

2011

Interim Report
January–September



swisscom

Facts & figures

In CHF million, except where indicated

| | | 1.1.–30.9.2011 | 1.1.–30.9.2010 | Change |
|---|-------------|----------------|----------------|--------|
| Net revenue and results | | | | |
| Net revenue | | 8,538 | 8,976 | -4.9% |
| Operating income before depreciation and amortisation (EBITDA) ¹ | | 3,520 | 3,546 | -0.7% |
| EBITDA as % of net revenue | % | 41.2 | 39.5 | |
| Operating income (EBIT) ² | | 2,107 | 2,068 | 1.9% |
| Net income | | 1,528 | 1,409 | 8.4% |
| Share of net income attributable to equity holders of Swisscom Ltd | | 1,518 | 1,424 | 6.6% |
| Earnings per share | CHF | 29.30 | 27.49 | 6.6% |
| Balance sheet and cash flows | | | | |
| Equity at end of period | | 5,082 | 5,029 | 1.1% |
| Equity ratio at end of period ³ | % | 24.2 | 23.9 | |
| Operating free cash flow ⁴ | | 1,533 | 2,023 | -24.2% |
| Capital expenditure ⁵ | | 1,465 | 1,276 | 14.8% |
| Net debt at end of period ⁶ | | 8,789 | 8,807 | -0.2% |
| Employees | | | | |
| Full-time equivalent employees at end of period | FTE | 20,032 | 19,511 | 2.7% |
| Average number of full-time equivalent employees | FTE | 19,766 | 19,488 | 1.4% |
| Access lines in Switzerland | | | | |
| Telephone PSTN/ISDN | in thousand | 3,143 | 3,267 | -3.8% |
| Unbundled subscribers | in thousand | 297 | 238 | 24.8% |
| Telephone PSTN/ISDN and unbundled subscribers | in thousand | 3,440 | 3,505 | -1.9% |
| Broadband retail | in thousand | 1,635 | 1,553 | 5.3% |
| Broadband wholesale | in thousand | 192 | 240 | -20.0% |
| Swisscom TV | in thousand | 556 | 358 | 55.3% |
| Mobile | in thousand | 5,980 | 5,761 | 3.8% |
| Access lines in Italy | | | | |
| Broadband ⁷ | in thousand | 1,560 | 1,712 | -8.9% |
| Swisscom share | | | | |
| Par value per share at end of period | CHF | 1.00 | 1.00 | - |
| Number of shares issued at end of period | in mio. | 51.802 | 51.802 | - |
| Number of shares outstanding at end of period | in mio. | 51.802 | 51.800 | - |
| Quoted price at end of period | CHF | 370.80 | 396.30 | -6.4% |
| Market capitalisation at end of period ⁸ | | 19,208 | 20,528 | -6.4% |

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

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

³ Equity as a percentage of total assets.

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

⁵ Excluding expenditures in fibre-optic cooperations.

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

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

⁸ Quoted price at end of period, multiplied by number of shares outstanding at end of period.

Group Financial Review

Summary

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

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

The CHF 119 million or 8.4% increase in net income to CHF 1,528 million is attributable primarily to the aforementioned one-off items at Fastweb. Earnings per share rose by 6.6% to CHF 29.30.

Capital expenditure increased by CHF 189 million or 14.8% to CHF 1,465 million, mainly due to increased investments in the Swiss telecommunications infrastructure.

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

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

Segment results

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

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

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

The divisions of Swisscom Switzerland are reported as individual segments. The support functions of Swisscom Switzerland – finance, human resources and strategy – are included in the Network & IT division. The revenue and results of the segments correspond to the internal reporting system. No separate network costs are charged for financial management of the customer segments Residential Customers, Small & Medium-Sized Enterprises, Corporate Business and Wholesale. The results of the customer segments therefore correspond to a contribution margin before network costs.

Network costs are budgeted, monitored and controlled by the Network & IT division, which is managed as a cost centre. Consequently, no revenue is credited to the Network & IT segment in the context of segment reporting. The segment result of the Network & IT segment consists of operating expenses as well as depreciation and amortisation less capitalised costs of self-constructed assets and other income. The total segment result for Swisscom Switzerland corresponds to the operating income (EBIT) of Swisscom Switzerland.

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

Swisscom Switzerland

| In CHF million, except where indicated | 3 rd quarter 2011 | 3 rd quarter 2010 | Change | 1.1.– 30.9.2011 | 1.1.– 30.9.2010 | Change |
|--|---------------------------------|---------------------------------|--------------|--------------------|--------------------|--------------|
| Revenue from external customers | 2,101 | 2,161 | –2.8% | 6,256 | 6,351 | –1.5% |
| Intersegment revenue | 16 | 16 | – | 49 | 49 | – |
| Net revenue Swisscom Switzerland | 2,117 | 2,177 | –2.8% | 6,305 | 6,400 | –1.5% |
| Direct costs | (437) | (481) | –9.1% | (1,295) | (1,354) | –4.4% |
| Indirect costs (including capitalised costs and other income) | (695) | (684) | 1.6% | (2,131) | (2,133) | –0.1% |
| Total segment expense | (1,132) | (1,165) | –2.8% | (3,426) | (3,487) | –1.7% |
| Segment result before depreciation and amortisation | 985 | 1,012 | –2.7% | 2,879 | 2,913 | –1.2% |
| <i>Margin as % of net revenue</i> | 46.5 | 46.5 | | 45.7 | 45.5 | |
| Depreciation, amortisation and impairment losses | (243) | (256) | –5.1% | (743) | (774) | –4.0% |
| Segment result | 742 | 756 | –1.9% | 2,136 | 2,139 | –0.1% |
| Capital expenditure | 378 | 303 | 24.8% | 981 | 784 | 25.1% |
| Full-time equivalent employees at end of period | | | | 12,131 | 11,665 | 4.0% |
| Telephone access lines PSTN/ISDN in thousand | | | | 3,143 | 3,267 | –3.8% |
| Unbundled fixed access lines in thousand | | | | 297 | 238 | 24.8% |
| Total telephone access lines in thousand | | | | 3,440 | 3,505 | –1.9% |
| Broadband access lines retail in thousand | | | | 1,635 | 1,553 | 5.3% |
| Broadband access lines wholesale in thousand | | | | 192 | 240 | –20.0% |
| Swisscom TV access lines in thousand | | | | 556 | 358 | 55.3% |
| Mobile access lines in thousand | | | | 5,980 | 5,761 | 3.8% |
| Average revenue per mobile user (ARPU) per month in CHF | | | | 48 | 50 | –4.0% |
| Average minutes per mobile user (AMPU) per month | | | | 121 | 118 | 2.5% |

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

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

Residential Customers

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

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

¹ Excluding own network costs.

Revenue from external customers remained stable in the first nine months of 2011. At CHF 3,646 million, revenue is 0.1% or CHF 3 million down year-on-year (–2.0% in the third quarter). Price erosion was offset by sustained customer growth, the positive trend in new bundled offerings, higher sales of smartphones and the resulting increase in mobile data service usage. Despite continuing price erosion and new (flat-rate) tariff models, mobile revenue rose thanks to increased use of mobile data services and growth in the number of lines. The number of mobile subscribers grew year-on-year by 76,000 or 1.7% to 4.56 million. Lower revenue from traditional fixed-network voice and telephone line business was partially offset by growth in broadband, Swisscom TV and bundled offerings. The number of broadband access lines rose by 63,000 or 4.6% year-on-year to CHF 1.43 million, while the number of Swisscom TV subscribers grew by 54.9% or 191,000 to 539,000 in the space of a year. Bundled offerings are still very much in demand. At 30 September 2011 the Residential Customers segment had 529,000 customers subscribing to bundled products. CHF 1,564 million, segment expense was CHF 4 million or 0.3% higher year-on-year (–2.9% in the third quarter). Higher expenditure on subscriber acquisition and retention as well as advertising was almost fully offset by lower termination and roaming costs. The third quarter of 2011 saw a fall in mobile handset sales versus the prior-year period. Together with falling termination and roaming costs, higher spending on advertising and customer retention could be more than offset. At CHF 2,261 million, the segment result before depreciation and amortisation was down by CHF 53 million or 2.3% year-on-year (–3.5% in the third quarter), with the profit margin decreasing by 0.6 percentage points to 59.1%. Headcount rose by 2.9% to 4,739 FTEs due to the increase in customer service staff.

Small and Medium-Sized Enterprises

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

| In CHF million, except where indicated | 3 rd quarter 2011 | 3 rd quarter 2010 | Change | 1.1.– 30.9.2011 | 1.1.– 30.9.2010 | Change |
|--|---------------------------------|---------------------------------|--------------|--------------------|--------------------|--------------|
| Revenue from external customers | 287 | 286 | 0.3% | 845 | 840 | 0.6% |
| Intersegment revenue | 12 | 15 | -20.0% | 36 | 42 | -14.3% |
| Net revenue | 299 | 301 | -0.7% | 881 | 882 | -0.1% |
| Segment expenses | (76) | (77) | -1.3% | (224) | (228) | -1.8% |
| Segment result before depreciation and amortisation¹ | 223 | 224 | -0.4% | 657 | 654 | 0.5% |
| <i>Margin as % of net revenue</i> | <i>74.6</i> | <i>74.4</i> | | <i>74.6</i> | <i>74.1</i> | |
| Capital expenditure | | | | 9 | 5 | 80.0% |
| Full-time equivalent employees at end of period | | | | 812 | 743 | 9.3% |
| Telephone access lines PSTN/ISDN in thousand | | | | 516 | 513 | 0.6% |
| Broadband access lines in thousand | | | | 171 | 155 | 10.3% |
| Swisscom TV access lines in thousand | | | | 17 | 10 | 70.0% |
| Mobile access lines in thousand | | | | 509 | 485 | 4.9% |

¹ Excluding own network costs.

Revenue from external customers grew year-on-year by CHF 5 million or 0.6% to CHF 845 million (+0.3% in the third quarter), chiefly driven by mobile connectivity growth and higher revenue from mobile data services. Despite lower traffic volumes and reduced tariffs, fixed-network revenue remained virtually at the prior-year level thanks to growth in bundled products. The number of mobile connections grew by 24,000 or 4.9% to 509,000. The number of broadband access lines rose year-on-year by 16,000 or 10.3% to 171,000, while the number of Swisscom TV subscribers increased by 7,000 to 17,000. Compared to the previous year, segment expense fell by CHF 4 million or 1.8% to CHF 224 million (-1.3% in the third quarter). The segment result before depreciation and amortisation rose accordingly by CHF 3 million or 0.5% to CHF 657 million and profit margin increased from 74.1% to 74.6%. Headcount increased year-on-year by 9.3% to 812 FTEs.

Corporate Business

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

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

¹ Excluding own network costs.

Revenue from external customers grew year-on-year by CHF 21 million or 1.6% to CHF 1,300 million (unchanged in the third quarter). This increase was largely the result of growth in outsourcing and project business and rising demand for mobile data services. In addition, the acquisition of Axept AG at the end of 2010 contributed CHF 16 million to the increase in revenue (CHF 4 million in the third quarter). Hence the decline in prices and volumes in the fixed-network sector and lower traffic and subscription prices in the mobile sector could be more than offset. Segment expense rose by CHF 24 million or 3.8% to CHF 658 million (–0.5% in the third quarter) due to higher headcount and increased expenditure on outsourcing and project business. Consequently, the segment result before depreciation and amortisation fell by CHF 15 million or 2.0% to CHF 726 million (–0.8% in the third quarter), while the profit margin narrowed from 53.9% to 52.5%. The increase in headcount of 186 FTEs or 8.4% to 2,395 FTEs is largely attributable to the acquisition of Axept AG at the end of 2010.

Wholesale

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

| In CHF million, except where indicated | 3 rd quarter 2011 | 3 rd quarter 2010 | Change | 1.1.– 30.9.2011 | 1.1.– 30.9.2010 | Change |
|--|---------------------------------|---------------------------------|---------------|--------------------|--------------------|---------------|
| Revenue from external customers | 151 | 187 | -19.3% | 465 | 583 | -20.2% |
| Intersegment revenue | 103 | 133 | -22.6% | 297 | 393 | -24.4% |
| Net revenue | 254 | 320 | -20.6% | 762 | 976 | -21.9% |
| Segment expenses | (158) | (218) | -27.5% | (472) | (646) | -26.9% |
| Segment result before depreciation and amortisation¹ | 96 | 102 | -5.9% | 290 | 330 | -12.1% |
| <i>Margin as % of net revenue</i> | <i>37.8</i> | <i>31.9</i> | | <i>38.1</i> | <i>33.8</i> | |
| Full-time equivalent employees at end of period | | | | 108 | 103 | 4.9% |
| Broadband access lines in thousand | | | | 192 | 240 | -20.0% |
| Unbundled fixed access lines in thousand | | | | 297 | 238 | 24.8% |

¹ Excluding own network costs.

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

Network & IT

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

| In CHF million, except where indicated | 3 rd quarter 2011 | 3 rd quarter 2010 | Change | 1.1.– 30.9.2011 | 1.1.– 30.9.2010 | Change |
|---|---------------------------------|---------------------------------|--------------|--------------------|--------------------|--------------|
| Operating expenses | (391) | (391) | – | (1,182) | (1,248) | –5.3% |
| Capitalised costs of self-constructed assets and other income | 46 | 35 | 31.4% | 127 | 122 | 4.1% |
| Segment result before depreciation and amortisation | (345) | (356) | –3.1% | (1,055) | (1,126) | –6.3% |
| Depreciation, amortisation and impairment losses | (205) | (216) | –5.1% | (627) | (654) | –4.1% |
| Segment result | (550) | (572) | –3.8% | (1,682) | (1,780) | –5.5% |
| Capital expenditure | 307 | 250 | 22.8% | 807 | 640 | 26.1% |
| Full-time equivalent employees at end of period | | | | 4,077 | 4,005 | 1.8% |

The segment result before depreciation and amortisation improved by CHF 71 million or 6.3% in the first nine months of 2011 to CHF –1,055 million. The reason for this is the reduction in operating expense resulting mainly from cost savings due to efficiency improvements and lower termination benefits. The segment result before depreciation and amortisation improved by CHF 11 million or 3.1% compared with the prior-year quarter, mainly as a result of higher capitalised costs for self-constructed assets following an increase in project activities. The segment result improved by CHF 98 million or 5.5% year-on-year to CHF –1,682 million (3.8% improvement in the third quarter), due to a combination of the improved segment result before depreciation and amortisation and lower depreciation and amortisation. The main reason for the CHF 27 million or 4.1% decline in depreciation and amortisation to CHF 627 million (–5.1% in the third quarter) is the change in useful life for fibre-optic cables from 20 years to 30 years. The year-on-year increase in capital expenditure of CHF 167 million or 26.1% to CHF 807 million (+22.8% in the third quarter) is largely attributable to continuing expansion of the fibre-optic network and mobile network. Headcount mainly grew by 72 FTEs or 1.8% to 4,077 FTEs due to the insourcing of external personnel.

Fastweb

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

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

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

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

The segment result before depreciation and amortisation totalled EUR 407 million, equivalent to a year-on-year increase of EUR 66 million. VAT proceedings were instigated against Fastweb in the first quarter of 2010, which resulted in a provision of EUR 70 million being recognised under other operating expense. Adjusted for one-off items, the segment result before depreciation and amortisation fell by EUR 45 million or 11.4% to EUR 351 million (-4.0% in the third quarter). This decline is attributable to the streamlined product portfolio and price cuts which in turn is reflected in the reduction of the adjusted profit margin by 1.1 percentage points to 27.1%.

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

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

Other operating segments

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

| In CHF million, except where indicated | 3 rd quarter 2011 | 3 rd quarter 2010 | Change | 1.1.– 30.9.2011 | 1.1.– 30.9.2010 | Change |
|--|---------------------------------|---------------------------------|--------------|--------------------|--------------------|---------------|
| Revenue from external customers | 225 | 248 | –9.3% | 690 | 681 | 1.3% |
| Intersegment revenue | 208 | 203 | 2.5% | 595 | 598 | –0.5% |
| Net revenue | 433 | 451 | –4.0% | 1,285 | 1,279 | 0.5% |
| Segment expenses | (344) | (353) | –2.5% | (1,047) | (1,014) | 3.3% |
| Segment result before depreciation and amortisation | 89 | 98 | –9.2% | 238 | 265 | –10.2% |
| <i>Margin as % of net revenue</i> | <i>20.6</i> | <i>21.7</i> | | <i>18.5</i> | <i>20.7</i> | |
| Capital expenditure | | | | 113 | 79 | 43.0% |
| Full-time equivalent employees at end of period | | | | 4,428 | 4,381 | 1.1% |

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

At CHF 1,047 million, segment expense was CHF 33 million or 3.3% higher than the previous-year level, mainly due to the acquisition of subsidiaries at Swisscom IT Services and an increase in construction services at Cablex. Segment expense fell in the third quarter of 2011 by CHF 9 million or 2.5% compared with the prior-year quarter, largely as a result of weaker project business and cost savings at Swisscom IT Services. The segment result before depreciation and amortisation fell by CHF 27 million or 10.2% to CHF 238 million (–9.2% in the third quarter), chiefly as a result of a shift in the revenue and margin mix. At 4,428 FTEs, headcount at the end of September 2011 was 47 FTEs or 1.1% higher than a year earlier. The increase in headcount was mainly due to the need for additional resources at Cablex. At CHF 113 million, capital expenditure was CHF 34 million or 43.0% higher year-on-year, primarily due to increased investment spending at Swisscom IT Services.

Group Headquarters

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

In CHF million, except where indicated

| | 3 rd quarter 2011 | 3 rd quarter 2010 | Change | 1.1.– 30.9.2011 | 1.1.– 30.9.2010 | Change |
|---|---------------------------------|---------------------------------|---------------|--------------------|--------------------|---------------|
| Net revenue | 2 | 1 | 100.0% | 5 | 4 | 25.0% |
| Operating expenses | (32) | (37) | -13.5% | (90) | (100) | -10.0% |
| Operating income before depreciation and amortisation (EBITDA) | (30) | (36) | -16.7% | (85) | (96) | -11.5% |
| Full-time equivalent employees at end of period | | | | 367 | 340 | 7.9% |

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

Depreciation and amortisation and non-operating results

In CHF million, except where indicated

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

Depreciation, amortisation and impairment losses declined year-on-year by CHF 65 million or 4.4% to CHF 1,413 million (-3.9% in the third quarter), mainly as a result of currency effects. In addition, from fiscal year 2011 the useful life for fibre-optic cables has been increased from 20 to 30 years. This resulted in a positive effect on depreciation and amortisation in the first nine months of 2011 of CHF 10 million (CHF 3 million in the third quarter). Depreciation and amortisation includes scheduled amortisation related to business combinations amounting to CHF 103 million (prior year: CHF 110 million), which were capitalised as intangible assets for purchase price allocation purposes.

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

Income tax expense amounted to CHF 382 million (prior year: CHF 400 million), corresponding to an effective income tax rate of 20.0% (prior year: 22.1%). The reduction in the effective income tax rate is mainly attributable to the fact that no positive tax effects were recognised on the provision for the VAT proceedings against Fastweb in the first quarter of 2010. Excluding one-off items, a long-term income tax rate of around 21% is expected in future.

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

Cash flows

| In CHF million | 1.1.–30.9.2011 | 1.1.–30.9.2010 | Change |
|---|----------------|----------------|--------------|
| Operating income before depreciation and amortisation (EBITDA) | 3,520 | 3,546 | (26) |
| Capital expenditure | (1,465) | (1,276) | (189) |
| Change in defined benefit obligations | (73) | (125) | 52 |
| Change in operating assets and liabilities | (416) | (127) | (289) |
| Dividends paid to minority interests | (7) | (8) | 1 |
| Other operating cash flows, net | (26) | 13 | (39) |
| Operating free cash flow | 1,533 | 2,023 | (490) |
| Net interest paid | (168) | (177) | 9 |
| Income taxes paid | (183) | (295) | 112 |
| Free cash flow | 1,182 | 1,551 | (369) |
| Other cash flows from investing activities, net | 95 | 21 | 74 |
| Issuance and repayment of financial liabilities, net | (240) | (475) | 235 |
| Dividends paid to equity holders of Swisscom Ltd | (1,088) | (1,036) | (52) |
| Purchase of minority interests of Fastweb | (92) | – | (92) |
| Other cash flows from financing activities, net | (10) | (8) | (2) |
| (Net decrease) net increase in cash and cash equivalents | (153) | 53 | (206) |

Operating free cash flow declined by CHF 490 million or 24.2% to CHF 1,533 million, mainly due to an increase in net working capital and higher capital expenditure. Capital expenditure rose by CHF 189 million or 14.8% to CHF 1,465 million. This increase is chiefly due to a higher investments in Switzerland's telecoms infrastructure. The increase in net working capital is primarily a result of higher trade receivables at Swisscom Switzerland and lower trade payables. The change in net working capital in the first nine months of 2011 also includes a receivable in connection with the legal settlement at Fastweb amounting to CHF 69 million as well as payments totalling CHF 49 million in respect of provisions for regulatory proceedings. Operating income before depreciation and amortisation (EBITDA) and the change in net working capital in 2010 reflect the recognition of a provision for VAT proceedings at Fastweb amounting to CHF 102 million. Income tax payments were down by CHF 112 million to CHF 183 million, mainly due to a tax refund in the third quarter of 2011 for excess tax payments in previous years. The buyout process for the minority stakes in Fastweb was completed in the first quarter of 2011 and the remaining purchase amount of EUR 71 million (CHF 92 million) paid. The total price for the outstanding minority shares in Fastweb amounted to EUR 256 million (CHF 342 million).

Net debt

| In CHF million, except where indicated | 30.9.2011 | 31.12.2010 | Change |
|---|--------------|--------------|--------------|
| Money market borrowings | 613 | 700 | (87) |
| Bank loans | 1,327 | 1,460 | (133) |
| Debenture bonds | 5,180 | 5,195 | (15) |
| Private placements | 1,408 | 1,409 | (1) |
| Finance lease liabilities | 663 | 675 | (12) |
| Other financial liabilities | 240 | 333 | (93) |
| Total financial liabilities | 9,431 | 9,772 | (341) |
| Cash and cash equivalents | (305) | (483) | 178 |
| Current financial assets | (35) | (122) | 87 |
| Non-current fixed interest-bearing deposits | (302) | (319) | 17 |
| Net debt | 8,789 | 8,848 | (59) |

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

Balance sheet

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

Total assets at 30 September 2011 amounted to CHF 21,035 million, down CHF 40 million or 0.2% versus the end of 2010. Equity fell by CHF 268 million or 5.0% to CHF 5,082 million, largely due to the dividend payout of CHF 1,088 million and the gains and losses directly recognised in equity of net CHF 703 million, which exceeded net income of CHF 1,528 million. Gains and losses directly recognised in equity include non-cash actuarial losses from pension plans totalling CHF 759 million as a result of interest rate movements and losses on plan assets as well as unrealised losses of CHF 146 million resulting from currency translation of foreign Group companies. Compared to the end of 2010, the CHF/EUR exchange rate fell from 1.250 to 1.217. At 30 September 2011 cumulative currency translation losses recognised in equity were around CHF 2.0 billion.

Outlook

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

Consolidated interim financial statements (condensed and unaudited)

Consolidated income statement (condensed and unaudited)

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

¹ See Note 1 Accounting policies.

Consolidated statement of comprehensive income (unaudited)

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

¹ See Note 1 Accounting policies.

Consolidated balance sheet (condensed and unaudited)

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

¹ See Note 1 Accounting policies.

Consolidated cash flow statement (condensed and unaudited)

| In CHF million | Note | 1.1.–30.9.2011 | 1.1.–30.9.2010 restated ¹ |
|--|------|----------------|---|
| Net income | | 1,528 | 1,409 |
| Adjustment for non-cash items | | 1,995 | 2,120 |
| Change in operating assets and liabilities | | (489) | (252) |
| Income taxes paid | | (183) | (295) |
| Cash flow provided by operating activities | | 2,851 | 2,982 |
| Capital expenditure | | (1,465) | (1,276) |
| Other cash flows from investing activities, net | | 102 | 63 |
| Cash flow used in investing activities | | (1,363) | (1,213) |
| Issuance and repayment of financial liabilities, net | | (240) | (475) |
| Dividends paid to equity holders of Swisscom Ltd | 9 | (1,088) | (1,036) |
| Dividends paid to minority interests | | (7) | (8) |
| Purchase of minority interests of Fastweb | 2 | (92) | – |
| Other cash flows from financing activities | | (214) | (197) |
| Cash flow used in financing activities | | (1,641) | (1,716) |
| (Net decrease) net increase in cash and cash equivalents | | (153) | 53 |
| Cash and cash equivalents at beginning of year | | 483 | 532 |
| Foreign currency translation adjustments in respect of cash and cash equivalents | | (25) | (26) |
| Cash and cash equivalents at end of period | | 305 | 559 |

¹ See Note 1 Accounting policies.

Consolidated statement of changes in equity (unaudited)

| In CHF million | Share capital | Capital reserves | Retained earnings | Treasury shares | Other reserves | Attributable to equity holders of Swisscom | Attributable to minority interests | Total equity |
|--|---------------|------------------|-------------------|-----------------|----------------|--|------------------------------------|--------------|
| Balance at 31 December 2009 | 52 | 370 | 6,700 | (1) | (830) | 6,291 | 319 | 6,610 |
| Change in accounting policies ¹ | – | – | (390) | – | – | (390) | (8) | (398) |
| Balance at 1 January 2010, restated | 52 | 370 | 6,310 | (1) | (830) | 5,901 | 311 | 6,212 |
| Net income | – | – | 1,424 | – | – | 1,424 | (15) | 1,409 |
| Other comprehensive income | – | – | (917) | – | (601) | (1,518) | (30) | (1,548) |
| Comprehensive income | – | – | 507 | – | (601) | (94) | (45) | (139) |
| Dividends paid | – | – | (1,036) | – | – | (1,036) | (8) | (1,044) |
| Acquisition of treasury shares for share-based payments | – | – | – | (2) | – | (2) | – | (2) |
| Sale of treasury shares for share-based payments | – | – | – | 2 | – | 2 | – | 2 |
| Balance at 30 September 2010, restated | 52 | 370 | 5,781 | (1) | (1,431) | 4,771 | 258 | 5,029 |
| Balance at 31 December 2010, restated¹ | 52 | 370 | 6,495 | (1) | (1,586) | 5,330 | 20 | 5,350 |
| Net income | – | – | 1,518 | – | – | 1,518 | 10 | 1,528 |
| Other comprehensive income | – | – | (600) | – | (103) | (703) | – | (703) |
| Comprehensive income | – | – | 918 | – | (103) | 815 | 10 | 825 |
| Dividends paid | – | – | (1,088) | – | – | (1,088) | (7) | (1,095) |
| Acquisition of treasury shares for share-based payments | – | – | – | (7) | – | (7) | – | (7) |
| Sale of treasury shares for share-based payments | – | – | – | 8 | – | 9 | – | 9 |
| Balance at 30 September 2011 | 52 | 370 | 6,325 | – | (1,689) | 5,059 | 23 | 5,082 |

¹ See Note 1 Accounting policies.

Notes to the interim financial statements (condensed and unaudited)

1 Accounting policies

Basis of preparation

These unaudited consolidated interim financial statements include Swisscom Ltd and all subsidiaries controlled directly or indirectly via a majority of the votes or in any other way (hereinafter referred to as Swisscom). The consolidated interim financial statements for the nine months to 30 September 2011 were prepared in accordance with International Accounting Standard “IAS 34 Interim Financial Reporting” and should be read in conjunction with the consolidated annual financial statements for the financial year ended 31 December 2010. The consolidated interim financial statements were prepared in accordance with the accounting policies described in the 2010 consolidated financial statements, with the exception of the following changes in accounting policies.

In preparing the consolidated interim financial statements, management is required to make accounting estimates and assumptions. Adjustments are made for changes in accounting estimates and assumptions during the reporting period in which the original estimates and assumptions changed.

Swisscom is active in business areas where the provision of services is not subject to any major seasonal or cyclical fluctuations during the financial year.

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

For the consolidated interim financial statements a CHF/EUR exchange rate of 1.217 was used as the end-of-period rate (CHF/EUR 1.250 at 31 December 2010) and 1.236 as the average rate for the period (CHF/EUR 1.391 for the first nine months of 2010).

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

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

Voluntary change in accounting policies

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

| In CHF million | Reported | Adjustment | Restated |
|--|--------------|--------------|--------------|
| Balance sheet at 1 January 2010 | | | |
| Deferred tax assets | 57 | 116 | 173 |
| Defined benefit assets | 38 | (38) | – |
| Defined benefit obligations | 351 | 476 | 827 |
| Equity | 6,610 | (398) | 6,212 |
| Share of equity attributable to equity holders of Swisscom Ltd | 6,291 | (390) | 5,901 |
| Share of equity attributable to minority interests | 319 | (8) | 311 |
| Balance sheet at 1 January 2011 | | | |
| Deferred tax assets | 71 | 271 | 342 |
| Defined benefit assets | 263 | (263) | – |
| Defined benefit obligations | 341 | 942 | 1,283 |
| Equity | 6,284 | (934) | 5,350 |
| Share of equity attributable to equity holders of Swisscom Ltd | 6,256 | (926) | 5,330 |
| Share of equity attributable to minority interests | 28 | (8) | 20 |
| Income statement full year 2010 | | | |
| Personnel expense | (2,520) | 2 | (2,518) |
| Net income | 1,786 | 2 | 1,788 |
| Share of net income attributable to equity holders of Swisscom Ltd | 1,811 | 2 | 1,813 |
| Share of net income attributable to minority interests | (25) | – | (25) |
| Earnings per share | 34.96 | 0.04 | 35.00 |
| Income statement 1.1.–30.9.2010 | | | |
| Personnel expense | (1,879) | 1 | (1,878) |
| Net income | 1,408 | 1 | 1,409 |
| Share of net income attributable to equity holders of Swisscom Ltd | 1,423 | 1 | 1,424 |
| Share of net income attributable to minority interests | (15) | – | (15) |
| Earnings per share | 27.47 | 0.02 | 27.49 |
| Income statement 3rd quarter 2010 | | | |
| Personnel expense | (583) | – | (583) |
| Net income | 535 | – | 535 |
| Share of net income attributable to equity holders of Swisscom Ltd | 536 | – | 536 |
| Share of net income attributable to minority interests | (1) | – | (1) |
| Earnings per share | 10.35 | – | 10.35 |

In CHF million

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

Comprehensive income 1.1.–30.9.2010

| | | | |
|--|--------------|--------------|----------------|
| Net income | 1,408 | 1 | 1,409 |
| Actuarial gains and losses of defined benefit obligations | – | (1,183) | (1,183) |
| Income tax expense | (2) | 288 | 286 |
| Other comprehensive income | (653) | (895) | (1,548) |
| Comprehensive income | 755 | (894) | (139) |
| Share of comprehensive income attributable to equity holders of Swisscom Ltd | 800 | (894) | (94) |
| Share of comprehensive income attributable to minority interests | (45) | – | (45) |

Comprehensive income 3rd quarter 2010

| | | | |
|--|------------|--------------|--------------|
| Net income | 535 | – | 535 |
| Actuarial gains and losses of defined benefit obligations | – | (303) | (303) |
| Income tax expense | (2) | 90 | 88 |
| Other comprehensive income | 33 | (213) | (180) |
| Comprehensive income | 568 | (213) | 355 |
| Share of comprehensive income attributable to equity holders of Swisscom Ltd | 570 | (213) | 357 |
| Share of comprehensive income attributable to minority interests | (2) | – | (2) |

Change in useful lives of fixed assets

Following agreements between Swisscom and regional utilities concerning the joint construction of fibre-optic networks, a review of the useful lives of fibre-optic cables was carried out. Until now Swisscom has applied a useful life of 20 years for these cables. Following the review and taking economic factors into account, the useful life for fibre-optic cables was adjusted from 20 years to 30 years. The change is in accordance with IAS 8 and has been applied prospectively from 1 January 2011. The impact on depreciation and amortisation for 2011 amounts to CHF 14 million, of which CHF 10 million for the first nine months of 2011.

2 Purchase of minority interests

In May 2007 Swisscom acquired 82.08% of Fastweb S.p.A. (Fastweb) in a friendly takeover. On 11 October 2010 Swisscom launched a public takeover bid for the remaining 17.92% of Fastweb shares. The bid period ran until 12 November 2010. Swisscom offered a price of EUR 18.00 per Fastweb share. By the end of the bid period 12.75% of the shares had been tendered, corresponding to a purchase price of EUR 183 million (CHF 243 million). By the end of 2010 a further 0.16% had been acquired via the stock exchange for EUR 2 million (CHF 3 million). A buyout process was initiated for the remaining 5.01% of Fastweb's shares and a financial liability of EUR 71 million (CHF 96 million) was recognised at 31 December 2010. The bid price per Fastweb share was EUR 18.00. In the buyout process, completed in March 2011, a further 3.16% of the shares were tendered. In addition, Swisscom purchased the remaining Fastweb shares that were still on the market and on 22 March 2011 de-listed Fastweb from the Milan stock exchange. The total price for the outstanding minority shares amounted to EUR 256 million (CHF 342 million). Transaction

costs of CHF 7 million were incurred in connection with the buyout of the outstanding minority shares.

3 Segment information

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

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

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

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

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

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

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

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

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

4 Capitalised costs and other income

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

5 Net financial result

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

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

6 Financial liabilities

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

7 Provisions

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

Provisions for dismantlement and restoration costs

The provisions for dismantling and restoration costs relate to the dismantling of mobile base stations and transmitters of Swisscom Broadcast and restoration of the land held by third-party owners to its original state. The provisions are measured based on estimated future dismantling costs and discounted using an average interest rate of 2.12%. In the first nine months of 2011 the effect from the use of various interest rates and adjustment of the estimated costs amounted to CHF 37 million. Of this amount, adjustments of CHF 40 million were recorded under property, plant and equipment and CHF 3 million recognised as other income. The non-current portion of the provision is expected to be settled subsequent to 2020.

Provisions for regulatory proceedings

In accordance with the terms of the revised Telecommunications Act, Swisscom provides interconnection services and other access services to other providers of telecoms services in Switzerland. During the last few years several telecoms service providers have filed applications with the Federal Communications Commission (ComCom) calling for a reduction in the charges billed to them by Swisscom. On the basis of legal assessments Swisscom has in the past recognised provisions. In the third quarter of 2011 a settlement with a telecoms service provider was reached and paid out.

Recognised provisions correspond with the settlement costs. Payment of the remaining claims is dependent on the timing of the legally binding rulings and decisions.

Other provisions

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

8 Contingent liabilities

Antitrust proceedings relating to mobile termination charges

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

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

On 12 November 2008 the Secretariat of the Competition Commission submitted to Swisscom its draft decision on the imposition of a fine of CHF 237 million on the grounds that Swisscom had abused its market-dominant position in ADSL services, with a request for comment. In its decision of 5 November 2009, the Competition Commission imposed a fine of CHF 220 million on Swisscom for allegedly abusing its market-dominant position in the area of ADSL services. Swisscom appealed against this decision to the Federal Administrative Court with a complaint filed on 7 December 2009. Based on a legal assessment Swisscom is of the opinion that, as things stand at present, it is unlikely that the fine will be imposed and has therefore not recognised any provisions in its consolidated financial statements as at 30 September 2011.

Other antitrust and regulatory proceedings

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

9 Dividend payouts

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

10 Related parties

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

11 Events after the balance sheet date

Approval of the interim report

The Board of Directors of Swisscom Ltd approved the release of this interim report on 8 November 2011.

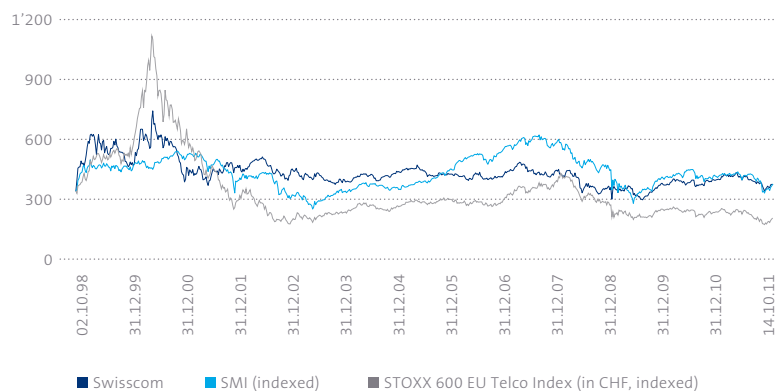
Share information

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

Source: Bloomberg
¹ paid prices

Share performance since the IPO

Share performance 1998–2011 in CHF



Share information

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

As of the end of September 2011 Swisscom had 62,825 registered shareholders and around 16% unregistered shareholdings.

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

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

Financial calendar

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

Stock exchanges

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

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

Quarterly review 2010 and 2011

In CHF million, except where indicated

| | 1 st quarter | 2 nd quarter | 3 rd quarter | 4 th quarter | 2010 | 1 st quarter | 2 nd quarter | 3 rd quarter | 4 th quarter | 1.1.– 30.9.2011 |
|---|----------------------------|----------------------------|----------------------------|----------------------------|---------------|----------------------------|----------------------------|----------------------------|----------------------------|--------------------|
| Net revenue | 2,953 | 2,993 | 3,030 | 3,012 | 11,988 | 2,862 | 2,860 | 2,816 | | 8,538 |
| Goods and services purchased | (642) | (626) | (671) | (726) | (2,665) | (599) | (578) | (552) | | (1,729) |
| Personnel expense | (651) | (644) | (583) | (640) | (2,518) | (635) | (638) | (588) | | (1,861) |
| Other operating expense | (676) | (572) | (594) | (668) | (2,510) | (577) | (578) | (574) | | (1,729) |
| Capitalised costs and other income | 74 | 79 | 76 | 75 | 304 | 75 | 78 | 148 | | 301 |
| Operating income (EBITDA) | 1,058 | 1,230 | 1,258 | 1,053 | 4,599 | 1,126 | 1,144 | 1,250 | | 3,520 |
| Depreciation and amortisation | (501) | (489) | (488) | (494) | (1,972) | (478) | (466) | (469) | | (1,413) |
| Operating income (EBIT) | 557 | 741 | 770 | 559 | 2,627 | 648 | 678 | 781 | | 2,107 |
| Net financial result | (64) | (100) | (113) | (88) | (365) | (42) | (94) | (79) | | (215) |
| Share of results of associated companies | 4 | 7 | 7 | 10 | 28 | 4 | 5 | 9 | | 18 |
| Income before income taxes | 497 | 648 | 664 | 481 | 2,290 | 610 | 589 | 711 | | 1,910 |
| Income tax expense | (120) | (151) | (129) | (102) | (502) | (136) | (101) | (145) | | (382) |
| Net income | 377 | 497 | 535 | 379 | 1,788 | 474 | 488 | 566 | | 1,528 |
| Attributable to equity holders of Swisscom Ltd | 394 | 494 | 536 | 389 | 1,813 | 469 | 485 | 564 | | 1,518 |
| Attributable to minority interests | (17) | 3 | (1) | (10) | (25) | 5 | 3 | 2 | | 10 |
| Earnings per share in CHF | 7.61 | 9.54 | 10.35 | 7.50 | 35.00 | 9.05 | 9.36 | 10.89 | | 29.30 |

Net revenue by segments

| | | | | | | | | | | |
|--------------------------|--------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|--|--------------|
| Swisscom Switzerland | 2,091 | 2,132 | 2,177 | 2,166 | 8,566 | 2,084 | 2,104 | 2,117 | | 6,305 |
| Fastweb | 672 | 659 | 624 | 621 | 2,576 | 562 | 546 | 492 | | 1,600 |
| Other operating segments | 408 | 420 | 451 | 457 | 1,736 | 422 | 430 | 433 | | 1,285 |
| Group Headquarters | 1 | 2 | 1 | 2 | 6 | 2 | 1 | 2 | | 5 |
| Intersegment elimination | (219) | (220) | (223) | (234) | (896) | (208) | (221) | (228) | | (657) |
| Total net revenue | 2,953 | 2,993 | 3,030 | 3,012 | 11,988 | 2,862 | 2,860 | 2,816 | | 8,538 |

Segment result before depreciation and amortisation

| | | | | | | | | | | |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--|--------------|
| Swisscom Switzerland | 929 | 972 | 1,012 | 891 | 3,804 | 947 | 947 | 985 | | 2,879 |
| Fastweb | 82 | 203 | 188 | 116 | 589 | 139 | 152 | 212 | | 503 |
| Other operating segments | 81 | 86 | 98 | 75 | 340 | 70 | 79 | 89 | | 238 |
| Group Headquarters | (32) | (28) | (36) | (27) | (123) | (25) | (30) | (30) | | (85) |
| Intersegment elimination | (2) | (3) | (4) | (2) | (11) | (5) | (4) | (6) | | (15) |
| Total segment result (EBITDA) | 1,058 | 1,230 | 1,258 | 1,053 | 4,599 | 1,126 | 1,144 | 1,250 | | 3,520 |

Capital expenditure

| | | | | | | | | | | |
|----------------------------------|------------|------------|------------|------------|--------------|------------|------------|------------|--|--------------|
| Swisscom Switzerland | 222 | 259 | 303 | 420 | 1,204 | 270 | 333 | 378 | | 981 |
| Fastweb | 144 | 149 | 128 | 164 | 585 | 126 | 123 | 141 | | 390 |
| Other operating segments | 19 | 24 | 36 | 51 | 130 | 32 | 36 | 45 | | 113 |
| Intersegment elimination | (2) | (1) | (5) | (8) | (16) | (6) | (5) | (8) | | (19) |
| Total capital expenditure | 383 | 431 | 462 | 627 | 1,903 | 422 | 487 | 556 | | 1,465 |

Number of full-time equivalent employees at end of period

| | | | | | | | | | | |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--|---------------|
| Swisscom Switzerland | 11,811 | 11,710 | 11,665 | 11,716 | 11,716 | 11,814 | 11,942 | 12,131 | | 12,131 |
| Fastweb | 3,119 | 3,133 | 3,125 | 3,123 | 3,123 | 3,103 | 3,101 | 3,106 | | 3,106 |
| Other operating segments | 4,160 | 4,296 | 4,381 | 4,368 | 4,368 | 4,394 | 4,431 | 4,428 | | 4,428 |
| Group Headquarters | 337 | 341 | 340 | 340 | 340 | 353 | 355 | 367 | | 367 |
| Total full-time equivalent employees | 19,427 | 19,480 | 19,511 | 19,547 | 19,547 | 19,664 | 19,829 | 20,032 | | 20,032 |
| Operating free cash flow | 742 | 674 | 607 | 489 | 2,512 | 463 | 548 | 522 | | 1,533 |
| Net debt | 8,537 | 9,227 | 8,807 | 8,848 | 8,848 | 8,559 | 9,356 | 8,789 | | 8,789 |

Quarterly review 2010 and 2011

In CHF million, except where indicated

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

Quarterly review 2010 and 2011

| In thousand, except where indicated | 1 st quarter | 2 nd quarter | 3 rd quarter | 4 th quarter | 2010 | 1 st quarter | 2 nd quarter | 3 rd quarter | 4 th quarter | 1.1.– 30.9.2011 |
|---|----------------------------|----------------------------|----------------------------|----------------------------|--------------|----------------------------|----------------------------|----------------------------|----------------------------|--------------------|
| Swisscom Switzerland | | | | | | | | | | |
| Operational data | | | | | | | | | | |
| Residential Customers | 2,581 | 2,542 | 2,507 | 2,475 | 2,475 | 2,444 | 2,412 | 2,383 | | 2,383 |
| Small and Medium-Sized Enterprises | 514 | 513 | 513 | 512 | 512 | 512 | 513 | 516 | | 516 |
| Corporate Business | 251 | 249 | 247 | 246 | 246 | 245 | 244 | 244 | | 244 |
| Access lines PSTN/ISDN | 3,346 | 3,304 | 3,267 | 3,233 | 3,233 | 3,201 | 3,169 | 3,143 | | 3,143 |
| Unbundled fixed access lines | 192 | 219 | 238 | 255 | 255 | 270 | 285 | 297 | | 297 |
| Telephone access lines | 3,538 | 3,523 | 3,505 | 3,488 | 3,488 | 3,471 | 3,454 | 3,440 | | 3,440 |
| Residential Customers | 1,333 | 1,349 | 1,369 | 1,396 | 1,396 | 1,413 | 1,421 | 1,432 | | 1,432 |
| Small and Medium-Sized Enterprises | 148 | 152 | 155 | 158 | 158 | 162 | 166 | 171 | | 171 |
| Corporate Business | 28 | 29 | 29 | 30 | 30 | 30 | 31 | 32 | | 32 |
| Broadband access lines retail | 1,509 | 1,530 | 1,553 | 1,584 | 1,584 | 1,605 | 1,618 | 1,635 | | 1,635 |
| Wholesale | 293 | 260 | 240 | 226 | 226 | 214 | 202 | 192 | | 192 |
| Broadband access lines | 1,802 | 1,790 | 1,793 | 1,810 | 1,810 | 1,819 | 1,820 | 1,827 | | 1,827 |
| Residential Customers | 268 | 308 | 348 | 409 | 409 | 455 | 497 | 539 | | 539 |
| Small and Medium-Sized Enterprises | 7 | 9 | 10 | 12 | 12 | 14 | 15 | 17 | | 17 |
| Swisscom TV access lines | 275 | 317 | 358 | 421 | 421 | 469 | 512 | 556 | | 556 |
| Residential customers postpaid | 2,201 | 2,207 | 2,221 | 2,231 | 2,231 | 2,218 | 2,220 | 2,198 | | 2,198 |
| Residential customers prepaid | 2,180 | 2,180 | 2,198 | 2,213 | 2,213 | 2,222 | 2,230 | 2,244 | | 2,244 |
| Small and Medium-Sized Enterprises | 466 | 475 | 482 | 489 | 489 | 494 | 500 | 506 | | 506 |
| Corporate Business | 744 | 764 | 789 | 817 | 817 | 844 | 876 | 908 | | 908 |
| Mobile access lines single subscriptions | 5,591 | 5,626 | 5,690 | 5,750 | 5,750 | 5,778 | 5,826 | 5,856 | | 5,856 |
| Residential Customers | 57 | 63 | 68 | 75 | 75 | 80 | 84 | 121 | | 121 |
| Small and Medium-Sized Enterprises | 2 | 2 | 3 | 3 | 3 | 3 | 3 | 3 | | 3 |
| Mobile access lines convergent products | 59 | 65 | 71 | 78 | 78 | 83 | 87 | 124 | | 124 |
| Mobile access lines | 5,650 | 5,691 | 5,761 | 5,828 | 5,828 | 5,861 | 5,913 | 5,980 | | 5,980 |
| Residential Customers | 40 | 42 | 45 | 41 | 42 | 39 | 41 | 42 | | 41 |
| Small and Medium-Sized Enterprises | 89 | 95 | 97 | 90 | 93 | 85 | 90 | 91 | | 89 |
| Corporate Business | 67 | 70 | 68 | 64 | 67 | 61 | 63 | 60 | | 61 |
| ARPU mobile user per month in CHF | 47 | 50 | 52 | 48 | 49 | 46 | 48 | 49 | | 48 |
| Residential Customers | 99 | 101 | 101 | 105 | 102 | 105 | 107 | 106 | | 106 |
| Small and Medium-Sized Enterprises | 203 | 213 | 212 | 214 | 211 | 205 | 211 | 211 | | 209 |
| Corporate Business | 168 | 168 | 162 | 164 | 166 | 156 | 156 | 151 | | 154 |
| AMPU mobile user per month in minutes | 116 | 119 | 118 | 122 | 119 | 120 | 123 | 121 | | 121 |
| Traffic retail in million minutes | 2,434 | 2,269 | 2,162 | 2,297 | 9,162 | 2,242 | 2,052 | 1,980 | | 6,274 |
| Traffic wholesale in million minutes | 2,642 | 2,394 | 2,222 | 2,381 | 9,639 | 2,363 | 2,170 | 2,056 | | 6,589 |
| In EUR million, except where indicated | | | | | | | | | | |
| Fastweb | | | | | | | | | | |
| Residential Customers | 223 | 218 | 217 | 200 | 858 | 191 | 194 | 186 | | 571 |
| Small and Medium-Sized Enterprises | 60 | 63 | 55 | 58 | 236 | 56 | 56 | 54 | | 166 |
| Corporate Business | 177 | 189 | 195 | 215 | 776 | 186 | 188 | 177 | | 551 |
| Revenue from external customers | 460 | 470 | 467 | 473 | 1,870 | 433 | 438 | 417 | | 1,288 |
| Segment result (EBITDA) | 57 | 143 | 141 | 92 | 433 | 107 | 123 | 177 | | 407 |
| Broadband access lines in thousand ¹ | 1,678 | 1,694 | 1,712 | 1,724 | 1,724 | 1,733 | 1,741 | 1,560 | | 1,560 |

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

Forward-looking statements

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

