

2016

Interim Report
January–March



swisscom

Facts & figures

In CHF million, except where indicated

		31.3.2016	31.3.2015	Change
Revenue and results				
Net revenue		2,885	2,893	-0.3%
Operating income before depreciation and amortisation (EBITDA) ¹		1,081	1,051	2.9%
EBITDA as % of net revenue	%	37.5	36.3	
Operating income (EBIT) ²		535	544	-1.7%
Net income		364	351	3.7%
Earnings per share	CHF	7.05	6.78	4.0%
Balance sheet and cash flows				
Equity at end of period		4,928	5,198	-5.2%
Equity ratio at end of period ³	%	22.9	25.1	
Capital expenditure		596	549	8.6%
Operating free cash flow ⁴		184	344	-46.5%
Net debt at end of period ⁵		8,108	7,895	2.7%
Operational data at end of period				
Fixed access lines in Switzerland	in thousand	2,582	2,735	-5.6%
Broadband access lines retail in Switzerland	in thousand	1,968	1,908	3.1%
Swisscom TV access lines in Switzerland	in thousand	1,367	1,201	13.8%
Mobile access lines in Switzerland	in thousand	6,615	6,568	0.7%
Revenue generating units (RGU) in Switzerland ⁶	in thousand	12,532	12,412	1.0%
Unbundled fixed access lines in Switzerland	in thousand	120	162	-25.9%
Broadband access lines wholesale in Switzerland	in thousand	329	278	18.3%
Broadband access lines in Italy	in thousand	2,241	2,124	5.5%
Swisscom share				
Number of shares issued at end of period	in thousand	51,802	51,802	-
Closing price at end of period	CHF	522.50	564.50	-7.4%
Market capitalisation at end of period ⁷		27,067	29,242	-7.4%
Employees				
Full-time equivalent employees at end of period	FTE	21,645	21,599	0.2%
Full-time equivalent employees in Switzerland at end of period	FTE	18,960	18,776	1.0%

¹ Definition operating income before depreciation and amortisation (EBITDA): operating income before depreciation and amortisation and impairment losses on tangible and intangible assets, gain on sale of subsidiaries, net financial result, share of results of associates and income tax expense.

² Definition operating income (EBIT): operating income before gain on sale of subsidiaries, net financial result, share of results of associates and income tax expense.

³ Equity as a percentage of total assets.

⁴ 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 other intangible assets and dividends paid to non-controlling interests.

⁵ Definition net debt: financial liabilities less cash and cash equivalents, current financial assets and non-current fixed-interest-bearing deposits.

⁶ Definition revenue generating units (RGU) in Switzerland: fixed access lines, broadband access lines retail, Swisscom TV access lines and mobile access lines.

⁷ Closing price at end of period, multiplied by number of shares outstanding at end of period.

Group Financial Review

Summary

In CHF million, except where indicated	31.3.2016	31.3.2015	Change
Net revenue	2,885	2,893	-0.3%
Operating income before depreciation and amortisation (EBITDA)	1,081	1,051	2.9%
EBITDA as % of net revenue	37.5	36.3	
Operating income (EBIT)	535	544	-1.7%
Net income	364	351	3.7%
Earnings per share (in CHF)	7.05	6.78	4.0%
Capital expenditure	596	549	8.6%
Operating free cash flow	184	344	-46.5%
Net debt at end of period	8,108	7,895	2.7%
Full-time equivalent employees at end of period	21,645	21,599	0.2%

In the first quarter of 2016, Swisscom's net revenue fell by CHF 8 million or 0.3% to CHF 2,885 million. Despite customer growth, revenue in the Swiss core business decreased by CHF 7 million or 0.4% mainly as a result of increasing competitive pressure. The number of revenue-generating units (RGUs) in the Swiss core business increased year-on-year by 120,000 or 1.0% to 12.5 million. However, this figure fell by 11,000 in the first quarter of 2016 as a result of market saturation. As a result of customer growth and its strong position in the market for business customers, Italian subsidiary Fastweb's revenue was EUR 11 million or 2.6% higher at EUR 440 million. The number of subscribers to Fastweb's broadband business grew year-on-year by 117,000 or 5.5% to 2.24 million.

Swisscom's operating income before depreciation and amortisation (EBITDA) increased by CHF 30 million or 2.9% to CHF 1,081 million. The increase in Swiss core business by CHF 11 million or 1.2% is mainly due to lower costs for subscriber acquisition and maintenance. At Fastweb, EBITDA rose by EUR 11 million or 9.2%, which is the result of higher revenue. Operating income (EBIT) fell by CHF 9 million or 1.7% to CHF 535 million due to higher depreciation and amortisation as a result of the high investment volume. Net income increased year-on-year by CHF 13 million or 3.7% to CHF 364 million because foreign exchange losses had a bigger impact on the result in the prior year. Swisscom's capital expenditure rose by CHF 47 million or 8.6% to CHF 596 million. In Switzerland, capital expenditure rose by CHF 37 million or 9.5% to CHF 425 million due to broadband network expansion. At the end of March 2016, more than 2.1 million lines in Switzerland were equipped with the latest fibre-optic technology. Swisscom had connected some 3.0 million households and businesses with ultra-fast broadband (speeds of more than 50 Mbps). At Fastweb, capital expenditure increased by EUR 7 million or 4.8% to EUR 154 million due to customer growth.

Operating free cash flow decreased by CHF 160 million or 46.5% to CHF 184 million. This decline is mainly due to the payment of the penalty of CHF 186 million for the ongoing Competition Commission proceedings regarding broadband services. Net debt amounted to CHF 8,108 million, an increase of CHF 66 million or 0.8% compared to the end of 2015.

Headcount increased year-on-year by 46 FTEs or 0.2% to 21,645 FTEs. In the Swiss core business, the increase was 191 FTEs, which was the result of company acquisitions, new services such as cloud services and solutions for the healthcare sector. Headcount in the Swiss core business in the first quarter of 2016 fell on a like-for-like basis by 105 FTEs.

The financial outlook for 2016 remains unchanged. Swisscom expects net revenue of more than CHF 11.6 billion, EBITDA of around CHF 4.2 billion and capital expenditure of more than CHF 2.3 billion. If the targets are met, Swisscom will propose to the Annual General Meeting payment of an unchanged dividend of CHF 22 per share for the 2016 financial year.

Segment results

In CHF million	31.3.2016	31.3.2015	Change
Net revenue			
Residential Customers	1,287	1,291	-0.3%
Small and Medium-Sized Enterprises	336	327	2.8%
Enterprise Customers	656	657	-0.2%
Wholesale	220	230	-4.3%
IT, Network & Innovation	30	34	-11.8%
Intersegment elimination	(184)	(184)	-
Swisscom Switzerland	2,345	2,355	-0.4%
Fastweb	482	468	3.0%
Other Operating segments	129	144	-10.4%
Intersegment elimination	(71)	(74)	-4.1%
Net revenue	2,885	2,893	-0.3%
Operating income before depreciation and amortisation (EBITDA)			
Residential Customers	755	730	3.4%
Small and Medium-Sized Enterprises	224	217	3.2%
Enterprise Customers	212	219	-3.2%
Wholesale	93	101	-7.9%
IT, Network & Innovation	(318)	(312)	1.9%
Swisscom Switzerland	966	955	1.2%
Fastweb	144	130	10.8%
Other Operating segments	22	16	37.5%
Group Headquarters	(30)	(29)	3.4%
Intersegment elimination	(3)	(4)	-25.0%
Reconciliation to pension cost ¹	(18)	(17)	5.9%
Operating income before depreciation and amortisation (EBITDA)	1,081	1,051	2.9%

¹ Ordinary employer contributions as pension cost are included in segment results. The difference to the pension cost under IAS 19 is disclosed as a reconciliation item.

4

Reporting is divided into three operating divisions: Swisscom Switzerland, Fastweb and Other Operating segments, and Group Headquarters. Swisscom Switzerland is the Swiss market leader in the field of telecommunications. Fastweb is one of the largest broadband telecom companies in Italy. Other Operating Segments mainly comprises Participations, Health and Connected Living. Group Headquarters largely comprises the Group divisions. Swisscom Switzerland consists of the customer segments Residential Customers, Small & Medium-Sized Enterprises, Enterprise Customers and Wholesale as well as IT, Network & Innovation.

The IT, Network & Innovation segment does not charge any network costs to other segments, nor does Group Headquarters charge any management fees to other segments. Other intersegment services are charged at market rates. Network costs in Switzerland are budgeted, monitored and controlled by the IT, Network & Innovation division, which is managed as a cost centre. For this reason, no revenue is credited to the IT, Network & Innovation segment within the segment reporting, with the exception of the rental and administration of buildings. The results of the segments Residential Customers, Small & Medium-Sized Enterprises, Enterprise Customers and Wholesale are reported as a contribution margin before network costs.

Segment expense includes the costs of goods and services purchased, personnel expense and other operating costs less capitalised self-constructed assets and other income. Segment expense includes the ordinary employer contributions as a pension cost. Under IAS 19, the difference between the ordinary employer contributions and the pension cost is reported as a reconciliation item between the operating incomes of the segments and Group operating income.

Swisscom Switzerland

In CHF million, except where indicated	31.3.2016	31.3.2015	Change
Net revenue and results			
Mobile single subscriptions	649	671	-3.3%
Fixed-line single subscriptions	397	452	-12.2%
Bundles	603	530	13.8%
Wholesale	139	148	-6.1%
Other	541	535	1.1%
Revenue from external customers	2,329	2,336	-0.3%
Intersegment revenue	16	19	-15.8%
Net revenue	2,345	2,355	-0.4%
Direct costs	(469)	(483)	-2.9%
Indirect costs	(910)	(917)	-0.8%
Segment expenses	(1,379)	(1,400)	-1.5%
Segment result before depreciation and amortisation (EBITDA)	966	955	1.2%
Margin as % of net revenue	41.2	40.6	
Depreciation, amortisation and impairment losses	(367)	(331)	10.9%
Segment result	599	624	-4.0%
Operational data at end of period in thousand			
Fixed access lines	2,582	2,735	-5.6%
Broadband access lines retail	1,968	1,908	3.1%
Swisscom TV access lines	1,367	1,201	13.8%
Mobile access lines	6,615	6,568	0.7%
Revenue generating units (RGU)	12,532	12,412	1.0%
Bundles	1,465	1,258	16.5%
Unbundled fixed access lines	120	162	-25.9%
Broadband access lines wholesale	329	278	18.3%
Capital expenditure and headcount			
Capital expenditure	425	388	9.5%
Full-time equivalent employees at end of period	17,155	16,964	1.1%

Despite the higher number of subscribers, net revenue for Swisscom Switzerland fell by CHF 10 million or 0.4% to CHF 2,345 million as a result of increasing competitive pressure. The number of revenue-generating units (RGUs) increased year-on-year by 120,000 or 1.0% to 12.5 million, although this figure fell by 11,000 in the first quarter of 2016 as a result of increasing market saturation. In the Residential Customers and Small and Medium-Sized Enterprises (SME) units, third-party revenue increased by a total of CHF 8 million or 0.5%. In the Enterprise Customers unit, third-party revenue remained almost the same compared with the previous year at CHF 605 million (-0.3%). The decline in the mobile market, which is mainly price-related, was offset by higher revenue in the solutions business. Incoming orders in the corporate business increased by 7.1% to CHF 454 million. As a result of price reductions in the roaming business, revenue for Wholesale fell by CHF 9 million.

The huge demand for bundled offerings with flat-rate tariffs continues. By the end of March 2016, 1.47 million customers were using a bundled offering, which corresponds to an increase year-on-year of 207,000 or 16.5% (+49,000 in the first quarter). Revenue from bundled contracts increased year-on-year by CHF 73 million or 13.8% to CHF 603 million.

The increasingly saturated market is reflected in the increase in the number of subscribers in the mobile market. Year-on-year, the number of mobile lines increased by 47,000 or 0.7% to 6.6 million; however, this figure fell by 10,000 in the first quarter of 2016 as a result of market saturation. The number of postpaid lines including bundled offerings rose by 73,000 (-9,000 in the first quarter), while the number of prepaid lines declined by 26,000 (-1,000 in the first quarter). In the roaming business, a drop in roaming fees and the inclusion of roaming in the Natel infinity subscription packages has driven roaming volumes up at an even faster pace. The associated reduction in fees for 2016 amounts to around CHF 100 million. In the first quarter of 2016, data traffic rose by a factor of 2.9 year-on-year, and voice traffic rose by 18%. With the introduction of Natel infinity 2.0 in March 2016, customers benefit from much higher speeds, more roaming and unlimited online storage. The number of Natel infinity subscribers at the end of March 2016 was 2.32 million. This corresponds to 69% of postpaid lines (excluding corporate customers).

Despite stiffer competition, the number of Swisscom TV connections increased year-on-year by 166,000 or 13.8% to 1.37 million (+36,000 in the first quarter), of which basic package subscriptions accounted for 1.12 million. Two-thirds of customers use the cloud-based Swisscom TV 2.0 service. Retail broadband access lines grew year-on-year by 60,000 or 3.1% to 1.97 million (+10,000 in the first quarter). In the fixed network business, the growth in TV and broadband connections (stable in the first quarter) more than offset the reduction in the number of fixed-line phone connections of 153,000 (–47,000 in the first quarter). The decrease in the number of fixed-line phone connections is mainly the result of customers switching from fixed to mobile telephony and the migration to other providers.

Segment expense fell by CHF 21 million or 1.5% to CHF 1,379 million, with both direct and indirect costs decreasing versus the prior year. The decrease of CHF 14 million or 2.9% in direct costs to CHF 469 million is mainly due to the lower costs to purchase smartphones. In addition, the costs for subscriber acquisition and retention fell. The CHF 7 million or 0.8% drop in indirect costs to CHF 910 million is mainly attributable to lower expenses for maintenance. Headcount grew year-on-year by 191 FTEs or 1.1% to 17,155. This increase was the result of company acquisitions and new services, such as cloud services and solutions for the healthcare sector. Positions will continue to be created in growth areas while jobs in support areas will be further reduced. As a result, headcount fell by 105 FTEs compared to the end of 2015. The segment result before depreciation and amortisation rose by CHF 11 million or 1.2% to CHF 966 million as a result of cost savings. The profit margin rose 0.6 percentage points to 41.2%.

Compared to the previous year, depreciation and amortisation rose by CHF 36 million or 10.9% to CHF 367 million, which is due to the high level of capital expenditure. The segment result declined accordingly by CHF 25 million or 4.0% to CHF 599 million. At CHF 425 million, capital expenditure was CHF 37 million or 9.5% higher, mainly on account of increased investments in broadband networks.

Fastweb

In EUR million, except where indicated	31.3.2016	31.3.2015	Change
Residential Customers	223	216	3.2%
Corporate Business	171	168	1.8%
Wholesale	44	44	–
Revenue from external customers	438	428	2.3%
Intersegment revenue	2	1	100.0%
Net revenue	440	429	2.6%
Segment expenses	(309)	(309)	–
Segment result before depreciation and amortisation (EBITDA)	131	120	9.2%
Margin as % of net revenue	29.8	28.0	
Capital expenditure	154	147	4.8%
Full-time equivalent employees at end of period	2,407	2,373	1.4%
Broadband access lines in thousand	2,241	2,124	5.5%

Compared to the previous year, Fastweb's net revenue rose by EUR 11 million or 2.6% to EUR 440 million. Despite a difficult market environment, Fastweb's broadband customer base grew year-on-year by 117,000 or 5.5% to 2.24 million (+40,000 in the first quarter). Fierce competition reduced average revenue per residential broadband customer by around 3% versus the prior-year period, though the decline was offset by customer growth. Revenue from residential customers rose accordingly by EUR 7 million or 3.2% to EUR 223 million. Thanks to a strong market position in the market for business customers, revenue from business customers grew by EUR 3 million or 1.8% to EUR 171 million. At EUR 44 million, revenue in the wholesale business remained at the previous-year level. The segment result before depreciation and amortisation totalled EUR 131 million, corresponding to a year-on-year rise of EUR 11 million or 9.2%. This increase was mainly the result of higher revenue. The profit margin rose 1.8 percentage points to 29.8%. Capital expenditure rose by EUR 7 million or 4.8% to EUR 154 million due to customer growth. The ratio of capital expenditure to net revenue was 35.0% (prior year: 34.3%). Fastweb plans to provide half of all homes and businesses (around 13 million) with bandwidths of 200 Mbps by the end of 2020.

Other Operating Segments

In CHF million, except where indicated	31.3.2016	31.3.2015	Change
Revenue from external customers	76	90	-15.6%
Intersegment revenue	53	54	-1.9%
Net revenue	129	144	-10.4%
Segment expenses	(107)	(128)	-16.4%
Segment result before depreciation and amortisation (EBITDA)	22	16	37.5%
Margin as % of net revenue	17.1	11.1	
Capital expenditure	6	6	-
Full-time equivalent employees at end of period	1,769	1,940	-8.8%

The development of the Other Operating Segments is mainly affected by the sale of business units in the previous year. In 2015, Swisscom sold Alphapay Ltd and the Swisscom Hospitality division. This is the main reason for the decline in revenue, segment expense and headcount.

The net revenue of the Other Operating Segments fell year-on-year by CHF 15 million or 10.4% to CHF 129 million. The decline as a result of the sale of business units was partly offset by higher revenue from cabling construction services. The segment result before depreciation and amortisation increased by CHF 6 million or 37.5% to CHF 22 million, which corresponds to a profit margin of 17.1%. Headcount decreased year-on-year by 171 FTEs or 8.8% to 1,769 FTEs.

Group Headquarters and pension cost reconciliations

Operating income before depreciation and amortisation fell year-on-year by CHF 1 million or 3.4% to CHF -30 million. Headcount fell year-on-year by 2.5% to 314 FTEs.

An expense of CHF 18 million (prior year: CHF 17 million) is recognised as a pension cost reconciliation item under IAS 19 for the first quarter of 2016.

Depreciation and amortisation, and non-operating results

In CHF million, except where indicated

	31.3.2016	31.3.2015	Change
Operating income before depreciation and amortisation (EBITDA)	1,081	1,051	2.9%
Depreciation, amortisation and impairment losses	(546)	(507)	7.7%
Operating income (EBIT)	535	544	-1.7%
Net interest result	(39)	(47)	-17.0%
Other financial income and expense, net	(40)	(57)	-29.8%
Share of results of associates	–	5	-100.0%
Income before income taxes	456	445	2.5%
Income tax expense	(92)	(94)	-2.1%
Net income	364	351	3.7%
Share of net income attributable to equity holders of Swisscom Ltd	365	351	4.0%
Share of net income attributable to non-controlling interests	(1)	–	–
Average number of shares outstanding (in million)	51.801	51.801	–
Earnings per share (in CHF)	7.05	6.78	4.0%

Depreciation and amortisation increased by CHF 39 million or 7.7% to CHF 546 million in comparison with the prior year, mainly reflecting an increase in depreciation and amortisation at Swisscom Switzerland because of the high capital expenditure level. Intangible assets resulting from company acquisitions were capitalised for purchase price allocation purposes. Depreciation and amortisation for the first quarter of 2016 includes scheduled amortisation relating to company takeovers of CHF 35 million (prior year: CHF 29 million).

Net interest expense was CHF 8 million lower at CHF 39 million as a result of the lower average interest costs for financial debt. At CHF 40 million, other net financial expense improved by CHF 17 million mainly as a result of the better foreign exchange result. The net financial expense for the first quarter of 2016 includes foreign currency losses of CHF 4 million (prior year: CHF 27 million) and negative effects of CHF 26 million arising from the fair value adjustment of interest rate swaps (prior year: CHF 25 million).

Income tax expense amounted to CHF 92 million (prior year: CHF 94 million), corresponding to an effective income tax rate of 20.2% (prior year: 21.1%). Excluding non-recurring items, the long-term expectation continues to be that the income tax rate will be around 21%.

The lower operating income was more than offset by the improved net financial expense. Accordingly, Swisscom's net income rose by CHF 13 million or 3.7% to CHF 364 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 6.78 to CHF 7.05.

Cash flows

In CHF million	31.3.2016	31.3.2015	Change
Operating income before depreciation and amortisation (EBITDA)	1,081	1,051	30
Capital expenditure	(596)	(549) ¹	(47)
Proceeds from sale of property, plant and equipment and other intangible assets	11	12	(1)
Change in defined benefit obligations	15	15	–
Change in net working capital and other cash flow from operating activities	(327)	(185)	(142)
Operating free cash flow	184	344	(160)
Net interest paid	(9)	(17)	8
Income taxes paid	(107)	(109)	2
Free cash flow	68	218	(150)
Other cash flows from investing activities, net	(3)	(60)	57
Issuance and repayment of financial liabilities, net	(88)	(250)	162
Other cash flows from financing activities	(6)	(4)	(2)
Net decrease in cash and cash equivalents	(29)	(96)	67

¹ Excluding capital expenditure totalling CHF 5 million in real estate projects for which sales contracts were signed.

Free cash flow declined year-on-year by CHF 150 million or 68.8% to CHF 68 million, due to lower operating free cash flow. Operating free cash flow decreased by CHF 160 million or 46.5% to CHF 184 million. This decline was mainly due to the payment of the Competition Commission penalty as part of the ongoing proceedings regarding broadband services. Swisscom does not consider the sanction justified and lodged an appeal with the Federal Court. Swisscom paid the penalty of CHF 186 million, as no suspensive effect was granted. As a result of the payment, net working capital increased significantly compared to the end of 2015, amounting to CHF 327 million (prior year: CHF 185 million). Net working capital also increased as a result of higher accruals for prepaid expenses for financial year 2016. Investments rose by CHF 47 million or 8.6% to CHF 596 million compared to the previous year, mainly due to the ongoing expansion of the broadband network in Switzerland.

In the first quarter of 2016, Swisscom issued a debenture bond with a nominal amount of CHF 200 million. It has a coupon of 0.375% and matures in 2028. The funds raised were used to repay existing debts. In addition, a private placement for CHF 150 million that fell due in the first quarter of 2016 was extended by 15 years at a fixed interest rate of 0.56%.

Balance sheet

In CHF million, except where indicated	31.3.2016	31.12.2015	Change
Assets			
Cash and cash equivalents and current financial assets	375	409	-8.3%
Trade and other receivables	2,589	2,535	2.1%
Property, plant and equipment	10,031	9,855	1.8%
Goodwill	5,166	5,161	0.1%
Other intangible assets	1,846	1,861	-0.8%
Investments in associates and non-current financial assets	491	461	6.5%
Tax assets	404	375	7.7%
Other current and non-current assets	635	492	29.1%
Total assets	21,537	21,149	1.8%
Liabilities and equity			
Financial liabilities	8,621	8,593	0.3%
Trade and other payables	1,816	1,768	2.7%
Defined benefit obligations	3,806	2,919	30.4%
Provisions	1,018	1,139	-10.6%
Tax liabilities	276	436	-36.7%
Other current and non-current liabilities	1,072	1,052	1.9%
Total liabilities	16,609	15,907	4.4%
Share of equity attributable to equity holders of Swisscom Ltd	4,914	5,237	-6.2%
Share of equity attributable to non-controlling interests	14	5	180.0%
Total equity	4,928	5,242	-6.0%
Total liabilities and equity	21,537	21,149	1.8%
Equity ratio at end of period (in %)	22.9	24.8	
Net debt	8,108	8,042	0.8%

Total assets at 31 March 2016 amounted to CHF 21,537 million, which equates to an increase of CHF 388 million or 1.8% versus the end of 2015. The increase in assets is due to the higher volume of property, plant and equipment as a result of investing activity and other current and non-current assets. Other current and non-current assets increased mainly as a result of higher accruals for prepaid expenses for the 2016 financial year. Compared to the end of 2015, recognised defined benefit obligations according to IAS 19 were CHF 887 million higher at CHF 3,806 million. This increase is mainly due to the lower discount rate. The main reason for the decline in provisions by CHF 121 million to CHF 1,018 is the payment of the Competition Commission penalty as part of the ongoing proceedings regarding broadband services in the amount of CHF 186 million. Swisscom does not consider the sanction justified and lodged an appeal with the Federal Court. Equity fell by CHF 314 million or 6.0% to CHF 4,928 million, which corresponds to an equity ratio of 22.9% (24.8% as at 31 December 2015). Net income of CHF 364 million was offset by the net loss of CHF 679 million recognised in equity. This includes actuarial losses of CHF 864 million from pension plans arising mainly from interest rate changes. At the end of 2015, the cumulative currency translation losses included in equity remain unchanged at about CHF 1.7 billion.

Net debt comprises financial liabilities less cash and cash equivalents, current financial assets and non-current, fixed-interest-bearing deposits. Swisscom's goal is to achieve a maximum net debt/EBITDA ratio (on an annual basis) of 2.1. This value may be exceeded temporarily. Financial leeway exists if the target is not reached.

Outlook

The financial outlook for 2016 remains unchanged. Swisscom expects net revenue of more than CHF 11.6 billion, EBITDA of around CHF 4.2 billion and capital expenditure of more than CHF 2.3 billion. A CHF/EUR exchange rate of 1.10 is assumed for the 2016 financial outlook.

Excluding Fastweb, a slight decline in Swisscom revenue is anticipated. Growing competition and price pressure in both the residential and corporate customer segments for conventional communication services will provoke the expected decline in revenue. Growth in the number of subscribers to broadband connections, TV and mobile services will not be able to offset this decline due to growing market saturation. A slight increase in revenue is expected for Fastweb, based on growth in the customer base.

EBITDA in 2015 was around CHF 4.1 billion and was negatively affected by a number of non-recurring items, in particular provisions of CHF 186 million for legal proceedings on broadband services and CHF 70 million for headcount reductions. EBITDA in 2016 for Swisscom without Fastweb is expected to be CHF 200 million lower than EBITDA in 2015 adjusted for these two non-recurring items. In addition to the price-related decline in revenue, the costs for roaming are expected to increase. Organisational changes, efficiency gains and a lower headcount will result in cost savings of around CHF 50 million in 2016. Fastweb's EBITDA, on the other hand, is expected to be higher. Swisscom expects capital expenditure for 2016 to exceed CHF 2.3 billion. Capital expenditure in Switzerland will be slightly reduced at over CHF 1.7 billion. Capital expenditure at Fastweb will remain stable.

If the targets are met, Swisscom will propose to the Annual General Meeting payment of an unchanged dividend of CHF 22 per share for the 2016 financial year.

Consolidated interim financial statements (condensed and unaudited)

Consolidated income statement (condensed and unaudited)

In CHF million, except where indicated

	Note	1.1.–31.3.2016	1.1.–31.3.2015
Net revenue	2	2,885	2,893
Goods and services purchased		(544)	(568)
Personnel expense		(765)	(756)
Other operating expense		(597)	(609)
Capitalised self-constructed assets and other income		102	91
Operating income before depreciation and amortisation (EBITDA)		1,081	1,051
Depreciation, amortisation and impairment losses		(546)	(507)
Operating income (EBIT)	2	535	544
Financial income and financial expense, net	3	(79)	(104)
Share of results of associates		–	5
Income before income taxes		456	445
Income tax expense		(92)	(94)
Net income		364	351
Share of net income attributable to equity holders of Swisscom Ltd		365	351
Share of net income attributable to non-controlling interests		(1)	–
Basic and diluted earnings per share (in CHF)		7.05	6.78

Consolidated statement of comprehensive income (unaudited)

In CHF million	1.1.–31.3.2016	1.1.–31.3.2015
Net income	364	351
Other comprehensive income		
Actuarial gains and losses from defined benefit plans	(864)	(492)
Income tax expense	179	102
Items that will not be reclassified to income statement, net of tax	(685)	(390)
Foreign currency translation adjustments of foreign subsidiaries	14	(249)
Gains and losses from available-for-sale financial assets transferred to income statement	(4)	–
Change in fair value of cash flow hedges	(3)	(26)
Gains and losses from cash flow hedges transferred to income statement	1	(3)
Income tax expense	(2)	61
Items that are or may be reclassified subsequently to income statement, net of tax	6	(217)
Other comprehensive income	(679)	(607)
Comprehensive income	(315)	(256)
Share of comprehensive income attributable to equity holders of Swisscom Ltd	(314)	(256)
Share of comprehensive income attributable to non-controlling interests	(1)	–

Consolidated balance sheet (condensed and unaudited)

In CHF million	Note	31.3.2016	31.12.2015
Assets			
Cash and cash equivalents		296	324
Trade and other receivables		2,589	2,535
Other financial assets		79	85
Other assets		569	433
Total current assets		3,533	3,377
Property, plant and equipment		10,031	9,855
Goodwill and other intangible assets		7,012	7,022
Investments in associates		223	223
Other financial assets		268	238
Other assets		470	434
Total non-current assets		18,004	17,772
Total assets		21,537	21,149
Liabilities and equity			
Financial liabilities	4	797	1,195
Trade and other payables		1,816	1,768
Current income tax liabilities		122	146
Provisions	5	164	351
Other liabilities		724	693
Total current liabilities		3,623	4,153
Financial liabilities	4	7,824	7,398
Defined benefit obligations		3,806	2,919
Provisions	5	854	788
Deferred tax liabilities		154	290
Other liabilities		348	359
Total non-current liabilities		12,986	11,754
Total liabilities		16,609	15,907
Share of equity attributable to equity holders of Swisscom Ltd		4,914	5,237
Share of equity attributable to non-controlling interests		14	5
Total equity		4,928	5,242
Total liabilities and equity		21,537	21,149

Consolidated statement of cash flows (condensed and unaudited)

In CHF million	1.1.–31.3.2016	1.1.–31.3.2015
Net income	364	351
Adjustment for non-cash items	709	692
Change in operating assets and liabilities	(304)	(157)
Income taxes paid	(107)	(109)
Cash flow provided by operating activities	662	777
Capital expenditure	(596)	(554)
Other cash flows from investing activities, net	19	(41)
Cash flow used in investing activities	(577)	(595)
Issuance and repayment of financial liabilities, net	(88)	(250)
Other cash flows from financing activities, net	(26)	(28)
Cash flow used in financing activities	(114)	(278)
Net decrease in cash and cash equivalents	(29)	(96)
Cash and cash equivalents at beginning of period	324	302
Foreign currency translation adjustments in respect of cash and cash equivalents	1	–
Cash and cash equivalents at end of period	296	206

Consolidated statement of changes in equity (unaudited)

In CHF million	Share capital	Capital reserves	Retained earnings	Treasury shares	Other reserves	Attributable to equity holders of Swisscom	Attributable to non-controlling interests	Total equity
Balance at 31 December 2014	52	136	6,856	–	(1,590)	5,454	3	5,457
Net income	–	–	351	–	–	351	–	351
Other comprehensive income	–	–	(390)	–	(217)	(607)	–	(607)
Comprehensive income	–	–	(39)	–	(217)	(256)	–	(256)
Transactions with non-controlling interests	–	–	(1)	–	–	(1)	–	(1)
Acquisition of treasury shares for share-based payments	–	–	–	(2)	–	(2)	–	(2)
Balance at 31 March 2015	52	136	6,816	(2)	(1,807)	5,195	3	5,198
Balance at 31 December 2015	52	136	6,783	–	(1,734)	5,237	5	5,242
Net income	–	–	365	–	–	365	(1)	364
Other comprehensive income	–	–	(685)	–	6	(679)	–	(679)
Comprehensive income	–	–	(320)	–	6	(314)	(1)	(315)
Transactions with non-controlling interests	–	–	(5)	–	–	(5)	10	5
Acquisition of treasury shares for share-based payments	–	–	–	(4)	–	(4)	–	(4)
Balance at 31 March 2016	52	136	6,458	(4)	(1,728)	4,914	14	4,928

Notes to the interim financial statements (condensed and unaudited)

1 Accounting policies

Basis of preparation

These unaudited consolidated financial statements include Swisscom Ltd and all subsidiaries directly or indirectly controlled by it via a voting majority or in any other way (hereinafter referred to as Swisscom). The consolidated interim financial statements for the three months to 31 March 2016 were 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 2015. The consolidated interim financial statements were prepared in accordance with the accounting policies described in the 2015 consolidated financial statements and the revised accounting principles adopted on 1 January 2016. 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 1.093 was used as the end-of-period rate (31 December 2015: CHF/EUR 1.084) and 1.096 as the average rate for the period (prior year: CHF/EUR 1.090).

Changes in accounting principles

As of 1 January 2016, Swisscom adopted various amendments to existing International Financial Reporting Standards (IFRS) and Interpretations, none of which have a material impact on the consolidated financial statements of Swisscom.

2 Segment information

Reportable operating segments are determined on the basis of a management approach. Accordingly, external segment reporting reflects the Group's internal organisational and management structure as well as internal financial reporting to the Chief Operating Decision Maker. Reporting is divided into the segments "Residential Customers", "Small & Medium-Sized Enterprises", "Enterprise Customers", "Wholesale", and "IT, Network & Innovation", 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 charges no management fees to other segments for its financial management services, nor does the IT, Network & Innovation segment charge any network costs to other segments. Other intersegment services are charged at market rates. The results of the Residential Customers, Small & Medium-Sized Enterprises, Enterprise Customers and Wholesale segments are reported as a contribution margin before network costs. The results of the IT, Network & Innovation segment consist of operating expenses and depreciation and amortisation less the revenue from the rental and administration of buildings and capitalised costs of self-constructed assets and other income. The sum of the segment results of Swisscom Switzerland corresponds in aggregate to the operating income (EBIT) of Swisscom Switzerland. The segment results of Fastweb and Other Operating Segments correspond to the operating income (EBIT) of these units. The latter reflects the net revenue from external customers and other segments less segment expense and depreciation, amortisation and impairment losses on tangible and intangible assets. Segment expense includes the costs of goods and services purchased, personnel expense and other operating costs less capitalised self-constructed assets and other income.

Segment expense includes the ordinary employer contributions as a pension cost. The difference between the ordinary employer contributions and the retirement benefit expense as provided for under IAS 19 is reported in the column "Elimination". For the first quarter of 2016, an expense of CHF 18 million is disclosed under "Elimination" as a pension cost reconciliation item in accordance with IAS 19 (CHF 17 million in the first quarter of 2015).

Unrealised gains and losses may arise as a result of recharging services and sales of assets between the segments. These are eliminated and are reported in the segment information in the column "Elimination".

Net revenue and the results of the individual segments for the first three months of 2016 are as shown below:

1.1.–31.3.2016, in CHF million	Swisscom Switzerland	Fastweb	Other Operating segments	Group Headquarters	Elimination	Total
Net revenue from external customers	2,329	480	76	–	–	2,885
Net revenue with other segments	16	2	53	–	(71)	–
Net revenue	2,345	482	129	–	(71)	2,885
Segment result	599	(19)	4	(30)	(19)	535
Financial income and financial expense, net						(79)
Share of results of associates						–
Income before income taxes						456
Income tax expense						(92)
Net income						364

1.1.–31.3.2016, in CHF million	Residential Customers	Small and Medium-Sized Enterprises	Enterprise Customers	Wholesale	IT, Network & Innovation	Elimination	Swisscom Switzerland
Net revenue from external customers	1,252	328	605	139	5	–	2,329
Net revenue with other segments	35	8	51	81	25	(184)	16
Net revenue	1,287	336	656	220	30	(184)	2,345
Segment result	718	212	186	93	(609)	(1)	599

Net revenue and the results of the individual segments for the first three months of 2015 are as shown below:

1.1.–31.3.2015, in CHF million	Swisscom Switzerland	Fastweb	Other Operating segments	Group Head-quarters	Elimination	Total
Net revenue from external customers	2,336	467	90	–	–	2,893
Net revenue with other segments	19	1	54	–	(74)	–
Net revenue	2,355	468	144	–	(74)	2,893
Segment result	624	(30)	(1)	(29)	(20)	544
Financial income and financial expense, net						(104)
Share of results of associates						5
Income before income taxes						445
Income tax expense						(94)
Net income						351

1.1.–31.3.2015, in CHF million	Residential Customers	Small and Medium-Sized Enterprises	Enterprise Customers	Wholesale	IT, Network & Innovation	Elimination	Swisscom Switzerland
Net revenue from external customers	1,252	320	607	148	9	–	2,336
Net revenue with other segments	39	7	50	82	25	(184)	19
Net revenue	1,291	327	657	230	34	(184)	2,355
Segment result	697	208	198	101	(579)	(1)	624

3 Financial income and financial expense

In CHF million	1.1.–31.3.2016	1.1.–31.3.2015
Interest income	6	3
Interest expense	(45)	(50)
Net interest expense	(39)	(47)
Foreign exchange losses	(4)	(27)
Change in fair value of interest rate swaps	(26)	(25)
Other financial income and expense, net	(10)	(5)
Financial income and financial expense, net	(79)	(104)

4 Financial liabilities

In CHF million	31.3.2016	31.12.2015
Bank loans	465	746
Debenture bonds	77	45
Private placements	201	350
Finance lease liabilities	15	16
Other financial liabilities	39	38
Total current financial liabilities	797	1,195
Bank loans	580	610
Debenture bonds	5,633	5,385
Private placements	732	581
Finance lease liabilities	512	510
Other financial liabilities	367	312
Total non-current financial liabilities	7,824	7,398
Total financial liabilities	8,621	8,593

In the first quarter of 2016, Swisscom issued a debenture bond with a nominal amount of CHF 200 million. It has a coupon of 0.375% and matures in 2028. The funds raised were used to repay existing debts. In addition, a private placement for CHF 150 million that fell due in the first quarter of 2016 was extended by 15 years at a fixed interest rate of 0.56%.

5 Provisions

In CHF million	Dismantling and restoration costs	Regulatory and ComCo proceedings	Other	Total
Balance at 31 December 2015	593	310	236	1,139
Additions of provisions	1	1	8	10
Present-value adjustments	63	–	1	64
Release of unused provisions	(1)	–	(1)	(2)
Use of provisions	(2)	(186)	(5)	(193)
Balance at 31 March 2016	654	125	239	1,018
Thereof current provisions	–	11	153	164
Thereof non-current provisions	654	114	86	854

Provisions for dismantling and restoration costs

The provisions for dismantling and restoration costs relate to the dismantling of the mobile base stations and transmitter stations of Swisscom Broadcast and the restoration to its original state of the land owned by third parties on which the stations are located. The provisions are computed by reference to estimates of future dismantling costs and are discounted using an average interest rate of 1.07%. The drop in the discount rate resulted in an effect of CHF 61 million, recognised under property, plant and equipment. The non-current portion of the provision is expected to be settled after 2020.

Provisions for regulatory and antitrust proceedings

In accordance with the revised Telecommunications Act, Swisscom provides interconnection services and other access services to other telecommunication service providers in Switzerland. In previous years, several telecommunication service providers demanded from the Federal Communications Commission (ComCom) a reduction in the prices charged to them by Swisscom. Based on legal assessments, Swisscom raised provisions in prior years. The provisions recognised in the 2015 consolidated financial statements have not changed materially during the current financial year. In 2009, the Competition Commission (ComCo) sanctioned Swisscom for abuse of a market-dominant position in the case of ADSL services in the period up to the end of 2007 and levied a fine of CHF 220 million. Swisscom appealed the ruling to the Federal Administrative Court. In October 2015, the Federal Administrative Court confirmed in principle the Competition Commission's decision and reduced the penalty imposed by the Competition Commission from CHF 220 million to CHF 186 million. As a result of this decision, Swisscom recognised a provision of CHF 186 million in the third quarter of 2015. Swisscom does not consider the sanction justified and has lodged an appeal with the Federal Court. At the beginning of 2016, Swisscom paid the penalty of CHF 186 million charged by the Competition Commission.

Other provisions

Other provisions mainly include provisions for termination benefits and environmental, contractual and tax risks. The other provisions recognised in the 2015 consolidated financial statements have not changed materially during the current financial year.

6 Contingent liabilities and contingent assets

Regulatory and antitrust proceedings

In April 2013, the Competition Commission opened an investigation under the Federal Cartel Act against Swisscom concerning the broadcasting of live sport on pay TV. In July 2015, the Secretariat of the Competition Commission submitted its draft decree to Swisscom. The request to the Competition Commission proposes sanctions in the amount of CHF 143 million against Swisscom due to alleged prohibited marketing of sports content via pay TV. As things stand, Swisscom does not believe it is likely that a court of final appeal will levy sanctions and has therefore still not recognised a provision in its consolidated financial statements as at 31 March 2016.

With regard to the other contingent liabilities which were reported in the 2015 consolidated financial statements in connection with regulatory and antitrust proceedings, Swisscom is of the opinion that an outflow of resources is unlikely and, as before, has therefore not recognised any provision for this in the consolidated financial statements as at 31 March 2016.

Contingent assets from legal proceedings

With regard to the contingent assets for legal proceedings which were reported in the 2015 consolidated financial statements, Swisscom remains of the opinion that no receivables will be recognised in the consolidated financial statements as at 31 March 2016.

7 Dividend payment

On 6 April 2016, 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 12 April 2016.

8 Financial instruments

Carrying amounts and fair values of financial instruments

The carrying amounts and the fair values of financial assets and financial liabilities with the corresponding valuation categories can be found in the following table. The table does not include cash and cash equivalents, trade receivables and payables as well as other receivables and payables whose carrying amount corresponds to an adequate estimate of the fair value. The fair value hierarchy comprises the following three levels:

- > **Level 1:** stock-exchange quoted prices in active markets for identical assets or liabilities;
- > **Level 2:** other factors which are observable on markets for assets and liabilities, either directly or indirectly;
- > **Level 3:** factors that are not based on observable market data.

In CHF million	Carrying amount				Fair Value		
	Loans and receivables	Available-for-sale	At fair value through profit or loss	Financial liabilities	Level 1	Level 2	Level 3
31 March 2016							
Derivative financial instruments	–	–	52	–	–	52	–
Other assets valued at fair value	–	–	59	–	59	–	–
Available-for-sale financial assets	–	8	–	–	–	–	8
Financial assets measured at fair value	–	8	111	–	59	52	8
Other loans and receivables	190	–	–	–	–	217	–
Financial assets not measured at fair value	190	–	–	–	–	217	–
Derivative financial instruments	–	–	90	–	–	90	–
Financial liabilities measured at fair value	–	–	90	–	–	90	–
Bank loans	–	–	–	1,045	–	1,083	–
Debenture bonds	–	–	–	5,710	6,190	–	–
Private placements	–	–	–	933	–	971	–
Finance lease liabilities	–	–	–	527	–	1,103	–
Other interest-bearing financial liabilities	–	–	–	46	–	46	–
Other non-interest-bearing financial liabilities	–	–	–	270	–	270	–
Financial liabilities not measured at fair value	–	–	–	8,531	6,190	3,473	–

In addition, available-for-sale financial assets as at 31 March 2016 with a carrying amount of CHF 38 million are measured at acquisition cost. Level-3 financial instruments developed as follows in the first three months of 2016:

In CHF million	Available-for-sale financial assets
Balance at 31 December 2015	15
Disposals	(7)
Balance at 31 March 2016	8

Level-3 assets consist of investments in various investment funds. The fair value was calculated using a valuation model. In the first three months of 2016, there were no reclassifications between the various levels.

9 Related parties

Transactions between Swisscom and various related parties in the first three months of 2016 are similar to those disclosed in the 2015 consolidated financial statements.

10 Events after the balance sheet date

Approval of the interim report

The Board of Directors of Swisscom Ltd approved the release of this interim report on 2 May 2016.

Further information

Share information

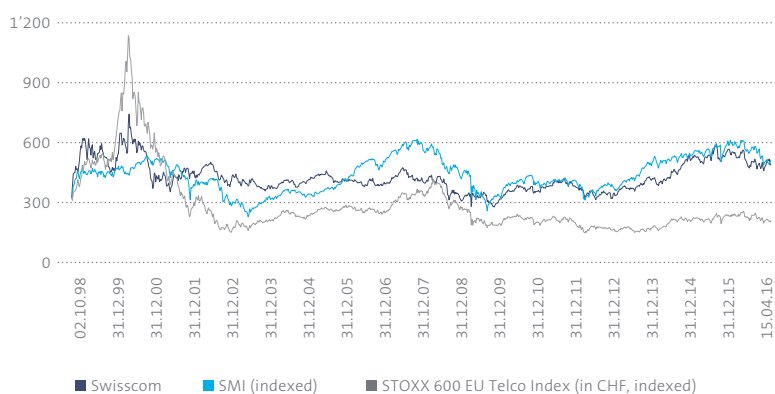
Swisscom share performance indicators

31.12.2015–31.3.2016	SIX Swiss Exchange
Closing price at 31 December 2015, in CHF ¹	503.00
Closing price at 31 March 2016, in CHF ¹	522.50
Change in %	3.90
Year high in CHF ¹	528.50
Year low in CHF ¹	452.70
Total volume of traded shares	9,112,052
Total turnover in CHF million	4,504
Daily average of traded shares	140,185
Daily average in CHF million	69

Source: Bloomberg
¹ paid prices

Share performance since IPO

Share performance 1998–2016 in CHF



Share information

On 31 March 2016, the share capital consisted of 51,801,943 registered shares, the majority of which are held by the Swiss Confederation in accordance with the Telecommunications Enterprise Act (TEA). Par value per registered share is CHF 1.

At the end of March 2016, Swisscom had some 75,000 registered shareholders and around 14% unregistered shareholdings.

At the Annual General Meeting on 6 April 2016, shareholders approved a gross dividend of CHF 22 per share. A total dividend amount of CHF 1,140 million was paid out on 12 April 2016.

Each share entitles the holder to one vote. Voting rights can only be exercised if the shareholder is entered in the share register of Swisscom Ltd with voting rights. The Board of Directors may refuse to enter a shareholder with voting rights if such voting rights exceed 5% of the company's share capital.

Financial calendar

- > 18 August 2016 2016 Second-Quarter Results
- > 3 November 2016 2016 Third-Quarter Results
- > 8 February 2017 2016 Annual Results

Stock exchanges

Swisscom shares are listed and traded on the SIX Swiss Exchange under the ticker 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 programme) under the ticker symbol SCMWY (Pink Sheet No. 69769).

Quarterly review 2015 and 2016

In CHF million, except where indicated	1. quarter	2. quarter	3. quarter	4. quarter	2015	1. quarter	2. quarter	3. quarter	4. quarter	2016
Income statement										
Net revenue	2,893	2,865	2,893	3,027	11,678	2,885				2,885
Goods and services purchased	(568)	(553)	(533)	(688)	(2,342)	(544)				(544)
Personnel expense	(756)	(757)	(703)	(803)	(3,019)	(765)				(765)
Other operating expense	(609)	(577)	(785)	(726)	(2,697)	(597)				(597)
Capitalised self-constructed assets and other income	91	104	94	189	478	102				102
Operating income (EBITDA)	1,051	1,082	966	999	4,098	1,081				1,081
Depreciation and amortisation	(507)	(521)	(517)	(541)	(2,086)	(546)				(546)
Operating income (EBIT)	544	561	449	458	2,012	535				535
Net interest expense	(47)	(49)	(51)	(42)	(189)	(39)				(39)
Other financial result	(57)	16	(6)	(36)	(83)	(40)				(40)
Result of associates	5	8	5	5	23	–				–
Income before income taxes	445	536	397	385	1,763	456				456
Income tax expense	(94)	(103)	(123)	(81)	(401)	(92)				(92)
Net income	351	433	274	304	1,362	364				364
Attributable to equity holders of Swisscom Ltd	351	433	274	303	1,361	365				365
Attributable to non-controlling interests	–	–	–	1	1	(1)				(1)
Earnings per share (in CHF)	6.78	8.35	5.29	5.85	26.27	7.05				7.05
Net revenue										
Swisscom Switzerland	2,355	2,342	2,375	2,473	9,545	2,345				2,345
Fastweb	468	453	457	489	1,867	482				482
Other Operating segments	144	156	149	154	603	129				129
Group Headquarters	–	1	–	1	2	–				–
Intersegment elimination	(74)	(87)	(88)	(90)	(339)	(71)				(71)
Total net revenue	2,893	2,865	2,893	3,027	11,678	2,885				2,885
Segment result before depreciation and amortisation (EBITDA)										
Swisscom Switzerland	955	969	833	844	3,601	966				966
Fastweb	130	148	156	185	619	144				144
Other Operating segments	16	19	24	10	69	22				22
Group Headquarters	(29)	(29)	(22)	(37)	(117)	(30)				(30)
Intersegment elimination	(4)	(6)	(7)	3	(14)	(3)				(3)
Reconciliation to pension cost	(17)	(19)	(18)	(6)	(60)	(18)				(18)
Total segment result (EBITDA)	1,051	1,082	966	999	4,098	1,081				1,081
Capital expenditure in property, plant and equipment and other intangible assets										
Swisscom Switzerland	388	453	459	499	1,799	425				425
Fastweb	160	138	133	150	581	169				169
Other Operating segments	6	6	8	28	48	6				6
Intersegment elimination	(5)	(4)	(5)	(5)	(19)	(4)				(4)
Total capital expenditure	549	593	595	672	2,409	596				596
Full-time equivalent employees at end of period										
Swisscom Switzerland	16,964	17,062	17,176	17,199	17,199	17,155				17,155
Fastweb	2,373	2,377	2,381	2,401	2,401	2,407				2,407
Other Operating segments	1,940	1,722	1,725	1,723	1,723	1,769				1,769
Group Headquarters	322	325	321	314	314	314				314
Total full-time equivalent employees	21,599	21,486	21,603	21,637	21,637	21,645				21,645
Operating free cash flow	344	401	684	415	1,844	184				184
Net debt	7,895	8,760	8,320	8,042	8,042	8,108				8,108

In CHF million, except where indicated

	1. quarter	2. quarter	3. quarter	4. quarter	2015	1. quarter	2. quarter	3. quarter	4. quarter	2016
Swisscom Switzerland										
Revenue and results										
Residential Customers	438	449	460	433	1,780	426				426
Small and Medium-Sized Enterprises	101	102	102	98	403	95				95
Enterprise Customers	132	140	140	134	546	128				128
Revenue mobile single subscription	671	691	702	665	2,729	649				649
Residential Customers	207	191	185	178	761	159				159
Small and Medium-Sized Enterprises	106	103	103	101	413	100				100
Enterprise Customers	139	141	140	137	557	138				138
Revenue fixed-line single subscription	452	435	428	416	1,731	397				397
Residential Customers	461	476	496	513	1,946	524				524
Small and Medium-Sized Enterprises	69	71	73	75	288	78				78
Enterprise Customers	–	–	–	–	–	1				1
Revenue bundles	530	547	569	588	2,234	603				603
Total revenue single subscription and bundles	1,653	1,673	1,699	1,669	6,694	1,649				1,649
Solution business	261	260	253	294	1,068	277				277
Hardware sold	148	128	124	202	602	136				136
Wholesale	148	140	145	146	579	139				139
Revenue other	126	124	137	145	532	128				128
Revenue from external customers	2,336	2,325	2,358	2,456	9,475	2,329				2,329
Residential Customers	1,252	1,247	1,267	1,309	5,075	1,252				1,252
Small and Medium-Sized Enterprises	320	332	344	343	1,339	328				328
Enterprise Customers	607	598	594	650	2,449	605				605
Wholesale	148	140	145	146	579	139				139
IT, Network & Innovation	9	8	8	8	33	5				5
Revenue from external customers	2,336	2,325	2,358	2,456	9,475	2,329				2,329
Segment result before depreciation and amortisation (EBITDA)										
Residential Customers	730	742	756	705	2,933	755				755
Small and Medium-Sized Enterprises	217	232	239	219	907	224				224
Enterprise Customers	219	226	237	228	910	212				212
Wholesale	101	92	(86)	91	198	93				93
IT, Network & Innovation	(312)	(323)	(312)	(400)	(1,347)	(318)				(318)
Intersegment elimination	–	–	(1)	1	–	–				–
Segment result (EBITDA)	955	969	833	844	3,601	966				966
Margin as % of net revenue	40.6	41.4	35.1	34.1	37.7	41.2				41.2
Fastweb, in EUR million										
Residential Customers	216	219	218	225	878	223				223
Corporate Business	168	177	171	195	711	171				171
Wholesale hubbing	7	7	6	6	26	6				6
Wholesale other	37	29	28	23	117	38				38
Revenue from external customers	428	432	423	449	1,732	438				438
Segment result (EBITDA)	120	140	145	171	576	131				131
Margin as % of net revenue	28.0	32.4	34.2	38.0	33.2	29.9				29.9
Capital expenditure	147	132	124	138	541	154				154
Broadband access lines in thousand	2,124	2,157	2,172	2,201	2,201	2,241				2,241

In thousand, except where indicated	1. quarter	2. quarter	3. quarter	4. quarter	2015	1. quarter	2. quarter	3. quarter	4. quarter	2016
Swisscom Switzerland										
Operational data										
Access lines										
Single subscriptions	1,763	1,695	1,632	1,573	1,573	1,500				1,500
Bundles	972	1,002	1,027	1,056	1,056	1,082				1,082
Fixed access lines	2,735	2,697	2,659	2,629	2,629	2,582				2,582
Single subscriptions	650	615	581	542	542	503				503
Bundles	1,258	1,307	1,356	1,416	1,416	1,465				1,465
Broadband access lines retail	1,908	1,922	1,937	1,958	1,958	1,968				1,968
Single subscriptions	200	182	165	148	148	127				127
Bundles	1,001	1,056	1,110	1,183	1,183	1,240				1,240
Swisscom TV access lines	1,201	1,238	1,275	1,331	1,331	1,367				1,367
Prepaid single subscriptions	2,149	2,131	2,125	2,124	2,124	2,123				2,123
Postpaid single subscriptions	3,888	3,910	3,920	3,905	3,905	3,877				3,877
Mobile access lines single subscriptions	6,037	6,041	6,045	6,029	6,029	6,000				6,000
Bundles	531	551	573	596	596	615				615
Mobile access lines	6,568	6,592	6,618	6,625	6,625	6,615				6,615
Revenue generating units (RGU)	12,412	12,449	12,489	12,543	12,543	12,532				12,532
Broadband access lines wholesale	278	291	301	315	315	329				329
Unbundled fixed access lines	162	150	139	128	128	120				120
Bundles										
2Play bundles	302	301	301	287	287	280				280
3Play bundles	680	712	741	790	790	826				826
4Play bundles	266	278	291	304	304	313				313
nPlay bundles	10	16	23	35	35	46				46
Total bundles	1,258	1,307	1,356	1,416	1,416	1,465				1,465
Swisscom Group										
Information by geographical regions										
Net revenue in Switzerland	2,407	2,395	2,431	2,531	9,764	2,398				2,398
Net revenue in other countries	486	470	462	496	1,914	487				487
Total net revenue	2,893	2,865	2,893	3,027	11,678	2,885				2,885
EBITDA in Switzerland	914	932	804	811	3,461	936				936
EBITDA in other countries	137	150	162	188	637	145				145
Total EBITDA	1,051	1,082	966	999	4,098	1,081				1,081
Capital expenditure in Switzerland	388	454	460	520	1,822	425				425
Capital expenditure in other countries	161	139	135	152	587	171				171
Total capital expenditure	549	593	595	672	2,409	596				596
Full-time equivalent employees in Switzerland	18,776	18,828	18,936	18,965	18,965	18,960				18,960
Full-time equivalent employees in other countries	2,823	2,658	2,667	2,672	2,672	2,685				2,685
Total full-time equivalent employees	21,599	21,486	21,603	21,637	21,637	21,645				21,645

Forward-looking statements

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

This communication contains statements that constitute “forward-looking statements”. In this communication, 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. Swisscom disclaims any intention or obligation to update and revise any forward-looking statements, whether as a result of new information, future events or otherwise.

