

**Interim report for the first quarter of 2012:****Strong customer growth – stable business performance
thanks to successful bundled offerings – increase in capital
expenditure**

	1.1-31.3.2011	1.1-31.3.2012	Change (adjusted*)
Net revenue (in CHF millions)	2862	2802	-2.1% (-0.8%)
EBITDA (in CHF millions)	1126	1104	-2.0% (0.9%)
EBIT (in CHF millions)	648	623	-3.9%
Net income (in CHF millions)	474	456	-3.8%
Retail broadband access lines Switzerland at 31 March (in thousands)	1605	1682	4.8%
Swisscom TV connections Switzerland at 31 March (in thousands)	469	655	39.7%
Mobile access lines in Switzerland at 31 March (in thousands)	5861	6082	3.8%
Capital expenditure (in CHF millions)	422	502	19.0%
Of which, capital expenditure Switzerland (in CHF millions)	295	366	24.1%
Group employees (FTEs at 31 March)	19664	19914	1.3%

* On like-for-like basis and at constant exchange rates

In the first quarter of 2012, Swisscom's net revenue dropped by 2.1% to CHF 2,082 million and operating income (EBITDA) fell by 2.0% to CHF 1,104 million. On a like-for-like basis and at constant exchange rates revenue was 0.8% lower and EBITDA 0.9% higher. Capital expenditure in Swiss infrastructure increased by 24.1% to CHF 366 million. Swisscom is investing heavily in broadband network expansion throughout the country in order to further boost competitiveness. Headcount in Switzerland increased by 294 FTEs as a result of company acquisitions, network expansion and



growth in customer services. Excluding wholesale revenue from interconnection services (hubbing), Fastweb posted stable revenue, gained 59,000 new customers in the first quarter and increased operating income (EBITDA) despite higher subscriber acquisition costs by 1.9% to EUR 109 million. Swisscom's financial outlook for 2012 remains unchanged.

Swisscom reported a fall in net revenue in the first quarter of 2012 of CHF 60 million or 2.1% to CHF 2,802 million and a decline in operating income before depreciation and amortisation (EBITDA) of CHF 22 million or 2.0% to CHF 1,104 million. At constant exchange rates and excluding additional staff reduction and pension fund costs not affecting cash flow, revenue was 0.8% lower and EBITDA 0.9% higher. Excluding revenue from hubbing, Fastweb reported stable net revenue in local currency year-on-year and reduced low-margin hubbing revenue as planned by EUR 12 million. Swisscom's net revenue without Fastweb contracted by 0.4% or CHF 9 million to CHF 2,294 million. The fall in net income of 3.8% or CHF 18 million to CHF 456 million is primarily attributable to lower operating income before depreciation and amortisation (EBITDA).

Investments in Swiss infrastructure increased by CHF 71 million or 24.1% to CHF 366 million. This does not include expenditure on mobile frequencies of CHF 360 million. Swisscom continues to expand its broadband networks across Switzerland in order to further enhance performance and service quality for customers. Headcount in Switzerland grew by 1.8% or 294 FTEs to 16,503 as a result of company acquisitions, network expansion and growth in customer services.

Strong growth in bundled offerings and Swisscom TV

Swisscom Switzerland reported a slight fall in revenue from external customers in the first quarter, down by 0.1% to CHF 2,065 million compared with a year earlier. More and more customers are switching from traditional services such as phoning and text messaging to new global IP-based applications and social media platforms as a means of communicating. Customer growth, new bundled offerings and tariffs with integrated volumes made up for the contraction in revenue as a result of the aforementioned changes in customer behaviour as well as intense competition and pressure on prices.

Demand remains strong for bundled offerings such as Vivo Casa, which combines fixed-line access with telephony, Internet and TV. At the beginning of August 2011 Swisscom launched Vivo Tutto, the first nationwide bundled offering to also include mobile. By the end of March 2012 a total of 659,000 customers were using bundled products, 42% more than in the previous year. The number of Swisscom TV customers grew in the same period by 39.7% to 655,000, including 47,000 new TV customers in the first quarter of 2012 alone. The number of broadband access lines with end customers increased year-on-year by 77,000 or 4.8% to 1.68 million.

The number of mobile access lines in Switzerland grew year-on-year by 221,000 or 3.8% to 6.1 million. In the first quarter of 2012 Swisscom sold 328,000 mobile devices (+1.9%), of which 67% were smartphones. Substitution by IP-based applications and the growing use of social media platforms led to a 28% fall in revenue from directly billed SMS messages to CHF 59 million. Over the same period, the average price per megabyte fell by 25%. Average revenue per mobile user per month (ARPU) declined by 4.3% to CHF 44.



Fastweb gained 59,000 new customers in the first quarter

Net revenue at Fastweb fell year-on-year by 2.8% or EUR 12 million to EUR 423 million due to lower wholesale revenue from interconnection services (hubbing). Excluding hubbing, revenue in the first quarter of 2012 remained stable versus the previous year at EUR 396 million. Revenue per residential broadband customer dropped by 10% year-on-year due to intense competition. Fastweb's customer base grew in the first quarter of 2012 by 59,000 or 3.7% to 1.65 million.

Nearly 87,000 new customers have signed up for the bundled satellite TV and broadband Internet offering launched in partnership with Sky Italia shortly before the end of the first quarter of 2011. Revenue from business customers remained stable at EUR 183 million. Wholesale third-party revenue fell in line with expectations by 4.3% to EUR 56 million as part of a deliberate move to reduce revenue from interconnection services.

Despite higher subscriber acquisition costs of EUR 12 million, operating income before depreciation and amortisation (EBITDA) increased by EUR 2 million or 1.9% to EUR 109 million. Expenses for bad debt losses were sharply reduced compared with the previous year.

Outlook for 2012 unchanged

Assuming an average CHF/EUR exchange rate of 1.23, Swisscom expects to close the year with net revenue of CHF 11.4 billion and EBITDA of CHF 4.4 billion. Excluding low-margin wholesale business (hubbing), Fastweb expects revenue to remain stable at EUR 1.6 billion. Fastweb is expected to close 2012 with slightly higher EBITDA and slightly lower capital expenditure compared to 2011.

Capital expenditure at Swisscom, excluding expenditure on mobile frequencies of CHF 360 million, will total up to CHF 2.2 billion. Of this, CHF 1.7 billion will be invested in Swiss business, an increase of CHF 100 million. A similarly high level of investment is projected for the following years. Swisscom is pursuing its medium-term goal of connecting 30% of Swiss households and businesses with fibre-optic cables. In other areas Swisscom aims to further enhance network performance and improve service quality using an optimal mix of fixed and mobile technologies.

If all 2012 targets are met, Swisscom will again propose a dividend of CHF 22 per share at the 2013 Annual General Meeting.

Detailed interim report:

<http://www.swisscom.ch/q1-report-2012>

Related documents:

<http://www.swisscom.ch/ir>

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