Consolidated Financial Statements

Consolidated Financial Statements

Notes to the consolidated financial statements

Consolidated statement of comprehensive income

In CHF million, except for per share amounts	Note	2021	2020
Income statement			
Net revenue	1.1	**11,183**	**11,100**
Direct costs	1.2	(2,779)	(2,669)
Personnel expense	1.2, 4.1	(2,667)	(2,717)
Other operating expense	1.2	(1,857)	(1,798)
Capitalised self-constructed assets and other income	1.2	598	466
Operating income before depreciation and amortisation		**4,478**	**4,382**
Depreciation and amortisation of property, plant and equipment and intangible assets	3.2, 3.3	(2,131)	(2,149)
Depreciation of right-of-use assets	2.3	(281)	(286)
Operating income		**2,066**	**1,947**
Financial income	2.4	269	41
Financial expense	2.4	(173)	(193)
Result of equity-accounted investees	5.3	(10)	4
Income before income taxes		**2,152**	**1,799**
Income tax expense	6.1	(319)	(271)
Net income		**1,833**	**1,528**
Other comprehensive income			
Actuarial gains and losses from defined benefit pension plans	2.1	638	261
Change in fair value of equity instruments	2.1	71	(9)
Items that will not be reclassified to income statement		**709**	**252**
Foreign currency translation adjustments of foreign subsidiaries	2.1	(75)	(5)
Change in cash flow hedges	2.1	(6)	(3)
Other comprehensive income from equity-accounted investees	2.1	2	(5)
Items that may be reclassified to income statement		**(79)**	**(13)**
Other comprehensive income		**630**	**239**
Comprehensive income			
Net income		1,833	1,528
Other comprehensive income		630	239
Comprehensive income		**2,463**	**1,767**
Share of net income and comprehensive income			
Equity holders of Swisscom Ltd		1,832	1,530
Non-controlling interests		1	(2)
Net income		**1,833**	**1,528**
Equity holders of Swisscom Ltd		2,462	1,769
Non-controlling interests		1	(2)
Comprehensive income		**2,463**	**1,767**
Earnings per share			
Basic and diluted earnings per share (in CHF)	2.1	**35.37**	**29.54**

Consolidated balance sheet

In CHF million	Note	31.12.2021	31.12.2020
Assets			
Cash and cash equivalents		401	340
Trade receivables	3.1	2,315	2,132
Receivables from finance leases	2.3	33	33
Other operating assets	3.1	1,179	1,029
Other financial assets		93	137
Current income tax assets	6.1	2	4
Total current assets		**4,023**	**3,675**
Property, plant and equipment	3.2	10,771	10,725
Intangible assets	3.3	1,714	1,745
Goodwill	3.4	5,157	5,162
Right-of-use assets	2.3	2,134	2,138
Equity-accounted investees	5.3	30	155
Receivables from finance leases	2.3	66	54
Other financial assets		691	425
Defined benefit assets	4.3	11	–
Deferred tax assets	6.1	204	183
Total non-current assets		**20,778**	**20,587**
Total assets		**24,801**	**24,262**
Liabilities and equity			
Financial liabilities	2.2	559	792
Lease liabilities	2.3	217	226
Trade payables	3.1	1,600	1,525
Other operating liabilities	3.1	1,617	1,269
Provisions	3.5	118	144
Current income tax liabilities	6.1	230	186
Total current liabilities		**4,341**	**4,142**
Financial liabilities	2.2	5,886	6,250
Lease liabilities	2.3	1,800	1,762
Defined benefit obligations	4.3	24	795
Provisions	3.5	1,031	1,072
Deferred gain on sale and leaseback of real estate	2.3	95	106
Deferred tax liabilities	6.1	811	644
Total non-current liabilities		**9,647**	**10,629**
Total liabilities		**13,988**	**14,771**
Share capital		52	52
Capital reserves		136	136
Retained earnings	2.1	12,485	11,085
Foreign currency translation adjustments	2.1	(1,864)	(1,791)
Hedging reserves	2.1	2	8
Equity attributable to equity-holders of Swisscom Ltd		**10,811**	**9,490**
Non-controlling interests		2	1
Total equity		**10,813**	**9,491**
Total liabilities and equity		**24,801**	**24,262**

Consolidated statement of cash flows

In CHF million	Note	2021	2020
Net income		1,833	1,528
Income tax expense	6.1	319	271
Result of equity-accounted investees	5.3	10	(4)
Financial income	2.4	(269)	(41)
Financial expense	2.4	173	193
Depreciation and amortisation of property, plant and equipment and intangible assets	3.2, 3.3	2,131	2,149
Depreciation of right-of-use assets	2.3	281	286
Gain on sale of property, plant and equipment	1.2	(10)	(10)
Expense for share-based payments		1	1
Revenue from finance leases		(120)	(101)
Proceeds from finance leases		112	100
Change in deferred gain from the sale and leaseback of real estate	2.3	(11)	(16)
Change in operating assets and liabilities	3.1	65	178
Change in provisions	3.5	(73)	(22)
Change in defined benefit obligations	4.3	(9)	65
Interest received		14	24
Dividends received	5.3	1	15
Interest payments on financial liabilities	2.2	(81)	(93)
Interest payments on lease liabilities	2.3	(44)	(45)
Income taxes paid	6.1	(279)	(309)
Cash flow from operating activities		**4,044**	**4,169**
Purchase of property, plant and equipment and intangible assets	3.2, 3.3	(2,270)	(2,188)
Proceeds from sale of property, plant and equipment and intangible assets		17	16
Acquisition of subsidiaries, net of cash and cash equivalents acquired	5.2	(42)	(39)
Proceeds from sale of subsidiaries, net of cash and cash equivalents sold	5.2	1	–
Acquisition of equity-accounted investees	5.2	(3)	(15)
Proceeds from sale of equity-accounted investees	5.2	149	–
Purchase of other financial assets		(73)	(121)
Proceeds from other financial assets		120	20
Other cash flows from investing activities		(19)	(4)
Cash flow used in investing activities		**(2,120)**	**(2,331)**
Issuance of financial liabilities	2.2	350	732
Repayment of financial liabilities	2.2	(792)	(1,110)
Repayment of lease liabilities	2.3	(259)	(287)
Dividends paid to equity holders of Swisscom Ltd	2.1	(1,140)	(1,140)
Dividends paid to non-controlling interests		(1)	(1)
Acquisition of non-controlling interests		–	(1)
Other cash flows from financing activities		(14)	(17)
Cash flow used in financing activities		**(1,856)**	**(1,824)**
Net increase in cash and cash equivalents		**68**	**14**
Cash and cash equivalents at 1 January		340	328
Foreign currency translation adjustments in respect of cash and cash equivalents		(7)	(2)
Cash and cash equivalents at 31 December		**401**	**340**

Consolidated statement of changes in equity

In CHF million	Share capital	Capital reserves	Retained earnings	Foreign currency translation adjustments	Hedging reserves	Equity attributable to equity holders of Swisscom	Non-controlling interests	**Total equity**
Balance at 1 January 2020	**52**	**136**	**10,454**	**(1,781)**	**11**	**8,872**	**3**	**8,875**
Net income	–	–	1,530	–	–	1,530	(2)	1,528
Other comprehensive income	–	–	252	(10)	(3)	239	–	239
Comprehensive income	**–**	**–**	**1,782**	**(10)**	**(3)**	**1,769**	**(2)**	**1,767**
Dividends paid	–	–	(1,140)	–	–	(1,140)	(1)	(1,141)
Other changes	–	–	(11)	–	–	(11)	1	(10)
Balance at 31 December 2020	**52**	**136**	**11,085**	**(1,791)**	**8**	**9,490**	**1**	**9,491**
Net income	–	–	1,832	–	–	1,832	1	1,833
Other comprehensive income	–	–	709	(73)	(6)	630	–	630
Comprehensive income	**–**	**–**	**2,541**	**(73)**	**(6)**	**2,462**	**1**	**2,463**
Dividends paid	–	–	(1,140)	–	–	(1,140)	(1)	(1,141)
Other changes	–	–	(1)	–	–	(1)	1	–
Balance at 31 December 2021	**52**	**136**	**12,485**	**(1,864)**	**2**	**10,811**	**2**	**10,813**

Notes to the consolidated financial statements

The financial report is a translation from the original German version. In case of any inconsistency the German version shall prevail.

General information and changes in accounting policies

General information

The Swisscom Group (hereinafter referred to as 'Swisscom') provides telecommunications services, and is active primarily in Switzerland and Italy. The consolidated financial statements for the year ended 31 December 2021 comprise Swisscom Ltd, as the parent company, and its subsidiaries. Swisscom Ltd is a public limited company with special status under Swiss law and has its registered office in Ittigen (Berne). Its address is: Swisscom Ltd, Alte Tiefenaustrasse 6, 3048 Worblaufen. Swisscom is listed on the SIX Swiss Exchange. The number of issued shares is unchanged from the prior year and totals 51,801,943. The shares have a nominal value of CHF 1 and are fully paid-up. Each share entitles the holder to one vote. The majority shareholder of Swisscom Ltd remains, as in the prior year, the Swiss Confederation ('Confederation'). The Confederation is obligated by current law to hold the majority of the capital and voting rights. The Board of Directors of Swisscom approved the issuance of these consolidated financial statements on 2 February 2022. As of this date, no material events after the reporting date have occurred. The consolidated financial statements are subject to approval by the shareholders of Swisscom Ltd in its Annual General Meeting to be held on 30 March 2022.

Basis of preparation

The consolidated financial statements of Swisscom have been prepared in accordance with International Financial Reporting Standards (IFRS), and in compliance with the provisions of Swiss law. The reporting period covers twelve months. The consolidated financial statements are presented in Swiss francs (CHF), which corresponds to the functional currency of Swisscom Ltd. Unless otherwise noted, all amounts are stated in millions of Swiss francs. The consolidated financial statements are drawn up on the historical cost basis, unless a standard or interpretation prescribes another measurement basis for a particular line item, in which case this is explicitly stated in the accounting policies. Material accounting policies of relevance for an understanding of the consolidated financial statements are set out in the specific notes to the financial statements.

Significant judgements, estimates and assumptions in applying the accounting policies

The preparation of consolidated financial statements is dependent upon assumptions and estimates being made in applying the accounting policies, for which management can exercise a certain degree of judgement. In particular, this concerns the following positions:

Description	Further information
Leases	Note 2.3
Property, plant and equipment	Note 3.2
Intangible assets	Note 3.3
Goodwill	Note 3.4
Provisions for dismantlement and restoration costs	Note 3.5
Provision for regulatory and competition law procedures	Note 3.5
Defined benefit plans	Note 4.3

Amendments to International Financial Reporting Standards and Interpretations which are to be applied for the first time in the financial year

Standard	Name
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	IBOR reform: phase 2

As of 1 January 2021, Swisscom adopted various amendments to existing International Financial Reporting Standards (IFRS) and Interpretations, which have no material impact on the results or financial position of the Group. Further information regarding the changes to the IFRS which must be applied in 2022 or later are set out in Note 6.3.

Changes in the presentation

In order to better reflect the operating nature of proceeds from finance lease arrangements, these will be reported under cash flows from operating activities from 2021 onwards. Previously, these cash flows were presented in investing activities. The prior year's comparatives have been restated accordingly. As a result of the amendment, cash inflow from operating activities and cash outflow from investing activities each increased by CHF 100 million for the 2020 financial year.

1 Operating performance

This chapter sets out information on the operating performance of Swisscom in the current financial year. The classification according to operating segments corresponds to the reporting system used internally to evaluate performance and allocate resources as well as to Swisscom's management structure.

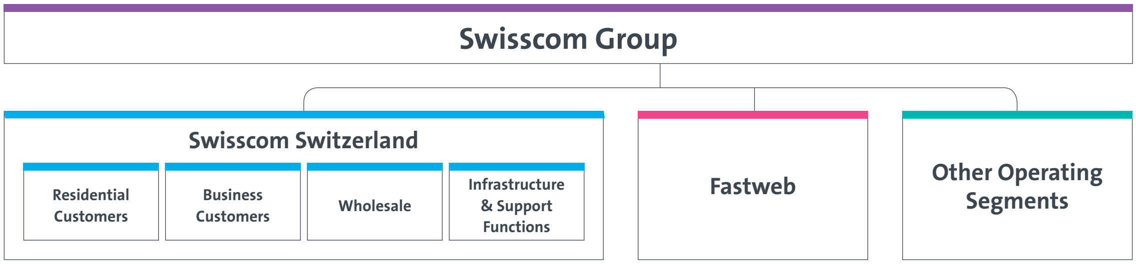
1.1 Segment information

Changes in segment reporting

As of 1 January 2021, Swisscom amended its organisational structure in Switzerland and the segment formerly known as IT, Network & Infrastructure was renamed Infrastructure & Support Functions. The departments with overlapping functions were merged organisationally at Swisscom Switzerland. As a result, the Group Headquarters division is no longer reported separately in segment reporting. In addition, Swisscom transferred various divisions between the segments of Swisscom Switzerland and the Other Operating Segments as of 1 January 2021. The prior year's figures were restated as follows:

In CHF million	Reported	Adjustment	Restated
Net revenue			
2020 financial year			
Residential Customers	4,564	(4)	4,560
Business Customers	3,100	–	3,100
Wholesale	976	–	976
Infrastructure & Support Functions (previously IT, Network & Infrastructure)	85	(2)	83
Elimination	(450)	(19)	(469)
Swisscom Switzerland	**8,275**	**(25)**	**8,250**
Fastweb	2,470	–	2,470
Other Operating Segments	1,020	(6)	1,014
Elimination	(665)	31	(634)
Total net revenue	**11,100**	**–**	**11,100**
Segment result			
2020 financial year			
Residential Customers	2,586	(2)	2,584
Business Customers	1,235	3	1,238
Wholesale	523	–	523
Infrastructure & Support Functions (previously IT, Network & Infrastructure)	(2,556)	(64)	(2,620)
Swisscom Switzerland	**1,788**	**(63)**	**1,725**
Fastweb	166	–	166
Other Operating Segments	111	(1)	110
Group Headquarters	(64)	64	–
Elimination	(99)	–	(99)
Total segment result	**1,902**	**–**	**1,902**

General information



Segment	Activity
Residential Customers	The Residential Customers segment provides mobile and fixed-network services in Switzerland, such as telephony, broadband, TV and mobile offerings. The segment also includes the sale of terminal equipment.
Business Customers	The Business Customers segment focuses on telecom services and overall communications solutions for large corporations and customers from small and medium-sized enterprises in Switzerland. Its offering in the area of business ICT infrastructure covers the entire range from individual products to complete solutions.
Wholesale	This segment incorporates the use of the Swisscom fixed-line and mobile network by other telecommunications service providers and the use of external networks by Swisscom. In addition, Wholesale includes roaming by foreign operators whose customers use the Swisscom mobile network, as well as broadband services and regulated access services to the access network.
Infrastructure & Support	The segment Infrastructure & Support functions is responsible for the planning, operation and maintenance of Swisscom's network infrastructure and all IT systems. It is responsible for the development and production of IT and network services in Switzerland. In addition, Infrastructure & Support Functions also includes Group-wide support functions such as finance, human resources or strategy as well as the management of real estate and the vehicle fleet in Switzerland.
Functions	
Fastweb	Fastweb provides broadband and mobile services to residential, business and wholesale customers in Italy. The offering includes telephony, broadband and mobile offerings. For business customers, Fastweb offers comprehensive ICT solutions.
Other Operating Segments	Other Operating Segments mainly comprises Digital Business and Participations. Digital Business mainly comprises Swisscom Directories Ltd (localsearch), which operates in the field of online directories and telephone directories. Participations mainly comprises the subsidiaries cablex Ltd and Swisscom Broadcast Ltd. The operations of cablex Ltd are in the building and maintenance of wired and wireless networks in Switzerland, primarily in the field of telecommunications. Swisscom Broadcast Ltd is the leading provider in Switzerland of broadcast services, of cross-platform retail media services, and of security communications.

Reporting is divided into the segments Residential Customers, Business Customers, Wholesale, and Infrastructure & Support Functions, which are grouped under Swisscom Switzerland, as well as Fastweb and Other Operating Segments.

For its services, the Infrastructure & Support Functions segment does not charge any network costs or management fees to other segments. Any other services between the segments are charged at market prices. The results of the Residential Customers, Business Customers and Wholesale segments thus correspond to a contribution margin before network costs.

Segment expense encompasses the direct and indirect costs, which include personnel expense and other operating costs less capitalised costs of self-constructed assets and other income. Pension cost includes ordinary employer contributions. The difference between the ordinary employer contributions and the pension cost as provided for under IAS 19 is reported in the column 'Eliminations'. The Eliminations segment result of CHF –20 million (prior year: CHF –99 million) includes income of CHF 14 million (prior year: expense of CHF 65 million) as a pension cost reconciliation item in accordance with IAS 19.

Leases between the segments are not recognised in the balance sheet in accordance with IFRS 16. The reported lease expense of the segments comprises depreciation and interest on right-of-use assets excl. depreciation of prepaid indefeasible rights of use (IRU) of CHF 23 million (prior year: CHF 24 million), impairments on right-of-use assets of CHF 1 million (prior year: CHF 7 million) and the accounting for the rental of buildings between segments. The lease expense of assets of low value is presented as direct costs.

Capital expenditure consists of the purchase of property, plant and equipment and intangible assets and payments for indefeasible rights of use (IRU). In general, IRU are paid in full at the beginning of the usage period. If the criteria of IFRS 16 are met, they are classified as a lease. From an economic point of view, pre-paid IRU will be considered as capital expenditure in the segment information. IRU payments in 2021 amounted to CHF 16 million (prior year: CHF 41 million).

Swisscom Switzerland sometimes sells mobile handsets at a subsidised rate as part of a bundled offering with a mobile contract. As a result of the reallocation of revenue over the pre-delivered components (mobile handset), revenue is recognised earlier than the date of invoicing. This results in contract assets deriving from this business being recognised. In the segment reporting of Swisscom Switzerland, the recognition and derecognition of these contract assets is reported as other revenue. The amounts invoiced are reported under revenue from telecoms services or merchandise.

Segment information 2021

2021, in CHF million	Swisscom Switzerland	Fastweb	Other Operating Segments	Elimi-nation	**Total**
Residential customers	4,515	1,233	–	–	5,748
Corporate customers	3,004	1,057	431	–	4,492
Wholesale customers	658	285	–	–	943
Net revenue from external customers	**8,177**	**2,575**	**431**	**–**	**11,183**
Net revenue from other segments	56	8	602	(666)	–
Net revenue	**8,233**	**2,583**	**1,033**	**(666)**	**11,183**
Direct costs	(1,826)	(933)	(72)	52	(2,779)
Indirect costs	(2,954)	(758)	(795)	581	(3,926)
Segment result before depreciation and amortisation	**3,453**	**892**	**166**	**(33)**	**4,478**
Lease expense	(232)	(58)	(11)	–	(301)
Depreciation and amortisation	(1,475)	(637)	(56)	13	(2,155)
Segment result	**1,746**	**197**	**99**	**(20)**	**2,022**
Interest expense on lease liabilities					44
Operating income					**2,066**
Financial income and financial expense, net					96
Result of equity-accounted investees					(10)
Income before income taxes					**2,152**
Income tax expense					(319)
Net income					**1,833**
Segment result before depreciation and amortisation	3,453	892	166	(33)	4,478
Capital expenditure	(1,642)	(649)	(41)	46	(2,286)
Lease expense	(232)	(58)	(11)	–	(301)
Operating free cash flow proxy	**1,579**	**185**	**114**	**13**	**1,891**

Segment information Swisscom Switzerland 2021

2021, in CHF million	Residential Customers	Business Customers	Whole-sale	Infrastructure & Support Functions	Elimi-nation	**Total Swisscom Switzerland**
Fixed-line	1,987	927	–	–	–	2,914
Mobile	1,854	710	–	–	–	2,564
Telecom services	**3,841**	**1,637**	**–**	**–**	**–**	**5,478**
Solution business	–	1,111	–	–	–	1,111
Merchandise	548	228	–	–	–	776
Wholesale	–	–	658	–	–	658
Revenue other	126	6	–	22	–	154
Net revenue from external customers	**4,515**	**2,982**	**658**	**22**	**–**	**8,177**
Net revenue from other segments	77	76	313	54	(464)	56
Net revenue	**4,592**	**3,058**	**971**	**76**	**(464)**	**8,233**
Direct costs	(1,135)	(821)	(426)	(7)	563	(1,826)
Indirect costs	(686)	(950)	(20)	(1,200)	(98)	(2,954)
Segment result before depreciation and amortisation	**2,771**	**1,287**	**525**	**(1,131)**	**1**	**3,453**
Lease expense	(40)	(31)	(1)	(160)	–	(232)
Depreciation and amortisation	(55)	(67)	–	(1,353)	–	(1,475)
Segment result	**2,676**	**1,189**	**524**	**(2,644)**	**1**	**1,746**
Capital expenditure	(40)	(42)	–	(1,560)	–	(1,642)

Segment information 2020

2020, in CHF million, restated	Swisscom Switzerland	Fastweb	Other Operating Segments	Elimi-nation	Total
Residential customers	4,484	1,214	–	–	5,698
Corporate customers	3,048	973	445	–	4,466
Wholesale customers	661	275	–	–	936
Net revenue from external customers	**8,193**	**2,462**	**445**	**–**	**11,100**
Net revenue from other segments	57	8	569	(634)	–
Net revenue	**8,250**	**2,470**	**1,014**	**(634)**	**11,100**
Direct costs	(1,772)	(887)	(70)	60	(2,669)
Indirect costs	(3,012)	(743)	(760)	466	(4,049)
Segment result before depreciation and amortisation	**3,466**	**840**	**184**	**(108)**	**4,382**
Lease expense	(232)	(56)	(12)	–	(300)
Depreciation and amortisation	(1,509)	(618)	(62)	9	(2,180)
Segment result	**1,725**	**166**	**110**	**(99)**	**1,902**
Interest on lease liabilities					45
Operating income					**1,947**
Financial income and financial expense, net					(152)
Result of equity-accounted investees					4
Income before income taxes					**1,799**
Income tax expense					(271)
Net income					**1,528**
Segment result before depreciation and amortisation	3,466	840	184	(108)	4,382
Capital expenditure	(1,599)	(629)	(44)	43	(2,229)
Lease expense	(232)	(56)	(12)	–	(300)
Operating free cash flow proxy	**1,635**	**155**	**128**	**(65)**	**1,853**

Segment information Swisscom Switzerland 2020

2020, in CHF million, restated	Residential Customers	Business Customers	Whole-sale	Infrastructure & Support Functions	Elimi-nation	Total Swisscom Switzerland
Fixed-line	2,012	960	–	–	–	2,972
Mobile	1,934	761	–	–	–	2,695
Telecom services	**3,946**	**1,721**	**–**	**–**	**–**	**5,667**
Solution business	–	1,058	–	–	–	1,058
Merchandise	524	235	–	–	–	759
Wholesale	–	–	661	–	–	661
Revenue other	14	12	–	22	–	48
Net revenue from external customers	**4,484**	**3,026**	**661**	**22**	**–**	**8,193**
Net revenue from other segments	76	74	315	61	(469)	57
Net revenue	**4,560**	**3,100**	**976**	**83**	**(469)**	**8,250**
Direct costs	(1,088)	(810)	(433)	(8)	567	(1,772)
Indirect costs	(774)	(942)	(19)	(1,179)	(98)	(3,012)
Segment result before depreciation and amortisation	**2,698**	**1,348**	**524**	**(1,104)**	**–**	**3,466**
Lease expense	(43)	(33)	(1)	(155)	–	(232)
Depreciation and amortisation	(71)	(77)	–	(1,361)	–	(1,509)
Segment result	**2,584**	**1,238**	**523**	**(2,620)**	**–**	**1,725**
Capital expenditure	(27)	(40)	–	(1,532)	–	(1,599)

Disclosure by geographical regions

In CHF million	2021 Net revenue	2021 Non-current assets	2020 Net revenue	2020 Non-current assets
Switzerland	8,579	15,984	8,614	15,814
Italy	2,575	3,811	2,462	4,044
Other countries	29	11	24	67
Not allocated	–	972	–	662
Total	**11,183**	**20,778**	**11,100**	**20,587**

Disclosure by products and services

In CHF million	2021	2020
Telecom services	7,673	7,770
Solution business	1,111	1,058
Merchandise	851	828
Wholesale	942	936
Revenue other	606	508
Total net revenue	**11,183**	**11,100**

Accounting policies

Telecoms services

Telecoms services encompass mobile and fixed-network services both in Switzerland and abroad. Mobile phone services comprise the basic charges; in addition, they include the domestic and international cellular traffic by Swisscom customers within Switzerland and abroad. Swisscom offers subscriptions with a monthly flat-rate fee, the revenue for which is recognised on a straight-line basis over the minimum term of the contract. Depending on the type of subscription, revenue is recognised on the basis of the minutes used. The minimum contract term is generally 12 or 24 months. If a mobile handset is sold as part of a bundled offering with a mobile contract, it is considered as a multiple-element contract. Similar multiple-element contracts are grouped into portfolios for revenue accounting. The transaction price for multiple-element contracts is allocated to each identified performance obligation on the basis of relative stand-alone selling prices. In this process, the stand-alone selling price of each component is considered in relation to the sum of the stand-alone selling prices of all performance obligations under the contract. The stand-alone selling prices of mobile handsets and subscriptions correspond to Swisscom's list price and the minimum contract term. Non-refundable connection fees which do not constitute a separate performance obligation are considered as part of the total transaction price and allocated to the separate performance obligations arising under the customer contract on a pro rata basis. In the event that there is no minimum contract term, the revenue is recognised at the time of connection. Fixed-network services principally comprise the basic charges for fixed telephony, broadband and TV connections, as well as the domestic and international telephony traffic of individuals and corporate customers. In addition, Swisscom makes bundled offerings comprising broadband and TV connections with an optional fixed-line telephony connection. These subscription fees are flat rate. The minimum contract term is twelve months. Revenues are recognised on a straight-line basis over the term of the contract. Revenue for telephone calls is recognised at the time when the calls are made.

Solutions

The service area of communications and IT solutions principally comprise advisory services and the implementation, maintenance and operation of communication infrastructures. Furthermore, the area includes applications and services, as well as the integration, operation and maintenance of data networks and outsourcing services. Revenue from customer-specific orders is recognised using a measure of progress method, which is measured on the basis of the relationship of the costs incurred to total anticipated costs. Revenue arising on long-term outsourcing contracts is recognised as a function of performance to date provided to the customer. The duration of these contracts is generally between three and seven years. Transition projects in connection with an outsourcing contract are not recorded as separate performance obligations. Maintenance revenues are recognised on a straight-line basis over the term of the maintenance contracts. Variable consideration is only included in the transaction price if it is highly probable that no significant revenue reversals will occur in the future.

Sales of merchandise

Mobile handsets, fixed-line devices and miscellaneous supplies are recognised as revenue at the time of delivery or provision of the service. Swisscom sells routers and TV boxes to be used for services provided by Swisscom. As these are only compatible with the Swisscom network and cannot be used for networks of other telecommunications service providers, they are not recorded as separate performance obligations. Revenue is deferred and recognised over the minimum contract term of the related broadband or TV subscription.

Wholesale

The services principally comprise leased lines and the use of the Swisscom fixed network by other telecommunications service providers (roaming). Leased-line charges are recognised as revenue on a straight-line basis over the terms of the contract. Roaming services are recognised as revenue on the basis of the call minutes or as contractually agreed charges as of the time of providing the service. Roaming fees charged to other telecommunications service providers are reported on a gross basis.

1.2 Operating expenses

Direct costs

In CHF million	2021	2020
Customer premises equipment and merchandise	1,035	980
Services purchased	730	646
Costs to obtain a contract	219	285
Costs to fulfil a contract	31	20
Network access costs of Swiss subsidiaries	338	344
Network access costs of foreign subsidiaries	426	394
Total direct costs	**2,779**	**2,669**

Indirect costs

In CHF million	2021	2020
Salary and social security expenses	2,580	2,657
Other personnel expense	87	60
Total personnel expense [1]	**2,667**	**2,717**
Information technology cost	257	255
Maintenance expense	284	267
Energy costs	120	116
Advertising and selling expenses	201	186
Consultancy expenses and freelance workforce	127	130
Call centre services purchased	139	136
Administration expense	59	57
Allowances for receivables and contract assets	64	94
Miscellaneous operating expenses	606	557
Total other operating expense	**1,857**	**1,798**
Capitalised self-constructed tangible and intangible assets	(432)	(359)
Own work for capitalised contract costs	(60)	(40)
Gain on sale of property, plant and equipment	(11)	(11)
Miscellaneous income	(95)	(56)
Total capitalised self-constructed assets and other income	**(598)**	**(466)**
Total indirect costs	**3,926**	**4,049**

1 See Note 4.1.

Capitalised self-constructed tangible and intangible assets include personnel costs for the manufacturing of technical installations, the construction of network infrastructure and the development of software for internal use.

Accounting policies

Costs to obtain a contract
Swisscom pays commissions to dealers for the acquisition and retention of mobile-phone customers. The commission payable is dependent on the type of subscription. Costs to obtain a contract are deferred and amortised over the related revenue-recognition period. In addition, Swisscom will reimburse the dealer for any handset subsidies they grant to customers when they take out a Swisscom mobile subscription at the same time. The associated costs are deferred and recognised on a straight-line basis over the contract term as the costs of obtaining a contract. The amortisation period corresponds to the related revenue-recognition period. See Note 1.1.

Costs to fulfil a contract
In connection with a broadband or TV subscription, the customer must purchase a router or TV box in order to use the services of Swisscom. Routers and TV boxes may be used exclusively for services provided by Swisscom. The cost of routers and TV boxes are reported as costs to fulfil a contract and amortised over the minimum term of the contract. The set-up costs incurred to transfer and integrate outsourcing transactions with corporate customers are deferred and amortised against income on a straight-line basis over the duration of the operating contract. The amortisation period corresponds to the related revenue-recognition period. See Note 1.1.

2 Capital and financial risk management

The following chapter sets out the procedures and guidelines governing the active management of the capital structure and the financial risks to which Swisscom is exposed. Swisscom strives to achieve a robust equity basis, which enables it to guarantee its ability to continue as a going concern and to offer investors an appropriate return based on the risks assumed.

2.1 Capital management and equity

Ratio of net debt to EBITDA after lease expense

Swisscom has a single A credit rating with rating agencies Standard & Poor's and Moody's. Swisscom aims to maintain this single A credit rating. An important quantitative criterion for the credit rating and the assessment and control of the financial situation by the management is the ratio of net debt to operating result before depreciation, amortisation and impairment losses after lease expense (EBITDA AL). Net debt comprises financial liabilities less cash and cash equivalents, listed debt instruments, certificates of deposit, derivative financial instruments held for hedging financial liabilities and other current financial assets. Lease expense includes depreciation and interest on right-of-use assets excluding depreciation on prepaid indefeasible rights of use (IRU) and impairment losses. The net debt to EBITDA AL ratio is as follows:

In CHF million	**31.12.2021**	31.12.2020
Net debt	**5,689**	**6,218**
EBITDA after lease expense (EBITDA AL)	4,177	4,082
Ratio net debt/EBITDA AL	**1.4**	**1.5**

Equity ratio

Swisscom strives to achieve an equity ratio of a minimum of 30%. The equity ratio is computed as follows:

In CHF million	**31.12.2021**	31.12.2020
Equity	10,813	9,491
Total assets	24,801	24,262
Equity ratio in %	**43.6**	**39.1**

Dividend policy

Swisscom pursues a dividend policy with a stable dividend, taking into account its financial situation and cash flow generation. Distributable reserves are not determined on the basis of the equity as reported in the consolidated financial statements but rather on the basis of equity as reported in the statutory financial statements of the parent company, Swisscom Ltd. As at 31 December 2021, Swisscom Ltd's distributable reserves amounted to CHF 4,691 million. The dividend is proposed by the Board of Directors and must be approved by the Annual General Meeting of Shareholders. Treasury shares are not entitled to a dividend. Swisscom Ltd paid the following dividends in 2020 and 2021:

In CHF million, except where indicated	**2021**	2020
Number of registered shares eligible for dividend (in millions of shares)	51.802	51.802
Ordinary dividend per share (in CHF)	22.00	22.00
Dividends paid	**1,140**	**1,140**

The Board of Directors will propose the payment of an unchanged dividend of CHF 22 per share for the 2021 financial year to the Annual General Meeting of Shareholders of Swisscom Ltd on 30 March 2022. This equates to an aggregate dividend distribution of CHF 1,140 million. The expected dividend payment date is 5 April 2022.

Earnings per share

In CHF million, except where indicated	2021	2020
Share of net income attributable to equity holders of Swisscom Ltd	1,832	1,530
Weighted average number of shares outstanding (number)	51,801,334	51,800,587
Basic and diluted earnings per share (in CHF)	**35.37**	**29.54**

Supplementary information on equity

Development of retained earnings and other reserves as well as comprehensive income 2021

In CHF million	Retained earnings	Foreign currency translation adjustments	Hedging reserves	Equity holders of Swisscom	Non-controlling interests	Total
Balance at 1 January 2021	**11,085**	**(1,791)**	**8**	**9,302**	**1**	**9,303**
Net income	**1,832**	**–**	**–**	**1,832**	**1**	**1,833**
Actuarial gains and losses from defined benefit pension plans	777	–	–	777	–	777
Change in fair value of equity instruments	84	–	–	84	–	84
Income tax expense	(152)	–	–	(152)	–	(152)
Items that will not be reclassified to income statement	**709**	**–**	**–**	**709**	**–**	**709**
Foreign currency translation adjustments of foreign subsidiaries	–	(107)	–	(107)	–	(107)
Foreign currency translation losses of foreign subsidiaries transferred to income statement	–	25	–	25	–	25
Fair value losses of cash flow hedges transferred to income statement	–	–	(7)	(7)	–	(7)
Equity-accounted investees	–	2	–	2	–	2
Income tax expense	–	7	1	8	–	8
Items that may be reclassified to income statement	**–**	**(73)**	**(6)**	**(79)**	**–**	**(79)**
Other comprehensive income	**709**	**(73)**	**(6)**	**630**	**–**	**630**
Comprehensive income	**2,541**	**(73)**	**(6)**	**2,462**	**1**	**2,463**
Dividends paid	(1,140)	–	–	(1,140)	(1)	(1,141)
Other changes	(1)	–	–	(1)	1	–
Balance at 31 December 2021	**12,485**	**(1,864)**	**2**	**10,623**	**2**	**10,625**

Development of retained earnings and other reserves as well as comprehensive income 2020

In CHF million	Retained earnings	Foreign currency translation adjustments	Hedging reserves	Equity holders of Swisscom	Non-controlling interests	Total
Balance at 1 January 2020	**10,454**	**(1,781)**	**11**	**8,684**	**3**	**8,687**
Net income	**1,530**	**–**	**–**	**1,530**	**(2)**	**1,528**
Actuarial gains and losses from defined benefit pension plans	330	–	–	330	–	330
Change in fair value of equity instruments	(10)	–	–	(10)	–	(10)
Income tax expense	(68)	–	–	(68)	–	(68)
Items that will not be reclassified to income statement	**252**	**–**	**–**	**252**	**–**	**252**
Foreign currency translation adjustments of foreign subsidiaries	–	(5)	–	(5)	–	(5)
Fair value losses of cash flow hedges transferred to income statement	–	–	(3)	(3)	–	(3)
Equity-accounted investees	–	(5)	–	(5)	–	(5)
Items that may be reclassified to income statement	**–**	**(10)**	**(3)**	**(13)**	**–**	**(13)**
Other comprehensive income	**252**	**(10)**	**(3)**	**239**	**–**	**239**
Comprehensive income	**1,782**	**(10)**	**(3)**	**1,769**	**(2)**	**1,767**
Dividends paid	(1,140)	–	–	(1,140)	(1)	(1,141)
Other changes	(11)	–	–	(11)	1	(10)
Balance at 31 December 2020	**11,085**	**(1,791)**	**8**	**9,302**	**1**	**9,303**

2.2 Financial liabilities

In CHF million	2021	2020
Balance at 1 January	**7,042**	**7,460**
Issuance of bank loans	221	2
Issuance of debenture bonds	100	719
Issuance of other financial liabilities	29	11
Issuance of financial liabilities	**350**	**732**
Repayment of bank loans	(192)	(557)
Repayment of debenture bonds	(544)	(540)
Repayment of other financial liabilities	(56)	(13)
Repayment of financial liabilities	**(792)**	**(1,110)**
Interest expense	63	75
Interest payments	(81)	(93)
Foreign currency translation adjustments	(88)	(41)
Change in fair value	(25)	6
Accrual of deferred purchase price margins from business combinations	6	–
Expenses for deferred consideration arising on business combinations [1]	(10)	(26)
Other changes	(20)	39
Balance at 31 December	**6,445**	**7,042**
Bank loans	488	484
Debenture bonds	5,564	6,110
Private placements	151	151
Derivative financial instruments [2]	64	90
Other financial liabilities	178	207
Total financial liabilities	**6,445**	**7,042**
Thereof current financial liabilities	559	792
Thereof non-current financial liabilities	5,886	6,250

1 Reported in the cash flow statement as cash flow used in investing activities. See Note 5.2.

2 See Note 2.5.

Credit lines

Swisscom has two confirmed lines of credit. In 2021, one line of credit was increased from CHF 1,000 million to CHF 1,200 million and the maturity date was extended to 2026. The second line of credit of CHF 1,000 million was converted in 2021 into a sustainability linked loan with a maturity date in 2026. The amount of the credit margin is linked to the achievement of defined sustainability targets by Swisscom. The two confirmed lines of credit are affected by the Interest Rate Benchmark Reform (known as the IBOR Reform). In Switzerland, the changeover from the reference interest rate LIBOR to SARON is taking place. In the course of the renewal or conversion of the lines of credit, the reference interest rate for CHF was also changed from LIBOR to SARON in each case. As of 31 December 2021, none of these lines of credit had been drawn down, as in the prior year.

Bank loans

					Carrying amount	
In CHF million	Maturity years	Par value in currency	Nominal interest rate	Effective interest rate	**31.12.2021**	31.12.2020
Bank loans in CHF [1]	2020–2021	199	0.00%	0.00%	–	199
Bank loans in EUR [1, 3]	2021–2023	200	Euribor +0.63%	0.10%	207	–
Bank loans in EUR [2, 3]	2017–2024	150	0.67%	0.67%	155	163
Bank loans in USD [2]	2009–2028	58	8.30%	4.62%	68	66
Bank loans in USD [2]	2009–2028	51	7.65%	4.63%	58	56
Total bank loans					**488**	**484**

1 Variable interest-bearing.
2 Fixed interest-bearing.
3 Designated for hedge accounting of net investments in foreign operations.

As of 31 December 2021, Swisscom had not taken on any short-term bank loans on a weekly or monthly basis (prior year: CHF 199 million). In the second quarter of 2021, Swisscom took on a bank loan of EUR 200 million (CHF 207 million), maturing in 2023. The funds received were used to repay existing debt. Bank loans to the value of EUR 350 million (CHF 362 million) may become due for immediate repayment if the shareholding of the Confederation in the capital of Swisscom falls below one third, or if another shareholder can exercise control over Swisscom.

Debenture bonds

In CHF million	Maturity years	Par value in currency	Nominal interest rate	Effective interest rate	Carrying amount 31.12.2021	Carrying amount 31.12.2020
Debenture bond in EUR (ISIN: XS1051076922) [1]	2014–2021	500	1.88%	2.06%	–	542
Debenture bond in CHF (ISIN: CH0114695379)	2010–2022	500	2.63%	2.81%	503	503
Debenture bond in CHF (ISIN: CH0268988174) [2]	2015–2023	250	0.25%	–0.38% [3]	252	255
Debenture bond in CHF (ISIN: CH0188335365)	2012–2024	500	1.75%	1.77%	504	504
Debenture bond in EUR (ISIN: XS1288894691)	2015–2025	500	1.75%	–0.06% [4]	537	578
Debenture bond in CHF (ISIN: CH0247776138)	2014–2026	200	1.50%	1.47%	202	202
Debenture bond in EUR (ISIN: XS1803247557) [1]	2018–2026	500	1.13%	1.25%	515	538
Debenture bond in CHF (ISIN: CH0344583783) [2]	2016–2027	200	0.38%	–0.37% [3]	203	208
Debenture bond in CHF (ISIN: CH0362748359)	2017–2027	350	0.38%	0.39%	351	351
Debenture bond in CHF (ISIN: CH0317921663)	2016–2028	200	0.38%	0.30%	202	202
Debenture bond in CHF (ISIN: CH0437180935)	2018–2028	150	0.75%	0.72%	151	151
Debenture bond in EUR (ISIN: XS21692434791) [1]	2020–2028	500	0.38%	0.53%	511	534
Debenture bond in CHF (ISIN: CH0254147504)	2014–2029	160	1.50%	1.47%	161	161
Debenture bond in CHF (ISIN: CH0419040982)	2019–2029	200	0.50%	0.43%	201	201
Debenture bond in CHF (ISIN: CH0515152467)	2020–2031	100	0.13%	0.15%	100	100
Debenture bond in CHF (ISIN: CH0336352775)	2016–2032	300	0.13%	0.14%	299	299
Debenture bond in CHF (ISIN: CH0373476164)	2017/ 2019–2033	230	0.75%	0.66%	233	233
Debenture bond in CHF (ISIN: CH1112455766)	2021–2033	100	0.25%	0.27%	100	–
Debenture bond in CHF (ISIN: CH0580291968)	2020–2034	100	0.25%	0.27%	100	100
Debenture bond in CHF (ISIN: CH0268988182) [2]	2015/ 2018–2035	300	1.00%	0.26% [3]	314	323
Debenture bond in CHF (ISIN: CH0494734335)	2019–2044	125	0.00%	0.00%	125	125
Total debenture bonds					**5,564**	**6,110**

1 Designated for hedge accounting of net investments in foreign operations.
2 Thereof CHF 575 million designated for fair value hedge accounting.
3 After hedging with interest rate swap.
4 After hedging with currency swap and taking hedge accounting into consideration.

In the second quarter of 2021, Swisscom issued a green bond for CHF 100 million. It has a coupon of 0.25% and matures in 2033. The funds raised were used within the Green Bond Framework. Swisscom repaid a EUR 500 million (CHF 544 million) bond upon maturity in the third quarter of 2021.

In the second quarter of 2020, Swisscom became the first listed company in Switzerland to issue a Green Bond in EUR. The amount borrowed totalled EUR 500 million (CHF 519 million). The coupon was 0.375% and the bond has a maturity of 8.5 years. The funds raised will be used within Swisscom's Green Bond Framework. In the third quarter of 2020, Swisscom issued a CHF 100 million bond with a maturity of 11 years and a coupon of 0.125%. In the fourth quarter of 2020, Swisscom issued a CHF 100 million bond with a maturity of 14 years and a coupon of 0.245%. The funds received were used to repay existing debt. Swisscom repaid a EUR 500 million (CHF 540 million) bond upon maturity in the third quarter of 2020.

Private placements

The outstanding private placement of CHF 150 million matures in 2031. It may become due for immediate repayment if the shareholding of the Confederation in the capital of Swisscom falls below 35% or if another shareholder can exercise control over Swisscom.

Other financial liabilities

As at 31 December 2021, the carrying amount of other financial liabilities was CHF 178 million (prior year: CHF 207 million), consisting primarily of loans.

2.3 Leases

Lessee

Swisscom's leases comprise the rental of operation and office buildings, antenna sites, and network infrastructure in particular. In addition, indefeasible rights of use (IRU) are classified as leases under IFRS 16. In general, IRU are paid in full at the beginning of use. The Italian subsidiary Fastweb procures various access services from other fixed-network operators and uses their connection cables to the end customer. Swisscom applies the low value asset exemption for these leases. Accordingly, no right-of-use assets and lease liabilities will be recognised for these access services, the costs of which will be reported as direct costs. There are no material lease commitments arising from leases that began after the balance sheet date.

Swisscom concluded two agreements in 2001 for the sale of real estate. At the same time, it entered into long-term agreements to lease back part of the real estate sold which, in part, qualify as finance leases. The gain realised on real estate classified as finance leases was deferred. As at 31 December 2021, the carrying amount of the deferred gains was CHF 95 million (prior year: CHF 106 million). The deferred gains are released to other income over the term of the individual leases.

Right-of-use assets

In CHF million	Land and buildings	Technical installations	Other right-of-use assets	**Total**
At cost				
Balance at 1 January 2020	**1,999**	**1,006**	**8**	**3,013**
Additions	202	53	3	258
Disposals	(29)	(9)	(1)	(39)
Business combinations	1	–	–	1
Foreign currency translation adjustments	(1)	(4)	–	(5)
Balance at 31 December 2020	**2,172**	**1,046**	**10**	**3,228**
Additions	261	47	9	317
Disposals	(78)	(12)	(1)	(91)
Sales of subsidiaries	(1)	–	–	(1)
Foreign currency translation adjustments	(13)	(43)	–	(56)
Balance at 31 December 2021	**2,341**	**1,038**	**18**	**3,397**
Accumulated depreciation and impairment losses				
Balance at 1 January 2020	**(393)**	**(442)**	**(1)**	**(836)**
Depreciation	(223)	(53)	(3)	(279)
Impairments	(7)	–	–	(7)
Disposals	22	9	–	31
Foreign currency translation adjustments	–	1	–	1
Balance at 31 December 2020	**(601)**	**(485)**	**(4)**	**(1,090)**
Depreciation	(223)	(53)	(4)	(280)
Impairments	(1)	–	–	(1)
Disposals	71	12	1	84
Foreign currency translation adjustments	3	21	–	24
Balance at 31 December 2021	**(751)**	**(505)**	**(7)**	**(1,263)**
Net carrying amount				
Net carrying amount at 31 December 2021	**1,590**	**533**	**11**	**2,134**
Net carrying amount at 31 December 2020	**1,571**	**561**	**6**	**2,138**
Net carrying amount at 1 January 2020	**1,606**	**564**	**7**	**2,177**

Lease liabilities

In CHF million	**2021**	2020
Balance at 1 January	**1,988**	**2,027**
Additions	317	258
Interest expense	44	45
Payments	(303)	(332)
Disposals	(7)	(8)
Business combinations	–	1
Foreign currency translation adjustments	(22)	(3)
Balance at 31 December	**2,017**	**1,988**
Land and buildings	1,653	1,624
Technical installations	349	356
Other leases	15	8
Total lease liabilities [1]	**2,017**	**1,988**
Thereof current lease liabilities	217	226
Thereof non-current lease liabilities	1,800	1,762

1 Note 2.5 shows the maturity analysis for lease liabilities.

Income and expenses arising from leases

In CHF million	2021	2020
Revenue		
Income from leases excluding subleases	189	187
Income from subleases	6	7
Other income		
Deferred gain on sale and leaseback of real estate	11	16
Financial income		
Interest income on finance lease	2	2
Direct costs		
Expense from leases of low value assets	(110)	(134)
Depreciation and impairment losses		
Depreciation of right-of-use assets	(280)	(279)
Impairment losses on right-of-use assets	(1)	(7)
Financial expense		
Interest expense on lease liabilities	(44)	(45)

Lessor

Swisscom supplies other providers of telecommunications services with access lines for use, which are classified either as finance or operating leases. At the same time, Swisscom leases space in operations and offices buildings and at antenna sites, which is classified as an operating lease. Future lease payments in respect of receivables from finance leases as at 31 December 2020 and 2021 break down as follows:

In CHF million	31.12.2021	31.12.2020
Within 1 year	33	34
Between 1 and 2 years	24	22
Between 2 and 3 years	7	6
Between 3 and 4 years	6	4
Between 4 and 5 years	4	3
After 5 years	26	19
Total future payments from finance leases	**100**	**88**
Future interest income	(1)	(1)
Total receivables from finance leases	**99**	**87**
Thereof current receivables from finance leases	33	33
Thereof non-current receivables from finance leases	66	54

Future lease payments in respect of operating leases are as follows as at 31 December 2020 and 2021:

In CHF million	31.12.2021	31.12.2020
Within 1 year	44	62
Between 1 and 2 years	40	41
Between 2 and 3 years	39	39
Between 3 and 4 years	39	38
Between 4 and 5 years	38	15
After 5 years	38	16
Total future payments from operating leases	**238**	**211**

Significant judgements or estimates

When determining the terms of leases, management considers all facts and circumstances that encompass an economic incentive to exercise renewal options or not exercise termination options. Renewal and termination options are only included in the contract term where there is sufficient certainty that they will be exercised. This assessment is reviewed in the event of a material occurrence or change in circumstances that may affect the previous assessment, where this is within the lessee's control.

Accounting policies

Financial liabilities

Financial liabilities are initially recognised at fair value less direct transaction costs. In subsequent accounting periods, they are re-measured at amortised cost using the effective interest method.

Leases

A lease is a contract or part of a contract that transfers the right to control the use of an identifiable asset for an agreed period of time in return for payment. In particular, Swisscom leases comprise the rental of operation and office buildings, antenna sites as well as network infrastructure and indefeasible rights of use (IRU). As a lessee, for each lease Swisscom recognises a lease liability for future lease payments and a right of use for the underlying asset as at the time when the leased asset becomes available to Swisscom. The lease payments are divided into a repayment component and an interest component. The interest component is recognised as an interest expense over the lease term computed on the basis of the effective interest method. The right-of-use asset is depreciated on a straight-line basis over the shorter of the useful life and the lease term. As a lessor, Swisscom has to distinguish between finance and operating leases. A lease is recorded as a finance lease whenever essentially all of the risks and rewards incidental to ownership of the asset are transferred. Unless implicitly specified in the lease, the interest rate used to measure the rights of use and lease liabilities is the incremental borrowing rate. In the area of network access services, for selected leases Swisscom applies the exemptions regarding the separation of lease and non-lease components. The non-lease components are accounted for in accordance with other standards. Swisscom procures various access services from other network operators and uses their connection cables to the end customer. Under IFRS 16, part of these access services is classified as a lease. The value of the individual connection cable fulfils the criteria as an asset of low value. Swisscom applies the low value asset exemption for these leases. Accordingly, no right-of-use assets and lease liabilities will be recognised for these access services, the costs of which will continue to be reported as operating expense. The exemption for short-term leases is not applied. A number of leases for the rental of operation and office buildings include renewal and termination options which are taken into account in the initial measurement by category of building. Rental contracts of antenna sites have an initial lease term of 10 to 15 years. In general, these rental contracts include renewal and mutual termination options. For these leases, it is not reasonably certain that all renewal options will be exercised. Accordingly, no renewal options are taken into account in the initial measurement of lease contracts of antenna sites. Given Swisscom's planning horizon of a maximum of five years and technological developments, it is not possible to estimate the amount of additional undiscounted payments which are currently not included in the lease liabilities.

2.4 Financial result

In CHF million	2021	2020
Interest income on financial assets	3	6
Foreign exchange gains	14	–
Change in fair value of interest rate swaps [1]	21	–
Gain on sale of equity-accounted investees [2]	219	–
Gain on exchange of financial assets	–	31
Other financial income	12	4
Total financial income	**269**	**41**
Interest expense on financial liabilities	(63)	(75)
Interest expense on lease liabilities	(44)	(45)
Interest expense on defined benefit obligations [3]	(1)	(2)
Foreign exchange losses	–	(5)
Change in fair value of interest rate swaps [1]	–	(9)
Present-value adjustments on provisions [4]	(32)	(39)
Other financial expense	(33)	(18)
Total financial expense	**(173)**	**(193)**
Financial income and financial expense, net	**96**	**(152)**
Interest expense on lease liabilities	(44)	(45)
Net interest expense on financial assets and liabilities	(60)	(69)

1 See Note 2.5.
2 See Note 5.3.
3 See Note 4.3.
4 See Note 3.5.

In the third quarter of 2020, Swisscom exchanged certificates of deposit for U.S. treasury bond strips (listed debt instruments). The exchange of financial assets resulted in a valuation difference of CHF 31 million, which was recognised as financial income.

2.5 Financial risk management

Swisscom is exposed to various financial risks arising from its operating and financing activities. Financial risk management is conducted in accordance with established guidelines, with the objective of containing the potential adverse effects thereof on the financial situation of Swisscom. The identified risks and measures to minimise them are presented below:

Risk	Source	Risk mitigation
Currency risks	Swisscom is exposed to foreign exchange changes which can impact the Group's cash flows, financial result and equity.	• Reduction in cash flow volatility by use of forward currency contracts/swaps and currency swaps and designation for hedge accounting (transaction risk) • Reduction in translation risk by foreign currency financing and designation for hedge accounting • Hedging of currency risk of foreign currency financing by use of currency swaps
Interest rate risk	Interest rate risks result from changes in interest rates which can negatively impact cash flows and the financial situation of Swisscom.	• Use of interest rate swaps to manage fixed/variable share of financial debt
Credit risks from operating business activities and financial transactions	Through its operating business activities and derivative financial instruments and financial investments, Swisscom is exposed to the risk of default of a counterparty.	• Guideline establishing minimum requirements for counterparties • Designated counterparty limits • Employment of netting agreements foreseen under ISDA (International Swaps and Derivatives Association) • Use of collateral agreements
Liquidity risk	Prudent liquidity management involves the holding of adequate reserves of cash and cash equivalents, negotiable securities as well as the possibility of obtaining confirmed lines of credit.	• Procedures and principles to ensure adequate liquidity • Two guaranteed bank credit lines totaling CHF 2,200 million

Foreign exchange risks

As regards financial instruments, the following currency risks and hedging contracts existed for foreign currencies as of 31 December 2020 and 2021:

	31.12.2021		31.12.2020	
In CHF million	EUR	USD	EUR	USD
Cash and cash equivalents	11	14	30	19
Trade receivables	6	7	(15)	9
Other financial assets	13	403	30	315
Financial liabilities	(1,931)	(217)	(2,350)	(221)
Trade payables	(60)	(41)	(37)	(49)
Net exposure at carrying amounts	**(1,961)**	**166**	**(2,342)**	**73**
Net exposure to forecasted cash flows in the next 12 months	(15)	(219)	2	(307)
Net exposure before hedges	**(1,976)**	**(53)**	**(2,340)**	**(234)**
Forward currency contracts	–	219	–	307
Foreign currency swaps	131	(36)	86	(34)
Currency swaps	517	–	540	–
Hedges	**648**	**183**	**626**	**273**
Net exposure	**(1,328)**	**130**	**(1,714)**	**39**

In addition, as at 31 December 2021, Swisscom had outstanding financial liabilities with a nominal value totalling EUR 1,350 million (CHF 1,395 million, prior year: EUR 1,650 million, CHF 1,782 million), which are designated for hedge accounting of net investments in foreign operations. In 2021, income of CHF 61 million (prior year: income of CHF 9 million) arising from the measurement of financial liabilities was recognised in other comprehensive income in the position of foreign currency translation of foreign Group companies. As at 31 December 2021, the cumulative positive amount of foreign currency translation differences in equity totals CHF 304 million.

Foreign currency sensitivity analysis

The following sensitivity analysis shows the impact on the income statement should the EUR/CHF and USD/CHF exchange rates change in line with their implicit volatility over the next twelve months. The analysis assumes that all other variables, in particular the interest rate level, remain constant.

In CHF million	Income impact on balance sheet items	Hedges for balance sheet items	Planned cash flows	Hedges for planned cash flows
31.12.2021				
EUR volatility 5.02%	98	(32)	1	–
USD volatility 6.24%	(10)	2	14	(14)
31.12.2020				
EUR volatility 5.14%	120	(32)	–	–
USD volatility 6.39%	(5)	2	20	(22)

The volatility of balance sheet positions and scheduled cash flows is partially offset by the volatility of the related hedging contracts.

Interest rate risks

The structure of interest-bearing financial instruments at nominal values is as follows:

In CHF million	**31.12.2021**	31.12.2020
Fixed interest-bearing financial liabilities	6,050	6,565
Variable interest-bearing financial liabilities	230	274
Total interest-bearing financial liabilities	**6,280**	**6,839**
Fixed interest-bearing financial assets	(275)	(271)
Variable interest-bearing financial assets	(584)	(561)
Total interest-bearing financial assets	**(859)**	**(832)**
Total interest-bearing financial assets and liabilities, net	**5,421**	**6,007**
Variable interest-bearing	(354)	(287)
Variable through interest rate swaps	1,092	1,115
Variable interest-bearing, net	**738**	**828**
Fixed interest-bearing	5,775	6,294
Variable through interest rate swaps	(1,092)	(1,115)
Fixed interest-bearing, net	**4,683**	**5,179**
Total interest-bearing financial assets and liabilities, net	**5,421**	**6,007**

Interest rate sensitivity analysis

A shift in interest rates by 100 basis points has an impact of CHF 7 million on the income statement (previous year: CHF 8 million), but no impact on equity as at 31 December 2020 and 2021.

Credit risks

Credit risks from financial transactions

The carrying amounts of cash and cash equivalents and other financial assets exposed to credit risk (excluding trade receivables, receivables from finance leases and contract assets) may be analysed as follows:

In CHF million	**31.12.2021**	31.12.2020
Cash and cash equivalents	401	340
Financial assets at amortised cost	356	391
Derivative financial instruments	19	79
Other assets valued at fair value	2	1
Total carrying amount of financial assets	**778**	**811**

The carrying amounts analysed by the Standard & Poor's rating of the counterparties may be summarised as follows:

In CHF million	**31.12.2021**	31.12.2020
AAA	118	87
AA– to AA+	530	441
A– to A+	75	218
BBB– to BBB+	11	40
Without rating	44	25
Total	**778**	**811**

Financial risks from operating activities

Credit risks on trade receivables, contract assets and other receivables arise from the Group's operating activities. Credit risks from other receivables are insignificant. As an initial step, Swisscom divides the credit risks from operating activities between Swisscom Switzerland and Fastweb. Default risks are principally impacted by the individual attributes of the customers. They are also influenced by the default risk of customer groups and industry sectors. Swisscom has a receivables management system in place to minimise default losses. New customers are reviewed for their creditworthiness and maximum payment targets are set for customer groups. As regards their creditworthiness, customers are divided into groups for the purposes of monitoring default risk. In the process a differentiation is made between individual and business customers, among other things. In addition, the ageing structure of the receivables is taken into account, as is the industry segment in which a business customer is active. The split of trade receivables and contract assets by operating segment is as follows:

In CHF million	31.12.2021	31.12.2020
Notional amount		
Residential Customers	868	1,003
Business Customers	559	421
Wholesale	186	141
Infrastructure & Support Functions	36	22
Swisscom Switzerland	**1,649**	**1,587**
Fastweb	821	643
Other Operating Segments	170	219
Total notional amount	**2,640**	**2,449**
Allowances for doubtful debts		
Residential Customers	(51)	(59)
Business Customers	(22)	(14)
Wholesale	(4)	(2)
Infrastructure & Support Functions	(1)	(2)
Swisscom Switzerland	**(78)**	**(77)**
Fastweb	(48)	(60)
Other Operating Segments	(25)	(27)
Total allowances for doubtful debts	**(151)**	**(164)**
Total notional amount less allowances for doubtful debts	**2,489**	**2,285**

As at 31 December 2021, the maturities of trade receivables and contract assets as well as any related valuation allowances may be analysed as follows:

			31.12.2021
In CHF million	Rate	Par value	Allowance
Not overdue	0.30%	1,657	(5)
Past due up to 3 months	3.80%	789	(30)
Past due 4 to 6 months	40.82%	49	(20)
Past due 7 to 12 months	45.83%	48	(22)
Past due over 1 year	76.29%	97	(74)
Total	**5.72%**	**2,640**	**(151)**

As at 31 December 2020, the maturities of trade receivables and contract assets as well as any related valuation allowances may be analysed as follows:

In CHF million	Rate	Par value	Allowance
			31.12.2020
Not overdue	0.65%	1,681	(11)
Past due up to 3 months	6.82%	513	(35)
Past due 4 to 6 months	42.31%	52	(22)
Past due 7 to 12 months	27.88%	104	(29)
Past due over 1 year	67.68%	99	(67)
Total	**6.70%**	**2,449**	**(164)**

Movements in valuation allowances for trade receivables and contract assets may be analysed as follows:

In CHF million	2021	2020
Balance at 1 January	**164**	**144**
Additions to allowances	87	97
Write-off of irrecoverable receivables subject to allowance	(66)	(74)
Release of unused allowances	(23)	(3)
Sales of subsidiaries	(9)	–
Foreign currency translation adjustments	(2)	–
Balance at 31 December	**151**	**164**

Liquidity risk

Contractual maturities including estimated interest payable

In CHF million	Carrying amount	Contractual payments	Due within 1 year	Due within 1 to 2 years	Due within 3 to 5 years	Due after 5 years
31.12.2021						
Bank loans	488	526	7	214	173	132
Debenture bonds	5,564	5,779	556	293	1,832	3,098
Private placements	151	158	1	1	2	154
Derivative financial instruments	64	61	(1)	(3)	28	37
Other financial liabilities	178	178	27	45	20	86
Lease liabilities	2,017	2,680	261	245	600	1,574
Trade payables	1,600	1,600	1,517	70	13	–
Total	**10,062**	**10,982**	**2,368**	**865**	**2,668**	**5,081**

In CHF million	Carrying amount	Contractual payments	Due within 1 year	Due within 1 to 2 years	Due within 3 to 5 years	Due after 5 years
31.12.2020						
Bank loans	484	526	206	7	181	132
Debenture bonds	6,110	6,356	606	556	1,409	3,785
Private placements	151	159	1	1	2	155
Derivative financial instruments	90	83	14	3	11	55
Other financial liabilities	207	207	11	93	24	79
Lease liabilities	1,988	2,653	271	233	560	1,589
Trade payables	1,525	1,525	1,502	15	8	–
Total	**10,555**	**11,509**	**2,611**	**908**	**2,195**	**5,795**

Derivative financial instruments

In CHF million	Contract value 31.12.2021	Contract value 31.12.2020	Positive fair value 31.12.2021	Positive fair value 31.12.2020	Negative fair value 31.12.2021	Negative fair value 31.12.2020
Interest rate swaps in CHF	575	575	19	37	–	–
Currency swaps in EUR	517	540	–	41	(2)	–
Total fair value hedges	**1,092**	**1,115**	**19**	**78**	**(2)**	**–**
Forward currency contracts in USD	166	90	–	–	(2)	(3)
Total cash flow hedges	**166**	**90**	**–**	**–**	**(2)**	**(3)**
Interest rate swaps in CHF	200	200	–	–	(58)	(79)
Currency swaps in USD	36	34	–	1	–	–
Currency swaps in EUR	131	87	–	–	(1)	(1)
Forward currency contracts in USD	53	216	–	–	(1)	(7)
Total other derivative financial instruments	**420**	**537**	**–**	**1**	**(60)**	**(87)**
Total derivative financial instruments	**1,678**	**1,742**	**19**	**79**	**(64)**	**(90)**
Thereof current derivative financial instruments			1	1	(4)	(11)
Thereof non-current derivative financial instruments			18	78	(60)	(79)

Swisscom has entered into interest rate and foreign currency swaps, designated as fair value hedges, in order to hedge interest rate and foreign currency risks of fixed interest-bearing finance denominated in CHF and EUR. Derivative financial instruments contains forward contracts, designated as cash flow hedges, for hedging future purchases of goods and services in USD. Furthermore, derivative financial instruments include interest rate swaps which are not designated for hedge accounting purposes. In addition, derivative financial instruments exclusively comprise forward foreign currency transactions and foreign currency swaps in EUR and USD which serve to hedge future transactions in connection with financing or the operating business activities of Swisscom, and which were not designated for hedge accounting purposes. Swisscom does not enter into derivative financial instruments for speculative purposes.

The interest rate and currency swaps entered into by Swisscom are affected by the Interest Rate Benchmark Reform (known as the IBOR Reform). In Switzerland, the changeover from the reference interest rate LIBOR to SARON is taking place. In the EUR zone, the EURIBOR was recently reformed and ESTR is to be replaced by the EONIA. In 2021, Swisscom switched the reference interest rate for interest rate swaps worth CHF 775 million and for currency swaps worth EUR 500 million.

Valuation category and fair value of financial instruments

The fair values of financial assets and financial liabilities are summarised in the following table. Not included therein are cash and cash equivalents, trade receivables and trade payables, as well as miscellaneous receivables and liabilities whose carrying amount corresponds to a reasonable estimation of their fair value.

			31.12.2021
In CHF million	**Carrying amount**	**Fair value**	**Level**
Other financial assets			
Term deposits	57	57	2
Listed debt instruments	278	273	1
Loans	21	21	2
At amortised cost	**356**	**351**	
Equity instruments valued at fair value	26	26	1
Equity instruments valued at fair value	381	381	3
Fair value through other comprehensive income	**407**	**407**	
Loans	2	2	2
Derivative financial instruments	19	19	2
Fair value through profit or loss	**21**	**21**	
Total other financial assets	**784**	**779**	
Financial liabilities			
Bank loans	488	514	2
Debenture bonds	5,564	5,717	1
Private placements	151	154	2
Derivative financial instruments	64	64	2
Other financial liabilities	178	187	2
Total financial liabilities	**6,445**	**6,636**	

			31.12.2020
In CHF million	Carrying amount	Fair value	Level
Other financial assets			
Term deposits	107	107	2
Quoted debt instruments	271	277	1
Loans	13	13	2
At amortised cost	**391**	**397**	
Equity instruments valued at fair value	91	91	3
At fair value through other comprehensive income	**91**	**91**	
Loans	1	1	2
Derivative financial instruments	79	79	2
Fair value through profit or loss	**80**	**80**	
Total other financial assets	**562**	**568**	
Financial liabilities			
Bank loans	484	519	2
Debenture bonds	6,110	6,381	1
Private placements	151	160	2
Derivative financial instruments	90	90	2
Other financial liabilities	207	223	2
Total financial liabilities	**7,042**	**7,373**	

Financial assets amounting to CHF 284 million (prior year: CHF 277 million) are not freely available as they serve as security for liabilities.

Accounting policies

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value and are subsequently measured at fair value. The method of recording the fluctuations in fair value depends on the underlying transaction and the objective pursued by purchasing or entering into this underlying transaction. On the date a derivative contract is concluded, management designates the purpose of the hedging relationship: hedge of the fair value of an asset or liability ('fair value hedge') or a hedge of future cash flows in the case of future transactions ('cash flow hedge'). Changes in the fair value of derivative financial instruments that were designated as hedging instruments for 'fair value hedges' are recognised in the income statement. Changes in the fair value of derivative financial instruments that were designated as 'cash flow hedges' are dealt with in other comprehensive income, and are recognised in the hedging reserve as part of equity. If a hedge of an anticipated transaction subsequently results in the recording of a financial asset or financial liability, the amount included in equity is recognised in the income statement in the same period in which the financial asset or financial liability impacts the results. Otherwise, the amounts recorded in equity are recognised in the income statement as income or expense in the same period as the cash flows of the intended or agreed future transaction occur. Changes in the fair value of derivative financial instruments that are not designated as hedging instruments are immediately recorded as income.

Estimation of fair values

Fair values are allocated to one of the following three hierarchical levels:

- **Level 1:** exchange-quoted prices in active markets for identical assets or liabilities;
- **Level 2:** other factors which are observable on markets for assets and liabilities, either directly or indirectly;
- **Level 3:** factors that are not based on observable market data.

The fair value of publicly traded equity and debt instruments of Level 1 is based upon their stock exchange quotations as of the balance sheet date. The fair value of Level 2 financial assets and liabilities which are not quoted on exchanges are computed on the basis of future maturing payments discounted at market interest rates. Level 3 assets consist of investments in various investment funds and individual companies. The fair value is determined on the basis of a computational model. Interest rate and currency swaps are discounted at market rates. Foreign currency forward transactions and foreign currency swaps are valued by reference to forward foreign exchange rates as of the balance sheet date.

3 Operating assets and liabilities

The following chapter discloses information on the movement in net operating assets and liabilities as well as in significant non-current tangible and intangible assets. In addition, it outlines the allocation of goodwill to the individual cash-generating units and the results of any applicable impairment tests. Changes in provisions and contingent liabilities are also presented in this chapter.

3.1 Net current operating assets

Movements in operating assets and liabilities

In CHF million	01.01.2021	Operational changes	Other changes [1]	**31.12.2021**
2021 financial year				
Trade receivables	2,132	269	(86)	2,315
Other operating assets	1,029	161	(11)	1,179
Trade payables	(1,525)	(110)	35	(1,600)
Other operating liabilities	(1,269)	(385)	37	(1,617)
Total operating assets and liabilities, net	**367**	**(65)**	**(25)**	**277**

1 Foreign currency translation and adjustments from acquisition and sale of subsidiaries.

In CHF million	01.01.2020	Operational changes	Other changes [1]	31.12.2020
2020 financial year				
Trade receivables	2,183	(54)	3	2,132
Other operating assets	1,156	(127)	–	1,029
Trade payables	(1,614)	86	3	(1,525)
Other operating liabilities	(1,194)	(83)	8	(1,269)
Total operating assets and liabilities, net	**531**	**(178)**	**14**	**367**

1 Foreign currency translation and adjustments from acquisition and sale of subsidiaries.

Trade receivables

In CHF million	**31.12.2021**	31.12.2020
Billed revenue	2,335	2,180
Accrued revenue	131	116
Allowances	(151)	(164)
Total trade receivables [1]	**2,315**	**2,132**

1 Credit risks. See Note 2.5.

Other operating assets and liabilities

In CHF million	31.12.2021	31.12.2020
Other operating assets		
Contract assets	174	153
Contract costs	263	224
Other receivables	84	79
Inventories	114	120
Prepaid expenses	430	349
Advance payments made	38	17
Value-added taxes receivable	22	27
Other non-financial assets	54	60
Total other operating assets	**1,179**	**1,029**
Other operating liabilities		
Contract liabilities	1,012	737
Accruals for variable performance-related bonus	172	160
Value-added taxes payable	68	100
Accruals for annual holiday, overtime	43	45
Liabilities from collection activities	19	12
Miscellaneous liabilities	303	215
Total other operating liabilities	**1,617**	**1,269**

Contract assets and liabilities

In CHF million	31.12.2021	31.12.2020
Contract assets		
Swisscom Switzerland	113	89
Other	61	64
Total contract assets	**174**	**153**
Contract liabilities		
Swisscom Switzerland	559	535
Fastweb	379	122
Other	74	80
Total contract liabilities	**1,012**	**737**

Contract assets of Swisscom Switzerland primarily include deferrals arising in connection with the sale of bundled offerings in the mobile-phone area. In part, mobile handsets are sold on a subsidised basis, together with a mobile contract in a bundled offering. As a result of the allocation of revenue over the pre-delivered components (mobile handset), revenues are recognised earlier than the invoicing thereof. This results in contract assets deriving from this business being recognised. Contractual liabilities above all cover deferrals from payments for prepaid cards and prepaid Swisscom Switzerland subscription fees. In 2021, an amount of CHF 305 million was recorded as revenue which had been recognised as a contract liability as at 31 December 2020. Swisscom avails itself of the rules of IFRS 15.121 regarding the disclosure of the transaction price allocated to the performance obligations that are unsatisfied. The exemption is not applied in the case of mobile-phone contracts with the sale of a subsidised mobile handset and a minimum contract term. These contracts incorporate revenue of CHF 613 million (2022: CHF 462 million; 2023: CHF 151 million).

Contract costs

Contract costs include deferred costs to obtain a contract as well as costs to fulfil a contract, which may be analysed as follows:

In CHF million	31.12.2021	31.12.2020
Costs to obtain a contract		
Swisscom Switzerland	39	42
Fastweb	54	25
Other	45	41
Total costs to obtain a contract	**138**	**108**
Costs to fulfil a contract		
Router and TV boxes	34	44
Initial costs from outsourcing contracts	91	72
Total costs to fulfil a contract	**125**	**116**
Total contract costs	**263**	**224**

Accounting policies

Operating assets and liabilities

Total operating assets and liabilities used in the normal course of business are disclosed as current items in the balance sheet.

Trade receivables

Trade and other receivables are measured at amortised cost less impairment losses. Impairment losses on trade receivables are recognised, depending on the nature of the underlying transaction, in the form of individual valuation allowances or portfolio-based general valuation allowances which cover the anticipated default risk. As regards portfolio-based general valuation allowances, financial assets are grouped together based on homogeneous credit risk attributes, reviewed collectively for impairment and, whenever required, impairment losses are recognised. In addition to the contractually foreseen payment conditions, historical default rates and current information and expectations are taken into consideration in determining the expected future cash flows from the portfolio. Impairment losses for trade receivables are recognised as other operating expenses.

3.2 Property, plant and equipment

In CHF million	Technical installations	Land, buildings and leasehold improvements	Other installations	Advances made and assets under construction	Total
Cost of acquisition					
Balance at 1 January 2020	**27,955**	**1,684**	**4,614**	**484**	**34,737**
Additions	1,241	2	209	229	1,681
Disposals	(1,042)	(10)	(110)	–	(1,162)
Adjustment to dismantlement and restoration costs	46	–	18	–	64
Reclassifications	135	(1)	70	(205)	(1)
Foreign currency translation adjustments	(18)	–	–	–	(18)
Balance at 31 December 2020	**28,317**	**1,675**	**4,801**	**508**	**35,301**
Additions	1,020	4	197	489	1,710
Disposals	(946)	(15)	(444)	–	(1,405)
Adjustment to dismantlement and restoration costs	15	–	(36)	–	(21)
Reclassifications	158	15	97	(270)	–
Business combinations	–	–	1	–	1
Sales of subsidiaries	–	–	(1)	–	(1)
Foreign currency translation adjustments	(248)	(4)	(1)	(2)	(255)
Balance at 31 December 2021	**28,316**	**1,675**	**4,614**	**725**	**35,330**
Accumulated depreciation and impairment losses					
Balance at 1 January 2020	**(19,548)**	**(1,390)**	**(3,270)**	**–**	**(24,208)**
Depreciation	(1,198)	(18)	(303)	–	(1,519)
Impairment losses	(8)	–	–	–	(8)
Disposals	1,038	8	103	–	1,149
Foreign currency translation adjustments	10	–	–	–	10
Balance at 31 December 2020	**(19,706)**	**(1,400)**	**(3,470)**	**–**	**(24,576)**
Depreciation	(1,215)	(17)	(298)	–	(1,530)
Impairment losses	(3)	–	(4)	–	(7)
Disposals	943	14	438	–	1,395
Sales of subsidiaries	–	–	1	–	1
Foreign currency translation adjustments	156	2	–	–	158
Balance at 31 December 2021	**(19,825)**	**(1,401)**	**(3,333)**	**–**	**(24,559)**
Net carrying amount					
Net carrying amount at 31 December 2021	**8,491**	**274**	**1,281**	**725**	**10,771**
Net carrying amount at 31 December 2020	**8,611**	**275**	**1,331**	**508**	**10,725**
Net carrying amount at 1 January 2020	**8,407**	**294**	**1,344**	**484**	**10,529**

Commitments for future capital expenditures

Firm contractual commitments for future capital investments in property, plant and equipment as at 31 December 2021 aggregated CHF 899 million (prior year: CHF 800 million).

Non-cash investing and financing transactions

As a result of changes in the assumptions made in estimating the provisions for dismantlement and restoration costs, a decrease therein of CHF 21 million (prior year: increase of CHF 64 million) was recognised in property, plant and equipment with no impact on the income statement. See Note 3.5.

Significant judgements or estimates

Management estimates the useful economic lives and residual values of technical facilities, real estate and other installations and equipment, on the basis of the anticipated period over which economic benefits will accrue to the company from the use of the assets. Useful economic lives are reviewed annually on the basis of historical and forecast expectations concerning future technological developments, economic and legal changes, as well as further external factors.

Accounting policies

Property, plant and equipment is recognised at historical cost less depreciation and impairment losses. In addition to historical cost and the costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the purchase or manufacturing cost also includes the estimated costs for dismantling and restoring the site. Borrowing costs are capitalised insofar as they are directly attributable to the acquisition or production of a qualifying asset. Costs of replacement, renewal or renovation of property, plant and equipment are capitalised as replacement investments if a future inflow of economic benefits is probable and costs can be measured reliably. The carrying amount of the parts replaced is de-recognised. Depreciation is calculated using the straight-line method except for land, which is not depreciated. The estimated useful lives for the main categories of property, plant and equipment are:

Category	Years
Ducts [1]	40
Cables [1]	15 to 30
Transmission and switching equipment [1]	4 to 15
Other technical installations [1]	3 to 15
Buildings and leasehold improvements	10 to 40
Other installations	3 to 15

1 Technical installations.

Whenever significant parts of an item of property, plant and equipment comprise individual components with differing useful lives, each component is depreciated separately. The process for estimating useful lives takes into account the expected use by the company, the expected wear and tear, technological developments, as well as empirical values with comparable assets. Leasehold improvements and installations in leased premises are depreciated on a straight-line basis over the shorter of their estimated useful lives and the remaining minimum lease term. The impact from adjusting useful economic lives and residual values is recognised on a prospective basis. Whenever indications exist that the value of an asset may be impaired, the recoverable amount of the asset is determined. If the recoverable amount of the asset, which is the greater of the fair value less costs to sell and the value in use, is less than its carrying amount, the carrying amount is written down to the recoverable amount. The carrying amount of an item of property, plant and equipment is de-recognised upon disposal or whenever no future economic benefits are expected from its use. Gains and losses arising on the disposal of property, plant and equipment are recognised as other income or other operating expenses.

3.3 Intangible assets

In CHF million	Purchased software	Internally generated software	Licenses	Brands and customer relations	Other intangible assets	Total
Cost of acquisition						
Balance at 1 January 2020	**2,143**	**1,404**	**949**	**461**	**284**	**5,241**
Additions	190	145	61	–	114	510
Disposals	(16)	(26)	(2)	–	(7)	(51)
Reclassifications	34	79	–	–	(112)	1
Business combinations	2	–	–	–	16	18
Sales of subsidiaries	–	(2)	–	–	–	(2)
Foreign currency translation adjustments	(6)	–	(1)	(1)	–	(8)
Balance at 31 December 2020	**2,347**	**1,600**	**1,007**	**460**	**295**	**5,709**
Additions	210	194	83	–	78	565
Disposals	(10)	(111)	(26)	(67)	(35)	(249)
Reclassifications	11	107	–	–	(118)	–
Business combinations	–	–	–	29	2	31
Sales of subsidiaries	(13)	–	–	–	(1)	(14)
Foreign currency translation adjustments	(80)	(8)	(12)	(13)	(2)	(115)
Balance at 31 December 2021	**2,465**	**1,782**	**1,052**	**409**	**219**	**5,927**
Accumulated amortisation and impairment losses						
Balance at 1 January 2020	**(1,696)**	**(955)**	**(246)**	**(381)**	**(121)**	**(3,399)**
Amortisation	(229)	(252)	(98)	(32)	(8)	(619)
Impairment losses	–	(1)	–	(2)	–	(3)
Disposals	16	26	2	–	7	51
Foreign currency translation adjustments	5	–	–	–	1	6
Balance at 31 December 2020	**(1,904)**	**(1,182)**	**(342)**	**(415)**	**(121)**	**(3,964)**
Amortisation	(229)	(221)	(113)	(21)	(9)	(593)
Impairment losses	(1)	–	–	–	–	(1)
Disposals	10	110	26	67	35	248
Reclassifications	14	(14)	–	–	–	–
Sales of subsidiaries	6	–	–	–	–	6
Foreign currency translation adjustments	69	6	3	12	1	91
Balance at 31 December 2021	**(2,035)**	**(1,301)**	**(426)**	**(357)**	**(94)**	**(4,213)**
Net carrying amount						
Net carrying amount at 31 December 2021	**430**	**481**	**626**	**52**	**125**	**1,714**
Net carrying amount at 31 December 2020	**443**	**418**	**665**	**45**	**174**	**1,745**
Net carrying amount at 1 January 2020	**447**	**449**	**703**	**80**	**163**	**1,842**

As at 31 December 2021, other intangible assets include advance payments made and uncompleted development projects of CHF 107 million (prior year: CHF 150 million).

Commitments for future capital expenditures

As at 31 December 2021, firm contractual commitments for future capital investments in intangible assets aggregated CHF 63 million (prior year: CHF 54 million).

Significant judgements or estimates

Management estimates the useful economic lives and residual values of intangible assets on the basis of the anticipated period over which economic benefits will accrue to the company from the use of the assets. Useful economic lives are reviewed annually on the basis of historical and forecast expectations concerning future technological developments, economic and legal changes as well as further external factors.

Accounting policies

Mobile-phone licences, self-developed software as well as other intangible assets are recorded at historical cost less accumulated amortisation. Intangible assets resulting from business combinations, such as brands and customer relationships, are recognised at cost less accumulated amortisation, which equates to fair market value as at the date of acquisition. Mobile-phone licences are amortised based on the term of the licence. It begins as soon as the related network is ready for operation, unless other information is at hand which would suggest the need to modify the useful lives. The impact from adjusting useful economic lives and residual values is recognised on a prospective basis. Amortisation is computed on a straight-line basis over the following estimated useful economic lives:

Category	Years
Software internally generated and purchased	3 to 7
Brands and customer relationships	5 to 10
Licenses	2 to 16
Other intangible assets	3 to 10

Whenever indications exist that the value of an asset may be impaired, the recoverable amount of the asset is determined. If the recoverable amount of the asset, which is the greater of the fair value less costs to sell and the value in use, is less than its carrying amount, the carrying amount is written down to the recoverable amount.

3.4 Goodwill

Goodwill is allocated to the cash-generating units of Swisscom based upon their business activities. Goodwill arising in a business combination is allocated to each cash-generating unit which can derive synergies from the business combination. The goodwill allocated to the cash-generating units may be analysed as follows:

In CHF million	Residential Customers Swisscom Switzerland	Business Customers Swisscom Switzerland	Fastweb	Other cash-generating units [1]	Total
At cost					
Balance at 1 January 2020	**2,769**	**1,453**	**1,922**	**403**	**6,547**
Foreign currency translation adjustments	–	–	(7)	–	(7)
Balance at 31 December 2020	**2,769**	**1,453**	**1,915**	**403**	**6,540**
Additions	–	9	–	9	18
Foreign currency translation adjustments	–	–	(83)	–	(83)
Balance at 31 December 2021	**2,769**	**1,462**	**1,832**	**412**	**6,475**
Accumulated impairment losses					
Balance at 1 January 2020	**–**	**–**	**(1,384)**	**–**	**(1,384)**
Foreign currency translation adjustments	–	–	6	–	6
Balance at 31 December 2020	**–**	**–**	**(1,378)**	**–**	**(1,378)**
Foreign currency translation adjustments	–	–	60	–	60
Balance at 31 December 2021	**–**	**–**	**(1,318)**	**–**	**(1,318)**
Net carrying amount					
Net carrying amount at 31 December 2021	**2,769**	**1,462**	**514**	**412**	**5,157**
Net carrying amount at 31 December 2020	**2,769**	**1,453**	**537**	**403**	**5,162**
Net carrying amount at 1 January 2020	**2,769**	**1,453**	**538**	**403**	**5,163**

1 Comprises the cash-generating units Wholesale Swisscom Switzerland and Swisscom Directories.

Impairment testing

In the fourth quarter of 2021 and after the conclusion of business planning, individual goodwill amounts were subjected to an impairment test. The recoverable amount of a cash-generating unit is determined based on its value in use, applying the discounted cash flow (DCF) method. The projected free cash flows are estimated on the basis of the business plans approved by management, which as a rule cover a three-year period. A planning horizon of five years was used for the Fastweb impairment test. For free cash flows extending beyond the detailed planning period, a terminal value was computed by capitalising the normalised cash flows. A steady long-term growth rate that corresponds to the growth rates customary in the country or market was assumed. The projected cash flows and management assumptions are corroborated by external sources of information. The discount rate is derived from the Capital Asset Pricing Model (CAPM). This latter comprises the weighted value of own equity and external borrowing costs. For the risk-free interest rate which forms the basis of the discount rate, the yield from Swiss government bonds is taken (abroad: Germany) with a maturity of ten years and a zero-interest rate, subject to minimum interest rates of 1.5% (Switzerland) and 2.0% (abroad). For cash-generating units abroad, a risk premium for the country risk is then added.

Discount rates and long-term growth rates

	2021			2020		
Cash-generating unit	**WACC pre-tax**	**WACC post-tax**	**Long-term growth rate**	WACC pre-tax	WACC post-tax	Long-term growth rate
Residential Customers Swisscom Switzerland	5.01%	4.09%	0%	5.25%	4.30%	0%
Business Customers Swisscom Switzerland	4.99%	4.09%	0%	5.25%	4.30%	0%
Fastweb	7.21%	5.36%	0.8%	6.91%	5.13%	0.5%
Other cash-generating units	5.01–9.64%	4.09–8.28%	0–1.0%	5-25–7-27%	4.30–5.84%	0%

Results and sensitivity of impairment tests

Residential Customers and Business Customers Swisscom Switzerland

As at the measurement date, the recoverable amount at all cash-generating units, based on their value in use, is higher than the carrying amount relevant for the impairment test. Swisscom believes none of the anticipated changes in key assumptions which can rationally be expected would cause the carrying amount of the cash-generating units to exceed the recoverable amount.

Fastweb

As at the date of the impairment test, no impairment of goodwill resulted. The recoverable amount exceeded the net carrying amount by EUR 641 million (CHF 680 million). In the prior year, the difference amounted to EUR 2,241 million (CHF 2,398 million). The following changes in material assumptions would lead to a situation where the value in use would equate to the carrying amount:

	2021		2020	
	Assumptions	**Sensitivity**	Assumptions	Sensitivity
Average annual revenue growth until 2026 (2025) with EBITDA margin unchanged compared to business plan	6.6%	5.6%	8.8%	5.6%
Normalised EBITDA margin	31%	30%	33%	28%
Normalised capital expenditure rate	21%	22%	20%	25%
Post-tax discount rate	5.36%	6.27%	5.13%	8.10%
Long-term growth rate	0.8%	–0.4%	0.5%	–3.3%

Significant judgements or estimates

The allocation of goodwill to the cash-generating units as well as the computation of the recoverable amount is subject to the judgement of Management. This encompasses the estimation of future cash flows, the determination of the discounting rate, and the growth rate on the basis of historic data and current forecasts.

Accounting policies

For the purposes of the impairment test, goodwill is allocated to the cash-generating units. The impairment test is performed annually on a mandatory basis. Whenever there is any indication during the year that goodwill may be impaired, the cash-generating unit is tested for impairment at that time. An impairment loss is recognised if the recoverable amount of a cash-generating unit is lower than its carrying amount. The recoverable amount is the greater of the fair value less costs to sell and the value in use.

3.5 Provisions and contingent liabilities

Provisions

In CHF million	Dismantlement and restoration costs	Regulatory and competition law proceedings	Termination benefits [1]	Other	**Total**
Balance at 1 January 2021	**741**	**233**	**63**	**179**	**1,216**
Additions to provisions	–	63	30	88	181
Adjustments recorded under property, plant and equipment	(21)	–	–	–	(21)
Present-value adjustments	4	28	–	–	32
Release of unused provisions	–	–	(17)	(26)	(43)
Use of provisions	(12)	(148)	(21)	(31)	(212)
Sales of subsidiaries	–	–	–	(4)	(4)
Balance at 31 December 2021	**712**	**176**	**55**	**206**	**1,149**
Thereof current provisions	–	–	44	74	118
Thereof non-current provisions	712	176	11	132	1,031

1 See Note 4.1.

Provisions for dismantling and restoration costs

The provisions are computed by reference to estimates of future anticipated dismantling costs and are discounted using an average interest rate of 0.91% (prior year: 0.58%). Adjustments as a result of reassessments in the amount of CHF -21 million were recognised under property, plant and equipment with no impact on the income statement in 2021. Of this amount, CHF -45 million resulted from the use of different interest rates, CHF 9 million from the adjustment of the cost index used to calculate dismantling costs and CHF 15 million from other effects. An increase of estimated costs by 10% would result in an increase of CHF 69 million in the amount of the provision. A delay of another ten years in the timing of the dismantling would lead to an increase of CHF 41 million in the provisions.

Provisions for regulatory and competition law proceedings

In accordance with the revised Telecommunications Act, Swisscom provides access services (incl. interconnection) to other telecommunications service providers in Switzerland. In previous years, several telecommunications service providers demanded ComCom reduce the prices charged to them by Swisscom. In February 2019, ComCom issued its decision on the disputed access prices for 2013 to 2016. Swisscom has filed an appeal against this decision with the Federal Administrative Court. In its judgement of 16 July 2021, the Federal Administrative Court ruled on the appeal and referred the matter back to ComCom for reassessment on a number of points. The procedures for setting access prices for 2013 onwards are still pending before ComCom. In February 2020, a provider of telecommunications services requested from ComCom that the interest on recovery claims from access-related proceedings should be based on the weighted average cost of capital (WACC). This led to a reassessment of the interest effect, which was recognised as a present value adjustment in the amount of CHF 15 million. In June 2021, ComCom confirmed this interest rate regulation. Swisscom has appealed against this complaint before the Federal Administrative Court. The appeal procedure is pending.

In its investigation as to the invitation to tender for the corporate network of the Swiss Post in 2008, the Competition Commission (COMCO) reached the conclusion in November 2015 that Swisscom has a dominant position on the market for broadband access for business clients. As a result of this conduct, which was judged to be unlawful under competition law, COMCO imposed a penalty of CHF 8 million. Swisscom challenged COMCO's ruling concerning the invitation to tender for the corporate network of Swiss Post in the Federal Administrative Court. In June 2021, the Federal Administrative Court largely confirmed COMCO's ruling and ordered Swisscom to pay a fine of CHF 7 million. Swisscom has filed an appeal against this decision with the Federal Court. In the event of a legally binding finding of abuse of a market-dominant position, claims could be asserted against Swisscom under civil law.

In 2009, COMCO imposed a fine on Swisscom for abuse of a market-dominant position in the area of ADSL services during the period to 2007. Swisscom challenged the fine in the last instance before the Federal Court. In December 2019, the Federal Court dismissed Swisscom's appeal and confirmed the sanction. As a result of the legally binding determination of market abuse, civil law claims were filed by telecommunications service providers in the second quarter of 2020. In the third and fourth quarters of 2021, negotiations took place with telecommunications service providers, which were concluded with an out-of-court settlement.

On 17 December 2020, COMCO opened an investigation into Swisscom's optical fibre network and ordered precautionary measures. Swisscom has filed an appeal against these precautionary measures. In its ruling of 30 September 2021, the Federal Administrative Court confirmed the precautionary measures ordered by COMCO and dismissed Swisscom's appeal. Swisscom has filed an appeal against this decision with the Federal Court. The proceedings are still pending.

On the basis of legal opinions, Swisscom has recognised provisions for regulatory and competition law proceedings. As a result of the reassessment of these proceedings, provisions of CHF 63 million were made in 2021 and present-value adjustments of CHF 28 million were recorded. Any payments to be made will depend upon the date on which legally binding decrees and decisions are issued, and could probably occur within five years.

Other provisions

Other provisions mainly include provisions for contractual risks. Any necessary payments of the non-current portion of the provisions could likely occur within three years.

Contingent liabilities for regulatory and competition law proceedings

The Competition Commission (COMCO) is conducting several proceedings against Swisscom. In the event that a legally enforceable finding of market abuse is reached, COMCO might impose a penalty on Swisscom. In addition, claims under civil law might be asserted against Swisscom. In April 2013, COMCO opened an investigation against Swisscom under the Federal Cartel Act concerning the broadcasting of live sporting events on pay-TV. In May 2016, COMCO imposed a penalty of CHF 72 million on Swisscom in these proceedings. On 25 August 2020, COMCO launched an investigation against Swisscom into allegations that it abused its market-dominant position for broadband connections to interconnect company sites. As things stand, Swisscom does not believe it is probable that a court of final appeal will levy a penalty and, as in prior years, has therefore still not recognised a provision in its consolidated financial statements as at 31 December 2021. In view of the previous proceedings conducted by COMCO, further proceedings against Swisscom might be initiated.

Significant judgements or estimates

The provisions for dismantling and restoration costs relate to the dismantling of telecommunications installations and transmitter stations as well as the restoration to its original state of land held by third-party owners. The level of the provisions is determined to a significant degree by the estimation of future dismantling and restoration costs, as well as the timing of dismantlement. The provisions and contingent liabilities for regulatory and antitrust proceedings relate to proceedings in connection with regulated access services provided by Swisscom and proceedings initiated by COMCO. The legal and accounting assessment of these proceedings is associated with significant uncertainties in estimation and scope for discretion with regard to the probability of occurrence and the amount of a possible cash outflow. The provisions recognised in this way constitute the best estimate of the liability. Possible liabilities whose occurrence as at the balance-sheet date cannot be assessed, or liabilities for which the level cannot be reliably estimated, are disclosed as contingent liabilities.

Accounting policies

Provisions are recognised whenever a legal or constructive obligation arises from past events, the outflow of resources to settle the liability is probable, and the amount of the liability can be estimated reliably. Provisions are discounted if the effect is material.

Provisions for dismantling and restoration costs

Swisscom is legally obligated to dismantle transmitter stations and telecommunications installations located on land belonging to third-parties following decommissioning, and to restore to its original state the property owned by third-parties in the locations where these installations are erected. The costs of dismantling are capitalised as part of the acquisition costs of the installations, and are amortised over their useful lives. The provisions are measured at the present value of the aggregate future costs, and are reported under non-current provisions. Whenever the provision is re-measured, the present value of the changes in the liability is either added to or deducted from the cost of the related capitalised item of property, plant and equipment. The amount deducted from the cost of the related asset may not exceed its carrying amount. Any excess is taken directly to income.

Provisions for termination benefits

Costs in connection with the implementation of restructuring programmes are first expensed when management commits itself to a restructuring plan, it is probable that a liability has been incurred, the amount thereof can be reliably estimated and the implementation of the programme has commenced, or the individuals involved have been advised in sufficient detail as to the main terms of the restructuring programme. A public announcement and/or communication to personnel associations are deemed to be equivalent to commencing the implementation of the programme.

4 Employees

Swisscom currently has around 19,000 full-time equivalent employees, of whom almost 16,000 are in Switzerland. This chapter contains information on employee headcount and personnel expense, the compensation paid to key management personnel as well as retirement-benefit obligations.

4.1 Employee headcount and personnel expense

Employee headcount

In full-time equivalent	31.12.2021	31.12.2020	Change
Residential Customers	2,875	3,082	–6.7%
Business Customers	5,045	4,931	2.3%
Wholesale	81	83	–2.4%
Infrastructure & Support Functions	4,888	4,749	2.9%
Swisscom Switzerland	**12,889**	**12,845**	**0.3%**
Fastweb	2,753	2,703	1.8%
Other Operating Segments	3,263	3,514	–7.1%
Total headcount	**18,905**	**19,062**	**–0.8%**
Thereof Switzerland	15,882	16,048	–1.0%
Thereof other countries	3,023	3,014	0.3%
Average number of employees	19,099	19,095	0.0%

Personnel expense

In CHF million	2021	2020
Salary and wage costs	2,060	2,065
Social security expenses	248	243
Expense of defined benefit plans [1]	260	338
Expense of defined contribution plans	11	10
Expense for share-based payments	1	1
Termination benefits	13	(1)
Other personnel expense	74	61
Total personnel expense	**2,667**	**2,717**
Thereof Switzerland	2,399	2,493
Thereof other countries	268	224

1 See Note 4.3.

Termination benefits

Swisscom supports employees affected by restructuring through a social plan. In addition to other benefits, the social plan benefits include continued salary payments beyond the contractual notice period for a maximum period of time, which depends on the seniority and age of the employee concerned. Under certain conditions, older employees affected by job cuts may transfer to the subsidiary Worklink AG at reduced guaranteed continued salary payments. Worklink AG aims to place participants with third-parties for temporary work assignments, whereby the participants are paid a share of the turnover as a wage supplement. Net expenditure for personnel reduction was CHF 13 million (prior year: minus CHF 1 million). This is comprised of newly established provisions of CHF 30 million, less the release of unused provisions to the value of CHF 17 million. As already announced, these personnel downsizing measures are connected with Swisscom's aim for 2022, which is, as in previous years, to reduce the cost base by around CHF 100 million.

4.2 Key management compensation

In CHF thousand	2021	2020
Current compensation	1,400	1,357
Share-based payments	761	810
Pension contributions	137	97
Social security contributions	124	124
Total compensation to members of the Board of Directors	**2,422**	**2,388**
Current compensation	5,199	5,038
Share-based payments	853	731
Benefits paid following retirement from Group Executive Board	1,026	190
Pension contributions	766	796
Social security contributions	526	510
Total compensation to members of the Group Executive Board	**8,370**	**7,265**
Total compensation to members of the Board of Directors and of the Group Executive Board	**10,792**	**9,653**

Swisscom's key management personnel are the members of the Group Executive Board and Board of Directors of Swisscom Ltd. Compensation paid to members of the Board of Directors consists of a base salary plus functional allowances. One third of the entire compensation of the Board of Directors is settled in the form of equity shares. Compensation paid to the members of the Group Executive Board consists of a fixed basic salary paid in cash, a variable performance-related component settled in cash and shares, payments in kind and non-cash benefits, as well as pension and social insurance contributions. 25% of the variable performance-related share of the members of the Group Executive Board is settled in shares. The Group Executive Board members may elect to increase this share to 50%. The disclosures required by the Swiss Ordinance against Excessive Compensation in Listed Companies (OaEC) are set out in the chapter Remuneration Report. Shares in Swisscom Ltd held by the members of the Board of Directors and Group Executive Board are set out in the notes to the Consolidated Financial Statements of Swisscom Ltd.

4.3 Post-employment benefits

Pension plans

comPlan

The majority of employees in Switzerland are insured under the Swisscom pension plan against the risks of old age, death and disability. The pension plan is implemented by the comPlan foundation. The supreme governing body of the pension fund is the Foundation Council, which is made up of an equal number of representatives from the employees and the employer. The pension fund rules, together with the legal provisions concerning occupational pension plans, constitute the formal regulatory framework of the pension plan. Individual retirement savings accounts are maintained for each beneficiary, to which savings contributions varying with age are credited as well as any interest which accrues. The rate of interest to be applied to the retirement savings accounts is set each year by the Foundation Council, having regard to the financial situation of the pension fund as well as the statutory minimum interest rate. The amounts credited to the individual savings accounts are funded by savings contributions from both the employer and employees. In addition, the employer pays risk contributions to fund death and disability benefits.

The standard retirement age is 65. Employees are entitled to early retirement with a reduced old-age pension. The amount of the old-age pension is the result of multiplying the individual retirement savings account at the time of retirement by a conversion rate set out in the pension fund rules. The retirement benefits can also be paid out in the form of a capital payment either in full or in part. In case of early retirement, the employer also finances an OASI bridging pension until the standard retirement age. The amount of disability pensions is determined as a percentage of the insured salary and is independent of the number of years of service.

The formal regulatory framework contains various provisions concerning risk sharing between the beneficiaries and the employer. In the event of a funding shortfall, computed in accordance with Swiss accounting standards for pension funds (Swiss GAAP FER 26), the Foundation Council lays down measures which shall lead to the elimination of this funding deficit and the restoration of financial equilibrium within a timeframe of five to seven years. Such measures may include a reduced or zero interest rate on retirement savings accounts, a reduction in future benefits, the levying of restructuring contributions or a combination of these measures. Should a structural funding shortfall exist as a result of insufficient current interest-induced funding, the top priority is to remedy this situation by adapting future benefits. Employer's restructuring contributions must, at a minimum, be equal to the sum of employee restructuring contributions. Under the formal regulatory framework, the employer has no legal obligation to pay additional contributions to eliminate more than 50% of a funding shortfall. From past common business practice, Swisscom has a de facto obligation over and above the legal minimum to pay additional or restructuring contributions in the case of funding shortfalls and structural funding deficits. The upper limit of the employer's share of future benefit costs within the meaning of IAS 19.87(c) is assumed to be at the level of the de facto obligation.

In the second quarter of 2021, the comPlan Board of Trustees adopted various measures to improve intergenerational equity. The key points of the measures include a reduction in the conversion rate in monthly steps from 1 January 2023 to 1 May 2024 and an increase in savings contributions. To cushion the impact of the conversion rate reduction, special monthly contributions are credited to the individual retirement savings of active insured persons during the reduction period. The special contributions are fully financed from comPlan's reserves. In addition, the vested or future spouse's or partner's pensions will be standardised at 60% of the old age pension from 2023. The plan amendment will result in a net decrease of CHF 45 million in the defined benefit obligation in the second quarter of 2021. An amount of CHF 60 million was recognised as negative past service cost in the income statement and an amount of CHF 15 million was recognised as actuarial loss from changes in assumptions in other comprehensive income. This is based on a remeasurement of the net defined benefit obligation using the current fair values of plan assets at the inception of the plan amendment and current actuarial assumptions, taking into account the risk-sharing characteristics. The past service cost is the difference between the valuation with the previous regulatory benefits and contributions and the valuation with the amended regulatory benefits and contributions.

In accordance with the Swiss accounting standards (Swiss GAAP FER 26) which are relevant for the pension fund, as at 31 December 2021 comPlan had a technical coverage ratio of 120% (prior year: 112%). The main reasons for the difference compared with IFRS are the use of a higher discount rate as well as a differing actuarial measurement method with the deferred recognition of the costs of future retirement benefits.

Other pension plans

Other pension plans exist for individual Swiss subsidiary companies which are not affiliated to comPlan and for Fastweb. Employees of the Italian subsidiary Fastweb have acquired entitlements to future pension benefits up to the end of 2006, which are recorded in the balance sheet as defined benefit obligations. The discount rate used was 0.34% (prior year: 0.77%).

Pension cost

In CHF million	comPlan	Other plans	**2021**	comPlan	Other plans	2020
Current service cost	312	4	316	326	3	329
Employment termination benefits	–	–	–	5	–	5
Plan amendments	(60)	–	(60)	–	–	–
Administration expense	3	1	4	3	1	4
Total recognised in personnel expense	**255**	**5**	**260**	**334**	**4**	**338**
Interest expense on net defined benefit obligations	1	–	1	2	–	2
Total recognised in financial expense	**1**	**–**	**1**	**2**	**–**	**2**
Total expense of defined benefit plans recognised in income statement	**256**	**5**	**261**	**336**	**4**	**340**

In CHF million	comPlan	Other plans	2021	comPlan	Other plans	2020
Actuarial gains and losses from						
Change of the demographical assumptions	(250)	–	(250)	(114)	–	(114)
Change of the financial assumptions	23	–	23	44	–	44
Experience adjustments to defined benefit obligations	127	(1)	126	41	1	42
Change in share of employee contribution (risk sharing)	455	–	455	107	–	107
Return on plan assets excluding the part recognised in financial result	(1,161)	–	(1,161)	(409)	–	(409)
Asset ceiling	30	–	30	–	–	–
Total (income) expense of defined benefit plans recognised in other comprehensive income	**(776)**	**(1)**	**(777)**	**(331)**	**1**	**(330)**

Status of pension plans

In CHF million	comPlan	Other plans	2021	comPlan	Other plans	2020
Defined benefit obligations						
Balance at 1 January	**12,740**	**42**	**12,782**	**12,664**	**38**	**12,702**
Current service cost	312	4	316	326	3	329
Interest cost on defined benefit obligations	39	–	39	29	–	29
Employee contributions	175	–	175	177	–	177
Benefits paid	(509)	–	(509)	(537)	–	(537)
Actuarial losses (gains)	355	(1)	354	78	1	79
Change in scope of consolidation	–	3	3	–	(1)	(1)
Employment termination benefits	–	–	–	5	–	5
Plan amendments	(60)	–	(60)	–	–	–
Foreign currency translation adjustments	–	–	–	–	(1)	(1)
Transfer of pension plans	1	(1)	–	(2)	2	–
Balance at 31 December	**13,053**	**47**	**13,100**	**12,740**	**42**	**12,782**
Plan assets						
Balance at 1 January	**11,968**	**19**	**11,987**	**11,627**	**17**	**11,644**
Interest income on plan assets	38	–	38	27	–	27
Employer contributions	264	5	269	268	4	272
Employee contributions	175	–	175	177	–	177
Benefits paid	(509)	–	(509)	(537)	–	(537)
Return (expense) on plan assets excluding the part recognised in financial result	1,161	–	1,161	409	–	409
Administration expense	(3)	(1)	(4)	(3)	(1)	(4)
Change in scope of consolidation	–	–	–	–	(1)	(1)
Balance at 31 December	**13,094**	**23**	**13,117**	**11,968**	**19**	**11,987**
Net defined benefit obligations (assets)						
Net defined benefit obligations (assets) before asset ceiling	(41)	24	(17)	772	23	795
Asset ceiling	30	–	30	–	–	–
Net defined benefit obligations (assets) recognised at 31 December	**(11)**	**24**	**13**	**772**	**23**	**795**
Thereof defined benefit asset	(11)	–	(11)	–	–	–
Thereof defined benefit obligations	–	24	24	772	23	795

Movements in recognised defined benefit obligations (assets) are to be analysed as follows:

In CHF million	comPlan	Other plans	2021	comPlan	Other plans	2020
Balance at 1 January	**772**	**23**	**795**	**1,037**	**21**	**1,058**
Pension cost, net	256	5	261	336	4	340
Employer contributions and benefits paid	(264)	(5)	(269)	(268)	(4)	(272)
Change in scope of consolidation	–	3	3	–	–	–
(Income) expense of defined benefit plans, recognised in other comprehensive income	(776)	(1)	(777)	(331)	1	(330)
Foreign currency translation adjustments	–	–	–	–	(1)	(1)
Transfer of pension plans	1	(1)	–	(2)	2	–
Balance at 31 December	**(11)**	**24**	**13**	**772**	**23**	**795**

The weighted average duration of the cash value of the defined benefit obligations for comPlan is 16 years (prior year: 17 years).

Breakdown of comPlan pension plan assets

				31.12.2021			31.12.2020
Category	Investment strategy	**Quoted**	**Not quoted**	**Total**	Quoted	Not quoted	Total
Government bonds Switzerland	5.0%	2.0%	2.9%	4.9%	1.1%	3.6%	4.7%
Corporate bonds Switzerland	7.0%	5.5%	0.0%	5.5%	5.8%	0.0%	5.8%
Government bonds developed markets, World	5.0%	4.6%	0.0%	4.6%	5.4%	0.0%	5.4%
Corporate bonds developed markets, World	10.0%	9.8%	0.0%	9.8%	9.9%	0.0%	9.9%
Government bonds emerging markets, World	8.0%	7.7%	0.0%	7.7%	7.9%	0.0%	7.9%
Private debt	5.0%	0.0%	4.8%	4.8%	0.0%	5.0%	5.0%
Third-party debt instruments	**40.0%**	**29.6%**	**7.7%**	**37.3%**	**30.1%**	**8.6%**	**38.7%**
Equity shares Switzerland	7.0%	7.5%	0.0%	7.5%	7.1%	0.0%	7.1%
Equity shares developed markets, World	13.0%	14.3%	0.0%	14.3%	13.6%	0.0%	13.6%
Equity shares emerging markets, World	5.0%	5.3%	0.0%	5.3%	6.7%	0.0%	6.7%
Equity instruments	**25.0%**	**27.1%**	**0.0%**	**27.1%**	**27.4%**	**0.0%**	**27.4%**
Real estate Switzerland	14.5%	6.9%	7.6%	14.5%	7.2%	6.7%	13.9%
Real estate World	7.0%	0.7%	6.7%	7.4%	1.0%	5.2%	6.2%
Real estate	**21.5%**	**7.6%**	**14.3%**	**21.9%**	**8.2%**	**11.9%**	**20.1%**
Commodities	3.5%	1.5%	1.9%	3.4%	1.7%	2.2%	3.9%
Private markets	9.0%	0.0%	9.3%	9.3%	0.0%	9.4%	9.4%
Cash and cash equivalents and other investments	1.0%	0.0%	1.0%	1.0%	0.0%	0.5%	0.5%
Cash and cash equivalents and alternative investments	**13.5%**	**1.5%**	**12.2%**	**13.7%**	**1.7%**	**12.1%**	**13.8%**
Total plan assets	**100.0%**	**65.8%**	**34.2%**	**100.0%**	**67.4%**	**32.6%**	**100.0%**

The Foundation Council determines the investment strategy and tactical bandwidths within the framework of the legal provisions. Within its terms of reference, the Investment Commission undertakes the asset allocation, and is the central steering, coordination and monitoring body for the management of the pension plan assets. The investment strategy pursues the goal of achieving the highest possible return on assets within the framework of its risk tolerance, and thus of generating income on a long-term basis to meet all financial obligations. This is achieved through a broad diversification of risks over various investment categories, markets, currencies and industry segments in both developed and emerging markets. The interest rate duration of interest-bearing assets is 7.9 years (prior year: 7.8 years), and the average rating of these assets is BBB+ (prior year: A-). Within the overall portfolio, all foreign currency positions are hedged against the Swiss franc following a currency strategy to the extent necessary to meet a pre-determined ratio of 85% (CHF or CHF-hedged). Following this investment strategy, comPlan expects its results prepared in accordance with Swiss GAAP FER to show a target value for the value fluctuation reserve of 18.4% of total assets.

Additional information on plan assets

As at 31 December 2021, plan assets include Swisscom Ltd shares and bonds with a fair value of CHF 12 million (prior year: CHF 10 million). The effective income from plan assets was CHF 1,199 million in 2021 (prior year: CHF 436 million). In 2022, Swisscom expects to make payments to the pension funds for statutory employer contributions totalling CHF 268 million.

Assumptions underlying comPlan actuarial computations

Assumptions	2021	2020
Discount rate	0.30%	0.19%
Expected rate of salary increases	1.23%	1.08%
Expected rate of pension increases	–%	–%
Interest on old age savings accounts up to 5 years	1.54%	0.36%
Interest on old age savings accounts after 5 years	0.54%	0.36%
Share of employee contribution to funding shortfall	40%	40%
Share of employee contribution to surplus	50%	n.a.
Life expectancy at age of 65 – men (number of years)	22.09	22.40
Life expectancy at age of 65 – women (number of years)	23.83	24.20

The discount rate is based upon CHF-denominated corporate bonds with an AA rating of domestic and foreign issuers and listed on the Swiss Exchange SIX. The development of salaries corresponds to the historical average of recent years. No future pension increases are expected because comPlan does not have sufficient fluctuation reserves for this under pension law. The interest rate on the individual savings balances was determined taking into account the BVG minimum interest rate for the mandatory BVG portion. Life-expectancy assumptions are arrived at through a projection of future mortality improvements in accordance with the Continuous Mortality Investigation Model (CMI) and is based on improvements in mortality observed in Switzerland in the past. The computations are made with a future long-term rate of mortality improvement of 1.75%. The actuarial gain of CHF 250 million resulting from changes in demographic assumptions in 2021 is mainly due to the application of new mortality tables. The insured person can draw the retirement benefit in full or in part by means of a one-off lump-sum payment. Based on past values, a lump-sum withdrawal ratio of 24% (prior year: 22%) was assumed.

The risk-sharing attributes contained in the formal regulatory framework relating to the handling of funding shortfalls were taken into account in the financial assumptions in two steps. As a first step, it is assumed that a gradual lowering of future pensions by 3.0% (prior year: 9.7%) over a period of ten years will take place in order to close the interest-induced structural funding gap. This is based upon a projection of the future conversion rate using a mixed rate for the mandatory and extra-mandatory portions. The conversion rate in the mandatory portion applies the current legal conversion rate. In the extra-mandatory portion, the conversion rate is computed with a discount rate of 0.30%. As a second step, the present value of the remaining funding gap between the regulatory contributions and the benefits adjusted in the first step is shared between the employer and the employees. The legal and de facto obligation of the employer to pay additional contributions is unchanged and assumed to be limited to 60% of the funding gap. This is based on the legal and regulatory provisions concerning the elimination of funding shortfalls as well as the measures actually decided upon by the Foundation Council and the employer in the past. The change of the employee share is recognised in other comprehensive income. If there is a surplus under IFRS, no limit is placed on the employer's share of a funding shortfall in the second step. Instead, the gross surplus is reduced by an employee contribution of 50%. As at 31 December 2021, there is a gross surplus, which has been reduced by the employee contribution of CHF 31 million. In the prior year, the limitation of the employer's contribution to the funding shortfall resulted in a reduction of the pension obligation of CHF 423 million. The change in the employee's contribution to the funding shortfall or surplus is recognised in other comprehensive income.

Sensitivity analysis comPlan

Sensitivity analysis 2021

In CHF million	Defined benefit obligations Increase assumption	Defined benefit obligations Decrease assumption	Current service cost Increase assumption	Current service cost Decrease assumption
Discount rate (change +/–0.5%)	(431)	467	(34)	41
Expected rate of salary increases (change +/–0.5%)	32	(25)	6	(6)
Expected rate of pension increases (change +0.5%; –0.0%)	368	–	6	–
Interest on old age savings accounts (change +/–0.5%)	53	(46)	7	(7)
Share of employee contribution to funding shortfall (change +/–10%)	–	–	–	–
Share of employee contribution to surplus (change +/–10%)	6	(6)	–	–
Life expectancy at age of 65 (change +/–0.5 year)	108	(103)	5	(5)

Sensitivity analysis 2020

In CHF million	Defined benefit obligations Increase assumption	Defined benefit obligations Decrease assumption	Current service cost Increase assumption	Current service cost Decrease assumption
Discount rate (change +/–0.5%)	(573)	668	(35)	41
Expected rate of salary increases (change +/–0.5%)	39	(37)	6	(6)
Expected rate of pension increases (change +0.5%; –0.0%)	558	–	26	–
Interest on old age savings accounts (change +/–0.5%)	21	–	7	–
Share of employee contribution to funding shortfall (change +/–10%)	106	(106)	–	–
Life expectancy at age of 65 (change +/–0.5 year)	142	(143)	4	(4)

The sensitivity analysis takes into consideration the movement in defined benefit obligations as well as current service costs in adjusting the actuarial assumptions by half a percentage point and half a year, respectively. In the process only one of the assumptions is adjusted each time, the other parameters remaining unchanged. In the sensitivity analysis, no change was made in view of a negative movement in pension increases as it is not possible to reduce current pensions. The assumed gradual reduction in conversion rates is left unchanged in the sensitivities of the discount rate shown. Due to the limitation of the assets, an increase in the discount rate of 0.5% in the calculation of the conversion rate reduction does not lead to an increase in the pension obligation.

Significant judgements or estimates

The determination of post-employment retirement benefit obligations requires an estimation of the future service periods, the development of future salaries and pensions, interest accruing on the employee savings accounts, the timing of contractual pension benefit payments and the employees' share of the funding shortfall. This evaluation is made on the basis of prior experience and anticipated future trends. Anticipated future payments are discounted with the yields of Swiss franc-denominated corporate bonds from domestic and foreign issuers quoted on the Swiss Exchange with an AA rating. The discount rates match the anticipated payment maturities of the liabilities.

Accounting policies

Actuarial computations of pension expenses and the related defined benefit obligations are carried out using the projected unit credit method. Current service costs, past service costs arising from pension plan amendments and plan settlements as well as administrative costs are reported in the income statement under personnel expense and interest accruing on net obligations as a finance expense. Actuarial gains and losses and the return on plan assets, excluding the amounts reflected in net interest income, are reported under other comprehensive income. The assumptions regarding net future benefits are made in compliance with the formal set of regulations governing the pension plan. As regards the Swiss pension plans, the relevant formal regulations comprise the rules of the pension fund as well as the relevant laws, ordinances and directives concerning occupational benefit plans, in particular the provisions contained therein related to funding and measures to be taken to eliminate funding shortfalls. Risk-sharing features in the formal regulatory framework are taken into account when arriving at financial assumptions; these limit the employer's share of the costs of future benefits as well as involving employees in any necessary payment of additional contributions in order to eliminate funding deficits. Should the level of committed long-term disability benefits (disability pensions), irrespective of the number of years of service, be the same for all insured employees, the costs for these benefits are recognised on the date on which the event causing the disability occurs. Any net asset value from a defined benefit plan is recognised at the lower of the surplus and the present value of any economic benefit in the form of refunds or reductions in future contributions, provided that the value fluctuation reserve set as a target by the Board of Trustees is exceeded.

5 Scope of consolidation

The following chapter sets out details of the Group structure of Swisscom and includes disclosures concerning subsidiaries, joint ventures and associates. In addition, it outlines material changes in Group structure and the corresponding impact on the consolidated financial statements.

5.1 Group structure

Swisscom Ltd is the parent company of the Group. It essentially holds direct majority shareholdings in Swisscom (Switzerland) Ltd, blue Entertainment Ltd, Swisscom Broadcast Ltd and Swisscom Directories Ltd. Fastweb S.p.A. (Fastweb) is held indirectly via Swisscom (Switzerland) Ltd as well as an intermediate company in Italy. Swisscom Re Ltd in Liechtenstein is the Group's in-house reinsurance company. Swisscom raises finance in EUR through Swisscom Finance B.V. in the Netherlands.

5.2 Changes in the scope of consolidation

Net cash flows from the acquisition and disposal of participations may be analysed as follows:

In CHF million	**2021**	2020
Expenses for business combinations net of cash and cash equivalents acquired	(32)	(13)
Expenses for deferred consideration arising on business combinations	(10)	(26)
Proceeds from sale of subsidiaries, net of cash and cash equivalents sold	1	–
Expenses for shareholdings accounted for using the equity method	(3)	(15)
Proceeds from sale of equity-accounted investees [1]	149	–
Acquisition of non-controlling interests	–	(1)
Total cash flow from the purchase and sale of shareholdings, net	**105**	**(55)**

1 See Note 5.3.

Acquisitions and disposals of subsidiaries in 2021 are not individually material. Business combinations in 2021 include the full acquisition of Webtiser AG and JLS Digital as well as acquisition of a 90% stake in the Innovative Web Group. Following its acquisition, Webtiser AG was merged with Swisscom (Switzerland) Ltd. Swisscom also sold all its shares in local.fr SA in 2021 and relinquished control of Custodigit AG.

Additionally in 2021, Swisscom sold its shares in the equity-accounted investments Belgacom International Carrier Services SA, Medgate AG, SEC Consult (Schweiz) AG, SmartLife Care AG, SwissSign Group AG and tiko Energy Solutions AG. For further information, see Note 5.3.

Accounting policies

Consolidation

Subsidiaries are all companies over which Swisscom Ltd has the effective ability to control the financial and business policies. Control is generally assumed where Swisscom Ltd directly or indirectly holds the majority of the voting rights or potential voting rights of the company. Companies acquired and sold are included in consolidation from the date on which they are acquired and deconsolidated from the date they are disposed of, respectively. Intragroup balances and transactions, income and expenses, shareholdings and dividends as well as unrealised gains and losses are fully eliminated. Non-controlling interests in subsidiaries are reported within equity in the consolidated balance sheet, but separately from equity attributable to the shareholders of Swisscom Ltd. The non-controlling interests in net income or loss are shown in the consolidated income statement as a component of the consolidated net income or loss. Changes in shareholdings of subsidiary companies are reported as transactions within equity insofar as control existed previously and continues to exist. Put options granted to owners of non-controlling interests are disclosed as financial liabilities. The balance sheet date for all consolidated subsidiaries is 31 December. There are no material restrictions on the transfer of funds from the subsidiaries to the parent company.

Shareholdings over which Swisscom exercises significant influence but does not have control are accounted for using the equity method. A significant influence is generally assumed to exist whenever between 20% and 50% of the voting rights are held.

Business combinations

Business combinations are accounted for using the acquisition method. Acquisition costs are recognised at fair value as at the date of the business combination. The purchase consideration includes the amount of cash paid and the fair value of the assets ceded, liabilities incurred or assumed, and own equity instruments ceded. Liabilities depending on future events based on contractual agreements are recognised at fair value. All identifiable assets and liabilities that satisfy the recognition criteria are recognised at their fair values at the time of acquisition. The difference between the cost of acquisition and the fair value of the identifiable assets and liabilities acquired or assumed is accounted for as goodwill, after taking into account any non-controlling interests.

5.3 Equity-accounted investees

In CHF million	2021	2020
Balance at 1 January	**155**	**156**
Additions	18	16
Disposals	(131)	–
Dividends	(1)	(15)
Share of net results	(5)	9
Share of other comprehensive income	(2)	(5)
Impairment losses	(5)	(5)
Foreign currency translation adjustments	1	(1)
Balance at 31 December	**30**	**155**

As part of its strategic partnership with TIM, Fastweb transferred its stake in Flash Fiber as a capital contribution to the newly established fibre-optic company FiberCop. For contributing its 20% stake to Flash Fiber, Fastweb has received a 4.5% stake in FiberCop. The transaction was completed in March 2021. The fair value of the FiberCop investment is EUR 210 million (CHF 232 million). The transaction resulted in a gain on the Flash Fiber participation of CHF 169 million, which was recognised in the income statement in the first quarter of 2021. In addition, in the first quarter of 2021, Swisscom sold its share in Belgacom International Carrier Services SA (BICS) for a sale price of EUR 115 million (CHF 126 million). Swisscom realised a gain of CHF 38 million from the sale of BICS.

Selected key performance indicators for equity-accounted investees

In CHF million	**2021**	2020
Income statement		
Net revenue	368	1,614
Operating expense	(369)	(1,541)
Operating income	(1)	73
Net income	**(34)**	**41**
Other comprehensive income	**(9)**	**(23)**
Balance sheet at 31 December		
Current assets	158	820
Non-current assets	19	1,343
Current liabilities	(69)	(951)
Non-current liabilities	(30)	(594)
Equity	**78**	**618**

5.4 Group companies

Group companies in Switzerland

Registered name	Registered office	**31.12.2021 Capital and voting rights share in %**	31.12.2020 Capital and voting rights share in %	Share capital in million	Currency	Segment [4]
Switzerland						
AdUnit Ltd [2]	Zurich	100	100	0.1	CHF	OTH
Ajila AG [2]	Sursee	60	60	0.1	CHF	OTH
Artificialy SA [2,3]	Lugano	18	18	1.1	CHF	OTH
autoSense Ltd [2,3]	Zurich	33	33	0.3	CHF	OTH
Billag Ltd in liquidation [1]	Fribourg	100	100	0.1	CHF	OTH
Blue Entertainment Ltd [1]	Zurich	100	100	0.5	CHF	SCS
cablex Ltd [2]	Muri near Berne	100	100	5.0	CHF	OTH
Credit Exchange Ltd [2,3]	Zurich	25	25	0.1	CHF	OTH
Custodigit Ltd [2,3]	Zurich	41	75	1.8	CHF	OTH
daura Ltd [2,3]	Zurich	26	31	0.4	CHF	OTH
ecmt AG [2,3]	Embrach	20	20	0.1	CHF	OTH
Entertainment Programm AG [2,3]	Zurich	33	33	0.6	CHF	SCS
finnova ltd bankware [2,3]	Lenzburg	9	9	0.5	CHF	SCS
Global IP Action Ltd [2]	Freienbach	68	79	0.2	CHF	OTH
Innovative Government Ltd [1]	Freienbach	90	–	0.1	CHF	OTH
Innovative Web Ltd [1]	Freienbach	90	–	0.1	CHF	OTH
Innovative We Marketing & Service Ltd [1]	Zurich	90	–	0.1	CHF	OTH
itnetX (Switzerland) AG [2]	Rümlang	100	100	0.1	CHF	SCS
JLS Digital AG [2]	Lucerne	100	–	1.0	CHF	SCS
kitag kino-theater Ltd [2]	Zurich	–	100	1.0	CHF	SCS
Medgate Ltd [2,3]	Basel	–	40	0.7	CHF	OTH
Medgate Technologies Ltd [2,3]	Basel	–	40	0.1	CHF	OTH
Mona Lisa Capital AG in liquidation [2]	Ittigen	100	100	5.0	CHF	OTH
SEC consult (Switzerland) Ltd [2,3]	Zurich	–	47	0.1	CHF	OTH
SmartLife Care Ltd [2,3]	Wangen	–	48	0.2	CHF	OTH
Swisscom Blockchain Ltd [2]	Zurich	–	100	0.1	CHF	OTH
Swisscom Broadcast Ltd [1]	Berne	100	100	25.0	CHF	OTH
Swisscom Digital Technology SA [1]	Geneva	75	75	0.1	CHF	SCS
Swisscom Directories Ltd [1]	Zurich	100	100	2.2	CHF	OTH
Swisscom eHealth Invest GmbH [2]	Ittigen	100	100	1.4	CHF	OTH
Swisscom Health AG [2]	Ittigen	–	100	0.1	CHF	SCS
Swisscom Real Estate Ltd [1]	Ittigen	100	100	100.0	CHF	SCS
Swisscom IT Services Finance Custom Solutions Ltd [2]	Olten	100	100	0.1	CHF	SCS
Swisscom (Switzerland) Ltd [1]	Ittigen	100	100	1,000.0	CHF	SCS
Swisscom Services Ltd [2]	Ittigen	100	100	0.1	CHF	SCS
Swisscom Trust Services Ltd [2]	Zurich	100	–	1.0	CHF	OTH
Swisscom Ventures Ltd [2]	Ittigen	100	100	2.0	CHF	OTH
SwissSign Group Ltd [2,3]	Opfikon	–	10	12.5	CHF	OTH
Teleclub AG [2]	Zurich	–	100	1.2	CHF	SCS
tiko Energy Solutions SA [2,3]	Ittigen	–	29	13.3	CHF	OTH
United Security Provider Ltd [2]	Berne	100	100	0.5	CHF	SCS
Worklink AG [1]	Berne	100	100	0.5	CHF	SCS

1 Participation directly held by Swisscom Ltd.
2 Participation indirectly held by Swisscom Ltd.
3 Investment is accounted for using the equity method. Through its representation on the Board of Directors of the company, Swisscom can exercise a significant influence.
4 SCS = Swisscom Switzerland, FWB = Fastweb, OTH = Other

Group companies in other countries

Registered name	Registered office	31.12.2021 Capital and voting rights share in %	31.12.2020 Capital and voting rights share in %	Share capital in million	Currency	Segment [4]
Belgium						
Belgacom International Carrier Services Ltd [2,3]	Brussels	–	22	1.5	EUR	SCS
Germany						
Swisscom Telco GmbH [2]	Leipzig	100	100	–	EUR	OTH
France						
local.fr SA [2]	Bourg-en-Bresse	–	86	1.0	EUR	OTH
SoftAtHome SA [2,3]	Comment/Sectio	10	10	6.5	EUR	SCS
Great Britain						
Ajila UK Ltd [2]	London	60	60	–	GBP	OTH
Italy						
7Layers Group S.r.l. [2]	Porcari	–	70	–	EUR	FWB
7Layers S.r.l. [2]	Florence	70	70	0.2	EUR	FWB
Fastweb S.p.A. [2]	Milan	100	100	41.3	EUR	FWB
Fastweb Air S.r.l. [2]	Milan	100	100	–	EUR	FWB
Flash Fiber S.r.l. [2,3]	Milan	–	20	–	EUR	FWB
Swisscom Italia S.r.l. [2]	Milan	100	100	505.8	EUR	SCS
Latvia						
Swisscom DevOps Latvia SIA [2]	Riga	100	100	–	EUR	SCS
Liechtenstein						
Swisscom Re Ltd [1]	Vaduz	100	100	5.0	CHF	SCS
Luxembourg						
DTF GP S.A.R.L [2]	Luxembourg	100	100	–	EUR	OTH
DTF GP II S.A.R.L. [2]	Luxembourg	100	100	–	EUR	OTH
Digital Transformation Fund Carried Partner SCSp [2]	Luxembourg	100	100	–	EUR	OTH
Digital Transformation Fund Initial Limited Partner SCSp [2]	Luxembourg	100	100	–	EUR	OTH
Netherlands						
NGT International B.V. [2]	Capelle a/d IJssel	100	100	–	EUR	SCS
Swisscom DevOps Center B.V. [2]	Rotterdam	–	100	–	EUR	SCS
Swisscom Finance B.V. [1]	Rotterdam	100	100	–	EUR	OTH
Austria						
Swisscom IT Services Finance SE [2]	Vienna	100	100	3.3	EUR	SCS
Singapore						
Swisscom IT Services Finance Pte Ltd [2]	Singapore	100	100	0.1	SGD	SCS
Spain						
Webtiser Spain SA [2]	Madrid	100	–	0.1	EUR	SCS
USA						
Swisscom Cloud Lab Ltd [2]	Delaware	100	100	–	USD	OTH

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4 SCS = Swisscom Switzerland, FWB = Fastweb, OTH = Other

6 Other disclosures

This chapter details information which is not already disclosed in the other parts of the report. For instance, it includes disclosures regarding income taxes and related parties.

6.1 Income taxes

Income tax expense

In CHF million	2021	2020
Current income tax expense	337	325
Adjustments recognised for current tax of prior periods	(3)	(5)
Deferred income tax expense	(15)	(49)
Total income tax expense recognised in income statement	**319**	**271**
Thereof Switzerland	339	242
Thereof other countries	(20)	29

In addition, other comprehensive income includes current and deferred income taxes, which may be analysed as follows:

In CHF million	2021	2020
Foreign currency translation adjustments of foreign subsidiaries	(7)	–
Actuarial gains and losses from defined benefit pension plans	139	69
Change to the fair value of equity instruments	13	(1)
Change in cash flow hedges	(1)	–
Total income tax expense recognised in other comprehensive income	**144**	**68**

Analysis of income taxes

The applicable income tax rate which serves to prepare the following analysis of income tax expense is the weighted average income tax rate calculated on the basis of the Group's operating subsidiaries in Switzerland. The applicable income tax rate is 18.3% (prior year: 18.7%). The decline in the applicable income tax rate can be attributed to a reduction in the tax rates in various Swiss cantons.

In CHF million	2021	2020
Income before income taxes in Switzerland	1,827	1,669
Income before income taxes other countries	325	130
Income before income taxes	**2,152**	**1,799**
Applicable income tax rate	18.3%	18.7%
Income tax expense at the applicable income tax rate	**394**	**336**
Reconciliation to reported income tax expense		
Effect from result of shareholdings accounted for using the equity method	2	(2)
Effect of changes in tax law in Switzerland	5	(29)
Effect of changes in tax law in other countries	(57)	–
Effect of use of different income tax rates in Switzerland	1	7
Effect of use of different income tax rates in other countries	6	1
Effect of non-recognition of tax loss carry-forwards	1	3
Effect of recognition and offset of tax loss carry-forwards not recognised in prior years	–	(14)
Effect of exclusively tax-deductible expenses and income	(30)	(26)
Effect of income tax of prior periods	(3)	(5)
Total income tax expense	**319**	**271**
Effective income tax rate	14.8%	15.1%

As a result of a change in tax law in Italy, Fastweb was able to revaluate its own goodwill to the carrying amount for tax purposes in the third quarter of 2021. The revaluation resulted in a positive tax effect of CHF 57 million.

On 1 January 2020, various legislative changes affecting corporate taxation came into force in Switzerland. These changes fundamentally abolish tax privileges for companies, such as the privileged taxation of the profits of holding companies. In return, most of the cantons reduced the corporate income tax rates. In 2020, this led to positive tax effects of CHF 29 million resulting from the revaluation of deferred tax liabilities.

Current income tax assets and liabilities

In CHF million	**2021**	2020
Current income tax liabilities at 1 January, net	**182**	**170**
Recognised in income statement	334	320
Recognised in other comprehensive income	(9)	1
Income taxes paid in Switzerland	(264)	(298)
Income taxes paid in other countries	(15)	(11)
Current income tax liabilities at 31 December, net	**228**	**182**
Thereof current income tax assets	(2)	(4)
Thereof current income tax liabilities	230	186
Thereof Switzerland	222	182
Thereof other countries	6	–

Deferred income tax assets and liabilities

			31.12.2021			31.12.2020
In CHF million	**Assets**	**Liabilities**	**Net amount**	Assets	Liabilities	Net amount
Property, plant and equipment	50	(611)	(561)	45	(617)	(572)
Intangible assets	12	(62)	(50)	–	(82)	(82)
Provisions	102	(93)	9	91	(87)	4
Defined benefit obligations	–	(24)	(24)	118	–	118
Tax loss carry-forwards	12	–	12	57	–	57
Other	140	(133)	7	117	(103)	14
Total tax assets (tax liabilities)	**316**	**(923)**	**(607)**	**428**	**(889)**	**(461)**
Thereof deferred tax assets			204			183
Thereof deferred tax liabilities			(811)			(644)
Thereof Switzerland			(629)			(443)
Thereof other countries			22			(18)

Tax loss carry-forwards for which no deferred tax assets were recognised expire as follows:

In CHF million	**31.12.2021**	31.12.2020
Expiring within 1 year	–	–
Expiring within 2 to 7 years	18	26
No expiration	5	20
Total unrecognised tax loss carry-forwards	**23**	**46**
Thereof Switzerland	18	26
Thereof other countries	5	20

Other disclosures

Deferred tax liabilities of CHF 6 million (prior year: CHF 6 million) were recognised on the undistributed earnings of subsidiaries as at 31 December 2021. Temporary differences of subsidiaries and equity-accounted investees for which no deferred tax liabilities are recognised as at 31 December 2021 amounted to CHF 2,838 million (prior year: CHF 2,102 million). In 2021, the tax authorities definitively assessed some tax years. The assessments have resulted in no material uncertain tax positions remaining as at 31 December 2021.

Accounting policies

Income taxes encompass all current and deferred taxes which are based on income. Taxes which are not based on income, such as taxes on real estate and on capital, are recorded as other operating expenses. Deferred taxes are computed using the balance sheet liability method, whereby as a general rule deferred taxes are recognised on all temporary differences. Temporary differences arise from differences between the carrying amount of a balance sheet position in the consolidated financial statements and its value as reported for tax purposes, which will reverse in future periods. Deferred tax assets are only recognised as assets to the extent that it is probable that they can be offset against future taxable income. Income tax liabilities on distributions of undistributed profits of Group companies are only recognised if the distribution of profits is to be made in the foreseeable future. If it is probable that the tax authority will accept the chosen tax treatment, the tax amount in the consolidated financial statements is the same as that entered in the tax return submitted. However, if this is not probable, the amounts will be different. The uncertainty is taken into account in the measurement, which requires a best-possible estimate of the expected cash outflow. If there are few possible outcomes of the tax treatment, the most likely outcome is used to determine the tax liability. If there are a large number of possible tax consequences, an expected value is determined on the basis of a probability calculation. Current and deferred tax assets and liabilities are offset whenever they relate to the same taxing authority and taxable entity.

6.2 Related parties

Majority shareholder and equity-accounted investees

Majority shareholder

Pursuant to the Swiss Federal Telecommunications Enterprises Act (TEA), the Swiss Confederation ('the Confederation') is obligated to hold a majority of the share capital and voting rights of Swisscom. On 31 December 2021, the Confederation, as majority shareholder, continued to hold 51.0% of the issued shares of Swisscom Ltd. Any reduction of the Confederation's holding below a majority shareholding would require a change in law, which would need to be voted upon by the Swiss Parliament and would also be subject to the right of optional referendum by Swiss voters. As the majority shareholder, the Confederation has the power to control the decisions of the annual general meetings of shareholders which are taken by the absolute majority of validly cast votes. This relates primarily to resolutions concerning dividend distributions and the election of the members of the Board of Directors. Swisscom supplies telecommunications services to, and also procures services from, the Confederation. The Confederation comprises the various ministries and administrative bodies of the Confederation and the other companies controlled by the Confederation (primarily the Swiss Post, Swiss Federal Railways, RUAG and Skyguide). All transactions are conducted on the basis of normal customer/supplier relationships and on conditions applicable to unrelated third-parties. In addition, financing transactions are entered into with the Swiss Post under market conditions.

Equity-accounted investees

Services provided to/by equity-accounted investees are based upon market prices. Such participations are listed in Note 5.3.

Transactions and balances

In CHF million	Income	Expense	Receivables	Liabilities
2021 financial year				
Confederation	186	69	278	159
Equity-accounted investees	18	50	6	4
Total 2021/balance at 31 December 2021	**204**	**119**	**284**	**163**

In CHF million	Income	Expense	Receivables	Liabilities
2020 financial year				
Confederation	181	80	187	359
Equity-accounted investees	62	111	22	22
Total 2020/balance at 31 December 2020	**243**	**191**	**209**	**381**

Occupational pension schemes and compensation payable to individuals in key positions

Transactions between Swisscom and the various pension funds are detailed in Note 4.3. Compensation paid to individuals in key positions is disclosed in Note 4.2.

6.3 Other accounting policies

Foreign currency translation

Foreign currency transactions which are not denominated in the functional currency are translated into the functional currency using the exchange rate prevailing at the dates of the transactions. Monetary items as at the balance sheet date are translated into the functional currency at the exchange rate prevailing at the balance sheet date, while non-monetary items are translated using the exchange rate on the date of the transaction. Translation differences are recognised in the income statement. Assets and liabilities of subsidiaries and equity-accounted investees reporting in a different functional currency are translated at the exchange rates prevailing on the balance sheet date, whereas the income statement and the cash flow statement are translated at the average exchange rate. Translation differences arising from the translation of net assets and income statements are recorded in other comprehensive income.

Significant foreign currency translation rates

	Closing rate			Average rate	
Currency	**31.12.2021**	31.12.2020	31.12.2019	**2021**	2020
1 EUR	1.033	1.080	1.085	1.080	1.072
1 USD	0.912	0.880	0.966	0.912	0.937

Amended International Financial Reporting Standards and Interpretations, whose application is not yet mandatory

The following International Financial Reporting Standards and Interpretations published up to the end of 2021 are mandatory for annual periods beginning on or after 1 January 2022:

Standard	Name	Effective from
Amendments to IFRS 3	References to conceptual framework	1 January 2022
Amendments to IAS 16	Property, plant and equipment: Income before intended use	1 January 2022
Amendments to IAS 37	Onerous contracts: Cost of fulfilling a contract	1 January 2022
Various	Amendments to IFRS 2018–2020	1 January 2022
IFRS 17	Insurance contracts	1 January 2023
Amendments to IAS 1	Classification of liabilities as current or non-current	1 January 2023
Amendments to IFRS 10 and IAS 28	Sale or deposit of assets between an investor and an associated company or joint venture	still open

Swisscom will review its financial reporting for the impact of those new and amended standards which take effect on or after 1 January 2022 and which Swisscom did not choose to adopt earlier than required. At present, Swisscom anticipates no material impact on the consolidated financial statements.

Report of the statutory auditor

to the General Meeting of Swisscom Ltd

Ittigen

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Swisscom Ltd and its subsidiaries (the Group), which comprise the consolidated statement of comprehensive income for the year ended 31 December 2021, the consolidated balance sheet as at 31 December 2021, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements (pages 108 to 167) give a true and fair view of the consolidated financial position of the Group as at 31 December 2021 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards (IFRS) and comply with Swiss law.

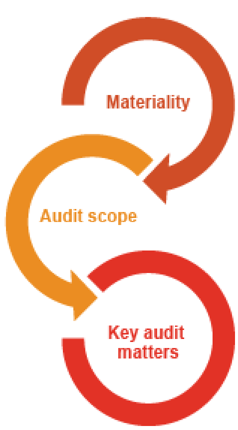
Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Overview



Overall materiality for the consolidated financial statements: CHF 80 million

We conducted full scope audit work at four Group companies in two countries. These Group companies represent over 90% of the Group's revenue. In addition, specified procedures were performed on selected balance sheet and income statement line items for one additional Group company located in Switzerland.

As key audit matters the following areas of focus have been identified:

- Recoverability of Fastweb goodwill
- Revenue recognition – Solutions business with Business Customers
- Recoverability of technical installations and intangible assets
- Assessment of litigation arising from regulatory and competition law proceedings

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Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

Overall Group materiality	CHF 80 million
Benchmark applied	Profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and it is a generally accepted benchmark.

We agreed with the Audit Committee that we would report to them misstatements with impacts on the income statement above CHF 4 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

Audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group consists of three operating segments (Swisscom Switzerland, Fastweb, Other Operating Segments) and operates mainly in Switzerland and Italy. Swisscom (Schweiz) Ltd generates most of the revenue. Another company that we identified as significant is Fastweb S.p.A. (Fastweb).

The audits of Swisscom (Schweiz) Ltd and Swisscom Ltd were performed by the Group audit team. The audit of Fastweb was performed by the PwC component auditor in Italy, to whom we provided instructions and with whom we are in regular contact to discuss the treatment of transactions that are material to the consolidated financial statements as well as questions regarding valuation and disclosure. In addition, we participate in important discussions with Fastweb's management. The audit of these three companies addresses the major part of the consolidated financial statements. Another company in Switzerland is audited by a Swiss PwC component auditor, whom we have instructed and with whom we are also in regular contact. Finally, we identified an additional subsidiary with significant balance sheet and income statement items, which is audited by the Group audit team. Group-wide topics, such as treasury, taxes, pension obligations, investments including goodwill and the implementation of new accounting requirements are addressed by the Group audit team.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverability of Fastweb goodwill

Key audit matter	How our audit addressed the key audit matter
The impairment testing of goodwill relating to Fastweb was deemed a key audit matter for the following reasons: • As at 31 December 2021, the goodwill relating to the Fastweb operating segment amounted to CHF 514 million (2020: CHF 537 million), which is a significant amount. • In performing the annual impairment test of the Fastweb goodwill, management has considerable scope for judgement regarding the expected future cash flows, the discount rate (WACC) used and the forecasted growth. Please refer to note 3.4 'Goodwill' (page 145) in the notes to the consolidated financial statements.	During our audit, we assessed with regard to the impairment test whether a correct valuation method was used, the calculation was coherent and the assumptions made were appropriate. In doing so, we challenged the input data and assumptions relating to the underlying cash flows of the impairment test. In addition, we compared the results of the current year with the forecasts made in the previous year in order to assess the appropriateness of the previous year's assumptions. With regard to the discount rate used, we analyzed together with our own valuation specialists how it was derived and compared it with our own calculation. We also examined whether the information on impairment testing in the notes to the consolidated financial statements was disclosed correctly and whether the sensitivity analyses presented indicate appropriately the risks of impairment. We consider the valuation method and the assumptions used by management to test for the impairment of the Fastweb goodwill to be appropriate.

Revenue recognition – Solutions business with Business Customers

Key audit matter	How our audit addressed the key audit matter
For the 2021 financial year, Swisscom reports net revenue of CHF 11,183 million (2020: CHF 11,100 million). Of this amount, CHF 1,111 million (2020: CHF 1,058 million) is generated by the Solutions business with Business Customers. The Solutions business with Business Customers comprises integrated communications solutions (e.g. IT outsourcing) for large enterprises in Switzerland. We consider revenue recognition in the Solutions business with Business Customers to be a key audit matter for the following reasons: • The specific projects within the Solutions business are based on complex individual contracts that may include multiple performance obligations. The accounting treatment of these contracts requires management to estimate the expected transaction price and the timing of revenue recognition of the individual performance obligations. • The projects typically last between three and seven years. To ensure a loss-free valuation of ongoing projects, management has significant scope for judgement in its assessment of the future costs of each project. Please refer to note 1.1 'Segment information' (page 114) in the notes to the consolidated financial statements.	We assessed the design and effectiveness of the controls implemented to ensure the correct recognition of revenue in the Solutions business with Business Customers. Further, we performed analytical audit procedures. On the basis of internal and external reports, we defined our expectations and critically assessed deviations from them. For a sample of contracts entered into in the 2021 financial year, we assessed the accounting treatment applied by Swisscom. In doing so, we assessed whether management's estimate of the expected transaction price and of the timing of revenue recognition relating to individual performance obligations is appropriate. To address the significant scope for judgement when assessing future costs to ensure a loss-free valuation, we performed the following audit procedures: • We gained an understanding of the process implemented by management to assess future developments in the Solutions business and critically assessed that process. • We discussed with Swisscom their expectations regarding the future development of individual projects and critically assessed those expectations on the basis of current developments. • Using a sample of projects, we compared Swisscom's forecasts from the previous year with actual developments in the current financial year and analysed any variances. Finally, on the basis of a sample, we assessed whether the revenue in the Solutions business with Business Customers was recorded correctly. To do so, we checked cash receipts for individual revenue transactions and obtained external balance confirmations from Swisscom customers. We consider management's estimates relating to the recognition of revenue in the Solutions business with Business Customers to be appropriate.

Recoverability of technical installations and intangible assets

Key audit matter	How our audit addressed the key audit matter
We consider the impairment testing of technical facilities and intangible assets to be a key audit matter for the following reasons: • Swisscom recognises as of 31 December 2021 technical installations with a net book value of CHF 8,491 million (2020: CHF 8,611 million) and intangible assets with a net book value of CHF 1,714 million (2020: CHF 1,745 million). Both represent significant amounts. • Management has significant scope for judgement when assessing and determining the useful life of technologies that are in use. Please refer to note 3.2 'Property, plant and equipment' (page 142) and note 3.3 'Intangible assets' (page 144) in the notes to the consolidated financial statements.	We assessed the design and effectiveness of the controls implemented to ensure the correct impairment testing of technical installations and intangible assets. We also discussed with management the estimates of the future useful lives of existing technologies and critically assessed these on the basis of current developments at Swisscom and other telecommunications companies. In addition, we assessed the completeness and appropriateness of changes in useful lives and actual impairments in the 2021 financial year. We consider management's assessment of the expected period over which Swisscom derives economic benefits from the use of existing technologies to be appropriate.

Assessment of litigation arising from regulatory and competition law proceedings

Key audit matter	How our audit addressed the key audit matter
Swisscom recorded as at 31 December 2021 provisions amounting to CHF 1,149 million (2020: CHF 1,216 million). Of this amount, CHF 176 million (2020: CHF 233 million) relates to provisions for litigation arising from regulatory and competition law proceedings. Swisscom provides regulated access services to other telecommunications service providers in accordance with the Telecommunications Act. The prices charged by Swisscom are subject to reviews by the Federal Communications Commission (ComCom). If the Commission issues a ruling against Swisscom, the prices charged must be reduced with retroactive effect. Swisscom is also a party to proceedings conducted by the Federal Competition Commission (COMCO). In the event of a final verdict establishing market abuse by Swisscom, COMCO may impose sanctions. A final verdict establishing market abuse issued by COMCO could lead to civil claims against Swisscom. We consider the assessment of the financial implications of litigation arising from regulatory and competition law proceedings to be a key audit matter because management has significant scope for judgement in estimating the probability, the timing and the amount of a potential cash outflow due to litigation. Please refer to note 3.5 'Provisions, contingent liabilities and contingent assets' (page 147) in the notes to the consolidated financial statements.	To address the significant scope for judgement in estimating the probability, the timing and the amount of a potential cash outflow due to litigation, we performed together with an internal legal expert the following audit procedures: • We discussed pending litigation with management and Swisscom's internal legal counsel. • We obtained written statements from Swisscom's external and internal legal counsel. • We gained an understanding of the process and controls implemented by management to identify, assess and recognise pending litigation, and critically assessed it. To assess the amount of the provisions established, we considered whether the underlying data were adequately factored into the calculation of the provisions. Finally, we assessed the recognition and disclosure in the consolidated financial statements of litigation arising from regulatory and competition law proceedings. We consider management's approach to the treatment in the consolidated financial statements of litigation arising from regulatory and competition law proceedings to be appropriate.

Other information in the annual report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements and the remuneration report of Swisscom Ltd and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

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

PricewaterhouseCoopers AG

Peter Kartscher	Petra Schwick
Audit expert Auditor in charge	Audit expert

Zürich, 2 February 2022