

2021

Interim Report
January–June



swisscom

KPIs

In CHF million, except where indicated	30.06.2021	30.06.2020	Change	
Net revenue and results ¹				
Net revenue	5,583	5,443	2.6%	
Operating income before depreciation and amortisation (EBITDA)	2,317	2,208	4.9%	
EBITDA as % of net revenue	41.5	40.6		
EBITDA after lease expense (EBITDA AL)	2,166	2,058	5.2%	
Operating income (EBIT)	1,089	983	10.8%	
Net income	1,046	736	42.1%	
Earnings per share	20.17	14.25	41.5%	
Balance sheet and cash flows ¹				
Equity	10,060	8,238	22.1%	
Equity ratio	40.9	34.3		
Operating free cash flow proxy	1,083	983	10.2%	
Capital expenditure	1,083	1,075	0.7%	
Net debt	6,626	7,171	-7.6%	
Operational data				
Fixed telephony access lines in Switzerland	in thousand	1,471	1,564	-5.9%
Broadband access lines retail in Switzerland	in thousand	2,027	2,048	-1.0%
TV access lines in Switzerland	in thousand	1,582	1,584	-0.1%
Mobile access lines in Switzerland	in thousand	6,169	6,264	-1.5%
Revenue generating units (RGU) Switzerland	in thousand	11,249	11,460	-1.8%
Broadband access lines wholesale in Switzerland	in thousand	581	533	9.0%
Broadband access lines in Italy	in thousand	2,774	2,692	3.0%
Mobile access lines in Italy	in thousand	2,188	1,830	19.6%
Swisscom share				
Number of issued shares	in thousand	51,802	51,802	-%
Market capitalisation		27,445	25,689	6.8%
Closing price	CHF	529.80	495.90	6.8%
Employees				
Full-time equivalent employees at end of year	number	19,110	18,984	0.7%
Average number of full-time equivalent employees	number	19,087	19,112	-0.1%

¹ Swisscom uses various alternative performance measures. The definitions and the reconciliation to the values in accordance with IFRS are set out in the interim report on pages 25 and 26.

Financial review

Summary

Swisscom's net revenue was up by 2.6% or CHF 140 million at CHF 5,583 million, while operating income before depreciation and amortisation (EBITDA) increased by 4.9% or CHF 109 million to CHF 2,317 million. Adjustments to pension liabilities and provisions as well as currency fluctuations affected revenue and EBITDA. On a like-for-like basis and at constant exchange rates, revenue increased by 2.0% and EBITDA by 2.7%. The consolidated net income of CHF 1,046 million is significantly higher than the previous year (+42.1% or CHF 310 million) primarily due to non-recurring items in EBITDA and in the financial result. This is mainly attributable to a shareholding that Fastweb transferred as a capital contribution to the newly-founded fibre optic network company FiberCop as part of the strategic partnership with TIM. In the first quarter of 2021, this resulted in an upward revaluation recognised in the income statement of CHF 169 million. In addition, the sale of the stake in Belgacom International Carrier Services resulted in a gain of CHF 38 million. EBITDA for the second quarter of 2021 also includes one-off income of CHF 60 million from the adjustment of pension liabilities and the additions to provisions for legal proceedings of CHF 22 million.

In the Swiss core business activity, net revenue increased by 0.5% or CHF 19 million to CHF 4,103 million. The increase was due to growth in sales of smartphones and an increase in solutions business with business customers. However, ongoing competitive and price pressure continued to cause a decline in revenue of 3.1% or CHF 89 million in telecom services. EBITDA in the Swiss core business activity increased by 0.9% or CHF 16 million to CHF 1,797 million. On a like-for-like basis, the increase is 2.1%. The decline in revenue from telecom services and the higher costs of subscriber acquisition and retention were offset thanks to ongoing efficiency improvements. Revenue at Italian subsidiary Fastweb increased by 6.9% or EUR 76 million to EUR 1,181 million, with all customer segments reporting revenue growth. In the broadband business, Fastweb's customer base grew by 3.0% to 2.8 million over the course of the year, and in mobile communications by 19.6% to 2.2 million. EBITDA at Fastweb rose in local currency by 5.2% or EUR 19 million to EUR 384 million, as a result of the growth in revenue.

Swisscom's capital expenditure increased by 0.7% or CHF 8 million to CHF 1,083 million. Capital expenditure in the Swiss core business activity declined by 3.0% or CHF 23 million to CHF 753 million. Capital expenditure in broadband and mobile communications networks increased, while capital expenditure in other infrastructure declined. Fastweb posted an increase in capital expenditure, up 9.1% or EUR 25 million to EUR 301 million, as a result of higher customer-driven investments and higher capital expenditure in network infrastructure.

The operating free cash flow proxy increased by 10.2% or CHF 100 million to CHF 1,083 million, which was attributable to a better operating income before depreciation and amortisation (EBITDA). Net debt fell by 7.6% or CHF 545 million compared to the end of June 2020 and stood at CHF 6,626 million. The number of employees at Swisscom increased by 0.7% or 126 FTEs to 19,110 FTEs. In Switzerland, headcount decreased by 1.0% or 155 FTEs to 15,964 FTEs.

The financial outlook for fiscal 2021 remains unchanged in terms of net revenue and capital expenditure. Swisscom expects net revenue of around CHF 11.3 billion and capital expenditure of CHF 2.2 billion to CHF 2.3 billion. For EBITDA, the forecast is increased from between CHF 4.3 billion and 4.4 billion to CHF 4.4 billion and CHF 4.5 billion and takes into account the ongoing business performance as well as the non-recurring items on pension liabilities and on provisions recognised in the second quarter of 2021. If business develops as planned, Swisscom will propose to the 2022 Annual General Meeting that the dividend for the 2021 financial year remain unchanged at CHF 22 per share.

Segment results

In CHF million	2. quarter 2021	2. quarter 2020	Change	1 st half-year 2021	1 st half-year 2020	Change
Net revenue						
Residential Customers	1,124	1,101	2.1%	2,273	2,238	1.6%
Business Customers	759	778	-2.4%	1,537	1,557	-1.3%
Wholesale ¹	230	224	2.7%	473	449	5.3%
Infrastructure & Support Functions	20	21	-4.8%	39	42	-7.1%
Intersegment elimination	(110)	(105)	4.8%	(219)	(202)	8.4%
Swisscom Switzerland	2,023	2,019	0.2%	4,103	4,084	0.5%
Fastweb	659	599	10.0%	1,293	1,179	9.7%
Other Operating Segments	265	246	7.7%	505	487	3.7%
Intersegment elimination	(167)	(158)	5.7%	(318)	(307)	3.6%
Revenue from external customers	2,780	2,706	2.7%	5,583	5,443	2.6%
Operating income before depreciation and amortisation (EBITDA)						
Residential Customers	706	683	3.4%	1,405	1,386	1.4%
Business Customers	327	339	-3.5%	665	676	-1.6%
Wholesale	124	125	-0.8%	262	257	1.9%
Infrastructure & Support Functions	(276)	(277)	-0.4%	(535)	(539)	-0.7%
Intersegment elimination	–	2	-100.0%	–	1	-100.0%
Swisscom Switzerland	881	872	1.0%	1,797	1,781	0.9%
Fastweb	225	208	8.2%	420	389	8.0%
Other Operating Segments	49	40	22.5%	83	82	1.2%
Reconciliation pension cost ²	49	(16)		36	(31)	
Intersegment elimination	(11)	(7)	57.1%	(19)	(13)	46.2%
Operating income before depreciation and amortisation (EBITDA)	1,193	1,097	8.8%	2,317	2,208	4.9%

1 Including intersegment recharges of services performed by other network providers.

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.

As of 1 January 2021, Swisscom amended its organisational structure in Switzerland and the segment formerly known as IT, Network & Infrastructure was renamed Infrastructure & Support Functions. The departments with overlapping functions were merged organisationally at Swisscom Switzerland. As a result, Group Headquarters is no longer reported separately in the segment reporting. In addition, Swisscom has transferred various areas among the segments of Swisscom Switzerland and the Other Operating Segments as of 1 January 2021. The prior year's figures were restated accordingly. Further information can be found in Note 2 in the notes to the consolidated interim financial statements.

Reporting is divided into the segments Residential Customers, Business Customers, Wholesale, and Infrastructure & Support Functions, which are grouped under Swisscom Switzerland, as well as Fastweb and Other Operating Segments. The Infrastructure & Support Functions segment does not charge network costs or management fees to other segments. Any other services between the segments are charged at market prices. The results of the Residential Customers, Business Customers and Wholesale segments thus correspond to a contribution margin before network costs.

Swisscom Switzerland

In CHF million, except where indicated	2. quarter 2021	2. quarter 2020	Change	1 st half-year 2021	1 st half-year 2020	Change
Net revenue and results						
Telecom services	1,371	1,409	-2.7%	2,759	2,848	-3.1%
Solutions business	274	260	5.4%	547	527	3.8%
Merchandise	174	175	-0.6%	386	350	10.3%
Wholesale	159	158	0.6%	332	322	3.1%
Revenue other	33	1		54	6	800.0%
Revenue from external customers	2,011	2,003	0.4%	4,078	4,053	0.6%
Intersegment revenue	12	16	-25.0%	25	31	-19.4%
Net revenue	2,023	2,019	0.2%	4,103	4,084	0.5%
Direct costs	(420)	(407)	3.2%	(867)	(819)	5.9%
Indirect costs	(722)	(740)	-2.4%	(1,439)	(1,484)	-3.0%
Segment expenses	(1,142)	(1,147)	-0.4%	(2,306)	(2,303)	0.1%
Segment result before depreciation and amortisation (EBITDA)	881	872	1.0%	1,797	1,781	0.9%
Margin as % of net revenue	43.5	43.2		43.8	43.6	
Lease expense	(59)	(58)	1.7%	(117)	(117)	-%
Depreciation and amortisation	(383)	(389)	-1.5%	(757)	(766)	-1.2%
Segment result	439	425	3.3%	923	898	2.8%
Operating free cash flow proxy						
Segment result before depreciation and amortisation (EBITDA)	881	872	1.0%	1,797	1,781	0.9%
Lease expense	(59)	(58)	1.7%	(117)	(117)	-%
EBITDA after lease expense (EBITDA AL)	822	814	1.0%	1,680	1,664	1.0%
Capital expenditure	(382)	(409)	-6.6%	(753)	(776)	-3.0%
Operating free cash flow proxy	440	405	8.6%	927	888	4.4%
Operational data in thousand and headcount						
Fixed telephony access lines				1,471	1,564	-5.9%
Broadband access lines retail				2,027	2,048	-1.0%
TV access lines				1,582	1,584	-0.1%
Mobile access lines				6,169	6,264	-1.5%
Revenue generating units (RGU)				11,249	11,460	-1.8%
Broadband access lines wholesale				581	533	9.0%
Full-time equivalent employees				12,867	12,857	0.1%

Swisscom Switzerland's net revenue increased by 0.5% or CHF 19 million to CHF 4,103 million. The increase resulted primarily from higher sales of smartphones and growth in the solutions business with business customers. However, ongoing competitive and price pressure continued to cause a decline in revenue from telecom services. This decreased by 3.1% or CHF 89 million to CHF 2,759 million. Of this decline, CHF 51 million (-2.6%) was attributable to the Residential Customers segment and CHF 38 million (-4.4%) to the Business Customers segment. On the other hand, sales from the solutions business rose by 3.8% or CHF 20 million to CHF 547 million. The increase in sales of merchandise by 10.3% or CHF 36 million to CHF 386 million is attributable to the rise in sales of smartphones. The market is showing signs of saturation and competitive pressure in the area of mobile communications and fixed-network services. The subscriber base in mobile communications declined by 1.5% or 95,000 year-on-year to 6.17 million. The number of postpaid lines increased by 89,000 year-on-year, while the number of prepaid lines decreased by 184,000. The number of broadband connections fell by 1.0% or 21,000 to 2.03 million within the space of a year. However, the number of inOne customers continues to increase. At the end of June 2021, the Residential Customers segment recorded 2.48 million inOne customers. In this segment, inOne accounts for 68% of postpaid mobile lines and 80% of broadband connections. The number of TV connections remained stable at 1.58 million (-0.1%). The number of fixed telephony access lines fell year-on-year by 5.9% or 93,000 to 1.47 million.

Segment expense remained more or less unchanged at CHF 2,306 million (+0.1%). Direct costs increased by 5.9% or CHF 48 million to CHF 867 million. In addition to higher costs for merchandise, costs for acquiring and retaining customers also rose. Indirect costs decreased by 3.0% or CHF 45 million to CHF 1,439 million. In the first half of 2021, indirect costs are impacted by a CHF 22 million increase in provisions for litigation. On a like-for-like basis, indirect costs fell by 4.5% or CHF 67 million. This was chiefly due to ongoing efficiency improvements. In addition, capitalised costs increased due to a higher share of self-constructed assets in capital expenditure. Headcount remained more or less stable at 12,867 full-time equivalents (+0.1%). The increase due to the acquisitions of Webtiser and JLS Digital was offset by the reduction resulting from efficiency measures. The segment result before depreciation and amortisation increased by 0.9% or CHF 16 million to CHF 1,797 million, or by 2.1% on a like-for-like basis. The decline in revenue from telecom services and the higher costs of subscriber acquisition and retention were offset thanks to ongoing efficiency improvements. Capital expenditure fell slightly by 3.0% or CHF 23 million to CHF 753 million. Capital expenditure in the expansion of broadband networks and mobile communications networks increased, while capital expenditure in other infrastructure declined. As at the end of June 2021, 86% of all Swiss homes and offices were connected with ultra-fast broadband exceeding 80 Mbps. 68% of all homes and offices benefited from fast connections at over 200 Mbps. Swisscom intends to make ultra-fast broadband available in every Swiss municipality by the end of 2021, even in remote locations. Swisscom also plans to increase fibre-optic coverage with FTTH to up to 60% by the end of 2025.

Fastweb

In EUR million, except where indicated	2. quarter 2021	2. quarter 2020	Change	1 st half-year 2021	1 st half-year 2020	Change
Net revenue and results						
Residential customers	288	282	2.1%	574	562	2.1%
Corporate customers	244	224	8.9%	481	435	10.6%
Wholesale	66	55	20.0%	122	105	16.2%
Revenue from external customers	598	561	6.6%	1,177	1,102	6.8%
Intersegment revenue	2	1	100.0%	4	3	33.3%
Net revenue	600	562	6.8%	1,181	1,105	6.9%
Segment expenses	(395)	(367)	7.6%	(797)	(740)	7.7%
Segment result before depreciation and amortisation (EBITDA)	205	195	5.1%	384	365	5.2%
Margin as % of net revenue	34.2	34.7		32.5	33.0	
Lease expense	(13)	(13)	–%	(27)	(26)	3.8%
Depreciation and amortisation	(147)	(142)	3.5%	(293)	(286)	2.4%
Segment result	45	40	12.5%	64	53	20.8%
Operating free cash flow proxy						
Segment result before depreciation and amortisation (EBITDA)	205	195	5.1%	384	365	5.2%
Lease expense	(13)	(13)	–%	(27)	(26)	3.8%
EBITDA after lease expense (EBITDA AL)	192	182	5.5%	357	339	5.3%
Capital expenditure	(147)	(138)	6.5%	(301)	(276)	9.1%
Operating free cash flow proxy	45	44	2.3%	56	63	–11.1%
Operational data in thousand and headcount						
Broadband access lines				2,774	2,692	3.0%
Mobile access lines				2,188	1,830	19.6%
Full-time equivalent employees				2,750	2,605	5.6%

Fastweb's net revenue rose year-on-year by 6.9% or EUR 76 million to EUR 1,181 million. Despite persistently challenging market conditions, Fastweb's broadband customer base grew by 3.0% or 82,000 year-on-year to 2.77 million. Fastweb is also growing in the fiercely competitive mobile telephony market. The number of mobile access lines increased by 19.6% or 358,000 year-on-year to 2.19 million. Bundled offers continue to play an important role. 36% of subscribers use a bundled offering combining fixed network and mobile. Residential customer revenue rose by 2.1% or EUR 12 million to EUR 574 million as a result of customer growth. Fastweb is also growing in the business customer market. Revenue from business customers was up by 10.6% or EUR 46 million

to EUR 481 million driven by higher revenue from public administrations. Revenue from wholesale business increased by 16.2% or EUR 17 million to EUR 122 million.

The segment result before depreciation and amortisation was 5.2% or EUR 19 million higher at EUR 384 million on the back of the growth in revenue. Capital expenditure increased by 9.1% or EUR 25 million year-on-year to EUR 301 million due to higher customer-driven investments and increased investments in network infrastructure. Fastweb's headcount increased by 5.6% or 145 FTEs year-on-year to 2,750 FTEs, mainly as a result of acquisitions and the hiring of external staff.

Other Operating Segments

In CHF million, except where indicated	2. quarter 2021	2. quarter 2020	Change	1 st half-year 2021	1 st half-year 2020	Change
Net revenue and results						
Revenue from external customers	112	106	5.7%	216	215	0.5%
Intersegment revenue	153	140	9.3%	289	272	6.3%
Net revenue	265	246	7.7%	505	487	3.7%
Segment expenses	(216)	(206)	4.9%	(422)	(405)	4.2%
Segment result before depreciation and amortisation (EBITDA)	49	40	22.5%	83	82	1.2%
Margin as % of net revenue	18.5	16.3		16.4	16.8	
Lease expense	(3)	(3)	–%	(6)	(6)	–%
Depreciation and amortisation	(14)	(15)	–6.7%	(27)	(30)	–10.0%
Segment result	32	22	45.5%	50	46	8.7%
Operating free cash flow proxy						
Segment result before depreciation and amortisation (EBITDA)	49	40	22.5%	83	82	1.2%
Lease expense	(3)	(3)	–%	(6)	(6)	–%
EBITDA after lease expense (EBITDA AL)	46	37	24.3%	77	76	1.3%
Capital expenditure	(10)	(11)	–9.1%	(19)	(18)	5.6%
Operating free cash flow proxy	36	26	38.5%	58	58	–%
Headcount						
Full-time equivalent employees				3,493	3,522	–0.8%

The net revenue of the Other Operating Segments rose year-on-year by 3.7% or CHF 18 million to CHF 505 million. This was due to higher sales from construction services provided by cablex. The segment result before depreciation and amortisation remained almost stable at CHF 83 million (+1.2%). The profit margin declined slightly to 16.4% (prior year: 16.8%). Headcount declined by 0.8% or 29 FTEs to 3,493 FTEs.

Depreciation and amortisation, non-operating results

In CHF million, except where indicated	2. quarter 2021	2. quarter 2020	Change	1 st half-year 2021	1 st half-year 2020	Change
Operating income before depreciation and amortisation (EBITDA)	1,193	1,097	8.8%	2,317	2,208	4.9%
Depreciation and amortisation of property, plant and equipment and intangible assets	(549)	(541)	1.5%	(1,087)	(1,078)	0.8%
Depreciation of right-of-use assets	(71)	(77)	-7.8%	(141)	(147)	-4.1%
Operating income (EBIT)	573	479	19.6%	1,089	983	10.8%
Net interest expense on financial assets and liabilities	(16)	(18)	-11.1%	(33)	(30)	10.0%
Interest expense on lease liabilities	(11)	(11)	-%	(22)	(22)	-%
Other financial result	(35)	(38)	-7.9%	217	(52)	
Result of equity-accounted investees	(4)	2		(4)	3	
Income before income taxes	507	414	22.5%	1,247	882	41.4%
Income tax expense	(99)	(72)	37.5%	(201)	(146)	37.7%
Net income	408	342	19.3%	1,046	736	42.1%
Attributable to equity holders of Swisscom Ltd	407	343	18.7%	1,045	738	41.6%
Attributable to non-controlling interests	1	(1)		1	(2)	
Earnings per share (in CHF)	7.86	6.62	18.7%	20.17	14.25	41.5%

Net income increased by 42.1% or CHF 310 million to CHF 1,046 million, mainly as a result of non-recurring items in EBITDA and the financial result. EBITDA for the second quarter of 2021 includes one-off income from the adjustment of pension liabilities in the amount of CHF 60 million as well as the additions to provisions for litigation in the amount of CHF 22 million. The non-recurring items in the financial result originate from the first quarter of 2021. As part of its strategic partnership with TIM, Fastweb transferred its stake in FlashFiber as a capital contribution to the newly established fibre-optic company FiberCop. This resulted in an upward revaluation of the participation recognised in the income statement of CHF 169 million. In addition, Swisscom realised a gain of CHF 38 million on the sale of its investment in Belgacom International Carrier Services. Income tax expense stood at CHF 201 million (previous year CHF 146 million), which corresponds to an effective income tax rate of 16.1% (previous year 16.6%). Swisscom anticipates a future effective consolidated tax rate of about 19%.

Cash flows

In CHF million	1 st half-year 2021	1 st half-year 2020	Change
Operating income before depreciation and amortisation (EBITDA)	2,317	2,208	109
Lease expense	(151)	(150)	(1)
EBITDA after lease expense (EBITDA AL)	2,166	2,058	108
Capital expenditure	(1,083)	(1,075)	(8)
Operating free cash flow proxy	1,083	983	100
Change in net working capital	(131)	(87)	(44)
Change in net defined benefit liabilities	(36)	29	(65)
Net interest payments on financial assets and liabilities	(16)	(11)	(5)
Income taxes paid	(229)	(156)	(73)
Other operating cash flow	(25)	3	(28)
Free cash flow	646	761	(115)
Net proceeds (net expenditures) for company acquisitions and disposals	108	(25)	133
Other cash flows from investing activities, net	(11)	(47)	36
Dividends paid to equity holders of Swisscom Ltd	(1,140)	(1,140)	-
Other changes	(11)	38	(49)
Decrease in net debt	(408)	(413)	5

The operating free cash flow proxy increased by 10.2% or CHF 100 million to CHF 1,083 million due to the higher operating income before depreciation and amortisation (EBITDA). Free cash flow decreased by 15.1% or CHF 115 million to CHF 646 million compared to the prior year. The decrease is mainly due to higher income taxes paid, which increased by CHF 73 million to CHF 229 million compared to the previous year. Tax payments were deferred in the first half of 2020. The change in the net defined benefit liabilities includes a one-off adjustment of CHF 60 million as a result of a plan amendment in the first half of 2021 with an offsetting impact on EBITDA. In the first half of 2021, net cash inflows from acquisitions and disposals included the net proceeds of CHF 126 million from the sale of the participation in Belgacom International Carrier Services. In the second quarter of 2021, an unchanged dividend per share of CHF 22 was paid, representing a total dividend payment of CHF 1,140 million.

Net asset position

In CHF million, except where indicated	30.06.2021	31.12.2020	Change
Property, plant and equipment	10,748	10,725	0.2%
Intangible assets	1,727	1,745	-1.0%
Goodwill	5,171	5,162	0.2%
Right-of-use assets	2,105	2,138	-1.5%
Trade receivables	2,426	2,132	13.8%
Trade payables	(1,519)	(1,525)	-0.4%
Provisions	(1,198)	(1,216)	-1.5%
Deferred gain on sale and leaseback of real estate	(98)	(106)	-7.5%
Other operating assets and liabilities, net	(427)	(240)	77.9%
Net operating assets	18,935	18,815	0.6%
Net debt	(6,626)	(6,218)	6.6%
Lease liabilities	(1,942)	(1,988)	-2.3%
Net defined benefit liabilities	(11)	(795)	-98.6%
Income tax assets and liabilities, net	(758)	(643)	17.9%
Equity-accounted investees and other non-current financial assets	462	320	44.4%
Equity	10,060	9,491	6.0%
Equity ratio in %	40.9	39.1	

Net operating assets

Net operating assets were virtually unchanged at CHF 18,935 million (+0.6%) compared with year-end 2020. Net defined benefit liabilities decreased by CHF 784 million to CHF 11 million as a result of an adjustment to the pension plan, a positive return on plan assets and a higher discount rate. The increase in equity by 6.0% or CHF 569 million to CHF 10,060 million was attributable to net income of CHF 1,046 million and other comprehensive income of CHF 662 million recognised directly in equity, minus the dividend payment of CHF 1,140 million. Correspondingly, the equity ratio rose from 39.1% to 40.9%.

Net debt

Net debt comprises financial liabilities less cash and cash equivalents, listed debt instruments, derivative financial instruments held for hedging financial liabilities and other current financial assets. Net debt is presented both with and without classification of leases as financial liabilities. For credit rating purposes, rating agencies include lease liabilities in the calculation of net debt.

In CHF million	30.06.2021	31.12.2020
Debenture bonds	6,254	6,110
Bank loans	594	484
Private placements	150	151
Other financial liabilities	260	297
Total financial liabilities	7,258	7,042
Cash and cash equivalents	(240)	(340)
Listed debt instruments	(286)	(271)
Derivative financial instruments for financing	(76)	(79)
Other current financial assets	(30)	(134)
Net debt	6,626	6,218
Lease liabilities	1,942	1,988
Net debt incl. lease liabilities	8,568	8,206

In the previous year, Swisscom became the first listed company in Switzerland to issue a Green Bond in EUR. The first green bond issue in CHF followed in the second quarter of 2021. The nominal amount is CHF 100 million, with a coupon of 0.25% maturing in 2033. In recent years, Swisscom has taken advantage of favourable capital market conditions with a view to optimising the interest and maturity structure of the Group's financial liabilities. As at 30 June 2021, the average interest expense on financial liabilities was 0.93%, the average residual term to maturity was 5.7 years, and the share of the Group's variable interest-bearing financial liabilities was 15%.

Outlook

In CHF million or in CHF billion	2020 reported	2021 outlook previously ¹	2021 outlook adjusted ²
Net revenue			
Swisscom Group	CHF 11,100 mn	~ CHF 11.3 bn	~ CHF 11.3 bn
Swisscom w/o Fastweb			~ CHF 8.6 bn
Fastweb			~ EUR 2.4 bn
Operating income before depreciation and amortisation (EBITDA)			
Swisscom Group	CHF 4,382 mn	CHF 4.3–4.4 bn	CHF 4.4–4.5 bn ³
Swisscom w/o Fastweb			CHF 3.5–3.6 bn
Fastweb			~ EUR 0.8 bn
Capital expenditure			
Swisscom Group	CHF 2,229 mn	CHF 2.2–2.3 bn	CHF 2.2–2.3 bn
Swisscom w/o Fastweb			~ CHF 1.6 bn
Fastweb			~ EUR 0.6 bn

¹ Published on 29 april 2021.

² Exchange rate CHF/EUR 1.10 (2020: CHF/EUR 1.07).

³ 2021 outlook for EBITDA after lease expense CHF 4.1–4.2 bn.

The financial outlook for fiscal 2021 remains unchanged in terms of net revenue and capital expenditure. Swisscom expects net revenue of around CHF 11.3 billion and capital expenditure of CHF 2.2 billion to CHF 2.3 billion. For EBITDA, the forecast is increased from between CHF 4.3 billion and 4.4 billion to CHF 4.4 billion and CHF 4.5 billion and takes into account the ongoing business performance as well as the non-recurring items on pension liabilities and on provisions recognised in the second quarter of 2021. If business develops as planned, Swisscom will propose to the 2022 Annual General Meeting that the dividend for the 2021 financial year remain unchanged at CHF 22 per share.

Consolidated interim financial statements

Consolidated statement of comprehensive income (unaudited)

In CHF million, except for per share amounts		2. quarter 2021	2. quarter 2020	1 st half-year 2021	1 st half-year 2020
	Note				
Income statement					
Net revenue	2	2,780	2,706	5,583	5,443
Direct costs	3	(670)	(624)	(1,350)	(1,250)
Personnel expense	3	(611)	(679)	(1,327)	(1,379)
Other operating expense	3	(444)	(416)	(866)	(823)
Capitalised self-constructed assets and other income	3	138	110	277	217
Operating income before depreciation and amortisation		1,193	1,097	2,317	2,208
Depreciation and amortisation of property, plant and equipment and intangible assets		(549)	(541)	(1,087)	(1,078)
Depreciation of right-of-use assets		(71)	(77)	(141)	(147)
Operating income		573	479	1,089	983
Financial income	6	(6)	3	258	10
Financial expense	6	(56)	(70)	(96)	(114)
Result of equity-accounted investees		(4)	2	(4)	3
Income before income taxes		507	414	1,247	882
Income tax expense		(99)	(72)	(201)	(146)
Net income		408	342	1,046	736
Other comprehensive income					
Actuarial gains and losses from defined benefit pension plans		340	(26)	616	(190)
Change in fair value of equity instruments		(2)	3	–	(4)
Items that will not be reclassified to income statement		338	(23)	616	(194)
Foreign currency translation adjustments of foreign subsidiaries		(14)	8	49	(27)
Change in cash flow hedges		2	(7)	(3)	(10)
Items that are or may be reclassified subsequently to income statement		(12)	1	46	(37)
Other comprehensive income		326	(22)	662	(231)
Comprehensive income					
Net income		408	342	1,046	736
Other comprehensive income		326	(22)	662	(231)
Comprehensive income		734	320	1,708	505
Share of net income and comprehensive income					
Equity holders of Swisscom Ltd		407	343	1,045	738
Non-controlling interests		1	(1)	1	(2)
Net income		408	342	1,046	736
Equity holders of Swisscom Ltd		733	321	1,707	507
Non-controlling interests		1	(1)	1	(2)
Comprehensive income		734	320	1,708	505
Earnings per share					
Basic and diluted earnings per share (in CHF)		7.86	6.62	20.17	14.25

Consolidated balance sheet (unaudited)

In CHF million	Note	30.06.2021	31.12.2020
Assets			
Cash and cash equivalents		240	340
Trade receivables	7	2,426	2,132
Other operating assets	7	1,100	1,029
Other financial assets		71	170
Current income tax assets		14	4
Total current assets		3,851	3,675
Property, plant and equipment		10,748	10,725
Intangible assets		1,727	1,745
Goodwill		5,171	5,162
Right-of-use assets		2,105	2,138
Equity-accounted investees		44	155
Other financial assets		739	479
Net defined benefit assets	9	11	–
Deferred tax assets		174	183
Total non-current assets		20,719	20,587
Total assets		24,570	24,262
Liabilities and equity			
Financial liabilities	5	697	792
Lease liabilities		205	226
Trade payables	7	1,519	1,525
Other operating liabilities	7	1,527	1,269
Provisions	8	112	144
Current income tax liabilities		161	186
Total current liabilities		4,221	4,142
Financial liabilities	5	6,561	6,250
Lease liabilities		1,737	1,762
Net defined benefit liabilities	9	22	795
Provisions	8	1,086	1,072
Deferred gain on sale and leaseback of real estate		98	106
Deferred tax liabilities		785	644
Total non-current liabilities		10,289	10,629
Total liabilities		14,510	14,771
Share capital		52	52
Capital reserves		136	136
Retained earnings		11,607	11,085
Foreign currency translation adjustments		(1,742)	(1,791)
Hedge reserves		5	8
Equity attributable to equity-holders of Swisscom Ltd		10,058	9,490
Non-controlling interests		2	1
Total equity		10,060	9,491
Total liabilities and equity		24,570	24,262

Consolidated statement of cash flows (unaudited)

In CHF million	Note	1 st half-year 2021	1 st half-year 2020
Net income		1,046	736
Income tax expense		201	146
Result of equity-accounted investees		4	(3)
Financial income	6	(258)	(10)
Financial expense	6	96	114
Depreciation and amortisation of property, plant and equipment and intangible assets		1,087	1,078
Depreciation of right-of-use assets		141	147
Gain on sale of property, plant and equipment		(3)	–
Expense for share-based payments		1	1
Revenue from finance leases		(51)	(27)
Change in deferred gain from the sale and leaseback of real estate		(8)	(6)
Change in operating assets and liabilities	7	(121)	(71)
Change in provisions		(2)	(10)
Change in net defined benefit liabilities		(36)	29
Interest received		2	9
Interest payments on financial liabilities		(18)	(20)
Interest payments on lease liabilities		(22)	(22)
Dividends received		1	15
Income taxes paid		(229)	(156)
Cash flow from operating activities		1,831	1,950
Purchase of property, plant and equipment and intangible assets		(1,078)	(1,069)
Sale of property, plant and equipment and intangible assets		5	2
Acquisition of subsidiaries, net of cash and cash equivalents acquired		(25)	(16)
Expenses for shareholdings accounted for using the equity method		(1)	(9)
Proceeds from equity-accounted investees		134	–
Proceeds from finance leases		47	32
Purchase of other financial assets		(11)	(18)
Proceeds from other financial assets		101	12
Other cash flows from investing activities		(8)	–
Cash flow used in investing activities		(836)	(1,066)
Issuance of financial liabilities	5	323	887
Repayment of financial liabilities	5	(121)	(543)
Repayment of lease liabilities		(152)	(151)
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		(7)	(15)
Cash flow used in financing activities		(1,098)	(963)
Net decrease in cash and cash equivalents		(103)	(79)
Cash and cash equivalents at 1 January		340	328
Foreign currency translation adjustments in respect of cash and cash equivalents		3	(2)
Cash and cash equivalents at the end of financial period		240	247

Consolidated statement of changes in equity (unaudited)

In CHF million	Share capital	Capital reserves	Retained earnings	Foreign currency translation adjustments	Hedge reserves	Equity attributable to equity holders of Swisscom	Non-controlling interests	Total equity
Balance at 1 January 2020	52	136	10,454	(1,781)	11	8,872	3	8,875
Net income	–	–	738	–	–	738	(2)	736
Other comprehensive income	–	–	(194)	(27)	(10)	(231)	–	(231)
Comprehensive income	–	–	544	(27)	(10)	507	(2)	505
Dividends paid	–	–	(1,140)	–	–	(1,140)	(1)	(1,141)
Other changes	–	–	–	–	–	–	(1)	(1)
Balance at 30 June 2020	52	136	9,858	(1,808)	1	8,239	(1)	8,238
Balance at 1 January 2021	52	136	11,085	(1,791)	8	9,490	1	9,491
Net income	–	–	1,045	–	–	1,045	1	1,046
Other comprehensive income	–	–	616	49	(3)	662	–	662
Comprehensive income	–	–	1,661	49	(3)	1,707	1	1,708
Dividends paid	–	–	(1,140)	–	–	(1,140)	(1)	(1,141)
Other changes	–	–	1	–	–	1	1	2
Balance at 30 June 2021	52	136	11,607	(1,742)	5	10,058	2	10,060

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 at 30 June 2021 cover 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 is unchanged from the prior year and totals 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 required 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 4 August 2021. As of this date, no material events after the reporting date have occurred.

Basis of preparation

The consolidated interim financial statements for the six months to 30 June 2021 were prepared in accordance with International Accounting Standard 'IAS 34 Interim Financial Reporting' and should be read in conjunction with the consolidated financial statements for the financial year ended 31 December 2020. The consolidated interim financial statements were prepared in accordance with the accounting policies described in the 2020 consolidated financial statements and the revised accounting principles adopted on 1 January 2021.

In preparing the consolidated interim financial statements, management is required to make accounting estimates and assumptions. Adjustments are made for changes in 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 1.098 was used as the end-of-period rate (31 December 2020: CHF/EUR 1.080) and 1.095 as the average rate for the period (prior year: CHF/EUR 1.067).

1 Changes in accounting principles

As of 1 January 2021, Swisscom adopted various amendments to the existing International Financial Reporting Standards (IFRS) and interpretations, none of which have a material impact on the results or the financial position of the Group.

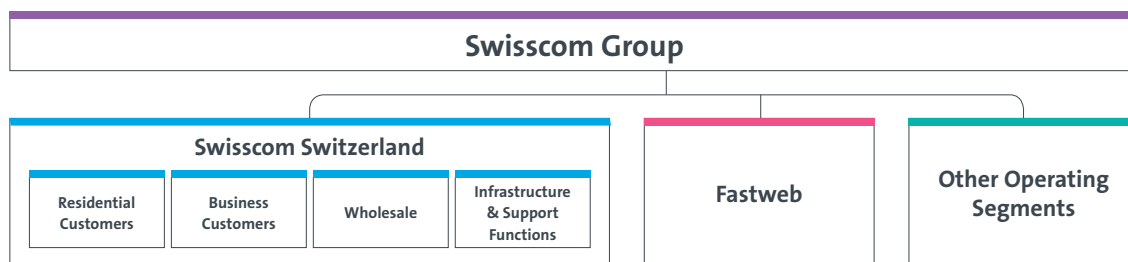
2 Segment information

Changes in segment reporting

As of 1 January 2021, Swisscom amended its organisational structure in Switzerland and the segment formerly known as IT, Network & Infrastructure was renamed Infrastructure & Support Functions. The departments with overlapping functions were merged organisationally at Swisscom Switzerland. As a result, Group Headquarters is no longer reported separately in the segment reporting. In addition, Swisscom has transferred various areas among the segments of Swisscom Switzerland and the Other Operating Segments as of 1 January 2021. The prior year's figures were restated as follows:

In CHF million	Reported	Adjustment	Restated
Net revenue			
2020 financial year			
Residential Customers	4,564	(4)	4,560
Business Customers	3,100	–	3,100
Wholesale	976	–	976
Infrastructure & Support Functions (previously IT, Network & Infrastructure)	85	(2)	83
Elimination	(450)	(19)	(469)
Swisscom Switzerland	8,275	(25)	8,250
Fastweb	2,470	–	2,470
Other Operating Segments	1,020	(6)	1,014
Elimination	(665)	31	(634)
Total net revenue	11,100	–	11,100
Segment result			
2020 financial year			
Residential Customers	2,586	(2)	2,584
Business Customers	1,235	3	1,238
Wholesale	523	–	523
Infrastructure & Support Functions (previously IT, Network & Infrastructure)	(2,556)	(64)	(2,620)
Swisscom Switzerland	1,788	(63)	1,725
Fastweb	166	–	166
Other Operating Segments	111	(1)	110
Group Headquarters	(64)	64	–
Elimination	(99)	–	(99)
Total segment result	1,902	–	1,902

General information



Reporting is divided into the segments Residential Customers, Business Customers, Wholesale, and Infrastructure & Support Functions, which are grouped under Swisscom Switzerland, as well as Fastweb and Other Operating Segments.

The Infrastructure & Support Functions segment does not charge network costs or management fees to other segments. Any other services between the segments are charged at market prices. The results of the Residential Customers, Business Customers and Wholesale segments thus correspond to a contribution margin before network costs.

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. 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 six months of 2021, income of CHF 36 million is disclosed under 'Eliminations' as a pension cost reconciliation item in accordance with IAS 19 (prior year: expense CHF 31 million).

Leases between the segments are not recognised in the balance sheet in accordance with IFRS 16. The reported lease expense of the segments comprises depreciation and interest on leases excluding depreciation of indefeasible rights of use (IRU) of CHF 12 million (prior year: CHF 12 million) and the accounting for the rental of buildings between segments. In addition, lease expense of the previous year's segments do not include impairments on right-of-use assets amounting to CHF 7 million. The lease expense of assets of low value is presented as direct costs.

Capital expenditure consists of the purchase of property, plant and equipment and intangible assets and payments for indefeasible rights of use (IRU). In general, IRUs are paid in full at the beginning of the use and are classified as leases under IFRS 16. From an economic point of view, IRU payments will be considered as capital expenditure in the segment information. Capital expenditure in the first six months of 2021 includes IRU payments of CHF 5 million (prior year: CHF 6 million).

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 contract assets deriving from this business being recognised. In the segment reporting of Swisscom Switzerland, the recognition 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 2021

2021, in CHF million	Swisscom Switzerland	Fastweb	Other Operating Segments	Elimination	Total
Residential customers	2,235	629	–	–	2,864
Corporate customers	1,511	526	216	–	2,253
Wholesale customers	332	134	–	–	466
Net revenue from external customers	4,078	1,289	216	–	5,583
Net revenue from other segments	25	4	289	(318)	–
Net revenue	4,103	1,293	505	(318)	5,583
Direct costs	(867)	(476)	(36)	29	(1,350)
Indirect costs	(1,439)	(397)	(386)	306	(1,916)
Segment result before depreciation and amortisation	1,797	420	83	17	2,317
Lease expense	(117)	(29)	(6)	1	(151)
Depreciation and amortisation	(757)	(320)	(27)	5	(1,099)
Segment result	923	71	50	23	1,067
Interest expense on lease liabilities					22
Operating income					1,089
Financial income and financial expense, net					162
Result of equity-accounted investees					(4)
Income before income taxes					1,247
Income tax expense					(201)
Net income					1,046
Segment result before depreciation and amortisation	1,797	420	83	17	2,317
Lease expense	(117)	(29)	(6)	1	(151)
Capital expenditure	(753)	(330)	(19)	19	(1,083)
Operating free cash flow proxy	927	61	58	37	1,083

Segment information Swisscom Switzerland 2021

2021, in CHF million	Residential Customers	Business Customers	Wholesale	Infrastructure & Support Functions	Elimination	Total Swisscom Switzerland
Fixed-line	1,001	438	–	–	–	1,439
Mobile	928	361	–	–	–	1,289
Revenue other	–	31	–	–	–	31
Telecom services	1,929	830	–	–	–	2,759
Solutions business	–	547	–	–	–	547
Merchandise	267	119	–	–	–	386
Wholesale	–	–	332	–	–	332
Revenue other	39	4	–	11	–	54
Net revenue from external customers	2,235	1,500	332	11	–	4,078
Net revenue from other segments	38	37	141	28	(219)	25
Net revenue	2,273	1,537	473	39	(219)	4,103
Direct costs	(534)	(400)	(200)	(3)	270	(867)
Indirect costs	(334)	(472)	(11)	(571)	(51)	(1,439)
Segment result before depreciation and amortisation	1,405	665	262	(535)	–	1,797
Lease expense	(20)	(16)	–	(80)	(1)	(117)
Depreciation, amortisation and impairment losses	(27)	(34)	–	(697)	1	(757)
Segment result	1,358	615	262	(1,312)	–	923
Capital expenditure	(9)	(21)	–	(723)	–	(753)

Segment information

2020, in CHF million, restated	Swisscom Switzerland	Fastweb	Other Operating Segments	Elimination	Total
Residential customers	2,200	599	–	–	2,799
Corporate customers	1,531	464	215	–	2,210
Wholesale customers	322	112	–	–	434
Net revenue from external customers	4,053	1,175	215	–	5,443
Net revenue from other segments	31	4	272	(307)	–
Net revenue	4,084	1,179	487	(307)	5,443
Direct costs	(819)	(429)	(32)	28	(1,252)
Indirect costs	(1,484)	(361)	(373)	235	(1,983)
Segment result before depreciation and amortisation	1,781	389	82	(44)	2,208
Lease expense	(117)	(27)	(6)	–	(150)
Depreciation and amortisation	(766)	(305)	(30)	4	(1,097)
Segment result	898	57	46	(40)	961
Interest expense on lease liabilities					22
Operating income					983
Financial income and financial expense, net					(104)
Result of equity-accounted investees					3
Income before income taxes					882
Income tax expense					(146)
Net income					736
Segment result before depreciation and amortisation	1,781	389	82	(44)	2,208
Lease expense	(117)	(27)	(6)	–	(150)
Capital expenditure	(776)	(294)	(18)	13	(1,075)
Operating free cash flow proxy	888	68	58	(31)	983

Segment information Swisscom Switzerland

2020, in CHF million, restated	Residential Customers	Business Customers	Wholesale	Infrastructure & Support Functions	Elimination	Total Swisscom Switzerland
Fixed-line	1,005	453	–	–	–	1,458
Mobile	975	385	–	–	–	1,360
Revenue other	–	30	–	–	–	30
Telecom services	1,980	868	–	–	–	2,848
Solutions business	–	527	–	–	–	527
Merchandise	228	122	–	–	–	350
Wholesale	–	–	322	–	–	322
Revenue other	(8)	3	–	11	–	6
Net revenue from external customers	2,200	1,520	322	11	–	4,053
Net revenue from other segments	38	37	127	31	(202)	31
Net revenue	2,238	1,557	449	42	(202)	4,084
Direct costs	(483)	(398)	(184)	(4)	250	(819)
Indirect costs	(369)	(483)	(8)	(577)	(47)	(1,484)
Segment result before depreciation and amortisation	1,386	676	257	(539)	1	1,781
Lease expense	(22)	(17)	–	(78)	–	(117)
Depreciation and amortisation	(39)	(38)	–	(688)	(1)	(766)
Segment result	1,325	621	257	(1,305)	–	898
Capital expenditure	(12)	(17)	–	(747)	–	(776)

3 Operating costs

Direct costs

In CHF million	1.1.–30.6.2021	1.1.–30.6.2020
Customer premises equipment and merchandise	465	403
Services purchased	354	319
Costs to obtain a contract	111	140
Costs to fulfill a contract	51	54
Network access costs of swiss subsidiaries	155	141
Network access costs of foreign subsidiaries	214	193
Total direct costs	1,350	1,250

Indirect costs

In CHF million	1.1.–30.6.2021	1.1.–30.6.2020
Salary and social security expenses	1,291	1,350
Other personnel expense	36	29
Total personnel expense	1,327	1,379
Information technology cost	119	119
Maintenance expense	127	113
Energy costs	61	59
Advertising and selling expenses	83	86
Consultancy expenses and freelance workforce	60	63
Administration expense	30	31
Allowances for receivables and contract assets	37	42
Miscellaneous operating expenses	349	310
Total other operating expense	866	823
Capitalised self-constructed tangible and intangible assets	(214)	(175)
Own work for capitalised contract costs	(29)	(16)
Gain on sale of property, plant and equipment	(3)	(1)
Miscellaneous income	(31)	(25)
Total capitalised self-constructed assets and other income	(277)	(217)
Total indirect costs	1,916	1,985

Capitalised self-constructed tangible and intangible assets include personnel costs for the manufacturing of technical installations, the construction of network infrastructure and the development of software for internal use.

4 Dividends

On 31 March 2021, 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 8 April 2021.

5 Financial liabilities

In CHF million	Carrying amount 1.1.2021	Issuance	Repayment	Other changes ¹	Carrying amount 30.06.2021	Fair Value
Financial liabilities						
Bank loans	484	222	(108)	(4)	594	626
Debenture bonds	6,110	100	–	44	6,254	6,454
Private placements	151	–	–	(1)	150	157
Derivative financial instruments	90	–	–	(25)	65	65
Other financial liabilities	207	1	(13)	–	195	206
Total financial liabilities	7,042	323	(121)	14	7,258	7,508

¹ Interest expense, interest payments, non-cash changes and foreign currency translation adjustments.

In the second quarter of 2021, Swisscom issued a debenture bond for CHF 100 million. It has a coupon of 0.25% and matures in 2033. The funds received were used to repay existing debt. Swisscom has two confirmed lines of credit totalling CHF 2.2 billion, which had not been used as at 30 June 2021.

6 Financial result

In CHF million	1.1.–30.6.2021	1.1.–30.6.2020
Interest income on financial assets	1	4
Change in fair value of interest rate swaps	18	–
Gain from transactions with equity-accounted investees	207	–
Foreign exchange gains	16	4
Other financial income	16	2
Total financial income	258	10
Interest expense on financial liabilities	(34)	(34)
Interest expense on lease liabilities	(22)	(22)
Interest expense on net defined benefit liabilities	(1)	(1)
Present-value adjustments on provisions	(27)	(34)
Change in fair value of interest rate swaps	–	(13)
Other financial expense	(12)	(10)
Total financial expense	(96)	(114)
Financial income and financial expense, net	162	(104)
Interest expense on lease liabilities	(22)	(22)
Net interest expense on financial assets and liabilities	(33)	(30)

As part of its strategic partnership with TIM, Fastweb transferred its stake in Flash Fiber as a capital contribution to the newly established fibre-optic company FiberCop. For contributing its 20% stake to Flash Fiber, Fastweb has received a 4.5% stake in FiberCop. The transaction was completed in March 2021. The fair value of the FiberCop investment is EUR 210 million (CHF 232 million). The transaction resulted in a gain on the Flash Fiber participation of CHF 169 million, which was recognised in the income statement in the first quarter of 2021. In addition, in the first quarter of 2021, Swisscom sold its holding in Belgacom International Carrier Services (BICS) for a sale price of EUR 115 million (CHF 126 million). Swisscom realised a gain of CHF 38 million from the sale of BICS.

7 Operating net working capital

Operating assets and liabilities changed as follows in the first six months of 2021:

In CHF million	31.12.2020	Operational changes	Other changes ¹	30.06.2021
Trade receivables	2,132	281	13	2,426
Other operating assets	1,029	64	7	1,100
Trade payables	(1,525)	19	(13)	(1,519)
Other operating liabilities	(1,269)	(243)	(15)	(1,527)
Total operating assets and liabilities, net	367	121	(8)	480

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

Other operating assets and liabilities

In CHF million	30.06.2021	31.12.2020
Other operating assets		
Contract assets	150	153
Contract costs	234	224
Inventories	138	120
Prepaid expenses	442	349
Other operating assets	136	183
Total other operating assets	1,100	1,029
Other operating liabilities		
Contract liabilities	1,028	737
Accruals for variable performance-related bonus	78	160
Other operating liabilities	421	372
Total other operating liabilities	1,527	1,269

8 Provisions and contingent liabilities

Provisions

Provisions changed as follows in the first six months of 2021:

In CHF million	Dismantlement and restoration costs	Regulatory and competition law proceedings	Termination benefits	Others	Total
Balance at 1 January 2021	741	233	63	179	1,216
Additions to provisions	–	28	2	19	49
Adjustments recognised under property, plant and equipment	(44)	–	–	–	(44)
Present-value adjustments	2	25	–	–	27
Release of unused provisions	–	–	–	(16)	(16)
Use of provisions	(4)	–	(12)	(18)	(34)
Balance at 30 June 2021	695	286	53	164	1,198
Thereof current provisions	–	–	50	62	112
Thereof non-current provisions	695	286	3	102	1,086

In accordance with the revised Telecommunications Act, Swisscom provides access services (incl. interconnection) to other telecommunication service providers in Switzerland. In February 2020, a provider of telecommunications services requested from the Federal Communications Commission (ComCom) that the interest on recovery claims from access-related proceedings should be based on the weighted average cost of capital (WACC). In June 2021, ComCom confirmed this interest rate regulation. Swisscom will appeal against this complaint before the Federal Administrative Court.

In its investigation as to the invitation to tender for the corporate network of the Swiss Post in 2008, COMCO reached the conclusion in November 2015 that Swisscom has a dominant position on the market for broadband access for business clients. As a result of this conduct, which was judged to be unlawful under competition law, COMCO imposed a penalty of CHF 8 million. Swisscom has challenged COMCO's rulings concerning the invitation to tender for the corporate network of Swiss Post in the Federal Administrative Court. In June 2021, the Federal Administrative Court largely confirmed COMCO's ruling and ordered Swisscom to pay a fine of CHF 7 million. As a result of the legally binding decision on abuse of a market-dominant position, claims could be asserted against Swisscom under civil law.

In December 2019, the Federal Supreme Court dismissed a complaint by Swisscom in the COMCO proceedings for abuse of market dominant in ADSL services in the last instance and affirmed the penalty. As a result of the legally binding determination of market abuse, civil law claims were filed by telecommunications service providers in the second quarter of 2020. Negotiations in respect of these civil claims took place in the second quarter of 2021. The civil proceedings have not yet been concluded.

In the past, Swisscom recognised provisions for regulatory and antitrust proceedings on the basis of legal assessments. Due to a reassessment of these proceedings, provisions of CHF 49 million were recognised in the second quarter of 2021. Any payments to be made will depend upon the date on which legally binding decrees and decisions are issued, and could probably occur within five years.

Contingent liabilities for regulatory and competition law proceedings

With regard to the contingent liabilities reported in the 2020 consolidated financial statements in connection with regulatory and antitrust proceedings, Swisscom is of the opinion that an outflow of resources is unlikely and has therefore, as before, not recognised any provisions for this in the consolidated financial statements as at 30 June 2021.

9 Post-employment benefits

The majority of employees in Switzerland are insured under the Swisscom pension plan against the risks of old age, death and disability. The pension plan is implemented by the comPlan foundation. The supreme governing body of the pension fund is the Foundation Board, which is made up of an equal number of representatives from the employees and the employer. The pension fund rules, together with the legal provisions concerning occupational pension plans, constitute the formal regulatory framework of the pension plan.

The Foundation Board of comPlan approved various changes to the pension plan in the second quarter of 2021. The main changes include a reduction in conversion rates, compensatory measures to cushion pension cuts and a reduction in entitlements for current spouse's and partner's pensions. The various measures resulted in a gain of CHF 60 million, which was recognised as a reduction of pension costs in the second quarter of 2021. This was based on a remeasurement of the net defined benefit obligation using the current fair values of plan assets at the inception of the plan amendment and current actuarial assumptions, taking into account the risk-sharing characteristics.

Alternative performance measures

Swisscom uses key indicators defined in the International Financial Reporting Standards (IFRS) throughout its financial reporting, as well as selected alternative performance measures (APMs). These alternative measures provide useful information on the Group's financial situation and are used for financial management and control purposes. As these measures are not defined under IFRS, the calculation may differ from the published APMs of other companies. For this reason, comparability across companies may be limited. The key alternative performance measures used at Swisscom for the interim financial reporting as at 30 June 2021 are defined as follows:

Key performance measure	Swisscom definition
Adjustments	Significant items that, due to their exceptional nature, cannot be considered part of the Swisscom Group's ongoing performance, such as termination benefits and significant positions in connection with legal cases or other non-recurring items. In addition, the application of changes in the IFRS accounting principles and standards can have an impact on comparability with the previous year if these principles are not applied retrospectively.
At constant exchange rates	Key performance measures considering currency effects (figures for 2021 are translated at the 2020 exchange rate to calculate the currency effect).
Operating income before depreciation and amortisation (EBITDA)	Operating income before depreciation, amortisation and impairment losses of property, plant and equipment, intangible assets and right-of-use assets, financial expense and financial income, result of equity-accounted investees and income tax expense.
Operating income (EBIT)	Operating income before financial expense and financial income, result of equity-accounted investees and income tax expense.
Capital expenditure	Purchase of property, plant and equipment and intangible assets and payments for indefeasible rights of use (IRU) which are classified as leases under IFRS 16. In general, IRUs are paid in full at the beginning of use.
Operating free cash flow proxy	Operating income before depreciation and amortisation (EBITDA) minus capital expenditure in property, plant and equipment, intangible assets and payments for indefeasible rights of use (IRU) and lease expense. Lease expense includes interest expenses on lease liabilities and depreciation of rights of use excluding depreciation of indefeasible rights of use (IRU) and impairment losses on right-of-use assets.
Free cash flow	Cash flows from operating and investing activities excl. cash flows from the purchase and sale of subsidiaries and purchase of and proceeds from equity-accounted investees and other financial assets.
Net debt	Financial liabilities less cash and cash equivalents, listed debt instruments, certificates of deposit, derivative financial instruments held for hedging financial liabilities and other current financial assets.
Net debt incl. lease liabilities	Net debt incl. lease liabilities.

Reconciliation of alternative performance measures

In CHF million	1.1.–30.6.2021	1.1.–30.6.2020	Change reported	Change at constant exchange rates
Net revenue				
Net revenue	5,583	5,443	2.6%	2.0%
Operating income before depreciation and amortisation (EBITDA)				
EBITDA	2,317	2,208	4.9%	4.4%
Gain from change in pension plan	(60)	–		
Additions to provisions for legal proceedings in Switzerland	22	–		
EBITDA adjusted	2,279	2,208	3.2%	2.7%
Capital expenditure				
Capital expenditure in property, plant and equipment and intangible assets	1,078	1,069	0.8%	0.1%
Payments for indefeasible rights of use (IRU)	5	6	–16.7%	
Capital expenditure	1,083	1,075	0.7%	–%

In CHF million	1.1.–30.6.2021	1.1.–30.6.2020	Change reported
Operating free cash flow proxy			
Cash flow from operating activities	1,831	1,950	(119)
Capital expenditure	(1,083)	(1,075)	(8)
Depreciation of right-of-use assets	(141)	(147)	6
Depreciation of indefeasible rights of use (IRU)	12	12	–
Impairment losses of right-of-use assets	–	7	(7)
Change in deferred gain from the sale and leaseback of real estate	8	6	2
Change in operating assets and liabilities	121	71	50
Change in provisions	2	10	(8)
Change in net defined benefit liabilities	36	(29)	65
Gain on sale of property, plant and equipment	3	–	3
Expense for share-based payments	(1)	(1)	–
Revenue from finance leases	51	27	24
Interest received	(2)	(9)	7
Interest payments on financial liabilities	18	20	(2)
Dividends received	(1)	(15)	14
Income taxes paid	229	156	73
Operating free cash flow proxy	1,083	983	100

Free cash flow			
Cash flow from operating activities	1,831	1,950	(119)
Cash flow used in investing activities	(836)	(1,066)	230
Repayment of lease liabilities	(152)	(151)	(1)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	25	16	9
Proceeds from equity-accounted investees	(134)	–	(134)
Expenses for shareholdings accounted for using the equity method	1	9	(8)
Purchase of other financial assets	11	18	(7)
Proceeds from other financial assets	(101)	(12)	(89)
Other cash flows from investing and financing activities	1	(3)	4
Free cash flow	646	761	(115)

Further information

Share information

Swisscom share performance indicators

31.12.2020–30.06.2021	SIX Swiss Exchange
Closing price as at 31 December 2020, in CHF ¹	477.10
Closing price as at 30 June 2021 in CHF ¹	529.80
Year high in CHF ¹	533.80
Year low in CHF ¹	456.30
Total volume of traded shares	18,226,055
Total turnover in CHF million	8,934.81
Daily average of traded shares	146,984
Daily average in CHF million	72.05

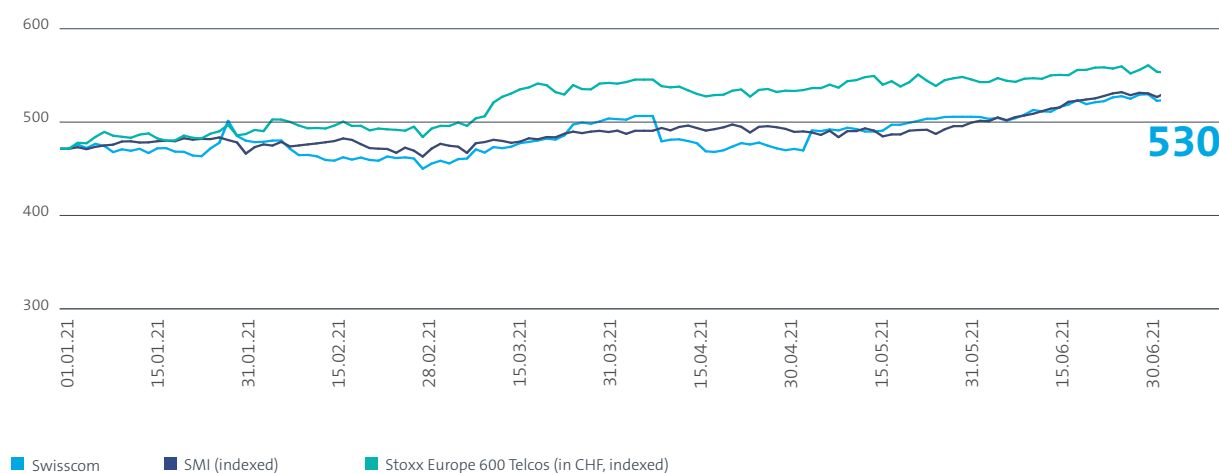
Source: Bloomberg

1 paid prices

Share performance

Share performance since 1 January 2021

in CHF



Financial calendar

- 28 October 2021 2021 Third-Quarter Results
- 3 February 2022 2021 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 2020 and 2021

In CHF million, except where indicated	1. quarter	2. quarter	3. quarter	4. quarter	2020	1. quarter	2. quarter	3. quarter	4. quarter	2021
Income statement										
Net revenue	2,737	2,706	2,758	2,899	11,100	2,803	2,780			5,583
Direct costs	(626)	(624)	(656)	(763)	(2,669)	(680)	(670)			(1,350)
Personnel expense	(700)	(679)	(637)	(701)	(2,717)	(716)	(611)			(1,327)
Other operating expense	(407)	(416)	(441)	(534)	(1,798)	(422)	(444)			(866)
Capitalised self-constructed assets and other income	107	110	124	125	466	139	138			277
Operating income (EBITDA)	1,111	1,097	1,148	1,026	4,382	1,124	1,193			2,317
Depreciation and amortisation	(537)	(541)	(538)	(533)	(2,149)	(538)	(549)			(1,087)
Depreciation of right-of-use assets	(70)	(77)	(70)	(69)	(286)	(70)	(71)			(141)
Operating income (EBIT)	504	479	540	424	1,947	516	573			1,089
Net interest expense on financial assets and liabilities	(12)	(18)	(20)	(19)	(69)	(17)	(16)			(33)
Interest expense on lease liabilities	(11)	(11)	(12)	(11)	(45)	(11)	(11)			(22)
Other financial result	(14)	(38)	23	(9)	(38)	252	(35)			217
Equity-accounted investees	1	2	1	–	4	–	(4)			(4)
Income before income taxes	468	414	532	385	1,799	740	507			1,247
Income tax expense	(74)	(72)	(102)	(23)	(271)	(102)	(99)			(201)
Net income	394	342	430	362	1,528	638	408			1,046
Attributable to equity holders of Swisscom Ltd	395	343	431	361	1,530	638	407			1,045
Attributable to non-controlling interests	(1)	(1)	(1)	1	(2)	–	1			1
Earnings per share (in CHF)	7.63	6.62	8.32	6.97	29.54	12.32	7.86			20.17
Net revenue										
Swisscom Switzerland	2,065	2,019	2,046	2,120	8,250	2,080	2,023			4,103
Fastweb	580	599	613	678	2,470	634	659			1,293
Other Operating Segments	241	246	268	259	1,014	240	265			505
Intersegment elimination	(149)	(158)	(169)	(158)	(634)	(151)	(167)			(318)
Total net revenue	2,737	2,706	2,758	2,899	11,100	2,803	2,780			5,583
Operating income before depreciation and amortisation (EBITDA)										
Swisscom Switzerland	909	872	898	787	3,466	916	881			1,797
Fastweb	181	208	219	232	840	195	225			420
Other Operating Segments	42	40	56	46	184	34	49			83
Reconciliation pension cost	(15)	(16)	(16)	(18)	(65)	(13)	49			36
Elimination	(6)	(7)	(9)	(21)	(43)	(8)	(11)			(19)
Total EBITDA	1,111	1,097	1,148	1,026	4,382	1,124	1,193			2,317
Capital expenditure										
Swisscom Switzerland	367	409	410	413	1,599	371	382			753
Fastweb	148	146	145	190	629	168	162			330
Other Operating Segments	7	11	12	14	44	9	10			19
Intersegment elimination	(6)	(7)	(10)	(20)	(43)	(8)	(11)			(19)
Total capital expenditure	516	559	557	597	2,229	540	543			1,083

In CHF million, except where indicated	1. quarter	2. quarter	3. quarter	4. quarter	2020	1. quarter	2. quarter	3. quarter	4. quarter	2021
Operating free cash flow proxy										
Operating income (EBITDA)	1,111	1,097	1,148	1,026	4,382	1,124	1,193			2,317
Lease expense	(75)	(75)	(76)	(74)	(300)	(75)	(76)			(151)
EBITDA after lease expense (EBITDA AL)	1,036	1,022	1,072	952	4,082	1,049	1,117			2,166
Capital expenditure	(516)	(559)	(557)	(597)	(2,229)	(540)	(543)			(1,083)
Operating free cash flow proxy	520	463	515	355	1,853	509	574			1,083
Net debt										
Net debt	6,552	7,171	6,625	6,218	6,218	5,849	6,626			6,626
Net debt incl. lease liabilities.	8,528	9,129	8,622	8,206	8,206	7,825	8,569			8,569
Full-time equivalent employees										
Swisscom Switzerland	13,056	12,857	12,876	12,845	12,845	12,830	12,867			12,867
Fastweb	2,515	2,605	2,634	2,703	2,703	2,733	2,750			2,750
Other Operating Segments	3,539	3,522	3,516	3,514	3,514	3,514	3,493			3,493
Total personnel expense	19,110	18,984	19,026	19,062	19,062	19,077	19,110			19,110
Information by geographical regions										
Net revenue in Switzerland	2,155	2,106	2,140	2,213	8,614	2,164	2,115			4,279
Net revenue in other countries	582	600	618	686	2,486	639	665			1,304
Total net revenue	2,737	2,706	2,758	2,899	11,100	2,803	2,780			5,583
EBITDA Switzerland	924	890	922	786	3,522	927	962			1,889
EBITDA other countries	187	207	226	240	860	197	231			428
Total EBITDA	1,111	1,097	1,148	1,026	4,382	1,124	1,193			2,317
Capital expenditure in Switzerland	367	412	412	405	1,596	371	381			752
Capital expenditure in other countries	149	147	145	192	633	169	162			331
Total capital expenditure	516	559	557	597	2,229	540	543			1,083
Headcount in Switzerland	16,357	16,119	16,119	16,048	16,048	15,975	15,964			15,964
Headcount in other countries	2,753	2,865	2,907	3,014	3,014	3,102	3,146			3,146
Total headcount (ful-time equivalent)	19,110	18,984	19,026	19,062	19,062	19,077	19,110			19,110
Fastweb, in EUR million										
Residential customers	280	282	282	289	1,133	286	288			574
Corporate customers	211	224	226	246	907	237	244			481
Wholesale	50	55	59	93	257	56	66			122
Revenue from external customers	541	561	567	628	2,297	579	598			1,177
Segment result (EBITDA)	170	195	203	216	784	179	205			384
Margin as % of net revenue	31.3	34.7	35.7	34.3	34.0	30.8	34.2			32.5
Lease expense	(13)	(13)	(13)	(13)	(52)	(14)	(13)			(27)
EBITDA after lease expense (EBITDA AL)	157	182	190	203	732	165	192			357
Capital expenditure	(138)	(138)	(134)	(177)	(587)	(154)	(147)			(301)
Operating free cash flow proxy	19	44	56	26	145	11	45			56
Broadband access lines in thousand	2,659	2,692	2,704	2,747	2,747	2,765	2,774			2,774
Mobile access lines in thousand	1,779	1,830	1,889	1,961	1,961	2,066	2,188			2,188

In CHF million, except where indicated	1. quarter	2. quarter	3. quarter	4. quarter	2020	1. quarter	2. quarter	3. quarter	4. quarter	2021
Swisscom Switzerland										
Revenue and results										
Residential Customers	497	478	485	474	1,934	465	463			928
Business Customers	196	189	190	186	761	182	179			361
Revenue wireless	693	667	675	660	2,695	647	642			1,289
Residential Customers	505	500	500	507	2,012	503	498			1,001
Business Customers	226	227	223	223	899	223	215			438
Revenue fixed-line	731	727	723	730	2,911	726	713			1,439
Other revenue Business Customers	15	15	15	16	61	15	16			31
Total revenue telecoms services	1,439	1,409	1,413	1,406	5,667	1,388	1,371			2,759
Solutions business	267	260	259	272	1,058	273	274			547
Merchandise	175	175	176	233	759	212	174			386
Wholesale	164	158	168	171	661	173	159			332
Revenue other	5	1	17	25	48	21	33			54
Total revenue from external customers	2,050	2,003	2,033	2,107	8,193	2,067	2,011			4,078
Residential Customers	1,120	1,080	1,120	1,164	4,484	1,130	1,105			2,235
Business Customers	760	760	739	767	3,026	759	741			1,500
Wholesale	164	158	168	171	661	173	159			332
Infrastructure & Support Functions	6	5	6	5	22	5	6			11
Total revenue from external customers	2,050	2,003	2,033	2,107	8,193	2,067	2,011			4,078
Segment result before depreciation and amortisation (EBITDA)										
Residential Customers	703	683	683	629	2,698	699	706			1,405
Business Customers	337	339	340	332	1,348	338	327			665
Wholesale	132	125	134	133	524	138	124			262
Infrastructure & Support Functions	(262)	(277)	(258)	(307)	(1,104)	(259)	(276)			(535)
Intersegment elimination	(1)	2	(1)	–	–	–	–			–
Segment result (EBITDA)	909	872	898	787	3,466	916	881			1,797
Margin as % of net revenue	44.0	43.2	43.9	37.1	42.0	44.0	43.5			43.8
Lease expense	(59)	(58)	(58)	(57)	(232)	(58)	(59)			(117)
EBITDA after lease expense (EBITDA AL)	850	814	840	730	3,234	858	822			1,680
Capital expenditure	(367)	(409)	(410)	(413)	(1,599)	(371)	(382)			(753)
Operating free cash flow proxy	483	405	430	317	1,635	487	440			927
Operational data in thousand										
Access lines										
Residential Customers	1,291	1,276	1,257	1,235	1,235	1,207	1,188			1,188
Business Customers	291	288	289	288	288	284	283			283
Fixed telephony access lines	1,582	1,564	1,546	1,523	1,523	1,491	1,471			1,471
Residential Customers	1,754	1,750	1,747	1,746	1,746	1,733	1,733			1,733
Business Customers	299	298	298	297	297	295	294			294
Broadband access lines retail	2,053	2,048	2,045	2,043	2,043	2,028	2,027			2,027
Residential Customers	1,518	1,516	1,518	1,519	1,519	1,512	1,513			1,513
Business Customers	68	68	68	69	69	69	69			69
Swisscom TV access lines	1,586	1,584	1,586	1,588	1,588	1,581	1,582			1,582
Postpaid Residential Customers	2,931	2,933	2,962	2,991	2,991	2,990	3,016			3,016
Postpaid Business Customers	1,842	1,850	1,859	1,861	1,861	1,863	1,856			1,856
Mobile access lines Postpaid	4,773	4,783	4,821	4,852	4,852	4,853	4,872			4,872
Prepaid Residential Customers	1,526	1,481	1,432	1,372	1,372	1,324	1,297			1,297
Mobile access lines	6,299	6,264	6,253	6,224	6,224	6,177	6,169			6,169
RGU Residential Customers	9,020	8,956	8,916	8,863	8,863	8,766	8,747			8,747
RGU Business Customers	2,500	2,504	2,514	2,515	2,515	2,511	2,502			2,502
Revenue generating units (RGU)	11,520	11,460	11,430	11,378	11,378	11,277	11,249			11,249
Broadband access lines wholesale	525	533	543	555	555	567	581			581
Unbundled fixed access lines	66	63	59	56	56	52	49			49

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 position, 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.

Swisscom disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

