Press Release

2011 Annual Report:

Price erosion and currency effects reduce net revenue – higher capital expenditure in Swiss infrastructure – growth in Swisscom TV and mobile data traffic – lower net income due to impairment charge

	2010	2011	Change
Net revenue (in CHF millions)	11988	11467	-4.3%
EBITDA (in CHF millions)	4599	4584	-0.3%
EBIT before goodwill impairment charge (in CHF millions)	2627	2681	2.1%
EBIT (in CHF millions)	2627	1126	-57.1%
Net income before goodwill impairment charge (in CHF millions)	1788	1883	5.3%
Net income (in CHF millions)	1788	694	-61.2%
Retail broadband access lines Switzerland (as at 31 December in thousands)	1584	1661	4.9%
Swisscom TV connections Switzerland (as at 31 December in thousands)	421	608	44.4%
Mobile lines Switzerland (as at 31 December in thousands)	5828	6049	3.8%
Mobile data services Switzerland (in CHF millions)	435	485	11.5%
Capital expenditure (in CHF millions)	1903	2095	10.1%
Of which, capital expenditure Switzerland (in CHF millions)	1311	1537	17.2%
Group employees (FTEs as at 31 December)	19547	20061	2.6%

In the financial year 2011, Swisscom's net revenue declined by 4.3% to CHF 11,467 million and operating income (EBITDA) was down by 0.3% to CHF 4,584 million. Currency effects caused a CHF 250 million decline in revenues. Swisscom's net revenue excluding Fastweb declined by 1.1% or CHF 100 million to CHF 9,326 million. Price erosion in Swiss core business of some CHF 500 million could not be fully offset by customer and volume growth of around CHF 400 million. Despite this fall in revenue in Swiss business, capital expenditure in Swiss infrastructure was up 17.2% to CHF 1,537 million. Swisscom is investing heavily in expanding the broadband networks across the country in

order to further increase competitiveness. Headcount in Switzerland grew by 564 FTEs due to the expansion of services and the network as well as the acquisition of subsidiaries. Net revenue posted by the Italian subsidiary Fastweb fell in local currency terms by 7.1% to EUR 1,746 million as a result of aggressive price competition and measures taken to reduce bad debt losses.

The CHF 1,094 million fall in Group net income to CHF 694 million is attributable primarily to the already announced one-off impairment in the carrying amount of Fastweb.
Payment of an ordinary dividend of CHF 22 per share (prior year: CHF 21) will be proposed to the Annual General Meeting. The election of Barbara Frei to the Board of Directors will also be proposed to the Meeting. Swisscom expects net revenue of CHF 11.4 billion, EBITDA of CHF 4.4 billion and capital expenditure of CHF 2.2 billion for the financial year 2012.

The Swisscom Group posted a fall in net revenue in 2011 of CHF 521 million or 4.3% to CHF 11,467 million and a drop in operating income before depreciation and amortisation (EBITDA) of CHF 15 million or 0.3% to CHF 4,584 million. The average exchange rate of CHF/EUR was 10.1% below the prior-year level. At constant exchange rates and adjusted for a provision booked in the previous year for VAT proceedings against Fastweb, Swisscom's net revenue was down by 2.3% and EBITDA by 1.1% year-on-year. Swisscom's net revenue excluding Fastweb declined by 1.1% or CHF 100 million to CHF 9,326 million. The reduction in net income of CHF 1,094 million or 61.2% to CHF 694 million is due to the already announced one-off impairment in the carrying amount of Fastweb, which reduced net income by CHF 1.2 billion.

Capital expenditure in Swiss infrastructure increased by CHF 226 million or 17.2% to CHF 1,537 million overall. Swisscom is continuously expanding its broadband networks across Switzerland in order to further increase performance and service quality for customers. Headcount in Switzerland grew by 3.5% or 564 FTEs to 16,628 FTEs due to the expansion of services and the network as well as the acquisition of subsidiaries.

Price erosion of over CHF 500 million in Swiss business
In Swiss business, the trend towards bundled products and flat-rate tariffs continued. Mobile termination and data roaming rates were significantly lowered in 2010. Price erosion in Swiss core business of an overall CHF 508 million was not fully offset by customer and volume growth of CHF 404 million.

Six million mobile customers – mobile data traffic doubled within the space of a year
The number of mobile customers in Switzerland increased by 221,000 or 3.8% to nearly 6 million year-one-year. Swisscom sold 1.5 million mobile handsets (+5.7%), some 60% of which were smartphones. While strong growth in smartphone sales led to an increase in subsidies for handsets, it also doubled the volume of mobile data traffic year-on-year. The number of smartphones being actively used in the Swisscom network also significantly increased by 63% to 2 million within the space of a year. Over the same period, the average price per megabyte fell by 40%. Customers who travel abroad are also making a lot more intensive use of mobile data traffic. Mobile data roaming volume increased by 61%; the price per megabyte was reduced by 43%. Revenue from mobile data transmission increased by 11.5% to CHF 485 million year-on-year. Average revenue per mobile customer per month (ARPU) fell by 4.1% to CHF 47 due to price reductions and new tariff models.

More than 600,000 customers already using bundled offerings
Bundled offerings such as Vivo Casa, which combines fixed-line access with telephony, Internet and TV, continue to be very much in demand. At the beginning of August, Swisscom launched Vivo Tutto, the first nationwide bundled offering to include mobile access lines. At the end of December a total of 613,000 customers were using bundled offerings. The number of Swisscom TV customers rose by 44.4% to 608,000 year-on-year, with 52,000 new TV customers acquired in the fourth quarter of 2011 alone.

Swisscom increased the number of broadband access lines with end customers by 77,000 or 4.9% to 1.66 million year-on-year. The number of Swisscom fixed lines used by alternative providers increased by 6,000 to 487,000.

Price pressure and measures to reduce bad debt losses reduce Fastweb's net revenue
Fastweb’s net revenue fell by 7.1% or EUR 134 million to EUR 1,746 million year-on-year. Products such as subsidised televisions to residential customers were sharply reduced and stricter credit checks for new customers were successfully introduced. Price pressure remained strong due to intense competition, resulting in a 10% decline in revenue per broadband customer. Towards the end of the first quarter of 2011, Fastweb launched a new bundled product for satellite TV and broadband Internet in partnership with Sky Italia. In 2011, 71,000 customers signed up for this offering, including 34,000 in the fourth quarter alone. Revenue from corporate business customers excluding wholesale customers increased by 1.7% to EUR 537 million.

The segment result before depreciation and amortisation totalled EUR 506 million, which corresponds to an increase of EUR 73 million or 16.9% year-on-year. Adjusted for the provision booked in the previous year, operating income before depreciation and amortisation increased by EUR 3 million or 0.6% year-on-year. To increase profitability, cost cuts and a reduction in bad debt losses totalling EUR 120 million are planned over the next two years.

Election of Barbara Frei to the Swisscom Board of Directors
Barbara Frei will be proposed for election to the Board of Directors at Swisscom’s Annual General Meeting on 4 April 2012. Barbara Frei is 41 years old and since 2010 has been ABB Italy Country Manager and Regional Manager of the Mediterranean region, which comprises southern Europe, the Maghreb and Israel. She is a member of the Board of Directors of four ABB companies in Europe, and chairs the Boards in France and Turkey. Ms Frei, who has a doctorate in engineering (ETH), started her career with ABB Switzerland in 1998, has been a member of top management since 2005 and was Country Manager for the Czech Republic until 2010. She is to replace Othmar Vock in the Board of Directors, who, as already announced, will not be standing for re-election at the Annual General Meeting.

Higher capital expenditure planned for 2012
Based on an average CHF/EUR exchange rate of 1.23 for the financial year 2012, Swisscom expects slightly lower net revenue of CHF 11.4 billion and EBITDA of CHF 4.4 billion. Continuing price erosion is not expected to be fully offset by customer growth and revenue from new business. In addition to the

revenue-based decline in margins, a non-cash increase of around CHF 70 million in pension costs is expected to contribute to the reduction in EBITDA.

Fastweb is expecting stable revenue of EUR 1.6 billion, which does not include the low-margin hubbing business. These interconnection revenues with other providers are expected to be reduced further in coming years. Compared to 2011, EBITDA at Fastweb is set to rise slightly and planned capital expenditure to be slightly lower. This will result in higher free cash flow for 2012.

Consumers in Switzerland are very quality conscious. With high capital expenditure, Swisscom aims to consolidate both its leading position in network and service quality and its market position. Capital expenditure of up to CHF 2.2 billion is projected for 2012, of which CHF 1.7 billion will be invested in Swiss business, which corresponds to an increase of CHF 100 million. This amount does not include expenses arising in connection with the auction of mobile frequencies. A similarly high investment level is projected for the following years. Swisscom continues to pursue its medium-term goal of connecting 30% of Swiss households and businesses directly with fibre-optic cables. In other areas Swisscom aims to further expand network performance and improve service quality using an optimal technology mix.

If all targets are met for 2012, Swisscom plans to once again propose payment of a dividend of CHF 22 per share to the Annual General Meeting in 2013 despite additional expenses arising in connection with mobile frequencies.

Detailed Annual Report:
http://www.swisscom.ch/report2011

Related documents:
http://www.swisscom.ch/ir

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