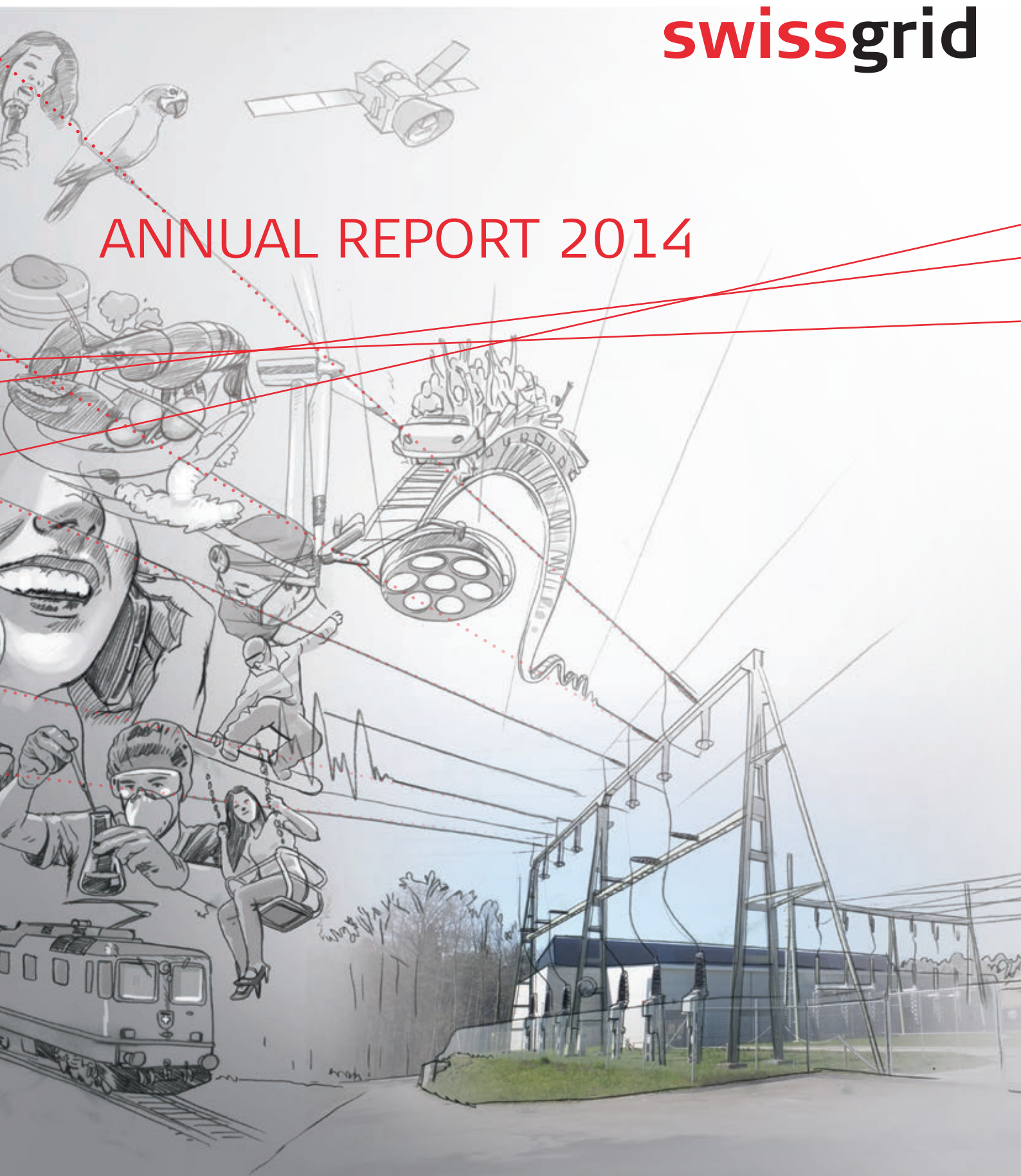


ANNUAL REPORT 2014



“ 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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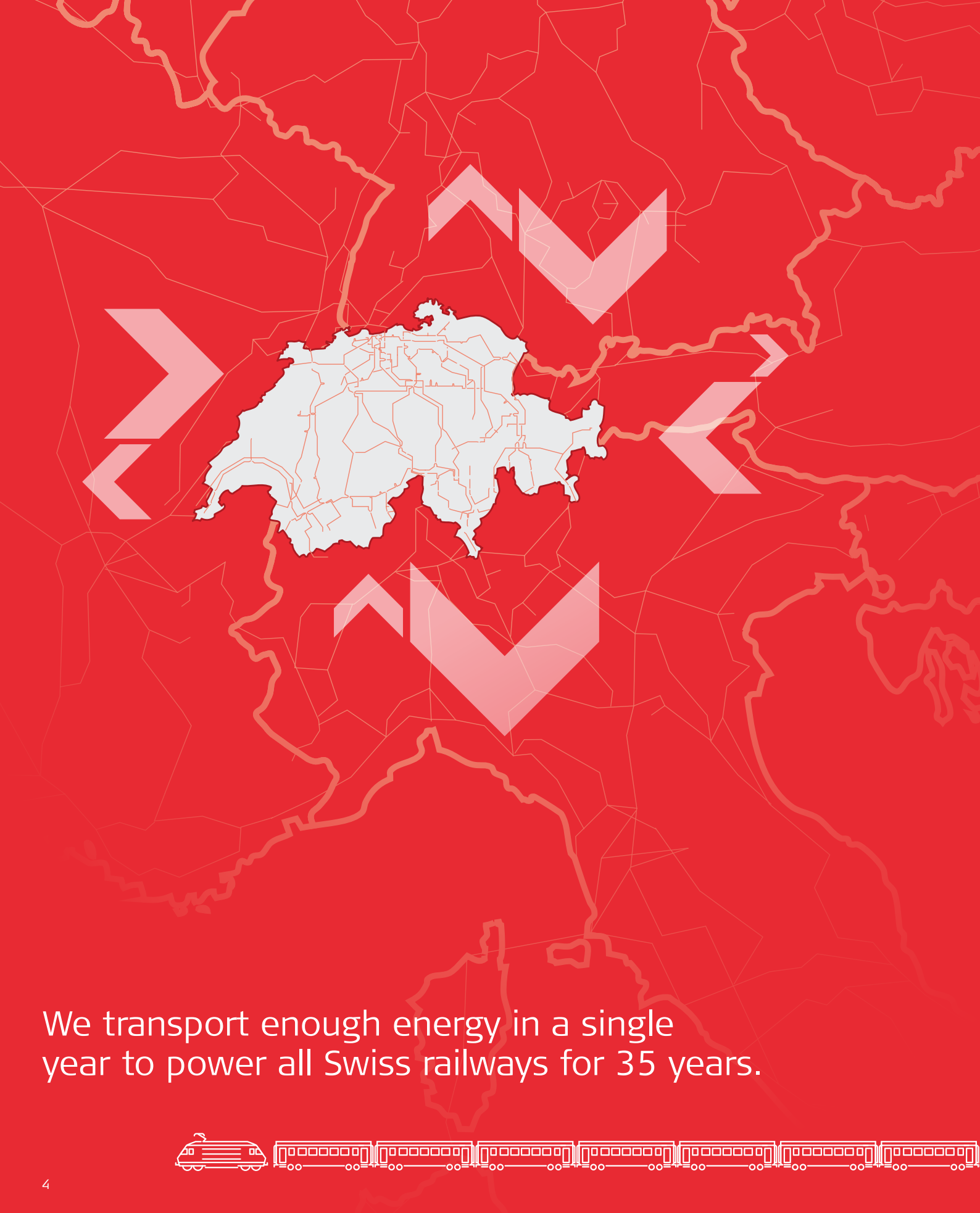
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We transport enough energy in a single year to power all Swiss railways for 35 years.



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, and in its capacity as transmission system owner it ensures the secure, reliable and cost-effective operation of the Swiss extra high-voltage grid.

Swissgrid employs over 400 highly qualified people from 17 countries at its sites in Laufenburg, Frick and Prilly. As a member of the European Network of Transmission System Operators for Electricity (ENTSO-E), it is also responsible for coordination and grid usage in the cross-border exchange of electricity in Europe.

Swissgrid is wholly owned by Swiss electricity companies Axpo Power Ltd, Alpiq Ltd, Alpiq Suisse Ltd, BKW Netzbeteiligung Ltd, Axpo Trading Ltd, Centralschweizerische Kraftwerke AG and other shareholders.

FIGURES ON THE SWISS TRANSMISSION GRID

Energy transported (in GWh)	78,435
Import (in GWh)	28,120
Export (in GWh)	32,458
Grid length (in km)	6,700
Switching systems	140
Number of grid transfers to other countries	41

FINANCIAL INFORMATION (IN MILLIONS OF CHF)*

Total operating income	833.2
Cost of procurement	356.1
Operating expenses incl. depreciation/ amortisation and impairment losses	335.7
Earnings before interest and income tax (EBIT)	141.4
Net income	80.5
Balance sheet total **	2,671.1
Free cash flow	61.0

* Swiss GAAP FER numbers

** Excluding balance sheet items held on fiduciary basis

“ Without my work, all chairlifts
would come to a standstill.
I am Swissgrid and proud of it.”

*Markus Lenzin, Head of ICT Corporate Applications
and expert in youth and sport ski training*





ON BEHALF OF SWITZERLAND



DEAR READER

Swissgrid's energy and innovative capacity is entirely focused on providing a reliable supply of electricity. We are faced with the daily challenge of balancing supply and demand with the highest possible precision. We believe it is important to help shape the economically efficient, sustainable transition of our country and of Europe into the energy future. Throughout the entire year we ensured that our customers and partners had access to an uninterrupted grid. At the same time we were also focused on the safe development of the Swiss electricity system.

In January 2014, Swissgrid acquired the remaining parts of the Swiss extra-high-voltage grid. During the year we took an exhaustive inventory of these parts and implemented the transition to system-wide maintenance: an important step in merging all the functions of the transmission system at Swissgrid. In addition, the refinancing of this consolidation was permanently ensured. As a National Grid Company, the acquisition of the location in Prilly (VD) was also of great significance. Our employees have been performing all activities in Romandie from these new headquarters, which is also home to a second grid control room, since December.

Safety is absolutely essential in our activities. We are therefore pleased to report that 2014 was an accident-free year. This is also reflected in the fact that Swissgrid was certified pursuant to work safety standard OHSAS 18001 and the NERC CIP standard on the protection of critical infrastructure following successful tests and inspections by external experts.

In 2014 we also continued to drive international integration. Swissgrid and its partners connected a sixth European transmission system owner to its cross-border procurement platform for primary control power. We anticipate that the increased competition will lead to a gradual reduction in control power prices. This and other cost reductions, such as for the ancillary services, are the result of our efforts to reduce electricity prices for the benefit of grid customers.

These and other commitments allowed Swissgrid to strengthen its role in Europe and beyond over the past year. Visits by delegations of foreign transmission system operators and authorities to Switzerland confirmed Swissgrid's reputation as a pioneer and centre of expertise. Company employees were involved in numerous international committees as experts in their field. This allowed us to contribute to the ten-year development plan developed by the European Network of Transmission System Operators for Electricity (ENTSO-E). Swissgrid is now also represented on the board of the Renewables Grid Initiative, an alliance of transmission system operators, non-governmental organisations and research institutions. Our cooperation in these and other organisations ensures that Swissgrid is involved in the restructuring of the European electricity system at a political and technical level.

In 2014, in close cooperation with our project partners, we established the technical and operational requirements for Switzerland's integration into the European internal electricity market as planned. We regret that the introduction of the "Market Coupling" and Switzerland's cooperation has to wait for the time being due to political developments. This further delays the mutual welfare gain as a result of this accomplishment. However, thanks to solid preparatory work, we are in a position to complete the commercial coupling as soon as we receive the green light.

In 2014, several shareholders announced that they would sell their shareholdings in Swissgrid. Despite the associated turmoil, we believe that this development provides an opportunity to expand the company's shareholder base with investors that are focused on the long term. The Board of Directors thus commissioned the preparations to ensure the transfer of Swissgrid shares in compliance with the articles of association as well as attending to long-term and integral financing considerations with regard to target equity ratio and dividend policy.


These accomplishments would not have been possible without the expertise and commitment of our employees. We ascribe great importance to personnel selection and development. In the annual study by the consulting company Universum in 2014, Swissgrid was once again placed amongst the top 100 employers in Switzerland. This result shows that we provide modern and safe workplaces and that we are well positioned in the competition for the best employees.

On behalf of the Board of Directors and the Executive Board, we would like to thank Swissgrid's employees and partners for the energy with which they continue to strive to achieve our goals!

Adrian Bult
Chairman of the
Board of Directors

Pierre-Alain Graf
CEO





“ Whether practicing a line dance or participating in events – these occasions all require the work I perform every day. I am Swissgrid and proud of it.”

*Eva Mathys, Management Assistant
and line dancer*

2014 IN REVIEW

In the past financial year, Swissgrid took over the remaining part of the Swiss extra-high-voltage grid and conducted an inventory of the entire system. As a result, the mandate to consolidate the grid will shortly be completed. The relevant milestones to upgrade the infrastructure were also achieved in important construction projects. Swissgrid's role in Europe is now more central than ever before, despite difficult political framework conditions. Swissgrid can look back on a successful 2014 and look forward to an even better 2015.

WE ARE PERFORMING OUR TASKS WITH DISTINCTION.

First of all: the overall situation in 2014 is very satisfactory. Swissgrid ensured the operation of the grid and supply in Switzerland throughout the entire year. The meteorological situation was calm. No serious system damage with significant interruptions to supply was recorded.

However, this does not mean that the task has become easier: long approval processes mean that the grid situation generally remains unchanged compared to previous years. As a result, short-term measures continue to be necessary in order to respond to critical situations, especially in areas with structural bottlenecks, such as the region of Lake Geneva and south-eastern Switzerland. In addition, the volatility of the load flows has increased, which means that the predictability of the system situation has continued to decrease. At the same time, the influence of photovoltaics has increased. This meant that Swissgrid was faced with the challenging task of acting as a link between Italy and Germany; it was the first time that south-north flows with a magnitude of some 2,500 megawatts were recorded on multiple occasions.

Swissgrid was able to tackle and master all of these challenges. This confirms our good work and preparation and provides good insurance for the future.

WE TOOK OVER THE REMAINING PARTS OF THE TRANSMISSION SYSTEM ...

Swissgrid was able to record its first major milestone as early as January: it took over the remaining parts of the transmission system and was able to fulfil an important stage of the grid consolidation mandate. An exhaustive inventory of the extra-high-voltage grid was taken during the year, and extensive work took place for the upcoming maintenance transition in January 2015: maintenance was tendered and awarded externally for the first time. Moreover, Swissgrid also ensured the refinancing of this consolidation.

Swissgrid is actively helping to shape the energy landscape in Switzerland and is taking energy into a future in which it can ensure the comprehensive maintenance and expansion of the Swiss extra-high-voltage grid – safe, environmentally friendly and efficient.

... AND COSTS ARE FALLING IN 2014 AS WELL.

Since 2009, Swissgrid has been actively working on the operational cost base of the Swiss transmission grid. This work was successfully continued in 2014. Swissgrid has reduced the yearly costs of the activities subject to StromVG (procurement effort, operating expenditure, depreciation) by CHF 466.1 million (41%) since 2009. In contrast to this, there are additional costs of a legal nature.



WE ARE EXTENDING THE INFRASTRUCTURE ...

The first pieces of good news from the infrastructure also arrived early in the year: on 16 January the new 220 kV switching substation was erected in the Gösgen substation. The new substation will be considerably more compact thanks to gas insulation; it will take up five to six times less space. The same technology allows a 40-fold reduction in area at the new 220 kV switching substation in Laufenburg compared to the existing outdoor switching substation. The topping out ceremony was held in November. Both stations will replace systems that have been in operation for almost 60 years.

In August, invited guests participated in the groundbreaking ceremony for the new 220 kV substation in Rüthi (SG), which will make a significant contribution to improving the security of supply in eastern Switzerland, with an optimised grid connection towards Austria. The new facility will commence operation in 2016.

And the new Froloo substation was completed in Therwil (BL). The inauguration and the open day were held on 13 September in close cooperation with EBM and Alpiq. Around 430 guests were present as the occasion marked the completion of a four-year renovation; a successful project from start to finish.

But that is not all: in July, a decision was made to replace the existing 220 kV substation in Avegno (TI) at the entrance to the Maggia Valley. This facility is also over 60 years old and no longer meets current requirements. Construction will finish in 2017. In October, Swissgrid submitted the feasibility study, required by the Federal Supreme Court, for cabling in the Binnegga-Binnachra-Hockmatta-Hofstatt region on a subsection of the Gommer line to the Swiss Federal Office of Energy (BFE). The other two subsections of the Gommer line are currently already under development, the short Bitsch/Massaboden-Termen section was completed in November.

The grid connection of the new Axpo Linth-Limmern pumped-storage power plant is almost complete. All pylons are in place and the conductors have been installed; operation is expected to commence in 2015. Furthermore, in Veytaux (VD) two 380/220 kV transformers were delivered for the new 380/220 kV substation in October in what was a logistical challenge. The 220 kV switching substation has already been in operation since 2013 while the inauguration of the 380 kV switching substation is planned for 2015.

Pending proceedings mean that existing grid bottlenecks have not yet been removed and gaps in the transmission not yet closed. For example, the Nant de Drance and Chamson-Chippis projects are still unfinished. Yet Swissgrid achieved its set objectives and milestones in numerous other infrastructure projects across the country. This is a performance that Swissgrid can look back on with pride and which lets us look forward to the coming year with confidence.

The screws in our 12,000 electricity pylons weigh as much as 140 semi-trailers.



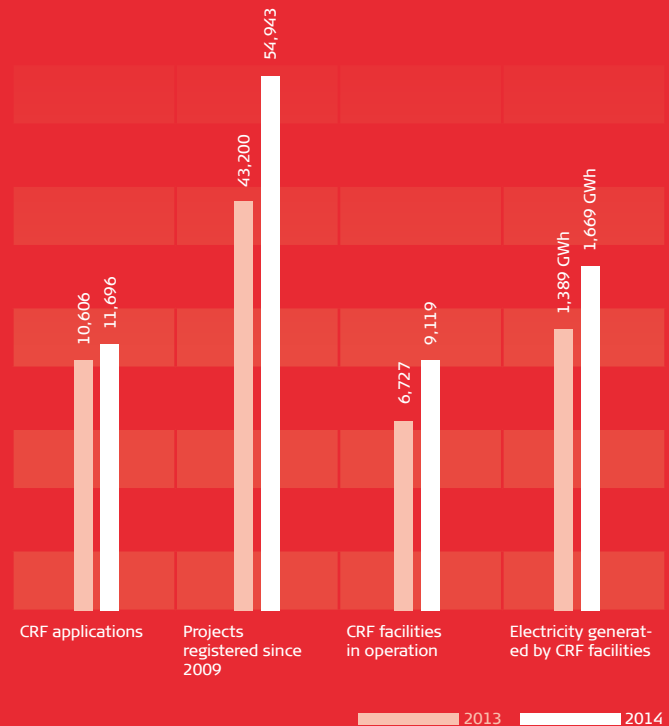
CRF continues to “boom”

The enormous interest for cost-covering remuneration for feed-in to the electricity grid (CRF) continued in 2014. In the past financial year, 11,696 applicants submitted their application documents to Swissgrid. This amounts to an average of 975 applications every month, while a total of 1,326 were received in December.

A total of 54,943 CRF applications have been submitted since its introduction in 2009. Of these, 14,369 applications have received a positive response. The 9,119 production facilities that have been commissioned to date generated 1,669 GWh of renewable electricity in 2014. A total of 39,333 facilities were on the waiting list as of the end of the year.

The new “one-off remuneration” process resolved by parliament for small photovoltaic systems was successfully introduced. Swissgrid had already paid total remuneration of 6.28 million francs by the end of 2014. Further payments of well over 100 million francs are expected in 2015.

Energy producers have had to provide evidence of the type of production and origin of the electricity since 2006. This facilitates international trade in electricity from renewable energies and ensures that electricity consumed by the end customer can be traced back to its origin. 97.5% of all Swiss electricity producers have been registered in the Swissgrid database for guarantees of origin since 1 January 2013.



... AND EXPANDING OUR PRESENCE IN ROMANDIE.

The new Swissgrid location in Prilly (VD) was commissioned in December 2014. The offices in Vevey and Lausanne were combined at a new location during the year. The Prilly location will be responsible for controlling the grid in Romandie, facility management for the region and management of the construction projects in western Switzerland. The new location in Prilly allows Swissgrid to significantly expand its dialogue and relationships with partners and universities in Romandie.

WE INVEST IN TRAINING ...

In July, Swissgrid was able to reach the first important milestone in the construction of a training and simulation centre. The project commenced in April and will represent an important innovation in training personnel in the grid control rooms as well as for power plant operators. It allows training for grid faults, grid failures and interruptions to take place in realistic emergency simulations. The workplaces are currently in a six-month test phase after being constructed and installed in record time.

... AND WE SEEK TO ESTABLISH CONTACT AT EYE LEVEL.

Other than the occasions relating to the expansion and maintenance of the infrastructure, which were regularly attended by numerous interested parties, Swissgrid also had an exhibition at "Powertage" from 3 to 5 June in the halls of Messe Zürich. Over 2,000 experts from the Swiss energy industry participated in the event and bore witness to a positive Swissgrid presence.

Public interest in Swissgrid and its activities is pleasingly high, which is also displayed by the high number of group requests and successful visits in Laufenburg. Quarterly open evenings are held under the motto "Meet Swissgrid" in order to meet this interest in an optimal manner.

WE CONTINUE DOWN THE PATH HAND IN HAND WITH EUROPE.

Since 2012, Swissgrid has procured a significant amount of Switzerland's demand for primary control power, a full 25 megawatts, via tender on the Internet platform www.regelleistung.net. The four German transmission system operators 50Hertz, Amprion, TenneT and TransnetBW have been procuring their control power via this platform since 2007. The Dutch company TenneT TSO B.V. was a new acquisition in 2014, which procures 35 megawatts via this platform – a good third of the Netherlands' overall demand. This successive merger of the Dutch, Swiss and German markets for primary control power improves the cooperation of the TSO, reduces procurement costs and increases security of supply.

WE WELCOME SOUTH-EASTERN EUROPE TO LAUFENBURG ...

Swissgrid is not "just" Switzerland's National Grid Company, but, as the Coordination Center South, it also performs important activities in coordinating the continental European transmission system. The "South" region includes France, Spain, Portugal, Italy, Switzerland and the countries in south-eastern Europe.

The Turkish transmission grid operator TEIAS is currently preparing for the official connection to the continental European grid. Turkey's connection to Europe's synchronous grid area allows the South region to be extended beyond the Bosphorus. As part of the preparations for the connection, a delegation from TEIAS visited various grid operators and was also welcomed in Laufenburg.

This delegation is one of many to have visited Swissgrid as a centre of expertise in the past year. During all of these visits, one thing was always clear: Swissgrid is recognised and esteemed as a leading transmission system operator in Europe and its work is seen as a benchmark.

Compliance is on track as well.

Swissgrid can also look back on a positive year under review with regard to compliance matters. The projects relating to the compliance function were able to be implemented. One of these projects was the integration of compliance risks into the company-wide risk management. The directives system was able to be developed and the establishment of an e-library for compliance-related documents was tackled.

The compliance requirements were successfully communicated with the help of various on-site training measures and company-wide online training. The focus in the year under review was on training managerial staff in relation to integrating compliance into their management tasks. Managerial staff are multipliers who ensure that information is consistently distributed across the entire company.

Confidence in a neutral examination by Compliance is high. It is used as a reporting office for infringements. This is shown by the high number of enquiries in the year under review. Compliance received enquiries regarding purchase conditions as well as the acceptance of invitations or gifts at least once a week. Information in connection with whistle-blowing was able to be appropriately pursued with the help of investigations. As an internal service provider, Compliance ensures compliance with the legal requirements thanks to clear rules.



... AND DEVELOP OUR ROLE THROUGHOUT EUROPE.

The integrated, innovative and sustainable development of the electricity grid throughout Europe is a key goal for Swissgrid. As a result, it plays a leading role in matters regarding the shaping of Europe's electricity future. For example, this is displayed by the appointment of Andreas John and Nisheeth Singh as convenors of Steering Groups of the ENTSO-E System Operation Committee, or of Jörg Spicker to the Board of the Renewables Grid Initiative (RGI). The objective of this association, whose members consist of transmission system operators (TSO), NGOs and research institutions, is to ensure an efficient, sustainable and socially acceptable expansion of the European grid infrastructure.

After several years of membership, Swissgrid has decided to intensify its commitment to the European development of best practices by TSO and NGOs. This commitment is currently focused on the interaction with stakeholders in planning and approval processes for grid construction projects. However, the discussion on new roles and distributions of tasks for the conversion of the electricity system will become the centre of attention in the future.

Swissgrid believes that close cooperation with NGOs, their early involvement and absolutely open dialogue is fundamental for the targeted development of the grids. That is why Jörg Spicker's commitment is an important and correct step.

WE ARE READY**FOR THE MARKET COUPLING.**

Swissgrid is ready for the "Market Coupling" –the coupling of Switzerland to the European internal electricity market. All requirements were established with great commitment in four subprojects. However, Switzerland cannot yet participate in the "Market Coupling". The EU and Switzerland do not currently have a solution for the open issues regarding an electricity agreement. These issues must first be clarified. However, all parties involved agree that a united internal electricity market will only be beneficial for Europe and Switzerland. It is therefore expected that the parties involved will continue to work intensely on reaching an agreement.

WE ARE AMONG THE BEST.

Swissgrid employees have delivered outstanding performances across all fronts. They are to thank for Swissgrid's pleasing and methodical development. Nothing ventured, nothing gained – employees are only as good as the opportunities that they receive. They are particularly good at Swissgrid: in the annual study by the consulting company Universum in 2014, Swissgrid was once again placed amongst the top 100 employers in Switzerland. The distinction demonstrates that Swissgrid provides modern workplaces in an attractive sector and that it is well positioned in the competition for the best employees. Long may it continue!

Our high-voltage lines
could encircle Lake Constance 25 times.



“ Every time I go for a swim here
I know that without my work this
swimming pool would not exist.
I am Swissgrid and proud of it.”

*Michele Mastroianni,
Contract Manager Grid Operations and swimmer*





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Financial commentary

Compared to the previous year, the Swissgrid 2014 financial statements do not contain any special matters, as was the case in 2013, for example, due to the transfer of the Swiss transmission grid or the reversal of the AS residual costs charged to power plants in 2009 and 2010.

The key financial figures in the income statement, balance sheet, cash flow statement and the statement of changes in equity reflect the consolidated and optimised activities in 2014. This includes the acquisition of further parts of the transmission system as well as various activities in the grid and company projects as well as ongoing efforts to continue to reduce the procurement and operating costs and further increase flexibility.

PROCUREMENT AND OPERATING COSTS

Procurement costs and operating expenses of CHF 691.8 million are well below the previous year's value of CHF 749.9 million. However, procurement costs in the grid utilisation segment rose to CHF 95.8 million (prior year: CHF 19.0 million). This increase is primarily due to the supplemental compensation of higher grid costs for ewz as well as the transmission system installations taken over as of the start of 2014.

It was possible to reduce procurement costs for the provision of control power by power plants (general ancillary services) to CHF 178.9 million in the year under review by introducing combined tenders for secondary and tertiary control power and the associated optimisation of the procurement volumes. As a result, the costs were CHF 101.5 million lower compared to the previous year. This is also due to the low fill levels and the accumulation of power plant shutdowns in April 2013, which led to an extraordinarily high price rise. The procurement costs for the individual ancillary services (active power loss and reactive energy) amounted to CHF 84.6 million, a reduction of CHF 4.6 million compared to the previous year.

Operating costs dropped to CHF 231.0 million (prior year: CHF 246.9 million), whereby, in the previous year, personnel expenses were burdened with a one-off contribution due to the change of the pension scheme as of 1 April 2013 (CHF 19.1 million). Materials and third-party supplies as well as other operating expenses decreased slightly by CHF 2.6 million compared to the previous year.

Amortisation/Depreciation on property, plant and equipment and intangible assets amounted to CHF 104.7 million and are below previous year's value of CHF 115.2 million. The amount for the previous year contained a one-off effect from the harmonisation of the utilisation periods of the acquired transmission systems as well as the residual amortisation/depreciation based on the technical regulations.

REVENUE AND VOLUME- AND TARIFF-RELATED TIMING DIFFERENCES

The significant increase in net turnover of 633.1 million compared to the previous year is due to the reversal in 2013 of the residual AS costs charged to power plants between 2009 and 2010 (reduction of CHF 360.2 million) as well as the tariff increases in 2014, especially the rescission supplement in the general ancillary services tariff (CHF 168.9 million).

The net amounts of the volume- and tariff-related timing differences decreased slightly by CHF 8.0 million in the reporting year (cumulative deficits less cumulative surpluses). However, the effects had an offsetting impact within the segments. For example, the deficits were reduced by CHF 171.9 million for the general ancillary services due to the rescission supplement, while the deficits increased by CHF 123.9 million in the grid utilisation segment, primarily due to the new remuneration ruling for higher grid costs for former grid owners by ElCom in 2014.

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.

The EBIT of CHF 141.4 million is slightly above previous year's value of CHF 137.1 million. Financial expenses of CHF 41.0 million also increased slightly compared to a value of CHF 38.2 million in the previous year.

However, net income of CHF 80.5 million is substantially higher than in 2013 (CHF 50.6 million), which was burdened by reportable deferred tax expense of CHF 37.5 million. Deferred taxes arise due to the valuation differences between the tax and transaction values of the acquired grid companies. Deferred tax liabilities decreased by CHF 0.5 million in 2014.

BALANCE SHEET AND CASH FLOW STATEMENT

Total assets (excluding balance sheet items held on a fiduciary basis) amounted to CHF 2.671 billion, a slight fall of 6.4 million compared to the previous year. Property, plant and equipment and intangible assets fell by CHF 15.2 million, as net investments were able to be entirely financed by congestion proceeds and the remaining investments were not able to compensate for depreciation/amortisation. The net income in 2014 and the acquisition of additional parts of the transmission system, based on consideration in the form of 30% of Swissgrid shares, ensured that equity continued to strengthen.

The positive free cash flow (FCF) of CHF 61.0 million (2013: negative FCF of CHF 341.7 million) allowed for a reduction in current financial liabilities by CHF 40.0 million, which also strengthened equity. The net equity rate, adjusted by the balance sheet items held on a fiduciary basis and net of the volume- and tariff-related timing differences, amounts to 28.8% as at 31 December 2014 (31 December 2013: 25.5%).

OUTLOOK

The acquisition of further parts of the transmission system at the start of this year resulted in another significant increase in non-current assets in 2015, which has a positive effect on EBIT. The overall tariff-related costs were able to be kept constant in 2015 compared to the previous year. This was primarily due to the fact that the 2014 congestion income was planned to completely cover the allowable costs for the transmission system. However, the 2015 total operating income should still rise, due to the expected supplemental compensation for higher grid costs to the former transmission system owners.

The 2013 congestion income remains available to Swissgrid to finance the investments in the grid infrastructure. Additional investments will increase property, plant and equipment, while these expenses can be financed from the cash flow from operating activities.

Uncertainty continues to exist with regard to the specification of the definitive transaction value for the elements of the transmission system transferred at the start of 2013, 2014 and 2015 as well as the associated regulatory asset value.

Luca Baroni
CFO

Income statement

In millions of CHF	Notes	2014	2013
Net turnover	4, 5	812.0	178.9
Other operating income	4, 6	17.3	16.1
Movement in volume- and tariff-related timing differences	4, 15	- 8.0	685.0
Capitalised self-constructed assets		11.9	7.0
Total operating income		833.2	887.0
Procurement costs	4, 5	356.1	384.5
Gross profit		477.1	502.5
Materials and third-party supplies	7	121.6	123.2
Personnel expenses	8	87.9	101.2
Other operating expenses	9	21.5	22.5
Earnings before interest, income taxes, depreciation and amortisation		246.1	255.6
Depreciation on property, plant and equipment	13	81.3	84.7
Amortisation on intangible assets	13	23.4	30.5
Impairment losses	13	-	3.3
Earnings before interest and income taxes (EBIT)	4	141.4	137.1
Financial income	10	-	2.5
Financial expenses	11	41.0	38.2
Earnings before income taxes		100.4	101.4
Income taxes	12	19.9	50.8
Net income		80.5	50.6

Balance sheet - assets

In millions of CHF	Notes	31.12.2014	31.12.2013
Property, plant and equipment	13	1,671.2	1,691.5
Intangible assets	13	236.8	231.7
Financial assets	14	4.8	4.3
Long-term deficits arising from volume- and tariff-related timing differences	15	438.8	400.2
Non-current assets		2,351.6	2,327.7
Assets held on fiduciary basis	16	290.7	294.8
Short-term deficits arising from volume- and tariff-related timing differences	15	85.4	147.5
Inventory		1.7	1.7
Trade accounts receivable	17	163.8	114.2
Other receivables	18	3.4	7.9
Prepaid expenses and accrued income	19	54.4	49.8
Cash and cash equivalents		10.8	28.7
Current assets		610.2	644.6
Assets		2,961.8	2,972.3

Balance sheet - equity and liabilities

In millions of CHF	Notes	31.12.2014	31.12.2013
Share capital		276.4	271.2
Capital reserves		329.6	322.1
Retained earnings		158.3	77.8
Total equity		764.3	671.1
Conditional purchase consideration	21	-	7.5
Non-current financial liabilities	20	1,426.2	1,420.8
Non-current provisions	22	39.4	41.0
Non-current surpluses arising from volume-and tariff-related timing differences	15	10.6	26.1
Non-current liabilities		1,476.2	1,487.9
Liabilities held on fiduciary basis	16	290.7	294.8
Current financial liabilities	20	228.1	243.6
Trade accounts payable	23	87.8	80.5
Other liabilities	24	7.1	4.5
Accrued expenses and deferred income	25	92.7	168.9
Current provisions	22	4.9	3.5
Current surpluses arising from volume-and tariff-related timing differences	15	10.0	10.0
Current liabilities		721.3	805.8
Total liabilities		2,197.5	2,293.7
Equity and liabilities		2,961.8	2,972.3

Cash flow statement

In millions of CHF, excluding balance sheet items held on fiduciary basis	Notes	2014	2013
Net income		80.5	50.6
Financial expenses	11	41.0	38.2
Financial income	10	-	-2.5
Current income taxes	12	20.4	13.3
Depreciation and amortisation	13	104.6	114.4
Impairment losses	13	-	3.3
Loss on disposal of non-current assets	13	0.1	0.8
Change in employer contribution reserves	14	-0.3	-
Change in provisions	22	-0.2	42.5
Change in inventory		-	0.3
Change in trade accounts receivable		-49.6	64.2
Change in other receivables		4.5	-4.3
Change in prepaid expenses and accrued income		-4.6	5.7
Change in volume- and tariff-related timing differences	4, 15	8.0	-685.0
Change in trade accounts payable		7.3	33.6
Change in other current liabilities		2.6	-0.9
Change in accrued expenses and deferred income		-83.2	71.7
Interest received		-	0.1
Income taxes paid		-15.8	-4.6
Cash flow from operating activities		115.3	-258.6
Gross investments in property, plant and equipment		-137.4	-79.8
Congestion proceeds received for grid investments		118.7	40.5
Net investments in property, plant and equipment	13	-18.7	-39.3
Investments in intangible assets	13	-35.4	-40.3
Investments in financial assets		-0.2	-3.9
Divestment in financial investments		-	0.4
Cash flow from investing activities		-54.3	-83.1
Change in current financial liabilities		-40.0	240.0
Issuing of bonds		-	700.0
Change in long-term financial liabilities		-	-587.1
Interest paid		-38.8	-29.6
Dividends paid		-	-0.6
Equity transaction cost		-0.1	-0.3
Cash flow from financing activities		-78.9	322.4
Change in cash and cash equivalents		-17.9	-19.3
Composition			
Cash and cash equivalents at beginning of period		28.7	48.0
Cash and cash equivalents at end of period		10.8	28.7
Change in cash and cash equivalents		-17.9	-19.3

Non-cash investing and financing activities: The purchase consideration of CHF 42.7 million for the transfer of additional parts of the transmission system was settled 30% in Swissgrid shares and 70% in loans, (cf. Note 13).

Statement of changes in equity

In millions of CHF	Share capital	Capital reserves	Retained earnings	Total equity
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
Allocation	-	-	-	-
Dividends paid	-	-	-	-
Capital increases (minus transaction costs)	5.2	7.5	-	12.7
Net income 2014	-	-	80.5	80.5
Balance at 31.12.2014	276.4	329.6	158.3	764.3

The share capital consists of 276,350,637 (prior year: 271,170,385) fully paid-up registered shares with a par value of CHF 1 per share.

As of 31 December 2014, Swissgrid has conditional share capital of a maximum of CHF 129,364,956, divided into 129,364,956 registered shares with a par value of CHF 1 per share (prior year: CHF 123,810,064 divided into 123,810,064 registered shares with a par value of CHF 1 per share).

Capital increase by contributions in kind

The share capital was increased by CHF 4.6 million to enable the takeover of additional parts of the transmission system as of 6 January 2014. The issue price amounted to CHF 10.4 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 6 January 2014. 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 0.6 million took place between 27 October 2014 and 5 November 2014 (so-called valuation adjustment 1). The issue price was CHF 2.4 million.

The amount of the capital increase corresponds to the value after recognising the equity transaction costs (CHF 0.1 million) as a reduction in the capital reserves.

Notes to the financial statements

1. ACCOUNTING PRINCIPLES

GENERAL

The 2014 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.

The accounting principles remained unchanged from those applied in the prior year.

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 line 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 ACCORDING TO STROMVG

Volume- and tariff-related timing differences (cost surpluses and deficits): 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 according to StromVG: earnings before interest and 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. Operating assets accordingly consist of net current assets and non-current assets as of the end of the financial year. Until 2013, the weighted average cost of capital rate (WACC) applied corresponded to the average rate of return on 10-year Swiss Federal bonds plus risk-appropriate remuneration. The regulatory WACC for 2013 was 3.83%. From 2014, the WACC method of calculation is based on the current, internationally applied WACC capital expenditure concept with reference to the Capital Asset Pricing Model (CAPM). Besides considering the findings of financial market theory, the regulatory framework conditions in Switzerland and the current situation in the money and capital market are also taken into account. In 2014, the applied WACC based on this new calculation amounts to 4.70%.

The chargeability of Swissgrid's operating and capital costs for tariff-setting purposes is subject to approval by the Federal Electricity Commission (EiCom), 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 results 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 recognised at acquisition or production 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 depreciated 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: applicable only in the case of impairment.

INTANGIBLE ASSETS

Intangible assets are recognised at acquisition or production cost 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 impairment.

IMPAIRMENTS

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 assets that are not yet completed or not yet operational. All items of property, plant and equipment and intangible assets, including self-constructed assets, are classified as non-current assets. As of each balance sheet date, a review is performed to determine whether any assets under construction in 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 costs 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.

ACCOUNTS RECEIVABLE

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 accruals and are reversed on a straight line basis over the term of the bond.

LIABILITIES

Liabilities 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 at the balance sheet date. A provision is set aside if a cash outflow without a utilisable inflow of funds is probable and capable of being estimated. 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 pension fund as of 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 benefit arising from freely available employer contribution reserves is 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. Accrued contributions for the period, the difference between the annually calculated economic benefit from pension fund surpluses and obligations, as well as the change in the employer contribution reserve are recognised in the income statement as personnel expenses.

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 the voting rights in Swissgrid, either alone or together with others, are considered to be related parties. As regards shareholders, other criteria in addition to the proportion of voting rights held are also taken into account (including representation in committees, possibility of exerting influence due to the shareholder structure etc.). Subsidiaries of related shareholders, as well as partner plant companies whose shares are 100% owned by related shareholders, or which are controlled by related shareholders, are also considered to be related parties. 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.

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. ESTIMATION UNCERTAINTY

Financial-statement reporting requires estimates and assumptions to be made that may have a significant impact on Swissgrid's financial statements. With respect to assets and liabilities recognised in the balance sheet, accruals and deferrals (prepaid expenses and accrued income/ accrued expenses and deferred income) and volume- and tariff-related timing differences in particular are based on various assumptions and estimates that may necessitate significant adjustments 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 «Activities according to StromVG» in Note 1 as well as the comments in the following section.

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

	Rulings/proceedings by the Federal Electricity Commission (ElCom)	Date	31.12.2014*	31.12.2013*
1	Ruling concerning 2009 approval of ancillary services (AS) costs	14.04.2011	h	a
2	Ruling concerning 2011 costs and tariffs for grid level 1 utilisation and AS	11.11.2010	h	g
3	Proceedings concerning 2011 volume- and tariff-related timing differences	05.02.2013	a	a
4	Proceedings concerning 2012 volume- and tariff-related timing differences	18.06.2013	a	a
5	Proceedings concerning 2013 volume- and tariff-related timing differences	-	a	a
6	Proceedings concerning 2014 volume- and tariff-related timing differences	-	a	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 lodged with the Federal Administration Court
f	Judgement pronounced by the Federal Administrative Court
g	Appeal lodged with the Federal Court
h	Legally binding judgement pronounced

NOTES ON CURRENT PROCEEDINGS

Point 1 (2009): In its final letter dated 12 December 2014, ElCom accepted all of Swissgrid's declared costs for the 2009 tariff year as chargeable. As a result, Swissgrid is no longer exposed to the risk that the 2009 operating costs of CHF 1.2 million are not chargeable.

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 accept all planned costs. Both Swissgrid as well as ElCom submitted appeals to the Federal Administrative Court against this ruling. The Federal Court's judgement on 19 July 2014 rejected the appeals lodged by Swissgrid and ElCom.

On 5 February 2013, ElCom launched ex-post proceedings to 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 are to be reduced, Swissgrid would 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.

Point 4 (2012): On 18 June 2013, ElCom 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. Should it be ultimately ruled that the costs included in the volume- and tariff-related timing differences be reduced, Swissgrid would also be compelled to initiate legal proceedings in this case.

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

Point 5 and 6 (2013 and 2014): 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 and 2014 volume- and tariff-related timing differences, Swissgrid would also be compelled to initiate legal proceedings in this case.

The 2013 and 2014 operating and capital costs are CHF 23.7 and 48.7 million higher, respectively, than the comparable 2010 cost basis approved by ElCom.

Moreover, in its ruling the previous year regarding the obligation to bear the costs for the ITC shortfalls, ElCom decided that no ITC shortfalls could be charged to the LTC holders. As a result, Swissgrid reversed all the revenues with LTC holders and adjusted the outstanding receivables in the previous year. Swissgrid included the reversals and value adjustments totalling CHF 42.7 million in the 2013 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.

Summary of proceedings - points 1 to 6: From Swissgrid's perspective, the cumulative risk for non-chargeable costs as of 31 December 2014 is CHF 133.7 million (CHF 7.2 million for 2011, CHF 11.4 million for 2012, CHF 66.4 million for 2013 and CHF 48.7 million for 2014). In the previous year, the cumulative risk as at 31 December 2013 amounted to CHF 43.5 million.

Swissgrid's Board of Directors and Executive Board believe that all costs for the years 2011 to 2014 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 being chargeable and consequently recognised them in full in the volume- and tariff-related timing differences.

A legally binding court ruling in the court of final appeal on the aforementioned proceedings is not likely to be made before 2016. If, contrary to Swissgrid's assessment, the costs claimed are ruled to be non-chargeable, this would be reflected at the earliest in the 2016 financial statements. Even in the event that the maximum risk of CHF 133.7 million materialises, the equity situation of Swissgrid is not jeopardised due to the capital increase in connection with the acquisitions of the transmission system which took place in 2013 and 2014.

4. SEGMENT REPORTING

SEGMENT REPORT 2014

In millions of CHF	Total	Grid utilisation	General ancillary services/balance energy	Active power losses (Individual ancillary services)
Net turnover	812.0	370.2	381.6	35.1
Other operating income	17.3	-	-	-
Volume- and tariff-related timing differences	-8.0	123.9	-171.9	15.5
Total operating income	821.3	494.1	209.7	50.6
Procurement costs	-356.1	-95.8	-178.9	-46.4
Gross profit	465.2	398.3	30.8	4.2
Operating expenses	-219.1	-177.8	-13.9	-3.0
Depreciation/amortisation and impairment losses	-104.7	-98.6	-2.5	-0.5
Earnings before interest and income tax (EBIT)	141.4	121.9	14.4	0.7

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 PER SEGMENT

In millions of CHF	Total	Grid utilisation	General ancillary services/balance energy	Active power losses (Individual ancillary services)
Net turnover	812.0	370.2	381.6	35.1
Other operating income	17.3	-	-	-
Procurement costs	-356.1	-95.8	-178.9	-46.4
Operating expenses	-219.1	-177.8	-13.9	-3.0
Depreciation/amortisation and impairment losses	-104.7	-98.6	-2.5	-0.5
Return on operating assets (EBIT)	-141.4	-121.9	-14.4	-0.7
Volume- and tariff-related timing differences	8.0	-123.9	171.9	-15.5

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
28.3	-	-3.2	812.0	-
-	-	-	-	17.3
13.8	10.7	-	-8.0	-
42.1	10.7	-3.2	804.0	17.3
-38.2	-	3.2	-356.1	-
3.9	10.7	-	447.9	17.3
-1.4	-7.6	-	-203.7	-15.4
-0.3	-1.1	-	-103.0	-1.7
2.2	2.0	-	141.2	0.2

Reactive energy (Individual ancillary services)	Balance groups responsible party	Eliminations	Total activities according to StromVG	Further activities
28.3	-	-3.2	812.0	-
-	-	-	-	17.3
-38.2	-	3.2	-356.1	-
-1.4	-7.6	-	-203.7	-15.4
-0.3	-1.1	-	-103.0	-1.7
-2.2	-2.0	-	-141.2	-0.2
-13.8	-10.7	-	8.0	-

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
Procurement costs	-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 PER SEGMENT

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	-	-
Procurement costs	-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 parties	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	-

Earnings before interest and 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 Strom-VG-regulated activities are listed in Note 5.

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. As was the case the previous year, no income generated by the auctioning of bottleneck capacities at the national borders was used to reduce the grid costs in 2014.

The higher grid usage tariffs in 2014 and the higher share in the income from ITC since the 2014 financial year led to a considerable increase in net turnover in the reporting year.

In 2014, procurement costs increased significantly due to the new compensation ruling by ElCom for the years 2009 to 2012 for operating and capital costs payable to ewz Übertragungsnetz AG as well as additional remuneration to former grid owners.

In the reporting year, the grid utilisation segment reported a deficit of total costs in the amount of CHF 123.9 million (prior year: deficit of CHF 157.4 million).

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 sharp drop in the provision costs compared to the previous year is due to the introduction of the combined tendering of secondary and tertiary control power and the associated optimisation of the procurement volume as well as the one-off high procurement costs in April 2013. In addition, the voltage stability costs are now entirely attributed to the reductive energy segment.

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 automatic start-up/island operation capability, and expenses and income from unintentional exchange with control areas adjoining the Swiss control area. Finally, the costs paid to producers for grid enhancements are also included in this segment.

The expenses relating to general ancillary services (AS) are primarily covered by tariff revenues. The general AS tariff for 2014 included the rescission supplement for the complete reimbursement of the residual AS costs to the power plant operators stipulated by ElCom in the previous year. This led to a higher net turnover.

These positive effects allowed the deficits in the general AS/balance energy segment to be reduced by a net amount of CHF 171.9 million in the reporting year (prior year: deficit of CHF 452.7 million).

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 ITC (international TSO compensation) revenues flow into this segment (see remarks on the segment grid utilisation on page 44). The procurement of energy to compensate active power losses takes place on the spot market and via tenders.

A cost deficit of CHF 15.5 million (prior year: CHF 37.8 million surplus) was resulted in the reporting year, predominantly due to the lower portion of income from ITC.

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 also by the general AS tariff. As of 2014, all voltage maintenance income and costs will be allocated to this segment, which is the reason for the increase in net turnover and the procurement costs.

The disproportionate rise in procurement costs compared to net turnover resulted in a cost deficit of CHF 13.8 million in the reporting year (prior year: CHF 11.1 million deficit).

Balance group responsible parties: The balance group responsible parties tariffs were initially charged in 2012 as stipulated by ElCom. ElCom's letter dated 17 December 2013 instructed Swissgrid to cancel the previously invoiced tariffs and to refund the amounts already paid, including default interest as well as to no longer charge the balance group responsible parties tariff from 1 January 2014.

Swissgrid implemented ElCom's instructions accordingly. As a result, Swissgrid only allocated the pro-rata operating costs to this segment in the reporting period, which is the reason for a deficit of CHF 10.7 million (prior year: CHF 26.0 million deficit).

In future, Swissgrid is allowed to include the costs in the general AS tariff.

5. NET TURNOVER AND PROCUREMENT COSTS ACCORDING TO THE ELECTRICITY SUPPLY ACT (STROMVG)

In millions of CHF	Segment	2014	2013
Tariff income for grid utilisation	A	357.1	299.8
Net income from ITC	A/C	17.5	23.2
Income from LTC owners	A/C	0.3	-42.7
Income from auctions for the reduction of allowable grid costs	A	-	-
Tariff income for general ancillary services (AS) and income from unintentional deviation	B/D	361.3	160.6
thereof ordinary		347.1	179.3
thereof subsequent charges for 2009 and 2010		14.2	-18.7
Charge of residual costs to plants \geq 50 MW	B	0.4	-341.5
thereof for 2010		0.1	-49.2
thereof for 2009		0.3	-292.3
Income from AS energy and from balance group/balance energy	B	45.7	66.7
Tariff income for active power losses	C	30.4	28.1
Tariff income for reactive energy	D	2.5	2.3
Tariff income for balance groups responsible party	E	-	-13.5
Eliminations		-3.2	-4.1
Net turnover		812.0	178.9
Operating expenses for transmission system	A	15.8	8.4
Capital expenses for transmission system	A	80.0	10.6
Expenses for AS control power provision and unintentional deviation	B	144.2	234.6
Expenses for automatic start-up/island operation capability	B	1.1	1.1
Expenses for grid enhancement	B	7.5	3.4
Expenses for AS energy and for balance groups/balance energy	B	26.1	41.3
Expenses for compensation of active power loss	C	46.4	54.6
Expenses for reactive energy/voltage maintenance	D	38.2	34.6
Eliminations		-3.2	-4.1
Procurement costs		356.1	384.5

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 group responsible parties

The segment reporting is provided in Note 4.

Revenues from ITC consist of the following:

- Compensation for grid utilisation (A) CHF 12.7 million (prior year: CHF 3.8 million)
- Compensation for active power losses (C) CHF 4.8 million (prior year: CHF 19.4 million.)

The ITC compensation for grid utilisation corresponds to net income. Supervisory charges to ElCom and to the Swiss Federal Office of Energy (SFOE) in the amount of CHF 4.4 million (prior year: CHF 3.7 million) are deducted from the gross income of CHF 17.1 million (prior year: CHF 7.5 million).

Income from LTC holders consist of the following:

- Compensation for grid utilisation (A) CHF 0.3 million (prior year: CHF -16.4 million)
- Compensation for active power losses (C) CHF 0.0 million (prior year: CHF -26.3 million.)

The tariff income for general ancillary services (AS) and income from unintentional deviation is comprised of the following:

- General AS (B): CHF 335.5 million (prior year: CHF 136.0 million)
- Reactive energy (D): CHF 25.8 million (prior year: CHF 24.6 million.)

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

6. OTHER OPERATING INCOME

In millions of CHF	2014	2013
Energy act clearing	4.2	5.3
Auction clearing	10.8	8.3
Issuance of guarantees of origin for renewable energies	2.0	2.2
Other	0.3	0.3
	17.3	16.1

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

The increase in the auction clearing segment is primarily due to the costs incurred for the planned market merger into a European internal electricity market (market coupling) in the reporting year.

7. MATERIALS AND THIRD-PARTY SUPPLIES

In millions of CHF	2014	2013
Grid maintenance	61.3	63.0
Grid system control	12.6	15.9
Other services in the grid area	5.8	5.6
Expenses for projects, advisory and material	33.7	31.2
Hardware/software maintenance	8.2	7.5
	121.6	123.2

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

8. PERSONNEL EXPENSES

In millions of CHF	2014	2013
Salaries, bonuses, allowances	70.4	63.9
Employee insurance	11.9	12.4
One-off contribution to Energy PF ¹	-	19.1
Other personnel expenses	5.6	5.8
	87.9	101.2
Headcount at 31.12.		
Permanent employment:		
Number of employees		
for core business (StromVG)	439.0	421.0
for energy act clearing (EnG)	30.0	18.0
	469.0	439.0
expressed as full-time equivalents:		
for core business (StromVG)	429.2	413.1
for energy act clearing (EnG)	27.4	16.9
	456.6	430.0
Fixed-term employment:		
Number of employees	23	24
expressed as full-time equivalents	21.3	22.3

¹ The one-off contribution from the change of the pension scheme was not paid in cash. The credit to the individual pension account must be earned pro rata temporis between 2014 and 2016. In the event of premature departure, the residual entitlement will be allocated to the employer contribution reserves.

The personnel expenses of the previous year are affected by the one-off contribution resulting from the change of the pension scheme as of 1 April 2013. Adjusted for this value, personnel expenses increased compared to the previous year due to the higher number of employees.

Other personnel expenses include, in particular, the temporary filling of existing positions with external specialists, 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	2014	2013
Fixed remuneration (incl. lump-sum expenses)	1.65	2.20
Variable remuneration	0.52	0.59
Non-cash benefits ¹	0.02	0.03
Pension benefits ²	0.40	0.55
One-off contribution to Energy PF ³	-	2.28
Total remuneration to the Executive Board	2.59	5.65
Of which to the highest earning member of the Executive Board		
Fixed remuneration (incl. lump-sum expenses)	0.51	0.51
Variable remuneration	0.14	0.12
Pension benefits ³	0.13	0.13
One-off contribution to Energy PF	-	0.31
Total remuneration to the highest earning member of the Executive Board	0.78	1.07

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.

³ The one-off contribution from the change of the pension scheme was not remunerated in cash. The credit to the individual pension account must be acquired pro rata temporis between 2014 and 2016. In the event of premature departure, the residual entitlement will be allocated to the employer contribution reserves.

The decrease in remuneration compared to the previous year is due to the reduction in the size of the Executive Board as at 1 October 2013. Moreover, the previous year contains the one-off contribution from the change of the pension scheme.

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

9. OTHER OPERATING EXPENSES

In millions of CHF	2014	2013
Rental and occupancy costs	7.0	6.0
Ground rents	1.8	1.6
Rental costs for communication equipment/telecommunication expense	2.6	2.2
Board of Directors fees and expenses, incl. social costs	0.8	0.8
Actual expenses for travel and subsistence for employees and third parties	2.4	2.9
Fees, dues and licences	1.6	4.1
Insurance	2.2	2.2
Other administrative costs	3.1	2.7
	21.5	22.5

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 expenses (prior year: CHF 250,000). The remaining Executive Board members received remuneration of between CHF 55,000 and CHF 70,000 pro rata temporis for 2014, incl. lump-sum expenses (Prior year: CHF 55,000 to CHF 60,000).

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

The fees, dues and licenses item includes the formation of provisions for procedural costs in the previous year.

10. FINANCIAL INCOME

In millions of CHF	2014	2013
Interest income	-	0.1
Other financial income	-	2.4
	-	2.5

11. FINANCIAL EXPENSE

In millions of CHF	2014	2013
Bank interest	0.2	0.1
Bond interest	9.4	8.6
Shareholder loan interest	28.9	28.7
Commitment fees	0.5	0.5
Other financial expenses	2.0	0.3
	41.0	38.2

12. INCOME TAXES

In millions of CHF	2014	2013
Current income taxes	20.4	13.3
Change in deferred taxes	-0.5	37.5
	19.9	50.8

The tax values for the grid companies taken over in 2013 deviate from the transaction values. Accordingly, deferred taxes were initially considered for these valuation differences in the previous year.

13. NON-CURRENT ASSETS

SUMMARY OF PLANT, PROPERTY AND EQUIPMENT - 2014

In millions of CHF	Advances and construction in progress	Substations	Lines	Properties and buildings	Other property, plant and equipment	Total
Acquisition cost at						
1.1.2014	251.1	1,311.7	1,942.1	114.7	44.5	3,664.1
Additions net ¹	21.1	7.5	31.0	0.8	0.7	61.1
Disposals	-	-	-0.1	-	-1.6	-1.7
Reclassification ²	-110.9	106.4	32.5	15.6	3.4	47.0
Acquisition cost at						
31.12.2014	161.3	1,425.6	2,005.5	131.1	47.0	3,770.5
Accumulated depreciation and amortisation at						
1.1.2014	-	777.2	1,111.2	52.7	31.5	1,972.6
Depreciation and amortisation	-	36.1	33.0	4.0	8.1	81.2
Impairment losses	-	-	-	-	-	-
Disposals	-	-	-0.1	-	-1.5	-1.6
Reclassification ²	-	36.3	7.5	3.3	-	47.1
Accumulated depreciation and amortisation at						
31.12.2014	-	849.6	1,151.6	60.0	38.1	2,099.3
Net book value at						
1.1.2014	251.1	534.5	830.9	62.0	13.0	1,691.5
Net book value at						
31.12.2014	161.3	576.0	853.9	71.1	8.9	1,671.2

¹ In 2014, Swissgrid acquired additional tangible assets included as part of the transmission system amounting to CHF 42.4 million and remunerated this amount 30% in shares and 70% in loans.

The gross investment in property, plant and equipment amounted to CHF 137.4 million (prior year: CHF 79.8 million). Thereof, CHF 118.7 million (prior year: CHF 40.5 million) was financed by proceeds from the auctioning of bottleneck capacities for cross-border supplies.

² As a result of specific terms in the in-kind contribution agreements of two grid companies acquired as of 3 January 2013, asset values of CHF 7.5 million were taken over in the previous year whose final confirmation as part of the defined transaction value was still outstanding. The Federal Court's ruling on 30 August 2014 did not confirm the amount of CHF 7.5 million as part of the transaction value. As a result, this amount was derecognised, with no effect on profit and loss, with the conditional purchase consideration (cf. Note 21).

Furthermore, in 2014 intangible assets of CHF 12.9 million have been reclassified to tangible assets due to the conversion of usage rights to ownership. Project costs of CHF 5.5 million (prior year: CHF 3.4 million) were also reclassified from tangible to intangible assets.

Property, plant and equipment valued at CHF 56.8 million was procured from related parties in 2014 (prior year: CHF 41.9 million, excl. the grid takeover as of 3 January 2013).

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

SUMMARY OF INTANGIBLE ASSETS - 2014

In millions of CHF	Intangible assets in progress			Usage rights		
	Purchased	Self-constructed	Total	Purchased	Self-constructed	Total
Acquisition cost 1.1.2014	51.3	9.6	60.9	285.3	-	285.3
Additions ¹	25.3	7.7	33.0	0.3	-	0.3
Disposals	-	-	-	-	-	-
Reclassification	-8.9	-1.4	-10.3	-56.4	-	-56.4
Acquisition cost 31.12.2014	67.7	15.9	83.6	229.2	-	229.2
Acc. depreciation and amortisation 1.1.2014	5.4	0.7	6.1	123.0	-	123.0
Depreciation and amortisation	-	-	-	10.2	-	10.2
Impairment losses	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Reclassification	-	-	-	-43.9	-	-43.9
Acc. depreciation and amortisation 31.12.2014	5.4	0.7	6.1	89.3	-	89.3
Net book value 1.1.2014	45.9	8.9	54.8	162.3	-	162.3
Net book value 31.12.2014	62.3	15.2	77.5	139.9	-	139.9

SUMMARY OF INTANGIBLE ASSETS - 2013

In millions of CHF	Intangible assets in progress			Usage rights		
	Purchased	Self-constructed	Total	Purchased	Self-constructed	Total
Acquisition cost 1.1.2013	23.2	6.9	30.1	-	-	-
Add. 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 31.12.2013	51.3	9.6	60.9	285.3	-	285.3
Acc. depreciation and amortisation 1.1.2013	2.8	-	2.8	-	-	-
Add. 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	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-
Acc. depreciation and amortisation 31.12.2013	5.4	0.7	6.1	123.0	-	123.0
Net book value 1.1.2013	20.4	6.9	27.3	-	-	-
Net book value 31.12.2013	45.9	8.9	54.8	162.3	-	162.3

¹ In 2014, Swissgrid acquired additional intangible assets as part of the transmission system amounting to CHF 0.3 million and remunerated this amount to 30% in shares and 70% in loans.

Software			Technical regulations			Total intangible assets		
Purchased	Self-constructed	Total	Purchased	Self-constructed	Total	Purchased	Self-constructed	Total
66.6	13.3	79.9	43.8	2.3	46.1	447.0	25.2	472.2
1.9	0.5	2.4	-	-	-	27.5	8.2	35.7
-1.0	-0.3	-1.3	-	-	-	-1.0	-0.3	-1.3
13.7	1.9	15.6	-	-	-	-51.6	0.5	-51.1
81.2	15.4	96.6	43.8	2.3	46.1	421.9	33.6	455.5
55.1	10.2	65.3	43.8	2.3	46.1	227.3	13.2	240.5
11.1	2.1	13.2	-	-	-	21.3	2.1	23.4
-	-	-	-	-	-	-	-	-
-1.0	-0.3	-1.3	-	-	-	-1.0	-0.3	-1.3
-	-	-	-	-	-	-43.9	-	-43.9
65.2	12.0	77.2	43.8	2.3	46.1	203.7	15.0	218.7
11.5	3.1	14.6	-	-	-	219.7	12.0	231.7
16.0	3.4	19.4	-	-	-	218.2	18.6	236.8

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

Payments for intangible assets amounting to CHF 2.2 million were procured from related parties in the 2014 financial year (prior year: CHF 0.0 million, excl. the grid takeover).

14. FINANCIAL ASSETS

In millions of CHF	31.12.2014	31.12.2013
Investments	3.2	3.0
Employer contribution reserves	1.6	1.3
	4.8	4.3

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

		Share capital in m.	Currency	Share in %
CESOC AG	Laufenburg	0.100	CHF	50.0
	Luxemburg			
Capacity Allocation Service Company.eu S.A. (CASC.EU)	(Lux)	4.000	EUR	7.1
TSCNET Services GmbH	München (D)	0.025	EUR	10.0
AET NE1 SA	Laufenburg	0.100	CHF	100.0
ALENA Aletsch Energie Netz AG	Laufenburg	0.100	CHF	100.0
Alpiq Netz AG Gösgen/Laufenburg	Laufenburg	0.100	CHF	100.0
Alpiq Réseau SA Lausanne/Laufenburg	Laufenburg	0.100	CHF	100.0
BKW Übertragungsnetz AG	Laufenburg	0.100	CHF	100.0
CKW Grid AG	Laufenburg	0.100	CHF	100.0
EGL Grid AG	Laufenburg	0.100	CHF	100.0
ewb Übertragungsnetz AG	Laufenburg	0.100	CHF	100.0
FMV Réseau SA	Laufenburg	0.100	CHF	100.0
Kraftwerke Hinterrhein Netz AG	Laufenburg	0.100	CHF	100.0
LENA Lonza Energie Netz AG	Laufenburg	0.100	CHF	100.0
Nordostschweizerische Kraftwerke Grid AG	Laufenburg	0.100	CHF	100.0
Ofible Rete SA	Laufenburg	0.100	CHF	100.0
Ofima Rete SA	Laufenburg	0.100	CHF	100.0
Repower Transportnetz AG	Laufenburg	0.100	CHF	100.0
SN Übertragungsnetz AG	Laufenburg	0.100	CHF	100.0
Übertragungsnetz Basel/Laufenburg AG	Laufenburg	0.100	CHF	100.0

TSCNET Services GmbH, domiciled in Munich (D), was founded in 2014. The company provides services in the area of transmission system security and capacity calculations. All other information on the financial investments is unchanged from the previous year.

15. VOLUME- AND TARIFF-RELATED TIMING DIFFERENCES

In millions of CHF	Grid utilisation	General ancillary services/ balance energy	Active power losses (individual ancillary services)	Reactive energy (individual ancillary services)	Balance groups responsible party	Total volume- and tariff-related timing differences	thereof surpluses	thereof deficits
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
Change in 2014	123.9	-171.9	15.5	13.8	10.7	-8.0	-	-
Balance at 31.12.2014	373.2	67.3	-20.6	45.5	38.2	503.6	-20.6	524.2
current portion	-	60.8	-10.0	4.0	20.6	75.4	-10.0	85.4

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, 2 and 3.

The «Offset» line refers to the offsetting of deficits acquired from a grid company with the corresponding accrued expenses and deferred income from Swissgrid.

16. 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	31.12.2014	31.12.2013
Trade accounts receivable	14.0	12.7
Other receivables	-	-
Prepaid expenses and accrued income	0.6	0.1
Cash and cash equivalents	276.1	282.0
	290.7	294.8

LIABILITIES HELD ON FIDUCIARY BASIS

In millions of CHF	31.12.2014	31.12.2013
Trade accounts payable	0.3	0.4
Other liabilities	0.1	-
Accrued expenses and deferred income	290.3	294.4
	290.7	294.8

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

In millions of CHF	2014	2013
Share of revenue Switzerland	128.0	135.1
Auction expense Swissgrid and third parties	-11.4	-9.0
Net proceeds	116.6	126.1
Used for reduction of the allowable grid costs	0.0	0.0
Undistributed residual proceeds	116.6	126.1

As regards residual proceeds for 2013, in its letter dated 17 June 2014, ECom instructed that Swissgrid has to use these proceeds to maintain or expand the transmission system.

All residual proceeds for 2009 (CHF 37.6 million) as well as a large portion of the residual proceeds for 2012 (CHF 81.1 million) have been paid to Swissgrid, as stipulated by ECom, and used to maintain or expand the transmission system.

As stipulated by ECom, the residual proceeds for 2010 and 2011 were paid out to Swissgrid and the former transmission system owners.

17. TRADE RECEIVABLES

In millions of CHF	31.12.2014	31.12.2013
Trade receivables	164.4	153.0
Specific valuation allowances	-0.6	-38.8
	163.8	114.2

18. OTHER RECEIVABLES

In millions of CHF	31.12.2014	31.12.2013
Security deposits on blocked bank accounts	3.4	2.7
Value added tax	-	5.1
Other	-	0.1
	3.4	7.9

19. PREPAID EXPENSES AND ACCRUED INCOME

In millions of CHF	31.12.2014	31.12.2013
Accrued revenue for supplies made	49.7	44.4
Other	4.7	5.4
	54.4	49.8

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

20. FINANCIAL LIABILITIES

In millions of CHF	31.12.2014	31.12.2013
Bonds	700.0	700.0
Convertible loans	739.3	724.4
Privately placed financing instruments	-	240.0
Loans	215.0	-
Total financial liabilities	1,654.3	1,664.4
current portion	228.1	243.6

BONDS

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	30.01.2020
350 million	20,481,110	1.625%	28.1.2013 - 30.1.2025	30.01.2025

CONVERTIBLE LOANS

Convertible loans have a term of 9 years and $\frac{1}{5}$ of the loans become payable annually from year 5. 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 creditors. Creditors are remunerated 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 2014.

21. CONDITIONAL PURCHASE PRICE CONSIDERATION

The Federal Court's ruling on 30 August 2014 did not confirm the amount of CHF 7.5 million as part of the transaction value. As a result, the amount was offset against property, plant and equipment (cf. Note 13) with no effect on profit and loss.

22. PROVISIONS

In millions of CHF	Employee incentive plan	Procedural costs	Deferred taxes	Total provisions
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
Reclassification	-	-	-	-
Provisions raised	0.9	1.3	-	2.2
Provisions used	-	0.6	0.5	1.1
Dissolving	-	1.3	-	1.3
Balance at 31 December 2014	2.8	4.5	37.0	44.3
current portion	2.8	2.1	-	4.9

PROCEDURAL COSTS

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.

23. TRADE ACCOUNTS PAYABLE

The increase is due to large invoices for costs in the grid area received shortly before the balance sheet date.

24. OTHER LIABILITIES

In millions of CHF	31.12.2014	31.12.2013
Social deposits and value added tax	3.1	-
Security deposits on blocked bank accounts	3.1	2.6
Other	0.9	1.9
	7.1	4.5

25. ACCRUED EXPENSES AND DEFERRED INCOME

In millions of CHF	31.12.2014	31.12.2013
Accrued expenses for supplies made	54.4	137.0
thereof refund of residual costs to plants \geq 50 MW arising in 2009/2010	-	69.5
thereof refund of BRP tariff 2012/2013 and income LTC owners 2010	-	20.0
Personnel expenses and employees' insurance scheme	10.7	10.7
Accrued interest	8.4	8.4
Taxes	19.2	12.8
	92.7	168.9

26. 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.

27. OTHER OFF-BALANCE-SHEET COMMITMENTS

GRID COSTS

As stipulated by ECom, the former owners are entitled to chargeable operating and capital costs from the period between 2009 until the transfer date for the grid elements included in the transmission system. Several parties to the proceedings have appealed against the relevant ECom rulings in the competent courts or contested these to ECom. Moreover, several former owners have submitted applications to ECom for the official stipulation of the asset value and the previously undeclared operating and capital costs.

For these reasons, 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 financial statements. A reliable assessment of the additional grid costs is not possible. The operating and capital costs to be remunerated could range between CHF 140.0 million and CHF 180.0 million.

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.

ASSESSED TRANSACTION VALUE FOR THE TRANSMISSION SYSTEM

On 20 September 2012, ECom 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 owed per the assessed value, and the regulated value from the tariff proceedings is not to be decisive in this respect. The Federal Administrative Court referred the matter back to ECom for a complete clarification of the facts. ECom did not formally reopen the proceedings to define the assessed transfer value.

In its judgement of 30 August 2014 in the scope of tariff proceedings, the Federal Court also addressed the problem that the transfer value may possibly not correspond to the regulatory asset value. According to the remarks by the Federal Court, it is primarily a matter for ECom and possibly the legislator to find appropriate solutions.

The financial results of the proceedings are not currently foreseeable. However, the outcome of the proceedings has no direct impact on Swissgrid's income.

CASC.EU

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

TSCNET SERVICES GMBH

As a shareholder of TSCNET Services GmbH, Swissgrid is contractually obliged to assume their 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	more than 10 years	Total
31.12.2014	4.6	68.8	48.5	121.9
31.12.2013	4.6	7.2	-	11.8

The sharp rise in the long-term rental obligations is due to the conclusion of a long-term rental contract for the new Swissgrid head office in Aarau. The new location near the train station supports the corporate strategy and a move is expected by the end of 2017. The current locations in Frick and Laufenburg will be vacated at this time.

OFF-BALANCE-SHEET LEASING 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
31.12.2014	0.4	0.6	1.0
31.12.2013	0.4	0.7	1.1

28. 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 person- nel expenses	
In millions of CHF	31.12.2014	per 2014	31.12.2014	per 2014	31.12.2013	2014	2013
Discretionary retirement benefit fund (employee pension foundation)	-	-	-	-	-	-	-
Pension fund (PKE)	1.6	-	1.6	-	1.3	0.3	-
Total	1.6	-	1.6	-	-	0.3	-

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 contribu- tions	Pension benefit expenses within personnel expenses	
In millions of CHF	31.12.2014	31.12.2014	31.12.2013		2014	2013
Discretionary retirement benefit fund (employee pension foundation)	-	-	-	-	-	-
Pension fund without shortfall/sur- plus funding (PKE)	-	-	-	-	6.2	26.2
Total	-	-	-	-	6.2	26.2

In the previous year, Swissgrid completed the conversion of the employer pension scheme from a defined-benefit (PKE Pensionskasse Energie) to a defined-contribution (PKE Vorsorgestiftung Energie) pension plan. In order to finance the change, Swissgrid made an employer contribution to be charged to the 2013 income statement as a one-off amount of CHF 19.1 million.

The coverage ratio of the PKE Vorsorgestiftung Energie is 114.4% as of 31 December 2014.

29. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties in millions of CHF	2014	2013
Total operating activities		
Net turnover	380.1	192.2
thereof grid utilisation	264.1	204.5
thereof general ancillary services (AS)/balance energy	85.3	60.5
thereof refund of residual costs to PP >50 MW from 2009/2010	-	-73.9
thereof active power losses	22.4	-4.8
thereof reactive energy	8.3	12.6
thereof balance groups responsible party	-	-6.7
Other operating income	1.7	1.2
Operating expenses		
Procurement costs	277.0	327.0
thereof grid utilisation	79.4	18.7
thereof general ancillary services (AS)/balance energy	164.7	270.2
thereof active power losses	2.7	7.5
thereof reactive energy	30.2	30.6
Material and third-party supplies	68.7	65.1
Other operating expenses	4.6	2.5
Financial result		
Financial expenses	24.4	24.0
Unsettled balances at balance sheet date with related parties in millions of CHF	2014	2013
Assets		
Trade receivables	75.9	62.9
Prepaid expenses and accrued income	16.2	8.9
Liabilities		
Convertible loans and loans	641.9	616.9
Trade accounts payable	63.5	57.6
Accrued expenses and deferred income	24.9	45.6

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

30. POST-BALANCE SHEET-DATE EVENTS

TAKEOVER OF ADDITIONAL PARTS OF THE TRANSMISSION SYSTEM

On 5 January 2015, Swissgrid acquired ewz Übertragungsnetz AG as well as installations of 16 companies for which it was unclear whether they are part of the transmission system at the time of transfer of the transmission systems.

In this regard, the share capital of CHF 276.4 million was increased to CHF 312.1 million. The former owners were remunerated 30% in Swissgrid shares worth CHF 88.4 million and 70% in loans of CHF 205.3 million, whereby half the loan amount can be converted into equity.

On 28 January 2015, Swissgrid placed a bond of CHF 150 million to finance the loans that cannot be converted into equity. The coupon for the 15-year bond amounts to 0.625%.

In addition, conditional share capital of CHF 0.6 million was newly created. The entire conditional share capital amounts to CHF 130.0 million.

Two valuation adjustments are also planned for these grid takeovers. The first one is likely to take place at the end of 2015, and the second and last one after the value and scope of the entire transmission system have been conclusively determined.

For various legal reasons Swissgrid was not yet able to take over all remaining parts of the transmission grid on 5 January 2015, meaning that further transfers are expected in January 2016, although these will be considerably smaller in terms of value and scope.

PROGRAMME TO INCREASE EFFICIENCY AND REDUCE COSTS

At its meeting on 4 March 2015, the Board of Directors of Swissgrid passed a number of measures to increase efficiency and reduce costs. The initiated efficiency measures include operational adjustments and the gradual reduction of the workforce from the current 440 positions to 400 positions (a reduction of 40 positions). This should also result in a reduction of around 20 positions for external specialists.

Swissgrid takes its responsibilities seriously and will structure the staff reduction in a socially acceptable manner and support affected employees in their search for a new position.

In connection with the adopted programme, the Board of Directors has decided to recognise a restructuring provision of CHF 7.5 million in 2015.

DISCONTINUATION OF THE MINIMUM EURO EXCHANGE RATE BY THE SWISS NATIONAL BANK

As a consequence of the discontinuation of the minimum euro exchange rate lower income in Swiss francs is expected for congestion proceeds received in euros (cf. Note 16). This leads to higher chargeable capital costs.

There are no further events subsequent to the balance-sheet date that would require disclosure or recognition in the 2014 financial statements.

On 27 April 2015, the Board of Directors of Swissgrid Ltd approved the 2014 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 25 to 68, which comprise the income statement, balance sheet, cash flow statement, statement of changes in equity and notes for the year ended 31 December 2014.

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 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 2014 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, 27 April 2015

Income statement

In millions of CHF	2014	2013
Net turnover	812.0	178.9
Other operating income	17.3	16.1
Change in volume- and tariff-related timing differences	-7.5	647.5
Capitalised self-constructed assets	11.9	7.0
Total operating income	833.7	849.5
Procurement costs	356.1	384.5
Gross profit	477.6	465.0
Materials and third-party supplies	121.6	123.2
Personnel expenses	87.9	101.2
Other operating expenses	21.6	22.6
Earnings before interest, income taxes, depreciation and amortisation (EBIT)	246.5	218.0
Depreciation on property, plant and equipment	79.3	82.9
Amortisation on intangible assets	29.6	31.4
Impairment losses	-	3.3
Earnings before interest and income taxes (EBIT)	137.6	100.4
Financial income	-	2.5
Financial expenses	41.0	38.2
Earnings before income taxes	96.6	64.7
Income taxes	20.4	12.6
Net income	76.2	52.1

Balance sheet - assets

In millions of CHF	Notes	31.12.2014	31.12.2013
Property, plant and equipment	2	1,567.5	1,586.1
Intangible assets	3	376.3	377.0
Financial assets	4	4.8	4.3
Long-term deficits arising from volume-and tariff-related timing differences		363.6	324.5
Non-current assets		2,312.2	2,291.9
Assets held on fiduciary basis		290.7	294.8
Short-term deficits arising from volume-and tariff-related timing differences		85.4	147.5
Inventory		1.7	1.7
Trade accounts receivable	8	163.8	114.2
Other receivables		3.4	7.9
Prepaid expenses and accrued income		54.4	49.8
Cash and cash equivalents		10.8	28.7
Current assets		610.2	644.6
Assets		2,922.4	2,936.5

Balance sheet - equity and liabilities

In millions of CHF	Notes	31.12.2014	31.12.2013
Share capital		276.4	271.2
General legal reserve		1.6	1.6
Legal reserve from capital contributions		328.4	320.7
Legal reserves		330.0	322.3
Profit carried forward		79.3	27.2
Net profit for the year		76.2	52.1
Equity		761.9	672.8
Conditional purchase price consideration	5	-	7.5
Non-current financial liabilities	6,8	1,426.2	1,420.8
Non-current provisions		2.4	3.5
Non-current surpluses arising from volume-and tariff-related timing differences		10.6	26.1
Non-current liabilities		1,439.2	1,450.4
Liabilities held on fiduciary basis		290.7	294.8
Current financial liabilities	8	228.1	243.6
Trade accounts payable	8	87.8	80.5
Other liabilities	7	7.1	4.5
Accrued expenses and deferred income		92.7	168.9
Current provisions		4.9	3.5
Current surpluses arising from volume-and tariff-related timing differences		10.0	10.0
Current liabilities		721.3	805.8
Liabilities		2,160.5	2,256.2
Equity and liabilities		2,922.4	2,936.5

Notes to the financial statements

1. GENERAL

These financial statements have been prepared in compliance with Swiss company law.

2. PROPERTY, PLANT AND EQUIPMENT

The fire insurance coverage of property, plant and equipment as of 31 December 2014 amounted to CHF 3.056 billion (prior year: CHF 3.056 billion)

3. INTANGIBLE ASSETS

The merger of the grid companies resulted in merger losses (goodwill) of CHF 167.5 million as of 31 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 2014 amounted to CHF 150.7 million (prior year: CHF 159.1 million).

4. FINANCIAL ASSETS

In millions of CHF	31.12.2014	31.12.2013
Investments	3.2	3.0
Employer contribution reserves	1.6	1.3
	4.8	4.3

Financial assets include shareholdings 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	0.100	CHF	50.0
Capacity Allocation Service Company.eu S.A. (CASC.EU)	Luxemburg (Lux)	4.000	EUR	7.1
TSCNET Services GmbH	München (D)	0.025	EUR	10.0
AET NE1 SA	Laufenburg	0.100	CHF	100.0
ALENA Aletsch Energie Netz AG	Laufenburg	0.100	CHF	100.0
Alpiq Netz AG Gösigen/Laufenburg	Laufenburg	0.100	CHF	100.0
Alpiq Réseau SA Lausanne/Laufenburg	Laufenburg	0.100	CHF	100.0
BKW Übertragungsnetz AG	Laufenburg	0.100	CHF	100.0
CKW Grid AG	Laufenburg	0.100	CHF	100.0
EGL Grid AG	Laufenburg	0.100	CHF	100.0
ewb Übertragungsnetz AG	Laufenburg	0.100	CHF	100.0
FMV Réseau SA	Laufenburg	0.100	CHF	100.0
Kraftwerke Hinterrhein Netz AG	Laufenburg	0.100	CHF	100.0
LENA Lonza Energie Netz AG	Laufenburg	0.100	CHF	100.0
Nordostschweizerische Kraftwerke Grid AG	Laufenburg	0.100	CHF	100.0
Ofible Rete SA	Laufenburg	0.100	CHF	100.0
Ofima Rete SA	Laufenburg	0.100	CHF	100.0
Repower Transportnetz AG	Laufenburg	0.100	CHF	100.0
SN Übertragungsnetz AG	Laufenburg	0.100	CHF	100.0
Übertragungsnetz Basel/Laufenburg AG	Laufenburg	0.100	CHF	100.0

TSCNET Services GmbH, domiciled in Munich (D), was founded in 2014. The company provides services in the area of transmission system security and capacity calculations. All other information on the financial investments is unchanged from the previous year.

5. CONDITIONAL PURCHASE PRICE CONSIDERATION

The Federal Court's ruling on 30 August 2014 did not confirm the amount of CHF 7.5 million as part of the transaction value. As a result, the amount was offset against property, plant and equipment (cf. Note 13 of the financial statements in accordance with Swiss GAAP FER) with no effect on profit and loss.

6. LONG-TERM FINANCIAL LIABILITIES

The financial liabilities item contains bonds amounting to CHF 700 million (prior year: CHF 700 million).

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

7. OTHER LIABILITIES

Other liabilities contain obligations of CHF 0.9 million in relation to the PKE Vorsorgestiftung Energie (prior year: CHF 0.8 million in relation to the PKE Pensionskasse Energie).

8. RECEIVABLES FROM AND LIABILITIES TO SHAREHOLDERS

Millions of CHF	2014	2013
Trade receivables from shareholders (current)	58.1	56.5
Trade accounts payable to shareholders (current)	54.0	56.7
Loan obligations to shareholders (current)	42.1	3.6
Loan obligations to shareholders (non-current)	651.2	720.8

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

9. 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.

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
31.12.2014	0.4	0.6	1.0
31.12.2013	0.4	0.7	1.1

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 6 January 2014. 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 0.6 million took place between 27 October 2014 and 5 November 2014 (so-called valuation adjustment 1). The issue price was CHF 2.4 million.

As of 31 December 2014, Swissgrid has conditional share capital of a maximum of CHF 129,364,956, divided into 129,364,956 registered shares with a par value of CHF 1 per share (prior year: CHF 123,810,064 divided into 123,810,064 registered shares with a par value of CHF 1 per share).

12. LEGAL PROCEEDINGS

The cumulative risk for non-chargeable costs amounts to CHF 133.7 million as of 31 December 2014 (prior year: CHF 43.5 million). Swissgrid's Board of Directors and Executive Board are of the 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 3.

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 assessed according to their probability of occurrence and impact. Those risks that are assessed as significant are avoided, mitigated or transferred through corresponding measures determined by the Board of Directors.

14. POST-BALANCE SHEET-DATE EVENTS

TAKEOVER OF ADDITIONAL PARTS OF THE TRANSMISSION SYSTEM

On 5 January 2015, Swissgrid acquired ewz Übertragungsnetz AG, as well as installations of 16 companies for which it was still unclear whether they are part of the transmission system at the time of transfer of the transmission systems.

In this respect, the share capital of CHF 276.4 million was increased to CHF 312.1 million. The former owners were remunerated 30% in Swissgrid shares worth CHF 88.4 million and 70% in loans of CHF 205.3 million, whereby half the loan amount can be converted into equity.

On 28 January 2015, Swissgrid placed a bond of CHF 150 million to finance the loans that cannot be converted into equity. The coupon for the 15-year bond amounts to 0.625%.

In addition, conditional share capital of CHF 0.6 million was newly created. The entire conditional share capital amounts to CHF 130.0 million.

Two valuation adjustments are also planned for these grid takeovers. The first one is likely to take place at the end of 2015, and the second and last one after the value and scope of the entire transmission system have been conclusively determined.

For various legal reasons Swissgrid was not able to take over all remaining parts of the transmission grid on 5 January 2015, meaning that further transfers are expected in January 2016, although these will be considerably smaller in terms of value and scope.

PROGRAMME TO INCREASE EFFICIENCY AND REDUCE COSTS

At its meeting on 4 March 2015, the Board of Directors of Swissgrid adopted a number of measures to increase efficiency and reduce costs. The introduced efficiency measures include operational adjustments and the gradual reduction of the workforce from the current 440 positions to 400 positions (a reduction of 40 positions). This should also result in a reduction of around 20 positions for external specialists.

Swissgrid takes its responsibilities seriously and will structure the staff reduction in a socially acceptable manner and support affected employees in their search for a new position.

In connection with the adopted programme, the Board of Directors has decided to recognise a restructuring provision of CHF 7.5 million in 2015.

DISCONTINUATION OF THE MINIMUM EURO EXCHANGE RATE BY THE SWISS NATIONALBANK

As a consequence of the discontinuation of the minimum euro exchange rate lower income in Swiss francs is expected for congestion proceeds received in euros (cf. Note 16 of the financial statements in accordance with Swiss GAAP FER). This leads to higher chargeable capital costs.

There are no further events subsequent to the balance-sheet date that would require disclosure or recognition in the 2014 financial statements.

On 27 April 2015, the Board of Directors of Swissgrid Ltd approved the 2014 financial statements for submission to the General Assembly 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	2014	2013
Balance carried forward from the previous year	79,271,406.30	27,172,205.00
Net profit for the year	76,165,912.44	52,099,201.30
Retained earnings	155,437,318.74	79,271,406.30
Appropriation to the general legal reserve	-	-
Dividend payment	12,988,479.94	-
Balance to be carried forward	142,448,838.80	79,271,406.30
Total appropriation	155,437,318.74	79,271,406.30

In view of valuation adjustment 1 planned in autumn 2015 for the parts of the grid integrated as of 5 January 2015, which will result in the issue of new shares based on the conditional capital (Art. 3a of the Articles of Association) and which will also be entitled to a dividend payment for the 2014 financial year pursuant to the contractual agreements between Swissgrid and the contributors, the dividend payment will therefore take place after valuation adjustment 1. The distribution per share is determined based on the number of shares entitled to a dividend payment which result after valuation adjustment 1.

Laufenburg, 27. April 2015

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 73 to 83, which comprise the income statement, balance sheet and notes for the year ended 31 December 2014.

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 2014 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.

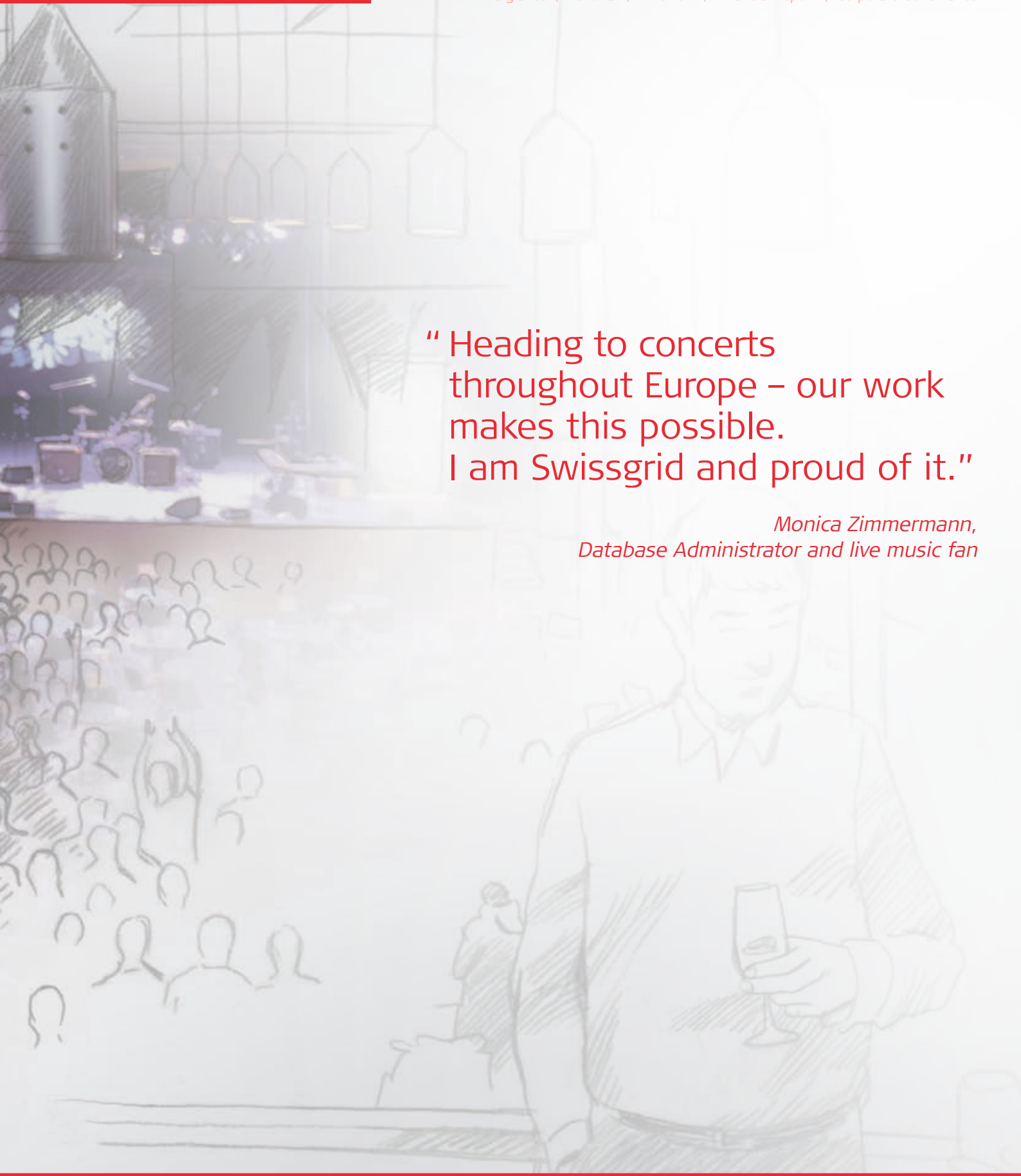
KPMG AG

Orlando Lanfranchi
Licensed Audit Expert
Auditor in Charge

Patrizia Chanton
Licensed Audit Expert

Basel, 27 April 2015





“ Heading to concerts throughout Europe – our work makes this possible. I am Swissgrid and proud of it.”

*Monica Zimmermann,
Database Administrator and live music fan*

Corporate Governance

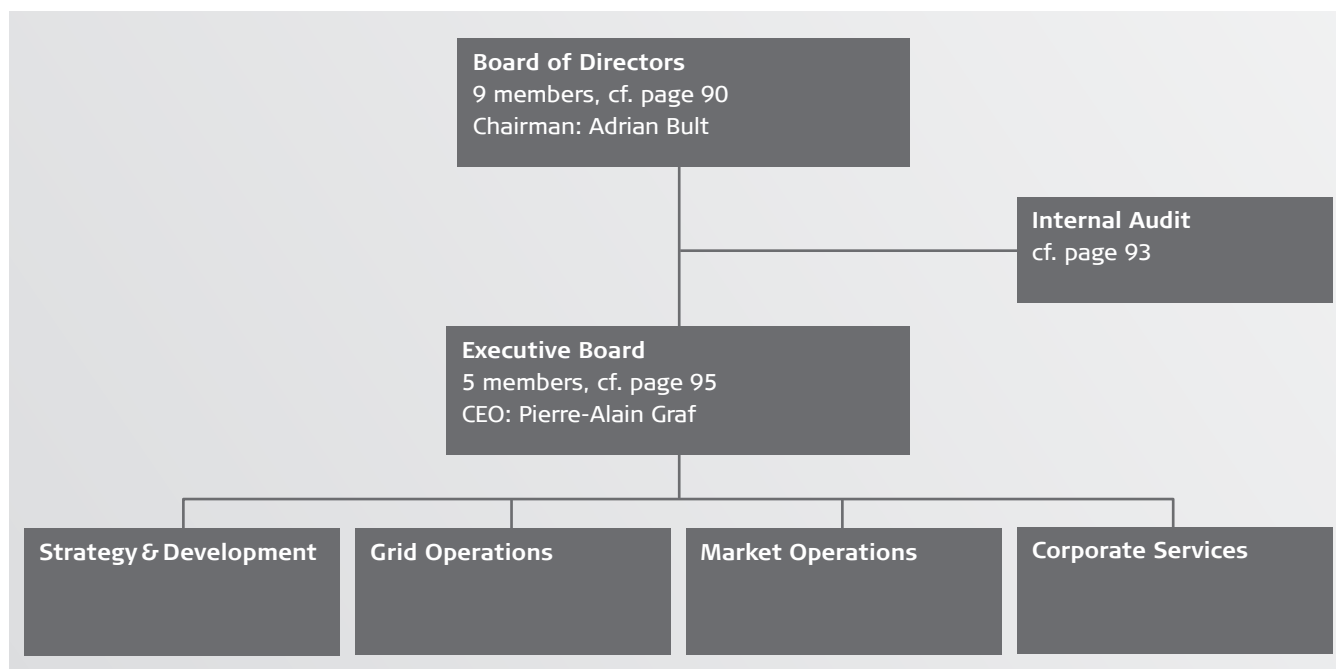
The Board of Directors and the Executive Board of Swissgrid Ltd (hereinafter Swissgrid) place great importance on good corporate governance. The following lists are based

on the Swiss Code of Best Practice for Corporate Governance. All information relates to 31 December 2014, unless specified otherwise.

1 GROUP STRUCTURE AND SHAREHOLDERS

1.1 CORPORATE STRUCTURE

The operational structure of Swissgrid is shown below:



The shareholdings of Swissgrid are listed on page 44 of the Notes to the Financial Statements.

1.2 SHAREHOLDERS

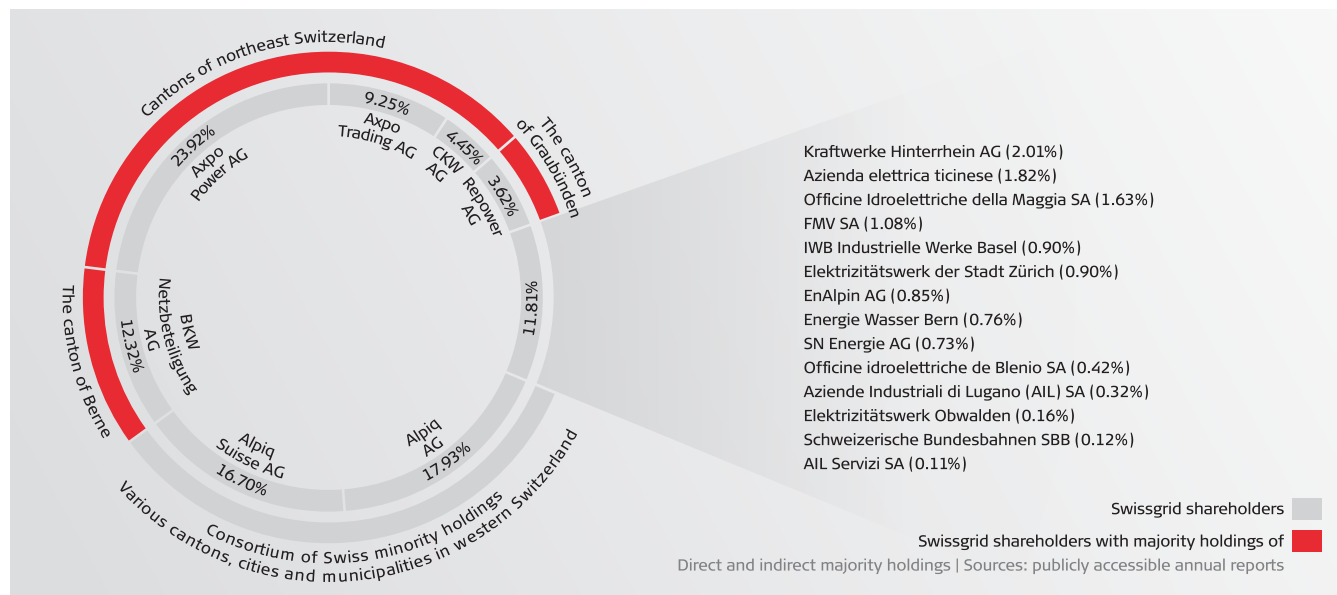
As of 31 December 2014, Swissgrid is wholly owned by the Swiss electricity companies Alpiq Ltd, Alpiq Suisse Ltd, AIL Servizi SA, Axpo Power Ltd, Axpo Trading Ltd, Azienda Elettrica Ticinese, Aziende Industriali di Lugano (AIL) SA, BKW Netzbeteiligung Ltd, Centralschweizerische Kraftwerke AG (CKW), EnAlpin Ltd, Energie Wasser Bern, Elektrizitätswerk der Stadt Zürich, Elektrizitätswerk Obwalden, FMV SA, IWB Industrielle Werke Basel, Kraftwerke Hinterrhein AG, Officine Idroelettriche della Maggia SA,

Officine Idroelettriche di Blenio SA, Repower AG, Swiss Federal Railway SBB and SN Energie AG. Swissgrid is directly or indirectly majority-owned by the cantons and the municipalities. The capital increase on 5 January 2015 increased the number of shareholders by nine additional companies. The current shareholder structure can be viewed online (www.swissgrid.ch).

1.3 CROSSHOLDINGS

There are no cross shareholdings.

PARTICIPATIONS IN SWISSGRID



2 CAPITAL STRUCTURE

2.1 CAPITAL AND RESTRICTION ON TRANSFERABILITY

Ordinary share capital as of 31 December 2014 consists of 276,350,637 registered shares, each with a par value of CHF 1. This includes a conditional capital increase of CHF 635,044 from the first valuation adjustment of the elements of the transmission system transferred to Swissgrid as of 6 January 2014. With entry in the commercial register on 5 January 2015, Swissgrid also took over additional transmission system assets and increased its share capital by CHF 35,708,331 accordingly. The conditional share capital as of 31 December 2014 consists of a maximum of 129,364,956 registered shares, each with a par value of CHF 1. With entry into the commercial register on 5 January 2015, the conditional capital was increased by CHF 635,044 to the original value of CHF 130 million. The conditional share capital involves 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 and individual system elements 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

More information on the share capital and capital changes in the last three years is given in the Statement of changes in shareholders' equity on page 29.

3 BOARD OF DIRECTORS

3.1 MEMBERS OF THE BOARD OF DIRECTORS, ADDITIONAL ACTIVITIES AND AFFILIATIONS

	NAME, NATIONALITY, ROLE, QUALIFICATION, DATE OF ELECTION TO THE BOARD OF DIRECTORS	PROFESSIONAL EXPERIENCE, CAREER	ADDITIONAL ACTIVITIES AND AFFILIATIONS	MEMBER IN COMMITTEES
	<p>ADRIAN BULT (*1959, CH) Chairman (since 10 December 2012), independent member Lic. oec. 14 December 2006</p>	<p>COO Avaloq Evolution AG (2007 to 2012), previously CEO Swisscom Mobile AG and CEO Swisscom Fixnet AG and member of the Executive Board of IBM Switzerland</p>	<p>Board of Directors of Swissquote Holding AG, Enkom AG, AdNovum AG, Garaio AG, Alfred Müller AG, SWICA and Regent Lightning Ltd, Chairman of the CRF Foundation</p>	<p>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), Chairman of the Steering Committee for the strategic financing for Swissgrid Ltd project, Chairman of the special Swissgrid Ltd Security Strategy Committee</p>
	<p>DORIS RUSSI SCHURTER (*1956, CH) Vice-Chairwoman (since 10 December 2012), independent member Lic. iur., lawyer 11 December 2007</p>	<p>Lawyer in own practice, Burger & Müller law firm (since 2005), previously partner at KPMG Switzerland and head of KPMG Lucerne</p>	<p>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)</p>	<p>Chairwoman of the Finance and Audit Committee, member of the special Swissgrid Ltd Security Strategy Committee</p>
	<p>CHRISTOPHE BOSSEL (*1968, CH) Board of Directors, industry representative Lic. Ing., eMBA 21 May 2013</p>	<p>Head of the grid business unit for BKW Energy Ltd, previously Head of Asset Management, production manager at SBB in Yverdon, development of medical devices (Head of Methods and Production) at Electro Medical Systems in Nyon</p>	<p>Board of Directors of onyx Energie Mittelland AG and Spontis SA</p>	<p>Member of the Finance and Audit Committee</p>
	<p>MARCEL FREI (*1959, CH) Board of Directors, Industry representative, accounting and controlling expert (Federal Diploma) 10 December 2012</p>	<p>Director of Elektrizitätswerk der Stadt Zürich (ewz) (since 2012), previously CFO and Deputy Director at ewz</p>	<p>Board of Directors for companies affiliated with ewz and for various companies in the energy sector.</p>	<p>Member of the Finance and Audit Committee</p>

	NAME, NATIONALITY, ROLE, QUALIFICATION, DATE OF ELECTION TO THE BOARD OF DIRECTORS	PROFESSIONAL EXPERIENCE, CAREER	ADDITIONAL ACTIVITIES AND AFFILIATIONS	MEMBER IN COMMITTEES
	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 of Directors of Retraites Populaires	Member of the Staff and Compensation Committee
	CLAUDE NICATI (*1957, CH) Board of Directors, cantonal representative Lic. iur., lawyer 24 June 2014	Independent lawyer, previously a Councillor for the canton of Neuenburg, Head of the Department for regional planning (2009–2013), previously deputy Federal Public Prosecutor (2001–2009) and examining magistrate for the canton of Neuenburg (1997–2001), previous roles in managerial positions for the municipal and cantonal police department		Member of the Staff and Compensation Committee, member of the special Swissgrid Ltd Security Strategy 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
	ANDREW WALO (*1963, CH, GB) Board of Directors, industry representative Dr. oec. publ. 24 June 2014	CEO Axpo Holding AG (since 2014), previously as CEO CKW AG (2004–2014), he was previously also the CEO of SN Energie AG (2001–2004) and in leading managerial positions at Alstom and ABB	Chairman of the Board of swisselectric; member of the Board Committee of Economiesuisse (association of Swiss companies) and member of the Waste Disposal Advisory Council	Member of the Strategy Committee
	MICHAEL WIDER (*1961, CH) Board of Directors, industry representative Lic. iur., MBA 30 June 2009	Head Generation, deputy CEO Alpiq Holding Ltd (since 2009), previously in various roles in the executive management of electricity companies	Chairman or member of the board of directors of various electricity companies, member of the Board of swisselectric	Member of the Strategy Committee Member of the special Swissgrid Ltd Security Strategy Committee

Departures in the reporting period

- Thomas Burgener (independent member of the Board of Directors) on 24 June 2014
- Manfred Thumann (Axpo) on 24 June 2014

3.2 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 attends to 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 eight times in the last financial year and held four 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 amongst 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 four times during the last financial year and held one teleconference.

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 ongoing 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 one teleconference.

Staff and Compensation Committee The Staff and Compensation Committee draws up policies for all compensation components for the members of the Board of Directors, CEO and division heads and submits a proposal to the Board of Directors. The committee defines the compensation for 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 gives its standpoint on the changes to the Executive Board 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 three times and held one teleconference in the last financial year.

Special Security Strategy Committee The Board of Directors may appoint ad hoc committees for specific tasks. In 2014, the Board of Directors established the Special Security Committee, which supports the Board of Directors with regard to the security strategy and other security issues.

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 section 7.2 on page 96).

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 immediately before or after. Internal checks do not come under a separate ICS function, but are rather integrated into 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.

Internal Audit The Internal Audit division reports to the Board of Directors, while certain operational management tasks are transferred to the Finance and Audit Committee. The Internal Audit division provides independent and objective audit and consulting services oriented to the creation of added value and the improvement of business processes. It assists the organisation in fulfilling its tasks by systematically and objectively evaluating and improving the effectiveness of risk management and the internal control system (i.e. the management and monitoring processes). The Board of Directors approves the Internal Audit division's audit planning annually upon application by the Finance and Audit Committee. The Internal Audit division pursues a risk-based audit approach. The individual audit reports are submitted to the Chairman and the Finance and Audit Committee and presented for discussion at every meeting. The implementation of measures is monitored. The Internal Audit division performed six audits during the year under review. To perform the audits, the Head of Internal Audit may use co-sourcing and appoint an independent audit company.

Risk Management Risk Management is an integral part of effective and prudent corporate management for Swissgrid. Swissgrid's Risk Management includes the entire organisation, considers established standards (ISO 31000) and satisfies the internal requirements of corporate governance as well as the requirements under Swiss law.

Objectives Risk Management assists the Executive Board in consciously dealing with risks, in expedient and transparent reporting, in managing and documenting an appropriate Risk Management system as well as in maintaining a corporate structure that fosters the deliberate management of risks.

Organisation The Board of Directors delegates the implementation of Risk Management to the CEO of Swissgrid. As a result, the CEO is responsible for the central Risk Management organisational unit, which reports directly to the CFO. It manages the Risk Management process and a virtual team of specialists in all Swissgrid business units.

Process The comprehensive annual risk assessment is an integral part of the strategy process. The key risks are identified and assessed as part of this multi-stage, structured process. Target/threshold values and strategies for managing these risks are also identified. Risk monitoring,

including the effectiveness and level of implementation of the measures taken, is performed as part of quarterly risk updates. The results of the risk assessment and the risk updates are reported to the Executive Board quarterly and to the Board of Directors semi-annually.

Risk situation Risk drivers can be found in the national as well as in the European political and regulatory environment, in the challenging economic conditions in the sector and the developments in the area of market structure, production and distribution.

Strategic risks

- Implementation of the strategic grid: for example, the defined strategic grid may not be able to be completed on time for procedural reasons or due to the activities of stakeholders. This may limit the removal of energy production or the transportation of energy.
- Risk to financial stability: liquidity and financing problems due to negative procedural rulings, reduced internal financing capability, non-chargeable costs, etc., with a corresponding impact on KPIs such as the equity ratio, interest cover ratio and rating.
- Loss of reputation: loss of reputation may lead to restrictions in the capacity to act at a domestic and international level. The connection with negative topics, increased visibility due to the grid takeover and the fact that Swissgrid is a listed company increases the attractiveness of attacks on reputation.
- Vague sector structures and role allocation: the role of Swissgrid is being challenged at both a national and international level. In Europe, the scope for action is threatened by the trend towards centralisation and potentially more restricted access to important committees. Nationally, there is the risk that the interests of Swissgrid cannot be adequately advanced in relation to the industry.

Operational risks

- Operating/infrastructure faults: in extreme situations, insufficient control reserves, non-availability of power provisioning in Switzerland, the failure of multiple central functions, may lead to a loss of controllability. For example, infrastructure faults may be triggered by the failure of equipment caused by force majeure, accidents or the like. An operating or infrastructure fault may also be caused by a securi-

ty incident. Possible attacks on physical or ICT infrastructure (e.g. cyber attacks) may lead to the limited availability of important systems and processes.

- Market failure: speculative behaviour by market participants may place the state of the grid at risk, which may include the lack of implementation of the EU Network Codes in Swiss legislation.
- Insufficient capability/skills portfolio: constant change in the sector means that other competencies will be necessary in order to meet future challenges in the short and medium term.

4 EXECUTIVE BOARD

4.1 MEMBERS OF THE EXECUTIVE BOARD, ADDITIONAL ACTIVITIES AND AFFILIATIONS



From left to right: Dr. Jörg Spicker, Luca Baroni, Pierre-Alain Graf, Yves Zumwald, Rainer Mühlberger

NAME, NATIONALITY, FUNCTION, EDUCATION 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 Cisco Systems Switzerland Ltd (2006 to 2008); previously at Colt Telecom Group Ltd	Chairman of the Board of Directors of the procedural companies (cf. financial reporting page 56), Board of Directors of Cesoc Ltd
LUCA BARONI (*1971, CH and I) Corporate Services, certified economic (FH) 15 December 2006	CFO of Etrans Ltd (2005 to 2006); previously CFO of Energiedienst Holding AG and at EGL AG, WATT AG and at Migros-Genossenschaftsbund	Board of Directors of the procedural companies (cf. financial reporting page 56)
RAINER MÜHLBERGER (*1958, CH and D) Strategy & Development, Degree in Engineering, MBA 1 October 2013	Swissgrid since 2011; previously CEO of Swisscom Directories Ltd; 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 a Senior External Advisor for McKinsey Inc., previously member of the Board of Alpiq Energie Germany AG and Managing Director of Aquila Energy GmbH	None
YVES ZUMWALD (*1967, CH) Grid Operations, Degree in Engineering, M.Sc. Energy ETH 1 January 2014	Sales Director of Romande Energie Holding (2009 to 2013); previously at EOS Holding	FONES Head of Electricity department

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

- Wolfgang Hechler, Grid Operations a.i., as of 1 January 2014

All of the members departing the Executive Board during the year under review will remain at Swissgrid.

5 REMUNERATION

The members of the Board of Directors receive a fixed remuneration (fees and expenses) based 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 (incl. per diem expenses) and a variable salary component which 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 49 and 50 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, act 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 function since the 2005/2006 financial year. The auditors are appointed at the Annual General Meeting for a one-year term. For its function as auditors, KPMG received remuneration of CHF 249,000 for the last financial year. Additional services provided in connection with the transfer of additional parts of the transmission system were remunerated with a total of CHF 58,000.

7.2 INFORMATION INSTRUMENTS

The Finance and Audit Committee evaluates the effectiveness of the external audit each year. The members of the committee use their knowledge and experience gained from holding similar positions in other companies to evaluate the audit. They also base their evaluation on the documents provided by the external auditors, 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.

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

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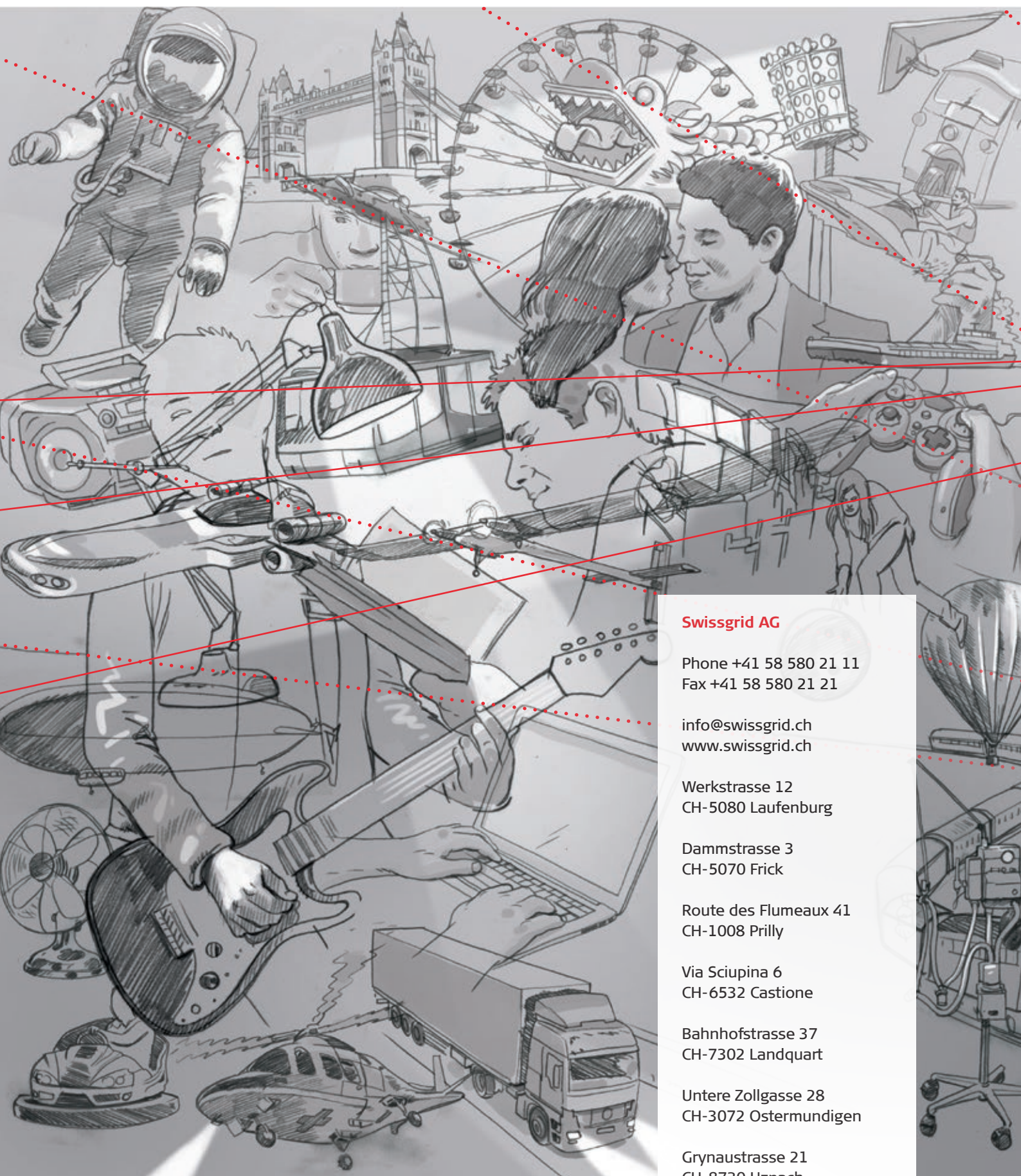


“ I travel whenever my work gives me the opportunity to do so. Our fantastic mobility is also made possible by what I do. I am Swissgrid and proud of it.”

*Patrick Gasser,
Specialist in Renewable Energies and globetrotter*







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