

Interim Report January – September 2009

Lower prices lead to lower revenues of CHF 220 million in Swiss business – Growth at Fastweb – Net income excluding exceptional items remains stable

	1.1-30.9.2008	1.1-30.9.2009	Change
Net revenue (in CHF millions)	9085	8925	-1.8%
EBITDA (in CHF millions)	3615	3580	-1.0%
EBIT (in CHF millions)	2066	2155	4.3%
Net income (in CHF millions) ¹	1316	1534	16.6%
Operating free cash flow ² (in CHF millions)	2124	2143	0.9%
DSL broadband access lines in Switzerland (in thousands as at 30.9)	1721	1798	4.5%
Bluewin TV customers in Switzerland (in thousands as at 30.9)	95	186	95.8%
Mobile subscribers in Switzerland (in thousands as at 30.9)	5284	5543	4.9%
Customers in Italy (in thousands as at 30.9)	1441	1605	11.4%
Capital expenditure (in CHF millions)	1365	1315	-3.7%
Employees (FTEs as at 30.9)	19995	19704	-1.5%

¹ Net income stable excluding one-off items

² EBITDA – Capital expenditure +/- changes in net working capital – dividend payment to minority shareholders

In the first nine months of 2009, Swisscom's net revenue fell by 1.8% to CHF 8925 million and its operating income (EBITDA) dropped 1.0% to CHF 3580 million. On the basis of constant exchange rates, net revenue decreased slightly by 0.3%, while EBITDA remained virtually unchanged at +0.1%. The Italian subsidiary, Fastweb, increased revenue in local currency by 10%. The ongoing price erosion in the Swiss business could not be compensated for by growth in customer number and new offerings and led to a decrease in net revenue excluding Fastweb by around CHF 220 million. Excluding one-off items such as the adjustment of depreciation periods as well as charges in the previous year related to the termination of long-term leasing agreements, net income is on a par with the prior-year level. The financial outlook for the 2009 business year remains unchanged.

In the first nine months of 2009, the Swisscom Group reported a year-on-year drop in net revenue of CHF 160 million, or 1.8%, to CHF 8925 million. Operating income (EBITDA) fell by CHF 35 million (-1.0%) to CHF 3580 million. On the basis of constant exchange rates, net revenue dipped slightly by CHF 26 million, or 0.3%, while operating income, which grew by CHF 4 million, remained stable compared to the previous year.

Growth in customer numbers and new offerings were unable to offset the effects of the ongoing price erosion brought on by stiffer competition and regulatory changes (e.g. unbundling), prompting a drop of around CHF 240 million in domestic business. 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. Excluding Fastweb, this resulted in an overall decline in net revenue in the region of CHF 220 million.

Swisscom IT Services posted an exceptionally high level of incoming orders of around CHF 458 million (previous year CHF 180 million), which will have a delayed impact on revenue in subsequent periods.

Net income increased by CHF 218 million, or 16.6%, to CHF 1534 million, due primarily to lower depreciation and one-off items relating to the termination of long-term leasing agreements in the previous year. Operating free cash flow rose slightly by 0.9% to CHF 2143 million. At CHF 1315 million, investments in property, plant and equipment and other intangible assets were 3.7% lower, mainly because of timing differences in investment activities. The number of employees fell by 1.5% year-on-year to 19,704 FTEs, principally on account of the spin-off of Swisscom Real Estate's facility management business.

Four out of five new digital TV customers opt for Bluewin TV

The combination of innovative services, good customer service and high network quality helped Swisscom attract a large proportion of new subscribers to Bluewin TV, DSL broadband access and mobile telephony in the third quarter of 2009. The digital television market, which Swisscom entered three years ago in competition with established cable network operators, accounted for the biggest share of customer growth (81%). The number of Bluewin TV customers almost doubled year-on-year to 186,000 at the end of the third quarter.

Compared to the previous year, the number of domestic DSL broadband connections is up by 77,000, and now stands at 1.8 million. The number of unbundled fixed lines increased year-on-year from 12,000 to 115,000.

The number of mobile subscribers in Switzerland increased year-on-year by a net 259,000 (+4.9%) to 5.54 million. The new iPhone 3GS was successfully launched on the market on 19 June 2009 and by the end of September sales of the new-generation handsets totalled 79,000. Since the rollout of the iPhone on 11 July 2008, Swisscom has sold a total of 330,000 units. Revenue on new mobile data services (excluding SMS) increased by 19.3% to CHF 302 million. Average monthly revenue per mobile user (ARPU) declined by 5.7% from CHF 53 to CHF 50 as a result of lower prices and the introduction of new tariff models. Average monthly minutes per mobile user (AMPU) fell slightly by 1.8% to 112 minutes.

Fastweb continues to enjoy high growth

Fastweb continued to post strong growth in revenue, EBITDA and customer numbers in the first nine months of 2009. Net revenue increased by EUR 124 million, or 10.0%, to EUR 1365 million. The

number of customers grew 11.4% year-on-year to 1.61 million. The segment's EBITDA rose slightly by EUR 2 million, or 0.5%, to EUR 404 million. Last year's figures included a positive one-off item amounting to EUR 30 million. Adjusted for this one-off item, the segment's EBITDA increased by EUR 32 million, or 8.6%. Investments in property, plant, equipment and other intangible assets decreased year-on-year by 4.6% from EUR 327 million to EUR 312 million, mainly as a result of timing differences in investment activities.

Financial outlook for 2009 unchanged

Swisscom expects the decline in its Swiss business to continue for the rest of the year as a consequence of ongoing stiff competition, unbundling and a levelling-off of growth in the mobile and broadband market. Excluding Fastweb, Swisscom expects to close the 2009 financial year with revenue down by as much as 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/q3-report-2009>

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