

# 2013

Interim Report  
January–March



swisscom

# Facts & figures

In CHF million, except where indicated

		31.3.2013	31.3.2012	Change
<b>Revenue and results</b>				
Net revenue		2,734	2,802	-2.4%
Operating income before depreciation and amortisation (EBITDA) <sup>1</sup>		1,031	1,098	-6.1%
EBITDA as % of net revenue	%	37.7	39.2	
Operating income (EBIT) <sup>2</sup>		540	617	-12.5%
Net income		390	445	-12.4%
Earnings per share	CHF	7.49	8.53	-12.2%
<b>Balance sheet and cash flows</b>				
Equity at end of period		5,191	5,372	-3.4%
Equity ratio at end of period <sup>3</sup>	%	25.4	26.9	
Capital expenditure		474	502	-5.6%
Operating free cash flow <sup>4</sup>		245	483	-49.3%
Net debt at end of period <sup>5</sup>		7,931	8,390	-5.5%
<b>Operational data at the balance sheet date</b>				
Fixed access lines in Switzerland	in thousand	2,970	3,093	-4.0%
Broadband access lines retail in Switzerland	in thousand	1,751	1,682	4.1%
Swisscom TV access lines in Switzerland	in thousand	860	655	31.3%
Mobile access lines in Switzerland	in thousand	6,270	6,082	3.1%
Unbundled fixed access lines in Switzerland	in thousand	290	312	-7.1%
Broadband access lines wholesale in Switzerland	in thousand	196	179	9.5%
Broadband access lines in Italy	in thousand	1,861	1,654	12.5%
<b>Swisscom share</b>				
Number of shares issued at end of period	in mio.	51,802	51,802	-
Closing price at end of period	CHF	439.20	364.90	20.4%
Market capitalisation at end of period <sup>6</sup>		22,744	18,897	20.4%
<b>Employees</b>				
Full-time equivalent employees at end of period	FTE	19,247	19,914	-3.3%
Full-time equivalent employees in Switzerland at end of period	FTE	16,483	16,503	-0.1%

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

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

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

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

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

<sup>6</sup> Closing 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	31.3.2013	31.3.2012	Change
Net revenue	2,734	2,802	-2.4%
Operating income before depreciation and amortisation (EBITDA)	1,031	1,098	-6.1%
EBITDA as % of net revenue	37.7	39.2	
Operating income (EBIT)	540	617	-12.5%
Net income	390	445	-12.4%
Earnings per share (in CHF)	7.49	8.53	-12.2%
Capital expenditure	474	502	-5.6%
Operating free cash flow	245	483	-49.3%
Net debt at end of period	7,931	8,390	-5.5%
Full-time equivalent employees at end of period	19,247	19,914	-3.3%

Swisscom's net revenue fell by CHF 68 million or 2.4% to CHF 2,734 million, while operating income before depreciation and amortisation (EBITDA) was CHF 67 million or 6.1% lower at CHF 1,031 million. The decline was largely attributable to price erosion in Swiss core business and seasonal effects. The drop in revenue of CHF 68 million is summarised as follows: CHF 75 million due to price erosion (of which CHF 32 million due to lower roaming charges), CHF 44 million due to seasonal effects and a drop of CHF 19 million due to other effects (of which CHF 16 million due to lower revenue generated by Fastweb from hubbing business). On the other hand, customer growth and currency conversion contributed to an increase in revenue of CHF 62 million and CHF 8 million respectively. Net income from Swiss business dropped by CHF 42 million or 1.8% to CHF 2,236 million, EBITDA by CHF 52 million or 5.4% to CHF 910 million. Net revenue posted by Fastweb fell by EUR 25 million in local currency terms or 5.9% to EUR 398 million and EBITDA by EUR 12 million or 11.0% to EUR 97 million. Swisscom's net income declined by CHF 55 million or 12.4% to CHF 390 million.

Capital expenditure decreased by CHF 28 million or 5.6% to CHF 474 million. In Switzerland it was impacted above all by adverse weather conditions, resulting in a drop of CHF 47 million or 12.8% to CHF 319 million, falling short of the high level incurred in the previous year. Fastweb's capital expenditure rose by CHF 20 million or 14.8% to CHF 155 million due to the expansion of the fibre-optic network in Italy. Operating free cash flow declined by CHF 238 million or 49.3% to CHF 245 million, mainly reflecting the fall in operating income before depreciation and amortisation (EBITDA) and the increase in net working capital. Net debt fell by CHF 140 million or 1.7% to CHF 7,931 million compared with the end of 2012.

Headcount was reduced by 667 full-time equivalent employees (FTEs) or 3.3% to 19,247 FTEs mainly due to the outsourcing of customer care and network maintenance jobs at Fastweb. In Switzerland, the workforce declined by 20 FTEs or 0.1% to 16,483.

The financial outlook for 2013 remains unchanged. Swisscom expects to close the year with net revenue of around CHF 11.3 billion, EBITDA of at least CHF 4.25 billion and capital expenditure in the region of CHF 2.4 billion. Subject to meeting its 2013 targets, Swisscom plans again to propose a dividend of CHF 22 per share for the 2013 financial year at the forthcoming Annual General Meeting.

## Segment results

In CHF million	31.3.2013	31.3.2012	Change
<b>Net revenue</b>			
Residential Customers	1,231	1,252	-1.7%
Small and Medium-Sized Enterprises	280	288	-2.8%
Corporate Business	439	448	-2.0%
Wholesale	237	241	-1.7%
Intersegment elimination	(146)	(150)	-2.7%
<b>Swisscom Switzerland</b>	<b>2,041</b>	<b>2,079</b>	<b>-1.8%</b>
Fastweb	487	510	-4.5%
Other operating segments	412	427	-3.5%
Intersegment elimination	(206)	(214)	-3.7%
<b>Net revenue</b>	<b>2,734</b>	<b>2,802</b>	<b>-2.4%</b>
<b>Operating income before depreciation and amortisation (EBITDA)</b>			
Residential Customers	710	748	-5.1%
Small and Medium-Sized Enterprises	213	223	-4.5%
Corporate Business	220	230	-4.3%
Wholesale	96	94	2.1%
Network & IT	(362)	(372)	-2.7%
<b>Swisscom Switzerland</b>	<b>877</b>	<b>923</b>	<b>-5.0%</b>
Fastweb	119	131	-9.2%
Other operating segments	73	70	4.3%
Group Headquarters	(29)	(27)	7.4%
Intersegment elimination	(4)	(5)	-20.0%
Reconciliation to pension cost <sup>1</sup>	(5)	6	-
<b>Operating income before depreciation and amortisation (EBITDA)</b>	<b>1,031</b>	<b>1,098</b>	<b>-6.1%</b>

<sup>1</sup> Ordinary employer contributions as pension cost are included in segment results. The difference to the pension cost under IAS 19 is disclosed as a reconciliation item.

Reporting is broken down into the following segments: Swisscom Switzerland, Fastweb and Other operating segments. Swisscom Switzerland includes the segments Residential Customers, Small and Medium-Sized Enterprises, Corporate Business, Wholesale, and Network & IT. Group Headquarters is disclosed separately.

Swisscom Switzerland is Swiss market leader in the field of telecommunications. Fastweb is one of the biggest broadband telecoms companies in Italy. Other operating segments mainly comprise Swisscom Related Business, and Swisscom IT Services, a leading provider of IT services in Switzerland. Group Headquarters chiefly comprises the Group divisions Group Business Steering, Group Strategy & Innovation, Group Communications & Responsibility and Group Human Resources, as well as the employment company Worklink Ltd.

The Network & IT segment does not charge any network costs to other segments, nor does Group Headquarters charge any financial management fees to other segments. Other intersegment services are billed at market rates. Network costs in Switzerland 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 results of the Residential Customers, Small & Medium-Sized Enterprises, Corporate Business and Wholesale segments correspond to a contribution margin before network costs.

Segment expense comprises goods and services purchased, personnel expense and other operating expenses less capitalised self-constructed assets and other income. Personnel expense includes the employer's ordinary contributions as pension cost. The difference between the ordinary employer contributions and pension cost under IAS 19 is disclosed as a reconciliation item between the segment results and the Group result.

## Swisscom Switzerland

In CHF million, except where indicated	31.3.2013	31.3.2012	Change
<b>Net revenue and results</b>			
Mobile single subscriptions	673	732	-8.1%
Fixed-line single subscriptions	574	641	-10.5%
Bundles	349	254	37.4%
Wholesale	149	153	-2.6%
Other	280	285	-1.8%
<b>Revenue from external customers</b>	<b>2,025</b>	<b>2,065</b>	<b>-1.9%</b>
Intersegment revenue	16	14	14.3%
<b>Net revenue</b>	<b>2,041</b>	<b>2,079</b>	<b>-1.8%</b>
Direct costs	(420)	(402)	4.5%
Indirect costs	(744)	(754)	-1.3%
<b>Segment expenses</b>	<b>(1,164)</b>	<b>(1,156)</b>	<b>0.7%</b>
<b>Segment result before depreciation and amortisation</b>	<b>877</b>	<b>923</b>	<b>-5.0%</b>
Margin as % of net revenue	43.0	44.4	
Depreciation, amortisation and impairment losses	(268)	(257)	4.3%
<b>Segment result</b>	<b>609</b>	<b>666</b>	<b>-8.6%</b>
<b>Operational data at the balance sheet date in thousand</b>			
Fixed access lines	2,970	3,093	-4.0%
Broadband access lines retail	1,751	1,682	4.1%
Swisscom TV access lines	860	655	31.3%
Mobile access lines	6,270	6,082	3.1%
Bundles	842	659	27.8%
Unbundled fixed access lines	290	312	-7.1%
Broadband access lines wholesale	196	179	9.5%
Revenue generating units (RGU)	11,851	11,512	2.9%
<b>Capital expenditure and headcount</b>			
Capital expenditure	284	337	-15.7%
Full-time equivalent employees at end of period	12,018	11,999	0.2%

Revenue from external customers fell year-on-year by CHF 40 million or 1.9% to CHF 2,025 million. The drop in revenue is due to price erosion and seasonal fluctuations and is broken down as follows: CHF 75 million due to price erosion (of which CHF 32 million due to lower roaming charges) and CHF 27 million due to seasonal effects. On the other hand, customer growth contributed to an increase in revenue of CHF 62 million. The number of revenue generating units (RGU) increased year-on-year by 339'000 or 2.9% to 11.9 million (+103,000 in the first quarter).

The new NATEL infinity mobile subscriptions launched by Swisscom in June 2012, allowing unlimited calling, texting and Internet surfing to all networks, met with a very positive response from customers. By the end of March 2013, around 1.13 million customers, or around one third of all subscription customers, were using the new infinity offerings. The number of mobile access lines grew year-on-year by 188,000 or 3.1% to 6.3 million (+53,000 in the first quarter). The number of postpaid customers increased by 235,000 (individual and bundled offerings), while the number of prepaid customers declined by 47,000. In the first quarter of 2013, Swisscom sold a total of 366,000 mobile devices (+11.6%), 65% of which were smartphones.

Demand remains high for bundled offerings such as Vivo Libero, which includes Internet access and TV, or Vivo Casa and Vivo Tutto, which combine fixed lines with telephony, Internet and TV and the additional option of a mobile line. Within the space of a year, the number of customers using bundled offerings grew by 183,000 or 27.8% to 842,000 (+54,000 in the first quarter). Revenue from bundled contracts increased year-on-year by CHF 95 million or 37.4% to CHF 349 million. Key drivers of bundled business are television and mobile communications. The share of bundled contracts offered in combination with a mobile subscription increased by 13 percentage points to 40%.

The number of Swisscom TV connections increased year-on-year by 205,000 or 31.3% to 860,000 (+69,000 in the first quarter); of these, 811,000 involved fixed-fee subscriptions. Almost half of fixed broadband customers also use Swisscom TV. Broadband lines with end customers grew year-on-year by 69,000 or 4.1% to 1.75 million (+24,000 in the first quarter). The number of fixed lines dropped by 123,000 or 4.0% year-on-year to 3.0 million (–43,000 in the first quarter), chiefly due to customers migrating to cable network providers or switching from fixed to mobile. The number of wholesale broadband lines went up by 17,000 or 9.5% to 196,000 (+10,000 in the first quarter). Unbundled access lines fell by 22,000 or 7.1% year-on-year to 290,000 (–10,000 in the first quarter). Segment expense rose by CHF 8 million or 0.7% to CHF 1,164 million. Direct costs increased by CHF 18 million, while indirect costs fell by CHF 10 million. The 4.5% rise in direct costs to CHF 420 million reflects higher goods purchased and subscriber acquisition costs. The CHF 10 million or 1.3% fall in indirect costs to CHF 744 million was mainly attributable to lower personnel expense, which declined by CHF 16 million or 3.7% to CHF 413 million primarily as a result of lower restructuring-related costs. Adjusted for restructuring-related costs, personnel expense was CHF 4 million higher, largely due to salary increases. The segment result before depreciation and amortisation declined by CHF 46 million or 5.0% to CHF 877 million, narrowing the profit margin accordingly by 1.4 percentage points to 43.0%. Depreciation and amortisation increased year-on-year by CHF 11 million or 4.3% to CHF 268 million due to the amortisation of mobile frequency licences acquired in the previous year. The segment result declined accordingly by CHF 57 million or 8.6% to CHF 609 million. Capital expenditure decreased year-on-year by CHF 53 million or 15.7% to CHF 284 million. Capital expenditure on network infrastructure expansion fell short of the high level in the previous year, primarily due to adverse weather conditions in the first quarter of 2013. Headcount grew by 0.2% or 19 FTEs year-on-year to 12,018.

## Fastweb

In EUR million, except where indicated	31.3.2013	31.3.2012	Change
Residential Customers	186	182	2.2%
Corporate Business	178	183	-2.7%
Wholesale hubbing	14	27	-48.1%
Wholesale other	19	29	-34.5%
<b>Revenue from external customers</b>	<b>397</b>	<b>421</b>	<b>-5.7%</b>
Intersegment revenue	1	2	-50.0%
<b>Net revenue</b>	<b>398</b>	<b>423</b>	<b>-5.9%</b>
Segment expenses	(301)	(314)	-4.1%
<b>Segment result before depreciation and amortisation</b>	<b>97</b>	<b>109</b>	<b>-11.0%</b>
Margin as % of net revenue	24.4	25.8	
Capital expenditure	126	112	12.5%
Full-time equivalent employees at end of period	2,389	3,064	-22.0%
Broadband access lines in thousand	1,861	1,654	12.5%

Fastweb's net revenue contracted year-on-year by EUR 25 million or 5.9% to EUR 398 million, reflecting the planned reduction in wholesale revenues from interconnection services (hubbing) and seasonality in revenues from business customers. Low-margin hubbing revenues decreased by EUR 13 million. The broadband customer base grew year-on-year by 207,000 or 12.5% to 1.86 million. Thanks to the bundled TV and broadband package launched in 2012 in conjunction with Sky Italia, Fastweb gained 94,000 new customers in the first quarter of 2013. In the residential customer segment, average revenue per broadband customer fell by around 10% due to fierce competition. The fall was offset by customer growth, which increased revenue from residential customers accordingly by EUR 4 million or 2.2% to EUR 186 million. By contrast, revenue from corporate business customers declined by EUR 5 million or 2.7% to EUR 178 million and other wholesale revenue decreased by EUR 10 million or 34.5% to EUR 19 million.

The first quarter segment result before depreciation and amortisation amounted to EUR 97 million, down 11.0% or EUR 12 million versus the previous year. The main reason for the fall was the seasonal drop in revenue from business customers. The profit margin decreased accordingly by 1.4 percentage points to 24.4%.

Headcount fell year-on-year by 675 FTEs or 22.0% to 2,389, reflecting the outsourcing of jobs in customer care and network maintenance. Spending on fibre-optic network expansion in Italy resulted in a rise in capital expenditure of EUR 14 million or 12.5% to EUR 126 million and a ratio of capital expenditure to net revenue of 31.7% (prior year: 26.5%). Around 38% of investment spending was directly related to customer growth.

In the consolidated Swisscom results, the slight appreciation of the euro had a positive impact on revenue and on the segment result before depreciation and amortisation. The average CHF/EUR exchange rate applied was 1.7% higher compared with the prior-year period. In Swiss franc terms, net revenue declined by 4.5%, versus 5.9% in local currency. The segment result before depreciation and amortisation was 9.2% lower in Swiss francs and 11.0% lower in local currency.

## Other operating segments

In CHF million, except where indicated	31.3.2013	31.3.2012	Change
Revenue from external customers	223	229	-2.6%
Intersegment revenue	189	198	-4.5%
<b>Net revenue</b>	<b>412</b>	<b>427</b>	<b>-3.5%</b>
Segment expenses	(339)	(357)	-5.0%
<b>Segment result before depreciation and amortisation</b>	<b>73</b>	<b>70</b>	<b>4.3%</b>
Margin as % of net revenue	17.7	16.4	
Capital expenditure	38	36	5.6%
Full-time equivalent employees at end of period	4,505	4,501	0.1%

Revenue from external customers contracted year-on-year by CHF 6 million or 2.6% to CHF 223 million. Revenue generated by Swisscom IT Services from external customers dropped by CHF 9 million or 6.5% to CHF 129 million due to the ongoing difficult economic environment. Incoming orders received by Swisscom IT Services increased in the first quarter of 2013 by CHF 130 million or 127.5% to CHF 232 million. Intersegment revenue fell year-on-year by CHF 9 million or 4.5% to CHF 189 million, largely due to a lower volume of construction services rendered by Swisscom Related Business for Swisscom Switzerland.

At CHF 339 million, segment expense was CHF 18 million or 5.0% lower than the prior-year level. This was mainly attributable to lower costs relating to goods for resale and a fall in costs due to efficiency improvements. Cost savings increased the segment result before depreciation and amortisation by CHF 3 million or 4.3% to CHF 73 million. Headcount was practically unchanged year-on-year at 4,505 FTEs. Higher headcount at Swisscom Related Business due to additional resource requirements was offset by the fall in headcount at Swisscom IT Services as a result of efficiency improvements. Capital expenditure increased by CHF 2 million or 5.6% to CHF 38 million, due mainly to the increased investment volume in IT infrastructure at Swisscom IT Services.

## Group Headquarters

The segment result before depreciation and amortisation declined by CHF 2 million or 7.4% to CHF -29 million, which was largely attributable to an increase in other operating expenses. Headcount fell year-by-year by 15 FTEs or 4.3% to 335.



## Depreciation, amortisation and non-operating income

In CHF million, except where indicated

	31.3.2013	31.3.2012	Change
<b>Operating income before depreciation and amortisation (EBITDA)</b>	<b>1,031</b>	<b>1,098</b>	<b>-6.1%</b>
Depreciation, amortisation and impairment losses	(491)	(481)	2.1%
<b>Operating income (EBIT)</b>	<b>540</b>	<b>617</b>	<b>-12.5%</b>
Net interest result	(56)	(58)	-3.4%
Other financial income and expense, net	(9)	(18)	-50.0%
Share of results of associates	6	6	-
<b>Income before income taxes</b>	<b>481</b>	<b>547</b>	<b>-12.1%</b>
Income tax expense	(91)	(102)	-10.8%
<b>Net income</b>	<b>390</b>	<b>445</b>	<b>-12.4%</b>
Share of net income attributable to equity holders of Swisscom Ltd	388	442	-12.2%
Share of net income attributable to non-controlling interests	2	3	-33.3%
Average number of shares outstanding (in millions)	51.800	51.799	-
Earnings per share (in CHF)	7.49	8.53	-12.2%

Depreciation and amortisation increased by CHF 10 million or 2.1% to CHF 491 million year-on-year and is mainly attributable to higher amortisation at Swisscom Switzerland relating to the mobile licences acquired in the previous year. Intangible assets were capitalised for purchase price allocation purposes in relation to business combinations. Depreciation and amortisation in the first quarter of 2013 includes scheduled amortisation related to business combinations amounting to CHF 34 million (prior year: CHF 33 million).

Net interest expense fell by CHF 2 million to CHF 56 million. The previous year's figure included positive effects of CHF 6 million arising from the fair value adjustment of interest rate hedges. Other financial result improved by CHF 9 million year-on-year, due mainly to a better foreign exchange result.

Income tax expense amounted to CHF 91 million (prior year: CHF 102 million), equating to an effective income tax rate of 18.9% (prior year: 18.6%). Excluding exceptional items, a long-term income tax rate of around 21% is expected in the future.

Net income was down year-on-year by CHF 55 million or 12.4% to CHF 390 million, mainly reflecting lower operating income before depreciation and amortisation (EBITDA) and higher depreciation and amortisation. Earnings per share is calculated based on the share of net income attributable to shareholders of Swisscom Ltd and the average number of shares outstanding. The share of net income attributable to shareholders of Swisscom Ltd declined year-on-year by 12.2% to CHF 388 million. Earnings per share fell accordingly from CHF 8.53 to CHF 7.49.

## Cash flows

In CHF million	31.3.2013	31.3.2012	Change
Operating income before depreciation and amortisation (EBITDA)	1,031	1,098	(67)
Capital expenditure	(474) <sup>1</sup>	(502)	28
Proceeds from sale of property, plant and equipment and other intangible assets	5	5	–
Change in defined benefit obligations	1	(5)	6
Change in net working capital and other cash flow from operating activities	(318)	(113)	(205)
<b>Operating free cash flow</b>	<b>245</b>	<b>483</b>	<b>(238)</b>
Net interest paid	(16)	(14)	(2)
Income taxes paid	(55)	(42)	(13)
<b>Free cash flow</b>	<b>174</b>	<b>427</b>	<b>(253)</b>
Other cash flows from investing activities, net	33	(64)	97
Issuance and repayment of financial liabilities, net	(30)	(189)	159
Other cash flows from financing activities	(31)	(11)	(20)
<b>Net increase in cash and cash equivalents</b>	<b>146</b>	<b>163</b>	<b>(17)</b>

<sup>1</sup> Excluding capital expenditure totalling CHF 12 million in a real-estate project for which a sales contract was signed.

The fall in cash flow by CHF 253 million to CHF 174 million is mainly a reflection of the decline in operating free cash flow. Operating free cash flow decreased by CHF 238 million or 49.3% to CHF 245 million. Lower operating income before depreciation and amortisation (EBITDA) and an increase in net working capital were partially offset by lower capital expenditure. Net working capital grew by CHF 318 million versus the end of 2012 (prior year: CHF 113 million), mainly due to higher trade receivables as well as an increase in inventories and accruals for prepaid expenses for the 2013 business year. Capital expenditure overall declined by CHF 28 million or 5.6% to CHF 474 million, mainly due to lower capital expenditure on telecoms infrastructure in Switzerland. Capital expenditure in Switzerland was also impacted above all by adverse weather conditions, resulting in a drop of CHF 47 million or 12.8% to CHF 319 million, falling short of the high level incurred in the previous year. As a consequence of the expansion of the fibre optic network in Italy, Fastweb increased investment by CHF 20 million, or 14.8%, to CHF 155 million.

## Balance sheet

In CHF million	31.3.2013	31.12.2012	Change
<b>Assets</b>			
Cash and cash equivalents and current financial assets	723	578	25.1%
Trade and other receivables	2,987	2,824	5.8%
Property, plant and equipment	8,602	8,549	0.6%
Goodwill	4,669	4,662	0.2%
Other intangible assets	2,091	2,121	-1.4%
Investments in associates and non-current financial assets	467	465	0.4%
Tax assets	350	340	2.9%
Other current and non-current assets	584	423	38.1%
<b>Total assets</b>	<b>20,473</b>	<b>19,962</b>	<b>2.6%</b>
<b>Liabilities and equity</b>			
Financial liabilities	8,793	8,783	0.1%
Trade and other payables	2,145	2,159	-0.6%
Defined benefit obligations	2,054	2,108	-2.6%
Provisions	820	840	-2.4%
Tax liabilities	492	425	15.8%
Other current and non-current liabilities	978	930	5.2%
<b>Total liabilities</b>	<b>15,282</b>	<b>15,245</b>	<b>0.2%</b>
Share of equity attributable to equity holders of Swisscom Ltd	5,162	4,690	10.1%
Share of equity attributable to non-controlling interests	29	27	7.4%
<b>Total equity</b>	<b>5,191</b>	<b>4,717</b>	<b>10.0%</b>
<b>Total liabilities and equity</b>	<b>20,473</b>	<b>19,962</b>	<b>2.6%</b>
Equity ratio at end of period	25.4%	23.6%	
Net debt	7,931	8,071	-1.7%

Total assets at 31 March 2013 amounted to CHF 20,473 million, up CHF 511 million or 2.6% versus the end of 2012. Equity rose by CHF 474 million or 10.0% to CHF 5,191 million. The increase in equity comprises mainly net income of CHF 390 million and net profit of CHF 91 million recognised in other comprehensive income. This includes currency translation gains of CHF 40 million in respect of foreign subsidiaries as well as actuarial gains of CHF 64 million from pension plans as a result of interest rate changes. Compared to the end of 2012, the CHF/EUR exchange rate increased from 1.207 to 1.220. At 31 March 2013 cumulative currency translation losses recognised in equity amounted to around CHF 1.6 billion. The other short- and long-term assets increased by CHF 161 million compared with the end of 2012, to CHF 584. This increase is due to an increase in inventories and accruals for prepaid expenses for the 2013 business year.

Net debt comprises financial liabilities less cash and cash equivalents, current financial assets and non-current, fixed-interest-bearing deposits. Swisscom's goal is to achieve a maximum net debt/EBITDA ratio of around 2x. This value may be exceeded temporarily. Any figure below this represents financial room for manoeuvre.

## Changes in accounting policies

From 1 January 2013 Swisscom will apply various amendments to IAS 19 “Employee Benefits”. The main effects of the amendments on Swisscom’s financial reporting are presented and explained below:

- Amendments to IAS 19 require immediate recognition of actuarial gains and losses in equity under other comprehensive income. This has no impact on Swisscom’s reporting since Swisscom has always applied this method for recognising actuarial gains and losses.
- Until now effects relating to pension plan amendments were required to be recognised in part in the vesting period in income statement. In future these effects must be recognised immediately in income statement.
- Under the revised standard, the interest rate on plan assets may not exceed the discount rate. It is no longer permitted to base the interest rate on plan assets on an expected rate of return. Net interest expense is now disclosed in the net financial result.
- The costs for disability benefits are recognised as expenses and as liabilities only from the time at which the pension payments begin.
- Under IAS 19 Swisscom now takes future employee contributions into account in its calculations (risk sharing).

The effects of the amendments with retroactive effect on the consolidated balance sheet as at 1 January 2013 and on the 2012 income statement are as follows:

In CHF million	Reported	Adjustment	Restated
<b>Balance sheet at 1 January 2013</b>			
Defined benefit obligations	2,801	(693)	2,108
Deferred tax assets	417	(132)	285
Equity	4,156	561	4,717
Equity ratio	20.7		23.6
<b>Income statement full year 2012</b>			
Net revenue	11,384	–	11,384
Operating income before depreciation and amortisation (EBITDA)	4,381	96	4,477
Operating income (EBIT)	2,431	96	2,527
Income before income taxes	2,167	66	2,233
Net income	1,762	53	1,815
Earnings per share	33.88	1.02	34.90

The positive impact of the changes in accounting policies after tax on equity as at 1 January 2013 amounts to CHF 561 million. As a result the equity ratio has increased from 20.7% to 23.6%. The adjusted pension cost for 2012 declined by CHF 66 million to CHF 80 million. CHF 50 million of the pension cost is recognised in EBITDA and CHF 30 million in the financial result. After tax, the positive impact of the changes in accounting policies is CHF 53 million on net income and CHF 1.02 on earnings per share.

The pension cost for 2012 under the old and new regulations is summarised as follows:

In CHF million	1. quarter	2. quarter	3 quarter	4. quarter	2012
<b>Pension cost, reported</b>					
Current service cost	51	53	53	51	208
Plan amendments and plan curtailments	(4)	(5)	(4)	(42)	(55)
Net interest income	(1)	(2)	(2)	(2)	(7)
<b>Total pension cost</b>	<b>46</b>	<b>46</b>	<b>47</b>	<b>7</b>	<b>146</b>
thereof recognised in EBITDA	46	46	47	7	146
thereof recognised in financial result	–	–	–	–	–
<b>Pension cost, restated</b>					
Current service cost	52	52	52	51	207
Plan amendments and plan curtailments	–	–	–	(157)	(157)
Net interest expense	7	8	7	8	30
<b>Total pension cost</b>	<b>59</b>	<b>60</b>	<b>59</b>	<b>(98)</b>	<b>80</b>
thereof recognised in EBITDA	52	52	52	(106)	50
thereof recognised in financial result	7	8	7	8	30

In the fourth quarter of 2012, various amendments to the Swisscom pension plan were approved. A key element in these changes was a reduction in conversion rates, which led to a reduction of CHF 157 million in pension obligations. Under the amended standard, this positive extraordinary effect must be recognised immediately in the fourth quarter of 2012. Under the old regulations, the positive effects recognised in 2012 relating to pension plan changes amounted to CHF 55 million. This includes effects in connection with the pension plan changes of CHF 38 million that were approved in 2012. The remaining amount relates to earlier pension plan amendments. Net interest expense for 2012 now amounts to CHF 30 million. Under the old regulations, net interest income amounted to CHF 7 million due to yield assumption. Net interest expense is now disclosed in the net financial result.

Pension plan costs of CHF 256 million affecting EBITDA and net interest expense of CHF 37 million is expected for 2013. On like-for-like basis (restated), pension plan costs affecting EBITDA rose by CHF 206 million due to extraordinary effects related to the 2012 pension plan amendments, a low discount rate and changes in life expectancy assumptions. Under the old regulations, pension plan costs in 2013 affecting EBITDA rose by CHF 110 million compared to costs in 2012.

## Outlook

The financial outlook for 2013 remains unchanged. Swisscom expects revenue (excluding Fastweb) to remain stable in 2013 at CHF 9.34 billion and EBITDA (excluding Fastweb) to decline to CHF 3.64 billion. A change in accounting policies for pension plans will result in a non-cash increase in costs of CHF 110 million over the reported values. On an adjusted basis, the pension cost excluding net interest expense will increase by CHF 206 million in 2013 compared with the previous year. In addition, continuing customer and volume growth will lead to an increase in direct costs, mainly relating to the acquisition of new customers and the procurement of devices. Maintenance and further expansion of the network structure will also temporarily increase indirect costs. Swisscom (excluding Fastweb) expects an increase in capital expenditure in 2013 to CHF 1.75 billion. Fastweb's revenue performance in 2013 (excluding hubbing) is expected to remain stable in local currency terms (EUR 1.6 billion), while EBITDA is expected to remain unchanged to the previous year at EUR 500 million. Expansion of the fibre-optic network in Italy is expected to increase capital expenditure to EUR 550 million.

At an CHF/EUR exchange rate of 1.23, Swisscom therefore expects revenue of some CHF 11.3 billion, EBITDA of at least CHF 4.25 billion and capital expenditure of around CHF 2.4 billion. Subject to meeting its 2013 targets, Swisscom plans again to propose a dividend of CHF 22 per share for the 2013 financial year at the forthcoming Annual General Meeting.

# Consolidated interim financial statements (condensed and unaudited)

## Consolidated income statement (condensed and unaudited)

In CHF million, except where indicated	Note	1.1.–31.3.2013	1.1.–31.3.2012 restated <sup>1</sup>
<b>Net revenue</b>	2	<b>2,734</b>	<b>2,802</b>
Goods and services purchased		(552)	(555)
Personnel expense		(671)	(676)
Other operating expense		(557)	(564)
Capitalised self-constructed assets and other income		77	91
<b>Operating income before depreciation and amortisation (EBITDA)</b>		<b>1,031</b>	<b>1,098</b>
Depreciation, amortisation and impairment losses		(491)	(481)
<b>Operating income (EBIT)</b>	2	<b>540</b>	<b>617</b>
Financial income and financial expense, net	3	(65)	(76)
Share of results of associates		6	6
<b>Income before income taxes</b>		<b>481</b>	<b>547</b>
Income tax expense		(91)	(102)
<b>Net income</b>		<b>390</b>	<b>445</b>
Share of net income attributable to equity holders of Swisscom Ltd		388	442
Share of net income attributable to non-controlling interests		2	3
Basic and diluted earnings per share (in CHF)		7.49	8.53

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

## Consolidated statement of comprehensive income (unaudited)

In CHF million	1.1.–31.3.2013	1.1.–31.3.2012 restated <sup>1</sup>
<b>Net income</b>	<b>390</b>	<b>445</b>
<b>Other comprehensive income</b>		
Actuarial gains and losses from defined benefit plans	64	342
Income tax expense	(12)	(71)
<b>Items that will not be reclassified to income statement, net of tax</b>	<b>52</b>	<b>271</b>
Foreign currency translation adjustments of foreign subsidiaries	40	(34)
Change in fair value of cash flow hedges	8	(9)
Gains and losses from cash flow hedges transferred to income statement	1	3
Income tax expense	(10)	9
<b>Items that are or may be reclassified subsequently to income statement, net of tax</b>	<b>39</b>	<b>(31)</b>
<b>Other comprehensive income</b>	<b>91</b>	<b>240</b>
<b>Comprehensive income</b>	<b>481</b>	<b>685</b>
Share of comprehensive income attributable to equity holders of Swisscom Ltd	479	682
Share of comprehensive income attributable to non-controlling interests	2	3

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

## Consolidated balance sheet (condensed and unaudited)

In CHF million	Note	31.3.2013	31.12.2012 restated <sup>1</sup>	1.1.2012 restated <sup>1</sup>
<b>Assets</b>				
Cash and cash equivalents		685	538	314
Trade and other receivables		2,987	2,824	2,978
Other financial assets		38	40	73
Other assets		597	436	522
<b>Total current assets</b>		<b>4,307</b>	<b>3,838</b>	<b>3,887</b>
Property, plant and equipment		8,602	8,549	8,222
Goodwill and other intangible assets		6,760	6,783	6,543
Investments in associates		264	268	233
Other financial assets		203	197	197
Other assets		337	327	280
<b>Total non-current assets</b>		<b>16,166</b>	<b>16,124</b>	<b>15,475</b>
<b>Total assets</b>		<b>20,473</b>	<b>19,962</b>	<b>19,362</b>
<b>Liabilities and equity</b>				
Financial liabilities	4	1,065	1,053	804
Trade and other payables		2,145	2,159	2,190
Current income tax liabilities		235	189	37
Provisions	5	140	154	148
Other liabilities		690	643	676
<b>Total current liabilities</b>		<b>4,275</b>	<b>4,198</b>	<b>3,855</b>
Financial liabilities	4	7,728	7,730	8,027
Defined benefit obligations		2,054	2,108	1,492
Provisions	5	680	686	755
Deferred tax liabilities		257	236	244
Other liabilities		288	287	296
<b>Total non-current liabilities</b>		<b>11,007</b>	<b>11,047</b>	<b>10,814</b>
<b>Total liabilities</b>		<b>15,282</b>	<b>15,245</b>	<b>14,669</b>
Share of equity attributable to equity holders of Swisscom Ltd		5,162	4,690	4,666
Share of equity attributable to non-controlling interests		29	27	27
<b>Total equity</b>		<b>5,191</b>	<b>4,717</b>	<b>4,693</b>
<b>Total liabilities and equity</b>		<b>20,473</b>	<b>19,962</b>	<b>19,362</b>

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



## Consolidated cash flow statement (condensed and unaudited)

In CHF million	1.1.–31.3.2013	1.1.–31.3.2012 restated <sup>1</sup>
Net income	390	445
Adjustment for non-cash items	638	651
Change in operating assets and liabilities	(303)	(116)
Income taxes paid	(55)	(42)
<b>Cash flow provided by operating activities</b>	<b>670</b>	<b>938</b>
Capital expenditure	(486)	(502)
Other cash flows from investing activities, net	23	(50)
<b>Cash flow used in investing activities</b>	<b>(463)</b>	<b>(552)</b>
Issuance and repayment of financial liabilities, net	(30)	(189)
Other cash flows from financing activities, net	(31)	(34)
<b>Cash flow used in financing activities</b>	<b>(61)</b>	<b>(223)</b>
<b>Net increase in cash and cash equivalents</b>	<b>146</b>	<b>163</b>
Cash and cash equivalents at beginning of period	538	314
Foreign currency translation adjustments in respect of cash and cash equivalents	1	(1)
<b>Cash and cash equivalents at end of period</b>	<b>685</b>	<b>476</b>

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

## Consolidated statement of changes in equity (unaudited)

In CHF million	Share capital	Capital reserves	Retained earnings	Treasury shares	Other reserves	Attributable to equity holders of Swisscom	Attributable to non-controlling interests	Total equity
<b>Balance at 31 December 2011</b>	<b>52</b>	<b>136</b>	<b>5,704</b>	–	<b>(1,620)</b>	<b>4,272</b>	<b>24</b>	<b>4,296</b>
Change in accounting policies <sup>1</sup>	–	–	394	–	–	394	3	397
<b>Balance at 1 January 2012, restated</b>	<b>52</b>	<b>136</b>	<b>6,098</b>	–	<b>(1,620)</b>	<b>4,666</b>	<b>27</b>	<b>4,693</b>
Net income, restated	–	–	442	–	–	442	3	445
Other comprehensive income, restated	–	–	271	–	(31)	240	–	240
<b>Comprehensive income, restated</b>	<b>–</b>	<b>–</b>	<b>713</b>	<b>–</b>	<b>(31)</b>	<b>682</b>	<b>3</b>	<b>685</b>
Acquisition of treasury shares for share-based payments	–	–	–	(6)	–	(6)	–	(6)
<b>Balance at 31 March 2012, restated</b>	<b>52</b>	<b>136</b>	<b>6,811</b>	<b>(6)</b>	<b>(1,651)</b>	<b>5,342</b>	<b>30</b>	<b>5,372</b>
<b>Balance at 31 December 2012, restated<sup>1</sup></b>	<b>52</b>	<b>136</b>	<b>6,135</b>	–	<b>(1,633)</b>	<b>4,690</b>	<b>27</b>	<b>4,717</b>
Net income	–	–	388	–	–	388	2	390
Other comprehensive income	–	–	52	–	39	91	–	91
<b>Comprehensive income</b>	<b>–</b>	<b>–</b>	<b>440</b>	<b>–</b>	<b>39</b>	<b>479</b>	<b>2</b>	<b>481</b>
Acquisition of treasury shares for share-based payments	–	–	–	(7)	–	(7)	–	(7)
<b>Balance at 31 March 2013</b>	<b>52</b>	<b>136</b>	<b>6,575</b>	<b>(7)</b>	<b>(1,594)</b>	<b>5,162</b>	<b>29</b>	<b>5,191</b>

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

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

## 1 Accounting policies

### Basis of preparation

These unaudited consolidated interim financial statements include Swisscom Ltd and all subsidiaries controlled directly or indirectly via a majority of the votes or in any other way (hereinafter referred to as Swisscom). The consolidated interim financial statements for the three months to 31 March 2013 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 2012. The consolidated interim financial statements were prepared in accordance with the accounting policies described in the 2012 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 1.220 was used as the end-of-period rate (31 December 2012: CHF/EUR 1.207) and 1.225 as the average rate for the period (prior year: CHF/EUR 1.205).

### Changes in accounting policies

As of 1 January 2013, Swisscom has adopted various amendments to existing International Financial Reporting Standards (IFRSs) and Interpretations. With the exception of the changes described below, the amendments will have no material impact on the Group's results or financial position. The amendments to IAS 19 “Employee Benefits” require immediate recognition of actuarial gains or losses in other comprehensive income. Until now entities could choose between immediate recognition in the income statement or the statement of comprehensive income or deferring recognition using the so-called “corridor” approach. This has no impact on Swisscom's reporting since Swisscom has already applied this method for recognising actuarial gains and losses. The amendments to IAS 19 also require that management disclose the estimated return on pension plan assets using the discount rate and no longer on the basis of the estimated return based on asset allocation. Swisscom now calculates disability benefits based on the actual number of disability cases rather than the expected number of cases in accordance with the actuarial tables (BVG 2010). Under IAS 19 Swisscom now takes future employee contributions into account in its calculations (risk sharing). The amended IAS 19 also calls for more detailed disclosure in the Notes. Entities must now disclose information about the financing strategy for their pension plans and do not only describe but also quantify the financing risks inherent in the plans. This requires among other things a sensitivity analysis to show to what extent pension plan obligations fluctuate in the event of changes in significant measurement assumptions. In future the average remaining duration of pension plan obligations must also be disclosed. The changes have been made retrospectively.

The effects on the consolidated balance sheet, consolidated income statement and consolidated statement of comprehensive income are presented below:

In CHF million, except where indicated

	Reported	Adjustment	Restated
<b>Balance sheet at 1 January 2012</b>			
Deferred tax assets	311	(88)	223
Defined benefit obligations	1,977	(485)	1,492
<b>Equity</b>	<b>4,296</b>	<b>397</b>	<b>4,693</b>
Share of equity attributable to equity holders of Swisscom Ltd	4,272	394	4,666
Share of equity attributable to non-controlling interests	24	3	27

<b>Balance sheet at 1 January 2013</b>			
Deferred tax assets	417	(132)	285
Defined benefit obligations	2,801	(693)	2,108
<b>Equity</b>	<b>4,156</b>	<b>561</b>	<b>4,717</b>
Share of equity attributable to equity holders of Swisscom Ltd	4,132	558	4,690
Share of equity attributable to non-controlling interests	24	3	27

<b>Income statement full year 2012</b>			
Personnel expense	(2,581)	96	(2,485)
Financial expense	(325)	(30)	(355)
Income tax expense	(405)	(13)	(418)
<b>Net income</b>	<b>1,762</b>	<b>53</b>	<b>1,815</b>
Share of net income attributable to equity holders of Swisscom Ltd	1,755	53	1,808
Share of net income attributable to non-controlling interests	7	–	7
Earnings per share (in CHF)	33.88	1.02	34.90

<b>Income statement 1.1.–31.3.2012</b>			
Personnel expense	(670)	(6)	(676)
Financial income and financial expense, net	(69)	(7)	(76)
Income tax expense	(104)	2	(102)
<b>Net income</b>	<b>456</b>	<b>(11)</b>	<b>445</b>
Share of net income attributable to equity holders of Swisscom Ltd	453	(11)	442
Share of net income attributable to non-controlling interests	3	–	3
Earnings per share (in CHF)	8.75	(0.22)	8.53

<b>Statement of comprehensive income full year 2012</b>			
<b>Net income</b>	<b>1,762</b>	<b>53</b>	<b>1,815</b>
Actuarial gains and losses from defined benefit plans	(908)	139	(769)
Income tax expense	185	(28)	157
<b>Other comprehensive income</b>	<b>(741)</b>	<b>111</b>	<b>(630)</b>
<b>Comprehensive income</b>	<b>1,021</b>	<b>164</b>	<b>1,185</b>
Share of comprehensive income attributable to equity holders of Swisscom Ltd	1,017	164	1,181
Share of comprehensive income attributable to non-controlling interests	4	–	4

<b>Statement of comprehensive income 1.1.–31.3.2012</b>			
<b>Net income</b>	<b>456</b>	<b>(11)</b>	<b>445</b>
Actuarial gains and losses from defined benefit plans	307	35	342
Income tax expense	(55)	(7)	(62)
<b>Other comprehensive income</b>	<b>212</b>	<b>28</b>	<b>240</b>
<b>Comprehensive income</b>	<b>668</b>	<b>17</b>	<b>685</b>
Share of comprehensive income attributable to equity holders of Swisscom Ltd	665	17	682
Share of comprehensive income attributable to non-controlling interests	3	–	3

## 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 broken down 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 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 rates. 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 comprises goods and services purchased, personnel expense and other operating expenses less capitalised self-constructed assets and other income.

Swisscom has changed the presentation of the pension cost in segment reporting with retrospective effect. Personnel expense includes the employer's ordinary contributions as pension cost. The difference between the employer's ordinary contributions and pension cost under IAS 19 is disclosed in the "Elimination" column. In the 2013 first-quarter figures, in accordance with IAS 19 the "Elimination" column contains an expense of CHF 5 million as a reconciliation item for pension cost in accordance with IAS 19 (first quarter of 2012: gain of CHF 6 million; full-year 2012 gain of CHF 179 million).

Cross-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.

In a move to strengthen its Swiss business and improve efficiency within the Group, Swisscom introduced a new streamlined management structure on 1 January 2013, which resulted in the transfer of various organisational units to other segments. The prior-year figures have been restated accordingly.

Net revenue and results of the individual segments for the first three months of 2012 and 2013 are as follows:

1.1.–31.3.2013, in CHF million	Swisscom Switzerland	Fastweb	Other operating segments	Group Head-quarters	Elimination	Total
Net revenue from external customers	2,025	486	223	–	–	2,734
Net revenue with other segments	16	1	189	–	(206)	–
<b>Net revenue</b>	<b>2,041</b>	<b>487</b>	<b>412</b>	<b>–</b>	<b>(206)</b>	<b>2,734</b>
<b>Segment result</b>	<b>609</b>	<b>(61)</b>	<b>30</b>	<b>(31)</b>	<b>(7)</b>	<b>540</b>
Financial income and financial expense, net						(65)
Share of results of associates						6
<b>Income before income taxes</b>						<b>481</b>
Income tax expense						(91)
<b>Net income</b>						<b>390</b>

1.1.–31.3.2013, in CHF million	Residential Customers	Small and Medium-Sized Enterprises	Corporate Business	Wholesale	Network & IT	Elimination	Swisscom Switzerland
Net revenue from external customers	1,190	274	412	149	–	–	2,025
Net revenue with other segments	41	6	27	88	–	(146)	16
<b>Net revenue</b>	<b>1,231</b>	<b>280</b>	<b>439</b>	<b>237</b>	<b>–</b>	<b>(146)</b>	<b>2,041</b>
<b>Segment result</b>	<b>685</b>	<b>212</b>	<b>202</b>	<b>96</b>	<b>(586)</b>	<b>–</b>	<b>609</b>

1.1.–31.3.2012, in CHF million, restated	Swisscom Switzerland	Fastweb	Other operating segments	Group Head-quarters	Elimination	Total
Net revenue from external customers	2,065	508	229	–	–	2,802
Net revenue with other segments	14	2	198	–	(214)	–
<b>Net revenue</b>	<b>2,079</b>	<b>510</b>	<b>427</b>	<b>–</b>	<b>(214)</b>	<b>2,802</b>
<b>Segment result</b>	<b>666</b>	<b>(47)</b>	<b>27</b>	<b>(31)</b>	<b>2</b>	<b>617</b>
Financial income and financial expense, net						(76)
Share of results of associates						6
<b>Income before income taxes</b>						<b>547</b>
Income tax expense						(102)
<b>Net income</b>						<b>445</b>

1.1.–31.3.2012, in CHF million, restated	Residential Customers	Small and Medium-Sized Enterprises	Corporate Business	Wholesale	Network & IT	Elimination	Swisscom Switzerland
Net revenue from external customers	1,208	281	423	153	–	–	2,065
Net revenue with other segments	44	7	25	88	–	(150)	14
<b>Net revenue</b>	<b>1,252</b>	<b>288</b>	<b>448</b>	<b>241</b>	<b>–</b>	<b>(150)</b>	<b>2,079</b>
<b>Segment result</b>	<b>724</b>	<b>222</b>	<b>214</b>	<b>94</b>	<b>(589)</b>	<b>1</b>	<b>666</b>

### 3 Financial income and expense

In CHF million	1.1.–31.3.2013	1.1.–31.3.2012 restated
Interest income	11	6
Interest expense	(67)	(64)
<b>Net interest expense</b>	<b>(56)</b>	<b>(58)</b>
Foreign exchange gains (foreign exchange losses)	2	(2)
Other financial income and expense, net	(11)	(16)
<b>Financial income and financial expense, net</b>	<b>(65)</b>	<b>(76)</b>

### 4 Financial liabilities

In CHF million	31.3.2013	31.12.2012
Bank loans	192	196
Debenture bonds	675	631
Private placements	135	131
Finance lease liabilities	6	7
Other financial liabilities	57	88
<b>Total current financial liabilities</b>	<b>1,065</b>	<b>1,053</b>
Bank loans	984	973
Debenture bonds	4,825	4,824
Private placements	1,123	1,121
Finance lease liabilities	631	632
Other financial liabilities	165	180
<b>Total non-current financial liabilities</b>	<b>7,728</b>	<b>7,730</b>
<b>Total financial liabilities</b>	<b>8,793</b>	<b>8,783</b>

## 5 Provisions

In CHF million	Dismantlement and restoration costs	Regulatory proceedings	Other	Total
<b>Balance at 31 December 2012</b>	<b>512</b>	<b>129</b>	<b>199</b>	<b>840</b>
Additions of provisions	2	2	4	8
Release of unused provisions	(7)	–	(12)	(19)
Use of provisions	–	–	(10)	(10)
<b>Balance at 31 March 2013</b>	<b>507</b>	<b>131</b>	<b>181</b>	<b>819</b>
Thereof current provisions	1	19	119	139
Thereof non-current provisions	506	112	62	680

### Provisions for dismantling and restoration costs

The provisions for dismantling and restoration costs relate to the dismantling of mobile base stations and transmitters owned by Swisscom Broadcast and the restoration of 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 1.77%. 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. The provisions recognised in the 2012 consolidated financial statements have not changed to any material extent in the current financial year.

### Other provisions

Other provisions mainly include provisions for workforce reductions, environmental and contractual risks, and provisions for claims. Other provisions recognised in the 2012 consolidated financial statements have not changed to any material extent in the current financial year.

## 6 Contingent liabilities

### Competition Commission proceedings

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 the 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 31 March 2013. 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.



## Regulatory proceedings

With regard to the other contingent liabilities described in the 2012 consolidated financial statements relating to regulatory proceedings, Swisscom is of the opinion that an outflow of funds is unlikely and has therefore not recognised any provisions in the consolidated financial statements as at 31 March 2013.

## 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 was of the opinion that the case was unlikely to result in a cash outflow and therefore did not recognise any related provisions. An out-of-court settlement was reached in the first quarter of 2013 and the complaint filed by Fastweb's competitor was withdrawn. If the outcome of the case had been negative, the cash outflow would have amounted to around EUR 60 million (CHF 72 million).

## 7 Related parties

Transactions between Swisscom and various related parties in the first three months of 2013 are similar to those explained in the 2012 consolidated financial statements.

## 8 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 1 May 2013.

### Dividend

On 4 April 2013, the Annual General Meeting of Swisscom Ltd approved the payment of a gross dividend of CHF 22 per share. The total dividend payout of CHF 1,140 million took place on 11 April 2013.

### Company acquisitions

In April 2013 Swisscom IT Services took over the business platform of Entris Banking and also acquired all shares in Entris Integrator AG. The business platform of Entris Integrator AG is used by banks to process their banking transactions, from payment transactions, credit business and securities trading to e-banking. Following the acquisition, the company's name was changed to Swisscom Banking Provider AG. Also in April 2013, Swisscom increased its holding in CT Cinetrade AG (Cinetrade) from 49% to 75%. Cinetrade holds film and sports rights for pay TV, video on demand and pay per view and makes use of these via its pay TV platforms and VOD/PPV services. Cinetrade is also one of the leading cinema operators in Switzerland.

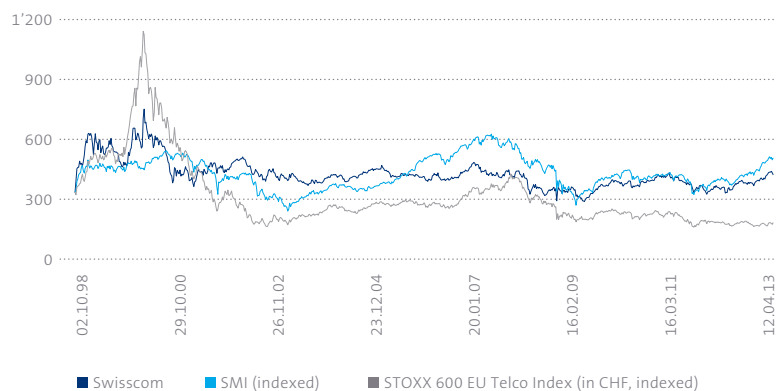
# Share information

31.12.2012–31.3.2013	SIX Swiss Exchange
Closing price at 31 December 2012 in CHF <sup>1</sup>	393.80
Closing price at 31 March 2013 in CHF <sup>1</sup>	439.20
Year high in CHF <sup>1</sup>	442.00
Year low in CHF <sup>1</sup>	396.60
Total volume of traded shares	6,344,737
Daily average of traded shares	104,012
Total turnover in CHF million	2,645.2
Daily average in CHF million	43.4

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

## Share performance since the IPO

Share performance 1998–2013 in CHF



## Share information

On 31 March 2013, the share capital consisted of a total of 51,801,943 registered shares, the majority of which are held by the Swiss Confederation in accordance with the terms of the Telecommunications Enterprise Act (TEA). The par value per registered share is CHF 1.

At the end of March 2013, Swisscom had 68,592 registered shareholders and around 14% unregistered shareholdings.

At the Annual General Meeting on 4 April 2013, 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 11 April 2013.

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

- > 7 August 2013                      2013 Half-Year Results
- > 7 November 2013                2013 Third-Quarter Results
- > 6 February 2014                2013 Annual Results
- > 7 April 2014                      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 2012 and 2013

In CHF million, except where indicated	1. quarter	2. quarter	3. quarter	4. quarter	2012	1. quarter	2. quarter	3. quarter	4. quarter	2013
<b>Income statement</b>										
<b>Net revenue</b>	<b>2,802</b>	<b>2,819</b>	<b>2,806</b>	<b>2,957</b>	<b>11,384</b>	<b>2,734</b>				<b>2,734</b>
Goods and services purchased	(555)	(566)	(566)	(712)	(2,399)	(552)				(552)
Personnel expense	(676)	(659)	(606)	(544)	(2,485)	(671)				(671)
Other operating expense	(564)	(551)	(590)	(691)	(2,396)	(557)				(557)
Capitalised self-constructed assets and other income	91	83	78	121	373	77				77
<b>Operating income (EBITDA)</b>	<b>1,098</b>	<b>1,126</b>	<b>1,122</b>	<b>1,131</b>	<b>4,477</b>	<b>1,031</b>				<b>1,031</b>
Depreciation and amortisation	(481)	(482)	(491)	(496)	(1,950)	(491)				(491)
<b>Operating income (EBIT)</b>	<b>617</b>	<b>644</b>	<b>631</b>	<b>635</b>	<b>2,527</b>	<b>540</b>				<b>540</b>
Net interest expense	(58)	(66)	(67)	(62)	(253)	(56)				(56)
Other financial result	(18)	(10)	(10)	(35)	(73)	(9)				(9)
Result of associates	6	8	11	7	32	6				6
<b>Income before income taxes</b>	<b>547</b>	<b>576</b>	<b>565</b>	<b>545</b>	<b>2,233</b>	<b>481</b>				<b>481</b>
Income tax expense	(102)	(114)	(116)	(86)	(418)	(91)				(91)
<b>Net income</b>	<b>445</b>	<b>462</b>	<b>449</b>	<b>459</b>	<b>1,815</b>	<b>390</b>				<b>390</b>
Attributable to equity holders of Swisscom Ltd	442	458	448	460	1,808	388				388
Attributable to non-controlling interests	3	4	1	(1)	7	2				2
Earnings per share (in CHF)	8.53	8.84	8.65	8.88	34.90	7.49				7.49
<b>Net revenue</b>										
Swisscom Switzerland	2,079	2,086	2,108	2,188	8,461	2,041				2,041
Fastweb	510	516	492	530	2,048	487				487
Other operating segments	427	425	415	461	1,728	412				412
Group Headquarters	–	1	–	1	2	–				–
Intersegment elimination	(214)	(209)	(209)	(223)	(855)	(206)				(206)
<b>Total net revenue</b>	<b>2,802</b>	<b>2,819</b>	<b>2,806</b>	<b>2,957</b>	<b>11,384</b>	<b>2,734</b>				<b>2,734</b>
<b>Segment result before depreciation and amortisation</b>										
Swisscom Switzerland	923	935	933	766	3,557	877				877
Fastweb	131	149	148	174	602	119				119
Other operating segments	70	75	70	59	274	73				73
Group Headquarters	(27)	(30)	(29)	(24)	(110)	(29)				(29)
Intersegment elimination	(5)	(7)	(3)	(10)	(25)	(4)				(4)
Reconciliation to pension cost	6	4	5	164	179	(5)				(5)
<b>Total segment result (EBITDA)</b>	<b>1,098</b>	<b>1,126</b>	<b>1,124</b>	<b>1,129</b>	<b>4,477</b>	<b>1,031</b>				<b>1,031</b>
<b>Capital expenditure in property, plant and equipment and other intangible assets</b>										
Swisscom Switzerland	337	329	679	507	1,852	284				284
Fastweb	135	140	118	138	531	155				155
Other operating segments	36	49	45	37	167	38				38
Group Headquarters	–	–	–	1	1	–				–
Intersegment elimination	(6)	(3)	(6)	(7)	(22)	(3)				(3)
<b>Total capital expenditure</b>	<b>502</b>	<b>515</b>	<b>836</b>	<b>676</b>	<b>2,529</b>	<b>474</b>				<b>474</b>
<b>Full-time equivalent employees at end of period</b>										
Swisscom Switzerland	11,999	11,915	11,884	11,862	11,862	12,018				12,018
Fastweb	3,064	3,032	2,911	2,893	2,893	2,389				2,389
Other operating segments	4,501	4,509	4,457	4,419	4,419	4,505				4,505
Group Headquarters	350	349	343	340	340	335				335
<b>Total full-time equivalent employees</b>	<b>19,914</b>	<b>19,805</b>	<b>19,595</b>	<b>19,514</b>	<b>19,514</b>	<b>19,247</b>				<b>19,247</b>
Operating free cash flow	483	496	279	624	1,882	245				245
Net debt	8,390	9,144	8,622	8,071	8,071	7,931				7,931

## Quarterly review 2012 and 2013

In CHF million, except where indicated	1. quarter	2. quarter	3. quarter	4. quarter	2012	1. quarter	2. quarter	3. quarter	4. quarter	2013
<b>Swisscom Switzerland</b>										
<b>Revenue and results</b>										
Residential Customers	465	476	474	443	1,858	428				428
Small and Medium-Sized Enterprises	119	125	118	110	472	104				104
Corporate Business	148	155	151	148	602	141				141
<b>Revenue mobile single subscription</b>	<b>732</b>	<b>756</b>	<b>743</b>	<b>701</b>	<b>2,932</b>	<b>673</b>				<b>673</b>
Residential Customers	354	336	328	320	1,338	304				304
Small and Medium-Sized Enterprises	136	132	128	127	523	124				124
Corporate Business	151	153	152	153	609	146				146
<b>Revenue fixed-line single subscription</b>	<b>641</b>	<b>621</b>	<b>608</b>	<b>600</b>	<b>2,470</b>	<b>574</b>				<b>574</b>
Residential Customers	233	250	281	296	1,060	309				309
Small and Medium-Sized Enterprises	21	21	32	38	112	40				40
<b>Revenue bundles</b>	<b>254</b>	<b>271</b>	<b>313</b>	<b>334</b>	<b>1,172</b>	<b>349</b>				<b>349</b>
<b>Total revenue single subscription and bundles</b>	<b>1,627</b>	<b>1,648</b>	<b>1,664</b>	<b>1,635</b>	<b>6,574</b>	<b>1,596</b>				<b>1,596</b>
Solution business	85	87	88	100	360	84				84
Hardware sold	137	136	123	171	567	128				128
Wholesale	153	147	151	143	594	149				149
Revenue other	63	55	67	127	312	68				68
<b>Revenue from external customers</b>	<b>2,065</b>	<b>2,073</b>	<b>2,093</b>	<b>2,176</b>	<b>8,407</b>	<b>2,025</b>				<b>2,025</b>
Residential Customers	1,208	1,204	1,227	1,300	4,939	1,190				1,190
Small and Medium-Sized Enterprises	281	287	284	283	1,135	274				274
Corporate Business	423	435	431	450	1,739	412				412
Wholesale	153	147	151	143	594	149				149
<b>Revenue from external customers</b>	<b>2,065</b>	<b>2,073</b>	<b>2,093</b>	<b>2,176</b>	<b>8,407</b>	<b>2,025</b>				<b>2,025</b>
<b>Segment result before depreciation and amortisation</b>										
Residential Customers	748	744	735	659	2,886	710				710
Small and Medium-Sized Enterprises	223	225	223	211	882	213				213
Corporate Business	230	235	242	238	945	220				220
Wholesale	94	89	93	91	367	96				96
Network & IT	(372)	(358)	(360)	(433)	(1,523)	(362)				(362)
<b>Segment result (EBITDA)</b>	<b>923</b>	<b>935</b>	<b>933</b>	<b>766</b>	<b>3,557</b>	<b>877</b>				<b>877</b>
Margin as % of net revenue	44.4	44.8	44.3	35.0	42.0	43.0				43.0
<b>Fastweb, in EUR million</b>										
Residential Customers	182	182	179	181	724	186				186
Corporate Business	183	196	193	219	791	178				178
Wholesale hubbing	27	28	16	16	87	14				14
Wholesale other	29	22	19	22	92	19				19
<b>Revenue from external customers</b>	<b>421</b>	<b>428</b>	<b>407</b>	<b>438</b>	<b>1,694</b>	<b>397</b>				<b>397</b>
Segment result (EBITDA)	109	124	121	146	500	97				97
Margin as % of net revenue	25.8	28.8	29.7	33.3	29.4	24.4				24.4
Capital expenditure	112	116	98	115	441	126				126
Broadband access lines in thousand	1,654	1,673	1,704	1,767	1,767	1,861				1,861

## Quarterly review 2012 and 2013

In thousand, except where indicated	1. quarter	2. quarter	3. quarter	4. quarter	2012	1. quarter	2. quarter	3. quarter	4. quarter	2013
<b>Swisscom Switzerland</b>										
<b>Operational data</b>										
<b>Access lines</b>										
Single subscriptions	2,536	2,465	2,407	2,350	2,350	2,272				2,272
Bundles	557	593	627	663	663	698				698
<b>Fixed access lines</b>	<b>3,093</b>	<b>3,058</b>	<b>3,034</b>	<b>3,013</b>	<b>3,013</b>	<b>2,970</b>				<b>2,970</b>
Single subscriptions	1,023	995	969	939	939	909				909
Bundles	659	699	739	788	788	842				842
<b>Broadband access lines retail</b>	<b>1,682</b>	<b>1,694</b>	<b>1,708</b>	<b>1,727</b>	<b>1,727</b>	<b>1,751</b>				<b>1,751</b>
Single subscriptions	236	245	248	270	270	291				291
Bundles	419	449	480	521	521	569				569
<b>Swisscom TV access lines</b>	<b>655</b>	<b>694</b>	<b>728</b>	<b>791</b>	<b>791</b>	<b>860</b>				<b>860</b>
Prepaid single subscriptions	2,243	2,231	2,210	2,199	2,199	2,196				2,196
Postpaid single subscriptions	3,657	3,654	3,672	3,702	3,702	3,741				3,741
<b>Mobile access lines single subscriptions</b>	<b>5,900</b>	<b>5,885</b>	<b>5,882</b>	<b>5,901</b>	<b>5,901</b>	<b>5,937</b>				<b>5,937</b>
Bundles	182	229	271	316	316	333				333
<b>Mobile access lines</b>	<b>6,082</b>	<b>6,114</b>	<b>6,153</b>	<b>6,217</b>	<b>6,217</b>	<b>6,270</b>				<b>6,270</b>
<b>Revenue generating units (RGU)</b>	<b>11,512</b>	<b>11,560</b>	<b>11,623</b>	<b>11,748</b>	<b>11,748</b>	<b>11,851</b>				<b>11,851</b>
Broadband access lines wholesale	179	176	181	186	186	196				196
Unbundled fixed access lines	312	317	310	300	300	290				290
<b>Bundles</b>										
<b>Bundles</b>										
2Play bundles	240	237	239	248	248	257				257
3Play bundles	347	374	387	403	403	428				428
4Play bundles	72	88	113	137	137	157				157
<b>Total bundles</b>	<b>659</b>	<b>699</b>	<b>739</b>	<b>788</b>	<b>788</b>	<b>842</b>				<b>842</b>
<b>Data traffic in million</b>										
Fixed-line traffic in minutes	2,158	1,989	1,847	1,961	7,955	1,918				1,918
Mobile traffic in minutes	1,654	1,633	1,612	1,683	6,582	1,728				1,728
Data SMS mobile	691	694	694	677	2,756	628				628
<b>Swisscom Group</b>										
<b>Information by geographical regions</b>										
Net revenue in Switzerland	2,278	2,286	2,298	2,406	9,268	2,236				2,236
Net revenue in other countries	524	533	508	551	2,116	498				498
<b>Total net revenue</b>	<b>2,802</b>	<b>2,819</b>	<b>2,806</b>	<b>2,957</b>	<b>11,384</b>	<b>2,734</b>				<b>2,734</b>
EBITDA in Switzerland	962	976	975	951	3,864	910				910
EBITDA in other countries	136	150	147	180	613	121				121
<b>Total EBITDA</b>	<b>1,098</b>	<b>1,126</b>	<b>1,122</b>	<b>1,131</b>	<b>4,477</b>	<b>1,031</b>				<b>1,031</b>
Capital expenditure in Switzerland	366	374	718	536	1,994	319				319
Capital expenditure in other countries	136	141	118	140	535	155				155
<b>Total capital expenditure</b>	<b>502</b>	<b>515</b>	<b>836</b>	<b>676</b>	<b>2,529</b>	<b>474</b>				<b>474</b>
Full-time equivalent employees in Switzerland	16,503	16,426	16,339	16,269	16,269	16,483				16,483
Full-time equivalent employees in other countries	3,411	3,379	3,256	3,245	3,245	2,764				2,764
<b>Total full-time equivalent employees</b>	<b>19,914</b>	<b>19,805</b>	<b>19,595</b>	<b>19,514</b>	<b>19,514</b>	<b>19,247</b>				<b>19,247</b>

## 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.

