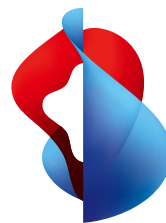


January–March 2009
Interim Report



swisscom

Facts & Figures

CHF in millions, except where indicated		31.3.2009	31.3.2008	Change
Net revenue and results				
Net revenue		2,916	2,933	-0,6%
Operating income (EBITDA) ¹		1,134	1,161	-2,3%
EBITDA as % of net revenue	%	38.9	39.6	
Operating income (EBIT) ²		662	654	1,2%
Net income		485	425	14,1%
Net income attributable to equity holders of Swisscom Ltd		485	428	13,3%
Earnings per share	CHF	9.36	8.26	13,3%
Balance and cash flow				
Equity at end of period		6,360	5,996	6,1%
Equity ratio at end of period ³	%	27.5	31.3	
Operating free cash flow ⁴		693	751	-7,7%
Capital expenditure		351	420	-16,4%
Net debt at end of period ⁵		9,267	9,818	-5,6%
Employees				
Number of full-time equivalent employees at end of period ⁶	FTE	20,102	19,718	1,9%
Average number of full-time equivalent employees ⁷	FTE	19,748	19,779	-0,2%
Operational data				
PSTN/ISDN lines in Switzerland	in thousands	3,591	3,665	-2,0%
Broadband access lines in Switzerland	in thousands	1,783	1,655	7,7%
Mobile subscribers in Switzerland	in thousands	5,414	5,100	6,2%
Bluewin TV customers in Switzerland	in thousands	139	64	117,2%
Unbundled access lines in Switzerland	in thousands	57	2	-
Subscribers in Italy	in thousands	1,542	1,338	15,2%
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.	53.441	56.719	-5,8%
Average number of shares outstanding	in mio.	51.802	51.802	-
Share price at end of period	CHF	319.75	340.25	-6,0%
Market capitalisation at end of period ⁸		16,564	17,626	-6,0%

1 Definition operating income (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, financial assets from cross-border lease agreements and non-current derivative financial instruments.

6 Excludes 124 and 236 full-time equivalent employees of Worklink at March 31, 2009 and March 31, 2008, respectively.

7 Excludes 132 and 250 full-time equivalent employees of Worklink in the first three months of 2009 and 2008, respectively.

8 Share price at the end of period, multiplied by number of shares outstanding at end of period.

Summary

CHF in millions, except where indicated	31.3.2009	31.3.2008	Change
Net revenue	2,916	2,933	–0,6%
Operating income (EBITDA)	1,134	1,161	–2,3%
EBITDA as % of net revenue	38.9	39.6	
Operating income (EBIT)	662	654	1,2%
Net income	485	425	14,1%
Earnings per share (in CHF)	9.36	8.26	13,3%
Capital expenditure	351	420	–16,4%
Operating free cash flow	693	751	–7,7%
Net debt at end of period	9,267	9,818	–5,6%
Number of full-time equivalent employees at end of period	20,102	19,718	1,9%

In the first three months of 2009 Swisscom reported a decline in net revenue of 0.6% to CHF 2,916 million and in operating income (EBITDA) of 2.3% to CHF 1,134 million. The year-over-year comparison is affected by exchange rate developments. Assuming constant exchange rates, net revenue increased by 0.9% and EBITDA fell by 1.4%. The Italian subsidiary Fastweb increased revenue in local currency by 14.1% and in Swiss francs by 7.4%. Price erosion for traditional telecommunication services in Switzerland continued. The decline in revenue and income could not be fully offset by the growth in the number of customers and cost savings. Project and outsourcing business for large customers and IT services reported a very high total order intake of around CHF 370 million. This is an increase of 163% year-over-year. Net income increased by CHF 60 million or 14.1% to CHF 485 million since depreciation and amortisation and net financial expenses were lower.

Operating free cash flow fell by 7.7% to CHF 693 million. In the first quarter of 2009, Swisscom paid a total of CHF 86 million for proceedings in connection with interconnection and access services to other competitors. Provisions were recognised for these payments in previous years and consequently do not affect the result. They do reduce operating free cash flow, however. Capital expenditure was 16.4% down, mainly as a result of the different timing of investment activities. Since the end of 2008, net debt has been reduced by CHF 551 million to CHF 9,267 million. In April 2009, a bond was placed for a value of CHF 1,250 million with a term until 2014 and a coupon of 3.50%. The funds raised were used to pay back bank loans prematurely. Headcount rose year-over-year by 384 full-time equivalent employees or 1.9%. Workforce increase mainly affected customer service. In addition, Swisscom acquired in July 2008 the branch network of The PhoneHouse AG with 219 full-time equivalent employees.

The financial outlook for the 2009 financial year is unchanged despite the difficult economic environment. For the 2009 financial year, excluding Fastweb, Swisscom expects net revenue of CHF 9.2 billion to CHF 9.3 billion, EBITDA of CHF 3.8 billion to CHF 3.9 billion and capital expenditure of around CHF 1.35 billion. For Fastweb they expect revenue of around EUR 1.8 billion, EBITDA of around EUR 560 million and capital expenditure of around EUR 415 million. Group operating free cash flow including Fastweb will be between CHF 2.6 and CHF 2.7 billion.

Review of the Segments

The financial review reports on the following segments:

- **Swisscom Switzerland**, including the operating segments
 - Residential Customers
 - Small and Medium-Sized Enterprises
 - Corporate Business
 - Wholesale
 - Networks
- **Fastweb**
- **Other operating segments** comprises mainly Swisscom IT Services, Swisscom Participations and Hospitality Services.
- **Group Headquarters** mainly comprises Group Headquarter divisions and the employment company Worklink.

The development of net revenue and EBITDA is presented in the following table:

CHF in millions	31.3.2009	31.3.2008	Change
Swisscom Switzerland	2,079	2,117	–1,8%
Fastweb	664	618	7,4%
Other operating segments	407	436	–6,7%
Group Headquarters	1	1	–
Intersegment elimination	(235)	(239)	–1,7%
Total net revenue	2,916	2,933	–0,6%

CHF in millions	31.3.2009	31.3.2008	Change
Swisscom Switzerland	919	951	–3,4%
Fastweb	182	179	1,7%
Other operating segments	62	79	–21,5%
Group Headquarters	(34)	(43)	–20,9%
Intersegment elimination	5	(5)	–
Total operating income (EBITDA)	1,134	1,161	–2,3%

Net revenue in the first quarter of 2009 of CHF 2,916 million was lower year-over-year by CHF 17 million or 0.6%. Operating income (EBITDA) fell by CHF 27 million (–2.3%) to CHF 1,134 million. Assuming constant exchange rates, net revenue rose by CHF 25 million or 0.9% and operating income fell by CHF 16 million or 1.4%.

In the Swiss business, continuing price erosion as a result of competition and the intervention of regulatory authorities in the area of unbundling for traditional telecommunication services, for example, led to a decline in net revenue and EBITDA of around CHF 100 million. This decline could only be partially offset by the continuing growth in mobile subscribers and broadband access lines as well as cost savings. Fastweb increased net revenue and operating income (EBITDA) in local currency by 14.1% and 8.0% respectively. In Swiss francs the increase totalled 7.4% and 1.7% respectively. In other segments, the decrease in net revenue can be attributed mainly to Swisscom IT Services as result of lower revenue, mainly in operating software platforms for banks. In the first quarter of 2009, Swisscom IT Services saw a significant inflow of new orders of CHF 324 million (previous year CHF 76 million), which, however, only have a deferred effect on revenue. In corporate business of Swisscom the incoming new orders for projects and outsourcing with amount of CHF 42 million was still lower than the level of previous year with CHF 63 million.

Swisscom Switzerland

Swisscom Switzerland includes the operating segments “Residential Customers”, “Small and Medium-Sized Enterprises”, “Corporate Business”, “Wholesale” and “Networks”. The group company Swisscom Directories AG is included in the “Residential Customers” segment. Supporting functions (Headquarters) of Swisscom Switzerland are included in the segment “Networks”.

The development of Swisscom Switzerland is presented in the following table:

CHF in millions, except where indicated	31.3.2009	31.3.2008	Change
Net revenue			
Residential Customers	1,152	1,165	–1,1%
Small and Medium-Sized Enterprises	269	266	1,1%
Corporate Business	411	414	–0,7%
Wholesale	228	253	–9,9%
Revenue from external customers	2,060	2,098	–1,8%
Intersegment revenue	19	19	–
Net revenue Swisscom Switzerland	2,079	2,117	–1,8%
Segment result			
Residential Customers	725	744	–2,6%
Small and Medium-Sized Enterprises	214	200	7,0%
Corporate Business	231	226	2,2%
Wholesale	128	146	–12,3%
Networks	(379)	(365)	3,8%
Segment result before depreciation and amortisation	919	951	–3,4%
<i>Margin as % of net revenue</i>	<i>44.2</i>	<i>44.9</i>	
Depreciation, amortisation and impairment	(239)	(245)	–2,4%
Segment result Swisscom Switzerland	680	706	–3,7%
Capital expenditure	207	239	–13,4%
Number of full-time equivalent employees at end of period	12,157	11,745	3,5%
Operational data in thousands, except where indicated	31.3.2009	31.3.2008	Change
PSTN/ISDN lines	3,591	3,665	–2,0%
Broadband access lines	1,783	1,655	7,7%
Bluewin TV customers	139	64	117,2%
Unbundled access lines	57	2	–
Mobile subscribers (SIM cards)	5,414	5,100	6,2%
<i>Thereof postpaid</i>	<i>3,280</i>	<i>3,062</i>	<i>7,1%</i>
<i>Thereof prepaid</i>	<i>2,134</i>	<i>2,038</i>	<i>4,7%</i>
Average revenue in CHF per mobile user per month (ARPU)	48	52	–7,7%
Average minutes per mobile user per month (AMPU)	111	112	–0,9%

Revenue at Swisscom Switzerland from external customers fell year-over-year by CHF 38 million or 1.8% to CHF 2,060 million. Revenue was lower as a result of lower wireline traffic revenue due to price reductions and the keen competition of cable network companies. In addition, lower traffic and subscription prices resulting from new tariff models for mobile telephony and the reduction in termination prices, as well as lower prices for foreign subscribers using Swisscom’s mobile network led to a decline in revenue. This decline in revenue could be virtually wholly offset by the increase in the number of mobile subscribers and higher revenue from new data services for mobile subscribers and other data services as well as the growth in broadband access lines and IPTV customers (Bluewin TV).

The segment result before depreciation and amortisation of CHF 919 million is CHF 32 million (–3.4%) lower year-over-year. Savings in direct costs due to lower revenue and cost savings were offset by higher expenditure in connection with improve-

ments in customer service and the acquisition of the branch network of The Phone House AG in July 2008.

The number of broadband access lines increased year-over-year by 128,000 or 7.7% to 1,783,000 lines. The number of Bluewin TV customers virtually doubled compared with the previous year and at the end of the first quarter of 2009 amounted to 139,000 customers. The simplified installation process introduced last year was a great success and 90% of new Bluewin TV customers installed the system without the help of Swisscom technicians.

The number of mobile subscribers rose by 314,000 net or +6.2% to 5,414,000. The average monthly revenue per mobile user (ARPU) fell by 7.7% to CHF 48 due to price reductions and new tariff models, whereas the average number of minutes per mobile user per month (AMPU) remained stable at 111 minutes.

Residential Customers

The “Residential Customers” segment mainly comprises access fees for broadband access services, wireline and mobile subscriptions as well as national and international telephone and data traffic for residential customers. The “Residential Customers” segment also includes value-added services and TV services, sells customer equipment and operates a directories database.

The development of “Residential Customers” is presented in the following table:

CHF in millions, except where indicated	31.3.2009	31.3.2008	Change
Revenue from external customers	1,152	1,165	–1,1%
Intersegment revenue	70	78	–10,3%
Net revenue	1,222	1,243	–1,7%
Operating expenses (incl. intersegment)	(505)	(505)	–
Capitalised costs and other income	8	6	33,3%
Segment result before depreciation and amortisation	725	744	–2,6%
<i>Margin as % of net revenue</i>	<i>59.3</i>	<i>59.9</i>	
Depreciation, amortisation and impairment	(21)	(13)	61,5%
Segment result	704	731	–3,7%
Capital expenditure	32	24	33,3%
Number of full-time equivalent employees at end of period	4,840	4,358	11,1%

Operational data in thousands, except where indicated	31.3.2009	31.3.2008	Change
PSTN/ISDN lines	2,795	2,868	–2,5%
Broadband access lines	1,192	1,050	13,5%
Bluewin TV customers	139	64	117,2%
Mobile subscribers (SIM cards)	4,311	4,129	4,4%
<i>Thereof postpaid</i>	<i>2,177</i>	<i>2,091</i>	<i>4,1%</i>
<i>Thereof prepaid</i>	<i>2,134</i>	<i>2,038</i>	<i>4,7%</i>
Average revenue in CHF per mobile user per month (ARPU)	40	44	–9,1%
Average minutes per mobile user per month (AMPU)	94	92	2,2%

Revenue from the Residential Customers segment with external customers decreased by CHF 13 million or 1.1% to CHF 1,152 million compared with the previous year. The decrease is partly due to the decline in the number of analogue and digital access lines (PSTN/ISDN) and traffic revenue as a result of price reductions and the keen competition of cable network companies. In addition, lower traffic and subscription fees resulting from new tariff models and the reduction in termination

prices for mobile telephony also led to a decline in net revenue. The decrease could be virtually fully offset by the increase in the number of subscribers, higher revenue from new mobile data services, as well as the growth in broadband access lines and Bluewin TV customers.

The number of mobile subscribers rose year-over-year by 182,000 net or +4.4% to 4,311,000. This includes 2,177,000 postpaid and 2,134,000 prepaid subscribers. The decline in average revenue per mobile user per month (ARPU) from CHF 44 to CHF 40 (–9.1%) can be attributed to the new tariff models and lower termination prices. The number of broadband access lines increased year-over-year by 142,000 or 13.5% to 1,192,000 lines.

Operating expenses were unchanged from last year at CHF 505 million. Savings due to lower termination prices were offset mainly by improvements in customer service and the higher headcount following the acquisition of the branch network of The Phone House AG in July 2008.

The segment result before depreciation and amortization of CHF 725 million is CHF 19 million (–2.6%) lower year-over-year. The segment margin was virtually unchanged at 59.3% (previous year 59.9%) despite lower prices.

Small and Medium-Sized Enterprises

The “Small and Medium-Sized Enterprises” segment mainly comprises access fees for broadband access services, wireline and mobile subscriptions as well as national and international telephone and data traffic for small and medium-sized enterprises.

The development of the segment “Small and Medium-Sized Enterprises” is presented in the table below.

CHF in millions, except where indicated	31.3.2009	31.3.2008	Change
Revenue from external customers	269	266	1,1%
Intersegment revenue	13	13	–
Net revenue	282	279	1,1%
Operating expenses (incl. intersegment)	(69)	(79)	–12,7%
Capitalised costs and other income	1	–	–
Segment result before depreciation and amortisation	214	200	7,0%
<i>Margin as % of net revenue</i>	<i>75.9</i>	<i>71.7</i>	
Depreciation, amortization and impairment	(1)	–	–
Segment result	213	200	6,5%
Capital expenditure	4	1	300,0%
Number of full-time equivalent employees at end of period	769	776	–0,9%

Operational data in thousands, except where indicated	31.3.2009	31.3.2008	Change
PSTN/ISDN lines	512	509	0,6%
Broadband access lines	162	148	9,5%
Mobile subscribers postpaid	422	380	11,1%
Average revenue in CHF per mobile user per month (ARPU)	88	94	–6,4%
Average minutes per mobile user per month (AMPU)	189	199	–5,0%

Revenue from external customers increased year-over-year by +1.1% or CHF 3 million to CHF 269 million. The increase can be mainly attributed to the continuing growth in the number of mobile subscribers and higher revenue from new mobile data services. The number of mobile subscribers rose year-over-year by 42,000 (+11.1%) to 422,000. The average revenue per mobile user (ARPU) per month fell from CHF 94 to CHF 88 (–6.4%), mainly as a result of new tariff models and lower termination prices. The number of broadband access lines increased year-over-year by 14,000 or 9.5% to 162,000 lines.

Operating expenses fell year-over-year by CHF 10 million to CHF 69 million, primarily due to lower termination prices and cost savings.

The segment result before depreciation and amortization of CHF 214 million is CHF 14 million (+7.0%) higher year-over-year. The segment margin rose from 71.7% to 75.9% year-over-year due to increasing revenue alongside falling costs.

Corporate Business

The segment “Corporate Business” provides complete communication solutions for large customers. The product range in the field of business ICT infrastructure covers everything from individual products through to complete solutions. This includes a comprehensive range of services for planning, installation, commissioning, as well as maintaining and operating mobile and fixed network infrastructures and accompanying IT systems.

The development of “Corporate Business” is presented in the following table:

CHF in millions, except where indicated	31.3.2009	31.3.2008	Change
Revenue from external customers	411	414	–0,7%
Intersegment revenue	38	38	–
Net revenue	449	452	–0,7%
Operating expenses (incl. intersegment)	(221)	(228)	–3,1%
Capitalised costs and other income	3	2	50,0%
Segment result before depreciation and amortisation	231	226	2,2%
<i>Margin as % of net revenue</i>	<i>51.4</i>	<i>50.0</i>	
Depreciation, amortisation and impairment	(13)	(11)	18,2%
Segment result	218	215	1,4%
Capital expenditure	18	13	38,5%
Number of full-time equivalent employees at end of period	2,228	2,181	2,2%

Operational data in thousands, except where indicated	31.3.2009	31.3.2008	Change
PSTN/ISDN lines	284	288	–1,4%
Broadband access lines	19	18	5,6%
Mobile subscribers postpaid	681	591	15,2%
Average revenue in CHF per mobile user per month (ARPU)	71	81	–12,3%
Average minutes per mobile user per month (AMPU)	175	194	–9,8%

Revenue from external customers decreased year-over-year by CHF 3 million (–0.7%) to CHF 411 million. The reduction is mainly a result of continuing price erosion in traditional wireline telephony. In mobile telephony the increase in revenue due to the higher number of mobile subscribers (+15.2%) was offset by price reductions. The average revenue per mobile user (ARPU) per month fell from CHF 81 to CHF 71 (–12.3%) as a result of lower prices.

Operating expenses fell year-over-year by CHF 7 million or 3.1%. Lower costs of materials and termination fees resulted in lower operating expenses, despite the higher personnel costs as a result of the increase in headcount in connection with international cooperation. The segment result before depreciation and amortization rose accordingly by CHF 5 million (+2.2%) to CHF 231 million.

Incoming new orders for projects and outsourcing in the first quarter totalled CHF 42 million (previous year CHF 63 million).

Wholesale

“Wholesale” comprises mainly the use of Swisscom wireline and mobile networks by other telecommunication providers and the use of third party networks by Swisscom. It also consists of roaming by foreign operators whose customers use Swisscom’s mobile networks, as well as broadband services and regulated products in connection with the unbundling of the local loop for other telecommunication providers.

The development of “Wholesale” is presented in the following table:

CHF in millions, except where indicated	31.3.2009	31.3.2008	Change
Revenue from external customers	228	253	–9,9%
Intersegment revenue	127	161	–21,1%
Net revenue	355	414	–14,3%
Operating expenses (incl. intersegment)	(228)	(270)	–15,6%
Capitalised costs and other income	1	2	–50,0%
Segment result	128	146	–12,3%
<i>Margin as % of net revenue</i>	<i>36.1</i>	<i>35.3</i>	
Number of full-time equivalent employees at end of period	101	112	–9,8%

Operational data in thousands, except where indicated	31.3.2009	31.3.2008	Change
Broadband access lines	410	439	–6,6%
Unbundled access lines	57	2	–
Traffic wholesale in million minutes	3,095	3,468	–10,8%

Revenue from external customers fell year-over-year by 9.9% to CHF 228 million. Higher revenue from data services for other telecommunication providers could not compensate for lower revenue from roaming traffic with foreign subscribers using Swisscom’s mobile network due to lower prices or from broadband services for other telecommunication providers due to price reductions. Revenue from interconnection services has also declined due to lower volumes and prices. Intersegment revenue decreased because of lower roaming and termination tariffs with other segments of Swisscom Switzerland. This decline in revenue in the Wholesale segment only had a small impact on segment results.

Operating expenses fell by CHF 42 million (–15.6%). This is mainly due to lower roaming and termination costs as well as the decline in volume for interconnection services and roaming.

The segment result decreased accordingly by CHF 18 million (–12.3%) to CHF 128 million.

Networks

Networks primarily plans, operates and maintains Swisscom's network infrastructure and related IT systems, both for wireline and mobile telephony. It also includes the supporting functions for Swisscom Switzerland, mainly consisting of the finance, human resources and strategy departments. Expenses incurred are not charged to the individual business units so that this segment only presents expenses and no revenue.

The development of "Networks" is presented in the following table:

CHF in millions, except where indicated	31.3.2009	31.3.2008	Change
Operating expenses (incl. intersegment)	(423)	(416)	1,7%
Capitalised costs and other income	44	51	–13,7%
Segment result before depreciation and amortisation	(379)	(365)	3,8%
Depreciation, amortisation and impairment	(205)	(222)	–7,7%
Segment result	(584)	(587)	–0,5%
Capital expenditure	154	201	–23,4%
Number of full-time equivalent employees at end of period	4,219	4,318	–2,3%

Operating expenses increased year-over-year by CHF 7 million (+1.7%) to CHF 423 million. This is partly due to higher personnel expenses as a result of annual wage increases. The lower headcount has the opposite effect on costs. Higher IT expenditure, especially for projects and licenses, could be compensated for through cost savings in other operating expenses. Capitalised costs were lower due to less network construction. The segment result before depreciation and amortisation fell by CHF 14 million or 3.8% to CHF 379 million.

Overall the segment result is unchanged from last year due to lower depreciation and amortisation following the change in the useful lives of cables. As a result of a decision by ComCom, the Federal Communications Commission, the useful lives of cables were reviewed and altered. The positive effect on depreciation and amortization for the first quarter of 2009 was CHF 25 million.

The reduction in capital expenditure is mainly the result of the different timing of investment activities.

Fastweb

“Fastweb” is the second-largest provider of broadband telecommunication services in Italy. Their product portfolio comprises language, data, Internet, and IPTV services, as well as video on demand for residential and corporate customers. In addition “Fastweb” offers mobile services on the basis of MVNO contracts (virtual network providers). They also provide a wide range of network services and customized solutions.

“Fastweb” has developed as follows in local currency (EUR):

EUR in millions, except where indicated	31.3.2009	31.3.2008	Change
Revenue from external customers	443	389	13,9%
Intersegment revenue	1	–	–
Net revenue	444	389	14,1%
Operating expenses (incl. intersegment)	(340)	(292)	16,4%
Capitalised costs and other income	18	16	12,5%
Segment result before depreciation and amortisation	122	113	8,0%
<i>Margin as % of net revenue</i>	<i>27.5</i>	<i>29.0</i>	
Depreciation, amortisation and impairment	(121)	(130)	–6,9%
Segment result	1	(17)	–
Capital expenditure	83	101	–17,8%
Number of full-time equivalent employees at end of period	3,092	3,075	0,6%

Operational data in thousands	31.3.2009	31.3.2008	Change
Number of subscribers	1,542	1,338	15,2%

Fastweb recorded a constantly growth in revenue, result and customers in the first quarter of 2009. Net revenue increased year-over-year by 14.1% or EUR 55 million to EUR 444 million. Of this EUR 12 million is attributable to residential customers (+7.3%), EUR 9 million to small and medium-sized enterprises (+9.7%) and EUR 34 million to corporate business (+25.8%). The customer base was increased year-over-year by 15.2% to 1,542,000. The result margin decreased from 29.0% to 27.5%. The main reason for the decline in the margin is a growth in revenue with wholesale products with a lower margin. Segment result before depreciation and amortisation was 8.0% higher than last year at EUR 122 million. Thanks to lower depreciation and amortisation, there was a positive segment result of EUR 1 million in the first quarter of 2009, an improvement of EUR 18 million year-over-year. Depreciation and amortisation in the first three months of 2009 of EUR 121 million include amortisation of EUR 27 million on intangible assets, such as customer relationships and brand, which were capitalised within the scope of purchase price allocation and amortised over the estimated useful life of between 7 and 11 years.

Capital expenditure in tangible assets and other intangible assets fell year-over-year from EUR 101 million by 17.8% to EUR 83 million, mainly as a result of the different timing of investment activities.

Fastweb is included in Swisscom's consolidated financial statements as at March 31, 2009 as follows:

CHF in millions	31.3.2009	31.3.2008	Change
Revenue from external customers	663	618	7,3%
Intersegment revenue	1	–	–
Net revenue	664	618	7,4%
Operating expenses (incl. intersegment)	(508)	(464)	9,5%
Capitalised costs and other income	26	25	4,0%
Segment result before depreciation and amortisation	182	179	1,7%
<i>Margin as % of net revenue</i>	<i>27.4</i>	<i>29.0</i>	
Depreciation, amortisation and impairment	(180)	(207)	–13,0%
Segment result	2	(28)	–
Capital expenditure	124	161	–23,0%

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Fastweb is included in Swisscom's consolidated financial statements with net revenue of CHF 664 million and a segment result before depreciation and amortisation of CHF 182 million. Depreciation and amortisation include amortisation of CHF 40 million on intangible assets, such as customer relationships and brand, which were capitalised within the scope of purchase price allocation and amortised over the estimated useful life of between 7 and 11 years.

Other operating segments

Other operating segments comprises mainly Swisscom IT Services, Swisscom Participations and Hospitality Services. Swisscom IT Services comprises the group companies Swisscom IT Services AG und Comit AG. Swisscom Participations comprises Swisscom Broadcast AG, Swisscom Immobilien AG, Cablex AG, Billag AG, Alphapay AG and Curabill AG as well as the Sicap Group. Swisscom Participations comprises the Minick Group until its sale in September 2008.

The development of "Other operating segments" is presented in the following table:

CHF in millions, except where indicated	31.3.2009	31.3.2008	Change
Swisscom IT Services	92	111	–17,1%
Swisscom Participations	80	81	–1,2%
Hospitality Services	19	21	–9,5%
Other	2	4	–50,0%
Revenue from external customers	193	217	–11,1%
Intersegment revenue	214	219	–2,3%
Net revenue	407	436	–6,7%
Operating expenses (incl. intersegment)	(349)	(362)	–3,6%
Capitalised costs and other income	4	5	–20,0%
Segment result before depreciation and amortisation	62	79	–21,5%
<i>Margin as % of net revenue</i>	<i>15.2</i>	<i>18.1</i>	
Depreciation, amortisation and impairment	(55)	(57)	–3,5%
Segment result	7	22	–68,2%
Capital expenditure	21	29	–27,6%
Number of full-time equivalent employees at end of period	4,524	4,567	–0,9%

Revenue from external customers decreased year-over-year by CHF 24 million (–11.1%) to CHF 193 million. The segment result before depreciation and amortisation was CHF 17 million (–21.5%) down year-over-year at CHF 62 million. The decline in net revenue could not be fully compensated for by cost savings.

The decline in revenue at Swisscom IT Services of CHF 19 million or –17.1% to CHF 92 million is primarily attributable to lower revenue from the operation of software platforms for banks. In the first quarter of 2009, Swisscom IT Services recorded a high volume of incoming new orders worth CHF 324 million, which, however, only have a deferred effect on revenue. At Hospitality Services revenue fell year-over-year by CHF 2 million or 9.5% to CHF 19 million as a result of the current difficult economic environment. Revenue with other segments decreased year-over-year by CHF 5 million or –2.3% to CHF 214 million, mainly due to lower revenue at the network construction company Cablex.

Operating expenses dropped year-over-year by CHF 13 million (–3.6 %) to CHF 349 million. The decrease can be attributed mainly to lower revenue at Swisscom IT Services.

Capital expenditure of CHF 21 million is CHF 8 million or 27.6% lower than last year. This decline is mainly due to the rollout of the DVB-H/-T infrastructure last year.

Group Headquarters

“Group Headquarters” comprises mainly Group Headquarter divisions and the employment company Worklink AG.

The development of “Group Headquarters” is presented in the following table:

CHF in millions, except where indicated	31.3.2009	31.3.2008	Change
Intersegment revenue	1	1	–
Net revenue	1	1	–
Operating expenses (incl. intersegment)	(52)	(65)	–20,0%
Capitalised costs and other income	17	21	–19,0%
Segment result before depreciation and amortisation	(34)	(43)	–20,9%
Depreciation, amortisation and impairment	(3)	(1)	–
Segment result	(37)	(44)	–15,9%
Number of full-time equivalent employees at end of period	329	331	–0,6%

The segment result before depreciation and amortisation improved by CHF 9 million to CHF –34 million. The main reasons for this improvement are cost savings at Headquarters divisions as well as lower expenses for workforce reduction measures following a drop in the number of participants in the employment company Worklink. Capitalised costs and other income comprise mainly income from transactions for Shared Services with other group companies.

Depreciation, amortisation and impairment and non operational results

CHF in millions, except where indicated	31.3.2009	31.3.2008	Change
Operating income (EBITDA)	1,134	1,161	–2,3%
Depreciation, amortisation and impairment	(472)	(507)	–6,9%
Operating income (EBIT)	662	654	1,2%
Financial income and financial expense, net	(63)	(113)	–44,2%
Share of profit of investments in associates	8	6	33,3%
Income before income taxes	607	547	11,0%
Income tax expense	(122)	(122)	–
Net income	485	425	14,1%
Net income attributable to equity holders of Swisscom Ltd	485	428	13,3%
Net income attributable to minority interests	–	(3)	–
Average number of shares outstanding (in millions)	51.802	51.802	–
Earnings per share (in CHF)	9.36	8.26	13,3%

Depreciation, amortisation and impairments

Depreciation, amortisation and impairments fell by CHF 35 million or –6.9% to CHF 472 million. The reduction in depreciation and amortisation can be mainly attributed to changes in the useful lives of cables. As a result of a regulatory decision by the Federal Communications Commission (ComCom) on October 9, 2008 concerning interconnection prices, the useful lives of cables were reviewed in the first quarter of 2009. In the past Swisscom has applied useful lives of 15 to 20 years for cables. In line with the review, the useful life of copper cable has been increased from 15 to 30 years and for fiber cable from 15 to 20 years. The change was implemented prospectively from January 1, 2009. The positive effect on depreciation and amortisation for the 2009 financial year as a whole will be around CHF 100 million, of which CHF 25 million will take effect in the first three months of 2009.

Net financial result

Net financial expense improved year-over-year by CHF 50 million to CHF 63 million. The improvement in the net financial result is due on the one hand to lower net interest expense of CHF 14 million as a result of the decrease in net debt. On the other hand losses from hedge transactions for future payments as a result of lower exchange rates in the first quarter of 2008 led to foreign exchange losses of CHF 36 million.

Income tax expense

Income tax expense amounted to CHF 122 million (previous year CHF 122 million), which corresponds to an effective income tax rate of 20.1% (previous year 22.3%). Income tax payments in the first quarter of 2009 fell year-over-year by CHF 17 million to CHF 40 million. In 2009, an effective income tax rate of around 21% will be expected.

Net income and earnings per share

Net income increased by CHF 60 million or 14.1% to CHF 485 million in the first three months of 2009. The decrease in EBITDA was offset by lower depreciation and amortisation and lower net financial expenses.

Earnings per share are calculated on the basis of net income attributable to shareholders of Swisscom Ltd. and the average number of shares outstanding. Net income attributable to shareholders of Swisscom Ltd increased year-over-year by 13.3% to CHF 485 million. Earnings per share rose accordingly in the first quarter of 2009 from CHF 8.26 to CHF 9.36.

Cash flow

CHF in millions	31.3.2009	31.3.2008	Change
Operating income (EBITDA)	1,134	1,161	(27)
Change in operating assets and liabilities and other payments or receipts from operating activities	(93)	4	(97)
Income taxes paid	(40)	(57)	17
Cash flow provided by operating activities	1,001	1,108	(107)
Capital expenditure	(351)	(420)	69
Proceeds from sale of property, plant and equipment	3	6	(3)
Other cash flow from investing activities	(55)	(14)	(41)
Cash flow used in investing activities	(403)	(428)	25
Issuance and repayment of financial liabilities, net	(266)	(97)	(169)
Other cash flow from financing activities	(16)	(48)	32
Cash flow used in financing activities	(282)	(145)	(137)
Net increase in cash and cash equivalents	316	535	(219)

Cash flow provided by operating activities decreased year-over-year by CHF 107 million to CHF 1,001 million. The decrease can be mainly attributed to payments from the provisions for proceedings in connection with interconnection services totalling CHF 86 million in the first quarter of 2009. The decrease in capital expenditure for property, plant and equipment and other intangible assets of CHF 69 million to CHF 351 million is mainly as a result of lower capital expenditure at Swisscom Switzerland and Fastweb due to different timing of investment activities.

Return policy

CHF in millions	31.3.2009	31.3.2008	Change
Operating income (EBITDA)	1,134	1,161	(27)
Change in operating assets and liabilities and other payments or receipts from operating activities	(93)	4	(97)
Capital expenditure	(351)	(420)	69
Proceeds from sale of property, plant and equipment	3	6	(3)
Operating free cash flow	693	751	(58)

Operating free cash flow decreased year-over-year by CHF 58 million or 7.5% to CHF 693 million. The decrease can be attributed to payments from the provisions for proceedings in connection with interconnection in the first quarter of 2009.

In accordance with the definitions laid down in Swisscom's return policy, approximately half of the operating free cash may be paid out in the following year. Operating free cash flow in 2008 as a whole totalled around CHF 2.5 billion. Given the difficult conditions currently prevailing on the capital markets, Swisscom aims to speed up the reduction of net debt. As a result, the ordinary dividend of CHF 19 per share was set and neither an extraordinary dividend nor a share buy-back program was implemented. The payout of CHF 984 million amounts to 10%, or around CHF 250 million less than half of the total operating free cash flow. In addition, the General Meeting of Shareholders on April 21, 2009 approved the destruction of 1.6 million treasury shares. This corresponds to 3.1% of the shares issued.

In principal, Swisscom adheres to its announced return policy to pay out 50% of the operating free cash flow in the following year. However, it depends on the stabilization of the economic conditions and capital markets.

Net debt

CHF in millions	31.3.2009	31.12.2008	Change
Bonds	2,050	2,032	18
Bank loans	5,943	6,140	(197)
Private placements	1,366	1,339	27
Financial liabilities from crossborder-lease agreements	1,083	1,096	(13)
Finance lease liabilities	483	502	(19)
Other financial liabilities	633	683	(50)
Total financial liabilities	11,558	11,792	(234)
Cash and cash equivalents	(1,279)	(958)	(321)
Current financial assets	(218)	(163)	(55)
Financial assets from crossborder-lease agreements	(793)	(808)	15
Non-current derivative-financial instruments	(1)	(3)	2
Net debt	9,267	9,860	(593)

Net debt consists of total financial liabilities less cash and cash equivalents, current financial assets, financial assets from cross-border lease agreements as well as non-current derivative financial instruments. Current financial assets include term deposits and money market investments with a term of less than one year, as well as securities and derivative financial instruments. Financial liabilities consist of finance lease liabilities and sale and leaseback liabilities relating to buildings. The finance lease liabilities recognised are covered by non-current financial assets to an extent of CHF 793 million.

Swisscom placed a bond with a value of CHF 1,250 million on April 8, 2009 with a term until 2014. The coupon is 3.5%. The issued bond is used to pay back bank loans prematurely.

Balance sheet

CHF in millions	31.3.2009	31.12.2008	Change
Assets			
Cash and cash equivalents	1,279	958	33,5%
Other financial assets	1,064	1,023	4,0%
Trade and other receivables	2,854	2,798	2,0%
Property, plant and equipment	8,005	8,070	−0,8%
Goodwill	6,683	6,633	0,8%
Other intangible assets	2,309	2,282	1,2%
Investments in affiliated companies and financial assets	292	285	2,5%
Other current and non-current assets	636	689	−7,7%
Total assets	23,122	22,738	1,7%
Liabilities and equity			
Financial liabilities	11,558	11,792	−2,0%
Trade and other payables	2,133	2,186	−2,4%
Accrued pension cost	392	428	−8,4%
Other current and non-current liabilities	2,679	2,569	4,3%
Total liabilities	16,762	16,975	−1,3%
Equity attributable to equity holders of Swisscom Ltd	5,980	5,389	11,0%
Equity attributable to minority interests	380	374	1,6%
Total equity	6,360	5,763	10,4%
<i>Equity ratio at end of period</i>	<i>27,5%</i>	<i>25,3%</i>	
Total liabilities and equity	23,122	22,738	1,7%

Total assets as well as total liabilities and equity increased by 1.7% to CHF 23,122 million compared with the end of 2008. The main reason for this rise is the increase in equity by CHF 597 million or 10.4% to CHF 6,360 million. The increase is made up of net income of CHF 485 million and the other comprehensive income of CHF 112 million recorded under equity. This includes gains of CHF 131 million from currency translation of foreign group companies as a result of higher exchange rates. CHF/EUR exchange rate increased from 1.486 to 1.515 compared with the end of 2008. Cumulative currency translation losses recognized in equity as at March 31, 2009 amounted to CHF 654 million.

Outlook

The financial outlook for the 2009 financial year is unchanged despite the difficult economic environment. For the 2009 financial year, excluding Fastweb, Swisscom expects net revenue of CHF 9.2 billion to CHF 9.3 billion, EBITDA of CHF 3.8 billion to CHF 3.9 billion and capital expenditure of around CHF 1.35 billion. For Fastweb they expect revenue of around EUR 1.8 billion, EBITDA of around EUR 560 million and capital expenditure of EUR 415 million. Group operating free cash flow including Fastweb will be between CHF 2.6 and CHF 2.7 billion.

Consolidated income statement (condensed)

CHF in millions, except per share amount	Note	unaudited	
		1.1.–31.3.2009	1.1.–31.3.2008
Net revenue	2	2,916	2,933
Goods and services purchased		(623)	(627)
Personnel expenses		(654)	(641)
Other operating expenses		(587)	(582)
Capitalised costs and other income		82	78
Operating income (EBITDA)		1,134	1,161
Depreciation, amortisation and impairment		(472)	(507)
Operating income (EBIT)	2	662	654
Financial income and financial expense, net	3	(63)	(113)
Share of profit of investments in associates		8	6
Income before income taxes		607	547
Income tax expense		(122)	(122)
Net income		485	425
Net income attributable to equity holders of Swisscom Ltd		485	428
Net income attributable to minority interests		–	(3)
Basic and diluted earnings per share (in CHF)		9.36	8.26

Consolidated comprehensive income (condensed)

CHF in millions	unaudited	
	1.1.–31.3.2009	1.1.–31.3.2008
Net income	485	425
Other comprehensive income		
Currency translation adjustments on foreign operations	131	(408)
Change in fair value of cash flow hedges	(20)	(4)
Income taxes	1	1
Total other comprehensive income	112	(411)
Total comprehensive income	597	14
Attributable to equity holders of Swisscom Ltd	591	36
Attributable to minority interests	6	(22)

Consolidated balance sheet (condensed)

CHF in millions	Note	unaudited	
		31.3.2009	31.12.2008
Assets			
Current assets			
Cash and cash equivalents		1,279	958
Trade and other receivables		2,854	2,798
Other financial assets		225	170
Other assets		500	560
Non-current assets held for sale	5	15	16
Total current assets		4,873	4,502
Non-current assets			
Property, plant and equipment		8,005	8,070
Goodwill and other intangible assets		8,992	8,915
Investments in associates		292	285
Other financial assets		839	853
Deferred tax assets		67	58
Other non-financial assets		54	55
Total non-current assets		18,249	18,236
Total assets		23,122	22,738
Liabilities and equity			
Current liabilities			
Financial liabilities	4	179	216
Trade and other payables		2,133	2,186
Current tax liabilities		248	163
Other non-financial liabilities		1,162	1,101
Total current liabilities		3,722	3,666
Non-current liabilities			
Financial liabilities	4	11,379	11,576
Defined benefit obligation		392	428
Deferred tax liabilities		417	407
Other non-financial liabilities		852	898
Total non-current liabilities		13,040	13,309
Total liabilities		16,762	16,975
Equity			
Equity attributable to equity holders of Swisscom Ltd		5,980	5,389
Equity attributable to minority interests		380	374
Total equity		6,360	5,763
Total liabilities and equity		23,122	22,738

Consolidated cash flow statement (condensed)

CHF in millions	unaudited	
	1.1.–31.3.2009	1.1.–31.3.2008
Cash flow from operating activities		
Operating income (EBITDA)	1,134	1,161
Change in operating assets and liabilities and other payments or receipts from operating activities	(93)	4
Income taxes paid	(40)	(57)
Cash flow provided by operating activities	1,001	1,108
Cash flow from investing activities		
Capital expenditure	(351)	(420)
Proceeds from sale of property, plant and equipment	3	6
Other cash flow from investing activities, net	(55)	(14)
Cash flow used in investing activities	(403)	(428)
Cash flow from financing activities		
Issuance and repayment of financial liabilities, net	(266)	(97)
Other cash flow from financing activities, net	(16)	(48)
Cash flow used in financing activities	(282)	(145)
Net increase in cash and cash equivalents	316	535
Cash and cash equivalents at beginning of year	958	957
Currency translation of cash and cash equivalents	5	(13)
Cash and cash equivalents at end of the period	1,279	1,479

Consolidated statement of changes in equity (condensed)

CHF in millions	unaudited							Total equity
	Share capital	Additional paid-in capital	Retained earnings	Treasury shares	Other reserves	Attributable to equity holders of Swisscom	Attributable to minority interests	
Balance at December 31, 2007	57	370	7,364	(2,213)	(4)	5,574	430	6,004
Total comprehensive income	–	–	428	–	(392)	36	(22)	14
Purchase of treasury shares for share-based payments	–	–	–	(22)	–	(22)	–	(22)
Balance at March 31, 2008	57	370	7,792	(2,235)	(396)	5,588	408	5,996
Balance at December 31, 2008	53	370	6,611	(738)	(907)	5,389	374	5,763
Total comprehensive income	–	–	485	–	106	591	6	597
Balance at March 31, 2009	53	370	7,096	(738)	(801)	5,980	380	6,360

1. Accounting policies

Basis of preparation

These financial statements are the unaudited consolidated interim financial statements of Swisscom Ltd and all its subsidiaries controlled directly or indirectly by voting powers or otherwise. The consolidated interim financial statements were prepared in accordance with the 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 2008, drawn up as at December 31, 2008. The consolidated interim financial statements have been prepared in compliance with the accounting policies described in the consolidated annual financial statements for the year ended 31 December, 2008, with the exception of the changes of accounting policies outlined below.

Preparing the consolidated interim financial statements requires management to make estimates and assumptions. Any changes to these estimates and assumptions are modified in the reporting period in which the estimates and assumptions are changed.

Swisscom operates in industries where significant seasonal or cyclical fluctuations are not experienced during the financial year.

Income taxes are calculated based on an estimate of the income tax rate expected for the full financial year.

A CHF/EUR exchange rate of 1.515 as the cut-off rate and 1.495 as the average rate was used for the consolidated interim financial statements.

Changes in accounting policies

The following new and amended International Financial Reporting Standards (IFRS) and Interpretations (IFRIC) are relevant for Swisscom for the financial year beginning on or after January 1, 2009:

IFRS 3 (revised) „Business combinations” (effective from July 1, 2009): IFRS 3 (revised) includes some main changes to the existing requirements of the accounting principles of business combinations. Swisscom will apply IFRS 3 (revised) for business combinations with acquisition date after January 1, 2010.

IFRS 8 „Operating Segments” (effective from January 1, 2009). IFRS 8 will replace the former standard IAS 14 “Segment reporting”. The new standard requires that segment reporting must follow the management approach. As a result of the realignment of their business activities in the Swiss core business, Swisscom adjusted operating segments at the beginning of 2008 and early applied IFRS 8 from January 1, 2008.

IAS 1 (revised) „Presentation of financial statements” (effective from January 1, 2009): The revised standard foresees new amended titles for the components of the financial statements. These are not mandatory, however. A balance sheet is also to be presented at the beginning of the comparative period if there is retrospective amendment in the previous year’s figures or if items in the financial statements are reclassified.

IAS 23 (revised) “Borrowing Costs” (effective from January 1, 2009). IAS 23 (revised) requires that companies capitalise borrowing costs that are directly attributable to the acquisition or production of a qualifying asset. The option of recognising borrowing costs as an expense in the period in which they are incurred is eliminated by this revision. The revised standard is to be applied prospectively from January 1, 2009. In the first three months borrowing costs of CHF 3 million were capitalised.

IAS 27 (revised) „Consolidated and separate financial statements” (effective from July 1, 2009): IAS 27 (revised) includes changes to the existing requirements of accounting for decreases of ownership interest and for purchasing minority interest. Swisscom will apply IAS 27 (revised) for financial years beginning on or after July 1, 2009.

IFRIC 18 “Transfers of Assets from Customers” (effective for transfers of assets from July 1, 2009): IFRIC 18 clarifies the accounting treatment where an entity

receives assets from a customer. Swisscom will review its financial statement in the light of this new interpretation.

Changes to useful lives of property, plant and equipment

As a result of a regulatory decision by the Federal Communications Commission (ComCom) on October 9, 2008 concerning interconnection prices, the useful lives of cables were reviewed in the first quarter of 2009. In the past Swisscom has applied useful lives of 15 to 20 years for cables. Due to this review, the useful life of copper cable has been increased from 15 to 30 years and for fiber cable from 15 to 20 years. The change is being made in line with IAS 8 prospectively from January 1, 2009. The effect on depreciation and amortisation for the 2009 financial year as a whole will be around CHF 100 million, of which CHF 25 million will take effect in the first three months of 2009.

2 Segment information

The definition of reportable operating segments is based on the management approach. Accordingly, external segment reporting is based on the internal organisational and management structure, as well as internal reports to the Chief Operation Division Maker. Swisscom's Chief Operation Decision Maker is the Board of Directors of Swisscom Ltd.

Reporting will be divided into the segments "Residential Customers", "Small and Medium-Sized Enterprises", "Corporate Business", "Wholesale" and "Networks" which belong to Swisscom Switzerland, and "Fastweb", "Other operating segments" and "Group Headquarters".

The business divisions of Swisscom Switzerland are disclosed as individual operating segments. The supporting functions of financing, human resources and strategy of Swisscom Switzerland have been centralised in the division "Networks". Revenue and segment results correspond to the internal reporting system. No respective 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 the "Wholesale" divisions therefore correspond to a contribution margin before network costs. Network costs are planned, monitored and controlled by the "Networks" division. The "Networks" segment is managed as a cost centre. Consequently no revenue is credited to the "Networks" segment. The segment result of the segment "Networks" consists of operating expenses and depreciation and amortisation less capitalised costs and other income. The total segment result of Swisscom Switzerland is equivalent 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 included in the consolidated financial statements as a separate segment. "Fastweb" is reported as one single unit to Swisscom's Board of Directors.

"Other operating segments" comprises mainly Swisscom IT Services, Swisscom Participations and Hospitality Services. Swisscom IT Services comprises the group companies Swisscom IT Services AG und Comit AG. Swisscom Participations comprises Swisscom Broadcast AG, Swisscom Immobilien AG, Cablex AG, Billag AG, Alphapay AG and Curabill AG, the Sicap Group as well as the Minick Group until its sale in September 2008.

"Group Headquarters" comprises mainly Group Headquarter divisions and the employment company Worklink AG.

The segment result of "Fastweb", "Other operating segments" and "Group Headquarters" is equivalent to the operating income (EBIT). This comprises net revenue from external customers and other segments less segment expenses and depreciation, amortisation and impairment on property, plant and equipment and intangible assets. Segment expenses include goods and services purchased, personnel costs and other operating costs less capitalised costs and other income.

"Group Headquarters" segment does not charge any management fees and the "Networks" does not charge any network costs to other segments for financial management. Other intersegment services are settled at market prices. Intragroup gains and losses may occur as a result of billing intersegment services and sales of assets. These are eliminated in the consolidated financial statements and disclosed in segment reporting in the column "Elimination".

Various organisational units were transferred within the segments of Swisscom Switzerland and between Swisscom IT Services and the Networks segment on Jan-

uary 1, 2009. This mainly concerns the transfer of solutions (field services) from the “Residential Customers” segment to the “Corporate Business” and “Networks” segments and the transfer of an IT department from Swisscom IT Services to “Networks”. The previous year’s figures have been reclassified accordingly.

Net revenue and operating results of the individual segments in the first three months of 2008 and 2009 are presented in the following table:

1.1.–31.3.2009 CHF in millions	Swisscom Switzerland	Fastweb	Other	Group Head- quarters	Elimi- nation	Total
Net revenue from external customers	2,060	663	193	–	–	2,916
Intersegment net revenue	19	1	214	1	(235)	–
Net revenue	2,079	664	407	1	(235)	2,916
Segment result	680	2	7	(37)	10	662
Financial income and financial expense, net	–	–	–	–	–	(63)
Share of profit of investments in associates	–	–	–	–	–	8
Income before income taxes	–	–	–	–	–	607
Income tax expense	–	–	–	–	–	(122)
Net income	–	–	–	–	–	485

1.1.–31.3.2009 CHF in millions	Residential Customers	Small and Medium- Sized Enterprises	Corporate Business	Wholesale	Networks	Elimination	Swisscom Switzerland
Net revenue from external customers	1,152	269	411	228	–	–	2,060
Intersegment net revenue	70	13	38	127	–	(229)	19
Net revenue	1,222	282	449	355	–	(229)	2,079
Segment result	704	213	218	128	(584)	1	680

1.1.–31.3.2008 CHF in millions, restated	Swisscom Switzerland	Fastweb	Other	Group Head- quarters	Elimi- nation	Total
Net revenue from external customers	2,098	618	217	–	–	2,933
Intersegment net revenue	19	–	219	1	(239)	–
Net revenue	2,117	618	436	1	(239)	2,933
Segment result	706	(28)	22	(44)	(2)	654
Financial income and financial expense, net	–	–	–	–	–	(113)
Share of profit of investments in associates	–	–	–	–	–	6
Income before income taxes	–	–	–	–	–	547
Income tax expense	–	–	–	–	–	(122)
Net income	–	–	–	–	–	425

1.1.–31.3.2008 CHF in millions, restated	Residential Customers	Small and Medium- Sized Enterprises	Corporate Business	Wholesale	Networks	Elimi- nation	Swisscom Switzerland
Net revenue from external customers	1,165	266	414	253	–	–	2,098
Intersegment net revenue	78	13	38	161	–	(271)	19
Net revenue	1,243	279	452	414	–	(271)	2,117
Segment result	731	200	215	146	(587)	1	706

3 Net financial result

CHF in millions	1.1.–31.3.2009	1.1.–31.3.2008
Interest income	20	26
Interest expense	(82)	(102)
Net interest expense	(62)	(76)
Other financial income and expense, net	(1)	(37)
Financial income and financial expense, net	(63)	(113)

4 Financial liabilities

CHF in millions	31.3.2009	31.12.2008
Finance lease liabilities	9	9
Other financial liabilities	170	207
Total current financial liabilities	179	216
Bank loans	5,943	6,140
Bonds	2,050	2,032
Private placements	1,366	1,339
Financial liabilities from crossborder-lease agreements	1,073	1,087
Finance lease liabilities	479	493
Derivative financial instruments	426	457
Other financial liabilities	42	28
Total non-current financial liabilities	11,379	11,576
Total financial liabilities	11,558	11,792

5 Non-current assets held for sale

Non-current assets held for sale as at March 31, 2009 include the carrying amount of real estate of CHF 15 million which are scheduled to be sold in the next twelve months. The scheduled sales are the result of the optimisation of building use at Swisscom Immobilien AG.

6 Provisions and contingent liabilities

On March 31, 2009 provisions for the current interconnection and access services proceedings involving Swisscom Switzerland amounted to CHF 213 million. On December 31, 2008 provisions amounted to CHF 296 million. Payments in the first quarter of 2009 amounted to CHF 86 million.

In the proceedings in connection with mobile termination prices, the competition commission (WEKO) imposed sanctions of CHF 333 million on February 5, 2007. In view of its legal assessment Swisscom is of the opinion that it is unlikely that sanctions will be imposed and has therefore not recognised any provisions in the consolidated financial statements as at March 31, 2009.

On November 12, 2008 the WEKO Secretariat provided Swisscom with its draft decision for the imposition of sanctions amounting to CHF 237 million on the grounds that Swisscom has abused their market-dominant position in ADSL services with a request for comment. In view of its legal assessment Swisscom is of the opinion that it is unlikely that sanctions will be imposed and has therefore not recognised any provisions in the consolidated financial statements as at March 31, 2009.

If the court rules that Swisscom has abused the market, civil claims could be asserted against the company. Swisscom considers it unlikely that such civil claims could be asserted.

Last year Swisscom concluded an agreement on the premature termination of three quarters of the cross-border lease volume. The completion of the termination

agreements by the relative parties is subject to official approval. As a result of this, termination provisions of CHF 126 million were recognised in the second quarter of 2008. The takeover of financial assets resulting from this termination in the second half of 2008 led to an increase in provisions as at December 31, 2008 of CHF 132 million. The recognition of these provisions was recorded as financial expense. Official approval was granted so that the premature termination agreement could be completed in the second quarter of 2009.

Other provisions included in the consolidated annual financial statements for the 2008 financial year and other contingent liabilities disclosed in the notes have not changed significantly during the current financial year.

7 Related-party transactions

The transactions between Swisscom and related parties during the first three months of 2009 are similar to those transactions described in the 2008 consolidated annual financial statements.

8 Events after the balance sheet date

Approval of the interim report

The Board of Directors of Swisscom approved the release of this interim report on May 5, 2009.

Dividends

On April 21, 2009, the General Meeting of Shareholders of Swisscom Ltd approved to the payment of an ordinary dividend of CHF 19 gross per share. The dividend payment totalling CHF 984 million was effected on April 24, 2009.

Share capital reduction

At the General Meeting of Shareholders on April 21, 2009 Swisscom Ltd shareholders approved the reduction of the share capital by CHF 1,639,057 to CHF 51,801,943 through the destruction of treasury shares bought back during the share buy-back scheme in 2006.

Bond emission

On April 8, 2009 Swisscom placed a bond totalling CHF 1,250 million. The coupon amounts to 3.50% with a term until 2014. The bond was used in full to repay existing bank loans.

Financial liabilities from cross-border lease agreements

Provisions were recognised last year in connection with the premature termination of cross-border-lease agreements. Official approval was granted so that the premature termination agreement could be completed in the second quarter of 2009. See Note 6.

Share information

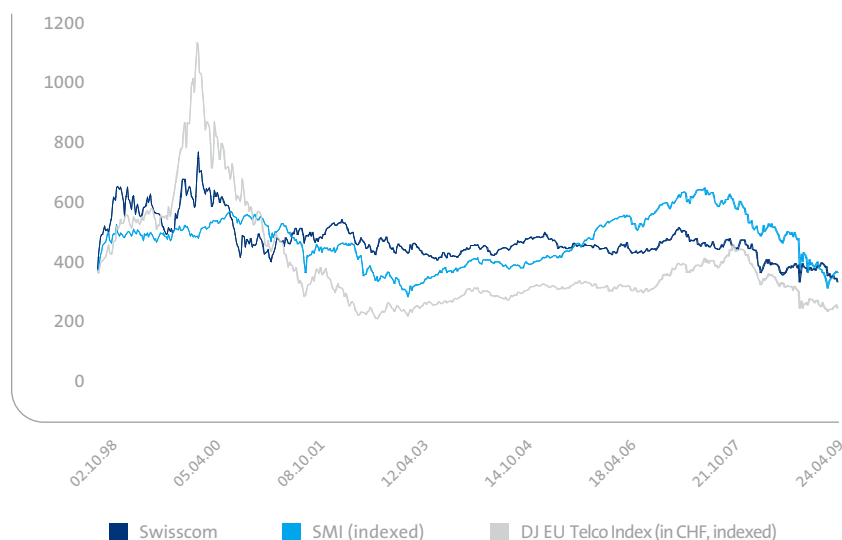
31.12.2008 – 31.3.2009

virt-x

Closing price at December 31, 2008 ¹	CHF 339.50
Closing price at March 31, 2009 ¹	CHF 319.75
Year high ¹	CHF 377.50
Year low ¹	CHF 312.50
Total trading volume	10,559,921
Daily average	170,321
Total trade volume in millions	CHF 3,637.85
Daily average in millions	CHF 58.68

Source: Bloomberg
1 paid prices

Performance of the Swisscom share on the virt-x



Share information

On March 31, 2009 the company's share capital consists of 53,441,000 registered shares, of which the Swiss Confederation holds the majority in accordance with the Telecommunications Enterprise Act. The nominal value per registered share amounts to CHF 1.

On March 31, 2009 Swisscom had 50,090 registered shareholders and an average non-allotted share level of approximately 13%.

At the General Meeting of Shareholders on April 21, 2009 Swisscom Ltd shareholders approved the reduction of the share capital by CHF 1,639,057 to CHF 51,801,943 through the destruction of treasury shares bought back during the share buy-back scheme in 2006.

The dividend payment of CHF 19 gross per share, agreed at the General Meeting of Shareholders on April 21, 2009, was paid on April 24, 2009.

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 Swisscom share register. However, the Board of Directors may refuse to enter a shareholder in the share register together with voting rights if such voting rights exceed 5% of the company's overall share capital.

Financial calendar

12. August 2009	2009 Half Year Interim Report
11. November 2009	2009 Third Quarter Interim Report
18. February 2010	Annual result 2009
27. April 2010	General Meeting of Shareholders

Trading locations

Swisscom shares are quoted on the SIX Swiss Exchange and are traded on the SIX Swiss Exchange under the symbol "SCMN" (Security ID: 874251) and in the form of American Depositary Shares (ADS) at a ratio of 1:10 in the USA (Over The Counter, Level 1 Program) under the symbol "SCMWY" (Pink Sheet ID: 69769).

Stock exchange	Bloomberg	Reuters	Telekurs
virt-x, London	SCMN, VX	SCM.VX	SCMN, VTX

CHF in millions	1. quarter	2. quarter	3. quarter	4. quarter	2008	1. quarter	2. quarter	3. quarter	4. quarter	31.3.2009
Net revenue	2,933	3,058	3,094	3,113	12,198	2,916				2,916
Goods and services purchased	(615)	(661)	(755)	(719)	(2,750)	(623)				(623)
Personnel expenses	(641)	(620)	(592)	(613)	(2,466)	(654)				(654)
Other operating expenses	(594)	(674)	(641)	(738)	(2,647)	(587)				(587)
Capitalised costs and other income	78	163	82	131	454	82				82
Operating income (EBITDA)	1,161	1,266	1,188	1,174	4,789	1,134				1,134
Depreciation, amortisation and impairment	(507)	(523)	(519)	(600)	(2,149)	(472)				(472)
Operating income (EBIT)	654	743	669	574	2,640	662				662
Net income and financial expense, net	(113)	(212)	(70)	(93)	(488)	(63)				(63)
Share of profit of investments in associates	6	12	10	19	47	8				8
Income tax expense	(122)	(122)	(139)	(65)	(448)	(122)				(122)
Net income	425	421	470	435	1,751	485				485
Attributable to equity holders of Swisscom Ltd	428	412	473	443	1,756	485				485
Attributable to minority interests	(3)	9	(3)	(8)	(5)	–				–
Net revenue by segments¹										
Swisscom Switzerland	2,117	2,162	2,206	2,196	8,681	2,079				2,079
Fastweb	618	686	687	707	2,698	664				664
Other operating segments	436	468	443	476	1,823	407				407
Group Headquarters	1	2	2	1	6	1				1
Intersegment elimination	(239)	(260)	(244)	(267)	(1,010)	(235)				(235)
Total net revenue	2,933	3,058	3,094	3,113	12,198	2,916				2,916
Segment result before depreciation and amortisation										
Swisscom Switzerland	953	979	942	919	3,793	919				919
Fastweb	179	260	205	220	864	182				182
Other operating segments	77	87	86	74	324	62				62
Group Headquarters	(43)	(60)	(35)	(38)	(176)	(34)				(34)
Intersegment elimination	(5)	–	(10)	(1)	(16)	5				5
Total segment result (EBITDA)	1,161	1,266	1,188	1,174	4,789	1,134				1,134
Capital expenditure										
Swisscom Switzerland	239	248	241	443	1,171	207				207
Fastweb	161	202	162	166	691	124				124
Other operating segments	29	41	44	77	191	21				21
Group Headquarters	–	6	2	2	10	–				–
Intersegment elimination	(9)	6	(7)	(3)	(13)	(1)				(1)
Total capital expenditure	420	503	442	685	2,050	351				351
Operating free cash flow	751	608	765	352	2,476	693				693
Number of full-time equivalent employees at end of period	19,718	19,795	19,995	19,943	19,943	20,102				20,102

¹ Includes intersegment revenue.

Quarterly review 2008 und 2009

CHF in millions, except where indicated	1. quarter	2. quarter	3. quarter	4. quarter	2008	1. quarter	2. quarter	3. quarter	4. quarter	31.3.2009
Swisscom Switzerland										
Net revenue and results										
Residential Customers	559	562	653	593	2,367	546				546
Small and Medium-Sized Enterprises	99	107	113	111	430	105				105
Corporate Business	137	148	148	143	576	138				138
Wholesale	112	109	109	100	430	95				95
Revenue mobile	907	926	1,023	947	3,803	884				884
Residential Customers	361	363	366	362	1,452	368				368
Small and Medium-Sized Enterprises	90	90	91	89	360	89				89
Corporate Business	42	41	42	41	166	40				40
Wholesale	45	48	47	48	188	41				41
Revenue wireline access lines	538	542	546	540	2,166	538				538
Residential Customers	164	159	154	158	635	153				153
Small and Medium-Sized Enterprises	59	60	58	58	235	59				59
Corporate Business	44	44	44	45	177	41				41
Wholesale	57	47	39	53	196	47				47
Revenue wireline traffic	324	310	295	314	1,243	300				300
Residential Customers	81	89	74	76	320	85				85
Small and Medium-Sized Enterprises	18	20	16	18	72	16				16
Corporate Business	191	205	204	231	831	192				192
Wholesale	39	43	31	48	143	45				45
Revenue other	329	357	325	373	1,366	338				338
Residential Customers	1,165	1,173	1,247	1,189	4,771	1,152				1,152
Small and Medium-Sized Enterprises	266	277	278	276	1,098	269				269
Corporate Business	414	438	438	460	1,733	411				411
Wholesale	253	247	226	249	994	228				228
Revenue from external customers	2,098	2,135	2,189	2,174	8,596	2,060				2,060
Segment result before depreciation and amortisation										
Residential Customers	744	772	732	714	2,962	725				725
Small and Medium-Sized Enterprises	200	207	207	202	816	214				214
Corporate Business	226	236	238	243	943	231				231
Wholesale	146	158	136	163	603	128				128
Networks	(365)	(398)	(375)	(406)	(1,544)	(379)				(379)
Intersegment elimination	–	–	(1)	–	(1)	–				–
Segment result (EBITDA)	951	975	937	916	3,779	919				919
<i>Margin as % of net revenue</i>	<i>44.9</i>	<i>45.1</i>	<i>42.5</i>	<i>41.7</i>	<i>43.5</i>	<i>44.2</i>				<i>44.2</i>

	1. quarter	2. quarter	3. quarter	4. quarter	2008	1. quarter	2. quarter	3. quarter	4. quarter	31.3.2009
Swisscom Switzerland										
Operational data										
Residential Customers	2,868	2,854	2,842	2,826	2,826	2,795				2,795
Small and Medium-Sized Enterprises	509	512	510	511	511	512				512
Corporate Business	288	288	288	286	286	284				284
PSTN/ISDN lines in thousands	3,665	3,654	3,640	3,623	3,623	3,591				3,591
Residential Customers	1,050	1,078	1,101	1,148	1,148	1,192				1,192
Small and Medium-Sized Enterprises	148	152	153	158	158	162				162
Corporate Business	18	19	19	19	19	19				19
Wholesale	439	450	448	431	431	410				410
Broadband access lines in thousands	1,655	1,699	1,721	1,756	1,756	1,783				1,783
Residential Customers	2,091	2,102	2,139	2,172	2,172	2,177				2,177
Small and Medium-Sized Enterprises	380	392	399	411	411	422				422
Corporate Business	591	623	654	666	666	681				681
Mobile subscribers postpaid in thousands	3,062	3,117	3,192	3,249	3,249	3,280				3,280
Residential Customers	2,038	2,064	2,092	2,121	2,121	2,134				2,134
Mobile subscribers prepaid in thousands	2,038	2,064	2,092	2,121	2,121	2,134				2,134
Residential Customers	44	44	45	44	44	40				40
Small and Medium-Sized Enterprises	94	99	101	96	97	88				88
Corporate Business	81	83	82	76	80	71				71
ARPU mobile per month in CHF	51	53	54	51	52	48				48
Residential Customers	92	95	95	95	94	94				94
Small and Medium-Sized Enterprises	199	211	202	200	203	189				189
Corporate Business	194	202	183	186	191	175				175
AMPU mobile per month in minutes	112	116	114	114	114	111				111
Bluewin TV customers in thousands	64	80	95	118	118	139				139
Unbundled access lines in thousands	2	4	12	31	31	57				57
Traffic retail in million minutes	2,698	2,620	2,440	2,581	10,339	2,596				2,596
Traffic wholesale in million minutes	3,468	3,218	3,002	3,190	12,878	3,095				3,095
Fastweb (EUR in millions)										
Residential Customers	164	167	156	171	658	176				176
Small and Medium-Sized Enterprises	93	95	92	99	379	102				102
Corporate Business	132	163	179	197	671	166				166
Revenue from external customers	389	425	427	467	1,708	444				444
Number of subscribers in thousands	1,338	1,398	1,441	1,483	1,483	1,542				1,542

Cautionary statement regarding forward-looking statements

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

This communication contains statements that constitute “forward-looking statements”. In this communication, such forward-looking statements include, without limitation, statements relating to our financial condition, results of operations and business and certain of our strategic plans and objectives. Because these forward-looking statements are subject to risks and uncertainties, actual future results may differ materially from those expressed in or implied by the statements. Many of these risks and uncertainties relate to factors which are beyond Swisscom’s ability to control or estimate precisely, such as future market conditions, currency fluctuations, the behaviour of other market participants, the actions of governmental regulators and other risk factors detailed in Swisscom’s and Fastweb’s past and future filings and reports, including those filed with the U.S. Securities and Exchange Commission and in past and future filings, press releases, reports and other information posted on Swisscom group companies’ websites. Readers are cautioned not to put undue reliance on forward-looking statements, which speak only of the date of this communication. Swisscom disclaims any intention or obligation to update and revise any forward-looking statements, whether as a result of new information, future events or otherwise.

