

Swisscom interim results:

$H1_{09} < H1_{10} < H1_{10} @ FX_{09}$

4 August 2010

Agenda

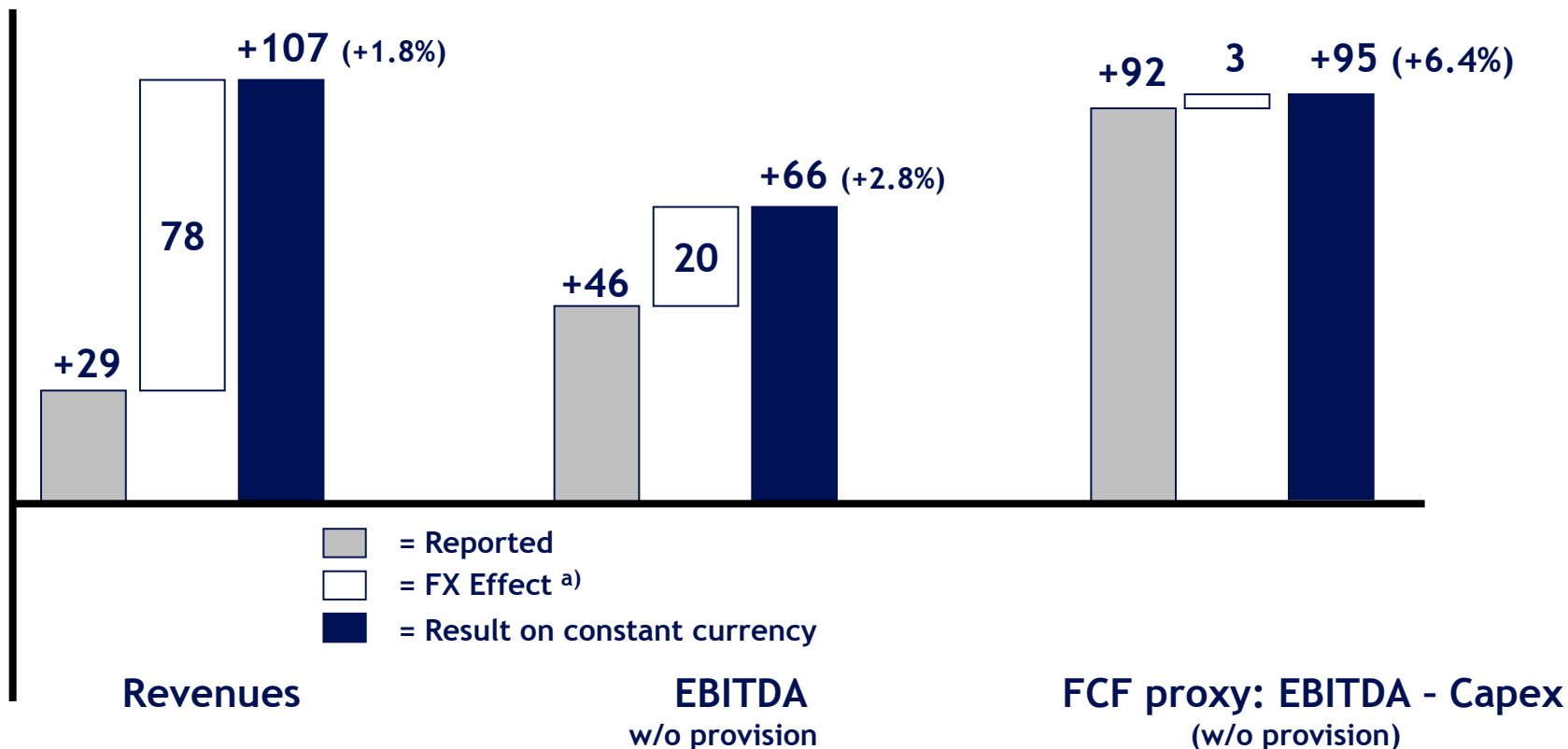
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- ① **H1₀₉ < H1₁₀ < H1₁₀ @ FX₀₉** **Carsten Schloter, CEO**
 - ② **Past 6 quarters at a glance**
 - ③ **Revenue dynamics 2010, and progress sofar**
-
- ④ Segmental results H1 Ueli Dietiker, CFO
 - ⑤ Group results
 - ⑥ Outlook 2010

Q&A

H1₀₉ < H1₁₀ < H1₁₀ @ FX₀₉

Change YoY (H1 2010 versus H1 2009) in CHF mm, total Swisscom Group

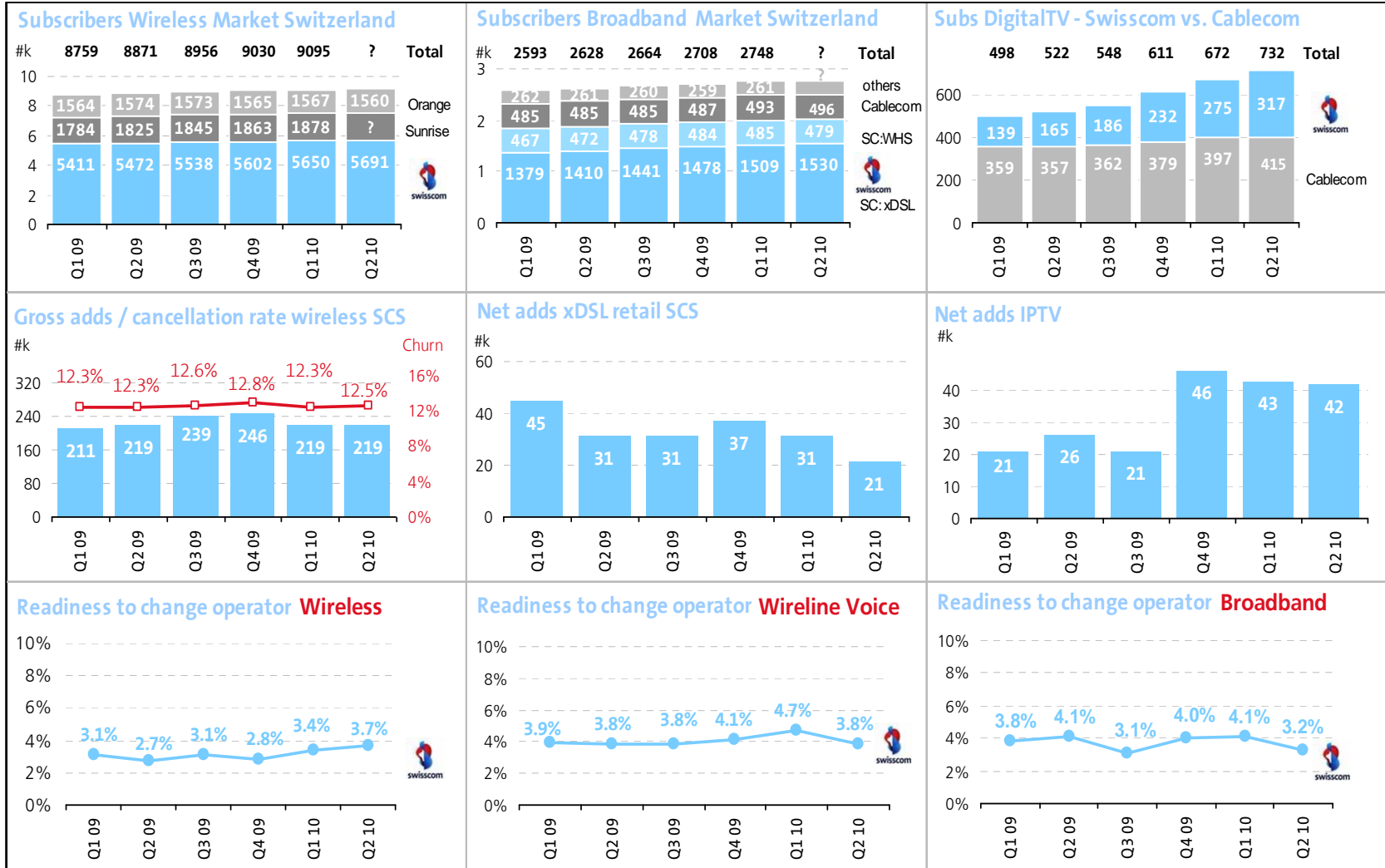


(a) Average exchange rate CHF/€ in H1 2009: 1.5055 and H1/2010: 1.4238, i.e. a strengthening of 5.4%

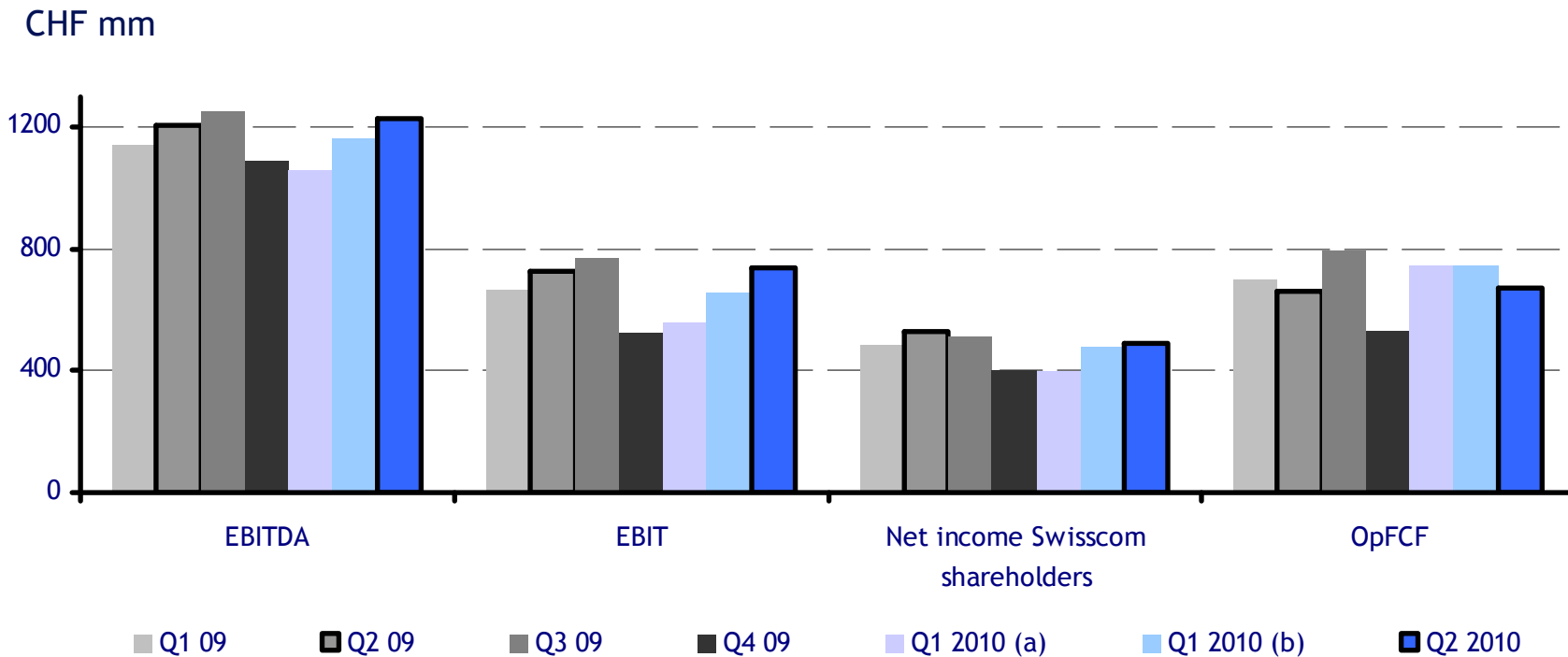
Strong underlying results, with no negative impact on FCF from stronger Swiss Franc as Fastweb Capex was booked at lower CHF rate

Past 6 quarters, customer trends at a glance

Up and downs, overall good market performance



Past 6 quarters, financially at a glance



(a) Q1 2010 as reported

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

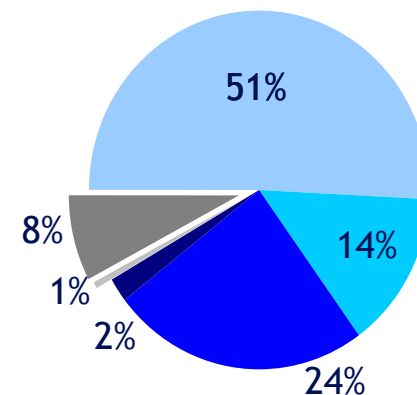
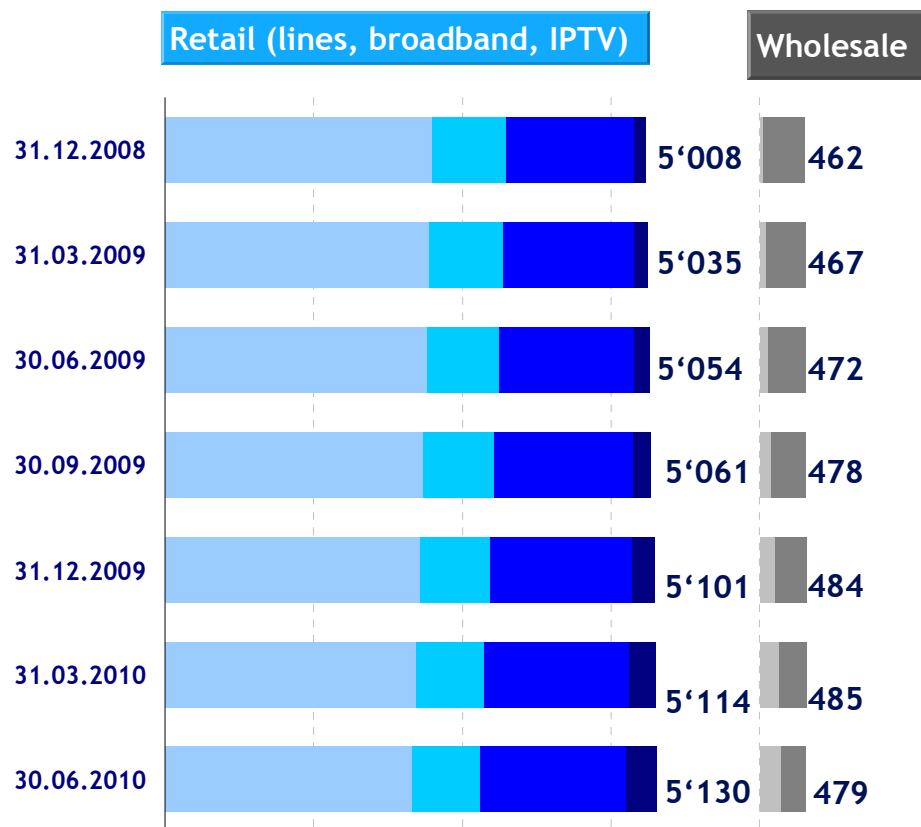
Financially, again a very strong quarter!



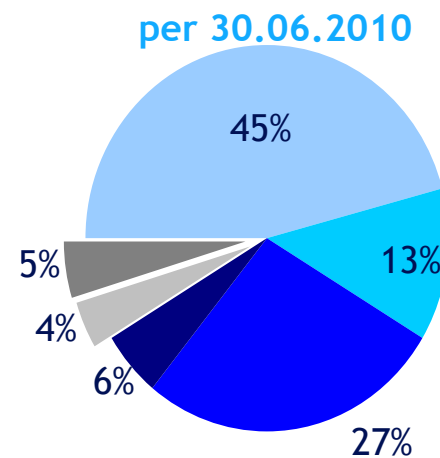
Wireline: more revenue generating substance

Development since 31.12.2008

Breakdown as per 31.12.2008



- PSTN
- ISDN
- BB retail
- IPTV
- Full access
- BB wholesale

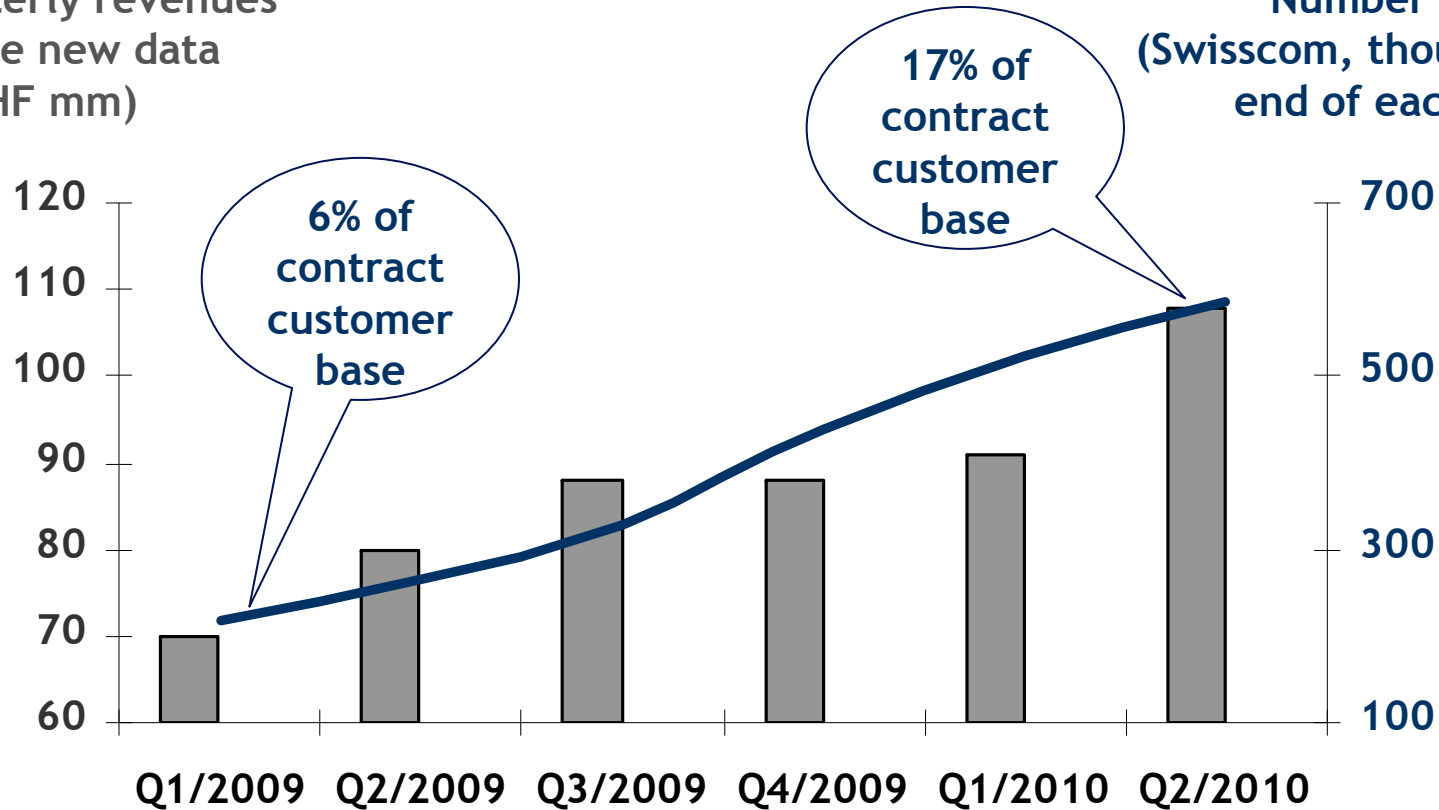


Retail substance growing (+1.5% YoY),
wholesale incl. FULL stable overall, yet swiftly moving to full access

Wireless: mobile new data revenues^(a) taking off

Quarterly revenues
mobile new data
(in CHF mm)

Number of iPhones
(Swisscom, thousands per
end of each quarter)

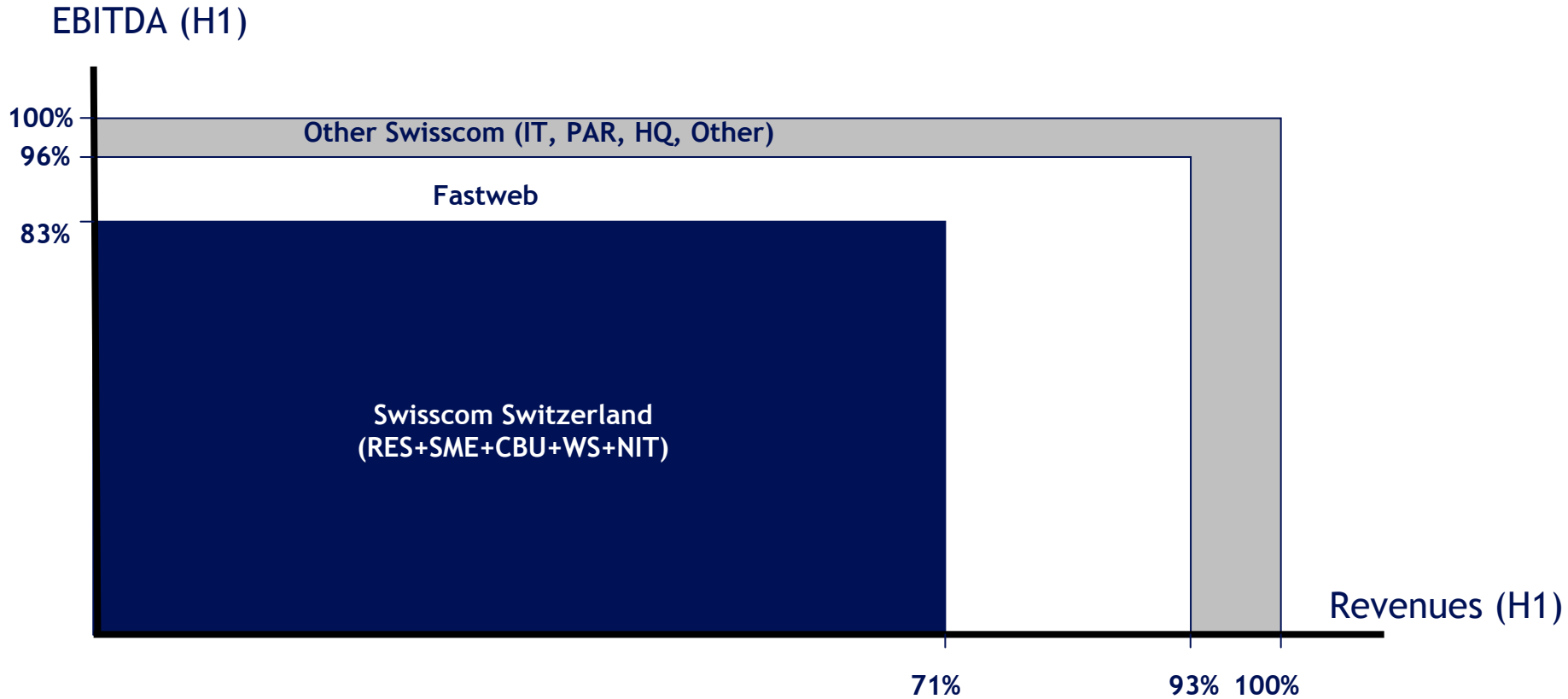


(a) Consists of Data Traffic, domestic and outbound roaming from Swisscom customers. i.e. excl. SMS & MMS

Mobile new data one of the most important growth drivers (+49mm CHF or +33% YoY), helped by customer friendly devices such as iPhones



Chapter on revenue dynamics is focussed on Swisscom Switzerland



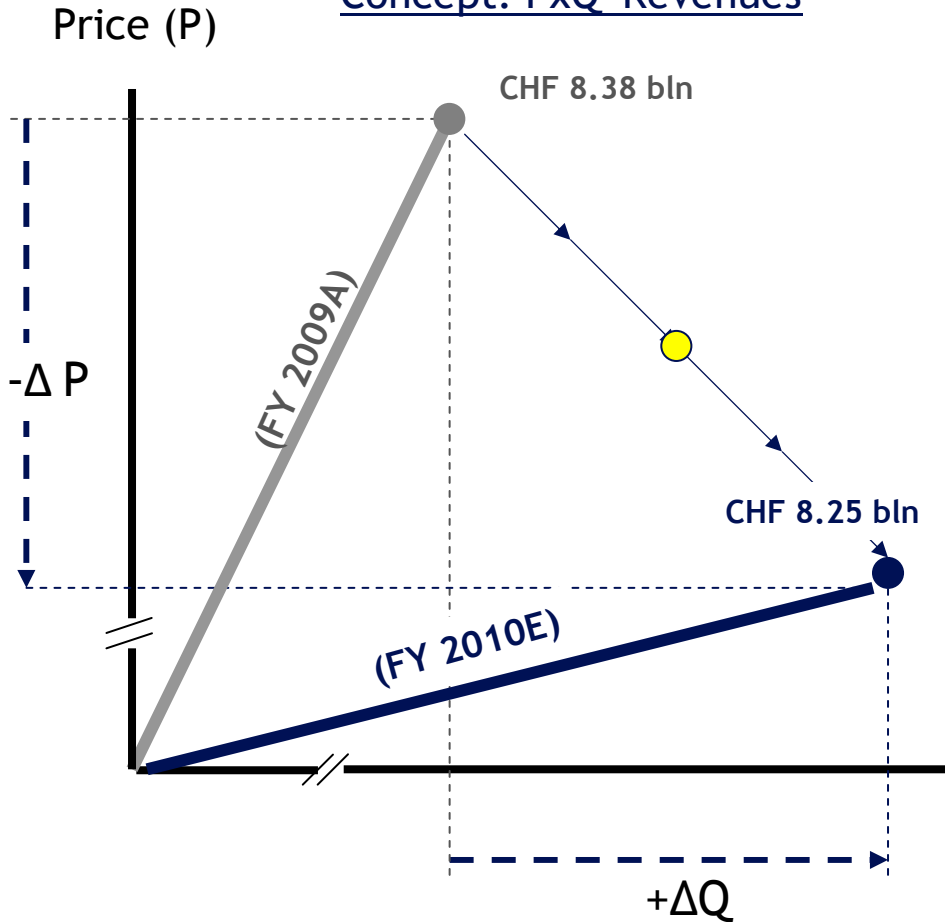
Understanding of revenue dynamics is esp. important as a reference to future profitability. Hence, here we focus only on those businesses that make for the vast bulk of EBITDA, i.e. Swisscom Switzerland

INTRODUCTION (1/2)

revenue dynamics Swisscom Switzerland

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

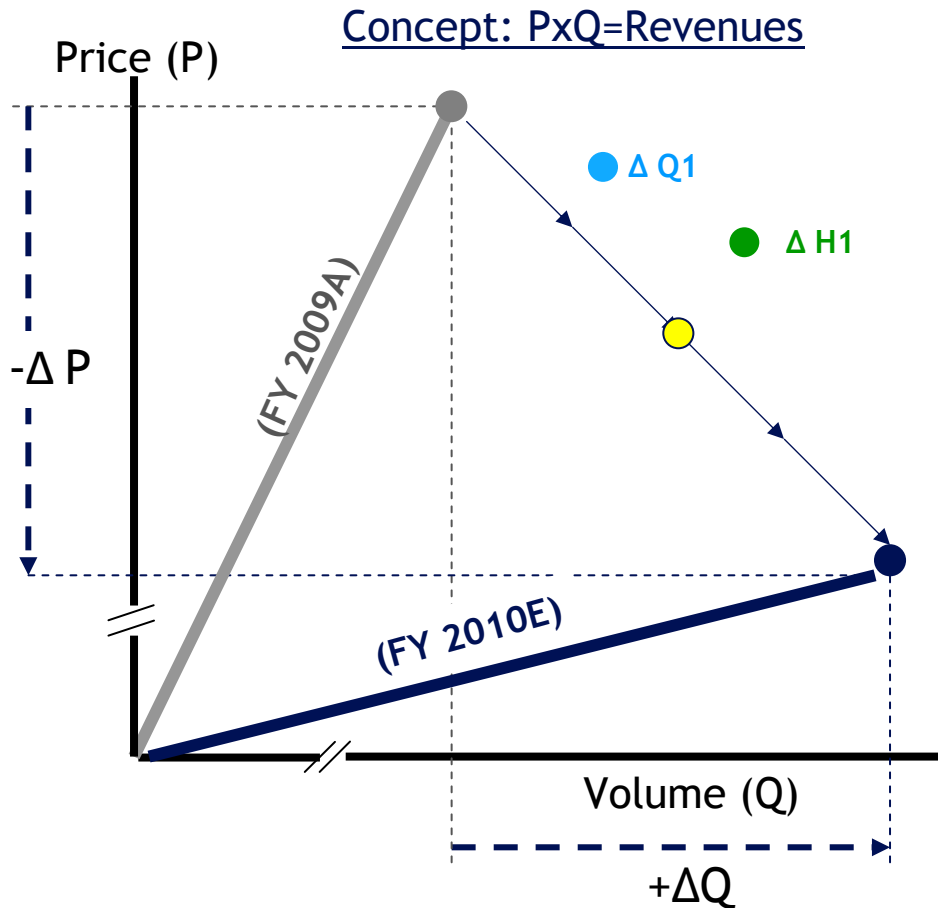
Legend:



- = $P \times Q$ for 2009A = actual revenues 2009 (Price x Volume)
- = Theoretical line of quarterly progress if there were no seasonality.
- = Where H1 progress should be if there were no seasonality
- = $P \times Q$ for 2010E = expected revenues 2010 (Price x Volume)

INTRODUCTION (2/2)

revenue dynamics, P (Price) and Q (Volume) effects 2010E vs 2009A, Q1 and H1 progress



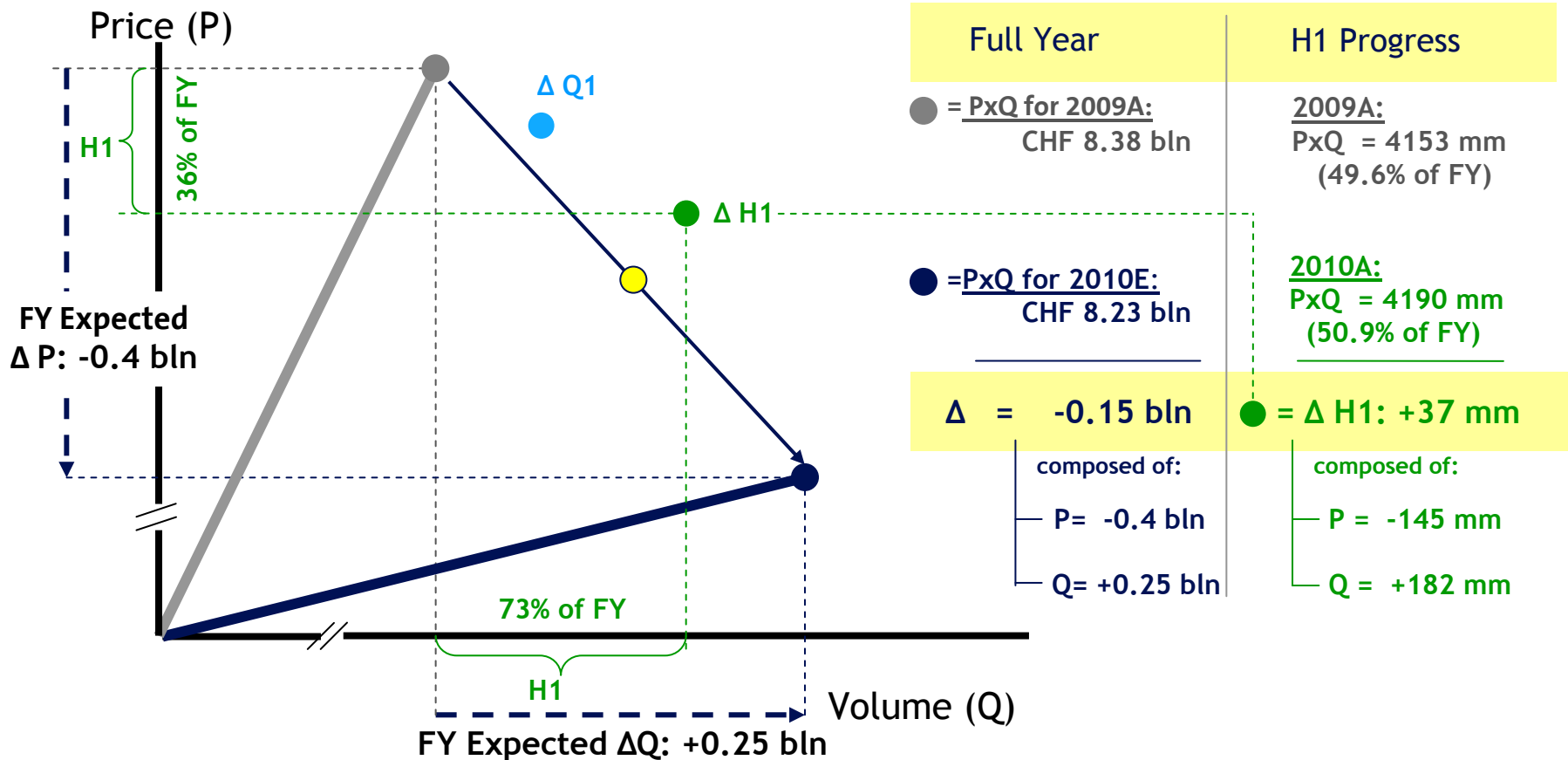
Legend:

- = $P \times Q$ for 2009A = actual revenues 2009 (Price x Volume)
- ● = Progress in Q1 and H1: how much of the FY expectation has been achieved during the first 3 and 6 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
- = Where H1 progress should be if there were no seasonality
- = $P \times Q$ for 2010E = expected revenues 2010 (Price x Volume)

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

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

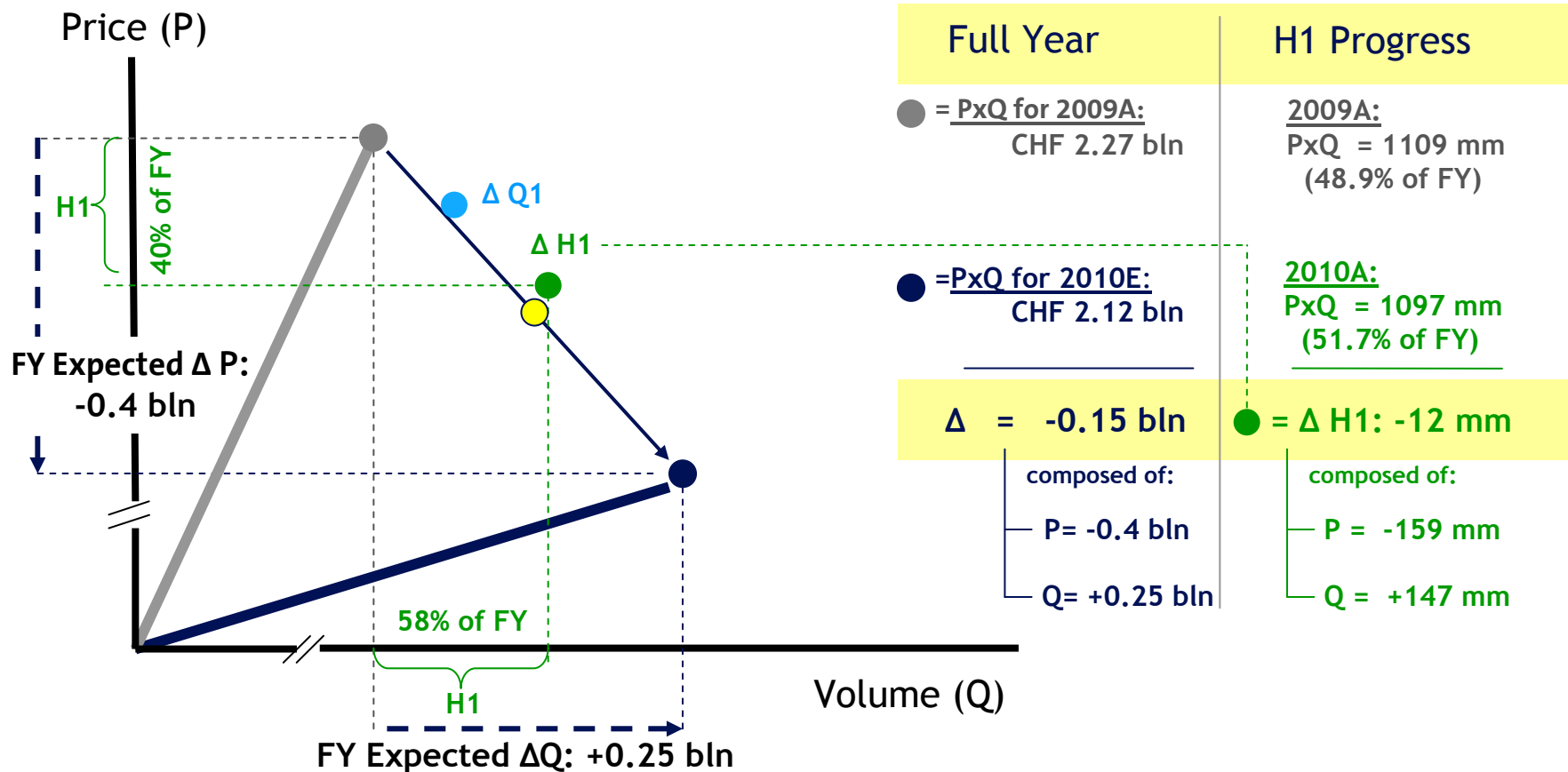
TOTAL external revenue dynamics of Swisscom Switzerland (RES+SME+CBU+WS) 2010E vs 2009A, and H1 progress



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

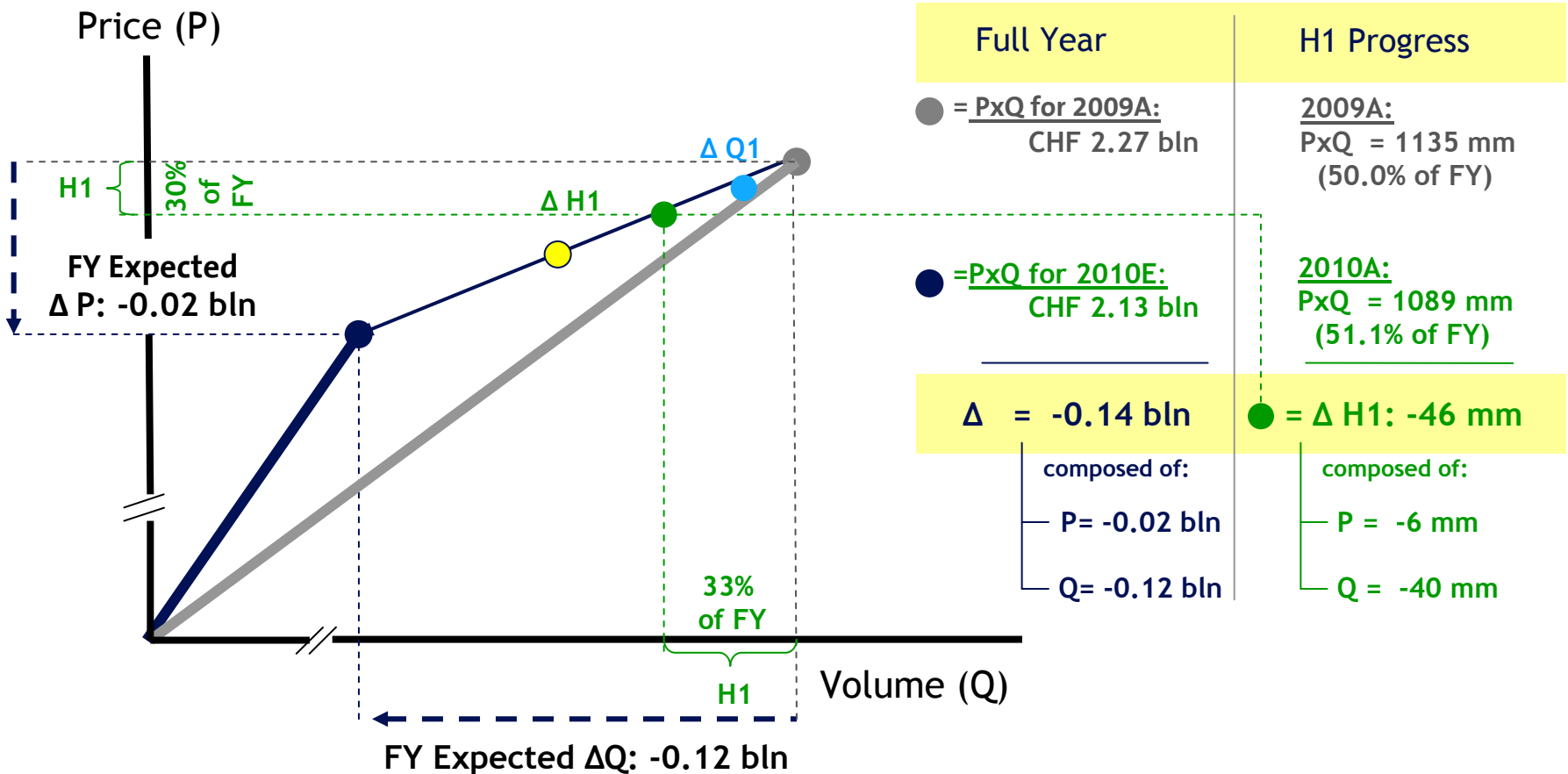
HY1: better than expected with 37 mm HIGHER sales YoY sofar, with price decline only 36% of FY expectation and volume growth already 73% of FY expectation. All in all, Swisscom Switzerland is over CHF 100 mm ahead of plan

Wireless TRAFFIC revenue dynamics, 2010E vs 2009A, and H1 progress



FY: Expect wireless TRAFFIC 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
HY1: ahead of expectation with only 12 mm LOWER sales YoY sofar (just 8% of FY what is expectation, as both price Δ and volume effect turned out better than expected)

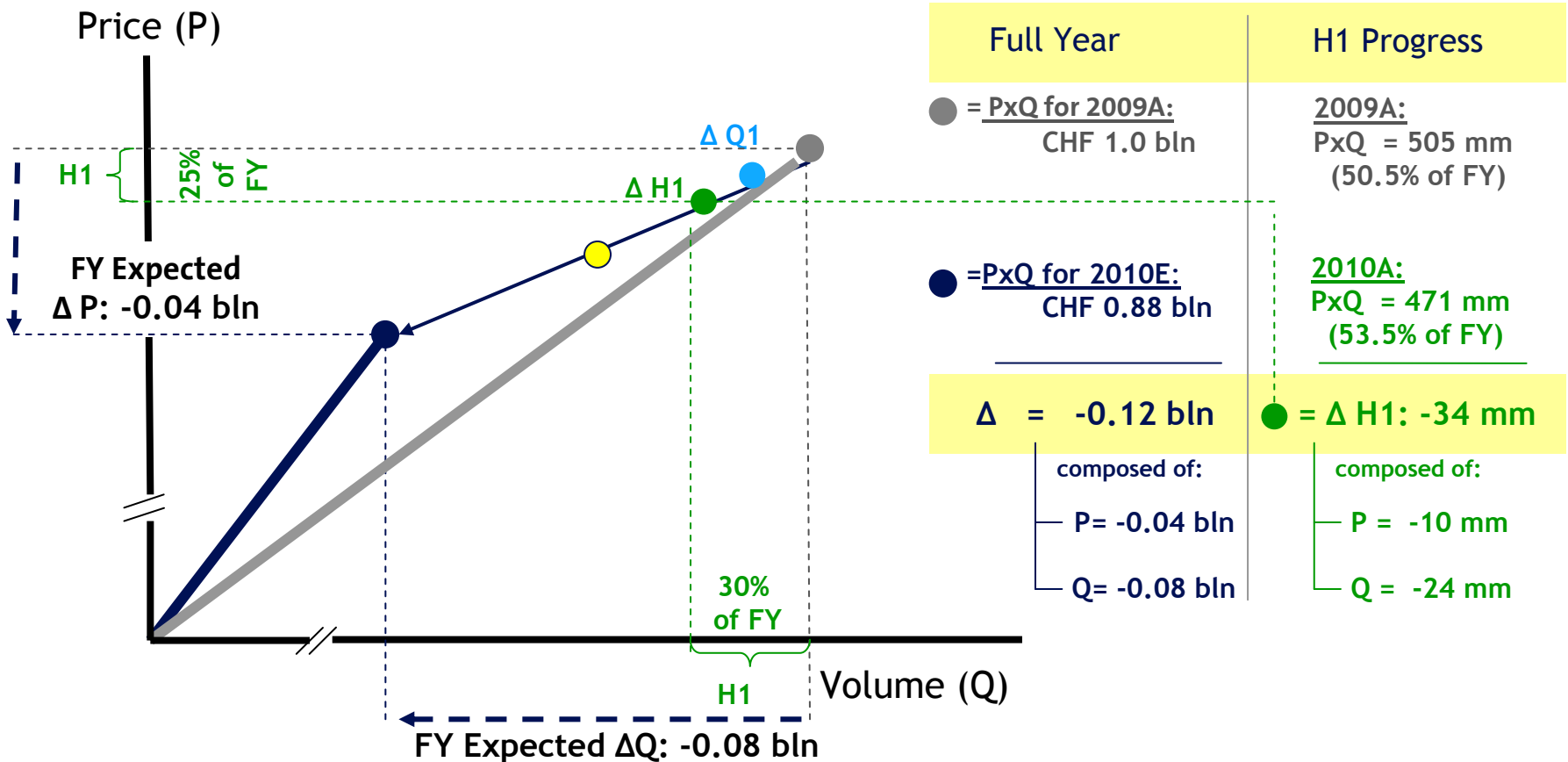
Wireline ACCESS revenue dynamics, 2010E vs 2009A, and H1 progress



FY: Expect wireline ACCESS revenues in 2010 some 140 mm below 2009, composed of 120 mm lower sales from lower volumes, and 20 mm lower sales from lower prices

HY1: better than expected with only 46 mm lower sales YoY sofar (33% of FY expectation), due to limited price and volume effects

Wireline TRAFFIC revenue dynamics, 2010E vs 2009A, and H1 progress



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

HY1: better than expected with only 34 mm lower sales YoY sofar (28% of FY expectation), due to limited price and volume effects

Agenda

16

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-
- ④ **Segmental results H1** **Ueli Dietiker, CFO**
 - ⑤ **Group results**
 - ⑥ **Outlook 2010**

Q&A

Segment Residential Customers

Financials and operational data

	30.06.2010	YOY
Net revenue in MCHF ¹⁾	2'539	2.3%
Direct costs in MCHF	-602	5.1%
Indirect costs in MCHF ²⁾	-412	-4.0%
Contribution Margin 2 in MCHF	1'525	3.0%
<i>Contribution Margin 2 in %</i>	<i>60.1%</i>	
CAPEX in MCHF	58	-13.4%
FTE's	4'586	-4.2%
	30.06.2010	YOY
Voice lines in '000	2'537	-6.9%
BB lines in '000	1'349	8.3%
Wireless customers in '000	4'450	2.3%
Wireless cancellation rate (annualised)	15.0%	2pp
Blended wireless ARPU in CHF	41	-2.4%
thereof ARPU new data in CHF	4.3	34.4%
Blended wireless AMPU in Min.	101	6.3%
Wireline traffic national in Mmin.	2'588	-6.7%
Wireline traffic int'l in Mmin.	327	-6.0%
TV subs in '000	308	86.7%

1) incl. intersegment revenues

2) incl. capitalised costs and other income

6m 2010

- **Net revenue up by 2.3%, Service revenue up by 1.6%**
- **Despite price erosion and lower termination rates wireless revenue up +0.7%, due to subs/new data growth**
- **Wireline revenue down -1% (broadband subs, IPTV growth in addition with new bundle offers overcompensated by voice line loss, price erosion)**
- **Direct cost up +29 MCHF (higher number of sold smart phones and Swisscom TV)**
- **Indirect cost down -4.0% (mainly due to lower number of FTE and efficiency gain)**
- **Contribution Margin stable at 60%**
- **TV Subscriber up 86.7%**
- **New Data ARPU up 34.4%**

Segment Small & Medium-sized Enterprises

Financials and operational data

	30.06.2010	YOY
Net revenue in MCHF ¹⁾	581	2.7%
Direct costs in MCHF	-85	1.2%
Indirect costs in MCHF ²⁾	-66	-2.9%
Contribution Margin 2 in MCHF	430	3.9%
<i>Contribution Margin 2 in %</i>	<i>74.0%</i>	
CAPEX in MCHF	3	-57.1%
FTE's	751	-3.6%

	30.06.2010	YOY
Voice lines in '000	513	0.6%
BB lines in '000	152	10.1%
Wireless customers in '000	477	9.4%
Wireless cancellation rate (annualised)	6.0%	-2pp
Blended wireless ARPU in CHF	92	-3.2%
thereof ARPU new data in CHF	12.1	21.0%
Blended wireless AMPU in Min.	208	0.5%
Wireline traffic national in Mmin.	731	-2.7%
Wireline traffic int'l in Mmin.	90	-5.3%

1) incl. intersegment revenues

2) incl. capitalised costs and other income

6m 2010

- **Net revenue** up 2.7% YoY (price erosion compensated by higher number of subscribers)
- **Direct costs** rise 1.2% esp. due to increasing number of sold smart phones
- **Indirect cost** decline -2.9% (lower Personnel expenses, lower project costs)
- **Contribution Margin** up 3.9% YoY. Revenue increase and lower indirect costs
- **New Data ARPU** up 21% to 12 CHF/month

Segment Corporate Business

Financials and operational data

	30.06.2010	YOY
Net revenue in MCHF ¹⁾	913	0.7%
Direct costs in MCHF	-210	0.0%
Indirect costs in MCHF ²⁾	-214	-4.5%
Contribution Margin 2 in MCHF	489	3.4%
<i>Contribution Margin 2 in %</i>	<i>53.6%</i>	
CAPEX in MCHF	30	-23.1%
FTE's	2'213	-1.6%

	30.06.2010	YOY
Voice lines in '000	233	-4.5%
BB lines in '000	29	11.5%
Wireless customers in '000	764	11.7%
Wireless cancellation rate (annualised)	4.0%	-6pp
Blended wireless ARPU in CHF	68	-6.8%
thereof ARPU new data in CHF	16.4	12.3%
Blended wireless AMPU in Min.	168	-7.2%
Wireline traffic national in Mmin.	787	-4.3%
Wireline traffic int'l in Mmin.	180	0.0%

1) incl. intersegment revenues

2) incl. capitalised costs and other income

6m 2010

- **Revenue** with 913 MCHF up 0.7%. Decline of wireline revenue (voice lines and traffic minutes) overcompensated 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 -4.5% (lower number of FTE and less expenses for external employees)
- **Contribution Margin** increased by 1.5p.p. to 53.6% of net revenue mainly due to revenue increase and cost management
- **Order intake** for project/outsourcing business of 84 MCHF (+7 MCHF vs. PY)

Segment Wholesale

Financials and operational data

	30.06.2010	YOY
Revenue from external customers in MCHF	396	-11.0%
Intersegment revenue in MCHF	260	-4.1%
Net revenue in MCHF	656	-8.4%
Direct costs in MCHF	-417	-8.8%
Indirect costs in MCHF ¹⁾	-11	10.0%
Contribution Margin 2 in MCHF	228	-8.4%
<i>Contribution Margin 2 in %</i>	<i>34.8%</i>	
CAPEX in MCHF	-	nm
FTE's	103	15.7%
	30.06.2010	YOY
Full access lines in '000	219	167.1%
BB (wholesale) lines in '000	260	-33.3%
Wireline wholesale traffic in Mmin.	5'036	-14.8%

1) incl. capitalised costs and other income

6m 2010

- **Net revenue** changed by -60 MCHF :
 - wireline termination due to lower volumes
 - interconnection rates
 - wireless voice termination due to lower rates
 - ongoing full access substitution
 - data services
 - + higher inbound roaming
- **Direct costs** down by 40 MCHF in line with revenue development
- **Full access lines** growing substantially, however mostly at expense of wholesale lines (not retail lines)

Segment Networks and Support Functions

Financials and operational data

	30.06.2010	YOY
Personnel expenses in MCHF	-348	2.4%
Rent in MCHF	-94	-17.5%
Maintenance in MCHF	-100	1.0%
IT expenses in MCHF	-167	2.5%
Other OPEX in MCHF	-148	11.3%
Indirect costs in MCHF	-857	0.9%
Capitalised costs and other income in MCHF	87	-3.3%
Contribution Margin 2 in MCHF	-770	1.4%
Depreciation, amortisation and impairment in MCHF	438	8.4%
Segment result in MCHF	-1'208	3.9%
CAPEX in MCHF	390	6.6%
FTE's	4'057	-3.5%

6m 2010

- **Personnel expenses** up by 8 MCHF mainly driven by higher termination benefits partially offset by lower personnel expenses due to a lower number of FTE
- **Segment result** decreased by 45 MCHF mainly as a result of higher depreciation and amortisation due to the capitalisation of a customer relationship management system
- **CAPEX** above previous year (6.6%) 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

	30.06.2010	YOY
Consumer revenue in MEUR	356	3%
SME revenue in MEUR	208	1%
Executive revenue in MEUR	371	1%
Net revenue in MEUR ¹⁾	935	2%
OPEX in MEUR	-763	8%
Capitalised costs and other income in MEUR	28	-49%
EBITDA in MEUR	200	-25%
EBITDA in MEUR w/o VAT prov.	270	2%
<i>EBITDA margin in %</i>	<i>28.9%</i>	
CAPEX in MEUR	206	-5%
FTE's	3'133	1%

In Swisscom accounts	30.06.2010	YOY
EBITDA in MCHF	285	-29%
CAPEX in MCHF	293	-10%

	30.06.2010	YOY
BB customers in '000	1'694	8%
Mobile customers in '000	290	nm

1) incl. revenues to Swisscom companies

6m 2010

- **Revenues** increased by 1.7% YoY - with a positive contribution from all segments
- Standalone **EBITDA** reaches 270 MEUR, up +2% with a margin of 28.9% (equal to last years level and +1.5pp vs. 3m 2010)
- In Swisscom's accounts, a **provision** of 70 MEUR for the pending VAT case has been posted in Q1, directly affecting segmental EBITDA
- Contribution to Swisscom accounts in CHF lower than previous year, due to an ongoing strengthening of Swiss Franc in a YOY context (FX impact on revenue -76 MCHF / on EBITDA -16 MCHF)

Other operating segments

Financials and operational data

	30.06.2010	YOY
Swisscom IT Services in MCHF	240	30.4%
Swisscom Participations in MCHF	155	-1.9%
Hospitality Services in MCHF	37	-2.6%
Other in MCHF	1	-75.0%
External revenue in MCHF	433	12.8%
Net revenue in MCHF ¹⁾	828	1.2%
OPEX in MCHF	-682	0.0%
Capitalised costs and other income in MCHF	21	-16.0%
EBITDA in MCHF	167	3.7%
<i>EBITDA margin in %</i>	<i>20.2%</i>	
CAPEX in MCHF	43	-29.5%
FTE's	4'296	-3.2%

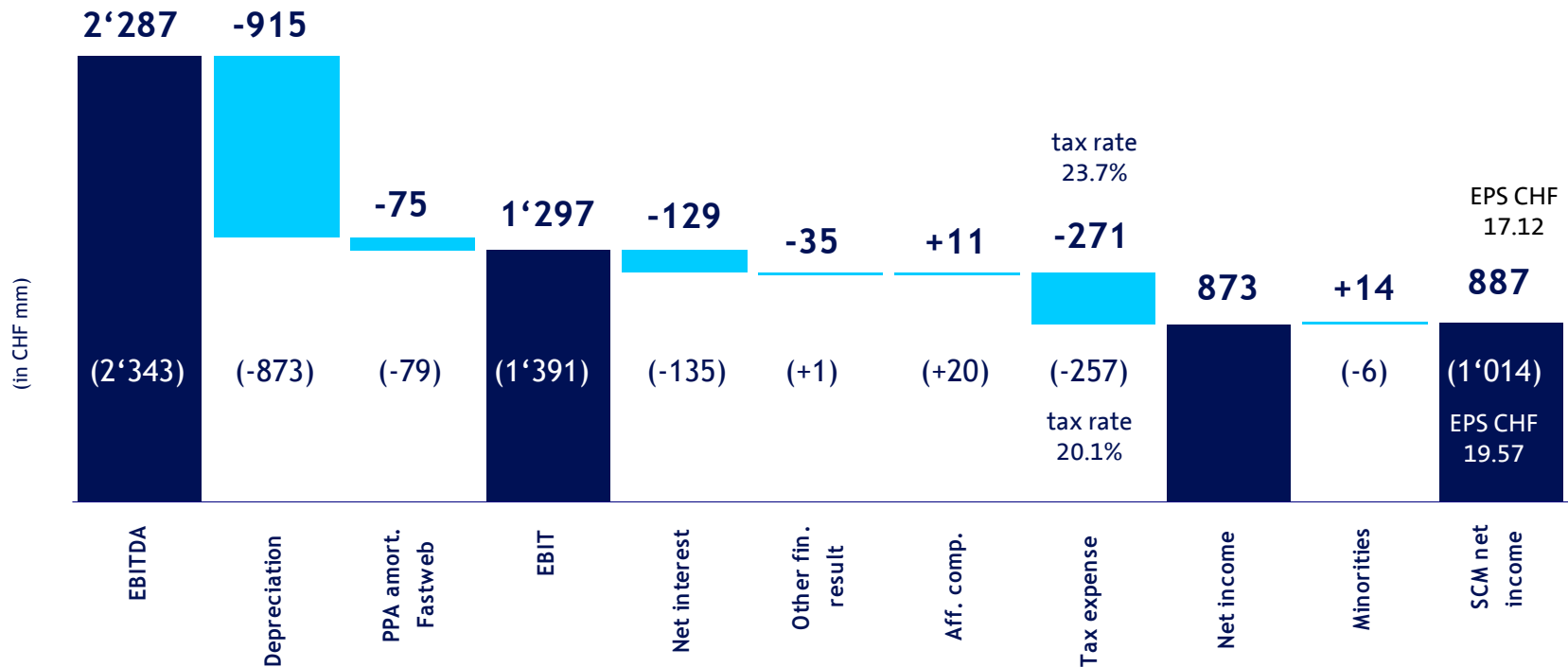
1) incl. intersegment revenues

6m 2010

- **External revenue up 49 MCHF (+12.8%):**
 - IT Services up CHF +56mm, mainly from new group companies Resource, Sourcag & Panatronic
 - Swisscom Participations down MCHF 3, mainly due to outsourcing of facility management in 2009
- **Intercompany revenues down MCHF 39** due to outsourcing of facility management and lower intercompany IT services
- Higher net revenue combined with strict cost management leads to **EBITDA** and **EBITDA margin increase**
- **Order intake IT Services MCHF 304**

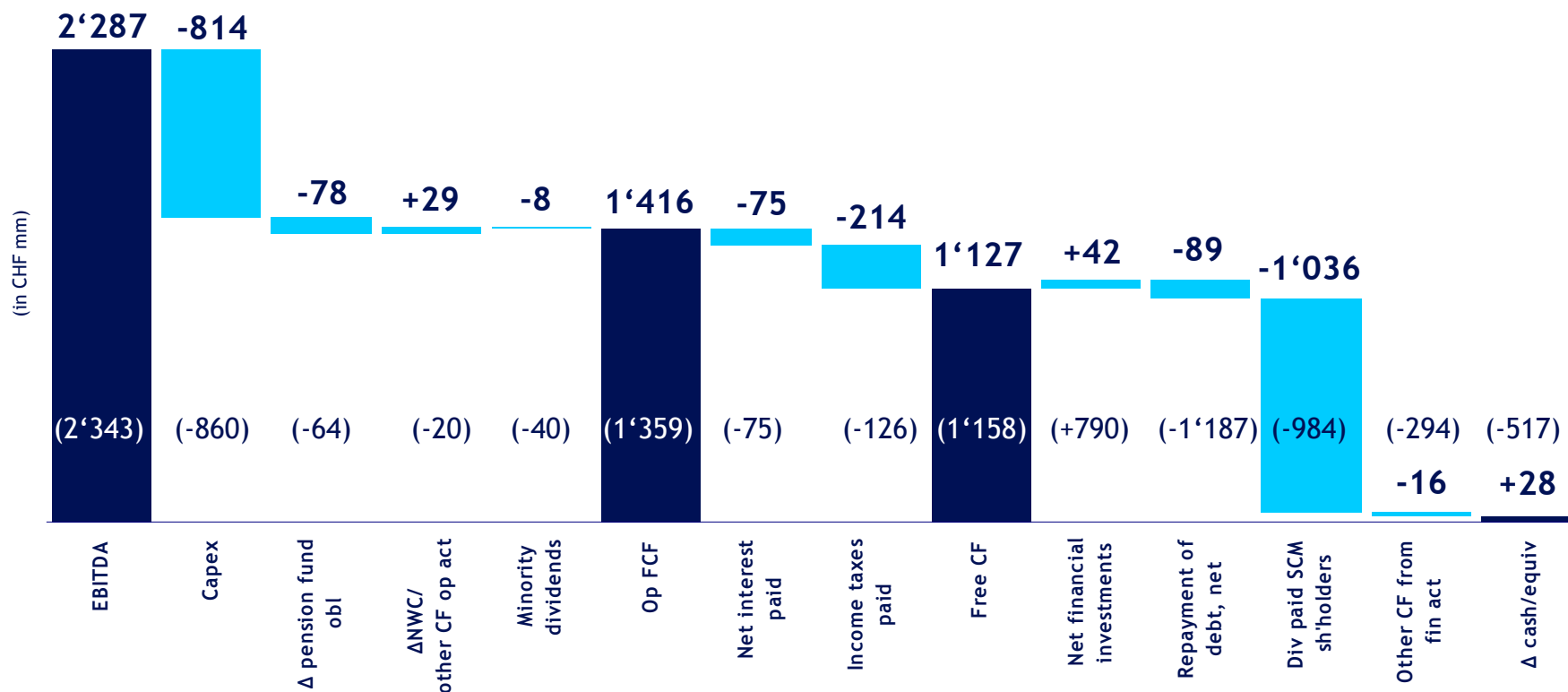
Group results - P&L breakdown

EBIT and net income substantially lower compared to PY driven by EBITDA impact from Fastweb VAT provision as well as higher depreciation and unfavorable currency impact in other financial result



Group results - cash flow breakdown

No cash flow impact from VAT provision. Operating free cash flow increased by 57 MCHF due to lower capex and lower dividend payments to minority shareholders.



Outlook 2010

FY Guidance 2010 - adjusted by Fastweb provision - confirmed after HY1 results

		2009A	2009 HY1 in % of FY	2010E	2010 HY1 in % of FY
Net revenue					
Swisscom excl. Fastweb	bln CHF	9.22	49%	~9.15	~51%
Fastweb	bln EUR	1.85	50%	~1.95	~48%
EBITDA					
Swisscom excl. Fastweb	bln CHF	3.85	50%	~3.75	~53%
Fastweb (excl. VAT provision)	MEUR	551	48%	~580	~47%
Capex					
Swisscom excl. Fastweb	bln CHF	1.33	40%	~1.3	~40%
Fastweb	MEUR	434	50%	~410	~50%
Delta NWC					
Swisscom Group	bln CHF	0		~-0.1	
OpFCF					
Swisscom Group	bln CHF	2.67	51%	~2.6	~54%

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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