

2020

Interim Report
January–March



swisscom

KPIs

In CHF million, except where indicated		31.03.2020	31.03.2019	Change
Net revenue and results ¹				
Net revenue		2,737	2,860	–4.3%
Operating income before depreciation and amortisation (EBITDA)		1,111	1,119	–0.7%
EBITDA as % of net revenue	%	40.6	39.1	
EBITDA after lease expense (EBITDA AL)		1,036	1,051	–1.4%
Operating income (EBIT)		504	505	–0.2%
Net income		394	383	2.9%
Earnings per share	CHF	7.63	7.43	2.7%
Balance sheet and cash flows ¹				
Equity		9,056	8,390	7.9%
Equity ratio	%	35.6	34.8	
Operating free cash flow proxy		520	533	–2.4%
Capital expenditure		516	518	–0.4%
Net debt		6,552	6,736	–2.7%
Operational data				
Fixed telephony access lines in Switzerland	in thousand	1,582	1,737	–8.9%
Broadband access lines retail in Switzerland	in thousand	2,053	2,057	–0.2%
Swisscom TV access lines in Switzerland	in thousand	1,555	1,523	2.1%
Mobile access lines in Switzerland	in thousand	6,299	6,378	–1.2%
Revenue generating units (RGU) Switzerland	in thousand	11,489	11,695	–1.8%
Broadband access lines wholesale in Switzerland	in thousand	525	492	6.7%
Broadband access lines in Italy	in thousand	2,659	2,575	3.3%
Mobile access lines in Italy	in thousand	1,779	1,440	23.5%
Swisscom share				
Number of issued shares	in thousand	51,802	51,802	–
Market capitalisation		26,947	25,228	6.8%
Closing price	CHF	520.20	487.00	6.8%
Employees				
Full-time equivalent employees	number	19,110	19,719	–3.1%
Average number of full-time equivalent employees	number	19,182	19,715	–2.7%

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 24 and 25.

Financial review

Summary

In the first quarter of 2020, Swisscom's net revenue and operating income before depreciation and amortisation (EBITDA) were down on the previous year but remained within expectations. The impact of COVID-19 on the financial results for the first quarter of 2020 was minimal. Net revenue fell by 4.3% or CHF 123 million to CHF 2,737 million, while EBITDA declined by 0.7% or CHF 8 million to CHF 1,111 million. The revenue decline in the Swiss core business continued. The decline of CHF 95 million is a consequence of the continuing competition and price pressure. By contrast, revenue at Italian subsidiary Fastweb increased by EUR 29 million (+5.6%), with all customer segments reporting revenue growth. The number of customers with Fastweb increased year-on-year by 3.3% to 2.7 million in the broadband business and by 23.5% to 1.8 million in mobile telephony. In the Swiss core business, EBITDA declined by 0.5% or CHF 5 million. The revenue decline was largely offset by the ongoing cost-cutting measures. At Fastweb, EBITDA in local currency rose by 4.9% or EUR 8 million as a result of the growth in revenue. Consolidated net income increased by 2.9% or CHF 11 million to CHF 394 million. A one-off item of CHF 19 million in income tax expense contributed to this.

Swisscom's capital expenditure was almost unchanged at CHF 516 million (–0.4%). At Swisscom Switzerland, capital expenditure was up by 4.0% or CHF 14 million to CHF 367 million, driven by the further expansion of the network infrastructure. Capital expenditure at Fastweb fell by 3.5% to EUR 138 million as a result of lower customer-driven investment.

Operating free cash flow proxy declined by 2.4% or CHF 13 million to CHF 520 million, owing to lower EBITDA and higher lease expense. Net debt fell by 3.0% or CHF 206 million compared with the end of 2019 to CHF 6,552 million. The number of employees at Swisscom declined 3.1% year-on-year, to 19,110 FTEs. In Switzerland, headcount decreased by 678 FTEs to 16,357 FTEs. In Switzerland, the reduction in the first quarter of 2020 totalled 271 FTEs.

The financial outlook for 2020 remains unchanged. Swisscom expects net revenue of around CHF 11.1 billion, EBITDA of around CHF 4.3 billion and capital expenditure of around CHF 2.3 billion for the 2020 financial year. At present, it is not possible to quantify the potential financial impact of COVID-19 because it depends on a number of factors (such as the extent and duration of the pandemic, government measures to support the economy, customer behaviour in Switzerland and Italy, etc.) and there is considerable uncertainty regarding these factors. If the targets are met, Swisscom will propose to the 2021 Annual General Meeting payment of an unchanged dividend of CHF 22 per share for the 2020 financial year.

Segment results

In CHF million	31.03.2020	31.03.2019	Change
Net revenue			
Residential Customers	1,138	1,190	–4.4%
Business Customers	779	832	–6.4%
Wholesale ¹	225	221	1.8%
IT, Network & Infrastructure	22	23	–4.3%
Intersegment elimination	(93)	(100)	–7.0%
Swisscom Switzerland	2,071	2,166	–4.4%
Fastweb	580	581	–0.2%
Other Operating Segments	243	265	–8.3%
Intersegment elimination	(157)	(152)	3.3%
Revenue from external customers	2,737	2,860	–4.3%
Operating income before depreciation and amortisation (EBITDA)			
Residential Customers	703	722	–2.6%
Business Customers	336	356	–5.6%
Wholesale	132	126	4.8%
IT, Network & Infrastructure	(247)	(275)	–10.2%
Intersegment elimination	(1)	(1)	
Swisscom Switzerland	923	928	–0.5%
Fastweb	181	182	–0.5%
Other Operating Segments	42	50	–16.0%
Group Headquarters	(14)	(17)	–17.6%
Reconciliation pension cost ²	(15)	(14)	7.1%
Elimination	(6)	(10)	–40.0%
Operating income before depreciation and amortisation (EBITDA)	1,111	1,119	–0.7%

1 Incl. 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 and 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 with effect from 1 January 2020. 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

	31.03.2020	31.03.2019	Change
Net revenue and results			
Telecom services	1,439	1,511	−4.8%
Solutions business	267	257	3.9%
Merchandise	175	196	−10.7%
Wholesale	164	158	3.8%
Revenue other	5	21	−76.2%
Revenue from external customers	2,050	2,143	−4.3%
Intersegment revenue	21	23	−8.7%
Net revenue	2,071	2,166	−4.4%
Direct costs	(405)	(462)	−12.3%
Indirect costs	(743)	(776)	−4.3%
Segment expenses	(1,148)	(1,238)	−7.3%
Segment result before depreciation and amortisation (EBITDA)	923	928	−0.5%
Margin as % of net revenue	44.6	42.8	
Lease expense	(58)	(56)	3.6%
Depreciation and amortisation	(377)	(381)	−1.0%
Segment result	488	491	−0.6%
Operating free cash flow proxy			
Segment result before depreciation and amortisation (EBITDA)	923	928	−0.5%
Lease expense	(58)	(56)	3.6%
EBITDA after lease expense (EBITDA AL)	865	872	−0.8%
Capital expenditure	(367)	(353)	4.0%
Operating free cash flow proxy	498	519	−4.0%
Operational data in thousand and headcount			
Fixed telephony access lines	1,582	1,737	−8.9%
Broadband access lines retail	2,053	2,057	−0.2%
Swisscom TV access lines	1,555	1,523	2.1%
Mobile access lines	6,299	6,378	−1.2%
Revenue generating units (RGU)	11,489	11,695	−1.8%
Broadband access lines wholesale	525	492	6.7%
Full-time equivalent employees	12,813	13,352	−4.0%

Net revenue for Swisscom Switzerland fell by CHF 95 million or 4.4% to CHF 2,071 million as a result of the continuing competition and price pressure. Revenue from telecommunications services decreased by CHF 72 million or 4.8% to CHF 1,439 million. Of this decline, CHF 32 million (−3.1%) was attributable to the Residential Customers segment and CHF 40 million (−8.4%) to the Business Customers segment. By contrast, revenue from the solutions business rose by 3.9% to CHF 267 million. In the merchandise area, the high volume of the previous year was not matched, with revenue falling by 10.7% to CHF 175 million. The number of inOne customers continues to grow. Swisscom Switzerland had a total of 2.37 million inOne customers in the Residential Customers segment at the end of March 2020. In this segment, inOne accounts for 68% of postpaid mobile lines and 71% 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 79,000 (−1.2%) year-on-year to 6.30 million (−0.5% in the first quarter of 2020). The number of postpaid lines grew by 66,000 year-on-year, while the number of prepaid lines fell by 145,000. Broadband connections fell by 4,000 (−0.2%) year-on-year. The number of TV connections increased year-on-year by 32,000 or 2.1% to 1.56 million, but remained stable in the first quarter of 2020. 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 by 155,000 or 8.9% to 1.58 million year-on-year (−12,000 in the first quarter of 2020).

Segment expense fell by CHF 90 million or 7.3% to CHF 1,148 million, while direct costs fell by CHF 57 million (−12.3%). In addition to the decline in subscriber acquisition and retention costs, the cost of purchasing merchandise also fell. Indirect costs fell by CHF 33 million or 4.3% to CHF 743 million. This is chiefly due to the lower headcount

and lower costs for advertising and customer service. Headcount fell year-on-year as a result of efficiency measures by 539 FTEs or 4.0% to 12,813, including 242 FTEs in the first quarter of 2020. The segment result before depreciation and amortisation was CHF 5 million or 0.5% lower at CHF 923 million as a result of lower revenue, but this was largely offset by the ongoing measures to reduce costs. Owing to higher investment in the expansion of broadband networks, capital expenditure rose by CHF 14 million or 4.0% to CHF 367 million. As at end-March 2020, 76% of all households and businesses in Switzerland were connected with ultra-fast broadband exceeding 80 Mbps. 50% of all homes and offices benefit from fast connections with bandwidths of more than 200 Mbps. Swisscom intends to make ultra-fast broadband available in every Swiss municipality by the end of 2021, including in remote locations. In addition, Swisscom plans to double Fibre to the Home (FTTH) coverage for households and businesses compared with the 2019 level by the end of 2025.

Fastweb

In EUR million, except where indicated	31.03.2020	31.03.2019	Change
Net revenue and results			
Residential Customers	280	269	4.1%
Corporate Business	211	202	4.5%
Wholesale	50	42	19.0%
Revenue from external customers	541	513	5.5%
Intersegment revenue	2	1	100.0%
Net revenue	543	514	5.6%
Segment expenses	(373)	(352)	6.0%
Segment result before depreciation and amortisation (EBITDA)	170	162	4.9%
Margin as % of net revenue	31.3	31.5	
Lease expense	(13)	(12)	8.3%
Depreciation and amortisation	(144)	(139)	3.6%
Segment result	13	11	18.2%
Operating free cash flow proxy			
Segment result before depreciation and amortisation (EBITDA)	170	162	4.9%
Lease expense	(13)	(12)	8.3%
EBITDA after lease expense (EBITDA AL)	157	150	4.7%
Capital expenditure	(138)	(143)	–3.5%
Operating free cash flow proxy	19	7	171.4%
Operational data in thousand and headcount			
Broadband access lines	2,659	2,575	3.3%
Mobile access lines	1,779	1,440	23.5%
Full-time equivalent employees	2,515	2,458	2.3%

Fastweb's net revenue rose by EUR 29 million or 5.6% year-on-year to EUR 543 million. Despite challenging market conditions, Fastweb's broadband customer base grew by 84,000 or 3.3% versus the previous year to 2.66 million (+22,000 in the first quarter of 2020). Fastweb is also growing in the fiercely competitive mobile telephony market. Compared to the previous year, the number of mobile access lines increased by 339,000 or 23.5% to 1.78 million (+33,000 in the first quarter of 2020). The focus is increasingly on bundled offerings. 34% of subscribers use a bundled offering combining fixed network and mobile. Residential customer revenue rose by EUR 11 million or 4.1% to EUR 280 million as a result of customer growth. Fastweb held its strong position in the market for business customers, with revenue from corporate business up by EUR 9 million or 4.5% to EUR 211 million as a result of higher revenue with both private companies and public administrations. Revenue from wholesale business also increased, up EUR 8 million or 19.0% to EUR 50 million.

The segment result before depreciation and amortisation rose EUR 8 million or 4.9% to EUR 170 million owing to the growth in revenue. Capital expenditure decreased by EUR 5 million or 3.5% year-on-year to EUR 138 million owing to lower customer-driven investment. Fastweb's headcount increased by 57 FTEs or 2.3% to 2,515 FTEs year-on-year as a result of hiring external staff.

Other Operating Segments

In CHF million, except where indicated	31.03.2020	31.03.2019	Change
Net revenue and results			
Revenue from external customers	109	138	-21.0%
Intersegment revenue	134	127	5.5%
Net revenue	243	265	-8.3%
Segment expenses	(201)	(215)	-6.5%
Segment result before depreciation and amortisation (EBITDA)	42	50	-16.0%
Margin as % of net revenue	17.3	18.9	
Lease expense	(3)	(3)	-
Depreciation and amortisation	(15)	(18)	-16.7%
Segment result	24	29	-17.2%
Operating free cash flow proxy			
Segment result before depreciation and amortisation (EBITDA)	42	50	-16.0%
Lease expense	(3)	(3)	-
EBITDA after lease expense (EBITDA AL)	39	47	-17.0%
Capital expenditure	(7)	(8)	-12.5%
Operating free cash flow proxy	32	39	-17.9%
Headcount			
Full-time equivalent employees	3,583	3,694	-3.0%

The net revenue of the Other Operating Segments fell year-on-year by CHF 22 million or 8.3% to CHF 243 million. The decline in revenue from external customers was mainly attributable to the loss of Billag's mandate to collect national radio and television licence fees and to a drop in revenue at cablex. The segment result before depreciation and amortisation decreased accordingly by CHF 8 million or 16.0% to CHF 42 million, while the profit margin fell to 17.3% (prior year: 18.9%). Headcount fell by 111 FTEs or 3.0% to 3,583 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	31.03.2020	31.03.2019	Change
Group Headquarters	(14)	(17)	-17.6%
Reconciliation pension cost	(15)	(14)	7.1%
Elimination	(6)	(10)	-40.0%
Operating income before depreciation and amortisation (EBITDA)	(35)	(41)	-14.6%

The net costs not assigned to the operating segments, which comprise Group Headquarters, pension cost reconciliation and intersegment eliminations, declined by CHF 6 million to CHF 35 million.

Depreciation and amortisation, non-operating results

In CHF million, except where indicated	31.03.2020	31.03.2019	Change
Operating income before depreciation and amortisation (EBITDA)	1,111	1,119	–0.7%
Depreciation and amortisation of property, plant and equipment and intangible assets	(537)	(547)	–1.8%
Depreciation of right-of-use assets	(70)	(67)	4.5%
Operating income (EBIT)	504	505	–0.2%
Net interest expense on financial assets and liabilities	(12)	(15)	–20.0%
Interest expense on lease liabilities	(11)	(8)	37.5%
Other financial result	(14)	3	
Result of equity-accounted investees	1	2	–50.0%
Income before income taxes	468	487	–3.9%
Income tax expense	(74)	(104)	–28.8%
Net income	394	383	2.9%
Share of net income attributable to equity holders of Swisscom Ltd	395	385	2.6%
Share of net income attributable to non-controlling interests	(1)	(2)	–50.0%
Earnings per share (in CHF)	7.63	7.43	2.7%

The depreciation and amortisation of property, plant and equipment and intangible assets decreased by CHF 10 million or 1.8% year-on-year to CHF 537 million, mainly reflecting a decrease in depreciation and amortisation at Swisscom Switzerland and the Other Operating Segments. Net interest expense excluding leases declined from CHF 15 million to CHF 12 million as a result of lower average interest expense. Income tax expense was CHF 74 million (prior year: CHF 104 million), corresponding to an effective income tax rate of 15.8% (prior year: 21.4%). Income tax expense for the first quarter of 2020 includes positive tax effects of CHF 19 million as a result of the revaluation of deferred income tax items due to lower income tax rates. Swisscom anticipates a future effective consolidated tax rate of 19.5%. As a result of the lower income tax expense, Swisscom's net income increased by CHF 11 million or 2.9% to CHF 394 million, and earnings per share rose accordingly from CHF 7.43 to CHF 7.63.

Cash flows

In CHF million	31.03.2020	31.03.2019	Change
Operating income before depreciation and amortisation (EBITDA)	1,111	1,119	(8)
Lease expense	(75)	(68)	(7)
EBITDA after lease expense (EBITDA AL)	1,036	1,051	(15)
Capital expenditure	(516)	(518)	2
Operating free cash flow proxy	520	533	(13)
Change in net working capital	(205)	(41)	(164)
Change in defined benefit obligations	14	12	2
Net interest payments on financial assets and liabilities	(5)	(3)	(2)
Income taxes paid	(119)	(242)	123
Other operating cash flows	(16)	(15)	(1)
Free cash flow	189	244	(55)
Net expenditures for company acquisitions and disposals	(8)	(246)	238
Other cash flows from investing activities, net	1	14	(13)
Issuance of financial liabilities	1,574	222	1,352
Repayment of financial liabilities	(562)	(310)	(252)
Other cash flows from financing activities	(33)	(6)	(27)
Net increase (net decrease) in cash and cash equivalents	1,161	(82)	1,243

Operating free cash flow proxy declined by CHF 13 million to CHF 520 million, owing mainly to lower EBITDA after lease expense (EBITDA AL). At CHF 516 million, capital expenditure was practically unchanged from the previous year's level.

Free cash flow declined year-on-year by CHF 55 million to CHF 189 million. The decrease was mainly attributable to the change in net working capital. Net working capital grew by CHF 205 million compared with the end of 2019 (prior year: increase of CHF 41 million). Deferred income tax payments partially offset this effect.

In the first quarter of 2020, Swisscom took on short-term bank loans from unconfirmed credit lines to secure liquidity. Swisscom also has two confirmed lines of credit totalling CHF 2.0 billion, which had not been used as at 31 March 2020. 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 share of 31% in Swisscom Directories Ltd.

Net asset position

In CHF million, except where indicated	31.03.2020	31.12.2019	Change
Property, plant and equipment	10,476	10,529	-0.5%
Intangible assets	1,813	1,842	-1.6%
Goodwill	5,151	5,163	-0.2%
Right-of-use assets	2,143	2,177	-1.6%
Trade receivables	2,201	2,183	0.8%
Trade payables	(1,531)	(1,614)	-5.1%
Provisions	(1,154)	(1,146)	0.7%
Deferred gain on sale and leaseback of real estate	(118)	(122)	-3.3%
Other operating assets and liabilities, net	78	(26)	
Net operating assets	19,059	18,986	0.4%
Net debt	(6,552)	(6,758)	-3.0%
Lease liabilities	(1,976)	(2,027)	-2.5%
Defined benefit obligations	(1,270)	(1,058)	20.0%
Income tax assets and liabilities, net	(525)	(607)	-13.5%
Equity-accounted investees and other non-current financial assets	320	339	-5.6%
Equity	9,056	8,875	2.0%
Equity ratio in %	35.6	36.6	

Operating assets

Net operating assets rose by CHF 0.1 billion or 0.4% to CHF 19.1 billion. The rise was mainly attributable to increased other operating assets and liabilities, which went up as a result of higher accruals for prepaid expenses for the current financial year. The net carrying amount of goodwill was CHF 5.2 billion, the bulk of which relates to Swisscom Switzerland (CHF 4.2 billion). The net carrying amount of Fastweb's goodwill is EUR 0.5 billion (CHF 0.5 billion).

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	31.03.2020	31.12.2019
Debenture bonds	5,887	5,915
Bank loans	2,089	1,080
Private placements	150	151
Other financial liabilities	280	314
Total financial liabilities	8,406	7,460
Cash and cash equivalents	(1,487)	(328)
Non-current certificates of deposit	(135)	(142)
Non-current listed debt instruments	(95)	(94)
Non-current derivative financial instruments for financing	(68)	(73)
Other current financial assets	(69)	(65)
Net debt	6,552	6,758
Lease liabilities	1,976	2,027
Net debt incl. lease liabilities	8,528	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 31 March 2020, the average interest expense on financial liabilities was 0.98%, the average residual term to maturity was 5.49 years, and the share of the Group's variable interest-bearing financial liabilities was 20%. The increase in cash and cash equivalents and bank loans is due to the drawdown of credit lines to ensure liquidity.

Outlook

In CHF million, except where indicated	2019 reported	Change Swisscom without Fastweb	Change Fastweb	2020 outlook ¹
Net revenue				
Swisscom Group	11,453	< 0	> 0	~ CHF 11.1 bn
Swisscom w/o Fastweb				~ CHF 8.7 bn
Fastweb				~ EUR 2.3 bn
Operating income before depreciation and amortisation (EBITDA)				
Swisscom Group	4,358	< 0	> 0	~ CHF 4.3 bn ²
Swisscom w/o Fastweb				~ CHF 3.5 bn
Fastweb				~ EUR 0,8 bn
Capital expenditure				
Swisscom Group	2,438 ³	–	–	~ CHF 2.3 bn
Swisscom w/o Fastweb				~ CHF 1.6 bn
Fastweb				~ EUR 0.6 bn

1 Exchange rate CHF/EUR 1.07 (2019: CHF/EUR 1.11).

2 2020 outlook for EBITDA after lease expense ~ CHF 4.0 bn.

3 Incl. expenditure of CHF 196 mn for mobile radio frequencies in Switzerland.

For 2020, Swisscom expects net revenue of around CHF 11.1 billion, EBITDA of around CHF 4.3 billion and capital expenditure of around CHF 2.3 billion. 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. Fastweb's revenue is expected to increase slightly from 2019. 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. Capital expenditure at Fastweb is expected to be lower. Subject to achieving its targets, Swisscom will propose an unchanged dividend of CHF 22 per share for the 2020 financial year at the 2021 Annual General Meeting.

At present, it is not 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 measures to support the economy, customer behaviour in Switzerland and Italy, etc.), and there is a high degree of uncertainty regarding these factors.

Consolidated interim financial statements

Consolidated statement of comprehensive income (unaudited)

In CHF million, except for per share amounts	Note	1.1.–31.3.2020	1.1.–31.3.2019
Income statement			
Net revenue	2	2,737	2,860
Direct costs	3	(626)	(683)
Personnel expense	3	(700)	(724)
Other operating expense	3	(407)	(448)
Capitalised self-constructed assets and other income	3	107	114
Operating income before depreciation and amortisation		1,111	1,119
Depreciation and amortisation of property, plant and equipment and intangible assets		(537)	(547)
Depreciation of right-of-use assets		(70)	(67)
Operating income		504	505
Financial income	6	7	26
Financial expense	6	(44)	(46)
Result of equity-accounted investees		1	2
Income before income taxes		468	487
Income tax expense		(74)	(104)
Net income		394	383
Other comprehensive income			
Actuarial gains and losses from defined benefit pension plans		(164)	(208)
Change in fair value of equity instruments		(7)	1
Items that will not be reclassified to income statement		(171)	(207)
Foreign currency translation adjustments of foreign subsidiaries		(35)	(11)
Change in cash flow hedges		(3)	4
Items that are or may be reclassified subsequently to income statement		(38)	(7)
Other comprehensive income		(209)	(214)
Comprehensive income			
Net income		394	383
Other comprehensive income		(209)	(214)
Comprehensive income		185	169
Share of net income and comprehensive income			
Equity holders of Swisscom Ltd		395	385
Non-controlling interests		(1)	(2)
Net income		394	383
Equity holders of Swisscom Ltd		186	171
Non-controlling interests		(1)	(2)
Comprehensive income		185	169
Earnings per share			
Basic and diluted earnings per share (in CHF)		7.63	7.43

Consolidated balance sheet (unaudited)

In CHF million	Note	31.03.2020	31.12.2019
Assets			
Cash and cash equivalents		1,487	328
Trade receivables	7	2,201	2,183
Other operating assets	7	1,292	1,156
Other financial assets		69	73
Current income tax assets		14	4
Total current assets		5,063	3,744
Property, plant and equipment		10,476	10,529
Intangible assets		1,813	1,842
Goodwill		5,151	5,163
Right-of-use assets		2,143	2,177
Equity-accounted investees		156	156
Other financial assets		462	484
Deferred tax assets		165	152
Total non-current assets		20,366	20,503
Total assets		25,429	24,247
Liabilities and equity			
Financial liabilities	5	2,408	1,411
Lease liabilities		226	232
Trade payables	7	1,531	1,614
Provisions	8	164	163
Other operating liabilities	7	1,214	1,182
Current income tax liabilities		139	174
Total current liabilities		5,682	4,776
Financial liabilities	5	5,998	6,049
Lease liabilities		1,750	1,795
Defined benefit obligations		1,270	1,058
Provisions	8	990	983
Deferred gain on sale and leaseback of real estate		118	122
Deferred tax liabilities		565	589
Total non-current liabilities		10,691	10,596
Total liabilities		16,373	15,372
Share capital		52	52
Capital reserves		136	136
Retained earnings		10,674	10,454
Foreign currency translation adjustments		(1,816)	(1,781)
Hedge reserves		8	11
Equity attributable to equity-holders of Swisscom Ltd		9,054	8,872
Non-controlling interests		2	3
Total equity		9,056	8,875
Total liabilities and equity		25,429	24,247

Consolidated statement of cash flows (unaudited)

In CHF million	Note	31.03.2020	31.03.2019
Net income		394	383
Income tax expense		74	104
Result of equity-accounted investees		(1)	(2)
Financial income	6	(7)	(26)
Financial expense	6	44	46
Depreciation and amortisation of property, plant and equipment and intangible assets		537	547
Depreciation of right-of-use assets		70	67
Gain on sale of property, plant and equipment		–	(3)
Revenue from finance leases		(14)	–
Change in deferred gain from the sale and leaseback of real estate		(3)	(3)
Change in operating assets and liabilities	7	(201)	(46)
Change in provisions		(1)	8
Change in defined benefit obligations		14	12
Interest received		11	10
Interest payments for financial liabilities		(16)	(13)
Interest payments for lease liabilities		(11)	(8)
Income taxes paid		(119)	(242)
Cash flow from operating activities		771	834
Purchase of property, plant and equipment and intangible assets		(513)	(516)
Sale of property, plant and equipment and intangible assets		1	6
Acquisition of subsidiaries, net of cash and cash equivalents acquired		(7)	(245)
Expenditure for equity-accounted investees		(1)	(1)
Purchase of other financial assets		(3)	(3)
Proceeds from other financial assets		25	17
Cash flow used in investing activities		(498)	(742)
Issuance of financial liabilities	5	1,574	222
Repayment of financial liabilities	5	(562)	(310)
Repayment of lease liabilities		(91)	(80)
Other cash flows from financing activities		(33)	(6)
Cash flow from (used in) financing activities		888	(174)
Net increase (net decrease) in cash and cash equivalents		1,161	(82)
Cash and cash equivalents at 1 January		328	474
Foreign currency translation adjustments in respect of cash and cash equivalents		(2)	1
Cash and cash equivalents at the end of financial period		1,487	393

Consolidated statement of changes in equity (unaudited)

In CHF million	Share capital	Capital reserves	Retained earnings	Foreign currency translation adjustments	Hedge 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	—	—	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
Balance at 1 January 2020	52	136	10,454	(1,781)	11	8,872	3	8,875
Net income	—	—	395	—	—	395	(1)	394
Other comprehensive income	—	—	(171)	(35)	(3)	(209)	—	(209)
Comprehensive income	—	—	224	(35)	(3)	186	(1)	185
Other changes	—	—	(4)	—	—	(4)	—	(4)
Balance at 31 March 2020	52	136	10,674	(1,816)	8	9,054	2	9,056

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 31 March 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 aggregates 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 29 April 2020. As of this date, no material events after the balance sheet date had occurred.

In March 2020, government measures against the spread of COVID-19 restricted economic activities in Switzerland and Italy. The financial impact on Swisscom’s business and results in the first three months of 2020 is minimal. This event had no impact on the financial statements as of 31 March 2020. At present, it is not 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 measures to support the economy, customer behaviour in Switzerland and Italy, etc.), and there is a high degree of uncertainty regarding these factors.

Basis of preparation

The consolidated interim financial statements for the three months to 31 March 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, the 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 1.059 was used as the end-of-period rate (31 December 2019: CHF/EUR 1.085) and 1.069 as the average rate for the period (prior year: CHF/EUR 1.13).

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.

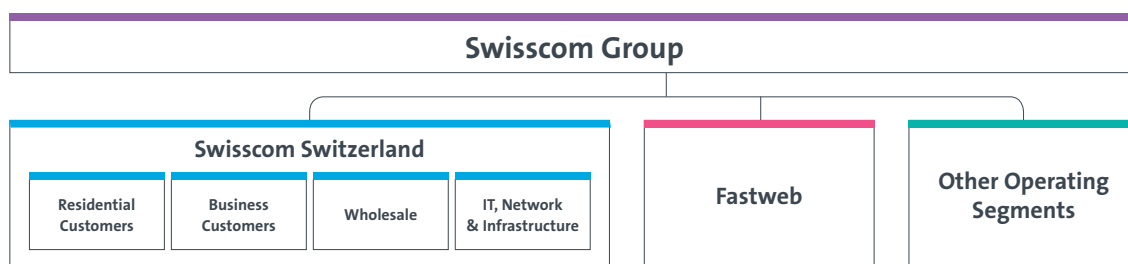
2 Segment information

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 segment and 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 with effect from 1 January 2020. 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”. “Group Headquarters”, which includes non-allocated costs, is reported separately.

Group Headquarters does not charge any management fees to other segments for its financial management services, nor does the IT, Network & Infrastructure segment charge any network costs to other segments. 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 expense less capitalised 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 “Elimination”. In the first three months of 2020, an expense of CHF 15 million is disclosed under “Elimination” as a pension cost reconciliation item in accordance with IAS 19 (prior year: CHF 14 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 excl. depreciation of indefeasible rights of use (IRU) of CHF 6 million (prior year: CHF 7 million) 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 three months of 2020 includes IRU payments of CHF 3 million (prior year: CHF 2 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	1,120	300	–	–	–	1,420
Business customers	766	225	109	–	–	1,100
Wholesale customers	164	53	–	–	–	217
Net revenue from external customers	2,050	578	109	–	–	2,737
Net revenue from other segments	21	2	134	–	(157)	–
Net revenue	2,071	580	243	–	(157)	2,737
Direct costs	(405)	(212)	(17)	–	8	(626)
Indirect costs	(743)	(187)	(184)	(14)	128	(1,000)
Segment result before depreciation and amortisation	923	181	42	(14)	(21)	1,111
Lease expense	(58)	(14)	(3)	(1)	1	(75)
Depreciation and amortisation	(377)	(153)	(15)	–	2	(543)
Segment result	488	14	24	(15)	(18)	493
Interest expense on lease liabilities						11
Operating income						504
Financial income and financial expense, net						(37)
Result of equity-accounted investees						1
Income before income taxes						468
Income tax expense						(74)
Net income						394
Segment result before depreciation and amortisation	923	181	42	(14)	(21)	1,111
Lease expense	(58)	(14)	(3)	(1)	1	(75)
Capital expenditure	(367)	(148)	(7)	–	6	(516)
Operating free cash flow proxy	498	19	32	(15)	(14)	520

Segment information Swisscom Switzerland 2020

2020, in CHF million	Residential Customers	Business Customers	Wholesale	IT, Network & Infrastructure	Elimination	Total Swisscom Switzerland
Fixed-line	505	226	–	–	–	731
Mobile	497	196	–	–	–	693
Revenue other	–	15	–	–	–	15
Telecom services	1,002	437	–	–	–	1,439
Solutions business	–	267	–	–	–	267
Merchandise	120	55	–	–	–	175
Wholesale	–	–	164	–	–	164
Revenue other	(2)	1	–	6	–	5
Net revenue from external customers	1,120	760	164	6	–	2,050
Net revenue from other segments	18	19	61	16	(93)	21
Net revenue	1,138	779	225	22	(93)	2,071
Direct costs	(249)	(197)	(89)	(3)	133	(405)
Indirect costs	(186)	(246)	(4)	(266)	(41)	(743)
Segment result before depreciation and amortisation	703	336	132	(247)	(1)	923
Lease expense	(11)	(8)	–	(39)	–	(58)
Depreciation and amortisation	(16)	(20)	–	(341)	–	(377)
Segment result	676	308	132	(627)	(1)	488
Capital expenditure	(5)	(9)	–	(353)	–	(367)

Segment information 2019

2019, in CHF million, restated	Swisscom Switzerland	Fastweb	Other Operating Segments	Group Headquarters	Elimination	Total
Residential customers	1,169	304	–	–	–	1,473
Business customers	816	228	138	–	–	1,182
Wholesale customers	158	47	–	–	–	205
Net revenue from external customers	2,143	579	138	–	–	2,860
Net revenue from other segments	23	2	127	–	(152)	–
Net revenue	2,166	581	265	–	(152)	2,860
Direct costs	(462)	(208)	(12)	–	(1)	(683)
Indirect costs	(776)	(191)	(203)	(17)	129	(1,058)
Segment result before depreciation and amortisation	928	182	50	(17)	(24)	1,119
Lease expense	(56)	(13)	(3)	(1)	5	(68)
Depreciation and amortisation	(381)	(156)	(18)	–	1	(554)
Segment result	491	13	29	(18)	(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	928	182	50	(17)	(24)	1,119
Lease expense	(56)	(13)	(3)	(1)	5	(68)
Capital expenditure	(353)	(161)	(8)	–	4	(518)
Operating free cash flow proxy	519	8	39	(18)	(15)	533

Segment information Swisscom Switzerland 2019

2019, in CHF million, restated	Residential Customers	Business Customers	Wholesale	IT, Network & Infrastructure	Elimination	Total Swisscom Switzerland
Fixed-line	514	244	–	–	–	758
Mobile	520	217	–	–	–	737
Revenue other	–	16	–	–	–	16
Telecom services	1,034	477	–	–	–	1,511
Solutions business	–	257	–	–	–	257
Merchandise	122	75	–	–	–	197
Wholesale	–	–	158	–	–	158
Revenue other	13	1	–	6	–	20
Net revenue from external customers	1,169	810	158	6	–	2,143
Net revenue from other segments	21	22	63	17	(100)	23
Net revenue	1,190	832	221	23	(100)	2,166
Direct costs	(273)	(231)	(87)	(3)	132	(462)
Indirect costs	(195)	(245)	(8)	(295)	(33)	(776)
Segment result before depreciation and amortisation	722	356	126	(275)	(1)	928
Lease expense	(13)	(7)	–	(36)	–	(56)
Depreciation and amortisation	(25)	(21)	–	(335)	–	(381)
Segment result	684	328	126	(646)	(1)	491
Capital expenditure	(3)	(11)	–	(339)	–	(353)

3 Operating costs

Direct costs

In CHF million	1.1.–31.3.2020	1.1.–31.3.2019
Customer premises equipment and merchandise	219	277
Services purchased	160	156
Costs to obtain a contract	72	83
Costs to fulfill a contract	7	3
Network access costs of swiss subsidiaries	67	73
Network access costs of foreign subsidiaries	101	91
Total direct costs	626	683

Indirect costs

In CHF million	1.1.–31.3.2020	1.1.–31.3.2019
Salary and social security expenses	685	706
Other personnel expense	15	18
Total personnel expense	700	724
Information technology cost	59	59
Maintenance expense	54	74
Energy costs	29	29
Advertising and selling expenses	39	41
Consultancy expenses and freelance workforce	31	38
Administration expense	16	22
Allowances for receivables and contract assets	22	21
Miscellaneous operating expenses	157	164
Total other operating expense	407	448
Capitalised self-constructed tangible and intangible assets	(88)	(90)
Own work for capitalised contract costs	(9)	(16)
Gain on sale of property, plant and equipment	–	(3)
Miscellaneous income	(10)	(5)
Total capitalised self-constructed assets and other income	(107)	(114)
Total indirect costs	1,000	1,058

Capitalised self-constructed tangible 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 31.03.2020	Fair Value
Financial liabilities						
Bank loans	1,080	1,572	(531)	(32)	2,089	2,132
Debenture bonds	5,915	–	–	(28)	5,887	5,962
Private placements	151	–	–	(1)	150	149
Derivative financial instruments	84	–	–	–	84	84
Other financial liabilities	230	2	(31)	(5)	196	218
Total financial liabilities	7,460	1,574	(562)	(66)	8,406	8,545

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

In the first quarter of 2020, Swisscom took on short-term bank loans from unconfirmed credit lines to secure liquidity. Swisscom also has two confirmed lines of credit totalling CHF 2.0 billion, which had not been used as at 31 March 2020.

6 Financial result

In CHF million	1.1.–31.3.2020	1.1.–31.3.2019
Interest income on financial assets	2	2
Foreign exchange gains	4	4
Other financial income	1	20
Total financial income	7	26
Interest expense on financial liabilities	(14)	(17)
Interest expense on lease liabilities	(11)	(8)
Interest expense on defined benefit obligations	–	(2)
Change in fair value of interest rate swaps	(10)	(12)
Other financial expense	(9)	(7)
Total financial expense	(44)	(46)
Financial income and financial expense, net	(37)	(20)
Interest expense on lease liabilities	(11)	(8)
Net interest expense on financial assets and liabilities	(12)	(15)

7 Operating net working capital

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

In CHF million	31.12.2019	Operational changes	Other changes ¹	31.03.2020
Trade receivables	2,183	33	(15)	2,201
Other operating assets	1,156	143	(7)	1,292
Trade payables	(1,614)	64	19	(1,531)
Other operating liabilities	(1,182)	(39)	7	(1,214)
Total operating assets and liabilities, net	543	201	4	748

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

Other operating assets and liabilities

In CHF million	31.03.2020	31.12.2019
Other operating assets		
Contract assets	199	222
Contract costs	246	262
Inventories	139	125
Prepaid expenses	425	338
Other operating assets	283	209
Total other operating assets	1,292	1,156
Other operating liabilities		
Contract liabilities	639	672
Accruals for variable performance-related bonus	176	145
Other operating liabilities	399	365
Total other operating liabilities	1,214	1,182

8 Provisions and contingent liabilities

Provisions

Provisions changed as follows in the first three months of 2020:

In CHF million	Dismantlement and restoration costs	Regulatory and competition law proceedings	Termination benefits	Others	Total
Balance at 1 January 2020	680	206	91	169	1,146
Additions to provisions	2	3	–	19	24
Present-value adjustments	10	–	–	–	10
Release of unused provisions	(2)	–	–	(6)	(8)
Use of provisions	(2)	–	(7)	(8)	(17)
Foreign currency translation adjustments	–	–	–	(1)	(1)
Balance at 31 March 2020	688	209	84	173	1,154
Thereof current provisions	–	–	79	85	164
Thereof non-current provisions	688	209	5	88	990

Contingent liabilities for regulatory and competition law proceedings

With regard to the contingent liabilities reported in the 2019 consolidated financial statements in connection with regulatory and antitrust proceedings, Swisscom is of the opinion that an outflow of resources is unlikely and, as before, has therefore not recognised any provisions for this in the consolidated financial statements as at 31 March 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 indicators 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 31 March 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 and amortisation 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.
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 10.
Net debt incl. lease liabilities	Net debt and lease liabilities.

Reconciliation of alternative performance measures

In CHF million	1.1.–31.3.2020	1.1.–31.3.2019	Change reported	Change at constant exchange rates
Net revenue				
Net revenue	2,737	2,860	–4.3%	–3.1%
Operating income before depreciation and amortisation (EBITDA)				
EBITDA	1,111	1,119	–0.7%	0.2%
Adjustments lease expense	–	5	–	
EBITDA adjusted	1,111	1,124	–1.2%	–0.3%
Capital expenditure				
Capital expenditure in property, plant and equipment and intangible assets	513	516	–0.6%	1.2%
Payments for indefeasible rights of use (IRU)	3	2	50.0%	
Capital expenditure	516	518	–0.4%	1.4%

In CHF million	1.1.–31.3.2020	1.1.–31.3.2019	Change reported
Operating free cash flow proxy			
Cash flow from operating activities	771	834	(63)
Capital expenditure	(516)	(518)	2
Depreciation of right-of-use assets	(70)	(67)	(3)
Depreciation of indefeasible rights of use (IRU)	6	7	(1)
Change in deferred gain from the sale and leaseback of real estate	3	3	–
Change in operating assets and liabilities	201	46	155
Change in provisions	1	(8)	9
Change in defined benefit obligations	(14)	(12)	(2)
Gain on sale of property, plant and equipment	–	3	(3)
Revenue from finance leases	14	–	14
Interest received	(11)	(10)	(1)
Interest payments for financial liabilities	16	13	3
Income taxes paid	119	242	(123)
Operating free cash flow proxy	520	533	(13)
Free cash flow			
Cash flow from operating activities	771	834	(63)
Cash flow used in investing activities	(498)	(742)	244
Repayment of lease liabilities	(91)	(80)	(11)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	7	245	(238)
Expenditure for equity-accounted investees	1	1	–
Purchase of other financial assets	3	3	–
Proceeds from other financial assets	(4)	(17)	13
Free cash flow	189	244	(55)

Further information

Share information

Swisscom share performance indicators

31.12.2019–31.03.2020	SIX Swiss Exchange
Closing price at 31 December 2019, in CHF ¹	512.60
Closing price at 31 March 2020, in CHF ¹	520.20
Year high in CHF ¹	577.80
Year low in CHF ¹	446.70
Total volume of traded shares	17,508,673
Total turnover in CHF million	9,188.22
Daily average of traded shares	282,398
Daily average in CHF million	148.20

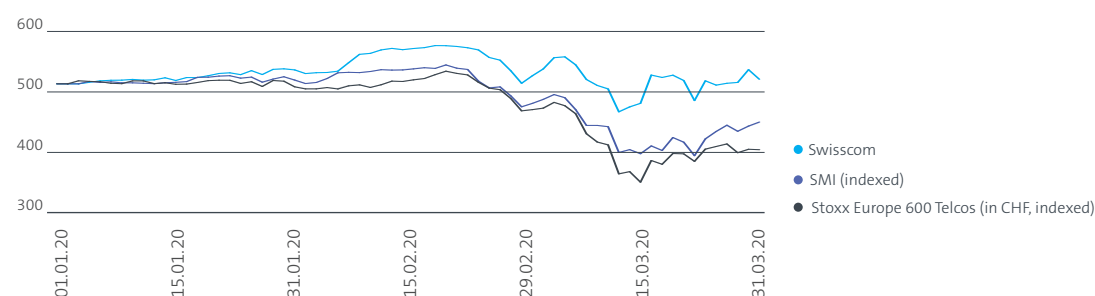
Source: Bloomberg

1 paid prices

Share performance

Share price performance since 1 January 2020

in CHF



Financial calendar

- 13 August 2020 2020 Second-Quarter Results
- 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				2,737
Direct costs	(683)	(656)	(684)	(792)	(2,815)	(626)				(626)
Personnel expense	(724)	(687)	(653)	(736)	(2,800)	(700)				(700)
Other operating expense	(448)	(500)	(459)	(582)	(1,989)	(407)				(407)
Capitalised self-constructed assets and other income	114	161	123	111	509	107				107
Operating income (EBITDA)	1,119	1,121	1,120	998	4,358	1,111				1,111
Depreciation and amortisation	(547)	(550)	(529)	(540)	(2,166)	(537)				(537)
Depreciation of right-of-use assets	(67)	(69)	(69)	(77)	(282)	(70)				(70)
Operating income (EBIT)	505	502	522	381	1,910	504				504
Net interest expense on financial assets and liabilities	(15)	(16)	(13)	(18)	(62)	(12)				(12)
Interest expense on lease liabilities	(8)	(7)	(9)	(18)	(42)	(11)				(11)
Other financial result	3	(28)	(26)	(3)	(54)	(14)				(14)
Equity-accounted investees	2	–	(1)	(29)	(28)	1				1
Income before income taxes	487	451	473	313	1,724	468				468
Income tax expense	(104)	(54)	(72)	175	(55)	(74)				(74)
Net income	383	397	401	488	1,669	394				394
Attributable to equity holders of Swisscom Ltd	385	397	401	489	1,672	395				395
Attributable to non-controlling interests	(2)	–	–	(1)	(3)	(1)				(1)
Earnings per share (in CHF)	7.43	7.66	7.74	9.44	32.28	7.63				7.63
Net revenue										
Swisscom Switzerland	2,166	2,095	2,113	2,199	8,573	2,071				2,071
Fastweb	581	602	587	698	2,468	580				580
Other Operating Segments	265	275	262	277	1,079	243				243
Group Headquarters	–	–	–	1	1	–				–
Intersegment elimination	(152)	(169)	(169)	(178)	(668)	(157)				(157)
Total net revenue	2,860	2,803	2,793	2,997	11,453	2,737				2,737
Operating income before depreciation and amortisation (EBITDA)										
Swisscom Switzerland	928	908	905	743	3,484	923				923
Fastweb	182	211	213	228	834	181				181
Other Operating Segments	50	48	46	45	189	42				42
Group Headquarters	(17)	(20)	(18)	(11)	(66)	(14)				(14)
Reconciliation pension cost	(14)	(15)	(15)	(3)	(47)	(15)				(15)
Elimination	(10)	(11)	(11)	(4)	(36)	(6)				(6)
Total EBITDA	1,119	1,121	1,120	998	4,358	1,111				1,111
Capital expenditure										
Swisscom Switzerland	353	601	370	437	1,761	367				367
Fastweb	161	174	160	172	667	148				148
Other Operating Segments	8	11	13	15	47	7				7
Intersegment elimination	(4)	(7)	(7)	(19)	(37)	(6)				(6)
Total capital expenditure	518	779	536	605	2,438	516				516

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				1,111
Lease expense	(68)	(69)	(69)	(88)	(294)	(75)				(75)
EBITDA after lease expense (EBITDA AL)	1,051	1,052	1,051	910	4,064	1,036				1,036
Capital expenditure	(518)	(779)	(536)	(605)	(2,438)	(516)				(516)
Operating free cash flow proxy	533	273	515	305	1,626	520				520
Net debt										
Net debt	6,736	7,787	7,182	6,758	6,758	6,552				6,552
Net debt incl. lease liabilities	8,455	9,542	8,933	8,785	8,785	8,528				8,528
Full-time equivalent employees										
Swisscom Switzerland	13,352	13,271	13,158	13,055	13,055	12,813				12,813
Fastweb	2,458	2,451	2,467	2,456	2,456	2,515				2,515
Other Operating Segments	3,694	3,633	3,668	3,605	3,605	3,583				3,583
Group Headquarters	215	209	207	201	201	199				199
Total headcount	19,719	19,564	19,500	19,317	19,317	19,110				19,110
Fastweb, in EUR million										
Residential Customers	269	273	277	285	1,104	280				280
Corporate Business	202	214	211	235	862	211				211
Wholesale	42	45	45	113	245	50				50
Revenue from external customers	513	532	533	633	2,211	541				541
Segment result (EBITDA)	162	187	194	207	750	170				170
Margin as % of net revenue	31.5	35.0	36.3	32.6	33.8	31.3				31.3
Lease expense	(12)	(12)	(13)	(13)	(50)	(13)				(13)
EBITDA after lease expense (EBITDA AL)	150	175	181	194	700	157				157
Capital expenditure	(143)	(154)	(146)	(156)	(599)	(138)				(138)
Operating free cash flow proxy	7	21	35	38	101	19				19
Broadband access lines in thousand	2,575	2,600	2,610	2,637	2,637	2,659				2,659
Mobile access lines in thousand	1,440	1,549	1,663	1,746	1,746	1,779				1,779
Information by geographical regions										
Net revenue in Switzerland	2,277	2,197	2,203	2,292	8,969	2,155				2,155
Net revenue in other countries	583	606	590	705	2,484	582				582
Total net revenue	2,860	2,803	2,793	2,997	11,453	2,737				2,737
EBITDA Switzerland	939	913	907	749	3,508	924				924
EBITDA other countries	180	208	213	249	850	187				187
Total EBITDA	1,119	1,121	1,120	998	4,358	1,111				1,111
Capital expenditure in Switzerland	357	604	377	432	1,770	367				367
Capital expenditure in other countries	161	175	159	173	668	149				149
Total capital expenditure	518	779	536	605	2,438	516				516
Headcount in Switzerland	17,035	16,871	16,788	16,628	16,628	16,357				16,357
Headcount in other countries	2,684	2,693	2,712	2,690	2,690	2,753				2,753
Total headcount (ful-time equivalent)	19,719	19,564	19,500	19,318	19,318	19,110				19,110

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

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.

