

2012 Annual Report:
Sustained customer growth - higher capital expenditure - Fastweb on track - stable dividends

	2011	2012	Change (adjusted*)
Net revenue (in CHF millions)	11,467	11,384	-0.7% (0.3%)
EBITDA (in CHF millions)	4,584	4,381	-4.4% (-0.6%)
EBIT (in CHF millions)	1,126	2,431	115.9% (-3.4%)
Net income (in CHF millions)	694	1,762	153.9% (0.0%)
Retail broadband connections Switzerland (as at 31 December in thousands)	1,661	1,727	4.0%
Swisscom TV connections Switzerland (as at 31 December in thousands)	608	791	30.1%
Mobile access lines in Switzerland (as at 31 December in thousands)	6,049	6,217	2.8%
Capital expenditure (in CHF millions)	2,095	2,529	20.7%
Of which, capital expenditure Switzerland (in CHF millions)	1,537	1,994	29.7%
Group employees (FTEs as at 31 December)	20,061	19,514	-2.7%
Of which employees in Switzerland (FTEs as at 31 December)	16,628	16,269	-2.2%

* On like-for-like basis and at constant exchange rates

Swisscom posted a fall in net revenue in 2012 of CHF 83 million or 0.7% to CHF 11,384 million and a drop in operating income before depreciation and amortisation (EBITDA) of CHF 203 million or 4.4% to CHF 4,381 million. On a like-for-like basis and at constant exchange rates, revenue was up by 0.3% and EBITDA fell by 0.6%. The CHF 1,068 million or 153.9% increase in net income is primarily



attributable to last year's impairment charge at Fastweb. On a like-for-like basis, net revenue in the Swiss business was stable (+0.3%) at CHF 9,268 million, while operating income (EBITDA) reported a slight year-on-year decline of -2.1% to CHF 3,768 million. The price erosion of around CHF 400 million in the traditional core business was offset by new revenue. Capital expenditure in Switzerland was up 29.7% to CHF 1,994 million due to the expansion of broadband networks and expenditure associated with the mobile frequency auction. Fastweb is on track, with revenue practically unchanged at EUR 1,613 million in local currency (+0.5%) and EBITDA rising to EUR 500 million (+11.1%) on a like-for-like basis. The customer base grew by 172,000 or 10.8% to 1.77 million within the space of a year.

Payment of an unchanged ordinary dividend of CHF 22 per share will be proposed to the Annual General Meeting. Swisscom expects revenue of CHF 11.3 billion, EBITDA of at least CHF 4.25 billion and capital expenditure of CHF 2.4 billion for the 2013 financial year.

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On a like-for-like basis, net revenue in the Swiss business was stable (+0.3%) at CHF 9,268 million, while operating income (EBITDA) in the Swiss business also reported a slight year-on-year decline of -2.1% to CHF 3,768 million. While the price erosion of CHF 400 million in the traditional core business was offset by new revenue, this business generally achieved lower margins. Despite a 2.2% reduction in the headcount to 16,269, personnel expenses remained practically unchanged on a like-for-like basis at CH 2,227 million. Capital expenditure in Switzerland was up CHF 457 million or 29.7% to CHF 1,994 million due to the expansion of broadband networks and costs of CHF 360 million in connection with the mobile frequency auction in the first quarter of 2012.

Strong customer growth - rapidly growing volume of data traffic

The trend towards bundled offerings and new price models such as flat-rate tariffs continued during the reporting period. At the end of 2012, 788,000 customers (28.3% or 174,000 year-on-year) were already taking advantage of Swisscom's combined offerings such as Vivo Casa, which comprise fixed-line access with telephony, Internet and TV or an additional mobile line.

The new Natel infinity mobile subscriptions launched by Swisscom in June 2012, which allow unlimited calling, texting and Internet on all networks, met with a very positive response from customers. At the end of 2012, 889,000 customers were already taking advantage of these new Infinity offerings. The number of mobile lines grew year-on-year by 168,000 or 2.8% to 6.2 million. The number of postpaid customers increased by 218,000 (individual and bundled offerings), while the number of prepaid customers declined by 50,000. Mobile data traffic continues to grow rapidly,

increasing by 85% in 2012. The launch of Infinity has accelerated this growth: in the fourth quarter of 2012, 120% more data was transmitted than in the same quarter of the preceding year. In 2012 Swisscom sold a total of 1.55 million mobile handsets (+6.7%), of which around 68% were smartphones.

The number of Swisscom TV connections increased year-on-year by 183,000 or 30.1% to 791,000 (+63,000 in the fourth quarter). Around 200,000 Swisscom TV customers are already testing the replay function, which allows programmes from around 70 channels to be watched up to 30 hours after they have been broadcast. Around 80% of active replay customers already use catch-up TV. The number of fixed-line broadband connections rose by 66,000 or 4.0% to 1.73 million versus the end of 2011 (+19,000 in the fourth quarter). Fixed-network data traffic grew by 37%.

Fastweb customer base increased to 1.77 million – significantly higher operating income

On a like-for-like basis, Fastweb's net revenue remained almost unchanged at EUR 1,613 million (+0.5%), while its operating income (EBITDA) rose by 11.1% to EUR 500 million. This good result is primarily down to a reduction in losses on receivables and measures to reduce costs. Fastweb's customer base grew during the same period by 172,000 or 10.8% to 1.77 million (+ 63,000 in the fourth quarter). Fastweb posted more than twice as many net customer gains in 2012 than in 2011, with the bundled TV and broadband offering in partnership with Sky Italia attracting 151,000 customers to date. Fastweb's headcount fell by 6.1% to 2,893, which was primarily down to the outsourcing of customer service and network maintenance positions.

Increasing capital expenditure in 2013 to consolidate network and service quality

Swisscom expects stable revenue of CHF 9.34 billion and a decline in EBITDA to CHF 3.64 billion in 2013 (excluding Fastweb). A new accounting standard for pension costs will result in a non-cashflow relevant increase in costs of CHF 110 million. Furthermore, the continuing growth in customers and volume will lead to an increase in direct costs, mainly as a result of acquiring new customers and the procurement of handsets. The maintenance and further expansion of the network structure will also temporarily increase indirect costs.

Swisscom's capital expenditure is expected to increase to CHF 1.75 billion (excluding Fastweb). Capital expenditure in 2012, at CHF 1.65 billion, fell CHF 50 million short of the original forecast. Swisscom expects investment activities to accelerate somewhat in 2013, making up for this shortfall.

Fastweb's revenue performance excluding hubbing is expected to remain stable in local currency terms in 2013 (EUR 1.6 billion), while its EBITDA is expected to remain on a par with the previous year at EUR 500 million. Capital expenditure of EUR 550 million is anticipated, due to the expansion of the fibre-optic network in Italy.

At the current CHF/EUR exchange rate of 1.23, Swisscom therefore expects total revenue of CHF 11.3 billion, EBITDA of at least CHF 4.25 billion and capital expenditure of CHF 2.4 billion.

If all targets are met, Swisscom plans to once again propose a dividend of CHF 22 per share for the 2013 financial year at the 2014 Annual General Meeting.

Hansueli Loosli, Michel Gobet, Torsten G. Kreindl and Theophil Schlatter will be proposed for re-election to the Board of Directors for a two-year term at the Annual General meeting on 4 April 2013. Richard Roy is standing for re-election for a one-year term.

Detailed Annual Report:

<http://www.swisscom.ch/report2012>

Related documents:

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

Berne, 7 February 2013

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