

Financial report

Objektyp: **Group**

Zeitschrift: **Annual report / Swiss federal railways**

Band (Jahr): - **(2003)**

PDF erstellt am: **21.09.2024**

Nutzungsbedingungen

Die ETH-Bibliothek ist Anbieterin der digitalisierten Zeitschriften. Sie besitzt keine Urheberrechte an den Inhalten der Zeitschriften. Die Rechte liegen in der Regel bei den Herausgebern.

Die auf der Plattform e-periodica veröffentlichten Dokumente stehen für nicht-kommerzielle Zwecke in Lehre und Forschung sowie für die private Nutzung frei zur Verfügung. Einzelne Dateien oder Ausdrucke aus diesem Angebot können zusammen mit diesen Nutzungsbedingungen und den korrekten Herkunftsbezeichnungen weitergegeben werden.

Das Veröffentlichen von Bildern in Print- und Online-Publikationen ist nur mit vorheriger Genehmigung der Rechteinhaber erlaubt. Die systematische Speicherung von Teilen des elektronischen Angebots auf anderen Servern bedarf ebenfalls des schriftlichen Einverständnisses der Rechteinhaber.

Haftungsausschluss

Alle Angaben erfolgen ohne Gewähr für Vollständigkeit oder Richtigkeit. Es wird keine Haftung übernommen für Schäden durch die Verwendung von Informationen aus diesem Online-Angebot oder durch das Fehlen von Informationen. Dies gilt auch für Inhalte Dritter, die über dieses Angebot zugänglich sind.

Ein Dienst der *ETH-Bibliothek*
ETH Zürich, Rämistrasse 101, 8092 Zürich, Schweiz, www.library.ethz.ch

<http://www.e-periodica.ch>

SBB Consolidated Income Statement Financial Report.

for the period from 1 January to 31 December

| | | | | | | | | | | |
|----------------------------------|------------------------|------------------------|----------------------------------|---|---------------------------------------|--------------------------|--|---------------------------------|---|-----------------|
| Operating revenues | Traffic revenues | Grants | Rental revenues from real estate | Other operating revenues | Other revenues | Own work capitalised | Federal government grants for infrastructure | Revenue reductions | Total operating revenues | |
| Operating expenses | Expenses for materials | Personnel expenses | Other operating expenses | Depreciation of tangible assets, impairment of financial assets and amortisation of intangible assets | Non-capitalisable investment expenses | Total operating expenses | Operating income before transfer to provisions as per AFR 16 | Statutory reserve as per AFR 16 | Operating income after transfer to provisions as per AFR 16 | |
| Net proceeds from sale of assets | Extraordinary income | Extraordinary expenses | Project "Chance" expenses | EBIT | Financial income | Financial expenses | Profit/loss before tax | Taxes | Minority shareholdings | Net profit/loss |

| | |
|--|-----|
| SBB Group Report | |
| Consolidated Income Statement | 77 |
| Consolidated Balance Sheet | 78 |
| Consolidated Cash Flow Statement | 80 |
| Notes to the consolidated financial statements | 81 |
| Segment information for the SBB consolidated income statement: Passenger Traffic, Freight, Infrastructure, Real Estate and Central Services | 102 |
| Principal subsidiary undertakings | 108 |
| Report of the group auditor | 110 |

| | |
|--|-----|
| SBB AG | |
| Income Statement | 111 |
| Balance Sheet | 112 |
| Cash Flow Statement | 114 |
| Notes to the financial statements | 115 |
| Proposal of the Board of Directors on the appropriation of available earnings | 128 |
| Report of the statutory auditors | 129 |

The Notes are an integral part of these financial statements.

Financial Report 2003

| | |
|-----|---|
| 110 | Report of the group auditor |
| 109 | Principal subsidiary undertakings |
| 108 | Real Estate and Central Services |
| | Passenger Traffic, Freight, Infrastructure, |
| | SBB consolidated income statement |
| 102 | Segment information for the |
| | financial statements |
| 81 | Notes to the consolidated |
| 80 | Consolidated Cash Flow Statement |
| 78 | Consolidated Balance Sheet |
| 77 | Consolidated Income Statement |
| | SBB Group Report |

| | |
|-----|---|
| 111 | Income Statement |
| 110 | Balance Sheet |
| 115 | Cash Flow Statement |
| 116 | Notes to the financial statements |
| 108 | Proposal of the Board of Directors on |
| | the appropriation of available earnings |
| | Report of the statutory auditors |

trains and rail services provided by SBB Cargo

23-24 October Festivals to mark the inauguration of Rail 2000

2 December Rail 2000 goes into operation

SBB Consolidated Income Statement.

for the period from 1 January to 31 December.

| CHF millions | Note | 2003 | 2002 |
|---|------|-----------------|-----------------|
| Operating revenues | | | |
| Traffic revenues | 1 | 2,905.5 | 2,917.1 |
| Grants | 2 | 617.3 | 617.6 |
| Rental revenue from real estate | 3 | 287.6 | 279.6 |
| Other operating revenues | 4 | 754.2 | 588.0 |
| Other revenues | 5 | 108.4 | 151.5 |
| Own work capitalised | 6 | 602.5 | 549.4 |
| Federal government grants for infrastructure | 7 | 1,332.6 | 1,306.9 |
| Revenue reductions | 8 | -118.0 | -86.2 |
| Total operating revenues | | 6,490.1 | 6,323.9 |
| Operating expenses | | | |
| Expenses for materials | 9 | -478.7 | -466.3 |
| Personnel expenses | 10 | -2,987.0 | -3,021.6 |
| Other operating expenses | 11 | -1,350.2 | -1,137.9 |
| Depreciation of tangible assets, impairment of financial assets and amortisation of intangible assets | 12 | -1,200.8 | -1,179.7 |
| Non-capitalisable investment expenses | 13 | -296.1 | -324.4 |
| Total operating expenses | | -6,312.8 | -6,129.9 |
| Operating income before transfer to provisions as per ARR 16 | | 177.3 | 194.0 |
| Staff pension scheme as per ARR 16 | 14 | -132.0 | -183.0 |
| Operating income after transfer to provisions as per ARR 16 | | 45.3 | 11.0 |
| Net proceeds from sale of assets | 15 | 138.9 | 111.2 |
| Extraordinary income | 16 | 42.4 | 23.6 |
| Extraordinary expenses | 17 | -9.5 | -6.5 |
| Project "Chance" expenses | 18 | -17.3 | -17.3 |
| EBIT | | 199.8 | 122.0 |
| Financial income | 19 | 68.9 | 139.8 |
| Financial expenses | 20 | -204.4 | -274.0 |
| Profit/loss before tax | | 64.3 | -12.2 |
| Taxes | 21 | -40.5 | -3.3 |
| Minority shareholdings | | 1.1 | 3.5 |
| Net profit/loss | | 24.9 | -12.0 |

The Notes are an integral part of these financial statements.

SBB Consolidated Balance Sheet.

Assets.

| CHF millions | | Note | 31.12.2003 | 31.12.2002 |
|--|--|------|-----------------|-----------------|
| Current assets | | | | |
| Cash and cash equivalents ¹ | | 22 | 604.9 | 964.7 |
| Trade accounts receivable | | 23 | 557.8 | 545.7 |
| Other receivables | | 24 | 239.3 | 239.7 |
| Inventories and work in progress | | 25 | 281.9 | 258.1 |
| Accrued income | | 26 | 364.2 | 264.8 |
| Total current assets | | | 2,048.1 | 2,273.0 |
| Fixed assets | | | | |
| Financial investments | | 27 | 2,275.2 | 3,150.3 |
| Tangible assets | | 28 | 17,894.2 | 16,941.5 |
| Assets under construction | | 28 | 6,351.9 | 6,214.0 |
| Intangible assets | | 29 | 209.2 | 203.8 |
| Total fixed assets | | | 26,730.5 | 26,509.6 |
| Total assets | | | 28,778.6 | 28,782.6 |

¹ The short-term securities held were reclassified and stated under Cash. See Note 22.

The Notes are an integral part of these financial statements.

Liabilities and equity

| CHF millions | Note | 31.12.2003 | 31.12.2002 |
|--|------|-----------------|-----------------|
| Liabilities | | | |
| Current financial liabilities | | | |
| Current financial liabilities | 30 | 25.7 | 31.1 |
| Trade accounts payable | 31 | 621.9 | 729.2 |
| Other current liabilities | 32 | 108.8 | 145.7 |
| Deferred income and accrued charges | 33 | 922.0 | 849.7 |
| Current provisions | 34 | 335.3 | 357.5 |
| Total current liabilities | | 2,013.7 | 2,113.2 |
| Non-current financial liabilities | | | |
| Non-current financial liabilities | 35 | 4,771.4 | 4,626.7 |
| Other non-current liabilities | 36 | 7,893.9 | 8,025.7 |
| Non-current provisions | 34 | 2,415.1 | 2,364.4 |
| Deferred tax | | 1.9 | 2.3 |
| Total non-current liabilities | | 15,082.3 | 15,019.1 |
| Total liabilities | | 17,096.0 | 17,132.3 |
| Minority shareholdings | | | |
| | | 22.7 | 16.8 |
| Equity | | | |
| Share capital | 37 | 9,000.0 | 9,000.0 |
| Capital reserves | | 2,069.1 | 2,069.1 |
| Retained earnings | | 565.9 | 576.4 |
| Net profit/loss | | 24.9 | -12.0 |
| Total equity | | 11,659.9 | 11,633.5 |
| Total liabilities and equity | | 28,778.6 | 28,782.6 |

The Notes are an integral part of these consolidated financial statements.

SBB Consolidated Cash Flow Statement.

Assets.

Liabilities and equity.

| CHF millions | 2003 | 2002 |
|--|-----------------|-----------------|
| Net profit/loss | 24.9 | -12.0 |
| Depreciation of fixed assets | 1,200.8 | 1,179.7 |
| Non-capitalisable investment expenses | 296.1 | 324.4 |
| Change in non-current provisions | 51.2 | 12.8 |
| Net proceeds from sale of assets | -138.9 | -111.2 |
| Own work capitalised | -378.3 | -549.4 |
| Equity valuation | -3.8 | 5.3 |
| Cash flow | 1,052.0 | 849.6 |
| Change in trade accounts receivable | -11.1 | 145.8 |
| Change in inventories and work in progress | -23.8 | -48.6 |
| Change in other current receivables and accrued income | -82.9 | 354.6 |
| Change in current liabilities | -94.2 | -166.2 |
| Change in minority shareholdings | -0.7 | -3.6 |
| Cash flow from operating activities | 839.3 | 1,131.6 |
| Change in scope of consolidation | -17.5 | -14.0 |
| Investments in financial assets | -59.6 | -122.9 |
| Disposals of financial assets | 165.5 | 239.0 |
| Investments in tangible assets and assets under construction | -2,290.5 | -2,496.9 |
| Disposals of tangible assets | 119.1 | 106.7 |
| Investments in intangible assets | -5.5 | -22.2 |
| Cash flow from investing activities | -2,088.5 | -2,310.3 |
| Change in current financial liabilities | -5.5 | -102.6 |
| Change in non-current financial liabilities | 137.1 | 845.5 |
| Change in other non-current liabilities | 759.8 | 732.7 |
| Dividend payments to minority shareholders | -0.5 | -0.7 |
| Cash flow from financing activities | 890.9 | 1,474.9 |
| Overall change in funds | -358.3 | 296.2 |
| Cash and cash equivalents at 1 January ¹ | 964.7 | 668.5 |
| Difference on foreign currency translation | -1.5 | 0.0 |
| Cash and cash equivalents at 31 December | 604.9 | 964.7 |
| Change in cash and cash equivalents | -358.3 | 296.2 |

¹ The short-term securities held were reclassified and stated under Cash. See Note 22.

Notes to the consolidated financial statements.

Consolidation principles.

General. The accounting principles applied to these consolidated financial statements meet the requirements of Swiss Company Law and the Swiss Accounting and Reporting Recommendations (Swiss GAAP ARR), and give a true and fair picture of the consolidated annual accounts.

Closing date. The reporting year is 12 months for all companies. With the exception of Kraftwerk Rapperswil-Auenstein AG (closing date: 30 September), the fiscal year for all consolidated units is identical to the calendar year.

Scope of consolidation. The consolidated financial statement includes the annual accounts of Swiss Federal Railways (SBB AG) and those interests where SBB AG directly or indirectly holds the majority of voting shares.

The 100% holding in AlpTransit Gotthard AG has not been consolidated, but has been included by application of the equity method. Based on a special agreement between the Swiss Confederation and SBB AG, the federal government has direct influence and the uniform management criterion therefore does not apply.

The companies in the scope of consolidation are listed on pages 108 and 109.

Consolidation method. For all companies in which SBB AG has a direct or indirect holding of more than 50%, the full consolidation method is applied. Assets, liabilities, expenses and income are accounted for at 100%. Interests of third-party shareholders in the equity capital and profit are shown separately.

Equity has been consolidated in accordance with the Anglo-Saxon purchase method. Intra-group assets, liabilities, expenses and income have been offset against each other. Interim profits on intra-group accounts not yet realised by sales to third parties have been eliminated in consolidation.

Associated companies in which SBB AG has holdings of between 20% and 50% have been consolidated by the equity method.

Minority shareholdings. Published minority shareholdings in the Group's equity capital and profits correspond to the third-party holdings in the equity capital and profits of the respective companies established on the basis of the shareholder structure currently applicable.

Foreign currency translation. Assets and liabilities from balance sheets drawn up in foreign currencies are translated at the year-end exchange rate. The equity is translated at the historical exchange rate and income and expenditure at the average rate. The exchange rate differences arising from the application of this method are offset against the retained earnings and are not reflected in the results.

The following exchange rates were applied in these financial statements:

| | Average exchange rate | | Exchange rate on the reference date | |
|-----|-----------------------|------|-------------------------------------|------------|
| | 2003 | 2002 | 31.12.2003 | 31.12.2002 |
| EUR | 1.55 | 1.48 | 1.58 | 1.47 |

Goodwill. On initial consolidation of a company, its assets and liabilities are revalued according to uniform principles. The difference between the resulting equity and the historical cost (goodwill) is capitalised as an asset and is normally written off on a linear basis over 5 years.

Valuation principles applicable to the consolidated accounts.

General. The consolidated financial statements are based on the financial statements of the group companies, prepared according to uniform valuation and disclosure principles in accordance with the principles of Swiss GAAP ARR.

Current assets. Liquid funds are composed of cash, balances on postal and bank accounts, financial investments which can be realised in a short time and securities which are not operationally necessary. Securities have been valued at their market value.

Trade accounts receivable and other receivables are stated at their nominal value, less operationally necessary valuation provisions. Actual credit risks are shown individually while a global valuation provision has been made for latent credit risks.

Materials and spare parts which are almost exclusively for the Group's own use were entered at purchase or manufacturing cost, observing the principle of the lower of cost and market value. Manufacturing costs are calculated on the basis of the material and production costs (full costs). Valuation provisions are made for slow-moving goods and items with reduced marketability. Discounts claimed are credited to financial income.

Fixed assets. Financial investments include holdings in associated companies in which 20% and more of voting rights are held, consolidated according to the equity method, and the other unconsolidated holdings which are shown at historical cost less appropriate, commercially necessary depreciation. In addition, the financial assets contain non-current receivables from third parties, unconsolidated holdings and receivables from the shareholder. These are shown at their nominal value less valuation provisions for actual credit risks.

Tangible assets have been valued at the cost of purchase or manufacture, less the necessary depreciation. Linear depreciation has been applied over the anticipated useful life of the assets. The presumed useful life, i.e. depreciation period, of the tangible assets, is as follows (in years):

| | |
|---|-------|
| Technical, electrical and mechanical installations | 15–25 |
| Tools, furniture, instruments | 10 |
| IT | 4 |
| Telecoms | 2–20 |
| Vehicles | |
| – Locomotives and power cars | 25 |
| – Passenger cars and freight wagons | 20 |
| – Service vehicles | 30 |
| – Road and other vehicles | 10–25 |
| Railway installations | 20–50 |
| Site development, supply and disposal installations | 15–25 |
| Hydraulic engineering structures | 80 |
| Buildings | 50–75 |

Leasing contracts which serve the same commercial purpose as the purchase of a tangible asset (financial lease) are capitalised as tangible assets and depreciated over the same useful life as similar assets. Leasing liabilities are included under financial liabilities. Profits from such transactions (financial lease) are deferred and written back over the contract period.

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

Intangible assets comprise intangible items (goodwill, water rights, rights of way, other rights and software) purchased. Linear amortisation has been applied over the corresponding useful life. The presumed useful life, i.e. depreciation period, of the intangible assets, is as follows (in years):

| | |
|----------|--------------------------|
| Goodwill | 5 |
| Rights | as per specific contract |
| Software | 4–8 |

Liabilities. With the exception of variable-interest and conditionally-redeemable federal bonds, all interest-bearing loans are entered under current and non-current financial liabilities. All liabilities with a residual term of more than one year are deemed non-current. Liabilities due within one year are shown as current, including non-current liabilities repayable within one year.

Provisions have been formed and written back in accordance with standard business management principles.

Contributions to the pension Funds are made in accordance with the requirements of the BVG (Swiss pension fund law). All major provident institutions of the Group operate primarily on the defined benefit scheme. Benefits payable to qualifying members of staff are normally calculated as a percentage of the presumed salary in the years immediately preceding retirement and depend on the number of years of service.

Staff pension benefits at the SBB Group are, in principle, the responsibility of the SBB Pension Fund, which has been an independent foundation since 1 January 1999. The subsidiary companies, which either have contracts with other pension schemes or have their own schemes, are an exception.

The financial effects of pension commitments must be entered in accordance with ARR 16, irrespective of the legal form of the pension plans and schemes. This financial approach requires the inclusion of staff pension schemes in the financial statement, although they constitute neither a credit balance nor a liability from a legal point of view. Assets and liabilities relating to the pension schemes are revalued periodically. ATAG Libera AG carries out the calculations for SBB in accordance with ARR 16 using the "projected unit credit" method. The projected benefit obligations (PBO) towards employees covered by the plan are equivalent to the cash value of the pension benefits accrued on the reference date, taking account of assumed future salary and pension increases and the likelihood of the employees leaving. Pension scheme commitments to retirees are expressed as the cash value of the current pensions, taking account of assumed future pension increases. The overall liability is compared with the market value of the assets. If this results in a deficit, at least the liability

is entered (updating of the previous year's figure). Should the difference (between the liability and the actual deficit) exceed the range specified in ARR 16 (10% of the pension assets or 10% of the pension scheme commitments, whichever is higher), the difference is amortised over an average remaining working life of the insured parties (15 years in the case of SBB), thus affecting the income statement.

Deferred taxes, which relate solely to holdings, as SBB AG and SBB Cargo AG are exempt from tax, with the exception of real estate deemed non-operating, relate to all effects of taxes on income arising from the requirements of commercial or local law or from the internal valuation principles of the Group. The provision has been created according to the liability method and continuously adapted to any changes in local tax laws.

At present, no significant loss carryforwards or tax credits are anticipated.

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

Notes to the consolidated financial statements.

0 General remarks

0.1 Changes to the scope of consolidation

Since 1 January 2003, the scope of fully consolidated holdings has changed as follows:

Additions: Swiss Rail Cargo Italy S.r.L., Milan: Established. 100% shareholding (January 2003)
 elvetino management AG, Zurich: Established. 100% shareholding (April 2003)
 Rail Italy S.p.A., Milan: Purchase. 100% shareholding (August 2003)
 RegionAlps SA, Martigny: Established. 70% shareholding (September 2003)

Disposals: Silo AG Brunnen, Brunnen (November 2003)

Other: BLI Bahnhof Luzern Immobilien AG, Lucerne: Merger with SBB AG, i.e. Real Estate unit (January 2003)

0.2 Segment information

Real estate operations were spun off into a separate unit on 1 January 2003, by resolution of the Board of Directors and with the agreement of the federal government. For the most part, they had previously been a constituent of the Infrastructure division. Real estate and land from the other segments were also transferred to the new division at the time of the spin-off. The segment information shows real estate as an independent segment for the first time in the 2003 financial year. Restatement of the previous year's figures has been waived. Only a restricted year-on-year comparison of the balance sheets and income statements for the existing segments is possible.

Transfer payments to Infrastructure

In the context of the Real Estate spin-off, an agreement was entered into with the federal government whereby the impact of this transaction on the Infrastructure accounts would be offset by transfer payments. Under this agreement, it was stated that – for the current performance period 2003–2006 – these annual transfer payments would figure in the income statement of the Real Estate division as follows:

| | |
|------|-----------------|
| 2003 | CHF 141 million |
| 2004 | CHF 160 million |
| 2005 | CHF 190 million |
| 2006 | CHF 192 million |

The transfer payment to Infrastructure corresponds on the one hand to the interest revenues forwarded by Central Services to Infrastructure by virtue of the capital structure of the opening balance sheet of the Real Estate division, and secondly by a direct transfer from Real Estate to Infrastructure. To ensure the transparency, relevance and comparability of the segment information, the transfer is stated separately in the "bottom line".

0.3 Taxes

In its ruling of 23 December 2003, the Federal Court specified the subjective tax liability of SBB AG in the cantons and municipalities in respect of real estate deemed to be nonoperating. As a result of the new situation, a retrospective provision is required for 1999–2003 for tax on earnings, capital gains tax and capital gains tax on property, for which a corresponding tax provision has been entered on the basis of current knowledge.

1 Traffic revenues

| CHF millions | 2003 | 2002 |
|-------------------------|----------------|----------------|
| Passenger services | 1,796.1 | 1,797.2 |
| Freight services | 989.7 | 985.4 |
| Operation revenues | 101.2 | 119.2 |
| Infrastructure | 18.5 | 15.3 |
| Traffic revenues | 2,905.5 | 2,917.1 |

Domestic passenger traffic revenue increased, despite the loss of Expo.02 revenues. Global economic and political uncertainties, health risks (SARS) and increased competition from low-cost airlines had a detrimental effect on international inter-city passenger traffic. The increased revenue from domestic traffic could not compensate fully for these losses.

Revenue from freight traffic increased slightly compared to the previous year, despite the sustained recession in Europe and the temporary blockage of the north-south corridor due to the closure of the Monte Olimpino II tunnel. The introduction of the open access rules in 2003 led to fiercer competition for transit freight. The low water level of the Rhine during 2003 restricted shipping, leading to additional losses of revenue from freight traffic from the Basel Rhine port.

Overall, traffic revenues fell by about 0.4% due to the drop in income from third-party services.

2 Grants

| CHF millions | 2003 | 2002 |
|---|--------------|--------------|
| Grants for regional passenger services | | |
| Confederation | 323.0 | 317.1 |
| Cantons | 174.9 | 189.9 |
| Third-party contributions | 7.3 | 0.3 |
| Total grants for regional passenger services | 505.2 | 507.3 |

| | | |
|--|-------------|-------------|
| Train-path charge subsidies for freight traffic (infrastructure) | | |
| for intermodal transport | 35.6 | 32.7 |
| for other freight traffic | 57.8 | 59.3 |
| Total train-path charge subsidies | 93.4 | 92.0 |

| | | |
|--|--------------|--------------|
| Grants to Cargo for intermodal transport | 18.7 | 18.3 |
| Grants | 617.3 | 617.6 |

Total grants remained at the level of the previous year.

Regional passenger traffic services were expanded by about 3.9 million train kilometres while the subsidy per train-kilometre was reduced from CHF 8.89 in 2002 to CHF 8.29 in 2003.

Based on the disclosure practice specified by the Federal Office of Transport (BAV) regarding the reclassification of federal grants forwarded to the Zurich Transport Authority (ZVV) (cf. Note 7), the payment of CHF 33 million to the ZVV is deducted from the grants to the cantons for regional passenger services.

The purpose of train-path charge and freight traffic subsidies is to promote the transfer of freight transport from road to rail. In addition to SBB Cargo AG, other railway companies which purchase train-path services from SBB Infrastructure also benefit from the cheaper train-path charges.

Notes to the consolidated financial statements

3 Rental revenue from real estate

This figure includes the revenue from real estate in SBB's property portfolio.

4 Other operating revenues

| CHF millions | 2003 | 2002 |
|---------------------------------------|--------------|--------------|
| Contract staff | 0.5 | 1.4 |
| Services to third parties | 244.7 | 117.0 |
| Maintenance and servicing work | 61.0 | 50.2 |
| Rental revenues | 80.2 | 59.8 |
| Power revenues | 83.4 | 55.5 |
| Foreign currency exchange | 39.3 | 41.9 |
| Commissions | 81.8 | 109.8 |
| Sales of printed matter and materials | 49.9 | 34.8 |
| Cost participations, contributions | 71.1 | 75.9 |
| Sundry additional income | 42.3 | 41.7 |
| Other operating revenues | 754.2 | 588.0 |

The gross accounting procedure was applied consistently for the first time in the reporting year for the tour operating business for passenger services (third-party services) and for rental of rolling stock to foreign railways, resulting in restricted comparability of "Other operating revenues" with those of the previous year. Costs arising from the gross accounting procedure were entered under the heading "Other operating expenses" (cf. Note 11). Earnings in the Power unit rose owing to the relatively high market prices.

Commissions decreased mainly as a result of the absence of the additional Expo.02 services. They also fell because of the lower level of international passenger services.

Higher sales of printed matter and materials are particularly attributable to higher sales of spare parts and scrap, some of which entail additional outlay for materials.

5 Other revenues

The fall in other revenues is due to a drop in investment work for third parties and the lower release of the power provision due to higher market prices. The purpose of the power provision is to compensate for power generation costs at SBB's own power plants which exceed market prices.

6 Own work capitalised

| CHF millions | 2003 | 2002 |
|-----------------------------|--------------|--------------|
| Investment orders | 378.3 | 345.2 |
| Stock orders | 224.2 | 204.2 |
| Own work capitalised | 602.5 | 549.4 |

The increase in own work capitalised is due to an increase in infrastructure work, the conversion of freight locomotives for the German market and own work capitalised on newly-acquired passenger rolling stock.

Own work for stock orders is primarily due to additional maintenance of passenger and freight rolling stock.

7 Federal government grants for infrastructure

| CHF millions | 2003 | 2002 |
|---|----------------|----------------|
| Depreciation of infrastructure | 865.3 | 810.0 |
| Infrastructure operating grant | 467.3 | 494.0 |
| Contribution for SBB services during St. Gotthard road tunnel closure | 0.0 | 2.9 |
| Federal government grants for infrastructure | 1,332.6 | 1,306.9 |

Breakdown of the federal government grants for infrastructure

| CHF millions | Depreciation of infrastructure | | Infrastructure operating grant | |
|----------------------------------|--------------------------------|--------------|--------------------------------|--------------|
| | 2003 | 2002 | 2003 | 2002 |
| SBB infrastructure | 855.1 | 804.0 | 456.1 | 486.8 |
| – of which "Seelinie" | 4.4 | 0.0 | 6.4 | 0.0 |
| Brünig infrastructure | 7.6 | 6.0 | 8.2 | 7.2 |
| Thurbo AG (inc. cantonal grants) | 2.6 | 0.0 | 3.0 | 0.0 |
| Total | 865.3 | 810.0 | 467.3 | 494.0 |

Infrastructure depreciation relates to write-offs and depreciation on existing installations and non-capitalisable investments. The infrastructure operating grant covers ongoing operating costs. Whilst the grant for depreciation and write-offs was increased due to investment activity in connection with Rail 2000, the operating grant was considerably lower due to increases in productivity. In addition, the budget was cut by CHF 13 million under the federal government's deficit reduction programme. Federal grants to the SBB Group increased with the takeover of the Lake Constance "Seelinie" and the creation of the Thurbo AG subsidiary, which increased the route network. The federal infrastructure grants include a CHF 33 million payment to SBB to forward to the Zurich Transport Authority (ZVV). This amount is not directly linked to services performed by SBB AG but is forwarded to ZVV in accordance with the practice specified by the Federal Office of Transport by way of the cantonal grants for regional passenger traffic (cf. Note 2).

8 Revenue reductions

The increase in revenue reductions is due to the higher balance of exchange rate gains and losses and the change in the provisions for bad and doubtful debts.

9 Expenses for materials

The higher expenses for materials are due to the increase in sales of materials and printed matter, the increase in own work capitalised for investment and stock orders and the increase in rolling stock maintenance (Rail 2000).

10 Personnel expenses

| CHF millions | 2003 | 2002 |
|---------------------------|----------------|----------------|
| Wages and salaries | 2,544.7 | 2,529.1 |
| Social benefit costs | 356.5 | 400.3 |
| Other personnel expenses | 85.8 | 92.2 |
| Personnel expenses | 2,987.0 | 3,021.6 |

Wages and salaries increased by 0.6% due to pay increases which offset a slight fall in the workforce.

Social benefit costs fell by CHF 43.8 million. The fall is due firstly to the absence of the costs of early retirement at SBB Cargo AG included in the previous year and secondly, to the coordination deduction, raised on 1.1.2003, and the associated reduction in one-off contributions to the pension fund. SBB assumed the costs of occupational invalidity with effect from 2003 to improve the financial position of the SBB pension fund. Furthermore, since 1 July 2003, the employees and employer have been paying a restructuring contribution to the SBB pension fund amounting to 1.5% of the insured salary. The restructuring measures represent a charge of CHF 17 million against the pension fund.

"Other personnel expenses" fell due to a reduction in reimbursements for expenses and a reduction in staff restaurant and staff recruitment costs.

11 Other operating expenses

| CHF millions | 2003 | 2002 |
|--|----------------|----------------|
| Lease of installations | 27.2 | 26.3 |
| Services for maintenance, repair and replacement | 211.9 | 202.5 |
| Vehicle costs | 140.3 | 118.5 |
| Property insurance, duties and fees | 68.3 | 56.3 |
| Power and waste disposal costs | 145.5 | 119.2 |
| Administration and information system costs | 219.5 | 224.7 |
| Publicity costs | 46.1 | 59.4 |
| Other operating expenses | 171.2 | 19.2 |
| Third-party operating costs | 265.8 | 265.4 |
| Pretax reductions on grants | 54.4 | 46.4 |
| Other operating expenses | 1,350.2 | 1,137.9 |

The increase in other operating expenses is largely associated with the consistent application of gross accounting to purchase of services in the tour operating business and the rental of vehicles from foreign railways, described under "Other operating revenues". Only a limited comparison with the previous year is possible (cf. Note 4).

The increased expenses for third-party services for maintenance, repair and spare parts include additional contracting-out of work to third parties.

Following the Federal Court ruling of December 2003 on the partial tax liability of SBB AG for property, a tax provision was created and debited against the entry for "Property insurance, duties and fees" for capital gains tax on property, retroactively for 1999-2003.

The cost of power and waste disposal increased in step with higher energy prices. (see other operating revenues).

The reduction in publicity costs is due in particular to the end of the intensive publicity campaign during Expo 02.

The expenses entered under the heading "Pretax reductions on grants" are mainly attributable to the VAT regulations applicable to public transport operators. SBB AG calculates a 2.7% Pretax reduction on the payments it receives, instead of a reduction in proportion to the corresponding share of its total turnover. As the tax payable is contained in these amounts, this arrangement does not affect the SBB AG income statement.

12 Depreciation of tangible assets, impairment of financial assets and amortisation of intangible assets

| CHF millions | 2003 | 2002 |
|--|----------------|----------------|
| Impairment of financial assets | 0.9 | 11.6 |
| Depreciation of tangible assets | 1,080.5 | 1,034.4 |
| Amortisation of intangible assets | 72.8 | 58.9 |
| Depreciation of net book values from disposals of tangible assets | 46.6 | 74.8 |
| Depreciation of tangible assets, impairment of financial assets and amortisation of intangible assets | 1,200.8 | 1,179.7 |

In the previous year, impairments of financial assets included an increase in the valuation provision for loans.

The increase in depreciation of tangible assets is primarily due to the increase in tangible assets as a consequence of the investments in Rail 2000 and in new rolling stock.

The depreciation of intangible assets includes depreciation of software, rights and goodwill.

The lower write-downs of net book values from the disposal of assets are attributable to fewer disposals of assets and improved sales revenue.

13 Non-capitalisable investment expenses

Expenses for non-capitalisable investments were lower than in the previous year. The decrease is due to the reduction in the non-capitalisable portions of completed projects.

14 Pension scheme as per ARR 16

The slight recovery on the capital markets enabled the SBB pension fund to end the year with a surplus of CHF 346 million. This development also had a positive effect on the pension fund valuation as per ARR 16. The difference to be amortised over the average remaining enrolment period of the policyholders decreased and no additional contribution to the amount of liabilities was necessary. The transfer to the provision as per ARR 16 for the reporting year amounts to CHF 132 million (see Note 34, paragraph on "Pension scheme").

15 Net proceeds from sale of assets

The entry consists primarily of the sale of the final tranche of the holding in TDC Switzerland. The balance comes from the sale of tangible assets, primarily property.

16 Extraordinary income

Extraordinary income consists of the repayment of written-off credit balances, profit shares from joint rail ventures and the refund of foreign VAT credit balances from 1999 and 2000.

17 Extraordinary expenses

The extraordinary expense consists of the formation of a provision for real estate from the earlier restructuring of rolling stock maintenance.

18 Project "Chance" expenses

The "Chance" project is for retraining staff made redundant due to rationalisation or restructuring.

19 Financial income

| CHF millions | 2003 | 2002 |
|---|-------------|--------------|
| Financial income from third parties | 31.2 | 85.7 |
| Financial income from associated companies | 1.0 | 5.7 |
| Financial income from the shareholder | 1.1 | 3.0 |
| Financial income from other shareholdings | 1.1 | 5.2 |
| Adjustment of book values of holdings in associated companies | 11.7 | 9.9 |
| Other financial income | 22.8 | 30.3 |
| Financial income | 68.9 | 139.8 |

20 Financial expenses

| CHF millions | 2003 | 2002 |
|--|--------------|--------------|
| Financial expenses third parties | 141.0 | 189.8 |
| Adjustment of book values of investments in associated companies | 1.6 | 8.4 |
| Financial expenses shareholder | 55.1 | 51.6 |
| Other financial expenses | 6.7 | 24.2 |
| Financial expenses | 204.4 | 274.0 |

The reduction in financial income and expenses compared to the previous year is due to the treatment of defeasance interest associated with the leasing transactions. The generally lower interest rates also affect both entries. Financial expenses payable to third parties consist primarily of interest due on commitments to EUROFIMA.

21 Taxes

| CHF millions | 2003 | 2002 |
|---|-------------|------------|
| Current income taxes and taxes on capital | 40.7 | 3.1 |
| Deferred income taxes | -0.2 | 0.2 |
| Taxes | 40.5 | 3.3 |

SBB AG is exempt from tax under Article 21 of the SBB Act of 20 March 1998, including at cantonal level. Following the ruling by the Federal Court in December 2003 on the partial tax relevance of SBB AG in cantons and municipalities in respect of "non-operating" real estate, a provision for income taxes and taxes on capital was formed retroactively for 1999–2003. Further tax expenses arise from the tax liability of SBB AG's subsidiaries.

22 Cash and cash equivalents

| CHF millions | 31.12.2003 | 31.12.2002 |
|----------------------------------|--------------|--------------|
| Cash | 39.1 | 39.1 |
| Postal account | 45.8 | 67.3 |
| Banks | 487.9 | 835.1 |
| Term deposits | 52.2 | 18.2 |
| Cash in transit | -20.2 | 4.1 |
| Securities ¹ | 0.1 | 0.9 |
| Cash and cash equivalents | 604.9 | 964.7 |

¹ The short-term securities were stated separately in the balance sheet in previous years.

Owing to the current provisions of budgetary law, SBB AG effects a large part of its monetary transactions through the Federal Finance Administration (FFA). The existing account credit balances of CHF 310.6 million (previous year CHF 608.2 million) with the FFA are entered under "Banks". The sharp fall in cash and cash equivalents is due to the channelling of leasing proceeds accrued towards the end of the previous year into the procurement of new rolling stock.

27 Financial investments

| CHF millions | Long-term investments | Investments in associated companies | Other holdings | Non-current receivables from third parties | Non-current receivables from consolidated holdings | Non-current receivables from shareholder | Total |
|----------------------------------|-----------------------|-------------------------------------|----------------|--|--|--|----------------|
| Historical costs | | | | | | | |
| As at 1.1.2003 | 626.8 | 95.3 | 52.0 | 626.0 | 49.9 | 1,756.8 | 3,206.8 |
| Change in valuation | 0.0 | 3.7 | 0.0 | 0.0 | 0.0 | 0.0 | 3.7 |
| Additions | 14.6 | 6.7 | 0.0 | 49.7 | 3.2 | 0.0 | 74.1 |
| Disposals | 0.0 | -1.5 | -13.5 | -109.5 | -1.3 | -850.0 | -975.8 |
| Reclassifications | 0.0 | -0.4 | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 |
| As at 31.12.2003 | 641.3 | 103.8 | 39.0 | 566.2 | 51.8 | 906.8 | 2,308.9 |
| Accumulated depreciation | | | | | | | |
| As at 1.1.2003 | -0.1 | -8.1 | -6.7 | -41.7 | 0.0 | 0.0 | -56.5 |
| Additions | 0.0 | 0.0 | -0.9 | 0.0 | 0.0 | 0.0 | -0.9 |
| Disposals | 0.0 | 6.0 | 1.2 | 16.6 | 0.0 | 0.0 | 23.8 |
| As at 31.12.2003 | -0.1 | -2.1 | -6.4 | -25.1 | 0.0 | 0.0 | -33.7 |
| Net book value 1.1.2003 | 626.7 | 87.2 | 45.3 | 584.3 | 49.9 | 1,756.8 | 3,150.3 |
| Net book value 31.12.2003 | 641.2 | 101.7 | 32.6 | 541.1 | 51.8 | 906.8 | 2,275.2 |

Investments in associated companies

| CHF millions | Equity stake | Net goodwill |
|----------------------------------|--------------|--------------|
| Net book value 1.1.2003 | 87.2 | 0.1 |
| Additions | 6.7 | 1.1 |
| Dividends received | -6.3 | |
| Profit shares | 10.1 | |
| Disposals and reclassifications | -1.9 | |
| Valuation adjustments | 6.0 | |
| Foreign currency translation | -0.1 | |
| Depreciation | | -0.2 |
| Net book value 31.12.2003 | 101.7 | 0.9 |

The additions under non-current investments include the reinvested income accrued from the investment of funds for repayment of leasing liabilities. The corresponding commitments are entered as liabilities. The addition for holdings in associated companies includes the increase in the Cisalpino holding. The disposal is due to the sale of the Cargo Service Center Basel AG holding and from the partial sale of Lasag Schaffhausen. The stake in Lasag Schaffhausen has fallen to less than 20% as a result of the partial sale and has therefore been reclassified and stated under other holdings.

The disposal of other holdings includes the sale of the remaining equity in TDC Switzerland AG.

The changes in non-current receivables from third parties include mortgages and building loans granted to the railway workers' building cooperative and their repayment, repayment of third party loans and the elimination of accounts receivable from previous years which can no longer be collected and have been completely written off.

The CHF 850 million decrease in non-current receivables from the shareholder relates to the agreed payment procedures for the financial restructuring of the SBB pension fund. Non-current commitments to the shareholder fell by the same amount (cf. Note 36).

Owing to the current provisions of budgetary law, SBB AG effects a large part of its monetary transactions through the Federal Finance Administration (FFA). The existing account credit balance of CHF 310.6 million grows to CHF 336.7 million with the FFA's interest under "Bank". The sharp fall in cash and cash equivalents is due to the channeling of leasing proceeds towards the end of the previous year into the procurement of new rolling stock.

28 Tangible assets and assets under construction

| CHF millions | Vehicles (incl. leasing) | Civil engineering, trackbed and railway installations | Other tangible assets | Property | Buildings | Total tangible assets | Assets under construction and pre- payments | Total |
|--|-----------------------------|--|--------------------------|----------------|-----------------|-----------------------------|--|------------------|
| Historical costs | | | | | | | | |
| As at 1.1.2003 | 10,600.5 | 11,879.6 | 4,430.2 | 1,462.5 | 3,388.8 | 31,761.6 | 7,359.6 | 39,121.2 |
| Foreign currency translation | 0.6 | 0.4 | 0.0 | 0.0 | 0.0 | 0.9 | 0.0 | 0.9 |
| Investments | 4.5 | 90.9 | 11.6 | 6.9 | 8.6 | 122.4 | 2,799.8 | 2,922.3 |
| Change in scope of consolidation | 2.8 | 0.0 | -1.5 | 0.0 | -3.0 | -1.7 | 0.0 | -1.7 |
| Reclassification of assets under construction as assets | 561.6 | 1,007.1 | 302.9 | 25.5 | 142.3 | 2,039.4 | -2,099.0 | -59.7 |
| Investment subsidy | 0.0 | -61.5 | -23.6 | -0.3 | -13.6 | -99.0 | 0.0 | -99.0 |
| Disposals of tangible assets | -206.1 | -192.4 | -98.0 | -5.6 | -30.5 | -532.6 | -450.5 | -983.2 |
| Reclassifications | 0.0 | 1.8 | -3.8 | 0.0 | 0.0 | -2.0 | 0.0 | -2.0 |
| As at 31.12.2003 | 10,963.8 | 12,725.8 | 4,617.9 | 1,489.0 | 3,492.6 | 33,289.1 | 7,610.0 | 40,899.1 |
| of which leasing | 1,992.1 | | | | | 1,992.1 | | 1,992.1 |
| Accumulated depreciation | | | | | | | | |
| As at 1.1.2003 | -6,284.7 | -4,009.1 | -2,983.7 | -21.9 | -1,520.7 | -14,820.1 | -1,145.6 | -15,965.7 |
| Foreign currency translation | -0.1 | -0.1 | 0.0 | 0.0 | 0.0 | -0.3 | 0.0 | -0.3 |
| Change in scope of consolidation | 0.0 | 0.0 | 1.6 | 0.0 | 3.6 | 5.2 | 0.0 | 5.2 |
| Additions | -365.1 | -386.7 | -155.6 | 0.0 | -60.6 | -968.1 | -112.5 | -1,080.6 |
| Disposals | 130.7 | 160.8 | 79.4 | 0.0 | 16.0 | 386.9 | 0.0 | 386.9 |
| Reclassifications | 0.0 | -1.2 | 3.2 | 0.0 | -0.5 | 1.5 | 0.0 | 1.5 |
| As at 31.12.2003 | -6,519.2 | -4,236.4 | -3,055.2 | -21.9 | -1,562.2 | -15,394.9 | -1,258.1 | -16,653.0 |
| of which leasing | -674.0 | | | | | -674.0 | | -674.0 |
| Net book value 1.1.2003 | 4,315.8 | 7,870.5 | 1,446.5 | 1,440.6 | 1,868.1 | 16,941.5 | 6,214.0 | 23,155.5 |
| Net book value 31.12.2003 | 4,444.6 | 8,489.4 | 1,562.7 | 1,467.1 | 1,930.4 | 17,894.2 | 6,351.9 | 24,246.1 |
| of which leasing | 1,318.1 | | | | | 1,318.1 | | 1,318.1 |

The prepayments entered under assets under construction amount to CHF 537.5 million as at 31 December 2003.

The increase in tangible assets is primarily due to the construction of infrastructure and procurement of passenger rolling stock for Rail 2000. Further investments in rolling stock are attributable to the increasing emphasis on international freight traffic.

Other tangible assets include all installations, IT and telecommunications equipment, and supply and disposal plants.

30 Current financial liabilities

| CHF millions | 31.12.2003 | 31.12.2002 |
|--|-------------|-------------|
| Current liabilities to banks | 10.2 | 0.3 |
| Financial liabilities to third parties | 15.5 | 30.8 |
| Current financial liabilities | 25.7 | 31.1 |

The increase in current financial liabilities to banks arises from the reclassification of non-current financial liabilities to banks when due. The financial liabilities include a repayment of loans from Etselwerke AG amounting to CHF 15 million.

31 Trade accounts payable

| CHF millions | 31.12.2003 | 31.12.2002 |
|---|--------------|--------------|
| Trade accounts payable to third parties | 545.6 | 532.5 |
| to railway companies | 73.3 | 193.4 |
| to associated companies | 3.0 | 3.3 |
| Trade accounts payable | 621.9 | 729.2 |

The fall in trade accounts payable to third parties is due to the increased calling of payment liabilities to domestic rail companies at the end of 2003 and to the reduced volume of payments resulting from the non-renewal of joint infrastructure contracts.

32 Other current liabilities

The heading includes liabilities for VAT and social benefit settlements, on-account payment liabilities for overheads, rent and incidental costs.

33 Deferred income and accrued charges

| CHF millions | 31.12.2003 | 31.12.2002 |
|--|--------------|--------------|
| Ticket deferrals | 373.0 | 341.4 |
| Accrued interest payable | 51.3 | 44.2 |
| Other accruals and deferrals | 497.7 | 464.1 |
| Deferred income and accrued charges | 922.0 | 849.7 |

Ticket deferrals include the remaining term of validity of the General Abonnement, Half-Fare Card and point-to-point season tickets. They do not extend to individual tickets. The other accruals and deferrals include the periodic posting of expenses and income.

Liabilities on balance sheet

The amount not yet posted as at 31 December 2003 amounts to CHF 3,657 million. The largest component was CHF 1,263 million, being a provision not yet posted in respect of CHF 1,674 million. This amount is apportioned across the average number of working years of the active employees covered by the plan (15 years), giving an amortisation rate of CHF 132 million. The amount as at 31 December 2002 is CHF 3,425 million, including amortisation.

Net pension costs for the year

| | | |
|--|--------------|--------------|
| Contributions | 296 | 296 |
| Annual service cost | 341.0 | 299.0 |
| Interest on projected benefit obligation (PBO) | 620.0 | 730.0 |
| Anticipated return on pension assets | (655.0) | (652.0) |
| Contributions from employees | (131.0) | (134.0) |
| Amortisation of the difference | 132.0 | 145.0 |
| Pension costs for the year | 277.0 | 284.0 |

34 Provisions

| CHF millions | 31.12.2003 | 31.12.2002 |
|------------------------|----------------|----------------|
| Current provisions | 335.3 | 357.5 |
| Non-current provisions | 2,415.1 | 2,364.4 |
| Provisions | 2,750.4 | 2,721.9 |

Break-down of the provisions according to intended purpose

| CHF millions | Pension scheme as per ARR 16 | Provisions for index-linking of pensions | Environmental provision | Power division restructuring | Vacation/overtime | Other provisions | Total |
|-------------------------|------------------------------|--|-------------------------|------------------------------|-------------------|------------------|----------------|
| As at 1.1.2003 | 833.0 | 240.6 | 96.0 | 687.7 | 159.5 | 705.1 | 2,721.9 |
| Addition | 132.0 | 0.0 | 0.0 | 0.0 | 23.7 | 178.7 | 334.4 |
| Utilisation | 0.0 | -84.3 | -6.9 | -11.8 | -37.6 | -87.8 | -228.4 |
| Reversal | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -77.4 | -77.4 |
| Reclassification | 0.0 | 0.0 | 0.0 | 0.0 | 0.2 | -0.3 | -0.1 |
| As at 31.12.2003 | 965.0 | 156.3 | 89.1 | 675.9 | 145.8 | 718.3 | 2,750.4 |

The tables below show details of the provision for the pension scheme as per ARR 16 and the provision for cost-of-living increases in pensions.

An expert report prepared by external consultants identified the need for SBB AG to make an environmental provision amounting to CHF 393 million as at 1 January 1999. In view of major uncertainties regarding the amount of this provision, it was agreed with the federal government that the total amount of the provisions should not be entered in the opening balance sheet but that an initial provision totalling CHF 110 million for remediation costs be entered. Expenses in excess of this amount will be assumed by the federal government under the payment agreement. Clean-up operations continued in 2003. The costs arising from the measures taken were charged to the provision CHF 11.8 million of the provision was written back for power costs which exceeded the market price.

The fall in overtime and holiday entitlements in the reporting year enabled provisions amounting to CHF 13.9 million to be written back for each entitlement category. Part of the reduction was due to payments made.

The other provisions relate mainly to insurance provisions to cover claims, provisions for revenue from the disposal of cable-laying rights and other operationally-necessary provisions, including for rolling stock. The new tax provision of CHF 50 million created for 1999–2003 due to the Federal Court ruling of December 2003 on the partial tax relevance of SBB AG for property is also accounted for in this item.

Pension scheme

Development of the pension scheme provision

| CHF millions | Provision as per ARR 16 | Non-current provision for index-linking of pensions | Current provision for index-linking of pensions | Total |
|-------------------------|-------------------------|---|---|----------------|
| As at 1.1.2003 | 833.0 | 156.3 | 84.3 | 1,073.6 |
| Payment to pension fund | 0.0 | 0.0 | -84.3 | -84.3 |
| Addition | 132.0 | 0.0 | 0.0 | 132.0 |
| Reclassification | 0.0 | -32.3 | 32.3 | 0.0 |
| As at 31.12.2003 | 965.0 | 124.0 | 32.3 | 1,121.3 |

The positive closing balance of the SBB Pension Fund also had a positive effect on the pension liability to be calculated as per ARR 16, resulting in a lower allocation to the ARR 16 provision compared to the previous year. The difference determined on the reference date resulted in an increase of CHF 132 million in the provision as per ARR 16.

Members of the SBB Pension Fund who retired before 1 January 2001 are entitled to the same treatment as retired members of the federal government pension fund. The SBB Pension Fund can only pay cost-of-living increases to retirees if its finances and earnings permit. As the actuarial reserve of the SBB pension fund has failed to reach the specified level, the obligation to pay such cost-of-living increases to the beneficiaries has to be borne by the employer. CHF 84.3 million of the provisions was used for 2003.

The medium and long-term actuarial parameters used for calculating the pension scheme commitments as per ARR 16 can be summarised as follows:

Parameters applied to pension scheme provision

| CHF millions | 31.12.2003 | 31.12.2002 |
|---------------------------------------|------------|------------|
| Interest discount factor | 4.0% | 4.0% |
| Wage increases | 2.0% | 2.0% |
| Development of pensions to 31.12.2005 | 1.0% | 1.0% |
| Development of pensions from 1.1.2006 | 0.5% | 0.5% |
| Anticipated return on assets | 5.0% | 5.0% |

Financial status of pension scheme commitments

| CHF millions | 31.12.2003 | 31.12.2002 |
|--|-----------------|-----------------|
| Pension scheme assets | 11,464.0 | 11,092.0 |
| Pension scheme commitments | -15,832.0 | -15,499.0 |
| Deficit in pension scheme commitments | -4,368.0 | -4,407.0 |
| Difference | -3,425.0 | -3,574.0 |
| Liabilities on balance sheet date | 943.0 | 833.0 |

The shortfall not yet posted as at 31 December 2003 amounts to CHF 3,557 million. The target corridor was CHF 1,583 million, leaving a shortfall not yet posted in excess of CHF 1,974 million. This amount is apportioned across the average number of working years of the active employees covered by the plan (15 years), giving an amortisation instalment of CHF 132 million. The shortfall as at 31 December 2003 is CHF 3,425 million, including amortisation.

Net pension costs for the year

| CHF millions | 2003 | 2002 |
|--|--------------|--------------|
| Annual service cost | 241.0 | 229.0 |
| Interest on projected benefit obligation (PBO) | 620.0 | 720.0 |
| Anticipated return on pension scheme assets | -555.0 | -632.0 |
| Contributions from employees | -161.0 | -134.0 |
| Amortisation of the difference | 132.0 | 145.0 |
| Pension costs for the year | 277.0 | 328.0 |

35 Non-current financial liabilities

| CHF millions | 31.12.2003 | 31.12.2002 |
|--|----------------|----------------|
| Bank liabilities | 426.0 | 370.0 |
| Leasing liabilities | 2,552.2 | 2,527.8 |
| Mortgages | 43.1 | 58.6 |
| Bonds | 300.0 | 300.0 |
| Staff savings accounts | 1,450.1 | 1,370.3 |
| Non-current financial liabilities | 4,771.4 | 4,626.7 |

Non-current bank liabilities have increased due to the refinancing of loans granted to subsidiaries.

The increase in leasing liabilities is due to capitalisation of the leasing payments on existing contracts.

There is no change in the bonds compared to the previous year. Further details can be found in Note 38.6.

The liability to the staff savings account represents a savings credit balance of current and former employees of SBB.

36 Other non-current liabilities

| CHF millions | 31.12.2003 | 31.12.2002 |
|--|----------------|----------------|
| Liabilities to third parties | 41.6 | 40.4 |
| Liabilities to the federal government as shareholder | 7,852.3 | 7,985.3 |
| Other non-current liabilities | 7,893.9 | 8,025.7 |

Composition of the liabilities to the federal government as shareholder

| CHF millions | 31.12.2003 | 31.12.2002 |
|---|----------------|----------------|
| Variable-interest loans | 1,831.7 | 1,741.1 |
| Interest-bearing loans for refinancing the SBB Pension Fund | 906.8 | 1,756.8 |
| Interest-bearing loans for the major rail projects fund | 880.6 | 724.0 |
| Variable-interest loans for the major rail projects fund | 4,233.2 | 3,763.4 |
| Total | 7,852.3 | 7,985.3 |

The interest-bearing loans for the refinancing of the SBB Pension Fund fell by CHF 850 million in the reporting year. The receivables from the federal government as shareholder also fell by the same amount in accordance with the financing plan agreed when the SBB Pension Fund was established.

Investments in Rail 2000 are financed by loans from the major rail projects fund. The interest rates payable on interest-bearing loans are between 2.5% and 3.75%.

Net indebtedness

| CHF millions | Note | 31.12.2003 | 31.12.2002 |
|--|------|-----------------|-----------------|
| Current financial liabilities | | 25.7 | 31.1 |
| Non-current financial liabilities | 35 | 4,771.4 | 4,626.7 |
| Other non-current liabilities | 36 | 7,893.9 | 8,025.8 |
| Total financial liabilities | | 12,691.0 | 12,683.6 |
| less cash and cash equivalents, bonds and investment in securities | | -1,246.3 | -1,591.4 |
| less receivables from the shareholder concerning the pension fund | | -906.8 | -1,756.8 |
| Net indebtedness | | 10,537.9 | 9,335.4 |
| Change compared to the previous year | | 1,202.5 | 1,125.8 |

Net indebtedness increased by CHF 1,202.5 million in the reporting year, primarily due to the use of funds to finance infrastructure and rolling stock for Rail 2000 and the procurement of rolling stock for international freight traffic.

37 Equity

| CHF millions | Share capital | Capital reserves/premium | Retained earnings | Total |
|------------------------------|----------------|--------------------------|-------------------|-----------------|
| As at 1.1.2003 | 9,000.0 | 2,069.1 | 564.4 | 11,633.5 |
| Net profit | 0.0 | 0.0 | 24.9 | 24.9 |
| Foreign currency translation | 0.0 | 0.0 | 1.5 | 1.5 |
| As at 31.12.2003 | 9,000.0 | 2,069.1 | 590.8 | 11,659.9 |

The share capital is divided up into 180 million fully paid-up registered shares with a nominal value of CHF 50 each. The retained earnings contain a provision for CHF 533 million under Article 64 of the Railways Act (EBG).

38 Statutory information

(If not already shown under the respective headings)

38.1 Sureties, guarantees and pledges in favour of third parties

| CHF millions | 31.12.2003 | 31.12.2002 |
|---------------------------------------|--------------|--------------|
| Sureties and guarantees | 108.4 | 113.2 |
| Statutory liability clauses | 130.0 | 138.7 |
| Firm purchase and finance commitments | 12.5 | 13.8 |
| Liabilities from unpaid share capital | 104.0 | 104.1 |
| Miscellaneous | 17.2 | 0.0 |
| Total | 372.1 | 369.8 |

The SBB Group also has holdings in various civil partnerships with joint and several liability. These are primarily integrated fare-system authorities, collaborations and joint ventures for the management of projects of limited duration.

38.2 Assets pledged

| CHF millions | 31.12.2003 | 31.12.2002 |
|------------------------------|-------------|--------------|
| Book value of assets pledged | 26.5 | 118.4 |
| Total | 26.5 | 118.4 |

38.3 Fire insurance value of the tangible assets

The fire insurance value of the tangible assets corresponds to their replacement or new value.

38.4 Liabilities towards staff pension schemes

| CHF millions | 31.12.2003 | 31.12.2002 |
|-------------------------|-------------|------------|
| Current liabilities | 10.9 | 0.4 |
| Non-current liabilities | 0.0 | 0.4 |
| Total | 10.9 | 0.8 |

38.5 Off-balance-sheet leasing commitments

| CHF millions | | | 31.12.2003 | 31.12.2002 |
|-------------------------|---------|---------|-------------|-------------|
| Due within 1 year | 4,584.4 | 2,000.0 | 33.8 | 34.3 |
| Due within 1–2 years | 0.0 | 0.0 | 19.7 | 23.8 |
| Due within 2–3 years | 0.0 | 0.0 | 11.9 | 10.5 |
| Due within 3–4 years | 2,000.0 | 2,000.0 | 7.2 | 3.6 |
| Due in 4 years or later | 0.0 | 0.0 | 1.1 | 0.4 |
| Total | | | 73.7 | 72.6 |

38.6 Bonds

| CHF millions | | 31.12.2003 | 31.12.2002 |
|---|--|--------------|--------------|
| 4.375% Kraftwerk Amsteg AG bond 1996–2006 | | 150.0 | 150.0 |
| 3.500% Kraftwerk Amsteg AG bond 1998–2007 | | 50.0 | 50.0 |
| 3.750% Kraftwerk Amsteg AG bond 2001–2009 | | 100.0 | 100.0 |
| Total | | 300.0 | 300.0 |

39 Related parties

The federal government holds 100% of the equity in SBB AG. In the year under review, SBB Group received CHF 1,732.7 million in grants from its shareholder. These break down as follows:

| CHF millions | 2003 | 2002 |
|--|----------------|----------------|
| Depreciation of infrastructure | 864.4 | 810.0 |
| Infrastructure operating grant | 466.2 | 494.0 |
| Forwarded to ZVV | -33.0 | -30.0 |
| Grants for regional passenger services | 323.0 | 317.1 |
| Train-path charge subsidies for intermodal transport | 112.1 | 110.3 |
| Grant relating to the closure of the St. Gotthard Tunnel | 0.0 | 5.5 |
| Total | 1,732.7 | 1,706.9 |

For information on the liabilities towards the shareholder (federal government), please see the table under Note 36.

40 Financial instruments

Various investments with fixed values at maturity of CHF 341.5 million were made to hedge contingent liabilities arising from the US lease transactions. These investments are balanced by liabilities with a corresponding counter-value. In the year under review, this valuation was performed on a marked-to-market basis in USD for the first time.

To hedge the foreign currency risks, the following derivatives were outstanding as at the balance sheet date:

| CHF millions | Contract values | 31.12.2003 | | Contract values | 31.12.2002 | |
|--------------|-----------------|-------------|-----------------------------|-----------------|------------|-----------------------------|
| | | positive | Replacement values negative | | positive | Replacement values negative |
| Currencies | 186.7 | 15.0 | 0.1 | 217.2 | 0.2 | 0.4 |
| Interest | 100.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| | 286.7 | 15.0 | 0.1 | 217.2 | 0.2 | 0.4 |

Change compared to the previous year

Net indebtedness increased by CHF 1,202.5 million in the reporting year, primarily due to the use of funds to finance infrastructure and rolling stock for Rail 2000 and the procurement of rolling stock for international freight traffic.

Income statements for the period from 1 January to 31 December
 Real Estate and Central Services
 Income statement: Passenger Traffic, Freight, Infrastructure,
 Segment information for the SBB consolidated

41 Segment information

The segment report is broken down into the Passenger Traffic, Freight and Infrastructure divisions plus Central Services and the new Real Estate unit. Real estate was spun off into a separate unit on 1 January 2003 by resolution of the Board of Directors and with the agreement of the federal government. Real Estate is listed as a separate segment for the first time in the 2003 financial year. Previously it figured primarily under Infrastructure. Reclassification resulted in the transfer of real estate and land from other previous segments to property. Previous years' figures have not been restated. The comparability of the balance sheet and profit and loss accounts with those of the previous year is limited.

As in previous years, operating activity is largely confined to Switzerland. For this reason, there is no geographical breakdown. The segments contain the group companies in accordance with the list of group holdings and associated companies on pages 108 and 109.

Infrastructure subsidy

In the context of the Real Estate spin-off, an agreement was entered into with the federal government whereby the impact of this transaction on Infrastructure accounts would be offset by transfer payments. Payments totalling CHF 141 million to the Infrastructure division for the 2003 financial year were transferred from Real Estate (CHF 44 million) and Central Services (CHF 97 million). The CHF 97 million transferred from Central Services is equivalent to the interest received on liabilities paid by Real Estate to Central Services by way of the capital structure of the opening balance. To ensure the transparency, relevance and comparability of the segment information, the transfer is stated separately in the "bottom line".

| | 2003 | 2002 | 2001 | 2000 | 1999 |
|---|------|------|------|------|------|
| Net profit/loss | 6.0 | 2.8 | 2.8 | 2.8 | 2.8 |
| Minority shareholdings | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Transfer from Real Estate/Real Serv. to divisions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Profit/loss before taxes and transfer | 6.0 | 2.8 | 2.8 | 2.8 | 2.8 |
| Allocation of Central Services costs | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 |
| Specialized investment expenses | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 |
| Depreciation of tangible assets, impairment of financial assets and amortization of intangible assets | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 |
| Operating income | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |
| Other operating expenses | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Project/contract expenses | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Expenditures on research and development | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Expenditures on intangible assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Expenditures on other assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net profit/loss from sale of assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Financial income | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Financial expenses | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Financial income/expense | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net profit/loss | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 |

1. Owing to the transfer of real estate operations to the newly formed Real Estate unit on 1 January 2003, comparability with prior year figures is limited.
 2. Net CHF 132.0 million transfer to divisions as per WFR 76.

Segment information for the SBB consolidated income statement: Passenger Traffic, Freight, Infrastructure, Real Estate and Central Services.

Income statements for the period from 1 January to 31 December.

| CHF millions | Passenger Traffic ¹ | | Freight ¹ | |
|---|--------------------------------|-----------------|----------------------|-----------------|
| | 2003 | 2002 | 2003 | 2002 |
| Operating revenues | | | | |
| Traffic revenues | 1,947.6 | 1,936.8 | 1,061.6 | 1,075.8 |
| Grants | 505.2 | 507.3 | 18.7 | 18.3 |
| Rental revenue from real estate | 5.0 | 3.0 | 3.0 | 4.5 |
| Other operating revenues | 493.7 | 425.8 | 136.8 | 119.4 |
| Other revenues | 81.0 | 82.3 | 14.2 | 27.1 |
| Own work capitalised | 138.9 | 119.2 | 80.3 | 69.2 |
| Federal government grants for infrastructure | 21.4 | 16.2 | 0.0 | 0.0 |
| Revenue reductions | -107.0 | -99.4 | -31.0 | -20.7 |
| Allocation of Central Services costs | 0.0 | 0.0 | 0.0 | 0.0 |
| Total operating revenues | 3,085.7 | 2,991.2 | 1,283.6 | 1,293.6 |
| Operating expenses | | | | |
| Expenses for materials | -227.0 | -233.5 | -135.6 | -141.7 |
| Personnel expenses | -1,258.2 | -1,262.1 | -520.5 | -563.6 |
| Other operating expenses | -1,030.2 | -914.1 | -529.4 | -547.1 |
| Depreciation of tangible assets, impairment of financial assets and amortisation of intangible assets | -312.4 | -335.3 | -91.4 | -84.4 |
| Non-capitalisable investment expenses | -48.8 | -28.1 | -8.3 | -1.3 |
| Allocation of Central Services costs | -43.6 | -44.8 | -21.0 | -27.8 |
| Total operating expenses | -2,920.2 | -2,817.8 | -1,306.2 | -1,365.8 |
| Operating income | 165.5 | 173.4 | -22.6 | -72.2 |
| Net proceeds from sale of assets | 0.9 | 2.3 | 2.3 | 0.9 |
| Extraordinary income | 0.0 | 10.0 | 1.1 | 0.0 |
| Extraordinary expenses | 0.0 | 0.0 | 0.0 | -2.5 |
| Project "Chance" expenses | 0.0 | 0.0 | 0.0 | 0.0 |
| EBIT | 166.4 | 185.7 | -19.2 | -73.8 |
| Financial income | 18.5 | 17.5 | 2.7 | 3.7 |
| Financial expenses | -62.8 | -62.4 | -1.8 | -5.6 |
| Allocation of Central Services costs | -30.2 | -31.2 | -14.6 | -19.6 |
| Profit/loss before taxes and transfers | 91.9 | 109.6 | -32.9 | -95.4 |
| Taxes | -0.1 | -0.2 | -1.1 | -1.1 |
| Transfers from Real Estate/Centr.Serv. to Infrastr. | 0.0 | 0.0 | 0.0 | 0.0 |
| Minority shareholdings | 1.6 | 4.3 | 0.9 | 0.3 |
| Net profit/loss | 93.4 | 113.7 | -33.1 | -96.1 |

¹ Owing to the transfer of real estate operations to the newly created Real Estate unit as of 1.1.2003, comparability with prior year figures is limited.

² Incl. CHF 132.0 million transfer to provisions as per ARR 16.

Segment information SBB Group balance sheets

Assets

| Infrastructure ¹ | | Real Estate ¹ | | Central Services ¹ | | Eliminations | | SBB Total | |
|-----------------------------|-----------------|--------------------------|------------|-------------------------------|---------------------|-----------------|-----------------|-----------------|-----------------|
| 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| 579.4 | 604.2 | 0.0 | 0.0 | 0.3 | 0.5 | -683.3 | -700.3 | 2,905.5 | 2,917.1 |
| 93.4 | 92.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 617.3 | 617.6 |
| 1.2 | 325.4 | 419.7 | 0.0 | 1.1 | 1.1 | -142.3 | -54.3 | 287.6 | 279.6 |
| 599.9 | 393.5 | 67.0 | 0.0 | 345.9 | 343.9 | -889.0 | -694.5 | 754.2 | 588.0 |
| 22.3 | 46.8 | 3.3 | 0.0 | 10.6 | 17.7 | -23.0 | -22.4 | 108.4 | 151.5 |
| 350.5 | 345.9 | 2.1 | 0.0 | 4.3 | 4.1 | 26.3 | 10.9 | 602.5 | 549.4 |
| 1,311.2 | 1,290.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1,332.6 | 1,306.9 |
| -3.8 | 6.5 | -0.2 | 0.0 | 0.2 | -3.2 | 23.7 | 30.6 | -118.0 | -86.2 |
| 0.0 | 0.0 | 0.0 | 0.0 | 114.1 | 127.7 | -114.1 | -127.7 | 0.0 | 0.0 |
| 2,954.1 | 3,105.0 | 491.9 | 0.0 | 476.4 | 491.7 | -1,801.7 | -1,557.7 | 6,490.1 | 6,323.9 |
| -163.1 | -151.8 | -4.0 | 0.0 | -1.7 | -4.4 | 52.7 | 65.1 | -478.7 | -466.3 |
| -1,040.9 | -1,107.2 | -83.2 | 0.0 | ² -280.7 | ² -330.9 | 64.6 | 59.1 | -3,119.0 | -3,204.6 |
| -940.3 | -698.5 | -138.8 | 0.0 | -277.1 | -288.7 | 1,565.6 | 1,310.6 | -1,350.2 | -1,137.9 |
| -673.5 | -724.8 | -97.9 | 0.0 | -30.8 | -35.2 | 5.2 | 0.0 | -1,200.8 | -1,179.7 |
| -203.6 | -292.1 | -35.1 | 0.0 | -3.8 | -4.5 | 3.5 | 1.5 | -296.1 | -324.4 |
| -44.6 | -49.2 | -5.0 | 0.0 | 0.0 | 0.0 | 114.1 | 121.7 | 0.0 | 0.0 |
| -3,065.9 | -3,023.6 | -364.0 | 0.0 | -594.1 | -663.6 | 1,805.7 | 1,558.0 | -6,444.8 | -6,312.9 |
| -111.8 | 81.4 | 127.9 | 0.0 | -117.7 | -171.9 | 4.0 | 0.3 | 45.3 | 11.0 |
| 8.8 | 47.7 | 33.7 | 0.0 | 93.8 | 60.3 | -0.6 | 0.0 | 138.9 | 111.2 |
| 38.4 | 22.5 | 0.0 | 0.0 | 2.9 | 1.1 | 0.0 | -10.0 | 42.4 | 23.6 |
| 0.0 | -2.0 | -9.5 | 0.0 | 0.0 | -12.0 | 0.0 | 10.0 | -9.5 | -6.5 |
| -5.2 | -5.9 | 0.0 | 0.0 | -12.0 | -11.4 | 0.0 | 0.0 | -17.3 | -17.3 |
| -69.9 | 143.6 | 152.1 | 0.0 | -33.0 | -133.8 | 3.4 | 0.3 | 199.8 | 122.0 |
| 12.4 | 29.0 | 1.3 | 0.0 | 198.6 | 158.2 | -164.6 | -68.6 | 68.9 | 139.8 |
| -21.9 | -29.1 | -101.8 | 0.0 | -180.6 | -245.6 | 164.6 | 68.7 | -204.4 | -274.0 |
| -31.1 | -34.6 | -3.5 | 0.0 | 79.3 | 85.5 | 0.0 | 0.0 | 0.0 | 0.0 |
| -110.5 | 108.9 | 48.1 | 0.0 | 64.3 | -135.7 | 3.4 | 0.3 | 64.3 | -12.2 |
| -30.1 | -1.9 | -8.6 | 0.0 | -0.6 | -0.2 | 0.0 | 0.0 | -40.5 | -3.3 |
| 141.0 | 0.0 | -44.0 | 0.0 | -97.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| -0.1 | -0.5 | -0.1 | 0.0 | -1.0 | -0.5 | -0.2 | 0.0 | 1.1 | 3.5 |
| 0.3 | 106.5 | -4.6 | 0.0 | -34.3 | -136.4 | 3.2 | 0.3 | 24.9 | -12.0 |

Segment information for the SBB consolidated

Segment information SBB Group balance sheets.

Assets, Infrastructure, State and Central Services.

Income statements for the period from 1 January to 31 December.

| SBB Group | Infrastructure | | State and Central Services | | Passenger Traffic ¹ | | Freight ¹ | | |
|---|----------------|-------|----------------------------|-------|--------------------------------|----------------|----------------------|----------------|------------|
| | CHF millions | 2003 | 2002 | 2003 | 2002 | 31.12.2003 | 31.12.2002 | 31.12.2003 | 31.12.2002 |
| Current assets | | | | | | | | | |
| Cash and cash equivalents | 0.001 | 0.001 | 0.001 | 0.001 | 0.0 | 196.0 | 0.0 | 301.8 | 0.0 |
| Trade accounts receivable | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 205.3 | 0.0 | 243.2 | 0.0 |
| Other receivables | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 270.1 | 0.0 | 493.5 | 0.0 |
| Inventories and work in progress | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 89.0 | 0.0 | 84.5 | 0.0 |
| Accrued income | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 256.3 | 0.0 | 205.3 | 0.0 |
| Total current assets | | | | | | 1,016.7 | | 1,328.2 | |
| Fixed assets | | | | | | | | | |
| Financial investments | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 41.9 | 0.0 | 54.7 | 0.0 |
| Tangible assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 3,820.5 | 0.0 | 3,792.5 | 0.0 |
| Assets under construction | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 927.8 | 0.0 | 765.4 | 0.0 |
| Intangible assets | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 28.6 | 0.0 | 20.0 | 0.0 |
| Total fixed assets | | | | | | 4,818.8 | | 4,632.6 | |
| Total assets | | | | | | 5,835.5 | | 5,960.8 | |
| Depreciation of tangible assets, impairment of financial assets | | | | | | | | | |
| 1 Owing to the transfer of real estate operations to the newly created Real Estate unit as of 1.1.2003, comparability with prior year figures is limited. | | | | | | | | | |
| 2 Incl. CHF 132.0 million transfer to provision as per Art 19. | | | | | | | | | |

1 Owing to the transfer of real estate operations to the newly created Real Estate unit as of 1.1.2003, comparability with prior year figures is limited.

2 Incl. CHF 132.0 million transfer to provision as per Art 19.

Segment information SBB Group balance sheets
Liabilities and equity

| Infrastructure ¹ | | Real Estate ¹ | | Central Services ¹ | | Eliminations | | SBB Total | |
|-----------------------------|-----------------|--------------------------|------------|-------------------------------|----------------|-----------------|-----------------|-----------------|-----------------|
| 31.12.2003 | 31.12.2002 | 31.12.2003 | 31.12.2002 | 31.12.2003 | 31.12.2002 | 31.12.2003 | 31.12.2002 | 31.12.2003 | 31.12.2002 |
| 11.1 | 32.9 | 11.7 | 0.0 | 361.5 | 547.4 | 0.0 | 0.0 | 604.9 | 964.7 |
| 291.9 | 281.2 | 26.9 | 0.0 | 81.4 | 184.3 | -253.9 | -342.5 | 557.8 | 545.7 |
| 160.5 | 227.3 | 11.5 | 0.0 | 608.3 | 353.1 | -943.8 | -904.1 | 239.3 | 239.7 |
| 157.0 | 142.1 | 2.4 | 0.0 | 0.2 | 19.9 | -2.5 | -27.5 | 281.9 | 258.1 |
| 119.4 | 95.7 | 39.6 | 0.0 | 60.1 | 14.3 | -168.9 | -80.9 | 364.2 | 264.8 |
| 739.9 | 779.3 | 92.0 | 0.0 | 1,111.5 | 1,118.9 | -1,369.1 | -1,355.1 | 2,048.1 | 2,273.0 |
| 54.6 | 62.4 | 13.4 | 0.0 | 6,791.5 | 7,037.9 | -4,636.3 | -4,066.5 | 2,275.2 | 3,150.3 |
| 10,722.4 | 12,396.1 | 2,661.6 | 0.0 | 3.0 | 31.1 | 0.0 | 0.0 | 17,894.2 | 16,941.5 |
| 4,927.0 | 5,284.5 | 339.7 | 0.0 | 30.1 | 22.1 | 0.0 | 0.0 | 6,351.9 | 6,214.0 |
| 126.8 | 126.7 | 5.8 | 0.0 | 23.4 | 37.8 | -0.6 | 0.0 | 209.2 | 203.8 |
| 15,830.9 | 17,869.6 | 3,020.5 | 0.0 | 6,848.0 | 7,128.9 | -4,636.9 | -4,066.5 | 26,730.5 | 26,509.6 |
| 16,570.8 | 18,648.9 | 3,112.5 | 0.0 | 7,959.5 | 8,247.8 | -6,006.0 | -5,421.6 | 28,778.6 | 28,782.6 |

| Infrastructure ¹ | | Real Estate ¹ | | Central Services ¹ | | Eliminations | | SBB Total | |
|-----------------------------|-----------------|--------------------------|------------|-------------------------------|----------------|-----------------|-----------------|-----------------|-----------------|
| 31.12.2003 | 31.12.2002 | 31.12.2003 | 31.12.2002 | 31.12.2003 | 31.12.2002 | 31.12.2003 | 31.12.2002 | 31.12.2003 | 31.12.2002 |
| 54.6 | 62.4 | 13.4 | 0.0 | 6,791.5 | 7,037.9 | -4,636.3 | -4,066.5 | 2,275.2 | 3,150.3 |
| 10,722.4 | 12,396.1 | 2,661.6 | 0.0 | 3.0 | 31.1 | 0.0 | 0.0 | 17,894.2 | 16,941.5 |
| 4,927.0 | 5,284.5 | 339.7 | 0.0 | 30.1 | 22.1 | 0.0 | 0.0 | 6,351.9 | 6,214.0 |
| 126.8 | 126.7 | 5.8 | 0.0 | 23.4 | 37.8 | -0.6 | 0.0 | 209.2 | 203.8 |
| 15,830.9 | 17,869.6 | 3,020.5 | 0.0 | 6,848.0 | 7,128.9 | -4,636.9 | -4,066.5 | 26,730.5 | 26,509.6 |
| 16,570.8 | 18,648.9 | 3,112.5 | 0.0 | 7,959.5 | 8,247.8 | -6,006.0 | -5,421.6 | 28,778.6 | 28,782.6 |

¹ Owing to the transfer of real estate operations to the newly formed Real Estate unit as of 1.1.2003, comparability with prior years is limited. The changes with the equity positions are due to the provision of the new Real Estate unit.

Segment information SBB Group balance sheets.

Liabilities and equity.

| CHF millions | Switzerland | | Central Services | | Passenger Traffic ¹ | | Freight ¹ | |
|--------------------------------------|--------------|--------------|------------------|--------------|--------------------------------|----------------|----------------------|----------------|
| | 31.12.2003 | 31.12.2002 | 31.12.2003 | 31.12.2002 | 31.12.2003 | 31.12.2002 | 31.12.2003 | 31.12.2002 |
| Liabilities | | | | | | | | |
| Short-term financial liabilities | 0.0 | 0.0 | 4.742 | 5.180 | 0.0 | 158.0 | 72.1 | 185.9 |
| Trade accounts payable | 0.540 | 0.325 | 16.8 | 1.78 | 0.0 | 242.9 | 458.0 | 146.6 |
| Other current liabilities | 1.400 | 0.938 | 1.022 | 0.809 | 0.0 | 43.4 | 38.5 | 22.2 |
| Deferred income and accrued charges | 0.0 | 0.0 | 1.81 | 0.0 | 0.0 | 745.1 | 701.7 | 59.2 |
| Current provisions | 0.06 | 0.01 | 1.2 | 1.09 | 0.0 | 115.7 | 118.9 | 52.4 |
| Total current liabilities | 1.996 | 1.964 | 9.817 | 8.127 | 0.0 | 1,305.1 | 1,389.2 | 466.2 |
| Non-current financial liabilities | | | | | | 18.4 | 168.2 | 0.5 |
| Other non-current liabilities | 0.0 | 0.0 | 1.017 | 0.101 | 0.0 | 1,688.7 | 1,511.7 | 39.6 |
| Non-current provisions | 0.0 | 0.0 | 1.70 | 0.0 | 0.0 | 123.8 | 160.2 | 74.2 |
| Deferred tax | 0.0 | 0.0 | 1.22 | 1.00 | 0.0 | 0.3 | 0.3 | 0.0 |
| Total non-current liabilities | 0.0 | 0.0 | 3.739 | 1.201 | 0.0 | 1,831.2 | 1,840.3 | 114.3 |
| Total liabilities | 1,996 | 1,964 | 13,556 | 9,328 | 0.0 | 3,136.3 | 3,229.5 | 580.5 |
| Minority shareholdings | | | | | | 9.7 | 3.5 | -0.4 |
| Equity² | | | | | | | | |
| Share capital | | | | | | 1,710.0 | 1,800.0 | 670.0 |
| Capital reserves | | | | | | 600.2 | 630.2 | 2.2 |
| Retained earnings | | | | | | 285.9 | 183.9 | 87.1 |
| Net profit/loss | | | | | | 93.4 | 113.7 | -33.1 |
| Total equity² | | | | | | 2,689.5 | 2,727.8 | 726.2 |
| Total liabilities and equity | | | | | | 5,835.5 | 5,960.8 | 1,306.3 |

¹ Owing to the transfer of real estate operations to the newly created Real Estate unit as of 1.1.2003, comparability with prior year figures is limited.

² The changes within the equity positions are due to the provision of the new Real Estate with equity.

Principal subsidiary undertakings
Group companies and associated companies

| Infrastructure ¹ | | Real Estate ¹ | | Central Services ¹ | | Eliminations | | SBB Total | |
|-----------------------------|-----------------|--------------------------|------------|-------------------------------|----------------|-----------------|-----------------|-----------------|-----------------|
| 31.12.2003 | 31.12.2002 | 31.12.2003 | 31.12.2002 | 31.12.2003 | 31.12.2002 | 31.12.2003 | 31.12.2002 | 31.12.2003 | 31.12.2002 |
| 149.6 | 183.0 | 164.7 | 0.0 | 311.2 | 518.3 | -943.7 | -931.0 | 25.7 | 31.1 |
| 352.5 | 384.1 | 50.8 | 0.0 | 62.4 | 86.2 | -233.2 | -333.6 | 621.9 | 729.2 |
| 2.4 | 17.2 | 2.5 | 0.0 | 38.3 | 64.3 | 0.0 | 0.0 | 108.8 | 145.7 |
| 126.8 | 89.0 | 46.3 | 0.0 | 136.4 | 84.1 | -192.0 | -90.5 | 922.0 | 849.7 |
| 100.7 | 73.3 | 13.4 | 0.0 | 53.1 | 105.2 | 0.0 | 0.0 | 335.3 | 357.5 |
| 732.0 | 746.6 | 277.8 | 0.0 | 601.5 | 858.0 | -1,368.9 | -1,355.1 | 2,013.7 | 2,113.2 |
| 451.0 | 527.6 | 41.1 | 0.0 | 4,260.5 | 3,931.0 | 0.0 | 0.0 | 4,771.4 | 4,626.7 |
| 6,916.6 | 7,898.7 | 2,158.8 | 0.0 | 909.5 | 1,823.7 | -3,819.4 | -3,249.6 | 7,893.9 | 8,025.7 |
| 900.8 | 962.2 | 20.5 | 0.0 | 1,299.8 | 1,183.5 | -4.0 | 0.0 | 2,415.1 | 2,364.4 |
| 1.5 | 1.8 | 0.0 | 0.0 | 0.1 | 0.3 | 0.0 | 0.0 | 1.9 | 2.3 |
| 8,269.9 | 9,390.3 | 2,220.4 | 0.0 | 6,469.9 | 6,938.5 | -3,823.4 | -3,249.6 | 15,082.3 | 15,019.1 |
| 9,001.9 | 10,136.9 | 2,498.2 | 0.0 | 7,071.4 | 7,796.5 | -5,192.3 | -4,604.7 | 17,096.0 | 17,132.3 |
| 9.6 | 11.0 | 1.5 | 0.0 | 2.3 | 2.0 | 0.0 | 0.0 | 22.7 | 16.8 |
| 6,530.0 | 7,000.0 | 500.0 | 0.0 | 260.0 | 200.0 | -670.0 | -670.0 | 9,000.0 | 9,000.0 |
| 540.6 | 1,011.2 | 123.6 | 0.0 | 802.5 | 425.5 | 0.0 | 0.0 | 2,069.1 | 2,069.1 |
| 488.4 | 383.2 | -6.2 | 0.0 | -142.4 | -39.8 | -146.9 | -147.2 | 565.9 | 576.4 |
| 0.3 | 106.5 | -4.6 | 0.0 | -34.3 | -136.4 | 3.2 | 0.3 | 24.9 | -12.0 |
| 7,559.3 | 8,501.0 | 612.8 | 0.0 | 885.8 | 449.3 | -813.7 | -816.9 | 11,659.9 | 11,633.5 |
| 16,570.8 | 18,648.9 | 3,112.5 | 0.0 | 7,959.5 | 8,247.8 | -6,006.0 | -5,421.6 | 28,778.6 | 28,782.6 |

1 = Infrastructure
 2 = Central Services
 3 = Freight
 4 = Passenger Traffic
 5 = Freight
 6 = Freight
 7 = Freight
 8 = Freight
 9 = Freight
 10 = Freight
 11 = Freight
 12 = Freight
 13 = Freight
 14 = Freight
 15 = Freight
 16 = Freight
 17 = Freight
 18 = Freight
 19 = Freight
 20 = Freight
 21 = Freight
 22 = Freight
 23 = Freight
 24 = Freight
 25 = Freight
 26 = Freight
 27 = Freight
 28 = Freight
 29 = Freight
 30 = Freight
 31 = Freight
 32 = Freight
 33 = Freight
 34 = Freight
 35 = Freight
 36 = Freight
 37 = Freight
 38 = Freight
 39 = Freight
 40 = Freight
 41 = Freight
 42 = Freight
 43 = Freight
 44 = Freight
 45 = Freight
 46 = Freight
 47 = Freight
 48 = Freight
 49 = Freight
 50 = Freight
 51 = Freight
 52 = Freight
 53 = Freight
 54 = Freight
 55 = Freight
 56 = Freight
 57 = Freight
 58 = Freight
 59 = Freight
 60 = Freight
 61 = Freight
 62 = Freight
 63 = Freight
 64 = Freight
 65 = Freight
 66 = Freight
 67 = Freight
 68 = Freight
 69 = Freight
 70 = Freight
 71 = Freight
 72 = Freight
 73 = Freight
 74 = Freight
 75 = Freight
 76 = Freight
 77 = Freight
 78 = Freight
 79 = Freight
 80 = Freight
 81 = Freight
 82 = Freight
 83 = Freight
 84 = Freight
 85 = Freight
 86 = Freight
 87 = Freight
 88 = Freight
 89 = Freight
 90 = Freight
 91 = Freight
 92 = Freight
 93 = Freight
 94 = Freight
 95 = Freight
 96 = Freight
 97 = Freight
 98 = Freight
 99 = Freight
 100 = Freight

Principal subsidiary undertakings. balance sheets.

Group companies and associated companies.

| Company name: | Share capital millions | SBB holding millions | SBB holding % 31.12.2003 | SBB holding % 31.12.2002 | Seg |
|--|---------------------------|-------------------------|--------------------------------|--------------------------------|------|
| Power stations | | | | | |
| Etzelwerk AG, Einsiedeln | CHF 20.00 | 20.00 | 100.00 | 100.00 | V I |
| Kraftwerk Amsteg AG, Amsteg | CHF 80.00 | 72.00 | 90.00 | 90.00 | V I |
| Kraftwerk Rapperswil-Auenstein AG, Aarau | CHF 12.00 | 6.60 | 55.00 | 55.00 | V I |
| Kraftwerk Wassen AG, Wassen | CHF 16.00 | 8.00 | 50.00 | 50.00 | E I |
| Kraftwerk Göschenen AG, Göschenen | CHF 60.00 | 24.00 | 40.00 | 40.00 | E I |
| Warehouses and depots | | | | | |
| Silo AG Brunnen, Brunnen | CHF 0.65 | 0.00 | 0.00 | 53.85 | V Z |
| Cargo Service Center Basel AG, Basel | CHF 3.00 | 0.00 | 0.00 | 100.00 | E I |
| Umschlags AG, Basel | CHF 6.00 | 2.12 | 35.33 | 35.33 | E Z |
| Terzag Terminal Zürich AG, Zurich | CHF 0.20 | 0.06 | 30.00 | 30.00 | E I |
| CTG-AMT Genève-La Praille SA, Lancy | CHF 0.20 | 0.05 | 25.00 | 25.00 | E I |
| Lasag Schaffhausen, Schaffhausen | CHF 2.85 | 0.00 | 0.00 | 20.18 | E Z |
| Real estate and car parks | | | | | |
| BLI Bahnhof Luzern Immobilien AG, Lucerne (merged) | CHF 18.00 | 0.00 | 0.00 | 100.00 | V IM |
| Immobilien-gesellschaft Casa Nostra AG, Berne | CHF 0.05 | 0.05 | 100.00 | 100.00 | V Z |
| Parking Simplon-Gare SA Lausanne, Lausanne | CHF 2.20 | 1.10 | 50.05 | 50.05 | V IM |
| Parking de la Gare de Neuchâtel SA, Neuchâtel | CHF 0.10 | 0.05 | 50.00 | 50.00 | E IM |
| Frigosuisse Immobilien AG, Basel | CHF 0.26 | 0.11 | 42.31 | 42.31 | E IM |
| cevanova AG, Berne | CHF 6.00 | 2.00 | 33.33 | 33.33 | E IM |
| Grosse Schanze AG, Berne | CHF 3.20 | 1.00 | 31.25 | 31.25 | E IM |
| Tiefgarage Bahnhofplatz AG, Lucerne | CHF 3.25 | 0.75 | 23.08 | 23.08 | E IM |
| I.B.O. Immobilien-gesellschaft Bahnhof Ost AG, Basel | CHF 3.00 | 0.60 | 20.00 | 20.00 | E IM |
| Parking de la Place de Cornavin SA, Geneva | CHF 10.00 | 2.00 | 20.00 | 20.00 | E IM |
| Shipping and forwarding | | | | | |
| Schweizerische Bundesbahnen SBB Cargo AG, Basel | CHF 670.00 | 670.00 | 100.00 | 100.00 | V G |
| Swiss Rail Cargo Italy S.r.L., Milan | EUR 13.00 | 13.00 | 100.00 | 0.00 | V G |
| Rail Italy S.p.A., Milan | EUR 0.05 | 0.05 | 100.00 | 0.00 | V G |
| S-Rail Europe GmbH, Singen | EUR 0.25 | 0.19 | 75.00 | 75.00 | V G |
| ChemOil Logistics AG, Basel | CHF 0.25 | 0.13 | 51.00 | 51.00 | V G |
| Swiss Rail Cargo Köln GmbH, Cologne | EUR 1.50 | 0.77 | 51.00 | 51.00 | V G |
| Cargo SI S.p.A., Milan | EUR 0.10 | 0.05 | 50.00 | 50.00 | E Z |
| Cisalpine SA, Berne | CHF 86.00 | 43.00 | 50.00 | 40.20 | E P |
| RAlpin AG, Berne | CHF 0.30 | 0.09 | 30.00 | 40.00 | E G |
| Hupac SA, Chiasso | CHF 20.00 | 4.77 | 23.85 | 23.85 | E G |
| Termi SA, Chiasso | CHF 0.50 | 0.10 | 20.00 | 20.00 | E G |

Inclusion in scope of consolidation

Seg = segment

V = fully consolidated

E = accounted for by equity method

G = Freight

P = Passenger Traffic

I = Infrastructure

IM = Real Estate

Z = Central Services

SBB AG Income Statement
 Report of the group auditor
 For the period from January to December

| Company name: | | Share capital millions | SBB holding millions | SBB holding % 31.12.2003 | SBB holding % 31.12.2002 | Seg |
|---|-----|---------------------------|-------------------------|--------------------------------|--------------------------------|-----|
| Private railway and shipping companies | | | | | | |
| SBB GmbH, Lörrach | EUR | 1.50 | 1.50 | 100.00 | 100.00 | V P |
| Schweizerische Bodensee-Schiffahrtsges. AG, Romanshorn | CHF | 4.60 | 4.48 | 97.39 | 97.39 | V P |
| Thurbo AG, Kreuzlingen | CHF | 75.00 | 67.50 | 90.00 | 100.00 | V P |
| EuroThurbo GmbH, Konstanz | EUR | 0.05 | 0.05 | 90.00 | 100.00 | V P |
| RegionAlps SA, Martigny | CHF | 0.70 | 0.49 | 70.00 | 0.00 | V P |
| Sensetalbahn AG, Laupen | CHF | 2.89 | 1.89 | 65.47 | 65.47 | V P |
| Tourism | | | | | | |
| RailAway AG, Lucerne | CHF | 0.10 | 0.10 | 100.00 | 100.00 | V P |
| Rail Europe Australasia SNC, Paris | EUR | 0.92 | 0.46 | 50.00 | 50.00 | E P |
| Rhealys SA, Luxembourg | EUR | 0.05 | 0.01 | 25.00 | 25.00 | E P |
| SwissAccessGroup AG, St. Gallen | CHF | 0.40 | 0.10 | 25.00 | 25.00 | E P |
| Miscellaneous | | | | | | |
| SBB Insurance AG, Vaduz | CHF | 12.50 | 12.50 | 100.00 | 100.00 | V Z |
| elvetino AG, Zurich | CHF | 1.50 | 1.50 | 100.00 | 60.00 | V P |
| elvetino management AG, Zurich | CHF | 0.10 | 0.10 | 100.00 | 0.00 | V P |
| RailLink AG, Berne | CHF | 2.50 | 1.38 | 55.00 | 55.00 | V P |
| Securitrans Public Transport Security AG, Berne | CHF | 2.00 | 1.02 | 51.00 | 51.00 | V Z |
| AlpTransit Gotthard AG, Lucerne | CHF | 5.00 | 5.00 | 100.00 | 100.00 | E I |

Inclusion in scope of consolidation

Seg = segment

V = fully consolidated

E = accounted for by equity method

G = Freight

P = Passenger Traffic

I = Infrastructure

IM = Real Estate

Z = Central Services

Financial income

Financial expense

Net profit/loss

Taxes

Net profit/loss for the year

The Notes are an integral part of these financial statements

Report of the group auditor.

Group companies and associated companies.

To the general meeting of Swiss Federal Railways SBB, Berne. As auditor of the group, we have audited the consolidated financial statements (balance sheet, income statement, statement of cash flows and notes) of Swiss Federal Railways SBB for the year ended December 31, 2003.

These consolidated financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply with Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

We further draw your attention to the fact that the 100% investment in AlpTransit Gotthard AG has not been consolidated, but is accounted for under the equity method. On the basis of an agreement between the Swiss Confederation and the SBB, management responsibility lies with the Federal authorities. The requirement of a common management is therefore not met.

Berne, February 27, 2004

Ernst & Young Ltd

Bruno Chiomento

Certified Public Accountant (in charge of the audit)

Rudolf Mahnig

Swiss Certified Accountant

Enclosures:

- Consolidated financial statements (balance sheet, income statement, statement of cash flows and notes)

Classification of group companies:

- 0 - not consolidated
- 1 - accounted for by equity method
- 2 - Freight
- 3 - Passenger Traffic
- 4 - Infrastructure
- 5 - Real Estate
- 6 - Central Services

SBB AG Income Statement.

For the period from January to December.

| CHF millions | Note | 2003 | 2002 |
|---|------|-----------------|-----------------|
| Operating revenues | | | |
| Traffic revenues | 1 | 2 092.0 | 2,106.3 |
| Grants | 2 | 522.6 | 593.6 |
| Rental revenue from real estate | 3 | 296.4 | 282.4 |
| Other operating revenues | 4 | 935.1 | 778.5 |
| Other revenues | 5 | 53.0 | 80.1 |
| Own work capitalised | 6 | 591.3 | 548.0 |
| Federal government grants for infrastructure | 7 | 1,327.0 | 1,306.9 |
| Revenue reductions | 8 | -86.1 | -65.3 |
| Total operating revenues | | 5,731.3 | 5,630.5 |
| Operating expenses | | | |
| Expenses for materials | 9 | -458.4 | -433.8 |
| Personnel expenses | 10 | -2,459.7 | -2,488.7 |
| Other operating expenses | 11 | -1,265.7 | -1,084.5 |
| Depreciation of tangible assets, impairment of financial assets and amortisation of intangible assets | 12 | -1,103.3 | -1,227.6 |
| Non-capitalisable investment expenses | 13 | -289.2 | -322.9 |
| Total operating expenses | | -5,576.3 | -5,557.5 |
| Operating income before transfer to provisions as per ARR 16 | | 155.0 | 73.0 |
| Staff pension scheme as per ARR 16 | 14 | -132.0 | -183.0 |
| Operating income after transfer to provisions as per ARR 16 | | 23.0 | -110.0 |
| Net proceeds from sale of assets | 15 | 126.4 | 112.9 |
| Extraordinary income | 16 | 41.3 | 82.6 |
| Extraordinary expenses | 17 | -9.5 | -4.0 |
| Project "Chance" expenses | 18 | -17.3 | -17.3 |
| EBIT | | 163.9 | 64.2 |
| Financial income | 19 | 81.5 | 155.9 |
| Financial expenses | 20 | -184.3 | -238.5 |
| Profit/loss before tax | | 61.1 | -18.3 |
| Taxes | 21 | -38.3 | 0.0 |
| Net profit/loss for the year | 22 | 22.8 | -18.3 |

The Notes are an integral part of these financial statements.

SBB AG Balance Sheet.

Assets.

CHF millions

Current assets

- Cash and cash equivalents¹
- Trade accounts receivable
- Other receivables
- Inventories and work in progress
- Accrued income

Total current assets

Fixed assets

- Financial investments
- Tangible assets
- Assets under construction
- Intangible assets

Total fixed assets

Total assets

¹ The short-term securities held were converted to cash (cf. Note 23).

The Notes are an integral part of these financial statements.

| | 31.12.2003 | 31.12.2002 |
|--|-----------------|-----------------|
| Current assets | | |
| Cash and cash equivalents ¹ | 512.5 | 836.5 |
| Trade accounts receivable | 475.3 | 478.7 |
| Other receivables | 298.0 | 232.2 |
| Inventories and work in progress | 281.4 | 259.3 |
| Accrued income | 318.2 | 239.3 |
| Total current assets | 1,885.4 | 2,046.0 |
| Fixed assets | | |
| Financial investments | 3,333.5 | 4,022.8 |
| Tangible assets | 16,479.6 | 15,568.5 |
| Assets under construction | 6,020.4 | 5,929.3 |
| Intangible assets | 175.1 | 168.0 |
| Total fixed assets | 26,008.6 | 25,688.6 |
| Total assets | 27,894.0 | 27,734.6 |

| Note | 31.12.2003 | 31.12.2002 |
|------|-----------------|-----------------|
| 23 | 512.5 | 836.5 |
| 24 | 475.3 | 478.7 |
| | 298.0 | 232.2 |
| 25 | 281.4 | 259.3 |
| | 318.2 | 239.3 |
| | 1,885.4 | 2,046.0 |
| | | |
| 26 | 3,333.5 | 4,022.8 |
| 27 | 16,479.6 | 15,568.5 |
| 27 | 6,020.4 | 5,929.3 |
| 28 | 175.1 | 168.0 |
| | 26,008.6 | 25,688.6 |
| | 27,894.0 | 27,734.6 |

Bruno Chiomento

Certified Public Accountant in charge in relation to provisions as per Art. 18

Rudolf Mühlig

Senior Certified Accountant

Ernst & Young

Consolidated financial statements

Financial income
Financial expenses
Profit/loss before tax

Taxes
Net profit/loss for the year

The Notes are an integral part of these financial statements.

Liabilities and equity.

| CHF millions | Note | 31.12.2003 | 31.12.2002 |
|--|------|-----------------|-----------------|
| Liabilities | | | |
| Current financial liabilities | | | |
| Trade accounts payable | 29 | 522.4 | 674.3 |
| Other current liabilities | | 84.0 | 119.8 |
| Deferred income and accrued charges | 30 | 876.6 | 782.9 |
| Current provisions | 33 | 280.1 | 298.2 |
| Total current liabilities | | 1,819.1 | 1,878.3 |
| Non-current financial liabilities | | | |
| Other non-current liabilities | 31 | 4,294.7 | 3,931.0 |
| Non-current provisions | 32 | 7,848.2 | 8,049.5 |
| | 33 | 2,336.9 | 2,303.5 |
| Total non-current liabilities | | 14,479.8 | 14,284.0 |
| Total liabilities | | 16,298.9 | 16,162.3 |
| Equity | | | |
| Share capital | | 9,000.0 | 9,000.0 |
| Legal reserves | | | |
| General legal reserves | | 2,000.0 | 2,000.0 |
| EBG 64 reserve | | 532.7 | 0.0 |
| Retained earnings | 34 | | |
| Profit carried forward | | 39.6 | 590.6 |
| Profit/loss for the year | | 22.8 | -18.3 |
| Total equity | | 11,595.1 | 11,572.3 |
| Total liabilities and equity | | 27,894.0 | 27,734.6 |

The Notes are an integral part of these financial statements.

SBB AG Cash Flow Statement.

Assets.

Liabilities and equity.

| CHF millions | 2003 | 2002 |
|--|-----------------|-----------------|
| Profit/loss for the year | 22.8 | -18.3 |
| Depreciation of fixed assets, impairment of financial assets and amortisation of intangible assets | 1,103.3 | 1,227.6 |
| Non-capitalisable investment expenses | 289.2 | 322.9 |
| Change in non-current provisions | 28.8 | -39.5 |
| Net proceeds from sale of assets | -126.4 | -112.8 |
| Own work capitalised | -367.1 | -548.0 |
| Cash flow | 950.6 | 831.9 |
| Change in trade accounts receivable | 3.4 | 406.5 |
| Change in inventories and work in progress | -22.1 | -43.9 |
| Change in other current receivables and accrued income | -130.1 | 276.8 |
| Change in current liabilities | -112.5 | -347.8 |
| Cash flow from operating activities | 689.3 | 1,123.5 |
| Cash flow on the basis of the BLI merger | 1.8 | 0.0 |
| Investments in financial assets | -280.0 | -268.6 |
| Disposals of financial assets | 151.9 | 239.8 |
| Investments in assets under construction and tangible assets | -1,937.0 | -2,125.1 |
| Disposals of tangible assets | 52.8 | 103.1 |
| Investments in intangible assets | -4.0 | -16.8 |
| Cash flow from investing activities | -2,014.5 | -2,067.6 |
| Change in current financial liabilities | 52.8 | -40.8 |
| Change in non-current financial liabilities | 299.5 | 610.3 |
| Change in other non-current liabilities | 648.8 | 668.5 |
| Cash flow from financing activities | 1,001.1 | 1,238.0 |
| Overall change in funds | -324.1 | 293.9 |
| Cash and cash equivalents at 1 January ¹ | 836.6 | 542.6 |
| Cash and cash equivalents at 31 December | 512.5 | 836.6 |
| Change in cash and cash equivalents | -324.1 | 293.9 |

¹ The short-term securities held were converted to cash. See Note 23.

Notes to the SBB AG financial statements.

Notes to the financial statements.

0 General

0.1 SBB AG

SBB AG includes the Passenger Traffic, Infrastructure and Real Estate divisions, the Central Services and the Freight division's rolling stock servicing unit. The Freight division was spun off in 2001 to form SBB Cargo AG, a legally independent subsidiary that is not covered by this report. The accounting principles used for the individual statements meet the requirements of Swiss Company Law and the Swiss Accounting and Reporting Recommendations (Swiss GAAP ARR).

The acquisition and establishment of regionally-based subsidiaries allows a growing number of specific traffic and other services to be outsourced. The regional passenger traffic for Eastern Switzerland was outsourced to the Thurbo AG subsidiary in the reporting year.

0.2 Taxes

In its ruling of 23 December 2003, the Federal Court (BG) specified the subjective tax relevance of SBB AG in the cantons and communities in respect of "non-operating" properties. As a result of the new situation, a retroactive provision is required for 1999–2003 for tax on earnings, capital gains tax and capital gains tax on property, for which a corresponding tax provision has been entered on the basis of current knowledge.

0.3 Pension commitments

The financial effects of pension commitments must be entered in accordance with ARR 16, irrespective of the legal form of the pension plans and schemes. This financial approach requires the inclusion of staff pension schemes in the financial statement, although they constitute neither a credit balance nor a liability from a legal point of view. Assets and liabilities relating to the pension schemes are revalued periodically. ATAG Libera AG carries out the calculations for SBB in accordance with ARR 16 using the "projected unit credit" method. The projected benefit obligations (PBO) towards employees covered by the plan are equivalent to the cash value of the pension benefits accrued on the reference date, taking account of assumed future salary and pension increases and the likelihood of the employees leaving. Pension scheme commitments to retirees are expressed as the cash value of the current pensions, taking account of assumed future pension increases. The overall liability is compared with the market value of the assets. If this results in a deficit, at least the debit amount is entered (updating of the previous year's figure). Should the difference (between the debit amount and the actual deficit) exceed the range specified in ARR 16 (10% of the assets of the scheme or 10% of the pension commitments, whichever is higher), the difference over an average remaining period for the insured parties (15 years in the case of SBB) is amortised and hence taken to the income statement.

0.4 Environmental provision

An expert report prepared by external consultants identified the need for SBB AG to set aside an environmental provision amounting to CHF 393 million as at 1 January 1999. In view of major uncertainties regarding the amount of this provision, it was agreed with the federal government that the total amount of the provision should not be entered in the opening balance sheet but that an initial provision totalling CHF 110 million for cleanup costs in the years 1999 to 2002 be entered. Further costs will be assumed after full write-back of said provision by the federal government within the scope of the performance agreements

1 Traffic revenues

| CHF millions | 2003 | 2002 |
|-------------------------|----------------|----------------|
| Passenger services | 1,755.1 | 1,799.2 |
| Freight services | 0.0 | 0.7 |
| Operation revenues | 162.4 | 148.7 |
| Infrastructure | 174.5 | 157.7 |
| Traffic revenues | 2,092.0 | 2,106.3 |

Revenues from passenger services fell by 2.5% in the reporting year. This is largely attributable to the outsourcing of the regional passenger services for Eastern Switzerland to the subsidiary Thurbo AG. Global economic and political uncertainties, health risks and increased competition from low-cost airlines had a detrimental effect on international passenger traffic. On the other hand, the revenue from domestic traffic increased, despite the absence of Expo 02 traffic. The increased revenue from domestic traffic could not compensate fully for the losses in international traffic.

The revenue from operations and infrastructure increased, primarily as a result of an increase in services to subsidiaries.

2 Grants

| CHF millions | 2003 | 2002 |
|--|--------------|--------------|
| Grants for regional passenger services | | |
| Confederation | 282.1 | 313.4 |
| Cantons | 147.1 | 188.1 |
| Third-party contributions | 0.0 | 0.1 |
| Total grants for regional passenger services | 429.2 | 501.6 |
| Train-path charge subsidies for freight traffic (to Infrastructure) for intermodal transport | 35.6 | 32.7 |
| for other freight traffic | 57.8 | 59.3 |
| Total train-path charge subsidies | 93.4 | 92.0 |
| Grants | 522.6 | 593.6 |

SBB AG's regional passenger services contracted by around 6 million train kilometres due to the outsourcing of regional passenger services in Eastern Switzerland to the subsidiary Thurbo AG. The grant per train kilometre fell to CHF 8.51 in 2003 (2002: CHF 8.88).

The grants for regional passenger services for the cantons make allowance for reclassification of payments forwarded to the Zurich Transport Authority (ZVV) amounting to CHF 33 million, on the basis of the disclosure practice specified by the Federal Office of Transport (BAV) (cf. Note 7).

The purpose of train-path charge subsidies is to reduce the train path charges as an incentive for goods traffic to switch from road to rail. In addition to SBB Cargo AG, other railway companies which purchase train-path services from SBB Infrastructure also benefit from the cheaper train-path charges.

3 Rental revenue from real estate

This figure includes the revenue from the rental of real estate in SBB's property portfolio.

4 Other operating revenues

| CHF millions | 2003 | 2002 |
|---------------------------------------|--------------|--------------|
| Contract staff | 6.8 | 4.7 |
| Services | 284.7 | 152.0 |
| Maintenance and servicing work | 191.6 | 171.8 |
| Rental revenues | 62.5 | 50.3 |
| Power revenues | 82.4 | 53.5 |
| Foreign currency exchange | 39.0 | 41.9 |
| Commissions | 77.0 | 106.8 |
| Sales of printed matter and materials | 51.5 | 42.4 |
| Cost participations, contributions | 73.6 | 76.9 |
| Sundry additional income | 66.0 | 78.2 |
| Other operating revenues | 935.1 | 778.5 |

The gross accounting procedure was applied consistently for the first time in the reporting year for the tour operating business for passenger services (third-party services) and for rental of rolling stock to foreign railways. As a result of the change, the comparability of other operating revenues with the previous year is restricted. The relevant expenses arising from the gross accounting procedure are included under the heading "Other operating expenses" (cf. Note 11).

The revenue from energy was higher because of the relatively high prices on the electricity market.

Commissions decreased due to the absence of the additional Expo 02 services. Lower international passenger traffic figures led to a further reduction.

An increase in sales of spares and scrap material boosted revenues from sales of printed material and other material.

5 Other revenues

The decline in investment work for third parties and the reduction in the release of the power provision resulted in a reduction in other revenues. The purpose of the power provision is to compensate for the power generation costs from own power stations over and above the market price. The reduction in the release is due to higher market prices.

6 Own work capitalised

| CHF millions | 2003 | 2002 |
|-----------------------------|--------------|--------------|
| Investment orders | 367.1 | 343.9 |
| Stock orders | 224.2 | 204.1 |
| Own work capitalised | 591.3 | 548.0 |

The increase in own work capitalised for investment orders is a result of the additional work for infrastructure and the increase in own work capitalised for the procurement of new rolling stock.

The increase in own work capitalised for stock orders is due in particular to the increased maintenance of rolling stock.

7 Federal government grants for infrastructure

| CHF millions | 2003 | 2002 |
|--|----------------|----------------|
| Depreciation of infrastructure | 862.7 | 810.0 |
| Infrastructure operating grant | 464.3 | 494.0 |
| Contribution for SBB services during St. Gotthard tunnel closure | 0.0 | 2.9 |
| Federal government grants for infrastructure | 1,327.0 | 1,306.9 |

The increased payments for the depreciation of infrastructure are mainly attributable to the high level of investment activity relating to Rail 2000. On the other hand, the operating grant is lower due to increases in productivity. The federal government's deficit reduction programme resulted in a cut of CHF 13 million in the budget for federal government grants for infrastructure.

The federal government makes a payment of CHF 33 million to SBB AG which is forwarded to the Zurich Transport Authority (ZVV). This amount is not directly linked to services performed by SBB AG. This amount is entered under federal government grants for infrastructure and forwarded to ZVV by deducting it from the cantonal grants for regional passenger traffic, as specified by the Federal Office of Transport (cf. Note 2).

8 Revenue reductions

The increase in revenue reductions is due to the higher balance of exchange rate gains and losses and the change in provisions for bad and doubtful debts.

9 Expenses for materials

Expenses for materials has risen particularly because of the increasing sales of material and printed matter, the increase in own work capitalised and the increased maintenance for rolling stock (Rail 2000).

10 Personnel expenses

| CHF millions | 2003 | 2002 |
|---------------------------|----------------|----------------|
| Wages and salaries | 2,107.8 | 2,107.5 |
| Social benefit costs | 283.0 | 301.4 |
| Other personnel expenses | 68.9 | 79.8 |
| Personnel expenses | 2,459.7 | 2,488.7 |

There is practically no change in wages and salaries compared to the previous year.

The reduction in social benefit costs is due mainly to the increase of the coordination deduction, in effect as from 1.1.2003, and the associated reduction in one-off payments to the pension fund. From the beginning of 2003, SBB will bear the costs for occupational disability in order to help restructure the SBB pension fund. Furthermore, since 1 July 2003, the employees and employer have been paying a restructuring contribution to the SBB pension fund, amounting to 1.5% of the insured salary.

The fall in other personnel expenses is due to lower expense reimbursements and compensation and a reduction in staff restaurant and staff recruitment costs.

11 Rental revenue from real estate

This figure includes the revenue from the rental of real estate in SBB's property portfolio.

11 Other operating expenses

| CHF millions | 2003 | 2002 |
|--|----------------|----------------|
| Lease of installations | 24.5 | 23.1 |
| Services for maintenance, repair and replacement | 206.9 | 196.4 |
| Vehicle costs | 89.0 | 62.9 |
| Property insurance, duties and fees | 71.8 | 55.6 |
| Power and waste disposal costs | 201.8 | 181.9 |
| Administration and information system costs | 204.3 | 211.8 |
| Publicity costs | 38.4 | 52.8 |
| Other operating expenses | 175.9 | 21.5 |
| Operating costs | 202.2 | 232.8 |
| Flat-rate VAT charge/pretax reductions on grants | 50.9 | 45.7 |
| Other operating expenses | 1,265.7 | 1,084.5 |

The increase in other operating expenses is largely due to the consistent application of gross accounting of purchase of services, described under other operating revenues. In the reporting year, gross accounting was also applied for the first time to the tour operating business and for rental of rolling stock to foreign railways. This means that only a limited comparison with the previous year is possible (cf. Note 4). The increase in third-party services for maintenance, repairs and replacements is predominantly due to the additional commissioning of third parties with work which could not be carried out in-house.

Following the Federal Court ruling of December 2003 on the partial tax liability of SBB AG for property, a tax provision was created and debited against the entry for "Property insurance, duties and fees" for capital gains tax on property, retroactively for 1999–2003.

Power and waste disposal costs have risen as a result of the relatively high energy prices (cf. other operating revenues).

The reduction in publicity costs is due in particular to the end of the intensive publicity campaign during Expo 02.

The expenses entered under the heading "Flat-rate VAT charge / pretax reductions" are mainly attributable to the VAT regulations applicable to public transport operators. SBB AG calculates a 2.7% pretax reduction on the payments it receives, instead of a reduction in proportion to the corresponding share of its total turnover. As the tax payable is contained in these amounts, this arrangement does not affect the SBB AG income statement.

12 Contributions to other entities

| CHF million | 2003 | 2002 |
|--|-------------|-------------|
| Provisions for the year from operations which are not eligible for taxation | 1.0 | 1.0 |
| Profit/loss for the year | 22.9 | 22.9 |
| Extraordinary income includes repayment of debt securities which have been written off and profit shares from previous years' joint ventures | 32.1 | 34.4 |
| Net proceeds from sale of assets | 33.9 | 33.9 |

13 Cash and cash equivalents

| CHF million | 2003 | 2002 |
|----------------------------------|-------------|-------------|
| Power account | 34.7 | 34.7 |
| Banks | 41.4 | 41.4 |
| Term deposits | 1.0 | 1.0 |
| Cash in transit | 0.0 | 0.0 |
| Securities | 0.0 | 0.0 |
| Cash and cash equivalents | 76.1 | 76.1 |

The amount of cash and cash equivalents at the end of the reporting year is 76.1 million CHF.

There has been a decrease in cash and cash equivalents, primarily due to the application of the funds account for the acquisition of rolling stock amounting to 24.5 million CHF at the end of the previous year.

12 Depreciation of tangible assets, impairment of financial assets and amortisation of intangible assets

CHF millions

| | 2003 | 2002 |
|--|----------------|----------------|
| Impairment of financial assets | 28.4 | 168.4 |
| Depreciation of tangible assets | 984.3 | 943.1 |
| Amortisation of intangible assets | 47.9 | 42.6 |
| Depreciation of net book values on disposals of tangible assets | 42.7 | 73.5 |
| Depreciation of tangible assets, impairment of financial assets and amortisation of intangible assets | 1,103.3 | 1,227.6 |

Impairments of financial assets include valuation provisions on the holdings and loans of SBB AG. The high impairment figure in the previous year was attributable to the first valuation provision for SBB Cargo AG amounting to CHF 156 million.

The increase in depreciation of tangible assets is due to the higher depreciation base particularly because of the investments in the infrastructure and rolling stock for Rail 2000.

The depreciation of intangible assets includes depreciation of software, rights and merger-related goodwill.

The reduction in disposals of tangible assets and improved sales revenue results in a lower depreciation of residual book values.

13 Non-capitalisable investment expenses

The decrease in non-capitalisable investments is due to the reduction in the non-capitalisable portions of completed projects.

14 Staff pension scheme as per ARR 16

The slight recovery of the capital markets helped the SBB pension fund to end 2003 with a surplus. This development also had a positive effect on the pension fund valuation under ARR 16. The difference to be amortised over the average remaining enrolment period of the policyholders decreased and no additional contribution to the amount of liabilities was necessary. The allocation to the ARR 16 provision for the reporting year is CHF 132 million. (Details of the staff pension scheme as per ARR 16 can be found in the consolidated financial report under Note 34, in the paragraph entitled "Staff pension scheme".)

15 Net proceeds from sale of assets

The net proceeds from sale of assets arose chiefly from the sale of the last tranche of the holding in TDC Switzerland and from the sale of tangible fixed assets, mainly property.

16 Extraordinary income

Extraordinary income includes repayment credit balances which have been written off and profit shares from previous years' joint ventures.

17 Extraordinary expense

The extraordinary expense is due to the formation of a provision for property from the earlier restructuring of rolling stock maintenance.

18 Project "Chance" expenses

The "Chance" project includes the cost of retraining staff made redundant due to rationalisation or restructuring.

19 Financial income

| CHF millions | 2003 | 2002 |
|---|-------------|--------------|
| Financial and investment income from third parties | 31.2 | 90.0 |
| Financial and investment income from group companies | 20.9 | 21.2 |
| Financial and investment income from associated companies | 6.9 | 12.1 |
| Financial income shareholder | 1.1 | 3.0 |
| Other financial income | 21.4 | 29.6 |
| Financial income | 81.5 | 155.9 |

20 Financial expenses

| CHF millions | 2003 | 2002 |
|---------------------------------------|--------------|--------------|
| Financial expenses third parties | 121.6 | 167.8 |
| Financial expenses group companies | 0.6 | 1.5 |
| Financial expenses to the shareholder | 55.1 | 51.6 |
| Other financial expenses | 7.0 | 17.6 |
| Financial expenses | 184.3 | 238.5 |

The reduction in financial income and expenses is due to the difference in treatment of defeasance interest relating to the leasing transactions compared to the previous year and the generally lower interest rates. Interest and similar expenses payable to third parties consist primarily of interest due on commitments to EUROFIMA.

21 Taxes

Under Article 21 of the SBB Act of 20 March 1998, SBB AG is exempt from tax, including at cantonal level. Following the ruling by the Federal Court in December 2003 on the partial tax relevance of SBB AG in cantons and communities in respect of "non-operating" property, a tax provision for tax on income and capital was formed retroactively for 1999–2003. The remaining taxes come from the subsidiary BLI, which was merged with the new Real Estate division.

22 Profit/loss for the year

| CHF millions | 2003 | 2002 |
|--|-------------|--------------|
| Profit for the year from operations eligible for grants under Art. 64 of the EBG | | |
| Infrastructure | -25.0 | 82.4 |
| Regional passenger traffic (RPV) | 8.7 | 3.6 |
| Profit/loss for the year from operations which are not eligible for grants | 39.1 | -104.3 |
| Profit/loss for the year | 22.8 | -18.3 |

23 Cash and cash equivalents

| CHF millions | 31.12.2003 | 31.12.2002 |
|----------------------------------|--------------|--------------|
| Cash | 38.7 | 38.3 |
| Postal account | 34.7 | 53.5 |
| Banks | 418.3 | 727.2 |
| Term deposits | 14.9 | 13.4 |
| Cash in transit | 5.8 | 3.5 |
| Securities ¹ | 0.1 | 0.6 |
| Cash and cash equivalents | 512.5 | 836.5 |

¹ The short-term securities were stated separately in the balance sheet in previous years.

There has been a decrease in cash and cash equivalents, primarily due to the appropriation of the funds accruing from leasing for the acquisition of rolling stock around the end of the previous year.

24 Trade accounts receivable

| CHF millions | 31.12.2003 | 31.12.2002 |
|----------------------------------|--------------|--------------|
| Trade accounts receivable | | |
| from third parties | 405.9 | 408.4 |
| from group companies | 94.6 | 91.5 |
| from associated companies | 11.2 | 7.0 |
| Valuation provisions | -36.4 | -28.2 |
| Trade accounts receivable | 475.3 | 478.7 |

The level of trade accounts receivable is almost unchanged compared to the previous year.

25 Inventories and work in progress

| CHF millions | 31.12.2003 | 31.12.2002 |
|---|--------------|--------------|
| Inventories | 457.3 | 424.3 |
| Work in progress | 17.7 | 30.6 |
| Valuation provisions | -193.6 | -195.6 |
| Inventories and work in progress | 281.4 | 259.3 |

The increase in inventories is primarily due to higher inventor production for rolling stock servicing (Rail 2000).

The valuation provisions are a result of write-downs on obsolete stock.

26 Financial investments

| CHF millions | Long-term investments | Holdings | Non-current receivables from third parties | Non-current receivables from Group companies | Non-current receivables from affiliated companies | Non-current receivables from shareholders | Total |
|---------------------------------|-----------------------|----------------|--|--|---|---|----------------|
| Historical costs | | | | | | | |
| As at 1.1.2003 | 619.7 | 1,125.9 | 625.5 | 100.7 | 49.9 | 1,756.8 | 4,278.5 |
| Additions | 14.6 | 34.7 | 49.2 | 215.9 | 3.2 | 0.0 | 317.6 |
| Disposals | 0.0 | -57.2 | -86.4 | -22.9 | -1.3 | -850.0 | -1,017.8 |
| Reclassifications | 0.0 | 0.0 | -23.0 | 23.0 | 0.0 | 0.0 | 0.0 |
| As at 31.12.2003 | 634.2 | 1,103.4 | 565.3 | 316.8 | 51.8 | 906.8 | 3,578.3 |
| Accumulated depreciation | | | | | | | |
| As at 1.1.2003 | 0.0 | -214.1 | -41.6 | 0.0 | 0.0 | 0.0 | -255.7 |
| Additions | 0.0 | -21.9 | 0.0 | -5.0 | -1.5 | 0.0 | -28.4 |
| Disposals | 0.0 | 22.8 | 16.5 | 0.0 | 0.0 | 0.0 | 39.3 |
| As at 31.12.2003 | 0.0 | -213.2 | -25.1 | -5.0 | -1.5 | 0.0 | -244.8 |
| As at 1.1.2003 | 619.7 | 911.7 | 583.9 | 100.7 | 49.9 | 1,756.8 | 4,022.8 |
| As at 31.12.2003 | 634.2 | 890.2 | 540.2 | 311.8 | 50.3 | 906.8 | 3,333.5 |

The revenue from the investment of funds for repayment of the leasing commitments is being reinvested, resulting in an increase in the securities constituent of the fixed assets. The corresponding commitments are entered as liabilities.

The addition to the holdings includes the establishment of SBB GmbH and Region Alps SA, the share issues in Turbo AG and the increase in the shareholding in Cisalpino AG. The disposal was a result of the merger of Bahnhof Luzern Immobilien AG (BLI), the disposal of the holdings in Cargo Service Center Basel AG and TDC Switzerland and of the partial sale of Lasag Schaffhausen. Furthermore, restructuring of elvetino AG took place by a reduction in capital and a simultaneous increase.

The reduction in non-current receivables from third parties is due to the repayment and reduced take-up of mortgages and building loans granted to the railway workers' building cooperative and to the write-off of receivables from previous years for which a full valuation provision has been made.

The non-current receivables from the shareholder fell by CHF 850 million. The reduction is related to the payment plan agreed for the financing of the SBB pension fund when it was established in 1999. The long-term commitments to the shareholder fell in line with the account receivable (cf. Note 32).

27 Tangible assets and assets under construction

| CHF millions | Vehicles (incl. leasing) | Civil engineering, trackbed and railway fittings | Other tangible assets | Property | Buildings | Total tangible assets | Assets under construction and pre- payments | Total |
|----------------------------------|-----------------------------|---|-----------------------------|----------------|-----------------|-----------------------------|--|------------------|
| Historical costs | | | | | | | | |
| As at 1.1.2003 | 7,924.2 | 11,871.0 | 3,667.6 | 1,444.4 | 3,214.5 | 28,121.7 | 7,074.9 | 35,196.5 |
| Investments | 0.7 | 28.2 | 8.4 | 0.1 | 7.2 | 44.7 | 2,513.5 | 2,558.1 |
| Addition from the BLI merger | 0.0 | 0.0 | 0.0 | 0.0 | 92.1 | 92.1 | 0.0 | 92.1 |
| Reclassification of assets | | | | | | | | |
| under construction as assets | 356.5 | 1,009.1 | 300.9 | 11.7 | 140.2 | 1,818.5 | -1,818.5 | 0.0 |
| Investment subsidy | 0.0 | -61.5 | -23.6 | -0.3 | -13.6 | -99.0 | 0.0 | -99.0 |
| Disposals of tangible assets | -78.5 | -188.5 | -92.0 | -5.6 | -25.7 | -390.2 | -444.1 | -834.4 |
| Reclassifications | 0.0 | 1.8 | -3.8 | 0.0 | 0.0 | -2.0 | -47.3 | -49.3 |
| As at 31.12.2003 | 8,202.9 | 12,660.0 | 3,857.5 | 1,450.3 | 3,414.8 | 29,585.7 | 7,278.5 | 36,864.1 |
| of which leasing | 1,992.1 | | | | | 1,992.1 | | 1,992.1 |
| Accumulated depreciation | | | | | | | | |
| As at 1.1.2003 | -4,256.8 | -4,005.3 | -2,771.8 | -21.8 | -1,497.3 | -12,553.2 | -1,145.6 | -13,698.8 |
| Additions | -296.8 | -384.5 | -131.5 | 0.0 | -59.1 | -871.8 | -112.5 | -984.3 |
| Accrual from the BLI merger | 0.0 | 0.0 | 0.0 | 0.0 | -6.7 | -6.7 | 0.0 | -6.7 |
| Disposals | 73.5 | 159.0 | 77.6 | 0.0 | 14.2 | 324.2 | 0.0 | 324.2 |
| Reclassifications | 0.0 | -1.8 | 3.2 | 0.0 | 0.0 | 1.5 | 0.0 | 1.5 |
| As at 31.12.2003 | -4,480.2 | -4,232.6 | -2,822.5 | -21.8 | -1,548.9 | -13,106.0 | -1,258.1 | -14,364.1 |
| of which leasing | -674.0 | | | | | -674.0 | | -674.0 |
| Net book value 1.1.2003 | 3,667.4 | 7,865.7 | 895.7 | 1,422.5 | 1,717.2 | 15,568.5 | 5,929.3 | 21,497.8 |
| Net book value 31.12.2003 | 3,722.8 | 8,427.5 | 1,035.0 | 1,428.5 | 1,865.9 | 16,479.6 | 6,020.4 | 22,500.0 |
| of which leasing | 1,318.1 | | | | | 1,318.1 | | 1,318.1 |

The increase in tangible assets is primarily due to the construction of infrastructure and procurement of passenger rolling stock for Rail 2000. Other tangible assets include all installations, IT and telecommunications equipment, and supply and disposal plant. Interest paid on loans with a variable rate of interest for financing Rail 2000 has been capitalised. Capitalised interest expenses amounted to CHF 26.6 million in the year under review (previous year: CHF 22 million).

28 Intangible assets

| CHF millions | Rights | Software | Goodwill from merger | Total |
|----------------------------------|--------------|---------------|----------------------|---------------|
| Historical costs | | | | |
| As at 1.1.2003 | 101.6 | 174.8 | 0.0 | 276.4 |
| Additions | 2.8 | 1.2 | 3.2 | 7.2 |
| Disposals | 0.0 | -0.8 | 0.0 | -0.8 |
| Reclassifications | 2.7 | 46.6 | 0.0 | 49.3 |
| As at 31.12.2003 | 107.1 | 221.8 | 3.2 | 332.1 |
| Accumulated depreciation | | | | |
| As at 1.1.2003 | -15.8 | -92.5 | 0.0 | -108.4 |
| Additions | -4.2 | -41.7 | -2.0 | -47.9 |
| Disposals | 0.0 | 0.7 | 0.0 | 0.7 |
| Reclassifications | 0.0 | -1.5 | 0.0 | -1.5 |
| As at 31.12.2003 | -20.0 | -135.0 | -2.0 | -157.0 |
| Net book value 1.1.2003 | 85.8 | 82.3 | 0.0 | 168.0 |
| Net book value 31.12.2003 | 87.1 | 86.8 | 1.2 | 175.1 |

The merger of SBB AG (Real Estate unit) with Bahnhof Luzern Immobilien AG (BLI) produced goodwill amounting to CHF 3.2 million.

The reclassifications of software are due to the data processing projects in progress in the systems under construction which were accounted for in the reporting year.

29 Trade accounts payable

| CHF millions | 31.12.2003 | 31.12.2002 |
|-------------------------------|--------------|--------------|
| Trade accounts payable | | |
| to third parties | 507.6 | 649.6 |
| to group companies | 11.9 | 21.5 |
| to associated companies | 2.9 | 3.2 |
| Trade accounts payable | 522.4 | 674.3 |

Trade accounts payable to third parties include those payable to domestic and foreign railway authorities. The fall in trade accounts payable to third parties is due to the increased calling of payment liabilities to domestic rail companies at the end of 2003. It is also due to the reduced volume of payments resulting from the non-renewal of joint infrastructure contracts.

30 Deferred income and accrued charges

| CHF millions | 31.12.2003 | 31.12.2002 |
|--|--------------|--------------|
| Ticket deferrals | 370.8 | 341.4 |
| Accrued interest payable | 42.7 | 34.3 |
| Other accruals and deferrals | 463.1 | 407.2 |
| Deferred income and accrued charges | 876.6 | 782.9 |

The ticket deferrals relate mainly to the General Abonnement, Half-Fare Card and point-to-point season tickets. They do not extend to individual tickets. The other accruals and deferrals include the periodic posting of expenses and income.

31 Non-current financial liabilities

| CHF millions | 31.12.2003 | 31.12.2002 |
|--|----------------|----------------|
| Bank liabilities | 258.2 | 32.8 |
| Leasing liabilities | 2,552.2 | 2,527.9 |
| Mortgage liabilities | 34.2 | 0.0 |
| Staff savings accounts | 1,450.1 | 1,370.3 |
| Non-current financial liabilities | 4,294.7 | 3,931.0 |

Non-current liabilities to banks have increased as a result of the refinancing of loans granted to subsidiaries.

Leasing liabilities have increased due to the capitalisation of leasing interest on existing contracts.

Mortgage liabilities totalling CHF 34.2 million were transferred to SBB AG as a result of the merger with Bahnhof Luzern Immobilien AG.

The liability to the staff savings accounts represents a savings credit balance of current and former employees of SBB.

32 Other non-current liabilities

| CHF millions | 31.12.2003 | 31.12.2002 |
|--|----------------|----------------|
| Liabilities to third parties | 0.0 | 11.8 |
| Liabilities to group companies | 0.0 | 52.4 |
| Liabilities to the federal government as shareholder | 7,848.2 | 7,985.3 |
| Other non-current liabilities | 7,848.2 | 8,049.5 |

Composition of the liabilities to the federal government as shareholder

| CHF millions | 31.12.2003 | 31.12.2002 |
|---|----------------|----------------|
| Variable-interest loans | 1,827.6 | 1,741.1 |
| Interest-bearing loans for refinancing the SBB Pension Fund | 906.8 | 1,756.8 |
| Interest-bearing loans for the major rail projects fund | 880.6 | 724.0 |
| Variable-interest loans for the major rail projects fund | 4,233.2 | 3,763.4 |
| Total | 7,848.2 | 7,985.3 |

The liability to the federal government as shareholder fell by around CHF 137 million in the reporting year, due to the reduction in the liability arising from financing of the SBB pension fund amounting to CHF 850 million (cf. Note 26). On the other hand, the loan for the financing of Rail 2000 and to cover the basic requirements for investment in infrastructure increased by a total of CHF 713 million.

Net indebtedness

| CHF millions | Note | 31.12.2003 | 31.12.2002 |
|-----------------------------------|------|-----------------|-----------------|
| Current financial liabilities | | 56.0 | 3.1 |
| Non-current financial liabilities | 31 | 4,294.7 | 3,931.0 |
| Other non-current liabilities | 32 | 7,848.2 | 8,049.5 |
| Total borrowings | | 12,198.9 | 11,983.6 |

less cash and cash equivalents, bonds and investment in securities

less receivables from the shareholder for the pension fund

Net indebtedness

Change compared to the previous year

Net indebtedness increased by CHF 1,374.8 million in the reporting year, primarily due to borrowing for financing infrastructure and rolling stock for Rail 2000.

33 Provisions

| | | | |
|------------------------|--|-------------------|----------------|
| CHF millions | | 31.12.2003 | 31.12.2002 |
| Current provisions | | 280.1 | 298.2 |
| Non-current provisions | | 2,336.9 | 2,303.5 |
| Provisions | | 2,617.0 | 2,601.7 |

| CHF millions | Staff pension scheme as per ARR 16 | Provision for index-linking of pensions | Environmental provision | Power unit restructuring | Vacation/overtime | Other provisions | Total |
|------------------------------|------------------------------------|---|-------------------------|--------------------------|-------------------|------------------|----------------|
| As at 1.1.2003 | 833.0 | 240.6 | 96.0 | 687.7 | 137.4 | 607.0 | 2,601.7 |
| Addition | 132.0 | 0.0 | 0.0 | 0.0 | 14.7 | 125.8 | 272.5 |
| Addition from the BLI merger | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 4.7 | 4.7 |
| Utilisation | 0.0 | -84.3 | -6.9 | -11.8 | -30.3 | -62.6 | -196.0 |
| Reversal | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -65.6 | -65.6 |
| Reclassification | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -0.3 | -0.3 |
| As at 31.12.2003 | 965.0 | 156.3 | 89.1 | 675.9 | 121.8 | 609.0 | 2,617.0 |

Notes on the provisions for the staff pension scheme as per ARR 16 are contained in the consolidated financial statements. The provision of CHF 965 million in the SBB AG accounts is identical to the provision in the consolidated accounts (cf. Note 0.3 "Pension commitments"). Members of the SBB Pension Fund who retired before 1 January 2001 are entitled to the same treatment as retired members of the federal government pension fund. The SBB Pension Fund can only pay cost-of-living increases to retirees if its finances and earnings permit. As the premium reserve of the SBB pension fund has failed to reach its specified level, the obligation to pay such cost-of-living increases to the beneficiaries has to be borne by the employer. CHF 84.3 million of the provisions was used for 2003.

The environmental remediation programme continued in the reporting year. The costs of this work was charged to provisions. Note 0.4 contains further information about environmental pollution.

The purpose of the energy provision is to reduce power generation costs which are over and above the market price. CHF 11.8 million was charged to the provision in the reporting year.

Holiday and overtime entitlements fell by CHF 15.6 million compared to the previous year. The reduction was primarily achieved by time off in lieu. Overtime entitlements were paid out in individual cases.

The other provisions relate mainly to insurance provisions to cover claims, provisions for revenue from the disposal of cable-laying rights and other operationally-necessary provisions, including for rolling stock. The new tax provision of CHF 50 million created for 1999-2003, on the basis of the Federal Court ruling of December 2003 on the partial tax relevance of SBB AG for property, is also included.

34 Retained earnings

| | | | |
|--|--|-------------------|--------------|
| CHF millions | | 31.12.2003 | 31.12.2002 |
| Profit carried forward | | | |
| Reserved under Art. 64 of the EBG | | 0.0 | 446.7 |
| Not reserved under Art. 64 of the EBG | | 39.6 | 143.9 |
| Total profit carried forward | | 39.6 | 590.6 |
| Profit/loss for the year | | | |
| Reserved under Art. 64 of the EBG | | -16.3 | 86.0 |
| Not reserved under Art. 64 of the EBG | | 39.1 | -104.3 |
| Total profit/loss for the year | | 22.8 | -18.3 |
| Total retained earnings in accordance with Art. 64 of the EBG | | 62.4 | 572.3 |

35 Statutory information

(If not already disclosed under the respective headings.)

35.1 Sureties, guarantees and pledges in favour of third parties

| CHF millions | 31.12.2003 | 31.12.2002 |
|---------------------------------------|--------------|--------------|
| Sureties and guarantees | 303.4 | 332.2 |
| Statutory liability clauses | 130.0 | 130.0 |
| Firm purchase and finance commitments | 14.7 | 15.7 |
| Liabilities from unpaid share capital | 147.2 | 147.3 |
| Total | 595.3 | 625.2 |

SBB AG has interests in a number of civil partnerships with joint and several liability. These are primarily integrated fare-system authorities, collaborations and joint ventures for the management of fixed-term projects.

35.2 Fire insurance value of the tangible assets

The fire insurance value of the tangible assets corresponds to their replacement or new value.

35.3 Liabilities towards staff pension schemes

| CHF millions | 31.12.2003 | 31.12.2002 |
|---------------------|-------------|------------|
| Current liabilities | 10.3 | 0.0 |
| Total | 10.3 | 0.0 |

35.4 Off-balance-sheet leasing commitments

| CHF millions | 31.12.2003 | 31.12.2002 |
|-------------------------|-------------|-------------|
| Due within 1 year | 26.2 | 32.9 |
| Due within 1–2 years | 13.0 | 22.7 |
| Due within 2–3 years | 5.6 | 9.8 |
| Due within 3–4 years | 1.5 | 3.2 |
| Due in 4 years or later | 0.1 | 0.4 |
| Total | 46.4 | 69.0 |

SBB AG has outsourced a substantial volume of IT work (computer centre/hardware/software/maintenance and service) to third parties.

35.5 Major holdings

Group holdings and affiliated companies are listed on pages 108–109 of the Notes to the consolidated financial statements.

36 Post balance sheet events

None.

Proposal of the Board of Directors on the appropriation of available earnings.

The Board of Directors proposes to the Annual General Meeting that the retained earnings for 2003 be appropriated as follows:

| CHF millions | 2003 | 2002 |
|--|-------------|--------------|
| Profit/loss for the year | 22.8 | -18.3 |
| Profit carried forward | 39.6 | 590.6 |
| Total unappropriated profit in accordance with Art. 64 of the Railways Act (EBG) | 62.4 | 572.3 |
| Appropriation of the profit for 1999 from operations eligible for grants to reserves in accordance with Art. 64 EBG | | |
| Infrastructure | | -78.4 |
| Passenger services | | -17.6 |
| Appropriation of the profit for 2000 from operations eligible for grants to reserves in accordance with Art. 64 EBG | | |
| Infrastructure | | -162.1 |
| Passenger services | | -45.4 |
| Appropriation of the profit for 2001 from operations eligible for grants to reserves in accordance with Art. 64 EBG | | |
| Infrastructure | | -132.7 |
| Passenger services | | -10.5 |
| Appropriation of the profit for 2002 from operations eligible for grants to reserves in accordance with Art. 64 EBG | | |
| Infrastructure | | -82.4 |
| Passenger services | | -3.6 |
| Appropriation/coverage of the profit for 2003 from operations eligible for grants to or from reserves in accordance with Art. 64 EBG | | |
| Passenger services | -8.7 | |
| Passenger services (Brünig) from 2000-2002 | -2.6 | |
| Infrastructure | 25.0 | |
| Retained earnings at the disposal of the General Meeting | 76.1 | 39.6 |
| Retained earnings carried forward | 76.1 | 39.6 |
| Profit/loss for the year | | |
| Reserved under Art. 64 of the EBG | | |
| Not reserved under Art. 64 of the EBG | | |
| Total profits for the year | | |
| Total retained earnings in accordance with Art. 64 of the EBG | 62.4 | 572.3 |

Report of the statutory auditors.

To the general meeting of Swiss Federal Railways SBB, Berne. As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, income statement, statement of cash flows and notes) of Swiss Federal Railways SBB for the year ended December 31, 2003.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with Swiss GAAP FER and comply, as well as the proposed appropriation of available earnings, with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

The Federal Office of Transportation (FOT) has audited the financial statements for 2003 as supervisory authority in accordance with article 70 of the Swiss Railways Act (Eisenbahngesetz) and approved those financial statements in their report dated March 9, 2004.

Berne, February 27, 2004

Ernst & Young Ltd

Bruno Chiomento

Certified Public Accountant (in charge of the audit)

Rudolf Mahnig

Swiss Certified Accountant

Enclosures:

- Financial statements (balance sheet, income statement, statement of cash flows and notes)
- Proposed appropriation of available earnings