2012

Interim Report
January–March

swisscom

Facts & Figures

In CHF million, except where indicated		31.3.2012	31.3.2011	Change
Net revenue and results				
Net revenue		2,802	2,862	–2.1%
Operating income before depreciation and amortisation (EBITDA) [1]		1,104	1,126	–2.0%
EBITDA as % of net revenue	%	39.4	39.3	
Operating income (EBIT) [2]		623	648	–3.9%
Net income		456	474	–3.8%
Share of net income attributable to equity holders of Swisscom Ltd		453	469	–3.4%
Earnings per share	CHF	8.75	9.05	–3.4%
Balance sheet and cash flows				
Equity at end of period		4,958	6,286	–21.1%
Equity ratio at end of period [3]	%	24.7	25.1	
Capital expenditure		502	422	19.0%
Operating free cash flow [4]		483	463	4.3%
Net debt at end of period [5]		8,390	8,559	–2.0%
Employees				
Full-time equivalent employees at end of period	FTE	19,914	19,664	1.3%
Average number of full-time equivalent employees	FTE	19,948	19,426	2.7%
Operational data				
Fixed access lines in Switzerland	in thousand	3,093	3,202	–3.4%
Broadband access lines retail in Switzerland	in thousand	1,682	1,605	4.8%
Swisscom TV access lines in Switzerland	in thousand	655	469	39.7%
Mobile access lines in Switzerland	in thousand	6,082	5,861	3.8%
Unbundled fixed access lines in Switzerland	in thousand	312	270	15.6%
Broadband access lines wholesale in Switzerland	in thousand	179	214	–16.4%
Broadband access lines in Italy [6]	in thousand	1,654	1,733	–4.6%
Swisscom share				
Par value per share at end of period	CHF	1.00	1.00	–
Number of shares issued at end of period	in mio.	51.802	51.802	–
Number of shares outstanding at end of period	in mio.	51.787	51.792	–
Quoted price at end of period	CHF	364.90	409.50	–10.9%
Market capitalisation at end of period [7]		18,897	21,209	–10.9%

[1] Definition operating income before depreciation and amortisation (EBITDA): operating income before depreciation and amortisation and impairment losses on tangible and intangible assets, gain on sale of subsidiaries, net financial result, share of results of associates and income tax expense.
[2] Definition operating income (EBIT): operating income before gain on sale of subsidiaries, net financial result, share of results of associates and income tax expense.
[3] Equity as a percentage of total assets.
[4] Definition operating free cash flow: operating income (EBITDA), change in operating assets and liabilities less net capital expenditure in tangible and other intangible assets and dividends paid to non-controlling interests.
[5] Definition net debt: financial liabilities and mobile frequency auction liabilities less cash and cash equivalents, current financial assets and non-current, fixed-interest-bearing deposits
[6] As a result of the settlement of litigations, Fastweb reduced the number of access lines by 197,000 in the third quarter of 2011.
[7] Quoted price at end of period, multiplied by number of shares outstanding at end of period.

Group Financial Review

Summary

In CHF million, except where indicated	31.3.2012	31.3.2011	Change
Net revenue	2,802	2,862	–2.1%
Operating income before depreciation and amortisation (EBITDA)	1,104	1,126	–2.0%
EBITDA as % of net revenue	39.4	39.3	
Operating income (EBIT)	623	648	–3.9%
Net income	456	474	–3.8%
Earnings per share (in CHF)	8.75	9.05	–3.4%
Capital expenditure	502	422	19.0%
Operating free cash flow	483	463	4.3%
Net debt at end of period	8,390	8,559	–2.0%
Full-time equivalent employees at end of period	19,914	19,664	1.3%

Swisscom posted a fall in net revenue in the first quarter of 2012, down CHF 60 million or 2.1% to CHF 2,802 million. Operating income before depreciation and amortisation (EBITDA) declined by CHF 22 million or 2.0% to CHF 1,104 million. The average CHF/EUR exchange rate fell by 6.7% year-on-year. At constant exchange rates and excluding additional costs for termination benefits and non-cash pension costs revenue was 0.8% lower and EBITDA 0.9% higher. Net revenue at Fastweb dropped by 2.8% or EUR 12 million in local currency to EUR 423 million, as a consequence of a decline in low-margin wholesale revenue from interconnection services (hubbing). Net revenue excluding Fastweb declined by 0.4% or CHF 9 million to CHF 2,294 million. The fall in net income of 3.8% or CHF 18 million to CHF 456 million is primarily attributable to lower operating income before depreciation and amortisation (EBITDA).

Capital expenditure increased by CHF 80 million or 19.0% to CHF 502 million, mainly due to higher investments in telecoms infrastructure in Switzerland. Investments in Switzerland increased by CHF 71 million or 24.1% to CHF 366 million year-on-year. Operating free cash flow grew by CHF 20 million or 4.3% to CHF 483 million. Net debt rose by CHF 81 million to CHF 8,390 million compared with the end of 2011. Net debt at 31 March 2012 contained a liability of CHF 360 million arising from the mobile frequency auction in the first quarter of 2012. Payment of this liability is expected to take place in mid-2012.

Headcount increased year-on-year by 250 FTEs or 1.3% to 19,914 FTEs, due to the takeover of external staff by Swisscom Switzerland, acquisition of subsidiaries and an increase in personnel resources for investment activities in telecoms infrastructure.

The financial outlook for 2012 remains unchanged. Based on an average CHF/EUR exchange rate of 1.23, Swisscom expects to close the year with net revenue of CHF 11.4 billion, EBITDA of CHF 4.4 billion and capital expenditure of up to CHF 2.2 billion (this does not include expenses in connection with the mobile frequency auction of CHF 360 million). Fastweb expects revenue to remain stable at EUR 1.6 billion; this does not include low-margin wholesale business with interconnection services (hubbing). Fastweb is expected to close 2012 with slightly higher EBITDA and slightly lower capital expenditure compared with 2011. If all 2012 targets are met, Swisscom will again propose a dividend of CHF 22 per share at the Annual General Meeting.

Segment results

In CHF million	31.3.2012	31.3.2011	Change
Swisscom Switzerland	2,079	2,081	–0.1%
Fastweb	510	562	–9.3%
Other operating segments	427	414	3.1%
Group Headquarters	–	2	–
Intersegment elimination	(214)	(197)	8.6%
Net revenue	**2,802**	**2,862**	**–2.1%**

In CHF million	31.3.2012	31.3.2011	Change
Swisscom Switzerland	940	948	–0.8%
Fastweb	131	139	–5.8%
Other operating segments	71	69	2.9%
Group Headquarters	(33)	(25)	32.0%
Intersegment elimination	(5)	(5)	–
Operating income before depreciation and amortisation (EBITDA)	**1,104**	**1,126**	**–2.0%**

Swisscom's reporting is divided into the segments "Residential Customers", "Small and Medium-Sized Enterprises", "Corporate Business", "Wholesale" and "Network & IT", which are grouped together as "Swisscom Switzerland", as well as "Fastweb" and "Other operating segments". "Group Headquarters", which includes non-allocated costs, is reported separately.

The divisions of Swisscom Switzerland are reported as individual segments. The support functions of Swisscom Switzerland – finance, human resources and strategy – are included in the Network & IT division. The reported revenue and results of the segments correspond to the internal reporting system. No separate own network costs are charged for financial management of the customer segments Residential Customers, Small and Medium-Sized Enterprises, Corporate Business and Wholesale. The results of the customer segments therefore correspond to a contribution margin before network costs. Network costs are budgeted, monitored and controlled by the Network & IT division, which is managed as a cost centre. Consequently, no revenue is credited to the Network & IT segment in the context of segment reporting. The segment result of the Network & IT segment consists of operating expense as well as depreciation and amortisation less capitalised self-constructed assets and other income. The total segment result for Swisscom Switzerland corresponds to the operating income (EBIT) of Swisscom Switzerland.

The segment result for Fastweb and other operating segments corresponds to the operating income (EBIT) of these units. This covers net revenue from external customers and other segments less segment expense and depreciation, amortisation and impairments on property, plant and equipment as well as intangible assets. Segment expense includes goods and services purchased, personnel expense and other operating expense less capitalised self-constructed assets and other income. Group Headquarters charges no financial management fees to other segments, nor does the Network & IT segment charge any network costs to other segments. Other intersegment services are billed at market prices.

Swisscom Switzerland

In CHF million, except where indicated	31.3.2012	31.3.2011	Change
Revenue from external customers	2,065	2,067	–0.1%
Intersegment revenue	14	14	–
Net revenue Swisscom Switzerland	**2,079**	**2,081**	**–0.1%**
Direct costs	(402)	(420)	–4.3%
Indirect costs (including capitalised self-constructed assets and other income)	(737)	(713)	3.4%
Total segment expense	**(1,139)**	**(1,133)**	**0.5%**
Segment result before depreciation and amortisation	**940**	**948**	**–0.8%**
Margin as % of net revenue	*45.2*	*45.6*	
Depreciation, amortisation and impairment losses	(257)	(253)	1.6%
Segment result	**683**	**695**	**–1.7%**
Capital expenditure	337	270	24.8%
Full-time equivalent employees at end of period	11,966	11,814	1.3%
Fixed access lines in thousand	3,093	3,202	–3.4%
Broadband access lines retail in thousand	1,682	1,605	4.8%
Swisscom TV access lines in thousand	655	469	39.7%
Mobile access lines in thousand	6,082	5,861	3.8%
Unbundled fixed access lines in thousand	312	270	15.6%
Broadband access lines wholesale in thousand	179	214	–16.4%

Revenue from external customers fell by CHF 2 million or 0.1% in the first quarter of 2012 to CHF 2,065 million. Declining revenue from traditional telephony business, driven by competition and price erosion, could be offset by continuing customer growth, new bundled offerings and flat-rate tariffs (tariffs with an integrated volume). Demand remains strong for bundled offerings such as Vivo Casa, which combines fixed-line access with telephony, Internet and TV. At the beginning of August 2011 Swisscom launched the first nationwide bundled offering to also include a mobile access line. The number of customers using bundled offerings increased year-on year by 195,000 or 42.0% to 659,000, while the number of mobile access lines grew by 221,000 or 3.8% to 6.1 million. In the first quarter of 2012 Swisscom sold a total of 328,000 mobile devices (+1.9%), of which 67% were smartphones. Average revenue per mobile user per month (ARPU) declined by 4.3% to CHF 44 as a result of price reductions and new tariff models. The number of Swisscom TV access lines increased year-on-year by 186,000 or 39.7% to 655,000, with the first quarter of 2012 seeing a gain of 47,000 new TV customers. The number of fixed access lines decreased by 109,000 or 3.4% year-on-year to 3.1 million, due to a combination of customers migrating to cable network operators and an increase in unbundled access lines by 42,000 to 312,000. Unbundling led to a fall in wholesale broadband access lines of 35,000 to 179,000 year-on-year. By contrast, end-customer broadband access lines grew by 77,000 or 4.8% to 1.68 million.

Segment expense rose by CHF 6 million or 0.5% to CHF 1,139 million. Lower direct costs of CHF 18 million stood in contrast to higher indirect costs of CHF 24 million. The 4.3% fall in direct costs to CHF 402 million was largely attributable to lower roaming and termination costs as well as lower subscriber acquisition costs. The 3.4% rise in indirect costs to CHF 737 million was due to higher personnel expense, which rose by CHF 27 million or 6.8% to CHF 425 million, largely as a result of higher termination benefits and pension costs, which together totalled CHF 18 million. The segment result before depreciation and amortisation fell by CHF 8 million or 0.8% to CHF 940 million. The profit margin contracted by 0.4 percentage points to 45.2%. At CHF 337 million, capital expenditure was CHF 67 million or 24.8% higher year-on-year, largely due to ongoing broadband network expansion. The rise in headcount of 152 FTEs or 1.3% to 11,966 FTEs is principally due to the insourcing of external staff.

Residential Customers

The Residential Customers segment largely covers access fees for broadband services, fixed and mobile subscriptions as well as national and international telephone and data traffic for residential customers. The segment also includes value-added services, TV offerings, handset sales and directories business.

In CHF million, except where indicated	31.3.2012	31.3.2011	Change
Revenue from external customers	1,208	1,201	0.6%
Intersegment revenue	44	45	–2.2%
Net revenue	**1,252**	**1,246**	**0.5%**
Segment expenses	(507)	(509)	–0.4%
Segment result before depreciation and amortisation [1]	**745**	**737**	**1.1%**
Margin as % of net revenue	*59.5*	*59.1*	
Capital expenditure	30	26	15.4%
Full-time equivalent employees at end of period	4,582	4,670	–1.9%
Fixed access lines in thousand	2,332	2,444	–4.6%
Broadband access lines in thousand	1,467	1,413	3.8%
Swisscom TV access lines in thousand	635	455	39.6%
Mobile access lines in thousand	4,590	4,520	1.5%

[1] Excluding own network costs.

Revenue from external customers rose by CHF 7 million or 0.6% in the first quarter of 2012 to CHF 1,208 million. Continuing customer growth and the positive trend in new bundled offerings compensated for the erosion of prices. In mobile communications price erosion was partially offset by continued customer growth and new tariff models (flat-rate tariffs), while in fixed-line business the drop in revenue from traditional fixed-line voice and phone line business was partly compensated by growth in Swisscom TV. The number of Swisscom TV access lines grew by 180,000 or 39.6% to 635,000 year-on-year, while the number of broadband access lines went up by 54,000 or 3.8% to 1.47 million. Bundled offerings remained very much in demand, with the number of customers subscribing to bundled products growing by 173,000 to 612, 000 year-on-year. Mobile access lines increased by 70,000 or 1.5% to 4.59 million year-on-year. At CHF 507 million, segment expense was CHF 2 million or 0.4% lower than the previous-year's level. While direct costs fell due to lower termination and roaming costs as well as lower subscriber acquisition costs, personnel expense increased by CHF 5 million or 4.1% to CHF 127 million, mainly due to higher pension costs. The segment result before depreciation and amortisation rose by CHF 8 million or 1.1% to CHF 745 million, while the profit margin increased by 0.4 percentage points to 59.5%. Headcount decreased year-on-year by 1.9% to 4,582 FTEs.

Small and Medium-Sized Enterprises

The Small & Medium-Sized Enterprises segment mainly covers access fees for broadband services, fixed-line and mobile subscriptions as well as national and international telephone and data traffic for small and medium-sized enterprises.

In CHF million, except where indicated	31.3.2012	31.3.2011	Change
Revenue from external customers	281	276	1.8%
Intersegment revenue	7	6	16.7%
Net revenue	**288**	**282**	**2.1%**
Segment expenses	(69)	(67)	3.0%
Segment result before depreciation and amortisation [1]	**219**	**215**	**1.9%**
Margin as % of net revenue	*76.0*	*76.2*	
Capital expenditure	3	3	–
Full-time equivalent employees at end of period	825	738	11.8%
Fixed access lines in thousand	518	513	1.0%
Broadband access lines in thousand	182	162	12.3%
Swisscom TV access lines in thousand	20	14	42.9%
Mobile access lines in thousand	525	497	5.6%

[1] Excluding own network costs.

Revenue from external customers increased in the first quarter of 2012 by CHF 5 million or 1.8% to CHF 281 million. Lower fixed-line revenue was more than offset by growth in mobile customers and bundled products. Mobile access lines increased by 28,000 or 5.6% to 525,000 lines, while the number of broadband access lines grew by 20,000 or 12.3% to 182,000. Segment expense rose by CHF 2 million or 3.0% to CHF 69 million. Lower termination and roaming costs were outweighed by higher personnel expense resulting from the increase in headcount, which grew by 11.8% to 825 FTEs due to the insourcing of external staff. The segment result before depreciation and amortisation increased by CHF 4 million or 1.9% to CHF 219 million, while the profit margin narrowed by 0.2 percentage points to 76.0%.

Corporate Business

The Corporate Business segment specialises in communications solutions for corporate customers. Offerings range from individual products to integrated solutions for business ICT infrastructures. This includes a full spectrum of services for the planning, installation, commissioning, maintenance and operation of fixed and mobile network infrastructures and associated IT systems.

In CHF million, except where indicated	31.3.2012	31.3.2011	Change
Revenue from external customers	423	427	–0.9%
Intersegment revenue	25	23	8.7%
Net revenue	**448**	**450**	**–0.4%**
Segment expenses	(217)	(221)	–1.8%
Segment result before depreciation and amortisation [1]	**231**	**229**	**0.9%**
Margin as % of net revenue	*51.6*	*50.9*	
Capital expenditure	19	23	–17.4%
Full-time equivalent employees at end of period	2,406	2,322	3.6%
Fixed access lines in thousand	243	245	–0.8%
Broadband access lines in thousand	33	30	10.0%
Mobile access lines in thousand	967	844	14.6%

[1] Excluding own network costs.

Revenue from external customers fell by CHF 4 million or 0.9% in the first quarter of 2012 to CHF 423 million. The drop in fixed-line revenue was partially offset by the continuing rise in demand for mobile data services and the slight growth in outsourcing and project business. Mobile access lines increased year-on-year by 123,000 or 14.6% to 967,000. Lower termination and roaming costs reduced segment expense by CHF 4 million or 1.8% to CHF 217 million. The segment result before depreciation and amortisation increased accordingly by CHF 2 million or 0.9% to CHF 231 million, while the profit margin expanded from 50.9% to 51.6%. The increase in headcount of 84 FTEs or 3.6% to 2,406 FTEs is principally due to increased project activity and the insourcing of external staff.

Wholesale

Wholesale primarily covers utilisation of Swisscom fixed and mobile networks by other telecoms providers as well as the use of third-party networks by Swisscom. It also includes roaming with foreign operators whose customers use the Swisscom mobile network, as well as broadband services and regulated products related to the unbundling of the local loop for other telecoms providers.

In CHF million, except where indicated	31.3.2012	31.3.2011	Change
Revenue from external customers	153	163	–6.1%
Intersegment revenue	88	96	–8.3%
Net revenue	**241**	**259**	**–6.9%**
Segment expenses	(146)	(153)	–4.6%
Segment result before depreciation and amortisation [1]	**95**	**106**	**–10.4%**
Margin as % of net revenue	*39.4*	*40.9*	
Full-time equivalent employees at end of period	109	100	9.0%
Broadband access lines in thousand	179	214	–16.4%
Unbundled fixed access lines in thousand	312	270	15.6%

[1] Excluding own network costs.

Revenue from external customers fell by CHF 10 million or 6.1% in the first quarter of 2012 to CHF 153 million, mainly due to lower mobile revenue as a result of lower roaming rates. Shrinking revenue from data services coupled with further unbundling of the local loop also contributed to the drop in revenue. Wholesale broadband access lines declined by 35,000 to 179,000 year-on-year, while unbundled access lines went up by 42,000 to 312,000 during the same period. Intersegment revenue was down CHF 8 million or 8.3% to CHF 88 million, mainly as a result of lower roaming rates. Segment expense declined by CHF 7 million or 4.6% to CHF 146 million year-on-year. The reduction in costs is largely a consequence of lower roaming rates. The segment result fell by CHF 11 million or 10.4% to CHF 95 million, mainly due to a decline in revenue from external customers. The fall in intersegment revenue only had a minimal impact on the overall segment result. Headcount increased by 9.0% year-on-year to 109 FTEs.

Network & IT

The Network & IT segment primarily covers the planning, operation and maintenance of Swisscom's fixed and mobile network infrastructures and associated IT systems. It also includes the support functions for Swisscom Switzerland (finance, human resources and strategy). Since expenses incurred are not charged to the individual business units, the segment discloses expenses but no revenue.

In CHF million, except where indicated	31.3.2012	31.3.2011	Change
Operating expenses	(391)	(376)	4.0%
Capitalised self-constructed assets and other income	42	37	13.5%
Segment result before depreciation and amortisation	**(349)**	**(339)**	**2.9%**
Depreciation, amortisation and impairment losses	(217)	(214)	1.4%
Segment result	**(566)**	**(553)**	**2.4%**
Capital expenditure	285	219	30.1%
Full-time equivalent employees at end of period	4,044	3,984	1.5%

The segment result before depreciation and amortisation deteriorated by CHF 10 million or 2.9% to CHF –349 million. Operating expense and capitalised self-constructed assets were up by CHF 15 million and CHF 5 million respectively, resulting in a year-on-year increase in operating expense of 4.0% to CHF 391 million. The increase in operating expense was primarily due to the CHF 12 million increase in termination benefits and pension costs. Network maintenance and IT expenses also rose but could be offset by cost savings generated by efficiency improvements. The increase in capitalised self-constructed assets and other income by CHF 5 million or 13.5% to CHF 42 million is largely attributable to increased investment activities. Depreciation and amortisation increased year-on year by CHF 3 million or 1.4% to CHF 214 million. The segment result declined accordingly by CHF 13 million or 2.4% to CHF –566 million. The year-on-year increase in capital expenditure of CHF 66 million or 30.1% to CHF 285 million is largely attributable to broadband network expansion. Compared with a year earlier headcount grew by 60 FTEs or 1.5% to 4,044 FTEs primarily due to the insourcing of external personnel.

Fastweb

Fastweb is Italy's third largest broadband telecoms company, supplying products and services for voice, data, Internet and TV, as well as a full range of VPN and mobile communication services. The services are offered directly via Fastweb's proprietary fibre-optic network, via unbundled access lines as well as via wholesale products of Telecom Italia.

In EUR million, except where indicated	31.3.2012	31.3.2011	Change
Revenue from external customers	421	433	–2.8%
Intersegment revenue	2	2	–
Net revenue	**423**	**435**	**–2.8%**
Segment expenses	(314)	(328)	–4.3%
Segment result before depreciation and amortisation	**109**	**107**	**1.9%**
Margin as % of net revenue	*25.8*	*24.6*	
Capital expenditure	112	98	14.3%
Full-time equivalent employees at end of period	3,064	3,103	–1.3%
Broadband access lines in thousand [1]	1,654	1,733	–4.6%

[1] As a result of the settlement of litigations Fastweb reduced the number of access lines by 197,000 in the third quarter of 2011.

Net revenue at Fastweb fell in the first quarter of 2012 by 2.8% or EUR 12 million to EUR 423 million, as a consequence of a decline in low-margin wholesale revenue from interconnection services (hubbing). Excluding hubbing, revenue in the first quarter of 2012 remained stable compared with the previous year at EUR 396 million. Average revenue per broadband customer in the residential sector fell by around 10% as a result of intense competition. Revenue from residential customers fell year-on-year by EUR 9 million or 4.7% to EUR 182 million. The customer base grew in the first quarter of 2012 by 59,000 or 3.7% to 1.65 million. The settlement of litigations with another telecoms provider in September 2011 resulted in Fastweb's reduction of its customer base by 197,000 and the transfer of the respective customer relationships to the other provider. Adjusted for this customer transfer, the number of broadband access lines increased year-on-year by 118,000 or 7.7%. The launch of a bundled TV and broadband offering in conjunction with Sky Italia at the end of 2011 is aimed at spurring further customer and revenue growth. Since the rollout 87,000 customers have signed up for this product. Revenue from corporate business remained stable at EUR 183 million in the first quarter of 2012. Wholesale revenue (excluding hubbing) increased by EUR 9 million year-on-year to EUR 29 million. Wholesale revenue from interconnection services (hubbing) fell by EUR 12 million to EUR 27 million.

The segment result before depreciation and amortisation amounted to EUR 109 million, a year-on-year increase of EUR 2 million or 1.9%. The profit margin widened accordingly by 1.2 percentage points to 25.8%. Customer growth resulted in an increase in subscriber acquisition costs of EUR 12 million year-on-year, which could be offset by lower bad debt expenses.

At 31 March 2012 headcount totalled 3,064 FTEs, representing a year-on-year decline of 39 FTEs or 1.3%. Capital expenditure rose by EUR 14 million or 14.3% to EUR 112 million. Around 41% of investment spending was directly related to customer growth.

In the consolidated Swisscom results the weaker euro negatively impacted revenue and the segment result before depreciation and amortisation. The average CHF/EUR exchange rate applied fell by 6.7% compared with the prior-year period. In Swiss franc terms, net revenue declined by 9.3%, versus 2.8% in local currency. The segment result before depreciation and amortisation was 5.8% lower in Swiss francs and 1.9% higher in local currency.

Other operating segments

Other operating segments mainly comprise Swisscom IT Services, Swisscom Participations and Swisscom Hospitality Services. Swisscom IT Services' core business is the implementation of large-scale IT projects (including consulting and the rollout of new systems), the management of complex IT infrastructures, end-user services and service desk services. Swisscom IT Services is also the leading provider of integrated banking solutions, including peripheral systems, as well as Business Process Outsourcing (BPO) for the Swiss financial sector. In addition, Swisscom IT Services offers its customers the full range of SAP services, from SAP consulting and SAP industry solutions to SAP operation. The companies belonging to Swisscom Participations are responsible for identifying and tapping growth potential in areas closely related to Swisscom's core business. Swisscom Hospitality Services specialises in serving the communications needs of the hotel industry

In CHF million, except where indicated	31.3.2012	31.3.2011	Change
Revenue from external customers	229	236	−3.0%
Intersegment revenue	198	178	11.2%
Net revenue	**427**	**414**	**3.1%**
Segment expenses	(356)	(345)	3.2%
Segment result before depreciation and amortisation	**71**	**69**	**2.9%**
Margin as % of net revenue	*16.6*	*16.7*	
Capital expenditure	36	32	12.5%
Full-time equivalent employees at end of period	4,537	4,394	3.3%

Revenue from external customers fell by CHF 7 million or 3.0% in the first quarter of 2012 to CHF 229 million. Revenue from external customers generated by Swisscom IT Services dropped by CHF 2 million or 1.4% to CHF 138 million. The key factor contributing to the decline was a fall in revenue from project business as a result of the difficult market environment. Intersegment revenue grew year-on-year by CHF 20 million or 11.2% to CHF 198 million, chiefly due to a higher volume of services procured from Swisscom IT Services by other segments as well as higher revenue from construction services performed by cablex (the company responsible for infrastructure construction, operation and maintenance at Swisscom Participations).

Segment expense was CHF 11 million or 3.2% higher year-on-year at CHF 356 million mainly due to the increase in construction activities at cablex. The segment result before depreciation and amortisation improved by CHF 2 million or 2.9% to CHF 71 million. Headcount was up by 143 FTEs or 3.3% year-on-year to 4,537 FTS. The increase in headcount was mainly due to acquisition of subsidiaries and the need for additional resources at cablex. Capital expenditure rose by CHF 4 million or 12.5 % to CHF 36 million year-on-year due to an increase in investment activities at Swisscom Real Estate.

Group Headquarters

Group Headquarters chiefly comprises the divisions Group Finance & Controlling, Group Strategy & Business Development, Group Communications and Group Human Resources, as well as the employment agency Worklink AG.

In CHF million, except where indicated	31.3.2012	31.3.2011	Change
Net revenue	**–**	**2**	**–**
Operating expenses	(33)	(27)	22.2%
Operating income before depreciation and amortisation (EBITDA)	**(33)**	**(25)**	**32.0%**
Full-time equivalent employees at end of period	347	353	–1.7%

Operating income before depreciation and amortisation declined by CHF 8 million year-on-year to CHF –33 million, largely on account of a reversal of provisions in the previous year.

Depreciation, amortisation and non-operating income

In CHF million, except where indicated	31.3.2012	31.3.2011	Change
Operating income before depreciation and amortisation (EBITDA)	**1,104**	**1,126**	**–2.0%**
Depreciation, amortisation and impairment losses	(481)	(478)	0.6%
Operating income (EBIT)	**623**	**648**	**–3.9%**
Net interest result	(58)	(46)	26.1%
Other financial income and expense, net	(11)	4	–375.0%
Share of results of associates	6	4	50.0%
Income before income taxes	**560**	**610**	**–8.2%**
Income tax expense	(104)	(136)	–23.5%
Net income	**456**	**474**	**–3.8%**
Share of net income attributable to equity holders of Swisscom Ltd	453	469	–3.4%
Share of net income attributable to non-controlling interests	3	5	–40.0%
Average number of shares outstanding (in millions)	51.799	51.800	–
Earnings per share (in CHF)	8.75	9.05	–3.4%

Depreciation, amortisation and impairment losses increased year-on-year by CHF 3 million or 0.6% to CHF 481 million, largely as a result of higher depreciation and amortisation at Swisscom Switzerland. Depreciation and amortisation includes scheduled amortisation related to business combinations amounting to CHF 33 million (prior year: CHF 35 million), which were capitalised as intangible assets for purchase price allocation purposes. Net interest expense increased by CHF 12 million to CHF 58 million. The previous year's figure included positive effects of CHF 15 million arising from the fair value adjustment of interest rate hedges. Other financial result deteriorated by CHF 15 million year-on-year, chiefly due to a CHF 14 million reduction in the foreign exchange result.

Income tax expense amounted to CHF 104 million (prior year: CHF 136 million), corresponding to an effective income tax rate of 18.6% (prior year: 22.3%). Excluding one-off items, an income tax rate of around 21% is expected in future.

Net income was down year-on-year by CHF 18 million or 3.8% to CHF 456 million, which was largely attributable to lower operating income before depreciation and amortisation (EBITDA). Earnings per share is calculated on the basis of net income attributable to the shareholders of Swisscom Ltd and the average number of shares outstanding. The share of net income attributable to shareholders of Swisscom Ltd decreased year-on-year by 3.4% to CHF 453 million. Earnings per share fell accordingly from CHF 9.05 to CHF 8.75.

Cash flows

In CHF million	31.3.2012	31.3.2011	Change
Operating income before depreciation and amortisation (EBITDA)	1,104	1,126	(22)
Capital expenditure	(502)	(422)	(80)
Proceeds from sale of property, plant and equipment and other intangible assets	5	7	(2)
Change in defined benefit obligations	(11)	(23)	12
Change in net working capital and other cash flow from operating activities	(113)	(225)	112
Operating free cash flow	**483**	**463**	**20**
Net interest paid	(14)	(13)	(1)
Income taxes paid	(42)	(119)	77
Free cash flow	**427**	**331**	**96**
Other cash flows from investing activities, net	(64)	(8)	(56)
Issuance and repayment of financial liabilities, net	(189)	(231)	42
Purchase of non-controlling interests in Fastweb	–	(92)	92
Other cash flows from financing activities	(11)	(5)	(6)
Net increase (net decrease) in cash and cash equivalents	**163**	**(5)**	**168**

Cash and cash equivalents increased by CHF 168 million year-on-year to CHF 476 million, as a result of higher free cash flow and the previous year's remaining payment for the buyout of the non-controlling interests in Fastweb. The CHF 96 million increase in free cash flow to CHF 427 million is due primarily to lower income tax payments and a higher operating free cash flow. Income tax payments fell year-on-year by CHF 77 million to CHF 42 million. Operating free cash flow rose by CHF 20 million or 4.3% to CHF 483 million. Lower operating income before depreciation and amortisation (EBITDA) and higher capital expenditure were offset by a smaller increase in net working capital. Capital expenditure increased by CHF 80 million or 19.0% to CHF 502 million, due primarily to higher levels of investment in telecoms infrastructure in Switzerland. Capital expenditure in Switzerland increased by CHF 71 million or 24.1% to CHF 366 million year-on-year. The payment of the mobile frequencies is scheduled to be made in mid-2012

Net debt

In CHF million, except where indicated	31.3.2012	31.12.2011	Change
Money market borrowings	–	130	(130)
Debenture bonds	4,976	5,199	(223)
Bank loans	1,380	1,177	203
Private placements	1,399	1,399	–
Finance lease liabilities	654	660	(6)
Mobile frequency aution liabilities	360	–	360
Other financial liabilities	287	266	21
Total financial liabilities and mobile frequency auction liabilities	**9,056**	**8,831**	**225**
Cash and cash equivalents	(476)	(314)	(162)
Current financial assets	(58)	(73)	15
Non-current fixed interest-bearing deposits	(132)	(135)	3
Net debt	**8,390**	**8,309**	**81**

Net debt consists of financial liabilities and liabilities from the auction of mobile frequencies less cash and cash equivalents, current financial assets and non-current, fixed-interest-bearing financial assets. Swisscom has set itself the goal of achieving a maximum net debt/EBITDA ratio of around 2.0. This value may be exceeded temporarily. Any figure below this represents financial room for manoeuvre. At 31 December 2011 the net debt/EBITDA ratio was 1.8.

Balance sheet

In CHF million	31.3.2012	31.12.2011	Change
Assets			
Cash and cash equivalents and current financial assets	534	387	38.0%
Trade and other receivables	3,017	2,978	1.3%
Property, plant and equipment	8,264	8,222	0.5%
Goodwill	4,669	4,664	0.1%
Other intangible assets	2,202	1,879	17.2%
Investments in associates and non-current financial assets	479	429	11.7%
Other current and non-current assets	877	891	–1.6%
Total assets	**20,042**	**19,450**	**3.0%**
Liabilities and equity			
Financial liabilities	8,696	8,831	–1.5%
Trade and other payables	2,539	2,190	15.9%
Defined benefit obligations	1,659	1,977	–16.1%
Provisions	909	903	0.7%
Tax liabilities	333	281	18.5%
Other current and non-current liabilities	948	972	–2.5%
Total liabilities	**15,084**	**15,154**	**–0.5%**
Share of equity attributable to equity holders of Swisscom Ltd	4,931	4,272	15.4%
Share of equity attributable to non-controlling interests	27	24	12.5%
Total equity	**4,958**	**4,296**	**15.4%**
Total liabilities and equity	**20,042**	**19,450**	**3.0%**
Equity ratio at end of period	24.7%	22.1%	

Total assets at 31 March 2012 amounted to CHF 20,042 million, an increase of CHF 592 million or 3.0% over the end of 2011. Equity rose by CHF 662 million or 15.4% to CHF 4,958 million. The increase in equity is made up of net income of CHF 456 million together with net profit of CHF 212 million reported in other comprehensive income. This includes currency translation losses of CHF 34 million in respect of foreign subsidiaries as well as actuarial gains of CHF 307 million from pension plans primarily as a result of interest rate changes. Compared to the end of 2011, the CHF/EUR exchange rate fell from 1.216 to 1.205. At 31 March 2012 cumulative currency translation losses recognised in equity were around CHF 1.6 billion. In the first quarter of 2012, Swisscom Switzerland acquired mobile frequencies in an auction for the price of CHF 360 million, which at 31 March 2012 were recognised as other intangible assets and trade accounts payable. The payment is scheduled to be made in mid-2012.

Outlook

The financial outlook for 2012 remains unchanged. Based on an average CHF/EUR exchange rate of 1.23, Swisscom expects to close the year with net revenue of CHF 11.4 billion, EBITDA of CHF 4.4 billion and capital expenditure of up to CHF 2.2 billion (this does not include expenses in connection with the mobile frequency auction of CHF 360 million). Fastweb expects revenue to remain stable at EUR 1.6 billion; this does not include low-margin wholesale business with interconnection services (hubbing). Fastweb is expected to close 2012 with slightly higher EBITDA and slightly lower capital expenditure compared to 2011. If all 2012 targets are met, Swisscom will again propose a dividend of CHF 22 per share at the Annual General Meeting.

Consolidated interim financial statements (condensed and unaudited)

Consolidated income statement (condensed and unaudited)

In CHF million, except where indicated	Note	1.1.–31.3.2012	1.1.–31.3.2011
Net revenue	2	**2,802**	**2,862**
Goods and services purchased		(555)	(599)
Personnel expense		(670)	(635)
Other operating expense		(564)	(577)
Capitalised self-constructed assets and other income		91	75
Operating income before depreciation and amortisation (EBITDA)		**1,104**	**1,126**
Depreciation, amortisation and impairment losses		(481)	(478)
Operating income (EBIT)	2	**623**	**648**
Financial income and financial expense, net	3	(69)	(42)
Share of results of associates		6	4
Income before income taxes		**560**	**610**
Income tax expense		(104)	(136)
Net income		**456**	**474**
Share of net income attributable to equity holders of Swisscom Ltd		453	469
Share of net income attributable to non-controlling interests		3	5
Basic and diluted earnings per share (in CHF)		8.75	9.05

Consolidated statement of comprehensive income (unaudited)

In CHF million	1.1.–31.3.2012	1.1.–31.3.2011
Net income	**456**	**474**
Foreign currency translation adjustments of foreign subsidiaries	(34)	221
Change in fair value of cash flow hedges	(9)	7
Gains and losses from cash flow hedges transferred to income statement	3	4
Actuarial gains and losses from defined benefit plans	307	367
Income tax expense	(55)	(134)
Other comprehensive income	**212**	**465**
Comprehensive income	**668**	**939**
Share of comprehensive income attributable to equity holders of Swisscom Ltd	665	933
Share of comprehensive income attributable to non-controlling interests	3	6

Consolidated balance sheet (condensed and unaudited)

In CHF million	Note	31.3.2012	31.12.2011
Assets			
Cash and cash equivalents		476	314
Trade and other receivables		3,017	2,978
Other financial assets		58	73
Other assets		557	524
Total current assets		**4,108**	**3,889**
Property, plant and equipment		8,264	8,222
Goodwill and other intangible assets	4	6,871	6,543
Investments in associates	5	284	233
Other financial assets		195	196
Other assets		320	367
Total non-current assets		**15,934**	**15,561**
Total assets		**20,042**	**19,450**
Liabilities and equity			
Financial liabilities	6	670	804
Trade and other payables	4	2,539	2,190
Current income tax liabilities		50	37
Provisions	7	175	148
Other liabilities		664	676
Total current liabilities		**4,098**	**3,855**
Financial liabilities	6	8,026	8,027
Defined benefit obligations		1,659	1,977
Provisions	7	734	755
Deferred tax liabilities		283	244
Other liabilities		284	296
Total non-current liabilities		**10,986**	**11,299**
Total liabilities		**15,084**	**15,154**
Share of equity attributable to equity holders of Swisscom Ltd		4,931	4,272
Share of equity attributable to non-controlling interests		27	24
Total equity		**4,958**	**4,296**
Total liabilities and equity		**20,042**	**19,450**

Consolidated cash flow statement (condensed and unaudited)

In CHF million	1.1.–31.3.2012	1.1.–31.3.2011
Net income	456	474
Adjustment for non-cash items	646	650
Change in operating assets and liabilities	(122)	(229)
Income taxes paid	(42)	(119)
Cash flow provided by operating activities	**938**	**776**
Capital expenditure	(502)	(422)
Other cash flows from investing activities, net	(50)	(8)
Cash flow used in investing activities	**(552)**	**(430)**
Issuance and repayment of financial liabilities, net	(189)	(231)
Other cash flows from financing activities, net	(34)	(120)
Cash flow used in financing activities	**(223)**	**(351)**
Net increase (net decrease) in cash and cash equivalents	**163**	**(5)**
Cash and cash equivalents at beginning of year	314	483
Foreign currency translation adjustments in respect of cash and cash equivalents	(1)	6
Cash and cash equivalents at end of period	**476**	**484**

Consolidated statement of changes in equity (unaudited)

In CHF million	Share capital	Capital reserves	Retained earnings	Treasury shares	Other reserves	Attributable to equity holders of Swisscom	Attributable to non-controlling interests	Total equity
Balance at 31 December 2010	**52**	**370**	**6,495**	**(1)**	**(1,586)**	**5,330**	**20**	**5,350**
Net income	–	–	469	–	–	469	5	474
Other comprehensive income	–	–	285	–	179	464	1	465
Comprehensive income	**–**	**–**	**754**	**–**	**179**	**933**	**6**	**939**
Acquisition of treasury shares for share-based payments	–	–	–	(3)	–	(3)	–	(3)
Balance at 31 March 2011	**52**	**370**	**7,249**	**(4)**	**(1,407)**	**6,260**	**26**	**6,286**
Balance at 31 December 2011	**52**	**136**	**5,704**	**–**	**(1,620)**	**4,272**	**24**	**4,296**
Net income	–	–	453	–	–	453	3	456
Other comprehensive income	–	–	243	–	(31)	212	–	212
Comprehensive income	**–**	**–**	**696**	**–**	**(31)**	**665**	**3**	**668**
Acquisition of treasury shares for share-based payments	–	–	–	(6)	–	(6)	–	(6)
Balance at 31 March 2012	**52**	**136**	**6,400**	**(6)**	**(1,651)**	**4,931**	**27**	**4,958**

Notes to the interim financial statements (condensed and unaudited)

1 Accounting policies

Basis of preparation

These unaudited consolidated interim financial statements include Swisscom Ltd and all subsidiaries controlled directly or indirectly via a majority of the votes or in any other way (hereinafter referred to as Swisscom). The consolidated interim financial statements for the three months to 31 March 2012 were prepared in accordance with International Accounting Standard "IAS 34 Interim Financial Reporting" and should be read in conjunction with the consolidated annual financial statements for the financial year ended 31 December 2011. The consolidated interim financial statements were prepared in accordance with the accounting policies described in the 2011 consolidated financial statements.
In preparing the consolidated interim financial statements, management is required to make 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 is active 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 whole year. For the consolidated interim financial statements, a CHF/EUR exchange rate of 1.205 was used as the end-of-period rate (31 December 2011 CHF/EUR 1.216) and 1.205 as the average rate for the period (prior year: CHF/EUR 1.291).

Changes in International Financial Reporting Standards and Interpretations which are to be applied for the first time in the year under review

From 1 January 2012 Swisscom is applying various changes to existing International Financial Reporting Standards (IFRSs) and Interpretations, which have no material impact on the results of operations or financial situation of the Group.

Change in useful lives of fixed assets

The mobile network of Swisscom Switzerland is being subject to a complete renewal. The modernisation involves the replacement of all base stations, the new construction or upgrade of the scheduled stations and the extension of the mobile phone network with microcells. The useful lives of the existing assets will be shortened as a result of the replacement of all network equipment. The change is in accordance with IAS 8 and has been applied prospectively from 1 January 2012. The impact on depreciation for full-year 2012 amounts to CHF 25 million, of which CHF 7 million for the first quarter of 2012.

2 Segment information

Reportable operating segments are identified using the management approach, whereby external segment reporting is based on the internal organisational and management structure and the internal financial reports that are regularly reviewed by the chief operating decision maker. Swisscom's reporting is divided into the segments "Residential Customers", "Small and Medium-Sized Enterprises", "Corporate Business", "Wholesale" and "Network & IT", which are grouped together as "Swisscom Switzerland", as well as "Fastweb" and "Other operating segments". "Group Headquarters", which includes non-allocated costs, is reported separately.

Group Headquarters charges no financial management fees to other segments, nor does the Network & IT segment charge any network costs to other segments. Other intersegment services are billed at market prices. The results of the Residential Customers, Small and Medium-Sized Enterprises and Wholesale segments correspond to a contribution margin before network costs. The segment result of the Network & IT segment consists of operating expenses as well as depreciation and amortisation less capitalised self-constructed assets and other income. The total segment result for Swisscom Switzerland corresponds to the operating income (EBIT) of Swisscom Switzerland. The segment result for Fastweb and other operating segments corresponds to the operating income (EBIT) of these units. This covers net revenue from external customers and other segments less segment expense and depreciation, amortisation and impairments on property, plant and equipment as well as intangible assets. Segment expense includes goods and services purchased, personnel expense and other operating expenses less capitalised self-constructed assets and other income.

Cross-charging of services and sales of assets between the individual segments can result in unrealised gains or losses. These are eliminated and reported under segment information in the "Elimination" column.

Net revenue and results of the individual segments are as follows for the first three months of 2011 and 2012:

1.1.–31.3.2012, in CHF million	Swisscom Switzerland	Fastweb	Other operating segments	Group Head-quarters	Elimi-nation	Total
Net revenue from external customers	2,065	508	229	–	–	2,802
Net revenue with other segments	14	2	198	–	(214)	–
Net revenue	**2,079**	**510**	**427**	**–**	**(214)**	**2,802**
Segment result	**683**	**(47)**	**28**	**(37)**	**(4)**	**623**
Financial income and financial expense, net						(69)
Share of results of associates						6
Income before income taxes						**560**
Income tax expense						(104)
Net income						**456**

1.1.–31.3.2012, in CHF million	Residential Customers	Small and Medium-Sized Enterprises	Corporate Business	Wholesale	Network & IT	Elimination	Swisscom Switzerland
Net revenue from external customers	1,208	281	423	153	–	–	2,065
Net revenue with other segments	44	7	25	88	–	(150)	14
Net revenue	**1,252**	**288**	**448**	**241**	**–**	**(150)**	**2,079**
Segment result	**721**	**218**	**215**	**95**	**(566)**	**–**	683

1.1.–31.3.2011, in CHF million	Swisscom Switzerland	Fastweb	Other operating segments	Group Head-quarters	Elimi-nation	Total
Net revenue from external customers	2,067	559	236	–	–	2,862
Net revenue with other segments	14	3	178	2	(197)	–
Net revenue	**2,081**	**562**	**414**	**2**	**(197)**	**2,862**
Segment result	**695**	**(44)**	**27**	**(28)**	**(2)**	**648**
Financial income and financial expense, net						(42)
Share of results of associates						4
Income before income taxes						**610**
Income tax expense						(136)
Net income						**474**

1.1.–31.3.2011, in CHF million	Residential Customers	Small and Medium-Sized Enterprises	Corporate Business	Wholesale	Network & IT	Elimi-nation	Swisscom Switzerland
Net revenue from external customers	1,201	276	427	163	–	–	2,067
Net revenue with other segments	45	6	23	96	–	(156)	14
Net revenue	**1,246**	**282**	**450**	**259**	**–**	**(156)**	**2,081**
Segment result	**713**	**214**	**215**	**106**	**(553)**	**–**	**695**

3 Financial income and expense

In CHF million	1.1.–31.3.2012	1.1.–31.3.2011
Interest income	6	21
Interest expense	(64)	(67)
Net interest expense	**(58)**	**(46)**
(Foreign exchange losses) foreign exchange gains	(2)	12
Other financial income and expense, net	(9)	(8)
Financial income and financial expense, net	**(69)**	**(42)**

4 Goodwill and other intangible assets

The GSM and UMTS licences of Swisscom Switzerland expire at the end of 2013 and 2016 respectively. In November 2010 the Federal Communications Commission (ComCom) asked the Federal Office of Communication (OFCOM) to invite bids for all mobile frequencies that are available today and are due to become available at the end of 2013 and 2016. All mobile frequencies were newly auctioned in the first quarter of 2012 with a uniform term until 2028. Swisscom successfully acquired mobile frequencies in the auction for a total amount of CHF 360 million, which were recognised as a liability at 31 March 2012. The payment is scheduled to be made in mid-2012.

5 Investments in associates

Swisscom purchased a minority stake of 11.1% in the Italian company Metroweb on 21 March 2012 for a purchase price of EUR 37 million (CHF 45 million). Metroweb operates the largest fibre-optic network in Milan and Lombardy. As Swisscom can exert a significant influence on Metroweb, the company was included as an associate in the Swisscom consolidated financial statements.

6 Financial liabilities

In CHF million	31.3.2012	31.12.2011
Money market borrowings	–	130
Bank loans	103	158
Debenture bonds	369	326
Private placements	152	151
Finance lease liabilities	19	20
Other financial liabilities	27	19
Total current financial liabilities	**670**	**804**
Bank loans	1,011	1,019
Debenture bonds	4,873	4,873
Private placements	1,247	1,248
Finance lease liabilities	635	640
Other financial liabilities	260	247
Total non-current financial liabilities	**8,026**	**8,027**
Total financial liabilities	**8,696**	**8,831**

7 Provisions

In CHF million	Dismantlement and restoration costs	Regulatory proceedings	Other	Total
Balance at 31 December 2011	**549**	**131**	**223**	**903**
Additions of provisions	1	6	16	23
Present-value adjustments	2	–	1	3
Release of unused provisions	–	–	(7)	(7)
Use of provisions	–	–	(12)	(12)
Foreign currency translation adjustments	–	–	(1)	(1)
Balance at 31 March 2012	**552**	**137**	**220**	**909**
Thereof current provisions	–	46	129	175
Thereof non-current provisions	552	91	91	734

Provisions for dismantling and restoration costs

The provisions for dismantling and restoration costs relate to the dismantling of mobile base stations and transmitters of Swisscom Broadcast and the restoration of the land held by third-party owners to its original state. The provisions are measured based on estimated future dismantling costs and discounted using an average interest rate of 1.87%. The non-current portion of the provision is expected to be settled subsequent to 2020.

Provisions for regulatory proceedings

In accordance with the terms of the revised Telecommunications Act, Swisscom provides interconnection services and other access services to other providers of telecoms services in Switzerland. During the last few years a number of telecoms service providers have filed applications with the Federal Communications Commission (ComCom) calling for a reduction in the charges billed to them by Swisscom. On the basis of legal assessments Swisscom has in the past recognised provisions. The provisions recognised in the 2011 consolidated financial statements have not changed to any material extent in the current financial year.

Leased lines

In response to complaints filed by two telecoms service providers, ComCom declared with decrees dated 10 March 2010 that Swisscom held a dominant market position throughout Switzerland for all leased line transmission technologies of all bandwidths. The only exceptions were connections between communities for which there are at least two alternative offerings available in addition to Swisscom's offering. For this reason, ComCom ordered cost-based pricing for leased lines with bandwidths of 2 Mbps to 10 Gbps for the years 2007 to 2009, thereby lowering the prices billed by Swisscom by 15-30%. Swisscom appealed against these decisions on 26 April 2010. In its rulings of 28 February 2012 and 22 March 2012, the Federal Administrative Court largely rejected Swisscom's appeal. As a result of these rulings, Swisscom did not have to adjust the amount of provisions set aside in the past, however.

Other provisions

Other provisions mainly include provisions for the VAT proceedings against Fastweb, termination benefits, environmental, contractual and tax risks, as well as provisions for insurance claims. The other provisions recognised in the 2011 consolidated financial statements have not changed to any material extent in the current financial year.

8 Contingent liabilities

Competition Commission investigation into the relationship between ADSL wholesale prices and ADSL retail prices

In its decision of 5 November 2009, the Competition Commission imposed a fine of CHF 220 million on Swisscom for allegedly abusing its market-dominant position in the area of ADSL services. Swisscom appealed against this decision to the Federal Administrative Court on 7 December 2009. Based on a legal assessment, Swisscom is of the opinion that, as things stand at present, it is unlikely that the fine will be imposed and has therefore not recognised any provisions in its consolidated financial statements as at 31 March 2012. In the event of a court ruling that Swisscom has abused its market position, claims may be brought against Swisscom under civil law. Swisscom still considers it unlikely that such civil law claims could be enforced.

Other antitrust and regulatory proceedings

With regard to the other contingent liabilities described in the 2011 consolidated financial statements relating to antitrust and regulatory proceedings, Swisscom is of the opinion that it is unlikely that any fine will be imposed and has therefore not recognised any provisions in the consolidated financial statements as at 31 March 2012.

9 Related parties

Transactions between Swisscom and various related parties in the first three months of 2012 are similar to those described in the consolidated financial statements for 2011.

10 Events after the balance sheet date

Approval of the interim report

The Board of Directors of Swisscom Ltd approved the release of this interim report on 1 May 2012.

Dividend

The Annual General Meeting of Swisscom Ltd approved the payment of an ordinary dividend of CHF 22 per share on 4 April 2012. A total dividend amount of CHF 1,140 million was paid on 13 April 2012.

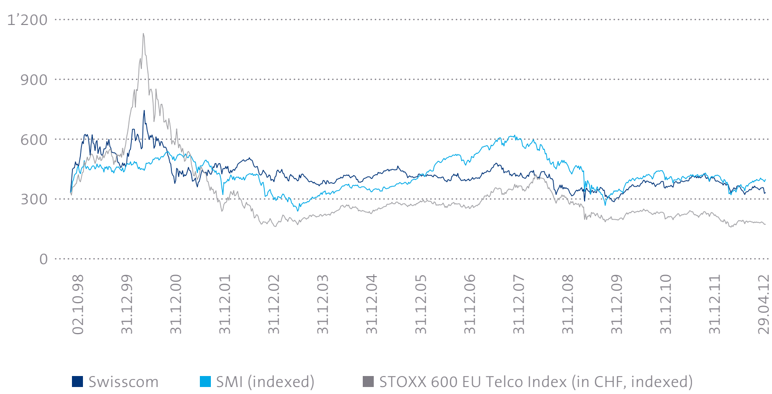
Share information

31.12.2011.–31.3.2012	**SIX Swiss Exchange**
Closing price at 31 December 2011, in CHF[1]	355.90
Closing price at 31 March 2012, in CHF[1]	364.90
Year high in CHF[1]	377.50
Year low in CHF[1]	350.50
Total volume of traded shares	7,227,168
Daily average of traded shares	112,925
Total turnover in CHF million	2,611.5
Daily average in CHF million	40.8

Source: Bloomberg
[1] paid prices

Share performance since the IPO

Share performance 1998–2012 in CHF



Share information

On 31 March 2012 the share capital consisted of a total of 51,801,943 registered shares, the majority of which are held by the Swiss Confederation in accordance with the terms of the Telecommunications Enterprise Act (TEA). The par value per registered share is CHF 1.
At the end of March 2012, Swisscom had 68,435 registered shareholders and 14% unregistered shareholdings.
At the Annual General Meeting of 4 April 2012 the shareholders of Swisscom Ltd approved a gross dividend payment of CHF 22 per share. A total dividend amount of CHF 1,140 million was paid on 13 April 2012.
Each registered share entitles the holder to one vote. Voting rights can only be exercised if the shareholder has been entered with voting rights in the share register of Swisscom Ltd. The Board of Directors may refuse to enter a shareholder with voting rights in the share register if such voting rights exceed 5% of the company's share capital.

Financial calendar

- 8 August 2012 Announcement of half-year results 2012
- 8 August 2012 Publication of 2012 Half-Year Report
- 8 November 2012 Announcement of interim results for the third quarter of 2012
- 8 November 2012 Publication of interim results for the third quarter of 2012
- 7 February 2013 Announcement of annual results 2012
- 7 February 2013 Publication of 2012 Annual Report
- 4 April 2013 Annual General Meeting

Stock exchanges

Swisscom shares are listed on the SIX Swiss Exchange and traded on the SIX Swiss Exchange under the ticker symbol "SCMN" (Securities No. 874251), and in the USA in the form of American Depositary Receipts (ADR) at a ratio of 1:10 (Over-the-Counter Level 1 programme) under the ticker symbol "SCMWY" (Pink Sheet No. 69769).

Stock exchange	Bloomberg	Reuters	SIX Telekurs
SIX Swiss Exchange, Zurich	SCMN:VX	SCMN.VX	SCMN

Quarterly review 2011 and 2012

In CHF million, except where indicated	1. quarter	2. quarter	3. quarter	4. quarter	2011	1. quarter	2. quarter	3. quarter	4. quarter	31.3.2012
Net revenue	**2,862**	**2,860**	**2,816**	**2,929**	**11,467**	**2,802**				**2,802**
Goods and services purchased	(599)	(578)	(552)	(673)	(2,402)	(555)				(555)
Personnel expense	(635)	(638)	(588)	(652)	(2,513)	(670)				(670)
Other operating expense	(577)	(578)	(574)	(659)	(2,388)	(564)				(564)
Capitalised self-constructed assets and other income	75	78	148	119	420	91				91
Operating income (EBITDA)	**1,126**	**1,144**	**1,250**	**1,064**	**4,584**	**1,104**				**1,104**
Depreciation and amortisation	(478)	(466)	(469)	(490)	(1,903)	(481)				(481)
Impairment losses on goodwill	–	–	–	(1,555)	(1,555)	–				–
Operating income (EBIT)	**648**	**678**	**781**	**(981)**	**1,126**	**623**				**623**
Net interest expense	(46)	(63)	(89)	(76)	(274)	(58)				(58)
Other financial result	4	(31)	10	(20)	(37)	(11)				(11)
Result of associates	4	5	9	12	30	6				6
Income before income taxes	**610**	**589**	**711**	**(1,065)**	**845**	**560**				**560**
Income tax expense	(136)	(101)	(145)	231	(151)	(104)				(104)
Net income	**474**	**488**	**566**	**(834)**	**694**	**456**				**456**
Attributable to equity holders of Swisscom Ltd	469	485	564	(835)	683	453				453
Attributable to non-controlling interests	5	3	2	1	11	3				3
Earnings per share in CHF	9.05	9.36	10.89	(16.11)	13.19	8.75				8.75
Net revenue by segments										
Swisscom Switzerland	2,081	2,101	2,114	2,153	8,449	2,079				2,079
Fastweb	562	546	492	551	2,151	510				510
Other operating segments	414	423	425	446	1,708	427				427
Group Headquarters	2	1	2	2	7	–				–
Intersegment elimination	(197)	(211)	(217)	(223)	(848)	(214)				(214)
Total net revenue	**2,862**	**2,860**	**2,816**	**2,929**	**11,467**	**2,802**				**2,802**
Segment result before depreciation and amortisation										
Swisscom Switzerland	948	948	986	896	3,778	940				940
Fastweb	139	152	212	120	623	131				131
Other operating segments	69	78	88	99	334	71				71
Group Headquarters	(25)	(30)	(30)	(44)	(129)	(33)				(33)
Intersegment elimination	(5)	(4)	(6)	(7)	(22)	(5)				(5)
Total segment result (EBITDA)	**1,126**	**1,144**	**1,250**	**1,064**	**4,584**	**1,104**				**1,104**
Capital expenditure in property, plant and equipment and other intangible assets										
Swisscom Switzerland	270	333	378	419	1,400	337				337
Fastweb	126	123	141	162	552	135				135
Other operating segments	32	36	45	56	169	36				36
Group Headquarters	–	–	–	1	1	–				–
Intersegment elimination	(6)	(5)	(8)	(8)	(27)	(6)				(6)
Total capital expenditure	**422**	**487**	**556**	**630**	**2,095**	**502**				**502**
Number of full-time equivalent employees at end of period										
Swisscom Switzerland	11,814	11,942	12,131	12,096	12,096	11,966				11,966
Fastweb	3,103	3,101	3,106	3,081	3,081	3,064				3,064
Other operating segments	4,394	4,431	4,428	4,515	4,515	4,537				4,537
Group Headquarters	353	355	367	369	369	347				347
Total full-time equivalent employees	**19,664**	**19,829**	**20,032**	**20,061**	**20,061**	**19,914**				**19,914**
Operating free cash flow	463	548	522	535	2,068	483				483
Net debt	8,559	9,356	8,789	8,309	8,309	8,390				8,390

Quarterly review 2011 and 2012

In CHF million, except where indicated	1. quarter	2. quarter	3. quarter	4. quarter	2011	1. quarter	2. quarter	3. quarter	4. quarter	31.3.2012
Swisscom Switzerland										
Revenue and results										
Residential Customers	491	513	531	490	2,025	465				465
Small and Medium-Sized Enterprises	116	123	127	122	488	119				119
Corporate Business	142	153	152	143	590	147				147
Revenue mobile single subscription	**749**	**789**	**810**	**755**	**3,103**	**731**				**731**
Residential Customers	405	384	369	361	1,519	354				354
Small and Medium-Sized Enterprises	141	138	138	135	552	136				136
Corporate Business	157	156	154	157	624	153				153
Revenue fixed-line single subscription	**703**	**678**	**661**	**653**	**2,695**	**643**				**643**
Residential Customers	151	172	196	218	737	233				233
Small and Medium-Sized Enterprises	11	13	14	17	55	20				20
Revenue bundles	**162**	**185**	**210**	**235**	**792**	**253**				**253**
Total revenue single subscription and bundles	**1,614**	**1,652**	**1,681**	**1,643**	**6,590**	**1,627**				**1,627**
Solution business	82	91	87	103	363	85				85
Hardware sold	140	129	115	148	532	137				137
Wholesale	163	151	151	144	609	153				153
Revenue other	68	65	67	102	302	63				63
Revenue from external customers	**2,067**	**2,088**	**2,101**	**2,140**	**8,396**	**2,065**				**2,065**
Residential Customers	1,201	1,213	1,232	1,260	4,906	1,208				1,208
Small and Medium-Sized Enterprises	276	282	287	282	1,127	281				281
Corporate Business	427	442	431	454	1,754	423				423
Wholesale	163	151	151	144	609	153				153
Revenue from external customers	**2,067**	**2,088**	**2,101**	**2,140**	**8,396**	**2,065**				**2,065**
Segment result before depreciation and amortisation										
Residential Customers	737	730	744	680	2,891	745				745
Small and Medium-Sized Enterprises	215	222	225	218	880	219				219
Corporate Business	229	246	250	246	971	231				231
Wholesale	106	93	100	92	391	95				95
Network & IT	(339)	(344)	(332)	(340)	(1,355)	(349)				(349)
Intersegment elimination	–	1	(1)	–	–	(1)				(1)
Segment result (EBITDA)	**948**	**948**	**986**	**896**	**3,778**	**940**				**940**
Margin as % of net revenue	45.6	45.1	46.6	41.6	44.7	45.2				45.2
Fastweb, in EUR million										
Residential Customers	191	194	186	187	758	182				182
Corporate Business	183	186	182	209	760	183				183
Wholesale hubbing	39	39	31	32	141	27				27
Wholesale other	20	19	18	22	79	29				29
Revenue from external customers	**433**	**438**	**417**	**450**	**1,738**	**421**				**421**
Segment result (EBITDA)	107	123	177	99	506	109				109
Margin as % of net revenue	24.7	28.1	42.4	22.0	29.1	25.9				25.9
Capital expenditure	98	99	119	132	448	112				112
Broadband access lines in thousand [1]	1,733	1,741	1,560	1,595	1,595	1,654				1,654

[1] As a result of the settlement of litigations, Fastweb reduced the number of access lines by 197,000 in the third quarter of 2011.

Quarterly review 2011 and 2012

In thousand, except where indicated	1. quarter	2. quarter	3. quarter	4. quarter	2011	1. quarter	2. quarter	3. quarter	4. quarter	31.3.2012
Swisscom Switzerland Operational data										
Single subscription	2,822	2,744	2,672	2,604	2,604	2,536				2,536
Bundles	380	425	471	516	516	557				557
Fixed access lines	**3,202**	**3,169**	**3,143**	**3,120**	**3,120**	**3,093**				**3,093**
Single subscription	1,141	1,106	1,072	1,047	1,047	1,023				1,023
Bundles	464	512	563	614	614	659				659
Broadband access lines retail	**1,605**	**1,618**	**1,635**	**1,661**	**1,661**	**1,682**				**1,682**
Single subscription	214	216	214	225	225	236				236
Bundles	255	296	342	383	383	419				419
Swisscom TV access lines	**469**	**512**	**556**	**608**	**608**	**655**				**655**
Prepaid single subscription	2,222	2,230	2,244	2,249	2,249	2,243				2,243
Postpaid single subscription	3,555	3,596	3,612	3,646	3,646	3,657				3,657
Mobile single subscription	**5,777**	**5,826**	**5,856**	**5,895**	**5,895**	**5,900**				**5,900**
Bundles	84	87	124	154	154	182				182
Mobile access lines	**5,861**	**5,913**	**5,980**	**6,049**	**6,049**	**6,082**				**6,082**
Broadband access lines wholesale	214	202	192	181	181	179				179
Unbundled fixed access lines	270	285	297	306	306	312				312
Bundles										
2Play bundles	209	216	221	231	231	240				240
3Play bundles	255	296	309	330	330	347				347
4Play bundles	–	–	33	53	53	72				72
Total bundles	**464**	**512**	**563**	**614**	**614**	**659**				**659**
Data traffic in million										
Fixed-line traffic in minutes	2,243	2,061	2,003	2,118	8,425	2,158				2,158
Mobile traffic in minutes	1,669	1,675	1,642	1,677	6,663	1,654				1,654
Data SMS mobile	724	730	747	739	2,940	691				691

Forward-looking statements

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