



Interim Report January – June 2009

Lower revenue in Swiss business due to regulatory measures and price erosion – Sustained growth at Fastweb – Higher net income thanks to exceptional items

	1.1-30.6.2008	1.1-30.6.2009	Change
Net revenue (in CHF millions)	5991	5917	-1.2%
EBITDA (in CHF millions)	2427	2335	-3.8%
EBIT (in CHF millions)	1397	1386	-0.8%
Net income (in CHF millions)	846	1021	20.7%
Operating free cash flow ¹ (in CHF millions)	1359	1352	-0.5%
DSL broadband access lines Switzerland (at 30.6 in thousands)	1699	1795	5.7%
Bluewin TV customers Switzerland (at 30.6 in thousands)	80	165	106.3%
Mobile subscribers Switzerland (at 30.6 in thousands)	5181	5478	5.7%
Customers Italy (at 30.6 in thousands)	1398	1575	12.7%
Capital expenditure (in CHF millions)	923	860	-6.8%
Employees (FTEs at 30.6)	19795	19970	0.9%

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

Swisscom closed the first half of 2009 with a 1.2% fall in net revenue to CHF 5917 million and operating income (EBITDA) down 3.8% to CHF 2235 million. On constant currency basis, net revenue rose by 0.3% while EBITDA declined by 2.7%. The Group's Italian subsidiary Fastweb increased revenue in local currency terms by 12.9%. Continuing price erosion of around CHF 200 million in the Group's Swiss business failed to be offset by customer growth and new offerings, resulting in a net fall in revenues in Switzerland of around CHF 150 million. At CHF 1352 million, operating free cash flow (OpFCF) was largely on a par with the prior-year level. Net consolidated income increased by CHF 175 million or 20.7% to CHF 1021 million, due to a combination of lower net financial expenses, a reduction in depreciation and exceptional items relating to the termination of long-term lease agreements in the previous year.



Despite the difficult economic climate, the current financial outlook for 2009 remains unchanged: excluding Fastweb, Swisscom expects to close the year with 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 close with 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.

The Swisscom Group reported a year-on-year fall in net revenue for the first half of 2009 of CHF 74 million or 1.2% to CHF 5917 million. Operating income (EBITDA) declined by CHF 92 million (-3.8%) to CHF 2335 million. On constant currency basis, net revenue increased in the first half of 2009 by CHF 17 million or 0.3%, while EBITDA dropped by CHF 66 million or 2.7%. Fastweb increased net revenue in euros by 12.9%, but reported a slight fall in EBITDA as a result of positive exceptional items in the previous year. Adjusted for these exceptional items, Fastweb increased EBITDA in the first half-year by EUR 21 million or 8.6%.

In the Group's Swiss business, continuing price erosion of around CHF 200 million due to competitive pressure and regulatory measures (for example, unbundling) resulted in a fall in net revenue. This decline failed to be offset by growth in mobile, Bluewin TV and broadband access, resulting in a net decline in revenue in Switzerland of around CHF 150 million.

A decline in the operation of software platforms for banks coupled with the difficult economic climate in the IT project business led to a fall in net revenue at Swisscom IT Services. While revenues were down, incoming orders remained high at CHF 368 million (previous year CHF 104 million), but will only have a delayed impact on revenue.

Net consolidated income increased by CHF 175 million or 20.7% to CHF 1021 million, due to a combination of lower net financial expenses, a reduction in depreciation and exceptional items relating to the termination of long-term lease agreements the year before. Operating free cash flow fell slightly by 0.5% to CHF 1352 million. Capital expenditure on property, plant and equipment and other intangible assets was 6.8% lower at CHF 860 million, mainly due to timing differences in investment activities. Headcount increased by 0.9% year-on-year to 19,970 FTEs, despite the spin-off of Swisscom Real Estate's facility management. The increase was primarily attributable to the acquisition of The Phone House chain in July 2008, expansion in the customer service area and the purchase of shareholdings by Swisscom IT Services.

High customer demand thanks to Bluewin TV and iPhone

Compared with the previous year, the number of DSL broadband access lines in Switzerland grew by 96,000 to around 1.8 million. At the same time, the number of unbundled fixed lines increased to 82,000. Bluewin TV customers more than doubled in number year-on-year, reaching 165,000 at the end of the second quarter of 2009, partially thanks to ongoing expansion of video on demand and exclusive sports content. Simpler installation of Bluewin TV introduced last year was a huge success: around 85% of new customers now activate Bluewin TV without the help of a Swisscom technician.

The number of mobile subscribers in Switzerland increased year-on-year by a net of 297,000 (+5.7%) to 5.48 million. The successful market launch of the new iPhone 3GS on 19 June 2009 generated sales of 23,000 new-generation handsets by the end of June. Since the rollout of the iPhone on 11 July 2008, Swisscom has sold a total of 267,000 units. Revenue from new mobile data services (excluding SMS)



with Swisscom customers increased year-on-year by 20% to CHF 192 million. Average revenue per mobile user per month (ARPU) declined by 5.8% to CHF 49 as a result of lower prices and the introduction of new tariff models. Average minutes per mobile user per month (AMPU) remained practically unchanged at 112 minutes.

Fastweb still showing solid growth

Fastweb reported continuing solid growth in revenue, EBITDA and customers in the first half of 2009. Net revenue rose year-on-year by EUR 105 million or 12.9% to EUR 919 million, while customer numbers grew by 12.7% to 1.58 million. The segment's EBITDA declined slightly by EUR 9 million or 3.3% to EUR 265 million. This was a direct consequence of the positive extraordinary item totalling EUR 30 million posted in the second quarter of 2008. Adjusted for this exceptional item, the segment's EBITDA increased by EUR 21 million or 8.6%. Capital expenditure on property, plant and equipment and other intangible assets decreased year-on-year by 4.0% from EUR 226 million to EUR 217 million, mainly as a result of timing differences in investment activities.

Financial outlook for 2009 unchanged

Swisscom's full-year forecast remains unchanged, with continuing strong competitive pressure, unbundling and a levelling off of growth in the mobile and broadband market leading to a contraction in its Swiss business. Excluding Fastweb, Swisscom expects to close the 2009 financial year with revenue down 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 close with 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/q2-report-2009>

Berne, 12 August 2009 / 07:30

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risk factors detailed in Swisscom's and Fastweb's past and future filings and reports, including those filed with the U.S. Securities and Exchange Commission and in past and future filings, press releases, reports and other information posted on Swisscom Group Companies' websites.

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