

2018

Interim Report
January–March



swisscom

KPIs

In CHF million, except where indicated

		31.3.2018	31.3.2017	Change
Revenue and results				
Net revenue ¹		2,885	2,831	1.9%
Operating income before depreciation and amortisation (EBITDA) ^{1,2}		1,058	1,073	-1.4%
EBITDA as % of net revenue	%	36.7	37.9	
Operating income (EBIT) ³		518	550	-5.8%
Net income		379	373	1.6%
Earnings per share	CHF	7.36	7.20	2.2%
Balance sheet and cash flows				
Equity at end of period		8,410	6,897	21.9%
Equity ratio at end of period ⁴	%	36.8	31.8	
Operating free cash flow ⁵		359	463	-22.5%
Capital expenditure in property, plant and equipment and intangible assets		501	529	-5.3%
Net debt at end of period ⁶		7,294	7,689	-5.1%
Operational data at end of period				
Fixed telephony access lines in Switzerland	in thousand	1,977	2,297	-13.9%
Broadband access lines retail in Switzerland	in thousand	2,025	1,988	1.9%
Swisscom TV access lines in Switzerland	in thousand	1,492	1,438	3.8%
Mobile access lines in Switzerland	in thousand	6,632	6,601	0.5%
Revenue generating units (RGU) in Switzerland ⁷	in thousand	12,126	12,324	-1.6%
Unbundled fixed access lines in Switzerland	in thousand	100	120	-16.7%
Broadband access lines wholesale in Switzerland	in thousand	449	385	16.6%
Broadband access lines in Italy	in thousand	2,483	2,400	3.5%
Mobile access lines in Italy	in thousand	1,185	763	55.3%
Swisscom share				
Number of shares issued at end of period	in thousand	51,802	51,802	-
Market capitalisation at end of period ⁸		24,533	23,938	2.5%
Closing price at end of period	CHF	473.60	462.10	2.5%
Employees				
Full-time equivalent employees at end of period	number	20,326	21,079	-3.6%
Average number of full-time equivalent employees	number	20,435	21,069	-3.0%

¹ Since 1 January 2018, Swisscom has applied IFRS 15 "Revenue from Contracts with Customers". The prior year's figures have not been adjusted.

Without the application of IFRS 15, net revenue would have been CHF 4 million higher and EBITDA would have been CHF 20 million higher in the first quarter of 2018.

² Definition operating income before depreciation and amortization (EBITDA): operating income before depreciation and amortization, gain on sale of subsidiaries, net financial result, share of results of equity-accounted investees and income tax expense.

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: operating income before depreciation and amortisation (EBITDA), change in operating assets and liabilities (excluding cash and cash equivalents) less net capital expenditure in tangible and intangible assets and dividends paid to non-controlling interests.

⁶ Definition net debt: financial liabilities less cash and cash equivalents, current financial assets as well as non-current fixed interest-bearing certificates of deposit 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 quarter. Revenue was up by 1.9% or CHF 54 million to CHF 2,885 million, while operating income before depreciation and amortisation (EBITDA) fell by 1.4% or CHF 15 million to CHF 1,058 million. Net income rose by 1.6% to CHF 379 million. The financial outlook for the 2018 financial year remains unchanged.

The growth in revenue of CHF 54 million is comprised a decline in the Swiss core business of CHF 40 million and growth at Italian subsidiary Fastweb of CHF 90 million. In the Swiss core business, revenue decreased on the back of the continuing drop-off in fixed-line telephony connections, lower income from roaming and increased price reductions. The higher revenue at Fastweb is attributable on the one hand to currency translation effects (CHF 47 million) resulting from the higher EUR exchange rate, and on the other to growth in local currency (CHF 43 million or EUR 39 million) in all segments, driven primarily by customer growth. In the broadband business, Fastweb saw its number of subscribers increase year-on-year by 3.5% to 2.5 million, and in mobile telephony by 55% to 1.2 million. The year-on-year development of EBITDA is being impacted by new requirements governing the reporting of customer contracts (IFRS 15). In the Swiss core business, EBITDA fell by 2.9% on a like-for-like basis, while at Fastweb it rose in local currency by 4.8% on a like-for-like basis as a result of the growth in revenue.

Swisscom's capital expenditure fell by 5.3% to CHF 501 million. In Switzerland, this decline was due primarily to delayed investments, down by 13.0% to CHF 315 million. At Fastweb, capital expenditure remained high at EUR 159 million (+2.6%). Operating free cash flow declined by CHF 104 million to CHF 359 million, owing to seasonal effects. At CHF 7,294 million, net debt is CHF 395 million lower compared with a year ago. Headcount at Swisscom contracted by 3.6% year-on-year to 20,326 FTEs. In comparison with the previous year, headcount in Switzerland fell by 669 FTEs to 17,611 FTEs as a result of the declining core business. In Switzerland, the reduction in the first quarter of 2018 totalled 77 FTEs.

For the 2018 financial year, Swisscom still expects unchanged net revenue of around CHF 11.6 billion, EBITDA of around CHF 4.2 billion and capital expenditure of less than CHF 2.4 billion. Subject to achieving its targets, Swisscom will propose payment of an unchanged, attractive dividend of CHF 22 per share for the 2018 financial year at the 2019 Annual General Meeting.

Segment results

In CHF million	31.3.2018	31.3.2017	Change
Net revenue			
Swisscom Switzerland	2,206	2,246	-1.8%
Fastweb	574	484	18.6%
Other Operating segments	197	187	5.3%
Intersegment elimination	(92)	(86)	7.0%
Net revenue¹	2,885	2,831	1.9%
Operating income before depreciation and amortisation (EBITDA)			
Swisscom Switzerland	892	928	-3.9%
Fastweb	167	155	7.7%
Other Operating segments	39	40	-2.5%
Group Headquarters	(22)	(26)	-15.4%
Reconciliation to pension cost ²	(15)	(20)	-25.0%
Intersegment elimination	(3)	(4)	-25.0%
Operating income before depreciation and amortisation (EBITDA)¹	1,058	1,073	-1.4%

¹ Since 1 January 2018, Swisscom has applied IFRS 15 "Revenue from Contracts with Customers". The prior year's figures have not been adjusted.

Without the application of IFRS 15, net revenue would have been CHF 4 million higher (Swisscom Switzerland CHF 1 million and Fastweb CHF 3 million) and EBITDA would have been CHF 20 million higher (Swisscom Switzerland CHF 9 million and Fastweb CHF 11 million) in the first quarter of 2018.

² 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.

Swisscom Switzerland

In CHF million, except where indicated

	31.3.2018	31.3.2017	Change
Net revenue and results			
Telecom services	1,558	1,632	-4.5%
Solution business	268	261	2.7%
Merchandise	170	147	15.6%
Wholesale	141	138	2.2%
Other revenue	49	49	-
Revenue from external customers	2,186	2,227	-1.8%
Intersegment revenue	20	19	5.3%
Net revenue¹	2,206	2,246	-1.8%
Direct costs	(459)	(440)	4.3%
Indirect costs	(855)	(878)	-2.6%
Segment expenses	(1,314)	(1,318)	-0.3%
Segment result before depreciation and amortisation (EBITDA)¹	892	928	-3.9%
Margin as % of net revenue	40.4	41.3	
Depreciation, amortisation and impairment losses	(378)	(367)	3.0%
Segment result	514	561	-8.4%
Operational data at end of period in thousand			
Fixed telephony access lines	1,977	2,297	-13.9%
Broadband access lines retail	2,025	1,988	1.9%
Swisscom TV access lines	1,492	1,438	3.8%
Mobile access lines	6,632	6,601	0.5%
Revenue generating units (RGU)	12,126	12,324	-1.6%
Unbundled fixed access lines	100	120	-16.7%
Broadband access lines wholesale	449	385	16.6%
Capital expenditure and headcount			
Capital expenditure in property, plant and equipment and intangible assets	311	357	-12.9%
Full-time equivalent employees at end of period (number)	15,031	15,719	-4.4%

¹ Since 1 January 2018, Swisscom has applied IFRS 15 "Revenue from Contracts with Customers". The prior year's figures have not been adjusted. Without the application of IFRS 15, net revenue would have been CHF 1 million higher and EBITDA would have been CHF 9 million higher in the first quarter of 2018.

Net revenue for Swisscom Switzerland fell by CHF 40 million or 1.8% to CHF 2,206 million as a result of the continuing decline in traditional fixed-line telephony, lower income from roaming and price pressure. Revenue from telecommunications services decreased by CHF 74 million or 4.5% to CHF 1,558 million. Of this decline, CHF 55 million (-2.7%) was attributable to the Residential Customers segment and CHF 19 million (-6.8%) to the Enterprise Customers segment. At Enterprise Customers, revenue from the solution business rose by CHF 7 million or 2.7% to CHF 268 million. The number of fixed-line telephony connections fell by 320,000 or 13.9% year-on-year to 1.98 million (-70,000 in the first quarter of 2018). In the saturated market, subscriber numbers in mobile telecommunications remained flat. Swisscom saw slight growth in postpaid offerings in the first quarter of 2018 (+4,000), while the number of prepaid customers fell (-9,000). The number of broadband connections increased by 11,000 compared to the end of 2017 to 2.03 million, while the number of TV connections rose by 25,000 to 1.49 million in the first quarter of 2018. Demand for bundled offerings continues to rise. As at the end of March 2018, the bundled offering inOne had over 1.59 million customers (+250,000 in the first quarter of 2018). Segment expense fell by CHF 4 million or 0.3% to CHF 1,314 million, with direct costs increasing and indirect costs decreasing versus the prior year. The rise of CHF 19 million or 4.3% in direct costs to CHF 459 million is due to the higher costs of purchasing merchandise. Indirect costs fell by CHF 23 million or 2.6% to CHF 855 million, driven by the declining headcount and lower costs for external staff. Headcount fell year-on-year as a result of efficiency measures by 688 FTEs or 4.4% to 15,031, including 126 FTEs in the first quarter of 2018. The segment result before depreciation and amortisation was CHF 36 million or 3.9% lower at CHF 892 million. In spite of the decrease in capital expenditure as a result of delayed investments by CHF 46 million or 12.9% to CHF 311 million, progress continues to be made on expanding the broadband network. At the end of March 2018, Swisscom had connected over 3.95 million households and businesses in Switzerland with ultra-fast broadband (with speeds of more than 50 Mbps), around 2.6 million of which benefit from speeds of more than 100 Mbps.

Fastweb

In EUR million, except where indicated	31.3.2018	31.3.2017	Change
Residential Customers	257	232	10.8%
Corporate Business	180	168	7.1%
Wholesale	53	51	3.9%
Revenue from external customers	490	451	8.6%
Intersegment revenue	2	2	–
Net revenue¹	492	453	8.6%
Segment expenses	(348)	(308)	13.0%
Segment result before depreciation and amortisation (EBITDA)¹	144	145	–0.7%
Margin as % of net revenue	29.3	32.0	
Depreciation, amortisation and impairment losses	(129)	(131)	–1.5%
Segment result	15	14	7.1%
Capital expenditure in property, plant and equipment and intangible assets	159	155	2.6%
Full-time equivalent employees at end of period (number)	2,510	2,503	0.3%
Broadband access lines in thousand	2,483	2,400	3.5%
Mobile access lines in thousand	1,185	763	55.3%

¹ Since 1 January 2018, Swisscom has applied IFRS 15 "Revenue from Contracts with Customers". The prior year's figures have not been adjusted. Without the application of IFRS 15, net revenue would have been EUR 3 million higher and EBITDA would have been EUR 8 million higher in the first quarter of 2018.

Fastweb's net revenue in the first quarter of 2018 was EUR 492 million (+9.3% on a like-for-like basis). Despite difficult market conditions, Fastweb's broadband customer base grew by 83,000 or 3.5% year-on-year to 2.5 million (+32,000 in the first quarter of 2018). Fastweb is also growing in mobile telephony. Compared to the previous year, the number of mobile access lines increased by 422,000 or 55.3% to 1.19 million (+120,000 in the first quarter of 2018). Although competition in the Residential Customers segment remains strong, the average revenue per broadband customer was stabilised versus the prior year. Revenue from residential customers rose on the back of customer growth by EUR 25 million or 10.8% year-on-year to EUR 257 million. Despite the high level of competition, Fastweb held its strong position in the market for business customers. Revenue from corporate business increased by EUR 12 million or 7.1% to EUR 180 million, while wholesale business revenue was up by EUR 2 million or 3.9% to EUR 53 million.

EBITDA amounted to EUR 144 million (+4.8% on a like-for-like basis). The increase as a result of the higher revenue was partially offset by a non-recurring item resulting from changes to regulatory conditions in the previous year coupled with higher subscriber acquisition costs. The EBITDA margin declined by 1.3 percentage points to 30.7% on a like-for-like basis. The expansion of Italy's fibre-optic broadband network is continuing as planned. Capital expenditure remains at a high level, totalling EUR 159 million. The increase in capital expenditure versus the prior year of EUR 4 million or 2.6% is attributable to higher customer-driven investments. Fastweb's headcount was nearly unchanged year-on-year at 2,510 FTEs.

Other Operating Segments

The net revenue of the Other Operating Segments rose year-on-year by CHF 10 million or 5.3% to CHF 197 million. The increase was mainly due to increased production output on the third-party market at cablex and higher revenue from construction services rendered by cablex for Swisscom Switzerland. The segment result before depreciation and amortisation was practically unchanged year-on-year at CHF 39 million (–2.5%). This corresponds to a profit margin of 19.8%. Headcount declined by 52 FTEs to 2,523 FTEs, driven by the sale of foreign Group companies following the restructuring of the portfolio.

Depreciation and amortisation, non-operating results

In CHF million, except where indicated	31.3.2018	31.3.2017	Change
Operating income before depreciation and amortisation (EBITDA)	1,058	1,073	-1.4%
Depreciation, amortisation and impairment losses	(540)	(523)	3.3%
Operating income (EBIT)	518	550	-5.8%
Net interest expense	(35)	(36)	-2.8%
Other financial result	(6)	(13)	-53.8%
Result of equity-accounted investees	(2)	(1)	100.0%
Income before income taxes	475	500	-5.0%
Income tax expense	(96)	(127)	-24.4%
Net income	379	373	1.6%
Share of net income attributable to equity holders of Swisscom Ltd	381	373	2.1%
Share of net income attributable to non-controlling interests	(2)	-	
Earnings per share (in CHF)	7.36	7.20	2.2%

Depreciation and amortisation increased by CHF 17 million or 3.3% to CHF 540 million, mainly reflecting an increase in depreciation and amortisation at Swisscom Switzerland. At constant exchange rates this represents a rise of 1.0%. Net interest expense remained virtually stable at CHF 35 million. Other net financial expense was CHF 6 million (improvement: CHF 7 million). Income tax expense was CHF 96 million (prior year: CHF 127 million), corresponding to an effective income tax rate of 20.2% (prior year: 25.4%). The decrease in the effective income tax rate is primarily attributable to the effects of prior periods in 2017. Net income posted by Swisscom rose by CHF 6 million or 1.6% to CHF 379 million. Earnings per share is calculated based on the share of net income attributable to equity holders of Swisscom Ltd and the average number of shares outstanding. Earnings per share rose from CHF 7.20 to CHF 7.36.

Cash flows

In CHF million	31.3.2018	31.3.2017	Change
Operating income before depreciation and amortisation (EBITDA)	1,058	1,073	(15)
Capital expenditure in property, plant and equipment and intangible assets	(501)	(529)	28
Proceeds from sale of tangible and intangible assets	2	2	-
Change in defined benefit obligations	15	17	(2)
Change in net working capital and other cash flows from operating activities	(215)	(100)	(115)
Operating free cash flow	359	463	(104)
Net interest paid	(7)	(11)	4
Income taxes paid	(164)	(184)	20
Free cash flow	188	268	(80)
Net expenditures for company acquisitions and disposals	(3)	(43)	40
Other cash flows from investing activities, net	6	(11)	17
Issuance and repayment of financial liabilities, net	108	(206)	314
Other cash flows from financing activities	(6)	(6)	-
Net increase in cash and cash equivalents	293	2	291

Free cash flow declined year-on-year by CHF 80 million to CHF 188 million, due to lower operating free cash flow. Operating free cash flow declined by CHF 104 million to CHF 359 million, fuelled by the decline in net working capital. Net working capital increased by CHF 215 million compared to the end of 2017 (prior year: increase of CHF 100 million), mainly as a result of higher accruals for prepaid expenses for the financial year 2018. Capital expenditure decreased year-on-year by CHF 28 million or 5.3% to CHF 501 million, chiefly as a result of delayed investments at Swisscom Switzerland.

Balance sheet

In CHF million, except where indicated	31.3.2018	01.01.2018 ¹	Change
Property, plant and equipment	10,732	10,697	0.3%
Goodwill	5,190	5,186	0.1%
Intangible assets	1,653	1,758	-6.0%
Trade receivables	2,273	2,359	-3.6%
Trade payables	(1,624)	(1,753)	-7.4%
Provisions	(1,036)	(1,077)	-3.8%
Deferred gain on sale and leaseback of real estate	(143)	(146)	-2.1%
Other operating assets and liabilities, net	134	(44)	-
Net operating assets	17,179	16,980	1.2%
Net debt	(7,294)	(7,447)	-2.1%
Defined benefit obligations	(991)	(1,048)	-5.4%
Income tax assets and liabilities, net	(756)	(806)	-6.2%
Equity-accounted investees and other non-current financial assets	261	264	-1.1%
Equity	8,399	7,943	5.7%
Equity ratio at end of period (in %)	36.8	36.0	

¹ Including cumulative effect of initially applying IFRS 9 and IFRS 15.

Equity rose due to the increase in net income by CHF 456 million or 5.7% to CHF 8,399 million, which corresponds to an equity ratio of 36.8% (36.0% as at 1 January 2018). Cumulative currency translation losses included in equity remained unchanged from the end of 2017 at around CHF 1.7 billion.

Outlook

The financial outlook for 2018 remains unchanged. For 2018, Swisscom anticipates net revenue of around CHF 11.6 billion, EBITDA of around CHF 4.2 billion and capital expenditure of less than CHF 2.4 billion. Due to strong competition and price pressure, Swisscom's revenue without Fastweb is expected to decline; however, this should be partially offset by a rise in Fastweb's revenue. EBITDA for Swisscom, excluding Fastweb, is expected to be lower year-on-year. The expected reduction in EBITDA is attributable to price pressure and continued declines in the number of fixed-line telephony connections. EBITDA will be positively affected by cost savings. Fastweb's EBITDA is expected to be higher. From 2018 onwards, a new accounting standard for recognising revenue (IFRS 15) is to be applied, which is likely to have a negative effect on EBITDA of around CHF 50 million. By contrast, at the current euro exchange rate, the currency translation of Fastweb should positively affect revenue and EBITDA. Capital expenditure is expected to be slightly lower in Switzerland and slightly higher at Fastweb. Subject to achieving its targets, Swisscom will propose payment of an unchanged, attractive dividend of CHF 22 per share for the 2018 financial year at the 2019 Annual General Meeting.

Consolidated interim financial statements

Consolidated statement of comprehensive income (unaudited)

In CHF million, except for per share amounts

	Note	1.1.–31.3.2018	1.1.–31.3.2017
Income statement			
Net revenue	2	2,885	2,831
Direct costs	3	(704)	(606)
Personnel expense	3	(723)	(753)
Other operating expense	3	(503)	(490)
Capitalised self-constructed assets and other income	3	103	91
Operating income before depreciation, amortisation and impairment losses		1,058	1,073
Depreciation, amortisation and impairment losses		(540)	(523)
Operating income		518	550
Financial income	6	17	5
Financial expense	6	(58)	(54)
Result of equity-accounted investees		(2)	(1)
Income before income taxes		475	500
Income tax expense		(96)	(127)
Net income		379	373
Other comprehensive income			
Actuarial gains and losses from defined benefit pension plans		58	41
Change in fair value of equity instruments		3	–
Items that will not be reclassified to income statement		61	41
Foreign currency translation adjustments of foreign subsidiaries		13	(5)
Change in available-for-sale financial assets		–	2
Change in cash flow hedges		12	(4)
Other comprehensive income from equity-accounted investees		1	–
Items that will be reclassified subsequently to income statement		26	(7)
Other comprehensive income		87	34
Comprehensive income			
Net income		379	373
Other comprehensive income		87	34
Comprehensive income		466	407
Share of net income and comprehensive income			
Equity holders of Swisscom Ltd		381	373
Non-controlling interests		(2)	–
Net income		379	373
Equity holders of Swisscom Ltd		468	407
Non-controlling interests		(2)	–
Comprehensive income		466	407
Earnings per share			
Basic and diluted earnings per share (in CHF)		7.36	7.20

Consolidated balance sheet (unaudited)

In CHF million	Note	31.3.2018	31.12.2017
Assets			
Cash and cash equivalents		819	525
Trade receivables	7	2,273	2,389
Other operating assets	7	1,378	729
Other financial assets	5	76	78
Current income tax assets		15	10
Total current assets		4,561	3,731
Property, plant and equipment		10,732	10,697
Goodwill		5,190	5,186
Intangible assets		1,653	1,758
Equity-accounted investees		158	152
Other financial assets	5	346	337
Deferred income tax assets		206	197
Total non-current assets		18,285	18,327
Total assets		22,846	22,058
Liabilities and equity			
Financial liabilities	5	1,859	1,834
Trade payables	7	1,624	1,753
Provisions	8	176	177
Other operating liabilities	7	1,244	1,165
Current income tax liabilities		152	213
Total current liabilities		5,055	5,142
Financial liabilities	5	6,573	6,452
Defined benefit obligations		991	1,048
Provisions	8	860	900
Deferred gain on sale and leaseback of real estate		143	146
Deferred income tax liabilities		825	725
Total non-current liabilities		9,392	9,271
Total liabilities		14,447	14,413
Share capital		52	52
Capital reserves		136	136
Retained earnings		9,887	9,155
Foreign currency translation adjustments		(1,675)	(1,689)
Other reserves		10	2
Equity attributable to equity-holders of Swisscom Ltd		8,410	7,656
Non-controlling interests		(11)	(11)
Total equity		8,399	7,645
Total liabilities and equity		22,846	22,058

Consolidated statement of cash flows (unaudited)

In CHF million	Note	31.3.2018	31.3.2017
Net income		379	373
Income tax expense		96	127
Result of equity-accounted investees		2	1
Financial income	6	(17)	(5)
Financial expense	6	58	54
Depreciation, amortisation and impairment losses		540	523
Gain on sale of property, plant and equipment		(1)	(1)
Loss on disposal of property, plant and equipment		2	1
Change in provisions		(20)	(19)
Change in defined benefit obligations		15	17
Change in operating assets and liabilities	7	(193)	(79)
Change in deferred gain from the sale and leaseback of real estate		(3)	(2)
Interest received		10	12
Interest paid		(17)	(23)
Income taxes paid		(164)	(184)
Cash flow from operating activities		687	795
Purchase of property, plant and equipment and intangible assets		(501)	(529)
Sale of property, plant and equipment and intangible assets		2	2
Acquisition of subsidiaries, net of cash and cash equivalents acquired		–	(30)
Expenses for shareholdings accounted for using the equity method		(3)	–
Purchase of other financial assets		(4)	(14)
Proceeds from other financial assets		10	3
Cash flow used in investing activities		(496)	(568)
Issuance of financial liabilities	5	150	4
Repayment of financial liabilities	5	(42)	(210)
Acquisition of non-controlling interests		–	(13)
Other cash flows from financing activities		(6)	(6)
Cash flow provided (cash flow used) by financing activities		102	(225)
Net increase in cash and cash equivalents		293	2
Cash and cash equivalents at 1 January		525	329
Foreign currency translation adjustments in respect of cash and cash equivalents		1	(1)
Cash and cash equivalents at the end of financial period		819	330

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
Balance at 31 December 2016	52	136	8,148	(1,834)	12	6,514	8	6,522
Net income	–	–	373	–	–	373	–	373
Other comprehensive income	–	–	41	–	(7)	34	–	34
Comprehensive income	–	–	414	–	(7)	407	–	407
Transactions with non-controlling interests	–	–	(23)	–	–	(23)	(6)	(29)
Treasury shares	–	–	(3)	–	–	(3)	–	(3)
Balance at 31 March 2017	52	136	8,536	(1,834)	5	6,895	2	6,897
Balance at 31 December 2017	52	136	9,155	(1,689)	2	7,656	(11)	7,645
Change in accounting policies ¹	–	–	302	–	(4)	298	–	298
Balance at 1 January 2018	52	136	9,457	(1,689)	(2)	7,954	(11)	7,943
Net income	–	–	381	–	–	381	(2)	379
Other comprehensive income	–	–	61	14	12	87	–	87
Comprehensive income	–	–	442	14	12	468	(2)	466
Transactions with non-controlling interests	–	–	(8)	–	–	(8)	2	(6)
Treasury shares	–	–	(4)	–	–	(4)	–	(4)
Balance at 31 March 2018	52	136	9,887	(1,675)	10	8,112	(11)	8,399

¹ See Note 1.

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 31 March 2018 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 2 May 2018. As of this date, no material post-balance sheet events had occurred.

Basis of preparation

The consolidated interim financial statements for the three months to 31 March 2018 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 2017. The consolidated interim financial statements have been prepared in accordance with the accounting policies described in the 2017 consolidated financial statements and the revised accounting principles adopted on 1 January 2018.

In preparing the consolidated interim financial statements, management is required to make accounting 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 1.178 was used as the end-of-period rate (31 December 2017: CHF/EUR 1.17) and 1.166 as the average rate for the period (prior year: CHF/EUR 1.069).

1 Changes in accounting principles

As of 1 January 2018, 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.

Impact of the newly applicable IFRS Standards on equity effective 1 January 2018

In CHF million	31.12.2017	Application IFRS 9	Application IFRS 15	01.01.2018
Trade receivables	2,389	(30)	–	2,359
Other operating assets	729	(2)	433	1,160
Deferred income tax assets	197	7	(2)	202
Other financial assets	415	11	–	426
Other assets	18,328	–	–	18,328
Total assets	22,058	(14)	431	22,475
Other operating liabilities	1,165	–	39	1,204
Deferred income tax liabilities	725	1	79	805
Other liabilities	12,523	–	–	12,523
Total liabilities	14,413	1	118	14,532
Total equity	7,645	(15)	313	7,943
Total liabilities and equity	22,058	(14)	431	22,475

IFRS 9 “Financial Instruments”

The standard includes new rules for the classification and measurement of financial assets and liabilities, the accounting for impairment and hedge accounting. In certain cases, changes in the classification of financial assets will result from the new provisions. Equity instruments which used to be accounted for at acquisition cost now have to be measured at fair value. Pursuant to the new provisions regarding impairment, losses on financial assets need to be recognised earlier. No changes result for Swisscom in the hedge accounting. The first-time application of IFRS 9 reduced equity on 1 January 2018 by CHF 15 million. The prior year’s figures have not been adjusted.

IFRS 15 “Revenue from Contracts with Customers”

In contrast to the revenue recognition standards previously in force, the new standard provides for a single, principles-based, five-step model which is to be applied to all contracts with customers. In accordance with IFRS 15, the amount which is expected to be received from customers as consideration for the transfer of goods and services to the customer is to be recognised as revenue. As regards determining the date or period, it is no longer a question of the transfer of risks and opportunities but of the transfer of control over the goods and services to the customers. With regards to multi-component contracts, IFRS 15 explicitly rules that the transaction price is to be allocated to each distinct performance obligation in relation to the relative stand-alone selling prices. Furthermore, the new standard contains new rules regarding the costs to fulfill and obtaining a contract as well as guidelines as to the question when such costs are to be capitalised. In addition, the new standard requires new, more detailed disclosure information. IFRS 15 has the following material impact on the consolidated financial statements of Swisscom:

Revenue

- › If a mobile handset is sold as a part of a bundled offering with a mobile phone contract, it is treated as a multi-component transaction. Previously, the subsidy awarded on the mobile handset with such multi-component contracts was assigned in full to the mobile handset and recognised once the contract was concluded. Now, the revenue will be reallocated over the pre-delivered components (mobile handset), with the result that the revenue will be recognised earlier. The total revenue remains unchanged over the duration of the contract.
- › Swisscom provides bundled service offerings which include Internet and TV as well as an optional fixed-line connection with telephony services. The service fees are fixed. In connection with such bundled offerings, routers and set-top boxes are sold which used to be recognised as revenue at the time of sale. Given the technical requirements, the routers and set-top boxes can be used exclusively for Swisscom services. By the same token, Swisscom services can only be used with Swisscom routers and set-top boxes. The routers and set-top boxes thus do not constitute separate performance obligations. The revenue from the sale of the routers and set-top boxes is distributed accordingly over the entire term of the underlying service contract.
- › Activation fees used to be deferred and released to income over the minimum term of the contract. If no minimum contract term was agreed, revenue was recognised on the date of activation. Going forward, activation fees which cannot be refunded and do not constitute a separate service obligation will be included in the total transaction price and allocated proportionately to the individual performance obligations of the customer contract.

Contract costs

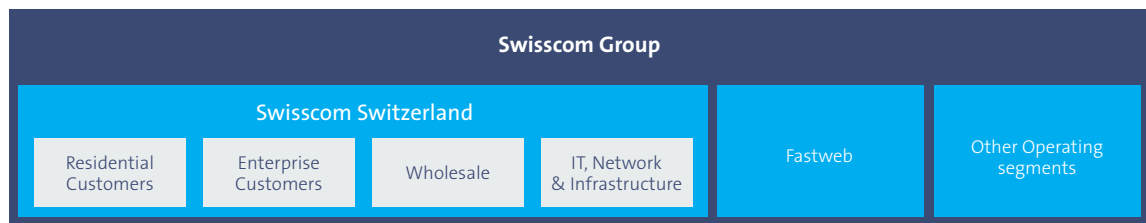
- > Handset subsidies and commissions paid to dealers (costs of obtaining a contract) used to be recognised as expense immediately. Going forward, directly attributable contract costs of obtaining a contract will be activated and recognised as an expense over the entire term of the contract.
- > The costs of routers and set-top boxes used to be recognised as an expense at the time of sale, as was the case for recognising revenue. In the future, these will also be activated as directly attributable costs to fulfill a contract and recognised as an expense over the entire term of the underlying service contract.

Swisscom has chosen the modified retrospective approach for the first-time application of IFRS 15. According to this transition method, Swisscom only has to apply IFRS 15 retrospectively to contracts which had not yet been executed as at 1 January 2018. The resulting transition effect was recognised in equity with no effect on profit or loss effective 1 January 2018. The prior year's figures have not been adjusted.

The transition effective 1 January 2018 resulted in an increase in equity of CHF 313 million. The effect results from the initial recognition of contract assets and liabilities as well as deferred costs of obtaining a contract and costs to fulfill a contract. In the first quarter of 2018, the application of IFRS 15 resulted in a reduction in net revenue of CHF 4 million and an increase in direct costs of CHF 16 million. The development of the IFRS 15 effect is dependent on future business models and products, the sales channel mix, and volume, price and cost trends.

2 Segment information

General information



Reporting is divided into the segments “Residential Customers”, “Enterprise Customers”, “Wholesale”, and “IT, Network & Infrastructure”, which are grouped under Swisscom Switzerland, as well as “Fastweb” and “Other Operating Segments”. “Group Headquarters”, which includes non-allocated costs, is reported separately.

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. Segment expense encompasses the direct and indirect costs which include personnel expense, other operating costs less capitalised costs of self-constructed assets and other income. Retirement-benefit expense 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 three months of 2018, an expense of CHF 15 million is disclosed under “Eliminations” as a pension cost reconciliation item in accordance with IAS 19 (prior year: CHF 20 million). The results of the Residential Customers, Enterprise Customers and Wholesale segments correspond to a contribution margin before network costs. The segment result of IT, Network & Infrastructure consists of operating expenses and depreciation and amortisation less revenues from the rental and administration of buildings and vehicles as well as capitalised costs of property, plant and equipment and other income. The segment results of Swisscom Switzerland and of the Other Operating Segments do not reflect the retirement-benefit reconciliation item in accordance with IAS 19. The segment results of Fastweb correspond to the operating results.

Various areas have been transferred between the segments of Swisscom Switzerland. The prior-year figures have been restated accordingly.

Segment information 2018

2018, in CHF million	Swisscom Switzerland	Fastweb	Other operating segments	Group Head- quarters	Elimination	Total
Residential Customers	1,456	300	–	–	–	1,756
Corporate Business	589	210	127	–	–	926
Wholesale customers	141	62	–	–	–	203
Net revenue from external customers	2,186	572	127	–	–	2,885
Net revenue with other segments	20	2	70	–	(92)	–
Net revenue	2,206	574	197	–	(92)	2,885
Direct costs	(459)	(237)	(14)	–	6	(704)
Indirect costs ¹	(855)	(170)	(144)	(22)	68	(1,123)
Segment result before depreciation and amortisation	892	167	39	(22)	(18)	1,058
Depreciation, amortisation and impairment losses	(378)	(149)	(15)	–	2	(540)
Segment result	514	18	24	(22)	(16)	518
Financial income and financial expense, net						(41)
Result of equity-accounted investees						(2)
Income before income taxes						475
Income tax expense						(96)
Net income						379
Segment result before depreciation and amortisation	892	167	39	(22)	(18)	1,058
Capital expenditure in property, plant and equipment and intangible assets	(311)	(185)	(8)	–	3	(501)
Change in provisions	(11)	(1)	–	(8)	–	(20)
Change in defined benefit obligations	2	(1)	–	–	14	15
Change in operating net working capital	(285)	31	33	40	(12)	(193)
Operating free cash flow	287	11	64	10	(13)	359

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

Segment information Swisscom Switzerland 2018

2018, in CHF million	Residential Customers	Enterprise Customers	Wholesale	IT, Network & Infrastructure	Elimination	Total Swisscom Switzerland
Telecom services	1,298	260	–	–	–	1,558
Solution business	–	268	–	–	–	268
Merchandise	120	50	–	–	–	170
Wholesale	–	–	141	–	–	141
Other revenue	38	6	–	5	–	49
Net revenue from external customers	1,456	584	141	5	–	2,186
Intersegment revenue	20	27	62	36	(125)	20
Net revenue	1,476	611	203	41	(125)	2,206
Direct costs	(322)	(185)	(89)	(3)	140	(459)
Indirect costs ¹	(274)	(232)	(5)	(328)	(16)	(855)
Segment result before depreciation and amortisation	880	194	109	(290)	(1)	892
Depreciation, amortisation and impairment losses	(38)	(18)	–	(322)	–	(378)
Segment result	842	176	109	(612)	(1)	514
Capital expenditure in property, plant and equipment and intangible assets	(36)	(12)	–	(263)	–	(311)

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

Segment information 2017

2017, in CHF million, adjusted	Swisscom Switzerland	Fastweb	Other operating segments	Group Head- quarters	Elimination	Total
Residential Customers	1,497	248	–	–	–	1,745
Corporate Business	592	180	122	–	–	894
Wholesale customers	138	54	–	–	–	192
Net revenue from external customers	2,227	482	122	–	–	2,831
Net revenue with other segments	19	2	65	–	(86)	–
Net revenue	2,246	484	187	–	(86)	2,831
Direct costs	(440)	(165)	(7)	–	6	(606)
Indirect costs ¹	(878)	(164)	(140)	(26)	56	(1,152)
Segment result before depreciation and amortisation	928	155	40	(26)	(24)	1,073
Depreciation, amortisation and impairment losses	(367)	(140)	(17)	–	1	(523)
Segment result	561	15	23	(26)	(23)	550
Financial income and financial expense, net						(49)
Result of equity-accounted investees						(1)
Income before income taxes						500
Income tax expense						(127)
Net income						373
Segment result before depreciation and amortisation	928	155	40	(26)	(24)	1,073
Capital expenditure in property, plant and equipment and intangible assets	(357)	(165)	(11)	–	4	(529)
Change in provisions	(12)	(3)	(1)	(3)	–	(19)
Change in defined benefit obligations	(1)	(1)	–	(1)	20	17
Change in operating net working capital	(141)	29	4	30	(1)	(79)
Operating free cash flow	417	15	32	–	(1)	463

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

Segment information Swisscom Switzerland 2017

2017, in CHF million, adjusted	Residential Customers	Enterprise Customers	Wholesale	IT, Network & Infrastructure	Elimination	Total Swisscom Switzerland
Telecom services	1,353	279	–	–	–	1,632
Solution business	–	261	–	–	–	261
Merchandise	104	43	–	–	–	147
Wholesale	–	–	138	–	–	138
Other revenue	40	3	–	6	–	49
Net revenue from external customers	1,497	586	138	6	–	2,227
Intersegment revenue	20	27	68	36	(132)	19
Net revenue	1,517	613	206	42	(132)	2,246
Direct costs	(308)	(184)	(97)	(3)	152	(440)
Indirect costs ¹	(286)	(230)	(5)	(337)	(20)	(878)
Segment result before depreciation and amortisation	923	199	104	(298)	–	928
Depreciation, amortisation and impairment losses	(32)	(19)	–	(316)	–	(367)
Segment result	891	180	104	(614)	–	561
Capital expenditure in property, plant and equipment and intangible assets	(45)	(20)	–	(292)	–	(357)

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

3 Operating costs

Direct costs

In CHF million	1.1.–31.3.2018	1.1.–31.3.2017
Customer premises equipment and merchandise	306	263
Services purchased	112	107
Costs of obtaining a contract	87	65
Costs to fulfill a contract	13	–
Traffic fees of foreign subsidiaries	114	90
International traffic fees	47	53
National traffic fees	25	28
Total direct costs	704	606

Indirect costs

In CHF million	1.1.–31.3.2018	1.1.–31.3.2017
Salary and social security expenses	713	737
Other personnel expense	10	16
Total personnel expense	723	753
Information technology cost	67	69
Maintenance expense	70	60
Rental expense	52	50
Energy costs	28	27
Advertising and selling expenses	40	54
Consultancy expenses and freelance workforce	43	38
Administration expense	27	28
Allowances for receivables	20	20
Miscellaneous operating expenses	156	144
Total other operating expense	503	490
Capitalised self-constructed assets	(83)	(80)
Gain on sale of property, plant and equipment	(1)	(1)
Miscellaneous income	(19)	(10)
Total capitalised self-constructed assets and other income	(103)	(91)
Total indirect costs	1,123	1,152

Capitalised costs of self-constructed assets include personnel costs for the production of technical installations, the construction of network infrastructures and the development of software for internal use.

4 Dividends

On 4 April 2018, the Annual General Meeting of Swisscom Ltd approved the payment of a gross dividend of CHF 22 per share. A total dividend amount of CHF 1,140 million was paid out on 10 April 2018.

5 Financial instruments and net debt

Swisscom aims to have a net debt of around 1.9 times EBITDA (earnings before interest, taxes, depreciation and amortisation). Exceeding this limit temporarily is permitted. As at 31 December 2017, the net debt/EBITDA ratio was 1.7. Net debt comprises financial liabilities less cash and cash equivalents, current financial assets and non-current certificates of deposit, and derivative financial instruments for financing received.

Below is a breakdown of financial liabilities and net debt in the first three months of 2018 as well as the fair values of financial assets and liabilities:

In CHF million	Carrying amount 31.12.2017	Issuance	Repayment	Other changes ^a	Carrying amount 31.03.2018	Fair Value ^b
Bank loans	760	–	(35)	(4)	721	745 ²
Debenture bonds	6,137	150	–	40	6,327	6,562 ¹
Private placements	493	–	–	1	494	503 ²
Finance lease liabilities	461	–	(5)	3	459	872 ²
Derivative financial instruments	60	–	–	(6)	54	51 ²
Other financial liabilities	375	–	(2)	4	377	366 ²
Total financial liabilities	8,286	150	(42)	38	8,432	9,099
Cash and cash equivalents	(525)				(819)	(819) ²
Other financial assets	(314)				(319) ^c	(332) ²
Net debt	7,447				7,294	

^a Interest expense, interest payments as well as other changes.

^b Fair value hierarchy.

^c Not included are other financial assets with a carrying amount of CHF 103 million, trade receivables and payables as well as other receivables and liabilities whose carrying amount corresponds to a reasonable estimation of their fair value.

In the first quarter of 2018, Swisscom issued a debenture bond for CHF 150 million. It has a coupon of 1.0% and matures in 2035. In addition, in April 2018 Swisscom issued a debenture bond for EUR 500 million. It has a coupon of 1.125% and matures in 2026. The funds received were applied to repay existing debt. The debenture bond in EUR was designated for hedge accounting of net investments in foreign operations.

6 Financial result

In CHF million	1.1.–31.3.2018	1.1.–31.3.2017
Interest income on financial assets	2	4
Change in fair value of interest rate swaps	8	–
Capitalised borrowing costs	1	1
Other financial income	6	–
Total financial income	17	5
Interest expense on financial liabilities	(37)	(40)
Interest expense on defined benefit obligations	(2)	(3)
Foreign exchange losses	(3)	(4)
Present-value adjustments on provisions	(2)	(1)
Change in fair value of interest rate swaps	–	(1)
Other financial expense	(14)	(5)
Total financial expense	(58)	(54)
Financial income and financial expense, net	(41)	(49)
Net interest expense	(35)	(36)

7 Operating net working capital

Operating assets and liabilities changed as follows in the first three months of 2018:

In CHF million	31.12.2017	Application IFRS 9 & IFRS 15	Operational changes	Other changes ¹	31.03.2018
Trade receivables	2,389	(30)	(84)	(2)	2,273
Other operating assets	729	431	211	7	1,378
Trade payables	(1,753)	–	106	23	(1,624)
Other operating liabilities	(1,165)	(39)	(40)	–	(1,244)
Total operating assets and liabilities, net	200	362	193	28	783

¹ Foreign currency translation and adjustments from acquisition and sale of subsidiaries.

Other operating assets

In CHF million	31.03.2018	01.01.2018 ¹
Contract assets	304	286
Contract costs	279	272
Other receivables	40	37
Inventories	166	168
Other non-financial assets	589	397
Total other operating assets	1,378	1,160

¹ Including cumulative effect of initially applying IFRS 9 and IFRS 15.

Other operating liabilities

In CHF million	31.03.2018	01.01.2018 ¹
Contract liabilities	675	690
Other payables	321	292
Other non-financial liabilities	248	222
Total other operating liabilities	1,244	1,204

¹ Including cumulative effect of initially applying IFRS 9 and IFRS 15.

8 Provisions and contingent liabilities

In CHF million	Dismantlement and restoration costs	Regulatory and competition law proceedings	Termination benefits	Other	Total
Balance at 31 December 2017	600	156	112	209	1,077
Additions of provisions	1	1	–	5	7
Present-value adjustments	(20)	–	–	–	(20)
Release of unused provisions	(3)	–	–	(8)	(11)
Use of provisions	–	–	(7)	(10)	(17)
Balance at 31 March 2018	578	157	105	196	1,036
Thereof current provisions	–	2	101	73	176
Thereof non-current provisions	578	155	4	123	860

The provisions recognised in the consolidated financial statements 2017 have not changed materially during the current financial year.

Contingent liabilities for antitrust proceedings

With regard to the contingent liabilities reported in the 2017 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 31 March 2018.

Further information

Share information

Swisscom share performance indicators

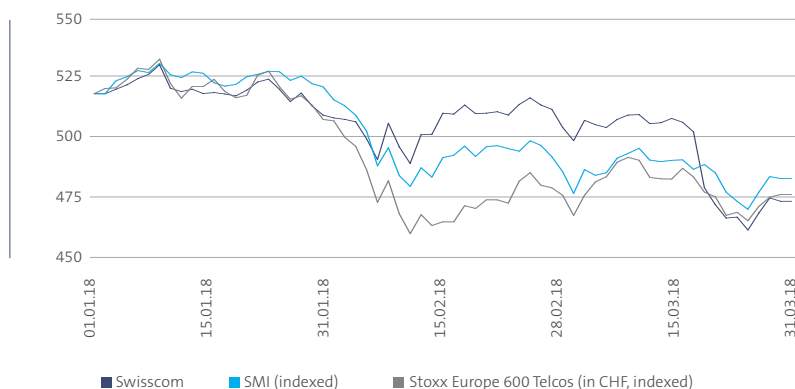
31.12.2017–31.3.2018	SIX Swiss Exchange
Closing price at 31 December 2017 in CHF ¹	518.50
Closing price at 31 March 2018 in CHF ¹	473.60
Year high in CHF ¹	530.60
Year low in CHF ¹	460.50
Total volume of traded shares	10,522,278
Total turnover in CHF million	5,292.42
Daily average of traded shares	169,714
Daily average in CHF million	85.36

Source: Bloomberg

¹ paid prices

Share performance

Share performance since 1 January 2018 in CHF



Financial calendar

- > 16 August 2018 2018 Second-Quarter Results
- > 1 November 2018 2018 Third-Quarter Results
- > 7 February 2019 2018 Annual Results and Annual Report

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 2017 and 2018

In CHF million, except where indicated	1. quarter	2. quarter	3. quarter	4. quarter	2017	1. quarter	2. quarter	3. quarter	4. quarter	2018
Income statement										
Net revenue	2,831	2,859	2,914	3,058	11,662	2,885				2,885
Direct costs	(606)	(599)	(677)	(784)	(2,666)	(704)				(704)
Personnel expense	(753)	(738)	(695)	(816)	(3,002)	(723)				(723)
Other operating expense	(490)	(525)	(534)	(658)	(2,207)	(503)				(503)
Capitalised self-constructed assets and other income	91	190	86	141	508	103				103
Operating income (EBITDA)	1,073	1,187	1,094	941	4,295	1,058				1,058
Depreciation and amortisation	(523)	(534)	(531)	(576)	(2,164)	(540)				(540)
Operating income (EBIT)	550	653	563	365	2,131	518				518
Net interest expense	(36)	(38)	(35)	(40)	(149)	(35)				(35)
Other financial result	(13)	(11)	15	(2)	(11)	(6)				(6)
Result of associates	(1)	(2)	(3)	(5)	(11)	(2)				(2)
Income before income taxes	500	602	540	318	1,960	475				475
Income tax expense	(127)	(136)	(110)	(19)	(392)	(96)				(96)
Net income	373	466	430	299	1,568	379				379
Attributable to equity holders of Swisscom Ltd	373	467	430	300	1,570	381				381
Share attributable to non-controlling interests	–	(1)	–	(1)	(2)	(2)				(2)
Earnings per share (in CHF)	7.20	9.02	8.30	5.98	30.31	7.36				7.36
Net revenue										
Swisscom Switzerland	2,246	2,241	2,250	2,321	9,058	2,206				2,206
Fastweb	484	511	556	613	2,164	574				574
Other Operating segments	187	210	215	238	850	197				197
Group Headquarters	–	1	1	(1)	1	–				–
Intersegment elimination	(86)	(104)	(108)	(113)	(411)	(92)				(92)
Total net revenue	2,831	2,859	2,914	3,058	11,662	2,885				2,885
Segment result before depreciation and amortisation (EBITDA)										
Swisscom Switzerland	928	924	909	739	3,500	892				892
Fastweb	155	279	194	217	845	167				167
Other Operating segments	40	40	49	51	180	39				39
Group Headquarters	(26)	(21)	(24)	(40)	(111)	(22)				(22)
Reconciliation to pension cost	(20)	(27)	(28)	(17)	(92)	(15)				(15)
Intersegment elimination	(4)	(8)	(6)	(9)	(27)	(3)				(3)
Total segment result (EBITDA)	1,073	1,187	1,094	941	4,295	1,058				1,058
Capital expenditure in property, plant and equipment and intangible assets										
Swisscom Switzerland	357	362	364	571	1,654	311				311
Fastweb	165	161	158	208	692	185				185
Other Operating segments	11	13	15	19	58	8				8
Intersegment elimination	(4)	(8)	(7)	(7)	(26)	(3)				(3)
Total capital expenditure	529	528	530	791	2,378	501				501
Full-time equivalent employees at end of period										
Swisscom Switzerland	15,719	15,420	15,307	15,157	15,157	15,031				15,031
Fastweb	2,503	2,494	2,509	2,504	2,504	2,510				2,510
Other Operating segments	2,575	2,585	2,617	2,580	2,580	2,523				2,523
Group Headquarters	282	276	271	265	265	262				262
Total full-time equivalent employees	21,079	20,775	20,704	20,506	20,506	20,326				20,326
Operating free cash flow	463	549	660	487	2,159	359				359
Net debt	7,689	8,441	7,868	7,447	7,447	7,294				7,294

In CHF million, except where indicated

	1. quarter	2. quarter	3. quarter	4. quarter	2017	1. quarter	2. quarter	3. quarter	4. quarter	2018
Swisscom Switzerland										
Revenue and results										
Retail Customers	673	677	688	664	2,702	655				655
Enterprise Customers	121	122	122	119	484	113				113
Revenue mobile	794	799	810	783	3,186	768				768
Retail Customers	680	667	654	661	2,662	643				643
Enterprise Customers	142	140	136	137	555	131				131
Revenue fixed-line	822	807	790	798	3,217	774				774
Other revenue Enterprise Customers	16	15	15	15	61	16				16
Total revenue telecoms services	1,632	1,621	1,615	1,596	6,464	1,558				1,558
Solution business	261	271	264	288	1,084	268				268
Merchandise	147	145	142	214	648	170				170
Wholesale	138	135	157	148	578	141				141
Other revenue	49	50	49	55	203	49				49
Revenue from external customers	2,227	2,222	2,227	2,301	8,977	2,186				2,186
Retail Customers	1,497	1,481	1,478	1,515	5,971	1,456				1,456
Enterprise Customers	586	599	586	631	2,402	584				584
Wholesale	138	135	157	148	578	141				141
IT, Network & Infrastructure	6	7	6	7	26	5				5
Revenue from external customers	2,227	2,222	2,227	2,301	8,977	2,186				2,186
Segment result before depreciation and amortisation (EBITDA)										
Retail Customers	923	903	863	793	3,482	880				880
Enterprise Customers	199	212	212	199	822	194				194
Wholesale	104	103	123	116	446	109				109
IT, Network & Infrastructure	(298)	(294)	(288)	(370)	(1,250)	(290)				(290)
Intersegment elimination	–	–	(1)	1	–	(1)				(1)
Segment result (EBITDA)	928	924	909	739	3,500	892				892
Margin as % of net revenue	41.3	41.2	40.4	31.8	38.6	40.4				40.4
Fastweb, in EUR million										
Residential Customers	232	238	253	263	986	257				257
Corporate Business	168	173	177	192	710	180				180
Wholesale	51	57	58	74	240	53				53
Revenue from external customers	451	468	488	529	1,936	490				490
Segment result (EBITDA)	145	258	170	186	759	144				144
Margin as % of net revenue	32.0	54.9	34.6	35.1	39.0	29.3				29.3
Capital expenditure in property, plant and equipment and intangible assets	155	147	139	181	622	159				159
Broadband access lines in thousand	2,400	2,411	2,421	2,451	2,451	2,483				2,483
Mobile access lines in thousand	763	880	989	1,065	1,065	1,185				1,185

	1. quarter	2. quarter	3. quarter	4. quarter	2017	1. quarter	2. quarter	3. quarter	4. quarter	2018
Swisscom Switzerland										
Operational data in thousand										
Access lines										
Retail Customers	2,063	1,982	1,911	1,840	1,840	1,779				1,779
Enterprise Customers	234	226	217	207	207	198				198
Fixed telephony access lines	2,297	2,208	2,128	2,047	2,047	1,977				1,977
Retail Customers	1,950	1,951	1,962	1,976	1,976	1,988				1,988
Enterprise Customers	38	38	38	38	38	37				37
Broadband access lines retail	1,988	1,989	2,000	2,014	2,014	2,025				2,025
Retail Customers	1,438	1,447	1,453	1,467	1,467	1,492				1,492
Swisscom TV access lines	1,438	1,447	1,453	1,467	1,467	1,492				1,492
Postpaid Retail Customers	3,306	3,315	3,334	3,375	3,375	3,381				3,381
Postpaid Enterprise Customers	1,256	1,260	1,268	1,267	1,267	1,265				1,265
Postpaid mobile access lines	4,562	4,575	4,602	4,642	4,642	4,646				4,646
Prepaid Retail Customers	2,039	2,018	1,980	1,995	1,995	1,986				1,986
Mobile access lines	6,601	6,593	6,582	6,637	6,637	6,632				6,632
RGU Retail Customers	10,796	10,713	10,640	10,653	10,653	10,626				10,626
RGU Enterprise Customers	1,528	1,524	1,523	1,512	1,512	1,500				1,500
Revenue generating units (RGU)	12,324	12,237	12,163	12,165	12,165	12,126				12,126
Broadband access lines wholesale	385	402	419	435	435	449				449
Unbundled fixed access lines	120	116	114	107	107	100				100
Swisscom Group										
Information by geographical regions in CHF million										
Net revenue in Switzerland	2,343	2,343	2,352	2,438	9,476	2,308				2,308
Net revenue in other countries	488	516	562	620	2,186	577				577
Total net revenue	2,831	2,859	2,914	3,058	11,662	2,885				2,885
EBITDA in Switzerland	917	905	898	731	3,451	889				889
EBITDA in other countries	156	282	196	210	844	169				169
Total EBITDA	1,073	1,187	1,094	941	4,295	1,058				1,058
Capital expenditure in Switzerland	362	366	369	581	1,678	315				315
Capital expenditure in other countries	167	162	161	210	700	186				186
Total capital expenditure	529	528	530	791	2,378	501				501
Full-time equivalent employees in Switzerland	18,280	18,754	18,551	17,688	17,688	17,611				17,611
Full-time equivalent employees in other countries	2,799	2,021	2,153	2,818	2,818	2,715				2,715
Total full-time equivalent employees	21,079	20,775	20,704	20,506	20,506	20,326				20,326

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.

Readers are cautioned not to put undue reliance on forward-looking statements, which speak only of the date of this communication.

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