

# 2011

**Interim Report**  
January–June



**swisscom**

# Facts & figures

In CHF million, except where indicated

		1 <sup>st</sup> half-year 2011	1 <sup>st</sup> half-year 2010	Change
<b>Net revenue and results</b>				
Net revenue		5,722	5,946	-3.8%
Operating income before depreciation and amortisation (EBITDA) <sup>1</sup>		2,270	2,288	-0.8%
EBITDA as % of net revenue	%	39.7	38.5	
Operating income (EBIT) <sup>2</sup>		1,326	1,298	2.2%
Net income		962	874	10.1%
Share of net income attributable to equity holders of Swisscom Ltd		954	888	7.4%
Earnings per share	CHF	18.42	17.14	7.4%

## Balance sheet and cash flows

Equity at end of period		5,162	4,674	10.4%
Equity ratio at end of period <sup>3</sup>	%	25.1	21.6	
Operating free cash flow <sup>4</sup>		1,011	1,416	-28.6%
Capital expenditure <sup>5</sup>		909	814	11.7%
Net debt at end of period <sup>6</sup>		9,356	9,227	1.4%

## Employees

Full-time equivalent employees at end of period	FTE	19,829	19,480	1.8%
Average number of full-time equivalent employees	FTE	19,680	19,435	1.3%

## Access lines in Switzerland

Telephone PSTN/ISDN	in thousand	3,169	3,304	-4.1%
Unbundled subscribers	in thousand	285	219	30.1%
Telephone PSTN/ISDN and unbundled subscribers	in thousand	3,454	3,523	-2.0%
Broadband retail	in thousand	1,618	1,530	5.8%
Swisscom TV	in thousand	512	317	61.5%
Mobile	in thousand	5,913	5,691	3.9%

## Access lines in Italy

Broadband	in thousand	1,741	1,694	2.8%
-----------	-------------	-------	-------	------

## Swisscom share

Par value per share at end of period	CHF	1.00	1.00	—
Number of shares issued at end of period	in mio.	51.802	51.802	—
Number of shares outstanding at end of period	in mio.	51.802	51.798	—
Quoted price at end of period	CHF	385.50	366.90	5.1%
Market capitalisation at end of period <sup>7</sup>		19,970	19,005	5.1%

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

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

<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> Excluding expenditures in fibre-optic cooperations.

<sup>6</sup> Definition net debt: financial liabilities less cash and cash equivalents, current financial assets and non-current fixed interest-bearing investments.

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

# Group Financial Review

## Summary

In CHF million, except where indicated	1 <sup>st</sup> half-year 2011	1 <sup>st</sup> half-year 2010	Change
Net revenue	5,722	5,946	−3.8%
Operating income before depreciation and amortisation (EBITDA)	2,270	2,288	−0.8%
EBITDA as % of net revenue	39.7	38.5	
Operating income (EBIT)	1,326	1,298	2.2%
Net income	962	874	10.1%
Earnings per share (in CHF)	18.42	17.14	7.4%
Capital expenditure	909	814	11.7%
Net debt at end of period	9,356	9,227	1.4%
Full-time equivalent employees at end of period	19,829	19,480	1.8%

In the first half of 2011, Swisscom's net revenue fell by CHF 224 million or 3.8% to CHF 5,722 million, while operating income before depreciation and amortisation (EBITDA) dropped by CHF 18 million or 0.8% to CHF 2,270 million. Revenue and income performance is being substantially impacted by the appreciation of the Swiss franc. The average CHF/EUR exchange rate fell by 11% year-on-year. In the first quarter of 2010, a provision of EUR 70 million (CHF 102 million) was recognised for VAT proceedings against Fastweb. At constant exchange rates and adjusted for the provision for Fastweb, revenue and EBITDA were 1.4% and 3.6% lower respectively. Fastweb's net revenue fell by 6.4% in local currency terms to EUR 875 million. Excluding Fastweb, net revenue remained virtually stable, dropping by CHF 3 million or 0.1% to CHF 4,620 million.

The CHF 88 million or 10.1% increase in net income to CHF 962 million is largely attributable to the aforementioned provision recognised in the previous year for VAT proceedings against Fastweb. Earnings per share rose by 7.4% to CHF 18.42.

Capital expenditure was CHF 95 million or 11.7% higher at CHF 909 million, mainly due to increased investments in telecoms infrastructure in Switzerland.

Net debt rose by CHF 508 million compared with the end of 2010 to CHF 9,356 million, primarily due to the dividend payment of CHF 1,088 million in April 2011.

Headcount increased year-on-year by 349 FTEs or 1.8% to 19,829 FTEs, due to an increase in Swisscom Switzerland customer service staff, acquisition of subsidiaries and higher investments in infrastructure in Switzerland.

The outlook for the 2011 financial year is as follows: Assuming an average CHF/EUR exchange rate of 1.20 (versus the original expectation of CHF/EUR 1.30), Swisscom expects net revenue for the financial year 2011 of around CHF 11.5 billion, EBITDA of around CHF 4.6 billion, and capital expenditure in the region of CHF 2.0 billion. The main reason for the reduced revenue forecast is the weak euro. Swisscom still expects to propose a dividend of at least CHF 21 per share for 2011.

## Segment results

In CHF million	2 <sup>nd</sup> quarter 2011	2 <sup>nd</sup> quarter 2010	Change	1 <sup>st</sup> half-year 2011	1 <sup>st</sup> half-year 2010	Change
Swisscom Switzerland	2,104	2,132	−1.3%	4,188	4,223	−0.8%
Fastweb	546	659	−17.1%	1,108	1,331	−16.8%
Other operating segments	430	420	2.4%	852	828	2.9%
Group Headquarters	1	2	−	3	3	−
Intersegment elimination	(221)	(220)	0.5%	(429)	(439)	−2.3%
<b>Total net revenue</b>	<b>2,860</b>	<b>2,993</b>	<b>−4.4%</b>	<b>5,722</b>	<b>5,946</b>	<b>−3.8%</b>

In CHF million	2 <sup>nd</sup> quarter 2011	2 <sup>nd</sup> quarter 2010	Change	1 <sup>st</sup> half-year 2011	1 <sup>st</sup> half-year 2010	Change
Swisscom Switzerland	947	972	−2.6%	1,894	1,901	−0.4%
Fastweb	152	203	−25.1%	291	285	2.1%
Other operating segments	79	86	−8.1%	149	167	−10.8%
Group Headquarters	(30)	(28)	7.1%	(55)	(60)	−8.3%
Intersegment elimination	(4)	(3)	−	(9)	(5)	−
<b>Total operating income before depreciation and amortisation (EBITDA)</b>	<b>1,144</b>	<b>1,230</b>	<b>−7.0%</b>	<b>2,270</b>	<b>2,288</b>	<b>−0.8%</b>

Swisscom's reporting is divided into the segments "Residential Customers", "Small & Medium-Sized Enterprises", "Corporate Business", "Wholesale" and "Network & IT", 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 Swisscom Switzerland – finance, human resources and strategy – are included in the Network & IT 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 the customer segments Residential Customers, Small & Medium-Sized Enterprises, Corporate Business and Wholesale. The results of the customer segments therefore correspond to a contribution margin before network costs. Network costs are budgeted, monitored and controlled by the Network & IT division, which is managed as a cost centre. Consequently, no revenue is credited to the Network & IT segment in the context of segment reporting. The segment result of the Network & IT segment consists of operating expenses as well as depreciation and amortisation less capitalised costs of self-constructed assets and other income. The total segment result of Swisscom Switzerland corresponds to the operating income (EBIT) of Swisscom Switzerland.

The segment result of Fastweb and Other operating segments corresponds to the operating income (EBIT) of these units. This covers net revenue from external customers and other segments less segment expense and depreciation, amortisation and impairment losses on property, plant and equipment as well as on intangible assets. Segment expense includes goods and services purchased, personnel expense and other operating expenses less capitalised costs of self-constructed assets and other income. Group Headquarters charges no management fees to other segments, nor does the Network & IT segment charge any network costs to other segments. Other intersegment services are billed at market prices.

## Swisscom Switzerland

In CHF million, except where indicated	2 <sup>nd</sup> quarter 2011	2 <sup>nd</sup> quarter 2010	Change	1 <sup>st</sup> half-year 2011	1 <sup>st</sup> half-year 2010	Change
Revenue from external customers	2,088	2,115	-1.3%	4,155	4,190	-0.8%
Intersegment revenue	16	17	-5.9%	33	33	—
<b>Net revenue Swisscom Switzerland</b>	<b>2,104</b>	<b>2,132</b>	<b>-1.3%</b>	<b>4,188</b>	<b>4,223</b>	<b>-0.8%</b>
Direct costs	(425)	(434)	-2.1%	(858)	(873)	-1.7%
Indirect costs (including capitalised costs and other income)	(732)	(726)	0.8%	(1,436)	(1,449)	-0.9%
<b>Total segment expense</b>	<b>(1,157)</b>	<b>(1,160)</b>	<b>-0.3%</b>	<b>(2,294)</b>	<b>(2,322)</b>	<b>-1.2%</b>
<b>Segment result before depreciation and amortisation</b>	<b>947</b>	<b>972</b>	<b>-2.6%</b>	<b>1,894</b>	<b>1,901</b>	<b>-0.4%</b>
<i>Margin as % of net revenue</i>	<i>45.0</i>	<i>45.6</i>		<i>45.2</i>	<i>45.0</i>	
Depreciation, amortisation and impairment losses	(247)	(254)	-2.8%	(500)	(518)	-3.5%
<b>Segment result</b>	<b>700</b>	<b>718</b>	<b>-2.5%</b>	<b>1,394</b>	<b>1,383</b>	<b>0.8%</b>
Capital expenditure	333	259	28.6%	603	481	25.4%
Full-time equivalent employees at end of period				11,942	11,710	2.0%
Telephone access lines PSTN/ISDN in thousand				3,169	3,304	-4.1%
Unbundled fixed access lines in thousand				285	219	30.1%
<b>Total telephone access lines in thousand</b>				<b>3,454</b>	<b>3,523</b>	<b>-2.0%</b>
Broadband access lines retail in thousand				1,618	1,530	5.8%
Broadband access lines wholesale in thousand				202	260	-22.3%
Swisscom TV access lines in thousand				512	317	61.5%
Mobile access lines in thousand				5,913	5,691	3.9%
Average revenue per mobile user (ARPU) per month in CHF				47	49	-4.1%
Average minutes per mobile user (AMPU) per month				121	118	2.5%

Revenue from external customers fell by CHF 35 million or 0.8% to CHF 4,155 million (-1.3% in the second quarter). The price erosion in the Swiss core business of CHF 298 million was virtually offset by CHF 263 million in customer and volume growth. The trend towards bundled offerings and new price models such as flat-rate tariffs continued during the reporting period. By the end of June 2011 the number of customers signing up for bundled offerings such as Vivo Casa, which combines fixed-line telephony, Internet and TV, had already reached 300,000. The number of Swisscom TV connections increased year-on-year by 195,000 or 61.5% to 512,000. The number of PSTN/ISDN access lines declined year-on-year by 135,000 or 4.1% to 3.2 million due to a combination of loss of market share to cable network operators on the one hand, and an increase in unbundled access lines by 66,000 to 285,000 on the other. As a consequence of unbundling, wholesale broadband access lines fell by 58,000 to 202,000, while retail broadband access lines grew by 88,000 or 5.8% to 1.62 million. The number of mobile subscribers increased year-on-year by 222,000 or 3.9% to 5.91 million. In the first half of 2011 Swisscom sold 629,000 mobile phones (+7.5%), some 60% of which were smartphones. While strong growth in smartphone usage led to an increase in subsidies for handsets, it also doubled the volume of mobile data traffic year-on-year. Revenue from mobile data services was CHF 37 million or 18.6% higher at CHF 236 million (+14.7% in the second quarter). In the first half of 2011, the reduction in data roaming prices introduced in December 2010 resulted in a drop of CHF 26 million in revenue, but this was offset by volume growth in mobile data traffic. Average monthly revenue per user (ARPU) fell by 4.1% to CHF 47 as a result of price reductions and new tariff models. Despite the slight fall in revenue, thanks to cost savings the segment result before depreciation and amortisation remained on a par with the prior year, dropping by CHF 7 million or 0.4% (-2.6% in the second quarter) to CHF 1,894 million. This led to a 0.2 percentage point increase in profit margin to 45.2%. The year-on-year increase in capital expenditure of CHF 122 million or 25.4% to CHF 603 million (+28.6% in the second quarter) is largely attributable to ongoing expansion of the fibre-optic network and mobile network.

## Residential Customers

The Residential Customers segment is the contact partner for mobile and fixed-line customers, providing Switzerland with broadband Internet access and serving a growing number of Swisscom TV subscribers. This segment also combines national and international telephone and data traffic, value added services, handset sales and directories.

In CHF million, except where indicated	2 <sup>nd</sup> quarter 2011	2 <sup>nd</sup> quarter 2010	Change	1 <sup>st</sup> half-year 2011	1 <sup>st</sup> half-year 2010	Change
Revenue from external customers	1,213	1,206	0.6%	2,414	2,392	0.9%
Intersegment revenue	58	75	−22.7%	120	147	−18.4%
<b>Net revenue</b>	<b>1,271</b>	<b>1,281</b>	<b>−0.8%</b>	<b>2,534</b>	<b>2,539</b>	<b>−0.2%</b>
Segment expenses	(524)	(503)	4.2%	(1,034)	(1,014)	2.0%
<b>Segment result before depreciation and amortisation</b>	<b>747</b>	<b>778</b>	<b>−4.0%</b>	<b>1,500</b>	<b>1,525</b>	<b>−1.6%</b>
<i>Margin as % of net revenue</i>	<i>58.8</i>	<i>60.7</i>		<i>59.2</i>	<i>60.1</i>	
Capital expenditure				58	58	—
Full-time equivalent employees at end of period				4,734	4,586	3.2%
Telephone access lines PSTN/ISDN in thousand				2,412	2,542	−5.1%
Broadband access lines in thousand				1,421	1,349	5.3%
Swisscom TV access lines in thousand				497	308	61.4%
Mobile access lines in thousand				4,534	4,450	1.9%

Revenue from external customers grew year-on-year by CHF 22 million or 0.9% to CHF 2,414 million (+0.6% in the second quarter). In addition to the economic recovery, this increase is chiefly due to sustained customer growth, the positive trend in new bundled offerings and higher smartphone sales. Despite continuing price erosion and new (flat-rate) tariff models, mobile revenue rose thanks to increased use of mobile data services and growth in the number of subscribers. The number of mobile subscribers grew year-on-year by 84,000 or 1.9% to 4.53 million. Growth in broadband, Swisscom TV and bundled offerings in the fixed-network area failed to fully offset the decline in traditional voice and phone line business. The number of broadband access lines rose by 72,000 or 5.3% year-on-year to CHF 1.42 million, while the number of Swisscom TV customers grew by 61.4% or 189,000 to almost 500,000 in the space of a year. Bundled offerings enjoyed growing popularity, with the number of triple-play customers (Swisscom TV, broadband and fixed-line telephony) in the Residential Customers segment totalling 292,000 in the first half of 2011, representing a year-on year increase of 183,000. At CHF 1,034 million, segment expense was CHF 20 million or 2.0% higher year-on-year (+4.2% in the second quarter). Higher advertising costs for subscriber acquisition and retention were partly offset by lower termination and roaming costs. At CHF 1,500 million, the segment result before depreciation and amortisation was CHF 25 million or 1.6% lower year-on-year (−4.0% in the second quarter), with the profit margin dropping by 0.9 percentage points to 59.2%. Headcount rose by 3.2% to 4,734 FTEs due to the increase in customer service staff.

### Small and Medium-Sized Enterprises

Active throughout Switzerland, the Small and Medium-Sized Enterprises segment delivers a comprehensive range of products and services, from fixed-line and mobile communications to Internet and data services as well as IT infrastructure maintenance and operation. SMEs receive integrated solutions tailored to their needs: the right connectivity, secure access, professional services and intelligent networks.

In CHF million, except where indicated	2 <sup>nd</sup> quarter 2011	2 <sup>nd</sup> quarter 2010	Change	1 <sup>st</sup> half-year 2011	1 <sup>st</sup> half-year 2010	Change
Revenue from external customers	282	283	−0.4%	558	554	0.7%
Intersegment revenue	13	13	—	24	27	−11.1%
<b>Net revenue</b>	<b>295</b>	<b>296</b>	<b>−0.3%</b>	<b>582</b>	<b>581</b>	<b>0.2%</b>
Segment expenses	(75)	(76)	−1.3%	(148)	(151)	−2.0%
<b>Segment result before depreciation and amortisation</b>	<b>220</b>	<b>220</b>	<b>—</b>	<b>434</b>	<b>430</b>	<b>0.9%</b>
<i>Margin as % of net revenue</i>	<i>74.6</i>	<i>74.3</i>		<i>74.6</i>	<i>74.0</i>	
Capital expenditure				5	3	66.7%
Full-time equivalent employees at end of period				767	751	2.1%
Telephone access lines PSTN/ISDN in thousand				513	513	—
Broadband access lines in thousand				166	152	9.2%
Swisscom TV access lines in thousand				15	9	66.7%
Mobile access lines in thousand				503	477	5.5%

Revenue from external customers grew year-on-year by CHF 4 million or 0.7% to CHF 558 million (−0.4% in the second quarter), chiefly driven by mobile access lines growth and higher revenue from mobile data services. Despite lower traffic volumes and reduced tariffs, fixed-network revenue remained virtually at the prior-year level thanks to growth in bundled products. The number of mobile subscribers grew by 26,000 or 5.5% to 503,000. The number of broadband access lines rose year-on-year by 14,000 or 9.2% to 166,000, while the number of Swisscom TV subscribers grew by 6,000 to 15,000. Compared to the previous year, segment expense fell by CHF 3 million or 2.0% to CHF 148 million (−1.3% in the second quarter). The segment result before depreciation and amortisation rose accordingly by CHF 4 million or 0.9% to CHF 434 million and the profit margin from 74.0% to 74.6%. Headcount increased year-on-year by 16 FTEs or 2.1% to 767.

## Corporate Business

Whether voice or data, mobile or fixed network, individual products or integrated solutions: as a leading provider of business communications, the Corporate Business segment supports its customers with the planning, implementation and operation of their IT and communications infrastructure, including the provision of cost-effective solutions and reliable services.

In CHF million, except where indicated	2 <sup>nd</sup> quarter 2011	2 <sup>nd</sup> quarter 2010	Change	1 <sup>st</sup> half-year 2011	1 <sup>st</sup> half-year 2010	Change
Revenue from external customers	442	434	1.8%	869	848	2.5%
Intersegment revenue	28	33	−15.2%	56	65	−13.8%
<b>Net revenue</b>	<b>470</b>	<b>467</b>	<b>0.6%</b>	<b>925</b>	<b>913</b>	<b>1.3%</b>
Segment expenses	(224)	(215)	4.2%	(449)	(424)	5.9%
<b>Segment result before depreciation and amortisation</b>	<b>246</b>	<b>252</b>	<b>−2.4%</b>	<b>476</b>	<b>489</b>	<b>−2.7%</b>
<i>Margin as % of net revenue</i>	<i>52.3</i>	<i>54.0</i>		<i>51.5</i>	<i>53.6</i>	
Capital expenditure				40	30	33.3%
Full-time equivalent employees at end of period				2,351	2,213	6.2%
Telephone access lines PSTN/ISDN in thousand				244	249	−2.0%
Broadband access lines in thousand				31	29	6.9%
Mobile access lines in thousand				876	764	14.7%

Revenue from external customers grew year-on-year by CHF 21 million or 2.5% to CHF 869 million (+1.8% in the second quarter). This increase was largely the result of growth in outsourcing and project business and the rising demand for mobile data services. In addition, the acquisition of Asept AG at the end of 2010 contributed CHF 12 million to the increase in revenue, which proved more than enough to offset the decline in prices and volumes in the fixed-network sector and lower traffic and subscription prices in the mobile sector. Segment expense rose by CHF 25 million or 5.9% to CHF 449 million (+4.2% in the second quarter) due to higher headcount and increased expenditure on outsourcing and project business. Consequently, the segment result before depreciation and amortisation fell by CHF 13 million or 2.7% to CHF 476 million (−2.4% in the second quarter), while the profit margin decreased from 53.6% to 51.5%. The increase in headcount of 138 FTEs or 6.2% to 2,351 FTEs is principally due to the acquisition of Asept AG at the end of 2010.



## Wholesale

The Wholesale segment offers Swiss telecoms providers an array of wholesale services that enable them to implement their own service offerings. These include regulated interconnection services, access to the access network infrastructure (unbundled fixed access lines, cable ducts, co-location services) as well as broadband and data services. The Wholesale segment also covers roaming with foreign providers.

In CHF million, except where indicated

	2 <sup>nd</sup> quarter 2011	2 <sup>nd</sup> quarter 2010	Change	1 <sup>st</sup> half-year 2011	1 <sup>st</sup> half-year 2010	Change
Revenue from external customers	151	192	–21.4%	314	396	–20.7%
Intersegment revenue	98	138	–29.0%	194	260	–25.4%
<b>Net revenue</b>	<b>249</b>	<b>330</b>	<b>–24.5%</b>	<b>508</b>	<b>656</b>	<b>–22.6%</b>
Segment expenses	(157)	(221)	–29.0%	(314)	(428)	–26.6%
<b>Segment result before depreciation and amortisation</b>	<b>92</b>	<b>109</b>	<b>–15.6%</b>	<b>194</b>	<b>228</b>	<b>–14.9%</b>
<i>Margin as % of net revenue</i>	<i>36.9</i>	<i>33.0</i>		<i>38.2</i>	<i>34.8</i>	
Full-time equivalent employees at end of period				103	103	–
Broadband access lines in thousand				202	260	–22.3%
Unbundled fixed access lines in thousand				285	219	30.1%

Revenue from external customers fell year-on-year by CHF 82 million or 20.7% to CHF 314 million (–21.4% in the second quarter). Revenue from mobile telephony declined mainly as a result of lower termination and roaming fees. Revenue also fell due to a decline in data services and continued unbundling of the local loop. The number of wholesale broadband access lines fell year-on-year by 58,000 or 22.3% to 202,000, while the number of unbundled fixed access lines increased by 66,000 or 30.1% to 285,000 over the same period. Intersegment revenue was down CHF 66 million or 25.4% to CHF 194 million (–29.0% in the second quarter), mainly as a result of lower termination and roaming fees. At CHF 314 million, segment expense was CHF 114 million or 26.6% lower (–29.0% in the second quarter), mainly as a result of the reduction in termination and roaming prices. The segment result before depreciation and amortisation dropped by CHF 34 million or 14.9% to CHF 194 million (–15.6% in the second quarter), chiefly on account of the decline in revenue from external customers. The fall in intersegment revenue had only a minimal impact on the segment's overall result. At 103 FTEs, headcount was on a par with the prior year.

## Network & IT

The Network & IT segment builds, operates and maintains Swisscom's nationwide fixed network and mobile communications infrastructure. It is also responsible for the related IT platforms, and is driving forward migration of the networks to an integrated IT and IP-based platform (All-IP). Since expenses incurred are not charged to the individual segments, the Network & IT segment reports only expenses but no revenue.

In CHF million, except where indicated

	2 <sup>nd</sup> quarter 2011	2 <sup>nd</sup> quarter 2010	Change	1 <sup>st</sup> half-year 2011	1 <sup>st</sup> half-year 2010	Change
Operating expenses	(398)	(429)	-7.2%	(791)	(857)	-7.7%
Capitalised costs of self-constructed assets and other income	40	43	-7.0%	81	87	-6.9%
<b>Segment result before depreciation and amortisation</b>	<b>(358)</b>	<b>(386)</b>	<b>-7.3%</b>	<b>(710)</b>	<b>(770)</b>	<b>-7.8%</b>
Depreciation, amortisation and impairment losses	(208)	(213)	-2.3%	(422)	(438)	-3.7%
<b>Segment result</b>	<b>(566)</b>	<b>(599)</b>	<b>-5.5%</b>	<b>(1,132)</b>	<b>(1,208)</b>	<b>-6.3%</b>
Capital expenditure	276	210	31.4%	500	390	28.2%
Full-time equivalent employees at end of period				3,987	4,057	-1.7%

The segment result before depreciation and amortisation improved year-on-year by CHF 60 million or 7.8% to CHF -710 million (7.3% improvement in the second quarter). The decline in operating expense is largely due to the headcount reduction and other cost savings as a result of efficiency improvements. Headcount fell year-on-year by 70 FTEs or 1.7% to 3,987 FTEs. The segment result improved by CHF 76 million or 6.3% year-on-year to CHF -1,132 million (5.5% improvement in the second quarter), due to reduced operating expenses on the one hand and lower depreciation and amortisation on the other. The main reason for the CHF 16 million or 3.7% decline in depreciation and amortisation to CHF 422 million (-2.3% in the second quarter) is the change in useful life for fibre-optic cables from 20 years to 30 years. The year-on-year increase in capital expenditure of CHF 110 million or 28.2% to CHF 500 million (+31.4% in the second quarter) is largely attributable to ongoing expansion of the fibre-optic network and mobile network.

## Fastweb

Fastweb is Italy's third largest broadband telecoms company, providing products and services for voice, data, Internet and TV, as well as a full range of VPN and mobile communication services. It offers its services in all larger towns and cities in Italy as well as in all market segments. The services are offered directly via the company's own fibre-optic network, via unbundled access lines as well as via wholesale products of Telecom Italia.

In EUR million, except where indicated	2 <sup>nd</sup> quarter 2011	2 <sup>nd</sup> quarter 2010	Change	1 <sup>st</sup> half-year 2011	1 <sup>st</sup> half-year 2010	Change
Revenue from external customers	438	470	−6.8%	871	930	−6.3%
Intersegment revenue	2	3	−33.3%	4	5	−20.0%
<b>Net revenue</b>	<b>440</b>	<b>473</b>	<b>−7.0%</b>	<b>875</b>	<b>935</b>	<b>−6.4%</b>
Segment expenses	(317)	(330)	−3.9%	(645)	(735)	−12.2%
<b>Segment result before depreciation and amortisation</b>	<b>123</b>	<b>143</b>	<b>−14.0%</b>	<b>230</b>	<b>200</b>	<b>15.0%</b>
<i>Margin as % of net revenue</i>	<i>28.0</i>	<i>30.2</i>		<i>26.3</i>	<i>21.4</i>	
Capital expenditure	99	107	−7.5%	197	206	−4.4%
Full-time equivalent employees at end of period				3,101	3,133	−1.0%
Broadband access lines in thousand				1,741	1,694	2.8%

Net revenue fell by 6.4% or EUR 60 million to EUR 875 million (−7.0% in the second quarter), largely as a result of lower revenue from residential customers and small and medium-sized enterprises. Sales of products to residential customers were sharply reduced, while at the same time stricter credit checks were introduced for new customers. The aim of these measures is to reduce costs and bad debt losses. Price pressure remained strong due to harsh competition. As a result, revenue per broadband user decreased by around 11% and revenue from residential customers fell year-on-year by EUR 56 million or 12.7% to EUR 385 million despite customer growth. The number of broadband access lines grew by 47,000 or 2.8% to 1.74 million in the space of a year. At the end of the first quarter of 2011, Fastweb launched a new satellite TV and Internet bundled offering in collaboration with Sky Italia. By the end of the second quarter, 19,000 customers had signed up for this service. Revenue from corporate business excluding wholesale was up 7.7% or EUR 18 million to EUR 256 million, with Fastweb benefiting from multi-year contracts with public administration offices and the acquisition of further corporate customers from industry and the financial sector.

The segment result before depreciation and amortisation totalled EUR 230 million, equivalent to a year-on-year increase of EUR 30 million or 15.0% (−14.0% in the second quarter). VAT proceedings were instigated against Fastweb in the first quarter of 2010, which resulted in a provision of EUR 70 million being recognised under other operating expense. Adjusted for this one-off item, the segment result before depreciation and amortisation fell by EUR 40 million or 14.8% to EUR 200 million as a consequence of the streamlined product portfolio and price reductions, while the profit margin declined by 2.6 percentage points to 26.3%.

Headcount at 30 June 2011 totalled 3,101 FTEs, equivalent to a year-on-year decline of 32 FTEs or 1.0%. Capital expenditure fell by EUR 9 million or 4.4% to EUR 197 million. Around 45% of investment spending related directly to customer growth.

In the consolidated Group results the weakening of the euro negatively impacted revenue as well as the segment result before depreciation and amortisation. The average CHF/EUR exchange rate fell by 11.1% year-on-year. In Swiss francs, net revenue fell by 16.8% compared to 6.4% in local currency terms. The segment result before depreciation and amortisation increased by 2.1% in Swiss francs, while in local currency terms this increase amounted to 15.0%.

## Other operating segments

Other operating segments mainly comprise Swisscom IT Services, Swisscom Participations and Swisscom Hospitality Services. Swisscom IT Services' core business is the implementation of large-scale IT projects (including consulting and the rollout of new systems), the management of complex IT infrastructures, end-user services and service desk services. Swisscom IT Services is also the leading provider of integrated banking solutions, including peripheral systems, as well as Business Process Outsourcing (BPO) for the Swiss financial sector. In addition, Swisscom IT Services offers its customers the full range of SAP services, from SAP consulting and SAP industry solutions to SAP operation. The aim of the companies belonging to Swisscom Participations is to identify and tap growth potential in areas closely related to Swisscom's core business. Swisscom Hospitality Services specialises in serving the communications needs of the hotel industry.

In CHF million, except where indicated	2 <sup>nd</sup> quarter 2011	2 <sup>nd</sup> quarter 2010	Change	1 <sup>st</sup> half-year 2011	1 <sup>st</sup> half-year 2010	Change
Revenue from external customers	229	223	2.7%	465	433	7.4%
Intersegment revenue	201	197	2.0%	387	395	-2.0%
<b>Net revenue</b>	<b>430</b>	<b>420</b>	<b>2.4%</b>	<b>852</b>	<b>828</b>	<b>2.9%</b>
Segment expenses	(351)	(334)	5.1%	(703)	(661)	6.4%
<b>Segment result before depreciation and amortisation</b>	<b>79</b>	<b>86</b>	<b>-8.1%</b>	<b>149</b>	<b>167</b>	<b>-10.8%</b>
<i>Margin as % of net revenue</i>	<i>18.4</i>	<i>20.5</i>		<i>17.5</i>	<i>20.2</i>	
Capital expenditure				68	43	58.1%
Full-time equivalent employees at end of period				4,431	4,296	3.1%

At CHF 465 million, revenue from external customers was CHF 32 million or 7.4% higher in the first half of 2011 (+2.7% in the second quarter). Revenue generated by Swisscom IT Services with external customers increased by CHF 34 million or 14.2% to CHF 274 million (+8.9% in the second quarter). Excluding acquisition of subsidiaries, revenue generated by Swisscom IT Services with external customers rose by CHF 16 million or 7.1% year-on-year, largely due to higher revenues from project business with companies in the financial sector. Intersegment revenue fell year-on-year by CHF 8 million or 2.0% to CHF 387 million, largely due to the lower volume of services procured from Swisscom IT Services by other segments. This was partially offset by higher revenue for construction services performed by Cablex, the company responsible for the construction, operation and maintenance of infrastructure at Swisscom Participations.

At CHF 703 million, segment expense was CHF 42 million or 6.4% higher year-on-year (+5.1% in the second quarter), mainly due to the acquisition of subsidiaries and an increase in construction services at Cablex. The segment result before depreciation and amortisation narrowed by CHF 18 million or 10.8% to CHF 149 million (-8.1% in the second quarter), chiefly as a result of a shift in the revenue and margin mix. At 4,431 FTEs, headcount at the end of June 2011 was 135 FTEs or 3.1% higher than a year earlier. Headcount increased mainly due to acquisitions and additional resource requirements at Cablex. At CHF 68 million, capital expenditure was CHF 25 million or 58.1% higher year-on-year, primarily due to increased investment spending at Swisscom IT Services.

## Group Headquarters

Group Headquarters chiefly comprises the Group divisions Finance & Controlling, Strategy & Business Development, Group Communications and Human Resources.

In CHF million, except where indicated

	2 <sup>nd</sup> quarter 2011	2 <sup>nd</sup> quarter 2010	Change	1 <sup>st</sup> half-year 2011	1 <sup>st</sup> half-year 2010	Change
<b>Net revenue</b>	<b>1</b>	<b>2</b>	<b>-50.0%</b>	<b>3</b>	<b>3</b>	<b>-</b>
Operating expenses	(31)	(30)	3.3%	(58)	(63)	-7.9%
<b>Operating income before depreciation and amortisation (EBITDA)</b>	<b>(30)</b>	<b>(28)</b>	<b>7.1%</b>	<b>(55)</b>	<b>(60)</b>	<b>-8.3%</b>
Full-time equivalent employees at end of period				355	341	4.1%

Operating income before depreciation and amortisation improved by CHF 5 million year-on-year to CHF -55 million, largely on account of a reversal of provisions for termination benefits.

## Depreciation, amortisation and non-operating results

In CHF million, except where indicated

	2 <sup>nd</sup> quarter 2011	2 <sup>nd</sup> quarter 2010	Change	1 <sup>st</sup> half-year 2011	1 <sup>st</sup> half-year 2010	Change
<b>Operating income before depreciation and amortisation (EBITDA)</b>	<b>1,144</b>	<b>1,230</b>	<b>-7.0%</b>	<b>2,270</b>	<b>2,288</b>	<b>-0.8%</b>
Depreciation, amortisation and impairment losses	(466)	(489)	-4.7%	(944)	(990)	-4.6%
<b>Operating income (EBIT)</b>	<b>678</b>	<b>741</b>	<b>-8.5%</b>	<b>1,326</b>	<b>1,298</b>	<b>2.2%</b>
Financial income and financial expense, net	(94)	(100)	-6.0%	(136)	(164)	-17.1%
Share of results of associated companies	5	7	-28.6%	9	11	-18.2%
<b>Income before income taxes</b>	<b>589</b>	<b>648</b>	<b>-9.1%</b>	<b>1,199</b>	<b>1,145</b>	<b>4.7%</b>
Income tax expense	(101)	(151)	-33.1%	(237)	(271)	-12.5%
<b>Net income</b>	<b>488</b>	<b>497</b>	<b>-1.8%</b>	<b>962</b>	<b>874</b>	<b>10.1%</b>
Share of net income attributable to equity holders of Swisscom Ltd	485	494	-1.8%	954	888	7.4%
Share of net income attributable to minority interests	3	3	-	8	(14)	-
Average number of shares outstanding (in millions)	51.799	51.797	-	51.800	51.799	-
Earnings per share (in CHF)	9.36	9.54	-1.8%	18.42	17.14	7.4%

Depreciation, amortisation and impairment losses declined year-on-year by CHF 46 million or 4.6% to CHF 944 million (-4.7% in the second quarter), mainly as a result of currency effects. In addition, from fiscal year 2011 the useful life for fibre-optic cables has been increased from 20 to 30 years. This resulted in a positive effect of CHF 7 million on depreciation and amortisation in the first half of 2011. Depreciation and amortisation includes scheduled amortisation related to business combinations in the amount of CHF 69 million (prior year: CHF 75 million), which were capitalised as intangible assets for purchase price allocation purposes.

Net financial expense improved by CHF 28 million year-on-year to CHF 136 million, mainly due to an improvement in net interest result. Net interest expense ended the first half of 2011 at CHF 109 million (prior year: CHF 129 million).

Income tax expense amounted to CHF 237 million (prior year: CHF 271 million), corresponding to an effective income tax rate of 19.8% (prior year: 23.7%). The reduction 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. Excluding one-off items, a long-term income tax rate of around 21% is expected in future. At CHF 280 million, income tax payments were CHF 66 million higher than a year earlier.

Net income increased year-on-year by CHF 88 million or 10.1% to CHF 962 million. This was primarily attributable to the provision for the VAT proceedings against Fastweb, which was recognised in the first quarter of 2010. In addition, the lower recurring operating result was virtually offset by an improved financial result and lower income tax expense. Earnings per share are calculated on the basis of net income attributable to the equity holders of Swisscom Ltd and the average number of shares outstanding. Share of net income attributable to equity holders of Swisscom Ltd increased year-on-year by 7.4% to CHF 954 million. Earnings per share rose accordingly from CHF 17.14 to CHF 18.42.

## Cash flows

In CHF million	1 <sup>st</sup> half-year 2011	1 <sup>st</sup> half-year 2010	Change
Operating income before depreciation and amortisation (EBITDA)	2,270	2,288	(18)
Capital expenditure	(909)	(814)	(95)
Proceeds from sale of property, plant and equipment and other intangible assets	9	8	1
Change in defined benefit obligations	(42)	(78)	36
Change in net working capital and other cash flow from operating activities	(310)	20	(330)
Dividends paid to minority interests	(7)	(8)	1
<b>Operating free cash flow</b>	<b>1,011</b>	<b>1,416</b>	<b>(405)</b>
Net interest paid	(65)	(75)	10
Income taxes paid	(280)	(214)	(66)
<b>Free cash flow</b>	<b>666</b>	<b>1,127</b>	<b>(461)</b>
Other cash flows from investing activities, net	84	42	42
Issuance and repayment of financial liabilities, net	234	(89)	323
Dividends paid to equity holders of Swisscom Ltd	(1,088)	(1,036)	(52)
Purchase of minority interests of Fastweb	(92)	–	(92)
Other cash flows from financing activities	(4)	(16)	12
<b>(Net decrease) net increase in cash and cash equivalents</b>	<b>(200)</b>	<b>28</b>	<b>(228)</b>

Operating free cash flow declined by CHF 405 million or 28.6% to CHF 1,011 million, largely due to an increase in net working capital as a result of higher trade receivables at Swisscom Switzerland and lower trade payables. In the first half of 2010, operating income before depreciation and amortisation (EBITDA) and the change in net working capital reflect the recognition of a provision totalling CHF 102 million for the VAT proceedings against Fastweb. Capital expenditure increased by CHF 95 million or 11.7% to CHF 909 million due to higher levels of investment in telecommunications infrastructure in Switzerland. The buyout process for the minority stakes in Fastweb was completed in the first quarter of 2011 and the remaining purchase amount of EUR 71 million (CHF 92 million) was paid. The total price for the outstanding minority shares in Fastweb amounted to EUR 256 million (CHF 342 million).

## Net debt

In CHF million, except where indicated	30.6.2011	31.12.2010	Change
Money market borrowings	850	700	150
Debenture bonds	5,238	5,195	43
Bank loans	1,513	1,460	53
Private placements	1,400	1,409	(9)
Finance lease liabilities	667	675	(8)
Other financial liabilities	267	333	(66)
<b>Total financial liabilities</b>	<b>9,935</b>	<b>9,772</b>	<b>163</b>
Cash and cash equivalents	(271)	(483)	212
Current financial assets	(26)	(122)	96
Non-current fixed interest-bearing deposits	(282)	(319)	37
<b>Net debt</b>	<b>9,356</b>	<b>8,848</b>	<b>508</b>

Net debt consists of financial liabilities less cash and cash equivalents, current financial assets and non-current, fixed-interest-bearing deposits. Swisscom has set itself the goal of achieving a maximum net debt/EBITDA ratio of around 2.0. This value may be exceeded temporarily. Any figure below this represents financial room for manoeuvre. At 31 December 2010 the net debt/EBITDA ratio was 1.9.



## Balance sheet

In CHF million	30.6.2011	31.12.2010	Change
<b>Assets</b>			
Cash and cash equivalents and current financial assets	297	605	-50.9%
Trade and other receivables	2,913	2,742	6.2%
Property, plant and equipment	7,909	7,899	0.1%
Goodwill	6,183	6,261	-1.2%
Other intangible assets	1,898	2,023	-6.2%
Investments in associated companies and non-current financial assets	622	646	-3.7%
Other current and non-current assets	773	899	-14.0%
<b>Total assets</b>	<b>20,595</b>	<b>21,075</b>	<b>-2.3%</b>
<b>Liabilities and equity</b>			
Financial liabilities	9,935	9,772	1.7%
Trade and other payables	2,069	2,215	-6.6%
Defined benefit obligations	1,140	1,283	-11.1%
Provisions	851	862	-1.3%
Tax liabilities	400	588	-32.0%
Other current and non-current liabilities	1,038	1,005	3.3%
<b>Total liabilities</b>	<b>15,433</b>	<b>15,725</b>	<b>-1.9%</b>
Share of equity attributable to equity holders of Swisscom Ltd	5,141	5,330	-3.5%
Share of equity attributable to minority interests	21	20	5.0%
<b>Total equity</b>	<b>5,162</b>	<b>5,350</b>	<b>-3.5%</b>
<b>Total liabilities and equity</b>	<b>20,595</b>	<b>21,075</b>	<b>-2.3%</b>
Equity ratio at end of period	25.1%	25.4%	

Total assets at 30 June 2011 amounted to CHF 20,595 million, a decrease of CHF 480 million or 2.3% versus the end of 2010. Equity fell by CHF 188 million or 3.5% to CHF 5,162 million, largely due to the dividend payout of CHF 1,088 million, which exceeded net income totalling CHF 962 million and the net loss of CHF 56 million recognised in other comprehensive income. Other comprehensive income includes non-cash actuarial gains from pension plans totalling CHF 103 million as a result of changes in interest rates and unrealised losses of CHF 183 million resulting from currency translation of foreign Group companies. Compared to the end of 2010, the CHF/EUR exchange rate fell from 1.250 to 1.207. At 30 June 2011 cumulative currency translation losses recognised in equity amounted to around CHF 2.0 billion.

## Outlook

The outlook for the 2011 financial year is as follows: Assuming an average CHF/EUR exchange rate of 1.20 (versus the original expectation of CHF/EUR 1.30), Swisscom expects net revenue for the financial year 2011 of around CHF 11.5 billion, EBITDA of around CHF 4.6 billion, and capital expenditure in the region of CHF 2.0 billion. The main reason for the reduced revenue forecast is the weak euro. Swisscom still expects to propose a dividend of at least CHF 21 per share for 2011.

# Consolidated interim financial statements (condensed and unaudited)

## Consolidated income statement (condensed and unaudited)

In CHF million, except where indicated	Note	2 <sup>nd</sup> quarter 2011	2 <sup>nd</sup> quarter 2010 restated <sup>1</sup>	1 <sup>st</sup> half-year 2011	1 <sup>st</sup> half-year 2010 restated <sup>1</sup>
<b>Net revenue</b>	3	<b>2,860</b>	<b>2,993</b>	<b>5,722</b>	<b>5,946</b>
Goods and services purchased		(578)	(626)	(1,177)	(1,268)
Personnel expense		(638)	(644)	(1,273)	(1,295)
Other operating expense		(578)	(572)	(1,155)	(1,248)
Capitalised costs of self-constructed assets and other income		78	79	153	153
<b>Operating income before depreciation and amortisation (EBITDA)</b>		<b>1,144</b>	<b>1,230</b>	<b>2,270</b>	<b>2,288</b>
Depreciation, amortisation and impairment losses		(466)	(489)	(944)	(990)
<b>Operating income (EBIT)</b>	3	<b>678</b>	<b>741</b>	<b>1,326</b>	<b>1,298</b>
Financial income and financial expense, net	4	(94)	(100)	(136)	(164)
Share of results of associated companies		5	7	9	11
<b>Income before income taxes</b>		<b>589</b>	<b>648</b>	<b>1,199</b>	<b>1,145</b>
Income tax expense		(101)	(151)	(237)	(271)
<b>Net income</b>		<b>488</b>	<b>497</b>	<b>962</b>	<b>874</b>
Share of net income attributable to equity holders of Swisscom Ltd		485	494	954	888
Share of net income attributable to minority interests	3	3	3	8	(14)
<b>Basic and diluted earnings per share (in CHF)</b>		<b>9.36</b>	<b>9.54</b>	<b>18.42</b>	<b>17.14</b>

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

## Consolidated statement of comprehensive income (unaudited)

In CHF million	2 <sup>nd</sup> quarter 2011	2 <sup>nd</sup> quarter 2010 restated <sup>1</sup>	1 <sup>st</sup> half-year 2011	1 <sup>st</sup> half-year 2010 restated <sup>1</sup>
<b>Net income</b>	<b>488</b>	<b>497</b>	<b>962</b>	<b>874</b>
Foreign currency translation adjustments of foreign subsidiaries	(404)	(431)	(183)	(685)
Change in fair value of available-for-sale financial assets	7	—	7	—
Change in fair value of cash flow hedges	(18)	(7)	(11)	(1)
Gains and losses from cash flow hedges transferred to income statement	7	—	11	—
Actuarial gains and losses of defined benefit obligations	(264)	(856)	103	(880)
Income tax expense	151	193	17	198
<b>Other comprehensive income</b>	<b>(521)</b>	<b>(1,101)</b>	<b>(56)</b>	<b>(1,368)</b>
<b>Comprehensive income</b>	<b>(33)</b>	<b>(604)</b>	<b>906</b>	<b>(494)</b>
Share of comprehensive income attributable to equity holders of Swisscom Ltd	(35)	(589)	898	(451)
Share of comprehensive income attributable to minority interests	2	(15)	8	(43)

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

## Consolidated balance sheet (condensed and unaudited)

In CHF million	Note	30.6.2011	31.12.2010 restated <sup>1</sup>	1.1.2010 restated <sup>1</sup>
<b>Assets</b>				
Cash and cash equivalents		271	483	532
Trade and other receivables		2,913	2,742	2,926
Other financial assets		26	122	178
Other assets		573	509	512
Non-current assets held for sale		6	4	6
<b>Total current assets</b>		<b>3,789</b>	<b>3,860</b>	<b>4,154</b>
Property, plant and equipment		7,909	7,899	8,176
Goodwill and other intangible assets		8,081	8,284	9,022
Investments in associated companies		234	231	228
Other financial assets		388	415	424
Other assets		194	386	218
<b>Total non-current assets</b>		<b>16,806</b>	<b>17,215</b>	<b>18,068</b>
<b>Total assets</b>		<b>20,595</b>	<b>21,075</b>	<b>22,222</b>
<b>Liabilities and equity</b>				
Financial liabilities	5	1,203	941	1,270
Trade and other payables		2,069	2,215	2,314
Current income tax liabilities		11	35	219
Provisions	6	129	146	137
Other liabilities		732	685	701
<b>Total current liabilities</b>		<b>4,144</b>	<b>4,022</b>	<b>4,641</b>
Financial liabilities	5	8,732	8,831	8,949
Defined benefit obligations		1,140	1,283	827
Provisions	6	722	716	740
Deferred tax liabilities		389	553	523
Other liabilities		306	320	330
<b>Total non-current liabilities</b>		<b>11,289</b>	<b>11,703</b>	<b>11,369</b>
<b>Total liabilities</b>		<b>15,433</b>	<b>15,725</b>	<b>16,010</b>
Share of equity attributable to equity holders of Swisscom Ltd		5,141	5,330	5,901
Share of equity attributable to minority interests		21	20	311
<b>Total equity</b>		<b>5,162</b>	<b>5,350</b>	<b>6,212</b>
<b>Total liabilities and equity</b>		<b>20,595</b>	<b>21,075</b>	<b>22,222</b>

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

## Consolidated cash flow statement (condensed and unaudited)

In CHF million	Note	1 <sup>st</sup> half-year 2011	1 <sup>st</sup> half-year 2010 restated <sup>1</sup>
Net income		962	874
Adjustment for non-cash items		1,311	1,413
Change in operating assets and liabilities		(327)	(57)
Income taxes paid		(280)	(214)
<b>Cash flow provided by operating activities</b>		<b>1,666</b>	<b>2,016</b>
Capital expenditure		(909)	(814)
Other cash flows from investing activities, net		92	58
<b>Cash flow used in investing activities</b>		<b>(817)</b>	<b>(756)</b>
Issuance and repayment of financial liabilities, net		234	(89)
Dividends paid to equity holders of Swisscom Ltd		(1,088)	(1,036)
Dividends paid to minority interests		(7)	(8)
Purchase of minority interests of Fastweb	2	(92)	–
Other cash flows from financing activities		(96)	(99)
<b>Cash flow used in financing activities</b>		<b>(1,049)</b>	<b>(1,232)</b>
<b>(Net decrease) net increase in cash and cash equivalents</b>		<b>(200)</b>	<b>28</b>
Cash and cash equivalents at beginning of year		483	532
Foreign currency translation adjustments in respect of cash and cash equivalents		(12)	(25)
<b>Cash and cash equivalents at end of period</b>		<b>271</b>	<b>535</b>

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

## Consolidated statement of changes in equity (unaudited)

In CHF million	Share capital	Capital reserves	Retained earnings	Treasury shares	Other reserves	Attributable to equity holders of Swisscom	Attributable to minority interests	Total equity
<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>
Change in accounting policies <sup>1</sup>	–	–	(390)	–	–	(390)	(8)	(398)
<b>Balance at 1 January 2010, restated</b>	<b>52</b>	<b>370</b>	<b>6,310</b>	<b>(1)</b>	<b>(830)</b>	<b>5,901</b>	<b>311</b>	<b>6,212</b>
Net income	–	–	888	–	–	888	(14)	874
Other comprehensive income	–	–	(682)	–	(657)	(1,339)	(29)	(1,368)
<b>Comprehensive income</b>	<b>–</b>	<b>–</b>	<b>206</b>	<b>–</b>	<b>(657)</b>	<b>(451)</b>	<b>(43)</b>	<b>(494)</b>
Dividends paid	–	–	(1,036)	–	–	(1,036)	(8)	(1,044)
Acquisition 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 June 2010, restated</b>	<b>52</b>	<b>370</b>	<b>5,480</b>	<b>(1)</b>	<b>(1,487)</b>	<b>4,414</b>	<b>260</b>	<b>4,674</b>
<b>Balance at 31 December 2010, restated<sup>1</sup></b>	<b>52</b>	<b>370</b>	<b>6,495</b>	<b>(1)</b>	<b>(1,586)</b>	<b>5,330</b>	<b>20</b>	<b>5,350</b>
Net income	–	–	954	–	–	954	8	962
Other comprehensive income	–	–	80	–	(136)	(56)	–	(56)
<b>Comprehensive income</b>	<b>–</b>	<b>–</b>	<b>1,034</b>	<b>–</b>	<b>(136)</b>	<b>898</b>	<b>8</b>	<b>906</b>
Dividends paid	–	–	(1,088)	–	–	(1,088)	(7)	(1,095)
Acquisition of treasury shares for share-based payments	–	–	–	(7)	–	(7)	–	(7)
Sale of treasury shares for share-based payments	–	–	–	8	–	8	–	8
<b>Balance at 30 June 2011</b>	<b>52</b>	<b>370</b>	<b>6,441</b>	<b>–</b>	<b>(1,722)</b>	<b>5,141</b>	<b>21</b>	<b>5,162</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 subsidiaries controlled directly or indirectly via a majority of the votes or in any other way (hereinafter referred to as Swisscom). The consolidated interim financial statements for the six months to 30 June 2011 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 financial year ended 31 December 2010. The consolidated interim financial statements were prepared in accordance with the accounting policies described in the 2010 consolidated financial statements, with the exception of the following changes in 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 exchange rate of 1.207 was used as the end-of-period rate (CHF/EUR 1.250 at 31 December 2010) and CHF/EUR 1.266 as the average rate for the period (CHF/EUR 1.424 for the first half of 2010).

### The following changes in International Financial Reporting Standards and Interpretations were applied for the first time in the financial year

From 1 January 2011 Swisscom applies various changes to existing International Financial Reporting Standards (IFRSs) and Interpretations, which have no material impact on the results of operations or the financial situation of the Group.

## Voluntary change in accounting policies

To increase reporting transparency, actuarial gains and losses arising from defined benefit pension plans are no longer recognised using the “corridor” method but instead are reported in full in the period in which they occur, under other comprehensive income. Under the corridor method, actuarial gains and losses were recognised as a personnel expense over the assumed average remaining working lives of the insured to the extent they exceeded 10% of the greater of the defined benefit obligation or fair value of the plan assets. The change has been made retrospectively. The effects on the consolidated balance sheet, the consolidated income statement and the consolidated statement of comprehensive income are as follows:

In CHF million

	Reported	Adjustment	Restated
<b>Balance sheet at 1 January 2010</b>			
Deferred tax assets	57	116	173
Defined benefit assets	38	(38)	–
Defined benefit obligations	351	476	827
<b>Equity</b>	<b>6,610</b>	<b>(398)</b>	<b>6,212</b>
Share of equity attributable to equity holders of Swisscom Ltd	6,291	(390)	5,901
Share of equity attributable to minority interests	319	(8)	311

### Balance sheet at 1 January 2011

Deferred tax assets	71	271	342
Defined benefit assets	263	(263)	–
Defined benefit obligations	341	942	1,283
<b>Equity</b>	<b>6,284</b>	<b>(934)</b>	<b>5,350</b>
Share of equity attributable to equity holders of Swisscom Ltd	6,256	(926)	5,330
Share of equity attributable to minority interests	28	(8)	20

### Income statement full year 2010

Personnel expense	(2,520)	2	(2,518)
<b>Net income</b>	<b>1,786</b>	<b>2</b>	<b>1,788</b>
Share of net income attributable to equity holders of Swisscom Ltd	1,811	2	1,813
Share of net income attributable to minority interests	(25)	–	(25)
Earnings per share	34.96	0.04	35.00

### Income statement 1<sup>st</sup> half-year 2010

Personnel expense	(1,296)	1	(1,295)
<b>Net income</b>	<b>873</b>	<b>1</b>	<b>874</b>
Share of net income attributable to equity holders of Swisscom Ltd	887	1	888
Share of net income attributable to minority interests	(14)	–	(14)
Earnings per share	17.12	0.02	17.14

### Income statement 2<sup>nd</sup> quarter 2010

Personnel expense	(645)	1	(644)
<b>Net income</b>	<b>496</b>	<b>1</b>	<b>497</b>
Share of net income attributable to equity holders of Swisscom Ltd	493	1	494
Share of net income attributable to minority interests	3	–	3
Earnings per share	9.52	0.02	9.54



In CHF million

	Reported	Adjustment	Restated
<b>Comprehensive income full year 2010</b>			
<b>Net income</b>	<b>1,786</b>	<b>2</b>	<b>1,788</b>
Actuarial gains and losses of defined benefit obligations	–	(693)	(693)
Income tax expense	271	156	427
<b>Other comprehensive income</b>	<b>(719)</b>	<b>(537)</b>	<b>(1,256)</b>
<b>Comprehensive income</b>	<b>1,067</b>	<b>(535)</b>	<b>532</b>
Share of comprehensive income attributable to equity holders of Swisscom Ltd	1,121	(535)	586
Share of comprehensive income attributable to minority interests	(54)	–	(54)

**Comprehensive income 1<sup>st</sup> half-year 2010**

<b>Net income</b>	<b>873</b>	<b>1</b>	<b>874</b>
Actuarial gains and losses of defined benefit obligations	–	(880)	(880)
Income tax expense	–	198	198
<b>Other comprehensive income</b>	<b>(686)</b>	<b>(682)</b>	<b>(1,368)</b>
<b>Comprehensive income</b>	<b>187</b>	<b>(681)</b>	<b>(494)</b>
Share of comprehensive income attributable to equity holders of Swisscom Ltd	230	(681)	(451)
Share of comprehensive income attributable to minority interests	(43)	–	(43)

**Comprehensive income 2<sup>nd</sup> quarter 2010**

<b>Net income</b>	<b>496</b>	<b>1</b>	<b>497</b>
Actuarial gains and losses of defined benefit obligations	–	(856)	(856)
Income tax expense	–	193	193
<b>Other comprehensive income</b>	<b>(438)</b>	<b>(663)</b>	<b>(1,101)</b>
<b>Comprehensive income</b>	<b>58</b>	<b>(662)</b>	<b>(604)</b>
Share of comprehensive income attributable to equity holders of Swisscom Ltd	73	(662)	(589)
Share of comprehensive income attributable to minority interests	(15)	–	(15)

The definitive allocation of actuarial gains and losses to Group companies was carried out in the second quarter of 2011. This resulted in changes to deferred income tax assets and to income taxes recognised in other comprehensive income. The positive effect on deferred income tax assets and equity at 1 January 2010 and 31 December 2010 amounts to CHF 22 million and CHF 72 million respectively. In the first quarter of 2010 income tax expense recognised in other comprehensive income fell by CHF 10 million to CHF 5 million. Other comprehensive income for the period improved accordingly, from CHF –277 million to CHF –267 million. In the first quarter of 2011 income tax expense recognised in other comprehensive income rose by CHF 22 million to CHF 134 million. Other comprehensive income for the period fell accordingly, from CHF 487 million to CHF 465 million.

**Change in useful lives of tangible assets**

Following agreements between Swisscom and regional utilities concerning the joint construction of fibre-optic networks, a review of the useful lives of fibre-optic cables was carried out. Until now Swisscom has applied a useful life of 20 years for these cables. As a result of the review and taking economic aspects into account, the useful life for fibre-optic cables was adjusted from 20 years to 30 years. The change is in accordance with IAS 8 and has been applied prospectively from 1 January 2011. The impact on depreciation amounts to CHF 14 million for the full year 2011 and to CHF 7 million for the first half of 2011.

## 2 Purchase of minority interests

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 takeover bid for the remaining 17.92% of Fastweb shares. The bid period ran until 12 November 2010. Swisscom offered a price of EUR 18.00 per Fastweb share. By the end of the bid period 12.75% of the shares had been tendered, corresponding to a purchase price of EUR 183 million (CHF 243 million). By the end of 2010 a further 0.16% share had been acquired via the stock exchange for EUR 2 million (CHF 3 million). A buyout process was initiated for the remaining 5.01% of Fastweb's shares and a financial liability of EUR 71 million (CHF 96 million) was recognised at 31 December 2010. The bid price per Fastweb share in the buyout process was EUR 18.00. In the buyout process, completed in March 2011, a further 3.16% of the shares were tendered. In addition, Swisscom purchased the remaining Fastweb shares that were still on the market and on 22 March 2011 delisted Fastweb from the Milan stock exchange. The total purchase price for the outstanding minority shares amounted to EUR 256 million (CHF 342 million). Transaction costs of CHF 7 million were incurred in connection with the buyout of the outstanding minority shares.

## 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.

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

Group Headquarters charges no management fees to other segments, nor does the Network & IT segment charge any network costs to other segments. The results of the Residential Customers, Small & Medium-Sized Enterprises and Wholesale segments therefore correspond to a contribution margin before network costs. The segment result of the Network & IT segment consists of operating expenses as well as depreciation and amortisation less capitalised costs of self-constructed assets and other income. The total segment result for Swisscom Switzerland corresponds to the operating income (EBIT) of Swisscom Switzerland. 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 expense and depreciation, amortisation and impairment losses on property, plant and equipment as well as intangible assets. Segment expense includes goods and services purchased, personnel expense and other operating expenses less capitalised costs of self-constructed assets and other income.

Other intersegment services are billed at market prices. Recharging services and sales of assets between the individual segments can result in unrealised gains or losses. These are eliminated and reported under segment information in the "Elimination" column.

Net revenue and results of the individual segments for the first half of 2010 and 2011 are as follows:

1 <sup>st</sup> half-year 2011, in CHF million	Swisscom Switzerland	Fastweb	Other operating segments	Group Head- quarters	Elimi- nation	Total
Net revenue from external customers	4,155	1,102	465	—	—	5,722
Net revenue with other segments	33	6	387	3	(429)	—
<b>Net revenue</b>	<b>4,188</b>	<b>1,108</b>	<b>852</b>	<b>3</b>	<b>(429)</b>	<b>5,722</b>
<b>Segment result</b>	<b>1,394</b>	<b>(66)</b>	<b>66</b>	<b>(61)</b>	<b>(7)</b>	<b>1,326</b>
Financial income and financial expense, net						(136)
Share of results of associated companies						9
<b>Income before income taxes</b>						<b>1,199</b>
Income tax expense						(237)
<b>Net income</b>						<b>962</b>

1 <sup>st</sup> half-year 2011, in CHF million	Residential Customers	Small & Medium- Sized Enterprises	Corporate Business	Wholesale	Networks & IT	Elimination	Swisscom Switzerland
Net revenue from external customers	2,414	558	869	314	—	—	4,155
Net revenue with other segments	120	24	56	194	—	(361)	33
<b>Net revenue</b>	<b>2,534</b>	<b>582</b>	<b>925</b>	<b>508</b>	<b>—</b>	<b>(361)</b>	<b>4,188</b>
<b>Segment result</b>	<b>1,453</b>	<b>431</b>	<b>448</b>	<b>194</b>	<b>(1,132)</b>	<b>—</b>	<b>1,394</b>

1 <sup>st</sup> half-year 2010, in CHF million, restated	Swisscom Switzerland	Fastweb	Other operating segments	Group Head- quarters	Elimi- nation	Total
Net revenue from external customers	4,190	1,323	433	—	—	5,946
Net revenue with other segments	33	8	395	3	(439)	—
<b>Net revenue</b>	<b>4,223</b>	<b>1,331</b>	<b>828</b>	<b>3</b>	<b>(439)</b>	<b>5,946</b>
<b>Segment result</b>	<b>1,383</b>	<b>(95)</b>	<b>75</b>	<b>(67)</b>	<b>2</b>	<b>1,298</b>
Financial income and financial expense, net						(164)
Share of results of associated companies						11
<b>Income before income taxes</b>						<b>1,145</b>
Income tax expense						(271)
<b>Net income</b>						<b>874</b>

1 <sup>st</sup> half-year 2010, in CHF million	Residential Customers	Small & Medium- Sized Enterprises	Corporate Business	Wholesale	Networks & IT	Elimi- nation	Swisscom Switzerland
Net revenue from external customers	2,392	554	848	396	—	—	4,190
Net revenue with other segments	147	27	65	260	—	(466)	33
<b>Net revenue</b>	<b>2,539</b>	<b>581</b>	<b>913</b>	<b>656</b>	<b>—</b>	<b>(466)</b>	<b>4,223</b>
<b>Segment result</b>	<b>1,474</b>	<b>428</b>	<b>462</b>	<b>228</b>	<b>(1,208)</b>	<b>(1)</b>	<b>1,383</b>

## 4 Net financial result

In CHF million	1 <sup>st</sup> half-year 2011	1 <sup>st</sup> half-year 2010
Interest income	26	21
Interest expense	(135)	(150)
<b>Net interest expense</b>	<b>(109)</b>	<b>(129)</b>
Foreign exchange losses	(13)	(30)
Other financial income and expense, net	(14)	(5)
<b>Financial income and financial expense, net</b>	<b>(136)</b>	<b>(164)</b>

## 5 Financial liabilities

In CHF million	30.6.2011	31.12.2010
Money market borrowings	850	700
Bank loans	158	16
Debenture bonds	117	76
Private placements	5	1
Finance lease liabilities	22	14
Other financial liabilities	51	134
<b>Total current financial liabilities</b>	<b>1,203</b>	<b>941</b>
Bank loans	1,355	1,444
Debenture bonds	5,121	5,119
Private placements	1,395	1,408
Finance lease liabilities	645	661
Other financial liabilities	216	199
<b>Total non-current financial liabilities</b>	<b>8,732</b>	<b>8,831</b>
<b>Total financial liabilities</b>	<b>9,935</b>	<b>9,772</b>

## 6 Provisions

In CHF million	Dismant- lement and restora- tion costs	Regulatory proceedings	Other	Total
<b>Balance at 31 December 2010</b>	<b>487</b>	<b>159</b>	<b>216</b>	<b>862</b>
Additions of provisions	2	11	20	33
Present-value adjustments	6	1	1	8
Release of unused provisions	(7)	–	(9)	(16)
Use of provisions	–	(13)	(21)	(34)
Foreign currency translation adjustments	–	–	(2)	(2)
<b>Balance at 30 June 2011</b>	<b>488</b>	<b>158</b>	<b>205</b>	<b>851</b>
Thereof current provisions	–	15	114	129
Thereof non-current provisions	488	143	91	722

### Provisions for dismantlement and restoration costs

The provisions for dismantling and restoration costs relate to the dismantling of mobile base stations and transmitters of Swisscom Broadcast and restoration of the land held by third-party owners to its original state. The majority of the provision is expected to be settled subsequent to 2020.

### Provisions for regulatory proceedings

In accordance with the terms of the revised Telecommunications Act, Swisscom provides interconnection services and other access services to other providers of telecoms services in Switzerland. During the last years several telecoms service providers have filed applications with the Federal Communications Commission (ComCom) calling for a reduction in the charges billed to them by Swisscom. On the basis of legal assessments Swisscom has in the past recognised provisions. The provisions recognised in the 2010 consolidated financial statements have not changed to any material extent in the current financial year. Payment of the remaining claims is dependent on the timing of the legally binding rulings and decisions.

### Other provisions

Other provisions mainly include provisions for the VAT proceedings against Fastweb, termination benefits, environmental, contractual and tax risks, as well as provisions for claims. The other provisions recognised in the 2010 consolidated financial statements have not changed to any material extent in the current financial year.

## 7 Contingent liabilities

### Antitrust proceedings relating to mobile termination charges

On 15 October 2002 the Competition Commission launched an investigation into the mobile termination charges against the three mobile phone operators Swisscom, Sunrise and Orange. These are the charges that a mobile phone operator levies on other telecoms service providers for routing calls through its network. The Competition Commission concluded in its investigation that Swisscom commanded a dominant position in the market and that Swisscom had abused this position by levying unreasonably high charges on other telecoms service providers between 1 April 2004 and 31 May 2005. It therefore imposed a fine of CHF 333 million on Swisscom on 5 February 2007. At the same time, the Competition Commission continued its investigation into the mobile termination charges of all three mobile phone operators for the period after 31 May 2005. Following an appeal by Swisscom, the Federal Administrative Court confirmed in its decision of 24 February 2010 that Swisscom did command a dominant position in the mobile termination market, but rejected the Competition Commission's allegation of abuse and overturned the fine. Swisscom filed a complaint with the Federal Supreme Court against the allegation that it occupied a dominant market position, while the Federal Department of Economic Affairs (FDEA) challenged the rejection of the abuse allegation and the overturning of the fine. In its ruling of 11 April 2011 the Federal Supreme Court rejected the complaint of the FDEA and upheld Swisscom's appeal against the allegation that it commanded a market-dominant position. In its ruling, the Federal Supreme Court states that Swisscom had not acted improperly in setting mobile termination charges and that there is no legal basis to conclude that the company occupies a dominant position in the market. The Federal Supreme Court therefore agrees with Swisscom's argumentation and fully overturns the sanction ruling imposed by the Competition Commission with respect to mobile termination charges. As a result, Swisscom is not required to pay the fine of CHF 333 million imposed by the Competition Commission. Swisscom had not recognised any provisions for the sanction proceedings.

### **Investigation of the Competition Commission into the relationship between ADSL wholesale prices and ADSL retail prices**

On 12 November 2008 the Secretariat of the Competition Commission submitted to Swisscom its proposal for the Competition Commission for the imposition of a fine of CHF 237 million on the grounds that Swisscom had abused its market-dominant position in ADSL services, with a request for comment. In its decision of 5 November 2009, the Competition Commission imposed a fine of CHF 220 million on Swisscom for 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 imposed and has therefore not recognised any provisions in its consolidated financial statements as at 30 June 2011.

### **Other antitrust and regulatory proceedings**

With regard to the other contingent liabilities described in the 2010 consolidated financial statements relating to antitrust and regulatory proceedings, Swisscom is of the opinion that it is unlikely that any fine will be imposed and has therefore not recognised any provisions in the consolidated financial statements as at 30 June 2011. In the event of a court ruling that Swisscom has abused its market position, claims may be brought against Swisscom under civil law. Swisscom still considers it unlikely that such civil law claims could be enforced.

## **8 Dividends**

The Annual General Meeting of Swisscom Ltd approved the payment of a gross dividend of CHF 21 per share on 20 April 2011. A total dividend of CHF 1,088 million was paid out on 29 April 2011.

## **9 Related parties**

Transactions between Swisscom and various related parties in the first half of 2011 are similar to those explained in the consolidated financial statements for 2010.

## **10 Events after the balance sheet date**

### **Approval of the interim report**

The Board of Directors of Swisscom Ltd approved the release of this interim report on 10 August 2011.

# Auditors' report on the review

## Auditors' report on the review to the Board of Directors of Swisscom Ltd, Ittigen

### Introduction

We have been engaged to review the accompanying consolidated condensed balance sheet of Swisscom Ltd as at June 30, 2011, and the related consolidated condensed statements of income, comprehensive income, cash flows and changes in equity for the six-month period then ended, and selected explanatory notes (the consolidated interim financial information) on pages 18 to 30. The Board of Directors is responsible for the preparation and presentation of this consolidated interim financial information in accordance with International Accounting Standard 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

### Scope of Review

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

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information as at June 30, 2011, is not prepared, in all material respects, in accordance with International Accounting Standard 34 *Interim Financial Reporting*.

KPMG AG

Rolf Hauenstein  
Licensed Audit Expert

Daniel Haas  
Licensed Audit Expert

Gümligen-Berne, 10 August 2011

# Share information

31.12.2010–30.6.2011

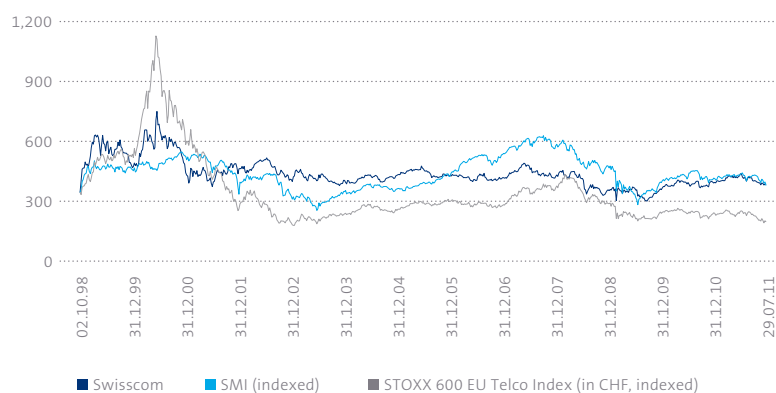
virt-x

Quoted price at 31 December 2010 in CHF <sup>1</sup>	411.10
Quoted price at 30 June 2011 in CHF <sup>1</sup>	385.50
Change in %	(6.2)
Year high in CHF <sup>1</sup>	433.50
Year low in CHF <sup>1</sup>	374.30
Total trading volume	13,145,252
Daily average of traded shares	105,162
Total turnover in CHF million	5,320.8
Daily average in CHF million	42.6

Source: Bloomberg  
<sup>1</sup> paid prices

## Share performance since the IPO

Share performance 1998–2011 in CHF





## Share information

On 30 June 2011 the share capital consisted of a total of 51,801,943 registered shares, the majority of which are held by the Swiss Confederation in accordance with the terms of the Telecommunications Enterprise Act (TEA). The par value per registered share is CHF 1.

At the end of June 2011 Swisscom had 61,880 registered shareholders and around 16% unregistered shareholdings.

At the Annual General Meeting of 20 April 2011 the shareholders of Swisscom Ltd approved a gross dividend payment of CHF 21 per share. A total dividend of CHF 1,088 million was paid out on 29 April 2011.

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

## Financial calendar

- > 9 November 2011      2011 Third-Quarter Results
- > 15 February 2012    2011 Annual Results
- > 4 April 2012         Annual General Meeting

## Stock exchanges

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

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

## Quarterly review 2010 and 2011

In CHF million, except where indicated	1 <sup>st</sup> quarter	2 <sup>nd</sup> quarter	3 <sup>rd</sup> quarter	4 <sup>th</sup> quarter	2010	1 <sup>st</sup> quarter	2 <sup>nd</sup> quarter	3 <sup>rd</sup> quarter	4 <sup>th</sup> quarter	1 <sup>st</sup> half-year 2011
<b>Net revenue</b>	<b>2,953</b>	<b>2,993</b>	<b>3,030</b>	<b>3,012</b>	<b>11,988</b>	<b>2,862</b>	<b>2,860</b>			<b>5,722</b>
Goods and services purchased	(642)	(626)	(671)	(726)	(2,665)	(599)	(578)			(1,177)
Personnel expense	(651)	(644)	(583)	(640)	(2,518)	(635)	(638)			(1,273)
Other operating expense	(676)	(572)	(594)	(668)	(2,510)	(577)	(578)			(1,155)
Capitalised costs and other income	74	79	76	75	304	75	78			153
<b>Operating income (EBITDA)</b>	<b>1,058</b>	<b>1,230</b>	<b>1,258</b>	<b>1,053</b>	<b>4,599</b>	<b>1,126</b>	<b>1,144</b>			<b>2,270</b>
Depreciation and amortisation	(501)	(489)	(488)	(494)	(1,972)	(478)	(466)			(944)
<b>Operating income (EBIT)</b>	<b>557</b>	<b>741</b>	<b>770</b>	<b>559</b>	<b>2,627</b>	<b>648</b>	<b>678</b>			<b>1,326</b>
Net financial result	(64)	(100)	(113)	(88)	(365)	(42)	(94)			(136)
Share of results of associated companies	4	7	7	10	28	4	5			9
<b>Income before income taxes</b>	<b>497</b>	<b>648</b>	<b>664</b>	<b>481</b>	<b>2,290</b>	<b>610</b>	<b>589</b>			<b>1,199</b>
Income tax expense	(120)	(151)	(129)	(102)	(502)	(136)	(101)			(237)
<b>Net income</b>	<b>377</b>	<b>497</b>	<b>535</b>	<b>379</b>	<b>1,788</b>	<b>474</b>	<b>488</b>			<b>962</b>
Attributable to equity holders of Swisscom Ltd	394	494	536	389	1,813	469	485			954
Attributable to minority interests	(17)	3	(1)	(10)	(25)	5	3			8
Earnings per share in CHF	7.61	9.54	10.35	7.50	35.00	9.05	9.36			18.42

### Net revenue by segments

Swisscom Switzerland	2,091	2,132	2,177	2,166	8,566	2,084	2,104			4,188
Fastweb	672	659	624	621	2,576	562	546			1,108
Other operating segments	408	420	451	457	1,736	422	430			852
Group Headquarters	1	2	1	2	6	2	1			3
Intersegment elimination	(219)	(220)	(223)	(234)	(896)	(208)	(221)			(429)
<b>Total net revenue</b>	<b>2,953</b>	<b>2,993</b>	<b>3,030</b>	<b>3,012</b>	<b>11,988</b>	<b>2,862</b>	<b>2,860</b>			<b>5,722</b>

### Segment result before depreciation and amortisation

Swisscom Switzerland	929	972	1,012	891	3,804	947	947			1,894
Fastweb	82	203	188	116	589	139	152			291
Other operating segments	81	86	98	75	340	70	79			149
Group Headquarters	(32)	(28)	(36)	(27)	(123)	(25)	(30)			(55)
Intersegment elimination	(2)	(3)	(4)	(2)	(11)	(5)	(4)			(9)
<b>Total segment result (EBITDA)</b>	<b>1,058</b>	<b>1,230</b>	<b>1,258</b>	<b>1,053</b>	<b>4,599</b>	<b>1,126</b>	<b>1,144</b>			<b>2,270</b>

### Capital expenditure

Swisscom Switzerland	222	259	303	420	1,204	270	333			603
Fastweb	144	149	128	164	585	126	123			249
Other operating segments	19	24	36	51	130	32	36			68
Intersegment elimination	(2)	(1)	(5)	(8)	(16)	(6)	(5)			(11)
<b>Total capital expenditure</b>	<b>383</b>	<b>431</b>	<b>462</b>	<b>627</b>	<b>1,903</b>	<b>422</b>	<b>487</b>			<b>909</b>

### Number of full-time equivalent employees at end of period

Swisscom Switzerland	11,811	11,710	11,665	11,716	11,716	11,814	11,942			11,942
Fastweb	3,119	3,133	3,125	3,123	3,123	3,103	3,101			3,101
Other operating segments	4,160	4,296	4,381	4,368	4,368	4,394	4,431			4,431
Group Headquarters	337	341	340	340	340	353	355			355
<b>Total full-time equivalent employees</b>	<b>19,427</b>	<b>19,480</b>	<b>19,511</b>	<b>19,547</b>	<b>19,547</b>	<b>19,664</b>	<b>19,829</b>			<b>19,829</b>
Operating free cash flow	742	674	607	489	2,512	463	548			1,011
Net debt	8,537	9,227	8,807	8,848	8,848	8,559	9,356			9,356

## Quarterly review 2010 and 2011

In CHF million, except where indicated	1 <sup>st</sup> quarter	2 <sup>nd</sup> quarter	3 <sup>rd</sup> quarter	4 <sup>th</sup> quarter	2010	1 <sup>st</sup> quarter	2 <sup>nd</sup> quarter	3 <sup>rd</sup> quarter	4 <sup>th</sup> quarter	1 <sup>st</sup> half-year 2011
<b>Swisscom Switzerland</b>										
<b>Revenue and results</b>										
Residential Customers	481	512	542	506	2,041	492	513			1,005
Small and Medium-Sized Enterprises	110	120	125	120	475	116	123			239
Corporate Business	143	153	152	152	600	150	160			310
Wholesale	98	93	92	77	360	75	66			141
<b>Revenue wireless</b>	<b>832</b>	<b>878</b>	<b>911</b>	<b>855</b>	<b>3,476</b>	<b>833</b>	<b>862</b>			<b>1,695</b>
Residential Customers	538	532	531	537	2,138	526	524			1,050
Small and Medium-Sized Enterprises	151	152	152	150	605	150	150			300
Corporate Business	185	182	180	185	732	178	179			357
Wholesale	105	95	95	86	381	86	84			170
<b>Revenue wireline</b>	<b>979</b>	<b>961</b>	<b>958</b>	<b>958</b>	<b>3,856</b>	<b>940</b>	<b>937</b>			<b>1,877</b>
Residential Customers	21	23	27	28	99	30	32			62
Small and Medium-Sized Enterprises	1	1	2	1	5	2	1			3
Corporate Business	2	1	3	2	8	3	2			5
<b>Revenue convergent products</b>	<b>24</b>	<b>25</b>	<b>32</b>	<b>31</b>	<b>112</b>	<b>35</b>	<b>35</b>			<b>70</b>
Small and Medium-Sized Enterprises	—	1	1	—	2	1	—			1
Corporate Business	32	33	31	50	146	39	47			86
<b>Revenue solutions business</b>	<b>32</b>	<b>34</b>	<b>32</b>	<b>50</b>	<b>148</b>	<b>40</b>	<b>47</b>			<b>87</b>
Residential Customers	146	139	157	177	619	153	144			297
Small and Medium-Sized Enterprises	9	9	6	12	36	7	8			15
Corporate Business	52	65	65	64	246	57	54			111
Wholesale	1	4	—	2	7	2	1			3
<b>Revenue other</b>	<b>208</b>	<b>217</b>	<b>228</b>	<b>255</b>	<b>908</b>	<b>219</b>	<b>207</b>			<b>426</b>
Residential Customers	1,186	1,206	1,257	1,248	4,897	1,201	1,213			2,414
Small and Medium-Sized Enterprises	271	283	286	283	1,123	276	282			558
Corporate Business	414	434	431	453	1,732	427	442			869
Wholesale	204	192	187	165	748	163	151			314
<b>Revenue from external customers</b>	<b>2,075</b>	<b>2,115</b>	<b>2,161</b>	<b>2,149</b>	<b>8,500</b>	<b>2,067</b>	<b>2,088</b>			<b>4,155</b>
<b>Segment result before depreciation and amortisation</b>										
Residential Customers	747	778	789	694	3,008	753	747			1,500
Small and Medium-Sized Enterprises	210	220	224	215	869	214	220			434
Corporate Business	237	252	252	250	991	230	246			476
Wholesale	119	109	102	109	439	102	92			194
Networks & IT	(384)	(386)	(356)	(376)	(1,502)	(352)	(358)			(710)
Intersegment elimination	—	(1)	1	(1)	(1)	—	—			—
<b>Segment result (EBITDA)</b>	<b>929</b>	<b>972</b>	<b>1,012</b>	<b>891</b>	<b>3,804</b>	<b>947</b>	<b>947</b>			<b>1,894</b>
Margin as % of net revenue	44.4	45.6	46.5	41.1	44.4	45.4	45.0			45.2

## Quarterly review 2010 and 2011

	1 <sup>st</sup> quarter	2 <sup>nd</sup> quarter	3 <sup>rd</sup> quarter	4 <sup>th</sup> quarter	2010	1 <sup>st</sup> quarter	2 <sup>nd</sup> quarter	3 <sup>rd</sup> quarter	4 <sup>th</sup> quarter	1 <sup>st</sup> half-year 2011
In thousand, except where indicated										
<b>Swisscom Switzerland</b>										
<b>Operational data</b>										
Residential Customers	2,581	2,542	2,507	2,475	2,475	2,444	2,412			2,412
Small and Medium-Sized Enterprises	514	513	513	512	512	512	513			513
Corporate Business	251	249	247	246	246	245	244			244
<b>Access lines PSTN/ISDN</b>	<b>3,346</b>	<b>3,304</b>	<b>3,267</b>	<b>3,233</b>	<b>3,233</b>	<b>3,201</b>	<b>3,169</b>			<b>3,169</b>
Unbundled fixed access lines	192	219	238	255	255	270	285			285
<b>Telephone access lines</b>	<b>3,538</b>	<b>3,523</b>	<b>3,505</b>	<b>3,488</b>	<b>3,488</b>	<b>3,471</b>	<b>3,454</b>			<b>3,454</b>
Residential Customers	1,333	1,349	1,369	1,396	1,396	1,413	1,421			1,421
Small and Medium-Sized Enterprises	148	152	155	158	158	162	166			166
Corporate Business	28	29	29	30	30	30	31			31
<b>Broadband access lines retail</b>	<b>1,509</b>	<b>1,530</b>	<b>1,553</b>	<b>1,584</b>	<b>1,584</b>	<b>1,605</b>	<b>1,618</b>			<b>1,618</b>
Wholesale	293	260	240	226	226	214	202			202
<b>Broadband access lines</b>	<b>1,802</b>	<b>1,790</b>	<b>1,793</b>	<b>1,810</b>	<b>1,810</b>	<b>1,819</b>	<b>1,820</b>			<b>1,820</b>
Residential Customers	268	308	348	409	409	455	497			497
Small and Medium-Sized Enterprises	7	9	10	12	12	14	15			15
<b>Swisscom TV access lines</b>	<b>275</b>	<b>317</b>	<b>358</b>	<b>421</b>	<b>421</b>	<b>469</b>	<b>512</b>			<b>512</b>
Residential customers postpaid	2,201	2,207	2,221	2,231	2,231	2,218	2,220			2,220
Residential customers prepaid	2,180	2,180	2,198	2,213	2,213	2,222	2,230			2,230
Small and Medium-Sized Enterprises	466	475	482	489	489	494	500			500
Corporate Business	744	764	789	817	817	844	876			876
<b>Mobile access lines single subscriptions</b>	<b>5,591</b>	<b>5,626</b>	<b>5,690</b>	<b>5,750</b>	<b>5,750</b>	<b>5,778</b>	<b>5,826</b>			<b>5,826</b>
Residential Customers	57	63	68	75	75	80	84			84
Small and Medium-Sized Enterprises	2	2	3	3	3	3	3			3
<b>Mobile access lines convergent products</b>	<b>59</b>	<b>65</b>	<b>71</b>	<b>78</b>	<b>78</b>	<b>83</b>	<b>87</b>			<b>87</b>
<b>Mobile access lines</b>	<b>5,650</b>	<b>5,691</b>	<b>5,761</b>	<b>5,828</b>	<b>5,828</b>	<b>5,861</b>	<b>5,913</b>			<b>5,913</b>
Residential Customers	40	42	45	41	42	39	41			40
Small and Medium-Sized Enterprises	89	95	97	90	93	85	90			87
Corporate Business	67	70	68	64	67	61	63			62
<b>ARPU mobile user per month in CHF</b>	<b>47</b>	<b>50</b>	<b>52</b>	<b>48</b>	<b>49</b>	<b>46</b>	<b>48</b>			<b>47</b>
Residential Customers	99	101	101	105	102	105	107			106
Small and Medium-Sized Enterprises	203	213	212	214	211	205	211			208
Corporate Business	168	168	162	164	166	156	156			156
<b>AMPU mobile user per month in minutes</b>	<b>116</b>	<b>119</b>	<b>118</b>	<b>122</b>	<b>119</b>	<b>120</b>	<b>123</b>			<b>121</b>
Traffic retail in million minutes	2,434	2,269	2,162	2,297	9,162	2,242	2,052			4,294
Traffic wholesale in million minutes	2,642	2,394	2,222	2,381	9,639	2,363	2,170			4,533

In EUR million, except where indicated

### Fastweb

Residential Customers	223	218	217	200	858	191	194			385
Small and Medium-Sized Enterprises	60	63	55	58	236	56	56			112
Corporate Business	177	189	195	215	776	186	188			374
<b>Revenue from external customers</b>	<b>460</b>	<b>470</b>	<b>467</b>	<b>473</b>	<b>1,870</b>	<b>433</b>	<b>438</b>			<b>871</b>
Segment result (EBITDA)	57	143	141	92	433	107	123			230
Broadband access lines in thousand	1,678	1,694	1,712	1,724	1,724	1,733	1,741			1,741

## Forward-looking statements

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

