

# 2010

**Interim Report**  
January–September



# Facts & Figures

in CHF millions, except where indicated	30.9.2010	30.9.2009	Change	
<b>Net revenue and results</b>				
Net revenue	8,976	8,925	0.6%	
Operating income before depreciation and amortisation (EBITDA) <sup>1</sup>	3,545	3,593	-1.3%	
EBITDA as % of net revenue %	39.5	40.3		
Operating income (EBIT) <sup>2</sup>	2,067	2,163	-4.4%	
Net income	1,408	1,533	-8.2%	
Net income attributable to equity holders of Swisscom Ltd	1,423	1,526	-6.7%	
Earnings per share CHF	27.47	29.46	-6.7%	
<b>Balance sheet and cash flow</b>				
Equity at end of period	6,321	6,297	0.4%	
Equity ratio at end of period <sup>3</sup> %	29.3	28.4		
Operating free cash flow <sup>4</sup>	2,023	2,154	-6.1%	
Capital expenditure	1,276	1,315	-3.0%	
Net debt at end of period <sup>5</sup>	8,807	9,587	-8.1%	
<b>Employees</b>				
Number of full-time equivalent employees at end of period FTE	19,511	19,704	-1.0%	
Average number of full-time equivalent employees FTE	19,488	19,865	-1.9%	
<b>Operational data</b>				
Telephone access lines in Switzerland <sup>6</sup>	in thousands	3,485	3,549	-1.8%
Broadband access lines retail in Switzerland	in thousands	1,553	1,441	7.8%
Broadband access lines wholesale in Switzerland	in thousands	240	363	-33.9%
Mobile subscribers in Switzerland	in thousands	5,761	5,538	4.0%
Swisscom TV subscribers in Switzerland	in thousands	358	186	92.5%
Broadband subscribers in Italy	in thousands	1,712	1,605	6.7%
<b>Swisscom share</b>				
Par value per share at end of period CHF	1.00	1.00	-	
Number of shares issued at end of period in mio.	51.802	51.802	-	
Average number of shares outstanding in mio.	51.800	51.800	-	
Quoted price at end of period CHF	396.30	331.50	19.5%	
Market capitalisation at end of period <sup>7</sup>	20,527	17,172	19.5%	

<sup>1</sup> 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.

<sup>2</sup> 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.

<sup>3</sup> Equity as a percentage of total assets.

<sup>4</sup> 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.

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

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

<sup>7</sup> Closing price at the end of period, multiplied by number of shares outstanding at end of period.

# Financial Review

## Summary

in CHF millions, except where indicated	30.9.2010	30.9.2009	Change
Net revenue	8,976	8,925	0.6%
Operating income before depreciation and amortisation (EBITDA)	3,545	3,593	-1.3%
EBITDA as % of net revenue	39.5	40.3	
Operating income (EBIT)	2,067	2,163	-4.4%
Net income	1,408	1,533	-8.2%
Earnings per share (in CHF)	27.47	29.46	-6.7%
Operating free cash flow	2,023	2,154	-6.1%
Capital expenditure	1,276	1,315	-3.0%
Net debt at end of period	8,807	9,587	-8.1%
Number of full-time equivalent employees at end of period	19,511	19,704	-1.0%

- In the first nine months of 2010 Swisscom posted an increase in net revenue of CHF 51 million or 0.6% to CHF 8,976 million. At constant exchange rates, this amounted to an increase of 2.5%. The Italian subsidiary Fastweb increased net revenue in local currency terms by 2.9% to EUR 1,405 million. Net revenue excluding Fastweb rose by 2.3% to CHF 7,032 million, which was primarily attributable to the economic recovery, acquisition of subsidiaries made by Swisscom IT Services and growth in mobile communications and bundled products.
- In the first quarter of 2010, a provision of EUR 70 million (CHF 102 million) was recognised for proceedings against Fastweb related to VAT. The provision was created following an investigation report against Fastweb and other persons and companies relating to VAT fraud and criminal association published by Italian investigating authorities on 23 February 2010.
- Operating income before depreciation and amortisation (EBITDA) fell by CHF 48 million or 1.3% in the first nine months of 2010 to CHF 3,545 million. Adjusted for the provision recognised in the first quarter of 2010 for the VAT proceedings against Fastweb and currency effects, EBITDA increased year-on-year by 2.8%.
- Net income fell by CHF 125 million or 8.2% to CHF 1,408 million, largely as a result of the provision for the VAT proceedings against Fastweb. Higher depreciation and amortisation also contributed to a reduction in net income.
- The CHF 39 million or 3.0% decrease in capital expenditure to CHF 1,276 million was mainly due to currency effects. Adjusted for currency effects, capital expenditure fell by 0.2%.
- Operating free cash flow declined by CHF 131 million or 6.1% to CHF 2,023 million, due primarily to an increase in net working capital.
- Net debt was reduced during the reporting period by CHF 780 million to CHF 8,807 million. Two debenture bonds were issued and long-term bank loans were raised totalling around CHF 1,200 million in the third quarter of 2010 and fully used to repay existing bank loans.
- Headcount dropped year-on-year by 193 FTEs or 1.0% to 19,511 FTEs. The reduction resulting from efficiency improvements and the withdrawal from broadband business in Eastern Europe was partially offset by acquisition of subsidiaries. Headcount has remained more or less stable since the end of 2009 given that the cutbacks at Swisscom Switzerland were compensated by acquisition of subsidiaries.
- The financial expectations for 2010 has been increased compared with the half-year report. Swisscom now expects to close 2010 with net revenue of around CHF 12 billion and EBITDA of around CHF 4.7 billion (including provision for the VAT proceedings against Fastweb) for the Group as a whole. Excluding any extra payments of provisions for ongoing legal proceedings, operating free cash flow will remain unchanged at around CHF 2.6 billion. Excluding Fastweb, net revenue for Swisscom has been revised upwards to around CHF 9.35 billion and EBITDA to around CHF 4.0 billion. Capital expenditure remains unchanged at around CHF 1.3 billion. Net revenue and EBITDA at Fastweb could be between 3% and 5% down on the previous expectations of EUR 1.95 billion and EUR 580 million (excluding provision for the VAT proceedings) respectively. Fastweb's capital expenditure could be up to 5% higher than the previous assumption of around EUR 410 million.

## Segment results

in CHF millions	3. quarter 2010	3. quarter 2009	Change	1.1.–30.9.2010	1.1.–30.9.2009	Change
Swisscom Switzerland	2,177	2,136	1.9%	6,400	6,328	1.1%
Fastweb	624	678	-8.0%	1,955	2,061	-5.1%
Other Operating segments	451	431	4.6%	1,279	1,249	2.4%
Group Headquarters	1	2	-50.0%	4	5	-20.0%
Intersegment elimination	(223)	(239)	-6.7%	(662)	(718)	-7.8%
<b>Total net revenue</b>	<b>3,030</b>	<b>3,008</b>	<b>0.7%</b>	<b>8,976</b>	<b>8,925</b>	<b>0.6%</b>

in CHF millions	3. quarter 2010	3. quarter 2009	Change	1.1.–30.9.2010	1.1.–30.9.2009	Change
Swisscom Switzerland	1,012	967	4.7%	2,913	2,824	3.2%
Fastweb	188	211	-10.9%	473	610	-22.5%
Other Operating segments	98	107	-8.4%	265	268	-1.1%
Group Headquarters	(36)	(32)	12.5%	(97)	(100)	-3.0%
Intersegment elimination	(4)	(3)	33.3%	(9)	(9)	-
<b>Total operating income before depreciation and amortisation (EBITDA)</b>	<b>1,258</b>	<b>1,250</b>	<b>0.6%</b>	<b>3,545</b>	<b>3,593</b>	<b>-1.3%</b>

Reporting for Swisscom Switzerland is divided into the segments “Residential Customers”, “Small and Medium-Sized Enterprises”, “Corporate Business”, “Wholesale” and “Networks”, 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. The revenue and results of the segments correspond to the internal reporting system. No separate network costs are charged for the financial management of customer segments. The results of the customer segments “Residential Customers”, “Small and Medium-Sized Enterprises”, “Corporate Business” and “Wholesale” therefore correspond to a contribution margin before network costs. Network costs are budgeted, monitored and controlled by the “Networks” division, which is managed as a cost centre. Consequently, no revenue is credited to the “Networks” segment in the context of segment reporting. The segment result of the “Networks” segment consists of operating expenses as well as depreciation and amortisation less capitalised costs and other income. The total segment result for Swisscom Switzerland corresponds to the operating income (EBIT) for Swisscom Switzerland. In a move to further improve customer care, a new customer relationship management system was launched at the end of 2009. The new system has partially altered the way mobile and fixed-line volumes are counted 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 for “Fastweb” and “Other operating segments” corresponds to the operating income (EBIT) of these units. This covers net revenue from external customers and other segments less segment expenses and depreciation, amortisation and impairments on property, plant and equipment as well as intangible assets. Segment expenses include goods and services purchased, personnel expenses and other operating expenses less capitalised costs and other income. “Group Headquarters” does not charge financial management fees to other segments, nor does the “Networks” segment charge any network costs to other segments. Other inter-segment services are billed at market prices.

## Swisscom Switzerland

in CHF millions, except where indicated	3. quarter 2010	3. quarter 2009	Change	1.1.–30.9.2010	1.1.–30.9.2009	Change
<b>Net revenue</b>						
Revenue from external customers	2,161	2,117	2.1%	6,351	6,270	1.3%
Intersegment revenue	16	19	-15.8%	49	58	-15.5%
<b>Net revenue Swisscom Switzerland</b>	<b>2,177</b>	<b>2,136</b>	<b>1.9%</b>	<b>6,400</b>	<b>6,328</b>	<b>1.1%</b>
Direct costs	(481)	(472)	1.9%	(1,354)	(1,346)	0.6%
Indirect costs (including capitalised costs and other income)	(684)	(697)	-1.9%	(2,133)	(2,158)	-1.2%
<b>Total segment expense</b>	<b>(1,165)</b>	<b>(1,169)</b>	<b>-0.3%</b>	<b>(3,487)</b>	<b>(3,504)</b>	<b>-0.5%</b>
<b>Segment result before depreciation and amortisation</b>						
Margin as % of net revenue	46.5	45.3		45.5	44.6	
Depreciation, amortisation and impairment	(256)	(239)	7.1%	(774)	(714)	8.4%
<b>Segment result</b>	<b>756</b>	<b>728</b>	<b>3.8%</b>	<b>2,139</b>	<b>2,110</b>	<b>1.4%</b>
<b>Capital expenditure and number of employees</b>						
Capital expenditure	303	291	4.1%	784	770	1.8%
Number of full-time equivalent employees at end of period				11,665	11,998	-2.8%
<b>Operational data in thousands, except where indicated</b>						
Access lines PSTN/ISDN				3,247	3,434	-5.4%
Unbundled fixed access lines				238	115	107.0%
<b>Total PSTN/ISDN and full access lines</b>				<b>3,485</b>	<b>3,549</b>	<b>-1.8%</b>
Broadband access lines retail				1,553	1,441	7.8%
Broadband access lines wholesale				240	363	-33.9%
<b>Total broadband access lines</b>				<b>1,793</b>	<b>1,804</b>	<b>-0.6%</b>
Swisscom TV subscribers				358	186	92.5%
Mobile subscribers				5,761	5,538	4.0%
Average revenue in CHF per mobile user (ARPU) per month	52	52	-	50	50	-
Average minutes per mobile user (AMPU) per month	118	115	2.6%	117	115	1.7%

In the first nine months of 2010 Swisscom Switzerland increased revenue from external customers by CHF 81 million or 1.3% to CHF 6,351 million (+2.1% in the third quarter), largely due to the economic recovery, growth in the customer base and in mobile data business as well as an increase in sales of multifunctional mobile devices (smartphones). The trend towards bundled offerings and new price models (flat-rate tariffs) continued during the reporting period. The number of PSTN/ISDN access lines declined year-on-year by 187,000 or 5.4% (-36,000 in the third quarter) to 3.2 million. In addition to loss of market share to cable network operators, the drop was primarily a result of the 123,000 increase in unbundled access lines year-on-year to 238,000 (+19,000 in the third quarter), largely due to migration by wholesale customers from broadband access lines to unbundled access lines. Accordingly, the number of wholesale broadband access lines fell by 123,000 to 240,000 (-20,000 in the third quarter), while the number of retail broadband access lines increased year-on-year by 112,000 or 7.8% to 1.55 million (+23,000 in the third quarter). The growth in Swisscom TV subscribers continued unabated in the third quarter, up by 41,000. By the end of September 2010 the number of subscribers had practically doubled year-on-year to 358,000. The number of mobile subscribers increased year-on-year by 223,000 or 4.0% to 5.8 million (+70,000 in the third quarter). Average monthly revenue per mobile user (ARPU) remained stable at CHF 50 despite price cuts and new tariff models, largely due to growth in mobile data services. At CHF 2,913 million, the segment result before depreciation and amortisation was CHF 89 million or 3.2% higher year-on-year (+4.7 in the third quarter). This was due to revenue growth and cost savings, which increased the EBITDA margin from 44.6% to 45.5%.

## 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, TV, handset sales and directory business. The key figures for the Residential Customers segment are as follows

in CHF millions, except where indicated	3. quarter 2010	3. quarter 2009	Change	1.1.–30.9.2010	1.1.–30.9.2009	Change
<b>Net revenue and segment result</b>						
Revenue from external customers	1,257	1,196	5.1%	3,649	3,536	3.2%
Intersegment revenue	78	74	5.4%	225	216	4.2%
<b>Net revenue</b>	<b>1,335</b>	<b>1,270</b>	<b>5.1%</b>	<b>3,874</b>	<b>3,752</b>	<b>3.3%</b>
Direct costs	(340)	(311)	9.3%	(942)	(884)	6.6%
Indirect costs (including capitalised costs and other income)	(206)	(203)	1.5%	(618)	(632)	-2.2%
<b>Total segment expense</b>	<b>(546)</b>	<b>(514)</b>	<b>6.2%</b>	<b>(1,560)</b>	<b>(1,516)</b>	<b>2.9%</b>
<b>Segment result before depreciation and amortisation</b>						
<i>Margin as % of net revenue</i>	59.1	59.5		59.7	59.6	
Depreciation, amortisation and impairment	(25)	(23)	8.7%	(76)	(68)	11.8%
<b>Segment result</b>	<b>764</b>	<b>733</b>	<b>4.2%</b>	<b>2,238</b>	<b>2,168</b>	<b>3.2%</b>
<b>Capital expenditure and number of employees</b>						
Capital expenditure	30	26	15.4%	88	93	-5.4%
Number of full-time equivalent employees at end of period				4,605	4,737	-2.8%
<b>Operational data in thousands, except where indicated</b>						
Access lines PSTN/ISDN				2,503	2,682	-6.7%
Broadband access lines				1,369	1,274	7.5%
Swisscom TV subscribers				348	186	87.1%
Mobile subscribers				4,487	4,389	2.2%
Average revenue in CHF per mobile user (ARPU) per month	45	44	2.3%	42	43	-2.3%
Average minutes per mobile user (AMPU) per month	101	97	4.1%	100	96	4.2%

Revenue from external customers increased year-on-year by CHF 113 million or 3.2% to CHF 3,649 million (+5.1% in the third quarter), largely due to the economic recovery, growth in the customer base and in mobile data business as well as an increase in sales of multifunctional mobile devices (smartphones). Despite continuing price erosion and the introduction of new tariff models (flat-rate tariffs), mobile revenue rose slightly thanks to increased use of mobile data services and an increase in customers. The number of mobile subscribers grew year-on-year by a net 98,000 or 2.2% to 4.5 million (+37,000 in the third quarter). The 2.3% drop in average monthly revenue per mobile user (ARPU) to CHF 42 (+2.3% in the third quarter) was mainly attributable to falling prices. The decline in traditional fixed-network voice and telephone line business was largely offset by the rising number of customers for broadband, Swisscom TV and bundled offerings. The number of broadband access lines increased year-on-year by 7.5% or a net 95,000 to 1.37 million (+20,000 in the third quarter), while the number of Swisscom TV subscribers almost doubled in the space of a year. At the end of September 2010 Swisscom TV counted around 350,000 residential subscribers.

The segment saw an increase in expenses compared with the previous year of CHF 44 million or 2.9% (+6.2% in the third quarter). Direct costs rose by CHF 58 million or 6.6% to CHF 942 million (+9.3% in the third quarter), mainly driven by higher smartphone sales coupled with increased subscriber acquisition and retention costs. Indirect costs fell by CHF 14 million or 2.2% to CHF 618 million (+1.5% in the third quarter). Lower personnel expenses reflected the fall in headcount, which decreased year-

on-year by 132 or 2.8% to 4,605 FTEs due to improvements in efficiency. Combined with further savings in other indirect costs, the segment result before depreciation and amortisation increased by CHF 78 million or 3.5% to CHF 2,314 million (+4.4% in the third quarter).

### Small and Medium-Sized Enterprises

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

in CHF millions, except where indicated	3. quarter 2010	3. quarter 2009	Change	1.1.–30.9.2010	1.1.–30.9.2009	Change
<b>Net revenue and segment result</b>						
Revenue from external customers	286	277	3.2%	840	815	3.1%
Intersegment revenue	15	15	–	42	43	–2.3%
<b>Net revenue</b>	<b>301</b>	<b>292</b>	<b>3.1%</b>	<b>882</b>	<b>858</b>	<b>2.8%</b>
Direct costs	(43)	(47)	–8.5%	(128)	(131)	–2.3%
Indirect costs (including capitalised costs and other income)	(34)	(32)	6.3%	(100)	(100)	–
<b>Total segment expense</b>	<b>(77)</b>	<b>(79)</b>	<b>–2.5%</b>	<b>(228)</b>	<b>(231)</b>	<b>–1.3%</b>
<b>Segment result before depreciation and amortisation</b>						
	<b>224</b>	<b>213</b>	<b>5.2%</b>	<b>654</b>	<b>627</b>	<b>4.3%</b>
Margin as % of net revenue	74.4	72.9		74.1	73.1	
Depreciation, amortisation and impairment	(1)	(1)	–	(3)	(2)	–
<b>Segment result</b>	<b>223</b>	<b>212</b>	<b>5.2%</b>	<b>651</b>	<b>625</b>	<b>4.2%</b>
<b>Capital expenditure and number of employees</b>						
Capital expenditure	2	1	–	5	8	–37.5%
Number of full-time equivalent employees at end of period				743	776	–4.3%
<b>Operational data in thousands, except where indicated</b>						
Access lines PSTN/ISDN				513	510	0.6%
Broadband access lines				155	141	9.9%
Swisscom TV subscribers				10	–	–
Mobile subscribers				485	445	9.0%
Average revenue in CHF per mobile user (ARPU) per month	97	99	–2.0%	94	96	–2.1%
Average minutes per mobile user (AMPU) per month	212	211	0.5%	210	209	0.5%

Revenue from external customers increased year-on-year by CHF 25 million or 3.1% to CHF 840 million (+3.2% in the third quarter). On the one hand, this increase was driven by growth in mobile subscribers and higher revenue generated by mobile data services. On the other hand, revenue in the fixed network remained at the previous-year level due to the increase in broadband access lines and bundled products, and despite a reduction in traffic and lower tariffs. The number of mobile subscribers increased year-on-year by 40,000 or 9.0% to 485,000 (+8,000 in the third quarter). Average monthly revenue per mobile user (ARPU) fell by 2.1% to CHF 94 (–2.0% in the third quarter) as a result of new tariff models and price reductions. The number of broadband access lines increased year-on-year by 9.9% or 14,000 to 155,000 (+3,000 in the third quarter).

Thanks to cost savings, the segment's expenses dropped by CHF 3 million or 1.3% year-on-year to CHF 228 million (–2.5% in the third quarter). The segment result before depreciation and amortisation grew by CHF 27 million or 4.3% year-on-year to CHF 654 million (+5.2% in the third quarter). Headcount fell year-on-year by 33 FTEs or 4.3% to 743 FTEs.

## 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. These include a comprehensive range of services for the planning, installation, commissioning, maintenance and operation of fixed and mobile network infrastructures and associated IT systems. The key figures for the Corporate Business segment are as follows:

in CHF millions, except where indicated	3. quarter 2010	3. quarter 2009	Change	1.1.–30.9.2010	1.1.–30.9.2009	Change
<b>Net revenue and segment result</b>						
Revenue from external customers	431	417	3.4%	1,279	1,247	2.6%
Intersegment revenue	31	36	-13.9%	96	113	-15.0%
<b>Net revenue</b>	<b>462</b>	<b>453</b>	<b>2.0%</b>	<b>1,375</b>	<b>1,360</b>	<b>1.1%</b>
Direct costs	(112)	(111)	0.9%	(322)	(321)	0.3%
Indirect costs (including capitalised costs and other income)	(98)	(104)	-5.8%	(312)	(328)	-4.9%
<b>Total segment expense</b>	<b>(210)</b>	<b>(215)</b>	<b>-2.3%</b>	<b>(634)</b>	<b>(649)</b>	<b>-2.3%</b>
<b>Segment result before depreciation and amortisation</b>						
	<b>252</b>	<b>238</b>	<b>5.9%</b>	<b>741</b>	<b>711</b>	<b>4.2%</b>
Margin as % of net revenue	54.5	52.5		53.9	52.3	
Depreciation, amortisation and impairment	(15)	(13)	15.4%	(42)	(38)	10.5%
<b>Segment result</b>	<b>237</b>	<b>225</b>	<b>5.3%</b>	<b>699</b>	<b>673</b>	<b>3.9%</b>
<b>Capital expenditure and number of employees</b>						
Capital expenditure	20	15	33.3%	50	54	-7.4%
Number of full-time equivalent employees at end of period				2,209	2,250	-1.8%
<b>Operational data in thousands, except where indicated</b>						
Access lines PSTN/ISDN				231	242	-4.5%
Broadband access lines				29	26	11.5%
Mobile subscribers				789	704	12.1%
Average revenue in CHF per mobile user (ARPU) per month	68	71	-4.2%	68	73	-6.8%
Average minutes per mobile user (AMPU) per month	162	173	-6.4%	166	178	-6.7%

Revenue from external customers increased year-on-year by CHF 32 million or 2.6% to CHF 1,279 million (+3.4% in the third quarter). This increase was mainly attributable to higher volumes in outsourcing and project business following the economic recovery and to the growing demand for mobile data services. This more than offset the decline in prices and volumes in the fixed network sector and lower traffic and subscription prices in the mobile sector. Average monthly revenue per mobile user (ARPU) declined by 6.8% to CHF 68 (–4.2% in the third quarter). The 6.7% reduction in the average number of minutes per mobile user per month (AMPU) to 166 minutes (–6.4% in the third quarter) was largely attributable to the shift in usage to mobile data services.

Compared with the previous year, the segment's expenses fell by CHF 15 million or 2.3% to CHF 634 million (–2.3% in the third quarter) due to savings in indirect costs. In the area of direct costs, lower traffic charges were offset by higher expenses relating to increased sales in outsourcing and project business. Headcount declined by 41 FTEs or 1.8% to 2,209 FTEs. The segment result before depreciation and amortisation increased by CHF 30 million or 4.2% year-on-year to CHF 741 million (+5.9% in the third quarter),

### Wholesale

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

in CHF millions, except where indicated	3. quarter 2010	3. quarter 2009	Change	1.1.–30.9.2010	1.1.–30.9.2009	Change
<b>Net revenue and segment result</b>						
Revenue from external customers	187	227	–17.6%	583	672	–13.2%
Intersegment revenue	133	151	–11.9%	393	422	–6.9%
<b>Net revenue</b>	<b>320</b>	<b>378</b>	<b>–15.3%</b>	<b>976</b>	<b>1,094</b>	<b>–10.8%</b>
Direct costs	(213)	(245)	–13.1%	(630)	(702)	–10.3%
Indirect costs (including capitalised costs and other income)	(5)	(4)	25.0%	(16)	(14)	14.3%
<b>Total segment expense</b>	<b>(218)</b>	<b>(249)</b>	<b>–12.4%</b>	<b>(646)</b>	<b>(716)</b>	<b>–9.8%</b>
<b>Segment result</b>	<b>102</b>	<b>129</b>	<b>–20.9%</b>	<b>330</b>	<b>378</b>	<b>–12.7%</b>
Margin as % of net revenue	31.9	34.1		33.8	34.6	

### Number of employees

Number of full-time equivalent employees at end of period	103	88	17.0%
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### Operational data in thousands, except where indicated

Broadband access lines	240	363	–33.9%
Unbundled fixed access lines	238	115	107.0%

Revenue from external customers fell by CHF 89 million or 13.2% in the first nine months of 2010 to CHF 583 million (–17.6% in the third quarter). Mobile revenue declined slightly year-on-year. This decrease reflected the lower termination rates and was only partially offset by higher revenue from foreign subscribers' roaming traffic on the Swisscom mobile network. Revenue from interconnection services fell as a result of lower prices and volumes. Revenue also declined due to the decline in data services coupled with further unbundling of the local loop. The number of wholesale broadband access lines fell by around a third year-on-year to 240,000, while the number of unbundled access lines increased by 123,000 to 238,000 in the same period. Revenue from other segments was down CHF 29 million or 6.9% year-on-year to CHF 393 million (–11.9% in the third quarter), mainly as a result of lower termination rates.

The segment's expenses fell in the first nine months of 2010 by CHF 70 million or 9.8% to CHF 646 million (–12.4% in the third quarter), which was largely attributable to the decrease in direct costs. The reduction in direct costs was due to lower termination charges and lower volumes from interconnection services. The segment result fell by CHF 48 million or 12.7% to CHF 330 million (–20.9% in the third quarter), mainly due to the drop in revenue from external customers. The decline in intersegment revenue had only a small impact on the segment's overall result.

## Networks

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

in CHF millions, except where indicated	3. quarter 2010	3. quarter 2009	Change	1.1.–30.9.2010	1.1.–30.9.2009	Change
<b>Segment result</b>						
Operating expenses	(391)	(416)	–6.0%	(1,248)	(1,265)	–1.3%
Capitalised costs of self-constructed assets and other income	35	47	–25.5%	122	137	–10.9%
<b>Segment result before depreciation and amortisation</b>						
<b>Depreciation, amortisation and impairment</b>	<b>(356)</b>	<b>(369)</b>	<b>–3.5%</b>	<b>(1,126)</b>	<b>(1,128)</b>	<b>–0.2%</b>
Segment result	(572)	(573)	–0.2%	(1,780)	(1,736)	2.5%
<b>Capital expenditure and number of employees</b>						
Capital expenditure	250	249	0.4%	640	615	4.1%
Number of full-time equivalent employees at end of period				4,005	4,147	–3.4%

Segment result before depreciation and amortisation improved by CHF 2 million or 0.2% in the first nine months of 2010 to CHF –1,126 million. This is largely due to the reduction in recurring costs as a result of improvements in efficiency and the associated decrease in headcount. Headcount decreased year-on-year by 142 or 3.4% to 4,005 FTEs, while higher overall expenditure for headcount reduction exerted a counter-effect. The improvement in the segment result before depreciation and amortisation in the third quarter of 2010 by CHF 13 million or 3.5% to CHF –356 million is largely due to cost savings and lower expenditure for headcount reduction. The segment result fell by CHF 44 million or 2.5% in the first nine months to CHF –1,780 million. The main reason for this is the increase in depreciation and amortisation of CHF 46 million or 7.6% to CHF 654 million (+5.9% in the third quarter) as a result of investments in 2009 in a new customer relationship management system, which are amortised over the estimated useful life using the straight-line method from the beginning of 2010. A segment result almost on a par with the previous year was achieved in the third quarter of 2010 as higher depreciation and amortisation was compensated by lower operating costs.

The increase in capital expenditure of CHF 25 million or 4.1% to CHF 640 million is primarily due to increased investment activity in connection with the expansion of the fibre-optic network and the launch of a new communication platform based on IP technology.

**Fastweb**

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

EUR millions, except where indicated	3. quarter 2010	3. quarter 2009	Change	1.1.–30.9.2010	1.1.–30.9.2009	Change
<b>Net revenue and segment result</b>						
Revenue from external customers	467	444	5.2%	1,397	1,360	2.7%
Intersegment revenue	3	2	50.0%	8	5	60.0%
<b>Net revenue</b>	<b>470</b>	<b>446</b>	<b>5.4%</b>	<b>1,405</b>	<b>1,365</b>	<b>2.9%</b>
Operating expenses	(342)	(323)	5.9%	(1,105)	(1,032)	7.1%
Capitalised costs of self-constructed assets and other income	13	16	-18.8%	41	71	-42.3%
<b>Total segment expense</b>	<b>(329)</b>	<b>(307)</b>	<b>7.2%</b>	<b>(1,064)</b>	<b>(961)</b>	<b>10.7%</b>
<b>Segment result before depreciation and amortisation</b>						
Margin as % of net revenue	30.0	31.2		24.3	29.6	
Depreciation, amortisation and impairment	(139)	(126)	10.3%	(405)	(372)	8.9%
<b>Segment result</b>	<b>2</b>	<b>13</b>	<b>-84.6%</b>	<b>(64)</b>	<b>32</b>	<b>-</b>
<b>Capital expenditure and number of employees</b>						
Capital expenditure	97	95	2.1%	303	312	-2.9%
Number of full-time equivalent employees at end of period				3,125	3,105	0.6%
<b>Number of subscribers in thousands</b>						
Broadband subscribers				1,712	1,605	6.7%

In the first nine months of 2010 Fastweb posted an increase in net revenue of EUR 40 million or 2.9% to EUR 1,405 million (+5.4% in the third quarter). In the second quarter of 2009 and the third quarter of 2010, one-off revenues of EUR 20 million and EUR 15 million are included respectively. Also taking into account a change in revenue recognition, growth in revenue is 5.1% on a like-for-like basis. The number of broadband subscribers increased by a net 107,000 or 6.7% year-on-year to more than 1.7 million. Residential customers accounted for 38%, small and medium-sized enterprises 21% and corporate customers 41% of net revenue. Revenue from residential customers rose by 3.3% to EUR 536 million (+4.9% in the third quarter), driven by customer growth. Revenue from business customers increased by 2.4% to EUR 862 million in the first nine months of 2010 (+5.6% in the third quarter).

As a result of the ongoing VAT investigation, a provision of EUR 70 million was recognised in other operating expenses 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 amortisation (EBITDA) was down by 15.6% in the first nine months to EUR 341 million as a result of this provision. EBITDA increased by 4.1% on a like-for-like basis.

At 30 September 2010, headcount was 3,125 FTEs, equivalent to a year-on-year increase of 20 FTEs or 0.6%. The higher headcount is a result of the increase of the sales department. Capital expenditure fell by EUR 9 million or 2.9% in the first nine months of 2010 to EUR 303 million, due to differences in the timing of investments. Some 42% of the investments made were directly connected to customer growth.

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

in CHF millions	3. quarter 2010	3. quarter 2009	Change 1.1.–30.9.2010	1.1.–30.9.2009	Change
Revenue from external customers	621	675	–8.0%	1,944	2,054
Segment result before depreciation and amortisation	188	211	–10.9%	473	610
Capital expenditure	128	146	–12.3%	421	472

The average CHF/EUR exchange rate fell by 7.9% year-on-year. The continued weakening of the euro negatively impacted revenue from external customers by CHF 166 million and the segment result before depreciation and amortisation by CHF 41 million in Swisscom's consolidated financial statements. In Swiss franc terms, Fastweb's revenue from external customers fell by 5.4% compared with an increase of 2.7% in local currency terms. The segment result before depreciation and amortisation was down 22.5% in the reporting currency, or 15.6% in local currency terms.

### Other operating segments

Other operating segments mainly comprise the operating segments Swisscom IT Services, Swisscom Participations and Hospitality Services. Swisscom IT Services includes the Group companies Swisscom IT Services Ltd, Comit Ltd and the newly acquired companies Sourcag Ltd and Resource Ltd (from June 2009) as well as Panatronic (Switzerland) Ltd (from May 2010). Swisscom Participations essentially comprises Swisscom Broadcast Ltd, Swisscom Real Estate Ltd, Cablex Ltd, Billag Ltd, Alphapay Ltd, Curabill Ltd and the Sicap Group. The acquired Weco Inkasso AG has been included since the end of October 2009. Acquired company Wayport has been part of Hospitality Services since July 2010. The key figures for Other operating segments are as follows:

in CHF millions, except where indicated	3. quarter 2010	3. quarter 2009	Change	1.1.–30.9.2010	1.1.–30.9.2009	Change
<b>Net revenue and segment result</b>						
Swisscom IT Services	147	118	24.6%	387	302	28.1%
Swisscom Participations	80	78	2.6%	235	236	–0.4%
Hospitality Services	21	19	10.5%	58	57	1.8%
Others	–	1	–	1	5	–80.0%
<b>Revenue from external customers</b>	<b>248</b>	<b>216</b>	<b>14.8%</b>	<b>681</b>	<b>600</b>	<b>13.5%</b>
Intersegment revenue	203	215	–5.6%	598	649	–7.9%
<b>Net revenue</b>	<b>451</b>	<b>431</b>	<b>4.6%</b>	<b>1,279</b>	<b>1,249</b>	<b>2.4%</b>
Operating expenses	(367)	(336)	9.2%	(1,049)	(1,018)	3.0%
Capitalised costs of self-constructed assets and other income	14	12	16.7%	35	37	–5.4%
<b>Total segment expense</b>	<b>(353)</b>	<b>(324)</b>	<b>9.0%</b>	<b>(1,014)</b>	<b>(981)</b>	<b>3.4%</b>
<b>Segment result before depreciation and amortisation</b>						
	<b>98</b>	<b>107</b>	<b>–8.4%</b>	<b>265</b>	<b>268</b>	<b>–1.1%</b>
Margin as % of net revenue	21.7	24.8		20.7	21.5	
Depreciation, amortisation and impairment	(49)	(50)	–2.0%	(141)	(159)	–11.3%
<b>Segment result</b>	<b>49</b>	<b>57</b>	<b>–14.0%</b>	<b>124</b>	<b>109</b>	<b>13.8%</b>
<b>Capital expenditure and number of employees</b>						
Capital expenditure	36	20	80.0%	79	81	–2.5%
Number of full-time equivalent employees at end of period				4,381	4,258	2.9%

Revenue from external customers rose by CHF 81 million or 13.5% in the first nine months of 2010 to CHF 681 million (+14.8% in the third quarter). Swisscom IT Services' revenue from external customers increased by CHF 85 million or 28.1% to CHF 387 million (+24.6% in the third quarter). Excluding acqui-

sition of subsidiaries, revenue from external customers was up CHF 32 million or 11.1% year-on-year (CHF 14 million in the third quarter), mainly as a result of project and outsourcing contracts concluded in the previous year. At CHF 235 million, Swisscom Participations' revenue from external customers was virtually on a par with the previous year. Lower revenue as a result of the outsourcing of Swisscom Real Estate's facility management in the previous year was offset by an increase in revenue at Cablex for construction services performed. Intersegment revenue fell year-on-year by CHF 51 million or 7.9% to CHF 598 million, largely due to the outsourcing of Swisscom Real Estate's facility management as well as a lower volume of services procured from Swisscom IT Services by other segments. Segment expense increased by CHF 33 million or 3.4% year-on-year to CHF 1,014 million (+9.0% in the third quarter). Acquisition of subsidiaries led to increased costs which exceeded the lower expenditure as a result of the outsourcing of Swisscom Real Estate's facility management and the exit from the broadband market in Eastern Europe. At 4,381 FTEs, headcount at 30 September 2010 was 123 or 2.9% higher than a year earlier. The reason for the increase in headcount are acquisitions of subsidiaries which exceeded the decrease as a result of the exit from the broadband market in Eastern Europe. The segment result before depreciation and amortisation fell by CHF 3 million or 1.1% to CHF 265 million in the first nine months (–8.4% in the third quarter).

### Group Headquarters

Group Headquarters comprises the Group divisions and the employment company Worklink. The key figures for Group Headquarters are as follows:

in CHF millions, except where indicated	3. quarter 2010	3. quarter 2009	Change 1.1.–30.9.2010	1.1.–30.9.2009	Change
<b>Net revenue and operating income</b>					
<b>Net revenue</b>	<b>1</b>	<b>2</b>	<b>–50.0%</b>	<b>4</b>	<b>5</b>
Operating expenses	(57)	(55)	3.6%	(157)	(164)
Capitalised costs of self-constructed assets and other income	20	21	–4.8%	56	59
<b>Operating income before depreciation and amortisation (EBITDA)</b>	<b>(36)</b>	<b>(32)</b>	<b>12.5%</b>	<b>(97)</b>	<b>(100)</b>
Depreciation, amortisation and impairment	(4)	(2)	–	(10)	(7)
<b>Operating income (EBIT)</b>	<b>(40)</b>	<b>(34)</b>	<b>17.6%</b>	<b>(107)</b>	<b>(107)</b>
<b>Number of employees</b>					
Number of full-time equivalent employees at end of period				340	343
					–0.9%

The operating result before depreciation and amortisation improved by CHF 3 million year-on-year to CHF 97 million, primarily due to cost savings and project-related costs charged in the previous year which were not incurred in the current financial year.

## Depreciation, amortisation and non-operating results

in CHF millions, except where indicated	3. quarter 2010	3. quarter 2009	Change	1.1.–30.9.2010	1.1.–30.9.2009	Change
<b>Operating income before depreciation and amortisation (EBITDA)</b>	<b>1,258</b>	<b>1,250</b>	<b>0.6%</b>	<b>3,545</b>	<b>3,593</b>	<b>-1.3%</b>
Depreciation, amortisation and impairment	(488)	(478)	2.1%	(1,478)	(1,430)	3.4%
<b>Operating income (EBIT)</b>	<b>770</b>	<b>772</b>	<b>-0.3%</b>	<b>2,067</b>	<b>2,163</b>	<b>-4.4%</b>
Financial income and financial expense, net	(113)	(141)	-19.9%	(277)	(275)	0.7%
Share of profit of investments in associates	7	9	-22.2%	18	29	-37.9%
<b>Income before income taxes</b>	<b>664</b>	<b>640</b>	<b>3.8%</b>	<b>1,808</b>	<b>1,917</b>	<b>-5.7%</b>
Income tax expense	(129)	(127)	1.6%	(400)	(384)	4.2%
<b>Net income</b>	<b>535</b>	<b>513</b>	<b>4.3%</b>	<b>1,408</b>	<b>1,533</b>	<b>-8.2%</b>
Net income attributable to equity holders of Swisscom Ltd	536	512	4.7%	1,423	1,526	-6.7%
Net income attributable to minority interests	(1)	1	-	(15)	7	-
Average number of shares outstanding (in millions)	51.797	51.798	-	51.800	51.800	-
Earnings per share (in CHF)	10.35	9.88	4.7%	27.47	29.46	-6.7%

Depreciation, amortisation and impairment losses increased year-on-year by CHF 48 million or 3.4% to CHF 1,478 million (+2.1% in the second quarter), predominantly as a result of Swisscom Switzerland's investment in a new customer relationship management system which is amortised over the estimated useful life using the straight-line method from the beginning of 2010. Depreciation and amortisation includes scheduled amortisation related to business combinations in the amount of CHF 110 million (previous year CHF 120 million), which was recognised as intangible assets in the course of the purchase price allocation.

Net financial expense increased by CHF 2 million year-on-year to CHF 277 million. Net interest expense declined by CHF 17 million year-on-year. The foreign exchange result fell by CHF 67 million due to the strength of the Swiss franc. In the third quarter of 2009 and 2010, hedging relationships were terminated in connection with the early repayment of bank loans, resulting in an expense of CHF 29 million (previous year CHF 59 million).

Income tax expense amounted to CHF 400 million (previous year CHF 384 million), corresponding to an effective income tax rate of 22.1% (previous year 20.0%). The increase in the effective income tax rate is mainly attributable to the fact that no positive tax effects were recognised on the provision for the VAT proceedings against Fastweb in the first quarter of 2010. In future a long-term income tax rate of around 21% without one-off items is expected. Income tax payments were CHF 97 million higher than a year earlier at CHF 295 million.

Net income fell by CHF 125 million or 8.2% to CHF 1,408 million. This was primarily attributable to the provision for the VAT proceedings against Fastweb, which was recognised in the first quarter of 2010. Higher depreciation and amortisation also contributed to a reduction in net income. Earnings per share is calculated on the basis of net income attributable to the equity holders of Swisscom Ltd and the average number of shares outstanding. Net income attributable to equity holders of Swisscom Ltd decreased year-on-year by 6.7% to CHF 1,423 million. Earnings per share fell accordingly from CHF 29.46 to CHF 27.47.

**Cash flows**

in CHF millions	1.1.–30.9.2010	1.1.–30.9.2009	Change
Operating income before depreciation and amortisation (EBITDA)	3,545	3,593	(48)
Change in operating assets and liabilities and other payments or receipts from operating activities	(268)	(104)	(164)
Income taxes paid	(295)	(198)	(97)
<b>Cash flow provided by operating activities</b>	<b>2,982</b>	<b>3,291</b>	<b>(309)</b>
Capital expenditure	(1,276)	(1,315)	39
Other cash flow from investing activities	63	824	(761)
<b>Cash flow used in investing activities</b>	<b>(1,213)</b>	<b>(491)</b>	<b>(722)</b>
Issuance and repayment of financial liabilities, net	(475)	(1,715)	1,240
Dividends paid to equity holders of Swisscom Ltd	(1,036)	(984)	(52)
Dividends paid to minority interests	(8)	(40)	32
Other cash flow from financing activities	(197)	(487)	290
<b>Cash flow used in financing activities</b>	<b>(1,716)</b>	<b>(3,226)</b>	<b>1,510</b>
<b>Net increase (net decrease) in cash and cash equivalents</b>	<b>53</b>	<b>(426)</b>	<b>479</b>

Cash flow from operating activities fell by CHF 309 million or 9.4% year-on-year to CHF 2,982 million, mainly as a result of the increase in net working capital. The main reasons for the increase in net working capital are an increase in accounts receivable and a decrease in trade payables. In addition, income tax payments increased by CHF 97 million. In the first nine months of 2010, the operating result before depreciation and amortisation (EBITDA) and the change in net working capital reflect the recognition of a provision for the VAT proceedings against Fastweb in the amount of CHF 102 million. The change in net working capital in 2009 includes payments of CHF 93 million in respect of provisions for interconnection proceedings. The 3.0% decrease in capital expenditure by CHF 39 million to CHF 1,276 million was mainly due to currency effects. Adjusted for currency effects, capital expenditure fell by CHF 3 million or 0.2%.

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

**Payout policy**

in CHF millions	1.1.–30.9.2010	1.1.–30.9.2009	Change
Operating income before depreciation and amortisation (EBITDA)	3,545	3,593	(48)
Change in operating assets and liabilities and other payments or receipts from operating activities	(268)	(104)	(164)
Capital expenditure	(1,276)	(1,315)	39
Proceeds from sale of property, plant and equipment and other intangible assets	30	20	10
Dividends paid to minority interests	(8)	(40)	32
<b>Operating free cash flow</b>	<b>2,023</b>	<b>2,154</b>	<b>(131)</b>

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.

**Net debt**

in CHF millions, except where indicated	30.9.2010	31.12.2009	Change
Bonds	5,537	4,801	736
Bank loans	1,379	2,570	(1,191)
Private placements	1,757	1,523	234
Finance lease obligation	685	695	(10)
Other financial liabilities	460	630	(170)
<b>Total financial liabilities</b>	<b>9,818</b>	<b>10,219</b>	<b>(401)</b>
Cash and cash equivalents	(559)	(532)	(27)
Current financial assets	(120)	(178)	58
Non-current fixed interest-bearing deposits	(332)	(368)	36
<b>Net debt</b>	<b>8,807</b>	<b>9,141</b>	<b>(334)</b>

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 2. This value may be exceeded temporarily. Any figure below this represents financial room for manoeuvre. As at 31 December 2009, the net debt/EBITDA ratio was 2.0.

In the third quarter of 2010 Swisscom issued debenture bonds and raised long-term bank loans amounting to around CHF 1,200 million, all of which were used to pay back existing bank loans. A first debenture bond of CHF 250 million was issued for two years with a coupon of 0.75% and a second debenture bond of CHF 500 million was issued for 12 years with a coupon of 2.625%. Swisscom also took out variable bank loans of EUR 350 million with a term of five years which were exchanged for variable CHF financing through currency swaps.

## Balance sheet

in CHF millions	30.9.2010	31.12.2009	Change
<b>Assets</b>			
Cash and cash equivalents and current financial assets			
Cash and cash equivalents and current financial assets	679	710	−4.4%
Trade and other receivables	3,020	2,926	3.2%
Property, plant and equipment	7,912	8,219	−3.7%
Goodwill	6,394	6,664	−4.1%
Other intangible assets	2,090	2,315	−9.7%
Investments in associates and non-current financial assets	656	652	0.6%
Other current and non-current assets	817	658	24.2%
<b>Total assets</b>	<b>21,568</b>	<b>22,144</b>	<b>−2.6%</b>
<b>Liabilities and equity</b>			
Financial liabilities			
Financial liabilities	9,818	10,219	−3.9%
Trade and other payables	2,194	2,314	−5.2%
Defined benefit obligation	339	351	−3.4%
Provisions	1,031	877	17.6%
Tax liabilities	872	742	17.5%
Other current and non-current liabilities	993	1,031	−3.7%
<b>Total liabilities</b>	<b>15,247</b>	<b>15,534</b>	<b>−1.8%</b>
Equity attributable to equity holders of Swisscom Ltd			
Equity attributable to equity holders of Swisscom Ltd	6,055	6,291	−3.8%
Attributable to minority interests	266	319	−16.6%
<b>Total equity</b>	<b>6,321</b>	<b>6,610</b>	<b>−4.4%</b>
<b>Total liabilities and equity</b>	<b>21,568</b>	<b>22,144</b>	<b>−2.6%</b>
Equity ratio at end of period	29.3%	29.9%	

The decrease in total assets of 2.6% to CHF 21,568 million is primarily a result of the strength of the Swiss franc. Compared to the end of 2009, the CHF/EUR exchange rate fell by 10.4% from 1.484 to 1.329. As a result of changes in the exchange rates, currency losses of CHF 682 million were recognised in other comprehensive income in the first nine months of 2010. At 30 September 2010, cumulative currency translation losses recognised in equity amounted to CHF 1,480 million. The equity ratio fell by 0.6% to 29.3% versus the end of 2009. The increase in provisions was primarily attributable to a provision of CHF 102 million for VAT proceedings against Fastweb, which was recognised in the first quarter of 2010.

## Outlook

The financial expectations for 2010 has been increased compared with the half-year report. Swisscom now expects to close 2010 with net revenue of around CHF 12 billion (assuming an annual average CHF/EUR exchange rate of 1.40) and an EBITDA of around CHF 4.7 billion (including provision for the VAT proceedings against Fastweb) for the Group as a whole. For this reason, expectations of net revenue and EBITDA are each around CHF 100 million higher than assumed so far. Excluding any extra payments of provisions for ongoing legal proceedings, operating free cash flow will remain unchanged at around CHF 2.6 billion.

For Swisscom without Fastweb, net revenue has been revised upwards to around CHF 9.35 billion (previously CHF 9.15 billion) and EBITDA to around CHF 4.0 billion (previously CHF 3.75 billion). Capital expenditure remains unchanged at around CHF 1.3 billion. As a result of a change in revenue recognition, net revenue and EBITDA at Fastweb could be 3% to 5% down on the previous expectations of EUR 1.95 billion and EUR 580 million (excluding provision for the VAT proceedings) respectively. Fastweb's capital expenditure could be up to 5% higher than the previous assumption of around EUR 410 million.

# Consolidated interim financial statements (condensed and unaudited)

## Consolidated income statement (condensed and unaudited)

in CHF millions, except where indicated	Note	3. quarter 2010	3. quarter 2009 restated <sup>1</sup>	1.1–30.9. 2010	1.1–30.9. 2009 restated <sup>1</sup>
<b>Net revenue</b>	3	<b>3,030</b>	<b>3,008</b>	<b>8,976</b>	<b>8,925</b>
Goods and services purchased		(671)	(664)	(1,939)	(1,942)
Personnel expenses		(583)	(606)	(1,879)	(1,910)
Other operating expenses		(594)	(580)	(1,842)	(1,790)
Capitalised costs of self-constructed assets and other income		76	92	229	310
<b>Operating income before depreciation and amortisation (EBITDA)</b>		<b>1,258</b>	<b>1,250</b>	<b>3,545</b>	<b>3,593</b>
Depreciation, amortisation and impairment		(488)	(478)	(1,478)	(1,430)
<b>Operating income (EBIT)</b>	3	<b>770</b>	<b>772</b>	<b>2,067</b>	<b>2,163</b>
Financial income and financial expense, net	4	(113)	(141)	(277)	(275)
Share of profit of investments in associates		7	9	18	29
<b>Income before income taxes</b>		<b>664</b>	<b>640</b>	<b>1,808</b>	<b>1,917</b>
Income tax expense		(129)	(127)	(400)	(384)
<b>Net income</b>		<b>535</b>	<b>513</b>	<b>1,408</b>	<b>1,533</b>
Net income attributable to equity holders of Swisscom Ltd		536	512	1,423	1,526
Net income attributable to minority interests		(1)	1	(15)	7
Basic and diluted earnings per share (in CHF)		10.35	9.88	27.47	29.46

<sup>1</sup> See Note 1 Accounting policies.

## Consolidated statement of comprehensive income (condensed and unaudited)

in CHF millions		3. quarter 2010	3. quarter 2009 restated <sup>1</sup>	1.1–30.9. 2010	1.1–30.9. 2009 restated <sup>1</sup>
<b>Net income</b>		<b>535</b>	<b>513</b>	<b>1,408</b>	<b>1,533</b>
Currency translation adjustments on foreign operations		3	(95)	(682)	89
Change in fair value of available-for-sale financial assets		–	4	–	5
Change in fair value of cash flow hedges		3	(5)	2	(12)
Fair value losses of cash flow hedges transferred to income statement		29	59	29	59
Income tax expense		(2)	(2)	(2)	(2)
<b>Other comprehensive income</b>		<b>33</b>	<b>(39)</b>	<b>(653)</b>	<b>139</b>
<b>Comprehensive income</b>		<b>568</b>	<b>474</b>	<b>755</b>	<b>1,672</b>
Attributable to equity holders of Swisscom Ltd		570	477	800	1,662
Attributable to minority interests		(2)	(3)	(45)	10

<sup>1</sup> See Note 1 Accounting policies.

## Consolidated balance sheet (condensed and unaudited)

in CHF millions	Note	30.9.2010	31.12.2009 restated <sup>1</sup>	1.1.2009 restated <sup>1</sup>
<b>Assets</b>				
Cash and cash equivalents		559	532	958
Trade and other receivables		3,020	2,926	2,798
Other financial assets		120	178	170
Other assets		554	512	560
Non-current assets held for sale	5	5	6	16
<b>Total current assets</b>		<b>4,258</b>	<b>4,154</b>	<b>4,502</b>
Property, plant and equipment		7,912	8,219	8,251
Goodwill and other intangible assets		8,484	8,979	8,915
Investments in associates		226	228	285
Other financial assets		430	424	853
Other assets		258	140	122
<b>Total non-current assets</b>		<b>17,310</b>	<b>17,990</b>	<b>18,426</b>
<b>Total assets</b>		<b>21,568</b>	<b>22,144</b>	<b>22,928</b>
<b>Liabilities and equity</b>				
Financial liabilities	6	1,057	1,270	216
Trade and other payables		2,194	2,314	2,186
Current tax liabilities		323	219	163
Provisions	7	142	137	482
Other non-financial liabilities		700	701	619
<b>Total current liabilities</b>		<b>4,416</b>	<b>4,641</b>	<b>3,666</b>
Financial liabilities	6	8,761	8,949	11,787
Defined benefit obligation		339	351	428
Provisions	7	889	740	715
Deferred tax liabilities		549	523	407
Other non-financial liabilities		293	330	278
<b>Total non-current liabilities</b>		<b>10,831</b>	<b>10,893</b>	<b>13,615</b>
<b>Total liabilities</b>		<b>15,247</b>	<b>15,534</b>	<b>17,281</b>
Equity attributable to equity holders of Swisscom Ltd		6,055	6,291	5,273
Equity attributable to minority interests		266	319	374
<b>Total equity</b>	8	<b>6,321</b>	<b>6,610</b>	<b>5,647</b>
<b>Total liabilities and equity</b>		<b>21,568</b>	<b>22,144</b>	<b>22,928</b>

<sup>1</sup> See Note 1 Accounting policies.

## Consolidated cash flow statement (condensed and unaudited)

in CHF millions	Note	1.1.–30.9.2010	1.1.–30.9.2009 restated <sup>1</sup>
Net income		1,408	1,533
Adjustment for non-cash items		2,121	2,058
Change in operating assets and liabilities		(252)	(102)
Income taxes paid		(295)	(198)
<b>Cash flow provided by operating activities</b>		<b>2,982</b>	<b>3,291</b>
Capital expenditure		(1,276)	(1,315)
Proceeds from sale of fixed assets		30	20
Acquisition of shares in group companies	2	(28)	(37)
Other cash flow from investing activities, net		61	841
<b>Cash flow used in investing activities</b>		<b>(1,213)</b>	<b>(491)</b>
Issuance and repayment of financial liabilities, net		(475)	(1,715)
Dividends paid to equity holders of Swisscom Ltd	9	(1,036)	(984)
Dividends paid to minority interests		(8)	(40)
Other cash flow from financing activities, net		(197)	(487)
<b>Cash flow used in financing activities</b>		<b>(1,716)</b>	<b>(3,226)</b>
<b>Net increase (net decrease) in cash and cash equivalents</b>		<b>53</b>	<b>(426)</b>
Cash and cash equivalents at beginning of year		532	958
Currency translation of cash and cash equivalents		(26)	4
<b>Cash and cash equivalents at end of the period</b>		<b>559</b>	<b>536</b>

<sup>1</sup> 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
<b>Balance at 31 December 2008</b>	<b>53</b>	<b>370</b>	<b>6,611</b>	<b>(738)</b>	<b>(907)</b>	<b>5,389</b>	<b>374</b>	<b>5,763</b>
Change in accounting policies <sup>1</sup>	–	–	(116)	–	–	(116)	–	(116)
<b>Balance at 1 January 2009</b>	<b>53</b>	<b>370</b>	<b>6,495</b>	<b>(738)</b>	<b>(907)</b>	<b>5,273</b>	<b>374</b>	<b>5,647</b>
Net income	–	–	1,526	–	–	1,526	7	1,533
Other comprehensive income	–	–	–	–	136	136	3	139
<b>Comprehensive income</b>	<b>–</b>	<b>–</b>	<b>1,526</b>	<b>–</b>	<b>136</b>	<b>1,662</b>	<b>10</b>	<b>1,672</b>
Dividends paid	–	–	(984)	–	–	(984)	(40)	(1,024)
Share capital reduction	(1)	–	(737)	738	–	–	–	–
Purchase of treasury shares for share-based payments	–	–	–	(3)	–	(3)	–	(3)
Sale of treasury shares for share-based payments	–	–	–	2	–	2	–	2
Acquisition of subsidiaries	–	–	–	–	–	–	3	3
<b>Balance at 30 September 2009</b>	<b>52</b>	<b>370</b>	<b>6,300</b>	<b>(1)</b>	<b>(771)</b>	<b>5,950</b>	<b>347</b>	<b>6,297</b>
<b>Balance at 31 December 2009</b>	<b>52</b>	<b>370</b>	<b>6,700</b>	<b>(1)</b>	<b>(830)</b>	<b>6,291</b>	<b>319</b>	<b>6,610</b>
Net income	–	–	1,423	–	–	1,423	(15)	1,408
Other comprehensive income	–	–	–	–	(623)	(623)	(30)	(653)
<b>Comprehensive income</b>	<b>–</b>	<b>–</b>	<b>1,423</b>	<b>–</b>	<b>(623)</b>	<b>800</b>	<b>(45)</b>	<b>755</b>
Dividends paid	–	–	(1,036)	–	–	(1,036)	(8)	(1,044)
Purchase of treasury shares for share-based payments	–	–	–	(2)	–	(2)	–	(2)
Sale of treasury shares for share-based payments	–	–	–	2	–	2	–	2
<b>Balance at 30 September 2010</b>	<b>52</b>	<b>370</b>	<b>7,087</b>	<b>(1)</b>	<b>(1,453)</b>	<b>6,055</b>	<b>266</b>	<b>6,321</b>

<sup>1</sup> See Note 1 Accounting policies.

## Notes to the interim financial statements (condensed and unaudited)

## 1 Accounting policies

## Basis of preparation

These unaudited consolidated interim financial statements include Swisscom Ltd and all the subsidiaries directly or indirectly controlled by it via a majority of the votes or in any other way. The consolidated interim financial statements for the nine months ended 30 September 2010 were prepared in accordance with International Accounting Standard "IAS 34 Interim Financial Reporting" and should be read in conjunction with the consolidated financial statements for the year ended 31 December 2009. The consolidated interim financial statements were prepared in accordance with the accounting policies described in the 2009 consolidated financial statements, with the exception of the following changes to accounting policies.

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

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

For the consolidated interim financial statements a CHF/EUR foreign exchange rate of 1.329 was used as the end-of-period rate and 1.391 as the average rate for the period.

#### Changes in accounting policies

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

- IFRS 3 (revised) "Business Combinations" (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 39 (revised) "Financial Instruments: Recognition and Measurement" (effective from 1 January 2010): The requirements for the exclusion of derivative contracts entered into as part of a business combination were clarified. The new ruling stipulates that only certain forward contracts may qualify as an exception to the application of IAS 39. The revised standard is to be applied prospectively to all unexpired contracts from 1 January 2010. Options in the amount of CHF 14 million were recognised as financial income in the first quarter of 2010. This increased net income accordingly by CHF 14 million and basic and undiluted earnings per share by CHF 0.27.
- 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 of the changes in IAS 17 (revised) "Leases" on the balance sheet, income statement and cash flow statement are as follows:

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

Income statement full year 2009 in CHF millions, except where indicated	Reported	Adjustment	Restated
Other operating expenses	(2,524)	15	(2,509)
Capitalised costs of self-constructed assets and other income	414	3	417
Depreciation and amortisation	(1,988)	(7)	(1,995)
Financial expense	(480)	(13)	(493)
<b>Net income</b>	<b>1,925</b>	<b>(2)</b>	<b>1,923</b>
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 (in CHF)	37.22	(0.04)	37.18

Income statement 1.7.–30.9.2009, in CHF millions, except where indicated	Reported	Adjustment	Restated
Other operating expenses	(585)	5	(580)
Capitalised costs of self-constructed assets and other income	92	–	92
Depreciation and amortisation	(476)	(2)	(478)
Financial income and financial expense, net	(136)	(5)	(141)
Income tax expense	(129)	2	(127)
<b>Net income</b>	<b>513</b>	<b>–</b>	<b>513</b>
Net income attributable to equity holders of Swisscom Ltd	512	–	512
Net income attributable to minority interests	1	–	1
Earnings per share (in CHF)	9.88	–	9.88

Income statement 1.1.–30.9.2009, in CHF millions, except where indicated	Reported	Adjustment	Restated
Other operating expenses	(1,802)	12	(1,790)
Capitalised costs of self-constructed assets and other income	309	1	310
Depreciation and amortisation	(1,425)	(5)	(1,430)
Financial income and financial expense, net	(265)	(10)	(275)
Income tax expense	(385)	1	(384)
<b>Net income</b>	<b>1,534</b>	<b>(1)</b>	<b>1,533</b>
Net income attributable to equity holders of Swisscom Ltd	1,527	(1)	1,526
Net income attributable to minority interests	7	–	7
Earnings per share (in CHF)	29.48	(0.02)	29.46

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

Statement of cash flows 1.1.–30.9.2009, in CHF millions	Reported	Adjustment	Restated
Cash flow provided by operating activities	3,280	11	3,291
Cash flow used in financing activities	(3,215)	(11)	(3,226)

## 2 Business combinations

On 23 July 2010, Swisscom Hospitality Services completed the acquisition of 100% of the shares in Wayport Holding A/S. Wayport provides network-based services for hotel guests to hotels in Europe, the Middle East and Africa (EMEA). On 7 May 2010, Swisscom IT Services completed the acquisition of 100% of the Panatronic Group, which is active in the area of printer solutions as well as maintenance and repair services. Swisscom Switzerland acquired the Swiss operations and service business of Siemens Enterprise Communications on 30 April 2010. Total payments of CHF 28 million were made in the first nine months of 2010 for the acquisition of subsidiaries. Of this amount, CHF 6 million is for deferred consideration payments for business combinations in prior years and CHF 22 million for subsidiaries acquired in 2010. The business combinations in 2010 are provisionally included in the consolidated financial statements as at 30 September 2010, as the purchase price allocations had not been completed when the consolidated financial statements were prepared. Goodwill of CHF 10 million is recognised from the provisional purchase price allocation. The effects of these business combinations on net revenue and net income in the first nine months of 2010 are immaterial.

## 3 Segment information

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

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

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

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

Other operating segments mainly comprise the operating segments Swisscom IT Services, Swisscom Participations and Hospitality Services. Swisscom IT Services primarily comprises the Group companies Swisscom IT Services Ltd and Comit Ltd. Swisscom Participations mainly comprises Swisscom Broadcast Ltd, Swisscom Real Estate Ltd, Calex 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 company Worklink.

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

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

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

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

1.1.–30.9.2009 in CHF millions	Swisscom Switzerland	Fastweb	Other operating segments	Group Head- quarters	Elimi- nation	Total
Net revenue from external customers	6,351	1,944	681	–	–	8,976
Intersegment net revenue	49	11	598	4	(662)	–
<b>Net revenue</b>	<b>6,400</b>	<b>1,955</b>	<b>1,279</b>	<b>4</b>	<b>(662)</b>	<b>8,976</b>
<b>Segment result</b>	<b>2,139</b>	<b>473</b>	<b>124</b>	<b>(107)</b>	<b>(562)</b>	<b>2,067</b>
Financial income and financial expense, net						(277)
Share of profit of investments in associates						18
<b>Income before income taxes</b>						<b>1,808</b>
Income tax expense						(400)
<b>Net income</b>						<b>1,408</b>

1.1.–30.9.2009 in CHF millions	Residential Customers	Small and Medium- Sized Enterprises	Corporate Business	Wholesale	Networks	Elimination	Swisscom Switzerland
Net revenue from external customers	3,649	840	1,279	583	–	–	6,351
Intersegment net revenue	225	42	96	393	–	(707)	49
<b>Net revenue</b>	<b>3,874</b>	<b>882</b>	<b>1,375</b>	<b>976</b>	<b>–</b>	<b>(707)</b>	<b>6,400</b>
<b>Segment result</b>	<b>2,238</b>	<b>651</b>	<b>699</b>	<b>330</b>	<b>(1,780)</b>	<b>1</b>	<b>2,139</b>

1.1.–30.9.2009 in CHF millions, restated	Swisscom Switzerland	Fastweb	Other operating segments	Group Head- quarters	Elimi- nation	Total
Net revenue from external customers	6,270	2,054	600	1	–	8,925
Intersegment net revenue	58	7	649	4	(718)	–
<b>Net revenue</b>	<b>6,328</b>	<b>2,061</b>	<b>1,249</b>	<b>5</b>	<b>(718)</b>	<b>8,925</b>
<b>Segment result</b>	<b>2,110</b>	<b>49</b>	<b>109</b>	<b>(107)</b>	<b>2</b>	<b>2,163</b>
Financial income and financial expense, net						(275)
Share of profit of investments in associates						29
<b>Income before income taxes</b>						<b>1,917</b>
Income tax expense						(384)
<b>Net income</b>						<b>1,533</b>

1.1.–30.9.2009 in CHF millions	Residential Customers	Small and Medium- Sized Enterprises	Corporate Business	Wholesale	Networks	Elimi- nation	Swisscom Switzerland
Net revenue from external customers	3,536	815	1,247	672	–	–	6,270
Intersegment net revenue	216	43	113	422	–	(736)	58
<b>Net revenue</b>	<b>3,752</b>	<b>858</b>	<b>1,360</b>	<b>1,094</b>	<b>–</b>	<b>(736)</b>	<b>6,328</b>
<b>Segment result</b>	<b>2,168</b>	<b>625</b>	<b>673</b>	<b>378</b>	<b>(1,736)</b>	<b>2</b>	<b>2,110</b>

#### 4 Net financial result

in CHF millions	1.1.–30.9.2010	1.1.–30.9.2009 restated
Interest income	30	43
Interest expense	(224)	(254)
<b>Net interest expense</b>	<b>(194)</b>	<b>(211)</b>
(Foreign exchange losses) foreign exchange gains	(46)	21
Other financial income and expense, net	(37)	(85)
<b>Financial income and financial expense, net</b>	<b>(277)</b>	<b>(275)</b>

In the third quarter of 2009 and 2010, hedging relationships designated as cash flow hedges were terminated in connection with the early repayment of bank loans. The accumulated fair value losses of CHF 29 million (previous year CHF 59 million) were removed from other reserves in equity and recognised in the income statement as other financial expenses.

#### 5 Non-current assets held for sale

Non-current assets held for sale at 30 September 2010 include properties with a carrying amount of CHF 5 million that are planned to be sold within the next 12 months. The planned sales are the result of optimising the use of buildings at Swisscom Real Estate Ltd.

#### 6 Financial liabilities

in CHF millions	30.9.2010	31.12.2009 restated
Bonds	418	423
Private placements	311	337
Other financial liabilities	328	510
<b>Total current financial liabilities</b>	<b>1,057</b>	<b>1,270</b>
Bank loans	1,366	2,562
Bonds	5,119	4,378
Private placements	1,446	1,186
Finance lease obligation	665	678
Other financial liabilities	165	145
<b>Total non-current financial liabilities</b>	<b>8,761</b>	<b>8,949</b>
<b>Total financial liabilities</b>	<b>9,818</b>	<b>10,219</b>

##### Issuance of debenture bonds

On 31 August 2010, Swisscom issued debenture bonds totalling CHF 750 million. CHF 250 million were issued for two years with a coupon of 0.75% and CHF 500 million for 12 years with a coupon of 2.625%. All of the bonds issued were used for the repayment of existing bank loans.

##### Raise of bank loans

On 23 August 2010, Swisscom raised variable bank loans in the amount of EUR 350 million with a term of five years. All of the financing was exchanged for variable CHF financing through currency swaps. All of the bank loans issued were used for repayment of existing bank loans.

#### 7 Provisions and contingent liabilities

##### Regulatory and antitrust proceedings Swisscom Switzerland

The Competition Commission (ComCom) stated in its decisions of 9 October 2008 that the prices set for interconnection services apply by law retroactively to all telecommunications providers (third-party clause). Swisscom appealed against these decisions with complaints filed on 10 November 2008. The Federal Administrative Court upheld Swisscom's complaints with its decision of 1 February 2010, being

of the opinion that the pricing decisions by ComCom apply only to the litigating parties and not by law to third parties. This decision did not result in any change to the provision for interconnection and access services in the first quarter of 2010.

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

On 12 November 2008 the Secretariat of ComCom submitted to Swisscom its draft decision on the imposition of a fine of CHF 237 million on the grounds that Swisscom had abused its market-dominant position in ADSL services, with a request for comment. In its decision of 5 November 2009, ComCom imposed a fine of CHF 220 million on Swisscom for allegedly abusing its market-dominant position in the area of ADSL services. Swisscom appealed against this decision to the Federal Administrative Court with a complaint filed on 7 December 2009. Based on a legal assessment, Swisscom is of the opinion that, as things stand at present, it is unlikely that the fine will be ultimately imposed and has therefore not recognised any provisions in its consolidated financial statements as at 30 September 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 unlikely that such civil law claims could be enforced.

#### Tax risks Fastweb

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

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

#### Other provisions and contingent liabilities

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

## 8 Equity

In the first nine months of 2010 Swisscom acquired 4,877 treasury shares for CHF 2 million, 4,597 of which were issued for share-based payments to the members of the Group Executive Board and the Board of Directors.

## 9 Dividend payouts

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

## 10 Related parties

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

## 11 Post balance-sheet events

### Approval of the interim report

The Board of Directors of Swisscom Ltd approved the release of this interim report on 8 November 2010.

### Public tender offer submitted to Fastweb minority shareholders

In May 2007 Swisscom acquired 82.08% of Fastweb S.p.A. (Fastweb) in a friendly takeover. On 11 October 2010 Swisscom launched a public tender offer for the remaining 17.92% of Fastweb shares. The offer period runs until 12 November 2010. Swisscom is offering a price of EUR 18.00 per Fastweb share. The total price for the buyout of the minority shareholders is EUR 256 million and will be financed by Swisscom using its own funds and/or existing credit lines.

# Share information

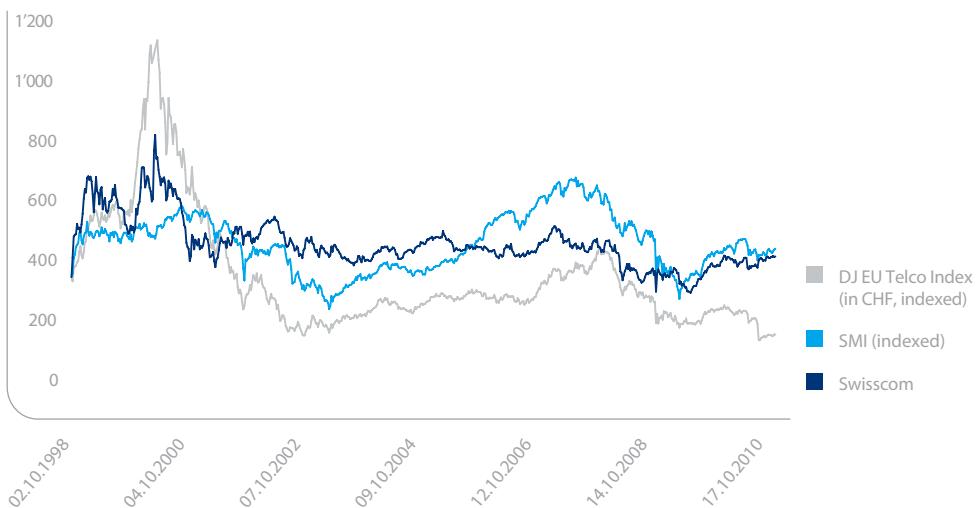
## 31.12.2009 – 30.9.2010

Quoted price at 31 December 2009 <sup>1</sup>	CHF 395.60
Quoted price at 30 September 2010 <sup>1</sup>	CHF 396.30
Year high <sup>1</sup>	CHF 399.00
Year low <sup>1</sup>	CHF 356.80
Total trading volume	23,590,362
Daily average	124,160
Total trade volume in millions	CHF 9,007.54
Daily average in millions	CHF 47.41

Source: Bloomberg

<sup>1</sup> paid prices

Performance of the Swisscom share on the virt-x



## Share information

On 30 September 2010 the share capital consisted of a total of 51,801,943 registered shares, the majority of which were held by the Swiss Confederation under the Telecommunications Enterprise Act (TEA). The par value of each registered share is CHF 1, and each share entitles the holder to one vote. Voting rights can only be exercised if the shareholder has been entered with voting rights in the share register of Swisscom Ltd. The Board of Directors may refuse to enter a shareholder with voting rights in the share register if such voting rights exceed 5% of the company's share capital.

At the end of September 2010 Swisscom had around 56,000 registered shareholders and around 15% unregistered shares. At the Annual General Meeting of 27 April 2010 the shareholders of Swisscom Ltd approved payment of a dividend of CHF 20 per share. A total dividend amount of CHF 1,036 million was paid on 4 May 2010.

## Financial calendar

> 17 February 2011	2010 Annual Press Conference
> 20 April 2011	Annual General Meeting

## Stock exchanges

Swisscom shares are listed on the SIX Swiss Exchange and traded on the SIX Swiss Exchange under the ticker symbol "SCMN" (Securities No. 874251), and in the USA in the form of American 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
SIX Swiss Exchange	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	30.9.2010
<b>Net revenue</b>	<b>2,916</b>	<b>3,001</b>	<b>3,008</b>	<b>3,076</b>	<b>12,001</b>	<b>2,953</b>	<b>2,993</b>	<b>3,030</b>	<b>8,976</b>	
Goods and services purchased	(623)	(655)	(664)	(706)	(2,648)	(642)	(626)	(671)		(1,939)
Personnel expenses	(654)	(650)	(606)	(667)	(2,577)	(651)	(645)	(583)		(1,879)
Other operating expenses	(582)	(628)	(580)	(719)	(2,509)	(676)	(572)	(594)		(1,842)
Capitalised costs of self-constructed assets and other income	82	136	92	107	417	74	79	76		229
<b>Operating income (EBITDA)</b>	<b>1,139</b>	<b>1,204</b>	<b>1,250</b>	<b>1,091</b>	<b>4,684</b>	<b>1,058</b>	<b>1,229</b>	<b>1,258</b>	<b>3,545</b>	
Depreciation and amortisation	(475)	(477)	(478)	(565)	(1,995)	(501)	(489)	(488)		(1,478)
<b>Operating income (EBIT)</b>	<b>664</b>	<b>727</b>	<b>772</b>	<b>526</b>	<b>2,689</b>	<b>557</b>	<b>740</b>	<b>770</b>	<b>2,067</b>	
Net financial result	(65)	(69)	(141)	(74)	(349)	(64)	(100)	(113)		(277)
Share of profit of investments in associates	8	12	9	14	43	4	7	7		18
Income tax expense	(123)	(134)	(127)	(76)	(460)	(120)	(151)	(129)		(400)
<b>Net income</b>	<b>484</b>	<b>536</b>	<b>513</b>	<b>390</b>	<b>1,923</b>	<b>377</b>	<b>496</b>	<b>535</b>	<b>1,408</b>	
Attributable to equity holders of Swisscom Ltd	484	530	512	400	1,926	394	493	536		1,423
Attributable to minority interests	–	6	1	(10)	(3)	(17)	3	(1)		(15)
<b>Net revenue<sup>1</sup></b>										
Swisscom Switzerland	2,079	2,113	2,136	2,125	8,453	2,091	2,132	2,177		6,400
Fastweb	664	719	678	732	2,793	672	659	624		1,955
Other Operating segments	407	411	431	478	1,727	408	420	451		1,279
Group Headquarters	1	2	2	1	6	1	2	1		4
Intersegment elimination	(235)	(244)	(239)	(260)	(978)	(219)	(220)	(223)		(662)
<b>Total net revenue</b>	<b>2,916</b>	<b>3,001</b>	<b>3,008</b>	<b>3,076</b>	<b>12,001</b>	<b>2,953</b>	<b>2,993</b>	<b>3,030</b>	<b>8,976</b>	
<b>Segment result before depreciation and amortisation</b>										
Swisscom Switzerland	919	938	967	851	3,675	929	972	1,012		2,913
Fastweb	182	217	211	221	831	82	203	188		473
Other Operating segments	66	95	107	83	351	81	86	98		265
Group Headquarters	(34)	(34)	(32)	(60)	(160)	(32)	(29)	(36)		(97)
Intersegment elimination	6	(12)	(3)	(4)	(13)	(2)	(3)	(4)		(9)
<b>Total segment result (EBITDA)</b>	<b>1,139</b>	<b>1,204</b>	<b>1,250</b>	<b>1,091</b>	<b>4,684</b>	<b>1,058</b>	<b>1,229</b>	<b>1,258</b>	<b>3,545</b>	
<b>Capital expenditure</b>										
Swisscom Switzerland	207	272	291	449	1,219	222	259	303		784
Fastweb	124	202	146	185	657	144	149	128		421
Other Operating segments	21	40	20	40	121	19	24	36		79
Group Headquarters	–	1	1	–	2	–	–	–		–
Intersegment elimination	(1)	(6)	(3)	(2)	(12)	(2)	(1)	(5)		(8)
<b>Total capital expenditure</b>	<b>351</b>	<b>509</b>	<b>455</b>	<b>672</b>	<b>1,987</b>	<b>383</b>	<b>431</b>	<b>462</b>	<b>1,276</b>	
Operating free cash flow	697	662	795	531	2,685	742	674	607		2,023
Number of full-time equivalent employees at end of period	20,102	19,970	19,704	19,479	19,479	19,427	19,480	19,511		19,511
Thereof employees in Switzerland	16,275	16,238	16,107	15,995	15,995	15,965	16,005	16,015		16,015

<sup>1</sup> 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	30.9.2010
<b>Swisscom Switzerland</b>										
<b>Revenue and results</b>										
Residential Customers	481	505	525	500	2,011	481	512	542		1,535
Small and Medium-Sized Enterprises	105	112	116	113	446	110	120	125		355
Corporate Business	138	144	142	147	571	143	153	152		448
Wholesale	96	90	99	85	370	98	93	92		283
<b>Mobile revenue</b>	<b>820</b>	<b>851</b>	<b>882</b>	<b>845</b>	<b>3,398</b>	<b>832</b>	<b>878</b>	<b>911</b>		<b>2,621</b>
Residential Customers	543	535	534	543	2,155	538	532	531		1,601
Small and Medium-Sized Enterprises	151	150	150	150	601	151	152	152		455
Corporate Business	192	189	190	193	764	185	182	180		547
Wholesale	130	121	119	110	480	105	95	95		295
<b>Revenue wireline</b>	<b>1,016</b>	<b>995</b>	<b>993</b>	<b>996</b>	<b>4,000</b>	<b>979</b>	<b>961</b>	<b>958</b>		<b>2,898</b>
Residential Customers	4	5	6	7	22	21	23	27		71
Small and Medium-Sized Enterprises	–	–	–	1	1	1	1	2		4
Corporate Business	1	2	1	2	6	2	1	3		6
<b>Revenue convergent products</b>	<b>5</b>	<b>7</b>	<b>7</b>	<b>10</b>	<b>29</b>	<b>24</b>	<b>25</b>	<b>32</b>		<b>81</b>
Small and Medium-Sized Enterprises	–	1	1	1	3	–	1	1		2
Corporate Business	28	31	31	39	129	32	33	31		96
<b>Revenue solutions business</b>	<b>28</b>	<b>32</b>	<b>32</b>	<b>40</b>	<b>132</b>	<b>32</b>	<b>34</b>	<b>32</b>		<b>98</b>
Residential Customers	126	141	131	139	537	146	139	157		442
Small and Medium-Sized Enterprises	10	9	10	10	39	9	9	6		24
Corporate Business	53	52	53	58	216	52	65	65		182
Wholesale	2	6	9	10	27	1	4	–		5
<b>Other revenue</b>	<b>191</b>	<b>208</b>	<b>203</b>	<b>217</b>	<b>819</b>	<b>208</b>	<b>217</b>	<b>228</b>		<b>653</b>
Residential Customers	1,154	1,186	1,196	1,189	4,725	1,186	1,206	1,257		3,649
Small and Medium-Sized Enterprises	266	272	277	275	1,090	271	283	286		840
Corporate Business	412	418	417	439	1,686	414	434	431		1,279
Wholesale	228	217	227	205	877	204	192	187		583
<b>Revenue from external customers</b>	<b>2,060</b>	<b>2,093</b>	<b>2,117</b>	<b>2,108</b>	<b>8,378</b>	<b>2,075</b>	<b>2,115</b>	<b>2,161</b>		<b>6,351</b>
<b>Segment result before depreciation and amortisation</b>										
Residential Customers	727	753	756	681	2,917	747	778	789		2,314
Small and Medium-Sized Enterprises	211	203	213	208	835	210	220	224		654
Corporate Business	233	240	238	246	957	237	252	252		741
Wholesale	127	122	129	93	471	119	109	102		330
Networks	(378)	(381)	(369)	(376)	(1,504)	(384)	(386)	(356)		(1,126)
Intersegment elimination	(1)	1	–	(1)	(1)	–	(1)	1		–
<b>Segment result (EBITDA)</b>	<b>919</b>	<b>938</b>	<b>967</b>	<b>851</b>	<b>3,675</b>	<b>929</b>	<b>972</b>	<b>1,012</b>		<b>2,913</b>
Margin as % of net revenue	44.2	44.4	45.3	40.0	43.5	44.4	45.6	46.5		45.5

## 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	30.9.2010
<b>Swisscom Switzerland</b>										
<b>Operational data</b>										
Residential Customers	2,761	2,725	2,682	2,639	2,639	2,581	2,537	2,503		2,503
Small and Medium-Sized Enterprises	511	510	510	510	510	514	513	513		513
Corporate Business	245	244	242	242	242	235	233	231		231
<b>Access lines PSTN/ISDN</b>	<b>3,517</b>	<b>3,479</b>	<b>3,434</b>	<b>3,391</b>	<b>3,391</b>	<b>3,330</b>	<b>3,283</b>	<b>3,247</b>		<b>3,247</b>
Unbundled fixed access lines	57	82	115	153	153	192	219	238		238
<b>Telephone access lines</b>	<b>3,574</b>	<b>3,561</b>	<b>3,549</b>	<b>3,544</b>	<b>3,544</b>	<b>3,522</b>	<b>3,502</b>	<b>3,485</b>		<b>3,485</b>
Residential Customers	1,217	1,246	1,274	1,306	1,306	1,333	1,349	1,369		1,369
Small and Medium-Sized Enterprises	136	138	141	144	144	148	152	155		155
Corporate Business	26	26	26	28	28	28	29	29		29
<b>Broadband access lines retail</b>	<b>1,379</b>	<b>1,410</b>	<b>1,441</b>	<b>1,478</b>	<b>1,478</b>	<b>1,509</b>	<b>1,530</b>	<b>1,553</b>		<b>1,553</b>
Wholesale	410	390	363	331	331	293	260	240		240
<b>Broadband access lines</b>	<b>1,789</b>	<b>1,800</b>	<b>1,804</b>	<b>1,809</b>	<b>1,809</b>	<b>1,802</b>	<b>1,790</b>	<b>1,793</b>		<b>1,793</b>
Residential Customers	139	165	186	231	231	268	308	348		348
Small and Medium-Sized Enterprises	—	—	—	1	1	7	9	10		10
<b>Swisscom TV subscribers</b>	<b>139</b>	<b>165</b>	<b>186</b>	<b>232</b>	<b>232</b>	<b>275</b>	<b>317</b>	<b>358</b>		<b>358</b>
Residential customers postpaid	2,144	2,152	2,174	2,194	2,194	2,201	2,207	2,221		2,221
Residential customers prepaid	2,134	2,160	2,170	2,176	2,176	2,180	2,180	2,198		2,198
Small and Medium-Sized Enterprises	426	435	443	450	450	466	475	482		482
Corporate Business	672	684	704	728	728	744	764	789		789
<b>Mobile subscribers single subscriptions</b>	<b>5,376</b>	<b>5,431</b>	<b>5,491</b>	<b>5,548</b>	<b>5,548</b>	<b>5,591</b>	<b>5,626</b>	<b>5,690</b>		<b>5,690</b>
Residential Customers	34	40	45	52	52	57	63	68		68
Small and Medium-Sized Enterprises	1	1	2	2	2	2	2	3		3
<b>Mobile subscribers convergent products</b>	<b>35</b>	<b>41</b>	<b>47</b>	<b>54</b>	<b>54</b>	<b>59</b>	<b>65</b>	<b>71</b>		<b>71</b>
<b>Mobile subscribers</b>	<b>5,411</b>	<b>5,472</b>	<b>5,538</b>	<b>5,602</b>	<b>5,602</b>	<b>5,650</b>	<b>5,691</b>	<b>5,761</b>		<b>5,761</b>
Residential Customers	41	43	44	42	42	40	42	45		42
Small and Medium-Sized Enterprises	92	98	99	95	96	89	95	97		94
Corporate Business	73	73	71	72	72	67	70	68		68
<b>ARPU mobile per month in CHF</b>	<b>49</b>	<b>51</b>	<b>52</b>	<b>50</b>	<b>50</b>	<b>47</b>	<b>50</b>	<b>52</b>		<b>50</b>
Residential Customers	95	96	97	98	97	99	101	101		100
Small and Medium-Sized Enterprises	203	211	211	210	209	203	213	212		210
Corporate Business	181	180	173	175	177	168	168	162		166
<b>AMPU mobile per month in minutes</b>	<b>113</b>	<b>115</b>	<b>115</b>	<b>117</b>	<b>115</b>	<b>116</b>	<b>119</b>	<b>118</b>		<b>117</b>
Traffic retail in million minutes	2,595	2,375	2,285	2,446	9,701	2,434	2,269	2,162		6,865
Wholesale traffic	3,096	2,818	2,616	2,733	11,263	2,642	2,394	2,222		7,258
<b>EUR millions, except where indicated</b>										
<b>Fastweb</b>										
Residential Customers	174	173	172	178	697	179	177	179		535
Small and Medium-Sized Enterprises	101	105	100	100	406	104	104	93		301
Corporate Business	168	195	172	208	743	177	189	195		561
<b>Revenue from external customers</b>	<b>443</b>	<b>473</b>	<b>444</b>	<b>486</b>	<b>1,846</b>	<b>460</b>	<b>470</b>	<b>467</b>		<b>1,397</b>
Segment result (EBITDA)	122	143	139	147	551	57	143	141		341
Broadband subscribers in thousands	1,542	1,575	1,605	1,644	1,644	1,678	1,694	1,712		1,712

### 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 company 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.

