

Swisscom seeks rapid resolution of allegations by Italian authorities

Swisscom has taken note of the investigations and allegations by Italian authorities. At the time it acquired Fastweb in 2007, Swisscom was aware of the investigation into tax evasion that allegedly took place in the period of 2003 to 2006. Swisscom is currently conducting an in-depth review into the implications of the latest occurrences. Swisscom and Fastweb have offered their full cooperation to law enforcement officials in their investigations.

Between the years 2003 and 2006, Fastweb bought and sold services (phone cards and voice services) from Italian providers, whereby Italian VAT was included in the purchase prices. In January 2007 an existing legal investigation was made public by Fastweb. According to the authorities' allegations, the vendors only entered into the transactions to avoid that transferred VAT, paid by Fastweb, is delivered to the tax authorities. As a result of this investigation, Fastweb has not yet been fully refunded in VAT.

At the time of its acquisition of Fastweb in 2007, Swisscom was informed of the ongoing investigations. According to two separate opinions from tax consultancies available at the time, the transactions in question were correct and Fastweb was therefore entitled to a refund of the VAT. Based on information available then, the risk that the VAT might not be recoverable was factored into the offer to acquire Fastweb.

Swisscom was surprised by the latest developments:

- The investigation has been extended to further individuals.
- Arrest warrants against 56 persons have been issued, first arrests have been made; 5 individuals of the former Fastweb management and employees are the object of such measures.
- The allegation of VAT abuse have been complemented with allegations of money laundering, directed towards individuals within the abusing third companies and the companies involved in the VAT allegations.
- A total of € 2 billion of evaded VAT is said to be involved, because a number of companies is involved, among which Fastweb with approximately € 40 million.
- The investigators are petitioning to the court to set-up a commissioner within Fastweb. This is a trustee or official supervision, called Commissariato, which according to today's knowledge would not affect the continuation of business activities.

Swisscom acknowledges the latest developments and will conduct an in-depth review of possible implications. Fastweb and Swisscom both seek a rapid resolution of the allegations by Italian law enforcement officials.

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