

2020

Financial statements
Swisscom Ltd



swisscom

Income statement

In CHF million	2020	2019
Net revenue from the sale of goods and services	100	209
Other income	29	34
Total operating income	129	243
Personnel expense	(62)	(63)
Other operating expense	(75)	(85)
Total operating expenses	(137)	(148)
Operating income	(8)	95
Financial expense	(107)	(104)
Financial income	150	87
Income from participations	62	1,324
Income before taxes	97	1,402
Income tax expense	(8)	(1)
Net income	89	1,401

Balance sheet

In CHF million	Note	31.12.2020	31.12.2019
Assets			
Cash and cash equivalents		217	182
Current financial assets	3.1.	100	–
Derivative financial instruments		9	17
Trade receivables	3.1	10	135
Other current receivables	3.1	2	2
Accrued dividends receivable from subsidiaries		–	1,200
Accrued income and deferred expense		60	69
Total current assets	3.1	398	1,605
Non-current financial assets	3.1	5,980	6,078
Derivative financial instruments		1	2
Participations	2.2	8,196	8,194
Total non-current assets		14,177	14,274
Total assets		14,575	15,879
Liabilities and equity			
Current interest-bearing liabilities	3.2	1,762	2,188
Derivative financial instruments		12	15
Trade payables	3.2	11	11
Other current liabilities	3.2	16	47
Accrued expense and deferred income		45	46
Provisions		6	7
Total current liabilities		1,852	2,314
Non-current interest-bearing liabilities	3.2	6,931	6,725
Derivative financial instruments		77	68
Other non-current liabilities	3.2	–	4
Provisions		8	9
Total non-current liabilities		7,016	6,806
Total liabilities		8,868	9,120
Share capital		52	52
Legal capital reserves/capital surplus reserves		21	21
Voluntary retained earnings		5,635	6,686
Own equity interest		(1)	–
Total equity		5,707	6,759
Total liabilities and equity		14,575	15,879

Notes to the financial statements

1 General information

1.1 Name, legal form and registered office

- Swisscom AG, 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 of 31 December 2020, 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 2020, 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 Enterprises 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.

1.5 Approval and release of Annual Financial Statements

On 3 February 2021, 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 31 March 2021.

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 2019 and 2020:

Capital and voting shares in %	31.12.2020	31.12.2019
Admeira Ltd, Berne ¹	–	50
Billag Ltd, Fribourg ¹	100	100
Blue Entertainment Ltd, Zurich ^{1,3}	100	100
cablex Ltd, Muri near Berne ²	100	100
Fastweb S.p.A., Milan ²	100	100
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	–
Swisscom Health AG, Ittigen ²	100	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.

3 Formerly CT Cinetrade AG.

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 2019 and 2020:

	Number	Average price in CHF	In CHF million
Balance at 31 December 2018	343	468	–
Purchases on the market	8,800	484	4
Allocated for share-based compensation	(9,141)	484	(4)
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

3 Disclosures on balance sheet and income statement positions

3.1 Receivables and financial assets

In CHF million	31.12.2020	Thereof from participations	31.12.2019	Thereof from participations
Trade receivables	10	10	135	135
Other current receivables	2	–	2	1
Accrued income and deferred expense	60	56	69	58
Current financial assets	100	–	–	–
Non-current financial assets	5,980	5,820	6,078	5,952

3.2 Liabilities

Trade payables and other liabilities

In CHF million	31.12.2020		31.12.2019	
		Thereof to participations		Thereof to participations
Trade payables	11	9	11	7
Other current liabilities	16	11	47	22
Other non-current liabilities	–	–	4	–

Other current liabilities as at 31 December 2020 do not include any liabilities to pension funds (prior year: CHF 1 million).

Interest-bearing liabilities

In CHF million	31.12.2020	31.12.2019
Bank loans	484	1,064
Debenture bonds	5,494	5,845
Private placements	150	150
Interest-bearing liabilities to participations	2,488	1,767
Other interest-bearing liabilities to third parties	77	87
Total interest-bearing liabilities	8,693	8,913
Thereof current interest-bearing liabilities	1,762	2,188
Thereof non-current interest-bearing liabilities	6,931	6,725

Debenture bonds

In CHF million or EUR million	31.12.2020		31.12.2019	
	Par value in currency	Nominal interest rate	Par value in currency	Nominal interest rate
Debenture bond in EUR 2013–2020	–	–	500	2.00
Debenture bond in EUR 2014–2021	500	1.88	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 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 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
Debenture bond in CHF 2020–2031	100	0.13	–	–
Debenture bond in CHF 2020–2034	100	0.25	–	–

4 Further information

4.1 Collateral for third party liabilities

As of 31 December 2020, guarantee obligations existed for Group companies in favour of third parties totalling CHF 253 million (prior year: CHF 225 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 2020, financial assets totalling CHF 149 million (prior year: CHF 107 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 2019 and 2020:

Quantity	31.12.2020	31.12.2019
Hansueli Loosli	3,856	3,474
Roland Abt	726	544
Alain Carrupt	563	439
Frank Esser	972	798
Barbara Frei	1,189	1,047
Sandra Lathion-Zweifel	238	114
Anna Mossberg	346	222
Michael Rechsteiner	233	109
Renzo Simoni	652	480
Total shares held by members of the Board of Directors	8,775	7,227

Quantity	31.12.2020	31.12.2019
Urs Schaeppli (CEO)	5,069	4,752
Mario Rossi	1,897	1,707
Hans C. Werner	1,588	1,440
Marc Werner ¹	–	1,364
Urs Lehner	821	509
Christoph Aeschlimann	145	–
Dirk Wierzbitzki	1,122	969
Total shares held by members of the Group Executive Board	10,642	10,741

¹ Left the Group Executive Board on 31 December 2019.

In 2020, 1,548 shares (CHF 0.8 million) were issued to the members of the Board of Directors and 1,452 shares (CHF 0.8 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.

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 31 March 2021 that the available retained earnings of CHF 5,634 million for the financial year ending on 31 December 2020 be appropriated as follows:

In CHF million	31.12.2020
Appropriation of retained earnings	
Retained earnings from previous year	6,686
Ordinary dividend ¹	(1,140)
Balance carried forward from prior year	5,546
Net income for the year	89
Changes in treasury shares	(1)
Retained earnings available to the Annual General Meeting	5,634
Ordinary dividend of CHF 22 per share for 51,800,516 shares ¹	(1,140)
Balance to be carried forward	4,494

¹ Excluding treasury shares.

In the event that the proposal is approved, a dividend per share will be paid to shareholders on 8 April 2021 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 2020, the balance sheet as at 31 December 2020 and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 2 to 7) as at 31 December 2020 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
How we determined it	0.5% of 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 above CHF 2.4 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

*PricewaterhouseCoopers AG, Birchstrasse 160, Postfach, CH-8050 Zürich, Switzerland
Telefon: +41 58 792 44 00, Telefax: +41 58 792 44 10, www.pwc.ch*

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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, 3 February 2021



Swisscom Ltd | Report of the statutory auditor to the General Meeting