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Federal consolidated financial statements

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Operating expenses	53 931	54 997	56 668	60 727	59 930
Operating result	**8 218**	**7 007**	**5 491**	**3 592**	**2 848**
Financial revenue	888	1 566	415	957	440
Financial expense	4 225	3 469	3 438	3 200	3 101
Financial result	**-3 337**	**-1 903**	**-3 023**	**-2 243**	**-2 661**
Equity interest revenue	1 807	2 179	1 840	1 256	2 228
Equity interest expenses	7	5	95	440	–
Equity interest result	**1 800**	**2 174**	**1 745**	**816**	**2 228**
Surplus or deficit	**6 681**	**7 278**	**4 213**	**2 165**	**2 415**
Statement of financial position					
Current assets	19 278	15 279	16 167	16 589	20 175
Non-current assets	79 474	78 152	81 448	81 095	82 182
Liabilities	143 117	130 469	130 242	127 980	130 210
Net assets/equity	-44 365	-37 038	-32 627	-30 296	-27 853
Cash flow statement					
Cash flows from operating activities	7 899	7 447	6 545	3 491	4 809
Cash flows from investing activities	-5 791	3 200	-1 323	-3 624	-2 573
Cash flows from financing activities	-869	-10 143	-2 161	5	1 532
Total cash flow	**1 239**	**504**	**3 061**	**-128**	**3 768**
Debt					
Gross debt	120 378	108 742	108 279	108 170	109 897
Net debt	98 358	89 070	86 125	86 022	84 661
Staff					
Number of full-time employees (FTE)	46 549	48 833	49 591	49 907	50 686

21 Purpose of the consolidated financial statements

The federal consolidated financial statements provide a comprehensive picture of the financial position of "federal public services". They give an overview of the assets, financial position and financial performance, and show the financial risks of entities and organizations which are allocated to and charged with discharging functions within the Federal Administration structure. It is thus possible to observe longer-term trends in the federal government's financial position and identify trends. They are not part of the state financial statements, and do not require parliamentary approval.

The existence of transactions between consolidated entities and the application of special rules can obscure the informative value of the separate financial statements. From the overall view of the consolidated financial statements, however, it is immaterial whether functions are discharged by the central Federal Administration ("parent entity"), or by an outsourced organizational unit of the decentralized Federal Administration.

The objective of the consolidated financial statements is to show the level of capital expenditure and financial commitments incurred by the entities concerned, facilitating an assessment of the financial risks to which "federal public services" are exposed. In addition to total assets, the consolidated statement of financial position also shows the overall level of indebtedness of the federal government and outsourced units – information that is not included in the financial statements of the parent entity. Therefore, it is possible to observe longer-term trends in the relevant variables in order to assess the federal government's financial position and extrapolate statements based on reliable information which has been prepared in line with recognized, consistent standards.

The Federal Council presents the consolidated financial statements to the two chambers of parliament for information purposes with regard to the deliberations on the state financial statements. They are not part of the state financial statements. As they do not require parliamentary approval, they are not audited by the Swiss Federal Audit Office. The consolidated financial statements are not subject to any statutory requirements in relation to lending and borrowing. No consolidated budgets, financial plans or forecasts are prepared.

The consolidation scope meets the minimum requirements set out in Article 55 para. 1 of the Federal Budget Act (parent entity, separate accounts, entities of the decentralized Federal Administration with their own accounts). Pursuant to Article 55 para. 2 letter b of the Federal Budget Act (FBA), the Federal Council may bring other entities into consolidation by enacting an implementing ordinance, provided such entities discharge public sector functions and are closely linked to the federal budget. The consolidation scope is presented in the notes to the annual financial statements (see section 41/3). The differences relative to the federal financial statements and financial statistics are explained in section 5.

Overview of publications on budget figures at federal level
(without social insurance, cantons and communes)

Financial statistics
Financial statements of the state and other public sectors, consolidated

State fin. statements/budget
unconsolidated

Federal financial statements/Federal budget
Central Federal Administration
(corresponds to the scope of the debt brake)

Separate accounts
Accounts to be approved by parliament

– Fund for major railway projects
– Infrastructure fund
– Swiss Federal Institutes of Technology Domain
– Swiss Alcohol Board

– Swiss Federal Institute for Vocational Education and Training
– Swiss National Museum
– Pro Helvetia

– Swiss National Science Foundation
– Switzerland Tourism

Consolidated financial statements
Financial statements of the state as well as decentralized units of the Federal Administration with their own accounts (not to be approved by parliament)

– Swiss Financial Market Supervisory Authority
– Swiss Federal Nuclear Safety Inspectorate
– Swiss Federal Institute of Intellectual Property
– Federal Audit Oversight Authority
– Swiss Export Risk Insurance
– Swissmedic
– Swiss Association for Hotel Credit
– SIFEM AG

22 Fiscal policy appraisal

The consolidated financial statements, which are dominated by the federal financial statements, posted a surplus of 2.4 billion. Due to the selected consolidation scope, the assessment from a consolidated viewpoint does not differ significantly from the central Federal Administration. Individually, however, there can be some significant differences. For example, the operating result is considerably higher in the consolidated financial statements.

Due to the selected group of consolidated entities, the consolidated financial statements predominantly reflect the figures of the Confederation as parent entity (see table). This result is to be expected, given that the consolidated entities – except for the Swiss Federal Institutes of Technology (ETH) Domain, fund for major railway projects (FinPT fund) and infrastructure fund (IF) – are relatively small organizations which mainly perform *services on a monopoly basis* and *economic and safety oversight functions,* and are thus less impacted by capital and financing. However, it is interesting to note that the ETH Domain and the FinPT and IF funds only give rise to marginal differences compared with the parent entity financial statements. This is due to the fact that the FinPT and IF funds are funded exclusively through the parent entity while the ETH Domain receives extensive funding from the parent entity, and the majority of large items are netted against each other. Both investments and borrowing are essentially undertaken by the Federal Treasury. This offsets cash movements within the entities to some extent, thus keeping Treasury reserves low and reducing the associated costs. It also eliminates any competition between entities on the money and capital markets.

Scale of consolidated entities - overview

2012 Entities	Surplus or deficit CHF mn	Liabilities CHF mn	Net assets/ equity CHF mn	Employees FTE
Central Federal Administration (Confederation as parent)	**2 443**	**133 967**	**-24 999**	**33 309**
Decentralized Federal Administration	**-62**	**10 329**	**-1 646**	**17 377**
Swiss Federal Institutes of Technology Domain	179	1 308	1 380	15 642
Fund for major railway projects	-263	8 022	-7 965	1
Infrastructure fund	-287	14	1 741	–
Other entities	309	985	3 198	1 734
Subtotal	2 381	144 296	-26 645	50 686
Consolidation entries	34	-14 086	-1 208	–
Federal consolidated financial statements	**2 415**	**130 210**	**-27 853**	**50 686**

Commentary on important items

In the consolidated *statement of financial performance,* the surplus of 2.4 billion was the same as for the parent entity. Closer inspection – taking into account the parent entity's extraordinary transactions (federal financial statements) – shows considerable differences, however. For example, there is a considerably higher operating result (+1.3 bn) in the consolidated financial statements, but also a significantly lower financial result (-1.3 bn).

The consolidated *balance sheet total* of 102.4 billion is 6.6 billion lower than that of the parent entity. The lower total is due to the elimination of reciprocal receivables and liabilities between the parent entity and the other entities (intercompany relationships). Total consolidated liabilities are 3.8 billion lower than for the parent entity, as intercompany relationships are more significant than indebtedness to outside parties. Conversely, the negative consolidated net assets/equity is 2.9 billion lower, primarily because the positive net assets/equity of the infrastructure fund (1.7 bn), Swiss Export Risk Insurance (SERV; 2.4 bn) and the ETH Domain (1.4 bn) only partly offsets the negative net assets/equity of the FinPT fund (-8.0 bn). Overall, the relationship between assets and liabilities is thus somewhat less favorable from a consolidated viewpoint than with the parent entity.

A contrasting trend is visible also regarding debt (see section 54). Coming in at 109.9 billion, consolidated *gross debt* is 2.5 billion lower than in the case of the parent entity, due to the offsetting of the parent entity's liabilities against the corresponding receivables of the decentralized units (e.g. SERV 0.7 bn). On the other hand, the *net debt* of 84.7 billion is 3.5 billion higher than in the case of the parent entity, as the freely available assets from a consolidated viewpoint are 6.0 billion lower. Among other things, the parent entity's treasury loan to the FinPT fund (8.0 bn) is eliminated, while SERV receivables (0.7 bn) are added.

The consolidated *cash flow statement* shows last year's origin and utilization of cash and cash equivalents. The cash inflow from *operating activities* (+4.8 bn) was completely sufficient for financing *investing activities* (-2.6 bn). The main driver of this cash outflow was investment in tangible assets (3.0 bn net; particularly motorways). In addition to the cash flow not required for investments, financial liabilities were assumed (subscription of money market debt register claims) in order to provide sufficient liquidity to redeem a bond maturing at the start of 2013. For this reason, gross debt (+1.7 bn) and net debt (-1.3 bn) trended differently in a year-on-year comparison.

It does not make much sense to compare the consolidated cash flow statement with the parent entity's financing and flow of funds statement (FFFS), as they pursue different purposes. They are thus based on differently defined funds (balance sheet amounts). While the consolidated cash flow statement shows the change in liquidity ("Cash and cash equivalents" fund), the parent entity's fund is based on the broader definition of receipts and expenditure used in the FBA. The changes in receivables (amounts due from creditors) and current liabilities (amounts due to creditors) are therefore also taken into consideration. Statements set out in this manner are also of interest from an *economic policy viewpoint,* for example. In the case of the parent entity, the change in the ordinary fiscal balance serves as an indicator of the budget's impact on the economy. An analogous interpretation is not possible with the consolidated cash flow statement, as it does not take into consideration the changes in receivables and liabilities that have an economic impact.

With regard to possible *future financing risks for the federal budget,* provisions and contingent liabilities are of interest. It is apparent that the consolidated *provisions* are only marginally higher than in the case of the parent entity (13.2 bn). Differences are due to the SERV provision for incurred but still unpaid claims (0.1 bn) and the previous provision for unearned insurance premiums (0.1 bn). In addition, there are two provisions for the disposal of radioactive waste (0.1 bn) at the Paul Scherrer Institute (PSI). Finally, provisions for vacation and overtime declined considerably more for the parent entity (12%) than for the consolidated entities (3%), resulting in an increase in the difference (0.1 bn).

In the case of off-balance-sheet *contingent liabilities,* employee retirement benefits make a difference. Amounting to 8.0 billion, they are considerably higher in the consolidated financial statements than in the case of the parent entity (+1.5 bn). The reason for this is the significantly higher headcount of the former (+17,377 FTEs), which is primarily attributable to the ETH Domain. Despite substantial headcount growth in both the central and decentralized Federal Administration, the valuation of employee retirement benefits declined in the case of the Confederation parent entity as well as the ETH Domain due to the adjustment of various parameters (e.g. nominally weaker wage development of 1.3% instead of 1.5%, and slightly smaller expected pension adjustments).

Finally, the SERV *insurance liabilities* of 8.4 billion assumed at the end of 2012 are worthy of mention here. This sum is counterbalanced by SERV net assets/equity of 2.4 billion.

31 Statement of financial performance

The statement of financial performance recorded a surplus of 2.4 billion, comprising 2.8 billion for the operating result, -2.7 billion for the financial result, and 2.2 billion for the equity interest result. The previous year's surplus was thus exceeded by 250 million.

CHF mn	Financial statements 2011	Financial statements 2012	Deviation vs. FS 2011 Absolute	%	Figures in notes
Surplus or deficit	**2 165**	**2 415**	**250**	**11.5**	
Operating result	**3 592**	**2 848**	**-744**	**-20.7**	
Operating revenue	**64 319**	**62 778**	**-1 541**	**-2.4**	
Tax revenue	60 384	58 580	-1 804	-3.0	1
Service revenue	2 133	2 328	195	9.1	2
Other revenue	1 802	1 870	68	3.8	3
Operating expenses	**60 727**	**59 930**	**-797**	**-1.3**	
Personnel expenses	7 065	7 277	212	3.0	4
Other operating expenses	6 015	5 847	-168	-2.8	5
Depreciation	2 371	2 390	19	0.8	14
Transfer expenses	45 276	44 416	-860	-1.9	6
Financial result	**-2 243**	**-2 661**	**-418**	**18.6**	
Financial revenue	957	440	-517	-54.0	7
Financial expense	3 200	3 101	-99	-3.1	8
Equity interest result	**816**	**2 228**	**1 412**	**173.0**	
Equity interest revenue	1 256	2 228	972	77.4	16
Equity interest expenses	440	0	-440	-100.0	16
Surplus or deficit	**2 165**	**2 415**	**250**	**11.5**	
Confederation's share	2 165	2 415			
Minority interests	0	0			

The *operating result* was 0.7 billion below the previous year's figure. This change can be explained primarily by two factors:

- Tax revenue declined by 1.8 billion. This was caused by contrasting developments: revenue from direct federal tax (+0.5 bn), value added tax (+0.4 bn) and tobacco duty (+0.2 bn) rose, while revenue from withholding tax (-2.1 bn) and stamp duty (-0.7 bn) fell.
- At 44.4 billion, transfer expenses were lower than the previous year, albeit to a lesser extent with -0.9 billion. The decline was caused primarily by a one-time special factor in 2011 concerning contributions to own institutions (-1.1 bn). Other changes occurred in the case of contributions to social insurance (-0.4 bn) and other transfer expenses (+0.6 bn).

The negative *financial result* (-2.7 bn) was 0.4 billion worse than the previous year. This was driven essentially by two one-time factors in terms of financial revenue in 2011, which did not exist in the year under review (SIFEM AG valuation adjustment: -225 mn; divestment of SAPOMP Wohnbau: AG -205 mn).

The *equity interest result* (2.2 bn) comprises unrealized gains on significant interests. Impressive revenue figures were recorded on these positions thanks to the positive results reported by the federal government companies Swiss Post (1.0 bn), Swisscom (0.9 bn), Swiss Federal Railways (0.3 bn) and RUAG, Skyguide and BLS Netz AG (0.1 bn).

32 Statement of financial position

The negative net assets/equity declined by 2.4 billion due to the surplus shown in the statement of financial performance. The sharp rise in cash and short-term liabilities reflects the build-up of liquidity to redeem a bond issue of 6.9 billion maturing in February.

CHF mn	Financial statements 2011	Financial statements 2012	Deviation vs. 2011 Absolute	%	Figures in notes
Assets	**97 684**	**102 357**	**4 673**	**4.8**	
Current assets	**16 589**	**20 175**	**3 586**	**21.6**	
Cash and cash equivalents	6 123	9 891	3 768	61.5	9
Receivables	6 704	7 086	382	5.7	10
Short-term financial investments	2 103	1 665	-438	-20.8	11
Inventories	311	313	2	0.6	12
Prepaid expenses and accrued income	1 348	1 220	-128	-9.5	13
Non-current assets	**81 095**	**82 182**	**1 087**	**1.3**	
Tangible fixed assets	51 432	51 982	550	1.1	14
Intangible fixed assets	221	236	15	6.8	14
Loans	10 472	9 621	-851	-8.1	15
Financial interests	18 674	19 970	1 296	6.9	16
Long-term financial investments	296	373	77	26.0	11
Liabilities and equity	**97 684**	**102 357**	**4 673**	**4.8**	
Short-term liabilities	**33 684**	**36 242**	**2 558**	**7.6**	
Current liabilities	13 648	13 943	295	2.2	17
Short-term financial liabilities	14 356	16 465	2 109	14.7	18
Accrued expenses and deferred income	5 311	5 461	150	2.8	19
Short-term provisions	369	373	4	1.1	20
Long-term liabilities	**94 296**	**93 968**	**-328**	**-0.3**	
Long-term financial liabilities	80 166	79 489	-677	-0.8	18
Long-term provisions	12 834	13 203	369	2.9	20
Other liabilities	1 296	1 276	-20	-1.5	21
Net assets/equity	**-30 296**	**-27 853**	**2 443**	**8.1**	
Minority interests	59	59	0	–	
Net assets/equity of the Confederation	-30 355	-27 912	2 443	8.0	
Funds in net assets/equity	7 267	7 625	358	4.9	
Other net assets/equity	1 574	1 737	163	10.4	
Accumulated surplus (+) / deficit (-)	-39 196	-37 274	1 922	4.9	

Current assets increased by 3.6 billion to 20.2 billion. This increase was primarily the result of the higher cash holding (+3.8 bn) that was built for a bond redemption maturing in February 2013. Short-term financial investments were reduced by 0.4 billion due to a lack of investment opportunities. *Non-current assets* rose by 1.1 billion. A major factor behind this was the increase in the equity value (equity share) of the financial interests in Swiss Post, SBB, Swisscom and RUAG (1.3 bn). Valuation gains are a result of positive business results. Tangible fixed assets rose by 550 million. The biggest increase was in the area of motorways (+415 mn). Conversely, the net repayment of the unemployment insurance loan (-1.0 bn) reduced the amount of the loan.

On the liabilities side, *short-term liabilities* rose by 2.6 billion. The principal change concerned the increase in money market debt register claims under short-term financial liabilities (+2.4 bn). Moreover, there is an advance payment for withholding tax in the amount of 0.5 billion under current liabilities. The decrease of 0.3 billion in *long-term liabilities* is explained by the lower level of Confederation bonds (-0.8 bn). Moreover, the provision for probable withholding tax refund claims had to be increased by 0.5 billion.

The negative *net assets/equity*, or accumulated deficit, declined by 2.4 billion primarily due to the positive annual result.

33 Cash flow statement

The cash inflow from operating activities (4.8 bn) was sufficient to cover the funds required for investing activities (-2.6 bn). The surplus funds will be used to reduce debt, although with a time delay. In the short term, financing activities actually resulted in additional debt of 1.5 billion. The capital inflow will be required for a 6.9 billion bond maturing at the start of 2013.

CHF mn	Financial statements 2011	Financial statements 2012	Deviation vs. FS 2011 Absolute	%	Figures in notes
Total cash flow	**-128**	**3 768**	**3 896**	**n.d.**	
Cash flows from operating activities	**3 491**	**4 809**	**1 318**	**37.8**	
Surplus or deficit	2 165	2 415	250	11.5	
Depreciation	2 371	2 390	19	0.8	14
Change in provisions	-1 011	373	1 384	-136.9	20
Income from disposals	–	118	118	n.d.	
Other non-cash transactions	-32	-690	-658	2 056.3	
Increase/decrease in receivables	628	-382	-1 010	-160.8	10
Increase/decrease in inventories	-3	-2	1	-33.3	12
Increase/decrease in prepaid expenses and accrued income	404	128	-276	-68.3	13
Increase/decrease in current liabilities	116	309	193	166.4	17
Increase/decrease in accrued expenses and deferred income	-1 147	150	1 297	-113.1	19
Cash flows from investing activities	**-3 624**	**-2 573**	**1 051**	**-29.0**	
Investments in tangible fixed assets	-3 013	-3 010	3	-0.1	14
Divestments of tangible fixed assets	48	50	2	4.2	14
Investments in intangible fixed assets	-117	-110	7	-6.0	14
Divestments of intangible fixed assets	2	–	-2	-100.0	14
Increase in long-term loans	-1 352	-1 057	295	-21.8	15
Decrease in long-term loans	2 013	1 542	-471	-23.4	15
Increase in financial interests	-10	-70	-60	600.0	16
Decrease in financial interests	196	22	-174	-88.8	16
Increase in financial investments	-4 069	-5 669	-1 600	39.3	11
Decrease in financial investments	2 678	5 729	3 051	113.9	11
Cash flows from financing activities	**5**	**1 532**	**1 527**	**n.d.**	
Increase in short-term financial liabilities	33 461	44 769	11 308	33.8	18
Decrease in short-term financial liabilities	-31 988	-42 491	-10 503	32.8	18
Increase in long-term financial liabilities	6 152	7 962	1 810	29.4	18
Decrease in long-term financial liabilities	-7 637	-8 639	-1 002	13.1	18
Change in special funds	8	-42	-50	-625.0	
Dividends	-28	-27	1	-3.6	
Change in minority interests	37	–	-37	-100.0	

"Cash fund" statement

CHF mn	Financial statements 2011	Financial statements 2012	Deviation vs. FS 2011 Absolute	%	Figures in notes
Cash and cash equivalents balance at 01.01.	**6 251**	**6 123**	**-128**	**-2.0**	**9**
Increase/decrease	-128	3 768	3 896	-3 043.8	9
Cash and cash equivalents balance at 31.12.	**6 123**	**9 891**	**3 768**	**61.5**	**9**

Additional information

CHF mn	Financial statements 2011	Financial statements 2012	Deviation vs. FS 2011 Absolute	%	Figures in notes
Interest paid	-2 566	-2 341	225	-8.8	
Interest received	202	206	4	2.0	

n.d.: not displayed

At 4.8 billion, the *cash flows from operating activities* were significantly higher than the prior-year level of 3.5 billion. Major contributors to cash flows from operating activities were the surplus for the year (2.4 bn) and depreciation adjustments to be offset under the indirect method (2.4 bn). The other movements were roughly balanced. *Other non-cash transactions* for the most part comprise non-cash equity interest revenue (-1,361 mn) and value adjustments on loans and financial interests (720 mn).

There was a cash outflow from *investing activities* of 2.6 billion, compared with 3.6 billion in 2011. This relatively low figure for net investment was attributable to the partial amortization of the unemployment insurance loan amounting to 1 billion net (inflow 0.2 bn; outflow 1.2 bn). While the level of financial investments was increased by 1.4 billion in 2011, the increase and decrease items broadly offset one another during the year under review. This explains the lower cash outflow relative to the previous year.

The *cash flows from financing activities* amounted to 1.5 billion (previous year: 0.0 bn). Additional money market debt register claims were subscribed to for the redemption of a 6.9 billion bond maturing at the start of 2013.

As a result, *cash and cash equivalents* increased by 3.8 billion to 9.9 billion.

Presentation of the cash flow statement

The cash flow statement shows the change in the "cash" fund (i.e. the change in "cash and cash equivalents" in the statement of financial position). It is prepared using the indirect method, i.e. the cash flows from operating activities are derived from the surplus or deficit for the year.

34 Statement of net assets/equity

The negative net assets/equity fell from 30.3 billion to 27.9 billion during the year under review. This was largely driven by the positive statement of financial performance result of 2.4 billion. A further 545 million was credited to the special financing for FTA/WTO accompanying measures for the agri-food sector (transfer within net assets/equity).

CHF mn	Total net assets/ equity	Share of minority assets/equity	Net assets/ equity of the Confederation	Funds in net assets/ equity	Other net assets/ equity	Accumulated surplus/ deficit
At 1 January 2011	**-32 627**	**22**	**-32 649**	**7 079**	**1 652**	**-41 380**
Entry transfers in net assets/equity	–	–	–	184	-78	-106
Change in special funds	8	–	8	4	–	4
Total positions entered in net assets/equity	**8**	**–**	**8**	**188**	**-78**	**-102**
Surplus or deficit	2 165	–	2 165	–	–	2 165
Total profit and loss entered	**2 173**	**–**	**2 173**	**188**	**-78**	**2 063**
Dividends	-28	–	-28	–	–	-28
Changes in the consolidation scope	183	38	145	–	–	145
Other transactions	3	-1	4	–	–	4
At 31 December 2011	**-30 296**	**59**	**-30 355**	**7 267**	**1 574**	**-39 196**
Entry transfers in net assets/equity	–	–	–	346	146	-492
Change in special funds	-42	–	-42	12	–	-54
Total positions entered in net assets/equity	**-42**	**–**	**-42**	**358**	**146**	**-546**
Surplus or deficit	2 415	–	2 415	–	–	2 415
Total profit and loss entered	**2 373**	**–**	**2 373**	**358**	**146**	**1 869**
Dividends	-27	–	-27	–	–	-27
Other transactions	97	–	97	–	17	80
At 31 December 2012	**-27 853**	**59**	**-27 912**	**7 625**	**1 737**	**-37 274**

Funds in net assets/equity

Funds in net assets/equity consist of special financing (6,164 mn) and special funds (1,461 mn).

Special financing funds increased by 327 million during the year under review. They are recorded under *entry transfers in net assets/equity:*

- On a consolidated basis, surplus expenditure of 239 million was reported in respect of special financing for road transportation (Art. 5 of the Federal Act of March 22, 1985 on the Application of the Earmarked Mineral Oil Tax; MinOA, SR *725.116.2*), unlike in the case of the parent entity, where a receipt surplus of 49 million was posted. The expenditure of the consolidated financial statements worked out 288 million higher as a result of the consolidation of the infrastructure fund, as its expenditure (1,216 mn) exceeded deposits (928 mn). The balance of this special financing stood at 2,078 million as of December 31, 2012.
- A total of 545 million from restricted customs revenue was credited to the special financing for FTA/WTO accompanying measures for the agri-food sector (Art. 19a of the Federal Act of April 29, 1998 on Agriculture, SR *910.1*). No expenditure was incurred. This revenue has only been ring-fenced for a limited period until 2016. The balance of this special financing stood at 2,256 million as of the reporting date.
- The two other special financing funds – air transportation and federal war transportation insurance – recorded only minimal changes (+21 mn). The balance of these special financing funds amounted to 86 million.

Special fund assets increased by 31 million in the year under review. As of December 31, 2012, some of the special funds in net assets/equity (723 mn) were available as cash and other liquid assets. The remaining funds consist of repayable loans for the regional development fund (717 mn) and other assets of the funds (21 mn). The most significant components and changes relate to the following special fund items:

- The nominal value of the recognized *regional development fund* loans used to finance investment assistance loans in accordance with the Federal Act on Regional Policy (SR *901.0*) amounted to 859 million as of the end of 2012 (2011: 944 mn). The year-on-year decline is explained by lower demand on the part of the cantons, which granted fewer loans to end beneficiaries. These repayable loans are for the most part interest-free, with terms of up to 25 years. They are therefore discounted at 3% in accordance with the relevant measurement requirements. The present value amounts to 726 million. In addition, individual value adjustments amounting to 9 million have been made for loans at risk. The carrying amount is therefore 717 million. This change in the value adjustment of loans is recorded against net assets/equity (special funds). In addition to repayable loans, the reported fund assets also include cash and cash equivalents of 350 million. The 41 million decline in fund assets is attributable to the following mix of factors: non-repayable contributions amounting to 43 million, a 25 million adjustment to the carrying amount of the loan portfolio, and write-downs on uncollectible receivables (1 mn). By contrast, funds allocated from the federal budget (10 mn) and the reduction in value adjustments (18 mn) had the effect of increasing fund assets.

- During the year under review, the ETH Domain received 76 million in new funds as a result of gifts and bequests, with the largest single item being the Branco Weiss bequest for the Society in Science. After deducting 22 million in appropriated funds, the ETH Domain special fund increased by 54 million, with total assets amounting to 183 million.

- Within the scope of a review, asset adjustments were undertaken for the "Gottfried Keller Foundation" and "Berset Müller Foundation" special funds. Although two properties had been recognized in the statement of financial position, they were erroneously not displayed as assets of the special funds. The corresponding asset disbursements appear as *entry transfers within net assets/equity* (19 mn).

Special financing and special funds

Funds from unappropriated restricted receipts are recognized in net assets/equity where there is definite flexibility as to the use of the funds or the time at which they may be used. Funds in net assets/equity include both special financing and special funds. Special fund receipts and expenditure are recognized directly in the statement of financial position in the case of the parent entity. In contrast, special financing receipts and expenditure are recognized in the statement of financial performance, while any surplus receipts or expenditure are credited to or debited from the fund. The same applies to special funds for the ETH Domain.

Other net assets/equity

Other net assets/equity increased by 163 million during the year under review. This change can be attributed to a number of opposing factors:

- Increases in the core capital (66 mn) and risk-bearing capital (56 mn) of Swiss Export Risk Insurance (SERV) were recognized directly in the accumulated deficit. These items now amount to 1,097 million and 308 million respectively.

- MPM administrative units have the option to create reserves and subsequently use these reserves to fund activities which are consistent with the objectives of their performance mandate. MPM reserves are recognized and appropriated in the accumulated deficit in a similar manner to an appropriation of net income within an enterprise. The reserves from global budget increased by 48 million to 225 million (balance of deposits less withdrawals).

- As part of the disbursement of assets, 25 million was allocated to the Confederation (parent entity) from the operating fund of the Swiss Alcohol Board (SAB). This transaction is not recognized in the consolidated statement of financial performance, but is reported as a transfer within net assets/equity (shift of funds from the operating fund to the accumulated deficit). The balance of the SAB operating fund now amounts to 62 million.

- As a result of the accounting changeover to IPSAS at Pro Helvetia, a restatement of assets and liabilities was required. This resulted in an increase of 17 million in net assets/equity (reported under *other transactions*).

Accumulated deficit

Two further transactions are reported under *other transactions*. On the one hand, SIFEM AG changed its accounting standards to IFRS as of January 1, 2012. This saw the investment portfolio (financial investments, interest, loans) rise in value by 60 million. On the other hand, restricted funds assigned to ETH Zurich were transferred from liabilities to net assets/equity following an internal review (20 mn).

The accumulated deficit ultimately decreased by 1,922 million. The surplus revenue of 2,415 million and the above-mentioned effects in other transactions (80 mn) brought about a decrease in the accumulated deficit. Conversely, the above-mentioned reclassifications in net assets/equity (492 mn), the increase in the special funds in the ETH Domain (54 mn), and the cantonal share of 27 million in the SAB's distribution of profits inflated the accumulated deficit.

Minority interests

Minority interests did not change during the year under review. They are comprised of the 34.5% stake in Swissmedic (21 mn) and the 77.5% stake in the Swiss Association for Hotel Credit (38 mn).

Function of the statement of net assets/equity

The statement of net assets/equity provides information on the effects of financial transactions recorded in the reporting period for assets and equity. Specifically, it indicates the expense and revenue items that are recognized directly in net assets/equity rather than in the statement of financial performance, and the impact of changes in reserves and restricted funds in net assets/equity.

41 General principles

1 Basis

Legislative framework
In addition to the relevant legal rules applying to the consolidated entities, the federal consolidated financial statements are based on the following specific statutory and legal provisions:

- Federal Act of October 7, 2005 on the Federal Financial Budget (specifically Art. 55 FBA; SR *611.0*)

- Ordinance of April 5, 2006 on the Federal Financial Budget (specifically Art. 64a – 64d FBO; SR *611.01*)

- Ordinance of November 25, 1998 on the Organization of the Government and the Federal Administration (specifically the Appendix to the GAOO; SR *172.010.1*)

- Organization Ordinance for the Federal Department of Economic Affairs (specifically Art. 15a – 15b OrgO-FDEA)

Accounting standards
The financial statements are prepared in accordance with the International Public Sector Accounting Standards (IPSAS). The fact that the IPSAS are compatible with the private sector's International Financial Reporting Standards (IFRS) makes the presentation of the consolidated financial statements accessible even to non-specialists. Inevitable differences relative to IPSAS are disclosed and explained in the notes.

General
The consolidated financial statements are based on the separate accounts of the entities comprising the group of consolidated entities for the year ended December 31, which are prepared in accordance with standardized rules. The sole exception is the Federal Institute of Intellectual Property, which presents its accounts for the year ended June 30. For the consolidated financial statements, it issues interim statements as of December 31.

Estimates
The consolidated financial statements contain assumptions and estimates which affect the reported assets, financial position and financial performance. These were based on the best information available at the time they were made. Because of uncertainties related to the assumptions and estimates, the assets or liabilities concerned may need to be adjusted in future periods. Estimates in relation to provisions have the most significant effect on the consolidated financial statements (see section 41/2).

Basis of consolidation
The consolidated financial statements include all entities within the group (excluding significant interests) on a *full consolidation basis.* Assets and liabilities as well as expenses and revenue are therefore recognized in full. Minority interests in net assets and in income are shown separately in the statement of financial position and statement of financial performance. All intragroup liabilities, balances, expenses and revenue are eliminated on consolidation. Unrealized interim gains on inventories or fixed assets are eliminated from the statement of financial performance by the process of consolidation.

Significant interests are accounted for in the consolidated annual financial statements using the *equity method.*

The consolidated annual financial statements are prepared in Swiss francs (CHF).

2 Accounting principles

Accounting standards

Two accounting bases are used in the preparation of the financial statements:

- *Accrual basis:* a basis of accounting which allocates revenue and expenses to the period in which they actually occur. The time at which the relevant goods or services were received or supplied is determinative. Under the accrual method, items are therefore brought to account as they are earned or occur and recognized in the financial statements for the accounting periods to which they relate.

- *Going concern basis:* the financial statements are prepared on the assumption that the federal government and the group of consolidated entities are a going concern and will continue in operation. The financial statements are therefore prepared on a going concern basis and not on the basis of realizable value.

The following accounting principles also apply:

a. *Materiality:* all information that is material to an overall assessment of the assets, financial position and financial performance must be disclosed.

b. *Understandability:* the information presented must be clear and understandable.

c. *Consistency of presentation:* the presentation of accounts and accounting methods should, insofar as possible, be retained over time from one period to the next.

d. *Offsetting:* according to the offsetting principle, assets and liabilities, and revenue and expenses, should not be offset.

Pursuant to Article 64c para. 1 of the Financial Budget Ordinance (FBO), the accounting standards are based on the International Public Sector Accounting Standards (IPSAS). Treatment may differ from IPSAS requirements where there are legitimate grounds for so doing. Such differences are disclosed in Appendix 3 to the FBO.

All differences relative to IPSAS are reported and explained below.

Differences relative to IPSAS

There have been no changes relative to the 2011 financial statements.

Difference: advance payments for goods, defense equipment and services are recognized as expenses rather than transactions on the face of the statement of financial position.

- Reason: statutory requirements in relation to lending and borrowing require advance payments to be recognized in the parent entity's statement of financial performance.

- Result: transactions are not reported on an accrual basis. Expenses are recognized in the statement of financial performance at the time the advance payment is made rather than when the service is supplied.

Difference: revenue from direct federal tax is recognized at the time of payment by the cantons of the Confederation's share of the revenue (cash accounting).

- Reason: the information required for reporting transactions under the accrual accounting method is not available at the time the annual financial statements are prepared.

- Result: accrual basis not used.

Difference: revenue from military service exemption tax is recognized at the time of payment by the cantons (cash accounting).

- Reason: the information required for reporting transactions under the accrual accounting method is not available at the time the annual financial statements are prepared.

- Result: accrual basis not used.

Difference: extraordinary revenue pursuant to the debt brake (e.g. license revenue for several years) is recognized at the time of fund inflow in the case of the parent entity, and is not accrued over the term (cash accounting).

- Reason: in accordance with the debt brake, extraordinary receipts are characterized primarily by their one-timeness. In order not to undermine this one-time nature, extraordinary revenue is also recognized in the statement of financial performance at the time of fund inflow, like in the case of the financing statement.

- Result: accrual basis not used.

Difference: notwithstanding IPSAS 25, employee retirement benefits and other long-term employee benefits which are subject to accounting requirements are disclosed as contingent liabilities in the notes to the annual financial statements.

- Reason: no employee retirement benefits are recorded due to unresolved issues relating to the funding of various pension funds of the federal entities.

- Result: changes in employee retirement benefits and other long-term employee benefits are not recognized in the statement of financial performance. The relevant liability is not shown in the statement of financial position.

Difference: revenue due to Switzerland generated by the EU retention tax is recorded on a cash accounting basis.

- Reason: the information required for reporting transactions under the accrual accounting method is not available at the time the annual financial statements are prepared.

- Result: accrual basis not used.

Difference: premiums and discounts on Confederation bonds are netted and recorded as expenses or reductions in expenses.

- Reason: due to the difficulty of budgeting for these items, they are recognized net in the statement of financial performance.

- Result: changes in premiums and discounts are not shown gross in the statement of financial performance. However, premiums and discounts are presented gross in the statement of financial position.

Difference: defense equipment that satisfies the accounting criteria defined is not capitalized.

- Reason: unlike military buildings, military equipment is not capitalized. The solution is in line with the IMF Government Finance Statistics Manual (GFSM 2001).

- Result: defense equipment expenses are recorded at cost and not over the period of the useful life.

Difference: carrying amounts are not recorded by task area in the segment reporting.

- Reason: the segment reporting comprises both the statement of financial position and the statement of financial performance. It is impracticable to record carrying amounts by segment task area in the transfer budget.

- Result: assets and liabilities are not stated proportionately by task area.

Difference: the group of consolidated entities is not defined on the basis of control criteria.

- Reason: the entities consolidated on a full consolidation basis are defined in accordance with Article 55 of the FBA. Significant interests, where the Confederation holds a majority stake, are consolidated according to the equity method.

- Result: some controlled entities are not fully consolidated.

Difference: the equity values of significant interests are based on the separate financial statements prepared in accordance with their applicable accounting standards and not on the accounting standards used for the federal consolidated financial statements.

- Reason: significant interests are valued in the same way in both the federal financial statements and federal consolidated financial statements.

- Result: the reported value of significant interests does not correspond to the value that would have been recognized had it been calculated in accordance with the accounting standards applying to the federal consolidated financial statements.

Additional comments

Certain transactions may not be fully recorded on an accrual basis because of the information available and the lack of a reliable baseline for such accrual treatment. Accordingly, there are no accruals in the statement of financial position with respect to the following:

- *VAT and beer tax revenue:* revenue realized in the months October through December is accounted for and collected in the following year. Although a 12-month period is recorded in the statement of financial performance, this period does not coincide with the calendar year.

- *Heavy vehicle charge:* revenue from the mileage-related heavy vehicle charge on domestic vehicles is accounted for and collected with a two-month delay. Although a 12-month period is recorded in the statement of financial performance, this period does not coincide with the calendar year.

- *Development cooperation:* transfers to transfer bank accounts in local currencies are recognized as an expense. The actual utilization of the funds locally can take place at a later stage.

Supplementary standards

The following supplementary standards are applied (Appendix 3 FBO, SR *611.01*) in the cases below due to the absence of a specific IPSAS or an IPSAS that has yet to be implemented:

Subject matter: valuation of financial instruments in general.

Standard: Guidelines of the Swiss Federal Banking Commission (now FINMA) governing the accounting standards prescribed in Articles 23 to 27 of the Banking Ordinance of December 14, 1994 ("SFBC Guidelines"), as amended March 25, 2004.

Standard: International Accounting Standards (IAS) 39, Financial Instruments: Recognition and Measurement.

Subject matter: strategic positions involving derivative financial instruments.

Standard: section 23 b of the SFBC Guidelines, as amended December 31, 1996.

Standard: International Accounting Standards (IAS) 39, Financial Instruments: Recognition and Measurement.

Published standards not yet applied

International Public Sector Accounting Standards not coming into effect until a later point in time were published before the reporting date:

- IPSAS 28 new – *Financial Instruments: Presentation;* IPSAS 29 new – *Financial Instruments: Recognition and Measurement;* IPSAS 30 new – *Financial Instruments: Disclosures*. IPSAS 15 will be replaced upon entry into force on January 1, 2013. At the present time, it is not possible to assess the implications for the consolidated financial statements with sufficient certainty. In the case of the Confederation, introduction is scheduled for January 1, 2016.

- IPSAS 32 new – *Service Concession Arrangements: Grantor*. IPSAS 32 was adapted from Interpretation 12 (IFRIC 12) and will enter into force on January 1, 2014. At the present time, there are no business transactions covered by the new regulations at the Confederation.

Accounting and valuation principles

The accounting and valuation principles are based on the applicable accounting principles.

Foreign currencies

The consolidated annual financial statements are presented in Swiss francs (CHF).

Monetary assets and liabilities denominated in foreign currencies are translated using the closing rate of exchange on the reporting date and any exchange differences recognized in surplus or deficit.

Recognition of revenue

Revenue is recognized at the time the goods or services are supplied.

Where the services extend beyond the fiscal year-end, revenue is classified as a prepayment. Where a specific time or date is material (e.g. a specific decision or authorization), revenue is recorded when the service is supplied or the decision takes effect.

Recognition of tax revenue

Direct federal tax is recorded gross on a cash accounting basis based on the amounts of tax received during the fiscal year. The cantons' shares are recognized separately as an expense. Revenue pending in the years following any potential abolition of direct federal tax is shown as a contingent asset.

Value added tax revenue is calculated on the basis of receivables recorded on statements (including supplementary statements, credit advices, etc.) during the fiscal year.

Stamp duty is recorded on the basis of tax returns received during the fiscal year.

Withholding tax is calculated on the basis of tax returns received, statements issued and applications for refunds. Applications for refunds received by January 10 of the following year, or which are expected by this date based on individual claim assessments exceeding 100 million, are accounted for on an accrual basis and deducted from revenue. Conversely, tax returns in excess of 100 million which are received or expected by January 10 of the following year are recognized. Provisions are made for outstanding refund applications.

Revenue from mineral oil tax, tobacco duty, automobile duty, import duties, mileage-related heavy vehicle charges (foreign vehicles) and lump-sum heavy vehicle charges are recognized on an accrual basis in respect of taxable economic activities.

Beer tax revenue is recorded on the basis of tax returns received, with a delay of one quarter.

Motorway tax and the mileage-related heavy vehicle charge (domestic vehicles) are recorded upon receipt of the relevant statements. As a result, the revenue from the mileage-related heavy vehicle charge on domestic vehicles is recognized with a delay of up to two months.

Revenue from incentive fees (VOC, "extra-light" heating oil, petrol and diesel oil with a sulphur content, contaminated site tax, CO_2 tax on fuel) and casino tax are allocated to funds in liabilities and are thus not recognized in the statement of financial performance.

Recognition of revenue from mobile radio licenses

Revenue from the auctioning of mobile radio licenses is considered extraordinary revenue in accordance with the debt brake. Extraordinary revenue is recognized upon receipt of payment. Fund inflows concerning several periods are not accrued.

Subsidy accruals and deferrals

Accruals and deferrals are made if a still unpaid subsidy is in a legal form prescribed in Article 16 of the Federal Act of October 5, 1990 on Financial Aids and Grants (Subsidies Act [SubA], SR *616.1*) has been granted and the beneficiary has performed all (or part) of the obligation or service eligible for the subsidy.

Cash and cash equivalents

These consist of cash and cash equivalents with maturities of three months or less (including fixed-term deposits and financial investments). They are valued at nominal value.

Receivables

Receivables are carried at the original invoice amount, less allowances for doubtful receivables, as well as chargebacks and cash discounts. Allowances are based on the difference between the receivable value and the estimated net recoverable amount.

Non-current, non-interest-bearing receivables exceeding 100 million in value per transaction are discounted and carried at their present value. An actuarial model is used to measure receivables from the Swiss Export Risk Insurance (SERV) insurance business.

Financial investments

Where there is the positive intent and ability to hold them to maturity, financial investments with fixed maturity are classified as "held to maturity" and recognized at amortized cost using the accrual method. This distributes the difference between historical cost and the repayment amount (premium/discount) over the term of the investment in question using the discounted cash flow method.

Financial investments acquired with the aim of achieving short-term gains by making targeted use of market price fluctuations are recognized as financial investments at fair value, i.e. they are classified as "held for trading". Fair value changes in this category are recognized in the statement of financial performance.

The other financial investments, which are held for an indefinite period and can be sold at any time, are classified as "available for sale". These investments are stated at the lower of cost or market, i.e. they are recognized at historical cost or market value, whichever is less. Changes in fair value below cost are recognized in the statement of financial performance. Changes in fair value above cost are not recognized.

Derivative financial instruments

Derivative financial instruments may be used for three different purposes: trading, hedging and holding strategic positions.

Trading positions are measured and recognized at fair value. Changes in fair value are recognized in the statement of financial performance. In the absence of any market prices, fair values are determined on the basis of valuation techniques.

Hedge accounting is applied to foreign currency hedges (forward and futures contracts and options). These derivative financial instruments are presented at fair value in the statement of financial position. Hedging transactions that do not meet the conditions to qualify for hedge accounting are treated as instruments held for trading. Any overhedged positions are also recognized as instruments held for trading.

Derivative financial instruments may be recorded as strategic positions and are presented at fair value in the statement of financial position. Interest payments are allocated pro rata temporis to the relevant accounting periods. Any changes in the fair value of strategic derivative financial instruments (currently CHF interest rate swaps) are stated at the lower of cost or market. Changes in fair value due to fluctuations in market prices above cost are reported in the statement of financial position. Changes in fair value below cost are recognized directly in the statement of financial performance in accordance with the principle of prudence. If the derivative financial instrument is closed out or sold early, or upon expiration of the instrument, the sale proceeds and changes in fair value from previous accounting periods (compensation account balance) are recognized in the statement of financial performance.

Inventories

Inventories are measured at the lower of cost (including production overheads) or net realizable value. For major inventory items, they are determined using the moving average method. Standard prices are used where these approximate the actual historical or total production cost. Impairments are recognized for inventories that are not easily marketable.

Work in progress arising in relation to services

Work in progress arising in relation to services and research projects is recognized based on the percentage of completion.

For major work in respect of which a clearly defined realizable result is owed, the total project revenue agreed is allocated to specific calendar years according to the stage of completion determinable for the year. Expenses are recognized in the period in which they are actually incurred, with a percentage gain presented for each period and reflected in the statement of financial performance. Foreseeable losses are recognized in the period in which they are identified.

Project revenue arisen in respect of major work is recognized as a liability where a third-party sponsor has approved the use of external funds for a specific purpose without expecting any equivalent consideration. Expenses accrued in a given year are recognized in the statement of financial performance on an ongoing basis. At year-end, expenses are withdrawn from the project suspense account and are thus neutralized in terms of financial performance. Any gain is recognized in financial performance only on completion of the project. Foreseeable losses are recognized in the period in which they are identified.

Projects involving ongoing costs which are funded by third parties or co-funded by the federal government parent entity are generally recognized in the statement of financial performance. In the case of third-party investments, the funds are recorded as a liability and proportionately amortized to income throughout the useful life of the capital asset funded. Alternatively, provided the criteria set out in Article 63 of the FBO are satisfied and the required authorization is obtained, third-party funds and co-financing may be recorded exclusively in the statement of financial position.

Loans for the discharge of public functions

Loans for the discharge of public functions are measured at the lower of nominal or market value.

In the absence of any market value, impairment losses on loans are estimated annually based on criteria such as credit rating, collateral value and the terms of repayment.

Loans with restrictive terms of repayment are written off in full (100%) at the time they are granted and recognized in financial expense.

Where the term of a loan exceeds five years, the nominal loan value is greater than 100 million, and the interest payable on the loan is not on market terms, the loan is discounted and the relevant amount written off.

Investment contributions

Investment contributions paid to third parties are not recognized or measured but written down as transfer expenses in the year in which they are made.

Financial interests

Significant interests are accounted for using the equity method. An interest is deemed to be significant if the Confederation holds an interest of 20% or more in an investment valued at over 100 million based on the equity method. When there is an indication that the value of an asset may not be fully recoverable, its fair value is estimated based on the future cash flows expected to result from the use of the asset. If the carrying amount of the asset is greater than its market value or value-in-use, an impairment loss for the difference is recognized. The values shown using the equity method are generally based on the applicable financial statements as of September 30. In this respect, the accounting policies applying to significant interests differ somewhat from the accounting policies applying to the federal consolidated financial statements.

Other financial interests are recognized at cost net of any impairments required. Impairments may be calculated on the basis of net asset value or capitalized income value.

Other financial interests valued in accordance with the equity method in the separate financial statements are not revalued. Any subgroups of consolidated entities used by entities in the federal consolidated financial statements are retained.

Tangible fixed assets

Tangible fixed assets are valued at cost and depreciated on a straight-line basis over the estimated useful life of the asset.

Land	None
Buildings, motorways	10–50 years
Operating/storage facilities, machines	4–10 years
Furniture, vehicles	4–12 years
IT facilities	3–7 years

Properties with nonmarketable buildings that are not owner-occupied are recognized as having a value of zero. Most properties that are not owner-occupied and are nonmarketable are buildings included in the housing stock of armasuisse Immobilien which are no longer needed due to army reforms.

Capitalized tenant fixtures and installations on leased premises are depreciated over the shorter of the lease term or their estimated useful life.

Buildings comprising items of property with differing periods of useful life are not recorded or depreciated separately. This is taken into account in determining the depreciation period.

Other investments that extend the economic benefit of a tangible fixed asset are capitalized. Costs incurred solely on repair and maintenance are recognized as expenses.

The residual values of assets are reviewed annually. If there is any indication of impairment, impairment tests are carried out and unplanned write-downs posted if need be.

Intangible fixed assets

Intangible fixed assets acquired or created are valued at cost and amortized on a straight-line basis over their estimated useful life:

Software (purchases, licenses, developments)	Life or contractual license term
Licenses, patents, rights	Contractual license term

The impairment of intangible fixed assets is always tested if it appears that the carrying amounts may be too high owing to changed circumstances or other events.

Works of art

Works of art are not capitalized in the statement of financial position. The Federal Office of Culture keeps an inventory of all items in the Confederation's possession. The works of art are used to decorate Swiss embassies and consulates abroad as well as important Federal Administration buildings. The most valuable works of art are on loan and exhibited in various Swiss museums. The design works are on loan and deposited with the Museum of Design in Zurich, and the photographs are lent and made available to the Swiss Foundation of Photography in Winterthur.

Leasing
Assets acquired under leasing agreements which transfer the risks and rewards incidental to ownership from the lessor to the Confederation (finance leases) are classified as non-current assets of the relevant category. Assets acquired under a finance lease are initially recognized at the fair value of the leased asset or the net present value of future non-cancelable lease payments at the inception of the lease, whichever is lower. On the liabilities side, this same amount is recognized as a finance lease liability. Leased assets are depreciated over the shorter of their estimated useful economic life or the lease term, where the transfer of ownership at the end of the lease is not certain.

Leases where the lessor retains some or all of the risks and rewards incidental to ownership are classified as operating leases. The associated expenses are recognized directly in the statement of financial performance.

Impairments
The impairment of tangible and intangible fixed assets is always tested if it appears that the carrying amounts may be too high owing to changed circumstances or other events. When there is an indication that the value of an asset may not be fully recoverable, its fair value less cost to sell is estimated based on the future cash flows expected to result from the use of the asset or its sale.

If the carrying amount of the asset is greater than its net realizable value or value-in-use, an impairment loss for the difference is recognized as an expense.

Provisions
Provisions are recognized where a liability has arisen from a past event, an outflow of funds will probably be required to settle that liability, and the amount of the liability can be reliably estimated (e.g. remediation of contaminated sites). Where it is unlikely that an outflow of resources will be required (<50%) or the amount cannot be estimated reliably, it is disclosed as a contingent liability.

A provision for restructuring costs is recognized only when a detailed formal plan for the restructuring has been presented and communicated.

The Confederation (parent entity) is its own insurer. A provision is recognized only for anticipated expenses from losses incurred. No provision is recognized for potential future losses.

Trade payables
Trade payables are carried at nominal value.

Financial liabilities
Financial liabilities comprise financial debts arising from money market paper, amounts due to banks, other third-party liabilities, bond issues, and negative replacement values for derivatives.

Items are generally stated at nominal value except for the negative replacement values for derivatives which are measured at fair value and financial liabilities that are held to maturity (accrual method).

Restricted funds
Restricted funds are stated at nominal value and attributed to liabilities or net assets/equity, depending on their economic value.

Restricted funds are recognized in net assets/equity insofar as the law expressly provides for flexibility in the use of the fund or the time at which it may be used. Other restricted funds are recognized in liabilities.

Revenue and expenses relating to restricted funds in liabilities are recognized in the statement of financial performance. At year-end, revenue and expenses relating to restricted funds in liabilities are recognized in net deposits or net revenue without recognition in the statement of financial performance. Restricted funds in net assets/equity are not offset in the statement of financial performance at year-end; a transfer is made within net assets/equity instead.

Special funds
Special funds are third-party funds granted to the Confederation subject to certain conditions, or inflows of funds from budget items pursuant to statutory provisions. The Federal Council defines how the funds should be administered subject to the applicable conditions.

Special funds are attributed to liabilities or net assets/equity depending on their economic value. They are recognized in net assets/equity in those cases where the relevant administrative unit is largely free to determine how and when the funds are to be used. Other special funds are recognized in liabilities.

With the exception of the ETH Domain, expenses and revenue from special funds are not recognized in the statement of financial performance.

Reserves from global budget

MPM administrative units have the option to create reserves and subsequently use these reserves to fund activities, provided such activities are consistent with the objectives of their performance mandate (Art. 46 FBA). The creation and appropriation of reserves are recognized within net assets/equity.

Restricted reserves may be created where loan facilities are not drawn down or only partly drawn down due to project delays. They may be used only for the projects for which they were created.

Subject to meeting their performance objectives, MPM administrative units may create general reserves provided they have generated net additional revenue by providing additional non-budgeted services, or their expenses are lower than the budgeted amount.

Risk-bearing capital and core capital (SERV)

Risk-bearing capital is used to cover the underwriting risks of Swiss Export Risk Insurance (SERV). Core capital provides a buffer against the risk of deterioration in the quality of SERV's portfolio and is intended to fund the expansion of business.

Revaluation reserve

Assets measured at fair value are revalued periodically. Any changes in value (increments or decrements) are reflected in the revaluation reserve.

If the value of an asset declines, an available reserve amount is reduced. Once the revaluation reserve is utilized, a corresponding entry is made in the statement of financial performance.

Employee retirement benefits and other long-term employee benefits

"Employee retirement benefits and other long-term employee benefits" include pensions, termination benefits and vested long-service benefits. These obligations are measured in accordance with IPSAS 25. In contrast to the static method of accounting for employee benefits under Swiss pensions law, vested employee benefits are measured on a basis to reflect future changes in salary and pension levels, applying the "substance over form" approach in IPSAS 25.

Notwithstanding IPSAS 25, employee retirement benefits and other long-term employee benefits are not recognized as liabilities in the statement of financial position. Instead, they are shown as contingent liabilities in the notes to the annual financial statements.

Provisions are made at the end of the year for accrued but unclaimed vacation entitlement, leave days and other daily balances, as well as unclaimed flextime, overtime and other time credits.

3 Consolidation scope

The added value provided by the federal consolidated financial statements is directly related to the consolidation scope. In view of this, the Federal Council – in consultation with the Finance Committees – has adopted a pragmatic approach, electing to restrict the group of consolidated entities in the first instance. The group selected meets the minimum requirements set out in Article 55 para. 1 of the Federal Budget Act (parent entity, separate accounts, entities of the decentralized Federal Administration with their own accounts). Pursuant to Article 55 para. 2 letter b of the FBA, the Federal Council may bring other entities into consolidation by enacting an implementing ordinance, provided such entities discharge public sector functions and are closely linked to the federal budget. Such entities would include, for example, social insurance funds with their own accounts (old-age and survivors' insurance (AHV), disability insurance (IV) and compensation for loss of earnings (EO), as well as the unemployment insurance (ALV) compensation fund, Swiss Federal Railways (SBB), or Swiss Post. Given the volumes of assets involved (e.g. rail infrastructure, property, cash and investments) and future financing risks (e.g. maintaining and developing infrastructure, ageing population), expanding the consolidation scope could provide valuable additional information. In a second step, i.e. within no more than four years of issuing the first set of consolidated financial statements, the Federal Council therefore intends to review the scope of the consolidated financial statements, and make appropriate recommendations to the Finance Committees of both chambers.

In accordance with Article 55 para. 1 of the FBA, the group of consolidated entities includes the following:

Confederation as parent

Institutions and administrative units included in the federal financial statements (Art. 2 FBA):
- Federal Assembly and its Parliamentary Services
- Federal Courts
- Federal Council
- Federal departments, general secretariats and Federal Chancellery
- Federal groups and offices
- Administrative units of the decentralized Federal Administration that do not maintain separate accounts (e.g. Office of the Attorney General; Communications Commission; Swiss Federal Data Protection Commissioner; Swiss Federal Audit Office; Competition Commission)

Separate accounts

These are the financial statements of administrative units of the decentralized Federal Administration and non-autonomous federal government funds which maintain separate accounts. The financial statements are presented to the Federal Assembly for approval (Art. 5 letter b FBA):
- Swiss Federal Institutes of Technology Domain (ETH)
- Swiss Alcohol Board (SAB)
- Fund for major railway projects (FinPT fund)
- Infrastructure Fund for Urban Transportation and the Motorway Network (IF)

Administrative units of the decentralized Federal Administration with their own accounts

- Swiss Financial Market Supervisory Authority (FINMA)
- Swiss Federal Institute for Vocational Education and Training (SFIVET)
- Swiss Federal Institute of Intellectual Property (IIP)
- Swiss Federal Nuclear Safety Inspectorate (ENSI)
- Federal Audit Oversight Authority (FAOA)
- Pro Helvetia (PH)
- Swiss Export Risk Insurance (SERV)
- Swiss Association for Hotel Credit (SAH)
- Swiss National Museum (SNM)
- Swiss Investment Fund for Emerging Markets (SIFEM AG)
- Swissmedic

The vast majority of the administrative units of the decentralized Federal Administration which maintain separate accounts are included in the group of consolidated entities. However, pursuant to Article 55 para. 2 letter a of the FBA, the Federal Council has the power to exclude from consolidation any administrative units which maintain their own accounts. The only exceptions are units which do not meet the basic criteria for control. In the case of the Confederation, this applies to *Switzerland Tourism (ST)* and *PUBLICA*. The latter – as is the case with all Swiss pension funds – is managed on the basis of collective representation and cannot therefore be described as a government-controlled entity. Any financial risks associated with PUBLICA are disclosed in the notes.

Significant interests

Provided they are not classified as administrative units of the decentralized Federal Administration, federal government majority interests are accounted for in the federal consolidated financial statements using the equity method (applicable share of net assets/equity) instead of the full basis of consolidation prescribed by IPSAS. The following are consolidated according to the equity method:
- Swiss Post
- Swiss Federal Railways (SBB)
- Swisscom AG
- RUAG Holding AG
- BLS Netz AG
- Skyguide AG

There were no changes to the consolidation scope relative to the previous year.

4 Risk situation and risk management

The consolidated entities of the Confederation are exposed to various risks, whose occurrence can jeopardize the achievement of objectives and fulfillment of tasks. These risks should be identified, analyzed and evaluated as soon as possible in order for the necessary measures to be taken in a timely manner. Risk management is a management tool. It is integrated into the business and management processes of the entities included in the consolidation scope.

Managing risks

Risks refer to events and developments that have a certain likelihood of occurring and would have significant negative financial and non-financial repercussions (e.g. adverse effects regarding reputation, business processes, the environment, etc.). Uniform rules are used for identifying, analyzing, evaluating, managing and monitoring risks. Risk management is designed in accordance with current standards. A distinction is made between the following categories:

- Financial and economic risks
- Legal risks
- Property and technical risks, and natural hazards
- Risks relating to human error or moral hazard, and organizational risks
- Technological and scientific risks
- Social and political risks

The entities are responsible for implementing risk management. The FFA and the General Secretaries Conference fulfill important coordination functions for the central Federal Administration in risk management. By issuing guidelines and providing training, the FFA ensures the most uniform possible implementation of risk management. The General Secretaries Conference is responsible for consolidating and prioritizing risks at Federal Council level, and conducts a completeness check. The decentralized administrative units, in contrast, independently take the necessary measures in their areas to safeguard the Confederation's assets, ensure that funds are lawfully appropriated, and identify and/or prevent errors and irregularities.

In contrast to the other entities, the Confederation as parent entity is its "own insurer" (cf. Art. 50 para. 2 FBO). Potential losses and liability risks are covered by third-party insurance only in special cases.

Risk management mechanisms and measures

The consolidated entities of the Confederation manage their risks using "avoid", "reduce" and "finance" strategies. However, there are tasks that can be accomplished only by accepting risks, and refraining from task fulfillment in these cases ("avoid" strategy) is generally out of the question. Consequently, the risks can only be kept as small as possible ("reduce" strategy).

Systems are in operation to manage and monitor risks at an organizational level (e.g. dual control principle), technical level (e.g. fire safety systems) and legal level (contractual safeguards, amendments to the law), or in relation to human resources (e.g. continuing professional development). The efficacy of these management and monitoring systems is reviewed on a regular basis and improvements made where necessary. These systems are fully integrated into business processes.

The risk management process is also facilitated by the internal control system (ICS). Unlike the risk management system, the ICS focuses only on operating risks and not strategic risks. However, there is some overlap between the two areas.

Risk situation

Risks arise directly or indirectly from the tasks and activities assigned under the Constitution and by law.

On the one hand, entities can suffer damage to their own assets. On the other hand, they may be exposed to liability risks vis-à-vis third parties or risks in connection with outsourced organizations that discharge public functions. In general, the entities are liable for any damages caused by employees within the scope of performing their duties. They may also be liable in respect of compensation claims relating to breaches of regulatory duty. The risks are primarily financial and economic risks, legal risks, property and technical risks, and natural hazards. Particular importance is attached to risks in the area of information and communication technology, risks arising from the exercise of oversight activities as well as the ongoing tax dialog with the EU.

Risk disclosure

The risk disclosure statements submitted to the Federal Council are not published. The extent to which risks are disclosed varies depending on the type of risk involved.

- Risks that have arisen from past events and that will probably require a future outflow of funds are recognized as liabilities or provisions in the statement of financial position.

- Events with a high, quantifiable risk of occurrence are recorded under contingent liabilities.

Internal processes ensure that the above risks are taken into account in the annual financial statements.

42 Explanations concerning the consolidated financial statements

1 Tax revenue

CHF mn	Financial statements 2011	Financial statements 2012	Deviation vs. FS 2011 Absolute	%
Tax revenue	**60 384**	**58 580**	**-1 804**	**-3.0**
Direct federal tax	17 891	18 342	451	2.5
Withholding tax	5 960	3 835	-2 125	-35.7
Stamp duty	2 857	2 136	-721	-25.2
Value added taxes	21 642	22 050	408	1.9
Other consumption taxes	7 629	7 835	206	2.7
Misc. tax revenue	4 405	4 382	-23	-0.5

Tax revenue declined by 1.8 billion to 58.6 billion relative to 2011, with direct federal tax and VAT accounting for almost 70% of this.

Direct federal tax

Despite major tax reforms, direct federal tax exceeded the prior-year level, posting receipts of 18.3 billion in 2012. After stagnating in 2011, direct federal tax thus increased by 451 million, or 2.5%, in the year under review. Both components of direct federal tax contributed to this growth: *taxes on the income of natural persons* (9,834 mn) rose by 169 million (1.8%), while *taxes on the net revenue of legal entities* (8,659 mn) were up by 263 million (3.1%). Receipts posted in 2012 are largely based on income and corporate earnings generated in 2011 and 2010. This gratifying result is thus primarily a reflection of the economic recovery that followed the deep recession of 2009.

Taxes on the income of private households proved remarkably resilient, increasing year-on-year despite the family taxation reform and compensation for the consequences of bracket creep. Both of these reforms came into force on January 1, 2011 and took their full effect for the first time in fiscal 2012, accounting for some 0.8 billion.

The Confederation's share of the flat-rate tax credit for foreign withholding tax has had the effect of reducing revenue. It came in lower than the previous year, at 152 million.

The cantons have a 17% share in direct federal tax receipts, before deduction of the flat-rate tax credit.

Withholding tax

Withholding tax revenue is measured by the difference between tax receipts, tax refunds and changes in provisions. It has been fluctuating significantly for years. Withholding tax revenue came to 3.8 billion in 2012. This was substantially lower (-2.1 bn) than the previous year, mainly as a result of the following factors:

- Tax receipts from dividends (on the basis of tax returns) continued to fall in the year under review following the introduction of the capital contribution principle. Overall, gross revenue was 1.4 billion lower than in 2011, a year in which tax receipts had already dropped sharply for the same reason.

- Meanwhile, refunds were down by 0.9 billion. Whereas refunds of tax receipts from the previous year remained high, there was a sharp drop in same-year refunds, particularly advance payments.

- The provision for withholding tax had been reduced by 1.1 billion in 2011 on account of declining receipts, with the same amount then posted as revenue. During the year under review, however, this provision had to be increased by 0.5 billion, mainly due to the low level of refunds.

Stamp duty

The *issue tax on debt capital* (bonds, medium-term notes, money market paper) was abolished as of March 1, 2012 as part of the "too-big-to-fail" regulations for big banks. Revenue for this component of issue tax was thus lower than the previous year, generating only 151 million in the first few months of 2012 as opposed to the very high 596 million for the entire previous year. Revenue from the *issue tax on equity capital* (shares) was also significantly lower, after posting comparatively high figures for the previous four years. This is a highly volatile source of revenue, as it depends on the rate of formation of new companies and the refinancing needs of existing businesses, particularly in the area of banking. Overall, issue tax revenue came to 353 million in 2012, which was 521 million lower than the previous year.

Transfer stamp tax generated over half of all stamp duty revenue (1,107 mn, -204 mn). This tax is dependent on the performance of international stock markets and has posted consistently lower revenue since the onset of the financial crisis in 2007. 2012 saw a further decline in dutiable transactions, as the uncertainty surrounding the debt crisis in Europe, the gloomier outlook for the global economy and the growing attraction of products exempt from the tax continued to dominate financial markets well into the summer. Revenue from transfer stamp tax thus fell for the fifth year in succession.

Revenue from the *insurance premium stamp duty* has been relatively stable for many years (675 mn, +5 mn).

Value added tax

At 22.1 billion, value added tax revenue was up 408 million, or 1.9%, on the previous year. Much of this growth, approximately 1.1 percentage points, was due to the 2011 increase in VAT rates in favor of disability insurance. Only 79% of the rate increase took effect in the year of introduction, with the remaining 21% of additional revenue then generated in 2012. However, revenue growth was also slowed down slightly in 2012 by the after-effects of the VAT reform of 2010. Adjusted for both of these special factors, the year-on-year growth came in at around 0.9%, which is marginally lower than the nominal GDP growth of 1.1%.

A total of 5.1 billion of aggregate value added tax revenue has been earmarked for health insurance (896 mn), old age and survivors' insurance (2,288 mn), the federal share in AHV percent (469 mn), the VAT supplement in favor of disability insurance (1,103 mn) and the fund for major railway projects (309 mn).

Revenue is presented on an accrual basis, which means that previously issued invoices, in particular, are recognized as revenue. Non-recoverable VAT receivables are expensed under losses on receivables. These amounted to 250 million in the year under review.

Other consumption taxes

Mineral oil tax revenue (5,033 mn) was slightly higher than the previous year's level (+13 mn). Mineral oil tax on fuel posted only a marginal increase, partly as a result of the new regulations introduced on July 1, 2012 to reduce CO_2 emissions from passenger vehicles. At 20 million, the revenue from the mineral oil tax on combustibles was 1 million higher than the prior-year level. The significance of heating oil as a combustible is continuing to decline, however.

Tobacco duty revenue (2,397 mn) rose significantly. Despite manufacturers' price hikes (30 centimes per pack), year-on-year sales were only slightly lower. This produced additional receipts of 188 million relative to the previous year.

Revenue from alcohol tax (292 mn) and beer tax (113 mn) was in line with prior-year levels.

Miscellaneous tax revenue

Coming in at 4,382 million, miscellaneous tax revenue was down slightly on the previous year (-0.5%) due to opposing factors. While CO_2 tax saw a substantial increase (+58 mn), revenue declined for casino tax (-47 mn) and the heavy vehicle charge (-26 mn).

Under *transportation taxes* (2,293 mn), revenue from *automobile duty* (412 mn) climbed to a new record. Around 370,000 passenger vehicles were imported over the course of the year, 2.8% more than in 2011. As a result, and despite the fall in prices, revenue reached a new peak since the introduction of automobile duty in 1997. *Motorway tax* (352 mn) also benefited from strong sales figures for new vehicles. Domestic sales of motorway tax stickers increased by 2.3%. However, due to the substantial drop in sales for foreign vehicles (-8.9%), revenue was still lower than in 2011. The debt crisis in the eurozone and the strength of the Swiss franc clearly affected the travel plans of EU visitors. There was also a decline in revenue from the *heavy vehicle charge* (1,529 mn). This was more pronounced for foreign vehicles (-3.3%) than for domestic vehicles (-1.0%). The reduced revenue was primarily due to a lower transport volume and the renewal of vehicle fleets.

Import duties (1,044 mn) remained virtually unchanged relative to 2011. Duties in industry and agriculture moved in opposite directions, however: customs revenue in the industrial sector fell by 9 million (-1.9%), while there was a 7 million increase (+1.3%) in the agricultural sector. The customs revenue from the agricultural sector (545 mn) was credited to a special financing facility to fund the implementation of accompanying measures relating to a free trade agreement with the EU in the agri-food sector or an agreement with the WTO.

Revenue from *casino tax* (329 mn) was significantly lower than in 2011 (-47 mn). This was attributable to the strong Swiss franc and competition from foreign casinos, as well as the general economic slowdown during the year. Casino tax is levied on gross gaming revenue generated by casinos (tax rate 40–80%). Revenue is recorded as restricted receipts appropriated to the AHV compensation fund.

Revenue from *incentive fees* (716 mn) was dominated by the *CO_2 tax on fuel* (556 mn). This increased by over 11%, or 58 million, year-on-year, mainly as a result of the extraordinarily low revenue posted the previous year. 2011 was warmer than average; moreover, refunds for exempt companies and purposes based on the increase in the tax rate in 2010 (from CHF 12 to 36/t CO_2) did not rise substantially until 2011. The fluctuations in CO_2 tax revenue over the past three years were due to this special factor.

Revenue from other incentive fees (160 mn) differed only slightly from the previous year.

Regulations on CO_2 emissions for new passenger vehicles came into effect in Switzerland on July 1, 2012. Swiss importers are required to lower the CO_2 emissions of cars registered for the first time in Switzerland to an average of 130 grams per kilometer by 2015. If the CO_2 emissions per kilometer exceed the target level, a penalty fine is charged. Since the introduction of the new regulations, CO_2 fines to the value of some 4 million have been issued.

2 Service revenue

CHF mn	Financial statements 2011	Financial statements 2012	Deviation vs. FS 2011 Absolute	%
Service revenue	**2 133**	**2 328**	**195**	**9.1**
Military service exemption tax	158	160	2	1.3
Fees	339	363	24	7.1
Revenue from exchange trans. - royalties/services	165	177	12	7.3
Sales	161	155	-6	-3.7
Reimbursements	145	162	17	11.7
EU taxation of savings income	97	114	17	17.5
Insurance revenue (SERV)	63	92	29	46.0
Second-party resources & third-party funds (ETH Domain)	484	576	92	19.0
Other service revenue	521	529	8	1.5

Service revenue increased considerably compared with the previous year. Revenue was up in all areas except sales.

Revenue from *sales* declined in 2012 because, for the first time, the sale of identity documents fell below revenue for exchange transactions and services (shift within service revenue). Revenue surpluses from defense disposals were also slightly down on the previous year.

The increase in revenue from *reimbursements* was primarily due to a change in prepaid expenses and accrued income regarding credit balances from the special levy (reimbursement of social welfare costs).

The *EU taxation of savings income* entered into force in 2005 as part of the second series of bilateral negotiations. A retention tax is applied in Switzerland to the interest income of natural persons domiciled in an EU member state. 75% of this revenue is paid out to EU recipient states, while the remaining 25% is retained by Switzerland to cover collection costs. The cantons have a 10% share in the Swiss portion. In the year under review, the retention tax was calculated on the basis of 2011 interest income. The significant additional revenue relative to the previous year can be explained by the increase in the tax rate from 20% to 35% on July 1, 2011.

Revenue from *second-party resources and third-party funds (ETH Domain)* is the result of capital inflows that are generally earmarked for use in financing projects in the area of applied research. The net result was an increase of 92 million. Second-party resources and third-party funds are largely acquired through competitive fundraising and therefore fluctuate significantly.

Other service revenue increased by 8 million relative to the previous year. This resulted from a combination of two opposing transactions: the Central Compensation Office posted additional revenue on account of the higher cost reimbursements of the AHV/IV/EO compensation fund, while project-oriented third-party funds were transferred from other service revenue to second-party resources and third-party funds (ETH Domain).

3 Other revenue

CHF mn	Financial statements 2011	Financial statements 2012	Deviation vs. FS 2011 Absolute	%
Other revenue	**1 802**	**1 870**	**68**	**3.8**
Building revenue	75	77	2	2.7
Profit from disposals	25	29	4	16.0
Capitalization of own production	103	58	-45	-43.7
Other misc. revenue	287	176	-111	-38.7
SNB profit distribution	833	333	-500	-60.0
Other revenue from royalties and concessions	301	1 133	832	276.4
Net revenue from restricted funds in liabilities	178	64	-114	-64.0

The 68 million increase in other revenue was driven by a combination of significant opposing factors. For example, the auctioning of mobile radio frequencies generated high proceeds of almost 740 million, while the new agreement on the distribution of SNB profit cut the Confederation's share by 500 million.

The decline in *other miscellaneous revenue* resulted from the highly fluctuating revenue after the Confederation took responsibility for motorways. Under the new fiscal equalization system, completion of the planned motorway network is a task shared by the Confederation and the cantons. Upon entry into service, ownership of the individual stretches is transferred to the Confederation, with the cantonal sections capitalized in the Confederation's statement of financial position (19 mn; previous year: 144 mn). Other miscellaneous revenue also includes receipts from fines (e.g. VAT), revenue from IT services charged to other parties and Swissmedic selling fees.

The Swiss National Bank distributed 333 million to the Confederation in 2012 *(SNB profit distribution).* This was lower than the prior-year figure on account of the new agreement on profit distribution of November 21, 2011. Under this agreement, the SNB makes an annual distribution of 1 billion to the Confederation and the cantons (1/3 to the Confederation, 2/3 to the cantons) on condition that its profit distribution reserve remains positive.

Other revenue from royalties and concessions encompasses above all receipts from the new allocation of mobile radio frequencies, quota auctions and the increase in coins in circulation.

- The actual proceeds from the auctioning of mobile radio frequencies came to 996 million; however, because of the progressive payment terms, only 738 million was posted to the 2012 financial statements. The remainder (including interest) will be payable in 2015 (139 mn) and 2016 (145 mn).

- Revenue from meat quota auctions (217 mn) exceeded the previous year's figure by 4 million.

- Revenue from coins in circulation (144 mn) is calculated as the value of coins supplied by Swissmint to the SNB less the value of withdrawn coins. The increase in 2012 came to 87 million (33 mn in 2011). Additional revenue of 57 million resulted from the reduction in the provision for coins in circulation (new amount 2.1 bn).

The *net revenue from restricted funds in liabilities* amounted to 64 million, corresponding to a decrease of 114 million on the previous year. This concerned two funds: CO_2 tax on fuel, building program (+12 mn), and casino tax (+52 mn) (see section 21).

4 Personnel expenses

CHF mn	Financial statements 2011	Financial statements 2012	Deviation vs. FS 2011 Absolute	%
Personnel expenses	**7 065**	**7 277**	**212**	**3.0**
Staff compensation	5 775	5 920	145	2.5
Employer contributions (social insurance)	1 145	1 198	53	4.6
Benefits paid by employer	59	52	-7	-11.9
Temporary personnel	25	29	4	16.0
Change in provisions	-20	-10	10	-50.0
Other personnel expenses	81	88	7	8.6

Overall, personnel expenses rose by 212 million (+3.0%) relative to 2011. Of the 50,686 full-time equivalents, 31% were in the ETH Domain.

The number of staff expressed in full-time equivalents (FTEs) rose by 779, representing an increase of 1.6%.

- The parent entity saw an increase in headcount (+255 positions; +0.8%). A significant portion of the new positions was created in the following areas: at the FDFA, among local staff; at the FDJP, in the area of migration and increased staffing to fight cybercrime; and at the FDF, at the Central Compensation Office. Headcount also rose at the FDEA in connection with efforts to combat the strong Swiss franc and the abolition of the approval procedure for civilian service. At the DETEC, new positions were created in relation to environmental matters.

- In the ETH Domain (+434 positions; +2.9%), there was an increase in both the number of professorships (+17 FTEs) and the number of researchers (+330 FTEs). Overall, 33% was financed through second-party resources and third-party funds (2011: 32%).

- In the other areas, the number of staff rose disproportionately (+90 FTEs; +5.5%), particularly at FINMA (+46 FTEs), the Swiss Federal Institute of Intellectual Property (+24 FTEs) and Swissmedic (+21 FTEs). The remaining staff increases were offset by corresponding reductions in other units.

Wage measures as of January 1, 2012:

- In the Confederation parent entity, a cost-of-living adjustment of 0.4% was made and a real wage increase of 0.8% granted.

- In the ETH Domain, staff were compensated for the annual rate of inflation of 0.4% and awarded a real wage increase of 1.2% under the new wage system (NLS).

- The other consolidated entities implemented varying wage measures.

The *change in provisions* (reversal) resulted from the reduction in the provision for vacation and overtime entitlements.

5 Other operating expenses

CHF mn	Financial statements 2011	Financial statements 2012	Deviation vs. FS 2011 Absolute	%
Other operating expenses	**6 015**	**5 847**	**-168**	**-2.8**
Expenses for goods and materials	336	307	-29	-8.6
Operating expenses	4 121	4 067	-54	-1.3
Motorway operation and maintenance	368	435	67	18.2
Defense expenses	1 163	997	-166	-14.3
Net expense for restricted funds in liabilities	27	41	14	51.9

Other operating expenses fell by 168 million, or 2.8%, compared with 2011, due primarily to significantly lower defense expenses.

Expenses for goods and materials declined by 29 million to 307 million. This was the result of a one-time effect. From 2012, the change in the provision for coins in circulation (Swissmint; 57 mn) is no longer recognized under expenses for goods and materials, but now appears under other revenue from royalties and concessions. If this special factor is excluded, expenses for goods and materials were 24 million higher than the previous year.

Operating expenses fell by 54 million to 4,067 million. This decline was primarily due to a factor from 2011, when SERV saw claims expenses rise by 82 million to a total of 123 million. This was largely attributable to the risks of restricted payment transactions with Iran and the deterioration of the economic conditions for solar projects in Spain and Greece, which led to a sharp rise in provisioning requirements. If this special factor for 2011 is excluded, operating expenses increased by 28 million.

Motorway operation and maintenance was 67 million higher than the previous year on the whole. Operating expenses and expenses for maintenance and motorway construction not eligible for capitalization rose by 26 million and 41 million, respectively. In the operating area, this was attributable to increased environmental requirements (treatment of road runoff water) among other things, as well as non-capitalized investments which either are not transferred to the ownership of the Confederation upon completion or serve as ecological compensation areas.

Defense expenses amounted to 997 million in 2012. This represents a decrease of 166 million, or 14.3%, compared with 2011. Expenses for defense equipment were in line with the medium-term average for this item. The sharp decline of 167 million relative to the previous year was due to the fact that delayed projects from previous years were finally implemented in 2011. Some of these procurements (armored personnel carriers and NBC reconnaissance vehicles) were not completed until 2012. Uncertainties in connection with the further development of the army are resulting in delays to a number of different projects.

Regarding *net expense for restricted funds in liabilities,* more restricted funds were deposited than utilized. This is particularly the case for the special financing contaminated site fund (15 mn) and the CO_2 tax on fuel, redistribution fund (12 mn) (see section 21).

6 Transfer expenses

CHF mn	Financial statements 2011	Financial statements 2012	Deviation vs. FS 2011 Absolute	%
Transfer expenses	**45 276**	**44 416**	**-860**	**-1.9**
Third parties' share in federal income	8 549	8 687	138	1.6
Compensation to public bodies	856	1 015	159	18.6
Contributions to own institutions	2 393	1 259	-1 134	-47.4
Contributions to third parties	14 651	14 799	148	1.0
Contributions to social insurance	15 754	15 399	-355	-2.3
Value adjustments in transfer expenses	3 073	3 257	184	6.0

Transfer expenses amounted to 44.4 billion, which is 0.9 billion less than the 2011 figure. This decline was caused primarily by the restructuring contribution of 1.1 billion made by the Confederation to the SBB pension fund in 2011.

Third parties' share in federal income

This account group comprises restricted shares in receipts refunded to the cantons and social insurance or – in the case of incentive fees – to households and companies. Expenses increased by 138 million, or 1.6%, year-on-year. Expenditure results directly from receipts and is therefore uncontrollable.

Cantons' share: +11 million to 4,477 million

The cantons' share recorded slight growth of 0.2% relative to the previous year. This growth was caused primarily by the higher cantons' share of direct federal tax – the largest single item for this account group (3,144 mn). The cantons' share of withholding tax amounted to 426 million (-54 mn). 98% of the 10% shares in the restricted component of mineral oil tax (497 mn) and motorway tax was distributed in the form of general highway contributions (368 mn) to all cantons; the remaining 2% went to cantons with no motorways (8 mn).

Social insurance share: +215 million to 3,734 million

The social insurance share grew by 6.1%. This increase was largely attributable to the introduction of the VAT supplement for disability insurance (IV) in 2011. Its financial impact did not take full effect until 2012 (1,090 mn). The percentage of value added tax for AHV increased by 0.6% to 2,262 million compared with the 2011 financial statements. Both amounts correspond to the share of receipts less losses on receivables on a pro rata basis. Finally, casino tax receipts are transferred to the old age and survivors' insurance (AHV) compensation fund with a two-year time lag. As a result, the expenditure for 2012 (381 mn) corresponds to the receipts for 2010.

Redistribution of incentive fees: -87 million to 477 million

The redistribution of incentive fees declined by 15.5% compared with the previous year. Two-thirds of the 355 million *CO_2 tax on fuel* is redistributed to households and companies. One-third, or a maximum of 200 million, of the revenue is used for the Confederation's building program. The redistribution was based on the receipts budgeted for 2012. In addition, the redistribution amount for 2012 also includes a correction on the basis of the figure for annual revenue for 2010, which is now definitively known. Unlike with the CO_2 tax, *incentive fees in respect of volatile organic compounds (VOCs)* are redistributed to households with a two-year time lag. Expenditure relating to the redistribution of VOC incentive fees (122 mn) thus corresponds to the VOC incentive fee receipts in fiscal 2010, including accrued interest.

Compensation to public bodies

Compensation to public bodies is paid to cantons and communes which perform federal government functions (e.g. conducting the population census). Compensation of 1,015 million (+159 mn) was paid out in 2012.

Contributions to own institutions

- The 632 million disbursed from the fund for railway projects to the SBB and AlpTransit Gotthard AG for various rail projects was 40 million lower than the equivalent prior-year figure.
- The operating compensation paid to SBB Infrastructure amounted to 505 million (-5 mn).
- The Confederation gives Swiss Post contributions to reduce the cost of newspaper and magazine distribution. Following a thorough revision of the Postal Services Act, which entered into force last year, the circle of recipients was extended slightly and the reduction amounts granted increased from 30 million to 50 million.

- The compensation for lost revenue of Skyguide was erroneously recognized under contributions to third parties in 2011. In the 2012 financial statements, this item once again appears under contributions to own institutions (43 mn).

- The compensation for non-transalpine rail freight services declined by 5 million year-on-year to reach 29 million.

Contributions to third parties

Contributions to third parties were made in all task areas. Expenses for this account group were up 148 million, or 1.0%, on the prior-year level. Additional expenses were recorded for all of the three contribution categories:
- Fiscal equalization (+53 mn to 3.1 bn)
- International organizations (+63 mn to 1.8 bn)
- Other contributions to third parties (+32 mn to 9.9 bn)

The main beneficiaries in respect of other contributions to third parties are:
- General direct payments for agriculture (-4 mn to 2,178 mn)
- Regional passenger transportation (+53 mn to 857 mn)
- Swiss National Science Foundation (+23 mn to 851 mn)
- Lump-sum contributions and transitional arrangements; vocational education (+103 mn to 748 mn)
- Environmental direct payments for agriculture (+18 mn to 631 mn)
- Development cooperation initiatives (+82 mn to 627 mn)
- Promotion of higher education, basic contributions (+36 mn to 595 mn)
- Operating contributions for universities of applied sciences (+18 mn to 441 mn)
- Dairy industry subsidies (+6 mn to 298 mn)

Contributions to social insurance

The Confederation's contributions to social insurance declined slightly in 2012, a development that ran counter to the long-term trend. Overall, they fell by 355 million, or 2.3%, in the year under review. This was primarily attributable to a special factor relating to unemployment insurance, as the extraordinary measures to cushion the impact of the strong franc no longer applied in this area in 2012. An additional reason for the decline in contributions to social insurance was the fact that there were no pension increases for either old-age and survivors' insurance (AHV) or disability insurance (IV) in 2012. Contributions to social insurance include the two sub-items:

Federal social insurance: -414 million to 11.7 billion

The lion's share of social insurance expenses – just under half – relates to *old-age and survivors' insurance* (AHV; 7,596 mn). The Confederation makes a contribution of 19.55% to total AHV expenditure, and this figure increased by 2.1% (+159 mn) in 2012. This increase can be explained by the rise in the number of pension recipients; the pension level itself remained unchanged, however. AHV pensions are typically adjusted every two years in line with the development of the mixed index that applies to pensions (combining wage growth and price increases). The most recent adjustment took place at the beginning of 2013.

In the case of *disability insurance* (IV), the Confederation contributes 37.7% of total expenditure. In 2012, the federal contribution recorded a year-on-year decline of 2.5% (-90 mn) to 3,496 million. This was attributable to an ongoing decline in pension payments as a result of the 5th revision of disability insurance. By contrast, expenditure for individual benefits (medical and professional measures, aids, etc.) increased.

The sharp year-on-year decline in the federal contribution to *unemployment insurance* (-484 mn, -52.7%) to a total of 433 million was attributable to the extraordinary contribution of 500 million to unemployment insurance as part of the measures to cushion the impact of the strong franc in 2011. If this factor is excluded, the federal contribution to unemployment insurance rose by 16 million. The difference can be explained by two factors. First, the increase in aggregate wages subject to compulsory contributions and second, the entry into force of the 4th revision of the Unemployment Insurance Act (UIA) as of April 1, 2011. As a result of this legislative revision, the ordinary federal contribution to unemployment insurance rose from 0.15% to 0.159% of aggregate wages subject to compulsory contributions. The increase in the ordinary federal contribution had an impact on 2012 as a whole, and not just on 3/4 of the year as in 2011.

For the duration of the *IV supplementary financing* period (2011 to 2017), the Confederation will assume responsibility for the IV debt interest, whereby the IV debt toward the AHV fund incurs interest at a fixed rate of 2%. The Confederation's special contribution remained unchanged at 186 million.

Other social insurance: +59 million to 3.7 billion

The Confederation's contribution to *individual premium reductions* amounts to 7.5% of gross costs for compulsory health insurance. In 2012, this contribution increased by around 36 million (+1.7%) to 2,153 million. This below-average development was attributable in particular to the low growth of the average premium in the area of compulsory health insurance. This factor largely determines assumptions regarding the development of gross costs in basic healthcare.

Federal expenditure on AHV and IV *supplementary benefits* (686 mn and 644 mn, respectively) increased by a total of 61 million, or 4.7%. 5/8 of supplementary benefits, which ensure a basic standard of living, are covered by the Confederation, while the remaining 3/8 and all supplementary benefits for health and disability costs are met by the cantons. In the case of AHV supplementary benefits, an increase of 5.2% was recorded. This resulted on the one hand from demographic developments (higher number of AHV pensions), and on the other from the fact that a higher average level of supplementary benefits was paid out. In addition, the new arrangements for the financing of care, which have been in place since 2011, fully impacted on the federal contribution to supplementary benefits for the first time in 2012. As a result of the increase in asset allowances when calculating supplementary benefits for residents of care homes, supplementary benefits for these individuals had already risen sharply in 2011. The federal share was still calculated on the basis of the figures for 2010, however. This distortion has been corrected in the 2012 financial statements. IV supplementary benefits increased by 4.4%. This reflects the new arrangements for the financing of care, like in the case of AHV supplementary benefits. Furthermore, it is clear that the persistent decline in the number of IV pensioners over the past few years has yet to feed through into the numbers of individuals receiving supplementary benefits.

At 195 million, payments in respect of military insurance were just below the prior-year level (-4 mn).

Value adjustments in transfer expenses

Value adjustments in transfer expenses increased by 184 million, or 6.0%, year-on-year.

- 682 million in value adjustments were made in relation to the FinPT fund (+24 mn compared with the previous year).

- Value adjustments to the infrastructure fund increased by 110 million, and amounted to 276 million for urban transportation (rail transportation loan).

- Value adjustment relating to the service level agreement with the SBB in respect of infrastructure investments carried out: this amount increased by 3 million to 1,053 million.

- Other value adjustments (e.g. flood protection, protection against natural hazards, nature and countryside, energy and waste heat utilization) increased by 48 million overall, giving a combined total of 1,247 million.

7 Financial revenue

CHF mn	Financial statements 2011	Financial statements 2012	Deviation vs. FS 2011 Absolute	%
Financial revenue	**957**	**440**	**-517**	**-54.0**
Interest	197	196	-1	-0.5
Financial interest revenue	1	3	2	200.0
Market value adjustments	10	13	3	30.0
Other financial revenue	749	228	-521	-69.6

Financial revenue declined by more than a half (-54%) to 440 million compared with the previous year. This development was driven by the non-recurrence of special factors that had a positive influence on revenue in 2011.

Interest (196 mn; -1 mn) was affected by the unusually low interest rate environment in 2012. Revenue from securities and discount paper includes revenue from proprietary holdings of Confederation bonds and money market debt register claims. No proprietary bonds were held during the year under review, which is why there was solely revenue from money market debt register claims issued above par. As a result of the uncertainty in the financial markets and comprehensive foreign currency purchases by the Swiss National Bank, the yields on money market debt register claims remained in negative territory in 2012 too, which is why interest revenue is reported rather than interest expense. Conversely, revenue from banks declined, as short-term interest rates were close to 0%. Where loans are concerned, the scaling-down of unemployment insurance debt vis-à-vis the Confederation led to lower interest revenue. Furthermore, revenue from withholding tax interest receivables declined due to lower interest on arrears.

The significant decline in *other financial revenue* (-521 mn) was attributable above all to the non-recurrence of special revenue (divestment of SAPOMP Wohnbau AG, -205 mn; sale of Swisscom shares, -24 mn; outsourcing of SIFEM AG, -225 mn) which appeared as one-time items in the 2011 financial statements. In addition, the following factors affected other financial revenue in 2012:

- Gains on foreign currencies (-62 mn): the reduction was attributable to smaller fluctuations in the EUR and USD exchange rates.
- Interest rate swaps (-17 mn): the swaps position consists of fixed interest payments by the Confederation and variable interest receipts that are determined semi-annually on the basis of short-term interest rates.

Valuation changes regarding foreign currencies and interest rate swaps

Foreign currency gains and losses arise from the monthly carrying amount changes. These in turn result from foreign currency purchases at the procurement rate, payment transactions at the budget rate or at an agreed fixed rate in the case of special transactions, as well as the month-end valuation at the market rate. The result is recognized gross as financial revenue or expense. Interest rate swaps are held as strategic positions and are valued at market rates. The principle of prudence applies here. The valuation adjustment in the statement of financial performance is displayed in accordance with the no-offsetting principle up to a maximum of the acquisition value (see section 42/8, other financial expense). Values above cost are recognized exclusively in the statement of financial position (see section 42/11, derivative financial instruments).

8 Financial expense

CHF mn	Financial statements 2011	Financial statements 2012	Deviation vs. FS 2011 Absolute	%
Financial expense	**3 200**	**3 101**	**-99**	**-3.1**
Interest expense	2 635	2 385	-250	-9.5
Capital procurement expenses	116	104	-12	-10.3
Value adjustment on financial investments	221	444	223	100.9
Other financial expense	228	168	-60	-26.3

As a result of exceptionally low interest rates, financial expense decreased by 0.1 billion to 3.1 billion, equivalent to a year-on year decline of 3.1%.

Interest expense relates predominantly to outstanding bonds, which were reduced by another 759 million in 2012. This resulted in a further year-on-year decline in interest expense for bonds to 2,297 million (-126 mn). The reduction in expense as a result of the amortization of net premiums on all bonds issued in previous years was lower than the previous year's value (-58 mn).

Capital procurement expenses declined as a result of the abolition of the issue tax on debt capital as of March 1, 2012. Accordingly, the stamp duty on newly issued bonds and money market debt register claims was eliminated. By contrast, stamp duty paid on issues prior to this date will have to be depreciated on a straight-line basis over the residual terms of the bonds in question.

Value adjustments on financial investments include value-reducing corrections for loans (424 mn) and financial interests (20 mn).

Other financial expense shows losses on foreign currencies (58 mn) due to exchange rate and market fluctuations. The decline of 54 million was attributable to smaller fluctuations in the EUR and USD exchange rates. Furthermore, this position includes withholding tax on a bond that became due for redemption in 2012 (73 mn) and that had originally been issued at a significant discount. Other financial expense also includes negative valuation adjustments on interest rate swaps (37 mn).

9 Cash and cash equivalents

CHF mn	2011	2012	Deviation vs. 2011 Absolute	%
Cash and cash equivalents	**6 123**	**9 891**	**3 768**	**61.5**
Cash	6	6	–	–
Swiss Post	337	464	127	37.7
Bank	5 249	8 660	3 411	65.0
Short-term deposits	531	761	230	43.3

As the result of the high level of market liquidity and a lack of investment opportunities, the lion's share of Treasury funds was invested with the Swiss National Bank.

The *bank* position comprises Swiss franc and foreign currency accounts. Liquidity was increased significantly in order to redeem the 6.9 billion bond maturing at the start of 2013. As a substantial amount of liquidity entered the market as a result of the interventions by the Swiss National Bank (SNB) to maintain the minimum exchange rate of 1.20 francs per euro, it was scarcely possible to make any more market investments. These funds therefore remained in the giro account with the SNB. Where *short-term deposits* are concerned, fixed-term deposits with the cantons increased, in contrast to fixed-term deposits with commercial banks.

10 Receivables

CHF mn	2011	2012	Deviation vs. 2011 Absolute	%
Receivables	**6 704**	**7 086**	**382**	**5.7**
Tax and customs receivables	4 637	5 097	460	9.9
Current accounts	1 019	954	-65	-6.4
Trade receivables	298	301	3	1.0
Other receivables	750	734	-16	-2.1

Receivables recorded a year-on-year rise of 382 million, with the greatest increase relating to withholding tax. 38% (2.7 bn) of the total receivables (7.1 bn) are value added tax receivables.

Tax and customs receivables are comprised of the following:

- Value added tax receivables from taxable persons and entities amounting to 2,996 million (+162 mn). Of this sum, 1,954 million (+128 mn) related to value added tax receivables from imports.
- Receivables from customs duties amounting to 1,273 million. These include receivables from the mileage-related heavy vehicle charge as well as from mineral oil tax and tobacco duty. The decrease of 48 million in receivables from customs duties was attributable primarily to the termination of a legal dispute.
- Receivables from withholding tax and stamp duty amounting to 1,180 million. The increase of 290 million relative to 2011 related predominantly to withholding tax.
- Receivables from alcohol duty amounting to 22 million (2011: 26 mn).
- Allowance for doubtful accounts on outstanding tax and customs receivables amounting to 376 million. The decline of 58 million was due primarily to the settlement of the aforementioned legal dispute (relating to a customs investigation).

Under *current accounts,* 802 million (-37 mn) relates to receivables from the cantons, whereby 133 million is accounted for by receivables from military service exemption tax.

Trade receivables encompass numerous small-scale positions. The largest items relate to:

- Receivables from quota auctions of the Federal Office for Agriculture amounting to 57 million (-1 mn).
- Receivables surrendered to the central debt recovery office of the parent entity amounting to 50 million (-8 mn), which at the same time are 100% value adjusted.
- Outstanding receivables amounting to 49 million (+4 mn) in the ETH Domain. Of these, 37 million relates to domestic debtors and 12 million to foreign debtors.

Other receivables comprise predominantly balances from debt rescheduling agreements amounting to 617 million (-64 mn) as well as SERV receivables from the insurance business of 83 million (+50 mn). These arise whenever policyholders are compensated by SERV in the case of loss or damage, whereupon their claims against third parties are transferred to SERV.

11 Financial investments

Short-term and long-term financial investments

CHF mn	2011 Carrying amount	2011 Market value	2011 Ø interest %	2012 Carrying amount	2012 Market value	2012 Ø interest %
Short-term financial investments	**2 103**			**1 665**		
Held to maturity	**2 103**			**1 665**		
Fixed-term deposits	1 810	1 810	0.1	1 405	1 405	0.0
Positive replacement values	153	n.d.	n.d.	102	n.d.	n.d.
Other short-term financial investments	140	n.d.	n.d.	158	n.d.	n.d.
Available for sale	**–**	–	–	**–**	–	–
Held for trading	**–**	–	–	**–**	–	–
Long-term financial investments	**296**			**373**		
Held to maturity	**296**			**373**		
Other long-term financial investments	296	n.d.	n.d.	373	n.d.	n.d.
Available for sale	**–**	–	–	**–**	–	–

n.d.: not displayed

Investment opportunities were limited due to the high level of market liquidity. This in turn affected the level of short-term financial investments.

The decline in *short-term financial investments* can be explained by the absence of investment opportunities due to the high level of market liquidity and the restrictive investment policy. Derivative financial instruments (see separate table) developed as follows:

- In the year under review, the nominal value of *interest rate swaps* declined exclusively as a result of maturities. The nominal value of the net payer swap position (fixed interest payments and variable interest receipts) stands against a negative market value of 198 million. The market value is made up of the individual positions that have either positive or negative replacement values as of the reporting date.
- The *forward contracts* in EUR, USD, NOK and GBP have an underlying nominal value of CHF 3.1 billion. The negative market value of 100 million is derived from the valuation of the corresponding positions as of the reporting date. The reduction in market value corresponds to that of the forward contracts at nominal values. Euro and US dollar hedging is always carried out for the corresponding budget year alone. Projects with a multi-year liability in a foreign currency are hedged for the entire duration as special transactions. The volume of forward contracts declined above all in the case of special transactions in USD and EUR (see "Hedges of future transactions" table).

Derivative financial instruments

CHF mn	Nominal value 2011	Nominal value 2012	Market value 2011	Market value 2012	Positive replacement value 2011	Positive replacement value 2012	Negative replacement value 2011	Negative replacement value 2012
Derivative financial instruments	**6 372**	**4 564**	**-415**	**-298**	**153**	**102**	**-568**	**-399**
Interest rate instruments	**2 200**	**1 450**	**-249**	**-198**	**7**	**5**	**-256**	**-202**
Interest rate swaps	2 200	1 450	-249	-198	7	5	-256	-202
Options	–	–	–	–	–	–	–	–
Foreign exchange products	**4 172**	**3 114**	**-166**	**-100**	**146**	**97**	**-312**	**-197**
Forwards	4 172	3 114	-166	-100	146	97	-312	-197
Options	–	–	–	–	–	–	–	–

Long-term financial investments include the fund units from the SIFEM AG portfolio (199 mn), which in addition to these units also comprises loans and financial interests (see sections 15 and 16). SIFEM AG switched its accounting standards to IFRS in the year under review. This resulted in a number of revaluations and reclassifications within the portfolio (funds, loans, financial interests). Furthermore, in the previous year, a greater sum than anticipated was redistributed to companies and households from the CO_2 tax on fuel. The corresponding advance of 170 million will be charged to the 2013 redistribution.

Financial investments: categories and accounting
In keeping with the "SFBC Guidelines" drawn up by the Swiss Federal Banking Commission, financial investments can be held in three different categories, namely held to maturity, available for sale, and held for trading. The Confederation currently has only financial investments that are held to maturity.

The carrying amount of financial investments corresponds to the nominal value, with the exception of derivative financial instruments. Derivative financial instruments are recognized at market values and recorded under financial investments (in the case of positive replacement values) or financial liabilities (in the case of negative replacement values; see section 42/18). The market value indicates the actual value of as of the reference date. The average interest corresponds to the weighted returns realized in the year under review.

Hedges of future transactions (cash flow hedge)

2012 CHF mn	Nominal value Total	Maturities < 1 year	 1 – 5 years	 > 5 years
Hedges in EUR, USD and GBP	**3 115**	**1 827**	**1 259**	**29**
Special transactions	2 356	1 068	1 259	29
Budget	759	759	–	–

2011 CHF mn	Nominal value Total	Maturities < 1 year	 1 – 5 years	 > 5 years
Hedges in EUR, USD, NOK and GBP	**4 172**	**1 839**	**2 279**	**54**
Special transactions	3 419	1 086	2 279	54
Budget	753	753	–	–

12 Inventories

CHF mn	2011	2012	Deviation vs. 2011 Absolute	%
Inventories	**311**	**313**	**2**	**0.6**
Inventories purchased	293	295	2	0.7
Inventories self-produced	18	18	–	–

The level of inventories did not experience any meaningful change. The principal changes related to the scaling-down of inventories in the case of combustibles (-10 mn) and the increase in ethanol inventories held by the Swiss Alcohol Board (+9 mn).

Inventories purchased primarily comprise the acquisition values of motor fuel (179 mn), medical supplies (37 mn), combustibles (21 mn), production material for coins (14 mn) and biometric passports (8 mn), printed materials and publications (18 mn), and ethanol inventories (24 mn). Value adjustments amounting to 35 million were applied to inventories at risk as well as old and excessive inventories.

Under *inventories self-produced,* the production costs for partly finished and finished goods for identity documents (16 mn) and for national topography products (5 mn), as well as inventories of commemorative coins (3 mn) are capitalized. Value adjustments for inventories self-produced remained unchanged at 7 million.

13 Prepaid expenses and accrued income

CHF mn	2011	2012	Deviation vs. 2011 Absolute	%
Prepaid expenses and accrued income	**1 348**	**1 220**	**-128**	**-9.5**
Interest	42	32	-10	-23.8
Debt discount	294	238	-56	-19.0
Other prepaid expenses and accrued income	1 012	950	-62	-6.1

The level of prepaid expenses and accrued income declined by 128 million relative to the previous year. A key driver of this development, among others, was the abolition of the issue tax on debt capital as of March 2012.

Prepaid expenses and accrued income for *interest* declined year-on-year, due to lower investment volumes against a backdrop of a still low interest rate environment.

The *debt discount* decreased by 55 million as a result of the decline in the level of outstanding bonds compared with 2011 (-759 mn). A debt discount on bonds is capitalized during the year in which the bond is issued and then amortized on an accrual basis over the term. No bonds were issued with a debt discount in 2012.

Most of the *other prepaid expenses and accrued income* relate to prepaid fees and charges for existing bonds (678 mn; -49 mn). The issue tax on debt capital was abolished with the entry into force of the “too-big-to-fail” regulations on March 1, 2012. As a result, the new prepaid amounts worked out lower than the amortization for 2012. Furthermore, the counter-position to the negative replacement values from foreign currency hedges amounting to 100 million (-66 mn) is included. By contrast, prepaid expenses and accrued income increased for the supervisory work carried out by FINMA (+12 mn), as well as for a number of other small items.

14 Tangible and intangible fixed assets

2012 CHF mn	Total tangible fixed assets	Movable property, plant and equipment	Immovable property, plant and equipment	Motorways	Total intangible fixed assets
Acquisition costs					
Balance at 1.1.2012	**90 696**	**3 323**	**32 317**	**55 056**	**390**
Additions	3 024	357	804	1 863	94
Disposals	-1 533	-184	-306	-1 043	-38
Revaluation	3	–	3	–	–
Reclassifications	-14	–	–	-14	16
Balance at 31.12.2012	**92 176**	**3 496**	**32 818**	**55 862**	**462**
Accumulated depreciation					
Balance at 01.01.2012	**-39 264**	**-2 096**	**-18 449**	**-18 719**	**-169**
Ordinary depreciation	-2 281	-293	-565	-1 423	-66
Disposals	1 363	151	178	1 034	40
Impairments	-12	–	-10	-2	-31
Balance at 31.12.2012	**-40 194**	**-2 238**	**-18 846**	**-19 110**	**-226**
Carrying amount at 31.12.2012	**51 982**	**1 258**	**13 972**	**36 752**	**236**

2011 CHF mn	Total tangible fixed assets	Movable property, plant and equipment	Immovable property, plant and equipment	Motorways	Total intangible fixed assets
Acquisition costs					
Balance at 1.1.2011	**100 456**	**2 925**	**32 036**	**65 495**	**277**
Additions	3 053	484	512	2 057	77
Disposals	-12 903	-176	-231	-12 496	-4
Changes in the consolidation scope	1	1	–	–	–
Reclassifications	89	89	–	–	40
Balance at 31.12.2011	**90 696**	**3 323**	**32 317**	**55 056**	**390**
Accumulated depreciation					
Balance at 1.1.2011	**-49 670**	**-1 771**	**-18 099**	**-29 800**	**-118**
Ordinary depreciation	-2 307	-334	-558	-1 415	-53
Disposals	12 854	149	208	12 497	2
Impairments	-11	-10	–	-1	–
Changes in the consolidation scope	-1	-1	–	–	–
Reclassifications	-129	-129	–	–	–
Balance at 31.12.2011	**-39 264**	**-2 096**	**-18 449**	**-18 719**	**-169**
Carrying amount at 31.12.2011	**51 432**	**1 227**	**13 868**	**36 337**	**221**

The carrying amount of tangible and intangible fixed assets increased by 550 million. This was largely because the additions under motorways as a result of ongoing investments in road network completion, development and maintenance work eligible for capitalization (+1.9 bn) once again exceeded the annual depreciation of the existing network (-1.4 bn).

Movable property, plant and equipment

Approximately 70% of the assets held consists of technical equipment and machinery used for teaching and research purposes in relation to the ETH Domain (890 mn). A significant proportion of additions went to the ETH Domain (231 mn). As of the reporting date, assets under construction to the value of 356 million also fell under this account group (28.3%).

Immovable property, plant and equipment

A total of 4.8 billion of immovable property, plant and equipment is attributable to the armed forces and 9.1 billion to the civilian area. Immovable property, plant and equipment under construction as of the reporting date totaled 1.4 billion. Key individual construction projects under properties and buildings were:

- Zollikofen administrative building (60 mn)
- Spiez Safety Laboratory (42 mn)
- Thun military training area (41 mn)
- Cinémathèque Suisse Penthaz (22 mn)
- Army pharmacy (18 mn)
- Drognens military training area (17 mn)
- ETH LEE new building (16 mn)

Properties and buildings with individual project investments of less than 10 million (aggregated under the main group):
- Buildings of the ETH Domain (258 mn)
- Buildings of the Federal Office for Buildings and Logistics (185 mn)
- Assets of the Land Forces (181 mn)
- Assets of the Air Force (127 mn)
- Assets of the Armed Forces Logistics Organisation (98 mn)
- Assets of the Armed Forces Command Support Organisation (74 mn)
- Assets of the Federal Office for Civil Protection (26 mn)
- Assets of the Armed Forces Joint Staff (18 mn)

The following buildings are subject to disposal restrictions:
- Real estate held by foundations where the use of the building is connected with the purpose of the foundation;
- Expropriations and gifts which are appropriated for specific purposes prescribed by law or under contract;
- Plant and equipment subject to operating licenses granted to individual operators (e.g. nuclear facilities, research facilities).

The Confederation signed a lease with the Canton of St. Gallen for the Federal Administrative Court building in St. Gallen. The leasehold began on January 1, 2012 for a fixed period of 50 years until December 31, 2061. The Confederation will acquire ownership of the land and the building at the end of this period. The lease has therefore been classified as a financial lease, and the corresponding values have been reported in the Confederation's statement of financial position. As of December 31, 2012, the land was valued at 14 million and the building at 88 million. After deduction of the financing contribution of the Canton of St. Gallen, the lease liability to be depreciated stood at 88 million on December 31, 2012. The leasing installment for 2012 was 3.2 million (interest portion of 2.3 mn and principal of 0.9 mn).

Additions to immovable property, plant and equipment were mainly comprised of additions to assets under construction (armasuisse 264 mn; FOBL 154 mn; ETH 105 mn) and the addition from the financial lease associated with the Federal Administrative Court building in St. Gallen (104 mn).

The *revaluation* of 3 million concerned a Pro Helvetia building in Paris. This was due to the first-time application of the IPSAS accounting standards.

Motorways
Motorways (36.8 bn) recognized include motorways in operation (22.3 bn), assets under construction (10.2 bn), and land (4.2 bn). Additions under motorways related primarily to:

- Road network completion (0.7 bn), including the following key projects: A5 Biel bypass; A5 Serrières bypass; A8 Lungern bypass; A9 Visp and Leuk–Steg/Gampel bypass; A16 Tavannes–Moutier; A16 national border Porrentruy–France; A28 Saas bypass; six-lane expansion Blegi-Rütihof and Härkingen–Wiggertal.
- Development and maintenance work eligible for capitalization (1.1 bn): two-thirds of investment expenditure was invested in the following redevelopment and maintenance projects: A1 Bern city expressway; A2 Luzern ringroad; A4 Blegi–Rütihof; A1 Härkingen–Wiggertal; A3/A13 Sarganserland; A13 Roveredo bypass; A1 Lenzburg–Birrfeld; A2 Melide–Bissone; A9 Vennes–Montreux; A5 Colombier–Cornaux.

Motorways to the value of 10.2 billion were under construction (27.9%). The following major motorway segments went into operation during the year under review:
- Lungern bypass (225 mn)
- Blegi–Rütihof (114 mn)
- Transjurane Court–Tavannes (92 mn)

Intangible fixed assets
Among *assets under construction,* the largest *additions* concerned IT application development costs relating to Schengen/Dublin implementation (13 mn), motorway construction (12 mn) and INSIEME (11 mn). The largest *additions* in *software* concerned applications for motorway construction (14 mn) and for implementation of the capital contribution principle at the Federal Tax Administration (FTA; 2 mn).

Disposals were largely related to FTA eliminations following project cancellations associated with INSIEME (29 mn) and SOA "e-services" (4 mn).

The items under *depreciation* concerned ordinary depreciation of 66 million in accordance with the useful life of the various systems. Posted under *impairments* is the unplanned depreciation that had to be carried out following the decision to abandon INSIEME (29 mn) and SOA "e-services" (2 mn).

The *reclassifications* relate to special applications for motorway construction that went into operation in 2012 and were therefore reclassified as software.

Definition of fixed assets

The term *movable property, plant and equipment* includes the following: furniture, vehicles, fixtures and fittings, warehouse facilities, machines, appliances, tools, communications systems and IT hardware. The term *immovable property, plant and equipment* comprises buildings, land and rights entered in the Real Estate Register. *Motorways* consist of carriageways, engineering structures, tunnels, technical installations, and the associated buildings and land. *Intangible fixed assets* are identifiable non-monetary, non-physical assets which are used in the manufacture of products, the supply of services, for leasing purposes, or in the discharge of public functions. Intangible fixed assets include in particular software, licenses, patents and rights.

15 Loans

CHF mn	2011	2012	Deviation vs. 2011 Absolute	%
Balance at 1.1.	**11 571**	**10 472**	**-1 099**	**-9.5**
Additions	1 352	1 407	55	4.1
Disposals	-2 013	-1 542	471	-23.4
Other transactions	-560	-716	-156	27.9
Reclassifications	40	–	-40	-100.0
Changes in the consolidation scope	82	–	-82	-100.0
Balance at 31.12.	**10 472**	**9 621**	**-851**	**-8.1**
Loans held for the accomplishment of tasks	3 550	3 400	-150	-4.2
Loans held to maturity	6 922	6 221	-701	-10.1

The loan portfolio declined by 851 million, due primarily to the net reduction of 1 billion in loans for unemployment insurance as a result of the lower level of unemployment.

Additions amounted to a total of 1,407 million, and were attributable primarily to the following: an increase in loans to the SBB and other licensed transportation companies amounting to 938 million for financing infrastructure and rolling stock, an increase of 200 million in loans for unemployment insurance, newly granted loans of 78 million in the area of regional development, an increase in loans to the cantons in the form of investment credits and operating aid in the area of agriculture amounting to 55 million, newly granted loans of 32 million to the Building Foundation for International Organisations (FIPOI), new loans to hotels in the tourism area (26 mn), and new loans for financing SMEs in developing and emerging market countries (20 mn).

Disposals amounted to 1,542 million, and consisted primarily of the following: partial repayment of loans for unemployment insurance (1,200 mn), repayments of regional policy loans (163 mn), partial repayment of basic price-reduction advances on leased property and loans to cooperative residential associations (69 mn), repayments of loans to licensed transportation companies (67 mn), FIPOI (13 mn), SMEs in developing and emerging market countries (6 mn), for hotel renovations (5 mn) and loans to the cantons for pre-financing refugee centers (5 mn).

Other transactions comprise primarily value adjustments to acquisition costs. A significant proportion of the Confederation's outstanding and newly granted loans is not, or only partially, repayable, and the value of these items is therefore 100% adjusted.

Main loan items

	2011			2012		
CHF mn	Acquisition value	Value adjustment	Carrying amount	Acquisition value	Value adjustment	Carrying amount
Loans	**21 522**	**-11 050**	**10 472**	**21 363**	**-11 742**	**9 621**
Unemployment insurance (AlV)	6 000	–	6 000	5 000	–	5 000
SBB AG	4 138	-3 492	646	4 859	-3 918	941
Loans to cantons in the form of investment credits and operating aid	2 521	-2 521	–	2 576	-2 576	–
Misc. licensed transportation companies	2 137	-1 744	393	2 269	-1 906	363
Non-profit residential construction	1 823	-251	1 572	1 747	-228	1 519
Swissair	1 169	-1 169	–	1 169	-1 169	–
Rhaetian Railway	1 077	-930	147	1 125	-978	147
Regional development	944	-168	776	859	-151	708
BLS Netz AG	350	-350	–	376	-376	–
Loans to FIPOI	397	-153	244	409	-158	251
EUROFIMA	330	–	330	330	–	330
BLS AG	280	-213	67	274	-213	61
Hotel renovation	112	-27	85	135	-29	106
Other loans	244	-32	212	235	-40	195

Valuation of loans

All loans have long-term character when they are initially granted. Loans for the discharge of public functions are recognized at acquisition cost minus the necessary value adjustments. Other loans are classified as "held to maturity" and are measured at amortized cost.

16 Financial interests

CHF mn	2011 Total	2012 Significant interests	2012 Other financial interests	2012 Total	Deviation vs. 2011 Absolute	Deviation vs. 2011 %
Balance at 1.1.	**18 857**	**18 590**	**84**	**18 674**	**-183**	**-1.0**
Additions	10	–	70	70	60	600.0
Disposals	-180	–	-22	-22	158	-87.8
Dividends and profit distribution received	-1 094	-867	–	-867	227	-20.7
Increase in equity value	1 256	2 228	–	2 228	972	77.4
Decrease in equity value	-440	–	–	–	440	-100.0
Revaluation gain	206	–	–	–	-206	-100.0
Other value changes	181	–	-113	-113	-294	-162.4
Reclassifications	-122	–	–	–	122	-100.0
Balance at 31.12	**18 674**	**19 951**	**19**	**19 970**	**1 296**	**6.9**

Financial interests increased in value by 1.3 billion. This was largely due to the proportionate performance of the Confederation's significant interests.

Six *significant interests* are disclosed in the federal consolidated financial statements: Swiss Post, SBB, Swisscom, RUAG, BLS Netz AG and Skyguide. SIFEM AG is fully consolidated, unlike in the state financial statements. The bulk of the growth in significant interests came from the Confederation's share in the positive results of its four largest financial interests *(Swiss Post, SBB, Swisscom, RUAG;* 2,256 mn combined). The flows to the Confederation in the form of dividends or profit distribution have to be deducted from this (867 mn). Aside from corporate results, the proportionate change in Swisscom's employee retirement benefits (-125 mn) had a negative effect on the equity value. The change was carried directly in equity in the financial statements of Swisscom.

Additions include increases to existing financial interests in the African Development Bank (6 mn), the Asian Development Bank (2 mn) and the International Bank for Reconstruction and Development (12 mn). Furthermore, the Confederation received shares to the value of 32 million from the European Bank for Reconstruction and Development. Also contained in additions is a value adjustment of 13 million in the area of licensed transportation companies.

Disposals include the elimination of fund contributions from development aid (12 mn), which were found in an audit to no longer exist. Disposals also comprise repayments from financial interests in SMEs in developing and transition countries (9 mn).

The *other value changes* refer primarily to the following two circumstances:

- Other financial interests are generally 100% value adjusted, which is why additions and disposals simultaneously produce a change in the accumulated value adjustment.
- SIFEM AG switched from SCO accounting rules to IFRS on January 1, 2012. This resulted in revaluations and reclassifications within the investment portfolio (funds, loans, financial interests) to the value of minus 60 million (also posted under *other value change*).

Distinction between significant interests and other financial interests

The statement of financial position distinguishes between significant interests and other financial interests. The criteria for classification as a significant interest are an equity stake of at least 100 million and an interest of 20% or more. *Significant interests* are valued using the equity method for the equity stake in the company in question. For this calculation, the values applied typically relate to the financial statements as of September 30. Equity value changes therefore reflect the period from October 1 of the previous year to September 30 of the year under review. In the case of BLS Netz AG, the semi-annual financial statements are used in the absence of any later figures.

The equity value is calculated on the basis of the acquisition costs at the time of acquisition; in subsequent years, this is corrected for the change in the equity stake. The profits of the underlying companies lead to an increase in the equity value, whereas profit distributions and losses lead to a corresponding reduction. The change in equity values is posted separately in the statement of financial performance. *Other financial interests* are carried at acquisition values minus any necessary value adjustments.

Significant interests and other group companies at 31.12.2012

CHF mn	Financial interest in %		Share capital	Consolidation/ valuation method	Acquisition value	Equity value/ carrying amount
Significant interests and other group companies					**12 111**	**19 970**
Controlled entities without share capital						
Swiss Federal Institutes of Technology Domain	n.d.		n.d.	Full consolidation	n.d.	n.d.
Board of the Swiss Federal Institutes of Technology	n.d.		n.d.	Full consolidation	n.d.	n.d.
Swiss Federal Institute of Technology Zurich	n.d.		n.d.	Full consolidation	n.d.	n.d.
Swiss Federal Institute of Technology Lausanne	n.d.		n.d.	Full consolidation	n.d.	n.d.
Paul Scherrer Institute, Würenlingen / Villigen	n.d.		n.d.	Full consolidation	n.d.	n.d.
Swiss Federal Institute for Forest, Snow and Landscape Research, Birmendsdorf	n.d.		n.d.	Full consolidation	n.d.	n.d.
Swiss Federal Laboratories for Materials Testing and Research, Dübendorf and St. Gallen	n.d.		n.d.	Full consolidation	n.d.	n.d.
Swiss Federal Institute of Aquatic Science and Technology, Dübendorf	n.d.		n.d.	Full consolidation	n.d.	n.d.
Swiss Alcohol Board	n.d.		n.d.	Full consolidation	n.d.	n.d.
Fund for major railway projects	n.d.		n.d.	Full consolidation	n.d.	n.d.
Infrastructure Fund for Urban Transportation and the Motorway Network	n.d.		n.d.	Full consolidation	n.d.	n.d.
Swiss Financial Market Supervisory Authority	n.d.		n.d.	Full consolidation	n.d.	n.d.
Swiss Federal Institute for Vocational Education and Training	n.d.		n.d.	Full consolidation	n.d.	n.d.
Swiss Federal Nuclear Safety Inspectorate	n.d.		n.d.	Full consolidation	n.d.	n.d.
Swiss Federal Institute of Intellectual Property	n.d.		n.d.	Full consolidation	n.d.	n.d.
Federal Audit Oversight Authority	n.d.		n.d.	Full consolidation	n.d.	n.d.
Swiss Export Risk Insurance	n.d.		n.d.	Full consolidation	n.d.	n.d.
Swiss National Museum (SNM)	n.d.		n.d.	Full consolidation	n.d.	n.d.
Controlled entities with share capital					**11 162**	**19 952**
Swiss Post	100.0		1 300	Equity	1 300	5 449
SBB	100.0		9 000	Equity	9 000	10 587
Swisscom	56.8		52	Equity	29	2 409
Ruag	100.0		340	Equity	340	843
BLS Netz AG	50.1		388	Equity	336	340
Pro Helvetia	100.0		0	Full consolidation	n.d.	n.d.
Swiss Association for Hotel Credit	22.4		6	Full consolidation	n.d.	n.d.
SIFEM AG	100.0		100	Full consolidation	n.d.	n.d.
Skyguide	99.9		140	Equity	140	324
Swissmedic	65.5		15	Full consolidation	n.d.	n.d.
Hotel Bellevue Palace	99.7		6	AV less value adj.	6	–
Matterhorn Gotthard Infrastruktur AG	76.7		15	AV less value adj.	11	–
Other material financial interests					**949**	**18**
Council of Europe Development Bank	1.6	EUR	370	AV less value adj.	16	–
International Bank for Reconstruction and Development	1.7	USD	12 418	AV less value adj.	269	–
African Development Bank	2.5	USD	3 023	AV less value adj.	76	–
International Finance Corporation	1.8	USD	2 369	AV less value adj.	54	–
Asian Development Bank	0.6	USD	8 150	AV less value adj.	34	–
Inter-American Development Bank	0.5	USD	4 339	AV less value adj.	30	–
European Fund for Southeast Europe	6.5	EUR	758	AV less value adj.	12	–
Inter-American Investment Corporation	1.6	USD	705	AV less value adj.	12	–
European Bank for Reconstruction and Development	2.8	EUR	6 197	AV less value adj.	227	–
Rhaetian Railway	43.1	CHF	58	AV less value adj.	25	–
Zentralbahn	16.1	CHF	120	AV less value adj.	19	–
BLS AG	21.7	CHF	79	AV less value adj.	17	–
Other financial interests	n.d.	CHF	n.d.	AV less value adj.	158	18

n.d.: not displayed

Note: The paid-up capital is shown in the "share capital" column. Additionally, there is unpaid capital in the sense of guarantee capital in the case of the international development banks. The share attributable to Switzerland is recorded under contingent liabilities.

17 Current liabilities

CHF mn	2011	2012	Deviation vs. 2011 Absolute	%
Current liabilities	**13 648**	**13 943**	**295**	**2.2**
Current accounts	9 843	9 986	143	1.5
Trade payables	1 650	1 667	17	1.0
Foundations under management	73	75	2	2.7
Restricted funds from third-party payments	855	948	93	10.9
Other current liabilities	1 227	1 267	40	3.3

Current liabilities amounted to 13.9 billion, with 5.8 billion of this related to tax revenue liabilities. The competitively acquired funds of the ETH Domain that have yet to be used amounted to 948 million.

The 10.0 billion carrying amount for *current accounts* (+143 mn) consists primarily of the following positions:

- Cantons' current accounts amounting to 2,150 million (-45 mn): the decline was attributable to the lower horizontal resource equalization for the financially weak cantons. The Confederation collects the contributions of the financially strong cantons to resource equalization, and forwards these sums together with its own contributions to the recipient cantons twice a year. The second tranche was due at year-end and was paid out at the beginning of 2013. The liabilities stand against credit balances amounting to 802 million.

- Credit balances of taxable persons and entities from withholding tax and stamp duty amounting to 2,109 million (-150 mn): the decrease was due to the deterioration on financial markets and the repercussions of the capital contribution principle.

- Credit balances of taxable persons and entities from value added tax amounting to 2,022 million (65 mn): the increase was attributable to the fact that the statements of receivables of taxable persons and entities are increasingly submitted prior to the year-end.

- Investment accounts of international organizations amounting to 914 million (-190 mn): of this figure, 407 million (-273 mn) relates to the CERN pension fund.

- AHV portion of the value added tax share amounting to 520 million (-55 mn).

- Advance payment of withholding tax on the part of one company for the dividend envisaged in 2013 (+500 mn).

- Cantons' share of withholding tax amounting to 442 million (-60 mn).

- Current account of the Swiss National Science Foundation amounting to 373 million (+27 mn).

- IV portion of the value added tax share amounting to 248 million (-39 mn).

- Current account of PUBLICA for loans to cooperative residential associations managed on a fiduciary basis amounting to 177 million (-5 mn).

Trade payables consist of outstanding supplier invoices which will not be settled until 2013. The 17 million increase in this item was attributable to contrasting factors. On the one hand, liabilities vis-à-vis the cantons for subsidy payments in the area of asylum and refugees increased by some 67 million. In addition, the cantons' share of the mileage-related heavy vehicle charge was recorded under this position for the first time in 2012 (previously recorded under current accounts). The balance amounts to 101 million. On the other hand, the level of trade payables was reduced by the decline in outstanding invoices of the cantons for the finalization of the motorway network and urban transportation (-99 mn), as well as a general reduction in processing time for creditor invoices.

Restricted funds from third-party payments were for the most part competitively acquired by the institutions of the ETH Domain. These funds are earmarked for predefined research projects, and are accordingly appropriated and recognized in profit and loss according to the progress of the project in question.

Other current liabilities essentially consist of deposit accounts amounting to 906 million (+12 mn) as well as cash deposits of 287 million (+16 mn). Deposit accounts include the nuclear damage fund (458 mn).

The proportion of liabilities concerning related legal parties and organizations is reported on in section 43/6.

18 Financial liabilities

CHF mn	2011 Carrying amount	2011 Market value	2012 Carrying amount	2012 Market value
Short-term financial liabilities	**14 356**	**n.d.**	**16 465**	**n.d.**
Money market*	10 610	10 608	13 006	13 006
Savings bank for federal employees*	3 155	n.d.	3 030	n.d.
Negative replacement values	568	n.d.	399	n.d.
Other short-term financial liabilities	23	n.d.	30	n.d.
Long-term financial liabilities	**80 166**	**n.d.**	**79 489**	**n.d.**
Federal government companies	50	n.d.	50	n.d.
Bonds	80 049	96 369	79 290	95 714
Other long-term financial liabilities	67	n.d.	149	n.d.

n.d.: not displayed
* Average interest:
– Money market 2012: 0.19% (2011: 0.48%)
– Savings bank for federal employees 2012: 0.46% (2011: 1.208%)

Short-term financial liabilities increased by 2.1 billion (particularly money market debt register claims), while long-term financial liabilities declined by 0.7 billion (particularly bonds). Overall, financial liabilities increased by 1.4 billion.

The level of *money market debt register claims* rose by 2.4 billion and that of bonds declined by 0.8 billion. As a result of persistently low interest rates, the market values moved in the same direction as nominal values. The *negative replacement values* relate to derivative financial instruments. These declined above all as a result of maturing foreign currency forward contracts for special transactions. The increase in *other short-term financial liabilities* can be explained by the fact that the financing lease for the property of the Federal Administrative Court in St. Gallen is now recognized under liabilities (89 mn).

When issuing federal bonds, the Confederation can reserve so-called “free proprietary quotas”. These can then be placed on the market at a later date, in keeping with the market situation. From this point onward, the Confederation’s debt increases. The free proprietary quota amounted to 3,555 million.

Recognition of financial liabilities

The carrying amount corresponds to the nominal amount, with the exception of derivative financial instruments, which are recognized at market values. The market value indicates the actual value of the financial liabilities as of the reference date.

Maturity structure of short-term money market claims and bonds

2012 CHF mn	Nominal value – Maturities: < 1 month	1–3 months	3 months – 1 year	1–5 years	> 5 years	Carrying amount Total
Short term: money market claims	3 694	7 255	2 057	–	–	13 006
Long term: bonds	–	6 900	–	25 520	46 870	79 290

2011 CHF mn	Nominal value – Maturities: < 1 month	1–3 months	3 months – 1 year	1–5 years	> 5 years	Carrying amount Total
Short term: money market claims	2 147	6 679	1 784	–	–	10 610
Long term: bonds	–	–	8 600	26 164	45 285	80 049

19 Accrued expenses and deferred income

CHF mn	2011	2012	Deviation vs. 2011 Absolute	%
Accrued expenses and deferred income	**5 311**	**5 461**	**150**	**2.8**
Interest	1 885	1 841	-44	-2.3
Premium	1 932	2 603	671	34.7
Other accrued expenses and deferred income	1 494	1 017	-477	-31.9

The level of accrued expenses and deferred income increased to 5.5 billion (+150 mn). Two contrasting factors influenced the result: the high premium from bond issues resulted in higher deferred income (+670 mn); by contrast, lower liabilities from withholding tax refund claims led to a decline in the corresponding accrued expenses (-439 mn).

Accrued expenses and deferred income for *interest* declined by 44 million year-on-year as a result of lower bond holdings and the lower interest rate environment.

Although the level of outstanding bonds declined by 759 million, the *premium* rose by 670 million year-on-year. This was attributable to the fact that the premium of 968 million generated in 2012 was higher than the share of 298 million to be amortized. Premiums are carried as deferred income and amortized over the residual term.

The decline in *other accrued expenses and deferred income* was largely attributable to the decline of 439 million in accruals in the area of withholding tax (424 mn). There was a fall in both the number of applications and size of withholding tax refund claims submitted in the first ten calendar days of the following year, and liabilities determined according to individual analyses of large tax clients were also lower.

The remaining accruals and deferrals comprise the following key individual positions:

- Individual disability insurance measures amounting to 139 million (+1 mn)
- Direct payments, dairy industry and sales promotion amounting to 48 million (unchanged)
- Subsidies for regional passenger transportation for the 2013 timetable period amounting to 47 million (+4 mn)
- Motorway construction and maintenance amounting to 112 million (-5 mn)
- Receipts received in advance from meat quota auctions for 2013 amounting to 71 million (+1 mn)
- Accrued expenses for the specific tenant fitout of ETH Zurich amounting to 20 million (-2 mn).
- In 2011, accrued expenses and deferred income included advance payments for an EPFL research project amounting to 27 million. In the year under review, this was reported under restricted funds from third-party payments (see section 17).

20 Provisions

2012 CHF mn	Total	Withholding tax	Military insurance	Coins in circulation	Other
Balance at 1.1.	**13 203**	**8 200**	**1 510**	**2 077**	**1 416**
Creation (incl. increase)	656	500	35	62	59
Reversal	-159	–	–	-111	-48
Appropriation	-124	–	-111	-8	-5
Balance at 31.12.	**13 576**	**8 700**	**1 434**	**2 020**	**1 422**
of which short term	373	–	–	–	373

2011 CHF mn	Total	Withholding tax	Military insurance	Coins in circulation	Other
Balance at 1.1.	**14 211**	**9 300**	**1 557**	**2 024**	**1 330**
Creation (incl. increase)	236	–	15	61	160
Reversal	-1 144	-1 100	–	–	-44
Appropriation	-103	–	-62	-8	-33
Changes in the consolidation scope	3	–	–	–	3
Balance at 31.12.	**13 203**	**8 200**	**1 510**	**2 077**	**1 416**
of which short term	369	–	–	–	369

Provisions rose by 0.4 billion relative to the previous year. The primary driver of this increase was withholding tax, for which the refunds likely to be claimed for previous fiscal years rose by 0.5 billion to 8.7 billion. The other major positions under provisions (military insurance, coins in circulation) recorded a decline.

Withholding tax

Gross receipts were 1.3 billion lower than in 2011. However, the refunds paid in the year under review likewise fell sharply (-2.5 bn). Overall, there was a 500 million increase in the provisioning requirement.

The withholding tax provision covers expected future tax refund claims in respect of revenue which has already been recognized on the basis of tax returns received. Under the applicable measurement basis, a percentage is deducted from gross receipts recorded, which are presumed to have been paid out as refunds or recorded as accrued expenses in the year under review. An empirical value representing the residual share of net income due to the Confederation is also deducted. The balance is the level of provision required to match the share of receipts likely to be claimed as refunds in subsequent years. Based on the information currently available, it is possible to determine only the refunds from receipts outstanding in the current year. Amounts payable from receipts in previous years are not reflected in the level of provision calculated.

Military insurance

In response to the declining number of pension claimants, the provision for projected pension liabilities decreased by 76 million compared with the previous year. Overall, pension payments amounted to 111 million, while the provision was increased by 35 million primarily as a result of pension cases.

Suva operates the military insurance scheme as a separate social insurance fund on behalf of the Confederation. In the event of claims giving rise to pension entitlements under the military insurance scheme, provision must be made for the projected pension liabilities. Actuarial methods are used to calculate the provision required. This involves capitalizing all pensions in payment based on an assessment of the relevant parameters (e.g. mortality, size of pension, inflation assumptions, etc.). The amount of the provision is recalculated on an annual basis.

Coins in circulation

A provision is made for coins in circulation. In 2012, the calculation model for this provision was subjected to a review. Based on eurozone empirical values, this review suggests a loss rate of 35% should be anticipated, as not all coins are delivered to the SNB, even after several years have passed. As a result, the provision level here was subject to a reversal of 111 million. The amount of the provision corresponds to 65% of the nominal value of newly minted coins supplied to the SNB (62 mn). Coins to the value of 8 million were withdrawn and destroyed. These withdrawals are shown under appropriation for this provision.

Other provisions

The main items under other provisions are as follows:

Vacation and overtime; 314 million:
Staff vacation entitlement and overtime declined by just over 3% year-on-year (-11 mn). The average entitlement per employee decreased further to 2.5 weeks. This is in line with private sector employers of equivalent size.

Pensions for members of the Federal Council, judges of the Federal Supreme Court, and the Federal Chancellor and Vice-Chancellor; 275 million:
Members of the Federal Council, ordinary judges of the Federal Supreme Court, and the Federal Chancellor and Vice-Chancellor are not insured with PUBLICA. Their occupational retirement benefits consist of a pension on retiring from office and survivors' pensions. The applicable statutory provisions are laid down in the Federal Act Governing Remuneration and Retirement Benefits Due to Members of the Federal Council, Judges of the Federal Supreme Court, and the Federal Chancellor and Vice-Chancellor of October 6, 1989 (SR *172.121*) and the Federal Assembly Ordinance Governing Remuneration and Retirement Benefits Due to Members of the Federal Council, Judges of the Federal Supreme Court, and the Federal Chancellor and Vice-Chancellor of October 6, 1989 (SR *172.121.1*). The retirement plan is funded by the Confederation. The mathematical reserve calculated using actuarial principles amounts to 275 million. The provision for pensions is recalculated every five years, with the last recalculation taking place in 2010.

Federal military buildings; 228 million:
Provisions for structural alterations prescribed by law in relation to contaminated site clean-up, drainage, seismic safety and decommissioning costs. This provision remained unchanged in the year under review. Possible implementation period: 2013 to 2023.

Provisions for outstanding claims; 149 million:
Swiss Export Risk Insurance makes a provision for incurred but still unpaid claims. Once the claim has been paid, the provision is reversed, with the amount paid out recorded as a receivable and written off. Swiss Export Risk Insurance adopts a conservative approach to provisions, i.e. using a prudent recognition basis. Provisions declined by 10 million to 149 million in 2012, which is in line with the normal range of variability.

Federal civilian buildings; 126 million:
Provisions cover primarily dismantling and disposal costs (69 mn) incurred in connection with the decommissioning of nuclear facilities which are operated by the Paul Scherrer Institute (PSI). The nuclear facilities are the property of the Confederation. Other significant provisions have been established for structural alterations prescribed by law in order to comply with fire safety, seismic safety and asbestos removal requirements. In 2012, a reversal of 11 million was recorded for the provisions for seismic safety and contaminated sites. 7 million of the 126 million in aggregate provisions is recognized as short-term provisions.

Unearned insurance premiums; 116 million:
The provision for unearned insurance premiums covers Swiss Export Risk Insurance premiums which were received in the year under review and in previous years but are earned only during the period of coverage. For premium revenue recognition purposes, 20% of premiums is immediately recognized as revenue for administration in the current fiscal year. The remaining 80% is recognized as revenue based on the spread of risk over the contractual terms applying to individual transactions. In the event of a claim, any unutilized portion of the premium is realized immediately. Reserves declined by 4 million in 2012, which is in line with the normal range of variability.

Dismantling of accelerator facility; 70 million:
The Paul Scherrer Institute operates the Federal Interim Storage Facility for the interim storage of radioactive waste from the operation and dismantling of nuclear facilities and from medicine, industry and research. Accelerator waste produced when replacing individual components is embedded in concrete containers and also stored at the Federal Interim Storage Facility. It will be necessary to dispose of any radioactive components remaining after this facility is decommissioned. This item is unchanged from the prior year.

Radioactive waste; 53 million:
The Confederation is responsible for disposing of radioactive waste from medicine, industry and research (MIR waste) (Art. 33 para. 1 of the Nuclear Energy Act of March 21, 2003; SR *732.1*). The radioactive waste is generally collected annually under the management of the Federal Office of Public Health (FOPH). The Paul Scherrer Institute functions as the federal collection center responsible for the conditioning and interim storage of radioactive waste. The provision for radioactive waste is intended to cover the estimated costs of interim storage and the subsequent costs of final storage. The provision is adjusted each year on the basis of the volume of new waste collected. No adjustment was made in the year under review, due to the minimal increase in the volume of waste.

Defense social plan costs; 20 million:
The provision for early retirements expected in the next few years decreased by 4 million as a result of social plan payouts (shown under appropriation). Conversely, a new provision of the same amount was created.

EUROCONTROL pension fund; 13 million:
A pension fund has been in place for EUROCONTROL employees since 2005. The member states of EUROCONTROL have undertaken to build up this fund over a period of 20 years. The overall liability of the member states changes not only as a result of payments made, but also due to the adjustment of the discount rate applied to calculate the necessary retirement capital. In the year under review, the contribution to this pension fund amounted to 1 million (reported under appropriation). The recalculation of the necessary capital and the change in the exchange rate led to an increase of 2 million in this provision (reported under creation).

21 Other liabilities

CHF mn	2011	2012	Deviation vs. 2011 Absolute	%
Other liabilities	**1 296**	**1 276**	**-20**	**-1.5**
Liabilities toward restricted funds in liabilities	1 296	1 276	-20	-1.5

There was no major change in terms of restricted funds in liabilities (-20 mn). Restricted receipts and the expenditure that these receipts finance were balanced.

The slight reduction in other liabilities was attributable to somewhat opposing developments. The most significant components and changes relate to the following:

- *VOC and "extra-light" heating oil incentive fees:* restricted receipts worked out slightly higher than redistributions, which led to a net deposit in the fund (+4 mn). VOC and "extra-light" heating oil incentive fees are levied on volatile organic compounds (Ordinance of November 12, 1997 on the Incentive Tax on Volatile Organic Compounds; OVOC; SR *814.018*). The "extra-light" heating oil incentive fee is levied on heating oil that contains sulphur (Ordinance of November 12, 1997 on the Incentive Tax on "Extra-Light" Heating Oil with a Sulphur Content of More than 0.1 Percent; ELHOO; SR *814.019*). Fees are redistributed to the public with a two-year time lag. Holdings amounted to 259 million.

- *Special financing casino tax:* compared with 2010 (the relevant year for expenditure), receipts in the fiscal year worked out 52 million lower (weaker economic situation, strong franc, increased competition from foreign casinos). The corresponding expenditure surplus (-52 mn) led to a withdrawal from the fund. Casino tax receipts (Art. 94 of the Gambling Ordinance of September 24, 2004; SR *935.521*) in favor of AHV are transferred with a two-year time lag. Fund assets amounted to 705 million.

- *Special financing contaminated site fund:* it was not possible to use the funds earmarked for clean-up projects as planned. In particular, this was attributable to the ongoing investigations regarding the assessment of the economic efficiency, the technology status, and the environmental impact of the dismantling and disposal measures in the remediation of the former hazardous waste facility in Kölliken. As a result, the net expense for the fund increased from 15 million to 169 million. The contaminated site fund (Ordinance of September 26, 2008 on the Charge for the Remediation of Contaminated Sites; SR *814.681*) is concerned with the levying of a tax on waste disposal and the ring-fencing of revenue for contributions to the investigation, monitoring and remediation of landfill sites.

- *Family compensation fund special fund:* fund assets (including the fluctuation reserve) increased from 89 million to 92 million in the year under review. Federal family allowances are financed through the special fund (Family Allowances Act of March 24, 2006; SR *836.2;* and Article 15 of the Family Allowances Ordinance of October 31, 2007; SR *836.21*). Family allowances are designed to provide a certain level of compensation toward the cost of raising a family. These are monthly allowances paid to employees in the form of child, education, birth and adoption allowances. The family compensation fund covers the minimum contributions due from employers. A third of the statutory fluctuation reserve is financed by the Confederation as employer and two-thirds by other employers.

- *CO_2 tax on fuel:* as 2012 receipts were lower than planned, just as they had been the previous year, the "redistribution" fund and the "building program" fund showed deficits of 120 million and 50 million, respectively. The CO_2 tax on fuel is an incentive fee on fossil fuels (Federal Act of October 8, 1999 on the Reduction of CO_2 Emissions, SR *641.71;* CO_2 Tax Ordinance, SR *641.712*). The law provides that a third of the funds, but no more than 200 million, shall be appropriated for measures to reduce CO_2 emissions from buildings (building renovation and promotion of renewable energy use in buildings). The remaining restricted receipts are redistributed to households and companies. In the interests of transparency, two separate restricted funds are maintained. The financing for redistribution and the building program are provided within the fiscal year and are thus based on estimated annual receipts. The balances of both funds are shown as advances under long-term financial investments (see section 11).

- The funds of the *health insurance* fund (Federal Act of March 18, 1994 on Health Insurance; SR *832.10*) are paid out during the year of collection. Contributions to the cantons are based on the gross costs of mandatory health insurance. The fund is financed via value added tax.

- Restricted receipts allocated to the *old age, survivors' and disability insurance* fund are transferred during the same year to the AHV compensation fund (Federal Act of December 20, 1946 on the Old-Age and Survivors' Insurance; SR *831.10*) and to the disability insurance (IV) compensation fund (Federal Act of June 13, 2008 on Disability Insurance; SR *831.27*).

Special financing and special funds

Other liabilities consist of special financing and special funds in accordance with Articles 52 and 53 of the Financial Budget Act (FBA). Depending on their nature, they are attributed to liabilities or net assets/equity. Insofar as the law expressly provides for flexibility in their use or the time at which they may be used, they are allocated to restricted funds in net assets/equity, and to liabilities in all other cases.

Special financing receipts and expenditure are recognized in the statement of financial performance and the statement of investments. If restricted receipts exceed the equivalent expenditure in the reporting period, the difference is credited to the fund, and vice versa if expenditure exceeds receipts. Restricted funds in liabilities are recognized in the statement of financial performance (net expense for or net revenue from restricted funds in liabilities). Any changes in restricted funds in net assets/equity, in contrast, are recognized directly in the statement of financial position rather than the statement of financial performance, and credited to or debited from the accumulated deficit (see section 34, Statement of net assets/equity).

Special funds normally fall under net assets/equity (see section 34). Special fund receipts and expenditure are recognized in balance sheet accounts rather than in the statement of financial performance.

43 Further explanations

1 Segment reporting

2012 CHF mn	Social welfare	Finances and taxes	Transpor-tation	Education & research	National defense	Agriculture & food	International relations - international cooperation	Other task areas	Total
Result from operating activities									**2 848**
Operating revenue	**249**	**59 175**	**73**	**724**	**235**	**245**	**20**	**2 057**	**62 778**
Operating expenses	**20 567**	**7 608**	**7 708**	**6 943**	**4 375**	**3 664**	**2 911**	**6 154**	**59 930**
Personnel expenses	302	111	178	2 097	1 414	90	552	2 533	7 277
Other operating expenses	147	289	533	682	2 625	32	152	1 387	5 847
Depreciation	9	4	1 402	395	227	6	1	346	2 390
Transfer expenses	20 109	7 204	5 595	3 769	109	3 536	2 206	1 888	44 416
Investments	**5**	**7**	**1 858**	**375**	**372**	**5**	**2**	**494**	**3 118**
In tangible fixed assets	1	4	1 832	374	372	4	0	437	3 024
In intangible fixed assets	4	3	26	1	0	1	2	57	94

2011 CHF mn	Social welfare	Finances and taxes	Transpor-tation	Education & research	National defense	Agriculture & food	International relations - international cooperation	Other task areas	Total
Result from operating activities									**3 592**
Operating revenue	**209**	**61 673**	**191**	**680**	**273**	**237**	**18**	**1 038**	**64 319**
Operating expenses	**20 503**	**7 499**	**8 815**	**6 751**	**4 487**	**3 645**	**2 740**	**6 287**	**60 727**
Personnel expenses	282	103	170	2 025	1 374	84	539	2 488	7 065
Other operating expenses	124	251	484	676	2 731	31	143	1 575	6 015
Depreciation	7	5	1 384	425	230	2	5	313	2 371
Transfer expenses	20 090	7 140	6 777	3 625	152	3 528	2 053	1 911	45 276
Investments	**6**	**7**	**2 072**	**521**	**261**	**4**	**3**	**256**	**3 130**
In tangible fixed assets	–	3	2 057	519	261	2	2	209	3 053
In intangible fixed assets	6	4	15	2	–	2	1	47	77

Revenue, expenses and investments within the task areas remained relatively stable relative to the previous year. However, comparisons are slightly distorted by the 2011 package of measures to cushion the effects of the strong franc (834 mn in transfer expenses) as well as last year's restructuring contribution to the SBB pension fund (1,148 mn in transfer expenses). The largest percentage increase in operating expenses was recorded in the "International relations – international cooperation" task area.

Social welfare

The increase in operating expenses within the largest task area was less pronounced than usual (+64 mn). The non-recurrence of the special contribution of 500 million to unemployment insurance in 2011 as part of measures to cushion the effects of the strong franc almost entirely offset the sharp increase in migration expenses (more asylum applications; +187 mn) as well as growth in AHV/old age and survivors' insurance (demographic development; +155 mn) and disability insurance (+150 mn).

Segment reporting; differences relative to the state financial statements

The segment report shows operating revenue and expenses as well as investments by task area. Unlike the state financial statements, which focus on receipts and expenditure, the segment reports are presented in terms of financial performance. The main difference is that depreciation and amortization are charged against the operating result instead of investment expenditure. For the sake of completeness, the investments carried out are also presented.

The ordinary federal contribution to disability insurance (37.7% of IV expenditure) declined for the first time in many years (-90 mn); the growth was exclusively attributable to the introductory effect of the VAT supplement in favor of disability insurance. The 2011 financial statements did not yet contain all of the IV supplementary financing (only three-quarters of the VAT supplement), whereas the entire supplement was transferred to disability insurance in 2012 (+250 mn). Expenses for AHV and IV supplementary benefits recorded a sharp increase (+61 mn). By contrast, contributions to individual health insurance premium reductions grew much more slowly (+36 mn).

Finances and taxes

The segment report breaks down only the operating result by task area, which means that financial expense and revenue are not taken into account – unlike in the state financial statements. The reduction of 2,498 million in *operating revenue* was largely attributable to the decline in tax revenue (-1,804 mn) and the lower profit distribution by the SNB (-500 mn). In the case of transfer expenses, the payments for fiscal equalization (+53 mn) and the cantons' share of federal receipts (+11 mn) both rose.

Transportation

Motorways are capitalized under tangible fixed assets. Motorway-related expenditure eligible for capitalization is therefore reported as *investments.* In contrast, expenditure on railway infrastructure is included under *transfer expenses,* since the infrastructure is capitalized at the level of the individual operators and not at the level of the Confederation. The decline in *transfer expenses* was almost wholly accounted for by the Confederation's restructuring contribution to the SBB pension fund (1,148 mn) the previous year in accordance with the Federal Council dispatch of March 5, 2010. Motorway-related expenditure not eligible for capitalization is recorded under transfer expenses, as are service level agreements with licensed transportation companies and investment contributions for railway infrastructure.

Education and research

Operating expenses increased by 192 million compared with the previous year. When adjusted for the measures to cushion the effects of the strong franc, for which one-time expenditure of 195 million was incurred in 2011, the increase amounted to 339 million. A substantial proportion of the increase related to vocational education (+93 mn); this is in keeping with the Confederation's aim of achieving a guideline figure of a quarter of public expenditure on this segment of the task area. The rest is divided between the cantonal universities and the universities of applied sciences (+39 mn) and contributions to research (+51 mn). In both areas, substantial additional expenses were incurred last year to cushion the impact of the strong franc; the funds for ordinary task fulfillment therefore rose more sharply than the absolute figures might suggest. Operating revenue derived from third-party funds that were assigned to the ETH Domain. Personnel expenses likewise largely relate to the ETH Domain.

National defense

The decline in *operating expenses* for national defense was due to the lower expenditure on armaments (-167 mn) and the lower contribution to the UN (-43 mn regarding the share attributed to national defense). In contrast, there was an increase in real estate expenses (+39 mn) and general supplies and equipment for the army (+37 mn). Starting in 2012, some intelligence service expenses are allocated to the national defense task area (+19 mn); these expenses were still reported under the public order and security task area in 2011.

Agriculture and food

Transfer expenses recorded a slight rise of 8 million relative to the previous year. Direct payments, which showed only a slight year-on-year rise (+14 mn), accounted for a good three-quarters of expenses. The other areas likewise experienced only minimal changes compared with 2011.

International relations – international cooperation

International relations posted the strongest growth of all task areas in percentage terms. This was primarily due to the increase in funding for development assistance approved by parliament; the aim is to increase the ratio of official development assistance (ODA) to 0.5% of GNI by 2015. Accordingly, development assistance expenses increased by 163 million, or 8.4%. In addition, the contribution to EU enlargement was also higher than the previous year (+27 mn), despite project delays. In contrast, expenses for political and economic relations declined slightly (-7 mn and -3 mn) due to more favorable exchange rates, among other things.

Other task areas

The rise in *operating revenue* was largely attributable to the sum of 738 million received from the new allocation of mobile radio frequencies. The proceeds of these license auctions, which involve terms that run up to 2028, amounted to 996 million. The remaining amount will earn interest and fall due for payment in 2015 and 2016. In contrast to IPSAS, this revenue is recognized according to the cash principle.

2 Debt (gross and net debt)

CHF mn	2011	2012	Deviation vs. 2011 Absolute	%
Gross debt	**108 170**	**109 897**	**1 727**	**1.6**
Current liabilities	13 648	13 943	295	2.2
Short-term financial liabilities	14 356	16 465	2 109	14.7
Long-term financial liabilities	80 166	79 489	-677	-0.8
Net debt	**86 022**	**84 661**	**-1 361**	**-1.6**
Gross debt	108 170	109 897	1 727	1.6
Deductions	*22 148*	*25 236*	*3 088*	*13.9*
Cash and cash equivalents	6 123	9 891	3 768	61.5
Receivables	6 704	7 086	382	5.7
Short-term financial investments	2 103	1 665	-438	-20.8
Long-term financial investments	296	373	77	26.0
Loans held to maturity	6 922	6 221	-701	-10.1

Gross debt rose by CHF 1.7 billion to CHF 109.9 billion in 2012. In view of the redemption of a 6.9 billion bond maturing at the start of 2013, the level of Treasury funds was boosted toward the end of the year, which necessitated an increase in short-term debt. This had no impact on net debt, however, which declined by 1.3 billion.

Gross debt

The short-term and long-term components of debt moved in opposite directions:

- In the case of *current liabilities,* the increase of 0.3 billion was primarily attributable to withholding tax. An advance payment of 0.5 billion was broadly offset by lower tax liabilities as a result of the financial market weakness and the repercussions of the capital contribution principle.
- Regarding *financial liabilities,* there was a further shift in 2012 from the long-term to the short-term segment, in keeping with the development of previous years. In the case of bonds, debt was reduced by 0.8 billion, for example, whereas the level of money market debt register claims increased by 2.4 billion. It is worth noting that money market debt register claims were issued above par – in other words with a negative interest rate – in 2012.

Net debt

Net debt declined by 1.3 billion to 84.7 billion. The increase in gross debt (+1.7 bn) was more than offset by the increase in *deducted elements* (+3.4 bn):

- The above-mentioned temporary increase in Treasury funds to redeem a 6.9 billion bond maturing at the start of 2013 was reflected in the 3.8 billion increase in cash and cash equivalents.
- The increase of 0.3 billion in receivables was essentially the result of higher tax and customs receivables (+0.5 bn) and a decline in current accounts (-0.1 bn).
- The decrease of 0.5 billion in *short-term financial investments* was primarily attributable to expiring fixed-term deposits with banks and the cantons.
- In the case of *loans held to maturity,* the main changes related to the partial repayment of unemployment insurance loans (-1.0 bn) and the increase in the SBB loan (+0.3 bn).

3 Contingent liabilities

The funding deficit for "Employee retirement benefits and other employee benefits" (based on IPSAS 25) fell by 1.5 billion to 8 billion. This was primarily due to the positive investment performance of plan assets. Further contingent liabilities grew by 1.7 billion to 19.5 billion. The largest increase was in guarantee liabilities in favor of international development banks.

Employee retirement benefits and other employee benefits

A comparison of total employee retirement benefits and the fair value of plan assets showed a funding deficit, or net employee retirement benefits, of 8 billion as of December 31, 2012. Comparing only funded retirement benefits against the fair value of plan assets, the funding deficit based on IPSAS 25 was 7.3 billion.

The PUBLICA pension fund accounted for 36.6 billion of *employee retirement benefits* (funded retirement benefits) and other long-term employee benefits for 0.7 billion (unfunded retirement benefits). Overall, the present value of employee retirement benefits rose from 36.7 billion to 37.3 billion during the 2012 business year.

Plan assets are measured at fair value. They rose from 27.3 billion to 29.3 billion.

Development of employee retirement benefits

The 1,489 million *change in liabilities* consists of the net retirement benefit cost, actuarial gains and losses to be recognized immediately, and employer contributions (see "Development of liabilities" table).

The *net retirement benefit* cost amounted to 415 million in 2012 (see "Net retirement benefit cost/gains" table). The regular net retirement benefit cost is essentially equal to the difference between the service cost (present value of the obligation resulting from employee service in the reporting period) and the interest cost for both accumulated retirement benefits and the expected return on plan assets.

Retirement benefit obligations and other employee benefits

CHF mn	2011	2012	Deviation vs. FS 2011 Absolute	%
Present value of funded net retirement benefit obligations	-36 031	-36 577	-546	1.5
Plan assets at fair value	27 282	29 280	1 998	7.3
Funded net retirement benefit obligations	**-8 749**	**-7 297**	**1 452**	**-16.6**
Present value of unfunded net retirement benefit obligations	-711	-674	37	-5.2
Total net retirement benefit obligations	**-9 460**	**-7 971**	**1 489**	**-15.7**

Development of liabilities

CHF mn	2011	2012	Deviation vs. FS 2011 Absolute	%
At 1.1.	**-4 023**	**-9 460**	**-5 437**	**135.1**
Net retirement benefit cost/gains	-581	-415	166	-28.6
Sum for immediate recognition	-5 615	1 091	6 706	-119.4
Employer contributions	759	813	54	7.1
At 31.12.	**-9 460**	**-7 971**	**1 489**	**-15.7**

Net retirement benefit cost/gains

CHF mn	2011	2012	Deviation vs. FS 2011 Absolute	%
Current service cost of employer (net)	574	842	268	46.7
Interest cost	646	456	-190	-29.4
Expected return on assets	-947	-875	72	-7.6
Recognized net gains on long-term employee benefits	77	-8	-85	-110.4
Amortization of unrecognized items	231	–	-231	-100.0
Ordinary net retirement benefit cost	**581**	**415**	**-166**	**-28.6**
Extraordinary net retirement benefit cost/gains (curtailment)	–	–	–	n.d.
Net retirement benefit cost/gains	**581**	**415**	**-166**	**-28.6**

n.d.: not displayed

Actuarial assumptions

	2011	2012
Discount rate	1.25%	1.15%
Expected long-term return on retirement assets	3.25%	3.00%
Expected salary trend	1.50%	1.30%
Expected pension adjustments	0.15%	0.10%

The *sum for immediate recognition* came to 1,090 million for 2012. This comprises all changes or deviations from the actuarial assumptions. When valuing retirement benefit obligations as of December 31, 2012, the discount rate was adjusted to the current yields available on federal bonds with a maturity of 20 years or more. It is now 1.15%, versus 1.25% the previous year (see "Actuarial assumptions" table).

Total *employer contributions* paid in 2012 amounted to 813 million. Employer contributions represent the total amount of regulatory savings and risk contributions paid for active insured employees, which rise sharply as a percentage of the insured salary in line with incremental increases as the insured employee ages. The current service cost calculated using the PUC method is 842 million. The PUC method is based on other actuarial assumptions, such as employee turnover, future interest on retirement savings, or salary increases, as well as a straight-line attribution of benefit cost over the period of service.

Scope and calculation of employee retirement benefits

Employee retirement benefits mean obligations under pension plans which pay out benefits upon retirement, death or disability. Employee retirement benefits are generally measured in accordance with the methods prescribed in IPSAS 25 or with the provisions of IAS 19/IFRS 28 in the case of those entities that prepare their financial statements in accordance with IFRS. Notwithstanding IPSAS 25, these benefits are not recognized as provisions. Instead, they are shown as contingent liabilities in the notes to the annual financial statements

All employees of entities included on a full consolidation basis are insured by PUBLICA but under separate pension schemes. These schemes qualify as defined benefit plans under IPSAS 25 due to the regulatory benefits promised to employees. In addition to pension fund benefits, other long-term employee benefits recognized and measured under IPSAS 25 were as follows:

- Long-service benefits
- Preretirement benefits for staff employed under specific contracts of employment (parent entity) in accordance with Articles 33 and 34 of the Federal Personnel Ordinance
- Early retirement benefits paid out within the scope of restructuring

The actuarial assumptions (see table) were set as of December 31, 2012. They are applied by the pension funds of the Confederation as parent entity and the ETH Domain. Some slightly different assumptions are used by the other consolidated entities.

Employee retirement benefits were measured according to the Projected Unit Credit (PUC) method by external actuarial experts. According to this method, the value of employee retirement benefits on the reporting date is equal to the present value of entitlements acquired up to that date. The determining parameters include the insurance term, expected salary on normal retirement age, and the periodic adjustment of pension payments to inflation. Under the PUC method, contributions to projected actuarial reserves at the time of retirement are not built up incrementally, but accumulated on a straight-line basis over the remaining period in which the employee is in service.

Definition of contingent liabilities

A contingent liability is either:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of some future event. The occurrence of this event cannot be influenced (e.g. sureties); or

- a present liability that arises from past events but cannot be recognized because it is not probable that an outflow of resources will be required to settle the liability, or the amount of the liability cannot be measured with sufficient reliability (criteria for recognizing a provision are not met, e.g. litigation in progress with low probability of loss).

Contingent liabilities arise from the same set of circumstances that would require the recognition of provisions (failure of performance or payment by third parties), although no present obligation currently exists, and the probability of an outflow of resources is less than 50%.

Further contingent liabilities

CHF mn	2011	2012	Deviation vs. 2011 Absolute	%
Further contingent liabilities	**17 835**	**19 491**	**1 656**	**9.3**
Sureties	9 907	10 368	461	4.7
Guarantee liabilities	6 230	7 530	1 300	20.9
Legal cases	341	217	-124	-36.4
Other contingent liabilities	1 357	1 376	19	1.4

Further contingent liabilities include sureties, guarantee liabilities, litigation in progress and other contingent liabilities.

Sureties comprise the following:

- The Confederation has issued a state guarantee to *EUROFIMA* (European Company for the Financing of Railroad Rolling Stock) for loans extended to the SBB. The SBB has a credit facility with EUROFIMA for up to 5,400 million. The Confederation also stands as guarantor in respect of share capital not paid up by the SBB, amounting to 104 million. The total contingent liability with respect to EUROFIMA was thus 5,504 million.

- *Subsidized housing* is indirectly funded by way of sureties issued. The Confederation issues guarantees in respect of second mortgages of natural persons for the promotion of housing construction in accordance with Article 48 of the Federal Act on the Promotion of Housing Construction and Home Ownership (HCHOA; SR *843*). It can also issue guarantees to public housing construction organizations in accordance with Article 51 of the HCHOA. Finally, the Confederation guarantees bonds of public central issuers provided that the funds thus acquired are utilized to grant loans for the promotion of affordable housing (Art. 35 Affordable Accommodation Act; SR *842*). Sureties came to a total of 2,547 million.

- For the procurement of low-interest resources in public transportation, the Confederation issues a state guarantee in respect of all *licensed transportation companies*. The credit facility approved by parliament for this purpose amounts to 11 billion. This is used by the Confederation to issue guarantee bonds in tranches in favor of the licensed transportation companies. The total amount of guarantee bonds issued came to 1,064 million.

- In relation to *national economic supply,* guaranteed credit has been extended in the amount of 741 million to ensure sufficient numbers of oceangoing vessels sailing under the Swiss flag (Federal Gazette 1992 1004). Guarantees have also been issued in respect of bank loans to the value of 369 million to facilitate the financing of compulsory reserves in accordance with Article 11 of the National Economic Supply Act (NESA, SR *531*).

- Additional guarantees have been issued in the amount of 143 million in relation to local economic development and regional policy, e.g. under Article 5 of the Federal Act on Financial Aid for Guarantee Organizations in Favor of Small and Medium-Sized Enterprises (SR *951.25*).

Guarantee liabilities include:

- *Guarantee capital* totaling 5,912 million in relation to the following development banks and organizations: Asian, Inter-American and African Development Banks, Multilateral Investment Guarantee Agency, International Bank for Reconstruction and Development, Media Development Loan Fund credit guarantee, European Bank for Reconstruction and Development, Council of Europe Development Bank.

- *Credit guarantees* of 1,387 million to the Swiss National Bank (SNB) in respect of loans granted to the International Monetary Fund (IMF) under the Enhanced Structural Adjustment Facility. Outstanding loans to the IMF stood at 436 million as of the reporting date. The Confederation has also issued a guarantee for a 230 million loan to the HIA Collective Institution for the enforcement of international mutual benefits assistance in relation to health insurance.

Legal cases include:

- A contingent liability of 145 million is recorded for any refunds that may be payable in respect of the mileage-related heavy vehicle charge. Around 3,000 vehicle owners lodged appeals with the Directorate General of Customs against the reassignment of Euro 3 vehicles to a higher tax category on January 1, 2008, to take effect one year later. After the Federal Administrative Court dismissed the appeals on August 20, 2010, the appellants referred the decision to the Federal Supreme Court. In its decision handed down on December 17, 2011, the Federal Supreme Court upheld the vehicle owners' appeals and remitted the case to the Federal Administrative Court for reconsideration. In its decision of October 22, 2012, the Federal Administrative Court then upheld the vehicle owners' appeals. This decision was remitted by the Directorate General of Customs to the Federal Supreme Court. The outcome of the proceedings is unknown. If the change of category were rejected, it would be necessary to refund a total of 145 million for 2009, 2010, 2011 and 2012. The amount is calculated such as to compensate only those vehicle owners who appealed against the tax assessment decision.

- Furthermore, the Confederation is involved in a patent infringement dispute for 65 million. The plaintiff claims that the Confederation's use of the system for levying the mileage-related heavy vehicle charge constitutes an infringement of its patent. This is disputed by the Confederation.

Other contingent liabilities include primarily potential outflows of funds in relation to buildings. The largest items relate to environmental costs in connection with contaminated sites (656 mn), compliance with statutory requirements in relation to drainage infrastructure, water supplies and seismic safety (608 mn), as well as decommissioning and reinstatement costs in the area of military buildings (42 mn). Other contingent liabilities also include Switzerland's share of EUROCONTROL's employee retirement benefit obligations (70 mn). Unlike the retirement benefit obligations prior to 2005, which are depreciated by member states over 20 years and therefore deferred by the Confederation, there is no depreciation schedule for member countries for retirement benefit obligations calculated in accordance with IAS 19.

Sureties and guarantee liabilities

Whether or not payments are actually necessary for sureties and guarantee liabilities depends on the subject of the liability. For instance, parliament has approved sureties for oceangoing vessels since 1959 without any surety ever becoming payable or any payments made. On the other hand, the Confederation disburses several million each year for sureties payable for the promotion of housing construction and commercial guarantees, for example.

4 SERV liability scope

The SERV insurance liabilities amounted to 8.4 billion. This corresponds to utilization of 70% of the 12 billion liability scope approved by the Federal Council.

The Federal Council is responsible for determining the maximum scope of Swiss Export Risk Insurance (SERV) insurance liabilities. This currently amounts to 12 billion. The liability scope sets the total exposure ceiling that SERV can assume for insured benefits. The liability scope is reviewed periodically and adjusted where necessary.

At the end of 2012, the sum of insurance liabilities amounted to 8.4 billion, whereby the liability scope was 70% utilized. There was no application for an increase of the liability scope during the year under review.

5 Contingent assets

CHF mn	2011	2012	Deviation vs. 2011 Absolute	%
Contingent assets	**18 600**	**18 769**	**169**	**0.9**
Unrecognized receivables from direct federal tax	18 500	18 500	–	–
Other contingent assets	100	269	169	169.0

Contingent assets from direct federal tax remained unchanged year-on-year.

Unrecognized receivables from direct federal tax (excluding cantons' share of 17%): the direct federal tax is levied ex post and only falls due in the year following the fiscal year in question. The booking of receipts is undertaken by the federal government to coincide with the delivery of the federal government's share by the cantons (cash accounting). If the direct federal tax were levied at the end of 2012, there would still be an estimated 18.5 billion in receipts anticipated in following years. These assets are owed to the Confederation by law. Recognizing all receivables up to and including the 2012 tax year is not possible, however, as these are not yet available as of the reporting date. For this reason, the estimated outstanding balances are reported outside of the statement of financial position as contingent assets. Their level corresponds to the receipts that are still anticipated. This estimation takes into account the fact that receipts from direct federal tax for a specific fiscal year actually come in over a period of several years. The lion's share (around 75%) is received in the year following the relevant fiscal year. Increasingly smaller amounts for the fiscal year in question are then received in subsequent years. As of December 31, 2012, the Confederation therefore had receivables relating to several fiscal years (2012 and earlier). These assets correspond to a large extent to the budgeted receipts of 15.8 billion (excluding cantons' share of 17%) for the 2013 calendar year. In subsequent years, further receipts are thus still expected from earlier tax years. Contingent assets remained unchanged year-on-year at 18.5 billion. Advance payments have stabilized, and estimated revenue remains constant.

Other contingent assets relate on the one hand to orders for fines issued by the Competition Commission that have been disputed by the third party (202 mn). On the other hand, there is the conversion of the loan of 63 million granted to the Building Foundation for International Organisations (FIPOI) for the construction of the International Conference Centre Geneva (CICG) into a subsidy in accordance with parliament's resolution of May 28, 1980. In the event of a liquidation of FIPOI, this amount would revert to the Confederation.

Definition of contingent assets

A contingent asset is a potential asset value that owes its existence to a past event, whereby the definitive realization of the value is subject to confirmation by a future event. The occurrence of this event cannot be influenced. In addition to contingent assets, the unrecognized assets of the Confederation are also reported under this position.

6 Financial pledges

CHF mn	31.12.2011	31.12.2012	Payable 2013	Payable Later	Deviation vs. 31.12.2011 Absolute	Deviation vs. 31.12.2011 %
Financial pledges and other restricted expenditure	**148 593**	**147 991**	**38 556**	**109 435**	**-602**	**-0.4**
Financial pledges	**97 829**	**98 304**	**26 996**	**71 308**	**475**	**0.5**
Financial pledges with a fixed term	**17 883**	**17 378**	**7 515**	**9 863**	**-505**	**-2.8**
Guarantee credits and annual pledge credits	17 487	16 969	7 320	9 649	-518	-3.0
Other financial pledges with a fixed term	396	409	195	214	13	3.3
Financial pledges without a fixed term	**79 946**	**80 926**	**19 481**	**61 445**	**980**	**1.2**
Social insurance	65 707	66 409	15 944	50 465	702	1.1
Fiscal equalization	12 856	13 065	3 178	9 887	209	1.6
Mandatory contributions to international organizations	1 383	1 452	359	1 093	69	5.0
Other expenditure of a highly restricted nature	**50 764**	**49 687**	**11 560**	**38 127**	**-1 077**	**-2.1**
Interest expenditure	10 989	9 963	2 194	7 769	-1 026	-9.3
Third parties' share in federal revenue	38 077	38 122	8 963	29 159	45	0.1
Other restricted expenditure	1 698	1 602	403	1 199	-96	-5.7

Note: The items "Financial pledges without a fixed term" and "Other expenditure of a highly restricted nature" show future liabilities for a period of four years.

Financial pledges stood at 98.3 billion at the end of 2012. A further 49.7 billion came from other future expenditure of a highly restricted nature. Of this, 38.6 billion will be payable in 2013. This means that some 60% of the expense is restricted by legal provisions, contracts, service level agreements and interest payable, and thus cannot be influenced in the short term.

Financial pledges

By reporting its financial pledges, the Confederation discloses its definite future payments based on existing pledges and the extent to which these are reflected in the federal finances of subsequent years.

Financial pledges may arise by way of contracts, official orders and service level agreements with respect to third parties. In such cases, the pledges are limited to a certain time period. Financial pledges may also be directly derived from the law, in which case they generally have no fixed duration. A financial pledge exists only where the law prescribes a mandatory amount. Third parties' share in federal income is disclosed under other expenditure of a highly restricted nature, however, as the obligation to pay arises only upon collection of the corresponding revenue. A financial pledge is not deemed to exist if contributions are defined in an implementing ordinance, as an ordinance may be amended at any time by the Federal Council, e.g. as part of an austerity program.

Other expenditure of a highly restricted nature

In order to provide a complete overview of restricted expenditure, the reporting also covers those items that are not classified as financial pledges under IPSAS but are of a highly restricted nature. These include:

- Liabilities that have already been recognized as a provision (military insurance) or are mentioned elsewhere in the notes (interest payable)
- Liabilities from third-parties' share in federal revenue (restricted receipts) that occur only upon realization of the tax revenue

7 Related parties

CHF mn	Contrib. Confed./ share in revenue 2011	2012	Acquisition of goods and services/ interest expense 2011	2012	Sale of goods and services/ interest income 2011	2012	Receivables and loans 2011	2012	Liabilities 2011	2012
Related parties	**18 039**	**18 751**	**892**	**846**	**91**	**34**	**24 306**	**24 655**	**63**	**85**
Swisscom	–	–	131	157	15	6	16	13	11	15
SBB	1 998	1 983	32	27	–	–	15 370	16 758	–	–
Swiss Post	196	219	59	32	70	22	187	206	3	2
Ruag	–	–	666	629	6	6	58	48	49	68
BLS Netz AG	200	204	4	1	–	–	2 675	2 630	–	–
Compensation fund (AHV, IV, EO)	14 728	15 912	–	–	–	–	–	–	–	–
Compensation fund (ALV)	917	433	–	–	–	–	6 000	5 000	–	–

Transactions with related entities were in line with prior-year levels. The main changes concerned contributions to the compensation funds for old-age and survivors' insurance, disability insurance and compensation for loss of earnings, as well as the unemployment insurance fund.

With the exception of subsidy contributions provided by the Confederation, third parties' share in federal income and the non-interest-bearing loans to the SBB and BLS Netz AG, all transactions between the Confederation and related parties are undertaken at arm's length.

Transactions with related organizations

The Confederation undertook the following transactions with related organizations:

- Contributions to the SBB mainly comprise expenditure within the scope of the service level agreement concluded with the SBB.

- Only 890 million of the receivables from the SBB are interest-bearing. The remaining loans are interest-free. These include loans from the fund for major railway projects (FinPT fund) to AlpTransit Gotthard AG amounting to 5.7 billion (2011: 5.2 bn). AlpTransit Gotthard AG is a subsidiary of the SBB (100%) and is recognized in the consolidated financial statements of the SBB at equity value, which is why these loans do not appear in the consolidated financial statements of SBB. Receivables from Swiss Post contain credit balances on Swiss Post accounts.

- Receivables from BLS Netz AG contain loans that were originally granted to BLS Alp Transit AG. When the company was renamed, these loans were signed over to BLS Netz AG. The balance comprises loans from the FinPT (2.2 bn) as well as loans from the Confederation (0.4 bn).

- In 2011, ALV contributions underwent a one-time increase of 500 million due to the measures to mitigate the effects of the Swiss franc's strength. It was possible to reduce the interest-bearing loan to the ALV fund by 1 billion net during the year under review.

Compensation to key persons

The remuneration and compensation of the members of the Federal Council are regulated in the Federal Act Governing Remuneration and Retirement Benefits Due to Members of the Federal Council, Judges of the Federal Supreme Court, and the Federal Chancellor and Vice-Chancellor (SR *172.121*) and the Federal Assembly Ordinance Governing Remuneration and Retirement Benefits Due to Members of the Federal Council, Judges of the Federal Supreme Court, and the Federal Chancellor and Vice-Chancellor (SR *172.121.1*). This information is publicly available.

Who are related parties?

Related party disclosures are required under IPSAS 20 (control or possible influence by related parties and organizations). Within the Confederation, related *legal persons* and organizations comprise significant interests (see section 42/16), the AHV and IV compensation fund and the unemployment insurance fund (ALV). Members of the Federal Council are deemed to be related *natural persons*, or "key persons".

8 Translation rates

Unit	Closing rates at 31.12.2011	Closing rates at 31.12.2012
1 euro (EUR)	1.2170	1.2072
1 US dollar (USD)	0.9378	0.9140
1 pound sterling (GBP)	1.4563	1.4849
1 Norwegian krone (NOK)	0.1568	0.1643

9 Events after the reporting date

The 2012 consolidated financial statements were approved by the Federal Council on April 25, 2013. Up to that date, no events requiring disclosure had occurred after the reporting date.

05 RELATIONSHIP WITH FEDERAL FINANCIAL STATEMENTS AND FINANCIAL STATISTICS

51 Structural differences

Given the selected group of consolidated entities, the parent entity inevitably dominates the figures of the consolidated financial statements. This section describes the structural differences between the consolidated financial statements and the parent entity (federal financial statements) and financial statistics. Furthermore, the consolidation scope is presented in tabular form and a quantitative comparison is provided (see section 52).

Comparison with the federal financial statements

Statement of financial performance

In contrast to the federal financial statements, the consolidated financial statements do not differentiate between ordinary and extraordinary expenses and revenue, as they are not caught by the debt brake rules. All expenses and revenue are thus allocated to the result in the consolidated financial statements, which can give rise to considerable deviations in the accounts presented.

Statement of financial position

For budgetary reasons, assets are broken down into non-administrative and administrative assets in the federal financial statements. This shows which assets are used for deposits and investments (non-administrative assets) and which assets are required by the federal government for the purpose of discharging its functions (administrative assets), providing an important basis for budgetary decision-making by parliament. The consolidated statement of financial position makes no such distinction, but presents current and non-current assets as separate classifications in accordance with the International Public Sector Accounting Standards (IPSAS).

Cash flow statement

The cash flow statement is called the financing and flow of funds statement (FFFS) in the federal financial statements. In the interests of aligning the federal budget with fiscal policy, the FFFS distinguishes between ordinary and extraordinary transactions, and reports flows of funds from financial investments and debt financing. However, in line with the consolidated statement of financial performance, extraordinary items are not presented on the face of the consolidated cash flow statement. Instead, cash flows are reported from operating, investing and financing activities.

This cash flow statement also differs from the FFFS in terms of the presentation of the underlying cash holding ("fund"). While the cash flow statement presents the fund in terms of cash flows ("cash and other liquid assets" fund), the "federal" fund under the FFFS shows amounts due from creditors (receivables) and amounts due to creditors (current liabilities) as well as cash flows.

Relationship with the Confederation as parent entity

Figures for transfer expenses and debt in the consolidated financial statements and federal financial statements are compared in sections 53 and 54.

Comparison with financial statistics

Different approaches

While the federal consolidated financial statements are primarily concerned with management from a business (microeconomic) perspective, the main purpose of the financial statistics is to ensure comparability from an economic (macroeconomic) perspective. Consequently, the two types of report essentially address different issues.

Different groups of consolidated entities

Under the financial statistics, the entities incorporated within the "general government" sector are determined on the basis of criteria laid down in the European System of Accounts (ESA 95). The "general government" sector includes the "Confederation" sub-sector, which is comparable with, but not identical to, the scope of the federal consolidated financial statements.

The basis of consolidation applying to the financial statistics is determined by the source of financing ("50% rule"). The consolidated entities of the decentralized Federal Administration maintaining their own accounts, as shown below, are not reflected in the financial statistics. This is because more than 50% of their production costs are met through third-party sales (e.g. sale proceeds, fee income), which means they do not satisfy ESA 95 criteria.

- Swiss Financial Market Supervisory Authority (FINMA)
- Swiss Federal Institute of Intellectual Property (IIP)
- Swiss Federal Nuclear Safety Inspectorate (ENSI)
- Federal Audit Oversight Authority (FAOA)
- Swiss Export Risk Insurance (SERV)
- Swissmedic
- Swiss Association for Hotel Credit (SAH)
- Swiss Investment Fund for Emerging Markets (SIFEM AG)

However, the financial statistics "Confederation" sub-sector also includes the Swiss National Science Foundation and Switzerland Tourism. Pursuant to Article 55 para. 1 of the FBA, the Swiss National Science Foundation is not included in the federal group of consolidated entities.

Differences in valuation

The method of valuation used in the FS Model of financial statistics, which reflects the national position, is comparable with that of the accounting model (NAM) at federal level. However, the International Monetary Fund (IMF) accounting guidelines applying to the international GFS Model prescribe that all receivables and liabilities must be valued at market values.

52 Overview of consolidated entities

Consolidated entities and consolidation methods by financial statement type

Entities	FCFS	FFS	Fstats
Central Federal Administration			
Institutions and administrative units presented in the federal financial statements	100%	100%	100%
Decentralized Federal Administration			
Administrative units and funds of the Confederation that present separate accounts within the scope of the state financial statements	100%	–	100%
Administrative units of the decentralized Federal Administration with their own accounts			
Swiss Financial Market Supervisory Authority (FINMA)	100%	–	–
Swiss Federal Institute for Vocational Education and Training (SFIVET)	100%	–	100%
Swiss Federal Nuclear Safety Inspectorate (ENSI)	100%	–	–
Swiss Federal Institute of Intellectual Property (IIP)	100%	–	–
Federal Audit Oversight Authority (FAOA)	100%	–	–
Swiss Export Risk Insurance (SERV)	100%	–	–
Swiss National Museum (SNM)	100%	–	100%
Pro Helvetia (PH)	100%	–	100%
Swiss Association for Hotel Credit (SAH)	100%	–	–
SIFEM AG	100%	–	–
Swissmedic	100%	AV	AV
Switzerland Tourism	–	–	100%
PUBLICA	–	–	–
Significant interests of the Confederation			
BLS Netz AG, Swiss Post, SBB, RUAG, Skyguide	Equity	Equity	Equity
Swisscom	Equity	Equity	SMV
Other organizations			
Swiss National Science Foundation	–	–	100%

Financial statements:
FCFS = Federal consolidated financial statements
FFS = Federal financial statements (State financial statements, Volume 1)
Fstats = Financial statistics (subsector Confederation)

Recognition method:
100% = Full consolidation
AV = Acquisition value
SMV = Stock market value

Scale of consolidated entities - details

2012	Surplus or deficit		Liabilities		Net assets/equity		Employees	
Entities	CHF mn	%	CHF mn	%	CHF mn	%	FTE	%
Central Federal Administration (Confederation as parent)	**2 443**	**102.6**	**133 967**	**92.8**	**-24 999**	**93.8**	**33 309**	**65.7**
Decentralized Federal Administration	**- 62**	**-2.6**	**10 329**	**7.2**	**-1 646**	**6.2**	**17 377**	**34.3**
Separate accounts								
Swiss Federal Institutes of Technology Domain	179	7.5	1 308	0.9	1 380	-5.2	15 642	30.9
Swiss Alcohol Board	269	11.3	8	0.0	335	-1.3	135	0.3
Fund for major railway projects	- 263	-11.0	8 022	5.6	-7 965	29.9	1	0.0
Infrastructure fund	- 287	-12.1	14	0.0	1 741	-6.5	–	0.0
Decentralized administrative units with their own accounts								
Swiss Financial Market Supervisory Authority (FINMA)	11	0.5	14	0.0	35	-0.1	442	0.9
Swiss Federal Institute for Vocational Education and Training (SFIVET)	- 1	0.0	5	0.0	2	0.0	167	0.3
Swiss Federal Nuclear Safety Inspectorate (ENSI)	2	0.1	15	0.0	16	-0.1	140	0.3
Swiss Federal Institute of Intellectual Property (IIP)	- 7	-0.3	21	0.0	80	-0.3	229	0.5
Federal Audit Oversight Authority (FAOA)	0	0.0	2	0.0	4	0.0	19	0.0
Swiss Export Risk Insurance (SERV)	50	2.1	267	0.2	2 449	-9.2	40	0.1
Swiss National Museum (SNM)	1	0.0	9	0.0	6	0.0	123	0.2
Pro Helvetia (PH)	0	0.0	9	0.0	15	-0.1	68	0.1
Swiss Association for Hotel Credit (SAH)	0	0.0	238	0.2	49	-0.2	14	0.0
SIFEM AG	- 17	-0.7	364	0.3	145	-0.5	–	0.0
Swissmedic	1	0.0	33	0.0	62	-0.2	357	0.7
Subtotal	2 381	100.0	144 296	100.0	-26 645	100.0	50 686	100.0
Consolidation adjustments	34		-14 086		-1 208		–	
Federal consolidated financial statements	**2 415**		**130 210**		**-27 853**		**50 686**	

53 Transfer expenses (comparison with the parent entity)

In transfer expenses, the parent entity and consolidated financial statements differ with respect to contributions to own institutions and third parties, as well as with respect to value adjustments.

2012 CHF mn	Confederation as parent	Federal consol. fin. statements	Difference
Transfer expenses	**47 332**	**44 416**	**-2 916**
Third parties' share in federal income	8 687	8 687	–
Compensation to public bodies	1 015	1 015	–
Contributions to own institutions	3 093	1 259	-1 834
Contributions to third parties	14 620	14 799	179
Contributions to social insurance	15 399	15 399	–
Value adjustments on investment contributions	4 101	3 257	-844
Value adjustments on loans and financial interests	417		-417

Contributions to own institutions: -1,834 million

The lower expenses in the consolidated financial statements resulted from various opposing transactions:

- As intercompany relationships, the financing contributions and accommodation contributions of the Confederation as parent entity to the ETH Domain (-2,342 mn), Swiss Federal Institute for Vocational Education and Training (-33 mn) and the Swiss National Museum (-42 mn), as well as the contribution to Swissmedic (-15 mn) and Pro Helvetia (-34 mn) are eliminated.

- The contributions of 632 million paid to the SBB and AlpTransit Gotthard from the fund for major railway projects (FinPT fund) are additionally recognized in the consolidated financial statements.

Contributions to third parties: +179 million

Regarding recipients outside of the parent entity, contributions were paid from the infrastructure fund for urgent urban transportation projects, for main roads in mountainous areas, and to compensate for insufficient cantonal funds from the increase in mileage-related heavy vehicle charges (total 185 mn), as well as contributions from the FinPT fund (55 mn), the ETH Domain (51 mn), the Swiss Alcohol Board (2 mn, alcohol prevention) and Pro Helvetia (24 mn). Intercompany relationships of -138 million were additionally recognized.

Value adjustments on investment contributions: -844 million

The difference relative to the parent entity is made up of transactions that encompass both intercompany eliminations and additional transactions that need to be recognized.

- The share of 1,282 million in federal revenue forwarded to the FinPT fund was eliminated.

- The share for infrastructure projects in urban areas forwarded to the infrastructure fund and the lump-sum contributions to main roads in mountainous areas and outlying regions amounting to 520 million (investment contributions) were likewise eliminated.

- Additional recognitions include the value adjustments of the FinPT fund (682 mn) and of the infrastructure fund (276 mn).

Value adjustments on loans and financial interests: -417 million

In the consolidated financial statements, the corresponding value adjustments for loans and financial interests are reported in financial expense (see section 42/8) under value adjustments on financial investments.

54 Debt (comparison with the parent entity)

Compared with the parent entity, gross debt was 2.5 billion lower in the consolidated financial statements, due primarily to the fact that liabilities toward consolidated entities are eliminated. In contrast, net debt was 3.5 billion higher in the consolidated financial statements. This was largely attributable to the elimination of the 8.0 billion advance to FinPT fund recognized by the parent entity.

2012 CHF mn	Confederation as parent	Federal consol. fin. statements	Difference
Gross debt	**112 406**	**109 897**	**-2 509**
Current liabilities	15 095	13 943	-1 152
Short-term financial liabilities	16 435	16 465	30
Long-term financial liabilities	80 876	79 489	-1 387
Net debt	**81 187**	**84 661**	**3 474**
Gross debt	112 406	109 897	
Deductions	*31 219*	*25 236*	*-5 983*
Cash and cash equivalents	9 311	9 891	580
Receivables	6 163	7 086	923
Short-term financial investments	1 504	1 665	161
Long-term financial investments	14 241	373	-13 868
Loans held to maturity		6 221	6 221

Gross debt

The following factors were responsible for the lower gross debt level in the consolidated financial statements:

- *Current liabilities (-1,152 mn):* liabilities of 2,280 million recognized by the parent entity are eliminated in the consolidated view. These include primarily deposit account liabilities toward the ETH Domain (1,182 mn), SERV (542 mn), SIFEM AG (114 mn) the Swiss Association for Hotel Credit (83 mn) and the Swiss Federal Institute of Intellectual Property (58 mn), as well as a current account liability toward the Swiss Alcohol Board (259 mn). Conversely, the liabilities of the ETH Domain toward third parties (1,083 mn) lead to an increase in liabilities from a consolidated viewpoint. The residual difference of 45 million is spread between liabilities of the other consolidated entities.

- *Long-term financial liabilities (-1,387 mn):* in its individual statements, the parent entity reports fixed-term deposit liabilities amounting to 1,320 million toward Swiss Export Risk Insurance (SERV), which are neutralized in the consolidated financial statements as an intercompany relationship. Similarly neutralized are the liabilities of the parent entity toward the ETH Domain in connection with third-party funds acquired by the ETH Domain for the partial financing of the properties owned by the Confederation (99 mn). Conversely, the ETH Domain (12 mn) and Swissmedic (20 mn) report their own financial liabilities.

Net debt

In contrast to the lower gross debt, the net debt is 3.5 billion higher in the consolidated financial statements than for the parent entity. This deviation is the result of contrasting effects.

- In addition to the receivables of the parent entity, the *receivables* in the consolidated financial statements additionally contain those of SERV (712 mn), SIFEM AG (94 mn), the ETH Domain (54 mn), the Swiss Alcohol Board (25 mn), the Swiss Federal Nuclear Safety Inspectorate (18 mn) and Swissmedic (18 mn).

- The parent entity's treasury loan to the FinPT fund (8,021 mn) is eliminated in the consolidated view, which is why the loans held to maturity (consolidated financial statements) are accordingly lower than long-term financial investments (parent entity). In the consolidated financial statements, the loans of non-administrative assets (6,221 mn) are reported as *loans held to maturity* rather than as *long-term financial investments* as is the case with the parent entity. This shift within the deducted positions has no impact on net debt.