

Swisscom Q2: +/-

Results Q2 2011

Investor & Analyst Presentation

11 August 2011



Agenda Q2: +/-

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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

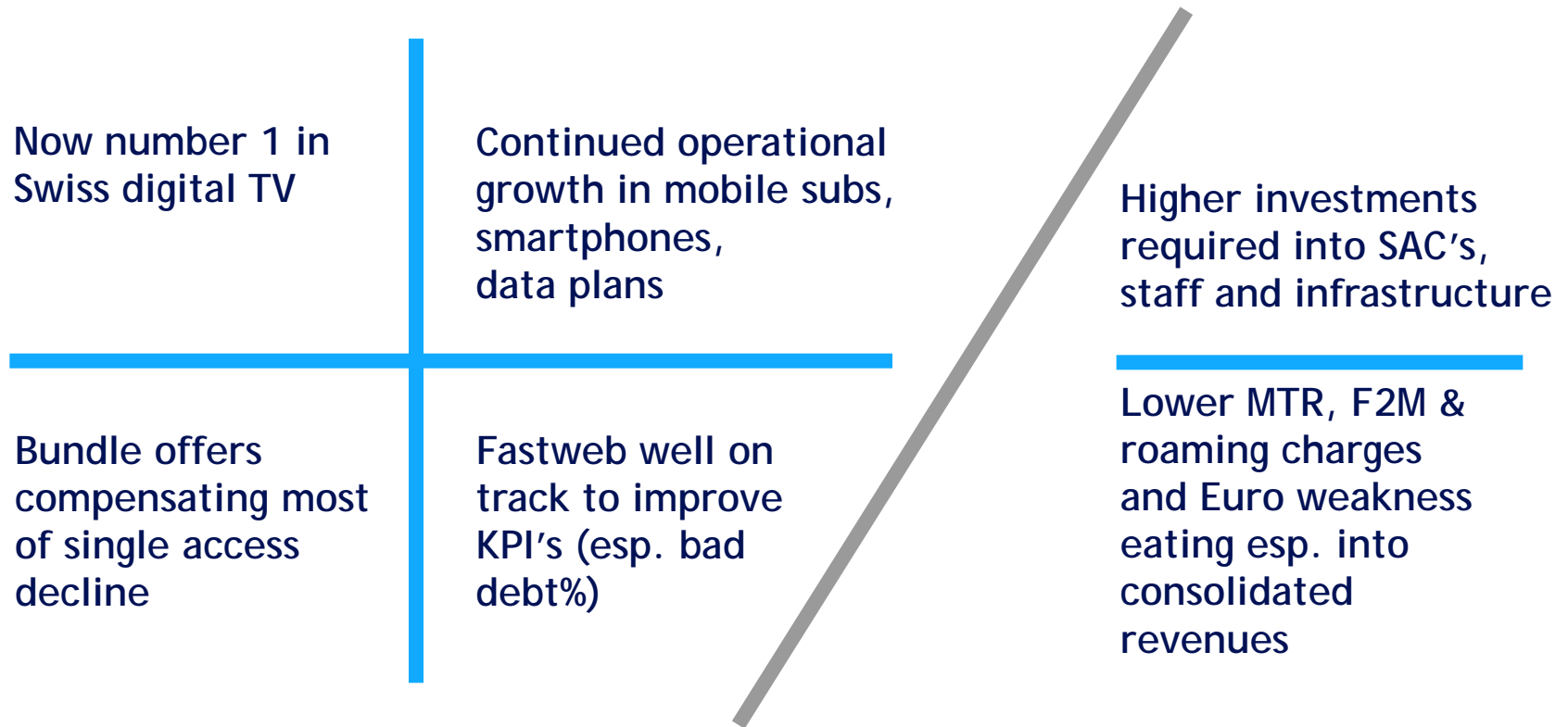
- SMS and mobile voice dynamics
- Fastweb

4. Segmental results

5. Group results

Ueli Dietiker, CFO

Q2: +/-



Q2 delivers a mixed picture in terms of growth, partially caused by weakening Euro and lower MTR/F2M/roaming rates.

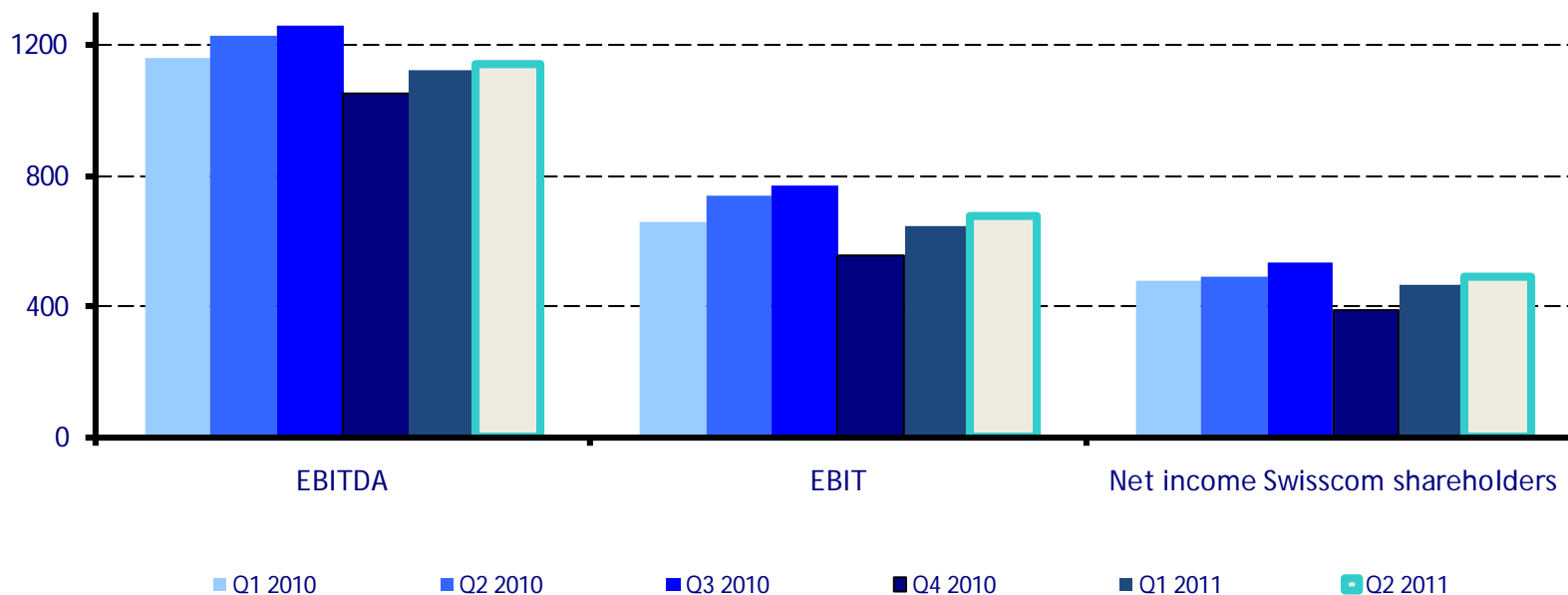
More investments made into SAC's, staff and infrastructure in order to fortify market shares as main driver of future profitability.

Outlook confirmed for profitability and dividend

1. Swisscom Group financial results: overall

Past 6 quarters

CHF mm *)

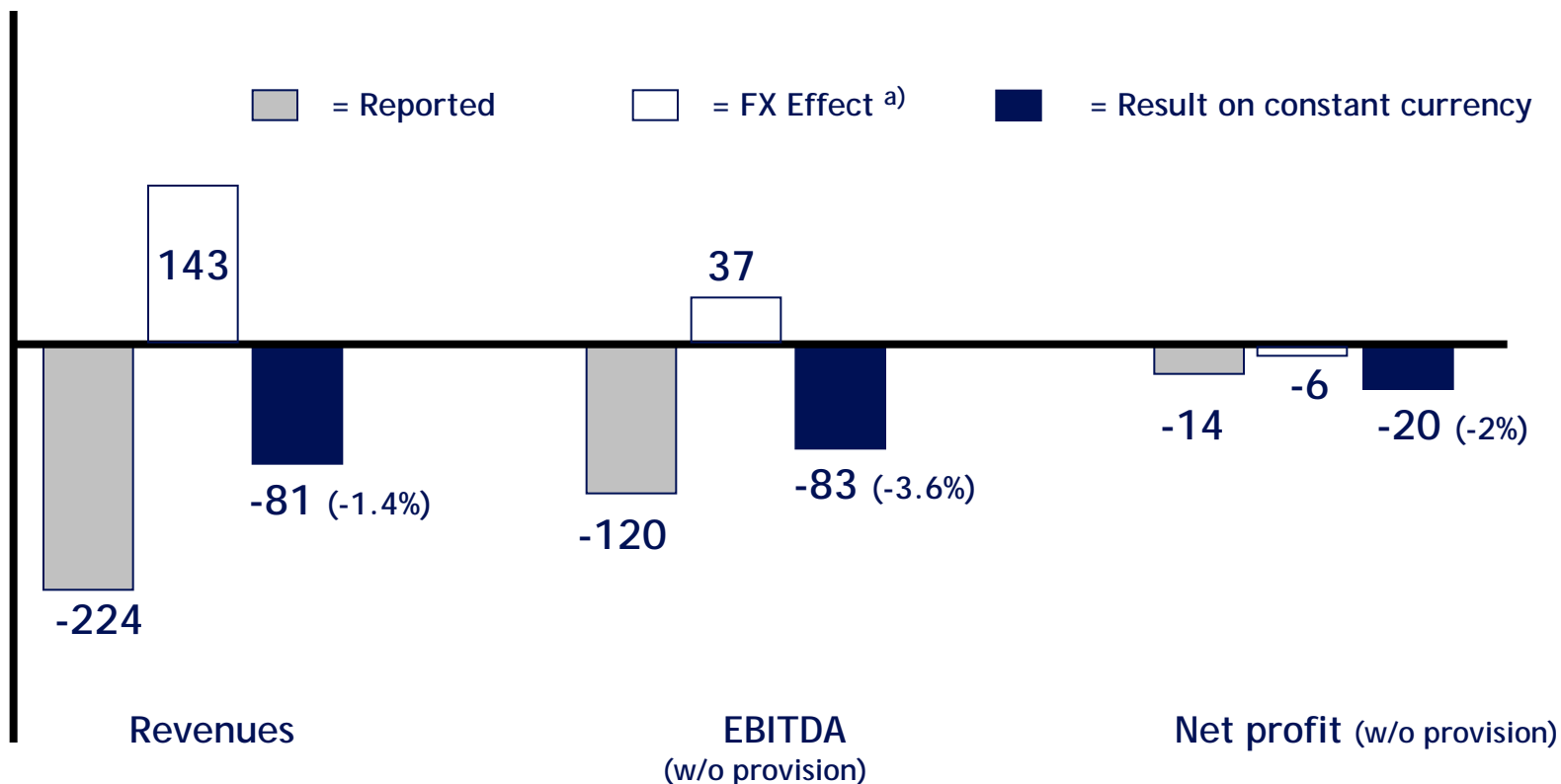


*) all figures as reported, without VAT provision in Q1-2010

Normal seasonal patterns, also in Q2 2011

1. Swisscom Group financial results: on constant currency basis

Change YoY (1st HY 2011 versus 1st HY 2010) in CHF mm, total Swisscom Group

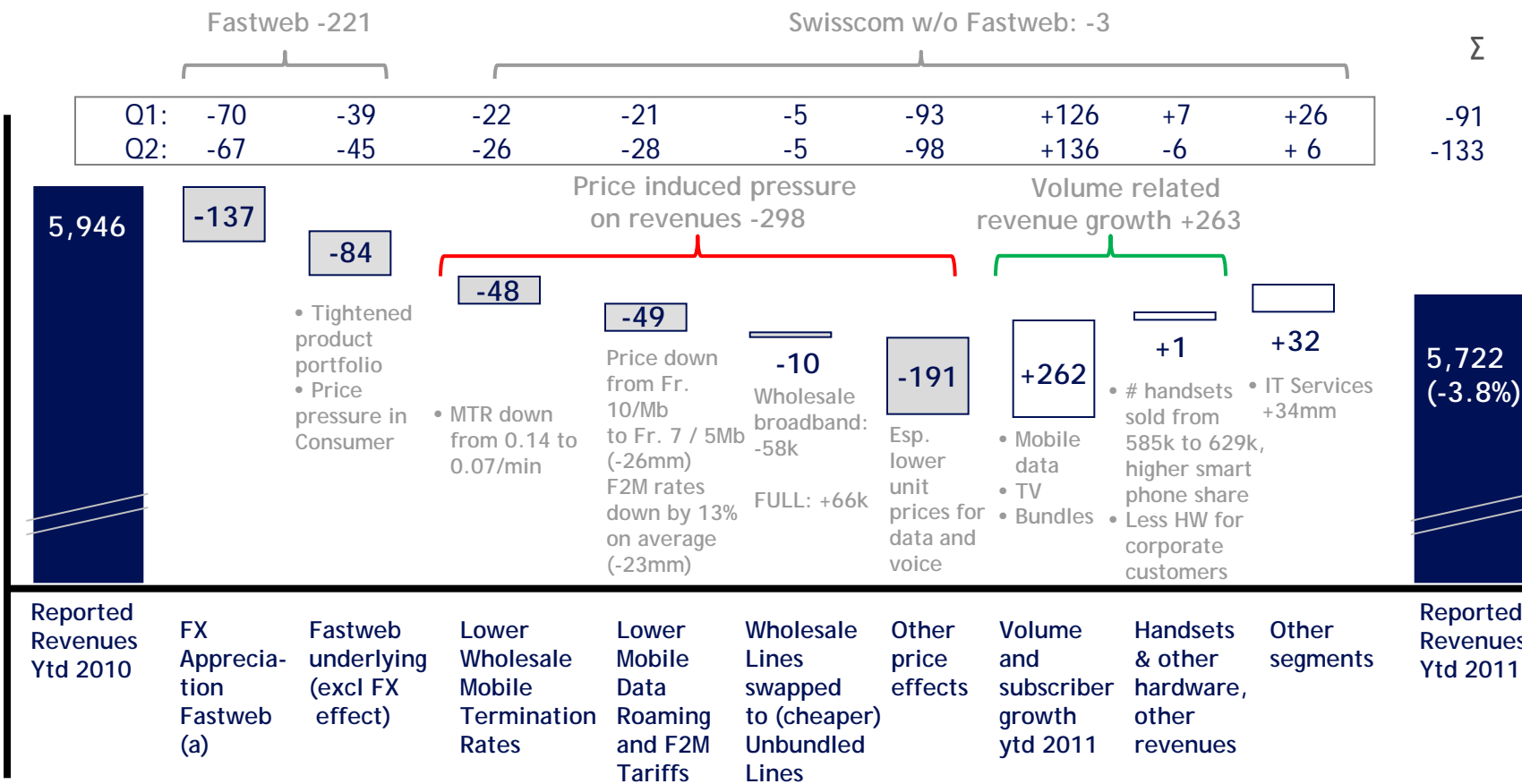


(a) Average exchange rate CHF/€ ytd 2010: 1.424 and in ytd 2011: 1.266, i.e. a weakening of Euro against Swiss Franc of 11.1%

FX continues to significantly affect YoY performance, however no significant impact on net profit (or FCF)

1. Swisscom Group financial results, revenues

Change YoY (1st HY 2011 versus 1st HY 2010) in CHF mm, total Swisscom Group



(a) Average exchange rate CHF/€ ytd 2010: 1.424 and in ytd 2011: 1.266, i.e. a weakening of Euro against Swiss Franc of 11.1%

Revenues excluding FX appreciation down -1.4%

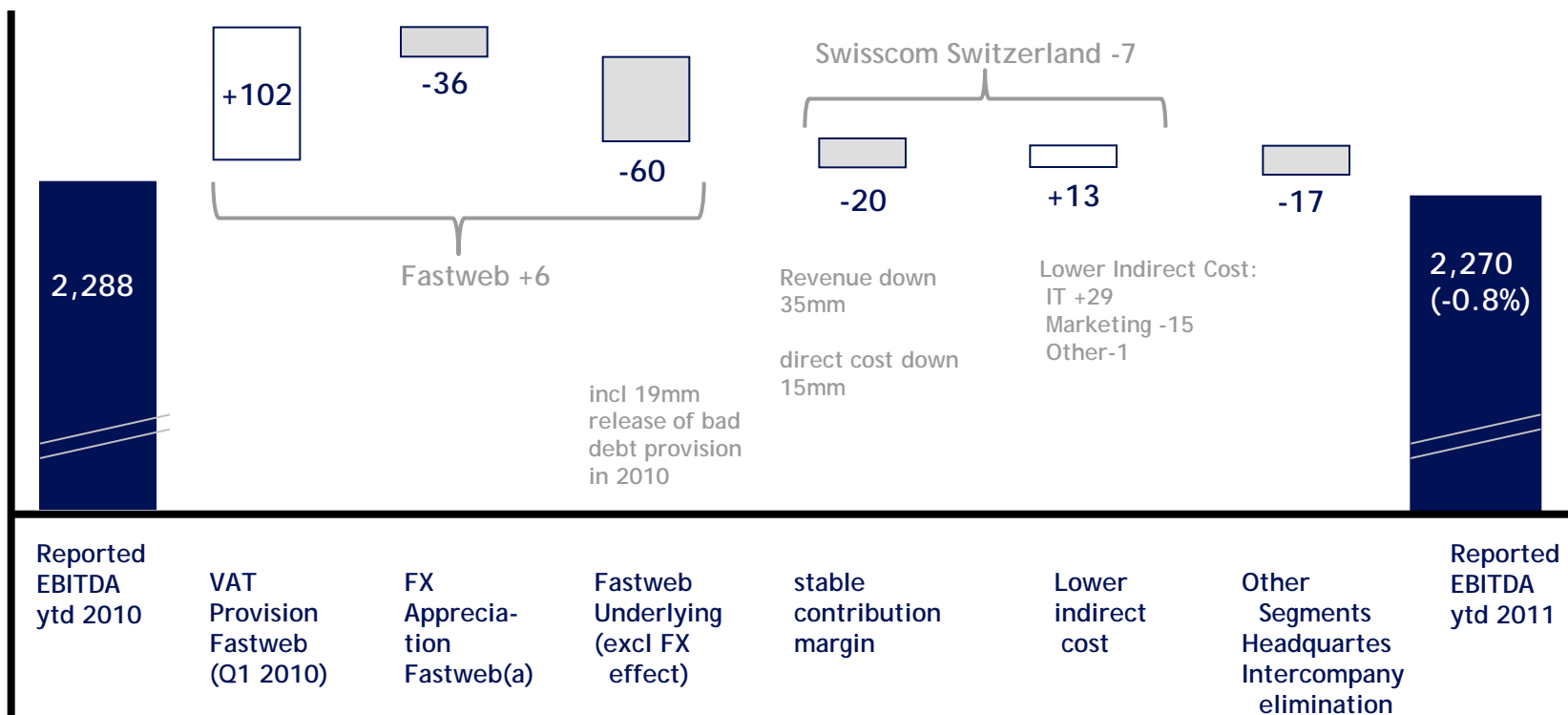


1. Swisscom Group financial results, EBITDA

Change YoY (1st HY 2011 versus 1st HY 2010) in CHF mm, total Swisscom Group





Q1:	+102	-16	-29	-1	+19	-7	-34
Q2:	-	-20	-31	-19	-6	-10	-86

Σ 7



Like for like EBITDA (excl. VAT provision and FX) down 3.6%

2. Revenues 1st HY 2011 vs 1st HY 2010: from single subscriptions to bundles

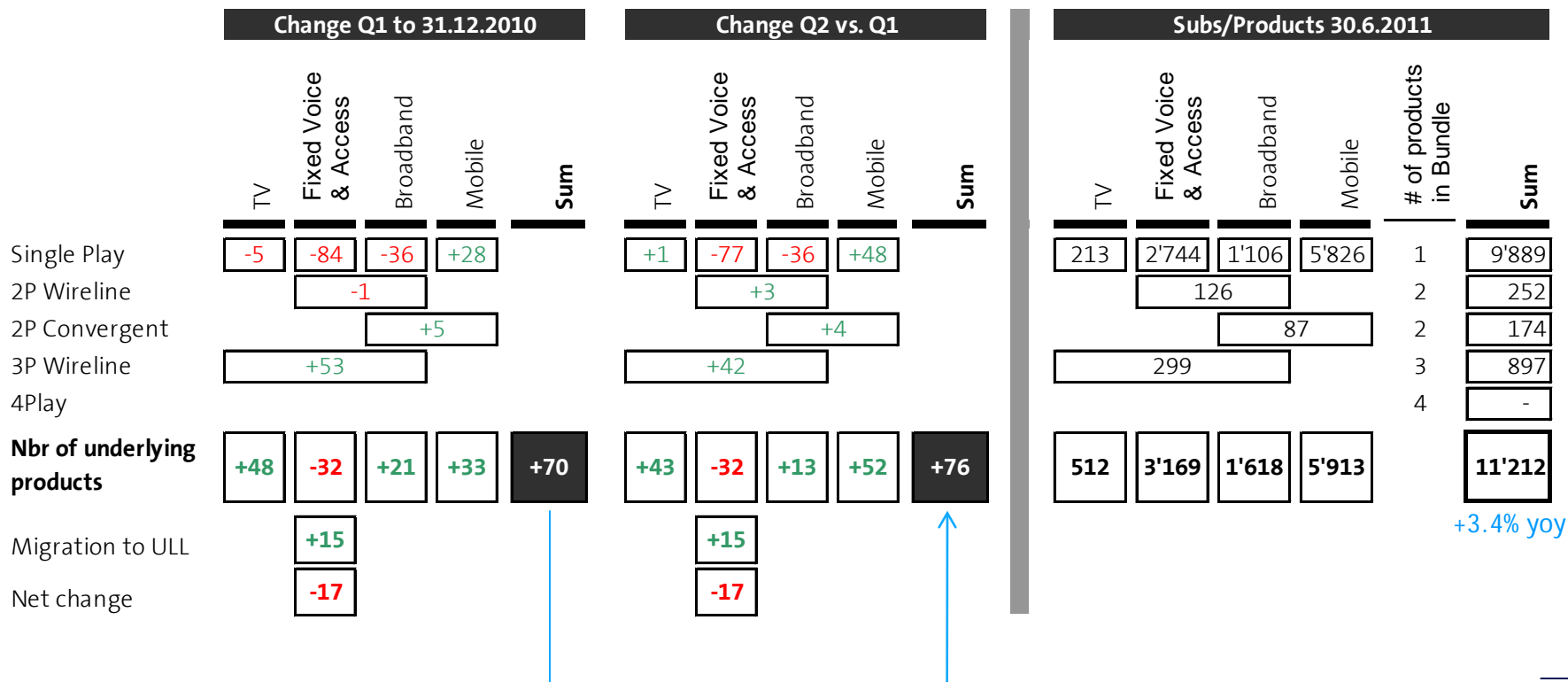
CHF mm.	Single Play Products		Bundle + Convergent Products		Σ	Q1	Q2
Retail Business (incl. Incoming)	Wireline  -149	Wireless MTR -48 New Data +37 Other +4  -7	Wireline Bundles  +113	Convergent Products  +21			
Σ	-156		+134		-22	-2	-20
Wholesale (excl. MTR Effect) & other	Wireline Wholesale -30	Inbound Roaming -14	Other (esp. Solutions CBU) +30		-14	-13	-1
Σ Total Retail & Wholesale					-36	-15	-21
Devices and other revenues					+1	+7	-6
Other Segments		<u>At constant exchange rates</u> +38	<u>FX effect</u> -6		+32	+26	+6
Σ Swisscom w.o. Fastweb					-3	+18	-21
Fastweb		<u>At constant exchange rates</u> -84	<u>FX effect</u> -137		-221	-109	-112
Σ Revenue Swisscom Group		-81 (-1.4% YoY)	-143		-224	-91	-133

Group revenues at constant FX would have decreased by 1.4% YoY

2. Revenue dynamics Switzerland - volumes single play versus bundles

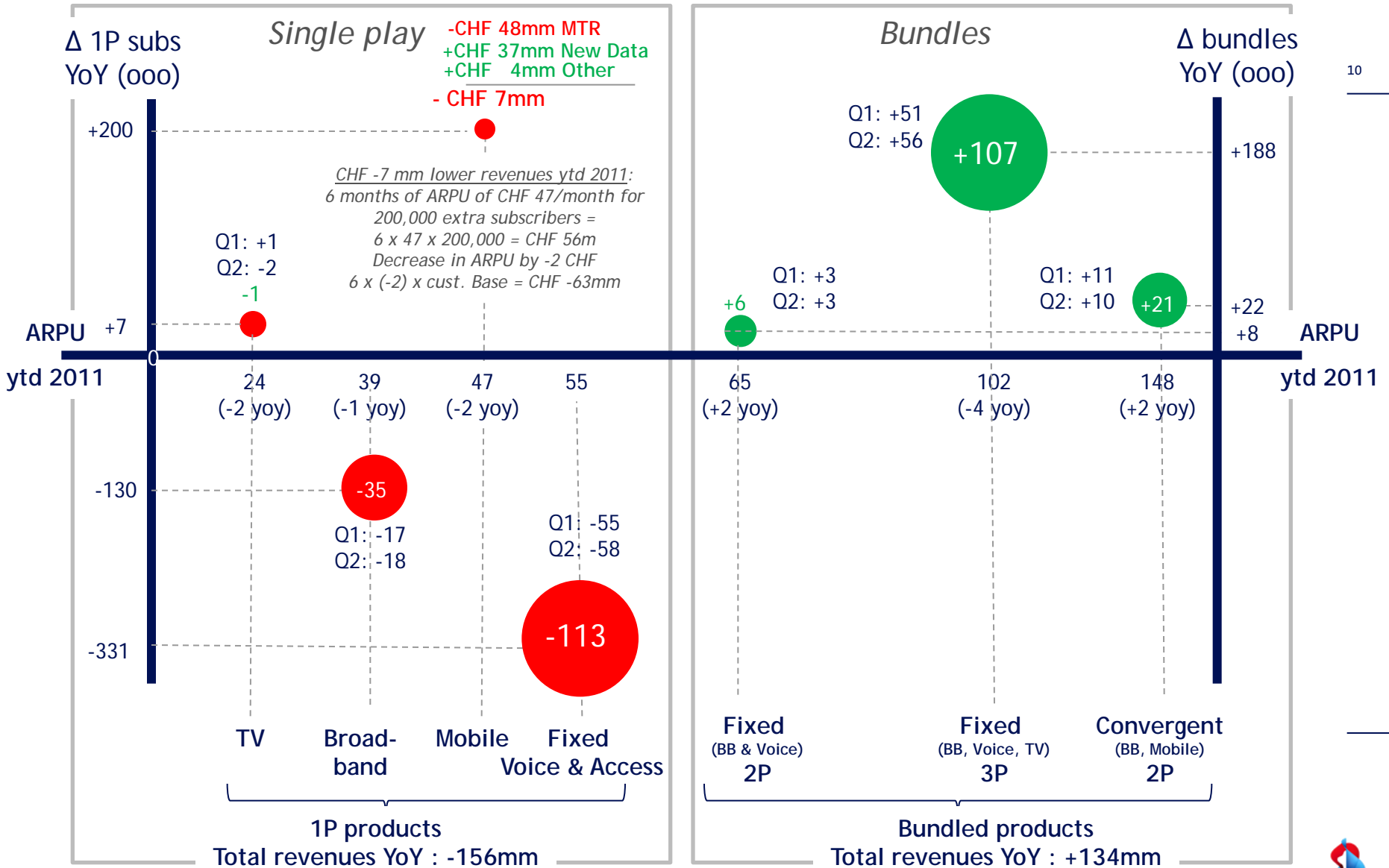
Access Lines/Subs/Products
(000)

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Operationally another quarter of good growth in Switzerland

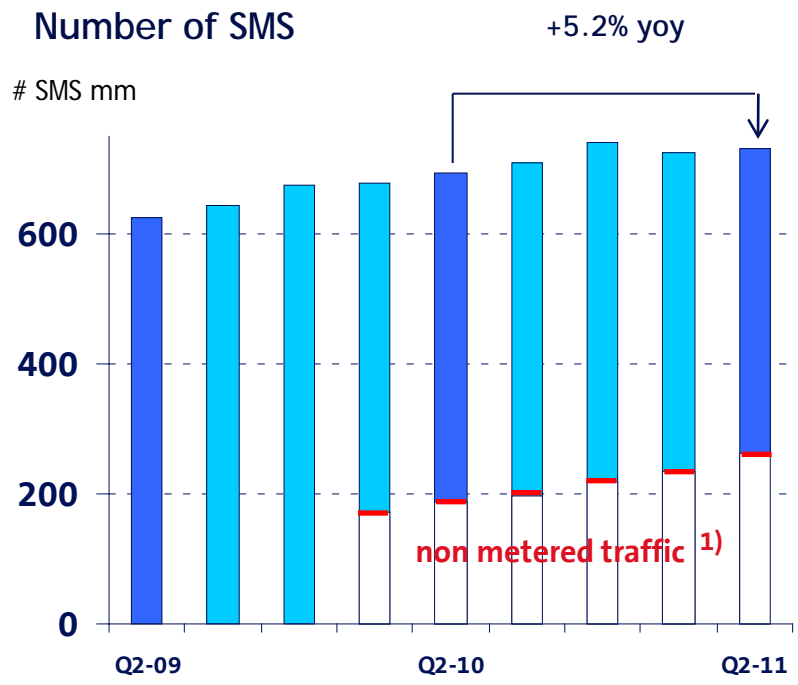
2. Δ revenues YoY, single play decline nearly compensated by bundles



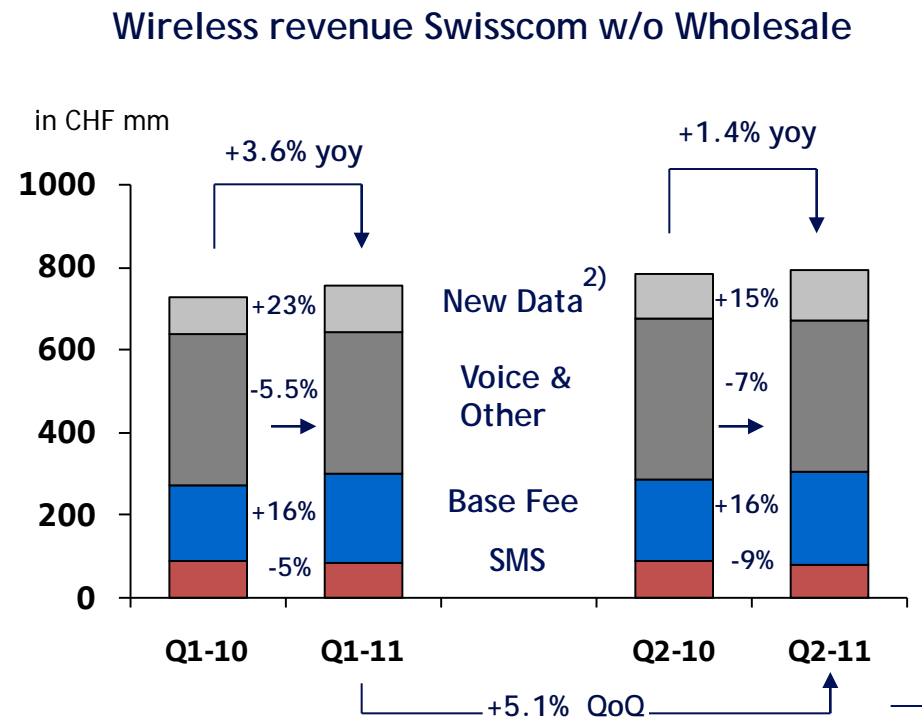
Total revenues YoY in ytd: -22mm (-0.7%), of which MTR effect -48mm. I.e. excl. MTR growth of 26mm (+0.8%)

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 -9% yoy) fully compensated by higher monthly base fees and mobile data usage. Further growth through higher subscriber base



Number of SMS still growing



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

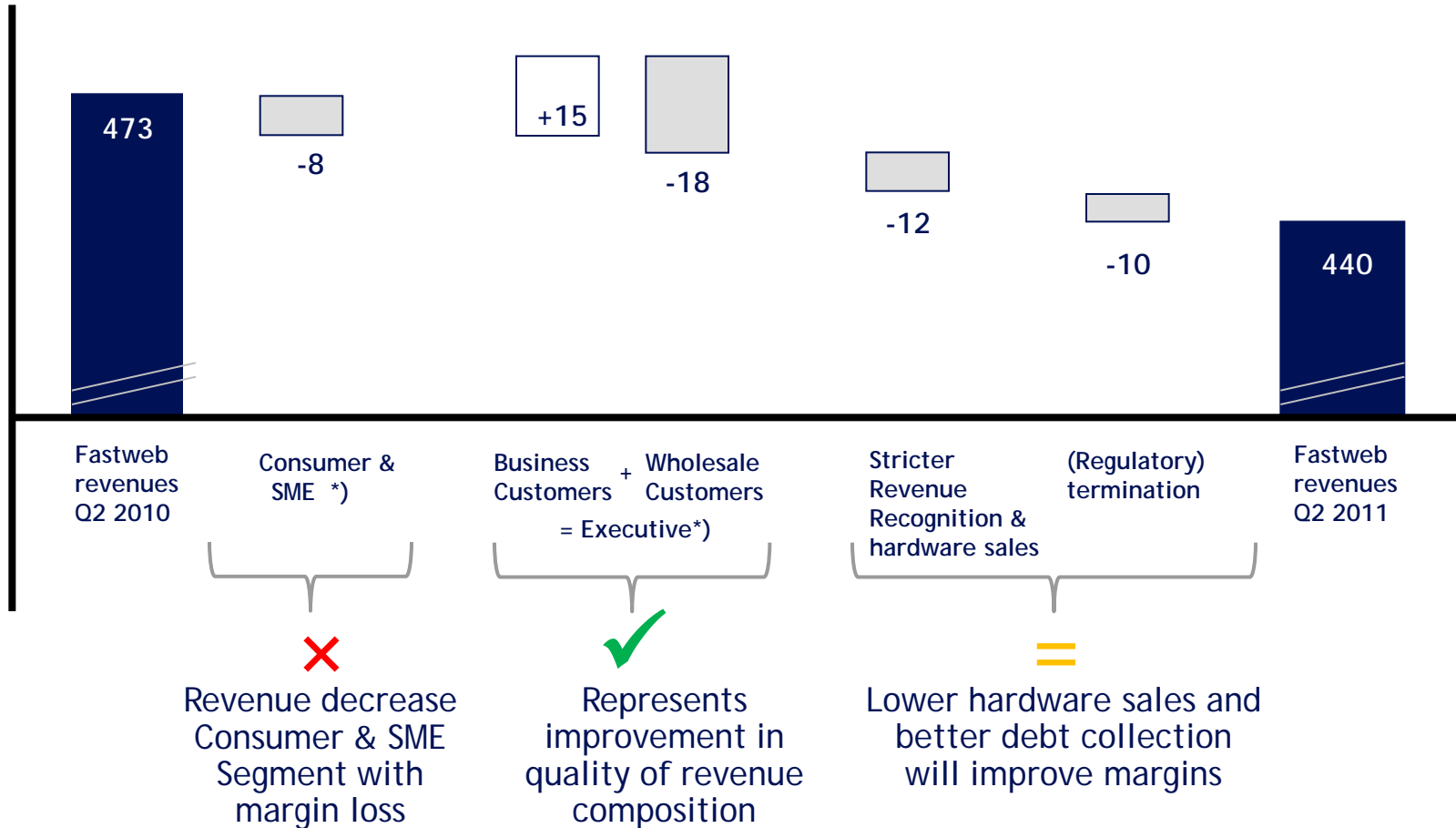
1) Data for non-metered from Q1-2010 onwards: this is traffic created in a bundle, i.e. not separately invoiced

2) New Data: growth despite much lower data roaming prices than in 2010



3. Fastweb, revenue dynamics

Change YoY (Q2 2011 versus Q2 2010) in € mm

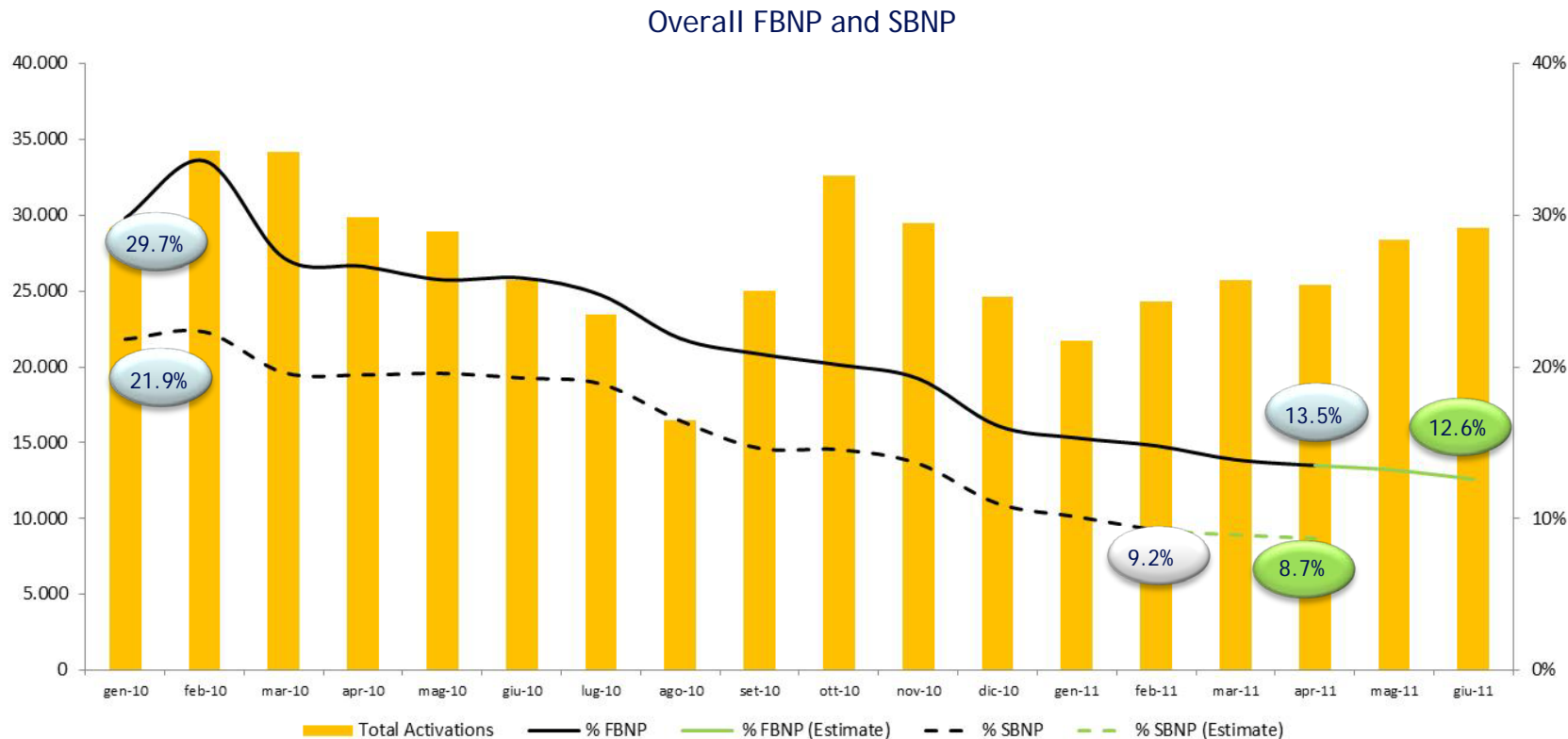


Consumer revenue -11% yoy caused by similar decline in ARPU following aggressive competition

Other revenue "managed" down with lower hardware sales, stricter bad revenue recognition rules and lower termination revenues and cost

*) Represents underlying dynamics without allocation of bad debt and hardware revenue recognition

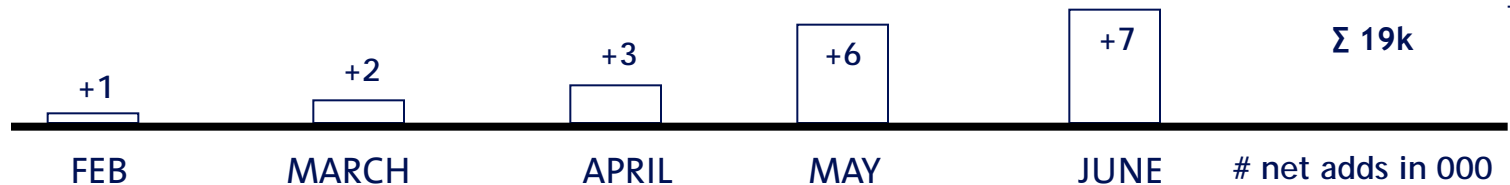
3. Fastweb, development FBNP & SBNP (First and Second Bill Not Paid)



Further improvement in quality of new customers - Trend expected to continue in the coming months
 Over 55% FBNP/SBNP reduction vs January 2010

3. Fastweb, initiatives to improve performance defined and underway

- **Distribution improvement** through Sky Partnership, offering a Broadband/TV bundle:



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- **Key cost reductions** to be realised near term:

target 2013 vs 2011:

1. Bad debt reduction

€ 30 mm

- Lower bad debt/revenues : to <3% from 5%
- Increase cash-in: to 96% from 93%
- Lower First Bill Not Paid from 30% last year to < 15% now

2. Lower cost to connect

€ 25 mm

- From proprietary Home Access Gateway to “off the shelf” modem
- From truck roll out to self install

3. Other

€ 65 mm

- IT / Outsourcing
- Organisational changes & Sites rationalisation (reduction offices)
- IPTV review
- Customer operations excellence / customer care/process improvements

Cash out reduction initiatives underway to lower 2013 cost base versus 2011 by € 120 mm

Agenda Q2: +/-

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

4. Segmental results: residential customers

Financials and operational data

	30.06.2011	YOY
Net revenue in MCHF ¹⁾	2'534	-0.2%
Direct costs in MCHF	-600	-0.3%
Indirect costs in MCHF ²⁾	-434	5.3%
Contribution Margin 2 in MCHF	1'500	-1.6%
<i>Contribution Margin 2 in %</i>	<i>59.2%</i>	
CAPEX in MCHF	58	0.0%
FTE's	4'734	3.2%

	30.06.2011	YOY
Voice lines in '000	2'412	-5.1%
BB lines in '000	1'421	5.3%
Wireless customers in '000	4'534	1.9%
Wireless cancellation rate (annualised)	14.0%	-1pp
Blended wireless ARPU in CHF	40	-2.4%
thereof ARPU new data in CHF	5.0	16.3%
Blended wireless AMPU in Min.	106	5.0%
Wireline traffic national in Mmin.	2'287	-11.6%
Wireline traffic int'l in Mmin.	296	-9.5%
TV subs in '000	497	61.4%

1) incl. intersegment revenues

2) incl. capitalised costs and other income

6m 2011

- Net revenue slightly down by 0.2%. New data, Bundles and Subscriber growth in addition to a higher number of sold smart phones almost compensate lower voice and 1P access revenues
- Wireless revenue up by 1.2%. New Data and Subscriber growth offset lower termination rates and price erosion
- Wireline revenue down -1.9% (new bundle products, broadband subs and IPTV growth nearly compensate voice line loss and price erosion)
- Direct cost stable -0.3% (the effects from higher number of sold smart phones and Swisscom TV is overcompensated by lower outpayments)
- Indirect cost up +5.3% (efficiency gains are offset by expenses for advertising)
- Contribution Margin almost stable at 59.2%
- TV Subscriber up +61.4%
- New Data ARPU up +16.3%

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

Financials and operational data

	30.06.2011	YOY
Net revenue in MCHF ¹⁾	582	0.2%
Direct costs in MCHF	-76	-10.6%
Indirect costs in MCHF ²⁾	-72	9.1%
Contribution Margin 2 in MCHF	434	0.9%
<i>Contribution Margin 2 in %</i>	<i>74.6%</i>	
CAPEX in MCHF	5	66.7%
FTE's	767	2.1%

	30.06.2011	YOY
Voice lines in '000	513	0.0%
BB lines in '000	166	9.2%
Wireless customers in '000	503	5.5%
Wireless cancellation rate (annualised)	7.0%	1pp
Blended wireless ARPU in CHF	87	-5.4%
thereof ARPU new data in CHF	12.7	5.0%
Blended wireless AMPU in Min.	208	0.0%
Wireline traffic national in Mmin.	689	-5.7%
Wireline traffic int'l in Mmin.	84	-6.7%

1) incl. intersegment revenues

2) incl. capitalised costs and other income

6m 2011

- Net revenue up by +0.2 (price erosion compensated by ongoing subscribers, bundles and new data growth)
- Direct costs down by -10.6% due to lower outpayments
- Indirect cost up +9.1% (efficiency gain are overcompensated by expenses for service level and a higher number of FTE)
- Contribution Margin up 0.6%-points to 74.6% due to revenue increase and lower direct costs
- BB lines up +9.2%
- New Data ARPU up 5.0% to 12.7 CHF/month

4. Segmental results: corporate business

Financials and operational data

	30.06.2011	YOY
Net revenue in MCHF ¹⁾	925	1.3%
Direct costs in MCHF	-215	2.4%
Indirect costs in MCHF ²⁾	-234	9.3%
Contribution Margin 2 in MCHF	476	-2.7%
<i>Contribution Margin 2 in %</i>	<i>51.5%</i>	
CAPEX in MCHF	40	33.3%
FTE's	2'351	6.2%

	30.06.2011	YOY
Voice lines in '000	244	-2.0%
BB lines in '000	31	6.9%
Wireless customers in '000	876	14.7%
Wireless cancellation rate (annualised)	6.0%	2pp
Blended wireless ARPU in CHF	62	-8.8%
thereof ARPU new data in CHF	17.4	6.1%
Blended wireless AMPU in Min.	156	-7.1%
Wireline traffic national in Mmin.	761	-3.3%
Wireline traffic int'l in Mmin.	177	-1.7%

1) incl. intersegment revenues

2) incl. capitalised costs and other income

6m 2011

- **Revenue** up by 1.3%, partially by acquisition of Asept. Decline of wireline revenue (price erosion) overcompensated by rising projects/outsourcing and Mobile revenue (subscriber and new data growth)
- **Direct cost** up by +2.4% driven by increase of project/outsourcing business with low margin partly offset by lower outpayments
- **Indirect cost** increase by 9.3% due to the acquisition of Asept, a higher number of FTE and higher cost for ext. employees
- Increase of FTE +6.2% driven by the acquisition of Asept in December
- **Contribution Margin** decreased by 2.1%-points to 51.5% due to change in revenue mix (low margin) and increased indirect costs

4. Segmental results: wholesale

Financials and operational data

	30.06.2011	YOY
Revenue from external customers in MCHF	314	-20.7%
Intersegment revenue in MCHF	194	-25.4%
Net revenue in MCHF	508	-22.6%
Direct costs in MCHF	-305	-26.9%
Indirect costs in MCHF ¹⁾	-9	-18.2%
Contribution Margin 2 in MCHF	194	-14.9%
<i>Contribution Margin 2 in %</i>	<i>38.2%</i>	
CAPEX in MCHF	-	nm
FTE's	103	0.0%

	30.06.2011	YOY
Full access lines in '000	285	30.1%
BB (wholesale) lines in '000	202	-22.3%
Wireline wholesale traffic in Mmin.	4'533	-10.0%

1) incl. capitalised costs and other income

6m 2011

- **Net revenue** decreased by 148 MCHF
 - lower mobile termination rates
 - lower roaming rates
 - ongoing substitution towards full access
 - revenue decrease in data services
- **Direct costs** down by 112 MCHF as many revenue drivers push also down direct cost
- **Full access lines (ULL)** increased substantially, mostly substituting wholesale broadband lines

4. Segmental results: network and support functions

Financials and operational data

	30.06.2011	YOY
Personnel expenses in MCHF	-323	-7.2%
Rent in MCHF	-88	-6.4%
Maintenance in MCHF	-99	-1.0%
IT expenses in MCHF	-136	-18.6%
Other OPEX in MCHF	-145	-1.4%
Indirect costs in MCHF	-791	-7.7%
Capitalised costs and other income in MCHF	81	-6.9%
Contribution Margin 2 in MCHF	-710	-7.8%
Depreciation, amortisation and impairment in MCHF	-422	-3.7%
Segment result in MCHF	-1'132	-6.3%
CAPEX in MCHF	500	28.2%
FTE's	3'987	-1.7%

6m 2011

- **Indirect costs** down by 66 MCHF mostly driven by lower personnel expenses due to a lower number of FTE and cost savings
- **Segment result** increased by 76 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 (28.2%) mainly driven by higher spending for the fibre-infrastructure and the wireless network

4. Segmental results: Fastweb

Financials and operational data

	30.06.2011	YOY
Consumer revenue in MEUR	385	-12.7%
SME revenue in MEUR	112	-8.9%
Executive revenue in MEUR ¹⁾	378	1.9%
Net revenue in MEUR ¹⁾	875	-6.4%
OPEX in MEUR	-674	-11.5%
Capitalised costs and other income in MEUR	29	3.6%
EBITDA in MEUR	230	15.0%
EBITDA in MEUR w/o VAT prov.	230	-14.8%
<i>EBITDA margin in %</i>	<i>26.3%</i>	
CAPEX in MEUR	197	-4.4%
OpFCF Proxy in MEUR	33	nm
FTE's	3'101	-1.0%
In Swisscom accounts	30.06.2011	YOY
EBITDA in MCHF	291	2.1%
CAPEX in MCHF	249	-15.0%
	30.06.2011	YOY
BB customers in '000	1'741	2.8%
Mobile value customers in '000	280	62.8%

1) incl. revenues to Swisscom companies

6m 2011

- Revenues decreased by 6.4% YoY
 - Strategically reduced hardware sales
 - Consumer and SME affected by stronger market competition causing high churn rates and price pressure
 - Executive with revenue growth
- Standalone EBITDA reaches 230 MEUR, down by -14.8% YOY (adjusted for the VAT provision in 2010 of 70 MEUR)
 - competition caused price pressure
 - decrease of high margin revenues
 - Higher net expenses for bad debt provisions
- Contribution to Swisscom EBITDA in CHF +2%, adjusted by the VAT provision posted in 2010 EBITDA decreased by -25%, additionally impacted by the ongoing strengthening of Swiss Franc in a YOY context.
(Currency impact in Swisscom accounts: revenue -137 MCHF / EBITDA -36 MCHF)

4. Segmental results: Other

Financials and operational data

	30.06.2011	YOY
Swisscom IT Services in MCHF	274	14.2%
Swisscom Participations in MCHF	156	0.6%
Hospitality Services in MCHF	35	-5.4%
Other in MCHF	-	n.m.
External revenue in MCHF	465	7.4%
Net revenue in MCHF ¹⁾	852	2.9%
OPEX in MCHF	-722	5.9%
Capitalised costs and other income in MCHF	19	-9.5%
EBITDA in MCHF	149	-10.8%
<i>EBITDA margin in %</i>	<i>17.5%</i>	
CAPEX in MCHF	68	58.1%
FTE's	4'431	3.1%

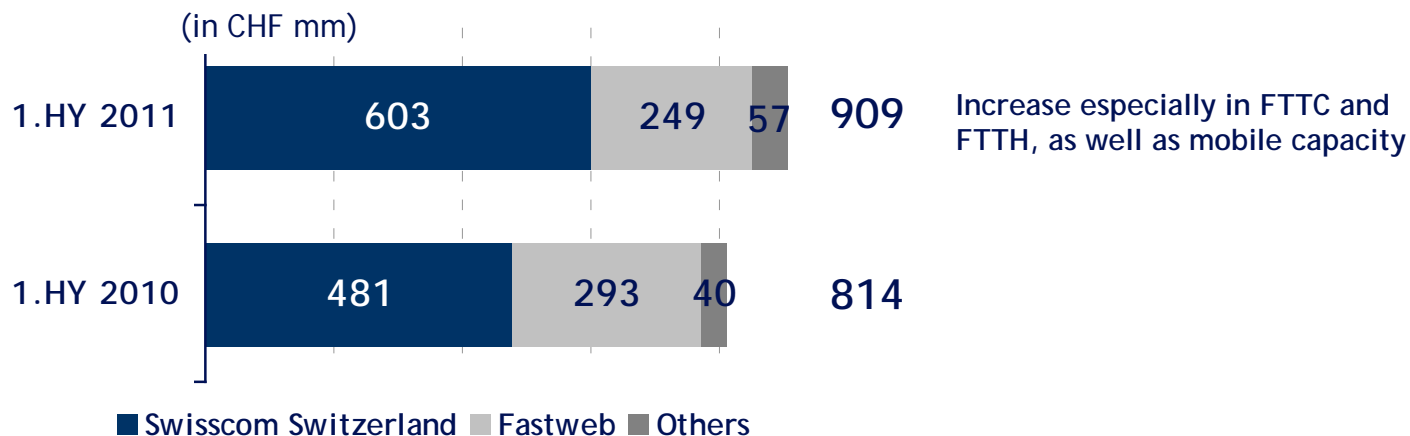
1) incl. intersegment revenues

6m 2011

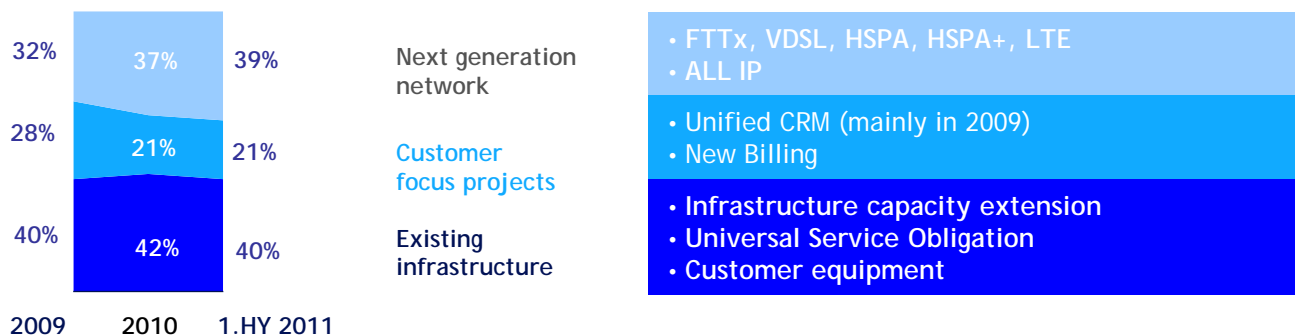
- **External revenue up by 32 MCHF (+7.4%):**
IT Services up by 34 MCHF, half of the increase is due to the acquisition of a new company
- **Intersegment revenues down by 8 MCHF** as a result of reduced intersegment revenues at IT Services
- **EBITDA down by 18 MCHF** and EBITDA margin down by 2.7%-points due to revenue increase with overall lower margins
- **Order intake IT Services 174 MCHF**

5. Group results: capex breakdown

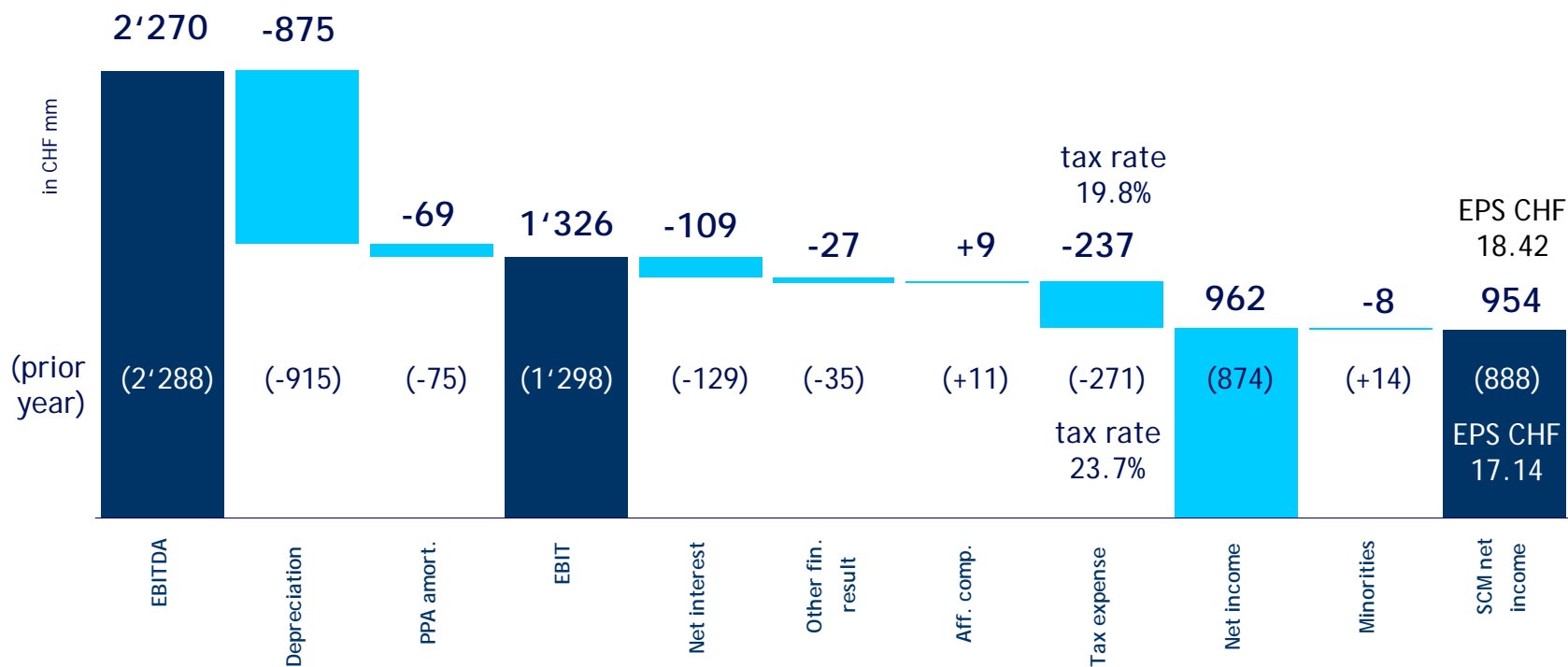
Consolidated CAPEX increase YoY (+95) due to Fiber and wireless rollout SCS



CAPEX of Swisscom Switzerland - trend to invest more into NGN continues

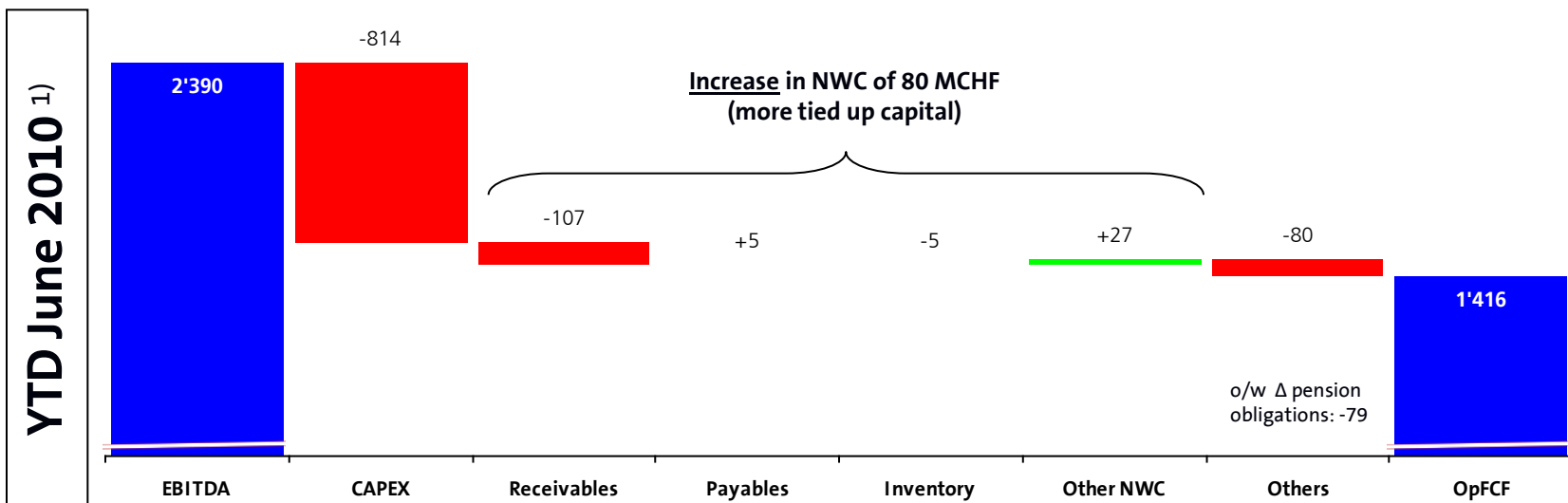
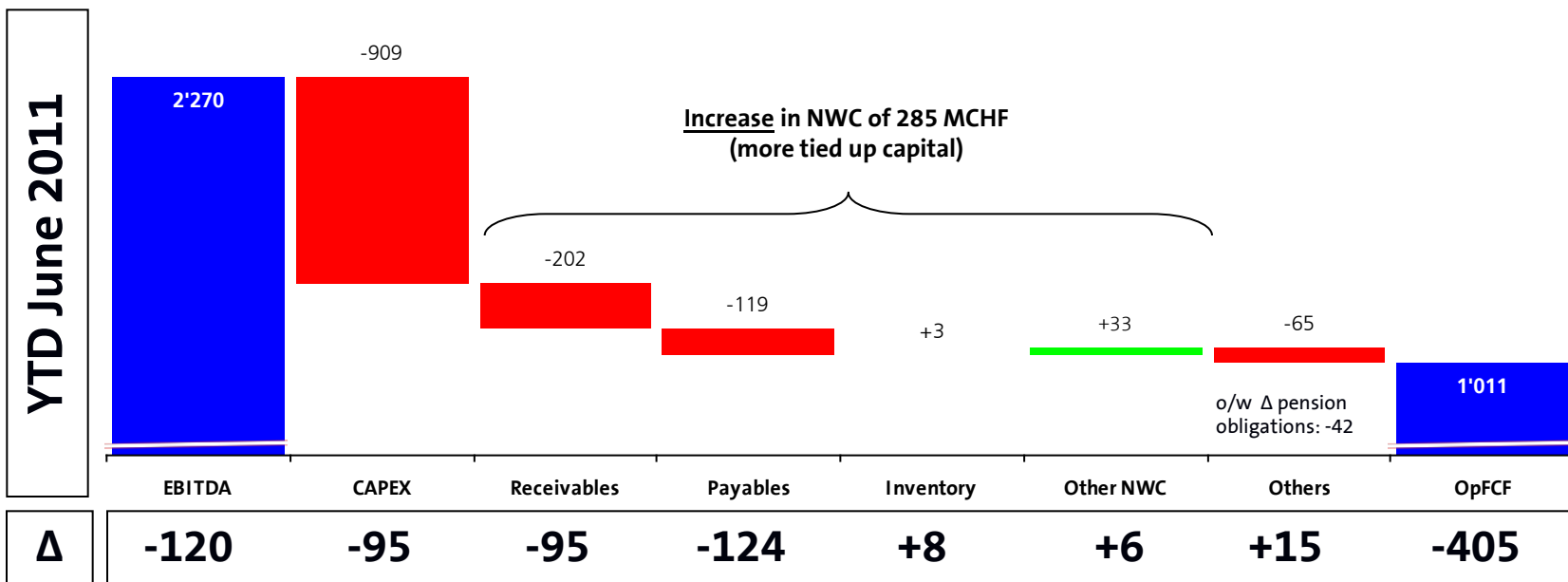


5. Group results: P&L breakdown



Net income up despite lower EBITDA thanks to lower taxes / net interest charges and Fastweb VAT provision posted in Q1 last year

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



1) YTD 2010 on comparable basis: excluding VAT case provision of 102 MCHF, affecting EBITDA and „Others NWC“ equally, posted in Q1/2010.

5. Group Results: Outlook 2011 after the second Quarter

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Swisscom
Group
(including
Fastweb)

CHF bln	2010 Actual	original Guidance	2011 Expected
<i>Exchange rate CHF/€</i>	<i>1.37</i>	<i>1.30</i>	<i>1.20</i>
Revenues	12.0	>11.8	~11.5
EBITDA	4.6	> 4.6	~ 4.6
CAPEX	1.9	< 2	~ 2.0
Dividend/share (payable the year after)	21 (approved by General Assembly, with payment on 29 April 2011)	at least 21 (upon achieving the financial targets above)	at least 21 (upon achieving the financial targets above)

Continuing weakening of Euro versus Swiss Franc causes esp. lower revenue expectation

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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