

# Swisscom Q1 2010 results

## “Qventful”

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05 May 2010



# Agenda “Qventful”

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- ① Q1 2010: financially at a glance Carsten Schloter, CEO
  - ② “Qventful”: an eventful quarter - regulation, VAT case Fastweb, blocked merger Orange/Sunrise
  - ③ Revenue dynamics 2010, and progress in Q1
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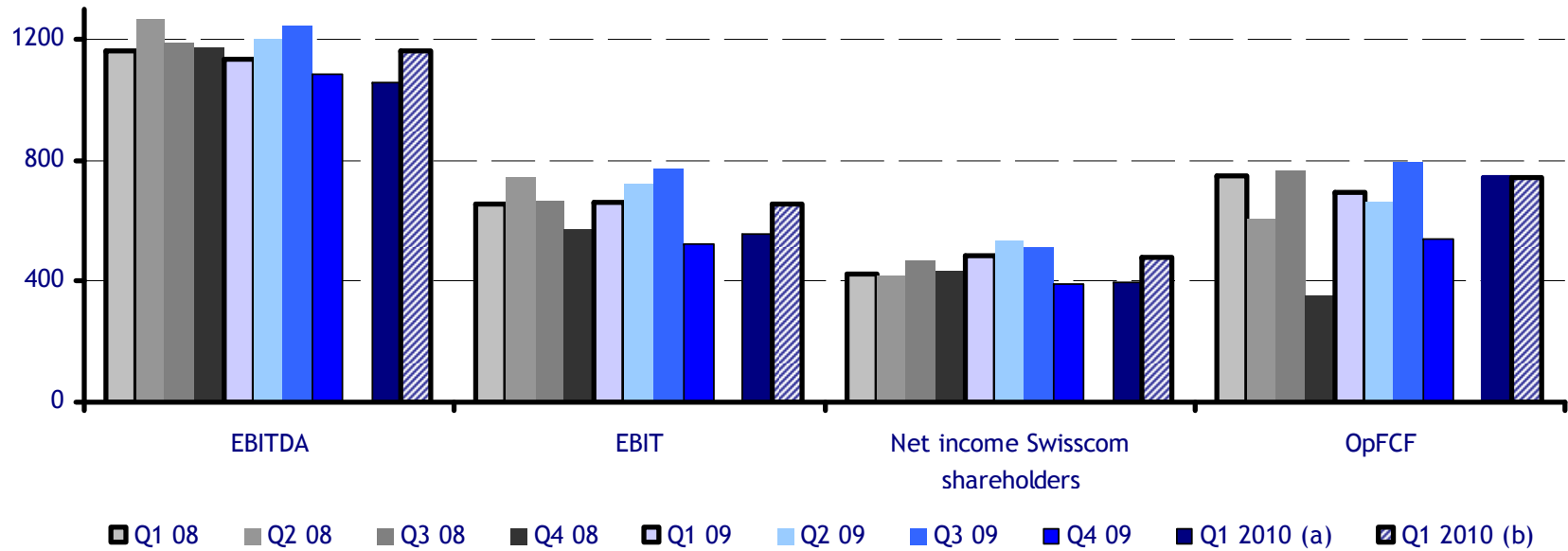
- ④ Restatement 2010 Ueli Dietiker, CFO
- ⑤ Segmental results Q1
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- ⑦ Outlook 2010

## Q&A

- ⑧ Backup: restatement details, and detailed revenue dynamics

# Q1 2010: financially at a glance

CHF mm



(a) Q1 2010 as reported

(b) Q1 2010 excluding one-off provision of CHF 102mm for Fastweb VAT case

Financially, one of the best quarters on a comparable basis



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# “Qventful”: important rulings in Q1

## From annual results presentation 18.2.2010:

CHF mm	Cases brought:		Potential impact*):			Risk of occurrence
	before 2009	in 2009	2010	later	Σ	
Covered by provisions	Access proceedings: • LRIC • ULL	• Other regulatory	220		250	> 50% (fully covered by provisions, i.e. no EBITDA (but FCF) impact should these cases materialise)
				30		
Not covered by provisions	• Mobile Termination I (1.4.05-31.5.05)		333 (co-covered by Vod)		550+	< 50% (not covered by provisions)
	• Mobile Termination II (from 1.6.05)		may trigger → ??			
	• ADSL		→ 220			
*) Potential impact legend:			Σ	Σ	Σ	Weighted risk <<50%
			550	250+	800+	

## Update since then:

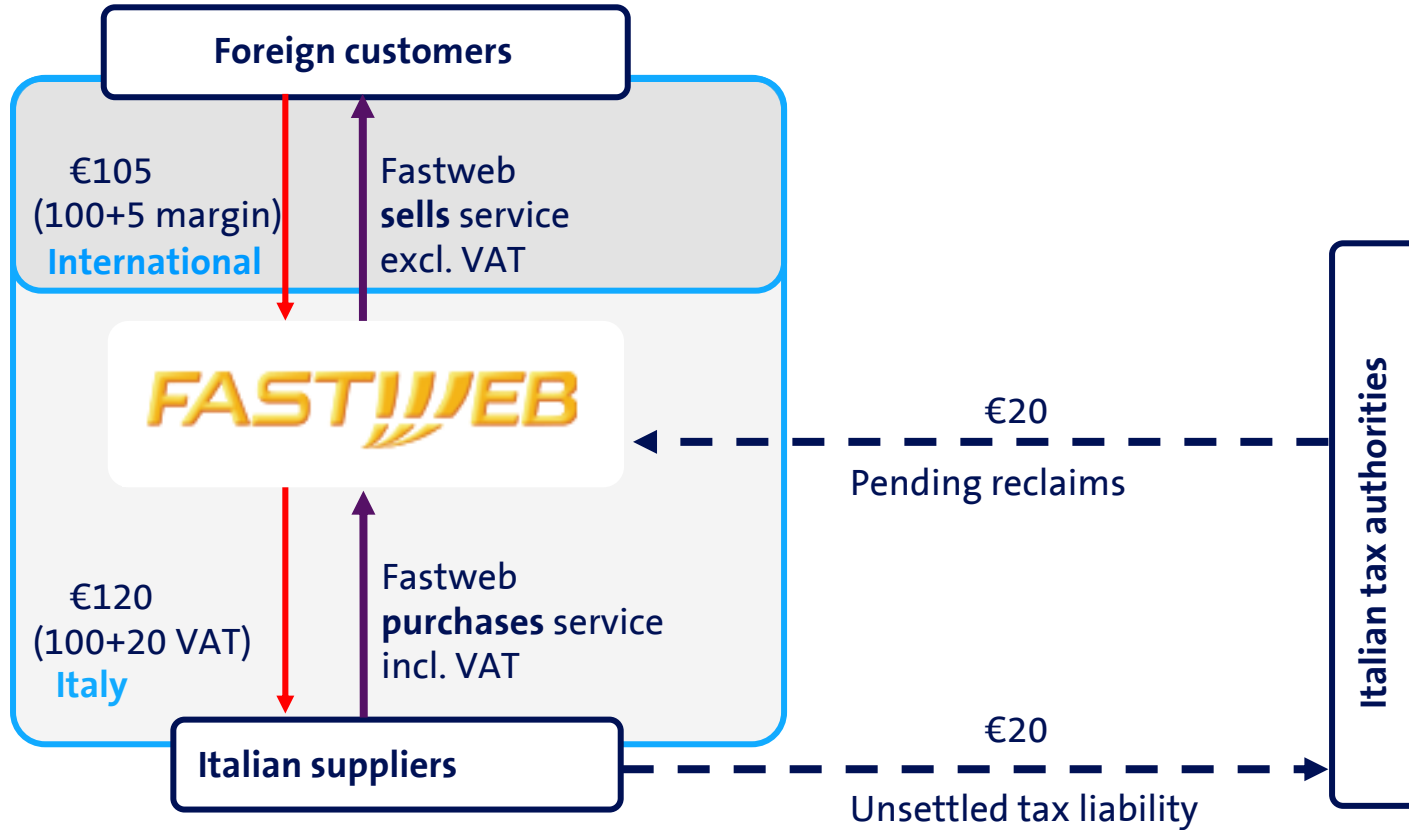
- Federal administrative court overruled ComCom: the telecoms regulator cannot impose price cuts where third parties had not contested pricing
- Civil complaints pending, therefore provision will not be released as situation is still open
- ComCom ruled that Swisscom has to resell leased lines at cost where there are not at least 2 different providers
- Swisscom has appealed to Federal administrative court
- Current provisions of CHF 30mm deemed sufficient
- Federal administrative court has quashed the Competition Commission’s decision to impose a fine in the amount of CHF 333 mm on Swisscom for abusive pricing of mobile termination fees
- Competition Commission appeals to Federal Court to find out whether Swisscom abused market dominance
- Swisscom has appealed to Federal Court against alleged market dominance



# “Qventful”: VAT case at Fastweb

## Business model of the transactions under investigation

*Illustrative:*



## Fastweb, transactions under investigation

- The subject of the investigations are the purchase and resale by Fastweb of phone cards in 2003 and interconnection services through the networks of Fastweb and Telecom Italia Sparkle in 2005 and 2006.
- Allegations of prosecutor: Revenue from the sales was in total around EUR 2 billion; 20% went to Fastweb and 80% to Sparkle. Profit margins were around 5%.
- The suspected extent of the tax fraud is EUR 370 million, with Fastweb accounting for around EUR 70 million.

		Sales		VAT		Profit <sup>(2)</sup>	
		Fastweb	Sparkle	Fastweb	Sparkle	Fastweb	Sparkle
Years		EUR million	EUR million	EUR million	EUR million	EUR million	EUR million
2003	Phone cards	182	0	34	0	13	0
2005 to 2007	Telephone traffic <sup>(1)</sup>	204	1'562	39	298	11	72
<b>Total</b>		<b>386</b>	<b>1'562</b>	<b>73</b>	<b>298</b>	<b>24</b>	<b>72</b>

(1) Fastweb stopped its business in international telephone traffic at the beginning of 2007

(2) Profit: Retail prices minus cost prices excluding VAT

## Fastweb, measures taken to avoid a Court-appointed Commissioner

1 €70 Mln provision



A provision of €70 Mln has been set aside in FASTWEB 2009 accounts (Swisscom accounts in Q1 2010) based on an assessment of the financial risks and the probability of occurrence

2 Spin off of the Wholesale Business



Incorporation of a fully-owned legal entity and spin off of FASTWEB wholesale business

FY 2009 €263 Mln revenues and €97 Mln EBITDA

First set of account as of 30 June 2010 (fully consolidated)

3 *Ad interim* Management Team



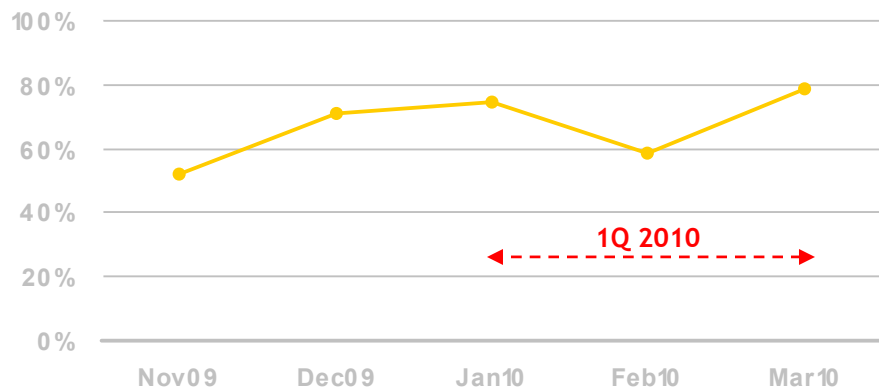
CEO Stefano Parisi and three other managers have opted to relinquish their functions until further notice

Swisscom CEO Carsten Schloter has taken over management of FASTWEB *ad interim*

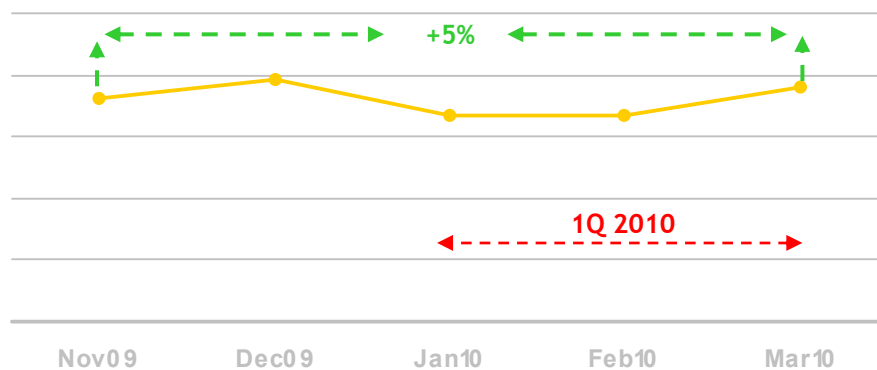
# Fastweb, no impact of the VAT investigation - some evidence (1/3)

## Q1 performance in the Corporate segment - Some KPIs

### % of Successful Corporate Negotiations



### Value of Corporate Negotiations (€ Mln)

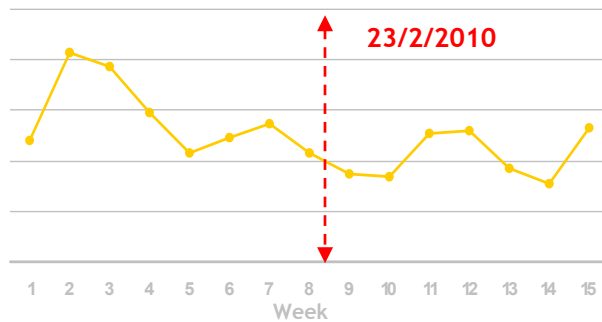


No impact on the pipeline of corporate negotiations. On average FASTWEB won 73% of bids in 1Q (by value), with a record high 79% hit ratio in March

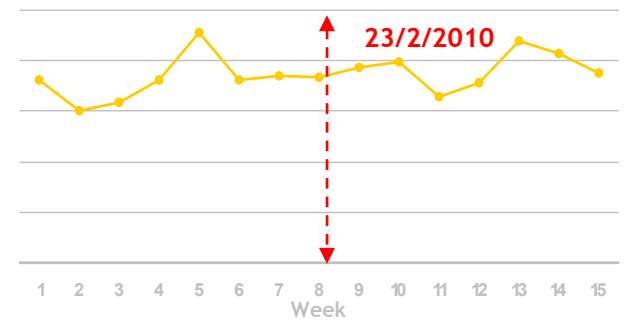
# Fastweb, no impact of the VAT investigation - some evidence (2/3)

## Regular trends in the Consumer and SME segments post 23 February - Some KPIs

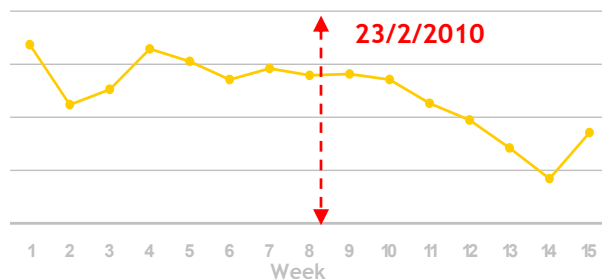
### # of 2010 Weekly Telesale Inbound Calls



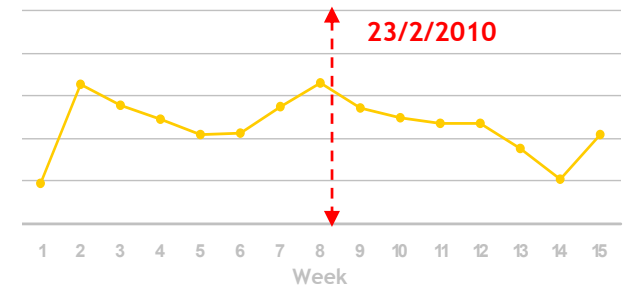
### % of Redemption on Inbound Calls



### # of Calls to Consumer Customer Care



### # of Calls to SME Customer Care

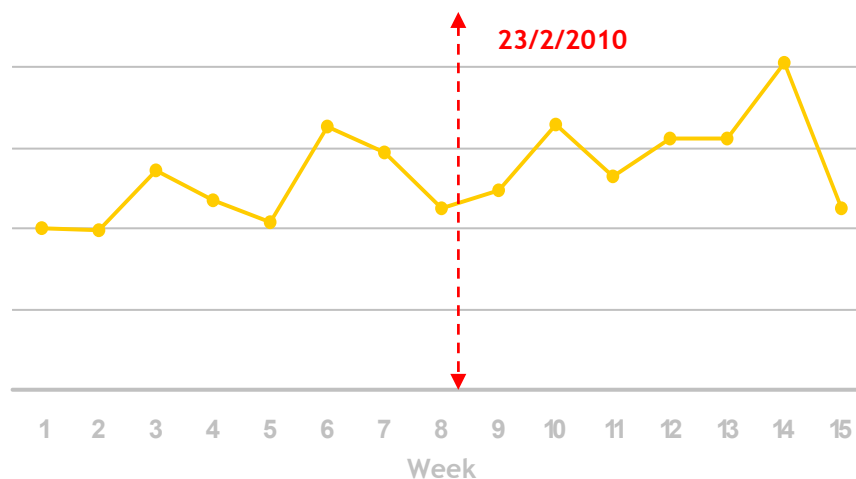


No deviations in March/April from the expected trends of inbound sale channels and customer care activity

## Fastweb, no impact of the VAT investigation - some evidence (3/3)

No direct impact on the level of churn

# of Weekly Churn Requests (Consumer and SME)



The trend in the combined volume of churn requests from Consumer and SME customers did not change after 23 February

## “Qventful” - blocked merger Orange/Sunrise

- On 22 April 2010, the competition commission announced it would block the planned merger between Orange and Sunrise
- Key consideration, was the competition commission’s doubt, whether a 2 player market would offer sufficient advantages to the consumers
- Orange and/or Sunrise have 30 days to appeal to the Federal Administrative Court
- Such procedure - if undertaken - could take considerable time
- Alternatively, Orange and/or Sunrise may renegotiate with the competition commission in an attempt to get approval under different terms & conditions

**Swisscom will continue to operate in the market with 2 main competitors - as it successfully did over the past 12 years**

# Agenda “Qventful”

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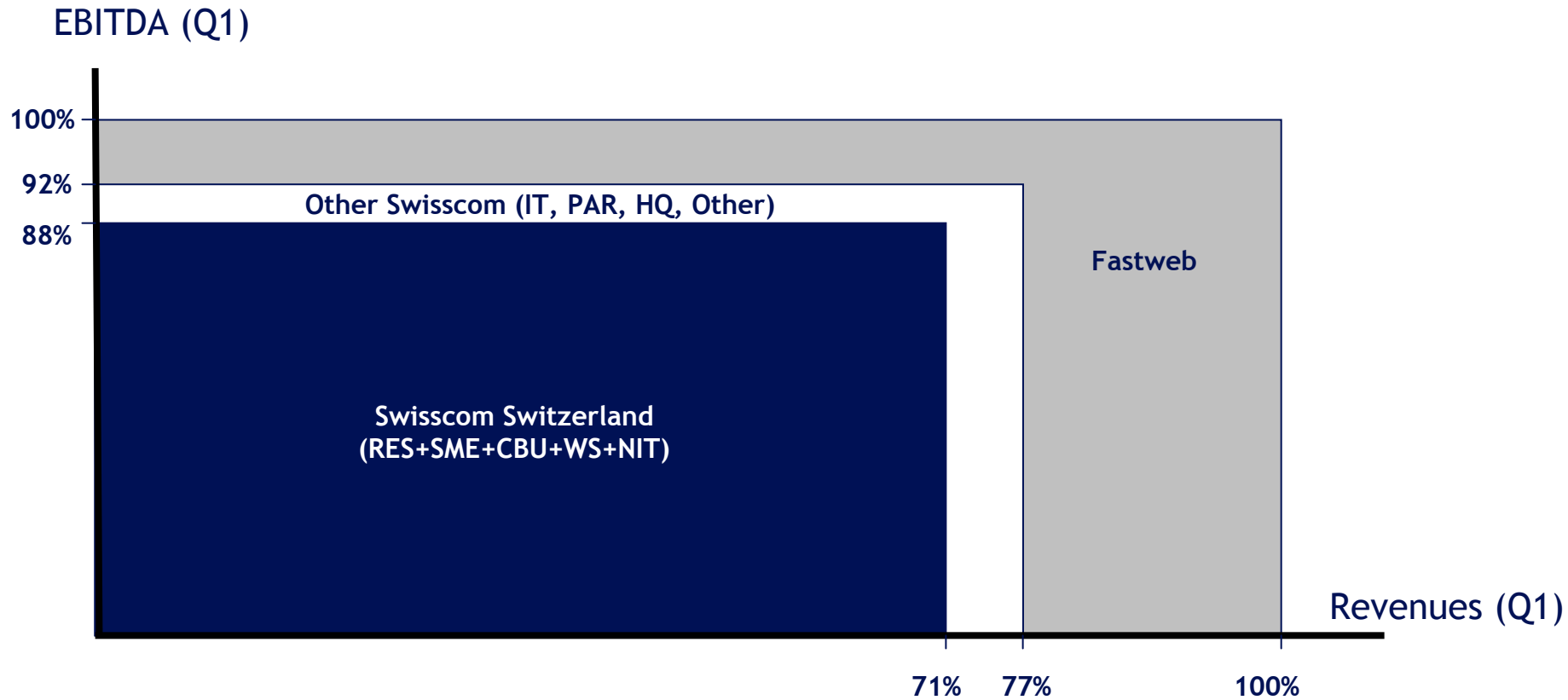
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# Chapter on revenue dynamics is focussed on Swisscom Switzerland



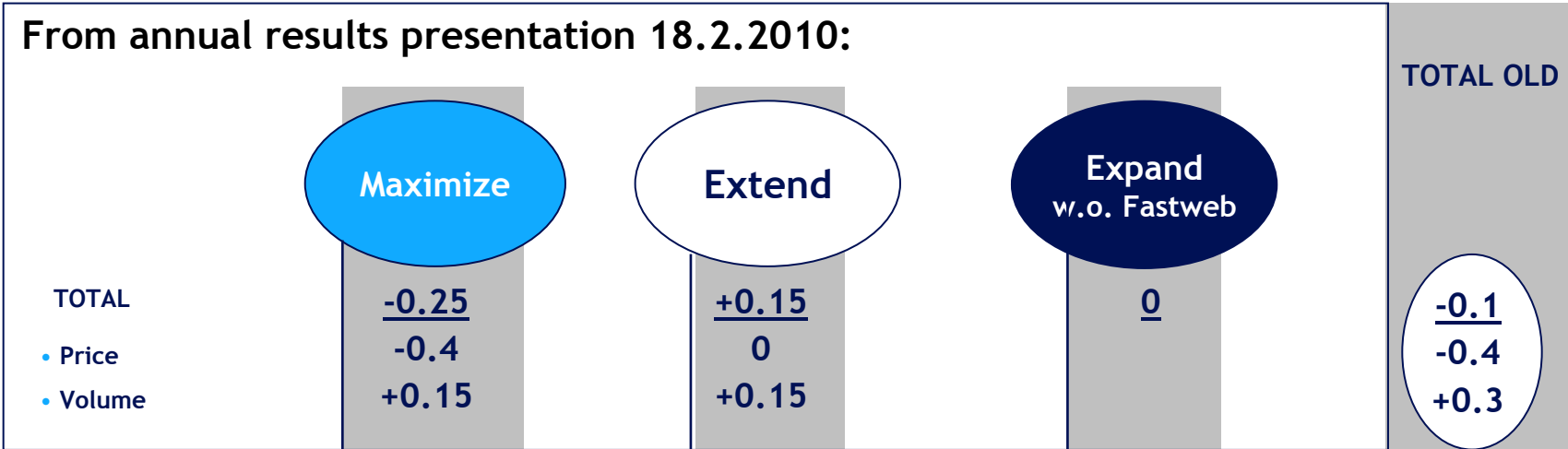
Understanding of revenue dynamics is esp. important as a reference to future profitability. Hence, here we focus only on those businesses that make for the vast bulk of EBITDA, i.e. Swisscom Switzerland

# Expected 2010 Revenue dynamics, restated to new revenue structure

YoY Revenue changes in CHF bln

OLD STRUCTURE

From annual results presentation 18.2.2010:



NEW STRUCTURE

Restated to new revenue structure:

<b>Wireless</b>		<b>Wireline</b>		<b>Convergent</b>	<b>Solutions</b>	<b>Devices &amp; Other SCS</b>	<b>Other non SCS w.o. Fastweb</b>	<b>TOTAL NEW</b>
• Access	+	• Access	--					=
• Traffic	--	• Traffic	--					
• Wholesale	0	• Wholesale	--					
• Other	0	• Other	++					
<b>TOTAL</b>	<u>- 0.07</u>	<b>TOTAL</b>	<u>- 0.2</u>	<u>+0.08</u>	<u>+0</u>	<u>+0.04</u>	<u>+0.05</u>	
• Price	- 0.34	• Price	-0.06	-0.02	0	+0.02	0	-0.4
• Volume	+0.27	• Volume	-0.14	+0.1	+0	+0.02	+0.05	+0.3

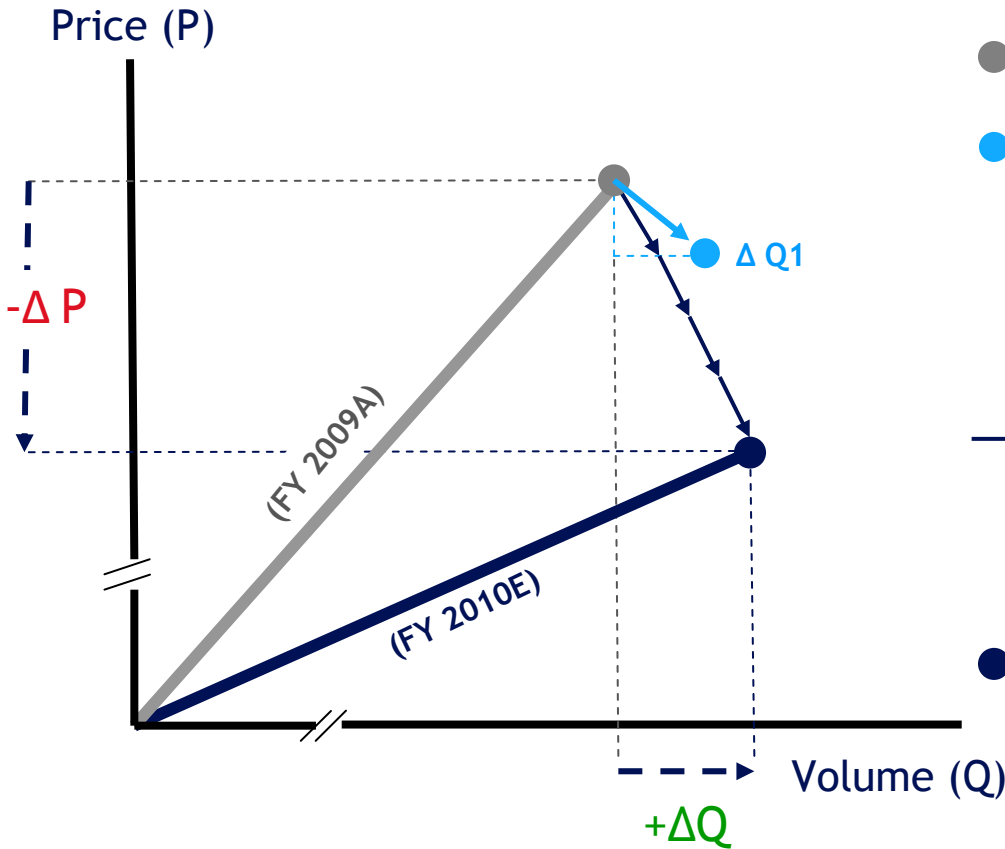


# INTRODUCTION

into revenue dynamics, P (Price) and Q (Volume) effects 2010E vs 2009A, and Q1 progress

Concept:  $P \times Q = \text{Revenues}$

Legend:

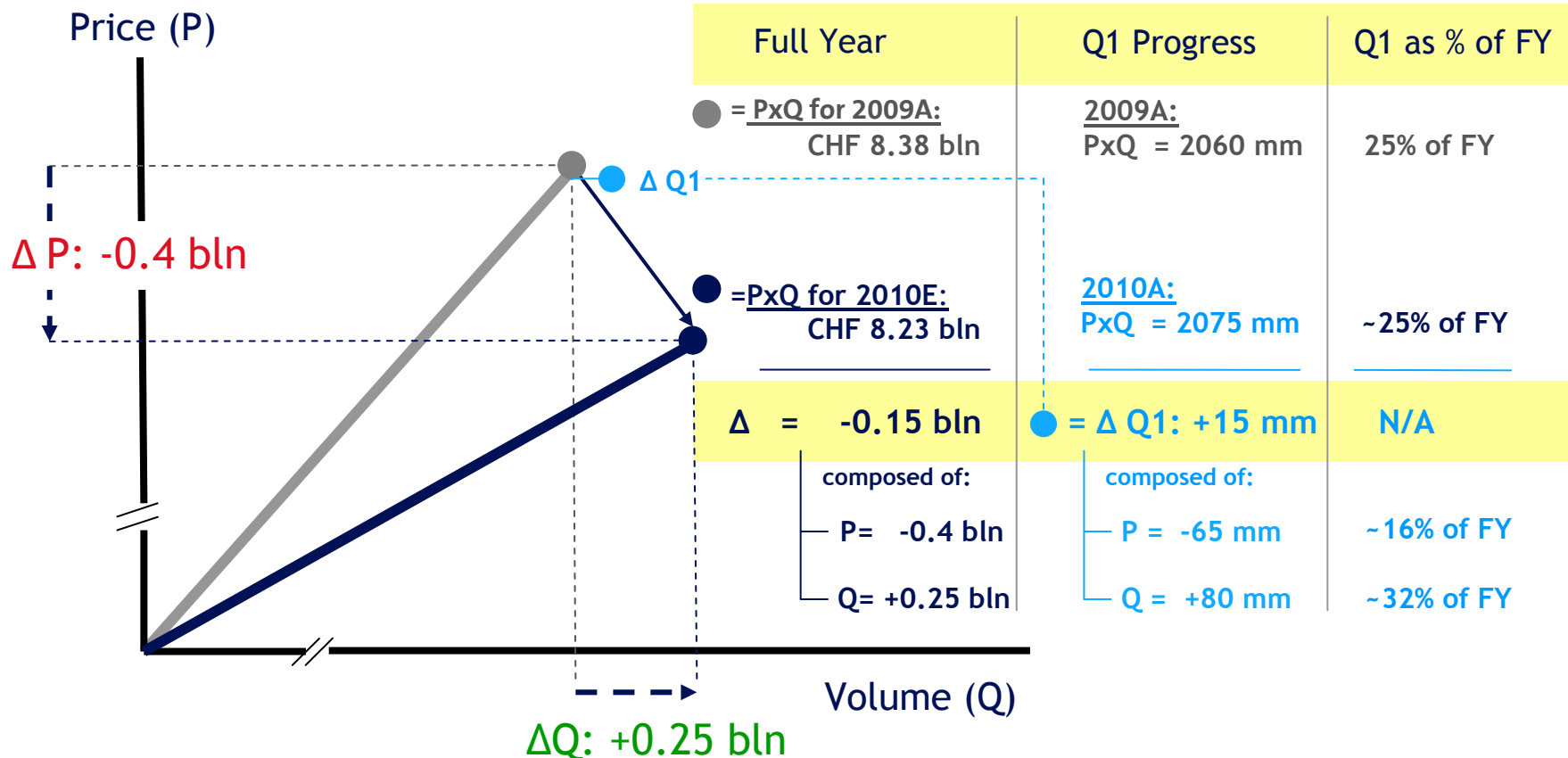


- =  $P \times Q$  for 2009A = actual revenues 2009 (Price x Volume)
- = Progress in Q1: how much of the FY expectation has been achieved during the first 3 months, and is this worse or better than expected (in this example: price decline is not as bad as expected and volume growth is more than expected)
- = Theoretical line of quarterly progress if there were no seasonality. If ● is right of the theoretical line, factual progress is better than expected. If ● is left of the line, progress is below expectation
- =  $P \times Q$  for 2010E = expected revenues 2010 (Price x Volume)

Analysis carried out on following slides for the largest revenue generating businesses:

- Wireless Total
  - Wireless Access
  - Wireless Traffic
- Wireline Total
  - Wireline Access
  - Wireline Traffic

# TOTAL external revenue dynamics of Swisscom Switzerland (RES+SME+CBU+WS) 2010E vs 2009A, and Q1 progress

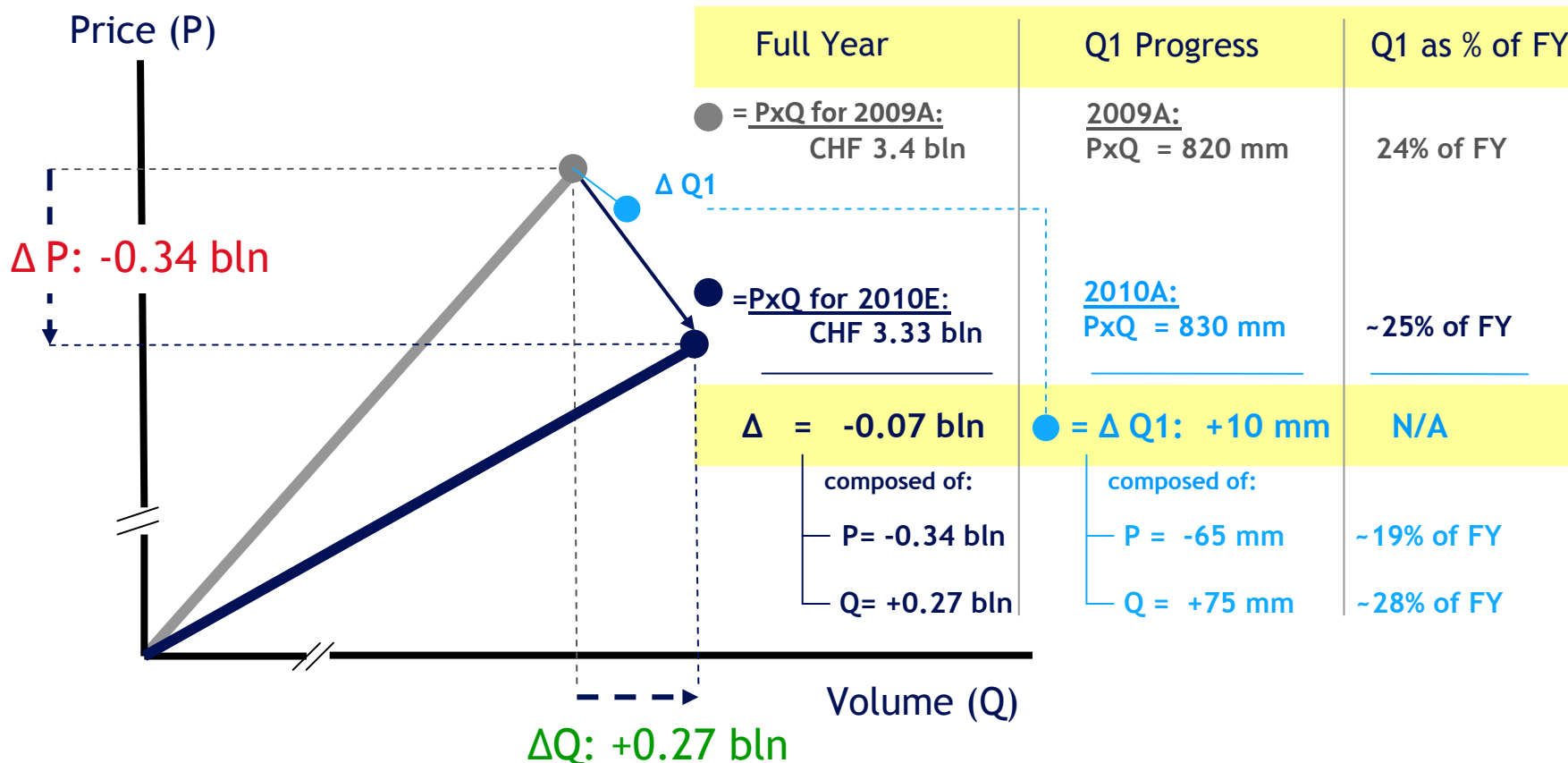


**FY:** Expect TOTAL revenues in 2010 some 150 mm below 2009, composed of ~250 mm higher sales from higher volumes, and ~400 mm lower sales from lower prices

**Q1:** better than expected with 15 mm HIGHER sales YoY so far, as both price and volume effect were better than expected



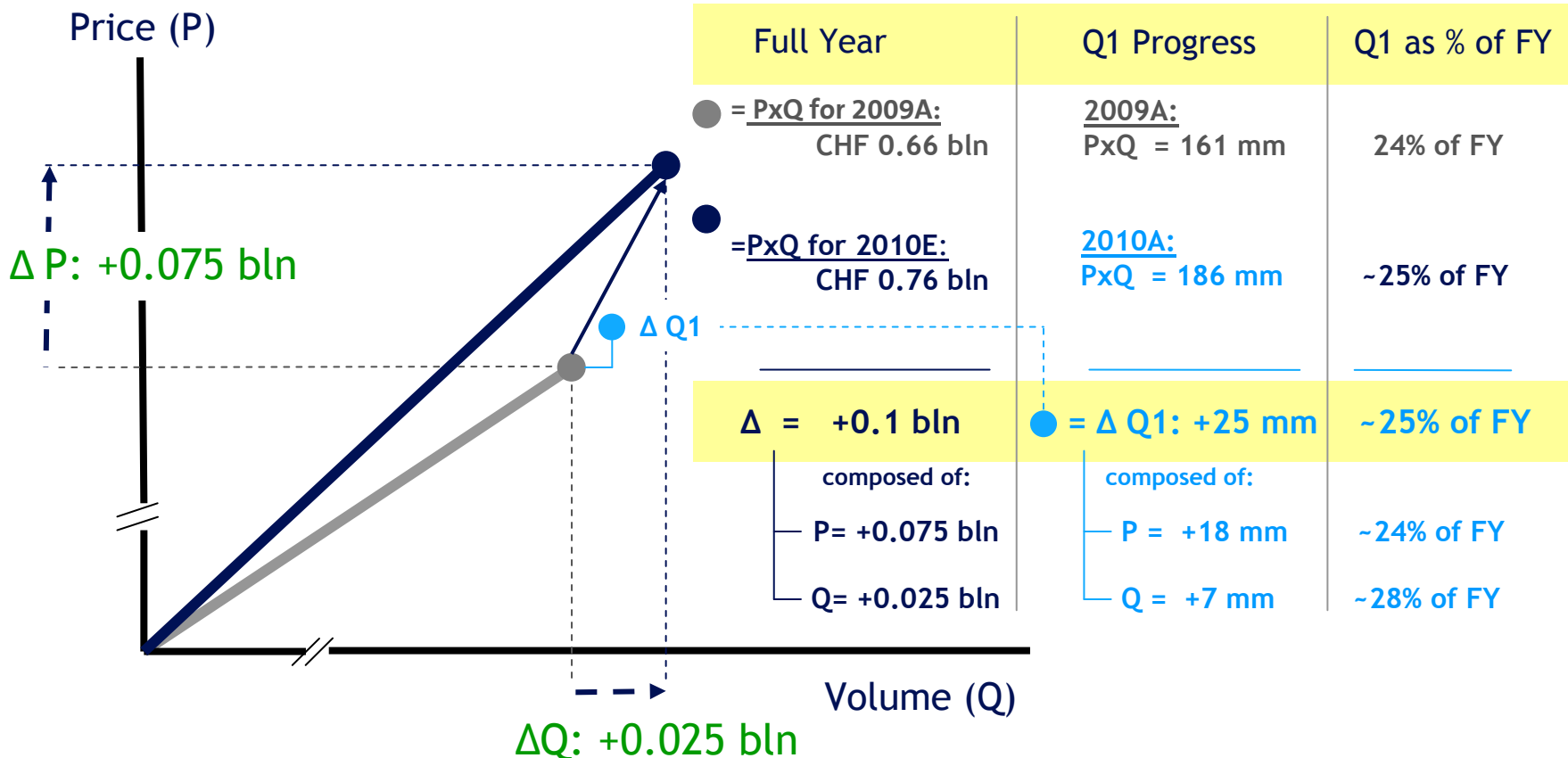
# Wireless TOTAL revenue dynamics, 2010E vs 2009A, and Q1 progress



**FY:** Expect wireless TOTAL revenues in 2010 some 70mm below 2009, composed of ~270 mm higher sales from higher volumes, and ~340 mm lower sales from lower prices

**Q1:** better than expected with 10 mm HIGHER sales YoY sofar, esp. due to limited price effects

# Wireless ACCESS revenue dynamics, 2010E vs 2009A, and Q1 progress

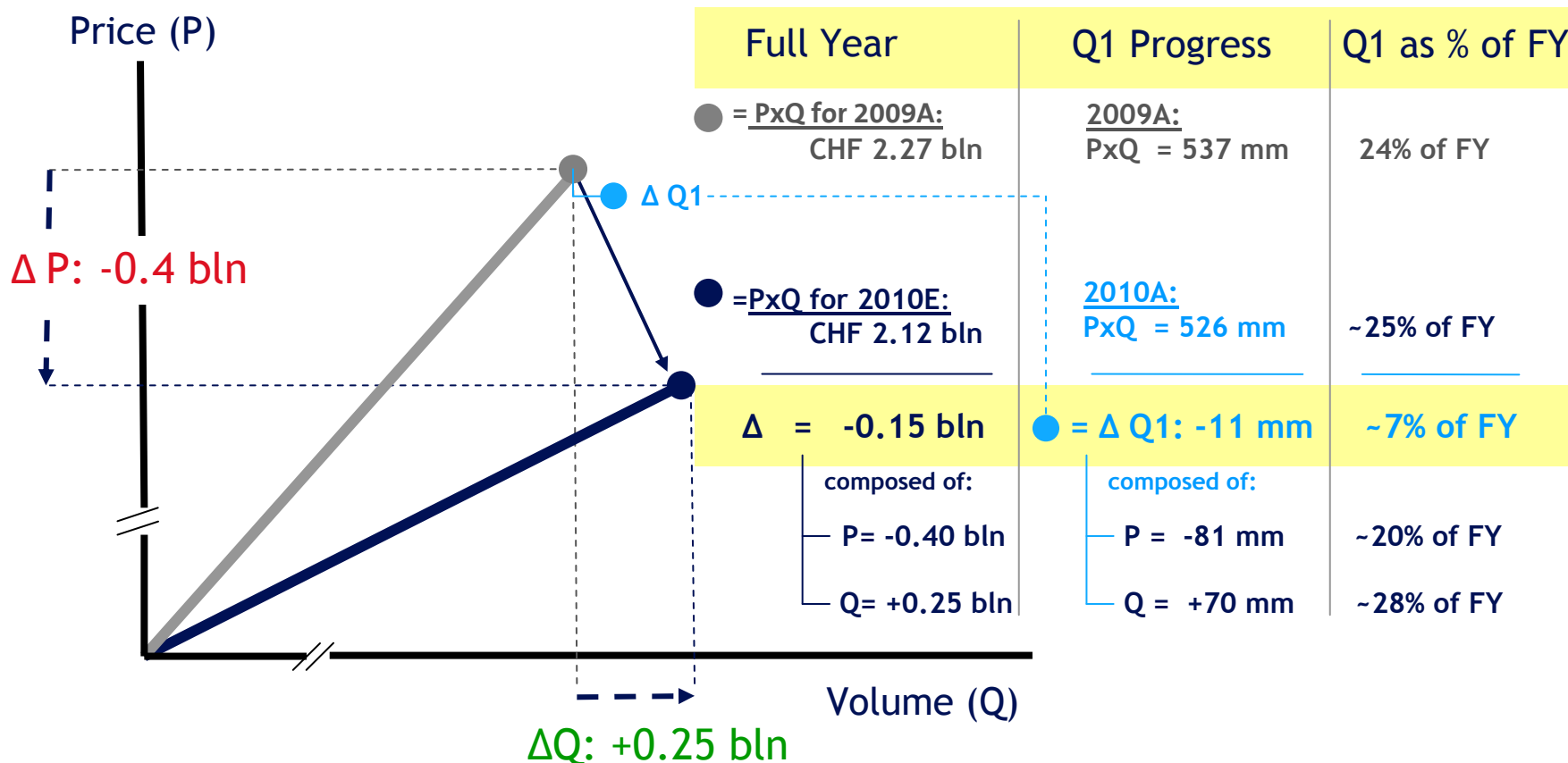


**FY:** Expect wireless ACCESS revenues in 2010 some 100mm above 2009, composed of 25 mm higher sales from higher volumes, and 75 mm higher sales from higher prices

**Q1:** as expected with 25 mm HIGHER sales YoY sofar

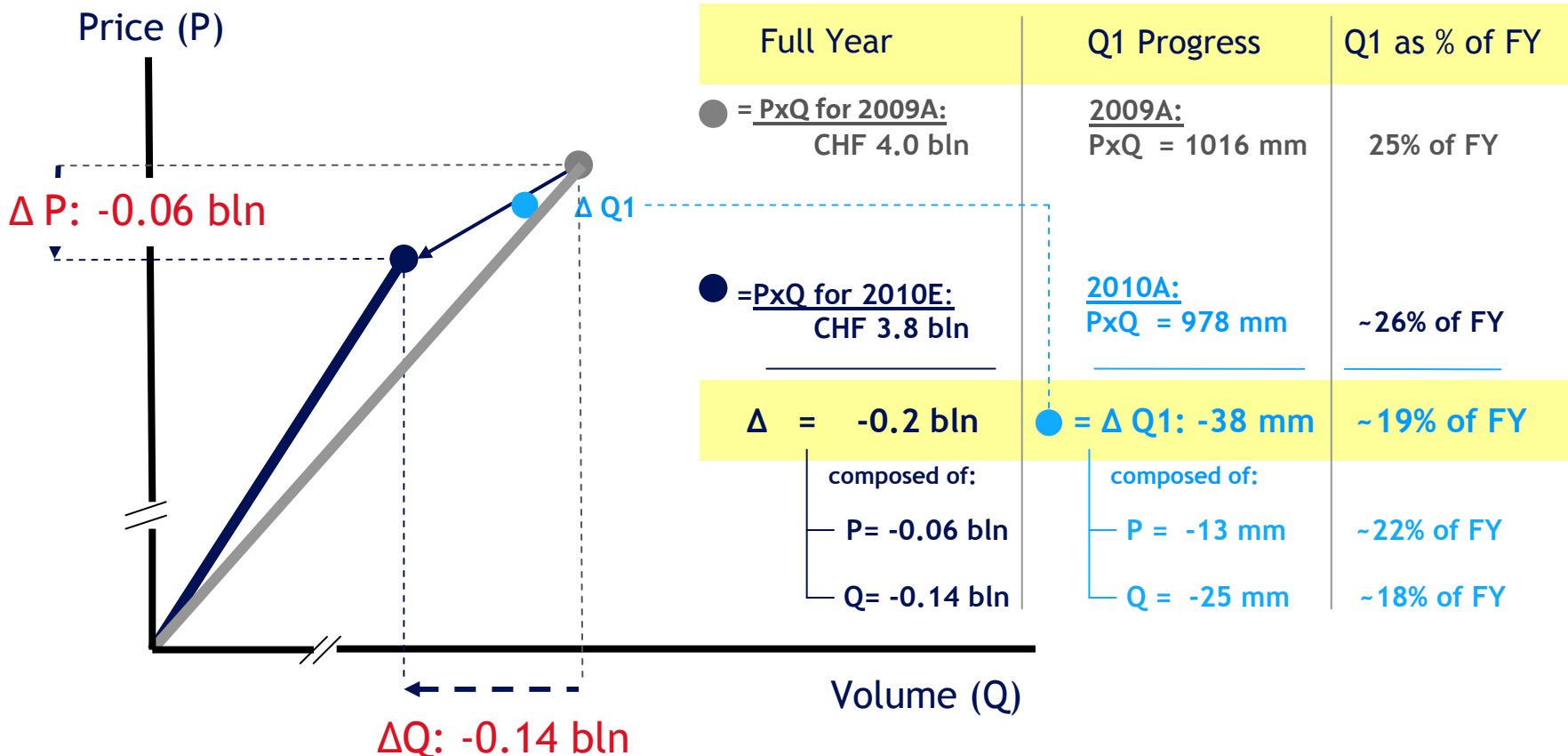


# Wireless TRAFFIC revenue dynamics, 2010E vs 2009A, and Q1 progress



**FY:** Expect wireless TRAFFIC revenues in 2010 some 150mm below 2009, composed of 250 mm higher sales from higher volumes, and 400 mm lower sales from lower prices  
**Q1:** ahead of expectation with only 11 mm LOWER sales YoY so far (just 7% of FY what is expectation, as both price and volume effect turned out better than expected)

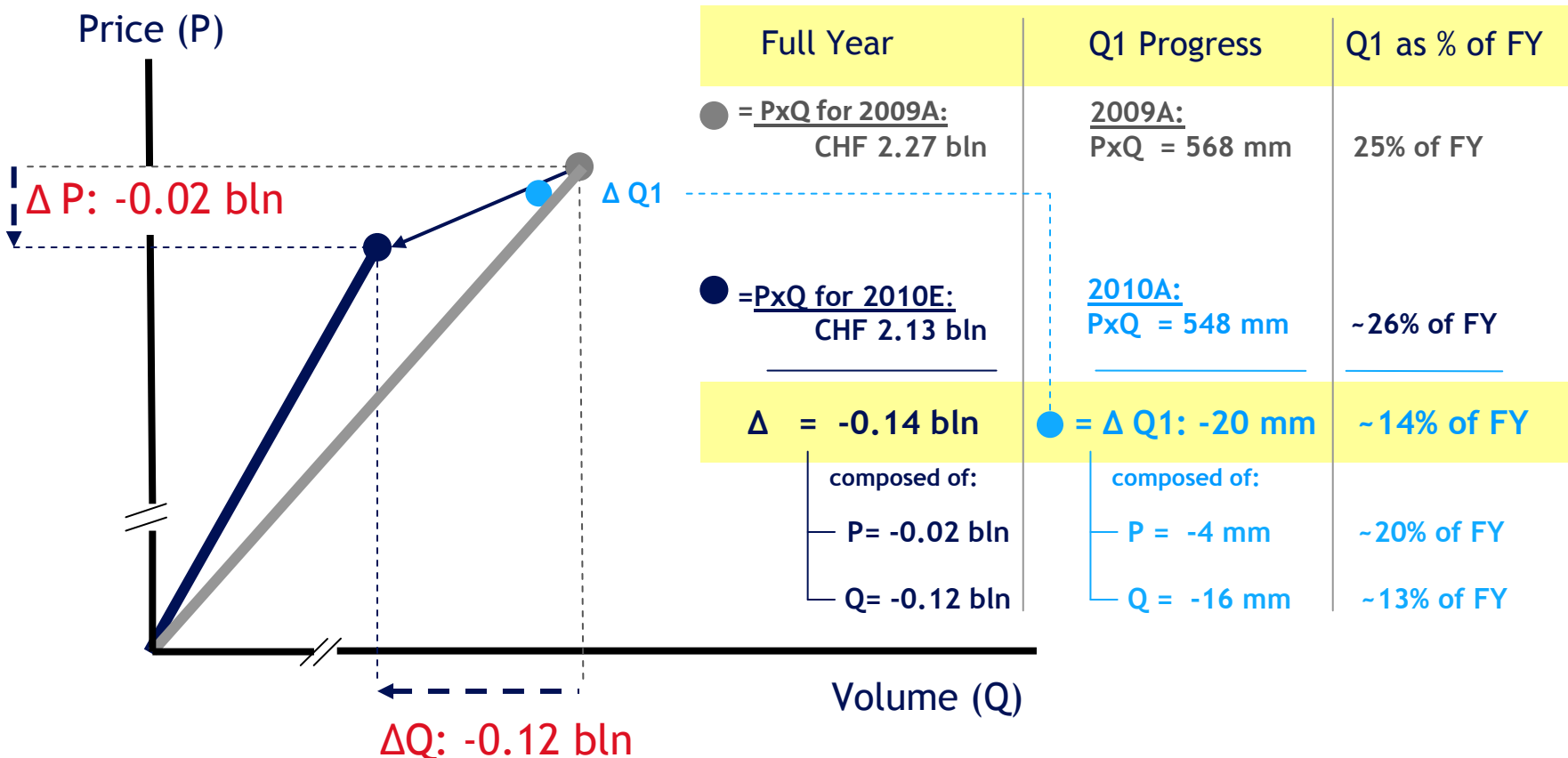
# Wireline TOTAL revenue dynamics, 2010E vs 2009A, and Q1 progress



**FY:** Expect wireline TOTAL revenues in 2010 some 200mm below 2009, composed of 140 mm lower sales from lower volumes, and 60 mm lower sales from lower prices

**Q1:** a touch better than expected with 38 mm lower sales YoY so far

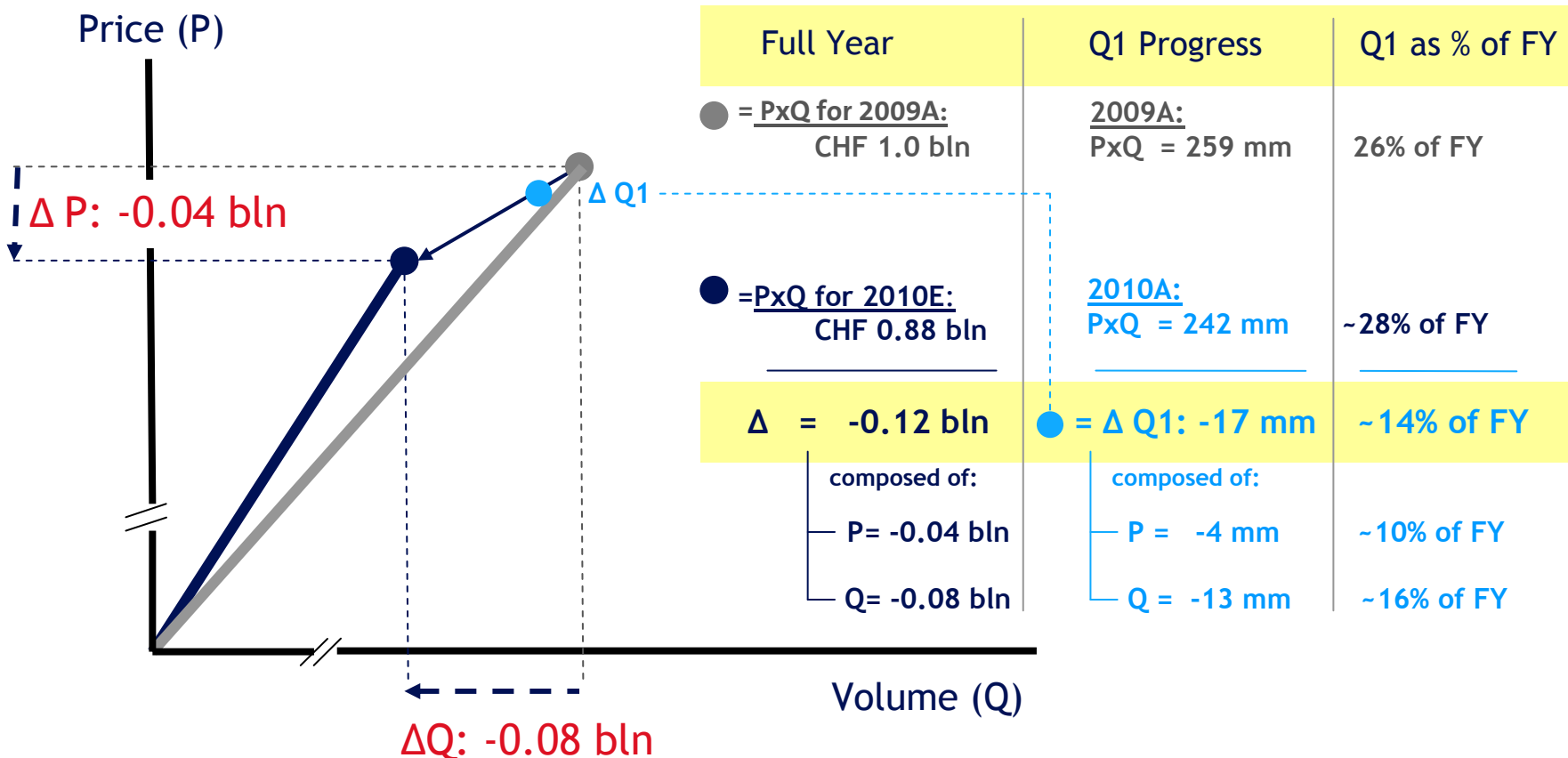
# Wireline ACCESS revenue dynamics, 2010E vs 2009A, and Q1 progress



**FY:** Expect wireline ACCESS revenues in 2010 some 136mm below 2009, composed of 120 mm lower sales from lower volumes, and 16 mm lower sales from lower prices

**Q1:** better than expected with only 20 mm lower sales YoY so far (16% of FY expectation), esp. due to better than expected volume development

# Wireline TRAFFIC revenue dynamics, 2010E vs 2009A, and Q1 progress



**FY:** Expect wireline TRAFFIC revenues in 2010 some 120mm below 2009, composed of 80 mm lower sales from lower volumes, and 40 mm lower sales from lower prices

**Q1:** better than expected with only 17 mm lower sales YoY sofar (14% of FY expectation), as both price and volume developments were better than expected

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## Why a restatement?

- Revenues

- The new structure - unlike the old one - allows for separate reporting on the revenue generation from convergent products (combinations between mobile and fixed products). As this revenue stream is expected to grow in importance going forward, it now becomes opportune to report separately on this line
- Similarly, wireline bundles (e.g. the combination of TV with a broadband and access package on the fixed infrastructure) can now be separately reported
- Finally, service revenue (access, traffic, VAS) can now also be separately reported from revenue with devices/hardware and other non-service revenue (e.g. directories). As these two streams have different characteristics (recurring versus one-off), there is added value in showing both developments separately

- Expenses

- Newly, the negative margin on sold handsets (purchase - sales price) is booked in the SAC/SRC line, and no longer in the Cost of Goods Sold

- Balance sheet

- Land lease (IAS17) to be qualified as financial lease, i.e. causing slightly lower operating cost (and higher EBITDA), yet also higher balance sheet values for assets and liabilities, and also a slightly higher Net Debt

- Operational data

- With the introduction of a new CRM system, certain customer related data have been cleaned up (such as SIM cards, or landlines, used for internal purposes)

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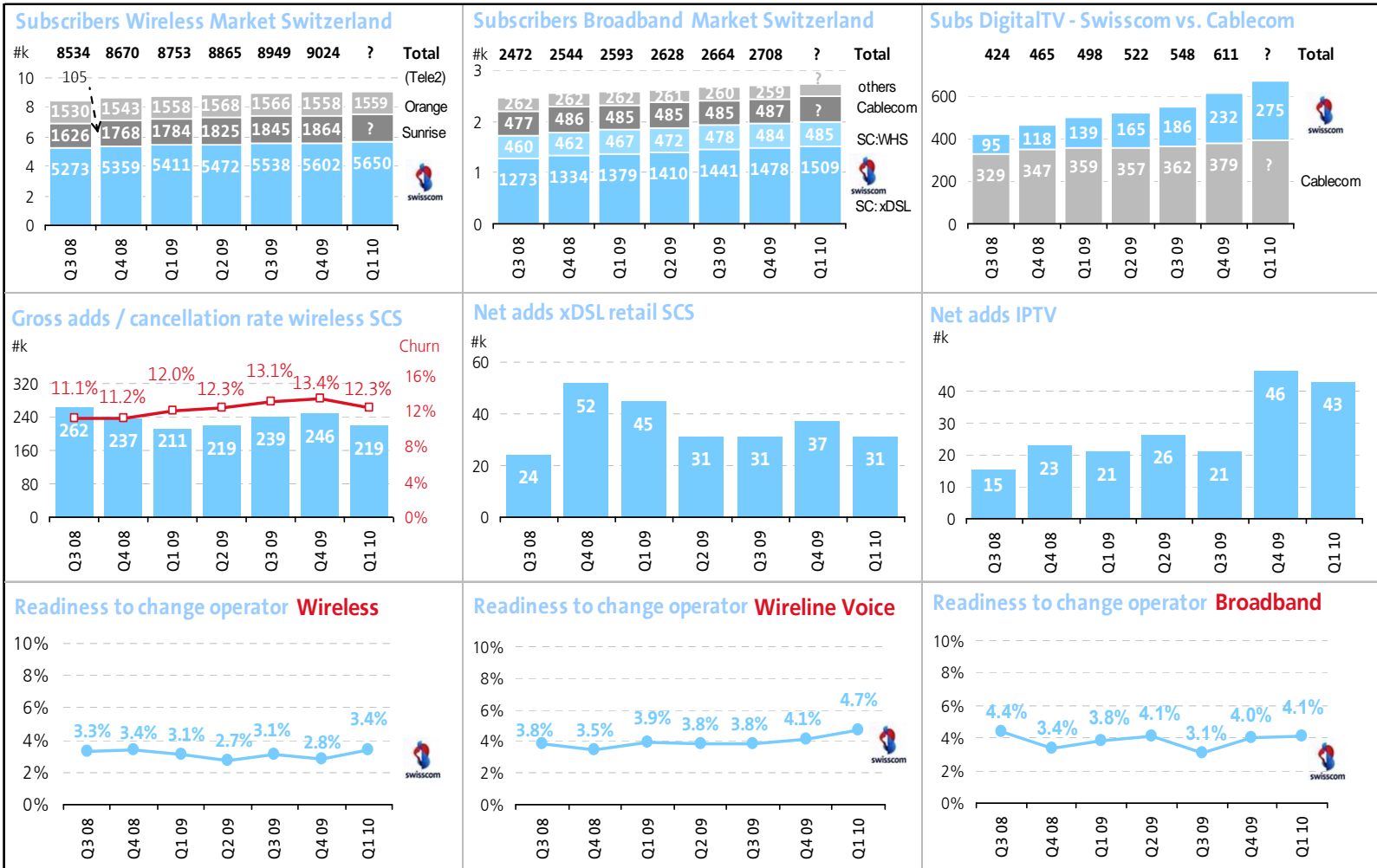
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# Cockpit - customer trend over last 7 quarters

Overall good market performance - no change in Swisscom customers' readiness to change



# Segment Residential Customers

## Financials and operational data

	31.03.2010	YOY
Net revenue in MCHF <sup>1)</sup>	1'258	2.9%
Direct costs in MCHF	-305	10.1%
Indirect costs in MCHF <sup>2)</sup>	-206	-5.9%
<b>Contribution Margin 2 in MCHF</b>	<b>747</b>	<b>2.8%</b>
<i>Contribution Margin 2 in %</i>	<i>59.4%</i>	
CAPEX in MCHF	28	-12.5%
FTE's	4'653	-3.8%
	31.03.2010	YOY
Voice lines in '000	2'581	-6.5%
BB lines in '000	1'333	9.5%
Wireless customers in '000	4'438	2.9%
Wireless cancellation rate (annualised)	14.0%	1pp
Blended wireless ARPU in CHF	40	-2.4%
thereof ARPU new data in CHF	4.0	33.3%
Blended wireless AMPU in Min.	99	4.2%
Wireline traffic national in Mmin.	1'350	-7.8%
Wireline traffic int'l in Mmin.	168	-6.1%
TV subs in '000	268	92.8%

1) incl. intersegment revenues

2) incl. capitalised costs and other income

## 3m 2010

- **Net revenue** up 2.9% due to higher service revenue and increased number of smart phones sold
- Despite price erosion and lower termination rates wireless **revenue** stable YoY, due to subs and new data growth
- Wireline **revenue** down -1% (broadband subs, IPTV growth in addition with new bundle offers overcompensated by voice line loss, price erosion)
- 17 MCHF revenue growth contribution from **convergent products**
- **Direct cost** up +28 MCHF (higher number of sold smart phones and Swisscom TV)
- **Indirect cost** down -5.9% (mainly due to lower number of FTE and efficiency gain)
- **Contribution Margin** stable at 59%
- **New Data ARPU** up 33.3%

# Segment Small & Medium-sized Enterprises

## Financials and operational data

	31.03.2010	YOY
Net revenue in MCHF <sup>1)</sup>	285	2.2%
Direct costs in MCHF	-42	10.5%
Indirect costs in MCHF <sup>2)</sup>	-33	10.0%
<b>Contribution Margin 2 in MCHF</b>	<b>210</b>	<b>-0.5%</b>
<i>Contribution Margin 2 in %</i>	<i>73.7%</i>	
CAPEX in MCHF	1	-75.0%
FTE's	756	-1.7%

	31.03.2010	YOY
Voice lines in '000	514	0.6%
BB lines in '000	148	8.8%
Wireless customers in '000	468	9.6%
Wireless cancellation rate (annualised)	7.0%	-1pp
Blended wireless ARPU in CHF	89	-3.3%
thereof ARPU new data in CHF	10.9	16.0%
<b>Blended wireless AMPU in Min.</b>	<b>203</b>	<b>0.0%</b>
Wireline traffic national in Mmin.	372	-3.6%
Wireline traffic int'l in Mmin.	46	-8.0%

1) incl. intersegment revenues

2) incl. capitalised costs and other income

## 3m 2010

- **Net revenue up YoY** (price erosion compensated by higher number of subscribers)
- **Direct costs rise 10.5% esp.** due to increasing number of sold smart phones
- **Contribution Margin with 210 MCHF stable YoY.** Revenue increase offset by increasing costs
- **New Data ARPU up 16%** to almost 11 CHF / month

# Segment Corporate Business

## Financials and operational data

	31.03.2010	YOY
Net revenue in MCHF <sup>1)</sup>	446	-1.1%
Direct costs in MCHF	-102	0.0%
Indirect costs in MCHF <sup>2)</sup>	-107	-7.8%
<b>Contribution Margin 2 in MCHF</b>	<b>237</b>	<b>1.7%</b>
<i>Contribution Margin 2 in %</i>	<i>53.1%</i>	
CAPEX in MCHF	14	-22.2%
FTE's	2'210	-1.0%

	31.03.2010	YOY
Voice lines in '000	235	-4.1%
BB lines in '000	28	7.7%
Wireless customers in '000	744	10.7%
Wireless cancellation rate (annualised)	5.0%	-5pp
Blended wireless ARPU in CHF	67	-8.2%
thereof ARPU new data in CHF	15.1	8.6%
Blended wireless AMPU in Min.	168	-7.2%
Wireline traffic national in Mmin.	406	-3.8%
Wireline traffic int'l in Mmin.	92	-1.1%

1) incl. intersegment revenues

2) incl. capitalised costs and other income

## 3m 2010

- **Revenue** with 446 MCHF almost stable YoY. Decline of wireline revenue (voice lines and traffic minutes) nearly offset by rising projects/outsourcing and Mobile revenue (subscriber and new data growth)
- **Direct cost** stable (increase in project/outsourcing revenue with low margin offset by lower outpayments)
- **Indirect cost** decline -7.8% (lower number of FTE and less expenses for external employees)
- **Contribution Margin** increased by 1.4%-points to 53.1% of net revenue mainly due to revenue increase and cost management
- **Order intake** for project/outsourcing business of 44 MCHF

# Segment Wholesale

## Financials and operational data

	31.03.2010	YOY
Revenue from external customers in MCHF	204	-10.5%
Intersegment revenue in MCHF	122	-3.9%
<b>Net revenue in MCHF</b>	<b>326</b>	<b>-8.2%</b>
Direct costs in MCHF	-201	-9.0%
Indirect costs in MCHF <sup>1)</sup>	-6	-14.3%
<b>Contribution Margin 2 in MCHF</b>	<b>119</b>	<b>-6.3%</b>
<i>Contribution Margin 2 in %</i>	<i>36.5%</i>	
CAPEX in MCHF	-	nm
FTE's	104	3.0%
	31.03.2010	YOY
Full access lines in '000	192	236.8%
BB (wholesale) lines in '000	293	-28.5%
Wireline wholesale traffic in Mmin.	2'642	-14.7%

1) incl. capitalised costs and other income

## 3m 2010

- **Net revenue decreased by 29 MCHF**
  - Lower wireline termination due to lower volumes
  - lower interconnection rates
  - lower wireless voice termination due to lower rates
  - higher inbound roaming
  - ongoing full access substitution
  - lower data services
- **Direct costs down by 20 MCHF for the same reasons as why revenues came down**
- **Full access lines growing substantially, however mostly at expense of wholesale broadband lines (not retail BB lines)**

# Segment Networks and Support Functions

## Financials and operational data

	31.03.2010	YOY
Personnel expenses in MCHF	-176	4.1%
Rent in MCHF	-47	-19.0%
Maintenance in MCHF	-48	4.3%
IT expenses in MCHF	-84	3.7%
Other OPEX in MCHF	-73	5.8%
Indirect costs in MCHF	-428	1.2%
Capitalised costs and other income in MCHF	44	-2.2%
<b>Contribution Margin 2 in MCHF</b>	<b>-384</b>	<b>1.6%</b>
Depreciation, amortisation and impairment in MCHF	225	9.8%
<b>Segment result in MCHF</b>	<b>-609</b>	<b>4.5%</b>
CAPEX in MCHF	180	16.9%
FTE's	4'088	-3.1%

## 3m 2010

- **Personnel expenses** up by 7 MCHF mainly driven by higher termination benefits and higher pension cost partially offset by lower personnel expenses due to a lower number of FTE
- **Segment result** decreased by 26 MCHF mainly as a result of higher depreciation and amortisation due to the capitalisation of a customer relationship management system
- **CAPEX** above previous year (16.9%) mainly driven by higher spending for the fibre-infrastructure and next generation network. This will not lead to higher total Capex for FY 2010

# Segment Fastweb

## Financials and operational data

	31.03.2010	YOY
Consumer revenue in MEUR	179	2.9%
SME revenue in MEUR	104	3.0%
Executive revenue in MEUR	179	5.9%
Net revenue in MEUR <sup>1)</sup>	462	4.1%
OPEX in MEUR	-419	23.2%
Capitalised costs and other income in MEUR	14	-22.2%
<b>EBITDA in MEUR</b>	<b>57</b>	<b>-53.3%</b>
<b>EBITDA in MEUR w/o VAT prov.</b>	<b>127</b>	<b>4.1%</b>
<i>margin in % (w/o VAT prov.)</i>	<i>27.5%</i>	
CAPEX in MEUR	99	19.3%
FTE's	3'119	0.9%

In Swisscom accounts	31.03.2010	YOY
Net revenue in MCHF	672	1.2%
EBITDA in MCHF	82	-54.9%

	31.03.2010	YOY
BB customers in '000	1'678	8.8%
Mobile customers in '000	250	nm

1) incl. revenues to Swisscom companies

## 3m 2010

- **Revenues** increased by 4.1% YoY - with a positive contribution from all segments
- Standalone **EBITDA** reaches EUR 127mm, up +4% with a margin of 27.5% (equal to last year)
- In Swisscom's accounts, a **provision** of EUR 70mm for the pending VAT case has been booked in Q1 2010
- Contribution to Swisscom accounts in CHF lower than previous year, due to strengthening of Swiss Franc in a YOY context (FX impact revenue -20 MCHF/EBITDA -5 MCHF)

# Other operating segments

## Financials and operational data

	31.03.2010	YOY
Swisscom IT Services in MCHF	117	27.2%
Swisscom Participations in MCHF	74	-7.5%
Hospitality Services in MCHF	18	-5.3%
Other in MCHF	1	-50.0%
External revenue in MCHF	210	8.8%
Net revenue in MCHF <sup>1)</sup>	408	0.2%
OPEX in MCHF	-336	-2.6%
Capitalised costs and other income in MCHF	9	125.0%
<b>EBITDA in MCHF</b>	<b>81</b>	<b>22.7%</b>
<i>EBITDA margin in %</i>	<i>19.9%</i>	
CAPEX in MCHF	19	-9.5%
FTE's	4'160	-8.0%

1) incl. intersegment revenues

## 3m 2010

- External revenue up 17 MCHF (+8.8%):
  - IT Services up CHF +25mm, mainly from new group companies Resource/Sourcag
  - Swisscom Participations down CHF 6mm due to outsourcing of facility management in 2009
- Intercompany revenues down CHF 16mm due to outsourcing of facility management and lower intercompany IT services
- Flat net revenue combined with strict cost management leads to **EBITDA** and EBITDA margin increase
- Order intake IT Services CHF 91mm

# Agenda “Qventful”

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35

- ① Q1 2010: financially at a glance Carsten Schloter, CEO
  - ② “Qventful”: an eventful quarter - regulation and VAT case Fastweb
  - ③ Revenue dynamics 2010, and progress in Q1
- 

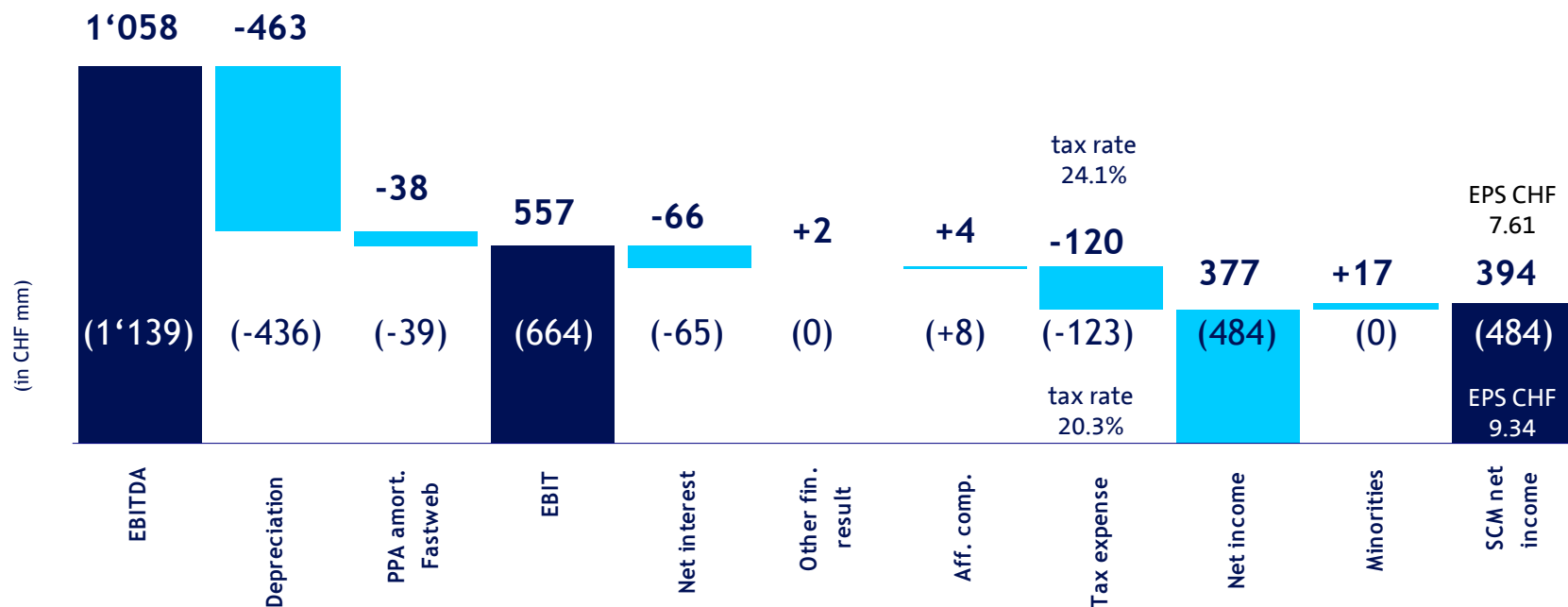
- ④ Restatement 2010 Ueli Dietiker, CFO
- ⑤ Segmental results Q1
- ⑥ **Group results**
- ⑦ Outlook 2010

Q&A

- ⑧ Backup: restatement details, and detailed revenue dynamics

# Group YTD: P&L breakdown

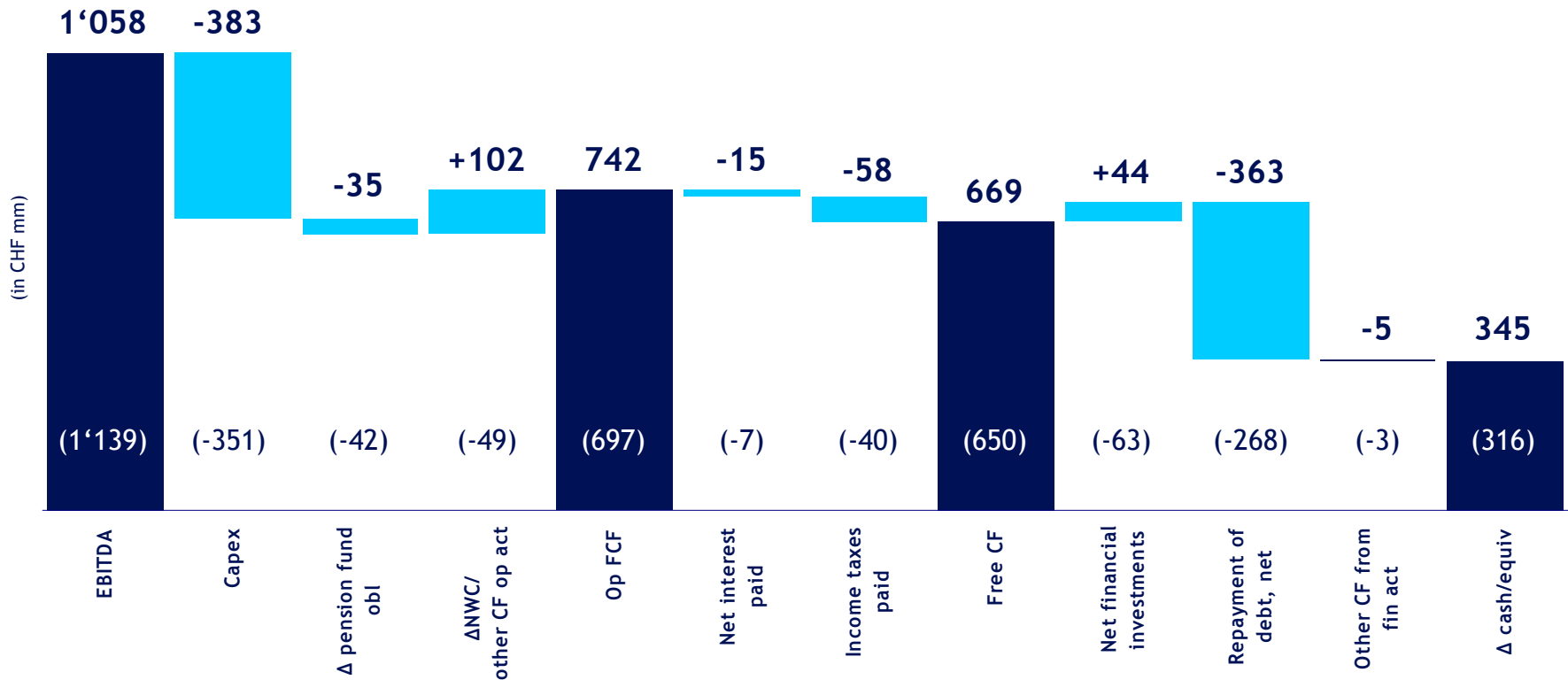
EBIT and net income substantially lower compared to PY driven by EBITDA impact from Fastweb VAT provision



Without Fastweb provision, Q1 2010 net income was at a par with Q1 2009

# Group results - Cash flow breakdown

No cash flow impact from VAT provision. Operating free cash flow increased by 45 MCHF due to outpayments for interconnection proceedings in 2009.



After debt repayment of 363 MCHF, cash and cash equivalents increased by 345 MCHF to 989 MCHF in Q1 in order to prepare for dividend payout beginning of May.

# Agenda “Qventful”

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- ① Q1 2010: financially at a glance Carsten Schloter, CEO
  - ② “Qventful”: an eventful quarter - regulation, VAT case Fastweb, blocked merger Orange/Sunrise
  - ③ Revenue dynamics 2010, and progress in Q1
- 

- ④ Restatement 2010 Ueli Dietiker, CFO
- ⑤ Segmental results Q1
- ⑥ Group results
- ⑦ **Outlook 2010**

## Q&A

- ⑧ Backup: restatement details, and detailed revenue dynamics

## FY Guidance 2010 excluding Fastweb provision:

		2009A	Q1 '09 as % of 2009	2010E	Q1 '10 as % of 2010
<b>Net revenues</b>					
Swisscom excl. Fastweb	bIn CHF	9.22	24%	~9.15	~25%
Fastweb	MEUR	1.85	24%	~1.95	~24%
<b>EBITDA</b>					
Swisscom excl. Fastweb	bIn CHF	3.84	25%	~3.75	~26%
Fastweb (excl. €70 mm provision)	MEUR	551	22%	~580	~22%
<b>Capex</b>					
Swisscom excl. Fastweb	bIn CHF	1.33	17%	~1.3	~18%
Fastweb	MEUR	434	19%	~410	~24%
<b>Delta NWC</b>					
Swisscom Group incl. FWB	bIn CHF	0		~-0.1	
<b>OpFCF</b>					
Swisscom Group incl. FWB	bIn CHF	2.67	26%	~2.6	~29%

Fastweb provision will cause consolidated EBITDA to be CHF 100 mm lower than originally foreseen

# Questions & Answers

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# Agenda “Qventful”

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- ① Q1 2010: financially at a glance Carsten Schloter, CEO
  - ② “Qventful”: an eventful quarter - regulation, VAT case Fastweb, blocked merger Orange/Sunrise
  - ③ Revenue dynamics 2010, and progress in Q1
- 

- ④ Restatement 2010 Ueli Dietiker, CFO
- ⑤ Segmental results Q1
- ⑥ Group results
- ⑦ Outlook 2010

Q&A

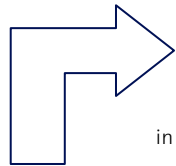
- ⑧ **Backup: restatement details, and detailed revenue dynamics**

# Scope of restatement

Financials	Swisscom Schweiz	Other operating segments
Revenue	<ul style="list-style-type: none"> <li>• New revenue structure</li> <li>• Minor transfers of activities between customer segments</li> </ul>	
Expenses	<ul style="list-style-type: none"> <li>• Reclassification of handset subsidies from goods purchased to SAC/SRC</li> </ul>	Change in accounting for land lease (IAS 17) at Swisscom Immobilien
Balance sheet		
<b>Operational data</b>	<ul style="list-style-type: none"> <li>• New definition and clean-up of customer-related data due to introduction of new CRM system</li> </ul>	

# Reconciliation from old to new revenue structure

## Swisscom Schweiz



Old structure

### New structure

in MCHF

2009

		Reclassifications	Wireless revenue				Wireline revenue				Convergent products revenue	Solutions revenue	Other revenue		
			Wireless access	Wireless traffic	Wholesale wireless	Other wireless	Wireline access	Wireline traffic	Wholesale wireline	Other wireline					
<b>Mobile revenue</b>	<b>3'717</b>		<b>663</b>	<b>2'266</b>	<b>366</b>	<b>98</b>									<b>323</b>
Base Fees	645	7.5	653												
Voice	1'529	0.1		1'529											
Data & VAS	854	-7.6	10	737		98									
Handsets & Other	689				366										323
<b>Wireline Access revenue</b>	<b>2'145</b>	<b>-4.0</b>						<b>1'854</b>	<b>20</b>	<b>167</b>	<b>75</b>	<b>23</b>			<b>3</b>
Voice Access	1'190	-17.1						1'172			1				
Boadband Access	858							602	20	141	72	23			
Access other	97	13.1						80		26	2				3
<b>Wireline Traffic revenue</b>	<b>1'154</b>	<b>53.0</b>			<b>4</b>			<b>971</b>	<b>171</b>	<b>61</b>					
Traffic National	755							747			8				
Traffic International	222							222							
Other Wireline Traffic	177	53.0			4			2	171	53					
<b>Wireline Other revenue</b>	<b>695</b>	<b>2.5</b>						<b>415</b>	<b>10</b>	<b>107</b>	<b>60</b>	<b>5</b>			<b>101</b>
<b>Other revenue</b>	<b>667</b>	<b>-51.5</b>								<b>33</b>	<b>55</b>	<b>1</b>	<b>131</b>		<b>395</b>
<b>Total external net revenue</b>	<b>8'378</b>		<b>663</b>	<b>2'266</b>	<b>370</b>	<b>98</b>		<b>2'270</b>	<b>1'001</b>	<b>478</b>	<b>251</b>	<b>28</b>	<b>131</b>		<b>822</b>
<b>Total external net revenue</b>	<b>8'378</b>		<b>663</b>	<b>2'266</b>	<b>370</b>	<b>98</b>		<b>2'270</b>	<b>1'001</b>	<b>478</b>	<b>251</b>	<b>28</b>	<b>131</b>		<b>822</b>

# Reclassification of handset subsidies from goods purchased to SAC/SRC

- The sale of mobile handsets often includes subsidies, i.e. a handset is sold at a lower price than the purchase price
- In the past, this negative handset margin was included in the financial reporting under goods and services purchased and only considered to be part of the subscriber acquisition and retention costs in the KPI reporting
- In line with the new revenue structure and the introduction of a new CRM system, Swisscom Schweiz decided to reclassify these costs to subscriber acquisition and retention costs also in the financial reporting

<b>SCS breakdown</b> <i>in MCHF</i>	2009 reported	Adjust.	2009 restated
Subscriber acquisition and retention costs	-355	-128	-483
Other costs of goods and services purchased	-811	128	-683
<b>Direct costs</b>	<b>-1'870</b>	-	<b>-1'870</b>

# Change in accounting of land lease (IAS 17)

- The amendment of IAS 17 „leases“ removes the specific guidance to generally classify land lease as operating lease. In assessing land lease the general lease criteria have to be applied and therefore a land element must be classified as a finance lease in certain circumstances.
- The application of the amendment results in a shift of accounting from operating lease to finance lease for several buildings which Swisscom sold and leased back in 2001.
- The accounting change is to be applied retrospectively. Corresponding balance sheet and income statement items were restated as follows:

Balance sheet in MCHF	31.12.2009 reported	Adjust.	31.12.2009 restated
Property, plant & equipment	8'044	175	8'219
Deferred tax assets	48	9	57
Financial liabilities	-10'010	-209	-10'219
Other non-financial liabilities	-938	-93	-1'031
<b>Equity</b>	<b>6'728</b>	<b>-118</b>	<b>6'610</b>
<b>Net debt</b>	<b>8'932</b>	<b>209</b>	<b>9'141</b>

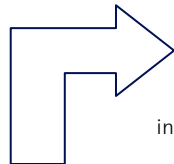
Income statement in MCHF	2009 reported	Adjust.	2009 restated
<b>EBITDA *</b>	<b>4'666</b>	<b>18</b>	<b>4'684</b>
Depreciation & amortization *	-1'988	-7	-1'995
<b>EBIT *</b>	<b>2'678</b>	<b>11</b>	<b>2'689</b>
Net financial result	-336	-13	-349
<b>Net income</b>	<b>1'925</b>	<b>-2</b>	<b>1'923</b>
Earnings per share (in CHF)	37.22	-0.04	37.18

\* impact on other operating segments and rounding differences in intersegment elimination

# Introduction of new CRM system leads to clean-up and new definitions in subscriber data

KPI	31.12.2009 reported	Adjustments	31.12.2009 restated	explains changes in
<b>Mobile subscribers</b>  <b>(new description: Wireless customers)</b>	5'610k	-46k elimination of internal SIM cards +41k addition of suspended, but not deactivated SIM cards -3k new common definition of customers across all products and segments	5'602k	Mobile (new: Wireless) - Connectivity voice minutes - SMS - AMPU - ARPU - Cancellation rate
<b>Voice lines (PSTN/ISDN)</b>	3484k	-39k elimination of internal lines -54k elimination of silent lines for mobile/fixed convergent products	3391k	Retail wireline traffic
<b>Broadband lines retail</b>	1472k	+6k new common definition of customers across all products and segments	1478k	
<b>TV subscribers</b>	230k	+1k bundled TV subscriptions in SME segment previously not reported +1k new common definition of customers across all products and segments	232k	

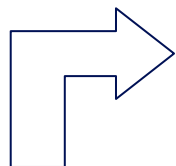
# Reconciliation from old to new revenue structure Residential Customers



Old structure

in MCHF		New structure								
		Wireless revenue			Wireline revenue			Convergent products revenue	Other revenue	
		Reclassifications	Wireless access	Wireless traffic	Other wireless	Wireline access	Wireline traffic	Other wireline		
<b>2009</b>										
<b>Mobile revenue</b>	<b>2'322</b>		<b>499</b>	<b>1'447</b>	<b>65</b>					<b>311</b>
Base Fees	495		495							
Voice	937			937						
Data & VAS	579		4	510	65					
Handsets & Other	311									311
<b>Wireline Access revenue</b>	<b>1'459</b>	-3.6				<b>1'344</b>	<b>19</b>	<b>67</b>	<b>22</b>	<b>3</b>
Voice Access	824					823		1		
Boadband Access	595					490	19	64	22	
Access other	40	-3.6				31		2		3
<b>Wireline Traffic revenue</b>	<b>589</b>						<b>578</b>	<b>11</b>		
Traffic National	449						438	11		
Traffic International	140						140			
<b>Wireline Other revenue</b>	<b>178</b>	2.1				<b>49</b>		<b>50</b>		<b>81</b>
<b>Other revenue</b>	<b>174</b>	1.5						<b>33</b>		<b>142</b>
<b>Total external net revenue</b>	<b>4'722</b>		<b>499</b>	<b>1'447</b>	<b>65</b>	<b>1'394</b>	<b>597</b>	<b>161</b>	<b>22</b>	<b>537</b>
Minor intersegment transfers							3			
<b>Total external net revenue incl. transfers</b>	<b>4'725</b>		<b>499</b>	<b>1'447</b>	<b>65</b>	<b>1'397</b>	<b>597</b>	<b>161</b>	<b>22</b>	<b>537</b>

# Reconciliation from old to new revenue structure Small & Medium-Sized Enterprises



## New structure

Old structure

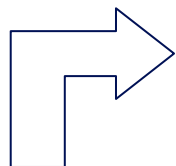
in MCHF

2009

		Reclassifications	Wireless revenue			Wireline revenue			Convergent products revenue	Solutions revenue	Other revenue
			Wireless access	Wireless traffic	Other wireless	Wireline access	Wireline traffic	Other wireline			
<b>Mobile revenue</b>	<b>447</b>		<b>93</b>	<b>350</b>	<b>3</b>					<b>1</b>	
Base Fees	90		90								
Voice	269			269							
Data & VAS	87		3	81	3						
Handsets & Other	1									1	
<b>Wireline Access revenue</b>	<b>359</b>	-0.4				<b>347</b>	<b>1</b>	<b>9</b>	<b>1</b>		
Voice Access	225					225					
Boadband Access	108					97	1	9	1		
Access other	26	-0.4				26					
<b>Wireline Traffic revenue</b>	<b>230</b>						<b>233</b>	<b>-3</b>			
Traffic National	189						192	-3			
Traffic International	41						41				
<b>Wireline Other revenue</b>	<b>22</b>	0.4				<b>14</b>		<b>9</b>			
<b>Other revenue</b>	<b>43</b>							<b>2</b>	<b>3</b>	<b>38</b>	
<b>Total external net revenue</b>	<b>1'101</b>		<b>93</b>	<b>350</b>	<b>3</b>	<b>361</b>	<b>234</b>	<b>17</b>	<b>1</b>	<b>39</b>	
Minor intersegment transfers											
<b>Total external net revenue incl. transfers</b>	<b>1'090</b>		<b>93</b>	<b>350</b>	<b>3</b>	<b>350</b>	<b>234</b>	<b>17</b>	<b>1</b>	<b>39</b>	

# Reconciliation from old to new revenue structure

## Corporate Business



### New structure

Old structure

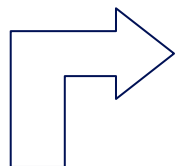
in MCHF

2009

		Reclassifications	Wireless revenue			Wireline revenue			Convergent products revenue	Solutions revenue	Other revenue
			Wireless access	Wireless traffic	Other wireless	Wireline access	Wireline traffic	Other wireline			
<b>Mobile revenue</b>	<b>572</b>		<b>71</b>	<b>469</b>	<b>31</b>						
Base Fees	61	7.5	69								
Voice	323	0.1		323							
Data & VAS	188	-7.6	3	146	31						
Handsets & Other	0										
<b>Wireline Access revenue</b>	<b>161</b>						<b>161</b>				
Voice Access	140	-17.1					123				
Boadband Access	14						14				
Access other	7	17.1					24				
<b>Wireline Traffic revenue</b>	<b>160</b>	53.0									
Traffic National	117					160	53				
Traffic International	41					117					
Other Wireline Traffic	2	53.0				41					
						2	53				
<b>Wireline Other revenue</b>	<b>381</b>										
						351	10	1	5	14	
<b>Other revenue</b>	<b>404</b>	-53.0									
								20	1	129	
<b>Total external net revenue</b>	<b>1'678</b>		<b>71</b>	<b>469</b>	<b>31</b>	<b>512</b>	<b>170</b>	<b>74</b>	<b>6</b>	<b>129</b>	<b>216</b>
Minor intersegment transfers							8				
<b>Total external net revenue incl. transfers</b>	<b>1'686</b>		<b>71</b>	<b>469</b>	<b>31</b>	<b>520</b>	<b>170</b>	<b>74</b>	<b>6</b>	<b>129</b>	<b>216</b>

# Reconciliation from old to new revenue structure

## Wholesale



### New structure

Old structure

in MCHF

2009

Reclassifications

		Wireless revenue	Wireline revenue			Other revenue
			Wireline access	Wireline traffic	Other wireline	
<b>Mobile revenue</b>	<b>377</b>	<b>366</b>				<b>11</b>
<b>Wireline Access revenue</b>	<b>167</b>		<b>167</b>			
Boadband Access (other ISP's)	141		141			
Other Wireline Access	26		26			
<b>Wireline Traffic revenue</b>	<b>175</b>	<b>4</b>	<b>8</b>	<b>132</b>	<b>31</b>	
<b>Wireline Other revenue</b>	<b>114</b>		<b>107</b>		<b>1</b>	<b>6</b>
<b>Other revenue</b>	<b>44</b>		<b>33</b>		<b>1</b>	<b>10</b>
<b>Total external net revenue</b>	<b>877</b>	<b>370</b>	<b>315</b>	<b>132</b>	<b>33</b>	<b>27</b>
<b>Total external net revenue</b>	<b>877</b>	<b>370</b>	<b>315</b>	<b>132</b>	<b>33</b>	<b>27</b>

# 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.

Readers are cautioned not to put undue reliance on forward-looking statements, which speak only of the date of this communication.

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