



swisscom

Annual Report

2019

# Annual Report publications



The Annual Report, Sustainability Report and “2019 at a glance” together make up Swisscom’s reporting on 2019. The three publications are available online at: [swisscom.ch/report2019](https://www.swisscom.ch/report2019)

## Concept of “Simply using opportunities”

In the city and in the country, at home and on the road – people everywhere in Switzerland can take advantage of the countless opportunities offered by the networked world. Swisscom wants to connect Switzerland and enable the Swiss public to benefit from the opportunities offered by digitisation.

The pictures in the 2019 Annual Report show the diversity of digital needs and how easy it is for people to make use of the opportunities available to them.

A big thank you to all who took time to pose for these photographs: Nina and Louis, 5th grade, Hagen primary school in Altdorf, Dominique Bausback, Malik Hashim, Claudia Lenzi, Nils Kessler, Patric and Tatjana Fischli with Anais, Laurence Brun from the Clinique de Genolier (Swiss Medical Network private clinic group) and Gérard Fornerod from Confiserie Fornerod.

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# 2019 in review

## Net revenue

billion CHF

11.5

▼ 2.2%

## EBITDA

billion CHF

4.4

▲ 3.4%

## Capital expenditure

billion CHF

2.4

▲ 1.4%

## Net income

billion CHF

1.7

▲ 9.7%

## Net debt incl. lease to EBITDA ratio

2.0



## Equity ratio

%

36.6

▲ 0.3 pp

## Employees (full-time equivalent)

19,317

▼ 2.7%

## Dividend per share

CHF

22



## Total shareholder re- turn Swisscom share

%

14.3

▲ 19.5 pp

## Number 1 confirmed in tests

Swisscom successful in

- the network test carried out by trade magazine connect for the tenth time in 2019, achieving the grade “phenomenal”.
- the mobile phone test carried out by the trade magazine CHIP for the fourth time in a row.
- the Ookla speed test for the fastest mobile network and the best coverage.



## 5G

in Switzerland

On 17 April 2019, Swisscom became the first provider in Europe to put its 5G network into operation.

Swisscom TV with

## voice assistant

The voice assistant of the new Swisscom Box also controls smart home devices.

The subscription

## inOne mobile

allows unlimited phone calls, surfing and texting in 39 countries within Europe.



Even more protection

## for SMEs

SMEs can protect themselves efficiently against attacks from the network and from data loss with the new overall Managed Security and Managed Backup solution.

## Exclusive

UEFA Champions League

Teleclub will also exclusively show all matches in the 2021/2022 season.

New partnership

## in Italy

Fastweb is working together with WindTre, and so is expanding its mobile telephony offering.

## 138 years

Publifon payphone

The last Swisscom telephone booth has started its journey to the Museum of Communication in Berne.



# KPIs of Swisscom Group

In CHF million, except where indicated

|   |             | 2019   | 2018               | Change |
|---|-------------|--------|--------------------|--------|
| <b>Net revenue and results <sup>1</sup></b>                                 |             |        |                    |        |
| Net revenue   |             | 11,453 | 11,714             | -2.2%  |
| Operating income before depreciation and amortisation (EBITDA) <sup>2</sup> |             | 4,358  | 4,213              | 3.4%   |
| EBITDA as % of net revenue  | %           | 38.1   | 36.0               |        |
| Operating income (EBIT)   |             | 1,910  | 2,069              | -7.7%  |
| Net income  |             | 1,669  | 1,521              | 9.7%   |
| Earnings per share  | CHF         | 32.28  | 29.48              | 9.5%   |
| <b>Balance sheet and cash flows <sup>1</sup></b>                            |             |        |                    |        |
| Equity  |             | 8,875  | 8,208              | 8.1%   |
| Equity ratio <sup>2</sup>   | %           | 36.6   | 36.3               |        |
| Operating free cash flow proxy  |             | 1,626  | 1,809              | -10.1% |
| Capital expenditure   |             | 2,438  | 2,404              | 1.4%   |
| Net debt incl. lease liabilities <sup>2</sup>                               |             | 8,785  | 7,393              | 18.8%  |
| <b>Operational data</b>   |             |        |                    |        |
| Fixed telephony access lines in Switzerland                                 | in thousand | 1,594  | 1,788              | -10.9% |
| Broadband access lines retail in Switzerland                                | in thousand | 2,033  | 2,033              | 0.0%   |
| Swisscom TV access lines in Switzerland                                     | in thousand | 1,555  | 1,519              | 2.4%   |
| Mobile access lines in Switzerland  | in thousand | 6,333  | 6,370              | -0.6%  |
| Revenue generating units (RGU) Switzerland                                  | in thousand | 11,515 | 11,710             | -1.7%  |
| Broadband access lines wholesale in Switzerland                             | in thousand | 515    | 481                | 7.1%   |
| Broadband access lines in Italy   | in thousand | 2,637  | 2,547              | 3.5%   |
| Mobile access lines in Italy  | in thousand | 1,806  | 1,432              | 26.1%  |
| <b>Swisscom share</b>   |             |        |                    |        |
| Number of issued shares   | in thousand | 51,802 | 51,801             | -      |
| Market capitalisation   |             | 26,553 | 24,331             | 9.1%   |
| Closing price at end of period  | CHF         | 512.60 | 469.70             | 9.1%   |
| Closing price highest   | CHF         | 523.40 | 530.60             |        |
| Closing price lowest  | CHF         | 441.10 | 427.00             |        |
| Dividend per share  | CHF         | 22.00  | 22.00 <sup>3</sup> | -      |
| <b>Employees</b>  |             |        |                    |        |
| Full-time equivalent employees at end of year                               | number      | 19,317 | 19,845             | -2.7%  |
| Average number of full-time equivalent employees                            | number      | 19,561 | 20,083             | -2.6%  |

1 Swisscom uses various alternative performance measures. The definition and reconciliation of values in accordance with IFRS are set out in the chapter on financial review.

2 Swisscom has been applying IFRS 16 "Leases" since 1 January 2019. The prior year's figures have not been adjusted. As a consequence of the first-time application of IFRS 16, additional lease liabilities and right-of-use assets of

CHF 1,238 million were reported with effect from 1 January 2019. As a result, the equity ratio fell to 34.4% as at 1 January 2019. EBITDA of the previous year includes expenses of CHF 207 million from operating leasing in accordance with IAS 17.

3 In accordance with the proposal of the Board of Directors to the Annual General Meeting.



# Business overview

## Swisscom Switzerland

### Residential Customers

The Residential Customers business unit provides mobile and fixed services.

These include telephony, broadband, TV and mobile services and also holistic ICT solutions for SMEs.

### Enterprise Customers

Whether voice or data, mobile or fixed network, individual products or integrated solutions: Enterprise Customers designs, implements and operates entire ICT infrastructures for corporate customers.

### IT, Network & Infrastructure

The IT, Network & Infrastructure area plans, operates and maintains the network and IT infrastructure in Switzerland.

### Wholesale

The Wholesale segment enables other telecommunications providers to use the Swisscom fixed and mobile network.

## Fastweb

Fastweb is one of Italy's largest providers of broadband services. The product portfolio comprises voice, data, broadband and TV services, as well as video-on-demand for residential and business customers. Fastweb also delivers mobile services. This is complemented by customer-specific solutions and wholesale services for business customers.

## Other Operating Segments

With subsidiaries in the area of network construction and maintenance (cablex) and broadcast services (Swisscom Broadcast), Swisscom is supplementing the core business in related areas. The Digital Business area focusses on growth areas in the field of Internet services and digital business models, and also includes business with online directories and telephone books (localssearch).

Revenues

CHF 8.6 bn

Revenues

CHF 2.5 bn

Revenues

CHF 0.9 bn

EBITDA

CHF 3.5 bn

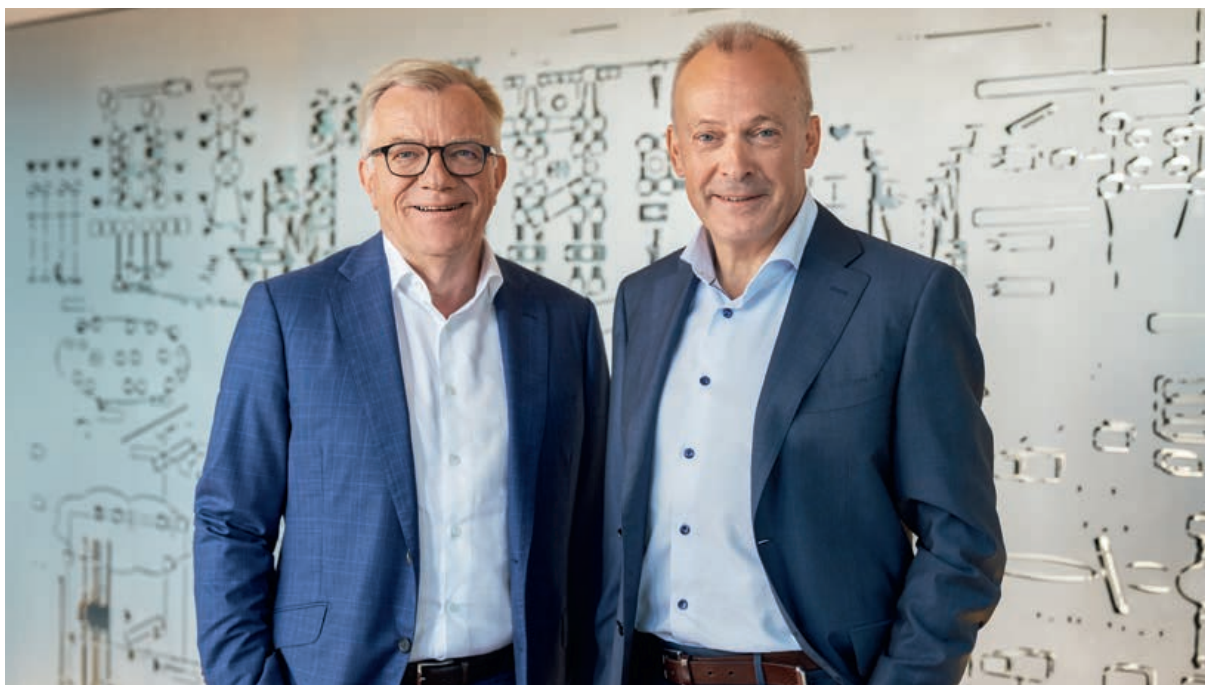
EBITDA

CHF 0.8 bn

EBITDA

CHF 0.2 bn

# A year of innovations in a challenging market environment



Hansueli Loosli, Chairman of the Board of Directors Swisscom Ltd and Urs Schaeppi, CEO Swisscom Ltd

## Dear Shareholders

In 2019, Swisscom made impressive use of the opportunities that are opening up for all of us thanks to digitisation. Our response to the ongoing challenging environment was, and will remain, new offerings and the expansion of our networks. Swisscom impressed the market with innovations in the TV and mobile communications segments and in subscriptions. Swisscom achieved a solid financial result. Group sales declined in line with expectations, while consolidated operating income before depreciation and amortisation (EBITDA) remained at the previous year's level. Our Italian subsidiary, Fastweb, continued to grow, making gains among both residential and business customers.



## **Financial targets met**

Swisscom generated net revenue of CHF 11,453 million in 2019. Consolidated operating income before depreciation and amortisation (EBITDA) was CHF 4,358 million and thus above the previous year; on an adjusted basis, EBITDA remained stable. Net income was CHF 1,669 million.

## **Swisscom is investing today in the networks of tomorrow**

The Swiss market is saturated in the mobile communications and TV segments, while the number of broadband connections is remaining constant due to high market penetration. At the same time, data growth continues unabated. In mobile communications alone, the use of mobile data services has increased 40-fold in the last seven years. What is more, security requirements are constantly growing. We are meeting these challenges by consistently expanding and continuously developing our networks.

Swisscom makes over two thirds of the investments in the Swiss telecommunications infrastructure. In 2019, it invested around CHF 2.4 billion in network expansion, of which around CHF 1.8 billion in Switzerland.

As at the end of 2019, Swisscom had established 3.9 million ultra-fast broadband service connections with speeds in excess of 80 Mbps. Swisscom will continue to invest massively in its infrastructure in the coming years, to ensure the best experiences for its customers.

Investing in Swiss infrastructure is paying off. This is demonstrated by Swisscom's top ranking in all relevant network tests. For example, in 2019, Swisscom won connect magazine's mobile network test for the tenth time, achieving the rating of "outstanding". Swisscom prevailed in the CHIP test for the fourth time in a row. Swisscom also took first place in Ookla's speed test for the fastest mobile network and the best coverage.

## **The future of mobile communications**

In February 2019, Swisscom successfully took part in the 5G frequencies auction. In April, Swisscom was the first provider in Europe to commercially launch the new mobile communication standard. At the end of 2019, Swisscom reached the next milestone: basic 5G coverage has since been extended to 90% of the Swiss population. However, in order for data to be transmitted up to 1,000 times more efficiently, and thus in a more energy-saving manner, the full version of 5G is needed. To draw an analogy: expansion of the 5G network is like adding more lanes on the data highway. To ensure that data traffic flows unhindered and to avoid data tailbacks and jams happening in future, it is essential to have new antenna locations or to convert the existing installations. However, some segments of the population have concerns about 5G. Swisscom is all the more aware of its responsibility in this regard and is actively engaging in the social debate on mobile communications and the environment. Naturally, all mobile communications installations operated by Swisscom comply at all times with Switzerland's rigorous limits, which are exemplary in their strictness.

## **Swisscom TV – more than just television**

The new Swisscom Box not only offers the best TV experience, but also networks smart home objects such as lamps. Just like the television, these items can be controlled with the integrated voice assistant. A total of 1.56 million customers use Swisscom TV, which corresponds to a market share of 36%. This means that Swisscom TV is still Switzerland's most popular TV offering. Swisscom subsidiary Teleclub has reached an important milestone by securing the rights to the UEFA Champions League from the 2021/2022 season. Teleclub will continue to show all the football matches on an exclusive basis.

## **New addition to the inOne family**

The inOne combined package, introduced in 2017, continues to be extremely successful. inOne flexibly combines mobile, broadband, TV and fixed-line telephony products. Launched in April 2019, the new inOne mobile package allows unlimited phone calls, surfing and texting in 39 countries within Europe. By the end of 2019, around 1.15 million customers had opted for this new subscription. In total, Swisscom has 2.75 million inOne customers.

### **Tough competition in corporate business**

The corporate customer market is fiercely contested, and the pressure on pricing remains high. Compared to the previous year, revenue from telecommunications services fell by 10.9% or CHF 112 million, to CHF 919 million. Swisscom holds a strong position as full service provider. Its offerings meet customers' needs, and customer satisfaction is consistently high. Demand for cloud, security and IoT solutions has continued to grow. In addition, Swisscom again succeeded in renewing contracts with many existing customers in 2019. Revenue in the solutions business remained virtually stable at EUR 1,021 million (–0.6%).

For SMEs, Swisscom has had Managed Security and Managed Backup in its portfolio since spring. These two new product modules are designed to protect companies from attacks in the network and data loss and to relieve them of their workload for security tasks. In order to provide all business customers a customer experience tailored to their needs, Swisscom merged the SME segment and the corporate customer segment.

### **Fastweb continues successful path in Italy**

Fastweb grew again in 2019 and made gains among both residential and business customers. In the fixed-network business, the number of customers rose to 2.64 million broadband customers. In mobile communications, Fastweb posted an increase in customers of 26.1% to 1.81 million in total. Fastweb also entered into a strategic partnership with WindTre for the construction of a nationwide 5G network. The two operators are keen to work together to accelerate the development of a nationwide ultramodern 5G network. For this reason, Fastweb is placing a stronger focus on convergence: 34% of subscribers already use a bundled offering combining fixed network and mobile services. The business customer segment also continued to develop positively, with revenue growth of EUR 82 million (+10.5%). Overall, Fastweb increased its revenues to EUR 2,218 million (+5.4%). Operating income before interest, taxes, depreciation and amortisation (EBITDA) rose to EUR 750 million (+5.2% on an adjusted basis).

### **A simple way to make use of opportunities**

Our environment is changing rapidly. So, standing still is not an option for Swisscom. Instead, we are sticking to our promise of enabling our customers to make simple use of the opportunities of a networked future. What's more, our employees and the company itself continue to develop steadily in line with our values of being committed, trustworthy and inquisitive. That is why we have pooled our efforts in Customer Field Service. Around 1,000 employees began working at the subsidiary cablex in January 2020. Thanks to this merger, customers are now served on site for installations, maintenance and troubleshooting, for example, by just one party. Also, as of 2020, we amalgamated Sales & Services with Products & Marketing to form the new Residential Customers unit. Together, we will focus on our three strategic ambitions on which we are working hard with our colleagues.

### **Offering the best experiences**

We want to inspire our customers by providing them with the best service at all times, wherever they are, for example in our shops. For this reason, we have been testing a new shop concept since the end of 2019. In Uster and Thun, we advise residential and business customers in a cosy living room atmosphere, inspire them with technological innovations and address their issues at the service bar.

### **Operational excellence**

Our industry is being transformed dramatically by digitisation. At the same time, Swisscom faces tough competition from global, Internet-based companies that benefit from low costs. We are responding to this development with rigorous cost management. In 2019, we exceeded the goal we announced in 2016 of reducing our cost base by CHF 100 million annually. For the years 2020 to 2022, we are planning further cost reductions of CHF 100 million annually.

### **New growth**

Swisscom is keen to grow in its core business and related areas, such as entertainment, cloud services, the Internet of Things, wholesale and digital security. In selected areas, Swisscom is launching new digital services, which in part are based on novel web-based business models. Here the focus is on digital services for SMEs, digital marketing services as well as Swisscom Blockchain Ltd and the fintech segment.

Fastweb plays a key role. Therefore, Swisscom wants to maintain its growth course in Italy and further develop the company profitably.

### **Shareholder return**

Swisscom pursues a payout policy with a stable dividend. In 2019, Swisscom paid an ordinary dividend of CHF 22 per share. The Swiss Market Index (SMI) rose by 26% compared with the previous year; the Swisscom share price increased by 9.1% to CHF 512.60.

### **Outlook**

For 2020, Swisscom expects net revenue of around CHF 11.1 billion, EBITDA of around CHF 4.3 billion and capital expenditure of around CHF 2.3 billion. Subject to achieving its targets, Swisscom will propose payment of an unchanged, attractive dividend of CHF 22 per share for the 2020 financial year at the 2021 Annual General Meeting.

### **Sincerest thanks**

Shaping the future as the market leader means constantly developing and taking advantage of the opportunities that present themselves. Together with our colleagues, we have had a successful year and have achieved a lot. For this, we would like to thank our employees. It is thanks to their commitment, knowledge and motivation that Swisscom has become what it is today: a reliable partner for our customers, a sound investment for our shareholders and a pioneer in the networking of a modern Switzerland. We would also like to thank you, our valued shareholders, for the trust and confidence you have in our company.

Yours sincerely



Hansueli Loosli  
Chairman of the Board of Directors  
Swisscom Ltd



Urs Schaeppi  
CEO Swisscom Ltd



With Thymio, children learn how computers and robots work. Through play, the pupils develop the skills needed to navigate their way in the digital world and to actively shape it.

Five school classes with 100 pupils from five cantons are taking part in the pilot project called “Thymio goes to the mountains”.



The Swisscom Academy trainers support everyone who wants to make their everyday life easier with the help of smartphones, tablets and Swisscom products.

580,000 participants have attended Swisscom Academy courses over the last 15 years.