

swisscom

Annual Report 2021



ready for tomorrow

Annual Report publications



The Annual Report, Sustainability Report and '2021 at a glance' together make up Swisscom's reporting on 2021. The three publications are available online at: [swisscom.ch/report2021](https://www.swisscom.ch/report2021)

'Ready for tomorrow' concept

As part of its 'ready for tomorrow' concept, Swisscom is committed to preparing itself and its customers for the digital future and harnessing the corresponding opportunities. The images in the Annual Report show Swisscom services that simplify the everyday life of SMEs and improve their competitiveness.

The cover pages of the Annual Report and '2021 at a glance' show Swisscom SME consultant Kathrin Kölbl with Fabian Mauerhofer, manager of the Ziegelhüsi hotel and restaurant in Deisswil. The company procures services from Swisscom.

The remaining images are mostly from the various Swisscom campaigns run throughout the 2021 reporting year.

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2021 in review

Net revenue

billion CHF

11.2

▲ 0.7%

EBITDA

billion CHF

4.5

▲ 2.2%

Capital expenditure

billion CHF

2.3

▲ 2.6%

Net income

billion CHF

1.8

▲ 20.0%

Net debt to EBITDA
after leases ratio

1.4

▲ 0.1

Equity ratio

%

43.6

▲ 4.5 PP

Employees
(full-time equivalent)

18,905

▼ 0.8%

Dividend per share

CHF

22



Total shareholder
return Swisscom share

%

12.9

▲ 15.9 PP

Ambitious for the climate

Swisscom has set itself the target
of net zero emissions by

2025



Very good

Swisscom wins
connect service shop test
with best ever rating.

Top rating

'My Swisscom' rated
best customer app –
in Switzerland and compared
with neighbouring
German-speaking countries.

World champion

Out of **4,400**

entries, Swisscom wins
Global IoT Award
from Microsoft.

On course

Fastweb 2021
once again achieved
more sales, more
customers and
more profit in Italy.



Fastest

Swisscom has
fastest 10 Gbit/s
fibre optic connection.

Best



Swisscom again winner of all
mobile tests in Switzerland.
In the connect test, it even
received an 'outstanding'
rating and the highest score
ever awarded in Switzerland.



KPIs

In CHF million, except where indicated

		2021	2020	Change
Net revenue and results¹				
Net revenue		11,183	11,100	0.7%
Operating income before depreciation and amortisation (EBITDA)		4,478	4,382	2.2%
EBITDA as % of net revenue	%	40.0	39.5	
EBITDA after lease expense (EBITDA AL)		4,177	4,082	2.3%
Operating income (EBIT)		2,066	1,947	6.1%
Net income		1,833	1,528	20.0%
Earnings per share	CHF	35.37	29.54	19.7%
Balance sheet and cash flows¹				
Equity		10,813	9,491	13.9%
Equity ratio	%	43.6	39.1	
Operating free cash flow proxy		1,891	1,853	2.1%
Capital expenditure		2,286	2,229	2.6%
Net debt		5,689	6,218	-8.5%
Operational data				
Fixed telephony access lines in Switzerland	in thousand	1,424	1,523	-6.5%
Broadband access lines retail in Switzerland	in thousand	2,037	2,043	-0.3%
TV access lines in Switzerland	in thousand	1,592	1,588	0.3%
Mobile access lines in Switzerland	in thousand	6,177	6,224	-0.8%
Revenue generating units (RGU) in Switzerland	in thousand	11,230	11,378	-1.3%
Broadband access lines wholesale in Switzerland	in thousand	596	555	7.4%
Broadband access lines in Italy	in thousand	2,750	2,747	0.1%
Mobile access lines in Italy	in thousand	2,472	1,961	26.1%
Swisscom share				
Number of issued shares	in thousand	51,802	51,802	-
Market capitalisation		26,657	24,715	7.9%
Closing price at end of period	CHF	514.60	477.10	7.9%
Closing price highest	CHF	562.40	577.80	
Closing price lowest	CHF	456.30	446.70	
Dividend per share	CHF	22.00 ²	22.00	-
Employees				
Full-time equivalent employees	number	18,905	19,062	-0.8%
Average number of full-time equivalent employees	number	19,099	19,095	0.0%

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.

Wholesale

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

Infrastructure & Support Functions

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

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 Ltd) and broadcast services (Swisscom Broadcast Ltd), 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 (localsearch).

Revenues

CHF 8.2 bn

EBITDA

CHF 3.5 bn

Revenues

EUR 2.4 bn

EBITDA

EUR 0.8 bn

Revenues

CHF 1.0 bn

EBITDA

CHF 0.2 bn

Healthy financial results – ready for tomorrow



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

Dear Shareholders

The future needs digitisation. Our ambition is to make the digital future possible for our customers in Switzerland and Italy. Some 19,000 Swisscom and Fastweb employees have been committed to this objective for years. By investing around CHF 2.3 billion annually in network expansion, we are creating the conditions for successful digitisation. We develop advanced products and services for and with our customers – ensuring that our customers are also ready for what tomorrow may bring. We also seize the possibilities of digitisation to make climate-friendly changes: for example, we are seeking to become climate-neutral along the entire value chain in Switzerland by 2025. As a market and technology leader, we are spurred on by curiosity to anticipate future developments at an early stage: for example, we work closely with universities, invest in innovative start-ups and host an annual StartUp Challenge, with the theme for 2021 being cyber security.

Solid finances – the foundation for lasting success

Our markets remain saturated, and promotional and price pressure is high. Swisscom successfully held its own in this environment in 2021: with net revenue of CHF 11,183 million (+0.7%) and operating income before depreciation and amortisation (EBITDA) of CHF 4,478 million (+2.2%), the results were above the previous year. We achieved these good results thanks to networks that once again received top ratings in the year under review, our multi-award-winning customer service, and innovative products and services. In addition to these outward-facing aspects, we are consistently improving our own internal efficiency by expanding process automation, strengthening our online channels and simplifying our IT and networks. These measures enabled us to reduce our cost base by around CHF 120 million in 2021, further boosting our competitiveness.

Fastweb records more customers, revenue and EBITDA

Fastweb made an important contribution to Swisscom's success again in 2021. With a market share of around 16% among residential customers, 34% among businesses and 46% in the public sector, Fastweb is the clear number two in Europe's fourth-largest broadband market. It grew its customer base in all segments, with rises of 0.1% for broadband customers and 26.1% in mobile communications. As a result, Fastweb boosted its revenue by 3.8% to EUR 2,392 million and its operating income before depreciation and amortisation (EBITDA) by 5.4% to EUR 826 million. This was a tremendous result!

Much invested, much gained

At the end of 2021, Swisscom reached the expansion target that it promised six years ago: it is delivering speeds of at least 80 Mbps to 90% of all homes and offices in every Swiss municipality. To achieve this, Swisscom invested around CHF 1.6 billion per year in the expansion and maintenance of its IT and network infrastructure in Switzerland. This forward-thinking approach to infrastructure expansion is continued in its Network Strategy 2025: Swisscom intends to double its fibre-to-the-home (FTTH) coverage and provide 50–60% of homes and offices with bandwidths of 10 Gbps by 2025.

Swisscom again came top in all Switzerland's mobile network tests in 2021, and achieved the best rating ever awarded in Switzerland in the annual test conducted by the trade magazine 'connect'. Today, the entire Swiss population has 4G coverage. A basic version of 5G (5G technology on 4G antennas) already covers 99% of the population. The full benefits of 5G (5G technology on 5G antennas) are so far only available in 888 locations. In order to create new capacity for modern 5G technology, Swisscom decommissioned the obsolete 2G/GSM mobile generation during 2021.

Best network – but more difficult expansion

Switzerland's mobile and fibre-optic network is one of the best in the world. However, we note with concern the increasing regulation, which threatens to slow down the urgently needed network expansion. On top of the already ten times stricter installation limit values in Switzerland, we face an extremely strict assessment of adaptive 5G antennas and high administrative hurdles for minor operational or technological adjustments. If data traffic increases by around 20% annually but capacity is only expanded by 5%, the Swiss mobile communications network is heading for an unnecessary crunch.

In its ruling of 30 September 2021, the Federal Administrative Court confirmed COMCO's precautionary measures, meaning that Swisscom may not continue to expand its network infrastructure in accordance with the standard international point-to-multipoint (P2MP) FTTH standard. Swisscom is in talks with the COMCO to reach a solution in the interest of our customers as quickly as possible. By engaging in close dialogue with the authorities and politicians, Swisscom is striving to ensure that the expansion of our fibre-optic and mobile communications infrastructure is neither made more expensive nor delayed, because it is only with the highest-performing infrastructure that Switzerland will be able to seize the opportunities that the digital future will bring.

Target of net zero by 2025 – one small step for the climate, but one ambitious leap for Swisscom

After being named the world's most sustainable telecommunications company in 2020, Swisscom is embarking on the next step: to reduce its CO₂ emissions in Switzerland along the entire value chain to net zero by 2025. In order to be completely climate-neutral four years from now, Swisscom aims to reduce CO₂ emissions from its operations and supply chains to a total of 235,000 tonnes, which is in line with a reduction path to well below 1.5°C. Measures to achieve this include switching to electric models for its 2,400-strong vehicle fleet: Swisscom brought the first 80 electric vehicles into service in 2021 and intends to electrify the entire fleet by 2030.

We are also promoting innovations that drive climate-friendly changes via the Swisscom IoT Climate Award and direct investments in start-ups. Examples include our investment in ecoRobotix, whose weeding robots cut CO₂ emissions and herbicide use by 90% through solar cells and 5G.

Ready for our residential customers

The residential customers market in Switzerland is saturated and strongly promotion-driven. Despite that, Swisscom continuously developed its attractive inOne bundled offering during the year under review. Home networking for controlling lighting, music or alarm systems also grew strongly.

Ready for the new TV experience: Swisscom launched 'blue Play', an extensive new media library offering series, feature films and children's programming, in 2021. It also introduced a technical innovation for sports fans: when using the Replay mode, the key moments – such as goalmouth action or yellow and red cards – are visually indicated so that viewers can always move to the most exciting passages of play. Swisscom is also committed to the Swiss music scene, which it will be bringing live to blue TV users from 2022, 365 days a year.

Just as important as good-quality products is quality of service – be that online or in store. The trade magazine 'connect' awarded the My Swisscom app the highest score of any service app from a telecommunications company in Europe. The quality of personal service in our shops also secured the best score ever achieved in Switzerland: in a nutshell, 'we are ready'!

We are supporting Switzerland on its journey into a digital future with appropriate media training for individuals, teachers, school pupils and parents. A total of 72,000 people took part in these training sessions in 2021. Swisscom also campaigned against hate speech and online bullying with the #mutethehate campaign.



Swisscom was a pioneer when it became the world's first environmentally certified telecommunications company 20 years ago. Now it wants to lead the way again with its target of net zero emissions by 2025.

IT: the lifeline for companies

IT infrastructure is increasingly an indispensable lifeline for companies. Unsurprisingly, the market for IT services recovered last year. Especially those SMEs that only really recognised the importance of digitisation during the pandemic have some catching up to do. That is why Swisscom launched a digital POS system in 2021 that allows SME managers to manage all major processes, from ordering and inventory management to invoicing, from their tablets without any specific IT knowledge.

To enable SMEs to provide their services securely, Swisscom offers IT security assessments, cloud solutions that apply the highest security standards and e-learning for employees.

In 2021, Swisscom's partnership with Rhomberg Sersa, an SME in the field of track construction, provided a powerful illustration of what digitisation can achieve: the combination of the Internet of Things, cloud solutions and 5G have not just improved Rhomberg Sersa's competitiveness and the safety of its employees on sites, but have also helped cut its CO₂ emissions. Little surprise, then, that this ground-breaking project was selected from 4,400 applications as the winner of Microsoft's Global IoT Award.



‘**Swisscom once again offered the best mobile network in 2021 and also the best service in its shops throughout Switzerland. These independent test results are a joy to behold!**’

Shareholder return and outlook

Swisscom's share price rose 7.9% to CHF 514.60 in 2021. Swisscom expects net revenue of CHF 11.1 to 11.2 billion, EBITDA of around CHF 4.4 billion and capital expenditure of around CHF 2.3 billion (around CHF 1.7 billion of which will be in Switzerland) for 2022. Subject to achieving its targets, Swisscom will propose an unchanged dividend of CHF 22 per share for the 2022 financial year at the 2023 Annual General Meeting.

Many thanks

‘Being ready for tomorrow’ is both an opportunity and a challenge for all of us. Our employees prove every day that they are ready for tomorrow and want to support our customers as they move into this digital future. We are very thankful to them for this.

We would also like to thank you, our valued shareholders, for your trust and confidence. We hope that you, too, are ready and eager to join us on our journey to a successful tomorrow.

Kind regards

A handwritten signature in black ink that reads "M. Rechsteiner". The signature is fluid and cursive.

Michael Rechsteiner
Chairman of the Board of Directors
Swisscom Ltd

A handwritten signature in black ink that reads "U. Schaeppi". The signature is cursive and somewhat stylized.

Urs Schaeppi
CEO Swisscom Ltd



‘Ready for everyday digital business’

More time for your customers thanks to our modern POS system on your touchscreen.



‘Ready for optimal data security’

Enhanced IT security for your company and your customers thanks to our security checks, cloud solutions and e-learning.