

Swisscom results

Q³: better than expected

11 November 2009



Agenda

Introduction

Bart Morselt, Head of IR ² _____

Slide

a) Q ³ : better than expected	3	Carsten Schloter, CEO Swisscom
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c) Cost control	11	
d) EBITDA conversion through cost control	13	
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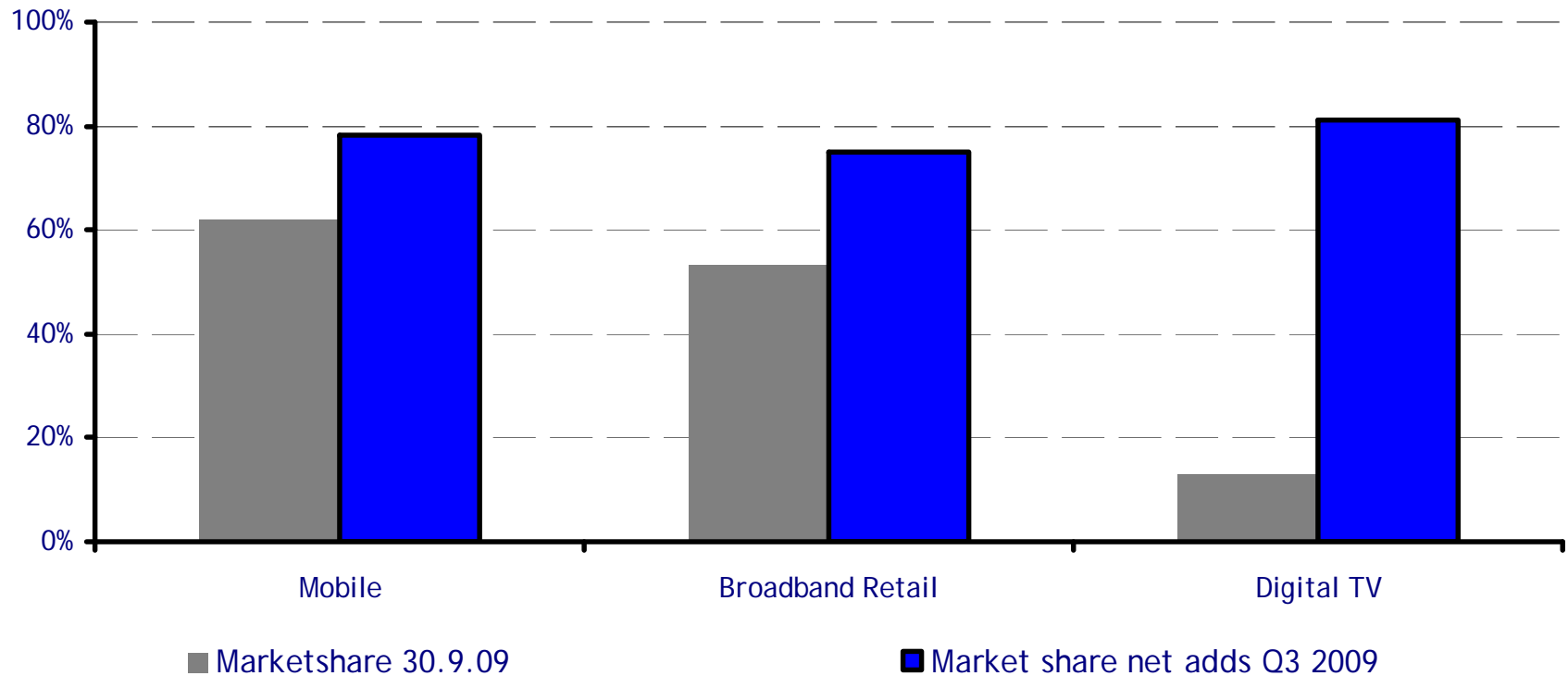
g) 9 months 2009 results: 1. Segments 2. Group	17	Ueli Dietiker, CFO Swisscom
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Q&A

All

a) Q³: better than expected, operationally...

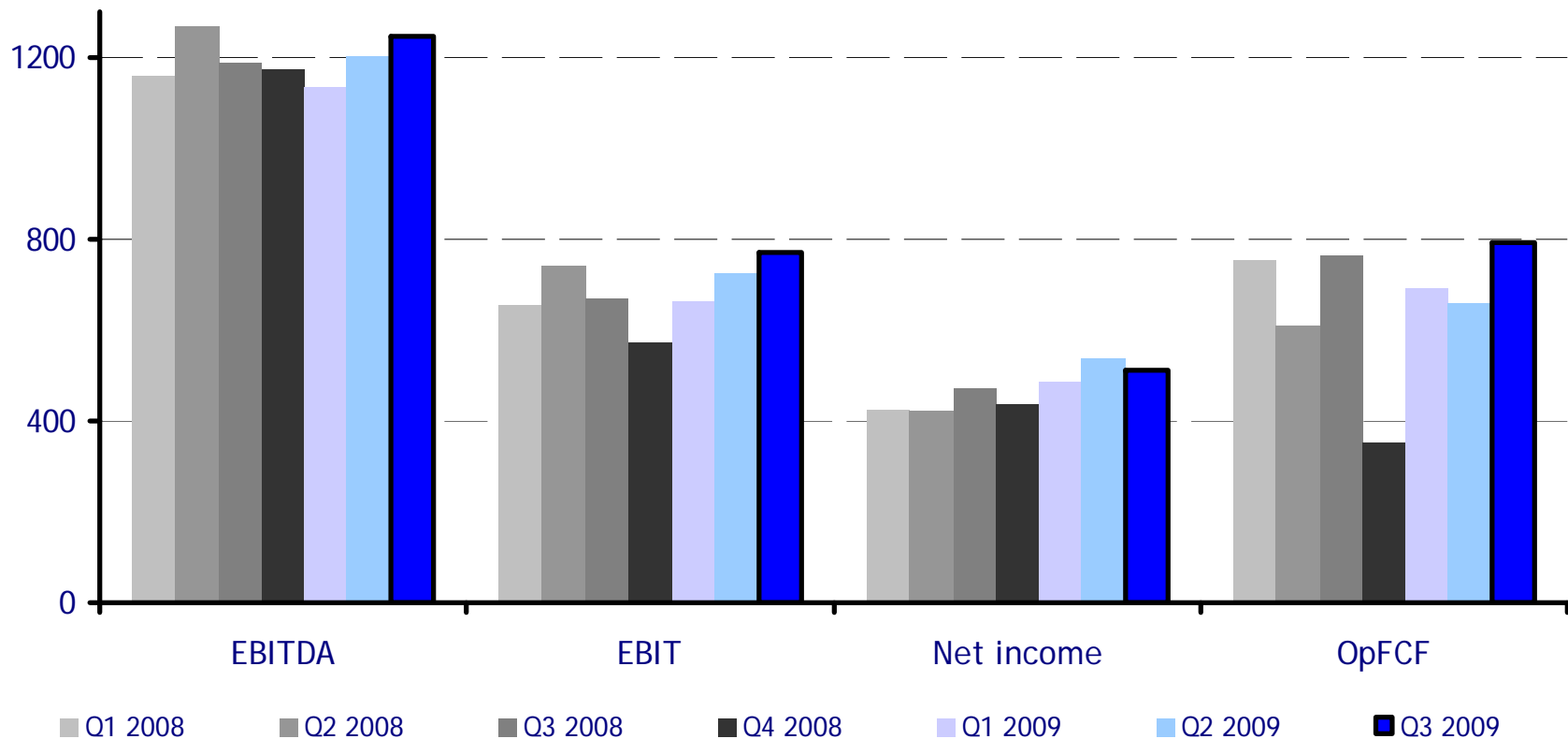
CHF mm



Q3 2009: record shares of net adds

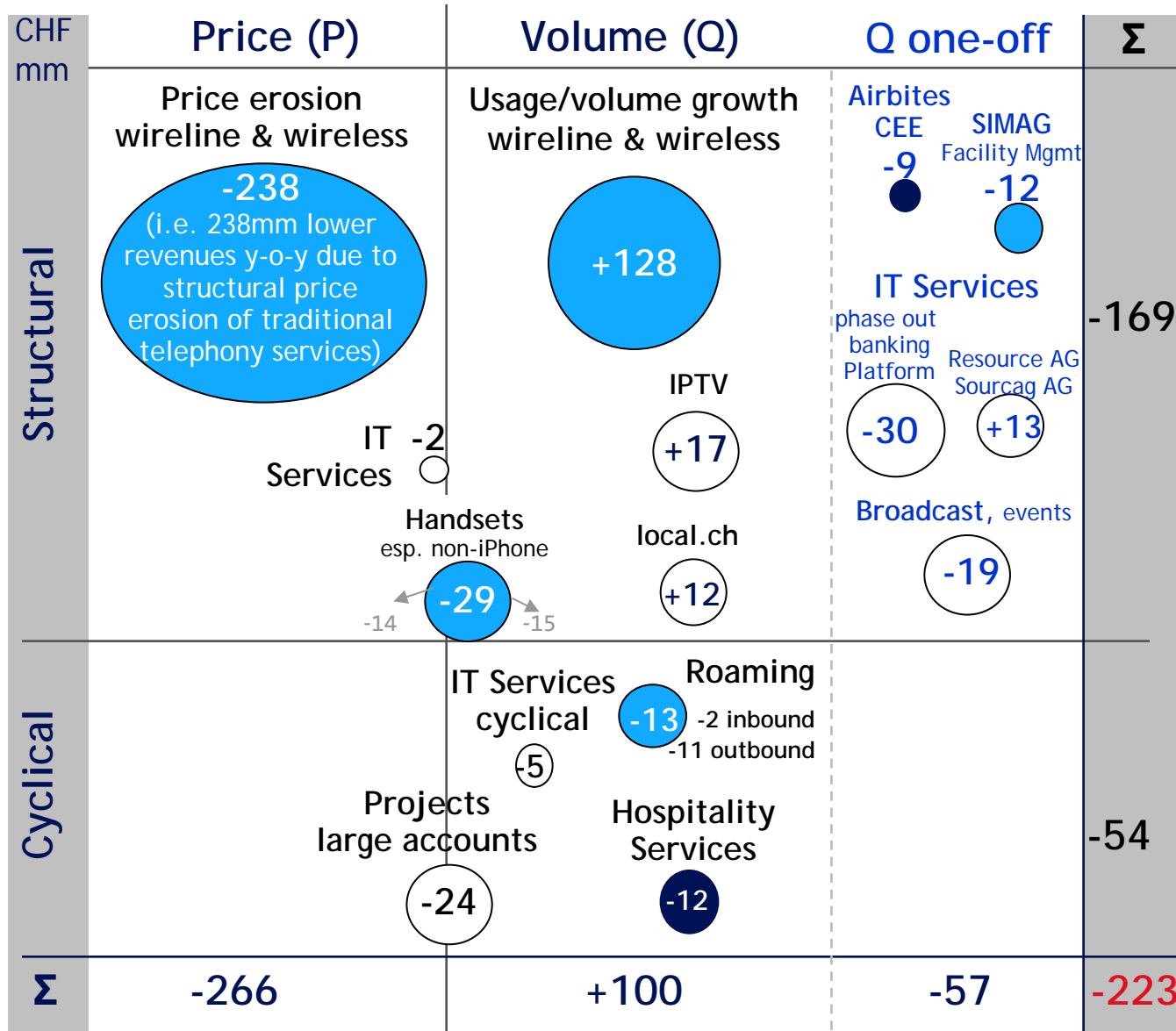
a) Q³: better than expected, ... financially

CHF mm



Q3 2009: best of past 7 quarters

b) Structural vs. Cyclical, and Price vs. Volume - 9m Revenue dynamics



Translated into Swisscom's 3-pillar strategy:

- Σ -164 Pillar "Maximize"
- Σ -38 Pillar "Extend"
- Σ -21 Pillar "Expand"

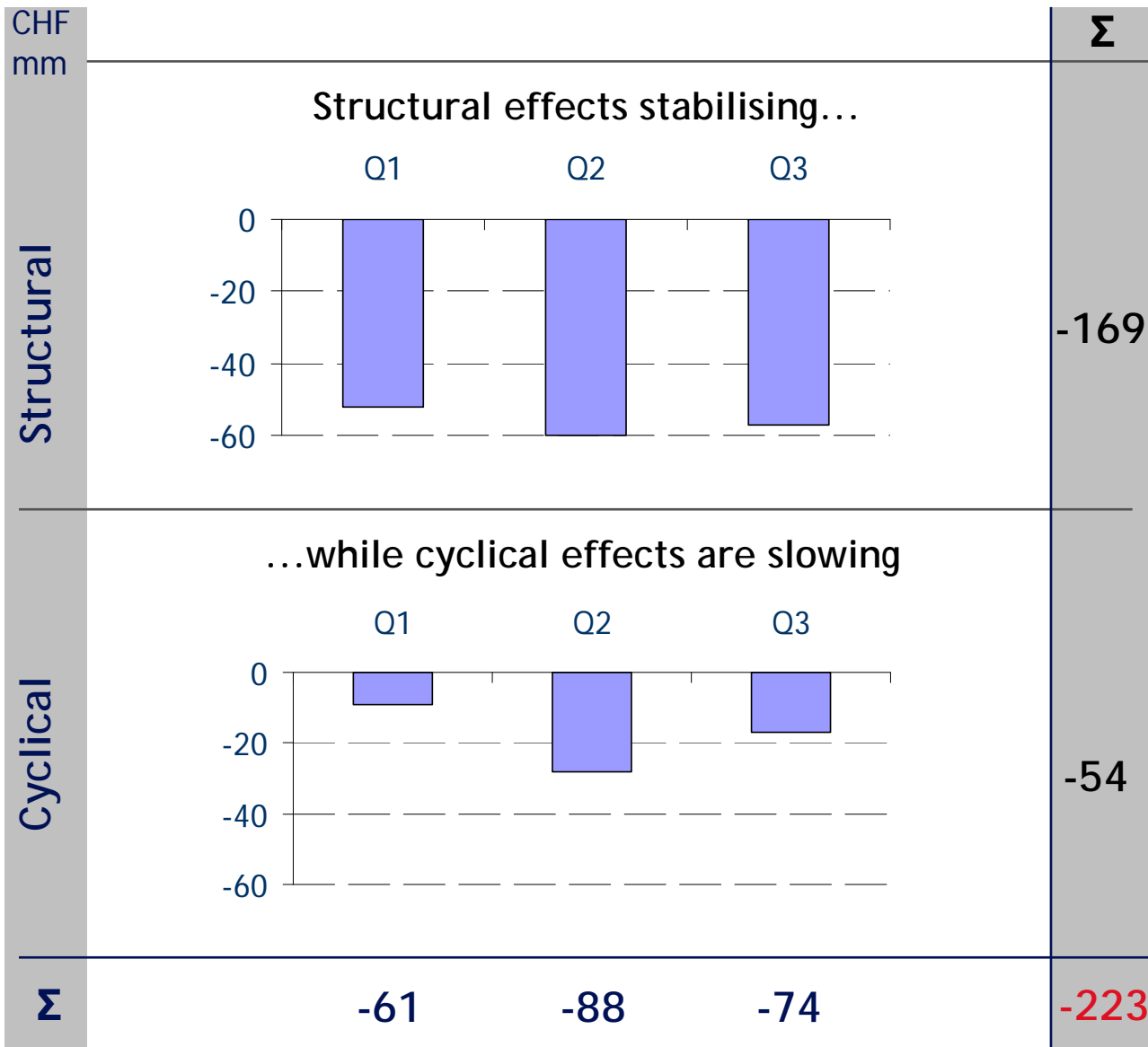
Σ -223 Total w.o. Fastweb
+193 Fastweb in constant CHF

Σ -30 Total in constant CHF

-130 FX impact Fastweb

Σ -160 9 month revenues decline as reported for the Group

b) Structural vs. Cyclical, revenue dynamics over the quarters



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b) Mobile vs. Fixed - 9m Revenue dynamics within the pillar 'Maximize'

CHF mm	Price (P)	Volume (Q)	Σ	
Mobile	<p>Price erosion mobile</p> <p>-198</p> <p>Of which: -141 Voice/Outbound -34 Inbound - 11 Base fee - 10 SMS</p>	<p>Usage/volume growth mobile</p> <p>+157</p> <p>Of which: +114 Subs +49 New data -13 Roaming (cyclical) +7 other</p> <p>iPhone handsets: +7 Other handsets: -36</p>		
Σ	-212	+142	-70	
Fixed	<p>Price erosion fixed</p> <p>-40</p> <p>Of which: -35 Broadband - 5 Traffic</p>	<p>Usage/volume fixed</p> <p>-42</p> <p>Of which: -89 Access/Traffic/ Wholesale +47 Broadband</p>		
Σ	-40	-42	-82	
Total Σ	-252	+100	-152	
		Q one-off Pillar 'Maximize':	-12	

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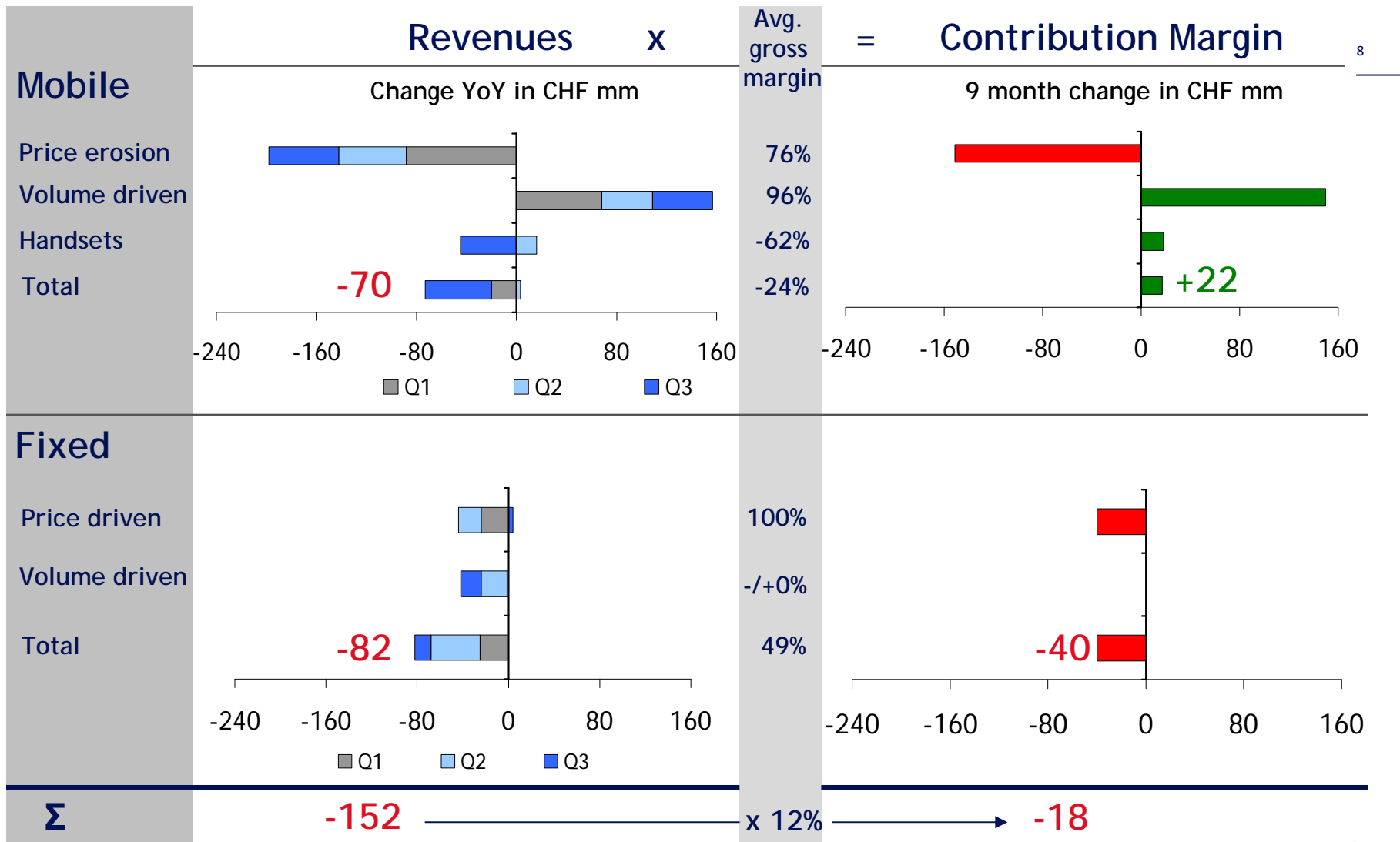
Σ **-30** Total in CHF

-130 FX impact Fastweb

Σ **-160** CHF mm of 9m revenues decline YoY as reported for the Group

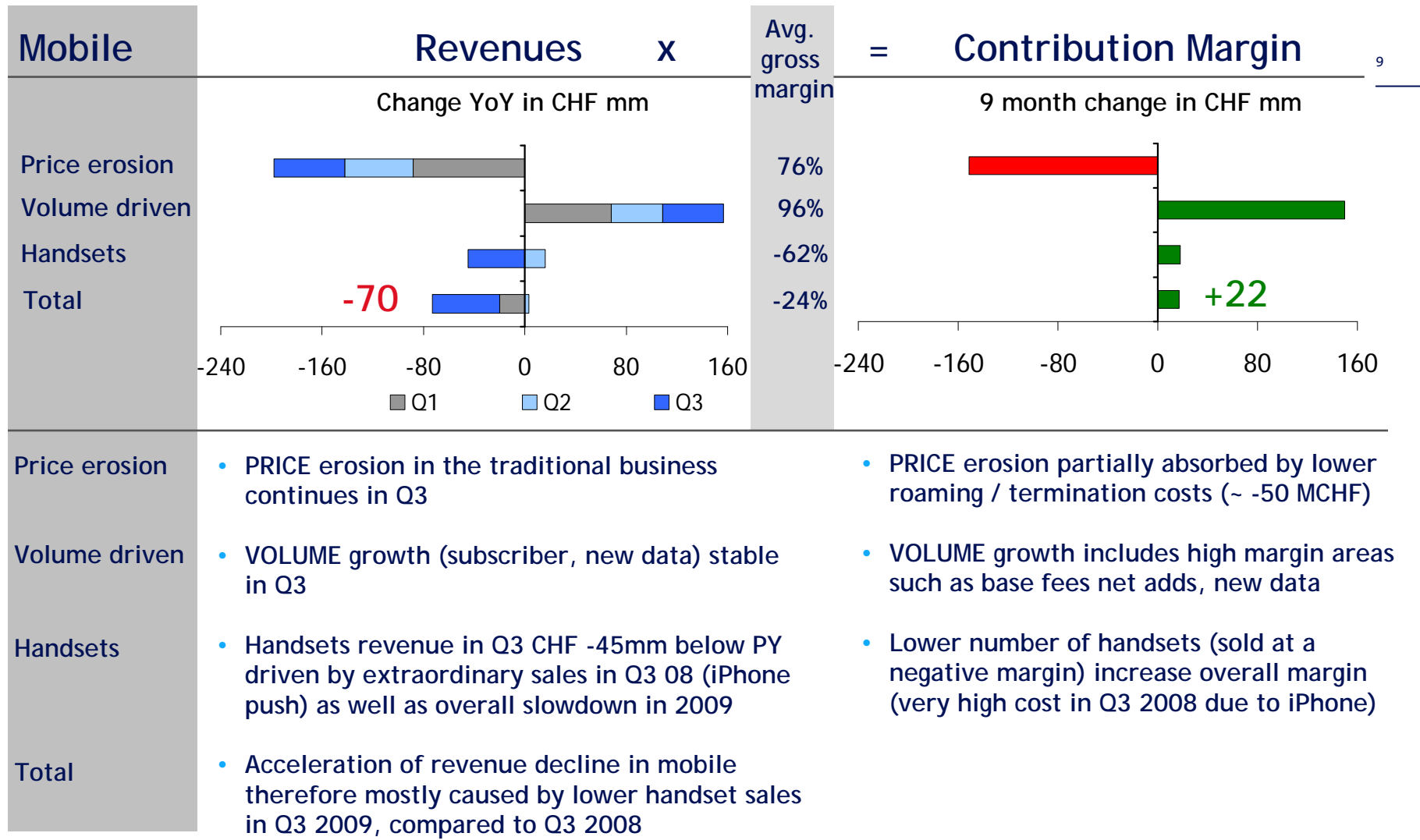


b) Impact of revenue changes on contribution margin in pillar Maximize



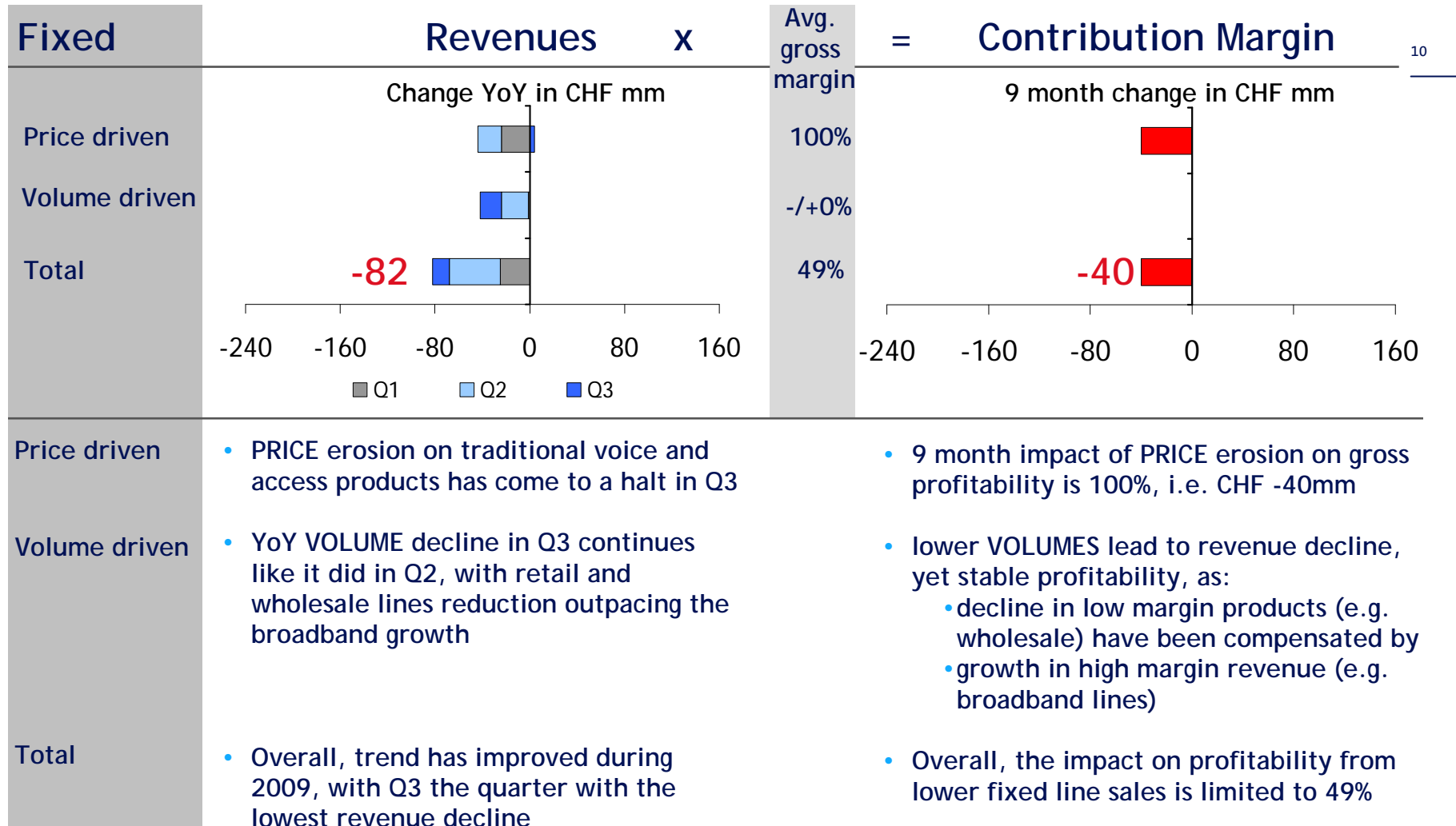
Why only CHF 18 mm impact on gross margin from 152mm lower revenues?

b) Mobile: why profitability improved upon lower sales



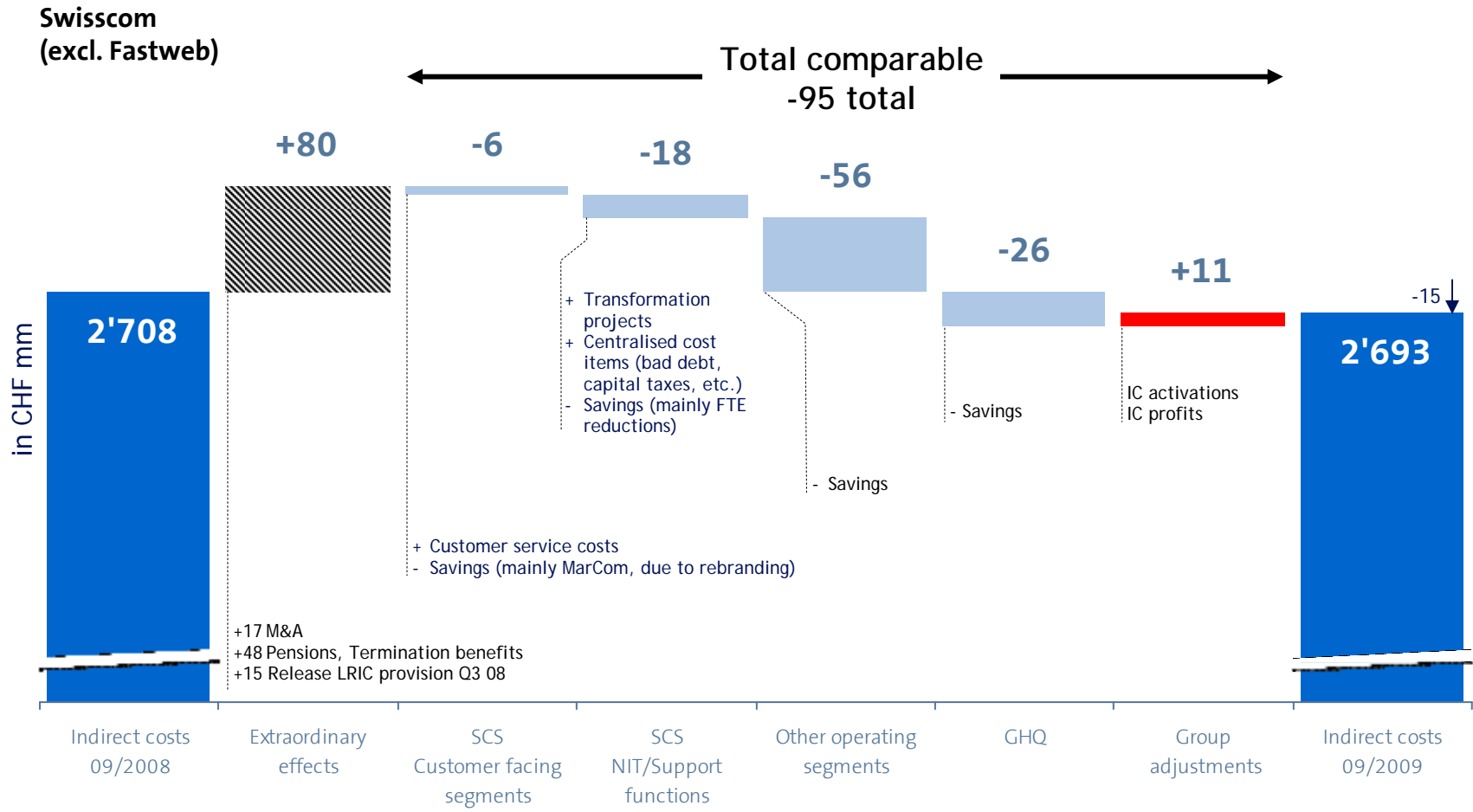
Revenue composition changed: lower handset sales (which have a negative margin due to SAC's) cause overall margin to improve YoY

b) Fixed: why profitability has only suffered mildly from lower sales

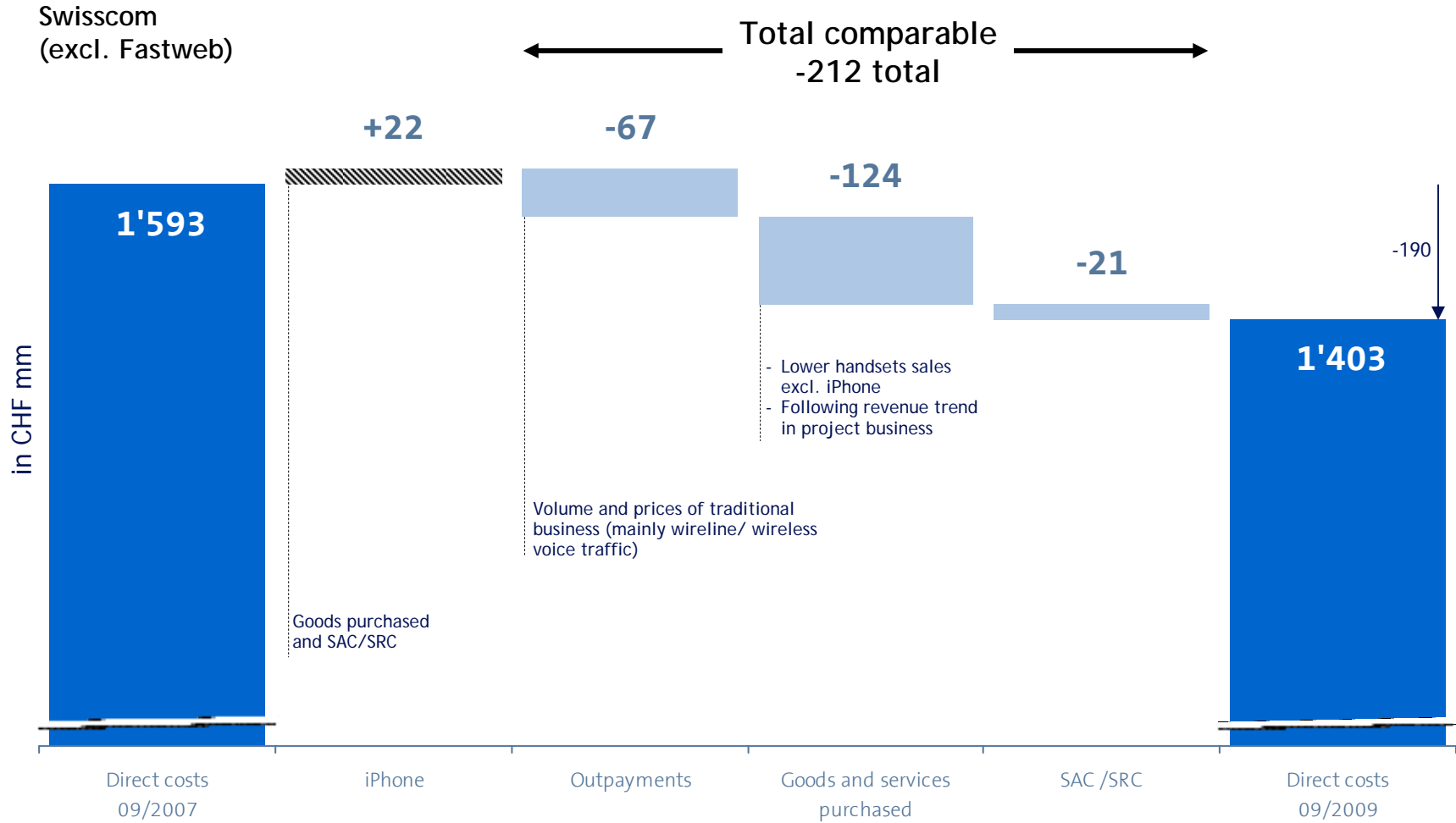


With revenue of low margin products lower, and revenue of high margin products higher, the overall Fixed business margin contraction is limited to 49% of the revenue decline

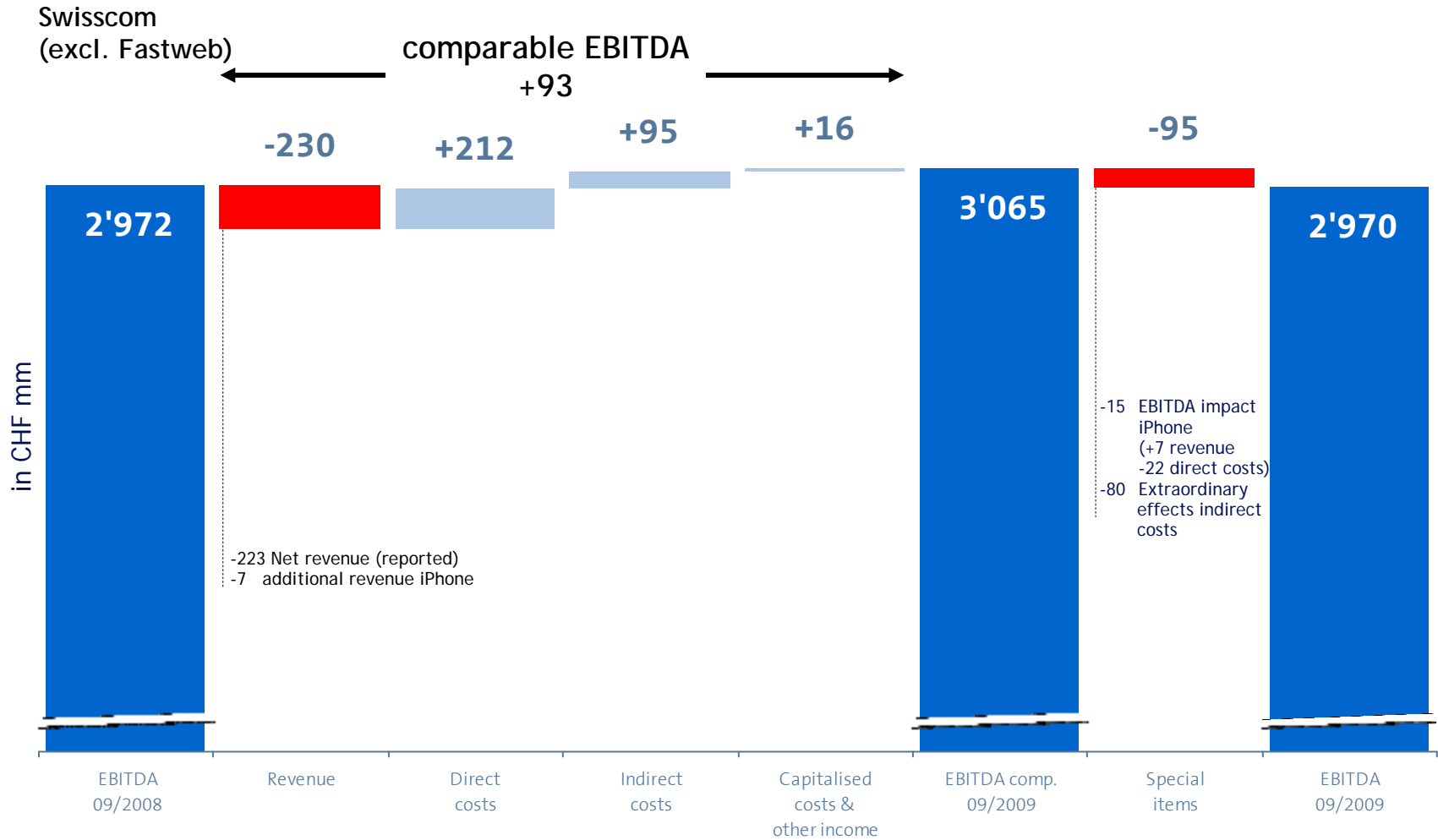
c) Indirect costs: well on track to save 100-120 MCHF in 2009



c) Direct costs: decrease driven by revenue development

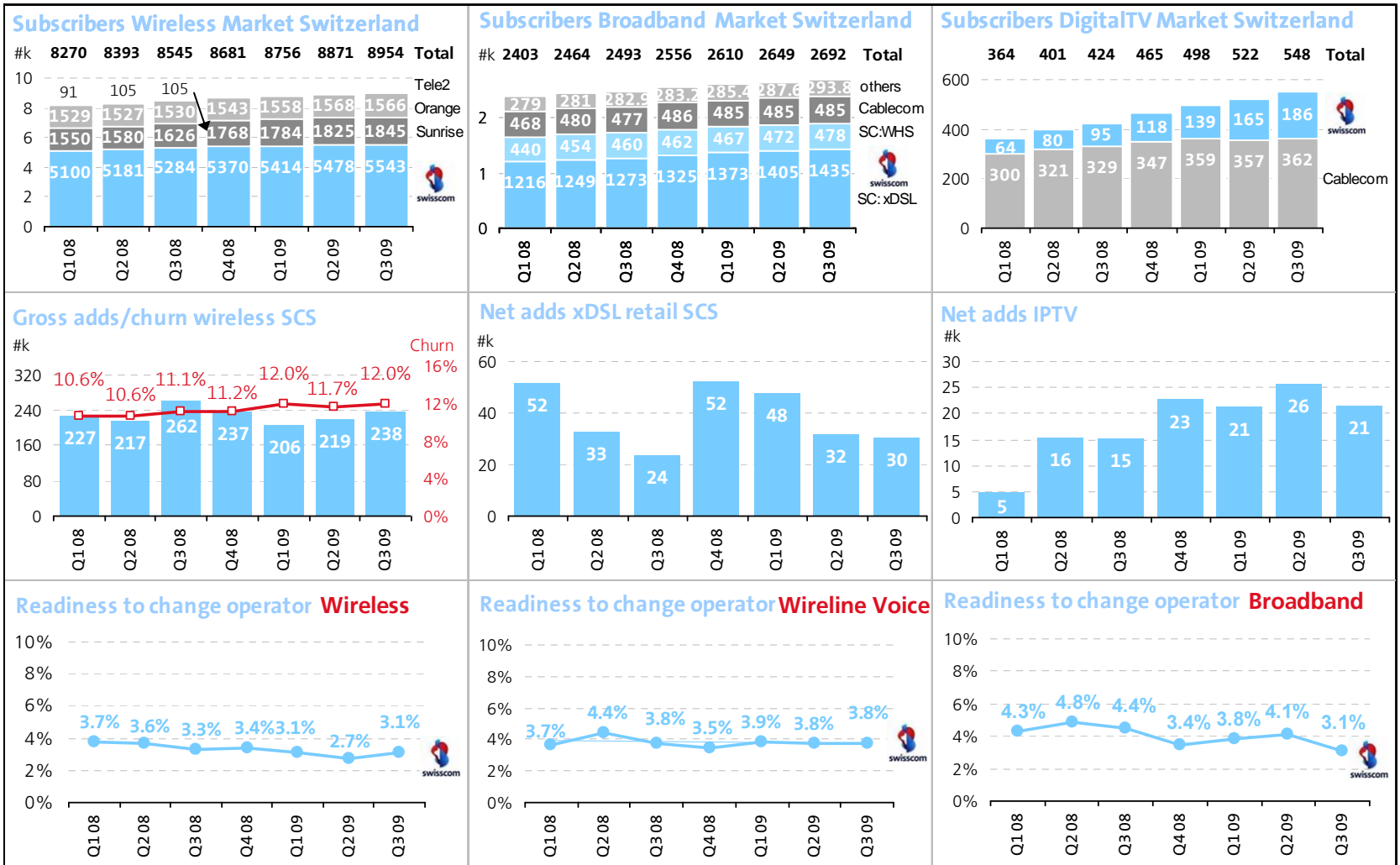


d) EBITDA conversion through cost control



e) Cockpit - trends over last 7 quarters, customers

Ups and downs, however stable overall



f) Pending legal proceedings regarding competition law

- *Federal Administrative Court: Prices for mobile termination rates*
 - In 2007 Swisscom appealed against a decision of the Competition Commission (ComCo) that imposed on Swisscom a sanction of CHF 333 million because of the alleged misuse of a dominant position in the market by demanding too high termination fees from its competitors. Swisscom refutes the accusation and has not recognised any provisions. The court is expected to adjudicate at the beginning of 2010.
- *Decision of ComCo: alleged “margin squeeze” in the broadband market*
 - The Federal Administrative Court, in the procedure mentioned above, will soon rule on the legal conditions for ComCo’s competence to impose fines. Despite that fact and although Swisscom had required an adjournment Comco notified on November 5, 2009 a decision imposing on Swisscom a sanction of CHF 220 million, pretending that Swisscom has prevented its competitors from operating their ADSL business profitably because of too high wholesale prices. Swisscom rejects the allegations, has not recognised any provisions and will appeal to the Federal Administrative Court.

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g) Segments - Residential Customers

Financials and operational data

	30.09.2009	YOY
Net revenue in MCHF ¹⁾	3'750	-2.5%
Direct costs in MCHF	-888	-9.2%
Indirect costs in MCHF ²⁾	-632	1.9%
Contribution Margin 2 in MCHF	2'230	-0.8%
<i>Contribution Margin 2 in %</i>	<i>59.5%</i>	
CAPEX in MCHF	93	-3.1%
FTE's	4'741	0.9%

	30.09.2009	YOY
Access lines in '000	2'728	-4.0%
BB subs in '000	1'247	13.3%
Mobile subs in '000	4'389	3.7%
Mobile churn rate	13.0%	0.7pp
Total ARPU in CHF	42	-4.5%
thereof ARPU new data in CHF	4	33.3%
Total AMPU in Min.	94	0.0%
National traffic in Mmin.	4'016	-8.2%
Int'l' traffic in Mmin.	510	-4.1%
IPTV subs in '000	186	95.8%

1) incl. intersegment revenues

2) incl. capitalised costs and other income

9m 2009

- Net revenue down by -2.5% y-o-y:
 - Mobile: -47 MCHF YoY, with -27 MCHF handsets (thereof iPhone +7 MCHF); -46 voice MCHF (esp. outgoing due to more free calls with x-tra liberty and pricing); +28 New Data (Subscriber growth).
 - Wireline and other revenue slightly down by -5 MCHF: +6 access (incl. xDSL); IPTV +17 MCHF offset by -27 MCHF traffic and other revenue.
- Direct cost decreased by -90 MCHF to 888 MCHF, decrease of goods purchase (-43 MCHF, less sold handsets) and lower outpayments (-37 MCHF, lower roaming and termination fees).
- Indirect cost up by 1.9% due to higher number of personnel (acquisition of The PhoneHouse and Customer Supports Units, both for keeping service level high), salary increase and other opex.
- Ongoing strong subscriber growth (Broadband +13.3%, Mobile +3.7%, IPTV +95.8%!). Line loss mainly driven by ULL. Losses to cable are moderate.
- ARPU decreasing due to new price plans and lower termination rates.

g) Segments - Small & Medium-sized Enterprises

Financials and operational data

	30.09.2009	YOY
Net revenue in MCHF ¹⁾	866	0.1%
Direct costs in MCHF	-128	-14.1%
Indirect costs in MCHF ²⁾	-101	-1.0%
Contribution Margin 2 in MCHF	638	3.9%
<i>Contribution Margin 2 in %</i>	<i>73.7%</i>	
CAPEX in MCHF	8	100.0%
FTE's	776	3.5%

	30.09.2009	YOY
Access lines in '000	512	0.4%
BB subs in '000	168	9.8%
Mobile subs in '000	440	10.3%
Mobile churn rate	7.7%	-0.1pp
Total ARPU in CHF	93	-5.1%
thereof ARPU new data in CHF	10	11.1%
Total AMPU in Min.	199	-2.5%
National traffic in Mmin.	1'107	-4.6%
Int'l traffic in Mmin.	140	-6.0%

1) incl. intersegment revenues

2) incl. capitalised costs and other income

9m 2009

- Net revenue on level previous year
 - Mobile: growth of subscriber base +10.3% and new data demand increases revenue by 14 MCHF.
 - Wireline: traffic due to weaker usage down by -4 MCHF; Access on level previous year
 - Other revenue down by -12 MCHF due to weaker Communication and Collaboration revenue with low margin.
- Direct costs decline -14.1% explained by lower outpayments (lower roaming and termination fees).
- CM2 up by +3.9% to 638 MCHF due to lower direct costs and improved revenue mix.
- BB subs base increased by 9.8% and represents 33% of total access lines.
- Mobile subscriber growth of +10.3% y-o-y
- ARPU decline (-5.1%) attributable to
 - lower termination rates
 - new price plans and
 - multi-SIM cards (mainly data-only)
- Ongoing increase of new data ARPU due to growing number of customers with mobile data usage

g) Segments - Corporate Business

Financials and operational data

	30.09.2009	YOY
Net revenue in MCHF ¹⁾	1'354	-3.7%
Direct costs in MCHF	-320	-17.3%
Indirect costs in MCHF ²⁾	-327	2.8%
Contribution Margin 2 in MCHF	707	1.0%
<i>Contribution Margin 2 in %</i>	<i>52.2%</i>	
CAPEX in MCHF	54	14.9%
FTE's	2'246	0.8%

	30.09.2009	YOY
Access lines in '000	280	-2.8%
BB subs in '000	20	5.3%
Mobile subs in '000	714	9.2%
Mobile churn rate	8.4%	2.9pp
Total ARPU in CHF	72	-12.2%
thereof ARPU New Data in CHF	16	0.0%
Total AMPU in Min.	176	-8.8%
National wireline traffic in Mmin.	1'229	-2.8%
Int'l' wireline traffic in Mmin.	270	-2.2%

1) incl. intersegment revenues

2) incl. capitalised costs and other income

9m 2009

- Revenue decline -3.7% YoY:
 - Mobile: revenues down YoY-8 MCHF, additional revenue from subs growth, multi-SIM and new data business were overcompensated by price effects and reduced volume domestic + roaming
 - Wireline: revenues down YoY mainly due to lower traffic revenue -16 MCHF
 - lower project/outsourcing revenue driven by economic slowdown
- Direct cost decline -17.3% explained by lower outpayments (lower termination fees) and lower hardware/software sales.
- Indirect costs 2.8% higher due to salary increase and higher pension cost, partly compensated by other cost reductions.
- CM2 margin further increased to 52.2% of net revenue driven by more profitable revenue mix
- Mobile subscriber base increased by 9.2% YoY
- Substantial price reductions and multi-SIM dilution explain the ARPU decline of 12% YoY
- Order intake for project/outsourcing business of 112 MCHF (-26% vs. PY, driven by cyclical effects).

g) Segments - Wholesale

Financials and operational data

	30.09.2009	YOY
Revenue from external customers in MCHF	672	-7.4%
Intersegment revenue in MCHF	422	-16.9%
Net revenue in MCHF	1'094	-11.3%
Direct costs in MCHF	-702	-12.4%
Indirect costs in MCHF ¹⁾	-10	-242.9%
Contribution Margin 2 in MCHF	382	-13.2%
<i>Contribution Margin 2 in %</i>	<i>34.9%</i>	
CAPEX in MCHF	-	nm
FTE's	88	-18.5%
	30.09.2009	YOY
ULL in '000	115	nm
BB (wholesale) subs in '000	363	-19.0%
Wholesale traffic in Mmin.	8'531	-11.9%

1) incl. capitalised costs and other income

* Driven by a regulatory ruling (ComCom) Q3 2008 was impacted by the following - EBITDA neutral - one-off impacts:
a) New provision required 27 MCHF, thereof -15 MCHF negative revenue, 12 MCHF higher indirect costs
b) Old provision released of 27 MCHF in indirect costs

9m 2009

- Net revenue down by 11.3% YoY (-140 MCHF):
 - Mobile revenues -43 MCHF from lower inbound roaming and wireless termination mainly due to lower prices
 - Comparable* wireline access/traffic revenues -30 MCHF resulting from broadband (price reductions and full access substitution) and lower termination as well as lower interconnection rates.
 - Other revenue +8 MCHF from higher collocation revenue as a result of ongoing LLU
 - Intersegment revenues -86 MCHF mainly due to lower outpayments charged to other segments. No CM1 impact on segment WS as direct cost are lower correspondingly (lower roaming, wireline and wireless voice termination mainly driven by lower rates)
- Indirect costs up by 17 MCHF due to release of ComCom provision* (15 MCHF) in Q3/2008 and lower other income
- CM2 down by -58 MCHF mainly as a result of decreasing inbound roaming, price reduction broadband access and lower interconnection rates.

g) Segments - Networks and Support Functions

Financials and operational data

	30.09.2009	YOY
Personnel expenses in MCHF	-499	4.8%
Rent in MCHF	-174	1.2%
Maintenance in MCHF	-150	-18.0%
IT expenses in MCHF	-249	2.0%
Other OPEX in MCHF	-196	-16.9%
Indirect costs in MCHF	-1'268	-3.3%
Capitalised costs and other income in MCHF	136	-16.0%
Contribution Margin 2 in MCHF	-1'132	-1.5%
Depreciation, amortization and impairment in MCHF	-608	-10.7%
Segment result in MCHF	-1'740	-4.9%
CAPEX in MCHF	615	5.7%
FTE's	4'147	-3.4%

9m 2009

- Indirect costs below previous year (-3.3%)
 - Higher personnel expenses mainly due to salary increases as well as higher pension expenses
 - Other operating expenses below previous year as a result of lower expenses for maintenance driven by winter conditions in Q1 2009, less projects and cost savings as well as lower other opex due to cost management
- Lower capitalised cost mainly as a result of lower construction activities in the core network
- Segment result improves mainly due to lower depreciation charges as a result of a change of useful lives of cable (copper and fibre) from 15 years to 20-30 years
- CAPEX above previous year (5.7%) mainly driven by higher spending for the fibre-infrastructure

g) Segments - Fastweb

Financials and operational data

	30.09.2009	YOY
Consumer revenue in MEUR	519	6.8%
SME revenue in MEUR	306	8.9%
Executive revenue in MEUR ¹⁾	541	14.1%
Net revenue in MEUR ¹⁾	1'365	10.0%
OPEX in MEUR	-1'032	11.0%
Capitalised costs and other income in MEUR	71	-22.0%
EBITDA in MEUR	404	0.5%
Industrial EBITDA in MEUR	404	8.3%
<i>EBITDA margin in %</i>	<i>29.6%</i>	
CAPEX in MEUR	312	-4.6%
FTE's	3'105	1.5%

In Swisscom accounts	30.09.2009	YOY
EBITDA in MCHF	610	-5.3%
CAPEX in MCHF	472	-10.1%

	30.09.2009	YOY
Subs in '000	1'605	11.3%
Mobile active Subs in '000	160	nm

9m 2009

- Top-line increased 10.0% YoY - mainly sourced by the Executive segment and its public administration contracts
- 9m industrial EBITDA with MEUR 404, +8.3% above previous year (excluding one-offs like damages payments from TI, despite increased low margin business and negative impact of ULL rate increase effective as of 1 January 2009)
- CAPEX down by 4.6% YoY and stands now at MEUR 312 mainly due to lower customer activation costs and decreased network expenses. Overall CAPEX to sales ratio further decreasing: 23% for 9m 2009 vs. 26% in prior year 9m.
- FCF proxy (=industrial EBITDA-CAPEX) of MEUR 92 represents a doubling of prior years 45 MEUR.
- 123k new BB subs in 9m 2009 representing a 16% net adds market share versus 10% in 4Q 2008 and customer base (1.605 million at end of September 2009) increased more than the Italian market (8% versus 7%)
- 160k mobile active customers at 30.9.09
- Contribution to Swisscom accounts in CHF lower than previous year, due to strengthening of Swiss Franc in a YoY context.

g) Segments - Other operating segments

Financials and operational data

	30.09.2009	YOY
Swisscom IT Services in MCHF	302	-7.4%
Swisscom Participations in MCHF	236	-9.9%
Hospitality Services in MCHF	57	-17.4%
Airbites CEE in MCHF	5	-64.3%
External revenue in MCHF	600	-10.6%
Net revenue in MCHF ¹⁾	1'249	-8.0%
OPEX in MCHF	-1'029	-6.6%
Capitalised costs and other income in MCHF	35	118.8%
EBITDA in MCHF	255	-6.3%
<i>EBITDA margin in %</i>	<i>20.4%</i>	
CAPEX in MCHF	81	-28.9%
FTE's	4'258	-5.8%

1) incl. intersegment revenues

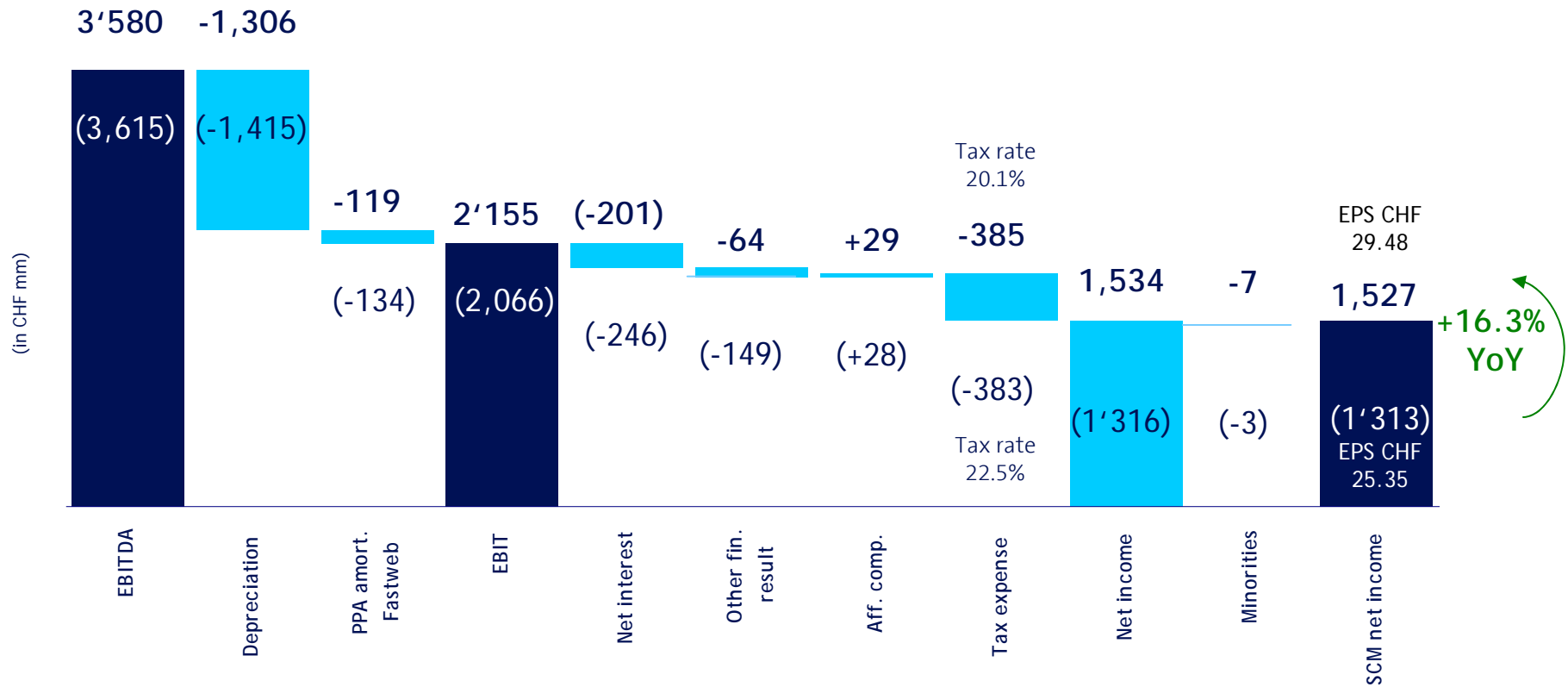
9m 2009

- YoY external revenue decline of -71 MCHF (-10.6%)
 - IT Services below PY due to shift to new banking platform during Q4 08 (-30 MCHF y-o-y) as well as pricing pressure and shortfall in the project business due to cyclical impacts. Acquired subsidiaries Resource AG and Sourcag AG included in since Q3 09 with +13 MCHF.
 - Economic slowdown also has negative impact on Hospitality Services and the business of Sicap (within Participations)
 - YoY missing revenue from EURO08™ mainly at Swisscom Broadcast and from outsourcing of facility management (both within Participations)
- Opex decreased YoY due to revenue development and cost saving initiatives, while other income includes a one-off benefit from the outsourcing of facility management
- CAPEX lower YoY especially caused by high expenditure in 2008 (including DVB-H/T rollout) and reduced activities at Swisscom CEE.
- FTE below previous year mainly driven by outsourcing of facility management and the sale of Airbites Poland, Ukraine and Bulgaria.

g) Group YTD: P&L breakdown

Despite slightly lower EBITDA, net income increased y-o-y by +16% driven by lower depreciation (adjustment of useful lives of cable in 2009) as well as extraordinary items.

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Other financial results in 2008 includes recognition of CBL provision of -126 MCHF

h) Outlook 2009

FY Guidance 2009, as provided back in March, unchanged again after 9 month results

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		9m '08 as % of		9m '09 as % of	
Net revenues		2008A	2008	2009E	2009
Swisscom excl. Fastweb	bIn CHF	9.5	75%	9.2-9.3	~74%
Fastweb	MEUR	1'708	73%	1'800	76%
EBITDA					
Swisscom excl. Fastweb	bIn CHF	3.9	76%	3.8-3.9	~77%
Fastweb Industrial / (reported incl TI)	MEUR	518 (548)	73%	560	72%
Capex					
Swisscom excl. Fastweb	bIn CHF	1.36	62%	~1.35	~62%
Fastweb	MEUR	438	75%	415	75%
Delta NWC					
Swisscom Group incl. FWB	bIn CHF	-0.3		-0.1-0	
OpFCF					
Swisscom Group incl. FWB	bIn CHF	2.5	86%	2.6-2.7	~81%

Questions & Answers

Cautionary statement regarding forward-looking statements

"This communication contains statements that constitute "forward-looking statements". In this communication, such forward-looking statements include, without limitation, statements relating to our financial condition, results of operations and business and certain of our strategic plans and objectives.

Because these forward-looking statements are subject to risks and uncertainties, actual future results may differ materially from those expressed in or implied by the statements. Many of these risks and uncertainties relate to factors which are beyond Swisscom's ability to control or estimate precisely, such as future market conditions, currency fluctuations, the behaviour of other market participants, the actions of governmental regulators and other risk factors detailed in Swisscom's and Fastweb's past and future filings and reports, including those filed with the U.S. Securities and Exchange Commission and in past and future filings, press releases, reports and other information posted on Swisscom Group Companies' websites.

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