



Interim report for the first quarter of 2011:

Significantly more customers, currency-related slight reduction in revenue and higher net income thanks to one-off items

	1.1.-31.3.2010	1.1.-31.3.2011	Change
Net revenue (in CHF millions)	2953	2862	-3.1%
EBITDA (in CHF millions)	1058	1126	6.4%
EBIT (in CHF millions)	557	648	16.3%
Net income (in CHF millions)	377	474	25.7%
Retail broadband connections Switzerland (as at 31 March in thousands)	1509	1605	6.4%
Swisscom TV customers Switzerland (as at 31 March in thousands)	275	469	70.5%
Mobile customers Switzerland (as at 31 March in thousands)	5650	5861	3.7%
Mobile data services Switzerland (in CHF millions)	91	112	23.1%
Broadband customers Italy (as at 31 March in thousands)	1678	1733	3.3%
Capital expenditure (in CHF millions)	383	422	10.2%
Group employees (FTEs as at 31 March)	19427	19664	1.2%

In the first quarter, Swisscom's net revenue declined by 3.1% to CHF 2862 million and operating income (EBITDA) increased by 6.4% to CHF 1126 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 0.6% and 1.4% respectively. The net revenue of Italian subsidiary Fastweb decreased in local currency by 5.8% to EUR 435 million despite customer growth. In contrast, Swisscom's revenue excluding Fastweb increased by 0.8% to CHF 2303 million. Continuing price erosion in the Swiss core business of CHF 141 million was virtually offset by customer and volume growth of CHF 133 million. The 25.7% rise in net income to CHF 474 million is largely attributable to the provision recognised in the first quarter of 2010 for VAT proceedings against Fastweb. More than 100 new full-time jobs



were created in Switzerland in the first quarter of 2011. The financial outlook for the 2011 business year remains unchanged.

In the first quarter, the Swisscom Group's net revenue declined by CHF 91 million or 3.1% to CHF 2862 million and operating income before depreciation and amortisation (EBITDA) increased by CHF 68 million or 6.4% to CHF 1126 million. At constant exchange rates and adjusted for the provision for VAT proceedings against Fastweb in the first quarter of 2010, revenue and EBITDA were lower than in the previous year, down 0.6% and 1.4% respectively. Fastweb's net revenue decreased in local currency by 5.8% to EUR 435 million. Swisscom's net revenue excluding Fastweb increased by 0.8% to CHF 2303 million.

The CHF 97 million or 25.7% increase in net income to CHF 474 million is largely attributable to the aforementioned provision recognised in the previous year at Fastweb. Capital expenditure increased by CHF 39 million or 10.2% to CHF 422 million, mainly due to higher levels of investment in telecoms infrastructure in Switzerland. Net debt was reduced by CHF 289 million to CHF 8.56 billion over the end of 2010. The workforce grew by 1.2% year-on-year to 19,664 FTEs. More than 100 new full-time jobs were created in Switzerland in the first quarter of 2011.

Continued reduction in prices 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 141 million was virtually offset by customer and volume growth of CHF 133 million.

By the end of March the number of customers signing up for bundled offerings such as Vivo Casa, which combines fixed-line telephony, Internet and TV, totalled 257,000. The number of Swisscom TV customers increased year-on-year by 70.5% to 469,000. In the first quarter of 2011 alone, Swisscom TV gained 48,000 new customers.

The number of unbundled fixed lines rose by 78,000 year-on-year to 270,000. As a consequence of unbundling, broadband access lines with wholesale customers fell by 79,000 to 214,000, while broadband access lines with end customers grew by 96,000 or 6.4% to 1.61 million year-on-year.

The number of mobile customers in Switzerland increased year-on-year by 211,000 or +3.7% to 5.86 million. In the first quarter of 2011, Swisscom sold 322,000 mobile devices, of which more than half were smartphones. Revenue from mobile data traffic with Swisscom customers rose by 23.1% year-on-year to CHF 112 million. This volume growth more than compensated for the marked reduction in data roaming prices. Average monthly revenue per mobile customer (ARPU) fell by 2.1% to CHF 46, due to lower prices and new tariff models.

Fastweb revenue reduced by streamlined product portfolio and lower prices

Fastweb's net revenue fell by 5.8% or EUR 27 million over the previous year to EUR 435 million. The product portfolio in the Residential Customers segment was streamlined in a bid to reduce costs and bad debt losses. Price pressure continues. As a result, revenue from residential customers fell EUR 32 million or 14.3% to EUR 191 million. The net number of broadband customers grew by 55,000 or 3.3% to 1.73 million within the space of a year. Towards the end of the first quarter of 2011,



Fastweb launched a new TV and broadband bundled offering in collaboration with Sky Italia aimed at generating additional customer growth. Revenue from corporate customers increased by 4.9% or EUR 9 million to EUR 188 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 107 million, equivalent to a year-on-year increase of EUR 50 million or 87.7%. Adjusted for the provision booked in the first quarter of 2010, the segment result before depreciation and amortisation fell by EUR 20 million or 15.7% as a consequence of the streamlined product portfolio and price reductions. Capital expenditure decreased by EUR 1 million or 1.0% to EUR 98 million. Some 45% of the investments made were directly connected to customer growth.

Financial outlook remains unchanged

For the 2011 financial year, Swisscom expects net revenue of at least CHF 11.8 billion, EBITDA in excess of CHF 4.6 billion and capital expenditure of below CHF 2.0 billion. After a transitional year in 2011 – no revenue growth, but slightly higher EBITDA – Swisscom expects Fastweb to achieve strong revenue and cash flow growth in the years to follow due to the introduction of marketing initiatives and increases in efficiency. Projected capital expenditure does not include expenses in connection with the planned mobile frequency auction.

The outlook is also associated with uncertainty regarding currency movements. The conversion of Fastweb's financial results is based on a 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 as planned.

Detailed Annual Report:

<http://www.swisscom.ch/q1-report-2011>

Related documents:

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

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