

2020

Swisscom Finance B.V.
Annual Report



swisscom

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Report of the Management Board

The Management Board is pleased to present the first set of financial statements of Swisscom Finance B.V. (“the Company”) for the financial period from 5 March to 31 December 2020. The Company was incorporated on 5 March 2020 as a wholly owned subsidiary of Swisscom AG, Ittigen Bern (Switzerland). The Company is a private company with limited liability (besloten vennootschap met beperkte aansprakelijkheid) incorporated under laws of the Netherlands with its seat in Rotterdam, the Netherlands, its registered office address at Delftseplein 30 K, Central Post, 10th floor, 3013AA Rotterdam, the Netherlands. The purpose of the Company is the issuance of financial instruments of all kinds for the financing of Swisscom AG.

Management Board

The Management Board of Swisscom Finance B.V. comprises the following members:

- Carmen Wäfler
- Thomas Ackermann
- Edsel Ramon Steba (appointed 1 February 2021)
- Anouk Verharen (appointed 10 February 2021)

During the financial year 2021, Yuri Schuurman and Suzanne Röell have resigned as members of the Management Board. The reason for the change in the Management Board is that the external members are being replaced by employees of the Swisscom Group.

Business activities

In the second quarter of 2020, the Company issued a bond in the amount of EUR 500 million guaranteed by Swisscom AG, with a 0.375% coupon and 8.5 years maturity. The bond is listed on Euronext Dublin. The proceeds were passed on to Swisscom AG by means of an at arm’s length loan agreement. The Company made a net profit of CHF 248 thousand in 2020. That mainly results from the interest rate difference from financing activities. In 2020, net interest income amounted to CHF 282 thousand.

Impact of Covid-19

The Covid-19 outbreak and resulting measures taken by various governments to contain the virus are causing significant disruption to society. The economies have been impacted and there is an increased volatility in the financial markets. Governments and central banks worldwide are responding to this crisis with aid packages and further quantitative easing. At the date of this report the depth and length of this crisis is still unknown, although there is the expectation that with the current government actions taken, including the vaccination programs, the situation will recover in the course of 2021. Whilst uncertain, the Management Board however does not believe that the impact of the Covid-19 crisis has a material adverse effect on the Company’s financial condition and does not trigger an impairment of the financial assets. The financial statements are therefore prepared on a going concern basis.

Management Board policy with respect to risks

In the ordinary course of its business the Company is exposed to several financial risks. The Company's overall risk Management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. These include among others, currency risks, interest rate risks, credit risks and liquidity risks. These risks are managed and monitored in accordance with Swisscom Group Treasury Policy, which describes objectives, responsibilities and management of treasury risks.

The main financial risks arising from the Company's financial instruments are currency risk, interest rate risk and liquidity risk. Additionally, there is a limited credit and counterparty default risk. Management of these risks is performed in accordance with Swisscom AG Group financial risk management policy. The currency risk is mitigated by means of raising the funds in the same currency as the corresponding financing provided to the borrowers. The interest rates on and the maturity dates of the Company's funding do match with the interest rates on and the maturity dates of the corresponding loans provided by the Company to Swisscom AG. In addition, the timing of payment schedules of the financial assets corresponds to that of the financial liabilities.

The operational activities of the Company are performed by a small team of experienced staff. In addition, procedures for mitigating the risks relating to the operational activities are in place. Furthermore, the Company participates in the Swisscom AG Internal Control System (ICS). The Swisscom AG ICS encompasses the following internal control components: control environment, assessment of accounting risks, control activities, monitoring controls, information and communication. The accounting unit of Swisscom AG, which reports to the CFO of Swisscom AG, manages and monitors the ICS. The internal audit department of Swisscom AG periodically reviews the functioning and effectiveness of the ICS. Significant shortcomings in the ICS identified during these monitoring and review activities are reported together with the corrective measures in a status report to the Audit Committee of Swisscom AG twice a year and to the Board of Directors of Swisscom AG on an annual basis. Should the ICS risk assessment change significantly, the Chairman of the Audit Committee of Swisscom AG is informed without delay. Corrective measures to remedy the shortcomings are monitored by the accounting unit of Swisscom AG. The Audit Committee of Swisscom AG assesses the performance and effectiveness of the ICS on the basis of the periodic reporting.

The Company has access to various recourses within the Swisscom Group, e.g. the departments Group Compliance, Accounting, Legal and Tax, in order to mitigate the identified risks. Furthermore, the Management Board has access to a network of external legal and tax advisors in order to mitigate possible risks and uncertainties.

Future business developments and financing

The Management Board does not expect new financings and investments in 2021 and no employees will be engaged. The financial result of the Company is expected to remain positive as a result of the interest margin and no impairment is expected. The Management Board also expects net positive cash flow for the year ending 31 December 2021 as well as in each of the following years. There are no special events that should be taken into account for the financial statements.

Code of Conduct

As part of the Swisscom Group the Company follows the Code of Conduct of the Swisscom Group. The principles of the Code of Conduct define the way the Company do business, which is characterized by integrity and compliance with the law. The full text of the Code of Conduct can be found on www.swisscom.ch.

Events after the reporting date

No events have occurred since 31 December 2020 which would make the present financial position materially different from that shown in the statement of financial position as of that date or which would require adjustment to or disclosure in the financial statements.

Management representation

The members of the Management Board certify that, to the best of their knowledge:

- the financial statements give a true and fair view, in all material respects, of the assets, the liabilities, the financial position and profit and loss of the Company;
- the annual report gives a true and fair view, in all material respects, of the Company as per 31 December 2020 and the business activities during 2020; and;
- the annual report describes the material risks that the Company is facing.

Rotterdam, 3 June 2021

The members of the Management Board,

Carmen Wäfler

Thomas Ackermann

Edson Ramon Steba

Anouk Verharen

Report of the Supervisory Board

The Supervisory Board of Swisscom Finance B.V. comprises the following members:

- Peter Burkhalter
- Stefan Zahler

The Supervisory Board met on 30 April 2020. During this meeting, the Supervisory Board approved the Management Board resolutions regarding the making available, issuance, publication and contents of the prospectus, the issuance and listing of the bonds as well as the inclusion thereof in any security settlement system and the terms and conditions of the prospectus, the bonds documents and the transactions and the entry into, execution, delivery and performance by the issuer of the bonds, the documents and the additional documents and the participation of the issuer in the transactions. The Supervisory Board met on 3 June 2021 to approve the financial statements 2020.

In the reporting period, the Company issued a bond in the amount of EUR 500 million. The funds raised were passed on to Swisscom AG on an at arm's length loan agreement.

The Supervisory Board has taken notice of and agreed with the conclusion of the Management Board that the Covid-19 pandemic outbreak in 2020 and the global economic crisis as a consequence thereof did not trigger impairment of the financial assets.

The Company's Supervisory Board is unbalanced since less than 30% of its members are female. The Company's Supervisory Board members have been appointed based on qualifications and availability, irrespective of gender. In order to create more balance, the Boards will take these regulations into account to the extent possible with respect to future appointments of Board members.

The financial statements for the financial period from 5 March to 31 December 2020 as presented by the Management Board have been audited and were given an unqualified opinion by the independent external auditor of PricewaterhouseCoopers Accountants N.V. The independent auditor's report is included in this report. The Supervisory Board has authorized the financial statements for the financial period from 5 March to 31 December 2020 of Swisscom Finance B.V. for issue by the Management Board on 3 June 2021 for approval of the General Meeting of Shareholders. The Supervisory Board recommends that the General Meeting of Shareholders adopts the financial statements 2020.

The statement of comprehensive income for the financial period from 5 March to 31 December 2020 discloses a net profit of CHF 248 thousand. Net profit will be retained in the Company.

The Supervisory Board takes this opportunity to express its appreciation for the performance of the Management Board during the financial period from 5 March to 31 December 2020.

Rotterdam, 3 June 2021

The members of the Supervisory Board,

Peter Burkhalter Stefan Zahler

Statement of comprehensive income

In CHF thousand	Note	5 March– 31 December 2020
Income statement		
Interest income	4	2,060
Interest expense	4	(1,778)
Net interest income		282
Other expense and income, net	6	(3)
Profit before income taxes		279
Income taxes	7	(31)
Net profit		248
Comprehensive income		
Net profit		248
Other comprehensive income		–
Comprehensive income		248
Share of net profit and comprehensive income		
Equity holders of Swisscom Finance B.V.		248
Non-controlling interests		–
Comprehensive income		248

Balance sheet

(before profit appropriation)

In CHF thousand	Note	31.12.2020
Assets		
Financial assets	1	534,286
Total non-current assets		534,286
Financial assets	1	429
Other assets		2
Cash and cash equivalents		1,552
Total current assets		1,983
Total assets		536,269
Liabilities and equity		
Issued capital	2	105
Capital reserves	2	2,001
Undivided result	2	248
Total equity		2,354
Financial liabilities	3	533,570
Total non-current liabilities		533,570
Financial liabilities	3	266
Income tax liabilities	7	31
Other liabilities		48
Total current liabilities		345
Total liabilities		533,915
Total liabilities and equity		536,269

Statement of cash flows

In CHF thousand	Note	5 March– 31 December 2020
Net profit		248
Adjustments for:		
Income taxes	7	31
Interest income	4	(2,060)
Interest expense	4	1,778
Foreign exchange gains	6	(55)
		(58)
Change in other assets		(2)
Change in other liabilities		48
Issuance of loans to Swisscom AG	1	(520,093)
Interest received	1	1,296
Interest paid	3	(1,019)
Cash flow used in operating activities		(519,828)
Issuance of financial liabilities	3	519,229
Issuance of share capital	2	2,106
Cash flow generated from financing activities		521,335
Net increase in cash and cash equivalents		1,507
Cash and cash equivalents at beginning of period		–
Effects of exchange rate changes on cash and cash equivalents		45
Cash and cash equivalents at end of period		1,552

Statement of changes in equity

In CHF thousand	Share capital	Capital reserves	Undivided result	Total equity
Transaction with owners in their capacity as owners				
Issuance of share capital	105	2,001	–	2,106
Comprehensive income				
Net profit	–	–	248	248
Other comprehensive income	–	–	–	–
Comprehensive income	–	–	248	248
Balance at 31 December 2020	105	2,001	248	2,354

Notes to the financial statements

General information

Swisscom Finance B.V. (hereafter “the Company”) is a financing company of Swisscom AG, Ittigen (Berne), Switzerland. The Company was incorporated on 5 March 2020. Its principal activities consist of the issuance of debt instruments and funding of the Swisscom Group. The Company has its registered office at Delftseplein 30 K, Central Post, 10th floor, 3013AA Rotterdam, the Netherlands, registered under number 77555104 with the Dutch trade register “Kamer van Koophandel” and is a 100% subsidiary of Swisscom AG, which is also the ultimate parent of the Company. The Company’s financial statements are included in the consolidated financial statements of Swisscom AG, which are publicly available on www.swisscom.ch.

Basis of preparation

The financial statements have been prepared under the historical cost convention, 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. The financial statements have been prepared in accordance with International Financial Reporting Standards (hereafter “IFRS”) as adopted by the European Union (EU) and with the Book 2, Title 9 of the Dutch Civil Code. All IFRSs issued by the International Accounting Standards Board (hereafter “IASB”) adopted by the European Commission for use in the EU and effective at the time of preparing these financial statements have been applied by the Company. The financial statements include the financial period from 5 March 2020 to 31 December 2020. The functional and presentation currency of the Swisscom Group is Swiss Franc (CHF). The Company decided in line with IAS 21 to use the same functional and presentation currency as the Swisscom Group, which is CHF. All values are rounded to the nearest thousand except when indicated otherwise.

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 2020 are mandatory for annual periods beginning on or after 1 January 2021:

Standard	Name	Effective from
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	IBOR Reform: Phase 2	1 January 2021
Amendments to IFRS 3	References to conceptual framework	1 January 2022
Amendments to IAS 16	Property, plant and equipment: Income before planned use	1 January 2022
Amendments to IAS 37	Onerous contracts: Contract performance costs	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 IAS 8	Definition of accounting estimates	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

The Company has reviewed its financial reporting for the impact of those new and amended standards which take effect on or after 1 January 2021 and which the Company did not choose to adopt earlier than required. The new and amended standards will not have a material impact on the financial statements of the Company.

Accounting policies

The material principles on recognition and measurement outlined below were applied uniformly to all accounting periods presented in these financial statements.

Financial instruments

Financial instruments are recognized as soon as the Company becomes a party to the contractual regulations of the financial instrument. However, in the case of regular way purchase or sale, the settlement date is relevant for the initial recognition and derecognition. This is the day on which the asset is delivered to or by the Company. In general, financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the entity currently has a right to offset the recognized amounts and intends to settle on a net basis. Transferred financial assets are derecognized in full if substantially all the risks and rewards of ownership are transferred or if some of the risks and rewards of ownership are transferred (risk sharing) and the acquirer has both the legal and the practical ability to sell the assets to a third party. If, in cases where risk is shared, the acquirer is unable to sell the assets to a third party, the assets will continue to be recognized to the extent the maximum risk retained. Financial liabilities are derecognized when the obligation specified in the contract expires or if there is a substantial modification of the terms of the contract.

The Company has not yet made use of the option to designate financial instruments upon initial recognition as at fair value through profit or loss. Financial assets include loans to Swisscom AG and interest receivables. They are measured at fair value upon initial recognition and subsequently measured at amortized cost. For all financial assets not subsequently measured at fair value through profit or loss, the transaction costs directly attributable to the acquisition are recognized. The fair values recognized in the statement of financial position are generally based on market prices of the financial assets. If these are not available, the fair value is determined using standard valuation models based on current market parameters.

For the classification and measurement of loans to Swisscom AG, the respective business model for managing the loans and whether the instruments have the characteristics of a standard loan, i.e., whether the cash flows are solely payments of principal and interest, is relevant. If the assets have these characteristics and if the business model is to hold to collect the asset's contractual cash flows, they are measured at amortized cost. This is computed using the effective interest method. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate. The Company follows an expected credit losses approach for measuring impairment. The loss allowance is determined at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. Otherwise, the loss allowance is calculated at an amount equal to twelve-month expected credit losses. In this case, losses incurred later than twelve months after the reporting date would therefore not be considered. When a loss allowance for expected credit losses is being determined, the historical probability of default supplemented by the relevant future parameters for the credit risk is used as the basis for the calculation. For all loans to Swisscom AG, publicly available market data related to the Swisscom AG debt portfolio is used to determine the loss allowance for expected credit losses.

Financial liabilities include bonds, interest liabilities and other liabilities. They are measured at fair value on initial recognition and subsequently measured at amortized cost. For all financial liabilities not subsequently measured at fair value through profit or loss, the transaction costs directly attributable to the acquisition are also a component of the carrying amount. Subsequent to initial recognition all non-derivative financial liabilities are measured at amortized cost using the effective interest method. Financial liabilities are derecognized when the obligation under the liability is discharged, cancelled or expires.

Derivative financial liabilities are measured at fair value through profit or loss. The Company does not use or hold derivative financial instruments.

Cash and cash equivalents

Cash and cash-equivalents, which include the balance from bank accounts, are generally measured at amortized cost. Cash is cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Investments normally only qualify as cash equivalent if they have a short maturity of three months or less from the date of acquisition.

Equity

Ordinary shares are classified as equity. When new shares are issued, they are recorded in share capital at their par value. The excess of the issue price over the par value is recorded to the capital reserves. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds and recorded to the capital reserves. Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Interest income and expense

Interest income (expense) is recognized as it accrues, using the effective interest method. Interest expense includes the amortization of the paid transaction costs as well as the paid discount and received premium of the financial instrument.

Other expense and income

Other expense and income include service fees, audit and consultancy fees and are recognized at cost. In addition, gains (losses) from foreign exchange is included in other expense and income.

Income taxes

The tax expense for the period comprises of current income tax. Current income tax is recognized in the income statement based on the applicable enacted income tax rate for the year applied to the current year statutory profit before tax. No deferred taxes are recognized.

Foreign currency translation

Foreign-currency transactions are translated into the functional currency at the exchange rate at the date of transaction. At statement of financial position dates, monetary items are translated at the closing rate, and non-monetary items are translated at the exchange rate at the date of transaction. Exchange rate differences are recognized in other expense and income in statement of comprehensive income. The exchange rates of significant currencies are as follows:

Currency	Closing rate	Average rate
1 EUR	1.080	1.073

Cash flow statement

The statement of cash flow has been prepared using the indirect method. The cash items disclosed in the statement of cash flow comprise of cash at banks except for deposits with a maturity longer than three months. Cash flows denominated in foreign currencies have been translated at average estimated exchange rates. Exchange differences affecting cash items are shown separately in the cash flow statement. Interest paid and received, and income taxes are included in cash from operating activities. Dividends paid are recognized as cash used in financing activities.

Significant judgements and estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The area involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are the estimates relating to impairment losses as disclosed in Note 5. The Company considered the impact of Covid-19 pandemic to its impairment assessment process and concluded that this is adequately reflected in the estimates as part of the probability of default used. The determination of the Swiss Franc (CHF) as the functional currency is considered as a significant judgement.

Impact of the Covid-19 pandemic

In March 2020, government measures against the spread of Covid-19 restricted economic activities in the key regions for the Swisscom Group, Switzerland and Italy. With the exception of international roaming, the impact on Swisscom Group's telecommunications business is minimal. The international roaming business recorded a sharp decline as a result of reduced travel activity. So far, Covid-19 does not have a significant impact on the financial position of the Swisscom Group. Nevertheless, there is still uncertainty regarding the extent to which business activities and thus the results of operations and financial position of Swisscom AG and thus the Company as a whole could be affected overall depending on how the pandemic develops.

Based on analyses, the Company trusts that Swisscom AG will continue to be able to fulfil their liabilities towards the Company and judges the default risk being limited. Hence, the Company does not believe, that the impact of the Covid-19 virus will have a material adverse effect on its financial condition or liquidity. Following that, it is deemed appropriate by the Management Board that the Company continuous to adopt the going concern basis for the preparation of the financial statements.

Other disclosures

1 Financial assets

In CHF thousand	2020
Balance at beginning of period	–
Issuance of loans to Swisscom AG	520,093
Interest income	2,060
Interest received	(1,296)
Foreign currency translation adjustments	13,858
Balance at 31 December	534,715
Loans to Swisscom AG	534,286
Accrued interest income	429
Total financial assets	534,715
Thereof current financial assets	429
Thereof non-current financial assets	534,286

In 2020, the Company granted Swisscom AG a loan of EUR 500,000 thousand (CHF 520,093 thousand). The interest rate amounts to 0.61% and the loan has a maturity of 8.5 years.

2 Equity

The issued, authorized and outstanding share capital amounts to EUR 100 thousand (CHF 105 thousand) and consists of 100,000 shares of common stock at a par value of EUR 1. All shares are fully paid and are held by Swisscom AG. The capital reserve comprises additional paid-in capital on the issue of the shares. The retained earnings comprise the accumulated net profits of the Company.

3 Financial liabilities

In CHF thousand	2020
Balance at beginning of period	–
Issuance of bonds	519,229
Interest expense	1,778
Interest paid	(1,019)
Foreign currency translation adjustments	13,848
Balance at 31 December	533,836
Bonds	533,570
Accrued interest expense	266
Total financial liabilities	533,836
Thereof current financial liabilities	266
Thereof non-current financial liabilities	533,570

In the second quarter of 2020, the Company issued a prospectus relating to the issuance of the EUR 500,000 thousand (CHF 519,229 thousand) bond guaranteed by Swisscom AG, with a 0.375% coupon and 8.5 years maturity. The bond is listed on Euronext Dublin. The proceeds were passed on to Swisscom AG by means of an at arm's length loan agreement. The effective interest rate of the bond amounts to 0.53%.

4 Net interest income

In CHF thousand	5 March– 31 December 2020
Interest income	2,060
Interest expense	(1,778)
Net interest income	282

Interest income of CHF 2,060 thousand has been earned from the loan contract with Swisscom AG.

5 Financial risk management and other disclosures on capital management

The Company is exposed to interest rate risks, credit risks, currency rate risks and liquidity risks. Management of these risks is performed in accordance with Swisscom AG Group financial risk management policy, with the objective of containing the potential adverse effects thereof on the financial situation of the Company.

Interest rate risks

The Company mitigates its interest rate risks by matching the interest duration and the maturity dates of the issued bond and the corresponding loans provided by the Company. In addition, interest rates on bonds and loans are fixed. The interest rate risks of the Company are limited or close to zero, because the assets and liabilities are naturally hedged given the bonds and loans have matching nominal amounts and fixed interest rates.

Credit risks

The Company is exposed to credit risks from loans and receivables to its sole shareholder Swisscom AG and deposits to financial institutions. The maximum exposure to credit and counterparty default risk is generally represented by the carrying amounts of the financial assets that are carried in the statement of financial position. Investment in financial assets concerns granted loans to Swisscom AG. Given its credit rating, the Company does not expect this entity to fail to meet its obligations. Except for this loan, there are at the reporting date no significant concentrations of risk. The Company follows an expected credit losses (“ECL”) approach for measuring impairment. Based upon historical performance and forward-looking information the loans granted by the Company to Swisscom AG are considered to be low risk and therefore expected credit losses can be assessed under stage 1 of the general model being a 12-month expected credit loss. An assessment is performed in order to identify any subsequent credit deterioration of a counterparty to the loans which might lead to change the ECL from a 12-month PD (“probability of default”) to a lifetime PD (stage 2). This assessment consists mainly of assessing the financial performance of the counterparties and checking if the capital repayments and interest payments are current and in line with the relevant loan agreement. The calculation of PD is based upon a “short-cut” approach: according to this approach it is assumed that the Company uses a PD which is based upon actual market information, more specific, the average 1-year PD of single A issued EUR bonds adjusted with an appropriate credit spread as of 31 December 2020. Swisscom AG has ratings from Standard & Poor’s (A stable) and Moody’s (A2 stable). Finally, for the calculation of the LGD (“loss given default”), the Company uses the potential recovery rates considering available market data. The method described above of calculating the ECL for the loans to Swisscom AG resulted in an immaterial amount for the current period.

The expected credit loss (ECL) is sensitive to the assumptions of probability of default (PD) and loss given default (LGD). Due to deteriorated economic conditions, Swisscom AG’s creditworthiness may decrease, and its financial situation may be impaired. If the PD had been 50 basis points higher (lower) at 31 December 2020, the profit or loss before income taxes and the equity would have been CHF 267 thousand lower (higher). If the LGD had been 1,000 basis points higher (lower) at 31 December 2020, the profit or loss before income taxes and the equity would have been CHF 219 thousand lower (higher).

Currency rate risks

The Company mitigates its currency rate risks by means of raising the funds in the same currency as the corresponding financing provided to the borrowers. As of the balance sheet date, the Company’s assets as well as the liabilities are all denominated in EUR. The currency rate risks of the Company are limited or close to zero, because the assets and liabilities are naturally hedged given the bonds and loans have matching nominal amounts in the same foreign currency. Therefore, sensitivity analysis is not disclosed.

Liquidity risks

The Company mitigates its liquidity risks by matching the timing of payment schedules of the financial assets with that of the financial liabilities. In addition, the bonds issued are guaranteed by Swisscom AG.

Contractual maturities including estimated interest payable

In CHF thousand	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						
Bond	533,570	556,200	2,025	2,025	6,075	546,075
Accrued interest expense	266	266	266	–	–	–
Other liabilities	48	48	48	–	–	–
Total	533,884	556,514	2,339	2,025	6,075	546,075

Valuation category and fair value of financial instruments

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 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. The fair value of Level 3 financial instruments is determined on the basis of a computational model. The fair values of financial assets and financial liabilities are summarized in the following table. Not included therein are cash and cash equivalents, accrued interest income and expense as well as other liabilities whose carrying amount corresponds to a reasonable estimation of their fair value.

In CHF thousand	31.12.2020		
	Carrying amount	Fair Value	Level
Financial assets			
Loans to Swisscom AG	534,286	564,964	2
At amortised cost	534,286	564,964	
Financial liabilities			
Bonds	533,570	558,090	1
At amortised cost	533,570	558,090	

Capital management

The overriding aim of the Company's capital management is to match amounts, return and maturities of its financial assets with its financial liabilities in order to ensure its capability to repay its debt. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders.

6 Other expense and income, net

In CHF thousand	5 March– 31 December 2020
Audit fees	47
Consulting expenses	10
Miscellaneous expenses	1
Foreign exchange gains	(55)
Total other expense and income, net	3

The audit fees only relate to the audit of the financial statements by the independent auditor PricewaterhouseCoopers Accountants N.V. The fees listed above relate to the procedures applied to the Company by accounting firms and external auditors as referred to in Section 1, subsection 1 of the Audit Firms Supervision Act ("Wet toezicht accountantsorganisaties – Wta") as well as by Dutch and foreign-based accounting firms, including their tax services and advisory groups. The audit fees relate to the audit of the 2020 financial statements, regardless of whether the work was performed during the financial period.

The Company has no employees and no remuneration is paid to the Members of the Management Board and Supervisory Board.

7 Income taxes

In CHF thousand	5 March– 31 December 2020
Current income taxes	31
Total income taxes recognised in income statement	31

In 2020, the Company paid no taxes and no deferred taxes were recognized.

The applicable tax rate is 16.5% for the first EUR 200 thousand (CHF 216 thousand) and then 25% for above EUR 200 thousand (CHF 216 thousand). The following table shows the reconciliation of the applicable tax to the effective tax rate:

In CHF million	5 March– 31 December 2020
Profit before income taxes	279
Applicable income tax rate	16.5%
Income tax expense at the applicable income tax rate	46
Reconciliation to reported income tax expense	
Effect of use of different income tax rates	(15)
Total income tax expense	31
Effective income tax rate	11.1%

8 Segment information

The Company has one main operating segment being the finance vehicle of the Swisscom Group. Refer to Notes 1 and 3 analysis of interest income and receivables by counterparty.

9 Related parties

Since the principal activity of the Company is the provision of financial services to the Swisscom Group, related party transactions relate to the lending activities of the Company with Swisscom AG. The Company paid no guarantee fees to Swisscom AG. All material transactions of the Company with related parties are disclosed in Notes 1 and 3. The Company had no transactions with its directors during the financial period from 5 March to 31 December 2020.

10 Commitments and contingencies

As of 31 December 2020, there are no commitments and contingencies that have not been taken into account in the balance sheet.

11 Proposed appropriation of result

The Board proposes to add the profit of CHF 248 thousand of the financial period from 5 March to 31 December 2020 to retained earnings.

12 Events after the reporting date

No material events after the reporting date have occurred.

The financial statements of the Company for the financial period from 5 March to 31 December 2020 were authorized for issue by the Management Board on 3 June 2021.

The Management Board:

Carmen Wäfler Thomas Ackermann Edson Ramon Steba Anouk Verharen

The Supervisory Board:

Peter Burkhalter Stefan Zahler

Other information

Profit appropriation according to the Articles of Association

The Articles of Association do not provide for an extended financial year. As the Company has listed debt, the Company is therefore required to prepare financial statements for the financial period from 5 March to 31 December 2020.

According to article 18 of the Articles of Association, the net result of the financial period from 5 March to 31 December 2020 is at the disposal of the General Meeting of Shareholders.

Independent Auditor's Report

The company is required by Dutch law to have its annual account audited. We refer to the Independent Auditor's Report as set out on the next pages.



Independent auditor's report

To: the general meeting and the supervisory board of Swisscom Finance B.V.

Report on the financial statements for the period 5 March 2020 to 31 December 2020

Our opinion

In our opinion, the financial statements of Swisscom Finance B.V. ('the Company') give a true and fair view of the financial position of the Company as at 31 December 2020, and of its result and its cash flows for the period from 5 March 2020 to 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the European Union ('EU-IFRS') and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements for the period 5 March 2020 to 31 December 2020 of Swisscom Finance B.V., Rotterdam.

The financial statements comprise:

- the balance sheet as at 31 December 2020;
- the following statements for the period from 5 March 2020 to 31 December 2020: the statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising the significant accounting policies and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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*PricewaterhouseCoopers Accountants N.V., Thomas R. Malthusstraat 5, 1066 JR Amsterdam, P.O. Box 90357,
1006 BJ Amsterdam, the Netherlands
T: +31 (0) 88 792 00 20, F: +31 (0) 88 792 96 40, www.pwc.nl*

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Independence

We are independent of Swisscom Finance B.V. in accordance with the European Union Regulation on specific requirements regarding statutory audit of public-interest entities, the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Our audit approach

Overview and context

The Company's main activity is the financing of group companies, through bond offerings on the international capital markets. The repayment of the bonds to the investors is guaranteed by Swisscom AG as disclosed in note 3 to the financial statements. We paid specific attention to the areas of focus driven by the operations of the Company, as set out below.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the management board made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In the note 'Judgements and estimates' of the financial statements the Company describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty and the related higher inherent risks of material misstatement in the measurement of expected credit losses, we considered these matters as key audit matters as set out in the section 'Key audit matters' of this report. Furthermore, we identified the existence of the loans issued as key audit matter because of the importance of existence for users of the financial statements.

As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the management board that may represent a risk of material misstatement due to fraud.

We ensured that the audit team included the appropriate skills and competences, which are needed for the audit of a finance company. We therefore included expert in the area of tax and transfer pricing in our team.

Materiality

The scope of our audit is influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit 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 below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.



Based on our professional judgement, we determined the materiality for the financial statements as a whole at CHF 5,362,000. As a basis for our judgement, we used 1% of total assets. We used total assets as the primary benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of the stakeholders. Inherent to the nature of the Company's business, the amounts in the statement of financial position are large in proportion to the income statement line items other expense and income, net and income taxes. Based on qualitative considerations we performed audit procedures on those income statement line items, applying a benchmark of 10% of the total of those expenses.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the supervisory board that we would report to them misstatements identified during our audit above CHF 268,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

We addressed the key audit matters in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comment or observation we made on the results of our procedures should be read in this context.

Due to the nature of the Company, key audit matters do not change significantly year over year. For the year, we identified two key audit matters.

<i>Key audit matter</i>	<i>How our audit addressed the matter</i>
<p>Measurement of expected credit losses <i>Note 1</i></p> <p>We considered the valuation of the loans to group companies, as disclosed in note 1 to the financial statements for a total amount of CHF 534,715,000, to be a key audit matter. This is due to the size of the loan portfolio and relevant impairment rules. The management board has determined that all loans to group companies are categorised as stage 1 loans, hence only a 12-month expected credit loss ('ECL') has been recognised. As stated in note 'Impact of the COVID-19 pandemic' to the financial statements, the management board of the Company has assessed that the impact of COVID-19 has been limited on the Company, due to the sector in which the group operates (telecommunications sector).</p>	<p>We performed the following procedures to test the management board's assessment of the expected credit loss to support the valuation of the loans to Swisscom AG group companies:</p> <ul style="list-style-type: none"> • With respect to the ECL calculation, we determined that the loans qualify as stage 1 loans by assessing the actual performance of the loans (i.e. no significant deterioration of credit risk). • We evaluated the financial position of the counterparty of loans to group companies by assessing observable data from rating agencies, developments in credit spreads, the latest available financial information and other publicly available data in order to assess if there are no adverse conditions present suggesting to

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Key audit matter

As disclosed in note to the financial statements, the Company has not and has not been asked to grant any payment holidays on their loans to group companies. The impairment rules in IFRS 9 are complex and require judgement to calculate the ECL. Amongst other things, this applies to choices and judgements made in the impairment methodology, including the determination of the point in time probability of default ('PD'), the loss given default ('LGD') and the exposure at default ('EAD'). These calculations also take into account forward-looking information of macro-economic factors considering multiple scenarios. The management board monitors the need for changes in the methods, significant assumptions or the data used in making the accounting estimate by monitoring key performance indicators that may indicate unexpected or inconsistent performance. With respect to the PD and LGD used in the determination of the expected credit losses, the management board has applied significant judgement given the low default character of the entity's loan portfolio. As a result, there is limited internal historical data to support and back-test the PD and LGD.

How our audit addressed the matter

classify the loans as stage 2 or stage 3 loans. We have assessed the management board's position on the impact of COVID-19 on the financial position of the counterparty of the loans to group companies as part of our procedures.

- For the expected credit loss, we assessed that the impairment methodology and model applied by the entity were in accordance with the requirements of IFRS 9. We assessed that the forward-looking information used by the client as part of the impairment methodology was appropriate considering the characteristics of the loan portfolio of Swisscom Finance B.V. We have assessed the management board's position on the impact of COVID-19 on the forward-looking information as part of our procedures.
- We assessed for all financial instruments that the PD and LGD and the assumptions, applied by the management board, are appropriate and were based upon data from external data source providers including indicators for potential management bias. We have recalculated the impairment recorded in the financial statements.

We found the management board's assessment to be sufficiently rigorous. Our procedures as set out above did not indicate material differences.

Existence of the loans to group companies**Note 1**

We considered the existence of the loans to group companies, as disclosed in note 1 to the financial statements for a total amount of CHF 534,715,000, to be a key audit matter. Significant auditor's attention is necessary because of the size of the loan portfolio and the importance of existence for users of the financial statements.

We performed the following procedures to support the existence of the loans to Swisscom AG group companies:

- We confirmed the existence of the loan with the counterparty.
- We performed a substantive analytical procedure on the relationship between the interest expenses versus interest income, taken into consideration the applicable spread.
- We compared interest receipts with bank statements.

Based on the procedures as set out above, we found no material differences.



Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the report of the management board;
- the report of the supervisory board;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code;

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The management board is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of Swisscom Finance B.V. on 31 March 2020 by the supervisory board following the passing of a resolution by the shareholders at the annual meeting held on 31 March 2020. Our appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of one year.

No prohibited non-audit services

To the best of our knowledge and belief, we have not provided prohibited non-audit services as referred to in Article 5(1) of the European Regulation on specific requirements regarding statutory audit of public-interest entities.

Services rendered

The services, in addition to the audit, that we have provided to the Company, for the period to which our statutory audit relates, are disclosed in note 6 to the financial statements.



Responsibilities for the financial statements and the audit

Responsibilities of the management board and the supervisory board for the financial statements

The management board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the management board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the management board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the management board should prepare the financial statements using the going-concern basis of accounting unless the management board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. The management board should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. 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 but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 3 June 2021
PricewaterhouseCoopers Accountants N.V.

Original has been signed by V.S. van der Reijden RA



Appendix to our auditor's report on the financial statements for the period 5 March 2020 to 31 December 2020 of Swisscom Finance B.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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 intentional override of internal control.
- Obtaining 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 Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management board.
- Concluding on the appropriateness of the management board's use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company'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 and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the supervisory board 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. In this respect, we also issue an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

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

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From the matters communicated with the supervisory board, 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, not communicating the matter is in the public interest.