

2021

Financial statements
Swisscom Ltd



swisscom

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 | Note | 31.12.2021 | 31.12.2020 |
|---|------|---------------|---------------|
| Assets | | | |
| Cash and cash equivalents | | 337 | 217 |
| Current financial assets | 3.1. | 56 | 100 |
| Derivative financial instruments | | 5 | 9 |
| Trade receivables | 3.1 | 4 | 10 |
| Other current receivables | 3.1 | 2 | 2 |
| Accrued income and deferred expense | | 45 | 60 |
| Total current assets | 3.1 | 449 | 398 |
| Non-current financial assets | 3.1 | 4,161 | 5,980 |
| Derivative financial instruments | | – | 1 |
| Participations | 2.2 | 8,222 | 8,196 |
| Total non-current assets | | 12,383 | 14,177 |
| Total assets | | 12,832 | 14,575 |
| Liabilities and equity | | | |
| Current interest-bearing liabilities | 3.2 | 1,320 | 1,762 |
| Derivative financial instruments | | 4 | 12 |
| Trade payables | 3.2 | 1 | 11 |
| Other current liabilities | 3.2 | 7 | 16 |
| Accrued expense and deferred income | | 31 | 45 |
| Provisions | | 1 | 6 |
| Total current liabilities | | 1,364 | 1,852 |
| Non-current interest-bearing liabilities | 3.2 | 6,624 | 6,931 |
| Derivative financial instruments | | 82 | 77 |
| Other non-current liabilities | 3.2 | 5 | – |
| Provisions | | 4 | 8 |
| Total non-current liabilities | | 6,715 | 7,016 |
| 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 |

Notes to the financial statements

1 General information

1.1 Name, legal form and registered office

- Swisscom Ltd, Ittigen (Canton of Berne)
- Holding company of the Swisscom Group
- Swisscom Ltd is a limited-liability company established under a special statute pursuant to the Telecommunications Enterprises Act (TEA) of 30 April 1997.
- Company identification number (UID) CHF-102.753.938

1.2 Share capital

As at 31 December 2021, the share capital comprised 51,801,943 registered shares with a par value of CHF 1 per share, unchanged from the previous year.

1.3 Major shareholders

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.

1.4 Number of full-time staff

The average number of employees of Swisscom Ltd during the financial year, expressed as full-time equivalents, was less than 250, as in the prior year. As at 31 December 2021, the number of full-time equivalent positions was 20 (prior year: 209 full-time equivalent positions). Most employees of Swisscom Ltd. were transferred to Swisscom (Switzerland) Ltd. as part of a reorganisation in 2021.

1.5 Approval and release of Annual Financial Statements

On 2 February 2022, the Board of Directors of Swisscom Ltd approved the present Annual Financial Statements for release. As of this date, no material events after the reporting date have occurred. The Annual Financial Statements are subject to approval by the shareholders of Swisscom Ltd in its Annual General Meeting to be held on 30 March 2022.

2 Summary of significant accounting policies

2.1 General disclosures

Significant accounting policies which are not prescribed by law are described below. The possibility to recognise and release hidden reserves for the purpose of ensuring the sustainable development of the company should be taken into account in this respect.

Swisscom Ltd prepares consolidated financial statements in accordance with a generally accepted accounting standard (International Financial Reporting Standards). For this reason, in accordance with legal requirements, it has not included additional information on interest-bearing liabilities and audit fees in the notes to these financial statements, nor has it presented a cash flow statement.

2.2 Participations and recognition of dividend payouts by subsidiary companies

Participations are accounted for at acquisition cost less impairment losses, as required. Dividend distributions from subsidiary companies are accrued in the financial statements of Swisscom Ltd provided that the annual general meetings of the subsidiary companies approve the payment of the dividend prior to the approval of the Annual Financial Statements of Swisscom Ltd by its Board of Directors.

The direct and significant indirect participations held by Swisscom Ltd were constituted as follows as at 31 December 2020 and 2021:

| Capital and voting shares in % | 31.12.2021 | 31.12.2020 |
|---|------------|------------|
| Billag Ltd in liquidation, Freiburg ¹ | 100 | 100 |
| Blue Entertainment Ltd, Zurich ¹ | 100 | 100 |
| cablex Ltd, Muri near Berne ² | 100 | 100 |
| Fastweb S.p.A., Milan ² | 100 | 100 |
| Innovative Government Ltd, Freienbach ¹ | 90 | – |
| Innovative Web Ltd, Freienbach ¹ | 90 | – |
| Innovative Web Marketing & Service, Zurich ¹ | 90 | – |
| Swisscom Broadcast Ltd, Berne ¹ | 100 | 100 |
| Swisscom Digital Technology SA, Geneva ¹ | 75 | 75 |
| Swisscom Directories Ltd, Zurich ¹ | 100 | 100 |
| Swisscom Finance B.V., Rotterdam ¹ | 100 | 100 |
| Swisscom Health AG, Ittigen ² | – | 100 |
| Swisscom Real Estate Ltd, Ittigen ¹ | 100 | 100 |
| Swisscom Italia S.r.l., Milan ² | 100 | 100 |
| Swisscom Re Ltd, Vaduz ¹ | 100 | 100 |
| Swisscom (Switzerland) Ltd, Ittigen ¹ | 100 | 100 |
| Worklink AG, Berne ¹ | 100 | 100 |

1 Participation directly held by Swisscom Ltd.

2 Participation indirectly held by Swisscom Ltd.

2.3 Derivative financial instruments and hedging transactions (hedge accounting)

Derivative financial instruments, which are designated to hedge foreign currencies and interest rates, are measured at fair value. Changes in fair value is recognized in the income statement. Derivatives which meet the conditions for recognition as a hedging transaction are measured using the same measurement principles as those which apply to the underlying transaction. Gains and losses arising from the underlying and hedging transactions are dealt with on a joint basis (collective valuation approach with regard to valuation units).

2.4 Treasury shares

At the time of acquisition, treasury shares are recognised at cost as a deduction from equity. Treasury shares developed as follows in 2020 and 2021:

| | Number | Average price in CHF | In CHF million |
|--|--------------|-------------------------|----------------|
| Balance at 31 December 2019 | 2 | 484 | – |
| Purchases on the market | 8,400 | 505 | 4 |
| Allocated for share-based compensation | (6,975) | 505 | (3) |
| Balance at 31 December 2020 | 1,427 | 505 | 1 |
| Purchases on the market | 6,100 | 504 | 3 |
| Allocated for share-based compensation | (7,447) | 504 | (4) |
| Balance at 31 December 2021 | 80 | 504 | – |

3 Disclosures on balance sheet and income statement positions

3.1 Receivables and financial assets

| In CHF million | 31.12.2021 | Thereof from participations | 31.12.2020 | Thereof from participations |
|-------------------------------------|------------|-----------------------------|------------|-----------------------------|
| Trade receivables | 4 | 4 | 10 | 10 |
| Other current receivables | 2 | 1 | 2 | – |
| Accrued income and deferred expense | 45 | 44 | 60 | 56 |
| Current financial assets | 56 | – | 100 | – |
| Non-current financial assets | 4,161 | 4,004 | 5,980 | 5,820 |

3.2 Liabilities

Trade payables and other liabilities

| In CHF million | 31.12.2021 | Thereof to participations | 31.12.2020 | Thereof to participations |
|-------------------------------|------------|---------------------------|------------|---------------------------|
| Trade payables | 1 | 1 | 11 | 9 |
| Other current liabilities | 7 | – | 16 | 11 |
| Other non-current liabilities | 5 | – | – | – |

Other current liabilities as at 31 December 2021 do not include any liabilities to pension funds (prior year: none).

Interest-bearing liabilities

| In CHF million | 31.12.2021 | 31.12.2020 |
|---|--------------|--------------|
| Bank loans | 487 | 484 |
| Debenture bonds | 5,006 | 5,494 |
| Private placements | 150 | 150 |
| Interest-bearing liabilities to participations | 2,278 | 2,488 |
| Other interest-bearing liabilities to third parties | 23 | 77 |
| Total interest-bearing liabilities | 7,944 | 8,693 |
| Thereof current interest-bearing liabilities | 1,320 | 1,762 |
| Thereof non-current interest-bearing liabilities | 6,624 | 6,931 |

Debenture bonds

| In CHF million or EUR million | 31.12.2021 | | 31.12.2020 | |
|---------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | Par value in currency | Nominal interest rate | Par value in currency | Nominal interest rate |
| Debenture bond in EUR 2014–2021 | – | – | 500 | 1.88 |
| Debenture bond in CHF 2010–2022 | 500 | 2.63 | 500 | 2.63 |
| Debenture bond in CHF 2015–2023 | 250 | 0.25 | 250 | 0.25 |
| Debenture bond in CHF 2012–2024 | 500 | 1.75 | 500 | 1.75 |
| Debenture bond in EUR 2015–2025 | 500 | 1.75 | 500 | 1.75 |
| Debenture bond in CHF 2014–2026 | 200 | 1.50 | 200 | 1.50 |
| Debenture bond in EUR 2018–2026 | 500 | 1.13 | 500 | 1.13 |
| Debenture bond in CHF 2016–2027 | 200 | 0.38 | 200 | 0.38 |
| Debenture bond in CHF 2017–2027 | 350 | 0.38 | 350 | 0.38 |
| Debenture bond in CHF 2016–2028 | 200 | 0.38 | 200 | 0.38 |
| Debenture bond in CHF 2018–2028 | 150 | 0.75 | 150 | 0.75 |
| Debenture bond in CHF 2014–2029 | 160 | 1.50 | 160 | 1.50 |
| Debenture bond in CHF 2019–2029 | 200 | 0.50 | 200 | 0.50 |
| Debenture bond in CHF 2020–2031 | 100 | 0.13 | 100 | 0.13 |
| Debenture bond in CHF 2016–2032 | 300 | 0.13 | 300 | 0.13 |
| Debenture bond in CHF 2017–2033 | 150 | 0.75 | 150 | 0.75 |
| Debenture bond in CHF 2019–2033 | 80 | 0.75 | 80 | 0.75 |
| Debenture bond in CHF 2021–2033 | 100 | 0.25 | – | – |
| Debenture bond in CHF 2020–2034 | 100 | 0.25 | 100 | 0.25 |
| Debenture bond in CHF 2015–2035 | 150 | 1.00 | 150 | 1.00 |
| Debenture bond in CHF 2018–2035 | 150 | 1.00 | 150 | 1.00 |
| Debenture bond in CHF 2019–2044 | 125 | 0.00 | 125 | 0.00 |

4 Further disclosures

4.1 Collateral for third party liabilities

As of 31 December 2021, guarantee obligations exist for Group companies in favour of third parties totalling CHF 275 million (prior year: CHF 253 million).

4.2 Residual amounts of lease liabilities

There are no lease liabilities which are not due within twelve months or which can be terminated.

4.3 Assets used to secure own liabilities as well as assets subject to retention of title

As at 31 December 2021, 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.

4.4 Participation rights of the members of the Board of Directors and Group Executive Board

The following table discloses the number of unrestricted and restricted shares held by the members of the Board of Directors and Group Executive Board as well as parties related to them, as of 31 December 2020 and 2021:

| Quantity | 31.12.2021 | 31.12.2020 |
|---|--------------|--------------|
| Michael Rechsteiner | 565 | 233 |
| Hansueli Loosli ¹ | – | 3,856 |
| Roland Abt | 915 | 726 |
| Alain Carrupt | 692 | 563 |
| Guus Dekkers ² | 148 | – |
| Frank Esser | 1,152 | 972 |
| Barbara Frei | 1,336 | 1,189 |
| Sandra Lathion-Zweifel | 367 | 238 |
| Anna Mossberg | 475 | 346 |
| Renzo Simoni | 831 | 652 |
| Total shares held by members of the Board of Directors | 6,481 | 8,775 |

1 Left the Board of Directors on 31 March 2021.

2 Elected to the Board of Directors on 31 March 2021.

| Quantity | 31.12.2021 | 31.12.2020 |
|--|--------------|---------------|
| Urs Schaeppi (CEO) | 5,445 | 5,069 |
| Eugen Stermetz ¹ | – | – |
| Mario Rossi ² | – | 1,897 |
| Klementina Pejic ³ | – | – |
| Hans C. Werner ⁴ | – | 1,588 |
| Urs Lehner | 1,019 | 821 |
| Christoph Aeschlimann | 422 | 145 |
| Dirk Wierzbitzki | 1,323 | 1,122 |
| Total shares held by members of the Group Executive Board | 8,209 | 10,642 |

1 Elected to the Group Executive Board on 1 March 2021.

2 Left the Group Executive Board on 28 February 2021.

3 Elected to the Group Executive Board on 1 February 2021.

4 Left the Group Executive Board on 31 January 2021.

In 2021, 1,512 shares (CHF 0.8 million) were issued to the members of the Board of Directors and 1,454 shares (CHF 0.7 million) to the members of the Group Executive Board. None of the individuals required to make notification holds voting shares exceeding 0.1% of the share capital.

4.5 Conducting an equal pay analysis

Swisscom Ltd carried out the equal pay analysis in accordance with the Gender Equality Act (GEA) using the standard analysis tool Logib for the reference month April 2021. The Logib evaluation showed that Swisscom Ltd complies with the tolerance threshold with regard to gender-specific wage discrimination. In accordance with Art. 13d GEA, the equal pay analysis was formally examined by an approved auditing company. This auditing company states in its report from 30 November 2021 that, during the formal examination 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

Proposal of the Board of Directors

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 | (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 per share for 51,801,863 shares ¹ | (1,140) |
| Balance to be carried forward | 3,540 |

¹ Excluding treasury shares.

In the event that the proposal is approved, a dividend per share will be paid to shareholders on 5 April 2022 as follows:

| Per registered share | CHF |
|-----------------------------|--------------|
| Ordinary dividend, gross | 22.00 |
| Less 35% withholding tax | (7.70) |
| Net dividend payable | 14.30 |

Report of the statutory auditor

to the General Meeting of Swisscom Ltd

Ittigen

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Swisscom Ltd, which comprise the income statement for the year ended at 31 December 2021, the balance sheet as at 31 December 2021 and notes, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 2 to 8) as at 31 December 2021 comply with Swiss law and the company's articles of incorporation.

Basis for opinion

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

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession 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

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the 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 financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the 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 financial statements as a whole.

| | |
|--|--|
| Overall materiality | CHF 75 million |
| Benchmark applied | Total assets |
| Rationale for the materiality benchmark applied | We chose total assets as the benchmark because, in our view, it is a relevant benchmark against which a holding company can be assessed, 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.

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Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

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

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

We have determined that there are no key audit matters to communicate in our report.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity'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 entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 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 financial statements.

As part of an audit in accordance with Swiss law 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 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 entity'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 entity'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 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 entity to cease to continue as a going concern.



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 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 financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Peter Kartscher
Audit expert
Auditor in charge

Petra Schwick
Audit expert

Zürich, 2 February 2022

