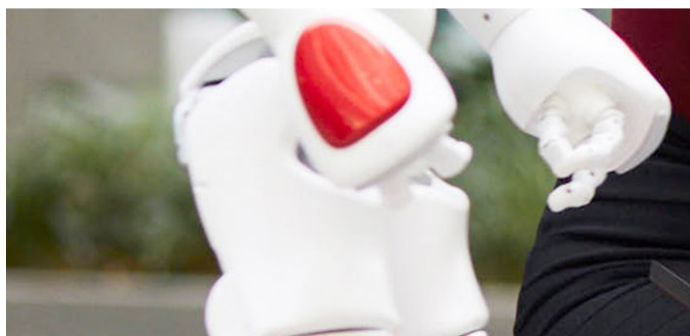


Annual Report 2017/18





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Introduction



We want to remain the number one audit and advisory service provider, maintain our leading position in tax and legal consulting, and take on a pioneering role in digital services. To make this ambition a reality, we are pursuing a strategy that is as bold as it is sustainable, and are focusing on one thing without exception: our clients.

For years, we have put our clients at the centre of our activities. This may sound trivial, but it is anything but. Genuine customer focus means much more than the name suggests. We implement a holistic, durable approach. We not only take into account the wishes of our clients, but also and above all consider what they need today, what they will require in the future, and what will make them successful in the longer term. We examine their background, analyse their needs and pinpoint trends. We assess technologies, market stakeholders, legal regulations and anything else that may affect their development and value creation.

We see ourselves as a sparring partner and give the concerns of our clients as much attention as we would if they were our own. We reveal where a company stands in the market and in relation to its competitors, and identify areas in which it is doing well or needs to take action. We look beyond its everyday business, ask the right, crucial questions, address key topics early on and introduce new perspectives to the debate. This gives those in charge a broad, reliable basis of information on which to make decisions..

Industry 4.0

We are constantly expanding our digital expertise. We intend to increasingly concentrate our efforts on helping our clients to meet the challenges of the 4.0 era. Thanks to state-of-the-art electronic accounting and audit tools, usability labs, blockchain, virtual-reality environments or machine learning in specific applications, we show our clients how they can work more efficiently, communicate more transparently and make decisions that are based on data. With services ranging from the design of end-customer experiences and the use of artificial intelligence through to the development of software or the safeguarding of cybersecurity, we offer our customers far-sighted solutions to ensure sustainable, future-oriented growth. At the same time, we are pushing ahead with our own internal digitisation. This experience is reinforcing our expertise in the field of digital transformation.

The annual report 2017/18 is dedicated to building a feasible future inspired by a combination of human and digital strengths. We hope you will find it interesting to read and wish you a successful journey from the present into the future.

Dr. Markus R. Neuhaus
Chairman of the Board
PwC Switzerland

Andreas Staubli
CEO
PwC Switzerland

Assurance



The Assurance line of service registered favourable overall results and increased net fee revenue to CHF 384 million, which was 5% higher than the previous year.

This enabled us to establish ourselves as a leading Swiss auditing firm and remain on our growth path. We see our future as an intelligent combination of human-based knowledge and technology-driven efficiency.

Our auditing services must be deemed worthy of attention with no ifs or buts. With net fee revenue totalling CHF 384 million for the financial year 2017/18 (previous year: CHF 367 million), we remain the clear number one in this market. We benefit from a healthy mix of companies and industries experiencing stable growth.

The largest contribution to revenue was made by auditing mandates in the trade, industry and services sector. We acquired a great many new clients and were able to complete transaction-related projects for spin-offs and IPOs. We made a quantum leap in terms of audit-related services such as system and process management, internal control systems and internal auditing, achieving impressive growth of 22% in relation to the previous year and making considerable investments. The only area in which results were below expectations was in financial services. This was mainly due to the lack of major supervisory projects, whereas a large number of such projects had been completed in the previous financial year.

Favourable market environment

The market situation in the reporting year was favourable for the trade, industry and services sectors. We were able to work on comprehensive, complex projects related to many business transactions, providing our clients with genuine added value. The market for activities that go beyond traditional auditing was also in good shape due to technological developments. The situation proved less fruitful for our clients in the financial services sector. This was particularly the case for larger stakeholders, as comprehensive regulatory programmes come to an end.

Staying on target and setting clear priorities

In the coming financial year, we will follow the same path as in previous years, but with three strategic priorities. Firstly, we will aim to acquire additional market share and be awarded contracts in major audit tender processes. Secondly, we will seek to achieve ambitious growth in other auditing services. And finally, we will endeavour to transfer our core business even further into the digital age.

Uniting humans and machines

The transformation and digitisation of auditing are among the ten major tasks we face in the coming years. The way in which we provide services is shifting from the previous person-centred model to a new approach that involves a mixture of humans and technology. This is changing our relations with our auditing clients: with the help of digital platforms, we are able to interact with our clients much more effectively, for example using Digital LSE, an integrated platform for limited statutory audits. Our clients can also benefit from our investments in digital processes and products. Tools such as the intelligent Halo Suite software for accounting data or the audit tool PCT provide valuable information about the way in which a company is controlled. They help improve the effectiveness of the control environment and make audits more efficient than when using traditional spot-check methods.



Tax & Legal

We remain the market leader in tax and legal consulting in Switzerland. We improved our results in comparison with the previous year, and increased our net fee revenues from CHF 205 million (gross: CHF 262 million) to CHF 207 million (gross: CHF 265 million).

The 2017/18 financial year can be described as the year we took a fresh approach. As well as partly restructuring our processes and services, we also made substantial investments in our future market fitness.

One of the key elements of the reporting year was the profound transformation undertaken at PwC Switzerland in order to set our business field apart in various areas. This change required extensive investments in new resources and technologies. We were nonetheless able to end the year with revenue above the previous year's level.

Dedicated to flexibility and expertise

At PwC Switzerland we apply an integrated, holistic approach to consulting. With this in mind, we considerably expanded our legal expertise in Switzerland in the reporting year, for example by introducing flexible legal and compliance specialists to provide our clients with temporary assistance under the client's own direct supervision.

Continuing the transformation

We want to establish stronger links between our legal and tax services in the coming financial year. First and foremost, we will continue to put our clients at the centre of our efforts without exception, and strive to solve their complex key problems. To do so, we will rely on the strengths and diversity of our employees, on the effectiveness of our team in the long term, and on a productive working environment. In addition, we will further enhance our working methods, firstly by developing services that make use of technological innovations, and secondly by exploiting synergies made up of internal and external business partnerships combined with our own knowledge and experience, thereby providing clients with results that drive them forward in their own developments. We also intend to strengthen our partnership with the European network for the benefit of our clients. This includes further standardising the exchange of experience whilst making it easier to work together on the technological development of services and adapting the production of our services. We will of course continue to assist and advise our clients with the same passion and dedication in the future. We enable them to make informed decisions in tax, legal and HR matters in line with our global code of conduct.

We also help to improve tax, legal and regulatory systems, drawing on our extensive experience and expertise in areas where these systems are being developed or modified by political decision-makers.

Uncertainty as an opportunity

Every change brings with it a healthy proportion of uncertainty; healthy because uncertainty prompts further changes. Such changes may be exciting and uncomfortable at the same time. The most radical change affecting us at the moment is the series of tax reforms in progress around the world. As a result, challenging new tasks lie ahead in the areas of fiscal policy and regulation. Yet it is changes such as these which motivate us to excel ourselves and come up with first-class solutions.

Exploiting the potential of the digital world

In the past financial year we have integrated digital technologies even further into our customer service activities. We strive to understand customers' needs and to offer them practical solutions. These solutions are the result of strategic alliances, the digital transformation or innovations, and are always developed in close cooperation with specialised third parties. In this way, we can harness the technical know-how of the digital world for the tax function of our clients.

As far as the 4.0 era is concerned, we are mainly interested in how new technologies will affect the future design of fiscal and legal structures, how information will be exchanged and how regulatory requirements will develop. At the same time, when it comes to tax and legal consulting we must enhance our working methods with the added value we can gain from the use of new technologies.

Advisory

Our Advisory line of service performed extremely well in the reporting year. We increased our net fee revenues by 7%, from CHF 161 million to CHF 173 million (gross: CHF 230 million, +9%). The healthcare industry and digital technologies were the main drivers for this impressive growth. Consulting mandates for financial services providers, trade, industry and the public sector also made a substantial contribution to the good result.

There are more and more requests for advice on planning and implementation in connection with business model transformations and international mergers and acquisitions, along with the corresponding investments. The change of generation in medium-sized companies is stimulating demand for advice on succession planning. In the financial services sector, the need for advice on implementing regulatory changes is gradually declining. Strategic, organisational and technological challenges are arising instead. The pharma industry is currently undergoing structural changes which are triggering further growth in consulting. We therefore plan to expand our consulting and transaction activities in the 2018/19 financial year in an effort to support our customers from the strategy stage through to implementation.

Focusing on digitisation

The topics of innovation, digitisation, cybersecurity and data analytics are essential to all industries. Our priorities include digitisation and new technologies, where we can offer clients sector-specific know-how. We are also adapting our consulting model to changing requirements by introducing more flexible working methods, more elastic resource allocation, near and off-shore components or virtual advisory services. Furthermore, we intend to make better use of our synergy potential across Europe by means of joint investments in centers of excellence.

Between opportunities and regulation

The major challenge for the Advisory service line is to integrate digital trends and implement innovative tools and methods, even in areas in which the legal framework conditions are not yet in place. As we enter the 4.0 era, we must question existing services, permit the use of new business and working models, embrace innovative processes, speed up decision-making and opt for open-source technology. We are striving to achieve a healthy balance of stability and agility in this field.

Demand for mobility

As our clients adopt new business models, we must take full responsibility for solutions throughout their life cycle – from the design and development stage through to operation and maintenance. Nowadays, digital challenges are no longer merely about technology, but rather belong on the agendas of strategic and operational management boards. Our clients must respond more quickly to market changes. We in turn need to become more agile: requests are sent at increasingly shorter notice and deadlines may be moved in the course of projects. Consequently, new services must be developed and a new approach taken to the risk assessment of mandates, whilst making skilled use of modern communication models.





As all the digital strengths come together to form a perfect storm, everything is turned upside down, irrespective of company size, industry or market. Companies everywhere are forced to rethink their business models from scratch. Faster than ever before, they must put all their energy into coming up with convincing recipes for success that will find favour among clients in the long term. At PwC Digital Services, we make a wide variety of instruments available to our clients, ranging from digital strategy and experience creation to data analytics and the confident use of artificial intelligence, right through to software development and cybersecurity.

Our Digital Services service line significantly increased its contribution to revenue in all units. Overall growth stood at 32% or CHF 5 million in comparison with the previous year. Cybersecurity enjoyed the highest level of growth at 87%, followed by data analytics at 21% and digital at 13%. We extended our commitment to existing clients by 32%. We mainly provided services for digitisation processes and digital training.

A market in motion

A large number of international service providers acquired small and medium-sized digital boutiques in the reporting year. There is a greater willingness to cooperate within traditional industries and across a range of different sectors. There is a trend towards joining forces to create digital platforms, partly in response to the market power of digital giants from the US and Asia. Such companies take a consistently strategic approach and set up powerful ec(h)osystems. They are strengthening their presence and their influence in Europe. Cooperation with innovative start-up networks and the development of the technical art of the possible are growing, especially with regard to artificial intelligence. At the same time, uncertainty and mistrust regarding data protection and privacy are rife among consumers.

Ambitious objectives

We want to continue to expand our capacities and problem-solving expertise in the financial year 2018/19. This includes enhancing our range of services: we help our clients to implement digital modernisation initiatives of all kinds, right through to company-wide programmes for digital transformation or new inventions. We are also stepping up the use of synergies with PwC Europe by combining functional and industry-specific expertise with technological solution modules. We are linking our brand promise of “Trust” to the digital agenda to our clients’ advantage.

Undergoing radical change

Our most difficult challenge is time: markets, functions and industries are increasingly merging together as a result of digitisation, whilst decisions and their implementation are taking place at a much faster pace. Processes need to become more flexible – not only in terms of content, but also with regard to “convenience” and “experience”. Regulations must not lag behind, but instead should remain as valuable as ever. The demands placed on managerial staff are growing, and the call for new diversity and digital expertise on decision-making boards cannot be ignored.

Combining traditional approaches with disruption

We want to give our clients strategic support throughout their digital transformation by shifting the emphasis from service provision to problem-solving with recurring income and managed service elements. To do so, we are implementing a strength rotation model. We are establishing a context in which to utilise the opportunities of digitisation and at the same time taking into account the requirements in terms of compliance and independence. This means that we must bring our culture of assurance, advisory, and tax & legal into line with the demands of the digital world. The key factors in the 4.0 era are and remain credibility and trust.

Corporate Responsibility

Our understanding of corporate responsibility is a long-term commitment to employees, business partners, the environment and society. This creates a basis for reciprocity, respect and trust.

Ten years ago, PwC Switzerland joined with the Swiss Climate Foundation and ten major service providers to promote greater sustainability in Switzerland. With the slogan “Protecting the environment. Strengthening SME.” we are together making a clear statement in an effort to combat climate change and strengthen Switzerland and Liechtenstein as business locations. The funds granted to the project originate from the redistribution of the Confederation’s CO2 levy. They are put towards far-reaching climate protection projects by Swiss SMEs.

Fostering a healthy environment

The global warming predicted for the future will fundamentally and possibly irreversibly change the environment. This must not be allowed to happen. We too are therefore reducing our CO2 emissions. They should be reserved for areas that are essential to our business. Our aim is to balance out emissions from business flights during the 2018/19 financial year and our other energy consumption by the financial year 2021/22. What is more, we intend to use 100% renewable energies for our electricity consumption. We are also contributing actively to the fight against climate change in other ways: through political involvement and lobbying, and by providing active support for our clients.

Maintaining dialogue in digital form

The start-up Alaya SA has created a digital platform with the same name, where socially-conscious companies, employees and non-profit organisations can together do something to help society – in line with their respective abilities. At PwC Switzerland we offer our clients an internal login. This is our way of creating positive momentum for volunteer work around the globe, and of stressing the importance of cooperation before profits.

Encouraging the geniuses of the future

The SJF foundation (“Schweizer Jugend forscht”) supports talented young people, thereby promoting key factors for driving innovation such as curiosity, creativity and problem-solving. Awards are won by around 100 young talents during a national competition each year. At PwC Switzerland we sponsor a special prize – in the reporting year this took the form of participation in a PwC breakout session at the Swiss Economic Forum. We also carried out a study week in association with the SJF in September 2018. Participants spent six days at the PwC Experience Center under the guidance of our experts. They addressed topics related to new technologies and designed customer-oriented solutions.

Recruiting talent for the future – particularly women

Talented people should be able to put their skills to use at PwC. We have therefore set up talent pools in all our service lines. This enables us to motivate gifted employees, even before they have reached the highest rungs of the career ladder. The success of our internal talent factory is based on factors including the commitment of the CEO and the top management levels. The result is one to be proud of: the proportion of female talents has risen by 25%, and there is a much higher percentage of top talents among managers, senior managers and directors.

Nurturing diversity

“Empowering actions competition” is the name of our internal platform for ideas and measures to design the future of PwC in association with our employees. We are implementing our inclusion and diversity strategy by means of gradual, far-reaching or disruptive activities. They all have one thing in common: to implement flexibility and to set a good example.

Acting side by side

Equality is not just a matter for women, but is a human rights issue that concerns everyone, including men. We campaigned for the concerns of the UN movement HeForShe both on Equal Pay Day on 24 February 2018 and on International Women’s Day on 8 March 2018. More than a third of employees at PwC are now ambassadors for HeForShe

Adopting a clear position

Diversity and inclusion are part of our everyday culture at PwC Switzerland. Yet in many places around the globe, being different can have serious consequences. Homosexuality is punishable by law in 73 countries, for example, and is even subject to the death penalty in eleven of these. Together with GLEE (Gay, Lesbian and Everybody Else), we are campaigning for a world that welcomes diversity and integration, for example on 17 May 2018, the International Day Against Homophobia, Transphobia and Biphobia (IDAHO), and at the Zurich Pride Festival in June 2018.



Performance

PwC Switzerland registered positive growth once again in the financial year 2017/18: in comparison with the previous year, net fee revenues rose by CHF 31 million, or 4% of revenue, to a total of CHF 764 million. All lines of service improved their net fee revenues. Advisory achieved a particularly good result, with an increase of CHF 12 million or 7%.

PwC Switzerland’s gross fee revenues were 5% or CHF 43 million above the previous year’s figure. At CHF 919 million, the total is moving ever closer to the billion threshold. The gross calculation includes fee revenue generated by other PwC companies or service providers for mandates actively managed by PwC Switzerland.

Contribution to revenue particularly high for Assurance

Our largest line of service contributed 46% of gross revenue and 50% of net revenue to the total result. Employees in Assurance billed services worth CHF 424 million. This is up 5% on the previous financial year. Net fee revenue also enjoyed an impressive upwards trend of 5%, with the Assurance line of service generating a total of CHF 384 million.

This positive trend was mainly due to audit mandates of new clients and to capital market projects in the trade, industry and services sectors. We are investing in a targeted manner in audit-related services such as system and process management, internal control systems and internal auditing, which made a significant contribution to the strong growth of 22%.

Tax and legal consulting – up slightly

The Tax & Legal line of service increased its gross fee revenue by CHF 3 million or 1% to CHF 265 million. The net figure rose slightly by CHF 2 million or 1% to CHF 207 million. Tax & Legal made up a gross 29% and a net 27% of PwC Switzerland’s total result. This line of service made a positive contribution to the overall performance of PwC Switzerland despite significant investments and the restructuring of both its processes and its organisation.

Advisory continues to grow

The Advisory line of service experienced considerable growth in comparison with the previous year, increasing its gross fee revenue by CHF 19 million to CHF 230 million. This is equivalent to 9%. Net fee revenue rose 7% or CHF 12 million to CHF 173 million. Advisory represented a gross 25% and a net 23% of PwC Switzerland’s total revenues. Demand for consulting was particularly high in the pharma industry due to structural changes. Advisory also benefited from an ongoing positive environment in transaction-related business (such as succession planning for SMEs) and from increased demand for consulting services in connection with the transformation of business models.

Wide-ranging industry expertise

We improved our performance in all industries. In Retail and Consumer Goods, Life Sciences, Energy and Industrial Manufacturing, we increased our gross fee revenue by CHF 26 million to CHF 470 million, which represents a 6% rise. The financial sector (banks, asset management, insurance) is still showing an upwards curve: we increased our gross fee revenues by CHF 6 million to CHF 312 million, or 2% overall. The public sector also remained on course for success, with an increase in gross revenue of CHF 4 million or 6% to CHF 71 million. Growth was particularly strong in the technology, telecommunication, media and entertainment sector, with a rise of 12% to CHF 66 million. We adjusted the figures from the previous year due to changes in the industry groups and client segments.

More detailed picture thanks to key indicators

Performance is not only measured according to the standard financial key indicators. We also apply an aggregate (key performance indicators, KPI). These figures sharpen the image in the three dimensions of “Customers”, “Employees” and the “Company”, and assess the extent to which we have reached our strategic goals

Fee revenue by service line (gross)*

	2016/17 in CHF m	2017/18 in CHF m	Change in CHF m	Change in %	Total in %
Assurance	403	424	21	5	46
Tax & Legal Services	262	265	3	1	29
Advisory	211	230	19	9	25
Total	876	919	43	5	100

Fee revenue by service line (net)*

	2016/17 in CHF m	2017/18 in CHF m	Change in CHF m	Change in %	Total in %
Assurance	367	384	17	5	50
Tax & Legal Services	205	207	2	1	27
Advisory	161	173	12	7	23
Total	733	764	31	4	100

Fee revenue by industry group (gross)**

	2016/17 in CHF m	2017/18 in CHF m	Change in CHF m	Change in %	Total in %
Retail and Consumer Goods, Life Sciences, Energy and Industrial Manufacturing	444	470	26	6	51
Banking, Asset Management and Insurance	306	312	6	2	34
Public Sector	67	71	4	6	8
Technology, Telecommunications, Infocomm and Media	59	66	7	12	7
Total	876	919	43	5	100

Number of employees (excluding stagiaire/trainees and contractors)

	30.6.2017	30.6.2018	Change	Change in %	Total in %
Assurance	1'437	1'432	–5	0	44
Tax & Legal Services	823	794	–29	–4	25
Advisory	646	693	47	7	21
Internal services	313	297	–16	–5	9
Apprentices	39	40	1	3	1
Total	3'258	3'256	–2	0	100

* The revenue of PwC Digital Services is not shown separately, but is included pro rata in Assurance and Advisory.

**The figures from the previous year were adjusted due to changes in the industry groups and client segments.

Facts and figures

(as at 30 June 2018)

People*

3'256
employees (60% male/
40% female)

73
nationalities

34 years
average age

8%
of revenue is spent
on staff training
and further education

506
part-time employees
(15.5%)

40
apprentices

*Excluding stagiaire/trainees and contractors

Legal structure

Partnership – «PwC» refers to the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

PwC Global

158
countries

721
locations

250'930
employees

Management



Management
top row (f.l.t.r.)

- Urs Honegger, CEO
- Alex Astolfi, Leader Assurance
- Heinz Hartmann, COO/CFO
- Julie Fitzgerald, Leader Growth & Markets and PwC Digital Services



bottom row (f.l.t.r.)

- Dieter Wirth, Leader Tax & Legal Services
- Wolfgang Rieder, Leader Advisory
- Matthias Jeger, Leader Quality & Regulatory Affairs

An Operating Board was created at Management level as of 1 July 2018. The Management now consists of the following members:

Leadership (f.l.t.r.)

- Norbert Kühnis, Leader Family Business & Middle Market
- Dieter Wirth, Leader Tax & Legal Services
- Gustav Baldinger, Leader Advisory
- Andreas Staubli, CEO
- Patrick Mäder, Leader Financial Services
- Julie Fitzgerald, Leader Growth & Markets
- Alex Astolfi, Leader Assurance



Operating Board (f.l.t.r.)

- Alex Astolfi, Leader Assurance
- Gustav Baldinger, Leader Advisory
- Heinz Hartmann, COO/CFO
- Andreas Staubli, CEO
- Julie Fitzgerald, Leader Growth & Markets
- Matthias Jeger, Leader Quality & Regulatory Affairs
- Dieter Wirth, Leader Tax & Legal Services

Board of directors



Board of Directors (f.l.t.r.)

- Dr. Markus R. Neuhaus, Chairman
- Urs Honegger, Delegate
- Heinz Hartmann, Member

Two new members joined the Board of Directors on 1 July 2018. The Board of Directors now comprises the following members:



Verwaltungsrat (v.l.n.r.)

- Matthias Jeger, Mitglied
- Heinz Hartmann, Mitglied
- Andreas Staubli, Delegierter
- Dr. Markus R. Neuhaus, Präsident
- Alex Astolfi, Mitglied



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At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 158 countries with more than 250,000 people who are committed to delivering quality in assurance, advisory, tax & legal and Digital Services. Within PwC Switzerland 3,256 employees and partners in 14 locations in Switzerland and one in the Principality of Liechtenstein help to create the value organisations and individuals are looking for. Find out more and tell us what matters to you by visiting us at www.pwc.ch

www.pwc.ch/annual-report