Swisscom Q1 – “one Quarter, more Bundles”

Results Q1 2011

Investor & Analyst Presentation

4 May 2011

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Agenda Q1 – „one Quarter, more Bundles“

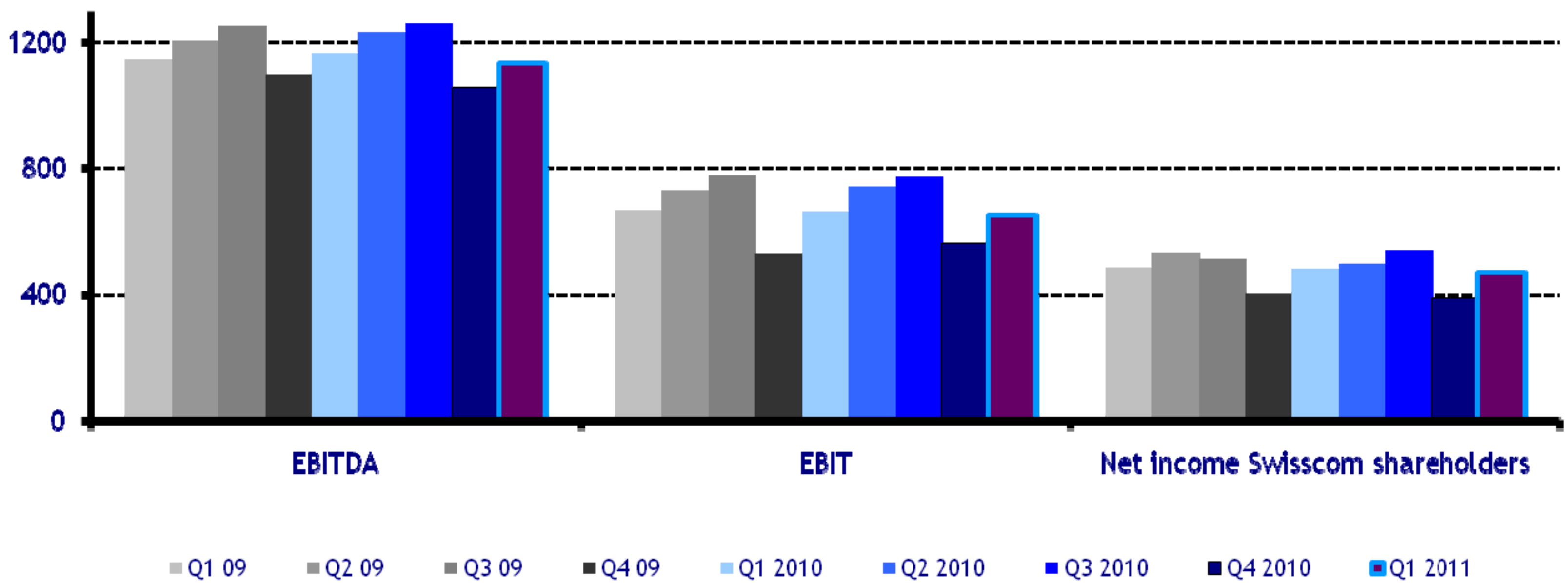
1. Swisscom Group financial results — Carsten Schloter, CEO
   - Overall
   - Revenues
   - Cost
   - EBITDA
2. Revenue dynamics Swisscom Switzerland
   - Volumes single play versus bundles
   - ARPU single play versus bundles
3. Other
   - Swisscom vs Swiss competitors
   - SMS and mobile voice dynamics
   - Product/tariff launches
   - Regulatory
   - Fastweb

4. Segmental results — Ueli Dietiker, CFO
5. Group results

1. Swisscom Group financial results: overall

Quarterly results, Q1 2009 - Q1 2011

CHF mm *)



*) all figures as reported, without VAT provision in Q1-2010

Normal seasonal patterns, also in Q1 2011

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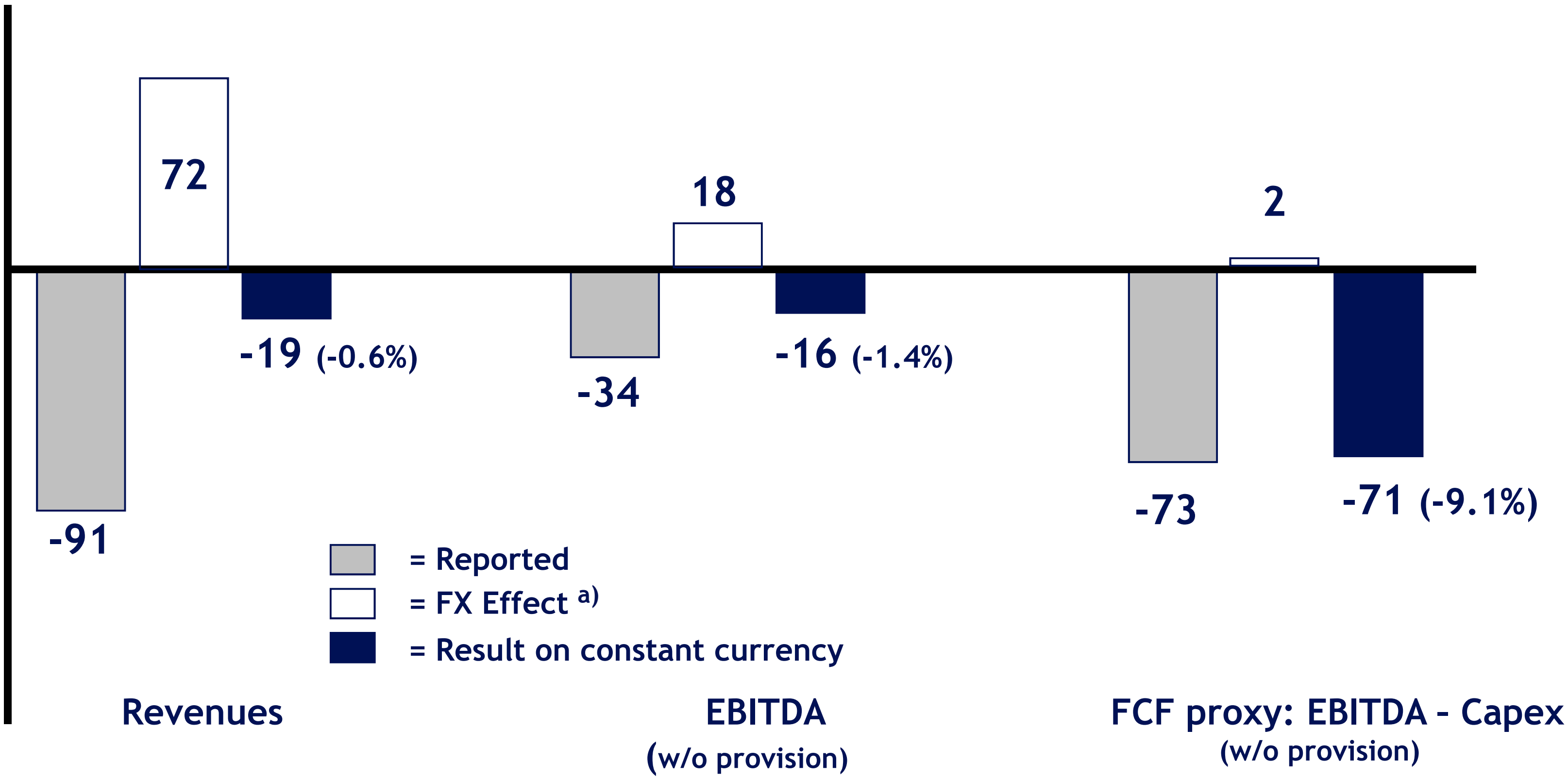
1. Swisscom Group financial results: on constant currency basis

Change YoY (Q1 2011 versus Q1 2010) in CHF mm, total Swisscom Group

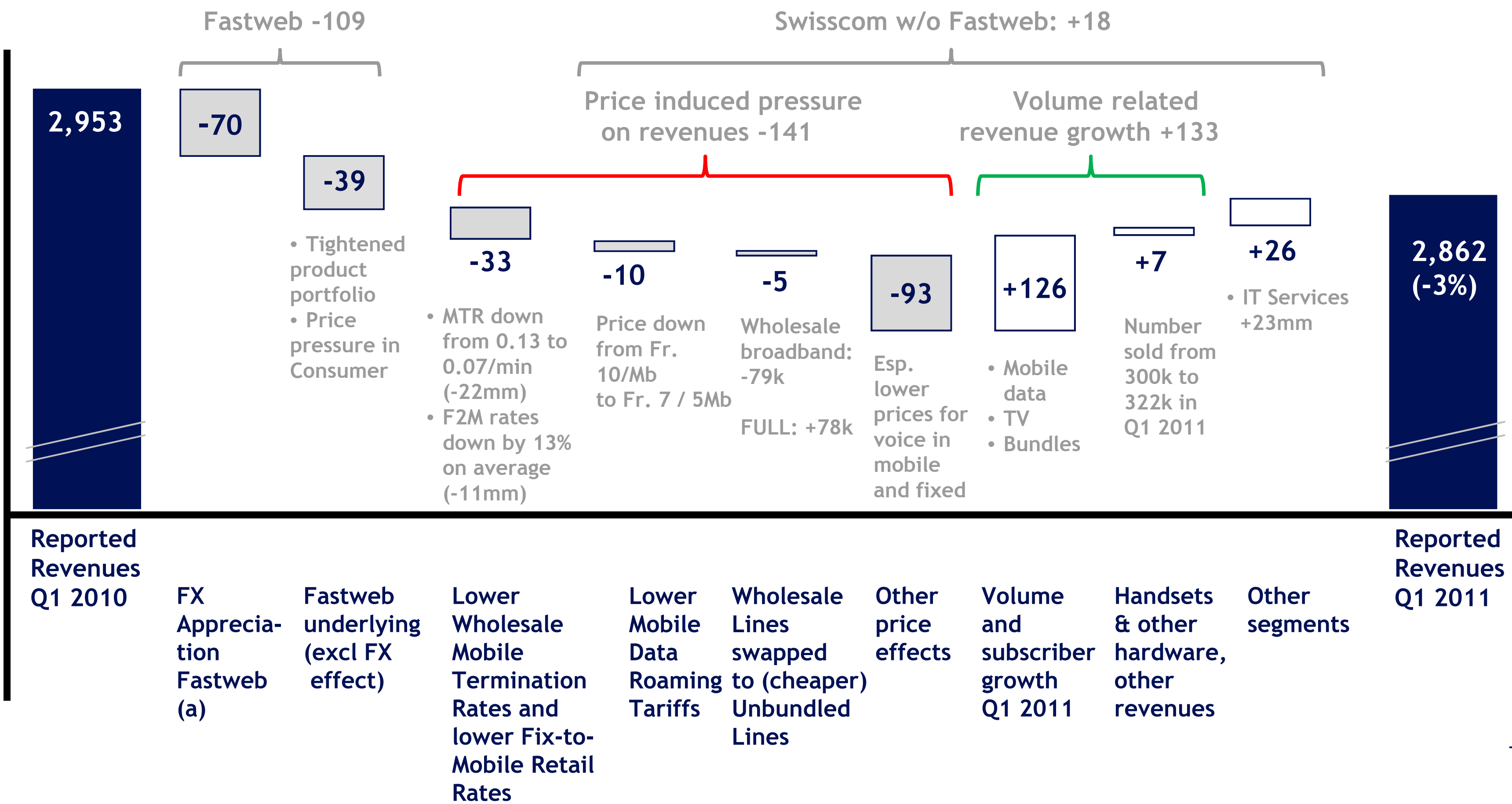


(a) Average exchange rate CHF/€ in Q1 2010: 1.453 and in Q1 2011: 1.291, i.e. a weakening of Euro against Swiss Franc of 11.1%

Revenues and EBITDA nearly flat on constant currency basis. No negative impact on FCF proxy from stronger Swiss Franc as Fastweb Capex was booked at lower CHF rate

1. Swisscom Group financial results, revenues

Change YoY (Q1 2011 versus Q1 2010) in CHF mm, total Swisscom Group

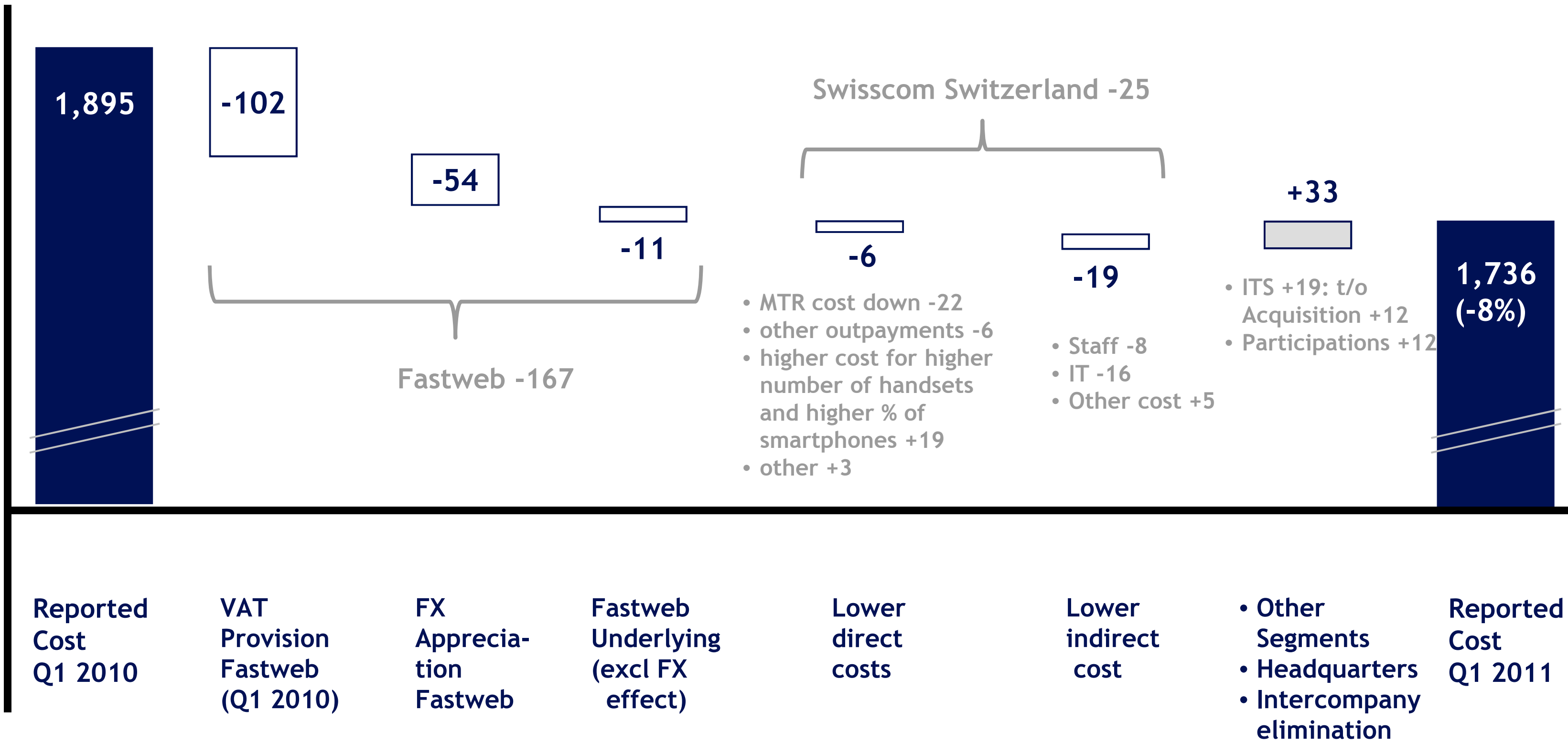


(a) Average exchange rate CHF/€ in Q1 2010: 1.453 and in Q1 2011: 1.291, i.e. a strengthening of 11.1%

Revenues excluding FX appreciation and margin-neutral termination rate cuts stable

1. Swisscom Group financial results, cost

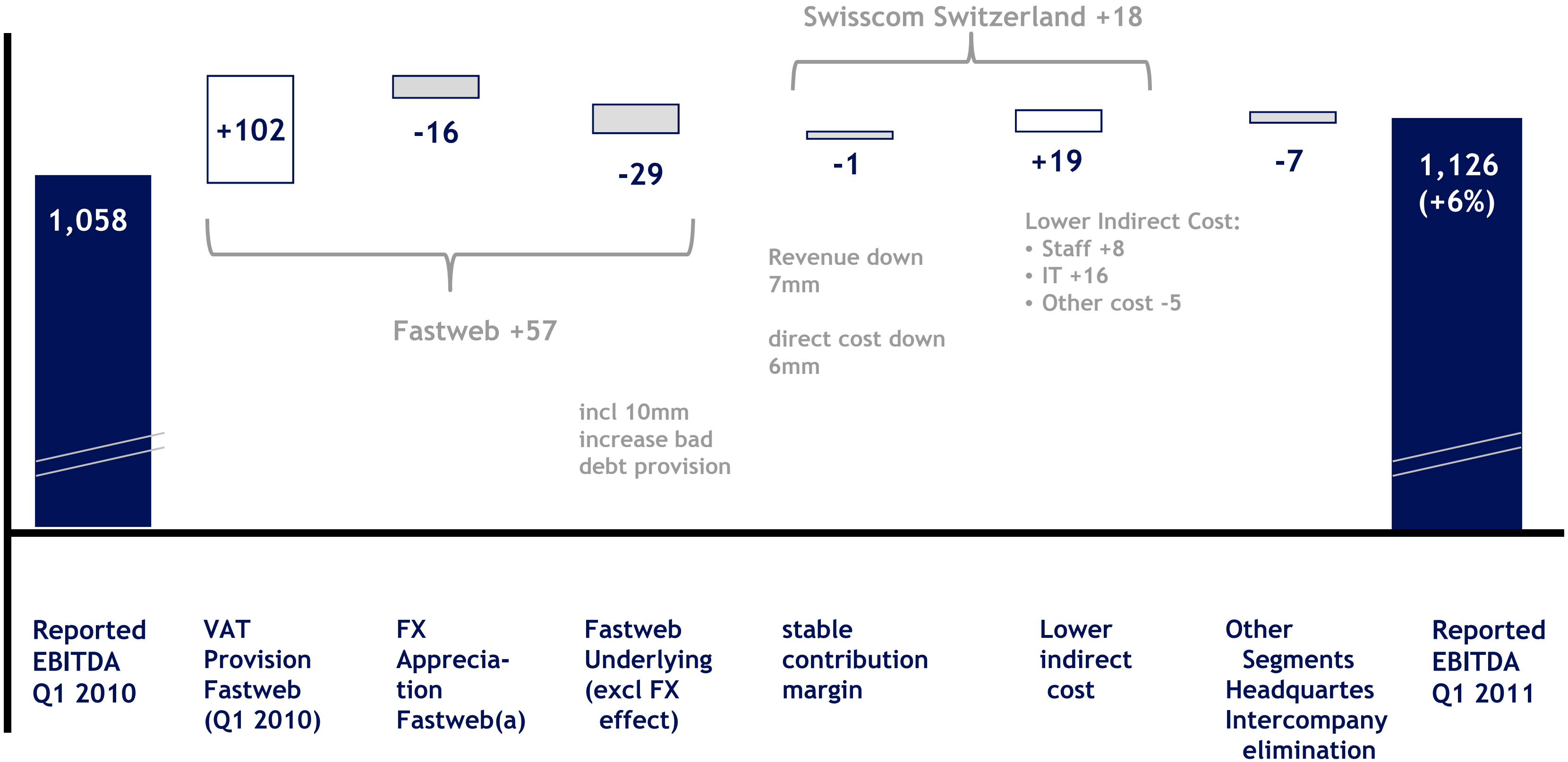
Change YoY (Q1 2011 versus Q1 2010) in CHF mm, total Swisscom Group



Like for like costs (excl. VAT provision and FX) at a par with last year

1. Swisscom Group financial results, EBITDA

Change YoY (Q1 2011 versus Q1 2010) in CHF mm, total Swisscom Group



Like for like EBITDA (excl. VAT provision and FX) down 1.4%

2. Revenues Q1 2011 vs Q1 2010: from single subscriptions to bundles

CHF mm.	Single Play Products		Bundle + Convergent Products		Σ
	Wireline	Wireless	Wireline Bundles	Convergent Products	
Retail Business (incl. Incoming)	-71	+4	+54	+11	
Σ	-67		+65		-2
Wholesale (excl. incoming) & other	Wireline Wholesale -19		Inbound Roaming -5	Other +11	-13
Σ Total Retail & Wholesale					-15
Devices and other revenues					+7
Other Segments					+26
Σ Swisscom w.o. Fastweb					+18
Fastweb	At constant exchange rates -39			FX effect -70	-109
Σ Revenue Swisscom Group	-19 (-0.6% YoY)			-72	-91

Group revenues at constant FX would have decreased by 0.6% YoY

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2. Revenue dynamics Switzerland – volumes single play versus bundles

Access Lines/Subs/Products (000)

YTD, (Change to 31.3.2010 in brackets)

		TV	Fixed Voice & Access	Broad-band	Mobile	Number of products in Bundle	Sum	Δ	
1P	Single Play	212 (+17)	2821 (-327)	1142 (-110)	5'778 (+187)	1	9,953	(-233)	(-2.3%)
Bundles	2Play Wireline		123 (+5)			2	246	(+10)	(+4%)
	2Play Convergent			83 (+24)		2	166	(+48)	(+41%)
	3Play Wireline	257 (+177)				3	771	(+531)	(+221%)
	4Play	no quadruple offering yet				4	-	(+0)	(+0)
	Number of underlying products	469 (+194)	3'201 (-145)	1,605 (+96)	5'861 (+211)		11,136	(+356)	(+3.3%)
		+71%	-4.3%	+6.4%	+3.7%				
	Migration to ULL		+78				+78		
	Net change		-67				434	(+4%)	

Number of underlying products continues to grow

2. Revenue dynamics Switzerland – ARPU single play versus bundles

ARPU / ARPL (CHF/month)

YTD, (Change to 31.3.2010 in brackets)

	TV	Fixed Voice & Access	Broad-band	Mobile	Number of products in bundle	Weighted average per underlying product	ARPU total
Single Play	23 (-2)	56 (+0)	39 (-1)	46 (-1)	1	48 (-1)	48
2Play Wireline		63 (+1)			2	32 (+1)	63
2Play Convergent			146 (+2)		2	73 (+1)	146
3Play Wireline	103 (-3)				3	34 (-1)	103
4Play	no quadruple offering yet				4		
Total weighted average	48 (-1)					48 (-1)	

Move to bundles implies up-scaling to higher ARPU's

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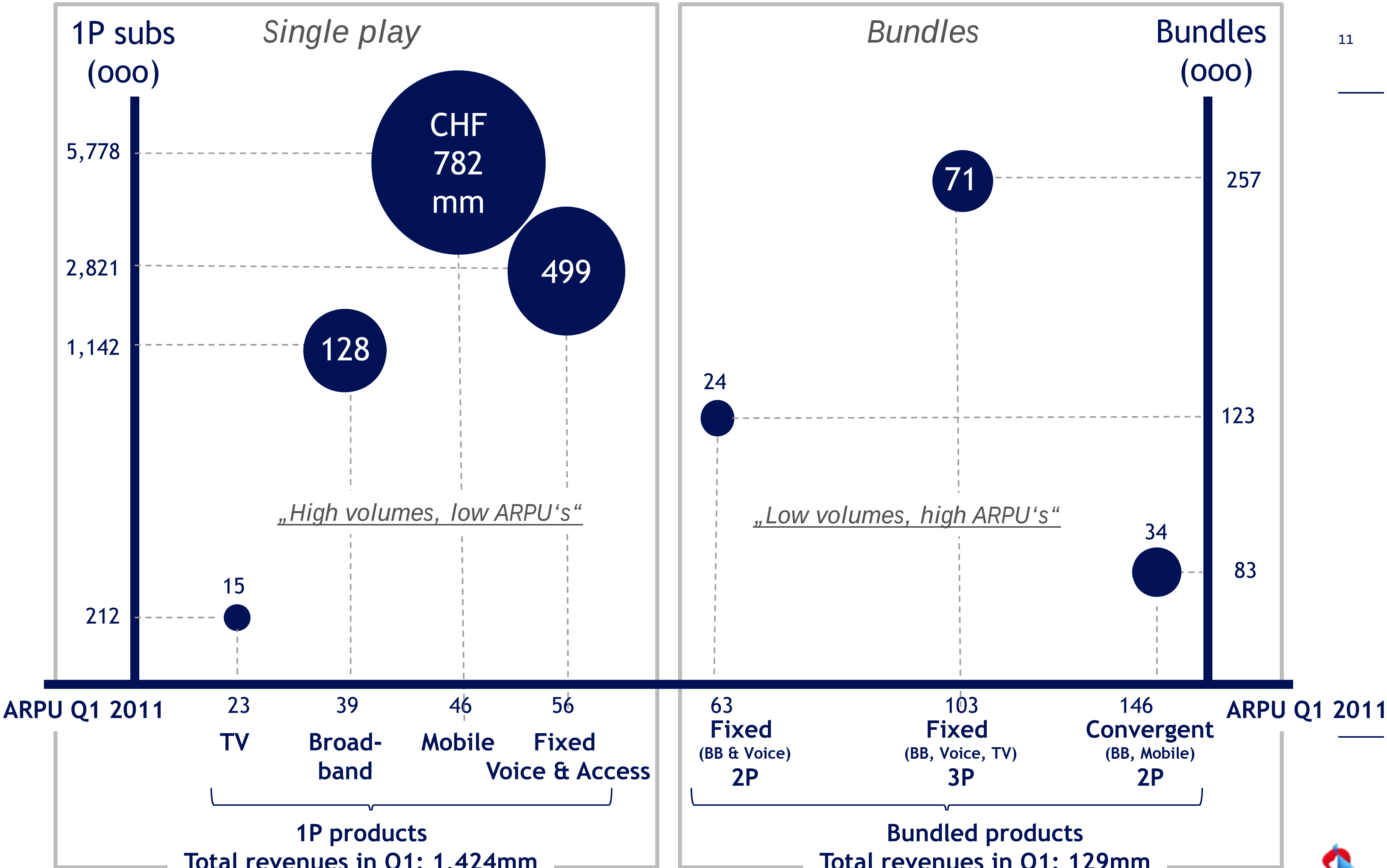
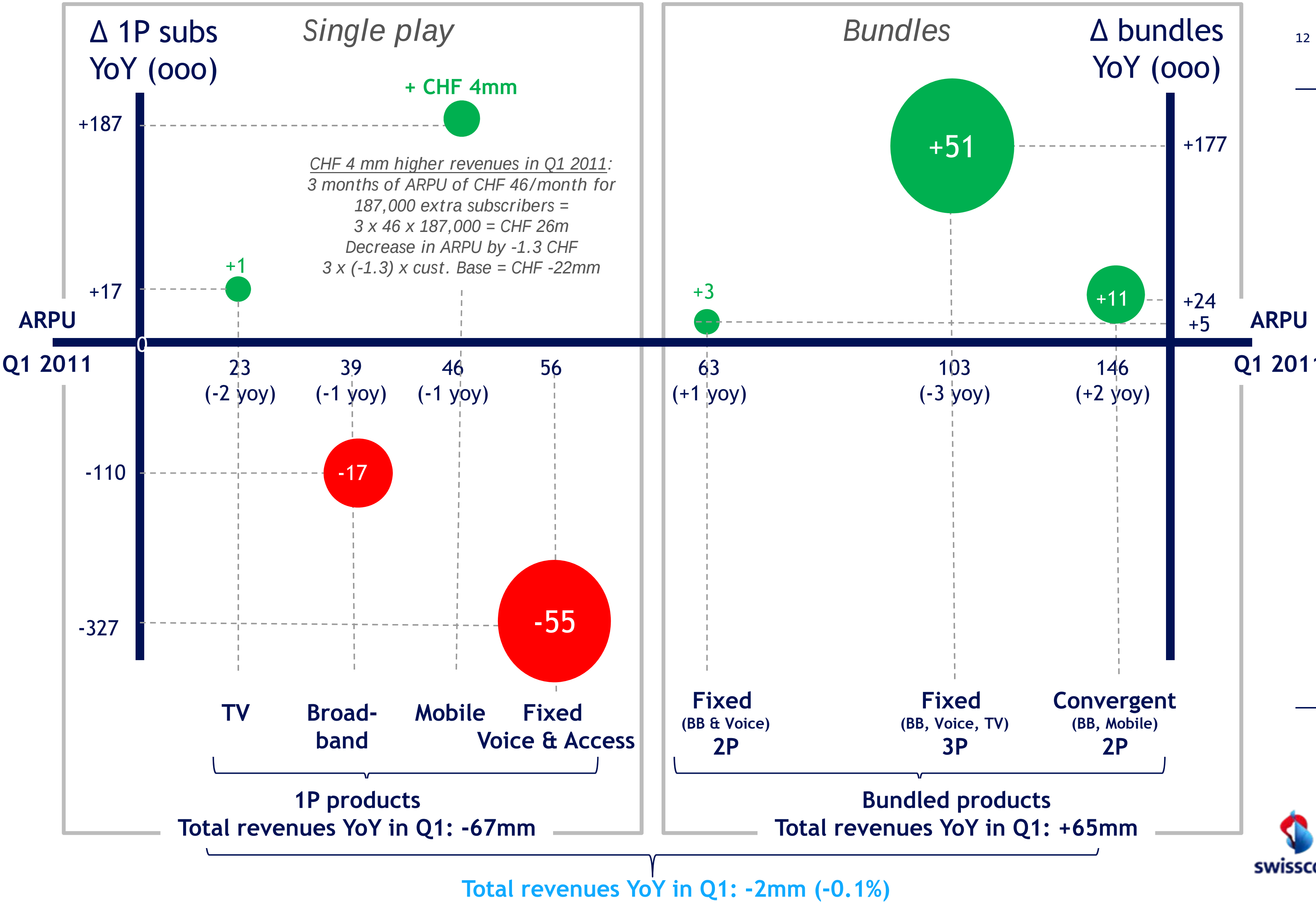
2. Revenues Switzerland Q1 2011, single & bundled products



Total revenues in Q1: 1,553mm of which 8% through bundles (from nearly nothing last year!)

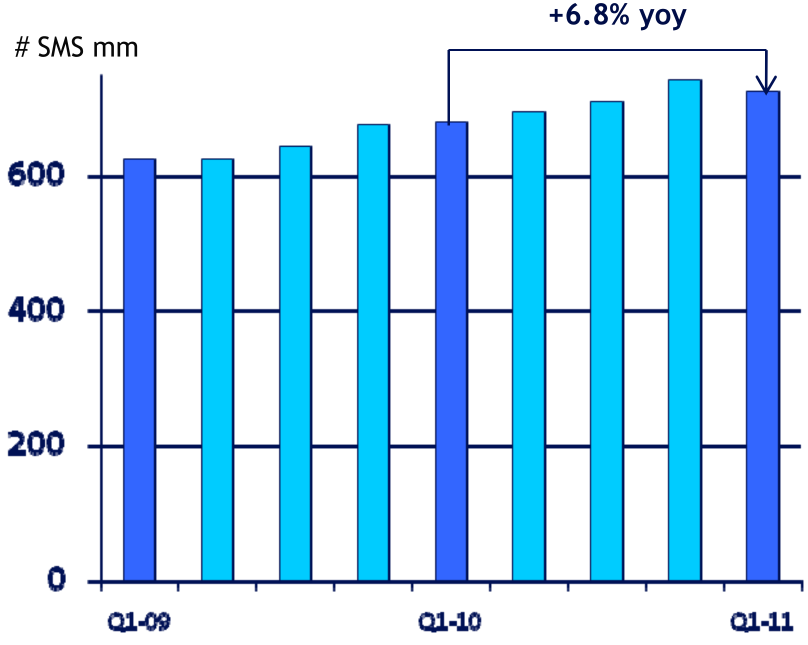
2. Δ revenues YoY, single play decline compensated by bundles



3. SMS & mobile voice dynamics; bring customers to tariff plans with higher base fee

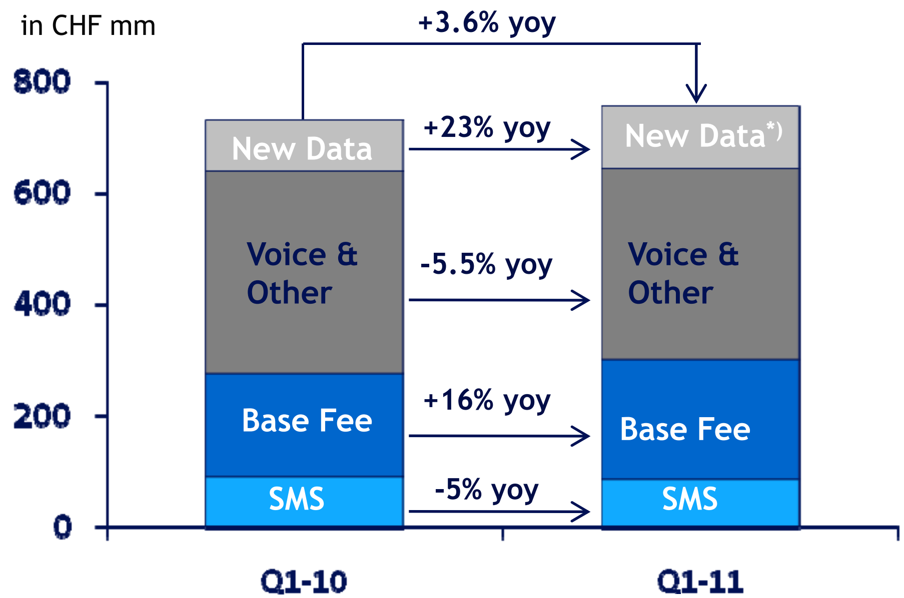
SMS volume up, SMS revenue down due to flat rates which include many SMS in the (higher) base fee. Similar for voice. Negative revenue effect (around -5% yoy) fully compensated by higher monthly base fees and mobile data usage. Further growth through higher subscriber base

Number of SMS



Number of SMS continues to grow

Wireless revenue Swisscom w/o Wholesale

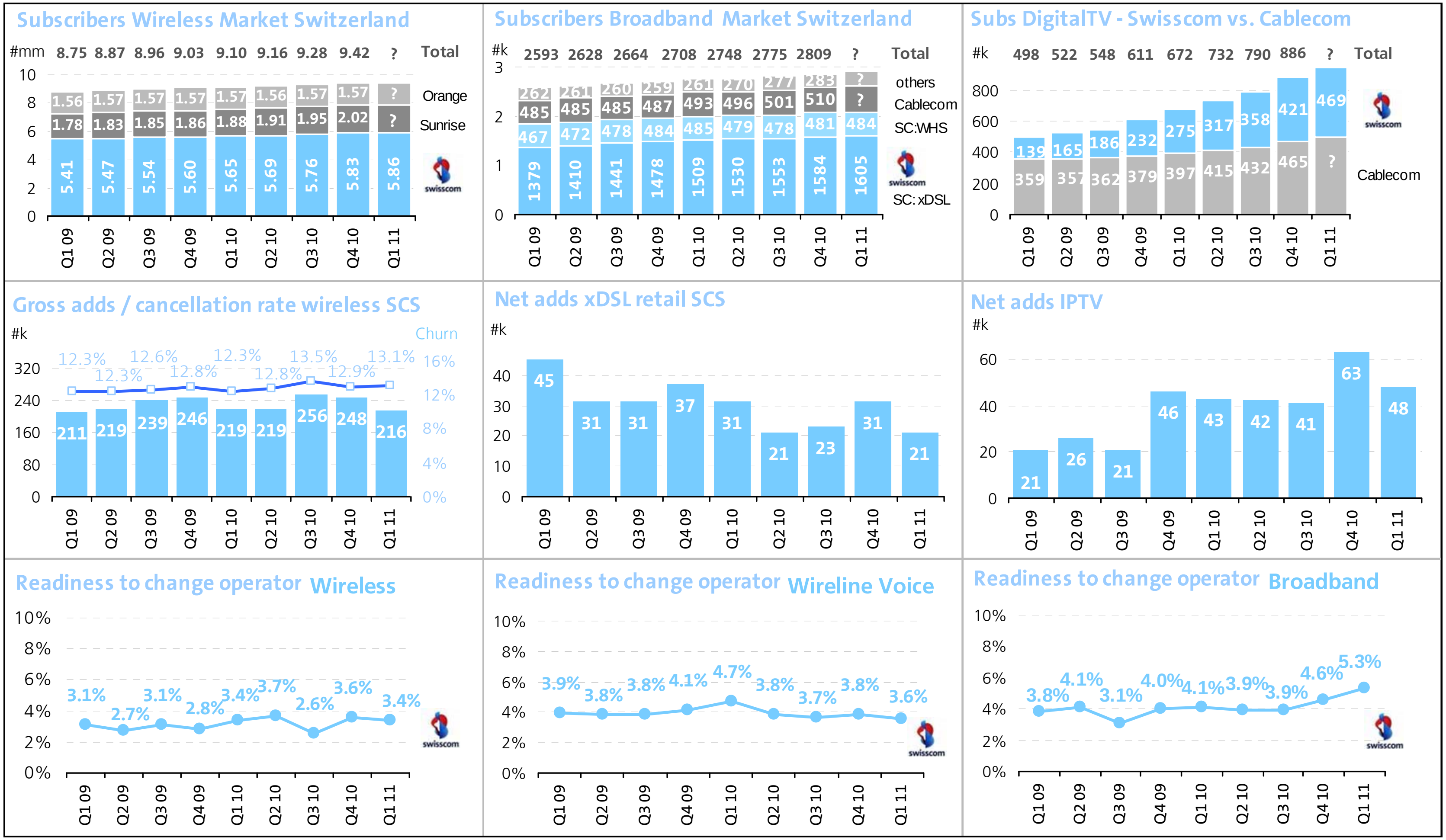


SMS & voice revenue decline compensated by higher base fees and new data growth

*) Data Q1-2011: +23% yoy despite much lower data roaming prices than in 2010

3. Other– Swisscom versus Swiss competitors

Again good market performance. Net adds mobile after taking out 16k OGO (inactivated) subscribers still at 33k in Q1 2011, i.e. 49k normalized net adds growth



3. Other highlights in Q1

New products & services

- Internet broadband offer „rapido“ with up to 100 Mbit/s to customers within fibre footprint
- 1st of April launch of new mobile price plans for „Natel liberty“ with hour rates, including free SMS and new tariffs for mobile data
- UCC (Unified Communication) for SME introduced
- First Fastweb customers with Sky offer now served

New fibre-optic agreements signed

- New cooperation with the utility of Luzern
- All agreements together cover nearly 1mm households, i.e. the footprint envisaged by 2015

Regulation

- MTR Case (CHF 333mm fine) now overruled in final instance by Federal Supreme Court: no penalty for Swisscom
- Fibre cooperation agreements still under investigation by Competition Commission ; this is also the case concerning the envisaged joint venture arrangement with Groupe E for the Canton of Fribourg, as announced by the Competition Commission on 29th April
- Mobile spectrum auction postponed until earliest Q4 2011
- 29th March: the transport and telecommunications committee sees no need to change the telecommunication law (FMG) and points out that the investment protection for telecom operators is important to keep Switzerland’s telecommunication market attractive for investors.

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3. Fastweb

- Swisscom now holding 100% of Fastweb shares after completion of minority buy out, with successful delisting of Fastweb completed on 23th March 2011
- Sky partnership launched with some delay, yet “Home Pack” now for sale
- Consip (public authorities) deal secured at 25% of total contract size. With upselling options, annual revenues to be around € 100mm (marginally below historic annual revenues)
- Progress against targets [a]:

	CONSUMER		
	First bill not paid	Cash-in/Turnover [1]	Bad debt/Revenues [2]
Actual 2010	21%	90%	6%
Action Plan Target ultimately	12%	96%	4%
Budget 2011 Target	12%	91%	6%
Actual Q1 2011	15%	91%	8%

	SME		
	First bill not paid	Cash-in/Turnover [1]	Bad debt/Revenues [2]
Actual 2010	33%	90%	8%
Action Plan Target ultimately	14%	95%	5%
Budget 2011 Target	14%	93%	6%
Actual Q1 2011	24%	92%	7%

a) Following the transfer of the Micro business within the SME segment to the Consumer segment from 2011, the targets for each segment were restated
1) Turnover net of revenue recognition
2) Revenues net of reverse interconnection

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1. Swisscom Group financial results — Carsten Schloter, CEO
2. Revenue dynamics Swisscom Switzerland
3. Other

4. Segmental results — Ueli Dietiker, CFO
   - Residential
   - SME
   - Corporate
   - Wholesale
   - Networks
   - Fastweb
   - Other
5. Group results
   - P&L
   - Cashflow
   - Outlook

5. Segmental results: residential customers

Financials and operational data

	31.03.2011	YOY
Net revenue in MCHF [1]	1'263	0.4%
Direct costs in MCHF	-301	-1.3%
Indirect costs in MCHF [2]	-209	1.5%
Contribution Margin 2 in MCHF	**753**	**0.8%**
Contribution Margin 2 in %	*59.6%*	
CAPEX in MCHF	26	-7.1%
FTE's	4'670	0.4%

	31.03.2011	YOY
Voice lines in '000	2'444	-5.3%
BB lines in '000	1'413	6.0%
Wireless customers in '000	4'520	1.8%
Wireless cancellation rate (annualised)	15.0%	1pp
Blended wireless ARPU in CHF	39	-2.5%
thereof ARPU new data in CHF	4.9	22.5%
Blended wireless AMPU in Min.	105	6.1%
Wireline traffic national in Mmin.	1'209	-10.4%
Wireline traffic int'l in Mmin.	152	-9.5%
TV subs in '000	455	69.8%

1) incl. intersegment revenues

2) incl. capitalised costs and other income

3m 2011

- **Net revenue** slightly up by 0.4%. New data growth and higher smartphone sales overcompensate price erosion and lower termination rates
- Wireline **revenue** down -2% (new bundle products, broadband subs and IPTV growth nearly compensate voice line loss and price erosion)
- **Direct cost** down -1.3% (the effects from higher number of sold smart phones and Swisscom TV is overcompensated by lower outpayments)
- **Indirect cost** up +1.5% (efficiency gains are offset by expenses for advertising)
- **Contribution Margin** stable at nearly 60%
- **TV Subscriber** up +70%
- **New Data** ARPU up +22.5%

5. Segmental results: SME (Small & Medium Enterprises)

Financials and operational data

	31.03.2011	YOY
Net revenue in MCHF [1)]	287	0.7%
Direct costs in MCHF	-38	-9.5%
Indirect costs in MCHF [2)]	-35	6.1%
Contribution Margin 2 in MCHF	**214**	**1.9%**
Contribution Margin 2 in %	*74.6%*	
CAPEX in MCHF	3	200.0%
FTE's	738	-2.4%

	31.03.2011	YOY
Voice lines in '000	512	-0.4%
BB lines in '000	162	9.5%
Wireless customers in '000	497	6.2%
Wireless cancellation rate (annualised)	7.0%	0pp
Blended wireless ARPU in CHF	85	-4.5%
thereof ARPU new data in CHF	11.8	8.3%
Blended wireless AMPU in Min.	205	1.0%
Wireline traffic national in Mmin.	355	-4.6%
Wireline traffic int'l in Mmin.	44	-4.3%

1) incl. intersegment revenues

2) incl. capitalised costs and other income

3m 2011

- Net **revenue** up by +0.7 YoY (price erosion compensated by higher number of subscribers and new data growth)
- **Direct costs** down by -9.5% due to lower outpayments (decreasing rates)
- **Indirect cost** up +6.1% (a lower number of FTE and efficiency gain are overcompensated by an increase of other cost items)
- **Contribution Margin** up 0.9%-points to 74.6% due to revenue increase and lower direct costs
- **BB lines** up +9.5%
- **New Data** ARPU up 8.3% to 12 CHF/month

5. Segmental results: corporate business

Financials and operational data

	31.03.2011	YOY
Net revenue in MCHF [1)]	455	2.0%
Direct costs in MCHF	-111	8.8%
Indirect costs in MCHF [2)]	-114	6.5%
Contribution Margin 2 in MCHF	**230**	**-3.0%**
Contribution Margin 2 in %	*50.5%*	
CAPEX in MCHF	18	28.6%
FTE's	2'322	5.1%

	31.03.2011	YOY
Voice lines in '000	245	-2.4%
BB lines in '000	30	7.1%
Wireless customers in '000	844	13.4%
Wireless cancellation rate (annualised)	6.0%	1pp
Blended wireless ARPU in CHF	61	-9.0%
thereof ARPU new data in CHF	16.2	7.3%
Blended wireless AMPU in Min.	156	-7.1%
Wireline traffic national in Mmin.	391	-3.7%
Wireline traffic int'l in Mmin.	91	-1.1%

1) incl. intersegment revenues

2) incl. capitalised costs and other income

3m 2011

- **Revenue** up by 2.0%, partially by acquisition of Axept. Decline of wireline revenue (price erosion) overcompensated by rising projects/outsourcing and Mobile revenue (subscriber and new data growth)
- **Direct cost** up by +8.8% driven by increase of project/outsourcing business with low margin partly offset by lower outpayments
- **Indirect cost** increase by 6.5% due to the acquisition of Axept and higher cost for project/outsourcing business
- Increase of FTE +5.1% due to acquisition of Axept in December.
- **Contribution Margin** decreased by 2.6%-points to 50.5% due to change in revenue mix (low margin) and increased indirect costs.

5. Segmental results: wholesale

Financials and operational data

	31.03.2011	YOY
Revenue from external customers in MCHF	163	-20.1%
Intersegment revenue in MCHF	96	-21.3%
Net revenue in MCHF	**259**	**-20.6%**
Direct costs in MCHF	-152	-24.4%
Indirect costs in MCHF [1)]	-5	-16.7%
Contribution Margin 2 in MCHF	**102**	**-14.3%**
Contribution Margin 2 in %	*39.4%*	
CAPEX in MCHF	-	nm
FTE's	100	-3.8%

	31.03.2011	YOY
Full access lines in '000	270	40.6%
BB (wholesale) lines in '000	214	-27.0%
Wireline wholesale traffic in Mmin.	2'363	-10.6%

1) incl. capitalised costs and other income

3m 2011

- **Net revenue** decreased by 67 MCHF
  - lower mobile termination rates
  - lower roaming rates
  - ongoing substitution towards full access
  - revenue decrease in data services
- **Direct costs** down by 49 MCHF as many revenue drivers push also down direct cost
- **Full access lines** increased substantially, mostly substituting wholesale broadband lines (ULL replaces wholesale broadband)

5. Segmental results: network and support functions

Financials and operational data

	31.03.2011	YOY
Personnel expenses in MCHF	-162	-8.0%
Rent in MCHF	-44	-6.4%
Maintenance in MCHF	-47	-2.1%
IT expenses in MCHF	-68	-19.0%
Other OPEX in MCHF	-72	-1.4%
Indirect costs in MCHF	-393	-8.2%
Capitalised costs and other income in MCHF	41	-6.8%
Contribution Margin 2 in MCHF	**-352**	**-8.3%**
Depreciation, amortisation and impairment in MCHF	-214	-4.9%
Segment result in MCHF	**-566**	-7.1%
CAPEX in MCHF	224	24.4%
FTE's	3'984	-2.5%

3m 2011

- **Indirect costs** down by 35 MCHF mostly driven by lower personnel expenses due to a lower number of FTE and cost savings
- **Segment result** increased by 43 MCHF as a result of lower indirect costs as well as lower depreciation charges due to a change of useful life of cable (fibre) from 20 years to 30 years
- **CAPEX** above previous year (24.4%) mainly driven by higher spending for the fibre-infrastructure and the wireless network

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5. Segmental results: Fastweb

Financials and operational data

	31.03.2011	YOY
Consumer revenue in MEUR	191	-14.3%
SME revenue in MEUR	56	-6.7%
Executive revenue in MEUR [1)]	188	5.1%
Net revenue in MEUR [1)]	435	-5.8%
OPEX in MEUR	-340	-19.0%
Capitalised costs and other income in MEUR	12	-14.3%
EBITDA in MEUR	**107**	**87.7%**
EBITDA in MEUR w/o VAT prov.	**107**	**-15.7%**
EBITDA margin in %	*24.6%*	
CAPEX in MEUR	98	-1.0%
OpFCF Proxy in MEUR	9	nm
FTE's	3'103	-0.5%

In Swisscom accounts	31.03.2011	YOY
EBITDA in MCHF	139	69.5%
CAPEX in MCHF	126	-12.5%

	31.03.2011	YOY
BB customers in '000	1'733	3.3%
Mobile value customers in '000	257	77.2%

1) incl. revenues to Swisscom companies

3m 2011

- **Revenues** decreased by 5.8% YoY
  - Tightened product portfolio
  - Consumer and SME affected by stronger market competition causing high churn rates and price pressure
  - Executive with revenue growth
- Standalone **EBITDA** reaches 107 MEUR, down by -16% YOY (adjusted for the VAT provision in 2010) Margin decreased to 24.6% (-2.9pp)
  - decrease of high margin revenues
  - increased provisions for bad debt
- Contribution to Swisscom EBITDA in CHF +70% Adjusted by the VAT provision posted in 2010, EBITDA decreased by -24%, partially due to the ongoing strengthening of Swiss Franc in a YOY context.
  (Currency impact in Swisscom accounts: revenue -70 MCHF / EBITDA -16 MCHF)
- Following the **cooperation** with Sky Italy, a new bundle product including TV + Broadband has been launched end of Q1, targeting additional subscriber growth

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5. Segmental results: Other

Financials and operational data

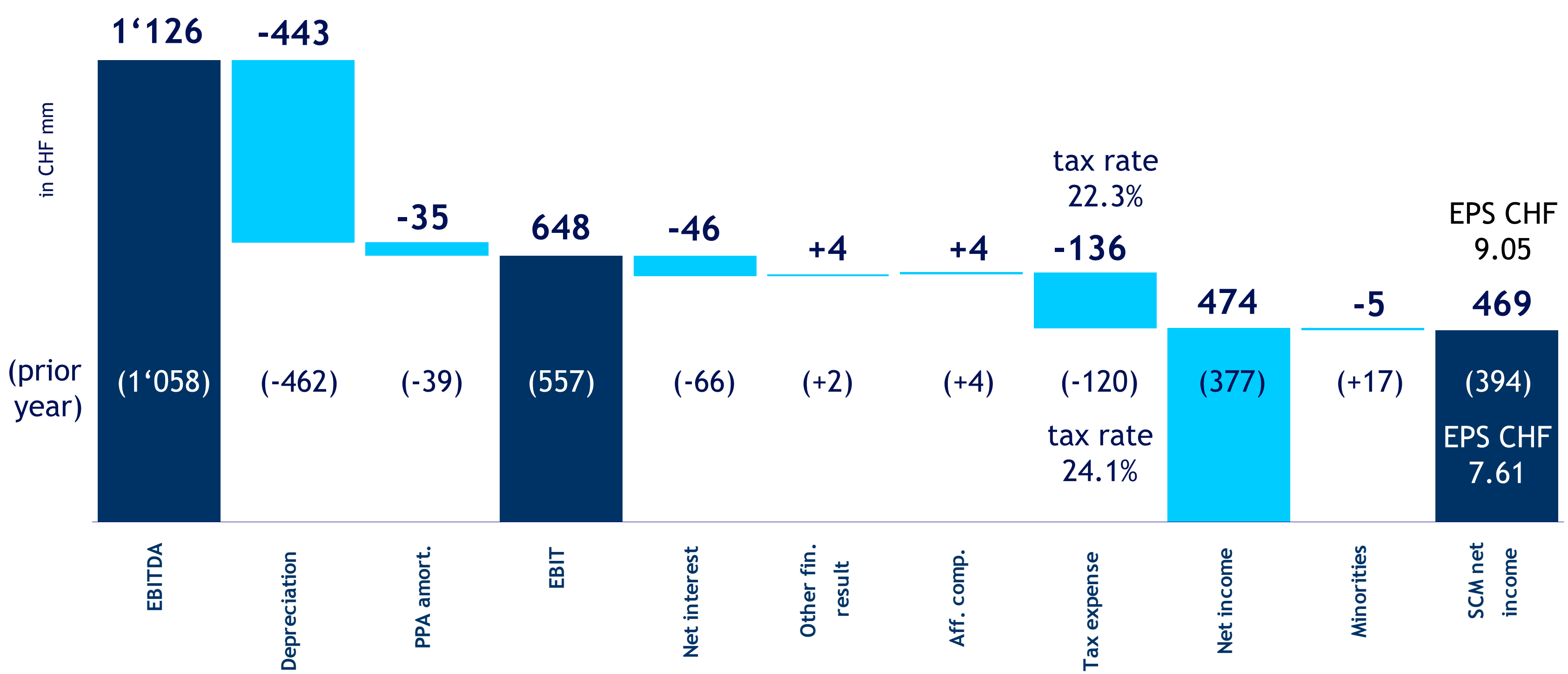
	31.03.2011	YOY
Swisscom IT Services in MCHF	140	19.7%
Swisscom Participations in MCHF	78	5.4%
Hospitality Services in MCHF	18	0.0%
Other in MCHF	-	n.m.
External revenue in MCHF	236	12.4%
Net revenue in MCHF [1)]	422	3.4%
OPEX in MCHF	-363	8.0%
Capitalised costs and other income in MCHF	11	22.2%
EBITDA in MCHF	**70**	**-13.6%**
EBITDA margin in %	*16.6%*	
CAPEX in MCHF	32	68.4%
FTE's	4'394	5.6%

1) incl. intersegment revenues

3m 2011

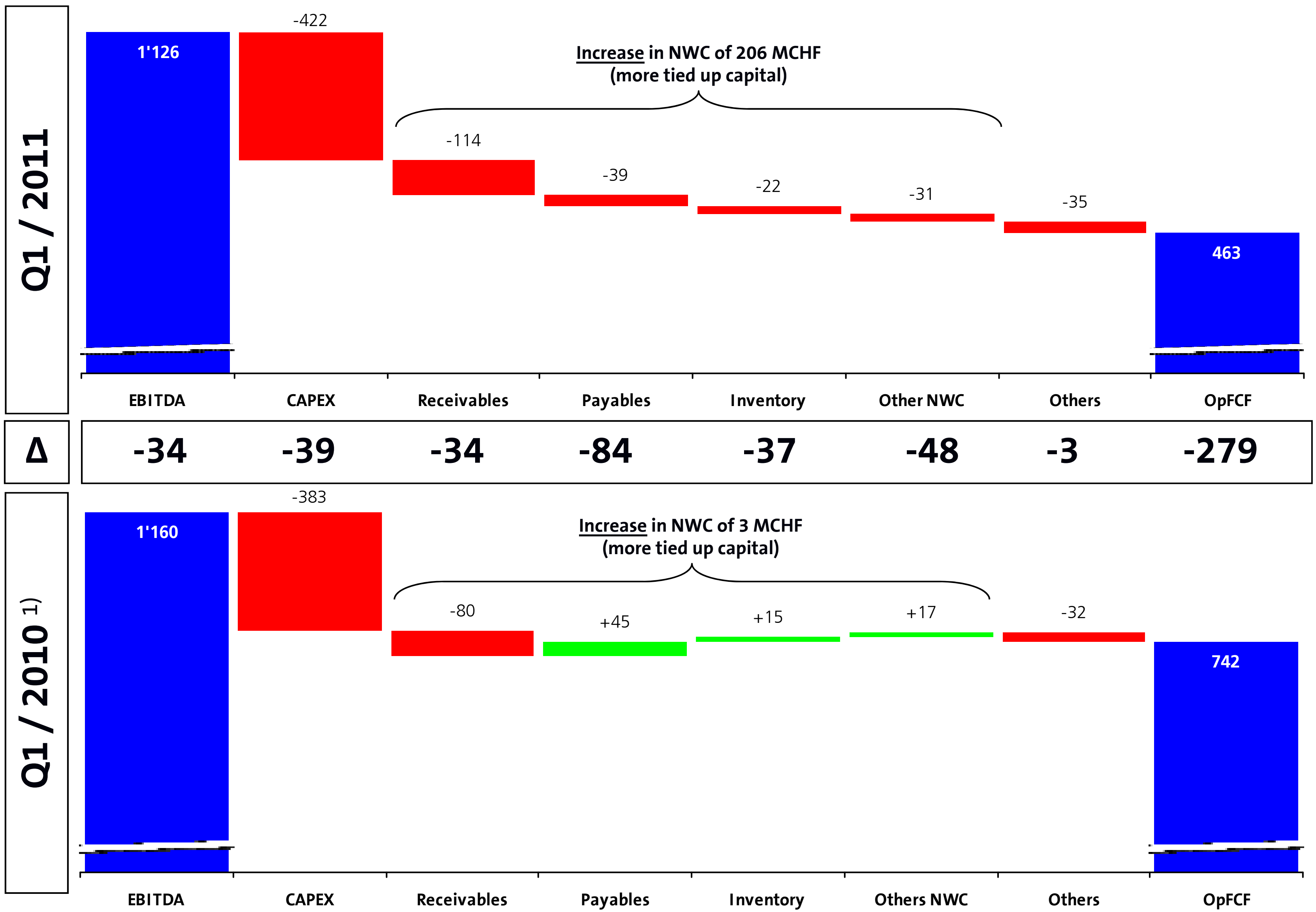
- **External revenue** up by 26 MCHF (+12.4%):
  - IT Services up by 23 MCHF, half of the increase is due to the acquisition of a new company
  - Swisscom Participations slightly above previous year due to the higher revenue from construction activities
- **Intersegment revenues** down by 12 MCHF as a result of reduced intersegment revenues at IT Services
- **EBITDA** and EBITDA margin down due to revenue increase with overall lower margins
- **Order intake IT Services** 82 MCHF

6. Group results: P&L breakdown



Increase in net income mainly due to the Fastweb VAT provision posted in Q1 last year

6. Group results: operating free cash flow breakdown in MCHF



1) Q1 / 2011 on comparable basis: excluding VAT case provision of 102 MCHF, affecting EBITDA and „Others NWC" equally.

6. Group Results: Outlook 2011*) confirmed after the first Quarter

Swisscom Group (including Fastweb)

CHF bln	2010 Actual	2011 Expected
Exchange rate CHF/€	*1.37*	*1.30*
Revenues	12.0	>11.8
EBITDA	4.6	> 4.6
CAPEX	1.9	< 2**)
Dividend/share (payable the year after)	21 (proposed to General Assembly, with payment on 19 April 2011)	at least 21 (upon achieving the financial targets above)

Fastweb

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.

*) Assuming an exchange rate of CHF 1.30 / €
**) Capex without any license cost for possible mobile spectrum auction

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Q&A

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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