

2011

Interim Report
January–September



swisscom

Facts & figures

In CHF million, except where indicated	1.1.–30.9.2011	1.1.–30.9.2010	Change
Net revenue and results			
Net revenue	8,538	8,976	–4.9%
Operating income before depreciation and amortisation (EBITDA) ¹	3,520	3,546	–0.7%
EBITDA as % of net revenue	% 41.2	39.5	
Operating income (EBIT) ²	2,107	2,068	1.9%
Net income	1,528	1,409	8.4%
Share of net income attributable to equity holders of Swisscom Ltd	1,518	1,424	6.6%
Earnings per share	CHF 29.30	27.49	6.6%
Balance sheet and cash flows			
Equity at end of period	5,082	5,029	1.1%
Equity ratio at end of period ³	% 24.2	23.9	
Operating free cash flow ⁴	1,533	2,023	–24.2%
Capital expenditure ⁵	1,465	1,276	14.8%
Net debt at end of period ⁶	8,789	8,807	–0.2%
Employees			
Full-time equivalent employees at end of period	FTE 20,032	19,511	2.7%
Average number of full-time equivalent employees	FTE 19,766	19,488	1.4%
Access lines in Switzerland			
Telephone PSTN/ISDN	in thousand 3,143	3,267	–3.8%
Unbundled subscribers	in thousand 297	238	24.8%
Telephone PSTN/ISDN and unbundled subscribers	in thousand 3,440	3,505	–1.9%
Broadband retail	in thousand 1,635	1,553	5.3%
Broadband wholesale	in thousand 192	240	–20.0%
Swisscom TV	in thousand 556	358	55.3%
Mobile	in thousand 5,980	5,761	3.8%
Access lines in Italy			
Broadband ⁷	in thousand 1,560	1,712	–8.9%
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	51.800	–
Quoted price at end of period	CHF 370.80	396.30	–6.4%
Market capitalisation at end of period ⁸	19,208	20,528	–6.4%

¹ 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.

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

³ Equity as a percentage of total assets.

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

⁵ Excluding expenditures in fibre-optic cooperations.

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

⁷ As a result of the settlement of litigations Fastweb reduced the number of access lines by 197,000 in the third quarter of 2011.

⁸ 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	1.1.-30.9.2011	1.1.-30.9.2010	Change
Net revenue	8,538	8,976	-4.9%
Operating income before depreciation and amortisation (EBITDA)	3,520	3,546	-0.7%
EBITDA as % of net revenue	41.2	39.5	
Operating income (EBIT)	2,107	2,068	1.9%
Net income	1,528	1,409	8.4%
Earnings per share (in CHF)	29.30	27.49	6.6%
Capital expenditure	1,465	1,276	14.8%
Net debt at end of period	8,789	8,807	-
Full-time equivalent employees at end of period	20,032	19,511	2.7%

Swisscom posted a fall in net revenue in the first nine months of 2011 of CHF 438 million or 4.9% to CHF 8,538 million and a drop in operating income before depreciation and amortisation (EBITDA) of CHF 26 million or 0.7% to CHF 3,520 million. Price erosion in Swiss core business of CHF 438 million was not offset by CHF 343 million in customer and volume growth. Revenue and income performance was heavily impacted by the appreciation of the Swiss franc. The average CHF/EUR exchange rate fell by 11% year-on-year. The result was also impacted by one-off items at Fastweb. Following the settlement of litigations with another telecoms provider, Fastweb will receive a one-off payment of EUR 56 million (CHF 69 million), which has been recognised in the third quarter of 2011 under other income. A provision of EUR 70 million (CHF 102 million) was also recognised in the first quarter of 2010 for VAT proceedings against Fastweb. At constant exchange rates and adjusted for the aforementioned one-off items at Fastweb, net revenue was down by 2.6% and EBITDA fell by 3.9% year-on-year. Fastweb's net revenue fell by 7.8% in local currency terms to EUR 1,295 million. Excluding Fastweb, net revenue declined by 1.2% or CHF 86 million to CHF 6,946 million. The decrease in adjusted EBITDA is mainly due to a declining operating income at Fastweb and higher subscriber acquisition and retention costs and increased expenditure on advertising and promotion in Switzerland.

The CHF 119 million or 8.4% increase in net income to CHF 1,528 million is attributable primarily to the aforementioned one-off items at Fastweb. Earnings per share rose by 6.6% to CHF 29.30. Capital expenditure increased by CHF 189 million or 14.8% to CHF 1,465 million, mainly due to increased investments in the Swiss telecommunications infrastructure.

Net debt fell by CHF 59 million from the end of 2010 to CHF 8,789 million at the end of September. Headcount grew year-on-year by 521 FTEs or 2.7% to 20,032 FTEs, due to an increase in customer service personnel and the insourcing of external staff at Swisscom Switzerland, the acquisition of subsidiaries and increased investments in network expansion in Switzerland.

The financial outlook for the 2011 business year remains unchanged: assuming an average CHF/EUR exchange rate of 1.20, Swisscom expects to close 2011 with net revenue of around CHF 11.5 billion, EBITDA of around CHF 4.6 billion, and capital expenditure in the region of CHF 2.0 billion. Swisscom continues to expect to pay a minimum dividend per share for 2011 of CHF 21.

Segment results

In CHF million	3 rd quarter 2011	3 rd quarter 2010	Change	1.1.– 30.9.2011	1.1.– 30.9.2010	Change
Swisscom Switzerland	2,117	2,177	–2.8%	6,305	6,400	–1.5%
Fastweb	492	624	–21.2%	1,600	1,955	–18.2%
Other operating segments	433	451	–4.0%	1,285	1,279	0.5%
Group Headquarters	2	1	–	5	4	–
Intersegment elimination	(228)	(223)	2.2%	(657)	(662)	–0.8%
Total net revenue	2,816	3,030	–7.1%	8,538	8,976	–4.9%

In CHF million	3 rd quarter 2011	3 rd quarter 2010	Change	1.1.– 30.9.2011	1.1.– 30.9.2010	Change
Swisscom Switzerland	985	1,012	–2.7%	2,879	2,913	–1.2%
Fastweb	212	188	12.8%	503	473	6.3%
Other operating segments	89	98	–9.2%	238	265	–10.2%
Group Headquarters	(30)	(36)	–16.7%	(85)	(96)	–11.5%
Intersegment elimination	(6)	(4)	–	(15)	(9)	–
Total operating income before depreciation and amortisation (EBITDA)	1,250	1,258	–0.6%	3,520	3,546	–0.7%

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", 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 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 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 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 impairments 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. Group Headquarters charges no financial 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	3 rd quarter 2011	3 rd quarter 2010	Change	11.– 30.9.2011	11.– 30.9.2010	Change
Revenue from external customers	2,101	2,161	-2.8%	6,256	6,351	-1.5%
Intersegment revenue	16	16	–	49	49	–
Net revenue Swisscom Switzerland	2,117	2,177	-2.8%	6,305	6,400	-1.5%
Direct costs	(437)	(481)	-9.1%	(1,295)	(1,354)	-4.4%
Indirect costs (including capitalised costs and other income)	(695)	(684)	1.6%	(2,131)	(2,133)	-0.1%
Total segment expense	(1,132)	(1,165)	-2.8%	(3,426)	(3,487)	-1.7%
Segment result before depreciation and amortisation	985	1,012	-2.7%	2,879	2,913	-1.2%
<i>Margin as % of net revenue</i>	<i>46.5</i>	<i>46.5</i>		<i>45.7</i>	<i>45.5</i>	
Depreciation, amortisation and impairment losses	(243)	(256)	-5.1%	(743)	(774)	-4.0%
Segment result	742	756	-1.9%	2,136	2,139	-0.1%
Capital expenditure	378	303	24.8%	981	784	25.1%
Full-time equivalent employees at end of period				12,131	11,665	4.0%
Telephone access lines PSTN/ISDN in thousand				3,143	3,267	-3.8%
Unbundled fixed access lines in thousand				297	238	24.8%
Total telephone access lines in thousand				3,440	3,505	-1.9%
Broadband access lines retail in thousand				1,635	1,553	5.3%
Broadband access lines wholesale in thousand				192	240	-20.0%
Swisscom TV access lines in thousand				556	358	55.3%
Mobile access lines in thousand				5,980	5,761	3.8%
Average revenue per mobile user (ARPU) per month in CHF				48	50	-4.0%
Average minutes per mobile user (AMPU) per month				121	118	2.5%

Revenue from external customers fell by CHF 95 million or 1.5% to CHF 6,256 million (–2.8% in the third quarter). Price erosion in Swiss core business of CHF 438 million was not offset by CHF 343 million in customer and volume growth. Bundled offerings such as Vivo Casa, which combines wireline access with telephony, Internet and TV, are still very much in demand. At the beginning of August 2011 Swisscom launched Vivo Tutto, the first nationwide bundled offering to also include mobile. At the end of September 2011 a total of 563,000 customers were using bundled products. The number of Swisscom TV subscribers increased year-on-year by 198,000 or 55.3% to 556,000. The number of PSTN/ISDN access lines decreased by 124,000 or 3.8% to 3.1 million due to loss of market share to cable network operators and an increase in unbundled access lines of 59,000 to 297,000. As a consequence of unbundling, the number of wholesale broadband access lines fell by 48,000 to 192,000, while residential broadband access lines grew by 82,000 or 5.3% to 1.64 million in the space of a year. The number of mobile connections increased year-on-year by 219,000 or 3.8% to 5.98 million. In the first nine months of 2011 Swisscom sold 988,000 mobile handsets (+3.7%), of which around 60% were smartphones. While strong growth in smartphone sales 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 up CHF 41 million or 12.5%, at CHF 364 million (+2.8% in the third quarter). The reduction in data roaming prices in December 2010 resulted in a CHF 49 million drop in revenue in the first nine months of 2011. Average monthly revenue per user (ARPU) fell by 4.0% to CHF 48, due to lower prices and new tariff models.

At CHF 2,879 million, the segment result before depreciation and amortisation fell by CHF 34 million or 1.2% year-on-year (–2.7% in the third quarter). This is mainly due to higher subscriber acquisition and retention costs and increased expenditure on advertising and promotion. The 25.1% or CHF 197 million increase in capital expenditure to CHF 981 million (+24.8% in the third quarter) is largely attributable to the continued expansion of the fibre-optic network and the mobile network. The increase in headcount of 466 or 4.0% to 12,131 FTEs is due to an increase in customer service personnel, insourcing of external staff and acquisition of subsidiaries.

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	3 rd quarter 2011	3 rd quarter 2010	Change	1.1.– 30.9.2011	1.1.– 30.9.2010	Change
Revenue from external customers	1,232	1,257	-2.0%	3,646	3,649	-0.1%
Intersegment revenue	59	78	-24.4%	179	225	-20.4%
Net revenue	1,291	1,335	-3.3%	3,825	3,874	-1.3%
Segment expenses	(530)	(546)	-2.9%	(1,564)	(1,560)	0.3%
Segment result before depreciation and amortisation¹	761	789	-3.5%	2,261	2,314	-2.3%
Margin as % of net revenue	58.9	59.1		59.1	59.7	
Capital expenditure				92	88	4.5%
Full-time equivalent employees at end of period				4,739	4,605	2.9%
Telephone access lines PSTN/ISDN in thousand				2,383	2,507	-4.9%
Broadband access lines in thousand				1,432	1,369	4.6%
Swisscom TV access lines in thousand				539	348	54.9%
Mobile access lines in thousand				4,563	4,487	1.7%

¹ Excluding own network costs.

Revenue from external customers remained stable in the first nine months of 2011. At CHF 3,646 million, revenue is 0.1% or CHF 3 million down year-on-year (-2.0% in the third quarter). Price erosion was offset by sustained customer growth, the positive trend in new bundled offerings, higher sales of smartphones and the resulting increase in mobile data service usage. 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 lines. The number of mobile subscribers grew year-on-year by 76,000 or 1.7% to 4.56 million. Lower revenue from traditional fixed-network voice and telephone line business was partially offset by growth in broadband, Swisscom TV and bundled offerings. The number of broadband access lines rose by 63,000 or 4.6% year-on-year to CHF 1.43 million, while the number of Swisscom TV subscribers grew by 54.9% or 191,000 to 539,000 in the space of a year. Bundled offerings are still very much in demand. At 30 September 2011 the Residential Customers segment had 529,000 customers subscribing to bundled products. CHF 1,564 million, segment expense was CHF 4 million or 0.3% higher year-on-year (-2.9% in the third quarter). Higher expenditure on subscriber acquisition and retention as well as advertising was almost fully offset by lower termination and roaming costs. The third quarter of 2011 saw a fall in mobile handset sales versus the prior-year period. Together with falling termination and roaming costs, higher spending on advertising and customer retention could be more than offset. At CHF 2,261 million, the segment result before depreciation and amortisation was down by CHF 53 million or 2.3% year-on-year (-3.5% in the third quarter), with the profit margin decreasing by 0.6 percentage points to 59.1%. Headcount rose by 2.9% to 4,739 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, Internet and data services and 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	3 rd quarter 2011	3 rd quarter 2010	Change	1.1.– 30.9.2011	1.1.– 30.9.2010	Change
Revenue from external customers	287	286	0.3%	845	840	0.6%
Intersegment revenue	12	15	-20.0%	36	42	-14.3%
Net revenue	299	301	-0.7%	881	882	-0.1%
Segment expenses	(76)	(77)	-1.3%	(224)	(228)	-1.8%
Segment result before depreciation and amortisation¹	223	224	-0.4%	657	654	0.5%
Margin as % of net revenue	74.6	74.4		74.6	74.1	
Capital expenditure				9	5	80.0%
Full-time equivalent employees at end of period				812	743	9.3%
Telephone access lines PSTN/ISDN in thousand				516	513	0.6%
Broadband access lines in thousand				171	155	10.3%
Swisscom TV access lines in thousand				17	10	70.0%
Mobile access lines in thousand				509	485	4.9%

¹ Excluding own network costs.

Revenue from external customers grew year-on-year by CHF 5 million or 0.6% to CHF 845 million (+0.3% in the third quarter), chiefly driven by mobile connectivity 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 connections grew by 24,000 or 4.9% to 509,000. The number of broadband access lines rose year-on-year by 16,000 or 10.3% to 171,000, while the number of Swisscom TV subscribers increased by 7,000 to 17,000. Compared to the previous year, segment expense fell by CHF 4 million or 1.8% to CHF 224 million (-1.3% in the third quarter). The segment result before depreciation and amortisation rose accordingly by CHF 3 million or 0.5% to CHF 657 million and profit margin increased from 74.1% to 74.6%. Headcount increased year-on-year by 9.3% to 812 FTEs.

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	3 rd quarter 2011	3 rd quarter 2010	Change	1.1.– 30.9.2011	1.1.– 30.9.2010	Change
Revenue from external customers	431	431	–	1,300	1,279	1.6%
Intersegment revenue	28	31	–9.7%	84	96	–12.5%
Net revenue	459	462	–0.6%	1,384	1,375	0.7%
Segment expenses	(209)	(210)	–0.5%	(658)	(634)	3.8%
Segment result before depreciation and amortisation¹	250	252	–0.8%	726	741	–2.0%
Margin as % of net revenue	54.5	54.5		52.5	53.9	
Capital expenditure				73	50	46.0%
Full-time equivalent employees at end of period				2,395	2,209	8.4%
Telephone access lines PSTN/ISDN in thousand				244	247	–1.2%
Broadband access lines in thousand				32	29	10.3%
Mobile access lines in thousand				908	789	15.1%

¹ Excluding own network costs.

Revenue from external customers grew year-on-year by CHF 21 million or 1.6% to CHF 1,300 million (unchanged in the third quarter). This increase was largely the result of growth in outsourcing and project business and rising demand for mobile data services. In addition, the acquisition of Axept AG at the end of 2010 contributed CHF 16 million to the increase in revenue (CHF 4 million in the third quarter). Hence the decline in prices and volumes in the fixed-network sector and lower traffic and subscription prices in the mobile sector could be more than offset. Segment expense rose by CHF 24 million or 3.8% to CHF 658 million (–0.5% in the third quarter) due to higher headcount and increased expenditure on outsourcing and project business. Consequently, the segment result before depreciation and amortisation fell by CHF 15 million or 2.0% to CHF 726 million (–0.8% in the third quarter), while the profit margin narrowed from 53.9% to 52.5%. The increase in headcount of 186 FTEs or 8.4% to 2,395 FTEs is largely attributable to the acquisition of Axept 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 subscriber lines, cabling, 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	3 rd quarter 2011	3 rd quarter 2010	Change	1.1.– 30.9.2011	1.1.– 30.9.2010	Change
Revenue from external customers	151	187	–19.3%	465	583	–20.2%
Intersegment revenue	103	133	–22.6%	297	393	–24.4%
Net revenue	254	320	–20.6%	762	976	–21.9%
Segment expenses	(158)	(218)	–27.5%	(472)	(646)	–26.9%
Segment result before depreciation and amortisation¹	96	102	–5.9%	290	330	–12.1%
Margin as % of net revenue	37.8	31.9		38.1	33.8	
Full-time equivalent employees at end of period				108	103	4.9%
Broadband access lines in thousand				192	240	–20.0%
Unbundled fixed access lines in thousand				297	238	24.8%

¹ Excluding own network costs.

Revenue from external customers fell by CHF 118 million or 20.2% in the first nine months of 2011 to CHF 465 million (–19.3% in the third quarter). Revenue from mobile telephony declined year-on-year mainly as a result of lower termination and roaming fees. Revenue also fell due to a decline in data services and further unbundling of the local loop. The number of wholesale broadband access lines fell year-on-year by 48,000 or 20.0% to 192,000, while the number of unbundled fixed access lines increased by 59,000 or 24.8% to 297,000 over the same period. Intersegment revenue was down CHF 96 million or 24.4% to CHF 297 million (–22.6% in the third quarter), mainly as a result of lower termination and roaming fees. At CHF 472 million, segment expense fell by CHF 174 million or 26.9% year-on-year (–27.5% in the third quarter), largely as a result of the reduction in termination and roaming fees. The segment result before depreciation and amortisation dropped by CHF 40 million or 12.1% (–5.9% in the third quarter) to CHF 290 million, chiefly due to the decline in revenue from external customers. The fall in intersegment revenue had only a minimal impact on the segment's overall result. Headcount increased by 5 FTEs or 4.9% to 108 FTEs.

Network & IT

The Network & IT segment builds, operates and maintains Swisscom's countrywide fixed network and mobile communications infrastructure. It is also responsible for the associated 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	3 rd quarter 2011	3 rd quarter 2010	Change	1.1.– 30.9.2011	1.1.– 30.9.2010	Change
Operating expenses	(391)	(391)	–	(1,182)	(1,248)	–5.3%
Capitalised costs of self-constructed assets and other income	46	35	31.4%	127	122	4.1%
Segment result before depreciation and amortisation	(345)	(356)	–3.1%	(1,055)	(1,126)	–6.3%
Depreciation, amortisation and impairment losses	(205)	(216)	–5.1%	(627)	(654)	–4.1%
Segment result	(550)	(572)	–3.8%	(1,682)	(1,780)	–5.5%
Capital expenditure	307	250	22.8%	807	640	26.1%
Full-time equivalent employees at end of period				4,077	4,005	1.8%

The segment result before depreciation and amortisation improved by CHF 71 million or 6.3% in the first nine months of 2011 to CHF –1,055 million. The reason for this is the reduction in operating expense resulting mainly from cost savings due to efficiency improvements and lower termination benefits. The segment result before depreciation and amortisation improved by CHF 11 million or 3.1% compared with the prior-year quarter, mainly as a result of higher capitalised costs for self-constructed assets following an increase in project activities. The segment result improved by CHF 98 million or 5.5% year-on-year to CHF –1,682 million (3.8% improvement in the third quarter), due to a combination of the improved segment result before depreciation and amortisation and lower depreciation and amortisation. The main reason for the CHF 27 million or 4.1% decline in depreciation and amortisation to CHF 627 million (–5.1% in the third 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 167 million or 26.1% to CHF 807 million (+22.8% in the third quarter) is largely attributable to continuing expansion of the fibre-optic network and mobile network. Headcount mainly grew by 72 FTEs or 1.8% to 4,077 FTEs due to the insourcing of external personnel.

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. Fastweb offers its services in all larger towns and cities in Italy and in all market segments. The services are offered directly via the company's own fibre-optic network as well as via unbundled access lines and wholesale products of Telecom Italia.

In EUR million, except where indicated	3 rd quarter 2011	3 rd quarter 2010	Change	1.1.– 30.9.2011	1.1.– 30.9.2010	Change
Revenue from external customers	417	467	-10.7%	1,288	1,397	-7.8%
Intersegment revenue	3	3	-	7	8	-12.5%
Net revenue	420	470	-10.6%	1,295	1,405	-7.8%
Segment expenses	(243)	(329)	-26.1%	(888)	(1,064)	-16.5%
Segment result before depreciation and amortisation	177	141	25.5%	407	341	19.4%
Margin as % of net revenue	42.1	30.0		31.4	24.3	
Capital expenditure	119	97	22.7%	316	303	4.3%
Full-time equivalent employees at end of period				3,106	3,125	-0.6%
Broadband access lines in thousand ¹				1,560	1,712	-8.9%

¹ As a result of the settlement of litigations Fastweb reduced the number of access lines by 197,000 in the third quarter of 2011.

Net revenue fell year-on-year by 7.8% or EUR 110 million to EUR 1,295 million (-10.6% in the third quarter), largely as a result of lower revenue from the Residential Customers, Small and Medium-Sized Enterprises and Wholesale segments. The 2010 third-quarter results also include EUR 15 million in non-recurring revenues. 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 intense competition, resulting in a year-on-year decline in revenue per broadband customer of around 10%. Revenue from residential customers fell year-on-year by EUR 87 million or 13.2% to EUR 571 million. Litigations with another telecoms provider were settled in September 2011. The settlement resulted in Fastweb reducing its customer base by 197,000 and transferring the customer relationships to the telecoms provider in question. In return, Fastweb will receive a one-off payment in the first quarter of 2012 of EUR 56 million; the amount is recognised in the third quarter of 2011 under other income. As a result of the legal settlement, Fastweb does not expect any negative impact on future revenue as in previous quarters. Adjusted for the aforementioned customer transfer, Fastweb increased the number of broadband access lines year-on-year by 45,000 or 3.0% to 1.56 million. At the end of the first quarter of 2011 Fastweb launched a new bundled product for satellite TV and Internet in partnership with Sky Italia. A further 18,000 customers signed up for the offering in the third quarter of 2011, bringing the total number of users to just under 37,000. Revenue from corporate business excluding wholesale customers grew by 1.3% or EUR 5 million to EUR 385 million.

The segment result before depreciation and amortisation totalled EUR 407 million, equivalent to a year-on-year increase of EUR 66 million. 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 one-off items, the segment result before depreciation and amortisation fell by EUR 45 million or 11.4% to EUR 351 million (-4.0% in the third quarter). This decline is attributable to the streamlined product portfolio and price cuts which in turn is reflected in the reduction of the adjusted profit margin by 1.1 percentage points to 27.1%.

Headcount as at 30 September 2011 totalled 3,106 FTEs, equivalent to a year-on-year decline of 19 FTEs or 0.6%. Capital expenditure rose by EUR 13 million or 4.3% to EUR 316 million, with around 41% of investment spending related directly to customer growth.

In the consolidated Group results the weakening of the euro negatively impacted revenue and the segment result before depreciation and amortisation. The average CHF/EUR exchange rate fell by 11.1% year-on-year. Net revenue declined by 18.2% in Swiss francs, versus 7.8% in local currency. The segment result before depreciation and amortisation increased by 6.3% in Swiss francs and by 19.4% in local currency.

Other operating segments

Other operating segments mainly comprise Swisscom IT Services, Swisscom Participations and Swisscom Hospitality Services. Swisscom IT Services' core business is in 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	3 rd quarter 2011	3 rd quarter 2010	Change	1.1.– 30.9.2011	1.1.– 30.9.2010	Change
Revenue from external customers	225	248	–9.3%	690	681	1.3%
Intersegment revenue	208	203	2.5%	595	598	–0.5%
Net revenue	433	451	–4.0%	1,285	1,279	0.5%
Segment expenses	(344)	(353)	–2.5%	(1,047)	(1,014)	3.3%
Segment result before depreciation and amortisation	89	98	–9.2%	238	265	–10.2%
Margin as % of net revenue	20.6	21.7		18.5	20.7	
Capital expenditure				113	79	43.0%
Full-time equivalent employees at end of period				4,428	4,381	1.1%

Revenue from external customers rose by CHF 9 million or 1.3% in the first nine months of 2011 to CHF 690 million. Revenue generated from external customers by Swisscom IT Services grew year-on-year by CHF 13 million or 3.4% to CHF 400 million. This increase is almost fully attributable to the acquisition of subsidiaries. Revenue from external customers declined in the third quarter of 2011 compared with the prior-year quarter by CHF 23 million or 9.3%, mainly due to weaker project business at Swisscom IT Services. Intersegment revenue fell year-on-year by CHF 3 million or 0.5% to CHF 595 million, largely due to a lower volume of services procured from Swisscom IT Services by other segments. This was offset by higher revenue from construction services performed by Cablex, the company responsible for the construction, operation and maintenance of infrastructure at Swisscom Participations.

At CHF 1,047 million, segment expense was CHF 33 million or 3.3% higher than the previous-year level, mainly due to the acquisition of subsidiaries at Swisscom IT Services and an increase in construction services at Cablex. Segment expense fell in the third quarter of 2011 by CHF 9 million or 2.5% compared with the prior-year quarter, largely as a result of weaker project business and cost savings at Swisscom IT Services. The segment result before depreciation and amortisation fell by CHF 27 million or 10.2% to CHF 238 million (–9.2% in the third quarter), chiefly as a result of a shift in the revenue and margin mix. At 4,428 FTEs, headcount at the end of September 2011 was 47 FTEs or 1.1% higher than a year earlier. The increase in headcount was mainly due to the need for additional resources at Cablex. At CHF 113 million, capital expenditure was CHF 34 million or 43.0% 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	3 rd quarter 2011	3 rd quarter 2010	Change	1.1.– 30.9.2011	1.1.– 30.9.2010	Change
Net revenue	2	1	100.0%	5	4	25.0%
Operating expenses	(32)	(37)	-13.5%	(90)	(100)	-10.0%
Operating income before depreciation and amortisation (EBITDA)	(30)	(36)	-16.7%	(85)	(96)	-11.5%
Full-time equivalent employees at end of period				367	340	7.9%

The segment result before depreciation and amortisation improved by CHF 11 million year-on-year to CHF –85 million, largely on account of a reversal of provisions for termination benefits and lower pension costs.

Depreciation and amortisation and non-operating results

In CHF million, except where indicated	3 rd quarter 2011	3 rd quarter 2010	Change	1.1.– 30.9.2011	1.1.– 30.9.2010	Change
Operating income before depreciation and amortisation (EBITDA)	1,250	1,258	–0.6%	3,520	3,546	–0.7%
Depreciation, amortisation and impairment losses	(469)	(488)	–3.9%	(1,413)	(1,478)	–4.4%
Operating income (EBIT)	781	770	1.4%	2,107	2,068	1.9%
Financial income and financial expense, net	(79)	(113)	–30.1%	(215)	(277)	–22.4%
Share of results of associated companies	9	7	28.6%	18	18	–
Income before income taxes	711	664	7.1%	1,910	1,809	5.6%
Income tax expense	(145)	(129)	12.4%	(382)	(400)	–4.5%
Net income	566	535	5.8%	1,528	1,409	8.4%
Share of net income attributable to equity holders of Swisscom Ltd	564	536	5.2%	1,518	1,424	6.6%
Share of net income attributable to minority interests	2	(1)	–	10	(15)	–
Earnings per share (in CHF)	10.89	10.35	5.2%	29.30	27.49	6.6%

Depreciation, amortisation and impairment losses declined year-on-year by CHF 65 million or 4.4% to CHF 1,413 million (–3.9% in the third 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 on depreciation and amortisation in the first nine months of 2011 of CHF 10 million (CHF 3 million in the third quarter). Depreciation and amortisation includes scheduled amortisation related to business combinations amounting to CHF 103 million (prior year: CHF 110 million), which were capitalised as intangible assets for purchase price allocation purposes.

Net financial expense improved by CHF 62 million year-on-year to CHF 215 million, mainly due to an improvement in the foreign exchange result of CHF 43 million. In addition, in the third quarter of 2010 hedging relationships were terminated in connection with the early repayment of bank loans, resulting in an expense of CHF 29 million. Net interest expense, on the other hand, remained stable and amounted to CHF 198 million in the first nine months of 2011 (prior year: CHF 194 million).

Income tax expense amounted to CHF 382 million (prior year: CHF 400 million), corresponding to an effective income tax rate of 20.0% (prior year: 22.1%). 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.

Net income increased year-on-year by 8.4% or CHF 119 million to CHF 1,528 million, largely due to one-off items at Fastweb. Following the settlement of litigations with another telecoms provider, Fastweb will receive a one-off payment of EUR 56 million (CHF 69 million), which has been recognised in the third quarter of 2011 under other income. A provision of EUR 70 million (CHF 102 million) was also recognised in the first quarter of 2010 for VAT proceedings against Fastweb. In addition, the lower operating result could not be 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. Net income attributable to equity holders of Swisscom Ltd increased year-on-year by 6.6% to CHF 1,518 million. Earnings per share rose accordingly from CHF 27.49 to CHF 29.30.

Cash flows

In CHF million	1.1.-30.9.2011	1.1.-30.9.2010	Change
Operating income before depreciation and amortisation (EBITDA)	3,520	3,546	(26)
Capital expenditure	(1,465)	(1,276)	(189)
Change in defined benefit obligations	(73)	(125)	52
Change in operating assets and liabilities	(416)	(127)	(289)
Dividends paid to minority interests	(7)	(8)	1
Other operating cash flows, net	(26)	13	(39)
Operating free cash flow	1,533	2,023	(490)
Net interest paid	(168)	(177)	9
Income taxes paid	(183)	(295)	112
Free cash flow	1,182	1,551	(369)
Other cash flows from investing activities, net	95	21	74
Issuance and repayment of financial liabilities, net	(240)	(475)	235
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, net	(10)	(8)	(2)
(Net decrease) net increase in cash and cash equivalents	(153)	53	(206)

Operating free cash flow declined by CHF 490 million or 24.2% to CHF 1,533 million, mainly due to an increase in net working capital and higher capital expenditure. Capital expenditure rose by CHF 189 million or 14.8% to CHF 1,465 million. This increase is chiefly due to a higher investments in Switzerland's telecoms infrastructure. The increase in net working capital is primarily a result of higher trade receivables at Swisscom Switzerland and lower trade payables. The change in net working capital in the first nine months of 2011 also includes a receivable in connection with the legal settlement at Fastweb amounting to CHF 69 million as well as payments totalling CHF 49 million in respect of provisions for regulatory proceedings. Operating income before depreciation and amortisation (EBITDA) and the change in net working capital in 2010 reflect the recognition of a provision for VAT proceedings at Fastweb amounting to CHF 102 million. Income tax payments were down by CHF 112 million to CHF 183 million, mainly due to a tax refund in the third quarter of 2011 for excess tax payments in previous years. 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) 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	30.9.2011	31.12.2010	Change
Money market borrowings	613	700	(87)
Bank loans	1,327	1,460	(133)
Debenture bonds	5,180	5,195	(15)
Private placements	1,408	1,409	(1)
Finance lease liabilities	663	675	(12)
Other financial liabilities	240	333	(93)
Total financial liabilities	9,431	9,772	(341)
Cash and cash equivalents	(305)	(483)	178
Current financial assets	(35)	(122)	87
Non-current fixed interest-bearing deposits	(302)	(319)	17
Net debt	8,789	8,848	(59)

Net debt consists of financial liabilities less cash and cash equivalents, current financial assets and non-current, fixed-interest-bearing financial investments. 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	30.9.2011	31.12.2010	Change
Assets			
Cash and cash equivalents and current financial assets	340	605	-43.8%
Trade and other receivables	2,989	2,742	9.0%
Property, plant and equipment	8,106	7,899	2.6%
Goodwill	6,201	6,261	-1.0%
Other intangible assets	1,874	2,023	-7.4%
Investments in associated companies and non-current financial assets	619	646	-4.2%
Other current and non-current assets	906	899	0.8%
Total assets	21,035	21,075	-0.2%
Liabilities and equity			
Financial liabilities	9,431	9,772	-3.5%
Trade and other payables	2,111	2,215	-4.7%
Defined benefit obligations	1,970	1,283	53.5%
Provisions	861	862	-0.1%
Tax liabilities	602	588	2.4%
Other current and non-current liabilities	978	1,005	-2.7%
Total liabilities	15,953	15,725	1.4%
Share of equity attributable to equity holders of Swisscom Ltd	5,059	5,330	-5.1%
Share of equity attributable to minority interests	23	20	15.0%
Total equity	5,082	5,350	-5.0%
Total liabilities and equity	21,035	21,075	-0.2%
Equity ratio at end of period	24.2%	25.4%	

Total assets at 30 September 2011 amounted to CHF 21,035 million, down CHF 40 million or 0.2% versus the end of 2010. Equity fell by CHF 268 million or 5.0% to CHF 5,082 million, largely due to the dividend payout of CHF 1,088 million and the gains and losses directly recognised in equity of net CHF 703 million, which exceeded net income of CHF 1,528 million. Gains and losses directly recognised in equity include non-cash actuarial losses from pension plans totalling CHF 759 million as a result of interest rate movements and losses on plan assets as well as unrealised losses of CHF 146 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 1.217. At 30 September 2011 cumulative currency translation losses recognised in equity were around CHF 2.0 billion.

Outlook

The financial outlook for the 2011 business year remains unchanged: assuming an average CHF/EUR exchange rate of 1.20, Swisscom expects to close 2011 with net revenue of around CHF 11.5 billion, EBITDA of around CHF 4.6 billion, and capital expenditure in the region of CHF 2.0 billion. Swisscom continues to expect to pay a minimum dividend per share for 2011 of CHF 21.

Consolidated interim financial statements (condensed and unaudited)

Consolidated income statement (condensed and unaudited)

In CHF million, except where indicated	Note	3 rd quarter 2011	3 rd quarter 2010 restated ¹	1.1.– 30.9.2011	1.1.– 30.9.2010 restated ¹
Net revenue	3	2,816	3,030	8,538	8,976
Goods and services purchased		(552)	(671)	(1,729)	(1,939)
Personnel expense		(588)	(583)	(1,861)	(1,878)
Other operating expense		(574)	(594)	(1,729)	(1,842)
Capitalised costs of self-constructed assets and other income	4	148	76	301	229
Operating income before depreciation and amortisation (EBITDA)		1,250	1,258	3,520	3,546
Depreciation, amortisation and impairment losses		(469)	(488)	(1,413)	(1,478)
Operating income (EBIT)	3	781	770	2,107	2,068
Financial income and financial expense, net	5	(79)	(113)	(215)	(277)
Share of results of associated companies	9	7	18	18	18
Income before income taxes		711	664	1,910	1,809
Income tax expense		(145)	(129)	(382)	(400)
Net income		566	535	1,528	1,409
Share of net income attributable to equity holders of Swisscom Ltd		564	536	1,518	1,424
Share of net income attributable to minority interests	2	2	(1)	10	(15)
Basic and diluted earnings per share (in CHF)		10.89	10.35	29.30	27.49

¹ See Note 1 Accounting policies.

Consolidated statement of comprehensive income (unaudited)

In CHF million	3 rd quarter 2011	3 rd quarter 2010 restated ¹	1.1.– 30.9.2011	1.1.– 30.9.2010 restated ¹
Net income	566	535	1,528	1,409
Foreign currency translation adjustments of foreign subsidiaries	37	3	(146)	(682)
Change in fair value of available-for-sale financial assets	(1)	–	6	–
Change in fair value of cash flow hedges	(8)	3	(19)	2
Gains and losses from cash flow hedges transferred to income statement	13	29	24	29
Actuarial gains and losses of defined benefit obligations	(862)	(303)	(759)	(1,183)
Income tax expense	174	88	191	286
Other comprehensive income	(647)	(180)	(703)	(1,548)
Comprehensive income	(81)	355	825	(139)
Share of comprehensive income attributable to equity holders of Swisscom Ltd	(83)	357	815	(94)
Share of comprehensive income attributable to minority interests	2	(2)	10	(45)

¹ See Note 1 Accounting policies.

Consolidated balance sheet (condensed and unaudited)

In CHF million	Note	30.9.2011	31.12.2010 restated ¹	1.1.2010 restated ¹
Assets				
Cash and cash equivalents	305	483	532	
Trade and other receivables	2,989	2,742	2,926	
Other financial assets	35	122	178	
Other assets	526	509	512	
Non-current assets held for sale	5	4	6	
Total current assets	3,860	3,860	4,154	
Property, plant and equipment	8,106	7,899	8,176	
Goodwill and other intangible assets	8,075	8,284	9,022	
Investments in associated companies	234	231	228	
Other financial assets	385	415	424	
Other assets	375	386	218	
Total non-current assets	17,175	17,215	18,068	
Total assets	21,035	21,075	22,222	
Liabilities and equity				
Financial liabilities	6	881	941	1,270
Trade and other payables		2,111	2,215	2,314
Current income tax liabilities		194	35	219
Provisions	7	123	146	137
Other liabilities		682	685	701
Total current liabilities	3,991	4,022	4,641	
Financial liabilities	6	8,550	8,831	8,949
Defined benefit obligations		1,970	1,283	827
Provisions	7	738	716	740
Deferred tax liabilities		408	553	523
Other liabilities		296	320	330
Total non-current liabilities	11,962	11,703	11,369	
Total liabilities	15,953	15,725	16,010	
Share of equity attributable to equity holders of Swisscom Ltd		5,059	5,330	5,901
Share of equity attributable to minority interests		23	20	311
Total equity	5,082	5,350	6,212	
Total liabilities and equity	21,035	21,075	22,222	

¹ See Note 1 Accounting policies.

Consolidated cash flow statement (condensed and unaudited)

In CHF million	Note	1.1.-30.9.2011	1.1.-30.9.2010 restated ¹
Net income		1,528	1,409
Adjustment for non-cash items		1,995	2,120
Change in operating assets and liabilities		(489)	(252)
Income taxes paid		(183)	(295)
Cash flow provided by operating activities		2,851	2,982
Capital expenditure		(1,465)	(1,276)
Other cash flows from investing activities, net		102	63
Cash flow used in investing activities		(1,363)	(1,213)
Issuance and repayment of financial liabilities, net		(240)	(475)
Dividends paid to equity holders of Swisscom Ltd	9	(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		(214)	(197)
Cash flow used in financing activities		(1,641)	(1,716)
(Net decrease) net increase in cash and cash equivalents		(153)	53
Cash and cash equivalents at beginning of year		483	532
Foreign currency translation adjustments in respect of cash and cash equivalents		(25)	(26)
Cash and cash equivalents at end of period		305	559

¹ 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
Balance at 31 December 2009	52	370	6,700	(1)	(830)	6,291	319	6,610
Change in accounting policies ¹	—	—	(390)	—	—	(390)	(8)	(398)
Balance at 1 January 2010, restated	52	370	6,310	(1)	(830)	5,901	311	6,212
Net income	—	—	1,424	—	—	1,424	(15)	1,409
Other comprehensive income	—	—	(917)	—	(601)	(1,518)	(30)	(1,548)
Comprehensive income	—	—	507	—	(601)	(94)	(45)	(139)
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
Balance at 30 September 2010, restated	52	370	5,781	(1)	(1,431)	4,771	258	5,029
Balance at 31 December 2010, restated¹	52	370	6,495	(1)	(1,586)	5,330	20	5,350
Net income	—	—	1,518	—	—	1,518	10	1,528
Other comprehensive income	—	—	(600)	—	(103)	(703)	—	(703)
Comprehensive income	—	—	918	—	(103)	815	10	825
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	—	9	—	9
Balance at 30 September 2011	52	370	6,325	—	(1,689)	5,059	23	5,082

¹ 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 nine months to 30 September 2011 were prepared in accordance with International Accounting Standard "IAS 34 Interim Financial Reporting" and should be read in conjunction with the consolidated annual financial statements for the 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 1.217 was used as the end-of-period rate (CHF/EUR 1.250 at 31 December 2010) and 1.236 as the average rate for the period (CHF/EUR 1.391 for the first nine months of 2010).

The following changes in International Financial Reporting Standards and Interpretations were applied for the first time in the year under review:

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

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 if they exceeded 10% of the greater of the defined benefit obligation or fair value of the plan assets. The change has been made retroactively. The effects on the consolidated balance sheet, consolidated income statement and consolidated statement of comprehensive income are as follows:

In CHF million	Reported	Adjustment	Restated
Balance sheet at 1 January 2010			
Deferred tax assets	57	116	173
Defined benefit assets	38	(38)	—
Defined benefit obligations	351	476	827
Equity	6,610	(398)	6,212
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
Equity	6,284	(934)	5,350
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)
Net income	1,786	2	1,788
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 1.1.–30.9.2010			
Personnel expense	(1,879)	1	(1,878)
Net income	1,408	1	1,409
Share of net income attributable to equity holders of Swisscom Ltd	1,423	1	1,424
Share of net income attributable to minority interests	(15)	—	(15)
Earnings per share	27.47	0.02	27.49
Income statement 3rd quarter 2010			
Personnel expense	(583)	—	(583)
Net income	535	—	535
Share of net income attributable to equity holders of Swisscom Ltd	536	—	536
Share of net income attributable to minority interests	(1)	—	(1)
Earnings per share	10.35	—	10.35

In CHF million	Reported	Adjustment	Restated
Comprehensive income full year 2010			
Net income	1,786	2	1,788
Actuarial gains and losses of defined benefit obligations	–	(693)	(693)
Income tax expense	271	156	427
Other comprehensive income	(719)	(537)	(1,256)
Comprehensive income	1,067	(535)	532
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 1.1.–30.9.2010			
Net income	1,408	1	1,409
Actuarial gains and losses of defined benefit obligations	–	(1,183)	(1,183)
Income tax expense	(2)	288	286
Other comprehensive income	(653)	(895)	(1,548)
Comprehensive income	755	(894)	(139)
Share of comprehensive income attributable to equity holders of Swisscom Ltd	800	(894)	(94)
Share of comprehensive income attributable to minority interests	(45)	–	(45)
Comprehensive income 3rd quarter 2010			
Net income	535	–	535
Actuarial gains and losses of defined benefit obligations	–	(303)	(303)
Income tax expense	(2)	90	88
Other comprehensive income	33	(213)	(180)
Comprehensive income	568	(213)	355
Share of comprehensive income attributable to equity holders of Swisscom Ltd	570	(213)	357
Share of comprehensive income attributable to minority interests	(2)	–	(2)

Change in useful lives of fixed 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. Following the review and taking economic factors 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 and amortisation for 2011 amounts to CHF 14 million, of which CHF 10 million for the first nine months 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% 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 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 de-listed Fastweb from the Milan stock exchange. The total 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", as well as "Fastweb" and "Other operating segments". "Group Headquarters", which includes non-allocated costs, is reported separately.

Group Headquarters charges no financial 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 impairments 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. Cross-charging of services and sales of assets between the individual segments can result in unrealised gains or losses. These are eliminated and reported under segment information in the "Elimination" column.

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

1.1.–30.9.2011, in CHF million	Swisscom Switzerland	Fastweb	Other operating segments	Group Head-quarters	Elimination	Total
Net revenue from external customers	6,256	1,592	690	–	–	8,538
Net revenue with other segments	49	8	595	5	(657)	–
Net revenue	6,305	1,600	1,285	5	(657)	8,538
Segment result	2,136	(32)	111	(96)	(12)	2,107
Financial income and financial expense, net						(215)
Share of results of associated companies						18
Income before income taxes						1,910
Income tax expense						(382)
Net income						1,528

1.1.–30.9.2011, in CHF million	Residential Customers	Small & Medium-Sized Enterprises	Corporate Business	Wholesale	Networks & IT	Elimination	Swisscom Switzerland
Net revenue from external customers	3,646	845	1,300	465	–	–	6,256
Net revenue with other segments	179	36	84	297	–	(547)	49
Net revenue	3,825	881	1,384	762	–	(547)	6,305
Segment result	2,190	653	684	290	(1,682)	1	2,136

1.1.–30.9.2010, in CHF million, restated	Swisscom Switzerland	Fastweb	Other operating segments	Group Headquarters	Elimination	Total
Net revenue from external customers	6,351	1,944	681	–	–	8,976
Net revenue with other segments	49	11	598	4	(662)	–
Net revenue	6,400	1,955	1,279	4	(662)	8,976
Segment result	2,139	(90)	124	(106)	1	2,068
Financial income and financial expense, net					(277)	
Share of results of associated companies					18	
Income before income taxes						1,809
Income tax expense					(400)	
Net income						1,409

1.1.–30.9.2010, in CHF million	Residential Customers	Small & Medium-Sized Enterprises	Corporate Business	Wholesale	Networks & IT	Elimination	Swisscom Switzerland
Net revenue from external customers	3,649	840	1,279	583	–	–	6,351
Net revenue with other segments	225	42	96	393	–	(707)	49
Net revenue	3,874	882	1,375	976	–	(707)	6,400
Segment result	2,238	651	699	330	(1,780)	1	2,139

4 Capitalised costs and other income

In September 2011 Swisscom's Italian subsidiary Fastweb settled litigations with another telecoms provider. The settlement resulted in Fastweb reducing its customer base by 197,000 and transferring the customer relationships to the telecoms provider in question. In return, Fastweb will receive a one-off payment of EUR 56 million (CHF 69 million) in the first quarter of 2012; the amount is recognised in the third quarter of 2011 under other income.

5 Net financial result

In CHF million	1.1.–30.9.2011	1.1.–30.9.2010
Interest income	22	30
Interest expense	(220)	(224)
Net interest expense	(198)	(194)
Foreign exchange losses	(3)	(46)
Other financial income and expense, net	(14)	(37)
Financial income and financial expense, net	(215)	(277)

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

6 Financial liabilities

In CHF million	30.9.2011	31.12.2010
Money market borrowings	613	700
Bank loans	162	16
Debenture bonds	58	76
Private placements	9	1
Finance lease liabilities	20	14
Other financial liabilities	19	134
Total current financial liabilities	881	941
Bank loans	1,165	1,444
Debenture bonds	5,122	5,119
Private placements	1,399	1,408
Finance lease liabilities	643	661
Other financial liabilities	221	199
Total non-current financial liabilities	8,550	8,831
Total financial liabilities	9,431	9,772

7 Provisions

In CHF million	Dismantlement and restoration costs	Regulatory proceedings	Other	Total
Balance at 31 December 2010	487	159	216	862
Additions of provisions	45	19	36	100
Present-value adjustments	8	–	1	9
Release of unused provisions	(5)	(5)	(18)	(28)
Use of provisions	–	(49)	(32)	(81)
Foreign currency translation adjustments	–	–	(2)	(2)
Balance at 30 September 2011	535	124	201	860
Thereof current provisions	–	16	107	123
Thereof non-current provisions	535	108	95	738

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 provisions are measured based on estimated future dismantling costs and discounted using an average interest rate of 2.12%. In the first nine months of 2011 the effect from the use of various interest rates and adjustment of the estimated costs amounted to CHF 37 million. Of this amount, adjustments of CHF 40 million were recorded under property, plant and equipment and CHF 3 million recognised as other income. The non-current portion 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 few 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. In the third quarter of 2011 a settlement with a telecoms service provider was reached and paid out.

Recognised provisions correspond with the settlement costs. 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, job cuts, 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.

8 Contingent liabilities

Antitrust proceedings relating to mobile termination charges

On 15 October 2002 the Competition Commission launched an investigation into the mobile termination charges of 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 it 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 arguments and has fully overturned 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.

Competition Commission investigation 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 draft decision on the imposition of a fine of CHF 237 million on the grounds that Swisscom had abused its market-dominant position in ADSL services, with a request for comment. In its decision of 5 November 2009, the Competition Commission imposed a fine of CHF 220 million on Swisscom for allegedly abusing its market-dominant position in the area of ADSL services. Swisscom appealed against this decision to the Federal Administrative Court with a complaint filed on 7 December 2009. Based on a legal assessment Swisscom is of the opinion that, as things stand at present, it is unlikely that the fine will be imposed and has therefore not recognised any provisions in its consolidated financial statements as at 30 September 2011.

Other antitrust and regulatory proceedings

With regard to the other contingent liabilities described in the 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 September 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.

9 Dividend payouts

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

10 Related parties

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

11 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 8 November 2011.

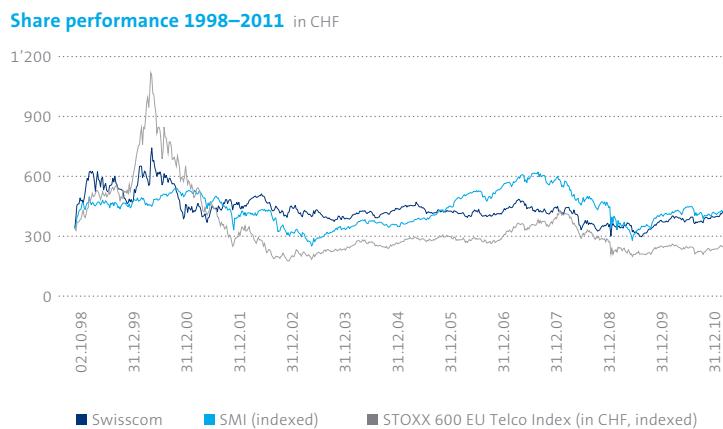
Share information

31.12.2010–30.9.2011	virt-x
Quoted price at 31 December 2010 in CHF ¹	411.10
Quoted price at 30 September 2011 in CHF ¹	370.80
Change in %	(9.8)
Year high in CHF ¹	433.50
Year low in CHF ¹	323.10
Total trading volume	21,498,947
Daily average of traded shares	113,152
Total turnover in CHF million	8,346
Daily average in CHF million	43.9

Source: Bloomberg

¹ paid prices

Share performance since the IPO



Share information

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

As of the end of September 2011 Swisscom had 62,825 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 amount 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

> 15 February 2012	2011 Annual Results
> 4 April 2012	Annual General Meeting
> 2 May 2012	2012 First Quarter Results
> 8 August 2012	2012 Half-Year Results
> 8 November 2012	2012 Third Quarter Results

Stock exchanges

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

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

Quarterly review 2010 and 2011

In CHF million, except where indicated	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter	2010	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter	1.1.– 30.9.2011
Net revenue	2,953	2,993	3,030	3,012	11,988	2,862	2,860	2,816	8,538	
Goods and services purchased	(642)	(626)	(671)	(726)	(2,665)	(599)	(578)	(552)	(1,729)	
Personnel expense	(651)	(644)	(583)	(640)	(2,518)	(635)	(638)	(588)	(1,861)	
Other operating expense	(676)	(572)	(594)	(668)	(2,510)	(577)	(578)	(574)	(1,729)	
Capitalised costs and other income	74	79	76	75	304	75	78	148	301	
Operating income (EBITDA)	1,058	1,230	1,258	1,053	4,599	1,126	1,144	1,250	3,520	
Depreciation and amortisation	(501)	(489)	(488)	(494)	(1,972)	(478)	(466)	(469)	(1,413)	
Operating income (EBIT)	557	741	770	559	2,627	648	678	781	2,107	
Net financial result	(64)	(100)	(113)	(88)	(365)	(42)	(94)	(79)	(215)	
Share of results of associated companies	4	7	7	10	28	4	5	9	18	
Income before income taxes	497	648	664	481	2,290	610	589	711	1,910	
Income tax expense	(120)	(151)	(129)	(102)	(502)	(136)	(101)	(145)	(382)	
Net income	377	497	535	379	1,788	474	488	566	1,528	
Attributable to equity holders of Swisscom Ltd	394	494	536	389	1,813	469	485	564	1,518	
Attributable to minority interests	(17)	3	(1)	(10)	(25)	5	3	2	10	
Earnings per share in CHF	7.61	9.54	10.35	7.50	35.00	9.05	9.36	10.89	29.30	
Net revenue by segments										
Swisscom Switzerland	2,091	2,132	2,177	2,166	8,566	2,084	2,104	2,117	6,305	
Fastweb	672	659	624	621	2,576	562	546	492	1,600	
Other operating segments	408	420	451	457	1,736	422	430	433	1,285	
Group Headquarters	1	2	1	2	6	2	1	2	5	
Intersegment elimination	(219)	(220)	(223)	(234)	(896)	(208)	(221)	(228)	(657)	
Total net revenue	2,953	2,993	3,030	3,012	11,988	2,862	2,860	2,816	8,538	
Segment result before depreciation and amortisation										
Swisscom Switzerland	929	972	1,012	891	3,804	947	947	985	2,879	
Fastweb	82	203	188	116	589	139	152	212	503	
Other operating segments	81	86	98	75	340	70	79	89	238	
Group Headquarters	(32)	(28)	(36)	(27)	(123)	(25)	(30)	(30)	(85)	
Intersegment elimination	(2)	(3)	(4)	(2)	(11)	(5)	(4)	(6)	(15)	
Total segment result (EBITDA)	1,058	1,230	1,258	1,053	4,599	1,126	1,144	1,250	3,520	
Capital expenditure										
Swisscom Switzerland	222	259	303	420	1,204	270	333	378	981	
Fastweb	144	149	128	164	585	126	123	141	390	
Other operating segments	19	24	36	51	130	32	36	45	113	
Intersegment elimination	(2)	(1)	(5)	(8)	(16)	(6)	(5)	(8)	(19)	
Total capital expenditure	383	431	462	627	1,903	422	487	556	1,465	
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	12,131	12,131	
Fastweb	3,119	3,133	3,125	3,123	3,123	3,103	3,101	3,106	3,106	
Other operating segments	4,160	4,296	4,381	4,368	4,368	4,394	4,431	4,428	4,428	
Group Headquarters	337	341	340	340	340	353	355	367	367	
Total full-time equivalent employees	19,427	19,480	19,511	19,547	19,547	19,664	19,829	20,032	20,032	
Operating free cash flow	742	674	607	489	2,512	463	548	522	1,533	
Net debt	8,537	9,227	8,807	8,848	8,848	8,559	9,356	8,789	8,789	

Quarterly review 2010 and 2011

In CHF million, except where indicated	1 st	2 nd	3 rd	4 th	2010	1 st	2 nd	3 rd	4 th	1.1.–
	quarter	quarter	quarter	quarter		quarter	quarter	quarter	quarter	30.9.2011
Swisscom Switzerland										
Revenue and results										
Residential Customers	481	512	542	506	2,041	492	513	532	532	1,537
Small and Medium-Sized Enterprises	110	120	125	120	475	116	123	127	127	366
Corporate Business	143	153	152	152	600	150	160	159	159	469
Wholesale	98	93	92	77	360	75	66	70	70	211
Revenue wireless	832	878	911	855	3,476	833	862	888	888	2,583
Residential Customers	538	532	531	537	2,138	526	524	528	528	1,578
Small and Medium-Sized Enterprises	151	152	152	150	605	150	150	149	149	449
Corporate Business	185	182	180	185	732	178	179	176	176	533
Wholesale	105	95	95	86	381	86	84	79	79	249
Revenue wireline	979	961	958	958	3,856	940	937	932	932	2,809
Residential Customers	21	23	27	28	99	30	32	37	37	99
Small and Medium-Sized Enterprises	1	1	2	1	5	2	1	3	3	6
Corporate Business	2	1	3	2	8	3	2	3	3	8
Revenue convergent products	24	25	32	31	112	35	35	43	43	113
Small and Medium-Sized Enterprises	–	1	1	–	2	1	–	1	1	2
Corporate Business	32	33	31	50	146	39	47	41	41	127
Revenue solutions business	32	34	32	50	148	40	47	42	42	129
Residential Customers	146	139	157	177	619	153	144	135	135	432
Small and Medium-Sized Enterprises	9	9	6	12	36	7	8	7	7	22
Corporate Business	52	65	65	64	246	57	54	52	52	163
Wholesale	1	4	–	2	7	2	1	2	2	5
Revenue other	208	217	228	255	908	219	207	196	196	622
Residential Customers	1,186	1,206	1,257	1,248	4,897	1,201	1,213	1,232	1,232	3,646
Small and Medium-Sized Enterprises	271	283	286	283	1,123	276	282	287	287	845
Corporate Business	414	434	431	453	1,732	427	442	431	431	1,300
Wholesale	204	192	187	165	748	163	151	151	151	465
Revenue from external customers	2,075	2,115	2,161	2,149	8,500	2,067	2,088	2,101	2,101	6,256
Segment result before depreciation and amortisation										
Residential Customers	747	778	789	694	3,008	753	747	761	761	2,261
Small and Medium-Sized Enterprises	210	220	224	215	869	214	220	223	223	657
Corporate Business	237	252	252	250	991	230	246	250	250	726
Wholesale	119	109	102	109	439	102	92	96	96	290
Networks & IT	(384)	(386)	(356)	(376)	(1,502)	(352)	(358)	(345)	(345)	(1,055)
Intersegment elimination	–	(1)	1	(1)	(1)	–	–	–	–	–
Segment result (EBITDA)	929	972	1,012	891	3,804	947	947	985	985	2,879
Margin as % of net revenue	44.4	45.6	46.5	41.1	44.4	45.4	45.0	46.5	46.5	45.7

Quarterly review 2010 and 2011

In thousand, except where indicated	1 st	2 nd	3 rd	4 th	2010	1 st	2 nd	3 rd	4 th	1.1.–	
	quarter	quarter	quarter	quarter		quarter	quarter	quarter	quarter	30.9.2011	
Swisscom Switzerland											
Operational data											
Residential Customers	2,581	2,542	2,507	2,475	2,475	2,444	2,412	2,383	2,383		
Small and Medium-Sized Enterprises	514	513	513	512	512	512	513	516	516		
Corporate Business	251	249	247	246	246	245	244	244	244		
Access lines PSTN/ISDN	3,346	3,304	3,267	3,233	3,233	3,201	3,169	3,143	3,143		
Unbundled fixed access lines	192	219	238	255	255	270	285	297	297		
Telephone access lines	3,538	3,523	3,505	3,488	3,488	3,471	3,454	3,440	3,440		
Residential Customers	1,333	1,349	1,369	1,396	1,396	1,413	1,421	1,432	1,432		
Small and Medium-Sized Enterprises	148	152	155	158	158	162	166	171	171		
Corporate Business	28	29	29	30	30	30	31	32	32		
Broadband access lines retail	1,509	1,530	1,553	1,584	1,584	1,605	1,618	1,635	1,635		
Wholesale	293	260	240	226	226	214	202	192	192		
Broadband access lines	1,802	1,790	1,793	1,810	1,810	1,819	1,820	1,827	1,827		
Residential Customers	268	308	348	409	409	455	497	539	539		
Small and Medium-Sized Enterprises	7	9	10	12	12	14	15	17	17		
Swisscom TV access lines	275	317	358	421	421	469	512	556	556		
Residential customers postpaid	2,201	2,207	2,221	2,231	2,231	2,218	2,220	2,198	2,198		
Residential customers prepaid	2,180	2,180	2,198	2,213	2,213	2,222	2,230	2,244	2,244		
Small and Medium-Sized Enterprises	466	475	482	489	489	494	500	506	506		
Corporate Business	744	764	789	817	817	844	876	908	908		
Mobile access lines single subscriptions	5,591	5,626	5,690	5,750	5,750	5,778	5,826	5,856	5,856		
Residential Customers	57	63	68	75	75	80	84	121	121		
Small and Medium-Sized Enterprises	2	2	3	3	3	3	3	3	3		
Mobile access lines convergent products	59	65	71	78	78	83	87	124	124		
Mobile access lines	5,650	5,691	5,761	5,828	5,828	5,861	5,913	5,980	5,980		
Residential Customers	40	42	45	41	42	39	41	42	41		
Small and Medium-Sized Enterprises	89	95	97	90	93	85	90	91	89		
Corporate Business	67	70	68	64	67	61	63	60	61		
ARPU mobile user per month in CHF	47	50	52	48	49	46	48	49	48		
Residential Customers	99	101	101	105	102	105	107	106	106		
Small and Medium-Sized Enterprises	203	213	212	214	211	205	211	211	209		
Corporate Business	168	168	162	164	166	156	156	151	154		
AMPU mobile user per month in minutes	116	119	118	122	119	120	123	121	121		
Traffic retail in million minutes	2,434	2,269	2,162	2,297	9,162	2,242	2,052	1,980	6,274		
Traffic wholesale in million minutes	2,642	2,394	2,222	2,381	9,639	2,363	2,170	2,056	6,589		

In EUR million, except where indicated

Fastweb										
Residential Customers	223	218	217	200	858	191	194	186	571	
Small and Medium-Sized Enterprises	60	63	55	58	236	56	56	54	166	
Corporate Business	177	189	195	215	776	186	188	177	551	
Revenue from external customers	460	470	467	473	1,870	433	438	417	1,288	
Segment result (EBITDA)	57	143	141	92	433	107	123	177	407	
Broadband access lines in thousand ¹	1,678	1,694	1,712	1,724	1,724	1,733	1,741	1,560	1,560	

¹ As a result of the settlement of litigations Fastweb reduced the number of access lines by 197,000 in the third quarter of 2011.

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.

