

2010

Interim Report
January–March



Facts & Figures

in CHF millions, except where indicated	31.3.2010	31.3.2009	Change
Net revenue and results			
Net revenue	2,953	2,916	1.3%
Operating income before depreciation and amortization (EBITDA) ¹	1,058	1,139	-7.1%
EBITDA as % of net revenue	%	35.8	39.1
Operating income (EBIT) ²	557	664	-16.1%
Net income	377	484	-22.1%
Net income attributable to equity holders of Swisscom Ltd	394	484	-18.6%
Earnings per share	CHF	7.61	9.34
			-18.6%
Balance and cash flows			
Equity at end of period	6,739	6,221	8.3%
Equity ratio at end of period ³	%	30.4	26.8
Operating free cash flow ⁴	742	697	6.5%
Capital expenditure	383	351	9.1%
Net debt at end of period ⁵	8,537	9,477	-9.9%
Employees			
Number of full-time equivalent employees at end of period	FTE	19,427	20,102
Average number of full-time equivalent employees	FTE	19,426	19,748
			-1.6%
Operational data			
PSTN/ISDN and full access lines in Switzerland	in thousands	3,522	3,574
Broadband access lines in Switzerland	in thousands	1,802	1,789
Mobile subscribers in Switzerland	in thousands	5,650	5,411
Swisscom TV subscribers in Switzerland	in thousands	275	139
Broadband subscribers in Italy	in thousands	1,678	1,542
			8.8%
Swisscom share			
Par value per share at end of period	CHF	1.00	1.00
Number of shares issued at end of period	in mio.	51.802	53.441
Average number of shares outstanding	in mio.	51.798	51.802
Quoted price at end of period	CHF	384.80	319.75
Market capitalization at end of period ⁶	CHF	19,932	16,564
			20.3%

¹ Definition operating income before depreciation and amortisation (EBITDA): operating income before depreciation and amortization and impairment losses on tangible and intangible assets, gain on sale of subsidiaries, net financial result, share of results of associated companies and income tax expense.

² Definition operating income (EBIT): operating income before gain on sale of subsidiaries, net financial result, share of results of associated companies and income tax expense.

³ Equity as a percentage of total assets.

⁴ Definition operating free cash flow: operating income (EBITDA), change in operating assets and liabilities less net capital expenditure in tangible and other intangible assets and dividends paid to minority interests.

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

⁶ Quoted price at end of period, multiplied by number of shares outstanding at end of period.

Financial Review

Summary

in CHF millions, except where indicated	31.3.2010	31.3.2009	Change
Net revenue	2,953	2,916	1.3%
Operating income before depreciation and amortization (EBITDA)	1,058	1,139	-7.1%
EBITDA as % of net revenue	35.8	39.1	
Operating income (EBIT)	557	664	-16.1%
Net income	377	484	-22.1%
Earnings per share (in CHF)	7.61	9.34	-18.6%
Operating free cash flow	742	697	6.5%
Capital expenditure	383	351	9.1%
Net debt at end of period	8,537	9,477	-9.9%
Number of full-time equivalent employees at end of period	19,427	20,102	-3.4%

- In the first three months of 2010 Swisscom posted an increase in net revenue of CHF 37 million or 1.3% to CHF 2,953 million. At constant exchange rates the increase was 2.0%. The Italian subsidiary Fastweb reported 4.1% higher net revenue in local currency to EUR 462 million. Net revenue excluding Fastweb increased by 1.4% to CHF 2,285 million, due mainly to the slight recovery in the economy, acquisitions made by Swisscom IT Services in the previous year and a higher number of multifunctional mobile handsets sold.
- In the first quarter of 2010 provision of EUR 70 million (CHF 102 million) was set aside for proceedings against Fastweb on the grounds of alleged VAT fraud. This provision was recognized as a result of an investigation report against Fastweb and other persons and companies relating to VAT fraud and criminal association published by Italian investigating authorities on 23 February 2010. Fastweb denies the charges made in the investigation report.
- Operating income before depreciation and amortization (EBITDA) fell by CHF 81 million or 7.1% to CHF 1,058 million. Adjusted for the provision for the VAT proceedings against Fastweb, EBITDA would have been up 1.8%, corresponding to an EBITDA margin of 39.3%.
- As a result of the drop in EBITDA, net income declined by CHF 107 million or 22.1% to CHF 377 million. Without the provision for the VAT proceedings against Fastweb, net income would have been on a par with the previous year's level.
- The increase of CHF 32 million or 9.1% in capital expenditure to CHF 383 million is attributable to differences in the timing of investments.
- Operating free cash flow rose by CHF 45 million or 6.5% to CHF 742 million. This was mainly due to payments of CHF 86 million made in the first quarter of 2009 for interconnection and other access proceedings.
- Net debt was reduced year-on-year by CHF 940 million to CHF 8,537 million.
- The number of employees at the end of the quarter was 19,427 full-time equivalent employees (FTEs), down by 3.4% or 675 FTEs. This was chiefly attributable to efficiency improvements and Swisscom's withdrawal from broadband business in Eastern Europe. The fall in the number of employees as a result of the outsourcing of Swisscom Real Estate's facility management operations in the previous year was offset by acquisitions made by Swisscom IT Services. Headcount remained almost stable versus the end of 2009.
- Discounting the provision for the VAT proceedings against Fastweb, the financial outlook for the 2010 financial year remains unchanged. Excluding Fastweb, Swisscom expects to close 2010 with net revenue of around CHF 9.15 billion, EBITDA of around CHF 3.75 billion and capital expenditure of around CHF 1.3 billion. Fastweb is expected to post revenue of around EUR 1.95 billion, EBITDA (excluding the provision for the VAT proceedings) of around EUR 580 million and capital expenditure of approximately EUR 410 million. The Group's operating free cash flow, including Fastweb, will be around CHF 2.6 billion.

Segment performance

in CHF millions	31.3.2010	31.3.2009	Change
Swisscom Switzerland	2,091	2,079	0.6%
Fastweb	672	664	1.2%
Other operating segments	408	407	0.2%
Group Headquarters	1	1	–
Intersegment elimination	(219)	(235)	–6.8%
Total net revenue	2,953	2,916	1.3%

in CHF millions	31.3.2010	31.3.2009	Change
Swisscom Switzerland	929	919	1.1%
Fastweb	82	182	–54.9%
Other operating segments	81	66	22.7%
Group Headquarters	(32)	(34)	–5.9%
Intersegment elimination	(2)	6	–
Total operating income before depreciation and amortization (EBITDA)	1,058	1,139	–7.1%

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

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

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

Swisscom Switzerland

in CHF millions, except where indicated	31.3.2010	31.3.2009	Change
Net revenue			
Revenue from external customers	2,075	2,060	0.7%
Intersegment revenue	16	19	-15.8%
Net revenue Swisscom Switzerland	2,091	2,079	0.6%
Direct costs	(439)	(425)	3.3%
Indirect costs (including capitalized costs and other income)	(723)	(735)	-1.6%
Total segment expense	(1,162)	(1,160)	0.2%
Segment result before depreciation and amortization	929	919	1.1%
Margin as % of net revenue	44.4	44.2	
Depreciation, amortization and impairment losses	(264)	(239)	10.5%
Segment result	665	680	-2.2%
Capital expenditure and number of employees			
Capital expenditure	222	207	7.2%
Number of full-time equivalent employees at end of period	11,811	12,157	-2.8%
Operational data in thousands, except where indicated			
PSTN/ISDN lines	3,330	3,517	-5.3%
Unbundled fixed access lines	192	57	236.8%
Total PSTN/ISDN and full access lines	3,522	3,574	-1.5%
Broadband access lines Retail	1,509	1,379	9.4%
Broadband access lines Wholesale	293	410	-28.5%
Total broadband access lines	1,802	1,789	0.7%
Swisscom TV subscribers	275	139	97.8%
Mobile subscribers	5,650	5,411	4.4%
Average revenue in CHF per mobile user (ARPU) per month	47	49	-4.1%
Average minutes per mobile user (AMPU) per month	116	113	2.7%

Revenue generated by Swisscom Switzerland with external customers increased by CHF 15 million or 0.7% to CHF 2,075 million. This increase was mainly attributable to the slight recovery in economic activity and the higher number of multifunctional handsets sold (smartphones). The trend towards bundled offerings and new price models (flat-rates) continued during the reporting period. The number of PSTN/ISDN access lines decreased by 187,000 or 5.3% to 3.3 million, mainly due to the increase in unbundled subscriber lines, which were up by 135,000 on a year earlier to 192,000. The unbundling of subscriber lines is also the major reason for the declining number of broadband lines with wholesale customers, which fell by 117,000 to 293,000. The number of broadband access lines with retail customers increased year-on-year by 130,000 or 9.4% to 1.5 million. The number of Swisscom TV customers almost doubled compared to the previous year, to reach 275,000 at the end of March 2010. The number of mobile subscribers increased year-on-year by 239,000 or 4.4% to 5.7 million, while average monthly revenue per mobile customer (ARPU) fell by 4.1% to CHF 47 due to price reductions and new tariff models. At CHF 929 million, the segment result before depreciation and amortization was CHF 10 million or 1.1% higher than the year-earlier level. Cost savings generated a slight increase in the EBITDA margin to 44.4%.

Residential Customers

The Residential Customers segment mainly comprises access fees for broadband services, fixed and mobile subscriptions as well as national and international telephone and data traffic for residential customers. The segment also includes value-added services and TV services, handset sales and directory business. The following table lists the key figures for the Residential Customers segment:

in CHF millions, except where indicated	31.3.2010	31.3.2009	Change
Net revenue and segment result			
Revenue from external customers	1,186	1,154	2.8%
Intersegment revenue	72	69	4.3%
Net revenue	1,258	1,223	2.9%
Direct costs	(305)	(277)	10.1%
Indirect costs (including capitalized costs and other income)	(206)	(219)	-5.9%
Total segment expense	(511)	(496)	3.0%
Segment result before depreciation and amortization	747	727	2.8%
Margin as % of net revenue	59.4	59.4	
Depreciation, amortization and impairment losses	(25)	(22)	13.6%
Segment result	722	705	2.4%
 Capital expenditure and number of employees			
Capital expenditure	28	32	-12.5%
Number of full-time equivalent employees at end of period	4,653	4,836	-3.8%
 Operational data in thousands, except where indicated			
PSTN/ISDN lines	2,581	2,761	-6.5%
Broadband access lines	1,333	1,217	9.5%
Swisscom TV subscribers	268	139	92.8%
Mobile subscribers	4,438	4,312	2.9%
Average revenue in CHF per mobile user (ARPU) per month	40	41	-2.4%
Average minutes per mobile user (AMPU) per month	99	95	4.2%

Revenue from external customers increased year-on-year by CHF 32 million or 2.8% to CHF 1,186 million, due principally to the slight pickup in the economy and higher sales of multifunctional handsets (smartphones).

Mobile revenue held steady as a result of the increase in customers, despite ongoing price erosion and the introduction of new tariff models (flat rates). The net number of mobile subscribers increased year-on-year by 126,000 or 2.9% to 4.4 million. The 2.4% drop in average monthly revenue per user (ARPU) from CHF 41 to CHF 40 was mainly attributable to price reductions. The decline in traditional fixed-network voice and telephone line business was largely offset by the growing number of customers for broadband, Swisscom TV and bundled offerings. The number of broadband access lines rose year-on-year by 9.5% or a net 116,000 to CHF 1.3 million, while the number of Swisscom TV customers almost doubled in the space of a year, to end the first quarter of 2010 at 268,000.

At CHF 511 million, segment expenses were CHF 15 million or 3.0% higher than the previous-year level. Direct costs rose by CHF 28 million or 10.1% to CHF 305 million, mainly due to the increase in smartphones sales, while indirect costs fell by CHF 13 million or 5.9% to CHF 206 million. Personnel expenses were down as a result of the lower headcount, which decreased year-on-year by 183 or 3.8% to 4,653 FTEs. Other indirect costs were reduced as a result of cost-cutting measures. This helped improve the segment result before depreciation and amortization by CHF 20 million or 2.8% to CHF 747 million.

Small and Medium-Sized Enterprises

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

in CHF millions, except where indicated	31.3.2010	31.3.2009	Change
Net revenue and segment result			
Revenue from external customers	271	266	1.9%
Intersegment revenue	14	13	7.7%
Net revenue	285	279	2.2%
Direct costs	(42)	(38)	10.5%
Indirect costs (including capitalized costs and other income)	(33)	(30)	10.0%
Total segment expense	(75)	(68)	10.3%
Segment result before depreciation and amortization	210	211	–0.5%
Margin as % of net revenue	73.7	75.6	
Depreciation, amortization and impairment losses	(1)	(1)	–
Segment result	209	210	–0.5%
Capital expenditure and number of employees			
Capital expenditure	1	4	–75.0%
Number of full-time equivalent employees at end of period	756	769	–1.7%
Operational data in thousands, except where indicated			
PSTN/ISDN lines	514	511	0.6%
Broadband access lines	148	136	8.8%
Swisscom TV subscribers	7	–	–
Mobile subscribers	468	427	9.6%
Average revenue in CHF per mobile user (ARPU) per month	89	92	–3.3%
Average minutes per mobile user (AMPU) per month	203	203	–

Revenue from external customers increased year-on-year by CHF 5 million or 1.9% to CHF 271 million. On the one hand, the increase was driven by growth in mobile subscribers and broadband access lines as well as higher revenue generated by new mobile data services. On the other, lower volumes and cheaper tariffs led to a reduction in fixed-line revenue. The number of mobile customers rose year-on-year by 41,000 or 9.6% to 468,000, while average monthly revenue per user (ARPU) fell by 3.3% to CHF 89 due to new tariff models and price reductions. The number of broadband access lines rose by 8.8% year-on-year to 148,000.

Segment expenses were up by CHF 7 million or 10.3% to CHF 75 million. Direct costs rose by CHF 4 million or 10.5% to CHF 42 million, largely as a result of higher expenditure for purchased mobile handsets. Indirect costs came to CHF 33 million, an increase of CHF 3 million or 10.0%. The segment result before depreciation and amortization remained steady at the year-earlier level of CHF 210 million, while headcount was down year-on-year by 13 FTEs or 1.7% to 756.

Corporate Business

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

in CHF millions, except where indicated	31.3.2010	31.3.2009	Change
Net revenue and segment result			
Revenue from external customers	414	412	0.5%
Intersegment revenue	32	39	-17.9%
Net revenue	446	451	-1.1%
Direct costs	(102)	(102)	-
Indirect costs (including capitalized costs and other income)	(107)	(116)	-7.8%
Total segment expense	(209)	(218)	-4.1%
Segment result before depreciation and amortization	237	233	1.7%
<i>Margin as % of net revenue</i>	53.1	51.7	
Depreciation, amortization and impairment losses	(13)	(13)	-
Segment result	224	220	1.8%
Capital expenditure and number of employees			
Capital expenditure	14	18	-22.2%
Number of full-time equivalent employees at end of period	2,210	2,232	-1.0%
Operational data in thousands, except where indicated			
PSTN/ISDN lines	235	245	-4.1%
Broadband access lines	28	26	7.7%
Mobile subscribers	744	672	10.7%
Average revenue in CHF per mobile user (ARPU) per month	67	73	-8.2%
Average minutes per mobile user (AMPU) per month	168	181	-7.2%

Revenue from external customers increased year-on-year by CHF 2 million or 0.5% to CHF 414 million. This increase was the result of higher business volumes in outsourcing and project business and the growing demand for mobile data services. This more than made up for the decline in prices and volumes in the fixed-network sector and the lower traffic and subscription prices in the mobile sector. Average monthly revenue per mobile customer (ARPU) declined by 8.2% to CHF 67. The 7.2% reduction in the average number of minutes per mobile customer per month (AMPU) to 168 minutes is largely attributable to the shift in usage to mobile data services.

Segment expenses fell by CHF 9 million or 4.1% to CHF 209 million. In the area of direct costs, higher expenses relating to increased sales in outsourcing and project business were compensated by lower roaming and termination costs. Cost savings reduced indirect costs, resulting in lower segment expenses. Headcount declined by 22 FTEs or 1.0% to 2,210 FTEs. The segment result before depreciation and amortization increased accordingly by CHF 4 million or 1.7% to CHF 237 million.

Wholesale

Wholesale primarily covers the use of Swisscom fixed and mobile networks by other telecommunication providers as well as the use of third-party networks by Swisscom. In addition, it includes roaming by foreign operators whose customers use the Swisscom mobile network, as well as broadband services and regulated products related to the unbundling of the local loop for other telecommunication providers. The following table lists the key figures for the Wholesale segment:

in CHF millions, except where indicated	31.3.2010	31.3.2009	Change
Net revenue and segment result			
Revenue from external customers	204	228	-10.5%
Intersegment revenue	122	127	-3.9%
Net revenue	326	355	-8.2%
Direct costs	(201)	(221)	-9.0%
Indirect costs (including capitalized costs and other income)	(6)	(7)	-14.3%
Total segment expense	(207)	(228)	-9.2%
Segment result	119	127	-6.3%
Margin as % of net revenue	36.5	35.8	
Number of employees			
Number of full-time equivalent employees at end of period	104	101	3.0%
Operational data in thousands, except where indicated			
Broadband access lines	293	410	-28.5%
Unbundled fixed access lines	192	57	236.8%
Traffic wholesale in million minutes	2,642	3,096	-14.7%

Revenue from external customers fell year-on-year by CHF 24 million or 10.5% to CHF 204 million. As a result of lower prices and volumes, revenue from interconnection services declined. In addition, lower termination prices led to a drop in mobile revenue, which was compensated by higher revenue from foreign customers' roaming traffic on the Swisscom mobile network. Other declines in revenue were attributable to the increasing unbundling of the local loop as well as lower revenue from data services. Intersegment revenue was down by CHF 5 million or 3.9% to CHF 122 million, largely due to lower roaming and termination prices.

Segment expenses fell by CHF 21 million or 9.2% to CHF 207 million. Direct costs were CHF 20 million or 9.0% lower at CHF 201 million, due mainly to the reduction in termination prices. The segment result declined by CHF 8 million or 6.3%, largely as a result of lower revenue from external customers. The decline in intersegment revenue had only a minimal impact on the segment's overall results.

Networks

The Networks segment primarily covers the planning, operation and maintenance of Swisscom's fixed and mobile network infrastructures and associated IT systems. It also includes the support functions for Swisscom Switzerland, namely finance, human resources and strategy. Since expenses incurred are not charged to individual business units, the segment discloses costs only and no revenue. The following table lists the key figures for the Networks segment:

in CHF millions, except where indicated	31.3.2010	31.3.2009	Change
Segment result			
Operating expenses	(428)	(423)	1.2%
Capitalized costs of self-constructed assets and other income	44	45	-2.2%
Segment result before depreciation and amortization			
Depreciation, amortization and impairment losses	(225)	(205)	9.8%
Segment result			
	(609)	(583)	4.5%
Capital expenditure and number of employees			
Capital expenditure	180	154	16.9%
Number of full-time equivalent employees at end of period	4,088	4,219	-3.1%

Segment result before depreciation and amortization declined by CHF 6 million or 1.6% to CHF –384 million, largely due to higher pension costs and increased expenses for the reduction of headcount. Lower personnel expenses as a result of the reduced headcount exerted a counter-effect. As a result of efficiency improvements, headcount declined by 131 FTEs or 3.1% to 4,088 FTEs. The segment result was down by CHF 26 million or 4.5% year-on-year to CHF –609 million, due principally to higher depreciation and amortization. The increase of CHF 20 million in depreciation and amortization stems mainly from investments in a new customer relationship management system which is being amortized using the straight-line method over its estimated useful life from the beginning of 2010. At CHF 180 million, capital expenditure was CHF 26 million or 16.9% higher, mainly attributable to differences in the timing of investments.

Fastweb

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

in EUR millions, except where indicated	31.3.2010	31.3.2009	Change
Net revenue and segment result			
Revenue from external customers	460	443	3.8%
Intersegment revenue	2	1	—
Net revenue	462	444	4.1%
Operating expenses	(419)	(340)	23.2%
Capitalized costs of self-constructed assets and other income	14	18	-22.2%
Total segment expense	(405)	(322)	25.8%
Segment result before depreciation and amortization	57	122	-53.3%
<i>Margin as % of net revenue</i>	12.3	27.5	
Depreciation, amortization and impairment losses	(130)	(121)	7.4%
Segment result	(73)	1	—
Capital expenditure and number of employees			
Capital expenditure	99	83	19.3%
Number of full-time equivalent employees at end of period	3,119	3,092	0.9%
Number of subscribers in thousands			
Broadband subscribers	1,678	1,542	8.8%

In the first quarter of 2010, Fastweb recorded solid revenue and customer growth. Net revenue grew by 4.1% to EUR 462 million, with the number of broadband customers increasing by a net 136,000 or 8.8% year-on-year to 1.7 million. Residential customers accounted for 39%, small and medium-sized enterprises 22% and corporate customers 39%. Revenue from residential customers rose to EUR 179 million, driven by customer growth of 2.9%. Revenue from corporate business was up 5.9% to EUR 179 million, with Fastweb benefiting from multi-year contracts with the public administration and the acquisition of other corporate customers from industry and the financial sector.

As a result of the ongoing investigation into VAT a provision of EUR 70 million was recognized in other operating expense for the first quarter of 2010. This provision was charged in Fastweb's accounts in the fourth quarter of 2009. The segment result before depreciation and amortization (EBITDA) was down by 53.3% year-on-year to EUR 57 million as a result of establishing the provision. Adjusted for this one-off item, EBITDA was up by EUR 5 million or 4.1% to EUR 127 million. The adjusted EBITDA margin was unchanged year-on-year at 27.5%.

At 31 March 2010, headcount was 27 FTEs or 0.9% higher year-on-year at 3,119. The increase in headcount is a result of the expansion of the sales department. Capital expenditure rose by EUR 16 million or 19.3% to EUR 99 million, due to differences in the timing of investments. Some 40% of the investments made were directly connected to customer growth.

Fastweb is included in Swisscom's consolidated financial statements as at 31 March 2010 as follows:

in CHF millions	31.3.2010	31.3.2009	Change
Net revenue	672	664	1.2%
Segment result before depreciation and amortization	82	182	-54.9%
Capital expenditure	144	124	16.1%

The average CHF/EUR exchange rate fell by 2.8% year-on-year. The increase in Swiss franc revenue year-on-year was therefore only 1.2%, compared with 4.1% in local currency. The reported segment result before depreciation and amortization was down by 54.9%, compared to a decline of 53.3% in local currency.

Other operating segments

Other operating segments mainly comprise the operating segments Swisscom IT Services, Swisscom Participations and Hospitality Services. Swisscom IT Services includes the Group companies Swisscom IT Services Ltd, Comit Ltd as well as the companies acquired in June 2009, Sourcag Ltd and Resource Ltd. Swisscom Participations mainly comprises Swisscom Broadcast Ltd, Swisscom Real Estate Ltd, Calex Ltd, Billag Ltd, Alphapay Ltd, Curabil Ltd and the Sicap Group. The newly-acquired Weco Inkasso Ltd. has also been included since the end of October 2009. The following table lists the key figures for Other operating segments:

in CHF millions, except where indicated	31.3.2010	31.3.2009	Change
Net revenue and segment result			
Swisscom IT Services	117	92	27.2%
Swisscom Participations	74	80	-7.5%
Hospitality Services	18	19	-5.3%
Other	1	2	-50.0%
Revenue from external customers	210	193	8.8%
Intersegment revenue	198	214	-7.5%
Net revenue	408	407	0.2%
Operating expenses	(336)	(345)	-2.6%
Capitalized costs of self-constructed assets and other income	9	4	125.0%
Total segment expense	(327)	(341)	-4.1%
Segment result before depreciation and amortization	81	66	22.7%
Margin as % of net revenue	19.9	16.2	
Depreciation, amortization and impairment losses	(48)	(56)	-14.3%
Segment result	33	10	230.0%
 Capital expenditure and number of employees			
Capital expenditure	19	21	-9.5%
Number of full-time equivalent employees at end of period	4,160	4,524	-8.0%

Revenue from external customers rose year-on-year by CHF 17 million or 8.8% to CHF 210 million, while revenue generated from external customers by Swisscom IT Services was up by CHF 25 million or 27.2% to CHF 117 million. Excluding Sourcag Ltd and Resource Ltd, which were acquired in June 2009, revenue from external customers increased by CHF 10 million or 10.9%, due mainly to higher revenue from project and outsourcing business. Swisscom Participations recorded a CHF 6 million or 7.5% drop in revenue from external customers to CHF 74 million, chiefly attributable to the spinoff of Swisscom Real Estate's facility management operations in the previous year. The difficult economic environment drove revenue for Hospitality Services down by CHF 1 million or 5.3% to CHF 18 million. At CHF 198 million, intersegment revenue was 7.5% below the prior-year level. The main reasons for this drop were the lower volume of services procured from Swisscom IT Services by other segments and the outsourcing of facility management operations.

Segment expenses fell by CHF 14 million or 4.1% to CHF 327 million. Personnel expenses were lower in the first quarter, largely due to the spinoff of Swiss Real Estate's facility management operations and our withdrawal from the broadband market in Eastern Europe. At 4,160 FTEs, headcount at 31 March 2010 was 364 or 8.0% lower than a year earlier. Other operating expenses were down due primarily to cost-cutting measures. The segment result before depreciation and amortization rose accordingly by CHF 15 million or 22.7% to CHF 81 million.

Group Headquarters:

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

in CHF millions, except where indicated	31.3.2010	31.3.2009	Change
Net revenue and segment result			
Net revenue	1	1	–
Operating expenses	(51)	(52)	–1.9%
Capitalized costs of self-constructed assets and other income	18	17	5.9%
Operating income before depreciation and amortization (EBITDA)	(32)	(34)	–5.9%
Depreciation, amortization and impairment losses	(2)	(3)	–33.3%
Operating income (EBIT)	(34)	(37)	–8.1%
Number of employees			
Number of full-time equivalent employees at end of period	337	329	2.4%

Operating income before depreciation and amortization improved by CHF 2 million to CHF –32 million, largely due to costs for projects charged in the previous year which were not incurred this year.

Depreciation, amortization and non-operating results

in CHF millions, except where indicated	31.3.2010	31.3.2009	Change
Operating income before depreciation and amortization (EBITDA)			
Operating income before depreciation and amortization (EBITDA)	1,058	1,139	–7.1%
Depreciation, amortization and impairment losses	(501)	(475)	5.5%
Operating income (EBIT)	557	664	–16.1%
Financial income and financial expense, net	(64)	(65)	–1.5%
Share of results of associated companies	4	8	–50.0%
Income before income taxes	497	607	–18.1%
Income tax expense	(120)	(123)	–2.4%
Net income	377	484	–22.1%
Net income attributable to equity holders of Swisscom Ltd	394	484	–18.6%
Net income attributable to minority interests	(17)	–	–
Average number of shares outstanding (in millions)	51.798	51.802	–0.0%
Earnings per share (in CHF)	7.61	9.34	–18.6%

Depreciation, amortization and impairment losses rose year-on-year by CHF 26 million or 5.5% to CHF 501 million. This increase was due chiefly to investments in a new customer relationship management system at Swisscom Switzerland which is being amortized using the straight-line method over its estimated useful life from the beginning of 2010. Depreciation and amortization includes scheduled amortization related to business combinations in the amount of CHF 39 million (previous year: CHF 40 million), which was recognized as intangible assets in the course of the purchase price allocation.

Net financial expense, at CHF 64 million, was virtually unchanged from a year earlier. Net interest expense for the first three months of 2010 was CHF 66 million (previous year: CHF 65 million).

Income tax expense amounted to CHF 120 million (previous year: CHF 123 million), corresponding to an effective income tax rate of 24.1% (previous year: 20.3%). The increase in the effective income tax rate is mainly attributable to the fact that no positive tax effects were recognized on the provision for the VAT proceedings against Fastweb in the first quarter of 2010. In future a long-term income tax rate of around 21% without one-off items is expected. Income tax payments were CHF 18 million higher than a year earlier at CHF 58 million.

Net income was down year-on-year by CHF 107 million or 22.1% to CHF 377 million. This was primarily attributable to a provision for VAT proceedings against Fastweb, which was charged in the first quarter of 2010. Excluding this one-off item, net income would have been practically stable versus a year earlier. Earnings per share are calculated on the basis of net income attributable to the owners of Swisscom Ltd and the average number of shares outstanding. Share of net income attributable to equity holders of Swisscom Ltd declined year-on-year by 18.6% to CHF 394 million. Earnings per share fell accordingly from CHF 9.34 to CHF 7.61.

Cash flows

in CHF millions	31.3.2010	31.3.2009	Change
Operating income before depreciation and amortization (EBITDA)	1,058	1,139	(81)
Change in working capital and other cash flow from operating activities	64	(94)	158
Income taxes paid	(58)	(40)	(18)
Cash flow provided by operating activities	1,064	1,005	59
Capital expenditure	(383)	(351)	(32)
Other cash flow from investing activities	56	(52)	108
Cash flow used in investing activities	(327)	(403)	76
Issuance and repayment of financial liabilities, net	(363)	(268)	(95)
Other cash flow from financing activities	(29)	(18)	(11)
Cash flow used in financing activities	(392)	(286)	(106)
Net increase in cash and cash equivalents	345	316	29

Cash flow from operating activities increased year-on-year by CHF 59 million to CHF 1,064 million, which was largely attributable to payments of CHF 86 million made in the first quarter of 2009 for interconnection and other access proceedings. In the first quarter of 2010, operating income before depreciation and amortization (EBITDA) and the change in net working capital reflect the recognition of a provision for the VAT proceedings against Fastweb in the amount of CHF 102 million. The increase of CHF 32 million or 9.1% in capital expenditure on property plant and equipment and other intangible assets to CHF 383 million is mainly attributable to differences in the timing of investments.

Payout policy

in CHF millions	31.3.2010	31.3.2009	Change
Operating income before depreciation and amortization (EBITDA)	1,058	1,139	(81)
Change in operating assets and liabilities and other payments or receipts from operating activities	64	(94)	158
Capital expenditure	(383)	(351)	(32)
Proceeds from sale of property, plant and equipment and other intangible assets	3	3	–
Operating free cash flow	742	697	45

Operating free cash flow rose year-on-year by CHF 45 million or 6.5% to CHF 742 million. This was mainly due to payments made in the first quarter of 2009 for interconnection and other access proceedings.

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

Net debt

in CHF millions, except where indicated	31.3.2010	31.12.2009	Change
Bonds	4,842	4,801	41
Bank loans	2,537	2,570	(33)
Private placements	1,502	1,523	(21)
Finance lease liabilities	691	695	(4)
Other financial liabilities	336	630	(294)
Total financial liabilities	9,908	10,219	(311)
Cash and cash equivalents	(866)	(532)	(334)
Current financial assets	(123)	(178)	55
Non-current fixed interest-bearing deposits	(382)	(368)	(14)
Net debt	8,537	9,141	(604)

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

Balance sheet

in CHF millions	31.3.2010	31.12.2009	Change
Assets			
Cash and cash equivalents and current financial assets	989	710	39.3%
Trade and other receivables	2,961	2,926	1.2%
Property, plant and equipment	8,058	8,219	-2.0%
Goodwill	6,563	6,664	-1.5%
Other intangible assets	2,211	2,315	-4.5%
Investments in associated companies and non-current financial assets	690	652	5.8%
Other current and non-current assets	709	658	7.8%
Total assets	22,181	22,144	0.2%
Liabilities and equity			
Financial liabilities	9,908	10,219	-3.0%
Trade and other payables	2,309	2,314	-0.2%
Defined benefit obligations	342	351	-2.6%
Provisions	990	877	12.9%
Tax liabilities	814	742	9.7%
Other current and non-current liabilities	1,079	1,031	4.7%
Total liabilities	15,442	15,534	-0.6%
Equity attributable to equity holders of Swisscom Ltd	6,448	6,291	2.5%
Equity attributable to minority interests	291	319	-8.8%
Total equity	6,739	6,610	2.0%
Total liabilities and equity	22,181	22,144	0.2%
Equity ratio at end of period	30.4%	29.9%	

Total assets as at 31 March 2010 were CHF 22,181 million, virtually unchanged from their level at the end of 2009. Equity was up by CHF 129 million or 2.0% to CHF 6,739 million. The increase in equity derives from net income of CHF 377 million together with a net loss of CHF 248 million recognized in other comprehensive income. This loss consists of losses of CHF 254 million from the currency trans-

lation of foreign group companies as a result of lower foreign exchange rates. Compared to the end of 2009, the CHF/EUR exchange rate fell from 1.48 to 1.43. As at 31 March 2010, cumulative currency translation losses recognized in equity amounted to CHF 1,052 million.

Outlook

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

Consolidated interim financial statements (condensed and unaudited)

Consolidated income statement (condensed and unaudited)

in CHF millions, except per share amount	Note	1.1.–31.3.2010	1.1.–31.3.2009 restated ¹
Net revenue	2	2,953	2,916
Goods and services purchased		(642)	(623)
Personnel expenses		(651)	(654)
Other operating expense		(676)	(582)
Capitalized costs of self-constructed assets and other income		74	82
Operating income before depreciation and amortization (EBITDA)		1,058	1,139
Depreciation, amortization and impairment losses		(501)	(475)
Operating income (EBIT)	2	557	664
Financial income and financial expense, net	3	(64)	(65)
Share of results of associated companies		4	8
Income before income taxes		497	607
Income tax expense		(120)	(123)
Net income		377	484
Net income attributable to equity holders of Swisscom Ltd		394	484
Net income attributable to minority interests		(17)	–
Basic and diluted earnings per share (in CHF)		7.61	9.34

¹ See Note 1 accounting policies.

Consolidated statement of comprehensive income (condensed and unaudited)

in CHF millions	1.1.–31.3.2010	1.1.–31.3.2009 in CHF millions ¹
Net income	377	484
Currency translation adjustments on foreign operations	(254)	131
Change in fair value of cash flow hedges	6	(20)
Income tax expense	–	1
Other comprehensive income	(248)	112
Comprehensive income	129	596
Attributable to equity holders of Swisscom Ltd	157	590
Attributable to minority interests	(28)	6

¹ See Note 1 accounting policies.

Consolidated balance sheet (condensed and unaudited)

in CHF millions	Note	31.3.2010	31.12.2009 restated	1.1.2009 restated ¹
Assets				
Cash and cash equivalents		866	532	958
Trade and other receivables		2,961	2,926	2,798
Other financial assets		123	178	170
Other assets		534	512	560
Non-current assets held for sale	5	6	6	16
Total current assets		4,490	4,154	4,502
Property, plant and equipment		8,058	8,219	8,252
Goodwill and other intangible assets		8,774	8,979	8,915
Investments in associated companies		229	228	285
Other financial assets		461	424	853
Other assets		169	140	122
Total non-current assets		17,691	17,990	18,427
Total assets		22,181	22,144	22,929
Liabilities and equity				
Financial liabilities	4	1,001	1,270	216
Trade and other payables		2,309	2,314	2,186
Provisions	6	141	137	482
Current tax liabilities		273	219	163
Other liabilities		754	701	619
Total current liabilities		4,478	4,641	3,666
Financial liabilities	4	8,907	8,949	11,787
Defined benefit obligations		342	351	428
Provisions	6	849	740	715
Deferred tax liabilities		541	523	407
Other liabilities		325	330	279
Total non-current liabilities		10,964	10,893	13,616
Total liabilities		15,442	15,534	17,282
Equity attributable to equity holders of Swisscom Ltd		6,448	6,291	5,273
Equity attributable to minority interests		291	319	374
Total equity		6,739	6,610	5,647
Total liabilities and equity		22,181	22,144	22,929

¹ See Note 1 accounting policies.

Consolidated cash flow statement (condensed and unaudited)

in CHF millions	1.1.–31.3.2010	1.1.–31.3.2009 restated ¹
Operating income before depreciation and amortization (EBITDA)	1,058	1,139
Change in operating assets and liabilities and other payments or receipts from operating activities	64	(94)
Income taxes paid	(58)	(40)
Cash flow provided by operating activities	1,064	1,005
Capital expenditure	(383)	(351)
Other cash flow from investing activities, net	56	(52)
Cash flow used in investing activities	(327)	(403)
Issuance and repayment of financial liabilities, net	(363)	(268)
Other cash flow from financing activities, net	(29)	(18)
Cash flow used in financing activities	(392)	(286)
Net increase in cash and cash equivalents	345	316
Cash and cash equivalents at beginning of year	532	958
Currency translation of cash and cash equivalents	(11)	5
Cash and cash equivalents at end of period	866	1,279

¹ See Note 1 accounting policies.

Consolidated statement of changes in equity (unaudited)

in CHF millions	Share capital	Additional paid-in capital	Retained earnings	Treasury shares	Other reserves	Attributable to equity holders of Swisscom	Attributable to minority interests	Total equity
Balance at December 31, 2008	53	370	6,611	(738)	(907)	5,389	374	5,763
Change in accounting policies ¹	–	–	(116)	–	–	(116)	–	(116)
Balance at January 1, 2009	53	370	6,495	(738)	(907)	5,273	374	5,647
Net income	–	–	484	–	–	484	–	484
Other comprehensive income	–	–	–	–	106	106	6	112
Comprehensive income	–	–	484	–	106	590	6	596
Acquisition of treasury shares for share-based compensation	–	–	–	(22)	–	(22)	–	(22)
Balance at March 31, 2009	53	370	6,979	(760)	(801)	5,841	380	6,221
Balance at December 31, 2009	52	370	6,700	(1)	(830)	6,291	319	6,610
Net income	–	–	394	–	–	394	(17)	377
Other comprehensive income	–	–	–	–	(237)	(237)	(11)	(248)
Comprehensive income	–	–	394	–	(237)	157	(28)	129
Balance at March 31, 2010	52	370	7,094	(1)	(1,067)	6,448	291	6,739

¹ See Note 1 accounting policies.

1 Accounting policies

Basis of preparation

These unaudited consolidated interim financial statements include Swisscom Ltd and all the subsidiaries directly or indirectly controlled by it via a majority of the votes or in any other way. The consolidated interim financial statements for the three months ended 31 March 2010 were prepared in accordance with International Accounting Standard “IAS 34 Interim Financial Reporting” and should be read in conjunction with the consolidated annual financial statements for the year ended 31 December 2009. The consolidated interim financial statements were prepared in accordance with the accounting policies described in the consolidated annual financial statements 2009, with the exception of the following changes to accounting policies.

In preparing the consolidated interim financial statements management is required to make accounting estimates and assumptions. Adjustments are made for changes in accounting estimates and assumptions during the reporting period in which the original estimates and assumptions changed. Swisscom is active in business areas where the provision of services is not subject to any major seasonal or cyclical fluctuations during the financial year.

Income taxes are calculated on the basis of an estimate of the expected income tax rate for the whole year.

For the consolidated interim financial statements a CHF/EUR foreign exchange rate of 1.428 was used as the end-of-period rate and 1.453 as the average rate for the period.

Changes in accounting policies

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

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

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

Income statement full-year in CHF millions	Reported	Adjustment	Restated
Other operating expense	(2,524)	15	(2,509)
Capitalized costs of self-constructed assets and other income	414	3	417
Depreciation, amortization and impairment losses	(1,988)	(7)	(1,995)
Financial expense	(480)	(13)	(493)
Net income	1,925	(2)	1,923
Net income attributable to equity holders of Swisscom Ltd	1,928	(2)	1,926
Net income attributable to minority interests	(3)	–	(3)
Earnings per share	37.22	(0.04)	37.18
Income statement 1.1.–31.3.2009 in CHF millions	Reported	Adjustment	Restated
Other operating expense	(587)	5	(582)
Depreciation, amortization and impairment losses	(472)	(3)	(475)
Financial income and financial expense, net	(63)	(2)	(65)
Income tax expense	(122)	(1)	(123)
Net income	485	(1)	484
Net income attributable to equity holders of Swisscom Ltd	485	(1)	484
Net income attributable to minority interests	–	–	–
Earnings per share	9.36	(0.02)	9.34
Statement of cash flows full-year 2009 in CHF millions	Reported	Adjustment	Restated
Cash flow provided by operating activities	4,380	15	4,395
Cash flow used in financing activities	(3,744)	(15)	(3,759)
Statement of cash flows 1.1.–31.3.2009 in CHF millions	Reported	Adjustment	Restated
Cash flow provided by operating activities	1,001	4	1,005
Cash flow used in financing activities	(282)	(4)	(286)
Balance sheet at December 31, 2008 in CHF millions	Reported	Adjustment	Restated
Property, plant and equipment	8,070	181	8,251
Deferred tax assets	58	9	67
Financial liabilities	(11,792)	(211)	(12,003)
Other non-financial liabilities	(802)	(95)	(897)
Equity	5,763	(116)	5,647
Equity attributable to equity holders of Swisscom Ltd	5,389	(116)	5,273
Equity attributable to minority interests	374	–	374

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

2 Segment information

Reportable operating segments are identified using the management approach, whereby external segment reporting is based on the internal organisational and management structure and the internal reports that are regularly reviewed by the chief operating decision maker. Swisscom's chief operating decision maker is the Board of Directors of Swisscom Ltd.

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

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

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

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

The segment result of "Fastweb" and "Other operating segments" corresponds to the operating income (EBIT) of these units. This covers net revenue from external customers and other segments less segment expenses and depreciation, amortization and impairment losses on property, plant and equipment as well as intangible assets. Segment expenses include goods and services purchased, personnel expenses and other operating expenses less capitalized costs and other income.

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

Swisscom has retrospectively changed its accounting policy for the classification of land leases. The change in accounting policy is related to land leases of the "Other operating segments". The corresponding figures for previous years have been restated accordingly. See Note 1.

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

1.1.–31.3.2010 in CHF millions	Small and Medium- Sized Enterprises					Corporate Business	Wholesale	Networks	Elimination	Swisscom Switzerland
	Residential Customers									
Net revenue from external customers	1,186	271	414	204	–	–	–	–	–	2,075
Intersegment net revenue	72	14	32	122	–	(224)	–	–	–	16
Net revenue	1,258	285	446	326	–	(224)	–	–	–	2,091
Segment result	722	209	224	119	(609)	–	–	–	–	665

1.1.–31.3.2009, in CHF millions, restated	Swisscom Switzerland	Fastweb	Other operating segments	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	10	(37)	9	664
Financial income and financial expense, net	–	–	–	–	–	(65)
Share of results of associated companies	–	–	–	–	–	8
Income before income taxes	–	–	–	–	–	607
Income tax expense	–	–	–	–	–	(123)
Net income	–	–	–	–	–	484

1.1.–31.3.2009 in CHF millions	Residential Customers	Small and Medium- Sized Enterprises	Corporate Business	Wholesale	Networks	Elimi- nation	Swisscom Switzerland
Net revenue from external customers	1,154	266	412	228	–	–	2,060
Intersegment net revenue	69	13	39	127	–	(229)	19
Net revenue	1,223	279	451	355	–	(229)	2,079
Segment result	705	210	220	127	(583)	1	680

3 Net financial result

in CHF millions	1.1.–31.3.2010	1.1.–31.3.2009
Interest income	8	20
Interest expense	(74)	(85)
Net interest expense	(66)	(65)
Other financial income and expense, net	2	–
Financial income and financial expense, net	(64)	(65)

4 Financial liabilities

in CHF millions	31.3.2010	31.12.2009
Bonds	464	423
Private placements	329	337
Other financial liabilities	208	510
Total current financial liabilities	1,001	1,270
Bank loans	2,525	2,562
Bonds	4,378	4,378
Private placements	1,173	1,186
Finance lease liabilities	680	678
Other financial liabilities	151	145
Total non-current financial liabilities	8,907	8,949
Total financial liabilities	9,908	10,219

5 Non-current assets held for sale

Non-current assets held for sale on 31 March 2010 contain properties with a carrying value of CHF 6 million that are planned to be sold within the next 12 months. The planned sales are the result of optimizing the use of buildings at Swisscom Real Estate Ltd.

6 Provisions and contingent liabilities

Regulatory and competition proceedings Swisscom Switzerland

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

In the proceedings relating to mobile termination charges, the Competition Commission (ComCom) imposed a fine of CHF 333 million on 5 February 2007. Swisscom appealed against this decision to the Federal Administrative Court with a complaint filed on 19 March 2007. In its ruling of 24 February 2010 the Federal Administrative Court overturned the decision. Swisscom and the Federal Department of Economic Affairs are appealing against this ruling to the Federal Supreme Court. Based on a legal assessment, Swisscom is of the opinion that, as things stand at present, it is unlikely that the fine will be ultimately imposed and has therefore not recognized any provisions in its consolidated financial statements as at 31 March 2010.

On 12 November 2008 the Secretariat of ComCom submitted to Swisscom its draft decision on the imposition of a fine of CHF 237 million on the grounds that Swisscom had abused its market-dominant position in ADSL services, with a request for comment. In its decision of 5 November 2009, the Competition Commission imposed a fine of CHF 220 million on Swisscom for allegedly abusing its market-dominant position in the area of ADSL services. Swisscom appealed against this decision to the Federal Administrative Court with a complaint filed on 7 December 2009. Based on a legal assessment, Swisscom is of the opinion that, as things stand at present, it is unlikely that the fine will be ultimately imposed and has therefore not recognized any provisions in its consolidated financial statements as at 31 March 2010.

In the event of a court ruling that Swisscom has abused its market position claims may be brought against Swisscom under civil law. Swisscom considers it to be unlikely that such civil law claims could be enforced.

Tax risks Fastweb

On 23 February 2010 Italian investigating authorities published an investigation report against Fastweb and other persons and companies relating to VAT fraud and criminal association. In addition, the Italian fiscal police have opened a tax investigation for the years 2003 to 2009. Subject of the investigations are the purchase and resale of phone cards by Fastweb in 2003 and Fastweb interconnection

services in the years 2005 to the beginning of 2007. Fastweb rejects the allegations made in the investigation report. The outcome of the investigation is difficult to predict and involves manifold uncertainties. On the basis of a legal assessment Swisscom estimates that an outflow of funds for the harmed Fastweb is likely and has therefore set aside a provision of EUR 70 million (CHF 102 million) in the first quarter of 2010. The recognition of these provisions does not, however, constitute an acknowledgement of guilt. The amount of the provisions was determined on the basis of a calculation taking the potential financial risks and uncertainties relating to the proceedings into account and is the best estimate that can be made on the basis of the information currently available. The further development of the proceedings or a decision by the relevant court may result in a different assessment of the financial repercussions in a subsequent period, which can increase or reduce the provisions recognized. In addition, apart from the investigated alleged VAT fraud, it is possible that the tax authorities will raise further issues as a result of the tax audit, which could have a financial impact on income taxes and VAT.

Other provisions and contingent liabilities

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

7 Related parties

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

8 Events after the balance sheet date

Approval of the interim report

The Board of Directors of Swisscom Ltd has approved the release of this interim report on 4 May 2010.

Dividends

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

Share information

31.12.2009 – 31.3.2010		virt-x
Quoted price at December 31, 2009 ¹		CHF 395.60
Quoted price at March 31, 2010 ¹		CHF 384.80
Year high ¹		CHF 399.00
Year low ¹		CHF 365.10
Total trading volume		8,566,930
Daily average		133,858
Total trade volume in millions		CHF 3,276.95
Daily average in millions		CHF 51.20

Source: Bloomberg

¹ paid prices



Share information

On 31 March 2010 the share capital consisted of a total of 51,801,943 registered shares, the majority of which were held by the Swiss Confederation under the Telecommunications Enterprise Act (TEA). The par value per registered share is CHF 1.

At the end of March 2010 Swisscom had 54,641 registered shareholders and 16% unregistered shareholdings.

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

Each registered share entitles the holder to one vote. Voting rights can only be exercised if the shareholder has been entered with voting rights in the share register of Swisscom Ltd. The Board of Directors may refuse to enter a shareholder with voting rights in the share register if such voting rights exceed 5% of the company's share capital.

Financial calendar

> 04 August 2010	2010 Half-Year Results
> 10 November 2010	2010 Third-Quarter Results
> 17 February 2011	2010 Annual Results
> 19 April 2011	Annual General Meeting

Stock exchanges

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

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

Quarterly review 2009 and 2010

in CHF millions	1. quarter	2. quarter	3. quarter	4. quarter	2009	1. quarter	2. quarter	3. quarter	4. quarter	31.3.2010
Net revenue	2,916	3,001	3,008	3,076	12,001	2,953				2,953
Goods and services purchased	(623)	(655)	(664)	(706)	(2,648)	(642)				(642)
Personnel expenses	(654)	(650)	(606)	(667)	(2,577)	(651)				(651)
Other operating expense	(582)	(628)	(580)	(719)	(2,509)	(676)				(676)
Capitalized costs of self-constructed assets and other income	82	136	92	107	417	74				74
Operating income (EBITDA)	1,139	1,204	1,250	1,091	4,684	1,058				1,058
Depreciation and amortization	(475)	(477)	(478)	(565)	(1,995)	(501)				(501)
Operating income (EBIT)	664	727	772	526	2,689	557				557
Net financial result	(65)	(69)	(139)	(76)	(349)	(64)				(64)
Share of results of associated companies	8	12	7	16	43	4				4
Income tax expense	(123)	(134)	(127)	(76)	(460)	(120)				(120)
Net income	484	536	513	390	1,923	377				377
Attributable to equity holders of Swisscom Ltd	484	530	512	400	1,926	394				394
Attributable to minority interests	–	6	1	(10)	(3)	(17)				(17)
Net revenue by segments¹										
Swisscom Switzerland	2,079	2,113	2,136	2,125	8,453	2,091				2,091
Fastweb	664	719	678	732	2,793	672				672
Other operating segments	407	411	431	478	1,727	408				408
Group Headquarters	1	2	2	1	6	1				1
Intersegment elimination	(235)	(244)	(239)	(260)	(978)	(219)				(219)
Total net revenue	2,916	3,001	3,008	3,076	12,001	2,953				2,953
Segment result before depreciation and amortization										
Swisscom Switzerland	919	938	967	851	3,675	929				929
Fastweb	182	217	211	221	831	82				82
Other operating segments	66	95	107	83	351	81				81
Group Headquarters	(34)	(34)	(32)	(60)	(160)	(32)				(32)
Intersegment elimination	6	(12)	(3)	(4)	(13)	(2)				(2)
Total segment result (EBITDA)	1,139	1,204	1,250	1,091	4,684	1,058				1,058
Capital expenditure										
Swisscom Switzerland	207	272	291	449	1,219	222				222
Fastweb	124	202	146	185	657	144				144
Other operating segments	21	40	20	40	121	19				19
Group Headquarters	–	1	1	–	2	–				–
Intersegment elimination	(1)	(6)	(3)	(2)	(12)	(2)				(2)
Total capital expenditure	351	509	455	672	1,987	383				383
Operating free cash flow	697	662	795	531	2,685	742				742
Number of full-time equivalent employees at end of period	20,102	19,970	19,704	19,479	19,479	19,427				19,427
Thereof employees in Switzerland	16,275	16,238	16,107	15,995	15,995	15,965				15,965

¹ Includes intersegment revenue.

Quarterly review 2009 and 2010

in CHF millions, except where indicated	1. quarter	2. quarter	3. quarter	4. quarter	2009	1. quarter	2. quarter	3. quarter	4. quarter	31.3.2010
Swisscom Switzerland										
Net revenue and results										
Residential Customers	481	505	525	500	2,011	481				481
Small and Medium-Sized Enterprises	105	112	116	113	446	110				110
Corporate Business	138	144	142	147	571	143				143
Wholesale	96	90	99	85	370	98				98
Revenue wireless	820	851	882	845	3,398	832				832
Residential Customers	543	535	534	543	2,155	538				538
Small and Medium-Sized Enterprises	151	150	150	150	601	151				151
Corporate Business	192	189	190	193	764	185				185
Wholesale	130	121	119	110	480	105				105
Revenue wireline	1,016	995	993	996	4,000	979				979
Residential Customers	4	5	6	7	22	21				21
Small and Medium-Sized Enterprises	–	–	–	1	1	1				1
Corporate Business	1	2	1	2	6	2				2
Revenue convergent products	5	7	7	10	29	24				24
Small and Medium-Sized Enterprises	–	1	1	1	3	–				–
Corporate Business	28	31	31	39	129	32				32
Revenue solutions business	28	32	32	40	132	32				32
Residential Customers	126	141	131	139	537	146				146
Small and Medium-Sized Enterprises	10	9	10	10	39	9				9
Corporate Business	53	52	53	58	216	52				52
Wholesale	2	6	9	10	27	1				1
Revenue other	191	208	203	217	819	208				208
Residential Customers	1,154	1,186	1,196	1,189	4,725	1,186				1,186
Small and Medium-Sized Enterprises	266	272	277	275	1,090	271				271
Corporate Business	412	418	417	439	1,686	414				414
Wholesale	228	217	227	205	877	204				204
Revenue from external customers	2,060	2,093	2,117	2,108	8,378	2,075				2,075
Segment result before depreciation and amortization										
Residential Customers	727	753	756	681	2,917	747				747
Small and Medium-Sized Enterprises	211	203	213	208	835	210				210
Corporate Business	233	240	238	246	957	237				237
Wholesale	127	122	129	93	471	119				119
Networks	(378)	(381)	(369)	(376)	(1,504)	(384)				(384)
Intersegment elimination	(1)	1	–	(1)	(1)	–				–
Segment result (EBITDA)	919	938	967	851	3,675	929				929
Margin as % of net revenue	44.2	44.4	45.3	40.0	43.5	44.4				44.4

Quarterly review 2009 and 2010

in thousands, except where indicated	1. quarter	2. quarter	3. quarter	4. quarter	2009	1. quarter	2. quarter	3. quarter	4. quarter	31.3.2010
Swisscom Switzerland										
Operational data										
Residential Customers	2,761	2,725	2,682	2,639	2,639	2,581				2,581
Small and Medium-Sized Enterprises	511	510	510	510	510	514				514
Corporate Business	245	244	242	242	242	235				235
Access lines PSTN/ISDN	3,517	3,479	3,434	3,391	3,391	3,330				3,330
Unbundled fixed access lines	57	82	115	153	153	192				192
PSTN/ISDN and full access lines	3,574	3,561	3,549	3,544	3,544	3,522				3,522
Residential Customers	1,217	1,246	1,274	1,306	1,306	1,333				1,333
Small and Medium-Sized Enterprises	136	138	141	144	144	148				148
Corporate Business	26	26	26	28	28	28				28
Broadband access lines Retail	1,379	1,410	1,441	1,478	1,478	1,509				1,509
Wholesale	410	390	363	331	331	293				293
Broadband access lines	1,789	1,800	1,804	1,809	1,809	1,802				1,802
Residential Customers	139	165	186	231	231	268				268
Small and Medium-Sized Enterprises	–	–	–	1	1	7				7
Swisscom TV subscribers	139	165	186	232	232	275				275
Residential customers postpaid	2,144	2,152	2,174	2,194	2,194	2,201				2,201
Residential customers prepaid	2,134	2,160	2,170	2,176	2,176	2,180				2,180
Small and Medium-Sized Enterprises	426	435	443	450	450	466				466
Corporate Business	672	684	704	728	728	744				744
Mobile subscribers single subscriptions	5,376	5,431	5,491	5,548	5,548	5,591				5,591
Residential Customers	34	40	45	52	52	57				57
Small and Medium-Sized Enterprises	1	1	2	2	2	2				2
Mobile subscribers convergent products	35	41	47	54	54	59				59
Mobile subscribers	5,411	5,472	5,538	5,602	5,602	5,650				5,650
Residential Customers	41	43	44	42	42	40				40
Small and Medium-Sized Enterprises	92	98	99	95	96	89				89
Corporate Business	73	73	71	72	72	67				67
ARPU mobile per month in CHF	49	51	52	50	50	47				47
Residential Customers	95	96	97	98	97	99				99
Small and Medium-Sized Enterprises	203	211	211	210	209	203				203
Corporate Business	181	180	173	175	177	168				168
AMPU mobile per month in minutes	113	115	115	117	115	116				116
Traffic retail in million minutes	2,595	2,375	2,285	2,446	9,701	2,434				2,434
Wholesale traffic	3,096	2,818	2,616	2,733	11,263	2,642				2,642
Fastweb (in EUR millions)										
Residential Customers	174	173	172	178	697	179				179
Small and Medium-Sized Enterprises	101	105	100	100	406	104				104
Corporate Business	168	195	172	208	743	177				177
Revenue from external customers	443	473	444	486	1,846	460				460
Segment result (EBITDA)	122	143	139	147	551	57				57
Number of subscribers in thousands	1,542	1,575	1,605	1,644	1,644	1,678				1,678

Forward-looking statements

This 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.

