

2010

Interim Report
January–June



swisscom

Facts & Figures

in CHF millions, except where indicated		1. half-year 2010	1. half-year 2009	Change
Net revenue and results				
Net revenue		5,946	5,917	0.5%
Operating income before depreciation and amortisation (EBITDA) ¹		2,287	2,343	–2.4%
EBITDA as % of net revenue	%	38.5	39.6	
Operating income (EBIT) ²		1,297	1,391	–6.8%
Net income		873	1,020	–14.4%
Net income attributable to equity holders of Swisscom Ltd		887	1,014	–12.5%
Earnings per share	CHF	17.12	19.57	–12.5%
Balance sheet and cash flow				
Equity at end of period		5,753	5,820	–1.2%
Equity ratio at end of period ³	%	26.8	26.5	
Operating free cash flow ⁴		1,416	1,359	4.2%
Capital expenditure		814	860	–5.3%
Net debt at end of period ⁵		9,227	10,212	–9.6%
Employees				
Number of full-time equivalent employees at end of period	FTE	19,480	19,970	–2.5%
Average number of full-time equivalent employees	FTE	19,435	19,893	–2.3%
Operational data				
Telephone access lines in Switzerland ⁶	in thousands	3,502	3,561	–1.7%
Broadband access lines retail in Switzerland	in thousands	1,530	1,410	8.5%
Broadband access lines wholesale in Switzerland	in thousands	260	390	–33.3%
Mobile subscribers in Switzerland	in thousands	5,691	5,472	4.0%
Swisscom TV subscribers in Switzerland	in thousands	317	165	92.1%
Broadband subscribers in Italy	in thousands	1,694	1,575	7.6%
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	53.441	–3.1%
Average number of shares outstanding	in mio.	51.799	51.801	–
Quoted price at end of period	CHF	366.90	333.50	10.0%
Market capitalisation at end of period ⁷		19,005	17,276	10.0%

¹ Definition operating income before depreciation and amortisation (EBITDA): operating income before depreciation, amortisation and impairment on tangible and intangible assets, gain on sale of subsidiaries, net financial result, share of profit of investments in associates and income tax expense.

² Definition operating income (EBIT): operating income before gain on sale of subsidiaries, net financial result, share of profit of investments in 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 minority interests.

⁵ Definition net debt: financial liabilities less cash and cash equivalents, current financial assets and non-current fixed interest-bearing financial deposits.

⁶ Definition telephone access lines in Switzerland: number of access lines PSTN/ISDN and unbundled fixed access lines in Switzerland.

⁷ Closing price at the end of period, multiplied by number of shares outstanding at end of period.

Financial Review

Summary

in CHF millions, except where indicated	1. half-year 2010	1. half-year 2009	Change
Net revenue	5,946	5,917	0.5%
Operating income before depreciation and amortisation (EBITDA)	2,287	2,343	−2.4%
EBITDA as % of net revenue	38.5	39.6	
Operating income (EBIT)	1,297	1,391	−6.8%
Net income	873	1,020	−14.4%
Earnings per share (in CHF)	17.12	19.57	−12.5%
Operating free cash flow	1,416	1,359	4.2%
Capital expenditure	814	860	−5.3%
Net debt at end of period	9,227	10,212	−9.6%
Number of full-time equivalent employees at end of period	19,480	19,970	−2.5%

- In the first half of 2010, Swisscom's net revenue increased by CHF 29 million or 0.5% to CHF 5,946 million. At constant exchange rates, the increase was 1.8%. The Group's Italian subsidiary Fastweb reported a 1.7% increase in net revenue in local currency to EUR 935 million. Net revenue excluding Fastweb increased by 1.9% to CHF 4,623 million, which can be attributed in particular to the economic recovery, acquisitions made by Swisscom IT Services and growth in mobile communications and in bundled products.
- In the first quarter of 2010, a provision of EUR 70 million (CHF 102 million) was set aside for proceedings against Fastweb on the grounds of alleged VAT fraud. This provision was established as a result of an investigation report against Fastweb and other persons and companies relating to VAT fraud and criminal association published by Italian investigating authorities on 23 February 2010.
- Operating income before depreciation and amortisation (EBITDA) fell by CHF 56 million or 2.4% in the first six months of 2010 to CHF 2,287 million. Adjusted for the provision made in the first quarter of 2010 for the VAT proceedings against Fastweb and currency effects, EBITDA increased by 2.8% compared with the previous year, resulting in an adjusted EBITDA margin of 40.5%.
- Net income was down year-on-year by CHF 147 million or 14.4% to CHF 873 million, primarily as a result of the provision for VAT proceedings against Fastweb. Higher depreciation and amortisation and negative currency effects in the financial result also lowered net income.
- The decrease of CHF 46 million or 5.3% in capital expenditure to CHF 814 million is primarily attributable to differences in the timing of investments. Adjusted for currency effects, capital expenditure fell by 3.4%.
- Operating free cash flow rose by CHF 57 million or 4.2% to CHF 1,416 million, due primarily to lower capital expenditure as well as lower dividend payments to minority interests.
- Net debt was reduced within twelve months by CHF 985 million to CHF 9,227 million.
- The number of employees at the end of the reporting period was 19,480 full-time equivalent employees, down by 2.5% or 490. The decrease was chiefly attributable to improvements in efficiency and Swisscom's withdrawal from broadband business in Eastern Europe. Headcount remained virtually stable versus the end of 2009 as the decline at Swisscom Switzerland has been offset by acquisitions made by Swisscom IT Services.
- Excluding the provision for the VAT proceedings against Fastweb, the financial outlook for the 2010 financial year remains unchanged. Excluding Fastweb, Swisscom expects to close 2010 with net revenue of around CHF 9.15 billion, EBITDA of around CHF 3.75 billion and capital expenditure of around CHF 1.3 billion. Fastweb is expected to post revenue of around EUR 1.95 billion, EBITDA (excluding the provision for VAT proceedings) of around EUR 580 million and capital expenditure of approximately EUR 410 million. Excluding any special payments of provisions for legal proceedings, Group operating free cash flow including Fastweb will be around CHF 2.6 billion.

Segment results

in CHF millions	2. quarter 2010	2. quarter 2009	Change	1. half-year 2010	1. half-year 2009	Change
Swisscom Switzerland	2,132	2,113	0.9%	4,223	4,192	0.7%
Fastweb	659	719	–8.3%	1,331	1,383	–3.8%
Other Operating segments	420	411	2.2%	828	818	1.2%
Group Headquarters	2	2	–	3	3	–
Intersegment elimination	(220)	(244)	–9.8%	(439)	(479)	–8.4%
Total net revenue	2,993	3,001	–0.3%	5,946	5,917	0.5%

in CHF millions	2. quarter 2010	2. quarter 2009	Change	1. half-year 2010	1. half-year 2009	Change
Swisscom Switzerland	972	938	3.6%	1,901	1,857	2.4%
Fastweb	203	217	–6.5%	285	399	–28.6%
Other Operating segments	86	95	–9.5%	167	161	3.7%
Group Headquarters	(29)	(34)	–14.7%	(61)	(68)	–10.3%
Intersegment elimination	(3)	(12)	–75.0%	(5)	(6)	–16.7%
Total operating income before depreciation and amortisation (EBITDA)	1,229	1,204	2.1%	2,287	2,343	–2.4%

Reporting for Swisscom is divided into the segments “Residential Customers”, “Small and Medium-Sized Enterprises”, “Corporate Business”, “Wholesale” and “Networks”, which are regrouped into “Swisscom Switzerland”, as well as “Fastweb” and “Other operating segments”. “Group Headquarters”, which includes non-allocated costs, is reported separately.

In the segmental reporting, the divisions of Swisscom Switzerland are reported as individual segments. The support functions of finance, human resources and strategy of Swisscom Switzerland are included in the “Networks” division. Reported revenue and results of the segments correspond to the internal reporting system. No network costs are charged for the financial management of customer segments. The results of the customer segments “Residential Customers”, “Small and Medium-Sized Enterprises”, “Corporate Business” and “Wholesale” therefore correspond to a contribution margin before network costs. Network costs are budgeted, monitored and controlled by the “Networks” division, which is managed as a cost centre. Consequently, no revenue is credited to the “Networks” segment in the context of segment reporting. The segment result of the “Networks” segment consists of operating expenses as well as depreciation and amortisation less capitalised self-constructed assets and other income. The total segment result of Swisscom Switzerland corresponds to the operating income (EBIT) of Swisscom Switzerland. To further improve customer care, a new customer relationship management system was introduced at the end of 2009. The new system has partially altered the way the volumes are counted for mobile and fixed-line communications and has made certain adjustments, in the case of internally used lines, for instance. The previous year’s figures have been restated accordingly.

The segment result of “Fastweb” and “Other operating segments” corresponds to the operating income (EBIT) of these units. This covers revenue from external customers and other segments less segment expenses and depreciation, amortisation and impairment losses on property, plant and equipment as well as intangible assets. Segment expenses include goods and services purchased, personnel expenses and other operating expenses less capitalised self-constructed assets and other income. “Group Headquarters” does not charge management fees to other segments for financial management, nor does the “Networks” segment charge any network costs to other segments. Other inter-segment services are billed at market prices.

in CHF millions, except where indicated	2. quarter 2010	2. quarter 2009	Change	1. half-year 2010	1. half-year 2009	Change
Net revenue						
Revenue from external customers	2,115	2,093	1.1%	4,190	4,153	0.9%
Intersegment revenue	17	20	–15.0%	33	39	–15.4%
Net revenue Swisscom Switzerland	2,132	2,113	0.9%	4,223	4,192	0.7%
Direct costs	(434)	(449)	–3.3%	(873)	(874)	–0.1%
Indirect costs (including capitalised costs and other income)	(726)	(726)	–	(1,449)	(1,461)	–0.8%
Total segment expense	(1,160)	(1,175)	–1.3%	(2,322)	(2,335)	–0.6%
Segment result before depreciation and amortisation	972	938	3.6%	1,901	1,857	2.4%
<i>Margin as % of net revenue</i>	45.6	44.4		45.0	44.3	
Depreciation, amortisation and impairment	(254)	(236)	7.6%	(518)	(475)	9.1%
Segment result	718	702	2.3%	1,383	1,382	0.1%
Capital expenditure and number of employees						
Capital expenditure	259	272	–4.8%	481	479	0.4%
Number of full-time equivalent employees at end of period				11,710	12,104	–3.3%
Operational data in thousands, except where indicated						
Access lines PSTN/ISDN				3,283	3,479	–5.6%
Unbundled fixed access lines				219	82	167.1%
Total PSTN/ISDN and full access lines				3,502	3,561	–1.7%
Broadband access lines retail				1,530	1,410	8.5%
Broadband access lines wholesale				260	390	–33.3%
Total broadband access lines				1,790	1,800	–0.6%
Swisscom TV subscribers				317	165	92.1%
Mobile subscribers				5,691	5,472	4.0%
Average revenue in CHF per mobile user (ARPU) per month	50	51	–2.0%	49	50	–2.0%
Average minutes per mobile user (AMPU) per month	119	115	3.5%	118	114	3.5%

Swisscom Switzerland's revenue from external customers rose by CHF 37 million or 0.9% in the first half-year to CHF 4,190 million (+1.1% in the second quarter), largely due to the economic recovery, growth in the customer base and in mobile data business as well as an increase in sales of multifunctional mobile devices (smartphones). The trend towards bundled offerings and new price models (flat-rate tariffs) continued during the reporting period. The number of PSTN/ISDN access lines decreased by 196,000 or 5.6% (–47,000 in the second quarter) to just under 3.3 million. In addition to the loss of market share to cable network operators, this decline is primarily a result of the year-on-year increase of 137,000 in unbundled access lines to 219,000 (+27,000 subscribers in the second quarter). The unbundling of access lines is also the major reason for the declining number of broadband lines with wholesale customers, which fell by 130,000 to 260,000 (–33,000 in the second quarter). On the other hand, the number of broadband access lines with retail customers increased year-on-year by 120,000 or 8.5% to over 1.5 million (+21,000 in the second quarter). The growth in Swisscom TV subscribers continued in the second quarter, with an increase of 42,000. Compared with the previous year, the number of subscribers almost doubled to 317,000 as at the end of June 2010. The number of mobile subscribers increased year-on-year by 219,000 or 4.0% to 5.7 million (+41,000 subscribers in the second quarter), while average monthly revenue per mobile user (ARPU) fell by 2.0% to CHF 49 due to price reductions and new tariff models. At CHF 1,901 million, the segment result before depreciation and amortisation was CHF 44 million or 2.4% higher than the previous-year level (+3.6% in the second quarter). This was due to revenue growth and cost savings, which increased the EBITDA margin from 44.3% to 45.0%.

Residential Customers

The Residential Customers segment mainly comprises 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 and TV services, handset sales and directory business. The following table lists the key figures for the Residential Customers segment:

in CHF millions, except where indicated	2. quarter 2010	2. quarter 2009	Change	1. half-year 2010	1. half-year 2009	Change
Net revenue and segment result						
Revenue from external customers	1,206	1,186	1.7%	2,392	2,340	2.2%
Intersegment revenue	75	73	2.7%	147	142	3.5%
Net revenue	1,281	1,259	1.7%	2,539	2,482	2.3%
Direct costs	(297)	(296)	0.3%	(602)	(573)	5.1%
Indirect costs (including capitalised costs and other income)	(206)	(210)	−1.9%	(412)	(429)	−4.0%
Total segment expense	(503)	(506)	−0.6%	(1,014)	(1,002)	1.2%
Segment result before depreciation and amortisation	778	753	3.3%	1,525	1,480	3.0%
<i>Margin as % of net revenue</i>	60.7	59.8		60.1	59.6	
Depreciation, amortisation and impairment	(26)	(23)	13.0%	(51)	(45)	13.3%
Segment result	752	730	3.0%	1,474	1,435	2.7%
Capital expenditure and number of employees						
Capital expenditure	30	35	−14.3%	58	67	−13.4%
Number of full-time equivalent employees at end of period				4,586	4,785	−4.2%
Operational data in thousands, except where indicated						
Access lines PSTN/ISDN				2,537	2,725	−6.9%
Broadband access lines				1,349	1,246	8.3%
Swisscom TV subscribers				308	165	86.7%
Mobile subscribers				4,450	4,352	2.3%
Average revenue in CHF per mobile user (ARPU) per month	42	43	−2.3%	41	42	−2.4%
Average minutes per mobile user (AMPU) per month	101	96	5.2%	101	95	6.3%

Revenue from external customers increased year-on-year by CHF 52 million or 2.2% to CHF 2,392 million (+1.7% in the second quarter), largely due to the economic recovery, growth in the customer base and in mobile data business as well as an increase in sales of multifunctional mobile devices (smartphones). Mobile revenue was up slightly as a result of the increase in the number of subscribers and the increasing use of mobile services, despite continuing price erosion and the introduction of new tariff models (flat-rate tariffs). The net number of mobile subscribers increased year-on-year by 98,000 or 2.3% to 4.45 million (+12,000 in the second quarter). The 2.4% drop in average monthly revenue per user (ARPU) from CHF 42 to CHF 41 was mainly attributable to falling prices. The decline in traditional fixed-network voice and telephone line business was largely offset by the growing number of customers for broadband, Swisscom TV and bundled offerings. The number of broadband access lines rose year-on-year by 8.3% to a net 103,000 to CHF 1.35 million (+16,000 in the second quarter), while the number of Swisscom TV subscribers almost doubled within a year. As of the end of June 2010 Swisscom TV had 308,000 subscribers.

Segment expenses in the second quarter were largely unchanged compared with the previous year. Throughout the first half of the year, segment expenses increased by CHF 12 million or 1.2% to CHF 1,014 million. Direct costs rose by CHF 29 million or 5.1% to CHF 602 million, mainly due to an increase in smartphone sales as well as higher costs for customer acquisition and retention, while indirect costs fell by CHF 17 million or 4.0% to CHF 412 million. Personnel expenses were down as a result of the lower headcount, which decreased year-on-year by 199 or 4.2% to 4,586 full-time equiv-

alent employees due to improvements in efficiency. Combined with further reductions in other indirect costs, the segment result before depreciation and amortisation increased by CHF 45 million or 3.0% to CHF 1,525 million (+3.3% in the second quarter).

Small and Medium-Sized Enterprises

The Small and Medium-Sized Enterprises segment mainly comprises access fees for broadband services, fixed and mobile subscriptions as well as national and international telephone and data traffic for small and medium-sized enterprises. The following table lists the key figures for the Small and Medium-Sized Enterprises segment:

in CHF millions, except where indicated	2. quarter 2010	2. quarter 2009	Change	1. half-year 2010	1. half-year 2009	Change
Net revenue and segment result						
Revenue from external customers	283	272	4.0%	554	538	3.0%
Intersegment revenue	13	15	–13.3%	27	28	–3.6%
Net revenue	296	287	3.1%	581	566	2.7%
Direct costs	(43)	(46)	–6.5%	(85)	(84)	1.2%
Indirect costs (including capitalised costs and other income)	(33)	(38)	–13.2%	(66)	(68)	–2.9%
Total segment expense	(76)	(84)	–9.5%	(151)	(152)	–0.7%
Segment result before depreciation and amortisation	220	203	8.4%	430	414	3.9%
<i>Margin as % of net revenue</i>	<i>74.3</i>	<i>70.7</i>		<i>74.0</i>	<i>73.1</i>	
Depreciation, amortisation and impairment	(1)	–	–	(2)	(1)	–
Segment result	219	203	7.9%	428	413	3.6%
Capital expenditure and number of employees						
Capital expenditure	2	3	–33.3%	3	7	–57.1%
Number of full-time equivalent employees at end of period				751	779	–3.6%
Operational data in thousands, except where indicated						
Access lines PSTN/ISDN				513	510	0.6%
Broadband access lines				152	138	10.1%
Swisscom TV subscribers				9	–	–
Mobile subscribers				477	436	9.4%
Average revenue in CHF per mobile user (ARPU) per month	95	98	–3.1%	92	95	–3.2%
Average minutes per mobile user (AMPU) per month	213	211	0.9%	208	207	0.5%

Revenue from external customers increased year-on-year by CHF 16 million or 3.0% to CHF 554 million (+4.0% in the second quarter). On the one hand, this increase was driven by growth in the number of mobile subscribers and higher revenue generated by mobile data services. On the other hand, revenue in the fixed network remained at the previous-year level thanks to the increase in the number of broadband access lines and bundled products, despite a reduction in traffic and lower tariffs. The number of mobile subscribers increased by 41,000 or 9.4% year-on-year to 477,000 (+9,000 mobile subscribers in the second quarter). Average monthly revenue per mobile user (ARPU) fell by 3.2% to CHF 92 as a result of new tariff models and price reductions. The number of broadband access lines increased year-on-year by 10.1% or 14,000 access lines to 152,000 (+4,000 in the second quarter). Segment expenses in the first half of the year remained stable at CHF 151 million compared with the previous year thanks to cost savings of CHF 8 million in the second quarter. The segment result before depreciation and amortisation was up CHF 16 million or 3.9% year-on-year to CHF 430 million (+8.4% in the second quarter), while headcount was down year-on-year by 28 full-time equivalent employees or 3.6% to 751.

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 comprehensive range of services for the planning, installation, commissioning, maintenance and operation of fixed and mobile network infrastructures and associated IT systems. The following table lists the key figures for the Corporate Business segment:

in CHF millions, except where indicated	2. quarter 2010	2. quarter 2009	Change	1. half-year 2010	1. half-year 2009	Change
Net revenue and segment result						
Revenue from external customers	434	418	3.8%	848	830	2.2%
Intersegment revenue	33	38	-13.2%	65	77	-15.6%
Net revenue	467	456	2.4%	913	907	0.7%
Direct costs	(108)	(108)	—	(210)	(210)	—
Indirect costs (including capitalised costs and other income)	(107)	(108)	-0.9%	(214)	(224)	-4.5%
Total segment expense	(215)	(216)	-0.5%	(424)	(434)	-2.3%
Segment result before depreciation and amortisation	252	240	5.0%	489	473	3.4%
<i>Margin as % of net revenue</i>	54.0	52.6		53.6	52.1	
Depreciation, amortisation and impairment	(14)	(12)	16.7%	(27)	(25)	8.0%
Segment result	238	228	4.4%	462	448	3.1%
Capital expenditure and number of employees						
Capital expenditure	16	21	-23.8%	30	39	-23.1%
Number of full-time equivalent employees at end of period				2,213	2,248	-1.6%
Operational data in thousands, except where indicated						
Access lines PSTN/ISDN				233	244	-4.5%
Broadband access lines				29	26	11.5%
Mobile subscribers				764	684	11.7%
Average revenue in CHF per mobile user (ARPU) per month	70	73	-4.1%	68	73	-6.8%
Average minutes per mobile user (AMPU) per month	168	180	-6.7%	168	181	-7.2%

Revenue from external customers increased year-on-year by CHF 18 million or 2.2% to CHF 848 million (+3.8% in the second quarter). This increase is attributable in the main to higher business volumes in outsourcing and project business following the economic recovery and the growing demand for mobile data services. This more than offsets the decline in prices and volumes in the fixed-network sector and lower traffic and subscription prices in the mobile sector. Average monthly revenue per mobile user (ARPU) declined by 6.8% to CHF 68. The 7.2% reduction in the average number of minutes per mobile user per month (AMPU) to 168 minutes is largely attributable to the shift in usage to mobile data services.

Despite stable development in the second quarter, segment expenses fell by CHF 10 million or 2.3% year-on-year to CHF 424 million. In terms of direct costs, lower traffic fees were offset by higher expenses in connection with the increased revenue from outsourcing and project business, while the decline in segment expenses can be explained by savings in indirect costs. Headcount declined by 35 or 1.6% to 2,213 full-time equivalent employees. The segment result before depreciation and amortisation was up CHF 16 million or 3.4% year-on-year to CHF 489 million (+5.0% in the second quarter).

Wholesale

Wholesale primarily covers the use of Swisscom fixed and mobile networks by other telecommunication providers as well as the use of third-party networks by Swisscom. In addition, it includes roaming by 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 telecommunication providers. The following table lists the key figures for the Wholesale segment:

in CHF millions, except where indicated	2. quarter 2010	2. quarter 2009	Change	1. half-year 2010	1. half-year 2009	Change
Net revenue and segment result						
Revenue from external customers	192	217	–11.5%	396	445	–11.0%
Intersegment revenue	138	144	–4.2%	260	271	–4.1%
Net revenue	330	361	–8.6%	656	716	–8.4%
Direct costs	(216)	(236)	–8.5%	(417)	(457)	–8.8%
Indirect costs (including capitalised costs and other income)	(5)	(3)	66.7%	(11)	(10)	10.0%
Total segment expense	(221)	(239)	–7.5%	(428)	(467)	–8.4%
Segment result	109	122	–10.7%	228	249	–8.4%
<i>Margin as % of net revenue</i>	33.0	33.8		34.8	34.8	
Number of employees						
Number of full-time equivalent employees at end of period				103	89	15.7%
Operational data in thousands, except where indicated						
Broadband access lines				260	390	–33.3%
Unbundled fixed access lines				219	82	167.1%

Revenue from external customers fell by CHF 49 million or 11.0% in the first half of 2010 to CHF 396 million (–11.5% in the second quarter). As a result of lower prices and volumes, revenue from interconnection services declined. Mobile revenue increased slightly year-on-year, as the increase in revenue from roaming by foreign customers on the Swisscom mobile network was greater than the decline in revenue as a result of lower termination charges. Other declines in revenue were attributable to a reduction in data services and the continuing unbundling of the local loop. The number of wholesale broadband access lines fell by a third year-on-year to 260,000, while the number of unbundled access lines increased by 137,000 to 219,000 in the same period. Revenue from other segments was down CHF 11 million or 4.1% in the first half of 2010 to CHF 260 million (–4.2% in the second quarter), mainly as a result of lower termination charges.

Segment expenses decreased year-on-year by CHF 39 million or 8.4% to CHF 428 million (–7.5% in the second quarter), which is primarily attributable to the decrease in direct costs as a result of the reduction in termination charges and lower volumes in interconnection services. The segment result in the first half of 2010 was down CHF 21 million or 8.4% (–10.7% in the second quarter), mainly as a result of a decline in revenue from external customers. The decline in inter-segment revenue had only a minimal impact on segment result.

Networks

The Networks 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, namely finance, human resources and strategy. Since expenses incurred are not charged to individual business units, the segment discloses costs only and no revenue. The following table lists the key figures for the Networks segment:

in CHF millions, except where indicated	2. quarter 2010	2. quarter 2009	Change	1. half-year 2010	1. half-year 2009	Change
Segment result						
Operating expenses	(429)	(426)	0.7%	(857)	(849)	0.9%
Capitalised costs of self-constructed assets and other income	43	45	−4.4%	87	90	−3.3%
Segment result before depreciation and amortisation	(386)	(381)	1.3%	(770)	(759)	1.4%
Depreciation, amortisation and impairment	(213)	(199)	7.0%	(438)	(404)	8.4%
Segment result	(599)	(580)	3.3%	(1,208)	(1,163)	3.9%
Capital expenditure and number of employees						
Capital expenditure	210	212	−0.9%	390	366	6.6%
Number of full-time equivalent employees at end of period				4,057	4,203	−3.5%

The segment result before depreciation and amortisation declined by CHF 11 million or 1.4% in the first half of 2010 to CHF −770 million (down 1.3% in the second quarter), largely due to higher costs relating to job reductions. Recurring costs were reduced as a result of improvements in efficiency and the associated reduction in headcount. Headcount decreased year-on-year by 146 or 3.5% to 4,057 full-time equivalent employees. The segment result was down CHF 45 million or 3.9% in the first half of 2010 to CHF −1,208 million (down 3.3% in the second quarter). The main reason for this is the increase in depreciation and amortisation of CHF 34 million or 8.4% to CHF 438 million (+7.0% in the second quarter) as a result of investments in 2009 in a new customer relationship management system, which are amortised over the estimated useful life using the straight-line method from the beginning of 2010. The increase in capital expenditure of CHF 24 million or 6.6% to CHF 390 million is primarily due to increased investment activity in connection with the expansion of the fibre-optic network and the launch of a new communication platform based on IP technology.

Fastweb

Fastweb is one of Italy's largest providers of broadband telecommunications services, with a product portfolio that covers voice, data, Internet and IPTV services as well as video-on-demand for residential and business customers. Fastweb also delivers mobile services based on MVNO (mobile virtual network operator) contracts, and provides a comprehensive range of network services and customised solutions. In local currency terms (EUR), Fastweb's key figures are as follows:

EUR millions, except where indicated	2. quarter 2010	2. quarter 2009	Change	1. half-year 2010	1. half-year 2009	Change
Net revenue and segment result						
Revenue from external customers	470	473	−0.6%	930	916	1.5%
Intersegment revenue	3	2	50.0%	5	3	66.7%
Net revenue	473	475	−0.4%	935	919	1.7%
Operating expenses	(344)	(369)	−6.8%	(763)	(709)	7.6%
Capitalised costs of self-constructed assets and other income	14	37	−62.2%	28	55	−49.1%
Total segment expense	(330)	(332)	−0.6%	(735)	(654)	12.4%
Segment result before depreciation and amortisation	143	143	–	200	265	−24.5%
<i>Margin as % of net revenue</i>	30.2	30.1		21.4	28.8	
Depreciation, amortisation and impairment	(136)	(125)	8.8%	(266)	(246)	8.1%
Segment result	7	18	−61.1%	(66)	19	–
Capital expenditure and number of employees						
Capital expenditure	107	134	−20.1%	206	217	−5.1%
Number of full-time equivalent employees at end of period				3,133	3,096	1.2%
Number of subscribers in thousands						
Broadband subscribers				1,694	1,575	7.6%

Fastweb's net revenue increased by EUR 16 million or 1.7% year-on-year to EUR 935 million (−0.4% in the second quarter), with the number of broadband subscribers increasing by a net 119,000 or 7.6% year-on-year to 1.7 million. Residential customers accounted for 38%, small and medium-sized enterprises 22% and corporate customers 40% of net revenue. Revenue from residential customers rose by 2.5% to EUR 356 million (+2.3% in the second quarter), driven by subscriber growth. Revenue from business customers increased by 0.8% in the first half of the year to EUR 574 million (−2.3% in the second quarter). The decline in revenue in the second quarter is primarily attributable to additional contracts with government agencies in the previous year.

As a result of the ongoing VAT investigations, a provision of EUR 70 million was recognised under other operating expenses in the first quarter of 2010. This provision was charged in Fastweb's accounts in the fourth quarter of 2009. The segment result before depreciation and amortisation (EBITDA) was down by 24.5% year-on-year to EUR 200 million as a result of this provision. Adjusted for this one-off item, EBITDA was up by EUR 5 million or 1.9% to EUR 270 million. The adjusted EBITDA margin was unchanged year-on-year at around 29%.

At 30 June 2010, headcount was 3,133 full-time equivalent employees, equivalent to a year-on-year increase of 37 or 1.2%. The increase in headcount is a result of the expansion of the sales department. Capital expenditure fell by EUR 11 million or 5.1% in the first half of 2010 to EUR 206 million, due to differences in the timing of investments. Some 42% of the capital expenditure made was directly connected to customer growth.

Fastweb is included in Swisscom's consolidated financial statements as at 30 June 2010 as follows:

in CHF millions	2. quarter 2010	2. quarter 2009	Change	1. half-year 2010	1. half-year 2009	Change
Revenue from external customers	655	716	–8.5%	1,323	1,379	–4.1%
Segment result before depreciation and amortisation	203	217	–6.5%	285	399	–28.6%
Capital expenditure	149	202	–26.2%	293	326	–10.1%

The average CHF/EUR exchange rate fell by 5.4% year-on-year. The weakening of the euro negatively impacted revenue from external customers by CHF 76 million and the segment result before depreciation and amortisation by CHF 16 million in Swisscom's consolidated financial statements. In Swiss franc terms, Fastweb's revenue from external customers fell by 4.1% compared with an increase of 1.5% in local currency terms. The segment result before depreciation and amortisation was down 28.6% in the reporting currency, compared with just 24.5% in local currency terms.

Other operating segments

Other operating segments mainly comprise the operating segments Swisscom IT Services, Swisscom Participations and Hospitality Services. Swisscom IT Services include the Group companies Swisscom IT Services Ltd, Comit Ltd and the acquired companies Sourcag Ltd and Resource Ltd (from June 2009) as well as Panatronic (Switzerland) Ltd (from May 2010). Swisscom Participations essentially comprises Swisscom Broadcast Ltd, Swisscom Immobilien Ltd, Cablex Ltd, Billag Ltd, Alphapay Ltd, Curabill Ltd and the Sicap Group. The acquired Weco Inkasso Ltd has been included since the end of October 2009. The following table lists the key figures for Other operating segments:

in CHF millions, except where indicated	2. quarter 2010	2. quarter 2009	Change	1. half-year 2010	1. half-year 2009	Change
Net revenue and segment result						
Swisscom IT Services	123	92	33.7%	240	184	30.4%
Swisscom Participations	81	78	3.8%	155	158	–1.9%
Hospitality Services	19	19	–	37	38	–2.6%
Others	–	2	–	1	4	–75.0%
Revenue from external customers	223	191	16.8%	433	384	12.8%
Intersegment revenue	197	220	–10.5%	395	434	–9.0%
Net revenue	420	411	2.2%	828	818	1.2%
Operating expenses	(346)	(337)	2.7%	(682)	(682)	–
Capitalised costs of self-constructed assets and other income	12	21	–42.9%	21	25	–16.0%
Total segment expense	(334)	(316)	5.7%	(661)	(657)	0.6%
Segment result before depreciation and amortisation	86	95	–9.5%	167	161	3.7%
<i>Margin as % of net revenue</i>	20.5	23.1		20.2	19.7	
Depreciation, amortisation and impairment	(44)	(53)	–17.0%	(92)	(109)	–15.6%
Segment result	42	42	–	75	52	44.2%
Capital expenditure and number of employees						
Capital expenditure	24	40	–40.0%	43	61	–29.5%
Number of full-time equivalent employees at end of period				4,296	4,437	–3.2%

Revenue from external customers increased by CHF 49 million or 12.8% in the first half of 2010 to CHF 433 million (+16.8% in the second quarter). Swisscom IT Services' revenue from external customers increased by CHF 56 million or 30.4% to CHF 240 million (+33.7% in the second quarter). Excluding acquisitions, revenue from external customers was up CHF 18 million or 9.8% year-on-year (CHF 8 million in the second quarter), mainly as a result of project and outsourcing contracts concluded in

the previous year. Swisscom Participations recorded a CHF 3 million or 1.9% drop in revenue from external customers to CHF 155 million, which was mainly attributable to the outsourcing of Swisscom Real Estate's facility management operations in the previous year. This is also the main reason for the decline in revenue from other segments of CHF 39 million or 9.0% to CHF 395 million. The lower volume of services procured from Swisscom IT Services by other segments also contributed to the drop in revenue from other segments.

At CHF 661 million, segment expenses remained at the previous-year level. The increases due to various acquisitions by Swisscom IT Services were offset by decreases as a result of the outsourcing of Swisscom Real Estate's facility management operations as well as the withdrawal from the broadband market in Eastern Europe. At 4,296 full-time equivalent employees, headcount at 30 June 2010 was 141 or 3.2% lower than a year earlier. The increase due to acquisitions was more than offset by the withdrawal from the broadband market in Eastern Europe. The segment result before depreciation and amortisation increased by CHF 6 million or 3.7% in the first half of 2010 to CHF 167 million. In the second quarter of 2010, the segment result before depreciation and amortisation fell by CHF 9 million or 9.5%, chiefly due to non-recurring income in the previous year.

Group Headquarters

Group Headquarters comprises the Group divisions and the employment agency Worklink. The following table lists the key figures for Group Headquarters:

in CHF millions, except where indicated	2. quarter 2010	2. quarter 2009	Change	1. half-year 2010	1. half-year 2009	Change
Net revenue and operating income						
Net revenue	2	2	–	3	3	–
Operating expenses	(49)	(57)	–14.0%	(100)	(109)	–8.3%
Capitalised costs of self-constructed assets and other income	18	21	–14.3%	36	38	–5.3%
Operating income before depreciation and amortisation (EBITDA)	(29)	(34)	–14.7%	(61)	(68)	–10.3%
Depreciation, amortisation and impairment	(4)	(2)	–	(6)	(5)	20.0%
Operating income (EBIT)	(33)	(36)	–8.3%	(67)	(73)	–8.2%
Number of employees						
Number of full-time equivalent employees at end of period				341	333	2.4%

The operating result before depreciation and amortisation improved by CHF 7 million year-on-year to CHF –61 million, primarily due to cost savings and costs relating to projects charged in the previous year which were not incurred in the current financial year.

Depreciation, amortisation and non-operating results

in CHF millions, except where indicated	2. quarter 2010	2. quarter 2009	Change	1. half-year 2010	1. half-year 2009	Change
Operating income before depreciation and amortisation (EBITDA)	1,229	1,204	2.1%	2,287	2,343	-2.4%
Depreciation, amortisation and impairment	(489)	(477)	2.5%	(990)	(952)	4.0%
Operating income (EBIT)	740	727	1.8%	1,297	1,391	-6.8%
Financial income and financial expense, net	(100)	(69)	44.9%	(164)	(134)	22.4%
Share of profit of investments in associates	7	12	-41.7%	11	20	-45.0%
Income before income taxes	647	670	-3.4%	1,144	1,277	-10.4%
Income tax expense	(151)	(134)	12.7%	(271)	(257)	5.4%
Net income	496	536	-7.5%	873	1,020	-14.4%
Net income attributable to equity holders of Swisscom Ltd	493	530	-7.0%	887	1,014	-12.5%
Net income attributable to minority interests	3	6	-50.0%	(14)	6	-
Average number of shares outstanding (in millions)	51.797	51.800	-	51.799	51.801	-
Earnings per share (in CHF)	9.52	10.23	-7.0%	17.12	19.57	-12.5%

Depreciation, amortisation and impairment losses increased year-on-year by CHF 38 million or 4.0% to CHF 990 million (+2.5% in the second quarter), predominantly as a result of Swisscom Switzerland's investments in a new customer relationship management system which are amortised over the estimated useful life using the straight-line method from the beginning of 2010. Depreciation and amortisation includes scheduled amortisation related to business combinations in the amount of CHF 75 million (previous year CHF 80 million), which was recognised as intangible assets in the course of the purchase price allocation.

Net financial expense increased by CHF 30 million year-on-year to CHF 164 million. The increase in net financial expense can be attributed mainly to the foreign exchange result which was down CHF 51 million due to the strength of the Swiss franc. In contrast, interest expense fell by CHF 20 million to CHF 150 million.

Income tax expense amounted to CHF 271 million (previous year CHF 257 million), corresponding to an effective income tax rate of 23.7% (previous year 20.1%). The increase in the effective income tax rate is mainly attributable to the fact that no positive tax effects were recognised on the provision for the VAT proceedings against Fastweb in the first quarter of 2010. In future a long-term income tax rate of around 21% without one-off items is expected. Income tax payments were CHF 88 million higher than a year earlier at CHF 214 million.

Net income was down year-on-year by CHF 147 million or 14.4% to CHF 873 million. This was primarily attributable to a provision for VAT proceedings against Fastweb, which was charged in the first quarter of 2010. Higher depreciation and amortisation and negative currency effects in the financial result also lowered net income. Earnings per share are calculated on the basis of net income attributable to the equity holders of Swisscom Ltd and the average number of shares outstanding. Net income attributable to equity holders of Swisscom Ltd declined year-on-year by 12.5% to CHF 887 million. Earnings per share fell accordingly from CHF 19.57 to CHF 17.12.

Cash flows

in CHF millions	1. half-year 2010	1. half-year 2009	Change
Operating income before depreciation and amortisation (EBITDA)	2,287	2,343	(56)
Change in operating assets and liabilities and other payments or receipts from operating activities	(57)	(94)	37
Income taxes paid	(214)	(126)	(88)
Cash flow provided by operating activities	2,016	2,123	(107)
Capital expenditure	(814)	(860)	46
Other cash flow from investing activities	58	819	(761)
Cash flow used in investing activities	(756)	(41)	(715)
Issuance and repayment of financial liabilities, net	(89)	(1,187)	1,098
Dividends paid to equity holders of Swisscom Ltd	(1,036)	(984)	(52)
Dividends paid to minority interests	(8)	(40)	32
Other cash flow from financing activities	(99)	(388)	289
Cash flow used in financing activities	(1,232)	(2,599)	1,367
Net increase (net decrease) in cash and cash equivalents	28	(517)	545

Cash flow from operating activities fell by CHF 107 million or 5.0% year-on-year to CHF 2,016 million, mainly as a result of the CHF 88 million increase in income tax payments. In the first half of 2010, the operating income before depreciation and amortisation (EBITDA) and the change in net working capital reflect the recognition of a provision for the VAT proceedings against Fastweb in the amount of CHF 102 million. The change in net working capital in 2009 includes payments of CHF 86 million in respect of provisions for interconnection proceedings. The decrease of CHF 46 million or 5.3% in capital expenditure on property, plant and equipment and intangible assets to CHF 814 million is mainly attributable to differences in the timing of investments.

In the first half of 2009, various cross-border lease agreements were terminated. As a result of these terminations, financial assets worth CHF 802 million were sold and financial liabilities worth CHF 1,037 million were repaid. In 2008, provisions of CHF 258 million were recognised for costs in connection with the early termination of cross-border lease agreements. A payment of CHF 258 million was made in the second quarter of 2009 and is reported under other cash flows from financing activities.

Payout policy

in CHF millions	1. half-year 2010	1. half-year 2009	Change
Operating income before depreciation and amortisation (EBITDA)	2,287	2,343	(56)
Change in operating assets and liabilities and other payments or receipts from operating activities	(57)	(94)	37
Capital expenditure	(814)	(860)	46
Proceeds from sale of property, plant and equipment and other intangible assets	8	10	(2)
Dividends paid to minority interests	(8)	(40)	32
Operating free cash flow	1,416	1,359	57

Operating free cash flow rose year-on-year by CHF 57 million or 4.2% to CHF 1,416 million, due primarily to lower capital expenditure as well as lower dividend payments to minority interests.

In accordance with Swisscom's payout policy, up to half of the operating free cash flow is paid out to shareholders in the subsequent year, with payment at least on a par with the previous year's dividend. The Annual General Meeting on 27 April 2010 approved an ordinary dividend of CHF 20 (previous year CHF 19) per share. This corresponds to a dividend amount of CHF 1,036 million or 39% of operating free cash flow for 2009. This payout will allow Swisscom to further reduce net debt and thus increase its financial flexibility.

Net debt

in CHF millions, except where indicated	30.6.2010	31.12.2009	Change
Bonds	4,841	4,801	40
Bank loans	2,348	2,570	(222)
Private placements	1,752	1,523	229
Finance lease obligation	691	695	(4)
Other financial liabilities	642	630	12
Total financial liabilities	10,274	10,219	55
Cash and cash equivalents	(535)	(532)	(3)
Current financial assets	(124)	(178)	54
Non-current fixed interest-bearing deposits	(388)	(368)	(20)
Net debt	9,227	9,141	86

Net debt consists of financial liabilities less cash and cash equivalents, current financial assets and non-current fixed interest-bearing financial assets. Due to a change in accounting policies for leases, land leases are newly classified as finance leases. The change in accounting policies has been applied retrospectively and increased net debt at 31 December 2009 by an additional CHF 209 million. Swisscom has set itself the goal of achieving a maximum net debt/EBITDA ratio of around 2. This value may be exceeded temporarily. Any figure below this represents financial room for manoeuvre. As at 31 December 2009, the net debt/EBITDA ratio was 2.0.

Balance sheet

in CHF millions	30.6.2010	31.12.2009	Change
Assets			
Cash and cash equivalents and current financial assets	659	710	–7.2%
Trade and other receivables	2,923	2,926	–0.1%
Property, plant and equipment	7,918	8,219	–3.7%
Goodwill	6,563	6,664	–1.5%
Other intangible assets	1,919	2,315	–17.1%
Investments in associates and non-current financial assets	646	652	–0.9%
Other current and non-current assets	841	658	27.8%
Total assets	21,469	22,144	–3.0%
Liabilities and equity			
Financial liabilities	10,274	10,219	0.5%
Trade and other payables	2,201	2,314	–4.9%
Defined benefit obligation	345	351	–1.7%
Provisions	1,050	877	19.7%
Tax liabilities	796	742	7.3%
Other current and non-current liabilities	1,050	1,031	1.8%
Total liabilities	15,716	15,534	1.2%
Equity attributable to equity holders of Swisscom Ltd	5,485	6,291	–12.8%
Attributable to minority interests	268	319	–16.0%
Total equity	5,753	6,610	–13.0%
Total liabilities and equity	21,469	22,144	–3.0%
Equity ratio at end of period	26.8%	29.9%	

The decrease in total assets of 3.0% to CHF 21,469 million is primarily a result of the strength of the Swiss franc. Compared to the end of 2009, the CHF/EUR exchange rate fell by 10.5% from 1.484 to 1.328. As a result of changes in the exchange rates, currency losses of CHF 685 million were recognised in other comprehensive income in the first half of 2010. On 30 June 2010, cumulative currency translation losses recognised in equity amounted to CHF 1,482 million.

Outlook

Excluding the provision for the VAT proceedings against Fastweb, the financial outlook for the 2010 financial year remains unchanged. Excluding Fastweb, Swisscom expects to close 2010 with net revenue of around CHF 9.15 billion, EBITDA of around CHF 3.75 billion and capital expenditure of around CHF 1.3 billion. Fastweb is expected to post revenue of around EUR 1.95 billion, EBITDA (excluding the provision for VAT proceedings) of around EUR 580 million and capital expenditure of approximately EUR 410 million. Excluding any special payments of provisions for legal proceedings, Group operating free cash flow including Fastweb will be around CHF 2.6 billion.

Consolidated interim financial statements (condensed and unaudited)

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Interim Report
January–June 2010

Consolidated income statement (condensed and unaudited)

in CHF millions, except where indicated	Note	2. quarter 2010	2. quarter 2009 restated ¹	1. half-year 2010	1. half-year 2009 restated ¹
Net revenue	3	2,993	3,001	5,946	5,917
Goods and services purchased		(626)	(655)	(1,268)	(1,278)
Personnel expenses		(645)	(650)	(1,296)	(1,304)
Other operating expenses		(572)	(628)	(1,248)	(1,210)
Capitalised costs of self-constructed assets and other income		79	136	153	218
Operating income before depreciation and amortisation (EBITDA)		1,229	1,204	2,287	2,343
Depreciation, amortisation and impairment		(489)	(477)	(990)	(952)
Operating income (EBIT)	3	740	727	1,297	1,391
Financial income and financial expense, net	4	(100)	(69)	(164)	(134)
Share of profit of investments in associates		7	12	11	20
Income before income taxes		647	670	1,144	1,277
Income tax expense		(151)	(134)	(271)	(257)
Net income		496	536	873	1,020
Net income attributable to equity holders of Swisscom Ltd		493	530	887	1,014
Net income attributable to minority interests		3	6	(14)	6
Basic and diluted earnings per share (in CHF)		9.52	10.23	17.12	19.57

¹ See Note 1 Accounting policies.

Consolidated statement of comprehensive income (condensed and unaudited)

in CHF millions	2. quarter 2010	2. quarter 2009 restated ¹	1. half-year 2010	1. half-year 2009 restated ¹
Net income	496	536	873	1,020
Currency translation adjustments on foreign operations	(431)	53	(685)	184
Change in fair value of available-for-sale financial assets	–	1	–	1
Change in fair value of cash flow hedges	(7)	13	(1)	(7)
Income tax expense	–	(1)	–	–
Other comprehensive income	(438)	66	(686)	178
Comprehensive income	58	602	187	1,198
Attributable to equity holders of Swisscom Ltd	73	595	230	1,185
Attributable to minority interests	(15)	7	(43)	13

¹ See Note 1 Accounting policies.

Consolidated balance sheet (condensed and unaudited)

in CHF millions	Note	30.6.2010	31.12.2009 restated ¹	1.1.2009 restated ¹
Assets				
Cash and cash equivalents		535	532	958
Trade and other receivables		2,923	2,926	2,798
Other financial assets		124	178	170
Other assets		573	512	560
Non-current assets held for sale	5	6	6	16
Total current assets		4,161	4,154	4,502
Property, plant and equipment		7,918	8,219	8,251
Goodwill and other intangible assets		8,482	8,979	8,915
Investments in associates		219	228	285
Other financial assets		427	424	853
Other assets		262	140	122
Total non-current assets		17,308	17,990	18,426
Total assets		21,469	22,144	22,928
Liabilities and equity				
Financial liabilities	6	1,243	1,270	216
Trade and other payables		2,201	2,314	2,186
Current tax liabilities		228	219	163
Provisions	7	152	137	482
Other non-financial liabilities		733	701	619
Total current liabilities		4,557	4,641	3,666
Financial liabilities	6	9,031	8,949	11,787
Defined benefit obligation		345	351	428
Provisions	7	898	740	715
Deferred tax liabilities		568	523	407
Other non-financial liabilities		317	330	278
Total non-current liabilities		11,159	10,893	13,615
Total liabilities		15,716	15,534	17,281
Equity attributable to equity holders of Swisscom Ltd		5,485	6,291	5,273
Equity attributable to minority interests		268	319	374
Total equity	8	5,753	6,610	5,647
Total liabilities and equity		21,469	22,144	22,928

¹ See Note 1 Accounting policies.

Consolidated cash flow statement (condensed and unaudited)

in CHF millions	Note	1. half-year 2010	1. half-year 2009 restated ¹
Net income		873	1,020
Adjustment for non-cash items		1,414	1,323
Change in operating assets and liabilities		(57)	(94)
Income taxes paid		(214)	(126)
Cash flow provided by operating activities		2,016	2,123
Capital expenditure		(814)	(860)
Proceeds from sale of fixed assets		5	10
Acquisition of shares in group companies	2	(23)	(25)
Other cash flow from investing activities, net		76	834
Cash flow used in investing activities		(756)	(41)
Issuance and repayment of financial liabilities, net		(89)	(1,187)
Dividends paid to equity holders of Swisscom Ltd	9	(1,036)	(984)
Dividends paid to minority interests		(8)	(40)
Other cash flow from financing activities, net		(99)	(388)
Cash flow used in financing activities		(1,232)	(2,599)
Net increase (net decrease) in cash and cash equivalents		28	(517)
Cash and cash equivalents at beginning of year		532	958
Currency translation of cash and cash equivalents		(25)	8
Cash and cash equivalents at end of the period		535	449

¹ See Note 1 Accounting policies.

Consolidated statement of changes in equity (unaudited)

in CHF millions	Share capital	Additional paid-in capital	Retained earnings	Treasury shares	Other reserves	Attributable to equity holders of Swisscom	Attributable to minority interests	Total equity
Balance at 31 December 2008	53	370	6,611	(738)	(907)	5,389	374	5,763
Change in accounting policies ¹	–	–	(116)	–	–	(116)	–	(116)
Balance at 1 January 2009	53	370	6,495	(738)	(907)	5,273	374	5,647
Net income	–	–	1,014	–	–	1,014	6	1,020
Other comprehensive income	–	–	–	–	171	171	7	178
Comprehensive income	–	–	1,014	–	171	1,185	13	1,198
Dividends paid	–	–	(984)	–	–	(984)	(40)	(1,024)
Purchase of treasury shares for share-based payments	–	–	–	(3)	–	(3)	–	(3)
Sale of treasury shares for share-based payments	–	–	–	2	–	2	–	2
Balance at 30 June 2009	53	370	6,525	(739)	(736)	5,473	347	5,820
Balance at 31 December 2009	52	370	6,700	(1)	(830)	6,291	319	6,610
Net income	–	–	887	–	–	887	(14)	873
Other comprehensive income	–	–	–	–	(657)	(657)	(29)	(686)
Comprehensive income	–	–	887	–	(657)	230	(43)	187
Dividends paid	–	–	(1,036)	–	–	(1,036)	(8)	(1,044)
Purchase of treasury shares for share-based payments	–	–	–	(2)	–	(2)	–	(2)
Sale of treasury shares for share-based payments	–	–	–	2	–	2	–	2
Balance at 30 June 2010	52	370	6,551	(1)	(1,487)	5,485	268	5,753

¹ See Note 1 Accounting policies.

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 the subsidiaries directly or indirectly controlled by it via a majority of the votes or in any other way. The consolidated interim financial statements for the six months ended 30 June 2010 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 year ended 31 December 2009. The consolidated interim financial statements were prepared in accordance with the accounting policies described in the 2009 consolidated financial statements, with the exception of the following changes to accounting policies.

In preparing the consolidated interim financial statements, management is required to make accounting estimates and assumptions. Adjustments are made for changes in accounting estimates and assumptions during the reporting period in which the original estimates and assumptions changed. Swisscom 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 foreign exchange rate of 1.328 was used as the end-of-period rate and 1.424 as the average rate for the period.

Changes in accounting policies

From 1 January 2010 Swisscom adopted the amendments to IFRS 3 (revised) “Business Combinations”, IAS 27 (revised) “Consolidated and Separate Financial Statements” and various changes to IFRSs in 2009 with the effects described below. In addition, Swisscom is applying further changes to the existing International Financial Reporting Standards (IFRSs) and Interpretations which have no material impact on the results of operations or financial situation of the Group.

- > IFRS 3 (revised) “Business Combinations” (effective from 1 July 2009) contains a number of major changes to existing accounting and measurement practices relating to business combinations. Swisscom has applied the changes to IFRS 3 (revised) in its consolidated financial statements for business combinations with an acquisition date after 1 January 2010.
- > IAS 27 (revised) “Consolidated and Separate Financial Statements” (effective from 1 July 2009) requires changes to existing accounting and measurement practices relating to disposals of equity interests and acquisitions of non-controlling interests. Swisscom has applied the changes to IAS 27 (revised) in its annual report for the financial years commencing 1 January 2010.
- > IFRS amendments 2009: IAS 17 (revised) “Leases” (effective from 1 January 2010): The change relates to the classification of land leases. The specific regulation that a land lease should normally be accounted for as an operating lease because of its indefinite economic life was removed. For determining the classification of land leases the same provisions now apply as for the classification of building leases. Under certain circumstances land may therefore be classified as a finance lease. As a result of this change Swisscom must now reclassify the land element in a number of the properties sold and leased back in 2001 as finance leases. The change has been applied retroactively.

The effects on the balance sheet, income statement and cash flow statement are as follows.

Balance at 1 January 2009 in CHF millions	Reported	Adjustment	Restated
Property, plant and equipment	8,070	181	8,251
Deferred tax assets	58	9	67
Financial liabilities	(11,792)	(211)	(12,003)
Other non-financial liabilities	(802)	(95)	(897)
Equity	5,763	(116)	5,647
Equity attributable to equity holders of Swisscom Ltd	5,389	(116)	5,273
Equity attributable to minority interests	374	–	374

Income statement full year 2009 in CHF millions	Reported	Adjustment	Restated
Other operating expenses	(2,524)	15	(2,509)
Capitalised costs of self-constructed assets and other income	414	3	417
Depreciation and amortisation	(1,988)	(7)	(1,995)
Financial expense	(480)	(13)	(493)
Net income	1,925	(2)	1,923
Net income attributable to equity holders of Swisscom Ltd	1,928	(2)	1,926
Net income attributable to minority interests	(3)	–	(3)
Earnings per share	37.22	(0.04)	37.18

Income statement 1.4.–30.6.2009 in CHF millions	Reported	Adjustment	Restated
Other operating expenses	(630)	2	(628)
Capitalised costs of self-constructed assets and other income	135	1	136
Financial income and financial expense, net	(66)	(3)	(69)
Net income	536	–	536
Net income attributable to equity holders of Swisscom Ltd	530	–	530
Net income attributable to minority interests	6	–	6
Earnings per share	10.23	–	10.23

Income statement 1.1.–30.6.2009 in CHF millions	Reported	Adjustment	Restated
Other operating expenses	(1,217)	7	(1,210)
Capitalised costs of self-constructed assets and other income	217	1	218
Depreciation and amortisation	(949)	(3)	(952)
Financial income and financial expense, net	(129)	(5)	(134)
Income tax expense	(256)	(1)	(257)
Net income	1,021	(1)	1,020
Net income attributable to equity holders of Swisscom Ltd	1,015	(1)	1,014
Net income attributable to minority interests	6	–	6
Earnings per share	19.59	(0.02)	19.57

Statement of cash flows full year 2009 in CHF millions	Reported	Adjustment	Restated
Cash flow provided by operating activities	4,380	15	4,395
Cash flow used in financing activities	(3,744)	(15)	(3,759)

Statement of cash flows 1.1.–30.6.2009 in CHF millions	Reported	Adjustment	Restated
Cash flow provided by operating activities	2,116	7	2,123
Cash flow used in financing activities	(2,592)	(7)	(2,599)

- IFRS amendments 2009: IAS 39 (revised) “Financial Instruments: Recognition and Measurement” (effective from 1 January 2010): The requirements for the exclusion of derivative contracts entered into as part of a business combination were clarified. The new ruling stipulates that only certain forward contracts may qualify as an exception to the application of IAS 39. The revised standard is to be applied prospectively to all unexpired contracts from 1 January 2010. Options in the amount of CHF 14 million were recognised as financial income in the first quarter of 2010. This increased net income accordingly by CHF 14 million and basic and undiluted earnings per share by CHF 0.27.

2 Business combinations

On 7 May 2010, Swisscom IT Services completed the acquisition of 100% of the Panatronic Group, which is active in the area of printer solutions as well as maintenance and repair services. Swisscom Switzerland acquired the Swiss operations and service business of Siemens Enterprise Communications on 30 April 2010. Total payments of CHF 23 million were made in the first half of 2010 for business combinations. Of this amount, CHF 6 million is for deferred consideration payments for business combinations in prior years and CHF 17 million for companies acquired in 2010. The business combinations in 2010 are provisionally included in the consolidated financial statements as at 30 June 2010, as the purchase price allocations had not been completed when the consolidated financial statements were prepared. Goodwill of CHF 6 million is recognised from the provisional purchase price allocation. The effects of these business combinations on net revenue and net income in the first half of 2010 are immaterial.

3 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 reports that are regularly reviewed by the chief operating decision maker. Swisscom's chief operating decision maker is the Board of Directors of Swisscom Ltd.

Reporting is divided into the segments “Residential Customers”, “Small and Medium-Sized Enterprises”, “Corporate Business”, “Wholesale” and “Networks”, which are grouped together as Swisscom Switzerland, and “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 finance, human resources and strategy of Swisscom Switzerland are included in the “Networks” division. The revenue and results of the segments correspond to the internal reporting system. No separate network costs are charged for the financial management of customer segments. The results of the customer segments “Residential Customers”, “Small and Medium-Sized Enterprises”, “Corporate Business” and “Wholesale” therefore correspond to a contribution margin before network costs. Network costs are budgeted, monitored and controlled by the “Networks” division, which is managed as a cost centre. Consequently, no revenue is credited to the “Networks” segment in the context of segment reporting. The segment result of the “Networks” segment consists of operating expenses as well as depreciation and amortisation less capitalised costs and other income. The total segment result of Swisscom Switzerland corresponds to the operating income (EBIT) of Swisscom Switzerland.

“Fastweb” is the second largest fixed-network operator and leading provider of IP-based services in Italy and is accounted for as a separate segment in the consolidated financial statements. Fastweb reports to the Board of Directors of Swisscom as a unit.

Other operating segments mainly comprise the operating segments Swisscom IT Services, Swisscom Participations and Hospitality Services. Swisscom IT Services mainly includes the Group companies Swisscom IT Services Ltd, Comit Ltd. Swisscom Participations mainly comprises Swisscom Broadcast Ltd, Swisscom Real Estate Ltd, Cablex Ltd, Billag Ltd, Alphapay Ltd, Curabill Ltd and the Sicap Group. Group Headquarters, which contains non-allocated costs, chiefly comprises the Group divisions of Swisscom and the employment agency Worklink

The segment result of “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 expenses and depreciation, amortisation and impairments on property, plant and equipment as well as intangible assets. Segment expenses include goods and services purchased, personnel expenses and other operating expenses less capitalised costs and other income.

“Group Headquarters” does not charge financial management fees to other segments, nor does the “Networks” segment charge any network costs to other segments. Other inter-segment services are billed at market prices. Cross-charging of services and sales of assets between the individual segments may result in unrealised gains or losses. These are eliminated and reported under segment information in the “Elimination” column.

Swisscom has amended the accounting principles for the classification of land leases retrospectively. This amendment affects land leases in the segment “Other operating segments”. The previous year’s figures have been restated accordingly. See Note 1.

Net revenue and the results of the individual segments for the first six months of 2009 and 2010 are as follows:

1. half-year 2010 in CHF millions	Swisscom Switzerland	Fastweb	Other operating segments	Group Head- quarters	Elimi- nation	Total
Net revenue from external customers	4,190	1,323	433	–	–	5,946
Intersegment net revenue	33	8	395	3	(439)	–
Net revenue	4,223	1,331	828	3	(439)	5,946
Segment result	1,383	(95)	75	(67)	1	1,297
Financial income and financial expense, net						(164)
Share of profit of investments in associates						11
Income before income taxes						1,144
Income tax expense						(271)
Net income						873

1. half-year 2010 in CHF millions	Residential Customers	Small and Medium- Sized Enterprises	Corporate Business	Wholesale	Networks	Elimination	Swisscom Switzerland
Net revenue from external customers	2,392	554	848	396	–	–	4,190
Intersegment net revenue	147	27	65	260	–	(466)	33
Net revenue	2,539	581	913	656	–	(466)	4,223
Segment result	1,474	428	462	228	(1,208)	(1)	1,383

1. half-year 2009 in CHF millions restated	Swisscom Switzerland	Fastweb	Other operating segments	Group Head- quarters	Elimi- nation	Total
Net revenue from external customers	4,153	1,379	384	1	–	5,917
Intersegment net revenue	39	4	434	2	(479)	–
Net revenue	4,192	1,383	818	3	(479)	5,917
Segment result	1,382	28	52	(73)	2	1,391
Financial income and financial expense, net						(134)
Share of profit of investments in associates						20
Income before income taxes						1,277
Income tax expense						(257)
Net income						1,020

1. half-year 2009 in CHF millions	Residential Customers	Small and Medium- Sized Enterprises	Corporate Business	Wholesale	Networks	Elimi- nation	Swisscom Switzerland
Net revenue from external customers	2,340	538	830	445	–	–	4,153
Intersegment net revenue	142	28	77	271	–	(479)	39
Net revenue	2,482	566	907	716	–	(479)	4,192
Segment result	1,435	413	448	249	(1,163)	–	1,382

4 Net financial result

in CHF millions	1. half-year 2010	1. half-year 2009 restated
Interest income	21	35
Interest expense	(150)	(170)
Net interest expense	(129)	(135)
(Foreign exchange losses) foreign exchange gains	(30)	21
Other financial income and expense, net	(5)	(20)
Financial income and financial expense, net	(164)	(134)

5 Non-current assets held for sale

Non-current assets held for sale on 30 June 2010 include properties with a carrying value of CHF 6 million that are planned to be sold within the next twelve months. The planned sales are the result of optimising the use of buildings at Swisscom Real Estate Ltd.

6 Financial liabilities

in CHF millions	30.6.2010	31.12.2009 restated
Bonds	462	423
Private placements	302	337
Other financial liabilities	479	510
Total current financial liabilities	1,243	1,270
Bank loans	2,339	2,562
Bonds	4,379	4,378
Private placements	1,450	1,186
Finance lease obligation	678	678
Other financial liabilities	185	145
Total non-current financial liabilities	9,031	8,949
Total financial liabilities	10,274	10,219

7 Provisions and contingent liabilities

Regulatory and antitrust proceedings Swisscom Switzerland

The Competition Commission (ComCom) stated in its decisions of 9 October 2008 that the prices set for interconnection services apply by law retroactively to all telecommunications providers (third-party clause). Swisscom appealed against these decisions with complaints filed on 10 November 2008. The Federal Administrative Court upheld Swisscom's complaints with its decision of 1 February 2010, being of the opinion that the pricing decisions by ComCom apply only to the litigating parties and not by

law to third parties. This decision did not result in any change to the provision for interconnection and access services in the first quarter of 2010.

In the proceedings relating to mobile termination charges, the Competition Commission (ComCom) imposed a fine of CHF 333 million on 5 February 2007. Swisscom appealed against this decision to the Federal Administrative Court with a complaint filed on 19 March 2007. In its ruling of 24 February 2010 the Federal Administrative Court overturned the decision. Swisscom and the Federal Department of Economic Affairs appealed against this ruling to the Federal Supreme Court in the second quarter of 2010. Based on a legal assessment, Swisscom is of the opinion that, as things stand at present, it is unlikely that the fine will be ultimately imposed and has therefore not recognised any provisions in its consolidated financial statements as at 30 June 2010.

On 12 November 2008 the Secretariat of ComCom submitted to Swisscom its draft decision on the imposition of a fine of CHF 237 million on the grounds that Swisscom had abused its market-dominant position in ADSL services, with a request for comment. In its decision of 5 November 2009, ComCom 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 with a complaint filed 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 ultimately imposed and has therefore not recognised any provisions in its consolidated financial statements as at 30 June 2010. In the event of a court ruling that Swisscom has abused its market position claims may be brought against Swisscom under civil law. Swisscom considers it to be unlikely that such civil law claims could be enforced.

Tax risks Fastweb

On 23 February 2010 Italian investigating authorities instituted criminal proceedings against Fastweb and other persons and companies based on an investigation report into VAT fraud and criminal association. In addition, the Italian fiscal police carried out a tax audit for the years 2003 to 2009. The subject of the investigations are the purchase and resale of phone cards by Fastweb in 2003 and Fastweb interconnection services between 2005 and the beginning of 2007. The outcome of the investigation is difficult to predict and involves manifold uncertainties. On the basis of a legal assessment, Swisscom estimates that an outflow of funds for the aggrieved party Fastweb is likely and has therefore set aside a provision of EUR 70 million (CHF 102 million) in the first quarter of 2010. The recognition of a provision does not, however, constitute an acknowledgement of guilt. The amount of the provision was determined on the basis of a calculation taking the potential financial risks and uncertainties relating to the proceedings into account and is the best estimate that can be made on the basis of the information currently available.

The further development of the proceedings or a decision by the relevant court may result in a different assessment of the financial repercussions in a subsequent period, which can increase or reduce the provision created. It is also possible that further issues not connected with the alleged VAT fraud will be raised by the tax authorities during the audit which may have a financial impact on income taxes and VAT.

Other provisions and contingent liabilities

Other provisions recognised in the consolidated financial statements for 2009 and the contingent liabilities described in the Notes have not changed to any material extent in the current year.

8 Equity

In the first half of 2010 Swisscom acquired 4,514 treasury shares for CHF 2 million, 4,479 of which were issued for share-based payments to the members of the Group Executive Board and the Board of Directors.

9 Dividend payouts

The Annual General Meeting of Swisscom Ltd approved the payment of an ordinary dividend of CHF 20 per share on 27 April 2010. A total dividend amount of CHF 1,036 million was paid on 4 May 2010.

10 Related parties

Transactions between Swisscom and various related parties in the first six months of 2010 are similar to those described in the consolidated financial statements for 2009.

11 Post balance-sheet events

Approval of the interim report

The Board of Directors of Swisscom Ltd approved the release of this interim report on 3 August 2010.

Review report of the Auditor

Review report to the Board of Directors of Swisscom Ltd, Ittigen

Introduction

We have been engaged to review the accompanying consolidated condensed balance sheet of Swisscom Ltd as at 30 June 2010, and the related consolidated condensed statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and selected explanatory notes (the consolidated interim financial information) on pages 17 to 27. The Board of Directors is responsible for the preparation and presentation of this consolidated interim financial information in accordance with International Accounting Standard 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of the review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information as at 30 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

KPMG AG

Hanspeter Stocker
Licensed Audit Expert

Rolf Hauenstein
Licensed Audit Expert

Gümligen-Berne, 3 August 2010

Share information

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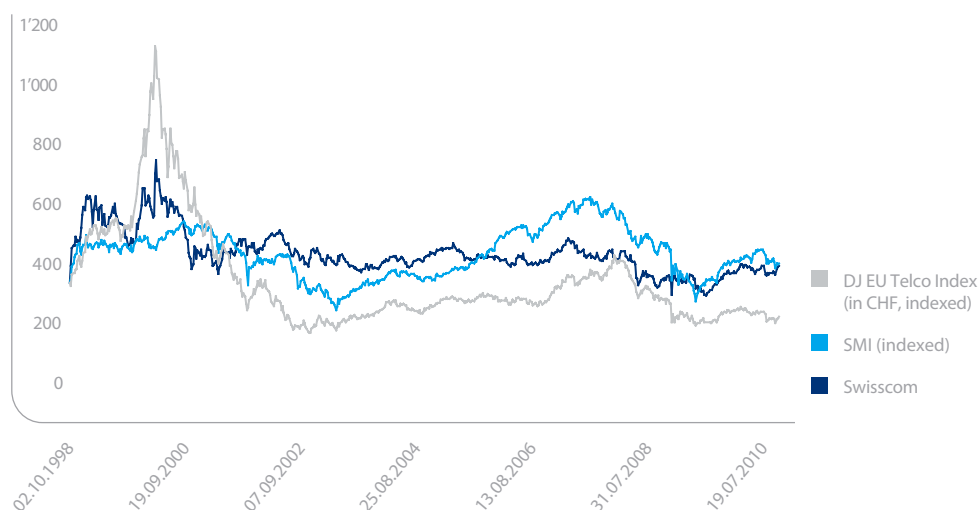
31.12.2009 – 30.6.2010

Quoted price at 31 December 2009 ¹	CHF 395.60
Quoted price at 30 June 2010 ¹	CHF 366.90
Year high ¹	CHF 399.00
Year low ¹	CHF 356.80
Total trading volume	16,824,036
Daily average	135,678
Total trade volume in millions	CHF 6,386.78
Daily average in millions	CHF 51.51

Source: Bloomberg

¹ paid prices

Performance of the Swisscom share on the virt-x



Share information

On 30 June 2010 the share capital consisted of a total of 51,801,943 registered shares, the majority of which were held by the Swiss Confederation under the Telecommunications Enterprise Act (TEA). The par value of each registered share is CHF 1, and each 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.

At the end of June 2010 Swisscom had 55,819 registered shareholders and around 15% unregistered shareholdings. At the Annual General Meeting of 27 April 2010 the shareholders of Swisscom Ltd approved payment of a dividend of CHF 20 per share. A total dividend amount of CHF 1,036 million was paid on 4 May 2010.

Financial calendar

- > 9 November 2010 2010 Third-Quarter Report
- > 17 February 2011 2010 Annual Results
- > 20 April 2011 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	Telekurs
SIX Swiss Exchange	SCMN, VX	SCM.VX	SCMN, VTX

Quarterly review 2009 and 2010

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Interim Report
January–June 2010

in CHF millions	1. quarter	2. quarter	3. quarter	4. quarter	2009	1. quarter	2. quarter	3. quarter	4. quarter	30.6.2010
Net revenue	2,916	3,001	3,008	3,076	12,001	2,953	2,993			5,946
Goods and services purchased	(623)	(655)	(664)	(706)	(2,648)	(642)	(626)			(1,268)
Personnel expenses	(654)	(650)	(606)	(667)	(2,577)	(651)	(645)			(1,296)
Other operating expenses	(582)	(628)	(580)	(719)	(2,509)	(676)	(572)			(1,248)
Capitalised costs of self-constructed assets and other income	82	136	92	107	417	74	79			153
Operating income (EBITDA)	1,139	1,204	1,250	1,091	4,684	1,058	1,229			2,287
Depreciation and amortisation	(475)	(477)	(478)	(565)	(1,995)	(501)	(489)			(990)
Operating income (EBIT)	664	727	772	526	2,689	557	740			1,297
Net financial result	(65)	(69)	(141)	(74)	(349)	(64)	(100)			(164)
Share of profit of investments in associates	8	12	9	14	43	4	7			11
Income tax expense	(123)	(134)	(127)	(76)	(460)	(120)	(151)			(271)
Net income	484	536	513	390	1,923	377	496			873
Attributable to equity holders of Swisscom Ltd	484	530	512	400	1,926	394	493			887
Attributable to minority interests	–	6	1	(10)	(3)	(17)	3			(14)
Net revenue ¹										
Swisscom Switzerland	2,079	2,113	2,136	2,125	8,453	2,091	2,132			4,223
Fastweb	664	719	678	732	2,793	672	659			1,331
Other Operating segments	407	411	431	478	1,727	408	420			828
Group Headquarters	1	2	2	1	6	1	2			3
Intersegment elimination	(235)	(244)	(239)	(260)	(978)	(219)	(220)			(439)
Total net revenue	2,916	3,001	3,008	3,076	12,001	2,953	2,993			5,946
Segment result before depreciation and amortisation										
Swisscom Switzerland	919	938	967	851	3,675	929	972			1,901
Fastweb	182	217	211	221	831	82	203			285
Other Operating segments	66	95	107	83	351	81	86			167
Group Headquarters	(34)	(34)	(32)	(60)	(160)	(32)	(29)			(61)
Intersegment elimination	6	(12)	(3)	(4)	(13)	(2)	(3)			(5)
Total segment result (EBITDA)	1,139	1,204	1,250	1,091	4,684	1,058	1,229			2,287
Capital expenditure										
Swisscom Switzerland	207	272	291	449	1,219	222	259			481
Fastweb	124	202	146	185	657	144	149			293
Other Operating segments	21	40	20	40	121	19	24			43
Group Headquarters	–	1	1	–	2	–	–			–
Intersegment elimination	(1)	(6)	(3)	(2)	(12)	(2)	(1)			(3)
Total capital expenditure	351	509	455	672	1,987	383	431			814
Operating free cash flow	697	662	795	531	2,685	742	674			1,416
Number of full-time equivalent employees at end of period	20,102	19,970	19,704	19,479	19,479	19,427	19,480			19,480
Thereof employees in Switzerland	16,275	16,238	16,107	15,995	15,995	15,965	16,005			16,005

¹ Includes intersegment revenue.

in CHF millions, except where indicated	1. quarter	2. quarter	3. quarter	4. quarter	2009	1. quarter	2. quarter	3. quarter	4. quarter	30.6.2010
Swisscom Switzerland										
Revenue and results										
Residential Customers	481	505	525	500	2,011	481	512			993
Small and Medium-Sized Enterprises	105	112	116	113	446	110	120			230
Corporate Business	138	144	142	147	571	143	153			296
Wholesale	96	90	99	85	370	98	93			191
Mobile revenue	820	851	882	845	3,398	832	878			1,710
Residential Customers	543	535	534	543	2,155	538	532			1,070
Small and Medium-Sized Enterprises	151	150	150	150	601	151	152			303
Corporate Business	192	189	190	193	764	185	182			367
Wholesale	130	121	119	110	480	105	95			200
Revenue wireline	1,016	995	993	996	4,000	979	961			1,940
Residential Customers	4	5	6	7	22	21	23			44
Small and Medium-Sized Enterprises	–	–	–	1	1	1	1			2
Corporate Business	1	2	1	2	6	2	1			3
Revenue convergent products	5	7	7	10	29	24	25			49
Small and Medium-Sized Enterprises	–	1	1	1	3	–	1			1
Corporate Business	28	31	31	39	129	32	33			65
Revenue solutions business	28	32	32	40	132	32	34			66
Residential Customers	126	141	131	139	537	146	139			285
Small and Medium-Sized Enterprises	10	9	10	10	39	9	9			18
Corporate Business	53	52	53	58	216	52	65			117
Wholesale	2	6	9	10	27	1	4			5
Other revenue	191	208	203	217	819	208	217			425
Residential Customers	1,154	1,186	1,196	1,189	4,725	1,186	1,206			2,392
Small and Medium-Sized Enterprises	266	272	277	275	1,090	271	283			554
Corporate Business	412	418	417	439	1,686	414	434			848
Wholesale	228	217	227	205	877	204	192			396
Revenue from external customers	2,060	2,093	2,117	2,108	8,378	2,075	2,115			4,190
Segment result before depreciation and amortisation										
Residential Customers	727	753	756	681	2,917	747	778			1,525
Small and Medium-Sized Enterprises	211	203	213	208	835	210	220			430
Corporate Business	233	240	238	246	957	237	252			489
Wholesale	127	122	129	93	471	119	109			228
Networks	(378)	(381)	(369)	(376)	(1,504)	(384)	(386)			(770)
Intersegment elimination	(1)	1	–	(1)	(1)	–	(1)			(1)
Segment result (EBITDA)	919	938	967	851	3,675	929	972			1,901
Margin as % of net revenue	44.2	44.4	45.3	40.0	43.5	44.4	45.6			45.0

in thousands, except where indicated	1. quarter	2. quarter	3. quarter	4. quarter	2009	1. quarter	2. quarter	3. quarter	4. quarter	30.6.2010
Swisscom Switzerland										
Operational data										
Residential Customers	2,761	2,725	2,682	2,639	2,639	2,581	2,537			2,537
Small and Medium-Sized Enterprises	511	510	510	510	510	514	513			513
Corporate Business	245	244	242	242	242	235	233			233
Access lines PSTN/ISDN	3,517	3,479	3,434	3,391	3,391	3,330	3,283			3,283
Unbundled fixed access lines	57	82	115	153	153	192	219			219
Telephone access lines	3,574	3,561	3,549	3,544	3,544	3,522	3,502			3,502
Residential Customers	1,217	1,246	1,274	1,306	1,306	1,333	1,349			1,349
Small and Medium-Sized Enterprises	136	138	141	144	144	148	152			152
Corporate Business	26	26	26	28	28	28	29			29
Broadband access lines retail	1,379	1,410	1,441	1,478	1,478	1,509	1,530			1,530
Wholesale	410	390	363	331	331	293	260			260
Broadband access lines	1,789	1,800	1,804	1,809	1,809	1,802	1,790			1,790
Residential Customers	139	165	186	231	231	268	308			308
Small and Medium-Sized Enterprises	–	–	–	1	1	7	9			9
Swisscom TV subscribers	139	165	186	232	232	275	317			317
Residential customers postpaid	2,144	2,152	2,174	2,194	2,194	2,201	2,207			2,207
Residential customers prepaid	2,134	2,160	2,170	2,176	2,176	2,180	2,180			2,180
Small and Medium-Sized Enterprises	426	435	443	450	450	466	475			475
Corporate Business	672	684	704	728	728	744	764			764
Mobile subscribers single subscriptions	5,376	5,431	5,491	5,548	5,548	5,591	5,626			5,626
Residential Customers	34	40	45	52	52	57	63			63
Small and Medium-Sized Enterprises	1	1	2	2	2	2	2			2
Mobile subscribers convergent products	35	41	47	54	54	59	65			65
Mobile subscribers	5,411	5,472	5,538	5,602	5,602	5,650	5,691			5,691
Residential Customers	41	43	44	42	42	40	42			41
Small and Medium-Sized Enterprises	92	98	99	95	96	89	95			92
Corporate Business	73	73	71	72	72	67	70			68
ARPU mobile per month in CHF	49	51	52	50	50	47	50			49
Residential Customers	95	96	97	98	97	99	101			101
Small and Medium-Sized Enterprises	203	211	211	210	209	203	213			208
Corporate Business	181	180	173	175	177	168	168			168
AMPU mobile per month in minutes	113	115	115	117	115	116	119			118
Traffic retail in million minutes	2,595	2,375	2,285	2,446	9,701	2,434	2,269			4,703
Wholesale traffic	3,096	2,818	2,616	2,733	11,263	2,642	2,394			5,036
EUR millions, except where indicated										
Fastweb										
Residential Customers	174	173	172	178	697	179	177			356
Small and Medium-Sized Enterprises	101	105	100	100	406	104	104			208
Corporate Business	168	195	172	208	743	177	189			366
Revenue from external customers	443	473	444	486	1,846	460	470			930
Segment result (EBITDA)	122	143	139	147	551	57	143			200
Broadband subscribers in thousands	1,542	1,575	1,605	1,644	1,644	1,678	1,694			1,694

Forward-looking statements

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

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