January–June 2009

Interim Report

swisscom

Facts & Figures

CHF in millions, except where indicated		1. half year 2009	1. half year 2008	Change
Net revenue and results				
Net revenue		5,917	5,991	–1,2%
Operating income before depreciation and amortisation (EBITDA) [1]		2,335	2,427	–3,8%
EBITDA as % of net revenue	%	39.5	40.5	
Operating income (EBIT) [2]		1,386	1,397	–0,8%
Net income		1,021	846	20,7%
Net income attributable to equity holders of Swisscom Ltd		1,015	840	20,8%
Earnings per share	CHF	19.59	16.22	20,8%
Balance sheet and cash flow				
Equity at end of period		5,937	5,637	5,3%
Equity ratio at end of period [3]	%	27.2	24.2	
Operating free cash flow [4]		1,352	1,359	–0,5%
Capital expenditure		860	923	–6,8%
Net debt at end of period [5]		10,003	10,482	–4,6%
Employees				
Number of full-time equivalent employees at end of period [6]	FTE	19,970	19,795	0,9%
Average number of full-time equivalent employees [7]	FTE	19,893	19,760	0,7%
Operational data				
Number of PSTN/ISDN lines in Switzerland	in thousands	3,558	3,654	–2,6%
Broadband access lines in Switzerland	in thousands	1,795	1,699	5,7%
Mobile subscribers in Switzerland	in thousands	5,478	5,181	5,7%
Bluewin TV subscribers in Switzerland	in thousands	165	80	106,3%
Unbundled access lines in Switzerland	in thousands	82	4	–
Number of subcribers in Italy	in thousands	1,575	1,398	12,7%
Swisscom share				
Par value per share at end of period	CHF	1.00	1.00	–
Number of shares outstanding at end of period	in mio.	53.441	56.719	–5,8%
Average number of shares outstanding	in mio.	51.801	51.802	–
Share price at end of period	CHF	333.50	340.75	–2,1%
Market capitalisation at end of period [8]		17,276	17,652	–2,1%

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, financial assets from cross-border lease agreements and non-current certificates of deposit and derivative financial instruments.
6 Excluding 115 (previous year 206) full-time equivalent employees of Worklink at June 30, 2009.
7 Excluding 125 (previous year 233) full-time equivalent employees of Worklink in the first six months of 2009.
8 Closing price at the end of period, multiplied by number of shares outstanding at end of period.

Summary

CHF in millions	1. half year 2009	1. half year 2008	Change
Net revenue	5,917	5,991	–1,2%
Operating income before depreciation and amortisation (EBITDA)	2,335	2,427	–3,8%
EBITDA as % of net revenue	39.5	40.5	–2,6%
Operating income (EBIT)	1,386	1,397	–0,8%
Net income	1,021	846	20,7%
Earnings per share (in CHF)	19.59	16.22	20,8%
Capital expenditure	860	923	–6,8%
Operating free cash flow	1,352	1,359	–0,5%
Net debt at end of period	10,003	10,482	–4,6%
Number of full-time equivalent employees at end of period	19,970	19,795	0,9%

In the first six months of 2009 Swisscom reported a decline in net revenue of 1.2% to CHF 5,917 million and in operating income (EBITDA) of 3.8% to CHF 2,335 million. On the basis of constant exchange rates, net revenue increased by 0.3% and EBITDA fell by 2.7%. The Italian subsidiary Fastweb increased net revenue in local currency by 12.9%. The continuing price erosion for traditional telecommunication services in Switzerland in the value of around CHF 200 million could not be offset by the growth in the number of customers and in new products and services and led to a decline in net revenue in Switzerland by around CHF 150 million. Net income increased by CHF 175 million or 20.7% to CHF 1,021 million since depreciation and amortisation and net financial expenses were lower and last year's results included one-off charges due to the termination of long-term lease agreements.

Operating free cash flow fell slightly by 0.5% to CHF 1,352 million. In the first six months 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 of CHF 860 million was 6.8% down year-over-year, mainly as a result of the different timing of investment activities. Net debt has been reduced by CHF 479 million to CHF 10,003 million within the space of year. 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 0.9% to 19,970 full-time equivalent employees despite the outsourcing of building management at Swisscom Immobilien in the first half of 2009. This is mainly due to the acquisition of the branch network of The PhoneHouse in July 2008, improvements in customer services and the acquisition of subsidiaries at Swisscom IT Services in the first half of 2009.

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.

Segment Results

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 is reported separately since it does not fulfil the definition of an operative segment. 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	2. quarter 2009	2. quarter 2008	Change	1. half year 2009	1. half year 2008	Change
Swisscom Switzerland	2,113	2,162	–2,3%	4,192	4,279	–2,0%
Fastweb	719	686	4,8%	1,383	1,304	6,1%
Other Operating segments	411	472	–12,9%	818	912	–10,3%
Group Headquarters	2	2	–	3	3	–
Intersegment elimination	(244)	(264)	–7,6%	(479)	(507)	–5,5%
Total net revenue	**3,001**	**3,058**	**–1,9%**	**5,917**	**5,991**	**–1,2%**

CHF in millions	2. quarter 2009	2. quarter 2008	Change	1. half year 2009	1. half year 2008	Change
Swisscom Switzerland	938	971	–3,4%	1,857	1,918	–3,2%
Fastweb	217	260	–16,5%	399	439	–9,1%
Other Operating segments	91	95	–4,2%	153	178	–14,0%
Group Headquarters	(34)	(60)	–43,3%	(68)	(103)	–34,0%
Intersegment elimination	(11)	–	–	(6)	(5)	20,0%
Total operating income before depreciation and amortisation (EBITDA)	**1,201**	**1,266**	**–5,1%**	**2,335**	**2,427**	**–3,8%**

Net revenue in the first six months of 2009 of CHF 5,917 million was lower year-over-year by CHF 74 million or 1.2% (in the second quarter CHF –57 million or –1.9%). Operating income (EBITDA) fell by CHF 92 million or 3.8% to CHF 2,335 million (in the second quarter CHF –65 million or –5.1%). On the basis of constant exchange rates, net revenue rose by CHF 17 million or 0.3% (in the second quarter CHF –8 million or –0.3%) and operating income fell by CHF 66 million or 2.7% (in the second quarter CHF –50 million or –3.9%). Operating expenses rose year-over-year by CHF 18 million or 0.5% to CHF 3,582 million (in the second quarter CHF +8 million or +0.5%). On the one hand personnel expenses increased by CHF 43 million, mainly as a result of higher pension expenses and on the other hand, thanks to cost savings, other operating expenses could be reduced by CHF 51 million. Furthermore, in the second quarter of 2008 a compensation payment from Telecom Italia of EUR 30 million (CHF 48 million) was recognised under other income.

The continuing price erosion for traditional telecommunication services in Switzerland in the value of around CHF 200 million could not be offset by the growth in the number of customers and in new products and services and led to a decline in net revenue in Switzerland by around CHF 150 million. In Swisscom Switzerland's corporate business, incoming orders for projects and outsourcing totalling CHF 76 million were lower than the previous year's total of CHF 100 million.

Fastweb increased net revenue in the first six months of 2009 in local currency by 12.9% to EUR 919 million (in the second quarter by +11.8%). Operating income before depreciation and amortisation fell slightly by EUR 9 million or 3.3% to EUR 65 million. Last year's result includes a compensation payment from Telecom Italia of EUR 30 million, which was recognised under other income in the second quarter of 2008. Adjusted by this one-off item, the increase in operating income was EUR 21 million or 8.6%.

In other operating segments, the decrease in net revenue can be attributed mainly to lower revenue from operating software platforms for banks at Swisscom IT Services, as well as to the difficult economic environment for IT project business. Thanks to cost savings, the effect of lower net revenue on EBITDA could be partially offset. Although Swisscom IT Services recorded a drop in revenue in the first six months of 2009, incoming orders were still high at CHF 368 million (previous year CHF 104 million). This will not have an immediate effect on net revenue, however.

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	2. quarter 2009	2. quarter 2008	Change	1. half year 2009	1. half year 2008	Change
Net revenue						
Residential Customers	1,186	1,173	1,1%	2,338	2,338	–
Small and Medium-Sized Enterprises	275	277	–0,7%	544	543	0,2%
Corporate Business	415	438	–5,3%	826	852	–3,1%
Wholesale	217	247	–12,1%	445	500	–11,0%
Revenue from external customers	**2,093**	**2,135**	**–2,0%**	**4,153**	**4,233**	**–1,9%**
Intersegment revenue	20	27	–25,9%	39	46	–15,2%
Net revenue	**2,113**	**2,162**	**–2,3%**	**4,192**	**4,279**	**–2,0%**
Segment result						
Residential Customers	751	772	–2,7%	1,476	1,516	–2,6%
Small and Medium-Sized Enterprises	207	207	–	421	407	3,4%
Corporate Business	239	236	1,3%	470	462	1,7%
Wholesale	124	158	–21,5%	252	304	–17,1%
Networks	(382)	(402)	–5,0%	(761)	(771)	–1,3%
Elimination	(1)	–	–	(1)	–	–
Segment result before depreciation and amortisation	**938**	**971**	**–3,4%**	**1,857**	**1,918**	**–3,2%**
Margin as % of net revenue	*44.4*	*44.9*		*44.3*	*44.8*	
Depreciation, amortisation and impairment	(236)	(256)	–7,8%	(475)	(501)	–5,2%
Segment result	**702**	**715**	**–1,8%**	**1,382**	**1,417**	**–2,5%**
Capital expenditure	272	248	9,7%	479	487	–1,6%
Number of full-time equivalent employees at end of period	–	–	–	12,104	11,803	2,6%

Operational data in thousands	1. half year 2009	1. half year 2008	Change
Access lines PSTN/ISDN	3,558	3,654	–2,6%
Broadband access lines	1,795	1,699	5,7%
Bluewin TV subscribers	165	80	106,3%
Unbundled access lines	82	4	–
Mobile subscribers (SIM cards)	5,478	5,181	5,7%
Thereof postpaid	*3,318*	*3,117*	*6,4%*
Thereof prepaid	*2,160*	*2,064*	*4,7%*

Operational data in CHF or minutes	2. quarter 2009	2. quarter 2008	Change	1. half year 2009	1. half year 2008	Change
Average revenue per mobile user per month (ARPU)	50	53	–5,7%	49	52	–5,8%
Average minutes per mobile user per month (AMPU)	113	116	–2,6%	112	114	–1,8%

Revenue at Swisscom Switzerland from external customers fell year-over-year by CHF 80 million or 1.9% to CHF 4,153 million (in the second quarter CHF –42 million or –2.0%). 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 partially offset by the continuing increase in the number of mobile subscribers and higher revenue from new data services for mobile subscribers and data services for other telecommunication providers as well as the growth in broadband access lines and IPTV customers (Bluewin TV) and higher number of sold handsets as a result of the successful launch of the new iPhone in the third quarter of 2008.

The segment result before depreciation and amortisation of CHF 1,857 million is CHF 61 million or 3.2% lower year-over-year (in the second quarter CHF –33 million or –3.4%). Savings in direct costs due to lower revenue and general cost savings were more than fully offset, mainly by higher expenditure in connection with improvements in customer service and the acquisition of the branch network of The Phone House AG in July 2008. In addition, segment result of the first half of 2009 was affected by CHF 33 million as a result of the launch of the iPhone.

The number of broadband access lines in Switzerland increased year-over-year by 96,000 or 5.7% to 1,795,000 lines. At the same time the number of unbundled access lines increased to 82,000. The number of Bluewin TV customers virtually doubled compared with the previous year and at the end of June 2009 amounted to 165,000 customers. The simplified installation process introduced last year was a great success and around 85% of new Bluewin TV customers installed the system without the help of Swisscom technicians.

The number of mobile subscribers in Switzerland rose by 297,000 net or 5.7% to 5,478,000. Revenue from new mobile data services (not including SMS) rose within the space of the year by 20% to CHF 192 million. The average monthly revenue per mobile user (ARPU) fell by 5.8% from CHF 52 to CHF 49 due to price reductions and new tariff models, whereas the average number of minutes per mobile user per month (AMPU) remained stable at 112 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	2. quarter 2009	2. quarter 2008	Change	1. half year 2009	1. half year 2008	Change
Revenue from external customers	**1,186**	**1,173**	**1,1%**	**2,338**	**2,338**	**–**
Intersegment revenue	73	94	–22,3%	143	172	–16,9%
Net revenue	**1,259**	**1,267**	**–0,6%**	**2,481**	**2,510**	**–1,2%**
Operating expenses (incl. intersegment)	(515)	(503)	2,4%	(1,020)	(1,008)	1,2%
Capitalised costs and other income	7	8	–12,5%	15	14	7,1%
Segment result before depreciation and amortisation	**751**	**772**	**–2,7%**	**1,476**	**1,516**	**–2,6%**
Margin as % of net revenue	*59.7*	*60.9*		*59.5*	*60.4*	
Depreciation, amortisation and impairment	(24)	(16)	50,0%	(45)	(29)	55,2%
Segment result	**727**	**756**	**–3,8%**	**1,431**	**1,487**	**–3,8%**
Capital expenditure	35	39	–10,3%	67	63	6,3%
Number of full-time equivalent employees at end of period	–	–	–	4,789	4,425	8,2%

Operational data in thousands	1. half year 2009	1. half year 2008	Change
Access lines PSTN/ISDN	2,764	2,854	–3,2%
Broadband access lines	1,222	1,078	13,4%
Bluewin TV subscribers	165	80	106,3%
Mobile subscribers (SIM cards)	4,353	4,166	4,5%
Thereof postpaid	*2,193*	*2,102*	4,3%
Thereof prepaid	*2,160*	*2,064*	4,7%

Operational data in CHF or minutes	2. quarter 2009	2. quarter 2008	Change	1. half year 2009	1. half year 2008	Change
Average revenue per mobile user per month (ARPU)	42	44	–4,5%	41	44	–6,8%
Average minutes per mobile user per month (AMPU)	94	95	–1,1%	94	94	–

Revenue from the Residential Customers segment with external customers could be maintained at last year's level of CHF 2,338 million (in the second quarter CHF +13 million or +1.1%). 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 led to a decrease of revenue. 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 revenue. The new iPhone (3G S) was successfully launched on June 19, 2009. 23,000 new iPhones were sold up to the end of June 2009. Revenue from the sales of these devices partly explains why the six-monthly revenue was the same year-over-year and 1.1% higher compared with the second quarter of 2008. Together with the increase in the number of mobile subscribers, higher revenue from new mobile data services, as well as the growth in broadband access lines and Bluewin TV customers, this meant that the decrease in revenue could still be offset.

The decrease in intersegment revenue is partly due to the reduction in termination prices and a decrease in the number of internal project services billed to other segments.

The number of mobile subscribers rose year-over-year by 187,000 net or +4.5% to 4,353,000. This includes 2,193,000 postpaid and 2,160,000 prepaid subscribers. The decline in average revenue per mobile user per month (ARPU) from CHF 44 to CHF 41 (–6.8%) can be attributed to the new tariff models and lower termination prices. The number of broadband access lines increased year-over-year by 144,000 or 13.4% to 1,222,000 lines.

Operating expenses of CHF 1,020 million were slightly higher (+1.2%) year-over-year (in the second quarter CHF +12 million or +2.4%). 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 amortisation of CHF 1,476 million is CHF 40 million or 2.6% lower year-over-year (in the second quarter CHF –21 million or -2.7%). The segment margin was virtually unchanged at 59.5% (previous year 60.4%) 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	2. quarter 2009	2. quarter 2008	Change	1. half year 2009	1. half year 2008	Change
Revenue from external customers	**275**	**277**	**–0,7%**	**544**	**543**	**0,2%**
Intersegment revenue	15	16	–6,3%	28	29	–3,4%
Net revenue	**290**	**293**	**–1,0%**	**572**	**572**	**–**
Operating expenses (incl. intersegment)	(83)	(86)	–3,5%	(152)	(165)	–7,9%
Capitalised costs and other income	–	–	–	1	–	–
Segment result before depreciation and amortisation	**207**	**207**	**–**	**421**	**407**	**3,4%**
Margin as % of net revenue	*71.4*	*70.6*		*73.6*	*71.2*	
Depreciation, amortisation and impairment	–	–	–	(1)	–	–
Segment result	**207**	**207**	**–**	**420**	**407**	**3,2%**
Capital expenditure	3	1	–	7	2	250,0%
Number of full-time equivalent employees at end of period	–	–	–	779	764	2,0%

Operational data in thousands	1. half year 2009	1. half year 2008	Change
Access lines PSTN/ISDN	512	512	–
Broadband access lines	164	152	7,9%
Mobile subscribers (SIM cards)	430	392	9,7%

Operational data in CHF or minutes	2. quarter 2009	2. quarter 2008	Change	1. half year 2009	1. half year 2008	Change
Average revenue per mobile user per month (ARPU)	94	99	–5,1%	91	96	–5,2%
Average minutes per mobile user per month (AMPU)	202	211	–4,3%	198	205	–3,4%

Revenue from external customers increased slightly year-over-year by 0.2% to CHF 544 million (in the second quarter CHF –2 million or –0.7%). 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 38,000 or 9.7% to 430,000. The average revenue per mobile user (ARPU) per month fell from CHF 96 to CHF 91 (–5.2%), mainly as a result of new tariff models and lower termination prices. The number of broadband access lines increased year-over-year by 12,000 or 7.9% to 164,000 lines.

Operating expenses fell year-over-year by CHF 13 million or 7.9% to CHF 152 million (in the second quarter CHF –3 million or –3.5%), primarily due to lower termination prices and cost savings.

The segment result before depreciation and amortization of CHF 421 million is CHF 14 million or 3.4% higher year-over-year (in the second quarter CHF 207 million, unchanged year-over-year). The segment margin rose from 71.2% to 73.6% in the first six months of 2009 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	2. quarter 2009	2. quarter 2008	Change	1. half year 2009	1. half year 2008	Change
Revenue from external customers	**415**	**438**	**–5,3%**	**826**	**852**	**–3,1%**
Intersegment revenue	39	39	–	77	77	–
Net revenue	**454**	**477**	**–4,8%**	**903**	**929**	**–2,8%**
Operating expenses (incl. intersegment)	(218)	(244)	–10,7%	(439)	(472)	–7,0%
Capitalised costs and other income	3	3	–	6	5	20,0%
Segment result before depreciation and amortisation	**239**	**236**	**1,3%**	**470**	**462**	**1,7%**
Margin as % of net revenue	*52.6*	*49.5*		*52.0*	*49.7*	
Depreciation, amortisation and impairment	(12)	(10)	20,0%	(25)	(21)	19,0%
Segment result	**227**	**226**	**0,4%**	**445**	**441**	**0,9%**
Capital expenditure	21	13	61,5%	39	26	50,0%
Number of full-time equivalent employees at end of period	–	–	–	2,244	2,188	2,6%

Operational data in thousands	1. half year 2009	1. half year 2008	Change
Access lines PSTN/ISDN	282	288	–2,1%
Broadband access lines	19	19	–
Mobile subscribers (SIM cards)	695	623	11,6%

Operational data in CHF or minutes	2. quarter 2009	2. quarter 2008	Change	1. half year 2009	1. half year 2008	Change
Average revenue per mobile user per month (ARPU)	72	83	–13,3%	72	82	–12,2%
Average minutes per mobile user per month (AMPU)	178	202	–11,9%	178	198	–10,1%

Revenue from external customers decreased year-over-year by CHF 26 million or 3.1% to CHF 826 million (in the second quarter CHF –23 million or –5.3%). The reduction is mainly a result of the decline in volumes and prices in traditional wireline telephony and the lower volume of project business. In mobile telephony the increase in revenue due to the higher number of mobile subscribers (+11.6%) was offset by price reductions and a lower volume of calls. The average revenue per mobile user (ARPU) per month fell from CHF 82 to CHF 72 (–12.2%) as a result of lower prices and a lower volume of calls.

Operating expenses fell year-over-year by CHF 33 million or 7.0% (in the second quarter CHF –26 million or –10.7%). Lower costs of materials and termination fees, together with cost savings, 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 8 million or 1.7% to CHF 470 million (in the second quarter CHF +3 million or +1.3%).

Incoming new orders for projects and outsourcing in the first six months totalled CHF 76 million (previous year CHF 100 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	2. quarter 2009	2. quarter 2008	Change	1. half year 2009	1. half year 2008	Change
Revenue from external customers	**217**	**247**	**–12,1%**	**445**	**500**	**–11,0%**
Intersegment revenue	144	171	–15,8%	271	332	–18,4%
Net revenue	**361**	**418**	**–13,6%**	**716**	**832**	**–13,9%**
Operating expenses (incl. intersegment)	(238)	(265)	–10,2%	(466)	(535)	–12,9%
Capitalised costs and other income	1	5	–80,0%	2	7	–71,4%
Segment result	**124**	**158**	**–21,5%**	**252**	**304**	**–17,1%**
Margin as % of net revenue	*34.3*	*37.8*		*35.2*	*36.5*	
Number of full-time equivalent employees at end of period	–	–	–	89	112	–20,5%

Operational data in thousands	1. half year 2009	1. half year 2008	Change
Broadband access lines	390	450	–13,3%
Unbundled access lines	82	4	–

Operational data in million of minutes	2. quarter 2009	2. quarter 2008	Change	1. half year 2009	1. half year 2008	Change
Wholesale traffic	2,820	3,218	–12,4%	5,915	6,686	–11,5%

Revenue from external customers in the first six months of 2009 fell year-over-year by 11.0% to CHF 445 million (in the second quarter CHF –30 million or –12.1%). There was higher revenue from rental of access lines and operating infrastructure to other telecommunication providers as a result of the unbundling of the local loop. However this 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 intersegment revenue only has a small impact on results of the Wholesale segment.

Operating expenses fell in the first six months of 2009 by 12.9% CHF 466 million (in the second quarter CHF –27 million or –10.2%). This is mainly due to lower roaming and termination costs as well as lower prices.

The segment result decreased in the first six months of 2009 by CHF 52 million or 17.1% to CHF 252 million (in the second quarter CHF –34 million or –21.5%. This decline in the segment result is mainly due to lower revenue from non-regulated products with higher margins.

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	2. quarter 2009	2. quarter 2008	Change	1. half year 2009	1. half year 2008	Change
Operating expenses (incl. intersegment)	(427)	(457)	–6,6%	(850)	(877)	–3,1%
Capitalised costs and other income	45	55	–18,2%	89	106	–16,0%
Segment result before depreciation and amortisation	**(382)**	**(402)**	**–5,0%**	**(761)**	**(771)**	**–1,3%**
Depreciation, amortisation and impairment	(200)	(231)	–13,4%	(405)	(453)	–10,6%
Segment result	**(582)**	**(633)**	**–8,1%**	**(1,166)**	**(1,224)**	**–4,7%**
Capital expenditure	212	195	8,7%	366	396	–7,6%
Number of full-time equivalent employees at end of period	–	–	–	4,203	4,314	–2,6%

In the first six months of 2009 operating expenses increased year-over-year by CHF 27 million to CHF 850 million (in the second quarter CHF –30 million or –6.6%). This is mainly due to cost savings in other operating expenses as well as a lower headcount. The increase in personnel expenses as a result of annual pay rises and higher expenditure on job reduction measures had the opposite effect. Capitalised costs were lower due to less network construction. Overall the segment result before depreciation and amortisation improved in the first six months of 2009 by CHF 10 million or 1.3% (in the second quarter CHF +20 million or +5.0%).

The segment result increased 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 in the first six months of 2009 was CHF 50 million (in the second quarter CHF 25 million).

The reduction in capital expenditure in the first six months of 2009 is mainly due to less investment activities in the first quarter. In the second quarter capital expenditure in connection with the development of glass fibre increased.

Fastweb

"Fastweb" is the second-largest fixed network operator and leading provider of IP-based 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	2. quarter 2009	2. quarter 2008	Change	1. half year 2009	1. half year 2008	Change
Revenue from external customers	**473**	**425**	**11,3%**	**916**	**814**	**12,5%**
Intersegment revenue	2	–	–	3	–	–
Net revenue	**475**	**425**	**11,8%**	**919**	**814**	**12,9%**
Operating expenses (incl. intersegment)	(369)	(324)	13,9%	(709)	(616)	15,1%
Capitalised costs and other income	37	60	–38,3%	55	76	–27,6%
Segment result before depreciation and amortisation	**143**	**161**	**–11,2%**	**265**	**274**	**–3,3%**
Margin as % of net revenue	*30.1*	*37.9*		*28.8*	*33.7*	
Depreciation, amortisation and impairment	(125)	(126)	–0,8%	(246)	(256)	–3,9%
Segment result	**18**	**35**	–48,6%	**19**	**18**	5,6%
Capital expenditure	134	125	7,2%	217	226	–4,0%
Number of full-time equivalent employees at end of period	–	–	–	3,096	3,050	1,5%
Number of customers	–	–	–	1,575	1,398	12,7%

Fastweb recorded a constantly growth in revenue, result and customers in the first six months of 2009. Net revenue increased in the first six months by EUR 105 million or 12.9% to EUR 919 million (in the second quarter EUR +50 million or +11.8%). Of this EUR 16 million is attributable to residential customers (+4.8%), EUR 19 million to small and medium-sized enterprises (+10.1%) and EUR 70 million to corporate business (+23.7%). The customer base was increased year-over-year by 12.7% to 1,575,000.

Segment result before depreciation and amortisation fell slightly by EUR 9 million or 3.3% to EUR 265 million. Last year's segment result includes a compensation payment from Telecom Italia of EUR 30 million, which was recorded under other income in the second quarter of 2008. A compensation payment of EUR 20 million from Telecom Italia also incurred in the second quarter of 2009. The positive effect was offset by extraordinary allowance for old accounts of EUR 19 million. Adjusted by the one-off item in prior year the segment result before depreciation and amortisation increased in the first six months of 2009 by EUR 21 million or 8.6% (EUR +12 million or +9.2% in the second quarter). The adjusted margin fell in the first six months of 2009 from 30.0% to 28.8%. This is mainly the result of a strong growth in revenue in corporate business on an average with lower margins. Thanks to lower depreciation and amortisation, the segment result improved year-over-year by EUR 1 million; adjusted to take into account one-off items, the improvement was EUR 31 million. Depreciation and amortisation in the first six months of 2009 of EUR 246 million include amortisation of EUR 52 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 property, plant and equipment and other intangible assets fell year-over-year from EUR 226 million by 4.0% to EUR 217 million, mainly as a result of the different timing of investment activities. In the second quarter of 2009, capital expenditure increased year-over-year by EUR 9 million or 7.2% to EUR 134 million.

Fastweb is included in Swisscom's consolidated financial statements as at June 30, 2009 as follows:

CHF in millions, except where indicated	2. quarter 2009	2. quarter 2008	Change	1. half year 2009	1. half year 2008	Change
Revenue from external customers	**716**	**686**	**4,4%**	**1,379**	**1,304**	**5,8%**
Intersegment revenue	3	–	–	4	–	–
Net revenue	**719**	**686**	**4,8%**	**1,383**	**1,304**	**6,1%**
Operating expenses (incl. intersegment)	(559)	(523)	6,9%	(1,067)	(987)	8,1%
Capitalised costs and other income	57	97	–41,2%	83	122	–32,0%
Segment result before depreciation and amortisation	**217**	**260**	**–16,5%**	**399**	**439**	**–9,1%**
Margin as % of net revenue	*30.2*	*37.9*		*28.9*	*33.7*	
Depreciation, amortisation and impairment	(191)	(204)	–6,4%	(371)	(411)	–9,7%
Segment result	**26**	**56**	–53,6%	**28**	**28**	–
Capital expenditure	202	202	–	326	363	–10,2%

7

The average exchange rate CHF / EUR decreased year-over-year by 6.0%. Thereby the presented increase of revenue in the consolidated financial statements of Swisscom was only 6.1% and the segment result before depreciation and amortisation fell by 9.1%. On the basis of constant exchange rate revenue increased by 12.9%. Segment result before depreciation and amortisation fell by 3.3%. In the last year's segment result, a compensation payment of EUR 30 million (CHF 48 million) from Telecom Italia is included. Depreciation and amortisation include amortisation of CHF 79 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, Comit AG, Sourcag AG and Resource AG. Swisscom Participations comprises Swisscom Broadcast AG, Swisscom Immobilien AG, Cablex AG, Billag AG, Alphapay AG, Curabill AG and Evita AG as well as the Sicap Group. The Minick Group was also included in Swisscom Participations until its sale in September 2008.

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

CHF in millions, except where indicated	2. quarter 2009	2. quarter 2008	Change	1. half year 2009	1. half year 2008	Change
Swisscom IT Services	92	111	–17,1%	184	221	–16,7%
Swisscom Participations	78	95	–17,9%	158	176	–10,2%
Hospitality Services	19	26	–26,9%	38	47	–19,1%
Others	2	4	–50,0%	4	9	–55,6%
Revenue from external customers	**191**	**236**	**–19,1%**	**384**	**453**	**–15,2%**
Intersegment revenue	220	236	–6,8%	434	459	–5,4%
Net revenue	**411**	**472**	**–12,9%**	**818**	**912**	**–10,3%**
Operating expenses (incl. intersegment)	(340)	(383)	–11,2%	(689)	(745)	–7,5%
Capitalised costs and other income	20	6	233,3%	24	11	118,2%
Segment result before depreciation and amortisation	**91**	**95**	**–4,2%**	**153**	**178**	**–14,0%**
Margin as % of net revenue	*22.1*	*20.1*		*18.7*	*19.5*	
Depreciation, amortisation and impairment	(51)	(68)	–25,0%	(106)	(125)	–15,2%
Segment result	**40**	**27**	**48,1%**	**47**	**53**	**–11,3%**
Capital expenditure	40	41	–2,4%	61	70	–12,9%
Number of full-time equivalent employees at end of period	–	–	–	4,437	4,606	–3,7%

In the first six months of 2009, revenue from external customers decreased year-over-year by CHF 69 million or –15.2% to CHF 384 million (in the second quarter CHF –45 million or –19.1%). The segment result before depreciation and amortisation in the same period was CHF 25 million or 14.0% down at CHF 153 million (in the second quarter CHF –4 million or –4.2%). The decline in net revenue could not be fully compensated for by cost savings.

The decline in revenue at Swisscom IT Services of CHF 37 million or 16.7% to CHF 184 million (in the second quarter CHF –19 million or –17.1%) is attributable to lower revenue from the operation of software platforms for banks, stronger competition and a lower volume of project business. In the first six months of 2009, Swisscom IT Services recorded a high volume of incoming new orders worth CHF 368 million, which, however, only have a deferred effect on revenue. The decline in revenue at Swisscom Participations is mainly due to revenue in connection with the European Football Championships in the previous year. At Hospitality Services revenue fell year-over-year by CHF 9 million or 19.1% to CHF 38 million (in the second quarter CHF –7 million or –26.9%) as a result of the continuing difficult economic environment. Revenue with other segments decreased year-over-year by CHF 25 million or 5.4% to CHF 434 million, mainly due to lower revenue at the network construction company Cablex.

Operating expenses dropped year-over-year by CHF 56 million or 7.5% to CHF 689 million (CHF –43 million or –11.2% in the second quarter). The decrease can be attributed mainly to lower revenue at Swisscom IT Services, the elimination of costs in connection with the European Football Championships in 2008 and cost savings.

Capital expenditure of CHF 61 million is CHF 9 million or 12.9% 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	2. quarter 2009	2. quarter 2008	Change	1. half year 2009	1. half year 2008	Change
Revenue from external customers	**1**	**1**	**–**	**1**	**1**	**–**
Intersegment revenue	1	1	–	2	2	–
Net revenue	**2**	**2**	**–**	**3**	**3**	**–**
Operating expenses (incl. intersegment)	(57)	(81)	–29,6%	(109)	(146)	–25,3%
Capitalised costs and other income	21	19	10,5%	38	40	–5,0%
Operating income before depreciation and amortization (EBITDA)	**(34)**	**(60)**	**–43,3%**	**(68)**	**(103)**	**–34,0%**
Depreciation, amortisation and impairment	(2)	–	–	(5)	(1)	–
Operating income (EBIT)	**(36)**	**(60)**	**–40,0%**	**(73)**	**(104)**	**–29,8%**
Capital expenditure	1	6	–83,3%	1	6	–83,3%
Number of full-time equivalent employees at end of period	–	–	–	333	336	–0,9%

The operating income before depreciation and amortisation improved by CHF 35 million (in the second quarter CHF +26 million). The main reasons for this improvement are cost savings at Group divisions, lower expenses for workforce reduction measures following a drop in the number of participants in the employment company Worklink, as well as costs in connection with the launch of the new brand in the second quarter of 2008. 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	2. quarter 2009	2. quarter 2008	Change	1. half year 2009	1. half year 2008	Change
Operating income before depreciation and amortisation (EBITDA)	**1,201**	**1,266**	**–5,1%**	**2,335**	**2,427**	**–3,8%**
Depreciation, amortisation and impairment	(477)	(523)	–8,8%	(949)	(1,030)	–7,9%
Operating income (EBIT)	**724**	**743**	**–2,6%**	**1,386**	**1,397**	**–0,8%**
Financial income and financial expense, net	(66)	(212)	–68,9%	(129)	(325)	–60,3%
Share of profit of investments in associates	12	12	–	20	18	11,1%
Income before income taxes	**670**	**543**	**23,4%**	**1,277**	**1,090**	**17,2%**
Income tax expense	(134)	(122)	9,8%	(256)	(244)	4,9%
Net income	**536**	**421**	**27,3%**	**1,021**	**846**	**20,7%**
Net income attributable to equity holders of Swisscom Ltd	530	412	28,6%	1,015	840	20,8%
Net income attributable to minority interests	6	9	–33,3%	6	6	–
Average number of shares outstanding (in millions)	51.800	51.802	–	51.801	51.802	–
Earnings per share (in CHF)	10.23	7.95	28,6%	19.59	16.22	20,8%

Depreciation, amortisation and impairments

Depreciation, amortisation and impairments fell in the first six months of 2009 by CHF 81 million or 7.9% to CHF 949 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 (Com-Com) 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 the range of 20 to 30 years and for fibre 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 50 million will take effect in the first six months of 2009.

Net financial result

Net financial expense improved year-over-year by CHF 196 million to CHF 129 million. The improvement in the net financial result is due on the one hand to lower net interest expense of CHF 36 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 six months of 2008 led to foreign exchange losses of CHF 21 million. Furthermore provisions of CHF 126 million in connection with the early termination of cross-border lease agreements were recognised in the second quarter of 2008.

Income tax expense

Income tax expense amounted to CHF 256 million (previous year CHF 244 million), which corresponds to an effective income tax rate of 20.0% (previous year 22.4%). Income tax payments in the first six months of 2009 fell year-over-year by CHF 159 million to CHF 126 million. In 2009, an effective income tax rate of around 21% is expected.

Net income and earnings per share

Net income increased by CHF 175 million or 20.7% to CHF 1,021 million in the first six months of 2009. The decrease in EBITDA of CHF 92 million was offset by lower depreciation and amortisation of CHF 81 million and lower net financial expenses of CHF 196 million.

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 20.8% to CHF 1,015 million. Earnings per share rose accordingly in the first six months of 2009 from CHF 16.22 to CHF 19.59.

Cash flow

CHF in millions	1. half year 2009	1. half year 2008	Change
Operating income before depreciation and amortisation (EBITDA)	2,335	2,427	(92)
Change in operating assets and liabilities and other payments or receipts from operating activities	(93)	(143)	50
Income taxes paid	(126)	(285)	159
Cash flow provided by operating activities	**2,116**	**1,999**	**117**
Capital expenditure	(860)	(923)	63
Proceeds from sale of fixed assets	10	10	–
Acquisition of shares in group companies	(37)	(44)	7
Other cash flow from investing activities, net	846	85	761
Cash flow used in investing activities	**(41)**	**(872)**	**831**
Issuance and repayment of financial liabilities, net	(1,186)	(129)	(1,057)
Dividends paid to equity holders of Swisscom Ltd	(984)	(1,036)	52
Dividends paid to minority interests	(40)	(12)	(28)
Other cash flow from financing activities, net	(382)	(194)	(188)
Cash flow used in financing activities	**(2,592)**	**(1,371)**	**(1,221)**
Net decrease in cash and cash equivalents	**(517)**	**(244)**	**(273)**

Cash flow provided by operating activities increased year-over-year by CHF 117 million to CHF 2,116 million. The increase can be mainly attributed to lower income tax payments. The change in net working capital in the first six months of 2009 includes provisions for proceedings in connection with interconnection services totalling CHF 86 million. The decrease in capital expenditure for property, plant and equipment and other intangible assets of CHF 63 million to CHF 860 million is mainly as a result of lower capital expenditure at Swisscom Switzerland and Fastweb due to different timing of investment activities.

Various cross-border lease agreements were terminated in the first six months of 2009. As a result of the termination, financial assets totalling CHF 802 million were sold and financial liabilities of CHF 1,037 million were repaid. In 2008 provisions amounting to CHF 258 million were recognised for costs in connection with the premature termination of cross-border lease agreements. The payment of CHF 258 million was made in the second quarter of 2009 and is presented in other cash flow from financing activities.

Return policy

CHF in millions	1. half year 2009	1. half year 2008	Change
Operating income before depreciation and amortisation (EBITDA)	2,335	2,427	(92)
Change in operating assets and liabilities and other payments or receipts from operating activities	(93)	(143)	50
Capital expenditure	(860)	(923)	63
Proceeds from sale of fixed assets	10	10	–
Dividends paid to minority interests	(40)	(12)	(28)
Operating free cash flow	**1,352**	**1,359**	**(7)**

In accordance with the definitions laid down in Swisscom's return policy, approximately half of the operating free cash flow should 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	30.06.2009	31.12.2008	Change
Bonds	3,321	2,032	1,289
Bank loans	4,855	6,140	(1,285)
Private placements	1,368	1,339	29
Financial liabilities from cross-border lease agreements	65	1,096	(1,031)
Finance lease obligation	487	502	(15)
Other financial liabilities	726	683	43
Total financial liabilities	**10,822**	**11,792**	**(970)**
Cash and cash equivalents	(449)	(958)	509
Current financial assets	(162)	(163)	1
Financial assets form crossborder-lease agreements	(9)	(808)	799
Non-current certificates of deposit	(197)	–	(197)
Non-current derivative financial assets	(2)	(3)	1
Net debt	**10,003**	**9,860**	**143**

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 certificates of deposits and 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 long-term leaseback liabilities relating to buildings.

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 was fully used to pay back bank loans prematurely. In the first half of 2009, various cross-border lease agreements were terminated. As a result of the termination, financial assets were sold and financial liabilities were paid back. On June 30, 2009 financial liabilities from cross-border lease agreements presented in the balance sheet amounted to CHF 65 million. Of this amount CHF 9 million is covered by financial assets.

Balance sheet

CHF in millions	30.06.2009	31.12.2008	Change
Assets			
Cash and cash equivalents	449	958	–53,1%
Other financial assets	436	1,023	–57,4%
Trade and other receivables	2,954	2,798	5,6%
Property, plant and equipment	8,115	8,070	0,6%
Goodwill	6,741	6,633	1,6%
Other intangible assets	2,279	2,282	–0,1%
Affiliated companies	239	285	–16,1%
Other current and non-current assets	580	689	–15,8%
Total assets	**21,793**	**22,738**	**–4,2%**
Liabilities and equity			
Financial liabilities	10,822	11,792	–8,2%
Trade and other payables	2,180	2,186	–0,3%
Defined benefit obligation	363	428	–15,2%
Provisions	839	1,197	–29,9%
Other current and non-current liabilities	1,652	1,372	20,4%
Total liabilities	**15,856**	**16,975**	**–6,6%**
Equity attributable to equity holders of Swisscom Ltd	5,590	5,389	3,7%
Attributable to minority interests	347	374	–7,2%
Total equity	**5,937**	**5,763**	**3,0%**
Equity ratio at end of period	*27,2%*	*25,3%*	
Total liabilities and equity	**21,793**	**22,738**	**–4,2%**

The balance sheet total has decreased since the end of 2008 by 4.2% to CHF 21,793 million. The main reason for this decline is the premature termination of cross-border lease agreements in the second quarter of 2009, which led to a drop in financial liabilities and other financial assets. Equity increased by 3.0% or CHF 174 million to CHF 5,937 million. In the first six months of 2009, net income and the other comprehensive income recognised in equity of CHF 1,199 million were higher than the dividend payments of CHF 1,024 million. The other comprehensive income recognised in equity in the first six months of 2009 includes gains of CHF 184 million from currency translation of foreign group companies as a result of higher exchange rates. CHF/EUR exchange rate increased from 1.486 to 1.527 compared with the end of 2008. Cumulative currency translation losses recognized in equity as at June 30, 2009 amounted to CHF 601 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	2. quarter 2009	2. quarter 2008	1. half year 2009	1. half year 2008
		unaudited			
Net revenue	2	**3,001**	**3,058**	**5,917**	**5,991**
Goods and services purchased		(655)	(674)	(1,278)	(1,301)
Personnel expenses		(650)	(620)	(1,304)	(1,261)
Other operating expenses		(630)	(661)	(1,217)	(1,243)
Capitalized costs and other income		135	163	217	241
Operating income before depreciation and amortisation (EBITDA)		**1,201**	**1,266**	**2,335**	**2,427**
Depreciation, amortisation and impairment		(477)	(523)	(949)	(1,030)
Operating income (EBIT)	3	**724**	**743**	**1,386**	**1,397**
Financial income and financial expense, net	4	(66)	(212)	(129)	(325)
Share of profit of investments in associates		12	12	20	18
Income before income taxes		**670**	**543**	**1,277**	**1,090**
Income tax expense		(134)	(122)	(256)	(244)
Net income		**536**	**421**	**1,021**	**846**
Net income attributable to equity holders of Swisscom Ltd		530	412	1,015	840
Net income attributable to minority interests		6	9	6	6
Basic and dilluted earnings per share (in CHF)		**10.23**	**7.95**	**19.59**	**16.22**

Consolidated comprehensive income (condensed)

CHF in millions	2. quarter 2009	2. quarter 2008	1. half year 2009	1. half year 2008
	unaudited			
Net income	536	421	1,021	846
Other comprehensive income				
Currency translation adjustments on foreign operations	53	187	184	(221)
Change in fair value of available for sale financial assets	1	–	1	–
Change in fair value of cash flow hedges	13	69	(7)	65
Income taxes on other comprehensive income	(1)	(6)	–	(5)
Total other comprehensive income	**66**	**250**	**178**	**(161)**
Comprehensive income	**602**	**671**	**1,199**	**685**
Attributable to equity holders of Swisscom Ltd	595	653	1,186	689
Attributable to minority interests	7	18	13	(4)

Consolidated balance sheet (condensed)

CHF in millions	Note	unaudited 30.06.2009	31.12.2008
Assets			
Current assets			
Cash and cash equivalents		449	958
Trade and other receivables		2,954	2,798
Other financial assets		162	170
Other assets		471	560
Non-current assets held for sale	5	12	16
Total current assets		**4,048**	**4,502**
Non-current assets			
Property, plant and equipment		8,115	8,070
Goodwill and other intangible assets		9,020	8,915
Investments in associates		239	285
Other financial assets		274	853
Deferred tax assets		43	58
Other non-financial assets		54	55
Total non-current assets		**17,745**	**18,236**
Total assets		**21,793**	**22,738**
Liabilities and equity			
Current liabilities			
Financial liabilities	6	438	216
Trade and other payables		2,180	2,186
Current tax liabilities		308	163
Provisions	7	121	482
Other non-financial liabilities		755	619
Total current liabilities		**3,802**	**3,666**
Non-current liabilities			
Financial liabilities	6	10,384	11,576
Defined benefit obligation		363	428
Provisions	7	718	715
Deferred tax liabilities		378	407
Other non-financial liabilities		211	183
Total non-current liabilities		**12,054**	**13,309**
Total liabilities		**15,856**	**16,975**
Equity			
Equity attributable to equity holders of Swisscom Ltd		5,590	5,389
Equity attributable to minority interests		347	374
Total equity		**5,937**	**5,763**
Total liabilities and equity		**21,793**	**22,738**

CHF in millions	Note	unaudited 1. half year 2009	1. half year 2008
Cash flows from operating activities			
Operating income before depreciation and amortisation (EBITDA)		2,335	2,427
Change in operating assets and liabilities and other payments or receipts from operating activities		(93)	(143)
Income taxes paid		(126)	(285)
Cash flow provided by operating activities		**2,116**	**1,999**
Cash flows from investing activities			
Capital expenditure		(860)	(923)
Proceeds from sale of fixed assets		10	10
Acquisition of shares in group companies	2	(37)	(44)
Other cash flow from investing activities, net		846	85
Cash flow used in investing activities		**(41)**	**(872)**
Cash flows from financing activities			
Issuance and repayment of financial liabilities, net		(1,186)	(129)
Dividends paid to equity holders of Swisscom Ltd	9	(984)	(1,036)
Dividends paid to minority interests		(40)	(12)
Other cash flow from financing activities, net		(382)	(194)
Cash flow used in financing activities		**(2,592)**	**(1,371)**
Net decrease in cash and cash equivalents		**(517)**	**(244)**
Cash and cash equivalents at beginning of year		958	957
Currency translation of cash and cash equivalents		8	(6)
Cash and cash equivalents at end of the period		**449**	**707**

Consolidated statement of changes in equity (condensed)

CHF in 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
	unaudited							
Balance at December 31, 2007	**57**	**370**	**7,364**	**(2,213)**	**(4)**	**5,574**	**430**	**6,004**
Net income	–	–	840	–	–	840	6	846
Other comprehensive income	–	–	–	–	(151)	(151)	(10)	(161)
Comprehensive income	**–**	**–**	**840**	**–**	**(151)**	**689**	**(4)**	**685**
Dividends paid	–	–	(1,036)	–	–	(1,036)	(12)	(1,048)
Purchase of treasury shares for share-based payments	–	–	–	(31)	–	(31)	–	(31)
Sale of treasury shares for share-based payments	–	–	(2)	31	–	29	–	29
Acquisition of subsidiaries	–	–	–	–	–	–	(2)	(2)
Balance at June 30, 2008	**57**	**370**	**7,166**	**(2,213)**	**(155)**	**5,225**	**412**	**5,637**
Balance at December 31, 2008	**53**	**370**	**6,611**	**(738)**	**(907)**	**5,389**	**374**	**5,763**
Net income	–	–	1,015	–	–	1,015	6	1,021
Other comprehensive income	–	–	–	–	171	171	7	178
Comprehensive income	**–**	**–**	**1,015**	**–**	**171**	**1,186**	**13**	**1,199**
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 June 30, 2009	**53**	**370**	**6,642**	**(739)**	**(736)**	**5,590**	**347**	**5,937**

Notes to the interim financial statements (condensed and unaudited)

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 for the six-month period ended on June 30, 2009 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 December 31, 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 1.527 as the cut-off rate and 1.506 as the average rate was used for the consolidated interim financial statements.

Changes in accounting policies

Swisscom applied IFRS 8 «Operating Segments» (effective from January 1, 2009) earlier than required from the beginning of January 1, 2008.

Swisscom applied the changes in IAS 1 (revised) „Presentation of financial statements" and IAS 23 (revised) "Borrowing Costs" from January 1, 2009 with the effects outlined below. In addition Swisscom is applying further changes to the existing International Financial Reporting Standards (IFRS) and Interpretations which do not have a significant impact on the financial situation of the Group.

IAS 1 (revised) „Presentation of financial statements" (effective from January 1, 2009): The revised standard requires to disclose changes in the presentation of the statement comprehensive income and also additional information on the positions in the other comprehensive income. Furthermore, owner changes in equity and other changes in equity are to be presented as primary statement. A balance sheet is also to be presented as at the beginning of the comparative period when there is a retrospective adjustment in the previous year's figures or if items in the financial statements are reclassified. The revised standard foresees new amended titles for the components of the financial statements. These are not mandatory, however.

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. The revised standard is to be applied prospectively from January 1, 2009. In the first six months borrowing costs of CHF 6 million were capitalised.

IFRIC 18 "Transfers of assets from customers" (effective for transfers of assets from July 1, 2009): IFRIC 18 clarifies the treatment where an entity receives assets from a customer. Swisscom does not expect the application of this interpretation to have a material impact on its consolidated financial statements.

Swisscom is currently examining the potential effects of other new and revised IFRS and interpretations which must be applied at the earliest from beginning of July 1, 2009.

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 the range of 20 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 12 months of the 2009 financial year will be around CHF 100 million, of which CHF 50 million will take effect in the first six months of 2009.

2 Business combinations

Payments totaling CHF 37 million were made in the first six months of 2009 for the acquisition of group companies. This is made up of CHF 11 million for deferred purchase price payments and CHF 26 million for subsidiaries acquired in 2009. The newly acquired companies are aggregated in the financial statements as non-significant acquisitions.

On June 30, 2009 Swisscom IT Services completed the acquisition of a 60% stake in Sourcag AG, which operates in the field of standardised back office services in securities processing and payment transactions for banks.

On June 30, 2009 Swisscom IT Services acquired 100% of shares in Resource AG. Resource AG plans, develops and implements SAP-based computer solutions both for small and medium-sized enterprises as well as for large corporations.

The acquisitions in 2009 are provisionally included in the consolidated financial statements as at June 30, 2009, since, at the time the financial statements were prepared, Swisscom was not in a position to finalize the purchase price allocation for these transactions. Goodwill of CHF 35 million was recognised based on the provisional purchase price allocation. The effects of the acquisitions on net revenue and net income in the first six months of 2009 are not material.

3 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". In addition "Group Headquarters", which does not include allocated costs, will be presented separately.

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, Curabill AG, Evita AG and the Sicap Group as well as the Minick Group until its sale in September 2008.

"Group Headquarters" which does not include allocated costs, comprises mainly Group Headquarter divisions and the employment company Worklink AG.

The segment result of "Fastweb", "Other operating segments" 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" does not charge any management fees and the "Networks" segment 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 January 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". Adjustments to net revenue and segment results of the individual segments are not significant. The previous year's figures have been adjusted accordingly.

Net revenue and operating results of the individual segments as well as the reconciliation on net income in the first six months of 2008 and 2009 are presented in the following table:

1. half year 2009 CHF in millions	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**	**47**	**(73)**	**2**	**1,386**
Financial income and financial expense, net	–	–	–	–	–	(129)
Share of profit of investments in associates	–	–	–	–	–	20
Income before income taxes	**–**	**–**	**–**	**–**	**–**	**1,277**
Income tax expense	–	–	–	–	–	(256)
Net income	**–**	**–**	**–**	**–**	**–**	**1,021**

	unaudited						
1. half year 2009 CHF in millions	Residential Customers	Small and Medium-Sized Enterprises	Corporate Business	Wholesale	Networks	Elimination	Swisscom Switzerland
Net revenue from external customers	2,338	544	826	445	–	–	4,153
Intersegment net revenue	143	28	77	271	–	(480)	39
Net revenue	**2,481**	**572**	**903**	**716**	**–**	**(480)**	**4,192**
Segment result	**1,431**	**420**	**445**	**252**	**(1,166)**	**–**	**1,382**

1. half year 2008 CHF in millions, restated	Swisscom Switzerland	Fastweb	Other operating segments	Group Head-quarters	Elimi-nation	Total
Net revenue from external customers	4,233	1,304	453	1	–	5,991
Intersegment net revenue	46	–	459	2	(507)	–
Net revenue	**4,279**	**1,304**	**912**	**3**	**(507)**	**5,991**
Segment result	**1,417**	**28**	**53**	**(104)**	**3**	**1,397**
Financial income and financial expense, net	–	–	–	–	–	(325)
Share of profit of investments in associates	–	–	–	–	–	18
Income before income taxes	**–**	**–**	**–**	**–**	**–**	**1,090**
Income tax expense	–	–	–	–	–	(244)
Net income	**–**	**–**	**–**	**–**	**–**	**846**

	unaudited						
1. half year 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	2,338	543	852	500	–	–	4,233
Intersegment net revenue	172	29	77	332	–	(564)	46
Net revenue	**2,510**	**572**	**929**	**832**	**–**	**(564)**	**4,279**
Segment result	**1,487**	**407**	**441**	**304**	**(1,224)**	**2**	**1,417**

4 Net financial result

	unaudited	
CHF in millions	1. half year 2009	1. half year 2008
Interest income	35	57
Interest expense	(163)	(221)
Net interest expense	**(128)**	**(164)**
Foreign exchange gains (losses)	21	(21)
Other financial income and expense, net	(22)	(140)
Financial income and financial expense, net	**(129)**	**(325)**

Other financial result includes the recognition of provisions in the second quarter of 2008 of CHF 126 million in connection with the early termination of cross-border lease agreements. See Note 6.

5 Non-current assets held for sale

Non-current assets held for sale as at June 30, 2009 include the carrying amount of real estate of CHF 12 million which is scheduled to be sold in the next twelve months. The scheduled sales are part of Swisscom Immobilien AG's plan to optimise use of buildings.

6 Financial liabilities

CHF in millions	unaudited 30.06.2009	31.12.2008
Finance lease obligation	9	9
Other interest bearing financial liabilities	416	147
Other financial liabilities	13	60
Total current financial liabilities	**438**	**216**
Bank loans	4,846	6,140
Bonds	3,321	2,032
Private placements	1,368	1,339
Financial liabilities from cross-border lease agreements	65	1,087
Finance lease obligation	478	493
Derivative financial instruments	271	457
Other financial liabilities	35	28
Total non-current financial liabilities	**10,384**	**11,576**
Total financial liabilities	**10,822**	**11,792**

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. These bonds were used in full to repay existing debts with banks.

Financial liabilities from cross-border lease agreements

Between 1996 and 2002, Swisscom entered into various cross-border lease agreements, under the terms of which parts of its fixed and mobile networks were to be sold or leased long-term and then leased back. Swisscom defeased a major part of the lease obligations through highly rated financial assets and several payment undertaking agreements. The financial assets were irrevocably placed with a trust. The payment undertaking agreements were signed with financial institutions with a high credit standing. In accordance with Interpretation SIC-27 “Evaluating the substance of transactions involving the legal form of a lease”, these financial assets or payment undertaking agreements and the liabilities in the same amount are offset and not presented in the balance sheet. As of December 31, 2008 the financial liabilities and assets resulting from these transactions including interest totalled USD 3,503 million (CHF 3,745 million) and USD 3,240 million (CHF 3,457 million) respectively. Of this amount USD 2,482 million (CHF 2,649 million) are not recognised in the balance sheet in accordance with SIC-27. Of the financial liabilities of CHF 1,097 million presented, CHF 808 million were covered by financial assets.

In the first six months of 2008 Swisscom concluded an agreement on the early termination of three quarters of the cross-border lease volume. The completion of the termination agreements by the relative parties was subject to official approval. As a result of the termination of the agreements, provisions of CHF 126 million were recognised for the first time in the second quarter of 2008 as financial expense. 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. In the past, pre-tax income from completion of the terminated transactions totalling CHF 227 million (CHF 293 million for the total transactions) was recorded as financial income on the transaction date in accordance with SIC-27. After obtaining official approval, the early termination of the agreements was completed in the second quarter of 2009.

In addition, other cross-border lease agreements were terminated and paid back in the first six months of 2009.

As of June 30, 2009 the financial liabilities and assets resulting from these transactions including interest totalled USD 495 million (CHF 539 million) and USD 447 million (CHF 483 million) respectively. Of this amount USD 439 million (CHF 474 million) are not recognised in the balance sheet in accordance with SIC-27. Of the financial liabilities of CHF 65 million presented, CHF 9 million were covered by financial assets.

7 Provisions and contingent liabilities

On June 30, 2009 provisions for the current interconnection and access services proceedings involving Swisscom Switzerland amounted to CHF 219 million. On December 31, 2008 provisions amounted to CHF 296 million. Payments in the first six months of 2009 amounted to CHF 86 million.

In the proceedings in connection with mobile termination fees, 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 June 30, 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 June 30, 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 provisions amounting to CHF 258 million were recognised for costs in connection with the early termination of three quarters of the cross-border lease volume. The completion of the early termination agreements and the settlement payment of CHF 258 million were done in the second quarter of 2009. See Note 6.

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.

8 Equity

At the General Meeting of Shareholders on April 21, 2009 of 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 shares were destroyed in July 2009. In the first six months of 2009, Swisscom acquired 8,924 treasury shares for an amount of CHF 3 million. Of these 5,535 shares were given to members of the Group Executive Board and the Board of Directors as part of the share-based payment scheme.

9 Dividends

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

10 Related-party transactions

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

11 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 August 11, 2009.

Report of the Auditors about their Review

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 June 30, 2009 and the related consolidated condensed statements of income, comprehensive income, cash flows and changes in equity for the 6-month period then ended, and selected explanatory notes (the consolidated interim financial information) on pages 21 to 31.

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 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 June 30, 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

KPMG AG

Hanspeter Stocker	Rolf Hauenstein
Licensed Audit Expert	*Licensed Audit Expert*

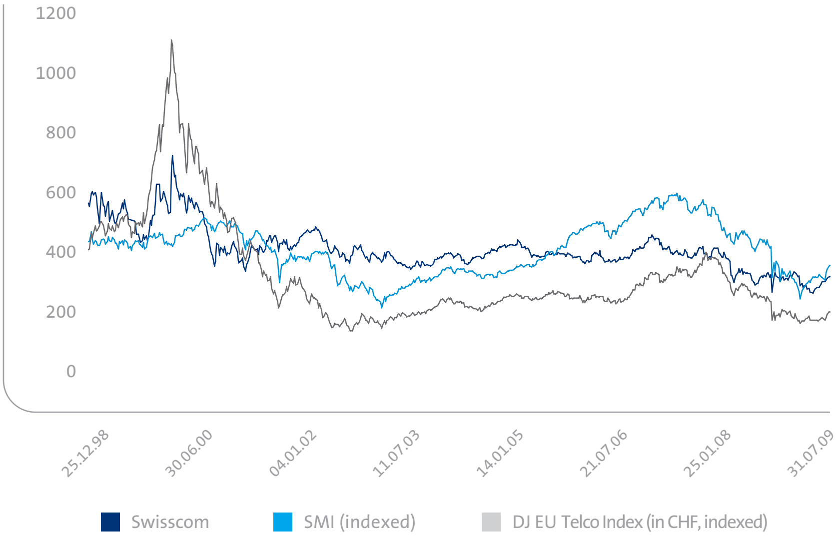
Gümligen-Berne, August 11, 2009

Share information

31.12.2008 – 30.06.2009	virt-x
Closing price at 30.06.2009 [1]	CHF 333.50
Closing price at 31.12.2008 [1]	CHF 339.50
Year high [1]	CHF 377.50
Year low [1]	CHF 291.25
Total trading volume	21 579 598
Daily average	176 882
Total trade volume in millions	CHF 7 070.51
Daily average in millions	CHF 57.96

Source: Bloomberg
1 paid prices

Performance of the Swisscom share on the virt-x



Share information

On June 30, 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 June 30, 2009 Swisscom had 51,803 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 shares were destroyed in July 2009.

The dividend payment of CHF 19 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

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 Receipts (ADR) 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
SIX Swiss Exchange	SCMN, VX	SCM.VX	SCMN, VTX

Quarterly review 2008 und 2009

CHF in millions	1. quarter	2. quarter	3. quarter	4. quarter	2008	1. quarter	2. quarter	3. quarter	4. quarter	30.06.09
Net revenue	**2,933**	**3,058**	**3,094**	**3,113**	**12,198**	**2,916**	**3,001**			**5,917**
Goods and services purchased	(627)	(674)	(768)	(728)	(2,797)	(623)	(655)			(1,278)
Personnel expenses	(641)	(620)	(592)	(613)	(2,466)	(654)	(650)			(1,304)
Other operating expenses	(582)	(661)	(628)	(729)	(2,600)	(587)	(630)			(1,217)
Capitalised costs and other income	78	163	82	131	454	82	135			217
Operating income (EBITDA)	**1,161**	**1,266**	**1,188**	**1,174**	**4,789**	**1,134**	**1,201**			**2,335**
Depreciation, amortisation and impairment	(507)	(523)	(519)	(600)	(2,149)	(472)	(477)			(949)
Operating income (EBIT)	**654**	**743**	**669**	**574**	**2,640**	**662**	**724**			**1,386**
Net financial result	(113)	(212)	(70)	(93)	(488)	(63)	(66)			(129)
Share of profit of investments in associates	6	12	10	19	47	8	12			20
Income tax expense	(122)	(122)	(139)	(65)	(448)	(122)	(134)			(256)
Net income	**425**	**421**	**470**	**435**	**1,751**	**485**	**536**			**1,021**
Attributable to equity holders of Swisscom Ltd	428	412	473	443	1,756	485	530			1,015
Attributable to minority interests	(3)	9	(3)	(8)	(5)	–	6			6
Net revenue by segments [1]										
Swisscom Switzerland	2,117	2,162	2,206	2,196	8,681	2,079	2,113			4,192
Fastweb	618	686	687	707	2,698	664	719			1,383
Other Operating segments	440	472	446	476	1,834	407	411			818
Group Headquarters	1	2	2	1	6	1	2			3
Intersegment elimination	(243)	(264)	(247)	(267)	(1,021)	(235)	(244)			(479)
Total net revenue	**2,933**	**3,058**	**3,094**	**3,113**	**12,198**	**2,916**	**3,001**			**5,917**
Operating income before depreciation and amortisation (EBITDA)										
Swisscom Switzerland	947	971	934	916	3,768	919	938			1,857
Fastweb	179	260	205	220	864	182	217			399
Other Operating segments	83	95	94	77	349	62	91			153
Group Headquarters	(43)	(60)	(35)	(38)	(176)	(34)	(34)			(68)
Intersegment elimination	(5)	–	(10)	(1)	(16)	5	(11)			(6)
Total operating income (EBITDA)	**1,161**	**1,266**	**1,188**	**1,174**	**4,789**	**1,134**	**1,201**			**2,335**
Capital expenditure										
Swisscom Switzerland	239	248	241	443	1,171	207	272			479
Fastweb	161	202	162	166	691	124	202			326
Other Operating segments	29	41	44	77	191	21	40			61
Group Headquarters	–	6	2	2	10	–	1			1
Intersegment elimination	(9)	6	(7)	(3)	(13)	(1)	(6)			(7)
Total capital expenditure	**420**	**503**	**442**	**685**	**2,050**	**351**	**509**			**860**
Operating free cash flow	751	608	765	352	2,077	693	659			1,352
Number of full-time equivalent employees at end of period	19,718	19,795	19,995	19,943	19,943	20,102	19,970			19,970

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	30.06.09
Swisscom Switzerland										
Net revenue and results										
Residential Customers	559	562	653	593	2,367	546	578			1,124
Small and Medium-Sized Enterprises	99	107	113	111	430	105	112			217
Corporate Business	137	148	148	143	576	138	144			282
Wholesale	112	109	109	100	430	95	92			187
Mobile revenue	**907**	**926**	**1,023**	**947**	**3,803**	**884**	**926**			**1,810**
Residential Customers	361	363	366	362	1,452	368	365			733
Small and Medium-Sized Enterprises	90	90	91	89	360	89	89			178
Corporate Business	42	41	42	41	166	40	41			81
Wholesale	45	48	47	48	188	41	42			83
Wireline accesss revenue	**538**	**542**	**546**	**540**	**2,166**	**538**	**537**			**1,075**
Residential Customers	164	159	154	158	635	153	145			298
Small and Medium-Sized Enterprises	59	60	58	58	235	59	57			116
Corporate Business	44	44	44	45	177	41	39			80
Wholesale	57	47	39	53	196	47	44			91
Wireline traffic revenue	**324**	**310**	**295**	**314**	**1,243**	**300**	**285**			**585**
Residential Customers	81	89	74	76	320	85	98			183
Small and Medium-Sized Enterprises	18	20	16	18	72	16	17			33
Corporate Business	191	205	204	231	831	192	191			383
Wholesale	39	43	31	48	161	45	39			84
Other revenue	**329**	**357**	**325**	**373**	**1,384**	**338**	**345**			**683**
Residential Customers	1,165	1,173	1,247	1,189	4,774	1,152	1,186			2,338
Small and Medium-Sized Enterprises	266	277	278	276	1,097	269	275			544
Corporate Business	414	438	438	460	1,750	411	415			826
Wholesale	253	247	226	249	975	228	217			445
Revenue from external customers	**2,098**	**2,135**	**2,189**	**2,174**	**8,596**	**2,060**	**2,093**			**4,153**
Segment result before depreciation and amortisation										
Residential Customers	744	772	732	714	2,962	725	751			1,476
Small and Medium-Sized Enterprises	200	207	207	202	816	214	207			421
Corporate Business	226	236	238	243	943	231	239			470
Wholesale	146	158	136	163	603	128	124			252
Networks	(369)	(402)	(378)	(406)	(1,555)	(379)	(382)			(761)
Intersegment elimination	–	–	(1)	–	(1)	–	(1)			(1)
Segment result (EBITDA)	**947**	**971**	**934**	**916**	**3,768**	**919**	**938**			**1,857**
Margin as % of net revenue	44.7	44.9	42.3	41.7	43.4	44.2	44.4			44.3

	1. quarter	2. quarter	3. quarter	4. quarter	2008	1. quarter	2. quarter	3. quarter	4. quarter	30.06.09
Swisscom Switzerland										
Operational data										
Residential Customers	2,868	2,854	2,842	2,826	2,826	2,795	2,764			2,764
Small and Medium-Sized Enterprises	509	512	510	511	511	512	512			512
Corporate Business	288	288	288	286	286	284	282			282
Number of PSTN/ISDN lines in thousands	**3,665**	**3,654**	**3,640**	**3,623**	**3,623**	**3,591**	**3,558**			**3,558**
Residential Customers	1,050	1,078	1,101	1,148	1,148	1,192	1,222			1,222
Small and Medium-Sized Enterprises	148	152	153	158	158	162	164			164
Corporate Business	18	19	19	19	19	19	19			19
Wholesale	439	450	448	431	431	410	390			390
Number of broadband access lines in thousands	**1,655**	**1,699**	**1,721**	**1,756**	**1,756**	**1,783**	**1,795**			**1,795**
Residential Customers	2,091	2,102	2,139	2,172	2,172	2,177	2,193			2,193
Small and Medium-Sized Enterprises	380	392	399	411	411	422	430			430
Corporate Business	591	623	654	666	666	681	695			695
Mobile subscribers postpaid in thousands	**3,062**	**3,117**	**3,192**	**3,249**	**3,249**	**3,280**	**3,318**			**3,318**
Residential Customers	2,038	2,064	2,092	2,121	2,121	2,134	2,160			2,160
Mobile subscribers prepaid in thousands	**2,038**	**2,064**	**2,092**	**2,121**	**2,121**	**2,134**	**2,160**			**2,160**
Residential Customers	44	44	45	44	44	40	42			41
Small and Medium-Sized Enterprises	94	99	101	96	97	88	94			91
Corporate Business	81	83	82	76	80	71	72			72
ARPU mobile per month in CHF	**52**	**53**	**54**	**52**	**53**	**48**	**50**			**49**
Residential Customers	92	95	95	95	94	94	94			94
Small and Medium-Sized Enterprises	199	211	202	200	203	189	202			198
Corporate Business	194	202	183	186	191	175	178			178
AMPU mobile per month in minutes	**112**	**116**	**114**	**114**	**114**	**111**	**113**			**112**
Bluewin TV subscribers in thousands	64	80	95	118	118	139	165			165
Unbundled access lines in thousands	2	4	12	31	31	57	82			82
Traffic retail in million minutes	2,698	2,620	2,440	2,581	10,339	2,596	2,373			4,969
Traffic wholesale in million minutes	3,468	3,218	3,002	3,190	12,878	3,095	2,820			5,915
Fastweb (EUR in millions)										
Residential Customers	164	167	155	171	657	176	171			347
Small and Medium-Sized Enterprises	93	95	92	99	379	102	105			207
Corporate Business	132	163	179	197	671	165	197			362
Revenue from external customers	**389**	**425**	**426**	**467**	**1,707**	**443**	**473**			**916**
Segment result (EBITDA)	113	161	127	147	548	122	143			265
Number of subscribers in thousands	1,338	1,398	1,441	1,483	1,483	1,542	1,575			1,575

Cautionary statement regarding forward-looking statements

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

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