

swisscom

Annual Report 2020



We are
ready

Annual Report publications



The Annual Report, Sustainability Report and “2020 at a glance” together make up Swisscom’s reporting on 2020. The three publications are available online at: [swisscom.ch/report2020](https://www.swisscom.ch/report2020)

Concept “ready”

With the brand platform “ready”, Swisscom also wants to revitalise its brand internally and externally and make the networked future accessible to its customers in a simple way.

The pictures in the Annual Report 2020 show Swisscom employees who were also ready in this extraordinary year in order to enable our customers, for their part, to be “ready for life”.

The cover of the Annual Report and “2020 at a glance” shows Dilan Mert, Shop Manager Shopville at Zurich Main Station.

The cover page of the Sustainability Report shows Saskia Günther, the new head of the Sustainability Team.

A big thank you to all who took time to pose for these photographs and film recordings: Lorenz Inglin, Florian Leibenzeder, Florian Badertscher, Sebnem Kaslack, Stefan Kuch, Reto Jost, Pascal Salina, Carmen Wäfler, Markus Gisi, Cloé Zähringer-Cela, Dilan Mert, Dany Kammacher, Patrick Weibel, Barbara Pytlik, Klaus Liechti, Luigi Chiofalo, Saskia Günther and Giulia Langhi.

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2020 in review

Net revenue

billion CHF

11.1

▼ 3.1%

EBITDA

billion CHF

4.4

▲ 0.6%

Capital expenditure

billion CHF

2.2

▼ 8.6%

Net income

billion CHF

1.5

▼ 8.4%

Net debt to EBITDA after leases ratio

1.5

▼ 0.2

Equity ratio

%

39.1

▲ 2.5 PP

Employees (full-time equivalent)

19,062

▼ 1.3%

Dividend per share

CHF

22



Total shareholder return Swisscom share

%

-3.0

▼ 17.3 PP



World champion in sustainability

Swisscom named world's most sustainable telecommunications company.

Climate-neutral operations



The company has itself saved 80% of emissions and now offsets the other 20% with myclimate.

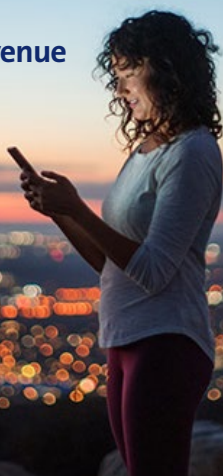
The world premiere:

50 Gbps

Achieved for the first time by Swisscom in a real fixed network environment.

Fastweb is growing!

Fastweb has more customers, more revenue and more EBITDA.



CHF 1.6 billion

Invested by Swisscom in Swiss network expansion and maintenance.

And everything turned
“blue”

blue – the new blue entertainment experience, combining film, cinema, TV and news.

Test winner



No. 1

in all mobile network tests in Switzerland.

KPIs

In CHF million, except where indicated

		2020	2019	Change
Net revenue and results ¹				
Net revenue		11,100	11,453	-3.1%
Operating income before depreciation and amortisation (EBITDA)		4,382	4,358	0.6%
EBITDA as % of net revenue	%	39.5	38.1	
EBITDA after lease expense (EBITDA AL)		4,082	4,064	0.4%
Operating income (EBIT)		1,947	1,910	1.9%
Net income		1,528	1,669	-8.4%
Earnings per share	CHF	29.54	32.28	-8.5%
Balance sheet and cash flows ¹				
Equity		9,491	8,875	6.9%
Equity ratio	%	39.1	36.6	
Operating free cash flow proxy		1,853	1,626	14.0%
Capital expenditure		2,229	2,438	-8.6%
Net debt		6,218	6,758	-8.0%
Operational data				
Fixed telephony access lines in Switzerland	in thousand	1,523	1,594	-4.5%
Broadband access lines retail in Switzerland	in thousand	2,043	2,058	-0.7%
TV access lines Switzerland	in thousand	1,554	1,555	-0.1%
Mobile access lines in Switzerland	in thousand	6,224	6,333	-1.7%
Revenue generating units (RGU) Switzerland	in thousand	11,344	11,540	-1.7%
Broadband access lines wholesale in Switzerland	in thousand	555	515	7.8%
Broadband access lines in Italy	in thousand	2,747	2,637	4.2%
Mobile access lines in Italy	in thousand	1,961	1,746	12.3%
Swisscom share				
Number of issued shares	in thousand	51,802	51,802	—
Market capitalisation		24,715	26,554	-6.9%
Closing price at end of period	CHF	477.10	512.60	-6.9%
Closing price highest	CHF	577.80	523.40	
Closing price lowest	CHF	446.70	441.10	
Dividend per share	CHF	22.00 ²	22.00	—
Employees				
Full-time equivalent employees	number	19,062	19,317	-1.3%
Average number of full-time equivalent employees	number	19,095	19,561	-2.4%

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

Business overview

Swisscom Switzerland

Residential Customers

The Residential Customers division provides mobile and fixed-line services in Switzerland, such as fixed-line telephony, broadband, TV and mobile communications.

Business Customers

Business Customers offers telecom services and overall communications solutions for large corporations and SME customers in Switzerland. The offering in the area of business ICT infrastructure covers the entire range from individual products to complete solutions.

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 provides broadband and mobile phone services to residential, business and wholesale customers in Italy. The offering includes telephony, broadband and mobile services. Fastweb also offers comprehensive ICT solutions 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 division is focused 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 8.3 bn

EBITDA

CHF 3.5 bn

Revenues

CHF 2.5 bn

EBITDA

CHF 0.8 bn

Revenues

CHF 1.0 bn

EBITDA

CHF 0.2 bn

Solid performance – despite extraordinary year



From left: Urs Schaeppi, CEO Swisscom Ltd and Hansueli Loosli, Chairman of the Board of Directors Swisscom Ltd.

Dear Shareholders

If proof were needed of how important digitisation is for society and the economy, then an extraordinary 2020 provided it in emphatic style. Home working, remote learning, online shopping and video calls all helped to alleviate some of the major disadvantages of the lockdown. It was a similar story at Swisscom: even though more than 80% of our employees worked from home, we maintained high productivity and achieved a solid financial result. We also set our future course through various innovations in our networks and the bundling of our entertainment offering under the “Swisscom blue” brand. Moreover, we were especially pleased to see Swisscom named the world’s most sustainable telecommunications company and to witness our Italian subsidiary Fastweb grow in all segments.

A solid financial performance...

Swisscom performed well in the year under review despite fierce competition and high price pressure. Net revenue decreased by 3.1% to CHF 11,100 million, while operating income before depreciation and amortisation (EBITDA) rose by 0.6%. On a like-for-like basis and at constant exchange rates, revenue declined by 2.3% while EBITDA remained stable. The decline in revenue was primarily driven by ongoing price pressure and the impact of Covid-19 – in particular, the lack of roaming revenue. At EBITDA level, the decline in revenue was offset by efficiency improvements. Net income fell by 8.4% to CHF 1,528 million due to the absence of one-off effects in income tax expense of the previous year.

Thanks to outstanding performance and rigorous cost management

Excellent networks, innovative products and services and a committed customer service team form the basis for a high level of customer satisfaction and thus our success in the market. However, the pace of digitisation and intense competition are also calling for rigorous cost management. As announced in 2016, Swisscom plans to lower its cost base by CHF 100 million annually. In 2020, we even exceeded this target with a reduction of CHF 129 million. We are planning further cost reductions of CHF 100 million per year up to 2022.

And thanks to Fastweb

In 2020, Fastweb continued its successful path in Italy. In the fixed-network business, it increased the number of broadband customers to 2.75 million (+4.2%) and the number of mobile customers to a total of 1.96 million (+12.3%), despite considerable price pressure. As a result, Fastweb achieved total revenue of EUR 2,304 million (+3.9%) and operating income before depreciation and amortisation (EBITDA) of EUR 784 million (+4.5%).

Fastweb is the clear number two in the Italian broadband market thanks to its market share of around 16% among residential customers, 34% among large companies and 40% among public authorities. Europe's fourth-largest market continues to offer exciting growth opportunities. Fastweb signed a co-investment agreement in August for the nationwide rollout of FTTH in Italy. In the mobile market, Fastweb is working with Wind Tre to build a 5G mobile network that will provide 30% coverage by 2023 and even 90% coverage by 2026.

Increased demands on networks due to the Covid-19 pandemic

Demands on network stability and availability rose sharply in the year under review as a result of the Covid-19 pandemic, making the network outages at the beginning of the year all the more painful. These fell far short of our high standards, but were resolved quickly thanks to efficient and immediate action. Our networks were fully available again during the lockdown and coped with the massively higher load without any problems.

Swisscom is proactively expanding its network infrastructure. In the year under review, Swisscom invested CHF 2.2 billion in the expansion of its IT and infrastructure, around CHF 1.6 billion of which was spent in Switzerland.

Thanks to the over 4.4 million ultra-fast broadband connections installed to date, Swisscom is on course to meet its expansion target of delivering speeds of at least 80 Mbps to 90% of all businesses and homes in every Swiss community by 2021. And that is by no means the limit of its ambitions. As set out in its network strategy for the period to the end of 2025, which was unveiled in 2020, Swisscom intends to double its fibre-to-the-home (FTTH) coverage and provide up to 60% of homes and businesses with bandwidths of 10 Gbps.

Winner in all Swiss mobile tests, but...

Swisscom provides its customers with an excellent mobile network that came out on top in all of Switzerland's mobile tests in the year under review. We were also pleased to be rated the third-best mobile provider in Europe.

So far, so good, but mobile expansion can no longer keep up with the increasing volume of data traffic. While data traffic grew by 29% in 2020, we were only able to increase the capacity of our networks by 5%. 5G could ease the situation with the necessary hardware adjustments, but expansion is stalling as a result of resistance and regional moratoria. The concerns about 5G lack a factual basis: international expert organisations, such as the World Health Organisation (WHO), confirmed once again in 2020 that the recommended international limits ensure there are no health risks associated with 5G.

inOne – bundled success

The attractive inOne bundled offering is performing well in a largely saturated and heavily promotion-driven residential customers market. Swisscom had 2.45 million inOne customers at the end of 2020 (+4.8%). In total, Swisscom has 3.6 million broadband and TV customers (–0.4%) and 6.22 million mobile customers (–1.7%). There was strong growth in home networking (smart home) solutions for controlling lighting, music or alarm systems via the Swisscom Home app, with customer numbers rising by 39%.

blue – Swisscom's new world of entertainment

In September 2020, Swisscom bundled its entertainment services – Bluewin, Swisscom TV, Teleclub and Kitag – to create the new “Swisscom blue” product family. The blue entertainment package is now also available via an app on any smartphone and tablet, not only for Swisscom customers but also for those of our competitors, thus enabling us to extend the reach of the blue offering.

The broadest blue TV package is still only available in combination with the Swisscom Box. This now also allows access to the streaming services of Amazon and the “MySports” channels with the ice hockey matches of the Swiss National League.

Tough competition in corporate business

The Covid-19 pandemic has been an additional catalyst driving digitisation in companies. As an integrated telecommunications and IT company, Swisscom is ideally positioned to meet the growing demand for cloud, security and unified communication & collaboration solutions (e.g. conferencing services). Revenue from the solutions business was almost unchanged in 2020, at CHF 1,058 million (+0.9%).



We were especially pleased to see Swisscom named the world's most sustainable telecommunications company and to witness Fastweb's growth in all segments.

Swisscom offers small businesses “inOne SME”, a standardised yet individual bundled package for Internet and telephony. Larger SMEs or those with more complex needs can use “Smart Business Connect”, an individualised communication solution with collaboration and networking features.

Ready together – especially in the extraordinary year 2020

Swisscom launched the brand platform “ready” in order to revitalise its brand both internally and externally. During the lockdown we supported our customers with a “ready together” package of measures: residential customers without a flat-rate mobile subscription received additional data allowances and higher Internet speeds of at least 50 Mbps, while customers stranded abroad were given additional roaming credit. SMEs and schools benefited from home working solutions offering faster Internet speeds. Swisscom also helped SMEs create online offerings.

Sustainability is an integral element of Swisscom's DNA

Swisscom's recognition as the world's most sustainable telecommunications company is not only confirmation of our 20-year journey, but above all an incentive to continue on this path. The key milestones in 2020 were converting to climate-neutral operations, providing a carbon offsetting offer on the purchase of new smartphones, and becoming the first listed Swiss company to place a green bond, with a volume of EUR 500 million.

Network innovations and new growth

Swisscom unveiled two important network innovations in 2020. In the fixed network, Swisscom achieved a bandwidth of 50 Gbps in the access network under real conditions – a world first that should be ready for the market in two years. In mobile communications, Swisscom achieved download speeds of over 1.2 Gbps for the first time in a moving train – important for passengers and safety-critical rail applications.

Swisscom is targeting further growth in its core business and related areas, such as Fastweb in Italy and digital entertainment services with blue, Smart Life and artificial intelligence and security for companies, banks and the healthcare sector.

Shareholder return

Swisscom pursues a return policy with a stable dividend. In 2020, Swisscom paid an ordinary dividend of CHF 22 per share. The Swiss Market Index (SMI) rose by 0.8% compared with the previous year, while the Swisscom share price fell by 6.9% to CHF 477.10.



“**Swisscom came out on top in all of Switzerland’s mobile tests last year. We were also pleased to be rated the third-best mobile provider in Europe.**”

Outlook

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 (around CHF 1.6 billion of which in Switzerland) for 2021. Subject to achieving its targets, Swisscom will propose payment of an unchanged, attractive dividend of CHF 22 per share for the 2021 financial year at the 2022 Annual General Meeting.

Sincerest thanks

The motto of this annual report is “ready”. This year, our employees demonstrated that they are ready to serve their customers even in extraordinary situations and from their home office. This commitment and motivation deserve our respect. Many thanks!

You too, dear shareholders, can rely on this Swisscom spirit – in the current crisis, but also as we continue on our journey to a successful future. We would like to thank you for your loyalty and hope that you remain ready and willing to place your trust in us.

Kind regards

A stylized, handwritten signature in black ink, belonging to Hansueli Loosli.

Hansueli Loosli
Chairman of the Board of Directors
Swisscom Ltd

A handwritten signature in black ink, belonging to Urs Schaeppi.

Urs Schaeppi
CEO Swisscom Ltd

To the interview



Your security is our job.

Lorenz Inglin and his Cyber Defence Team
protect your data from hackers.

From left: Stefan Kuch, Sebnem Kaslack, Lorenz Inglin, Florian Badertscher, Florian Leibenzeder

To the interview



Your fibre-optic gateway to the world.

Dany Kammacher, engineer,
brings the fastest network to your living room.