

# 2017

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**Interim Report**  
January–March

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**swisscom**

# Facts & figures

In CHF million, except where indicated

		31.3.2017	31.3.2016	Change
<b>Revenue and results</b>				
Net revenue		2,831	2,885	-1.9%
Operating income before depreciation and amortisation (EBITDA) <sup>1</sup>		1,073	1,081	-0.7%
EBITDA as % of net revenue	%	37.9	37.5	
Operating income (EBIT) <sup>2</sup>		550	535	2.8%
Net income		373	364	2.5%
Earnings per share	CHF	7.20	7.05	2.1%
<b>Balance sheet and cash flows</b>				
Equity at end of period <sup>3</sup>		6,897	4,928	40.0%
Equity ratio at end of period <sup>4</sup>	%	31.8	22.9	
Capital expenditure		529	596	-11.2%
Operating free cash flow <sup>5</sup>		463	184	151.6%
Net debt at end of period <sup>6</sup>		7,689	8,108	-5.2%
<b>Operational data at end of period</b>				
Fixed telephony access lines in Switzerland	in thousand	2,297	2,582	-11.0%
Broadband access lines in Switzerland	in thousand	1,988	1,968	1.0%
Swisscom TV access lines in Switzerland <sup>7</sup>	in thousand	1,438	1,323	8.7%
Mobile access lines in Switzerland	in thousand	6,601	6,615	-0.2%
Revenue generating units (RGU) in Switzerland <sup>8</sup>	in thousand	12,324	12,488	-1.3%
Unbundled fixed access lines in Switzerland	in thousand	120	120	-
Broadband access lines wholesale in Switzerland	in thousand	385	329	17.0%
Broadband access lines in Italy	in thousand	2,400	2,241	7.1%
Mobile access lines in Italy	in thousand	763	582	31.1%
<b>Swisscom share</b>				
Number of shares issued at end of period	in thousand	51,802	51,802	-
Closing price at end of period	CHF	462.10	522.50	-11.6%
Market capitalisation at end of period <sup>9</sup>		23,938	27,067	-11.6%
<b>Employees</b>				
Full-time equivalent employees at end of period	FTE	21,079	21,645	-2.6%

<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 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 other 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 -44 k.

<sup>8</sup> Definition revenue generating units (RGU) in Switzerland: fixed telephony 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	31.3.2017	31.3.2016	Change
Net revenue	2,831	2,885	-1.9%
Operating income before depreciation and amortisation (EBITDA)	1,073	1,081	-0.7%
EBITDA as % of net revenue	37.9	37.5	
Operating income (EBIT)	550	535	2.8%
Net income	373	364	2.5%
Earnings per share (in CHF)	7.20	7.05	2.1%
Capital expenditure	529	596	-11.2%
Operating free cash flow	463	184	151.6%
Net debt at end of period	7,689	8,108	-5.2%
Full-time equivalent employees at end of period	21,079	21,645	-2.6%

In the first quarter of 2017, Swisscom's net revenue fell by CHF 54 million or 1.9% to CHF 2,831 million. Revenue in the Swiss core business decreased by CHF 59 million or 2.6% mainly as a result of sustained competitive pressure. Revenue from telecommunications services fell by CHF 37 million or 2.2%, 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. As a result of customer growth, Italian subsidiary Fastweb's revenue was EUR 13 million or 3.0% higher at EUR 453 million. The number of subscribers to Fastweb's broadband business grew by 159,000 or 7.1% year-on-year to 2.4 million.

Swisscom's operating income before depreciation and amortisation (EBITDA) decreased by CHF 8 million or 0.7% to CHF 1,073 million. EBITDA in the Swiss core business fell by CHF 26 million or 2.7%, with a large proportion of the drop in revenue offset by active cost management. At Fastweb, EBITDA rose by EUR 14 million or 10.7%, which is the result of higher revenue and improved regulatory conditions. Swisscom's operating income (EBIT) increased by CHF 15 million or 2.8% to CHF 550 million due to lower depreciation and amortisation. Net income increased year-on-year by CHF 9 million or 2.5% to CHF 373 million.

Swisscom's capital expenditure fell by CHF 67 million or 11.2% to CHF 529 million. In Switzerland, it declined primarily as a result of delayed investments at Swisscom Switzerland by CHF 63 million or 14.8% to CHF 362 million. Nevertheless, progress continues to be made on expanding the broadband network. At the end of March 2017, over 2.6 million lines in Switzerland featured the latest fibre-optic technology. In total, Swisscom has connected over 3.6 million homes and offices with ultra-fast broadband (with speeds of more than 50 Mbps). Capital expenditure at Fastweb remained at a similarly high level to the previous year, totalling EUR 155 million.

Operating free cash flow rose by CHF 279 million to CHF 463 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 7,689 million, net debt is CHF 419 million or 5.2% lower compared to the previous year.

Headcount decreased year-on-year by 566 FTEs or 2.6% to 21,079 FTEs. In comparison with the previous year, headcount in Switzerland fell by 680 FTEs or 3.6% to 18,280 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 quarter of 2017 totalled 92 FTEs.

The financial outlook for 2017 remains unchanged. Swisscom expects to close the financial year with net revenue of around CHF 11.6 billion, EBITDA of around CHF 4.2 billion and capital expenditure in the region of CHF 2.4 billion. Subject to achieving its targets, Swisscom will propose payment of an unchanged, attractive dividend of CHF 22 per share for the 2017 financial year at the 2018 Annual General Meeting.

## Segment results

In CHF million	31.3.2017	31.3.2016	Change
<b>Net revenue</b>			
Retail Customers	1,517	1,565	-3.1%
Enterprise Customers	612	642	-4.7%
Wholesale	206	217	-5.1%
IT, Network & Infrastructure	42	41	2.4%
Intersegment elimination	(131)	(160)	-18.1%
<b>Swisscom Switzerland</b>	<b>2,246</b>	<b>2,305</b>	<b>-2.6%</b>
Fastweb	484	482	0.4%
Other Operating segments	187	170	10.0%
Intersegment elimination	(86)	(72)	19.4%
<b>Net revenue</b>	<b>2,831</b>	<b>2,885</b>	<b>-1.9%</b>
<b>Operating income before depreciation and amortisation (EBITDA)</b>			
Retail Customers	931	951	-2.1%
Enterprise Customers	201	217	-7.4%
Wholesale	104	91	14.3%
IT, Network & Infrastructure	(308)	(305)	1.0%
<b>Swisscom Switzerland</b>	<b>928</b>	<b>954</b>	<b>-2.7%</b>
Fastweb	155	144	7.6%
Other Operating segments	40	34	17.6%
Group Headquarters	(26)	(30)	-13.3%
Intersegment elimination	(4)	(3)	33.3%
Reconciliation to pension cost <sup>1</sup>	(20)	(18)	11.1%
<b>Operating income before depreciation and amortisation (EBITDA)</b>	<b>1,073</b>	<b>1,081</b>	<b>-0.7%</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.

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 Retail 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 Retail 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 and other income. Segment expense contains the ordinary employer contributions as pension costs. The difference between the ordinary employer contributions and the pension cost according to IAS 19 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	31.3.2017	31.3.2016	Change
<b>Net revenue and results</b>			
Telecommunications services	1,632	1,669	-2.2%
Solution business	269	274	-1.8%
Trade goods	147	157	-6.4%
Wholesale	138	139	-0.7%
Other revenue	41	46	-10.9%
<b>Revenue from external customers</b>	<b>2,227</b>	<b>2,285</b>	<b>-2.5%</b>
Intersegment revenue	19	20	-5.0%
<b>Net revenue</b>	<b>2,246</b>	<b>2,305</b>	<b>-2.6%</b>
Direct costs	(440)	(467)	-5.8%
Indirect costs	(878)	(884)	-0.7%
<b>Segment expenses</b>	<b>(1,318)</b>	<b>(1,351)</b>	<b>-2.4%</b>
<b>Segment result before depreciation and amortisation (EBITDA)</b>	<b>928</b>	<b>954</b>	<b>-2.7%</b>
Margin as % of net revenue	41.3	41.4	
Depreciation, amortisation and impairment losses	(367)	(363)	1.1%
<b>Segment result</b>	<b>561</b>	<b>591</b>	<b>-5.1%</b>
<b>Operational data at end of period in thousand</b>			
Fixed telephony access lines	2,297	2,582	-11.0%
Broadband access lines	1,988	1,968	1.0%
Swisscom TV access lines	1,438	1,323	8.7%
Mobile access lines	6,601	6,615	-0.2%
Revenue generating units (RGU)	12,324	12,488	-1.3%
Bundles	1,737	1,465	18.6%
Unbundled fixed access lines	120	120	-
Broadband access lines wholesale	385	329	17.0%
<b>Capital expenditure and headcount</b>			
Capital expenditure	357	424	-15.8%
Full-time equivalent employees at end of period	15,719	16,417	-4.3%

Net revenue for Swisscom Switzerland fell by CHF 59 million or 2.6% to CHF 2,246 million as a result of sustained competitive pressure. Of this decline, CHF 35 million (-2.3%) was attributable to the Retail Customers segment and CHF 23 million (-3.8%) to the Enterprise Customers segment. In Wholesale, revenue from external customers remained relatively stable (-0.7%). Revenue from telecommunications services decreased by CHF 37 million or 2.2% to CHF 1,632 million, with the trends from 2016 continuing as expected in the first quarter of 2017. Around half of the reduction is due to the declining subscriber base in the fixed-line telephony business, which dropped year-on-year by 11.0% to 2.3 million, and by 3.0% in the first quarter of 2017. The other half of the reduction is the result of price cuts, including roaming fees, and price pressure in the Enterprise Customers segment. In addition, revenue from the solutions business within Enterprise Customers decreased by CHF 7 million or 2.6% to CHF 261 million. In Wholesale, lower revenue as a result of the reduction in termination tariffs on mobile networks were offset by higher inbound roaming volumes.

In the saturated market, subscriber numbers in mobile telecommunications remained flat. Swisscom saw slight growth in postpaid offerings in the first quarter of 2017 (+0.2%), while the number of prepaid customers fell (-1.0%). The number of broadband connections rose year-on-year by 20,000 or 1.0% to 1.99 million (-4,000 in the first quarter). The number of TV connections increased by 115,000 or 8.7% to 1.44 million (+20,000 in the first quarter). Bundled offerings with flat-rate tariffs continue to be in strong demand. By the end of March 2017, 1.74 million customers were using a bundled offering, which corresponds to an increase year-on-year of 18.6% (+65,000 in the first quarter). Revenue from bundled contracts increased year-on-year by CHF 73 million or 12.1% to CHF 676 million. In the roaming business, a drop in roaming fees and the inclusion of roaming in the Natel infinity plus subscription packages have driven roaming volumes up at an even faster pace.

Segment expense fell by CHF 33 million or 2.4% to CHF 1,318 million, with both direct and indirect costs decreasing versus the prior year. The decrease of CHF 27 million or 5.8% in direct costs to CHF 440 million is due to the lower termination tariffs on mobile networks and lower costs for trade goods. Indirect costs were CHF 6 million or 0.7% lower at CHF 878 million. Excluding gains from the

sale of real estate in the prior year, the decrease was 1.8% and is chiefly due to the lower headcount and lower costs for external employees. Headcount fell year-on-year as a result of efficiency measures by 698 FTEs or 4.3% to 15,719, including 157 FTEs in the first quarter of 2017. The segment result before depreciation and amortisation fell by CHF 26 million or 2.7% to CHF 928 million. Excluding gains from the sale of real estate in the previous year, the decline was 1.7%. A large proportion of the drop in revenue was offset by active cost management. Depreciation and amortisation remained relatively stable at CHF 367 million (+1.1%). Capital expenditure decreased as a result of delayed investments by CHF 67 million or 15.8% to CHF 357 million.

## Fastweb

In EUR million, except where indicated	31.3.2017	31.3.2016	Change
Residential Customers	232	223	4.0%
Corporate Business	168	171	-1.8%
Wholesale	51	44	15.9%
<b>Revenue from external customers</b>	<b>451</b>	<b>438</b>	<b>3.0%</b>
Intersegment revenue	2	2	-
<b>Net revenue</b>	<b>453</b>	<b>440</b>	<b>3.0%</b>
Segment expenses	(308)	(309)	-0.3%
<b>Segment result before depreciation and amortisation (EBITDA)</b>	<b>145</b>	<b>131</b>	<b>10.7%</b>
Margin as % of net revenue	32.0	29.8	
Capital expenditure	155	154	0.6%
Full-time equivalent employees at end of period	2,503	2,407	4.0%
Broadband access lines in thousand	2,400	2,241	7.1%
Mobile access lines in thousand	763	582	31.1%

Compared to the previous year, Fastweb's net revenue rose by EUR 13 million or 3.0% to EUR 453 million. Despite a difficult market environment, Fastweb's broadband customer base grew year-on-year by 159,000 or 7.1% to 2.4 million (+45,000 in the first quarter). Fastweb is also growing in mobile telephony. Compared to the previous year, the number of mobile access lines increased by 181,000 or 31.1% to 763,000 (+87,000 in the first quarter). Fierce competition reduced average revenue per residential broadband customer by almost 5% over the prior year. This decline was offset by customer growth. Revenue from residential customers rose accordingly by EUR 9 million or 4.0% to EUR 232 million. Despite the high level of competition, Fastweb held its strong position in the market for business customers. Revenue from business customers declined EUR 3 million or 1.8% to EUR 168 million. Revenue from wholesale business increased by EUR 7 million or 15.9% to EUR 51 million.

The segment result before depreciation and amortisation totalled EUR 145 million, corresponding to a year-on-year rise of EUR 14 million or 10.7%. This increase was mainly the result of higher revenue and improved regulatory conditions. The EBITDA margin rose by 2.2 percentage points to 32.0%. At EUR 155 million, capital expenditure was practically unchanged from the previous year's high level. The ratio of capital expenditure to net revenue was 34.2% (prior year: 35.0%). Headcount at Fastweb rose by 96 FTEs or 4.0% to 2,503 FTEs, driven primarily by the appointment of external employees in the technical areas.

## Other Operating Segments

In CHF million, except where indicated	31.3.2017	31.3.2016	Change
Revenue from external customers	122	120	1.7%
Intersegment revenue	65	50	30.0%
<b>Net revenue</b>	<b>187</b>	<b>170</b>	<b>10.0%</b>
Segment expenses	(147)	(136)	8.1%
<b>Segment result before depreciation and amortisation (EBITDA)</b>	<b>40</b>	<b>34</b>	<b>17.6%</b>
Margin as % of net revenue	21.4	20.0	
Capital expenditure	11	7	57.1%
Full-time equivalent employees at end of period	2,575	2,507	2.7%

The net revenue of the Other Operating Segments rose year-on-year by CHF 17 million or 10.0% to CHF 187 million. The increase was mainly due to higher revenue from construction services rendered by cablex for Swisscom Switzerland. The segment result before depreciation and amortisation increased accordingly by CHF 6 million or 17.6% to CHF 40 million, which corresponds to a profit margin of 21.4%. Headcount rose by 68 FTEs to 2,575 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 4 million or 13.3% to CHF –26 million. Headcount fell year-on-year by 10.2% to 282 FTEs.

An expense of CHF 20 million (prior year: CHF 18 million) is recognised as a pension cost reconciliation item under IAS 19 for the first quarter of 2017.

## Depreciation and amortisation, non-operating results

In CHF million, except where indicated

	31.3.2017	31.3.2016	Change
<b>Operating income before depreciation and amortisation (EBITDA)</b>	<b>1,073</b>	<b>1,081</b>	<b>-0.7%</b>
Depreciation, amortisation and impairment losses	(523)	(546)	-4.2%
<b>Operating income (EBIT)</b>	<b>550</b>	<b>535</b>	<b>2.8%</b>
Net interest result	(36)	(39)	-7.7%
Other financial income and expense, net	(13)	(40)	-67.5%
Share of results of associates	(1)	-	
<b>Income before income taxes</b>	<b>500</b>	<b>456</b>	<b>9.6%</b>
Income tax expense	(127)	(92)	38.0%
<b>Net income</b>	<b>373</b>	<b>364</b>	<b>2.5%</b>
Share of net income attributable to equity holders of Swisscom Ltd	373	365	2.2%
Share of net income attributable to non-controlling interests	-	(1)	
Earnings per share (in CHF)	7.20	7.05	2.1%

Depreciation and amortisation decreased by CHF 23 million or 4.2% to CHF 523 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 quarter of 2017 amounted to CHF 19 million (prior year: CHF 35 million).

Net interest expense was CHF 3 million lower at CHF 36 million as a result of the lower average interest costs for financial debt. At CHF 13 million, other net financial expense fell by CHF 27 million. Net financial expense in the previous year was affected by negative effects of CHF 26 million arising from the fair value adjustment of interest rate swaps.

Income tax expense amounted to CHF 127 million (prior year: CHF 92 million), corresponding to an effective income tax rate of 25.4% (prior year: 20.2%). The increase in the effective income tax rate is primarily attributable to the effect of income taxes 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%.

Swisscom's net income rose by CHF 9 million or 2.5% to CHF 373 million. Earnings per share is calculated based on the share of net income attributable to equity holders of Swisscom Ltd and the average number of shares outstanding. Earnings per share rose from CHF 7.05 to CHF 7.20.



## Cash flows

In CHF million	31.3.2017	31.3.2016	Change
Operating income before depreciation and amortisation (EBITDA)	1,073	1,081	(8)
Capital expenditure	(529)	(596)	67
Proceeds from sale of property, plant and equipment and other intangible assets	2	11	(9)
Change in defined benefit obligations	17	15	2
Change in net working capital and other cash flow from operating activities	(100)	(327)	227
<b>Operating free cash flow</b>	<b>463</b>	<b>184</b>	<b>279</b>
Net interest paid	(12)	(9)	(3)
Income taxes paid	(184)	(107)	(77)
<b>Free cash flow</b>	<b>267</b>	<b>68</b>	<b>199</b>
Other cash flows from investing activities, net	(54)	(3)	(51)
Issuance and repayment of financial liabilities, net	(206)	(88)	(118)
Other cash flows from financing activities	(5)	(6)	1
<b>Net increase (net decrease) in cash and cash equivalents</b>	<b>2</b>	<b>(29)</b>	<b>31</b>

Free cash flow increased year-on-year by CHF 199 million to CHF 267 million, mainly due to higher operating free cash flow. Operating free cash flow rose by CHF 279 million to CHF 463 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 93 million versus the previous year, driven primarily by lower capital expenditure. Capital expenditure decreased by CHF 67 million or 11.2% to CHF 529 million compared to the previous year, chiefly as a result of delayed investments at Swisscom Switzerland.

## Balance sheet

In CHF million, except where indicated

	31.3.2017	31.12.2016	Change
<b>Assets</b>			
Cash and cash equivalents and current financial assets	492	506	-2.8%
Trade and other receivables	2,575	2,532	1.7%
Property, plant and equipment	10,209	10,177	0.3%
Goodwill	5,154	5,156	-0.0%
Other intangible assets	1,715	1,756	-2.3%
Investments in associates and non-current financial assets	461	455	1.3%
Tax assets	327	299	9.4%
Other current and non-current assets	735	573	28.3%
<b>Total assets</b>	<b>21,668</b>	<b>21,454</b>	<b>1.0%</b>
<b>Liabilities and equity</b>			
Financial liabilities	8,323	8,496	-2.0%
Trade and other payables	1,838	1,896	-3.1%
Defined benefit obligations	1,818	1,850	-1.7%
Provisions	941	962	-2.2%
Tax liabilities	727	746	-2.5%
Other current and non-current liabilities	1,124	982	14.5%
<b>Total liabilities</b>	<b>14,771</b>	<b>14,932</b>	<b>-1.1%</b>
Share of equity attributable to equity holders of Swisscom Ltd	6,895	6,514	5.8%
Share of equity attributable to non-controlling interests	2	8	-75.0%
<b>Total equity</b>	<b>6,897</b>	<b>6,522</b>	<b>5.7%</b>
<b>Total liabilities and equity</b>	<b>21,668</b>	<b>21,454</b>	<b>1.0%</b>
Equity ratio at end of period (in %)	31.8	30.4	
Net debt	7,689	7,846	-2.0%

Total assets at 31 March 2017 amounted to CHF 21,668 million, which equates to an increase of CHF 214 million or 1.0% versus the end of 2016. The increase is mainly due to the higher 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. Equity rose due to the increase in net income by CHF 375 million or 5.7% to CHF 6,897 million, which corresponds to an equity ratio of 31.8% (30.4% as at 31 December 2016). At the end of 2016, 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 remains unchanged. Swisscom expects to close the financial year with net revenue of around CHF 11.6 billion, EBITDA of around CHF 4.2 billion and capital expenditure in the region of CHF 2.4 billion. For Swisscom (excluding Fastweb), a slight decline in revenue is expected due to heightened competition and price pressure. A slight increase in revenue is expected for Fastweb. EBITDA for Swisscom (excluding Fastweb) is expected to be 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 telephony connections. The costs for roaming are also expected to increase. EBITDA will be positively affected by cost savings. Fastweb's EBITDA is expected to be slightly higher. Capital expenditure in Switzerland and at Fastweb is expected to be on a par with the prior year. 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

## Consolidated income statement (condensed and unaudited)

In CHF million, except where indicated

	Note	1.1.–31.3.2017	1.1.–31.3.2016
<b>Net revenue</b>	2	<b>2,831</b>	<b>2,885</b>
Goods and services purchased		(522)	(544)
Personnel expense		(753)	(765)
Other operating expense		(574)	(597)
Capitalised self-constructed assets and other income		91	102
<b>Operating income before depreciation, amortisation and impairment losses</b>		<b>1,073</b>	<b>1,081</b>
Depreciation, amortisation and impairment losses		(523)	(546)
<b>Operating income</b>	2	<b>550</b>	<b>535</b>
Financial income and financial expense, net	3	(49)	(79)
Share of results of associates		(1)	–
<b>Income before income taxes</b>		<b>500</b>	<b>456</b>
Income tax expense		(127)	(92)
<b>Net income</b>		<b>373</b>	<b>364</b>
Share of net income attributable to equity holders of Swisscom Ltd		373	365
Share of net income attributable to non-controlling interests		–	(1)
Basic and diluted earnings per share (in CHF)		7.20	7.05

## Consolidated statement of comprehensive income (unaudited)

In CHF million	1.1.–31.3.2017	1.1.–31.3.2016
<b>Net income</b>	<b>373</b>	<b>364</b>
<b>Other comprehensive income</b>		
Actuarial gains and losses from defined benefit plans	52	(864)
Income tax expense	(11)	179
<b>Items that will not be reclassified to income statement, net of tax</b>	<b>41</b>	<b>(685)</b>
Foreign currency translation adjustments of foreign subsidiaries	(5)	14
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	(5)	(3)
Gains and losses from cash flow hedges transferred to income statement	–	1
Income tax expense	1	(2)
<b>Items that are or may be reclassified subsequently to income statement, net of tax</b>	<b>(7)</b>	<b>6</b>
<b>Other comprehensive income</b>	<b>34</b>	<b>(679)</b>
<b>Comprehensive income</b>	<b>407</b>	<b>(315)</b>
Share of comprehensive income attributable to equity holders of Swisscom Ltd	407	(314)
Share of comprehensive income attributable to non-controlling interests	–	(1)

## Consolidated balance sheet (condensed and unaudited)

In CHF million	Note	31.3.2017	31.12.2016
<b>Assets</b>			
Cash and cash equivalents		330	329
Trade and other receivables		2,575	2,532
Other financial assets		162	177
Other assets		702	497
<b>Total current assets</b>		<b>3,769</b>	<b>3,535</b>
Property, plant and equipment		10,209	10,177
Goodwill and other intangible assets		6,869	6,912
Investments in associates		198	193
Other financial assets		263	262
Other assets		360	375
<b>Total non-current assets</b>		<b>17,899</b>	<b>17,919</b>
<b>Total assets</b>		<b>21,668</b>	<b>21,454</b>
<b>Liabilities and equity</b>			
Financial liabilities	4	1,020	1,125
Trade and other payables		1,838	1,896
Current income tax liabilities		86	125
Provisions	5	161	182
Other liabilities		741	650
<b>Total current liabilities</b>		<b>3,846</b>	<b>3,978</b>
Financial liabilities	4	7,303	7,371
Defined benefit obligations		1,818	1,850
Provisions	5	780	780
Deferred tax liabilities		641	621
Other liabilities		383	332
<b>Total non-current liabilities</b>		<b>10,925</b>	<b>10,954</b>
<b>Total liabilities</b>		<b>14,771</b>	<b>14,932</b>
Share of equity attributable to equity holders of Swisscom Ltd		6,895	6,514
Share of equity attributable to non-controlling interests		2	8
<b>Total equity</b>		<b>6,897</b>	<b>6,522</b>
<b>Total liabilities and equity</b>		<b>21,668</b>	<b>21,454</b>

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

In CHF million	1.1.–31.3.2017	1.1.–31.3.2016
Net income	373	364
Adjustment for non-cash items	700	709
Change in operating assets and liabilities	(83)	(304)
Income taxes paid	(184)	(107)
<b>Cash flow provided by operating activities</b>	<b>806</b>	<b>662</b>
Capital expenditure	(529)	(596)
Other cash flows from investing activities, net	(40)	19
<b>Cash flow used in investing activities</b>	<b>(569)</b>	<b>(577)</b>
Issuance and repayment of financial liabilities, net	(206)	(88)
Other cash flows from financing activities, net	(29)	(26)
<b>Cash flow used in financing activities</b>	<b>(235)</b>	<b>(114)</b>
<b>Net increase (net decrease) in cash and cash equivalents</b>	<b>2</b>	<b>(29)</b>
Cash and cash equivalents at beginning of period	329	324
Foreign currency translation adjustments in respect of cash and cash equivalents	(1)	1
<b>Cash and cash equivalents at end of period</b>	<b>330</b>	<b>296</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	–	–	365	–	–	365	(1)	364
Other comprehensive income	–	–	(685)	–	6	(679)	–	(679)
<b>Comprehensive income</b>	<b>–</b>	<b>–</b>	<b>(320)</b>	<b>–</b>	<b>6</b>	<b>(314)</b>	<b>(1)</b>	<b>(315)</b>
Transactions with non-controlling interests	–	–	(5)	–	–	(5)	10	5
Acquisition of treasury shares for share-based payments	–	–	–	(4)	–	(4)	–	(4)
<b>Balance at 31 March 2016</b>	<b>52</b>	<b>136</b>	<b>6,458</b>	<b>(4)</b>	<b>(1,728)</b>	<b>4,914</b>	<b>14</b>	<b>4,928</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	–	–	373	–	–	373	–	373
Other comprehensive income	–	–	41	–	(7)	34	–	34
<b>Comprehensive income</b>	<b>–</b>	<b>–</b>	<b>414</b>	<b>–</b>	<b>(7)</b>	<b>407</b>	<b>–</b>	<b>407</b>
Transactions with non-controlling interests	–	–	(23)	–	–	(23)	(6)	(29)
Acquisition of treasury shares for share-based payments	–	–	–	(3)	–	(3)	–	(3)
<b>Balance at 31 March 2017</b>	<b>52</b>	<b>136</b>	<b>8,540</b>	<b>(4)</b>	<b>(1,829)</b>	<b>6,895</b>	<b>2</b>	<b>6,897</b>



# Notes to the interim financial statements

## 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 2017 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 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 1.07 was used as the end-of-period rate (31 December 2016: CHF/EUR 1.074) and 1.069 as the average rate for the period (prior year: CHF/EUR 1.099).

### 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.

## 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 Retail 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 field service functions of Swisscom Switzerland are disclosed newly under the Retail Customers segment. Furthermore, fleet management from the Participations division (Other Operating Segments) has 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</b>			
<b>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</b>			
<b>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 "Retail 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 Retail 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 quarter of 2017, an expense of CHF 20 million is disclosed under "Eliminations" as a pension cost reconciliation item in accordance with IAS 19 (CHF 18 million in the first quarter 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 the results of the individual segments for the first three months of 2017 are as shown below:

1.1.–31.3.2017, in CHF million	Swisscom Switzerland	Fastweb	Other Operating segments	Group Headquarters	Elimination	Total
Net revenue from external customers	2,227	482	122	–	–	2,831
Net revenue with other segments	19	2	65	–	(86)	–
<b>Net revenue</b>	<b>2,246</b>	<b>484</b>	<b>187</b>	<b>–</b>	<b>(86)</b>	<b>2,831</b>
<b>Segment result</b>	<b>561</b>	<b>15</b>	<b>23</b>	<b>(26)</b>	<b>(23)</b>	<b>550</b>
Financial income and financial expense, net						(49)
Share of results of associates						(1)
<b>Income before income taxes</b>						<b>500</b>
Income tax expense						(127)
<b>Net income</b>						<b>373</b>

1.1.–31.3.2017, in CHF million	Retail Customers	Enterprise Customers	Wholesale	IT, Network & Infrastructure	Elimination	Swisscom Switzerland
Net revenue from external customers	1,497	586	138	6	–	2,227
Net revenue with other segments	20	26	68	36	(131)	19
<b>Net revenue</b>	<b>1,517</b>	<b>612</b>	<b>206</b>	<b>42</b>	<b>(131)</b>	<b>2,246</b>
<b>Segment result</b>	<b>899</b>	<b>181</b>	<b>104</b>	<b>(623)</b>	<b>–</b>	<b>561</b>

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, restated	Swisscom Switzerland	Fastweb	Other Operating segments	Group Head-quarters	Elimination	Total
Net revenue from external customers	2,285	480	120	–	–	2,885
Net revenue with other segments	20	2	50	–	(72)	–
<b>Net revenue</b>	<b>2,305</b>	<b>482</b>	<b>170</b>	<b>–</b>	<b>(72)</b>	<b>2,885</b>
<b>Segment result</b>	<b>591</b>	<b>(19)</b>	<b>12</b>	<b>(30)</b>	<b>(19)</b>	<b>535</b>
Financial income and financial expense, net						(79)
Share of results of associates						–
<b>Income before income taxes</b>						<b>456</b>
Income tax expense						(92)
<b>Net income</b>						<b>364</b>

1.1.–31.3.2016, in CHF million, restated	Retail Customers	Enterprise Customers	Wholesale	IT, Network & Infrastructure	Elimination	Swisscom Switzerland
Net revenue from external customers	1,532	609	139	5	–	2,285
Net revenue with other segments	33	33	78	36	(160)	20
<b>Net revenue</b>	<b>1,565</b>	<b>642</b>	<b>217</b>	<b>41</b>	<b>(160)</b>	<b>2,305</b>
<b>Segment result</b>	<b>907</b>	<b>194</b>	<b>91</b>	<b>(600)</b>	<b>(1)</b>	<b>591</b>

### 3 Financial income and financial expense

In CHF million	1.1.–31.3.2017	1.1.–31.3.2016
Interest income	4	6
Interest expense	(40)	(45)
<b>Net interest expense</b>	<b>(36)</b>	<b>(39)</b>
Foreign exchange losses	(4)	(4)
Change in fair value of interest rate swaps	(1)	(26)
Other financial income and expense, net	(8)	(10)
<b>Financial income and financial expense, net</b>	<b>(49)</b>	<b>(79)</b>

### 4 Financial liabilities

In CHF million	31.3.2017	31.12.2016
Bank loans	67	208
Debenture bonds	677	645
Private placements	251	251
Finance lease liabilities	19	16
Other financial liabilities	6	5
<b>Total current financial liabilities</b>	<b>1,020</b>	<b>1,125</b>
Bank loans	509	545
Debenture bonds	5,446	5,495
Private placements	488	487
Finance lease liabilities	493	492
Other financial liabilities	367	352
<b>Total non-current financial liabilities</b>	<b>7,303</b>	<b>7,371</b>
<b>Total financial liabilities</b>	<b>8,323</b>	<b>8,496</b>

## 5 Provisions

In CHF million	Dismantling and restoration 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	1	1	8	10
Present-value adjustments	5	–	–	5
Release of unused provisions	(8)	–	(8)	(16)
Use of provisions	–	–	(20)	(20)
<b>Balance at 31 March 2017</b>	<b>540</b>	<b>151</b>	<b>250</b>	<b>941</b>
Thereof current provisions	–	11	150	161
Thereof non-current provisions	540	140	100	780

### 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 assets

### Regulatory and competition-law proceedings

With regard to the contingent liabilities reported in the 2016 consolidated financial statements in connection with regulatory and competition-law proceedings, Swisscom is of the opinion that an outflow of resources is not probable and, as before, has therefore not recognised any provisions in the consolidated financial statements as at 31 March 2017.

### Contingent assets from litigation

With regard to the contingent assets for legal proceedings which were reported in the 2016 consolidated financial statements, Swisscom remains of the opinion that no asset will be recognised in the consolidated financial statements as at 31 March 2017.

## 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

### Carrying amounts and fair values 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 other 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>31 March 2017</b>							
Derivative financial instruments	–	–	31	–	–	31	–
Other assets valued at fair value	–	–	62	–	62	–	–
Available-for-sale financial assets	–	22	–	–	17	–	5
<b>Financial assets measured at fair value</b>	<b>–</b>	<b>22</b>	<b>93</b>	<b>–</b>	<b>79</b>	<b>31</b>	<b>5</b>
Other loans and receivables	244	–	–	–	–	260	–
<b>Financial assets not measured at fair value</b>	<b>244</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>260</b>	<b>–</b>
Derivative financial instruments	–	–	61	–	–	61	–
<b>Financial liabilities measured at fair value</b>	<b>–</b>	<b>–</b>	<b>61</b>	<b>–</b>	<b>–</b>	<b>61</b>	<b>–</b>
Bank loans	–	–	–	576	–	604	–
Debenture bonds	–	–	–	6,123	6,472	–	–
Private placements	–	–	–	739	–	758	–
Finance lease liabilities	–	–	–	512	–	1,044	–
Other interest-bearing financial liabilities	–	–	–	35	–	35	–
Other non-interest-bearing financial liabilities	–	–	–	277	–	277	–
<b>Financial liabilities not measured at fair value</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>8,262</b>	<b>6,472</b>	<b>2,718</b>	<b>–</b>

In addition, as of 31 March 2017, there were available-for-sale financial assets with a carrying amount of CHF 43 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 three months 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 three months of 2017 are similar to those disclosed in the 2016 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 2017.

# Further information

## Share information

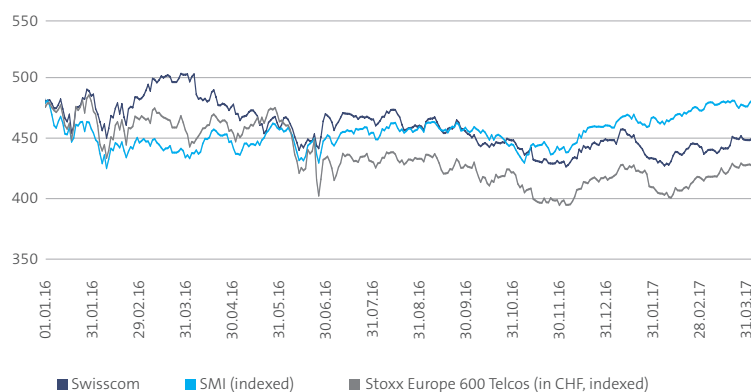
### Swisscom share performance indicators

31.12.2016–31.3.2017	SIX Swiss Exchange
Closing price at 31 December 2016 in CHF <sup>1</sup>	456.10
Closing price at 31 March 2017 in CHF <sup>1</sup>	462.10
Change in %	1.3
Year high in CHF <sup>1</sup>	468.20
Year low in CHF <sup>1</sup>	429.80
Total volume of traded shares	10,543,660
Total turnover in CHF million	4,720.93
Daily average of traded shares	164,745
Daily average in CHF million	73.76

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

### Share performance

Share performance since 1 January 2016 in CHF





## Share information

On 31 March 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 March 2017, Swisscom had some 80,000 registered shareholders and around 15% unregistered shareholdings.

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

- > 17 August 2017      2017 Second-Quarter Results
- > 02 November 2017    2017 Third-Quarter Results
- > 07 February 2018    2017 Annual Results and Annual Report

## 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>2,831</b>
Goods and services purchased	(544)	(558)	(580)	(641)	(2,323)	(522)				(522)
Personnel expense	(765)	(743)	(695)	(744)	(2,947)	(753)				(753)
Other operating expense	(597)	(600)	(613)	(738)	(2,548)	(574)				(574)
Capitalised self-constructed assets and other income	102	163	94	109	468	91				91
<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>1,073</b>
Depreciation and amortisation	(546)	(546)	(524)	(529)	(2,145)	(523)				(523)
<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>550</b>
Net interest expense	(39)	(42)	(31)	(43)	(155)	(36)				(36)
Other financial result	(40)	(24)	(5)	69	–	(13)				(13)
Result of associates	–	–	1	(4)	(3)	(1)				(1)
<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>500</b>
Income tax expense	(92)	(110)	(112)	(72)	(386)	(127)				(127)
<b>Net income</b>	<b>364</b>	<b>424</b>	<b>409</b>	<b>407</b>	<b>1,604</b>	<b>373</b>				<b>373</b>
Attributable to equity holders of Swisscom Ltd	365	424	410	405	1,604	373				373
Attributable to non-controlling interests	(1)	–	(1)	2	–	–				–
Earnings per share (in CHF)	7.05	8.20	7.90	7.82	30.97	7.20				7.20
<b>Net revenue</b>										
Swisscom Switzerland	2,305	2,292	2,293	2,367	9,257	2,246				2,246
Fastweb	482	483	476	516	1,957	484				484
Other Operating segments	170	195	199	225	789	187				187
Group Headquarters	–	1	–	1	2	–				–
Intersegment elimination	(72)	(87)	(94)	(109)	(362)	(86)				(86)
<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>2,831</b>
<b>Segment result before depreciation and amortisation (EBITDA)</b>										
Swisscom Switzerland	954	927	916	819	3,616	928				928
Fastweb	144	223	169	185	721	155				155
Other Operating segments	34	46	47	37	164	40				40
Group Headquarters	(30)	(27)	(27)	(30)	(114)	(26)				(26)
Intersegment elimination	(3)	(6)	(5)	(8)	(22)	(4)				(4)
Reconciliation to pension cost	(18)	(17)	(20)	(17)	(72)	(20)				(20)
<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>1,073</b>
<b>Capital expenditure in property, plant and equipment and other intangible assets</b>										
Swisscom Switzerland	424	448	411	472	1,755	357				357
Fastweb	169	145	156	163	633	165				165
Other Operating segments	7	10	13	19	49	11				11
Intersegment elimination	(4)	(6)	(5)	(6)	(21)	(4)				(4)
<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>529</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				15,719
Fastweb	2,407	2,422	2,457	2,468	2,468	2,503				2,503
Other Operating segments	2,507	2,491	2,503	2,493	2,493	2,575				2,575
Group Headquarters	314	309	297	290	290	282				282
<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>21,079</b>
Operating free cash flow	184	604	616	387	1,791	463				463
Net debt	8,108	8,856	8,310	7,846	7,846	7,689				7,689

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				501
Enterprise Customers	125	125	126	127	503	120				120
<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>621</b>
Retail Customers	260	245	225	197	927	178				178
Enterprise Customers	145	142	140	145	572	140				140
<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>318</b>
Retail Customers	602	608	631	654	2,495	674				674
Enterprise Customers	1	2	2	2	7	2				2
<b>Revenue bundles</b>	<b>603</b>	<b>610</b>	<b>633</b>	<b>656</b>	<b>2,502</b>	<b>676</b>				<b>676</b>
Other revenue Enterprise Customers	16	16	14	16	62	17				17
<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>1,632</b>
Solution business	274	275	260	291	1,100	269				269
Trade goods	157	144	145	191	637	147				147
Wholesale	139	148	149	155	591	138				138
Revenue other	46	44	49	46	185	41				41
<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>2,227</b>
Retail Customers	1,532	1,513	1,532	1,555	6,132	1,497				1,497
Enterprise Customers	609	603	579	630	2,421	586				586
Wholesale	139	148	149	155	591	138				138
IT, Network & Infrastructure	5	7	12	7	31	6				6
<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>2,227</b>
<b>Segment result before depreciation and amortisation (EBITDA)</b>										
Retail Customers	951	926	907	867	3,651	931				931
Enterprise Customers	217	209	209	213	848	201				201
Wholesale	91	97	102	89	379	104				104
IT, Network & Infrastructure	(305)	(305)	(302)	(350)	(1,262)	(308)				(308)
<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>928</b>
Margin as % of net revenue	41.4	40.4	39.9	34.6	39.1	41.3				41.3
<b>Fastweb, in EUR million</b>										
Residential Customers	223	227	225	231	906	232				232
Corporate Business	171	177	169	189	706	168				168
Wholesale	44	35	40	56	175	51				51
<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>451</b>
Segment result (EBITDA)	131	204	155	171	661	145				145
Margin as % of net revenue	29.8	46.3	35.5	35.8	36.8	32.0				32.0
Capital expenditure	154	132	144	151	581	155				155
Broadband access lines in thousand	2,241	2,257	2,295	2,355	2,355	2,400				2,400
Mobile access lines in thousand	582	606	630	676	676	763				763

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				2,063
Enterprise Customers	263	258	256	233	233	234				234
<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>2,297</b>
Retail Customers	1,930	1,940	1,947	1,954	1,954	1,950				1,950
Enterprise Customers	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>1,988</b>
Retail Customers	1,323	1,351	1,377	1,418	1,418	1,438				1,438
<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>1,438</b>
Postpaid Retail Customers	3,264	3,269	3,286	3,305	3,305	3,306				3,306
Postpaid Enterprise Customers	1,228	1,242	1,242	1,247	1,247	1,256				1,256
<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>4,562</b>
Prepaid Retail Customers	2,123	2,112	2,085	2,060	2,060	2,039				2,039
<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>6,601</b>
RGU Retail Customers	10,959	10,932	10,897	10,871	10,871	10,796				10,796
RGU Enterprise Customers	1,529	1,538	1,536	1,518	1,518	1,528				1,528
<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>12,324</b>
Thereof in bundles	4,362	4,479	4,709	4,952	4,952	5,146				5,146
Bundles	1,465	1,515	1,588	1,672	1,672	1,737				1,737
Broadband access lines wholesale	329	342	351	364	364	385				385
Unbundled fixed access lines	120	125	128	128	128	120				120
<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
Net revenue in other countries	487	488	481	522	1,978	488				488
<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>2,831</b>
EBITDA in Switzerland	936	923	908	805	3,572	917				917
EBITDA in other countries	145	223	172	181	721	156				156
<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>1,073</b>
Capital expenditure in Switzerland	425	451	416	482	1,774	362				362
Capital expenditure in other countries	171	146	159	166	642	167				167
<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>529</b>
Full-time equivalent employees in Switzerland	18,960	18,754	18,551	18,372	18,372	18,280				18,280
Full-time equivalent employees in other countries	2,685	2,689	2,741	2,755	2,755	2,799				2,799
<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>21,079</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.

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