

Interim report for the first half of 2013:

Strong customer growth – stable core business – confirmation of outlook for 2013

	1.1-30.6.2012	1.1-30.6.2013	Change
Net revenue (in CHF millions)	5,621	5,596	-0.4%
EBITDA (in CHF millions)	2,224	2,102	-5.5%
EBIT (in CHF millions)	1,261	1,110	-12.0%
Net income (in CHF millions)	907	819	-9.7%
Swisscom TV connections Switzerland (as at 30 June in thousands)	694	902	30.0%
Mobile lines in Switzerland (as at 30 June in thousands)	6,114	6,307	3.2%
Revenue from bundled contracts (in CHF millions)	525	725	38.1%
Broadband lines Fastweb (as at 30 June in thousands)	1,673	1,887	12.8%
Total capital expenditure (in CHF millions)	1,017	1,021	0.4%
Capital expenditure Switzerland (in CHF millions)	740	706	-4.6%
Group employees (FTEs as at 30 June)	19,805	19,859	0.3%
Headcount Switzerland (FTEs as at 30 June)	16,426	17,096	4.1%

- **Investments in markets and innovation boost customer growth:**
 - Over 1.3 million mobile customers benefit from unlimited usage (Infinity)
 - TV customer base grows by 30% to 902,000
 - Swisscom IT Services reports 127% increase in incoming orders
 - Fastweb gains 214,000 new broadband customers year-on-year
- Ongoing competition and price pressure lead to slight dip in revenue and operating income
- General price erosion of CHF 200 million in the first half of 2013; Swisscom customers benefit from further reduction in roaming fees of around CHF 90 million

- **Swisscom confirms financial expectations for 2013 on like-for-like basis; full-year revenue now expected to exceed CHF 11.4 billion thanks to company acquisitions**

“Our results are solid and we are on track,” said acting CEO Urs Schaeppi. “We will continue to pursue our strategy with a strong focus on customer service and innovation. Despite continuing competition and price pressure we are confident about the second half of the year. We are investing a great deal in our network and for our customers, and are convinced that this will pay off in the long term. We gained many new customers in the second quarter, primarily for our television service (+42,000), in mobile communications (+37,000) and at Fastweb (+26,000).”

Swisscom posted a fall in net revenue of CHF 25 million or 0.4% to CHF 5,596 million in the first half of 2013, while operating income before depreciation and amortisation (EBITDA) was down by CHF 122 million or 5.5% to CHF 2,102 million. At constant exchange rates and excluding hubbing revenues from Fastweb (wholesale revenues from interconnection services) and company acquisitions, net revenue was reduced by 1.0%. The decline was primarily due to general price erosion of around CHF 200 million in Swiss business and lower revenue from roaming fees of around CHF 90 million. The reduction was largely offset by customer and volume growth of around CHF 260 million.

EBITDA fell by 5.9% on a like-for-like basis, in particular as a result of higher subscriber acquisition costs in Swiss core business and at Fastweb. Network maintenance and IT expenses in Switzerland also increased. Net income fell by 9.7% to CHF 819 million, while headcount rose slightly overall by 54 full-time equivalents to 19,859 FTEs. Higher headcount in Switzerland due to company acquisitions and the insourcing of external staff was offset by a fall at Fastweb due to the outsourcing of jobs in customer care and network maintenance.

Capital expenditure increased by 0.4% to CHF 1,021 million. In Switzerland capital spending was CHF 34 million or 4.6% lower at CHF 706 million, primarily due to unfavourable weather conditions. However, full-year capital expenditure for 2013 is expected to be up on the previous year. Over 50% of the population in urban and rural areas already have access to the fourth-generation mobile technology 4G/LTE. By the end of 2013 Swisscom will have extended 4G/LTE coverage to 70% of the population in Switzerland. By the end of June, 615,000 households and businesses were connected to the fibre-optic network.

Customers switching to Infinity generate rising revenues for the first time

The trend towards bundled offerings and new pricing models such as flat-rate tariffs continued. By the end of June 2013, 889,000 customers were using bundled offerings, an increase of 27.2% or 190,000 year-on-year. Revenue from bundled contracts increased by 38.1% to CHF 725 million. Key drivers of bundled business are television and mobile communications offerings. The share of bundled contracts offered in combination with a mobile subscription rose by 33% year-on-year to 40%. During the same period the number of revenue generating units (RGU) increased by 352,000 or 3.0%.

The new NATEL[®] infinity mobile subscriptions launched in June 2012, offering unlimited calling, texting and Internet surfing to all Swiss networks, have met with a very positive response from customers. By the end of June 2013, more than 1.3 million customers, or one third of all subscription

customers, were using the new Infinity offerings. The second quarter saw customers who have switched to Infinity generate rising revenues (ARPU) for the first time. The number of mobile lines grew by 193,000 or 3.2% year-on-year to 6.3 million. The number of postpaid customers increased by 244,000 (individual and bundled offerings), while the number of prepaid customers declined by 51,000.

Mobile data traffic continues to soar, accelerated by the launch of Infinity: in the first half of 2013 the volume of mobile data jumped by over 130% compared with the prior-year period. Swisscom sold a total of 773,000 mobile devices (+20.8%) in the first half of 2013, of which 66% were smartphones.

At the end of June Swisscom became the first Swiss provider to launch a free app (iO) for web-based telephony and messaging. The smartphone app allows all users worldwide to communicate simply, securely and free of charge over the Internet. Around 320,000 users had installed the app by the end of July.

More than half of all fixed broadband customers also use Swisscom TV

The number of Swisscom TV connections increased by 208,000 or 30.0% year-on-year to 902,000; of these 849,000 involve fixed-fee subscriptions. More than half of Swisscom's fixed broadband customers now also use Swisscom TV. Over 370,000 Swisscom TV customers are using the replay function, which allows programmes from around 70 channels to be watched up to 30 hours after they have been broadcast. The number of fixed broadband lines rose by 73,000 or 4.3% year-on-year to 1.77 million.

Swisscom's subsidiary Swisscom IT Services, which offers a broad portfolio of IT services, has been going from strength to strength over the past few years. In IT outsourcing, the company is one of the biggest providers in the Swiss market. Incoming orders (total contract value) rose from CHF 177 million in the first half of 2012 to a record high of CHF 402 million (+127%) in the first six months of this year.

Fastweb achieves high customer growth

Fastweb's business is on track and the same strategy will continue to be pursued. As planned, the first half of 2013 saw a further reduction of EUR 30 million in Fastweb's low-margin wholesale revenues from interconnection services (hubbing). Excluding hubbing business, revenue dropped slightly by EUR 13 million to EUR 785 million.

Fastweb is the only broadband provider in Italy to grow its customer base, which increased year-on-year by 214,000 or 12.8% to 1.89 million customers, thanks in part to the bundled TV and broadband package offered in partnership with Sky Italia.

The segment result before depreciation and amortisation declined year-on-year by EUR 23 million or 9.9% to EUR 210 million, due mainly to increased subscriber acquisition costs and the launch of new fibre-optic offerings. Spending on fibre-optic network expansion pushed up capital expenditure by EUR 28 million or 12.3% to EUR 256 million. Around 39% of investment spending was directly related to customer growth.

CEO successor to be appointed by the end of the year

The Board of Directors has convened during the last few days to discuss the successor to the CEO. "On 23 July, immediately following the announcement of Carsten Schlöter's death, we appointed his deputy Urs Schaeppi as acting CEO," said Hansueli Loosli, Chairman of the Board. "The Board of Directors has every confidence in Urs Schaeppi and the entire management team, with their wealth of experience in the ICT sector and also in the company itself. We have set up a nomination committee with the goal of appointing a definitive successor by the end of the year." Mario Rossi will chair the Fastweb Board of Directors ad interim, while Ueli Dietiker will take over as acting chairman of the Swisscom IT Services Board of Directors.

Appointment of Christian Petit as Head of Corporate Business and Marc Werner as Head of Residential Customers

The Board of Directors has filled the vacant position of Head of Swisscom Switzerland with effect from 1 September 2013. In Christian Petit, who has headed the Residential Customers division since 2007, the company has an experienced leader whose appointment will also ensure continuity. Christian Petit (1963) joined Swisscom Mobile in 2000 as Head of Operations. He later took over responsibility for product marketing before being appointed CEO of Hospitality Services in 2006.

Marc Werner, currently Christian Petit's deputy and in charge of Customer Care in the Residential Customers division since 2012, will succeed Christian Petit as Head of Residential Customers from 1 September 2013. Marc Werner (1967) joined the company in 2000 as Head of Marketing and Sales at Bluewin and from 2007 assumed responsibility for Marketing in the Residential Customers division.

Financial outlook for 2013: company acquisitions lead to higher revenue

In the first half of 2013 Swisscom acquired business operations from Entris and a majority stake in Cinetrade. Swisscom expects these acquisitions to generate additional revenue of around CHF 150 million in 2013, with only a minimal impact on the other financial targets for the current year. Revenue in excess of CHF 11.4 billion (previous estimate of around CHF 11.3 billion) is now expected for the 2013 financial year. Swisscom still anticipates EBITDA of at least CHF 4.25 billion and capital expenditure of CHF 2.4 billion.

Excluding Fastweb, Swisscom now expects revenue of around CHF 9.5 billion rather than the previous estimate of around CHF 9.34 billion. EBITDA excluding Fastweb is still expected to decline to CHF 3.64 billion. Subject to achieving its targets, Swisscom will again propose a dividend of CHF 22 per share for the 2013 financial year at the 2014 Annual General Meeting.

Detailed interim report:

<http://www.swisscom.ch/q2-report-2013>

Related documents:

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

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