



First Quarter Results 2010

Economic recovery generates slight growth in revenue – provision at Fastweb reduces net income

	1.1-31.3.2009	1.1-31.3.2010	Change
Net revenue (in CHF millions)	2,916	2,953	1.3%
EBITDA (in CHF millions)	1,139	1,058	-7.1%
EBIT (in CHF millions)	664	557	-16.1%
Net income (in CHF millions)	484	377	-22.1%
Operating free cash flow ¹ (in CHF millions)	697	742	6.5%
Broadband access lines Switzerland (as at 31 March in thousands)	1,789	1,802	0.7%
Swisscom TV customers Switzerland (as at 31 March in thousands)	139	275	97.8%
Mobile subscribers in Switzerland (as at 31 March in thousands)	5,411	5,650	4.4%
Broadband customers in Italy (as at 31 March in thousands)	1,542	1,678	8.8%
Capital expenditure (in CHF millions)	351	383	9.1%
Group employees (FTEs as at 31 March)	20,102	19,427	-3.4%

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

During the first three months of 2010, Swisscom's net revenue increased by 1.3% to CHF 2.95 billion. At constant exchange rates, this amounts to an increase of 2.0%. The Group's Italian subsidiary Fastweb reported 4.1% higher net revenue in local currency to EUR 462 million. Excluding Fastweb, net revenue rose mainly as a result of the slight recovery in the economy by 1.4% to CHF 2.29 billion. As a result of the previously announced provision of CHF 102 million for proceedings against Fastweb relating to VAT, operating income (EBITDA) fell by 7.1% to CHF 1.06 billion. Adjusted for the provision, EBITDA increased by 1.8%. Due to the lower EBITDA, net income declined by 22.1% to CHF 377 million. Adjusted for the provision, net income was unchanged from last year. Excluding the provision for the VAT proceedings against Fastweb, the financial outlook for the 2010 financial year remains unchanged.



During the first three months of 2010, Swisscom's net revenue increased by CHF 37 million or 1.3% to CHF 2,953 million. At constant exchange rates, this amounts to an increase of 2.0%. The Group's Italian subsidiary Fastweb reported 4.1% higher net revenue in local currency to EUR 462 million. Excluding Fastweb, net revenue rose by 1.4% to CHF 2,285 million, chiefly as a result of the slight recovery in the economy.

In the first quarter of 2010, as previously announced, a provision of EUR 70 million (CHF 102 million) was set aside for proceedings against Fastweb relating to VAT. Operating income before depreciation and amortisation (EBITDA) fell by CHF 81 million or 7.1% to CHF 1,058 million. Adjusted for the provision for the VAT proceedings against Fastweb, operating income before depreciation and amortisation (EBITDA) increased by 1.8% compared to the previous year.

As a result of lower EBITDA, net income fell by CHF 107 million or 22.1% to CHF 377 million. Excluding the provision for proceedings against Fastweb for VAT, net income was unchanged from last year. The increase of CHF 32 million or 9.1% in capital expenditure to CHF 383 million is attributable to differences in the timing of investments. Operating free cash flow increased by CHF 45 million or 6.5% to CHF 742 million. The increase was mainly due to payments of CHF 86 million in the first quarter of 2009 in connection with interconnection- and other access-related proceedings. Net debt was reduced over the reporting period by CHF 940 million to CHF 8,537 million. Headcount fell by 3.4% to 19,427 full-time employees, and is largely unchanged compared with the end of 2009.

High customer growth in new services

Revenue from Swiss business increased mainly thanks to the slight recovery in the economy. The trend towards bundled offerings and new price models such as flat-rate tariffs continued during the reporting period. The number of Swisscom TV customers almost doubled in the space of a year to 275,000 at the end of March 2010. Compared with the previous year, the number of DSL broadband access lines in Switzerland increased by 0.7% to 1.8 million connections. 80,000 customers have already signed up for the bundled fixed-line offering combining telephony, Internet and TV. The number of unbundled fixed lines increased year-on-year from 57,000 to 192,000.

The number of mobile subscribers in Switzerland increased year-on-year by 239,000 (+4.4%) to 5.7 million. In the first quarter of 2010, Swisscom sold around 300,000 mobile devices, of which around a half were smartphones. The iPhone was the most successful, with 85,000 devices sold. This brings the total number of iPhones sold by Swisscom since the rollout on 11 July 2008 to 524,000. Revenue from mobile data traffic with Swisscom customers rose year-on-year by 30% to CHF 91 million. Average revenue per mobile user per month (ARPU) dropped by 4.1% to CHF 47 as a result of price reductions and new tariff models.

Fastweb experiences solid growth in revenue and customer numbers

In the first quarter of 2010, Fastweb recorded solid revenue and customer growth. Net revenue increased by 4.1% to EUR 462 million. The number of broadband customers rose year-on-year by 136,000 or 8.8% to 1.7 million. Residential customers accounted for 39%, small and medium-sized enterprises 22% and corporate customers 39% of net revenue. In the Residential Customers segment, revenue rose by 2.9% to EUR 179 million, thanks to customer growth. In the Small- and Medium-Sized Enterprises segment, revenue increased by 3.0% to EUR 104 million. Revenue from Corporate Business increased by 5.9% to EUR 179 million. Fastweb benefitted in this sector from multi-year contracts with the public-administration and also acquired further large corporate customers in the industrial and financial sectors.



As a result of the VAT proceedings, a provision of EUR 70 million was recognised in other operating expenses for the first quarter of 2010. This provision was charged in Fastweb's accounts in the fourth quarter of 2009. The provision resulted in the segment result before depreciation and amortisation (EBITDA) in the first quarter of 2010 declining by 53.3% to EUR 57 million. Adjusted for this one-off item, EBITDA increased by EUR 5 million or 4.1% to EUR 127 million. Taking into account a revenue entry adjustment, real growth in revenue is 5.5%, and real growth in EBITDA 10%.

Capital expenditure increased by EUR 16 million or 19.3% to EUR 99 million. The increase is attributable to differences in the timing of investments. Some 40% of the investments made were directly connected to customer growth.

Financial outlook for 2010 remains unchanged

Excluding the provision for the VAT proceedings against Fastweb, the financial outlook for the 2010 financial year remains unchanged. Swisscom expects its Swiss business to continue to decline over the current financial year as a consequence of sustained strong 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 (excluding the provision for the VAT proceedings) 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 interim report:

<http://www.swisscom.com/q1-report-2010>

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