



Interim report for the first half of 2012:

Stable performance – customer growth and bundled offerings make up for erosion in prices – higher capital expenditure

	First half 2011	First half 2012	Change (adjusted*)
Net revenue (in CHF millions)	5,722	5,621	-1.8% (-0.3%)
EBITDA (in CHF millions)	2,270	2,236	-1.5% (0.9%)
EBIT (in CHF millions)	1,326	1,273	-4.0%
Net income (in CHF millions)	962	928	-3.5%
Retail broadband access lines Switzerland (at mid-year in thousands)	1,618	1,694	4.7%
Swisscom TV connections in Switzerland (at mid-year in thousands)	512	694	35.5%
Mobile access lines in Switzerland (at mid-year in thousands)	5,913	6,114	3.4%
Capital expenditure (in CHF millions)	909	1,017	11.9%
Of which, capital expenditure Switzerland (in CHF millions)	657	740	12.6%
Group employees (FTEs at mid-year)	19,829	19,805	-0.1%

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

In the first half of 2012, Swisscom’s net revenue declined by 1.8% to CHF 5,621 million and operating income (EBITDA) was down 1.5% to CHF 2,236 million. On a like-for-like basis and at constant exchange rates, revenue was 0.3% lower and EBITDA 0.9% higher. The company was able to make up for the price erosion in its Swiss core business of some CHF 170 million through growth in customers and volume. Capital expenditure on infrastructure in Switzerland was up by 12.6% to CHF 740 million. Swisscom is investing enormous amounts in the expansion of its broadband network in order to further enhance its competitive ability for the long term. Excluding wholesale revenues from interconnection services (hubbing), Fastweb posted a slight growth in revenue, with 78,000 new



customers in the first half-year, and an increase in operating profit (EBITDA) of 1.3% to EUR 233 million despite higher subscriber acquisition costs. Due to currency developments Swisscom expects slightly lower net revenue of CHF 11.3 billion for full-year 2012, while other financial guidance remained unchanged.

Swisscom reported a fall in net revenue in the first half of 2012 of CHF 101 million or 1.8% to CHF 5,621 million and a decline in operating income before depreciation and amortisation (EBITDA) of CHF 34 million or 1.5% to CHF 2,236 million. At constant exchange rates, excluding hubbing revenue from Fastweb and additional personnel reduction costs and non-cash-effective pension costs, revenue was 0.3% lower and EBITDA 0.9% higher. Excluding revenue from hubbing, Fastweb increased revenue by 0.1% to EUR 798 million and reduced low-margin hubbing revenue as planned by EUR 23 million. Swisscom's net revenue without Fastweb contracted by 0.5% or CHF 21 million to CHF 4,599 million. Net income declined to the same extent as EBITDA, which was 3.5% or CHF 34 million to CHF 928 million.

Capital expenditure on Swiss infrastructure, excluding spending of CHF 360 million on mobile frequencies, increased by CHF 83 million or 12.6% to CHF 740 million overall. Swisscom is continuously expanding its broadband networks across Switzerland in order to further increase performance and service quality for customers. Headcount in Switzerland increased year-on-year by 0.3% to 16,426.

Swisscom able to offset sharp decline in traditional services

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. The price erosion caused by this change in user behaviour and by the strong competitive and pricing pressures in Swiss core business amounted to some CHF 170 million, but could be offset through continued customer growth, new bundling offerings and the switch to flat rates.

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 mid-2012 a total of 699,000 customers were using bundled products, 36.5% more than in the previous year. The number of Swisscom TV customers grew in the same period by 35.5% to 694,000, including 86,000 new TV customers in the first half of 2012 alone. The number of broadband access lines with end customers increased year-on-year by 76,000 or 4.7% to 1.69 million.

275,000 Natel infinity customers already – boom in smartphones

On 25 June 2012, Swisscom launched new mobile subscriptions that allow customers unlimited calling and texting to all networks as well as unlimited surfing. The main difference between the five Natel infinity subscriptions is the mobile data traffic speed. Already 275,000 customers were using these new offerings at the end of July 2012 and every week there are currently some 25,000 more.



The number of mobile subscribers in Switzerland increased year on year by 201,000 or 3.4% to 6.1 million. In the first half-year Swisscom sold 640,000 mobile devices (+1.7%), some 68% of which were smartphones. Nearly every second mobile phone in the Swisscom network is now a smartphone, meaning that traditionally charged services are being used less and less. Due to this change in user behaviour, for instance, the number of text messages charged directly was down by 30% year-on-year. The decline in directly charged SMS and mobile telephony revenue was 15%. The average price per megabyte fell by more than 23% year-on-year. Average revenue per mobile user per month (ARPU) declined by 4.3% to CHF 45.

Fastweb acquired 78,000 customers in the first half-year

Net revenue at Fastweb fell year-on-year by 2.5% or EUR 22 million to EUR 853 million due to a decline in lower-margin wholesale revenue from interconnection services (hubbing). Revenue excluding hubbing was up by 0.1% to EUR 798 million. Revenue per residential broadband customer was down by 11% year-on-year due to intense competition. In the first half of the year the customer base grew by 78,000 or 4.9% to 1.67 million. Some 102,000 new customers have signed up for the bundled satellite TV and broadband Internet offering since it was launched in partnership with Sky Italia towards the end of first-quarter 2011. Revenue from business customers increased by 2.7% to EUR 379 million, while wholesale revenue excluding hubbing rose by EUR 12 million to EUR 51 million.

Despite higher subscriber acquisition costs of EUR 9 million, operating income before depreciation and amortisation (EBITDA) increased by EUR 3 million or 1.3% to EUR 233 million. Expenses for bad debt losses were sharply reduced compared with the previous year.

Revenue guidance for 2012 lowered slightly due to currency developments

Swisscom has lowered the exchange rate underlying its financial outlook for 2012 from CHF 1.23 to CHF 1.20 per EUR. As a result, the company expects slightly lower net revenue of CHF 11.3 billion, while other financial guidance for full-year 2012 remains unchanged. Swisscom forecasts EBITDA of CHF 4.4 billion, while Fastweb expects stable revenue of EUR 1.6 billion, excluding its low-margin hubbing business. Fastweb is forecast to close 2012 with slightly higher EBITDA and slightly lower capital expenditure versus 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 on the previous year. Swisscom invests per capita in Switzerland about three times more than comparable firms in Europe do. A similarly high level of investment in Switzerland is projected for the following years. Swisscom aims to connect roughly a third of Swiss households and businesses with fibre-optic cables by the end of 2015. In order to connect other areas more rapidly with high-speed internet cables Swisscom is additionally focusing on fibre-optic expansion to a point close to the building (Fibre to the Street, FTTS).

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:



swisscom

Press Release

<http://www.swisscom.ch/q2-report-2012>

Weitere Unterlagen:

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

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