



Interim report for the first half of 2010:

Robust business performance – TV and mobile data communication strong growth drivers – Special effects reduce net income

	First half 2009	First half 2010	Change
Net revenue (in CHF millions)	5,917	5,946	0.5%
EBITDA (in CHF millions)	2,343	2,287	-2.4%
EBIT (in CHF millions)	1,391	1,297	-6.8%
Net income (in CHF millions)	1,020	873	-14.4%
Operating free cash flow ¹ (in CHF millions)	1,359	1,416	4.2%
Broadband access lines in Switzerland (as at 30 June in thousands)	1,800	1,790	-0.6%
Swisscom TV customers in Switzerland (as at 30 June in thousands)	165	317	92.1%
Mobile customers in Switzerland (as at 30 June in thousands)	5,472	5,691	4.0%
Broadband customers in Italy (as at 30 June in thousands)	1,575	1,694	7.6%
Capital expenditure (in CHF millions)	860	814	-5.3%
Group employees (FTEs as at 30 June)	19,970	19,480	-2.5%

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

During the first half of 2010, Swisscom's net revenue increased by 0.5% to CHF 5.95 billion. At constant exchange rates, this amounts to an increase of 1.8%. Net revenue posted by the Italian subsidiary Fastweb rose in the local currency by 1.7% to EUR 935 million. Net revenue excluding Fastweb increased by 1.9% to CHF 4.62 billion. The increase is primarily attributable to the economic recovery, company acquisitions made by Swisscom IT Services as well as growth in mobile communications and bundled products. As a result of the provision of CHF 102 million set aside in the first quarter of 2010 for the VAT proceedings against Fastweb, operating income (EBITDA) fell by 2.4% to CHF 2.29 billion. Adjusted for the provision and currency effects, EBITDA increased by 2.8%. Net income fell by 14.4% to CHF 873 million, mainly as a result of the provision and an increase in depreciation and amortisation and currency effects. Excluding the provision for the VAT proceedings against Fastweb, the financial outlook for the 2010 financial year remains unchanged.



During the first half of 2010, Swisscom's net revenue increased by CHF 29 million or 0.5% to CHF 5,946 million. At constant exchange rates, this amounts to an increase of 1.8%. Net revenue posted by the Italian subsidiary Fastweb rose in the local currency by 1.7% to EUR 935 million. Net revenue excluding Fastweb increased by 1.9% to CHF 4,623 million. The increase is primarily attributable to the economic recovery, company acquisitions made by Swisscom IT Services in 2009 as well as growth in mobile communications and in bundled offerings for residential customers.

In the first quarter of 2010, a provision of EUR 70 million (CHF 102 million) was set aside for VAT proceedings against Fastweb. Operating income before depreciation and amortisation (EBITDA) fell by CHF 56 million or 2.4% in the first half of the year to CHF 2,287 million. Adjusted for the aforementioned provision and currency effects, EBITDA rose by 2.8% year-on-year.

Net income fell by CHF 147 million or 14.4% to CHF 873 million, primarily as a consequence of the provision of EUR 70 million set aside for the VAT proceedings against Fastweb. Higher depreciation and amortisation and negative currency effects also contributed to the decline. The reduction of CHF 46 million or 5.3% in capital expenditure to CHF 814 million is primarily attributable to differences in the timing of investments. Adjusted for currency effects, capital expenditure fell by 3.4%.

Operating free cash flow increased by CHF 57 million year-on-year or 4.2% to CHF 1,416 million, due primarily to seasonally lower capital expenditure as well as lower dividend payments to minority shareholders of subsidiaries. Net debt was reduced by CHF 985 million year-on-year to CHF 9,227 million. Headcount fell by 2.5% to 19,480 full-time employees, and is largely unchanged compared with the end of 2009.

Swisscom won 85,000 new TV customers in the first half of the year

The trend towards bundled offerings and new price models such as flat-rate tariffs continued in the Swiss business. 111,000 customers have already signed up for the Casa Trio bundled offering, which combines fixed-line telephony, Internet and TV. The number of Swisscom TV customers almost doubled in the space of a year to 317,000 at the end of June 2010. Swisscom gained a total of 85,000 new TV customers in the first half of the year.

The number of unbundled fixed lines increased by 137,000 year-on-year to 219,000. The unbundling led to a reduction in the number of broadband lines with wholesale customers of 130,000 to 260,000. By contrast, Swisscom was able to increase the number of broadband lines with end customers by 120,000 or 8.5% year-on-year to over 1.5 million, which resulted overall in a slight decline in the number of DSL broadband lines of 0.6% to 1.79 million.

Price erosion in mobile communications continues – Strong growth in mobile data traffic

The number of mobile customers in Switzerland rose year-on-year by 219,000 (+4%) to 5.7 million. Price erosion in mobile communications is continuing, standing at around 8% in comparison with the previous year (prices by volume). However, this decline was offset by growth in customer numbers and an increased volume of mobile data traffic in particular.

In the first half of 2010, Swisscom sold 585,000 mobile devices, of which almost half were smartphones. Revenue from mobile data traffic with Swisscom customers rose in comparison with the previous year by 33% to almost CHF 200 million.



Fastweb experiences growth in revenue and customer numbers in comparison with the previous year

Fastweb's net revenue increased year-on-year by EUR 16 million or 1.7% to EUR 935 million, with the net number of broadband customers rising over the reporting period by 119,000 or 7.6% to 1.7 million. As a result of the VAT proceedings, a provision of EUR 70 million (CHF 102 million) was recognised in the first quarter of 2010 in other operating expenses in the Swisscom consolidated financial statements. This provision was charged in Fastweb's accounts in the fourth quarter of 2009.

The provision led to a decline in the segment result before depreciation and amortisation (EBITDA) of Fastweb in the Swisscom consolidated financial statements in the first half of 2010 by 24.5% to EUR 200 million (CHF 285 million). Adjusted for this one-off item, EBITDA increased by EUR 5 million or 1.9% to EUR 270 million. Taking into account a revenue entry adjustment and one-off revenues in the second quarter of 2009, growth in revenue is 5.5% and growth in EBITDA 14.2% on a like-for-like basis.

Fastweb's capital expenditure decreased by EUR 11 million or 5.1% to EUR 206 million. 42% of the investments made were directly connected to customer growth.

Financial outlook for 2010 remains unchanged

Without taking into account the provision for the VAT proceedings against Fastweb, the financial outlook for the 2010 financial year remains unchanged. 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. Excluding any special payments of provisions for legal proceedings, Group operating free cash flow including Fastweb will be around CHF 2.6 billion.

Detailed interim report:

<http://www.swisscom.com/q2-report-2010>

Further documents relating to Swisscom's half-year results:

www.swisscom.ch/ir

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