

2019

Financial statements
of Swisscom Ltd



swisscom

Income statement

In CHF million	2019	2018
Net revenue from the sale of goods and services	209	218
Other income	34	33
Total operating income	243	251
Personnel expense	(63)	(71)
Other operating expense	(85)	(82)
Total operating expenses	(148)	(153)
Operating income	95	98
Financial expense	(104)	(112)
Financial income	87	121
Income from participations	1,324	2,230
Income before taxes	1,402	2,337
Income tax expense	(1)	(13)
Net income	1,401	2,324

Balance sheet

In CHF million	Note	31.12.2019	31.12.2018
Assets			
Cash and cash equivalents		182	306
Derivative financial instruments		17	3
Trade receivables	3.1	135	132
Other current receivables	3.1	2	2
Accrued dividends receivable from subsidiaries		1,200	2,100
Accrued income and deferred expense		69	89
Total current assets		1,605	2,632
Financial assets	3.1	6,078	5,026
Derivative financial instruments		2	40
Participations	2.2	8,194	8,214
Total non-current assets		14,274	13,280
Total assets		15,879	15,912
Liabilities and equity			
Current interest-bearing liabilities	3.2	2,188	1,763
Derivative financial instruments		15	6
Trade payables	3.2	11	11
Other current liabilities	3.2	47	301
Accrued expense and deferred income		46	52
Provisions		7	9
Total current liabilities		2,314	2,142
Non-current interest-bearing liabilities	3.2	6,725	7,215
Derivative financial instruments		68	46
Other non-current liabilities	3.2	4	2
Provisions		9	10
Total non-current liabilities		6,806	7,273
Total liabilities		9,120	9,415
Share capital		52	52
Legal capital reserves/capital surplus reserves		21	21
Voluntary retained earnings		6,686	6,424
Total equity		6,759	6,497
Total liabilities and equity		15,879	15,912

Notes to the financial statements

1 General information

1.1 Name, legal form and registered office

- Swisscom Ltd, Ittigen (Canton of Berne)
- Parent company of the Swisscom Group
- Swisscom Ltd is a limited-liability company established under a special statute pursuant to the Telecommunications Enterprises Act (TEA) of 30 April 1997.
- Company identification number (UID) CHF-102.753.938

1.2 Share capital

As of 31 December 2019, the share capital comprised 51,801,943 registered shares with a par value of CHF 1 per share, unchanged from the previous year.

1.3 Major shareholders

As at 31 December 2019, the Swiss Confederation, as majority shareholder, continued to hold 51.0% of the issued shares of Swisscom Ltd as in the prior year. The Telecommunications Enterprises Act (TEA) provides that the Swiss Confederation shall hold the majority of the share capital and voting rights of Swisscom Ltd.

1.4 Number of full-time staff

The average number of employees of Swisscom Ltd during the financial year, expressed as full-time equivalents, was less than 250, unlike in the prior year.

1.5 Approval and release of Annual Financial Statements

On 5 February 2020, the Board of Directors of Swisscom Ltd approved the present Annual Financial Statements for release. As of this date, no material events after the reporting date have occurred. The Annual Financial Statements are subject to approval by the shareholders of Swisscom Ltd in its Annual General Meeting to be held on 6 April 2020.

2 Summary of significant accounting policies

2.1 General information

Significant financial statement reporting policies which are not prescribed by law are described below. The possibility to recognise and release hidden reserves for the purpose of ensuring the sustainable development of the company should be taken into account in this respect.

Since Swisscom AG prepares consolidated financial statements in accordance with an accepted accounting standard (International Financial Reporting Standards), in accordance with legal requirements, it has not included additional information on interest-bearing liabilities and audit fees in the notes to the financial statements, nor has it presented a cash flow statement.

2.2 Participations and recognition of dividend distributions by subsidiary companies

Participations are accounted for at acquisition cost less valuation allowances, as required. Dividend distributions from subsidiary companies are accrued in the financial statements of Swisscom Ltd provided that the annual general meetings of the subsidiary companies approve the payment of the dividend prior to the approval of the Annual Financial Statements of Swisscom Ltd by its Board of Directors.

The direct and significant indirect participations held by Swisscom Ltd were constituted as follows as at 31 December 2018 and 2019:

Capital and voting shares in %	31.12.2019	31.12.2018
Admeira Ltd, Berne ¹	50	50
Billag Ltd, Fribourg ¹	100	100
cablex Ltd, Muri at Berne ²	100	100
CT Cinetrade Ltd, Zurich ¹	100	100
Fastweb S.p.A., Milan ²	100	100
Swisscom Broadcast Ltd, Berne ¹	100	100
Swisscom Digital Technology SA, Geneva ¹	75	75
Swisscom Directories Ltd, Zurich ¹	100	100
Swisscom Health AG, Ittigen ²	100	100
Swisscom Real Estate Ltd, Ittigen ¹	100	100
Swisscom Italia S.r.l., Milan ²	100	100
Swisscom Re Ltd, Vaduz ¹	100	100
Swisscom (Switzerland) Ltd, Ittigen ¹	100	100
Worklink AG, Berne ¹	100	100

1 Participation directly held by Swisscom Ltd.

2 Participation indirectly held by Swisscom Ltd.

2.3 Derivative financial instruments and hedging transactions (hedge accounting)

Derivative financial instruments, which are designated to hedge foreign currencies and interest rates, are measured at market price. Movements in market values are recognised in the income statement. Derivatives which meet the conditions for recognition as a hedging transaction, are measured using the same valuation principles as those which apply to the underlying transaction. Gains and losses arising from the underlying and hedging transactions are dealt with on a joint basis (collective valuation approach with regard to valuation units).

2.4 Treasury shares

At the time of acquisition, treasury shares are recorded at acquisition cost as a deduction from equity. Treasury shares developed as follows in 2018 and 2019:

	Number	Average price in CHF	In CHF million
Balance at 31 December 2017	624	468	–
Purchases on the market	8,300	468	4
Allocated for share-based compensation	(8,581)	468	(4)
Balance at 31 December 2018	343	468	–
Purchases on the market	8,800	484	4
Allocated for share-based compensation	(9,141)	484	(4)
Balance at 31 December 2019	2	484	–

3 Disclosures on balance sheet and income statement positions

3.1 Receivables and financial assets

In CHF million	31.12.2019	Thereof from participations	31.12.2018	Thereof from participations
Trade receivables	135	135	132	131
Other current receivables	2	1	2	1
Financial assets	6,078	5,952	5,026	4,911

3.2 Liabilities

Trade payables and other liabilities

In CHF million	31.12.2019		31.12.2018	
		Thereof to participations		Thereof to participations
Trade payables	11	7	11	5
Other current liabilities	47	22	301	26
Other non-current liabilities	4	–	2	–

Other current liabilities as at 31 December 2019 include liabilities to pension funds of CHF 1 million (prior year: CHF 1 million).

Interest-bearing liabilities

In CHF million	31.12.2019	31.12.2018
Bank loans	1,064	1,212
Debenture bonds	5,845	5,520
Private placements	150	428
Interest-bearing liabilities to participations	1,767	1,741
Other interest-bearing liabilities to third parties	87	77
Total interest-bearing liabilities	8,913	8,978
Thereof current interest-bearing liabilities	2,188	1,763
Thereof non-current interest-bearing liabilities	6,725	7,215

Debenture bonds

In CHF million or EUR million	31.12.2019		31.12.2018	
	Par value in currency	Nominal interest rate	Par value in currency	Nominal interest rate
Debenture bond in EUR 2013–2020	500	2.00	500	2.00
Debenture bond in EUR 2014–2021	500	1.88	500	1.88
Debenture bond in CHF 2010–2022	500	2.63	500	2.63
Debenture bond in CHF 2015–2023	250	0.25	250	0.25
Debenture bond in CHF 2012–2024	500	1.75	500	1.75
Debenture bond in EUR 2015–2025	500	1.75	500	1.75
Debenture bond in CHF 2014–2026	200	1.50	200	1.50
Debenture bond in EUR 2018–2026	500	1.13	500	1.13
Debenture bond in CHF 2016–2027	200	0.38	200	0.38
Debenture bond in CHF 2017–2027	350	0.38	350	0.38
Debenture bond in CHF 2016–2028	200	0.38	200	0.38
Debenture bond in CHF 2018–2028	150	0.75	150	0.75
Debenture bond in CHF 2014–2029	160	1.50	160	1.50
Debenture bond in CHF 2019–2029	200	0.50	–	–
Debenture bond in CHF 2016–2032	300	0.13	300	0.13
Debenture bond in CHF 2017–2033	150	0.75	150	0.75
Debenture bond in CHF 2019–2033	80	0.75	–	–
Debenture bond in CHF 2015–2035	150	1.00	150	1.00
Debenture bond in CHF 2018–2035	150	1.00	150	1.00
Debenture bond in CHF 2019–2044	125	–	–	–

4 Further information

4.1 Collateral for third party liabilities

As of 31 December 2019, guarantee obligations exist for Group companies in favour of third parties totalling CHF 225 million (prior year: CHF 253 million).

4.2 Residual amounts of lease liabilities

There are no lease obligations which are not due within twelve months or which can be terminated.

4.3 Assets used to secure own liabilities as well as assets subject to retention of title

As of 31 December 2019, financial assets totalling CHF 107 million (prior year: CHF 108 million) were not freely available. These assets serve to secure commitments arising from bank loans.

4.4 Participation rights of the members of the Board of Directors and Group Executive Board

The following table discloses the number of unrestricted and restricted shares held by the members of the Board of Directors and Group Executive Board as well as parties related to them, as of 31 December 2018 and 2019:

number	31.12.2019	31.12.2018
Hansueli Loosli	3,474	3,113
Roland Abt	544	379
Valérie Berset Bircher ¹	–	329
Alain Carrupt	439	329
Frank Esser	798	642
Barbara Frei	1,047	919
Sandra Lathion-Zweifel ²	114	–
Anna Mossberg	222	112
Catherine Mühlemann ³	–	1,559
Michael Rechsteiner ²	109	–
Renzo Simoni	480	324
Total shares held by the members of the Board of Directors	7,227	7,706

1 Resigned from the Board of Directors as of 31 December 2018.

3 Resigned from the Board of Directors as of 2 April 2019.

2 Elected to the Board of Directors as of 2 April 2019.

number	31.12.2019	31.12.2018
Urs Schaeppli (CEO)	4,752	4,380
Mario Rossi	1,707	1,483
Hans C. Werner	1,440	1,259
Marc Werner	1,364	1,158
Urs Lehner	509	290
Christoph Aeschlimann ¹	–	–
Heinz Herren ²	–	1,856
Dirk Wierzbitzki	969	604
Total shares held by the members of the Group Executive Board	10,741	11,030

1 Joined the Group Executive Board as of 1 February 2019.

2 Resigned from the Group Executive Board as of 31 January 2019.

In 2019, 1,409 shares (CHF 0.7 million) were issued to the members of the Board of Directors and 1,815 shares (CHF 0.9 million) to the members of the Group Executive Board. None of the individuals required to make notification holds voting shares exceeding 0.1% of the share capital.

Proposed appropriation of retained earnings

Proposal of the Board of Directors

The Board of Directors proposes to the Annual General Meeting of Shareholders to be held on 6 April 2020 that the available retained earnings of CHF 6,685 million for the financial year ending on 31 December 2019 be appropriated as follows:

In CHF million	31.12.2019
Appropriation of retained earnings	
Retained earnings from previous year	6,424
Ordinary dividend ¹	(1,140)
Balance carried forward from prior year	5,284
Net income for the year	1,401
Retained earnings available to the Annual General Meeting	6,685
Ordinary dividend of CHF 22 per share for 51,801,941 shares ¹	(1,140)
Balance to be carried forward	5,545

1. Excluding treasury shares.

In the event that the proposal is approved, a dividend per share will be paid to shareholders on 14 April 2020 as follows:

Per registered share	CHF
Ordinary dividend, gross	22.00
Less 35% withholding tax	(7.70)
Net dividend payable	14.30

Report of the statutory auditor

to the General Meeting of Swisscom Ltd

Ittigen (Bern)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Swisscom Ltd, which comprise the income statement for the year ended 31 December 2019, the balance sheet as at 31 December 2019, and notes for the year then ended, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 2 to 7) as at 31 December 2019 comply with Swiss law and the company's articles of incorporation.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Materiality

The scope of our audit was influenced by our application of materiality. Our audit opinion aims to provide reasonable assurance that the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements as a whole.

Overall materiality	CHF 75 million
How we determined it	0.5% of total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because, in our view, it is a relevant benchmark against which a holding company can be assessed, and it is a generally accepted benchmark.

We agreed with the Audit Committee that we would report to them misstatements above CHF 2.4 million identified during our audit as well as any misstatements below that amount which, in our view, warranted reporting for qualitative reasons.

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Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we considered where subjective judgements were made; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the entity, the accounting processes and controls, and the industry in which the entity operates.

Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

We have determined that there are no key audit matters to communicate in our report.

Other matter

The financial statements of Swisscom Ltd for the year ended 31 December 2018 were audited by another firm of auditors whose report, dated 6 February 2019, expressed an unmodified opinion on those statements.

Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if



such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists which has been designed for the preparation of financial statements according to the instructions of the Board of Directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

PricewaterhouseCoopers AG

Peter Kartscher
Audit expert
Auditor in charge

Petra Schwick
Audit expert

Zurich, 5 February 2020



Swisscom Ltd | Report of the statutory auditor to the General Meeting