



2022

Interim Report
January–September

swisscom

KPIs

In CHF million, except where indicated		30.9.2022	30.9.2021	Change
Net revenue and results ¹				
Net revenue		8,225	8,343	–1.4%
Operating income before depreciation and amortisation (EBITDA)		3,341	3,465	–3.6%
EBITDA as % of net revenue	%	40.6	41.5	
EBITDA after lease expense (EBITDA AL)		3,122	3,239	–3.6%
Operating income (EBIT)		1,557	1,640	–5.1%
Net income		1,214	1,536	–21.0%
Earnings per share	CHF	23.42	29.63	–21.0%
Balance sheet and cash flows ¹				
Equity		10,767	10,541	2.1%
Equity ratio	%	44.2	43.0	
Operating free cash flow proxy		1,521	1,634	–6.9%
Capital expenditure		1,601	1,605	–0.2%
Net debt		7,704	7,999	–3.7%
Operational data				
Fixed telephony access lines in Switzerland	in thousand	1,351	1,441	–6.2%
Broadband access lines retail in Switzerland	in thousand	2,027	2,030	–0.1%
TV access lines in Switzerland	in thousand	1,576	1,585	–0.6%
Mobile access lines in Switzerland	in thousand	6,166	6,190	–0.4%
Revenue generating units (RGU) Switzerland	in thousand	11,120	11,246	–1.1%
Access lines wholesale in Switzerland	in thousand	691	692	–0.1%
Broadband access lines retail in Italy	in thousand	2,696	2,768	–2.6%
Broadband access lines wholesale in Italy	in thousand	418	237	76.4%
Mobile access lines in Italy	in thousand	2,937	2,316	26.8%
Swisscom share				
Number of issued shares	in thousand	51,802	51,802	–%
Market capitalisation		24,010	27,838	–13.8%
Closing price	CHF	463.50	537.40	–13.8%
Employees				
Full-time equivalent employees	number	19,033	19,172	–0.7%
Average number of full-time equivalent employees	number	19,029	19,102	–0.4%

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 26 and 27.

Business performance

Summary

Swisscom's net revenue decreased by 1.4% or CHF 118 million to CHF 8,225 million and operating income before depreciation and amortisation (EBITDA) fell by 3.6% or CHF 124 million to CHF 3,341 million. The recognition of provisions for legal proceedings and adjustments to employee benefits (in the previous year) as well as foreign currency translation had an impact on revenue and EBITDA. On a like-for-like basis and at constant exchange rates, net revenue remained almost stable (+0.3%), while EBITDA increased by 0.5%. The consolidated net income of CHF 1,214 million is significantly lower than in the prior year (–21.0% or CHF –322 million). Non-recurring items in the current year and previous year impacted EBITDA and, in the previous year, the financial result and tax expense too. If it were not for these non-recurring items, net income would have been higher.

In the Swiss core business (Swisscom Switzerland), net revenue remained stable at CHF 6,152 million. Ongoing competitive and price pressure continued to drive down revenue from telecoms services, which fell by 1.1% or CHF 46 million to CHF 4,091 million. This decline is attributable to the Business Customers segment. By contrast, revenue in the solutions business with business customers increased by 6.8% or CHF 56 million to CHF 877 million. The net revenue of the Italian subsidiary Fastweb rose by 2.7% or EUR 47 million in local currency to EUR 1,802 million. In the Swiss core business, EBITDA declined by 0.4% or CHF 11 million to CHF 2,665 million. On an adjusted basis, it was up 0.7%. The decline in revenue from telecoms services was offset by growth in the solutions business and ongoing efficiency improvement measures. At Fastweb, EBITDA rose in local currency by 4.3% or EUR 26 million to EUR 628 million.

Swisscom's capital expenditure remained at the same level year-on-year at CHF 1,601 million (–0.2%). In the Swiss core business it rose by 3.2% or CHF 36 million to CHF 1,161 million. Capital expenditure in broadband and mobile communications networks declined, while capital expenditure in other infrastructure increased. At Fastweb, capital expenditure rose in local currency by 2.3% or EUR 10 million to EUR 449 million.

Operating free cash flow proxy declined by 6.9% or CHF 113 million to CHF 1,521 million, mainly thanks to lower EBITDA. Net debt fell by 3.7% or CHF 295 million year-on-year to CHF 7,704 million. The number of employees at Swisscom fell within the same period by 0.7% or 139 FTEs to 19,033 FTEs; in Switzerland, it was down by 1.4% or 220 FTEs to 15,786 FTEs.

Due to the strong Swiss franc, Swisscom is slightly adjusting its revenue forecast for the 2022 financial year and now expects net revenue of around CHF 11.1 billion (previously CHF 11.1 billion to CHF 11.2 billion). The expectations for EBITDA of around CHF 4.4 billion and capital expenditure of around CHF 2.3 billion remain unchanged. Subject to achieving its targets, Swisscom will propose to pay an unchanged dividend of CHF 22 per share for the 2022 financial year at the 2023 Annual General Meeting.

Segment results

In CHF million	3. quarter 2022	3. quarter 2021	Change	1.1.–30.9. 2022	1.1.–30.9. 2021	Change
Net revenue¹						
Residential Customers	1,131	1,139	–0.7%	3,370	3,388	–0.5%
Business Customers	764	742	3.0%	2,321	2,265	2.5%
Wholesale	163	165	–1.2%	459	494	–7.1%
Infrastructure & Support Functions	18	18	–%	54	57	–5.3%
Intersegment elimination	(18)	(17)	5.9%	(52)	(54)	–3.7%
Swisscom Switzerland	2,058	2,047	0.5%	6,152	6,150	–%
Fastweb	588	621	–5.3%	1,818	1,914	–5.0%
Other Operating Segments	259	265	–2.3%	759	770	–1.4%
Intersegment elimination	(174)	(173)	0.6%	(504)	(491)	2.6%
Revenue from external customers	2,731	2,760	–1.1%	8,225	8,343	–1.4%
Operating income before depreciation and amortisation (EBITDA)¹						
Residential Customers	756	758	–0.3%	2,230	2,222	0.4%
Business Customers	361	349	3.4%	1,054	1,057	–0.3%
Wholesale	54	56	–3.6%	210	220	–4.5%
Infrastructure & Support Functions	(254)	(283)	–10.2%	(830)	(822)	1.0%
Intersegment elimination	–	(1)	–100.0%	1	(1)	
Swisscom Switzerland	917	879	4.3%	2,665	2,676	–0.4%
Fastweb	220	236	–6.8%	633	656	–3.5%
Other Operating Segments	39	53	–26.4%	122	136	–10.3%
Reconciliation pension cost ²	(15)	(11)	36.4%	(45)	25	
Intersegment elimination	(11)	(9)	22.2%	(34)	(28)	21.4%
Operating income before depreciation and amortisation (EBITDA)	1,150	1,148	0.2%	3,341	3,465	–3.6%

1 Swisscom has made adjustments to its financial management as of 1 January 2022 and has restated the previous year's figures accordingly. For further information, see note 2 to the interim financial statements.

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.

Swisscom's reporting focuses on the operating divisions Swisscom Switzerland and Fastweb. The other business divisions are grouped together under Other Operating Segments. Swisscom Switzerland comprises the customer segments Residential Customers, Business Customers and Wholesale, along with the Infrastructure & Support Functions business division. Fastweb is a telecommunications provider for residential and business customers in Italy. Other Operating Segments primarily comprises the Digital Business division, Swisscom Broadcast Ltd (radio transmitters) and cablex Ltd (network construction and maintenance).

The Infrastructure & Support Functions business division does not charge any network costs or management fees for its services to other segments. Any other services between the segments are charged at market prices. Network costs in Switzerland are budgeted, monitored and controlled by the Infrastructure & Support Functions segment, which is managed as a cost centre. For this reason, no revenue is credited to the Infrastructure & Support Functions segment within the segment reporting, with the exception of the rental and administration of buildings and vehicles. The results of the Residential Customers, Business Customers and Wholesale segments thus correspond to a contribution margin before network costs.

Swisscom Switzerland

In CHF million, except where indicated	3. quarter 2022	3. quarter 2021	Change	1.1.–30.9. 2022	1.1.–30.9. 2021	Change
Net revenue and results						
Telecom services	1,369	1,371	−0.1%	4,091	4,137	−1.1%
Solutions business	288	274	5.1%	877	821	6.8%
Merchandise	197	179	10.1%	589	564	4.4%
Wholesale	161	163	−1.2%	451	488	−7.6%
Revenue other	29	45	−35.6%	98	100	−2.0%
Revenue from external customers	2,044	2,032	0.6%	6,106	6,110	−0.1%
Intersegment revenue	14	15	−6.7%	46	40	15.0%
Net revenue	2,058	2,047	0.5%	6,152	6,150	−%
Direct costs	(464)	(454)	2.2%	(1,311)	(1,321)	−0.8%
Indirect costs	(677)	(714)	−5.2%	(2,176)	(2,153)	1.1%
Segment expenses	(1,141)	(1,168)	−2.3%	(3,487)	(3,474)	0.4%
Segment result before depreciation and amortisation (EBITDA)	917	879	4.3%	2,665	2,676	−0.4%
Margin as % of net revenue	44.6	42.9		43.3	43.5	
Lease expense	(56)	(57)	−1.8%	(167)	(174)	−4.0%
Depreciation and amortisation	(376)	(363)	3.6%	(1,123)	(1,120)	0.3%
Segment result	485	459	5.7%	1,375	1,382	−0.5%
Operating free cash flow proxy						
Segment result before depreciation and amortisation (EBITDA)	917	879	4.3%	2,665	2,676	−0.4%
Lease expense	(56)	(57)	−1.8%	(167)	(174)	−4.0%
EBITDA after lease expense (EBITDA AL)	861	822	4.7%	2,498	2,502	−0.2%
Capital expenditure	(406)	(372)	9.1%	(1,161)	(1,125)	3.2%
Operating free cash flow proxy	455	450	1.1%	1,337	1,377	−2.9%
Operational data in thousand and headcount						
Fixed telephony access lines				1,351	1,441	−6.2%
Broadband access lines retail				2,027	2,030	−0.1%
TV access lines				1,576	1,585	−0.6%
Mobile access lines				6,166	6,190	−0.4%
Revenue generating units (RGU)				11,120	11,246	−1.1%
Access lines wholesale				691	692	−0.1%
Full-time equivalent employees				12,870	12,963	−0.7%

Swisscom Switzerland's net revenue remained stable at CHF 6,152 million. Ongoing competitive and price pressure continued to drive down revenue from telecoms services, which fell by 1.1% or CHF 46 million to CHF 4,091 million. This decline is attributable to the Business Customers segment. By contrast, revenue from the solutions business rose by 6.8% or CHF 56 million to CHF 877 million. Part of this increase is attributable to the acquisition of the MTF Group companies operating in German-speaking Switzerland and the Principality of Liechtenstein. The decline in Wholesale revenue is partially attributable to the loss of revenue where there is no longer any demand from UPC following the acquisition of Sunrise, and partially attributable to a price-related decline in inbound roaming revenue.

The market is still showing signs of saturation and competitive pressure in the area of mobile communications and fixed-network services. The subscriber base in mobile communications shrank by 0.4% or 24,000 year-on-year to 6.17 million. The number of postpaid lines increased by 178,000 year-on-year, while the number of prepaid lines decreased by 202,000. The number of broadband connections remained almost unchanged year-on-year, at 2.03 million (−0.1%). Demand for flexible and customisable subscriptions remains high. At the beginning of May 2022, Swisscom digitised the subscription with the launch of Swisscom blue. Options for speed, TV, telephone, roaming, security and entertainment can be customised to meet individual needs. At the end of September 2022, Swisscom recorded 1.86 million customers on blue in the Residential Customers segment. blue accounts for 44% of all mobile subscriptions and 79% of fixed-line broadband connections in this segment; 42%

use a combined offering. The number of TV connections decreased year-on-year by 0.6% or 9,000 to 1.58 million, while the number of fixed telephony access lines fell year-on-year by 6.2% or 90,000 to 1.35 million.

Segment expense increased by 0.4% or CHF 13 million to CHF 3,487 million. Direct costs fell by 0.8% or CHF 10 million to CHF 1,311 million. In addition to the decline in subscriber acquisition and retention costs, costs for roaming calls also fell. By contrast, the cost of purchasing merchandise increased. Indirect costs rose by 1.1% or CHF 23 million to CHF 2,176 million. In the first nine months of 2022, indirect costs were impacted by an CHF 82 million increase in provisions for litigation. Provisions for this were also increased in the previous year, by CHF 52 million. Adjusted for these provisions, indirect costs remained almost stable (–0.3%). The reduction in costs resulting from efficiency improvements was offset by additional costs arising from the acquisition of companies in the MTF Group. Headcount declined by 0.7% or 93 FTEs to 12,870 FTEs. Efficiency gains more than offset the increase resulting from the acquisition of companies in the MTF Group. The segment result before depreciation and amortisation decreased by 0.4% or CHF 11 million to CHF 2,665 million. Adjusted for the above-mentioned provisions, the result was an increase of 0.7%. The decline in revenue from telecoms services was offset by growth in the solutions business and ongoing efficiency improvement measures.

Capital expenditure rose by 3.2% or CHF 36 million to CHF 1,161 million. Capital expenditure on the expansion of broadband and mobile networks decreased, while capital expenditure on other infrastructure increased. As at the end of September 2022, 90% of all Swiss homes and offices were connected with ultra-fast broadband exceeding 80 Mbps. 78% of all homes and offices benefited from fast connections at over 200 Mbps. Due to the ongoing proceedings of the Competition Commission, Swisscom cannot market nearly 400,000 fibre-to-the-home (FTTH) connections built using point-to-multipoint architecture (P2MP). In order to enable customers to use the high-speed FTTH connections, Swisscom has decided to employ the point-to-point (P2P) architecture for the majority of new connections in the network expansion and to convert some existing P2MP connections into P2P. The annual budget for fibre-optic investments of CHF 500 million to CHF 600 million remains unchanged, but the expansion is proceeding somewhat more slowly than originally planned. Specifically, this means that it will only be possible to connect 50% to 55% of connections with FTTH by 2025. But Swisscom will continue to invest in FTTH expansion after 2025 and will increase FTTH coverage to 70% to 80% by 2030.

In EUR million, except where indicated	3. quarter 2022	3. quarter 2021	Change	1.1.–30.9. 2022	1.1.–30.9. 2021	Change
Net revenue and results						
Residential Customers	284	282	0.7%	856	856	–%
Enterprise Customers	239	231	3.5%	736	712	3.4%
Wholesale	78	60	30.0%	204	182	12.1%
Revenue from external customers	601	573	4.9%	1,796	1,750	2.6%
Intersegment revenue	2	1	100.0%	6	5	20.0%
Net revenue	603	574	5.1%	1,802	1,755	2.7%
Segment expenses	(378)	(356)	6.2%	(1,174)	(1,153)	1.8%
Segment result before depreciation and amortisation (EBITDA)	225	218	3.2%	628	602	4.3%
Margin as % of net revenue	37.3	38.0		34.9	34.3	
Lease expense	(14)	(13)	7.7%	(43)	(40)	7.5%
Depreciation and amortisation	(150)	(147)	2.0%	(449)	(440)	2.0%
Segment result	61	58	5.2%	136	122	11.5%
Operating free cash flow proxy						
Segment result before depreciation and amortisation (EBITDA)	225	218	3.2%	628	602	4.3%
Lease expense	(14)	(13)	7.7%	(43)	(40)	7.5%
EBITDA after lease expense (EBITDA AL)	211	205	2.9%	585	562	4.1%
Capital expenditure	(150)	(138)	8.7%	(449)	(439)	2.3%
Operating free cash flow proxy	61	67	–9.0%	136	123	10.6%
Operational data in thousand and headcount						
Broadband access lines retail				2,696	2,768	–2.6%
Broadband access lines wholesale				418	237	76.4%
Mobile access lines				2,937	2,316	26.8%
Full-time equivalent employees				2,915	2,741	6.3%

Fastweb's net revenue rose year-on-year by 2.7% or EUR 47 million to EUR 1,802 million. Competitive dynamics remain high. Due to the very challenging market environment, the broadband customer base decreased by 2.6% or 72,000 to 2.70 million within the year. However, the share of ultra-fast broadband connections grew by 6 percentage points year-on-year to 85%. The number of mobile lines increased by 26.8% or 621,000 year-on-year to 2.94 million. Bundled offerings continue to play an important role. 40% of subscribers use a bundled offering combining fixed network and mobile. Revenue from Residential Customers subsequently remained stable at EUR 856 million, whereas revenue from Business Customers was up by 3.4% or EUR 24 million to EUR 736 million due to higher revenue from public administrations. Revenue from Wholesale business increased by 12.1% or EUR 22 million to EUR 204 million, while the number of Wholesale broadband connections rose year-on-year by 76.4% or 181,000 to 418,000.

Segment expenses decreased by 1.8% or EUR 21 million to EUR 1,174 million compared to the previous year. The segment result before depreciation and amortisation increased by 4.3% or EUR 26 million to EUR 628 million as a result of the growth in revenue. Capital expenditure was up year-on-year by 2.3% or EUR 10 million to EUR 449 million, fuelled by higher customer-driven capital expenditure. Fastweb's headcount increased by 6.3% or 174 FTEs to 2,915 FTEs, mainly as a result of the hiring of external staff.

Other Operating Segments

In CHF million, except where indicated	3. quarter 2022	3. quarter 2021	Change	1.1.–30.9. 2022	1.1.–30.9. 2021	Change
Net revenue and results						
Revenue from external customers	101	110	–8.2%	307	326	–5.8%
Intersegment revenue	158	155	1.9%	452	444	1.8%
Net revenue	259	265	–2.3%	759	770	–1.4%
Segment expenses	(220)	(212)	3.8%	(637)	(634)	0.5%
Segment result before depreciation and amortisation (EBITDA)	39	53	–26.4%	122	136	–10.3%
Margin as % of net revenue	15.1	20.0		16.1	17.7	
Lease expense	(3)	(3)	–%	(8)	(9)	–11.1%
Depreciation and amortisation	(12)	(13)	–7.7%	(35)	(40)	–12.5%
Segment result	24	37	–35.1%	79	87	–9.2%
Operating free cash flow proxy						
Segment result before depreciation and amortisation (EBITDA)	39	53	–26.4%	122	136	–10.3%
Lease expense	(3)	(3)	–%	(8)	(9)	–11.1%
EBITDA after lease expense (EBITDA AL)	36	50	–28.0%	114	127	–10.2%
Capital expenditure	(8)	(10)	–20.0%	(22)	(29)	–24.1%
Operating free cash flow proxy	28	40	–30.0%	92	98	–6.1%
Headcount						
Full-time equivalent employees				3,248	3,468	–6.3%

The net revenue of the Other Operating Segments decreased by 1.4% or CHF 11 million year-on-year to CHF 759 million mainly as a result of the sale of the French subsidiary local.fr at the end of 2021. The segment result before depreciation and amortisation declined by 10.3% or CHF 14 million to CHF 122 million due to lower profitability at cablex. Accordingly, the profit margin fell to 16.1% (prior year: 17.7%). The headcount decreased by 6.3% or 220 FTEs to 3,248 FTEs, due to the sale of the French subsidiary local.fr.

Depreciation and amortisation, non-operating results

In CHF million, except where indicated	3. quarter 2022	3. quarter 2021	Change	1.1.–30.9. 2022	1.1.–30.9. 2021	Change
Operating income before depreciation and amortisation (EBITDA)	1,150	1,148	0.2%	3,341	3,465	–3.6%
Depreciation and amortisation of property, plant and equipment and intangible assets	(525)	(527)	–0.4%	(1,583)	(1,614)	–1.9%
Depreciation of right-of-use assets	(67)	(70)	–4.3%	(201)	(211)	–4.7%
Operating income (EBIT)	558	551	1.3%	1,557	1,640	–5.1%
Net interest expense on financial assets and liabilities	(13)	(13)	–%	(46)	(46)	–%
Interest expense on lease liabilities	(11)	(11)	–%	(33)	(33)	–%
Other financial result	(10)	–		32	217	–85.3%
Result of equity-accounted investees	(1)	(1)	–%	(2)	(5)	–60.0%
Income before income taxes	523	526	–0.6%	1,508	1,773	–14.9%
Income tax expense	(94)	(36)	161.1%	(294)	(237)	24.1%
Net income	429	490	–12.4%	1,214	1,536	–21.0%
Attributable to equity holders of Swisscom Ltd	429	490	–12.4%	1,213	1,535	–21.0%
Attributable to non-controlling interests	–	–	–%	1	1	–%
Earnings per share (in CHF)	8.28	9.46	–12.5%	23.42	29.63	–21.0%

Net income fell by 21.0% or CHF 322 million to CHF 1,214 million as a result of non-recurring items in EBITDA, in the financial result and in the income tax expense. Provisions for legal proceedings of CHF 82 million were recognised in EBITDA for the current year. The previous year's EBITDA includes one-off income from the adjustment of pension liabilities in the amount of CHF 60 million and the recognition of provisions for legal proceedings in the amount of CHF 52 million. The non-recurring items in the financial result originate from the previous year. As part of its strategic partnership with TIM, Fastweb transferred its stake in Flash Fiber as a capital contribution to the newly established fibre-optic company FiberCop. This resulted in an upward revaluation of the investment of CHF 169 million recognised in the income statement. In addition, Swisscom realised a gain of CHF 38 million on the sale of its investment in Belgacom International Carrier Services. The tax expense in 2021 was positively impacted by the capitalisation of deferred tax assets in connection with a change in Italian tax laws. If it were not for these non-recurring items, net income would have been higher.

Cash flows

In CHF million	1.1.–30.9. 2022	1.1.–30.9. 2021	Change
Operating income before depreciation and amortisation (EBITDA)	3,341	3,465	(124)
Lease expense	(219)	(226)	7
EBITDA after lease expense (EBITDA AL)	3,122	3,239	(117)
Capital expenditure	(1,601)	(1,605)	4
Operating free cash flow proxy	1,521	1,634	(113)
Change in net working capital	(167)	(89)	(78)
Change in defined benefit obligations	41	(22)	63
Net interest payments on financial assets and liabilities	(47)	(56)	9
Income taxes paid	(352)	(283)	(69)
Other operating cash flow	(16)	(8)	(8)
Free cash flow	980	1,176	(196)
(Net expenditures) net proceeds from company acquisitions and disposals	(65)	109	(174)
Dividends paid to equity holders of Swisscom Ltd	(1,140)	(1,140)	–
Other changes	227	63	164
Decrease in net debt	2	208	(206)

The operating free cash flow proxy fell by 6.9% or CHF 113 million year-on-year to CHF 1,521 million. This was mainly due to the lower operating income before depreciation and amortisation (EBITDA). Free cash flow declined by 16.7% or CHF 196 million year-on-year to CHF 980 million as a result of the lower operating free cash flow proxy and higher income taxes paid. The increase in income taxes paid is due to corrective payments for past financial years. Net working capital grew by CHF 167 million compared with the end of 2021 (prior year: CHF 89 million). Net working capital rose primarily as a result of a payment of CHF 100 million from litigation concluded in the prior year. In 2021, net cash inflows from acquisitions and disposals included the sale price of CHF 126 million from the sale of the participation in Belgacom International Carrier Services. In the second quarter of 2022, an unchanged dividend per share of CHF 22 was paid, representing a total dividend payment of CHF 1,140 million.

Net asset position

In CHF million, except where indicated	30.9.2022	31.12.2021	Change
Property, plant and equipment	10,607	10,771	−1.5%
Intangible assets	1,663	1,714	−3.0%
Goodwill	5,152	5,157	−0.1%
Right-of-use assets	2,020	2,134	−5.3%
Trade receivables	2,225	2,315	−3.9%
Receivables from finance leases	109	99	10.1%
Trade payables	(1,552)	(1,600)	−3.0%
Provisions	(1,073)	(1,149)	−6.6%
Deferred gain on sale and leaseback of real estate	(88)	(95)	−7.4%
Other operating assets and liabilities, net	(253)	(438)	−42.2%
Net operating assets	18,810	18,908	−0.5%
Net debt	(7,704)	(7,706)	−%
Defined benefit obligations	(8)	(13)	−38.5%
Income tax assets and liabilities, net	(785)	(835)	−6.0%
Equity-accounted investees and other non-current financial assets	454	459	−1.1%
Equity	10,767	10,813	−0.4%
Equity ratio in %	44.2	43.6	

Net operating assets were virtually unchanged at CHF 18,810 million (−0.5%) compared with year-end 2021. The decrease in equity by 0.4% or CHF 46 million to CHF 10,767 million is due to net income of CHF 1,214 million less the negative other comprehensive income of CHF 117 million as a result of currency translation and the dividend payment of CHF 1,140 million. The equity ratio increased from 43.6% to 44.2% as a result of the lower balance sheet total.

Net debt

Net debt comprises financial liabilities and lease liabilities less cash and cash equivalents, listed debt instruments, financial assets in connection with financing and other current financial assets.

In CHF million, except where indicated	30.9.2022	31.12.2021	Change
Debenture bonds	4,850	5,564	−12.8%
Bank loans	951	488	94.9%
Private placements	321	151	112.6%
Other financial liabilities	282	242	16.5%
Total financial liabilities	6,404	6,445	−0.6%
Cash and cash equivalents	(158)	(401)	−60.6%
Quoted debt instruments	(302)	(278)	8.6%
Other financial assets	(168)	(77)	118.2%
Net debt excl. lease liabilities	5,776	5,689	1.5%
Lease liabilities	1,928	2,017	−4.4%
Net debt	7,704	7,706	−%

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 liabilities. As at 30 September 2022, the average interest rate on financial liabilities was 0.85%, the average residual term to maturity was 5.3 years, and the share of fixed-interest-bearing financial liabilities was 78%. Swisscom also has two lines of credit totalling CHF 2.2 billion, which have still not been used.

Outlook

Key figures or as noted	2021 reported	2022 outlook ³
Net revenue		
Swisscom Group	CHF 11,183 mn	~ CHF 11.1 bn
Switzerland ²	CHF 8,600 mn	CHF 8.5–8.6 bn
Fastweb	EUR 2,392 mn	~ EUR 2,5 bn
Operating income before depreciation and amortisation (EBITDA)		
Swisscom Group	CHF 4,478 mn	~ CHF 4.4 bn ¹
Switzerland ²	CHF 3,586 mn	~ CHF 3.5 bn
Fastweb	EUR 826 mn	EUR 0.8–0.9 bn
Capital expenditure		
Swisscom Group	CHF 2,286 mn	~ CHF 2,3 bn
Switzerland ²	CHF 1,637 mn	~ CHF 1.7 bn
Fastweb	EUR 601 mn	~ EUR 0.6 bn

1 EBITDA after lease expense (EBITDA AL) 2021: CHF 4,177 mn;
EBITDA AL guidance 2022: ~ CHF 4.1 bn

2 Swisscom w/o Fastweb

3 Exchange rate CHF/EUR 1.00 (2021: CHF/EUR 1.08).

Due to the strong Swiss franc, Swisscom is slightly adjusting its revenue forecast for the 2022 financial year and now expects net revenue of around CHF 11.1 billion (previously CHF 11.1 billion to CHF 11.2 billion). The expectations for EBITDA of around CHF 4.4 billion and capital expenditure of around CHF 2.3 billion remain unchanged. Subject to achieving its targets, Swisscom will propose to pay an unchanged dividend of CHF 22 per share for the 2022 financial year at the 2023 Annual General Meeting.

Consolidated interim financial statements

Consolidated statement of comprehensive income (unaudited)

In CHF million, except for per share amounts	Note	3. quarter 2022	3. quarter 2021	1.1.–30.9. 2022	1.1.–30.9. 2021
Income statement					
Net revenue	2	2,731	2,760	8,225	8,343
Direct costs	3	(680)	(681)	(1,952)	(2,031)
Personnel expense	3	(650)	(636)	(2,023)	(1,963)
Other operating expense	3	(404)	(463)	(1,406)	(1,329)
Capitalised self-constructed assets and other income	3	153	168	497	445
Operating income before depreciation and amortisation		1,150	1,148	3,341	3,465
Depreciation and amortisation of property, plant and equipment and intangible assets		(525)	(527)	(1,583)	(1,614)
Depreciation of right-of-use assets		(67)	(70)	(201)	(211)
Operating income		558	551	1,557	1,640
Financial income	6	5	9	72	267
Financial expense	6	(39)	(33)	(119)	(129)
Result of equity-accounted investees		(1)	(1)	(2)	(5)
Income before income taxes		523	526	1,508	1,773
Income tax expense		(94)	(36)	(294)	(237)
Net income		429	490	1,214	1,536
Other comprehensive income					
Actuarial gains and losses from defined benefit pension plans		6	10	36	626
Change in fair value of equity instruments		(3)	7	(1)	7
Items that will not be reclassified to income statement		3	17	35	633
Foreign currency translation adjustments of foreign subsidiaries		(81)	(27)	(156)	22
Change in cash flow hedges		(1)	–	4	(3)
Items that are or may be reclassified subsequently to income statement		(82)	(27)	(152)	19
Other comprehensive income		(79)	(10)	(117)	652
Comprehensive income					
Net income		429	490	1,214	1,536
Other comprehensive income		(79)	(10)	(117)	652
Comprehensive income		350	480	1,097	2,188
Share of net income and comprehensive income					
Equity holders of Swisscom Ltd		429	490	1,213	1,535
Non-controlling interests		–	–	1	1
Net income		429	490	1,214	1,536
Equity holders of Swisscom Ltd		351	481	1,097	2,188
Non-controlling interests		(1)	(1)	–	–
Comprehensive income		350	480	1,097	2,188
Earnings per share					
Basic and diluted earnings per share (in CHF)		8.28	9.46	23.42	29.63

Consolidated balance sheet (unaudited)

In CHF million	Note	30.9.2022	31.12.2021
Assets			
Cash and cash equivalents		158	401
Trade receivables	7	2,225	2,315
Receivables from finance leases	7	33	33
Other operating assets	7	1,314	1,179
Other financial assets		68	93
Current income tax assets		5	2
Total current assets		3,803	4,023
Property, plant and equipment		10,607	10,771
Intangible assets		1,663	1,714
Goodwill		5,152	5,157
Right-of-use assets		2,020	2,134
Equity-accounted investees		26	30
Receivables from finance leases		76	66
Other financial assets		829	691
Net defined benefit assets		11	11
Deferred tax assets		192	204
Total non-current assets		20,576	20,778
Total assets		24,379	24,801
Liabilities and equity			
Financial liabilities	5	783	559
Lease liabilities		225	217
Trade payables	7	1,552	1,600
Other operating liabilities	7	1,567	1,617
Provisions	8	105	118
Current income tax liabilities		135	230
Total current liabilities		4,367	4,341
Financial liabilities	5	5,621	5,886
Lease liabilities		1,702	1,800
Defined benefit obligations		19	24
Provisions	8	968	1,031
Deferred gain on sale and leaseback of real estate		88	95
Deferred tax liabilities		847	811
Total non-current liabilities		9,245	9,647
Total liabilities		13,612	13,988
Share capital		52	52
Capital reserves		136	136
Retained earnings		12,589	12,485
Foreign currency translation adjustments		(2,020)	(1,864)
Hedging reserves		6	2
Equity attributable to equity-holders of Swisscom Ltd		10,763	10,811
Non-controlling interests		4	2
Total equity		10,767	10,813
Total liabilities and equity		24,379	24,801

Consolidated statement of cash flows (unaudited)

In CHF million	Note	1.1.–30.9. 2022	1.1.–30.9. 2021
Net income		1,214	1,536
Income tax expense		294	237
Result of equity-accounted investees		2	5
Financial income	6	(72)	(267)
Financial expense	6	119	129
Depreciation and amortisation of property, plant and equipment and intangible assets		1,583	1,614
Depreciation of right-of-use assets		201	211
Gain on sale of property, plant and equipment		(6)	(5)
Loss on disposal of property, plant and equipment		3	–
Expense for share-based payments		1	1
Revenue from finance leases		(64)	(71)
Receivables from finance leases		56	71
Change in deferred gain from the sale and leaseback of real estate		(7)	(9)
Change in operating assets and liabilities	7	(135)	(92)
Change in provisions		(25)	12
Change in defined benefit obligations		41	(22)
Interest received		1	12
Interest payments on financial liabilities		(48)	(68)
Interest payments on lease liabilities		(33)	(33)
Dividends received		1	1
Income taxes paid		(352)	(283)
Cash flow from operating activities		2,774	2,979
Purchase of property, plant and equipment and intangible assets		(1,591)	(1,594)
Sale of property, plant and equipment and intangible assets		9	10
Acquisition of subsidiaries, net of cash and cash equivalents acquired		(64)	(25)
Expenses for shareholdings accounted for using the equity method		(1)	(1)
Proceeds from sale of equity-accounted investees		–	135
Purchase of other financial assets		(154)	(13)
Proceeds from other financial assets		53	112
Other cash flows from investing activities		(20)	(11)
Cash flow used in investing activities		(1,768)	(1,387)
Issuance of financial liabilities	5	608	324
Repayment of financial liabilities	5	(532)	(631)
Repayment of lease liabilities		(192)	(208)
Dividends paid to equity holders of Swisscom Ltd		(1,140)	(1,140)
Dividends paid to non-controlling interests		(2)	(1)
Acquisition of non-controlling interests		(13)	–
Other cash flows from financing activities		36	(12)
Cash flow used in financing activities		(1,235)	(1,668)
Net decrease in cash and cash equivalents		(229)	(76)
Cash and cash equivalents at 1 January		401	340
Foreign currency translation adjustments in respect of cash and cash equivalents		(14)	1
Cash and cash equivalents at the end of period		158	265

Consolidated statement of changes in equity (unaudited)

In CHF million	Share capital	Capital reserves	Retained earnings	Foreign currency translation adjustments	Hedging reserves	Equity attributable to equity holders of Swisscom	Non-controlling interests	Total equity
Balance at 1 January 2021	52	136	11,085	(1,791)	8	9,490	1	9,491
Net income	—	—	1,535	—	—	1,535	1	1,536
Other comprehensive income	—	—	633	22	(3)	652	—	652
Comprehensive income	—	—	2,168	22	(3)	2,187	1	2,188
Dividends paid	—	—	(1,140)	—	—	(1,140)	(1)	(1,141)
Other changes	—	—	1	—	—	1	2	3
Balance at 30 September 2021	52	136	12,114	(1,769)	5	10,538	3	10,541
Balance at 1 January 2022	52	136	12,485	(1,864)	2	10,811	2	10,813
Net income	—	—	1,213	—	—	1,213	1	1,214
Other comprehensive income	—	—	35	(156)	4	(117)	—	(117)
Comprehensive income	—	—	1,248	(156)	4	1,096	1	1,097
Dividends paid	—	—	(1,140)	—	—	(1,140)	(2)	(1,142)
Other changes	—	—	(4)	—	—	(4)	3	(1)
Balance at 30 September 2022	52	136	12,589	(2,020)	6	10,763	4	10,767

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 at 30 September 2022 cover Swisscom Ltd, as parent company, and its subsidiaries. Swisscom Ltd is a public limited company with special status under Swiss law and has its registered office in Ittigen (Berne). Its address is: Swisscom Ltd, Alte Tiefenaustrasse 6, 3048 Worblaufen. Swisscom is listed on the SIX Swiss Exchange. The number of issued shares is unchanged from the prior year and totals 51,801,943. The shares have a nominal value of CHF 1 and are fully paid-up. Each share entitles the holder to one vote. The majority shareholder of Swisscom Ltd is the Swiss Confederation ('Confederation'). The Confederation is required 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 26 October 2022. As of this date, no material events after the reporting date have occurred.

Basis of preparation

The consolidated interim financial statements for the nine months to 30 September 2022 have been prepared in accordance with International Accounting Standard 'IAS 34 Interim Financial Reporting' and should be read in conjunction with the consolidated financial statements for the financial year ending 31 December 2021. The consolidated interim financial statements were prepared in accordance with the accounting policies described in the 2021 consolidated financial statements and the revised accounting principles adopted on 1 January 2022.

In preparing the consolidated interim financial statements, management is required to make accounting estimates and assumptions. Adjustments are made for changes in 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 0.956 was used as the end-of-period rate (31 December 2021: CHF/EUR 1.033) and 1.009 as the average rate for the period (prior year: CHF/EUR 1.09).

1 Changes in accounting principles

As of 1 January 2022, Swisscom adopted various amendments to the existing International Financial Reporting Standards (IFRS) and Interpretations, none of which has a material impact on the results or financial position of Swisscom.

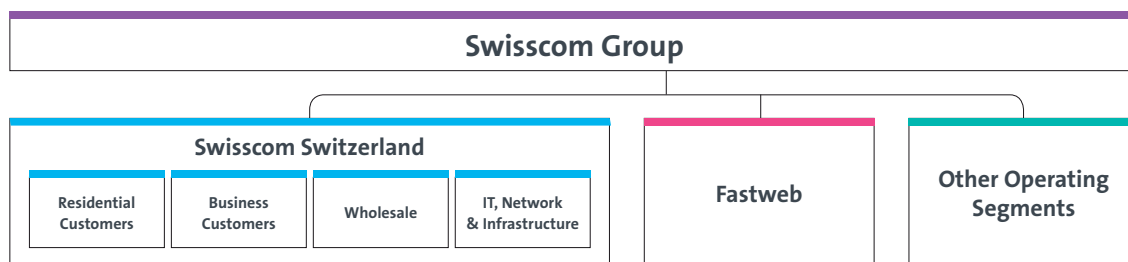
2 Segment information

Changes in segment reporting

Swisscom has simplified its internal billing as of 1 January 2022. The costs for roaming calls and for termination on networks of other telecommunications providers are no longer charged to the Residential Customers and Business Customers segments, but remain in the Wholesale segment. In turn, proceeds from termination on Swisscom's network are no longer credited to the Residential Customers and Business Customers segments, but likewise remain in the Wholesale segment. In addition, Swisscom has reassigned various areas within Swisscom Switzerland among the segments as of 1 January 2022. The prior year's figures were restated as follows:

In CHF million	Reported	Adjustment	Restated
Net revenue			
financial year 2021			
Residential Customers	4,592	(47)	4,545
Business Customers	3,058	(27)	3,031
Wholesale	971	(317)	654
Infrastructure & Support Functions	76	–	76
Elimination	(464)	391	(73)
Swisscom Switzerland	8,233	–	8,233
Fastweb	2,583	–	2,583
Other Operating Segments	1,033	–	1,033
Elimination	(666)	–	(666)
Total net revenue	11,183	–	11,183
Segment result			
2021 financial year			
Residential Customers	2,676	145	2,821
Business Customers	1,189	88	1,277
Wholesale	524	(227)	297
Infrastructure & Support Functions	(2,644)	(6)	(2,650)
Elimination	1	–	1
Swisscom Switzerland	1,746	–	1,746
Fastweb	197	–	197
Other Operating Segments	99	–	99
Elimination	(20)	–	(20)
Total segment result	2,022	–	2,022

General information



Reporting is divided into the segments 'Residential Customers', 'Business Customers', 'Wholesale' and 'Infrastructure & Support Functions', which are grouped under Swisscom Switzerland, as well as 'Fastweb' and 'Other Operating Segments'.

The Infrastructure & Support Functions segment does not charge any network costs or management fees for its services to other segments. Any other services between the segments are charged at market prices. The results of the Residential Customers, Business Customers and Wholesale segments thus correspond to a contribution margin before network costs.

Segment expense encompasses the direct and indirect costs, which include personnel expense, other operating costs less capitalised costs of self-constructed assets and other income. Pension cost includes ordinary employer contributions. The difference between the ordinary employer contributions and the pension cost as provided for under IAS 19 is reported in the column 'Eliminations'. In the first nine months of 2022, an expense of CHF 45 million is disclosed under 'Eliminations' as a pension cost reconciliation item in accordance with IAS 19 (prior year: income of CHF 25 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 right-of-use assets excluding depreciation on indefeasible rights of use (IRU) of CHF 15 million (prior year: CHF 18 million) as well as the accounting for the rental of buildings between segments. The lease expense of assets of low value is presented 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 nine months of 2022 includes IRU payments of CHF 10 million (prior year: CHF 11 million).

Swisscom Switzerland sometimes sells mobile handsets at a subsidised rate as part of a bundled offering with a mobile 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 2022

1.1.–30.9.2021, in CHF million	Swisscom Switzerland	Fastweb	Other Operating Segments	Elimination	Total
Residential Customers	3,357	864	–	–	4,221
Enterprise Customers	2,298	742	307	–	3,347
Wholesale customers	451	206	–	–	657
Net revenue from external customers	6,106	1,812	307	–	8,225
Net revenue from other segments	46	6	452	(504)	–
Net revenue	6,152	1,818	759	(504)	8,225
Direct costs	(1,311)	(638)	(53)	50	(1,952)
Indirect costs	(2,176)	(547)	(584)	375	(2,932)
Segment result before depreciation and amortisation	2,665	633	122	(79)	3,341
Lease expense	(167)	(43)	(8)	(1)	(219)
Depreciation and amortisation	(1,123)	(452)	(35)	12	(1,598)
Segment result	1,375	138	79	(68)	1,524
Interest expense on lease liabilities					33
Operating income					1,557
Financial income and financial expense, net					(47)
Result of equity-accounted investees					(2)
Income before income taxes					1,508
Income tax expense					(294)
Net income					1,214
Segment result before depreciation and amortisation	2,665	633	122	(79)	3,341
Lease expense	(167)	(43)	(8)	(1)	(219)
Capital expenditure	(1,161)	(453)	(22)	35	(1,601)
Operating free cash flow proxy	1,337	137	92	(45)	1,521

Segment information Swisscom Switzerland 2022

1.1.–30.9.2021, in CHF million	Residential Customers	Business Customers	Wholesale	Infrastructure & Support Functions	Elimination	Total Swisscom Switzerland
Fixed-line	1,506	631	–	–	–	2,137
Mobile	1,391	563	–	–	–	1,954
Telecom services	2,897	1,194	–	–	–	4,091
Solutions business	–	877	–	–	–	877
Merchandise	374	215	–	–	–	589
Wholesale	–	–	451	–	–	451
Revenue other	86	(1)	–	13	–	98
Net revenue from external customers	3,357	2,285	451	13	–	6,106
Net revenue from other segments	13	36	8	41	(52)	46
Net revenue	3,370	2,321	459	54	(52)	6,152
Direct costs	(639)	(551)	(236)	(7)	122	(1,311)
Indirect costs	(501)	(716)	(13)	(877)	(69)	(2,176)
Segment result before depreciation and amortisation	2,230	1,054	210	(830)	1	2,665
Lease expense	(29)	(22)	–	(115)	(1)	(167)
Depreciation and amortisation	(45)	(55)	–	(1,023)	–	(1,123)
Segment result	2,156	977	210	(1,968)	–	1,375
Capital expenditure	(31)	(32)	–	(1,098)	–	(1,161)

Segment information 2021

1.1.–30.9.2021, in CHF million, restated	Swisscom Switzerland	Fastweb	Other Operating Segments	Elimination	Total
Residential Customers	3,376	934	–	–	4,310
Enterprise Customers	2,246	776	326	–	3,348
Wholesale customers	488	197	–	–	685
Net revenue from external customers	6,110	1,907	326	–	8,343
Net revenue from other segments	40	7	444	(491)	–
Net revenue	6,150	1,914	770	(491)	8,343
Direct costs	(1,321)	(702)	(56)	48	(2,031)
Indirect costs	(2,153)	(556)	(578)	440	(2,847)
Segment result before depreciation and amortisation	2,676	656	136	(3)	3,465
Lease expense	(174)	(43)	(9)	–	(226)
Depreciation and amortisation	(1,120)	(480)	(40)	8	(1,632)
Segment result	1,382	133	87	5	1,607
Interest expense on lease liabilities					33
Operating income					1,640
Financial income and financial expense, net					138
Result of equity-accounted investees					(5)
Income before income taxes					1,773
Income tax expense					(237)
Net income					1,536
Segment result before depreciation and amortisation	2,676	656	136	(3)	3,465
Lease expense	(174)	(43)	(9)	–	(226)
Capital expenditure	(1,125)	(479)	(29)	28	(1,605)
Operating free cash flow proxy	1,377	134	98	25	1,634

Segment information Swisscom Switzerland 2021

1.1.–30.9.2021, in CHF million, restated	Residential Customers	Business Customers	Wholesale	Infrastructure & Support Functions	Elimination	Total Swisscom Switzerland
Fixed-line	1,502	652	–	–	–	2,154
Mobile	1,396	587	–	–	–	1,983
Telecom services	2,898	1,239	–	–	–	4,137
Solutions business	–	821	–	–	–	821
Merchandise	396	168	–	–	–	564
Wholesale	–	–	488	–	–	488
Revenue other	82	2	–	16	–	100
Net revenue from external customers	3,376	2,230	488	16	–	6,110
Net revenue from other segments	12	35	6	41	(54)	40
Net revenue	3,388	2,265	494	57	(54)	6,150
Direct costs	(671)	(514)	(260)	(5)	129	(1,321)
Indirect costs	(495)	(694)	(14)	(874)	(76)	(2,153)
Segment result before depreciation and amortisation	2,222	1,057	220	(822)	(1)	2,676
Lease expense	(30)	(24)	–	(120)	–	(174)
Depreciation and amortisation	(39)	(50)	–	(1,032)	1	(1,120)
Segment result	2,153	983	220	(1,974)	–	1,382
Capital expenditure	(16)	(30)	–	(1,079)	–	(1,125)

3 Operating costs

Direct costs

In CHF million	1.1.–30.9.2022	1.1.–30.9.2021
Customer premises equipment and merchandise	683	681
Services purchased	526	528
Costs to obtain a contract	156	161
Costs to fulfill a contract	65	78
Network access costs of swiss subsidiaries	236	260
Network access costs of foreign subsidiaries	286	323
Total direct costs	1,952	2,031

Indirect costs

In CHF million	1.1.–30.9.2022	1.1.–30.9.2021
Salary and social security expenses	1,980	1,911
Other personnel expense	43	52
Total personnel expense	2,023	1,963
Information technology cost	190	184
Maintenance expense	220	200
Energy costs	106	91
Advertising and selling expenses	140	132
Call centre services purchased	97	104
Consultancy expenses and freelance workforce	87	88
Administration expense	37	43
Allowances for receivables and contract assets	32	54
Miscellaneous operating expenses	497	433
Total other operating expense	1,406	1,329
Capitalised self-constructed tangible and intangible assets	(355)	(320)
Own work for capitalised contract costs	(45)	(44)
Gain on sale of property, plant and equipment	(6)	(5)
Miscellaneous income	(91)	(76)
Total capitalised self-constructed assets and other income	(497)	(445)
Total indirect costs	2,932	2,847

Capitalised self-constructed tangible and intangible assets include personnel costs for the manufacturing of technical installations, the construction of network infrastructure and the development of software for internal use.

4 Dividends

On 30 March 2022, 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 5 April 2022.

5 Financial liabilities

In CHF million	Carrying amount 1.1.2022	Issuance	Repayment	Other changes ¹	Carrying amount 30.9.2022	Fair Value
Financial liabilities						
Bank loans	488	437	–	26	951	947
Debenture bonds	5,564	–	(500)	(214)	4,850	4,407
Private placements	151	170	–	–	321	296
Derivative financial instruments	64	–	–	68	132	132
Other financial liabilities	178	1	(32)	3	150	141
Total financial liabilities	6,445	608	(532)	(117)	6,404	5,923

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

In 2022, Swisscom has taken out short-term bank loans on a weekly or monthly basis as well as private placements in the amount of CHF 607 million. In addition, a CHF 500 million debenture bond was repaid at maturity in the third quarter of 2022. Swisscom has two confirmed lines of credit totalling CHF 2,200 million, which had not been used as at 30 September 2022.

6 Financial result

In CHF million	1.1.–30.9.2022	1.1.–30.9.2021
Interest income on financial assets	3	2
Interest income on net defined benefit assets	1	–
Change in fair value of interest rate swaps	65	22
Gain from transactions with equity-accounted investees	–	207
Foreign exchange gains	–	19
Other financial income	3	17
Total financial income	72	267
Interest expense on financial liabilities	(49)	(48)
Interest expense on lease liabilities	(33)	(33)
Interest expense on defined benefit obligations	–	(1)
Foreign exchange losses	(8)	–
Present-value adjustments on provisions	(14)	(30)
Other financial expense	(15)	(17)
Total financial expense	(119)	(129)
Financial income and financial expense, net	(47)	138
Interest expense on lease liabilities	(33)	(33)
Net interest expense on financial assets and liabilities	(46)	(46)

In the first quarter of 2021, as part of its strategic partnership with TIM, Fastweb transferred its stake in Flash Fiber as a capital contribution to the newly established fibre-optic company FiberCop. For contributing its 20% stake to Flash Fiber, Fastweb has received a 4.5% stake in FiberCop. The fair value of the FiberCop investment was EUR 210 million (CHF 232 million). The transaction resulted in a gain on the Flash Fiber participation of CHF 169 million, which was recognised in the income statement in the first quarter of 2021. In addition, in the first quarter of 2021, Swisscom sold its holding in Belgacom International Carrier Services (BICS) for a sale price of EUR 115 million (CHF 126 million). Swisscom realised a gain of CHF 38 million from the sale of BICS.

7 Net current operating assets

Operating assets and liabilities changed as follows in the first nine months of 2022:

In CHF million	1.1.2022	Operational changes	Other changes ¹	30.9.2022
Trade receivables	2,315	(40)	(50)	2,225
Other operating assets	1,179	159	(24)	1,314
Trade payables	(1,600)	(3)	51	(1,552)
Other operating liabilities	(1,617)	19	31	(1,567)
Total operating assets and liabilities, net	277	135	8	420

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

Other operating assets and liabilities

In CHF million	30.9.2022	31.12.2021
Other operating assets		
Contract assets	178	174
Contract costs	269	263
Inventories	177	114
Prepaid expenses	494	430
Other operating assets	196	198
Total other operating assets	1,314	1,179
Other operating liabilities		
Contract liabilities	1,076	1,012
Accruals for variable performance-related bonus	105	172
Other operating liabilities	386	433
Total other operating liabilities	1,567	1,617

8 Provisions and contingent liabilities

Provisions

Provisions changed as follows in the first nine months of 2022:

In CHF million	Dismantlement and restoration costs	Regulatory and competition law proceedings	Termination benefits	Others	Total
Balance at 1 January 2022	712	176	55	206	1,149
Additions to provisions	–	85	–	24	109
Present-value adjustments	2	9	–	–	11
Adjustments recognised under property, plant and equipment	(58)	–	–	–	(58)
Release of unused provisions	–	–	(3)	(4)	(7)
Use of provisions	(17)	(72)	(13)	(27)	(129)
Foreign currency translation adjustments	–	–	–	(2)	(2)
Balance at 30 September 2022	639	198	39	197	1,073
Thereof current provisions	–	–	34	71	105
Thereof non-current provisions	639	198	5	126	968

In accordance with the revised Telecommunications Act, Swisscom provides access services (incl. interconnection) to other telecommunications service providers in Switzerland. In previous years, several telecommunications service providers demanded ComCom reduce the prices charged to them by Swisscom. The procedures for setting access prices for 2013 onwards are still pending before ComCom. In addition, an appeal is pending before the Federal Administrative Court in connection with the interest on recovery claims from access-related proceedings, which should be based on the weighted average cost of capital (WACC).

The Competition Commission (COMCO) has opened various investigations against Swisscom in the past. In April 2013, COMCO opened an investigation against Swisscom under the Federal Cartel Act concerning the broadcasting of sporting events on pay TV. In May 2016, COMCO imposed a penalty of CHF 72 million on Swisscom in these proceedings. Swisscom appealed against this ruling before the Federal Administrative Court. In June 2022, the Federal Administrative Court largely confirmed COMCO's ruling and ordered Swisscom to pay a fine of CHF 72 million. The fine was paid by Swisscom in the third quarter of 2022. Swisscom has lodged an appeal against the decision of the Federal Administrative Court with the Federal Court. Also pending are the appeals to the Federal Court against COMCO's rulings in connection with the invitation to tender for a corporate network for Swiss Post and the precautionary measures concerning Swisscom's fibre-optic expansion. In the event of a legally binding finding of abuse of a market-dominant position, claims could be asserted against Swisscom under civil law.

In the past, Swisscom recognised provisions for regulatory and antitrust proceedings on the basis of legal assessments. As a result of the reassessment of these proceedings, provisions of CHF 85 million were made in the first nine months of 2022 and present-value adjustments of CHF 9 million were recorded. Any payments to be made will depend upon the date on which legally binding decrees and decisions are issued, and could probably occur within five years.

Alternative performance measures

Swisscom uses key indicators defined in the International Financial Reporting Standards (IFRS) throughout its financial reporting, as well as selected alternative performance measures (APMs). These alternative measures provide useful information on the Group's financial situation and are used for financial management and control purposes. As these measures are not defined under IFRS, the calculation may differ from the published APMs of other companies. For this reason, comparability across companies may be limited. The key alternative performance measures used at Swisscom for the interim financial reporting as at 30 September 2022 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 2022 are translated at the 2021 exchange rate to calculate the currency effect).
Operating income before depreciation and amortisation (EBITDA)	Operating income before depreciation, amortisation and impairment losses of property, plant and equipment, intangible assets and right-of-use assets, financial expense and financial income, result of equity-accounted investees and income tax expense.
Operating income (EBIT)	Operating income before financial expense and financial income, result of equity-accounted investees and income tax expense.
Capital expenditure	Purchase of property, plant and equipment and intangible assets and payments for indefeasible rights of use (IRU) which are classified as leases under IFRS 16. In general, IRUs are paid in full at the beginning of use.
Operating free cash flow proxy	Operating income before depreciation and amortisation (EBITDA) less purchase of property, plant and equipment and intangible assets and payments for indefeasible rights of use (IRU) and lease expense. Lease expense include interest expense on lease liabilities and depreciation of right-of-use assets excl. depreciation of IRUs and impairment losses of right-of-use assets.
Free cash flow	Cash flows from operating and investing activities excl. cash flows from the purchase and sale of subsidiaries and purchase of and proceeds from equity-accounted investees and other financial assets.
Net debt	Financial liabilities and lease liabilities less cash and cash equivalents, listed debt instruments, financial assets in connection with financing and other current financial assets.
Net debt excl. lease liabilities	Net debt excl. lease liabilities.

Reconciliation of alternative performance measures

In CHF million	1.1.–30.9.2022	1.1.–30.9.2021	Change reported	Change at constant exchange rates
Net revenue				
Net revenue	8,225	8,343	–1.4%	0.3%
Operating income before depreciation and amortisation (EBITDA)				
EBITDA	3,341	3,465	–3.6%	–2.1%
Gain from change in pension plan	–	(60)		
Additions to provisions for legal proceedings in Switzerland	82	52	–	
EBITDA adjusted	3,423	3,457	–1.0%	0.5%
Capital expenditure				
Capital expenditure in property, plant and equipment and intangible assets	1,591	1,594	–0.2%	2.0%
Payments for indefeasible rights of use (IRU)	10	11	–9.1%	
Capital expenditure	1,601	1,605	–0.2%	1.9%

In CHF million	1.1.–30.9.2022	1.1.–30.9.2021	Change reported
Operating free cash flow proxy			
Cash flow from operating activities	2,774	2,979	(205)
Capital expenditure	(1,601)	(1,605)	4
Depreciation of right-of-use assets	(201)	(211)	10
Depreciation of indefeasible rights of use (IRU)	15	18	(3)
Change in deferred gain from the sale and leaseback of real estate	7	9	(2)
Change in operating assets and liabilities	135	92	43
Change in provisions	25	(12)	37
Change in defined benefit obligations	(41)	22	(63)
Gain on sale of property, plant and equipment	6	5	1
Loss on disposal of property, plant and equipment	(3)	–	(3)
Expense for share-based payments	(1)	(1)	–
Revenue from finance leases	64	71	(7)
Proceeds from finance leases	(56)	(71)	15
Interest received	(1)	(12)	11
Interest payments on financial liabilities	48	68	(20)
Dividends received	(1)	(1)	–
Income taxes paid	352	283	69
Operating free cash flow proxy	1,521	1,634	(113)
Free cash flow			
Cash flow from operating activities	2,774	2,979	(205)
Cash flow used in investing activities	(1,768)	(1,387)	(381)
Repayment of lease liabilities	(192)	(208)	16
Acquisition of subsidiaries, net of cash and cash equivalents acquired	64	25	39
Proceeds from sale of equity-accounted investees	–	(135)	135
Expenses for shareholdings accounted for using the equity method	1	1	–
Purchase of other financial assets	154	13	141
Proceeds from other financial assets	(53)	(112)	59
Free cash flow	980	1,176	(196)

Further information

Share information

Swisscom share performance indicators

31.12.2021–30.9.2022	SIX Swiss Exchange
Closing price as at 31 December 2021 in CHF ¹	516.40
Closing price as at 30 September 2022 in CHF ¹	463.50
Change in %	–10.2%
Year high in CHF ¹	590.40
Year low in CHF ¹	461.70
Total volume of traded shares	21,894,457
Total turnover in CHF million	11,756.80
Daily average of traded shares	115,234
Daily average in CHF million	61.88

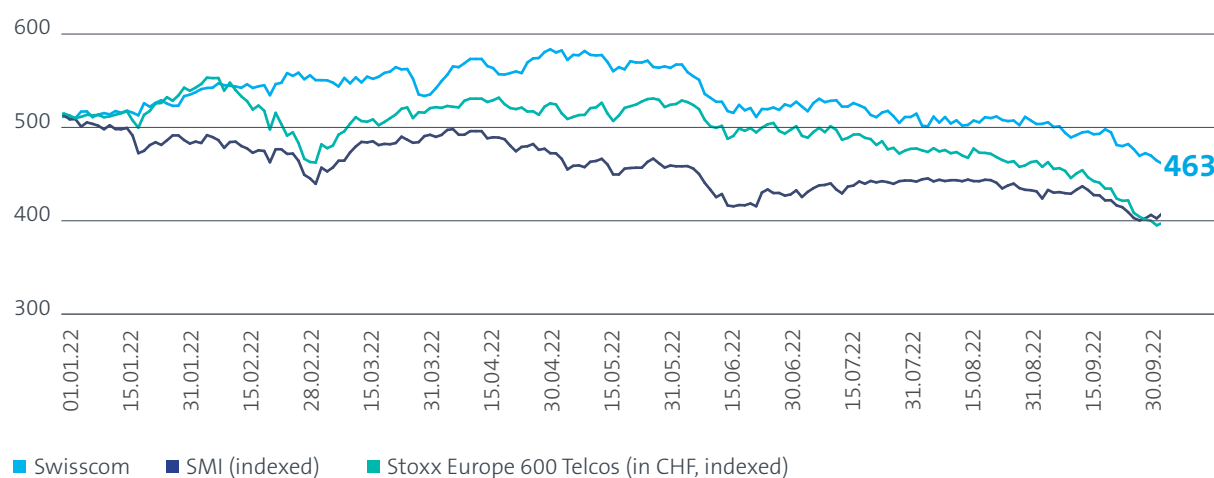
Source: Bloomberg

1 paid prices

Share performance

Share performance since 1 January 2022

in CHF



Financial calendar

- 9 February 2023 2022 Annual Results and Annual Report
- 4 May 2023 2023 First-Quarter Results
- 3 August 2023 2023 Second-Quarter Results
- 2 November 2023 2023 Third-Quarter Results

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 2021 and 2022

In CHF million, except where indicated	1. quarter	2. quarter	3. quarter	4. quarter	2021	1. quarter	2. quarter	3. quarter	4. quarter	2022
Income statement										
Net revenue	2,803	2,780	2,760	2,840	11,183	2,768	2,726	2,731		8,225
Direct costs	(680)	(670)	(681)	(748)	(2,779)	(643)	(629)	(680)		(1,952)
Personnel expense	(716)	(611)	(636)	(704)	(2,667)	(697)	(676)	(650)		(2,023)
Other operating expense	(422)	(444)	(463)	(528)	(1,857)	(437)	(565)	(404)		(1,406)
Capitalised self-constructed assets and other income	139	138	168	153	598	146	198	153		497
Operating income (EBITDA)	1,124	1,193	1,148	1,013	4,478	1,137	1,054	1,150		3,341
Depreciation and amortisation	(538)	(549)	(527)	(517)	(2,131)	(522)	(536)	(525)		(1,583)
Depreciation of right-of-use assets	(70)	(71)	(70)	(70)	(281)	(66)	(68)	(67)		(201)
Operating income (EBIT)	516	573	551	426	2,066	549	450	558		1,557
Net interest expense on financial assets and liabilities	(17)	(16)	(13)	(14)	(60)	(15)	(18)	(13)		(46)
Interest expenses on lease liabilities	(11)	(11)	(11)	(11)	(44)	(11)	(11)	(11)		(33)
Other financial result	252	(35)	–	(17)	200	28	14	(10)		32
Equity-accounted investees	–	(4)	(1)	(5)	(10)	(1)	–	(1)		(2)
Income before income taxes	740	507	526	379	2,152	550	435	523		1,508
Income tax expense	(102)	(99)	(36)	(82)	(319)	(103)	(97)	(94)		(294)
Net income	638	408	490	297	1,833	447	338	429		1,214
Attributable to equity holders of Swisscom Ltd	638	407	490	297	1,832	447	337	429		1,213
Attributable to non-controlling interests	–	1	–	–	1	–	1	–		1
Earnings per share (in CHF)	12.32	7.86	9.46	5.73	35.37	8.63	6.51	8.28		23.42
Net revenue										
Swisscom Switzerland	2,080	2,023	2,047	2,083	8,233	2,070	2,024	2,058		6,152
Fastweb	634	659	621	669	2,583	615	615	588		1,818
Other Operating Segments	240	265	265	263	1,033	241	259	259		759
Intersegment elimination	(151)	(167)	(173)	(175)	(666)	(158)	(172)	(174)		(504)
Total net revenue	2,803	2,780	2,760	2,840	11,183	2,768	2,726	2,731		8,225
Operating income before depreciation and amortisation (EBITDA)										
Swisscom Switzerland	916	881	879	777	3,453	930	818	917		2,665
Fastweb	195	225	236	236	892	191	222	220		633
Other Operating Segments	34	49	53	30	166	42	41	39		122
Reconciliation pension cost	(13)	49	(11)	(11)	14	(15)	(15)	(15)		(45)
Elimination	(8)	(11)	(9)	(19)	(47)	(11)	(12)	(11)		(34)
Total EBITDA	1,124	1,193	1,148	1,013	4,478	1,137	1,054	1,150		3,341
Capital expenditure										
Swisscom Switzerland	371	382	372	517	1,642	364	391	406		1,161
Fastweb	168	162	149	170	649	163	143	147		453
Other Operating Segments	9	10	10	12	41	6	8	8		22
Intersegment elimination	(8)	(11)	(9)	(18)	(46)	(11)	(11)	(13)		(35)
Total capital expenditure	540	543	522	681	2,286	522	531	548		1,601

In CHF million, except where indicated	1. quarter	2. quarter	3. quarter	4. quarter	2021	1. quarter	2. quarter	3. quarter	4. quarter	2022
Operating free cash flow proxy										
Operating income (EBITDA)	1,124	1,193	1,148	1,013	4,478	1,137	1,054	1,150		3,341
Lease expense	(75)	(76)	(75)	(75)	(301)	(72)	(74)	(73)		(219)
EBITDA after lease expense (EBITDA AL)	1,049	1,117	1,073	938	4,177	1,065	980	1,077		3,122
Capital expenditure	(540)	(543)	(522)	(681)	(2,286)	(522)	(531)	(548)		(1,601)
Operating free cash flow proxy	509	574	551	257	1,891	543	449	529		1,521
Net debt										
Net debt excl. lease liabilities	5,849	6,626	6,040	5,689	5,689	5,695	6,595	5,776		5,776
Net debt	7,825	8,568	7,999	7,706	7,706	7,680	8,538	7,704		7,704
Full-time equivalent employees										
Swisscom Switzerland	12,830	12,867	12,963	12,889	12,889	12,999	12,927	12,870		12,870
Fastweb	2,733	2,750	2,741	2,753	2,753	2,737	2,880	2,915		2,915
Other Operating Segments	3,514	3,493	3,468	3,263	3,263	3,273	3,260	3,248		3,248
Total headcount	19,077	19,110	19,172	18,905	18,905	19,009	19,067	19,033		19,033
Information by geographical regions										
Net revenue in Switzerland	2,164	2,115	2,134	2,166	8,579	2,154	2,114	2,145		6,413
Net revenue in other countries	639	665	626	674	2,604	614	612	586		1,812
Total net revenue	2,803	2,780	2,760	2,840	11,183	2,768	2,726	2,731		8,225
EBITDA in Switzerland	927	962	907	773	3,569	941	829	925		2,695
EBITDA in other countries	197	231	241	240	909	196	225	225		646
Total EBITDA	1,124	1,193	1,148	1,013	4,478	1,137	1,054	1,150		3,341
Capital expenditure in Switzerland	371	381	372	510	1,634	359	387	401		1,147
Capital expenditure in other countries	169	162	150	171	652	163	144	148		455
Total capital expenditure	540	543	522	681	2,286	522	531	549		1,602
Headcount in Switzerland	15,975	15,964	16,006	15,882	15,882	15,987	15,874	15,786		15,786
Headcount in other countries	3,102	3,146	3,166	3,023	3,023	3,022	3,193	3,247		3,247
Total headcount (full-time equivalents)	19,077	19,110	19,172	18,905	18,905	19,009	19,067	19,033		19,033
Fastweb, in EUR million										
Residential Customers	286	288	282	286	1,142	285	287	284		856
Enterprise Customers	237	244	231	267	979	247	250	239		736
Wholesale	56	66	60	81	263	62	64	78		204
Revenue from external customers	579	598	573	634	2,384	594	601	601		1,796
Segment result (EBITDA)	179	205	218	224	826	185	218	225		628
Margin as % of net revenue	30.8	34.2	38.0	35.2	34.5	31.1	36.1	37.3		34.9
Lease expense	(14)	(13)	(13)	(14)	(54)	(14)	(15)	(14)		(43)
EBITDA after lease expense (EBITDA AL)	165	192	205	210	772	171	203	211		585
Capital expenditure	(154)	(147)	(138)	(162)	(601)	(157)	(142)	(150)		(449)
Operating free cash flow proxy	11	45	67	48	171	14	61	61		136
Broadband access lines in thousand	2,765	2,774	2,768	2,750	2,750	2,731	2,712	2,696		2,696
Broadband access lines wholesale in thousand	153	190	237	306	306	363	386	418		418
Mobile access lines in thousand	2,066	2,188	2,316	2,472	2,472	2,649	2,805	2,937		2,937

In CHF million, except where indicated	1. quarter	2. quarter	3. quarter	4. quarter	2021	1. quarter	2. quarter	3. quarter	4. quarter	2022
Swisscom Switzerland										
Revenue and results										
Residential Customers	465	464	467	458	1,854	460	462	469		1,391
Business Customers	199	195	193	190	777	188	186	189		563
Revenue wireless	664	659	660	648	2,631	648	648	658		1,954
Residential Customers	504	500	498	499	2,001	505	500	501		1,506
Business Customers	222	217	213	214	866	212	209	210		631
Revenue fixed-line	726	717	711	713	2,867	717	709	711		2,137
Total revenue telecoms services	1,390	1,376	1,371	1,361	5,498	1,365	1,357	1,369		4,091
Solutions business	273	274	274	290	1,111	297	292	288		877
Merchandise	211	174	179	208	772	214	178	197		589
Wholesale	169	156	163	156	644	144	146	161		451
Revenue other	24	31	45	52	152	35	34	29		98
Total revenue from external customers	2,067	2,011	2,032	2,067	8,177	2,055	2,007	2,044		6,106
Residential Customers	1,134	1,108	1,134	1,153	4,529	1,127	1,104	1,126		3,357
Business Customers	759	741	730	752	2,982	779	753	753		2,285
Wholesale	169	156	163	156	644	144	146	161		451
Infrastructure & Support Functions	5	6	5	6	22	5	4	4		13
Total revenue from external customers	2,067	2,011	2,032	2,067	8,177	2,055	2,007	2,044		6,106
Segment result before depreciation and amortisation (EBITDA)										
Residential Customers	728	736	758	694	2,916	745	729	756		2,230
Business Customers	360	348	349	318	1,375	353	340	361		1,054
Wholesale	89	75	56	78	298	81	75	54		210
Infrastructure & Support Functions	(261)	(278)	(283)	(315)	(1,137)	(249)	(327)	(254)		(830)
Intersegment elimination	–	–	(1)	2	1	–	1	–		1
Segment result (EBITDA)	916	881	879	777	3,453	930	818	917		2,665
Margin as % of net revenue	44.0	43.5	42.9	37.3	41.9	44.9	40.4	44.6		43.3
Lease expense	(58)	(59)	(57)	(58)	(232)	(56)	(55)	(56)		(167)
EBITDA after lease expense (EBITDA AL)	858	822	822	719	3,221	874	763	861		2,498
Capital expenditure	(371)	(382)	(372)	(517)	(1,642)	(364)	(391)	(406)		(1,161)
Operating free cash flow proxy	487	440	450	202	1,579	510	372	455		1,337
Operational data in thousand										
Access lines										
Residential Customers	1,207	1,188	1,171	1,159	1,159	1,139	1,121	1,103		1,103
Business Customers	284	283	270	265	265	260	248	248		248
Fixed telephony access lines	1,491	1,471	1,441	1,424	1,424	1,399	1,369	1,351		1,351
Residential Customers	1,733	1,733	1,736	1,743	1,743	1,736	1,733	1,734		1,734
Business Customers	295	294	294	294	294	294	293	293		293
Broadband access lines retail	2,028	2,027	2,030	2,037	2,037	2,030	2,026	2,027		2,027
Residential Customers	1,512	1,513	1,516	1,523	1,523	1,517	1,513	1,508		1,508
Business Customers	69	69	69	69	69	69	69	68		68
TV access lines	1,581	1,582	1,585	1,592	1,592	1,586	1,582	1,576		1,576
Postpaid Residential Customers	2,990	3,016	3,063	3,110	3,110	3,136	3,169	3,226		3,226
Postpaid Business Customers	1,863	1,856	1,859	1,870	1,870	1,879	1,883	1,874		1,874
Mobile access lines Postpaid	4,853	4,872	4,922	4,980	4,980	5,015	5,052	5,100		5,100
Prepaid Residential Customers	1,324	1,297	1,268	1,197	1,197	1,136	1,105	1,066		1,066
Mobile access lines	6,177	6,169	6,190	6,177	6,177	6,151	6,157	6,166		6,166
RGU Residential Customers	8,766	8,747	8,754	8,732	8,732	8,664	8,641	8,637		8,637
RGU Business Customers	2,511	2,502	2,492	2,498	2,498	2,502	2,493	2,483		2,483
Revenue generating units (RGU)	11,277	11,249	11,246	11,230	11,230	11,166	11,134	11,120		11,120
Access lines wholesale	677	689	692	698	698	703	692	691		691

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 may include, but are not limited to, statements relating to our financial position, operating results and certain 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, especially 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 or revise any forward-looking statements, whether as a result of new information, future events or otherwise.