



2019 annual financial statements:

## **Good performance – even higher network speed**

- **Group revenue down slightly due to price erosion in Switzerland**
- **EBITDA stable on a like-for-like basis**
- **Net income up due to one-off effects in income tax expense**
- **Success with bundled offerings: inOne continues to grow**
- **Fastweb attracts more fixed-line and mobile customers; revenue and EBITDA higher year-on-year**
- **Proposal of an unchanged dividend of CHF 22 per share for financial year 2019**
- **Investment in the network remains high – new 2025 expansion target: Doubling cover with glass fibre (FTTH)**
- **Outlook for 2020: net revenue of around CHF 11.1 billion, EBITDA of around CHF 4.3 billion and capital expenditure of around CHF 2.3 billion**

[The key figures at a glance](#)

“Swisscom met its targets and again reported solid results in a challenging market environment,” said CEO Urs Schaeppi, commenting on the 2019 annual financial statements. “We achieved success with new products: inOne mobile, which was launched in February and offers unlimited roaming in Europe, is used by 1.15 million customers. And the new Swisscom box takes the TV experience to the next level. The integrated voice assistant can be used to control not only the TV but also smart home applications. Our investment in the network is paying off, as shown by our top ranking in all relevant network tests. In addition, we covered 90% of the Swiss population with a basic version of 5G as at the end of 2019. But to realise the full potential of 5G, new antenna sites and the conversion of existing systems are essential. The network is and remains the driving force of our success. By 2025, we therefore want to double fibre-optic coverage (FTTH) in homes and businesses compared to current levels and focus more on convergence of our network technologies. The biggest challenges in 2020 remain market saturation, fierce competition and high price pressure. Our response to these is attractive products alongside a focus on the quality of our network and outstanding customer service. In addition to this, we are further driving forward our company’s transformation and rigorously pursuing our cost targets. Fastweb is successful and is growing in terms of customers, revenue and operating income.”

→ [Video Urs Schaeppi](#)



### **Solid business figures, slightly declining Swiss core business, growth at Fastweb**

Group revenue fell in line with expectations by 2.2% to CHF 11,453 million. In the saturated Swiss core business, Swisscom generated revenue of CHF 8,563 million (-2.8%). The CHF 290 million decline in revenue from telecommunications services can be largely attributed to persistent competitive and price pressure in various segments and to the downward trend in fixed-line telephony. Business in Italy continued to develop positively: Fastweb reported revenue growth of EUR 114 million (+5.4%).

Consolidated operating income before depreciation and amortisation (EBITDA) totalled CHF 4,358 million, up 3.4% on the previous year. The year-on-year development of EBITDA was positively affected by new requirements governing the financial reporting of leases (IFRS 16). However, a provision for job cuts of CHF 56 million has depressed the result. After adjustment and at constant exchange rates, EBITDA was stable (+0.1%). EBITDA fell by 0.6% on an adjusted basis on the core Swiss market, while that of Fastweb increased by 5.2% (in EUR). In overall terms, Swisscom generated solid net profit of CHF 1,669 million, which was up 9.7% on the prior-year level due to one-off effects in income tax expense.

The decline in core business was largely offset by ongoing cost-cutting measures. Swisscom exceeded its target of cutting its cost base in Switzerland by CHF 100 million each year up until 2020. The number of full-time equivalents (FTEs) in the Group declined to 19,317 in the year under review. As at the end of 2019, Swisscom employed 16,628 FTEs in Switzerland, 3.0% fewer than at the end of 2018.

→ [Video review with highlights of 2019](#)

### **Network infrastructure: ready for the new decade**

Swisscom has been seriously investing in technological leadership for years now. And successfully too: Swisscom took first place in 2018 and 2019 for all relevant network tests, including the CHIP test, Ookla's speed test and – for the tenth time – the mobile network test carried out by connect. The upgrade of the fixed network in all Swiss municipalities is also on track. Group-wide capital expenditure remains high, accounting for around one-fifth of revenue (21.3%) and totalling CHF 2,438 million (+1.4%) in 2019. Of this, CHF 1,770 million (+7.6%) was invested in Switzerland. This included CHF 196 million for the mobile frequencies for the 5G network in Switzerland purchased at auction in the first quarter.



### *Broadband expansion on course*

As at the end of 2019, Swisscom had connected around 3.9 million or 7.4% of homes and businesses to its ultra-fast broadband service (speeds in excess of 80 Mbps). Some 2.5 million or 47% of homes and offices benefit from fast connections with bandwidths of more than 200 Mbps. Of these 1.5 million have been upgraded to FTTH. Swisscom intends to make ultra-fast broadband available in every Swiss municipality by the end of 2021, even in remote locations.

### *New 2025 expansion target: the best network in Switzerland*

Swisscom is also committed to a new expansion target, with the claim of offering all customers the best network in Switzerland everywhere and at all times. FTTH coverage is set to double compared to 2019 by the end of 2025.

Swisscom also wants to make more convergent use of its network technologies, with intelligent combination of the mobile and broadband networks to ensure every customer gets precisely the service they need – whether out and about or at home.

You can find further details of the 2025 expansion targets in [the interview with CTIO Christoph Aeschlimann](#)

### *Switch to IP practically complete: all residential customers migrated*

The switch to IP technology was completed in the residential customer market at the start of December 2019, 99.8% of business customers have also migrated; here, too, the switch will be completed by the end of the first quarter of 2020. Decommissioning of the old infrastructure is ongoing and scheduled for completion by the end of 2022.

### *Broadband on the mobile network: ready so that data continues to flow in the future*

Following the auction of 5G frequencies in February 2019, Swisscom became in April the first provider in Europe to present a commercially available 5G smartphone. A key milestone was reached at the end of 2019: 90% of the Swiss population are equipped with basic 5G coverage. However, in order for data to be transmitted up to 1,000 times more efficiently – and thus also more energy efficiently – the full 5G version is needed. This is like having additional lanes on the motorway. In order to prevent parts of Switzerland from suddenly getting stuck in a mobile phone traffic jam and to keep data traffic flowing, new antenna locations or the conversion of existing installations are unavoidable. A powerful mobile phone network will also be a key factor in the functioning of Swiss society and the economy in the future.

As at the end of 2019, the nationwide coverage of Swisscom's 4G/LTE network was



99%. More than 97% of the Swiss population surf at speeds of up to 300 Mbps, more than 72% at speeds of up to 500 Mbps, and some 27% at speeds of up to 700 Mbps.

### **Further growth for top products TV and inOne**

The number of TV and broadband connections continues to increase, while demand for bundled offerings remains high. Top product inOne's modular, flexible offering meets the needs of residential customers.

#### *More customers opt for inOne*

At the end of 2019, Swisscom's inOne customers numbered 2.75 million, of whom 1.15 million had opted for the inOne mobile offering launched in February 2019. inOne accounts for 67% of all postpaid mobile phone subscriptions in the residential customer segment and for 68% of fixed-line broadband connections.

#### *Slight growth at Swisscom TV*

The markets for broadband and TV are saturated and driven strongly by promotional offerings. Nevertheless, the number of TV customers rose by 2.4% to 1.56 million, while the number of broadband connections remained stable at 2.03 million.

The downward trend in traditional fixed-line telephony is slowing among residential customers: As at the end of 2019, Swisscom had 1.52 million fixed-line telephony connections in this segment, which corresponds to a decline of 126,000 connections in 2019.

#### *Growth in roaming data volumes continues*

In a saturated market environment, the number of postpaid lines grew by 95,000 year-on-year in 2019, while the number of prepaid lines fell by 132,000. Swisscom had 6.33 million mobile lines as at the end of 2019. Roaming data volumes more than doubled year-on-year, thanks to price reductions and additional inclusive services in inOne mobile subscriptions.

#### *Competition remains tough in corporate business*

The market for large customers is characterised by high price pressure and new technologies. Revenue from telecommunications services fell by 10.9% or CHF 112 million year-on-year to CHF 919 million. Swisscom has a strong position as a full service provider. Its offerings meet customers' needs, and customer satisfaction remains high. Demand for cloud, security and IoT solutions continued to grow. Swisscom also succeeded in renewing contracts with many existing customers in 2019. Revenue in the solutions business remained virtually stable at CHF 1,021 million (-0.6%).



### **Fastweb grows in all customer segments**

Fastweb can look back on a successful 2019 in which it delivered sound financial results in all segments. Despite market saturation and strong competition, the number of its mobile customers increased in 2019 by 26.1% to 1.806 million year-on-year, in no small part thanks to Fastweb's attractive mobile telephony offerings with even more services. Fixed-line broadband business also developed positively; as at the end of 2019, Fastweb had 2.64 million (+3.5%) broadband customers. The company's corporate business segment also continued to grow, with revenue up a substantial EUR 82 million (+10.5%).

Overall, Fastweb increased revenue by 5.4% to EUR 2,218 million in 2019. Operating income before depreciation and amortisation (EBITDA) rose by 5.2% on an adjusted basis to EUR 750 million.

### **Financial effects of tax reform**

The tax reform adopted in the 2019 referendum led to extraordinary positive tax effects of CHF 269 million as a result of accounting under International Financial Reporting Standards (IFRS). This accounting effect in 2019 does not impact directly on current tax payments but is spread over a period of around ten years. Swisscom paid CHF 357 million in taxes in Switzerland in 2019 (prior year: CHF 277 million).

### **Outlook for 2020: EBITDA of around CHF 4.3 billion**

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.

The entire industry is being transformed by digitalisation. At the same time, Swisscom faces tough competition from global, Internet-based companies with low costs. As already announced, Swisscom aims to continue to reduce its cost base by some CHF 100 million in 2020, as in previous years. Swisscom is also planning cost reductions of CHF 100 million in both 2021 and 2022. The company will continue to realise savings mainly through simplified workflows, the use of more cost-effective systems and a reduction in the number of jobs offered. In contrast, new jobs will generally be created in growth areas such as the cloud or security.

Overall, Swisscom expects vacancies in Switzerland to decline slightly in 2020, depending on market development. By means of careful planning, Swisscom aims to continue to



cushion the reduction in headcount through natural fluctuation and retirements as much as possible, or to find alternative solutions. Swisscom, syndicom and transfair have agreed to introduce a partial retirement model in 2020, under which employees aged 58 or older can gradually reduce their level of employment at their request over two years. Swisscom will make a financial contribution to cushion the impact of pension reductions in the pension fund, and will guarantee employment for two years. Swisscom and the social partners see this pilot project as an opportunity to mitigate the headcount reduction in sub-areas. Swisscom also pays special attention to employees' ongoing training and education. The goal is to maintain and strengthen the employability of Swisscom employees. As in the past, Swisscom is also firmly committed to the training of apprentices and will be making 900 apprenticeships available in 2020.

A proposal will be made to the Annual General Meeting on 6 April 2020 for payment of an unchanged dividend of CHF 22 per share for the 2019 financial year. The one-year term of office of all members of the Board of Directors expires at the Annual General Meeting. The Chairman and members of the Board of Directors will be standing for re-election.

### **Key figures at a glance**

	<b>1.1.- 31.12.2018</b>	<b>1.1.- 31.12.2019</b>	<b>Change (adjusted*)</b>
Net revenue (in CHF million)	11,714	11,453	-2.2% (-1.5%)
Operating income before depreciation and amortisation, EBITDA (in CHF million)	4,213	4,358	3.4% (0.1%)
Operating income, EBIT (in CHF million)	2,069	1,910	-7.7%
Net income (in CHF million)	1,521	1,669	9.7%
Swisscom TV connections in Switzerland (as at 31 December in thousands)	1,519	1,555	2.4%
Retail broadband connections in Switzerland (as at 31 December in thousands)	2,033	2,033	0.0%



Mobile access lines in Switzerland (as at 31 December in thousands)	6,370	6,333	-0.6%
Fastweb broadband connections (as at 31 December in thousands)	2,547	2,637	3.5%
Fastweb mobile lines (as at 31 December in thousands)	1,432	1,806	26.1%
Capital expenditure (in CHF million)	2,404	2,438	1.4%
Of which capital expenditure Switzerland (in CHF million)	1,645	1,770	7.6%
Group employees (FTEs as at 31 December)	19,845	19,317	-2.7%
Of which employees in Switzerland (FTEs as at 31 December)	17,147	16,628	-3.0%

\* On a like-for-like basis and at constant exchange rates

Swisscom uses various alternative performance indices. The definition and reconciliation of values in accordance with IFRS are set out in the chapter on business performance in the 2019 annual report.

**Detailed financial report:**

<http://www.swisscom.ch/report2019>

**Related documents:**

<http://www.swisscom.ch/ir>

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**Press Release**

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