3	259.7	294.5	266.5
Employees	115.0	117.1	119.5	123.7	133.9
Creditors (interest)	8.5	7.9	7.2	6.9	5.3
Public sector (taxes and levies)[1]	5.4	6.3	6.2	7.0	6.5
Owner (Canton)	51.4	52.4	47.3	44.0	47.1
Profit distribution[2]	37.3	22.4	36.8	35.0	33.7
Interest on loans	1.9	1.6	0.9	0.8	0.5
Licence fee paid to Basel-Stadt[3]	11.0	2.0	8.6	11.6	11.0
Public service obligations[4]	1.2	26.4	1.0	– 3.4	1.9
Company (retained earnings)	69.4	51.6	79.5	112.9	73.8

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. In 2020, the provision had to be increased again.

System average interruption duration index – SAIDI[1]
2016–2020, minutes per year per customer

	2016	2017	2018	2019	2020
Electricity	0.64	6.50	1.14	4.55	5.72
District heating	0.67	22.56	10.70	6.53	9.55
Gas	0.06	0.02	0.03	0.12	0.03
Potable water	5.07	4.19	4.24	4.22	7.07

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

Under the owner strategy (see Corporate Governance, page 46), 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 increases the scope to finance investments independently without additional capital. The larger capital base enables us to raise further borrowings as and when necessary.

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 resources necessary for the transformation. Nevertheless, additional funds will be required for the massive expansion of grid-connected heating networks in the Canton of Basel-Stadt. Politicians have realized this and are currently discussing how the Canton of Basel-Stadt can assist.

While the short-term effects of the COVID-19 pandemic have so far remained manageable for IWB, the medium-term effects are still difficult to estimate.

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 2020, 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 make us one of the cheapest providers, while our gas tariffs are slightly above average. In the case of our electricity tariffs, energy supply and grid usage – components over which IWB has control – are slightly more expensive overall than the Swiss average. 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

2020 with prior-year comparative amounts, in CHF 000s

	Notes	2019	2020
Net sales from goods and services[1]	2	774 692	726 232
Own work capitalized	2	27 865	28 050
Other operating income	2	13 375	17 549
Operating income[1]		**815 932**	**771 831**
Energy procurement expense[1]	3	– 374 438	– 323 353
Personnel expense	4	– 123 738	– 133 849
Other operating expense	5	– 83 974	– 96 615
Operating expense		**– 582 150**	**– 553 817**
Operating result (EBITDA)		**233 782**	**218 014**
Depreciation and impairment of tangible fixed assets	14	– 75 675	– 99 408
Amortization and impairment of intangible assets	15	– 6 575	– 6 983
Operating result (EBIT)		**151 532**	**111 623**
Financial expense	6	– 12 233	– 9 765
Financial income	6	8 939	6 208
Profit of associates		7 147	4 179
Result before taxes (EBT)		**155 385**	**112 245**
Income taxes	7	– 5 665	– 3 627
Profit for the financial year before minority interests		**149 720**	**108 618**
Minority interests		– 1 837	– 1 103
Profit for the financial year after minority interests		**147 883**	**107 515**

1 In financial year 2020, a large portion of the trading revenues was for the first time presented in net sales from goods and services on a net basis. For further information, see the note in the accounting policies and notes 2 and 3 in the notes to the consolidated financial statements.

Consolidated balance sheet

As at 31 December 2020 with prior-year comparative amounts, in CHF 000s

	Notes	2019	2020
Current assets		**343 149**	**341 121**
Cash and cash equivalents	8	129 618	130 014
Derivative financial instruments	9	3 011	1 686
Receivables from goods and services	10	115 653	108 503
Other short-term receivables	11	6 388	6 670
Inventories	12	14 132	14 798
Prepayments and accrued income	13	74 347	79 450
Non-current assets		**2 208 229**	**2 216 857**
Tangible fixed assets	14	1 789 551	1 801 240
Intangible assets	15	39 720	52 040
Financial assets	16	336 495	324 275
Long-term inventories	17	18 648	18 302
Long-term prepayments and accrued income	18	23 815	21 000
Total assets		**2 551 378**	**2 557 978**
Total liabilities		**820 716**	**754 102**
Current liabilities		**265 320**	**223 511**
Short-term financial liabilities	22	122 053	63 679
Derivative financial instruments	9	3 011	1 686
Payables from goods and services		87 881	83 072
Other short-term liabilities	19	15 854	19 485
Short-term provisions	20	4 101	4 807
Accrued liabilities and deferred income	21	32 420	50 782
Non-current liabilities		**555 396**	**530 591**
Long-term financial liabilities	22	242 112	219 889
Long-term accrued liabilities and deferred income	23	40 096	37 969
Long-term provisions	20	273 188	272 733
Equity including minority interests		**1 730 662**	**1 803 876**
Minority interests		7 903	9 084
Equity excluding minority interests		**1 722 759**	**1 794 792**
Endowment capital		530 000	530 000
Retained earnings		1 044 876	1 157 277
Profit for the financial year		147 883	107 515
Total liabilities		**2 551 378**	**2 557 978**

Consolidated cash flow statement

2020 with prior-year comparative amounts, in CHF 000s

	Notes	2019	2020
Profit for the financial year before minority interests		149 720	108 618
Depreciation of tangible fixed assets	14	71 863	88 070
Amortization of intangible assets	15	6 532	6 915
Impairment	14, 15, 16	6 348	13 091
Reversal of impairment losses on financial assets	16	– 506	– 836
Share of profit of associates		– 7 022	– 4 170
Dividends from associates		3 153	4 518
Foreign currency adjustment on financial assets		295	112
Capitalized interest on financial assets/financial liabilities		122	17
Loss/gain on disposal of non-current assets		– 1 634	420
Recognition/release	20	– 2 911	1 374
Use of provisions	20	– 5 409	– 3 030
Change in receivables from goods and services		2 909	8 107
Change in inventories		– 1 540	– 486
Change in long-term inventories		518	346
Change in other receivables, prepayments and accrued income		– 9 388	– 4 086
Change in long-term prepayments and accrued income		2 668	4 785
Change in payables from goods and services		8 147	– 19 407
Change in other short-term liabilities, accrued liabilities and deferred income		– 8 894	19 627
Change in long-term accrued liabilities and deferred income		2 688	– 2 127
Cash flow from operating activities (operative cash flow)		**217 659**	**221 858**
Investments in tangible fixed assets	14	– 114 208	– 103 255
Disposals of tangible fixed assets	14	140	192
Investments in intangible assets	15	– 12 319	– 9 939
Investments in financial assets	16	– 21 492	– 15 939
Disposals of financial assets	16	24 307	26 119
Payments for the acquisition of consolidated entities		0	– 3 530
Cash flow from investing activities		**– 123 572**	**– 106 352**
Profit distributions to the owner		– 36 800	– 35 000
Profit distributions to minority interests		0	– 308
Repayment of capital to minority interests		– 308	0
Issuance of financial liabilities		0	40 305
Repayment of financial liabilities		– 20 337	– 120 048
Cash flow from financing activities		**– 57 445**	**– 115 051**
Exchange differences		**– 603**	**– 59**
Change in cash and cash equivalents		**36 039**	**396**
Cash and cash equivalents at 1 January		93 579	129 618
Cash and cash equivalents at 31 December		129 618	130 014
Net change in cash and cash equivalents		**36 039**	**396**

Statement of changes in consolidated equity

2019 and 2020, in CHF 000s

	Endowment capi-tal	Retained earnings	Accumulated exchange differences	**Total excluding minority interests**	Minority interests	**Total including minority interests**
Balance as at 1 January 2019	**530 000**	**1 093 631**	**– 9 041**	**1 614 590**	**6 644**	**1 621 234**
Profit/loss for the financial year	0	147 883		**147 883**	1 837	**149 720**
Repayment of capital to minority interests	0	0	0	**0**	– 308	**– 308**
Exchange differences	0	0	– 2 914	**– 2 914**	– 270	**– 3 184**
Profit distributions	0	– 36 800	0	**– 36 800**	0	**– 36 800**
Balance as at 31 December 2019	**530 000**	**1 204 714**	**– 11 955**	**1 722 759**	**7 903**	**1 730 662**
Balance as at 1 January 2020	**530 000**	**1 204 714**	**– 11 955**	**1 722 759**	**7 903**	**1 730 662**
Change in 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[1]	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**

1 A profit distribution for financial year 2020 is expected to be disbursed to the owner of IWB in May 2021. 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 33.7 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 2020 consolidated financial statements were approved by the IWB Board of Directors for submission to the Government Council of the Canton of Basel-Stadt on 15 April 2021. The Government Council is expected to approve the consolidated financial statements and decide on the amount of the profit distribution at its meeting on 4 May 2021.

Accounting principles

These consolidated financial statements were prepared in accordance with the existing Swiss GAAP FER (Accounting and Reporting Recommendations) and comply with Swiss GAAP FER (FER) 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 2020 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 27 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 2020, the share of the assets of the partner plants attributable to IWB amounted to CHF 799 million and the share of the interest-bearing liabilities to CHF 560 million (previous year: CHF 753 million and CHF 527 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

2020 with prior-year comparative rates, in CHF

	Income statement Average rates for the year		Balance sheet Year-end rates (closing rates)	
	2019	**2020**	2019	**2020**
EUR 1	1.11247	1.07052	1.08700	1.08020

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 above 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 with the exception of the adjusted useful lives of the distribution networks. These resulted in a one-time item of CHF 8 million to make up for the shorter useful lives, which affected annual profit, and are the reason why the regular depreciation charges increased by CHF 9 million (see commentary in "Tangible fixed assets" on page 20).

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.

From financial year 2020 onwards, trading revenues will be distinguished into "Own use" and "Extended trading activity" on the basis of defined criteria and presented accordingly in the income statement (see "Sales and revenue recognition"). As some of the data required to allocate revenues in accordance with the defined criteria are missing, it is not possible to restate the prior-year income statement. The new method of presentation only affects the operating income presented and energy procurement expense, which are now included in "Electricity operating income" and "Energy procurement expense" respectively on a net basis.

Had that portion of the trading revenues been presented on a gross basis in financial year 2020 as it was in 2019, reported operating income and energy procurement expense would each have been approximately CHF 192 million higher. This change does not affect the operating result before depreciation, amortization, interest and tax (EBITDA), the operating result before interest and tax (EBIT), profit for the financial year or equity, which is why the consolidated financial statements remain comparable in their core components and without the prior year being restated.

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 were hitherto recognized gross in sales in the electricity segment and in energy procurement expense.

From financial year 2020 onwards, a distinction will also be 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 in sales on a gross basis, as has been the case thus far. Extended transactions designated as hedging transactions for the purpose of active portfolio management are now 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 FER 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 giro 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 FER 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.

In the 2020 reporting period, the useful lives (ULs) of the distribution facilities were reviewed and adjusted. The useful lives needed to be adjusted due to the difference between applied (technical) ULs and industry standards, as the principles required to be applied under Swiss GAAP FER to determine ULs are better met by the industry standards than they are by the technical ULs.

Useful life
in years

Asset category	Years, previously	Years, now
Land	Only if impaired	No change
Buildings	50–80	No change
Distribution facilities	25–100	25–80
Technical installations, distribution facilities	5–50	No change
Production facilities	10–50	No change
Operating equipment and motor vehicles	3–15	No change

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
in years

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. No staff are employed at the Swiss and foreign subsidiaries at present.

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. Among others, IWB acquired a 60 percent interest in Planeco GmbH in the solar plant construction segment in the Basel region and founded a heating network in Basel together with a cooperation partner (IWB has a 50 percent interest).

Changes in the scope of consolidation
2020

	Transaction type	Interest acquired or disposed of (previous interest)	Transaction date
Investment/country			
Planeco GmbH, Switzerland	Acquisition	+ 60% (0%)	25 Aug. 2020
Wärmeverbund Lehenmatt Birs AG, Switzerland	Formation	+50% (0%)	2 Sept. 2020

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

Impact of the acquisitions and formations
2020, in CHF 000s

	Notes	**Recognized amounts**
Cash and cash equivalents		1 748
Receivables, prepayments and accrued income		2 320
Inventories		180
Tangible fixed assets	14	134
Intangible assets	15	730
Financial liabilities	22	– 300
Other liabilities, accrued liabilities, deferred income and provisions	20	– 2 007
Total net assets acquired		**2 805**
Minority interests		– 430
Share of goodwill	15	4 453
Purchase price		**6 828**
Deferred and contingent consideration[1]		– 1 550
Cash and cash equivalents acquired		– 1 748
Cash outflow		**3 530**

1 Deferred and contingent consideration is presented in the consolidated balance sheet under other liabilities and is contingent on certain milestones being reached on the underlying projects.

2 Operating income

Segment information, operating income excluding internal revenues
2020 with prior-year comparative amounts, in CHF 000s

	2019	2020
Electricity[1]	375 624	344 752
District heating and steam	89 716	80 359
Gas	206 570	190 951
Potable water	42 867	47 045
Telecommunications	14 042	15 228
Waste treatment	26 123	27 334
Energy solutions	20 859	20 563
Other	12 266	17 549
Own work capitalized	27 865	28 050
Total operating income	**815 932**	**771 831**

1 In financial year 2020, a large portion of the trading revenues was for the first time presented in electricity segment operating income on a net basis. Had those revenues been presented on a gross basis as they were in 2019, reported operating income and energy procurement expense would each have been approximately CHF 192 million higher.

In the electricity segment, revenue performance was affected by the following elements. In trading operations, some revenues were for the first time presented on a net basis, which resulted in a significant decline in both the revenues presented and energy procurement (see also note 3). At the foreign production facilities for new renewables, higher volumes were more than offset by negative price and foreign currency effects, resulting in a slight decline in those revenues. The effects of the COVID-19 pandemic and energy efficiency reduced the volumes sold and sales revenues on the electricity grid, although this was more than offset slightly by new customer acquisition.

In the district heating segment, revenues were depressed mainly by lower sales volumes attributable to the warmer weather. In the gas segment, revenues were likewise on a downward trajectory, as the volumes sold to large customers and in providing the basic service decreased as a result of weather conditions.

Segment information by geographical market, operating income excluding internal revenues
2020 with prior-year comparative amounts, in CHF 000s

	2019	2020
Switzerland	762 302	717 054
France	34 882	34 893
Germany	17 425	18 462
Italy	1 323	1 422
Total operating income	**815 932**	**771 831**

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 (the decrease is due in particular to the presentation of trading revenues; see note at the beginning). 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
2020 with prior-year comparative amounts, in CHF 000s

	2019	**2020**
Energy procurement from third parties[1]	88 423	72 050
Energy procurement from partner plants	54 153	54 065
Energy procurement from other associates	172 313	135 533
Expense for energy transportation and levies	56 659	53 636
Other energy production expense	7 613	8 113
Total energy procurement expense before provision	**379 161**	**323 397**
Change in provision for onerous energy procurement contracts	– 4 723	– 44
Total energy procurement expense[1]	**374 438**	**323 353**

1 In financial year 2020, a large portion of the trading revenues was for the first time presented in electricity segment operating income on a net basis. Had those revenues been presented on a gross basis as they were in 2019, reported operating income and energy procurement expense would each have been approximately CHF 192 million higher.

Energy procurement from third parties mainly includes expenses for electricity purchased in trading operations. The decrease is mainly the result of the net presentation of a large portion of the trading revenues (see note 2). Energy procurement from partner plants remained stable in the reporting period. Since 2018, this item has also included the receipt of the "market premium" in place until 2022. 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. In the reporting period, the 2020 market premium was disbursed to IWB by the Swiss Federal Office of Energy in accordance with the definitive decision and recognized accordingly in the income statement, thereby reducing expense.

Energy procurement from other associates showed a decrease compared with the previous year due especially to a volume-related decline in gas procurement combined with lower procurement costs.

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

Other energy production expense rose again mainly as a result of higher procurement volumes for pellets used as a raw material at biomass power plant II.

In both the previous year and the reporting period, the change in the provision for onerous energy procurement contracts included the change in the provision for energy procurement contracts with CHP plant operators (see note 20).

4 Personnel expense and disclosures on pension plans

Personnel expense
2020 with prior-year comparative amounts, in CHF 000s

	2019	2020
Wages and salaries	95 775	104 245
Social security contributions	6 044	6 762
Employee benefit contributions	16 345	17 179
Temporary staff	2 125	2 440
Other personnel expense	3 449	3 223
Total personnel expense	**123 738**	**133 849**

Wage and salary expense increased as a result of a higher headcount (due to new functions in connection with the transformation of heating and the integration of an investment) combined with a rise in average costs per employee due to a general progression to higher pay grades and pandemic-related effects (lower employee turnover). The other items of personnel expense were similarly higher.

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 105.1% as at 31 December 2020 (previous year: 107.5%; see note 25).

5 Other operating expense

Other operating expense
2020 with prior-year comparative amounts, in CHF 000s

	2019	2020
Maintenance and supplies	50 709	60 255
Rent	2 189	3 043
Insurance, fees	7 716	7 972
Administrative expense	9 938	9 907
IT expense	9 684	11 148
Communications and marketing	3 738	4 290
Total other operating expense	**83 974**	**96 615**

6 Financial result

Financial result
2020 with prior-year comparative amounts, in CHF 000s

	2019	2020
Interest income	1 324	751
Income from investments	254	244
Foreign exchange gains	1 742	1 283
Other financial income	5 619	3 930
Total financial income	**8 939**	**6 208**
Interest expense	7 686	5 752
Interest on provisions and long-term accruals and deferrals	1 421	1 885
Foreign exchange losses	2 551	1 755
Other financial expense	575	373
Total financial expense	**12 233**	**9 765**
Total financial result	**– 3 294**	**– 3 557**
Of which net foreign exchange loss	**– 809**	**– 472**

Other financial income mainly includes income from interest on long-term accruals and deferrals and the reversal of impairment losses on financial assets. In the previous year, income of CHF 2.3 million was recognized from the disposal of investments. Other financial expense includes impairment losses on deferred tax assets for loss carryforwards in the amount of CHF 0.05 million (previous year: CHF 0.3 million) (see notes 7 and 16).

7 Taxes

Taxes
2020 with prior-year comparative amounts, in CHF 000s

	2019	2020
Current income taxes	4 491	4 081
Change in deferred taxes	1 174	– 454
Total taxes	**5 665**	**3 627**

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 that was unchanged at 28.0 percent. 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 16) and provisions (see note 20). As at 31 December 2020, deferred tax assets for loss carryforwards from foreign companies amounted to CHF 3.4 million (previous year: CHF 5.0 million). In the reporting period, impairment losses of CHF 0.05 million (previous year: CHF 0.3 million) were recognized due to a change in the assessment of their recoverability. These are included in other financial expense (see note 6).

8 Cash and cash equivalents

Cash and cash equivalents
As at 31 December 2020 with prior-year comparative amounts, in CHF 000s

	2019	2020
Cash	43	51
Postal giro/bank accounts	108 680	110 795
Bank account with the Canton of Basel-Stadt	20 895	19 168
Total cash and cash equivalents	**129 618**	**130 014**

9 Derivative financial instruments (assets and liabilities)

Derivative financial instruments
As at 31 December 2019, in CHF 000s

	Fair values		
	Positive	Negative	Purpose
Interest rate swaps	0	– 1 598	Hedge
Forward contracts in energy trading	34 050	– 29 772	Hedge
Not recognized in balance sheet	**34 050**	**– 31 370**	
Forward contracts in energy trading	3 011	– 3 011	Financial instrument
Recognized in balance sheet	**3 011**	**– 3 011**	
Total derivative financial instruments	**37 061**	**– 34 381**	

As at 31 December 2020, in CHF 000s

	Fair values		
	Positive	Negative	Purpose
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**	

As at 31 December 2020, 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.

Forward contracts in energy trading that result from physically settled intermediary transactions qualify as financial instruments under FER 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 as assets and liabilities on a gross basis under derivative financial instruments.

10 Receivables from goods and services

Receivables from goods and services
As at 31 December 2020 with prior-year comparative amounts, in CHF 000s

	2019	2020
Receivables from goods and services	118 038	111 483
Allowance for doubtful accounts	– 2 385	– 2 980
Total receivables from goods and services	**115 653**	**108 503**

11 Other short-term receivables

Other short-term receivables
As at 31 December 2020 with prior-year comparative amounts, in CHF 000s

	2019	2020
Input tax receivables	685	663
Miscellaneous other short-term receivables	5 703	6 007
Total other short-term receivables	**6 388**	**6 670**

12 Inventories

Inventories
As at 31 December 2020 with prior-year comparative amounts, in CHF 000s

	2019	2020
Materials	17 133	19 036
Heating materials and fuel	3 810	3 366
Certificates	1 200	1 087
Value adjustment	– 8 011	– 8 691
Total inventories	**14 132**	**14 798**

13 Prepayments and accrued income

Prepayments and accrued income
As at 31 December 2020 with prior-year comparative amounts, in CHF 000s

	2019	2020
Accrued net sales from goods and services	49 210	54 766
Annual costs of partner plants	2 391	1 115
Other prepayments and accrued income	22 746	23 569
Total prepayments and accrued income	**74 347**	**79 450**

In particular, other prepayments and accrued income include recoverable CO_2 taxes.

14 Tangible fixed assets

Statement of changes in tangible fixed assets

2019, 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 2019	**659**	**147 307**	**1 501 667**	**110 551**	**6 608**	**1 766 792**
Cost						
Balance as at 1 January 2019	**659**	**190 181**	**2 092 971**	**133 812**	**19 752**	**2 437 375**
Additions	0	6 540	51 530	49 123	1 610	108 803
Disposals	0	0	– 1 513	0	– 1 261	– 2 774
Reclassifications	0	23 066	26 923	– 50 287	338	40
Exchange differences	0	0	– 13 913	0	0	– 13 913
Balance as at 31 December 2019	**659**	**219 787**	**2 155 998**	**132 648**	**20 439**	**2 529 531**
Accumulated depreciation and impairment						
Balance as at 1 January 2019	**0**	**– 42 874**	**– 591 304**	**– 23 261**	**– 13 144**	**– 670 583**
Depreciation	0	– 5 441	– 64 668	0	– 1 753	– 71 862
Impairment	0	0	– 3 759	– 1 007	– 54	– 4 820
Disposals	0	0	792	0	1 238	2 030
Reclassifications	0	0	4 792[1]	– 4 792[1]	0	0
Exchange differences	0	0	5 255	0	0	5 255
Balance as at 31 December 2019	**0**	**– 48 315**	**– 648 892**	**– 29 060**	**– 13 713**	**– 739 980**
Net carrying amounts as at 31 December 2019	**659**	**171 472**	**1 507 106**	**103 588**	**6 726**	**1 789 551**

1 Adjustment to accumulated depreciation related to the development of the FTTH network, which in previous years was recognized under equipment and facilities.

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**
Change in 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[1]	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**

1 The increase in depreciation in the reporting period relates to the adjustment of the useful lives of the distribution networks (see "Significant changes in accounting estimates", page 19, and "Tangible fixed assets", page 20).

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

Net carrying amounts of equipment and facilities
As at 31 December 2020 with prior-year comparative amounts, in CHF 000s

	2019	**2020**
Supply grid	999 990	1 013 763
Machinery, equipment and facilities	507 116	485 407
Total net carrying amounts of equipment and facilities	**1 507 106**	**1 499 170**

Impairment of assets under construction

Impairment losses on assets under construction 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 18 and 22).

Impairment of equipment and facilities

Impairment losses were recognized on equipment and facilities. Of these, CHF 10.2 million are attributable to a reassessment of the long-term trend in electricity market prices at the foreign production facilities for new renewables (previous year: CHF 3.6 million on foreign production facilities for new renewables).

Uncertainty regarding the valuation of the gas network

For just over three years now, there have been various developments and efforts at both a legal and a political level aimed at decarbonizing heating in the Canton of Basel-Stadt:

- 1 October 2017 saw the entry into force of the revised Basel-Stadt Energy Act (EnA) and the related ordinance. These are aimed at reducing annual CO_2 emissions in the Canton to no more than one tonne per resident by 2050, with heating making a significant contribution to this: when replacing fossil fuel heating systems that run on natural gas, customers are required to switch to a renewable system (heat pump, district heating, etc.) to the extent that this is technically feasible and can be done without incurring any additional costs.
- On 7 April 2020, the Basel-Stadt Office for the Environment and Energy published the energy roadmap (ERM) decided upon by the Government Council on 17 March 2020. The ERM specifies energy policy objectives for the heating supply chain and makes a geographical breakdown, setting out which source of energy will be available in which area of the city in future.
- There are also political initiatives aimed at driving decarbonization in Basel-Stadt rapidly forward. This is to be achieved, firstly, through the rapid expansion of renewable district and local heating. Secondly, IWB is being asked to withdraw from fossil fuel heating in the Canton of Basel-Stadt by 2050 and avoid investments in these technologies that cannot be amortized. On 20 October 2020, the Government Council of the Canton of Basel-Stadt approved the recommendation on the expansion of grid-connected heating for submission to the Grand Council.

Because of its mandate to supply Basel-Stadt, IWB is widely affected by these developments: the EnA, the ERM and the implementation of the aforementioned political initiatives will gradually lead to a reduction in the number of installed gas connections and correspondingly lower sales volumes. At the same time, the existing gas network must be reliably maintained and operated so as to ensure security of supply in accordance with section 3 of the IWB Act.

Due to these developments, there are indications that the gas network might not be fully recoverable in future. Firstly, its useful life could be significantly shortened in certain areas, possibly leading to impairment losses and higher annual depreciation charges. Secondly, there is a risk that, over a shorter remaining life, there will not be sufficient cash inflows to set against any necessary investments in replacing the network.

At the present time, the financial effects of this development are still highly uncertain, which is why a write-down of the gas network's carrying amount was not recognized in the income statement in financial year 2020.

The expected financial effects were reassessed in the reporting period. The key assumptions included in the scenario are that a gradually faster and geographically wider decommissioning of the gas distribution network will be completed by 2040 at the latest and 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. In addition, the estimate of the expected costs of a shorter useful life, possible decommissioning costs and the cost of any necessary investments in network replacement and maintenance work for the purpose of ensuring a reliable supply of gas through to decommissioning was updated. 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. Depending on the sensitivity of the two value drivers in a range of plus/minus 10 percent, the possible write-down is between CHF 0 and 39 million (previous year: between CHF 36 and 77 million). The possible write-down relates to the portion of the depreciation and amortization charges that cannot be offset through tariffs. These results are still uncertain, as the different developments cannot yet be modelled with sufficient certainty using the current legal bases. As a result, only a valuation range can be given here.

In addition, depending on the speed at which the aforementioned legal and political developments are implemented, the depreciation and amortization charges on the current gas network could increase by up to CHF 2.2 million (prior-year estimate: CHF 2.3 million) a year due to a significant reduction in its useful life.

Pledged assets break down as follows:

Pledged assets

As at 31 December 2020 with prior-year comparative amounts, in CHF 000s

	2019	**2020**
Pledged assets	229 591	205 531
Of which in favour of the entity's own obligations	157 486	136 515
Total pledged assets	**229 591**	**205 531**

The pledged assets show the production facilities abroad that have been pledged to secure loan liabilities. The decrease is due in particular to 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.

15 Intangible assets

Statement of changes in intangible assets

2019, in CHF 000s

	Goodwill	Intangible assets arising from development	Transmission rights/ licences	Software	**Total intangible assets**
Net carrying amounts as at 1 January 2019	617	3 896	17 898	14 073	36 484
Cost					
Balance as at 1 January 2019	39 881	3 896	56 359	54 266	154 402
Additions	0	7 194	1 032	2 608	10 834
Disposals	0	0	0	– 3 412	– 3 412
Reclassifications	0	– 1 745	28	1 677	– 40
Exchange differences	– 1 353	0	– 143	0	– 1 496
Balance as at 31 December 2019	38 528	9 345	57 276	55 139	160 288
Accumulated amortization and impairment					
Balance as at 1 January 2019	– 39 264	0	– 38 461	– 40 193	– 117 918
Amortization	– 485	0	– 684	– 5 362	– 6 531
Impairment	0	0	– 911	– 43	– 954
Disposals	0	0	0	3 412	3 412
Exchange differences	1 341	0	82	0	1 423
Balance as at 31 December 2019	– 38 408	0	– 39 974	– 42 186	– 120 568
Net carrying amounts as at 31 December 2019	120	9 345	17 302	12 953	39 720

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
Change in 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

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.

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 14).

Impairment of software
Impairment losses on software are attributable to the decommissioning of software no longer required.

16 Financial assets

Statement of changes in financial assets
2019, in CHF 000s

	Associates	Investments, recognized at cost	Total investments	Other financial assets	Deferred tax assets	**Total financial assets**
Balance as at 1 January 2019	**234 219**	**6 055**	**240 274**	**81 733**	**13 938**	**335 945**
Additions	0	300	300	21 192	465	21 957
Disposals	0	0	0	– 22 069	– 2 331	– 24 400
Change in value – equity method/foreign currency	3 869	0	3 869	128	0	3 997
Impairment	0	– 50	– 50	– 271	– 254	– 575
Reversal of impairment	0	0	0	506	0	506
Exchange differences	– 43	– 7	– 50	– 440	– 445	– 935
Balance as at 31 December 2019	**238 045**	**6 298**	**244 343**	**80 779**	**11 373**	**336 495**

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**

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 Agro Energie Schwyz AG. The disposals of other financial assets primarily show the loan repayments by associates and customers' amortization payments for contract facilities.

Due to a reassessment of the expected recoverability of deferred tax assets for loss carryforwards, this item was written down by CHF 0.05 million at some German Group companies (previous year: EUR 0.3 million; see notes 6 and 7).

17 Long-term inventories

Long-term inventories
As at 31 December 2020 with prior-year comparative amounts, in CHF 000s

	2019	2020
Meter inventories	47 472	48 305
Value adjustment	– 28 824	– 30 003
Total long-term inventories	**18 648**	**18 302**

18 Long-term prepayments and accrued income

Long-term prepayments and accrued income
As at 31 December 2020 with prior-year comparative amounts, in CHF 000s

	2019	2020
Difference between budgeted and actual grid costs[1]	5 987	p. m.
Difference between budgeted and actual cost of energy production[1]	p. m.	p. m.
Other prepayments and accrued income	17 828	21 000
Total long-term prepayments and accrued income	**23 815**	**21 000**

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 those receivables, before possible write-downs at the end of the reporting period, was CHF 9.6 million (previous year: CHF 6.0 million). Due to the slow recovery anticipated from the coronavirus-induced recession, IWB does not believe that the sales trends expected in the future will be sufficient for those receivables to be recoverable, as a result of which these receivables were written off in full in the reporting period (previous year: no write-down).

In the case of energy, the balance of those receivables was netted out at the end of the reporting period (previous year: also netted out after recognizing a write-down of CHF 8.3 million).

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 18.6 million (previous year: CHF 16.2 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. From 2021 onwards, the loan from the Canton of Basel-Stadt that is repayable subject to conditions will be used to refinance those investments if in future they cannot be refinanced through income (see notes 14 and 22).

19 Other short-term liabilities

Other short-term liabilities
As at 31 December 2020 with prior-year comparative amounts, in CHF 000s

	2019	2020
Tax liabilities	693	1 171
Miscellaneous other short-term liabilities	15 161	18 314
Total other short-term liabilities	**15 854**	**19 485**

20 Provisions

Provisions

2019, in CHF 000s

	Carrying amount as at 1 January 2019	Recognition	Use	Release	Exchange differences	Carrying amount as at 31 December 2019	Of which short-term	Of which long-term
Refurbishment	3 641	0	– 791	0	0	2 850	50	2 800
Dismantling	33 061	941	0	0	– 204	33 798	0	33 798
Contracting	11 968	254	– 920	– 235	0	11 067	2 250	8 817
IWB Öko-IMPULS funding	352	0	– 253	0	0	99	99	0
Onerous energy procurement contracts	213 508	0	– 934	– 3 789	0	208 785	865	207 920
Restructuring	1 120	0	– 820	0	0	300	300	0
Deferred tax liabilities	18 248	1 771	0	– 2 463	– 630	16 926	0	16 926
Other	4 257	1 587	– 1 691	– 687	– 2	3 464	537	2 927
Total provisions	**286 155**	**4 553**	**– 5 409**	**– 7 174**	**– 836**	**277 289**	**4 101**	**273 188**

2020, in CHF 000s

	Carrying amount as at 1 January 2020	Change in 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 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 2020, 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. The discount rates used are unchanged at between 4.8 and 5.5 percent, depending on the share of technology at the plant. 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.

The range of the price scenarios narrowed compared with the previous year. The expected costs at the power plant companies are on a par with the previous year. Management still considers the amounts currently reflected in the provision to be the best estimate of the sale prices expected to be obtainable and the costs expected to arise from the procurement contracts. Due to the underlying uncertainties, the wide range of measurements and the small year-on-year change in the price scenarios and cost situation relative to the uncertainty, the provision was not adjusted (previous year: not adjusted).

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 was used on a pro rata basis and also increased due to a deterioration in the assessment of the underlying assumptions (previous year: the provision was partially released).

Other provisions

This item comprises all other provisions for IWB's legal or constructive obligations. As at 31 December 2020, it mainly 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. In 2020, additional provisions were recognized for the cost of a subsidy repayment payable in relation to the repurposing of a subsidized building.

21 Accrued liabilities and deferred income

Accrued liabilities and deferred income

As at 31 December 2020 with prior-year comparative amounts, in CHF 000s

	2019	**2020**
Licence fee paid to the Canton of Basel-Stadt	0	11 000
Holiday, flexitime and overtime	5 788	6 712
Annual costs of partner plants	1 007	787
Other accrued liabilities and deferred income	25 625	32 283
Total accrued liabilities and deferred income	**32 420**	**50 782**

In the previous year, the accrual for the licence fee in favour of the Canton of Basel-Stadt for 2020 was recognized in payables from goods and services.

22 Financial liabilities

Short-term financial liabilities

As at 31 December 2019, in CHF 000s

	Total	Of which secured by liens
To related parties	2 000	0
To Canton of Basel-Stadt	100 000	0
To banks	20 053	20 053
Total short-term financial liabilities	**122 053**	**20 053**

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**

Long-term financial liabilities

As at 31 December 2019, 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	4 723	98 893	103 616	0
To banks	76 882	61 614	138 496	137 433
Total long-term financial liabilities	**81 605**	**160 507**	**242 112**	**137 433**

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**

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 18).

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

23 Long-term accrued liabilities and deferred income

Long-term accrued liabilities and deferred income
As at 31 December 2020 with prior-year comparative amounts, in CHF 000s

	2019	2020
Other differences between budgeted and actual costs	30 117	26 201
Other accrued liabilities and deferred income	9 979	11 768
Total long-term accrued liabilities and deferred income	**40 096**	**37 969**

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 decrease in the reporting period is attributable to district heating in particular. The rise in costs due to the measures taken to decarbonize the city of Basel was mitigated by reducing the liability so as to keep tariffs stable in 2020.

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

24 Transactions and outstanding balances with related parties

Transactions with related parties
2020 with prior-year comparative amounts, in CHF 000s

	Canton of Basel-Stadt		Associates	
	2019	2020	2019	2020
Net sales from goods and services	55 861	51 105	4 268	4 072
Other operating income	3 610	5 010	3 479	3 520
Interest income	0	0	469	179
Income	**59 471**	**56 115**	**8 216**	**7 771**
Energy procurement expense	11 601	11 030	226 466	189 598
Other operating expense	5 424	5 744	162	145
Interest expense	820	496	0	0
Expenses	**17 845**	**17 270**	**226 628**	**189 743**

Outstanding balances with related parties

As at 31 December 2020 with prior-year comparative amounts, in CHF 000s

	Canton of Basel-Stadt		Associates	
	2019	**2020**	2019	**2020**
Cash and cash equivalents	20 895	19 168	0	0
Loans	0	0	35 795	15 795
Receivables from goods and services	12 921	10 149	2 356	1 834
Other short-term receivables	5	4	20	609
Prepayments and accrued income (short- and long-term)	16 760	19 774[1]	6 390	4 773
Total assets	**50 581**	**49 095**	**44 561**	**23 011**
Payables from goods and services	33 757	22 520	25 178	23 582
Other short-term liabilities	32	22	7	7
Accrued liabilities and deferred income (short- and long-term)	632	11 444	1 286	1 118
Short- and long-term financial liabilities	203 616	143 633	2 000	2 000
Total liabilities	**238 037**	**177 619**	**28 471**	**26 707**

1 This item mainly includes the pre-financing of investment obligations related to the development of the universal FTTH network (see notes 18 and 22).

25 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 9.6 million (previous year: CHF 9.6 million).

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.

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 27).

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 105.1 percent for the IWB employee benefits scheme (previous year: 107.5%). 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.

26 Events after the balance sheet date

While the short-term effects of the COVID-19 pandemic have so far remained manageable for IWB, the medium-term effects are still difficult to estimate. Management and the Board of Directors are continuously monitoring the current situation. With an equity ratio of 70 percent, IWB is on a sound financial footing and has sufficient liquidity 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.

27 Investments

Investments
As at 31 December 2020

	Registered office	Purpose	Share capital in 000s	Currency	Interest held as %	Reporting date
Group companies						
IWB Energie Schweiz AG	Basel	S	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.
Planeco GmbH	Arlesheim	S	20	CHF	60.0%	31.12.
Wärmeverbund Lehenmatt Birs AG[1]	Basel	E	2 000	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.
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.
Eole 45 SAS	Pithiviers (F)	E	37	EUR	51.0%	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.

Continued on the next page

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.

	Registered office	Purpose	Share capital in 000s	Currency	Interest held as %	Reporting date
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.
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.
Holzkraftwerk 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.
Nant de Drance SA[3]	Finhaut	E	350 000	CHF	15.0%	31.12.
Wärmeverbund Riehen AG	Riehen	E	30 000	CHF	27.1%	31.12.
Windpark Grosse Schanze GmbH & Co. OHG[4]	Potsdam (D)	S	–	EUR	71.4%	31.12.

Company's registered office: 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 2020

	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.
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	320 398	CHF	0.8%	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.

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