swissgrid

Annual Report 2013

We transport electricity.

Essential for Switzerland.

Indispensable for Europe.

A driving force that provides

quality of life for millions

of people. Today and tomorrow.

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7 Swissgrid locations

in different regions of Switzerland

F

400 employees

working to ensure a secure supply of electricity

6,700 km

length of Swiss transmission grid

12,000 electricity pylons

in Switzerland

140 switching substations

for transforming the electricity to lower grid levels

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At a glance

Into the future with energy

"We transport electricity. Essential for Switzerland. Indispensable for Europe. A driving force that provides quality of life for millions of people. Today and tomorrow."

Swissgrid is the national grid company. As the owner, Swissgrid is responsible for the secure and efficient operation of the Swiss extra-high-voltage grid. Swissgrid's tasks also include the environmentally compatible and efficient maintenance, renovation and expansion of the Swiss extra-high-voltage grid.

Swissgrid employs over 400 highly qualified people from 19 countries at its sites in Frick, Laufenburg and Vevey. As a member of the European Network of Transmission System Operators for Electricity (ENTSO-E), Swissgrid is also responsible for grid planning, system management and market structure in the cross-border exchange of electricity in Europe.

As at 31 December 2013, Swissgrid's entire share capital is jointly held by 17 Swiss electricity companies.

Figures for the Swiss transmission system in 2013

Energy transported (in gWh)	77,660
Import (in gWh)	29,396
Export (in gWh)	30,712
Grid length (in km)	6,700
Substations	132
Number of grid transfers to other countries	40

Financial information (in millions of CHF)

Total operating income	887
Cost of procurement	384.5
Operating expenses incl. depreciation and impairment losses	365.4
Earnings before interest and income taxes (EBIT)	137.1
Net income	50.6
Balance sheet total	2,677.5
Free cash flow	–341.7

Pierre-Alain Graf
CEO (left)

Adrian Bult
Chairman of the Board of Directors

For a secure energy supply

Dear reader,

The Swiss electricity system is facing its most radical change in decades: the Federal Government's energy strategy intends to sustainably reduce emissions and significantly increase the proportion of energy from renewable sources. The European Union has also set significant goals in this respect. The fundamental changes to the electricity system require decisive action.

Swissgrid is following these developments closely and adapted its strategy in 2013. Grid operation must be modernised and the grid renovations must make rapid progress. We are also convinced that the electricity market needs to continue to be developed. This is where Swissgrid is making an active contribution to the structure of the energy future in Switzerland and Europe.

Actively help shape markets

Participation in the European electricity and control energy market is an important prerequisite for a secure and efficient electricity supply in Switzerland. Swissgrid has continuously expanded the control energy market since 2009. In 2011, the Swiss market for primary control power was opened to French power plants and the following year, Swissgrid entered into cooperation with the German grid operators. This was followed by the cooperation with the Austrian APG in July 2013, which allowed new and attractive marketing channels for control energy from the hydroelectric power plants in our country to be developed.

In November 2013, Swissgrid negotiated an agreement with the European electricity exchange EPEX SPOT. This forms the basis for market coupling and Switzerland's full integration into the standardised European electricity market.

With respect to grid planning in a European context, Swissgrid is involved in the European Network of Transmission System Operators for Electricity (ENTSO-E). Swissgrid has been represented in the Executive Board since 2013. Thanks to this commitment, Swissgrid is able to participate directly in the development of future rules for grid operation (so-called Network Codes) and the development of plans for a reliable, efficient and economic transmission system.

It is possible that the roles of the grid and market operators, such as the electricity exchanges, will converge in the near future and operate the energy system as an integrated platform. Swissgrid is preparing for this potential development with close cooperation between the grid, operation and market.

Flexibility market – a solution for the future market

Renewable energies are subject to considerable fluctuations of supply that need to be balanced in the electricity system. With numerous reservoirs and storage power plants, Switzerland already has flexible power plant capacities. However, in order to balance short-term fluctuations, the system requires additional flexible

energy supplies that can be connected or disconnected as required. The current market design cannot meet these requirements. As a result, Swissgrid is driving the development of a flexibility market and outlining the necessary market requirements.

Among our European partners, interest in these developments is great. In a forward-looking flexibility market, suppliers of renewable energies take over the costs arising from forecast and delivery uncertainty. This, in turn, benefits market players that guarantee flexibility, such as operators of hydroelectric power plants. This creates a market that rewards both generation capacities as well as flexibility as a service.

Sustainably strengthening Swissgrid

In its first year as owner of the Swiss transmission system, Swissgrid achieved improvements in efficiency. Investments were also made in grid reliability and security of supply, where this was permitted by the protracted approval processes for grid projects.

Swissgrid is coordinating closely with all market players in relation to the structure of the future electricity grid (Grid timeframe 2035, Grid 2025). This is intended to remove existing bottlenecks, identify upcoming renovation requirements and support the implementation of the Federal Government's energy strategy.

Swissgrid has established four regional support points to manage all the grid systems and has been present in all regions since the start of July 2013. The support points in Castione (TI), Landquart (GR), Ostermundigen (BE) and Uznach (SG), together with the Laufenburg (AG), Frick (AG) and Vevey (VD) locations, enable smooth regional grid system management.

In 2013, the servicing and maintenance of the grids and plants were put out to tender nationwide for the first time. These activities will be newly standardised from 2015, which will lead to cost savings.

The operation, maintenance and renovation of the electricity grid also affect the environment. Our environmental management system was certified pursuant to ISO 14001 in December 2013 following a detailed audit. This establishes a solid basis for consistently monitoring the impact on the environment and mitigating any negative influences.

Swissgrid has adapted its corporate strategy and organisational structure in order to better align itself to future challenges, to develop competencies and increase efficiency. The new organisation bundles the market activities in the "Market Operations" business unit and the grid and operating activities in "Grid Operations".

With regard to the takeover of the transmission system, Swissgrid renewed the capital base and issued bonds totalling CHF 700 million on the capital market in the year under review. These are rated as "AA stable" by ZKB and "Low AA stable" by UBS and Credit Suisse. The proceeds were used to refinance shareholder loans related to the takeover of the transmission system and to finance a part of the AS reversals. The success of this bond issue confirms that Swissgrid enjoys great confidence amongst investors.

Success is the result of a combination of ambitious objectives and exceptional commitment. As a national grid company, Swissgrid is part of an overall system. That's why we are committed to open dialogue with the various stakeholders and officials for activities such as the grid construction projects. In grid planning we work closely together with the distribution grid and power plant operators. Only together with the Federal Government, politics, business, science and our partners in the value chain will we be able to find forward-looking solutions for the upcoming challenges in the energy sector.

On behalf of the Board of Directors and the Executive Board we would like to extend a warm thanks to all our employees and partners who have made our achievements possible!

Adrian Bult
Chairman of the Board of Directors

Pierre-Alain Graf
CEO

2013 in review

2013 in review

Swissgrid is doing everything it can to support Switzerland's energy strategy by providing a secure, adequate and modern grid. The main focus in every situation is the stability of the transmission system.

We optimise operation and increase efficiency

In 2013, Swissgrid specifically invested in grid reliability and security of supply, with the result that end customers suffered very few power outages that were attributable to incidents in the transmission grid. Continuously optimised processes allowed central operating procedures, such as the handling of ancillary services, to be further streamlined, resulting in cost reductions.

Furthermore, the existing contracts for maintaining the lines and substations at network level 1 that expire on 31 December 2014 have been put out to tender. For the first time in its history, Swissgrid put its renewal out for tender in accordance with the GATT/WTO guidelines and the Federal Act on Public Procurement. The orders for the planned maintenance were issued at the end of 2013. In addition to the economic aspect, Swissgrid attaches particular importance to the quality and efficiency of the new partners in order to continue to ensure the optimal fulfilment of the statutory mandate of security of supply in the future.

Ensuring a professional and reliable transmission system

Towards the end of the year, Swissgrid performed a major three-day crisis exercise. This was observed by experts from the Federal Government and cantons. As part of the exercise, the entire operation of the transmission system was moved to another Swissgrid location. All of the functions required to ensure smooth operation were involved in the exercise. Observers and participants judged the exercise to be a complete success.

Swissgrid successfully completed a grid restoration test together with the Italian grid operator. Around 1,000 kilometres of lines were successfully connected to the Swiss Lavorgo substation in four steps and subsequently reconnected to the European interconnected grid. In order to prepare for emergencies, Swissgrid Control employees took part in a standard crisis training course. They simulated critical grid situations and grid restoration following a blackout. Swissgrid also started supplementing and improving the quality of operator training with a licensing examination.

We also look beyond national borders in order to ensure maximum security of supply

At a European level, Swissgrid is committed to security cooperation and the efficient use of transport capacities, such as for the introduction of joint bottleneck management. This ensures that up-to-date models are constantly available in order to, for example, determine the grid security and capacity released on the market.

Swissgrid has taken on a management function as Coordination Centre South and is responsible for managing larger and more serious frequency deviations

«Our primary focus is on security of supply.»

Yves Zumwald, Head of Grid Operations

«We are absolutely committed to helping shape the electricity system in Europe in Switzerland's interest.»

Dr Jörg Spicker, Head of Market Operations

in the European transmission system. Together with Amprion and other transmission system operators, Swissgrid coordinates and implements measures to eliminate instabilities in the European electricity grid.

We engage in open dialogue on grid construction projects

In 2013, Swissgrid further intensified contact with municipalities, public authorities, stakeholders and other interested parties. In early summer 2013, interested citizens and the media in Bözberg were informed about the Beznau-Birr power line expansion with the Riniken partial cabling. The focus was on both the project as well as the underground cabling in the extra-high-voltage grid. Additional information events took place in Niederwil (Niederwil-Obfelden project) and in Schwanden (Linth-Limmern pumped-storage power plant grid connection).

In 2013, Swissgrid inaugurated the new 220-kilovolt switching substation in Bickigen together with the public authorities and citizens. Over 150 guests attended the event and inspected the substation. Swissgrid representatives and the Laufenburg and Kaisten municipalities held the ground-breaking ceremony for the renovation of the 220-kilovolt Laufenburg switching substation on 11 November 2013. The almost 60-year-old outdoor switching substation will be replaced by a compact, gas-insulated switching substation by the end of 2016.

As the owner, Swissgrid is responsible for the secure, reliable and efficient operation of the Swiss transmission system – today and tomorrow. To ensure that this is the case, Swissgrid continuously and intensively concerns itself with political, social and economic developments.

We actively represent Switzerland's interests

Swissgrid actively contributes to a competitive electricity market in Switzerland and supports market-based processes in consideration of system security. New paths have been taken and innovative concepts tested, such as the management of demand for customers in industry, business and private households.

Our commitment during the past year also targeted the involvement in the shaping of the rapid changes in the European electricity system in Switzerland's interests. Renewable energies are changing the structure of the current market model and posing great challenges for grid operators across Europe. Switzerland is looking to make a key contribution to the integration of these renewable energies into the electricity grid.

The positioning and flexibility of Swiss power plants in the European market became a key focus during the year. It is essential for Switzerland to play an active role in determining the European standards and market rules. Swissgrid is therefore playing a leading role in the development of the network codes as an Executive Board member of the European Network of Transmission System Operators for Electricity (ENTSO-E).

We promote innovations for a secure electricity supply in Switzerland and Europe

The transnational marketing and procurement of primary control power (power to maintain a stable grid frequency) between Switzerland and foreign control areas are a major success for Swissgrid and the Swiss electricity industry. In July 2013, Swissgrid implemented an innovative concept together with the Austrian transmission system operator APG: the two markets collect the bids from their control area and transmit them to the compensation office operated by Swissgrid, where the successful bids for the two control areas are then determined. ENTSO-E recognises this model, which was implemented in Europe for the first time, as the reference solution for comparable future projects.

Cost-covering remuneration for feed-in to the electricity grid: uninterrupted demand

Outside of its core business, Swissgrid handles the applications for cost-covering remuneration for feed-in (CRF) on behalf of the government. A further 10,606 applications for CRF were received in 2013. This means that over 43,200 projects have now been registered since the introduction of the CRF in 2009. A total of 6,727 CRF systems were in operation at the end of 2013, generating 1,389 gWh of power over the past year. The statutory financial restriction on the CRF has further exacerbated the situation on the waiting list; over 32,300 projects were on the list at the end of 2013. In 2013, Parliament decided to revise the Energy Act and increase the funds available for the CRF. In addition, operators now have the option of receiving a one-off payment for new, smaller photovoltaic plants from 2014 rather than the CRF. These measures should have a positive impact on the waiting list.

In 2013, Swissgrid made significant advances in the preparations for coupling to the adjacent electricity markets with the aim of being ready for coupling at the end of 2014. The energy supplies and the transnational transport capacities will now be awarded jointly rather than separately. This should promote more efficient management in the future and further integrate Switzerland into the European domestic electricity market. It also creates optimised marketing opportunities for flexible Swiss hydropower.

Swissgrid is actively helping to structure the liberalisation of the electricity market and also enable small market participants to become involved in the control power market. Small consumers and producers from external balance groups now have the opportunity to merge together to form a control pool. This was used by a company from an unrelated sector for the first time last year.

An open market is a great opportunity for Switzerland

In June 2013, Swissgrid and the European electricity exchange EPEX SPOT launched a platform for intraday trading. Swiss traders now have the opportunity to offer their power plants or pumps directly on the intraday markets in France or Germany. These cooperation models also allow the market coupling to be promoted for electricity trading for the next day (day-ahead market).

Outlook

Swissgrid's strategy targets the optimal interaction of system operation, the electricity market and the transmission system. Only with the close coordination of operational measures, market regulations and the expansion of the grids can sustainable solutions be found for the challenges of the new energy policy.

Optimal orchestration of the grid, operation and market

The share of renewable energies is rising. As a result, electricity flows are becoming more volatile and the dynamics in the electricity market are increasing. The current system operation must therefore be further developed. Rapid responsiveness requires a higher degree of automation with completely new approaches in risk management. Despite this, people remain the most important players in this complex system. Swissgrid is preparing employees for these increasing requirements with new training concepts and the use of simulators.

But the market mechanisms also require constant development. The focus is on the market-based integration of renewable energies, closer links with the European electricity markets and the expansion of the procurement of ancillary services. There is a need for renovation and expansion on the grid side. Swissgrid is planning these investments based on a comprehensive grid situation analysis as well as energy policy scenarios that extend to 2035. Swissgrid will hold an open and transparent dialogue with all stakeholders regarding the assumptions and the resulting Grid 2025.

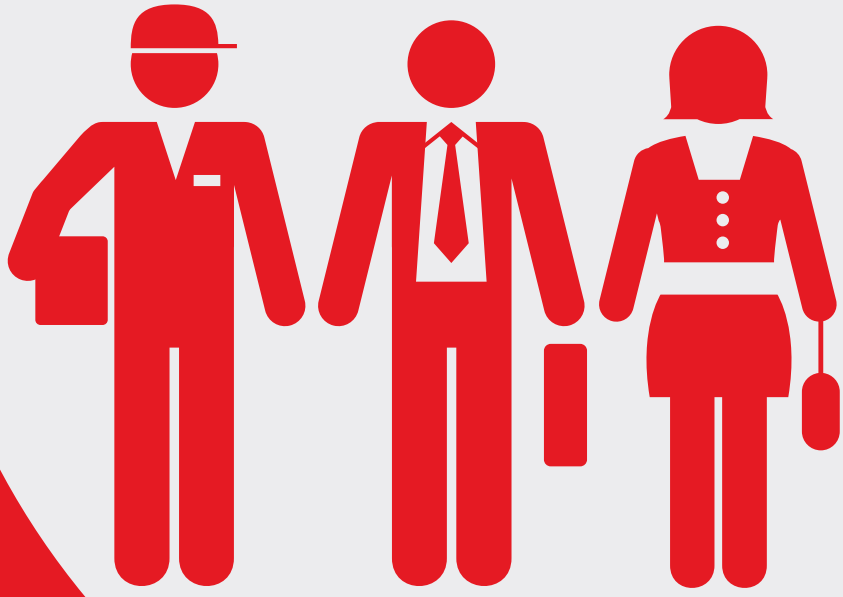
Becoming a leading European grid operator

In the interests of the Swiss population and the national economy, Swissgrid is striving to develop into a leading European grid operator in terms of quality and efficiency. The strategic focus on the grid, operation and market dimensions means that Swissgrid is well equipped for the upcoming challenges. However, in order to be effective, strategies must be successfully implemented. This requires committed and qualified employees, a strong focus on objectives and, last but not least, good cooperation with the Swiss electricity sector and our European partners. Year after year, Swissgrid invests not only in the expansion and renovation of grids but also in constantly improving their skills and abilities, and in the optimisation of processes and information systems, in the competencies of employees and in new and innovative processes.

«A leading grid operator in Europe for Switzerland – this vision is what drives us every day.»

Rainer Mühlberger, Head of Strategy & Development

The future of energy



knows no limits

Switzerland has one of the most secure electricity grids in Europe. These days, electricity is available at all times and in practically every location. We intend to make sure that it remains this way in the future.

However, what applies for us is by no means a matter of course everywhere. Security of supply can mean something completely different depending on the point of view. This is illustrated by brief profiles of foreign Swissgrid employees on the following pages.

The energy future has started. It offers many opportunities as well as posing significant challenges. Swissgrid is seizing these opportunities and challenges together with over 400 employees from 19 nations.

Austria
Bosnia
Brazil
China
France
Germany
Greece
Iran
Italy
Mexico
Morocco
Netherlands
Poland
Portugal
Slovakia
Switzerland
Tunisia
Turkey
Ukraine

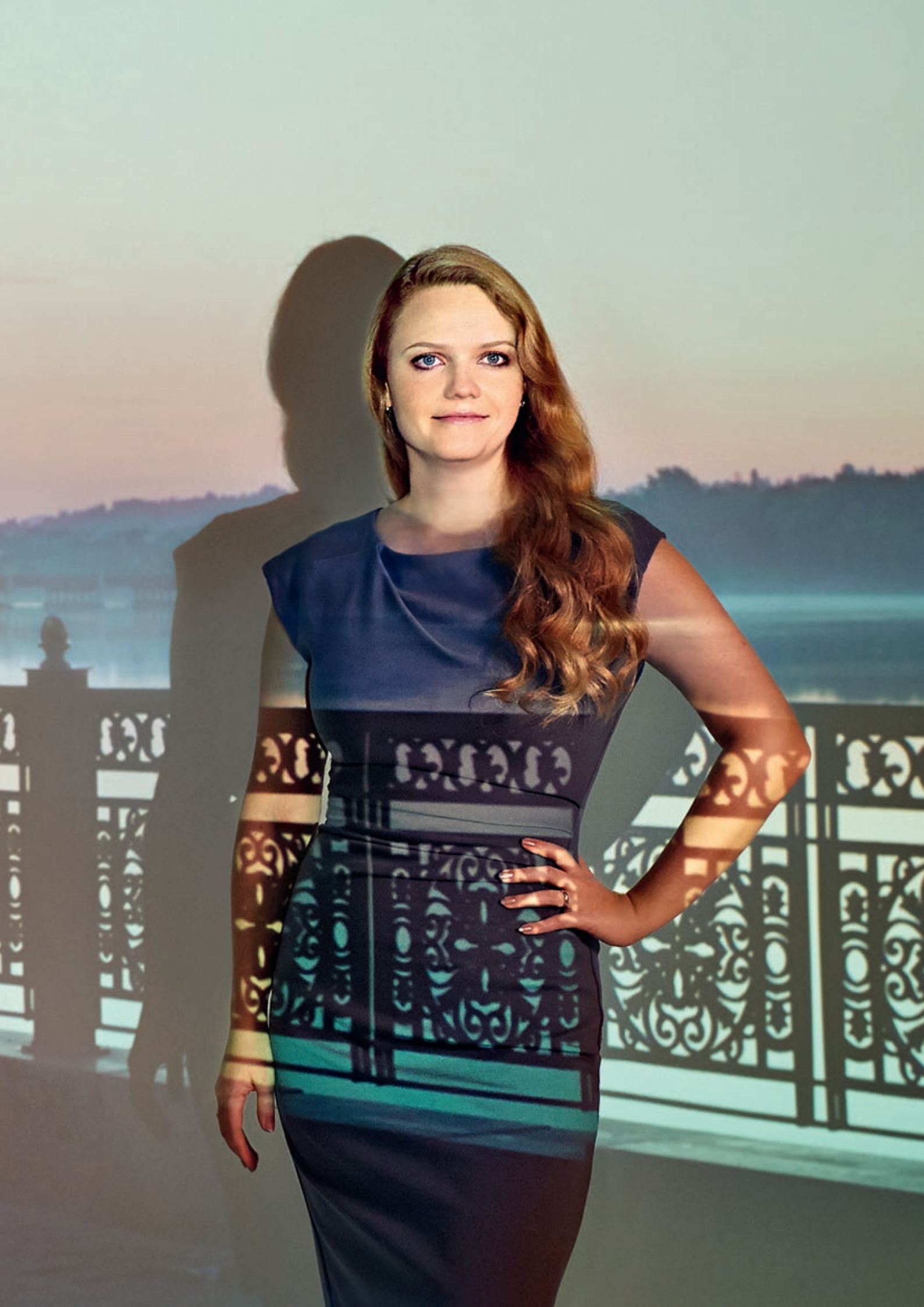
Power – at all times and everywhere

For me, security of supply means that electricity is available everywhere all the time. You no longer even have to think about it. This is completely different in my home country, Ukraine. Power outages are relatively commonplace. But the people there are prepared for it, so they respond much more calmly than we do in Switzerland. I am proud that I can contribute to ensuring that there will be no power outages in future through my commitment at Swissgrid.

I particularly like our capital Kiev. It has a long history, which is evidenced by the many beautiful churches, monasteries and cultural monuments. Kiev is home to over 2.8 million citizens and is densely populated. Despite this, the city centre has numerous parks and green boulevards.

Security and stability are the two key benefits that I treasure in Switzerland. But I often also get the impression that there are a lot of rules and regulations. I take friends from home to Lake Zurich, which I am very fond of.

Lyubov Schulz, Ukraine



A failure-free and stable grid

The greatest challenge is generating clean, reliable and cost-effective energy from renewable sources. Wind and solar energy have grown strongly in the past ten years, but the integration into the system remains a problem. This is where Switzerland, with its huge pumped-storage stations, can play an important role in Europe.

To me, security of supply means operating a failure-free and stable grid, because life as we know it is closely linked to the reliable availability of energy. In Iran, where I come from, the same security criteria apply for grid operation as in Switzerland. I get a lot of pleasure from being able to help to guarantee this high standard at Swissgrid every day.

My home is a country with great cultural and geographic diversity and a cultural history that stretches back over more than 3,000 years. In Iran, addressing an older person or even your manager informally would be completely unthinkable and would be considered disrespectful. It is completely different here.

I take my Iranian friends to see Gruyères with its medieval old town. And because I absolutely love fondue, I naturally take them out for a fondue too. I most appreciate the direct democracy, the stable economy, the beautiful landscapes and the quality of life in Switzerland. I am most impressed by Swiss punctuality.

Ali Ahmadi Khatir, Iran

Sustainable and clean energy supply for everyone

For me, security of supply means being able to turn on the computer and the lights whenever and wherever I want. In this regard, the security of supply in Hong Kong, my home city, is equivalent to that in Switzerland. But the electricity market has not yet been liberalised across the country, whether in Hong Kong or in China. What fascinates me about my job is that I can be part of the next steps towards the complete liberalisation of the electricity market in Switzerland.

The energy future brings great challenges. For us in Europe the most important issue is the integration of renewable energies into the electricity market. But around the world, the issues are different: the sustainable and clean supply of energy for all.

Here in Switzerland I enjoy the beautiful landscape, the hiking trails and naturally the mountains. I particularly appreciate people's awareness of the environment as well as the cultural and linguistic diversity in the country.

Yee Shan Cherry Yuen, Hong Kong

Guaranteeing security of supply is no easy matter

In Mexico, where I come from, the energy market has not yet been liberalised. And renewable energies do not yet play as great a role as they do in Europe. Grid operation is more straightforward. However, guaranteeing the security of supply is a great challenge. Mexico City alone has a population of nine million. Switzerland is indeed more manageable, but guaranteeing security of supply is always challenging, and that is what I like about my work at Swissgrid.

The different districts in the capital city continue to fascinate me: "Polanco" with the high and modern buildings of international groups, "La Condesa" with its countless cafés and "El Zócalo" with the oldest and largest cathedral on the American continent.

In Switzerland, I appreciate the transport system and the punctuality of public transport. Here, it only takes me 20 minutes to get to work; in Mexico it took one and a half hours. And naturally also the safety. When friends from Mexico visit I show them the mountains, especially the region around the Grimsel Pass and Furka Pass, the breath-taking nature and the power plants in the region.

Arturo Vivas, Mexico

We are involved in shaping the future of energy

Security of supply has many facets, both in Switzerland and abroad. The security and stability of power supply and the reliable availability of electricity are important aspects. The integration of renewable energies must also be successful. The biggest challenge remains to provide a sustainable and clean energy supply for everyone. We are involved in shaping the future of energy, together with over 400 colleagues at Swissgrid.

50,6

2677,5

Financial Report 2013

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2013 annual result influenced by grid transfer

The transfer of the Swiss transmission grid had a significant impact on the 2013 annual result of Swissgrid. The grid companies that were taken over were merged with Swissgrid on 28 June 2013, with retroactive effect from 3 January 2013. This resulted in a permanent increase in the earnings base. Swissgrid's net profit amounted to CHF 50.6 million (prior year: CHF 9.8 million).

As part of the grid transfer, Swissgrid demonstrated its access to the capital market and successfully placed two long-term bonds totalling CHF 700 million. The short-term financial requirements to repay tariff revenues for general ancillary services (AS) as a result of a court decision were also able to be covered on the capital market. Various financial analysts underlined Swissgrid's good credit rating by assigning it an AA rating in 2013.

Procurement and operating costs

The procurement and operating costs amounted to CHF 739.3 million in the year under review (prior year: CHF 601.7 million). Of this, CHF 229.7 million involved remuneration to power plants for the provision of control energy. This increase by 40.8% compared to the previous year is due to the low fill levels in the spring of 2013 and a corresponding scarcity of supply.

The total cost of procurement for the compensation of active power and for reactive energy/voltage maintenance remained almost unchanged compared to the prior period (–1.2% to CHF 89.2 million). In contrast, in the grid segment, the grid transfer to Swissgrid resulted in a transfer of the cost of procurement to operating costs: while owner compensation fell by CHF 136.5 million to CHF 8.4 million, Swissgrid's operating costs rose by CHF 129.4 million to CHF 246.9 million. Amortisation on non-current assets also increased significantly as a result of the grid transfer (by CHF 97.8 million to CHF 115.2 million).

Revenue and volume- and tariff-related timing differences

Net turnover fell by 76.5% compared to the previous year to CHF 178.9 million. The tariff for general AS, which was one third lower, led to lower revenues of CHF 88 million compared to the previous period. Various extraordinary factors are also responsible for the lower revenue, such as the complete reversal of the residual AS costs charged to power plants in 2009 and 2010 ordered by the Federal Court and ElCom. The negative effect on revenue amounted to CHF 341.5 million.

Furthermore, ElCom ruled that the proceeds from the balance group tariffs and the compensatory charges made to the holders of long-term international supply contracts had to be completely reversed (cumulative negative impact on revenue of CHF 56.2 million). Finally, in contrast to the prior year, no income was reported from auctioning off bottleneck capacity at borders to reduce the grid costs (prior year: CHF 40 million).

The fall in revenue has no direct impact on Swissgrid's earnings. The matters explained above are chargeable in tariffs and are therefore included in the volume- and tariff-related timing differences. In total, corresponding significant deficits, balance-sheet receivables, of CHF 685 million were reported in the year under review.

EBIT, financial income and net income

Swissgrid's EBIT is legally defined as a multiplication of the regulated asset base (RAB) by the weighted average cost of capital (WACC) plus income tax. At CHF 137.1 million, EBIT in the year under review was well above the CHF 13.3 million reported last year. The RAB was drastically increased by the transfer of the transmission system to Swissgrid. The deferred tax expense of CHF 37.5 million as a result of valuation differences between transaction and tax values also contributed to the high EBIT.

The financial expense increased significantly in the year under review compared to the previous year due to the grid transfer, predominantly financed by borrowed capital, and the issue of bonds to repay shareholder loans (CHF 38.2 million vs. CHF 1.4 million). However, the net income of CHF 50.6 million is still a satisfying result (prior year: CHF 9.8 million).

Balance sheet and cash flow statement

Total assets increased considerably following the merger of the grid companies taken over by Swissgrid and the high deficits (CHF +2.227 billion to CHF 2.678 billion, adjusted for fiduciary positions). Swissgrid's capital structure is focussed on the long-term (81% equity and long-term borrowed capital) and correlates with the asset structure (87% non-current assets).

The AS reversal and the higher AS costs of procurement resulted in negative cash flow of CHF 258.6 million in the year under review. Together with net investments of CHF 83.1 million, this resulted in a negative free cash flow of CHF 341.7 million, which was refinanced on the capital market.

Outlook

After the year of transition in 2013, the current year is devoted to the consolidation and optimisation of activities as well as the transfer of further parts of the transmission grid. The rescission supplement for general ancillary services contained in the tariff for 2014 will lead to a reduction in the deficit and generate cash flow.

In relation to the investments in the grid infrastructure, Swissgrid expects a significant increase compared to the first year following the grid transfer. Following the decision by the Federal Court and the letter of approval from ElCom – both from the start of 2014 – Swissgrid can finance some of these investments from the congestion proceeds in 2009 and 2012.

The determination of the definitive transaction value for the transferred transmission grid still represents a major factor of uncertainty. A reliable estimate of the amount of the valuation adjustment is not possible at present.

Luca Baroni
CFO

Income statement

In millions of CHF	Notes	2013	2012
Net turnover	5, 6	178.9	759.7
Other operating income	5, 7	16.1	11.0
Movement in volume- and tariff-related timing differences	5, 16	685.0	–4.6
Capitalised self-constructed assets		7.0	4.7
Total operating income		887.0	770.8
Cost of procurement	5, 6	384.5	620.2
Gross profit		502.5	150.6
Materials and third-party supplies	8	123.2	33.3
Personnel expenses	9	101.2	70.3
Other operating expenses	10	22.5	13.9
Earnings before interest, income taxes, depreciation and amortisation		255.6	33.1
Depreciation on property, plant and equipment	14	84.7	7.8
Amortisation on intangible assets	14	30.5	9.6
Impairment losses	14	3.3	2.4
Earnings before interest and income taxes (EBIT)	5	137.1	13.3
Financial income	11	2.5	0.2
Financial expenses	12	38.2	1.4
Earnings before income taxes		101.4	12.1
Income taxes	13	50.8	2.3
Net income		**50.6**	**9.8**

Balance sheet assets

In millions of CHF	Notes	31.12.2013	31.12.2012
Property, plant and equipment	14	1,691.5	51.0
Intangible assets	14	231.7	42.9
Financial assets	15	4.3	0.4
Long-term deficits arising from volume- and tariff-related timing differences	16	400.2	77.6
Non-current assets		2,327.7	171.9
Assets held on fiduciary basis	17	294.8	241.7
Short-term deficits arising from volume- and tariff-related timing differences	16	147.5	–
Inventory		1.7	–
Trade accounts receivable	18	114.2	174.5
Other receivables	19	7.9	1.4
Prepaid expenses and accrued income	20	49.8	55.0
Cash and cash equivalents		28.7	48.0
Current assets		644.6	520.6
Assets		**2,972.3**	**692.5**

Balance sheet equity and liabilities

In millions of CHF	Notes	31.12.2013	31.12.2012
Share capital		271.2	15.0
Capital reserves		322.1	1.1
Retained earnings		77.8	28.3
Total equity		671.1	44.4
Conditional purchase consideration	22	7.5	–
Long-term financial liabilities	21	1,420.8	–
Non-current provisions	23	41.0	1.2
Non-current surpluses arising from volume-and tariff-related timing differences	16	26.1	255.2
Non-current liabilities		1,487.9	256.4
Liabilities held on fiduciary basis	17	294.8	241.7
Current financial liabilities	21	243.6	–
Trade accounts payable	24	80.5	40.5
Other liabilities	25	4.5	5.3
Accrued expenses and deferred income	26	168.9	71.2
Current provisions	23	3.5	0.8
Current surpluses arising from volume-and tariff-related timing differences	16	10.0	32.2
Current liabilities		805.8	391.7
Total liabilities		2,293.7	648.1
Liabilities and shareholder's equity		**2,972.3**	**692.5**

Cash flow statement

In millions of CHF, excluding balance sheet items held on fiduciary basis	Notes	2013	2012
Net income		50.6	9.8
Financial expenses	12	38.2	1.4
Financial income	11	–2.5	–0.2
Current income taxes	13	13.3	2.3
Depreciation and amortisation	14	114.4	17.4
Impairment losses	14	3.3	2.4
Loss on disposal of non-current assets	14	0.8	–
Change in provisions	23	42.5	0.8
Change in inventory		0.3	–
Change in trade accounts receivable		64.2	75.7
Change in other receivables		–4.3	0.3
Change in prepaid expenses and accrued income		5.7	–14.5
Change in volume- and tariff-related timing differences	5, 16	–685.0	4.6
Change in trade accounts payable		33.6	–12.9
Change in other current liabilities		–0.9	–3.2
Change in accrued expenses and deferred income		71.7	11.5
Interest received		0.1	0.2
Income taxes paid		–4.6	–0.7
Cash flow from operating activities		–258.6	94.9
Gross investments in property, plant and equipment		–79.8	–15.5
congestion proceeds received for grid investments		40.5	–
Net investments in property, plant and equipment	14	–39.3	–15.5
Investments in intangible assets	14	–40.3	–19.0
Investments in financial assets		–3.9	–
Divestment in financial investments		0.4	–
Cash flow from investing activities		–83.1	–34.5
Change in current financial liabilities		240.0	–28.0
Issuing of bonds		700.0	–
Change in long-term financial liabilities		–587.1	–
Interest paid		–29.6	–1.0
Dividends paid		–0.6	–0.6
Equity transaction cost		–0.3	–
Cash flow from financing activities		322.4	–29.6
Change in cash and cash equivalents		–19.3	30.8
Composition			
Cash and cash equivalents at beginning of period		48.0	17.2
Cash and cash equivalents at end of period		28.7	48.0
Change in cash and cash equivalents		–19.3	30.8

Non-cash investing and financing activities: the purchase consideration for the transfer of the transmission system was settled 30% in Swissgrid shares and 70% in loans, less short-term, non-interest-bearing liabilities assumed (cf. Note 2).

Statement of changes in equity

In millions of CHF	Share capital	Capital reserves	Retained earnings	Total equity
Balance at 31.12.2011	15.0	0.6	19.6	35.2
Allocation	–	0.5	–0.5	–
Dividends paid	–	–	–0.6	–0.6
Net income 2012	–	–	9.8	9.8
Balance at 31.12.2012	15.0	1.1	28.3	44.4
Allocation	–	0.5	–0.5	–
Dividends paid	–	–	–0.6	–0.6
Capital increases (minus transaction costs)	256.2	320.5	–	576.7
Net income 2013	–	–	50.6	50.6
Balance at 31.12.2013	**271.2**	**322.1**	**77.8**	**671.1**

The share capital consists of 271,170,385 (prior year: 15,000,000) fully paid-up registered shares with a par value of CHF 1 per share.

As of 31 December 2013, Swissgrid has conditional share capital of a maximum of CHF 123,810,064, divided into 123,810, 064 registered shares with a par value of CHF 1 per share (prior year: no conditional share capital).

Capital increase by contributions in kind
The share capital was increased by CHF 250.0 million to enable the takeover of the grid companies as of 3 January 2013. The issue price was CHF 558.4 million.

Capital increase from conditional capital
The change to the Articles of Association to create conditional share capital of CHF 130 million was registered in the commercial register as of 3 January 2013. The conditional capital was created to exercise conversion rights to be assigned to creditors of convertible loans. A conditional share capital increase with a par value of CHF 6.2 million took place between 25 October and 7 November (so-called valuation adjustment 1). The issue price was CHF 18.6 million.

Notes to the financial statements

1. Accounting principles

General

The 2013 financial statements of Swissgrid Ltd (Swissgrid) have been prepared in accordance with Swiss GAAP FER. They present a true and fair view of the company's net assets, financial position and results of operations.

On 3 January 2013, Swissgrid took over 17 grid companies and thus acquired ownership of almost the entire Swiss transmission grid. As a result, a comparison with previous year figures is of limited relevance.

The accounting principles remained unchanged from those applied in the prior year. The principles applied as a result of the grid transfer are included in the following notes.

Conversion of foreign currency positions

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

Cash flow statement

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

Revenue recognition

Revenue is recognised in the income statement upon performance of Swissgrid's obligations. For activities regulated under the Federal Electricity Supply Act (StromVG), the measurement of performance is based mainly on energy data directly metered on the transmission system or reported from downstream grid levels.

For certain revenue and procurement positions, initial settlement values are available six weeks after delivery at the earliest, thereby rendering accruals necessary based on historical and statistical data as well as on estimates.

Activities regulated under the Federal Electricity Supply Act (StromVG)

Volume- and tariff-related timing differences: according to Art. 14 StromVG, grid utilisation costs must be allocated to users on a user-pays basis. The tariffs for a financial year are determined based on planned costs. Due to price and volume deviations, actual expense and income vary from

the tariff calculation on both the revenue and procurement side. This results in surpluses or deficits, i.e. the tariff revenues from a financial year are higher or lower than the actual expense incurred during the same period. These volume- and tariff-related timing differences are transferred to the balance sheet and taken into account in cost calculations for future tariff periods.

EBIT regulated under StromVG: earnings before interest and income taxes (EBIT) from StromVG-regulated activities are defined in Article 13 of the Electricity Supply Ordinance (StromVV) and are equivalent to the interest applied to the assets required to operate the transmission system. Accordingly, operating assets consist of net current assets and non-current assets as of the end of the financial year. For 2013, the weighted average cost of capital (WACC) applied corresponds to the average rate of return on 10-year Swiss Federal bonds plus risk-appropriate remuneration of 1.64% (prior year: 1.71%). The weighted average cost of capital for the 2013 financial year was 3.83% (prior year: 4.14%).

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

Property, plant and equipment

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

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

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

Intangible assets

Intangible assets are carried at acquisition or production costs less accumulated amortisation and any impairment losses. Amortisation is calculated using the straight-line method on the basis of the estimated useful technical and economic lives of the assets.

The useful life is determined as follows:
- Rights of use and easements: per contract term
- Software and technical regulations: 3 to 5 years
- Intangible assets under development: applicable only in the case of an impairment.

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

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

Financial assets
Financial assets are measured at acquisition cost less any adjustments for impairment, if required. These include investments that are controlled by Swissgrid, but which do not have a significant impact on the financial statements, as well as investments with a capital share of less than 20%. Employer contribution reserves without conditional renounced use are also recognised in financial assets.

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

Trade accounts receivable
Trade accounts receivable are reported at their nominal value less any impairments required for business reasons.

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

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

Liabilities
Liabilities include current and non-current debts and are recognised at their nominal amount.

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

Contingent liabilities
Contingent liabilities are measured as of the balance sheet date. A provision is set aside if a cash outflow without a utilisable inflow of funds is probable. Otherwise, contingent liabilities are disclosed in the notes to the financial statements.

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

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

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

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

Transactions with related parties
Related parties are organisations and persons that are able to exercise significant influence, either directly or indirectly, on Swissgrid's financial or operational decisions. Shareholders holding at least 20% of Swissgrid's voting rights, either alone or together with others, are considered to be related parties. As regards shareholders, other criteria in addition to the proportion of voting rights held are also taken into account (including representation in committees, possibility of exerting influence due to the shareholder structure, etc.). Subsidiaries of related shareholders are also considered to be related parties, as are partner plant companies,

whose shares are 100% owned by related shareholders. Members of the Board of Directors and the Executive Board are also considered to be related parties.

Provided they exist and are significant, relations with related parties are disclosed in the notes to the financial statements. All transactions are conducted on customary terms.

Segment information
Segment information is based on tariff groups as defined in the Electricity Supply Act and follows Swissgrid's internal reporting structure.

Income taxes
Current income taxes are computed on the basis of the taxable results on an accruals basis.

The annual accrual of the deferred taxes is based on a balance sheet perspective (balance sheet method) and should consider all future income tax effects (comprehensive method).

2. Grid transfer as of 3 January 2013

Swissgrid took over 17 grid companies on 3 January 2013 and thus became the owner of the overwhelming majority of the Swiss transmission grid. These 17 grid companies were merged with Swissgrid on 28 June 2013 with retroactive effect from 3 January 2013. Prior to the merger a so-called "procedural company" was spun-off from each grid company in order to continue the legal proceedings of the former grid companies.

The transaction structure included the contributions in kind of the 17 grid companies to Swissgrid and the assumption of loans that the in-kind contributors granted to the grid companies. In return, the in-kind contributors received both new Swissgrid shares (30% of the gross assets contributed by the grid companies) as well as loans towards Swissgrid (70% of the gross assets contributed by the grid companies less short-term, non-interest-bearing liabilities assumed held by the grid companies).

The Swissgrid Board of Directors confirmed a conditional capital increase on 5 December 2013 due to the valuation adjustment 1 based on the in-kind contribution agreement (cf. notes on the development of equity). In addition to the share capital, the valuation adjustment 1 also increased the loans of the in-kind contributors with retroactive effect from 3 January 2013.

The transaction value has not yet been finalised. It is primarily dependent on the rulings passed by the Swiss courts in the relevant proceedings and on contractually agreed, potential purchase price adjustments (the second valuation adjustment pursuant to the in-kind contribution agreement).

The value of the assets contributed to Swissgrid by way of the contributions in kind and acquisition of assets corresponds to the value of the considerations paid to the in-kind contributors, as defined below:

In millions of CHF	
Net assets of grid companies	761.0
Loan receivables from grid companies	1,135.0
Total assets contributed	**1,896.0**
Shareholding rights in Swissgrid (capital increases)[1]	577.0
Loan receivables from Swissgrid	1,311.5
Conditional purchase consideration	7.5
Total consideration	**1,896.0**

The following assets and liabilities were recognised in the balance sheet as of 3 January 2013 (following the retroactive merger and retroactive valuation adjustment 1):

In millions of CHF	Values as per 3.1.2013	Of which, from third parties	Of which, from related parties
Property, plant and equipment	1,470.1	233.4	1,236.7
Construction in progress	216.3	16.2	200.1
Intangible assets	181.8	5.6	176.2
Financial investments	0.4	0.4	–
Deficits	48.1	15.7	32.4
Trade accounts receivable	3.9	–	3.9
Other receivables	2.2	0.5	1.7
Prepaid expenses and accrued income	0.5	0.1	0.4
Inventory	2.0	0.2	1.8
Total assets	**1,925.3**	**272.1**	**1,653.2**
Financial liabilities	1,311.5	180.8	1,130.7
Conditional purchase consideration	7.5	7.5	–
Trade accounts payable	6.4	1.9	4.5
Other liabilities	0.1	0.1	–
Accrued expenses and deferred income	22.8	2.5	20.3
Total liabilities and shareholder's equity	**1,348.3**	**192.8**	**1,155.5**

Capital increases[1]	**577.0**
Share capital	256.2
Capital reserves	320.8

[1] The amount of the share capital increase corresponds to the value prior to entering the equity transaction costs (CHF 0.3 million) as a reduction in the capital reserves.

3. Estimation uncertainty

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

For more information on this, the reader is referred to the notes in the sections on «revenue recognition» and «operating activities regulated under the StromVG» in note 1 as well as the comments in the following section.

4. Legal proceedings

The following list includes rulings and proceedings in which Swissgrid is the appellant or a directly involved party. Various other appeals by third parties against these and other rulings and proceedings of ElCom are pending before the courts but are not listed in this section. The financial impact of the appeals by third parties are included in Swissgrid's financial statements if the Swiss GAAP FER criteria for recognition have been met. However, they have no impact on Swissgrid's results as they are included in the volume- and tariff-related timing differences.

	Rulings/proceedings by ElCom	Date	31.12.2013*	31.12.2012*
1	Ruling concerning 2009 approval of ancillary services (AS) costs	14.4.2011	a	g
2	Ruling concerning 2011 costs and tariffs for grid level 1 utilisation and AS	11.11.2010	g	e
3	Proceedings concerning 2011 volume- and tariff-related timing differences	5.2.2013	a	b
4	Ruling concerning 2012 costs and tariffs for grid level 1 utilisation	12.3.2012	h	e
5	Proceedings concerning 2012 volume- and tariff-related timing differences	18.6.2013	a	a
6	Proceedings concerning 2013 volume- and tariff-related timing differences	–	a	a
7	Final ruling on cost-bearing obligation for ITC losses in the years 2010, 2011 and 2012	28.11.2013	h	a

* As defined in the following legend, the letter indicates the status of the legal proceedings:

Character	Procedural steps/stage of appeal
a	Opening of proceedings adjourned or not yet taken place
b	Opening of proceedings by ElCom
c	Examination report submitted and right of fair hearing exercised
d	Notification of the decision by ElCom
e	Appeal to the Federal Administrative Court
f	Judgement pronounced by the Federal Administrative Court
g	Appeal to the Federal Court
h	Legally binding judgement pronounced

Notes on current proceedings

Point 1 (2009): on 6 April 2010, ElCom launched proceedings for the purpose of approving the costs of the general Ancillary Services in 2009. The ruling of 14 April 2011 approved the AS procurement costs in full. However, operating costs of CHF 1.2 million were classified as not being chargeable.

On 9 May 2012, the Federal Administrative Court decided to combine the proceedings of Swissgrid with those of the power plants and returned the matter to ElCom. As a result, ElCom has to issue a new approval decision 2009.

Point 2 and 3 (2011): Swissgrid appealed against the 2011 tariff ruling to the Federal Administrative Court. With its ruling on 19 September 2013, the Federal Administrative Court predominantly upheld the appeal, but did not recognise all the planned costs. Both Swissgrid as well as ElCom submitted appeals to the Federal Administrative Court against this ruling. The ruling is still pending.

On 5 February 2013, ElCom launched ex-post proceedings to re-examine the 2011 volume- and tariff-related timing differences. The proceedings were suspended until the legally binding conclusion of the 2009 to 2012 tariff proceedings. Should it ultimately be ruled that the costs included in the volume- and tariff-related timing differences be reduced, Swissgrid would also be compelled to initiate legal proceedings.

The 2011 operating and capital costs are CHF 7.2 million higher than the comparable 2010 cost basis approved by ElCom.

Points 4 and 5 (2012): on 10 January 2014, Swissgrid withdrew its appeal of 7 May 2012 submitted to the Federal Administrative Court against ElCom's ruling dated 12 March 2012 regarding 2012 costs and tariffs. With its decision on 20 February 2014, the Federal Administrative Court dismissed the proceedings as unsubstantiated following the withdrawal by Swissgrid.

On 18 June 2013, ElCom also initiated proceedings relating to 2012 volume- and tariff-related timing differences and subsequently suspended these proceedings until the legally binding conclusion of the 2009 to 2012 tariff proceedings as well as the proceedings relating to the 2011 volume- and tariff-related timing differences.

The 2012 operating and capital costs are CHF 11.4 million higher than the comparable 2010 cost basis approved by ElCom.

Point 6 (2013): if ElCom rules that the costs included in the volume- and tariff-related timing differences be reduced for the not-yet initiated proceedings on the 2013 volume- and tariff-related timing differences, Swissgrid would also be compelled to initiate legal proceedings in this case.

The 2013 operating and capital costs are CHF 23.7 million higher than the comparable 2010 cost basis approved by ElCom.

Summary of proceedings – points 1 to 6: from Swissgrid's perspective, the cumulative risk for non-chargeable costs as of 31 December 2013 is CHF 43.5 million (CHF 1.2 million for 2009, CHF 7.2 million for 2011, CHF 11.4 million for 2012 and CHF 23.7 million for 2013).

Swissgrid's Board of Directors and Executive Board are of the clear opinion that all costs for the years 2009, 2011, 2012 and 2013 were incurred within the framework of Swissgrid's legal mandate and should therefore qualify as chargeable. Based on this assessment, Swissgrid has treated all operating and capital costs as chargeable and consequently recognised them in full in the volume- and tariff-related timing differences.

A ruling in the court of final appeal on the aforementioned proceedings is not likely to be made before 2015. If, contrary to Swissgrid's assessment, the costs claimed are ruled to be non-chargeable, this would be reflected in the 2015 financial statements at the earliest. Even in the event that the maximum risk of CHF 43.5 million materialises, the equity situation of Swissgrid is not jeopardised as a result of the capital increase in connection with the acquisition of the transmission system which took place in 2013.

Point 7: with its ruling on 28 November 2013 relating to the obligation to bear the costs for ITC shortfalls in 2010, 2011 and 2012, ElCom decided that no ITC shortfalls could be charged to the LTC holders. The appellant's requests relating to the repeal of the allocation of ITC shortfalls were thus redundant which is why the Federal Administrative Court dismissed the proceedings or intends to dismiss the proceedings.

Swissgrid reversed all the revenues with LTC holders as of 31 December 2013 and adjusted the outstanding receivables (cf. notes 6 and 18). Swissgrid included all the reversals and value adjustments in the volume- and tariff-related timing differences, although ElCom did not address the issue of the chargeability of the tariffs in the ruling mentioned above. Swissgrid would be compelled to initiate legal proceedings if the tariffs were ruled to be non-chargeable.

5. Segment reporting

Segment report 2013

In millions of CHF	Total	Grid utilisation	General ancillary services/balance energy	Active power losses (Individual ancillary services)
Net turnover	178.9	287.2	–138.8	21.2
Other operating income	16.1	0.3	–	–
Volume- and tariff-related timing differences	685.0	157.4	452.7	37.8
Total operating income	880.0	444.9	313.9	59.0
Cost of procurement	–384.5	–19.0	–280.4	–54.6
Gross profit	495.5	425.9	33.5	4.4
Operating expenses	–239.9	–193.2	–19.4	–2.7
Depreciation/amortisation and impairment losses	–118.5	–108.3	–4.4	–0.5
Earnings before interest and income tax (EBIT)	**137.1**	**124.4**	**9.7**	**1.2**

For segment reporting, the costs of self-constructed assets are deducted from operating expenses and are therefore not included in total operating results. Volume- and tariff-related timing differences: negative figures represent surpluses, and positive figures deficits.

Movement in volume- and tariff-related timing differences

In millions of CHF	Total	Grid utilisation	General ancillary services/balance energy	Active power losses (Individual ancillary services)
Net turnover	178.9	287.2	–138.8	21.2
Other operating income	16.1	0.3	–	–
Cost ofprocurement	–384.5	–19.0	–280.4	–54.6
Operating expenses	–239.9	–193.2	–19.4	–2.7
Depreciation/amortisation and impairment losses	–118.5	–108.3	–4.4	–0.5
Return on operating assets (EBIT)	–137.1	–124.4	–9.7	–1.2
Volume-and tariff-related timing differences	**–685.0**	**–157.4**	**–452.7**	**–37.8**

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

Reactive energy (Individual ancillary services)	Balance groups responsible party	Eliminations	Total activities according to StromVG	Further activities
26.9	–13.5	–4.1	178.9	–
–	–	–	0.3	15.8
11.1	26.0	–	685.0	–
38.0	12.5	–4.1	864.2	15.8
–34.6	–	4.1	–384.5	–
3.4	12.5	–	479.7	15.8
–1.9	–9.6	–	–226.8	–13.1
–0.3	–2.5	–	–116.0	–2.5
1.2	**0.4**	**–**	**136.9**	**0.2**

Reactive energy (Individual ancillary services)	Balance groups responsible party	Eliminations	Total activities according to StromVG	Further activities
26.9	–13.5	–4.1	178.9	–
–	–	–	0.3	15.8
–34.6	–	4.1	–384.5	–
–1.9	–9.6	–	–226.8	–13.1
–0.3	–2.5	–	–116.0	–2.5
–1.2	–0.4	–	–136.9	–0.2
–11.1	**–26.0**	**–**	**–685.0**	**–**

Segment report 2012

In millions of CHF	Total	Grid utilisation	General ancillary services/ balance energy	Active power losses (Individual ancillary services)
Net turnover	759.7	332.8	340.4	73.0
Other operating income	11.0	0.3	0.1	–
Volume- and tariff-related timing differences	–4.6	67.1	–69.5	–8.9
Total operating income	766.1	400.2	271.0	64.1
Cost of procurement	–620.2	–300.7	–257.5	–61.4
Gross profit	145.9	99.5	13.5	2.7
Operating expenses	–112.8	–79.5	–10.0	–1.5
Depreciation/amortisation and impairment losses	–19.8	–11.7	–1.9	–0.3
Earnings before interest and income tax (EBIT)	**13.3**	**8.3**	**1.6**	**0.9**

For segment reporting, the costs of self-constructed assets are deducted from operating expenses and are therefore not included in total operating results. Volume- and tariff-related timing differences: negative figures represent surpluses, and positive figures deficits.

Movement in volume- and tariff-related timing differences

In millions of CHF	Total	Grid utilisation	General ancillary services/ balance energy	Active power losses (Individual ancillary services)
Net turnover	759.7	332.8	340.4	73.0
Other operating income	11.0	0.3	0.1	–
Cost of procurement	–620.2	–300.7	–257.5	–61.4
Operating expenses	–112.8	–79.5	–10.0	–1.5
Depreciation/amortisation and impairment losses	–19.8	–11.7	–1.9	–0.3
Return on operating assets (EBIT)	–13.3	–8.3	–1.6	–0.9
Volume-and tariff-related timing differences	**4.6**	**–67.1**	**69.5**	**8.9**

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

Reactive energy (Individual ancillary services)	Balance groups responsible parties	Eliminations	Total activities according to StromVG	Further activities
2.2	13.8	–2.5	759.7	–
–	–	–	0.4	10.6
5.2	1.5	–	–4.6	–
7.4	15.3	–2.5	755.5	10.6
–3.1	–	2.5	–620.2	–
4.3	15.3	–	135.3	10.6
–2.4	–10.8	–	–104.2	–8.6
–0.5	–4.0	–	–18.4	–1.4
1.4	**0.5**	**–**	**12.7**	**0.6**

Reactive energy (Individual ancillary services)	Balance groups responsible party	Eliminations	Total activities according to StromVG	Further activities
2.2	13.8	–2.5	759.7	–
–	–	–	0.4	10.6
–3.1	–	2.5	–620.2	–
–2.4	–10.8	–	–104.2	–8.6
–0.5	–4.0	–	–18.4	–1.4
–1.4	–0.5	–	–12.7	–0.6
–5.2	**–1.5**	**–**	**4.6**	**–**

Earnings before interest and income tax (EBIT) within StromVG-regulated activities correspond to the costs of capital by segment plus taxes on invested assets required by operations (cf. Note 1). The individual expense and income position assigned to the five segments within the StromVG-regulated activities are listed in Note 6.

Grid utilisation: the grid utilisation segment is predominantly financed by various charges for use of the grid. This segment also includes a part of the compensation for international transit flows (ITC); the other part flows to the active power losses segment. In 2013, no income generated by the auctioning of bottleneck capacities at the national borders was used to reduce the grid costs (prior year: CHF 40 million).

Furthermore, as ruled by ElCom, all turnover from compensatory individual charges to long-term supply contract holders abroad (LTC) since 2010 were reversed in 2013. This LTC turnover is contained in both the grid utilisation and the active power losses segments and is charged to the corresponding volume- and tariff-related timing differences in the total amount of CHF 42.7 million following the reversal.

The takeover of virtually the entire transmission system at the beginning of 2013 led to a massive reduction in compensation paid to the grid owners for their operating costs. As a result, the services for maintaining and operating the grid which have since been performed by Swissgrid or by commissioned companies are no longer contained in the cost of procurement and the gross profit, as was the case last year, but in operating expenses (personnel and third-party supplies).

The settled capital costs (interest on operating assets) have also been almost entirely shifted to Swissgrid as a result of the grid takeover and have resulted in a significant rise in EBIT. The rise in EBIT is also due to higher income taxes, including the one-off effect of CHF 39.9 million from the formation of deferred taxes (cf. Note 23).

In 2013, the grid utilisation segment recorded a deficit of CHF 157.4 million (prior year: deficit of CHF 67.1 million), especially due to the negative expense and income effects described above.

General ancillary services/balance energy: the largest expense item for this segment is the control power provision, i.e. the reservation of power plant capacity in the interests of balancing energy consumption and energy injection. The increase in the provision costs by CHF 66.6 million compared to the previous year is due to a significant price increase in April 2013 as a result of lower water reserves and the accumulation of power plant shutdowns during this period.

In addition, expenses and income in relation to control power and balance energy, which have a mutual influence on each other, are also part of this segment, as are expenses for black start/island operation capability and expenses and income from unintentional exchange with adjoining control areas. Finally, the costs paid to producers for grid enhancements also fall under this segment.

The expenses relating to general ancillary services (AS) are covered primarily by tariff revenues. The general AS tariff for 2013 was a third below the tariff for the previous year and reduced the tariff revenue by CHF 88.0 million.

The segment result was also affected by a ruling by the Federal Court on 27 March 2013, according to which, power plants with electrical capacity of at least 50 MW, which did not lodge an appeal against the 2009 costs and tariff ruling by ElCom, did not have to pay any AS residual costs, provided they lodged an appeal against the ruling regarding the AS approval in 2009 with the Federal Court. Swissgrid subsequently reimbursed residual costs of CHF 244.3 million and accrued default interest.

As part of the court decision, ElCom also stipulated a complete repayment of the remaining residual costs for 2009 and 2010. Swissgrid subsequently reimbursed a further CHF 45.0 million (for 2010) and reported CHF 11.2 million as accrued expenses and deferred income (for 2009). Default interest was also accrued.

The general AS/balance energy segment reported a high deficit of CHF 452.7 million (prior year: CHF 69.5 million surplus) predominantly due to the impact of these extraordinary factors.

Active power losses (individual ancillary services): this segment reports expenses and income in relation to active power losses in the transmission system. In addition to tariff revenues, a part of the ITC and LTC revenues flow into this segment (see remarks on the grid utilisation segment on page 52). The procurement of energy to compensate active power losses takes place on the spot market and via tenders.

A cost deficit of CHF 37.8 million (prior year: CHF 8.9 million surplus) was reported in the year under review, predominantly due to the reversal of the LTC revenues.

Reactive energy (individual ancillary services): the supply of reactive energy to maintain the required operating voltage is ensured by means of contractual agreements with several power plants. Procurement costs are covered partly by an individual tariff for reactive energy and partly by the general AS tariff since 2013. Since 2013, the entire cost of procurement for reactive energy has been allocated to this segment as compensation; last year a part of this was included in the general AS segment.

The disproportionate rise in the costs of procurement compared to the previous year resulted in a cost deficit of CHF 11.1 million in the year under review (prior year: CHF 5.2 million deficit).

Balance groups: Elcom's letter dated 17 December 2013 instructed Swissgrid to cancel the previously invoiced tariff income for balance groups responsible party of CHF 24.4 million and to refund the amounts already paid, including default interest. Corresponding accruals have been recognised in the 2013 financial statements. The tariffs were initially charged in 2012 as stipulated by ElCom.

The balance groups segment reported a deficit of CHF 26.0 million (prior year: CHF 1.5 million deficit), primarily due to the reversal.

6. Net turnover and cost of procurement regulated by the Electricity Supply Act (StromVG)

In millions of CHF	Segment	2013	2012
Tariff income for grid utilisation	A	299.8	282.0
Net income from ITC	A/C	23.2	28.5
Income from LTC owners	A/C	–42.7	11.2
Income from auctions for the reduction of allowable grid costs	A	–	40.0
Tariff income for general ancillary services (AS) and income from unintentional deviation	B/D	160.6	271.3
thereof ordinary		179.3	270.6
thereof subsequent charges for 2009 and 2010		–18.7	0.7
Charge of residual costs to plants ≥ 50 MW	B	–341.5	–0.6
thereof for 2010		–49.2	–0.6
thereof for 2009		–292.3	–
Income from AS energy and from balance group/balance energy	B	66.7	69.7
Tariff income for active power losses	C	28.1	44.1
Tariff income for reactive energy	D	2.3	2.2
Tariff income for balance groups responsible party	E	–13.5	13.8
Eliminations		–4.1	–2.5
Net turnover		**178.9**	**759.7**
Operating expenses for transmission system	A	8.4	144.9
Capital expenses for transmission system	A	10.6	155.8
Expenses for AS control power provision and unintentional deviation	B	234.6	163.8
Expenses for automatic start-up/island operation capability	B	1.1	1.1
Expenses for grid enhancement	B	3.4	12.5
Expenses for AS energy and for balance groups/balance energy	B	41.3	54.3
Expenses for compensation of active power loss	C	54.6	61.4
Expenses for reactive energy/voltage maintenance	B/D	34.6	28.9
Eliminations		–4.1	–2.5
Cost of procurement		**384.5**	**620.2**

Letters used for segment allocation:
A = Grid utilisation
B = General ancillary services (AS)/balance energy
C = Active power loss (Individual ancillary services)
D = Reactive energy (Individual ancillary services)
E = Balance Groups
The segment reporting is provided in Note 5.

Revenues from ITC consist of the following:
– Compensation for grid utilisation (A) CHF 3.8 million (prior year: CHF 7.4 million)
– Compensation for active power losses (C) CHF 19.4 million (prior year: CHF 21.1 million)

The ITC compensation for grid utilisation corresponds to net income. Supervisory charges to ElCom and the Swiss Federal Office of Energy in the amount of CHF 3.7 million (prior year: CHF 3.0 million) are deducted from the gross income of CHF 7.5 million (prior year: CHF 10.4 million).

Revenues from LTC holders comprise of the following:
– Compensation for grid utilisation (A) CHF –16.4 million (prior year: CHF 3.4 million)
– Compensation for active power losses (C) CHF –26.3 million (prior year: CHF 7.8 million)

The tariff income for general ancillary services (AS) and income from unintentional deviation is comprised of the following:
– General AS (B): CHF 136.0 million (prior year: CHF 271.3 million)
– Reactive energy (D): CHF 24.6 million (prior year: CHF 0.0 million)

Reactive energy/voltage maintenance expense is comprised of the following:
– General AS (B):CHF 0.0 million (prior year: CHF 25.8 million)
– Reactive energy (D): CHF 34.6 million (prior year: CHF 3.1 million)

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

7. Other operating income

In millions of CHF	2013	2012
Energy act clearing	5.3	4.4
Auction clearing	8.3	4.5
Issuance of guarantees of origin for renewable energies	2.2	1.4
Other	0.3	0.7
	16.1	**11.0**

Energy act clearing contains compensation for expenditures in connection with CRF (cost-covering remuneration for feed-in to the electricity grid) and ACF (additional cost financing).

8. Materials and third-party supplies

In millions of CHF	2013	2012
Grid maintenance	63.0	–
Grid system control	15.9	–
Other services in the grid area	5.6	–
Expenses for projects, advisory and material	31.2	25.5
Hardware/software maintenance	7.5	7.8
	123.2	**33.3**

Other services in the grid area particularly include easement management services performed by third parties and the operating expense for mixed-use systems.

9. Personnel expenses

In millions of CHF	2013	2012
Salaries, bonuses, allowances	63.9	56.3
Employee insurance	12.4	8.9
One-off contribution to Energy PF	19.1	–
Other personnel expenses	5.8	5.1
	101.2	**70.3**
Headcount at 31.12.		
Permanent employment:		
Number of employees		
for core business (StromVG)	421.0	377.0
for energy act clearing (EnG)	18.0	12.0
	439.0	389.0
expressed as full-time equivalents:		
for core business (StromVG)	413.1	369.5
for energy act clearing (EnG)	16.9	11.2
	430.0	380.7
Fixed-term employment:		
Number of employees	24	21
expressed as full-time equivalents	22.3	20.4

The sharp rise in the employee insurance item is a result of the conversion of the pension fund Pensionskasse Energie (PKE) from a defined-benefit to a defined-contribution pension scheme on 1 April 2013. Swissgrid made an employer contribution in order to finance the conversion. The one-off contribution credited to the employee pension account will be distributed across the years 2014 to 2016. In the event of the premature departure of an employee, their residual entitlement will be allocated to the employer contribution reserves.

Other personnel expenses include, in particular, the temporary filling of existing positions with external resources, as well as expenses for training and further education, recruitment as well as employee lump-sum expense allowances.

Executive Board remuneration

In millions of CHF	2013	2012
Fixed remuneration (incl. lump-sum expenses)	2.20	2.29
Variable remuneration	0.59	0.55
Non-cash benefits [1]	0.03	0.03
Pension benefits [2]	0.55	0.44
One-off contribution to Energy PF	2.28	–
Total remuneration to the Executive Board	**5.65**	**3.31**
Of which to the highest earning member of the Executive Board		
Fixed remuneration (incl. lump-sum expenses)	0.51	0.51
Variable remuneration	0.12	0.05
Pension benefits [3]	0.13	0.09
One-off contribution to Energy PF	0.31	–
Total remuneration to the highest earning member of the Executive Board	**1.07**	**0.65**

[1] Non-cash benefits include the private use of business vehicles.
[2] Pension benefits include employer contributions to social security schemes and the employee pension plan.

Five members were relieved of their responsibilities on the Executive Board with effect from 30 September 2013. Their remuneration is included pro rata temporis.

One-off contributions from the change in status of the pension fund within the PKE totalling CHF 2.28 million were provided for the Executive Board members, of which CHF 1.67 million was assigned to the members discharged from the Executive Board during 2013.

The sums will be credited to the individual pension accounts between 2014 and 2016. In the event of premature departure, the residual entitlement will be allocated to the employer contribution reserves.

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

10. Other operating expenses

In millions of CHF	2013	2012
Rental and occupancy costs	6.0	5.6
Ground rents	1.6	–
Rental costs for communication equipment/telecommunication expense	2.2	2.2
Board of Directors fees and expenses, incl. social costs	0.8	1.0
Actual expenses for travel and subsistence for employees and third parties	2.9	2.4
Fees, dues and licences	4.1	0.2
Insurance	2.2	0.3
Other administrative costs	2.7	2.2
	22.5	**13.9**

Fees and expenses payable to the members of the Board of Directors represent fixed gross remuneration. The remuneration paid to the Chairman of the Board of Directors amounted to CHF 250,000, incl. lump-sum expenditure allowance (prior year: CHF 235,734 for 11 months and 10 days). The remaining Executive Board members received a remuneration of between CHF 55,000 and CHF 60,000 pro rata temporis for 2013, incl. lump-sum expenditure allowance (Prior year: CHF 50,000 to CHF 55,000).

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

The rise in the fees, dues and licenses is due to the newly formed provisions for procedural costs.

11. Financial income

In millions of CHF	2013	2012
Interest income	0.1	0.2
Other financial income	2.4	–
	2.5	**0.2**

The other financial income contains accruals recorded in previous years for interest payments that were not paid.

12. Financial expense

In millions of CHF	2013	2012
Bank interest	0.1	0.3
Bond interest	8.6	–
Shareholder loan interest	28.7	–
Commitment fees	0.5	1.1
Other financial expenses	0.3	–
	38.2	**1.4**

13. Income taxes

In millions of CHF	2013	2012
Current income taxes	13.3	2.3
Change in deferred taxes	37.5	–
	50.8	**2.3**

Change in deferred taxes: the tax values for the assets and liabilities taken over with effect from 3 January 2013 deviate from the transaction values. Deferred taxes were considered for these valuation differences.

14. Non-current assets

Summary of plant, property and equipment – 2013

In millions of CHF	Advances and construction in progress	Substations	Lines	Properties and buildings	Other property, plant and equipment	Total
Acquisition cost at 1.1.2013	30.1	–	–	11.0	40.9	82.0
Addition transfer of transmission system as of 3.1.2013	212.4	1,302.6	1,922.6	103.2	0.2	3,541.0
Additions net[1]	33.1	2.0	3.2	–	1.0	39.3
Disposals	–	–0.9	–	–	–0.7	–1.6
Reclassification	–24.5	8.0	16.3	0.5	3.1	3.4
Acquisition cost at 31.12.2013	251.1	1,311.7	1,942.1	114.7	44.5	3,664.1
Accumulated depreciation and amortisation at 1.1.2013	–	–	–	6.6	24.4	31.0
Addition transfer of transmission system as of 3.1.2013	–	738.6	1,076.9	42.8	0.2	1,858.5
Depreciation and amortisation	–	38.6	34.3	3.3	7.7	83.9
Impairment losses	–	–	–	–	–	–
Disposals	–	–0.1	–	–	–0.7	–0.8
Reclassification	–	0.1	–	–	–0.1	–
Accumulated depreciation and amortisation at 31.12.2013	–	777.2	1,111.2	52.7	31.5	1,972.6
Net book value at 1.1.2013	30.1	–	–	4.4	16.5	51.0
Net book value at 31.12.2013	**251.1**	**534.5**	**830.9**	**62.0**	**13.0**	**1,691.5**

[1] Gross investments in plant, property and equipment amounted to CHF 79.8 million. Of this, CHF 40.5 million was financed by proceeds from the auctioning of bottleneck capacities for cross-border supplies.

Summary of plant, property and equipment – 2012

In millions of CHF	Advances and construction in progress	Properties and buildings	Other property, plant and equipment	Total
Acquisition cost at 1.1.2012	22.3	11.0	33.5	66.8
Additions	11.1	–	4.4	15.5
Disposals	–	–	–	–
Reclassification	–3.3	–	3.0	–0.3
Acquisition cost at 31.12.2012	30.1	11.0	40.9	82.0
Accumulated depreciation and amortisation at 1.1.2012	–	5.0	18.2	23.2
Depreciation and amortisation	–	1.6	6.2	7.8
Impairment losses	–	–	–	–
Disposals	–	–	–	–
Accumulated depreciation and amortisation at 31.12.2012	–	6.6	24.4	31.0
Net book value at 1.1.2012	22.3	6.0	15.3	43.6
Net book value at 31.12.2012	**30.1**	**4.4**	**16.5**	**51.0**

Plant, property and equipment of CHF 55.7 million (prior year: CHF 1.2 million) was procured from related parties in 2013, excluding the grid takeover.

Project costs of CHF 3.4 million (prior year: CHF 0.3 million) were reclassified between construction in progress and intangible assets in progress in the year under review.

Summary of intangible assets – 2013

	Intangible assets in progress			Usage rights		
In millions of CHF	Purchased	Self-constructed	Total	Purchased	Self-constructed	Total
Acquisition cost at 1.1.2013	23.2	6.9	30.1	–	–	–
Addition transfer of transmission system as of 3.1.2013	3.9	–	3.9	285.3	–	285.3
Additions	33.0	4.7	37.7	–	–	–
Disposals	–	–	–	–	–	–
Reclassification	–8.8	–2.0	–10.8	–	–	–
Acquisition cost at 31.12.2013	51.3	9.6	60.9	285.3	–	285.3
Accumulated depreciation and amortisation at 1.1.2013	2.8	–	2.8	–	–	–
Addition transfer of transmission system as of 3.1.2013	–	–	–	112.1	–	112.1
Depreciation and amortisation	–	–	–	10.9	–	10.9
Impairment losses	2.6	0.7	3.3	–	–	–
Disposals	–	–	–	–	–	–
Accumulated depreciation and amortisation at 31.12.2013	5.4	0.7	6.1	123.0	–	123.0
Net book value at 1.1.2013	20.4	6.9	27.3	–	–	–
Net book value at 31.12.2013	**45.9**	**8.9**	**54.8**	**162.3**	**–**	**162.3**

Summary of intangible assets – 2012

	Intangible assets in progress			Software		
In millions of CHF	Purchased	Self-constructed	Total	Purchased	Self-constructed	Total
Acquisition cost at 1.1.2012	13.9	3.9	17.8	51.0	9.8	60.8
Additions	11.7	3.5	15.2	3.3	0.5	3.8
Disposals	–	–	–	–0.5	–	–0.5
Reclassification	–2.4	–0.5	–2.9	2.7	0.5	3.2
Acquisition cost at 31.12.2012	23.2	6.9	30.1	56.5	10.8	67.3
Accumulated depreciation and amortisation at 1.1.2012	0.4	–	0.4	37.0	6.4	43.4
Amortisation expense	–	–	–	7.5	1.6	9.1
Impairment losses	2.4	–	2.4	–	–	–
Disposals	–	–	–	–0.5	–	–0.5
Accumulated depreciation and amortisation at 31.12.2012	2.8	–	2.8	44.0	8.0	52.0
Net book value at 1.1.2012	13.5	3.9	17.4	14.0	3.4	17.4
Net book value at 31.12.2012	**20.4**	**6.9**	**27.3**	**12.5**	**2.8**	**15.3**

Impairment losses amounting to CHF 3.3 million were recorded in the year under review (prior year: CHF 2.4 million). These impairment losses involve an ongoing software development project in which the investments have not generated the expected progress on the project. In financial year 2013, intangible assets totalling CHF 15.9 million were sourced from related parties, excluding the grid takeover (prior year: CHF 1.5 million).

Software			Technical regulations			Total intangible assets		
Purchased	Self-constructed	Total	Purchased	Self-constructed	Total	Purchased	Self-constructed	Total
56.5	10.8	67.3	5.7	2.3	8.0	85.4	20.0	105.4
2.7	–	2.7	38.1	–	38.1	330.0	–	330.0
2.1	0.5	2.6	–	–	–	35.1	5.2	40.3
–0.1	–	–0.1	–	–	–	–0.1	–	–0.1
5.4	2.0	7.4	–	–	–	–3.4	–	–3.4
66.6	13.3	79.9	43.8	2.3	46.1	447.0	25.2	472.2
44.0	8.0	52.0	5.6	2.1	7.7	52.4	10.1	62.5
2.7	–	2.7	29.5	–	29.5	144.3	–	144.3
8.5	2.2	10.7	8.7	0.2	8.9	28.1	2.4	30.5
–	–	–	–	–	–	2.6	0.7	3.3
–0.1	–	–0.1	–	–	–	–0.1	–	–0.1
55.1	10.2	65.3	43.8	2.3	46.1	227.3	13.2	240.5
12.5	2.8	15.3	0.1	0.2	0.3	33.0	9.9	42.9
11.5	**3.1**	**14.6**	**–**	**–**	**–**	**219.7**	**12.0**	**231.7**

Technical regulations			Total intangible assets		
Purchased	Self-constructed	Total	Purchased	Self-constructed	Total
5.7	2.3	8.0	70.6	16.0	86.6
–	–	–	15.0	4.0	19.0
–	–	–	–0.5	–	–0.5
–	–	–	0.3	–	0.3
5.7	2.3	8.0	85.4	20.0	105.4
5.4	1.8	7.2	42.8	8.2	51.0
0.2	0.3	0.5	7.7	1.9	9.6
–	–	–	2.4	–	2.4
–	–	–	–0.5	–	–0.5
5.6	2.1	7.7	52.4	10.1	62.5
0.3	0.5	0.8	27.8	7.8	35.6
0.1	**0.2**	**0.3**	**33.0**	**9.9**	**42.9**

15. Financial assets

In millions of CHF	31.12.2013	31.12.2012
Shareholdings	3.0	0.4
Employer contribution reserves	1.3	–
	4.3	**0.4**

Swissgrid holds the following investments, which are recognised in the balance sheet as financial investments:

		Share capital in m.	Currency	Share in %
CESOC AG	Laufenburg	0.1	CHF	50.0
Capacity Allocation Service Company.eu S.A. (CASC.EU)	Luxemburg (Lux)	3.4	EUR	8.3
AET NE1 SA	Laufenburg	0.1	CHF	100.0
ALENA Aletsch Energie Netz AG	Laufenburg	0.1	CHF	100.0
Alpiq Netz AG Gösgen/Laufenburg	Laufenburg	0.1	CHF	100.0
Alpiq Réseau SA Lausanne/Laufenburg	Laufenburg	0.1	CHF	100.0
BKW Übertragungsnetz AG	Laufenburg	0.1	CHF	100.0
CKW Grid AG	Laufenburg	0.1	CHF	100.0
EGL Grid AG	Laufenburg	0.1	CHF	100.0
ewb Übertragungsnetz AG	Laufenburg	0.1	CHF	100.0
FMV Réseau SA	Laufenburg	0.1	CHF	100.0
Kraftwerke Hinterrhein Netz AG	Laufenburg	0.1	CHF	100.0
LENA Lonza Energie Netz AG	Laufenburg	0.1	CHF	100.0
Nordostschweizerische Kraftwerke Grid AG	Laufenburg	0.1	CHF	100.0
Ofible Rete SA	Laufenburg	0.1	CHF	100.0
Ofima Rete SA	Laufenburg	0.1	CHF	100.0
Repower Transportnetz AG	Laufenburg	0.1	CHF	100.0
SN Übertragungsnetz AG	Laufenburg	0.1	CHF	100.0
Übertragungsnetz Basel/Laufenburg AG	Laufenburg	0.1	CHF	100.0

With the exception of CESOC and CASC, all shareholdings were established in 2013. The new shareholdings involve companies established to administer the relevant legal proceedings ("procedural companies"), which were created as a result of demergers from former grid companies and have the same company name as the former grid companies. The sole purpose of the procedural companies is to continue the administrative procedures that were previously managed by the grid companies. The claims from these proceedings flow into the final grid takeover transaction value as of 3 January 2013 (cf. Note 2).

16. Volume- and tariff-related timing differences

In millions of CHF	Grid utilisation	General ancillary services/ balance energy	Active power losses (individual ancillary services)	Reactive energy (individual ancillary services)	Balance groups responsible party	Total volume- and tariff-related timing differences	thereof surpluses	thereof deficits
Balance at 31.12.2011	–11.5	–144.0	–65.1	15.4	–	–205.2	–220.6	15.4
Change in 2012	67.0	–69.5	–8.8	5.2	1.5	–4.6		
Balance at 31.12.2012	55.5	–213.5	–73.9	20.6	1.5	–209.8	–287.4	77.6
Takeover of grid companies as of 3.1.2013	48.1	–	–	–	–	48.1		
Offset	–11.7	–	–	–	–	–11.7		
Change in 2013	157.4	452.7	37.8	11.1	26.0	685.0		
Balance at 31.12.2013	**249.3**	**239.2**	**–36.1**	**31.7**	**27.5**	**511.6**	**–36.1**	**547.7**
current portion	–	147.5	–10.0	–	–	137.5	–10.0	147.5

Negative figures represent surpluses, and positive figures deficits. Further information on volume- and tariff-related differences (function, estimation uncertainties, and current legal proceedings) can be found in Notes 1, 3 and 4.

The “Offset” line refers to a charge between deficits acquired from a grid company and the corresponding accrued expenses and deferred income from Swissgrid.

17. Balance sheet items held on fiduciary basis

On the basis of a statutory mandate, Swissgrid coordinates the auctioning of bottleneck capacities in the case of cross-border supplies and, within the scope of this activity, maintains accounting records and bank accounts on a fiduciary basis.

Assets held on fiduciary basis

In millions of CHF	31.12.2013	31.12.2012
Trade accounts receivable	12.7	11.0
Other receivables	–	0.2
Prepaid expenses and accrued income	0.1	0.2
Cash and cash equivalents	282.0	230.3
	294.8	**241.7**

Liabilities held on fiduciary basis

In millions of CHF	31.12.2013	31.12.2012
Trade accounts payable	0.4	0.1
Accrued expenses and deferred income	294.4	241.6
	294.8	**241.7**

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

In millions of CHF	2013	2012
Share of revenue Switzerland	135.1	156.8
Auction expense Swissgrid and third parties	–9.0	–6.0
Net proceeds	126.1	150.8
Used for reduction of the allowable grid costs	0.0	–40.0
Undistributed residual proceeds	126.1	110.8

At the time of preparing these financial statements, ElCom had not yet issued any ruling as to the utilisation of the residual proceeds of 2013. As regards 2012, in their letter dated 11 March 2014, ElCom ordered that the residual proceeds for the costs accruing for Swissgrid since 1 January 2013 are to be used to maintain or expand the transmission system.

As stipulated by ElCom, the residual proceeds for 2010 and 2011 were able to be paid out to Swissgrid and the former transmission system owners in the year under review.

As regards 2009, on 15 February 2014, the Federal Court decided that the residual proceeds for the costs accruing for Swissgrid since 1 January 2013 are to be used to maintain or expand the transmission system.

18. Trade accounts receivable

In millions of CHF	31.12.2013	31.12.2012
Trade accounts receivable	153.0	174.9
Specific valuation allowances	–38.8	–0.4
	114.2	**174.5**

The individual value adjustments involve receivables from the balance group tariff income (CHF 7.5 million) and the revenue from LTC holders (CHF 31.3 million). As a result of the rulings handed down by ElCom, in both cases all invoices must be cancelled and the revenues reimbursed. The reversal will take place in 2014.

19. Other receivables

In millions of CHF	31.12.2013	31.12.2012
Security deposits on blocked bank accounts	2.7	1.4
Value added tax	5.1	–
Other	0.1	–
	7.9	**1.4**

20. Prepaid expenses and accrued income

In millions of CHF	31.12.2013	31.12.2012
Accrued revenue for supplies made	44.4	54.3
Other	5.4	0.7
	49.8	**55.0**

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

21. Financial liabilities

In millions of CHF	31.12.2013	31.12.2012
Bonds	700.0	–
Shareholder loans	724.4	–
Privately placed financing instruments	240.0	–
Total financial liabilities	**1,664.4**	**–**
current portion	243.6	–

Bonds

Nominal amount in CHF	Valor	Interest rate	Term	Expiry at nominal value
350 million	20481107	1.000%	28.1.2013 – 30.1.2020	30.1.2020
350 million	20481110	1.625%	28.1.2013 – 30.1.2025	30.1.2025

Shareholder loans

Shareholder loans have a term of 10 years and $^{1}/_{5}$ of the loans become payable annually from year 6. The loans are also assigned a conversion right by Swissgrid in the event of occurrence of contractually defined events and an associated conversion obligation by the contributors. Contributors are compensated by a premium on the interest rate for the conversion right assigned to Swissgrid.

Lines of credit

The committed lines of credit total CHF 325 million and remain unclaimed as of 31 December 2013.

22. Conditional purchase price consideration

This item is the result of specific provisions in the in-kind contribution agreements of two grid companies taken over as of 3 January 2013. The amount is non-interest bearing and no repayment is made until the defined transaction value is available. If the amount is confirmed as part of the defined transaction value, Swissgrid will settle 30% of this value through Swissgrid equities and 70% through loans. If the amount is not confirmed as part of a defined transaction value, the amount will be offset against non-current assets.

23. Provisions

In millions of CHF	Employee incentive plan	Procedural costs	Deferred taxes	Total provisions
Balance at 31 December 2011	1.2	–	–	1.2
Provisions raised	0.8	–	–	0.8
Provisions used	–	–	–	–
Balance at 31 December 2012	2.0	–	–	2.0
Reclassification	–	1.0	–	1.0
Provisions raised	0.8	5.9	39.9	46.6
Provisions used	0.9	1.8	2.4	5.1
Balance at 31 December 2013	**1.9**	**5.1**	**37.5**	**44.5**
current portion	–	3.5	–	3.5

Costs of proceedings: with the grid takeover on 3 January 2013 and the associated demergers of the procedural companies from the grid companies, contractual regulations mean that Swissgrid is responsible for the costs of proceedings attributable to the procedural companies. The provision corresponds to Swissgrid's expected future expenses for party, court and legal costs that may arise for the procedural companies as part of their administrative procedures.

The provision amount also includes the estimated compensation payable to parties and the court costs imposed on Swissgrid due to the administrative procedures. In the previous year the relevant amount was included in the accrued expenses and deferred income. Due to the length of the proceedings, the matter was transferred to provisions for this financial statement.

24. Trade accounts payable

The increase compared to previous year is due to the higher expenses for material and third party supplies as well as shifts between trade accounts payable and accrued expenses and deferred income.

25. Other liabilities

In millions of CHF	31.12.2013	31.12.2012
Social deposits and value added tax	–	3.1
Security deposits on blocked bank accounts	2.6	1.1
Other	1.9	1.1
	4.5	**5.3**

26. Accrued expenses and deferred income

In millions of CHF	31.12.2013	31.12.2012
Accrued expenses for supplies made	137.0	59.3
thereof refund of residual costs to plants ≥ 50 MW arising in 2009/2010	69.5	10.3
thereof refund of BRP tariff 2012/2013 and income LTC owners 2010	20.0	–
Personnel expenses and employees' insurance scheme	10.7	8.4
Accrued interest	8.4	–
Taxes	12.8	3.5
	168.9	**71.2**

27. Contingent liabilities

Guarantees issued

Swissgrid issued formal risk guarantees for geothermal projects for an aggregate amount of CHF 32.9 million (same as the previous year). The guarantees are issued in favour of Sankt Galler Stadtwerke (CHF 24.1 million) and AGEPP SA (CHF 8.8 million). Economically, they are borne by the CRF Foundation and, as such, are disclosed in its financial statements. The CRF Foundation operates independently from Swissgrid; it fulfils a separate statutory mandate in the field of promoting renewable energies and for this reason, is economically responsible for these guarantees.

28. Other off-balance-sheet liabilities

Grid costs

Swissgrid must settle the chargeable operating and capital costs for the former owners for the period until Swissgrid took over the transmission system. The costs were determined by ElCom. The rulings by ElCom for 2009 to 2012 were appealed against by several parties to the proceedings to the responsible courts. For the reason, as of the balance-sheet date, no definitive cost information can be specified. Swissgrid has recognised the grid costs stipulated for each year in its annual financial statement. The following overview shows the costs reported by the transmission system owners and the figures stipulated by ElCom. Default interest is not considered.

In millions of CHF	Submitted costs	Ruled costs
2009	417.4	328.4
2010	398.5	318.9
2011	341.6	292.3
2012	339.1	300.5
	1,496.6	**1,240.1**

Any subsequent changes to the compensation amount are taken into account in the annual tariff calculation and are reflected in the costs in the subsequent accounting period. They do not have a direct impact on Swissgrid's results. The same procedure is also applicable for those grid companies, the ownership of which was not transferred to Swissgrid as of 3 January 2013, in particular ewz Übertragungsnetz AG.

Assessed transaction value for the transmission system

On 20 September 2012, ElCom issued a ruling regarding the assessed value for the transfer of the transmission system. A number of appeals against this were submitted to the Federal Administrative Court. With its judgement of 11 November 2013, the Federal Administrative Court ruled that the full compensation is to be owed per the assessed value, and the "regulated" value from the tariff proceedings is not to be decisive in this respect. The financial consequences of the proceedings are not currently foreseeable following the return to ElCom. However, the outcome of the proceedings has no direct impact on Swissgrid's income.

CASC.EU

As a shareholder in CASC.EU, Swissgrid is contractually obliged to assume a share of the annual costs.

Long-term rental contracts

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

In millions of CHF	Year 1	Year 2–10	Total
31.12.2013	4.6	7.2	11.8
31.12.2012	2.7	3.3	6.0

Off-balance-sheet lease commitments

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

In millions of CHF	Year 1	Year 2–5	Total
31.12.2013	0.4	0.7	1.1
31.12.2012	0.3	0.3	0.6

29. Employee pension plan

Reserve of employer contribution (REC)/ Employer's contribution reserve	Nominal value	Renounced use	Balance sheet	Formation of REC	Balance sheet	Result from REC in personnel expenses	
In millions of CHF	31.12.2013	per 2013	31.12.2013	per 2013	31.12.2012	2013	2012
Discretionary retirement benefit fund (employee pension foundation)	–	–	–	–	–	–	–
Pension fund (PKE)	1.3	–	1.3	1.3	–	–	–
Total	**1.3**	**–**	**1.3**	**1.3**	**–**	**–**	**–**

Economic benefit/ economic obligation and retirement benefit plan expenses	Shortfall/surplus funding	Economic share of the organisation		Change compared with previous year/ affecting income in FY	Accrued contributions	Pension benefit expenses within personnel expenses	
In millions of CHF	31.12.2013	31.12.2013	31.12.2012			2013	2012
Discretionary retirement benefit fund (employee pension foundation)	–	–	–	–	–	–	–
Pension fund without shortfall/surplus funding (PKE)	–	–	–	–	26.2	26.2	4.3
Total	**–**	**–**	**–**	**–**	**26.2**	**26.2**	**4.3**

On 1 April 2013, Swissgrid completed the conversion of the employer pension fund from a defined-benefit (PKE Pensionskasse Energie) to a defined-contribution (PKE Vorsorgestiftung Energie) pension scheme. In order to finance the change, Swissgrid made an employer contribution to be charged to the 2013 income statement in the amount of CHF 19.1 million (cf. Note 9). The present value of the contributions becoming available as of 31 December 2013 is CHF 1.3 million and is recognised as an employer's contribution reserve.

The coverage ratio of the PKE Vorsorgestiftung Energie is 110.9% as of 31 December 2013.

30. Transactions with related parties

Transactions with related parties in millions of CHF	2013	2012
Total operating activities		
Net turnover	192.2	342.4
thereof grid utilisation	204.5	204.8
thereof general ancillary services (AS)/balance energy	60.5	87.5
thereof refund of residual costs to PP >50 MW from 2009/2010	–73.9	–
thereof active power losses	–4.8	40.7
thereof reactive energy	12.6	1.6
thereof balance groups responsible party	–6.7	7.8
Other operating income	1.2	1.3
Operating expenses		
Cost of procurement	327.0	446.7
thereof grid utilisation	18.7	211.6
thereof general ancillary services (AS)/balance energy	270.2	225.9
thereof active power losses	7.5	6.7
thereof reactive energy	30.6	2.5
Material and third-party supplies	65.1	2.8
Other operating expenses	2.5	2.5
Financial result		
Financial expenses	24.0	0.3

Unsettled balances at balance sheet date with related parties in millions of CHF	2013	2012
Assets		
Trade receivables	62.9	107.9
Prepaid expenses and accrued income	8.9	23.3
Liabilities		
Shareholder loans	616.9	–
Trade accounts payable	57.6	22.2
Accrued expenses and deferred income	45.6	47.3

The conditions relating to relationships with related parties are described in Note 1, while the transaction values with related parties from the grid takeover are described in Note 2.

31. Post-balance-sheet-date events

Takeover of additional parts of the transmission system

On 6 January 2014, Swissgrid took over additional systems comprising part of the transmission system. These are installations that the former owners AIL, AIL Servizi, AET, EWO and SBB had not separated out by the time of the takeover of the Swiss transmission grid by Swissgrid on 3 January 2013, or for which it had not been clarified whether they belonged to the transmission grid.

In this connection, the share capital of CHF 271.2 million was increased to CHF 275.7 million. Swissgrid provided compensation for the systems taken over from the former owners, valued at CHF 34.7 million, 30% in Swissgrid shares worth CHF 10.4 million and 70% in loans of CHF 24.3 million, whereby half the loan amount can be converted to equity.

Two valuation adjustments are planned for this grid takeover as well. The first one is likely to take place at the end of 2014, and the second and last one after the value and scope of the entire transmission system have been finally determined.

In addition, conditional share capital of CHF 6.2 million was newly created. The entire conditional share capital amounts to CHF 130.0 million.

For various procedural reasons, Swissgrid was not able to take over all outstanding parts of the transmission system as of 6 January 2014. This includes the transmission system company ewz and several spur lines. Swissgrid is working towards transferring the facilities together with the respective owners.

There are no further events subsequent to the balance-sheet date that would require disclosure or recognition in the 2013 financial statements.

On 28 April 2014, the Board of Directors of Swissgrid Ltd approved the 2013 financial statements for submission to the Annual General Meeting of shareholders and publication.

Report of the Independent Auditor

Report of the Independent Auditor to the General Meeting of Shareholders of

Swissgrid Ltd, Laufenburg

As independent auditor, we have been engaged to audit the financial statements of Swissgrid Ltd, as presented on pages 34 to 75 which comprise the income statement, balance sheet, cash flow statement, statement of changes in equity and notes for the year ended 31 December 2013.

Board of Directors' Responsibility

The board of directors is responsible for the preparation of the financial statements in accordance with Swiss GAAP FER. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Independent Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the existence and effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2013 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER.

KPMG AG

Orlando Lanfranchi
Licensed Audit Expert
Auditor in Charge

Patrizia Chanton
Licensed Audit Expert

Basel, 28 April 2014

Income statement

In millions of CHF	2013	2012
Net turnover	178.9	759.7
Other operating income	16.1	11.0
Change in volume- and tariff-related timing differences	647.5	–4.6
Capitalised self-constructed assets	7.0	4.7
Total operating income	849.5	770.8
Cost of procurement	384.5	620.2
Gross profit	465.0	150.6
Materials and third-party supplies	123.2	33.3
Personnel expenses	101.2	70.3
Other operating expenses	22.6	13.9
Earnings before interest, income taxes, depreciation and amortisation (EBIT)	218.0	33.1
Depreciation on property, plant and equipment	82.9	7.8
Amortisation on intangible assets	31.4	9.6
Impairment losses	3.3	2.4
Earnings before interest and income taxes (EBIT)	100.4	13.3
Financial income	2.5	0.2
Financial expenses	38.2	1.4
Earnings before income taxes	64.7	12.1
Income taxes	12.6	2.3
Net income	**52.1**	**9.8**

Balance sheet assets

In millions of CHF	Notes	31.12.2013	31.12.2012
Property, plant and equipment	2	1,586.1	51.0
Intangible assets	3	377.0	42.9
Financial assets	4	4.3	0.4
Long-term deficits arising from volume-and tariff-related timing differences		324.5	77.6
Non-current assets		2,291.9	171.9
Assets held on fiduciary basis		294.8	241.7
Short-term deficits arising from volume-and tariff-related timing differences		147.5	–
Inventory		1.7	–
Trade accounts receivable	8	114.2	174.5
Other receivables		7.9	1.4
Prepaid expenses and accrued income		49.8	55.0
Cash and cash equivalents		28.7	48.0
Current assets		644.6	520.6
Total assets		**2,936.5**	**692.5**

Balance sheet equity and liabilities

In millions of CHF	Notes	31.12.2013	31.12.2012
Share capital		271.2	15.0
General legal reserve		1.6	1.1
Legal reserve from capital contributions		320.7	–
Legal reserves		322.3	1.1
Profit carried over		27.2	18.5
Net profit for the year		52.1	9.8
Equity		672.8	44.4
Conditional purchase price consideration	5	7.5	–
Non-current financial liabilities	6, 8	1,420.8	–
Non-current provisions		3.5	1.2
Non-current surpluses arising from volume-and tariff-related timing differences		26.1	255.2
Non-current liabilities		1,450.4	256.4
Liabilities held on fiduciary basis		294.8	241.7
Current financial liabilities	8	243.6	–
Trade accounts payable	8	80.5	40.5
Other liabilities	7	4.5	5.3
Accrued expenses and deferred income		168.9	71.2
Current provisions		3.5	0.8
Current surpluses arising from volume-and tariff-related timing differences		10.0	32.2
Current liabilities		805.8	391.7
Liabilities		2,256.2	648.1
Equity and liabilities		**2,936.5**	**692.5**

Notes to the financial statements

1. General

On 3 January 2013, Swissgrid took over 17 grid companies and thus acquired ownership of almost the entire Swiss transmission grid. As a result, a comparison with previous year figures is of limited relevance. These financial statements were prepared in compliance with Swiss company law.

2. Property, plant and equipment

The fire insurance values of property, plant and equipment as of 31 December 2013 amounted to CHF 3.056 billion (prior year: CHF 37.5 million).

3. Intangible assets

The merger of the grid companies resulted in merger losses (goodwill) of CHF 167.5 million as of 3 January 2013, which is included in intangible assets. Goodwill will be amortised on a linear basis over 20 years and the value will be reviewed annually. Goodwill as of 31 December 2013 amounted to CHF 159.1 million.

4. Financial assets

In millions of CHF	31.12.2013	31.12.2012
Shareholdings	3.0	0.4
Employer contribution reserves	1.3	–
	4.3	**0.4**

The financial assets include investments that are controlled by Swissgrid, but which do not have a significant impact on the financial statements as well as shareholdings with a capital share of less than 20%.

The following shareholdings are recognised in the balance sheet as financial investments:

		Share capital in m.	Currency	Share in %
CESOC AG	Laufenburg	0.1	CHF	50.0
Capacity Allocation Service Company.eu S.A. (CASC.EU)	Luxemburg (Lux)	3.4	EUR	8.3
AET NE1 SA	Laufenburg	0.1	CHF	100.0
ALENA Aletsch Energie Netz AG	Laufenburg	0.1	CHF	100.0
Alpiq Netz AG Gösgen/Laufenburg	Laufenburg	0.1	CHF	100.0
Alpiq Réseau SA Lausanne/Laufenburg	Laufenburg	0.1	CHF	100.0
BKW Übertragungsnetz AG	Laufenburg	0.1	CHF	100.0
CKW Grid AG	Laufenburg	0.1	CHF	100.0
EGL Grid AG	Laufenburg	0.1	CHF	100.0
ewb Übertragungsnetz AG	Laufenburg	0.1	CHF	100.0
FMV Réseau SA	Laufenburg	0.1	CHF	100.0
Kraftwerke Hinterrhein Netz AG	Laufenburg	0.1	CHF	100.0
LENA Lonza Energie Netz AG	Laufenburg	0.1	CHF	100.0
Nordostschweizerische Kraftwerke Grid AG	Laufenburg	0.1	CHF	100.0
Ofible Rete SA	Laufenburg	0.1	CHF	100.0
Ofima Rete SA	Laufenburg	0.1	CHF	100.0
Repower Transportnetz AG	Laufenburg	0.1	CHF	100.0
SN Übertragungsnetz AG	Laufenburg	0.1	CHF	100.0
Übertragungsnetz Basel/Laufenburg AG	Laufenburg	0.1	CHF	100.0

With the exception of CESOC and CASC, all shareholdings were established in 2013. The new shareholdings involve companies established to administer the relevant legal proceedings ("procedural companies"), which were created as a result of demergers from former grid companies and have the same company name as the former grid companies. The sole purpose of the procedural companies is to continue the administrative procedures that were previously managed by the grid companies in question. The claims from these proceedings flow into the final grid takeover transaction value as of 3 January 2013.

5. Conditional purchase price consideration

This item is the result of specific provisions in the in-kind contribution agreements of two grid companies taken over as of 3 January 2013. The amount is non-interest bearing and no repayment is made until the defined transaction value is available. If the amount is confirmed as part of the defined transaction value, Swissgrid will settle 30% of this value through Swissgrid equities and 70% through loans. If the amount is not confirmed as part of a defined transaction value, the amount will be offset against non-current assets.

6. Non-current financial liabilities

The financial liabilities item contains bonds of CHF 700 million (prior year: CHF 0).

Nominal amount in CHF	Valor	Interest rate	Term	Expiry at nominal value
350 million	20,481,107	1.000%	28.1.2013 – 30.1.2020	30.1.2020
350 million	20,481,110	1.625%	28.1.2013 – 30.1.2025	30.1.2025

The interest expense for the bonds totalled CHF 8.6 million in 2013 (prior year: CHF 0).

7. Other liabilities

Other liabilities contain obligations of CHF 0.8 million in relation to the PKE Vorsorgestiftung Energie (prior year: CHF 0.5 million in relation to the PKE Pensionskasse Energie).

8. Receivables and liabilities to shareholders

Millions of CHF	2013	2012
Trade receivables from shareholders (current)	56.5	108.0
Trade accounts payable to shareholders (current)	56.7	22.7
Loan obligations to shareholders (current)	3.6	–
Loan obligations to shareholders (non-current)	720.8	–

The shareholder loans are assigned a conversion right by Swissgrid in the event of occurrence of contractually defined events and an associated conversion obligation by contributors.

9. Guarantees issued

Swissgrid issued formal risk guarantees for geothermal projects in the aggregate amount of CHF 32.9 million (same as the previous year). The guarantees are issued in favour of Sankt Galler Stadtwerke (CHF 24.1 million) and AGEPP SA (CHF 8.8 million). Economically, they are borne by the CRF Foundation and, as such, are disclosed in its financial statements. The CRF Foundation operates independently from Swissgrid; it fulfils a separate statutory mandate in the field of promoting renewable energies and for this reason, is economically responsible for these guarantees.

10. Off-balance-sheet lease commitments

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

In millions of CHF	Year 1	Year 2–5	Total
31.12.2013	0.4	0.7	1.1
31.12.2012	0.3	0.3	0.6

11. Conditional capital increase

The change to the Articles of Association to create conditional share capital of CHF 130 million was registered in the commercial register as of 3 January 2013. The conditional capital was created to exercise conversion rights to be assigned to creditors of convertible loans. Capital increases with a nominal value of CHF 6.2 million took place using conditional share capital between 25 October and 7 November 2013 (so-called valuation adjustment 1). The issue price was CHF 18.6 million.

As of 31 December 2013, Swissgrid has conditional share capital of a maximum of CHF 123,810,064, divided into 123,810,064 registered shares with a par value of CHF 1 per share (prior year: no conditional share capital).

12. Legal proceedings

The cumulative risk for non-chargeable costs amounts to CHF 43.5 million as of 31 December 2013 (prior year: CHF 22.3 million). Swissgrid's Board of Directors and Executive Board are of the clear opinion that all costs qualify as chargeable. Based on this assessment, Swissgrid has treated all operating and capital costs as being chargeable and consequently recognised them in full in the volume- and tariff-related timing differences.

Detailed comments on the legal proceedings can be found in the financial statements prepared in compliance with Swiss GAAP FER in note 4.

13. Risk assessment

The company-wide risks of Swissgrid are identified, the development of risks already being monitored is evaluated and the results of previous corrective measures taken are determined as part of a multi-level process conducted every six months. On this basis, the current risks are evaluated according to their probability of occurrence and impact. Those risks that are assessed as significant are avoided, mitigated or transferred through related measures determined by the Board of Directors.

14. Post-balance-sheet-date events

Takeover of additional parts of the transmission system

On 6 January 2014, Swissgrid took over additional systems comprising part of the transmission system. These are installations that the former owners AIL, AIL Servizi, AET, EWO and SBB had not separated out by the time of the takeover of the Swiss transmission grid by Swissgrid on 3 January 2013, or for which it had not been clarified whether they belonged to the transmission grid.

In this connection, the share capital of CHF 271.2 million was increased to CHF 275.7 million. Swissgrid provided compensation for the systems taken over from the former owners, valued at CHF 34.7 million, 30% in Swissgrid shares worth CHF 10.4 million and 70% in loans of CHF 24.3 million, whereby half the loan amount can be converted to equity.

Two valuation adjustments are planned for this grid takeover as well. The first one is likely to take place at the end of 2014, and the second and last one after the value and scope of the entire transmission system have been finally determined.

In addition, conditional share capital of CHF 6.2 million was newly created. The entire conditional share capital amounts to CHF 130.0 million.

For various procedural reasons, Swissgrid was not able to take over all outstanding parts of the transmission system as of 6 January 2014. This includes the transmission system company ewz and several spur lines. Swissgrid is working towards transferring the facilities together with the respective owners.

There are no further events subsequent to the balance-sheet date that would require disclosure or recognition in the 2013 financial statements.

On 28 April 2014, the Board of Directors of Swissgrid Ltd approved the 2013 financial statements for submission to the Annual General Meeting of shareholders and publication.

Proposed appropriation of retained earnings

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

CHF	2013	2012
Balance carried forward from the previous year	27,172,205.00	18,453,525.33
Net profit for the year	52,099,201.30	9,831,679.67
Retained earnings	79,271,406.30	28,285,205.00
Appropriation to the general legal reserve	–	492,000.00
Dividend payment	–	621,000.00
Balance to be carried forward	79,271,406.30	27,172,205.00
Total appropriation	**79,271,406.30**	**28,285,205.00**

Laufenburg, 28 April 2014

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

Report of the Statutory Auditor

Report of the Statutory Auditor to the General Meeting of Shareholders of

Swissgrid Ltd, Laufenburg

Report of the Statutory Auditor on the Financial Statements

As statutory auditor, we have audited the financial statements of Swissgrid Ltd, as presented on pages 79 to 87 which comprise the income statement, balance sheet and notes for the year ended 31 December 2013.

Board of Directors' Responsibility

The board of directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended 31 December 2013 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

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

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

KPMG AG

Orlando Lanfranchi
Licensed Audit Expert
Auditor in Charge

Patrizia Chanton
Licensed Audit Expert

Basel, 28 April 2014

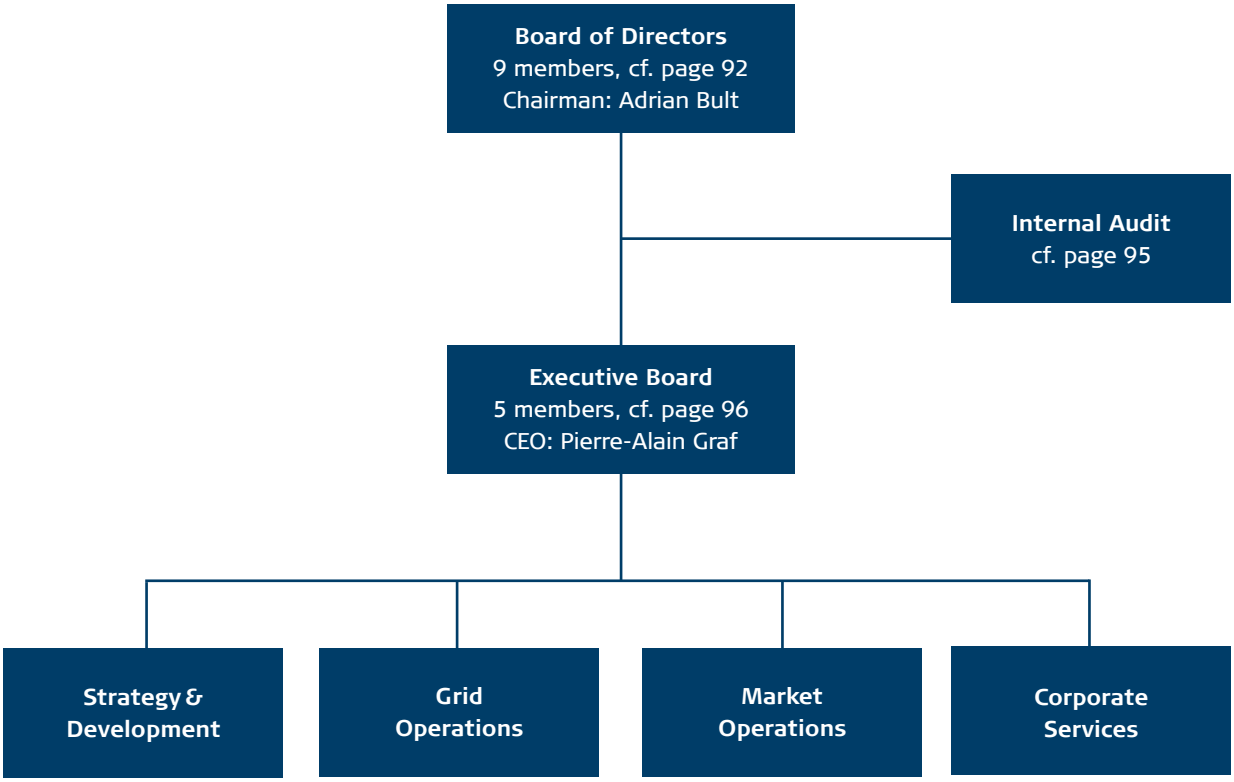
Corporate Governance

The Board of Directors and the Executive Board of Swissgrid Ltd (hereinafter Swissgrid) place great importance on good corporate governance. The following statements are based on the Swiss Code of Best Practice for Corporate Governance. All information relates to 31 December 2013, unless specified otherwise.

1 Group structure and shareholders

1.1 Corporate structure

The operational structure of Swissgrid is shown below:

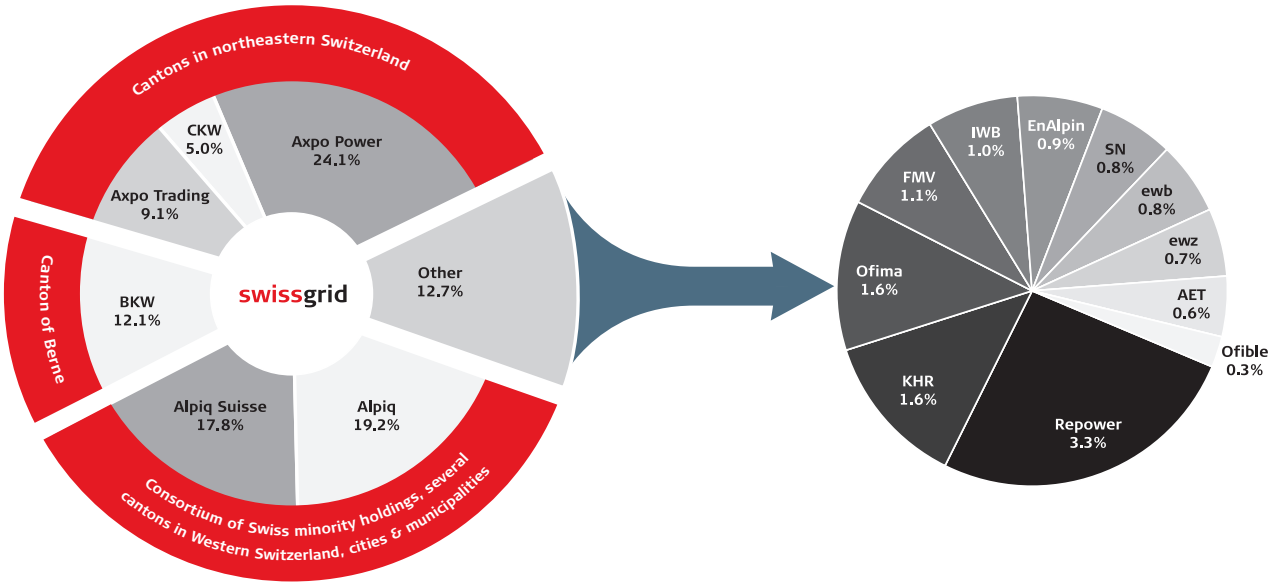


Swissgrid shareholdings are defined in the notes to the financial statements on page 64.

1.2 Shareholders

As of 31 December 2013, Swissgrid is wholly owned by the Swiss electricity companies Alpiq AG, Alpiq Suisse SA, Axpo Power AG, Axpo Trading AG, Azienda Elettrica Ticinese (AET), BKW Energie AG, Centralschweizerische Kraftwerke AG (CKW), EnAlpin AG, Energie Wasser Bern (ewb), Elektrizitätswerk der Stadt Zürich (ewz), FMV SA, IWB Industrielle Werke Basel, Kraftwerke Hinterrhein AG (KHR), Officine idroelettriche della Maggia SA (Ofima), Officine idroelettriche di Blenio SA (Ofible), Repower AG and SN Energie AG. The companies are directly or indirectly majority-owned by the cantons and the municipalities. The capital increase on 6 January 2014 increased the number of shareholders by four additional companies. The current shareholder structure can be viewed online (www.swissgrid.ch).

Ownership structure of Swissgrid



* direct or indirect majority holding | Sources: published annual reports

1.3 Crossholdings

No crossholdings currently exist.

2 Capital structure

2.1 Capital and restriction of transferability

Ordinary share capital as of 31 December 2013 consists of 271,170,385 registered shares, each with a par value of CHF 1. This includes a conditional capital increase of CHF 6,189,936 from the first valuation adjustment of the transmission system transferred to Swissgrid as of 3 January 2013.

With entry in the commercial register on 6 January 2014, Swissgrid also took over additional transmission system assets and increased its share capital by CHF 4,545,208 accordingly.

The conditional share capital as of 31 December 2013 consists of a maximum of 123,810,064 registered shares, each with a par value of CHF 1. With entry into the commercial register on 6 January 2014, the conditional capital was increased by CHF 6,189,936 to the original value of CHF 130 million.

The conditional share capital relates to received convertible bonds that Swissgrid used to finance the transfer of the transmission system. Conversion rights can be exercised by the creditors for a maximum of 20 years. Shareholder purchase rights are excluded. Shareholder advance subscription rights are also excluded, as the convertible bonds are financing the takeover of integrated grid companies or the simple and rapid improvement of Swissgrid's capital resources.

No authorised capital exists.

According to Art. 18 Para. 5 of the Electricity Supply Act, the company's shares may not be listed on an exchange. The Board of Directors keeps a share register listing the names and addresses of the owners and beneficiaries. Only those who are entered in the share register may exercise shareholder rights as a shareholder or beneficiary in relation to the company. The status

of the entries in the share register on the 20th day prior to the Annual General Meeting is decisive for determining entitlement to participation and representation at the Annual General Meeting. The majority of the share capital and the associated voting rights must belong directly or indirectly to the cantons and municipalities in accordance with Art. 18 Para. 3 of the Electricity Supply Act. In the event of share transfers (sale, gift, exercise of pre-emption rights and purchase rights, etc.), these majorities must be retained. If a planned transaction infringes upon one of these majority requirements, the approval of the Board of Directors must be denied.

There are no participation certificates and no options were issued.

2.2 Capital changes

Further information on the share capital and capital changes in the last two years is shown in the statement of changes in shareholders' equity on page 37.

3 Board of Directors

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

	Name, nationality, function, qualification	Date of election to the Board of Directors	Professional experience, career	Additional activities and affiliations	Committee member
	**Adrian Bult** (1959, CH) Chairman (since 10 December 2012), independent member Lic. oec.	14 December 2006	COO Avaloq Evolution AG (2007 to 2012), previously CEO of Swisscom Mobile AG and CEO of Swisscom Fixnet AG as well as a member of the Executive Board of IBM Switzerland	Board of Directors of Swissquote Holding AG, Enkom AG, AdNovum AG, Alfred Müller AG, SWICA and Regent AG; Chairman of the CRF Foundation	Chairman of the Strategy Committee, member of the Staff and Compensation Committee,Chairman of the Steering Committee for the GO! project (transfer of the transmission system)
	**Doris Russi Schurter** (1956, CH) Vice Chairwoman (since 10 December 2012), independent member Lic. iur., lawyer	11 December 2007	Lawyer in own practice, Burger & Müller law firm (since 2005); previously partner at KPMG Switzerland and head of KPMG Lucerne	Vice Chairwoman of the Board of Directors of Helvetia Holding AG, member of the Board of Directors of Luzerner Kantonalbank AG and LZ Medien Holding AG, Chairwoman of the Association of Swiss Companies in Germany (VSUD)	Chairwoman of the Finance and Audit Committee
	**Christophe Bossel** (1968, CH) Board of Directors, industry representative Lic. Ing., eMBA	21 May 2013	Head of the Grid business unit for BKW Energie AG; previously Head of Asset Management, production manager at SBB in Yverdon; development of medical devices (Head of Method and Production) at Electro Medical Systems in Nyon	Board of Directors of onyx Energie Mittelland AG and Spontis SA	Member of the Finance and Audit Committee
	**Thomas Burgener** (1954, CH) Board of Directors, cantonal representative Lic. iur.,lawyer and notary	14 December 2006	Office for Political and Legal Counselling (since May 2009); previously State Councillor for the Canton of Valais, National Councillor and independent lawyer and notary	Board member of the Alpine Initiative, President of the committee "For a Switzerland without measles"	Chairman of the Staff and Compensation Committee

	Name, nationality, function, qualification	Date of election to the Board of Directors	Professional experience, career	Additional activities and affiliations	Committee member
	**Marcel Frei** (1959, CH) Board of Directors, industry representative accounting and controlling expert (Federal Diploma)	10 December 2012	Director of ewz (since 2012), previously CFO and Deputy Director at ewz	Board of Directors for companies affiliated with ewz and for various companies in the energy sector	Member of the Finance and Audit Committee
	**Isabelle Moret** (1970, CH) Board of Directors, independent member Lic. iur., LL.M., lawyer	10 December 2012	Lawyer at own law firm	National Councillor, Vice Chairwoman of FDP Switzerland, foundation board of the ECA-RP pension fund, Board member of Retraites Populaires	Member of the Staff and Compensation Committee
	**Fadri Ramming** (1962, CH) Board of Directors, cantonal representative Lic. iur., lawyer and notary	14 December 2006	Lawyer and notary at own law firm	Member of the Swiss delegation for a Swiss-EU agreement on electricity (cantonal representative), Chairman of the Board of Directors of the Grisons psychiatric services, General Secretary of the Intergovernmental Conference of the Mountain Cantons	Member of the Strategy Committee
	**Manfred Thumann** (1954, CH) Board of Directors, industry representative Dipl. Ing., Dr. Ing.	21 May 2013	Head of Production and Grids, Axpo Holding AG (since 2012), previously as CEO of Axpo AG, previously a member of the Executive Board; before that Director of the gas turbine company Alstom (Switzerland) AG	Chairman of the Board of Directors of Kernkraftwerk Leibstadt AG, Axpo Grid AG, Resun AG; Vice Chairman of the Board of Directors of Axpo Power AG; Kernkraftwerk Gösgen-Däniken AG, Board of Directors of Repower AG	Member of the Strategy Committee
	**Michael Wider** (1961, CH) Board of Directors, industry representative Lic. iur., MBA	30 June 2009	Head of Generation, Deputy CEO Alpiq Holding AG (since 2009); previously employed in various functions on the Executive Board of the Alpiq Group	Chairman or member of the Board of Directors of various electricity companies, member of the board of swisselectric	Member of the Strategy Committee

Departures in the reporting period

- Suzanne Thoma (BKW), as of 21 May 2013
- Heinz Karrer (Axpo), as of 21 May 2013

3.3 Election and term of office

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

3.3 Internal organisation

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

3.4 Board committees

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

Strategy Committee

The Strategy Committee supports the Board of Directors in the strategy process. It advises on the strategic principles on behalf of the Board of Directors and reviews the strategy for the Board of Directors on a regular basis. The committee presents its view on proposals that relate to strategic issues. The Strategy Committee met three times during the last financial year and held two teleconferences.

Finance and Audit Committee

The Finance and Audit Committee supports the Board of Directors in its supervisory role, namely with regard to the integrity of the accounts, the fulfilment of legal provisions, and the competence and services of the external auditors. The Finance and Audit Committee assesses the suitability of financial reporting, the internal control system and the general monitoring of business risks. It ensures that there is on-going communication with the external auditors concerning the financial situation and course of business. It makes the necessary preparations relating to the appointment or discharge of the auditors. The Finance and Audit Committee met five times in the last financial year and held two teleconferences.

Staff and Compensation Committee

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

3.5 Information and control instruments with regard to the Executive Board

Information and control instruments

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

- At Board meetings, the Executive Board presents and comments on business performance and submits all important issues for discussion or resolution.

- The report to the Board of Directors is compiled quarterly and contains key figures on business performance together with comments from the Executive Board.
- The written CEO report is submitted at every ordinary Board meeting and also deals with recurring issues, such as the AS reports, grid expansion projects and key performance indicators (KPI).
- Additional periodically recurring information instruments of the Board of Directors are the risk report and the reports on developments in the energy sector in Switzerland and Europe.
- The external auditors issue an annual written report for the Board of Directors (see also the lists in section 7.2 on page 97).

Internal control system

The internal control system (ICS) has an important role as part of corporate management and monitoring, and covers all procedures, methods and measures mandated by the Board of Directors and the Executive Board that serve to ensure that Swissgrid operates in the correct way. The internal operational controls are integrated in the operating procedures, which means that they are implemented while work is being carried out or take place immediately before or after the procedure. Internal checks do not come under a separate ICS function but are integrated in the processes. The ICS at Swissgrid, which focuses on key risks and checks, is implemented at all levels of the organisation and demands a high level of personal responsibility from employees.

Risk management

The company-wide risks of Swissgrid are identified, changes to risks currently being monitored are evaluated and the results of previous measures are determined as part of a multi-level process conducted twice a year. The current risks are evaluated according to their probability of occurrence and impact on this basis. Those risks that are assessed as significant are avoided, mitigated or transferred through corresponding measures determined by the Board of Directors. Risk management is coordinated and documented by an internal specialist department.

Internal audit

The function commenced its activities with the appointment of the Head of Internal Audit with effect from 1 May 2013. A regulation by the Board of Directors describes the body's tasks, responsibilities and competencies. The Internal Audit division supports the Board of Directors, the Finance and Audit Committee and the Executive Board in fulfilling their tasks in that the Internal Audit division assesses and helps to improve the effectiveness of the risk management and the internal control system with a systematic and targeted approach. The Internal Audit division performed five audits during the year under review. The Head of Internal Audit has access to co-sourcing with PwC for support when conducting the audits.

From left to right: Yves Zumwald, Luca Baroni, Pierre-Alain Graf, Dr Jörg Spicker, Rainer Mühlberger (dated 1 January 2014)

4 Executive Board

4.1 Members of the Executive Board, additional activities and affiliations

Name, nationality, function, qualification	Member of the Executive Board since	Professional experience, career	Additional activities and affiliations
Pierre-Alain Graf (1962, CH) CEO Lic. iur, lic. oec. HSG	1 February 2009	General Manager of Cisco Systems Switzerland AG (2006 to 2008), previously at Colt Telecom Group Ltd	Chairman of the Board of Directors of the procedural companies (cf. financial reporting page 64), Board of Directors of Cesoc AG
Luca Baroni (1971, CH and I) Corporate Services Certified economist	15 December 2006	CFO of Etrans AG (2005 to 2006), previously CFO of Energiedienst Holding AG as well as EGL AG, WATT AG and Migros Genossenschaftsbund	Board of Directors of the procedural companies (cf. financial reporting page 64)
Wolfgang Hechler (1967, D) Grid Operations, a.i. Degree in Electrical Engineering	1 March 2010	Vattenfall Europe Distribution GmbH (2002 to 2010), most recently as head of grid strategy; previously at Hamburgische Electricitäts-Werke AG	None
Rainer Mühlberger (1958, CH and D) Strategy & Development Degree in Engineering, MBA	1 October 2013	Swissgrid since 2011; previously CEO of Swisscom Directories AG; before that Swisscom Fixnet AG, most recently as CIO.	None
Dr Jörg Spicker (1957, D) Market Operations Degree in Physics	1 October 2013	Most recently as Senior External Advisor for McKinsey Inc., previously member of the Board for Alpiq Energie Germany AG and Managing Director of Aquila Energy GmbH	None

Departures as a result of restructuring activities during the reporting period:

- Beatrice Brack, Human Resources, as of 30 September 2013
- Bettina von Kupsch, Customers and Public Relations, as of 30 September 2013
- Andreas John, System Management, as of 30 September 2013
- Andy Mühlheim, Information and Communication Technology Services, as of 30 September 2013
- Thomas Tillwicks, Market and Regulation, as of 30 September 2013

All of the departing members of the Executive Board will remain at Swissgrid.

5 Remuneration

The members of the Board of Directors receive a fixed remuneration (fees and expenses), which is on a sliding scale for the Chairman and the other Board members. Remuneration for the members of the Executive Board consists of a basic salary (including per diem expenses) and a variable salary component that is dependent on achieving company and personal targets. The amount of remuneration for members of the Executive Board is defined by the Staff and Compensation Committee. Payments to the Executive Board and the Board of Directors are disclosed on pages 57 and 58 of the Notes to the Financial Statements.

6 Rights of participation

Shareholders' rights to assets and rights of participation are governed by law and the Articles of Association. There are no statutory regulations that differ from the legislation.

7 External audit

7.1 Mandate and fees

KPMG AG, Basel, acts as the statutory auditors for Swissgrid Ltd. The audit mandate was first awarded to KPMG for the 2005/2006 financial year (long year). The auditor in charge, Orlando Lanfranchi, has been in this role since the 2005/06 financial year.

The auditor is appointed at the Annual General Meeting for a one-year term. For its function as auditor, KPMG received remuneration of CHF 189,000 for the last financial year. Additional services in connection with the transfer of the transmission system and its integration and financing (in particular taxation due diligence, audit of the foundation of the procedural companies, audit of the demerger plan and audit of the capital increase report) and translation activities were remunerated to the amount of CHF 393,000.

7.2 Information instruments

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

Imprint

The Annual Report is published in German, French, Italian and English. The Annual Report in German is legally binding.

Further information on Swissgrid is available at www.swissgrid.ch.

Publisher
Swissgrid Ltd
Werkstrasse 12
CH-5080 Laufenburg
www.swissgrid.ch

Photos
Christoph Köstlin, Zurich
Britt Schilling, Freiburg (D)

Printing
Binkert Buag AG, Laufenburg

This issue was printed on FSC-certified paper. FSC stands for Forest Stewardship Council. The main aim of this organisation is to promote responsible forest management – forests should be managed in a sustainable way so that they can be enjoyed by future generations in the same way as they are today.

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Print | ID: 53213-1405-1004

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