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Swiss Confederation

FEDERAL CONSOLIDATED FINANCIAL STATEMENTS

2021

REPORT

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TABLE OF CONTENTS

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 expenses incurred to deal with the COVID-19 pandemic continued to impact the results of the federal consolidated financial statements in 2021, which ended the year with a deficit of 5.4 billion.

RESULTS OVERVIEW

CHF mn	2020	2021	Δ 2020–21 absolute
Statement of financial performance			
Surplus/deficit for the year	-14 205	-5 357	8 848
Federal Administration segment	-16 417	-10 149	6 268
Enterprises segment	227	2 372	2 145
Social insurance segment	1 986	2 421	435
Statement of financial position			
Net assets/equity	66 320	62 593	-3 727
Cash flow statement			
Total cash flow	-16 627	6 197	22 824
Cash flow from operating activities	-3 245	10 238	13 483
Cash flow from investing activities	-11 772	-10 411	1 360
Cash flow from financing activities	-1 610	6 371	7 981
Personnel			
Number of full-time employees (FTEs)	161 265	156 603	-4 662

ANNUAL RESULT STILL SEVERELY IMPACTED BY COVID-19 PANDEMIC

The statement of financial performance ended with a deficit of 5.4 billion. The negative result was caused mainly by the expenses of 13.7 billion incurred to deal with the COVID-19 pandemic.

The *Federal Administration segment* closed with a deficit of 10.1 billion (previous year: -16.4 bn). To cushion the economic impact of the COVID-19 pandemic, the segment spent 13.9 bn (previous year: 16.8 bn). In contrast, tax revenue grew by 3.0 billion. The largest increases were recorded by direct federal tax (+1.2 bn) and value added tax (+1.4 bn).

Federal enterprises generated a profit of 2.4 billion in 2021 (previous year: 0.2 bn). The segment's result therefore returned to a level similar to that seen before the COVID-19 crisis. Federal enterprises benefited from federal COVID-19 support measures in the transportation sector and from special factors concerning personnel expenses and retirement benefit costs.

Social insurance ended the year with a gain of 2.4 billion, i.e. 0.4 billion more than in 2020. At 0.5 billion, the social insurance apportionment result was again positive (previous year: 0.5 bn). However, the biggest contribution came from the financial result of the compensation funds, with a gain of 1.9 billion (previous year: 1.5 bn).

Consolidated net assets/equity fell by 3.7 billion during the year under review, due primarily to the annual deficit of 5.4 billion. This was partly offset by factors recognized directly in net assets/equity (net: 1.7 bn). These largely concerned valuation changes regarding employee retirement benefits and accounting standard changes.

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 INFLOW IN THE YEAR UNDER REVIEW

The *cash inflow from operating activities* amounted to a total of 10.2 billion. The improvement on the previous year (cash outflow of 3.2 bn) was almost entirely attributable to the federal budget. However, the net cash inflow has to be put into perspective, as there will be a time lag before the outflow of considerable amounts from the federal budget. For example, half of the net inflow of 10 billion from withholding tax is likely to be reclaimed. Moreover, significant approved COVID-19 contributions had not yet been paid out as of the reporting date (e.g. hardship measures 4.2 bn; COVID-19 testing costs 1.3 bn).

The net *cash outflow from investing activities* amounted to 10.4 billion. There was an outflow totaling 10 billion for tangible and intangible fixed assets. Major investments were made in transportation infrastructure (roads: 1.9 bn; rail: 2.7 bn) and telecommunications infrastructure (1.5 bn), for example. Significant funds were likewise invested in land/buildings (1.4 bn), movables and other tangible fixed assets (1.6 bn), and software (1.1 bn). Investments stood against depreciation and amortization of 8.5 billion.

The *cash flow from financing activities* was positive at a total of 6.4 billion. Net inflows resulted from repo transactions on the interbank market (20.7 bn) and bond issuance and bank loans (3.6 bn). At the same time, there were outflows from client deposits (14.8 bn) and money market instruments (2.5 bn), as well as for dividend payments (0.6 bn).

Overall, the cash inflow totaled 6.2 billion. Cash and cash equivalents rose by this amount year on year.

PERSONNEL

The headcount decreased by 4,662 full-time equivalents (FTEs) relative to the previous year. However, the decline resulted primarily from the fact that Swiss Post Solutions, which is held for sale, is no longer included in the headcount (2020: 6,393 FTEs). Adjusted for that, Swiss Post added 511 FTEs. Staff numbers also increased in the ETH Domain (+506), at SBB (+445), at the Confederation as parent entity (+276) and at Skyguide (+114), while the number of employees at Swisscom decreased (-157).

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

The financial measures to combat the COVID-19 pandemic had an impact of 13.7 billion (2020: 16.8 bn) on the 2021 statement of financial performance.

Total in CHF mn	2020	2021
Expenses	**16 804**	**13 744**
Non-repayable contributions	14 069	13 737
Procurement of materials	334	473
Impairments on loans	9	-
Expenses from sureties	2 392	-466

Non-repayable contributions

Non-repayable contributions were paid out to recipients without any repayment obligations. They were financed exclusively by the Federal Administration segment. The contributions paid to third parties for short-time working compensation and COVID-19 loss of earnings compensation were paid out via the social insurance segment, but these costs were passed on to the Federal Administration segment.

CHF mn	2020	2021
Social insurance contributions		
Short-time working compensation	10 775	4 358
COVID-19 loss of earnings compensation	2 201	1 799
Other non-repayable contributions		
Cantonal hardship measures	-	4 194
Assumption of costs for COVID-19 tests	417	2 279
Global health initiative contribution (ACT-A)	-	300
Public transportation contributions	400	278
Contributions in the area of sport	100	227
Misc. healthcare measures	-	177
Cultural arena contributions	166	135
Humanitarian aid and development cooperation	132	45
Tourism contribution	13	27
Increase in indirect press subsidies	12	17
Other measures (safety net, export promotion)	-	15
FSO additional expenses (data collection and analysis)	-	11
Deployment of civil defense service	9	5
Emergency aid for Swiss schools abroad	-	2
Childcare	36	-7
Intercompany		
of which to federal enterprises	-192	-125
Total paid to third parties	**14 069**	**13 737**

The intercompany contributions concern public transportation.

Procurement of materials

Materials were procured to ensure primary medical care. In particular, medical materials and vaccines were procured. Most of the goods are intended for resale.

Overall, procurements totaling 664 million (2020: 620 mn) were made during the year under review. Of this amount, goods worth 75 million (2020: 45 mn) were resold. Consumption and revaluations of 473 million (2020: 334 mn) were charged to the statement of financial performance in 2021. Advance payments of 242 million and inventories of 116 million were recognized as of December 31, 2021.

Measures/area CHF mn	Medical materials	Vaccines	Total
As of 01.01.2021	215	26	242
Purchase	44	621	664
Sale	-9	-66	-75
Consumption/value adjustments	-174	-300	-473
As of 31.12.2021	**77**	**281**	**358**

Loans

Loans amounting to 330 million were granted during the year under review in connection with the COVID-19 crisis. Skyguide (federal enterprises segment) received 250 million of that amount.

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 losses. During the year under review, no impairment losses were recognized on loans granted.

Sureties

In 2020, the Confederation guaranteed a large volume of commercial bank loans in order to provide private companies with liquidity. The most extensive were the COVID-19 joint and several sureties for SMEs (2020 volume: 15.3 bn) and the sureties for airlines (2020 volume: 1.3 bn). The sureties were granted with a term of several years.

Significantly smaller amounts of sureties were granted during the year under review. Sureties borne by the Confederation in the amount of 212 million were granted from the *hardship measures* program. A provision of 29 million was recognized for expected payment defaults.

A provision of 2.3 billion was created a year earlier for future losses on *COVID-19 joint and several sureties*. During the year under review, payment defaults of 238 million were recorded, and bridging credits of 3.3 billion were repaid, thereby reducing the outstanding volume of sureties to 12 billion as of the end of 2021. The revaluation of the provision as of December 31, 2021 also caused its recognition in the statement of financial performance to be reduced by 495 million.

The *sureties for airlines* remained unchanged on the previous year (1.3 bn). No payment defaults were recorded, and no provision for expected future payment defaults had to be recognized.

Measures CHF mn	Bridging credits*	Hardship measures	Aviation	Total
Provisions as of 01.01.2021	2 332	–	–	2 332
Utilization (payment defaults)	-238	–	–	-238
Creation (+)/release (-)	-495	29	–	-466
Provisions as of 31.12.2021	**1 599**	**29**	**–**	**1 628**
Outstanding sureties 01.01.2021	15 270	–	1 354	16 624
Outstanding sureties 31.12.2021	**12 002**	**212**	**1 354**	**13 568**

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 63 billion. 9 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 54 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 156,600 full-time positions (FTEs), divided between the Federal Administration (58,600 FTEs) and enterprises (98,000 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

64 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*

24 BN

RECEIVABLES/ACCRUALS AND DEFERRALS

This includes primarily trade receivables (5 bn), tax and customs duty receivables (6 bn), assets due from compensation funds (5 bn) and prepaid expenses and accrued income (7 bn).

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

118 BN

FINANCIAL INVESTMENTS

Financial investments are largely in bonds. Their share amounted to 72 billion, or 61% of total investments. The remainder is invested in loans (20 bn) and other financial investments.

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

206 BN FINANCIAL ASSETS

138 BN INFRASTRUCTURE

45 BN

RAILWAY INFRASTRUCTURE

The existing railway infrastructure of companies controlled by the Confederation is recognized in the statement of financial positions at 36 billion. Further railway infrastructure facilities worth 9 billion are recorded under assets under construction.

33 BN

MOTORWAYS

The existing motorway network is recognized in the statement of financial position at 24 billion. Moreover, 9 billion is recorded under assets under construction for motorway segments that are still being constructed.

28 BN

LAND/BUILDINGS

Land and buildings are worth 28 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.

8 BN

TELECOMMUNICATIONS

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

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

LIABILITIES

249 BN RECOGNIZED LIABILITIES

96 BN

CLIENT FUNDS

Liabilities from client funds amounted to 96 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*

105 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*

5 BN

EMPLOYEE RETIREMENT BENEFITS

Net liabilities from employee retirement benefits are estimated to be 5 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*

43 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*

44 BN UNRECOGNIZED LIABILITIES

25 BN

SURETIES/GUARANTEES

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

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

9 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*

10 BN

SERV INSURANCE LIABILITIES

The insurance liabilities of Swiss Export Risk Insurance (SERV) amounted to 10 billion as of the reporting date. The insurance liabilities include insurance policies (7 bn) and insurance commitments in principle (3 bn).

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

NET ASSETS/EQUITY

52 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.

-6 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.

47 BN

SOCIAL INSURANCE

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

7 BN

OTHER RESTRICTED FUNDS

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

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6 BN

RISK CAPITAL

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

-4 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	**2.7 BN**	**-1.2 BN**
MOTORWAYS	**1.9 BN**	**-1.6 BN**
LAND/BUILDINGS	**1.4 BN**	**-1.0 BN**
PROPERTY, PLANT AND EQUIPMENT/OTHER TANGIBLE FIXED ASSETS	**1.6 BN**	**-1.9 BN**
DEFENSE EQUIPMENT	**0.3 BN**	**-0.6 BN**
TELECOMMUNICATIONS	**1.5 BN**	**-1.2 BN**
SOFTWARE	**1.1 BN**	**-1.0 BN**

EMPLOYEES

The Confederation has 156,600 full-time positions (FTEs). These are divided between the segments Federal Administration (58,600 FTEs) and federal enterprises (98,000 FTEs).

FEDERAL ADMINISTRATION

38 000
CONFEDERATION AS PARENT

19 900
ETH

700
OTHER

ENTERPRISES

33 200
SWISS POST

9000
RUAG

33 900
SBB

1500
SKYGUIDE

18 900
SWISSCOM

1500
OTHER

15.9 BN

WAGES AND SALARIES

Wages and salaries paid to employees.

1.7 BN

FIRST PILLAR INCOMING PAYMENTS

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

1.9 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
Swiss capacity allocation body TV
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

To cushion the economic impact of the COVID-19 pandemic, 13.9 billion was spent. The annual deficit of 10.1 billion was slightly lower than a year earlier, thanks to high tax revenue.

FEDERAL ADMINISTRATION SEGMENT: STATEMENT OF FINANCIAL PERFORMANCE

			Δ 2020–21	
CHF mn	**2020**	**2021**	**absolute**	**%**
Tax revenue	67 237	70 238	3 001	4.5
Direct federal tax	24 146	25 393	1 248	5.2
Withholding tax	5 216	4 900	-316	-6.1
Stamp duty	2 421	2 608	187	7.7
Value added tax	22 100	23 539	1 439	6.5
Other consumption taxes	8 046	8 459	413	5.1
Miscellaneous tax revenue	5 309	5 339	30	0.6
Other sovereign revenue	1 989	2 721	732	36.8
Miscellaneous revenue	2 691	2 997	306	11.4
Operating revenue	**71 918**	**75 956**	**4 038**	**5.6**
Operating expenses	-18 743	-18 539	204	-1.1
Personnel expenses	-8 652	-8 560	91	-1.1
General, administrative and operating expenses	-6 729	-6 688	41	-0.6
Depreciation and amortization	-3 363	-3 291	72	-2.1
Transfer expenses	-69 246	-67 242	2 004	-2.9
Contributions to the social insurance segment	-29 640	-23 321	6 318	-21.3
Contributions to the federal enterprises segment	-3 579	-3 752	-173	4.8
Contributions to third parties	-36 027	-40 168	-4 141	11.5
Cantons' share in federal income	-6 470	-6 819	-349	5.4
Fiscal equalization to cantons	-3 478	-3 497	-19	0.6
Individual premium reductions (IPR) to cantons	-2 850	-2 874	-24	0.8
AHV and IV supplementary benefits	-1 664	-1 772	-108	6.5
Compensation to public bodies	-1 444	-1 333	111	-7.7
Contributions to international organizations	-2 861	-1 959	902	-31.5
Direct payments for agriculture	-2 811	-2 811	0	-0.0
Promotion of renewable energies	-1 245	-1 288	-43	3.5
Research promotion institutions	-1 115	-1 156	-41	3.7
COVID-19 hardship measures	-	-4 194	-4 194	-
Assumption of costs for COVID-19 tests	-417	-2 279	-1 862	446.5
COVID-19 joint and several sureties	-2 392	487	2 879	-120.4
Other contributions to third parties	-9 278	-10 672	-1 393	15.0
Operating expenses	**-87 989**	**-85 781**	**2 208**	**-2.5**
Operating result	**-16 071**	**-9 825**	**6 246**	
Financial revenue	388	367	-21	-5.3
Financial expense	-1 072	-878	194	-18.1
Financial result	**-684**	**-510**	**173**	
Result from financial interests	**338**	**186**	**-152**	
Surplus/deficit for the year	**-16 417**	**-10 149**	**6 268**	

OPERATING REVENUE

During the year under review, *tax revenue* rose to 70.2 billion (+3.0 bn). The increase was due mainly to higher revenue from direct federal tax (+1.2 bn) and value added tax (+1.4 bn). Value added tax benefited from the sharp rise in consumer spending and import prices.

Coming in at 5.7 billion, *nontax revenue* was 1.0 billion higher than a year earlier. The largest increase concerned the profit distribution by the Swiss National Bank (SNB), which was raised from 1.3 billion to 2.0 billion.

OPERATING EXPENSES

Transfer expenses

Although transfer expenses were 2.0 billion lower than the previous year at 67.2 billion, they continued to be impacted by high expenses for dealing with the COVID-19 pandemic (2021: 13.9 bn; 2020: 16.8 bn). 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 27.1 billion of transfer expenses; 40.2 billion was paid to recipients outside the scope of consolidation.

Internal transfer expenses (27.1 bn): 23.3 billion went to social insurance. Aside from ordinary restricted tax shares and federal contributions to AHV (12.8 bn), IV (3.7 bn) and ALV (0.6 bn), this amount once again included extraordinary federal contributions to cover short-time working compensation (4.4 bn) and COVID-19 loss of earnings compensation (1.8 bn). An inflow of 3.8 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 (40.2 bn): around half of this amount went to the cantons. In particular, these are recurring payments of 16.3 billion resulting from shares in federal revenue, fiscal equalization, individual premium reductions, AHV and IV supplementary benefits, and compensation to public bodies. Other significant transfer payments went to agriculture and international organizations, and were used to promote renewable energies and research. External transfers for dealing with the COVID-19 crisis concerned in particular the contribution to cantonal hardship measures (4.2 bn) and the assumption of costs for COVID-19 tests (2.3 bn). The revaluation of the provision for COVID-19 joint and several sureties eased the burden by 0.5 billion.

Operating expenses

Operating expenses amounted to 18.5 billion. They mainly included personnel expenses and general, administrative and operating expenses of the Federal Administration and the ETH Domain.

Personnel expenses (8.6 bn), *general, administrative and operating expenses* (6.7 bn) and infrastructure *depreciation* (3.3 bn) were in line with the previous year’s figures. General, administrative and operating expenses included value adjustments of 0.5 billion for COVID-19 medical materials and vaccines.

FINANCIAL RESULT

The *financial result* was influenced largely by the interest expense for Confederation bonds, which amounted to 0.9 billion in the year under review.

SURPLUS/DEFICIT FOR THE YEAR

Like the previous year, a large deficit of 10.1 billion was recorded.

23 ENTERPRISES SEGMENT

After the previous year's low, federal enterprises generated profits in 2021 that were similar to those seen before the COVID-19 crisis. However, they benefited from federal COVID-19 support measures and special factors.

ENTERPRISES SEGMENT: STATEMENT OF FINANCIAL PERFORMANCE

CHF mn	2020	2021	Δ 2020–21 absolute	Δ 2020–21 %
Service and production revenue	27 209	27 791	581	2.1
Postal service revenue	4 505	4 172	-334	-7.4
Income from financial services	1 320	1 397	77	5.8
Telecommunications service revenue	11 100	11 183	83	0.7
Armament sector revenue	1 782	1 854	72	4.0
Transportation revenue	4 406	4 627	221	5.0
Federal contributions	3 564	3 752	188	5.3
Other service revenue	531	804	274	51.6
Other revenue	3 472	3 919	447	12.9
Operating revenue	**30 681**	**31 709**	**1 028**	**3.4**
Personnel expenses	-12 900	-11 995	905	-7.0
General, administrative and operating expenses	-11 553	-11 826	-273	2.4
Cost of materials, goods and services	-5 335	-5 617	-281	5.3
Other general, administrative and operating expenses	-6 218	-6 209	9	-0.1
Depreciation and amortization	-5 324	-5 205	118	-2.2
Operating expenses	**-29 776**	**-29 025**	**751**	**-2.5**
Operating result	**905**	**2 684**	**1 779**	
Financial revenue	105	901	796	758.0
Financial expense	-409	-787	-379	92.6
Financial result	**-304**	**113**	**417**	
Income from associates	**-2**	**20**	**23**	
Income taxes of federal enterprises	**-372**	**-446**	**-74**	**19.8**
Surplus/deficit for the year	**227**	**2 372**	**2 145**	

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 was 334 million lower than a year earlier (-7.4%). However, this decline was due to a reporting change: the figures for Swiss Post do not include Swiss Post Solutions, which is held for sale. Consequently, the revenue generated by this business area is no longer included in the figure for 2021. In 2020, this business area generated revenue of 499 million. Adjusted for this effect, revenue increased by 165 million.

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 1.4 billion was achieved. The year-on-year increase (+5.8%) was due mainly to the interest margin business (higher interest income).

Telecommunications service revenue comes exclusively from Swisscom. Revenue rose to 11.2 billion (+83 mn), due largely to the increase in revenue abroad (broadband and mobile services).

Armament sector revenue is generated by RUAG. 0.9 billion of the 1.9 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 rise of 4%.

Transportation revenue of 4.6 billion was generated by SBB and BLS Netz AG, as well as by postal buses. Transportation revenue was up by 221 million (+5%) year on year, but remained well below the level generated before the COVID-19 pandemic.

Relative to the previous year, the *federal contributions* to the enterprises segment rose to 3.8 billion (+188 mn). These are essentially federal payments for railway infrastructure and subsidies for regional passenger transportation. The rise in contributions was attributable to coronavirus-related support measures. In 2019, federal contributions still amounted to 3.1 billion.

Other service revenue was 274 million (+51.6%) higher 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, TVS). The increase was largely due to the recovery in the insurance and air traffic control sectors.

OPERATING EXPENSES

Coming in at 12.0 billion, *personnel expenses* were significantly lower than a year earlier (-905 mn). The drop was essentially due to special factors: Swiss Post Solutions, which is held for sale by Swiss Post, was no longer included in the 2021 figures (see postal service revenue). The prior-year figure included personnel expenses of 304 million. Furthermore, the discontinuation of staff vouchers for Swiss Post pensioners led to a one-time reduction of 131 million in personnel expenses. Retirement benefit costs were down by 431 million on the previous year, due primarily to plan changes recognized in the statement of financial performance.

General, administrative and operating expenses amounted to 11.8 billion, representing a year-on-year increase of 273 million.

Depreciation and amortization were down by 118 million year on year, and totaled 5.2 billion.

FINANCIAL RESULT

The financial result was 417 million better than the previous year. This was due, among other things, to gains on the disposal of financial interests at Swisscom. Positive changes in the valuation of derivatives were also recognized in the financial result.

SURPLUS/DEFICIT FOR THE YEAR

The enterprises segment posted an annual surplus of 2.4 billion, which was an improvement of 2.1 billion on the previous year. While SBB, BLS Netz AG and Skyguide posted a negative result for the year, Swisscom (1,831 mn) and Swiss Post (572 mn), in particular, made a positive contribution. 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 expenses 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 like the previous year.

SOCIAL INSURANCE SEGMENT: STATEMENT OF FINANCIAL PERFORMANCE

CHF mn	2020	2021	Δ 2020–21 absolute	Δ 2020–21 %
Contributions by insured persons/employers	48 477	50 077	1 600	3.3
Federal contributions	26 512	20 047	-6 465	-24.4
Contributions cantons	195	198	3	1.4
Tax shares	3 127	3 275	147	4.7
Other revenue	40	50	10	24.5
Operating revenue	78 352	73 646	-4 705	-6.0
Benefits in cash and in kind	-76 298	-71 497	4 800	-6.3
Administrative expenses	-1 597	-1 622	-24	1.5
Operating expenses	-77 895	-73 119	4 776	-6.1
Operating result	**456**	**527**	**71**	
Investment result	1 529	1 894	365	
Financial result	**1 529**	**1 894**	**365**	
Surplus/deficit for the year	**1 986**	**2 421**	**435**	

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 again positive at 527 million, although the apportionment results of the individual social insurance funds diverged. While AHV (880 mn) and EO (165 mn) closed with a positive apportionment result, IV (-366 mn) and ALV (-204 mn) remained in negative territory. However, the ALV apportionment result would have been significantly more negative without the federal contribution of 4.4 billion to cover the costs of short-time working.

FINANCIAL RESULT

In the year under review, the financial result was once again positive at 1.9 billion (2020: 1.5 bn), due to the investments of the three compensation funds AHV/IV/EO. The funds are jointly managed and had assets of 40.9 billion as of the reporting date (2020: 38.6 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	*Consolida-tion*	2021
Contributions by insured persons/employers	35 130	5 678	2 029	7 648	-	23	*-431*	50 077
Contributions Confederation	9 499	3 749	-	4 954	1 799	45	-	20 047
Contributions cantons	-	-	-	175	-	23	-	198
Tax shares	3 275	-	-	-	-	-	-	3 275
Other revenue	3	39	-	7	-	-	-	50
Operating revenue	47 907	9 466	2 029	12 785	1 799	91	-431	73 646
Benefits in cash and in kind	-46 821	-9 232	-1 861	-12 127	-1 799	-89	*431*	-71 497
Administrative expenses	-206	-548	-4	-862	-	-2	-	-1 622
Interest expense (AHV loan to IV)	-	-51	-	-	-	-	*51*	-
Operating expenses	-47 027	-9 832	-1 865	-12 989	-1 799	-91	483	-73 119
Operating result	**880**	**-366**	**165**	**-204**	**-**	**-**	**51**	**527**
Investment result	1 651	158	66	18	-	-	-	1 894
Interest income (AHV loan to IV)	51	-	-	-	-	-	*-51*	-
Financial result	**1 703**	**158**	**66**	**18**	**-**	**-**	**-51**	**1 894**
Surplus/deficit for the year	**2 583**	**-207**	**231**	**-186**	**-**	**-**	**-**	**2 421**

OLD-AGE AND SURVIVORS' INSURANCE (AHV)

The AHV apportionment result amounted to 880 million (2020: 579 mn). This was once again positive thanks to the tax reform and AHV financing (TRAF), which was introduced in 2020 and results in higher operating revenue. This is due to the 0.3% increase in the contribution rates of insured persons/employers and the increase in the federal contribution to AHV expenditure, bringing it from 17% to 20.2%, as well as the fact that the percentage point of VAT earmarked for demographic change is now allocated in full to AHV (previously 83%). However, payments were also up by 2.3%.

The total assets of the AHV compensation fund (35.9 bn) generated a return of 4.94%. Thanks to the positive investment result of 1,703 million, AHV ended the year with an annual result of 2,583 million.

DISABILITY INSURANCE (IV)

The IV apportionment result remained in negative territory (2020: -431 mn). The higher contributions of insured persons/employers (+3.3%) were not sufficient to offset the increase in payments (+2.5%).

The total assets of the IV compensation fund (3.6 bn) generated a return of 4.10%. The positive investment result of 158 million reduced the annual loss to -207 million.

COMPENSATION FOR LOSS OF EARNINGS (EO)

The EO apportionment result amounted to 165 million (2020: 134 mn). As a result of the newly introduced two weeks of paternity leave, both contributions of insured persons/employers (+14.5%) and payments (+13.9%) increased significantly in 2021.

The total assets of the EO compensation fund (1.4 bn) generated a return of 5.05%. Overall, EO ended the year with a positive annual result of 231 million.

UNEMPLOYMENT INSURANCE (ALV)

The negative ALV apportionment result amounted to -204 million (2020: 123 mn). The sharp increase in payments for short-time working compensation caused by the COVID-19 pandemic in 2020 (10.8 bn) and 2021 (4.4 bn) was absorbed by the Confederation.

COVID-19 LOSS OF EARNINGS COMPENSATION

The payment of 1.8 billion in COVID-19 loss of earnings compensation in 2021 (2020: 2.2 bn) was processed via 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 (2021: 545 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, SERV, SAH, TVS, 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 effects in the budgeting and financial planning process if required.

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	2021
Statement of financial performance	
Surplus/deficit for the year	-5 357
Federal Administration segment	-10 149
Enterprises segment	2 372
Social insurance segment	2 421

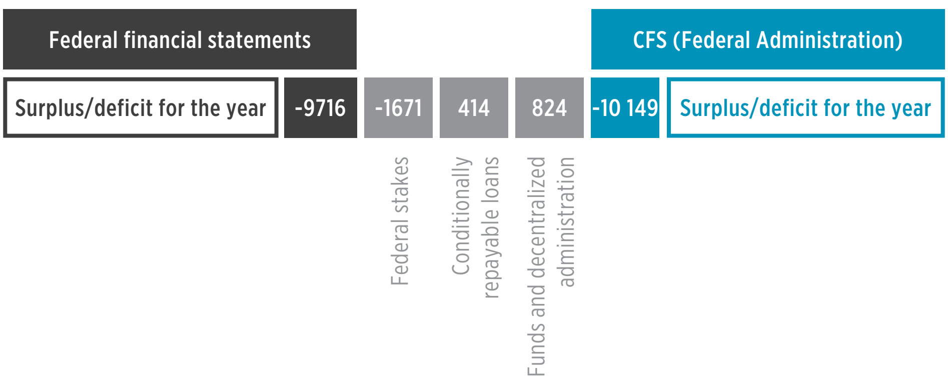
The results of the Federal Administration segment are not identical to the results in the federal financial statements. The two sets of annual results differ in the following areas:

Federal stakes: In the federal financial statements, the change in the equity stake of federal enterprises (1,846 mn) is recorded as a result from financial interests. In the consolidated view, only the result of associates (175 mn) remains in the Federal Administration segment. In contrast, the result from fully consolidated federal stakes (1,671 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 FINANCIAL STATEMENTS IN THE FEDERAL ADMINISTRATION SEGMENT SURPLUS/DEFICIT TO SURPLUS/DEFICIT

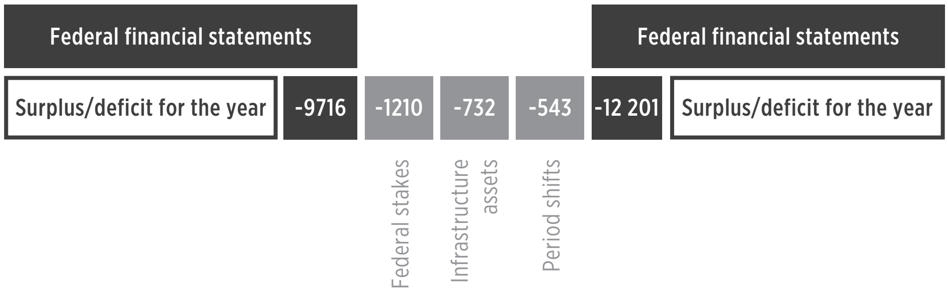


FEDERAL FINANCIAL STATEMENTS

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: 636 mn) are taken into account instead of the proportional changes in equity (in the year under review: 1,846 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. 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 and value adjustments) and withdrawals from inventories are both charged to the surplus or deficit for the year. Overall, investments charged to the financing statement were 732 million higher than the reduction in value charged to the statement of financial performance.

Period shifts: In addition, there are other transactions (e.g. provisions) which are not presented entirely on an accrual basis in the financing statement. In net terms, the financing statement thus ended the year under review with 543 million less than the statement of financial performance due to period shifts.

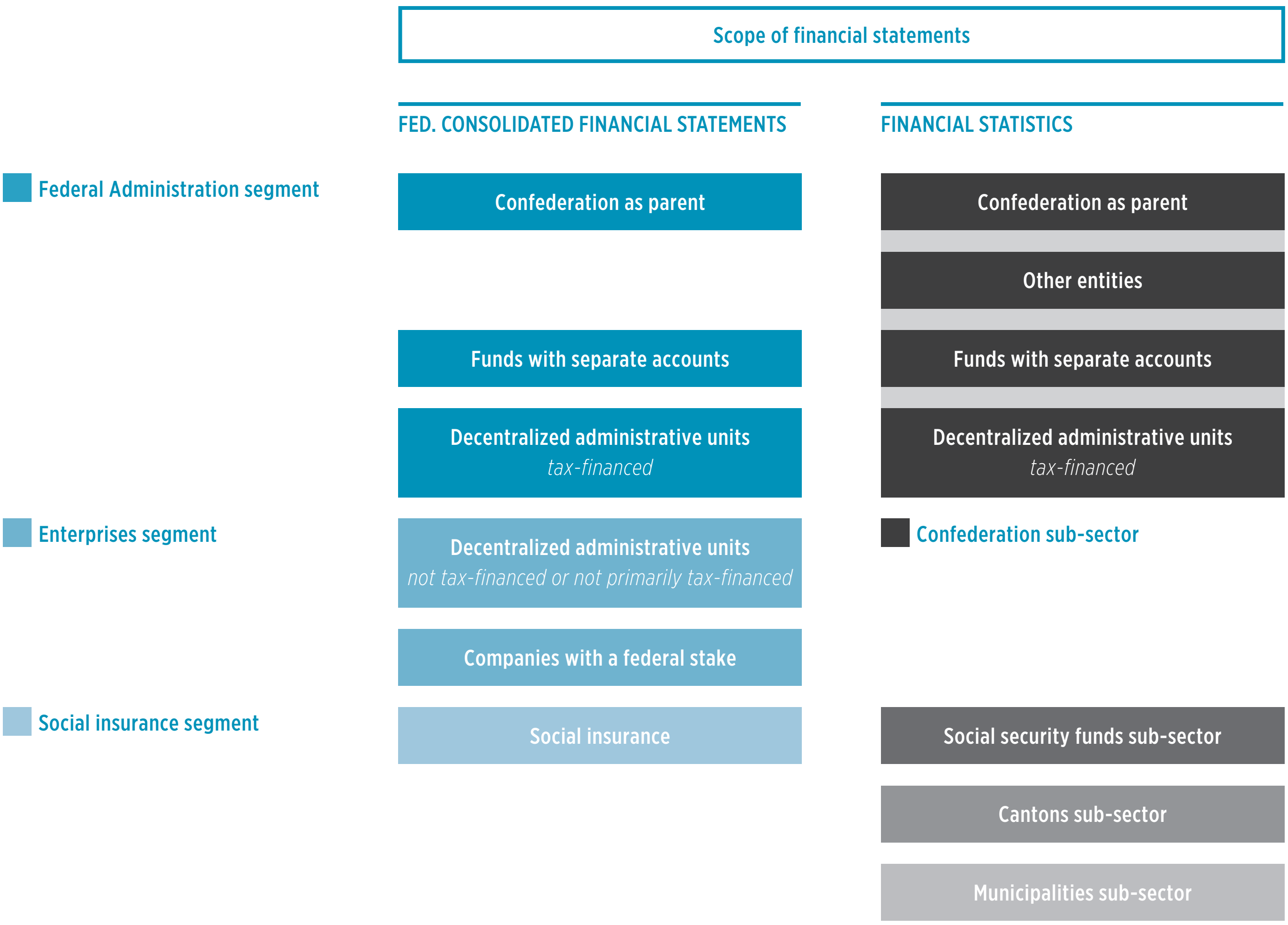
34 RELATIONSHIP BETWEEN THE CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATISTICS

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	2020	2021	Notes section
Tax revenue	67 237	70 238	1
Service and production revenue	24 550	25 079	2
Social insurance revenue	47 443	49 066	3
Other revenue	6 417	7 783	4
Operating revenue	145 647	152 166	
Personnel expenses	-20 283	-19 297	5
General, administrative and operating expenses	-19 781	-19 336	6
Transfer expenses	-35 306	-40 151	7
Social insurance expenses	-76 298	-71 497	3
Depreciation and amortization	-8 689	-8 498	15/16
Operating expenses	-160 357	-158 780	
Operating result	-14 710	-6 614	
Financial result	542	1 497	8
Income from associates	336	206	17
Income taxes of federal enterprises	-372	-446	9
Surplus/deficit for the year	**-14 205**	**-5 357**	
Swiss Confederation share	*-14 929*	*-6 271*	
Minority interests	*724*	*915*	

12 STATEMENT OF FINANCIAL POSITION

CHF mn	2020	2021	Notes section
Assets	**357 544**	**366 948**	
Current assets	108 223	113 826	
Cash and cash equivalents	58 214	64 411	11
Receivables	17 230	17 537	12
Financial investments	22 301	20 147	13
Inventories	5 164	5 086	14
Prepaid expenses and accrued income	5 300	6 630	
Current income tax assets	14	14	
Non-current assets	249 321	253 123	
Tangible fixed assets	136 567	137 948	15
Intangible fixed assets	9 046	9 312	16
Financial investments	95 662	98 107	13
Financial interests	5 831	5 928	17
Deferred income tax assets	1 243	848	
Other non-current assets	972	980	
Liabilities and equity	**357 544**	**366 948**	
Short-term liabilities	168 983	174 629	
Current liabilities	16 060	19 831	18
Accrued expenses and deferred income	15 741	15 062	
Financial liabilities	23 176	40 078	19
Client funds	110 873	96 160	19
Current income tax liabilities	201	245	
Provisions	2 932	3 251	20
Long-term liabilities	122 241	129 726	
Financial liabilities	73 061	78 139	19
Provisions	30 025	39 899	20
Employee retirement benefits	13 023	5 004	21
Deferred income tax liabilities	1 063	1 236	
Other liabilities	5 069	5 448	22
Net assets/equity	66 320	62 593	
Minority interests	8 016	8 692	
Net assets/equity of the Confederation	58 304	53 901	
Restricted funds	49 643	52 437	
Other net assets/equity	8 662	1 465	

13 CASH FLOW STATEMENT

CHF mn	2020	2021
Total cash flow	**-16 627**	**6 197**
Cash flow from operating activities	-3 245	10 238
Surplus/deficit for the year	-14 205	-5 357
Depreciation and amortization	8 689	8 490
Income associated financial interests	-329	-206
Profit from disposals	-113	-107
Increase/decrease in provisions, net	1 003	4 714
Non-cash fair value adjustments	-981	-1 355
Other non-cash transactions	572	1 274
Change in net current assets	2 118	2 785
Cash flow from investing activities	-11 772	-10 411
Acquisition of tangible and intangible fixed assets	-10 672	-9 951
Disposal of tangible and intangible fixed assets	293	433
Acquisition of financial interests and subsidiaries	-164	-415
Sale of financial interests and subsidiaries	0	169
Financial investment expenditure	-1 255	-664
Dividends and profit distributions received	26	16
Cash flow from financing activities	-1 610	6 371
Cash inflow/outflow from client assets	2 671	-14 779
Net issuance/redemption of bonds	551	3 761
Net issuance/redemption of money market paper	4 519	-2 551
Net issuance/repayment of bank loans	278	-148
Net issuance/redemption of other financial liabilities	-9 115	20 659
Dividends and profit distributions	-560	-560
Change in minority interests	46	-9

CASH FUND STATEMENT

CHF mn	2020	2021
Cash and cash equivalents balance at 01.01.	74 841	58 214
Increase (+) / decrease (-)	-16 627	6 197
Cash and cash equivalents balance at 31.12.	58 214	64 411

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 Confederation	Minority interests	Total net assets/ equity
As of 01.01.2020	**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	-	-	-	-	-	-	0	0	-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 before restatement	**3 932**	**-6 541**	**44 628**	**7 624**	**49 643**	**6 283**	**2 379**	**58 304**	**8 016**	**66 320**
Change in accounting policies	-	-	17	-	17	-	-4 950	-4 933	-	-4 933
As of 31.12.2020 after restatement	**3 932**	**-6 541**	**44 644**	**7 624**	**49 659**	**6 283**	**-2 571**	**53 371**	**8 016**	**61 387**
Change in special funds	-	-	-	20	20	-	-	20	-	20
Revaluation employee retirement benefits	-	-	-	-	-	-	7 453	7 453	395	7 848
Revaluation associated companies	-	-	-	-	-	-	-101	-101	1	-100
Revaluation financial instruments	-	-	-	-	-	-	69	69	39	107
Change in deferred taxes	-	-	-	-	-	-	-425	-425	-75	-499
Change in currency translations	-	-	-	-	-	-	-57	-57	-40	-97
Total items recognized under net assets/ equity	-	-	-	20	20	-	6 939	6 959	319	7 278
Surplus/deficit for the year	139	720	2 421	-12	3 268	-	-9 540	-6 271	915	-5 357
Total profit and loss recognized	139	720	2 421	8	3 289	-	-2 600	688	1 234	1 921
Dividends	-	-	-	-	-	-	0	0	-560	-560
Change in reserves	-	-	-	-511	-511	-669	1 180	0	-	-
Transactions with minority shareholders	-	-	-	-	-	-	0	0	-9	-9
Other transactions	-	-	-	-	-	-	-158	-158	12	-146
As of 31.12.2021	**4 071**	**-5 820**	**47 065**	**7 121**	**52 437**	**5 613**	**-4 149**	**53 901**	**8 692**	**62 593**

ADJUSTMENT OF PRIOR-YEAR VALUES (RESTATEMENT)

The restatement as of January 1, 2021 was primarily related to the retroactive revaluation of the withholding tax provision in the federal financial statements. The input values of the Confederation as parent entity were also retroactively restated in the consolidated financial statements. Consequently, there was a reduction of 4,950 million in consolidated net assets/equity as of January 1, 2021.

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

In addition, the *risk capital* category is reported separately. This includes the required own funds of PostFinance, as well as SERV's core capital and risk-bearing capital.

Other net assets/equity

The figure for other net assets/equity is obtained after subtracting restricted funds, risk capital and the capital attributable to minority shareholders of consolidated companies. It 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. Due to the negative annual results for 2020 and 2021, caused mainly by the COVID-19 pandemic, other net assets/equity showed a deficit of 4.1 billion at year-end.

Minority interests

The values of Swisscom AG and 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 conditionally repayable loans 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 conditionally repayable loans 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)	10–75 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 recorded at cost and not 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 has to 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	2020	2021
Tax revenue	**67 237**	**70 238**
Direct federal tax	24 146	25 393
Natural persons	12 038	12 676
Legal entities	12 107	12 718
Value added tax	22 100	23 539
General federal resources	17 668	18 816
Restricted funds	4 432	4 723
Withholding tax	5 216	4 900
Withholding tax incoming payments	30 531	33 615
Withholding tax refunds	-27 189	-23 650
Change in provisions	1 900	-5 100
US withholding tax	-26	35
Stamp duty	2 421	2 608
Issue tax	179	272
Transfer stamp tax	1 516	1 594
Insurance premium stamp duty and other	726	742
Other consumption taxes	8 046	8 459
Mineral oil tax	4 243	4 554
Tobacco duty	2 158	2 204
Grid supplement	1 245	1 288
Spirits tax	290	305
Beer tax	110	107
Miscellaneous tax revenue	5 309	5 339
Transportation taxes	2 303	2 376
Customs duties	1 187	1 277
Casino tax	250	248
Incentive fees and other tax revenue	1 569	1 437

2 SERVICE AND PRODUCTION REVENUE

CHF mn	2020	2021
Service and production revenue	**24 550**	**25 079**
Postal service revenue	4 505	4 172
Postal service revenue	4 505	4 172
Income from financial services	1 303	1 396
Financial service revenue	1 475	1 534
Financial service expenses	-172	-137
Telecommunications service revenue	11 100	11 183
Telecommunications services Switzerland	8 614	8 580
Telecommunications services abroad	2 486	2 604
Armament sector revenue	1 115	1 195
Defense technology	223	268
Civil area	891	927
Transportation revenue	4 406	4 627
Passenger transportation rail	2 465	2 540
Passenger transportation road	351	402
Freight transportation rail	762	777
Ancillary operating revenue rail	182	231
Cantons' contributions/compensation	647	677
Other service revenue	2 120	2 506
Air traffic control	197	220
Income from insurance services	-65	108
Swiss Post merchandise	83	87
ETH research/science services	645	655
Other services federal enterprises	1 259	1 435

3 SOCIAL INSURANCE REVENUE/EXPENDITURE

CHF mn	2020	2021
Net result social insurance	**-28 855**	**-22 431**
Social insurance revenue	47 443	49 066
Contributions by employers and insured persons	48 903	50 508
Cantons' contributions/other revenue	235	247
./. social insurance revenue from consolidation scope	-1 695	-1 689
Social insurance expenses	-76 298	-71 497
Direct old-age and survivors' insurance (AHV) benefits	-45 771	-46 821
Direct disability insurance (IV) benefits	-9 014	-9 232
Direct benefits concerning compensation for loss of earnings (EO)	-1 634	-1 861
Direct benefits concerning agriculture family allowances (FL)	-91	-89
Direct unemployment insurance (ALV) benefits (net AHV contributions)	-17 698	-11 792
Direct COVID-19 loss of earnings compensation (CLEC) benefits (net AHV contributions)	-2 090	-1 702

Federal social insurance is financed primarily with 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	2020	2021
Other revenue	**6 417**	**7 783**
Capitalized own work	1 790	1 970
Rail	1 296	1 388
Other	494	582
Building revenue	784	840
Building revenue rail operations	557	617
Federal buildings	70	67
Other	157	155
Other sovereign revenue	1 989	2 721
Revenue from exchange transactions, fines	70	53
SNB profit distribution	1 333	2 000
Revenue from concessions, quota auctions	331	350
Gifts, bequests to the ETH	142	122
Other revenue from payments, royalties	113	196
Other revenue	1 855	2 252
Cantonal contributions to railway infrastructure fund	528	545
Net revenue special financing in liabilities	6	139
Other misc. revenue	1 321	1 568

5 PERSONNEL EXPENSES

CHF mn	2020	2021
Personnel expenses	**-20 283**	**-19 297**
Wages and salaries	-16 117	-15 872
Retirement benefit cost	-2 314	-1 771
Other personnel expenses	-1 852	-1 654

6 GENERAL, ADMINISTRATIVE AND OPERATING EXPENSES

CHF mn	2020	2021
General, administrative and operating expenses	**-19 781**	**-19 336**
Cost of materials, goods and services	-5 613	-6 323
Building expenses and rent	-1 976	-1 959
IT expenses	-1 557	-1 656
Armed Forces operating and defense expenses	-1 203	-1 264
Other general and administrative expenses	-495	-477
Other operating expenses	-8 937	-7 657

7 TRANSFER EXPENSES

CHF mn	2020	2021
Transfer expenses	**-35 306**	**-40 151**
Cantons' share in federal income	-6 470	-6 819
COVID-19 hardship measures	-	-4 194
Fiscal equalization to cantons	-3 478	-3 497
Individual premium reductions (IPR) to cantons	-2 850	-2 874
Direct payments for agriculture	-2 811	-2 811
Assumption of costs for COVID-19 tests	-417	-2 279
Contributions to international organizations	-2 861	-1 959
AHV and IV supplementary benefits	-1 664	-1 772
Compensation to public bodies	-1 444	-1 333
Promotion of renewable energies	-1 245	-1 288
Research promotion institutions	-1 115	-1 156
Redistribution of incentive fees	-857	-863
Regional passenger transportation contributions	-667	-718
Net expense special financing in liabilities	-165	-120
COVID-19 joint and several sureties	-2 392	487
Other contributions to third parties	-6 868	-8 954

8 FINANCIAL RESULT

CHF mn	2020	2021
Financial result	**542**	**1 497**
Financial revenue	1 989	3 133
Interest income	520	530
Revenue from financial interests	279	508
Fair value adjustments	994	1 930
Other financial revenue	196	165
Financial expense	-1 447	-1 636
Interest expense	-1 103	-919
Capital procurement expenses	-40	-36
Impairments on financial investments	-60	-50
Fair value adjustments	-48	-523
Other financial expense	-196	-109

9 INCOME TAXES OF FEDERAL ENTERPRISES

CHF mn	2020	2021
Income taxes of federal enterprises	**-372**	**-446**
Expenses/revenue for current income taxes	-381	-422
Expenses/revenue for deferred income taxes	8	-24

10 BREAKDOWN BY SEGMENT

CHF mn	Federal Administration	Companies	Social insurance	*Consolidation*	2021
Statement of financial performance					
Operating revenue	75 956	31 709	73 646	*-29 145*	152 166
Operating expenses	-85 781	-29 025	-73 119	*29 145*	-158 780
Operating result	-9 825	2 684	527	-	-6 614
Financial result	-510	113	1 894	-	1 497
Income from associates	186	20	-	-	206
Income taxes of federal enterprises	-0	-446	-	-	- 446
Surplus/deficit for the year	-10 149	2 372	2 421	-	-5 357
Personnel					
Number of full-time employees (FTEs)	58 592	98 010	-	-	156 603

11 CASH AND CASH EQUIVALENTS

CHF mn	2020	2021
Cash and cash equivalents	**58 214**	**64 411**
Cash	1 579	1 206
Sight deposits with financial institutions	56 264	62 090
Short-term deposits	371	1 115

12 RECEIVABLES

CHF mn	2020	2021
Receivables	**17 230**	**17 537**
Trade receivables	5 045	5 168
Tax and customs receivables	4 749	4 636
Current account receivables from compensation funds	3 900	3 643
Other current account receivables	940	896
Other receivables	3 419	3 941
Value adjustments on receivables	-824	-746

13 FINANCIAL INVESTMENTS

CHF mn	2020	2021
Financial investments	**117 963**	**118 254**
Short-term financial investments	22 301	20 147
Bonds	15 517	15 040
Fixed-term deposits, discount paper	2 740	1 145
Shares	267	362
Fund investments	404	422
Loans	1 994	1 904
Derivatives	538	1 071
Other financial investments	841	203
Long-term financial investments	95 662	98 107
Bonds	58 356	56 895
Fixed-term deposits, discount paper	368	645
Shares	7 054	8 222
Fund investments	8 926	11 237
Loans	19 604	19 058
Other financial investments	1 353	2 050

14 INVENTORIES

CHF mn	2020	2021
Inventories	**5 164**	**5 086**
Civil inventories and work in progress	1 812	1 790
COVID-19: medical goods and vaccines	215	109
Military inventories	3 564	3 549
Value adjustments on inventories	-426	-362

15 TANGIBLE FIXED ASSETS

2021 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 01.01.2021	23 238	41 873	56 909	17 292	28 317	49 398	48 206	265 232
Additions	7 022	609	136	253	1 035	-	328	9 383
Disposals	-14	-1 472	-540	-670	-946	-2 220	-532	-6 394
Change in consolidation scope	-0	-54	2	-	-	-	-	-52
Reclassifications	-8 087	-261	1 084	6	158	881	6 013	-207
Currency translations	-6	-18	-6	-	-248	-	-	-278
As of 31.12.2021	22 153	40 677	57 585	16 880	28 316	48 059	54 015	267 685
Accumulated depreciation								
As of 01.01.2021	-0	-26 128	-29 577	-13 458	-19 707	-24 201	-15 595	-128 666
Depreciation and amortization	-1	-1 845	-1 024	-626	-1 214	-1 609	-1 196	-7 516
Impairments	-4	-6	-2	-	-3	-	-	-15
Disposals	3	1 402	477	670	943	2 220	375	6 089
Change in consolidation scope	-	54	3	-	-	-	-	57
Reclassifications	0	1 727	142	-	-0	-0	-1 723	146
Currency translations	0	11	3	-	155	-	-	168
As of 31.12.2021	-3	-24 786	-29 978	-13 415	-19 826	-23 589	-18 139	-129 737
Carrying amount as of 31.12.2021	**22 151**	**15 891**	**27 607**	**3 465**	**8 489**	**24 469**	**35 876**	**137 948**

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 after restatement	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 after restatement	-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**

Advance payments and assets under construction comprise mainly motorways (9.2 bn), construction projects and advance payments for railway infrastructure and rolling stock (6.9 bn), and Gotthard and Ceneri civil engineering structures not yet invoiced (2.1 bn).

Property, plant and equipment/other tangible fixed assets include the rolling stock of railway companies (8.3 bn).

16 INTANGIBLE FIXED ASSETS

2021 CHF mn	Assets under construction	Goodwill	Software	Other intangible fixed assets	Total
Acquisition costs					
As of 01.01.2021	762	7 002	7 567	2 197	17 527
Additions	534	3	518	83	1 138
Disposals	-12	-7	-408	-130	-557
Change in consolidation scope	-0	253	56	16	325
Reclassifications	-432	-157	319	6	-265
Currency translations	-0	-86	-95	-27	-209
As of 31.12.2021	851	7 007	7 956	2 145	17 959
Accumulated depreciation					
As of 01.01.2021	-8	-1 496	-5 711	-1 266	-8 481
Depreciation and amortization	-0	-	-799	-154	-953
Impairments	-2	-1	-2	-1	-6
Disposals	0	7	406	130	543
Change in consolidation scope	-	-	6	14	20
Reclassifications	-	20	55	-0	75
Currency translations	0	61	76	18	155
As of 31.12.2021	-10	-1 408	-5 970	-1 260	-8 648
Carrying amount as of 31.12.2021	**841**	**5 599**	**1 986**	**885**	**9 312**

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**

17 FINANCIAL INTERESTS

2021 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 01.01.2020	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
Additions	-	-	-	-	62	46	46	154
Disposals	-	-	-	-	-	-28	-175	-203
Dividends	-	-	-	-	-	-	-16	-16
Share of net result recognized in statement of financial performance	-12	11	23	136			48	206
Share of net result recognized in net assets/equity		1	-	6	-	-	-107	-100
Other transactions	-	-	-	-	-	21	25	46
Currency translations	-	-	-	-	11	5	-6	10
As of 31.12.2021	549	1 275	576	1 632	883	317	696	5 928

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	2020	2021
Current liabilities	**16 060**	**19 831**
Trade payables	4 564	5 294
Tax and customs liabilities	6 004	5 292
Current accounts	4 213	7 826
Other liabilities	1 279	1 418

19 FINANCIAL LIABILITIES

CHF mn	2020	2021
Financial liabilities	**207 110**	**214 378**
Short-term financial liabilities	134 049	136 239
Client funds	110 873	96 160
Bonds	4 703	4 032
Liabilities from money market paper	13 026	10 474
Liabilities from repo transactions	22	19 593
Bank loans	1 186	508
Liabilities from financial leases	13	13
Negative replacement values	651	951
Other financial liabilities	3 575	4 506
Long-term financial liabilities	73 061	78 139
Bonds	66 959	71 282
Bank loans	2 657	3 361
Client funds	8	6
Liabilities from financial leases	719	707
Other financial liabilities	2 719	2 783

20 PROVISIONS

CHF mn	Withholding tax	Military insurance	Coins in circulation	Discontinuation, restoration, disposal	Benefits for employees	Sureties	Other	Total
As of 01.01.2020	**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**
Change in accounting policies	5 500	-	-	-	-	-	-6	5 494
As of 01.01.2021 after restatement	**24 400**	**1 912**	**2 334**	**2 572**	**1 529**	**2 387**	**3 318**	**38 451**
Increase	5 100	110	22	1	86	30	2 004	7 353
Decrease	-	-	-	-31	-158	-495	-484	-1 168
Utilization	-	-171	-25	-25	-59	-253	-967	-1 500
Present value adjustments	-	-	-	4	0	-	29	34
Consolidation scope changes	-	-	-	-	-2	-	-12	-13
Currency translations	-	-	-	-0	-1	-	-4	-5
Reclassifications	-	-	-	-	-2	-	2	-
As of 31.12.2021	**29 500**	**1 851**	**2 331**	**2 521**	**1 392**	**1 669**	**3 886**	**43 150**
of which short term	-	*182*	-	*31*	*610*	*371*	*2 057*	*3 251*
of which long term	*29 500*	*1 669*	*2 331*	*2 489*	*782*	*1 298*	*1 829*	*39 899*

WITHHOLDING TAX

The withholding tax provision covers expected future withholding tax refunds in respect of an incoming payment 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 remaining with the Confederation as base revenue is also deducted. The balance corresponds to the provision requirement, which reflects the refunds that will probably be claimed in subsequent years. As a refund of the declared withholding tax can generally be requested within three years, the provision includes probable outstanding amounts from the three preceding full tax years. The provision was revalued as of January 1, 2021.

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, 2021, 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, there is a provision of 590 million 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

In the previous year, 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, 2021, the Confederation guaranteed bridging credits of 12 billion. A provision of 1,669 million is recognized for expected future payment defaults.

OTHER PROVISIONS

The largest single item under other provisions concerns COVID-19 testing costs. The Confederation assumes the costs of the various Sars-CoV-2 tests for people who meet the criteria of the Federal Office of Public Health regarding suspicion, sampling and notification. The costs of the tests are prefinanced by health insurers and the cantons, and are subsequently invoiced to the Confederation. Based on the number of tests carried out during the year under review and an estimate of the proportion of tests not covered by the Confederation due to non-compliance with the criteria, expenses of 2,278 million were estimated. Of that amount, 961 million has already been paid out to health insurers and the cantons, or has been recorded as invoices. The remaining costs of 1,318 million are recognized as a short-term provision. The provision covers all expenses for tests carried out up to December 31, 2021 that have not yet been invoiced to the Confederation.

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	2020	2021
Employee retirement benefits	13 023	5 004
Present value of employee retirement benefits	102 783	98 444
Fair value of plan assets	-89 761	-93 440

The net employee retirement benefits recognized in the statement of financial position decreased by 8.0 billion in the year under review, due primarily to the positive investment performance of plan assets (+4.9 bn) and the increase in the discount rates used in the valuation of employee retirement benefits (+2.2 bn). These revaluation effects are recognized directly in net assets/equity.

RETIREMENT BENEFIT COST IN ACCORDANCE WITH IPSAS 39

CHF mn	2020	2021
Retirement benefit cost	-2 314	-1 771
Current service cost (employer)	-2 287	-2 128
Plan changes	-7	413
Administrative costs	-38	-37
Interest expense for employee retirement benefits	-53	-200
Interest income from plan assets	72	182

REVALUATION OF EMPLOYEE RETIREMENT BENEFITS AND PLAN ASSETS

CHF mn	2020	2021
Revaluation recognized in net assets/equity	**3 780**	**7 848**
Actuarial gains (+) / losses (-)	675	2 974
Change in financial assumptions	1 434	2 176
Change in demographic assumptions	473	2 931
Experience adjustments	-1 232	-2 133
Revenue from plan assets (excl. interest based on discount rate)	3 105	4 874

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	40 747	20 976	38 221	30 407	16 913
Number of pensioners	27 426	6 115	37 043	26 501	9 345
Discount rate	0.40%	0.40%	0.30%	0.40%	0.30%
Risk sharing	yes	yes	yes	n.d.	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 currently not applicable in the valuation of the SBB pension plan.

22 OTHER LONG-TERM LIABILITIES

CHF mn	2020	2021
Other long-term liabilities	**5 069**	**5 448**
Special funds	1 946	2 312
Grid supplement fund	1 265	1 623
Nuclear damage fund	521	529
Family compensation fund	95	95
Other special funds	65	65
Restricted funds	2 907	2 980
Restricted research contributions	1 608	1 605
Special financing	840	893
Other restricted funds	459	482
Other long-term liabilities	215	156

23 CONTINGENT LIABILITIES

CHF mn	2020	2021
Contingent liabilities	**41 252**	**36 769**
Sureties and guarantees	**31 434**	**25 309**
Subsidized housing	3 493	3 713
Licensed transportation companies	2 678	2 855
IMF monetary assistance decree	8 588	3 753
IMF PRGT	1 281	1 922
COVID-19 bridging credits	12 938	10 403
Oceangoing vessels	311	277
Other sureties and guarantees	2 144	2 385
Capital commitments for development banks	7 428	9 165
Litigation	652	551
Other contingent liabilities	1 737	1 745
Decommissioning and disposal	382	354
Misc. other contingent liabilities	1 355	1 390

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 1.6 billion is recognized for the expected outflow of funds. Those sureties for which no cash outflow is currently expected are reported under contingent liabilities (10.4 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 (213 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	2020	2021
Contingent assets	**21 943**	**23 800**
Unrecognized receivables from direct federal tax	20 900	23 200
Other contingent assets	1 043	600

Unrecognized receivables from direct federal tax (excluding cantons' share of 21.2% for tax receipts from 1.1.2021 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 2021, there would still be an estimated 23.2 billion in receipts anticipated the following years. These assets are owed to the Confederation by law. Recognizing all receivables up to and including the 2021 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 include orders for fines issued by the Competition Commission that were disputed by third parties and are now being clarified in court (0.3 bn). In addition, disputed receivables from withholding tax and stamp duty are recognized as contingent assets (0.2 bn). These are legally contested receivables whose enforceability has to be clarified.

25 SERV LIABILITY SCOPE

CHF mn	2020	2021
SERV liability scope		
SERV liability scope	16 000	14 000
Utilization	11 680	9 926
Utilization in %	73%	71%

The Federal Council is responsible for determining the maximum scope of Swiss Export Risk Insurance (SERV) insurance liabilities. This currently amounts to 14 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 2021, the insurance liability amounted to 9.9 billion, whereby the liability scope was 71% utilized. Insurance liabilities include outstanding insurance policies (7.1 bn) and insurance commitments in principle (2.8 bn).

26 EVENTS AFTER THE REPORTING DATE

The 2021 consolidated financial statements were approved by the Federal Council on April 13, 2022.

The following occurred after the reporting date: On March 11, 2022, the Federal Council decided that for all companies that settled short-time working compensation in the summary procedure in 2020 and 2021, the entitlement to short-time working compensation will be reviewed by the unemployment insurance funds upon request. To this end, they must submit a request with a detailed statement for each settlement period in order for the additional vacation and public holiday compensation to be calculated for employees who are paid monthly. The Federal Council is submitting a supplementary credit of 2.1 billion to Parliament for the implementation of the decision.

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
Swiss capacity allocation body (TVS)	100	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