

# 2017

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**Interim Report**  
January–June

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**swisscom**

# Key Financial Figures

In CHF million, except where indicated

		1 <sup>st</sup> half-year 2017	1 <sup>st</sup> half-year 2016	Change
<b>Net revenue and results</b>				
Net revenue		5,690	5,769	-1.4%
Operating income before depreciation and amortisation (EBITDA) <sup>1</sup>		2,260	2,227	1.5%
EBITDA as % of net revenue	%	39.7	38.6	
Operating income (EBIT) <sup>2</sup>		1,203	1,135	6.0%
Net income		839	788	6.5%
Earnings per share	CHF	16.22	15.23	6.5%

<b>Balance sheet and cash flows</b>				
Equity at end of period <sup>3</sup>		6,531	4,263	53.2%
Equity ratio at end of period <sup>3,4</sup>	%	30.3	19.9	
Capital expenditure		1,057	1,193	-11.4%
Operating free cash flow <sup>5</sup>		1,012	788	28.4%
Net debt at end of period <sup>6</sup>		8,441	8,856	-4.7%

<b>Operational data at end of period</b>				
Fixed telephony access lines in Switzerland	in thousand	2,208	2,518	-12.3%
Broadband access lines in Switzerland	in thousand	1,989	1,978	0.6%
Swisscom TV access lines in Switzerland <sup>7</sup>	in thousand	1,447	1,351	7.1%
Mobile access lines in Switzerland	in thousand	6,589	6,623	-0.5%
Revenue generating units (RGU) in Switzerland <sup>8</sup>	in thousand	12,233	12,470	-1.9%
Unbundled fixed access lines in Switzerland	in thousand	116	125	-7.2%
Broadband access lines wholesale in Switzerland	in thousand	402	342	17.5%
Broadband access lines in Italy	in thousand	2,411	2,257	6.8%
Mobile access lines in Italy	in thousand	880	606	45.2%

<b>Swisscom share at end of period</b>				
Number of issued shares at end of period	in thousand	51,802	51,802	-
Closing price at end of period	CHF	462.70	482.70	-4.1%
Market capitalisation at end of period <sup>9</sup>		23,969	25,005	-4.1%

<b>Employees at end of period</b>				
Full-time equivalent employees at end of period	FTE	20,775	21,443	-3.1%

<sup>1</sup> 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.

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

<sup>3</sup> The increase in equity and equity ratio is primarily due to the decrease in the carrying amount of the defined benefit obligations (applying risk sharing, plan amendment, increase in discount rate).

<sup>4</sup> Equity as a percentage of total assets.

<sup>5</sup> Definition operating free cash flow: operating income before depreciation and amortisation (EBITDA), change in operating assets and liabilities (excluding cash and cash equivalents) less net capital expenditure in tangible and intangible assets and dividends paid to non-controlling interests.

<sup>6</sup> Definition net debt: financial liabilities less cash and cash equivalents, current financial assets and non-current fixed-interest-bearing deposits.

<sup>7</sup> In 2016, adjustment of not activated TV access lines -49 k.

<sup>8</sup> Definition revenue generating units (RGU) in Switzerland: fixed access lines, broadband access lines retail, Swisscom TV access lines and mobile access lines.

<sup>9</sup> 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	1 <sup>st</sup> half-year 2017	1 <sup>st</sup> half-year 2016	Change
Net revenue	5,690	5,769	-1.4%
Operating income before depreciation and amortisation (EBITDA)	2,260	2,227	1.5%
EBITDA as % of net revenue	39.7	38.6	
Operating income (EBIT)	1,203	1,135	6.0%
Net income	839	788	6.5%
Earnings per share (in CHF)	16.22	15.23	6.5%
Capital expenditure	1,057	1,193	-11.4%
Operating free cash flow	1,012	788	28.4%
Net debt at end of period	8,441	8,856	-4.7%
Full-time equivalent employees at end of period	20,775	21,443	-3.1%

In the first half of 2017, Swisscom's net revenue fell by CHF 79 million or 1.4% to CHF 5,690 million. Revenue in the Swiss core business decreased by CHF 110 million or 2.4% mainly as a result of fierce competition and fixed-line telephony substitution. Revenue from telecommunications services fell by CHF 76 million or 2.3%, with half of this reduction due to the declining subscriber base in the fixed-line telephony business and the other half to price cuts, including roaming fees, and a drop-off in the Enterprise Customers segment. Revenue in Italian subsidiary Fastweb rose by EUR 42 million or 4.8% to EUR 923 million, due to customer growth and higher wholesale revenue.

Swisscom's operating income before depreciation and amortisation (EBITDA) increased by CHF 33 million or 1.5% to CHF 2,260 million. This increase is primarily attributable to higher EBITDA at Fastweb, which rose by EUR 68 million or 20.3% to EUR 403 million, and includes one-off income from legal disputes amounting to EUR 95 million (prior year: EUR 55 million). Adjusted for this income, Fastweb EBITDA increased by EUR 28 million or 10.0%. EBITDA in the Swiss core business fell by CHF 29 million or 1.5%, with a large proportion of the drop in revenue offset by active cost management. Swisscom's operating income (EBIT) increased by CHF 68 million or 6.0% to CHF 1,203 million due to higher EBITDA and lower depreciation and amortisation. As a result of the increase in operating income, net income rose by CHF 51 million or 6.5% to CHF 839 million.

Swisscom's capital expenditure fell by CHF 136 million or 11.4% to CHF 1,057 million. In Switzerland, it declined primarily as a result of delays in network expansion by CHF 148 million or 16.9% to CHF 728 million. Nevertheless, progress continues to be made on expanding the broadband network. At the end of June 2017, over 2.7 million lines in Switzerland featured the latest fibre-optic technology. In total, Swisscom has connected around 3.7 million homes and offices with ultra-fast broadband (with speeds of more than 50 Mbps). At Fastweb, capital expenditure rose by EUR 16 million or 5.6% to EUR 302 million mainly due to higher customer-driven investment.

Operating free cash flow rose by CHF 224 million to CHF 1,012 million. In the previous year, cash flow was affected by the payment of the penalty of CHF 186 million for the ongoing Competition Commission proceedings regarding broadband services. At CHF 8,441 million, net debt is CHF 415 million or 4.7% lower compared to the previous year.

Headcount decreased year-on-year by 668 FTEs or 3.1% to 20,775 FTEs. In comparison with the previous year, headcount in Switzerland fell by 780 FTEs or 4.2% to 17,974 FTEs as a result of the declining core business. Around half of the reduction was offset by natural fluctuation and vacancy management. In Switzerland, the reduction in the first half of 2017 totalled 398 FTEs. (-2.2%).

The financial outlook for 2017 in terms of revenue and capital expenditure remains unchanged. Swisscom expects to close the financial year with net revenue of around CHF 11.6 billion and capital expenditure in the region of CHF 2.4 billion. EBITDA is expected to increase from around CHF 4.2 billion to roughly CHF 4.3 billion, taking into account Fastweb's one-off income recognised in the second quarter of 2017. Subject to achieving its targets, Swisscom will propose payment of an unchanged, attractive dividend of CHF 22 per share for the 2017 financial year at the 2018 Annual General Meeting.

## Segment results

In CHF million	2. quarter 2017	2. quarter 2016	Change	1 <sup>st</sup> half-year 2017	1 <sup>st</sup> half-year 2016	Change
<b>Net revenue</b>						
Retail Customers	1,501	1,549	-3.1%	3,018	3,114	-3.1%
Enterprise Customers	626	631	-0.8%	1,238	1,273	-2.7%
Wholesale	215	247	-13.0%	421	464	-9.3%
IT, Network & Infrastructure	42	42	-	84	83	1.2%
Intersegment elimination	(143)	(177)	-19.2%	(274)	(337)	-18.7%
<b>Swisscom Switzerland</b>	<b>2,241</b>	<b>2,292</b>	<b>-2.2%</b>	<b>4,487</b>	<b>4,597</b>	<b>-2.4%</b>
Fastweb	511	483	5.8%	995	965	3.1%
Other Operating Segments	210	195	7.7%	397	365	8.8%
Group Headquarters	1	1	-	1	1	-
Intersegment elimination	(104)	(87)	19.5%	(190)	(159)	19.5%
<b>Net revenue</b>	<b>2,859</b>	<b>2,884</b>	<b>-0.9%</b>	<b>5,690</b>	<b>5,769</b>	<b>-1.4%</b>
<b>Operating income before depreciation and amortisation (EBITDA)</b>						
Retail Customers	910	926	-1.7%	1,841	1,877	-1.9%
Enterprise Customers	215	209	2.9%	416	426	-2.3%
Wholesale	103	97	6.2%	207	188	10.1%
IT, Network & Infrastructure	(304)	(305)	-0.3%	(612)	(610)	0.3%
<b>Swisscom Switzerland</b>	<b>924</b>	<b>927</b>	<b>-0.3%</b>	<b>1,852</b>	<b>1,881</b>	<b>-1.5%</b>
Fastweb	279	223	25.1%	434	367	18.3%
Other Operating Segments	40	46	-13.0%	80	80	-
Group Headquarters	(21)	(27)	-22.2%	(47)	(57)	-17.5%
Intersegment elimination	(8)	(6)	33.3%	(12)	(9)	33.3%
Reconciliation to pension cost <sup>1</sup>	(27)	(17)	58.8%	(47)	(35)	34.3%
<b>Operating income before depreciation and amortisation (EBITDA)</b>	<b>1,187</b>	<b>1,146</b>	<b>3.6%</b>	<b>2,260</b>	<b>2,227</b>	<b>1.5%</b>

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

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Segment reporting was adapted to the management structure in 2017. Swisscom's financial reporting focuses on the 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 and comprises the customer segments Residential Customers, Enterprise Customers and Wholesale, as well as the IT, Network & Infrastructure division. Fastweb is one of the largest broadband telecom companies in Italy. Other Operating Segments primarily comprises the Digital Business division, Swisscom Broadcast Ltd (radio transmitters) and cablex Ltd (network construction and maintenance). Group Headquarters largely comprises the Group divisions.

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

Segment expense includes the costs of goods and services purchased, personnel expense and other operating costs less capitalised costs of self-constructed assets and other income. Segment expense contains the ordinary employer contributions as pension costs. 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

	2. quarter 2017	2. quarter 2016	Change	1 <sup>st</sup> half-year 2017	1 <sup>st</sup> half-year 2016	Change
<b>Net revenue and results</b>						
Telecommunications services	1,621	1,660	-2.3%	3,253	3,329	-2.3%
Solution business	271	269	0.7%	532	537	-0.9%
Trade goods	145	144	0.7%	292	301	-3.0%
Wholesale	135	148	-8.8%	273	287	-4.9%
Other revenue	50	50	-	99	102	-2.9%
<b>Revenue from external customers</b>	<b>2,222</b>	<b>2,271</b>	<b>-2.2%</b>	<b>4,449</b>	<b>4,556</b>	<b>-2.3%</b>
Intersegment revenue	19	21	-9.5%	38	41	-7.3%
<b>Net revenue</b>	<b>2,241</b>	<b>2,292</b>	<b>-2.2%</b>	<b>4,487</b>	<b>4,597</b>	<b>-2.4%</b>
Direct costs	(436)	(483)	-9.7%	(876)	(950)	-7.8%
Indirect costs	(881)	(882)	-0.1%	(1,759)	(1,766)	-0.4%
<b>Segment expenses</b>	<b>(1,317)</b>	<b>(1,365)</b>	<b>-3.5%</b>	<b>(2,635)</b>	<b>(2,716)</b>	<b>-3.0%</b>
<b>Segment result before depreciation and amortisation (EBITDA)</b>	<b>924</b>	<b>927</b>	<b>-0.3%</b>	<b>1,852</b>	<b>1,881</b>	<b>-1.5%</b>
Margin as % of net revenue	41.2	40.4		41.3	40.9	
Depreciation, amortisation and impairment losses	(379)	(371)	2.2%	(746)	(734)	1.6%
<b>Segment result</b>	<b>545</b>	<b>556</b>	<b>-2.0%</b>	<b>1,106</b>	<b>1,147</b>	<b>-3.6%</b>
<b>Operational data at end of period in thousand</b>						
Fixed telephony access lines				2,208	2,518	-12.3%
Broadband access lines				1,989	1,978	0.6%
Swisscom TV access lines				1,447	1,351	7.1%
Mobile access lines				6,589	6,623	-0.5%
Revenue generating units (RGU)				12,233	12,470	-1.9%
Bundles				1,784	1,515	17.8%
Unbundled fixed access lines				116	125	-7.2%
Broadband access lines wholesale				402	342	17.5%
<b>Capital expenditure and headcount</b>						
Capital expenditure	362	448	-19.2%	719	872	-17.5%
Full-time equivalent employees at end of period				15,420	16,221	-4.9%

Net revenue for Swisscom Switzerland fell by CHF 110 million or 2.4% to CHF 4,487 million (-2.2% in the second quarter) as a result of fierce competition and fixed-line telephony substitution. Of this decline, CHF 67 million (-2.2%) was attributable to the Residential Customers segment, CHF 27 million (-2.2%) to the Enterprise Customers segment and CHF 14 million (-4.9%) to the Wholesale segment. The trends in 2016 are continuing in the second quarter of 2017, as expected. Revenue from telecommunications services decreased by CHF 76 million or 2.3% to CHF 3,253 million (-2.3% in the second quarter), with around half of the drop due to the declining subscriber base in the fixed-line telephony business, which dropped year-on-year by 12.3% to 2.2 million, and by 3.9% in the second quarter of 2017. The other half of the reduction is the result of price cuts, including roaming fees, and a decline in the Enterprise Customers segment. In addition, revenue from the solutions business within Enterprise Customers decreased by CHF 5 million or 0.9% to CHF 532 million (+0.7% in the second quarter). In Wholesale, lower revenue as a result of the reduction in termination tariffs on mobile networks were partially offset by higher inbound roaming volumes.

In the saturated market, subscriber numbers in mobile telecommunications remained flat. Year-on-year, the number of mobile lines fell by 34,000 or 0.5% to 6.59 million (-0.2% in the second quarter). Swisscom saw slight growth in postpaid offerings (+1.3%), while the number of prepaid customers fell (-4.5%). The number of broadband connections rose year-on-year by 11,000 or 0.6% to 1.99 million (+1,000 in the second quarter). The number of TV connections increased by 96,000 or 7.1% to 1.45 million (+9,000 in the second quarter). In April 2017, Swisscom radically simplified its price plan with inOne. inOne offers Internet, TV, telephony and mobile in a single package that can be tailored to individual customers. From the end of June 2017, i.e. just three months after launch, over 450,000 customers opted for inOne with more than 920,000 connections, boosting demand for bundled offerings. At the end of June 2017, 1.78 million customers were using a bundled package, which represents an increase by 17.8% year on year. Revenue from bundled contracts increased year-on-year by CHF 157 million or 12.9% to CHF 1,370 million.

Segment expense fell by CHF 81 million or 3.0% to CHF 2,635 million (–3.5% in the second quarter), with both direct and indirect costs decreasing versus the prior year. The decrease of CHF 74 million or 7.8% in direct costs to CHF 876 million is due to the lower termination tariffs on mobile networks and lower costs to purchase products (–9.7% in the second quarter). Indirect costs fell by CHF 7 million or 0.4% to CHF 1,759 million (–0.1% in the second quarter). Excluding gains from the sale of real estate in the prior year, the decrease was 1.2% and is chiefly due to the lower headcount. Headcount fell year-on-year as a result of efficiency measures by 801 FTEs or 4.9% to 15,420, including 456 FTEs or 2.9% in the first half of 2017. The segment result before depreciation and amortisation fell by CHF 29 million or 1.5% to CHF 1,852 million. A large proportion of the drop in revenue was offset by active cost management. Excluding gains from the sale of real estate in the previous year, the decline was 0.8%. Capital expenditure decreased as a result of delayed investments by CHF 153 million or 17.5% to CHF 719 million.

## Fastweb

In EUR million, except where indicated	2. quarter 2017	2. quarter 2016	Change	1 <sup>st</sup> half-year 2017	1 <sup>st</sup> half-year 2016	Change
Residential Customers	238	227	4.8%	470	450	4.4%
Corporate Business	173	177	–2.3%	341	348	–2.0%
Wholesale	57	35	62.9%	108	79	36.7%
<b>Revenue from external customers</b>	<b>468</b>	<b>439</b>	<b>6.6%</b>	<b>919</b>	<b>877</b>	<b>4.8%</b>
Intersegment revenue	2	2	–	4	4	–
<b>Net revenue</b>	<b>470</b>	<b>441</b>	<b>6.6%</b>	<b>923</b>	<b>881</b>	<b>4.8%</b>
Segment expenses	(212)	(237)	–10.5%	(520)	(546)	–4.8%
<b>Segment result before depreciation and amortisation (EBITDA)</b>	<b>258</b>	<b>204</b>	<b>26.5%</b>	<b>403</b>	<b>335</b>	<b>20.3%</b>
Margin as % of net revenue	54.9	46.3		43.7	38.0	
Capital expenditure	147	132	11.4%	302	286	5.6%
Full-time equivalent employees at end of period				2,494	2,422	3.0%
Broadband access lines in thousand				2,411	2,257	6.8%
Mobile access lines in thousand				880	606	45.2%

Fastweb's net revenue rose year-on-year by EUR 42 million or 4.8% to EUR 923 million (+6.6% in the second quarter). Despite a difficult market environment, Fastweb's broadband customer base grew year-on-year by 154,000 or 6.8% to 2.4 million (+11,000 in the second quarter). Fastweb is also growing in mobile telephony. Compared to the previous year, the number of mobile access lines increased by 274,000 or 45.2% to 880,000 (+117,000 in the second quarter) due to the launch of new mobile offerings. Fierce competition reduced average revenue per residential broadband customer by almost 4% over the prior year. Nevertheless, this decline was outweighed by customer growth, revenue from residential customers rose accordingly by EUR 20 million or 4.4% to EUR 470 million in comparison with the previous year (+4.8% in the second quarter). Despite the high level of competition, Fastweb held its strong position in the market for business customers. Revenue from business customers was down EUR 7 million or 2.0%, at EUR 341 million (–2.3% in the second quarter). Revenue from the wholesale business increased by EUR 29 million or 36.7% to EUR 108 million following a cooperation agreement with Telecom Italia in relation to the expansion of the ultra-fast broadband network.

The segment result before depreciation and amortisation totalled EUR 403 million, equivalent to a year-on-year increase of EUR 68 million or 20.3% (+26.5% in the second quarter), and includes one-off income from legal disputes amounting to EUR 95 million (prior year: EUR 55 million). Adjusted for these effects, EBITDA rose by EUR 28 million or 10.0% (+9.4% in the second quarter). This increase was mainly the result of higher revenue and improved regulatory conditions. Adjusted EBITDA margin rose by 1.6 percentage points to 33.4%. Capital expenditure rose by EUR 16 million or 5.6% to EUR 302 million primarily as a result of higher customer-driven investment. The expansion of Italy's broadband network is continuing as planned. The ratio of capital expenditure to net revenue was 32.7% (prior year: 32.5%). Headcount at Fastweb rose by 72 FTEs or 3.0% to 2,494 FTEs, driven partially by the appointment of external employees in the technical areas.

## Other Operating Segments

In CHF million, except where indicated	2. quarter 2017	2. quarter 2016	Change	1 <sup>st</sup> half-year 2017	1 <sup>st</sup> half-year 2016	Change
Revenue from external customers	129	131	-1.5%	251	251	–
Intersegment revenue	81	64	26.6%	146	114	28.1%
<b>Net revenue</b>	<b>210</b>	<b>195</b>	<b>7.7%</b>	<b>397</b>	<b>365</b>	<b>8.8%</b>
Segment expenses	(170)	(149)	14.1%	(317)	(285)	11.2%
<b>Segment result before depreciation and amortisation (EBITDA)</b>	<b>40</b>	<b>46</b>	<b>-13.0%</b>	<b>80</b>	<b>80</b>	<b>–</b>
Margin as % of net revenue	19.0	23.6		20.2	21.9	
Capital expenditure	13	10	30.0%	24	17	41.2%
Full-time equivalent employees at end of period				2,585	2,491	3.8%

Net revenue of Other Operating Segments rose year-on-year by CHF 32 million or 8.8% to CHF 397 million (+7.7% in the second quarter). The increase was mainly due to higher revenue from construction services rendered by cablex for Swisscom Switzerland. The segment result before depreciation and amortisation remained steady at the year-earlier level of CHF 80 million (-13.0% in the second quarter). This corresponds to a profit margin of 20.2% Headcount rose by 94 FTEs to 2,585 FTEs, driven primarily by the appointment of new employees at cablex.

### Group Headquarters and reconciliation of pension cost

Operating income before depreciation and amortisation improved year-on-year by CHF 10 million or 17.5% to CHF -47 million. Headcount fell year-on-year by 10.7% to 276 FTEs. An expense of CHF 47 million (prior year: CHF 35 million) is recognised as a pension cost reconciliation item under IAS 19 for the first six months of 2017.

## Depreciation and amortisation, non-operating results

In CHF million, except where indicated

	2. quarter 2017	2. quarter 2016	Change	1 <sup>st</sup> half-year 2017	1 <sup>st</sup> half-year 2016	Change
<b>Operating income before depreciation and amortisation (EBITDA)</b>	<b>1,187</b>	<b>1,146</b>	<b>3.6%</b>	<b>2,260</b>	<b>2,227</b>	<b>1.5%</b>
Depreciation, amortisation and impairment losses	(534)	(546)	-2.2%	(1,057)	(1,092)	-3.2%
<b>Operating income (EBIT)</b>	<b>653</b>	<b>600</b>	<b>8.8%</b>	<b>1,203</b>	<b>1,135</b>	<b>6.0%</b>
Net interest expense	(37)	(42)	-11.9%	(73)	(81)	-9.9%
Other financial income and expense, net	(12)	(24)	-50.0%	(25)	(64)	-60.9%
Share of results of associates	(2)	-	-	(3)	-	-
<b>Income before income taxes</b>	<b>602</b>	<b>534</b>	<b>12.7%</b>	<b>1,102</b>	<b>990</b>	<b>11.3%</b>
Income tax expense	(136)	(110)	23.6%	(263)	(202)	30.2%
<b>Net income</b>	<b>466</b>	<b>424</b>	<b>9.9%</b>	<b>839</b>	<b>788</b>	<b>6.5%</b>
Share of net income attributable to equity holders of Swisscom Ltd	467	424	10.1%	840	789	6.5%
Share of net income attributable to non-controlling interests	(1)	-	-	(1)	(1)	-
Earnings per share (in CHF)	9.02	8.19	10.1%	16.22	15.23	6.5%

Depreciation and amortisation decreased by CHF 35 million or 3.2% to CHF 1,057 million in comparison with the previous year, mainly reflecting the lower amortisation of intangible assets related to company takeovers. The scheduled amortisation relating to company takeovers for the first half of 2017 amounted to CHF 33 million (prior year: CHF 64 million).

Net interest expense was CHF 8 million lower at CHF 73 million as a result of the lower average interest costs for financial debt. At CHF 25 million, other net financial expense improved by CHF 39 million. Net financial expense in the previous year was affected by negative effects of CHF 42 million arising from the fair value adjustment of interest rate swaps.

Income tax expense amounted to CHF 263 million (prior year: CHF 202 million), corresponding to an effective income tax rate of 23.9% (prior year: 20.4%). The increase in the effective income tax rate is primarily attributable to the effects of prior periods. Excluding non-recurring items, the long-term expectation continues to be that the income tax rate will remain at a level of around 21%.

Net income posted by Swisscom rose by CHF 51 million or 6.5% to CHF 839 million, largely due to the higher operating income. 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 15.23 to CHF 16.22.



## Cash flows

In CHF million	1 <sup>st</sup> half-year 2017	1 <sup>st</sup> half-year 2016	Change
Operating income before depreciation and amortisation (EBITDA)	2,260	2,227	33
Capital expenditure	(1,057)	(1,193)	136
Proceeds from sale of tangible and other intangible assets	2	19	(17)
Change in defined benefit obligations	(24)	31	(55)
Change in net working capital and other cash flow from operating activities	(161)	(288)	127
Dividends paid to non-controlling interests	(8)	(8)	–
<b>Operating free cash flow</b>	<b>1,012</b>	<b>788</b>	<b>224</b>
Net interest paid	(21)	(18)	(3)
Income taxes paid	(235)	(257)	22
<b>Free cash flow</b>	<b>756</b>	<b>513</b>	<b>243</b>
Other cash flows from investing activities	(52)	–	(52)
Issuance and repayment of financial liabilities, net	441	730	(289)
Dividends paid to equity holders of Swisscom Ltd	(1,140)	(1,140)	–
Other cash flows from financing activities	(18)	(33)	15
<b>(Net decrease) Net increase in cash and cash equivalents</b>	<b>(13)</b>	<b>70</b>	<b>(83)</b>

Free cash flow increased year-on-year by CHF 243 million to CHF 756 million, mainly due to higher operating free cash flow. Operating free cash flow rose by CHF 224 million to CHF 1,012 million. This increase was mainly due to the payment of the Competition Commission penalty as part of the ongoing proceedings regarding broadband services in the prior year. Swisscom does not consider the sanction justified and has lodged an appeal with the Federal Court. Swisscom paid the penalty of CHF 186 million in the first quarter of 2016, as no suspensive effect was granted. Excluding this payment, operating free cash flow rose by CHF 38 million versus the previous year, due primarily to lower capital expenditure. Capital expenditure decreased by CHF 136 million or 11.4% to CHF 1,057 million compared to the previous year, largely due to delays in network expansion by Swisscom Switzerland. In the second quarter of 2017, the Swisscom pension fund (comPlan) received a one-time payment of CHF 50 million as a result of the regulatory changes communicated in October 2016.

In the second quarter of 2017, Swisscom issued a debenture bond with a nominal amount of CHF 350 million. The coupon amounts to 0.375% and has a term of 10 years. The funds raised were used to repay existing debts.

## Balance sheet

In CHF million, except where indicated

	30.06.2017	31.12.2016	Change
<b>Assets</b>			
Cash and cash equivalents and current financial assets	482	506	-4.7%
Trade and other receivables	2,556	2,532	0.9%
Property, plant and equipment	10,278	10,177	1.0%
Goodwill	5,166	5,156	0.2%
Other intangible assets	1,738	1,756	-1.0%
Investments in associates and non-current financial assets	462	455	1.5%
Income tax assets	260	299	-13.0%
Other current and non-current assets	627	573	9.4%
<b>Total assets</b>	<b>21,569</b>	<b>21,454</b>	<b>0.5%</b>
<b>Liabilities and equity</b>			
Financial liabilities	9,059	8,496	6.6%
Trade and other payables	1,761	1,896	-7.1%
Defined benefit obligations	1,423	1,850	-23.1%
Provisions	933	962	-3.0%
Income tax liabilities	791	746	6.0%
Other current and non-current liabilities	1,071	982	9.1%
<b>Total liabilities</b>	<b>15,038</b>	<b>14,932</b>	<b>0.7%</b>
Share of equity attributable to equity holders of Swisscom Ltd	6,538	6,514	0.4%
Share of equity attributable to non-controlling interests	(7)	8	-
<b>Total equity</b>	<b>6,531</b>	<b>6,522</b>	<b>0.1%</b>
<b>Total liabilities and equity</b>	<b>21,569</b>	<b>21,454</b>	<b>0.5%</b>
Equity ratio at end of period	30.3%	30.4%	
<b>Net debt</b>	<b>8,441</b>	<b>7,846</b>	<b>7.6%</b>

Total assets at 30 June 2017 amounted to CHF 21,569 million, which equates to an increase of CHF 115 million or 0.5% versus the end of 2016. The increase is mainly due to higher property, plant and equipment 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 2017 financial year. Defined benefit obligations decreased by CHF 427 million to CHF 1,423 million mainly due to income from plan assets and the higher discount rate. Equity rose by CHF 9 million to CHF 6,531 million, which corresponds to an equity ratio of 30.3% (30.4% as at 31 December 2016). The dividend payment amounted to CHF 1,140 million, compared to net income of CHF 839 million and other net positive effects recognised in equity of CHF 310 million. At the end of June 2017, the cumulative currency translation losses included in equity remained unchanged at around 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 targets a net debt/EBITDA ratio of around 1.9.

## Outlook

The financial outlook for 2017 in terms of revenue and capital expenditure remains unchanged. Swisscom expects to close the financial year with net revenue of around CHF 11.6 billion and capital expenditure in the region of CHF 2.4 billion. EBITDA is expected to increase from around CHF 4.2 billion to roughly CHF 4.3 billion, taking into account Fastweb's one-off income recorded in the second quarter of 2017. For Swisscom (excluding Fastweb), a slight decline in revenue is expected due to continued intensive competition and price pressure compared to last year. A slight increase in revenue is expected for Fastweb. EBITDA for Swisscom (excluding Fastweb) is expected to be unchanged at around CHF 100 million lower year-on-year. The reduction in EBITDA is attributable to price pressure and declines in the number of fixed-line connections. The costs for roaming are also expected to increase. EBITDA will be positively affected by cost savings. Adjusted for one-off income from legal disputes, Fastweb's EBITDA is expected to be slightly higher. Capital expenditure is expected to remain on par with the prior year, with figures slightly lower in Switzerland and somewhat higher at Fastweb. Subject to achieving its targets, Swisscom will propose payment of an unchanged, attractive dividend of CHF 22 per share for the 2017 financial year at the 2018 Annual General Meeting.

# Consolidated interim financial statements (condensed and unaudited)

## Consolidated income statement (condensed and unaudited)

In CHF million, except where indicated

	Note	2. quarter 2017	2. quarter 2016	1 <sup>st</sup> half-year 2017	1 <sup>st</sup> half-year 2016
<b>Net revenue</b>	2	<b>2,859</b>	<b>2,884</b>	<b>5,690</b>	<b>5,769</b>
Goods and services purchased		(503)	(558)	(1,025)	(1,102)
Personnel expense		(738)	(743)	(1,491)	(1,508)
Other operating expense		(621)	(600)	(1,195)	(1,197)
Capitalised self-constructed assets and other income	6	190	163	281	265
<b>Operating income before depreciation and amortisation</b>		<b>1,187</b>	<b>1,146</b>	<b>2,260</b>	<b>2,227</b>
Depreciation, amortisation and impairment losses		(534)	(546)	(1,057)	(1,092)
<b>Operating income</b>	2	<b>653</b>	<b>600</b>	<b>1,203</b>	<b>1,135</b>
Financial income and financial expense, net	3	(49)	(66)	(98)	(145)
Share of results of associates		(2)	–	(3)	–
<b>Income before income taxes</b>		<b>602</b>	<b>534</b>	<b>1,102</b>	<b>990</b>
Income tax expense		(136)	(110)	(263)	(202)
<b>Net income</b>		<b>466</b>	<b>424</b>	<b>839</b>	<b>788</b>
Share of net income attributable to equity holders of Swisscom Ltd		467	424	840	789
Share of net income attributable to non-controlling interests		(1)	–	(1)	(1)
Basic and diluted earnings per share (in CHF)		9.02	8.19	16.22	15.23

## Consolidated statement of comprehensive income (unaudited)

In CHF million	2. quarter 2017	2. quarter 2016	1 <sup>st</sup> half-year 2017	1 <sup>st</sup> half-year 2016
<b>Net income</b>	<b>466</b>	<b>424</b>	<b>839</b>	<b>788</b>
<b>Other comprehensive income</b>				
Actuarial gains and losses from defined benefit pension plans	357	81	409	(783)
Income tax expense	(73)	(16)	(84)	163
<b>Items that will not be reclassified to income statement, net of tax</b>	<b>284</b>	<b>65</b>	<b>325</b>	<b>(620)</b>
Foreign currency translation adjustments of foreign subsidiaries	36	(11)	31	3
Change in fair value of available-for-sale financial assets	(2)	–	–	–
Gains and losses from available-for-sale financial assets transferred to income statement	–	–	–	(4)
Change in fair value of cash flow hedges	(3)	4	(8)	1
Gains and losses from cash flow hedges transferred to income statement	–	–	–	1
Income tax expense	1	1	2	(1)
<b>Items that are or may be reclassified subsequently to income statement, net of tax</b>	<b>32</b>	<b>(6)</b>	<b>25</b>	<b>–</b>
<b>Other comprehensive income</b>	<b>316</b>	<b>59</b>	<b>350</b>	<b>(620)</b>
<b>Comprehensive income</b>	<b>782</b>	<b>483</b>	<b>1,189</b>	<b>168</b>
Share of comprehensive income attributable to equity holders of Swisscom Ltd	783	483	1,190	169
Share of comprehensive income attributable to non-controlling interests	(1)	–	(1)	(1)

## Consolidated balance sheet (condensed and unaudited)

In CHF million	Note	30.06.2017	31.12.2016
<b>Assets</b>			
Cash and cash equivalents		318	329
Trade and other receivables		2,556	2,532
Other financial assets		164	177
Other assets		585	497
<b>Total current assets</b>		<b>3,623</b>	<b>3,535</b>
Property, plant and equipment		10,278	10,177
Goodwill and other intangible assets		6,904	6,912
Investments in associates		192	193
Other financial assets		270	262
Other assets		302	375
<b>Total non-current assets</b>		<b>17,946</b>	<b>17,919</b>
<b>Total assets</b>		<b>21,569</b>	<b>21,454</b>
<b>Liabilities and equity</b>			
Financial liabilities	4	1,357	1,125
Trade and other payables		1,761	1,896
Current income tax liabilities		111	125
Provisions	5	169	182
Other liabilities		696	650
<b>Total current liabilities</b>		<b>4,094</b>	<b>3,978</b>
Financial liabilities	4	7,702	7,371
Defined benefit obligations		1,423	1,850
Provisions	5	764	780
Deferred tax liabilities		680	621
Other liabilities		375	332
<b>Total non-current liabilities</b>		<b>10,944</b>	<b>10,954</b>
<b>Total liabilities</b>		<b>15,038</b>	<b>14,932</b>
Share of equity attributable to equity holders of Swisscom Ltd		6,538	6,514
Share of equity attributable to non-controlling interests		(7)	8
<b>Total equity</b>		<b>6,531</b>	<b>6,522</b>
<b>Total liabilities and equity</b>		<b>21,569</b>	<b>21,454</b>

## Consolidated statement of cash flows (condensed and unaudited)

In CHF million	Note	1 <sup>st</sup> half-year 2017	1 <sup>st</sup> half-year 2016
Net income		839	788
Adjustment for non-cash items		1,421	1,427
Change in operating assets and liabilities		(186)	(244)
Income taxes paid		(235)	(257)
<b>Cash flow provided by operating activities</b>		<b>1,839</b>	<b>1,714</b>
Capital expenditure		(1,057)	(1,193)
Acquisition of subsidiaries, net of cash and cash equivalents acquired		(55)	(27)
Other cash flows from investing activities, net		17	27
<b>Cash flow used in investing activities</b>		<b>(1,095)</b>	<b>(1,193)</b>
Issuance and repayment of financial liabilities, net	4	441	730
Dividends paid to equity holders of Swisscom Ltd	7	(1,140)	(1,140)
Dividends paid to non-controlling interests		(8)	(8)
Other cash flows from financing activities, net		(50)	(33)
<b>Cash flow used in financing activities</b>		<b>(757)</b>	<b>(451)</b>
<b>(Net decrease) Net increase in cash and cash equivalents</b>		<b>(13)</b>	<b>70</b>
Cash and cash equivalents at beginning of period		329	324
Foreign currency translation adjustments in respect of cash and cash equivalents		2	–
<b>Cash and cash equivalents at end of period</b>		<b>318</b>	<b>394</b>

## 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
<b>Balance at 31 December 2015</b>	<b>52</b>	<b>136</b>	<b>6,783</b>	<b>–</b>	<b>(1,734)</b>	<b>5,237</b>	<b>5</b>	<b>5,242</b>
Net income	–	–	789	–	–	789	(1)	788
Other comprehensive income	–	–	(620)	–	–	(620)	–	(620)
<b>Comprehensive income</b>	<b>–</b>	<b>–</b>	<b>169</b>	<b>–</b>	<b>–</b>	<b>169</b>	<b>(1)</b>	<b>168</b>
Dividends paid	–	–	(1,140)	–	–	(1,140)	(8)	(1,148)
Transactions with non-controlling interests	–	–	(8)	–	–	(8)	10	2
Acquisition of treasury shares for share-based payments	–	–	–	(4)	–	(4)	–	(4)
Allocation of treasury shares for share-based payments	–	–	–	3	–	3	–	3
<b>Balance at 30 June 2016</b>	<b>52</b>	<b>136</b>	<b>5,804</b>	<b>(1)</b>	<b>(1,734)</b>	<b>4,265</b>	<b>6</b>	<b>4,263</b>
<b>Balance at 31 December 2016</b>	<b>52</b>	<b>136</b>	<b>8,149</b>	<b>(1)</b>	<b>(1,822)</b>	<b>6,514</b>	<b>8</b>	<b>6,522</b>
Net income	–	–	840	–	–	840	(1)	839
Other comprehensive income	–	–	325	–	25	350	–	350
<b>Comprehensive income</b>	<b>–</b>	<b>–</b>	<b>1,165</b>	<b>–</b>	<b>25</b>	<b>1,190</b>	<b>(1)</b>	<b>1,189</b>
Dividends paid	–	–	(1,140)	–	–	(1,140)	(8)	(1,148)
Transactions with non-controlling interests	–	–	(27)	–	–	(27)	(6)	(33)
Acquisition of treasury shares for share-based payments	–	–	–	(3)	–	(3)	–	(3)
Allocation of treasury shares for share-based payments	–	–	–	4	–	4	–	4
<b>Balance at 30 June 2017</b>	<b>52</b>	<b>136</b>	<b>8,147</b>	<b>–</b>	<b>(1,797)</b>	<b>6,538</b>	<b>(7)</b>	<b>6,531</b>



# 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 six months to 30 June 2017 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 2016. The consolidated interim financial statements were prepared in accordance with the accounting policies described in the 2016 consolidated financial statements and the revised accounting principles adopted on 1 January 2017.

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 2016: CHF/EUR 1.074) and 1.077 as the average rate for the period (prior year: CHF/EUR 1.096).

### Changes in accounting principles

As of 1 January 2017, 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.

From financial year 2018, IFRS 15 “Revenue from contracts with customers” must be applied. IFRS 15 will have the following major effects on the consolidated financial statements of Swisscom:

- > For multi-component contracts (mobile subscription with subsidised mobile device) revenue must be reallocated to the already delivered components (mobile device) meaning that revenue is recognised earlier. Revenue amount remains unchanged over the contractual term.
- > Commission paid to retailers (costs of obtaining a contract) as well as costs for routers and set-top boxes (costs to fulfill a contract) are capitalised and recognised as expenses over the contractual term.

Swisscom will apply IFRS 15 through an adjustment to equity in the amount of the cumulative effect as from 1 January 2018 (cumulative method). At the time of first adoption, assets and equity will increase due to the capitalisation of contract assets and costs of obtaining a contract. The analysis of the financial effects from applying the new standard is still ongoing. For this reason, it is currently not possible to provide a reliable estimate of the quantitative effects.

See Note 3.22 of the 2016 consolidated financial statements for further information on the changes in the International Financial Reporting Standards and interpretations that must be applied from financial year 2018 or later.

## 2 Segment information

### Changes in segment reporting

Swisscom has further increased the level of digitisation within its organisational structure in order to strengthen areas with close customer proximity and boost the company's effectiveness in the highly competitive ICT market. Through these adjustments Swisscom also wants to improve the customer experience from a single source, simplify processes and increase efficiency in order to create greater scope for innovation. As a result of the organisational changes, the Small and Medium-Sized Enterprises division has been dissolved. The telecommunications and solutions business with small and medium-sized enterprises is now included in the Residential Customers segment as part of segment reporting. Swisscom Directories (localsearch) has been transferred to the new Digital Business division, which is reported under Other Operating Segments. In addition, all new field service functions of Swisscom Switzerland are reported under the Residential Customers segment. Fleet management from the Participations division (Other Operating Segments) has also been transferred to the IT, Network & Infrastructure segment. The prior year's figures have been restated as follows:

In CHF million	Reported	Adjustment	Restated
<b>Net revenue Financial year 2016</b>			
Retail Customers (former Residential Customers)	5,160	1,105	6,265
Small and Medium-Sized Enterprises	1,367	(1,367)	–
Enterprise Customers	2,611	(71)	2,540
Wholesale	989	(10)	979
IT, Network & Infrastructure (former IT, Network & Innovation)	129	44	173
Elimination	(816)	116	(700)
<b>Swisscom Switzerland</b>	<b>9,440</b>	<b>(183)</b>	<b>9,257</b>
Fastweb	1,957	–	1,957
Other operating segments	594	195	789
Group Headquarters	2	–	2
Elimination	(350)	(12)	(362)
<b>Total net revenue</b>	<b>11,643</b>	<b>–</b>	<b>11,643</b>
<b>Segment result Financial year 2016</b>			
Retail Customers (former Residential Customers)	2,748	753	3,501
Small and Medium-Sized Enterprises	847	(847)	–
Enterprise Customers	722	32	754
Wholesale	388	(9)	379
IT, Network & Infrastructure (former IT, Network & Innovation)	(2,508)	17	(2,491)
<b>Swisscom Switzerland</b>	<b>2,197</b>	<b>(54)</b>	<b>2,143</b>
Fastweb	124	–	124
Other operating segments	27	54	81
Group Headquarters	(114)	–	(114)
Reconciliation pension cost	(72)	–	(72)
Elimination	(14)	–	(14)
<b>Total segment result</b>	<b>2,148</b>	<b>–</b>	<b>2,148</b>

## General information

Operating segments requiring to be reported are determined on the basis of the management approach. Accordingly, external segment reporting reflects the Group's internal financial reporting to the Chief Operating Decision Maker. Reporting is divided into the segments "Residential Customers", "Enterprise Customers", "Wholesale", and "IT, Network & Infrastructure", which are grouped under Swisscom Switzerland, as well as "Fastweb", and "Other Operating Segments". "Group Headquarters", which includes non-allocated costs, is reported separately.

Group Headquarters does not charge any management fees to other segments for its financial management services, nor does the IT, Network & Infrastructure segment charge any network costs to other segments. Other services between the segments are recharged between the segments at market prices. The results of the Residential Customers, Enterprise Customers and Wholesale segments correspond to a contribution margin before network costs. The results of the IT, Network & Infrastructure segment consist of operating expenses and depreciation and amortisation less the revenue from the rental and administration of buildings and vehicles as well capitalised costs and other income. The segment results of Swisscom Switzerland correspond in aggregate to the operating results (EBIT) of Swisscom Switzerland. The segment results of Fastweb and Other Operating Segments correspond to the operating results (EBIT) of these units. This latter encompasses net revenues from external customers and other segments, less segment expenses, depreciation and amortisation and impairment losses on property, plant & equipment and intangible assets. Segment expense includes the costs of goods and services purchased, personnel expense and other operating costs less capitalised costs of self-constructed assets and other income.

Segment expense contains the ordinary employer contributions as pension costs. The difference between the ordinary employer contributions and the pension cost as provided for under IAS 19 is reported in the column "Eliminations". For the first half of 2017, an expense of CHF 47 million is disclosed under "Eliminations" as a pension cost reconciliation item in accordance with IAS 19 (CHF 35 million in the first half of 2016).

Services provided to or sales of assets recharged between the individual segments may include unrealised gains or losses. These are eliminated and are reported in the segment information in the column "Eliminations".

Net revenue and segment results of the individual segments for the first half of 2017 are presented below:

1 <sup>st</sup> half-year 2017, in CHF million	Swisscom Switzerland	Fastweb	Other Operating Segments	Group Headquarters	Elimination	Total
Net revenue from external customers	4,449	990	251	–	–	5,690
Net revenue with other segments	38	5	146	1	(190)	–
<b>Net revenue</b>	<b>4,487</b>	<b>995</b>	<b>397</b>	<b>1</b>	<b>(190)</b>	<b>5,690</b>
<b>Segment result</b>	<b>1,106</b>	<b>153</b>	<b>46</b>	<b>(47)</b>	<b>(55)</b>	<b>1,203</b>
Financial income and financial expense, net						(98)
Share of results of associates						(3)
<b>Income before income taxes</b>						<b>1,102</b>
Income tax expense						(263)
<b>Net income</b>						<b>839</b>

1 <sup>st</sup> half-year 2017, in CHF million	Retail Customers	Enterprise Customers	Wholesale	IT, Network & Infrastructure	Elimination	Swisscom Switzerland
Net revenue from external customers	2,978	1,185	273	13	–	4,449
Net revenue with other segments	40	53	148	71	(274)	38
<b>Net revenue</b>	<b>3,018</b>	<b>1,238</b>	<b>421</b>	<b>84</b>	<b>(274)</b>	<b>4,487</b>
<b>Segment result</b>	<b>1,777</b>	<b>374</b>	<b>207</b>	<b>(1,251)</b>	<b>(1)</b>	<b>1,106</b>

Net revenue and segment results of the individual segments for the first half of 2016 are presented below:

1 <sup>st</sup> half-year 2016, in CHF million, restated	Swisscom Switzerland	Fastweb	Other Operating Segments	Group Head-quarters	Elimi-nation	Total
Net revenue from external customers	4,556	961	251	1	–	5,769
Net revenue with other segments	41	4	114	–	(159)	–
<b>Net revenue</b>	<b>4,597</b>	<b>965</b>	<b>365</b>	<b>1</b>	<b>(159)</b>	<b>5,769</b>
<b>Segment result</b>	<b>1,147</b>	<b>49</b>	<b>36</b>	<b>(57)</b>	<b>(40)</b>	<b>1,135</b>
Financial income and financial expense, net						(145)
<b>Income before income taxes</b>						<b>990</b>
Income tax expense						(202)
<b>Net income</b>						<b>788</b>

1 <sup>st</sup> half-year 2016, in CHF million, restated	Retail Customers	Enterprise Customers	Wholesale	IT, Network & Infrastructure	Elimi-nation	Swisscom Switzerland
Net revenue from external customers	3,045	1,212	287	12	–	4,556
Net revenue with other segments	69	61	177	71	(337)	41
<b>Net revenue</b>	<b>3,114</b>	<b>1,273</b>	<b>464</b>	<b>83</b>	<b>(337)</b>	<b>4,597</b>
<b>Segment result</b>	<b>1,787</b>	<b>381</b>	<b>188</b>	<b>(1,208)</b>	<b>(1)</b>	<b>1,147</b>

### 3 Financial income and financial expense

In CHF million	1 <sup>st</sup> half-year 2017	1 <sup>st</sup> half-year 2016
Interest income	6	8
Interest expense	(79)	(89)
<b>Net interest expense on financial assets and financial liabilities</b>	<b>(73)</b>	<b>(81)</b>
Foreign exchange gains (foreign exchange losses)	(10)	1
Change in fair value of interest rate swaps	2	(42)
Other financial income and expense, net	(17)	(23)
<b>Financial income and financial expense, net</b>	<b>(98)</b>	<b>(145)</b>

### 4 Financial liabilities

In CHF million	30.06.2017	31.12.2016
Bank loans	366	208
Debenture bonds	708	645
Private placements	252	251
Finance lease liabilities	21	16
Other financial liabilities	10	5
<b>Total current financial liabilities</b>	<b>1,357</b>	<b>1,125</b>
Bank loans	511	545
Debenture bonds	5,823	5,495
Private placements	490	487
Finance lease liabilities	487	492
Other financial liabilities	391	352
<b>Total non-current financial liabilities</b>	<b>7,702</b>	<b>7,371</b>
<b>Total financial liabilities</b>	<b>9,059</b>	<b>8,496</b>

In the second quarter of 2017, Swisscom issued a debenture bond with a nominal amount of CHF 350 million. The coupon amounts to 0.375% and has a term of 10 years. The funds raised were used to repay existing debts.

## 5 Provisions

In CHF million	Dismantlement and restora- tion costs	Regulatory and competition law proceedings	Other	Total
<b>Balance at 31 December 2016</b>	<b>542</b>	<b>150</b>	<b>270</b>	<b>962</b>
Additions of provisions	2	1	18	21
Present-value adjustments	(1)	–	–	(1)
Release of unused provisions	(8)	–	(10)	(18)
Use of provisions	(1)	–	(30)	(31)
<b>Balance at 30 June 2017</b>	<b>534</b>	<b>151</b>	<b>248</b>	<b>933</b>
Thereof current provisions	–	20	149	169
Thereof non-current provisions	534	131	99	764

### Provisions for dismantling and restoration costs

The provisions for dismantling and restoration costs recognised in the 2016 consolidated financial statements have not changed materially during the current financial year.

### Provisions for regulatory and competition-law proceedings

The provisions for regulatory and competition-law proceedings recognised in the 2016 consolidated financial statements have not changed materially during the current financial year.

### Other provisions

Other provisions mainly include provisions for workforce reductions and environmental, contractual and tax risks. The other provisions recognised in the 2016 consolidated financial statements have not changed materially during the current financial year.

## 6 Contingent liabilities and contingent claims

### Regulatory and competition-law proceedings

With regard to the contingent liabilities reported in the 2016 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 provisions for this in the consolidated financial statements as at 30 June 2017.

### Contingent assets from litigation

In the second quarter of 2017, Fastweb received a payment of EUR 95 million (CHF 102 million) as a result of an out-of-court settlement from 2015. As of 30 June 2017, Fastweb no longer has any uncertain outstanding receivable subject to certain conditions arising from this settlement. For further information, see Note 29 of the 2016 consolidated financial statements.

## 7 Dividend payment

On 3 April 2017, 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 7 April 2017.

## 8 Financial instruments

### Fair value of financial instruments

The carrying amounts and fair values of financial assets and financial liabilities with their corresponding valuation categories are summarised in the following table. Not reflected therein are cash and cash equivalents, trade receivables and payables as well as miscellaneous receivables and payables whose carrying amount corresponds to a reasonable estimation of their fair value. The fair value hierarchy encompasses 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
<b>30 June 2017</b>							
Derivative financial instruments	–	–	49	–	–	49	–
Other assets valued at fair value	–	–	60	–	60	–	–
Available-for-sale financial assets	–	15	–	–	–	–	15
<b>Financial assets measured at fair value</b>	<b>–</b>	<b>15</b>	<b>109</b>	<b>–</b>	<b>60</b>	<b>49</b>	<b>15</b>
Other loans and receivables	265	–	–	–	–	285	–
<b>Financial assets not measured at fair value</b>	<b>265</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>285</b>	<b>–</b>
Derivative financial instruments	–	–	67	–	–	67	–
<b>Financial liabilities measured at fair value</b>	<b>–</b>	<b>–</b>	<b>67</b>	<b>–</b>	<b>–</b>	<b>67</b>	<b>–</b>
Bank loans	–	–	–	877	–	906	–
Debenture bonds	–	–	–	6,531	6,848	–	–
Private placements	–	–	–	742	–	752	–
Finance lease liabilities	–	–	–	508	–	1,019	–
Other interest-bearing financial liabilities	–	–	–	60	–	60	–
Other non-interest-bearing financial liabilities	–	–	–	274	–	274	–
<b>Financial liabilities not measured at fair value</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>8,992</b>	<b>6,848</b>	<b>3,011</b>	<b>–</b>

In addition, as of 30 June 2017, there were available-for-sale financial assets with a carrying amount of CHF 45 million which are valued at acquisition cost.

Level-3 assets consist of investments in various investment funds. The fair value was calculated using a valuation model. In the first half of 2017, there were no changes to the carrying amount and no reclassifications between the various levels.

## 9 Related parties

Transactions between Swisscom and various related parties in the first half of 2017 are similar to those described in the consolidated financial statements for 2016.

## 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 16 August 2017.

# Further information

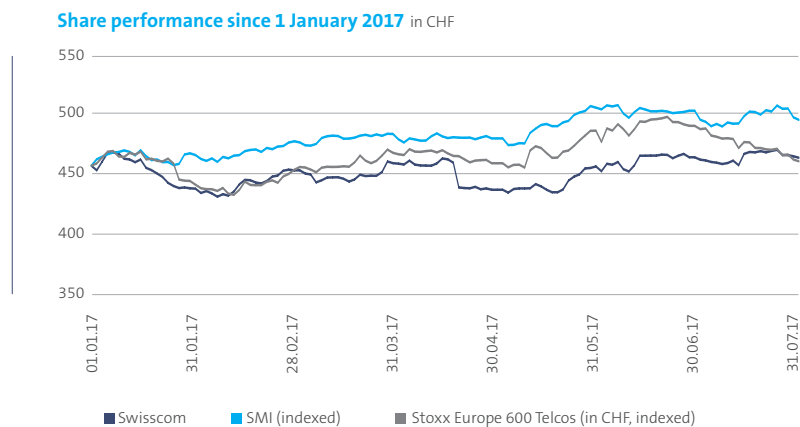
## Share information

### Swisscom share performance indicators

31.12.2016–30.06.2017	SIX Swiss Exchange
Closing price at 30 December 2016 in CHF <sup>1</sup>	456.10
Closing price at 30 June 2017 in CHF <sup>1</sup>	462.70
Change in %	1.4
Year high in CHF <sup>1</sup>	472.40
Year low in CHF <sup>1</sup>	429.80
Total volume of traded shares	21,314,115
Total turnover in CHF million	9,596
Daily average of traded shares	171,888
Daily average in CHF million	77

Source: Bloomberg  
<sup>1</sup> paid prices

### Share performance



## Share information

On 30 June 2017, 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 June 2017, Swisscom had 78,000 registered shareholders and around 23% unregistered shares (dispo shares).

At the Annual General Meeting on 3 April 2017, shareholders approved a gross dividend of CHF 22 per share. A total dividend amount of CHF 1,140 million was paid out on 7 April 2017.

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

- > 2 November 2017      2017 Third-Quarter Results
- > 7 February 2018      Publication of 2017 Annual Results and Annual Report
- > 4 April 2018          Annual General Meeting in Fribourg

## Stock exchanges

Swisscom shares are listed and traded 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 2016 and 2017

In CHF million, except where indicated	1. quarter	2. quarter	3. quarter	4. quarter	2016	1. quarter	2. quarter	3. quarter	4. quarter	2017
<b>Income statement</b>										
<b>Net revenue</b>	<b>2,885</b>	<b>2,884</b>	<b>2,874</b>	<b>3,000</b>	<b>11,643</b>	<b>2,831</b>	<b>2,859</b>			<b>5,690</b>
Goods and services purchased	(544)	(558)	(580)	(641)	(2,323)	(522)	(503)			(1,025)
Personnel expense	(765)	(743)	(695)	(744)	(2,947)	(753)	(738)			(1,491)
Other operating expense	(597)	(600)	(613)	(738)	(2,548)	(574)	(621)			(1,195)
Capitalised self-constructed assets and other income	102	163	94	109	468	91	190			281
<b>Operating income (EBITDA)</b>	<b>1,081</b>	<b>1,146</b>	<b>1,080</b>	<b>986</b>	<b>4,293</b>	<b>1,073</b>	<b>1,187</b>			<b>2,260</b>
Depreciation and amortisation	(546)	(546)	(524)	(529)	(2,145)	(523)	(534)			(1,057)
<b>Operating income (EBIT)</b>	<b>535</b>	<b>600</b>	<b>556</b>	<b>457</b>	<b>2,148</b>	<b>550</b>	<b>653</b>			<b>1,203</b>
Net interest expense	(39)	(42)	(31)	(43)	(155)	(36)	(38)			(74)
Other financial result	(40)	(24)	(5)	69	–	(13)	(11)			(24)
Result of associates	–	–	1	(4)	(3)	(1)	(2)			(3)
<b>Income before income taxes</b>	<b>456</b>	<b>534</b>	<b>521</b>	<b>479</b>	<b>1,990</b>	<b>500</b>	<b>602</b>			<b>1,102</b>
Income tax expense	(92)	(110)	(112)	(72)	(386)	(127)	(136)			(263)
<b>Net income</b>	<b>364</b>	<b>424</b>	<b>409</b>	<b>407</b>	<b>1,604</b>	<b>373</b>	<b>466</b>			<b>839</b>
Attributable to equity holders of Swisscom Ltd	365	424	410	405	1,604	373	467			840
Attributable to non-controlling interests	(1)	–	(1)	2	–	–	(1)			(1)
Earnings per share (in CHF)	7.05	8.20	7.90	7.82	30.97	7.20	9.02			16.22
<b>Net revenue</b>										
Swisscom Switzerland	2,305	2,292	2,293	2,367	9,257	2,246	2,241			4,487
Fastweb	482	483	476	516	1,957	484	511			995
Other Operating Segments	170	195	199	225	789	187	210			397
Group Headquarters	–	1	–	1	2	–	1			1
Intersegment elimination	(72)	(87)	(94)	(109)	(362)	(86)	(104)			(190)
<b>Total net revenue</b>	<b>2,885</b>	<b>2,884</b>	<b>2,874</b>	<b>3,000</b>	<b>11,643</b>	<b>2,831</b>	<b>2,859</b>			<b>5,690</b>
<b>Segment result before depreciation and amortisation (EBITDA)</b>										
Swisscom Switzerland	954	927	916	819	3,616	928	924			1,852
Fastweb	144	223	169	185	721	155	279			434
Other Operating Segments	34	46	47	37	164	40	40			80
Group Headquarters	(30)	(27)	(27)	(30)	(114)	(26)	(21)			(47)
Intersegment elimination	(3)	(6)	(5)	(8)	(22)	(4)	(8)			(12)
Reconciliation pension cost	(18)	(17)	(20)	(17)	(72)	(20)	(27)			(47)
<b>Total segment result (EBITDA)</b>	<b>1,081</b>	<b>1,146</b>	<b>1,080</b>	<b>986</b>	<b>4,293</b>	<b>1,073</b>	<b>1,187</b>			<b>2,260</b>
<b>Capital expenditure in property, plant and equipment and other intangible assets</b>										
Swisscom Switzerland	424	448	411	472	1,755	357	362			719
Fastweb	169	145	156	163	633	165	161			326
Other Operating Segments	7	10	13	19	49	11	13			24
Intersegment elimination	(4)	(6)	(5)	(6)	(21)	(4)	(8)			(12)
<b>Total capital expenditure</b>	<b>596</b>	<b>597</b>	<b>575</b>	<b>648</b>	<b>2,416</b>	<b>529</b>	<b>528</b>			<b>1,057</b>
<b>Full-time equivalent employees at end of period</b>										
Swisscom Switzerland	16,417	16,221	16,035	15,876	15,876	15,719	15,420			15,420
Fastweb	2,407	2,422	2,457	2,468	2,468	2,503	2,494			2,494
Other Operating Segments	2,507	2,491	2,503	2,493	2,493	2,575	2,585			2,585
Group Headquarters	314	309	297	290	290	282	276			276
<b>Total full-time equivalent employees</b>	<b>21,645</b>	<b>21,443</b>	<b>21,292</b>	<b>21,127</b>	<b>21,127</b>	<b>21,079</b>	<b>20,775</b>			<b>20,775</b>
Operating free cash flow	184	604	616	387	1,791	463	549			1,012
Net debt	8,108	8,856	8,310	7,846	7,846	7,689	8,441			8,441

In CHF million, except where indicated

	1. quarter	2. quarter	3. quarter	4. quarter	2016	1. quarter	2. quarter	3. quarter	4. quarter	2017
<b>Swisscom Switzerland</b>										
<b>Revenue and results</b>										
Retail Customers	520	522	531	523	2,096	501	500			1,001
Enterprise Customers	125	125	126	127	503	120	122			242
<b>Revenue mobile single subscription</b>	<b>645</b>	<b>647</b>	<b>657</b>	<b>650</b>	<b>2,599</b>	<b>621</b>	<b>622</b>			<b>1,243</b>
Retail Customers	260	245	225	197	927	178	155			333
Enterprise Customers	145	142	140	145	572	140	136			276
<b>Revenue fixed-line single subscription</b>	<b>405</b>	<b>387</b>	<b>365</b>	<b>342</b>	<b>1,499</b>	<b>318</b>	<b>291</b>			<b>609</b>
Retail Customers	602	608	631	654	2,495	674	689			1,363
Enterprise Customers	1	2	2	2	7	3	4			7
<b>Revenue bundles</b>	<b>603</b>	<b>610</b>	<b>633</b>	<b>656</b>	<b>2,502</b>	<b>677</b>	<b>693</b>			<b>1,370</b>
Other revenue Enterprise Customers	16	16	14	16	62	16	15			31
<b>Total revenue telecoms services</b>	<b>1,669</b>	<b>1,660</b>	<b>1,669</b>	<b>1,664</b>	<b>6,662</b>	<b>1,632</b>	<b>1,621</b>			<b>3,253</b>
Solution business	268	269	252	283	1,072	261	271			532
Trade goods	157	144	145	191	637	147	145			292
Wholesale	139	148	149	155	591	138	135			273
Revenue other	52	50	57	54	213	49	50			99
<b>Revenue from external customers</b>	<b>2,285</b>	<b>2,271</b>	<b>2,272</b>	<b>2,347</b>	<b>9,175</b>	<b>2,227</b>	<b>2,222</b>			<b>4,449</b>
Retail Customers	1,532	1,513	1,532	1,555	6,132	1,497	1,481			2,978
Enterprise Customers	609	603	579	630	2,421	586	599			1,185
Wholesale	139	148	149	155	591	138	135			273
IT, Network & Infrastructure	5	7	12	7	31	6	7			13
<b>Revenue from external customers</b>	<b>2,285</b>	<b>2,271</b>	<b>2,272</b>	<b>2,347</b>	<b>9,175</b>	<b>2,227</b>	<b>2,222</b>			<b>4,449</b>
<b>Segment result before depreciation and amortisation (EBITDA)</b>										
Retail Customers	951	926	907	867	3,651	931	910			1,841
Enterprise Customers	217	209	209	213	848	201	215			416
Wholesale	91	97	102	89	379	104	103			207
IT, Network & Infrastructure	(305)	(305)	(302)	(350)	(1,262)	(308)	(304)			(612)
<b>Segment result (EBITDA)</b>	<b>954</b>	<b>927</b>	<b>916</b>	<b>819</b>	<b>3,616</b>	<b>928</b>	<b>924</b>			<b>1,852</b>
Margin as % of net revenue	41.4	40.4	39.9	34.6	39.1	41.3	41.2			41.3
<b>Fastweb, in EUR million</b>										
Residential Customers	223	227	225	231	906	232	238			470
Corporate Business	171	177	169	189	706	168	173			341
Wholesale	44	35	40	56	175	51	57			108
<b>Revenue from external customers</b>	<b>438</b>	<b>439</b>	<b>434</b>	<b>476</b>	<b>1,787</b>	<b>451</b>	<b>468</b>			<b>919</b>
Segment result (EBITDA)	131	204	155	171	661	145	258			403
Margin as % of net revenue	29.8	46.3	35.5	35.8	36.8	32.0	54.9			43.7
Capital expenditure	154	132	144	151	581	155	147			302
Broadband access lines in thousand	2,241	2,257	2,295	2,355	2,355	2,400	2,411			2,411
Mobile access lines in thousand	582	606	630	676	676	763	880			880

In thousand, except where indicated	1. quarter	2. quarter	3. quarter	4. quarter	2016	1. quarter	2. quarter	3. quarter	4. quarter	2017
<b>Swisscom Switzerland</b>										
<b>Operational data</b>										
<b>Access lines</b>										
Retail Customers	2,319	2,260	2,202	2,134	2,134	2,063	1,982			1,982
Enterprise Customers	263	258	256	233	233	234	226			226
<b>Fixed telephony access lines</b>	<b>2,582</b>	<b>2,518</b>	<b>2,458</b>	<b>2,367</b>	<b>2,367</b>	<b>2,297</b>	<b>2,208</b>			<b>2,208</b>
Retail Customers	1,930	1,940	1,947	1,954	1,954	1,950	1,951			1,951
Enterprise Customers	38	38	38	38	38	38	38			38
<b>Broadband access lines</b>	<b>1,968</b>	<b>1,978</b>	<b>1,985</b>	<b>1,992</b>	<b>1,992</b>	<b>1,988</b>	<b>1,989</b>			<b>1,989</b>
Retail Customers	1,323	1,351	1,377	1,418	1,418	1,438	1,447			1,447
<b>Swisscom TV access lines<sup>1</sup></b>	<b>1,323</b>	<b>1,351</b>	<b>1,377</b>	<b>1,418</b>	<b>1,418</b>	<b>1,438</b>	<b>1,447</b>			<b>1,447</b>
Postpaid Retail Customers	3,264	3,269	3,286	3,305	3,305	3,306	3,311			3,311
Postpaid Enterprise Customers	1,228	1,242	1,242	1,247	1,247	1,256	1,260			1,260
<b>Postpaid mobile access lines</b>	<b>4,492</b>	<b>4,511</b>	<b>4,528</b>	<b>4,552</b>	<b>4,552</b>	<b>4,562</b>	<b>4,571</b>			<b>4,571</b>
Prepaid Retail Customers	2,123	2,112	2,085	2,060	2,060	2,039	2,018			2,018
<b>Mobile access lines</b>	<b>6,615</b>	<b>6,623</b>	<b>6,613</b>	<b>6,612</b>	<b>6,612</b>	<b>6,601</b>	<b>6,589</b>			<b>6,589</b>
RGU Retail Customers	10,959	10,932	10,897	10,871	10,871	10,796	10,709			10,709
RGU Enterprise Customers	1,529	1,538	1,536	1,518	1,518	1,528	1,524			1,524
<b>Revenue generating units (RGU)</b>	<b>12,488</b>	<b>12,470</b>	<b>12,433</b>	<b>12,389</b>	<b>12,389</b>	<b>12,324</b>	<b>12,233</b>			<b>12,233</b>
Thereof in bundles	4,362	4,497	4,709	4,952	4,952	5,146	5,290			5,290
Bundles	1,465	1,515	1,588	1,672	1,672	1,736	1,784			1,784
Broadband access lines wholesale	329	342	351	364	364	385	402			402
Unbundled fixed access lines	120	125	128	128	128	120	116			116
<b>Swisscom Group</b>										
<b>Information by geographical regions</b>										
Net revenue in Switzerland	2,398	2,396	2,393	2,478	9,665	2,343	2,343			4,686
Net revenue in other countries	487	488	481	522	1,978	488	516			1,004
<b>Total net revenue</b>	<b>2,885</b>	<b>2,884</b>	<b>2,874</b>	<b>3,000</b>	<b>11,643</b>	<b>2,831</b>	<b>2,859</b>			<b>5,690</b>
EBITDA in Switzerland	936	923	908	805	3,572	917	905			1,822
EBITDA in other countries	145	223	172	181	721	156	282			438
<b>Total EBITDA</b>	<b>1,081</b>	<b>1,146</b>	<b>1,080</b>	<b>986</b>	<b>4,293</b>	<b>1,073</b>	<b>1,187</b>			<b>2,260</b>
Capital expenditure in Switzerland	425	451	416	482	1,774	362	366			728
Capital expenditure in other countries	171	146	159	166	642	167	162			329
<b>Total capital expenditure</b>	<b>596</b>	<b>597</b>	<b>575</b>	<b>648</b>	<b>2,416</b>	<b>529</b>	<b>528</b>			<b>1,057</b>
Full-time equivalent employees in Switzerland	18,960	18,754	18,551	18,372	18,372	18,280	17,974			17,974
Full-time equivalent employees in other countries	2,685	2,689	2,741	2,755	2,755	2,799	2,801			2,801
<b>Total full-time equivalent employees</b>	<b>21,645</b>	<b>21,443</b>	<b>21,292</b>	<b>21,127</b>	<b>21,127</b>	<b>21,079</b>	<b>20,775</b>			<b>20,775</b>

<sup>1</sup> In 2016, adjustment of not activated TV access lines:  
1 quarter –44 k., 2 quarter –49 k., 3 quarter –63 k., 4 quarter –58 k.

## 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.

