

# Annex to the consolidated financial statements for 1999

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## Principles of consolidation

### → General

The present consolidated financial statements meet the requirements of Swiss Company Law and the Swiss Accounting and Reporting Recommendations (ARR), and are prepared in order to give a true and fair picture of the consolidated annual accounts.

### → Closing date

The reporting year is 12 months for all companies. With the exception of the electrical power utility Rupperts-wil-Auenstein AG (close of accounts: 30 September) the fiscal year is identical with the calendar year.

### → Scope of consolidation

The consolidated financial statements include the annual accounts of the Swiss Federal Railways (SBB) and those interests in which the SBB directly or indirectly holds the majority of voting shares.

The 100% participation in AlpTransit Gotthard AG is not consolidated but is included by application of the equity method because – based on a special agreement between the Swiss Confederation and SBB AG – the Confederation has a controlling interest. Thus, the criterion of a uniform management does not apply.

The companies in the scope of consolidation are listed on page 26.

### → Consolidation method

For all companies in which SBB AG directly or indirectly holds a stake of more than 50%, the method of full consolidation is applied. Assets and liabilities as well as expenses and income are accounted for at 100%. Interests of third-party shareholders in the equity capital and in net income are shown separately.

Equity consolidation is performed according to the Anglo-Saxon purchase method. Intra-group assets and liabilities, expenses and income are offset against each other. Interim profits on intra-group accounts not yet realised by sales to third parties are eliminated in the consolidation.

Associated companies in which SBB AG holds stakes of between 20% and 50% are included according to the equity method.

### → Minority interests

Published minority interests in the group's equity capital correspond to the third-party stakes in the equity capital of the respective companies established on the basis of the currently applicable shareholder structure.

### → Conversion of foreign currencies

With the exception of S-Rail Europe GmbH, Singen, founded at the end of December 1999, all group companies prepare their annual accounts in Swiss francs (CHF). The balance sheets in foreign currencies are converted at the market rates applicable at the cutoff dates, while amounts in the profit and loss accounts are

converted at annual average rates. Conversion differences are offset against the group reserves and are not reflected in the results. Gains or losses arising at group companies from transactions in foreign currencies are stated in the profit and loss account.

### → Goodwill

On the first-time consolidation of a company, its assets and liabilities are valued anew according to uniform principles (fair value). The difference between the resulting equity capital and the historical cost (goodwill) is capitalised as an asset and is normally written off on a straight-line basis over 5 years. There is no goodwill from acquisitions up to 31 December 1999 requiring capitalisation as assets.



### Valuation principles applicable to the consolidated accounts

#### → General

The consolidated financial statements are based on the annual accounts of the group companies, which are prepared according to uniform valuation principles. The valuation and reporting principles correspond to the ARR accounting standards, with the following exception:

– An expert report prepared by external consultants to assess the energy operation in the context of the opening balance sheet of SBB AG identified the need for special depreciations on production plant and for global provisions. The provisions for the SBB's energy operation (not affecting the SBB profit and loss account, i.e. chargeable to the Confederation) shall be determined once a new strategy has been set up in the context of electricity market deregulation by the end of the year 2000. In the balance sheet as at 31 December 1999, the loss for the year 2000 is entered.

– An expert report prepared by external consultants identified the need for the SBB to set aside provisions for site decontamination amounting to CHF 393 m as at 1 January 1999. In view of major uncertainties regarding the size of these provisions, it was agreed with the Federal government that the total amount of the provisions should not be entered in the opening balance sheet but that provisions of CHF 110 m for cleanup costs in the years 1999 to 2002 be entered. Further costs as from the year 2003 shall be assumed by the Confederation in the scope of the performance agreement.

#### → Current assets

**Cash and cash equivalents** are composed of cash, balances on postal and bank accounts, and financial investments that can be realised in a short time.

**Securities** are in principle stated at their year-end market value.

**Trade receivables and other receivables** are stated at their nominal value, less required value adjustments. Actual credit risks are shown individually while a global value adjustment is made for latent credit risks.

#### → Fixed assets

**Stocks** are held almost exclusively for the group's own requirements and are thus stated under fixed assets at the lower of manufacturing cost and market value. Manufacturing cost is calculated on the basis solely of the material costs and the direct costs of manufacture, i.e. without adding overheads. Value adjustments are made for slow-moving goods and items with reduced marketability.

**Financial investments** include unconsolidated participations in which 20% of voting rights are held, taken into the balance according to the equity method, as well as the other unconsolidated participations shown at historical cost less required depreciation. In addition, the financial assets contain long-term claims against third parties, unconsolidated participations and shareholders.



These are shown at their nominal value less value adjustments for actual credit risks.

**Tangible assets** are valued at purchase or manufacturing cost less necessary depreciation on a straight-line basis over the presumed service life. The presumed service life, i.e. depreciation period of the tangible assets, is as follows (in years):

|  |       |
|--|-------|
| <b>technical, electrical and mechanical installations</b>  | 15-25 |
| <b>tools, furniture, instruments</b>                       | 10    |
| <b>IT/telecom</b>  | 4-10  |
| <b>vehicles</b>  |       |
| locomotives and power cars                                 | 25    |
| passenger cars and freight wagons                          | 20    |
| service wagons   | 30    |
| road and other vehicles                                    | 10-25 |
| <b>railway installations</b>                               | 20-50 |
| <b>site development, supply and disposal installations</b> | 15-25 |
| <b>hydraulic engineering structures</b>                    | 80    |
| <b>buildings</b>   | 50-75 |



Leasing contracts that serve the same business purpose as a purchase of a tangible asset (financial lease) are capitalised as tangible assets and depreciated over the same service life as similar assets. Leasing liabilities are shown under financial liabilities. Profits from sale and lease-back transactions (financial lease) are deferred and written back over the contract period.

**Assets under construction** comprise the accrued overall costs of a project. Non-capitalisable portions of costs are taken into account with corresponding depreciations until the completion of the project.

**Intangible assets** comprise non-material items (water rights, rights of passage and other rights, as well as software) that have been purchased. They are depreciated on a straight-line basis over the corresponding period of use.

#### → Liabilities

Contributions to the **staff benefit institutions** are made in accordance with the requirements of the BVG (Swiss pension fund law). All significant institutions operate on the defined benefit principle. Benefits payable to beneficiaries are normally calculated as a percentage of the presumed salary in the years immediately preceding retirement, and depend on the number of years worked.

Staff welfare at the SBB group is in principle the responsibility of the SBB Pension Fund Foundation, a self-contained institution since 1 January 1999. However, around 60 employees of subsidiaries have contracts with other benefits institutions.

The Federal government plans to repay the following amounts to eliminate the SBB Pension Fund's actuarial reserve deficit, which amounted to CHF 5,156 m when the Fund became independent: CHF 1,000 m per year in 1999 and 2000, and CHF 3,156 m in 2001. As a result of these repayments, liabilities of the same amount will arise for SBB AG. These in turn will be written down by 2004 on a straight-line basis by way of a waiver of claim by the Federal government. With the exception of the interest expenses for the SBB Pension Fund's actuarial reserve deficit, none of the refinancing transactions have a bearing on the profit and loss account.

A corresponding provision has been set aside for this deficit in the consolidated account in compliance with ARR 16 requirements. The deficit is calculated each year using the "projected unit credit" method.

**Other reserves** are formed and written back in accordance with principles of business management.

**Deferred taxes**, which relate solely to participations (as SBB AG is

exempt from taxes), take account of all effects on earnings taxes arising from the requirements of commercial or local law or from the internal valuation principles of the group. The reserves are formed according to the "comprehensive liability" method and are continuously adapted to any changes in local tax laws.

In accordance with the prudence principle, tax-relevant loss carryovers and tax credit notes are not taken into consideration.

#### → Derivative financial instruments

The SBB's financial strategy is geared to risk minimisation. Therefore, derivative financial instruments are used exclusively for hedging underlying transactions. Events affecting the earnings situation are tracked continuously in the accounts. For risk management purposes, off-balance sheet transactions are regularly valued.



## Notes to the consolidated accounts

### 1 Changes to the scope of consolidation

Since the first-time consolidation on 1 January 1999, the scope of consolidation has changed as follows:

#### Additions:

- ChemOil Logistics AG, Basel: In April 1999, SBB AG acquired a 51% interest in this newly founded company.
- RailAway AG, Luzern: In October 1999, SBB AG acquired a 100% interest in this newly founded company.
- S-Rail Europe GmbH, Singen: In December 1999, SBB AG acquired a 75% interest in this newly founded company.

#### Cancellations:

- BEAG AG, Basel: The company has gone into liquidation.

|  | 1999<br>CHF m  |
|--|----------------|
| <b>2 Traffic income</b>                |                |
| Passenger services                     | 1 608.0        |
| Freight services                       | 1 012.8        |
| Miscellaneous operations               | 113.8          |
| Infrastructure                         | 9.5            |
| Grants for regional passenger services | 557.9          |
| Grants for intermodal services         | 125.0          |
| <b>Traffic income</b>                  | <b>3 427.0</b> |

|  | 1999<br>CHF m |
|--|---------------|
| <b>3 Additional income</b>             |               |
| Contract staff                         | 14.3          |
| Services provided to third parties     | 52.8          |
| Servicing, maintenance and investments | 53.2          |
| Rental revenues                        | 41.2          |
| Power supplies                         | 96.8          |
| Foreign currency exchange              | 38.8          |
| Commissions                            | 86.3          |
| Sale of stationery and materials       | 42.8          |
| Fees                                   | 15.2          |
| Cost participations, contributions     | 27.5          |
| Sundry additional income               | 15.7          |
| <b>Additional income</b>               | <b>484.6</b>  |



|                       | 1999<br>CHF m |
|-----------------------|---------------|
| <b>4 Own services</b> |               |
| Investment orders     | 298.3         |
| Storage orders        | 84.3          |
| <b>Own services</b>   | <b>382.6</b>  |

|                                    | 1999<br>CHF m  |
|------------------------------------|----------------|
| <b>5 Federal government grants</b> |                |
| Maintenance grants                 | 711.0          |
| Operating grants                   | 562.0          |
| <b>Federal government grants</b>   | <b>1 273.0</b> |

The maintenance grant serves to cover depreciation of existing infrastructure and of non-capitalisable investments in new infrastructure.

|                          | 1999<br>CHF m  |
|--------------------------|----------------|
| <b>6 Personnel costs</b> |                |
| Wages and salaries       | 2 420.0        |
| Social insurance costs   | 532.8          |
| Other personnel costs    | 43.5           |
| <b>Personnel costs</b>   | <b>2 996.3</b> |

In addition to the ordinary contributions to the staff benefit institutions, the staff benefits expense also includes interest on the actuarial reserve deficit of the SBB Pension Fund amounting to CHF 200.7 m. This expense will decrease continuously up to the year 2001 as this shortfall is refinanced.

|  | 1999<br>CHF m |
|--|---------------|
| <b>7 Other operating expenses</b>                            |               |
| Rent paid for installations                                  | 19.6          |
| Bought-in services for maintenance, repairs and replacements | 147.8         |
| Vehicle costs  | 64.4          |
| Property insurances, duties, fees                            | 63.5          |
| Energy and waste disposal costs                              | 189.6         |
| Administration and information system costs                  | 119.6         |
| Publicity costs  | 22.3          |
| Other operating costs  | 41.3          |
| Third-party operating costs                                  | 238.1         |
| <b>Other operating expenses</b>                              | <b>906.2</b>  |



1999  
CHF m**8 Depreciations**

|                                    |       |
|------------------------------------|-------|
| Depreciations on financial assets  | 0.8   |
| Depreciations on tangible assets   | 849.3 |
| Depreciations on intangible assets | 2.2   |

|                      |              |
|----------------------|--------------|
| <b>Depreciations</b> | <b>852.3</b> |
|----------------------|--------------|

**9 Flat rate VAT charge/input tax reduction**

The expenses listed in this position are mainly due to the VAT regulations negotiated for the public transport enterprises. Instead of making an across-the-board reduction for input taxes, SBB AG pays 2.7% turnover tax on the payments it receives. As the tax payable is contained in these amounts, this arrangement does not influence the profit and loss account of SBB AG.

1999  
CHF m**10 Financial income**

|  |      |
|--|------|
| Income from interests received and from securities   | 42.5 |
| Investment income from unconsolidated participations | 4.0  |
| Interest income from unconsolidated participations   | 28.2 |
| Other financial income                               | 31.1 |

|                         |              |
|-------------------------|--------------|
| <b>Financial income</b> | <b>105.8</b> |
|-------------------------|--------------|

1999  
CHF m**11 Financial expenses**

|                                   |       |
|-----------------------------------|-------|
| Financial expenses, third parties | 186.9 |
| Financial expenses, shareholder   | 9.3   |
| Other financial expenses          | 8.6   |

|                           |              |
|---------------------------|--------------|
| <b>Financial expenses</b> | <b>204.8</b> |
|---------------------------|--------------|



|                                | 1999<br>CHF m |
|--------------------------------|---------------|
| <b>12 Extraordinary profit</b> |               |
| Extraordinary income           | 83.5          |
| Extraordinary expense          | -209.5        |
| <b>Extraordinary profit</b>    | <b>-126.0</b> |

The extraordinary income accrued from – among other things – the write-back of the provision for electricity supplies (CHF 40 m).

The extraordinary expense is due mainly to the formation of the provision for restructuring costs in connection with the FS/SBB joint venture (CHF 120 m), the increase in the insurance reserves (CHF 51.6 m), and other items not attributable to operating expenses.

|                                       | 1999<br>CHF m |
|---------------------------------------|---------------|
| <b>13 Taxes</b>                       |               |
| Current taxes on earnings and capital | 1.6           |
| Deferred taxes on earnings            | 0.0           |
| <b>Taxes</b>                          | <b>1.6</b>    |

According to Art. 21 of the SBB Law of 20 March 1998, SBB AG is exempt from taxes. However, this does not apply to the companies in which SBB AG has a participating interest.

|                                     | 31.12.1999<br>CHF m | 1.1.1999<br>CHF m |
|-------------------------------------|---------------------|-------------------|
| <b>14 Cash and cash equivalents</b> |                     |                   |
| Cash                                | 43.2                | 31.2              |
| Postal accounts                     | 3.0                 | 20.9              |
| Banks                               | 56.2                | 294.6             |
| Fixed deposits                      | 1 163.5             | 781.3             |
| Transfer accounts                   | 2.2                 | 3.3               |
| <b>Cash and cash equivalents</b>    | <b>1 268.1</b>      | <b>1 131.3</b>    |

Owing to the current provisions of the budget law, SBB AG effects a large part of its monetary transactions through the Federal Finance Administration (EFV). Since the current account credit balance and the term deposits with the EFV (CHF 970 m and CHF 14.5 m respectively) are of eminent importance for the assessment of liquidity, they are shown under the relevant cash items.



|   | 31.12.1999<br>CHF m | 1.1.1999<br>CHF m |
|---|---------------------|-------------------|
| <b>15 Short-term investments/securities</b> |                     |                   |
| Readily marketable securities               | 4.3                 | 54.9              |
| Other short-term investments                | 40.2                | 94.6              |
| <b>Short-term investments/securities</b>    | <b>44.5</b>         | <b>149.5</b>      |

|                                     | 31.12.1999<br>CHF m | 1.1.1999<br>CHF m |
|-------------------------------------|---------------------|-------------------|
| <b>16 Trade accounts receivable</b> |                     |                   |
| Trade receivables                   |                     |                   |
| from third parties                  | 423.6               | 340.5             |
| from unconsolidated participations  | 2.8                 | 24.8              |
| Value adjustments                   | -25.9               | -27.2             |
| <b>Trade accounts receivable</b>    | <b>400.5</b>        | <b>338.1</b>      |



Annex to the consolidated financial statements for 1999

|                                 | Securities<br>(fixed<br>assets)<br>CHF m | Participations<br>in associated<br>companies<br>CHF m | Other<br>participations<br>CHF m | Long-term<br>receivables<br>from third<br>parties<br>CHF m | Long-term<br>receivables<br>from un-<br>consolidated<br>participations<br>CHF m | Long-term<br>receivables<br>from<br>shareholder<br>CHF m | Total<br>CHF m |
|---------------------------------|--|---|----------------------------------|--|---|--|----------------|
| <b>17 Financial investments</b> |  |   |                                  |  |   |  |                |
| <b>Historical cost</b>          |  |   |                                  |  |   |  |                |
| Position at 1 Jan. 1999         | 349.8                                    | 106.8   | 132.0                            | 571.8  | 463.8   | 5 156.8  | 6 781.0        |
| Additions                       | 0.0                                      | 2.6   | 1.4                              | 20.5   | 12.4  | 0.0  | 36.9           |
| Disposals                       | -48.4                                    | 0.0   | -0.1                             | -8.9   | -6.0  | -850.0   | -913.4         |
| Transfers                       | 0.0                                      | 0.0   | 0.8                              | 0.0  | 0.0   | 0.0  | 0.8            |
| Position at 31 Dec. 1999        | 301.4                                    | 109.4   | 134.1                            | 583.4  | 470.2   | 4 306.8  | 5 905.3        |
| <b>Accumulated depreciation</b> |  |   |                                  |  |   |  |                |
| Position at 1 Jan. 1999         | 0.0                                      | 0.0   | -8.9                             | -31.5  | 0.0   | 0.0  | -40.4          |
| Additions                       | 0.0                                      | -0.2  | -0.6                             | 0.0  | 0.0   | 0.0  | -0.8           |
| Disposals                       | 0.0                                      | 0.0   | 0.1                              | 0.0  | 0.0   | 0.0  | 0.1            |
| Transfers                       | 0.0                                      | 0.0   | -0.8                             | 0.0  | 0.0   | 0.0  | -0.8           |
| Position at 31 Dec. 1999        | 0.0                                      | -0.2  | -10.3                            | -31.5  | 0.0   | 0.0  | -42.0          |
| <b>Net book value</b>           |  |   |                                  |  |   |  |                |
| at 31 Dec. 1999                 | 301.4                                    | 109.2   | 123.8                            | 551.9  | 470.2   | 4 306.8  | 5 863.3        |

The decrease in long-term receivables from the shareholder is due to the payment modalities agreed in connection with the refinancing of the SBB Pension Fund deficit (cf. note 25).

|   | 31.12.1999<br>CHF m | 1.1.1999<br>CHF m |
|---|---------------------|-------------------|
| <b>18 Materials and spare parts for own use</b> |                     |                   |
| Goods in stock                                  | 350.6               | 437.8             |
| Downpayments to suppliers                       | 0.6                 | 0.4               |
| Value adjustments                               | -131.9              | -162.2            |
| <b>Materials and spare parts for own use</b>    | <b>219.3</b>        | <b>276.0</b>      |



|  | Vehicles<br>(incl. leasing)<br>CHF m | Engineering<br>infrastructure<br>and<br>fixtures<br>CHF m | Other<br>tangible<br>assets<br>CHF m | Land<br>CHF m | Buildings<br>CHF m | Total<br>tangible<br>assets<br>CHF m | Assets<br>under<br>construction<br>CHF m | Assets<br>under constr.<br>and tangible<br>assets<br>CHF m |
|--|--------------------------------------|---|--------------------------------------|---------------|--------------------|--------------------------------------|--|--|
| <b>19 Assets under construction and tangible assets</b>          |                                      |   |                                      |               |                    |                                      |  |  |
| <b>Historical cost</b>   |                                      |   |                                      |               |                    |                                      |  |  |
| Position at 1 Jan. 1999  | 9 751.2                              | 9 856.5   | 4 514.8                              | 1 502.8       | 3 189.7            | 28 815.0                             | 5 593.7                                  | 34 408.7   |
| Investments assets<br>under constr.                              | 0.0                                  | 0.0   | 0.0                                  | 0.0           | 0.0                | 0.0                                  | 1 776.5                                  | 1 776.5  |
| Investments tangible assets                                      | 0.1                                  | 4.5   | 2.0                                  | 0.0           | 9.4                | 16.0                                 | 0.0                                      | 16.0   |
| Reductions assets under constr./<br>additions to tangible assets | 420.9                                | 980.3   | 324.2                                | 35.1          | 320.1              | 2 080.6                              | -2 405.1                                 | -324.5   |
| Reductions tangible assets                                       | -251.7                               | -49.2   | -176.8                               | -19.8         | -25.7              | -523.2                               | 0.0                                      | -523.2   |
| Transfers  | -0.6                                 | -621.0  | -261.4                               | -35.8         | -268.1             | -1 186.9                             | 1 185.5                                  | -1.4   |
| Position at 31 Dec. 1999   | 9 919.9                              | 10 171.1  | 4 402.8                              | 1 482.3       | 3 225.4            | 29 201.5                             | 6 150.6                                  | 35 352.1   |
| of which leasing   | 1 487.2                              |   |                                      |               |                    | 1 487.2                              |  | 1 487.2  |
| <b>Accumulated depreciation</b>                                  |                                      |   |                                      |               |                    |                                      |  |  |
| Position at 1 Jan. 1999  | -5 722.0                             | -3 202.9  | -2 923.8                             | -19.7         | -1 439.6           | -13 308.0                            | -864.7                                   | -14 172.7  |
| Additions  | -324.0                               | -304.6  | -115.9                               | 0.0           | -56.5              | -801.0                               | 0.0                                      | -801.0   |
| Reductions   | 226.9                                | 29.1  | 121.2                                | 0.0           | 8.0                | 385.2                                | 10.5                                     | 395.7  |
| Transfers between accounts                                       | -2.6                                 | 0.0   | 0.4                                  | 0.0           | 4.3                | 2.1                                  | 0.0                                      | 2.1  |
| Position at 31 Dec. 1999   | -5 821.7                             | -3 478.4  | -2 918.1                             | -19.7         | -1 483.8           | -13 721.7                            | -854.2                                   | -14 575.9  |
| of which leasing   | -360.1                               |   |                                      |               |                    | -360.1                               |  | -360.1   |
| <b>Net book value</b>  |                                      |   |                                      |               |                    |                                      |  |  |
| on 31 Dec. 1999  | 4 098.2                              | 6 692.7   | 1 484.7                              | 1 462.6       | 1 741.6            | 15 479.8                             | 5 296.4                                  | 20 776.2   |
| of which leasing   | 1 127.1                              |   |                                      |               |                    | 1 127.1                              |  | 1 127.1  |

Other fixed assets comprise all installations, information system and telecommunication equipment, and supply and disposal plant. Depreciation on leased vehicles in the year under review amounts to CHF 62.5 m.

|                             | 31.12.1999<br>CHF m | 1.1.1999<br>CHF m |
|-----------------------------|---------------------|-------------------|
| <b>20 Intangible assets</b> |                     |                   |
| Intangible assets           | 50.4                | 51.8              |
| Value adjustments           | -16.9               | -15.1             |
| <b>Intangible assets</b>    | <b>33.5</b>         | <b>36.7</b>       |



|   | 31.12.1999<br>CHF m | 1.1.1999<br>CHF m |
|---|---------------------|-------------------|
| <b>21 Short-term financial liabilities</b>  |                     |                   |
| Short-term liabilities to banks             | 3.7                 | 9.3               |
| Financial liabilities to third parties      | 179.1               | 21.7              |
| Financial liabilities to staff pension fund | 31.4                | 83.0              |
| <b>Short-term financial liabilities</b>     | <b>214.2</b>        | <b>114.0</b>      |

The increase in short-term financial liabilities is due to the reclassification of the bonds of Kraftwerk Amsteg AG (CHF 150 m) and Etzelwerk AG (CHF 15 m) maturing in the year 2000.

|                                 | 31.12.1999<br>CHF m | 1.1.1999<br>CHF m |
|---------------------------------|---------------------|-------------------|
| <b>22 Accrued charges</b>       |                     |                   |
| Accruals, travel documents      | 286.3               | 275.4             |
| Accruals, holidays and overtime | 61.2                | 55.6              |
| Accruals, interest payable      | 83.8                | 68.1              |
| Other accruals                  | 213.6               | 265.1             |
| <b>Accrued charges</b>          | <b>644.9</b>        | <b>664.2</b>      |

Accruals for travel documents relate mainly to the General Abonnement, Half-Fare Card and point-to-point season tickets. They do not extend to individual tickets.

|                                 | 31.12.1999<br>CHF m | 1.1.1999<br>CHF m |
|---------------------------------|---------------------|-------------------|
| <b>23 Short-term provisions</b> |                     |                   |
| Electricity costs               | 65.0                | 40.0              |
| Cleanup of contaminated sites   | 10.0                | 10.0              |
| Short-term provisions for taxes | 0.4                 | 11.8              |
| Special severance schemes 1999  | 0.0                 | 172.4             |
| Staff pension fund deficit      | 0.0                 | 58.3              |
| Other short-term provisions     | 35.6                | 60.3              |
| <b>Short-term provisions</b>    | <b>111.0</b>        | <b>352.8</b>      |

The decrease in short-term provisions is mainly due to the special severance scheme terminated in the year under review. Additionally, provisions of CHF 40 m for electricity supplies were released. The amount of CHF 65 m allocated for the year 2000 has been reclassified from long-term to short-term provisions.



|   | 31.12.1999<br>CHF m | 1.1.1999<br>CHF m |
|---|---------------------|-------------------|
| <b>24 Long-term financial liabilities</b> |                     |                   |
| Bank liabilities                          | 427.8               | 377.9             |
| Leasing liabilities                       | 1 841.8             | 1 783.0           |
| Mortgage loans                            | 7.4                 | 7.6               |
| Bonds                                     | 300.0               | 465.0             |
| Staff pension fund                        | 1 428.6             | 1 441.6           |
| <b>Long-term financial liabilities</b>    | <b>4 005.6</b>      | <b>4 075.1</b>    |

The bonds of Etzelwerk AG (CHF 15 m) and of Kraftwerk Amsteg AG (CHF 150 m) falling due in the year 2000 are shown in the short-term financial liabilities. Because – based on the contracts in force – leasing interest is partly capitalised, leasing commitments have increased.

|   | 31.12.1999<br>CHF m | 1.1.1999<br>CHF m |
|---|---------------------|-------------------|
| <b>25 Other long-term liabilities</b>               |                     |                   |
| Liabilities to third parties                        | 12.9                | 16.7              |
| Liabilities to associated companies                 | 0.0                 | 5.0               |
| Liabilities to federal government<br>as shareholder | 6 072.6             | 5 327.8           |
| Liabilities to social security institutions         | 4 156.8             | 5 156.8           |
| <b>Other long-term liabilities</b>                  | <b>10 242.3</b>     | <b>10 506.3</b>   |

Liabilities to the Confederation as shareholder are made up as follows:

|   | 31.12.1999<br>CHF m | 1.1.1999<br>CHF m |
|---|---------------------|-------------------|
| Loans with variable interest rates                      | 3 389.0             | 3 328.0           |
| Interest-bearing loans, SBB Pension Fund<br>refinancing | 120.6               | 0.0               |
| Interest-bearing loans,<br>major railway projects fund  | 242.9               | 102.1             |
| Variable-interest loans,<br>major railway projects fund | 2 320.1             | 1 897.7           |
| <b>Total</b>  | <b>6 072.6</b>      | <b>5 327.8</b>    |

The investments in Rail 2000 are financed via loans from the major rail projects fund. The interest rates payable on interest-bearing loans are between 2.75% and 3.75%.

The refinancing of the SBB Pension Fund is mirrored in the decrease in liabilities to staff benefit institutions. According to the refinancing plan, the Federal government has waived CHF 850 m of its credit balance with the SBB (cf. note 17).



|   | 31.12.1999<br>CHF m | 1.1.1999<br>CHF m |
|---|---------------------|-------------------|
| <b>26 Long-term provisions</b>            |                     |                   |
| Staff benefit scheme (ARR 16)             | 650.0               | 650.0             |
| Rolling stock maintenance                 | 117.3               | 124.4             |
| Restructuring costs, FS/SBB Joint Venture | 120.0               | 0.0               |
| Site contamination commitments            | 100.0               | 100.0             |
| Power consumption costs                   | 0.0                 | 65.0              |
| Miscellaneous                             | 464.1               | 485.1             |
| <b>Long-term provisions</b>               | <b>1 451.4</b>      | <b>1 424.5</b>    |

The provision for rolling stock maintenance covers additional expenditures on vehicle overhaul arising from legal obligations (e.g. environmental protection). The restructuring costs of the joint venture will accrue in the next 1 to 3 years. Since measures to clean up contaminated sites were only initiated towards the end of the year under review, the related costs will only be debited to the provisions as of the 2000 accounts. The other provisions relate mainly to earnings from the sale of cable-laying rights and from US leasing transactions (CHF 138.5 m), provisions for the decommissioning of infrastructure (CHF 50.4 m) and other items of relevance to business operations.



### Staff benefit scheme

The medium and long-term actuarial parameters used for calculating the contributions to the staff benefit institutions as per ARR 16 can be summed up as follows:

|                              | 1999<br>% |
|------------------------------|-----------|
| Discount rate                | 5.0       |
| Development of salaries      | 2.5       |
| Development of pensions      | 1.0       |
| Expected revenue from assets | 5.0       |

|   | 31.12.1999<br>CHF m | 1.1.1999<br>CHF m |
|---|---------------------|-------------------|
| <b>Financial status of staff benefit fund</b> |                     |                   |
| Fund assets                                   | 13 102.0            | 12 786.0          |
| Fund liabilities                              | -13 682.0           | -13 436.0         |
| <b>Total deficit, staff benefit funds</b>     | <b>-580.0</b>       | <b>-650.0</b>     |

The actuarial reserve deficit decreased by CHF 70 m in the year under review. As long as fluctuations are within the band stipulated by ARR 16, this item will not be reflected in the profit and loss account.

|   | 1999<br>CHF m |
|---|---------------|
| <b>Net pension costs per annum</b>                  |               |
| Service cost per annum                              | 198.0         |
| Interest payable on staff benefit liabilities (PBO) | 684.0         |
| Expected income from fund assets                    | -655.0        |
| <b>Total pension costs per annum</b>                | <b>227.0</b>  |

|                                 | Share<br>capital<br>CHF m | Share<br>premium<br>account<br>CHF m | Revenue<br>reserves<br>CHF m | Total<br>CHF m  |
|---------------------------------|---------------------------|--------------------------------------|------------------------------|-----------------|
| <b>27 Changes in equity</b>     |                           |                                      |                              |                 |
| Position at 1 Jan. 1999         | 9 000.0                   | 2 078.7                              | 0.0                          | 11 078.7        |
| Group profit                    | 0.0                       | 0.0                                  | 118.0                        | 118.0           |
| Profit distribution             | 0.0                       | 0.0                                  | 0.0                          | 0.0             |
| <b>Position at 31 Dec. 1999</b> | <b>9 000.0</b>            | <b>2 078.7</b>                       | <b>118.0</b>                 | <b>11 196.7</b> |

The share capital is divided up into 180 million fully paid-up registered shares with a nominal value of 50 CHF each.



**28 Legal information**

(except where shown under the corresponding items)

|   | 31.12.1999<br>CHF m | 1.1.1999<br>CHF m |
|---|---------------------|-------------------|
| <b>28.1 Sureties, guarantees and pledges<br/>in favour of third parties</b> |                     |                   |
| Sureties and guarantees   | 173.0               | 179.8             |
| Liabilities from non paid-up share capital                                  | 110.1               | 110.1             |
| <b>Total</b>  | <b>283.1</b>        | <b>289.9</b>      |

In addition, SBB AG has interests in a number of joint liability companies.

|                              | 31.12.1999<br>CHF m | 1.1.1999<br>CHF m |
|------------------------------|---------------------|-------------------|
| <b>28.2 Assets pledged</b>   |                     |                   |
| Book value of pledged assets | 14.1                | 14.2              |
| <b>Total</b>                 | <b>14.1</b>         | <b>14.2</b>       |

**28.3 Fire insurance value of the fixed assets**

The fire insurance values of the fixed assets correspond to the replacement value or value when new.

|   | 31.12.1999<br>CHF m | 1.1.1999<br>CHF m |
|---|---------------------|-------------------|
| <b>28.4 Liabilities to staff benefit institutions</b> |                     |                   |
| Short-term liabilities                                | 41.1                | 187.7             |
| Long-term liabilities                                 | 4 156.8             | 5 156.8           |
| <b>Total</b>  | <b>4 197.9</b>      | <b>5 344.5</b>    |

|   | 31.12.1999<br>CHF m | 1.1.1999<br>CHF m |
|---|---------------------|-------------------|
| <b>28.5 Bonds</b>                         |                     |                   |
| 6.750% bond Etzelwerk AG 1992–2000        | 15.0                | 15.0              |
| 4.625% bond Kraftwerk Amsteg AG 1993–2003 | 100.0               | 100.0             |
| 5.250% bond Kraftwerk Amsteg AG 1995–2000 | 150.0               | 150.0             |
| 4.375% bond Kraftwerk Amsteg AG 1996–2006 | 150.0               | 150.0             |
| 3.500% bond Kraftwerk Amsteg AG 1998–2007 | 50.0                | 50.0              |
| <b>Total</b>                              | <b>465.0</b>        | <b>465.0</b>      |



### 29 Related parties

The Federal government holds 100% of the shares of SBB AG. In the year under review, SBB AG received CHF 1,798.7 m in PSO grants from its shareholder. These break down as follows:

|  | 1999<br>CHF m  |
|--|----------------|
| Grants for infrastructure maintenance  | 711.0          |
| Grants for operation of infrastructure | 562.0          |
| Grants for regional passenger services | 400.7          |
| Grants for intermodal services         | 125.0          |
| <b>Total</b>                           | <b>1 798.7</b> |

### 30 Financial instruments

To hedge the commitments from the US leasing transactions, various investments in securities with fixed values at maturity were effected. The discounted value of USD 189.5 m stated in the balance sheet compares with a present market value of USD 194.6 m.

To hedge the foreign currency risks, the following derivative financial instruments are outstanding as per the balance sheet date:

|              | contract values<br>CHF m | 31.12.1999<br>replacement values |                   |
|--------------|--------------------------|----------------------------------|-------------------|
|              |                          | positive<br>CHF m                | negative<br>CHF m |
| Futures      | 64.1                     | 0.3                              | 0.7               |
| Options      | 49.9                     | 0.2                              | 1.2               |
| <b>Total</b> | <b>114.0</b>             | <b>0.5</b>                       | <b>1.9</b>        |

### 31 Segment report

Since the SBB's business activities mainly relate to the performance of railway transport and infrastructure services, segmental reporting is dominated by SBB AG itself. The performances of the group companies figure in the accounts mainly as SBB AG inputs and are thus not considered for consolidation. Business activities are mainly focused on Switzerland, which is regarded as a single geographical entity for the purposes of segmental reporting. We therefore refer to the segment report in the annex to the SBB AG financial statements (cf. page 41).

### 32 Events after the balance sheet date

No events occurred between the balance date and the date of the audit certification that have not been included in the financial statements and require publication.