



Financial year 2009

Competition-driven price reductions of over CHF 400 million lead to lower revenue in Swiss business – Growth at Fastweb – Stable net income excluding exceptional items

	2008	2009	Change
Net revenue (in CHF millions)	12198	12001	-1.6%
EBITDA (in CHF millions)	4789	4666	-2.6%
EBIT (in CHF millions)	2640	2678	1.4%
Net income (in CHF millions)	1751	1925	9.9%
Operating free cash flow ¹ (in CHF millions)	2476	2669	7.8%
DSL broadband access lines Switzerland (year-end in thousands)	1756	1803	2.7%
Swisscom TV customers Switzerland (year-end in thousands)	118	230	94.9%
Mobile subscribers Switzerland (year-end in thousands)	5370	5610	4.5%
Broadband customers Italy (year-end in thousands)	1483	1644	10.9%
Capital expenditure (in CHF millions)	2050	1987	-3.1%
Group employees (FTEs at year-end)	19943	19479	-2.3%
Of which employees in Switzerland (FTEs at year-end)	16104	15995	-0.7%

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

Swisscom closed 2009 with net revenue 1.6% lower at CHF 12 billion and operating income (EBITDA) down 2.6% to CHF 4.67 billion. Disregarding currency movements, net revenue dipped by 0.5% while EBITDA declined by 1.7%. Swisscom's Italian subsidiary Fastweb increased revenue in local currency terms by 8.5%. Continuing competition-driven price reductions in Swiss business of over CHF 400 million failed to be offset by growth in customer numbers and new offerings, resulting in a fall in net revenue of CHF 282 million, excluding Fastweb. Excluding exceptional items such as adjustments to depreciation periods and charges in 2008 related to the termination of lease agreements, net income was on a par with the prior-year level. Payment of an ordinary dividend of CHF 20 (2008: CHF 19) will be proposed to the Annual General Meeting of Shareholders.



Excluding Fastweb, Swisscom expects to close 2010 with net revenue of around CHF 9.15 billion, EBITDA of around CHF 3.75 billion and capital expenditure in the region of CHF 1.3 billion. Fastweb is expected to close the year with revenue of around EUR 1.95 billion, EBITDA of around EUR 580 million and capital expenditure in the region of EUR 410 million. Group operating free cash flow including Fastweb will be around CHF 2.6 billion.

The Swisscom Group reported a year-on-year fall in net revenue for 2009 of CHF 197 million or 1.6% to CHF 12,001 million. Operating income (EBITDA) dropped by CHF 123 million or 2.6% to CHF 4,666 million. Disregarding currency movements, net revenue decreased slightly by 0.5% and operating income by 1.7%.

Growth in customer numbers and new offerings were unable to offset the effects of ongoing price reductions as a result of stiffer competition and regulatory changes (e.g. unbundling), leading to a drop of around CHF 400 million in Swiss business. Excluding Fastweb, this resulted in an overall reduction of CHF 282 million in net revenue.

Swisscom IT Services posted an exceptionally high level of incoming orders of around CHF 540 million (2008: CHF 342 million), which will have a delayed impact on revenue in subsequent periods.

Net consolidated income increased by CHF 174 million or 9.9% to CHF 1,925 million, due primarily to a reduction in depreciation and the absence of exceptional items relating to the termination of long-term lease agreements in the previous year. Operating free cash flow rose slightly by 7.8% to CHF 2,669 million. As a result of reduced investment volume outside the Swiss core business, capital expenditure declined by 3.1% to CHF 1,987 million, of which Switzerland accounted for CHF 1,320 million and other countries CHF 667 million. In 2009 headcount in Switzerland fell by 0.7% to 15,995 FTEs, chiefly as a result of efficiency improvements.

Number of Swisscom TV customers virtually doubled

The combination of innovative services, good customer service and high network quality helped Swisscom attract a large proportion of new subscribers to Swisscom TV, DSL broadband access and mobile telephony in 2009. The number of Swisscom TV customers almost doubled in the space of a year to end 2009 at 230,000. Compared with the previous year, the number of DSL broadband access lines in Switzerland rose by 47,000 to 1.8 million, while unbundled fixed lines increased in number from 31,000 to 153,000.

The net number of mobile subscribers in Switzerland increased year-on-year by 240,000 (+ 4.5%) to 5.61 million. In 2009 Swisscom sold 258,000 iPhones, of which 109,000 were sold in the fourth quarter alone and accounted for some 30% of mobile phone sales during this period. This brings the total number of iPhones sold by Swisscom since the rollout on 11 July 2008 to 439,000. Revenue from mobile data services (excluding SMS) with Swisscom customers rose by 18.2% to CHF 410 million. Average revenue per mobile user per month (ARPU) dropped by 5.7% to CHF 50 as a result of price reductions and new tariff models.

Sustained high growth at Fastweb

Fastweb continued to post solid growth in 2009. Net revenue rose by EUR 145 million or 8.5% to EUR 1,853 million, while the number of broadband customers grew by 10.9% to 1.64 million. The segment's EBITDA increased slightly by EUR 3 million or 0.5% to EUR 551 million. The prior-year figure contained a positive exceptional item in the amount of EUR 30 million. Disregarding this exceptional item, the segment's EBITDA was EUR 33 million higher, corresponding to an increase of



6.4%. Capital expenditure declined year-on-year by 0.9% to EUR 434 million; around half of which was attributable to customer growth.

Outlook: Price reductions driven by competition in Swiss business set to continue in 2010

Swisscom expects its Swiss business to continue to decline over the current financial 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 2010 with net revenue of around CHF 9.15 billion, EBITDA of around CHF 3.75 billion and capital expenditure in the region of CHF 1.3 billion. Fastweb is expected to close the year with revenue of around EUR 1.95 billion, EBITDA of around EUR 580 million and capital expenditure in the region of EUR 410 million. Group operating free cash flow including Fastweb will be around CHF 2.6 billion.

Detailed Annual Report:

<http://www.swisscom.ch/report2009>

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