



Interim Report January – March 2009

Growth at Fastweb – price cuts lead to slowdown in Swiss business – increase in net income

	1.1.-31.3.2008	1.1.-31.3.2009	Change
Net revenue (in CHF millions)	2933	2916	-0.6%
EBITDA (in CHF millions)	1161	1134	-2.3%
EBIT (in CHF millions)	654	662	1.2%
Net income (in CHF millions)	425	485	14.1%
Operating free cash flow (OpFCF) to shareholders of Swisscom Ltd ¹	751	693	-7.7%
Broadband access lines Switzerland (as at 31 March in thousands)	1655	1783	7.7%
Bluewin TV customers Switzerland (as at 31.3 in thousands)	64	139	117.2%
Mobile subscribers Switzerland (as at 31 March in thousands)	5100	5414	6.2%
Customers in Italy (as at 31.3 in thousands)	1338	1542	15.2%
Capital expenditure (in CHF millions)	420	351	-16.4%
Employees (FTEs as at 31.3)	19718	20102	1.9%

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

During the first quarter of 2009, Swisscom's net revenue dropped slightly by 0.6% to CHF 2916 million and operating income (EBITDA) fell 2.3% to CHF 1134 million. However, compared to the same period last year and disregarding the effect of exchange rate movements, Group net revenue rose 0.9% and EBITDA only fell by 1.4%. Italian subsidiary Fastweb increased its revenue in local currency by 14.1%, in CHF by 7.4%. It was not possible to fully compensate ongoing price erosion in the Swiss business through customer growth and cost cuts; this led to a decline in net revenue and EBITDA. An extremely high volume of incoming orders of around CHF 370 million was recorded in the project and outsourcing business for Corporate Business and IT Services during the first quarter of



2009 (+163% over the previous year). A reduction in depreciation and a better financial result boosted Group net income by CHF 60 million or 14.1% to CHF 485 million.

Despite the difficult economic environment, the financial outlook for the 2009 financial year remains unchanged: Excluding Fastweb, Swisscom expects net revenue 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.

Net revenue in the Swisscom Group during the first quarter of 2009 decreased by CHF 17 million or 0.6% to CHF 2916 million year-on-year. Operating income (EBITDA) fell by CHF 27 million (-2.3%) to CHF 1,134 million. Disregarding the effect of exchange rate movements, net revenue rose by CHF 25 million or 0.9% while operating income fell by CHF 16 million or 1.4%. Fastweb boosted its net revenue and operating income (EBITDA) in EUR by 14.1% and 8.0%, respectively. In CHF the increase amounted to 7.4% and 1.7%, respectively.

In the Swiss business, ongoing price erosion triggered by competitive pressure and regulator intervention such as unbundling, for example, led to a decline in net revenue and EBITDA amounting to around CHF 100 million. Steady customer growth in both mobile and broadband access lines as well as cost cuts could only compensate for part of this decline.

During the first quarter of 2009, lower revenue from IT Services, particularly for the operation of software platforms for banks, was accompanied by a record level of incoming orders worth CHF 324 million (previous year: CHF 76 million) which will only have a delayed impact on revenue. However in Swisscom's corporate customer business, incoming orders for projects and outsourcing totalling CHF 42 million did not reach the previous year's figure of CHF 63 million.

A reduction in depreciation and a better financial result caused Group net income to rise by CHF 60 million or 14.1% to CHF 485 million. Better foreign currency trends and lower interest rates, in particular, had a positive impact on the financial result. Operating free cash flow fell by 7.7% to CHF 693 million during the first quarter of 2009. At CHF 351 million, investments in property, plant and equipment and other intangible assets were 16.4% lower than the previous year due to activities occurring at different times. The number of employees rose by 1.9% to 20,102 full-time positions within the space of a year. This is mainly attributable to an expansion of customer services and the takeover of The Phone House chain in July 2008.

Growth in broadband access lines and Bluewin TV remains strong

Compared to the previous year, the number of broadband access lines in Switzerland rose by 128,000 or 7.7% to 1.78 million; at the same time the number of unbundled fixed network lines rose to 57,000. The Bluewin TV customer base more than doubled compared to the previous year to finish with 139,000 customers at the end of the first quarter of 2009. The simplified installation introduced last year was a huge success: Around 90% of new customers activate Bluewin TV without the help of a Swisscom technician.

The net number of mobile customers in Switzerland grew by 314,000 (+6.2%) to 5.41 million. Revenue generated through Swisscom customers using new mobile data services (excluding SMS) increased by 17% to CHF 91 million within the space of a year. Average revenue per user per month



(ARPU) fell by 7.7% to CHF 48 as a result of price reductions and new tariff models, while the average number of minutes per user per month (AMPU) remained practically the same at 111 minutes.

Fastweb boosts revenue, particularly in Corporate Business

In the first quarter of 2009, Fastweb recorded continued revenue, EBITDA and customer growth. Net revenue increased year-on-year by 14.1% to EUR 444 million. Of this, EUR 12 million were generated by residential customers (+7.3%), EUR 9 million by small and medium-sized enterprises (+9.7%) and EUR 34 million by corporate customers (+25.8%). This increase can be attributed to Fastweb's operational growth. Within the space of a year, the number of customers increased by 15.2% to 1.54 million. Operational expenses rose disproportionately to revenue (+16.4%), a situation attributable to strong growth in the lower-margin area of Corporate Business. EBITDA rose by 8.0% to EUR 122 million compared to the previous year. Thanks to lower depreciation, the first quarter of 2009 produced a positive segment result (EBIT) of EUR 28 million (without amortisation stemming from the purchase price allocation) which more than doubled compared to the previous year. Investments in property, plant and equipment and in other intangible assets fell year-on-year by EUR 101 million to EUR 83 million, mainly as a result of investment activities occurring at different times.

Financial outlook for 2009 remains unchanged

Swisscom still 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 for a drop in revenue for 2009 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.

Detailed interim report:

<http://www.swisscom.ch/q1-report-2009>

Berne, 6 May 2009

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