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Financial statements

Swisscom Ltd

General information

This is a condensed version of the financial statements of Swisscom Ltd. The full version and the auditors' report can be viewed on the Swisscom website.

☎ See www.swisscom.ch/financialstatements2021

Swisscom Ltd is a holding company under Swiss law. As at 31 December 2021, the Swiss Confederation, as majority shareholder, continued to hold 51.0% of the issued shares of Swisscom Ltd as in the prior year. The Telecommunications Enterprise Act (TEA) provides that the Swiss Confederation shall hold the majority of the share capital and voting rights of Swisscom Ltd.

The financial statements of Swisscom Ltd have been prepared in accordance with statutory requirements and the Articles of Incorporation. 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 separate financial statements of Swisscom Ltd. The equity totalled CHF 4,753 million in the 2021 annual financial statements of Swisscom Ltd. Under Swiss company law, share capital and that part of the general reserves representing 20% of the share capital may not be distributed. On 31 December 2021, Swisscom Ltd held distributable reserves of CHF 4,691 million. The dividend is proposed by the Board of Directors and must be approved by Swisscom Ltd's Annual General Meeting of Shareholders on 30 March 2022. Treasury shares are not entitled to a dividend.

Income statement

In CHF million	2021	2020
Net revenue from the sale of goods and services	19	100
Other income	16	29
Total operating income	35	129
Personnel expense	(33)	(62)
Other operating expense	(12)	(75)
Total operating expenses	(45)	(137)
Operating income	(10)	(8)
Financial expense	(37)	(107)
Financial income	73	150
Income from participations	163	62
Income before taxes	189	97
Income tax expense	(4)	(8)
Net income	185	89

Balance sheet

In CHF million	31.12.2021	31.12.2020
Assets		
Cash and cash equivalents	337	217
Financial assets	4,217	6,080
Participations	8,222	8,196
Other assets	56	82
Total assets	12,832	14,575
Liabilities and equity		
Interest-bearing liabilities	7,944	8,693
Other liabilities	135	175
Total liabilities	8,079	8,868
Share capital	52	52
Legal capital reserves/capital surplus reserves	21	21
Voluntary retained earnings	4,680	5,635
Own equity interest	–	(1)
Total equity	4,753	5,707
Total liabilities and equity	12,832	14,575

Further information

Information on the participation rights held by the members of the Board of Directors and the Group Executive Board is also disclosed in the Remuneration Report (sections 2.5 and 3.5).

As at 31 December 2021, guarantee obligations exist for Group companies in favour of third parties totalling CHF 275 million (prior year: CHF 253 million), and financial assets totalling CHF 155 million (prior year: CHF 149 million) were not freely available. These assets serve to secure commitments arising from bank loans.

Swisscom Ltd carried out the equal pay analysis in accordance with the Gender Equality Act using the standard analysis tool Logib and this was reviewed by PwC. PwC states in its report that during the formal review of the equal pay analysis, it did not come across any facts from which it would have to conclude that the equal pay analysis does not comply with the legal requirements in all respects.

Proposed appropriation of retained earnings

The Board of Directors proposes to the Annual General Meeting of Shareholders to be held on 30 March 2022 that the available retained earnings of CHF 4,680 million for the financial year ending on 31 December 2021 be appropriated as follows:

In CHF million	31.12.2021
Appropriation of retained earnings	
Retained earnings from previous year	5,634
Ordinary dividend	(1,140)
Balance carried forward from prior year	4,494
Net income for the year	185
Changes in treasury shares	1
Retained earnings available to the Annual General Meeting	4,680
Ordinary dividend of CHF 22.00 per share	(1,140)
Balance to be carried forward	3,540

In the event that the proposal is approved, a dividend of CHF 22 per share will be paid to shareholders on 5 April 2022.

Glossary

Technical terms

4G/LTE (Long-Term Evolution): 4G/LTE is the fourth generation of mobile technology. At present, LTE enables mobile broadband data speeds of up to 150 Mbps.

4G+/LTE Advanced: 4G+/LTE enables theoretical broadband data speeds of up to 700 Mbps via the mobile network. To do so, it bundles 4G/LTE frequencies to achieve the required capacity.

5G: 5G is the latest generation in mobile network technology. 5G brings with it even more capacity, very short response times and higher bandwidths, and supports the digitisation of Swiss business and industry. There are two types: 5G (also known as 5G-wide) and 5G+ (also known as 5G-fast). Both types are more efficient than predecessor technologies in terms of both energy consumption and the use of electromagnetic fields.

5G (5G-wide): This type has been using existing mobile frequencies and antennas for a long time – in simplified terms it is a software update. It enables widespread coverage and up to 1Gbit/s of data throughput.

5G+ (5G-fast): This type uses newly acquired frequencies. It offers very high capacities and speeds but shorter ranges. This type is required to fully exploit all the opportunities offered by 5G, and also calls for next-generation antennas.

All IP: All IP means that all services such as television, the Internet and fixed-line phone run over the same IT network. Swisscom switched all existing communication networks to Internet Protocol (IP) by the end of 2019. The IP services within Switzerland thus operate on Swisscom's own network, thereby enhancing security and availability in comparison with other voice services on the World Wide Web.

Bandwidth: Bandwidth refers to the transmission capacity of a medium, also known as the data transmission rate. The higher the bandwidth, the more information units (bits) can be transmitted per unit of time (second). It is defined in bps, kbps or Mbps.

Cloud: Cloud computing makes it possible for IT infrastructures such as computing capacity, data storage, ready-to-use software and platforms to be accessed

dynamically via the Internet as needed. The data centres, along with the resources and databases, are distributed via the cloud. The term 'cloud' refers to such hardware which is not precisely locatable.

Connectivity: Connectivity is the generic term used to denote IP services or the connection to the Internet and the ability to exchange data with any partner on the network.

Convergence (bonding technology): In the telecommunications sector, 'convergence' normally refers to an interaction of mobile communication and fixed-network technologies or to products that encompass both mobile communication and fixed-network services.

FTTH (Fibre to the Home): FTTH refers to the end-to-end connection of homes and businesses using fibre-optic cables instead of traditional copper cables.

FTTH topologies (P2P and P2MP): There are two different common topologies in a fibre-optic network: point-to-point (P2P) or point-to-multipoint (P2MP). With P2P, a separate optical fibre is laid between each apartment and the nearest node (usually a local exchange) – if ten apartments in a neighbourhood are connected, ten optical fibres are also available at the node. By contrast, with P2MP there is only a single optical fibre running from the node to the vicinity of the apartments. From there, a 'splitter' breaks up the light signal and distributes it to several optical fibres, which then lead to the apartments.

FTTS (Fibre to the Street)/FTTB (Fibre to the Building)/FTTC (Fibre to the Curb): FTTS, FTTB and FTTC refer to hybrid broadband connection technologies (optical fibre and copper). With these technologies, optical fibre is brought as near as possible to buildings and in the case of FTTB right to the building's basement; the existing copper cables are used for the remaining stretch.

ICT (Information and Communication Technology): The terms ‘information technology’ and ‘communication technology’ were first combined in the 1980s to denote the convergence of information technology (information and data processing and the related hardware) and communication technology (technically aided communications).

IoT (Internet of Things): The connecting of things, devices and machines to enable recording of status and environmental data. These data provide the basis for optimising processes, such as early identification of failing machine components. IoT facilitates new business models based on these data or opens up new opportunities for interacting with customers.

IoT NB (IoT Narrowband): IoT NB is a connection technology for the Internet of Things (IoT). It is designed for maximum range, minimum energy consumption and a high density of devices, but dispenses with some of the features of LTE. IoT NB is mainly used for mass market applications such as electricity and water meters or monitoring sensors (massive IoT applications).

LAN (Local Area Network): A LAN is a local network for interconnecting computers, usually based on Ethernet.

LTE-M: LTE-M is a connection technology for the Internet of Things (IoT). It dispenses with some of the features of LTE to increase efficiency and reduce complexity and costs. It enables all conventional IoT applications and – in contrast to IoT Narrowband (IoT NB) – allows voice transmission (e.g. in lift telephones). LTE-M is particularly suitable for quality-sensitive applications such as security and monitoring solutions (Critical IoT applications).

MVNO (Mobile Virtual Network Operator): MVNO denotes a business model for mobile communications. In this case, the corresponding business (the MVNO) has either a limited network infrastructure or no network infrastructure at all. It therefore accesses the infrastructure of other mobile communication providers.

Network convergence: Network convergence refers to the dissolution and reconstitution of previously separate networks into one large convergent network, such as in the case of the fixed and mobile networks of Swisscom.

Optical fibre: Optical fibre is a transport medium for optical data transmission – in contrast to copper cables, which transmit data through electrical signals.

OTT (Over the Top): OTT refers to content distributed by service providers over an existing network infrastructure that they do not themselves operate. OTT companies offer proprietary services on the basis of the infrastructures of other companies in order to reach a broad range of users quickly and cost-efficiently.

Petabyte: Unit of measurement for data size. 1 petabyte is equivalent to approximately 1,000 terabytes, 1,000,000 gigabytes or 1,000,000,000 megabytes.

Roaming: Roaming is when a mobile user makes calls, uses other mobile services or participates in data traffic outside his or her home network, i.e. usually abroad. This requires that the mobile device in question is compatible with the roaming network.

Router: A router is a device for connecting or separating several computer networks. The router analyses incoming data packets according to their destination address and either blocks them or forwards them accordingly (routing). Routers come in different types, ranging from large machines in a network to the small devices used by residential customers.

Streaming: Streaming is the transmission of audio and video signals over a network or the Internet without the data having to be stored on a local device.

TDM (Time Division Multiplexing): Multiplexing is a method that allows the simultaneous transmission of multiple signals over a single communications medium (line, cable or radio link), for example, by means of classic telephony (using an ISDN or analogue line). Multiplexing methods are often combined to achieve even higher utilisation. The signals are multiplexed once the user data have been modulated on a carrier signal. At the receiver end the information signal is first demultiplexed and then demodulated. TDM methods are now at the end of their life cycle.

Terabyte: Unit of measurement for data size. 1 terabyte is equivalent to approximately 1,000 gigabytes or 1,000,000 megabytes.

Ultra-fast broadband: Ultra-fast broadband denotes broadband speeds of more than 50 Mbps – on both the fixed-line and mobile networks.

Other terms

ComCo (Competition Commission): ComCo enforces the Federal Cartel Act, the aim of which is to safeguard against the harmful economic or social impact of cartels and other constraints on competition in order to foster competition. ComCo combats harmful cartels and monitors market-dominant companies for signs of anti-competitive conduct. It is responsible for monitoring mergers and also provides opinions on official decrees that affect competition.

ComCom (Federal Communications Commission): ComCom is the decision-making authority for telecommunications. Its primary responsibilities include issuing concessions for use of the radio frequency spectrum as well as basic service licences. It also provides access (unbundling, interconnection, leased lines, etc.), approves national numbering plans and regulates the conditions governing number portability and freedom of choice of service provider.

Federal Office of Communications (OFCOM): OFCOM deals with issues related to telecommunications and broadcasting (radio and television) and performs official and regulatory tasks in these areas. It prepares the decisions of the Swiss Federal Council, the Federal Department of the Environment, Transport, Energy and Communications (DETEC) and the Federal Communications Commission (ComCom).

FTE (full-time equivalent): Throughout this report, FTE is used to denote the number of full-time equivalent positions.

Interconnection: Interconnection means linking up the systems and services of two TSPs so as to enable the logical interaction of the connected telecoms components and services and to provide access to third-party services. Interconnection allows the customer of one provider to communicate with the subscribers of another provider. Under the terms of the Federal Telecommunications Act, market-dominant telecommunications service providers are required to allow their competitors interconnection at cost-based prices.

Unbundling: Unbundling of the last mile (Unbundling of the Local Loop, ULL) enables fixed-line-network competitors without their own access infrastructure to access customers directly at non-discriminatory conditions based on original cost. The prerequisite for ULL is the presence of a market-dominant provider. There are two forms of unbundling: unbundling at the level of the telephone exchange (Unbundling of the Local Loop (ULL) or Local Loop Unbundling (LLU), known as TAL in Switzerland) with currently around 600 unbundled locations; and unbundling at distribution box level (sub-loop unbundling, known as T-TAL in Switzerland), in which no competitor has yet shown any interest.

Five-year review

In CHF million, except where indicated	2017	2018 ¹	2019 ²	2020	2021
Net revenue and results					
Net revenue	11,662	11,714	11,453	11,100	11,183
Operating income before depreciation and amortisation (EBITDA)	4,295	4,213	4,358	4,382	4,478
EBITDA as % of net revenue	36.8	36.0	38.1	39.5	40.0
Operating income (EBIT)	2,131	2,069	1,910	1,947	2,066
Net income	1,568	1,521	1,669	1,528	1,833
Earnings per share	30.31	29.48	32.28	29.54	35.37
Balance sheet and cash flows					
Equity	7,645	8,208	8,875	9,491	10,813
Equity ratio	34.7	36.3	36.6	39.1	43.6
Cash flow from operating activities	4,091	3,720	4,019	4,169	4,044
Capital expenditure	2,378	2,404	2,438	2,229	2,286
Net debt	7,447	7,393	6,758	6,218	5,689
Employees					
Full-time equivalent employees	20,506	19,845	19,317	19,062	18,905
Average number of full-time equivalent employees	20,836	20,083	19,561	19,095	19,099
Operational data					
Fixed telephony access lines in Switzerland	2,047	1,788	1,594	1,523	1,424
Broadband access lines retail in Switzerland	2,014	2,033	2,058	2,043	2,037
Mobile access lines in Switzerland	6,637	6,370	6,333	6,224	6,177
TV access lines in Switzerland	1,467	1,519	1,555	1,588	1,592
Revenue generating units (RGU) in Switzerland	12,165	11,710	11,540	11,378	11,230
Unbundled fixed access lines in Switzerland	107	87	70	56	41
Broadband access lines wholesale in Switzerland	435	481	515	555	596
Broadband access lines in Italy	2,451	2,547	2,637	2,747	2,750
Mobile access lines in Italy	1,065	1,432	1,746	1,961	2,472
Swisscom share					
Number of issued shares	51.802	51.802	51.802	51.802	51.802
Market capitalisation	26,859	24,331	26,554	24,715	26,657
Closing price at end of period	518.50	469.70	512.60	477.10	514.60
Closing price highest	527.00	530.60	523.40	577.80	562.40
Closing price lowest	429.80	427.00	441.10	446.70	456.30
Ordinary dividend per share	22.00	22.00	22.00	22.00	22.00 ³
Ratio payout/earnings per share	72.59	74.63	68.16	74.48	62.20
Information Switzerland					
Net revenue	9,476	9,274	8,969	8,614	8,579
Operating income before depreciation and amortisation (EBITDA)	3,451	3,419	3,508	3,522	3,569
Capital expenditure	1,678	1,645	1,770	1,596	1,634
Full-time equivalent employees	17,688	17,147	16,628	16,048	15,882

1 Swisscom has been applying IFRS 15 'Revenue from Contracts with Customers' since 1 January 2018. The prior year's figures have not been adjusted.

2 Swisscom has been applying IFRS 16 'Leases' since 1 January 2019. The prior year's figures have not been adjusted.

3 In accordance with the proposal of the Board of Directors to the Annual General Meeting.

Forward-looking statements

This Annual Report contains forward-looking statements. In this Annual Report, such forward-looking statements include, without limitation, statements relating to our financial condition, results of operations and business and certain of our strategic plans and objectives.

Because these forward-looking statements are subject to risks and uncertainties, actual future results may differ materially from those expressed in or implied by the statements. Many of these risks and uncertainties relate to factors which are beyond Swisscom's ability to control or estimate precisely, such as future market conditions, currency fluctuations, the behaviour of other market participants, the actions of governmental regulators and other risk factors detailed in Swisscom's and Fastweb's past and future filings and reports, including those filed with the U.S. Securities and Exchange Commission and in past and future filings, press releases, reports and other information posted on Swisscom Group Companies' websites.

Readers are cautioned not to put undue reliance on forward-looking statements, which speak only of the date of this communication.

Swisscom disclaims any intention or obligation to update and revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Publishing details

Key dates

- **3 February 2022**
Publication of 2021 Annual Results and Annual Report
- **30 March 2022**
Annual General Meeting
- **1 April 2022**
Ex dividend date
- **5 April 2022**
Dividend payment
- **28 April 2022**
2022 First-Quarter Results
- **4 August 2022**
2022 Second-Quarter Results
- **27 October 2022**
2022 Third-Quarter Results
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