Schweizerische Eidgenossenschaft
Confédération suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Confederation

# FEDERAL CONSOLIDATED FINANCIAL STATEMENTS

# 2019

REPORT

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## SYMBOLS AND ABBREVIATIONS

The following symbols and abbreviations were used in the tables in this dispatch:

| | |
|---|---|
| – | same as 0 or no value |
| n.d. | not displayed |
| n.q. | not quantifiable |
| CHF | Swiss francs |
| mn | million |
| bn | billion |
| % | percent |
| Δ | difference |
| Ø | average |
| > | greater than |
| < | less than |
| FTE | full-time equivalent |

# ANNUAL REPORT

A

# RESULTS OVERVIEW

The federal consolidated financial statements ended 2019 with a surplus of 11.2 billion, which was 5.3 billion more than a year earlier. This was due primarily to the social insurance investment result.

**RESULTS OVERVIEW**

| CHF mn | 2018 | 2019 | Δ 2018–19 Absolute |
|---|---|---|---|
| **Statement of financial performance** | | | |
| Surplus/deficit for the year | 5 941 | 11 204 | 5 263 |
| Federal Administration segment | 4 740 | 5 358 | 618 |
| Enterprises segment | 2 516 | 2 456 | -60 |
| Social insurance segment | -1 314 | 3 390 | 4 704 |
| **Statement of financial position** | | | |
| Net assets/equity | 64 332 | 77 541 | 13 209 |
| **Cash flow statement** | | | |
| Total cash flow | -2 263 | 17 548 | 19 811 |
| Cash flow from operating activities | 17 265 | 22 263 | 4 999 |
| Cash flow from investing activities | -9 190 | -7 632 | 1 558 |
| Cash flow from financing activities | -10 338 | 2 916 | 13 254 |
| **Personnel** | | | |
| Number of full-time employees (FTEs) | 161 455 | 160 063 | -1 392 |

The figures for 2018 were adjusted (see section B 14).

### HIGHER SURPLUS THAN THE PREVIOUS YEAR

The statement of financial performance ended with a surplus of 11.2 billion. This was 5.3 billion more than the previous year and was due essentially to the positive results of the social insurance segment.

The *Federal Administration segment* closed with a surplus of 5.4 billion, representing a year-on-year increase of 0.6 billion. The good result was attributable mainly to higher tax revenue (+1.3 bn). In particular, direct federal tax revenue rose year on year (+0.8 bn).

*Federal enterprises* achieved a surplus of 2.5 billion last year, which was down slightly on the previous year. The drop in Swiss Post's result had a major impact.

*Social insurance* ended the year with a gain of 3.4 billion, which was considerably better than the previous year's result (loss: -1.3 bn). At 0.1 billion, the social insurance apportionment result was again slightly positive (previous year: 0.1 bn). In contrast, the financial result of the compensation funds was clearly positive at 3.3 billion. The compensation funds posted a negative performance of 1.4 billion a year earlier.

*Consolidated net assets/equity* increased by 13.2 billion in the year under review, due mainly to the retained annual result. After deducting dividend payments (0.6 bn), 10.6 billion of the annual surplus achieved (11.2 bn) remained in the accounts. In addition, significant effects were recognized directly in net assets/equity (2.4 bn). These largely concerned valuation changes regarding employee retirement benefits.

**THE FEDERAL CONSOLIDATED FINANCIAL STATEMENTS**

provide a comprehensive overview of the situation of the Confederation as a group in terms of finances, assets and revenue. The figures include the Federal Administration, and the federal social insurance and enterprises.

**NET CASH INFLOW IN THE YEAR UNDER REVIEW**

The *cash inflow from operating activities* amounted to 22.3 billion. Most of these funds flowed into the federal budget and federal enterprises.

The net *cash outflow from investing activities* amounted to 7.6 billion. There was an outflow totaling 10.3 billion for tangible and intangible fixed assets. Major investments were made in transportation infrastructure (roads: 1.7 bn; rail: 2.9 bn) and telecommunications infrastructure (1.4 bn). Significant investments were likewise made in land/buildings (1.8 bn), movables and other tangible fixed assets (1.6 bn), as well as software (1.0 bn). Investments stood against depreciation and amortization on existing tangible and intangible fixed assets in the amount of 8.6 billion.

The *cash flow from financing activities* was positive at a total of 2.9 billion. There was an outflow of 4.2 billion associated with the net redemption of bonds and the repayment of bank loans. At the same time, money market paper (2.5 bn) and repo transactions (9.1 bn) generated a net cash inflow. The net outflow of client deposits amounted to 3.9 billion, and 0.6 billion was distributed in the form of dividend payments.

A net cash inflow of 17.5 billion thus remained. Cash and cash equivalents rose by this amount relative to the previous year.

**PERSONNEL**

The headcount was reduced by a total of 1,392 full-time equivalents (FTEs). Jobs were created primarily at the Confederation as parent entity (+505 FTEs) and in the ETH Domain (+462 FTEs). In contrast, there were some significant headcount reductions at the federal enterprises Swiss Post (-1,962 FTEs) and Swisscom (-528 FTEs).

**WHY FEDERAL CONSOLIDATED FINANCIAL STATEMENTS?**

**The entities included in the federal consolidated financial statements are all attributable to the Confederation. In order to provide information on their business performance and their asset and financial situation, the individual entities publish separate financial status reports each year.**

**However, as there are significant capital ties and transfer payments between the Confederation's entities, these separate financial reports on their own do not provide a comprehensive overview of the Confederation's situation in terms of assets, finances and revenue. The consolidated financial statements eliminate this shortcoming and allow for a comprehensive overview of the Confederation's financial situation by taking a net view. Meanwhile, the *federal financial statements* cover the central Federal Administration. Detailed information on the differences between the consolidated financial statements and the federal financial statements can be found in section A 33.**

# 1 FACTS

### ASSETS

Assets are marked by high holdings of financial assets and civil engineering structures.

*Financial assets* come essentially from PostFinance investments and social insurance fund assets.

*Infrastructure assets* are largely associated with the performance of federal tasks in the areas of mobility (motorways, rail transportation) and defense.

### LIABILITIES

Existing liabilities are recognized in the statement of financial position; potential liabilities are off-balance sheet.

*Recognized liabilities* include mainly PostFinance client deposits, Confederation bonds and money market paper. In addition, significant amounts of provisions for expected future outflows of funds and obligations under employee pension plans are posted under liabilities.

*Liabilities not recognized in the statement of financial position* primarily include contingent liabilities from sureties and guarantees, capital commitments for development banks and SERV insurance liabilities.

### NET ASSETS/EQUITY

Consolidated net assets/equity amounted to a total of 78 billion. 8 billion of that amount was attributable to minority shareholders of consolidated enterprises (mainly minority interests in Swisscom and BLS Netz AG). The net assets/equity to which the Confederation is entitled thus amounted to 70 billion.

The vast majority of the net assets/equity is restricted (earmarked) and cannot be used for the general performance of tasks. Earmarking within the meaning of the federal consolidated financial statements exists if, at the time of the inflow of funds, the law or fund providers prescribe that the funds are to be used for a predefined purpose.

### INVESTMENTS

The Confederation makes significant investments in its infrastructure assets in connection with the performance of its tasks. Last year, investments amounted to 11 billion. This stood against the loss in value of existing infrastructure assets. This is reflected in the financial statements in the form of depreciation amounting to 9 billion.

### EMPLOYEES

The Confederation had 160,000 full-time positions (FTEs), divided between the Federal Administration (56,000 FTEs) and enterprises (103,400 FTEs) segments. There are no employees in the social insurance segment, as the operational management of social insurance is carried out by employees of the Federal Administration segment or by the compensation funds outside the scope of consolidation.

# ASSETS

## 75 BN

### CASH AND CASH EQUIVALENTS

The high cash holding is due to a lack of investment opportunities. Consequently, both PostFinance and the parent entity deposited large holdings with the Swiss National Bank.

— *Detailed explanations: Section B 23/11 in the Notes*

## 23 BN

### RECEIVABLES/ACCRUALS AND DEFERRALS

This includes primarily trade receivables (5 bn), tax and customs duty receivables (5 bn), assets due from compensation funds (4 bn) and prepaid expenses and accrued income (6 bn).

— *Detailed explanations: Section B 23/12 in the Notes*

## 116 BN

### FINANCIAL INVESTMENTS

Financial investments are largely in bonds. Their share amounted to 74 billion, or 64% of total investments. The remainder is invested in loans (22 bn) and other financial investments.

— *Detailed explanations: Section B 23/13 in the Notes*

**214 BN** FINANCIAL ASSETS

# 134 BN INFRASTRUCTURE

## 44 BN

### RAILWAY INFRASTRUCTURE

The existing railway infrastructure of companies controlled by the Confederation is recognized in the statement of financial position at 29 billion. Further railway infrastructure facilities worth 15 billion are recorded under assets under construction.

## 33 BN

### MOTORWAYS

The existing motorway network is recognized in the statement of financial positions at 26 billion. Moreover, 7 billion is recorded under assets under construction for motorway segments that are still being constructed.

## 26 BN

### LAND/BUILDINGS

Land and buildings are worth 26 billion. High-value buildings in the military and civil sector (e.g. rail, administration and ETH school buildings) have been capitalized. Land is largely associated with motorway construction and the military sector.

## 15 BN

### PROPERTY, PLANT AND EQUIPMENT/ OTHER TANGIBLE FIXED ASSETS

The carrying amount of the Confederation's property, plant and equipment and other tangible fixed assets is 15 billion. The item with the highest value concerns the rolling stock and vehicle fleets of transportation companies (7 bn).

## 8 BN

### DEFENSE EQUIPMENT

The Armed Forces' ammunition inventories are valued at 4 billion and are recognized under inventories. The capitalized defense equipment under tangible fixed assets amounts to 4 billion. However, it should be noted that only the main weapon systems are recognized. The effective value of defense equipment is thus significantly higher.

## 8 BN

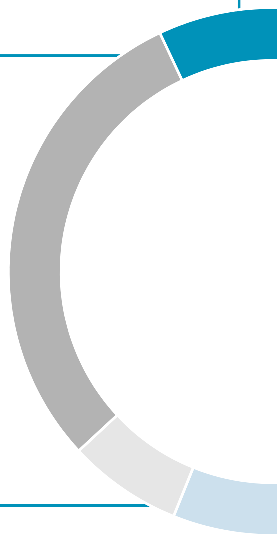
### TELECOMMUNICATIONS

The value of telecommunication infrastructures is 8 billion, recognized solely under Swisscom.

— *Detailed explanations: Sections B 23/14 and B 23/15 in the Notes*

# LIABILITIES

**245 BN** RECOGNIZED LIABILITIES



## 108 BN

### CLIENT FUNDS

Liabilities from client funds amounted to 108 billion as of the reporting date and consisted of PostFinance client deposits and client deposits in the savings bank for federal employees.

— *Detailed explanations: Section B 23/19 in the Notes*

## 89 BN

### BONDS/MONEY MARKET

The Confederation is financed largely with the issuance of Confederation bonds and money market paper. Most of the financial requirements of spun off entities are covered by the Confederation as parent entity. With the exception of the Federal Administration, only Swisscom has significant outstanding amounts on the financial market.

— *Detailed explanations: Section B 23/19 in the Notes*

## 16 BN

### EMPLOYEE RETIREMENT BENEFITS

Net liabilities from employee retirement benefits are estimated to be 16 billion. This is an actuarial calculation that is highly dependent on the assumed trend of interest rates.

— *Detailed explanations: Section B 23/21 in the Notes*

## 32 BN

### PROVISIONS

Because of its broad range of activities, the Confederation is exposed to myriad risks, for which provisions have to be recognized. Provisions are recorded when an outflow of funds is expected because of a past event but the precise amount and timing of the outflow of funds is still uncertain.

— *Detailed explanations: Section B 23/20 in the Notes*

# 37 BN UNRECOGNIZED LIABILITIES

## 17 BN

### SURETIES/GUARANTEES

As part of its task performance, the Confederation provides guarantees for third parties in order to indemnify the lender in the event of non-payment by the borrower. The borrowers can borrow more favorably with the Confederation's guarantee commitment.

— *Detailed explanations: Section B 23/23 in the Notes*

## 8 BN

### CAPITAL COMMITMENTS FOR DEVELOPMENT BANKS

Participation in development banks is part of Switzerland's multilateral development assistance. Only a small part of each of the participations is paid in, and the remainder is shown as capital commitments under contingent liabilities.

— *Detailed explanations: Section B 23/23 in the Notes*

## 12 BN

### SERV INSURANCE LIABILITIES

The insurance liabilities of Swiss Export Risk Insurance (SERV) amounted to 12 billion as of the reporting date. The insurance liabilities include insurance policies (7 bn) and insurance commitments in principle (2 bn).

— *Detailed explanations: Section B 23/25 in the Notes*

# NET ASSETS/EQUITY

**47 BN** RESTRICTED

## 4 BN

### ROADS/URBAN TRANSPORTATION

In recent years, fund inflows into the special financing for road construction and the motorway and urban transportation fund via restricted tax receipts have exceeded the investments made. In future, the funds will still have to be allocated to the intended use.

## -7 BN

### RAIL

In the past, the expenditure of the railway infrastructure fund (or the former FinPT fund) was higher than the funds intended for this purpose. Accordingly, the railway infrastructure fund has negative net assets/equity.

## 43 BN

### SOCIAL INSURANCE

The net assets/equity of federal social insurance is consolidated as a positive element. However, these fund assets are restricted and earmarked for social insurance tasks.

## 7 BN

### OTHER RESTRICTED FUNDS

Other restricted funds include the special funds and special financing allocable to net assets/equity, as well as the restricted funds of the ETH Domain.

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## 6 BN

### RISK CAPITAL

Through their business activities, both PostFinance and SERV are obliged to raise corresponding risk capital.

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## 16 BN

### OTHER NET ASSETS/EQUITY

Other net assets/equity can be used for general task performance.

— *Detailed explanations: Section B14, Statement of net assets/equity*

# INVESTMENTS

The Confederation makes significant investments in its infrastructure assets in connection with the performance of its tasks. These stand against the decline in the value of existing infrastructure assets, which is recognized as depreciation.

| | INVESTMENTS | DEPRECIATION AND AMORTIZATION |
|---|---|---|
| RAILWAY INFRASTRUCTURE | **2.9 BN** | **-1.2 BN** |
| MOTORWAYS | **1.7 BN** | **-1.6 BN** |
| LAND/BUILDINGS | **1.8 BN** | **-1.0 BN** |
| PROPERTY, PLANT AND EQUIPMENT/OTHER TANGIBLE FIXED ASSETS | **1.6 BN** | **-1.9 BN** |
| DEFENSE EQUIPMENT | **0.5 BN** | **-0.7 BN** |
| TELECOMMUNICATIONS | **1.4 BN** | **-1.2 BN** |
| SOFTWARE | **1.0 BN** | **-1.0 BN** |

# EMPLOYEES

The Confederation has 160,000 full-time positions (FTEs).
These are divided between the segments Federal Administration (56,600 FTEs) and federal enterprises (103,400 FTEs).

FEDERAL ADMINISTRATION

**37 000**

CONFEDERATION AS PARENT

**18 900**

ETH

**700**

OTHER

ENTERPRISES

**39 700**

SWISS POST

**9100**

RUAG

**32 500**

SBB

**1400**

SKYGUIDE

**19 300**

SWISSCOM

**1400**

OTHER

**15.8 BN**

WAGES AND SALARIES

Wages and salaries paid to employees.

**1.5 BN**

FIRST PILLAR INCOMING PAYMENTS

Employer contributions paid into own AHV, IV, EO and ALV social insurance funds.

**2.0 BN**

SECOND PILLAR INCOMING PAYMENTS

Ordinary employer contributions to second pillar pension plans.

# 2 SEGMENTS

## 21 OVERVIEW OF CONSOLIDATED ENTITIES

The consolidated figures are summarized in segments. The segments of the consolidated financial statements are heterogeneous and therefore subject to considerable differences in terms of risk and performance. The publication of financial information on individual segments should enable the readers of the financial statements to take a differentiated approach when assessing them.

**Federal consolidated financial statements**

### FEDERAL ADMINISTRATION

*Primarily tax-financed entities*

**Federal financial statements**
Confederation as parent

**Separate accounts**
Railway infrastructure fund RIF
Motorway and urban transportation fund

**Decentralized administrative units**
Swiss Federal Institutes of Technology ETH
Swiss Federal Institute for Vocational Education and Training SFIVET
Swiss Federal Institute of Metrology METAS
Innosuisse
Pro Helvetia
Swiss National Museum SNM

### ENTERPRISES

*Entities that are not tax-financed or not primarily tax-financed*

**Companies with a federal stake**
Swiss Federal Railways SBB
Swisscom AG
Swiss Post AG
AlpTransit Gotthard AG
RUAG Schweiz AG
Skyguide AG
SIFEM AG
BLS Netz AG

**Decentralized administrative units**
Swiss Financial Market Supervisory Authority FINMA
Swiss Federal Institute of Intellectual Property IIP
Swiss Federal Nuclear Safety Authority ENSI
Federal Audit Oversight Authority FAOA
Swiss Export Risk Insurance SERV
Swiss Association for Hotel Credit SAH
Swissmedic

### SOCIAL INSURANCE

*Federal social insurance*

**Social insurance**
Old-age and survivors' insurance AHV
Disability insurance IV
Compensation for loss of earnings EO
Agriculture family allowances FL
Unemployment insurance ALV

## 22 FEDERAL ADMINISTRATION SEGMENT

Most of the Federal Administration segment's revenue comes from the fiscal sector. The segment is primarily a transfer budget, which is why the expense side of the statement of financial performance is divided into operating expenses and transfer expenses. Transfer payments are made to recipients both within and outside the scope of consolidation.

**FEDERAL ADMINISTRATION SEGMENT: STATEMENT OF FINANCIAL PERFORMANCE**

| | | | Δ 2018–19 | |
|---|---|---|---|---|
| **CHF mn** | **2018** | **2019** | **Absolute** | **%** |
| Tax revenue | 68 598 | 69 892 | 1 294 | 1.9 |
| Direct federal tax | 22 446 | 23 268 | 822 | 3.7 |
| Withholding tax | 7 947 | 8 342 | 395 | 5.0 |
| Stamp duty | 2 117 | 2 152 | 35 | 1.6 |
| Value added tax | 22 650 | 22 497 | -153 | -0.7 |
| Other consumption taxes | 8 310 | 8 279 | -30 | -0.4 |
| Miscellaneous tax revenue | 5 129 | 5 355 | 226 | 4.4 |
| Other sovereign revenue | 1 258 | 1 368 | 109 | 8.7 |
| Miscellaneous revenue | 3 115 | 3 105 | -11 | -0.3 |
| Operating revenue | 72 971 | 74 364 | 1 393 | 1.9 |
| Operating expenses | -16 878 | -17 519 | -640 | 3.8 |
| Personnel expenses | -7 791 | -8 420 | -628 | 8.1 |
| General, administrative and operating expenses | -5 682 | -5 714 | -32 | 0.6 |
| Depreciation and amortization | -3 406 | -3 386 | 20 | -0.6 |
| Transfer expenses | -50 639 | -50 961 | -322 | 0.6 |
| Contributions to the social insurance segment | -15 691 | -15 749 | -58 | 0.4 |
| Contributions to the federal enterprises segment | -3 108 | -3 119 | -11 | 0.3 |
| Contributions to third parties | -31 839 | -32 093 | -254 | 0.8 |
| Cantons' share in federal income | -5 570 | -5 763 | -193 | 3.5 |
| Fiscal equalization to cantons | -3 339 | -3 415 | -75 | 2.3 |
| Individual premium reductions (IPR) to cantons | -2 746 | -2 828 | -82 | 3.0 |
| AHV and IV supplementary benefits | -1 538 | -1 599 | -61 | 3.9 |
| Compensation to public bodies | -1 625 | -1 534 | 90 | -5.6 |
| Contributions to international organizations | -2 243 | -2 254 | -11 | 0.5 |
| Direct payments for agriculture | -2 805 | -2 815 | -9 | 0.3 |
| Promotion of renewable energies | -1 288 | -1 281 | 7 | -0.6 |
| Research promotion institutions | -1 006 | -1 104 | -98 | 9.8 |
| Other contributions to third parties | -9 679 | -9 501 | 178 | -1.8 |
| Operating expenses | -67 517 | -68 480 | -963 | 1.4 |
| **Operating result** | **5 454** | **5 884** | **430** | |
| Financial revenue | 302 | 335 | 33 | 11.0 |
| Financial expense | -1 262 | -1 166 | 96 | -7.6 |
| **Financial result** | **-960** | **-831** | **129** | |
| **Result from financial interests** | **246** | **305** | **59** | |
| **Surplus/deficit for the year** | **4 740** | **5 358** | **618** | |

### OPERATING REVENUE
In the year under review, *tax revenue* amounted to 69.9 billion, representing an increase of 1.3 billion (+1.9%). The rise was attributable mainly to higher revenue from direct federal tax (+0.8 bn) and withholding tax (+0.4 bn)

*Nontax revenue* came in at 4.5 billion, which roughly corresponds to the previous year's figure overall.

### OPERATING EXPENSES

#### Transfer expenses
Coming in at 51.0 billion, transfer expenses were up by 0.6% on the previous year. 18.8 billion of that was attributable to internal transfer payments to the two other segments of the Confederation. A total of 31.9 billion was paid to recipients outside the scope of consolidation.

15.7 billion of the 18.8 billion in *internal transfer expenses* went to social insurance. Restricted tax shares and federal contributions to AHV (11.6 bn) and IV (3.6 bn) are particularly worthy of mention here. IV payments were around 0.2 billion lower than the previous year, as the VAT supplement of 0.4 percentage points was for a limited period. An inflow of 3.1 billion went to the federal enterprises segment. Transfer payments were made primarily to companies in the area of public transportation (rail, postal bus) in the form of subsidies for transportation services and civil engineering structures.

*External transfer expenses* of 32.1 billion went largely to the cantons. Among other things, the cantons received 15.1 billion from shares in federal revenue, fiscal equalization, individual premium reductions, AHV and IV supplementary benefits, and compensation to public bodies. Other significant transfer payments went to agriculture, international organizations, the promotion of renewable energies and research.

#### Operating expenses
Operating expenses amounted to 17.5 billion. They mainly included personnel expenses and general, administrative and operating expenses of the Federal Administration and the ETH Domain.

*Personnel expenses* posted a year-on-year increase of 0.6 billion to 8.4 billion. The increase was attributable to the amendment of the pension plan at the federal pension fund that was approved the previous year. As a result, there was a one-time decrease of 0.5 billion in the retirement benefit cost.

Infrastructure *depreciation* put a burden of 3.4 billion on the statement of financial performance.

### FINANCIAL RESULT
The *financial result* was influenced primarily by the interest expense for Confederation bonds, which amounted to 1.1 billion in the year under review.

### ANNUAL RESULT
The annual result of 5.4 billion was 0.6 billion better than the previous year. It was attributable mainly to the operating result and the improved financial result.

## 23 ENTERPRISES SEGMENT

The composition of operating revenue shows the diverse activities of the entities included in the segment. Services are provided on the market, in the area of basic supply and in the area of economic and safety oversight.

### ENTERPRISES SEGMENT: STATEMENT OF FINANCIAL PERFORMANCE

| CHF mn | 2018 | 2019 | Δ 2018–19 Absolute | % |
|---|---|---|---|---|
| Service and production revenue | 29 387 | 28 776 | -611 | -2.1 |
| Postal service revenue | 4 513 | 4 466 | -47 | -1.0 |
| Income from financial services | 1 438 | 1 403 | -35 | -2.4 |
| Telecommunications service revenue | 11 714 | 11 453 | -261 | -2.2 |
| Armament sector revenue | 1 998 | 2 003 | 5 | 0.2 |
| Transportation revenue | 5 534 | 5 504 | -31 | -0.6 |
| Federal contributions | 3 111 | 3 122 | 10 | 0.3 |
| Other service revenue | 1 079 | 827 | -252 | -23.4 |
| Other revenue | 3 488 | 3 721 | 234 | 6.7 |
| Operating revenue | 32 875 | 32 498 | -377 | -1.1 |
| Personnel expenses | -12 900 | -12 415 | 485 | -3.8 |
| General, administrative and operating expenses | -11 527 | -11 956 | -429 | 3.7 |
| Cost of materials, goods and services | -5 905 | -5 617 | 288 | -4.9 |
| Other general, administrative and operating expenses | -5 622 | -6 339 | -717 | 12.8 |
| Depreciation and amortization | -5 165 | -5 207 | -43 | 0.8 |
| Operating expenses | -29 592 | -29 579 | 13 | -0.0 |
| **Operating result** | **3 283** | **2 919** | **-364** | |
| Financial revenue | 161 | 190 | 29 | 18.2 |
| Financial expense | -431 | -416 | 15 | -3.6 |
| **Financial result** | **-271** | **-226** | **45** | |
| **Income from associates** | **48** | **-19** | **-67** | |
| **Income taxes of federal enterprises** | **-544** | **-218** | **326** | **-59.9** |
| **Surplus/deficit for the year** | **2 516** | **2 456** | **-60** | |

**OPERATING REVENUE**

*Postal service* revenue is generated by Swiss Post largely with the dispatch of letters, print media and parcels, as well as in the area of services. In the year under review, revenue amounted to 4.5 billion, which was slightly less than the previous year (-1.0%).

*Financial service* revenue is generated primarily by PostFinance activities and is a net figure. It includes interest margin business income, as well as net fee and commission income. In the year under review, net income of 1.4 billion was achieved, representing a year-on-year decrease (-2.4%). This drop was mainly due to a lower result from the interest margin business.

*Telecommunications service* revenue comes exclusively from Swisscom. Net turnover fell to 11.5 billion (-261 mn). As a result of the ongoing price pressure and the decline in landline connections, this drop in revenue occurred largely in the Swiss core business.

*Armament sector* revenue is generated by RUAG. 0.9 billion of the 2.0 billion in turnover was generated in the defense technology sector and 1.1 billion in the civil sector. Relative to the previous year, the turnover increase amounted to 0.2% and was achieved in both sectors.

*Transportation* revenue of 5.5 billion was generated by SBB and BLS Netz AG, as well as by postal buses. Transportation revenue was down by 31 million, or 0.6%, year on year. The decline concerned primarily postal bus passenger transportation (-110 mn) and freight rail transportation (-33 mn).

The *federal contributions* to the enterprises segment remained constant relative to the previous year at 3.1 billion. These are essentially federal payments for railway infrastructure and subsidies for regional passenger transportation.

Other *service revenue* was lower than the previous year and consisted mainly of air traffic control (Skyguide), insurance services (SERV), Swiss Post merchandise and fees for administrative acts (e.g. IIP, ENSI, Swissmedic, FINMA). The decline was essentially due to an accounting practice change at Swiss Post. Previously, merchandise sales were booked gross, whereas only the margin is now recognized under turnover in many cases. Accordingly, both turnover and the cost of materials, goods and services are down on the previous year.

**OPERATING EXPENSES**

*Personnel expenses* amounted to 12.4 billion. This corresponds to a decrease of 485 million relative to the previous year's figure and is also reflected in the headcount reduction. There were 103,400 full-time positions (-2,400 FTEs) in the enterprises segment.

*General, administrative and operating expenses* amounted to 12.0 billion, representing a year-on-year increase of 429 million.

*Depreciation and amortization* were up by 43 million year on year, and totaled 5.2 billion.

**SURPLUS/DEFICIT FOR THE YEAR**

While the segment's operating result was significantly lower than the previous year (-11.1%), legislative amendments concerning corporate taxation led to lower income tax expenses, particularly at Swisscom.

The enterprises segment posted an annual surplus of 2.5 billion, which was 60 million less than the previous year. Swisscom (1,669 mn) was the biggest contributor to the result. However, it should be noted that half of this was allocable to minority shareholders.

## 24 SOCIAL INSURANCE SEGMENT

The social insurance segment's statement of financial performance is divided into an operating result and a financial result, whereby the operating result corresponds to the social insurance apportionment result.

**SOCIAL INSURANCE SEGMENT: STATEMENT OF FINANCIAL PERFORMANCE**

| CHF mn | 2018 | 2019 | Δ 2018–19 Absolute | Δ 2018–19 % |
|---|---|---|---|---|
| Contributions by insured persons/employers | 45 703 | 46 855 | 1 152 | 2.5 |
| Contributions Confederation | 12 765 | 13 028 | 263 | 2.1 |
| Contributions cantons | 193 | 196 | 3 | 1.6 |
| Tax shares | 2 926 | 2 723 | -203 | -6.9 |
| Other revenue | 53 | 48 | -5 | -8.9 |
| Operating revenue | 61 639 | 62 850 | 1 212 | 2.0 |
| Cash benefits and contributions | -60 052 | -61 250 | -1 197 | 2.0 |
| Administrative expenses | -1 470 | -1 516 | -46 | 3.1 |
| Operating expenses | -61 522 | -62 765 | -1 244 | 2.0 |
| **Operating result** | **117** | **85** | **-32** | |
| Investment result | -1 431 | 3 305 | 4 736 | |
| **Financial result** | **-1 431** | **3 305** | **4 736** | |
| **Surplus/deficit for the year** | **-1 314** | **3 390** | **4 704** | |

### OPERATING RESULT

Federal social insurance is financed with a pay-as-you-go system. The insurance benefits paid out stand against the contributions of insured persons and employers, as well as government unit grants (primarily federal). The apportionment result shows whether contributions and grants can cover the insurance benefits paid out.

The consolidated apportionment result of federal social insurance was slightly positive at 85 million. However, the apportionment results of the individual social insurance funds varied greatly. While ALV (1,550 mn) and EO (54 mn) closed with a positive apportionment result, AHV (-1,170 mn) and IV (-383 mn) were in negative territory.

### FINANCIAL RESULT

In the year under review, the financial result was positive at 3.3 billion (2018: -1.4 bn), due essentially to the investments of the three compensation funds AHV/IV/EO. The funds are jointly managed and had assets of 36.5 billion as of the reporting date (2018: 34.4 bn). The funds' different risk profiles are taken into account when investing the assets, which leads to different investment returns.

### OLD-AGE AND SURVIVORS' INSURANCE (AHV)

AHV ended 2019 with a negative apportionment result of -1,170 million (2018: -1,038 mn). The apportionment result has been negative since 2014. Although there was a rise in the contributions of insured persons/employers (+2.5%), the Confederation's contributions (+2.7%) and tax shares (+1.5%), they were unable to cover the higher payments (+2.7%).

The total assets of the AHV compensation fund (31.1 bn) generated a return of 9.62%. Thanks to the positive investment result of 2,852 million, AHV ended the year with a positive annual result of 1,682 million.

### SOCIAL INSURANCE SEGMENT: STATEMENT OF FINANCIAL PERFORMANCE BY ENTITY

| CHF mn | AHV | IV | EO | ALV | Other | *Consolida-tion* | 2019 |
|---|---|---|---|---|---|---|---|
| Contributions by insured persons/ employers | 32 508 | 5 446 | 1 749 | 7 382 | 3 | *-233* | 46 855 |
| Contributions Confederation | 8 847 | 3 619 | - | 510 | 51 | - | 13 028 |
| Contributions cantons | - | - | - | 170 | 26 | - | 196 |
| Tax shares | 2 723 | - | - | - | - | - | 2 723 |
| Other revenue | 5 | 36 | - | 7 | -0 | - | 48 |
| Operating revenue | 44 084 | 9 101 | 1 749 | 8 069 | 80 | -233 | 62 850 |
| Cash benefits and contributions | -45 047 | -8 884 | -1 692 | -5 763 | -96 | *233* | -61 250 |
| Administrative expenses | -207 | -548 | -4 | -756 | -1 | - | -1 516 |
| Interest expense (AHV loan to IV) | - | -51 | - | - | - | *51* | - |
| Operating expenses | -45 254 | -9 484 | -1 695 | -6 519 | -97 | 284 | -62 765 |
| **Operating result** | **-1 170** | **-383** | **54** | **1 550** | **-17** | **51** | **85** |
| Investment result | 2 801 | 407 | 89 | 14 | -6 | - | 3 305 |
| Interest income (AHV loan to IV) | 51 | - | - | - | - | *-51* | - |
| **Financial result** | **2 852** | **407** | **89** | **14** | **-6** | **-51** | **3 305** |
| **Surplus/deficit for the year** | **1 682** | **24** | **142** | **1 564** | **-23** | **-** | **3 390** |

#### DISABILITY INSURANCE (IV)

Disability insurance ended 2019 with a negative apportionment result of -383 million (2018: -65 million). Up to 2017, the apportionment result was always positive as a result of the IV supplementary financing of 0.4 percentage points of value added tax. This supplementary financing expired at the end of 2017, and the last payment was made in the first quarter of 2018. The absence of tax shares caused the apportionment result to deteriorate significantly year on year.

The total assets of the IV compensation fund (4.4 bn) generated a return of 9.81%. Thanks to the positive investment result of 407 million, IV ended the year with a positive annual result of 24 million.

#### COMPENSATION FOR LOSS OF EARNINGS (EO)

EO ended 2019 with a positive apportionment result of 54 million (2018: 25 mn). Both the contributions of insured persons/employers (+2.5%) and payments (+0.9%) were up slightly on the previous year.

The total assets of the EO compensation fund (1.0 bn) generated a return of 9.81%. Thanks to the positive investment result of 89 million, EO ended the year with a positive annual result of 142 million.

#### UNEMPLOYMENT INSURANCE (ALV)

ALV ended 2019 with a positive apportionment result of 1,550 million (2018: 1,163 mn). The contributions of insured persons/employers and the contributions from the Confederation and the cantons both increased by 2.5%. Payments were down by 2.7% on the previous year.

The ALV treasury loan of 1.1 billion was fully repaid in the year under review.

# 3 FEATURES

## 31 CATEGORIES OF CONSOLIDATED ENTITIES

Aside from the central Federal Administration, other entities and organizations are allocated to the Confederation by virtue of ownership and financing relationships, or by law. These entities are likewise included in the consolidation scope of the consolidated financial statements.

**ORGANIZATIONS/ENTITIES**

**The consolidated entities of the consolidated financial statements can be categorized as follows:**

**Confederation as parent**
**Funds with separate accounts**
**Decentralized administrative units with their own accounts**
**Companies with a federal stake**
**Federal social insurance**

### CONFEDERATION AS PARENT

The Confederation as parent entity corresponds to the federal budget, which is subject to the debt brake rules. This corresponds to the definition of the federal financial statements and includes the departments and their administrative units, the Federal Chancellery, the Federal Assembly and its Parliamentary Services, the Federal Council, the general secretariats, the federal courts, including the arbitration commission and appeals commission, the Office of the Attorney General and the supervisory authority via the Office of the Attorney General, and the administrative units of the decentralized Federal Administration that do not maintain separate accounts.

The central Federal Administration covers ministerial tasks. These include in particular policy preparation and sovereign tasks, the performance of which is usually associated with intervention concerning fundamental rights (e.g. security, justice). They thus require a high degree of democratic legitimacy and political control; there is also a distinct need for coordination with other tasks of the central Federal Administration.

The Confederation as parent entity is financed mainly with the collection of taxes. While tax receipts account for more than 90% of the Confederation's total receipts, nontax receipts (e.g. profit distributions from companies with a federal stake and fees) are of minor importance. The Confederation as parent entity is essentially a transfer budget. Most of the funds are transferred in the form of contributions, compensation and shares. This transfer expenditure, together with the operating expenditure of the Confederation as parent entity, is subject to the debt brake.

**FUNDS WITH SEPARATE ACCOUNTS**

The funds with separate accounts include the railway infrastructure fund (RIF) and the motorway and urban transportation fund. The functioning of these funds is regulated by corresponding special laws. The Financial Budget Act (FBA) applies on a subsidiary basis. The two funds were spun off from the federal financial statements but are closely linked to them. They have no legal personality of their own. The funds were spun off from the federal financial statements in a bid to increase long-term planning and implementation certainty for investments in transportation infrastructure.

The RIF pays for operations and the preservation of value, as well as for the further expansion of the railway infrastructure. The motorway and urban transportation fund finances all federal expenditure in the motorway sector (operation, maintenance, expansion, completion of the motorway network and elimination of bottlenecks), as well as the contributions for urban transportation infrastructures.

The funds are financed mainly by means of restricted receipts and general federal budget deposits. These funds are subject to the debt brake for the federal financial statements. The RIF additionally receives annual cantonal contributions of at least 500 million (index-linked from 2019: 533 mn). Withdrawals from the funds are made according to the intended purpose and are not subject to the debt brake.

**Consolidated entities**

*RIF, motorway and urban transportation fund*

**DECENTRALIZED ADMINISTRATIVE UNITS WITH THEIR OWN ACCOUNTS**

The decentralized administrative units with their own accounts are legally independent and spun off from the central Federal Administration. Their task areas are very diverse, and they mainly perform services on a monopoly basis and economic and safety oversight functions. They are spun off from the central Federal Administration because the tasks do not have to be highly coordinated with other federal tasks, on the one hand, and a certain degree of autonomy is advantageous on the other hand. However, close ownership policy management remains indispensable.

*Services on a monopoly basis* are generally market-based tasks that could in principle be provided privately too. However, due to some market failures, as well as for historical and socio-political reasons, these tasks are performed by the public sector. Tasks that are determined by scientific, technical and international requirements and have little scope for political structuring are additionally subsumed here.

Although the *economic and safety oversight tasks* are of a sovereign nature, they have to be exempt from political influence in operational terms. Spinning off is necessary here in order to ensure the independence of supervisory activities.

The entities are financed according to task performance. Entities that mainly perform services on a monopoly basis are financed largely by contributions from the Confederation as parent entity (transfer payments). In the consolidated financial statements, they are allocated to the Federal Administration segment. Entities that perform economic and safety oversight tasks finance their activities mainly by means of supervisory duties and fees. They are allocated to the enterprises segment.

**Consolidated entities**

*Services on a monopoly basis: ETH, SFIVET, METAS, Innosuisse, Pro Helvetia, SNM*
*Economic and safety oversight tasks: FINMA, IIP, ENSI, FAOA, SAH, Swissmedic*

**COMPANIES WITH A FEDERAL STAKE**

The Confederation holds a majority stake in several companies and controls these companies via its position as majority shareholder.

The services provided by these companies are basically controlled by the market. The public interest in ensuring a minimum supply standard should normally be taken into account by means of statutory provisions on basic supply (e.g. postal services, public transportation).

Accordingly, the entities are likewise financed primarily via the market. To the extent that the companies provide services in order to maintain basic supply, they are compensated from the federal financial statements (or funds with separate accounts).

**Consolidated entities**

*Swiss Post AG, Swisscom AG, SBB AG, RUAG Schweiz AG, Skyguide AG, SIFEM, BLS Netz AG*

**FEDERAL SOCIAL INSURANCE**

The (mandatory) social insurance of the 1st pillar (old-age and survivors' insurance, disability insurance), compensation for loss of earnings, agriculture family allowances and unemployment insurance are regarded as federal social insurance.

The first pillar covers the basic benefits of Swiss old-age, survivors' and disability pension provision. Compensation for loss of earnings provides reasonable compensation for the loss of earnings in the event of compulsory service and maternity leave. AHV and IV are implemented in a decentralized manner via employers, employees, a Central Compensation Office (CCO), the compensation funds of associations, the cantons and the Confederation, as well as IV offices. Asset management is centralized: all contributions go to the three legally independent AHV/IV/EO compensation funds, and all expenditure is also debited to these.

Unemployment insurance provides benefits in the event of unemployment, bad weather stoppages, short-time working and the employer's inability to pay. Unemployment insurance also pays for reintegration measures. Responsibilities are divided between the various implementing bodies. The cantons and social partners are involved in implementation. The compensation office and the supervisory commission for the unemployment insurance compensation fund are primarily responsible for management and supervision. This is a legally dependent fund with its own accounts. The assets of this compensation fund are managed by the Confederation.

Federal social insurance is financed primarily based on the pay-as-you-go system. This means that social insurance benefits are financed essentially using the employer and employee contributions received. A significant portion of the financing for social insurance also comes from contributions from government units.

**Consolidated entities**

*Old-age and survivors' insurance, disability insurance, compensation for loss of earnings, agriculture family allowances, unemployment insurance*

# 32 MANAGEMENT OF THE CONSOLIDATED ENTITIES BY THE CONFEDERATION

Management varies depending on the structure of the entities and organizations. The following framework generally applies.

**CONFEDERATION AS PARENT ENTITY AND FUNDS WITH SEPARATE ACCOUNTS**

The federal financial statements and the separate accounts of the RIF and the motorway and urban transportation fund together form the state financial statements. The partial financial statements of the state financial statements are not consolidated, but they must be approved individually by the Federal Assembly.

The Federal Assembly has various instruments at its disposal for managing and controlling the Confederation's expenses and investment expenditure. In this regard, a distinction has to be made between budgetary and supplementary credits, which concern an (annual) accounting period, and the guarantee credits and payment frameworks with which the multi-year management function is performed.

Aside from managing expenditure and expenses, Parliament also has the possibility of directly influencing outputs and outcomes in the budgeting and financial planning process if required. This focus on objectives and results is strengthened by the new management model for the Federal Administration (NMM).

Based the requirements of the Constitution and the law, the Federal Assembly decides on the annual deposits in funds with separate accounts within the framework of the budget. During the term of the funds, it also approves their accounts annually. At the same time as the federal decree on the federal budget, it additionally determines with a simple federal decree the amount of funds withdrawn from the funds annually.

**DECENTRALIZED ADMINISTRATIVE UNITS WITH THEIR OWN ACCOUNTS/COMPANIES WITH A FEDERAL STAKE**

Despite the spinning off of a federal task, the Confederation remains responsible for the performance of the task as guarantor. The Confederation can be the owner or the main or majority shareholder of the entity. Its influence depends to a large extent on the spun off entity's legal concept. The management instruments must be comprehensive, i.e. they must be geared toward the long, medium and short term.

Management is legally enshrined and is designed for the long term. In that regard, companies limited by shares are based on the Code of Obligations, unless a special law provides otherwise. The Confederation is legally obliged to hold a majority of the capital and voting rights in its companies. There is more regulatory room for maneuver in the case of institutions; in this respect, the sample templates based on the Confederation's corporate governance guidelines and task typology in particular are intended to ensure standardization, provided no deviations are justified.

The Federal Council generally adopts strategic objectives for each spun off entity every four years; only in the case of the economic and safety oversight entities does the supreme governing body decide, with the approval of the Federal Council if need be.

As a rule, owner talks take place several times a year between the owner (federal representatives) and the top management of the spun off entities. These involve interim reporting on the achievement of objectives and discussions concerning current issues.

**FEDERAL SOCIAL INSURANCE**

The principle of centralized legislation and supervision by the Confederation and decentralized implementation applies. The Confederation monitors the enforcement of laws and ensures they are applied uniformly. In addition, the Federal Council reports regularly on the implementation of social insurance.

The Federal Council's politico-strategic management of federal social insurance essentially corresponds to its function as state leader. The Federal Council and the administration should identify current and future challenges as early as possible and initiate suitable measures where necessary. The Federal Commission for the Old-Age, Survivors' and Invalidity Insurance and the Supervisory Commission for the Unemployment Insurance Fund support the Federal Council in this task by examining issues concerning the implementation and further development of the relevant insurance, among other things. They can also submit suggestions to the Federal Council.

The development of social insurance is highly influenced by the economic and social environment. Social insurance benefits are defined by law and therefore cannot be influenced in the short term by the Federal Council and Parliament.

## 33 RELATIONSHIP BETWEEN THE CONSOLIDATED AND THE FEDERAL FINANCIAL STATEMENTS

The consolidated financial statements are more comprehensive than the federal financial statements. However, the federal financial statements can be compared with the Federal Administration segment.

Unlike the federal financial statements, which are approved by Parliament and limited to the Confederation as parent entity, the consolidated financial statements additionally take account of the results of companies affiliated with the Confederation and of social insurance. Consequently, they consist of three segments.

**FEDERAL CONSOLIDATED FINANCIAL STATEMENTS**

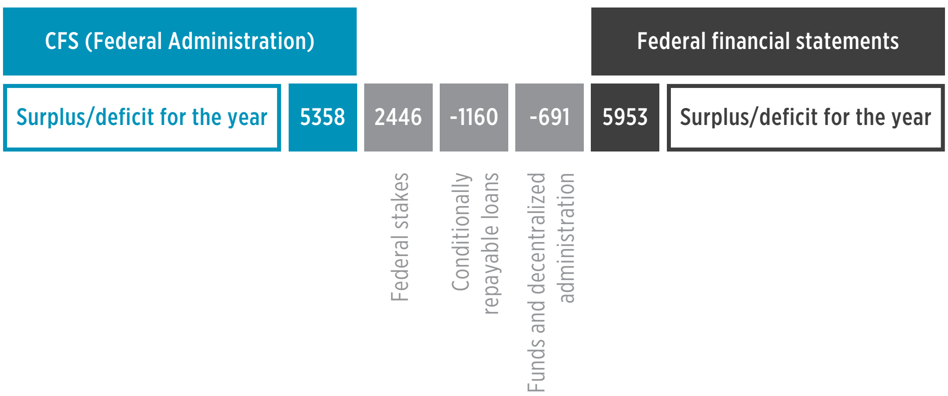
| CHF mn | 2019 |
|---|---|
| **Statement of financial performance** | |
| Surplus/deficit for the year | 11 204 |
| Federal Administration segment | 5 358 |
| Enterprises segment | 2 456 |
| Social insurance segment | 3 390 |

The results of the Federal Administration segment are not identical to the results in the federal financial statements. The two sets of annual results differ in the following areas:

*Federal stakes*: In the federal financial statements, the change in the equity stake of federal enterprises (2,677 mn) is recorded as a result from interests. In the consolidated view, only the result of associates (231 mn) remains in the Federal Administration segment. In contrast, the result from fully consolidated federal stakes (2,446 mn) is attributable to the enterprises segment.

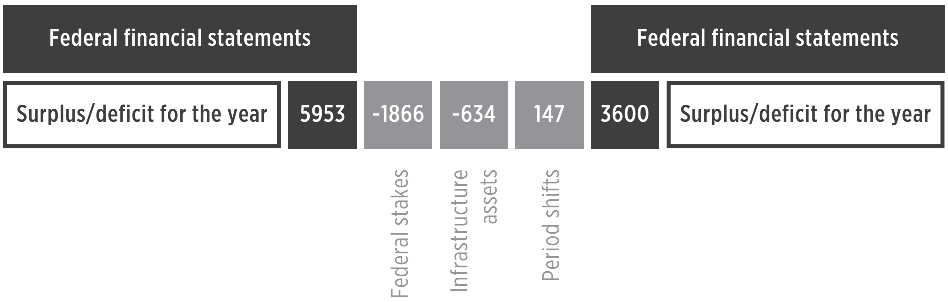
*Conditionally repayable loans*: The investment contributions for tunnel excavations and conditionally repayable loans to finance railway infrastructure are depreciated directly via expenses in the federal financial statements. In the consolidated view, however, these payments result in infrastructure assets. Consequently, recognition in the statement of financial performance is reversed for the consolidated financial statements.

**FROM THE FEDERAL ADMINISTRATION SEGMENT SURPLUS/DEFICIT TO THE SURPLUS/DEFICIT IN THE FEDERAL FINANCIAL STATEMENTS**



*Funds and decentralized administration*: In addition to the federal financial statements, the Federal Administration segment includes the results of funds with separate accounts (RIF and motorway and urban transportation fund), as well as the results of the primarily tax-financed units of the decentralized administration.

**FEDERAL FINANCIAL STATEMENTS:
FROM THE STATEMENT OF FINANCIAL PERFORMANCE TO THE FINANCING STATEMENT**




**FEDERAL FINANCIAL STATEMENTS**

The consolidated financial statements correspond to the view in terms of financial performance. The principle of recognition on an accrual basis applies to *statements of financial performance*. In contrast, the federal financial statements are presented from a financing stance in addition to the financial performance view.

The *financing statement* is tailored to the special needs of the debt brake and is thus the key instrument for the Confederation's political management. The two statements differ in the following areas:

**Differences between the statement of financial performance and the financing statement**

*Federal stakes*: In the overall fiscal balance, only the dividend payments actually received (in the year under review: 811 mn) are taken into account instead of the proportional changes in equity (in the year under review: 2,677 mn). The increase in net assets/equity is not decisive for the financing statement, as a significant proportion of this amount remains in the companies for the development of their business activities. Only the amount distributed to the Confederation in its capacity as owner is decisive for the management of the federal budget. However, the change in net assets/equity of the companies is (with a few exceptions) recognized proportionally in the statement of financial performance.

*Depreciation vs. investments*: Instead of depreciation, the financing statement takes account of the investments actually made in the year under review (-3,858 mn). Depreciation is not an appropriate item for political steering, as the depreciation of non-current assets is a direct consequence of earlier investment decisions and can no longer be influenced. In the statement of financial performance, in contrast, the reduction in value of recognized assets (in the form of depreciation; 3,080 mn) and withdrawals from inventories (ammunition: 135 mn; other inventories: 9 mn) are both charged to the surplus or deficit for the year.

*Period shifts*: In addition, there are other transactions which are not presented entirely on an accrual basis in the financing statement. In net terms, the financing statement ended the year under review with 147 million more than the statement of financial performance as a result.

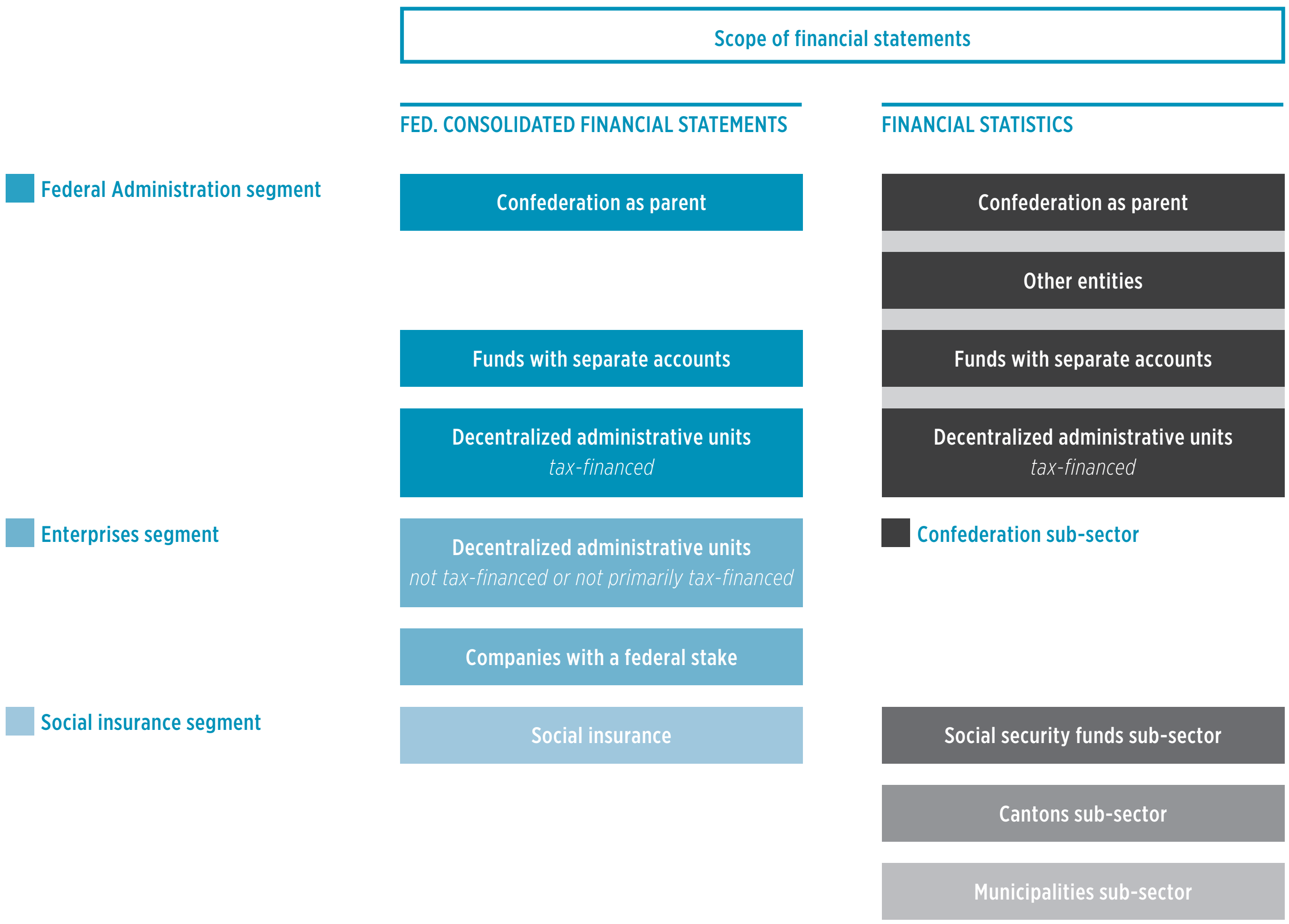
## 34 RELATIONSHIP BETWEEN THE CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATISTICS

The statistics on Switzerland's public finances ("financial statistics") show the financial figures of the government units and the general government sector with its four sub-sectors. In contrast, the consolidated financial statements are divided into three segments.

**THE GENERAL GOVERNMENT SECTOR IS COMPRISED OF THE FOLLOWING SUB-SECTORS**

**Confederation sub-sector**
**Cantons sub-sector**
**Municipalities sub-sector**
**Social security funds sub-sector**

In the financial statistics, the entities incorporated within the "general government" sector are determined on the basis of the criteria laid down in the European System of Accounts (ESA 2010). In contrast, the consolidated financial statements follow the accounting standard control criterion (IPSAS). As a result, the consolidation scopes of the financial statistics and the consolidated financial statements are not identical.



**CONSOLIDATION SCOPE DIFFERENCES**

The "Confederation" sub-sector is comparable with the "Federal Administration" segment in the consolidated financial statements, but it is not entirely identical. The "Confederation" sub-sector is more comprehensive than the "Federal Administration" segment and additionally contains the following: Swiss National Science Foundation, Switzerland Tourism and Building Foundation for International Organisations (FIPOI).

The "social security funds" sub-sector is virtually congruent with the "social insurance" segment of the consolidated financial statements. The only difference concerns "Geneva maternity insurance", which is additionally included in the "social security" sub-sector of the financial statistics.

The "cantons" and "municipalities" sub-sectors are covered only by the financial statistics.

In contrast, companies with a federal stake and decentralized administrative units that are not tax-financed or not primarily tax-financed are combined in the "enterprises" segment in the consolidated financial statements. The entities in this segment are not part of the *general government sector* in the financial statistics.

**MEASUREMENT AND RECORDING DIFFERENCES**

The criteria for the recording and measurement of items in the financial statistics differ in some cases from the IPSAS recording and measurement requirements.

In the financial statistics, items in the statement of financial position are more frequently measured at market values, while under IPSAS they are generally valued at historical acquisition and production costs or at amortized cost.

# FINANCIAL REPORT

B

# FINANCIAL REPORT

## 1 ANNUAL FINANCIAL STATEMENTS

### 11 STATEMENT OF FINANCIAL PERFORMANCE

| CHF mn | 2018 | 2019 | Notes section |
|---|---|---|---|
| Tax revenue | 68 598 | 69 892 | 1 |
| Service and production revenue | 27 504 | 26 960 | 2 |
| Social insurance revenue | 44 701 | 45 862 | 3 |
| Other revenue | 5 883 | 6 106 | 4 |
| Operating revenue | 146 686 | 148 820 | |
| Personnel expenses | -19 445 | -19 598 | 5 |
| General, administrative and operating expenses | -17 923 | -18 064 | 6 |
| Transfer expenses | -31 839 | -32 424 | 7 |
| Social insurance expenses | -60 052 | -61 250 | 3 |
| Depreciation and amortization | -8 573 | -8 596 | 15/16 |
| Operating expenses | -137 832 | -139 931 | |
| Operating result | 8 854 | 8 888 | |
| Financial result | -2 662 | 2 248 | 8 |
| Income from associates | 293 | 285 | 17 |
| Income taxes of federal enterprises | -544 | -218 | 9 |
| **Surplus/deficit for the year** | **5 941** | **11 204** | |
| *Swiss Confederation share* | *5 202* | *10 393* | |
| *Minority interests* | *739* | *810* | |

## 12 STATEMENT OF FINANCIAL POSITION

| CHF mn | 2018 | 2019 | Notes section |
|---|---|---|---|
| **Assets** | **351 548** | **370 283** | |
| Current assets | 108 395 | 124 434 | |
| Cash and cash equivalents | 57 293 | 74 841 | 11 |
| Receivables | 17 896 | 16 965 | 12 |
| Financial investments | 22 760 | 21 956 | 13 |
| Inventories | 4 926 | 4 921 | 14 |
| Prepaid expenses and accrued income | 5 494 | 5 738 | |
| Current income tax assets | 27 | 13 | |
| Non-current assets | 243 153 | 245 848 | |
| Tangible fixed assets | 133 449 | 134 640 | 15 |
| Intangible fixed assets | 9 154 | 9 020 | 16 |
| Financial investments | 93 123 | 94 467 | 13 |
| Financial interests | 5 213 | 5 534 | 17 |
| Deferred income tax assets | 1 243 | 1 247 | |
| Other non-current assets | 971 | 940 | |
| **Liabilities and equity** | **351 548** | **370 283** | |
| Short-term liabilities | 158 165 | 168 488 | |
| Current liabilities | 17 518 | 17 940 | 18 |
| Accrued expenses and deferred income | 10 088 | 12 450 | |
| Financial liabilities | 16 867 | 28 260 | 19 |
| Client funds | 112 084 | 108 197 | 19 |
| Current income tax liabilities | 297 | 199 | |
| Provisions | 1 311 | 1 442 | 20 |
| Long-term liabilities | 129 051 | 124 254 | |
| Financial liabilities | 75 799 | 71 689 | 19 |
| Provisions | 29 136 | 30 512 | 20 |
| Employee retirement benefits | 18 943 | 16 443 | 21 |
| Deferred income tax liabilities | 998 | 958 | |
| Other liabilities | 4 177 | 4 652 | 22 |
| Net assets/equity | 64 332 | 77 541 | |
| Minority interests | 7 378 | 7 703 | |
| Net assets/equity of the Confederation | 56 954 | 69 838 | |
| Restricted funds | 42 413 | 47 074 | |
| Other net assets/equity | 14 541 | 22 764 | |

## 13 CASH FLOW STATEMENT

| CHF mn | 2018 | 2019 |
|---|---|---|
| **Total cash flow** | **-2 263** | **17 548** |
| Cash flow from operating activities | 17 265 | 22 263 |
| Surplus/deficit for the year | 5 941 | 11 204 |
| Depreciation and amortization | 8 577 | 8 592 |
| Income associated financial interests | -293 | -285 |
| Profit from disposals | -218 | -209 |
| Increase/decrease in provisions, net | 842 | 1 542 |
| Non-cash fair value adjustments | 2 040 | -2 635 |
| Other non-cash transactions | -304 | 173 |
| Change in net current assets | 680 | 3 882 |
| Cash flow from investing activities | -9 190 | -7 632 |
| Acquisition of tangible and intangible fixed assets | -10 247 | -10 330 |
| Disposal of tangible and intangible fixed assets | 352 | 405 |
| Acquisition of financial interests and subsidiaries | 83 | -211 |
| Sale of financial interests and subsidiaries | 22 | 161 |
| Financial investment expenditure | 574 | 2 315 |
| Dividends and profit distributions received | 26 | 29 |
| Cash flow from financing activities | -10 338 | 2 916 |
| Cash inflow/outflow from client assets | -2 363 | -3 947 |
| Net issuance/redemption of bonds | -5 159 | -3 799 |
| Net issuance/redemption of money market paper | -1 187 | 2 524 |
| Net issuance/repayment of bank loans | 678 | -307 |
| Net issuance/redemption of other financial liabilities | -1 718 | 9 006 |
| Dividends and profit distributions | -589 | -560 |

## CASH FUND STATEMENT

| CHF mn | 2018 | 2019 |
|---|---|---|
| Cash and cash equivalents balance at 01.01. | 59 556 | 57 293 |
| Increase (+) / decrease (-) | -2 263 | 17 548 |
| Cash and cash equivalents balance at 31.12. | 57 293 | 74 841 |

## 14 STATEMENT OF NET ASSETS/EQUITY

| CHF mn | Road | Rail | Social insurance | Other | Total restricted funds | Venture capital | Other net assets/ equity | Total net assets/ equity of the Con-federation | Minority interests | Total net assets/equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Statement of net assets/equity** | 1 | 2 | 3 | 4 | 5 (1–4) | 6 | 7 | 8 (5–7) | 9 | 10 (8+9) |
| **As of 01.01.2018 before restatement** | **3 500** | **-8 270** | **40 524** | **7 080** | **42 834** | **6 557** | **9 815** | **59 206** | **7 255** | **66 461** |
| Change in accounting policies | - | - | - | - | - | - | -6 110 | -6 110 | - | -6 110 |
| **As of 01.01.2018 after restatement** | **3 500** | **-8 270** | **40 524** | **7 080** | **42 834** | **6 557** | **3 705** | **53 096** | **7 255** | **60 351** |
| Change in special funds | - | - | - | 12 | 12 | - | 4 | 16 | - | 16 |
| Revaluation employee retirement benefits | - | - | - | - | - | - | -1 049 | -1 049 | -41 | -1 090 |
| Revaluation associated companies | - | - | - | - | - | - | 3 | 3 | 1 | 3 |
| Revaluation financial instruments | - | - | - | - | - | - | -287 | -287 | 8 | -278 |
| Change in deferred taxes | - | - | - | - | - | - | 63 | 63 | 7 | 70 |
| Change in currency translations | - | - | - | - | - | - | -61 | -61 | -20 | -80 |
| Total items recognized under net assets/ equity | - | - | - | 12 | 12 | - | -1 327 | -1 315 | -45 | -1 360 |
| Surplus/deficit for the year | 67 | 609 | -1 314 | 205 | -433 | - | 5 635 | 5 202 | 739 | 5 941 |
| Total profit and loss recognized | 67 | 609 | -1 314 | 217 | -421 | - | 4 309 | 3 887 | 694 | 4 582 |
| Dividends | - | - | - | - | - | - | -26 | -26 | -563 | -589 |
| Change in reserves | - | - | - | - | - | 32 | -32 | - | - | - |
| Other transactions | - | - | - | - | - | - | -3 | -3 | -7 | -11 |
| **As of 31.12.2018 before restatement** | **3 567** | **-7 662** | **39 210** | **7 297** | **42 413** | **6 589** | **7 952** | **56 954** | **7 378** | **64 332** |
| Change in accounting policies | - | - | 19 | - | 19 | - | 27 | 46 | - | 46 |
| **As of 31.12.2018 after restatement** | **3 567** | **-7 662** | **39 229** | **7 297** | **42 432** | **6 589** | **7 979** | **56 999** | **7 378** | **64 377** |
| Change in special funds | - | - | - | 28 | 28 | - | 1 | 29 | - | 29 |
| Revaluation employee retirement benefits | - | - | - | - | - | - | 2 341 | 2 341 | 92 | 2 433 |
| Revaluation associated companies | - | - | - | - | - | - | -4 | -4 | 1 | -3 |
| Revaluation financial instruments | - | - | - | - | - | - | 134 | 134 | 4 | 138 |
| Change in deferred taxes | - | - | - | - | - | - | -77 | -77 | -23 | -101 |
| Change in currency translations | - | - | - | - | - | - | 43 | 43 | -27 | 15 |
| Total items recognized under net assets/ equity | - | - | - | 28 | 28 | - | 2 436 | 2 464 | 47 | 2 512 |
| Surplus/deficit for the year | 371 | 638 | 3 390 | 215 | 4 614 | - | 5 779 | 10 393 | 810 | 11 204 |
| Total profit and loss recognized | 371 | 638 | 3 390 | 243 | 4 642 | - | 8 216 | 12 858 | 858 | 13 715 |
| Dividends | - | - | - | - | - | - | 0 | 0 | -560 | -560 |
| Change in reserves | - | - | - | - | - | -211 | 211 | - | - | - |
| Other transactions | - | - | - | - | - | - | -19 | -19 | 29 | 9 |
| **As of 31.12.2019** | **3 937** | **-7 024** | **42 619** | **7 541** | **47 074** | **6 378** | **16 386** | **69 838** | **7 703** | **77 541** |

### ADJUSTMENT OF PRIOR YEAR VALUES (RESTATEMENT)

The restatement as of January 1, 2018 was related to the retroactive revaluation of the withholding tax provision in the federal financial statements. The input values of the Confederation as parent entity were likewise adjusted retroactively in the consolidated financial statements. As a result, the consolidated net assets/equity figure was 6,110 million lower as of January 1, 2018. At the same time, the consolidated surplus for 2018 was 240 million higher than the figure reported the previous year.

The restatement as of January 1, 2019 was related to accounting policy adjustments for various consolidated entities. The corresponding effects of the adjustments were recognized directly in net assets/equity in the consolidated financial statements as of January 1, 2019 without affecting the statement of financial performance.

## CATEGORIES OF NET ASSETS/EQUITY

### Restricted funds

The vast majority of net assets/equity is restricted and cannot be used for the general performance of tasks. Earmarking within the meaning of the federal consolidated financial statements exists if, at the time of the inflow of funds, the law or fund providers prescribe that the funds are to be used for a predefined purpose.

The allocations were as follows:

- The *roads* restricted funds include the net assets/equity of the motorway and urban transportation fund and the special financing for road transportation.
- The *rail* restricted funds include the negative net assets/equity of the railway infrastructure fund (RIF).
- The *social insurance* restricted funds include the net assets/equity of the old-age and survivors' insurance, disability insurance, compensation for loss of earnings and unemployment insurance social security institutions.
- *Other* restricted funds include the special funds and special financing allocable to net assets/equity pursuant to Articles 53 and 54 of the FBA (excluding special financing for road transportation), the other restricted funds of the federal financial statements, as well as the restricted funds of the ETH Domain and Pro Helvetia.

### Risk capital

A distinction is also made for the *risk capital* category, which includes the required own funds of PostFinance, as well as SERV's core capital and risk-bearing capital.

### Other net assets/equity

After subtracting restricted net assets/equity, risk capital and the capital attributable to minority shareholders of consolidated companies, 16.4 billion remains for general task performance. This sum is influenced primarily by the annual results of the Confederation and federal enterprises, as well as by the revaluation of employee retirement benefits, and it can thus vary considerably from year to year.

### Minority interests

Minority interests are attributable mainly to the minority interests of Swisscom AG and BLS Netz AG. The values of these companies are fully consolidated (100%) in the consolidated financial statements, as the Confederation controls these companies via its position as majority shareholder (51%). However, 49% of the net assets/equity is attributable to minority shareholders.

# 2 NOTES TO THE ANNUAL FINANCIAL STATEMENTS

## 21 CONSOLIDATION PRINCIPLES

**CONSOLIDATED FINANCIAL STATEMENT ACCOUNTING STANDARDS**

Pursuant to the Financial Budget Ordinance (FBO), the consolidated financial statements are prepared in accordance with the International Public Sector Accounting Standards (IPSAS). The fundamental purpose of financial statements is to give a true and fair view.

**CONSOLIDATED ENTITY ACCOUNTING STANDARDS**

With the exception of social insurance, all of the entities included in the consolidated financial statements prepare financial statements which also follow the principle of a true and fair view. Consequently, these financial statements are transferred largely unchanged into the consolidated financial statements. However, if the accounting and valuation principles of the rules applied by the consolidated entities differ significantly from those of the IPSAS, the entities' financial statements are adjusted to the IPSAS.

The following significant deviations have been identified and adjusted for the consolidated financial statements:

— *Railway civil engineering structures*: The costs incurred for tunnel excavation work are not capitalized in the financial statements of SBB, AlpTransit Gotthard (Gotthard, Ceneri) and BLS Netz AG (Lötschberg, Rosshäusern). In the consolidated financial statements, these civil engineering structures are recognized and depreciated according to their service potential.

— *Financial liabilities*: The loans with restrictive terms of repayment recognized as financial liabilities in the financial statements of SBB, AlpTransit Gotthard AG and BLS Netz AG are treated as net assets/equity in the consolidated financial statements. The loans granted by the Confederation are eliminated during consolidation. The loans with restrictive terms of repayment granted by the cantons remain in consolidated net assets/equity.

— *Employee retirement benefits*: Some financial statements are prepared in accordance with Swiss GAAP FER (e.g. SBB, RUAG and Skyguide). Accordingly, obligations under employee pension plans are recognized under liabilities only if restructuring commitments actually exist. In contrast, the consolidated financial statements recognize a liability for all retirement benefits using an actuarial calculation (IPSAS 39).

**DEVIATIONS FROM THE IPSAS IN THE CONSOLIDATED FINANCIAL STATEMENTS**

Following the adjustment of the financial statements to the IPSAS as described above, the following areas where the consolidated financial statements do not comply with the IPSAS accounting and valuation principles remain.

**Reporting on an accrual basis**

Revenue from direct federal tax is recognized at the time of payment by the cantons of the Confederation's share of the revenue, and the contributions of insured persons to the Confederation's social insurance are recognized at the time of the incoming payment. This means there is no reporting on an accrual basis.

**Accounting and valuation**

The capitalization of defense equipment includes the main systems (A systems) according to the armament programs. Other defense equipment expenses are thus recorded at cost and not over the period of the useful life.

## INTERCOMPANY RELATIONSHIPS

To enable a net view, intra-group transactions must be eliminated during consolidation. As there are significant capital ties and transfer payments between the consolidated entities, the consolidated financial statements also apply this principle. Consequently, the figures presented are highly meaningful.

For economic reasons (time factor, cost/benefit considerations), the consolidated financial statements deviate from this principle in the following cases. The effects of the simplifications on the statement of financial position and statement of financial performance are insignificant overall and do not lead to any material loss of information. In contrast, the amount of work required to collect these figures would be disproportionately high for the consolidated entities involved.

### Fair value transactions between the consolidated entities

The consolidated entities have a variety of reciprocal business transactions that are carried out at market rates (e.g. postal services, telephony and internet fees, rail travel, etc.). During consolidation, these transactions should generally be removed and the resulting intercompany profits eliminated. The revenue from these transactions and the resulting receivables and liabilities are not eliminated for economic reasons (cost/benefit considerations). Both the annual surplus/deficit and the statement of financial position of the consolidated financial statements are only marginally affected by refraining from doing this.

Transactions between the Federal Administration (DDPS) and RUAG are an exception. The total corresponding RUAG revenue is offset against the defense expenses of the DDPS. Intercompany profits are not taken into account. In contrast, reciprocal receivables and liabilities are eliminated.

### Direct federal tax transactions

The activities of federal enterprises are generally subject to direct federal tax, unless they are explicitly exempt from it (e.g. rail services). The direct federal tax recognized by the federal enterprises is not eliminated with the corresponding tax revenue or receivables/ liabilities of the Federal Tax Administration.

Similarly, the deferred tax items recognized by federal enterprises for direct federal tax are not taken into account. The items recognized by companies for deferred direct federal tax constitute a one-sided intercompany relationship. The Federal Tax Administration does not record any corresponding counter-item for this. The amounts are not reversed in the statement of financial performance or statement of financial position.

## ADJUSTMENT OF PRIOR YEAR FIGURES

If a consolidated entity adjusts its prior year figures in the form of a retrospective restatement, the prior year figures of the consolidated financial statements are generally not adjusted. Effects resulting from the adjustment are recognized directly in net assets/ equity as of January 1 of the year under review without affecting the statement of financial performance.

An exception to this rule is made in this report. This year, the valuation method for the withholding tax provision was adjusted for the Confederation as parent entity. The 2018 figures were retrospectively adjusted accordingly in the federal financial statements. The prior year figures were adjusted also in these consolidated financial statements in order to ensure comparability. Detailed information on the restatement can be found in the federal financial statements.

## 22 ACCOUNTING AND VALUATION PRINCIPLES

**ACCOUNTING PRINCIPLES**

Assets are shown as assets in the statement of financial position if they generate a future economic benefit (net inflows of funds) or if they directly serve the fulfilment of public tasks (service potential). Existing liabilities are shown under liabilities and equity in the statement of financial position if their settlement is likely to result in an outflow of funds. Moreover, it must be possible to estimate them reliably.

**VALUATION PRINCIPLES**

Items in the statement of financial position are generally valued at historical acquisition and production costs or amortized cost, unless a standard or statutory requirements prescribe a different valuation principle.

**CURRENCY TRANSLATION**

The reporting currency is Swiss francs. The consolidated financial statements are based on the accounting standards applied by the consolidated entities. This also includes the translation method used by the consolidated entities to convert accounts in a foreign currency or to convert the closing accounts of subsidiaries. No group conversion rates are issued.

**VALUE ADJUSTMENT PRINCIPLES**

The impairment of recognized assets is always tested if it appears that the carrying amounts may be too high owing to changed circumstances or other events. If this is the case, the procedure is as follows:

### Financial assets

An impairment loss on financial assets carried at amortized cost is calculated as the difference between the carrying amount and the present value of estimated future cash flows taking the original effective interest rate into account.

### Other assets

The impairment principles for other assets differ depending on whether an asset is classified as a cash-generating or non-cash-generating asset.

*Cash-generating assets are assets* that are held with the main objective of generating an economic return. In this case, the carrying amount is compared with the recoverable amount (higher of fair value less costs to sell and value in use). If the carrying amount exceeds the recoverable amount, the difference is recognized as a value adjustment.

If the carrying amount of *non-cash-generating assets* exceeds the higher of fair value less costs to sell and service potential, an impairment loss in the amount of the difference is recognized as an expense. It can be difficult to calculate the service potential for some assets, as there are no cash flows. One of the following methods is used to determine the present value of the remaining service potential:

- Replacement cost method with accumulated depreciation
- Restoration cost method

**RECOGNITION OF REVENUE**

Each inflow of funds of an entity is assessed to determine whether it is an inflow from exchange transactions (IPSAS 9) or an inflow from non-exchange transactions (IPSAS 23). In the case of a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

If an *exchange transaction* exists, the revenue is generally recognized at the time of delivery and service provision. In the case of project contracts, the performance obligation not yet fulfilled is allocated to liabilities. The revenue is accounted for and shown by reference to the stage of completion of the project.

In the case of a *non-exchange transaction*, it is necessary to determine whether or not a service or repayment obligation exists. In the event of such an obligation, the corresponding amount is recognized under liabilities at the time of contract conclusion and the revenue is recognized according to the progress of the project in question.

If neither an exchange transaction nor a service or repayment obligation exists, as is usually the case with grants, the revenue is recognized in full in the statement of financial performance in the year under review.

Revenue is structured as follows:

**Tax revenue**

*Direct federal tax* is recorded gross on a cash accounting basis based on the amounts of tax delivered by the cantons during the fiscal year (cash accounting). This means that recognition is not on an accrual basis, as the information required for recognition with the accrual accounting method is not available at the time the annual financial statements are prepared. The cantons' shares are recognized separately as an expense. Revenue pending in the years following any potential abolition of direct federal tax is shown as a contingent asset.

*Value added tax revenue* is calculated on the basis of amounts receivable and payable from settlements (including supplementary settlements, credit advices, etc.) during the fiscal year. Receivables from estimates due to the non-submission of VAT returns are only recognized as revenue with an empirical value of 20% due to the low probability of an inflow of funds.

**Service and production revenue**

Service revenue is recognized on a straight-line basis over the term of the contract or at the time the service is rendered. Revenue from product sales is recognized in the statement of financial performance when the risks and opportunities of ownership of the products are transferred to the buyer.

**Social insurance revenue**

Contributions by employers and insured persons (personal contributions and wage contributions) are based on the current contribution rates. They are recorded on a cash accounting basis.

**Other revenue**

Some other revenue, such as building revenue, is recorded on a pro rata basis. Other forms of other revenue, such as the Swiss National Bank's profit distribution, are recognized when the legal entitlement to the payment has arisen.

**RECOGNITION OF EXPENSES**

In accordance with the principle of accrual accounting, expenses are allocated to the accounting period in which they were incurred (e.g. personnel expenses). In the area of general, administrative and operating expenses, the time at which the goods or services were received or supplied is generally decisive. In the case of transfer expenses, the expenses are recorded on the basis of an order or other legally binding assurance or, in cases where no direct service is rendered, at the time when the contribution becomes due.

**TANGIBLE FIXED ASSETS**

Tangible fixed assets are recognized in the statement of financial position at acquisition cost or production cost, less accumulated depreciation. Depreciation is on a straight-line basis over the estimated useful life of the asset. The permissible useful life ranges are as follows:

| | |
|---|---|
| Property, plant and equipment | |
| Machines, appliances, tools, office machines, etc. | 3–15 years |
| Passenger vehicles, delivery vans, lorries, buses | 3–20 years |
| Railway locomotives, aircraft, ships | 10–33 years |
| IT (hardware), communication systems | 2–10 years |
| Furniture | 3–20 years |
| Fixtures and fittings, operating equipment | 3–25 years |
| Land and buildings | |
| Land | unlimited |
| Buildings, structures | 10–75 years |
| Hydraulic engineering structures | 40–80 years |
| Armaments | |
| Main systems (A systems) | 10–50 years |
| Communication infrastructures | |
| Technical equipment (cables, ducts) | 30–40 years |
| Technical equipment (transmission and switching equipment) | 3–15 years |
| Other assets | 3–15 years |
| Motorway infrastructures | |
| Roads, bridges | 30 years |
| Tunnels | 50 years |
| Electromechanical equipment | 10 years |
| Rail infrastructures | |
| Technical equipment (cables, ducts), railway technology, overhead lines | 10–33 years |
| Civil engineering structures (bridges, tunnels), substructure, superstructure | 25–50 years |
| Tunnel excavations | 80 years |

The capitalization of *defense equipment* includes the main systems (A systems) according to the armament programs. Defense equipment comprising components with differing periods of useful life is not recorded or depreciated separately. Other defense equipment eligible for capitalization is not recognized in the statement of financial position. Unlike the main systems, the data required for capitalization of other defense equipment can be collected only with considerable effort, which is why it is not capitalized. Except in the case of main systems, the expenses for this defense equipment are thus incurred at the time of procurement and are not recorded over the period of the useful life.

The completed *motorways* taken over by the cantons as of January 1, 2008 are depreciated on a flat-rate basis over a period of 30 years, as they were not allocated to different asset classes prior to the introduction of the NFE. This also applies to the buildings in connection with motorways (maintenance depots, etc.). In contrast, assets completed after January 1, 2008 can be allocated to asset classes.

Federal *works of art* are not capitalized in the statement of financial position. The Federal Office of Culture keeps an inventory of all items owned by the Confederation.

**INTANGIBLE FIXED ASSETS AND GOODWILL**

Intangible fixed assets acquired or created are valued at acquisition or production cost.

| | |
|---|---|
| Goodwill | No planned amortization, impairment test |
| Software | Term or useful life |
| Other intangible fixed assets (licenses, patents, rights, client relationships, brands) | Term or useful life |

**FINANCIAL INTERESTS**

A distinction must be made between associates and other financial interests.

In the case of *associates*, the Confederation can have a significant impact on their business activities without controlling them. A significant impact is generally assumed with a 20% to 50% share of voting rights. Associates are generally valued at equity. Alternatively, they can also be valued at cost if the proportionate equity of a financial interest is less than 50 million.

*Other financial interests* are financial interests in companies and organizations over which the Confederation cannot exercise control or have significant influence due to its position. Other financial interests are shown under this item in the statement of financial position only if they are held for the performance of tasks. In this case, they are valued at cost because, as a rule, there are no fair values. In contrast, financial interests for investment purposes are recognized under financial investments and, for the most part, are valued at market rates.

**Equity method**

Valuation using the equity method is based on closing accounts that are adjusted to the accounting standards of the consolidated financial statements.

Valuation using the equity method is based on the company's most recent closing accounts available. If this does not correspond to the reporting date of the consolidated financial statements, either closing accounts are obtained for the reporting date of the consolidated financial statements or they are based on the company's last available closing accounts and are updated to reflect the significant transactions between the two reporting dates.

**Valuation at cost**

The initial valuation at cost is based on the actual acquisition costs. The acquisition value generally corresponds to the capital paid in.

Subsequent measurement is also based on acquisition costs, as no market prices can be used for measurement. Acquisition costs in foreign currencies are valued at the exchange rate applicable on the reporting date.

If the company significantly restricts its business or administrative activities or if future financial flows (e.g. the possibility of conversion into liquid funds, interest payments, dividend payments) are adversely affected, impairment is tested.

**EMPLOYEE RETIREMENT BENEFITS**

Employee retirement benefits include obligations under pension plans of the Confederation and federal enterprises which pay out benefits upon retirement, death and disability.

In accordance with the requirements of IPSAS 39, these pension plans are to be classified as defined benefit plans. In contrast to the static method of accounting for employee benefits under Swiss pension law, vested employee benefits are measured on a basis to reflect future changes in salary and pension levels, applying the “substance over form” approach in IPSAS 39. The employee retirement benefits shown in the statement of financial position correspond to the present value of defined benefit employee retirement benefits less the fair value of plan assets.

The current service cost and obligations under pension plans are calculated using the actuarial valuation method known as the projected unit credit method (PUC). The calculation is based on information on those insured (wage, retirement savings, etc.) using demographic parameters (retirement age, fluctuation rate, disability rate, mortality rate) and financial parameters (wage and pension development, interest rate). The calculated values are discounted to the measurement date using a discount rate.

The statement of financial performance shows the current service cost, administrative costs and the interest on net retirement benefits under personnel expenses. Gains and losses on plan changes are recognized in the statement of financial performance, provided that the risk-sharing characteristics are not taken into account in the valuation of the obligation. If the valuation is based on risk sharing, the effects of plan changes are recognized directly in net assets/equity.

Actuarial and investment gains and losses from pension plans are recognized directly in net assets/equity in the reporting period in which they arise. Actuarial gains and losses result from changes in the parameters used and from experience adjustments.

The assumptions made by the consolidated entities are applied unchanged for the calculation of employee retirement benefits. This also applies for the assumptions in connection with risk sharing. In contrast to the individual financial statements of SBB, RUAG and Skyguide in accordance with Swiss GAAP FER, where a liability is recognized only to the extent of the actual restructuring commitments, the consolidated financial statements recognize a liability for all retirement benefits in accordance with IPSAS 39.

Other benefits (long-service benefits, vacation and overtime, etc.) are included in provisions (employee benefits).

**PROVISIONS**

Provisions are recognized where a liability has arisen from a past event, an outflow of funds will probably be required to settle that liability, and the amount of the liability can be reliably estimated. Where it is unlikely that an outflow of funds will be required (<50%) or the amount cannot be estimated reliably, it is disclosed as a contingent liability. A provision for restructuring costs is recognized only when a detailed formal plan for the restructuring has been presented, the plan has been communicated, and the level of costs can be measured with sufficient reliability.

# 23 EXPLANATIONS CONCERNING THE ANNUAL FINANCIAL STATEMENTS

## 1 TAX REVENUE

| CHF mn | 2018 | 2019 |
|---|---|---|
| **Tax revenue** | **68 598** | **69 892** |
| Direct federal tax | 22 446 | 23 268 |
| Natural persons | 11 157 | 11 455 |
| Legal entities | 11 289 | 11 813 |
| Value added tax | 22 650 | 22 497 |
| General federal resources | 17 969 | 17 983 |
| Restricted funds | 4 681 | 4 513 |
| Withholding tax | 7 947 | 8 342 |
| Withholding tax incoming payments | 32 610 | 38 701 |
| Withholding tax refunds | -24 296 | -28 901 |
| Change in provisions | -400 | -1 500 |
| US withholding tax | 34 | 42 |
| Stamp duty | 2 117 | 2 152 |
| Issue tax | 248 | 173 |
| Transfer stamp tax | 1 166 | 1 262 |
| Insurance premium stamp duty and other | 703 | 717 |
| Other consumption taxes | 8 310 | 8 279 |
| Mineral oil tax | 4 578 | 4 586 |
| Tobacco duty | 2 081 | 2 042 |
| Grid supplement | 1 288 | 1 281 |
| Spirits tax | 247 | 254 |
| Beer tax | 115 | 117 |
| Miscellaneous tax revenue | 5 129 | 5 355 |
| Transportation taxes | 2 390 | 2 393 |
| Customs duties | 1 103 | 1 143 |
| Casino tax | 281 | 311 |
| Incentive fees and other tax revenue | 1 355 | 1 508 |

## 2 SERVICE AND PRODUCTION REVENUE

| CHF mn | 2018 | 2019 |
|---|---|---|
| **Service and production revenue** | **27 504** | **26 960** |
| Postal service revenue | 4 513 | 4 466 |
| Postal service revenue | 4 513 | 4 466 |
| Income from financial services | 1 438 | 1 403 |
| Financial service revenue | 1 611 | 1 561 |
| Financial service expenses | -173 | -158 |
| Telecommunications service revenue | 11 714 | 11 453 |
| Telecommunications services Switzerland | 9 274 | 8 969 |
| Telecommunications services abroad | 2 440 | 2 484 |
| Armament sector revenue | 1 388 | 1 362 |
| Defense technology | 265 | 240 |
| Civil area | 1 122 | 1 122 |
| Transportation revenue | 5 534 | 5 504 |
| Passenger transportation rail | 3 393 | 3 468 |
| Passenger transportation road | 511 | 401 |
| Freight transportation rail | 868 | 835 |
| Ancillary operating revenue rail | 213 | 227 |
| Cantons' contributions/compensation | 549 | 573 |
| Other service revenue | 2 917 | 2 773 |
| Air traffic control | 347 | 336 |
| Income from insurance services | 16 | 71 |
| Swiss Post merchandise | 422 | 108 |
| ETH research/science services | 618 | 634 |
| Other services federal enterprises | 1 513 | 1 623 |

## 3 SOCIAL INSURANCE REVENUE/EXPENDITURE

| CHF mn | 2018 | 2019 |
|---|---|---|
| **Net result social insurance** | **-15 351** | **-15 388** |
| Social insurance revenue | 44 701 | 45 862 |
| Contributions by employers and insured persons | 45 946 | 47 087 |
| Cantons' contributions/other revenue | 245 | 244 |
| ./. social insurance revenue from consolidation scope | -1 490 | -1 469 |
| Social insurance expenses | -60 052 | -61 250 |
| Direct old-age and survivors' insurance (AHV) benefits | -43 854 | -45 047 |
| Direct disability insurance (IV) benefits | -8 702 | -8 884 |
| Direct benefits concerning compensation for loss of earnings (EO) | -1 678 | -1 692 |
| Direct benefits concerning agriculture family allowances (FL) | -99 | -96 |
| Direct unemployment insurance (ALV) benefits (net AHV contributions) | -5 719 | -5 530 |

Federal social insurance is financed primarily with the employer and employee contributions received. In addition, significant financing comes from contributions from the ordinary federal budget and restricted tax shares. The above overview shows a net view of the social insurance result in the narrower sense (social insurance revenue and expenditure). The Confederation's contributions which are paid into its own social insurance funds in the form of contributions, tax shares and employer contributions are excluded.

## 4 OTHER REVENUE

| CHF mn | 2018 | 2019 |
|---|---|---|
| **Other revenue** | **5 883** | **6 106** |
| Capitalized own work | 1 631 | 1 779 |
| Rail | 1 235 | 1 358 |
| Other | 397 | 421 |
| Building revenue | 720 | 787 |
| Building revenue rail operations | 519 | 570 |
| Federal buildings | 79 | 77 |
| Other | 122 | 139 |
| Other sovereign revenue | 1 258 | 1 368 |
| Revenue from exchange transactions, fines | - | 139 |
| SNB profit distribution | 667 | 667 |
| Revenue from concessions, quota auctions | 285 | 309 |
| Gifts, bequests to the ETH | 155 | 92 |
| Other revenue from payments, royalties | 152 | 161 |
| Other revenue | 2 274 | 2 173 |
| Cantonal contributions to railway infrastructure fund | 500 | 533 |
| Net revenue special financing in liabilities | 168 | 77 |
| Other misc. revenue | 1 605 | 1 563 |

## 5 PERSONNEL EXPENSES

| CHF mn | 2018 | 2019 |
|---|---|---|
| **Personnel expenses** | **-19 445** | **-19 598** |
| Wages and salaries | -15 714 | -15 803 |
| Retirement benefit cost | -1 954 | -1 924 |
| Other personnel expenses | -1 776 | -1 870 |

## 6 GENERAL, ADMINISTRATIVE AND OPERATING EXPENSES

| CHF mn | 2018 | 2019 |
|---|---|---|
| **General, administrative and operating expenses** | **-17 923** | **-18 064** |
| Cost of materials, goods and services | -6 138 | -5 854 |
| Building expenses and rent | -1 719 | -2 028 |
| IT expenses | -1 259 | -1 414 |
| Armed Forces operating and defense expenses | -1 153 | -1 060 |
| Other general and administrative expenses | -570 | -427 |
| Other operating expenses | -7 084 | -7 281 |

## 7 TRANSFER EXPENSES

| CHF mn | 2018 | 2019 |
|---|---|---|
| **Transfer expenses** | **-31 839** | **-32 424** |
| Cantons' share in federal income | -5 570 | -5 763 |
| Fiscal equalization to cantons | -3 339 | -3 415 |
| Individual premium reductions (IPR) to cantons | -2 746 | -2 828 |
| Direct payments for agriculture | -2 805 | -2 815 |
| Contributions to international organizations | -2 243 | -2 254 |
| AHV and IV supplementary benefits | -1 538 | -1 599 |
| Compensation to public bodies | -1 625 | -1 534 |
| Promotion of renewable energies | -1 288 | -1 281 |
| Research promotion institutions | -1 006 | -1 104 |
| Redistribution of incentive fees | -1 249 | -1 095 |
| Regional passenger transportation contributions | -671 | -642 |
| Net expense special financing in liabilities | -61 | -128 |
| Other contributions to third parties | -7 698 | -7 968 |

## 8 FINANCIAL RESULT

| CHF mn | 2018 | 2019 |
|---|---|---|
| **Financial result** | **-2 662** | **2 248** |
| Financial revenue | 1 065 | 3 785 |
| Interest income | 577 | 608 |
| Revenue from financial interests | 298 | 323 |
| Fair value adjustments | 3 | 2 664 |
| Other financial revenue | 187 | 191 |
| Financial expense | -3 727 | -1 537 |
| Interest expense | -1 435 | -1 194 |
| Capital procurement expenses | -49 | -45 |
| Impairments on financial investments | -21 | -50 |
| Fair value adjustments | -2 080 | -56 |
| Other financial expense | -142 | -192 |

## 9 INCOME TAXES OF FEDERAL ENTERPRISES

| CHF mn | 2018 | 2019 |
|---|---|---|
| **Income taxes of federal enterprises** | **-544** | **-218** |
| Expenses/revenue for current income taxes | -424 | -379 |
| Expenses/revenue for deferred income taxes | -120 | 161 |

## 10 BREAKDOWN BY SEGMENT

| CHF mn | Federal Administ-ration | Companies | Social insurance | *Consolida-tion* | 2019 |
|---|---|---|---|---|---|
| **Statement of financial performance** | | | | | |
| Operating revenue | 74 364 | 32 498 | 62 850 | *-20 892* | 148 820 |
| Operating expenses | -68 480 | -29 579 | -62 765 | *20 892* | -139 931 |
| Operating result | 5 884 | 2 919 | 85 | - | 8 888 |
| Financial result | -831 | -226 | 3 305 | - | 2 248 |
| Income from associates | 305 | -19 | - | - | 285 |
| Income taxes of federal enterprises | -0 | -218 | - | - | - 218 |
| Surplus/deficit for the year | 5 358 | 2 456 | 3 390 | - | 11 204 |
| **Personnel** | | | | | |
| Number of full-time employees (FTEs) | 56 646 | 103 417 | - | - | 160 063 |

## 11 CASH AND CASH EQUIVALENTS

| CHF mn | 2018 | 2019 |
|---|---|---|
| **Cash and cash equivalents** | **57 293** | **74 841** |
| Cash | 2 179 | 2 018 |
| Sight deposits with financial institutions | 55 040 | 72 759 |
| Short-term deposits | 73 | 64 |

## 12 RECEIVABLES

| CHF mn | 2018 | 2019 |
|---|---|---|
| **Receivables** | **17 896** | **16 965** |
| Trade receivables | 4 698 | 4 644 |
| Tax and customs receivables | 5 921 | 5 431 |
| Current account receivables from compensation funds | 3 979 | 3 892 |
| Other current account receivables | 753 | 580 |
| Other receivables | 3 266 | 3 237 |
| Value adjustments on receivables | -722 | -819 |

## 13 FINANCIAL INVESTMENTS

| CHF mn | 2018 | 2019 |
|---|---|---|
| **Financial investments** | **115 882** | **116 423** |
| Short-term financial investments | 22 760 | 21 956 |
| Bonds | 17 234 | 17 175 |
| Fixed-term deposits, discount paper | 1 012 | 1 022 |
| Shares | 156 | 241 |
| Fund investments | 1 372 | 389 |
| Loans | 2 205 | 2 363 |
| Derivatives | 476 | 456 |
| Other financial investments | 305 | 311 |
| Long-term financial investments | 93 123 | 94 467 |
| Bonds | 56 562 | 56 547 |
| Fixed-term deposits, discount paper | 223 | 296 |
| Shares | 6 101 | 7 346 |
| Fund investments | 8 594 | 9 354 |
| Loans | 20 530 | 19 810 |
| Other financial investments | 1 113 | 1 113 |

## 14 INVENTORIES

| CHF mn | 2018 | 2019 |
|---|---|---|
| **Inventories** | **4 926** | **4 921** |
| Civil inventories and work in progress | 1 810 | 1 773 |
| Military inventories | 3 492 | 3 557 |
| Value adjustments on inventories | -376 | -410 |

## 15 TANGIBLE FIXED ASSETS

| 2019<br>CHF mn | Advances and assets under construction | Property, plant and equipment | Land and buildings | Armaments | Infrastructure communications | Infrastructure motorways | Infrastructure rail | Total |
|---|---|---|---|---|---|---|---|---|
| **Acquisition costs** | | | | | | | | |
| As of 01.01.2019 | 24 636 | 38 757 | 55 308 | 17 211 | 27 878 | 49 221 | 43 233 | 256 244 |
| Additions | 7 501 | 631 | 37 | 401 | 1 150 | 0 | 37 | 9 757 |
| Disposals | -16 | -922 | -1 771 | -31 | -1 082 | -910 | -231 | -4 963 |
| Change in consolidation scope | -0 | -85 | -7 | - | -9 | - | - | -101 |
| Reclassifications | -6 726 | 1 697 | 2 014 | 10 | 205 | 1 174 | 1 724 | 98 |
| Currency translations | -2 | -20 | -6 | - | -187 | - | - | -213 |
| As of 31.12.2019 | 25 394 | 40 059 | 55 576 | 17 590 | 27 955 | 49 485 | 44 763 | 260 822 |
| **Accumulated depreciation** | | | | | | | | |
| As of 01.01.2019 | -5 | -24 093 | -29 499 | -12 852 | -19 297 | -22 792 | -14 258 | -122 795 |
| Depreciation and amortization | - | -1 872 | -986 | -681 | -1 195 | -1 618 | -1 209 | -7 560 |
| Impairments | -4 | -29 | -1 | - | -1 | -0 | - | -35 |
| Reversal of impairments | - | 0 | 1 | - | - | - | - | 1 |
| Disposals | 1 | 741 | 1 338 | 31 | 871 | 910 | 183 | 4 074 |
| Change in consolidation scope | 0 | 57 | 3 | - | 4 | - | - | 64 |
| Reclassifications | - | 46 | -50 | - | -35 | -0 | -9 | -49 |
| Currency translations | - | 11 | 2 | - | 106 | - | - | 119 |
| As of 31.12.2019 | -8 | -25 138 | -29 194 | -13 501 | -19 548 | -23 500 | -15 294 | -126 182 |
| **Carrying amount as of 31.12.2019** | **25 387** | **14 921** | **26 382** | **4 089** | **8 407** | **25 986** | **29 469** | **134 640** |

| 2018<br>CHF mn | Advances and assets under construction | Property, plant and equipment | Land and buildings | Armaments | Infrastructure communications | Infrastructure motorways | Infrastructure rail | Total |
|---|---|---|---|---|---|---|---|---|
| **Acquisition costs** | | | | | | | | |
| As of 01.01.2018 | 23 414 | 37 447 | 55 076 | 16 932 | 28 174 | 48 524 | 42 244 | 251 810 |
| Additions | 6 789 | 906 | 53 | 276 | 1 366 | - | 38 | 9 427 |
| Disposals | -25 | -894 | -827 | - | -1 586 | -1 073 | -367 | -4 773 |
| Change in consolidation scope | - | -6 | -27 | - | 17 | - | - | -16 |
| Reclassifications | -5 539 | 1 327 | 1 040 | 3 | 99 | 1 771 | 1 318 | 19 |
| Currency translations | -2 | -23 | -6 | - | -192 | - | - | -223 |
| As of 31.12.2018 | 24 636 | 38 757 | 55 308 | 17 211 | 27 878 | 49 221 | 43 233 | 256 244 |
| **Accumulated depreciation** | | | | | | | | |
| As of 01.01.2018 | -3 | -23 027 | -29 242 | -12 183 | -19 880 | -22 170 | -13 402 | -119 906 |
| Depreciation and amortization | - | -1 868 | -990 | -669 | -1 165 | -1 695 | -1 173 | -7 560 |
| Impairments | -20 | -3 | -0 | - | - | - | - | -22 |
| Reversal of impairments | - | 0 | - | - | - | - | - | 0 |
| Disposals | 15 | 839 | 696 | - | 1 584 | 1 073 | 325 | 4 532 |
| Change in consolidation scope | - | 11 | 25 | - | - | - | - | 36 |
| Reclassifications | 2 | -58 | 10 | - | 56 | - | -9 | 2 |
| Currency translations | - | 14 | 3 | - | 107 | - | - | 124 |
| As of 31.12.2018 | -5 | -24 093 | -29 499 | -12 852 | -19 297 | -22 792 | -14 258 | -122 795 |
| **Carrying amount as of 31.12.2018** | **24 631** | **14 665** | **25 809** | **4 359** | **8 581** | **26 430** | **28 975** | **133 449** |

Advance payments and assets under construction comprise mainly motorways (7.2 bn), construction projects and advance payments for railway infrastructure and rolling stock (10.1 bn), and Gotthard and Ceneri civil engineering structures not yet invoiced (4.5 bn).

Property, plant and equipment/other tangible fixed assets include the rolling stock of railway companies (7.4 bn).

## 16 INTANGIBLE FIXED ASSETS

| 2019<br>CHF mn | Assets under construction | Goodwill | Software | Other intangible fixed assets | Total |
|---|---|---|---|---|---|
| **Acquisition costs** | | | | | |
| As of 01.01.2019 | 531 | 7 123 | 6 661 | 2 098 | 16 414 |
| Additions | 439 | 1 | 353 | 256 | 1 048 |
| Disposals | -0 | - | -312 | -31 | -342 |
| Change in consolidation scope | -1 | -66 | -3 | -49 | -119 |
| Reclassifications | -364 | - | 389 | -122 | -97 |
| Currency translations | -0 | -77 | -68 | -24 | -169 |
| As of 31.12.2019 | 606 | 6 981 | 7 020 | 2 129 | 16 735 |
| **Accumulated depreciation** | | | | | |
| As of 01.01.2019 | -10 | -1 539 | -4 606 | -1 104 | -7 259 |
| Depreciation and amortization | - | - | -853 | -135 | -988 |
| Impairments | -1 | -1 | -3 | -8 | -13 |
| Disposals | - | 0 | 308 | 31 | 339 |
| Change in consolidation scope | - | 2 | 11 | 23 | 37 |
| Reclassifications | 9 | - | -10 | 49 | 48 |
| Currency translations | - | 50 | 57 | 13 | 120 |
| As of 31.12.2019 | -2 | -1 488 | -5 095 | -1 130 | -7 715 |
| **Carrying amount as of 31.12.2019** | **604** | **5 493** | **1 925** | **998** | **9 020** |

| 2018<br>CHF mn | Assets under construction | Goodwill | Software | Other intangible fixed assets | Total |
|---|---|---|---|---|---|
| **Acquisition costs** | | | | | |
| As of 01.01.2018 | 757 | 7 204 | 6 313 | 2 414 | 16 687 |
| Additions | 350 | - | 463 | 113 | 926 |
| Disposals | -8 | - | -973 | -222 | -1 203 |
| Change in consolidation scope | - | 5 | -7 | 209 | 207 |
| Reclassifications | -567 | -0 | 925 | -388 | -30 |
| Currency translations | -0 | -85 | -59 | -28 | -172 |
| As of 31.12.2018 | 531 | 7 123 | 6 661 | 2 098 | 16 414 |
| **Accumulated depreciation** | | | | | |
| As of 01.01.2018 | -42 | -1 615 | -4 501 | -1 464 | -7 621 |
| Depreciation and amortization | -7 | - | -851 | -107 | -965 |
| Impairments | - | -2 | -23 | -0 | -26 |
| Disposals | 7 | - | 968 | 205 | 1 181 |
| Change in consolidation scope | - | 22 | 18 | 0 | 40 |
| Reclassifications | 31 | - | -270 | 248 | 9 |
| Currency translations | - | 55 | 53 | 15 | 124 |
| As of 31.12.2018 | -10 | -1 539 | -4 606 | -1 104 | -7 259 |
| **Carrying amount as of 31.12.2018** | **521** | **5 584** | **2 055** | **995** | **9 154** |

## 17 FINANCIAL INTERESTS

| 2019 CHF mn | BLS AG | Rhaetian Railway RhB | Matterhorn Gotthard Infrastruktur AG | Other licensed transportation companies | Development banks | Developing countries and countries in transition | Other | Total |
|---|---|---|---|---|---|---|---|---|
| **Financial interests** | | | | | | | | |
| As of 01.01.2018 | 565 | 1 096 | 457 | 959 | 739 | 289 | 801 | 4 906 |
| Additions | - | - | - | - | 40 | 47 | 69 | 156 |
| Disposals | - | - | - | - | - | -28 | -10 | -38 |
| Dividends | - | - | - | - | - | - | -26 | -26 |
| Share of net result recognized in statement of financial performance | 3 | 48 | 29 | 178 | - | - | 35 | 293 |
| Share of net result recognized in net assets/equity | - | - | - | - | - | - | 3 | 3 |
| Other transactions | - | - | - | - | - | -24 | -53 | -77 |
| Currency translations | - | - | - | - | -1 | 3 | -7 | -5 |
| As of 31.12.2018 | 568 | 1 144 | 486 | 1 137 | 778 | 287 | 813 | 5 213 |
| Additions | - | - | - | - | 68 | 53 | 39 | 160 |
| Disposals | - | - | - | - | - | -29 | -11 | -40 |
| Dividends | - | - | - | - | - | - | -29 | -29 |
| Share of net result recognized in statement of financial performance | -3 | 59 | 30 | 145 | - | - | 54 | 285 |
| Share of net result recognized in net assets/equity | - | - | - | - | - | - | -4 | -4 |
| Other transactions | - | - | - | - | - | -23 | -27 | -50 |
| Currency translations | - | - | - | - | -16 | 7 | 8 | -1 |
| As of 31.12.2019 | 565 | 1 203 | 516 | 1 282 | 830 | 295 | 843 | 5 534 |

### FINANCIAL INTERESTS IN LICENSED TRANSPORTATION COMPANIES

Significant interests in licensed transportation companies are valued using the equity method. The net assets/equity of licensed transportation companies is valued in accordance with the IPSAS guidelines. The following items are treated differently under the IPSAS than in licensed transportation companies' accounting standards:

— Licensed transportation companies receive conditionally repayable public-sector loans to finance railway infrastructure. Repayment of the loans is subject to conditions which generally do not apply. Conditionally repayable loans are shown as liabilities in licensed transportation companies' financial statements. Irrespective of the legal structure, the funds received are attributable to licensed transportation companies' net assets/equity in economic terms.

— The investment contributions for tunnel excavation work are granted by the Confederation to licensed transportation companies as non-repayable payments. Based on the DETEC Ordinance on Accounting in Licensed Enterprises (ALEO), the investments made with them are recognized in licensed transportation companies' statements of financial performance and are thus not recognized in the statement of financial position. In the consolidated financial statements, these civil engineering structures are recognized and depreciated according to their service potential.

### FINANCIAL INTERESTS IN DEVELOPMENT BANKS

Financial interests held for the performance of tasks are measured at amortized cost. Financial interests held in foreign currencies are valued annually at the exchange rate applicable on the reporting date.

## 18 CURRENT LIABILITIES

| CHF mn | 2018 | 2019 |
|---|---|---|
| **Current liabilities** | **17 518** | **17 940** |
| Trade payables | 4 623 | 4 574 |
| Tax and customs liabilities | 7 423 | 7 758 |
| Current accounts | 4 556 | 4 516 |
| Other liabilities | 917 | 1 092 |

## 19 FINANCIAL LIABILITIES

| CHF mn | 2018 | 2019 |
|---|---|---|
| **Financial liabilities** | **204 749** | **208 146** |
| Short-term financial liabilities | 128 950 | 136 456 |
| Client funds | 112 084 | 108 197 |
| Bonds | 6 278 | 5 177 |
| Liabilities from money market paper | 5 982 | 8 507 |
| Liabilities from repo transactions | - | 9 125 |
| Bank loans | 1 313 | 1 615 |
| Liabilities from financial leases | 40 | 109 |
| Negative replacement values | 612 | 486 |
| Other financial liabilities | 2 640 | 3 240 |
| Long-term financial liabilities | 75 799 | 71 689 |
| Bonds | 68 685 | 65 944 |
| Bank loans | 2 907 | 2 235 |
| Client funds | 72 | 12 |
| Liabilities from financial leases | 1 165 | 668 |
| Other financial liabilities | 2 971 | 2 829 |

## 20 PROVISIONS

| CHF mn | Withholding tax | Military insurance | Coins in circulation | Discontinuation, restoration, disposal | Benefits for employees | Other | Total |
|---|---|---|---|---|---|---|---|
| **As of 01.01.2018 before restatement** | **10 900** | **2 104** | **2 271** | **1 771** | **1 487** | **3 073** | **21 605** |
| Change in accounting policies | 8 000 | - | - | - | - | - | 8 000 |
| **As of 01.01.2018 after restatement** | **18 900** | **2 104** | **2 271** | **1 771** | **1 487** | **3 073** | **29 605** |
| Increase | 400 | 125 | 27 | 309 | 80 | 946 | 1 887 |
| Decrease | - | -10 | - | -44 | -28 | -561 | -643 |
| Utilization | - | -165 | -13 | -15 | -82 | -135 | -409 |
| Present value adjustments | - | - | - | 10 | 1 | 0 | 12 |
| Consolidation scope changes | - | - | - | - | -0 | 1 | 0 |
| Currency translations | - | - | - | - | -1 | -2 | -4 |
| **As of 31.12.2018 before restatement** | **19 300** | **2 054** | **2 285** | **2 032** | **1 456** | **3 321** | **30 447** |
| Change in accounting policies | - | - | - | - | -33 | - | -33 |
| **As of 31.12.2018 after restatement** | **19 300** | **2 054** | **2 285** | **2 032** | **1 423** | **3 321** | **30 414** |
| Increase | 1 500 | 93 | 34 | 68 | 146 | 877 | 2 718 |
| Decrease | - | -5 | - | -46 | -20 | -558 | -629 |
| Utilization | - | -178 | -14 | -17 | -64 | -280 | -552 |
| Present value adjustments | - | - | - | 7 | 1 | 1 | 9 |
| Consolidation scope changes | - | - | - | - | -0 | -1 | -2 |
| Currency translations | - | - | - | - | -1 | -2 | -3 |
| Reclassifications | - | - | - | 29 | - | -29 | - |
| **As of 31.12.2019** | **20 800** | **1 964** | **2 305** | **2 073** | **1 484** | **3 328** | **31 954** |
| *of which short term* | - | *182* | - | *163* | *592* | *505* | *1 442* |
| *of which long term* | *20 800* | *1 782* | *2 305* | *1 910* | *892* | *2 823* | *30 512* |

### WITHHOLDING TAX

The withholding tax provision covers expected future withholding tax refunds in respect of revenue which has already been recognized on the basis of tax returns received. Under the applicable measurement basis, a percentage is deducted from incoming payments recorded, representing what has already been paid out as refunds or recorded as accrued expenses. An empirical value representing the residual share of net income due to the Confederation is also deducted. The balance corresponds to the provision requirement, which reflects the refunds that will probably still be claimed in subsequent years. As a refund of the declared withholding tax can generally be requested within three years, the provision includes probable outstanding amounts from the three preceding full tax years. The provision was revalued as of January 1, 2018.

### MILITARY INSURANCE

Suva operates the military insurance scheme as a separate social insurance fund on behalf of the Confederation. In the event of claims giving rise to pension entitlements under the military insurance scheme, provision must be made for the projected pension liabilities. Actuarial methods are used to calculate the provision required. This involves capitalizing all pensions based on an assessment of the relevant parameters (e.g. mortality, size of pension, inflation, etc.). Similarly, the future costs of any treatment, daily benefits and other cash benefits as a result of damage to health are calculated on the basis of actuarial methods.

### COINS IN CIRCULATION

A provision is made for coins in circulation. Based on eurozone empirical values, a loss rate of 35% should be anticipated, as not all coins are returned to the SNB, even after several years have passed. The amount of the provision corresponds to 65% of the nominal value of newly minted coins supplied to the SNB, adjusted for the change in inventories at the SNB.

**DISCONTINUATION, RESTORATION AND DISPOSAL COSTS**

The provisions include primarily the future costs for the dismantling and decommissioning of nuclear facilities owned by the Confederation, as well as for the disposal of radioactive waste from these facilities. The calculation is based on a swissnuclear estimate and is subject to significant inaccuracy because of the lack of comprehensive empirical data associated with the dismantling of nuclear facilities and the long planning horizon for the disposal of radioactive waste. Moreover, the provisions include the costs for the demolition of telecommunications facilities and the remediation of land owned by third parties.

**EMPLOYEE BENEFITS**

Employees' vacation entitlement and overtime, as well as long-service entitlements are recognized under provisions for employee benefits.

## 21 EMPLOYEE RETIREMENT BENEFITS

In accordance with the legal requirements in Switzerland, group entities have legally independent pension foundations and thus report their retirement benefit obligations separately. Under IPSAS 39, Swiss pension funds qualify as defined benefit plans, which is why the actuarially determined funding surplus or deficit is recognized in the group statement of financial position. Each pension fund has its own equal representation body consisting of the same number of employee and employer representatives. The pension foundations bear their own underwriting and investment risks. The investment strategy is defined in such a way that the regulatory benefits can be paid when they become due.

### EMPLOYEE RETIREMENT BENEFITS RECOGNIZED IN THE STATEMENT OF FINANCIAL POSITION

| CHF mn | 2018 | 2019 |
|---|---|---|
| Employee retirement benefits | 18 943 | 16 443 |
| Present value of employee retirement benefits | 99 444 | 103 728 |
| Fair value of plan assets | -80 501 | -87 285 |

The net employee retirement benefits recognized in the statement of financial position decreased by 2.5 billion in the year under review, due primarily to employee retirement benefit valuation changes (-4.7 bn) and the positive investment performance of plan assets (+7.2 bn). These items were recognized directly in net assets/equity.

### RETIREMENT BENEFIT COST IN ACCORDANCE WITH IPSAS 39

| CHF mn | 2018 | 2019 |
|---|---|---|
| Retirement benefit cost | -1 954 | -1 924 |
| Current service cost (employer) | -2 371 | -2 237 |
| Plan changes | 522 | 436 |
| Administrative costs | -39 | -38 |
| Interest expense for employee retirement benefits | -470 | -569 |
| Interest income from plan assets | 404 | 485 |

### REVALUATION OF EMPLOYEE RETIREMENT BENEFITS AND PLAN ASSETS

| CHF mn | 2018 | 2019 |
|---|---|---|
| **Revaluation recognized in net assets/equity** | **-1 090** | **2 433** |
| Actuarial gains (+) / losses (-) | 1 218 | -4 777 |
| Change in financial assumptions | 1 508 | -4 627 |
| Change in demographic assumptions | 330 | 471 |
| Experience adjustments | -619 | -621 |
| Revenue from plan assets (excl. interest based on discount rate) | -2 309 | 7 210 |

### DETAILS OF INDIVIDUAL PLANS

The most significant pension plans are at the Confederation, the ETH Domain, Swiss Post, Swiss Federal Railways (SBB) and Swisscom. The key data for these plans is as follows:

### BREAKDOWN BY SEGMENT

| | Confed-eration as parent | ETH-Domain | Swiss Post | SBB | Swisscom |
|---|---|---|---|---|---|
| Number of active insured persons | 40 133 | 19 996 | 40 058 | 30 634 | 17 878 |
| Number of pensioners | 27 481 | 5 877 | 37 249 | 26 600 | 8 741 |
| Discount rate | -0.20% | -0.20% | 0.25% | 0.25% | 0.22% |
| Risk sharing | Yes | No | Yes | No | Yes |

### DISCOUNT RATE

The discount rate for discounting employee retirement benefits is determined individually by the group entities and taken over unchanged into the consolidated financial statements. In principle, the discount rates for federal enterprises are based on first-class corporate bonds and, for public institutions, on Confederation bonds.

### RISK SHARING

With the customary valuation of employee retirement benefits under IPSAS 39, it is assumed that the costs for funding current pension commitments (i.e. restructuring measures) are borne exclusively by the employer. However, both employees and the employer contribute in the event of restructuring. This fact is ignored if risk sharing is not taken into account in the valuation of employee retirement benefits.

If risk sharing is taken into account, the employer's statement of financial position shows only the portion that the employer probably has to bear. The recognized obligation thus corresponds more closely to the actual circumstances. Furthermore, the effects of plan changes are not recognized in the statement of financial performance, rather directly in net assets/equity as part of the revaluation of the obligation.

The valuation of the larger pension plans of the Confederation as parent entity, Swiss Post and Swisscom takes risk-sharing characteristics into account. Risk sharing is not yet taken into account in the pension plans of the ETH Domain and SBB. In 2019, the first-time inclusion of risk sharing led to a reduction of 2.3 billion in the retirement benefit obligation of the Confederation as parent entity.

## 22 OTHER LONG-TERM LIABILITIES

| CHF mn | 2018 | 2019 |
|---|---|---|
| **Other long-term liabilities** | **4 177** | **4 652** |
| Special funds | 1 662 | 1 906 |
| Grid supplement fund | 999 | 1 220 |
| Nuclear damage fund | 507 | 514 |
| Family compensation fund | 71 | 90 |
| Other special funds | 85 | 82 |
| Restricted funds | 2 217 | 2 504 |
| Restricted research contributions | 1 510 | 1 555 |
| Special financing | 660 | 677 |
| Other restricted funds | 47 | 272 |
| Other long-term liabilities | 297 | 241 |

## 23 CONTINGENT LIABILITIES

| CHF mn | 2018 | 2019 |
|---|---|---|
| **Contingent liabilities** | **27 775** | **27 400** |
| Sureties and guarantees | 17 138 | 17 033 |
| Subsidized housing | 3 400 | 3 517 |
| Licensed transportation companies | 2 529 | 2 476 |
| IMF monetary assistance decree | 8 697 | 8 597 |
| IMF PRGT | 1 384 | 1 347 |
| Oceangoing vessels | 393 | 335 |
| Other sureties and guarantees | 735 | 761 |
| Capital commitments for development banks | 8 140 | 7 986 |
| Litigation | 1 040 | 768 |
| Other contingent liabilities | 1 458 | 1 613 |
| Decommissioning and disposal | 381 | 382 |
| Misc. other contingent liabilities | 1 077 | 1 231 |

### SURETIES AND GUARANTEES

The Confederation grants sureties and guarantees as part of task performance. It thus undertakes to make certain payments in favor of the guarantee holder if a borrower fails to meet its payment obligations toward the guarantee holder. The Confederation provides these guarantees free of charge.

*Subsidized housing* is indirectly funded by way of sureties issued. The Confederation issues guarantees in respect of second mortgages of natural persons for the promotion of housing construction. It can also issue guarantees to public housing construction organizations or act as a guarantor for bonds of public central issuers.

In favor of *licensed transportation companies*, the Confederation guarantees loans which are taken out for the procurement of low-interest resources. The credit facility approved by Parliament for this purpose amounts to 11 billion. This is used to issue guarantee bonds in tranches in favor of licensed transportation companies.

For the Swiss National Bank (SNB), the Confederation guarantees the repayment of loans granted by the SNB to the International Monetary Fund (IMF) under the Monetary Assistance Act (MAA) and to the *IMF's Poverty Reduction and Growth Trust* (PRGT). The *IMF monetary assistance decree* serves to prevent or remedy serious disruptions to the international monetary system. The PRGT grants loans on preferential terms to low-income member countries and is financed by means of bilateral contributions and IMF resources.

### CAPITAL COMMITMENTS FOR DEVELOPMENT BANKS

Capital commitments refer to guarantee capital which has not yet been paid up that can be called upon if necessary by development banks. Participation in the banks is part of Switzerland's development assistance, as these banks promote sustainable economic and social development in the target countries. Guarantee capital helps to secure the bonds issued by the banks on the international capital markets.

### OTHER CONTINGENT LIABILITIES

In the former ammunition depot at Mitholz, there is a higher risk than previously assumed as a result of an explosion of ammunition remnants. Possible solutions were devised last year to lower the risk to an acceptable level. An overall concept for clearing the ammunition remnants is being pursued. It is not yet possible to reliably estimate the ensuing costs. The probability of the risk reduction measures leading to an outflow of funds is considered to be very high at present.

## 24 CONTINGENT ASSETS

| CHF mn | 2018 | 2019 |
|---|---|---|
| **Contingent assets** | **21 924** | **21 020** |
| Unrecognized receivables from direct federal tax | 21 100 | 20 000 |
| Other contingent assets | 824 | 1 020 |

*Unrecognized receivables from direct federal tax* (excluding cantons' share of 21.2% for tax receipts from 1.1.2020 onward) are levied ex post and do not fall due until the year following the tax year in question. The booking of receipts is undertaken by the Confederation to coincide with the delivery of the federal government's share by the cantons (cash accounting). If direct federal tax were levied at the end of 2019, there would still be an estimated 20.0 billion in receipts anticipated the following years. These assets are owed to the Confederation by law. Recognizing all receivables up to and including the 2019 tax year is not possible, however, as these are not yet available as of the reporting date. For this reason, the estimated outstanding balances are reported as contingent assets.

*Other contingent assets* consist mainly of disputed receivables from withholding tax and stamp duty. These are legally contested receivables whose enforceability has to be clarified.

## 25 SERV LIABILITY SCOPE

| CHF mn | 2018 | 2019 |
|---|---|---|
| **SERV liability scope** | | |
| SERV liability scope | 16 000 | 16 000 |
| Utilization | 11 360 | 11 520 |
| Utilization in % | 71% | 72% |

The Federal Council is responsible for determining the maximum scope of Swiss Export Risk Insurance (SERV) insurance liabilities. This currently amounts to 16 billion. The liability scope sets the total exposure ceiling that SERV can assume for insured benefits. The liability scope is reviewed periodically and adjusted where necessary.

At the end of 2019, the insurance liability amounted to 11.5 billion, whereby the liability scope was 72% utilized. Insurance liabilities include outstanding insurance policies (7.1 bn) and insurance commitments in principle (1.7 bn).

## 26 EVENTS AFTER THE REPORTING DATE

The 2019 consolidated financial statements were approved by the Federal Council on April 8, 2020. As a result of the global COVID-19 pandemic, the Federal Council declared an “exceptional situation” in accordance with the Epidemics Act on March 16, 2020. The associated measures to prevent the spread of the coronavirus entail drastic repercussions for the economy. The Federal Council thus wishes to provide financial support to the sectors affected. This will lead to a significant outflow of funds, which cannot yet be quantified.

# 24 SCHEDULE OF HOLDINGS

## CONSOLIDATED ENTITIES

| Financial interests | Capital share (in %) | Valuation method |
|---|---|---|
| **Federal Administration segment** | | |
| Confederation as parent | | |
| Federal Department of Foreign Affairs | 100 | Full consolidation |
| Federal Department of Home Affairs | 100 | Full consolidation |
| Federal Department of Justice and Police | 100 | Full consolidation |
| Federal Department of Defence, Civil Protection and Sport | 100 | Full consolidation |
| Federal Department of Finance | 100 | Full consolidation |
| Federal Department of Economic Affairs, Education and Research | 100 | Full consolidation |
| Federal Department of the Environment, Transport, Energy and Communications | 100 | Full consolidation |
| Authorities and courts | 100 | Full consolidation |
| Separate accounts | | |
| Railway infrastructure fund (RIF) | 100 | Full consolidation |
| Motorway and urban transportation fund | 100 | Full consolidation |
| Decentralized administrative units (tax-financed) | | |
| Swiss Federal Institutes of Technology Domain (ETH) | 100 | Full consolidation |
| Swiss Federal Institute for Vocational Education and Training (SFIVET) | 100 | Full consolidation |
| Swiss Federal Institute of Metrology (METAS) | 100 | Full consolidation |
| Innosuisse | 100 | Full consolidation |
| Pro Helvetia | 100 | Full consolidation |
| Swiss National Museum (SNM) | 100 | Full consolidation |
| Significant associated companies | | |
| BLS AG | 22 | Equity |
| Rhaetian Railway (RhB) | 43 | Equity |
| Matterhorn Gotthard Infrastruktur AG | 77 | Equity |
| **Federal enterprises segment** | | |
| Federal enterprises | | |
| *Parent company incl. its subsidiaries* | | |
| Swiss Post AG | 100 | Full consolidation |
| Swisscom AG | 51 | Full consolidation |
| Skyguide AG | 100 | Full consolidation |
| SBB AG | 100 | Full consolidation |
| AlpTransit Gotthard AG | 100 | Full consolidation |
| BLS Netz AG | 50 | Full consolidation |
| SIFEM AG | 100 | Full consolidation |
| RUAG Schweiz AG | 100 | Full consolidation |
| Decentralized administrative units (not tax-financed or not primarily tax-financed) | | |
| Swiss Financial Market Supervisory Authority (FINMA) | 100 | Full consolidation |
| Swiss Federal Institute of Intellectual Property (IIP) | 100 | Full consolidation |
| Swiss Federal Nuclear Safety Inspectorate (ENSI) | 100 | Full consolidation |
| Federal Audit Oversight Authority (FAOA) | 100 | Full consolidation |
| Swiss Export Risk Insurance (SERV) | 100 | Full consolidation |
| Swiss Association for Hotel Credit (SAH) | 21 | Full consolidation |
| Swissmedic | 66 | Full consolidation |
| **Federal social insurance segment** | | |
| Old-age and survivors' insurance (AHV) | 100 | Full consolidation |
| Disability insurance (IV) | 100 | Full consolidation |
| Compensation for loss of earnings (EO) | 100 | Full consolidation |
| Agriculture family allowances (FL) | 100 | Full consolidation |
| Unemployment insurance (ALV) | 100 | Full consolidation |