

# 2019

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**Interim Report**  
January–September

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**swisscom**

# KPIs

In CHF million, except where indicated		30.9.2019 <sup>1</sup>	30.9.2018	Change
<b>Net revenue and results</b>				
Net revenue		8,456	8,689	-2.7%
Operating income before depreciation and amortisation (EBITDA) <sup>2</sup>		3,360	3,231	4.0%
EBITDA as % of net revenue	%	39.7	37.2	
Operating income (EBIT) <sup>3</sup>		1,529	1,621	-5.7%
Net income		1,181	1,213	-2.6%
Earnings per share	CHF	22.84	23.49	-2.8%
<b>Balance sheet and cash flows</b>				
Equity at end of year		7,989	8,314	-3.9%
Equity ratio at end of year <sup>1,4</sup>	%	33.3	37.7	
Operating free cash flow proxy <sup>5</sup>		1,321	1,610	-18.0%
Capital expenditure in property, plant and equipment and intangible assets		1,833	1,621	13.1%
Net debt at end of period <sup>1,6</sup>		8,933	7,641	16.9%
<b>Operational data at end of period</b>				
Fixed telephony access lines in Switzerland	in thousand	1,643	1,846	-11.0%
Broadband access lines retail in Switzerland	in thousand	2,027	2,030	-0.1%
Swisscom TV access lines in Switzerland	in thousand	1,540	1,510	2.0%
Mobile access lines in Switzerland	in thousand	6,358	6,409	-0.8%
Revenue generating units (RGU) Switzerland <sup>7</sup>	in thousand	11,568	11,795	-1.9%
Broadband access lines wholesale in Switzerland	in thousand	509	472	7.8%
Broadband access lines in Italy	in thousand	2,610	2,518	3.7%
Mobile access lines in Italy	in thousand	1,742	1,324	31.6%
<b>Swisscom share</b>				
Number of issued shares at end of period	in thousand	51,802	51,802	-
Market capitalisation at end of year <sup>8</sup>		25,502	23,073	10.5%
Closing price at end of period	CHF	492.30	445.40	10.5%
<b>Employees</b>				
Full-time equivalent employees at end of year	number	19,500	19,850	-1.8%
Average number of full-time equivalent employees	number	19,646	20,149	-2.5%

1 Swisscom has been applying IFRS 16 "Leases" since 1 January 2019. The prior year's figures have not been adjusted. As a consequence of the first-time application of IFRS 16, additional lease liabilities and right-of-use assets of CHF 1,314 million were reported with effect from 1 January 2019. As a result, the equity ratio fell to 34.2% as at 1 January 2019.

2 Definition operating income before depreciation and amortisation (EBITDA): operating income before depreciation and amortisation of property, plant and equipment, intangible assets and of right-of-use assets, gain on sale of subsidiaries, net financial result, share of results of equity-accounted investees and income tax expense. The EBITDA of the previous year includes expenses of CHF 150 million from operating leases in accordance with IAS 17.

3 Definition operating income (EBIT): operating income before gain on sale of subsidiaries, net financial result, share of results of equity-accounted investees and income tax expense.

4 Equity as a percentage of total assets.

5 Definition operating free cash flow proxy: operating income before depreciation and amortisation (EBITDA), less lease expense according to IFRS 16 and capital expenditure in property, plant and equipment and intangible assets.

6 Definition net debt: financial liabilities and lease liabilities less cash and cash equivalents, current financial assets, non-current fixed interest-bearing financial assets and derivative financial instruments for financing received.

7 Definition revenue generating units (RGU) in Switzerland: fixed telephony access lines, broadband access lines retail, Swisscom TV access lines and mobile access lines.

8 Closing price at end of period, multiplied by number of shares outstanding at end of period.

# Financial review

## Summary

Swisscom's operating results were within expectations in the first nine months of 2019. Revenue fell by 2.7% or CHF 233 million to CHF 8,456 million; at constant exchange rates, revenue declined by 1.9%. The year-on-year comparison of operating income before depreciation and amortisation (EBITDA) is affected by the application of new requirements for the recognition of leases (IFRS 16). At CHF 3,360 million, reported EBITDA was up by 4.0% or CHF 129 million, and unchanged from the previous year on a comparable basis. Net income decreased by 2.6% or CHF 32 million to CHF 1,181 million. The financial outlook for the 2019 financial year remains unchanged.

In the Swiss core business, revenue fell by CHF 216 million or 3.3% to CHF 6,367 million as a result of ongoing price pressure and the decline in the number of connections in fixed-line telephony. In contrast, revenue at Fastweb increased in local currency by EUR 68 million or 4.5% to EUR 1,584 million, driven by revenue growth in business with residential and business customers. The number of customers with Fastweb increased year-on-year by 3.7% to 2.6 million in the broadband business and by 31.6% to 1.7 million in mobile telephony. In the Swiss core business, EBITDA declined by 1.5% to CHF 2,745 million. This decline as a result of lower revenue was largely offset by the ongoing cost-cutting measures. At Fastweb, EBITDA rose in local currency by 6.7% to EUR 529 million as a result of the growth in revenue.

Swisscom's capital expenditure increased by 13.1% or CHF 212 million to CHF 1,833 million. This figure includes CHF 196 million paid for mobile radio frequencies which Swisscom acquired at auction in Switzerland. The frequencies were allocated in April 2019 and will remain with Swisscom until 2034. Due to the expenses for the mobile frequencies acquired and higher investments in the expansion of broadband networks, capital expenditure rose in Switzerland by 19.6% to CHF 1,338 million. Capital expenditure at Fastweb was stable at the high prior-year level of EUR 443 million.

Operating free cash flow proxy declined by CHF 289 million to CHF 1,321 million, primarily as a result of the CHF 196 million spent on mobile radio frequencies. Net debt rose by CHF 226 million in the first nine months of 2019 to CHF 8,933 million. The number of employees at Swisscom declined 1.8% year-on-year to 19,500 FTEs. In Switzerland, headcount decreased by 377 FTEs or 2.2% to 16,788 FTEs.

Swisscom continues to expect net revenue of around CHF 11.4 billion, EBITDA of more than CHF 4.3 billion and capital expenditure of around CHF 2.5 billion (including expenditure of CHF 196 million for mobile radio frequencies in Switzerland) for the 2019 financial year. Subject to achieving its targets, Swisscom will propose payment of an unchanged, attractive dividend of CHF 22 per share for the 2019 financial year at the 2020 Annual General Meeting.

## Change in accounting policies

Swisscom has been applying IFRS 16 “Leases” since 1 January 2019. IFRS 16 generally has the following effects on the reporting of leases:

- The lessee must recognise a right-of-use asset as well as a corresponding lease liability for all leases. As regards lessors, they will continue to differentiate between finance and operating leases for financial reporting purposes.
- Costs arising from leases previously reported as operating expenses must now be recognised as depreciation and interest. This leads to a substantial rise in operating income before depreciation and amortisation (EBITDA). The effect on results at net income level is insignificant.
- Reporting of additional lease liabilities results in an increase in net debt.
- The application of IFRS 16 has no effect on cash flows.

IFRS 16 has the following effects on Swisscom’s financial reporting:

- Swisscom has been applying IFRS 16 since 1 January 2019. The consolidated financial statements for 2018 were not adjusted. As a consequence of the initial application of IFRS 16, additional lease liabilities and right-of-use assets of around CHF 1.3 billion were reported with effect from 1 January 2019.
- If IFRS 16 had been applied to the results of the 2018 financial year, this would have led to an increase in operating income before depreciation and amortisation (EBITDA) of around CHF 0.2 billion and higher depreciation and interest of CHF 0.2 billion.
- EBITDA remains a primary key performance indicator in the reporting of financial results. For comparison purposes, the costs for operating leases for 2018 are reported under EBITDA within segment reporting.
- A new key performance indicator has been introduced: operating free cash flow proxy. It comprises EBITDA less lease expense and capital expenditure. The definition of capital expenditure remains unchanged from the previous year.
- The outlook for the 2019 financial year takes account of the changes resulting from IFRS 16.

Further information regarding IFRS 16 can be found in the notes to the consolidated interim financial statements.

## Segment results

In CHF million	3. quarter 2019	3. quarter 2018	Change	1.1.–30.9. 2019	1.1.–30.9. 2018	Change
<b>Net revenue</b>						
Swisscom Switzerland	2,111	2,188	–3.5%	6,367	6,583	–3.3%
Fastweb	587	577	1.7%	1,770	1,757	0.7%
Other Operating Segments	225	230	–2.2%	687	656	4.7%
Group Headquarters	–	–		–	1	–100.0%
Intersegment elimination	(130)	(111)	17.1%	(368)	(308)	19.5%
<b>Net revenue</b>	<b>2,793</b>	<b>2,884</b>	<b>–3.2%</b>	<b>8,456</b>	<b>8,689</b>	<b>–2.7%</b>
<b>Operating income before depreciation and amortisation (EBITDA)</b>						
Swisscom Switzerland	907	919	–1.3%	2,745	2,787	–1.5%
Fastweb	208	204	2.0%	591	575	2.8%
Other Operating Segments	46	56	–17.9%	144	148	–2.7%
Group Headquarters	(20)	(19)	5.3%	(59)	(71)	–16.9%
Reconciliation pension cost <sup>1</sup>	(15)	(17)	–11.8%	(44)	(46)	–4.3%
Reconciliation lease expense (IAS 17) <sup>2</sup>	–	(51)	–100.0%	–	(150)	–100.0%
Intersegment elimination	(6)	(4)	50.0%	(17)	(12)	41.7%
<b>Operating income before depreciation and amortisation (EBITDA)</b>	<b>1,120</b>	<b>1,088</b>	<b>2.9%</b>	<b>3,360</b>	<b>3,231</b>	<b>4.0%</b>

<sup>1</sup> Operating income of segments includes ordinary employer contributions as pension fund expense. The difference to the pension cost according to IAS 19 is recognised as a reconciliation item.

<sup>2</sup> Swisscom has been applying IFRS 16 “Leases” since 1 January 2019. The operating result before depreciation and amortisation (EBITDA) of the segments for 2018 does not include any expenses for operating leases in accordance with IAS 17. The 2018 expense for operating leases in accordance with IAS 17 is shown as a reconciliation item.

## Swisscom Switzerland

In CHF million, except where indicated	3. quarter 2019	3. quarter 2018	Change	1.1.–30.9. 2019	1.1.–30.9. 2018	Change
<b>Net revenue and results</b>						
Telecom services	1,477	1,560	-5.3%	4,472	4,689	-4.6%
Solution business	251	245	2.4%	750	758	-1.1%
Merchandise	182	173	5.2%	547	512	6.8%
Wholesale	169	148	14.2%	489	434	12.7%
Revenue other	12	45	-73.3%	51	137	-62.8%
<b>Revenue from external customers</b>	<b>2,091</b>	<b>2,171</b>	<b>-3.7%</b>	<b>6,309</b>	<b>6,530</b>	<b>-3.4%</b>
Intersegment revenue	20	17	17.6%	58	53	9.4%
<b>Net revenue</b>	<b>2,111</b>	<b>2,188</b>	<b>-3.5%</b>	<b>6,367</b>	<b>6,583</b>	<b>-3.3%</b>
Direct costs	(471)	(494)	-4.7%	(1,356)	(1,408)	-3.7%
Indirect costs	(733)	(775)	-5.4%	(2,266)	(2,388)	-5.1%
<b>Segment expenses</b>	<b>(1,204)</b>	<b>(1,269)</b>	<b>-5.1%</b>	<b>(3,622)</b>	<b>(3,796)</b>	<b>-4.6%</b>
<b>Segment result before depreciation and amortisation (EBITDA)</b>	<b>907</b>	<b>919</b>	<b>-1.3%</b>	<b>2,745</b>	<b>2,787</b>	<b>-1.5%</b>
Margin as % of net revenue	43.0	42.0		43.1	42.3	
Lease expense	(55)	(57) <sup>1</sup>	-3.5%	(168)	(166) <sup>1</sup>	1.2%
Depreciation and amortisation of property, plant and equipment and intangible assets	(372)	(368)	1.1%	(1,142)	(1,114)	2.5%
<b>Segment result</b>	<b>480</b>	<b>494</b>	<b>-2.8%</b>	<b>1,435</b>	<b>1,507</b>	<b>-4.8%</b>
<b>Operational data at end of period in thousand</b>						
Fixed telephony access lines				1,643	1,846	-11.0%
Broadband access lines retail				2,027	2,030	-0.1%
Swisscom TV access lines				1,540	1,510	2.0%
Mobile access lines				6,358	6,409	-0.8%
Revenue generating units (RGU)				11,568	11,795	-1.9%
Broadband access lines wholesale				509	472	7.8%
<b>Capital expenditure and headcount</b>						
Capital expenditure in property, plant and equipment and intangible assets				1,324	1,102	20.1%
Full-time equivalent employees at end of period (number)				14,095	14,522	-2.9%

<sup>1</sup> Includes expenses for operating and finance leases in accordance with IAS 17.

Net revenue for Swisscom Switzerland fell by CHF 216 million or 3.3% to CHF 6,367 million as a result of continuing price pressure and the decline in the number of connections in fixed-line telephony. Revenue from telecommunications services decreased by CHF 217 million or 4.6% to CHF 4,472 million. Of this decline, CHF 132 million (-3.4%) was attributable to the Residential Customers segment and CHF 85 million (-10.9%) to the Enterprise Customers segment. At Enterprise Customers, revenue from the solutions business also declined slightly year-on-year (-1.1%) due to price pressure and lower volumes in the banking sector. This contrasts with revenue from merchandise, which was up on the previous year (+13.1%). The number of inOne customers continues to grow. Swisscom Switzerland had a total of 2.67 million inOne customers at the end of September 2019, with the latest inOne mobile telephony offering alone registering around 890,000 customers in its first eight months since launch. In the Residential Customers segment, inOne accounts for 60% of postpaid mobile lines and 65% of broadband connections. The market is showing signs of saturation in the area of mobile communications and fixed-network services. The mobile subscriber base contracted by 51,000 (-0.8%) year-on-year to 6.36 million. The number of postpaid lines grew by 85,000 year-on-year, while the number of prepaid lines fell by 136,000. The number of broadband connections fell by 3,000 (-0.1%) year-on-year to 2.03 million. The number of TV connections increased year-on-year by 30,000 or 2.0% to 1.54 million, while the number of fixed telephony access lines fell year-on-year by 203,000 or 11.0% to 1.64 million.

Segment expense fell by CHF 174 million or 4.6% to CHF 3,622 million. Direct costs decreased by CHF 52 million or 3.7% to CHF 1,356 million. Higher costs for purchasing services and goods were offset by lower costs for acquiring and retaining customers. Indirect costs were down 5.1% or CHF 122 million to CHF 2,266 million, mainly driven by the declining headcount, the decline in costs for external staff and lower costs for the operation of information systems. Headcount fell year-on-year as a result of efficiency measures by 427 FTEs or 2.9% to 14,095, including 353 FTEs in the first nine months of 2019. The segment result before depreciation and amortisation was CHF 42 million or 1.5% lower at CHF 2,745 million as a result of lower revenue, but was largely offset by the ongoing measures to reduce costs. Due to the expenses for the mobile radio frequencies acquired and higher investments in the expansion of broadband networks, capital expenditure rose by CHF 222 million or 20.1% to CHF 1,324 million. As at end-September 2019, 71% of all households and businesses in Switzerland were connected with ultra-fast broadband exceeding 80 Mbps. 43% of all homes and offices benefit from fast connections with superior bandwidths of more than 200 Mbps.

## Fastweb

In EUR million, except where indicated	3. quarter 2019	3. quarter 2018	Change	1.1.–30.9. 2019	1.1.–30.9. 2018	Change
Residential Customers	277	264	4.9%	819	785	4.3%
Enterprise Customers	211	190	11.1%	627	558	12.4%
Wholesale	45	49	–8.2%	132	168	–21.4%
<b>Revenue from external customers</b>	<b>533</b>	<b>503</b>	<b>6.0%</b>	<b>1,578</b>	<b>1,511</b>	<b>4.4%</b>
Intersegment revenue	2	2	–	6	5	20.0%
<b>Net revenue</b>	<b>535</b>	<b>505</b>	<b>5.9%</b>	<b>1,584</b>	<b>1,516</b>	<b>4.5%</b>
Segment expenses	(345)	(327)	5.5%	(1,055)	(1,020)	3.4%
<b>Segment result before depreciation and amortisation (EBITDA)</b>	<b>190</b>	<b>178</b>	<b>6.7%</b>	<b>529</b>	<b>496</b>	<b>6.7%</b>
Margin as % of net revenue	35.5	35.2		33.4	32.7	
Lease expense	(9)	(5) <sup>1</sup>	80.0%	(24)	(13) <sup>1</sup>	84.6%
Depreciation and amortisation of property, plant and equipment and intangible assets	(141)	(123)	14.6%	(415)	(373)	11.3%
<b>Segment result</b>	<b>40</b>	<b>50</b>	<b>–20.0%</b>	<b>90</b>	<b>110</b>	<b>–18.2%</b>
Capital expenditure in property, plant and equipment and intangible assets				443	432	2.5%
Full-time equivalent employees at end of period (number)				2,467	2,470	–0.1%
Broadband access lines in thousand				2,610	2,518	3.7%
Mobile access lines in thousand				1,742	1,324	31.6%

<sup>1</sup> Includes expenses for operating and finance leases in accordance with IAS 17.

Fastweb's net revenue rose by EUR 68 million or 4.5% year-on-year to EUR 1,584 million. Despite difficult market conditions, Fastweb's broadband customer base grew by 92,000 or 3.7% year-on-year to 2.61 million. Fastweb is also growing in the fiercely competitive mobile telephony market. The number of mobile access lines increased by 418,000 year-on-year or 31.6% to 1.74 million. 34% of subscribers use a bundled offering combining fixed network and mobile. Residential customer revenue rose by EUR 34 million or 4.3% to EUR 819 million as a result of customer growth. Fastweb held its strong position in the market for business customers, with revenue from business customers up EUR 69 million or 12.4% to EUR 627 million as a result of higher revenue with public administrations. Revenue from wholesale business, by contrast, decreased by EUR 36 million or 21.4% to EUR 132 million.

The segment result before depreciation and amortisation rose EUR 33 million or 6.7% to EUR 529 million due to the growth in revenue. At EUR 443 million, capital expenditure remained at the high level of the previous year, driven by the further expansion of the network infrastructure. Fastweb's headcount was unchanged year-on-year at 2,467 FTEs.

## Other Operating Segments

In CHF million, except where indicated	3. quarter 2019	3. quarter 2018	Change	1.1.–30.9. 2019	1.1.–30.9. 2018	Change
Revenue from external customers	117	138	-15.2%	383	408	-6.1%
Intersegment revenue	108	92	17.4%	304	248	22.6%
<b>Net revenue</b>	<b>225</b>	<b>230</b>	<b>-2.2%</b>	<b>687</b>	<b>656</b>	<b>4.7%</b>
Segment expenses	(179)	(174)	2.9%	(543)	(508)	6.9%
<b>Segment result before depreciation and amortisation (EBITDA)</b>	<b>46</b>	<b>56</b>	<b>-17.9%</b>	<b>144</b>	<b>148</b>	<b>-2.7%</b>
Margin as % of net revenue	20.4	24.3		21.0	22.6	
Lease expense	(2)	(3) <sup>1</sup>	-33.3%	(8)	(10) <sup>1</sup>	-20.0%
Depreciation and amortisation of property, plant and equipment and intangible assets	(15)	(13)	15.4%	(50)	(43)	16.3%
<b>Segment result</b>	<b>29</b>	<b>40</b>	<b>-27.5%</b>	<b>86</b>	<b>95</b>	<b>-9.5%</b>
Capital expenditure in property, plant and equipment and intangible assets				32	31	3.2%
Full-time equivalent employees at end of period (number)				2,724	2,615	4.2%

1 Includes expenses for operating and finance leases in accordance with IAS 17.

The net revenue of the Other Operating Segments rose year-on-year by CHF 31 million or 4.7% to CHF 687 million. The increase was mainly due to higher revenue from construction services rendered by cablex. The decline in revenue from external customers was attributable to the loss of Billag's mandate to collect national radio and television licence fees. The segment result before depreciation and amortisation decreased by CHF 4 million or 2.7% year-on-year to CHF 144 million. This corresponds to a profit margin of 21.0%. Headcount rose by 109 FTEs or 4.2% to 2,724 FTEs, driven primarily by the hiring of new employees at cablex due to higher order volumes.

## Group Headquarters and reconciliation

In CHF million, except where indicated	3. quarter 2019	3. quarter 2018	Change	1.1.–30.9. 2019	1.1.–30.9. 2018	Change
Group Headquarters	(20)	(19)	5.3%	(59)	(71)	-16.9%
Reconciliation pension cost	(15)	(17)	-11.8%	(44)	(46)	-4.3%
Reconciliation lease expense (IAS 17)	–	(51)	-100.0%	–	(150)	-100.0%
Intersegment elimination	(6)	(4)	50.0%	(17)	(12)	41.7%
<b>Operating income before depreciation and amortisation (EBITDA)</b>	<b>(41)</b>	<b>(91)</b>	<b>-54.9%</b>	<b>(120)</b>	<b>(279)</b>	<b>-57.0%</b>

In 2018, the expense relating to operating lease arrangements were recognised as an operating expense and are shown here as a reconciliation item. As of 1 January 2019, this expense will be replaced by depreciation and interest. The other net costs not assigned to the operating segments, which comprise Group Headquarters, pension cost reconciliation and intersegment eliminations, declined by CHF 9 million to CHF 120 million.

## Depreciation and amortisation, non-operating results

In CHF million, except where indicated	3. quarter 2019	3. quarter 2018	Change	1.1.–30.9. 2019	1.1.–30.9. 2018	Change
<b>Operating income before depreciation and amortisation (EBITDA)</b>	<b>1,120</b>	<b>1,088</b>	<b>2.9%</b>	<b>3,360</b>	<b>3,231</b>	<b>4.0%</b>
Depreciation and amortisation of property, plant and equipment and intangible assets	(538)	(530) <sup>1</sup>	1.5%	(1,649)	(1,610) <sup>1</sup>	2.4%
Depreciation of right-of-use assets	(60)	–		(182)	–	
<b>Operating income (EBIT)</b>	<b>522</b>	<b>558</b>	<b>–6.5%</b>	<b>1,529</b>	<b>1,621</b>	<b>–5.7%</b>
Net interest expense on financial assets and liabilities	(13)	(27)	–51.9%	(44)	(85)	–48.2%
Interest expense on lease liabilities	(9)	(6)	50.0%	(24)	(18)	33.3%
Other financial result	(26)	(3)		(51)	(3)	
Result of equity-accounted investees	(1)	3		1	3	
<b>Income before income taxes</b>	<b>473</b>	<b>525</b>	<b>–9.9%</b>	<b>1,411</b>	<b>1,518</b>	<b>–7.0%</b>
Income tax expense	(72)	(99)	–27.3%	(230)	(305)	–24.6%
<b>Net income</b>	<b>401</b>	<b>426</b>	<b>–5.9%</b>	<b>1,181</b>	<b>1,213</b>	<b>–2.6%</b>
Attributable to equity holders of Swisscom Ltd	401	427	–6.1%	1,183	1,217	–2.8%
Attributable to non-controlling interests	–	(1)	–100.0%	(2)	(4)	–50.0%
Earnings per share (in CHF)	7.74	8.24	–6.1%	22.84	23.49	–2.8%

1 Including depreciation of assets under finance leases of CHF 25 million.

Due to the application of IFRS 16 Leases effective 1 January 2019, right-of-use assets are recognised and depreciated. The depreciation of right-of-use assets amounted to CHF 182 million in the first nine months of 2019. The depreciation and amortisation of property, plant and equipment and intangible assets increased by CHF 39 million or 2.4% year-on-year to CHF 1,649 million, mainly reflecting an increase in depreciation and amortisation at Swisscom Switzerland and at Fastweb. Net interest expense excluding leasing declined from CHF 85 million to CHF 44 million as a result of lower average interest expense. Negative effects of CHF 40 million arising from the fair value adjustment of interest rate swaps weighed on the other financial result (CHF –51 million) in 2019. Income tax expense was CHF 230 million (prior year: CHF 305 million), corresponding to an effective income tax rate of 16.3% (prior year: 20.1%). Income tax expense for the first nine months of 2019 includes positive tax effects of CHF 62 million resulting from the revaluation of deferred income tax items in connection with the adoption of the Swiss tax reform. Swisscom's net income decreased by CHF 32 million or 2.6% to CHF 1,181 million, and earnings per share were down from CHF 23.49 to CHF 22.84.

### Swiss tax reform

The tax reform that was adopted in the referendum in May 2019 will reduce Swisscom's average consolidated tax rate by around 1.5% to 19.5%. Furthermore, the consolidated financial statement for full-year 2019 will include a positive tax effect of around CHF 260 million. Around CHF 60 million was already recorded as income up to September 2019. The remaining CHF 200 million is expected in the fourth quarter of 2019. These tax effects in the 2019 consolidated financial statement do not impact current tax payments but are spread over a period of around ten years. The positive tax effects result from the accounting of deferred taxes under international Financial Reporting Standards (IFRS) as a consequence of lower cantonal tax rates and value adjustments made within the scope of the transitional rule concerning the regular taxation of the holding company.



## Cash flows

In CHF million	1.1.–30.9. 2019	1.1.–30.9. 2018	Change
Operating income before depreciation and amortisation (EBITDA)	3,360	3,231	129
Capital expenditure in property, plant and equipment and intangible assets	(1,833)	(1,621)	(212)
Lease expense (IFRS 16)	(206)	–	(206)
<b>Operating free cash flow proxy</b>	<b>1,321</b>	<b>1,610</b>	<b>(289)</b>
Change in net working capital	(52)	(348)	296
Change in defined benefit obligations	42	47	(5)
Net interest payments on financial assets and liabilities	(54)	(70)	16
Interest payments on finance lease liabilities	–	(18)	18
Income taxes paid	(347)	(313)	(34)
Other operating cash flow	(12)	7	(19)
<b>Free cash flow</b>	<b>898</b>	<b>915</b>	<b>(17)</b>
Net expenditures for company acquisitions and disposals	(397)	(51)	(346)
Other cash flows from investing activities, net	13	19	(6)
Repayment of financial lease liabilities according to IAS 17	–	(21)	21
Issuance and repayment of financial liabilities, net	461	141	320
Dividends paid to equity holders of Swisscom Ltd	(1,140)	(1,140)	–
Other cash flows from financing activities	(15)	(7)	(8)
<b>Net decrease in cash and cash equivalents</b>	<b>(180)</b>	<b>(144)</b>	<b>(36)</b>

Operating free cash flow proxy declined by CHF 289 million to CHF 1,321 million, owing largely to higher capital expenditure, which increased year-on-year by CHF 212 million or 13.1% to CHF 1,833 million. This was driven by expenses of CHF 196 million for the mobile radio frequencies purchased by Swisscom Switzerland at auction in the first half of 2019.

Free cash flow declined year-on-year by CHF 17 million to CHF 898 million. Excluding Swisscom's purchase of mobile radio frequencies, free cash flow rose by CHF 179 million or 19.6%. This increase is attributable to the improvement in net working capital. Net working capital grew by CHF 52 million compared to the end of 2018 (prior year: increase of CHF 348 million).

In the first quarter of 2019, Swisscom issued a debenture bond for CHF 200 million. It has a coupon of 0.5% and matures in 2029. In the second quarter of 2019, Swisscom increased a debenture bond that was issued in 2017 by CHF 80 million. It has a coupon of 0.75% and matures in 2033. In addition, in August 2019 Swisscom issued a debenture bond for CHF 125 million. It has a coupon of 0% and matures in 2044. Net expenditure for company acquisitions and disposals includes the purchase price of CHF 240 million paid to Tamedia for the acquisition of the outstanding share of 31% in Swisscom Directories Ltd.

## Balance sheet

In CHF million, except where indicated	30.9.2019	1.1.2019 <sup>1</sup>	Change
Property, plant and equipment	10,700	10,613	0.8%
Goodwill	5,166	5,164	0.0%
Intangible assets	1,826	1,770	3.2%
Right-of-use assets	1,736	1,683	3.1%
Trade receivables	2,130	2,189	−2.7%
Trade payables	(1,547)	(1,658)	−6.7%
Provisions	(1,114)	(1,032)	7.9%
Deferred gain on sale and leaseback of real estate	(124)	(134)	−7.5%
Other operating assets and liabilities, net	86	194	−55.7%
<b>Net operating assets</b>	<b>18,859</b>	<b>18,789</b>	<b>0.4%</b>
Net debt excluding lease liabilities	(7,182)	(7,009)	2.5%
Lease liabilities	(1,751)	(1,698)	3.1%
<b>Net debt</b>	<b>(8,933)</b>	<b>(8,707)</b>	<b>2.6%</b>
Defined benefit obligations	(1,514)	(1,196)	26.6%
Income tax assets and liabilities, net	(736)	(895)	−17.8%
Equity-accounted investees and other non-current financial assets	313	217	44.2%
<b>Equity</b>	<b>7,989</b>	<b>8,208</b>	<b>−2.7%</b>
Equity ratio at end of period (in %)	33.3	34.2	

<sup>1</sup> Including effect of initially applying IFRS 16.

Net operating assets increased only slightly (+0.4%) to CHF 18,859 million. Equity fell by CHF 219 million or 2.7% to CHF 7,989 million, which corresponds to an equity ratio of 33.3% (34.2% as at 1 January 2019). The change in equity includes the dividend payment amounted to CHF 1,140 million, net income of CHF 1,181 million and other net negative effects recognized directly in equity of CHF 275 million. Cumulative currency translation losses included in equity remained unchanged from the end of 2018 at around CHF 1.7 billion.

## Outlook

The financial outlook for 2019 remains unchanged. Swisscom expects net revenue of around CHF 11.4 billion, EBITDA of more than CHF 4.3 billion and capital expenditure of around CHF 2.5 billion (including expenditure of CHF 196 million for mobile radio frequencies in Switzerland) for 2019. Due to strong competition and price pressure and the ongoing decline in the number of fixed-line telephone connections, Swisscom expects revenue to be slightly lower without Fastweb. Fastweb's revenue is expected to increase slightly from 2018. The outlook for EBITDA in 2019 reflects the effect of the new accounting standard for leasing (IFRS 16) applicable from 2019 onwards. The application of IFRS 16 has increased reported EBITDA by around CHF 200 million. For Swisscom, excluding Fastweb, the decline in revenue cannot be fully compensated by cost savings. In contrast, an increase in EBITDA is anticipated for Fastweb on a like-for-like basis. Capital expenditure in Switzerland, excluding costs for acquiring additional mobile radio frequencies at auction, will be slightly less than in the previous year. Fastweb's capital expenditure is expected to be lower, because it will exclude the EUR 64 million spent on mobile radio frequencies in 2018. Subject to achieving its targets, Swisscom will propose payment of an unchanged, attractive dividend of CHF 22 per share for the 2019 financial year at the 2020 Annual General Meeting.

# Consolidated interim financial statements

## Consolidated statement of comprehensive income (unaudited)

In CHF million, except for per share amounts	Note	3. quarter 2019	3. quarter 2018	1.1.–30.9. 2019	1.1.–30.9. 2018
<b>Income statement</b>					
<b>Net revenue</b>	2	<b>2,793</b>	<b>2,884</b>	<b>8,456</b>	<b>8,689</b>
Direct costs	3	(684)	(723)	(2,023)	(2,119)
Personnel expense	3	(653)	(661)	(2,064)	(2,098)
Other operating expense	3	(459)	(519)	(1,407)	(1,562)
Capitalised self-constructed assets and other income	3	123	107	398	321
<b>Operating income before depreciation, amortisation and impairment losses</b>		<b>1,120</b>	<b>1,088</b>	<b>3,360</b>	<b>3,231</b>
Depreciation and amortisation of property, plant and equipment and intangible assets		(538)	(530)	(1,649)	(1,610)
Depreciation of right-of-use assets		(60)	–	(182)	–
<b>Operating income</b>		<b>522</b>	<b>558</b>	<b>1,529</b>	<b>1,621</b>
Financial income	7	(2)	5	25	35
Financial expense	7	(46)	(41)	(144)	(141)
Result of equity-accounted investees		(1)	3	1	3
<b>Income before income taxes</b>		<b>473</b>	<b>525</b>	<b>1,411</b>	<b>1,518</b>
Income tax expense	11	(72)	(99)	(230)	(305)
<b>Net income</b>		<b>401</b>	<b>426</b>	<b>1,181</b>	<b>1,213</b>
<b>Other comprehensive income</b>					
Actuarial gains and losses from defined benefit pension plans		(271)	232	(228)	335
Change in fair value of equity instruments		1	3	1	5
<b>Items that will not be reclassified to income statement</b>		<b>(270)</b>	<b>235</b>	<b>(227)</b>	<b>340</b>
Foreign currency translation adjustments of foreign subsidiaries		(32)	(31)	(52)	(34)
Change in cash flow hedges		1	–	4	8
Other comprehensive income from equity-accounted investees		–	(2)	–	–
<b>Items that are or may be reclassified subsequently to income statement</b>		<b>(31)</b>	<b>(33)</b>	<b>(48)</b>	<b>(26)</b>
<b>Other comprehensive income</b>		<b>(301)</b>	<b>202</b>	<b>(275)</b>	<b>314</b>
<b>Comprehensive income</b>					
Net income		401	426	1,181	1,213
Other comprehensive income		(301)	202	(275)	314
<b>Comprehensive income</b>		<b>100</b>	<b>628</b>	<b>906</b>	<b>1,527</b>
<b>Share of net income and comprehensive income</b>					
Equity holders of Swisscom Ltd		401	427	1,183	1,217
Non-controlling interests		–	(1)	(2)	(4)
<b>Net income</b>		<b>401</b>	<b>426</b>	<b>1,181</b>	<b>1,213</b>
Equity holders of Swisscom Ltd		99	629	908	1,531
Non-controlling interests		1	(1)	(2)	(4)
<b>Comprehensive income</b>		<b>100</b>	<b>628</b>	<b>906</b>	<b>1,527</b>
<b>Earnings per share</b>					
<b>Basic and diluted earnings per share (in CHF)</b>		<b>7.74</b>	<b>8.24</b>	<b>22.84</b>	<b>23.49</b>

## Consolidated balance sheet (unaudited)

In CHF million	Note	30.9.2019	31.12.2018
<b>Assets</b>			
Cash and cash equivalents		292	474
Trade receivables	8	2,130	2,189
Other operating assets	8	1,205	1,243
Other financial assets		96	82
Current income tax assets		8	2
<b>Total current assets</b>		<b>3,731</b>	<b>3,990</b>
Property, plant and equipment		10,700	10,894
Goodwill		5,166	5,164
Intangible assets	9	1,826	1,858
Right-of-use assets	6	1,736	–
Equity-accounted investees		179	174
Other financial assets		467	339
Deferred tax assets		167	167
<b>Total non-current assets</b>		<b>20,241</b>	<b>18,596</b>
<b>Total assets</b>		<b>23,972</b>	<b>22,586</b>
<b>Liabilities and equity</b>			
Financial liabilities	5	1,024	1,334
Lease liabilities	5, 6	226	27
Trade payables	8	1,547	1,658
Provisions	10	105	131
Other operating liabilities	8	1,119	1,127
Current income tax liabilities		204	250
<b>Total current liabilities</b>		<b>4,225</b>	<b>4,527</b>
Financial liabilities	5	6,879	6,449
Lease liabilities	5, 6	1,525	357
Defined benefit obligations		1,514	1,196
Provisions	10	1,009	901
Deferred gain on sale and leaseback of real estate		124	134
Deferred tax liabilities		707	814
<b>Total non-current liabilities</b>		<b>11,758</b>	<b>9,851</b>
<b>Total liabilities</b>		<b>15,983</b>	<b>14,378</b>
Share capital		52	52
Capital reserves		136	136
Retained earnings		9,571	9,759
Foreign currency translation adjustments		(1,780)	(1,728)
Other reserves		8	4
<b>Equity attributable to equity-holders of Swisscom Ltd</b>		<b>7,987</b>	<b>8,223</b>
Non-controlling interests		2	(15)
<b>Total equity</b>		<b>7,989</b>	<b>8,208</b>
<b>Total liabilities and equity</b>		<b>23,972</b>	<b>22,586</b>

## Consolidated statement of cash flows (unaudited)

In CHF million	Note	1.1.–30.9. 2019	1.1.–30.9. 2018
Net income		1,181	1,213
Income tax expense		230	305
Result of equity-accounted investees		(1)	(3)
Financial income	7	(25)	(35)
Financial expense	7	144	141
Depreciation and amortisation of property, plant and equipment and intangible assets		1,649	1,610
Depreciation of right-of-use assets		182	–
Gain on sale of property, plant and equipment		(12)	(7)
Loss on disposal of property, plant and equipment		–	4
Expense for share-based payments		1	1
Change in provisions		(5)	(50)
Change in defined benefit obligations		42	47
Change in operating assets and liabilities	8	(38)	(289)
Change in deferred gain from the sale and leaseback of real estate		(9)	(9)
Interest received		24	23
Interest payments on financial liabilities		(78)	(93)
Interest payments on lease liabilities		(24)	(18)
Dividends received		18	18
Income taxes paid		(347)	(313)
<b>Cash flow from operating activities</b>		<b>2,932</b>	<b>2,545</b>
Purchase of property, plant and equipment and intangible assets		(1,833)	(1,621)
Sale of property, plant and equipment and intangible assets		21	9
Acquisition of subsidiaries, net of cash and cash equivalents acquired	5	(385)	(18)
Proceeds from sale of subsidiaries, net of cash and cash equivalents sold	5	1	(1)
Purchase of equity-accounted investees		(13)	(32)
Purchase of other financial assets		(53)	(28)
Proceeds from other financial assets		30	29
<b>Cash flow used in investing activities</b>		<b>(2,232)</b>	<b>(1,662)</b>
Issuance of financial liabilities	5	529	1,633
Repayment of financial liabilities	5	(68)	(1,492)
Repayment of lease liabilities	5	(186)	(21)
Dividends paid to equity holders of Swisscom Ltd		(1,140)	(1,140)
Dividends paid to non-controlling interests		(1)	(1)
Other cash flows from financing activities		(14)	(6)
<b>Cash flow used in financing activities</b>		<b>(880)</b>	<b>(1,027)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(180)</b>	<b>(144)</b>
Cash and cash equivalents at 1 January		474	525
Foreign currency translation adjustments in respect of cash and cash equivalents		(2)	(6)
<b>Cash and cash equivalents at the end of financial period</b>		<b>292</b>	<b>375</b>

## Consolidated statement of changes in equity (unaudited)

In CHF million	Share capital	Capital reserves	Retained earnings	Foreign currency translation adjustments	Other reserves	Equity attributable to equity holders of Swisscom	Non-controlling interests	Total equity
<b>Balance at 1 January 2018</b>	<b>52</b>	<b>136</b>	<b>9,452</b>	<b>(1,689)</b>	<b>(2)</b>	<b>7,949</b>	<b>(11)</b>	<b>7,938</b>
Net income	–	–	1,217	–	–	1,217	(4)	1,213
Other comprehensive income	–	–	340	(34)	8	314	–	314
<b>Comprehensive income</b>	<b>–</b>	<b>–</b>	<b>1,557</b>	<b>(34)</b>	<b>8</b>	<b>1,531</b>	<b>(4)</b>	<b>1,527</b>
Dividends paid	–	–	(1,140)	–	–	(1,140)	(1)	(1,141)
Other changes	–	–	(11)	–	–	(11)	1	(10)
<b>Balance at 30 September 2018</b>	<b>52</b>	<b>136</b>	<b>9,858</b>	<b>(1,723)</b>	<b>6</b>	<b>8,329</b>	<b>(15)</b>	<b>8,314</b>
<b>Balance at 31 December 2018</b>	<b>52</b>	<b>136</b>	<b>9,759</b>	<b>(1,728)</b>	<b>4</b>	<b>8,223</b>	<b>(15)</b>	<b>8,208</b>
Net income	–	–	1,183	–	–	1,183	(2)	1,181
Other comprehensive income	–	–	(227)	(52)	4	(275)	–	(275)
<b>Comprehensive income</b>	<b>–</b>	<b>–</b>	<b>956</b>	<b>(52)</b>	<b>4</b>	<b>908</b>	<b>(2)</b>	<b>906</b>
Dividends paid	–	–	(1,140)	–	–	(1,140)	(1)	(1,141)
Other changes	–	–	(4)	–	–	(4)	20	16
<b>Balance at 30 September 2019</b>	<b>52</b>	<b>136</b>	<b>9,571</b>	<b>(1,780)</b>	<b>8</b>	<b>7,987</b>	<b>2</b>	<b>7,989</b>

# Notes to the interim financial statements

## About this report

### General information

The Swisscom Group (hereinafter referred to as “Swisscom”) provides telecommunication services and is active primarily in Switzerland and Italy. The unaudited consolidated financial statements as of 30 September 2019 comprise Swisscom Ltd, as parent company, and its subsidiaries. Swisscom Ltd is a limited-liability company incorporated in accordance with Swiss law under a private statute and has its registered office in Ittigen (Berne). Its address is: Swisscom Ltd, Alte Tiefenastrasse 6, 3048 Worblaufen. Swisscom is listed on the SIX Swiss Exchange. The number of issued shares, as in the prior year, aggregated 51,801,943. The shares have a nominal value of CHF 1 and are fully paid-up. Each share entitles the holder to one vote. The majority shareholder of Swisscom Ltd is the Swiss Confederation (“Confederation”). The Confederation is obligated by current law to hold the majority of the capital and voting rights. The Board of Directors of Swisscom approved the issuance of these consolidated interim financial statements on 30 October 2019. No material post-balance-sheet events occurred up to this date.

### Basis of preparation

The consolidated interim financial statements for the nine months to 30 September 2019 have been prepared in accordance with International Accounting Standard “IAS 34 Interim Financial Reporting” and should be read in conjunction with the consolidated annual financial statements for the financial year ended 31 December 2018. The consolidated interim financial statements were prepared in accordance with the accounting policies described in the 2018 consolidated financial statements and the revised accounting principles adopted on 1 January 2019.

In preparing the consolidated interim financial statements, management is required to make estimates and assumptions. Adjustments are made for changes in accounting estimates and assumptions during the reporting period in which the original estimates and assumptions changed.

Swisscom operates in business areas where the provision of services is not subject to any major seasonal or cyclical fluctuations during the financial year. Income taxes are calculated on the basis of an estimate of the expected income tax rate for the full year. For the consolidated interim financial statements, a CHF/EUR exchange rate of 1.085 was used as the end-of-period rate (31 December 2018: CHF/EUR 1.127) and 1.1176 as the average rate for the period (prior year: CHF/EUR 1.1589).

## 1 Changes in accounting principles

As of 1 January 2019, Swisscom adopted various amendments to existing International Financial Reporting Standards (IFRS) and Interpretations; with the exception of the changes described below, these have no material impact on the results or financial position of the Group.

### IFRS 16 Leases

IFRS 16 (applicable from 1 January 2019) replaces IAS 17, IFRIC 4 and SIC 27 and lays down the principles governing the recognition, measurement and disclosure of leases. IFRS 16 provides a single lessee accounting model. The differentiation between finance and operating leases required until now under IAS 17 is thus dropped in future for the lessee. The lessee recognises leasing liabilities in its balance sheet for all future lease payments to be made as well as a right to use the underlying asset. In future, depreciation and amortisation and interest will be recognised in the income statement instead of rental expense. This will lead to a material increase in operating income before depreciation, amortisation and impairment losses. In the statement of cash flows, the share of the lease payments representing amortisation under the leases to be accounted for under the new

rules will reduce cash flows from financing activities and no longer cash flows from operating activities, as previously. Interest payments will continue to be reported as cash flows from operating activities. As regards lessors, they will continue to differentiate between finance and operating leases for financial reporting purposes. In this regard, the accounting model foreseen under IFRS 16 does not materially differ from the previous provisions under IAS 17.

Swisscom has elected to apply the modified retrospective approach for the initial adoption of IFRS 16. For reasons of simplicity, a reassessment as to whether a contract as of 1 January 2019 constitutes or includes a lease was dispensed with. The payment obligations arising under the operating leases disclosed in note 2.3 of the 2018 Annual Report for the most part comprise leasing payments from the rental of operation and office buildings as well as of antenna sites. The net present value of the payment obligations arising from current operating leases will be accounted for as a lease liability. The corresponding right-of-use assets are recognised in the amount of the lease liabilities. The reconciliation of payment obligations from operating leases as at 31 December 2018 for initial recognition as at 1 January 2019 is as follows:

In CHF million	1.1.2019
Obligations from operating leases as at 31 December 2018	1,298
Lease contracts and options previously not taken into account	102
Discounting	(86)
Carrying amount of finance lease liabilities as of 31 December 2018	384
<b>Lease liabilities as of 1 January 2019</b>	<b>1,698</b>

The lease liabilities were discounted using the incremental borrowing rate of interest applicable as at 1 January 2019. The weighted average interest was 0.6%. The impact of the first-time adoption of IFRS 16 on the balance sheet as at 1 January 2019 was as follows:

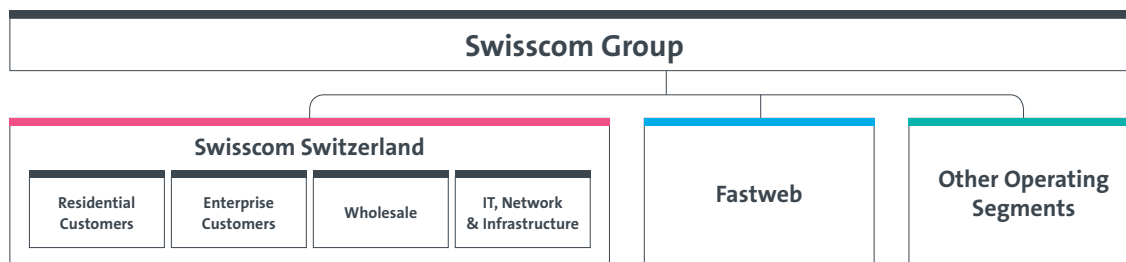
In CHF million	31.12.2018	Application IFRS 16	1.1.2019
Property, plant and equipment	10,894	(281)	10,613
Intangible assets	1,858	(88)	1,770
Right-of-use assets	–	1,683	1,683
Other financial assets	421	78	499
Other assets	9,413	–	9,413
<b>Total assets</b>	<b>22,586</b>	<b>1,392</b>	<b>23,978</b>
Financial liabilities	8,167	(306)	7,861
Lease liabilities	–	1,698	1,698
Miscellaneous liabilities	6,211	–	6,211
<b>Total liabilities</b>	<b>14,378</b>	<b>1,392</b>	<b>15,770</b>
<b>Total equity</b>	<b>8,208</b>	<b>–</b>	<b>8,208</b>
<b>Total liabilities and equity</b>	<b>22,586</b>	<b>1,392</b>	<b>23,978</b>

From the first-time adoption of IFRS 16 as at 1 January 2019, additional right-of-use assets and lease liabilities amounting to CHF 1,314 million are recognised. The prior year's comparative figures were not restated. The adoption of IFRS 16 has no impact on equity as of 1 January 2019. With regard to the 2018 financial year, the application of IFRS 16 would have led to an increase in operating income before depreciation, amortisation and impairment losses (EBITDA) of some CHF 0.2 billion and to higher depreciation and amortisation as well as interest expense of a combined aggregate amount of some CHF 0.2 billion. In addition, because SIC 27 no longer applies, other financial assets and financial liabilities previously not recognised in the balance sheet amounting to USD 79 million (CHF 78 million) are recognised. The Italian subsidiary, Fastweb, procures various access services from other fixed-network operators for the use of access lines to the end customer. A part of these access services is now classified as leases in accordance with IFRS 16. The value of the individual access lines fulfils the criterion as an asset of low value. Swisscom will apply the low value exemption of IFRS 16 for these leases. Accordingly, no right-of-use assets and lease liabilities will be recognised for these access services, the costs of which will continue to be reported as operating expense.



## 2 Segment information

### General information



Reporting is made on the basis of the segments “Residential Customers”, “Enterprise Customers”, “Wholesale”, and “IT, Network & Infrastructure”, which are grouped together as Swisscom Switzerland, as well as “Fastweb” and “Other Operating Segments”. In addition, “Group Headquarters”, which includes non-allocated costs, is reported separately. Various areas were transferred between the segments of Swisscom Switzerland as at 1 January 2019. The prior year’s figures have been restated accordingly.

Group Headquarters does not charge any management fees to other segments for its financial management services, nor does the IT, Network & Infrastructure segment charge any network costs to other segments. The remaining services between the segments are recharged at market prices. The results of the Residential Customers, Enterprise Customers and Wholesale segments thus correspond to a contribution margin before network costs.

Indirect costs include personnel expense, other operating expense less capitalised costs of self-constructed assets and other income. Pension cost includes ordinary employer contributions. The difference between the ordinary employer contributions and the pension cost as provided for under IAS 19 is reported in the column “Eliminations”. In the first nine months of 2019, an expense of CHF 44 million is disclosed under “Eliminations” as a pension cost reconciliation item in accordance with IAS 19 (prior year: CHF 46 million).

Leases between the segments are not recognised in the balance sheet in accordance with IFRS 16. The reported lease expense of the segments in 2019 comprises depreciation and interest on the right-of-use asset and the accounting for the rental of buildings between segments. The lease expense of assets of low value is reported as direct costs. The lease expense of the segments in 2018 comprises the expense for operating and finance leases in accordance with IAS 17 and the accounting for the rental of buildings between segments. The reconciliation of the indirect costs of the segments to the consolidated values is reported in the column “Eliminations”. For the first nine months of 2018, an expense of CHF 150 million is disclosed under “Eliminations” as an indirect cost reconciliation item.

Swisscom Switzerland sells some mobile handsets on a subsidised basis in a bundled offering with a mobile communications contract. As a result of the reallocation of revenue over the pre-delivered components (mobile handset), revenue is recognised earlier than the date of invoicing. This results in the recognition of contract assets deriving from this business. In segment reporting of Swisscom Switzerland, the formation and dissolution of these contract assets is reported as other revenue. The amounts invoiced are reported under revenue from telecommunications services or merchandise.

## Segment information 2019

2019, in CHF million	Swisscom Switzerland	Fastweb	Other Operating Segments	Group Headquarters	Elimination	Total
Residential Customers	4,159	915	–	–	–	5,074
Enterprise Customers	1,661	701	383	–	–	2,745
Wholesale customers	489	148	–	–	–	637
<b>Net revenue from external customers</b>	<b>6,309</b>	<b>1,764</b>	<b>383</b>	<b>–</b>	<b>–</b>	<b>8,456</b>
Net revenue from other segments	58	6	304	–	(368)	–
<b>Net revenue</b>	<b>6,367</b>	<b>1,770</b>	<b>687</b>	<b>–</b>	<b>(368)</b>	<b>8,456</b>
Direct costs	(1,356)	(644)	(44)	–	21	(2,023)
Indirect costs <sup>1</sup>	(2,266)	(535)	(499)	(59)	286	(3,073)
<b>Segment result before depreciation and amortisation</b>	<b>2,745</b>	<b>591</b>	<b>144</b>	<b>(59)</b>	<b>(61)</b>	<b>3,360</b>
Lease expense	(168)	(27)	(8)	(2)	(1)	(206)
Depreciation and amortisation of property, plant and equipment and intangible assets	(1,142)	(464)	(50)	–	7	(1,649)
<b>Segment result</b>	<b>1,435</b>	<b>100</b>	<b>86</b>	<b>(61)</b>	<b>(55)</b>	<b>1,505</b>
Interest expense on lease liabilities						24
<b>Operating income</b>						<b>1,529</b>
Financial income and financial expense, net						(119)
Result of equity-accounted investees						1
<b>Income before income taxes</b>						<b>1,411</b>
Income tax expense						(230)
<b>Net income</b>						<b>1,181</b>
Segment result before depreciation and amortisation	2,745	591	144	(59)	(61)	3,360
Lease expense	(168)	(27)	(8)	(2)	(1)	(206)
Capital expenditure in property, plant and equipment and intangible assets	(1,324)	(495)	(32)	–	18	(1,833)
<b>Operating free cash flow proxy</b>	<b>1,253</b>	<b>69</b>	<b>104</b>	<b>(61)</b>	<b>(44)</b>	<b>1,321</b>

1 Including capitalised costs of self-constructed assets and other income.

## Segment information Swisscom Switzerland 2019

2019, in CHF million	Residential Customers	Enterprise Customers	Wholesale	IT, Network & Infrastructure	Elimination	Total Swisscom Switzerland
Telecom services	3,774	698	–	–	–	4,472
Solution business	–	750	–	–	–	750
Merchandise	366	181	–	–	–	547
Wholesale	–	–	489	–	–	489
Revenue other	19	14	–	18	–	51
<b>Net revenue from external customers</b>	<b>4,159</b>	<b>1,643</b>	<b>489</b>	<b>18</b>	<b>–</b>	<b>6,309</b>
Net revenue from other segments	61	79	260	47	(389)	58
<b>Net revenue</b>	<b>4,220</b>	<b>1,722</b>	<b>749</b>	<b>65</b>	<b>(389)</b>	<b>6,367</b>
Direct costs	(915)	(582)	(333)	(8)	482	(1,356)
Indirect costs <sup>1</sup>	(712)	(608)	(13)	(840)	(93)	(2,266)
<b>Segment result before depreciation and amortisation</b>	<b>2,593</b>	<b>532</b>	<b>403</b>	<b>(783)</b>	<b>–</b>	<b>2,745</b>
Lease expense	(39)	(21)	–	(108)	–	(168)
Depreciation and amortisation of property, plant and equipment and intangible assets	(78)	(52)	–	(1,011)	(1)	(1,142)
<b>Segment result</b>	<b>2,476</b>	<b>459</b>	<b>403</b>	<b>(1,902)</b>	<b>(1)</b>	<b>1,435</b>
Capital expenditure in property, plant and equipment and intangible assets	(16)	(30)	–	(1,278)	–	(1,324)

1 Including capitalised costs of self-constructed assets and other income.

## Segment information 2018

2018, in CHF million, restated	Swisscom Switzerland	Fastweb	Other Operating Segments	Group Headquarters	Elimination	Total
Residential Customers	4,361	910	–	–	–	5,271
Enterprise Customers	1,735	647	408	–	–	2,790
Wholesale customers	434	194	–	–	–	628
<b>Net revenue from external customers</b>	<b>6,530</b>	<b>1,751</b>	<b>408</b>	<b>–</b>	<b>–</b>	<b>8,689</b>
Net revenue from other segments	53	6	248	1	(308)	–
<b>Net revenue</b>	<b>6,583</b>	<b>1,757</b>	<b>656</b>	<b>1</b>	<b>(308)</b>	<b>8,689</b>
Direct costs	(1,408)	(682)	(43)	–	14	(2,119)
Indirect costs <sup>1</sup>	(2,388)	(500)	(465)	(72)	86	(3,339)
<b>Segment result before depreciation and amortisation</b>	<b>2,787</b>	<b>575</b>	<b>148</b>	<b>(71)</b>	<b>(208)</b>	<b>3,231</b>
Lease expense	(166)	(15)	(10)	(2)	193	–
Depreciation and amortisation of property, plant and equipment and intangible assets	(1,114)	(432)	(43)	–	(21)	(1,610)
<b>Segment result</b>	<b>1,507</b>	<b>128</b>	<b>95</b>	<b>(73)</b>	<b>(36)</b>	<b>1,621</b>
Financial income and financial expense, net						(106)
Result of equity-accounted investees						3
<b>Income before income taxes</b>						<b>1,518</b>
Income tax expense						(305)
<b>Net income</b>						<b>1,213</b>
Segment result before depreciation and amortisation	2,787	575	148	(71)	(208)	3,231
Lease expense	(166)	(15)	(10)	(2)	193	–
Capital expenditure in property, plant and equipment and intangible assets	(1,102)	(501)	(31)	–	13	(1,621)
<b>Operating free cash flow proxy</b>	<b>1,519</b>	<b>59</b>	<b>107</b>	<b>(73)</b>	<b>(2)</b>	<b>1,610</b>

1 Including capitalised costs of self-constructed assets and other income.

## Segment information Swisscom Switzerland 2018

2018, in CHF million, restated	Residential Customers	Enterprise Customers	Wholesale	IT, Network & Infrastructure	Elimination	Total Swisscom Switzerland
Telecom services	3,906	783	–	–	–	4,689
Solution business	–	758	–	–	–	758
Merchandise	352	160	–	–	–	512
Wholesale	–	–	434	–	–	434
Revenue other	103	19	–	15	–	137
<b>Net revenue from external customers</b>	<b>4,361</b>	<b>1,720</b>	<b>434</b>	<b>15</b>	<b>–</b>	<b>6,530</b>
Net revenue from other segments	61	78	244	44	(374)	53
<b>Net revenue</b>	<b>4,422</b>	<b>1,798</b>	<b>678</b>	<b>59</b>	<b>(374)</b>	<b>6,583</b>
Direct costs	(1,003)	(553)	(323)	(8)	479	(1,408)
Indirect costs <sup>1</sup>	(761)	(628)	(13)	(882)	(104)	(2,388)
<b>Segment result before depreciation and amortisation</b>	<b>2,658</b>	<b>617</b>	<b>342</b>	<b>(831)</b>	<b>1</b>	<b>2,787</b>
Lease expense	(38)	(25)	–	(102)	(1)	(166)
Depreciation and amortisation of property, plant and equipment and intangible assets	(108)	(54)	–	(952)	–	(1,114)
<b>Segment result</b>	<b>2,512</b>	<b>538</b>	<b>342</b>	<b>(1,885)</b>	<b>–</b>	<b>1,507</b>
Capital expenditure in property, plant and equipment and intangible assets	(30)	(29)	–	(1,043)	–	(1,102)

1 Including capitalised costs of self-constructed assets and other income.

### 3 Operating costs

#### Direct costs

In CHF million	1.1.–30.9.2019	1.1.–30.9.2018
Customer premises equipment and merchandise	744	819
Services purchased	446	421
Costs to obtain a contract	244	250
Costs to fulfill a contract	14	30
Traffic fees of foreign subsidiaries	286	324
International traffic fees	221	201
National traffic fees	68	74
<b>Total direct costs</b>	<b>2,023</b>	<b>2,119</b>

#### Indirect costs

In CHF million	1.1.–30.9.2019	1.1.–30.9.2018
Salary and social security expenses	2,018	2,053
Other personnel expense	46	45
<b>Total personnel expense</b>	<b>2,064</b>	<b>2,098</b>
Information technology cost	185	204
Maintenance expense	233	236
Rental expense	–	150
Energy costs	87	83
Advertising and selling expenses	153	147
Consultancy expenses and freelance workforce	112	131
Administration expense	75	73
Allowances for receivables	60	53
Miscellaneous operating expenses	502	485
<b>Total other operating expense</b>	<b>1,407</b>	<b>1,562</b>
Capitalised self-constructed assets	(267)	(245)
Gain on sale of property, plant and equipment	(12)	(7)
Miscellaneous income	(119)	(69)
<b>Total capitalised self-constructed assets and other income</b>	<b>(398)</b>	<b>(321)</b>
<b>Total indirect costs</b>	<b>3,073</b>	<b>3,339</b>

Capitalised self-constructed assets include personnel expenses for the manufacture of technical installations, the construction of network infrastructure and the development of software for internal use.

### 4 Dividends

On 2 April 2019, the Annual General Meeting of Swisscom Ltd approved the payment of an unchanged gross dividend of CHF 22 per share. A total dividend amount of CHF 1,140 million was paid out on 08 April 2019.

## 5 Financial liabilities

In CHF million	Carrying amount 1.1.2019	Issuance	Repayment	Other changes <sup>1</sup>	Carrying amount 30.9.2019	Fair Value
<b>Financial liabilities</b>						
Bank loans	1,233	89	(67)	(58)	1,197	1,234
Debenture bonds	5,554	405	–	(28)	5,931	6,164
Private placements	426	–	–	2	428	441
Derivative financial instruments	54	–	–	33	87	87
Other financial liabilities	594	35	(241)	(128)	260	272
<b>Total financial liabilities</b>	<b>7,861</b>	<b>529</b>	<b>(308)</b>	<b>(179)</b>	<b>7,903</b>	<b>8,198</b>
<b>Lease liabilities</b>						
Lease liabilities	1,698	–	(186)	239	1,751	2,128

1 Interest expenses, interest payments, non-cash changes in lease liabilities and foreign currency translation adjustments.

In the first quarter of 2019, Swisscom issued a debenture bond for CHF 200 million. It has a coupon of 0.5% and matures in 2029. In the second quarter of 2019, Swisscom increased a debenture bond that was issued in 2017 by CHF 80 million. It has a coupon of 0.75% and matures in 2033. In addition, in August 2019 Swisscom issued a debenture bond for CHF 125 million. It has a coupon of 0% and matures in 2044. The financing thus received was applied to repay existing loans. As at 30 September 2019, Swisscom also had short-term bank loans on a weekly and monthly basis.

Repayment of other liabilities includes the purchase price of CHF 240 million paid to Tamedia for the acquisition of the outstanding share of 31% in Swisscom Directories Ltd. In the cash flow statement this payment is reported under the line item “Acquisition of subsidiaries, net of cash and cash equivalents acquired”.

## 6 Leases

Swisscom applied IFRS 16 “Leases” as at 1 January 2019 and elected to apply the modified retroactive approach for the first-time application. With this approach, right-of-use assets and lease liabilities were recognised in the same amount in the balance sheet. For further information, see Note 1, change in accounting policies.

The leases of Swisscom comprise, in particular, the rental of operation and office buildings, of antenna sites and of network infrastructure. The Italian subsidiary, Fastweb, procures various access services from other fixed-network operators for the use of access lines to the end customer. Under IFRS 16 part of these access services is classified as a lease. The value of the individual access lines fulfils the criterion as an asset of low value. Swisscom will apply the low value exemption of IFRS 16 for these leases. Accordingly, no right-of-use assets and lease liabilities will be recognised for these access services, the costs of which will be reported as direct costs.

### Rights of use

In CHF million	30.9.2019	1.1.2019
Land and buildings	1,589	1,570
Technical installations and network infrastructure	144	111
Other right-of-use assets	3	2
<b>Net carrying amount of right-of-use assets</b>	<b>1,736</b>	<b>1,683</b>

## Lease liabilities

In CHF million	30.9.2019	1.1.2019
Land and buildings	1,604	1,586
Technical installations and network infrastructure	144	110
Other leases	3	2
<b>Total lease liabilities</b>	<b>1,751</b>	<b>1,698</b>
Thereof current lease liabilities	226	210
Thereof non-current lease liabilities	1,525	1,488

## Lease expenses

In CHF million	IFRS 16 1.1.–30.9.2019	IAS 17 1.1.–30.9.2018
Depreciation of right-of-use assets	182	–
Interest expense on lease liabilities	24	–
Expenses from operating leases	–	150 <sup>1</sup>
Depreciation of assets under finance leases	–	25 <sup>2</sup>
Interest expense on finance lease liabilities	–	18
Expense from leases of low value assets	95 <sup>3</sup>	–

1 Disclosed under indirect costs.

3 Disclosed under direct costs.

2 Disclosed under depreciation and amortisation of property, plant and equipment and intangible assets.

## 7 Financial result

In CHF million	1.1.–30.9.2019	1.1.–30.9.2018
Interest income on financial assets	9	7
Change in fair value of interest rate swaps	–	16
Foreign exchange gains	–	1
Other financial income	16	11
<b>Total financial income</b>	<b>25</b>	<b>35</b>
Interest expense on financial liabilities	(53)	(92)
Interest expense on lease liabilities	(24)	(18)
Interest expense on defined benefit obligations	(6)	(5)
Change in fair value of interest rate swaps	(40)	–
Other financial expense	(21)	(26)
<b>Total financial expense</b>	<b>(144)</b>	<b>(141)</b>
<b>Financial income and financial expense, net</b>	<b>(119)</b>	<b>(106)</b>
Interest expense on lease liabilities	(24)	(18)
Net interest expense on financial assets and liabilities	(44)	(85)

## 8 Operating net working capital

Operating assets and liabilities changed as follows in the first nine months of 2019:

In CHF million	31.12.2018	Operational changes	Other changes <sup>1</sup>	30.9.2019
Trade receivables	2,189	(36)	(23)	2,130
Other operating assets	1,243	4	(42)	1,205
Trade payables	(1,658)	72	39	(1,547)
Other operating liabilities	(1,127)	(2)	10	(1,119)
<b>Total operating assets and liabilities, net</b>	<b>647</b>	<b>38</b>	<b>(16)</b>	<b>669</b>

<sup>1</sup> Foreign currency translation and changes from acquisition and sale of subsidiaries.

## Other operating assets and liabilities

In CHF million	30.9.2019	31.12.2018
<b>Other operating assets</b>		
Contract assets	230	321
Contract costs	255	274
Inventories	118	154
Prepaid expenses	364	316
Other operating assets	238	178
<b>Total other operating assets</b>	<b>1,205</b>	<b>1,243</b>
<b>Other operating liabilities</b>		
Contract liabilities	591	620
Accruals for variable performance-related bonus	104	163
Other operating liabilities	424	344
<b>Total other operating liabilities</b>	<b>1,119</b>	<b>1,127</b>

## 9 Intangible assets

At the request of ComCom, the Federal Office of Communications (OFCOM) put all of the frequencies available for mobile communications up for auction. The auction took place from 29 January to 7 February 2019. Swisscom secured 45% of the frequencies auctioned by all bidders for the fifth generation of mobile technology and for previous generations for CHF 196 million. The frequencies were allocated in April 2019 and will remain with Swisscom until 2034.

## 10 Provisions and contingent liabilities

### Provisions

Provisions changed as follows in the first nine months of 2019:

In CHF million	Dismantlement and restoration costs	Regulatory and competition law proceedings	Termination benefits	Others	Total
<b>Balance at 31 December 2018</b>	<b>615</b>	<b>166</b>	<b>69</b>	<b>182</b>	<b>1,032</b>
Additions to provisions	5	30	–	28	63
Present-value adjustments	98	7	–	–	105
Release of unused provisions	(22)	–	(4)	(8)	(34)
Use of provisions	(4)	–	(26)	(22)	(52)
<b>Balance at 30 September 2019</b>	<b>692</b>	<b>203</b>	<b>39</b>	<b>180</b>	<b>1,114</b>
Thereof current provisions	–	–	33	72	105
Thereof non-current provisions	692	203	6	108	1,009

### Contingent liabilities arising from competition law proceedings

With regard to the contingent liabilities reported in the 2018 consolidated financial statements in connection with antitrust proceedings, Swisscom is of the opinion that an outflow of resources is unlikely and, as before, has therefore not recognised any provisions for this in the consolidated financial statements as at 30 September 2019.

## 11 Income taxes

The applicable income tax rate which serves to prepare the following analysis of income tax expense is the weighted average income tax rate calculated on the basis of the Group's operating subsidiaries in Switzerland: the applicable income tax rate is 20.2% (2018 financial year: 20.4%).

In CHF million	1.1.–30.9.2019	1.1.–30.9.2018
<b>Income before income taxes</b>	<b>1,411</b>	<b>1,518</b>
Applicable income tax rate	20.2%	20.4%
<b>Income tax expense at the applicable income tax rate</b>	<b>285</b>	<b>310</b>
<b>Reconciliation to reported income tax expense</b>		
Effect of tax rate changes on deferred income taxes	(62)	–
Effect others	7	(5)
<b>Total income tax expense</b>	<b>230</b>	<b>305</b>
Effective income tax rate	16.3%	20.1%

As at 1 January 2020, various legislative changes concerning company taxation will come into force. A core element is the abolition of various tax privileges for companies, such as the privileged taxation of the profits of holding companies. In return, most of the cantons will reduce the corporate income tax rates. Temporary transitional regulations additionally dampen the financial impact. Legislative changes, reductions in tax rates and transitional regulations will result in positive tax effects of around CHF 260 million for full-year 2019 in the Swisscom consolidated financial statement. These effects are incurred over several quarters due to cantonal legislative processes and measures taking place at different times within the scope of the transitional rules. CHF 62 million was recorded as income up to September 2019. The remaining amount of around CHF 200 million is expected to be incurred in the fourth quarter of 2019. These tax effects result on the one hand from the revaluation of existing deferred tax liabilities due to adjustments to the tax rate, and on the other from value adjustments within the scope of the transitional regulations concerning the regular taxation of the holding company. The deferred tax effects in the 2019 consolidated financial statement do not impact current tax payments. From the 2020 financial year onwards, Swisscom expects the average consolidated tax rate to decline by around 1.5% to 19.5%, on the basis of the reductions in tax rates that have already been agreed and those still being planned.



# Further information

## Share information

### Swisscom share performance indicators

1.1.–30.9.2019

	SIX Swiss Exchange
Closing price as at 31 December 2018 in CHF <sup>1</sup>	469.70
Closing price as at 30 September 2019 in CHF <sup>1</sup>	492.30
Year high in CHF <sup>1</sup>	499.40
Year low in CHF <sup>1</sup>	441.10
Total volume of traded shares	27,897,706
Total turnover in CHF million	13,342.88
Daily average of traded shares	149,186
Daily average in CHF million	71.35

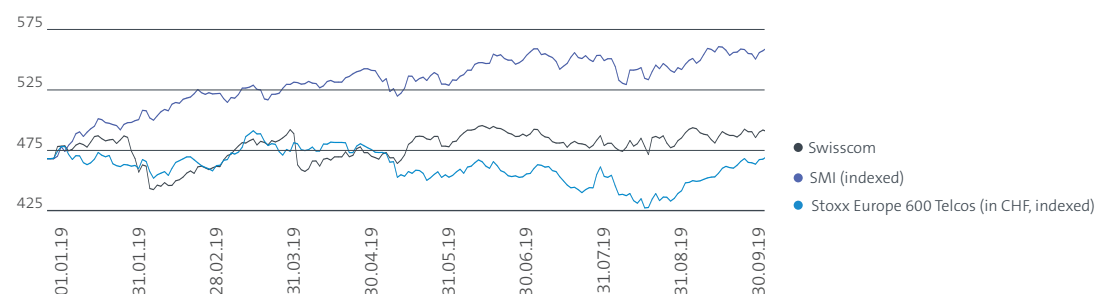
Source: Bloomberg

1 paid prices

## Share performance

### Share price performance since 1 January 2019

in CHF



## Financial calendar

- 06 February 2020 2019 Annual Results and Annual Report
- 30 April 2020 2020 First-Quarter Results
- 13 August 2020 2020 Second-Quarter Results
- 29 October 2020 2020 Third-Quarter Results

## Stock exchanges

Swisscom shares are listed on the SIX Swiss Exchange under the symbol SCMN (Securities No. 874251). In the United States, they are traded in the form of American Depositary Receipts (ADR) at a ratio of 1:10 (Over The Counter, Level 1) under the symbol SCMWY (Pink Sheet No. 69769).

## Quarterly review 2018 and 2019

In CHF million, except where indicated	1. quarter	2. quarter	3. quarter	4. quarter	2018	1. quarter	2. quarter	3. quarter	4. quarter	2019
<b>Income statement</b>										
<b>Net revenue</b>	<b>2,885</b>	<b>2,920</b>	<b>2,884</b>	<b>3,025</b>	<b>11,714</b>	<b>2,860</b>	<b>2,803</b>	<b>2,793</b>		<b>8,456</b>
Direct costs	(704)	(692)	(723)	(835)	(2,954)	(683)	(656)	(684)		(2,023)
Personnel expense	(723)	(714)	(661)	(717)	(2,815)	(724)	(687)	(653)		(2,064)
Other operating expense	(503)	(540)	(519)	(631)	(2,193)	(448)	(500)	(459)		(1,407)
Capitalised self-constructed assets and other income	103	111	107	140	461	114	161	123		398
<b>Operating income (EBITDA)</b>	<b>1,058</b>	<b>1,085</b>	<b>1,088</b>	<b>982</b>	<b>4,213</b>	<b>1,119</b>	<b>1,121</b>	<b>1,120</b>		<b>3,360</b>
Depreciation and amortisation	(540)	(540)	(530)	(534)	(2,144)	(554)	(557)	(538)		(1,649)
Depreciation of right-of-use assets	–	–	–	–	–	(60)	(62)	(60)		(182)
<b>Operating income (EBIT)</b>	<b>518</b>	<b>545</b>	<b>558</b>	<b>448</b>	<b>2,069</b>	<b>505</b>	<b>502</b>	<b>522</b>		<b>1,529</b>
Net interest expense on financial assets and liabilities	(29)	(29)	(27)	(19)	(104)	(15)	(16)	(13)		(44)
Interest expenses on lease liabilities	(6)	(6)	(6)	(6)	(24)	(8)	(7)	(9)		(24)
Other financial result	(6)	6	(3)	(27)	(30)	3	(28)	(26)		(51)
Equity-accounted investees	(2)	2	3	2	5	2	–	(1)		1
<b>Income before income taxes</b>	<b>475</b>	<b>518</b>	<b>525</b>	<b>398</b>	<b>1,916</b>	<b>487</b>	<b>451</b>	<b>473</b>		<b>1,411</b>
Income tax expense	(96)	(110)	(99)	(90)	(395)	(104)	(54)	(72)		(230)
<b>Net income</b>	<b>379</b>	<b>408</b>	<b>426</b>	<b>308</b>	<b>1,521</b>	<b>383</b>	<b>397</b>	<b>401</b>		<b>1,181</b>
Attributable to equity holders of Swisscom Ltd	381	409	427	310	1,527	385	397	401		1,183
Attributable to non-controlling interests	(2)	(1)	(1)	(2)	(6)	(2)	–	–		(2)
Earnings per share (in CHF)	7.36	7.90	8.24	5.98	29.48	7.43	7.66	7.74		22.84
<b>Net revenue</b>										
Swisscom Switzerland	2,204	2,191	2,188	2,223	8,806	2,163	2,093	2,111		6,367
Fastweb	574	606	577	669	2,426	581	602	587		1,770
Other Operating Segments	198	228	230	253	909	225	237	225		687
Group Headquarters	–	1	–	1	2	–	–	–		–
Intersegment elimination	(91)	(106)	(111)	(121)	(429)	(109)	(129)	(130)		(368)
<b>Total net revenue</b>	<b>2,885</b>	<b>2,920</b>	<b>2,884</b>	<b>3,025</b>	<b>11,714</b>	<b>2,860</b>	<b>2,803</b>	<b>2,793</b>		<b>8,456</b>
<b>Operating income before depreciation and amortisation (EBITDA)</b>										
Swisscom Switzerland	935	933	919	789	3,576	929	909	907		2,745
Fastweb	172	199	204	228	803	177	206	208		591
Other Operating Segments	41	51	56	49	197	50	48	46		144
Group Headquarters	(21)	(31)	(19)	(5)	(76)	(18)	(21)	(20)		(59)
Reconciliation pension cost	(15)	(14)	(17)	(14)	(60)	(14)	(15)	(15)		(44)
Reconciliation lease expense (IAS 17)	(52)	(47)	(51)	(57)	(207)	–	–	–		–
Intersegment elimination	(2)	(6)	(4)	(8)	(20)	(5)	(6)	(6)		(17)
<b>Total EBITDA</b>	<b>1,058</b>	<b>1,085</b>	<b>1,088</b>	<b>982</b>	<b>4,213</b>	<b>1,119</b>	<b>1,121</b>	<b>1,120</b>		<b>3,360</b>
<b>Capital expenditure in property, plant and equipment and intangible assets</b>										
Swisscom Switzerland	311	400	391	518	1,620	353	601	370		1,324
Fastweb	185	162	154	256	757	161	174	160		495
Other Operating Segments	8	11	12	15	46	8	11	13		32
Intersegment elimination	(3)	(5)	(5)	(6)	(19)	(4)	(7)	(7)		(18)
<b>Total capital expenditure</b>	<b>501</b>	<b>568</b>	<b>552</b>	<b>783</b>	<b>2,404</b>	<b>518</b>	<b>779</b>	<b>536</b>		<b>1,833</b>

	1. quarter	2. quarter	3. quarter	4. quarter	2018	1. quarter	2. quarter	3. quarter	4. quarter	2019
<b>Operating free cash flow proxy</b>										
Operating income (EBITDA)	1,058	1,085	1,088	982	4,213	1,119	1,121	1,120		3,360
Capital expenditure in property, plant and equipment and intangible assets	(501)	(568)	(552)	(783)	(2,404)	(518)	(779)	(536)		(1,833)
Lease expense (IFRS 16)	–	–	–	–	–	(68)	(69)	(69)		(206)
<b>Operating free cash flow proxy</b>	<b>557</b>	<b>517</b>	<b>536</b>	<b>199</b>	<b>1,809</b>	<b>533</b>	<b>273</b>	<b>515</b>		<b>1,321</b>
<b>Net debt</b>										
Net debt excluding lease liabilities	6,835	7,696	7,187	7,009	7,009	6,736	7,787	7,182		7,182
Lease liabilities	459	450	454	384	384	1,719	1,755	1,751		1,751
<b>Net debt</b>	<b>7,294</b>	<b>8,146</b>	<b>7,641</b>	<b>7,393</b>	<b>7,393</b>	<b>8,455</b>	<b>9,542</b>	<b>8,933</b>		<b>8,933</b>
<b>Full-time equivalent employees at end of year</b>										
Swisscom Switzerland	15,014	14,562	14,522	14,448	14,448	14,340	14,236	14,095		14,095
Fastweb	2,510	2,483	2,470	2,484	2,484	2,458	2,451	2,467		2,467
Other Operating Segments	2,540	2,588	2,615	2,679	2,679	2,699	2,663	2,724		2,724
Group Headquarters	262	262	243	234	234	222	214	214		214
<b>Total headcount</b>	<b>20,326</b>	<b>19,895</b>	<b>19,850</b>	<b>19,845</b>	<b>19,845</b>	<b>19,719</b>	<b>19,564</b>	<b>19,500</b>		<b>19,500</b>
<b>Information by geographical region in CHF million or full-time equivalents</b>										
Net revenue in Switzerland	2,308	2,310	2,305	2,351	9,274	2,277	2,197	2,203		6,677
Net revenue in other countries	577	610	579	674	2,440	583	606	590		1,779
<b>Total net revenue</b>	<b>2,885</b>	<b>2,920</b>	<b>2,884</b>	<b>3,025</b>	<b>11,714</b>	<b>2,860</b>	<b>2,803</b>	<b>2,793</b>		<b>8,456</b>
EBITDA Switzerland	889	891	887	752	3,419	939	913	907		2,759
EBITDA other countries	169	194	201	230	794	180	208	213		601
<b>Total EBITDA</b>	<b>1,058</b>	<b>1,085</b>	<b>1,088</b>	<b>982</b>	<b>4,213</b>	<b>1,119</b>	<b>1,121</b>	<b>1,120</b>		<b>3,360</b>
Capital expenditure in Switzerland	315	406	398	526	1,645	357	604	377		1,338
Capital expenditure in other countries	186	162	154	257	759	161	175	159		495
<b>Total capital expenditure</b>	<b>501</b>	<b>568</b>	<b>552</b>	<b>783</b>	<b>2,404</b>	<b>518</b>	<b>779</b>	<b>536</b>		<b>1,833</b>
Full-time equivalent employees in Switzerland	17,611	17,203	17,165	17,147	17,147	17,035	16,871	16,788		16,788
Full-time equivalent employees in other countries	2,715	2,692	2,685	2,698	2,698	2,684	2,693	2,712		2,712
<b>Total headcount</b>	<b>20,326</b>	<b>19,895</b>	<b>19,850</b>	<b>19,845</b>	<b>19,845</b>	<b>19,719</b>	<b>19,564</b>	<b>19,500</b>		<b>19,500</b>
<b>Fastweb, in EUR million</b>										
Residential Customers	257	264	264	265	1,050	269	273	277		819
Enterprise Customers	180	188	190	222	780	202	214	211		627
Wholesale	53	66	49	99	267	42	45	45		132
<b>Revenue from external customers</b>	<b>490</b>	<b>518</b>	<b>503</b>	<b>586</b>	<b>2,097</b>	<b>513</b>	<b>532</b>	<b>533</b>		<b>1,578</b>
Segment result (EBITDA)	148	170	178	200	696	157	182	190		529
Margin as % of net revenue	30.1	32.8	35.2	34.0	33.1	30.5	34.0	35.5		33.4
Capital expenditure in property, plant and equipment and intangible assets	159	138	135	225	657	143	154	146		443
Broadband access lines in thousand	2,483	2,500	2,518	2,547	2,547	2,575	2,600	2,610		2,610
Mobile access lines in thousand	1,185	1,280	1,324	1,432	1,432	1,517	1,629	1,742		1,742

In CHF million, except where indicated	1. quarter	2. quarter	3. quarter	4. quarter	2018	1. quarter	2. quarter	3. quarter	4. quarter	2019
<b>Swisscom Switzerland</b>										
<b>Revenue and results</b>										
Residential Customers	655	659	662	642	2,618	630	619	622		1,871
Enterprise Customers	113	118	114	106	451	102	102	100		304
<b>Revenue wireless</b>	<b>768</b>	<b>777</b>	<b>776</b>	<b>748</b>	<b>3,069</b>	<b>732</b>	<b>721</b>	<b>722</b>		<b>2,175</b>
Residential Customers	643	645	642	643	2,573	638	637	628		1,903
Enterprise Customers	131	134	128	127	520	120	117	112		349
<b>Revenue fixed-line</b>	<b>774</b>	<b>779</b>	<b>770</b>	<b>770</b>	<b>3,093</b>	<b>758</b>	<b>754</b>	<b>740</b>		<b>2,252</b>
Other revenue Enterprise Customers	16	15	14	15	60	16	14	15		45
<b>Total revenue telecoms services</b>	<b>1,558</b>	<b>1,571</b>	<b>1,560</b>	<b>1,533</b>	<b>6,222</b>	<b>1,506</b>	<b>1,489</b>	<b>1,477</b>		<b>4,472</b>
Solution business	264	249	245	269	1,027	251	248	251		750
Merchandise	173	166	173	207	719	196	169	182		547
Wholesale	141	145	148	132	566	158	162	169		489
Revenue other	50	42	45	64	201	32	7	12		51
<b>Total revenue from external customers</b>	<b>2,186</b>	<b>2,173</b>	<b>2,171</b>	<b>2,205</b>	<b>8,735</b>	<b>2,143</b>	<b>2,075</b>	<b>2,091</b>		<b>6,309</b>
Residential Customers	1,456	1,448	1,457	1,482	5,843	1,413	1,364	1,382		4,159
Enterprise Customers	584	575	561	586	2,306	566	543	534		1,643
Wholesale	141	145	148	132	566	158	162	169		489
IT, Network & Infrastructure	5	5	5	5	20	6	6	6		18
<b>Total revenue from external customers</b>	<b>2,186</b>	<b>2,173</b>	<b>2,171</b>	<b>2,205</b>	<b>8,735</b>	<b>2,143</b>	<b>2,075</b>	<b>2,091</b>		<b>6,309</b>
<b>Segment result before depreciation and amortisation (EBITDA)</b>										
Residential Customers	902	882	874	805	3,463	884	866	843		2,593
Enterprise Customers	208	203	206	187	804	181	174	177		532
Wholesale	109	114	119	105	447	130	132	141		403
IT, Network & Infrastructure	(284)	(266)	(281)	(307)	(1,138)	(265)	(263)	(255)		(783)
Intersegment elimination	–	–	1	(1)	–	(1)	–	1		–
<b>Segment result (EBITDA)</b>	<b>935</b>	<b>933</b>	<b>919</b>	<b>789</b>	<b>3,576</b>	<b>929</b>	<b>909</b>	<b>907</b>		<b>2,745</b>
Margin as % of net revenue	42.4	42.6	42.0	35.5	40.6	42.9	43.4	43.0		43.1
<b>Operational data in thousand</b>										
<b>Access lines</b>										
Residential Customers	1,779	1,730	1,684	1,641	1,641	1,601	1,564	1,537		1,537
Enterprise Customers	198	176	162	147	147	136	119	106		106
<b>Fixed telephony access lines</b>	<b>1,977</b>	<b>1,906</b>	<b>1,846</b>	<b>1,788</b>	<b>1,788</b>	<b>1,737</b>	<b>1,683</b>	<b>1,643</b>		<b>1,643</b>
Residential Customers	1,988	1,991	1,993	1,998	1,998	1,995	1,992	1,996		1,996
Enterprise Customers	37	37	37	35	35	35	32	31		31
<b>Broadband access lines retail</b>	<b>2,025</b>	<b>2,028</b>	<b>2,030</b>	<b>2,033</b>	<b>2,033</b>	<b>2,030</b>	<b>2,024</b>	<b>2,027</b>		<b>2,027</b>
Residential Customers	1,492	1,501	1,510	1,519	1,519	1,523	1,529	1,540		1,540
<b>Swisscom TV access lines</b>	<b>1,492</b>	<b>1,501</b>	<b>1,510</b>	<b>1,519</b>	<b>1,519</b>	<b>1,523</b>	<b>1,529</b>	<b>1,540</b>		<b>1,540</b>
Postpaid Residential Customers	3,381	3,379	3,385	3,382	3,382	3,435	3,468	3,504		3,504
Postpaid Enterprise Customers	1,265	1,270	1,283	1,294	1,294	1,272	1,254	1,249		1,249
<b>Mobile access lines Postpaid</b>	<b>4,646</b>	<b>4,649</b>	<b>4,668</b>	<b>4,676</b>	<b>4,676</b>	<b>4,707</b>	<b>4,722</b>	<b>4,753</b>		<b>4,753</b>
Prepaid Residential Customers	1,805	1,785	1,741	1,694	1,694	1,671	1,646	1,605		1,605
<b>Mobile access lines</b>	<b>6,451</b>	<b>6,434</b>	<b>6,409</b>	<b>6,370</b>	<b>6,370</b>	<b>6,378</b>	<b>6,368</b>	<b>6,358</b>		<b>6,358</b>
RGU Residential Customers	10,445	10,386	10,313	10,234	10,234	10,225	10,199	10,182		10,182
RGU Enterprise Customers	1,500	1,483	1,482	1,476	1,476	1,443	1,405	1,386		1,386
<b>Revenue generating units (RGU)</b>	<b>11,945</b>	<b>11,869</b>	<b>11,795</b>	<b>11,710</b>	<b>11,710</b>	<b>11,668</b>	<b>11,604</b>	<b>11,568</b>		<b>11,568</b>
Broadband access lines wholesale	449	462	472	481	481	492	502	509		509
Unbundled fixed access lines	100	95	91	87	87	83	79	75		75

## Forward-looking statements

This interim report is published in German and English. The German version is binding.

This interim report contains forward-looking statements. In this interim report, such forward-looking statements include, without limitation, statements relating to our financial condition, results of operations and business and certain of our strategic plans and objectives.

Because these forward-looking statements are subject to risks and uncertainties, actual future results may differ materially from those expressed in or implied by the statements. Many of these risks and uncertainties relate to factors which are beyond Swisscom's ability to control or estimate precisely, such as future market conditions, currency fluctuations, the behaviour of other market participants, the actions of governmental regulators and other risk factors detailed in Swisscom's and Fastweb's past and future filings and reports, including those filed with the U.S. Securities and Exchange Commission and in past and future filings, press releases, reports and other information posted on Swisscom Group Companies' websites.

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