swisscom

Press Release

Fiscal 2010:

Strong growth generated by data services and Swisscom TV – Revenue stable despite price erosion of over CHF 500 million

	2009	2010	Change
Net revenue (in CHF millions)	12001	11988	-0,1%
EBITDA (in CHF millions)	4684	4597	-1,9%
EBIT (in CHF millions)	2689	2625	-2,4%
Net income (in CHF millions)	1923	1786	-7,1%
Operating free cash flow[1] (in CHF millions)	2685	2512	-6,4%
Retail broadband access lines Switzerland (at year-end in thousands)	1478	1584	7,2%
Swisscom TV customers Switzerland (at year-end in thousands)	232	421	81,5%
Mobile customers Switzerland (at year-end in thousands)	5602	5828	4,0%
Mobile data services Switzerland (in CHF millions)	327	435	33,2%
Broadband customers Italy (at year-end in thousands)	1644	1724	4,9%
Capital expenditure (in CHF millions)	1987	1903	-4,2%
Group employees (FTEs at year-end)	19479	19547	0,3%

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

Swisscom closed 2010 with a 0.1% fall in net revenue at CHF 11.99 billion and operating income (EBITDA) 1.9% lower at CHF 4.6 billion. At constant exchange rates, revenue increased by 2.1%. The Group's Italian subsidiary Fastweb reported a 1.5% rise in net revenue in local currency to EUR 1.88 billion. Excluding Fastweb, Swisscom increased net revenue by 2.3% to CHF 9.4 billion. The increase was largely attributable to the economic recovery, the acquisition of subsidiaries by Swisscom IT Services and growth in mobile communications and bundled products. Price erosion in Swiss business of CHF 526 million was more than offset by customer and volume growth of CHF 546 million. As a result of the provision of CHF 102 million set aside in the first quarter of 2010 for the Fastweb VAT proceedings, operating income (EBITDA) fell by 1.9% to CHF 4.6 billion. Adjusted for the provision and currency effects, EBITDA increased by 1.7%. Net income fell by 7.1% to CHF 1.79 billion, primarily as a

result of the provision. With capital expenditure in 2010 in excess of CHF 1.9 billion, Swisscom again made an important contribution to expanding and upgrading the telecoms infrastructure.

Payment of an ordinary dividend of CHF 21 per share (previous year: CHF 20) will be proposed to the Annual General Meeting of Shareholders. With effect from 1 September 2011, Hansueli Loosli will take over as Chairman of the Swisscom Board of Directors.

Swisscom expects to close 2011 with net revenue of at least CHF 11.8 billion, EBITDA of over CHF 4.6 billion and capital expenditure of under CHF 2.0 billion.

The Swisscom Group reported a fall in net revenue of CHF 13 million or 0.1% to CHF 11,988 million. At constant exchange rates, this amounted to an increase of 2.1%. The Group's Italian subsidiary Fastweb increased net revenue in local currency by 1.5% to EUR 1,880 million. Excluding Fastweb, net revenue rose by 2.3% to CHF 9,426 million. The increase was largely attributable to the economic recovery, the acquisition of subsidiaries by Swisscom IT Services and growth in mobile communications and bundled products.

Operating income before depreciation and amortisation (EBITDA) fell by CHF 87 million or 1.9% to CHF 4,597 million. The decrease in EBITDA was primarily attributable to a provision of EUR 70 million (CHF 102 million) in respect of VAT proceedings against Fastweb. Adjusted for the provision and currency effects, EBITDA increased year-on-year by 1.7%.

Net income fell by CHF 137 million or 7.1% to CHF 1,786 million, primarily as a result of the aforementioned provision of EUR 70 million recognised in the first quarter of 2010 for the VAT proceedings against Fastweb, as well as higher income tax expense.

Continuing high levels of investment in infrastructure
Over CHF 1.9 billion was invested in upgrading the telecoms infrastructure in 2010. This represented a fall of 4.2% to CHF 1,903 million and was largely due to currency effects. Operating free cash flow declined by CHF 173 million or 6.4% to CHF 2,512 million, mainly as a result of payments for interconnection proceedings in Switzerland.

A dividend of CHF 21 per share (previous year: CHF 20) will be proposed at the Annual General Meeting on 20 April 2011. This represents a dividend sum of CHF 1,088 million, or 43% of operating free cash flow. A share of the dividend (CHF 466 million) is to be paid from reserves from capital contributions. In Switzerland this part of the dividend is exempt from both withholding tax and income tax.

Net debt was reduced during the reporting period by CHF 293 million to CHF 8,848 million. The workforce grew by 0.3% year-on year to 19,547 FTEs. In the Swiss business headcount increased by 69 to 16,064 FTEs.

Swisscom TV customers increased year-on-year by 81.5% to 421,000
The trend in Swiss business towards bundled products and new pricing models, such as flat-rate tariffs, continued in the year under review. Price erosion in Swiss business of CHF 526 million was more than offset by customer and volume growth of CHF 546 million.

By the end of 2010 the number of customers signing up for bundled offerings such as Vivo Casa, which combines fixed-line telephony, Internet and TV, totalled 327,000. The number of Swisscom TV customers increased year-on-year by 81.5% to 421,000 at the end of 2010. In the last quarter alone, Swisscom TV gained 63,000 new customers.

Unbundling continues unabated
The number of unbundled fixed lines rose by 102,000 year-on-year to 255,000. As a consequence of unbundling, broadband access lines with wholesale customers fell by 105,000 to 226,000, while broadband access lines with end customers grew by 106,000 or 7.2% to nearly 1.6 million.

Strong growth in mobile data traffic despite falling prices
The number of mobile customers in Switzerland increased year-on-year by 226,000 or 4% to 5.8 million. In 2010 Swisscom sold 1.38 million mobile devices, of which around half were smartphones. Revenue from mobile data traffic with Swisscom customers rose year-on-year by 33% to CHF 435 million. Customers have long benefited from falling prices: the price per megabyte for mobile data has declined by 94% in three years. Overall price erosion in mobile communications in 2010 amounted to around 13% (price based on volume).

Swisscom one of the biggest providers in the IT outsourcing market
The Group's subsidiary Swisscom IT Services, which offers a broad portfolio of IT services, has been going from strength to strength in the last few years. In 2010 it posted incoming orders of CHF 464 million and is now one of the biggest providers in the Swiss IT outsourcing market. The company continued its expansion course in 2010, with the acquisition of Panatronic Schweiz AG. In this connection, the subsidiary Swisscom IT Services Workplace AG was founded. The company specialises in workplace, printing and repair solutions and is active in a market with similar growth potential to that of business process outsourcing for banks and SAP services.

Moderate revenue growth at Fastweb
Fastweb posted further revenue and customer growth in 2010. In the business customer segment, the company won around 60% of bids submitted and as a result was able to further consolidate its market position in this important segment, while the residential customers and SME segments came under pressure from increased competition. Fastweb increased net revenue year-on-year by 1.5% to EUR 1,880 million. Adjusting for one-time special factors, revenue grew on a like-for-like basis by 3.7%. The number of broadband customers increased by a net 80,000 or 4.9% year-on-year to 1.72 million.

As a result of the VAT proceedings against Fastweb, a provision of EUR 70 million (CHF 102 million) was recognised in the first quarter of 2010 under other operating expenses in the Swisscom consolidated financial statements. The result was also impacted by a change in revenue recognition, provisions and other special factors. Consequently, the segment result before depreciation and amortisation (EBITDA) declined by 21.4% year-on-year to EUR 433 million. EBITDA fell on a like-for-like basis by 1.1%. Capital expenditure at Fastweb declined by EUR 7 million or 1.6% to EUR 427 million as a result of lower spending on network infrastructure.

Changes in the Swisscom Board of Directors
The Swisscom Board of Directors will propose Hansueli Loosli as its new Chairman at the forthcoming Annual General Meeting on 20 April 2011. Mr Loosli will assume his new role following the handover

of his executive responsibilities at Coop on 1 September 2011. The current Chairman of the Swisscom Board of Directors, Dr Anton Scherrer, will stand for election at the General Meeting as Chairman until 31 August 2011.

Hansueli Loosli, 55, has headed the Coop Executive Committee since 2001. He has extensive experience in running large companies in the consumer goods and retail sectors. Among other things, he spearheaded the Coop's reorganisation and was also responsible for implementing a successful and sustainable growth strategy. Hansueli Loosli will hand over his executive responsibilities as of 31 August 2011 and at the same time take over the chairmanship of the Coop Board of Directors. Thereafter he will focus his attention on his mandates at Swisscom and the Coop Group.
Also at the 2011 Annual General Meeting, the Board of Directors will propose Theophil Schlatter as a new member of the Board of Directors. As a result, the Board will temporarily comprise ten members; corresponding proposals to amend the Articles of Incorporation will therefore also be put before the Annual General Meeting.

Theophil Schlatter is 60 years old and Chief Financial Officer at Holcim. After more than 30 years in finance, latterly as CFO of the international group, he will step down from this role in March 2011. A graduate of the University of St. Gallen, where he majored in banking, he is also a qualified public accountant as well as a graduate of the International Executive Programme at Insead. It is planned that Theophil Schlatter will succeed the current Chairman of the Audit Committee, Othmar Vock, in 2012. Othmar Vock will not put himself forward for re-election at the 2012 Annual General Meeting.

Dr Hans Werder, elected by the Federal Council as its representative, will also take up a seat on the Board of Directors as from the forthcoming Annual General Meeting. Felix Rosenberg, who has sat on the Swisscom Board of Directors since the company's founding, will hand over his mandate at the Annual General Meeting after many years of service as the Federal Council representative.

Hans Werder, 65, was General Secretary of the Federal Department of Environment, Transport, Energy and Communication (DETEC) until the end of 2010. Mr Werder has extensive knowledge of Swisscom and is also fully acquainted with the government’s strategy. One of the tasks of the Federal Council representative is to represent the interests of the government on the Board of Directors.

Financial outlook
Swisscom expects to close 2011 with net revenue of at least CHF 11.8 billion, EBITDA of over CHF 4.6 billion and capital expenditure of under CHF 2.0 billion. After a transitional year in 2011 – no revenue growth, but a slightly higher EBITDA – Swisscom expects Fastweb to achieve strong revenue and cash flow growth in the following years due to the introduction of go-to-market initiatives and increases in efficiency.

The capital expenditure outlook does not include expenses in connection with the mobile frequency auction planned for 2011, since it is not possible at this point in time to reliably estimate the outcome and the prices that will ultimately be paid. For the same reason, Swisscom is also not making any projections concerning operating free cash flow.

The outlook is also associated with uncertainty regarding currency movements, and the conversion of Fastweb's financial results is based on an assumed euro exchange rate of CHF 1.30 (prior year CHF 1.37).

If all targets are met, Swisscom will propose a minimum dividend of CHF 21 per share for the 2011 financial year.

Detailed Annual Report:
http://www.swisscom.com/bericht2010

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

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Disclaimer

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