

2012

Interim Report
January–June



swisscom

Facts & figures

In CHF million, except where indicated

		1 st half-year 2012	1 st half-year 2011	Change
Net revenue and results				
Net revenue		5,621	5,722	-1.8%
Operating income before depreciation and amortisation (EBITDA) ¹		2,236	2,270	-1.5%
EBITDA as % of net revenue	%	39.8	39.7	
Operating income (EBIT) ²		1,273	1,326	-4.0%
Net income		928	962	-3.5%
Share of net income attributable to equity holders of Swisscom Ltd		921	954	-3.5%
Earnings per share	CHF	17.78	18.42	-3.5%

Balance sheet and cash flows

Equity at end of period		3,957	5,162	-23.3%
Equity ratio at end of period ³	%	20.0	25.1	
Capital expenditure		1,017	909	11.9%
Operating free cash flow ⁴		979	1,011	-3.2%
Net debt at end of period ⁵		9,144	9,356	-2.3%

Employees

Full-time equivalent employees at end of period	FTE	19,805	19,829	-0.1%
Average number of full-time equivalent employees	FTE	19,942	19,680	1.3%

Operational data

Fixed access lines in Switzerland	in thousand	3,058	3,169	-3.5%
Broadband access lines retail in Switzerland	in thousand	1,694	1,618	4.7%
Swisscom TV access lines in Switzerland	in thousand	694	512	35.5%
Mobile access lines in Switzerland	in thousand	6,114	5,913	3.4%
Unbundled fixed access lines in Switzerland	in thousand	317	285	11.2%
Broadband access lines wholesale in Switzerland	in thousand	176	202	-12.9%
Broadband access lines in Italy ⁶	in thousand	1,673	1,741	-3.9%

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	51.802	–
Quoted price at end of period	CHF	381.20	385.50	-1.1%
Market capitalisation at end of period ⁷		19,747	19,970	-1.1%

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 associates and income tax expense.

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

³ Equity as a percentage of total assets.

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

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

⁶ As a result of the settlement of litigations, Fastweb reduced the number of access lines by 197,000 in the third quarter of 2011.

⁷ 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 st half-year 2012	1 st half-year 2011	Change
Net revenue	5,621	5,722	-1.8%
Operating income before depreciation and amortisation (EBITDA)	2,236	2,270	-1.5%
EBITDA as % of net revenue	39.8	39.7	
Operating income (EBIT)	1,273	1,326	-4.0%
Net income	928	962	-3.5%
Earnings per share (in CHF)	17.78	18.42	-3.5%
Capital expenditure	1,017	909	11.9%
Operating free cash flow	979	1,011	-3.2%
Net debt at end of period	9,144	9,356	-2.3%
Full-time equivalent employees at end of period	19,805	19,829	-0.1%

Swisscom posted a fall in net revenue in the first half of 2012, down CHF 101 million or 1.8% to CHF 5,621 million, while operating income before depreciation and amortisation (EBITDA) fell by CHF 34 million or 1.5% to CHF 2,236 million. The average CHF/EUR exchange rate declined by 4.9% compared with the prior-year period. At constant exchange rates and excluding hubbing revenue from Fastweb (wholesale revenue from interconnection services) and additional costs for termination benefits and non-cash pension costs, revenue was 0.3% lower and EBITDA 0.9% higher. Excluding hubbing net revenue at Fastweb increased in local currency by 0.1% to EUR 798 million. Net revenue excluding Fastweb declined by 0.5% or CHF 21 million to CHF 4,599 million. Net income dropped by CHF 34 million or 3.5% to CHF 928 million, due to lower operating income before depreciation and amortisation (EBITDA).

Capital expenditure grew by CHF 108 million or 11.9% to CHF 1,017 million, mainly as a result of increased investments in the telecoms infrastructure in Switzerland. Capital expenditure in Switzerland went up by CHF 83 million or 12.6% to CHF 740 million year-on-year. Operating free cash flow fell by CHF 32 million or 3.2% to CHF 979 million. Capital expenditure and operating free cash flow do not include expenses of CHF 360 million in connection with the mobile frequency auction in the first quarter of 2012. Payment of the mobile frequencies is scheduled for the third quarter of 2012 and has been included as a liability in net debt as at 30 June 2012. Net debt increased by CHF 835 million to CHF 9,144 million compared with the end of 2011, primarily due to dividend payments of CHF 1,140 million in April 2012.

Headcount fell by 0.1% or 24 FTEs to 19,805 FTEs compared with the previous year. While efficiency improvements led to an overall drop in headcount, this was almost compensated for by the insourcing of external personnel, acquisition of subsidiaries and an increase in personnel resources for investment activities in the telecoms infrastructure.

For the financial outlook 2012, the assumption for the average rate CHF/EUR was changed from 1.23 to 1.20. As a result, Swisscom expects mildly lower net revenue of CHF 11.3 billion. Other expectations for the financial outlook 2012 remain unchanged. Swisscom expects to close the year with EBITDA of CHF 4.4 billion and capital expenditure of up to CHF 2.2 billion (this does not include expenses of CHF 360 million in connection with the mobile frequency auction). Fastweb anticipates that revenue will remain stable at EUR 1.6 billion; this does not include low-margin wholesale business with interconnection services (hubbing). Fastweb is forecast to close 2012 with slightly higher EBITDA and slightly lower capital expenditure versus 2011. If all 2012 targets are met, Swisscom will again propose a dividend of CHF 22 per share at the Annual General Meeting.

Segment results

In CHF million	2 nd quarter 2012	2 nd quarter 2011	Change	1 st half-year 2012	1 st half-year 2011	Change
Swisscom Switzerland	2,086	2,101	−0.7%	4,165	4,182	−0.4%
Fastweb	516	546	−5.5%	1,026	1,108	−7.4%
Other operating segments	425	423	0.5%	852	837	1.8%
Group Headquarters	1	1	—	1	3	—
Intersegment elimination	(209)	(211)	−0.9%	(423)	(408)	3.7%
Net revenue	2,819	2,860	−1.4%	5,621	5,722	−1.8%

In CHF million	2 nd quarter 2012	2 nd quarter 2011	Change	1 st half-year 2012	1 st half-year 2011	Change
Swisscom Switzerland	944	948	−0.4%	1,884	1,896	−0.6%
Fastweb	149	152	−2.0%	280	291	−3.8%
Other operating segments	75	78	−3.8%	146	147	−0.7%
Group Headquarters	(30)	(30)	—	(63)	(55)	14.5%
Intersegment elimination	(6)	(4)	—	(11)	(9)	—
Operating income before depreciation and amortisation (EBITDA)	1,132	1,144	−1.0%	2,236	2,270	−1.5%

Swisscom's reporting is broken down into the segments "Residential Customers", "Small & Medium-Sized Enterprises", "Corporate Business", "Wholesale" and "Networks & 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 reported revenue and results of the segments reflect the internal reporting system. The segment result corresponds to operating income (EBIT) and comprises 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 self-constructed assets and other income. Group Headquarters does not charge any 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 nd quarter 2012	2 nd quarter 2011	Change	1 st half-year 2012	1 st half-year 2011	Change
Revenue from external customers	2,073	2,088	-0.7%	4,138	4,155	-0.4%
Intersegment revenue	13	13	–	27	27	–
Net revenue	2,086	2,101	-0.7%	4,165	4,182	-0.4%
Direct costs	(404)	(413)	-2.2%	(806)	(833)	-3.2%
Indirect costs (including capitalised costs and other income)	(738)	(740)	-0.3%	(1,475)	(1,453)	1.5%
Total segment expense	(1,142)	(1,153)	-1.0%	(2,281)	(2,286)	-0.2%
Segment result before depreciation and amortisation	944	948	-0.4%	1,884	1,896	-0.6%
<i>Margin as % of net revenue</i>	<i>45.3</i>	<i>45.1</i>		<i>45.2</i>	<i>45.3</i>	
Depreciation, amortisation and impairment losses	(258)	(247)	4.5%	(515)	(500)	3.0%
Segment result	686	701	-2.1%	1,369	1,396	-1.9%
Capital expenditure	329	333	-1.2%	666	603	10.4%
Full-time equivalent employees at end of period				11,880	11,942	-0.5%
Fixed access lines in thousand				3,058	3,169	-3.5%
Broadband access lines retail in thousand				1,694	1,618	4.7%
Swisscom TV access lines in thousand				694	512	35.5%
Mobile access lines in thousand				6,114	5,913	3.4%
Unbundled fixed access lines in thousand				317	285	11.2%
Broadband access lines wholesale in thousand				176	202	-12.9%

Revenue from external customers decreased year-on-year by CHF 17 million or 0.4% to CHF 4,138 million (-0.7% in the second quarter), with price erosion of around CHF 170 million in Swiss core business being offset by continuing customer growth, new bundled offerings and new (flat-rate) tariffs with integrated volumes. Demand remains strong for bundled offerings such as Vivo Casa, which combines fixed-line access with telephony, Internet and TV, or Vivo Tutto, which also includes a mobile line. Customers using bundled offerings increased year-on-year by 187,000 or 36.5% to 699,000 (+85,000 in the first six months). On 25 June 2012, Swisscom launched new mobile subscriptions that allow customers unlimited calling and texting to all networks as well as unlimited surfing. The five "NATEL infinity" subscriptions differ mainly in terms of mobile data speeds. Already 275,000 customers were using these offerings at the end of July 2012. The number of mobile access lines increased year-on-year by 201,000 or 3.4% to 6.11 million (+65,000 in the first six months). In the first half of 2012, Swisscom sold a total of 640,000 mobile devices (+1.7%), of which 68% were smartphones. The number of Swisscom TV access lines increased year-on-year by 182,000 or 35.5% to 694,000, with the first half of 2012 seeing a gain of 86,000 new customers. The number of fixed access lines decreased by 111,000 or 3.5% year-on-year to 3.06 million (-62,000 in the first six months), due to a combination of customers migrating to cable network operators and an increase of 32,000 unbundled access lines to 317,000 (+11,000 in the first six months). Unbundling led to a fall in wholesale broadband access lines of 26,000 to 176,000 (-5,000 in the first six months). By contrast, the number of retail broadband access lines grew by 76,000 or 4.7% to 1.69 million (+33,000 in the first six months).

Segment expense fell by CHF 5 million or 0.2% to CHF 2,281 million (-1.0% in the second quarter). Direct costs were CHF 27 million lower, while indirect costs were up CHF 22 million. The 3.2% fall in direct costs to CHF 806 million (-2.2% in the second quarter) was attributable to a combination of lower roaming and termination rates and lower subscriber acquisition costs. The 1.5% rise in indirect costs to CHF 1,475 million (-0.3% in the second quarter) was due to higher personnel expense, which increased by CHF 42 million or 5.2% to CHF 844 million, largely as a result of higher termination benefits and pension costs of CHF 29 million. The segment result before depreciation and amortisation fell by CHF 12 million or 0.6% to CHF 1,884 million (-0.4% in the second quarter), with the profit margin narrowing accordingly by 0.1 percentage points to 45.2%. At CHF 666 million, capital expenditure was CHF 63 million or 10.4% higher year-on-year, and does not include expenditure on mobile frequencies of CHF 360 million. The increase in capital expenditure is largely attributable to continuing broadband network expansion. Efficiency improvements led to a fall in headcount by 62 FTEs or 0.5% to 11,880 FTEs.

Residential Customers

The Residential Customers segment largely covers access fees for broadband services, fixed and mobile subscriptions as well as national and international telephone and data traffic of residential customers. The segment also includes value-added services, TV offerings, handset sales and directories business.

In CHF million, except where indicated	2 nd quarter 2012	2 nd quarter 2011	Change	1 st half-year 2012	1 st half-year 2011	Change
Revenue from external customers	1,204	1,213	-0.7%	2,412	2,414	-0.1%
Intersegment revenue	43	42	2.4%	87	87	—
Net revenue	1,247	1,255	-0.6%	2,499	2,501	-0.1%
Segment expense	(507)	(525)	-3.4%	(1,014)	(1,034)	-1.9%
Segment result before depreciation and amortisation¹	740	730	1.4%	1,485	1,467	1.2%
<i>Margin as % of net revenue</i>	<i>59.3</i>	<i>58.2</i>		<i>59.4</i>	<i>58.7</i>	
Capital expenditure				66	58	13.8%
Full-time equivalent employees at end of period				4,485	4,734	-5.3%
Fixed access lines in thousand				2,299	2,412	-4.7%
Broadband access lines in thousand				1,473	1,421	3.7%
Swisscom TV access lines in thousand				672	497	35.2%
Mobile access lines in thousand				4,586	4,534	1.1%

¹ Excluding own network costs.

Revenue from external customers fell by CHF 2 million or 0.1% in the first half-year to CHF 2,412 million (-0.7% in the second quarter). Continuing customer growth and the positive trend in new bundled offerings nearly compensated for the erosion in prices. The number of customers subscribing to bundled offerings grew year-on-year by 162,000 to 644,000 (+71,000 in the first six months), while the number of mobile access lines increased during the same period by 52,000 or 1.1% to 4.59 million (-4,000 in the first six months). In mobile business, access lines growth and the introduction of new (flat-rate) tariff models failed to offset the drop in revenue caused by price erosion. The average revenue per mobile user per month (ARPU) declined year-on-year by 5.6% to CHF 36. In the fixed-line segment, lower revenue from traditional fixed-line voice and phone line business was partially offset by an increase in Swisscom TV access lines. The number of Swisscom TV access lines grew by 175,000 or 35.2% to 672,000 year-on-year (+83,000 in the first six months), while the number of broadband access lines went up by 52,000 or 3.7% to 1.47 million (+21,000 in the first six months). At CHF 1,014 million, segment expense was CHF 20 million or 1.9% lower year-on-year (-3.4% in the second quarter), mainly due to reduced termination and roaming rates, lower subscriber acquisition costs and lower spending on advertising. Headcount decreased year-on-year by 5.3% to 4,485 FTEs. Despite a lower headcount, personnel expense went up by CHF 7 million or 2.8% to CHF 255 million, largely due to an increase of CHF 6 million in pension costs. The segment result before depreciation and amortisation grew by CHF 18 million or 1.2% year-on-year to CHF 1,485 million (+1.4% in the second quarter), with the profit margin widening by 0.7 percentage points to 59.4%.

Small & Medium-Sized Enterprises

The Small & Medium-Sized Enterprises segment mainly covers access fees for broadband services, fixed-line and mobile subscriptions, as well as national and international telephone and data traffic for small and medium-sized enterprises.

In CHF million, except where indicated	2 nd quarter 2012	2 nd quarter 2011	Change	1 st half-year 2012	1 st half-year 2011	Change
Revenue from external customers	287	282	1.8%	568	558	1.8%
Intersegment revenue	6	7	-14.3%	13	13	—
Net revenue	293	289	1.4%	581	571	1.8%
Segment expense	(71)	(67)	6.0%	(140)	(134)	4.5%
Segment result before depreciation and amortisation¹	222	222	—	441	437	0.9%
<i>Margin as % of net revenue</i>	<i>75.8</i>	<i>76.8</i>		<i>75.9</i>	<i>76.5</i>	
Capital expenditure				6	5	20.0%
Full-time equivalent employees at end of period				832	767	8.5%
Fixed access lines in thousand				518	513	1.0%
Broadband access lines in thousand				187	166	12.7%
Swisscom TV access lines in thousand				22	15	46.7%
Mobile access lines in thousand				536	503	6.6%

¹ Excluding own network costs.

Revenue from external customers increased in the first half of 2012 by CHF 10 million or 1.8% to CHF 568 million (+1.8% in the second quarter). Lower fixed-line revenue was more than offset by growth in mobile access lines and bundled products. The number of customers subscribing to bundled offerings grew by 25,000 or 83.3% to 55,000 year-on-year (+14,000 in the first six months). Mobile access lines increased by 33,000 or 6.6% to 536,000 (+20,000 in the first six months) and the number of broadband access lines went up by 21,000 or 12.7% to 187,000 (+10,000 in the first six months).

Segment expense rose by CHF 6 million or 4.5% to CHF 140 million (+6.0% in the second quarter). Lower termination and roaming rates were outweighed by higher personnel expenses resulting from the increase in headcount, which grew by 8.5% to 832 FTEs due to the insourcing of external personnel. The segment result before depreciation and amortisation increased by CHF 4 million or 0.9% to CHF 441 million (remaining stable in the second quarter), while the profit margin contracted by 0.6 percentage points to 75.9%.

Corporate Business

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

In CHF million, except where indicated	2 nd quarter 2012	2 nd quarter 2011	Change	1 st half-year 2012	1 st half-year 2011	Change
Revenue from external customers	435	442	−1.6%	858	869	−1.3%
Intersegment revenue	23	25	−8.0%	48	48	—
Net revenue	458	467	−1.9%	906	917	−1.2%
Segment expense	(221)	(221)	—	(438)	(442)	−0.9%
Segment result before depreciation and amortisation¹	237	246	−3.7%	468	475	−1.5%
<i>Margin as % of net revenue</i>	<i>51.7</i>	<i>52.7</i>		<i>51.7</i>	<i>51.8</i>	
Capital expenditure				40	52	−23.1%
Full-time equivalent employees at end of period				2,410	2,351	2.5%
Fixed access lines in thousand				241	244	−1.2%
Broadband access lines in thousand				34	31	9.7%
Mobile access lines in thousand				992	876	13.2%

¹ Excluding own network costs.

Revenue from external customers fell by CHF 11 million or 1.3% in the first half of 2012 to CHF 858 million (−1.6% in the second quarter). The continuing rise in demand for mobile data services compensated in part for the drop in fixed-line revenue. Mobile access lines increased year-on-year by 116,000 or 13.2% to 992,000 (+49,000 in the first six months).

Segment expense fell by CHF 4 million or 0.9% to CHF 438 million as a result of lower termination and roaming rates (remaining stable in the second quarter). The segment result before depreciation and amortisation was CHF 7 million or 1.5% lower at CHF 468 million (−3.7% in the second quarter), with the profit margin narrowing by 0.1 percentage points to 51.7%. The increase in headcount of 59 FTEs or 2.5% to 2,410 FTEs was principally due to the insourcing of external personnel.

Wholesale

Wholesale primarily covers the utilisation of Swisscom fixed and mobile networks by other telecoms providers as well as the use of third-party networks by Swisscom. It also includes roaming with foreign operators whose customers use the Swisscom mobile network, as well as broadband services and regulated products related to the unbundling of the local loop for other telecoms providers.

In CHF million, except where indicated

	2 nd quarter 2012	2 nd quarter 2011	Change	1 st half-year 2012	1 st half-year 2011	Change
Revenue from external customers	147	151	–2.6%	300	314	–4.5%
Intersegment revenue	92	98	–6.1%	180	194	–7.2%
Net revenue	239	249	–4.0%	480	508	–5.5%
Segment expense	(150)	(156)	–3.8%	(296)	(309)	–4.2%
Segment result before depreciation and amortisation¹	89	93	–4.3%	184	199	–7.5%
<i>Margin as % of net revenue</i>	<i>37.2</i>	<i>37.3</i>		<i>38.3</i>	<i>39.2</i>	
Full-time equivalent employees at end of period				107	103	3.9%
Broadband access lines in thousand				176	202	–12.9%
Unbundled fixed access lines in thousand				317	285	11.2%

¹ Excluding own network costs.

Revenue from external customers fell by CHF 14 million or 4.5% in the first half of 2012 to CHF 300 million (–2.6 % in the second quarter), mainly due to lower mobile revenue as a result of lower roaming rates. Shrinking revenue from data services coupled with further unbundling of the local loop also contributed to the drop in revenue. The number of wholesale broadband access lines declined by 26,000 to 176,000 year-on-year (–5,000 in the first six months), while the number of unbundled fixed access lines went up by 32,000 to 317,000 during the same period (+11,000 in the first six months). Intersegment revenue was down CHF 14 million or 7.2% to CHF 180 million (–6.1% in the second quarter), mainly as a result of lower roaming rates.

At CHF 296 million, segment expense was CHF 13 million or 4.2% lower (–3.8% in the second quarter), as a result of lower roaming rates. The segment result declined by CHF 15 million or 7.5% to CHF 184 million (–4.3% in the second quarter). The fall in intersegment revenue only had a minimal impact on the overall segment result. Headcount increased by 3.9% year-on-year to 107 FTEs.

Network & IT

The Network & IT segment primarily covers the planning, operation and maintenance of Swisscom's fixed and mobile network infrastructures and associated IT systems. It also includes the support functions (finance, human resources and strategy) for Swisscom Switzerland. Since expenses incurred are not charged to individual business units, the segment discloses expenses but no revenue.

In CHF million, except where indicated

	2 nd quarter 2012	2 nd quarter 2011	Change	1 st half-year 2012	1 st half-year 2011	Change
Operating expenses	(384)	(380)	1.1%	(775)	(756)	2.5%
Capitalised self-constructed assets and other income	39	36	8.3%	81	73	11.0%
Segment result before depreciation and amortisation	(345)	(344)	0.3%	(694)	(683)	1.6%
Depreciation, amortisation and impairment losses	(217)	(208)	4.3%	(434)	(422)	2.8%
Segment result	(562)	(552)	1.8%	(1,128)	(1,105)	2.1%
Capital expenditure	269	269	—	554	488	13.5%
Full-time equivalent employees at end of period				4,046	3,987	1.5%

The segment result before depreciation and amortisation declined by CHF 11 million or 1.6% in the first half of 2012 to CHF –694 million (down 0.3% in the second quarter). Operating expenses and capitalised self-constructed assets were both higher. Operating expenses increased year-on-year by CHF 19 million or 2.5% to CHF 775 million (+1.1% in the second quarter). The increase in operating expenses was primarily due to the CHF 17 million year-on-year increase in termination benefits and pension costs (CHF 6 million in the second quarter). The increase in network maintenance and IT expenses could be offset by cost savings generated by efficiency improvements. Capitalised self-constructed assets and other income rose as a result of increased investment activities by CHF 8 million or 11.0% to CHF 81 million (+8.3% in the second quarter). Capital expenditure increased by CHF 66 million or 13.5% to CHF 554 million in comparison to the previous year, largely due to expenditure on broadband network expansion.

Depreciation, amortisation and impairment losses increased year-on-year by CHF 12 million or 2.8% to CHF 434 million (+4.3% in the second quarter), as a result of changes in useful lives following the replacement of all network equipment in the mobile network. The segment result declined by CHF 23 million or 2.1% to CHF –1,128 million (down 1.8% in the second quarter). In comparison with the previous year, headcount grew by 59 FTEs or 1.5% to 4,046 FTEs due to the insourcing of external personnel.

Fastweb

Fastweb is Italy's third largest broadband telecoms company, supplying products and services for voice, data, Internet and TV, as well as a full range of VPN and mobile communication services. The services are offered directly via Fastweb'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 nd quarter 2012	2 nd quarter 2011	Change	1 st half-year 2012	1 st half-year 2011	Change
Revenue from external customers	428	438	−2.3%	849	871	−2.5%
Intersegment revenue	2	2	—	4	4	—
Net revenue	430	440	−2.3%	853	875	−2.5%
Segment expense	(306)	(317)	−3.5%	(620)	(645)	−3.9%
Segment result before depreciation and amortisation	124	123	0.8%	233	230	1.3%
<i>Margin as % of net revenue</i>	<i>28.8</i>	<i>28.0</i>		<i>27.3</i>	<i>26.3</i>	
Capital expenditure	116	99	17.2%	228	197	15.7%
Full-time equivalent employees at end of period				3,032	3,101	−2.2%
Broadband access lines in thousand ¹				1,673	1,741	−3.9%

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 at Fastweb fell in the first half of 2012 by EUR 22 million or 2.5% to EUR 853 million (−2.3% in the second quarter), as a result of lower wholesale revenue from lower-margin interconnection services (hubbing), which was EUR 23 million below prior-year. Excluding hubbing, revenue rose year-on-year by EUR 1 million or 0.1% to EUR 798 million (+0.2% in the second quarter). The customer base grew in the first half of 2012 by 78,000 or 4.9% to 1.67 million. The settlement of litigation with another telecoms provider in September 2011 resulted in a reduction of Fastweb's customer base by 197,000 and the transfer of these customer relationships to the other provider. Adjusted for this customer transfer, the number of broadband access lines increased year-on-year by 129,000 or 8.4%. A bundled TV and broadband offering in conjunction with Sky Italia was launched last year with the aim of spurring further customer and revenue growth. Since the roll-out, 102,000 customers have signed up for the product. The average revenue per broadband user in the Residential Customers sector fell by around 11% as a result of intense competition. Revenue from residential customers fell accordingly by EUR 21 million or 5.5% to EUR 364 million (−6.2% in the second quarter). On the other hand, revenue from corporate business increased in the first half of 2012 by EUR 10 million or 2.7% to EUR 379 million (+5.4% in the second quarter). Wholesale revenue (excluding hubbing) rose by EUR 12 million year-on-year to EUR 51 million.

Segment expense was EUR 25 million or 3.9% lower year-on-year at EUR 620 million (−3.5% in the second quarter), primarily due to the lower revenue from hubbing. Customer growth resulted in an increase in subscriber acquisition costs of EUR 9 million year-on-year, which could be offset by lower bad debt expenses. The segment result before depreciation and amortisation totalled EUR 233 million, equivalent to a year-on-year increase of EUR 3 million or 1.3% (+0.8% in the second quarter), with the profit margin widening by 1.0 percentage points to 27.3%.

At 30 June 2012, headcount totalled 3,032 FTEs, equivalent to a year-on-year decline of 69 FTEs or 2.2%. Capital expenditure increased by EUR 31 million or 15.7% to EUR 228 million (+17.2% in the second quarter). Around 39% of investment spending was directly related to customer growth.

In the consolidated Swisscom results, the weakening euro negatively impacted revenue and the segment result before depreciation and amortisation. The average CHF/EUR exchange rate applied fell by 4.9% compared with the prior-year period. In Swiss franc terms, net revenue declined by 7.4%, versus 2.5% in local currency. The segment result before depreciation and amortisation was 3.8% lower in Swiss francs and 1.3% higher 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 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 companies belonging to Swisscom Participations are responsible for identifying and tapping into 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 nd quarter 2012	2 nd quarter 2011	Change	1 st half-year 2012	1 st half-year 2011	Change
Revenue from external customers	232	229	1.3%	461	465	-0.9%
Intersegment revenue	193	194	-0.5%	391	372	5.1%
Net revenue	425	423	0.5%	852	837	1.8%
Segment expense	(350)	(345)	1.4%	(706)	(690)	2.3%
Segment result before depreciation and amortisation	75	78	-3.8%	146	147	-0.7%
<i>Margin as % of net revenue</i>	17.6	18.4		17.1	17.6	
Capital expenditure				85	68	25.0%
Full-time equivalent employees at end of period				4,546	4,431	2.6%

Revenue from external customers fell by CHF 4 million or 0.9% in the first six months of 2012 to CHF 461 million (+1.3% in the second quarter). The second-quarter CHF 3 million increase in revenue from external customers to CHF 232 million is mainly due to acquisition of subsidiaries. Revenue from external customers generated by Swisscom IT Services dropped by CHF 6 million or 2.2% to CHF 268 million. The key factor contributing to the decline was a fall in revenue from project business as a result of the difficult market environment. Intersegment revenue grew year-on-year by CHF 19 million or 5.1% to CHF 391 million, chiefly due to the higher volume of services procured from Swisscom IT Services by other segments as well as higher revenue from construction services performed by cablex (the company responsible for infrastructure construction, operation and maintenance at Swisscom Participations).

At CHF 706 million, segment expense was CHF 16 million or 2.3% higher year-on-year (+1.4% in the second quarter), primarily due to the increase in construction activities at cablex. The segment result before depreciation and amortisation dropped by CHF 1 million or 0.7% to CHF 146 million (-3.8% in the second quarter). Headcount was up by 115 FTEs or 2.6% year-on-year to 4,546 FTEs. The increase in headcount was mainly due to acquisition of subsidiaries and the need for additional resources at cablex. Capital expenditure rose by CHF 17 million or 25.0% to CHF 85 million year-on-year due to an increase in investment activities at Swisscom Real Estate.

Group Headquarters

Group Headquarters chiefly comprises the four divisions Group Finance & Controlling, Strategy & Business Development, Group Communications and Human Resources, as well as the employment agency Worklink AG.

In CHF million, except where indicated

	2 nd quarter 2012	2 nd quarter 2011	Change	1 st half-year 2012	1 st half-year 2011	Change
Net revenue	1	1	–	1	3	–66.7%
Operating expenses	(31)	(31)	–	(64)	(58)	10.3%
Operating income before depreciation and amortisation (EBITDA)	(30)	(30)	–	(63)	(55)	14.5%
Full-time equivalent employees at end of period				347	355	–2.3%

Operating income before depreciation and amortisation declined by CHF 8 million year-on-year to CHF –63 million, largely on account of a reversal of provisions in the previous year.

Depreciation, amortisation and non-operating income

In CHF million, except where indicated

	2 nd quarter 2012	2 nd quarter 2011	Change	1 st half-year 2012	1 st half-year 2011	Change
Operating income before depreciation and amortisation (EBITDA)	1,132	1,144	-1.0%	2,236	2,270	-1.5%
Depreciation, amortisation and impairment losses	(482)	(466)	3.4%	(963)	(944)	2.0%
Operating income (EBIT)	650	678	-4.1%	1,273	1,326	-4.0%
Net interest result	(66)	(63)	4.8%	(124)	(109)	13.8%
Other financial income and expense, net	(2)	(31)	-93.5%	(13)	(27)	-51.9%
Share of results of associates	8	5	60.0%	14	9	55.6%
Income before income taxes	590	589	0.2%	1,150	1,199	-4.1%
Income tax expense	(118)	(101)	16.8%	(222)	(237)	-6.3%
Net income	472	488	-3.3%	928	962	-3.5%
Share of net income attributable to equity holders of Swisscom Ltd	468	485	-3.5%	921	954	-3.5%
Share of net income attributable to non-controlling interests	4	3	—	7	8	—
Average number of shares outstanding (in millions)	51.801	51.799	—	51.800	51.800	—
Earnings per share (in CHF)	9.03	9.36	-3.5%	17.78	18.42	-3.5%

Depreciation, amortisation and impairment losses increased year-on-year by CHF 19 million or 2.0% to CHF 963 million (+3.4% in the second quarter), Depreciation and amortisation includes scheduled amortisation related to business combinations amounting to CHF 67 million (prior year: CHF 69 million), which were capitalised as intangible assets for purchase price allocation purposes. The increase in depreciation, amortisation and impairment losses is largely due to a change in the useful life of the mobile network of Swisscom Switzerland. The mobile network of Swisscom Switzerland is being subjected to a comprehensive upgrade. The modernisation involves the replacement of all base stations, the construction or upgrading of the planned stations and the extension of the mobile phone network with microcells. The useful lives of the existing assets will be shortened as a result of the replacement of all network equipment. The effect on depreciation and amortisation for 2012 is CHF 25 million, of which CHF 13 million is for the first half of 2012. Net interest expense increased by CHF 15 million year-on-year to CHF 124 million. The higher net interest expense is a result of negative effects totalling CHF 16 million due to the fair value adjustment of interest rate hedges. The other financial result improved by CHF 14 million year-on-year due to a CHF 13 million better foreign exchange result.

Income tax expense amounted to CHF 222 million (prior year: CHF 237 million), which equates to an effective income tax rate of 19.3% (prior year: 19.8%). Excluding one-off items, a long-term income tax rate of around 21% is expected in future.

Net income was down year-on-year by CHF 34 million or 3.5% to CHF 928 million (-3.3% in the second quarter) due to lower operating income before depreciation and amortisation (EBITDA). Earnings per share is calculated on the basis of the net income attributable to equity holders of Swisscom Ltd and the average number of shares outstanding. The share of net income attributable to equity holders of Swisscom Ltd decreased year-on-year by 3.5% to CHF 921 million. Earnings per share fell accordingly from CHF 18.42 to CHF 17.78.

Cash flows

In CHF million	1 st half-year 2012	1 st half-year 2011	Change
Operating income before depreciation and amortisation (EBITDA)	2,236	2,270	(34)
Capital expenditure	(1,017)	(909)	(108)
Proceeds from sale of property, plant and equipment and other intangible assets	7	9	(2)
Change in defined benefit obligations	(23)	(42)	19
Change in net working capital and other cash flows from operating activities	(210)	(310)	100
Dividends paid to non-controlling interests	(14)	(7)	(7)
Operating free cash flow	979	1,011	(32)
Net interest paid	(72)	(65)	(7)
Income taxes paid	(106)	(280)	174
Free cash flow	801	666	135
Other cash flows from investing activities, net	(58)	84	(142)
Issuance and repayment of financial liabilities, net	277	234	43
Dividends paid to equity holders of Swisscom Ltd	(1,140)	(1,088)	(52)
Purchase of non-controlling interests of Fastweb	–	(92)	92
Other cash flows from financing activities	(4)	(4)	–
Net decrease in cash and cash equivalents	(124)	(200)	76

The CHF 135 million increase in free cash flow to CHF 801 million is primarily due to lower income tax payments, which fell year-on-year by CHF 174 million to CHF 106 million. Operating free cash flow declined by CHF 32 million or 3.2% to CHF 979 million. Lower operating income before depreciation and amortisation (EBITDA) and higher capital expenditure were partially offset by a smaller increase in net working capital. Capital expenditure increased by CHF 108 million or 11.9% to CHF 1,017 million, largely due to higher investment in telecoms infrastructure in Switzerland. Capital expenditure in Switzerland increased by CHF 83 million or 12.6% to CHF 740 million year-on-year. Capital expenditure and operating free cash flow do not include expenses of CHF 360 million in connection with the mobile frequency auction, which are payable in the third quarter of 2012.

Net debt

In CHF million	30.06.2012	31.12.2011	Change
Money market borrowings	451	130	321
Debenture bonds	5,241	5,199	42
Bank loans	1,173	1,177	(4)
Private placements	1,399	1,399	–
Finance lease liabilities	642	660	(18)
Mobile frequency auction liabilities	360	–	360
Other financial liabilities	271	266	5
Total financial liabilities and mobile frequency auction liabilities	9,537	8,831	706
Cash and cash equivalents	(189)	(314)	125
Current financial assets	(64)	(73)	9
Non-current fixed interest-bearing deposits	(140)	(135)	(5)
Net debt	9,144	8,309	835

Net debt consists of financial liabilities and liabilities from the auction of mobile frequencies, less cash and cash equivalents, current financial assets and non-current, fixed-interest-bearing financial assets. Swisscom has set itself the goal of achieving a maximum net debt/EBITDA ratio of around 2x. This value may be exceeded temporarily. Any figure below this represents financial room for manoeuvre. At 31 December 2011, the net debt/EBITDA ratio was 1.8.

Balance sheet

In CHF million, except where indicated

	30.06.2012	31.12.2011	Change
Assets			
Cash and cash equivalents and current financial assets	253	387	-34.6%
Trade and other receivables	3,014	2,978	1.2%
Property, plant and equipment	8,338	8,222	1.4%
Goodwill	4,661	4,664	-0.1%
Other intangible assets	2,177	1,879	15.9%
Investments in associates and non-current financial assets	490	429	14.2%
Other current and non-current assets	828	891	-7.1%
Total assets	19,761	19,450	1.6%
Liabilities and equity			
Financial liabilities	9,177	8,831	3.9%
Trade and other payables	2,453	2,190	12.0%
Defined benefit obligations	2,063	1,977	4.4%
Provisions	904	903	0.1%
Tax liabilities	272	281	-3.2%
Other current and non-current liabilities	935	972	-3.8%
Total liabilities	15,804	15,154	4.3%
Share of equity attributable to equity holders of Swisscom Ltd	3,943	4,272	-7.7%
Share of equity attributable to non-controlling interests	14	24	-41.7%
Total equity	3,957	4,296	-7.9%
Total liabilities and equity	19,761	19,450	1.6%
Equity ratio at end of period	20.0%	22.1%	

Total assets at 30 June 2012 amounted to CHF 19,761 million, an increase of CHF 311 million or 1.6% versus the end of 2011. The main reason for this increase is the mobile frequency auction held in the first quarter of 2012, at which Swisscom Switzerland acquired mobile frequencies for CHF 360 million which were recognised as other intangible assets and trade payables on 30 June 2012. Payment of these mobile frequencies is scheduled for the third quarter of 2012. Equity fell by CHF 339 million or 7.9% to CHF 3,957 million, as the CHF 1,154 million dividend payments and the CHF 113 million negative other comprehensive income outweighed the net income of CHF 928 million. Other comprehensive income includes currency translation losses of CHF 41 million in respect of foreign subsidiaries as well as actuarial losses of CHF 105 million from pension plans, largely as a result of interest rate changes. Compared to the end of 2011, the CHF/EUR exchange rate fell from 1.216 to 1.203. On 30 June 2012, cumulative currency translation losses recognised in equity were around CHF 1.6 billion.

Outlook

For the financial outlook 2012, the assumption for the average rate CHF/EUR was changed from 1.23 to 1.20. As a result, Swisscom expects mildly lower net revenue of CHF 11.3 billion. Other expectations for the financial outlook 2012 remain unchanged. Swisscom expects to close the year with EBITDA of CHF 4.4 billion and capital expenditure of up to CHF 2.2 billion (this does not include expenses of CHF 360 million in connection with the mobile frequency auction). Fastweb anticipates that revenue will remain stable at EUR 1.6 billion; this does not include low-margin wholesale business with interconnection services (hubbing). Fastweb is forecast to close 2012 with slightly higher EBITDA and slightly lower capital expenditure versus 2011. If all 2012 targets are met, Swisscom will again propose a dividend of CHF 22 per share at the Annual General Meeting.

Consolidated interim financial statements (condensed and unaudited)

Consolidated income statement (condensed and unaudited)

In CHF million, except where indicated	Note	2 nd quarter 2012	2 nd quarter 2011	1 st half-year 2012	1 st half-year 2011
Net revenue	2	2,819	2,860	5,621	5,722
Goods and services purchased		(566)	(578)	(1,121)	(1,177)
Personnel expense		(653)	(638)	(1,323)	(1,273)
Other operating expense		(551)	(578)	(1,115)	(1,155)
Capitalised self-constructed assets and other income		83	78	174	153
Operating income before depreciation and amortisation (EBITDA)		1,132	1,144	2,236	2,270
Depreciation, amortisation and impairment losses		(482)	(466)	(963)	(944)
Operating income (EBIT)	2	650	678	1,273	1,326
Financial income and financial expense, net	3	(68)	(94)	(137)	(136)
Share of results of associates		8	5	14	9
Income before income taxes		590	589	1,150	1,199
Income tax expense		(118)	(101)	(222)	(237)
Net income		472	488	928	962
Share of net income attributable to equity holders of Swisscom Ltd		468	485	921	954
Share of net income attributable to non-controlling interests		4	3	7	8
Basic and diluted earnings per share (in CHF)		9.03	9.36	17.78	18.42

Consolidated statement of comprehensive income (unaudited)

In CHF million	2 nd quarter 2012	2 nd quarter 2011	1 st half-year 2012	1 st half-year 2011
Net income	472	488	928	962
Foreign currency translation adjustments of foreign subsidiaries	(7)	(404)	(41)	(183)
Change in fair value of available-for-sale financial assets	—	7	—	7
Change in fair value of cash flow hedges	6	(18)	(3)	(11)
Gains and losses from cash flow hedges transferred to income statement	3	7	6	11
Actuarial gains and losses of defined benefit obligations	(412)	(264)	(105)	103
Income tax expense	85	151	30	17
Other comprehensive income	(325)	(521)	(113)	(56)
Comprehensive income	147	(33)	815	906
Share of comprehensive income attributable to equity holders of Swisscom Ltd	146	(35)	811	898
Share of comprehensive income attributable to non-controlling interests	1	2	4	8

Consolidated balance sheet (condensed and unaudited)

In CHF million	Note	30.06.2012	31.12.2011
Assets			
Cash and cash equivalents		189	314
Trade and other receivables		3,014	2,978
Other financial assets		64	73
Other assets		547	524
Total current assets		3,814	3,889
Property, plant and equipment		8,338	8,222
Goodwill and other intangible assets	4	6,838	6,543
Investments in associates	5	291	233
Other financial assets		199	196
Other assets		281	367
Total non-current assets		15,947	15,561
Total assets		19,761	19,450
Liabilities and equity			
Financial liabilities	6,11	1,142	804
Trade and other payables	4	2,453	2,190
Current income tax liabilities		87	37
Provisions	7	155	148
Other liabilities		655	676
Total current liabilities		4,492	3,855
Financial liabilities	6,11	8,035	8,027
Defined benefit obligations		2,063	1,977
Provisions	7	749	755
Deferred tax liabilities		185	244
Other liabilities		280	296
Total non-current liabilities		11,312	11,299
Total liabilities		15,804	15,154
Share of equity attributable to equity holders of Swisscom Ltd		3,943	4,272
Share of equity attributable to non-controlling interests		14	24
Total equity		3,957	4,296
Total liabilities and equity		19,761	19,450

Consolidated cash flow statement (condensed and unaudited)

In CHF million	Note	1 st half-year 2012	1 st half-year 2011
Net income		928	962
Adjustment for non-cash items		1,311	1,311
Change in operating assets and liabilities		(236)	(327)
Income taxes paid		(106)	(280)
Cash flow provided by operating activities		1,897	1,666
Capital expenditure		(1,017)	(909)
Other cash flows from investing activities, net		(40)	92
Cash flow used in investing activities		(1,057)	(817)
Issuance and repayment of financial liabilities, net		277	234
Dividends paid to equity holders of Swisscom Ltd	9	(1,140)	(1,088)
Dividends paid to non-controlling interests		(14)	(7)
Other cash flows from financing activities, net		(87)	(188)
Cash flow used in financing activities		(964)	(1,049)
Net decrease in cash and cash equivalents		(124)	(200)
Cash and cash equivalents at beginning of year		314	483
Foreign currency translation adjustments in respect of cash and cash equivalents		(1)	(12)
Cash and cash equivalents at end of period		189	271

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 non-controlling interests	Total equity
Balance at 31 December 2010	52	370	6,495	(1)	(1,586)	5,330	20	5,350
Net income	–	–	954	–	–	954	8	962
Other comprehensive income	–	–	80	–	(136)	(56)	–	(56)
Comprehensive income	–	–	1,034	–	(136)	898	8	906
Dividends paid	–	–	(1,088)	–	–	(1,088)	(7)	(1,095)
Purchase of treasury shares for share-based payments	–	–	–	(7)	–	(7)	–	(7)
Allocation of treasury shares for share-based payments	–	–	–	8	–	8	–	8
Balance at 30 June 2011	52	370	6,441	–	(1,722)	5,141	21	5,162
Balance at 31 December 2011	52	136	5,704	–	(1,620)	4,272	24	4,296
Net income	–	–	921	–	–	921	7	928
Other comprehensive income	–	–	(80)	–	(30)	(110)	(3)	(113)
Comprehensive income	–	–	841	–	(30)	811	4	815
Dividends paid	–	–	(1,140)	–	–	(1,140)	(14)	(1,154)
Purchase of treasury shares for share-based payments	–	–	–	(6)	–	(6)	–	(6)
Allocation of treasury shares for share-based payments	–	–	–	6	–	6	–	6
Balance at 30 June 2012	52	136	5,405	–	(1,650)	3,943	14	3,957

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 first half of the year ending on 30 June 2012 were prepared in accordance with International Accounting Standard “IAS 34 Interim Financial Reporting” and should be read in conjunction with the consolidated financial statements for the year ending on 31 December 2011. The consolidated interim financial statements were prepared in accordance with the accounting policies described in the 2011 consolidated financial statements.

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 1.203 was used as the end-of-period rate (31 December 2011: CHF/EUR 1.216) and 1.204 as the average rate for the period (first half of 2011: CHF/EUR 1.266).

Changes in International Financial Reporting Standards and Interpretations applied for the first time in the year under review:

From 1 January 2012, 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.

Change in useful lives of fixed assets

The mobile network of Swisscom Switzerland is being subjected to a comprehensive upgrade. The modernisation involves the replacement of all base stations, the construction or upgrading of the planned stations and the extension of the mobile phone network with microcells. The useful lives of the existing assets will be shortened as a result of the replacement of all network equipment. The change is in accordance with IAS 8 and has been applied prospectively from 1 January 2012. The impact on depreciation for 2012 amounts to CHF 25 million, of which CHF 13 million is for the first half of 2012.

2 Segment information

Reportable operating segments are identified using the management approach, whereby external segment reporting is based on the internal organisational and management structure and the internal financial reports that are regularly reviewed by the chief operating decision maker. 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 does not charge any 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. The results of the Residential Customers, Small & Medium-Sized Enterprises, Corporate Business and Wholesale segments 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 self-constructed assets and other income. The segment result for Swisscom Switzerland corresponds to the total operating income (EBIT) of Swisscom Switzerland. The segment result for Fastweb and other operating segments corresponds to the operating income (EBIT) of these units and comprises 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 self-constructed assets and other income.

Charging of services and sales of assets between the individual segments may result in unrealised gains or losses. These are eliminated and reported under segment information in the "Elimination" column.

Net revenue and the results of the individual segments for the first half of 2011 and 2012 are as follows:

1 st half-year 2012, in CHF million	Swisscom Switzerland	Fastweb	Other operating segments	Group Headquarters	Elimination	Total
Net revenue from external customers	4,138	1,022	461	—	—	5,621
Net revenue with other segments	27	4	391	1	(423)	—
Net revenue	4,165	1,026	852	1	(423)	5,621
Segment result	1,369	(75)	58	(71)	(8)	1,273
Financial income and financial expense, net						(137)
Share of results of associates						14
Income before income taxes						1,150
Income tax expense						(222)
Net income						928

1 st half-year 2012, in CHF million	Residential Customers	Small & Medium-Sized Enterprises	Corporate Business	Wholesale	Networks & IT	Elimination	Swisscom Switzerland
Net revenue from external customers	2,412	568	858	300	—	—	4,138
Net revenue with other segments	87	13	48	180	—	(301)	27
Net revenue	2,499	581	906	480	—	(301)	4,165
Segment result	1,439	439	435	184	(1,128)	—	1,369

1 st half-year 2011, in CHF million	Swisscom Switzerland	Fastweb	Other operating segments	Group Head-quarters	Elimination	Total
Net revenue from external customers	4,155	1,102	465	—	—	5,722
Net revenue with other segments	27	6	372	3	(408)	—
Net revenue	4,182	1,108	837	3	(408)	5,722
Segment result	1,396	(66)	64	(61)	(7)	1,326
Financial income and financial expense, net						(136)
Share of results of associates						9
Income before income taxes						1,199
Income tax expense						(237)
Net income						962

1 st 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	87	13	48	194	—	(315)	27
Net revenue	2,501	571	917	508	—	(315)	4,182
Segment result	1,420	434	447	199	(1,105)	1	1,396

3 Financial income and expense

In CHF million	1 st half-year 2012	1 st half-year 2011
Interest income	9	26
Interest expense	(133)	(135)
Net interest expense	(124)	(109)
Foreign exchange losses	—	(13)
Other financial income and expense, net	(13)	(14)
Financial income and financial expense, net	(137)	(136)

4 Goodwill and other intangible assets

The GSM and UMTS licences of Swisscom Switzerland expire at the end of 2013 and 2016 respectively. In November 2010, the Federal Communications Commission (ComCom) asked the Federal Office of Communications (OFCOM) to invite bids for all mobile frequencies that are available today and are due to become available at the end of 2013 and 2016. All mobile frequencies were newly auctioned in the first quarter of 2012 with a uniform term until 2028. Swisscom successfully acquired mobile frequencies in the auction for a total amount of CHF 360 million, which were recognised as a liability at 30 June 2012. Payment for these mobile frequencies is scheduled for the third quarter of 2012.

5 Investments in associates

Swisscom purchased a non-controlling stake of 11.1% in the Italian company Metroweb on 21 March 2012 for a purchase price of EUR 37 million (CHF 45 million). Metroweb operates the largest fibre-optic network in Milan and Lombardy. As Swisscom can exert a significant influence on Metroweb, among other things due to its seat on the company's Board of Directors, the company is included as an associate in the Swisscom consolidated financial statements.

6 Financial liabilities

In CHF million	30.06.2012	31.12.2011
Money market borrowings	451	130
Bank loans	154	158
Debenture bonds	367	326
Private placements	153	151
Finance lease liabilities	9	20
Other financial liabilities	8	19
Total current financial liabilities	1,142	804
Bank loans	1,019	1,019
Debenture bonds	4,874	4,873
Private placements	1,246	1,248
Finance lease liabilities	633	640
Other financial liabilities	263	247
Total non-current financial liabilities	8,035	8,027
Total financial liabilities	9,177	8,831

7 Provisions

In CHF million	Dismant- lement and restora- tion costs	Regulatory proceedings	Other	Total
Balance at 31 December 2011	549	131	223	903
Additions of provisions	13	11	21	45
Present-value adjustments	4	3	2	9
Release of unused provisions	–	–	(6)	(6)
Use of provisions	–	(24)	(22)	(46)
Foreign currency translation adjustments	–	–	(1)	(1)
Balance at 30 June 2012	566	121	217	904
Thereof current provisions	–	28	127	155
Thereof non-current provisions	566	93	90	749

Provisions for dismantling and restoration costs

The provisions for dismantling and restoration costs relate to the dismantling of mobile base stations and transmitters of Swisscom Broadcast and the 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 1.67%. 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, a number of 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. On 30 June 2012, provisions amounted to CHF 121 million (31 December 2011: CHF 131 million).

Leased lines

In response to complaints filed by two telecoms service providers, ComCom declared with decrees dated 10 March 2010 that Swisscom held a dominant market position throughout Switzerland for all leased line transmission technologies of all bandwidths. The only exceptions were connections between areas for which there are at least two alternative offerings available in addition to Swisscom's offering. For this reason, ComCom ordered cost-based pricing for leased lines with bandwidths of 2 Mbps to 10 Gbps for the years 2007 to 2009, thereby lowering the prices billed by Swisscom by 15 to 30%. Swisscom appealed against these decisions on 26 April 2010. In its rulings of 28 February 2012 and 22 March 2012, the Federal Administrative Court largely rejected Swisscom's appeal. As a result of these rulings, Swisscom did not have to adjust the amount of provisions recognised in the past, however.

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 2011 consolidated financial statements have not changed to any material extent in the current financial year.

8 Contingent liabilities

Competition Commission investigation into the relationship between ADSL wholesale prices and ADSL retail prices

In its decision taken on 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 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 related provisions in its consolidated financial statements as at 30 June 2012. 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.

Other antitrust and regulatory proceedings

With regard to the other contingent liabilities described in the 2011 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 related provisions in the consolidated financial statements as at 30 June 2012.

Other contingent liabilities

In the second quarter of 2012, a competitor of Fastweb lodged a complaint against Fastweb in connection with the tendering procedure for corporate-customer contracts. Based on a legal assessment, Swisscom is of the opinion that the case is unlikely to result in a cash outflow. Hence no related provision was recognised in the consolidated financial statements as at 30 June 2012. If the outcome of the case is negative, the cash outflow may amount to around EUR 60 million (CHF 72 million).

9 Dividend payouts

On 4 April 2012, the Annual General Meeting of Swisscom Ltd approved the payment of an ordinary dividend of CHF 22 per share. A total dividend amount of CHF 1,140 million was paid on 13 April 2012.

10 Related parties

Transactions between Swisscom and various related parties in the first six months of 2012 are similar to those disclosed in the consolidated financial statements for 2011.

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 7 August 2012.

Issue of a debenture bond prior to approval of the interim report

In the first half of 2012, Swisscom issued a debenture bond for CHF 500 million which was fully subscribed on 10 July 2012. The coupon amounts to 1.75% and has a term of 12 years. The funds raised will be used to refinance existing financial debts.

Share information

31.12.2011–30.6.2012

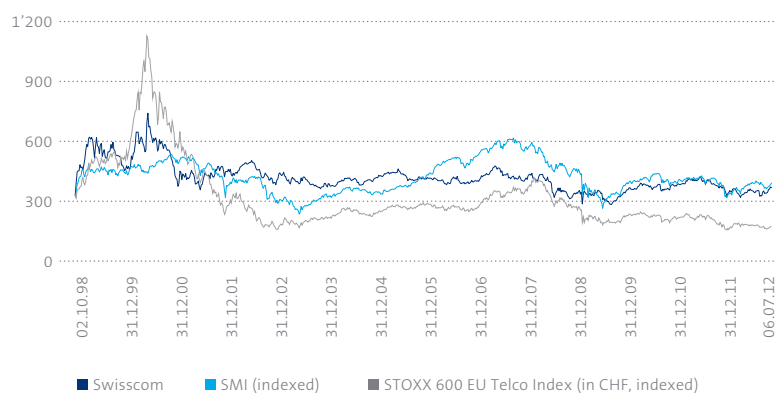
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Closing price at 31 December 2011, in CHF ¹	355.90
Closing price at 30 Juni 2012, in CHF ¹	381.20
Change in %	7.1
Year high in CHF ¹	385.00
Year low in CHF ¹	334.40
Total trading volume	14,882,610
Total turnover in CHF million	5,333
Daily average of traded shares	120,021
Daily average in CHF million	43.0

Source: Bloomberg
¹ paid prices

Share performance since the IPO

Share performance 1998–2012 in CHF



Share information

On 30 June 2012, 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 nominal value per registered share is CHF 1.

At the end of June 2012, Swisscom had 68,435 registered shareholders and 14% unregistered shareholdings.

At the Annual General Meeting of 4 April 2012, the shareholders of Swisscom Ltd approved a gross dividend payment of CHF 22 per share. A total dividend amount of CHF 1,140 million was paid on 13 April 2012.

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

- > 8 November 2012 Interim results and interim report for the third quarter of 2012
- > 7 February 2013 Annual results and Annual Report 2012
- > 4 April 2013 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	SIX Telekurs
Six Swiss Exchange, Zurich	SCMN:VX	SCMN.VX	SCMN

Quarterly review 2011 and 2012

In CHF million, except where indicated	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter	2011	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter	1 st half-year 2012
Net revenue	2,862	2,860	2,816	2,929	11,467	2,802	2,819			5,621
Goods and services purchased	(599)	(578)	(552)	(673)	(2,402)	(555)	(566)			(1,121)
Personnel expense	(635)	(638)	(588)	(652)	(2,513)	(670)	(653)			(1,323)
Other operating expense	(577)	(578)	(574)	(659)	(2,388)	(564)	(551)			(1,115)
Capitalised costs and other income	75	78	148	119	420	91	83			174
Operating income (EBITDA)	1,126	1,144	1,250	1,064	4,584	1,104	1,132			2,236
Depreciation and amortisation	(478)	(466)	(469)	(490)	(1,903)	(481)	(482)			(963)
Impairment losses on goodwill	–	–	–	(1,555)	(1,555)	–	–			–
Operating income (EBIT)	648	678	781	(981)	1,126	623	650			1,273
Net interest expense	(46)	(63)	(89)	(76)	(274)	(58)	(66)			(124)
Other financial result	4	(31)	10	(20)	(37)	(11)	(2)			(13)
Result of associates	4	5	9	12	30	6	8			14
Income before income taxes	610	589	711	(1,065)	845	560	590			1,150
Income tax expense	(136)	(101)	(145)	231	(151)	(104)	(118)			(222)
Net income	474	488	566	(834)	694	456	472			928
Attributable to equity holders of Swisscom Ltd	469	485	564	(835)	683	453	468			921
Attributable to non-controlling interests	5	3	2	1	11	3	4			7
Earnings per share in CHF	9.05	9.36	10.89	(16.11)	13.19	8.75	9.03			17.78

Net revenue by segments

Swisscom Switzerland	2,081	2,101	2,114	2,153	8,449	2,079	2,086			4,165
Fastweb	562	546	492	551	2,151	510	516			1,026
Other operating segments	414	423	425	446	1,708	427	425			852
Group Headquarters	2	1	2	2	7	–	1			1
Intersegment elimination	(197)	(211)	(217)	(223)	(848)	(214)	(209)			(423)
Total net revenue	2,862	2,860	2,816	2,929	11,467	2,802	2,819			5,621

Segment result before depreciation and amortisation

Swisscom Switzerland	948	948	986	896	3,778	940	944			1,884
Fastweb	139	152	212	120	623	131	149			280
Other operating segments	69	78	88	99	334	71	75			146
Group Headquarters	(25)	(30)	(30)	(44)	(129)	(33)	(30)			(63)
Intersegment elimination	(5)	(4)	(6)	(7)	(22)	(5)	(6)			(11)
Total segment result (EBITDA)	1,126	1,144	1,250	1,064	4,584	1,104	1,132			2,236

Capital expenditure

Swisscom Switzerland	270	333	378	419	1,400	337	329			666
Fastweb	126	123	141	162	552	135	140			275
Other operating segments	32	36	45	56	169	36	49			85
Group Headquarters	–	–	–	1	1	–	–			–
Intersegment elimination	(6)	(5)	(8)	(8)	(27)	(6)	(3)			(9)
Total capital expenditure	422	487	556	630	2,095	502	515			1,017

Number of full-time equivalent employees at end of period

Swisscom Switzerland	11,814	11,942	12,131	12,096	12,096	11,966	11,880			11,880
Fastweb	3,103	3,101	3,106	3,081	3,081	3,064	3,032			3,032
Other operating segments	4,394	4,431	4,428	4,515	4,515	4,537	4,546			4,546
Group Headquarters	353	355	367	369	369	347	347			347
Total full-time equivalent employees	19,664	19,829	20,032	20,061	20,061	19,914	19,805			19,805
Operating free cash flow	463	548	522	535	2,068	483	496			979
Net debt	8,559	9,356	8,789	8,309	8,309	8,390	9,144			9,144

Quarterly review 2011 and 2012

In CHF million, except where indicated	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter	2011	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter	1 st half-year 2012
Swisscom Switzerland										
Revenue and results										
Residential Customers	491	513	531	490	2,025	465	476			941
Small & Medium-Sized Enterprises	116	123	127	122	488	119	125			244
Corporate Business	142	153	152	143	590	147	155			302
Revenue mobile single subscriptions	749	789	810	755	3,103	731	756			1,487
Residential Customers	405	384	369	361	1,519	354	336			690
Small & Medium-Sized Enterprises	141	138	138	135	552	136	132			268
Corporate Business	157	156	154	157	624	153	152			305
Revenue fixed-line single subscriptions	703	678	661	653	2,695	643	620			1,263
Residential Customers	151	172	196	218	737	233	250			483
Small & Medium-Sized Enterprises	11	13	14	17	55	20	22			42
Revenue bundles	162	185	210	235	792	253	272			525
Total revenue single subscriptions and bundles	1,614	1,652	1,681	1,643	6,590	1,627	1,648			3,275
Solution business	82	91	87	103	363	85	87			172
Hardware sales	140	129	115	148	532	137	136			273
Wholesale	163	151	151	144	609	153	147			300
Other revenue	68	65	67	102	302	63	55			118
Revenue from external customers	2,067	2,088	2,101	2,140	8,396	2,065	2,073			4,138
Residential Customers	1,201	1,213	1,232	1,260	4,906	1,208	1,204			2,412
Small & Medium-Sized Enterprises	276	282	287	282	1,127	281	287			568
Corporate Business	427	442	431	454	1,754	423	435			858
Wholesale	163	151	151	144	609	153	147			300
Revenue from external customers	2,067	2,088	2,101	2,140	8,396	2,065	2,073			4,138
Segment result before depreciation and amortisation										
Residential Customers	737	730	744	680	2,891	745	740			1,485
Small & Medium-Sized Enterprises	215	222	225	218	880	219	222			441
Corporate Business	229	246	250	246	971	231	237			468
Wholesale	106	93	100	92	391	95	89			184
Networks & IT	(339)	(344)	(332)	(340)	(1,355)	(349)	(345)			(694)
Intersegment elimination	–	1	(1)	–	–	(1)	1			–
Segment result (EBITDA)	948	948	986	896	3,778	940	944			1,884
Margin as % of net revenue	45.6	45.1	46.6	41.6	44.7	45.2	45.3			45.2
Fastweb, in EUR million										
Residential Customers	191	194	186	187	758	182	182			364
Corporate Business	183	186	182	209	760	183	196			379
Wholesale hubbing	39	39	31	32	141	27	28			55
Wholesale other	20	19	18	22	79	29	22			51
Revenue from external customers	433	438	417	450	1,738	421	428			849
Segment result (EBITDA)	107	123	177	99	506	109	124			233
Margin as % of net revenue	24.7	28.1	42.4	22.0	29.1	25.9	29.0			27.4
Capital expenditure	98	99	119	132	448	112	116			228
Broadband access lines in thousand ¹	1,733	1,741	1,560	1,595	1,595	1,654	1,673			1,673

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.

Quarterly review 2011 and 2012

In thousand, except where indicated	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter	2011	1 st quarter	2 nd quarter	3 rd quarter	4 th quarter	1 st half-year 2012
Swisscom Switzerland										
Operational data										
Access lines										
Single subscriptions	2,822	2,744	2,672	2,604	2,604	2,536	2,465			2,465
Bundles	380	425	471	516	516	557	593			593
Fixed access lines	3,202	3,169	3,143	3,120	3,120	3,093	3,058			3,058
Single subscriptions	1,141	1,106	1,072	1,047	1,047	1,023	995			995
Bundles	464	512	563	614	614	659	699			699
Broadband access lines retail	1,605	1,618	1,635	1,661	1,661	1,682	1,694			1,694
Single subscriptions	214	216	214	225	225	236	245			245
Bundles	255	296	342	383	383	419	449			449
Swisscom TV access lines	469	512	556	608	608	655	694			694
Prepaid single subscriptions	2,222	2,230	2,244	2,249	2,249	2,243	2,231			2,231
Postpaid single subscriptions	3,555	3,596	3,612	3,646	3,646	3,657	3,654			3,654
Mobile single subscriptions	5,777	5,826	5,856	5,895	5,895	5,900	5,885			5,885
Bundles	84	87	124	154	154	182	229			229
Mobile access lines	5,861	5,913	5,980	6,049	6,049	6,082	6,114			6,114
Broadband access lines wholesale	214	202	192	181	181	179	176			176
Unbundled fixed access lines	270	285	297	306	306	312	317			317
Bundles										
2Play bundles	209	216	221	231	231	240	237			237
3Play bundles	255	296	309	330	330	347	374			374
4Play bundles	—	—	33	53	53	72	88			88
Total bundles	464	512	563	614	614	659	699			699
Data traffic in million										
Fixed-line traffic in minutes	2,243	2,061	2,003	2,118	8,425	2,158	1,989			4,147
Mobile traffic in minutes	1,669	1,675	1,642	1,677	6,663	1,654	1,633			3,287
Data SMS mobile	724	730	747	739	2,940	691	694			1,385

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.

