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Swiss Confederation

FEDERAL CONSOLIDATED FINANCIAL STATEMENTS

2020

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 2020 with a loss of 14.2 billion, representing a decrease of 25.4 billion on the previous year. The deterioration was due to the consequences of the COVID-19 pandemic.

RESULTS OVERVIEW

CHF mn	2019	2020	Δ 2019–20 Absolute
Statement of financial performance			
Surplus/deficit for the year	11 204	-14 205	-25 409
Federal Administration segment	5 358	-16 417	-21 775
Enterprises segment	2 456	227	-2 229
Social insurance segment	3 390	1 986	-1 404
Statement of financial position			
Net assets/equity	77 541	66 320	-11 221
Cash flow statement			
Total cash flow	17 548	-16 627	-34 175
Cash flow from operating activities	22 263	-3 245	-25 508
Cash flow from investing activities	-7 632	-11 772	-4 140
Cash flow from financing activities	2 916	-1 610	-4 527
Personnel			
Number of full-time employees (FTEs)	160 063	161 265	1 202

ANNUAL RESULT IMPACTED BY COVID-19 PANDEMIC

The statement of financial performance ended with a deficit of 14.2 billion. This was down by 25.4 billion on the previous year because of the COVID-19 pandemic.

The *Federal Administration segment* closed with a deficit of 16.4 billion, representing a year-on-year deterioration of 21.8 billion. This segment incurred additional expenses of 16.8 billion for tackling the COVID-19 pandemic. As a further consequence, tax revenue plunged by 2.7 billion, with withholding tax alone falling by 3.1 billion.

Federal enterprises achieved a surplus of 227 million last year, which was 2.2 billion less than the previous year. With the exception of postal services (+40 mn), all branches suffered turnover losses. Rail passenger transportation was hit the hardest, with a decline of 1 billion.

Social insurance ended the year with a gain of 2.0 billion, i.e. 1.4 billion less than in 2019. At 0.5 billion, the social insurance apportionment result was again barely positive (previous year: 0.1 bn). In contrast, the compensation funds' financial result of 1.5 billion was significantly lower than the previous year's performance of 3.3 billion.

Consolidated net assets/equity decreased by 11.2 billion in the year under review, due primarily to the negative annual result of 14.2 billion. This was partly offset by factors recognized directly in net assets/equity (3.6 bn). These largely concerned valuation changes regarding employee retirement benefits.

THE FEDERAL CONSOLIDATED FINANCIAL STATEMENTS

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 OUTFLOW IN THE YEAR UNDER REVIEW

The cash outflow from operating activities amounted to a total of 3.2 billion. Most of these funds flowed out of the federal budget.

The net cash outflow from investing activities amounted to 11.8 billion. There was an outflow totaling 10.7 billion for tangible and intangible fixed assets. Major investments were made in transportation infrastructure (roads: 1.8 bn; rail: 2.6 bn) and telecommunications infrastructure (1.5 bn), for example. Significant investment expenditure was likewise incurred for land/buildings (1.6 bn), movables and other tangible fixed assets (2.1 bn), as well as software (1.0 bn). Investments stood against depreciation and amortization in the amount of 8.7 billion.

The cash flow from financing activities was negative at a total of 1.6 billion. Net inflows resulted from bond issuance and bank loans (0.7 bn), client deposits (2.7 bn) and money market instruments (4.5 bn). At the same time, there was an outflow of 9.1 billion from repo transactions and 0.6 billion in the form of dividend payments.

Overall, the cash outflow totaled 16.6 billion. Cash and cash equivalents fell by this amount year on year.

PERSONNEL

The headcount was increased by a total of 1,202 full-time equivalents (FTEs). Jobs were created primarily at SBB (+963), at the Confederation as parent entity (+669) and in the ETH Domain (+446). In contrast, there were headcount reductions at Swiss Post (-581 FTEs), Swisscom (-255 FTEs) and RUAG (-102 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.

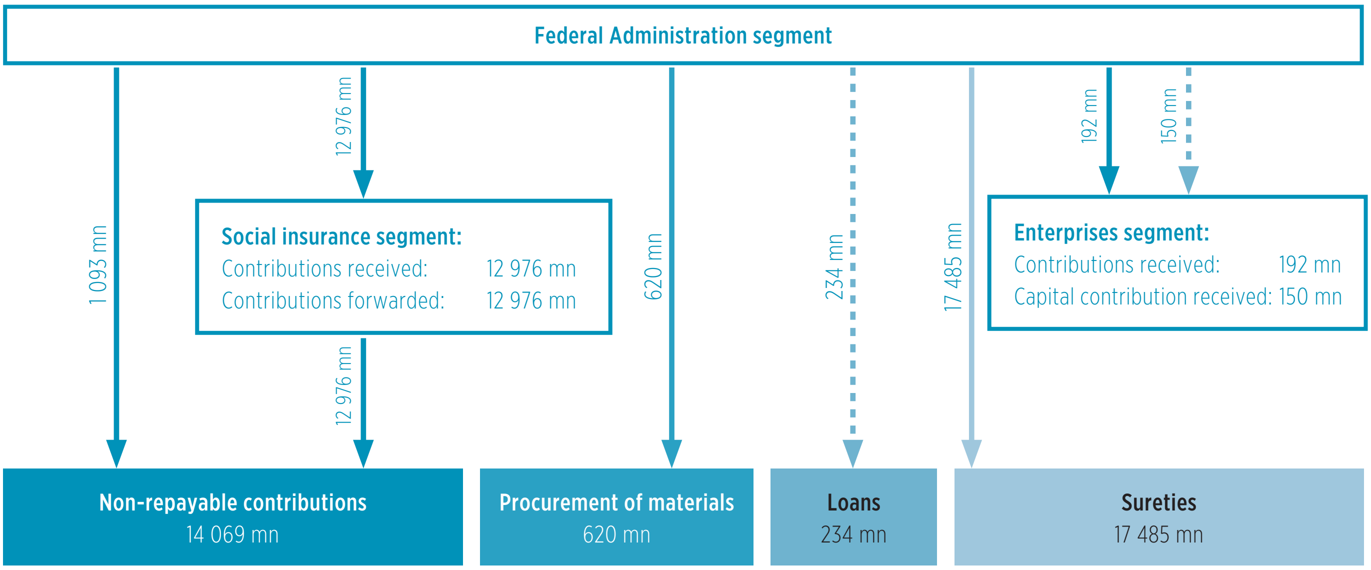
However, as there are significant capital ties and transfer payments between the Confederation's entities, these separate financial reports on their own do not provide a comprehensive overview of the Confederation's situation in terms of assets, finances and revenue. The consolidated financial statements 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.

FINANCIAL MEASURES TO COMBAT THE COVID-19 PANDEMIC

To cushion the health and economic consequences of the COVID-19 pandemic, the Federal Council and Parliament approved extensive measures. In total, funds of 33 billion were made available in 2020. Around 17 billion of that amount was recognized in these financial statements (see also volume 1, part B, section 72 of the state financial statements for 2020).

The measures taken by the Confederation served to preserve jobs and incomes, ensure primary medical care, and provide private companies with liquidity. Various instruments were needed for this. They can be broken down into *non-repayable contributions, the procurement of materials, loans and financial interests*, and *sureties*.

Measures	Amount	of which recognized as expenses
Total in CHF mn	**32 750**	**16 804**
Non-repayable contributions	14 261	14 069
Procurement of materials	620	334
Loans and financial interests	384	9
Sureties	17 485	2 392



Non-repayable contributions

Non-repayable contributions were paid out to recipients without any repayment obligations. In this context, short-time working compensation and COVID-19 loss of earnings compensation were paid out via the social insurance segment (unemployment insurance, loss of earnings compensation).

Non-repayable contributions	Expenses
Total in CHF mn	**14 261**
Social insurance contributions	**12 976**
Short-time working compensation	10 775
COVID-19 loss of earnings compensation	2 201
Other non-repayable contributions	**1 285**
Assumption of costs for COVID-19 tests	417
Public transportation contributions	400
Cultural arena contributions	166
Humanitarian aid and development cooperation	132
Contributions in the area of sport	100
Assumption of childcare costs	36
Tourism contribution	13
Increase in indirect press subsidies	12
Deployment of civil defense service	9
Intercompany	
of which to federal enterprises	-192
Total paid to third parties	**14 069**

Procurement of materials

Materials were procured to ensure primary medical care. Overall, procurements totaling 620 million were made, with 334 million of that amount charged to the 2020 statement of financial performance through consumption and revaluations. The remaining stocks of materials are inventories for the future course of the pandemic.

Procurement of materials	Payments made	Consumption and value adjustments
Total in CHF mn	**620**	**334**
Medical goods	445	185
Vaccines	172	146
Medicinal products	3	3

Loans and financial interests

The loans granted include a repayment obligation. Consequently, the burden on the statement of financial performance was limited to the extent of the already existing or estimated future defaults (9 mn). The recapitalization of Skyguide strengthened the equity capital base of the federal enterprise.

Loans and financial interests	Loans granted/capital contributions	Value adjustments
Total in CHF mn	**384**	**9**
Loans to third parties	234	9
ICRC loans	200	-
Loans for sport	30	9
Loans for culture	4	-
Recapitalization of federal enterprises	150	
Skyguide capital contribution	150	n.d.

Sureties

The Confederation guaranteed commercial bank loans in order to provide private companies with liquidity. The most extensive were the joint and several sureties for SMEs (15.3 bn) and the guarantees for airlines (1.3 bn). Provisions of 2.3 billion were set aside for future losses on these sureties. Only minor losses were incurred in 2020 (60 mn).

Sureties	Commitments entered into	Estimated losses
Total in CHF mn	**17 485**	**2 392**
COVID-19 joint and several sureties for businesses	15 267	2 360
Sureties for airlines, Swiss/Edelweiss	1 275	-
Surety for SNB loan to IMF's PRGT	800	-
Surety for SR Technics AG	79	-
COVID-19 joint and several sureties for start-ups	64	32

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 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 66 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 amounted to 58 billion.

The vast majority of the 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.

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 in the form of depreciation of 9 billion.

EMPLOYEES

The Confederation had 161,300 full-time positions (FTEs), divided between the Federal Administration (57,800 FTEs) and enterprises (103,500 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

58 BN

LIQUID ASSETS

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 (5 bn).

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

118 BN

FINANCIAL INVESTMENTS

Financial investments are largely in bonds. Their share amounted to 74 billion, or 63% of total investments. The remainder is invested in loans (22 bn) and other financial investments.

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

199 BN FINANCIAL ASSETS

137 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 33 billion. Further railway infrastructure facilities worth 11 billion are recorded under assets under construction.

33 BN

MOTORWAYS

The existing motorway network is recognized in the statement of financial position at 25 billion. Moreover, 8 billion is recorded under assets under construction for motorway segments that are still being constructed.

27 BN

LAND/BUILDINGS

Land and buildings are worth 27 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.

16 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 16 billion. The item with the highest value concerns the rolling stock and vehicle fleets of transportation companies (8 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.

9 BN

TELECOMMUNICATIONS

The value of telecommunication infrastructures is 9 billion, recognized solely under Swisscom.

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

LIABILITIES

242 BN RECOGNIZED LIABILITIES

111 BN

CLIENT FUNDS

Liabilities from client funds amounted to 111 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*

85 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*

13 BN

EMPLOYEE RETIREMENT BENEFITS

Net liabilities from employee retirement benefits are estimated to be 13 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*

33 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*

51 BN UNRECOGNIZED LIABILITIES

32 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. Borrowers can borrow more favorably with the Confederation's guarantee commitment.

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

7 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

50 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 was higher than the funds intended for this purpose. Accordingly, the railway infrastructure fund has negative net assets/equity.

45 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.

8 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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2 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	**2.6 BN**	**-1.3 BN**
MOTORWAYS	**1.8 BN**	**-1.6 BN**
LAND/BUILDINGS	**1.6 BN**	**-1.0 BN**
PROPERTY, PLANT AND EQUIPMENT/OTHER TANGIBLE FIXED ASSETS	**2.1 BN**	**-1.8 BN**
DEFENSE EQUIPMENT	**0.4 BN**	**-0.7 BN**
TELECOMMUNICATIONS	**1.5 BN**	**-1.2 BN**
SOFTWARE	**1.0 BN**	**-1.0 BN**

EMPLOYEES

The Confederation has 161,300 full-time positions (FTEs).
These are divided between the segments Federal Administration (57,800 FTEs) and federal enterprises (103,500 FTEs).

FEDERAL ADMINISTRATION

37 700
CONFEDERATION AS PARENT

19 400
ETH

700
OTHER

ENTERPRISES

39 100
SWISS POST

9000
RUAG

33 500
SBB

1400
SKYGUIDE

19 100
SWISSCOM

1400
OTHER

16.1 BN

WAGES AND SALARIES

Wages and salaries paid to employees.

1.6 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 subject to major 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 (BGRB Holding 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

Mitigating the economic consequences of the COVID-19 pandemic resulted in a record annual deficit of 16.4 billion. The measures adopted put a burden of 16.8 billion on the statement of financial performance. In terms of revenue, withholding tax in particular was significantly lower.

FEDERAL ADMINISTRATION SEGMENT: STATEMENT OF FINANCIAL PERFORMANCE

CHF mn	2019	2020	Δ 2019–20 Absolute	%
Tax revenue	69 892	67 237	-2 655	-3.8
Direct federal tax	23 268	24 146	878	3.8
Withholding tax	8 342	5 216	-3 126	-37.5
Stamp duty	2 152	2 421	269	12.5
Value added tax	22 497	22 100	-397	-1.8
Other consumption taxes	8 279	8 046	-233	-2.8
Miscellaneous tax revenue	5 355	5 309	-46	-0.9
Other sovereign revenue	1 368	1 989	622	45.5
Miscellaneous revenue	3 105	2 691	-413	-13.3
Operating revenue	74 364	71 918	-2 446	-3.3
Operating expenses	-17 519	-18 743	-1 225	7.0
Personnel expenses	-8 420	-8 652	-232	2.8
General, administrative and operating expenses	-5 714	-6 729	-1 015	17.8
Depreciation and amortization	-3 386	-3 363	23	-0.7
Transfer expenses	-50 961	-69 246	-18 285	35.9
Contributions to the social insurance segment	-15 749	-29 640	-13 891	88.2
Contributions to the federal enterprises segment	-3 119	-3 579	-460	14.7
Contributions to third parties	-32 093	-36 027	-3 934	12.3
Cantons' share in federal income	-5 763	-6 470	-707	12.3
Fiscal equalization to cantons	-3 415	-3 478	-63	1.9
Individual premium reductions (IPR) to cantons	-2 828	-2 850	-23	0.8
AHV and IV supplementary benefits	-1 599	-1 664	-65	4.1
Compensation to public bodies	-1 534	-1 444	90	-5.9
Contributions to international organizations	-2 254	-2 861	-607	26.9
Direct payments for agriculture	-2 815	-2 811	3	-0.1
Promotion of renewable energies	-1 281	-1 245	36	-2.8
Research promotion institutions	-1 104	-1 115	-11	1.0
COVID-19 joint and several sureties	-	-2 392	-2 392	n.a.
Other contributions to third parties	-9 501	-9 695	-194	2.0
Operating expenses	-68 480	-87 989	-19 509	28.5
Operating result	**5 884**	**-16 071**	**-21 956**	
Financial revenue	335	388	53	15.8
Financial expense	-1 166	-1 072	94	-8.1
Financial result	**-831**	**-684**	**147**	
Result from financial interests	**305**	**338**	**33**	
Surplus/deficit for the year	**5 358**	**-16 417**	**-21 775**	

OPERATING REVENUE

In the year under review, *tax revenue* amounted to 67.2 billion, representing a decrease of 2.7 billion (-3.8%). The drop was attributable to lower withholding tax revenue (-3.1 bn). This can be explained especially by lower dividend distributions relative to the previous year.

Coming in at 4.7 billion, *nontax revenue* was 0.2 billion higher than a year earlier. The profit distribution by the SNB amounted to 1.3 billion, which was double the previous year's figure. In addition, the enforcement compensation in the amount of 0.3 billion for restricted taxes previously recognized under *miscellaneous revenue* is now recognized under the respective tax revenue items.

OPERATING EXPENSES

Transfer expenses

Coming in at 69.2 billion, transfer expenses were up by 18.3 billion on the previous year. The sharp increase was driven primarily by extensive expenditure totaling 16.8 billion to tackle the COVID-19 pandemic. An overview of the individual measures is provided in the section entitled "Results overview". Internal transfer payments to the two other segments of the Confederation accounted for 33.2 billion of the total transfer expenses. A total of 36.0 billion was paid to recipients outside the scope of consolidation.

29.6 billion of the 33.2 billion in *internal transfer expenses* went to social insurance. Aside from restricted tax shares and federal contributions to AHV (12.4 bn) and IV (3.6 bn), this amount included in particular one-time contributions to ALV to cover short-time working compensation (10.8 bn) and the assumption of costs for COVID-19 loss of earnings compensation (2.2 bn). An inflow of 3.6 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 36.0 billion went largely to the cantons. Among other things, the cantons received 15.9 billion from shares in federal revenue, fiscal equalization, individual premium reductions, AHV and IV supplementary benefits, and compensation to public bodies. The cantons' share of direct federal tax was increased from 17% to 21.2% in 2020. Other significant transfer payments went to agriculture, international organizations, the promotion of renewable energies and research. Provisions for expected losses of 2.3 billion were created for the COVID-19 joint and several sureties of 15.3 billion. A further 60 million had already been defaulted and paid out as of the reporting date.

Operating expenses

Operating expenses amounted to 18.7 billion. They mainly included personnel expenses and general, administrative and operating expenses of the Federal Administration and the ETH Domain.

Personnel expenses were slightly higher than the previous year at 8.7 billion. The increase of 0.2 billion was split equally between the Confederation as parent entity and the ETH Domain.

General, administrative and operating expenses surged year on year and amounted to 6.7 billion. The increase was caused primarily by the provision for clearing the ammunition depot at Mitholz (0.6 bn; see section 23/20 of the financial report).

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

FINANCIAL RESULT

The *financial result* was influenced largely by the interest expense for Confederation bonds, which amounted to 1.0 billion in the year under review.

SURPLUS/DEFICIT FOR THE YEAR

The annual result of -16.4 billion was down by 21.8 billion on the previous year. This was attributable mainly to revenue losses and additional expenses associated with the COVID-19 pandemic.

23 ENTERPRISES SEGMENT

The economic impact of the COVID-19 pandemic can be seen primarily in transportation revenue (rail passenger transportation) and in other service revenue (slump in air traffic control revenue).

ENTERPRISES SEGMENT: STATEMENT OF FINANCIAL PERFORMANCE

CHF mn	2019	2020	Δ 2019–20 Absolute	Δ 2019–20 %
Service and production revenue	28 776	27 209	-1 567	-5.4
Postal service revenue	4 466	4 505	40	0.9
Income from financial services	1 403	1 320	-83	-5.9
Telecommunications service revenue	11 453	11 100	-352	-3.1
Armament sector revenue	2 003	1 782	-221	-11.0
Transportation revenue	5 504	4 406	-1 097	-19.9
Federal contributions	3 122	3 564	442	14.2
Other service revenue	827	531	-296	-35.8
Other revenue	3 721	3 472	-249	-6.7
Operating revenue	**32 498**	**30 681**	**-1 816**	**-5.6**
Personnel expenses	-12 415	-12 900	-485	3.9
General, administrative and operating expenses	-11 956	-11 553	404	-3.4
Cost of materials, goods and services	-5 617	-5 335	282	-5.0
Other general, administrative and operating expenses	-6 339	-6 218	122	-1.9
Depreciation and amortization	-5 207	-5 324	-116	2.2
Operating expenses	-29 579	-29 776	-198	0.7
Operating result	**2 919**	**905**	**-2 014**	
Financial revenue	190	105	-85	-44.7
Financial expense	-416	-409	7	-1.7
Financial result	**-226**	**-304**	**-78**	
Income from associates	**-19**	**-2**	**17**	
Income taxes of federal enterprises	**-218**	**-372**	**-154**	**70.7**
Surplus/deficit for the year	**2 456**	**227**	**-2 229**	

OPERATING REVENUE

Postal service revenue is generated by Swiss Post largely with the dispatch of letters, print media and parcels. In the year under review, revenue amounted to 4.5 billion, which was slightly more than the previous year (0.9%).

Financial service revenue is generated primarily by PostFinance 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 1.3 billion was achieved. The year-on-year decline (-5.9%) was due mainly to the interest margin business.

Telecommunications service revenue comes exclusively from Swisscom. Revenue fell to 11.1 billion (-352 mn), driven by continued price pressure and lower roaming revenue. Roaming accounted for around a third of the drop in revenue.

Armament sector revenue is generated by RUAG. 0.9 billion of the 1.8 billion in turnover was generated in the defense technology sector and 0.9 billion in the civil sector. Relative to the previous year, there was a decline of 11%, which was attributable to the civil sector.

Transportation revenue of 4.4 billion was generated by SBB and BLS Netz AG, as well as by postal buses. Transportation revenue was down by 1.1 billion, or 19.9%, year on year. There was a decline in rail passenger transportation (-1,003 mn), freight rail transportation (-73 mn) and postal bus passenger transportation (-50 mn).

Relative to the previous year, the *federal contributions* to the enterprises segment rose to 3.6 billion (+442 mn). 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 decrease was due primarily to the collapse in air traffic. Skyguide is largely financed by fees for arrivals and departures and for overflights in Swiss airspace.

OPERATING EXPENSES

Personnel expenses amounted to 12.9 billion. This was an increase of 485 million relative to the previous year, due mainly to a special factor the previous year, when 439 million from pension plan changes was recognized as reducing expenses. There were 103,500 full-time positions (+100 FTEs) in the enterprises segment.

General, administrative and operating expenses amounted to 11.6 billion, representing a year-on-year decrease of 404 million.

Depreciation and amortization were up by 116 million year on year, and totaled 5.3 billion.

SURPLUS/DEFICIT FOR THE YEAR

The enterprises segment posted an annual surplus of 227 million, which was 2.2 billion less than the previous year. While primarily SBB, RUAG, Skyguide and AlpTransit Gotthard posted negative results for the year, it was mainly Swisscom that made a positive contribution (1,530 mn). However, it should be noted that half of Swisscom's positive contribution was attributable to minority shareholders.

24 SOCIAL INSURANCE SEGMENT

Despite the coronavirus-related additional expenditure for short-time working compensation and COVID-19 loss of earnings compensation, the segment ended the year with a positive result, as the Confederation assumed these additional costs.

SOCIAL INSURANCE SEGMENT: STATEMENT OF FINANCIAL PERFORMANCE

CHF mn	2019	2020	Δ 2019–20 Absolute	Δ 2019–20 %
Contributions by insured persons/employers	46 855	48 477	1 622	3.5
Federal contributions	13 028	26 512	13 484	103.5
Contributions cantons	196	195	-0	-0.1
Tax shares	2 723	3 127	404	14.8
Other revenue	48	40	-8	-17.5
Operating revenue	62 850	78 352	15 501	24.7
Benefits in cash and in kind	-61 250	-76 298	-15 048	24.6
Administrative expenses	-1 516	-1 597	-82	5.4
Operating expenses	-62 765	-77 895	-15 130	24.1
Operating result	**85**	**456**	**372**	
Investment result	3 305	1 529	-1 776	
Financial result	**3 305**	**1 529**	**-1 776**	
Surplus/deficit for the year	**3 390**	**1 986**	**-1 404**	

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 barely positive at 456 million, although the apportionment results of the individual social insurance funds diverged. While AHV (579 mn), ALV (123 mn) and EO (134 mn) closed with a positive apportionment result, IV remained in negative territory (-431 mn). The positive AHV apportionment result was due to the higher contributions of insured persons/employers, federal contributions and tax shares following the entry into force of the tax reform and AHV financing, known as TRAF (+2.5 bn). However, ALV achieved a positive result only because of the federal contribution of 10.8 billion to cover the costs of short-time working.

FINANCIAL RESULT

In the year under review, the financial result was positive at 1.5 billion (2019: 3.3 bn), due essentially to the investments of the three compensation funds AHV/IV/EO. The funds are jointly managed and had assets of 38.6 billion as of the reporting date (2019: 36.5 bn). The funds' different risk profiles are taken into account when investing the assets, which leads to different investment returns.

SOCIAL INSURANCE SEGMENT: STATEMENT OF FINANCIAL PERFORMANCE BY ENTITY

CHF mn	AHV	IV	EO	ALV	CLEC	Other	*Consoli-dation*	2020
Contributions by insured persons/employers	34 139	5 516	1 772	7 455	-	22	*-426*	48 477
Contributions Confederation	9 287	3 617	-	11 360	2 201	47	-	26 512
Contributions cantons	-	-	-	172	-	24	-	195
Tax shares	3 127	-	-	-	-	-	-	3 127
Other revenue	2	30	-	7	-	-	-	40
Operating revenue	46 556	9 163	1 772	18 993	2 201	93	-426	78 352
Benefits in cash and in kind	-45 771	-9 014	-1 634	-18 013	-2 201	-91	*426*	-76 298
Administrative expenses	-206	-529	-3	-857	-	-2	-	-1 597
Interest expense (AHV loan to IV)	-	-51	-	-	-	-	*51*	-
Operating expenses	-45 977	-9 594	-1 637	-18 870	-2 201	-93	477	-77 895
Operating result	**579**	**-431**	**134**	**123**	**-**	**-**	**51**	**456**
Investment result	1 311	164	50	5	-	-	-	1 529
Interest income (AHV loan to IV)	51	-	-	-	-	-	*-51*	-
Financial result	**1 362**	**164**	**50**	**5**	**-**	**-**	**-51**	**1 529**
Surplus/deficit for the year	**1 941**	**-267**	**184**	**128**	**-**	**-**	**-**	**1 986**

OLD-AGE AND SURVIVORS' INSURANCE (AHV)

AHV ended 2020 with a positive apportionment result of 579 million (2019: -1,170 mn). The positive apportionment result for the first time since 2014 was due to the entry into force of the TRAF: owing to the 0.3% increase in contribution rates, the contributions of insured persons/employers rose by 1,631 million (+5.0%). In addition, the federal contribution to AHV expenditure was raised from 17% to 20.2% (+5.0%), and the percentage point of VAT earmarked for demographic change is now allocated in full to AHV (previously 83%). In contrast, payments were up by 1.6%.

The total assets of the AHV compensation fund (33.4 bn) generated a return of 4.05%. Thanks to the positive investment result of 1,362 million, AHV ended the year with an annual result of 1,941 million.

DISABILITY INSURANCE (IV)

Disability insurance ended 2020 with a negative apportionment result of -431 million (2019: -383 million). The higher contributions of insured persons/employers (+1.5%) were not sufficient to offset the increase in payments (+1.5%).

The total assets of the IV compensation fund (3.9 bn) generated a return of 4.29%. Despite the positive investment result of 164 million, IV ended the year with an annual loss of 267 million.

COMPENSATION FOR LOSS OF EARNINGS (EO)

EO ended 2020 with a positive apportionment result of 134 million (2019: 54 mn). While the contributions of insured persons/employers edged up (+1.3%), payments were down (-3.4%).

The total assets of the EO compensation fund (1.2 bn) generated a return of 4.34%. Thanks to the positive investment result of 50 million, EO ended the year with a positive annual result of 184 million.

UNEMPLOYMENT INSURANCE (ALV)

ALV ended 2020 with a positive apportionment result of 123 million (2019: 1,550 mn). The sharp increase in payments for short-time working compensation caused by the COVID-19 pandemic (+10.8 bn) was absorbed by the Confederation.

COVID-19 LOSS OF EARNINGS COMPENSATION

The payment of 2,201 million in COVID-19 loss of earnings compensation in 2020 was processed by the compensation funds. The Confederation bore the full cost of this loss of earnings compensation.

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 (2020: 528 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 (BGRB Holding 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 payment frameworks and guarantee credits, with which the multi-year management function is performed in important areas and in the case of commitments extending over more than one year, and budgetary and supplementary credits, which cover an entire (annual) accounting period.

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	2020
Statement of financial performance	
Surplus/deficit for the year	-14 205
Federal Administration segment	-16 417
Enterprises segment	227
Social insurance segment	1 986

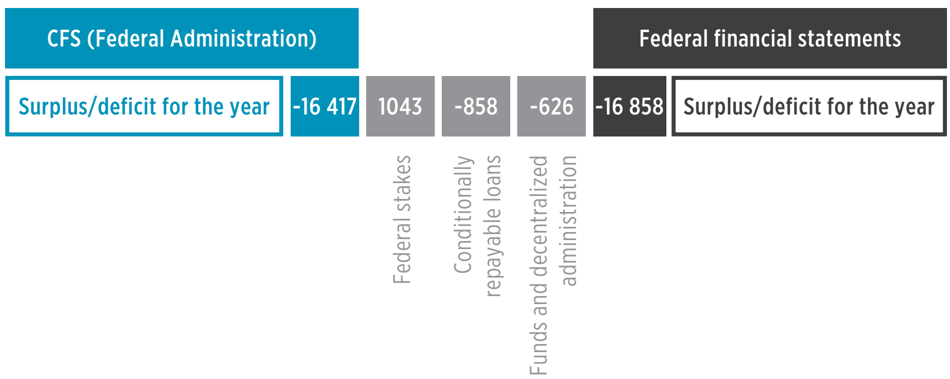
The results of the Federal Administration segment are not identical to the results in the federal financial statements. The two sets of annual results differ in the following areas:

Federal stakes: In the federal financial statements, the change in the equity stake of federal enterprises (1,349 mn) is recorded as a result from interests. In the consolidated view, only the result of associates (306 mn) remains in the Federal Administration segment. In contrast, the result from fully consolidated federal stakes (1,043 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.

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.

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

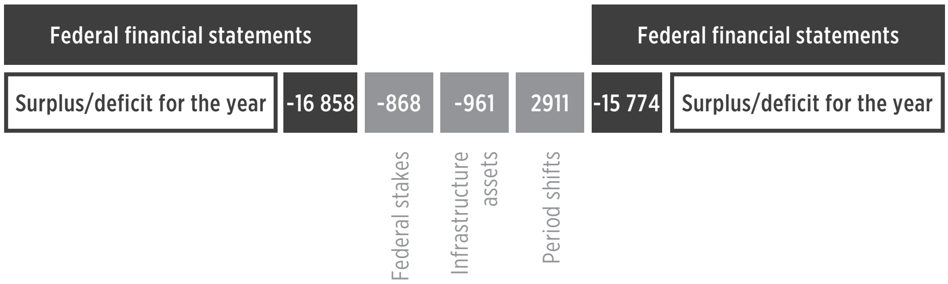


FEDERAL FINANCIAL STATEMENTS

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:

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



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: 631 mn) are taken into account instead of the proportional changes in equity (in the year under review: 1,499 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 (-3,745 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; 3,108 mn) and withdrawals from inventories (ammunition: 172 mn; other inventories: 61 mn) are both charged to the surplus or deficit for the year. In addition, extraordinary COVID-19 payments of 557 million put a burden on the financing statement.

Period shifts: In addition, there are other transactions (especially provisions) 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 2,911 million more than the statement of financial performance as a result.

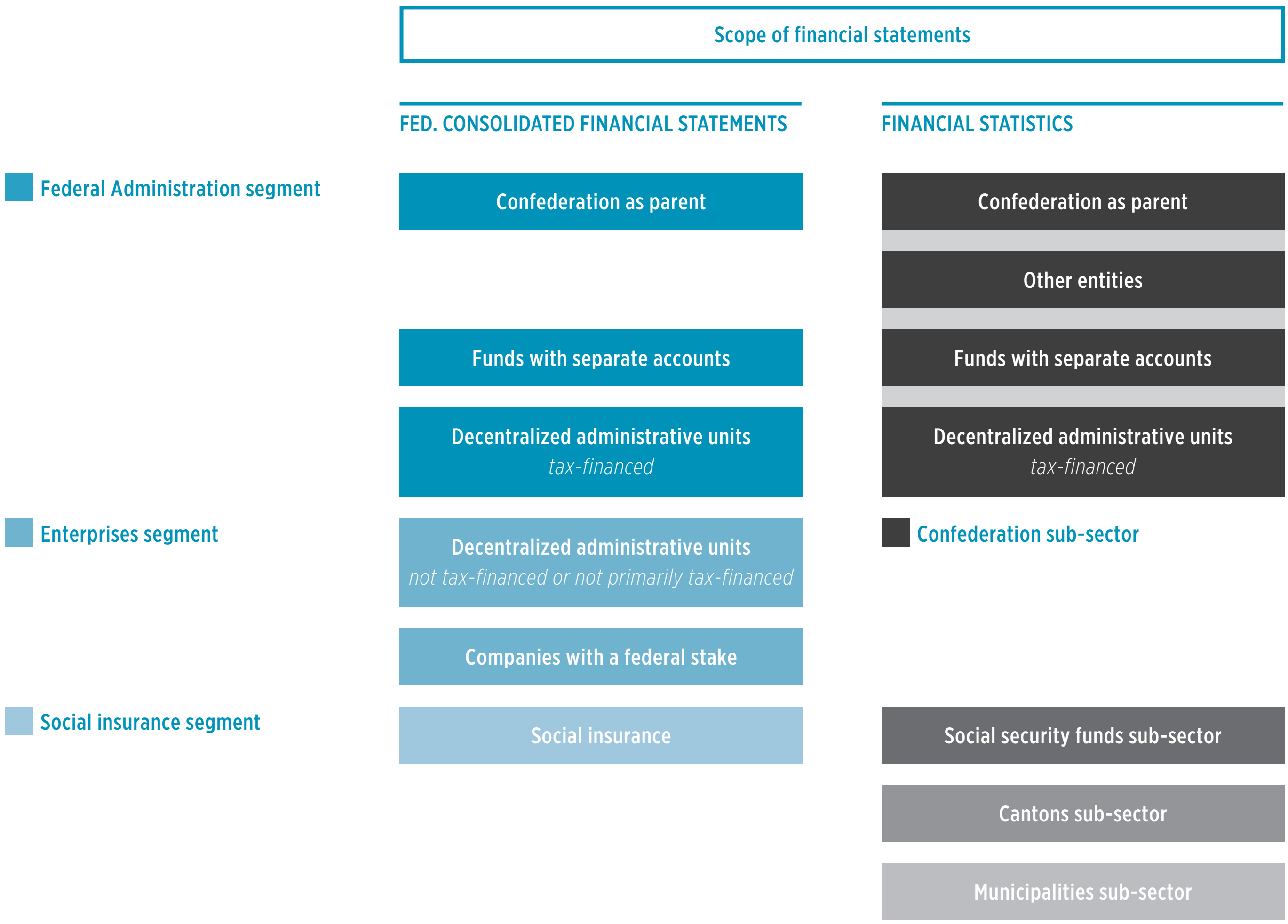
34 RELATIONSHIP BETWEEN THE CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATISTICS

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	2019	2020	Notes section
Tax revenue	69 892	67 237	1
Service and production revenue	26 960	24 550	2
Social insurance revenue	45 862	47 443	3
Other revenue	6 106	6 417	4
Operating revenue	148 820	145 647	
Personnel expenses	-19 598	-20 283	5
General, administrative and operating expenses	-18 064	-19 781	6
Transfer expenses	-32 424	-35 306	7
Social insurance expenses	-61 250	-76 298	3
Depreciation and amortization	-8 596	-8 689	15/16
Operating expenses	-139 931	-160 357	
Operating result	8 888	-14 710	
Financial result	2 248	542	8
Income from associates	285	336	17
Income taxes of federal enterprises	-218	-372	9
Surplus/deficit for the year	**11 204**	**-14 205**	
Swiss Confederation share	*10 393*	*-14 929*	
Minority interests	*810*	*724*	

12 STATEMENT OF FINANCIAL POSITION

CHF mn	2019	2020	Notes section
Assets	**370 283**	**357 544**	
Current assets	124 434	108 223	
Cash and cash equivalents	74 841	58 214	11
Receivables	16 965	17 230	12
Financial investments	21 956	22 301	13
Inventories	4 921	5 164	14
Prepaid expenses and accrued income	5 738	5 300	
Current income tax assets	13	14	
Non-current assets	245 848	249 321	
Tangible fixed assets	134 640	136 567	15
Intangible fixed assets	9 020	9 046	16
Financial investments	94 467	95 662	13
Financial interests	5 534	5 831	17
Deferred income tax assets	1 247	1 243	
Other non-current assets	940	972	
Liabilities and equity	**370 283**	**357 544**	
Short-term liabilities	168 488	168 983	
Current liabilities	17 940	16 060	18
Accrued expenses and deferred income	12 450	15 741	
Financial liabilities	28 260	23 176	19
Client funds	108 197	110 873	19
Current income tax liabilities	199	201	
Provisions	1 442	2 932	20
Long-term liabilities	124 254	122 241	
Financial liabilities	71 689	73 061	19
Provisions	30 512	30 025	20
Employee retirement benefits	16 443	13 023	21
Deferred income tax liabilities	958	1 063	
Other liabilities	4 652	5 069	22
Net assets/equity	77 541	66 320	
Minority interests	7 703	8 016	
Net assets/equity of the Confederation	69 838	58 304	
Restricted funds	47 074	49 643	
Other net assets/equity	22 764	8 662	

13 CASH FLOW STATEMENT

CHF mn	2019	2020
Total cash flow	**17 548**	**-16 627**
Cash flow from operating activities	22 263	-3 245
Surplus/deficit for the year	11 204	-14 205
Depreciation and amortization	8 592	8 689
Income associated financial interests	-285	-329
Profit from disposals	-209	-113
Increase/decrease in provisions, net	1 542	1 003
Non-cash fair value adjustments	-2 635	-981
Other non-cash transactions	173	572
Change in net current assets	3 882	2 118
Cash flow from investing activities	-7 632	-11 772
Acquisition of tangible and intangible fixed assets	-10 330	-10 672
Disposal of tangible and intangible fixed assets	405	293
Acquisition of financial interests and subsidiaries	-211	-164
Sale of financial interests and subsidiaries	161	0
Financial investment expenditure	2 315	-1 255
Dividends and profit distributions received	29	26
Cash flow from financing activities	2 916	-1 610
Cash inflow/outflow from client assets	-3 947	2 671
Net issuance/redemption of bonds	-3 799	551
Net issuance/redemption of money market paper	2 524	4 519
Net issuance/repayment of bank loans	-307	278
Net issuance/redemption of other financial liabilities	9 006	-9 115
Dividends and profit distributions	-560	-560
Change in minority interests	-1	46

CASH FUND STATEMENT

CHF mn	2019	2020
Cash and cash equivalents balance at 01.01.	57 293	74 841
Increase (+) / decrease (-)	17 548	-16 627
Cash and cash equivalents balance at 31.12.	74 841	58 214

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
As of 01.01.2019 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 01.01.2019 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	-	-	-	-	-	-	-	-	-560	-560
Change in reserves	-	-	-	-	-	-211	211	-	-	-
Transactions with minority shareholders	-	-	-	-	-	-	-	-	-1	-1
Other transactions	-	-	-	-	-	-	-19	-19	29	9
As of 31.12.2019 before restatement	**3 937**	**-7 024**	**42 619**	**7 541**	**47 074**	**6 378**	**16 386**	**69 838**	**7 703**	**77 541**
Change in accounting policies	-	-	23	-	23	-	-	23	-	23
As of 31.12.2019 after restatement	**3 937**	**-7 024**	**42 642**	**7 541**	**47 097**	**6 378**	**16 386**	**69 861**	**7 703**	**77 564**
Change in special funds	-	-	-	-13	-13	-	-	-13	-	-13
Revaluation employee retirement benefits	-	-	-	-	-	-	3 622	3 622	158	3 780
Revaluation associated companies	-	-	-	-	-	-	-9	-9	-2	-12
Revaluation financial instruments	-	-	-	-	-	-	-4	-4	-6	-11
Change in deferred taxes	-	-	-	-	-	-	-74	-74	-33	-108
Change in currency translations	-	-	-	-	-	-	-62	-62	-3	-64
Total items recognized under net assets/ equity	-	-	-	-13	-13	-	3 472	3 459	113	3 572
Surplus/deficit for the year	-5	483	1 986	96	2 559	-	-17 488	-14 929	724	-14 205
Total profit and loss recognized	-5	483	1 986	83	2 546	-	-14 015	-11 470	837	-10 632
Dividends	-	-	-	-	-	-	-	-	-560	-560
Change in reserves	-	-	-	-	-	-95	95	-	-	-
Transactions with minority shareholders	-	-	-	-	-	-	-37	-37	46	9
Other transactions	-	-	-	-	-	-	-50	-50	-10	-60
As of 31.12.2020	**3 932**	**-6 541**	**44 628**	**7 624**	**49 643**	**6 283**	**2 379**	**58 304**	**8 016**	**66 320**

ADJUSTMENT OF PRIOR YEAR VALUES (RESTATEMENT)

The restatement as of January 1, 2020 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, 2020 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 funds, risk capital and the capital attributable to minority shareholders of consolidated companies, 2.4 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

The values of Swisscom AG and der BLS Netz AG 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. The minority interests result mainly from these two financial interests.

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.

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, 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 investments	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	2019	2020
Tax revenue	**69 892**	**67 237**
Direct federal tax	23 268	24 146
Natural persons	11 455	12 038
Legal entities	11 813	12 107
Value added tax	22 497	22 100
General federal resources	17 983	17 668
Restricted funds	4 513	4 432
Withholding tax	8 342	5 216
Withholding tax incoming payments	38 701	30 531
Withholding tax refunds	-28 901	-27 189
Change in provisions	-1 500	1 900
US withholding tax	42	-26
Stamp duty	2 152	2 421
Issue tax	173	179
Transfer stamp tax	1 262	1 516
Insurance premium stamp duty and other	717	726
Other consumption taxes	8 279	8 046
Mineral oil tax	4 586	4 243
Tobacco duty	2 042	2 158
Grid supplement	1 281	1 245
Spirits tax	254	290
Beer tax	117	110
Miscellaneous tax revenue	5 355	5 309
Transportation taxes	2 393	2 303
Customs duties	1 143	1 187
Casino tax	311	250
Incentive fees and other tax revenue	1 508	1 569

2 SERVICE AND PRODUCTION REVENUE

CHF mn	2019	2020
Service and production revenue	**26 960**	**24 550**
Postal service revenue	4 466	4 505
Postal service revenue	4 466	4 505
Income from financial services	1 403	1 303
Financial service revenue	1 561	1 475
Financial service expenses	-158	-172
Telecommunications service revenue	11 453	11 100
Telecommunications services Switzerland	8 969	8 614
Telecommunications services abroad	2 484	2 486
Armament sector revenue	1 362	1 115
Defense technology	240	223
Civil area	1 122	891
Transportation revenue	5 504	4 406
Passenger transportation rail	3 468	2 465
Passenger transportation road	401	351
Freight transportation rail	835	762
Ancillary operating revenue rail	227	182
Cantons' contributions/compensation	573	647
Other service revenue	2 773	2 120
Air traffic control	336	197
Income from insurance services	71	-65
Swiss Post merchandise	108	83
ETH research/science services	634	645
Other services federal enterprises	1 623	1 259

3 SOCIAL INSURANCE REVENUE/EXPENDITURE

CHF mn	2019	2020
Net result social insurance	**-15 388**	**-28 855**
Social insurance revenue	45 862	47 443
Contributions by employers and insured persons	47 087	48 903
Cantons' contributions/other revenue	244	235
./. social insurance revenue from consolidation scope	-1 469	-1 695
Social insurance expenses	-61 250	-76 298
Direct old-age and survivors' insurance (AHV) benefits	-45 047	-45 771
Direct disability insurance (IV) benefits	-8 884	-9 014
Direct benefits concerning compensation for loss of earnings (EO)	-1 692	-1 634
Direct benefits concerning agriculture family allowances (FL)	-96	-91
Direct unemployment insurance (ALV) benefits (net AHV contributions)	-5 530	-17 698
Direct COVID-19 loss of earnings compensation (CLEC) benefits (net AHV contributions)	-	-2 090

Federal social insurance is financed primarily with the employer and employee contributions. Contributions from the federal budget and restricted tax shares are also major sources of funding. 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	2019	2020
Other revenue	**6 106**	**6 417**
Capitalized own work	1 779	1 790
Rail	1 358	1 296
Other	421	494
Building revenue	787	784
Building revenue rail operations	570	557
Federal buildings	77	70
Other	139	157
Other sovereign revenue	1 368	1 989
Revenue from exchange transactions, fines	139	70
SNB profit distribution	667	1 333
Revenue from concessions, quota auctions	309	331
Gifts, bequests to the ETH	92	142
Other revenue from payments, royalties	161	113
Other revenue	2 173	1 855
Cantonal contributions to railway infrastructure fund	533	528
Net revenue special financing in liabilities	77	6
Other misc. revenue	1 563	1 321

5 PERSONNEL EXPENSES

CHF mn	2019	2020
Personnel expenses	**-19 598**	**-20 283**
Wages and salaries	-15 803	-16 117
Retirement benefit cost	-1 924	-2 314
Other personnel expenses	-1 870	-1 852

6 GENERAL, ADMINISTRATIVE AND OPERATING EXPENSES

CHF mn	2019	2020
General, administrative and operating expenses	**-18 064**	**-19 781**
Cost of materials, goods and services	-5 854	-5 613
Building expenses and rent	-2 028	-1 976
IT expenses	-1 414	-1 557
Armed Forces operating and defense expenses	-1 060	-1 203
Other general and administrative expenses	-427	-495
Other operating expenses	-7 281	-8 937

7 TRANSFER EXPENSES

CHF mn	2019	2020
Transfer expenses	**-32 424**	**-35 306**
Cantons' share in federal income	-5 763	-6 470
Fiscal equalization to cantons	-3 415	-3 478
Individual premium reductions (IPR) to cantons	-2 828	-2 850
Direct payments for agriculture	-2 815	-2 811
Contributions to international organizations	-2 254	-2 861
COVID-19 joint and several sureties	-	-2 392
AHV and IV supplementary benefits	-1 599	-1 664
Compensation to public bodies	-1 534	-1 444
Promotion of renewable energies	-1 281	-1 245
Research promotion institutions	-1 104	-1 115
Redistribution of incentive fees	-1 095	-857
Regional passenger transportation contributions	-642	-667
Net expense special financing in liabilities	-128	-165
Other contributions to third parties	-7 968	-7 285

8 FINANCIAL RESULT

CHF mn	2019	2020
Financial result	**2 248**	**542**
Financial revenue	3 785	1 989
Interest income	608	520
Revenue from financial interests	323	279
Fair value adjustments	2 664	994
Other financial revenue	191	196
Financial expense	-1 537	-1 447
Interest expense	-1 194	-1 103
Capital procurement expenses	-45	-40
Impairments on financial investments	-50	-60
Fair value adjustments	-56	-48
Other financial expense	-192	-196

9 INCOME TAXES OF FEDERAL ENTERPRISES

CHF mn	2019	2020
Income taxes of federal enterprises	**-218**	**-372**
Expenses/revenue for current income taxes	-379	-381
Expenses/revenue for deferred income taxes	161	8

10 BREAKDOWN BY SEGMENT

CHF mn	Federal Administration	Companies	Social insurance	*Consolidation*	2020
Statement of financial performance					
Operating revenue	71 918	30 681	78 352	*-35 304*	145 647
Operating expenses	-87 989	-29 776	-77 895	*35 304*	-160 357
Operating result	-16 071	905	456	-	-14 710
Financial result	-684	-304	1 529	-	542
Income from associates	338	-2	-	-	336
Income taxes of federal enterprises	-0	-372	-	-	- 372
Surplus/deficit for the year	-16 417	227	1 986	-	-14 205
Personnel					
Number of full-time employees (FTEs)	57 777	103 487	-	-	161 265

11 CASH AND CASH EQUIVALENTS

CHF mn	2019	2020
Cash and cash equivalents	**74 841**	**58 214**
Cash	2 018	1 579
Sight deposits with financial institutions	72 759	56 264
Short-term deposits	64	371

12 RECEIVABLES

CHF mn	2019	2020
Receivables	**16 965**	**17 230**
Trade receivables	4 644	5 045
Tax and customs receivables	5 431	4 749
Current account receivables from compensation funds	3 892	3 900
Other current account receivables	580	940
Other receivables	3 237	3 419
Value adjustments on receivables	-819	-824

13 FINANCIAL INVESTMENTS

CHF mn	2019	2020
Financial investments	**116 423**	**117 963**
Short-term financial investments	21 956	22 301
Bonds	17 175	15 517
Fixed-term deposits, discount paper	1 022	2 740
Shares	241	267
Fund investments	389	404
Loans	2 363	1 994
Derivatives	456	538
Other financial investments	311	841
Long-term financial investments	94 467	95 662
Bonds	56 547	58 356
Fixed-term deposits, discount paper	296	368
Shares	7 346	7 054
Fund investments	9 354	8 926
Loans	19 810	19 604
Other financial investments	1 113	1 353

14 INVENTORIES

CHF mn	2019	2020
Inventories	**4 921**	**5 164**
Civil inventories and work in progress	1 773	1 812
COVID-19 PPE	-	215
Military inventories	3 557	3 564
Value adjustments on inventories	-410	-426

15 TANGIBLE FIXED ASSETS

2020 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 01.01.2020	25 394	40 059	55 576	17 590	27 955	49 485	44 763	260 822
Additions	7 577	629	63	409	1 288	0	15	9 980
Disposals	-126	-949	-684	-720	-1 042	-925	-1 027	-5 473
Change in consolidation scope	-	-21	-1	-	-0	-	-	-22
Reclassifications	-9 606	2 161	1 957	13	135	837	4 456	-46
Currency translations	-1	-7	-1	-	-20	-	-	-28
As of 31.12.2020	23 238	41 873	56 909	17 292	28 317	49 398	48 206	265 232
Accumulated depreciation								
As of 01.01.2020	-8	-25 138	-29 194	-13 501	-19 548	-23 500	-15 294	-126 182
Depreciation and amortization	-0	-1 860	-1 004	-677	-1 198	-1 587	-1 261	-7 589
Impairments	-0	-33	-4	-	-8	-38	-	-83
Disposals	8	869	631	720	1 038	925	961	5 150
Change in consolidation scope	-	18	0	-	-	-	-	18
Reclassifications	-	15	-7	-	0	-0	-1	7
Currency translations	0	2	1	-	10	-	-	13
As of 31.12.2020	-0	-26 128	-29 577	-13 458	-19 707	-24 201	-15 595	-128 666
Carrying amount as of 31.12.2020	**23 238**	**15 745**	**27 332**	**3 834**	**8 610**	**25 198**	**32 611**	**136 567**

2019 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**

Advance payments and assets under construction comprise mainly motorways (8.2 bn), construction projects and advance payments for railway infrastructure and rolling stock (9.1 bn), and Gotthard and Ceneri civil engineering structures not yet invoiced (2.0 bn).

Property, plant and equipment/other tangible fixed assets include the rolling stock of railway companies (8.1 bn).

16 INTANGIBLE FIXED ASSETS

2020 CHF mn	Assets under construction	Goodwill	Software	Other intangible fixed assets	Total
Acquisition costs					
As of 01.01.2020	606	6 981	7 020	2 129	16 735
Additions	507	-	389	62	957
Disposals	-9	-	-220	-10	-240
Change in consolidation scope	-	33	0	16	49
Reclassifications	-341	-	386	3	48
Currency translations	0	-12	-8	-2	-22
As of 31.12.2020	762	7 002	7 567	2 197	17 527
Accumulated depreciation					
As of 01.01.2020	-2	-1 488	-5 095	-1 130	-7 715
Depreciation and amortization	-8	-	-834	-150	-992
Impairments	-7	-14	-1	-2	-25
Disposals	9	-	215	10	235
Change in consolidation scope	-	-	1	1	2
Reclassifications	-	-	-3	3	0
Currency translations	-	6	7	1	14
As of 31.12.2020	-8	-1 496	-5 711	-1 266	-8 481
Carrying amount as of 31.12.2020	**754**	**5 506**	**1 856**	**930**	**9 046**

2019 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**

17 FINANCIAL INTERESTS

2020 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 01.01.2019	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
Additions	-	-	-	-	33	41	53	127
Disposals	-	-	-	-	-	-20	-1	-21
Dividends	-	-	-	-	-	-	-26	-26
Share of net result recognized in statement of financial performance	2	60	37	208	-	-	29	336
Share of net result recognized in net assets/equity	-6	-	-	-	-	-	-7	-13
Other transactions	-	-	-	-	-	-20	-11	-31
Currency translations	-	-	-	-	-53	-23	0	-76
As of 31.12.2020	561	1 263	553	1 490	810	273	881	5 831

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	2019	2020
Current liabilities	**17 940**	**16 060**
Trade payables	4 574	4 564
Tax and customs liabilities	7 758	6 004
Current accounts	4 516	4 213
Other liabilities	1 092	1 279

19 FINANCIAL LIABILITIES

CHF mn	2019	2020
Financial liabilities	**208 146**	**207 110**
Short-term financial liabilities	136 456	134 049
Client funds	108 197	110 873
Bonds	5 177	4 703
Liabilities from money market paper	8 507	13 026
Liabilities from repo transactions	9 125	22
Bank loans	1 615	1 186
Liabilities from financial leases	109	13
Negative replacement values	486	651
Other financial liabilities	3 240	3 575
Long-term financial liabilities	71 689	73 061
Bonds	65 944	66 959
Bank loans	2 235	2 657
Client funds	12	8
Liabilities from financial leases	668	719
Other financial liabilities	2 829	2 719

20 PROVISIONS

CHF mn	Withholding tax	Military insurance	Coins in circulation	Discontinuation, restoration, disposal	Benefits for employees	Sureties	Other	Total
As of 01.01.2019 before restatement	**19 300**	**2 054**	**2 285**	**2 032**	**1 456**	**-**	**3 321**	**30 447**
Change in accounting policies	-	-	-	-	-33	-	-	-33
As of 01.01.2019 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 before restatement	**20 800**	**1 964**	**2 305**	**2 073**	**1 484**	**-**	**3 328**	**31 954**
Change in accounting policies	-	-	-	-	-	-	1	1
As of 31.12.2019 after restatement	**20 800**	**1 964**	**2 305**	**2 073**	**1 484**	**-**	**3 328**	**31 955**
Increase	-	121	50	665	148	2 409	1 313	4 705
Decrease	-	-	-	-8	-12	-	-1 119	-1 140
Utilization	-1 900	-173	-21	-164	-92	-90	-158	-2 598
Present value adjustments	-	-	-	5	0	-	29	35
Consolidation scope changes	-	-	-	-	-1	-	-0	-1
Currency translations	-	-	-	-	0	-	0	1
Reclassifications	-	-	-	-0	2	68	-70	-
As of 31.12.2020	**18 900**	**1 912**	**2 334**	**2 572**	**1 529**	**2 387**	**3 324**	**32 957**
of which short term	*-*	*183*	*-*	*27*	*615*	*1 029*	*1 078*	*2 932*
of which long term	*18 900*	*1 729*	*2 334*	*2 545*	*913*	*1 358*	*2 246*	*30 025*

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 refunds from the three preceding full tax years.

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.

Based on expert reports, the Federal Council decided on December 4, 2020 that the former Mitholz ammunition depot should be cleared. The total cost of clearance is currently estimated at 700 million, spread over a period of around 20 years. After deducting the portion of the total costs that can probably be recognized in the balance sheet (road protective structures), estimated to be 110 million, a provision of 590 million is set aside for the remaining amount.

EMPLOYEE BENEFITS

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

SURETIES

To ensure liquidity, companies were able to obtain bridging credits guaranteed by the Confederation from their commercial banks (COVID-19 Joint and Several Guarantee Act). The bridging credits have to be repaid within eight years. Similarly, eligible start-up companies could claim guaranteed credits. These were processed through existing guarantee cooperatives. As of December 31, 2020, the Confederation guaranteed bridging credits of 15.3 billion. A provision of 2.4 billion was set aside for expected future defaults on COVID-19 joint and several sureties.

21 EMPLOYEE RETIREMENT BENEFITS

In accordance with the legal requirements in Switzerland, group entities have legally independent pension funds 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 funds 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	2019	2020
Employee retirement benefits	16 443	13 023
Present value of employee retirement benefits	103 728	102 783
Fair value of plan assets	-87 285	-89 761

The net employee retirement benefits recognized in the statement of financial position decreased by 3.4 billion in the year under review, due primarily to the positive investment performance of plan assets (+3.1 bn). The revaluation effects are recognized directly in net assets/equity.

RETIREMENT BENEFIT COST IN ACCORDANCE WITH IPSAS 39

CHF mn	2019	2020
Retirement benefit cost	-1 924	-2 314
Current service cost (employer)	-2 237	-2 287
Plan changes	436	-7
Administrative costs	-38	-38
Interest expense for employee retirement benefits	-569	-53
Interest income from plan assets	485	72

REVALUATION OF EMPLOYEE RETIREMENT BENEFITS AND PLAN ASSETS

CHF mn	2019	2020
Revaluation recognized in net assets/equity	**2 433**	**3 780**
Actuarial gains (+) / losses (-)	-4 777	675
Change in financial assumptions	-4 627	1 434
Change in demographic assumptions	471	473
Experience adjustments	-621	-1 232
Revenue from plan assets (excl. interest based on discount rate)	7 210	3 105

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

	Confederation as parent	ETH Domain	Swiss Post	SBB	Swisscom
Number of active insured persons	40 568	20 563	39 559	30 634	17 207
Number of pensioners	27 458	6 012	37 597	26 600	9 097
Discount rate	0.20%	0.20%	0.17%	0.10%	0.19%
Risk sharing	Yes	Yes	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. The discount rates are based on first-class corporate 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 are borne exclusively by the employer. However, both employees and the employer contribute in the event of restructuring.

By including risk sharing in the valuation of employee retirement benefits, this circumstance is taken into account in that 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 employee retirement benefits.

The valuation of the larger pension plans of the Confederation as parent entity, the ETH Domain, Swiss Post and Swisscom takes risk-sharing characteristics into account. Risk sharing is not yet taken into account in the valuation of the SBB pension plan.

22 OTHER LONG-TERM LIABILITIES

CHF mn	2019	2020
Other long-term liabilities	**4 652**	**5 069**
Special funds	1 906	1 946
Grid supplement fund	1 220	1 265
Nuclear damage fund	514	521
Family compensation fund	90	95
Other special funds	82	65
Restricted funds	2 504	2 907
Restricted research contributions	1 555	1 608
Special financing	677	840
Other restricted funds	272	459
Other long-term liabilities	241	215

23 CONTINGENT LIABILITIES

CHF mn	2019	2020
Contingent liabilities	**27 400**	**41 352**
Sureties and guarantees	**17 033**	**31 534**
Subsidized housing	3 517	3 493
Licensed transportation companies	2 476	2 678
IMF monetary assistance decree	8 597	8 588
IMF PRGT	1 347	1 281
COVID-19 bridging credits	-	12 938
Oceangoing vessels	335	311
Other sureties and guarantees	761	2 144
Capital commitments for development banks	7 986	7 428
Litigation	768	652
Other contingent liabilities	1 613	1 737
Decommissioning and disposal	382	382
Misc. other contingent liabilities	1 231	1 355

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.

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.

To ensure liquidity, companies affected by the COVID-19 crisis could obtain *COVID-19 bridging credits* guaranteed by means of joint and several sureties issued by four guarantee cooperatives. The Confederation covers the losses of the guarantee cooperatives, but is not a party to the surety contracts. A provision of 2.4 billion is recognized for the expected outflow of funds. Those sureties for which no cash outflow is currently expected are reported under contingent liabilities (12.9 bn).

Other sureties and guarantees include the following:

— Airlines and aviation-related businesses (1,354 mn)
— International mutual benefits assistance concerning health insurance (300 mn)
— Compulsory stock bills (201 mn)

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 international capital markets.

24 CONTINGENT ASSETS

CHF mn	2019	2020
Contingent assets	**21 020**	**21 943**
Unrecognized receivables from direct federal tax	20 000	20 900
Other contingent assets	1 020	1 043

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 2020, there would still be an estimated 20.9 billion in receipts anticipated the following years. These assets are owed to the Confederation by law. Recognizing all receivables up to and including the 2020 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	2019	2020
SERV liability scope		
SERV liability scope	16 000	16 000
Utilization	11 520	11 680
Utilization in %	72%	73%

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 2020, the insurance liability amounted to 11.7 billion, whereby the liability scope was 73% utilized. Insurance liabilities include outstanding insurance policies (7.3 bn) and insurance commitments in principle (1.7 bn).

26 EVENTS AFTER THE REPORTING DATE

The 2020 consolidated financial statements were approved by the Federal Council on April 14, 2021. Up to that date, no events requiring disclosure had occurred after the reporting date.

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 (BGRB Holding 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