



Financial year 2008

**Stable core business with strong increase in customers –
Robust growth at Fastweb – Stable net income after
adjustment for exceptional items**

	2007	2008	Change
Net revenue (in CHF millions)	11089	12198	10.0%
EBITDA (in CHF millions)	4501	4789	6.4%
EBIT (in CHF millions)	2515	2640	5.0%
Net income (in CHF millions)	2071	1751	-15.5%
Operating free cash flow (OpFCF) to shareholders of Swisscom Ltd ¹	2077	2476	19.2%
Broadband access lines Switzerland (year-end in thousands)	1602	1756	9.6%
Bluewin TV customers Switzerland (year-end in thousands)	59	118	100%
Mobile subscribers Switzerland (year-end in thousands)	5007	5370	7.2%
Customers Italy (year-end in thousands)	1263	1483	17.4%
Capital expenditure (in CHF millions)	2025	2050	1.2%
Employees (FTEs at year-end)	19844	19943	0.5%

¹ EBITDA - capital expenditure +/- changes in net working capital – dividend paid to minority shareholders

Swisscom closed the 2008 financial year with net revenue up 10.0% to CHF 12,198 million and operating income (EBITDA) up 6.4% to CHF 4,789 million, largely due to Fastweb. Net income fell by CHF 320 million (-15.5%) to CHF 1,751 million and was mainly attributable to exceptional items, namely the gain on the disposal of Antenna Hungária in 2007 and the expense related to the early termination of long-term lease agreements in 2008. Without Fastweb, net revenue increased on a like-for-like basis by CHF 40 million (+0.4%) and EBITDA by CHF 31 million (+0.8%).

Operating free cash flow increased by 19.2% or CHF 399 million to CHF 2,476 million in 2008. Payment of an ordinary dividend of CHF 19 (prior year CHF 18) will be proposed to the Annual General Meeting of Shareholders. In view of the difficult conditions prevailing on the capital markets, the dividend proposal will facilitate a faster reduction of net debt than originally foreseen.



Swisscom invested CHF 1.3 billion in the future infrastructure in Switzerland in 2008 and has created 700 new jobs in the last three years. The investments provide for several thousand jobs outside the company.

Excluding Fastweb, Swisscom expects net revenue for 2009 of between CHF 9.2 billion and CHF 9.3 billion, EBITDA of between CHF 3.8 billion and CHF 3.9 billion and capital expenditure of around CHF 1.35 billion. Fastweb is expected to report revenue of around EUR 1.8 billion, EBITDA of around EUR 560 million and capital expenditure in the region of EUR 415 million. Group operating free cash flow including Fastweb will lie between CHF 2.6 billion and CHF 2.7 billion.

At CHF 12,198 million, cumulated net revenue was up 10.0% or CHF 1,109 million year-on-year, largely as a result of the acquisition of Fastweb. Adjusted for effects relating to company acquisitions and disposals (in particular the acquisition of Fastweb in 2007) and the reversal of provisions, net revenue increased by CHF 40 million (+0.4%). Operating income (EBITDA) rose in 2008 by CHF 288 million (+6.4%) to CHF 4,789 million. Fastweb accounted for CHF 1,225 million and CHF 366 million of the increase in net income and EBITDA respectively. On a like-for-like basis EBITDA increased by CHF 31 million (+0.8%).

Net income fell by CHF 320 million, or 15.5%, to CHF 1,751 million. The drop was mainly attributable to the CHF 126 million provision recorded in the second quarter of 2008 for the early termination of cross-border lease agreements and the CHF 162 million gain on the divestment of subsidiaries recorded in the previous year. Adjusted for these exceptional items, net income remains largely unchanged year-on-year.

Reduction in net debt

Operating free cash flow (after deduction of dividend payments to minority shareholders) increased by 19.2% or CHF 399 million to CHF 2,476 million in 2008. In accordance with Swisscom's payout policy, around half of operating free cash flow available for distribution to the shareholders of Swisscom Ltd is paid out in the subsequent year. In the previous year, Swisscom paid an ordinary dividend of CHF 18 and a special dividend of CHF 2 per share. At the Annual General Meeting on 21 April 2009, the Swisscom Board of Directors will propose an increased ordinary dividend of CHF 19 per share, corresponding to a total dividend payout of CHF 984 million or around 40% of operating free cash flow. Given the unfavourable conditions currently prevailing on the capital markets, Swisscom aims to speed up the reduction of net debt. As a result, neither a special dividend nor a share buy-back programme is planned. The proposed payout will thus amount to 10%, or around CHF 250 million, less than half the total operating free cash flow.

Swisscom currently holds around 1.64 million treasury shares from a share buy-back programme carried out in 2006. At the forthcoming Annual General Meeting the Board of Directors will propose that the shares in question be cancelled along with a corresponding reduction in share capital.

Customers continue to benefit from lower prices

Increased competition and regulation put further pressure on prices in 2008 and led to a drop in net revenue and EBITDA of over CHF 400 million. The decline was offset by continuing growth in mobile and broadband as well as mobile services and Bluewin TV.

The net number of mobile subscribers increased year-on-year by 363,000, or 7.2%, to 5.4 million. Revenue generated by new mobile data services (excluding SMS) increased by 32% to CHF 379 million



within the space of the year. Average number of minutes per mobile subscriber per month (AMPU) rose in the same period by 3.6% to 114, while average revenue per mobile subscriber and month (ARPU) fell by 8.8% to CHF 52 due to price cuts. Price per minute for mobile calls fell by 13.9%, and by an average of 15.1% for outgoing roaming traffic.

Growth in broadband access lines – Bluewin TV doubles customers

Fixed broadband communications recorded sustained year-on-year growth, with the number of DSL broadband lines growing by 154,000 or 9.6% to 1.76 million. Retail broadband access lines increased by 13.8% compared with a 1.6% decline in other providers' broadband access lines.

By the end of 2008 Bluewin TV had doubled its customer base year-on-year to 118,000. Average one-time costs per new customer, including installation and equipment, were reduced significantly thanks to the introduction of self-installation. At the end of February 2008 Swisscom added four new high-definition (HDTV) channels to its Bluewin TV offering while also launching an offer for first-time users without a recording function and high definition.

Adjusted for changes in the scope of consolidation, Swisscom recorded a significant increase in third-party revenue generated by the Other operating segments, largely due to growth in third-party business at Swisscom IT Services and in the international activities of Hospitality Services.

Strong growth at Fastweb, mainly in corporate business

Fastweb continued to post strong revenue, EBITDA and customer growth. Revenue grew by 19.2% to EUR 1,708 million, with the Corporate Business segment recording the biggest gain of 40.9%. Revenue from government agencies increased by 75%. Fastweb acquired more new industrial and financial corporate customers, ending the year with a customer base of around 1.5 million, representing a gain of 220,000 or 17.4%.

The segment's EBITDA increased by 14.2% to EUR 548 million year-on-year. Following settlement of a legal action brought by Telecom Italia, Fastweb received EUR 30 million in compensation, which was recorded as other income in the second quarter of 2008. Adjusted for various exceptional items, EBITDA was 26.3% higher (EUR 108 million) and the EBITDA margin rose from 28.6% to 30.3%.

Over 700 new positions created in Switzerland since 2006

Swisscom has no plans for restructuring measures on economic grounds in 2009. However, as in recent years, structural changes in the telecoms sector will lead to the shedding of jobs, for example in those services that are declining. In line with its goal of expanding and improving customer service, Swisscom created new jobs in its call centres, field services and other customer-related areas. 2008 saw a continuation of this trend: adjusted for company acquisitions and disposals, net headcount at Swisscom increased by over 700 FTEs in Switzerland between 2006 and 2008. It is too early to say whether an increase in net headcount can be expected in 2009.

Outlook: decline in Swiss business – growth at Fastweb

The financial outlook for 2009 is based on the assumption that the worsened economic climate will only have a limited impact on customer demand for telecoms services.

Swisscom expects a slowdown in performance in its Swiss business in 2009 due to the continued high level of competitive pressure, unbundling and flatter growth in the mobile and broadband market. Excluding Fastweb, Swisscom expects net revenue for 2009 to fall by up to CHF 300 million



to between CHF 9.2 billion and CHF 9.3 billion, EBITDA of between CHF 3.8 billion and CHF 3.9 billion and capital expenditure of around CHF 1.35 billion. Fastweb is expected to report revenue of around EUR 1.8 billion, EBITDA of around EUR 560 million and capital expenditure in the region of EUR 415 million. Group operating free cash flow including Fastweb will lie between CHF 2.6 billion and CHF 2.7 billion.

Hansueli Loosli to be proposed for election to the Board of Directors

For professional reasons Fides P. Baldesberg will not stand for re-election to the Board of Directors at the forthcoming Annual General Meeting. Hansueli Loosli will be proposed as her replacement. Hansueli Loosli, CEO of Coop, brings to the Swisscom Board of Directors a long track record in retailing and industry, and with his experience of these markets will further enhance the company's customer focus.

Detailed Annual Report:

<http://www.swisscom.ch/report2008>

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