



Interim report for the first half of 2011:

Growth in customers and mobile data services offsets price erosion of around CHF 300 million – currency-related reduction in Group revenue

	1.1.-30.6.2010	1.1.-30.6.2011	Change
Net revenue (in CHF millions)	5,946	5,722	-3,8%
EBITDA (in CHF millions)	2,288	2,270	-0,8%
EBIT (in CHF millions)	1,298	1,326	2,2%
Net income (in CHF millions)	874	962	10,1%
Retail broadband connections Switzerland (as at 30 June in thousands)	1,530	1,618	5,8%
Swisscom TV connections in Switzerland (as at 30 June in thousands)	317	512	61,5%
Mobile connections in Switzerland (as at 30 June in thousands)	5,691	5,913	3,9%
Mobile data services Switzerland (in CHF millions)	199	236	18,6%
Broadband access lines in Italy (as at 30 June in thousands)	1,694	1,741	2,8%
Capital expenditure (in CHF millions)	814	909	11,7%
Group employees (FTEs as at 30 June)	19,480	19,829	1,8%

In the first half of 2011, Swisscom's net revenue declined by 3.8% to CHF 5,722 million and operating income (EBITDA) was down 0.8% to CHF 2,270 million. At constant exchange rates and adjusted for the provision for VAT proceedings against Fastweb in the previous year, revenue and EBITDA were lower, down 1.4% and 3.6% respectively. Despite customer growth, the net revenue of Italian subsidiary Fastweb decreased in local currency by 6.4% to EUR 875 million due to aggressive price competition. Excluding Fastweb, Swisscom's revenue remained virtually stable, dropping by CHF 3 million to CHF 4,620 million. Price erosion in the Swiss business of CHF 298 million was nearly offset by customer and volume growth of CHF 263 million. The 10.1% rise in net income to CHF 962 million is largely attributable to the provision recognised in the first half of 2010 for VAT proceedings against



Fastweb. Higher investment spending in Switzerland on next-generation networks and rising customer numbers led to an increase in headcount, with around 200 new FTEs being created within the space of the year.

Based on an average CHF/EUR exchange rate of 1.20, Swisscom expects to close the 2011 financial year with net revenue of CHF 11.5 billion, EBITDA of CHF 4.6 billion and capital expenditure of CHF 2.0 billion. The main reason for the reduced revenue forecast is the weak euro. Swisscom still expects to pay a dividend of at least CHF 21 per share for 2011.

In the first half of 2011, the Swisscom Group's net revenue declined by CHF 224 million or 3.8% to CHF 5,722 million and operating income before depreciation and amortisation (EBITDA) was down by CHF 18 million or 0.8% at CHF 2,270 million. At constant exchange rates and adjusted for the provision for VAT proceedings against Fastweb in the first half of 2010, revenue and EBITDA were lower than in the previous year, down 1.4% and 3.6% respectively. The net revenue of Italian subsidiary Fastweb decreased in local currency by 6.4% to EUR 875 million. Excluding Fastweb, Swisscom's revenue remained virtually stable, dropping by CHF 3 million to CHF 4,620 million.

The CHF 88 million or 10.1% increase in net income to CHF 962 million is largely attributable to the aforementioned provision recognised in the previous year at Fastweb. In addition, the lower EBITDA was nearly offset by an improved financial result and lower income tax expense. Capital expenditure increased by CHF 95 million or 11.7% to CHF 909 million, mainly due to higher levels of investment in the Swiss telecommunications infrastructure. The number of employees rose year on year by 1.8% or 349 FTEs to 19,829. Some 200 new FTEs were created in Switzerland, mainly in the customer service and network expansion areas. The higher headcount is also partly attributable to acquisitions in Switzerland.

Price erosion of around CHF 300 million in the Swiss business

In the Swiss business, the trend towards bundled products and new pricing models, such as flat-rate tariffs, continued. The charges for mobile termination and mobile data roaming in particular were significantly lowered. Price erosion in the Swiss business of CHF 298 million was nearly offset by customer and volume growth of CHF 263 million. Compared to the price erosion, exchange rate factors had a minimal impact on the Swiss business.

By the end of June the number of customers signing up for bundled offerings such as Vivo Casa, which combines fixed-line telephony, Internet and TV, had already reached 300,000. At the beginning of August Swisscom launched Vivo Tutto, the first nation-wide bundled offering to include mobile communications as well as fixed-line telephony, Internet and TV. The number of Swisscom TV customers rose by 61.5% year on year to 512,000, with 43,000 new customers acquired in the second quarter of 2011 alone. This makes Swisscom the market leader in digital television, only five years after entering the TV business.

The number of unbundled fixed lines rose by 66,000 year on year to 285,000. As a consequence of unbundling, broadband access lines with wholesale customers fell by 58,000 to 202,000, while broadband access lines with end customers grew by 88,000 or 5.8% to 1.62 million.

Mobile data traffic doubles within the year



The number of mobile subscribers in Switzerland increased year on year by 222,000 or 3.9% to 5.91 million. In the first half-year Swisscom sold 629,000 mobile devices (+7.5%), some 60% of which were smartphones. While strong growth in smartphone usage led to an increase in subsidies for handsets, it also doubled the volume of mobile data traffic year on year. Over the same period, the average price per MByte fell by more than 40%. Revenue from mobile data traffic was 18.6% higher year on year at CHF 236 million. While the reduction in data roaming prices in December 2010 decreased revenue by CHF 26 million in the first half of 2011, overall this was offset by volume growth in mobile data traffic. Average monthly revenue per mobile customer (ARPU) fell by 4.1% to CHF 47, due to lower prices and new tariff models.

Streamlined product portfolio and lower prices reduce Fastweb revenue

Fastweb's net revenue fell by 6.4% or EUR 60 million year on year to EUR 875 million. Sales of hardware products to residential customers were sharply reduced and stricter credit checks for new customers were successfully introduced. As a result, the default rate for this customer segment has been halved. Competition remained harsh, leading to persistent pressure on prices which reduced revenue per broadband user by around 11% and cutting revenue in this segment by EUR 56 million or 12.7% to EUR 385 million, despite customer growth. The broadband customer base grew by 47,000 or 2.8% to 1.74 million year on year. Towards the end of the first quarter of 2011, Fastweb launched a new TV and broadband bundled offering in collaboration with Sky Italia, and by the end of the second quarter 19,000 customers had signed up. Fastweb continues to increase its share of the corporate business: Excluding wholesale customers, revenue from corporate customers increased by 7.7% or EUR 18 million to EUR 256 million. Fastweb benefitted in this segment from multi-year contracts with government agencies and the acquisition of further corporate customers in the industrial and financial sectors.

The segment result before depreciation and amortisation totalled EUR 230 million, equivalent to a year-on-year increase of EUR 30 million or 15.0%. Adjusted for the provision booked in the first half of 2010, however, the segment result before depreciation and amortisation fell by EUR 40 million or 14.8% as a consequence of the streamlined product portfolio and price reductions. Capital expenditure decreased by EUR 9 million or 4.4% to EUR 197 million. Some 45% of the investments made were directly connected to customer growth.

Lower revenue forecast due to weak euro

Based on an average CHF/EUR exchange rate of 1.20 (original assumption 1.30), Swisscom expects to close the 2011 financial year with net revenue of CHF 11.5 billion, EBITDA of CHF 4.6 billion and capital expenditure of CHF 2.0 billion. The main reason for the reduced revenue forecast is the weak euro. Swisscom continues to expect to pay a dividend of at least CHF 21 per share for 2011.

Detailed Interim Report:

<http://www.swisscom.ch/q2-report-2011>

Related documents:

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



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Press Release

Berne, 11 August 2011 / 07:30

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