

2019

Interim Report
January–March



swisscom

Key figures

In CHF million, except where indicated

		31.3.2019 ¹	31.3.2018	Change
Revenue and results				
Net revenue		2,860	2,885	–0.9%
Operating income before depreciation and amortisation (EBITDA) ²		1,119	1,058	5.8%
EBITDA as % of net revenue	%	39.1	36.7	
Operating income (EBIT) ³		505	518	–2.5%
Net income		383	379	1.1%
Earnings per share	CHF	7.43	7.36	1.0%
Balance sheet and cash flows				
Equity at end of period		8,390	8,399	–0.1%
Equity ratio at end of period ^{1,4}	%	34.8	36.8	
Operating free cash flow proxy ⁵		533	557	–4.3%
Capital expenditure in property, plant and equipment and intangible assets		518	501	3.4%
Net debt at end of period ^{1,6}		8,455	7,294	15.9%
Operational data at end of period				
Fixed telephony access lines in Switzerland	in thousand	1,737	1,977	–12.1%
Broadband access lines retail in Switzerland	in thousand	2,030	2,025	0.2%
Swisscom TV access lines in Switzerland	in thousand	1,523	1,492	2.1%
Mobile access lines in Switzerland	in thousand	6,378	6,451	–1.1%
Revenue generating units (RGU) in Switzerland ⁷	in thousand	11,668	11,945	–2.3%
Unbundled fixed access lines in Switzerland	in thousand	83	100	–17.0%
Broadband access lines wholesale in Switzerland	in thousand	492	449	9.6%
Broadband access lines in Italy	in thousand	2,575	2,483	3.7%
Mobile access lines in Italy	in thousand	1,517	1,185	28.0%
Swisscom share				
Number of shares issued at end of period	in thousand	51,802	51,802	–
Market capitalisation at end of period ⁸		25,228	24,533	2.8%
Closing price at end of period	CHF	487.00	473.60	2.8%
Employees				
Full-time equivalent employees at end of period	number	19,719	20,326	–3.0%
Average number of full-time equivalent employees	number	19,715	20,435	–3.5%

1 Swisscom has been applying IFRS 16 “Leases” since 1 January 2019. The prior year’s figures have not been adjusted. As a consequence of the first-time application of IFRS 16, additional lease liabilities and right-of-use assets of CHF 1,319 million were reported with effect from 1 January 2019. As a result, the equity ratio fell to 34.2% as at 1 January 2019.

2 Definition operating income before depreciation and amortisation (EBITDA): operating income before depreciation and amortisation of property, plant and equipment, intangible assets and of right-of-use assets, gain on sale of subsidiaries, net financial result, share of results of equity-accounted investees and income tax expense. The EBITDA of the previous year includes expenses of CHF 52 million from operating leases in accordance with IAS 17.

3 Definition operating income (EBIT): operating income before gain on sale of subsidiaries, net financial result, share of results of equity-accounted investees and income tax expense.

4 Equity as a percentage of total assets.

5 Definition operating free cash flow proxy: operating income before depreciation and amortisation (EBITDA), less lease expense according to IFRS 16 and capital expenditure in property, plant and equipment and intangible assets.

6 Definition net debt: financial liabilities and lease liabilities less cash and cash equivalents, current financial assets, non-current fixed interest-bearing financial assets and derivative financial instruments for financing received.

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

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

Financial review

Summary

Swisscom's operating results were within expectations in the first quarter of 2019. Revenue fell by CHF 25 million or 0.9% to CHF 2,860 million; at constant exchange rates, it remained largely stable (−0.2%). The year-on-year comparison of operating income before depreciation and amortisation (EBITDA) is affected by the application of new requirements for the recognition of leases (IFRS 16). At CHF 1,119 million, reported EBITDA was up by 5.8% or CHF 61 million, and 1.4% on a comparable basis. Net income increased by 1.1% or CHF 4 million to CHF 383 million. The financial outlook for the 2019 financial year remains unchanged.

The decline in revenue of CHF 41 million recorded in the Swiss core business was largely offset by currency-adjusted growth at Italian subsidiary Fastweb (CHF +25 million) and growth in the other segments (CHF +11 million). In the Swiss core business, revenue fell as a result of continuing price pressure and the decline in the number of connections in fixed-line telephony. The increase in revenue at Fastweb was driven by revenue growth in the business with residential and business customers. The number of customers with Fastweb increased year-on-year, by 3.7% to 2.6 million in the broadband business and by 28% to 1.5 million in mobile telephony. In the Swiss core business, EBITDA declined by 0.6% as a result of lower revenue, but was largely offset by the ongoing cost-cutting measures. At Fastweb, EBITDA rose in local currency by 6.1% as a result of the growth in revenue.

Swisscom's capital expenditure has increased by 3.4% or CHF 17 million to CHF 518 million. In Switzerland, this was primarily due to higher capital expenditure for the expansion of broadband networks, which rose by 13.3% to CHF 357 million. At Fastweb, capital expenditure fell by 10.1% to EUR 143 million as a result of lower levels of investment in network infrastructure. Swisscom acquired mobile communication frequencies for a total amount of CHF 196 million during an auction process in Switzerland. The frequencies were allocated in April 2019 and will remain with Swisscom until 2034.

Operating free cash flow proxy declined by CHF 24 million to CHF 533 million, owing to higher capital expenditure. Net debt fell year-to-date, by CHF 257 million to CHF 8,455 million. The number of employees at Swisscom declined 3.0% year-on-year, to 19,719 FTEs. In Switzerland, headcount decreased by 576 FTEs to 17,035 FTEs. In Switzerland, the reduction in the first quarter of 2019 totalled 112 FTEs.

Swisscom continues to expect net revenue of around CHF 11.4 billion, EBITDA of more than CHF 4.3 billion and capital expenditure of around CHF 2.3 billion (excluding costs of CHF 196 million for mobile communication frequencies in Switzerland) for 2019. Subject to achieving its targets, Swisscom will propose payment of an unchanged, attractive dividend of CHF 22 per share for the 2019 financial year at the 2020 Annual General Meeting.

Change in accounting policies

Swisscom has been applying IFRS 16 “Leases” since 1 January 2019. IFRS 16 generally has the following effects on the reporting of leases:

- The lessee must recognise a right-of-use asset as well as a corresponding lease liability for all leases. For financial reporting purposes, the lessor will continue to differentiate between finance and operating lease arrangements.
- Costs arising from operating leases previously reported as operating expenses must now be recognised as depreciation and interest. This leads to a substantial rise in operating income before depreciation and amortisation (EBITDA). The effect on results at net income level is insignificant.
- Reporting of additional lease liabilities results in an increase in net debt.
- The application of IFRS 16 has no effect on cash flows.

IFRS 16 has the following effects on Swisscom’s financial reporting:

- Swisscom has been applying IFRS 16 since 1 January 2019. The consolidated financial statements for 2018 were not adjusted. As a consequence of the first-time application of IFRS 16, additional lease liabilities and right-of-use assets of around CHF 1.3 billion were reported with effect from 1 January 2019.
- If IFRS 16 had been applied to the results of the 2018 financial year, this would have led to an increase in operating income before depreciation and amortisation (EBITDA) of around CHF 0.2 billion and higher depreciation and interest of around CHF 0.2 billion.
- EBITDA remains a key performance indicator in the reporting of financial results. For comparison purposes, the costs for operating leases for 2018 are reported under EBITDA within segment reporting.
- A new key performance indicator has been introduced: operating free cash flow proxy. It comprises EBITDA less lease expense and capital expenditure. The definition of capital expenditure remains unchanged from the previous year.
- The outlook for the 2019 financial year takes account of the changes resulting from IFRS 16.

Further information regarding IFRS 16 can be found in the notes to the consolidated interim financial statements.

Segment results

In CHF million	31.3.2019	31.3.2018	Change
Net revenue			
Swisscom Switzerland	2,163	2,204	–1.9%
Fastweb	581	574	1.2%
Other Operating Segments	225	198	13.6%
Intersegment elimination	(109)	(91)	19.8%
Net revenue	2,860	2,885	–0.9%
Operating income before depreciation and amortisation (EBITDA)			
Swisscom Switzerland	929	935	–0.6%
Fastweb	177	172	2.9%
Other Operating Segments	50	41	22.0%
Group Headquarters	(18)	(21)	–14.3%
Reconciliation pension cost ¹	(14)	(15)	–6.7%
Reconciliation lease expense according to IAS 17 ²	–	(52)	
Intersegment elimination	(5)	(2)	150.0%
Operating income before depreciation and amortisation (EBITDA)	1,119	1,058	5.8%

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.

2 Swisscom has been applying IFRS 16 “Leases” since 1 January 2019. The operating result before depreciation and amortisation (EBITDA) of the segments for 2018 does not include any expenses for operating leases in accordance with IAS 17. The 2018 expense for operating leases in accordance with IAS 17 is shown as a reconciliation item.

Swisscom Switzerland

In CHF million, except where indicated

	31.3.2019	31.3.2018	Change
Net revenue and results			
Telecom services	1,506	1,558	−3.3%
Solution business	251	264	−4.9%
Merchandise	196	174	12.6%
Wholesale	158	141	12.1%
Other revenue	32	49	−34.7%
Revenue from external customers	2,143	2,186	−2.0%
Intersegment revenue	20	18	11.1%
Net revenue	2,163	2,204	−1.9%
Direct costs	(461)	(460)	0.2%
Indirect costs	(773)	(809)	−4.4%
Segment expenses	(1,234)	(1,269)	−2.8%
Segment result before depreciation and amortisation (EBITDA)	929	935	−0.6%
Margin as % of net revenue	42.9	42.4	
Lease expense	(56)	(56) ¹	–
Depreciation and amortisation of property, plant and equipment and intangible assets	(381)	(370)	3.0%
Segment result	492	509	−3.3%
Operational data at end of period in thousand			
Fixed telephony access lines	1,737	1,977	−12.1%
Broadband access lines retail	2,030	2,025	0.2%
Swisscom TV access lines	1,523	1,492	2.1%
Mobile access lines	6,378	6,451	−1.1%
Revenue generating units (RGU)	11,668	11,945	−2.3%
Unbundled fixed access lines	83	100	−17.0%
Broadband access lines wholesale	492	449	9.6%
Capital expenditure and headcount			
Capital expenditure in property, plant and equipment and intangible assets	353	311	13.5%
Full-time equivalent employees at end of period (number)	14,340	15,014	−4.5%

1 Includes expenses for operating and finance leases in accordance with IAS 17.

Net revenue for Swisscom Switzerland fell by CHF 41 million or 1.9% to CHF 2,163 million as a result of continuing price pressure and the decline in the number of connections in fixed-line telephony. Revenue from telecommunications services decreased by CHF 52 million or 3.3% to CHF 1,506 million. Of this decline, CHF 30 million (−2.3%) was attributable to the Residential Customers segment and CHF 22 million (−8.5%) to the Enterprise Customers segment. In spite of stable demand, revenue from the solutions business within Enterprise Customers contracted on the back of price pressure and lower volumes in the banking sector. This decrease was offset by higher revenue from merchandise. Revenue from solutions business and merchandise at Enterprise Customers increased by CHF 5 million or 1.6% overall. The number of inOne customers continues to grow. Swisscom Switzerland had a total of 2.48 million inOne customers at the end of March 2019, with the latest mobile offering inOne mobile registering over 250,000 customers in its first five weeks since launch. In the Residential Customers segment inOne accounts for 57% of postpaid mobile lines and 60% 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 by 73,000 (−1.1%) year-on-year to 6.38 million (+0.1% in the first quarter of 2019). The number of postpaid lines grew by 61,000 year-on-year, while the number of prepaid lines fell by 134,000. Broadband connections were up 5,000 (+0.2%) on the previous year, but down 3,000 to 2.03 million in the first quarter. The number of TV connections increased year-on-year by 31,000 or 2.1% to 1.52 million (+4,000 in the first quarter of 2019). The downtrend is slowing in fixed-line telephony, with the number of fixed-network access lines falling by 240,000 or 12.1% to 1.74 million compared with the previous year (−51,000 in the first quarter of 2019).

Segment expense fell by CHF 35 million or 2.8% to CHF 1,234 million, while direct costs remained stable (+0.2%). Higher costs to purchase merchandise were offset by lower costs for subscriber acquisition and retention. Indirect costs were down 4.4% or CHF 36 million to CHF 773 million, driven chiefly by the declining headcount and lower costs for external staff. Headcount fell year-on-year as a result of efficiency measures by 674 FTEs or 4.5% to 14,340, including 108 FTEs in the first quarter of 2019. The segment result before depreciation and amortisation was CHF 6 million or 0.6% lower at CHF 929 million as a result of lower revenue, but was largely offset by the ongoing cost-cutting measures. Capital expenditure rose on the back of higher capital expenditure for the expansion of broadband networks by CHF 42 million or 13.5% to CHF 353 million. As at end-March 2019, 66% of all households and businesses were connected with ultra-fast broadband exceeding 80 Mbps, while 37% of all households and businesses benefited from connections with superior bandwidths of more than 200 Mbps.

Fastweb

In EUR million, except where indicated	31.3.2019	31.3.2018	Change
Residential Customers	269	257	4.7%
Corporate Business	202	180	12.2%
Wholesale	42	53	–20.8%
Revenue from external customers	513	490	4.7%
Intersegment revenue	1	2	–50.0%
Net revenue	514	492	4.5%
Segment expenses	(357)	(344)	3.8%
Segment result before depreciation and amortisation (EBITDA)	157	148	6.1%
Margin as % of net revenue	30.5	30.1	
Lease expense	(6)	(4) ¹	50.0%
Depreciation and amortisation of property, plant and equipment and intangible assets	(140)	(127)	10.2%
Segment result	11	17	–35.3%
Capital expenditure in property, plant and equipment and intangible assets	143	159	–10.1%
Full-time equivalent employees at end of period (number)	2,458	2,510	–2.1%
Broadband access lines in thousand	2,575	2,483	3.7%
Mobile access lines in thousand	1,517	1,185	28.0%

1 Includes expenses for operating and finance leases in accordance with IAS 17.

Fastweb's net revenue rose by EUR 22 million or 4.5% year-on-year to EUR 514 million. Despite difficult market conditions, Fastweb's broadband customer base grew by 92,000 or 3.7% versus the previous year to 2.58 million (+28,000 in the first quarter of 2019). Fastweb is also growing in the fiercely competitive mobile market. Compared to the previous year, the number of mobile access lines increased by 332,000 or 28.0% to 1.52 million (+85,000 in the first quarter of 2019). 31% of subscribers use a bundled offering combining fixed network and mobile. Residential customer revenue rose by EUR 12 million or 4.7% to EUR 269 million as a result of customer growth. Fastweb held its strong position in the market for business customers, with revenue from business customers up EUR 22 million or 12.2% to EUR 202 million as a result of higher revenue with public administrations. Revenue from wholesale business, by contrast, decreased by EUR 11 million or 20.8% to EUR 42 million.

The segment result before depreciation and amortisation was EUR 9 million or 6.1% higher at EUR 157 million on the back of the growth in revenue. Capital expenditure decreased by EUR 16 million or 10.1% year-on-year to EUR 143 million due to lower investment in network infrastructure. Fastweb's headcount was down slightly on the previous year at 2,458 FTEs.

Other Operating Segments

In CHF million, except where indicated	31.3.2019	31.3.2018	Change
Revenue from external customers	138	127	8.7%
Intersegment revenue	87	71	22.5%
Net revenue	225	198	13.6%
Segment expenses	(175)	(157)	11.5%
Segment result before depreciation and amortisation (EBITDA)	50	41	22.0%
Margin as % of net revenue	22.2	20.7	
Lease expense	(3)	(3) ¹	–
Depreciation and amortisation of property, plant and equipment and intangible assets	(18)	(15)	20.0%
Segment result	29	23	26.1%
Capital expenditure in property, plant and equipment and intangible assets	8	8	–
Full-time equivalent employees at end of period	2,699	2,540	6.3%

1 Includes expenses for operating and finance leases in accordance with IAS 17.

The net revenue of the Other Operating Segments rose year-on-year by CHF 27 million or 13.6% to CHF 225 million. The increase was mainly due to higher revenue from construction services rendered by cablex. The segment result before depreciation and amortisation improved year-on-year by CHF 9 million or 22.0% to CHF 50 million. This corresponds to a profit margin of 22.2%. Headcount rose by 159 FTEs or 6.3% to 2,699 FTEs, driven primarily by the hiring of new employees at cablex to cope with higher order volumes.

Group Headquarters and reconciliation

In CHF million, except where indicated	31.3.2019	31.3.2018 ¹	Change
Group Headquarters	(18)	(21)	–14.3%
Reconciliation pension cost	(14)	(15)	–6.7%
Intersegment elimination	(5)	(2)	150.0%
Operating income before depreciation and amortisation (EBITDA)	(37)	(38)	–2.6%

1 Excluding reconciliation of lease expense according to IAS 17.

The net costs not allocated to the operating segments, which comprise Group Headquarters, pension cost reconciliation and intersegment eliminations, declined by CHF 1 million to CHF 37 million.

Depreciation and amortisation, non-operating results

In CHF million, except where indicated

	31.3.2019	31.3.2018	Change
Operating income before depreciation and amortisation (EBITDA)	1,119	1,058	5.8%
Depreciation and amortisation of property, plant and equipment and intangible asset	(554)	(540) ¹	2.6%
Depreciation of right-of-use assets	(60)	–	
Operating income (EBIT)	505	518	–2.5%
Net interest expense for financial assets and liabilities	(15)	(29)	–48.3%
Interest expense on lease liabilities	(8)	(6)	33.3%
Other financial result	3	(6)	
Result of equity-accounted investees	2	(2)	
Income before income taxes	487	475	2.5%
Income tax expense	(104)	(96)	8.3%
Net income	383	379	1.1%
Share of net income attributable to equity holders of Swisscom Ltd	385	381	1.0%
Share of net income attributable to non-controlling interests	(2)	(2)	–
Earnings per share (in CHF)	7.43	7.36	1.0%

1 Including depreciation of assets under finance leases of CHF 7 million.

Due to the application of IFRS 16 “Leases” effective 1 January 2019, right-of-use assets are capitalised and depreciated. The depreciation of right-of-use assets amounted to CHF 60 million in the first quarter of 2019. The depreciation and amortisation of property, plant and equipment and intangible assets increased by CHF 14 million or 2.6% year-on-year to CHF 554 million, mainly reflecting an increase in depreciation and amortisation at Swisscom Switzerland. Net interest expense excluding leases declined from CHF 29 million to CHF 15 million as a result of lower average interest costs. Income tax expense was CHF 104 million (prior year: CHF 96 million), corresponding to an effective income tax rate of 21.4% (prior year: 20.2%). Swisscom’s net income increased by CHF 4 million or 1.1% to CHF 383 million, and earnings per share rose accordingly from CHF 7.36 to CHF 7.43.

Cash flows

In CHF million

	31.3.2019	31.3.2018	Change
Operating income before depreciation and amortisation (EBITDA)	1,119	1,058	61
Capital expenditure in property, plant and equipment and intangible assets	(518)	(501)	(17)
Lease expense according to IFRS 16	(68)	–	(68)
Operating free cash flow proxy	533	557	(24)
Change in net working capital	(41)	(215)	174
Change in defined benefit obligations	12	15	(3)
Net interest payments for financial assets and liabilities	(3)	(1)	(2)
Interest payments on finance lease liabilities	–	(6)	6
Income taxes paid	(242)	(164)	(78)
Other operating cash flow	(15)	2	(17)
Free cash flow	244	188	56
Net expenditures for company acquisitions and disposals	(246)	(3)	(243)
Other cash flows from investing activities, net	14	6	8
Repayment of financial lease liabilities according to IAS 17	–	(5)	5
Issuance and repayment of financial liabilities, net	(88)	113	(201)
Other cash flows from financing activities	(6)	(6)	–
(Net decrease) net increase in cash and cash equivalents	(82)	293	(375)

Operating free cash flow proxy declined by CHF 24 million to CHF 533 million, owing largely to higher capital expenditure. Capital expenditure was up CHF 17 million or 3.4% year-on-year to CHF 518 million, driven primarily by the expansion of broadband networks at Swisscom Switzerland.

Free cash flow was CHF 56 million higher at CHF 244 million on the back of the uptrend in net working capital. This effect was diluted somewhat by the higher level of income taxes paid. The increased income tax payments are attributable to higher advance payments for the current financial year. Net working capital was up CHF 41 million compared to the end of 2018 (prior year: increase of CHF 215 million), mainly as a result of higher accruals for prepaid expenses for the current financial year.

In the first quarter of 2019, Swisscom issued a debenture bond for CHF 200 million. It has a coupon of 0.5% and matures in 2029. Net expenditure for company acquisitions and disposals includes the purchase price of CHF 240 million paid to Tamedia for the acquisition of the outstanding share of 31% in Swisscom Directories Ltd.

Balance sheet

In CHF million, except where indicated	31.3.2019	1.1.2019 ¹	Change
Property, plant and equipment	10,613	10,613	–
Goodwill	5,160	5,164	–0.1%
Intangible assets	1,740	1,770	–1.7%
Right-of-use assets	1,717	1,688	1.7%
Trade receivables	2,205	2,189	0.7%
Trade payables	(1,697)	(1,658)	2.4%
Provisions	(1,067)	(1,032)	3.4%
Deferred gain on sale and leaseback of real estate	(131)	(134)	–2.2%
Other operating assets and liabilities, net	183	194	–5.7%
Net operating assets	18,723	18,794	–0.4%
Net debt excluding lease liabilities	(6,736)	(7,009)	–3.9%
Lease liabilities	(1,719)	(1,703)	0.9%
Net debt	(8,455)	(8,712)	–2.9%
Defined benefit obligations	(1,469)	(1,196)	22.8%
Income tax assets and liabilities, net	(710)	(895)	–20.7%
Equity-accounted investees and other non-current financial assets	301	217	38.7%
Equity	8,390	8,208	2.2%
Equity ratio at end of period (in %)	34.8	34.2	

¹ Including effect of initially applying IFRS 16.

Equity rose due to the increase in net income by CHF 182 million or 2.2% to CHF 8,390 million, which corresponds to an equity ratio of 34.8% (34.2% as at 1 January 2019). Cumulative currency translation losses included in equity remained unchanged from the end of 2018 at around CHF 1.7 billion. The rise in defined benefit obligations of CHF 273 million to CHF 1,469 million is mainly due to the lower discount rate.

Outlook

The financial outlook for 2019 remains unchanged. Swisscom expects net revenue of around CHF 11.4 billion, EBITDA of more than CHF 4.3 billion and capital expenditure of around CHF 2.3 billion (excluding costs of CHF 196 million for mobile communication frequencies in Switzerland) for 2019. For Swisscom (excluding Fastweb), lower revenue is expected due to heightened competition and price pressure coupled with the ongoing decline in the number of fixed-line telephone connections. Fastweb's revenue is expected to increase slightly from 2018. The outlook for EBITDA in 2019 reflects the effect of the new accounting standard for leases (IFRS 16) applicable from 2019 onwards. The application of IFRS 16 has increased reported EBITDA by around CHF 200 million. On a like-for-like basis and excluding the effects of IFRS 16, Group EBITDA will be lower in 2019 than in 2018. For Swisscom, excluding Fastweb, the decline in revenue cannot be fully compensated by cost savings. In contrast, an increase in EBITDA is anticipated for Fastweb on a like-for-like basis. Capital expenditure in Switzerland, excluding costs for acquiring additional mobile radio frequencies at auction, will be slightly less than in the previous year. Fastweb's capital expenditure is expected to be lower, because the EUR 64 million spent on mobile radio frequencies in 2018 will no longer apply. Subject to achieving its targets, Swisscom will propose payment of an unchanged, attractive dividend of CHF 22 per share for the 2019 financial year at the 2020 Annual General Meeting.

Consolidated interim financial statements

Consolidated statement of comprehensive income (unaudited)

In CHF million, except for per share amounts	Note	1.1.–31.3.2019	1.1.–31.3.2018
Income statement			
Net revenue	2	2,860	2,885
Direct costs	3	(683)	(704)
Personnel expense	3	(724)	(723)
Other operating expense	3	(448)	(503)
Capitalised self-constructed assets and other income	3	114	103
Operating income before depreciation, amortisation and impairment losses		1,119	1,058
Depreciation and amortisation of property, plant and equipment and intangible assets		(554)	(540)
Depreciation of right-of-use assets		(60)	–
Operating income		505	518
Financial income	7	26	17
Financial expense	7	(46)	(58)
Result of equity-accounted investees		2	(2)
Income before income taxes		487	475
Income tax expense		(104)	(96)
Net income		383	379
Other comprehensive income			
Actuarial gains and losses from defined benefit pension plans		(208)	58
Change in fair value of equity instruments		1	3
Items that will not be reclassified to income statement		(207)	61
Foreign currency translation adjustments of foreign subsidiaries		(11)	13
Change in cash flow hedges		4	12
Other comprehensive income from equity-accounted investees		–	1
Items that will be reclassified subsequently to income statement		(7)	26
Other comprehensive income		(214)	87
Comprehensive income			
Net income		383	379
Other comprehensive income		(214)	87
Comprehensive income		169	466
Share of net income and comprehensive income			
Equity holders of Swisscom Ltd		385	381
Non-controlling interests		(2)	(2)
Net income		383	379
Equity holders of Swisscom Ltd		171	468
Non-controlling interests		(2)	(2)
Comprehensive income		169	466
Earnings per share			
Basic and diluted earnings per share (in CHF)		7.43	7.36

Consolidated balance sheet (unaudited)

In CHF million	Note	31.3.2019	31.12.2018
Assets			
Cash and cash equivalents		393	474
Trade receivables	8	2,205	2,189
Other operating assets	8	1,393	1,243
Other financial assets		88	82
Current income tax assets		10	2
Total current assets		4,089	3,990
Property, plant and equipment		10,613	10,894
Goodwill		5,160	5,164
Intangible assets	9	1,740	1,858
Right-of-use assets	6	1,717	–
Equity-accounted investees		188	174
Other financial assets		429	339
Deferred income tax assets		171	167
Total non-current assets		20,018	18,596
Total assets		24,107	22,586
Liabilities and equity			
Financial liabilities	5	832	1,334
Lease liabilities	5, 6	220	27
Trade payables	8	1,697	1,658
Provisions	10	117	131
Other operating liabilities	8	1,210	1,127
Current income tax liabilities		104	250
Total current liabilities		4,180	4,527
Financial liabilities	5	6,701	6,449
Lease liabilities	5, 6	1,499	357
Defined benefit obligations		1,469	1,196
Provisions	10	950	901
Deferred gain on sale and leaseback of real estate		131	134
Deferred income tax liabilities		787	814
Total non-current liabilities		11,537	9,851
Total liabilities		15,717	14,378
Share capital		52	52
Capital reserves		136	136
Retained earnings		9,934	9,759
Foreign currency translation adjustments		(1,739)	(1,728)
Other reserves		4	4
Equity attributable to equity-holders of Swisscom Ltd		8,387	8,223
Non-controlling interests		3	(15)
Total equity		8,390	8,208
Total liabilities and equity		24,107	22,586

Consolidated statement of cash flows (unaudited)

In CHF million	Note	31.3.2019	31.3.2018
Net income		383	379
Income tax expense		104	96
Result of equity-accounted investees		(2)	2
Financial income	7	(26)	(17)
Financial expense	7	46	58
Depreciation and amortisation of property, plant and equipment and intangible assets		554	540
Depreciation of right-of-use assets		60	–
Gain on sale of property, plant and equipment		(3)	(1)
Loss on disposal of property, plant and equipment		–	2
Change in provisions		8	(20)
Change in defined benefit obligations		12	15
Change in operating assets and liabilities	8	(46)	(193)
Change in deferred gain from the sale and leaseback of real estate		(3)	(3)
Interest received		10	10
Interest payments for financial liabilities		(13)	(11)
Interest payments for lease liabilities		(8)	(6)
Income taxes paid		(242)	(164)
Cash flow from operating activities		834	687
Purchase of property, plant and equipment and intangible assets		(518)	(501)
Sale of property, plant and equipment and intangible assets		6	2
Acquisition of subsidiaries, net of cash and cash equivalents acquired	5	(245)	–
Purchase of equity-accounted investees		(1)	(3)
Purchase of other financial assets		(3)	(4)
Proceeds from other financial assets		17	10
Cash flow used in investing activities		(744)	(496)
Issuance of financial liabilities	5	222	150
Repayment of financial liabilities	5	(310)	(37)
Repayment of lease liabilities	5	(78)	(5)
Other cash flows from financing activities		(6)	(6)
(Cash flow used in) Cash flow from financing activities		(172)	102
(Net decrease) net increase in cash and cash equivalents		(82)	293
Cash and cash equivalents at 1 January		474	525
Foreign currency translation adjustments in respect of cash and cash equivalents		1	1
Cash and cash equivalents at the end of financial period		393	819

Consolidated statement of changes in equity (unaudited)

In CHF million	Share capital	Capital reserves	Retained earnings	Foreign currency translation adjustments	Other reserves	Equity attributable to equity holders of Swisscom	Non-controlling interests	Total equity
Balance at 1 January 2018	52	136	9,457	(1,689)	(2)	7,954	(11)	7,943
Net income	—	—	381	—	—	381	(2)	379
Other comprehensive income	—	—	61	14	12	87	—	87
Comprehensive income	—	—	442	14	12	468	(2)	466
Other changes	—	—	(12)	—	—	(12)	2	(10)
Balance at 31 March 2018	52	136	9,887	(1,675)	10	8,410	(11)	8,399
Balance at 31 December 2018	52	136	9,759	(1,728)	4	8,223	(15)	8,208
Net income	—	—	385	—	—	385	(2)	383
Other comprehensive income	—	—	(207)	(11)	4	(214)	—	(214)
Comprehensive income	—	—	178	(11)	4	171	(2)	169
Other changes	—	—	(3)	—	(4)	(7)	20	13
Balance at 31 March 2019	52	136	9,934	(1,739)	4	8,387	3	8,390

Notes to the interim financial statements

About this report

General information

The Swisscom Group (hereinafter referred to as “Swisscom”) provides telecommunications services and is active primarily in Switzerland and Italy. The unaudited consolidated financial statements as of 31 March 2019 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, as in the prior year, aggregated 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 1 May 2019. As of this date, no material events after the reporting date have occurred.

Basis of preparation

The consolidated interim financial statements for the three months to 31 March 2019 were prepared in accordance with International Accounting Standard “IAS 34 Interim Financial Reporting” and should be read in conjunction with the consolidated annual financial statements for the financial year ended 31 December 2018. The consolidated interim financial statements were prepared in accordance with the accounting policies described in the 2018 consolidated financial statements and the revised accounting principles adopted on 1 January 2019.

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 1.118 was used as the end-of-period rate (31 December 2018: CHF/EUR 1.127) and 1.13 as the average rate for the period (prior year: CHF/EUR 1.166).

1 Changes in accounting principles

As of 1 January 2019, Swisscom adopted various amendments to existing International Financial Reporting Standards (IFRS) and Interpretations; with the exception of the changes described below, these have no material impact on the results or financial position of the Group.

IFRS 16 Leases

IFRS 16 (effective from 1 January 2019) replaces IAS 17, IFRIC 4 and SIC 27 and stipulates the principles governing the recognition, measurement and disclosure of leases. For the lessee, IFRS 16 provides for a comprehensive model for dealing with lease arrangements in financial statements. The differentiation between finance and operating leases required until now under IAS 17 is thus dropped in future for the lessee. The lessee shall recognise lease liabilities in its balance sheet for all future lease payments to be made as well as recognising a right to use the underlying asset. In future, depreciation and interest will be recognised in the income statement instead of rental expense. This will lead to a material rise in operating income before depreciation, amortisation and impairment losses. In the statement of cash flows, the share of the lease payments repre-

senting amortisation under the lease arrangements to be accounted for under the new rules will reduce cash flows from financing activities and no longer cash flows from operating activities, as previously. Interest payments will continue to be reported as cash flows from operating activities. For financial reporting purposes, the lessor shall continue to differentiate between finance and operating lease arrangements. In this regard, the accounting model foreseen under IFRS 16 does not materially differ from the previous provisions under IAS 17. Swisscom has chosen the modified retrospective approach for the first-time application of IFRS 16. For reasons of simplicity, a reassessment as to whether a contract as of 1 January 2019 constitutes or includes a lease arrangement was dispensed with. The payment obligations arising under the operating-lease arrangements disclosed in note 2.3 of the 2018 Annual Report for the most part comprise lease payments from the rental of operation and office buildings as well as of antenna sites. The net present value of the payment obligations arising from current operating-lease arrangements will be accounted for as a lease liability. The corresponding right-of-use assets will be recognised in the amount of the lease liabilities. The reconciliation of payment obligations from operating leases as at 31 December 2018 for first-time recognition as at 1 January 2019 is as follows:

In CHF million	1.1.2019
Obligations from operating leases as at 31 December 2018	1,298
Lease contracts and options previously not taken into account	107
Discounting	(86)
Carrying amount of finance lease liabilities as of 31 December 2018	384
Lease liabilities as of 1 January 2019	1,703

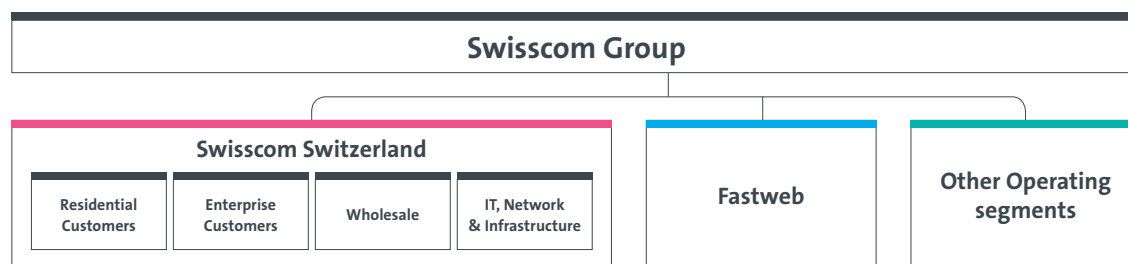
The lease liabilities were discounted using the incremental borrowing rate of interest applicable as at 1 January 2019. The weighted average interest was 0.6%. The impact of the first-time adoption of IFRS 16 on the balance sheet as at 1 January 2019 was as follows:

In CHF million	31.12.2018	Application IFRS 16	1.1.2019
Property, plant and equipment	10,894	(281)	10,613
Intangible assets	1,858	(88)	1,770
Right-of-use assets	–	1,688	1,688
Other financial assets	421	78	499
Other assets	9,413	–	9,413
Total assets	22,586	1,397	23,983
Financial liabilities	8,167	(306)	7,861
Lease liabilities	–	1,703	1,703
Other liabilities	6,211	–	6,211
Total liabilities	14,378	1,397	15,775
Total equity	8,208	–	8,208
Total liabilities and equity	22,586	1,397	23,983

From the first-time adoption of IFRS 16 as at 1 January 2019, additional right-of-use assets and lease liabilities amounting to CHF 1,319 million are recognised. The prior year's figures have not been adjusted. The switch to IFRS 16 has no impact on equity as at 1 January 2019. If IFRS 16 had been applied to the results of the 2018 financial year, this would have led to an increase in operating income before depreciation and amortisation (EBITDA) of around CHF 0.2 billion and higher depreciation and interest expenses of CHF 0.2 billion. In addition, because SIC 27 no longer applies, other financial assets and financial liabilities previously not recognised in the balance sheet amounting to USD 79 million (CHF 78 million) are recognised. The Italian subsidiary Fastweb sources various access services from other fixed-line operators for use of the access lines to the end customer. Under IFRS 16 part of these access services is newly classified as a lease. The value of the individual access line fulfils the criteria of an asset of low value. Swisscom will apply the low value exemption of IFRS 16 for these lease arrangements. Accordingly, no right-of-use assets and lease liabilities are recognised for these access services. The costs of the access services continue to be recognised as operating expenses.

2 Segment information

General information



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. Various areas have been transferred between the segments of Swisscom Switzerland as at 1 January 2019. The prior-year figures have been restated accordingly.

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, Enterprise Customers and Wholesale segments thus correspond to a contribution margin before network costs.

Indirect costs 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 three months of 2019, an expense of CHF 14 million is disclosed under “Eliminations” as a pension cost reconciliation item in accordance with IAS 19 (prior year: CHF 15 million).

Leases between the segments are not recognised in the balance sheet in accordance with IFRS 16. The reported lease expense of the segments in 2019 comprises depreciation and interest of leases and the accounting for the rental of buildings between segments. The lease expense of assets of low value is reported as direct costs. The lease expense of the segments in 2018 comprises the expense for operating and finance leases in accordance with IAS 17 and the accounting for the rental of buildings between segments. The reconciliation of the indirect costs of the segments to the consolidated values is reported in the column “Eliminations”. For the first three months of 2018, an expense of CHF 52 million is disclosed under “Eliminations” as an indirect costs reconciliation item.

Segment information 2019

2019, in CHF million	Swisscom Switzerland	Fastweb	Other operating segments	Group Head- quarters	Elimination	Total
Residential Customers	1,413	304	–	–	–	1,717
Corporate Business	572	228	138	–	–	938
Wholesale customers	158	47	–	–	–	205
Net revenue from external customers	2,143	579	138	–	–	2,860
Net revenue with other segments	20	2	87	–	(109)	–
Net revenue	2,163	581	225	–	(109)	2,860
Direct costs	(461)	(215)	(14)	–	7	(683)
Indirect costs ¹	(773)	(189)	(161)	(18)	83	(1,058)
Segment result before depreciation and amortisation	929	177	50	(18)	(19)	1,119
Lease expense	(56)	(8)	(3)	(1)	–	(68)
Depreciation and amortisation of property, plant and equipment and intangible assets	(381)	(156)	(18)	–	1	(554)
Segment result	492	13	29	(19)	(18)	497
Interest expense on lease liabilities						8
Operating income						505
Financial income and financial expense, net						(20)
Result of equity-accounted investees						2
Income before income taxes						487
Income tax expense						(104)
Net income						383
Segment result before depreciation and amortisation	929	177	50	(18)	(19)	1,119
Lease expense	(56)	(8)	(3)	(1)	–	(68)
Capital expenditure in property, plant and equipment and intangible assets	(353)	(161)	(8)	–	4	(518)
Operating free cash flow proxy	520	8	39	(19)	(15)	533

1 Including capitalised costs of self-constructed assets and other income.

Segment information Swisscom Switzerland 2019

2019, in CHF million	Residential Customers	Enterprise Customers	Wholesale	IT, Network & Infrastructure	Elimination	Total Swisscom Switzerland
Telecom services	1,268	238	–	–	–	1,506
Solution business	–	251	–	–	–	251
Merchandise	125	71	–	–	–	196
Wholesale	–	–	158	–	–	158
Other revenue	20	6	–	6	–	32
Net revenue from external customers	1,413	566	158	6	–	2,143
Intersegment revenue	21	27	63	17	(108)	20
Net revenue	1,434	593	221	23	(108)	2,163
Direct costs	(307)	(203)	(87)	(3)	139	(461)
Indirect costs ¹	(243)	(209)	(4)	(285)	(32)	(773)
Segment result before depreciation and amortisation	884	181	130	(265)	(1)	929
Lease expense	(13)	(7)	–	(36)	–	(56)
Depreciation and amortisation of property, plant and equipment and intangible assets	(28)	(17)	–	(336)	–	(381)
Segment result	843	157	130	(637)	(1)	492
Capital expenditure in property, plant and equipment and intangible assets	(5)	(9)	–	(339)	–	(353)

1 Including capitalised costs of self-constructed assets and other income.

Segment information 2018

2018, in CHF million, restated	Swisscom Switzerland	Fastweb	Other operating segments	Group Head- quarters	Elimination	Total
Residential Customers	1,456	300	–	–	–	1,756
Corporate Business	589	210	127	–	–	926
Wholesale customers	141	62	–	–	–	203
Net revenue from external customers	2,186	572	127	–	–	2,885
Net revenue with other segments	18	2	71	–	(91)	–
Net revenue	2,204	574	198	–	(91)	2,885
Direct costs	(460)	(235)	(15)	–	6	(704)
Indirect costs ¹	(809)	(167)	(142)	(21)	16	(1,123)
Segment result before depreciation and amortisation	935	172	41	(21)	(69)	1,058
Lease expense	(56)	(5)	(3)	(1)	65	–
Depreciation and amortisation of property, plant and equipment and intangible assets	(370)	(149)	(15)	–	(6)	(540)
Segment result	509	18	23	(22)	(10)	518
Financial income and financial expense, net						(41)
Result of equity-accounted investees						(2)
Income before income taxes						475
Income tax expense						(96)
Net income						379
Segment result before depreciation and amortisation	935	172	41	(21)	(69)	1,058
Lease expense	(56)	(5)	(3)	(1)	65	–
Capital expenditure in property, plant and equipment and intangible assets	(311)	(185)	(8)	–	3	(501)
Operating free cash flow proxy	568	(18)	30	(22)	(1)	557

1 Including capitalised costs of self-constructed assets and other income.

Segment information Swisscom Switzerland 2018

2018, in CHF million, restated	Residential Customers	Enterprise Customers	Wholesale	IT, Network & Infrastructure	Elimination	Total Swisscom Switzerland
Telecom services	1,298	260	–	–	–	1,558
Solution business	–	264	–	–	–	264
Merchandise	120	54	–	–	–	174
Wholesale	–	–	141	–	–	141
Other revenue	38	6	–	5	–	49
Net revenue from external customers	1,456	584	141	5	–	2,186
Intersegment revenue	20	26	62	15	(105)	18
Net revenue	1,476	610	203	20	(105)	2,204
Direct costs	(322)	(187)	(90)	(3)	142	(460)
Indirect costs ¹	(252)	(215)	(4)	(301)	(37)	(809)
Segment result before depreciation and amortisation	902	208	109	(284)	–	935
Lease expense	(14)	(8)	–	(34)	–	(56)
Depreciation and amortisation of property, plant and equipment and intangible assets	(38)	(18)	–	(313)	(1)	(370)
Segment result	850	182	109	(631)	(1)	509
Capital expenditure in property, plant and equipment and intangible assets	(9)	(8)	–	(294)	–	(311)

1 Including capitalised costs of self-constructed assets and other income.

3 Operating costs

Direct costs

In CHF million	1.1.–31.3.2019	1.1.–31.3.2018
Customer premises equipment and merchandise	277	306
Services purchased	156	112
Costs of obtaining a contract	83	87
Costs to fulfill a contract	3	13
Traffic fees of foreign subsidiaries	91	114
International traffic fees	50	47
National traffic fees	23	25
Total direct costs	683	704

Indirect costs

In CHF million	1.1.–31.3.2019	1.1.–31.3.2018
Salary and social security expenses	706	713
Other personnel expense	18	10
Total personnel expense	724	723
Information technology cost	59	67
Maintenance expense	74	70
Rental expense	–	52
Energy costs	29	28
Advertising and selling expenses	41	40
Consultancy expenses and freelance workforce	38	43
Administration expense	22	27
Allowances for receivables	21	20
Miscellaneous operating expenses	164	156
Total other operating expense	448	503
Capitalised self-constructed assets	(90)	(83)
Gain on sale of property, plant and equipment	(3)	(1)
Miscellaneous income	(21)	(19)
Total capitalised self-constructed assets and other income	(114)	(103)
Total indirect costs	1,058	1,123

Capitalised costs of self-constructed assets include personnel costs for the production of technical installations, the construction of network infrastructures and the development of software for internal use.

4 Dividends

On 2 April 2019, 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 8 April 2019.

5 Financial liabilities

In CHF million	Carrying amount 1.1.2019	Issuance	Repayment	Other changes ^a	Carrying amount 31.3.2019	Fair value ^b
Financial liabilities						
Bank loans	1,233	–	(309)	(10)	914	939 ²
Debenture bonds	5,554	200	–	25	5,779	6,080 ¹
Private placements	426	–	–	–	426	433 ²
Derivative financial instruments	54	–	–	3	57	57 ²
Other financial liabilities	594	22	(241)	(18)	357	357 ²
Total financial liabilities	7,861	222	(550)	–	7,533	7,866
Lease liabilities						
Lease liabilities	1,703	–	(78)	94	1,719	1,997 ²

^a Interest expenses, interest payments, non-cash changes in lease liabilities and foreign currency translation adjustments. ^b Fair value hierarchy.

In the first quarter of 2019, Swisscom issued a debenture bond for CHF 200 million. It has a coupon of 0.5% and matures in 2029. The financing so received was applied to repay existing loans.

Repayment of other liabilities includes the purchase price of CHF 240 million paid to Tamedia for the acquisition of the outstanding share of 31% in Swisscom Directories Ltd. In the cash flow statement this payment is reported in the caption “acquisition of subsidiaries, net of cash and cash equivalents acquired”.

6 Leases

Swisscom has applied IFRS 16 “Leases” as at 1 January 2019 and chose the modified retrospective approach for the first-time application. With this approach, right-of-use assets and lease liabilities were recognised in the same amount in the balance sheet. For further information, see Note 1, change in accounting principles.

The leases of Swisscom comprise, in particular, the rental of operation and office buildings, of antenna sites and of network infrastructure. The Italian subsidiary Fastweb sources various access services from other fixed-line operators for use of the access lines to the end customer. Under IFRS 16 part of these access services is classified as a lease. The value of the individual access line fulfils the criteria of an asset of low value. Swisscom will apply the low value exemption of IFRS 16 for these lease arrangements. Accordingly, no right-of-use assets and lease liabilities are recognised for these access services. the costs of which will be reported as direct costs.

Right-of-use assets

In CHF million	31.3.2019	1.1.2019
Land and buildings	1,608	1,575
Technical installations and network infrastructure	107	111
Other right-of-use assets	2	2
Net carrying amount of right-of-use assets	1,717	1,688

Lease liabilities

In CHF million	31.3.2019	1.1.2019
Land and buildings	1,611	1,591
Technical installations and network infrastructure	106	110
Other leases	2	2
Total lease liabilities	1,719	1,703
Thereof current lease liabilities	220	210
Thereof non-current lease liabilities	1,499	1,493

Lease expenses

In CHF million	IFRS 16 1.1.–31.3.2019	IAS 17 1.1.–31.3.2018
Depreciation of right-of-use assets	60	–
Interest expense on lease liabilities	8	–
Expenses from operating leases	–	52 ¹
Depreciation of assets under finance leases	–	7 ²
Interest expense on finance lease liabilities	–	6
Expense from leases of low value assets	34 ³	–

1 Disclosed under indirect costs.

3 Disclosed under direct costs.

2 Disclosed under depreciation and amortisation of property, plant and equipment and intangible assets.

7 Financial result

In CHF million	1.1.–31.3.2019	1.1.–31.3.2018
Interest income on financial assets	2	2
Change in fair value of interest rate swaps	–	8
Foreign exchange gains	4	–
Other financial income	20	7
Total financial income	26	17
Interest expense on financial liabilities	(18)	(31)
Interest expense on lease liabilities	(8)	(6)
Interest expense on defined benefit obligations	(2)	(2)
Foreign exchange losses	–	(3)
Change in fair value of interest rate swaps	(12)	–
Other financial expense	(6)	(16)
Total financial expense	(46)	(58)
Financial income and financial expense, net	(20)	(41)
Interest expense on lease liabilities	(8)	(6)
Net interest expense for financial assets and liabilities	(16)	(29)

8 Operating net working capital

Operating assets and liabilities changed as follows in the first three months of 2019:

In CHF million	31.12.2018	Operational changes	Other changes ¹	31.3.2019
Trade receivables	2,189	22	(6)	2,205
Other operating assets	1,243	157	(7)	1,393
Trade payables	(1,658)	(46)	7	(1,697)
Other operating liabilities	(1,127)	(87)	4	(1,210)
Total operating assets and liabilities, net	647	46	(2)	691

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

Other operating assets and liabilities

In CHF million	31.3.2019	31.12.2018
Other operating assets		
Contract assets	296	321
Contract costs	274	274
Inventories	148	154
Prepaid expenses	435	316
Other operating assets	240	178
Total other operating assets	1,393	1,243
Other operating liabilities		
Contract liabilities	606	620
Accruals for variable performance-related bonus	193	163
Other operating liabilities	411	344
Total other operating liabilities	1,210	1,127

9 Intangible assets

At the request of ComCom, the Federal Office of Communications (OFCOM) put all of the frequencies available for mobile communications up for auction. The auction took from 29 January to 7 February 2019. Swisscom secured 45% of the frequencies auctioned by all bidders for the fifth generation of mobile technology and for previous generations for CHF 196 million. The frequencies were allocated in April 2019 and will remain with Swisscom until 2034.

10 Provisions and contingent liabilities

Provisions

Provisions changed as follows in the first three months of 2019:

In CHF million	Dismantlement and restoration costs	Regulatory and competition law proceedings	Termination benefits	Other	Total
Balance at 31 December 2018	605	166	69	192	1,032
Additions of provisions	3	26	–	2	31
Present-value adjustments	29	–	–	–	29
Release of unused provisions	(3)	–	–	(1)	(4)
Use of provisions	(1)	–	(10)	(10)	(21)
Balance at 31 March 2019	633	192	59	183	1,067
Thereof current provisions	–	–	50	67	117
Thereof non-current provisions	633	192	9	116	950

Contingent liabilities for antitrust proceedings

With regard to the contingent liabilities reported in the 2018 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 31 March 2019.

Further information

Share information

Swisscom share performance indicators

31.12.2018–31.3.2019	SIX Swiss Exchange
Closing price as at 31 December 2018 in CHF ¹	469.70
Closing price as at 31 March 2019 in CHF ¹	487.00
Year high in CHF ¹	490.80
Year low in CHF ¹	441.10
Total volume of traded shares	10,287,639
Total turnover in CHF million	4,837.06
Daily average of traded shares	165,930
Daily average in CHF million	78.02

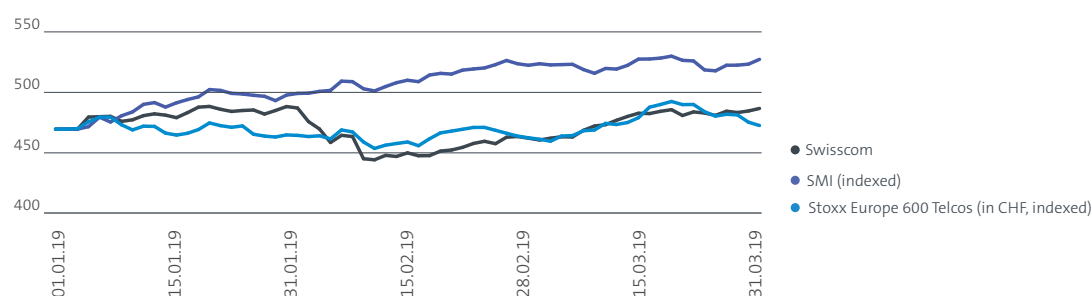
Source: Bloomberg

1 paid prices

Share performance

Share price performance since 1 January 2019

in CHF



Financial calendar

- 15 August 2019 2019 Second-Quarter Results
- 31 October 2019 2019 Third-Quarter Results
- 7 February 2020 2019 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 2018 and 2019

In CHF million, except where indicated	1. quarter	2. quarter	3. quarter	4. quarter	2018	1. quarter	2. quarter	3. quarter	4. quarter	2019
Income statement										
Net revenue	2,885	2,920	2,884	3,025	11,714	2,860				2,860
Direct costs	(704)	(692)	(723)	(835)	(2,954)	(683)				(683)
Personnel expense	(723)	(714)	(661)	(717)	(2,815)	(724)				(724)
Other operating expense	(503)	(540)	(519)	(631)	(2,193)	(448)				(448)
Capitalised self-constructed assets and other income	103	111	107	140	461	114				114
Operating income (EBITDA)	1,058	1,085	1,088	982	4,213	1,119				1,119
Depreciation and amortisation	(540)	(540)	(530)	(534)	(2,144)	(554)				(554)
Depreciation of right-of-use assets	–	–	–	–	–	(60)				(60)
Operating income (EBIT)	518	545	558	448	2,069	505				505
Net interest expense on financial assets and liabilities	(29)	(29)	(27)	(19)	(104)	(15)				(15)
Interest expenses lease liabilities	(6)	(6)	(6)	(6)	(24)	(8)				(8)
Other financial result	(6)	6	(3)	(27)	(30)	3				3
Equity-accounted investees	(2)	2	3	2	5	2				2
Income before income taxes	475	518	525	398	1,916	487				487
Income tax expense	(96)	(110)	(99)	(90)	(395)	(104)				(104)
Net income	379	408	426	308	1,521	383				383
Attributable to equity holders of Swisscom Ltd	381	409	427	310	1,527	385				385
Share attributable to non-controlling interests	(2)	(1)	(1)	(2)	(6)	(2)				(2)
Earnings per share (in CHF)	7.36	7.90	8.24	5.98	29.48	7.43				7.43
Net revenue										
Swisscom Switzerland	2,204	2,191	2,188	2,223	8,806	2,163				2,163
Fastweb	574	606	577	669	2,426	581				581
Other Operating Segments	198	228	230	253	909	225				225
Group Headquarters	–	1	–	1	2	–				–
Intersegment elimination	(91)	(106)	(111)	(121)	(429)	(109)				(109)
Total net revenue	2,885	2,920	2,884	3,025	11,714	2,860				2,860
Operating income before depreciation and amortisation (EBITDA)										
Swisscom Switzerland	935	933	919	789	3,576	929				929
Fastweb	172	199	204	228	803	177				177
Other Operating Segments	41	51	56	49	197	50				50
Group Headquarters	(21)	(31)	(19)	(5)	(76)	(18)				(18)
Reconciliation pension cost	(15)	(14)	(17)	(14)	(60)	(14)				(14)
Reconciliation lease expense (IAS 17)	(52)	(47)	(51)	(57)	(207)	–				–
Intersegment elimination	(2)	(6)	(4)	(8)	(20)	(5)				(5)
Total EBITDA	1,058	1,085	1,088	982	4,213	1,119				1,119
Capital expenditure in property, plant and equipment and intangible assets										
Swisscom Switzerland	311	400	391	518	1,620	353				353
Fastweb	185	162	154	256	757	161				161
Other Operating Segments	8	11	12	15	46	8				8
Intersegment elimination	(3)	(5)	(5)	(6)	(19)	(4)				(4)
Total capital expenditure	501	568	552	783	2,404	518				518

	1. quarter	2. quarter	3. quarter	4. quarter	2018	1. quarter	2. quarter	3. quarter	4. quarter	2019
Operating free cash flow proxy										
Operating income (EBITDA)	1,058	1,085	1,088	982	4,213	1,119				1,119
Capital expenditure	(501)	(568)	(552)	(783)	(2,404)	(518)				(518)
Lease expense (IFRS 16)	–	–	–	–	–	(68)				(68)
Operating free cash flow proxy	557	517	536	199	1,809	533				533
Net debt										
Net debt excluding lease liabilities	6,835	7,696	7,187	7,009	7,009	6,736				6,736
Lease liabilities	459	450	455	384	384	1,719				1,719
Net debt	7,294	8,146	7,642	7,393	7,393	8,455				8,455
Full-time equivalent employees at end of year										
Swisscom Switzerland	15,014	14,562	14,522	14,448	14,448	14,340				14,340
Fastweb	2,510	2,483	2,470	2,484	2,484	2,458				2,458
Other Operating Segments	2,540	2,588	2,615	2,679	2,679	2,699				2,699
Group Headquarters	262	262	243	234	234	222				222
Total full-time equivalent employees	20,326	19,895	19,850	19,845	19,845	19,719				19,719
Information by geographical region in CHF million or full-time equivalents										
Net revenue in Switzerland	2,308	2,310	2,305	2,351	9,274	2,277				2,277
Net revenue in other countries	577	610	579	674	2,440	583				583
Total net revenue	2,885	2,920	2,884	3,025	11,714	2,860				2,860
EBITDA in Switzerland	889	891	887	752	3,419	939				939
EBITDA in other countries	169	194	201	230	794	180				180
Total EBITDA	1,058	1,085	1,088	982	4,213	1,119				1,119
Capital expenditure in Switzerland	315	406	398	526	1,645	357				357
Capital expenditure in other countries	186	162	154	257	759	161				161
Total capital expenditure	501	568	552	783	2,404	518				518
Full-time equivalent employees in Switzerland	17,611	17,203	17,165	17,147	17,147	17,035				17,035
Full-time equivalent employees in other countries	2,715	2,692	2,685	2,698	2,698	2,684				2,684
Total full-time equivalent employees	20,326	19,895	19,850	19,845	19,845	19,719				19,719
Fastweb, in EUR million										
Retail Customers	257	264	264	265	1,050	269				269
Corporate Business	180	188	190	222	780	202				202
Wholesale	53	66	49	99	267	42				42
Revenue from external customers	490	518	503	586	2,097	513				513
Segment result (EBITDA)	148	170	178	200	696	157				157
Margin as % of net revenue	30.1	32.8	35.2	34.0	33.1	30.4				30.4
Capital expenditure	159	138	135	225	657	143				143
Broadband access lines in thousand	2,483	2,500	2,518	2,547	2,547	2,575				2,575
Mobile access lines in thousand	1,185	1,280	1,324	1,432	1,432	1,517				1,517

In CHF million, except where indicated	1. quarter	2. quarter	3. quarter	4. quarter	2018	1. quarter	2. quarter	3. quarter	4. quarter	2019
Swisscom Switzerland										
Revenue and results										
Retail Customers	655	659	662	642	2,618	630				630
Enterprise Customers	113	118	114	106	451	102				102
Revenue mobile	768	777	776	748	3,069	732				732
Retail Customers	643	645	642	643	2,573	638				638
Enterprise Customers	131	134	128	127	520	120				120
Revenue fixed-line	774	779	770	770	3,093	758				758
Other revenue Enterprise Customers	16	15	14	15	60	16				16
Total revenue telecoms services	1,558	1,571	1,560	1,533	6,222	1,506				1,506
Solution business	264	259	255	281	1,069	251				251
Merchandise	174	166	173	207	719	196				196
Wholesale	141	145	148	132	566	158				158
Other revenue	49	32	35	52	163	32				32
Revenue from external customers	2,186	2,173	2,171	2,205	8,735	2,143				2,143
Retail Customers	1,456	1,448	1,457	1,482	5,843	1,413				1,413
Enterprise Customers	584	575	561	586	2,306	566				566
Wholesale	141	145	148	132	566	158				158
IT, Network & Infrastructure	5	5	5	5	20	6				6
Revenue from external customers	2,186	2,173	2,171	2,205	8,735	2,143				2,143
Segment result before depreciation and amortisation (EBITDA)										
Retail Customers	902	882	874	805	3,463	884				884
Enterprise Customers	208	203	206	187	804	181				181
Wholesale	109	114	119	105	447	130				130
IT, Network & Infrastructure	(284)	(266)	(281)	(307)	(1,138)	(265)				(265)
Intersegment elimination	—	—	1	(1)	—	(1)				(1)
Segment result (EBITDA)	935	933	919	789	3,576	929				929
Margin as % of net revenue	42.4	42.6	42.0	35.5	40.6	42.9				42.9
Operational data in thousand										
Access lines										
Retail Customers	1,779	1,730	1,684	1,641	1,641	1,601				1,601
Enterprise Customers	198	176	162	147	147	136				136
Fixed telephony access lines	1,977	1,906	1,846	1,788	1,788	1,737				1,737
Retail Customers	1,988	1,991	1,993	1,998	1,998	1,995				1,995
Enterprise Customers	37	37	37	35	35	35				35
Broadband access lines retail	2,025	2,028	2,030	2,033	2,033	2,030				2,030
Retail Customers	1,492	1,501	1,510	1,519	1,519	1,523				1,523
Swisscom TV access lines	1,492	1,501	1,510	1,519	1,519	1,523				1,523
Postpaid Residential Customers	3,381	3,379	3,385	3,382	3,382	3,435				3,435
Postpaid Enterprise Customers	1,265	1,270	1,283	1,294	1,294	1,272				1,272
Mobile access lines Postpaid	4,646	4,649	4,668	4,676	4,676	4,707				4,707
Prepaid Residential Customers	1,805	1,785	1,741	1,694	1,694	1,671				1,671
Mobile access lines	6,451	6,434	6,409	6,370	6,370	6,378				6,378
RGU Residential Customers	10,445	10,386	10,313	10,234	10,234	10,225				10,225
RGU Enterprise Customers	1,500	1,483	1,482	1,476	1,476	1,443				1,443
Revenue generating units (RGU)	11,945	11,869	11,795	11,710	11,710	11,668				11,668
Broadband access lines wholesale	449	462	472	481	481	492				492
Unbundled fixed access lines	100	95	91	87	87	83				83

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 government regulators and other risk factors detailed in Swisscom's and Fastweb's past and future filings and reports, including those filed with the US Securities and Exchange Commission and in past and future filings, press releases, reports and other information posted on Swisscom Group companies' websites.

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