

2020

Interim Report
January–June



swisscom

KPIs

In CHF million, except where indicated	30.06.2020	30.06.2019	Change	
Net revenue and results ¹				
Net revenue	5,443	5,663	-3.9%	
Operating income before depreciation and amortisation (EBITDA)	2,208	2,240	-1.4%	
EBITDA as % of net revenue	40.6	39.6		
EBITDA after lease expense (EBITDA AL)	2,058	2,103	-2.1%	
Operating income (EBIT)	983	1,007	-2.4%	
Net income	736	780	-5.6%	
Earnings per share	14.25	15.10	-5.6%	
Balance sheet and cash flows ¹				
Equity	8,238	7,890	4.4%	
Equity ratio	34.3	32.6		
Operating free cash flow proxy	983	806	22.0%	
Capital expenditure	1,075	1,297	-17.1%	
Net debt	7,171	7,787	-7.9%	
Operational data				
Fixed telephony access lines in Switzerland	in thousand	1,564	1,683	-7.1%
Broadband access lines retail in Switzerland	in thousand	2,048	2,050	-0.1%
Swisscom TV access lines in Switzerland	in thousand	1,551	1,529	1.4%
Mobile access lines in Switzerland	in thousand	6,264	6,368	-1.6%
Revenue generating units (RGU) Switzerland	in thousand	11,427	11,630	-1.7%
Broadband access lines wholesale in Switzerland	in thousand	533	502	6.2%
Broadband access lines in Italy	in thousand	2,692	2,600	3.5%
Mobile access lines in Italy	in thousand	1,830	1,549	18.1%
Swisscom share				
Number of issued shares	in thousand	51,802	51,802	-%
Market capitalisation		25,689	25,388	1.2%
Closing price	CHF	495.90	490.10	1.2%
Employees				
Full-time equivalent employees at end of year	number	18,984	19,564	-3.0%
Average number of full-time equivalent employees	number	19,112	19,667	-2.8%

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

Business performance

Summary

In the first half of 2020, Swisscom's net revenue and operating income before depreciation and amortisation (EBITDA) were slightly below the previous year. The Covid-19 pandemic has had a particularly negative impact on roaming revenues, but the overall impact on financial results in the first half of 2020 is small. Swisscom's net revenue fell by 3.9% or CHF 220 million to CHF 5,443 million, while EBITDA declined by 1.4% or CHF 32 million to CHF 2,208 million. The revenue decline in the saturated Swiss core business continued. The CHF 165 million decline (-3.9%) in revenue is mainly driven by ongoing price pressure and the impact of Covid-19; roaming accounts for around a quarter of this (CHF 41 million). By contrast, revenue at Italian subsidiary Fastweb increased in local currency by EUR 56 million (+5.3%), with all customer segments reporting revenue growth. The number of customers with Fastweb increased year-on-year by 3.5% to 2.7 million in the broadband business and by 18.1% to 1.8 million in mobile telephony. In the Swiss core business, EBITDA fell by 1.2% or CHF 22 million. The decline in net revenue could be largely offset thanks to lower costs. At Fastweb, EBITDA in local currency increased by 4.6% or EUR 16 million as a result of the growth in revenue. Consolidated net profit of CHF 736 million is 5.6% or CHF 44 million lower than in the previous year, mainly as a result of the lower EBITDA.

Swisscom's capital expenditure of CHF 1,075 million was 17.1% or CHF 222 million lower than in the previous year. Capital expenditure in the previous year included expenditures of CHF 196 million for mobile radio frequencies in Switzerland. Excluding expenditures for mobile radio frequencies, capital expenditure in Switzerland rose by 1.8% or CHF 14 million to CHF 779 million. The increase stands in connection with the further expansion of network infrastructure. At Fastweb, capital expenditure fell by 7.1% to EUR 276 million; in the previous year, customer-driven investments were above average.

The operating free cash flow proxy increased by CHF 177 million to CHF 983 million. Excluding the previous year's expenses for mobile radio frequencies, the operating free cash flow proxy declined by CHF 19 million or 1.9%. Net debt fell by 7.9% or CHF 616 million year-on-year to CHF 7,171 million. The number of employees at Swisscom declined 3.0% compared to the previous year to 18,984 FTEs. In Switzerland, headcount decreased by 752 FTEs to 16,119 FTEs. In Switzerland, the reduction in the first half of 2020 totalled 509 FTEs.

Swisscom continues to expect EBITDA of around CHF 4.3 billion and capital expenditure of some CHF 2.3 billion for 2020. Mainly as a result of Covid-19, Swisscom expects net revenue to be slightly lower at around CHF 11.0 billion (previously around CHF 11.1 billion) due to the smaller roaming volume. If business develops as planned, Swisscom will propose to the 2021 Annual General Meeting that the dividend for the 2020 financial year remain unchanged at CHF 22 per share.

Segment results

In CHF million	2. quarter 2020	2. quarter 2019	Change	1 st half-year 2020	1 st half-year 2019	Change
Net revenue						
Residential Customers	1,101	1,141	-3.5%	2,239	2,331	-3.9%
Business Customers	778	804	-3.2%	1,557	1,636	-4.8%
Wholesale ¹	224	243	-7.8%	449	464	-3.2%
IT, Network & Infrastructure	21	21	-%	43	44	-2.3%
Intersegment elimination	(99)	(114)	-13.2%	(192)	(214)	-10.3%
Swisscom Switzerland	2,025	2,095	-3.3%	4,096	4,261	-3.9%
Fastweb	599	602	-0.5%	1,179	1,183	-0.3%
Other Operating Segments	247	275	-10.2%	490	540	-9.3%
Intersegment elimination	(165)	(169)	-2.4%	(322)	(321)	0.3%
Revenue from external customers	2,706	2,803	-3.5%	5,443	5,663	-3.9%
Operating income before depreciation and amortisation (EBITDA)						
Residential Customers	684	697	-1.9%	1,387	1,419	-2.3%
Business Customers	339	354	-4.2%	675	710	-4.9%
Wholesale	125	129	-3.1%	257	255	0.8%
IT, Network & Infrastructure	(259)	(272)	-4.8%	(506)	(547)	-7.5%
Intersegment elimination	2	-		1	(1)	
Swisscom Switzerland	891	908	-1.9%	1,814	1,836	-1.2%
Fastweb	208	211	-1.4%	389	393	-1.0%
Other Operating Segments	40	48	-16.7%	82	98	-16.3%
Group Headquarters	(19)	(20)	-5.0%	(33)	(37)	-10.8%
Reconciliation pension cost ²	(16)	(15)	6.7%	(31)	(29)	6.9%
Elimination	(7)	(11)	-36.4%	(13)	(21)	-38.1%
Operating income before depreciation and amortisation (EBITDA)	1,097	1,121	-2.1%	2,208	2,240	-1.4%

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

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

As of 1 January 2020, Swisscom amended its organisational structure in Switzerland and renamed the former “Enterprise Customers” segment “Business Customers”. In order to provide all business customers with a customer experience tailored to their needs, Swisscom merged the SME segment with the corporate customer segment. As a result, the telecommunications and solutions business with small and medium-sized enterprises is now reported in the Business Customers segment (previously Residential Customers) in segment reporting. In addition, Swisscom has bundled its Customer Field Services at its subsidiary cablex Ltd (up to now, in some cases within Residential Customers). This makes it possible to create even more customer experiences and to be even closer to customers. In addition, various areas were transferred between the segments of Swisscom Switzerland and Group Headquarters as of 1 January 2020. The prior-year amounts were restated accordingly. Further information can be found in Note 2 in the Notes to the consolidated interim financial statements.

Swisscom Switzerland

In CHF million, except where indicated	2. quarter 2020	2. quarter 2019	Change	1 st half-year 2020	1 st half-year 2019	Change
Net revenue and results						
Telecom services	1,409	1,494	-5.7%	2,848	3,005	-5.2%
Solution business	260	256	1.6%	527	513	2.7%
Merchandise	175	169	3.6%	350	365	-4.1%
Wholesale	158	162	-2.5%	322	320	0.6%
Revenue other	1	(6)		6	15	-60.0%
Revenue from external customers	2,003	2,075	-3.5%	4,053	4,218	-3.9%
Intersegment revenue	22	20	10.0%	43	43	-%
Net revenue	2,025	2,095	-3.3%	4,096	4,261	-3.9%
Direct costs	(401)	(423)	-5.2%	(806)	(885)	-8.9%
Indirect costs	(733)	(764)	-4.1%	(1,476)	(1,540)	-4.2%
Segment expenses	(1,134)	(1,187)	-4.5%	(2,282)	(2,425)	-5.9%
Segment result before depreciation and amortisation (EBITDA)	891	908	-1.9%	1,814	1,836	-1.2%
Margin as % of net revenue	44.0	43.3		44.3	43.1	
Lease expense	(58)	(56)	3.6%	(116)	(112)	3.6%
Depreciation and amortisation	(390)	(389)	0.3%	(767)	(770)	-0.4%
Segment result	443	463	-4.3%	931	954	-2.4%
Operating free cash flow proxy						
Segment result before depreciation and amortisation (EBITDA)	891	908	-1.9%	1,814	1,836	-1.2%
Lease expense	(58)	(56)	3.6%	(116)	(112)	3.6%
EBITDA after lease expense (EBITDA AL)	833	852	-2.2%	1,698	1,724	-1.5%
Capital expenditure	(409)	(601)	-31.9%	(776)	(954)	-18.7%
Operating free cash flow proxy	424	251	68.9%	922	770	19.7%
Operational data in thousand and headcount						
Fixed telephony access lines				1,564	1,683	-7.1%
Broadband access lines retail				2,048	2,050	-0.1%
Swisscom TV access lines				1,551	1,529	1.4%
Mobile access lines				6,264	6,368	-1.6%
Revenue generating units (RGU)				11,427	11,630	-1.7%
Broadband access lines wholesale				533	502	6.2%
Full-time equivalent employees				12,608	13,271	-5.0%

Net revenue for Swisscom Switzerland fell by CHF 165 million or 3.9% to CHF 4,096 million as a result of the continuing competitive and price pressure and lower roaming revenues. The Covid-19 pandemic has led to a sharp reduction in customer travel, resulting in lower roaming revenues of CHF 41 million. Revenue from telecommunications services decreased by CHF 157 million or 5.2% to CHF 2,848 million. Of this decline, CHF 82 million (-4.0%) was attributable to the Residential Customers segment and CHF 75 million (-8.0%) to the Business Customers segment. By contrast, revenue from the solutions business with business customers rose by 2.7% to CHF 527 million. In the merchandise area, the high volume of the previous year was not matched, with revenue falling by 4.1% to CHF 350 million. The number of inOne customers continues to grow. At the end of June 2020, Swisscom recorded 2.39 million inOne customers in the Residential Customers segment. In this segment, inOne accounts for 68% of postpaid mobile lines and 72% of broadband connections. The market is showing signs of saturation in the area of mobile communications and fixed-network services. The mobile subscriber base contracted year-on-year by 104,000 (-1.6%) to 6.26 million. The number of post-paid lines grew by 61,000. In the case of prepaid lines, it fell by 165,000. The number of broadband connections remained close to stable year-over-year (-0.1%). The number of TV connections increased by 22,000 or 1.4% to 1.55 million versus the previous year. In fixed-line telephony, the downward trend is slowing as the switch to IP technology has been completed. The number of fixed telephony access lines fell year-on-year by 119,000 or 7.1% to 1.56 million.

Segment expense declined by CHF 143 million or 5.9% to CHF 2,282 million. Direct costs fell by CHF 79 million (–8.9%). In addition to the decline in subscriber acquisition and retention costs, the costs for roaming and for purchasing goods also fell. Indirect costs fell by 4.2% or CHF 64 million to CHF 1,476 million. This is chiefly due to the lower headcount and lower costs for advertising. In addition, fewer customer service deployments as a result of the stable networks and platforms have led to a reduction in costs. Headcount fell year-on-year as a result of efficiency measures by 663 FTEs or 5.0% to 12,608, including 447 FTEs in the first half of 2020. The segment result before depreciation and amortisation was CHF 22 million or 1.2% lower at CHF 1,814 million. The decline as a result of lower revenue could be largely offset by the ongoing measures to reduce costs. Capital expenditure decreased by 18.7%. In the previous year, expenditure for mobile radio frequencies amounting to CHF 196 million was included. Adjusted for these expenses, capital expenditure rose on the back of higher investment for the expansion of broadband networks by CHF 18 million or 2.4% to CHF 776 million. As at end-June 2020, over 4.1 million or 77% of all households and businesses were connected with ultra-fast broadband exceeding 80 Mbps. Some 2.8 million or 53% of all homes and businesses benefit from fast connections with bandwidths of more than 200 Mbps. Of these, more than 1.6 million have been upgraded to FTTH. Swisscom intends to make ultra-fast broadband available in every Swiss municipality by the end of 2021, even in remote locations. In addition, compared to 2019 levels, Swisscom plans to double FTTH coverage for households and businesses to up to 60% by the end of 2025.

Fastweb

In EUR million, except where indicated	2. quarter 2020	2. quarter 2019	Change	1 st half-year 2020	1 st half-year 2019	Change
Net revenue and results						
Residential Customers	282	273	3.3%	562	542	3.7%
Enterprise Customers	224	214	4.7%	435	416	4.6%
Wholesale	55	45	22.2%	105	87	20.7%
Revenue from external customers	561	532	5.5%	1,102	1,045	5.5%
Intersegment revenue	1	3	–66.7%	3	4	–25.0%
Net revenue	562	535	5.0%	1,105	1,049	5.3%
Segment expenses	(367)	(348)	5.5%	(740)	(700)	5.7%
Segment result before depreciation and amortisation (EBITDA)	195	187	4.3%	365	349	4.6%
Margin as % of net revenue	34.7	35.0		33.0	33.3	
Lease expense	(13)	(13)	–%	(26)	(25)	4.0%
Depreciation and amortisation	(142)	(135)	5.2%	(286)	(274)	4.4%
Segment result	40	39	2.6%	53	50	6.0%
Operating free cash flow proxy						
Segment result before depreciation and amortisation (EBITDA)	195	187	4.3%	365	349	4.6%
Lease expense	(13)	(13)	–%	(26)	(25)	4.0%
EBITDA after lease expense (EBITDA AL)	182	174	4.6%	339	324	4.6%
Capital expenditure	(138)	(154)	–10.4%	(276)	(297)	–7.1%
Operating free cash flow proxy	44	20	120.0%	63	27	133.3%
Operational data in thousand and headcount						
Broadband access lines				2,692	2,600	3.5%
Mobile access lines				1,830	1,549	18.1%
Full-time equivalent employees				2,605	2,451	6.3%

Fastweb's net revenue rose by EUR 56 million or 5.3% year-on-year to EUR 1,105 million. Despite a challenging market environment, the customer base in the broadband business grew by 92,000 or 3.5% to 2.69 million year-over-year. The number of mobile lines rose by 281,000 or 18.1% to 1.83 million despite market saturation and strong competition. Bundles offerings remain a point of focus. 33% of subscribers use a bundled offering combining fixed network and mobile. Residential customer revenue rose by EUR 20 million or 3.7% to EUR 562 million as a result of customer growth. Fastweb held its strong position in the market for business customers. Revenue from business customers increased by EUR 19 million or 4.6% to EUR 435 million as a result of higher revenue with private companies and public administrations. Revenue from wholesale business increased by EUR 18 million or 20.7% to EUR 105 million.

The segment result before depreciation and amortisation rose EUR 16 million or 4.6% to EUR 365 million owing to the growth in revenue. Capital expenditure decreased by EUR 21 million or 7.1% year-on-year to EUR 276 million. In the previous year customer-driven capital expenditure was above average. Fastweb's headcount increased by 154 FTEs or 6.3% to 2,605 FTEs year-on-year as a result of company acquisitions and the hiring of external staff.

Other Operating Segments

In CHF million, except where indicated	2. quarter 2020	2. quarter 2019	Change	1 st half-year 2020	1 st half-year 2019	Change
Net revenue and results						
Revenue from external customers	106	128	-17.2%	215	266	-19.2%
Intersegment revenue	141	147	-4.1%	275	274	0.4%
Net revenue	247	275	-10.2%	490	540	-9.3%
Segment expenses	(207)	(227)	-8.8%	(408)	(442)	-7.7%
Segment result before depreciation and amortisation (EBITDA)	40	48	-16.7%	82	98	-16.3%
Margin as % of net revenue	16.2	17.5		16.7	18.1	
Lease expense	(3)	(4)	-25.0%	(6)	(7)	-14.3%
Depreciation and amortisation	(14)	(17)	-17.6%	(29)	(35)	-17.1%
Segment result	23	27	-14.8%	47	56	-16.1%
Operating free cash flow proxy						
Segment result before depreciation and amortisation (EBITDA)	40	48	-16.7%	82	98	-16.3%
Lease expense	(3)	(4)	-25.0%	(6)	(7)	-14.3%
EBITDA after lease expense (EBITDA AL)	37	44	-15.9%	76	91	-16.5%
Capital expenditure	(11)	(11)	-%	(18)	(19)	-5.3%
Operating free cash flow proxy	26	33	-21.2%	58	72	-19.4%
Headcount						
Full-time equivalent employees				3,567	3,633	-1.8%

The net revenue of the Other Operating Segments decreased year-on-year by CHF 50 million or 9.3% to CHF 490 million. The decline in revenue from external customers is essentially due to revenue contractions at cablex and Swisscom Broadcast as well as to the loss of Billag's mandate to collect national radio and television licence fees. Accordingly, the segment result before depreciation and amortisation declined by CHF 16 million or 16.3% to CHF 82 million and the profit margin slipped to 16.7% (previous year 18.1%). Headcount fell by 66 FTEs or 1.8% to 3,567 FTEs, driven primarily by the reduction in staff at Billag and a lower headcount at Swisscom Directories Ltd (localsearch).

Group Headquarters and reconciliation

In CHF million, except where indicated	2. quarter 2020	2. quarter 2019	Change	1 st half-year 2020	1 st half-year 2019	Change
Group Headquarters	(19)	(20)	-5.0%	(33)	(37)	-10.8%
Reconciliation pension cost	(16)	(15)	6.7%	(31)	(29)	6.9%
Elimination	(7)	(11)	-36.4%	(13)	(21)	-38.1%
Operating income before depreciation and amortisation (EBITDA)	(42)	(46)	-8.7%	(77)	(87)	-11.5%

The net costs not assigned to the operating segments, which comprise Group Headquarters, pension cost reconciliation and inter-segment eliminations, declined by CHF 10 million to CHF 77 million.

Depreciation and amortisation, non-operating results

In CHF million, except where indicated	2. quarter 2020	2. quarter 2019	Change	1 st half-year 2020	1 st half-year 2019	Change
Operating income before depreciation and amortisation (EBITDA)	1,097	1,121	-2.1%	2,208	2,240	-1.4%
Depreciation and amortisation of property, plant and equipment and intangible assets	(541)	(550)	-1.6%	(1,078)	(1,097)	-1.7%
Depreciation of right-of-use assets	(77)	(69)	11.6%	(147)	(136)	8.1%
Operating income (EBIT)	479	502	-4.6%	983	1,007	-2.4%
Net interest expense on financial assets and liabilities	(18)	(16)	12.5%	(30)	(31)	-3.2%
Interest expense on lease liabilities	(11)	(7)	57.1%	(22)	(15)	46.7%
Other financial result	(38)	(28)	35.7%	(52)	(25)	108.0%
Result of equity-accounted investees	2	–		3	2	50.0%
Income before income taxes	414	451	-8.2%	882	938	-6.0%
Income tax expense	(72)	(54)	33.3%	(146)	(158)	-7.6%
Net income	342	397	-13.9%	736	780	-5.6%
Attributable to equity holders of Swisscom Ltd	343	397	-13.6%	738	782	-5.6%
Attributable to non-controlling interests	(1)	–		(2)	(2)	–%
Earnings per share (in CHF)	6.62	7.66	-13.6%	14.25	15.10	-5.6%

Net income posted by Swisscom declined by CHF 44 million or 5.6% to CHF 736 million, largely due to the lower EBITDA. Earnings per share declined accordingly from CHF 15.10 to CHF 14.25. The depreciation and amortisation of property, plant and equipment and intangible assets decreased by CHF 19 million or 1.7% year-on-year to CHF 1,078 million, mainly reflecting a decrease in depreciation and amortisation at Swisscom Switzerland and the other operating segments. Net interest expenses excluding leasing remained practically stable compared to the previous year at CHF 30 million. The deterioration in other financial expenses to CHF 52 million resulted primarily from the present value adjustment of provisions. Income tax expense was CHF 146 million (prior year: CHF 158 million), corresponding to an effective income tax rate of 16.6% (prior year: 16.8%). Income tax expense for the first half of 2020 includes positive tax effects of CHF 20 million (previous year: CHF 33 million) as a result of the revaluation of deferred income tax items in connection with the Swiss tax reform. Swisscom anticipates a future effective consolidated tax rate of 19.5%.

Cash flows

In CHF million	1 st half-year 2020	1 st half-year 2019	Change
Operating income before depreciation and amortisation (EBITDA)	2,208	2,240	(32)
Lease expense	(150)	(137)	(13)
EBITDA after lease expense (EBITDA AL)	2,058	2,103	(45)
Capital expenditure	(1,075)	(1,297)	222
Operating free cash flow proxy	983	806	177
Change in net working capital	(87)	(161)	74
Change in defined benefit obligations	29	26	3
Net interest payments on financial assets and liabilities	(11)	(5)	(6)
Interest payments on finance lease liabilities	(22)	(15)	(7)
Income taxes paid	(156)	(293)	137
Other operating cash flow	25	18	7
Free cash flow	761	376	385
Net expenditures for company acquisitions and disposals	(25)	(288)	263
Other cash flows from investing activities, net	(3)	17	(20)
Issuance of financial liabilities	887	957	(70)
Repayment of financial liabilities	(543)	(35)	(508)
Dividends paid to equity holders of Swisscom Ltd	(1,140)	(1,140)	–
Other cash flows from financing activities	(16)	(6)	(10)
Net decrease in cash and cash equivalents	(79)	(119)	40

Operating free cash flow proxy increased by CHF 177 million to CHF 983 million, mainly due to lower capital expenditure. In the previous year, capital expenditure included CHF 196 million for mobile radio frequencies in Switzerland. Excluding the expenditure for mobile radio frequencies, the operating free cash flow proxy decreased by CHF 19 million or 1.9%.

Free cash flow increased year-on-year by CHF 385 million to CHF 761 million. Adjusted for expenditure for mobile radio frequencies, free cash flow rose by CHF 189 million. The increase is due to deferred income tax payments and net working capital development. Net working capital grew by CHF 87 million compared with the end of 2019 (prior year: increase of CHF 161 million).

Net expenditure for company acquisitions and disposals in the previous year includes the purchase price of CHF 240 million paid to Tamedia for the acquisition of the outstanding 31% share in Swisscom Directories Ltd.

In the second quarter of 2020, Swisscom became the first listed company in Switzerland to issue a Green Bond in EUR. The amount borrowed amounts to EUR 500 million. The coupon is 0.375% and the term 8.5 years. The funds will be used according to the Green Bond Framework. The selection of projects is closely aligned with Swisscom's sustainability strategy and at the same time takes into account the UN's Sustainable Development Agenda 2030 and its objectives (Sustainable Development Goals, SDGs). A particular focus is on increased energy efficiency, renewable energies, climate protection (SDGs 7 and 13) and the provision of a state-of-the-art and resilient grid infrastructure (SDG 9).

Net asset position

In CHF million, except where indicated	30.06.2020	31.12.2019	Change
Property, plant and equipment	10,559	10,529	0.3%
Intangible assets	1,785	1,842	−3.1%
Goodwill	5,154	5,163	−0.2%
Right-of-use assets	2,109	2,177	−3.1%
Trade receivables	2,147	2,183	−1.6%
Trade payables	(1,535)	(1,614)	−4.9%
Provisions	(1,183)	(1,134)	4.3%
Deferred gain on sale and leaseback of real estate	(116)	(122)	−4.9%
Other operating assets and liabilities, net	(5)	(38)	−86.8%
Net operating assets	18,915	18,986	−0.4%
Net debt	(7,171)	(6,758)	6.1%
Lease liabilities	(1,958)	(2,027)	−3.4%
Defined benefit obligations	(1,318)	(1,058)	24.6%
Income tax assets and liabilities, net	(563)	(607)	−7.2%
Equity-accounted investees and other non-current financial assets	333	339	−1.8%
Equity	8,238	8,875	−7.2%
Equity ratio in %	34.3	36.6	

Operating assets

Net operating assets were virtually unchanged at CHF 18.9 billion (−0.4%). The increase in net debt and the decrease in shareholders' equity compared with the end of 2019 is due to the dividend payment of CHF 1,140 million in April 2020. Correspondingly, the equity ratio fell from 36.6% to 34.3%. Pension liabilities increased as a result of a negative return on plan assets, which was partially offset by a higher discount rate.

Net debt

Net debt is composed of financial liabilities minus cash and cash equivalents, current financial assets, derivative financial instruments held to hedge financial liabilities and other non-current financial assets directly related to non-current financial liabilities (certificates of deposit, U.S. Treasury Bond Strips). Net debt and the net debt to EBITDA ratio are presented both with and without classification of leases as financial liabilities. For credit rating purposes, rating agencies include lease liabilities in the calculation of net debt. However, for the financial target of the Federal Council's financing structure, leases are not classified as financial liabilities or part of net debt.

In CHF million	30.06.2020	31.12.2019
Debenture bonds	6,445	5,915
Bank loans	886	1,080
Private placements	150	151
Other financial liabilities	302	314
Total financial liabilities	7,783	7,460
Cash and cash equivalents	(247)	(328)
Non-current certificates of deposit	(132)	(142)
Non-current listed debt instruments	(94)	(94)
Non-current derivative financial instruments for financing	(77)	(73)
Other current financial assets	(62)	(65)
Net debt	7,171	6,758
Lease liabilities	1,958	2,027
Net debt incl. lease liabilities	9,129	8,785

In recent years, Swisscom has taken advantage of favourable capital market conditions with a view to optimising the interest and maturity structure of the Group's financial obligations. As at 30 June 2020, the average interest expense on long-term financial liabilities was 0.99%, the average residual term to maturity was 5.45 years and the share of variable interest-bearing financial liabilities was 19%.

Outlook

Swisscom continues to expect EBITDA of around CHF 4.3 billion and capital expenditure of around CHF 2.3 billion for 2020. Mainly as a result of Covid-19, Swisscom expects net revenue to be slightly lower at around CHF 11.0 billion (previously around CHF 11.1 billion) due to the smaller roaming volume. If business develops as planned, Swisscom will propose to the 2021 Annual General Meeting that the dividend for the 2020 financial year remain unchanged at CHF 22 per share.

Due to strong competition and price pressure and the ongoing decline in the number of fixed-line telephone connections, Swisscom expects revenue to be lower without Fastweb. As a result of Covid-19 slightly lower revenue is also expected due to the smaller roaming volume. Fastweb's revenue is expected to increase slightly from 2019. For Swisscom without Fastweb, the decline in revenue cannot be fully offset by cost savings; EBITDA is expected to decline on an adjusted basis. In contrast, an increase in EBITDA is anticipated for Fastweb. Capital expenditure in Switzerland, excluding costs for acquiring additional mobile radio frequencies at auction, will be slightly less than in the previous year. Capital expenditure at Fastweb is expected to be lower.

Consolidated interim financial statements

Consolidated statement of comprehensive income (unaudited)

In CHF million, except for per share amounts	Note	2. quarter 2020	2. quarter 2019	1 st half-year 2020	1 st half-year 2019
Income statement					
Net revenue	2	2,706	2,803	5,443	5,663
Direct costs	3	(624)	(656)	(1,250)	(1,339)
Personnel expense	3	(679)	(687)	(1,379)	(1,411)
Other operating expense	3	(416)	(500)	(823)	(948)
Capitalised self-constructed assets and other income	3	110	161	217	275
Operating income before depreciation and amortisation		1,097	1,121	2,208	2,240
Depreciation and amortisation of property, plant and equipment and intangible assets		(541)	(550)	(1,078)	(1,097)
Depreciation of right-of-use assets		(77)	(69)	(147)	(136)
Operating income		479	502	983	1,007
Financial income	6	3	1	10	27
Financial expense	6	(70)	(52)	(114)	(98)
Result of equity-accounted investees		2	–	3	2
Income before income taxes		414	451	882	938
Income tax expense		(72)	(54)	(146)	(158)
Net income		342	397	736	780
Other comprehensive income					
Actuarial gains and losses from defined benefit pension plans		(26)	251	(190)	43
Change in fair value of equity instruments		3	(1)	(4)	–
Items that will not be reclassified to income statement		(23)	250	(194)	43
Foreign currency translation adjustments of foreign subsidiaries		8	(9)	(27)	(20)
Change in cash flow hedges		(7)	(1)	(10)	3
Items that are or may be reclassified subsequently to income statement		1	(10)	(37)	(17)
Other comprehensive income		(22)	240	(231)	26
Comprehensive income					
Net income		342	397	736	780
Other comprehensive income		(22)	240	(231)	26
Comprehensive income		320	637	505	806
Share of net income and comprehensive income					
Equity holders of Swisscom Ltd		343	397	738	782
Non-controlling interests		(1)	–	(2)	(2)
Net income		342	397	736	780
Equity holders of Swisscom Ltd		321	638	507	809
Non-controlling interests		(1)	(1)	(2)	(3)
Comprehensive income		320	637	505	806
Earnings per share					
Basic and diluted earnings per share (in CHF)		6.62	7.66	14.25	15.10

Consolidated balance sheet (unaudited)

In CHF million	Note	30.06.2020	31.12.2019
Assets			
Cash and cash equivalents		247	328
Trade receivables	7	2,147	2,183
Other operating assets	7	1,135	1,156
Other financial assets		62	73
Current income tax assets		9	4
Total current assets		3,600	3,744
Property, plant and equipment		10,559	10,529
Intangible assets		1,785	1,842
Goodwill		5,154	5,163
Right-of-use assets		2,109	2,177
Equity-accounted investees		152	156
Other financial assets		484	484
Deferred tax assets		161	152
Total non-current assets		20,404	20,503
Total assets		24,004	24,247
Liabilities and equity			
Financial liabilities	5	1,218	1,411
Lease liabilities		221	232
Trade payables	7	1,535	1,614
Provisions	8	150	158
Other operating liabilities	7	1,140	1,194
Current income tax liabilities		181	174
Total current liabilities		4,445	4,783
Financial liabilities	5	6,565	6,049
Lease liabilities		1,737	1,795
Defined benefit obligations		1,318	1,058
Provisions	8	1,033	976
Deferred gain on sale and leaseback of real estate		116	122
Deferred tax liabilities		552	589
Total non-current liabilities		11,321	10,589
Total liabilities		15,766	15,372
Share capital		52	52
Capital reserves		136	136
Retained earnings		9,858	10,454
Foreign currency translation adjustments		(1,808)	(1,781)
Hedging reserves		1	11
Equity attributable to equity-holders of Swisscom Ltd		8,239	8,872
Non-controlling interests		(1)	3
Total equity		8,238	8,875
Total liabilities and equity		24,004	24,247

Consolidated statement of cash flows (unaudited)

In CHF million	Note	1 st half-year 2020	1 st half-year 2019
Net income		736	780
Income tax expense		146	158
Result of equity-accounted investees		(3)	(2)
Financial income	6	(10)	(27)
Financial expense	6	114	98
Depreciation and amortisation of property, plant and equipment and intangible assets		1,078	1,097
Depreciation of right-of-use assets		147	136
Gain on sale of property, plant and equipment		–	(4)
Expense for share-based payments		1	1
Revenue from finance leases		(27)	–
Change in deferred gain from the sale and leaseback of real estate		(6)	(6)
Change in operating assets and liabilities	7	(71)	(151)
Change in provisions		(10)	(4)
Change in defined benefit obligations		29	26
Interest received		9	11
Interest payments on financial liabilities		(20)	(16)
Interest payments on lease liabilities		(22)	(15)
Dividends received		15	18
Income taxes paid		(156)	(293)
Cash flow from operating activities		1,950	1,807
Purchase of property, plant and equipment and intangible assets		(1,069)	(1,297)
Sale of property, plant and equipment and intangible assets		2	7
Acquisition of subsidiaries, net of cash and cash equivalents acquired		(16)	(281)
Expenses for shareholdings accounted for using the equity method		(9)	(7)
Purchase of other financial assets		(18)	(8)
Proceeds from other financial assets		44	16
Cash flow used in investing activities		(1,066)	(1,570)
Issuance of financial liabilities	5	887	957
Repayment of financial liabilities	5	(543)	(35)
Repayment of lease liabilities		(151)	(132)
Dividends paid to equity holders of Swisscom Ltd		(1,140)	(1,140)
Dividends paid to non-controlling interests		(1)	(1)
Other cash flows from financing activities		(15)	(5)
Cash flow used in financing activities		(963)	(356)
Net decrease in cash and cash equivalents		(79)	(119)
Cash and cash equivalents at 1 January		328	474
Foreign currency translation adjustments in respect of cash and cash equivalents		(2)	(2)
Cash and cash equivalents at the end of financial period		247	353

Consolidated statement of changes in equity (unaudited)

In CHF million	Share capital	Capital reserves	Retained earnings	Foreign currency translation adjustments	Hedging reserves	Equity attributable to equity holders of Swisscom	Non-controlling interests	Total equity
Balance at 1 January 2019	52	136	9,759	(1,728)	4	8,223	(15)	8,208
Net income	–	–	782	–	–	782	(2)	780
Other comprehensive income	–	–	43	(20)	3	26	–	26
Comprehensive income	–	–	825	(20)	3	808	(2)	806
Dividends paid	–	–	(1,140)	–	–	(1,140)	(1)	(1,141)
Other changes	–	–	(3)	–	–	(3)	20	17
Balance at 30 June 2019	52	136	9,441	(1,748)	7	7,888	2	7,890
Balance at 1 January 2020	52	136	10,454	(1,781)	11	8,872	3	8,875
Net income	–	–	738	–	–	738	(2)	736
Other comprehensive income	–	–	(194)	(27)	(10)	(231)	–	(231)
Comprehensive income	–	–	544	(27)	(10)	507	(2)	505
Dividends paid	–	–	(1,140)	–	–	(1,140)	(1)	(1,141)
Other changes	–	–	–	–	–	–	(1)	(1)
Balance at 30 June 2020	52	136	9,858	(1,808)	1	8,239	(1)	8,238

Notes to the interim financial statements

About this report

General information

The Swisscom Group (hereinafter referred to as “Swisscom”) provides telecommunication services and is active primarily in Switzerland and Italy. The unaudited consolidated financial statements as of 30 June 2020 comprise Swisscom Ltd, as parent company, and its subsidiaries. Swisscom Ltd is a limited-liability company incorporated in accordance with Swiss law, under a private statute, and has its registered office in Ittigen (Berne). Its address is: Swisscom Ltd, Alte Tiefenastrasse 6, 3048 Worblaufen. Swisscom is listed on the SIX Swiss Exchange. The number of issued shares is unchanged from the prior year and totals 51,801,943. The shares have a nominal value of CHF 1 and are fully paid-up. Each share entitles the holder to one vote. The majority shareholder of Swisscom Ltd is the Swiss Confederation (“Confederation”). The Confederation is obligated by current law to hold the majority of the capital and voting rights. The Board of Directors of Swisscom approved the issuance of these consolidated interim financial statements on 12 August 2020. As of this date, no material events after the balance sheet date had occurred.

Basis of preparation

The consolidated interim financial statements for the six months to 30 June 2020 have been 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 2019. The consolidated interim financial statements were prepared in accordance with the accounting policies described in the 2019 consolidated financial statements and the revised accounting principles adopted on 1 January 2020.

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 1.065 was used as the end-of-period rate (31 December 2019: CHF/EUR 1.085) and 1.067 as the average rate for the period (prior year: CHF/EUR 1.128).

Impact of the Covid-19 pandemic

In March 2020, government measures against the spread of Covid-19 restricted economic activities in Switzerland and Italy. With the exception of the roaming business, the impact on Swisscom’s core business or telecommunications business is minimal. The roaming business recorded a decline as a result of reduced travel activity. Furthermore, Covid-19 resulted in a negative business trend in the cinema and event business. Based on Covid-19, Swisscom has reassessed key estimates and assumptions as at 30 June 2020. The key estimates and assumptions reported in the consolidated financial statements as of 31 December 2019 remained essentially unchanged as of 30 June 2020. At present, it is not finally possible to quantify the potential financial impact of Covid-19 as it depends on various factors (such as the extent and duration of the pandemic, government support measures to benefit the economy, customer behaviour in Switzerland and Italy, etc.), and there is a high degree of uncertainty regarding these factors.

1 Changes in accounting principles

As of 1 January 2020, Swisscom adopted various amendments to the existing International Financial Reporting Standards (IFRS) and Interpretations, none of which have a material impact on the consolidated financial statements of Swisscom.

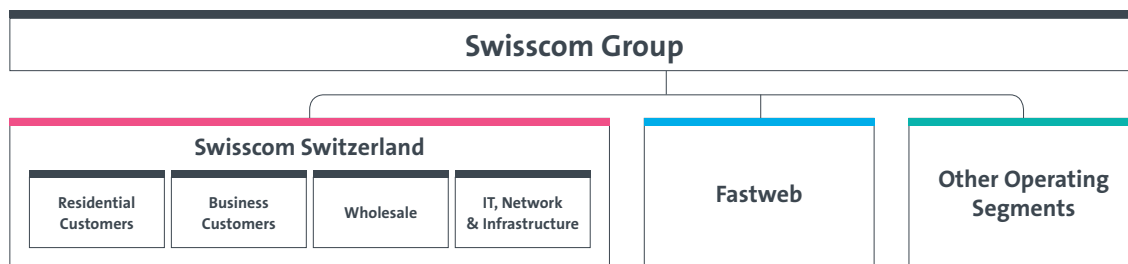
2 Segment information

Changes in segment reporting

As of 1 January 2020, Swisscom amended its organisational structure in Switzerland and renamed the former "Enterprise Customers" segment "Business Customers". In order to provide all business customers with a customer experience tailored to their needs, Swisscom merged the SME and corporate customer segments. As a result, the telecommunications and solutions business with small and medium-sized enterprises is now reported in the Business Customers segment (previously Residential Customers) in segment reporting. In addition, Swisscom has bundled its Customer Field Services at its subsidiary cablex Ltd (up to now, in some cases within Residential Customers). This makes it possible to create even more customer experiences and to be even closer to customers. In addition, various areas were transferred between the segments of Swisscom Switzerland and Group Headquarters as of 1 January 2020. The prior-year amounts were restated as follows:

In CHF million	Reported	Adjustment	Restated
Net revenue			
financial year 2019			
Residential Customers	5,691	(955)	4,736
Business Customers (former Enterprise Customers)	2,312	928	3,240
Wholesale	968	–	968
IT, Network & Infrastructure	85	–	85
Elimination	(493)	37	(456)
Swisscom Switzerland	8,563	10	8,573
Fastweb	2,468	–	2,468
Other Operating Segments	929	150	1,079
Group Headquarters	1	–	1
Elimination	(508)	(160)	(668)
Total net revenue	11,453	–	11,453
Segment result			
financial year 2019			
Residential Customers	3,265	(631)	2,634
Business Customers (former Enterprise Customers)	603	673	1,276
Wholesale	524	(14)	510
IT, Network & Infrastructure	(2,642)	(33)	(2,675)
Swisscom Switzerland	1,750	(5)	1,745
Fastweb	155	–	155
Other Operating Segments	114	(1)	113
Group Headquarters	(74)	6	(68)
Elimination	(77)	–	(77)
Total segment result	1,868	–	1,868

General information



Reporting is divided into the segments “Residential Customers”, “Business Customers”, “Wholesale”, and “IT, Network & Infrastructure”, which are grouped under Swisscom Switzerland, as well as “Fastweb” and “Other Operating Segments”. In addition, “Group Headquarters”, which includes non-allocated costs, is disclosed 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. The remaining services between the segments are recharged at market prices. The results of the Residential Customers, Business Customers and Wholesale segments thus correspond to a contribution margin before network costs.

Segment expense encompasses the direct and indirect costs, which include personnel expense, other operating costs less capitalised costs of self-constructed assets, and other income. Pension cost includes ordinary employer contributions. The difference between the ordinary employer contributions and the pension cost as provided for under IAS 19 is reported in the column “Eliminations”. In the first half of 2020, an expense of CHF 31 million is disclosed under “Eliminations” as a pension cost reconciliation item in accordance with IAS 19 (prior year: CHF 29 million).

Leases between the segments are not recognised in the balance sheet in accordance with IFRS 16. The reported lease expense of the segments comprises depreciation and interest on leases excluding depreciation of indefeasible rights of use (IRU) of CHF 12 million (prior year: CHF 14 million), impairment losses on right-of-use assets of CHF 7 million (prior year: none) and the accounting for the rental of buildings between segments. The lease expense of assets of low value is reported as direct costs.

Capital expenditure consists of the purchase of property, plant and equipment and intangible assets and payments for indefeasible rights of use (IRU). In general, IRUs are paid in full at the beginning of the use and are classified as leases under IFRS 16. From an economic point of view, IRU payments will be considered as capital expenditure in the segment information. Capital expenditure in the first six months of 2020 includes IRU payments of CHF 6 million (prior year: CHF 27 million).

Swisscom Switzerland sells some mobile handsets on a subsidised basis in a bundled offering with a mobile communications contract. As a result of the reallocation of revenue over the pre-delivered components (mobile handset), revenue is recognised earlier than the date of invoicing. This results in contract assets deriving from this business being recognised. In the segment reporting of Swisscom Switzerland, the recognition and dissolution of these contract assets is reported as other revenue. The amounts invoiced are reported under revenue from telecommunications services or merchandise.

Segment information 2020

2020, in CHF million	Swisscom Switzerland	Fastweb	Other Operating Segments	Group Headquarters	Elimination	Total
Residential Customers	2,200	599	–	–	–	2,799
Enterprise Customers	1,531	464	215	–	–	2,210
Wholesale customers	322	112	–	–	–	434
Net revenue from external customers	4,053	1,175	215	–	–	5,443
Net revenue from other segments	43	4	275	–	(322)	–
Net revenue	4,096	1,179	490	–	(322)	5,443
Direct costs	(806)	(429)	(32)	–	17	(1,250)
Indirect costs	(1,476)	(361)	(376)	(33)	261	(1,985)
Segment result before depreciation and amortisation	1,814	389	82	(33)	(44)	2,208
Lease expense	(116)	(27)	(6)	(1)	–	(150)
Depreciation, amortisation and impairment losses	(767)	(305)	(29)	–	4	(1,097)
Segment result	931	57	47	(34)	(40)	961
Interest expense on lease liabilities						22
Operating income						983
Financial income and financial expense, net						(104)
Result of equity-accounted investees						3
Income before income taxes						882
Income tax expense						(146)
Net income						736
Segment result before depreciation and amortisation	1,814	389	82	(33)	(44)	2,208
Lease expense	(116)	(27)	(6)	(1)	–	(150)
Capital expenditure	(776)	(294)	(18)	–	13	(1,075)
Operating free cash flow proxy	922	68	58	(34)	(31)	983

Segment information Swisscom Switzerland 2020

2020, in CHF million	Residential Customers	Business Customers	Wholesale	IT, Network & Infrastructure	Elimination	Total Swisscom Switzerland
Fixed-line	1,005	453	–	–	–	1,458
Mobile	975	385	–	–	–	1,360
Revenue other	–	30	–	–	–	30
Telecom services	1,980	868	–	–	–	2,848
Solution business	–	527	–	–	–	527
Merchandise	228	122	–	–	–	350
Wholesale	–	–	322	–	–	322
Revenue other	(8)	3	–	11	–	6
Net revenue from external customers	2,200	1,520	322	11	–	4,053
Net revenue from other segments	39	37	127	32	(192)	43
Net revenue	2,239	1,557	449	43	(192)	4,096
Direct costs	(483)	(401)	(184)	(6)	268	(806)
Indirect costs	(369)	(481)	(8)	(543)	(75)	(1,476)
Segment result before depreciation and amortisation	1,387	675	257	(506)	1	1,814
Lease expense	(22)	(17)	–	(77)	–	(116)
Depreciation, amortisation and impairment losses	(40)	(38)	–	(688)	(1)	(767)
Segment result	1,325	620	257	(1,271)	–	931
Capital expenditure	(12)	(17)	–	(747)	–	(776)

Segment information 2019

2019, in CHF million, restated	Swisscom Switzerland	Fastweb	Other Operating Segments	Group Headquarters	Elimination	Total
Residential Customers	2,293	611	–	–	–	2,904
Enterprise Customers	1,605	469	266	–	–	2,340
Wholesale customers	320	99	–	–	–	419
Net revenue from external customers	4,218	1,179	266	–	–	5,663
Net revenue from other segments	43	4	274	–	(321)	–
Net revenue	4,261	1,183	540	–	(321)	5,663
Direct costs	(885)	(429)	(27)	–	2	(1,339)
Indirect costs	(1,540)	(361)	(415)	(37)	269	(2,084)
Segment result before depreciation and amortisation	1,836	393	98	(37)	(50)	2,240
Lease expense	(112)	(27)	(7)	(1)	10	(137)
Depreciation, amortisation and impairment losses	(770)	(309)	(35)	–	3	(1,111)
Segment result	954	57	56	(38)	(37)	992
Interest expense on lease liabilities						15
Operating income						1,007
Financial income and financial expense, net						(71)
Result of equity-accounted investees						2
Income before income taxes						938
Income tax expense						(158)
Net income						780
Segment result before depreciation and amortisation	1,836	393	98	(37)	(50)	2,240
Lease expense	(112)	(27)	(7)	(1)	10	(137)
Capital expenditure	(954)	(335)	(19)	–	11	(1,297)
Operating free cash flow proxy	770	31	72	(38)	(29)	806

Segment information Swisscom Switzerland 2019

2019, in CHF million, restated	Residential Customers	Business Customers	Wholesale	IT, Network & Infrastructure	Elimination	Total Swisscom Switzerland
Fixed-line	1,031	481	–	–	–	1,512
Mobile	1,031	432	–	–	–	1,463
Revenue other	–	30	–	–	–	30
Telecom services	2,062	943	–	–	–	3,005
Solution business	–	513	–	–	–	513
Merchandise	231	134	–	–	–	365
Wholesale	–	–	320	–	–	320
Revenue other	–	3	–	12	–	15
Net revenue from external customers	2,293	1,593	320	12	–	4,218
Net revenue from other segments	38	43	144	32	(214)	43
Net revenue	2,331	1,636	464	44	(214)	4,261
Direct costs	(522)	(441)	(201)	(6)	285	(885)
Indirect costs	(390)	(485)	(8)	(585)	(72)	(1,540)
Segment result before depreciation and amortisation	1,419	710	255	(547)	(1)	1,836
Lease expense	(24)	(15)	–	(73)	–	(112)
Depreciation, amortisation and impairment losses	(51)	(41)	–	(679)	1	(770)
Segment result	1,344	654	255	(1,299)	–	954
Capital expenditure	(11)	(23)	–	(921)	1	(954)

3 Operating costs

Direct costs

In CHF million	1.1.–30.6.2020	1.1.–30.6.2019
Customer premises equipment and merchandise	435	497
Services purchased	319	305
Costs to obtain a contract	140	169
Costs to fulfill a contract	22	8
Network access costs of swiss subsidiaries	141	163
Network access costs of foreign subsidiaries	193	197
Total direct costs	1,250	1,339

Indirect costs

In CHF million	1.1.–30.6.2020	1.1.–30.6.2019
Salary and social security expenses	1,350	1,378
Other personnel expense	29	33
Total personnel expense	1,379	1,411
Information technology cost	119	121
Maintenance expense	113	157
Energy costs	59	59
Advertising and selling expenses	86	103
Consultancy expenses and freelance workforce	63	75
Administration expense	31	49
Allowances for receivables	42	44
Miscellaneous operating expenses	310	340
Total other operating expense	823	948
Capitalised self-constructed tangible and intangible assets	(175)	(180)
Own work for capitalised contract costs	(16)	(32)
Gain on sale of property, plant and equipment	(1)	(4)
Miscellaneous income	(25)	(59)
Total capitalised self-constructed assets and other income	(217)	(275)
Total indirect costs	1,985	2,084

Capitalised costs of self-constructed property, plant and equipment and intangible assets include personnel expenses for the manufacture of technical installations, the construction of network infrastructure and the development of software for internal use.

4 Dividends

On 6 April 2020, the Annual General Meeting of Swisscom Ltd approved the payment of an unchanged gross dividend of CHF 22 per share. A total dividend amount of CHF 1,140 million was paid out on 14 April 2020.

5 Financial liabilities

In CHF million	Carrying amount 01.01.2020	Issuance	Repayment	Other changes ¹	Carrying amount 30.06.2020	Fair Value
Financial liabilities						
Bank loans	1,080	362	(531)	(25)	886	925
Debenture bonds	5,915	519	–	11	6,445	6,662
Private placements	151	–	–	(1)	150	157
Derivative financial instruments	84	–	–	1	85	85
Other financial liabilities	230	6	(12)	(7)	217	217
Total financial liabilities	7,460	887	(543)	(21)	7,783	8,046

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

In the second quarter of 2020, Swisscom became the first listed company in Switzerland to issue a Green Bond in EUR. The amount borrowed amounts to EUR 500 million (CHF 519 million). The coupon is 0.375% and the term 8.5 years. The funds raised will be used in line with Swisscom's Green Bond Framework or to repay existing debts.

6 Financial result

In CHF million	1.1.–30.6.2020	1.1.–30.6.2019
Interest income on financial assets	4	6
Foreign exchange gains	4	1
Other financial income	2	20
Total financial income	10	27
Interest expense on financial liabilities	(34)	(37)
Interest expense on lease liabilities	(22)	(15)
Interest expense on defined benefit obligations	(1)	(4)
Present-value adjustments on provisions	(34)	(4)
Change in fair value of interest rate swaps	(13)	(23)
Other financial expense	(10)	(15)
Total financial expense	(114)	(98)
Financial income and financial expense, net	(104)	(71)
Interest expense on lease liabilities	(22)	(15)
Net interest expense on financial assets and liabilities	(30)	(31)

7 Operating net working capital

Operating assets and liabilities changed as follows in the first six months of 2020:

In CHF million	01.01.2020	Operational changes	Other changes ¹	30.06.2020
Trade receivables	2,183	(29)	(7)	2,147
Other operating assets	1,156	(16)	(5)	1,135
Trade payables	(1,614)	67	12	(1,535)
Other operating liabilities	(1,194)	49	5	(1,140)
Total operating assets and liabilities, net	531	71	5	607

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

Other operating assets and liabilities

In CHF million	30.06.2020	31.12.2019
Other operating assets		
Contract assets	179	222
Contract costs	222	262
Inventories	149	125
Prepaid expenses	381	338
Other operating assets	204	209
Total other operating assets	1,135	1,156
Other operating liabilities		
Contract liabilities	626	684
Accruals for variable performance-related bonus	66	145
Other operating liabilities	448	365
Total other operating liabilities	1,140	1,194

8 Provisions and contingent liabilities

Provisions

In CHF million	Dismantlement and restoration costs	Regulatory and competition law proceedings	Termination benefits	Others	Total
Balance at 1 January 2020	680	206	91	157	1,134
Additions to provisions	7	6	–	21	34
Present-value adjustments	21	31	–	–	52
Release of unused provisions	–	–	(1)	(3)	(4)
Use of provisions	(4)	–	(14)	(15)	(33)
Balance at 30 June 2020	704	243	76	160	1,183
Thereof current provisions	–	–	72	78	150
Thereof non-current provisions	704	243	4	82	1,033

In 2009, the Competition Commission (COMCO) imposed a fine of CHF 220 million on Swisscom for abuse of a market-dominant position in the area of ADSL services during the period through to 2007. Swisscom lodged an appeal against the fine before the Federal Administrative Court. In 2015, the Federal Administrative Court upheld the COMCO decision in principle, and reduced the fine imposed on Swisscom by COMCO from CHF 220 million to CHF 186 million. Swisscom believed the penalty to be unjustified and lodged an appeal to the Federal Supreme Court. In December 2019, the Federal Supreme Court dismissed Swisscom's appeal in the last instance and confirmed the sanction of CHF 186 million. As a result of the legally binding determination of market abuse, civil law claims were filed by telecommunications service providers in the second quarter of 2020. Based on legal assessments, Swisscom set aside provisions for any civil claims in prior years. Due to a reassessment of the interest effects, present value adjustments of CHF 31 million were recognised on these provisions in the second quarter of 2020. Any payments to be made will depend upon the date on which legally binding decrees and decisions are issued, and could occur within five years.

Contingent liabilities for regulatory and competition law proceedings

With regard to the contingent liabilities reported in the 2019 consolidated financial statements in connection with antitrust proceedings, Swisscom is of the opinion that an outflow of resources is unlikely and, as before, has therefore not recognised any provisions for this in the consolidated financial statements as at 30 June 2020.

Alternative performance measures

Swisscom uses key indicators defined in the International Financial Reporting Standards (IFRS) throughout its entire financial reporting, as well as selected alternative performance measures (APMs). These alternative indicators provide useful information on the Group's financial situation and are used for financial management and control purposes. As these measures are not defined under IFRS, the calculation may differ from the published APMs of other companies. For this reason, comparability across companies may be limited. The key alternative performance measures used at Swisscom for the interim financial reporting as at 30 June 2020 are defined as follows:

Key performance measure	Swisscom definition
Adjustments	Significant items that, due to their exceptional nature, cannot be considered part of the Swisscom Group's ongoing performance, such as termination benefits and significant positions in connection with legal cases or other non-recurring items. In addition, the application of changes in the IFRS accounting principles and standards can have an impact on comparability with the previous year if these principles are not applied retrospectively.
At constant exchange rates	Key performance measures considering currency effects (figures for 2020 are translated at the 2019 exchange rate to calculate the currency effect).
Operating income before depreciation and amortisation (EBITDA)	Operating income before depreciation, amortisation and impairment losses of property, plant and equipment, intangible assets and right-of-use assets, financial expense and financial income, result of equity-accounted investees and income tax expense.
Operating income (EBIT)	Operating income before financial expense and financial income, result of equity-accounted investees and income tax expense.
Capital expenditure	Purchase of property, plant and equipment and intangible assets and payments for indefeasible rights of use (IRU) which are classified as leases under IFRS 16. In general, IRUs are paid in full at the beginning of use.
Operating free cash flow proxy	Operating income before depreciation and amortisation (EBITDA) less purchase of property, plant and equipment and intangible assets and payments for indefeasible rights of use (IRU) and lease expense. Lease expense include interest expense on lease liabilities and depreciation of right-of-use assets excl. depreciation of IRUs and impairment losses of right-of-use assets.
Free cash flow	Cash flows from operating and investing activities excl. cash flows from the purchase and sale of subsidiaries and purchase of and proceeds from equity-accounted investees and other financial assets.
Net debt	Financial liabilities less cash and cash equivalents, current financial assets, derivative financial instruments held to hedge financial liabilities and other non-current financial assets directly related to non-current financial liabilities (certificates of deposit and U.S. treasury bond strips). See interim report page 11.
Net debt incl. lease liabilities	Net debt and lease liabilities.

Reconciliation of alternative performance measures

In CHF million	1.1.–30.6.2020	1.1.–30.6.2019	Change reported	Change at constant exchange rates
Net revenue				
Net revenue	5,443	5,663	-3.9%	-2.7%
Operating income before depreciation and amortisation (EBITDA)				
EBITDA	2,208	2,240	-1.4%	-0.4%
Adjustments lease expense	–	10	–	
EBITDA adjusted	2,208	2,250	-1.9%	-0.9%
Capital expenditure				
Capital expenditure in property, plant and equipment and intangible assets	1,069	1,270	-15.8%	-15.0%
Payments for indefeasible rights of use (IRU)	6	27	-77.8%	
Capital expenditure	1,075	1,297	-17.1%	-16.3%

In CHF million	1.1.–30.6.2020	1.1.–30.6.2019	Change reported
Operating free cash flow proxy			
Cash flow from operating activities	1,950	1,807	143
Capital expenditure	(1,075)	(1,297)	222
Depreciation of right-of-use assets	(147)	(136)	(11)
Depreciation of indefeasible rights of use (IRU)	12	14	(2)
Impairment losses of right-of-use assets	7	–	7
Change in deferred gain from the sale and leaseback of real estate	6	6	–
Change in operating assets and liabilities	71	151	(80)
Change in provisions	10	4	6
Change in defined benefit obligations	(29)	(26)	(3)
Gain on sale of property, plant and equipment	–	4	(4)
Expense for share-based payments	(1)	(1)	–
Revenue from finance leases	27	–	27
Interest received	(9)	(11)	2
Interest payments on financial liabilities	20	16	4
Dividends received	(15)	(18)	3
Income taxes paid	156	293	(137)
Operating free cash flow proxy	983	806	177

Free cash flow			
Cash flow from operating activities	1,950	1,807	143
Cash flow used in investing activities	(1,066)	(1,570)	504
Repayment of lease liabilities	(151)	(132)	(19)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	16	281	(265)
Expenses for shareholdings accounted for using the equity method	9	7	2
Purchase of other financial assets	18	8	10
Proceeds from other financial assets	(15)	(25)	10
Free cash flow	761	376	385

Further information

Share information

Swisscom share performance indicators

1.1.–30.6.2020

	SIX Swiss Exchange
Closing price as at 31 December 2019 in CHF ¹	512.60
Closing price as at 30 June 2020 in CHF ¹	495.90
Year high in CHF ¹	577.80
Year low in CHF ¹	446.70
Total volume of traded shares	28,754,306
Total turnover in CHF million	14,871.00
Daily average of traded shares	463,779
Daily average in CHF million	239.85

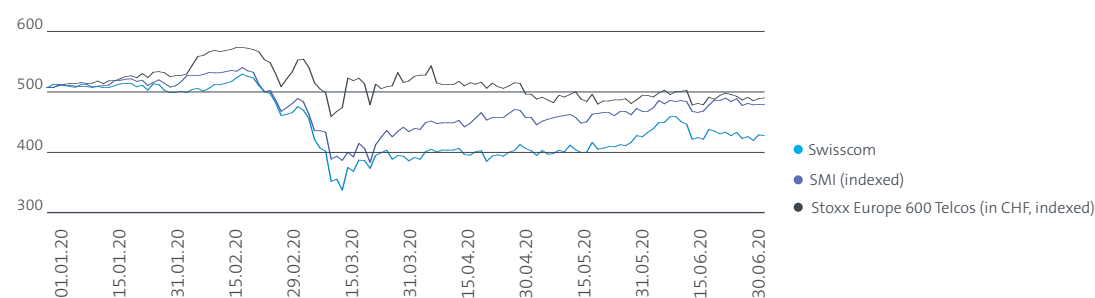
Source: Bloomberg

¹ paid prices

Share performance

Share performance since 1 January 2020

in CHF



Financial calendar

- 29 October 2020 2020 Third-Quarter Results
- 4 February 2021 2020 Annual Results and Annual Report

Stock exchanges

Swisscom shares are listed on the SIX Swiss Exchange under the symbol SCMN (Securities No. 874251). In the United States, they are traded in the form of American Depositary Receipts (ADR) at a ratio of 1:10 (Over The Counter, Level 1) under the symbol SCMWY (Pink Sheet No. 69769).

Quarterly review 2019 and 2020

In CHF million, except where indicated	1. quarter	2. quarter	3. quarter	4. quarter	2019	1. quarter	2. quarter	3. quarter	4. quarter	2020
Income statement										
Net revenue	2,860	2,803	2,793	2,997	11,453	2,737	2,706			5,443
Direct costs	(683)	(656)	(684)	(792)	(2,815)	(626)	(624)			(1,250)
Personnel expense	(724)	(687)	(653)	(736)	(2,800)	(700)	(679)			(1,379)
Other operating expense	(448)	(500)	(459)	(582)	(1,989)	(407)	(416)			(823)
Capitalised self-constructed assets and other income	114	161	123	111	509	107	110			217
Operating income (EBITDA)	1,119	1,121	1,120	998	4,358	1,111	1,097			2,208
Depreciation and amortisation	(547)	(550)	(529)	(540)	(2,166)	(537)	(541)			(1,078)
Depreciation of right-of-use assets	(67)	(69)	(69)	(77)	(282)	(70)	(77)			(147)
Operating income (EBIT)	505	502	522	381	1,910	504	479			983
Net interest expense on financial assets and liabilities	(15)	(16)	(13)	(18)	(62)	(12)	(18)			(30)
Interest expense on lease liabilities	(8)	(7)	(9)	(18)	(42)	(11)	(11)			(22)
Other financial result	3	(28)	(26)	(3)	(54)	(14)	(38)			(52)
Equity-accounted investees	2	–	(1)	(29)	(28)	1	2			3
Income before income taxes	487	451	473	313	1,724	468	414			882
Income tax expense	(104)	(54)	(72)	175	(55)	(74)	(72)			(146)
Net income	383	397	401	488	1,669	394	342			736
Attributable to equity holders of Swisscom Ltd	385	397	401	489	1,672	395	343			738
Attributable to non-controlling interests	(2)	–	–	(1)	(3)	(1)	(1)			(2)
Earnings per share (in CHF)	7.43	7.66	7.74	9.44	32.28	7.63	6.62			14.25
Net revenue										
Swisscom Switzerland	2,166	2,095	2,113	2,199	8,573	2,071	2,025			4,096
Fastweb	581	602	587	698	2,468	580	599			1,179
Other Operating Segments	265	275	262	277	1,079	243	247			490
Group Headquarters	–	–	–	1	1	–	–			–
Intersegment elimination	(152)	(169)	(169)	(178)	(668)	(157)	(165)			(322)
Total net revenue	2,860	2,803	2,793	2,997	11,453	2,737	2,706			5,443
Operating income before depreciation and amortisation (EBITDA)										
Swisscom Switzerland	928	908	905	743	3,484	923	891			1,814
Fastweb	182	211	213	228	834	181	208			389
Other Operating Segments	50	48	46	45	189	42	40			82
Group Headquarters	(17)	(20)	(18)	(11)	(66)	(14)	(19)			(33)
Reconciliation pension cost	(14)	(15)	(15)	(3)	(47)	(15)	(16)			(31)
Elimination	(10)	(11)	(11)	(4)	(36)	(6)	(7)			(13)
Total EBITDA	1,119	1,121	1,120	998	4,358	1,111	1,097			2,208
Capital expenditure										
Swisscom Switzerland	353	601	370	437	1,761	367	409			776
Fastweb	161	174	160	172	667	148	146			294
Other Operating Segments	8	11	13	15	47	7	11			18
Intersegment elimination	(4)	(7)	(7)	(19)	(37)	(6)	(7)			(13)
Total capital expenditure	518	779	536	605	2,438	516	559			1,075

In CHF million, except where indicated	1. quarter	2. quarter	3. quarter	4. quarter	2019	1. quarter	2. quarter	3. quarter	4. quarter	2020
Operating free cash flow proxy										
Operating income (EBITDA)	1,119	1,121	1,120	998	4,358	1,111	1,097			2,208
Lease expense	(68)	(69)	(69)	(88)	(294)	(75)	(75)			(150)
EBITDA after lease expense (EBITDA AL)	1,051	1,052	1,051	910	4,064	1,036	1,022			2,058
Capital expenditure	(518)	(779)	(536)	(605)	(2,438)	(516)	(559)			(1,075)
Operating free cash flow proxy	533	273	515	305	1,626	520	463			983
Net debt										
Net debt	6,736	7,787	7,182	6,758	6,758	6,552	7,171			7,171
Net debt incl. lease liabilities.	8,455	9,542	8,933	8,785	8,785	8,528	9,129			9,129
Full-time equivalent employees										
Swisscom Switzerland	13,352	13,271	13,158	13,055	13,055	12,813	12,608			12,608
Fastweb	2,458	2,451	2,467	2,456	2,456	2,515	2,605			2,605
Other Operating Segments	3,694	3,633	3,668	3,605	3,605	3,583	3,567			3,567
Group Headquarters	215	209	207	201	201	199	204			204
Total headcount	19,719	19,564	19,500	19,317	19,317	19,110	18,984			18,984
Fastweb, in EUR million										
Residential Customers	269	273	277	285	1,104	280	282			562
Enterprise Customers	202	214	211	235	862	211	224			435
Wholesale	42	45	45	113	245	50	55			105
Revenue from external customers	513	532	533	633	2,211	541	561			1,102
Segment result (EBITDA)	162	187	194	207	750	170	195			365
Margin as % of net revenue	31.5	35.0	36.3	32.6	33.8	31.3	34.7			33.0
Lease expense	(12)	(13)	(13)	(12)	(50)	(13)	(13)			(26)
EBITDA after lease expense (EBITDA AL)	150	174	181	195	700	157	182			339
Capital expenditure	(143)	(154)	(146)	(156)	(599)	(138)	(138)			(276)
Operating free cash flow proxy	7	20	35	39	101	19	44			63
Broadband access lines in thousand	2,575	2,600	2,610	2,637	2,637	2,659	2,692			2,692
Mobile access lines in thousand	1,440	1,549	1,663	1,746	1,746	1,779	1,830			1,830
Information by geographical regions										
Net revenue in Switzerland	2,277	2,197	2,203	2,292	8,969	2,155	2,106			4,261
Net revenue in other countries	583	606	590	705	2,484	582	600			1,182
Total net revenue	2,860	2,803	2,793	2,997	11,453	2,737	2,706			5,443
EBITDA Switzerland	939	913	907	749	3,508	924	890			1,814
EBITDA other countries	180	208	213	249	850	187	207			394
Total EBITDA	1,119	1,121	1,120	998	4,358	1,111	1,097			2,208
Capital expenditure in Switzerland	357	604	377	432	1,770	367	412			779
Capital expenditure in other countries	161	175	159	173	668	149	147			296
Total capital expenditure	518	779	536	605	2,438	516	559			1,075
Headcount in Switzerland	17,035	16,871	16,788	16,628	16,628	16,357	16,119			16,119
Headcount in other countries	2,684	2,693	2,712	2,690	2,690	2,753	2,865			2,865
Total headcount (full-time equivalents)	19,719	19,564	19,500	19,318	19,318	19,110	18,984			18,984

In CHF million, except where indicated	1. quarter	2. quarter	3. quarter	4. quarter	2019	1. quarter	2. quarter	3. quarter	4. quarter	2020
Swisscom Switzerland										
Revenue and results										
Residential Customers	520	511	518	513	2,062	497	478			975
Business Customers	217	215	209	203	844	196	189			385
Revenue wireless	737	726	727	716	2,906	693	667			1,360
Residential Customers	514	517	509	508	2,048	505	500			1,005
Business Customers	244	237	231	226	938	226	227			453
Revenue fixed-line	758	754	740	734	2,986	731	727			1,458
Other revenue Business Customers	16	14	15	15	60	15	15			30
Total revenue telecoms services	1,511	1,494	1,482	1,465	5,952	1,439	1,409			2,848
Solution business	257	256	258	278	1,049	267	260			527
Merchandise	196	169	182	260	807	175	175			350
Wholesale	158	162	169	154	643	164	158			322
Revenue other	21	(6)	–	18	33	5	1			6
Total revenue from external customers	2,143	2,075	2,091	2,175	8,484	2,050	2,003			4,053
Residential Customers	1,169	1,124	1,147	1,222	4,662	1,120	1,080			2,200
Business Customers	810	783	769	794	3,156	760	760			1,520
Wholesale	158	162	169	154	643	164	158			322
IT, Network & Infrastructure	6	6	6	5	23	6	5			11
Total revenue from external customers	2,143	2,075	2,091	2,175	8,484	2,050	2,003			4,053
Segment result before depreciation and amortisation (EBITDA) and Operating free cash flow proxy										
Residential Customers	722	697	686	665	2,770	703	684			1,387
Business Customers	356	354	344	340	1,394	336	339			675
Wholesale	126	129	138	118	511	132	125			257
IT, Network & Infrastructure	(275)	(272)	(264)	(380)	(1,191)	(247)	(259)			(506)
Intersegment elimination	(1)	–	1	–	–	(1)	2			1
Segment result (EBITDA)	928	908	905	743	3,484	923	891			1,814
Margin as % of net revenue	42.8	43.3	42.8	33.8	40.6	44.6	44.0			44.3
Lease expense	(56)	(56)	(55)	(57)	(224)	(58)	(58)			(116)
EBITDA after lease expense (EBITDA AL)	872	852	850	686	3,260	865	833			1,698
Capital expenditure	(353)	(601)	(370)	(437)	(1,761)	(367)	(409)			(776)
Operating free cash flow proxy	519	251	480	249	1,499	498	424			922
Operational data in thousand										
Access lines										
Residential Customers	1,356	1,333	1,318	1,307	1,307	1,291	1,276			1,276
Business Customers	381	350	325	287	287	291	288			288
Fixed telephony access lines	1,737	1,683	1,643	1,594	1,594	1,582	1,564			1,564
Residential Customers	1,743	1,742	1,749	1,757	1,757	1,754	1,750			1,750
Business Customers	314	308	305	301	301	299	298			298
Broadband access lines retail	2,057	2,050	2,054	2,058	2,058	2,053	2,048			2,048
Residential Customers	1,462	1,467	1,477	1,491	1,491	1,491	1,487			1,487
Business Customers	61	62	63	64	64	64	64			64
Swisscom TV access lines	1,523	1,529	1,540	1,555	1,555	1,555	1,551			1,551
Postpaid Residential Customers	2,840	2,872	2,908	2,930	2,930	2,931	2,933			2,933
Postpaid Business Customers	1,867	1,850	1,845	1,841	1,841	1,842	1,850			1,850
Mobile access lines Postpaid	4,707	4,722	4,753	4,771	4,771	4,773	4,783			4,783
Prepaid Residential Customers	1,671	1,646	1,605	1,562	1,562	1,526	1,481			1,481
Mobile access lines	6,378	6,368	6,358	6,333	6,333	6,299	6,264			6,264
RGU Residential Customers	9,072	9,060	9,057	9,047	9,047	8,993	8,927			8,927
RGU Business Customers	2,623	2,570	2,538	2,493	2,493	2,496	2,500			2,500
Revenue generating units (RGU)	11,695	11,630	11,595	11,540	11,540	11,489	11,427			11,427
Broadband access lines wholesale	492	502	509	515	515	525	533			533
Unbundled fixed access lines	83	79	75	70	70	66	63			63

Forward-looking statements

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

This interim report contains forward-looking statements. In this interim report, such forward-looking statements include, without limitation, statements relating to our financial condition, results of operations and business and certain of our strategic plans and objectives.

Because these forward-looking statements are subject to risks and uncertainties, actual future results may differ materially from those expressed in or implied by the statements. Many of these risks and uncertainties relate to factors which are beyond Swisscom's ability to control or estimate precisely, such as future market conditions, currency fluctuations, the behaviour of other market participants, the actions of governmental regulators and other risk factors detailed in Swisscom's and Fastweb's past and future filings and reports, including those filed with the U.S. Securities and Exchange Commission and in past and future filings, press releases, reports and other information posted on Swisscom Group Companies' websites.

Readers are cautioned not to put undue reliance on forward-looking statements, which speak only of the date of this communication.

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

