

2022

Interim Report
January–June



swisscom

KPIs

In CHF million, except where indicated	30.06.2022	30.06.2021	Change	
Net revenue and results ¹				
Net revenue	5,494	5,583	-1.6%	
Operating income before depreciation and amortisation (EBITDA)	2,191	2,317	-5.4%	
EBITDA as % of net revenue	39.9	41.5		
EBITDA after lease expense (EBITDA AL)	2,045	2,166	-5.6%	
Operating income (EBIT)	999	1,089	-8.3%	
Net income	785	1,046	-25.0%	
Earnings per share	15.13	20.17	-25.0%	
Balance sheet and cash flows ¹				
Equity	10,418	10,060	3.6%	
Equity ratio	42.4	40.9		
Operating free cash flow proxy	992	1,083	-8.4%	
Capital expenditure	1,053	1,083	-2.8%	
Net debt	8,538	8,568	-0.4%	
Operational data				
Fixed telephony access lines in Switzerland	in thousand	1,369	1,471	-6.9%
Broadband access lines retail in Switzerland	in thousand	2,026	2,027	-%
TV access lines in Switzerland	in thousand	1,582	1,582	-%
Mobile access lines in Switzerland	in thousand	6,157	6,169	-0.2%
Revenue generating units (RGU) in Switzerland	in thousand	11,134	11,249	-1.0%
Access lines wholesale in Switzerland	in thousand	692	689	0.4%
Broadband access lines retail in Italy	in thousand	2,712	2,774	-2.2%
Broadband access lines wholesale in Italy	in thousand	386	190	103.2%
Mobile access lines in Italy	in thousand	2,805	2,188	28.2%
Swisscom share				
Number of issued shares	in thousand	51,802	51,802	-%
Market capitalisation		27,320	27,445	-0.5%
Closing price	CHF	527.40	529.80	-0.5%
Employees				
Full-time equivalent employees at end of year	number	19,067	19,110	-0.2%
Average number of full-time equivalent employees	number	19,015	19,087	-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 25 and 26.

Business performance

Summary

Swisscom's net revenue decreased by 1.6% or CHF 89 million to CHF 5,494 million and operating income before depreciation and amortisation (EBITDA) fell by 5.4% or CHF 126 million to CHF 2,191 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 (-0.1%), while EBITDA increased by 1.0%. The consolidated net income of CHF 785 million is significantly lower than in the prior year (-25.0% or CHF -261 million). Non-recurring items in the current year and in the previous year impacted EBITDA and the financial result. If it were not for these non-recurring items, net income would have been higher. The financial outlook for 2022 remains unchanged.

In the Swiss core business (Swisscom Switzerland), net revenue shrank by 0.2% or CHF 9 million to CHF 4,094 million. Ongoing competitive and price pressure caused a continued decline in revenue from telecoms services. This fell by 1.6% or CHF 44 million to CHF 2,722 million. By contrast, revenue in the solutions business with business customers increased by 7.7% or CHF 42 million to CHF 589 million. The net revenue of the Italian subsidiary Fastweb rose by 1.5% or EUR 18 million in local currency to EUR 1,199 million. In the Swiss core business, EBITDA declined by 2.7% or CHF 49 million to CHF 1,748 million. On an adjusted basis, it was up 0.6%. The decline in revenue from telecoms services was more than offset by growth in the solutions business and ongoing efficiency improvement measures. At Fastweb, EBITDA rose in local currency by 4.9% or EUR 19 million to EUR 403 million.

Swisscom's capital expenditure decreased by 2.8% or CHF 30 million to CHF 1,053 million. In the Swiss core business, capital expenditure remained almost stable at CHF 755 million (+0.3%). Capital expenditure in broadband and mobile communications networks fell, while capital expenditure in other infrastructure increased. At Fastweb too, capital expenditure in local currency remained virtually stable at EUR 299 million (-0.7%).

Operating free cash flow proxy declined by 8.4% or CHF 91 million to CHF 992 million, mainly due to lower EBITDA. Net debt remained at the same level year-on-year at CHF 8,538 million (-0.4%). The number of Swisscom employees remained virtually unchanged at 19,067 full-time equivalents (-0.2%). In Switzerland, headcount decreased year-on-year by 0.6% or 90 FTEs to 15,874 FTEs.

The financial outlook for 2022 remains unchanged. Swisscom expects net revenue of around CHF 11.1 to 11.2 billion, EBITDA of around CHF 4.4 billion and capital expenditure of around CHF 2.3 billion. 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	2. quarter 2022	2. quarter 2021	Change	1 st half-year 2022	1 st half-year 2021	Change
Net revenue¹						
Residential Customers	1,108	1,112	−0.4%	2,239	2,249	−0.4%
Business Customers	766	752	1.9%	1,557	1,523	2.2%
Wholesale	149	158	−5.7%	296	329	−10.0%
Infrastructure & Support Functions	18	20	−10.0%	36	39	−7.7%
Intersegment elimination	(17)	(19)	−10.5%	(34)	(37)	−8.1%
Swisscom Switzerland	2,024	2,023	−%	4,094	4,103	−0.2%
Fastweb	615	659	−6.7%	1,230	1,293	−4.9%
Other Operating Segments	259	265	−2.3%	500	505	−1.0%
Intersegment elimination	(172)	(167)	3.0%	(330)	(318)	3.8%
Revenue from external customers	2,726	2,780	−1.9%	5,494	5,583	−1.6%
Operating income before depreciation and amortisation (EBITDA)¹						
Residential Customers	729	736	−1.0%	1,474	1,464	0.7%
Business Customers	340	348	−2.3%	693	708	−2.1%
Wholesale	75	75	−%	156	164	−4.9%
Infrastructure & Support Functions	(327)	(278)	17.6%	(576)	(539)	6.9%
Intersegment elimination	1	–	−%	1	–	−%
Swisscom Switzerland	818	881	−7.2%	1,748	1,797	−2.7%
Fastweb	222	225	−1.3%	413	420	−1.7%
Other Operating Segments	41	49	−16.3%	83	83	−%
Reconciliation pension cost ²	(15)	49		(30)	36	
Intersegment elimination	(12)	(11)	9.1%	(23)	(19)	21.1%
Operating income before depreciation and amortisation (EBITDA)	1,054	1,193	−11.7%	2,191	2,317	−5.4%

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 calex 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	2. quarter 2022	2. quarter 2021	Change	1 st half-year 2022	1 st half-year 2021	Change
Net revenue and results						
Telecom services	1,357	1,376	-1.4%	2,722	2,766	-1.6%
Solutions business	292	274	6.6%	589	547	7.7%
Merchandise	178	174	2.3%	392	385	1.8%
Wholesale	146	156	-6.4%	290	325	-10.8%
Revenue other	34	31	9.7%	69	55	25.5%
Revenue from external customers	2,007	2,011	-0.2%	4,062	4,078	-0.4%
Intersegment revenue	17	12	41.7%	32	25	28.0%
Net revenue	2,024	2,023	-%	4,094	4,103	-0.2%
Direct costs	(413)	(420)	-1.7%	(847)	(867)	-2.3%
Indirect costs	(793)	(722)	9.8%	(1,499)	(1,439)	4.2%
Segment expenses	(1,206)	(1,142)	5.6%	(2,346)	(2,306)	1.7%
Segment result before depreciation and amortisation (EBITDA)	818	881	-7.2%	1,748	1,797	-2.7%
Margin as % of net revenue	40.4	43.5		42.7	43.8	
Lease expense	(55)	(59)	-6.8%	(111)	(117)	-5.1%
Depreciation and amortisation	(379)	(383)	-1.0%	(747)	(757)	-1.3%
Segment result	384	439	-12.5%	890	923	-3.6%
Operating free cash flow proxy						
Segment result before depreciation and amortisation (EBITDA)	818	881	-7.2%	1,748	1,797	-2.7%
Lease expense	(55)	(59)	-6.8%	(111)	(117)	-5.1%
EBITDA after lease expense (EBITDA AL)	763	822	-7.2%	1,637	1,680	-2.6%
Capital expenditure	(391)	(382)	2.4%	(755)	(753)	0.3%
Operating free cash flow proxy	372	440	-15.5%	882	927	-4.9%
Operational data in thousand and headcount						
Fixed telephony access lines				1,369	1,471	-6.9%
Broadband access lines retail				2,026	2,027	-%
TV access lines				1,582	1,582	-%
Mobile access lines				6,157	6,169	-0.2%
Revenue generating units (RGU)				11,134	11,249	-1.0%
Access lines wholesale				692	689	0.4%
Full-time equivalent employees				12,927	12,867	0.5%

Swisscom Switzerland's net revenue decreased by 0.2% or CHF 9 million to CHF 4,094 million. Ongoing competitive and price pressure continued to drive down revenue from telecoms services, which decreased by 1.6% or CHF 44 million to CHF 2,722 million. Of this decline, CHF 6 million (-0.3%) was attributable to the Residential Customers segment and CHF 38 million (-4.6%) to the Business Customers segment. By contrast, revenue from the solutions business rose by 7.7% or CHF 42 million to CHF 589 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 0.2% or 12,000 year-on-year to 6.16 million. The number of postpaid lines increased by 180,000 year-on-year, while the number of pre-paid lines decreased by 192,000. The number of broadband connections remained stable year-on-year at 2.03 million. 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. Since the launch of blue, the subscriptions of the inOne predecessor generation have been migrated on an ongoing basis. At the end of June 2022,

Swisscom recorded 2.52 million blue/inOne customers in the Residential Customers segment. In this segment, blue/inOne accounts for 65% of postpaid mobile lines and 82% of broadband connections, while 45% use a combined offering. The number of TV connections also remained stable year-on-year at 1.58 million, while the number of fixed-network access lines fell within the same time by 6.9% or 102,000 to 1.37 million.

Segment expense increased by 1.7% or CHF 40 million to CHF 2,346 million. Direct costs fell by 2.3% or CHF 20 million to CHF 847 million. Alongside the decline in subscriber acquisition and retention costs, costs for roaming calls also fell. Indirect costs increased by 4.2% or CHF 60 million to CHF 1,499 million. In the first half of 2022, indirect costs were impacted by an increase in provisions for legal proceedings in the amount of CHF 82 million. Provisions for this were also increased in the previous year, by CHF 22 million. Adjusted for these provisions, indirect costs remained stable. The decrease in costs due to efficiency improvements was offset by additional costs resulting from the acquisition of companies of the MTF Group. The number of employees increased by 0.5% or 60 full-time equivalents to 12,927 within the year due to the hiring of external staff and the acquisition of companies of the MTF Group. The segment result before depreciation and amortisation decreased by 2.7% or CHF 49 million to CHF 1,748 million; adjusted for the aforementioned provisions the result was an increase of 0.6%. The decline in revenue from telecoms services was more than offset by growth in the solutions business and ongoing efficiency improvement measures.

Capital expenditure was almost unchanged at CHF 755 million (+0.3%). Capital expenditure on the expansion of broadband and mobile networks decreased, while capital expenditure on other infrastructure increased. As at the end of June 2022, 90% of all Swiss homes and offices were connected with ultra-fast broadband exceeding 80 Mbps. 76% of all homes and offices benefited from fast connections of over 200 Mbps. Swisscom aims to double the rolling out of the fibre-optic network to homes and offices (FTTH) to around 60% in Switzerland by 2025 using P2MP (point-to-multipoint) architecture. The Competition Commission questioned the network architecture and imposed precautionary measures in December 2020, which the Federal Administrative Court confirmed in 2021. Swisscom is interested in a rapid solution; to this end, it is holding in-depth discussions with the Competition Commission.

Fastweb

In EUR million, except where indicated	2. quarter 2022	2. quarter 2021	Change	1 st half-year 2022	1 st half-year 2021	Change
Net revenue and results						
Residential customers	287	288	-0.3%	572	574	-0.3%
Corporate customers	250	244	2.5%	497	481	3.3%
Wholesale	64	66	-3.0%	126	122	3.3%
Revenue from external customers	601	598	0.5%	1,195	1,177	1.5%
Intersegment revenue	3	2	50.0%	4	4	-%
Net revenue	604	600	0.7%	1,199	1,181	1.5%
Segment expenses	(386)	(395)	-2.3%	(796)	(797)	-0.1%
Segment result before depreciation and amortisation (EBITDA)	218	205	6.3%	403	384	4.9%
Margin as % of net revenue	36.1	34.2		33.6	32.5	
Lease expense	(15)	(13)	15.4%	(29)	(27)	7.4%
Depreciation and amortisation	(152)	(147)	3.4%	(299)	(293)	2.0%
Segment result	51	45	13.3%	75	64	17.2%
Operating free cash flow proxy						
Segment result before depreciation and amortisation (EBITDA)	218	205	6.3%	403	384	4.9%
Lease expense	(15)	(13)	15.4%	(29)	(27)	7.4%
EBITDA after lease expense (EBITDA AL)	203	192	5.7%	374	357	4.8%
Capital expenditure	(142)	(147)	-3.4%	(299)	(301)	-0.7%
Operating free cash flow proxy	61	45	35.6%	75	56	33.9%
Operational data in thousand and headcount						
Broadband access lines retail				2,712	2,774	-2.2%
Broadband access lines wholesale				386	190	103.2%
Mobile access lines				2,805	2,188	28.2%
Full-time equivalent employees				2,880	2,750	4.7%

Fastweb's net revenue rose year-on-year by 1.5% or EUR 18 million to EUR 1,199 million. Competitive dynamics remain high. Due to the very challenging market environment, the broadband customer base decreased by 2.2% or 62,000 to 2.71 million within the year. However, the share of ultra-fast broadband connections grew by 8 percentage points year-on-year to 85%. The number of mobile lines increased by 28.2% or 617,000 year-on-year to 2.81 million. Bundled offerings continue to play an important role. 40% of subscribers use a bundled offering combining fixed network and mobile. Residential customer revenue fell by 0.3% or EUR 2 million to EUR 572 million as a result of strong competition. On the other hand, revenue from business customers rose by 3.3% or EUR 16 million to EUR 497 million, driven by higher revenue from public authorities. Revenue from wholesale business increased by 3.3% or EUR 4 million to EUR 126 million, while the number of wholesale broadband connections rose year-on-year by 103.2% or 196,000 to 386,000.

At EUR 796 million, segment expenses remained at the same level year-on-year (-0.1%). The segment result before depreciation and amortisation increased by 4.9% or EUR 19 million to EUR 403 million as a result of the growth in revenue. Capital expenditure was almost unchanged year-on-year at EUR 299 million (-0.7%). Fastweb's headcount increased by 4.7% or 130 FTEs to 2,880 FTEs, mainly as a result of the hiring of external staff.

Other Operating segments

In CHF million, except where indicated	2. quarter 2022	2. quarter 2021	Change	1 st half-year 2022	1 st half-year 2021	Change
Net revenue and results						
Revenue from external customers	106	112	–5.4%	206	216	–4.6%
Intersegment revenue	153	153	–%	294	289	1.7%
Net revenue	259	265	–2.3%	500	505	–1.0%
Segment expenses	(218)	(216)	0.9%	(417)	(422)	–1.2%
Segment result before depreciation and amortisation (EBITDA)	41	49	–16.3%	83	83	–%
Margin as % of net revenue	15.8	18.5		16.6	16.4	
Lease expense	(2)	(3)	–33.3%	(5)	(6)	–16.7%
Depreciation and amortisation	(12)	(14)	–14.3%	(23)	(27)	–14.8%
Segment result	27	32	–15.6%	55	50	10.0%
Operating free cash flow proxy						
Segment result before depreciation and amortisation (EBITDA)	41	49	–16.3%	83	83	–%
Lease expense	(2)	(3)	–33.3%	(5)	(6)	–16.7%
EBITDA after lease expense (EBITDA AL)	39	46	–15.2%	78	77	1.3%
Capital expenditure	(8)	(10)	–20.0%	(14)	(19)	–26.3%
Operating free cash flow proxy	31	36	–13.9%	64	58	10.3%
Headcount						
Full-time equivalent employees				3,260	3,493	–6.7%

The net revenue of the Other Operating Segments remained largely unchanged year-on-year at CHF 500 million (–1.0%). The segment result before depreciation and amortisation also remained steady year-on-year at CHF 83 million. The profit margin stood at 16.6% (previous year: 16.4%). The headcount decreased by 6.7% or 233 FTEs to 3,260 FTEs, mainly as a result of the sale of the French subsidiary local.fr.

Depreciation and amortisation, non-operating results

In CHF million, except where indicated	2. quarter 2022	2. quarter 2021	Change	1 st half-year 2022	1 st half-year 2021	Change
Operating income before depreciation and amortisation (EBITDA)	1,054	1,193	-11.7%	2,191	2,317	-5.4%
Depreciation and amortisation of property, plant and equipment and intangible assets	(536)	(549)	-2.4%	(1,058)	(1,087)	-2.7%
Depreciation of right-of-use assets	(68)	(71)	-4.2%	(134)	(141)	-5.0%
Operating income (EBIT)	450	573	-21.5%	999	1,089	-8.3%
Net interest expense on financial assets and liabilities	(18)	(16)	12.5%	(33)	(33)	-%
Interest expense on lease liabilities	(11)	(11)	-%	(22)	(22)	-%
Other financial result	14	(35)		42	217	-80.6%
Result of equity-accounted investees	-	(4)	-100.0%	(1)	(4)	-75.0%
Income before income taxes	435	507	-14.2%	985	1,247	-21.0%
Income tax expense	(97)	(99)	-2.0%	(200)	(201)	-0.5%
Net income	338	408	-17.2%	785	1,046	-25.0%
Attributable to equity holders of Swisscom Ltd	337	407	-17.2%	784	1,045	-25.0%
Attributable to non-controlling interests	1	1	-%	1	1	-%
Earnings per share (in CHF)	6.51	7.86	-17.2%	15.13	20.17	-25.0%

Net income fell by 25.0% or CHF 261 million to CHF 785 million as a result of non-recurring items in EBITDA and the financial result. 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 22 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, which was 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. Without these non-recurring items, net income would have increased. Income tax expense was CHF 200 million (prior year: CHF 201 million), corresponding to an effective income tax rate of 20.3% (prior year: 16.1%).

Cash flows

In CHF million	1 st half-year 2022	1 st half-year 2021	Change
Operating income before depreciation and amortisation (EBITDA)	2,191	2,317	(126)
Lease expense	(146)	(151)	5
EBITDA after lease expense (EBITDA AL)	2,045	2,166	(121)
Capital expenditure	(1,053)	(1,083)	30
Operating free cash flow proxy	992	1,083	(91)
Change in net working capital	(354)	(131)	(223)
Change in net defined benefit liabilities	33	(36)	69
Net interest payments on financial assets and liabilities	(17)	(16)	(1)
Income taxes paid	(344)	(229)	(115)
Other operating cash flow	(17)	(25)	8
Free cash flow	293	646	(353)
(Net expenditures) net proceeds from company acquisitions and disposals	(65)	108	(173)
Dividends paid to equity holders of Swisscom Ltd	(1,140)	(1,140)	-
Other changes	6	(22)	28
Increase in net debt	(906)	(408)	(498)

The operating free cash flow proxy fell by 8.4% or CHF 91 million year-on-year to CHF 992 million. This was mainly due to the lower operating income before depreciation and amortisation (EBITDA). Free cash flow declined by CHF 353 million year-on-year to CHF 293 million, due partly to higher income taxes paid and partly to the deterioration in net working capital. The increase in income taxes paid is due to higher prepayments for the full year. Net working capital grew by CHF 354 million compared with the end of 2021 (prior year: CHF 131 million). Net working capital rose as a result of prepaid expenses as well as a payment of CHF 100 million from litigation concluded in the prior year.

Net expenditures for company acquisitions and disposals in the first half of 2022 mainly included expenditure for the acquisition of MTF Group companies. In the first half of 2021, net cash inflows from acquisitions and disposals included the net proceeds 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	30.06.2022	31.12.2021	Change
Property, plant and equipment	10,613	10,771	-1.5%
Intangible assets	1,699	1,714	-0.9%
Goodwill	5,173	5,157	0.3%
Right-of-use assets	2,058	2,134	-3.6%
Trade receivables	2,312	2,315	-0.1%
Receivables from finance leases	107	99	8.1%
Trade payables	(1,527)	(1,600)	-4.6%
Provisions	(1,111)	(1,149)	-3.3%
Deferred gain on sale and leaseback of real estate	(92)	(95)	-3.2%
Other operating assets and liabilities, net	(98)	(438)	-77.6%
Net operating assets	19,134	18,908	1.2%
Net debt	(8,538)	(7,706)	10.8%
Net defined benefit liabilities	(7)	(13)	-46.2%
Income tax assets and liabilities, net	(702)	(835)	-15.9%
Equity-accounted investees and other non-current financial assets	531	459	15.7%
Equity	10,418	10,813	-3.7%
Equity ratio in %	42.4	43.6	

Operating assets

Net operating assets were up slightly compared with year-end 2021 at CHF 19,134 million (+1.2%). Equity decreased by 3.7% or CHF 395 million to CHF 10,418 million. Net income of CHF 785 million was offset by the dividend payment of CHF 1,140 million. On 31 March 2022, the Annual General Meeting of Swisscom Ltd approved the payment of an unchanged gross dividend of CHF 22 per share. The equity ratio fell from 43.6% to 42.4% versus the end of 2021.

Net debt

Net debt comprises financial liabilities less cash and cash equivalents, listed debt instruments, derivative financial instruments held for hedging financial liabilities and other current financial assets.

In CHF million	30.06.2022	31.12.2021
Debenture bonds	5,456	5,564
Bank loans	1,208	488
Private placements	150	151
Other financial liabilities	249	242
Financial liabilities	7,063	6,445
Cash and cash equivalents	(147)	(401)
Listed debt instruments	(294)	(278)
Derivative financial instruments for financing	(10)	(19)
Other current financial assets	(17)	(58)
Net debt excl. lease liabilities	6,595	5,689
Lease liabilities	1,943	2,017
Net debt	8,538	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 June 2022, the average interest expense on financial liabilities was 0.81%, the average residual term to maturity was 4.9 years, and the share of fixed-interest-bearing financial liabilities was 76%. Swisscom also has two lines of credit totalling CHF 2.2 billion, which have not been used.

Outlook

Key figures or as noted	2021 reported	2022 outlook ³
Net revenue		
Swisscom Group	CHF 11,183 mn	CHF 11.1–11.2 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 bn¹
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 1.04 (2021: CHF/EUR 1.08)

The financial outlook for 2022 remains unchanged. Swisscom expects net revenue of CHF 11.1 billion to CHF 11.2 billion, EBITDA of around CHF 4.4 billion and capital expenditure of around CHF 2.3 billion. 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	2. quarter 2022	2. quarter 2021	1 st half-year 2022	1 st half-year 2021
Income statement					
Net revenue	2	2,726	2,780	5,494	5,583
Direct costs	3	(629)	(670)	(1,272)	(1,350)
Personnel expense	3	(676)	(611)	(1,373)	(1,327)
Other operating expense	3	(565)	(444)	(1,002)	(866)
Capitalised self-constructed assets and other income	3	198	138	344	277
Operating income before depreciation and amortisation		1,054	1,193	2,191	2,317
Depreciation and amortisation of property, plant and equipment and intangible assets		(536)	(549)	(1,058)	(1,087)
Depreciation of right-of-use assets		(68)	(71)	(134)	(141)
Operating income		450	573	999	1,089
Financial income	6	30	(6)	67	258
Financial expense	6	(45)	(56)	(80)	(96)
Result of equity-accounted investees		–	(4)	(1)	(4)
Income before income taxes		435	507	985	1,247
Income tax expense		(97)	(99)	(200)	(201)
Net income		338	408	785	1,046
Other comprehensive income					
Actuarial gains and losses from defined benefit pension plans		17	340	30	616
Change in fair value of equity instruments		–	(2)	2	–
Items that will not be reclassified to income statement		17	338	32	616
Foreign currency translation adjustments of foreign subsidiaries		(63)	(14)	(75)	49
Change in cash flow hedges		3	2	5	(3)
Items that are or may be reclassified subsequently to income statement		(60)	(12)	(70)	46
Other comprehensive income		(43)	326	(38)	662
Comprehensive income					
Net income		338	408	785	1,046
Other comprehensive income		(43)	326	(38)	662
Comprehensive income		295	734	747	1,708
Share of net income and comprehensive income					
Equity holders of Swisscom Ltd		337	407	784	1,045
Non-controlling interests		1	1	1	1
Net income		338	408	785	1,046
Equity holders of Swisscom Ltd		294	733	746	1,707
Non-controlling interests		1	1	1	1
Comprehensive income		295	734	747	1,708
Earnings per share					
Basic and diluted earnings per share (in CHF)		6.51	7.86	15.13	20.17

Consolidated balance sheet (unaudited)

In CHF million	Note	30.06.2022	31.12.2021
Assets			
Cash and cash equivalents		147	401
Trade receivables	7	2,312	2,315
Receivables from finance leases		32	33
Other operating assets	7	1,398	1,179
Other financial assets		62	93
Current income tax assets		17	2
Total current assets		3,968	4,023
Property, plant and equipment		10,613	10,771
Intangible assets		1,699	1,714
Goodwill		5,173	5,157
Right-of-use assets		2,058	2,134
Equity-accounted investees		26	30
Receivables from finance leases		75	66
Other financial assets		764	691
Net defined benefit assets		11	11
Deferred tax assets		193	204
Total non-current assets		20,612	20,778
Total assets		24,580	24,801
Liabilities and equity			
Financial liabilities	5	1,550	559
Lease liabilities		221	217
Trade payables	7	1,527	1,600
Other operating liabilities	7	1,496	1,617
Provisions	8	185	118
Current income tax liabilities		79	230
Total current liabilities		5,058	4,341
Financial liabilities	5	5,513	5,886
Lease liabilities		1,722	1,800
Net defined benefit liabilities		18	24
Provisions	8	926	1,031
Deferred gain on sale and leaseback of real estate		92	95
Deferred tax liabilities		833	811
Total non-current liabilities		9,104	9,647
Total liabilities		14,162	13,988
Share capital		52	52
Capital reserves		136	136
Retained earnings		12,162	12,485
Foreign currency translation adjustments		(1,939)	(1,864)
Hedging reserves		7	2
Equity attributable to equity-holders of Swisscom Ltd		10,418	10,811
Non-controlling interests		–	2
Total equity		10,418	10,813
Total liabilities and equity		24,580	24,801

Consolidated statement of cash flows (unaudited)

In CHF million	Note	1 st half-year 2022	1 st half-year 2021
Net income		785	1,046
Income tax expense		200	201
Result of equity-accounted investees		1	4
Financial income	6	(67)	(258)
Financial expense	6	80	96
Depreciation and amortisation of property, plant and equipment and intangible assets		1,058	1,087
Depreciation of right-of-use assets		134	141
Gain on sale of property, plant and equipment		(3)	(3)
Loss on sale of property, plant and equipment		3	–
Expense for share-based payments		1	1
Revenue from finance leases		(35)	(51)
Proceeds from finance lease receivables		30	47
Change in deferred gain from the sale and leaseback of real estate		(3)	(8)
Change in operating assets and liabilities	7	(408)	(121)
Change in provisions		57	(2)
Change in net defined benefit liabilities		33	(36)
Interest received		4	2
Interest payments on financial liabilities		(21)	(18)
Interest payments on lease liabilities		(22)	(22)
Dividends received		1	1
Income taxes paid		(344)	(229)
Cash flow from operating activities		1,484	1,878
Purchase of property, plant and equipment and intangible assets		(1,047)	(1,078)
Sale of property, plant and equipment and intangible assets		4	5
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		–	134
Purchase of other financial assets		(86)	(11)
Proceeds from other financial assets		51	101
Other cash flows from investing activities		(7)	(8)
Cash flow used in investing activities		(1,150)	(883)
Issuance of financial liabilities	5	695	323
Repayment of financial liabilities	5	(31)	(121)
Repayment of lease liabilities		(141)	(152)
Dividends paid to equity holders of Swisscom Ltd		(1,140)	(1,140)
Dividends paid to non-controlling interests		(2)	(1)
Other cash flows from financing activities		38	(7)
Cash flow used in financing activities		(581)	(1,098)
Net decrease in cash and cash equivalents		(247)	(103)
Cash and cash equivalents at 1 January		401	340
Foreign currency translation adjustments in respect of cash and cash equivalents		(7)	3
Cash and cash equivalents at the end of financial period		147	240

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 2021	52	136	11,085	(1,791)	8	9,490	1	9,491
Net income	–	–	1,045	–	–	1,045	1	1,046
Other comprehensive income	–	–	616	49	(3)	662	–	662
Comprehensive income	–	–	1,661	49	(3)	1,707	1	1,708
Dividends paid	–	–	(1,140)	–	–	(1,140)	(1)	(1,141)
Other changes	–	–	1	–	–	1	1	2
Balance at 30 June 2021	52	136	11,607	(1,742)	5	10,058	2	10,060
Balance at 1 January 2022	52	136	12,485	(1,864)	2	10,811	2	10,813
Net income	–	–	784	–	–	784	1	785
Other comprehensive income	–	–	32	(75)	5	(38)	–	(38)
Comprehensive income	–	–	816	(75)	5	746	1	747
Dividends paid	–	–	(1,140)	–	–	(1,140)	(2)	(1,142)
Other changes	–	–	1	–	–	1	(1)	–
Balance at 30 June 2022	52	136	12,162	(1,939)	7	10,418	–	10,418

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 June 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 4 August 2022. As of this date, no material events after the reporting date have occurred.

Basis of preparation

The consolidated interim financial statements for the six months to 30 June 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 0.996 was used as the end-of-period rate (31 December 2021: CHF/EUR 1.033) and 1.026 as the average rate for the period (prior year: CHF/EUR 1.095).

1 Changes in accounting principles

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

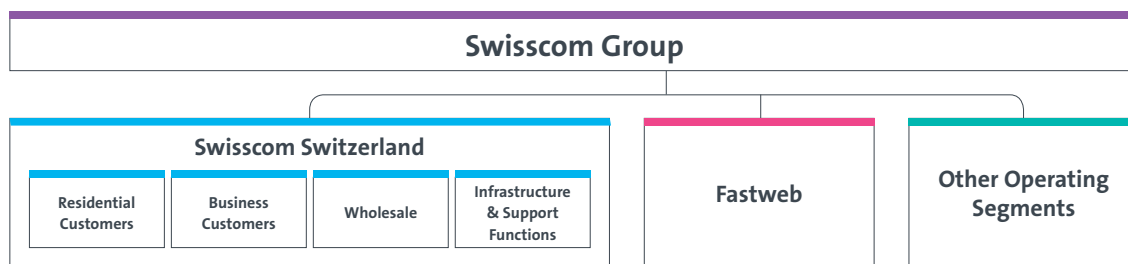
2 Segment information

Changes in segment reporting

Swisscom has simplified its internal settlement 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			
2021 financial year			
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 six months of 2022, expenses of CHF 30 million were disclosed under 'Eliminations' as a pension cost reconciliation item in accordance with IAS 19 (prior year: income of CHF 36 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 10 million (prior year: CHF 12 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 six months of 2022 includes IRU payments of CHF 6 million (prior year: CHF 5 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.–30.6.2022, in CHF million	Swisscom Switzerland	Fastweb	Other Operating Segments	Elimination	Total
Residential customers	2,231	587	–	–	2,818
Corporate customers	1,541	510	206	–	2,257
Wholesale customers	290	129	–	–	419
Net revenue from external customers	4,062	1,226	206	–	5,494
Net revenue from other segments	32	4	294	(330)	–
Net revenue	4,094	1,230	500	(330)	5,494
Direct costs	(847)	(426)	(34)	35	(1,272)
Indirect costs	(1,499)	(391)	(383)	242	(2,031)
Segment result before depreciation and amortisation	1,748	413	83	(53)	2,191
Lease expense	(111)	(30)	(5)	–	(146)
Depreciation and amortisation	(747)	(306)	(23)	8	(1,068)
Segment result	890	77	55	(45)	977
Interest expense on lease liabilities					22
Operating income					999
Financial income and financial expense, net					(13)
Result of equity-accounted investees					(1)
Income before income taxes					985
Income tax expense					(200)
Net income					785
Segment result before depreciation and amortisation	1,748	413	83	(53)	2,191
Lease expense	(111)	(30)	(5)	–	(146)
Capital expenditure	(755)	(306)	(14)	22	(1,053)
Operating free cash flow proxy	882	77	64	(31)	992

Segment information Swisscom Switzerland 2022

1.1.–30.6.2022, in CHF million	Residential Customers	Business Customers	Wholesale	Infrastructure & Support Functions	Elimination	Total Swisscom Switzerland
Fixed-line	1,005	421	–	–	–	1,426
Mobile	922	374	–	–	–	1,296
Telecom services	1,927	795	–	–	–	2,722
Solutions business	–	589	–	–	–	589
Merchandise	244	148	–	–	–	392
Wholesale	–	–	290	–	–	290
Revenue other	60	–	–	9	–	69
Net revenue from external customers	2,231	1,532	290	9	–	4,062
Net revenue from other segments	8	25	6	27	(34)	32
Net revenue	2,239	1,557	296	36	(34)	4,094
Direct costs	(423)	(371)	(131)	(4)	82	(847)
Indirect costs	(342)	(493)	(9)	(608)	(47)	(1,499)
Segment result before depreciation and amortisation	1,474	693	156	(576)	1	1,748
Lease expense	(19)	(15)	–	(77)	–	(111)
Depreciation	(30)	(36)	–	(681)	–	(747)
Segment result	1,425	642	156	(1,334)	1	890
Capital expenditure	(17)	(22)	–	(717)	1	(755)

Segment information 2021

1.1.–30.6.2021, in CHF million, restated	Swisscom Switzerland	Fastweb	Other Operating Segments	Elimination	Total
Residential customers	2,242	629	–	–	2,871
Corporate customers	1,511	526	216	–	2,253
Wholesale customers	325	134	–	–	459
Net revenue from external customers	4,078	1,289	216	–	5,583
Net revenue from other segments	25	4	289	(318)	–
Net revenue	4,103	1,293	505	(318)	5,583
Direct costs	(867)	(476)	(36)	29	(1,350)
Indirect costs	(1,439)	(397)	(386)	306	(1,916)
Segment result before depreciation and amortisation	1,797	420	83	17	2,317
Lease expense	(117)	(29)	(6)	1	(151)
Depreciation and amortisation	(757)	(320)	(27)	5	(1,099)
Segment result	923	71	50	23	1,067
Interest expense on lease liabilities					22
Operating income					1,089
Financial income and financial expense, net					162
Result of equity-accounted investees					(4)
Income before income taxes					1,247
Income tax expense					(201)
Net income					1,046
Segment result before depreciation and amortisation	1,797	420	83	17	2,317
Lease expense	(117)	(29)	(6)	1	(151)
Capital expenditure	(753)	(330)	(19)	19	(1,083)
Operating free cash flow proxy	927	61	58	37	1,083

Segment information Swisscom Switzerland 2021

1.1.–30.6.2021, in CHF million, restated	Residential Customers	Business Customers	Wholesale	Infrastructure & Support Functions	Elimination	Total Swisscom Switzerland
Fixed-line	1,004	439	–	–	–	1,443
Mobile	929	394	–	–	–	1,323
Telecom services	1,933	833	–	–	–	2,766
Solutions business	–	547	–	–	–	547
Merchandise	266	119	–	–	–	385
Wholesale	–	–	325	–	–	325
Revenue other	43	1	–	11	–	55
Net revenue from external customers	2,242	1,500	325	11	–	4,078
Net revenue from other segments	7	23	4	28	(37)	25
Net revenue	2,249	1,523	329	39	(37)	4,103
Direct costs	(450)	(346)	(156)	(3)	88	(867)
Indirect costs	(335)	(469)	(9)	(575)	(51)	(1,439)
Segment result before depreciation and amortisation	1,464	708	164	(539)	–	1,797
Lease expense	(20)	(16)	–	(80)	(1)	(117)
Depreciation and amortisation	(27)	(34)	–	(697)	1	(757)
Segment result	1,417	658	164	(1,316)	–	923
Capital expenditure	(9)	(21)	–	(723)	–	(753)

3 Operating costs

Direct costs

In CHF million	1.1.–30.6.2022	1.1.–30.6.2021
Customer premises equipment and merchandise	451	465
Services purchased	356	354
Costs to obtain a contract	99	111
Costs to fulfill a contract	48	51
Network access costs of swiss subsidiaries	131	155
Network access costs of foreign subsidiaries	187	214
Total direct costs	1,272	1,350

Indirect costs

In CHF million	1.1.–30.6.2022	1.1.–30.6.2021
Salary and social security expenses	1,346	1,291
Other personnel expense	27	36
Total personnel expense	1,373	1,327
Information technology cost	130	119
Maintenance expense	143	127
Energy costs	72	61
Advertising and selling expenses	101	83
Call centre services purchased	66	70
Consultancy expenses and freelance workforce	59	60
Administration expense	25	30
Allowances for receivables and contract assets	30	37
Miscellaneous operating expenses	376	279
Total other operating expense	1,002	866
Capitalised self-constructed tangible and intangible assets	(237)	(214)
Own work for capitalised contract costs	(32)	(29)
Gain on sale of property, plant and equipment	(3)	(3)
Miscellaneous income	(72)	(31)
Total capitalised self-constructed assets and other income	(344)	(277)
Total indirect costs	2,031	1,916

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 1.01.2022	Issuance	Repayment	Other changes ¹	Carrying amount 30.06.2022	Fair Value
Financial liabilities						
Bank loans	488	694	–	26	1,208	1,214
Debenture bonds	5,564	–	–	(108)	5,456	5,108
Private placements	151	–	–	(1)	150	133
Derivative financial instruments	64	–	–	23	87	87
Other financial liabilities	178	1	(31)	14	162	163
Total financial liabilities	6,445	695	(31)	(46)	7,063	6,705

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

As at 30 June 2022, Swisscom had taken out short-term bank loans on a weekly or monthly basis in the amount of CHF 694 million (prior year: none). Swisscom has two confirmed lines of credit totalling CHF 2,200 million, which had not been used as at 30 June 2022.

6 Financial result

In CHF million	1.1.–30.6.2022	1.1.–30.6.2021
Interest income on financial assets	2	1
Change in fair value of interest rate swaps	62	18
Gain from transactions with equity-accounted investees	–	207
Foreign exchange gains	–	16
Other financial income	3	16
Total financial income	67	258
Interest expense on financial liabilities	(35)	(34)
Interest expense on lease liabilities	(22)	(22)
Interest expense on net defined benefit liabilities	–	(1)
Foreign exchange losses	(1)	–
Present-value adjustments on provisions	(11)	(27)
Other financial expense	(11)	(12)
Total financial expense	(80)	(96)
Financial income and financial expense, net	(13)	162
Interest expense on lease liabilities	(22)	(22)
Net interest expense on financial assets and liabilities	(33)	(33)

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 six months of 2022:

In CHF million	1.01.2022	Operational changes	Other changes ¹	30.06.2022
Trade receivables	2,315	18	(21)	2,312
Other operating assets	1,179	232	(13)	1,398
Trade payables	(1,600)	50	23	(1,527)
Other operating liabilities	(1,617)	108	13	(1,496)
Total operating assets and liabilities, net	277	408	2	687

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

Other operating assets and liabilities

In CHF million	30.06.2022	31.12.2021
Other operating assets		
Contract assets	197	174
Contract costs	274	263
Inventories	159	114
Prepaid expenses	506	430
Other operating assets	262	198
Total other operating assets	1,398	1,179
Other operating liabilities		
Contract liabilities	1,015	1,012
Accruals for variable performance-related bonus	66	172
Other operating liabilities	415	433
Total other operating liabilities	1,496	1,617

8 Provisions and contingent liabilities

Provisions

Provisions changed as follows in the first six 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	–	84	–	20	104
Present-value adjustments	2	8	–	–	10
Adjustments recognised under property, plant and equipment	(104)	–	–	–	(104)
Release of unused provisions	–	–	(2)	(4)	(6)
Use of provisions	(11)	–	(10)	(21)	(42)
Balance at 30 June 2022	599	268	43	201	1,111
Thereof current provisions	–	72	37	76	185
Thereof non-current provisions	599	196	6	125	926

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 will be 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 84 million were made in the first half of 2022 and present-value adjustments of CHF 8 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.

Contingent liabilities for regulatory and competition law proceedings

With regard to the other contingent liabilities reported in the 2021 consolidated financial statements in connection with regulatory and antitrust proceedings, Swisscom is of the opinion that an outflow of resources is unlikely and, as before, has therefore not recognised any provisions for this in the consolidated financial statements as at 30 June 2022.

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 June 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) minus capital expenditure in property, plant and equipment, intangible assets and payments for indefeasible rights of use (IRU) and lease expense. Lease expense includes interest expenses on lease liabilities and depreciation of rights of use excluding depreciation of indefeasible rights of use (IRU) and impairment losses on 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	Net debt compares financial liabilities and lease liabilities less cash and cash equivalents, listed debt instruments, derivative financial instruments held for hedging financial liabilities 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.–30.6.2022	1.1.–30.6.2021	Change reported	Change at constant exchange rates
Net revenue				
Net revenue	5,494	5,583	-1.6%	-0.1%
Operating income before depreciation and amortisation (EBITDA)				
EBITDA	2,191	2,317	-5.4%	-4.2%
Gain from change in pension plan	–	(60)		
Additions to provisions for legal proceedings in Switzerland	82	22		
EBITDA adjusted	2,273	2,279	-0.3%	1.0%
Capital expenditure				
Capital expenditure in property, plant and equipment and intangible assets	1,047	1,078	-2.9%	-0.9%
Payments for indefeasible rights of use (IRU)	6	5	20.0%	
Capital expenditure	1,053	1,083	-2.8%	-0.8%

In CHF million	1.1.–30.6.2022	1.1.–30.6.2021	Change reported
Operating free cash flow proxy			
Cash flow from operating activities	1,484	1,878	(394)
Capital expenditure	(1,053)	(1,083)	30
Depreciation of right-of-use assets	(134)	(141)	7
Depreciation of indefeasible rights of use (IRU)	10	12	(2)
Change in deferred gain from the sale and leaseback of real estate	3	8	(5)
Change in operating assets and liabilities	408	121	287
Change in provisions	(57)	2	(59)
Change in net defined benefit liabilities	(33)	36	(69)
Gain on sale of property, plant and equipment	3	3	–
Loss on sale of property, plant and equipment	(3)	–	(3)
Expense for share-based payments	(1)	(1)	–
Revenue from finance leases	35	51	(16)
Proceeds from finance leases	(30)	(47)	17
Interest received	(4)	(2)	(2)
Interest payments on financial liabilities	21	18	3
Dividends received	(1)	(1)	–
Income taxes paid	344	229	115
Operating free cash flow proxy	992	1,083	(91)

Free cash flow			
Cash flow from operating activities	1,484	1,878	(394)
Cash flow used in investing activities	(1,150)	(883)	(267)
Repayment of lease liabilities	(141)	(152)	11
Acquisition of subsidiaries, net of cash and cash equivalents acquired	64	25	39
Proceeds from equity-accounted investees	–	(134)	134
Expenses for shareholdings accounted for using the equity method	1	1	–
Purchase of other financial assets	86	11	75
Proceeds from other financial assets	(51)	(101)	50
Other cash flows from investing and financing activities	–	1	(1)
Free cash flow	293	646	(353)

Further information

Share information

Swisscom share performance indicators

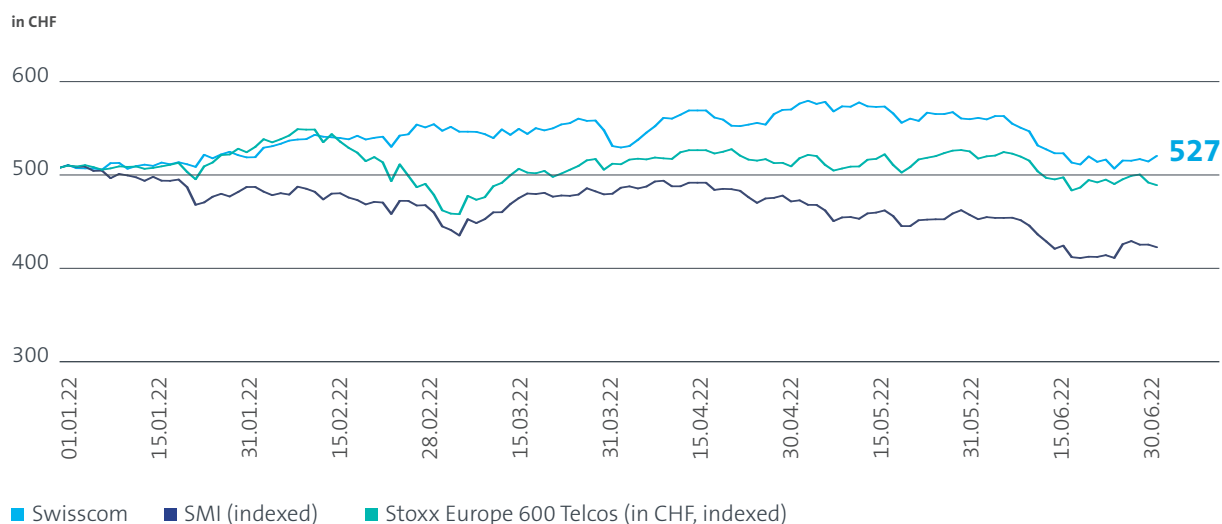
31.12.2021–30.06.2022	SIX Swiss Exchange
Closing price as at 31 December 2021, in CHF ¹	516.40
Closing price as at 30 June 2022, in CHF ¹	527.40
Changes in %	2.13%
Year high in CHF ¹	590.40
Year low in CHF ¹	507.98
Total volume of traded shares	15,911,977
Total turnover in CHF million	8,729.26
Daily average of traded shares	127,296
Daily average in CHF million	69.83

Source: Bloomberg

1 paid prices

Share performance

Share performance since 1 January 2022



Financial calendar

- 27 October 2022 2022 Third-Quarter Results
- 9 February 2023 2022 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 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			5,494
Direct costs	(680)	(670)	(681)	(748)	(2,779)	(643)	(629)			(1,272)
Personnel expense	(716)	(611)	(636)	(704)	(2,667)	(697)	(676)			(1,373)
Other operating expense	(422)	(444)	(463)	(528)	(1,857)	(437)	(565)			(1,002)
Capitalised self-constructed assets and other income	139	138	168	153	598	146	198			344
Operating income (EBITDA)	1,124	1,193	1,148	1,013	4,478	1,137	1,054			2,191
Depreciation and amortisation	(538)	(549)	(527)	(517)	(2,131)	(522)	(536)			(1,058)
Depreciation of right-of-use assets	(70)	(71)	(70)	(70)	(281)	(66)	(68)			(134)
Operating income (EBIT)	516	573	551	426	2,066	549	450			999
Net interest expense on financial assets and liabilities	(17)	(16)	(13)	(14)	(60)	(15)	(18)			(33)
Interest expense on lease liabilities	(11)	(11)	(11)	(11)	(44)	(11)	(11)			(22)
Other financial result	252	(35)	–	(17)	200	28	14			42
Equity-accounted investees	–	(4)	(1)	(5)	(10)	(1)	–			(1)
Income before income taxes	740	507	526	379	2,152	550	435			985
Income tax expense	(102)	(99)	(36)	(82)	(319)	(103)	(97)			(200)
Net income	638	408	490	297	1,833	447	338			785
Attributable to equity holders of Swisscom Ltd	638	407	490	297	1,832	447	337			784
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			15.13
Net revenue										
Swisscom Switzerland	2,080	2,023	2,047	2,083	8,233	2,070	2,024			4,094
Fastweb	634	659	621	669	2,583	615	615			1,230
Other Operating Segments	240	265	265	263	1,033	241	259			500
Intersegment elimination	(151)	(167)	(173)	(175)	(666)	(158)	(172)			(330)
Total net revenue	2,803	2,780	2,760	2,840	11,183	2,768	2,726			5,494
Operating income before depreciation and amortisation (EBITDA)										
Swisscom Switzerland	916	881	879	777	3,453	930	818			1,748
Fastweb	195	225	236	236	892	191	222			413
Other Operating Segments	34	49	53	30	166	42	41			83
Reconciliation pension cost	(13)	49	(11)	(11)	14	(15)	(15)			(30)
Elimination	(8)	(11)	(9)	(19)	(47)	(11)	(12)			(23)
Total EBITDA	1,124	1,193	1,148	1,013	4,478	1,137	1,054			2,191
Capital expenditure										
Swisscom Switzerland	371	382	372	517	1,642	364	391			755
Fastweb	168	162	149	170	649	163	143			306
Other Operating Segments	9	10	10	12	41	6	8			14
Intersegment elimination	(8)	(11)	(9)	(18)	(46)	(11)	(11)			(22)
Total capital expenditure	540	543	522	681	2,286	522	531			1,053

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			2,191
Lease expense	(75)	(76)	(75)	(75)	(301)	(72)	(74)			(146)
EBITDA after lease expense (EBITDA AL)	1,049	1,117	1,073	938	4,177	1,065	980			2,045
Capital expenditure	(540)	(543)	(522)	(681)	(2,286)	(522)	(531)			(1,053)
Operating free cash flow proxy	509	574	551	257	1,891	543	449			992
Net debt										
Net debt excl. lease liabilities.	5,849	6,626	6,040	5,689	5,689	5,695	6,595			6,595
Net debt	7,825	8,568	7,999	7,706	7,706	7,680	8,538			8,538
Full-time equivalent employees										
Swisscom Switzerland	12,830	12,867	12,963	12,889	12,889	12,999	12,927			12,927
Fastweb	2,733	2,750	2,741	2,753	2,753	2,737	2,880			2,880
Other Operating Segments	3,514	3,493	3,468	3,263	3,263	3,273	3,260			3,260
Total personnel expense	19,077	19,110	19,172	18,905	18,905	19,009	19,067			19,067
Information by geographical regions										
Net revenue in Switzerland	2,164	2,115	2,134	2,166	8,579	2,154	2,114			4,268
Net revenue in other countries	639	665	626	674	2,604	614	612			1,226
Total net revenue	2,803	2,780	2,760	2,840	11,183	2,768	2,726			5,494
EBITDA Switzerland	927	962	907	773	3,569	941	829			1,770
EBITDA other countries	197	231	241	240	909	196	225			421
Total EBITDA	1,124	1,193	1,148	1,013	4,478	1,137	1,054			2,191
Capital expenditure in Switzerland	371	381	372	510	1,634	359	387			746
Capital expenditure in other countries	169	162	150	171	652	163	144			307
Total capital expenditure	540	543	522	681	2,286	522	531			1,053
Headcount in Switzerland	15,975	15,964	16,006	15,882	15,882	15,987	15,874			15,874
Headcount in other countries	3,102	3,146	3,166	3,023	3,023	3,022	3,193			3,193
Total headcount (full-time equivalent)	19,077	19,110	19,172	18,905	18,905	19,009	19,067			19,067
Fastweb, in EUR million										
Residential customers	286	288	282	286	1,142	285	287			572
Corporate customers	237	244	231	267	979	247	250			497
Wholesale	56	66	60	81	263	62	64			126
Revenue from external customers	579	598	573	634	2,384	594	601			1,195
Segment result (EBITDA)	179	205	218	224	826	185	218			403
Margin as % of net revenue	30.8	34.2	38.0	35.2	34.5	31.1	36.1			33.6
Lease expense	(14)	(13)	(13)	(14)	(54)	(14)	(15)			(29)
EBITDA after lease expense (EBITDA AL)	165	192	205	210	772	171	203			374
Capital expenditure	(154)	(147)	(138)	(162)	(601)	(157)	(142)			(299)
Operating free cash flow proxy	11	45	67	48	171	14	61			75
Broadband access lines in thousand	2,765	2,774	2,768	2,750	2,750	2,731	2,712			2,712
Broadband access lines wholesale in thousand	153	190	237	306	306	363	386			386
Mobile access lines in thousand	2,066	2,188	2,316	2,472	2,472	2,649	2,805			2,805

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			922
Business Customers	199	195	193	190	777	188	186			374
Revenue wireless	664	659	660	648	2,631	648	648			1,296
Residential Customers	504	500	498	499	2,001	505	500			1,005
Business Customers	222	217	213	214	866	212	209			421
Revenue fixed-line	726	717	711	713	2,867	717	709			1,426
Total revenue telecoms services	1,390	1,376	1,371	1,361	5,498	1,365	1,357			2,722
Solutions business	273	274	274	290	1,111	297	292			589
Merchandise	211	174	179	208	772	214	178			392
Wholesale	169	156	163	156	644	144	146			290
Revenue other	24	31	45	52	152	35	34			69
Total revenue from external customers	2,067	2,011	2,032	2,067	8,177	2,055	2,007			4,062
Residential Customers	1,134	1,108	1,134	1,153	4,529	1,127	1,104			2,231
Business Customers	759	741	730	752	2,982	779	753			1,532
Wholesale	169	156	163	156	644	144	146			290
Infrastructure & Support Functions	5	6	5	6	22	5	4			9
Total revenue from external customers	2,067	2,011	2,032	2,067	8,177	2,055	2,007			4,062
Segment result before depreciation and amortisation (EBITDA)										
Residential Customers	728	736	758	694	2,916	745	729			1,474
Business Customers	360	348	349	318	1,375	353	340			693
Wholesale	89	75	56	78	298	81	75			156
Infrastructure & Support Functions	(261)	(278)	(283)	(315)	(1,137)	(249)	(327)			(576)
Intersegment elimination	–	–	(1)	2	1	–	1			1
Segment result (EBITDA)	916	881	879	777	3,453	930	818			1,748
Margin as % of net revenue	44.0	43.5	42.9	37.3	41.9	44.9	40.4			42.7
Lease expense	(58)	(59)	(57)	(58)	(232)	(56)	(55)			(111)
EBITDA after lease expense (EBITDA AL)	858	822	822	719	3,221	874	763			1,637
Capital expenditure	(371)	(382)	(372)	(517)	(1,642)	(364)	(391)			(755)
Operating free cash flow proxy	487	440	450	202	1,579	510	372			882
Operational data in thousand										
Access lines										
Residential Customers	1,207	1,188	1,171	1,159	1,159	1,139	1,121			1,121
Business Customers	284	283	270	265	265	260	248			248
Fixed telephony access lines	1,491	1,471	1,441	1,424	1,424	1,399	1,369			1,369
Residential Customers	1,733	1,733	1,736	1,743	1,743	1,736	1,733			1,733
Business Customers	295	294	294	294	294	294	293			293
Broadband access lines retail	2,028	2,027	2,030	2,037	2,037	2,030	2,026			2,026
Residential Customers	1,512	1,513	1,516	1,523	1,523	1,517	1,513			1,513
Business Customers	69	69	69	69	69	69	69			69
Swisscom TV access lines	1,581	1,582	1,585	1,592	1,592	1,586	1,582			1,582
Postpaid Residential Customers	2,990	3,016	3,063	3,110	3,110	3,136	3,169			3,169
Postpaid Business Customers	1,863	1,856	1,859	1,870	1,870	1,879	1,883			1,883
Mobile access lines Postpaid	4,853	4,872	4,922	4,980	4,980	5,015	5,052			5,052
Prepaid Residential Customers	1,324	1,297	1,268	1,197	1,197	1,136	1,105			1,105
Mobile access lines	6,177	6,169	6,190	6,177	6,177	6,151	6,157			6,157
RGU Residential Customers	8,766	8,747	8,754	8,732	8,732	8,664	8,641			8,641
RGU Business Customers	2,511	2,502	2,492	2,498	2,498	2,502	2,493			2,493
Revenue generating units (RGU)	11,277	11,249	11,246	11,230	11,230	11,166	11,134			11,134
Access lines wholesale	677	689	692	698	698	703	692			692

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 position, 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, 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.

