

2017

Interim Report
January–September



swisscom

Key financial figures

In CHF million, except where indicated

		1.1.–30.9.2017	1.1.–30.9.2016	Change
Net revenue and results				
Net revenue		8,604	8,643	-0.5%
Operating income before depreciation and amortisation (EBITDA) ¹		3,354	3,307	1.4%
EBITDA as % of net revenue	%	39.0	38.3	
Operating income (EBIT) ²		1,766	1,691	4.4%
Net income		1,269	1,197	6.0%
Share of net income attributable to equity holders of Swisscom Ltd		1,270	1,199	5.9%
Earnings per share	CHF	24.52	23.15	5.9%

Balance sheet and cash flows

Equity at end of period ³		7,148	4,553	57.0%
Equity ratio at end of period ^{3,4}	%	33.0	21.3	
Capital expenditure		1,587	1,768	-10.2%
Operating free cash flow ⁵		1,672	1,404	19.1%
Net debt at end of period ⁶		7,868	8,310	-5.3%

Operational data at end of period

Fixed telephony access lines Switzerland	in thousand	2,128	2,458	-13.4%
Broadband access lines retail in Switzerland	in thousand	2,000	1,985	0.8%
Swisscom TV access lines in Switzerland ⁷	in thousand	1,453	1,377	5.5%
Mobile access lines in Switzerland	in thousand	6,581	6,613	-0.5%
Revenue generating units (RGU) in Switzerland ⁸	in thousand	12,162	12,433	-2.2%
Broadband access lines wholesale in Switzerland	in thousand	419	351	19.4%
Broadband access lines in Italy	in thousand	2,421	2,295	5.5%
Mobile access lines in Italy	in thousand	989	630	57.0%

Swisscom share at end of period

Number of issued shares	in mio.	51,802	51,802	-
Closing price	CHF	496.20	461.70	7.5%
Market capitalisation ⁹		25,704	23,917	7.5%

Full-time equivalent employees at end of period

Full-time equivalent employees at end of year	FTE	20,704	21,292	-2.8%
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¹ Definition operating income before depreciation and amortisation (EBITDA): operating income before depreciation and amortisation and impairment losses on tangible and intangible assets, gain on sale of subsidiaries, net financial result, share of results of associates and income tax expense.

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

³ 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).

⁴ Equity as a percentage of total assets.

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

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

⁷ In 2016, adjustment of not activated TV access lines -63 k.

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

⁹ 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	1.1.–30.9.2017	1.1.–30.9.2016	Change
Net revenue	8,604	8,643	-0.5%
Operating income before depreciation and amortisation (EBITDA)	3,354	3,307	1.4%
EBITDA as % of net revenue	39.0	38.3	
Operating income (EBIT)	1,766	1,691	4.4%
Net income	1,269	1,197	6.0%
Earnings per share (in CHF)	24.52	23.15	5.9%
Capital expenditure	1,587	1,768	-10.2%
Operating free cash flow	1,672	1,404	19.1%
Net debt at end of period	7,868	8,310	-5.3%
Full-time equivalent employees at end of period	20,704	21,292	-2.8%

In the first nine months of 2017, Swisscom's net revenue fell by CHF 39 million or 0.5% to CHF 8,604 million. Revenue in the Swiss core business decreased by CHF 153 million or 2.2% as a result of the downward trend in fixed-line telephony, high price pressure and increasing market saturation. Revenue from telecommunications services declined by CHF 130 million or 2.6% in the first nine months of the year. This trend was reinforced in the third quarter of 2017 with a decline of CHF 54 million or 3.2%, primarily due to increased promotions and decreasing roaming revenue. Conversely, revenue from growth areas grew, particularly in the solutions business for corporate customers (+0.9%). Revenue at Italian subsidiary Fastweb rose by EUR 96 million or 7.3% to EUR 1,414 million, due to customer growth and higher wholesale revenue.

Swisscom's operating income before depreciation and amortisation (EBITDA) increased by CHF 47 million or 1.4% to CHF 3,354 million. This increase is primarily attributable to higher EBITDA at Fastweb, which rose by EUR 83 million or 16.9% to EUR 573 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 43 million or 9.9%. EBITDA in the Swiss core business fell by CHF 36 million or 1.3%, with a large proportion of the drop in revenue offset by active cost management. Swisscom's operating income (EBIT) increased by CHF 75 million or 4.4% to CHF 1,766 million due to higher EBITDA and lower depreciation and amortisation. As a result of the increase in operating income, net income rose by CHF 72 million or 6.0% to CHF 1,269 million.

Swisscom's capital expenditure fell by CHF 181 million or 10.2% to CHF 1,587 million. In Switzerland, it declined as a result of delays in network expansion by CHF 195 million or 15.1% to CHF 1,097 million. Progress continues to be made on expanding the broadband network. At the end of September 2017, Swisscom had connected some 3.8 million households and businesses with ultra-fast broadband (with speeds of more than 50 Mbps), around 2.3 million of which benefit from speeds of more than 100 Mbps. Capital expenditure at Fastweb remained at a high level, totalling EUR 441 million. The increase of 2.6% is mainly attributable to higher customer-driven investment. Operating free cash flow rose by CHF 268 million or 19.1% to CHF 1,672 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 7,868 million, net debt is CHF 442 million or 5.3% lower compared with a year ago.

Headcount decreased year-on-year by 588 FTEs or 2.8% to 20,704 FTEs. In comparison with the previous year, headcount in Switzerland fell by 674 FTEs or 3.6% to 17,877 FTEs as a result of the declining core business. In Switzerland, the reduction in the first nine months of 2017 totalled 495 FTEs (-2.7%). More than three-quarters of the reduction was offset by natural fluctuation and vacancy management.

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 4.3 billion and capital expenditure in the region of CHF 2.4 billion. Subject to achieving its targets, Swisscom will propose an unchanged dividend of CHF 22 per share for the 2017 financial year at the 2018 Annual General Meeting.

Segment results

In CHF million	3 rd quarter 2017	3 rd quarter 2016	Change	1.1.– 30.9.2017	1.1.– 30.9.2016	Change
Net revenue						
Residential Customers	1,499	1,563	-4.1%	4,517	4,677	-3.4%
Enterprise Customers	613	608	0.8%	1,851	1,881	-1.6%
Wholesale	277	267	3.7%	698	731	-4.5%
IT, Network & Infrastructure	41	48	-14.6%	125	131	-4.6%
Intersegment elimination	(180)	(193)	-6.7%	(454)	(530)	-14.3%
Swisscom Switzerland	2,250	2,293	-1.9%	6,737	6,890	-2.2%
Fastweb	556	476	16.8%	1,551	1,441	7.6%
Other Operating Segments	215	199	8.0%	612	564	8.5%
Group Headquarters	1	–		2	1	100.0%
Intersegment elimination	(108)	(94)	14.9%	(298)	(253)	17.8%
Net revenue	2,914	2,874	1.4%	8,604	8,643	-0.5%
Operating income before depreciation and amortisation (EBITDA)						
Residential Customers	871	907	-4.0%	2,712	2,784	-2.6%
Enterprise Customers	214	209	2.4%	630	635	-0.8%
Wholesale	123	102	20.6%	330	290	13.8%
IT, Network & Infrastructure	(298)	(302)	-1.3%	(910)	(912)	-0.2%
Intersegment elimination	(1)	–		(1)	–	
Swisscom Switzerland	909	916	-0.8%	2,761	2,797	-1.3%
Fastweb	194	169	14.8%	628	536	17.2%
Other Operating Segments	49	47	4.3%	129	127	1.6%
Group Headquarters	(24)	(27)	-11.1%	(71)	(84)	-15.5%
Intersegment elimination	(6)	(5)	20.0%	(18)	(14)	28.6%
Reconciliation to pension cost ¹	(28)	(20)	40.0%	(75)	(55)	36.4%
Operating income before depreciation and amortisation (EBITDA)	1,094	1,080	1.3%	3,354	3,307	1.4%

¹ 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. Group Headquarters, which includes non-allocated costs, is reported separately. 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).

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	3 rd quarter 2017	3 rd quarter 2016	Change	1.1.– 30.9.2017	1.1.– 30.9.2016	Change
Net revenue and results						
Telecommunications services	1,615	1,669	-3.2%	4,868	4,998	-2.6%
Solution business	264	252	4.8%	796	789	0.9%
Trade goods	142	145	-2.1%	434	446	-2.7%
Wholesale	157	149	5.4%	430	436	-1.4%
Revenue other	49	57	-14.0%	148	159	-6.9%
Revenue from external customers	2,227	2,272	-2.0%	6,676	6,828	-2.2%
Intersegment revenue	23	21	9.5%	61	62	-1.6%
Net revenue	2,250	2,293	-1.9%	6,737	6,890	-2.2%
Direct costs	(491)	(505)	-2.8%	(1,367)	(1,455)	-6.0%
Indirect costs	(850)	(872)	-2.5%	(2,609)	(2,638)	-1.1%
Segment expenses	(1,341)	(1,377)	-2.6%	(3,976)	(4,093)	-2.9%
Segment result before depreciation and amortisation (EBITDA)	909	916	-0.8%	2,761	2,797	-1.3%
Margin as % of net revenue	40.4	39.9		41.0	40.6	
Depreciation, amortisation and impairment losses	(369)	(364)	1.4%	(1,115)	(1,098)	1.5%
Segment result	540	552	-2.2%	1,646	1,699	-3.1%
Operational data at the balance sheet date in thousand						
Fixed telephony access lines				2,128	2,458	-13.4%
Broadband access lines				2,000	1,985	0.8%
Swisscom TV access lines				1,453	1,377	5.5%
Mobile access lines				6,581	6,613	-0.5%
Revenue generating units (RGU)				12,162	12,433	-2.2%
Bundles				1,850	1,588	16.5%
Unbundled fixed access lines				114	128	-10.9%
Broadband access lines wholesale				419	351	19.4%
Capital expenditure and headcount						
Capital expenditure in property, plant and equipment and other intangible assets				1,083	1,283	-15.6%
Full-time equivalent employees at end of year				15,307	16,035	-4.5%

Net revenue for Swisscom Switzerland fell by CHF 153 million or 2.2% to CHF 6,737 million (-1.9% in the third quarter) as a result of fierce competition and the downward trend in fixed-line telephony. Of this decline, CHF 121 million (-2.6%) was attributable to the Residential Customers segment and CHF 20 million (-1.1%) to the Enterprise Customers segment. The trends in 2016 are continuing in 2017, as expected. Revenue from telecommunications services decreased by CHF 130 million or 2.6% to CHF 4,868 million (-3.2% in the third quarter), with almost half of the drop due to the declining subscriber base in the fixed-line telephony business, which fell year-on-year by 330,000 connections or 13.4% to 2.1 million (-80,000 in the third quarter). The other half of the reduction is the result of price cuts, including roaming fees, increased promotions and a decline in the Enterprise Customers segment. In contrast, revenue from the solutions business within Enterprise Customers increased by CHF 7 million or 0.9% to CHF 796 million (+4.8% in the third quarter). In Wholesale, lower revenue as a result of the reduction in termination tariffs on mobile networks were largely 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 32,000 or 0.5% to 6.58 million (-8,000 in the third quarter). Swisscom increased the number of subscribers to its postpaid lines by 73,000 or 1.6% (+30,000 in the third quarter) compared with the previous year, while the number of prepaid lines decreased by 105,000 or 5.0% (-38,000 in the third quarter). The number of broadband connections rose year-on-year by 15,000 or 0.8% to 2.0 million (+11,000 in the third quarter). The number of TV connections increased by 76,000 or 5.5% to 1.45 million (+6,000 in the third quarter). In April 2017, Swisscom radically simplified its price plan with inOne. inOne offers Internet, TV, telephone and mobile in a single package that can be tailored to individual customers. By the end of September 2017, i.e. just six months after launch, 938,000 customers (over 1 million by the end of October) had opted for inOne with more than 1.8 million connections, boosting demand for bundled offerings. At the end

of September 2017, 1.85 million customers were using a bundled package, which represents a year-on-year increase of 16.5%. Revenue from bundled contracts increased year-on-year by CHF 240 million or 13.0% to CHF 2,086 million.

Segment expense fell by CHF 117 million or 2.9% to CHF 3,976 million (–2.6% in the third quarter), with both direct and indirect costs decreasing versus the prior year. The decrease of CHF 88 million or 6.0% in direct costs to CHF 1,367 million (–2.8% in the third quarter) is due to the lower termination tariffs on mobile networks and lower costs to purchase products. Indirect costs fell by CHF 29 million or 1.1% to CHF 2,609 million (–2.5% in the third quarter). Excluding gains from the sale of real estate in the prior year, the decrease was 1.7% and is chiefly due to the lower headcount. Headcount fell year-on-year as a result of efficiency measures by 728 FTEs or 4.5% to 15,307, including 569 FTEs or 3.6% in the first nine months of 2017. The segment result before depreciation and amortisation was CHF 36 million or 1.3% lower at CHF 2,761 million (–0.8% in the third quarter). 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 0.7%. Capital expenditure decreased as a result of delays in network expansion by CHF 200 million or 15.6% to CHF 1,083 million.

Fastweb

In EUR million, except where indicated	3 rd quarter 2017	3 rd quarter 2016	Change	1.1.– 30.9.2017	1.1.– 30.9.2016	Change
Residential Customers	253	225	12.4%	723	675	7.1%
Corporate Business	177	169	4.7%	518	517	0.2%
Wholesale	58	40	45.0%	166	119	39.5%
Revenue from external customers	488	434	12.4%	1,407	1,311	7.3%
Intersegment revenue	3	3	–	7	7	–
Net revenue	491	437	12.4%	1,414	1,318	7.3%
Segment expenses	(321)	(282)	13.8%	(841)	(828)	1.6%
Segment result before depreciation and amortisation (EBITDA)	170	155	9.7%	573	490	16.9%
Margin as % of net revenue	34.6	35.5		40.5	37.2	
Capital expenditure in property, plant and equipment and other intangible assets				441	430	2.6%
Full-time equivalent employees at end of period				2,509	2,457	2.1%
Broadband access lines in thousand				2,421	2,295	5.5%
Mobile access lines in thousand				989	630	57.0%

Fastweb's net revenue rose year-on-year by EUR 96 million or 7.3% to EUR 1,414 million (+12.4% in the third quarter). Despite a difficult market environment, Fastweb's broadband customer base grew year-on-year by 126,000 or 5.5% to 2.4 million (+10,000 in the third quarter). Fastweb is also growing in mobile telephony. Compared to the previous year, the number of mobile access lines increased by 359,000 or 57.0% to 989,000 (+109,000 in the third quarter) due to the launch of attractive mobile offerings. Fierce competition reduced average revenue per residential broadband customer by around 2% versus the prior-year period. This decline was more than offset by customer growth and the reduction in the billing period to four weeks introduced in the second quarter of 2017. Revenue from residential customers rose accordingly by EUR 48 million or 7.1% to EUR 723 million in comparison with the previous year (+12.4% in the third quarter). Despite the high level of competition, Fastweb held its strong position in the market for business customers. Revenue from business customers was up 0.2%, at EUR 518 million (+4.7% in the third quarter). Revenue from the wholesale business increased by EUR 47 million or 39.5% to EUR 166 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 573 million, equivalent to a year-on-year increase of EUR 83 million or 16.9% (+9.7% in the third 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 43 million or 9.9%. This increase was mainly the result of higher revenue and improved regulatory conditions. The adjusted EBITDA margin rose by 0.8 percentage points to 33.8%. The expansion of Italy's broadband network is continuing as planned. At EUR 441 million, capital expenditure remained at a high level, with the increase of EUR 11 million or 2.6% mainly the result of higher customer-driven investment. The ratio of capital expenditure to net revenue was 31.2% (prior year: 32.6%). Headcount at Fastweb rose by 52 FTEs or 2.1% to 2,509 FTEs, driven chiefly by the appointment of new employees in the corporate business segment.

Other Operating Segments

In CHF million, except where indicated	3 rd quarter 2017	3 rd quarter 2016	Change	1.1.– 30.9.2017	1.1.– 30.9.2016	Change
Revenue from external customers	132	129	2.3%	383	380	0.8%
Intersegment revenue	83	70	18.6%	229	184	24.5%
Net revenue	215	199	8.0%	612	564	8.5%
Segment expenses	(166)	(152)	9.2%	(483)	(437)	10.5%
Segment result before depreciation and amortisation (EBITDA)	49	47	4.3%	129	127	1.6%
Margin as % of net revenue	22.8	23.6		21.1	22.5	
Capital expenditure in property, plant and equipment and other intangible assets				39	30	30.0%
Full-time equivalent employees at end of period				2,617	2,503	4.6%

Net revenue of Other Operating Segments rose year-on-year by CHF 48 million or 8.5% to CHF 612 million (+8.0% in the third 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 improved year-on-year by 1.6% or CHF 2 million to CHF 129 million (+4.3% in the third quarter). This corresponds to a profit margin of 21.1%. Headcount rose by 114 FTEs to 2,617 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 13 million or 15.5% to CHF –71 million. Headcount fell year-on-year by 8.8% to 271 FTEs.

An expense of CHF 75 million (prior year: CHF 55 million) is recognised as a pension cost reconciliation item under IAS 19 for the first nine months of 2017.

Depreciation and amortisation, non-operating results

In CHF million, except where indicated

	3 rd quarter 2017	3 rd quarter 2016	Change	1.1.– 30.9.2017	1.1.– 30.9.2016	Change
Operating income before depreciation and amortisation (EBITDA)	1,094	1,080	1.3%	3,354	3,307	1.4%
Depreciation, amortisation and impairment losses	(531)	(524)	1.3%	(1,588)	(1,616)	-1.7%
Operating income (EBIT)	563	556	1.3%	1,766	1,691	4.4%
Net interest expense	(36)	(31)	16.1%	(109)	(112)	-2.7%
Other financial income and expense, net	16	(5)		(9)	(69)	-87.0%
Share of results of associates	(3)	1		(6)	1	
Income before income taxes	540	521	3.6%	1,642	1,511	8.7%
Income tax expense	(110)	(112)	-1.8%	(373)	(314)	18.8%
Net income	430	409	5.1%	1,269	1,197	6.0%
Share of net income attributable to equity holders of Swisscom Ltd	430	410	4.9%	1,270	1,199	5.9%
Share of net income attributable to non-controlling interests	–	(1)	-100.0%	(1)	(2)	-50.0%
Earnings per share (in CHF)	8.30	7.91	4.9%	24.52	23.15	5.9%

Depreciation and amortisation decreased by CHF 28 million or 1.7% to CHF 1,588 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 nine months of 2017 amounted to CHF 41 million (prior year: CHF 85 million).

Net interest expense fell year-on-year by CHF 3 million to CHF 109 million. At CHF 9 million, other net financial expense improved by CHF 60 million. Net financial expense in the previous year was affected by negative effects of CHF 39 million arising from the fair value adjustment of interest rate swaps.

Income tax expense amounted to CHF 373 million (prior year: CHF 314 million), corresponding to an effective income tax rate of 22.7% (prior year: 20.8%). The increase in the effective income tax rate is primarily attributable to the effects of prior periods.

Net income posted by Swisscom rose by CHF 72 million or 6.0% to CHF 1,269 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 23.15 to CHF 24.52.

Cash flows

In CHF million	1.1.–30.9.2017	1.1.–30.9.2016	Change
Operating income before depreciation and amortisation (EBITDA)	3,354	3,307	47
Capital expenditure	(1,587)	(1,768)	181
Proceeds from sale of property, plant and equipment and other intangible assets	4	25	(21)
Change in defined benefit obligations	2	50	(48)
Change in net working capital and other cash flow from operating activities	(93)	(202)	109
Dividends paid to non-controlling interests	(8)	(8)	–
Operating free cash flow	1,672	1,404	268
Net interest paid	(114)	(128)	14
Income taxes paid	(254)	(281)	27
Free cash flow	1,304	995	309
Other cash flows from investing activities, net	127	(38)	165
Issuance and repayment of financial liabilities, net	(265)	137	(402)
Dividends paid to equity holders of Swisscom Ltd	(1,140)	(1,140)	–
Other cash flows from financing activities	(28)	(5)	(23)
Net decrease in cash and cash equivalents	(2)	(51)	49

Free cash flow increased year-on-year by CHF 309 million to CHF 1,304 million, mainly due to higher operating free cash flow. Operating free cash flow rose by CHF 268 million to CHF 1,672 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 82 million or 5.2% versus the previous year, due primarily to lower capital expenditure. Capital expenditure decreased by CHF 181 million or 10.2% to CHF 1,587 million compared to the previous year, due to delays in network expansion by Swisscom Switzerland. In the second quarter of 2017, Swisscom paid to its pension fund (comPlan) a one-time contribution of CHF 50 million as a result of the regulatory changes communicated in October 2016. Other cash flows from investing activities in 2017 include proceeds of CHF 71 million from the sale of the associate AWIN Ltd. 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 ten years. In addition, Swisscom repaid a debenture bond with a nominal amount of CHF 600 million on the due date in the third quarter of 2017.

Balance sheet

In CHF million, except where indicated

	30.09.2017	31.12.2016	Change
Assets			
Cash and cash equivalents and current financial assets	414	506	-18.2%
Trade and other receivables	2,580	2,532	1.9%
Property, plant and equipment	10,405	10,177	2.2%
Goodwill	5,195	5,156	0.8%
Other intangible assets	1,732	1,756	-1.4%
Investments in associates and non-current financial assets	446	455	-2.0%
Tax assets	245	299	-18.1%
Other current and non-current assets	622	573	8.6%
Total assets	21,639	21,454	0.9%
Liabilities and equity			
Financial liabilities	8,419	8,496	-0.9%
Trade and other payables	1,893	1,896	-0.2%
Defined benefit obligations	1,297	1,850	-29.9%
Provisions	913	962	-5.1%
Tax liabilities	936	746	25.5%
Other current and non-current liabilities	1,033	982	5.2%
Total liabilities	14,491	14,932	-3.0%
Share of equity attributable to equity holders of Swisscom Ltd	7,158	6,514	9.9%
Share of equity attributable to non-controlling interests	(10)	8	-225.0%
Total equity	7,148	6,522	9.6%
Total liabilities and equity	21,639	21,454	0.9%
Equity ratio at end of period	33.0%	30.4%	
Net debt	7,868	7,846	0.3%

Total assets at 30 September 2017 amounted to CHF 21,639 million, which equates to an increase of CHF 185 million or 0.9% versus the end of 2016. The increase is mainly due to the higher property, plant and equipment. Defined benefit obligations decreased by CHF 553 million to CHF 1,297 million, mainly due to income from plan assets and the higher discount rate. Equity rose by CHF 626 million to CHF 7,148 million, which corresponds to an equity ratio of 33.0% (30.4% as at 31 December 2016). The dividend payment amounted to CHF 1,140 million, compared to net income of CHF 1,269 million and other net positive effects recognised in equity of CHF 550 million. Compared to 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 4.3 billion and capital expenditure in the region of CHF 2.4 billion. Subject to achieving its targets, Swisscom will propose an unchanged 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 for per share amounts

	Note	3 rd quarter 2017	3 rd quarter 2016	1.1.–30.9.2017	1.1.–30.9.2016
Net revenue	2	2,914	2,874	8,604	8,643
Goods and services purchased		(585)	(580)	(1,610)	(1,682)
Personnel expense		(695)	(695)	(2,186)	(2,203)
Other operating expense		(626)	(613)	(1,821)	(1,810)
Capitalised self-constructed assets and other income		86	94	367	359
Operating income before depreciation and amortisation		1,094	1,080	3,354	3,307
Depreciation, amortisation and impairment losses		(531)	(524)	(1,588)	(1,616)
Operating income	2	563	556	1,766	1,691
Financial income and financial expense, net	3	(20)	(36)	(118)	(181)
Share of results of associates		(3)	1	(6)	1
Income before income taxes		540	521	1,642	1,511
Income tax expense		(110)	(112)	(373)	(314)
Net income		430	409	1,269	1,197
Share of net income attributable to equity holders of Swisscom Ltd		430	410	1,270	1,199
Share of net income attributable to non-controlling interests		–	(1)	(1)	(2)
Basic and diluted earnings per share (in CHF)		8.30	7.91	24.52	23.15

Consolidated statement of comprehensive income (unaudited)

In CHF million	3 rd quarter 2017	3 rd quarter 2016	1.1.–30.9.2017	1.1.–30.9.2016
Net income	430	409	1,269	1,197
Other comprehensive income				
Actuarial gains and losses from defined benefit pension plans	155	(146)	564	(929)
Income tax expense	(32)	30	(116)	193
Items that will not be reclassified to income statement, net of tax	123	(116)	448	(736)
Foreign currency translation adjustments of foreign operations	91	2	122	5
Gains and losses from available-for-sale financial assets transferred to income statement	(1)	(2)	(1)	(6)
Change in fair value of cash flow hedges	2	2	(6)	3
Fair value losses of cash flow hedges transferred to income statement	–	–	–	1
Income tax expense	(15)	–	(13)	(1)
Items that are or may be reclassified subsequently to income statement, net of tax	77	2	102	2
Other comprehensive income	200	(114)	550	(734)
Comprehensive income	630	295	1,819	463
Share of comprehensive income attributable to equity holders of Swisscom Ltd	630	296	1,820	465
Share of comprehensive income attributable to non-controlling interests	–	(1)	(1)	(2)

Consolidated balance sheet (condensed and unaudited)

In CHF million	Note	30.09.2017	31.12.2016
Assets			
Cash and cash equivalents		338	329
Trade and other receivables		2,580	2,532
Other financial assets		76	177
Other assets		548	497
Total current assets		3,542	3,535
Property, plant and equipment		10,405	10,177
Goodwill and other intangible assets		6,927	6,912
Investments in associates	4	136	193
Other financial assets		310	262
Other assets		319	375
Total non-current assets		18,097	17,919
Total assets		21,639	21,454
Liabilities and equity			
Financial liabilities	5	2,000	1,125
Trade and other payables		1,893	1,896
Current income tax liabilities		201	125
Provisions	6	149	182
Other liabilities		664	650
Total current liabilities		4,907	3,978
Financial liabilities	5	6,419	7,371
Defined benefit obligations		1,297	1,850
Provisions	6	764	780
Deferred tax liabilities		735	621
Other liabilities		369	332
Total non-current liabilities		9,584	10,954
Total liabilities		14,491	14,932
Share of equity attributable to equity holders of Swisscom Ltd		7,158	6,514
Share of equity attributable to non-controlling interests		(10)	8
Total equity		7,148	6,522
Total liabilities and equity		21,639	21,454

Consolidated statement of cash flows (condensed and unaudited)

In CHF million	Note	1.1.–30.9.2017	1.1.–30.9.2016
Net income		1,269	1,197
Adjustment for non-cash items		2,085	2,095
Change in operating assets and liabilities		(91)	(137)
Income taxes paid		(254)	(281)
Cash flow provided by operating activities		3,009	2,874
Capital expenditure for tangible and intangible assets		(1,587)	(1,768)
Acquisition of subsidiaries, net of cash and cash equivalents		(61)	(26)
Proceeds from sale of associates	4	78	2
Other cash flows from investing activities, net		139	23
Cash flow used in investing activities		(1,431)	(1,769)
Issuance and repayment of financial liabilities, net	5	(265)	137
Dividends paid to equity holders of Swisscom Ltd	8	(1,140)	(1,140)
Dividends paid to non-controlling interests		(8)	(8)
Acquisition of non-controlling interests		(21)	1
Other cash flows from financing activities, net		(146)	(146)
Cash flow used in financing activities		(1,580)	(1,156)
Net decrease in cash and cash equivalents		(2)	(51)
Cash and cash equivalents at beginning of period		329	324
Foreign currency translation adjustments in respect of cash and cash equivalents		11	–
Cash and cash equivalents at end of period		338	273

Consolidated statement of changes in equity (unaudited)

In CHF million	Share capital	Capital reserves	Retained earnings	Treasury shares	Other reserves	Attributable to equity holders of Swisscom	Attributable to non-controlling interests	Total equity
Balance at 31 December 2015	52	136	6,783	–	(1,734)	5,237	5	5,242
Net income	–	–	1,199	–	–	1,199	(2)	1,197
Other comprehensive income	–	–	(736)	–	2	(734)	–	(734)
Comprehensive income	–	–	463	–	2	465	(2)	463
Dividends paid	–	–	(1,140)	–	–	(1,140)	(8)	(1,148)
Transactions with non-controlling interests	–	–	(14)	–	–	(14)	11	(3)
Acquisition of treasury shares for share-based payments	–	–	–	(4)	–	(4)	–	(4)
Allocation of treasury shares for share-based payments	–	–	–	3	–	3	–	3
Balance at 30 September 2016	52	136	6,092	(1)	(1,732)	4,547	6	4,553
Balance at 31 December 2016	52	136	8,149	(1)	(1,822)	6,514	8	6,522
Net income	–	–	1,270	–	–	1,270	(1)	1,269
Other comprehensive income	–	–	448	–	102	550	–	550
Comprehensive income	–	–	1,718	–	102	1,820	(1)	1,819
Dividends paid	–	–	(1,140)	–	–	(1,140)	(8)	(1,148)
Transactions with non-controlling interests	–	–	(37)	–	–	(37)	(9)	(46)
Acquisition of treasury shares for share-based payments	–	–	–	(3)	–	(3)	–	(3)
Allocation of treasury shares for share-based payments	–	–	–	4	–	4	–	4
Balance at 30 September 2017	52	136	8,690	–	(1,720)	7,158	(10)	7,148

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 nine months to 30 September 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 1.146 was used as the end-of-period rate (31 December 2016: CHF/EUR 1.074) and 1.097 as the average rate for the period (prior year: CHF/EUR 1.094).

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 effects 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 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
Net revenue			
Financial year 2016			
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)
Swisscom Switzerland	9,440	(183)	9,257
Fastweb	1,957	–	1,957
Other Operating Segments	594	195	789
Group Headquarters	2	–	2
Elimination	(350)	(12)	(362)
Total net revenue	11,643	–	11,643
Segment result			
Financial year 2016			
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)
Swisscom Switzerland	2,197	(54)	2,143
Fastweb	124	–	124
Other Operating Segments	27	54	81
Group Headquarters	(114)	–	(114)
Reconciliation pension cost	(72)	–	(72)
Elimination	(14)	–	(14)
Total segment result	2,148	–	2,148

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 nine months of 2017, an expense of CHF 75 million is disclosed under "Elimination" as a pension cost reconciliation item in accordance with IAS 19 (CHF 55 million in the first nine months 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 nine months of 2017 are as shown below:

1.1.–30.9.2017, in CHF million	Swisscom Switzerland	Fastweb	Other Operating Segments	Group Headquarters	Elimination	Total
Net revenue from external customers	6,676	1,544	383	1	–	8,604
Net revenue with other segments	61	7	229	1	(298)	–
Net revenue	6,737	1,551	612	2	(298)	8,604
Segment result	1,646	201	80	(71)	(90)	1,766
Financial income and financial expense, net						(118)
Share of results of associates						(6)
Income before income taxes						1,642
Income tax expense						(373)
Net income						1,269

1.1.–30.9.2017, in CHF million	Residential Customers	Enterprise Customers	Wholesale	IT, Network & Infrastructure	Elimination	Swisscom Switzerland
Net revenue from external customers	4,456	1,771	430	19	–	6,676
Net revenue with other segments	61	80	268	106	(454)	61
Net revenue	4,517	1,851	698	125	(454)	6,737
Segment result	2,616	568	330	(1,868)	–	1,646

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

1.1.–30.9.2016, in CHF million, restated	Swisscom Switzerland	Fastweb	Other Operating Segments	Group Head-quarters	Elimination	Total
Net revenue from external customers	6,828	1,434	380	1	–	8,643
Net revenue with other segments	62	7	184	–	(253)	–
Net revenue	6,890	1,441	564	1	(253)	8,643
Segment result	1,699	76	63	(84)	(63)	1,691
Financial income and financial expense, net						(181)
Share of results of associates						1
Income before income taxes						1,511
Income tax expense						(314)
Net income						1,197

1.1.–30.9.2016, in CHF million, restated	Residential Customers	Enterprise Customers	Wholesale	IT, Network & Infrastructure	Elimination	Swisscom Switzerland
Net revenue from external customers	4,577	1,791	436	24	–	6,828
Net revenue with other segments	100	90	295	107	(530)	62
Net revenue	4,677	1,881	731	131	(530)	6,890
Segment result	2,665	568	290	(1,824)	–	1,699

3 Financial income and financial expense

In CHF million	1.1.–30.9.2017	1.1.–30.9.2016
Interest income	8	11
Interest expense	(117)	(123)
Net interest expense on financial assets and financial liabilities	(109)	(112)
Foreign exchange gains	3	2
Change in fair value of interest rate swaps	9	(39)
Other financial income and expense, net	(21)	(32)
Financial income and financial expense, net	(118)	(181)

4 Investments in associates

In September 2017, Swisscom sold its shares in AWIN Ltd for a purchase price of EUR 62 million (CHF 71 million). The disposal resulted in a gain of CHF 1 million, which was recognised as other financial income in the third quarter of 2017.

5 Financial liabilities

In CHF million	30.09.2017	31.12.2016
Bank loans	299	208
Debenture bonds	1,420	645
Private placements	252	251
Finance lease liabilities	22	16
Other financial liabilities	7	5
Total current financial liabilities	2,000	1,125
Bank loans	497	545
Debenture bonds	4,525	5,495
Private placements	492	487
Finance lease liabilities	486	492
Other financial liabilities	419	352
Total non-current financial liabilities	6,419	7,371
Total financial liabilities	8,419	8,496

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 ten years. The funds raised were used to repay existing debts. In the third quarter of 2017, Swisscom repaid a debenture bond with a nominal amount of CHF 600 million on the due date.

6 Provisions

In CHF million	Dismantlement and restoration costs	Regulatory and ComCo proceedings	Other	Total
Balance at 31 December 2016	542	150	270	962
Additions	3	2	34	39
Present-value adjustments	(6)	2	–	(4)
Release of unused provisions	(8)	(1)	(18)	(27)
Use of provisions	(1)	–	(57)	(58)
Foreign currency translation adjustments	–	–	1	1
Balance at 30 September 2017	530	153	230	913
Thereof current provisions	–	20	129	149
Thereof non-current provisions	530	133	101	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.

7 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 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 September 2017.

Contingent assets from litigation

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

8 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.

9 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
30 September 2017							
Derivative financial instruments	–	–	80	–	–	80	–
Other assets valued at fair value	–	–	60	–	60	–	–
Available-for-sale financial assets	–	15	–	–	–	–	15
Financial assets measured at fair value	–	15	140	–	60	80	15
Other loans and receivables	183	–	–	–	–	203	–
Financial assets not measured at fair value	183	–	–	–	–	203	–
Derivative financial instruments	–	–	58	–	–	58	–
Financial liabilities measured at fair value	–	–	58	–	–	58	–
Bank loans	–	–	–	796	–	825	–
Debenture bonds	–	–	–	5,945	6,222	–	–
Private placements	–	–	–	744	–	751	–
Finance lease liabilities	–	–	–	508	–	1,006	–
Other interest-bearing financial liabilities	–	–	–	94	–	94	–
Other non-interest-bearing financial liabilities	–	–	–	274	–	274	–
Financial liabilities not measured at fair value	–	–	–	8,361	6,222	2,950	–

In addition, as of 30 September 2017, there were available-for-sale financial assets with a carrying amount of CHF 47 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 nine months of 2017, there were no changes to the carrying amount and no reclassifications between the various levels.

10 Related parties

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

11 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 1 November 2017.

Further information

Share information

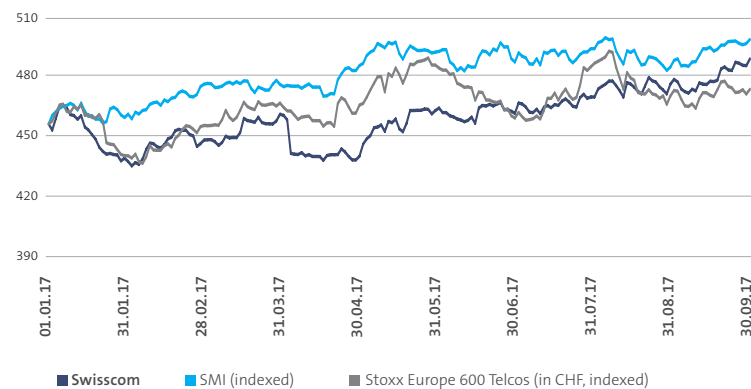
Swisscom share performance indicators

31.12.2016–30.9.2017	SIX Swiss Exchange
Closing price at 30 December 2016 in CHF ¹	456.10
Closing price at 30 September 2017 in CHF ¹	496.20
Change in %	8.8
Year high in CHF ¹	496.30
Year low in CHF ¹	429.80
Total volume of traded shares	30,365,922
Total turnover in CHF million	13,920
Daily average of traded shares	161,521
Daily average in CHF million	74

Source: Bloomberg
¹ paid prices

Share performance

Share performance 2017 in CHF



Share information

On 30 September 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 September 2017, Swisscom had 76,000 registered shareholders and around 20% 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

- > 07 February 2018 2017 Annual Results and Annual Report
- > 04 April 2018 Annual General Meeting in Fribourg
- > 02 May 2018 2018 First-Quarter Results
- > 16 August 2018 2018 Second-Quarter Results
- > 01 November 2018 2018 Third-Quarter Results

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
Income statement										
Net revenue	2,885	2,884	2,874	3,000	11,643	2,831	2,859	2,914		8,604
Goods and services purchased	(544)	(558)	(580)	(641)	(2,323)	(522)	(503)	(585)		(1,610)
Personnel expense	(765)	(743)	(695)	(744)	(2,947)	(753)	(738)	(695)		(2,186)
Other operating expense	(597)	(600)	(613)	(738)	(2,548)	(574)	(621)	(626)		(1,821)
Capitalised self-constructed assets and other income	102	163	94	109	468	91	190	86		367
Operating income (EBITDA)	1,081	1,146	1,080	986	4,293	1,073	1,187	1,094		3,354
Depreciation and amortisation	(546)	(546)	(524)	(529)	(2,145)	(523)	(534)	(531)		(1,588)
Operating income (EBIT)	535	600	556	457	2,148	550	653	563		1,766
Net interest expense	(39)	(42)	(31)	(43)	(155)	(36)	(38)	(35)		(109)
Other financial result	(40)	(24)	(5)	69	–	(13)	(11)	15		(9)
Result of associates	–	–	1	(4)	(3)	(1)	(2)	(3)		(6)
Income before income taxes	456	534	521	479	1,990	500	602	540		1,642
Income tax expense	(92)	(110)	(112)	(72)	(386)	(127)	(136)	(110)		(373)
Net income	364	424	409	407	1,604	373	466	430		1,269
Attributable to equity holders of Swisscom Ltd	365	424	410	405	1,604	373	467	430		1,270
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	8.30		24.52
Net revenue										
Swisscom Switzerland	2,305	2,292	2,293	2,367	9,257	2,246	2,241	2,250		6,737
Fastweb	482	483	476	516	1,957	484	511	556		1,551
Other Operating Segments	170	195	199	225	789	187	210	215		612
Group Headquarters	–	1	–	1	2	–	1	1		2
Intersegment elimination	(72)	(87)	(94)	(109)	(362)	(86)	(104)	(108)		(298)
Total net revenue	2,885	2,884	2,874	3,000	11,643	2,831	2,859	2,914		8,604
Segment result before depreciation and amortisation (EBITDA)										
Swisscom Switzerland	954	927	916	819	3,616	928	924	909		2,761
Fastweb	144	223	169	185	721	155	279	194		628
Other Operating Segments	34	46	47	37	164	40	40	49		129
Group Headquarters	(30)	(27)	(27)	(30)	(114)	(26)	(21)	(24)		(71)
Intersegment elimination	(3)	(6)	(5)	(8)	(22)	(4)	(8)	(6)		(18)
Reconciliation pension cost	(18)	(17)	(20)	(17)	(72)	(20)	(27)	(28)		(75)
Total segment result (EBITDA)	1,081	1,146	1,080	986	4,293	1,073	1,187	1,094		3,354
Capital expenditure in property, plant and equipment and other intangible assets										
Swisscom Switzerland	424	448	411	472	1,755	357	362	364		1,083
Fastweb	169	145	156	163	633	165	161	158		484
Other Operating Segments	7	10	13	19	49	11	13	15		39
Intersegment elimination	(4)	(6)	(5)	(6)	(21)	(4)	(8)	(7)		(19)
Total capital expenditure	596	597	575	648	2,416	529	528	530		1,587
Full-time equivalent employees at end of period										
Swisscom Switzerland	16,417	16,221	16,035	15,876	15,876	15,719	15,420	15,307		15,307
Fastweb	2,407	2,422	2,457	2,468	2,468	2,503	2,494	2,509		2,509
Other Operating Segments	2,507	2,491	2,503	2,493	2,493	2,575	2,585	2,617		2,617
Group Headquarters	314	309	297	290	290	282	276	271		271
Total full-time equivalent employees	21,645	21,443	21,292	21,127	21,127	21,079	20,775	20,704		20,704
Operating free cash flow	184	604	616	387	1,791	463	549	660		1,672
Net debt	8,108	8,856	8,310	7,846	7,846	7,689	8,441	7,868		7,868

In CHF million, except where indicated

	1. quarter	2. quarter	3. quarter	4. quarter	2016	1. quarter	2. quarter	3. quarter	4. quarter	2017
Swisscom Switzerland										
Revenue and results										
Residential Customers	520	522	531	523	2,096	501	500	499		1,500
Enterprise Customers	125	125	126	127	503	120	122	121		363
Revenue mobile single subscription	645	647	657	650	2,599	621	622	620		1,863
Residential Customers	260	245	225	197	927	178	155	132		465
Enterprise Customers	145	142	140	145	572	140	136	132		408
Revenue fixed-line single subscription	405	387	365	342	1,499	318	291	264		873
Residential Customers	602	608	631	654	2,495	674	689	711		2,074
Enterprise Customers	1	2	2	2	7	3	4	5		12
Revenue bundles	603	610	633	656	2,502	677	693	716		2,086
Other revenue Enterprise Customers	16	16	14	16	62	16	15	15		46
Total revenue telecoms services	1,669	1,660	1,669	1,664	6,662	1,632	1,621	1,615		4,868
Solution business	268	269	252	283	1,072	261	271	264		796
Trade goods	157	144	145	191	637	147	145	142		434
Wholesale	139	148	149	155	591	138	135	157		430
Revenue other	52	50	57	54	213	49	50	49		148
Revenue from external customers	2,285	2,271	2,272	2,347	9,175	2,227	2,222	2,227		6,676
Residential Customers	1,532	1,513	1,532	1,555	6,132	1,497	1,481	1,478		4,456
Enterprise Customers	609	603	579	630	2,421	586	599	586		1,771
Wholesale	139	148	149	155	591	138	135	157		430
IT, Network & Infrastructure	5	7	12	7	31	6	7	6		19
Revenue from external customers	2,285	2,271	2,272	2,347	9,175	2,227	2,222	2,227		6,676
Segment result before depreciation and amortisation (EBITDA)										
Residential Customers	951	926	907	867	3,651	931	910	871		2,712
Enterprise Customers	217	209	209	213	848	201	215	214		630
Wholesale	91	97	102	89	379	104	103	123		330
IT, Network & Infrastructure	(305)	(305)	(302)	(350)	(1,262)	(308)	(304)	(298)		(910)
Intersegment elimination	-	-	-	-	-	-	-	(1)		(1)
Segment result (EBITDA)	954	927	916	819	3,616	928	924	909		2,761
Margin as % of net revenue	41.4	40.4	39.9	34.6	39.1	41.3	41.2	40.4		41.0
Fastweb, in EUR million										
Residential Customers	223	227	225	231	906	232	238	253		723
Corporate Business	171	177	169	189	706	168	173	177		518
Wholesale	44	35	40	56	175	51	57	58		166
Revenue from external customers	438	439	434	476	1,787	451	468	488		1,407
Segment result (EBITDA)	131	204	155	171	661	145	258	170		573
Margin as % of net revenue	29.8	46.3	35.5	35.8	36.8	32.0	54.9	34.6		40.5
Capital expenditure	154	132	144	151	581	155	147	139		441
Broadband access lines in thousand	2,241	2,257	2,295	2,355	2,355	2,400	2,411	2,421		2,421
Mobile access lines in thousand	582	606	630	676	676	763	880	989		989

In thousand, except where indicated	1. quarter	2. quarter	3. quarter	4. quarter	2016	1. quarter	2. quarter	3. quarter	4. quarter	2017
Swisscom Switzerland										
Operational data										
Access lines										
Residential Customers	2,319	2,260	2,202	2,134	2,134	2,063	1,982	1,911		1,911
Enterprise Customers	263	258	256	233	233	234	226	217		217
Fixed telephony access lines	2,582	2,518	2,458	2,367	2,367	2,297	2,208	2,128		2,128
Residential Customers	1,930	1,940	1,947	1,954	1,954	1,950	1,951	1,962		1,962
Enterprise Customers	38	38	38	38	38	38	38	38		38
Broadband access lines	1,968	1,978	1,985	1,992	1,992	1,988	1,989	2,000		2,000
Residential Customers	1,323	1,351	1,377	1,418	1,418	1,438	1,447	1,453		1,453
Swisscom TV access lines¹	1,323	1,351	1,377	1,418	1,418	1,438	1,447	1,453		1,453
Postpaid Retail Customers	3,264	3,269	3,286	3,305	3,305	3,306	3,311	3,333		3,333
Postpaid Enterprise Customers	1,228	1,242	1,242	1,247	1,247	1,256	1,260	1,268		1,268
Postpaid mobile access lines	4,492	4,511	4,528	4,552	4,552	4,562	4,571	4,601		4,601
Prepaid Retail Customers	2,123	2,112	2,085	2,060	2,060	2,039	2,018	1,980		1,980
Mobile access lines	6,615	6,623	6,613	6,612	6,612	6,601	6,589	6,581		6,581
RGU Retail Customers	10,959	10,932	10,897	10,871	10,871	10,796	10,709	10,639		10,639
RGU Enterprise Customers	1,529	1,538	1,536	1,518	1,518	1,528	1,524	1,523		1,523
Revenue generating units (RGU)	12,488	12,470	12,433	12,389	12,389	12,324	12,233	12,162		12,162
Thereof in bundles	4,362	4,497	4,709	4,952	4,952	5,146	5,290	5,520		5,520
Bundles	1,465	1,515	1,588	1,672	1,672	1,736	1,784	1,850		1,850
Broadband access lines wholesale	329	342	351	364	364	385	402	419		419
Unbundled fixed access lines	120	125	128	128	128	120	116	114		114
Swisscom Group										
Information by geographical regions										
Net revenue in Switzerland	2,398	2,396	2,393	2,478	9,665	2,343	2,343	2,352		7,038
Net revenue in other countries	487	488	481	522	1,978	488	516	562		1,566
Total net revenue	2,885	2,884	2,874	3,000	11,643	2,831	2,859	2,914		8,604
EBITDA in Switzerland	936	923	908	805	3,572	917	905	898		2,720
EBITDA in other countries	145	223	172	181	721	156	282	196		634
Total EBITDA	1,081	1,146	1,080	986	4,293	1,073	1,187	1,094		3,354
Capital expenditure in Switzerland	425	451	416	482	1,774	362	366	369		1,097
Capital expenditure in other countries	171	146	159	166	642	167	162	161		490
Total capital expenditure	596	597	575	648	2,416	529	528	530		1,587
Full-time equivalent employees in Switzerland	18,960	18,754	18,551	18,372	18,372	18,280	17,974	17,877		17,877
Full-time equivalent employees in other countries	2,685	2,689	2,741	2,755	2,755	2,799	2,801	2,827		2,827
Total full-time equivalent employees	21,645	21,443	21,292	21,127	21,127	21,079	20,775	20,704		20,704

¹ 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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